# PUBLIC WORKS

## AND SOCIAL PROTECTION IN SUB-SAHARAN AFRICA

## DO PUBLIC WORKS WORK FOR THE POOR?

Anna McCord

# Public works and social protection in sub-Saharan Africa

*Do public works work for the poor?*

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UCT PRESS

Public works and social protection in sub-Saharan Africa: Do public works work for the poor?
Published in 2012 in South Africa by UCT Press
an imprint of Juta and Company Ltd
First Floor Sunclare Building, 21 Dreyer Street, Claremont, 7708, South Africa
www.uctpress.co.za


Published in 2012 in North America, Europe and Asia by United Nations University Press
United Nations University, 53-70, Jingumae 5-chome,
Shibuya-ku, Tokyo 150-8925, Japan
Tel: +81-3-5467-1212 Fax: +81-3-3406-7345
E-mail: sales@unu.edu general enquiries: press@unu.edu
http://www.unu.edu

United Nations University Office at the United Nations, New York
2 United Nations Plaza, Room DC2-2062, New York, NY 10017, USA
Tel: +1-212-963-6387 Fax: +1-212-371-9454
E-mail: unuony@unu.edu

United Nations University Press is the publishing division of the United Nations University.

ISBN: 978-1-91989-548-2 (Parent Southern Africa)
ISBN: 978-1-92054-166-8 (WebPDF Southern Africa)
ISBN: 978 -1-92054-1293 (ePub Southern Africa)
ISBN 978-92-808-1204-6 (North America, Europe and Asia)
e-ISBN 978-92-808-7173-9

Library of Congress Cataloging-in-Publication Data
McCord, Anna.
Public works and social protection in sub-Saharan Africa :
do public works work for the poor?/ by Anna Gabriele McCord.

p. cm.
Published in 2012 in South Africa by UCT Press, an imprint of Juta and
Company Ltd.
Includes bibliographical references and index.
ISBN 978-9280812046 (pbk.)
1. Public works--Africa, Sub-Saharan. 2. Poverty--Government policy--Africa, Sub-Saharan.
3. Poverty--Africa, Sub-Saharan--International cooperation. I. Title.
HD4339.M33 2012

352.770967--dc23

2012032013



Cover design: Comet Design Proofreader: Book Genie
Editor: Pauline de Villiers Typesetter: Book Genie

Typeset in 10 pt on 12 pt Minion Pro
This book has been independently peer-reviewed by academics who are experts in the field.

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# Acknowledgements

The author gratefully acknowledges the support of the Southern Africa Labour and Development Research Unit (SALDRU) in the School of Economics at the University of Cape Town (UCT) throughout the researching and writing of this book. Thanks to the UK Department for International Development (DFID) ESAU for funding the initial research, the Centre for Social Science Research and SALDRU at UCT for subsequent financing, the Ford Foundation which generously funded four further years of analysis, and Dr Rachel Slater of ODI for her support in completing the work.

The author also gratefully acknowledges the inputs to the research from colleagues at UCT (Professor Francis Wilson, the late Dudley Horner, Professor Nicoli Nattrass and Professor Murray Leibbrandt); the University of KwaZulu-Natal School of Development Studies (Professors Francie Lund and Julian May), School of Economics (Dr Dori Posel) and the Maurice Webb Race Relations Unit (Dr Paulus Zulu); the Institute of Development Studies at the University of Sussex (Dr Stephen Devereux); the Overseas Development Institute (Simon Maxwell and the late John Roberts); Community Organisation Research and Documentation (CORD) (Peter Derman), as well as the two participating government departments in South Africa, the KwaZulu-Natal Department of Transport and the Roads Agency Limpopo.

Thanks to Matthew Welch of UCT, Sven Golden, Sean Neethling and the data entry team at UCT and Morné Oosthuizen of the Development Policy Research Unit (DPRU) at UCT and Dr Glynn Williams of the University of Sheffield for their technical support.

I am also indebted to Dr Sean Archer of the UCT School of Economics, Dr Michael Samson, Associate Professor of Economics at the Williams College Centre for Development Economics and Director of EPRI and Dr Ephraim Chirwa of the University of Pretoria for their insightful comments and suggestions.

Thanks also go to the research assistants who have worked on the Public Works Research Project at UCT: Kim Adonis, Justin Clegg, Lauri Feldman, Martin McCutcheon, Grant McDermott, Sam Gopane Mabilo, Jeenesh Manga, Daniel Noordman, Nadia Oshri, Laura Poswell, Allison Stevens, Lisa van Dongeren and Owen Willcox, and my dear colleagues in SALDRU, Dr Cally Ardington, Nicola Branson and Brenda Adams for their support. And also thanks to Kate Wilkinson, formerly of CSASP, University of Oxford, in collaboration with whom the Propensity Score Matching analysis was carried out, Karen Press and Pauline de Villiers for their editorial inputs, Sandy Shepherd and Karen Froneman at UCT Press/Juta for their support, and the team at the B&B Office in Broomhill, Sheffield.

Special thanks are due to Professor Francis Wilson for his encouragement and for introducing me to the fascinating world of Public Works, Professor Murray Leibbrandt

for his unfailing enthusiasm, generosity, insights and patient advice, Dr Charles Meth for his invaluable contribution to the final draft, and also to Jan 'Bam-Bam' Dickson for her help on the home front during the years of research, Daphne McCord for her constant support and encouragement, Kate Brian for her inspirational publication record, Jim McCord for always teaching me to see the world differently, and my little son, Sam, for making life fun during the writing of this book.

Finally, thanks are also due to the many Gundo Lashu and Zibambele workers and their families in South Africa, who participated in the survey work and gave up their time to contribute to the focus group discussions.

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# Acronyms

| | |
|---|---|
| AFRICATIP | Association Africaine des Agences d'Exécution des Travaux d'Intérêt Public |
| AGETIP | Agence d'Exécution des Travaux d'Intérêt Public contre le sous-emploi |
| ALMP | Active Labour Market Policy |
| ANC | African National Congress |
| ARV | Anti-Retroviral |
| ASGISA | Accelerated and Shared Growth in South Africa |
| BAPPENAS | Bappenas Badan Perencanaan Pembangunan Nasional |
| BEE | Black Economic Empowerment |
| BIDS | Bangladesh Institute of Development Studies |
| BIG | Basic Income Grant |
| CARE | Cooperative for Assistance and Relief Everywhere |
| CBO | Community-Based Organisation |
| CBPWP | Community-Based Public Works Programme |
| CCC | Civil Conservation Core |
| CCI | Complementary Community Investments |
| CCIP | Complementary Community Investments Programme |
| CDE | Centre for Development and Enterprise |
| CEP | Community Employment Programme |
| CFA | Communauté Financière Africaine |
| CFW | Cash for Work |
| CHS | Community Household Survey |
| CIDB | Construction Industry Development Board |
| CORD | Community Organisation Research and Documentation |
| COSATU | Congress of South African Trade Unions |
| CRIMP | Central Region Infrastructure Maintenance Programme |
| C-SAFE | Consortium for Southern African Food Emergency |
| CSG | Child Support Grant |
| CSSR | Centre for Social Science Research (UCT) |
| CWA | Civil Works Administration |
| DDR | Demobilisation, Disarmament and Reintegration |
| DFID | Department for International Development (UK) |
| DID | Difference-in-difference |
| DoL | Department of Labour |
| DoPW | Department of Public Works |
| DPRU | Development Policy Research Unit (UCT) |
| DRR | Disaster Risk Reduction |
| EAS | Employment Assistance Service |
| ECCD | Early Childhood Care and Development |
| EGS | Employment Guarantee Scheme |

| | |
|---|---|
| EIIP | Employment-Intensive Investment Programme |
| ELR | Employer of Last Resort |
| EMP/INVEST | Employment-Intensive Investment |
| EPRI | Economic Policy Research Institute |
| EPWP | Expanded Public Works Programme |
| ERRA | Ethiopian Rural Roads Authority |
| ESAU | Economics and Statistics Analysis Unit |
| EU | European Union |
| FAS | Foras Aiseanna Saothair |
| FBO | Faith-Based Organisation |
| FERA | Federal Emergency Relief Administration |
| FEWS | Famine Early Warning System |
| FFA | Food for Assets |
| FFP | Food for Peace |
| FFW | Food for Work |
| FFT | Food for Training |
| FGT | Foster-Greer-Thorbecke |
| FSP | Food Security Programme |
| GDP | Gross Domestic Product |
| GE | Government Employment |
| GEP | Government Employment Programme |
| GES | Government Employment Scheme |
| HABP | Household Asset Building Programme |
| HBC | Home-Based Care |
| HCBC | Home Community-Based Care |
| HIV/AIDS | Human Immune Virus/Acquired Immune Deficiency Syndrome |
| HSL | Household Subsistence Line |
| IDS | Institute of Development Studies, University of Sussex |
| IES | Income and Expenditure Survey |
| IFA | Inputs for Assets |
| IFP | Inkatha Freedom Party |
| IFPRI | International Food Policy Research Institute |
| IFW | Inputs for Work |
| IHS | Integrated Household Survey |
| ILO | International Labour Organisation |
| ILTPWP | Improving Livelihoods Through Public Works Programme |
| ISRDS | Integrated Sustainable Rural Development Strategy |
| JGSY | Jawahar Gram Samridhi Yojana |
| JRY | Jawahar Rozgar Yojana |
| KDP | Kecamatan Development Programme |
| KZN | KwaZulu-Natal |
| LBIP | Labour-Based Infrastructure Programme |

| | |
|---|---|
| LFS | Labour Force Survey |
| LIC | Low-Income Country |
| MGNREGS | Mahatma Gandhi National Rural Employment Guarantee Scheme |
| MASAF | Malawi Social Action Fund |
| MCC | Municipal Consultative Councils |
| MEGS | Maharashtra Employment Guarantee Scheme |
| MIC | Middle-Income Country |
| MIG | Municipal Infrastructure Grant |
| MTR | Mid-Term Review |
| NEDLAC | National Economic Development and Labour Council |
| NEEP | National Emergency Employment Programme |
| NFBR | Net Financial Benefit Ratio |
| NGO | Non-Governmental Organisation |
| NQF | National Qualifications Framework |
| NRM | Natural Resource Management |
| NREGA | National Rural Employment Guarantee Act |
| NSNP | National Safety Net Programme |
| NTC | National Technical Certificate |
| NYA | National Youth Administration |
| OECD | Organisation for Economic Cooperation and Development |
| OHS | October Household Survey |
| PCR | Project Completion Report |
| PEL | Programmea de Emergencie Laboural |
| PIC | Poverty Incidence Curve |
| PIG | Provincial Infrastructure Grant |
| PK | Padat Karya |
| PMU | Programme Management Unit |
| PPPs | Public–Private Partnerships |
| PSM | Propensity Score Matching |
| PSNP | Productive Safety Nets Programme |
| PWA | Public Works Administration |
| PWP | Public Works Programme |
| QUANGO | Quasi Non-Governmental Organisation |
| RAL | Roads Agency Limpopo |
| RDP | Reconstruction and Development Programme |
| RRTF | Rural Road Transport Forum |
| SALDRU | Southern Africa Labour and Development Research Unit (UCT) |
| SAQA | South African Qualification Authority |
| SETA | Sectoral Education and Training Authority |
| SGRY | Sampoorna Gramin Rozgar Yojana |
| SMME | Small, Medium and Micro-Enterprises |
| SOCPEN | Social Pensions Database (Department of Social Development, South Africa) |

| | |
|---|---|
| SODS | School of Development Studies, University of KwaZulu-Natal |
| SPLIFA | Sustainable Livelihoods through Inputs for Assets |
| SPWP | Special Public Works Programme |
| SRM | Social Risk Management |
| Stats SA | Statistics South Africa |
| SSA | Sub-Saharan Africa |
| TASAF | Tanzanian Social Action Fund |
| TB | Tuberculosis |
| TFDA | Targeted Food Distribution for Assets |
| UCT | University of Cape Town |
| UIF | Unemployment Insurance Fund |
| UNECA | United Nations Economic Commission for Africa |
| US | United States |
| USA | United States of America |
| USAID | United States Agency for International Development |
| VCT | Voluntary Counselling and Testing |
| WDR | World Development Report |
| WfW | Working for Wetlands |
| WfW | Working for Water |
| WFP | World Food Programme |
| WPA | Works Progress Administration |
| YEEP | Youth Employment and Empowerment Programme |

# Preface

Public works programmes (PWPs) are popular instruments for the delivery of social protection and are widely implemented in low- and middle-income countries throughout Asia, Latin America and Africa, often with funding from the major international donor agencies. PWPs are perceived to present a win-win policy option, addressing both poverty and unemployment, while also creating assets, and in this way, offering a welfare transfer which is also a tangible economic investment. This makes them an attractive option for policy-makers and donors, particularly in the wake of the 2008/9 food, fuel and financial crisis, often as part of Productive Safety Net Programmes.

However, this book argues that the assumptions underlying the selection of PWPs in preference to alternative social protection instruments may sometimes be based on overly optimistic expectations about the direct and indirect impact of such programmes, particularly when implemented in contexts of chronic poverty and structural unemployment. In the light of this argument, the book explores two fundamental questions about which the current literature is largely silent:

- In which contexts are public works programmes appropriate instruments to deliver social protection?
- How can design and implementation choices in public works programming promote more effective responses to chronic poverty?

This book reviews these critical questions from both theoretical and empirical perspectives, drawing on evidence from the existing literature as well as original research, including a review of over 200 PWPs implemented throughout sub-Saharan Africa (SSA), analysis of PWPs from Asia, Latin America and OECD countries, and programme evaluations from southern Africa, illustrated by detailed survey data analysis from two contrasting case studies of PWPs in South Africa.

While the beneficial impact of PWPs on consumption-smoothing in contexts of temporary labour market disruption, their potentially positive counter-cyclical impact and their potential to function as automatic stabilisers in the immediate wake of economic crises have been widely discussed in the international literature, the evidence of the impact of such programmes on poverty in contexts of structural unemployment has been largely neglected, and it is this question that is the focus of this book. This issue is critically important within the policy debate, as PWPs are frequently selected in preference to alternative forms of social protection, such as cash transfers, particularly in sub-Saharan Africa, despite the fact that there is little evidence that PWP implementation results in significantly improved outcomes for the poor.

Much of the current development discourse, as articulated by donors and many government agencies with an interest in social protection provision, identifies PWPs as the preferred policy response to the problem of the working-age poor unemployed

and underemployed[1] in preference to cash transfer alternatives. More recently, with the introduction of the language of 'productive safety nets', the set of aspirations surrounding public works has been extended to include livelihoods promotion, improvements in productivity and even graduation out of poverty, along with making a contribution to national growth. However, the absence of an evidence base limits the potential to assess performance in each of these areas and undermines the possibility of informed policy selection.[2] This book explores the role and limitations of PWPs in such contexts, focusing particularly on the questions of programme impact and incidence (ie who benefits from programme implementation), drawing lessons from the international experience and outlining the key programme design implications. The key analytical and design considerations that need to be considered when developing programmes so that they are likely to provide social protection, in the context of chronic poverty, are also set out.

This book also addresses problems which arise from the adoption of the generic term 'public works' to describe what is in fact an extremely heterogeneous policy instrument with a wide array of different forms. In order to address this challenge, a typology of PWPs is presented, together with a schema of PWP objectives, to assist in the development of a more informed and constructive policy debate, and improved social protection policy selection and design.

The book may be read as a whole or dipped into to explore particular issues of interest, with each section being largely independent and aiming to explore a specific question. It does not aim to present an exhaustive analysis of the PWP genre and does not explore in any detail the political economy and social theory questions arising. However, by raising key questions and sharing experience of public works programming gathered over the last two decades, it aims to challenge some of the assumptions currently underlying PWP design to promote informed discussion among policy-makers and programme-designers, to stimulate increased mindfulness in future programming in this sector and to improve the quality of programme outcomes for the poor.

1 Throughout this book the term 'unemployed' will be used to cover both these categories, for the sake of brevity. This shorthand reflects the fact that the division between these two categories is not necessarily absolute in many middle- and low-income countries.

2 The 'Transfer Project', a five-year research programme, was initiated in 2010 by FAO, UNICEF, Save the Children UK and the University of North Carolina in recognition of the critical evidence gap relating specifically to the productivity-enhancing impact of social protection provision. See http://www.cpc.unc.edu/projects/transfer/

# Introduction

## PWPs and social protection: the evidence and the challenges

Public Works Programmes (PWPs) are a key component of current social protection provision in many sub-Saharan African countries, often constituting the only form of social security available for the able-bodied working-age poor. PWPs are centrally placed in the conceptualisation of social policy and are ascribed considerable potential to address the core challenges of both unemployment and poverty. Despite this policy prominence, PWPs have not been studied systematically, and very little research has examined the micro- and macro-economic, and labour market impacts of these programmes, or their incidence or cost, particularly in relation to PWPs implemented in sub-Saharan Africa, rendering evidence-based policy choice and programme design in this area problematic.

Notwithstanding the lack of an empirical evidence base about PWP performance, large numbers of PWPs are implemented in situations of chronic poverty across sub-Saharan Africa, with more than 200 programmes implemented in the region in the last decade (McCord and Slater, 2009). While ambitious goals are often articulated in the rhetoric accompanying these programmes, relating to the reduction of poverty, the promotion of livelihoods graduation and economic stimulation, the likelihood of programmes attaining these goals is open to question, and formal (unpublished) programme evaluation work carried out by donors in the early 2000s suggests that some PWPs may be costly, inefficient and ultimately ineffective in terms of their social protection impact. This situation has an added urgency given the lack of voice of PWP beneficiaries, for whose benefit PWPs have been repeatedly selected in preference to alternative policy options which may be more effective in terms of the provision of social protection in the context of chronic poverty. This book attempts to explore some of these issues which are ignored in the mainstream policy debate and also to make a contribution to the development of a more rigorous and systematic analysis of PWPs to inform future programming.

Foremost among these issues is the concern that PWP performance is critically linked to the specific labour market context in which it is implemented, and that the dominant form of PWP offering short-term employment, which represents the overwhelming majority of PWPs in sub-Saharan Africa (96 per cent according to McCord and Slater, 2009), may not function effectively in contexts where unemployment is structural rather than transient.[1]

This book explores the concern that such programmes may not reduce poverty or improve livelihoods in the medium to long term, and the benefits accruing may be only temporary, rendering PWPs not developmental instruments, as is often anticipated, but rather instruments offering only a transitory respite by providing a temporary reduction in the depth of poverty. The implication, which is echoed in the findings of the limited

1 See Chapter 2 for a more detailed discussion of PWP programming in sub-Saharan Africa.

number of other researchers who have explored PWP impact, is that PWPs may not, as has frequently been anticipated, confer significant or sustained social protection benefits and hence, may not represent a cost-effective means of delivering support to the poor unless they also confer significant additional benefits to the broader community through the assets created or skills transferred. This book explores whether PWP popularity is at least in part, based on a set of assumptions and beliefs, and possibly also ideologically informed preferences, rather than on a robust evidence base relating to actual performance and outcomes.

## The nature of PWPs

Many different kinds of interventions share the general term 'Public Works Programme'. The core PWP concept implies the provision of an employment-based form of support for the under- or unemployed, in which a wage is provided in return for labour. The key characteristic of such programmes is that they provide employment in the creation of public goods at a prescribed wage, for those unable to find alternative employment.

Within the social protection discourse, PWPs tend to have as their primary objective the provision of social assistance for poor households with working-age members who are not able to find work or pursue their normal livelihood activities due to some form of acute or chronic disruption in the labour market. They are intended to provide a basic income to support household consumption and prevent the distress-selling of assets to meet subsistence needs, and frequently involve the creation or maintenance of potentially productive infrastructure, such as roads or irrigation systems, which are also intended to contribute to the livelihoods of participants and the broader community.

Such programmes have the objective of providing a safety net when regular wage employment or participation in normal livelihood activities is disrupted due to an economic, political or environmental shock, or in response to situations of chronic unemployment, resulting from structural shifts in the economy.

Additional programme objectives may include skills development through work experience and on-the-job training, accumulation of financial and material assets, the promotion of livelihoods, stimulation of economic growth through the promotion of demand and creation of productive assets or the maintenance of social and political order in the context of unacceptably high levels of unemployment and poverty. These objectives are explored in more detail below.

Participation in a PWP is usually on the basis of self-selection, according to the principle of 'less eligibility'. This implies that 'relief (social assistance) should be limited to an amount and administered in a manner which leaves the recipient worse off than the employed' (Barr, 1998: 17). The value of the wage in a PWP is typically kept low in order to ensure that programme participation is only an attractive option for the poor and will not result in labour market distortion with workers being drawn out of other forms of low-paid employment. However, despite the less-eligibility principle, in most programmes the number of those seeking PWP employment significantly exceeds the number of jobs available, and access is rationed using a variety of mechanisms. These include targeting on the basis of demographic or geographical characteristics, community-targeting

(where employment is allocated by communities among themselves), the allocation of employment through lottery systems or the application of a 'first come first served' rule.[2] In the very limited number of cases where employment is offered to all those seeking work, or at least one member of all work-seeking households, the programme is known as 'universal'.

The PWP wage (in cash or in kind) is usually given in return for a set amount of work. This is often defined in terms of the completion of a particular task (known as 'task-based employment'), in order to avoid perverse incentives for workers to extend the time taken to complete a given task, thereby avoiding the potential efficiency trade-offs which could result from the adoption of a PWP mode of asset production.

PWPs adopt a range of different payment modalities. The majority of PWPs offer either food or cash in return for physical labour and are known as food-for-work (FFW) or cash-for-work (CFW) programmes, respectively. Other PWPs offer alternative forms of payment, such as inputs-for-work (IFW), where the wage is paid in the form of agricultural inputs (such as fertilisers and seeds), as in the Malawian government's Sustainable Livelihoods through Inputs for Assets (SPLIFA) programme. Whether cash, food or other inputs are the most appropriate mode of payment varies according to the nature of the shock to which the PWP is a response and the extent to which markets are able to function. In situations where security is poor, food is not readily available or food price inflation is high, food often remains the optimal form of payment and the most popular with beneficiaries (Basu, 1996; Sabates-Wheeler and Devereux, 2010).[3]

In some programmes, the wage in the form of food is used as an incentive to mobilise communities to construct assets (food-for-assets or FFA) or to participate in training programmes (food-for-training or FFT). Programmes using a food rather than a cash wage tend to be implemented or supported by agencies such as the United States Agency for International Development (USAID) or the World Food Programme (WFP) (for whom the US is a major in-kind donor) which have historically had significant food stocks at their disposal but limited access to capital to fund cash-for-work (CFW) or other forms of social protection (see McCord, 2005). Recently, the WFP has adopted the term 'food-for-assets' (FFA) to describe interventions in which the assets created have a greater importance in terms of the development of livelihoods than their more crisis-related food-for-work (FFW) programmes in which employment rather than asset creation is primary.[4]

### *Diversity of PWPs*

The term PWP is used widely in the literature as though it has a commonly accepted meaning, whereas in fact it is used to describe a wide range of heterogeneous interventions.

2 PWP rationing measures are discussed in detail in Coady, Grosch and Hoddinott (2002), and also in Lieuw-Kie-Song and Philip (2010). This issue is not explored further in this book.

3 Sabates-Wheeler and Devereux's findings are based on a study testing the relative impact of different forms of PWP remuneration and beneficiary preferences, under the Productive Safety Net Programme (PSNP) in Ethiopia.

4 The shift in terminology is intended to indicate that food is being given to assist communities in producing assets that will be of economic value, in an attempt to move away from the beneficiary perception that the work requirement represents solely a form of conditionality which must be fulfilled in order to access food, irrespective of the quality or value of the asset created (McCord, 2005).

In addition to the differences in implementation modalities outlined in previous pages, a range of fundamentally different types of programmes share the PWP terminology, some offering a single episode of short-term employment and others providing ongoing or repeated episodes of employment, some operating on a small localised scale and others implemented nationally, some implemented in response to acute crises others in response to long-term structural changes in the economy, and also many programmes for which the immediate social protection benefits relating to the wage are subsidiary to objectives relating to infrastructure provision, training or other social or political outcomes. The range of forms of PWP are discussed in detail in Chapter 2, and a typology of programmes is presented, in order to clarify the debate.

The tendency to use the generic term 'public works' for such a multitude of divergent programmes, diverse in terms of both design and objectives, is problematic. This conceptual mêlée is acknowledged by Subbarao, who states that '[t]here is much confusion about the meaning and scope of public works programs (also known as workfare programs) across countries.' (2001: 2)

An additional complexity alluded to by Subbarao is that within the PWP discourse the term 'workfare' is sometimes used synonymously with 'public works', particularly in the World Bank literature (see, for example, Vodopivec, 2004). This is problematic, given the specific ideology and set of policy objectives associated with the workfare concept,[5] and the fact that this represents only one possible component of the broader and pluralistic public works concept.

This undifferentiated use of the term 'PWP' results in a range of different programmes which share a common work requirement but are otherwise disparate in form, design and implementation modalities, being described by a single nomenclature. In many (although not all) instances, social protection is a key objective, but in some cases, PWPs are primarily instruments of active labour market policy (ALMP) rather than social protection *per se*, wherein the generation of aggregate employment rather than the provision of social assistance to a specific target group through the wage transfer is the primary objective (Gottschalk, 1997). Despite the multiple and diverse forms that PWPs may take, this complexity is not recognised in the literature, which instead often elides different concepts and programme interventions under the single generic term public works. The use of a common term in both the social protection and ALMP literature often results in inconsistent and inappropriate programme design choices and programme expectations (McCord, 2004a). The adoption of the generic term PWP has resulted in the widespread implementation of PWPs whose design is not appropriate for the particular labour market or socio-economic context, or the desired social protection outcomes, with the result that programmes repeatedly fail to meet policy expectations, an issue which is explored in more detail in the following chapters.

5 Workfare is associated with the US active labour market policies initiated in the 1980s, and similar UK policies, known as 'welfare to work', which attempted to make the unemployment benefit conditional on taking up work opportunities offered to the unemployed, thereby attempting to reduce frictional unemployment and in this way bring down unemployment and demand for social welfare support (McCord, 2007b).

## PWPs and social protection: The evidence gaps and challenges

The major focus of recent research into PWPs has been related to their cost-effectiveness, in terms of cost per unit of transfer delivered to participants. Ravallion and Subbarao have carried out seminal work examining the cost-effectiveness of the PWP as a transfer instrument (see, for example, Ravallion, 1998; Subbarao et al., 1997). Their work examines the efficiency of PWPs as a mechanism to deliver social protection, from a primarily cost perspective. However, the literature is more limited on the question of the impact of PWPs: 'An exhaustive literature search revealed a surprising dearth of detailed and credible evidence on the impacts of employment creation across the world.' (Devereux and Solomon, 2006: 37).

This problem is particularly acute in terms of the impact of PWPs implemented in sub-Saharan Africa. Most of the research carried out to date has examined PWPs in Asia or South America.

Equally, the existing literature fails to analyse the ways in which PWP implementation confers social protection benefits, focusing almost exclusively on the direct impact of the wage and assuming a range of indirect benefits from the employment and assets created, rather than exploring empirically the range of potential benefits from PWP skills development and work experience, or the infrastructure created, and the distribution of these benefits. The literature is also limited on the question of PWP incidence, ie which segments of the population benefit from PWP participation. This constitutes a major omission in terms of assessing the social protection performance of PWPs, since in the absence of this analysis it is not clear which section of the population is reached by these programmes. The implication of these omissions is that attempts at impact analysis (and meaningful cost-effectiveness assessment) are severely compromised. This renders evidence-based policy choice problematic, in terms of the selection of PWPs in preference to alternative social protection instruments.

A review of the current literature indicates that lack of conceptual consistency relating to the term PWP noted earlier is exacerbated by key evidence gaps relating to impact and incidence, and by a number of other obstacles, among which the most fundamental are the emerging empirical challenges to the assumed self-targeting efficacy of PWPs and problems relating to the tensions inherent in programmes which attempt to create infrastructure and simultaneously provide significant social protection impacts. These issues are summarised later on and explored in detail in the chapters that follow.

### *Impact*

PWP impact can be assessed in terms of both the immediate impact during the period of participation (resulting from the wage income) and the intermediate or sustained impact after programme participation has been completed (which can be due to a range of direct and indirect factors). Both dimensions of impact are discussed on the pages that follow.

Within the social protection discourse (among donors, implementing agencies, programme-designers, civil servants and politicians), there is a dominant assumption that the implementation of PWPs will confer significant short-term and frequently

also medium- to long-term benefits in terms of reduced poverty and improved livelihoods. This assumption is often associated with PWPs irrespective of the duration of employment provided or other key design features. However, the literature is relatively sparse in terms of a critical engagement with the expectation that PWPs will have a significant and sustained social protection impact. There are only a limited number of researchers working in the area of PWP overall and a smaller number examining PWP in sub-Saharan Africa in particular.[6] There is a larger body of work relating to the impact of PWPs in India,[7] which has produced a rich seam of research related to the long-running Maharashtra Employment Guarantee Scheme (MEGS) initiated in 1965, the Jawahar Rozgar Yojana (JRY) and the recently launched Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS). The work examining the JRY and MEGS tends to be of greater methodological sophistication than work on other PWPs, largely due to the 40-year history of the scheme, which has made possible the gathering of longitudinal data and so provided a rich source of data for analysis.

### Short-term impacts

The literature assessing the short-term social protection impact of PWP participation tends to use simplifying assumptions which do not adequately recognise the specificities of PWPs compared to other forms of social protection. The most significant among these is the limited attention given to the opportunity cost of PWP participation as a result of income and non-remunerated activities forgone (domestic work, child care, fulfilment of subsistence farming responsibilities) when calculating the net income benefit from programme participation[8] and the potentially negative impact on livelihoods. Also, impact assessments typically fail to take into account the significant but often invisible issue of the transaction costs of accessing PWP employment, such as transportation costs, or the rents associated with gaining access to PWP employment (Pellisery, 2008), or the fact that the physical labour requirements of a PWP may entail a trade-off between household welfare benefits and individual PWP worker welfare and nutrition (issues which are explored in detail in Chapter 4). These considerations illustrate that PWPs present particular analytical challenges to assessing programme impact, over and above those commonly considered in the social protection discourse and relating to less complex forms of social assistance, such as cash transfers.[9]

6 Those working on PWPs generically include, most notably, Subbarao and Ravallion (see, for example, Subbarao 1997, 2001, 2003; Subbarao et al., 1997; Ravallion, 1998; Ravallion et al., 1991 and Ravallion and Datt, 1995). There are only a small number of others working on either area- or country-specific analysis outside Asia, notably Devereux in southern and eastern Africa (see, for example, Devereux, 2000; and Devereux and Solomon, 2006), Adato and Haddad in South Africa (see Adato et al., 1999, 2001); Gilligan, Hoddinott and Tafesse, and Sharp in Ethiopia (see, for example, Gilligan, Hoddinott, Kumar and Tafesse, 2009; Gilligan, Hoddinott and Tafesse, 2008; and Sharp et al., 2006); and Chirwa and Mvula in Malawi (Chirwa et al., 2004a, 2004b; Chirwa and Mvula, 2004; Chirwa, 2007).

7 Most notably the works of Datt, Dev, Dreze, Gaiha and Ravallion.

8 With the notable exceptions of Lipton (see, for example, Lipton et al., 1998) and Jalan and Ravallion (2003), as discussed in Van de Walle (1998).

9 It is interesting to note that all but the first of these issues is excluded from discussion in the section on PWP evaluation in the World Bank's social protection toolkit (Ravallion, 2003).

The literature on the direct short-term impacts of PWP participation is limited to outside analysis relating to programmes in India, Argentina and Ethiopia (see, Hagen-Zanker, McCord and Holmes, 2011). Instead, the primary research and evaluation focus has been on: 1) the cost of the resources expended through a PWP, in terms of allocations to wages and assets, and 2) the number of days of employment offered or people employed. This emphasis on cost, process indicators and outputs rather than ultimate outcomes fails to assess real impacts on participating households, and typifies current PWP monitoring and evaluation practices adopted by donors and governments. This was a key finding of a recent study by the Independent Evaluation Group of the World Bank into the Bank's public works programming over the last decade (IEG, 2011). This input-oriented monitoring and evaluation style is typical of PWP monitoring and analysis throughout the continent, with, for example, Karuri, McCord and Hemson (2007) outlining similar practices relating to the evaluation of the first phase of the South African government's Expanded Public Works Programme (EPWP) in the early 2000s.

#### Medium-term impacts

Another major research gap relates to the medium- to long-term impact of PWP implementation. This question is not so urgent in the case of PWPs implemented in response to short-term crises, which aim to provide a single episode of consumption-smoothing during a limited period of labour market disruption. However, where the labour market or livelihood problem is chronic, or cyclical, and the PWP response is the provision of a single, often brief episode of PWP employment, understanding the medium-term impact of this episode of employment is critical if an assessment is to be made of the relevance and appropriateness of such an intervention. This situation typifies PWPs in much of sub-Saharan Africa (including, for example, the EPWP in South Africa) and many PWPs implemented under the World Bank-supported Social Funds (for example, the MASAF in Malawi). In these projects, a short episode of PWP employment is offered in the context of a cyclical or chronic labour market or livelihood crisis, with the objective of achieving sustained and significant poverty reduction outcomes. Given the large number of PWPs offering single, short episodes of employment, implemented in contexts of chronic poverty and structural unemployment with objectives relating to sustained poverty reduction, an exploration of this issue is long overdue.

Similarly the evidence base on the medium-term impact of the assets created through PWPs on livelihoods and economic development is extremely limited despite the fact that the creation of assets is a major reason for preferring PWPs to alternative social protection instruments. As a result of this neglect in the literature of the medium-term labour market and income effects of PWPs, and the impact of the assets created, PWP theories of change are informed primarily by assumptions regarding medium-term impacts rather than empirical evidence.

### *Incidence and self-targeting*

There is very little evidence outside South and Eastern Asia on PWP incidence and, therefore, on the distribution of PWP benefits. The research available is primarily focused on

the Indian JRY (see, for example, Ghosh and Guha-Khasnobis, 2006), MEGS (for example, Gaiha, 2000, 2005) and the Indonesian Padat Karya (PK) (Suryahadi, Suharso and Sumarto, 1999), with no similar systematic analysis of PWP incidence being documented in sub-Saharan Africa. In the absence of evidence, it is widely assumed that PWPs spontaneously result in the allocation of resources (employment) to the poor, and the selection of PWPs over alternative instruments is frequently predicated on the assumption that the poorest will self-select into PWPs without the need for costly targeting procedures on the basis of the limited wage which, it is assumed, renders PWP employment unattractive to the non-poor.

However, the limited empirical evidence available challenges this assumption, suggesting that significant inclusion and errors can prevail within PWPs despite the limited wage (see, for example, Lembani and Madala, 2006). It cannot be assumed that PWPs effectively channel resources to the poorest on the basis of self-selection, and there is a need for empirical incidence analysis to establish an evidence base to ascertain which segment(s) of the population actually participate in PWPs. The repeated implementation of PWPs as social protection instruments in the absence of information on incidence is problematic. Unless the characteristics of beneficiaries are known, it is not possible to assess the extent to which social protection resources are being provided to the intended beneficiary group or the extent of inclusion and exclusion errors. However, this lack of information on targeting performance has characterised PWP implementation throughout sub-Saharan Africa and beyond, during recent decades, as recognised in the recent World Bank review (IEG, 2011).

The literature is largely silent on the question of the extent to which the work requirement and low wage lead to 'self-targeting' on the basis of 'less eligibility', in the sense that only the poorest choose to participate in a PWP where there is a physical labour component and a low wage, as anticipated in the conventional PWP discourse.[10] Irrespective of the lack of empirical evidence to support the assertion, the mainstream PWP literature tends to reiterate the desirability of adopting the 'less eligibility' criterion for participation in PWPs, on the basis of the assumption that imposing a work requirement and offering a low wage represent an effective and low-cost way of targeting the poor rather than requiring the implementation of external control and screening, with the associated costs: 'Maintaining the program wage at the level no higher than the ruling market wage for unskilled labour can enable the poor to self-select themselves into the program.' (Subbarao, 1997: 5).

Subbarao argues that a key benefit associated with a relatively low-wage rate is that it is likely to reduce the need for rationing access to PWP employment by reducing demand. If a programme is implemented on a scale such that employment is available to all the eligible poor who seek it, then this approach does have the potential to prevent the need for rationing access. However, situations where the number of jobs provided

10 See discussion in Meth (2003).

in a programme matches or exceeds demand for employment even at a low-wage rate are extremely rare, with most PWPs, especially in sub-Saharan Africa, offering a limited number of employment opportunities relative to the scale of under- and unemployment. Anecdotal evidence suggests that demand outstrips employment availability in almost all cases, although typically data is not systematically gathered on this critical question.

The efficacy and desirability of self-targeting through a low wage has been challenged from two perspectives in recent years. The first questions whether a limited wage does in fact result in participation of the intended beneficiaries (Barrett and Clay, 2003) and the second, whether the payment of a low wage to facilitate targeting might be in tension with the social protection objectives of the intervention (Devereux, 2002). Subbarao himself concedes this latter point but does not pursue it in terms of its social protection implications (Subbarao, 1997: 2), and low wages tend to characterise PWPs, particularly those supported by the World Bank, throughout sub-Saharan Africa (McCord and Slater, 2009). This issue is explored in more detail in Chapter 5.

### *Employment and infrastructure trade-offs*

There is a prevalent and much repeated assumption that PWPs involving labour-based infrastructure creation represent a way of killing two birds with one stone: addressing both the infrastructure deficit and poverty simultaneously by creating infrastructure while at the same time providing employment which offers a route out of poverty (Tessem, 2007). This assumption is summarised in a statement outlining the ILO's position on the relationship between PWPs and social protection:

> *In Africa, as in many other developing countries, the twin challenges of employment and infrastructure have been recognised as the most pressing of the national and regional development goals set by ourselves and those we have agreed to collectively, ie Millennium Development Goals, are to be met. Employment-intensive investment approaches present an opportunity through which the two challenges can be addressed simultaneously.* (Amri-Makhetha, 2007)

However, there is little evidence that the infrastructure-creating PWPs implemented in most of sub-Saharan Africa have the potential to provide a form of employment which can confer poverty reduction on any sustained or significant scale (with the notable exception of the PWP component of the large-scale Productive Safety Nets Programme [PSNP] in Ethiopia).[11] It is not evident from the available evidence base that significant additional employment is likely to be created through most PWPs in the region, or that the nature of employment offered (in terms of wage rate and duration) is adequate to have a significant impact beyond temporary poverty reduction, particularly in the context of chronic unemployment.[12]

11 The PSNP is discussed further in Chapter 2.

12 It is important to note that what constitutes 'significant' in this context is subject to contextual and programme goal-related assessment.

Moreover, evidence suggests that there is often a tension between the objective of providing social protection through a PWP and that of creating quality assets. Depending on which objective is dominant, there are often trade-offs between the quality of infrastructure created and the adequacy of the social protection response represented by a PWP intervention. The demand to create employment opportunities as part of a social protection programme can impose conditions on infrastructure programme implementation relating to rapidity of roll-out, seasonality of employment, employment duration, number of workers employed, type of workers employed, constraints on capital investment and the adoption of labour-intensive approaches to optimise employment per unit spend, which can directly compromise the quality of assets created and increase costs per unit of output. Similarly, a focus on asset quality or cost-effectiveness may entail only short-term employment, poor targeting, low wages and poor working conditions, which may not significantly contribute to social protection. These tensions were experienced in the Indian PWPs implemented during the 1990s and 2000s, which attempted to provide both social protection in the form of employment and infrastructure provision but faced challenges reconciling these two objectives in a single programme. The result has been a process of ongoing programme redesign, division and reunion, in an attempt to find ways to meet both sets of objectives effectively and efficiently.[13]

This highlights the discrepancy between the significant poverty-reducing impacts that are frequently ascribed to infrastructure-oriented PWPs and the more limited short-term consumption-smoothing outcomes, which both the theoretical and empirical analysis suggest are the more likely result of most PWP implementation.

## Structure of the book

Exploring these critical but neglected questions is the central objective of this book, along with the attempt to promote a more systematic and reflective approach to the design and evaluation of PWPs throughout the region. These questions and debates are discussed throughout and a framework set out for a more robust and critical engagement with public works.

This Introduction has outlined the key research questions to be addressed, offering a brief overview of current literature and highlighting the core issues of PWP incidence and impact. The critical problem of PWP terminology and the associated lack of rigour in the discourse has been raised in relation to the social protection function of PWPs, together with the implications of this conceptual confusion in terms of lack of clarity regarding realistic and appropriate programme objectives.

13 For example, recognising the difficulty of addressing both employment and infrastructure adequately, the JRY and EAS (Employment Assistance Service) initiated in 1989 and 1993 respectively, were designed to address the primary objective employment provision. While a separate programme, the Jawahar Gram Samridhi Yojana (JGSY) was introduced in 1999 to promote infrastructure provision. The EAS and JGSY were then united under the Sampoorna Gramin Rozgar Yojana (SGRY) in 2001, in an attempt to harmonise and rationalise the two differently prioritised programmes (McCord and Chopra, 2010).

Chapter 1 gives a brief overview of the history of PWP programming and an overview of current PWP interventions and challenges in sub-Saharan Africa, positioning the public works debate within the regional labour market and economic development context.

Chapter 2 presents two tools for programme analysis. The first is a typology of PWPs, intended to differentiate between a range of different forms of PWP. The second is a schema of PWP objectives, which attempts to identify and separate the different objectives that are adopted in PWPs internationally. The typology and schema are presented to promote critical analysis of the link between PWP design and anticipated outcomes. The importance of adopting an appropriate and context-specific form of PWP is highlighted, taking into account the particular labour market or social protection context. Similarly, attention is focused on the risks of adopting a generic 'off the peg' PWP model.

The relationship between PWPs and social protection is explored in detail in Chapter 3, drawing on the typology and objectives schema set out in the previous chapter. The text explores potential mechanisms through which PWPs might deliver social protection benefits, and after a scrutiny of the literature, policy statements and empirical evidence, three main vectors are identified: wage, assets and skills development. While Chapter 4 offers an evaluation of PWP performance.

In Chapter 5, the scope of existing PWP impact and evaluation literature is discussed, and a critical review offered of the cost-effectiveness approach that has dominated PWP evaluation in recent decades. Next, in Chapters 6 to 8, each of the vectors identified in Chapter 3 (wage, assets and skills development) is assessed in terms of its potential social protection performance.

In Chapters 9 to 11, a detailed case study of PWP incidence and impact is presented, using empirical data to interrogate and illustrate the arguments set out in the previous chapters. This empirical study explores the contribution of PWPs to social protection in South Africa, drawing on evidence from two different types of PWP, one offering short-term full-time employment at a restricted wage, and one offering ongoing part-time employment at the market wage. The case studies attempt to provide some insights to the central questions of incidence and impact in relation to programme design, in order to identify key policy lessons and contribute to an evidence base to inform future policy development.

Finally, conclusions are drawn in Chapter 12, based on the analysis presented in the preceding chapters. This chapter suggests that it is not useful to continue the generic usage of the term PWP, that there is a serious dissociation between form and intended function in many PWPs and that the continued implementation of short-term PWPs, such as those implemented in much of sub-Saharan Africa, is not an appropriate response to the challenge of chronic poverty. I argue that much current public works programming results in poor performance in terms of social protection outcomes and, inasmuch as the existing evidence base allows us to make an informed analysis, low levels of cost-effectiveness.

The lack of critical scrutiny adopted in relation to the range of interventions grouped under the generic PWP term is in many cases problematic, resulting in poorly conceptualised programmes and poor performance. These interventions demand a heavy burden of labour inputs from poor households for whom labour may be a scarce resource, and significant cash and administrative inputs from governments, which are in most cases also scarce resources, without necessarily offering commensurate benefits to either party. Hence, while in some instances public works can represent an appropriate social policy response, in others they may provide a sub-optimal response to the question of social protection provision for the working-age poor, blocking the policy space for potentially more effective responses to chronic poverty.

# Chapter 1

# *Sub-Saharan African public works in context*

This chapter locates current sub-Saharan African public works programming in an international context, provides an overview of recent policy developments and summarises the current labour market challenges in the region.

## The history of PWPs

PWPs have been implemented throughout the world for millennia to address poverty, the earliest recorded being in India in the third century BC (Das, 2010). In Europe, they have been used by the state in various forms since the sixteenth century as a way to support the working-age poor, who are unable to find gainful employment. State employment programmes were implemented in Britain during periods of labour market disruption and heightened unemployment resulting from industrialisation and conflict during the nineteenth century. They were adopted in the USA during the Great Depression in the 1930s, and during the second half of the twentieth century and early twenty-first century they have been widely implemented in middle- and low-income countries in Africa, Latin America and Asia, enjoying a resurgence of interest following the food, fuel and financial crisis of 2008–2009.

In developing countries, PWPs have been used as responses to chronic poverty, underemployment or unemployment, and shocks of various kinds (humanitarian, economic and environmental), which have disrupted livelihoods and labour markets. In recent decades, they have formed a component of many World Bank-supported Social Funds, often with objectives relating to livelihoods and poverty reduction. In Asia, multilateral food-aid initiatives supported large-scale food-for-work (FFW) recovery programmes during the immediate post-war decades. More recently, many Asian programmes have been institutionalised into domestically financed cash-for-work (CFW) programmes which have been operational for extended periods (Subbarao et al., 1997). In sub-Saharan Africa, a variety of FFW and CFW programmes have been implemented, but these have remained primarily donor-financed and implemented on a short-term basis, providing temporary employment to beneficiaries.

FFW, particularly popular in the post-war period largely due to the major grain surpluses produced by the USA under Public Law 480 (PL480), were used to support FFW programmes around the world. PL480 refers to the Agricultural Trade Development and Assistance Act of 1954 and is commonly known as the Food for Peace (FFP) initiative, which used surplus agricultural production to supply the world's largest global food-aid programme with a total value of US$2 billion in 2003. In recent decades, the use of cash rather than food in PWPs has become increasingly popular. This is partly due to the decline in the global grain surplus and partly due to a recognition that cash is a more efficient way to address poverty, being used to meet a range of household needs directly. In contrast, food has to be sold by recipient households in order to raise cash for the purchase of non-food essentials. Nonetheless, agencies for whom grain stocks comprise a large component of their operating budget still tend to promote in-kind payment. The WFP and USAID still primarily support FFW-based PWPs with USAID utilising food drawn from the FFP allocation.

## Recent PWP policy developments

Over recent decades, PWPs have been implemented in response to crises and also to address structural unemployment and chronic poverty, with most providing a short period of sponsored employment. During recent decades, PWPs have come to be considered as a key component of the social protection armoury and often implemented as part of a package offering cash transfers for vulnerable population categories, such as the elderly or children, and PWP employment for the working-age poor. Forty-five per cent of World Bank social safety net interventions include PWP components, and many hundreds of PWPs have been implemented globally over the last decade.

However, as international concern regarding the emergence of significant unemployment in many low-income countries has grown in recent years, there has been a resurgence of interest in the potential role of public works programming as a response to structural unemployment and economic exclusion. Recognition of the changing nature of the global labour market, the job-poor nature of growth in many low income countries (LICs), the dominance of low-quality jobs, the breakdown of traditional subsistence agricultural systems, mass rural-urban migration, the limited access to wage employment, emergence of mass youth unemployment and the challenges associated with the adverse nature of much incorporation into the labour market is stimulating an urgent search for effective and rapid policy responses (see, for example, the challenge set out in the 2013 World Development Report on Jobs, World Bank, 2012a). PWPs have been identified as one possible response to the challenge.

The dominant form of PWP globally entails the provision of a single episode of employment, but there has been a growing interest in the development of alternative models which may offer more appropriate responses to the challenge of systemic unemployment. This interest has been driven largely by the emergence of the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) in India and the Ethiopian Productive Safety Nets Programme (PSNP), both launched in 2005. While these models

differ significantly in many respects, they share the key characteristic of offering employment each year to the vulnerable on a mass scale, in recognition of the systemic rather than transitory nature of the employment challenge.

Under the MGNREGS, access to 100 days of employment is guaranteed for rural workers, and under the PSNP, a similar duration of employment is provided each year for targeted households over a multi-year period. MGNREGS employs 55 million workers each year and the PSNP supports an average of 7 million households each year. The MGNREGS was a national expansion of a PWP model already operational for 40 years in Maharashtra State, but in Ethiopia the PSNP represented a major design shift. Previously, PWPs had taken the form of annual one-off emergency interventions, but under the PSNP, PWPs became part of a large-scale multi-annual donor-financed programme, offering predictable employment on an ongoing basis to the most food insecure. Under the PSNP, PWP employment is provided alongside a range of complementary interventions with the objective of promoting livelihoods and the graduation of participating households out of reliance on external support.

These programmes have expanded the PWP concept as applied in low- and middle-income countries beyond the provision of short-term employment to the provision of ongoing or repeated employment to compensate for systemic labour-market demand deficits and cyclical vulnerability. There is some evidence of the diffusion effects of these programmes in South Asia and Africa with growing programme experimentation and innovation. To date, the MGNREGS remains the only programme internationally to provide a legislated guarantee of employment, and the PSNP remains unique in the African region in terms of the provision of mass ongoing employment opportunities.

## Public works programming in sub-Saharan Africa

Over 200 PWPs were implemented in sub-Saharan Africa during the first decade of the century. Detailed information is available on 167 of these programmes, offering an insight into the characteristics of programming across the region (McCord and Slater, 2009).

The dominant form of PWP in the region, comprising over 90 per cent of all programmes identified, provided employment for four to five months on average. Most programmes offered employment for three to five hours work each day, for five to six days a week. Half the programmes provided wages in the form of cash and half in the form of food. The value of the wage was usually more generous in food-based programmes with the value being set on the basis of nutritional needs, whereas in cash-based programmes the wage was more typically informed not by consumption needs but by the avoidance of potential labour market distortions, which resulted in a lower wage. Eighty per cent of programmes intended to have a safety-net function provided remuneration set below the minimum wage, and wages were higher in programmes whose primary objective was labour-intensive infrastructure provision. When normalised in terms of per capita Gross National Income (GNI) overall, two-thirds of PWPs for which data was available paid wages that were less than or equal to per capita GNI.

The scale of these programmes was diverse, ranging from a few hundred to over a million employees per annum with most programmes being localised rather than

national and forming one component of a package of labour market, nutrition or social protection interventions. Data on the labour intensity (labour cost as a percentage of total programme cost) of the programmes was limited, but where data was available, the wage represented between 30 per cent and 60 per cent of total cost, a finding consistent with calculations by Subbarao et al. (1997) and Del Ninno, Subbarao and Milazzo (2009).

Programmes were predominantly donor- rather than domestically-financed (80 per cent and 20 per cent, respectively), with multi-lateral donors dominating. These programmes were implemented by a range of agents, including national governments and local and international NGOs, as well as directly by international donors.

## The PWP policy discourse in sub-Saharan Africa

Much policy discussion in sub-Saharan Africa fails to recognise the diverse forms that public works programming can take and the fact that different design choices can result in very different programme outcomes. This has resulted in the dominance of one particular form of PWP throughout the region irrespective of the economic and labour market context.

It is widely argued that the provision of a PWP offering temporary employment is appropriate in the context of an acute labour market crisis that results from some form of external shock, particularly where the output of the programme is an asset which will reduce the vulnerability of the community to future shocks (see, for example, Subbarao et al., 1997). Such programmes involve the provision of a short-term episode of employment to reduce distress-selling of assets, and enable consumption-smoothing on a temporary basis during periods of disrupted access to income, particularly where the problem is covariate (occurring across a community). This kind of short-term PWP has, however, become synonymous with the generic term PWP in much of sub-Saharan Africa and is widely implemented in a range of contexts which extend beyond the specific acute shock scenario. This form of PWP comprises over 90 per cent of all public works programming in the region and is promoted by many donors. Short-term PWP employment is appropriate in only a limited set of circumstances, rather than being a universally effective response to mitigate the effect of broader labour market failure.

Drawing on cross-country experience, Subbarao et al. (1997: 168), highlight the limited potential of PWP in contexts of chronic poverty and argue that 'public works are essentially a temporary safety net and should never be used as a permanent escape route from poverty'. However, this analysis does not necessarily inform donor programming at country level, and PWPs offering a single short episode of employment are repeatedly prescribed by donors in situations of chronic poverty. PWP policy documentation indicates that governments and donors frequently anticipate sustained improvements in livelihoods, reductions in poverty and even graduation out of reliance on ongoing social assistance as a result of short-term PWP employment, outcomes which are unlikely to be realised.

The critical issue here is that the impact of a PWP is dependent on programme design being appropriate for the specific labour market and economic context and that the dominant short-term model may not always be appropriate, given the nature of the unemployment experienced in many sub-Saharan African countries. The characteristics of unemployment in the region are discussed in the next section.

## The current unemployment challenge in sub-Saharan Africa

There are an estimated 27 million unemployed in sub-Saharan Africa and estimates of the official unemployment rate in the region for the year 2010 are 8 per cent (ILO, 2011:73–74), making the region's performance better than the Developed Economies and European Union (8.8 per cent); Central and South-Eastern Europe (non-EU) and CIS (9.6 per cent); Middle East (10.3 per cent) and North Africa (9.8 per cent). However, the coexistence of high participation and absorption rates with slightly lower than average regional unemployment rates and very high poverty rates indicates that the region faces a problem with (at least) two dimensions: significant open unemployment and high levels of disguised unemployment (with significant engagement in low-productivity employment). The other labour market feature to note is the very large and rising number of working poor engaged in low-productivity activities. Using the $1.25/day criterion, the share of working poor in total employment in sub-Saharan Africa fell from 67 per cent to 59 per cent between 1999 and 2009, but the absolute number of working poor rose from 148 to 175 million over the same period (ILO, 2011:71). The ILO have characterised this situation thus:

> *The combination of comparatively high employment-to-population ratios and low unemployment rates is a strong sign of widespread low-productivity, poverty-driven employment. Add to this the regional majority share of employment in the agriculture sector [...], in vulnerable employment [...] and in working poverty [...] and the dire reality of decent work deficits for the region become all too obvious.* (ILO, 2010: 14–15)

Within this overall context, youth unemployment is a significant problem:

> *The lack of labour demand prompted by insufficient growth has a significant impact on involuntary unemployment and discouragement, particularly among youth. It remains the toughest barrier to tackle, particularly in developing economies.* (ILO, 2010: 57)

In addition to the issue of open youth unemployment, a new and far larger problem has emerged in recent years, namely that of youth (those aged 15–24 years) who are not in employment, education or training (NEETs) and who, as far as economic activity is concerned, are doing nothing. Preliminary estimates for the 2013 World Development Report (from Freije, 2012) give an indication of the possible extent of the problem in 19 SSA countries (see Figure 1.1).

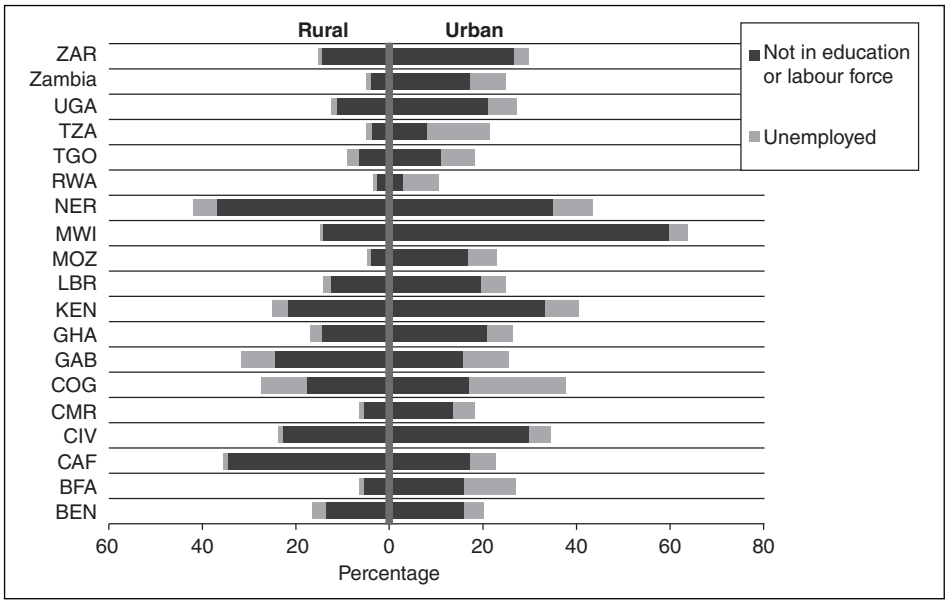


**Figure 1.1 NEET as a percentage of youth population, by residence (sub-Saharan Africa)**
*Source: Rosati et al. for WDR 2013 (preliminary figures) cited in Freije 2012.*

If the countries in the chart are taken as representative of the region, an estimated 20 per cent of urban young people (about 11 million) and 10 per cent of rural (nine million of them) are NEET, representing a significant policy challenge.

## Unemployment and growth

Compared with much of the rest of the world, SSA has apparently done quite well in terms of economic growth rates, yet the figures set out in figure 1.1 indicate that this growth has not translated into gains in the quality and quantity of employment required to absorb the growing number of new entrants into the labour market. The United Nations Economic Commission for Africa (UNECA) has characterised the problem in terms of lack of economic transformation:

> *… the employment intensity of growth has been low because growth remains both narrowly based and volatile owing to the continent's continued high dependence on commodity production and exports and lack of economic transformation.* (UNECA, 2010: 166)

This analysis is echoed by the ILO: 'Important among the factors explaining the limited progress are the lack of structural transformation in the region and the continued high rate of population growth'. (ILO, 2012: 78)

Instead of transforming via the process of economic growth into economies in which formal employment in industry and the service sector gradually come to dominate, agriculture

still accounts for 59 per cent of employment in sub-Saharan Africa. And this process of incomplete or slow transformation is of great importance in terms of why growth in SSA has made so little impact on poverty and unemployment (Meth, 2012). Chief among the effects of the slow progress of transformation in the region is the confinement of workers to low-productivity activities, either in agriculture or in informal economy services. This is resulting in the simultaneous occurrence of a range of different forms of unemployment including structural unemployment, which occurs when the skills of the workforce do not match those demanded by employers (often as a result of rapid technological change), disguised unemployment (which is hidden by the high proportion of working poor and underemployed) and demand-deficit unemployment, resulting from labour market failure (see UNECA, 2005: 7). Throughout the following chapters, the term 'unemployment' will be used to refer to this type of 'transformational' unemployment, incorporating aspects of structural, disguised and demand-deficit unemployment as described previously unless otherwise specified. A framework to accommodate these multiple and interlinked causes of unemployment in the region is set out in Figure 1.2.

The labour market consequences of the ongoing and incomplete economic transformation are currently underway in the region, and the barriers to employment they imply, as set out in Figure 1.2, are the challenge that the implementation of public works programming, among other interventions, is intended to address. The remainder of this book seeks to assess the extent to which PWPs can provide an appropriate, effective and adequate response to this challenge.

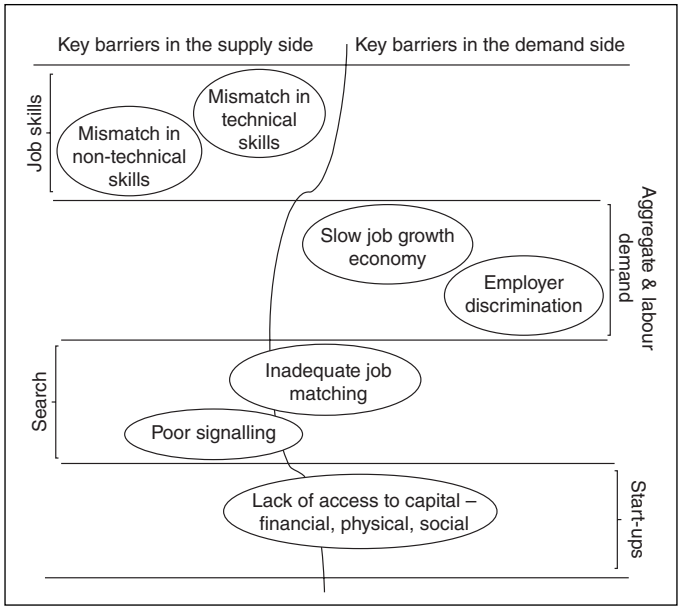


**Figure 1.2: Key labour market barriers**

*Source: ILO (2010: 54).*

# Chapter 2

# *Defining public works*

The term Public works programme (PWP) is used to describe a wide range of interventions internationally, and the existing literature offers no ready means of differentiating between the range of programmes adopting this title. In response to this challenge, a typology of PWPs is set out in this chapter together with a schema of PWP objectives to clarify the differing objectives and priorities associated with different forms of programme.

Before proceeding further, it is useful to review the core characteristics of programmes generally considered to conform to the public works concept. PWPs have been described by Subbarao as: '... programmes in which participants must work to obtain benefits. These programs offer temporary employment at a low wage rate, and have been widely used for fighting poverty.' (Subbarao, 2001: 2)

While offering a useful starting point, this frequently cited definition describes PWPs as inherently temporary and so excludes programmes offering ongoing or repeated employment. For the purpose of this book, a broader definition of PWP is adopted which reflects the common usage of the term, namely:

> *Public Works Programming refers to the provision of state-sponsored employment for the working-age poor who are unable to support themselves due to the inadequacy of market-based employment opportunities. PWP entails the payment of a wage (in cash or kind) by the state, or an agent acting on its behalf, in return for the provision of labour, with the objectives of i. reducing poverty and ii. producing an asset or service.*

## The PWP typology

In order to categorise the range of different forms of PWPs that exist, and clarify the conditions under which each is likely to be an appropriate and effective instrument for addressing poverty and unemployment, a PWP typology is presented on the next page (based on McCord, 2008b). Informed by a review of several hundred Public Works Programmes implemented across Asia, Latin America and sub-Saharan Africa and

Europe, it identifies four main types of programme, categorised on the basis of core design features and primary objectives. The four types of PWP are:

1) Programmes offering a single, short-term episode of employment to enable consumption-smoothing (Type A).
2) Programmes offering repeated or ongoing employment as a form of income insurance (Type B).
3) Programmes promoting the labour intensification of infrastructure provision to increase aggregate employment (Type C).
4) Programmes promoting improvement of the quality of labour supply to improve future employability (Type D).

For the sake of brevity, these are referred to in the following text as types A, B, C and D respectively. This typology is not exhaustive, many programmes include aspects of more than one type, and the categories are not in every case mutually exclusive. However, despite these limitations the typology offers a degree of conceptual clarity which was previously absent from the debate, as PWPs tend to have a primary identity which enables them to be located in one of the four programme types and this primary identity tends to have a significant influence on programme design. As such the typology can serve as a useful conceptual framework for programme analysis.

The four types of programme are discussed in detail in the pages that follow, in relation to current PWP interventions in sub-Saharan Africa and internationally.

## Type A: Consumption-smoothing PWPs

Type A programmes provide a single-short episode of employment in response to temporary labour market or livelihood disruption which may result from natural disasters (such as drought, flood or hurricane), humanitarian situations (such as conflict) or short-term economic crises. These programmes have the objective of providing a basic income for short-term consumption-smoothing during a period of elevated unemployment or livelihood disruption until the labour market returns to normal. Mostly, although not exclusively, they entail the creation or reconstruction of physical infrastructure. These programmes are primarily concerned with the provision of what are referred to as safety nets, basic 'risk-coping' social protection and the prevention of distress-selling of assets. Typically, such programmes offer employment for an average of four months but may continue for longer in humanitarian situations where normal livelihood activity has been suspended.

In Type A programmes, the objective of ensuring a timely wage transfer (in kind or cash) dominates that of asset provision, which may in some instances be essentially a 'make-work' activity carried out primarily to satisfy the work conditionality. For this reason, the quality of assets created under such programmes is often of secondary importance to the rapid provision of wage employment for those affected by the crisis.

This type of programme is typical of those implemented widely in southern Asia in response to natural disasters that temporarily affect formal and informal household income-earning opportunities and subsistence production. This is also the dominant form of PWP in the sub-Saharan Africa region. In this region, however, such programmes are implemented not only in response to acute crises but also in situations of transformational labour market failure and chronic poverty, where their short duration renders them less likely to have a significant impact on poverty.

## Type B: PWPs offering repeated or ongoing employment

In Type B programmes, the state acts as an 'employer of last resort' (ELR), providing employment on a sustained or cyclical basis in response to ongoing labour market failure (transformational unemployment) and seasonal vulnerability, as a form of income insurance. Employment may be provided either directly by government or indirectly through private sector employers or civil society organisations under contract and may be created in any sector. These programmes sometimes have a secondary objective of economic demand stimulation to promote local development and/or national macroeconomic stability, with programmes functioning as automatic stabilisers, expanding to accommodate increased demand for employment during economic downturns and periods of elevated unemployment. A subset of Type B programmes, in which the state guarantees employment to all seeking it on the basis of a legislative commitment to ensure the right to work, are known as Employment Guarantee Schemes (EGSs). A constitutionally based employment programme guaranteeing employment on demand is found only in India in the form of the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) launched in 2005 (India, Department of Rural Development, 2007). Its antecedent, the Maharashtra Employment Guarantee Scheme (MEGS), was developed in the mid-1960s and was operational for 40 years (Dev, 1995). The unique characteristic of the Indian scheme is that employment is a constitutional right, and as a consequence each state is required to guarantee a set number of days of employment each year (100 days), on demand, to one member of all rural households seeking employment (currently reaching approximately 55 million households), with an open-ended commitment to continuing provision into the future.

Demand-led Government Employment Schemes (GESs)[1] have been implemented in Latin America on a medium-term basis rather than long-term basis but without the guarantee component. One recent example is the Argentinian Jefes de Hogar, implemented for a multiple-year period to mitigate the impact of the severe economic and political crisis that affected Argentina in 2001 (Kostzer, 2008).

However, the only large-scale scheme of this kind in sub-Saharan Africa is the national Productive Safety Nets Programme (PSNP) in Ethiopia. The PSNP is one of four

1 Also known as Government Employment Programmes (GEPs).

components of the Food Security Programme (FSP)[2] and includes a GES which provides employment during the hungry season each year on a predictable and repeated basis (up to five years) to support 1.5 million chronically food-insecure beneficiaries, together with cash transfer provision for 1.3 million further beneficiaries living in households without labour to contribute. This does not guarantee employment or provide jobs on a demand basis, and the entitlement is time-bound rather than open-ended (Slater, Ashley, Teferu, Buta and Esubalew, 2006). While the extent to which employment can be offered to all seeking it, in this case, is constrained in practice, by budgetary and capacity constraints, particularly in years of serious drought, the concept underlying the programme is consistent with that of the Indian EGS, inasmuch as it is based on a recognition of the responsibility of the state to provide large-scale employment in contexts of ongoing market failure.[3] In both the MGNREGS and PSNP, there is provision for a direct cash payment to be made if the state is unable to provide work to those eligible in order to ensure that the primary social protection function of the programme is maintained even if state capacity to generate adequate employment is constrained.

In the MGNREGS, the work requirement is the primary targeting mechanism, whereas under the PSNP household eligibility is determined by households' food security status during previous years. In the Indian scheme, wages are set at the official minimum wage (above the prevailing market wage for those in the lower segments of the labour force in some states), reflecting an explicit concern among programme-designers that the value of the labour of PWP participants should not be discounted relative to that of other labour market participants. This ethical concern is not evident in the discourse around the other types of PWP, where discounting the value of labour of PWP participants relative to others is central to programme design as a deliberate targeting tool to limit demand for programme participation, and not identified in the literature as problematic. In the Ethiopian PSNP, by contrast, remuneration is either in kind or in cash, depending on beneficiary preferences and food availability, and is set on the basis of the provision of a basic household food ration.

Due to the open-ended work availability, this form of PWP has the scope to create employment outside the conventional infrastructure construction sector, and in southern Africa, ongoing employment has been created in a range of different areas, including road maintenance (using the lengthman system[4]) and social service provision, such as the employment of home-based carers working with HIV/AIDS-affected households, nursery workers in the Early Childhood Care and Development (ECCD) sector and auxiliary teachers.

Providing large-scale employment on an ongoing basis under a Type B programme requires significant financial, technical and administrative resource inputs. Where these are in short supply, there can be tensions and even trade-offs between the quality of assets or services provided and the scale of employment provided.

2 The three other components of the programme are the Household Asset Building Programme (HABP), the Complementary Community Investment Programme (CCIP) and the Voluntary Resettlement Programme.

3 Unless otherwise stated, every reference to 'market failure' must be understood in terms of the discussion in the Foreword about slow transformation and the absence of demand for labour in the region.

4 Under the lengthman system, workers are responsible for the maintenance of an allocated length of road (for example, one mile or kilometre) on an ongoing basis, and paid a wage for ensuring that road quality conforms to specified requirements.

## Type C: PWPs increasing aggregate employment

Type C programmes aim to increase local employment opportunities, usually in the construction sector through the adoption of labour-intensive construction techniques, and are commonly called Labour-Intensive Public Works (LIPW) or Labour-Based Infrastructure Programmes (LBIP). These programmes entail the adoption of labour-based approaches in order to optimise the amount of labour utilised per unit of spending on asset construction, and in this way increase aggregate labour demand arising from infrastructure investment. Such programmes do not necessarily require significant additional funding but rather a shift in the factor intensity of existing expenditure from capital to labour. The work of the Ethiopian Rural Roads Authority (ERRA), the Agence d'Exécution des Travaux d'Intérêt Public contre le sous-emploi (AGETIP) in Senegal, the Association Africaine des Agences d'Exécution des Travaux d'Intérêt Public (AFRICATIP) throughout western Africa, and the ILO's Employment-Intensive Investment Programmes (EIIPs) of the 2000s are typical of this type of intervention. Each of these programmes temporarily increases labour demand, providing workers with an average of four to five months of employment.

The primary objective of such programmes is infrastructure provision rather than social protection provision. However, these programmes do confer short-term social protection benefits through the wage paid during the period of employment. The impact of income receipt during this period on household poverty is dependent on labour market conditions. While it may confer significant consumption-smoothing benefits during a period of acute crisis in a context of chronic poverty and sustained unemployment, there is little possibility of the wage contributing to sustained poverty reduction. Benefits may also accrue to workers indirectly as a result of the productive value of assets created. However, there is little research into this aspect of PWPs and recent research carried out by the ILO in Ethiopia, using the Rapid Assessment of Poverty Impacts (RAPI) methodology, highlights the difficulties of identifying sustained benefits that result from assets created under such programmes (Mengesha and Osei-Bonsu, 2007).

## Type D: PWPs promoting employability

Type D programmes aim to promote the employability of workers by addressing supply- rather than demand-side constraints to employment, providing workplace experience and skills development for the unemployed. Such programmes are most appropriately implemented when the key constraint to employment is a skills deficit rather than lack of employment opportunities *per se*. These programmes have been adopted principally in Organisation for Economic Cooperation and Development (OECD) countries at times of high unemployment. Such programmes are less common in developing countries than Type A, B or C programmes although skills-development and work-experience oriented programmes do occur throughout sub-Saharan Africa, often associated with demobilisation or post-conflict reconstruction contexts. This type of programme assumes that significant numbers of jobs are or will become available for the unemployed if appropriately retrained and supported. It is associated with a political concern to encourage

the unemployed to take up available work opportunities rather than to provide them with ongoing unemployment benefits, a policy described as labour 'activation'.[5] Such programmes confer short-term transfer benefits during the period of paid training and work experience but will only lead to sustained benefits for participants and the expansion of aggregate employment if the underlying assumption — that sufficient employment is available to absorb a significant number of the unemployed if they acquire additional skills and experience — holds true. Otherwise, such initiatives risk promoting worker substitution within the existing labour force rather than any significant increases in aggregate employment.

The success of programmes to enhance employability by addressing supply-side constraints is contingent on their ability to both identify supply-side skills deficits correctly and transfer skills to participants successfully.

The main features of the four types of PWP are summarised in the box:

**PWP typology**

**Type A: PWPs smoothing consumption**

PWPs offering a single, short-term episode of employment with a safety net or social protection objective (appropriate in contexts of acute labour market/livelihood disruption)

**Type B: PWPs offering repeated or ongoing employment**

Government Employment Programmes (GEPs) offering repeated or ongoing employment to provide a form of income insurance (appropriate in contexts of chronic or cyclical unemployment/livelihood disruption)

**Type C: PWPs increasing aggregate employment**

Programmes promoting the labour intensification of government infrastructure construction to promote aggregate employment (appropriate in contexts of acute labour market/livelihood disruption)

**Type D: PWPs promoting employability**

Programmes enhancing employability by improving labour quality (appropriate where significant unfilled job vacancies or opportunities for self-employment exist).

## Discussion of PWP types and programme performance in sub-Saharan Africa

The application of this typology to PWPs implemented in sub-Saharan Africa during the 2000s shows that Type A and Type C programmes dominated, together comprising 90 per cent of all programmes implemented in the region (McCord and Slater, 2009).[6] Type A programmes, with the objective of providing safety nets/social protection

5 For a critique of this approach, see Meth, 2010.

6 This assessment of PWP type in sub-Saharan Africa was based on a study of 167 programmes implemented across the region between 2000 and 2010. Given the reliance on secondary data, the typology was applied on the basis of the primary characteristic of the programme as reported in key programme documentation (see McCord and Slater, 2009). The percentages reported in this study were calculated on the basis of programme frequency.

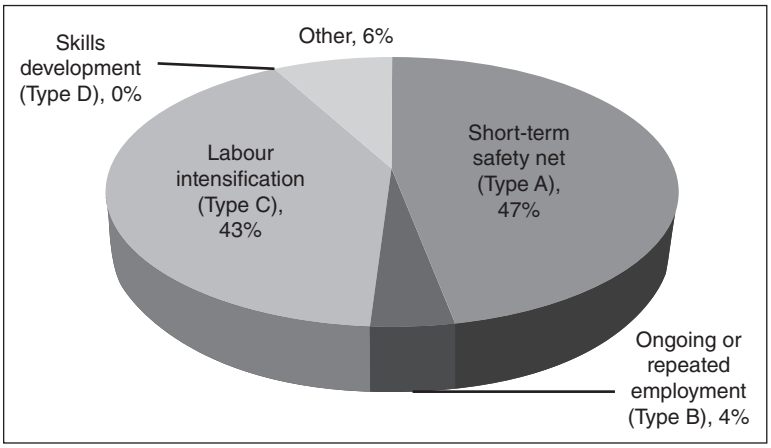


**Figure 2.1: Typology of PWPs in sub-Saharan Africa**
*Source: McCord and Slater, (2009: 8).*

through short-term employment, accounted for 47 per cent of programmes and Type C programmes, concerned with the labour intensification of infrastructure provision, accounted for 43 per cent. Only four per cent of programmes offered some form of sustained or repeated employment (Type B) and none were predominantly Type D (see Figure 2.1).

While Type A programmes have essentially micro-economic objectives relating to the provision of a short-term safety net at household level, Type B programmes offer more sustained support in the form of income insurance which is more appropriate in contexts of structural unemployment and chronic poverty. However, this critical distinction is not reflected in the type of programmes implemented in the region. The application of the typology to programming in the region indicates that Type A programmes tend to be implemented in contexts of chronic poverty and unemployment as well as situations of acute labour market disruption, despite the limited likelihood of their having a significant, rather than transient impact on poverty in such contexts.

Only an extremely limited number of Type B programmes, offering the kind of ongoing or repeated access to income provided under the MGNREGS in India, have been implemented in sub-Saharan Africa. These include the public works component of the Ethiopian PSNP and the small-scale Zibambele programme in South Africa. The latter is described in detail in Chapters 8 and 9. It is interesting to note that while MGNREGS programmes have been visited extensively by African officials working on the design of PWPs, most PWPs in the region have not incorporated the fundamental concept underlying the MGNREGS into their programme design, namely, the state obligation to provide ongoing support to its working-age poor citizens in situations of labour market failure. While the regional

diffusion of the concept of state responsibility for the provision of employment embodied in MGNREGS is visible in South Asia (with Nepal and Bangladesh experimenting with schemes based on similar principles), this effect is not discernible in sub-Saharan Africa.

One key implication of Type B programmes is the requirement for large-scale programming in which the size of operation is demand- rather than supply-driven with the MGNREGS providing 55 million jobs per annum at a cost of approximately 1 per cent of GDP. Such programmes are resource-intensive in terms of financial, administrative, managerial and technical costs, and both the availability of domestic or donor finances and institutional capacity are major factors, which may constrain implementation more widely in the region.

The other key conceptual innovation in Type B programmes is that of multi-year employment, which is central to both the PSNP and MGNREGS. This recognises the relative insignificance of a single period of PWP employment in contexts of chronic poverty and the need for ongoing or repeated employment to 1) smooth consumption during regular hungry periods, 2) reduce the likelihood of cyclical distress sales and asset depletion, and 3) potentially promote the accumulation of assets required to enhance productivity and livelihoods. However, despite increasing regional awareness of the design innovations of the Ethiopian PSNP and enthusiasm for the productivity and graduation-related benefits such programming implies, this has not led to fundamental changes in PWP design in the region. Rather it has lead to the extension of objectives ascribed to Type A short-term programmes, to include increased productivity and graduation, without commensurate programme design revisions. Many recent PWPs have also adopted the term 'Productive Safety Nets' but again without the sustained duration and complementary interventions required to promote productivity.

To enhance productivity, as anticipated in emerging PSNPs, PWPs need not only to provide an adequate wage on an ongoing or repeated basis, in order to permit accumulation as well as consumption, as discussed earlier; they also need to create assets of adequate quality to contribute to productivity on a sustained basis and be implemented alongside complementary interventions such as agricultural extension, microfinance and income generation, coordinated with local economic development (LED) planning. This complementarity has been described as 'development coordination' by Dorward and Kydd (2004). The role of complementary programming in relation to the Ethiopian Food Security Programme (FSP), which includes the PSNP along with a Household Asset Building Programme (HABP) and a Complementary Community Investment Programme (CCIP), is illustrated in Figure 2.2.

These design considerations are not currently incorporated in most PWPs in the region despite the increased use of the 'PSNP' terminology. Without significant programme redesign to bring such programmes more in line with the Type B concept, the potential for the realisation of significant productivity gains and graduation is likely to remain somewhat limited.

Type C (labour intensification) programmes are a very different form of PWP which focus primarily on asset creation and increasing aggregate employment in the short term rather than on the provision of social protection. The scale of such programmes tends to be limited, with labour intensification linked to discrete projects rather than applied

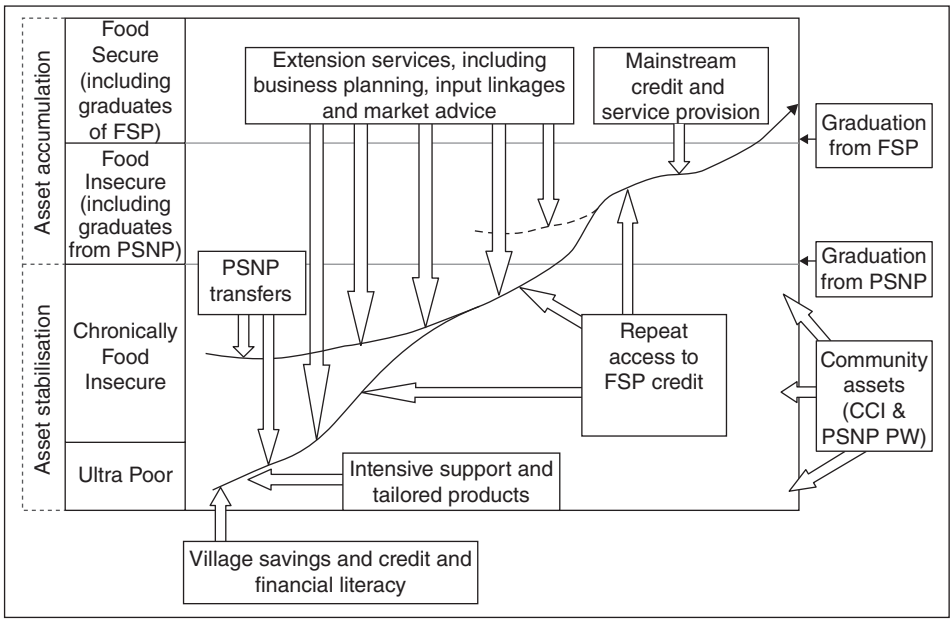


**Figure 2.2: The graduation pathway from the Food Security Programme, Ethiopia**

*Source: Food Security Programme 2010–2014: Productive Safety Net Programme, (MoARD, August 2009: 17, [cited in Sabates-Wheeler and Devereux, op cit]).*

across the whole construction sector. Typically, such programmes admit the possibility of only a single episode of employment since once construction of a facility in one area is completed, employment demand moves elsewhere.

As to their effect on poverty, the direct impacts are limited to short-term consumption-smoothing, as in Type A. Despite the short, single episode of employment these programmes provide, programme documentation often suggests that they will have a meaningful social protection impact. This forms part of the rationale for their adoption, being used to allay concerns regarding any cost or efficiency premiums that a shift in the factor intensity of the construction industry may imply. An example of this is the national Expanded Public Works Programme (EPWP) in South Africa, which is a mix of Type A and Type C programming. This programme is presented domestically as the primary instrument for the provision of social protection for the working-age poor as an integral part of the national social security system, despite the short duration of employment provided and the chronic (transformational) nature of the underlying labour market crisis. As with Type A programmes, the provision of temporary employment in a context of transformational unemployment is unlikely to have a significant or sustained impact on poverty. The assets created under a Type C programme may engender productivity benefits in the medium to long term, but critical questions about the sustainability of benefits arising and to whom these benefits accrue, which would inform a judgement on medium-term impacts, are rarely addressed in the evaluation literature.

Type D programmes are different again, being predominantly linked to aspirations of labour market 'activation' and the removal of participants from dependency on ongoing social protection provision. The fact that no Type D programmes were found in the review confirms that most supply-side interventions aiming to enhance employability are implemented in developed rather than developing country contexts (McCord, 2008b; Del Ninno, Subbarao and Milazzo, 2009). While labour supply-side improvement is seldom the primary objective in sub-Saharan African PWPs. Many programmes are based on the assumption that participation will result in 'graduation' and an 'exit' from poverty through enhanced engagement in the labour market. In such programmes, PWP participation represents a form of treatment, providing skills development and labour market experience, as a result of which it is anticipated that participants will graduate into employment in the labour market, often without adequate reference to the labour market context and the availability of appropriate employment opportunities.

The discussion has illustrated that the four different types of PWP are relevant for addressing different forms of labour market failure: temporary labour market disruption, transformational and cyclical unemployment, temporary localised aggregate employment deficits and supply-side deficits respectively. However, there is often confusion at the point of programme type selection, resulting in a mismatch between the form of PWP selected and the anticipated poverty outcome, with short-term Type A and Type C programmes frequently implemented in contexts of chronic poverty. This represents a major weakness in PWP implementation in the region.

## A schema of PWP objectives

The use of a PWP typology brings some conceptual clarification to the PWP discussion. However, it is useful also to consider programme objectives in more detail, an issue which has been given little attention in the literature. A review of international evidence suggests that a wide range of objectives are associated with PWPs, and a single programme may include a diversity of objectives, leading PWPs sometimes to be described as 'Christmas tree interventions' onto which a variety of institutional, sectoral and political objectives can be pinned. While particular objectives are associated with certain types of PWP, they are not exclusively linked to particular programme types.

It has been proposed that PWPs have three primary objectives: employment, social protection (income transfer) and asset creation/service delivery (Lieuw-Kie-Song and Philip, 2010). However, a review of PWP objectives as set out in programme documentation internationally suggests a wider range of objectives associated with PWP implementation, which can be grouped into seven main categories relating to both micro (household level) and macro outcomes. The seven objectives are:

1) Poverty alleviation (often articulated as 'social protection' or 'safety nets' and including humanitarian responses)
2) Employment provision
3) Skills development

4) Asset or service provision
5) Enhanced productivity
6) Macro-economic stimulation
7) Political stabilisation.

The seven categories are summarised in Table 2.1, along with an outline of the main mechanisms through which each objective may be achieved.

**Table 2.1: Overview of PWP objectives**

| Objective | Mechanism to Achieve Objective |
|---|---|
| Poverty alleviation | Income to enable consumption-smoothing through temporary employment |
| | Income to increase household income through ongoing/ repeated employment |
| | Accumulation of capital (human, financial and material) during programme participation to improve livelihoods |
| Employment | Creation of short-term work opportunities to alleviate transient unemployment |
| | Improve quality of labour to reduce frictional unemployment |
| | Labour intensification of infrastructure sector to increase aggregate demand |
| | SMME development to promote labour intensification (instrumental, contributes to increasing aggregate demand) |
| | Direct employment through increased expenditure on Government Employment Schemes (GESs) to promote aggregate demand |
| Skills development | Skills training and work experience to enhance labour market performance and reduce unemployment |
| Physical and social infrastructure provision | Employ PWP labour to improve provision of basic physical infrastructure and physical services (road construction and maintenance, school construction, dam creation, irrigation, etc) |
| | Employ PWP labour to improve social infrastructure through service delivery (eg home-based care [HBC], preschool facilities) |
| Enhanced productivity | Provide assets, skills and capital to enhance productivity at micro and macro level |
| Macro-economic stimulation | Introduce sufficient capital into economy through the wage to stimulate demand |
| Political stabilisation | Provide visible government response to unemployment/poverty, addressing needs of key groups to promote stability in a fragile context |

## Poverty alleviation

The objectives of poverty alleviation, safety nets and social protection are explicitly articulated in most PWPs. The anticipated outcomes range from short-term consumption-smoothing (resulting from direct wage effects) to long-term gains in household livelihoods and productivity, and even sustained graduation out of poverty resulting from a combination of direct wage and indirect infrastructure and skills development effects. Social protection in one form or another is the primary objective in Type A and Type B programmes, but in Type C PWPs, it is subordinate to objectives of asset creation or service delivery. Not all programmes explicitly include poverty alleviation as an objective, and for some, the stated objectives are intermediate (for example, job creation), with the ultimate social protection benefits of job creation remaining implicit.

The remaining six objectives are instrumental in terms of their relationship to poverty alleviation, contributing indirectly to this objective while also addressing a range of other policy concerns directly (enhancing labour demand, promoting supply-side improvements through skills development, improving service provision, macro-economic stimulation, political stabilisation and improved productivity).

The link between programme type and objective is particularly problematic in relation to social protection. There is a prevalent assumption that any form of employment provision will lead to meaningful social protection benefits. Research into the design and performance of a number of PWPs internationally suggests that this may be a particular challenge in terms of the ascription of overly ambitious social protection objectives to short-term Type A and Type C PWPs, and the failure of such programmes to deliver the anticipated social protection outcomes as a result (see, for example, Helen Keller International, 2007; McCord, 2003; Chirwa et al., 2004a; and Mengesha and Osei-Bonsu, 2007, who offer evidence from short-term PWPs in Bangladesh, Malawi, South Africa and Ethiopia, respectively, on the limited social protection function of this type of intervention). The key problem here is the association of social protection objectives with the incorrect type of PWP, resulting in a poor fit between PWP form and function, ie the adoption of programmes providing short-term employment in contexts of chronic poverty and/or transformational unemployment.

For PWPs to achieve the required social protection outcomes, the benefits they provide need to be adequate in terms of the level of income provided, predictable in terms of the frequency of payment and timely inasmuch as they provide employment of appropriate duration and seasonality. The more ambitious the social protection objectives, the more closely programmes need to be matched to the context to ensure they address the key determinants of poverty. Hence, if programmes aim to go beyond the reduction of poverty on a temporary basis, adequate wage rates and/or sustained employment duration are required to 1) reduce the poverty gap on a sustained basis and potentially 2) promote accumulation since the poor use income to satisfy basic consumption needs first, then invest in human capital (education and health) and only invest in activities to promote livelihoods once these other needs have been met (Devereux, 2000).

Hence, a PWP is only likely to have an impact on productive investment and an improvement in livelihoods which will be sustained after the period of programme implementation if it provides more than the income required to satisfy basic consumption needs. Even when wage income is limited in comparison with household needs, PWPs can have an impact by providing a form of income insurance, although a programme can only serve this function if employment is available on demand, guaranteeing ongoing income. Evidence from India indicates that this insurance function may be of greater significance than the level of the transfer in terms of sustained poverty reduction since it reduces income fluctuation and thereby prevents acute distress and the associated negative coping strategies such as distress-selling of assets (Dev, 1995).

There are three distinct ways in which PWPs can perform a poverty alleviation function:

1) Income relief through temporary employment.
2) Income relief through ongoing or repeated employment.
3) Improved livelihoods as a result of accumulation during PWP participation.

Each of these is discussed in the paragraphs that follow.

### *Income relief through temporary employment*

Income relief through temporary employment is the objective of many programmes implemented in contexts where an acute crisis has resulted from some external shock (such as conflict, drought, floods, economic crisis or recession) which results in a short-term disruption to the labour market. In many PWPs, an explicit poverty alleviation goal is linked to the provision of a short-term episode of employment provided during a temporary labour market crisis.

The provision of temporary employment as a social protection mechanism in contexts of transformational unemployment is problematic. This was highlighted in the World Bank's 2001 World Development Report (WDR) (World Bank, 2001), which explicitly argued that offering short-term PWP employment to counter the effects of chronic unemployment was not likely to result in sustained poverty reduction, and by Devereux and Solomon (2006) who offer evidence of the limited impact of short-term PWP employment in Zambia.

### *Income relief through ongoing or repeated employment*

When chronic poverty is combined with transformational unemployment, or livelihoods are threatened by cyclical vulnerability, the most appropriate PWP mechanism to provide social protection benefits is the provision of ongoing or repeated employment through a GES or EGS. However, neither EGS nor large-scale GES are currently popular outside the South Asian context. Interestingly, in the WDR, the World Bank suggested that alternative forms of intervention offering long-term assistance for the

working-age poor, such as cash transfers, may be more appropriate than long-term PWP-based support in contexts of sustained unemployment, but neither PWP nor cash transfer approaches offering ongoing support for the working-age poor have proved popular.

### *Improved livelihoods as a result of accumulation during PWP participation*

Many PWPs aim to reduce poverty by improving livelihoods, thereby having a sustained impact on household poverty after programme exit. This can be achieved by promoting 1) financial accumulation (through wages); 2) the accumulation of productive assets (through savings) and 3) the accumulation of human capital (through skills development) during programme participation.

If these forms of accumulation are adequate to improve livelihoods, then this mechanism can be effective, given a conducive local economic environment. Financial and physical asset accumulation are likely to be constrained by the value of the wage, the duration of employment and the prioritisation of consumption expenditure. These constraints are widely experienced in PWPs in the sub-Saharan Africa region which anticipate improved livelihoods outcomes but provide only short-term employment which does not enable the requisite accumulation to take place.

## Employment

PWPs seek to promote employment in four ways:

1) The direct provision of temporary jobs.
2) Reducing unemployment by enhancing the quality of labour supply.
3) Increasing aggregate demand by shifting the relative factor intensity of infrastructure provision through labour intensification, and the promotion of small, medium and micro-enterprises (SMMEs).
4) Increasing public sector employment through Government Employment Programmes (GEPs).

Each of these strategies is briefly examined in the pages that follow.

### *The direct provision of temporary jobs*

The objective of the provision of temporary employment tends to characterise PWPs implemented during a period of temporary labour market or livelihoods disruption that is expected to normalise in the short- to medium-term. Examples of this are the annual emergency programmes implemented in response to drought-related livelihoods disruptions in Ethiopia in the decades prior to the implementation of the PSNP, and emergency response PWPs implemented in the immediate aftermath of natural or economic shocks.

### *Reducing unemployment by enhancing the quality of labour supply*

PWP employment provides work experience and training benefits which have the potential to improve participants' labour market performance after they have left the programme. This can either be a primary programme objective, as in the case of Type D programmes, or a spill-over benefit from programmes with primarily social protection objectives.

In programmes intended to reduce unemployment, the objective is to improve the quality of labour supply, so that workers will be able to take up unfilled jobs already existing in the economy. This approach tends to characterise PWP interventions that form one component of active labour market policies in OECD countries. In such programmes, the objective is the reduction of unemployment which results from a mismatch between the skills available in the labour force and those required by the economy, a problem which can be addressed by the provision of relevant skills and experience to improve the quality of labour supply (Martin and Grubb, 2001). This approach is based on the premise that there are existing work opportunities to absorb the unemployed, which they will be able to take up if given training and work experience. This is not however, the case in many sub-Saharan African countries, where the number of unfilled job vacancies existing in the economy resulting from skills shortages is often marginal in relation to the scale of unemployment (see, for example, Kraak, 2003). The potential impact of a supply-side improvement approach to employment in PWPs offering short-term employment is further constrained by the necessarily short duration of training provided which limits the opportunity for significant levels of skills transfer, and sometimes also by the poor quality of training provided (see Karuri et al., 2007). Where workers do subsequently become employed due to the training provided, this can result in the displacement of other low-skilled workers rather than net increases in aggregate employment although evidence on this issue is scarce. The effectiveness of this approach, even within OECD countries, has been questioned in recent years (Martin and Grubb, op cit).

### *Increasing aggregate demand through labour intensification and the development of SMMEs*

The objective of increasing aggregate employment through the labour intensification of infrastructure provision is central to many PWPs, which are founded on an attempt to reduce an economy's job gap through direct state intervention when market-based employment demand is inadequate.

Attempts to increase aggregate demand through the labour intensification of production are widespread and relate primarily to the provision of physical infrastructure, as exemplified by the ILO Employment-Intensive Infrastructure Programme (EIIP) model and by the AGETIP (Agence d'Exécution des Travaux d'Intérêt Public contre le sous-emploi) prevalent in West Africa. Such programmes do not necessarily require additional funding but rather a shift in the factor intensity of existing expenditure to increase employment.

Despite the widespread implementation of such programmes, labour intensification has not been successfully mainstreamed into national infrastructure programmes to any significant degree in the region and often remains a marginal component of infrastructure

provision. In South Africa, for example, although labour intensification was a major rhetorical component of the state's strategy to 'accelerate and share' growth (South Africa, The Presidency, 2006), only a limited proportion of the infrastructure expenditure suitable for labour intensification actually adopted this approach (Karuri et al., 2007). In South Africa, as elsewhere, this was largely due to a lack of buy-in to labour intensification approaches within the construction industry (Mabilo, 2003, cited in McCord, 2003); McDermott, 2006, cited in McCord, 2006).[7] As a consequence, the expansion of aggregate employment through labour intensification has not taken place to any significant degree internationally.

In PWPs with this type of objective, the focus is primarily macro-economic, in terms of an aggregate expansion of the labour market, rather than a micro-economic concern with social protection provision at household level, and hence, programme design tends to focus on the intermediate job creation impact rather than household level poverty-reduction outcomes. The social protection function of such interventions is contingent on the quality of work generated through labour intensification (duration, wage level, etc), and the socio-economic characteristics of those able to access it.

The objective of labour intensification is often associated with a broader attempt to change the structure of demand for labour in the construction sector, as in the case of the CBPWP in South Africa and the AGETIP in Senegal (Wade, 2004). However, in order for such a transformation to be achieved, the development of a cadre of contractors familiar with labour intensification approaches is required. For this reason, the development of SMMEs with the capacity to implement Labour-Based Infrastructure Programmes (LBIP) in the construction sector is sometimes addressed within PWPs. This entails investment in the promotion of construction and maintenance-oriented SMMEs which, it is assumed, will utilise more labour-intensive approaches than larger enterprises (CIDB, 2008). SMME creation was a major component of the AGETIP programme, which recognised that the creation of a cadre of SMMEs was both an end in itself and also a prerequisite for a large-scale shift to labour intensification (McCord, 2007b). There is, however, little evidence that SMMEs will necessarily use more labour-intensive approaches than larger contractors. Promoting SMME engagement in PWPs may result in worker substitution rather than the creation of new jobs, particularly in situations where labour intensity is already high and existing personnel are made redundant in favour of PWP workers employed by SMMEs (see, for example, McCord, 2004a, 2006).

### *Government Employment Programmes*

The objective of increasing aggregate employment through GEPs, by expanding public sector payrolls, has been adopted in a range of contexts, with the most well-known historical example being the New Deal programmes in the USA in the 1930s, which were

7 In the case of large-scale infrastructure projects offering the greatest potential for substantial employment though labour intensification, the giant companies dominating the industry have little interest or incentive to change production factor ratios.

mirrored by the employment programmes for poor whites in South Africa during the same period (Abedian and Standish, 1986). Recent examples include the massive MEGS and MGNREGS in India, and the Argentinian Jefes de Hogar programme (Harvey, 2007b). In such programmes, employment may be directly provided by the state or through the private or NGO sector, using state subsidies to promote employment in labour-intensive sectors.

PWPs adopting this approach are dependent on significant additional public expenditure, which may be financed through deficit funding (as in the New Deal), increased taxation (as in the case of the MGNREGS which costs between 0.5 and one percent of GDP) or donor funding (as in the case of the PSNP with annual cost of 1.7 per cent of GDP [Pearson, 2011]). Without a significant fiscal allocation, the aggregate increase in employment from a GEP is likely to be marginal, as illustrated by the first phase of the EPWP in South Africa, which was implemented without an additional budgetary allocation to line ministries. As a consequence, the programme's impact on aggregate employment was limited, providing work for only 80 000 persons per annum in its first phase (South Africa, Department of Public Works, 2007) in the context of unemployment levels of four million.

The adoption of a GEP to increase aggregate employment may be ideologically in tension with the public sector restructuring and downsizing carried out by many MICs and LICs over recent decades, rendering this approach politically problematic.

## Skills development and employability

The objective of skills training and work experience is instrumental, being linked to the ultimate objective of increasing the capacity of participants to earn an income after exiting from a programme. It is anticipated that this will contribute to the reduction of unemployment, as with the 'employability' aspect of the poverty alleviation objective and also promote self-employment and increased productivity. This human capital approach is central to many OECD PWPs and has been influential in the ALMP discourse in recent decades, primarily in developed countries, but also to a lesser degree in MICs and LICs. This approach has, however, been found to have limited impact, and to improve the subsequent labour market performance of participants only if the training provided is closely aligned to specific skills gaps in the wider economy (Martin and Grubb, 2001). Based on their review of international experience, Martin and Grubb argue that where training is included in programmes, it should be kept small in scale, and 'well targeted to the specific needs of both job seekers and local employers' (ibid: 23).

The first phase of the South African EPWP illustrates the challenge of conforming with this guidance in a PWP offering only short-term employment: the level of skills training provided did not conform to identified skills shortages (which were primarily for semi-skilled, artisanal and skilled workers), largely due to the limited training contact time possible during the brief period of PWP employment.[8] This limitation

8 This is explicitly acknowledged in the Infrastructure Sector Plan for the EPWP, 2005, which states: *the nature of the labour-intensive construction industry is such that ... employment opportunities for labourers typically last only four to six months ... this entitles labourers to only eight to 12 days of paid training. This is not sufficient for training unskilled labourers to become artisans* (EPWP, 2005b).

is significant since it has been recognised in the South African policy discourse that PWP employment without skills development will not have a sustained beneficial impact:

> *… job creation without skills development, upgrading and training, does not lend itself to sustainable employment and will have no long-term economic impact on the lives of the unemployed …*(EPWP, 2004b)

Attempts have been made to address the inherently limited training potential of short-term PWPs by making complementary interventions outside of the framework of the PWP itself, so that they are not constrained by the operational rigidities of the PWP in terms of duration, management or content (McCord, 2007b). Examples of this approach are the Ethiopian FSP, which includes complementary training programmes for PWP participants, such as agricultural livelihoods promotion, and the Malawian Improving Livelihoods through Public Works Programme (ILTPWP) of the early 2000s, which promoted small business training interventions alongside PWP employment.

While skills development is in part related to formal sector employment, as the earlier examples indicate, it can also relate to the promotion of livelihoods through self-employment. Many PWPs (including the PSNP and ILTPWP) have aimed to promote livelihoods rather than formal employment, in order to facilitate graduation from PWP dependence. The idea of 'graduation' upon exit from Type A PWPs is prevalent in much programme design documentation in the region, being central to the conceptualisation of programmes such as the EPWP in South Africa, the PWPs implemented as part of the Malawi Social Action Fund (MASAF) and the Ethiopian PSNP. However, there is little empirical evidence to support this aspiration. The limited evidence available suggests that most PWP participants return to their previous employment and poverty status once they exit PWP employment (Sultan and Slater, 2005; Ndoto and Macun, 2005).

It is interesting to note that skills development is not necessarily a component of the programmes offering Type B employment guarantees. The MGNREGS does not include a skills development component but focuses rather on the ongoing provision of PWP employment to guarantee income. Community development, skills training and livelihood-related interventions are carried out in association with the programme, but without the expectation that participation will improve employment and livelihoods performance to the extent that there will be no need for ongoing PWP support.

The Argentinian Jefes and US New Deal programmes both included training components. The New Deal absorbed many of the workers it trained by employing them directly, while the training component within Jefes was intended to promote the ability of participants to engage in the open labour market as the economic recession lifted (Harvey, 2007b). This kind of programming is predicated on the prospect of economic recovery and/or the imminent expansion of labour demand, and as such is not directly relevant in many sub-Saharan African contexts.

## Physical and social infrastructure provision

The provision of infrastructure is a major objective in PWPs. There are two main forms of infrastructure which may be provided through PWPs: physical infrastructure, the conventional approach which entails the construction of material assets, and social infrastructure, the provision of services, an area in which there has been considerable innovation in the region.

### *Improving provision of physical infrastructure*

The asset creation aspect of PWPs is one of their unique-selling points. Adding a tangible investment aspect with material outcomes to social protection programming can make investment in this sector more attractive to governments than conventional cash transfer programming, which is perceived as primarily representing consumption expenditure. Creating infrastructure (primarily road construction and environmental assets such as ponds, dams and other forms of watershed management) in a labour-intensive way is a popular mechanism to increase aggregate employment, as discussed previously, while also potentially contributing to economic growth at household, local or regional levels through the creation of productive assets. PWPs were used as a mechanism to provide social protection and simultaneously create infrastructure and productive assets under the New Deal programme in the US during the 1930s, and more recently, this approach has been adopted in programming in Rwanda (Mellor, 2003). This approach is particularly popular in post-conflict countries in which both employment and infrastructure reconstruction are priorities, including Serbia, Iraq and Afghanistan (see, for example, Bonin and Rinne, 2006).

Internationally, PWPs differ significantly in terms of the relative emphasis given to the objectives of infrastructure provision and social protection provision, and there can sometimes be a tension between the two. In programmes where asset creation is not the primary objective, the construction of physical assets is sometimes primarily a means to satisfy the work conditionality, only required to justify receipt of the PWP transfer, rather than being the core programme rationale. In such programmes, there may be less emphasis on the quality of the assets or services provided, an issue explored later on.

In the Type B programme such as the MEGS, MGNREGS, PSNP and Jefes programmes, which prioritise the social protection objective, the work condition has been waived at times when it was not possible to provide sufficient projects to absorb all those seeking employment, and the wage provided without any labour requirement.[9] In these cases, the asset creation objective was subsidiary to the social protection imperative and hence, could be dropped if necessary in order to ensure that the primary objective of social protection was achieved. This situation differs significantly from that which one would obtain in a Type C programme, where asset creation is the primary purpose of PWP implementation.

9 In such instances, where the PWP is delinked from service delivery, it becomes difficult to distinguish the programme conceptually from a cash transfer programme.

### *Improving social infrastructure through service delivery*

While the dominant employment mechanism in PWPs is the construction of physical infrastructure, a wide range of activities have been included under the PWP banner, including social service provision. In the New Deal programmes, PWP employment extended to teaching, adult literacy, nursery care, social care, the implementation of national statistical surveys, and culture and performance art, as well as the production of consumer goods for direct distribution to recipients of public assistance (Harvey, 2007a). The Jefes programme included funding for micro-economic activities in agriculture and home production,[10] as well as social care for children and the elderly.

The lower capital costs incurred in the creation of social rather than physical assets has the potential to reduce PWP implementation costs significantly. A service-based approach also increases the range of sectors in which labour can be absorbed, potentially easing constraints to the scale of PWP employment (see Lieuw-Kie-Song and Philip, 2010). In recent years, programmes have been developed in sub-Saharan Africa which simultaneously provide employment and also promote the expansion of social service provision, supporting social infrastructure in the context of the growing pressure placed on households and existing service providers resulting from the HIV/AIDS pandemic.

The use of PWPs to create social as well as physical assets is one of the most innovative aspects of LIC and MIC public works programming to have developed in recent years. It has developed in southern Africa in part in response to the needs of households affected by HIV/AIDS (McCord, 2005). In South Africa, this approach was incorporated into the national EPWP, which promoted employment while also providing improved service delivery in the social sector, with work placements in ECCD and Home-Based Care (HBC). This is an attractive PWP employment option since it offers an opportunity to provide ongoing part-time employment, which may be significantly more valuable and accessible to poor and labour-constrained households than temporary full-time work, as well as meeting a recognised social need. Although relatively small scale, the Zimbabwe Red Cross HBC programme (operational since the early 1990s) illustrates the potential for the PWP employment and service provision objectives to be addressed jointly. The HBC programme for those affected by HIV/AIDS employed over 2 000 facilitators supporting an estimated 40 000 people affected by HIV/AIDS through the provision of care (McCord, 2005).

While social service provision through PWPs has focused primarily on HBC and ECCD to date, there is the potential to expand PWP employment into a wide range of social sector interventions in sub-Saharan Africa. For example, low levels of health service provision inhibit the roll out of anti-retroviral (ARV) treatment and voluntary counselling and testing (VCT) in many countries, and there are opportunities to use PWP employees to support these processes, carrying out key support functions to relieve pressure on formal health providers. Examples of potential areas for PWP employment

10 This focus on the provision of private goods is unusual, as most PWPs focus on the creation of public goods.

include tuberculosis (TB) sputum sample collection,[11] birth registration and a range of social grant registration and application services. This would lift the burden on formal social and health sector workers. In this way, a shift into service delivery represents an opportunity for the expansion of socially constructive PWP employment in countries where service provision for the poor is otherwise constrained, at a time when demand for services is increasing, in part as a consequence of the impact of the HIV/AIDS pandemic. If adequately funded, PWP employment in this sector also has the potential to offer the extended periods of employment required in a GEP or EGS, in direct contrast to the inherently short-term nature of employment in physical infrastructure construction.

Other areas of service delivery which have been accommodated in urban-oriented PWPs in the region include urban sanitation and refuse collection although these have mostly been used as components of temporary rather than ongoing employment provision.

## Enhancing productivity

Recent years have seen a growing interest in the role of PWPs as instruments which will provide productive social protection resulting in increases in productivity at household and community levels and the graduation of beneficiaries out of poverty. By promoting productivity gains it is sometimes anticipated that 'productive' PWPs will reduce ongoing reliance on social protection provision in the medium term while also contributing to local economic development. A combination of both direct and indirect effects are needed if a programme is to meet the objective of enhancing productivity (McCord, 2012).

To achieve this programmes would need to offer a wage which is adequate to prevent the distress selling of assets and provide sufficient resources for investment as well as basic consumption, while also creating appropriate infrastructure and providing the kind of skills development likely to promote significant improvements in livelihoods. In order to contribute to such outcomes the key question is whether programme design is appropriate for the livelihoods and labour market context in which it is implemented. Key determinants of success are likely to relate to factors such as whether the assets created are productive, whether there is a demand for the skills gained by workers, or opportunities for livelihoods diversification, and whether complementary interventions are in place.

It is important to consider the distribution of potential productivity gains arising from PWP implementation. Depending on their design and objectives, PWPs can result in the deliberate or unanticipated exclusion of some eligible poor households, and inclusion of those who are less poor, from direct programmes. Deliberate exclusion of the poorest from programme participation is a risk if household- or community-level productivity gains are prioritised over objectives relating to the provision of social protection for the poorest. Those in greatest need of support might be the least likely to experience PWP-induced productivity gains as a result of a given intervention, due to their depth of poverty, limited labour capacity, or limited asset base. For this reason they might be purposely excluded from

11 D Ginsburg, adviser to the KwaZulu-Natal Department of Transport and Public Works, implementing the Zibambele PWP, 2005, pers. comm.

programme participation. This indicates a potential tension between productivity and social protection objectives.

The distribution of any indirect productivity gains derived from assets created through public works programmes is also relevant, as it cannot be assumed that those employed to create the assets will also be the primary beneficiaries of any resulting productivity gains. For example, investment in watershed management may result in benefits which are distant in both time and space from the point at which the PWP activity took place. Similarly productivity benefits arising from investment in road infrastructure or irrigation may offer more significant productivity gains to less poor community members, rather than PWP workers, as a result of factors such as land ownership or other social or institutional factors.

## Macro-economic stimulation/automatic stabilisation

PWPs have also been adopted in pursuit of macro-economic objectives, predicated on the Keynesian argument that the injection of sufficient capital into the economy through the PWP wage and associated material and equipment expenditure would stimulate demand, resulting in secondary employment effects and thereby facilitating economic growth, or reducing contraction during periods of economic recession. The creation of employment on a significant scale is necessary if this stimulus effect is to be a likely outcome. Although rarely explicit in the PWP discourse in recent decades, this objective has become more prominent in the wake of the 2008/9 financial crisis, with several countries implementing employment programmes with macro-economic stabilisation objectives as part of their crisis response (see Bonnet, Ehmke and Hagemejer, 2010). The World Bank's Vulnerability Financing Facility (VFF), created in the wake of the financial crisis, supported a number of large-scale infrastructure programmes to provide employment and stimulate demand during the resulting recession although the employment created was not in most cases targeted to particular vulnerable groups. It has been argued that linking such spending to employment programmes targeted to the poorest would result in greater economic stimulus effects (Harvey, 2011).

There has been significant interest among multilateral donors in the potential for the development of national PWPs to function as automatic stabilisers, scaling up employment provision in response to future crises and in this way meeting social protection needs, while also performing a pump-priming function to support demand. A proposal put forward by the International Evaluation Group (IEG) of the World Bank puts it as follows: 'In low income countries establishing adaptable public works programs may be an option for providing protection to those affected by future crises' (IEG, 2011: 52).

Historically, the most notable examples of programmes with such objectives are the New Deal programmes implemented in the USA during the depression of the 1930s. The New Deal entailed the implementation of five concurrent, centrally administered public works initiatives which consumed an average of four per cent of GDP per annum between 1933 and 1943, in an attempt to stimulate the economy, while also absorbing a significant proportion of the unemployed and ensuring that their basic household needs were met. Employment was provided in special programmes operated directly by the government and also through private contractors, and funded through a massive expansion in

infrastructure expenditure. At their height, these programmes absorbed over 50 per cent of the unemployed, and promoted counter-cyclical expenditure and demand, thereby stimulating economic growth, while also creating assets which themselves performed a stimulus function (Harvey, 2007a).

The New Deal programmes demonstrate that attempting to achieve the objective of macro-economic stimulation through large-scale government employment creation is dependent on large-scale state allocations over time, as well as on the availability of significant human capital resources (administrative, managerial and technical) to ensure effective implementation (ibid). It is interesting to note that the capacity to manage such a massive and complex programme effectively was in part due to the nature of the economic crisis, which resulted in unemployment across the skills spectrum. This rendered managerial, technical and administrative capacity readily available for deployment within the programme — a situation that differs significantly from the sub-Saharan African context, where the shortage of technical and managerial skills often represents a major constraint to effective programme implementation.

## Political stabilisation

PWPs are sometimes developed in response to actual or latent social and political unrest, with the explicit, or more often implicit, objective of promoting social and political stability.[12] Political change and instability feature in the genesis of many PWPs. During periods of instability, the political importance of directly addressing employment provision is likely to increase, and also it may be politically expedient for governments to be seen to be addressing unemployment and poverty directly, and PWPs offer the potential for a high-visibility intervention. Many large high-profile PWPs including the AGETIP in Senegal, MGNREGS in India, the Padat Karya (PK) in Indonesia and the EPWP in South Africa fall into this category. Thabo Mbeki, former president of South Africa, made the promise of the provision of one million jobs through the EPWP rallying call during the 2004 election. Many demobilisation, disarmament and rehabilitation (DDR)-related employment programmes in fragile and post-conflict contexts also fall in to this category – one example is the Youth Employment and Empowerment Programme (YEEP) in Sierra Leone (Weeks, 2011). These programmes were implemented at key political moments at least in part to gain support either from those affected directly by unemployment or those fearing the consequences of sustained unemployment among potentially volatile groups, such as the urban youth, demobilised soldiers or the rural poor who might otherwise migrate to cities en masse in search of employment.[13] Periods of political uncertainty can also present opportunities for the promotion of new policy ideas by groups holding the balance of power, as in the case of the MGNREGS in India (see McCord and Chopra, 2010).

12 The objective of promoting political or social stabilisation is more frequently implicit than explicit although in some instances, a high 'visibility/cost ratio' is explicitly included as an indicator of programme success (see Wade, 2004, in reference to AGETIP).

13 The origin of the MEGS was the fear of massive rural-urban migration on the part of the urban population in Mumbai.

In some contexts, PWP visibility may be as important as programme content, coverage or impact. For example, the aforementioned EPWP in South Africa was widely publicised as a significant national intervention to address the problem of the working-age poor, yet aimed to reach only four per cent of the unemployed and provide each beneficiary with a single, brief episode of employment.[14] In such instances, it may be the existence of the programme, rather than its scale of operation or performance, which is of political importance.

Political incentives can, however, play a role in promoting effective programme design and execution. An example of this is the Zibambele programme implemented in KwaZulu-Natal, South Africa. This programme, discussed in more detail in the following chapters, was uniquely successful among South African PWPs in terms of penetration among the rural poor and responsiveness to their needs in terms of its design.[15] This programme was implemented in one of only two provinces in South Africa where the ruling party did not have a secure electoral majority; provincial elections were hotly contested and the votes of PWP employees mattered. Where the voice of potential beneficiaries is less important politically, ensuring the quality of programming and its outcome for the poor is rarely a political priority.

## Discussion of objectives

As indicated in the discussion earlier, the PWP concept can incorporate a range of potential objectives. These objectives may be implicit or explicit and may vary in terms of their relative prioritisation. Sometimes, a multiplicity of objectives are adopted which may not be consistent with the type of PWP selected and may even be mutually contradictory in terms of programme design requirements. PWPs are sometimes presented as interventions which can address both infrastructure and social protection objectives simultaneously. There is, however, a tension between the provision of quality assets and the urgency of providing the wage, which can create stresses when the need to provide large-scale employment rapidly occurs in contexts with limited technical and managerial capacity. In such contexts, it is not always possible to meet both objectives simultaneously and prioritising one objective can result in sub-optimal outcomes in the other. Several PWP evaluations have suggested that the existence of multiple objectives in a single programme reduces the likelihood of programme success due to the potentially conflicting operational priorities implied by diverse objectives, the increased managerial, administrative and coordination burdens these objectives imply, and confusion among both implementers and beneficiaries regarding the primary purpose of the programme. This has negative consequences for both performance and accountability (see, for example, Adato, Haddad, Horner, Ravjee and Haywood, 1999, with reference to the South African Community-Based Public Works Programme [CBPWP]; Curtain, 1999, with reference to the Padat Karya [PK] in Indonesia, and Karuri et al., 2007, with reference to the EPWP in South Africa).

14 For a comparative discussion of the scale of operation of major PWPs see Chapter 3, and for a discussion of the wider political and ideological issues associated with the selection of PWPs, see McCord, 2008.

15 The Zimbambele programme is explored in more detail in Chapters 8 and 11.

The New Deal programmes were able to accommodate a diversity of mandates successfully because the initiative had the authority to elicit cooperation from a variety of other government agencies and adopted a flexible institutional structure, wherein the individual programmes were implemented by different agencies with clear and discrete mandates (Harvey, 2007a). Such management flexibility is rare in contemporary PWPs in the region. Where an attempt is made to address multiple objectives within one programme, it is important that the department leading the programme has the authority and skill to coordinate across diverse ministries. This can be problematic if the lead department is one primarily charged with physical infrastructure provision (for example, a Department of Public Works) which may have limited influence or credibility with other departments, and limited social welfare experience, or a parastatal, such as a donor-supported Programme Management Unit (PMU), with limited institutional linkages across government.

## Conclusion

The generic term PWP covers a set of linked but highly differentiated interventions which are functionally discrete in terms of what each can achieve, and in what context. A weakness in current social protection programming in the region is the failure to recognise this heterogeneity. In the absence of a broadly agreed typology, PWPs are often poorly conceptualised, resulting in the adoption of short-term (Type A and Type C) PWPs in a variety of settings, without recognition of the fact that particular types of PWP can only function effectively in specific labour market contexts, and contribute to only a limited number of programme objectives.

This conceptual weakness has adverse programme design consequences and can result in mismatches between PWP form and function, negatively affecting programme outcomes. This issue is not directly acknowledged in the current discourse.

This chapter has attempted to provide a framework for addressing these issues by presenting both a PWP typology and a schema of programme objectives. Neither the typology nor schema provide a perfect categorisation of current programming, but they set out a framework for the analysis of PWPs, and are intended to stimulate critical thinking around the disaggregation of the PWP concept, and the relationship between form and function that this implies.

# Chapter 3

# *The social protection function of public works programmes*

This chapter explores the role of PWPs in the provision of social protection. Various definitions of social protection are in usage (see Barrientos and Hulme, 2008: 3–4), and the term is somewhat contested, but for the purposes of this book it is taken to describe:

> *... public actions taken in response to levels of vulnerability, risk, and deprivation which are deemed socially unacceptable within a given polity or society.* (Conway, De Haan and Norton, 2000: 5)

Social protection has a number of different components which are useful to clarify in relation to the public works discussion. PWPs provide income protection, and hence, represent a form of social security, a subset of social protection which refers to interventions providing a 'state-run method of income protection' (Evans, 1998: 258). Social security programmes are conventionally divided into social insurance and social assistance (Conway, De Haan and Norton, 2000: 5–6). While social insurance is contingent on prior contributions, social assistance is non-contributory, and typically takes the form of a cash transfer, which may be either conditional or unconditional.

## PWPs and social protection

PWPs however have a somewhat ambiguous position in terms of social security, as they have characteristics of both social assistance and social insurance. While PWPs are often considered a form of social assistance, i e a non-contributory form of social security, this does not give due consideration to the work requirement (a form of in-kind rather than monetary contribution), and hence, it is sometimes suggested that PWPs are more akin to a contributory social security provision, with the contribution not made prior to, but simultaneously with the benefit.[1] However, both characterisations are problematic given the nature of the work requirement, which some argue makes them more akin to employment rather than social protection instruments, an issue discussed further on the pages that follow.

1 S Devereux 2008, pers. comm.

## The work requirement

Social assistance interventions in sub-Saharan Africa are made up of a mix of unconditional and conditional cash transfer programmes, with conditionality becoming increasingly popular under the influence of the World Bank and Latin American-inspired policy design in recent years.[2] PWPs have been characterised as being subject to a 'work conditionality', requiring that specific tasks are performed as a condition for receipt of a social assistance transfer. For this reason, PWPs are sometimes considered to represent a particular form of conditional transfer (see Samson, Van Niekerk and MacQuene, 2006: 8). However, there are very different implications at household level between the demands of conventional conditional transfers, which typically entail service utilisation requirements, such as attendance at health clinics or school participation, and the significant labour commitment required under a PWP. Since all paid employment has attached to it, the condition that the employed must 'work' in order to be rewarded with the wage; PWP employment retains the characteristics of conventional work rather than a conditional social grant, and the PWP work requirement renders public works employment almost identical to market employment. For this reason, it is not evident that considering PWP as a form of conditional transfer is conceptually valid or analytically useful.

Meth argues that it is more useful to adopt a labour market theory approach to the examination of PWPs, and that PWP jobs may more accurately be viewed as a form of 'sponsored employment', provided to fill the gap resulting from labour market failure, rather than a form of social protection provision (see Meth, 2012, for an analysis of public works programming rooted in labour market theory). Using this approach the PWP typology outlined previously can be located within a broader framework of 'sponsored employment', as illustrated in Figure 3.1. In this analysis Type A, C, D and most Type B PWPs represent targeted and rationed access to employment, and the EGS form of Type B universal provision. In this analysis, the characteristics of sponsored employment can be seen to mirror those of social protection provision, more generally, in terms of the choice between rationed and universal provision, with the rationed commodity being sponsored employment rather than social protection provision. While offering useful insights into PWP design choice, the labour market approach will not be explored further as a framework for PWP analysis here, and the following discussion will focus on an exploration of PWPs in terms of its social protection function.

It is the work requirement which makes PWPs preferable to some policy-makers over alternative forms of social protection. This is for two main reasons. First, it is assumed that the work requirement will automatically result in targeting the poor through a process of self-selection, based on the principle of 'less-eligibility', since the less poor will be unwilling to engage in low-paid PWP work. Second, it is assumed that working in return for support will not induce dependency on the part of beneficiaries as might receipt of non-contributory support in the form of a cash transfer (see, for example, Besley

2 Grants with a social conditionality, such as participation in health care or education, are however increasingly popular, particularly in Latin America. For a discussion of the merits of conditionality, see Fiszbein and Schady, 2009.

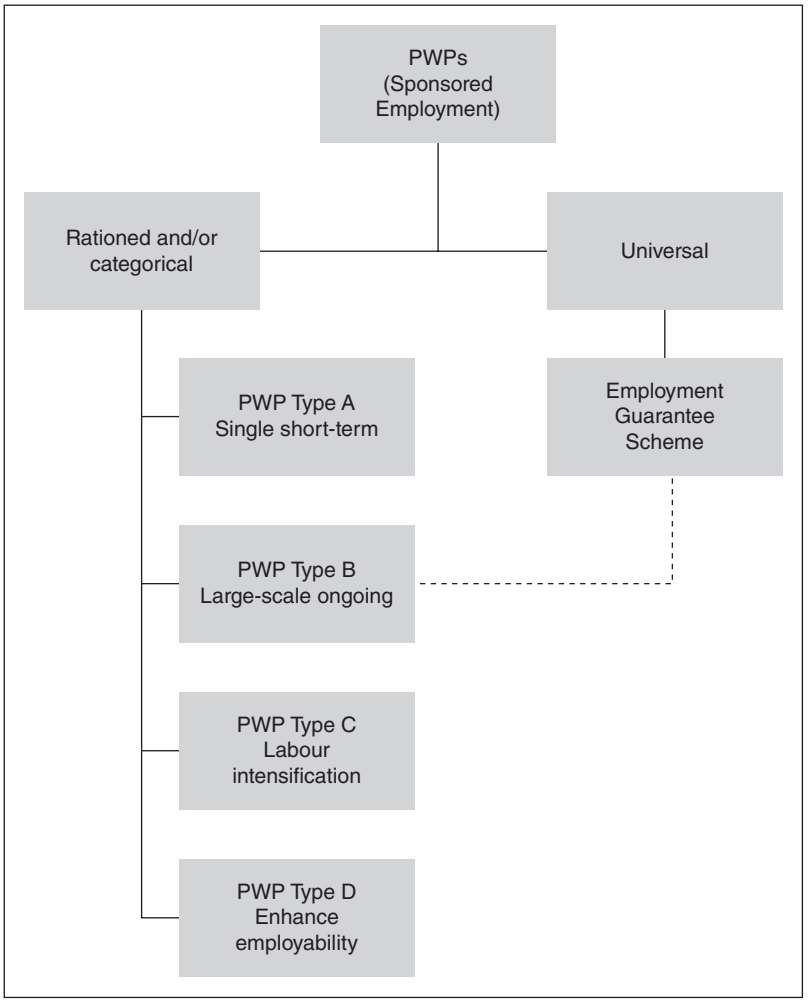


**Figure 3.1: Forms of sponsored employment**

*Source: Adapted from Meth (2012: 33).*

and Coate, 1992). While there is no empirical evidence to substantiate concerns regarding the dependency-inducing impact of cash transfer receipt (DFID, 2011), this concern is nevertheless, sufficiently persistent to have a significant impact on the choice of instruments adopted within social protection programming.

## The hierarchy of social protection objectives

Devereux and Sabates-Wheeler (2004) describe a hierarchy of social protection functions comprising four categories, which they describe as protective, preventive, promotive and

transformative social protection. The latter is the form which has the most significant and enduring impact. It addresses the social and economic factors which perpetuate poverty. This hierarchy offers a useful articulation of the various possible levels of social protection provision, based on the consideration of rights, needs and empowerment.

These components can be set alongside the World Bank's Social Risk Management (SRM) framework, also created to assist in the analysis of social protection provision, which focuses more exclusively on risk, proposing three components: risk coping, risk management and risk reduction (Holzmann and Jorgensen, 1999).[3] By considering the social protection function of PWPs in relation to these two sets of definitions, it is possible to analyse the social protection function of public works in relation to the broader social protection debate within which they are located. Integrating PWP interventions into the three levels of the SRM (or social protection discourse) provides a useful framework for examining the social protection function of public works, and assists in the development of a theoretical framework for the analysis of likely PWP impacts. However, in order to do this, it is first necessary to identify the vectors through which social protection benefits may be conferred in PWP interventions.

## How PWPs confer social protection benefits

It is generally assumed that PWPs have a positive impact on poverty alleviation/reduction, either directly or indirectly, and in some instances even on livelihoods promotion, through an accumulation of the human, material or financial assets required to move out of poverty. When the concept of the PWP is interrogated to ascertain how these outcomes might be achieved, three primary vectors can be identified:

1) The wage
2) The assets created
3) Workplace experience and training.[4]

The mainstream PWP literature focusses on the function of the wage, and to a lesser extent the indirect effects accruing from the assets created (see, for example, Subbarao, 2001 and Ravallion, 2003), but there is little discussion of the third vector, relating to training and work experience which has the potential to confer benefits under a PWP

3 Notwithstanding the broad hierarchical conformity of the two models, there remain significant differences in terms of the conceptualisation of social protection underlying each model (see discussion in Devereux and Sabates-Wheeler, 2007). However, for the purpose of creating a framework for the location of differing PWP types in terms of their social protection function, highlighting this conformity is of value.

4 Institutional capacity-building has been mooted as an additional vector of PWP impact. Devereux and Solomon argue, in addition to the immediate wage income that labour-based programmes transfer to participants, these programmes also aim to generate long-term benefits through the assets created, training and skills received, and institutional capacity-building. Clearly, a programme's overall success must assess the extent to which it is able to transfer all these benefits (Devereux and Solomon, 2006: 24). However, since this work is attempting to identify vectors of social protection transmission through PWPs themselves rather than through indirect institutional outcomes of PWP development, institutional capacity-building has not been included as a key social protection vector.

(see, for example, Devereux and Solomon, 2006). The inclusion of training/work experience reflects the prominence of skills development and work experience in the ALMP debate (see, for example, Martin and Grubb, 2001), and the influence of this debate, and of the US 'workfare' ideology in particular, on the design of PWPs in developing countries (McCord, 2007b). The importance of skills development as a vector of social protection benefit transmission is discussed in relation to the South African EPWP in this chapter, and is explored in detail in Chapter 8.

The social protection impact of a PWP will vary depending on the performance of these three vectors in any given programme; the duration and value of the wage income, the quality of the assets created, and the relevance of the training and experience provided. These will in turn be influenced by the type of PWP adopted, and the range and relative prioritisation of objectives ascribed to the programme. These three vectors are not discussed further at this point, but each will be explored in detail in the following chapters.

The characteristics of the different types of PWPs identified previously are integrated with the Devereux and Sabates-Wheeler social protection and World Bank SRM hierarchies which frame this current discourse social protection in Figure 3.2. In this figure, the World Bank concepts of coping, mitigation and reduction are broadly equated with the concepts of protective, preventive and promotive/transformative social protection respectively. The popular term 'safety nets' describes interventions promoting coping/protective and mitigation/preventive outcomes, while the term 'springboards' refers to interventions promoting mitigation/preventive and reduction/promotive/transformative outcomes. This framework illustrates the range of potential social protection outcomes resulting from PWP interventions, and how these are linked to programme design and the main vectors of impact.

This framework illustrates the correspondence between different programme types and the hierarchy of potential social protection outcomes. A PWP that pays a wage large enough, and has a duration long enough to allow for substantial asset accumulation and skills acquisition has the potential to provide 'promotive' or 'transformative' social protection particularly where benefits also accrue from the assets created. Sustained employment or an employment guarantee in times of need, conforms to 'preventive' social protection, offering income insurance and the potential for benefits through asset creation, but offering little opportunity for skills acquisition. Finally, short-term employment providing a wage in response to temporary labour market disruption, but no significant asset or skills benefits, conforms to 'protective' social protection. In each instance the level of the wage will play a key role in determining the extent of the poverty reduction impact.

In the context of chronic poverty and unemployment, the potential of a PWP to provide sustained (promotive or transformative) social protection benefits is dependent on the accumulation of productive financial, physical and/or human capital. This could be achieved by setting the wage at a level sufficient to enable accumulation, the creation of productive assets which contribute to improved livelihoods, and/or effective skills development resulting in improved labour market performance, as discussed earlier.[5]

5 The term 'capital accumulation' seems incongruous when applied to the chronic poor. For a chronically poor household, capital accumulation may refer to something as modest as the acquisition of a three-legged cooking pot.

| | Devereux and Sabates-Wheeler's Social Protection Hierarchy | Social Risk Management Framework | Public Works intervention | Vector of impact |
|---|---|---|---|---|
| | Promotive and transformative (Social transformation) | Risk reduction | Programme enabling accumulation of productive financial physical and/or human capital<br>(Type B plus complementary interventions and Type D in contexts of structural unemployment, with unmet labour demand) | Wage<br>Assets<br>Skills |
| Springboards | | | | |
| | Preventive (Insurance mechanism) | Risk mitigation/ management | Programme providing a form of employment insurance<br>(Type B guaranteeing employment on demand or cyclical employment) | Wage<br>Assets |
| Safety nets | | | | |
| | Protective (Social assistance) | Risk coping | Programme providing short-term employment to enable consumption-smoothing<br>(Type A and also Type C if implemented during crisis period) | Wage |

**Figure 3.2: A conceptual framework for the social protection function of public works programmes**

*Source: Derived from McCord (2005) incorporating Devereux and Sabates-Wheeler (2004).*

However, these outcomes are highly context dependent, and it is critical that the selection of programme type and detailed design choices take into account the specificities of the labour market and broader economic context.

## Key PWP design choices

The key design choices which need to be sensitive to the labour market context are targeting, coverage, the scale of intervention, and the quality of employment provided (predictability and terms of employment), as well as implementation modalities. Each is examined in the paragraphs that follow.

## The labour market context

PWPs are implemented in a range of contexts which may, somewhat reductively, be grouped into two broad labour market categories:

1) Acute periods of labour market or livelihoods disruption (eg drought or flood)
2) Chronic or cyclical unemployment, two scenarios which may not be mutually exclusive.

The effectiveness of a PWP intervention, in terms of its contribution to social protection, is contingent on the PWP design matching the labour market context. Hence, the nature of the labour market crisis should be a key determinant of programme design, particularly in terms of programme duration.

In the case of a temporary labour market disruption, the immediate social protection objective would be asset protection and short-term consumption-smoothing, through the wage. The assets produced through the PWP may potentially also serve to mitigate future risk, promote the livelihoods of workers and/or other community members, and/or enhance development objectives of the broader society.

By contrast, in situations of chronic or cyclical unemployment, PWP effectiveness is contingent on the extent to which programmes contribute to consumption on a sustained basis, thereby preventing repeated distress-selling and growing impoverishment over time. This could be achieved through programmes offering either ongoing or repeated transfers. Depending on the extent to which the accumulation of financial, human (in the form of education, health or skills) or physical assets resulted from this intervention, it could potentially result in a sustained reduction of poverty, even after the period of PWP employment and direct wage transfer were completed.

In all scenarios, the effectiveness of the PWP is contingent on the extent to which it enables asset protection and consumption-smoothing throughout the period of labour market failure. Therefore, it is critical to match the duration of PWP employment to the labour market context, taking into account the nature of the labour market disruption in each instance. Employment in short-term PWPs based on the labour-intensive creation of physical infrastructure typically lasts for only three to four months (McCord and Slater, 2009), and it is likely that the social protection benefits arising from such employment would be limited to the period of the wage payment (this assumption is discussed in detail further on). As a result, for most PWP participants, it is likely that the duration of benefit will be limited to the period of wage payment.

This is not likely to be problematic in the context of transient unemployment. However, rather obviously, under conditions of sustained unemployment a single short-term episode of PWP employment cannot be expected to provide sustained social protection benefits. If a sustained social protection outcome is desired in this context, a medium- to long-term intervention would be required in order to enable sustained consumption-smoothing and possibly also accumulation to take place.

Given the inherent limitations of the short-term PWP as an instrument to provide social protection in the context of chronic unemployment, long-term employment provision would represent a more appropriate response. However, as mentioned, PWPs providing ongoing or cyclical employment are rarely implemented in the region, and PWPs offering only short-term employment are frequently implemented in contexts of chronic unemployment, recent examples being programmes implemented under the MASAF in Malawi, the EPWP in South Africa and the EIIP in Ethiopia (Chirwa and Mvula, 2004; McCord, 2004a; Mengesha and Osei-Bonsu, 2007).

The identification of this frequent mismatch between the programme objectives, the labour market context, and PWP design offers a critical insight into the poor performance of many PWPs in the region, an issue which is explored in detail in the next section.

## Design features affecting social protection impact

A review of the international experience indicates that there is a set of common design features which have a direct effect on the likely social protection outcome of PWPs. Of central importance is programme duration in relation to labour market conditions as discussed previously. Other critical design features affecting social protection outcomes are targeting and coverage, scale, the quality of employment, and programme implementation modalities. Each is discussed in turn.

### *Duration*

Many governments, donors and implementing agencies adopt short-term Type A programmes, irrespective of the need for the PWP type to reflect the specificities of a particular context. The implications of this preference, and the resulting tensions between programme form and intended function are discussed, with particular reference to PWP duration.

Drawing on international experience, Subbarao et al., argue that 'public works are essentially a temporary safety net and should never be used as a permanent escape route from poverty' (1997: 168). However, they also suggest that if PWPs are to perform a social protection function when unemployment is cyclical, they should be repeated, and that when poverty is chronic, there is a need to guarantee employment on an ongoing basis; rather than the provision of only temporary employment: '... in countries where poverty-gap ratios are high, the need to run the programme [PWP] year-round (and thus raise transfer benefits to the poor) assumes greater importance' (1997: 84).

Similarly, Datt and Ravallion endorse the role of PWPs in providing an income insurance function to addressing chronic or cyclical unemployment, arguing that 'failure to obtain this work [PWP employment] whenever needed will tend to undermine the social insurance function of public works schemes' (1994a: 1358).

The implication is that if PWPs are adopted in response to chronic poverty, they need to provide employment which is available cyclically or on demand in order to have the desired insurance (preventive social protection) function. However, the clarity about the appropriateness of the different forms of programme in different contexts, articulated in the literature does not tend to inform programme design choices. This problem is particularly evident in the sub-Saharan Africa region, where programmes offering single episodes of employment are repeatedly implemented with the objective of providing social protection in contexts of chronic poverty. Such programmes are implemented in anticipation of significant and sustained livelihoods and poverty reduction benefits,[6] despite the fact that the literature argues that the effective sphere of short-term PWPs is limited to temporary crises.

A limited number of PWPs in the region have deviated from the Type A model, offering year-round or repeated PWP employment in response to long-term unemployment and chronic poverty. One example is the small scale Type B Zibambele road maintenance programme in KwaZulu-Natal, South Africa, which offers ongoing part-time employment. This programme is described in detail in Chapter 8. It is notable that this programme was designed and funded in the early 2000s without inputs from international donors such as DFID, the ILO and the World Bank who tend to dominate PWP design in the region. The result of this dominance is often a homogeneity of programme design, and focus on short-term programming in the form of Type A and C programmes.

The notable exception to conventional donor-supported PWP programming in the region is the PSNP in Ethiopia, a Type B programme, initiated in 2005, which was financed and designed with donor assistance. The PSNP offers multi-year access to PWP employment to over a million participants each year. Uniquely, the design reflects a recognition by donors and the government of the inadequacy of the Type A approach implemented in the country over the previous decades, and also a recognition of the chronic and systemic nature of the poverty and labour market challenges. These insights resulted in the development of the region's only large-scale GES.

The importance of programme duration is illustrated by findings from the Zibambele programme mentioned earlier, which suggests that significant benefits in terms of material and financial asset ownership, and human and social capital improvements, can result from a Type B programme offering not only relatively low remuneration but providing employment security over time (see the discussion in Chapter 10). These findings are consistent with literature which highlights the importance of the risk insurance function provided by sustained employment in addressing chronic poverty (see, for example, Dev op cit).

Similarly, employment over a sustained period is likely to impact positively on prospects for accumulation. If the poverty reduction impact of participation in a PWP is to be sustained after programme exit, it is critical for workers to have acquired the 'minimum or threshold asset bundle that enables future accumulation' during the period of programme

6 Such objectives are articulated in donor programme documentation. One example is the short-term DFID-supported Central Region Infrastructure Programme (CRIMP) in Malawi which has as its goal 'enhanced livelihoods for poor people in Malawi'.

participation (Carter, 2004).[7] Unless the poor can accumulate sufficient resources to pass a critical asset threshold, they are very likely to fall back into poverty (Carter and May, 2001; Carter, 2004). Hence, the social protection challenge is to 'create enabling conditions such that people can use time and markets to improve their well-being (and/or that of their children) and in this way "crowd-in" private accumulation' (Carter, 2004).

However, in short-term PWPs the short period of wage receipt, coupled with the low wage, limits the likelihood of significant accumulation taking place. Programmes focusing on the maintenance rather than construction of physical infrastructure or the provision of social services offer greater opportunities for extended periods of wage transfer and in this way increase the potential for sufficient accumulation to cross the critical asset threshold.

## Targeting and coverage

Targeting and coverage are two other key PWP design choices with a significant impact on social protection outcomes. Targeting refers to the selection of the groups eligible for participation, and coverage here refers to the extent to which a programme is accessible to all who are eligible (universal), or must be rationed, being available to only a subset of the eligible group in any given area. Universality implies that a programme is 'demand-driven', ie employment (or some alternative form of PWP transfer in instances where sufficient work cannot be provided) is available to all those who seek it.

In many cases, coverage is an artefact of history, particularly where PWPs are project-based. In project-based PWPs, or national programmes reliant on NGOs for implementation, as in the case of many Social Action Fund PWPs, implementation tends to be concentrated in areas where NGOs have their programming base rather than providing equitable coverage or promoting implementation in areas of particular need, which can potentially compromise the equitable distribution of PWP benefits (Chirwa, 2007). Even in 'national' PWPs such as the EPWP in South Africa, coverage is often limited to a small proportion of those eligible and occurs only in a limited number of locations, resulting in a patchy and inequitable distribution of social protection provision. Many PWPs are deliberately geographically focused, but even within their operational areas; coverage is often limited to a small percentage of those eligible. Similarly, EIIPs tend to offer small-scale-localised employment, which as a result is highly rationed. In cases where such a PWP represents the national response to the needs of the working-age poor and is the sole programme to target this group, these coverage limitations represent serious deficiencies and inequities in social protection provision.

In many programmes, a low wage is adopted to limit demand for employment, in effect making 'universal' provision more feasible by virtue of the 'less eligibility' condition while at the same time attempting to ensure that the poor are the primary beneficiaries (Vaidya and Ahmed, 2007). This form of targeting is administratively cheap. However, its efficacy as a mechanism for reaching the poorest is open to question (Barrett and Clay, 2003; Lembani and Madala, 2006; WFP, 2006; Harvey and Bailey, 2011). In countries

7 This text was contained in a 2004 presentation; page numbers not included.

with high levels of poverty, low-prevailing wages and high rates of unemployment, the use of low wages to promote the self-selection of the poorest into PWPs may entail setting the wage so low that it fails to meet basic subsistence needs thereby undermining the social protection rationale of programme implementation. Finding the balance between setting a wage low enough to reduce demand for employment and limit leakage to the non-poor, while also having a significant impact on the livelihoods of participants, remains a key challenge in many PWP contexts, an issue discussed in more detail in Chapter 5.

Adopting a capped wage level to promote targeting is a rather crude approach. Explicit targeting criteria are required to realise targeting objectives relating to certain demographic subgroups such as women or youth. Explicit targeting criteria are required to ensure that actual programme participation reflects intended beneficiaries, in terms of particular demographic groups such as women or youth. Targeting criteria need to reflect the objectives of the programme and recognise the heterogeneous nature of the unemployed and their differing needs and potential.[8] For example, if household poverty reduction is the primary goal, then PWP employment might be targeted at female household heads, since research has indicated that this group tends to be more vulnerable, and that transfers to female household heads have a greater impact on household welfare than transfers to males (Appleton and Collier, 1995; Duflo, 1999). If, however, promoting skills development and future employment prospects is the priority, then youths able to travel in search of employment, and with many years of potential labour market participation ahead of them, would be a more appropriate target. Many programmes, however, do not monitor the outcome of their targeting strategy, and the characteristics of actual beneficiaries are often unknown (see discussion in Chapter 4).

## Scale

Scale is a major determinant of a programme's social protection performance on a national level. Discussion of PWP scale tends to be presented in absolute terms rather than in relation to the total number eligible for programme participation, the scale of unemployment or the size of the labour force, which would offer a more meaningful expression of programme size and make the adequacy or otherwise of actual numbers of programme beneficiaries easier to understand in relation to programme objectives. Assessing the potential for a programme to make a significant contribution to national social protection objectives, without discussing the scale of the programme in relation to the eligible population, is problematic and also renders cross-country comparison difficult.[9] Table 3.1 attempts to address this problem by presenting the scale and coverage of eight PWPs from different countries in comparable terms to illustrate the diversity of performance.[10] It is not easy to make meaningful comparisons given the limited data available on PWP performance and the crudeness of indicators adopted in many programmes

8 It should be noted, however, that such criteria are only of value inasmuch as there are means to ensure compliance during programme implementation.

9 For example, in Subbarao (2003: 2), a table lists the absolute scale of operation of PWPs in selected countries, but without any means to contextualise the amount of employment created, for example by comparing it to country population size or the size of the labour force.

10 The data has been selected for the peak operational year of each programme, where available.

**Table 3.1: A comparative assessment of PWP scale**

| | Total number of PWP jobs/ annum | Total number of person years/annum | Total labour force (million) | Jobs as % labour force | Person-years as % labour force | Programme cost as % GDP |
|---|---|---|---|---|---|---|
| **Argentina: Jefes (2003)*** | 2 210 000 | n/a | 17 | 13 | n/a | 0.90 |
| **India: MGNREGS (2010/11)** | 54 954 000 | 11 689 000** | 435*** | 13 | 3 | 0.50 |
| **Indonesia: PK (1998/99)** | 1 481 481 | 181 818 | 92 | 1.6 | 0.20 | 0.20 |
| **Ireland: CEP (1990s)** | 41 000 | n/a | 1.4 | 2.9 | n/a | 0.18 |
| **Ethiopia: PSNP (2006/7)** | 1 500 000 | n/a | 31.0 | 4.8 | n/a | 2.00 |
| **Senegal: AGETIP (2004)** | 21 000 | n/a | 4.5 | 0.5 | n/a | 0.80 |
| **South Africa: EPWP 1 (2006/7)** | 200 000 | 70 000 | 16.0 | 1.3 | 0.44 | 0.20**** |
| **USA: New Deal Programmes (1933–1940)** | n/a | n/a | 53.0 | 3.4–8.9 | n/a | 3.9 |

*Source: McCord, 2007b and MGNREGS, 2012.*

*Notes:*

** The Jefes programme data presented here incorporates a small companion programme, the Programmea de Emergencie Laboral (PEL), which provides similar benefits but has different eligibility criteria (Harvey, 2007b).*

*** Estimated on the basis of 220 workdays per annum*

**** 2005 data*

***** This represents only social and environmental allocations as no additional funding was allocated to the infrastructure component.*

(such as 'jobs created', which has no inherent meaning in terms of the nature of the job created (employment duration, full- or part-time, etc). In order to promote comparability, two relative coverage indicators were constructed: jobs created per annum as a percentage of the labour force and annual person–years of employment created as a percentage of the labour force. The size of the labour force was chosen in preference to the unemployment rate as a denominator for these comparisons, given international inconsistencies in definitions and measurement of unemployment and underemployment. Comparison of PWP scale in relation to the size of the labour force gives an indication of the labour market significance of a programme, although it is important to note that it does not relate programme size to the scale of unemployment. In order to create a fiscal comparator, programme cost as a percentage of GDP is also shown.[11] For each programme the data represents the scale of performance at peak levels of programme operation.

It is interesting to note from Table 3.1, the relatively small scale of many celebrated programmes, compared to the Argentinian Jefes and the MGNREGS, when considered in relation to the size of the national labour force.

In Figure 3.3, the number of jobs created within the PWP is presented graphically as a percentage of the total labour force.

Each of these PWPs enjoys a profile in the international literature as a significant national policy response to social protection needs. The scale disparities become starkly

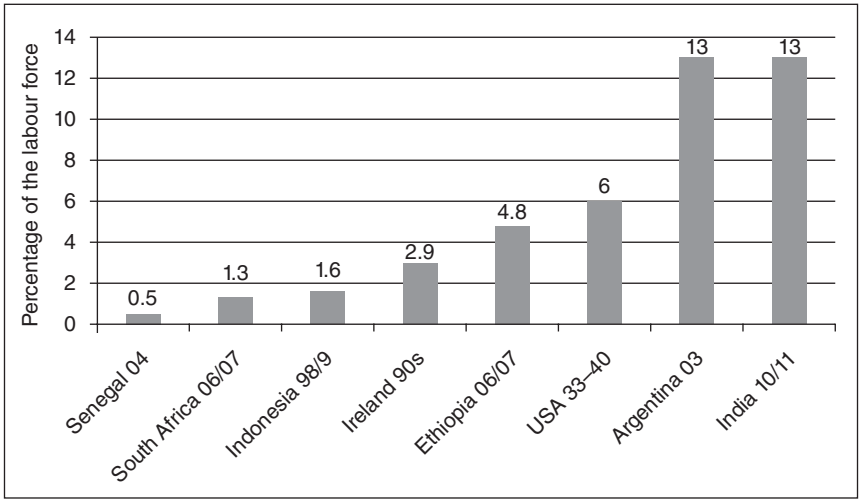


**Figure 3.3: PWP jobs as a percentage of the labour force, by country**

*Source: Derived from McCord, 2007b and MGNREGS, 2012.*

11 This measure is used for indicative purposes only and does not imply that programmes are necessarily government funded.

clear in Figure 3.3 when programme size is normalised in relation to the size of the labour force. It is likely that the South African and Senegalese programmes will not have a similar impact to the far larger Argentinian or Indian programmes due to their more limited coverage, although in the domestic policy discourse all are presented as significant national social protection interventions.[12] Senegal's AGETIP, based on the labour intensification of infrastructure expenditure, had a particularly low share of workers as a percentage of the labour force, at 0.5 per cent, while Ethiopia's PSNP, the MGNREGS in 2007/8 and the USA's New Deal Programmes of the 1930s provided similar levels of employment: five–six per cent of the labour force. Argentina's Jefes programme, at its height, and the MGNREGS are significantly higher, with workers representing 13 per cent of the total labour force.[13]

In Figure 3.4, the budgetary allocations to the various programmes, expressed as a percentage of GDP, illustrate the relative diversity of fiscal allocations to these programmes.

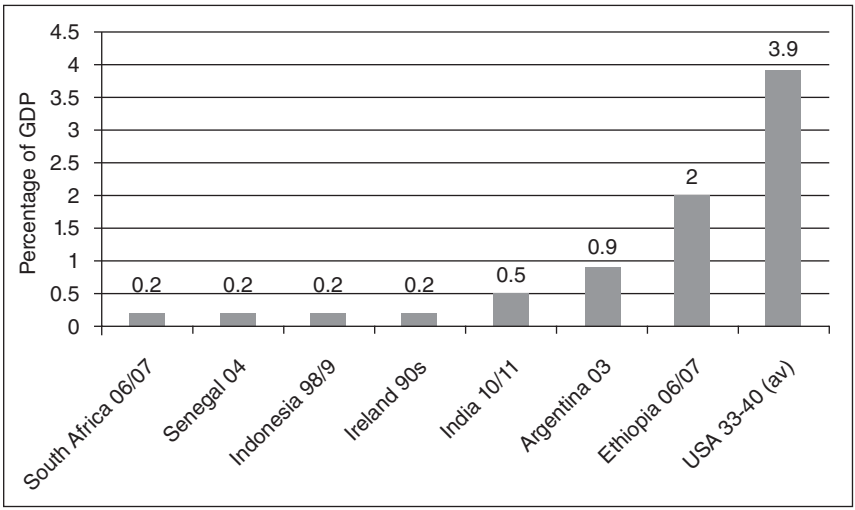


**Figure 3.4: PWP costs as a percentage of GDP, by country**

*Source: Derived from McCord, 2007b and MGNREGS, 2012.*

12 These findings are interesting, given that the levels of unemployment in South Africa are higher than those experienced at the time of implementation of all the other programmes, with the possible exception of the USA during the 1930s, and so a larger-scale South African PWP response might have been anticipated. The comparative scale and limited fiscal allocation to the programme are also noteworthy, given that it is intended to provide a significant social protection impact as part of the government's social security framework, and to functionally replace a social grant for the working-age poor unemployed. Social Transformation 2007, the ANC Policy Discussion Document, states that 'to respond to the plight of the poor who do not qualify for social assistance, government has set up public works programmes to draft the unemployed into productive and gainful employment, while also delivering training to increase the capacity of participants to earn an income once they leave the programme' (ANC, 2007).

13 Actual Jefes performance in terms of job creation was better than the data suggests, as programme implementation stimulated a significant increase in labour market participation by women, and hence, increased the size of the labour force.

The Senegalese and South African programmes, primarily found on the labour intensification of infrastructure provision (Type C programming), represent the lowest budget share. The large-scale demand-led programmes offering a form of income insurance (the Type B Jefes, PSNP and MGNREGS programmes) have a significantly higher relative cost, as would be anticipated, requiring between 0.5 per cent and two per cent of GDP. It is interesting to note that the major contemporary EGSs in MICs receive a significantly lower relative fiscal allocation than the New Deal PWPs of the 1930s.

## The quality of employment

Coverage limitations dictate the maximum proportion of eligible beneficiaries who may be included within a given programme, thereby determining the extent to which members of this group will or will not benefit from social protection provision. However, the quality of the employment provided can have a significant effect on the social protection impact that this employment confers. The role of employment quality has not been explored explicitly in the literature, although the importance of wage predictability over time was identified by Dev (1995), and employment flexibility is presented further on as the second critical aspect of employment quality in determining social protection outcomes.[14]

Wage predictability refers to participant certainty that wages will be paid, and that they will be paid regularly and at a known and stable level.[15] Delays in payment and uncertainty over payment frequency and wage levels (sometimes resulting from fees or deductions extracted illegally by programme implementers) can undermine potential social protection benefits which would otherwise accrue to workers from a given wage. Payment delays, often resulting from administrative problems or delays in receipt of donor funding, can result in significant difficulties for households who have given up alternative survival activities to participate in PWPs in the hope of timely cash remuneration. However, the lack of voice and feedback opportunities in PWPs means that although the quality of the wage is compromised in many programmes by such implementation problems, the issue is not identified in the mainstream PWP discourse as a key factor influencing social protection outcomes.[16]

Employment flexibility has a range of aspects, including the provision of part-time employment opportunities, flexibility of working hours, provision for the acceptance of

14 These employment flexibility innovations were included in the Zibambele programme in KwaZulu-Natal (see Chapter 8) and were felt by participants to be a major factor in the success of the programme.

15 The fact that participants in some programmes in the region have reported uncertainty about whether payment will be made at all in return for their PWP labour, reflects both the low levels of trust obtaining in some programmes, and also the extent of worker desperation for employment, even when remuneration is uncertain.

16 This issue mirrors the current debate about donor relations with recipient governments, which asserts that aid must be regular and predictable and allocated for a sustained period (see, for example, the report of the Commission for Africa, 2005). While this argument has been largely accepted by donors in terms of bilateral aid flows, it has not translated into programmes which respect similar principles in relation to the poor, reflecting the concern for regularity and predictability at a micro-economic level.

substitute labour if a PWP worker is sick or has the opportunity to participate in alternative, temporary income-generating activities, and the possibility of replacing a deceased worker with another household member to prevent income loss exacerbating vulnerability after bereavement. Such employment flexibility increases the likelihood of participation by members of labour-constrained households, who might otherwise find it impossible to reconcile PWP employment with their own domestic responsibilities, and hence not be able to benefit from participation. It also enables workers to optimise their livelihood opportunities, by reducing the need to forgo additional *ad hoc* employment opportunities while employed in the PWP. Finally and critically, it recognises that morbidity and mortality are key drivers of vulnerability among the poor, and allows households to protect household PWP income, even in times of sickness and death. These employment quality factors not only increase access to PWPs by the poor but can also help to empower participants, enabling them to maintain autonomy over livelihood decisions, and to optimise their income from a variety of sources while participating in the programme. In these ways, social protection benefits can be positively affected by the provision of 'good quality' employment, which is sensitive to the needs and opportunities of the workers.

## Implementation modalities

The social protection impact of PWPs is also affected by programme implementation modalities, which are determined by a range of budgetary, administrative and political considerations. While some programmes are implemented directly by the state, others are implemented by NGOs, directly by multilateral donors such as the World Food Program(WFP) or the European Union (EU), through autonomous non-governmental Project Management Units (PMUS), as in the case of the EU PWP in Malawi, or by private engineering and construction contractors.

These different implementation modalities can have a significant impact on PWP outcomes, affecting the relative prioritisation of different PWP objectives. Private sector-implemented PWPs, for example, tend to place lower priority on poverty targeting or social protection considerations than on attaining contractually specified technical outcomes relating to the assets created. This is in large measure due to the limited contractual incentives for private sector implementers to ensure that social protection components of the programme, such as poverty targeting, or ensuring timely wage payment, are satisfied (McCord, 2006). This situation may be compared to implementation by other agencies for whom social protection objectives may be primary. For example, the Ethiopian PSNP is implemented by NGOs and local administrators, for whom social protection considerations relating to the distribution of the PWP wage outweigh objectives relating to the quality of asset construction.

Social protection performance can also be undermined by the selection of inappropriate performance indicators, irrespective of the institution responsible. Where process and output indicators (such as number of workers employed or assets created) are selected over outcome and socio-economic impact indicators, and no baseline data on participants is available, incentives for the promotion of social protection impacts can easily

be neglected in favour of the attainment of more limited and more easily measurable process indicators.

The preoccupation with process over impact has been noted in relation to PWP performance internationally (see, for example, IEG, 2011, referring to World Bank public works programming), and in the case of the South African EPWP, this was described as a triumph of 'form over function' (LTF Consulting, 2006), with the agency responsible for programme implementation being more concerned with meeting the process or targets in terms of days of employment and training offered, against which their performance was measured, than with assessing either the direct or indirect social protection impact of programme participation. Such a scenario is common to many PWPs in the region. In these ways, institutional and management modalities can serve to shift the relative priority given to different programme objectives, reduce accountability, and undermine incentives for effective (in terms of social protection outcomes) programme implementation.

## Conclusion

This chapter has argued that PWPs may have a range of direct and indirect social protection impacts which are fundamentally governed by the appropriateness of the type of PWP selected in relation to the labour market context in which it is implemented. A range of contextual, design and implementation factors can also affect the social protection performance of a programme.

If PWPs are to form a significant component of social protection provision nationally, coverage needs to be adequate and programmes need to include appropriate incentive structures, and ensure that implementing agencies have sufficient institutional credibility to coordinate and promote integration across the range of ministries and other agents implicated in programme implementation. Selection of the appropriate type of PWP, together with context-sensitive programme design, is critical in determining the eventual social protection outcomes.

# Chapter 4

# *Evaluating the performance of public works programmes*

Bearing in mind the ways in which the design of PWPs can influence their social protection impact, this chapter discusses the approaches currently used to evaluate programme performance, highlighting particular challenges relating to the assessment of cost, incidence and direct impacts. The chapter highlights the limitations of current approaches, identifying a number of issues which are not currently subject to scrutiny but need to be examined if PWP performance (in terms of the provision of social protection) is to be evaluated adequately. These include a range of indirect impacts as well as the socio-economic, spatial and temporal distribution of benefits. These issues have been overlooked in much of the public works evaluation literature (Murphy, 1998 and ILO, 2009), and there is a tendency to focus on process indicators and/or the short-term wage impact rather than examining a more diverse set of outcomes at household and community levels. This represents a significant challenge for evidence-based policy selection and value for money analysis in relation to PWP programming.

## Current evaluation approaches

Despite recent initiatives to explore the socio-economic impacts of PWP interventions, such as the Rapid Assessment of Poverty Impacts (RAPI) approach developed by the ILO for PWP appraisal (ILO, 2009), PWP performance is still primarily assessed in terms of cost-efficiency on the basis of the number of jobs created (see, for example, IEG, 2011, in relation to World Bank PWP programming). This approach focuses on evaluating cost-efficiency in terms of cost per unit of output, typically per job created or per unit of wage transferred to beneficiaries. The most common cost-efficiency approaches adopted in relation to PWP programming are discussed later along with the challenges faced in trying to apply them. The main challenges relate to the limited availability of data on both cost and outputs, resulting from the absence of the relevant management information. This problem is compounded by the fact that indicators of both cost and output are inconsistently calculated across the literature.[1]

1 Inconsistencies in the measurement of programme cost and impact are prevalent across the social protection sector, (see McCord, 2012).

## Cost-efficiency approaches

In the conventional PWP evaluation literature, cost is measured either in relation to the number of jobs created or the value of wages transferred to beneficiaries. In the first instance, employment is considered either an end in itself or an intermediary outcome which, it is assumed, will result in the achievement of other desired benefits, such as poverty alleviation. In the second instance, it is the wage paid to the programme worker which is of interest. Each is discussed in the section to follow.

### *Cost per job created*

In order to assess the cost per job created, it is necessary to determine the amount of employment created and to analyse this in relation to programme budget or actual expenditure data. This requires data on both the quantity of employment created and the cost of creating it. Neither is as simple to ascertain as might be imagined.

Determining the quantity of work created in a PWP is complex as a range of different units of measurement are used to express the amount of employment created, including 'jobs', 'employment', 'job opportunities', 'workdays' and 'person-years' created, several of which have no objective meaning and are not readily quantifiable. For example, the term 'jobs created' is frequently adopted in the literature but is problematic in that it gives no indication of the quantity of employment created in any objective sense – How long does a 'job' last? Is it full- or part-time?. This renders attempts to analyse programme performance or make cost-efficiency comparisons between programmes difficult. The absence of consistent and quantifiable terminology represents a challenge to PWP performance analysis. Although some attempts have been made to address this issue through the adoption of the term 'workdays created' as the unit of measurement of PWP performance (see, for example, Ravallion, 1998, and Subbarao, 1997), there is still no generally agreed convention across programmes.

The cost of employment is conventionally measured by dividing total programme cost by the amount of employment created (however defined). An example of this approach is the analysis carried out by Adato et al. (1999), who calculated the cost per workday of 101 PWPs implemented as part of the national Community Based Public Works Programme (CBPWP) in the Western Cape Province in South Africa during the late 1990s. Her findings are represented in Figure 4.1 with the cost per workday indicated on the *x*-axis.

This figure illustrates the wide distribution of cost per workday created even within a single national programme ranging from R40 (US$7) a day for an environmental programme to R183 (US$30) for community-based programmes and R749 (US$123) for programmes in the transport construction sector (1999 prices); the high cost per day in the latter is driven by the capital input costs in this sector.[2]

2 Dollar values calculated using the June 1999 exchange rate of US$1=R6.11.

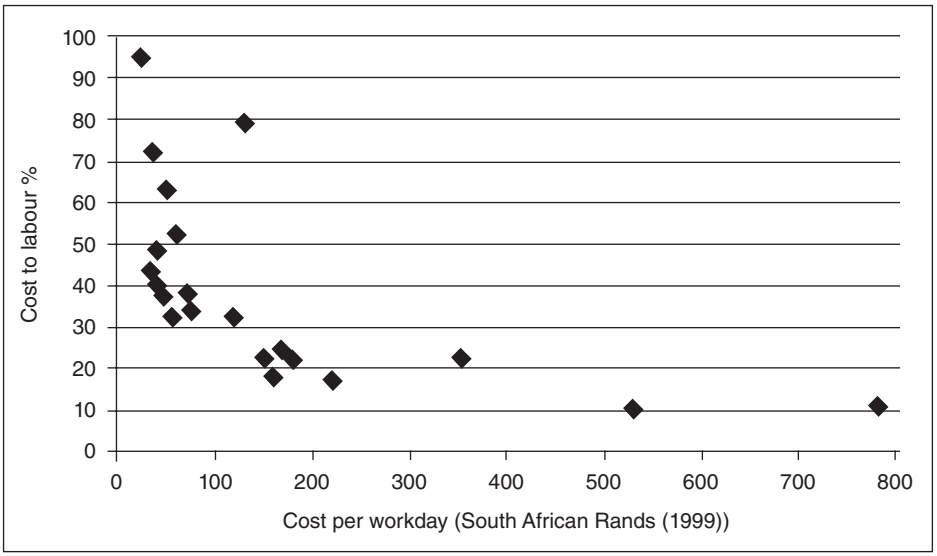


**Figure 4.1: Western Cape cost/workday and labour percentage of total cost (Rands)**
*Source: Derived from Adato et al., (1999: 200).*

### *Percentage of total costs allocated to labour*

For the same programmes, Adato et al. (1999) also calculated the percentage of total programme costs allocated to labour by estimating the cost of the wage as a proportion of total programme cost to produce a measure of labour intensity,[3] as illustrated on the *y*-axis in Figure 4.1. The percentage of total costs allocated to labour in the form of wages ranges from 73 per cent to 11 per cent, decreasing as the cost per workday increases.[4]

These findings are interesting as they indicate a significant range of costs per workday created even within a single national programme, with the most costly programmes absorbing up to 89 per cent of programme cost in non-labour expenditure. Discrepancies in the wage structure of these programmes with wages ranging from R29 to R82 per day (US$5 to US$13) have implications in terms of equity and labour unrest as well as cost-effectiveness and suggest that wage-setting mechanisms within public works programming need to be explored further. The most efficient programmes in terms of the cost of employment provision, with low cost per workday and a high percentage of total cost transferred as wages, are those clustered at the top left of Figure 4.1. The programmes falling into this region have low capital input and management costs and typically entail jobs which maintain rather than create assets, such as rubbish collection or road maintenance.

3 This approach is discussed in detail in del Ninno, Subbarao and Milazzo, 2009.
4 The percentage cost of material inputs in a PWP plays a key role in determining the proportion of programme costs being transferred to labour. Estimates of the percentage of total programme cost allocated to labour lie mainly in the range between 30 per cent and 60 per cent of total programme cost (see McCord and Slater, 2009; del Ninno et al., 2009 and Subbarao et al., 1997).

It is rare to have data sets which are both comparable and credible on programme outcomes (in terms of employment created or programme cost) or to have comparable data for a range of programmes in a single location, as presented by Adato et al. For the majority of PWPs, credible data on the number of workdays created, the wage level and administrative, management and capital costs is not available. Where it is available, it tends not to be consistently calculated, and hence, the proportion of programme cost allocated to wage transfer and management/materials cannot be compared with any degree of confidence. Concerns relating to the absence of reliable cost data were highlighted by Devereux and Solomon in their 2006 review of international employment creation programmes: '... there is a dearth of detailed disaggregated information on job creations [sic] costs, partly because the management costs are usually hidden in regular government administration.' (2006: 6)

This makes it difficult to analyse PWP cost-effectiveness or make programme comparisons.

### *Cost-effectiveness ratio analysis*

A more sophisticated appraisal framework for PWP cost-effectiveness has been developed by Ravallion (1998). It attempts to generate internationally comparable analyses of PWP cost-effectiveness by using a consistent approach to calculating 'cost-effectiveness ratios'. These are estimated by modelling the net gain to poor workers arising from a PWP and deriving from this ratio the unit cost of a transfer to the poor (Ravallion, 1998; Subbarao, 2001). This framework takes into account a number of critical factors which influence the social protection benefit, including: 1) an assessment of incidence in terms of the proportion of the wage pot that goes to poor workers, 2) a calculation of the net, as opposed to gross, wage gain (based on a consideration of the cost of participating in terms of income forgone derived from expected earnings outside the programme and the probability of finding such work), 3) indirect benefits accruing to the poor when assets are created in their neighbourhoods and 4) the potential rate of cost recovery which might accrue to the state from the asset created.

While this approach offers greater insight than a simple cost per workday analysis, it is still dogged by a number of data and conceptual problems. The main problems are the paucity of adequate and comparable cost data, and the absence of data to inform the targeting and impact aspects of framework. In the absence of this data, the approach is reliant on rather heroic assumptions relating to incidence (the effectiveness of poverty targeting and extent of leakage to the non-poor), the local unemployment rate, the cost-benefit ratio (the extent to which projects produce benefits sufficient to cover their costs) and the current and future value of the asset created to poor participants (for a critique, see McCord, 2003). The model is highly sensitive to changes in any of these assumptions, and the number of programmes, which could be modelled without recourse to assumed values for most of the factors outlined previously, is limited. In practice, there is little this approach can offer to the development of an empirical evidence base.

The Ravallion model stops at the point of calculating the financial cost of a unit of transfer to the poor. It does not attempt to assess the social protection function of the transfer in terms of its impact in reducing the poverty gap or promoting sustained livelihoods gains or graduation. Few evaluations in sub-Saharan Africa have attempted to assess the impact of PWP implementation at household level in this way including the impact of direct and indirect benefits on the poverty gap and also the medium-term livelihoods and productivity outcomes, although in recent years there has been increasing interest in the performance of the PSNP in relation to these outcomes. The implications of attempting to incorporate these challenges are explored below, but first, options for improving the basic cost-efficiency analysis (outlined earlier) are discussed.

## Key issues for PWP evaluation

As discussed previously, the existing PWP evaluation literature typically focuses on process indicators, such as jobs created, and measurement of the cost-efficiency of the provision of a 'job' or a dollar transferred. For this to be done in a consistent and meaningful way, it is necessary to address challenges relating to the costing of such programmes, their coverage and also their incidence. Each of these issues is explored further on.

### *Cost*

The discussion of cost has so far been limited to costs as set out in programme budgets. This is problematic as there is no consensus on the appropriate set of costs for inclusion in PWP analysis. As a consequence, costings tend to be idiosyncratic, rendering it difficult, if not impossible, to compare them nationally or internationally. Several factors relating to the complexity of PWP implementation underlie this problem.

In part, the cost data problem reflects the fact that PWPs are institutionally complex often involving several different institutional jurisdictions and cost centres as a result of the diverse set of activities which PWP implementation entails. PWP-related costs may typically be incurred by local government, Departments of Public Works, Planning, Labour and Education as well as NGOs, quasi non-governmental organisations such as the donor-funded PMUs (Project Management Units) or PIUs (Project Implementation Units which implement PWPs and operate outside, and often in parallel with normal governmental structures), donors, advisors and consultants. Synthesised cost data from across these different locations is rarely readily available and can be difficult to construct.

Often, the costs of some key PWP components are excluded from PWP budgets. For example, many PWP budgets exclude administrative and management costs incurred at district or village level due to an implicit assumption that at this level implementation tasks should be performed without additional budgetary allocations or incentives, despite the fact that they may represent additional work for already overburdened local officials (UK DFID, 2003; Karuri et al., 2007). Local government officials are often required to play a central but unfunded role in programme design and implementation; examples include both the EPWP in South Africa and the MASAF in Malawi (Karuri et al., 2007).

Hence, many programmes may carry potentially sizeable hidden costs. The extent to which these are or are not included in estimates of programme cost can have a significant impact on cost-efficiency estimates, and in this context, it may be difficult to distinguish real variation in cost-efficiency from variation resulting from different costing practices. Often donors and implementing agencies themselves have difficulties in assessing the full cost of PWPs given the extent of the unknown real costs of local government management, technical design and monitoring, material costs and contractor costs. An attempt to make such a costing to compare the actual cost of the provision of social protection through PWPs and social grants in Zambia and Malawi was ultimately abandoned due to the impossibility of garnering comparable PWP cost data (see White and McCord, opcit).

Different types of PWPs may be differently conceptualised in terms of their budgets. For example, the World Food Programme (WFP) and United States Agency for International Development (USAID) do not tend to include the cost of the food component of their FFW programmes, with the result that the wage component in many PWPs implemented or supported by these agencies is considered 'free', despite considerable real cost in terms of food purchase, shipping, storage and distribution. For agencies such as the WFP, the disaggregation of PWP costs from larger country programme budgets and attempts to assess the cost of the in-kind (food) wage payments in PWPs is technically problematic and can also be politically sensitive (ibid). Hence, in many PWPs utilising donated food as the basis for the wage payment, it is not possible to assess the full cost of programme implementation, rendering assessments of efficiency or value for money problematic.

The absence of norms or conventions governing the selection of costs for inclusion when assessing programme cost is compounded by problems of data availability and a lack of transparency regarding how costs are derived in each instance. This has implications for any attempt to assess the cost-efficiency of individual programmes and makes cross-PWP comparison, and any kind of cost-efficiency analysis across different social protection instruments, extremely difficult.

### *Coverage*

If the cost-efficiency of PWPs as an instrument for the provision of social protection is to be assessed, it is necessary to include an analysis of coverage and the scale of implementation. It is also necessary to assess the extent to which supply of PWP employment meets demand in terms of the proportion of those seeking support through PWP employment who are able to be accommodated.

In their analysis of the cost-efficiency of a PWP-based approach to poverty reduction in India, Murgai and Ravallion (2005) explicitly took account of issues of coverage and targeting.[5] However, this approach has not been adopted in the evaluation of programme performance in sub-Saharan Africa.

5 Taking these factors into account, their *ex ante* analysis suggests that the MGNREGS represents a significantly more expensive way of providing social protection to the poorest than a grant-based alternative, leading them to question the cost-effectiveness of a PWP-based response to the problem of rural poverty (Murgai and Ravallion, 2005).

### *Incidence*

It is necessary to consider the question of incidence to ascertain which segments of the population are benefiting from programme implementation, and in this way assess the effectiveness of programming in relation to social protection and poverty-related objectives. An assessment of the incidence of direct wage benefits requires socio-economic data on programme participants. However baseline socio-economic data is rarely gathered on programme participants, particularly in the case of programmes offering short-term employment, or developed in response to an emergency. As Ravallion explains:

> *For safety-net interventions, such as workfare programs, that have to be set up quickly in response to a macroeconomic or agro-climatic crisis, it is often unfeasible to delay the operation in order to do a baseline survey.* (2003: 8)

However, even programmes which have not been developed under emergency conditions seldom gather baseline socio-economic data on participants. Neither the PSNP in Ethiopia nor the CBPWP or EPWP in South Africa,[6] nor the MASAF PWP in Malawi gathered baseline data from which programme incidence could be assessed. In most cases, it is assumed by implementing agencies that the combination of the work requirement and low wage will be sufficient to ensure that those for whom the programme was intended are actually participating in the programme. There is little evidence, however, to suggest that this assumption is robust, and significant inclusion errors have been found in many PWPs (see, for example, Barrett and Clay, 2003; Devereux and Solomon, 2006; Lembani and Madala, 2006). In the absence of incidence data, it is not possible to discover the socio-economic status of those benefitting directly from programme participation, and hence it is not possible to assess the cost-efficiency of a programme aiming to provide social protection benefits to the poor.

It is also relevant to explore the incidence of indirect benefits, which may include local economic multipliers from the wage, and productivity or service utilisation benefits arising from the assets created. The incidence of these indirect benefits is likely to be distributed outside the group of PWP workers and in order to capture them adequately, it is necessary to consider the socio-economic distribution of benefits as well as their spatial and temporal distribution as with certain assets, such as investment in natural resource management and interventions, such as watershed management. It may be a number of years before any productivity-related benefits are effective and they may not occur in the same location as the PWP intervention. The importance of these aspects of incidence and the magnitude of the challenge to programme evaluation have been largely overlooked in the region and there are few examples of *ex post* programme evaluation.[7]

6 In the case of the EPWP, an attempt was made to gather baseline data on the programme through the national Labour Force Survey, but programme coverage was not adequate, for data gathered in this way, to provide meaningful baseline data.

7 See McCord, Duvendack and Ludi (2012), for a discussion of approaches for the *ex post* evaluation of PWPs creating natural resource management assets.

## Towards a more effective evaluation of PWPs

Whatever form of social protection a PWP is intended to provide (temporary consumption-smoothing, income insurance, or accumulation and graduation), a series of issues need to be explored beyond the number of jobs created and the unit cost of creating them. It is critical to understand the extent to which a programme does enable consumption-smoothing and reduce income poverty, and the extent to which direct and indirect programme benefits increase household income and result in sustained livelihoods and human development gains as well as broader community development outcomes. In order to achieve this a number of factors need to be included in an evaluation of the social protection performance of a PWP relating to specific programme objectives. Key factors to examine include the real value of the wage and its impact on household income, the quality of employment provided and the indirect impact of assets created. These issues are discussed in the section that follows.

### Clarification of social protection objectives

PWP cost-efficiency can only be assessed in terms of the extent to which a programme achieves its objectives (Gottschalk, 1997). To this end, clarity on the explicit objectives of a programme and identification of the relative status of primary and subordinate objectives is important. Given the multiplicity of PWP design options and the diversity of potential PWP objectives (as illustrated in Chapter 2), the focus on job creation alone as the measure of PWP performance is inadequate.

An illustration of the implications of the divergence in programme objectives is offered by comparing the MGNREGS in India with Ethiopia's PSNP and South Africa's EPWP, all of which are concerned with the provision of social protection but differ in terms of the specific form of social protection they aim to provide. Within the policy rhetoric, there is no expectation of 'graduation' from the MGNREGS, which aims to enable consumption-smoothing through the provision of income insurance. By contrast, both the PSNP and EPWP explicitly anticipate that PWP participation will lead to sustained livelihoods benefits, resulting in 'transformative' social protection outcomes, namely, graduation out of poverty.

The MGNREGS is conceptualised as providing social protection through the provision of paid employment, on demand,[8] as a form of income insurance ('preventive' social protection) with no expectation that participants will experience transformative benefits or graduate out of poverty as a consequence of programme participation. On this basis, the programme offers employment on demand, and repeated take-up of EGS employment represents a success in terms of the programme's objectives. Such a scenario would, however, represent a failure in terms of the objectives of programmes such as the EPWP which explicitly anticipate graduation out of reliance on ongoing or repeated PWP employment and into formal or informal sector employment.[9]

8 Although subject to a maximum of 100 days a year.

9 Under the MGNREGS, households can reapply for EGS employment over as long a period as they wish, while under the EPWP, participation was limited by statute to a maximum of two years; although for 75 per cent of participants, it was limited by design to a single episode of infrastructure employment. Under the PRSP, it is limited by design to five years, although this limitation may not be enforced.

On the basis of the evaluation approaches already outlined, each programme would be equally 'successful' if the cost per job created were the same irrespective of the differing objectives of the programmes and their anticipated social protection function. This illustrates the importance of taking specific PWP objectives into account when attempting to evaluate cost-effectiveness, and programme performance overall, as a programme may create jobs in a cost-efficient way, yet fail to meet its primary social protection objectives.

## Exploration of the nature of employment provided

This raises an additional concern with the conventional process-oriented PWP evaluation approach, ie the assumption that the 'creation of employment' represents an end in itself (see, for example, IEG, 2011). If programme objectives are limited to the promotion of aggregate employment rather than the provision of social protection, a process-oriented job creation evaluation approach may be appropriate, focusing on the number of jobs created. However, in terms of the provision of social protection, creating employment is only of value inasmuch as it serves to reduce poverty as 'work does not necessarily guarantee a way out of poverty' (Øyen and Wilson, 1999: 207). This insight has been elaborated by Wood, who developed the concept of 'adverse incorporation' to describe the increasingly prevalent situation wherein labour market inclusion entails low-waged precarious employment in poor conditions (Wood, 1999). Similarly, the creation of employment through PWPs does not necessarily result in significant social protection benefits for participants and is dependent on the nature of employment provided and the terms of employment.

An assessment of the kind of social protection provision conferred by PWP employment and its impact is essential if programme performance is to be assessed against social protection objectives. However, the question of social protection impact is not often directly addressed in PWP evaluations even where programmes have explicit social protection objectives. This omission is in part due to the assumption that employment creation, irrespective of quality, will have a significant impact in terms of social protection provision.

## The real value of the wage benefit

It is necessary to consider the real value of the PWP wage, in terms of the additional income it represents at household level, in an evaluation of programme impact. Although it has been acknowledged in the literature that the gross PWP wage may not be synonymous with the net value of the transfer to recipients (see, for example, Van de Walle, 1998), it is generally assumed that the gross PWP wage is equal to the amount of additional household income resulting from programme participation. This fails to take into account the transaction costs and potential income forgone as a result of the work requirement, which may significantly reduce the real value of the wage in terms of additional household income.

In the few cases where income forgone has been monitored the net value of the PWP wage has been found to be significantly below the gross value once income forgone has

been taken into account. Jalan and Ravallion for example, found that once wage labour opportunities forgone were taken into account, the net value of the PWP wage was reduced to 50 per cent of the gross wage (2003).

Wage income forgone, however, represents only one of a number of potential monetary and non-monetary costs of PWP participation, which most PWP analysis fails to consider. Non-monetary costs of PWP participation may be significant in terms of the economic, social, developmental or livelihoods impact of reduced domestic or subsistence activities. With reference to the MEGS, Pellisery (in Barrientos and Hulme, 2008) identified a range of costs relating to non-wage domestic and subsistence activity forgone, transport, and the high cost of securing selection in the context of a highly rationed resource, as a result of the rents demanded by those controlling access to PWP participation.[10]

Together these opportunity and transaction costs have the potential to render the cost of participation significantly higher than is generally assumed, and the net value of the wage lower. Failure to take into consideration the cost of PWP participation to the beneficiary remains a significant weakness in the current evaluation literature,[11] and hence, attempting to quantify the net rather than gross value of the wage is an important component of impact evaluation.

As discussed, the PWP wage can confer a risk insurance benefit in addition to the direct-transfer benefit. While the importance of this income insurance function in the context of chronic structural unemployment has been highlighted in relation to programming in India (see, for example, Datt and Ravallion, 1994a), little work has been carried out into this benefit in sub-Saharan Africa due to the absence of Type B programmes providing employment guarantees. For this reason, most research in the region focuses exclusively on the direct-transfer benefit.

## The quality of employment

The quality of employment created in a PWP plays a role in determining its social protection impact and can be characterised in terms of issues such as the duration of employment, whether it is full- or part-time, the flexibility of working hours, security of the working environment, distance of employment from home location, the value of the wage and predictability of payment. These factors can also influence programme incidence as the provision of flexible and secure part-time employment can promote the inclusion of workers from labour-constrained households, who would have been excluded from programmes offering employment on less flexible terms.

10 While the demand for bribes in return for PWP selection is symptomatic of a discretionary approach to rationed PWP employment, and may be contrasted with a demand-driven, rights-based approach to social protection, Pellisery's research indicates that even in employment-guarantee programmes, there is still space for the extraction of rents in return for programme inclusion (Pellisery, 2008).

11 An attempt to calculate the net value of a PWP wage, taking these costs into account, is made in reference to South African case study programmes in Chapter 8.

The question of the quality of jobs and how different kinds of jobs impact differentially on poverty has also been extensively explored by the ILO within the 'decent work' debate (see, for example, ILO, 1999). It has argued that ' "A job at any price" is not a strategy for a sustainable reduction in poverty' (ILO, 2003: 36), recognising that the quality of employment is a significant determinant of the potential for a job to confer income security and hence, to contribute to sustained poverty reduction. The ILO argues that 'decent work is the quality road to poverty reduction' (ILO, 2006: v) and defines 'decent work' as:

> *... productive work in which rights are protected, which generates an adequate income, with adequate social protection. It also means sufficient work, in the sense that all should have full access to income-earning opportunities. It marks the high road to economic and social development; a road in which employment, income and social protection can be achieved without compromising workers' rights and social standards.* (1999: n.p.)

However, there is a large difference between the 'decent work' identified by the ILO as necessary to contribute to sustained poverty reduction and the quality of work offered in most PWPs. The latter tends to fall short in significant measure from the terms of employment conditions required under 'decent work' (McCord, 2007c). Data on the quality of employment created is important for PWP evaluation since PWPs can offer very different quality employment with divergent outcomes in terms of poverty reduction and social protection. On the basis of this ILO statement, Types A, C and D PWPs are unlikely to conform to the definition of 'decent work'. However, an assessment of the quality of employment provided in relation to the labour market is not typically included in programme evaluations.

## Asset benefits

The PWP work requirement necessarily entails additional costs above any administrative costs common to both PWPs and alternative social protection instruments, such as cash transfers, since the creation of assets and services requires significant additional capital and management input costs. These additional costs are referred to as the 'PWP cost premium' in the discussion that follows and refer to the additional cost of transferring a unit of income to a household through a PWP rather than via a cash transfer programme.

The cost premium, however, can be justified on the basis of the additional benefits which accrue in terms of the assets created. For this reason, an assessment of the cost-effectiveness of a PWP needs to take into account not only the cost of asset creation but also the value of the assets created together with an analysis of asset benefit incidence (the distribution of benefits resulting from those assets), which needs to take into account the socio-economic, spatial and temporal distribution of asset benefits. The time dimension is particularly important and most frequently omitted as most PWP evaluations take place at the point at which infrastructure construction is completed rather than *ex post,* frustrating the possibility of assessing the impact of assets on anticipated outcomes such as productivity which are only apparent in the medium

term. The evaluation of asset benefits is necessary if meaningful cost-effectiveness comparisons are to be made between PWPs or between PWPs and alternative social protection instruments. However, as we have seen, an analysis of the value of assets created and the incidence of asset benefits is absent from the commonly used evaluation approaches.[12] Even in the Ravallion framework, the value of assets created is not empirically ascertained on the basis of the quality, appropriateness or sustainability of assets produced over time (be they services or physical infrastructure).[13] These issues are, however, becoming increasingly important given the growing interest in the development of 'productive' safety nets.

## Conclusion: The limitations of current PWP evaluation

This chapter has set out some of the limitations to existing PWP evaluation approaches, notably the focus on process indicators such as the number of 'jobs' created and the gross value of the wage transferred and the failure to take account of the full range of potential sources of social protection benefits identified in Chapter 3.

As the discussion in this chapter has indicated, conventional approaches to PWP evaluation do not address the social protection outcome of programme implementation. Inasmuch as evaluation in the region does extend beyond appraising process indicators relating to jobs created, it tends to be limited to an examination of wage receipts rather than examining household welfare outcomes and only to examine benefits resulting directly from the wage, excluding consideration of potential benefits arising from the assets created or skills development.

The fundamental limitations of the existing evaluation literature may be summarised as:

- Evaluations focus on process indicators such as jobs created, people employed or wages transferred rather than impacts or outcomes.
- They tend to focus almost exclusively on the wage rather than all three vectors of potential benefit transmission.
- Most do not assess performance against specific social protection objectives, and
- They typically evaluate programme impact only up to the point at which wage disbursements are completed and assets constructed and fail to examine the medium-term outcomes, which are central in terms of promotive social protection objectives.

12 To the extent that the assets produced by a PWP may be regarded as public goods, the valuation problem that dogs all attempts to value government expenditure arises. Even if public goods and services are produced by the private sector, the inability or unwillingness of consumers to reveal their preferences means that their value (as opposed to their cost of production, determined by administered prices) cannot be determined.

13 Either physical or social infrastructure may be provided through a PWP with the former referring to the physical assets conventionally created through PWPs (such as roads, bridges and irrigation systems) and the latter referring to social service provision in the form of HBC for those affected by HIV/AIDS or the provision of ECCD services, as in the case of the EPWP in South Africa (EPWP, 2004a).

These limitations hinder meaningful assessment of the social protection performance of public works programming. Current approaches can even result in an overstatement of the social protection impact of PWPs in the sense that they judge programme success primarily in terms of employment created, irrespective of any critical consideration of the social protection objectives of the PWP and the extent to which the achievement of the proximate goal of employment creation contributes to these objectives.

However, these limitations are partly due to the fact that in the case of PWPs, identifying and quantifying appropriate impact indicators can be highly challenging. Galasso and Ravallion describe impact as the 'difference between the outcome indicator with the program and its counterfactual value for participants in the absence of the program', (2003: 15; cited in Devereux and Solomon, 2006: 24). Devereux and Solomon conclude, on the basis of an international PWP literature review, that:

> *[v]ery few impact assessments of employment programmes have been conducted that follow this [Galasso's] rigorous approach. In particular, most evaluations tend to assess the direct impacts of the programme on participants in the absence of a non-participant control group, which makes it impossible to isolate programme impacts from the counterfactual.* (2006: 24)

Even the insights into public works offered by conventional approaches to programme evaluation can establish cost-efficiency only to the extent that the data is credible and relatively complete and are compromised by the fact that data is missing on both 1) the object of the cost, ie what is actually being achieved in return for the cost and 2) by whom the benefits are enjoyed. The conventional analytical approaches overlook the relevance of skills development and asset creation, and their potential social protection impacts. Even using the Ravallion approach, in the absence of data on a range of critical issues, it is impossible to ascertain whether nominally cost-efficient and social protection-oriented PWPs are actually having a significant social protection impact or whether incidence reflects the intended poverty-targeting goals.[14] This suggests that there is a methodological blind spot in terms of critically assessing PWP performance, with both PWP cost-efficiency analysis and impact evaluation approaches as currently conceived, being inadequate instruments to judge programme performance and inform policy choice.

Somewhat singularly in the literature, Devereux and Solomon confirm this analysis, arguing that it is at least in part a consequence of programme design choices:

> *[a]n exhaustive literature search revealed a surprising dearth of detailed and credible evidence on the impacts of employment creation across the world. We can only speculate on the reasons for this. One likely factor is that the primary objective of employment creation programmes is to provide low cost jobs to large numbers of poor people. Accordingly, a common design principle*

14 See McCord (2003) for a discussion of the limitations of the Ravallion approach in relation to the South African Zibambele programme.

> *is that a high 'alpha-ratio' should be achieved (ie as high a proportion of the total budget as possible should be transferred to workers as wages or rations). This leaves very little budget to allocate to a rigorous evaluation of impacts. Typically, the budget line item for M&E ... is for supervision of workers and monitoring progress against targets (such as number of jobs created) and work norms (such as kilometres of road constructed). The broader impacts of the programme on agricultural production, labour markets and so on are rarely prioritised or rigorously evaluated.* (2006: 37)

Given these limitations, the results of much of the current literature relating to PWP performance may not be generalised across the genre and may not even offer meaningful insights into individual programmes. This undermines the potential for evidence-based social protection policy choice and represents a significant challenge to social protection policy-makers.

# Chapter 5

# *The role of the wage*

This chapter explores the role of the wage within PWP programming in terms of its social protection and poverty reduction function, and also its function in relation to programme targeting.

First, the ways in which the wage can confer benefits are explored, taking into account both the 'transfer' and the 'stabilisation' benefits (following Subbarao, 1997). Then the issues which determine the selection of the wage in PWPs, and the social protection consequences of adopting wage levels on the basis of these considerations are explored. These issues are examined using empirical analysis from a detailed study of the MASAF PWP (drawing on McCord, 2004b and Chirwa et al., 2004a) and the Zibambele programme in KwaZulu-Natal (McCord, 2002), to illustrate dilemmas in the process of wage setting and the social protection consequences of the resulting wage choices.

## The transfer and stabilisation benefits of the wage

The transfer benefit results directly from receipt of the PWP wage and is generally perceived as the main benefit, acting directly to alleviate income poverty. The value of the wage and the duration of wage receipt are the two key determinants of the transfer benefit in terms of its social protection performance.

Where PWP employment is sustained or guaranteed at times of need, the wage can also serve a risk-management function, with the stabilisation benefit occurring through the provision of PWP employment in times of need. In this way, the existence of the programme represents a form of income insurance, which in some cases may be as important as the transfer benefit to the poor.

### The duration of the wage transfer

As discussed previously, there is a critical relationship between the wage level and the duration of the wage transfer, which together determine a programme's likely social protection impact.

Programmes offering a single episode of employment (Types A, C and D) cannot confer sustained social protection benefits to those experiencing chronic or repeated unemployment, unless the wage level is high enough to allow significant accumulation during the limited period of employment. However, the literature on such programmes

offers no evidence of significant accumulation, with immediate consumption being repeatedly identified as the dominant use of PWP wage income (for example, McCord, 2003; Devereux and Solomon, 2006). Short-term PWP employment with a low wage is only likely to offer a temporary reduction in poverty (conferring temporary protective benefits), with workers being likely to return to the status *quo ante* after programme participation, with the PWP income functioning primarily as a temporary wage shock (see, for example, McCord, 2004a with reference to South Africa).

After 25 years of pioneering work in the promotion of employment-intensive infrastructure investment, the ILO has learnt a number of important lessons. The ILO formally recognises the limitation of short-term employment, arguing that employment in programmes such as the Employment Intensive Infrastructure Programme (EIIP) may have only a temporary impact on poverty.

> *... labour-intensive investment can open doors for community development and provide* ***a temporary boost*** *to the incomes of people living in poverty, but sustaining progress requires linked action to promote longer term employment opportunities, for example in micro and small enterprises.* (ILO, 2003: 44, emphasis added)

The ILO also argues that what is required to address poverty on a sustained basis is social security, which '*enhances productivity by providing health care, income security and social services*' (ILO, 2001: 2). According to this approach, 'income security', the aspect of social security conferred through the wage, is defined thus:

> *Income security is about living in a situation in which basic needs, such as food, housing, health care and education, can be secured in an uninterrupted way. This requires having both an adequate and regular source of income ...* (ILO, 2006: 9)

The implication is that the kind of employment required to contribute to social security and by inference to deliver sustained social protection benefits, is employment which offers 'adequate and regular income'. Hence, the critical determinants of an effective programme are 1) the matching of PWP payment duration with the duration of need for income and 2) the provision of an adequate wage.

By addressing these two issues, a programme could potentially confer both transfer and stabilisation benefits, serving a risk insurance function, smoothing consumption and potentially also enabling the accumulation of assets. This supports the argument that, by definition, short-term PWP employment does not provide the regular income flow required in the context of chronic unemployment. Most PWPs implemented in situations of chronic poverty do not offer the regular or ongoing support which would be required to meet the ILO income security objective, or provide stabilisation benefits in the medium to long term.

Devereux and Solomon noted the impact of employment duration on expenditure patterns, and the implications for investment decisions and capital accumulation:

> *Workers employed for less than one month [spent] their wages entirely on basic consumption [...] while others who were employed for longer [...] hired labour, purchased fertiliser and started or expanded small business enterprises.* (2006: 25)

This suggests that changes in wage usage (from consumption to investment), which influence accumulation, may be discerned even within relatively short programming timeframes, a finding which would be valuable to explore in more detail, as the question of accumulation is central to the success of a PWP with the objective of moving participants out of poverty and away from reliance on external support, the process is sometimes referred to as graduation (see Sultan and Slater, 2005). Graduation is contingent on the accumulation of sufficient assets (in the form of material, financial or human capital) such that participants cease to be dependent on ongoing social protection provision (Sabates-Wheeler and Devereux, 2011). If graduation out of poverty is anticipated, it is necessary for PWP employees to acquire the 'minimum or threshold asset bundle that enables future accumulation', and unless, participants can accumulate sufficient resources to pass a critical asset threshold, they are very likely to fall back into poverty after PWP employment is terminated (Carter and May, 2001; Carter, 2004). To date there is little evidence that short-term PWP participation facilitates sufficient accumulation to ensure graduation, or even significant and sustained improvements in livelihoods performance.

## The adequacy of the wage

Accumulation is also a function of the value of the wage in relation to the household poverty gap, which may be described as the 'adequacy' of the wage. This is a key determinant of the transfer benefit of the programme.

The adequacy of a PWP wage is inherently subjective in that there is no universal or objective criterion against which it can be measured. Rather wage adequacy can only be considered in relation to the intended impact of programme implementation. Where the wage is intended to enable the consumption of a defined basket of food and/or other commodities, its adequacy can be accurately assessed against this criterion, but most PWPs, excepting those implemented in collaboration with the World Food Programme, do not adopt such approaches and the objective of the wage transfer tends to be less explicitly articulated, rendering an assessment of wage adequacy problematic.

The impact of the PWP wage varies depending on its magnitude, as summarised by Devereux, who states that '[t]iny transfers equal tiny impacts, but moderate transfers can have major impacts' (2002: 672). In order to assess the 'adequacy' of a PWP wage (whether a transfer is 'tiny' or 'moderate' in any given context) and its potential social protection function, it is necessary to consider the real value of the wage at household level, i e the value of the net wage in relation to the household consumption gap.

The net wage can be determined by identifying the gross wage, and subtracting from this, both income forgone and a range of other monetary and non-monetary costs implied by PWP participation. Using the net (rather than gross) value of the PWP wage ensures that only the additional resources coming into a household as a result of PWP participation are included in an analysis of programme impact. This net wage can then be reviewed in relation to the consumption gap, taking into account non-PWP household revenue and non-monetary forms of income, such as own agricultural production, and

in this way, the real value of the wage can be calculated. Only on the basis of such an analysis can the likely social protection impact of a given wage in any given context be assessed. This kind of analysis of the real value of a PWP wage is, however, rarely carried out during either programme design or evaluation.

## The real value of the PWP wage

In order to ascertain the net value of the PWP wage, there is a need to consider the opportunity cost of seeking and participating in PWP employment in terms of i. income forgone, ii. non-monetary activities forgone and iii. the expenditure (in cash or in kind) required to access PWP employment (such as travel costs, procurement of documentation, payment of bribes, etc), although data availability is likely to be a significant challenge in each case. The net value of the wage can be calculated by subtracting these costs from the gross wage, and in this way, the real value of the net wage can be estimated in terms of its contribution to reducing household poverty.

While the question of income forgone has been recognised in the PWP literature (see, for example, Van de Walle, 1998; Ravallion, 1998), the two other factors affecting the real value of the PWP wage have received little attention, namely, the reduction of time spent engaging in own production subsistence agriculture and domestic activities, which may result in a reduction in current or future income or food, or reduced investment in human capital, and the costs incurred to access PWP employment opportunities. Each of these issues will now be discussed.

### *Income forgone*

The reality of income forgone by PWP employees is generally recognised as summarised by the World Bank, which suggests that '[s]ince poor people can rarely afford to be totally idle, they often give up some form of income to join a workfare [PWP] scheme' (World Bank, 2001: 156).

Van de Walle argued in 1998 that the discrepancy between the gross and net value of a transfer through public works was given insufficient recognition in the evaluation of PWPs as a form of social assistance (Van de Walle, 1998). She suggested that once income forgone was taken into account, the net value of the PWP wage might differ significantly from its gross value, and that as a consequence the resulting transfer may not always have the anticipated welfare impact.

This concern is supported by findings which are consistent across a number of programmes, that income forgone by PWP employees can represent a significant proportion of the value of the PWP wage (Datt and Ravallion, 1994b). The case studies from South Africa discussed in Chapter 8 indicate that 30 per cent of programme participants had given up alternative paid employment to participate in the PWP, and that for these workers, the net value of the public works wage was between 30 per cent and 50 per cent of its gross value. Similarly, World Bank estimates suggest that forgone income could represent up to 50 per cent of the wages paid by 'workfare' schemes (World Bank, 2001: 156). Datt and Ravallion (op cit) report a wide range in income forgone among PWP participants, depending on

the characteristics of the worker, the size of the programme and demand for employment, with case study evidence from the MEGSs suggesting that income forgone may constitute 20 per cent to 30 per cent of gross earnings. These findings imply that an understanding of income forgone is important in assessing the potential social protection impact of the wage vector. These issues are not, however, prominent in recent PWP research in the region.[1]

### *The reduction of own production and domestic activities*

In some instances PWP employment may result in a reduction in the amount of household labour available for own production and domestic activities, particularly in households where labour is a scarce resource. This is not captured in an analysis of 'income forgone'. When employment opportunities outside the PWP are irregular and unpredictable, the limited data available indicates that the work requirement can lead to the forgoing of a range of subsistence activities (Datt and Ravallion, op cit; McCord, 2004a), due to household preferences for cash and the optimisation of predictable income in the short term. The extent to which this is problematic for livelihoods is dependent on the costs of moving in and out of own production and the extent to which intra-household labour reallocation is possible.

For households without access to sufficient resources for current consumption, the work requirement may lead to the diversion of labour away from own production activities (agricultural or small-scale household production) into PWP employment in order to gain immediate cash income, reflecting the time preference for immediate income rather than deferred income resulting, for example, sale of own production. A diversion of labour out of agricultural production can potentially have negative medium- to long-term livelihoods consequences. This is particularly problematic when programme implementation coincides with periods of high agricultural activity, prompting a direct trade-off between the two activities, with PWP employment offering short-term income/consumption benefits but potentially also negative consequences in terms of medium- to long-term production, for example, through loss of own production and seed for the next season. The work requirement may also result in the forgoing of alternative *ad hoc* or temporary income-generating or subsistence opportunities, which occur during the period of PWP employment (see, for example, Datt and Ravallion, op cit; McCord, op cit).

There is some evidence, particularly with regard to female participants, that PWP employment may lead to a reduction of time allocated to domestic activities such as child

1 It could be argued that the identification of income forgone implies that involuntary unemployment may be more limited than is officially reported. However, detailed analysis of survey data from the Zibambele and Gundo Lashu programmes in South Africa, discussed in Chapters 8–11, suggests a more complex picture. While one-third of the PWP workers reported income forgone, the kind of work forgone tended to be predominantly temporary, informal and survivalist in nature, consisting of forms of low-quality employment which are not typically considered as 'employment' by programme participants (Adato et al., 2001) and would not therefore be recorded as employment in a labour force survey. The realities of the labour market, and PWP participants' location within it, combine with respondents' own perceptions and definitions of 'employment' to produce a situation where high levels of involuntary unemployment coexist with a limited number of opportunities for survivalist and *ad hoc* employment. This should not be taken to imply that involuntary unemployment does not exist in this context or any other PWP context where income forgone is reported.

care or food preparation (Chirwa, McCord, Mvula and Pinder, 2004a; McCord, 2004b).[2] This may result in the reallocation of domestic responsibilities within the household, subject to household labour availability, although little research has been carried out on the secondary effects of intra-household labour reallocation during PWP employment. Anecdotal evidence from Malawi suggests that this reallocation of labour away from domestic tasks by PWP workers may result in reduced quality of child care and nutrition and may pass an increased burden for child care onto older siblings, with potentially negative implications such as the withdrawal of older children from schooling. This issue is largely unexplored in the literature, particularly in sub-Saharan Africa.

### *Other costs of participation*

PWP participation also entails additional forms of opportunity cost, which are rarely acknowledged in the literature. The transaction costs of PWP participation have only recently been explored in the literature (see Pellisery, 2008 and Scandizzo, Gaiha and Imai. 2004), and primarily with reference to programming in Asia rather than sub-Saharan Africa. These can take the form of direct costs such as those incurred in travelling to work sites, etc, or a range of formal and informal rents extracted from those seeking to access PWP employment, ranging from bribes paid to procure documentation or secure PWP selection, to the provision of sexual favours in order to participate in the programme, in cases where employment is a highly valued and scarce commodity.

PWP participation can also entail physical costs to PWP participants in the form of individual nutritional dissaving, resulting from the increased calorific requirement resulting from the work requirement. This energy cost of PWP participation has not been given adequate attention in the PWP literature to date and is particularly critical where programme wage levels are low and result in only marginal increases in household food consumption. Where the additional calorific requirement is not met by increased worker consumption, this cost can take the form of a deterioration in the nutritional status of the worker, which can be measured through changes in worker body mass index (BMI). Attempts to quantify and offset this hidden cost against the gross wage would be methodologically complex, but it is important to acknowledge the implications of this cost in considering the real value of the PWP wage to the recipient.

This problem has been documented in Bangladesh where, while PWP participation was found to have a beneficial impact on nutrition in participating households overall, women PWP workers were found to exhibit statistically significant increases in levels of malnutrition and BMI reduction after programme participation (Helen Keller International, 2007). A similar impact was documented in EIIP programmes in Ethiopia in 2005, where ILO PWP daily task rate norms (cubic metres of soil to be excavated within a given period) had to be reduced in order to accommodate the weakened state of

2 Interestingly, the need to compensate for the reduction of household labour available for child care is explicitly recognised within the MEGS, where creches are provided for the children of some PWP workers, with the creche staff also being MEGS PWP employees (McCord, 1995). This approach has not generally been adopted in sub-Saharan Africa.

the workers, as the PWP wage level was not adequate to fund the increased consumption required to offset the calorific demands of programme participation in workers already suffering from chronic malnutrition,[3] and in 2009, the Kenyan government suspended some WFP food-for-work activities, arguing that it was not appropriate for those who were already malnourished to be required to participate in manual labour before receiving food (WFP, 2009a).

It has been suggested earlier that in order to assess the real value of the wage and its likely social protection impact, it is necessary to calculate the net value of the wage, taking into account the various opportunity costs of PWP participation, reductions in own production and domestic activities and additional costs incurred. This represents a broader definition of the opportunity cost of PWP employment than is usually adopted in the literature and indicates that the work requirement represents the introduction of a more significant opportunity cost to participants than may previously have been recognised.

## The meaning of the real wage

The 'real' value of the PWP wage is determined by the command over commodities which it implies and the needs it can satisfy, and in terms of its social protection, this is contingent on the extent to which it enables a meaningful reduction in the consumption gap of participating households. It is trivially obvious that a small reduction in the consumption gap is likely to have more limited impact than a larger reduction; so, in assessing the potential social protection benefit of programme participation, it is relevant to consider the magnitude of the reduction in the poverty gap implied by the net wage.

If the value of the wage is set too low, the impact of PWP participation can be negligible at best and at worst result in increases in malnutrition and associated morbidity, as discussed previously. A low wage may also result in preventable fatalities among participating households. During the evaluation of a PWP in Malawi in 2004, deaths through malnutrition were reported in the households of PWP participants in a period when an already low wage was further reduced due to the introduction of 'forced savings', an experimental programme design initiative which reduced the effective wage rate in terms of resources available for immediate consumption with the objective of promoting longer-term social protection benefits.[4]

When the adoption of excessively low-wage levels which are in tension with the social protection rationale of PWP implementation is challenged, the defence is often that 'something is better than nothing'.[5] However, this statement fails to recognise that the wage needs to be sufficient to provide benefits which will have a significant rather than marginal impact on consumption and possibly also accumulation; after the full costs of

3 Interview with EIIP personnel, ILO, Addis Ababa, 2005.
4 PWP participant case studies, CARE International, Malawi 2004.
5 While this position is frequently articulated in verbal discourse by government agencies, donors and implementing agencies, it is rarely so candidly asserted in written documentation.

PWP participation have been taken into account, if the programme is to be viable as a form of social protection intervention.

## Setting the PWP wage and labour market concerns

As illustrated, the wage level is a critical determinant of the social protection impact of PWPs. However, setting PWP remuneration at the appropriate level in terms of its social protection impact is often perceived as problematic from a labour market perspective. A review of PWP implementation internationally suggests that the wage level is frequently set on the basis of three related labour market concerns, rather than social protection considerations, namely:

1) a concern to prevent labour market distortion
2) the desire to promote self-targeting
3) the aim of reducing demand for PWP employment in order to limit rationing.

On the basis of these concerns, the PWP wage is frequently set below the 'prevailing wage' (itself a contested term; see McCord, 2004b), irrespective of whether a wage set on this basis is sufficient to promote social protection outcomes. The dominance of labour market and targeting concerns over social protection considerations in PWP wage setting has not been critically examined in the literature to date. The three concerns (distortion, targeting and rationing) and their implications for social protection are examined later on, together with an exploration of the tension between the downward pressure on the wage rate resulting from these concerns, and the resulting social protection impact.

### Distortion

There is a significant concern, reiterated throughout the PWP literature, that PWP employment may draw workers out of alternative market-based employment, distorting the functioning of the labour market. There is a fear that this would result in an increase in the labour cost of those eligible for PWP employment by creating a 'wage floor' below which workers would prefer PWP participation to employment in the open labour market. Hence, it is often argued that the wage should be limited in order to avoid such labour market distortion, so that only the poor without access to alternative employment at the market rate will choose to participate in the programme.[6] As summarised by Subbarao:

> *In order to promote self-selection, it is best for a public works program to offer a wage slightly below the market wage, that is, to maintain the level of the wage rate low enough so as to attract only the poor to work sites.* (2001: 7)

Whether the elevation of the reservation wage or with withdrawal of labour from the lowest and most poorly paid segments of the labour force, is interpreted as a positive or

6 In reality, PWP wages internationally have been variously set above and below the prevailing wage (see, for example, Subbarao, 2001: 7) depending on the objectives of the programme, with varying degrees of targeting success.

negative outcome of PWP implementation, is to some extent contingent on ideological perspectives. It can be argued that if the labour market is highly segmented, with the lower segments being subject to exploitative rates of remuneration which do not enable workers to meet basic household consumption needs, such a distortion might not necessarily be problematic. For example, in India the JRY and MEGS pushed up the reservation wage for agricultural labour, reducing landowner profits and contributing to a reduction in local income inequality (Gaiha and Imai, 2005), and recent reports suggest the MGNREGS may already have had a similar effect in some areas.[7] However, in much of the sub-Saharan Africa region such potential impacts are considered to be highly undesirable.

There is, however, a critical difference in the likelihood of significant labour market distortions in India and in most of the sub-Saharan Africa region, as wage inflation is only likely to occur in the context of mass PWP employment and where there are significant geographical concentrations of PWP employment, with PWPs employing a significant proportion of available labour. Such scale and concentration of PWP employment is not widely found outside Asia.

In Malawi in 2003, 220 000 workers (approximately, four per cent of the labour force) were employed in six independent but simultaneously, implemented PWPs (Chirwa et al., 2004a). The wage rate was set autonomously within each programme, resulting in a daily wage which varied from MK36 (US$0.34) to MK192 (US$1.79) for similar hours of employment (Chirwa et al., 2004a: 15).[8] Adato et al. (1999) found similar levels of wage variation within contemporaneous PWPs in the Western Cape in South Africa, as discussed in Chapter 4. In these contexts programme wages were determined either by the implementing agents or through a process of local wage negotiation. However, in neither Malawi nor South Africa was labour market distortion in evidence, in terms of a movement of workers out of alternative forms of regular market-based employment, migration to higher paying programmes, or local wage inflation.[9] This implies that labour markets may be able to absorb a considerable range of PWP wage rates without experiencing distortionary effects.

It is likely that a critical determinant of the impact of the PWP wage on the labour market is the scale of PWP employment in relation to the supply of casual agricultural labour. In the Malawian context there was significant oversupply of casual agricultural wage labour, largely due to changes in agricultural production modalities and the traditional paternalistic relationship between labour and landowners in recent decades, such that small-scale PWP implementation would offer alternative employment to only a limited percentage of those seeking casual labour (Chirwa, 2004a). This is likely to hold true in most programmes offering employment to a small percentage of the bottom

7 A recent report in the *Economic Times* of India stated that 'An analysis of rural wage data by global investment Bank JP Morgan indicates that the advent of the National Rural Employment Guarantee Act, or NREGA, has resulted in a significant structural break in rural wage inflation'. *Economic Times*, 14 October 2011.

8 US$1=MK107 at 2004 prices.

9 Adato et al. did, however, note that the wage differentials contributed to labour unrest in some instances.

segment of the labour force, particularly where PWP employment is highly rationed and spatial coverage is patchy. This would include most PWPs currently implemented in sub-Saharan Africa.

## Self-targeting through the wage

An additional perceived benefit of the adoption of a low PWP wage is that it will result in self-targeting by the poor, obviating the need for alternative targeting procedures which are often complex and costly to administer. A recent example of this can be drawn from the WFP-implemented Northern Uganda Social Action Fund (NUSAF 2) Project Document which states:

> *On conditional transfer schemes such as the PWP, an expression of desire to participate is a valid indicator of stress, meaning that – methodologically speaking – self-targeting is an effective means of vulnerability targeting.* (Office of the Prime Minister [OPM] and WFP, 2010: 9)

This perceived self-targeting benefit is based on the assumption that the combination of a work requirement and low wage, conventionally set at or below the prevailing wage, results in the poor self-selecting into a programme, leading the World Bank to assert confidently (and without concern for the potentially negative social protection implications of the statement) that '[public works programmes] can easily be self-targeting by paying wages below market rates' (World Bank, 2001: 155).

This assumption is prevalent in the PWP literature; see, for example, Subbarao et al.: 'The best way to ensure that the program reaches the poor is to maintain the program wage at a level no higher than the ruling markets wage for unskilled labor' (1997: 77)[10] and '... maintaining a low program wage ensures that participation rates are low, attracting only the poorest to work sites'. (ibid: 78)

Evidence of successful wage targeting is presented in the literature, with Subbarao (2003) arguing that almost 100 per cent of PWP participants in Chile, and 60–70 per cent in India (taking into account both the JRY and MEGS) were 'poor' (cited in Vodopivec, 2004: 76).[11] Subbarao et al. cite evidence from Kenya that when the wage is increased, non-poor inclusion errors also increase (Subbarao et al., 1997, citing Teklu, 1994). Similar

10 It is important to note, however, that the PWP wage is not always set in relation to the minimum or prevailing wage. Subbarao found that only four of ten programmes reviewed paid wages below the prevailing market wage (2003: 7). In a study of 167 programmes in sub-Saharan Africa, McCord and Slater found that overall only 39 per cent of programmes paid wages below the minimum wage, but that figure rose to 78 per cent in Type A programmes providing short-term employment with social protection objectives, compared to 18 per cent among Type C programmes primarily concerned with infrastructure provision (2009: 56). This indicates, somewhat counterintuitively, a greater concern to restrict the wage in programmes providing social protection than those concerned with infrastructure.

11 The meaning of 'poor' in this context is not explicitly defined, and where a large proportion of the total population are poor, having the poor rather than a sub-section thereof, representing a high percentage of participants may not be an adequate indicator of appropriately targeted resources; in these conditions, an indicator of the relative poverty of participants would be valuable.

findings have been reported in relation to the MEGS in India, where non-poor participation increased significantly after the upward revision of the public works wage (Ravallion et al., 1991).[12] Hence, it is assumed that by the adoption of a low wage rate, the poor will self-select into programmes, while the less poor will find them unattractive and not seek to participate, resulting in low levels of leakage through type 1 error (the inclusion of those who should have been excluded).[13]

According to accepted PWP orthodoxy, this then obviates the need for the administration of more complex poverty-targeting mechanisms, based on some form of community-based selection or means testing, (these assumptions are fully discussed in Subbarao et al., 1997). This relative ease of targeting is a factor in the selection of PWPs in preference to alternative social protection instruments such as cash transfers, since, it reduces the need for the administration of additional targeting processes. The potential cost savings implications have been emphasised in the literature with Subbarao arguing that 'it is important to bear in mind the savings in administrative costs effected by self-selection' (2001: viii).

The adoption of alternative targeting mechanisms is costly in terms of both financial and human resources and is particularly problematic if the programme is to be implemented by the private sector. The social development skills required to ensure effective targeting within a community are likely to be scarce among construction sector contractors, and typically, there are few incentives for private contractors to expend resources on attempting to target their jobs to the poorest.

### *Is self-targeting through a low wage effective?*

A number of recent studies suggest that a significant degree of leakage to the non-poor can occur in PWPs, even in the context of PWPs offering restricted 'sub-market' wage rates, a finding which challenges the alleged efficiency of spontaneous self-targeting by the poorest (McCord, 2004b; Barrett and Clay, 2003; Lembani and Madala, 2006). A significant number of programme evaluations have indicated that participation by those who may not be classed as among the poorest is taking place, not only in terms of inclusion in the payment roster but also in terms of physical participation. Devereux and Solomon cite evidence from the JRY in India suggesting that 57 per cent of workers belonged to non-poor families, and only five per cent of workers belonged to the poorest categories ('very very poor' or 'destitute') (Devereux and Solomon, 2006: 8 citing Chellia and Sudarshan, 1999). Similarly, Suryahadi et al. (1999) found that between 64 per cent and 100 per cent of participants in the national Padat Karya public works programme in Indonesia were non-poor. According to the less-eligibility rule, self-targeting should preclude these

12 Leakage to the non-poor increased significantly after the minimum wage which guided MEGS remuneration levels was increased above the 'prevailing wage' in the 1980s.

13 The terms 'poor' and 'less poor' will not be further defined in this discussion. The purpose of this chapter is to explore participation in PWPs using a relational concept of poverty based on the depth of poverty, since, the majority of the population in many developing countries may be defined as poor, depending on what poverty line is adopted. In the light of this, it may be most useful to differentiate within the category of the poor rather than seek to define those who fall within or outside this category.

outcomes, providing the wage is sufficiently low. However, recent research indicates that when labour market imperfections and institutional barriers to programme participation are taken into account, a low wage may not be an adequate or appropriate tool to promote effective poverty targeting.

Barrett and Clay (2003) argue that the self-targeting premise is conditional on a perfectly functioning labour market, which is hard to find anywhere, let alone in situations where PWPs are implemented. They suggest that the marginal value of labour varies considerably within and between households, depending on the type, quality and amount of labour available in the household and access to productive assets such as land. This variation renders PWP employment at a given wage potentially attractive as a form of supplementary income to surplus labour in less poor households, yet unattractive to poorer households with limited access to labour, especially, with PWP wage levels at or below the prevailing wage.[14] When the imperfection of labour markets is taken into consideration, Barrett and Clay argue that economic theory confirms the empirical evidence that self-targeting through a low wage may not be an adequate mechanism to target employment to the poorest. Drawing on arguments relating to institutional 'process deficits' and the theory of real options; Scandizzo et al. (2004) draw similar conclusions regarding the illusory nature of effective self-targeting in imperfect labour markets with fluctuating wages, and high PWP entry and exit costs.

In situations of chronic poverty and mass unemployment/underemployment, where the scale of PWP employment offered is trivial in relation to the scale of the unemployment and poverty problem, it is likely that competition for PWP employment among both the poor and less poor will erode putative poverty-based self-targeting effects. Barrett and Clay's analysis suggests that employment at a low wage may be attractive to surplus labour with a low marginal value in less poor households, and in many instances, anecdotal evidence suggests that in the absence of explicit poverty-targeting mechanisms, the poor are not well placed to compete against less poor segments of the unemployed for PWP work opportunities (McCord, 2003).

Given that demand for PWP employment tends to exceed the supply of work opportunities and given the possibly pervasive leakage of employment opportunities to the non-poor even when wages are set low, Barrett and Clay's (2003) argument for the adoption of an increased wage rate, together with the use of explicit targeting mechanisms, offers an important alternative to conventional PWP approaches.[15]

14 Empirical programme evaluation findings confirm this theoretical analysis; for example the review of the DFID-funded Sustainable Livelihoods Through Inputs for Assets (SPLIFA) public works programme in Malawi, found non-poor participants from labour-rich households self-selecting into the programme, despite extremely low wage levels.

15 One example of such practice is the Zibambele programme in South Africa (discussed in detail in Chapters 8 and 9) which has adopted a higher wage rate than most PWPs in South Africa (which are set at the minimum wage) and includes explicit poverty targeting using community selection methods, in which 99 per cent of the participating households fall below the poverty line.

In addition to the limited targeting efficacy of a capped PWP wage, it is important to note that the consequence of utilising the less-eligibility principle may be a wage that can provide only marginal social protection benefits, particularly once the costs of participation have been taken into account. Such a wage level may not be compatible with a programme nominally implemented to achieve social protection outcomes. This insight is echoed by Kaseke (2008), who argues that a 'social protection intervention is not meaningful unless it provides a minimum level of protection', i e there is a transfer level below which social protection transfer interventions cease to have a significant impact. This analysis is particularly relevant when a PWP wage is set at the level prevalent in the most poorly paid sector in a segmented labour market, where the prevailing wage is extremely low. Replicating such a low wage rate, in a PWP aiming to provide social protection, is problematic. Devereux and Solomon illustrate the problem drawing on experience from Burkina Faso:

> *The problem with using the wage rate as a self-targeting mechanism is that employment programmes are often introduced in situations of mass chronic poverty, where the only way to ration the number of jobs offered is to reduce the wage rate to unethically low levels. In Burkina Faso in the early 1990s public works wages were set as low as one-third of the national minimum wage, in order to minimise 'leakages' to the non-poor ... Although this strategy was successful in terms of targeting the 'poorest of the poor', the income transferred was so low that there was no discernible impact on poverty reduction, and even the 'safety net' objective was compromised.* (2006: 6)

In this context, Subbarao's assertion that a wage rate no higher than the prevailing market wage is an ideal PWP design feature is problematic, as is his response to his own question, 'how low should the program wage be?' (2003: 14). Subbarao argues that the wage 'should not be set at such a low level that it stigmatises the work, thus leading the "poor but proud" to go hungry' (2003: 10) but fails to explore the fact that the social protection impact of PWPs is a function of the value of the wage and that a low wage may undermine a programme's social protection impact.[16]

Drawing on African experiences, Barrett and Clay conclude that rather than low wages, higher wages, together with alternative targeting mechanisms, would be a more appropriate response when social protection outcomes are the primary PWP objective. Low wages in PWPs are neither sufficient to ensure adequate poverty targeting nor are they consistent with programme objectives relating to the sustained reduction of poverty. Similar conclusions were drawn with reference to PWPs in Bangladesh by Mujeri, who argued for more restrictive active targeting criteria, including means testing, rather than self-targeting through the wage (Mujeri, 2002: 33 cited in Devereux and Solomon, 2006: 7). The same argument was made by Chirwa et al. (2004a) with reference to the level of the MASAF PWP wage in Malawi:

> *... there is evidence that PWP employment is attractive to the less poor as a form of secondary income for households which are not labour constrained* (CARE, 2003, 2004).

16 While Subbarao recognises that 'a low wage rate will also result in low transfer earnings to each (poor) participant' (2003:4), he does not explore the consequences of this statement in terms of the efficacy of public works as a form of social protection.

*This underscores the fact that wage alone is not a sufficient mechanism to ensure the participation of the poorest, and that explicit poverty targeting is required to ensure that intended members of the community can access employment, in line with programme objectives.* (2004a: 7)

### Rationing

As well as promoting targeting, the low wage is also presented in the literature as a way of restricting demand for PWP employment. The basis of the argument is that a lower wage will reduce demand for PWP employment, therefore, reducing the need for rationing programme access, while at the same time lower expenditure on wages per participant will enable greater coverage. However, this argument is problematic on two related grounds. Firstly, this argument is based on the assumption that there is a simple linear relationship between PWP wage and demand for employment, and that as a result, a low wage can be used to ensure demand is commensurate with the levels of employment a government feels able to deliver.

Such analysis fails to take into account the imperfect functioning of labour markets, and the resultant failure of the labour market to signal clear reserve prices below which PWP employment ceases to be attractive. This was conceded by Vaidya and Ahmed (2007) in their attempt to model the impact of the wage level on PWP employment demand in South Africa. Evidence from Malawi indicates that even at below- subsistence levels of remuneration, the fact that PWP employment offers access to immediate cash income results in excess demand for employment among those in extreme poverty (Chirwa et al., 2004a).

Secondly, given the small scale of employment provided in most PWPs, almost all entail rationing despite the adoption of low wages with the effect of the capped wage being limited to reducing the extent of excess demand for PWP employment at best.

## Malawi Social Action Fund (MASAF) PWP case study

The issues discussed earlier are explored in more detail in this section, drawing on a case study of the public works component of the Malawi Social Action Fund (MASAF) in 2003/4. This programme is typical of the short-term donor-supported PWPs in sub-Saharan Africa, which often form one component of Social Action Fund programmes, aiming to promote livelihoods and self-reliance.[17] The case study explores how the wage level was determined and the social protection implications of the resulting wage. It illustrates how the process of wage setting in a PWP can be subject to both ideological and empirical challenges, and that the manner in which these are resolved may have significant implications for social protection outcomes.

17 This exploration of the PWP wage draws on an analysis conducted into the MASAF PWP in May 2004 as part of the 'Study to Inform the Selection of an Appropriate Wage Rate for Public Works Programmes in Malawi', prepared for the National Safety Nets Unit of the Government of Malawi (Chirwa et al., 2004a). The study was initiated in response to concerns expressed by a wide range of stakeholders, including workers, local government officials and donors, that the daily wage rate paid to PWP employees working for MASAF was excessively low.

MASAF has been implementing public works since 1995 and in the mid-2000s was the largest PWP employer in Malawi, aiming to provide income and employment opportunities contributing to long-term economic growth (UK DFID, 2002). In line with the Malawi Poverty Reduction Strategy and the Malawi National Safety Net Programme of which it formed a part, MASAF's objective was 'improved livelihoods of vulnerable and marginalised groups in Malawi society by enhancing their productivity and thereby increasing their self-reliance' (Malawi, Ministry of Economic Planning and Development, 2003). In terms of the social protection hierarchy outlined in Chapter 3, the programme objectives conformed to those of 'promotive social protection' with their explicit aim of providing sustained benefits to participants. To this end, a Type A PWP offering a single short-term episode of employment was included in the MASAF programme; the type of PWP most commonly executed in World Bank supported Social Action Funds in the region. This is an example of a commonly occurring inconsistency between programme objectives and programme type, a tension between programme form and function in many donor-supported PWPs in the region, as discussed earlier.

## PWPs and the prevailing wage: problematisation of wage-setting conventions

The MASAF PWP adopted a conventional targeting approach, offering a wage no higher than the prevailing market wage in order to ensure self-targeting by the poor, as already discussed. Correctly identifying the prevailing wage is central to addressing the concerns relating to distortion, targeting and rationing objectives which underlie this approach. However, analysis of the Malawi situation illustrates that identifying the prevailing wage in a segmented labour market may be no easy task.

The wage for the programme was set in 2002 at MK30 (US$0.28 at 2004 prices), in line with the prevailing wage for casual agricultural labour (*ganyu*).[18] This was increased to MK36 (US$0.33) in 2004 in response to widespread criticism of its inadequacy on the part of programme participants and implementers (an increase of 20 per cent compared with 47 per cent rural inflation over the period 2002–2004), pending the findings of a study commissioned by the government to identify a revised rate which was both economically and socially justifiable.[19]

As part of this study Chirwa et al. reanalysed the 'prevailing' wage in rural Malawi, and found that there may be no single prevailing agricultural wage in a segmented and imperfectly functioning labour market (Chirwa et al., 2004a). Zgovu (2000) recognised

18 *Ganyu* is occasional and temporary task-based work, typically limited to 1–3 days' duration, sought by the poorest in agricultural areas, and often remunerated in kind through agricultural produce or a plateful of ground maize meal. It is widely considered in Malawi to be exploitative; and in recent years, as poverty has deepened in the country and the agricultural sector has experienced significant restructuring, the number of workers offering *ganyu* labour has increased and the number of employers seeking it has decreased, leading to a fall in *ganyu* wage rates in real terms. Since, several days of work-seeking activity may be required for the attainment of one or two days of *ganyu* employment (see CARE, 2003, 2004), it could be argued that the real wage rate is lower than these figures indicate.

19 Payment was made using a task-based rate, with one task being set per day, on the basis of the assumption was that it would take a total of four to five hours of work to complete a task, following ILO norms for task-based PWP remuneration.

this problem in the Malawian context (although not exploring it from the perspective of its implications for PWPs) and argued that it might be more useful in analytical terms to identify two sets of prevailing agricultural sector wages: one wage for highly casualised and sporadic *ganyu* agricultural employment and another for 'agricultural monthly wage' employment, which he identified as a less exploitative form of agricultural employment. This immediately presented a dilemma in terms of the attempt to identify a 'prevailing' rural wage to inform the selection of a PWP wage which would avoid labour market distortion, promote targeting and induce rationing.

The PWP wage of MK36 compared to a daily *ganyu* wage estimated to be between MK20 and MK70[20] (US$0.19 and US$0.65) and an 'agricultural monthly wage', wage of MK2 400 (Chirwa et al., 2004a).[21] The market wage for construction work similar to MASAF employment was between MK1 500 and MK2 000 per month (US$14.02 and US$18.69) with the rural construction industry norm being MK1 600 (US$14.95).[22] The range of market wage levels cited here is between MK1 500 and MK2 400 (US$14.02 and US$22.43), between two and three times higher than the monthly wage of MK792 (US$7.40) offered in the MASAF programme. *Ganyu* employment is considered the last resort for the very poorest who otherwise face destitution. In this segment of the labour market, excess labour supply served to force the wage downward,[23] and qualitative research into the rural labour market in Malawi in 2003 revealed the desperation of those located within the *ganyu*-seeking segment of the labour force.[24] Hence, it could be argued that a PWP wage which exceeded the *ganyu* wage level would not be problematic, as drawing work seekers out of this sector would represent a potentially positive shift rather than a negative distortion, and the government proposed an upwards revision of the MASAF wage accordingly. Since the supply of *ganyu* labour significantly exceeded demand, paying a PWP wage above the *ganyu* rate was unlikely to have had any significant effect on wages in the *ganyu* labour market. Donors however, expressed a reluctance to consider an upward revision of the MASAF wage lest this should result in labour market distortions and a reduction of Malawi's international competitiveness more generally,[25] and for these reasons prevented an upward revision. Given the limited scale of programme coverage in relation to the mass of under and unemployment in the lowest segments of the labour market, such fears were not likely to have been well-founded

20 The lower value represented the estimated monetary value of in-kind payments (often taking the form of food) and the upper a cash wage.

21 This figure was calculated on the basis of data from Zgovu (2000) inflated to 2004 prices using CARE (2004). This is an indicative figure only, since, it was not known whether 'monthly wage' rural employment kept pace with inflation over this period. The data available suggests that for other kinds of rural employment the wage had not done so.

22 National Construction Industry Council of Malawi, quoted in Chirwa and Mvula (2004).

23 While the function of a labour market is to bring supply and demand into equilibrium via prices, the market-clearing wage in this type of setting is often well below subsistence level. In such circumstances, an upward distortion may be desirable.

24 Qualitative research conducted by CARE into the rural labour market in Malawi indicated the desperation of those located within the *ganyu*-seeking segment of the labour force, including reports of labourers leaving sick children untended and travelling 3 days' walk from home to take up work offering a total remuneration of only eight maize cobs (Pinder, 2003).

25 World Bank staff in Malawi, 2004, pers. comm.

but this donor position indicates the extent to which labour market distortion concerns directly inform programme design decisions.

The second insight offered by the Malawi case study is that PWP wage setting based on matching wage levels in the bottom segment of the labour market can result in programmes which replicate prevailing wages offering well below subsistence income, despite the fact that such wage levels are antithetical to the spirit and intent of PWP interventions with explicit poverty reduction and livelihoods objectives. In setting the wage an excessive focus on potential labour market distortion rather than empirical analysis of labour market impacts occurs which is problematic. Where the objective of a programme is to promote social protection, there is a risk that the provision of a low wage may entail significant social protection trade-offs (Devereux, 2000).

## The wage and the social protection objectives of public works

Given the MASAF objective of improving the livelihoods of the most vulnerable and marginalised, it is useful to consider the implication of adopting a restricted PWP wage.

### *The consumption gap*

As discussed, the impact of the PWP wage on livelihoods is dependent on whether the wage is sufficient at least to ensure that basic subsistence needs are met, following Devereux (2000), who argues 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.

A PWP wage is only likely to impact on productive investment if it is adequate to meet basic consumption needs. In order to assess the adequacy of the MASAF wage in this way, it is necessary to examine the value of the wage in relation to the consumption gap of participating households. Chirwa et al. (2004a) attempted to do this, and while their analysis was limited by data constraints, it offers an insight, albeit imperfect, into the function of the PWP wage at household economy level.

In order to calculate the mean consumption gap in participating households, the total monthly cost of the basket of goods required to meet household basic subsistence needs was estimated.[26] Chirwa et al. used three different poverty lines, the official poverty line based on the 1998 Integrated Household Survey (IHS) and two alternative poverty lines, one based on a costed subsistence basket, and the other on perceived needs identified and costed by PWP employees themselves (CARE, 2003).[27] The three resulting monthly

26 This was based on the average household size among the 'ultra poor' who form the target group for this programme. This calculation takes into account the total number of household members, derived from the 1998 Integrated Household Survey (IHS), the most recent data available at the time of the study, rather than adult equivalents.

27 The first poverty line is a food poverty line, the price of a basket of goods providing 2100 calories per person per day. Costs are derived from the IHS inflated to 2004 price levels. The 1998 IHS poverty line was updated using the official rural consumer price index for 1999 to 2003 and a cost of living index for 2003/4. The 'Subsistence Basket' poverty line was based on the purchase of a basket of basic rations required to meet a minimum calorie requirement in line with WFP recommendations costed at 2004 prices, and the 'Perceived Needs' poverty line was derived from the cost of purchasing a basket of goods required to meet basic consumption needs, identified and costed by current PWP employees themselves (CARE, 2003).

household poverty lines were MK4 099, MK2 917 and MK2 215 (US$38, $27 and $21, respectively) for food subsistence, and MK5 465, MK3 501 and MK2 745 when basic non-food costs were also included (US$51, $33 and $26).[28]

### *Other income and own production*

Total monthly household income in PWP households was calculated, taking into account non-PWP income (in cash and in kind), using recent survey data. This indicated total household income ranging from MK200–400 (US$1.87–3.74) in households with female PWP workers and MK400–700 (US$3.74–6.54) in households with male workers (CARE, 2004).[29] Levels of non-PWP income reported by labour-constrained households, the poorest group among the MASAF PWP participants, were minimal.

Next Chirwa et al. considered own production, which for most households made a significant contribution to household subsistence.[30] Analysis of the Community Household Survey (CHS) indicated that own production represented 3.5 months of household food consumption. Many poor households, however, lacked sufficient labour, land and/or capital to achieve these levels of own production, and so 3.5 months was taken to represent an upper limit of the period of own production consumption among the poorest.[31] On the basis of the annualised consumption gap, Chirwa et al. calculated the minimum daily PWP wage required to supplement own production and meet basic household subsistence needs, on the basis of the three different poverty lines. The results are set out in Table 5.1.

On the basis of these calculations, Chirwa et al. argued that the MASAF wage was significantly below the daily income required to close the poverty gap and meet even basic household subsistence needs, according to official and derived poverty lines. The PWP

**Table 5.1: Daily PWP wage required to close the poverty gap in terms of basic household subsistence needs in Malawian *kwacha* (MK, at 2004 value)**

| | Poverty line (in MK) | | |
|---|---|---|---|
| | **IHS** | **Subsistence basket** | **Perceived needs** |
| **Food only** | 116 | 83 | 60 |
| **Food and non-food** | 171 | 107 | 85 |

*Source: Chirwa et al. (2004a: 23)*

28 It is interesting to note that the IHS poverty line is significantly higher than both the Subsistence Basket and Perceived Needs poverty lines. This discrepancy suggests that there may be a problem with either the IHS data or the CPI, given the simple derivation of the Subsistence Basket Line.

29 This suggests that female participants may be from poorer households than male participants with more limited labour market options and extremely low returns from the activities in which they participate to complement their PWP income.

30 90 per cent of the poor have access to land, although many lack sufficient labour or capital to use all the land owned for agricultural production (Chirwa and Mvula, 2004).

31 The PWP wage could potentially contribute to the hire of labour (*ganyu*), purchase of inputs, and/or land rental where land access is currently insufficient, rendering participating households more likely to increase own production in subsequent years.

wage represented between 30 per cent and 60 per cent of the income required to meet basic household food needs and between 20 per cent and 40 per cent if non-food subsistence needs were also taken into account.

### *The impact of a low wage on programme objectives*

A MASAF wage of MK36 (US$0.34) would have reduced the depth of poverty experienced in participating households. However, this rate of remuneration would not have enabled households to meet even their basic nutritional needs, and was significantly below that required to ensure that the poverty reduction objectives of the programme were met. As such, it was found to be unlikely that such remuneration would contribute significantly to the objective of livelihoods promotion by shifting income-generating work from low- to higher-return activities, or the 'promotive' outcomes anticipated in the programme rationale.[32]

This analysis confirmed the findings of a 2003 beneficiary assessment which showed that the majority of PWP income was spent on food and basic provisioning with only six per cent of participants reporting investment in livelihoods promotion; for example, purchasing farm inputs or livestock (MASAF, 2003). The main reason given by participants for the lack of investment was the low-wage level. Hence, the level of wage undermined prospects for the achievement of the social protection goals of the programme and the likelihood that the programme would have a significant or sustained impact on livelihoods or poverty. This finding challenges the convention of setting a wage at or below the prevailing rate in the absence of supporting labour market analysis and highlights the need to take both labour market and social protection considerations into account when setting the wage.

## Conclusion

While a low-wage PWP is often adopted with the intention of preventing labour market distortion, reducing demand for PWP employment and targeting the poorest, the available evidence calls into question the effectiveness of wage limitations in achieving any of these three objectives, and reveals moreover that the adoption of this approach may, in many cases, be detrimental to the achievement of overall programme objectives. This problem is compounded by the fact that the real value of the PWP wage, in terms of the household economy, may be significantly overstated in the current literature. Once the full range of costs implied by the work conditionality are taken into account, the net value of the PWP wage is often significantly lower than its gross value, and hence, its social protection impact may be correspondingly lower than anticipated. Thus, it cannot be assumed *a priori* that the PWP wage represents a vector through which significant social protection benefits will accrue to participants, as this is dependent on the real value of the wage at household level in relation to the household poverty gap.

32 Pinder (2001) documented an alternative PWP implemented in Malawi which did successfully contribute to improved livelihoods through the payment of a wage rate significantly above subsistence level, in which part of the income was used to purchase basic capital goods which enabled workers to move away from the gathering and sale of primary materials (e g wood) to higher-return production or commerce-based economic activities.

This chapter has argued that if sustained social protection benefits are to be achieved through a PWP, the wage needs to be sufficient to ensure that at a minimum basic household subsistence needs are met, as only then is the likelihood of the adoption of negative coping strategies (such as the distress-selling of assets) reduced among those with disposable assets, and starvation avoided among those without. Only with the provision of an adequate PWP wage, the accumulation of assets and investment resulting in improved livelihoods, are possible. Failing this, the PWP wage needs to be sustained throughout periods of vulnerability and need.

The level of the wage needs to be consistent with the programme's livelihoods and poverty reduction objectives and take into account the nature of the labour market context, the acute, cyclical or chronic nature of the impoverishment the programme is seeking to address, and the depth of the consumption gap. The MASAF programme is typical of many programmes internationally, inasmuch as the restrictions placed on the wage in order to address concerns about labour market distortion, reduce the likelihood of the programme having a significant impact on poverty or livelihoods and are in tension with the core rationale for programme implementation. This paradox is not explicitly recognised by most governments, donors, or implementing agencies, whose preference is often to set the wage exclusively on the basis of crude labour market assumptions (which may or may not be accurate) rather than social protection considerations.

PWPs are frequently implemented in line with the injunction that the wage should be set at or below the prevailing wage, no matter how low this may be relative to subsistence needs. This chapter argues that this approach is at best ineffective and at worst unethical; and that the question of wage setting should take into account the fundamental social protection objectives underlying the implementation of a PWP intervention. The fact that setting a wage too low may undermine a programme's social protection impact, as well as in some instances potentially discourage the participation of the poorest, for whose benefit the intervention was initially designed.

# Chapter 6

# *The role of assets*

Given that the wage itself may not always confer sustained benefits upon those suffering chronic poverty, the ability of a PWP to provide medium- to long-term benefits is in part dependent on the performance of the second vector, the assets created. Within the PWP discourse, it is anticipated that the creation of assets will confer social protection benefits to both PWP participants and also communities, more generally, through the direct and indirect promotion of livelihoods.

However, despite the importance attributed to the assets created through PWPs, there is little critical analysis of the impact of assets on social protection outcomes in the literature. The present chapter explores this neglected issue. The role of asset provision in different types of PWPs is explored along with the quality and value of assets created, the question of incidence (the identification of the beneficiaries of the assets created), the cost of asset creation through PWPs and the premium associated with the use of PWPs in preference to conventional approaches to infrastructure creation.

Some form of asset or service is created in all PWPs by virtue of the work requirement. These assets can take many forms; the most common being the creation and maintenance of physical infrastructure, primarily secondary roads, water-related assets, such as small dams and irrigation systems, and other natural resource management (NRM) infrastructure. In a small number of recent programmes in the region, the concept has been extended to the provision of what may be described as 'social infrastructure' in the form of social service provision, such as Home-Based Care (HBC) for those affected by HIV/AIDS, or the provision of Early Childhood Care and Development (ECCD) services (McCord, 2005).

The creation of assets is generally included as a key rationale for the selection of PWPs over alternative social protection assistance measures. This is partly due to the fact that the adoption of PWP-based social protection provision avoids the perceived trade-off between 'productive' investment in infrastructure and 'consumption' expenditure on welfare, which is often a key constraint to social protection allocations in resource constrained environments, by combining social protection and productive asset creation in one intervention. This approach was articulated by Smith, with reference to Malawi:

> *... as far as possible, safety nets in Malawi need to be productivity-enhancing (for example in the form of public works … rather than pure transfers) … to maximize long-term income growth among the poor.* (2001: 13)

## The value of assets created

However, the positive economic and developmental value of the assets created through PWPs is frequently assumed rather than empirically established. In some instances, such as the flood- and drought-related assets created in Bangladesh and India, which have a direct impact on mitigating future risk and promoting land productivity, the disaster risk reduction (DRR) and economic benefits of the infrastructure created may be readily apparent, for example, in terms of a reduction in future flooding and improved water harvesting opportunities. However, where the assets created are intended to promote livelihoods and economic growth rather than mitigate known environmental threats, the value and impact of those assets may be less easily quantifiable. Under these conditions, asset impact evaluation is critical, yet such evaluation is rarely carried out as there is an assumption among policy-makers that the production of assets is *de facto* synonymous with positive growth and poverty reduction outcomes without consideration of the quality or relevance of the assets created or the socio-economic or geographical distribution of asset benefits across the population. Similarly, there has been no attempt to analyse the creation of PWP assets within a sustainable livelihoods framework taking into account the policies, institutions and processes which determine the impact of asset provision on livelihoods (see, for example, the discussion in DFID, 1999; Collinson, 2003).

This results in an often implicit conflation of the provision of assets with the achievement of poverty reduction, livelihoods promotion and social protection outcomes, or even more problematically, a conflation of spending on asset creation and social protection outcomes.[1] An example of the conflation of PWP asset construction with poverty alleviation is to be found in the document produced by the South African government to celebrate 10 years of democratic rule, which justified claims of poverty alleviation by stating the number of assets constructed under the national PWPs and the funds spent on their construction rather than assessing the impact of those assets on poverty:

> *... these [public works] programmes have been successful in alleviating the asset poverty of communities. Over R6.5 billion of expenditure on infrastructure has provided 2,182 community assets.* (PCAS, 2003: 19)

Such conceptual looseness in evaluating the asset impact of PWPs is common within the literature and is a major weakness in the current PWP discourse.

Given the inherently limited benefits accruing from the wage transfer alone, the asset vector is critical in the context of Types A, C and D PWPs, if anything other than temporary (protective) social protection is to be achieved. However, both the type of PWPs

1 A similar debate took place in South Africa with regard to the provision of the 'social wage' (goods and services) for the poor, with the cost of provision being equated with the value of the benefit experienced by the poor in some of the literature (PCAS, 2003) following the benefit incidence or cost apportionment method of estimating incidence of benefits (see, for example, Demery, 2000). The meaningfulness of this approach has been challenged elsewhere in the social protection discourse (see, for example, Meth, 2008a).

implemented and the relative prioritisation of programme objectives may affect the quality of the asset created, and hence, the likelihood of it impacting significantly on social protection outcomes. Devereux and Solomon have argued that a concern with the creation of quality assets is now central to all PWPs and that the value of the assets created is as important as the job opportunities created (Devereux and Solomon, 2006), but this positive assertion is challenged by evidence from a number of recent programmes in sub-Saharan Africa, in which the objective of creating quality assets has been compromised by the requirement to create large numbers of employment opportunities within a short period of time including the MASAF PWP in Malawi, the EPWP in South Africa (McCord, 2006), and the PSNP in Ethiopia (McCord, 2005).

## Social infrastructure

Before exploring the impact of infrastructure created in PWPs in more detail, it is useful to give a brief overview of the relatively new phenomenon of the provision of social rather than physical infrastructure through a PWP. Recognition of the range of social, as well as economic pressures faced by poor communities in the region, and the absence of many key social sector services has created an opportunity to reconsider the question of PWP infrastructure provision in recent years and led to the emergence of programming innovations using PWP labour to provide social infrastructure (in the form of services) as well as the more conventional provision of physical infrastructure.

Several PWPs have provided urban sanitation and rubbish collection services in West Africa, and programmes have been developed to support the extension of social service provision, in the form of ECCD and HBC, under the South African EPWP (EPWP, 2004a) with similar initiatives implemented in Malawi and Zimbabwe in response to the HIV/AIDS pandemic (McCord, 2005). The MGNREGS in India also includes a social care component, although this is limited to support activities for PWP workers, such as the provision of day care for the children of workers engaged in physical infrastructure programmes. These programmes operate at the interface of government employment schemes and sectoral service provision programmes, with the South African EPWP being the most developed example of ongoing social service provision by a PWP.

There is considerable potential for expansion of activities in this sector, particularly through Type B employment programmes, because of the significant unmet demand for service provision in the region, for example, through support to the roll-out of tuberculosis (TB) and anti-retroviral (ARV) treatment programmes, and the provision of improved HBC and ECCD throughout the continent. The advantage of adopting social service rather than physical infrastructure provision as the basis for PWP employment is that the service-based approach has the potential to absorb significant numbers of workers on an ongoing basis, subject to the availability of sufficient government (or private sector) funding.

However, there are quality concerns associated with the expansion of service delivery through PWPs, particularly in relation to potential compromises in service quality resulting from a significant and often rapid expansion of employment. This occurs in the

context of a Type B (government employment) programme, in the absence of a commensurate growth in management and supervisory capacity and adequate training provision.[2] There is little impact evidence in the PWP literature relating to social infrastructure programmes, and monitoring of service quality, levels of take-up and user satisfaction tends to be weak or non-existent. As a result, assessing the quality and impact of service provision is as problematic as assessing the quality and impact of physical infrastructure provision.

## The importance of asset production in different types of PWPs

The relative importance of asset creation and social protection objectives varies significantly across the different PWP types with major implications for programme outcomes. Asset creation can have two fundamentally different roles within a PWP. It can either be the primary purpose of programme implementation, with labour market and social protection impacts representing positive externalities, as in Type C PWPs. Alternatively, asset creation can primarily be a means to the end of absorbing labour and meeting the work requirement, which must be satisfied in order for the wage to be paid to participants. In this case, the assets created may be considered a positive externality rather than the primary rationale for programme implementation (this is the case in Type A and B programmes in which job creation and social protection objectives dominate). The difference in programme balance in the two cases may have significant implications in terms of the resulting social protection outcomes as well as the quality of asset provided.

This results in differences between the PWP types in terms of the manner in which social protection benefits are likely to be conferred. In Type A and B programmes, it is primarily, although certainly not exclusively, labour absorption considerations rather than concerns with livelihoods promotion or economic growth, which lead to the selection of a particular asset for PWP construction. In such contexts, a prescribed menu of infrastructure options with the requisite labour intensity is often presented to communities,

**Table 6.1: Primary and secondary purposes of PWPs**

| Type of PWPs | Primary purpose | Secondary purpose /positive externality |
|---|---|---|
| C | Asset creation | Labour market impact<br>Social protection impact |
| A and B | Reducing poverty (generating employment and transferring the wage) | Asset creation |

2 This issue was raised by civil society representatives responsible for the implementation and extension of the social component of the South African national EPWP, with particular reference to ECCD and HBC provision at the Second International Conference for Employment in Development, hosted by the Work Research Centre of the University of the Witwatersrand in September 2005.

which may or may not be linked to strategic (district or regional) development priorities. Subbarao and Smith noted this problem with PWPs in Ethiopia, observing that:

> *[w]orkfare programs are not integrated with activities at various levels of government … because there has been no integration of aid-funded projects with the broader developmental activity … the program suffered from … low productivity (did not lead to assets of the type found in India's Maharashtra Employment Guarantee Scheme). The program is driven by the consideration of labor use … rather than the creation of assets consistent with regional (community) needs and priorities … As a result [the] aim to use food aid as a 'dual purpose instrument of relief and development' did not materialize.* (2003: 21–22)

This problem is particularly acute in the case of Type B PWPs, which need to provide a large number of employment opportunities for an extended period. Only in situations where sufficiently large numbers of labour-absorbing projects have been identified, designed and pre-approved and are maintained 'on the shelf' at local level for implementation at the time of demand for PWP employment, has the provision of sufficient employment to meet demand been largely, although not universally, achieved. Generally, successful examples of this approach are the MEGS and MGNREGS in India, the New Deal programmes in the USA during the 1930s and the Ethiopian Productive Safety Nets Programme (PSNP). However, most programmes in sub-Saharan Africa have not succeeded in creating sufficient numbers of adequately selected and designed employment opportunities in this way, and a more common scenario is that the quality of assets or services created through PWPs has been undermined by the need to identify and implement significant numbers of employment-generating projects rapidly and within a limited time window. In such cases, the constraint is not the lack of unmet needs, or of opportunities for productive employment creation, but the limited technical and administrative capacity to identify, design and execute projects.

This represents a significant challenge when PWPs are repeated in the same location over many years or even decades and where technical capacity to design and select assets for creation under PWPs is limited, as is the case in many developing countries. In some programmes, this challenge has been addressed in part by the creation of private as well as public goods, as in the case of the MGNREGS, although this approach is unusual. In some cases, this constraint has resulted in the construction of poor-quality assets (in both Type A and Type B programmes), an issue that is widely reported anecdotally but has rarely been formally explored in the literature, which remains largely silent on issues relating to the quality, as well as the impact, of PWP asset provision.[3] If the act of asset creation is intended primarily to satisfy the demand that income must be 'earned' (the work conditionality) rather than provided in the form of a social grant, there is a risk that asset quality will be compromised. In such situations, there is not necessarily an expectation that the work component will result in the provision of assets which will have

3 Jenden (2002: 4) argues with reference to a DFID-funded PWP in Wollaita, Ethiopia, that 'while the [PWP] public goods are deeply appreciated by farmers and local government, there is little evidence that they are being appropriately maintained on any sustainable basis or that the improved infrastructure has in itself generated new income-generating opportunities for any but the richest households'.

meaningful or sustained livelihoods impacts. This is particularly, although not exclusively true in humanitarian contexts, where the adoption of public works as a basis for the provision of cash or food in preference to cash or food transfers may be primarily for institutional or ideological reasons rather than due to a desire to create sustainable assets. For example, in the WFP 'Food for Work' (FFW) programmes implemented as part of emergency operations, the priority is not necessarily the creation of high-quality or sustainable infrastructure but rather asset creation to satisfy the work condition. Within WFP, such programmes represent a transitional form or programming intervention coming after the provision of unconditional food transfers, which is typical during the immediate crisis period, and prior to the implementation of 'Food for Assets' (FFA) programmes in which the quality and role of the assets created is of greater importance and intended to have a significant impact on livelihoods.

The adoption of a PWP rather than an alternative social protection instrument entails a cost premium for programme implementers, which is justified on the basis that this approach delivers both a social protection transfer and economic assets. However, the lack of accountability on the part of many PWP implementers and the lack of voice on the part of beneficiaries to offer feedback on the actual, rather than anticipated, value of the assets created means that there may be limited incentives for programme implementers to focus attention on the quality of assets created.

Some Type B PWPs (most notably the US New Deal programmes and the Argentinian Jefes y Jefas) managed to provide an adequate supply of employment while also creating economically and socially meaningful assets and services, simultaneously delivering on asset provision, employment creation and social protection objectives. In order to achieve such ambitious goals, the New Deal programme explicitly included a capacity development component at the outset in order to ensure adequate technical and managerial support for the programme, while the Jefes programme was reliant on the capacity of local NGOs to administer microprojects.

In the sub-Saharan Africa region, the fundamental constraint to delivering on both assets and social protection outcomes is the level of technical inputs available to the programme in terms of the skills level of beneficiaries, technical competency within the implementing agency and the potential for effective skills development, which is contingent on adequate base levels of literacy, numeracy, core skills and institutional development. The unemployed in the USA in the 1930s came from across the skills spectrum, creating a pool of skilled unemployed who could be deployed in programme design and implementation and also skills development (Harvey, 2007a). Such a cadre of educated and skilled unemployed does not exist in many LIC and MIC contexts. Likewise, technical expertise within local government and civil society is scarce across much of sub-Saharan Africa, limiting the capacity of these key institutions to play a major role in technical aspects of programme design and implementation. As a consequence, lack of capacity to identify projects, which are consistent with local development and service delivery needs, and to design them appropriately and have them ready for implementation together with adequate management capacity remains a key constraint to the provision of the quality assets and services.

Developments have been taking place in recent years in PWPs thinking across the region to address this constraint, which was led conceptually by the PSNP in Ethiopia. The PSNP has moved away from repeated *ad hoc* single-year PWP interventions to multi-year programming offering greater opportunities for the strategic selection of assets and improvements in the quality of design and execution (Slater and McCord, 2012). This shift has also been informed by the increasing desire on the part of donors and governments to develop 'productive' safety nets, which aim not only to protect consumption through the provision of a wage (protective and preventive social protection) but also to contribute to livelihoods development, growth and graduation through asset creation. However, while considerable attention has been paid to the PSNP's promotive social protection objectives in the discourse, notably in relation to Social Action Fund PWPs across the region (eg in the Malawi, Tanzania and Northern Uganda Social Action Fund programmes [MASAF, TASAF and NUSAF]), the key design modalities central to the PWP approach – multi-year employment, strategic asset selection, focus on asset quality and the provision of complementary services (agricultural extension, microfinance, income generation activities, etc) – have yet to be incorporated widely into programme design outside Ethiopia. Also, the impact of the shift in the approach of the PSNP in terms of the quality of infrastructure produced and its impact on livelihoods, productivity and graduation have yet to be evaluated. The failure to evaluate asset quality, impact and benefit incidence over time identified in Chapter 5 remains a fundamental challenge in the PWP sector.

Type C PWPs, by contrast, tend to focus more on the quality of assets provided as asset provision is their primary objective with employment creation and social protection objectives being subordinate. Traditionally, PWPs implemented under the ILO's Employment Intensive Investment Programme (EIIP) have exemplified this kind of intervention. While such programmes aim to increase the amount of labour utilised per unit of spending on infrastructure provision by the adoption of labour intensive techniques, the ILO is realistic about the limited nature of the wage benefits accruing to participants from such programmes, noting that this will only provide a 'temporary income boost' (ILO, 2003: 44). Hence, it is not PWP employment *per se* which is intended to have a sustained impact on livelihoods but rather the assets created through the programme. This idea is important to explore and is clarified in the following description of employment in a 'typical' ILO labour-based infrastructure programme (LBIP):

> *The typical worker on a labour-based infrastructure programme is an underemployed casual labourer. … but avoid attracting employed workers away from other income-generating activities* ***… Poverty is reduced in the short term by the increased incomes of workers*** *on the project and* ***in the longer term through the provision of public goods*** *vital to increasing income-earning prospects for the community as a whole.* (ILO, 2003: 43, emphasis added)

This statement confirms the importance of the assets provided through PWPs for the attainment of sustained social protection outcomes in Type C programmes. Two different causal chains between PWP implementation and social protection outcomes are implied by the discussion in this chapter. In Type A and B programmes, it is employment which is

perceived as the primary means for addressing social protection mediated through wage income. By contrast, in Type C programmes, it is primarily the creation of assets which, it is assumed, will promote livelihoods and in turn lead to social protection outcomes. These differing causal chains need to be considered in the light of specific labour market contexts. As argued in Chapter 5, the wage benefits accruing from short-term PWPs are unlikely to confer significant social protection benefits in contexts of chronic unemployment, and hence, the assets created are the key determinants of any sustained livelihoods (and by implication social protection) benefits. In this way, although asset creation may not be the primary objective of a Type A PWP, the extent to which such a programme has a sustained social protection impact in situations of chronic poverty may, in fact, be determined, at least in part, by the quality and relevance of the assets it produces.

## The medium-term impact of asset creation

The implication of the forgoing analysis is that it is critical to understand the value of the assets created in order to assess their potential social protection impact. However, within most of the PWP literature it is neither possible to assess empirically the value of the assets created nor to estimate their social protection or livelihoods impact due to the scarcity of relevant monitoring and evaluation data.[4] As a result, the impact of the asset vector on social protection outcomes is frequently assumed rather than empirically evaluated. This is particularly problematic in Type A and C PWPs, where the monitoring timeframe does not extend beyond the period of direct programme implementation with project completion reports (PCRs) often being carried out at the point of the final transfer, as would be expected, with no provision for *ex post* evaluation of the medium- or long-term impact of assets created on livelihoods. This problem was identified by Ravallion, who highlighted the need to consider a programme's impact after the period of construction and wage disbursement:

> *The study period is rarely much longer than the period of the program's disbursements. However a share of the impact on people's living standards may occur beyond the life of the project.* (2003: 10)

Ravallion only applies this critique to the evaluation of the ongoing effects of the episode of wage receipt rather than also addressing the medium- to long-term impact of the assets created. The generalised failure by donors and programme implementers to evaluate the medium-term productive value of assets created represents a serious omission, rendering any attempt to accommodate assets within an evaluation framework dependent on heroic assumptions about asset performance over time rather than empirical evidence.

### Livelihoods benefits

Whether infrastructure provision has a sustained social protection impact depends on the impact of the assets created on livelihoods. This can be mediated through two channels:

4 To the extent that assets produced by a PWP may be regarded as public goods, the valuation problem that dogs all attempts to value government expenditure, arises. Even if public goods and services are produced by the private sector, the inability unwillingness of consumers to reveal their preferences, means that their value (as opposed to their cost of production, determined by administered prices) cannot readily be determined.

the direct and indirect income-generating potential of the assets created and service provision benefits arising (eg from improved access to health care or education resulting from clinic or school construction or improved road access to existing facilities).

It is these livelihoods effects that are likely to be the primary determinants of the social protection impacts of Type A and C PWPs over time (ie in the absence of an ongoing cash transfer). The lack of monitoring and evaluation of this aspect of PWP performance is problematic, and the absence of published studies raising this issue suggests that its significance is not recognised among donors or implementing agencies. Evaluations of the productive impact of PWP assets have not been carried out even in many of the programmes which were explicitly adopted in preference to other social protection interventions (such as cash transfers) due to their assumed potential to stimulate local and national growth through the provision of public assets. This lack of donor interest in the development of an empirical evidence base on this issue limits the potential for assessing the performance of PWP assets as a vector of social protection provision and the cost-effectiveness of PWPs as social protection instruments more generally. As a consequence of this lack of scrutiny, there is little evidence of positive livelihoods or local economic development impacts arising as the result of the creation of PWP assets (or for that matter evidence to the contrary) despite this being an intrinsic component of PWP performance.

The failure to evaluate the benefits of infrastructural assets is also in part the consequence of the methodological difficulties relating to the evaluation of infrastructure programmes more generally as acknowledged in the 2004 World Development Report (World Bank, 2004c). Within the PWP discourse, however, the generic difficulty in attributing impacts to infrastructure provision tends not to be explicitly recognised with programmes instead relying on the implicit assumption that the creation of assets such as roads or community structures will *de facto* offer significant and sustained benefits either to participants or to the broader community.

A qualitative study in South Africa highlighted the potential for discrepancies between aspirations and actual outcomes in a rural road-construction programme, attributing this to the inability of asset creation alone to promote livelihoods in the absence of coordinated rural development initiatives (Mashiri and Mahapa, 2002). The institutional and developmental isolation of PWPs, in the sense that they are often poorly integrated with other developmental and line ministry initiatives, also contributes to the fact that assets created under PWPs are perceived, in many instances, to be white elephants by the communities in which they are implemented (Robinson and Torvik, 2005).[5] This is largely as a result of inadequate community consultation regarding asset preferences, the non-strategic selection of assets and the fact that PWP asset construction is often not coordinated with other local development initiatives. It is not possible, however, to substantiate this perception empirically, given the lack of data on the use of PWP assets

5 Robinson and Torvik (2005) define such projects as 'investment projects with negative social surplus' and discuss the political function of 'white elephant' PWP projects.

post-construction.[6] This problem is particularly acute in situations where asset construction is a secondary rather than primary PWP objective, where labour absorption and satisfaction of the work conditionality, rather than strategic asset selection, is the priority or where PWPs are implemented outside regular government structures, for example, through PMUs or NGOs, whose activities may not be adequately aligned with local government infrastructure development priorities.

These concerns illustrate the problem with the assumptions underlying the creation of assets through PWPs and highlight the importance of their linkage with other developmental initiatives if potential benefits are to be realised. The issue of PWP institutional isolation – and the need for programmes to be integrated with a range of complementary interventions – has been identified as a key factor undermining the potential impact of the South African EPWP in terms of livelihoods promotion and contribution to local economic development (Karuri et al., 2007; Phillips, 2008). Attempting to address this institutional deficit has been one of the key innovations of the Ethiopian PSNP although the feasibility of attempts to provide integrated support on such a large scale and its efficacy have yet to be evaluated.

The value of assets created in the medium to long term can be compromised by a lack of clarity relating to ownership of a PWP asset post-construction inasmuch as this can result in failure to attribute responsibility for ongoing maintenance, etc; this is particularly problematic when an asset, such as a road or dam, is created outside normal community or local government structures, for example, by an external donor or NGO. Failure to clarify issues relating to ownership and responsibility for PWP asset maintenance and repair, and adequate budgetary allocations to cover the recurrent costs of PWP maintenance can be major factors contributing to the rapid deterioration of asset quality and viability in terms of contributing to improved livelihoods. This failing undermines the potential benefit of the asset vector of a PWP and can have significant negative implications for the cost-effectiveness of asset creation through the PWP process.

Even if the assets created are viable and their function is sustained, they will not necessarily result in livelihoods improvements with the anticipated social protection consequences. This is a consequence of appropriate selection of assets in relation to local social and economic needs, and, critically, the socio-economic, geographical and temporal incidence of any service delivery, productivity or livelihoods benefits accruing from programme implementation. This issue of benefit incidence is explored further below in terms of considering to whom the benefits of assets creation actually accrue.

## Incidence

Understanding which segments of the population benefit from the creation of PWP assets and over what time horizon is central to an assessment of a programme's likely social protection performance. These questions have received only limited scrutiny

6 Reports of such constructions under the auspices of Type A PWPs are numerous. One example of this is multipurpose community centres constructed on the outskirts of many conurbations in Limpopo, South Africa, under the national CBPWP, the precursor of the EPWP, without adequate community ownership. The buildings were not used by the community and were left empty. They were subsequently used for prostitution and the selling of drugs (Chief Executive Officer, Khanyisa Integrated Development and Social Research, Tzaneen, Limpopo, June 2003, pers. comm.).

in the literature and have not been explored in relation to programming in sub-Saharan Africa.[7] A related issue which has also been largely ignored is the choice between the creation of assets (like improved irrigation), which may promote development and sustainable livelihoods for the poor in a localised context but may not contribute significantly to regional or national growth, and those which may promote growth but not have a significant impact on the livelihoods of the poor, such as some road infrastructure interventions. These are some of the key questions which remain unexplored in the PWP discourse, leading to fuzzy and loosely articulated expectations that PWPs can contribute to both local and national growth and development objectives without reference to programme type, size or the relevance of the assets created.

The literature is largely silent on critical issues relating to the socio-economic, spatial and temporal distribution of PWP asset benefits particularly in the sub-Saharan Africa region. In most instances, the contribution of PWP assets to the livelihoods of intended beneficiaries remains unmeasured despite the importance of the assumed benefits in informing the decision to adopt PWPs in preference to alternative social protection instruments.

## Asset costs and benefits

Assessing the costs and benefits of assets created through PWPs over time and the distribution of resulting benefits is critically important in determining the effectiveness of PWPs as social protection instruments. This is particularly relevant given the high non-wage component of PWP budgets which is consumed by material and administration costs[8] and is likely to result in poor alpha-ratios (the conventional measure of cost-effectiveness in social protection provision[9]) for PWP compared to alternative instruments, such as cash transfers, an insight accepted by the World Bank who concede that '[w]orkfare programs are not necessarily an inexpensive way of delivering benefits to poor people' (2001: 155).[10]

Making direct comparisons of the cost of transferring $1 through different types of social protection instruments are problematic given the inconsistent costing practices adopted in both PWP and cash transfer programming (see, White and McCord, 2006; McCord, 2012). However, even if direct cost comparisons of this nature were possible, such analysis fails to take into account the value of the assets created in terms of their potential social protection impact (in terms of sustained improvements in household

7 The limited analysis which has been carried out has been primarily in relation to Type B programmes in India. The extended operational timelines and longitudinal data sets associated with these programmes offer greater potential for such analysis than the short-term Type A and C programmes typical in sub-Saharan Africa.

8 Wages typically comprise 30 per cent to 60 per cent of the total programme cost internationally and in the sub-Saharan African region (see, Subbarao et al., 1997: 80 and McCord and Slater, 2009:21, respectively).

9 For a discussion of the alpha ratio, see, Ellis, Devereux and White, 2009.

10 Smith calculated a per unit cost of 13.9 to transfer a unit to the poorest in Malawi through public works compared to 1.73 through cash transfers (Smith, 2001: 39). While it was argued in Chapter 4 that such comparative analysis is fundamentally flawed, Smith's analysis is nevertheless indicative of the significant additional costs which must, *de facto*, be included in a programme that includes the production of physical infrastructure.

productivity and livelihoods) or their impact on broader economic growth. These limitations in current programme analysis practice make it impossible to carry out a meaningful value for money (VFM) analysis of PWP programming of the sort currently popular with donors (see, for example, the DFID, 2011).

The significant methodological problems associated with assessing the cost of assets created through a PWP and the failure on the part of donors and implementing agencies to evaluate the quality of the resulting product or its impact over time render attempts to compare the relative costs of asset production using conventional and labour-based PWP approaches problematic. This undermines the feasibility of calculating the value of the premium associated with the adoption of labour-intensive PWP approaches over conventional capital intensive approaches.[11] Similarly, assessing the social protection impact of PWP assets mediated through livelihoods improvement is difficult in the absence of relevant data on asset quality and performance over time. It is, however, evident that unless the assets or services provided through a PWP are of value in promoting either livelihoods or growth improvements, any significant premium associated with the adoption of PWPs rather than alternative social protection instruments, such as cash transfer, would be hard to justify in terms of economic efficiency.[12]

## Determinants of asset quality

One major determinant of the social protection impact of the assets or services provided through a PWP is the quality of the asset created. Subbarao identifies this as a critical issue, arguing that '[c]areful attention to detail is needed to attain a high labor intensity without compromising the quality of assets created' (2001: vii).

While this argument is generally made with reference to physical infrastructure, which accounts for the majority of PWPs, it also applies to the quality of social services provided through PWPs. The key factors influencing the quality, sustainability and impact of physical assets created are asset selection, design, implementation and maintenance. Each is discussed in turn in the pages that follow.

### Asset selection

The extent to which asset selection is integrated with local development plans and informed by needs and priorities identified by local communities and/or local government is likely to be a key determinant of appropriate asset selection. It is critical for PWP assets to be integrated with local or regional infrastructure networks, for example, in the case of roads or watershed management programmes, and with sectoral delivery plans, in the case of the construction of health, education or social service-related facilities. Consideration of whose livelihoods will be served by the provision of the asset is also

11 This problem does not occur in the case of social infrastructure provision (social service delivery) PWPs as the provision of such services is inherently labour intensive.

12 The extent of such a premium will vary on a case-by-case and country-by-country basis depending on consideration of relative factor costs, which will be informed by the wage level, accessibility of plant, remoteness of project areas, etc.

critical as it is cannot be assumed that those working on the construction of a PWP asset will necessarily be its beneficiaries. For example, watershed management interventions often entail benefits which occur at a considerable spatial and temporal distance from the point of asset construction. Also, socio-economic factors may exclude certain segments of the population from the livelihoods benefits of some assets, for example, the landless may be excluded from the direct benefits of irrigation or land reclamation assets although they may benefit indirectly as a result of increased labour demand. These factors affecting the distribution of benefits need to be considered when assessing the impact of livelihoods benefits within a community and their likely social protection impact.

Lack of adequate local government and community involvement in asset selection can be a risk when programmes are implemented outside government structures by parallel agencies, such as the PMUs which are frequently tasked with implementing donor-funded PWPs, and function outside regular government administrative structures. The existence of such PMUs reduces the likelihood of PWP assets being integrated into local planning processes with potentially negative medium-term consequences in terms of impact and sustainability. Often communities are given a limited menu of potential PWP assets from which they are asked to select, which may not necessarily conform to their priority needs or aspirations.

## Asset design

There is a risk that PWP asset quality can be further compromised by design shortcomings. Operational pressures to implement programmes in situations of constrained technical capacity in order to meet employment targets can result in the creation of assets which are not appropriately specified or adapted to local requirements. Also, caps on non-wage spending resulting from the requirement for a specified percentage of the programme budget to be allocated to unskilled labour can result in design compromises and the adoption of inferior and less sustainable construction methods. Expenditure restrictions on capital-intensive components of otherwise relatively low capital cost infrastructure such as roads, to comply with such caps, can undermine the viability and sustainability of the assets created with some PWP roads in the region rendered unusable during the rainy season due to failure to include the financing of capital intensive bridges. Similarly, there are anecdotal reports of the selection of inferior road sealing materials on the basis of capital cost rather than appropriateness or durability criteria in order to retain the desired labour/material ratios. This issue is particularly problematic where fixed capital-labour ratios are adopted in contexts where capital goods inflation significantly outstrips labour inflation.

## Asset construction

Even where assets are appropriate and have been correctly specified with adequate capital inputs, implementation shortfalls may undermine asset value, given often limited local capacity for technical management and oversight. Technical resources at district level are often scarce, and PWP implementation can represent an additional burden on the

limited technical staff available, if the implementing agency opts to use existing district level capacity rather than providing resources for additional technical provision. This can result in PWP-created assets which are inferior to those created using conventional planning and implementation approaches as part of ongoing district workplans or conversely may divert district staff from other core activities in which case the quality of core activities may be undermined. This issue was recognised by the World Bank in their evaluation of MASAF PWPs in the early 2000s:

> *There are [...] indications that MASAF structures may not meet strict technical standards, as low calibre inputs seem to have been used in a lot of instances. There is therefore need for MASAF III to pay particular attention to issues of coordination and quality.* (2004b: 39)

However, the literature is largely silent on this issue, and there is little empirical evidence on which to assess the extent of the problem or its implications for ongoing PWP programming.

## Maintenance and recurrent costs

Where physical infrastructure is created, the question of sustainability is frequently overlooked. One key aspect of sustainability is the provision of funding for recurrent costs relating to the asset including maintenance in the case of physical infrastructure. There is much anecdotal evidence to suggest that PWP assets may not always be adequately maintained, resulting in asset deterioration and a reduction in their potential positive livelihoods impacts (see, Jenden, 2002). In cases where the assets which have been constructed are schools or clinics, sustainability requirements include the provision of funding for recurrent costs, such as staffing and material costs, as well as the availability of the personnel required to run the utility.

These concerns are linked to the question of asset ownership in both legal and community terms and raise the issue of responsibility for financing and maintaining PWP assets once they have been created. This is particularly problematic when PWPs are implemented outside normal government structures and line ministry mandates, often resulting in the creation of unfunded liabilities for local government, which can result in poor asset management and maintenance. These issues are rarely discussed in the PWP literature as the problems tend to emerge only after the programme implementation and evaluation timeframes have been completed, highlighting the need for the *ex post* evaluation of asset performance in the medium term rather than at the point of project 'completion'.

## Incidence of asset benefits

In addition to assessing whether an asset is fit for purpose, strategically appropriate and adequately maintained, it is also necessary to understand what benefits it confers and by whom it is utilised, if its social protection impact is to be ascertained. The question of incidence relates to whether the assets created are 'pro poor' in terms of the benefits they confer (Devereux and Solomon, 2006: 23). This issue, which can only be assessed *ex post*,after asset completion, is typically excluded from PWP evaluation processes,

rendering the assessment of actual benefits accruing from an asset and which segments of the community are receiving the benefits over what time period, and highly problematic.

The question of asset benefit incidence has been examined in a limited number of studies in India (see, for example, Dev, 1995; PEO, 1980, cited in Devereux and Solomon, 2006), but apart from a small number of studies in Ethiopia, there is no comparable or detailed exploration of this issue with respect to assets created under PWPs in sub-Saharan Africa.[13]

## The need for evidence

In order to assess the performance of the assets produced through a PWP as a vector of social protection provision, it would be necessary to identify both the nature and cost of the benefit, quantify its value over time and assess to whom any benefits might accrue, in this way inserting PWPs into a conventional infrastructure evaluation framework. However, a recent review by Devereux and Solomon found that such an approach has been absent from the literature to date with the notable and single exception of a study carried out in Bangladesh into the impact of a PWP-constructed feeder road which documented improvements in access to services and markets, resulting in increased production (WFP et al., 1985, cited in Devereux and Solomon, 2006).[14] On the basis of this study, Devereux and Solomon argue that there is evidence that PWP-created infrastructure can directly contribute to livelihoods. However, this single study dates from 1985, and the implication of the lack of more recent evidence is not lost on them:[15]

> *Though more than 20 years old, this remains a pioneering study and one of the few comprehensive evaluations of the impacts of a rural employment creation programme. One obvious implication is that more studies of this kind are long overdue.* (Devereux and Solomon, 2006: 16)

In the absence of research into these issues, it is not possible to draw empirically based conclusions regarding the effectiveness of the asset creation vector in terms of its impact on sustained increases in household productivity and livelihoods improvements. If the creation of quality infrastructure is not compromised by the need to create large-scale work opportunities, the assets created may offer benefits to participants, but this is contingent on the range of programme design issues outlined earlier. Where the production of the asset is the primary programme objective and employment creation secondary, it is likely that asset quality will be superior; however, even in these instances there is a lack of robust evidence about the impact of the assets created on livelihoods and ultimately on social protection. Even where the limitations of the social protection impact of the wage

13 A few studies have examined the question of incidence (to whom do PWP asset benefits accrue) on a limited scale, such as Jenden's evaluation of an NGO-implemented PWP in Ethiopia (Jenden, 2002) and work by Sharp and others examining incidence (Sharp, 2004; Sharp et al., 2006) but again, this has only been done in Ethiopia.

14 The WFP together with the Bangladesh Institute of Development Studies (BIDS) and the International Food Policy Research Institute (IFPRI) produced a report on an evaluation of food-for-work programmes in Bangladesh which attempted to quantify the incremental income attributable to the construction of feeder roads and other physical infrastructure.

15 WFP et al. (1985)

vector are acknowledged, as, for example, in short-term EIIP PWPs, there has been little effort to create an evidence base on the socio-economic impact of the assets created.

Exploratory research by the ILO in Ethiopia into the short-term effects of employment-intensive projects confirmed the argument outlined in this and the preceding chapters that neither the construction of PWP assets nor the provision of temporary employment necessarily results in significant social protection benefits for participants even in the short term, highlighting the importance of complementary programme interventions:

> *There has not been any noticeable change in aggregated measures of poverty, which is expected, as improved performance in the study area would depend not only on the implementation of employment intensive road works, but on accompanying interventions to achieve sustained poverty reduction.* (Mengesha and Osei-Bonsu, 2007: 18)

The key problem, however, throughout all PWP types, is that neither empirical analysis of the livelihoods value of the assets created nor questions relating to the incidence of asset usage are typically addressed in programme evaluations. Questions relating to the identification of the quality or cost premium (if any) of adopting labour-based infrastructure approaches in PWP programmes compared to alternative, more capital-intensive modalities of asset production are also generally excluded from evaluation. As a consequence, in most instances, it is not possible to ascertain whether there is a quality or cost premium associated with creating assets using labour-intensive PWPs rather than conventional means, the magnitude of the premium, or the extent to which there is a commensurate cost in terms of quality reduction. McCutcheon and others have argued that given the relative factor costs which tend to prevail in LICs in much of sub-Saharan Africa (low labour cost and high capital cost), there is not necessarily any additional premium associated with labour-based infrastructure programmes (LBIPs) if appropriate techniques are adopted (McCutcheon, 1995, 2001a, 2001b, 2001c). This conclusion is mirrored by Devereux and Solomon, who argue, on the basis of a range of comparative studies that 'labour-based options are, on average, about 10 per cent–30 per cent less costly in financial terms than equipment-intensive options' (Devereux and Solomon, 2006: 5).

However, in some countries, such as South Africa, the issue remains highly contested (Mabilo 2003; McDermott, 2006; Karuri et al., 2007), and recent research attempting to clarify the relative costs of capital- and labour-intensive constructions in that country has been ambiguous (Taylor et al., 2005). Devereux and Solomon suggest that the key factors determining cost savings through LBIPs are 'careful site selection, close supervision of the production process and application of proper production techniques' (Devereux and Solomon, 2006:6). Unfortunately, as has been discussed previously, these are just the conditions which tend not to prevail in many construction-based PWPs in the region due to significant technical and administrative capacity constraints.

Lack of information on the impact and cost of social protection benefits accruing through the asset vector in PWPs renders any general conclusions in this area problematic, and as a consequence, it is not possible to identify what social protection benefits the asset vector might typically deliver, to whom any such benefits might accrue or the additional premium associated with choosing to create assets in a labour-intensive way through PWPs.

Concerns about the efficacy of PWPs in relation to asset provision are largely based on anecdotal evidence, given the failure of implementing agencies (governments, NGOs and donors) to examine these issues critically or to evaluate asset quality, usage and impact in the medium term. The challenge of assessing the impact of infrastructure provision on livelihoods extends beyond the confines of the PWP debate, but nonetheless, this question remains central to the task of assessing the potential social protection function of PWPs.

For PWPs providing social rather than physical infrastructure (eg social services, such as ECCD and HBC), there are likely to be significant beneficial impacts on the poor, for example, relieving the domestic burden of caring for children and the sick thereby freeing scarce labour for alternative household-supporting activities. But again, no empirical evidence is currently available which quantifies these impacts.

## Conclusion

The assumed linkage between PWP asset provision and livelihoods improvements is not well supported by the existing literature and an exploration of the incidence of any benefits arising, such as they might be, is largely absent from the discourse, compromising any attempt at an empirically founded analysis of the social protection benefit of PWP asset provision.

Despite the fact that the questions raised in this chapter have not been empirically explored in the mainstream literature, this lacuna has not been generally recognised as an issue of concern or import within the social protection discourse. Ravallion and Devereux's arguments that there is a need to consider programme impacts after the period of disbursement are not widely recognised with evaluation tending to be restricted to the period of programme implementation and disbursement, and excluding an assessment of performance against any medium objectives ascribed to the programme, including livelihoods benefits accruing from the assets created. This chapter has illustrated why this omission is significant and why the assessment of asset impact 'beyond the life of the project' is critical.

The only conclusion which can be drawn with certainty is that the assumption that assets created through PWPs will contribute to sustained livelihoods benefits for programme participants, may, in many cases, be based on little more than wishful thinking.

# Chapter 7

# *The role of skills development*

The third vector through which benefits may be conferred upon PWP participants and their dependents is skills development and work experience. It is frequently assumed in public works programming that skills development will either result in increased productivity and livelihoods performance or improve the supply-side characteristics, or employability, of PWP participants, resulting in improved employment performance and hence, increase wage income over time. This idea is central to many PWPs. Increased employability after PWP participation is assumed to occur either through employment in the formal or informal sectors, or self-employment. These issues and the assumptions underlying them are explored in the sections that follow, together with the question of whether short-term PWPs are an effective or appropriate vehicle for skills development and are likely to have a significant impact on unemployment, especially when there is an excess supply of low and unskilled labour. This chapter draws on case studies from South Africa and Malawi in an attempt to illuminate the key challenges relating to skills development as a vector of social protection provision in the region. The chapter will primarily focus on examining PWP performance in relation to promoting employability although the impact of PWPs on entrepreneurial activity will also be discussed.

## Skills development assumptions

Before discussing these issues in more detail, it is useful to explore the conceptual considerations underlying the 'skills development and work experience' approach, as used within the PWP discourse.

Two major labour market assumptions underlie PWPs with skills development objectives. The first is that an intervention to address supply-side issues will reduce structural unemployment, where the lack of specific skills in demand in the economy prevents workers from taking up available jobs. The second is that skills development itself can stimulate demand for labour (often through the development of SMMEs and self-employment opportunities). It is argued in this chapter that the probability of either of these assumptions being realised in a given context is closely linked with conditions in the labour market.

PWPs with skills development as a primary objective conform to the Type D programme in the typology set out in Chapter 2, and an example of such a programme would

be the Irish CEP.[1] Such programmes offering employment and skills development aim to improve the labour market performance of workers after participation, and in this way, such programmes promote graduation and reduce reliance on external support. This type of intervention is associated with the policy of labour market 'activation', which aims to promote successful labour market participation (Meth, 2010; Betcherman, Olivas and Dar, 2004).[2] The dominant Type D OECD PWP model provides a combination of paid work experience, skills development and labour market counselling in an attempt to assist the unemployed to take up existing employment opportunities, setting a time limit to the period of eligibility for the PWP wage as a further incentive for the unemployed to take up available work. In this way, such programmes attempt to improve the quality of labour supply and simultaneously lower structural unemployment thereby reducing dependence on government-funded social assistance payments. Until recently such approaches have rarely been adopted outside OECD countries, but donors have increasingly attempted to introduce ALMP language and ideas into the social protection and employment discourse in LICs over the last decade. South Africa's adoption of PWPs in preference to alternative social protection measures for the working-age poor directly reflects the OECD preference for 'activation' strategies, over alternative social grant options.[3]

While Type D PWPs have skills development as their primary objective, other types of PWPs often include skills development components. For example, the EPWP in South Africa (Type A/C), AGETIP in Senegal (Type C) and Jefes Programme in Argentina (Type B) all include among their objectives the reduction of structural unemployment and expansion of aggregate employment through skills development. The term 'Type D interventions' will be used in this chapter to include both programmes with skills development as their primary objective and the skills development components of other types of programmes. Type D interventions can attempt either to promote skills relating to employability, resulting in participants attaining employment in the formal or informal labour market, or to stimulate various forms of self-employment, including the promotion of subsistence agriculture, survivalist micro-enterprise[4] or SMME development.[5]

It is interesting to note that the objectives of skills development and training are not found in the MEGS or the MGNREGS, which characterise PWP employment not as a 'treatment', that will transform labour market performance, but as a direct source of guaranteed and ongoing cash-based state support. By contrast, in Type D programmes, it is anticipated that the labour market characteristics of participants can be improved

1 The CEP was initiated in 1994 with the objectives of providing temporary opportunities for long-term unemployed and socially excluded persons, providing opportunities for individual training and personal development, providing economic and social benefits to communities, contributing to the local development strategies and increasing participants' subsequent job/income prospects (Deloitte and Touche, 1999: 63).

2 See, for example, the centrality of the activation concept in the UK's active labour market policy as set out in their 'Ready for Work' strategy (United Kingdom, Department for Work and Pensions, 2007).

3 Taylor (pers. comm), cited in Karuri et al. (2007).

4 For a discussion of the concept of survivalist micro-enterprise, see Devey et al. (2003).

5 Examples of PWPs aiming to promote survivalist or micro-enterprise activities are the current PSNP in Ethiopia, and the DFID-funded Central Region Infrastructure Maintenance Programme (CRIMP) implemented in Malawi in the early 2000s (Pinder, 2001), while the AGETIP in Senegal and the EPWP in South Africa are examples of programmes which aimed to stimulate larger-scale SMME development (McCord, 2007b).

through programme participation to the extent that their post-PWP employment performance will be significantly enhanced. The assumption underlying this approach is that market-based solutions to unemployment are possible, subject to the adequacy of PWP-based supply-side improvements, in the form of training and skills development.

Whether such outcomes are likely depends on the existence of unmet labour demand on a scale sufficient to absorb a significant proportion of the unemployed. It is also dependent on whether the PWP 'treatment' can provide the appropriate transfer of skills and experience such that workers exit programmes equipped with the skills for which there is an unmet demand. These issues are examined in detail further on.

## Case study: The South African Expanded Public Works Programme (EPWP)

The South African EPWP incorporates explicit skills development objectives. The programme was launched in 2004 with the aim of providing between 100 000 and 200 000 short-term job opportunities each year during the initial five-year period and providing skills training and work experience to programme participants. Seventy-five per cent of the jobs provided under the EPWP conformed to conventional Type A PWP employment in the construction sector, while the other 25 per cent involved employment in the social services (ECCD and HBC), environmental and economic sectors (McCord, 2007a). The programme had a range of objectives, including the provision of a wage, asset creation and skills development (Karuri et al., 2007). As with other similar programmes in sub-Saharan Africa, the skills development component was premised on the assumption that the acquisition of skills and workplace experience would improve participants' subsequent labour market performance.

This approach was consistent with the overall South African labour market policy, which focused on the promotion of GDP growth as the primary engine to increase aggregate employment (Kraak, 2005).[6] Besides modest increases in government expenditure on infrastructure provision and some reduction in labour market regulation (Growth and Development Summit, 2003; ANC, 2005), the main government intervention for the unskilled unemployed was the EPWP, which was ascribed considerable potential in terms of addressing the core challenge of unemployment. However, despite the EPWP's policy prominence, the labour market impact of the training component of this programme has not been studied systematically.

### The skills development objective of the EPWP

The objective of the EPWP was to:

> *... provide poverty and income relief though temporary work for the unemployed to carry out socially useful activities while at the same time* ***equipping participants with a modicum of training and work experience, which should enhance their ability to earn a living in the future.*** (Growth and Development Summit, 2003, emphasis added)

6 For a critique of the selection of a high skills-growth strategy in the context of South Africa, given the limited level of low-skilled employment, see Ashton (2004).

It is interesting to note that while the terms 'training and work experience' are often used almost as a collective noun in the PWP discourse (as implied in the quotation on the previous page), there is at the same time an explicit recognition in the EPWP documentation that without the skills development component, the work experience impact of temporary PWP employment would be of limited value:

> *… job creation without skills development, upgrading and training, does not lend itself to sustainable employment and will have no long-term economic impact on the lives of the unemployed …* (EPWP, 2004c, citing Growth and Development Summit, 2003)

This insight is important, suggesting that labour market experience alone, without explicit skills development components may not be sufficient for a PWP to meet its supply-side objectives.[7] What is clear in more general terms from the earlier quotations is that the EPWP had a transformative objective, with skills development being presented as the main vector for delivering this outcome. The objective of improving labour market performance through EPWP participation was reiterated throughout the EPWP documentation:

> *The EPWP is a nationwide programme covering all spheres of government and state-owned enterprises, that aims to draw significant numbers of unemployed into productive work* ***accompanied by training so that they increase their capacity to earn an income.*** (EPWP, 2004c, emphasis added)

This statement is reiterated throughout the EPWP literature which argues that the aim of the EPWP is 'to utilise public sector budgets to reduce and alleviate unemployment', with the intermediate objective being the provision of temporary employment and the ultimate goal being to 'enhance the ability of workers to earn an income either through the labour market or through entrepreneurial activity' (ibid).[8]

This represents a vision wherein the wage provides immediate and temporary benefits, while the medium- to long-term benefits result from skills development. This vision is commonly articulated throughout the region, often in association with aspirations of increased productivity, livelihood diversification, employment and graduation. In this way, the skills development component of the EPWP was conceptualised as a form of treatment, resulting in improved labour market characteristics for those who have completed PWP employment which, it is assumed, will result in improved labour market performance. In this model, PWP participants enter the programme with one set of labour market characteristics which are in excess supply and exit with an altered set of labour market characteristics for which there is unmet market demand, resulting in increased rates of employment among EPWP graduates.

7 Notwithstanding this caveat, labour market experience was accorded high importance in EPWP design due to the elevated levels of youth unemployment in South Africa, and the high percentage of the unemployed who have not worked: *The EPWP is an important means of providing exposure to the world of work in a context where a very high proportion of the unemployed have never worked. Indeed, in the 16–34 age group (which constitutes the "youth" category in terms of the Youth Commission's definition) 70 per cent report never having worked, while 59 per cent of all unemployed people have never worked* (EPWP, 2004d).

8 The objective of 'alleviating' as opposed to 'reducing' unemployment is in itself problematic.

## The assumptions underlying supply-side interventions

This approach is predicated on the assumption that short-term supply-side interventions can have a significant impact on unemployment among the unskilled or low-skilled:

> *Given that most of the unemployed are unskilled, the emphasis is on relatively unskilled work opportunities.* ***All of these work opportunities will be combined with training or education or skills development, with the aim of increasing the ability of people to earn an income once they leave the programme.*** (EPWP, 2005a:1, emphasis added)

A series of assumptions are implicit in this type of programme, which have a direct bearing on the potential of skills development to impact on employment: firstly, that the quality and quantity of skills or experience transferred is adequate to significantly alter the labour market characteristics of the participant; and secondly, that these additional skills or experience will translate directly into improved employment performance. The latter assumption is conditional on the newly acquired skills matching those for which there is unmet demand, and that the scale of unmet demand is sufficient to absorb some significant proportion of those who are newly skilled as a result of PWP participation. Each of these assumptions is open to question, and it is therefore not axiomatic that PWP participation will result in improved labour market performance or enhanced social protection.

However, the fundamental insight from the EPWP quotations is that the programme is based on the assumption that unemployment is essentially structural rather than demand-deficient (and transformational), and that sufficient work opportunities exist and can be filled by workers only if they have the appropriate skills set. This mirrors the analysis underlying active labour market strategies in many OECD countries and informs the selection of skills promotions interventions in these contexts. Whether such an analysis and policy response is appropriate in many sub-Saharan African contexts is questionable.

Bhorat has outlined the key economic considerations underpinning the assumption that supply-side interventions, promoting skills acquisition by the unskilled, represent a viable means for their integration into the labour force in South Africa, arguing that:

> *... given the unevenness of the economy's growth generation — both in terms of sectoral expansion and skills requirements — a fair degree of intervention is clearly required on the labour supply side. Put differently, the simultaneous existence of a skilled labour shortage and unskilled labour surplus, point to the importance of adhering to a policy framework that emphasizes both the need to kick-start economic growth as well as ensuring that the characteristics of the suppliers of labour match those in demand by growing sectors.* (2004: 28)

This analysis is reflected in the thinking underlying the EPWP:

> *Two fundamental strategies underpin the government's approach to reducing unemployment. Firstly, 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 secondly* ***to improve the education system such that the workforce is able to take up the largely skilled work opportunities which economic growth will generate.*** *Short- to medium-term strategies have been put in place to contribute towards these strategies. The EPWP forms one of government's short- to medium-term strategies.* (EPWP, 2005a, emphasis added).

The critical question, however, is whether improving the supply-side characteristics of the unskilled mass of the unemployed through EPWP participation and training will enable them to take up the 'largely skilled work opportunities which economic growth will generate' (ibid). In other words, are supply-side interventions an appropriate and significant response to the structural unemployment that characterises the South African labour market and so many other labour markets in the region? When applied to the EPWP, the question becomes: Do the experiential and training benefits of PWP participation enable labour to take up the limited number of skilled work opportunities for which unmet demand is known to exist? (McCord, 2007a).

In an attempt to answer this question, which applies equally to all programmes in which skills development forms a key objective, the nature of the training provided in the EPWP will be examined and compared with the nature of unmet demand for skilled labour within the South African economy. Next, the limited empirical evidence available on the performance of skills development in PWPs in South Africa more generally is reviewed to see if this provides any further insights into the efficacy of such interventions.

## Training in the EPWP

The EPWP aimed to create 1.3 million work opportunities between 2004 and 2009, with the infrastructure sector providing almost three quarters of the jobs and the environment, social and economic sectors the remaining 400 000.[9] The centrality of training was articulated in the EPWP Social Sector Plan:

> *One way of viewing the EPWP is as a bridge between unemployment and employment during which participants are equipped with skills and experience. As such the EPWP is exempt from much of the current labour legislation. In return for this exemption, the programme is obliged to provide a higher level of training than participants would normally get in any other place of work.* ***Training is therefore the backbone of the EPWP Code of Good Practice. Developing the capacity to deliver on this commitment is critical to the success of the programme.*** (EPWP, 2004a:28, emphasis added)

In recognition of the unskilled nature of most of the work opportunities offered, and hence the limited value of job experience *per se* in promoting skills development, it was planned to combine each 'job opportunity' with training in order to 'increase the ability of people to earn an income once they leave the programme' (EPWP, 2004a). Learnerships providing workers with a combination of on-the-job experience, a stipend and training were the main vehicle of formal training offered under the EPWP, which led to National Qualifications Framework (NQF) qualifications and 'possible long-term income opportunities' (EPWP, 2004c).[10] However, despite the policy prominence of this aspect of the programme, learnerships were only accessible for a small percentage of EPWP participants, with less than one per cent of those employed in the infrastructure and

9 The figures discussed here are taken from the EPWP sector plans (see e g EPWP 2004a, 2004b, 2005b) and should be regarded as indicative only.

10 Learnerships are a particular form of apprenticeship, defined within the EPWP thus: *A learnership combines work-based experience with structured learning and results in a qualification that is registered within the National*

environmental sectors receiving formal accredited training (McCord, 2005). For most participants, the training component of the EPWP was unlikely to lead to the acquisition of qualifications which would elevate them into a higher skills category.

Differences in the skills development performance of the EPWP across the different employment sectors are reviewed in the next section, offering insights relevant to Type D programming more generally across the region.

## EPWP skills development in the infrastructure sector

The infrastructure sector of the EPWP was typical of many PWPs in the developing world, with its focus on increasing the labour intensity of government-funded infrastructure projects. For this reason, the skills development expectations associated with employment in this sector and the limited evidence about outcomes are examined in some detail in the paragraphs that follow.

The skills development component of the EPWP assumed some form of linear relationship between improved skills and improved labour market performance, implying incremental labour market benefits accruing in line with incremental skills acquisition. It failed to recognise the depth of the skills gap to be bridged before increased employment opportunities might be accessible to workers. Some insight into this is offered by research into the somewhat analogous situation regarding returns to education, which indicates a more complex relationship between education (skills acquisition in the case of PWPs) and improved employment performance than had previously been anticipated, and identified the need for a minimum 'threshold' of education (skills acquisition) to be met before increased employability was experienced (see Keswell and Poswell, 2002).

It is likely that this insight may also hold true in relation to PWP skills development. As in much of sub-Saharan Africa, unmet labour demand in South Africa is primarily for labour with intermediate- and high-level skills, with no significant unmet labour demand for unskilled or low-skilled labour (Kraak, 2003).[11] In order for EPWP work experience and training to have had a significant impact on employment performance, workers would need to have acquired at least the intermediate-level skills for which significant unmet demand did exist; the lack of artisans with intermediate-level skills was identified during the early 2000s as a critical constraint in the construction sector.[12] The key question is whether the training offered through the EPWP was adequate to

*Qualifications Framework (NQF) by the South African Qualification Authority (SAQA). A learner who completes a learnership will have a qualification that signals occupational competence and which is recognised throughout the country. Each learnership consists of a specified number of credits and takes at least one year to complete. The learning may consist of a number of NQF aligned short courses, which make up the learnership curriculum. A learnership requires that a trainer, a coach, a mentor and an assessor assist the learner.* (EPWP, 2004a: 4).

11 In South Africa, intermediate skills are defined as those at NQF levels 2–5 (equivalent to the range between Grade 10 and matriculation plus a certificate or diploma). Kraak defines intermediate skills as those that 'follow post-basic education; that is, after the first 9 years of compulsory schooling after which a child is deemed to be basically literate and numerate' (Kraak, 2005, pers. comm.).

12 At this time workers with artisanal skills were not being produced in sufficient quantities in South Africa, and the shortfall was being met through the importation of artisanal skills from overseas. It was argued by the construction industry that due to the lack of intermediate- and high-skilled labour available in South Africa 'specialist construction skills may have to be temporarily imported on selected contracts in the short term' (Brunjes, 2003).

raise the skills levels of participants to this level.[13] In order to assess this, the nature of the training provided under the EPWP is examined.

In the infrastructure sector, on-the-job training was provided by individual contractors to ensure that workers were able to perform their allocated tasks (such as basic construction activities), while formal training (two days for every 20 worked) was provided under the auspices of the Department of Labour (DoL) as part of the EPWP package. Given that the mean duration of employment for most participants in this sector was four months, in line with most PWP employment in the region, the average duration of the formal training component was limited to eight days. Most of the formal training component comprised 'life skills' rather than vocational skills training in recognition of the fact that the limited contact period for training within a short-term episode of PWP employment was not sufficient for any significant skills transfer.[14] This critical limitation was recognised during programme design:

> *... the nature of the labour intensive construction industry is such that projects, and therefore employment opportunities for labourers, typically last only 4 to 6 months. Based on the Code of Good Practice for Special Works Programmes, this entitles labourers to only 8 to 12 days of paid training. This is not sufficient to train unskilled labourers to become artisans. It has therefore, been agreed with the Department of Labour to create a generic 10 to 14-day training course that will consist of accredited unit standards on: general life skills, awareness of HIV and AIDS, and labour markets and the world of work.* (EPWP, n.d.:8)

This indicates a recognition among programme implementers that the amount of training provided during a short-term episode of employment was not likely to be sufficient to impart significant technical skills.[15] The fact that this needed to be clarified formally by EPWP programme managers was the result of the elevated expectations aroused by the EPWP in the policy discourse, that the training component of the EPWP would result in large scale 'activation', with participants being equipped to take up the unfilled employment opportunities existing in the economy.[16]

While the life skills inputs may have been of value in terms of certain aspects of workers' lives (eg HIV prevention or job search skills), there is no evidence that they had a significant beneficial impact on labour market performance, particularly given that the main constraint to employment was net lack of demand for low-skilled labour.[17] Insofar as EPWP workers were successful in gaining access to employment after their training,

13 Statistical analysis of this question is hindered by the fact that no data was gathered on the skills levels of those entering or exiting the EPWP.

14 The term 'life skills' is used frequently in the PWP literature but does not have a generally agreed meaning in terms of content (see McCord, 2006a for discussion of this problem with regard to 'life skills' training in the Western Cape Province EPWP initiatives).

15 The skills gained through EPWP participation do not correspond with those demanded in the South African labour market, particularly the unmet need for artisans. This is not unexpected, given the traditional 5-year duration of artisanal training or apprenticeship in South Africa and elsewhere.

16 The term 'activation' is used in several senses. The standard meaning in the OECD literature refers to the movement of those on passive benefits (with loosely enforced conditionality) into mandatory job search.

17 The work of Nattrass indicates the importance of networking aspects of labour market information in terms of successful job search activities (Nattrass, 2000), and hence, to the extent that this was included in the life skills training, it may have played a role in enabling one worker to find employment in preference to another.

in the absence of an increase in aggregate employment opportunities, this sometimes entailed the substitution of one set of low-skilled workers by another. The displacement of existing workers by PWP substitutes rather than the reduction of unemployment or creation of additional employment opportunities was found to be a significant issue in several EPWP projects (see, for example, McCord, 2006, with reference to the EPWP in the Western Cape).[18]

After PWP participation and training, EPWP graduates perceived their low-skill levels, lack of funds for job search and critically, the absence of jobs themselves, as the major constraints to improved labour market performance (see, for example, McCord, 2004a; Ndoto and Macun, 2005). In the light of this, it is not clear that the training component of the EPWP contributed to the goal of increasing workers' 'capacity to earn an income once they leave the programme', as anticipated (eg Mbeki, 2003). Hence, it is unlikely that skills development was in this instance a significant vector for the promotion of sustained increases in household income through improved labour market performance. These findings are also likely to be relevant for many other infrastructure programmes in the region, implemented in similar labour market contexts.

## Skills development in alternative sectors

An exploration of the skills development aspects of the environment and social components of the EPWP offer additional insights into the potential as well as the limitations, of PWP-based skills development.[19] As in the infrastructure component, the environment component aimed to provide skills development during short-term episodes of employment. In some cases, work was offered on a long-term (though not necessarily regular) basis, with some workers engaging in multiple rather than single, short-term episodes of employment (Ndoto and Macun, 2005). While the formal accredited training component was as limited as in the infrastructure sector (available for less than one per cent of workers), the on-the-job skills development component was more focused on the transfer of specific, potentially marketable, skills (use of chainsaws, tree surgery, removal of alien invasive species, etc); and the intended exit strategy was for workers to 'graduate', being placed in permanent market-based jobs (e g in forestry, commercial fishing companies, tourism and horticulture), utilising the specialised skills gained during PWP participation (EPWP, 2005a). However, the anticipated market demand for such skills was not realised, and lack of employment opportunities for exiting EPWP workers led to the periodic suspension of exit processes in a number of environmental projects,[20] with workers

18 Also M. Mondlane (pers. comm.) with reference to the Gundo Lashu programme in Limpopo.

19 The fourth sector of the EPWP, the economic sector, was primarily an SMME development initiative and will not be discussed further here.

20 This has occurred in both the Working for Water programme (established prior to the initiation of the EPWP in 1995 to clear alien invasive species and subsequently, incorporated into the EPWP as the main component of the environment sector) and the Working for Wetlands programme (established as a subset of Working for Water in 2000). (Marais, 2003, pers. comm.; Ndoto and Macun, 2005.)

being retained in the programme or re-employed over a number of years in contravention of the EPWP guideline which explicitly restricted the duration of programme participation, in recognition of the limited market demand and hence, limited graduation possibilities (Ndoto and Macun, 2005; CASE, 2007).[21]

By contrast, the social sector component of the EPWP offered employment on an ongoing basis for a maximum of two years, and 25 per cent of participants received formal accredited training intended to develop intermediate- and high-level skills in order to qualify them for future HBC or ECCD employment.[22] In this way, the programme had the potential to confer more meaningful skills than the other components, and hence, greater potential to result in improved employment performance. Rather than matching skills with existing market demand, however, the PWP anticipated latent demand for ECCD and HBC provision, which would require increased government funding for its realisation, at least initially. The extent to which the supply of trained workers stimulated private sector demand for ECCD and HBC services, replacing state funding for these posts in the medium term has not been evaluated.

Since the creation of additional aggregate employment in the social sector was dependent on increased government expenditure, this component of the programme resembles a form of Type B direct Government Employment Programme (GEP), with the PWP providing an extension of government service provision. Similar schemes have been implemented in countries such as Malawi and Zimbabwe, where increased social service provision, particularly in relation to HBC responding to the HIV/AIDS pandemic, was funded using donor rather than government resources (McCord, 2005).[23] Both examples suggest that increases in aggregate employment resulting from skills transfers in the social sector were contingent on the provision of additional funding, from either government or donors, rather than resulting from market demand, at least in the short term. Hence, the provision of such skills was only likely to result in increased employment if additional resources were available to fund an extension of service provision through a form of 'sponsored employment'. This issue was explicitly recognised in the EPWP Social Sector Plan:

> *The key challenge here is to translate work opportunities into long-term livelihoods. The premise of the programme is that skilling on the job will assist workers to find more permanent employment.* ***Whilst every effort has been made to carefully consider exit opportunities, few of these are available in the private sector, and therefore, it is highly likely that the primary financial burden will remain with government.*** (EPWP, 2004a: 32, emphasis added)

21 It would be possible to stimulate demand in this sector legislatively, for example, by legally requiring and subsequently enforcing the removal of alien invasive species growing on private land under certain circumstances, but such a situation does not currently obtain in South Africa.

22 The social sector comprised the Departments of Social Development, Health and Education, and had two components Home-Based Care (HBC) and Early Childhood Care and Development (ECCD). ECCD is the process of nurturing children from birth to the age of nine years. The focus of the EPWP was on the period from birth to six years (EPWP, 2005a).

23 These schemes are not typically labelled as PWPs although they share many of the characteristics of the EPWP social sector programmes.

## Assessing EPWP training provision

The review of the skills development component of the overall EPWP outlined previously suggests that it was unlikely to result in significant improvements in labour market performance for most participants. Given the low levels of skills transfer and the lack of unmet demand for unskilled and semi-skilled labour, it is likely that inasmuch as it had any impact, the training and work experience provided through the EPWP may have resulted primarily in labour substitution rather than increases in aggregate employment,[24] with the notable exception of the social sector, where additional job opportunities were created.

The limited empirical data available on the labour market impacts of EPWP participation corroborates the arguments set out earlier. Drawing on research exploring participants' perceptions of the training offered in three environment sector EPWP projects implemented under the Working for Wetlands programme, Ndoto and Macun argue that '[i]t would appear that the programme's intervention has not made significant difference with regards to skills provision' (2005: 31), concluding that:

> *... the programme improved people's livelihoods, in terms of income [during the period of employment], and removed some constraints to accessing education and improved nutrition* ***... The situation was however different with regard to skills. We found that although the programme provides some technical (eg, construction skills) and life skills (eg, First Aid, Health and Safety, etc), they did not feel outright that these skills were likely to improve their employment prospects.*** (ibid: 32, emphasis added)

Given the importance of perception and confidence in labour market performance, Ndoto and Macun argue that:

> *[t]he beneficiaries' failure to acknowledge the skills [training provided during participation in the EPWP] would seem to suggest that more work needs to be done along the lines of ensuring that the beneficiaries recognise the training they are provided with, if the programme's impact is to be sustainable. Failure to do so would render the training provided to the workers worthless and taken for granted.* (ibid: 33)

It was suggested earlier that in the absence of unmet demand for low-skilled workers, most programme participants, upon emerging from PWP employment, would be likely to return to their labour market *status quo ante*. Such an outcome was reported by a worker employed in the Working for Wetlands programme, cited in Ndoto and Macun: '[Working for] Wetlands is boosting us, so if this contract gets terminated, it means that we are going to have to go back where we were … because there will not be any income' (ibid: 35).

This suggests that in this instance, the wage was a more significant vector of benefit than enhanced employability resulting from skills development. Other workers in the programme anticipated similar outcomes, reporting that upon exiting the programme they would return to a reliance on a combination of horizontal support (transfers from

24 While this would represent a significant benefit from an individual perspective, it would represent a cost from the perspective of displaced workers outside the EPWP and have no impact on aggregate demand.

parents and family) and engagement in informal sector micro-enterprise activity for their survival: 'I'll open a small market at home, sweets, bread and fish… I'll sell these things, life goes on...' (ibid: 35).

Rather than moving up the hierarchy of the labour market from survivalist micro-enterprise to more profitable self-employment or employment, once they had a 'foot on the employment ladder' as anticipated in the programme rhetoric (Phillips, 2004), indications from the Working for Wetlands research suggest that in fact, workers return to the same labour market 'rung' from whence they came into the programme.

### Key lessons for PWP skills development

In the absence of studies explicitly examining training and labour market outcomes in the EPWP (or other programmes),[25] quantitative evidence on employment outcomes and work experience post-PWP participation is scarce, and much of the earlier discussion is based on qualitative insights and theoretical arguments. However, despite these limitations, the EPWP offers a number of valuable insights into skills development which may be relevant across the region. The programme illustrates that the potential for meaningful skills development, likely to result in improved labour market performance is dependent on:

- The duration of the episode of PWP employment, which dictates the contact time available for training.
- The content of the training, in terms of its quality and relevance.
- The nature of labour market demand.

## The appropriateness of PWPs as vehicles for skills development

The foregoing discussion illustrates the difficulty of attempting to provide formal skills development unless the period of employment is sufficiently extended to allow for adequate training contact time. This is a key constraint in programmes offering short-term PWP employment episodes and is a particular challenge given that the mean duration of PWP employment in the sub-Saharan region is only four or five months (McCord and Slater, 2009).

The provision of social services rather than physical infrastructure offers an opportunity to address concerns relating to adequate contact time for meaningful training, by providing more sustained employment and thereby increasing potential training contact time. The challenge of sustained employment provision and hence, increased contact time can also potentially be addressed in the infrastructure sector by including ongoing maintenance work, as in the case of the Type B Zibambele programme in South Africa, which is explored as a case study in the chapters to follow.

25 For example, through longitudinal research or tracer studies.

The challenge of meaningful skills transfer within short-term programmes raises the question of whether PWPs are an appropriate vehicle for skills transfer, namely, whether skills development should be provided in association with PWP interventions. It may be that in some cases, given the inherent time limitations in certain types of PWPs, it might be more effective to address skills development for the unemployed through a separate institutional instrument (Karuri et al., 2007). If the constraints of operating within the institutional framework of a PWP compromise the effectiveness of training delivery, it is not necessarily useful to maintain the link between PWPs and skills development.[26]

### Training content and quality

Where skills training is provided in a PWP it is only likely to have a significant impact on employment if it matches actual or latent unmet market demand in terms of content. Similarly life skills training is only likely to have an impact on labour market performance if it addresses barriers to successful job search activity and provides skills perceived as relevant to workers (ie, which addresses the key constraints to employment which they encounter).

It was recognised in the initial stages of EPWP implementation that 'efficient, to scale and quality training' was core to the success of the programme (EPWP, 2004a: 33), and the consequences of failing to achieve this were clearly articulated: 'Should this not be realised, the projections of what can be achieved through this programme will be significantly affected' (ibid: 33–34).

Addressing these challenges is, however, a major challenge, particularly in large-scale programmes. Whatever the type of PWP or sector of operation, the feasibility of the mass delivery of skills training is a critical consideration. This was a key constraint in the case of the EPWP, where demand for both life skills and social sector training significantly outstripped the capacity of existing service providers to deliver (see McCord, 2005).[27] In such instances, on-the-job training by employers may be the only viable option for skills transfer, but this can be problematic in the absence of incentives for significant skills transfer, beyond the basic skills required for project completion.

## Labour markets, PWP design and skills development

A multi-country study of ALMP interventions confirms the insights drawn from the EPWP experience, that PWPs tend not to have been very successful internationally in terms of increasing aggregate formal sector employment through skills development (Martin and Grubb, 2001; Betcherman et al., 2004). Even if PWPs were successful in terms of enabling workers to obtain formal sector employment, through marginal skills

26 Evidence of the limitations of skills development activity in the EPWP is set out in McCord (2004a, 2005, 2006a) and Karuri et al., (2007).

27 The capacity concern is not exclusively limited to the training component of PWPs but applies equally to all aspects of programme management and implementation, which typically have serious workload implications at both central level in terms of programme development and at provincial and district levels in terms of implementation, where overload and lack of capacity are frequently encountered problems, as in the South African context (see, for example, McCord, 2005). These capacity constraints represent major obstacles to effective PWP implementation.

improvements or access to labour market information, there is a risk that this employment would be at the expense of other workers, unless there were associated increases in aggregate employment. This entails a risk of the substitution of one segment of low-skilled or unskilled labour by another, with a zero net social or labour market benefit. This finding would hold true in most situations where there are a large number of low-skilled among the unemployed, unless PWPs directly created an increase in aggregate employment, for example, through some form of state-sponsored employment, such as a Government Employment Programme (GEP).

If, however, PWPs were able to offer skills which resulted in the creation of additional informal sector employment and self-employment opportunities rather than aspiring to promote formal employment in sectors where demand was seriously constrained then the potential aggregate and social protection benefits could be significantly greater.

Hence, in the absence of interventions which directly promote increases in aggregate demand, such as large-scale GEPs, which are rare in the sub-Saharan African region, it is relevant to consider the role of PWP skills development initiatives relating to the informal sector and self-employment.

Skills development leading to increased, or more productive, participation in the informal sector could potentially represent a more sustained benefit for those exiting programmes, as it has the potential to promote the expansion of self-employment through survivalist and small-scale enterprises, as well as increases in domestic production, which could confer sustained, although limited, benefits on PWP households. The impact of small scale enterprise development on household welfare will be determined in part by the nature of the local economy, and the extent of demand for any services or goods provided. Examples of attempts to achieve such livelihoods and informal sector outcomes are to be found in a variety of PWPs and are likely to be most effective in Type B programmes, offering sustained periods of employment and therefore greater potential contact time for training and development activities. Examples are the PSNP in Ethiopia, which includes a complementary agricultural extension programme to promote subsistence agriculture, and the Improving Livelihoods Through Public Works Programmes (ILTPWP) implemented in Malawi in the early 2000s, which included an entrepreneurial training component and attempted to stimulate micro-enterprise activity among programme participants (UK DFID, 2003).[28] Both programmes were designed explicitly to include skills development components in recognition of the limited impact of the wage alone on promoting livelihoods, as discussed in Chapter 5. The PSNP includes a complementary agricultural extension component designed to promote subsistence agricultural production during the five-year PWP contact period, with the objective of promoting graduation and sustained increases in household production after the period of PSNP participation, while the ILTPWP was designed to facilitate micro-enterprise activity among the poorest during an extended period of PWP employment. The effectiveness of this aspect of the PSNP was constrained in the initial stages by the inability of the state to roll out agricultural

28 Although a Type A programme, the ILTPWP, administered by CARE International, extended the duration of programme employment in order to increase contact time for livelihoods training activities.

extension services on the scale required by a mass GEP with over a million participants per annum,[29] and although ILTPWP offered a more extended period of PWP employment than is typical in infrastructure programmes, it was still found to provide inadequate support to ensure sustained livelihoods impacts, and was constrained by the limited capital available in participating households for investment.

Approaches offering skills development focused on enhancing livelihoods and informal economic activity have the potential to be responsive to the needs of segments of the unemployed labour force for whom skills development aimed at formal sector employment may be neither feasible nor relevant. However, recent research into self-employment through survivalist micro-enterprise cautions against overly optimistic expectations of the impacts of such activity on household welfare. Employment in this sector may not necessarily result in more than marginal increases in household income, which are unlikely to have a significant impact on poverty reduction or prospects for graduation (Iyenda, 2005).

The implication of this analysis is that it is important to recognise the heterogeneity of the unemployed labour force and the differing labour market options available to different segments of the labour force, and to reflect this diversity in the skills development options included. For example, with respect to the South African labour market, Bhorat (2001) identified significant differences between the young mobile unemployed and older rural unemployed workers with limited education and mobility, whom he characterised as 'unemployable' in terms of existing demand in the formal sector. For this group, income-generation training to promote local informal sector activity may have been more relevant than formal skills training (Bhorat, 2001: 40).[30] Training initiatives offering informal sector skills development may be particularly appropriate for less mobile workers who are unable, for reasons of age, infirmity or domestic responsibility, to migrate in search of work (the 'unemployable'). However, the viability of this approach is again dependent on the quality of training inputs and, more critically, upon the duration of training contact time that can be accommodated within the PWP.

The impact of such training is also dependent on the potential of participants to accumulate the productive assets required to engage in increased self-employment and informal sector activity. PWPs offering short-term employment and/or a low wage do not enable participants to accumulate sufficient resources to enter or expand survivalist activities or to move up the value chain, from, for example, local-level production and sale of natural products (eg firewood, clay or reed products) to the production and marketing of goods requiring capital for materials purchase, or for transportation to more distant markets where greater profits may be realisable. For these reasons, short-term PWP employment is unlikely to stimulate significant sustained increases in survivalist or micro-enterprise activities, unless the wage is sufficient to enable basic consumption needs to be met and allow a margin for investment. Strategies for addressing this might focus on coordination

29 Devereux (2007, pers. comm.)

30 Bhorat describes as 'unemployable' the group that comprises older unemployed individuals with very little formal education who live in deep rural areas and 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)

with other development initiatives, such as savings or microfinance, or the provision of materials or other physical assets to stimulate production and marketing.[31]

## Conclusion

The rationale for the implementation of many PWPs with skills development objectives is predicated on the assumption that supply-side interventions can have a significant impact on unemployment among the low-skilled and that increased skill levels translate directly into improved labour market performance. This assumption is problematic in contexts where the training is limited, and the fundamental problem is the constrained demand for low-skilled labour. There is little evidence that the aspiration that 'participants in the EPWP are able to translate the experience and either enabled to set up their own business/service or become employed' (EPWP, 2004a: 7) has been realised in the case of South Africa, and the limited evidence available internationally suggests that PWP graduates are likely to return to the pool of the unemployed from whence they came, after programme participation.

In the absence of Government Employment Programmes (GEPs) creating additional labour demand, skills development PWPs can only be effective if there are unfilled jobs for which workers can be skilled through training. The effectiveness of skills development as a vector to promote sustained income gains will be influenced by the extent to which the skills provided through the PWP match unmet labour demand in the economy. Unless sufficient jobs exist, waiting to be filled, and the training provided corresponds to prevailing skills shortages, programmes are unlikely to have an impact on aggregate employment and may result in the substitution of PWP workers for others. Social sector skills training is only likely to result in sustained employment if matched with increased investment in the extension of service provision by government, donors, or the private sector, as demand for additional labour in this sector may be latent rather than patent.

It is notable that even in OECD countries with low levels of unemployment, PWP-based skills training has a poor record, with experience across the OECD summarised as follows:

> *The vast bulk of studies converge in terms of a conclusion on outcomes; this measure [an episode of PWP employment] has been of little success in helping unemployed people get permanent jobs in the open labour market.* (Martin and Grubb, 2001: 22)[32]

In countries where unemployment is transformational, combining both structural and demand-deficient unemployment, a situation prevalent throughout much of the region as discussed in Chapter 3, the number of low-skilled unemployed tends to exceed by far the number of jobs that remain unfilled due to skills shortages. It is unlikely that PWPs in such programmes will have anything beyond substitution effects, unless associated with sponsored employment programmes to promote labour demand directly.

31 See, for example, the Jua Kali programme in Kenya, which focused on addressing practical constraints to increased informal sector activity (for an overview of this programme, see Ng'ethe and Ndua, 1992).

32 See also the similar critique advanced by Bassi and Ashenfelter (1986).

Given these constraints to formal sector employment, the alternative option is to stimulate informal and self-employment or increased production through skills development, but this is also contingent on adequate training contact time, sufficient capital for investment and the implementation of complementary interventions, promoting, for example, access to microfinance, agricultural extension or income-generation training. To date, there is little evidence of the impact of PWP-related training on informal sector productivity. While PWPs offer a potential mechanism for the incorporation of the unemployed into skills training initiatives, the training benefits of participation in short-term employment programmes are unlikely to be significant. Operating through the limitations of a PWP institutional structure may constrain effective skills development programming. Perversely, a forced union between PWPs and active labour market policies to promote skills development can result in limiting rather than extending access to effective training programmes for the unemployed overall (as illustrated in the case of the EPWP, see Karuri et al., 2007).

The limited evidence available suggests that many PWPs 'exit strategies' may be unrealistically optimistic, with the outlook for PWP graduates remaining bleak in most contexts of chronic poverty where unemployment is both structural and demand-deficient. For these reasons, it is not evident that many PWP-based skills development initiatives, as currently delivered in the region, represent a meaningful vector for the transmission of sustained social protection benefits. Nor are they likely to make a significant contribution to 'effective graduation strategies that provide pathways to move people from welfare to work' or 'activate them into the labour market or equip them with relevant and marketable skills' as anticipated in the World Bank's recent Social Protection and Labour Strategy (World Bank, 2012b: vii–viii).

# Chapter 8

# *Two South African case studies: context, overview and methodology*

The following four chapters provide an empirical study of the contribution of two different PWPs to social protection in South Africa, exploring the issues raised in the previous chapters. While South Africa is an atypical sub-Saharan African country in some respects, the high unemployment rates it has experienced over recent decades, despite good to moderate levels of economic growth, and the low skills base of the majority of the population, are characteristics shared by many middle- and low-income countries in the region, and as such it can offer insights into PWP programming that are relevant beyond its borders.

The two case study programmes examined in detail are the Gundo Lashu programme, an infrastructure creation (Type C) programme implemented in Limpopo province, and the Type B Zibambele programme, offering ongoing employment, which was implemented simultaneously in KwaZulu-Natal.[1] The case studies are used to explore the key questions of programme incidence and impact, examining which segments of the population were able to benefit directly from programme participation[2] and the extent to which the two programmes had significant impacts on labour market performance and poverty reduction. The impact on poverty was assessed in multiple dimensions, using both income and non-income based indicators. The case studies draw on research carried out in 2003. Before they are described an overview of the poverty and labour market context in South African at this time is presented, together with an outline of the broader social protection context. After this, the research methodology adopted is briefly outlined, and the evidence on incidence and impact set out, together with the main policy implications.

## The unemployment and social protection context

After rising for 30 years, unemployment in South Africa peaked in the early 2000s. By 2003, the narrow and broad unemployment rates were 31 per cent and 42 per cent,

1 'Gundo Lashu' means 'Our victory' in TshiVenda, and 'Zibambele' means 'Doing it for ourselves' in isiZulu.

2 Little detailed baseline socio-economic data has been gathered on participants in PWPs in South Africa, and so, information regarding the characteristics of programme beneficiaries is scarce.

respectively[3] (Stats SA, 2004), with unemployment disproportionately concentrated in the African population. Over several decades, structural changes in the economy arising from shifts in labour intensity and declining primary sector activity had a significant impact on both total employment rates and the composition of labour demand, leading to slow employment growth and rising unemployment among the low-skilled and unskilled during the 1990s and early 2000s (McCord and Bhorat, 2003).[4] By the mid-2000s, levels of demand for unskilled labour were sufficient to absorb additional workers entering the labour force, but this had only a limited impact on reducing the massive stock of the unemployed within this group (Meth, 2008b), as economic growth rates were not insufficient to absorb the pool of unemployed labour. Estimates of the number of people living in poverty vary, depending on the specification of the poverty line selected,[5] but out of a total population of 45 million, approximately 19 million were living below a per capita poverty line of R430 (US$ 66) a month in 2005/6.[6] At this time, the 3.3 million people living in the bottom income decile had a mean per capita income of just R128 per month (US$ 20).

Poverty and unemployment are closely correlated in South Africa (Leibbrandt and Woolard, 2001), and at the time of the 2003 PWP survey the poorest experienced unemployment rates in excess of 70 per cent (Samson et al., 2003) with the majority of households in the bottom four income deciles having no members in employment. In the light of this, it has been argued that most poor households in South Africa experience poverty due to the absence of wage income (Nattrass and Seekings, 2001). This argument is supported by research which indicated that job creation is the priority demand that households are making on the state (Klasen, 1997; Clark, 2000). Given the strong correlation between wage income and poverty, responding to unemployment was (and still is) a key policy challenge, requiring some form of state intervention, given the growing recognition that the market is unlikely to furnish significant employment growth, at least in the medium term.

South Africa has an extensive social assistance programme for various categories of the vulnerable, delivering grants to more than 12 million recipients; it is the largest social protection system in Africa. However, this system does not include the provision of social grants for the working-age poor. In this the response of the South African government to the challenge of mass unemployment is not atypical in sub-Saharan Africa.

3 The official (narrow) rate of unemployment is calculated by Stats SA on the basis of those unemployed who i. did not work during the 7 days prior to the interview, ii. wanted to work and were available to start work within a week of the interview and iii. had taken active steps to look for work or to start some form of self-employment in the four weeks prior to the interview. The broad (expanded) unemployment rate excludes criterion iii (Stats SA, 2002).

4 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 an upward bias in survey-based estimates of unemployment and may also lead to errors in formal estimates of unemployment in other developing countries.

5 There is no nationally agreed poverty datum line in South Africa; and consequently, the extent of poverty in the country and shifts in poverty over time remain contentious and are highly sensitive to the poverty line selected, and also to assumptions relating to under-reporting of income, the estimation of the child cost ratio and household economies of scale.

6 Estimates based on the 2005/6 Income and Expenditure Survey (Stats SA, 2008b: 31) using Hoogeveen and Ozler's poverty line of R322 per capita per month, inflated to 2006 values (Hoogeveen and Ozler, 2005).

Rather than addressing the needs of the working-age poor directly through the provision of social grants, the primary policy adopted by the South African government was to promote growth on the assumption that this would provide additional employment opportunities in the medium to long term, and in this way, eventually accommodate the needs of the working-age poor (Kraak, 2005).

The main social protection intervention designed to support the working-age poor in the short term, pending the success or otherwise of the national growth strategy, was the national job creation programme, the Expanded Public Works Programme (EPWP), of which the two case study programmes form part. The EPWP was initiated in 2003 and aimed to provide between 100 000 and 200 000 short-term 'employment opportunities each year with the objectives of:

- providing wage income
- promoting skills development
- creating infrastructure.

The number of short-term employment opportunities the programme aimed to create was extremely limited in relation to the number of unemployed, which stood between four million and six million at this time (depending on the definition adopted) (Stats SA, 2004). This provokes critical questions regarding who was able to benefit from programme participation, and the nature of the benefits conferred by programme participation. These issues are explored in the two case study PWPs in order to shed light on the efficacy of a national programme such as the EPWP as a social protection instrument.

## Overview of the case study programmes

Both the Gundo Lashu programme in Limpopo and the Zibambele programme in KwaZulu-Natal won national awards for innovation. They were subsequently used to inform the design of the national EPWP into which they were incorporated, with the Limpopo programme being used as a model for the labour-intensive construction component of the national programme. The location of Limpopo and KwaZulu-Natal provinces is indicated in Figure 8.1. The operational areas of each programme are shaded; the Zibambele programme was implemented throughout the province, but the Gundo Lashu programme was implemented in just one district of Limpopo, Capricorn, (shaded).

The two programmes differed significantly in their design and implementation modalities and conform to different PWP types. The domestically financed KwaZulu-Natal programme offered ongoing part-time employment (Type B); and the Limpopo programme, supported by the ILO and DFID, offering the single, short episode of full-time employment (Type C) typical of PWPs throughout sub-Saharan Africa. The simultaneous implementation of these two different programmes offered a rare opportunity to

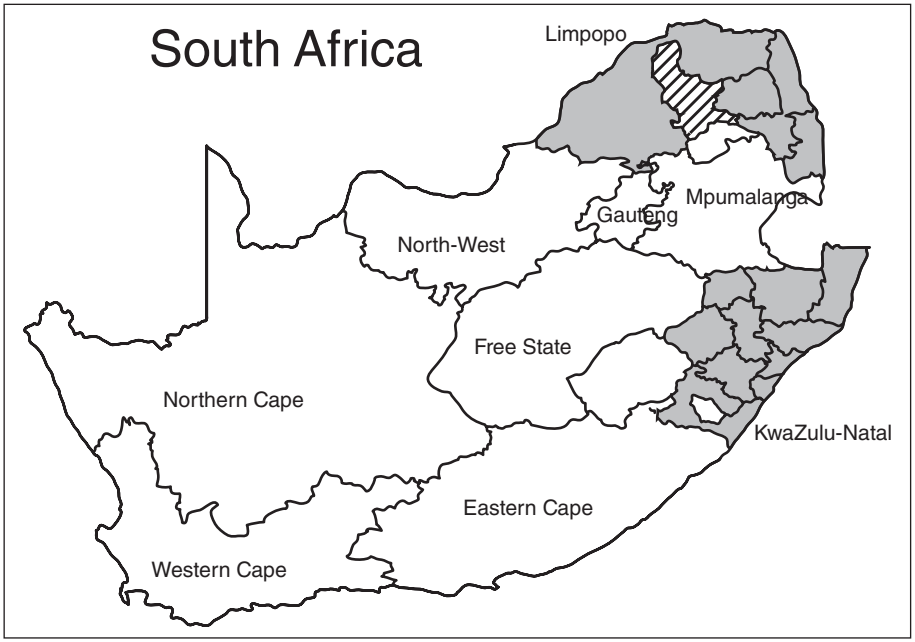


**Figure 8.1: Case study PWP coverage**

compare the performance of differing PWP types within a single country, across two provinces with broadly comparable socio-economic indicators.

## The characteristics of Limpopo and KwaZulu-Natal

At the time of the study, Limpopo had a population of 5.4 million (12 per cent of the total population of South Africa) and KwaZulu-Natal 9.8 million (21 per cent) (Stats SA, 2004). Limpopo and KwaZulu-Natal were two of the poorest provinces in the country, with the highest unemployment rates, at 38 per cent and 36 per cent respectively (using the narrow definition) compared with a national figure of 31 per cent (Stats SA, 2003b). In both provinces, employment was dominated by elementary occupations (unskilled workers), which accounted for 33 per cent of workers in Limpopo and 25 per cent in KwaZulu-Natal. Both provinces were traditionally highly dependent on agricultural employment and remittances from migrant labour, and the structural shifts in the national economy in recent decades had a major negative impact on both poverty and formal sector employment (Leibbrandt and Woolard, 2001). The historical nature of disadvantage in the two provinces is illustrated by the fact that among those aged 20 and over, 33 per cent of the Limpopo population and 22 per cent in KwaZulu-Natal had no schooling, compared with a national average figure of 18 per cent (Stats SA, 2003c).

## The Gundo Lashu programme in Limpopo

The goal of the Gundo Lashu programme was the 'improvement of livelihoods in rural communities', and its 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).

The programme was implemented by the Roads Agency Limpopo, a parastatal with responsibility for the management of all provincial-level roads, with financial and technical support from UK DFID and the ILO. Its focus was road construction, employment creation and the training of contractors and consultants in labour-intensive road rehabilitation. The programme began in 2000 and had employed a cumulative total of 1700 labourers at the time of the survey in 2003.

The programme was implemented through private contractors who directly recruited PWP labour, with support from social facilitation agencies (local NGOs) which managed the contractors' relations with the communities supplying the labour. The period of employment experienced by workers ranged from less than one to four months, and labour was recruited on the basis of the 'Special Public Works Programme' (SPWP) Code of Conduct which set out participation targets (60 per cent women, 20 per cent youth and two per cent disabled). The code allowed for a derogation from national minimum wage legislation in favour of a locally negotiated wage in return for training inputs for workers of two days for every 20 days worked and prohibited employment exceeding 24 months in duration.[7] In the Gundo Lashu programme, a task rate of R30 (US$4.00 at 2003 rates) was negotiated, which in most cases translated into a daily wage of R30.[8] Wage payments in cash were made directly to labourers by the contractors, and training inputs were delivered by the Department of Labour on the basis of two days of life skills training per month of employment, in addition to on-the-job training.[9] Where PWP employment was oversubscribed, rationing was carried out using a lottery system using identity cards. This approach risked excluding those without official documentation, who are typically among the poorest. Demand for labour exceeded the locally available supply during some particularly labour-intensive phases of the road construction schedule, and at these times, all available labour including migrant labour was employed. In this case, the objective of targeting employment opportunities at the poorest was compromised by the phasing of demand in the construction process.

7 The latter condition was a concession to national labour unions anxious to prevent PWP implementation resulting in the creation of a cadre of workers employed on a sustained basis, outside union-negotiated terms and conditions.

8 It was possible to earn more than R30 if more than one task was completed in a day.

9 The efficacy of the training package offered to the Gundo Lashu workers was considered not to be optimal by the ILO by the time of the survey, and was subsequently revised.

## The Zibambele programme in KwaZulu-Natal

The Zibambele programme in KwaZulu-Natal was also initiated in 2000 with the goal of the 'creation of sustainable job opportunities for poor rural families through the maintenance of rural roads' (South Africa, KwaZulu-Natal Department of Transport, 2002).

The objectives of the programme were to:

- maintain the province's rural road network
- provide destitute rural households (which have no other source of income) with a regular income
- put people to work who are unemployable due to their poverty
- improve the life chances of the contractors and their children (nutrition, education, dignity and economic activities)
- enable contractors (PWP participants) to organise themselves into credit unions and invest savings in other productive activities
- create sustainable work opportunities.
  (KwaZulu-Natal Department of Transport and Public Works, 2002)

The programme was implemented directly by the Provincial Department of Transport, and provided ongoing employment for 14 000 workers. Employment was created through labour-intensive road maintenance rather than construction, as in the Gundo Lashu programme on a part-time basis (eight days per month) with a large degree of flexibility regarding when the hours were worked during the course of the month. The programme targeted the poorest members of communities, particularly female household heads, who were selected by community representatives using pre-existing community institutions developed over several years by the Department of Transport.[10]

Zibambele employment was oversubscribed and selection was 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 of R5.60 per hour (US$0.75) for the 60 hours a month they worked, on the basis of 12-month annually renewable contracts, totalling R334 a month (US$45). Wage payment was made monthly through electronic transfers to workers' bank accounts in the nearest town, and job-related training was delivered on an ongoing basis by the Department of Transport and its social development consultants.[11] The Zibambele contract was given to a household rather than an individual, so that if the primary worker died or was unable to work, employment in the PWP would shift to another household member,

10 These institutions are called Rural Road Transport Fora (RRTF), and they are charged with a range of transport-related tasks including the selection of priority roads for maintenance, as well as the selection of PWP participants.

11 Possession of identity documentation was a condition for the creation of beneficiary bank accounts. Participants without identity documents were helped to procure them by programme staff in order to open bank accounts, and this provided spill-over benefits in terms of participants' ability to access other forms of support contingent on identity ownership, outside the PWP itself.

enabling households to protect their income at times of stress. Similarly, Zibambele work could also pass to another adult household member if the primary worker was offered alternative temporary employment, such as seasonal cane-cutting work, in order to enable households to maximise household income at times of opportunity.

## Research design and methodology

The research that provides the empirical basis for the case studies draws on a household survey (referred to in the following text as 'the PWP Survey') of current and former PWP employees and members of their households. It also draws on qualitative focus group work carried out prior to and following survey implementation which, included not only programme participants and their households but also other local groups, including teachers and traders and was conducted in partnership with the provincial authorities implementing the programmes.[12] The survey was administered to a total of 676 households (containing 4 792 individuals), 263 from Limpopo and 413 from KwaZulu-Natal.[13]

The survey was designed to explore the demographic, labour market and socio-economic characteristics of participants in the two programmes in order to gain insight into the question of incidence and also the impact of programme participation. Given the lack of baseline data for either programme, the survey questionnaire was developed in a format compatible with the national Labour Force Survey (LFS)[14] and the Census, so that the March 2003 LFS[15] and the national Census of 2001 (referred to in the text as LFS 2003 and Census 2001, respectively) could be used for comparative purposes.[16] The PWP survey comprised fourteen modules:

1) household composition
2) health

12 The research was designed and managed by the author and implemented in Limpopo Province by two local social development agencies, Khanyisa Integrated Development and Social Research, and African Renaissance Development Consultants in collaboration with the provincial Roads Agency Limpopo (RAL). In KwaZulu-Natal, the research was implemented by staff of the Maurice Webb Race Relations Unit of the University of KwaZulu-Natal with the support of the NGO CORD (Community Organisation Research and Documentation) and in collaboration with the KwaZulu-Natal Department of Transport.

13 The KwaZulu-Natal sample was drawn from a randomised sample of locations throughout the province where the programme is operational, while the Limpopo sample was drawn from the two clusters within the District of Capricorn (Mankweng and Sekhukhune) in which the programme was implemented. In all cases, the PWP workers themselves were the sampling unit, and information was 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. In some instances where the households were considered by the fieldwork agency to be too remote to access efficiently, Zibambele participants were interviewed at their work stations or invited to travel to more centralised locations for the administration of the survey. 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. For a full discussion of the sampling process and other aspects of the survey methodology, see McCord 2009.

14 The LFS is a national survey focused on employment, formerly implemented twice yearly by the South African statistical agency, Stats SA. It is now conducted on a quarterly basis.

15 The March 2003 LFS was the seventh round of a twice-yearly household survey implemented by Stats SA. 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.

16 While the March 2003 LFS represented the closest temporal and design match to the PWP surveys, this data cannot be analysed at a district level, and for this reason, the Census 2001 data was also used in the following analysis.

3) employment and wage income
4) transfers, state and private
5) agriculture
6) remittances
7) financial assets
8) material assets
9) credit
10) changes in household circumstances
11) impact of additional income
12) secondary programme impacts—workers' perceptions of the impact on their livelihoods, of
    - the physical assets created
    - the work experience gained
13) nutrition
14) education.

## Analysing the survey

Data from the survey was analysed together with data from the Census and LFS, which were used for direct comparison with the survey data and also for Propensity Score Matching (PSM) in order to compare the socio-economic status of participants with that of the local population.

### *Data constraints*

In conducting this analysis, a number of constraints were faced, relating predominantly to the limited data generated in the two programmes. The absence of baseline socio-economic data on programme participants meant that it was not possible to include a control group in the PWP survey. This problem was compounded by the absence of data in the Gundu Lashu programme to enable current and former workers to be distinguished. These problems were exacerbated by external factors relating to limitations to the geographical disaggregation possible with the LFS 2003 data, the quality of income data in both the LFS and Census, and the lack of a nationally agreed poverty line. The implications of these constraints, which are common to many programmes in the region, will now be discussed.

### *The absence of baseline data*

The lack of baseline data on PWP participants in the two programmes posed a serious methodological challenge. This is a common problem in the analysis of programme incidence (identifying the characteristics of those participating in the programme) and impact (identifying changes in the socio-economic or other status of

programme participants) as such information is not typically collected at the point of programme initiation (Ravallion, 2003). A 'difference-in-difference' (DID) methodology is the most appropriate way to evaluate the impact of the programmes, using control households with similar pre-programme characteristics to those of the households 'treated' by becoming PWP participants, and comparing changes in both groups over time. However, as with many PWPs, this approach was not feasible due to the fact that the characteristics of programme participants were not known *a priori*, rendering the inclusion of a non-treatment control group in the survey impossible. As a result the identification of the characteristics of participants itself formed one of the critical questions that 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. Comparative analysis was then carried out *post hoc* using data from the March 2003 LFS, once the characteristics of the PWP workers had been identified from the survey data, on the basis of both direct comparison of the overall population with the PWP sample and matching techniques.

The March 2003 LFS data, however, had two key limitations: the limited geographical disaggregation possible with this survey and the quality of the income data. It was not possible to disaggregate the LFS data to district level or to separate out the rural population.[17] The KwaZulu-Natal programme was implemented throughout the province and so provincial level LFS comparator data was adequate. However, analysis at district level was necessary in the case of Limpopo, as the programme was concentrated in a single district. Using provincial data would be particularly problematic as Capricorn district, in which the programme was implemented, was significantly less poor than other districts in Limpopo, with unemployment rates below the provincial mean.[18] In order to avoid the risk of biasing estimates of incidence and impact, data from the 10 per cent sample of the 2001 Census, which could be disaggregated to district level and limited to rural respondents, was used for comparative purposes for the Gundo Lashu programme.

The absence of panel data was addressed by including recall questions in the survey relating to nutrition, savings, education, asset ownership and perceptions of poverty.

### *Limited income data*

The second major data constraint relating to both the LFS and Census was that the income data was not sufficiently detailed to offer meaningful comparisons with the PWP survey data. In both, income data was presented in the form of broad income bands (a categorical variable) rather than in absolute terms (a continuous variable), rendering matching or incidence analysis based on monetary indicators problematic. In order to carry out an incidence analysis in the absence of income data, a set of non-monetary indicators of poverty were used for both descriptive and econometric analysis, relating to individual and household material and human capital characteristics (asset ownership, nature of dwelling, gender of household head, and the educational attainment of the household

17 The 2003 LFS adopted an urban/non-urban dichotomy rather than an explicit identification of 'rural'.
18 See discussion of household incomes in Elsenburg (2005).

head). In addition to descriptive comparisons based on non-monetary characteristics of the treatment and control groups, Propensity Score Matching (PSM)[19] was used, based on a core set of characteristics, to ascertain the relative socio-economic status of PWP participants and enable an assessment to be made of incidence in relational, if not absolute, income terms.[20]

### *Multiple poverty lines*

Several different poverty lines are in use in South Africa and there is no single official line. The analysis presented here adopts a Household Subsistence Line (HSL)[21] based on the theoretical monthly cost of basic needs derived from a basket of goods and services (comprising food, housing, fuel, light and transport), resulting in a monthly HSL poverty line of R486 (US$66) per adult equivalent.[22]

### *Employment status of PWP participants*

Within the Zibambele sample, all households surveyed included current PWP participants. However, within the Limpopo sample, participant data was of insufficient quality to differentiate between workers currently employed in the programme and former PWP employees, and hence, households with either current or former participants were included in the Limpopo sample. This in effect created two subgroups within the Limpopo sample, and the analysis had to be carried out in such as way as to ensure that the data from the two groups was kept discrete where the current status of the PWP participant could have biased the analysis.

## Overview of the analysis

Having outlined the nature of the two PWPs surveyed, the broad socio-economic context in which they were implemented and the methodology adopted, the discussion in the following chapters presents the key survey findings. Chapter 9 explores the question of incidence, Chapter 10 the labour market impact, and Chapter 11 the impact of programme participation on a range of monetary and non-monetary poverty indicators.

19 The PSM approach was developed by Rosenbaum and Rubin (1983). PSM is typically used to evaluate programme impacts by identifying a 'control' group with similar characteristics to the 'treatment' group and comparing the outcomes of the groups on a particular variable, such as unemployment status. In this case, however, the aim was not to select a comparator group for purposes of impact evaluation but rather to identify households similar to the PWP households in the Census. A full discussion of the PSM technique used and the data generated by this means is provided in McCord (2009).

20 Further, data constraints that influenced the survey are discussed in McCord (2009).

21 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.

22 This HSL was derived from the low-income household HSL calculated by Potgieter (2003) and adjusted in line with Meth (2004a). It is important to note that this HSL is derived for urban households. In the absence of a rural HSL, this figure will be used as an approximate indicator of rural household poverty but may overstate the extent of rural poverty.

# Chapter 9

# *Case study programme incidence*

This chapter explores the characteristics of the case study PWP participants in order to establish the incidence of PWP participation, and in this way, assess the extent to which the programmes successfully reached their target population groups. Given the absence of baseline information on programme participants and their households, the key demographic and socio-economic characteristics identified by the PWP survey data is compared with Census and LFS survey data to give an insight into incidence. Before these findings are discussed, the targeting and rationing approaches used to control access in each programme are reviewed, as these are likely to be key determinants of programme incidence. The incidence findings are then reviewed in the light of these programme design factors.

## PWP access: targeting and rationing practices

As discussed previously, it cannot be assumed that the principle of less eligibility through the low wage will ensure that it is the 'poorest' who will succeed in gaining PWP employment, particularly in contexts of mass unemployment and extremely low informal sector earnings. Moreover, poverty is not always the only eligibility criterion for PWP employment. Hence, the modalities of targeting and rationing are critical determinants of the extent to which such programmes reach intended groups. In South Africa, access to PWP employment is strictly rationed due to the large scale of the unemployment problem and the relatively limited scale of PWP employment.[1] In the context of a highly rationed social protection resource, it is critical to understand the extent to which an intervention is reaching the poor and who among the poor are the beneficiaries in terms of their relative poverty. Interestingly, despite their policy importance, targeting and rationing modalities, and their implications for incidence outcomes, are rarely discussed in the PWP literature, and incidence is rarely empirically explored.

### Targeting approaches in the two case studies

The two case study programmes adopted different targeting mechanisms and participation criteria, creating the opportunity for a useful (albeit imperfect) natural experiment.

1 Full implementation of the national EPWP, of which both case study programmes formed a part, was estimated to absorb less than one per cent of unemployed workdays per annum (McCord, 2003).

The Gundo Lashu programme adopted conventional PWP self-targeting practices based on a restricted wage in combination with a 'first come, first served' or lottery approach, while the Zibambele programme adopted a community-based targeting approach with a market-based hourly wage. The implications of these different targeting modalities are discussed in the paragraphs that follow.

The Gundo Lashu programme adopted a restricted wage as the primary mechanism to target the poor. In line with the principle of less eligibility, the Gundo Lashu wage was set below the minimum wage on the assumption that this would deter all but the poorest from self-selecting into PWP employment. In contrast, in the Zibambele programme, the wage was set at the minimum wage for the rural construction sector and not used as a targeting tool. In addition to the wage, the case study programmes both adopted demographic targeting criteria. The Gundo Lashu programme adopted the official EPWP quotas for the employment of women (60 per cent), youth aged between 18 and 25 years (20 per cent) and those with disabilities (two per cent) (South Africa, Department of Labour, 2002b).[2] It is interesting to note that the programme did not adopt explicit targeting criteria based on poverty, and that demographic characteristics rather than poverty, were the primary concern in terms of programme inclusion with the implicit assumption that poverty targeting was addressed adequately through the restricted wage.[3] By contrast, in the Zibambele programme, community-targeting approaches were used, with poverty being the primary criterion by which community groups were invited to apply. The poorest were explicitly targeted, using membership of female-headed households as a secondary criterion, an effective proxy for extreme poverty in the province, to reach the most disadvantaged.

During the implementation of the Gundo Lashu programme, migrant labour from outside the immediate programme area complemented local labour supply at times when local supply was insufficient to meet construction demand,[4] with participants being selected on the basis of availability rather than other demographic or socio-economic targeting criteria. The fact that 15 per cent of those on the payment roster sample frame were found to be 'not known' in the host communities during the survey process gives an indication of the extent of migrant labour included in the programme. These migrant labourers were not captured in the survey, which was limited to those domiciled in the immediate vicinity of the programme area. At other points in the construction cycle, when local demand for PWP employment exceeded supply, job rationing was implemented and possession of an ID document was reported in most cases to be the initial criterion for eligibility with selection subsequently proceeding on the basis of a lottery rather than any demographic criteria. In both cases, practical construction-related considerations

2 These quotas are articulated in the Basic Conditions of Employment Act 1997, (No. 75 of 1997).

3 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 (2003: 86).

4 At times of peak labour demand for construction which outstripped local supply, additional labour was recruited from outside the project areas (pers. comm., May 2003, Mondlane, ILO Social Development Advisor to the Gundo Lashu programme).

overrode the requirement to ensure that jobs were produced and distributed on the basis of the targeting objectives set out in the Special Public Works Programme (SPWP) guidelines.

Hence, in the Gundo Lashu programme, the degree of participation by particular target groups at any point in the implementation cycle was contingent on the size of the available labour supply in relation to programme demand and also on the commitment, interest and time invested in the targeting component of the recruitment process by the contractors. Contractually there were no incentives for the private sector companies implementing the programme to meet either explicit demographic (or implicit poverty) targets in their recruitment processes, and there is no indication that such concerns informed the allocation of PWP employment. This highlights the importance of the institutional processes through which targeting takes place, the contractual incentives in place, also the phasing and scale of labour demand in relation to supply in a given area, if successful targeting of PWP employment is to be achieved. Both these scenarios — excess demand for PWP employment leading to a lottery-based allocation on the assumption that the wage level itself will exclude the non-poor; and excess demand for labour outstripping local labour availability, leading to participation of migrant labour in PWPs — are commonly reported in short-term PWPs (Types A and C). The implication is that the targeting objectives incorporated in programme design may be compromised at the implementation stage by *ad hoc* responses to varying labour demand throughout the construction process.

In the Zibambele programme, excess demand for PWP jobs led to high levels of competition for employment, and as a result access to employment was strictly rationed. In this case, each applicant was considered on the basis of poverty criteria (based on a combination of factors such as household labour availability, wage income and grant income) by community representatives from the local Rural Road Transport Forum (RRTF), which included representatives of the poor. Effective community engagement in the selection process was feasible due to the nature of the relationship between the community- and government-implementing agencies: the fact that the RRTF institutions adopted for PWP selection had been functioning for several years prior to the implementation of the PWP (McCord, 2003); the relationship of trust established between communities and the RRTF; and the fact that the PWP employment relationship was ongoing rather than one-off.[5] These are all factors likely to have contributed to effective community selection in line with programme objectives.[6]

5 Game theory has identified the beneficial behavioural implications of ongoing and repeated relationships, and here, the ongoing relationship between the RRTF and the Zibambele programme has the characteristics of a repeated game, which is likely to have a bearing on the quality of community targeting, and reduce the likelihood of elite capture or inclusion errors compared to situations in which communities are invited to participate in one-off, unrepeated community-targeting exercises (for discussion of repeated games see Mailath and Samuelson, 2006).

6 The extent of active engagement in the programme by the community was illustrated by a report given by one focus group of a Zibambele participant who had been invited by the community who had previously selected her for participation, to step down from the Zibambele programme upon receipt of a pension by a household member. This was done on the grounds that she no longer conformed to the poverty selection criterion, now that her household had access to an alternative income source. This is indicative of the extent of community commitment to the programme's objective of selecting the poorest for participation.

Given the impact that different targeting approaches can have on incidence, it was likely that the differing targeting modalities adopted in the two case study programmes would result in different incidence outcomes, and this is confirmed by the survey findings set out in the next section.

## Incidence findings

The outcomes of the differing eligibility criteria and targeting methods can be empirically tested by comparing the characteristics of the PWP participants and their households with those of the population of their respective catchment areas and also by comparing matched samples with the overall population.

### The characteristics of PWP participants

First, the demographic and socio-economic characteristics of the PWP participants in each programme are examined. Age, gender, generational location within the household structure, education and literacy are reviewed against programme targets and compared across the programmes, revealing significantly different characteristics. Next, the characteristics of PWP households are compared to LFS and Census data in order to locate these households within the populations from which they are drawn, demographically and socio-economically, first focusing on the characteristics of the household heads, looking at gender and education level, and then examining household characteristics (including household size and asset ownership, a good proxy for household income, and social grant receipt). Finally, a Propensity Score Matching (PSM) exercise is carried out, in order to match the survey PWP households with households in the Census, on the basis of key household variables, and the income data for the matched households used to draw conclusions on the poverty targeting of both programmes.

Forty-eight per cent of Gundo Lashu participants were female, indicating that the programme fell short of its gender target (60 per cent) compared to 93 per cent of Zibambele participants, indicating that the Zibambele programme had successfully prioritised female workers in line with programme objectives. The Zibambele participants were also older, having a mean age of 45 with 72 per cent being over 40. This compares to a mean age in the Gundo Lashu programme of 35, with only 29 per cent of the participants being over the age of 40. Conversely, 22 per cent of Gundo Lashu participants were under 25, in line with the explicit youth target of 20 per cent, compared to only 2 per cent of Zibambele participants. The age and gender of the participants in the two case study PWPs is set out in Table 9.1.

The demographic differences between the two programmes are further illustrated by an analysis of the position of participants within the household structure (see Table 9.2).

Some 68 per cent of the Zibambele participants were household heads, and a further 24 per cent were the spouses of household heads, rendering 92 per cent of all participants household heads or spouses of heads. By contrast, only 42 per cent of their Gundo Lashu counterparts fell into this category with participants more likely to be the children of household heads. This suggests that the programmes were recruiting participants of differing ages and positions within the household hierarchy and consequently, it may be inferred, with different labour market functions and responsibilities within the household.

**Table 9.1: Age and gender of PWP participants**

| | Mean age | Age range | Aged <25 (%) | Aged > 40 (%) | Female (%) |
|---|---|---|---|---|---|
| Gundo Lashu (n = 340) | 35 | 14–61 | 22 | 29 | 48 |
| Zibambele (n = 415) | 45 | 19–63 | 2 | 72 | 93 |

*Source: Own calculations, using PWP survey (2003)*

**Table 9.2: Location of participants within household structure**

| | Household head (%) | Partner of household head (%) | Children of household head (%) | Other (%) | Total (%) |
|---|---|---|---|---|---|
| Gundo Lashu (n = 340) | 22 (n = 75) | 20 (n = 68) | 45 (n = 153) | 13 (n = 44) | 100 |
| Zibambele (n = 415) | 68 (n = 282) | 24 (n = 100) | 4 (n = 17) | 4 (n = 17) | 100 |

*Source: Own calculations using PWP Survey (2003)*

These demographic findings are consistent with the greater youth focus of the Gundo Lashu programme, and the practices adopted of employing 1) all available participants seeking full-time work, and 2) in the case of excess demand for employment, randomly selecting participants without explicitly prioritising the poor.

They also reflect the fact that the Zibambele programme focused on recruiting poor, rural, female, household heads. For the demographic group targeted by the Zibambele programme, full-time work, such as that offered in the Gundo Lashu programme, may have been unattractive due to competing domestic responsibilities. This factor would not represent a similar constraint for younger household members without the same burden of domestic responsibility.

These demographic incidence differences are problematic if the objective of the programme is the provision of social protection rather than employment provision *per se,* particularly given the limited scale of PWP employment and the extensive rationing of PWP employment which this implies. The social protection literature suggests that transfers to women tend to deliver greater human and social capital benefits at a household level than transfers received by men (see, for example, Appleton and Collier, 1995: 563; Hoddinott and Haddad, 1995). This supposition is supported with reference to South Africa by Duflo (1999), who found that the household welfare impact of pensions received by women was significantly greater than of those received by men. This was affirmed during focus group discussions conducted among PWP participants in Limpopo and KwaZulu-Natal, where female participants argued that PWP wage transfers

received by men, and also youth, had a more limited impact on household welfare than those received by women (see McCord, 2009). It also highlights the potential tension between the objectives of poverty reduction on the one hand and enhancing labour market participation among the youth on the other (McCord, 2003).

Workers' human capital characteristics (as attested by literacy and maximum attained education level) also exhibit different patterns between the two programmes. The Gundo Lashu participants had a higher modal level of educational attainment (Grades 8–10) than Zibambele participants for whom 'no education' was the mode.[7] When disaggregated to control for age and gender, the modal level of education of Zibambele participants was still lower than that of Gundo Lashu participants in every age cohort.[8] Literacy rates followed a similar pattern when disaggregated by age and gender with Zibambele participants again having lower literacy rates than the Gundo Lashu participants across all age categories.[9] These findings are also consistent with the greater emphasis on poverty targeting in the Zibambele programme. However, given that the population groups from which the participants were drawn are not identical; such direct cross-programme comparisons are not statistically robust as it is the status of PWP workers relative to the population from which they are drawn that is of relevance.

In order to explore these outcomes in a way which enables an assessment of targeting incidence, it is necessary to examine the characteristics of PWP households overall, rather than just the workers, and to compare them to the communities from which they are drawn.

## PWP household characteristics

The characteristics of PWP households are compared to those of the general population in order to assess their relative socio-economic status. From this, it is possible to deduce programme poverty incidence, using the Census 2001 as a comparator for Capricorn district data and KwaZulu-Natal provincial data for the Zibambele programme, including only African rural respondents in both cases.[10]

### *Household head characteristics*

The Gundo Lashu households had a lower incidence of female heads than the district average and education levels which are consistent with the district mean. In contrast, the Zibambele households had a higher incidence of female heads than the provincial mean and lower educational attainment. The incidence of female-headed households was significantly different in the two samples. Forty per cent of the Gundo Lashu households were female-headed, compared with a 54 per cent prevalence in Capricorn District, Limpopo, implying that fewer female-headed households were included in the programme than would be expected if PWP employment were randomly distributed among the population. By contrast, 70 per cent of the

7 See McCord 2009: Appendix 3.
8 See McCord 2009: Appendix 4.
9 See McCord 2009: Appendix 5.
10 The term 'African' is used here to refer to the black African population of South Africa—statistics in South Africa are still gathered on a racial basis.

Zibambele households were female-headed compared with a provincial rate of 58 per cent, suggesting that the policy of targeting female-headed households in this programme was successfully implemented.[11] These findings are notable given the positive correlation between female-headed households and poverty in much of Africa (IFAD, 1999) — a further indication that there may be a greater poverty focus in the Zibambele targeting.

A comparison of the maximum educational attainment of household heads in each programme by gender with the respective provincial/district figures shows that female Gundo Lashu household heads had rates of 'no schooling' similar to those of female household heads in the general population (48 per cent and 44 per cent, respectively), while fewer male Gundo Lashu household heads had no schooling than male household heads in the district population on average (20 per cent and 30 per cent, respectively). For both sexes, Gundo Lashu households report a lower percentage of household heads having completed secondary or tertiary education than the district mean.

By contrast, the percentage of Zibambele household heads with no schooling was lower than the provincial average, particularly among women (35 per cent compared with 52 per cent), suggesting that at the bottom end of the education distribution, the level of household head education was slightly superior in PWP households. However, if the bottom two education categories are taken into account, both groups (PWP household heads and overall household heads) had similar education profiles, with 75 per cent and 77 per cent of women, and 70 per cent and 71 per cent of men, respectively, having no or incomplete primary education.

## Asset ownership

Asset ownership can be a useful proxy for poverty, and the ownership of a number of key assets was recorded across participating households during the survey. Television and radio ownership among public works households were found to be closely correlated with household income, and so these two variables are useful proxies for assessing relative household income in the absence of comparable household income data. Television and radio ownership among public works households is compared to the Census 2001 data for rural Capricorn district and KwaZulu-Natal province, in Table 9.3.

**Table 9.3: PWP and Census asset ownership**

| | Gundo Lashu | Capricorn District | Zibambele | KwaZulu-Natal Province |
|---|---|---|---|---|
| | % households reporting ownership | | | |
| **Television** | 40 (n = 105) | 39 | 14 (n = 58) | 28 |
| **Radio** | 80 (n = 210) | 71 | 57 (n = 235) | 67 |

*Source: Own calculations using PWP survey 2003 and Census 2001*

11 Given South Africa's history of migrant labour, elevated female household head rates are prevalent in rural areas of the country, particularly in those that were previously labour reserves.

This comparison indicates that the material asset base of Gundo Lashu households was similar or superior to the average for rural Capricorn, while that of the Zibambele households was well below the KwaZulu-Natal average. The implication of the relatively low asset ownership levels among Zibambele households and average to high levels among the Gundo Lashu households compared to control data is that the Zibambele participants may have been drawn from a poor segment of the local population and the Gundo Lashu participants from a segment at or above the mean.

## Social grant receipt

The positive linkage between grant receipt and household poverty reduction in South Africa has been well documented (Leibbrandt and Woolard, 2001). Data on social grant receipt was collected in the PWP survey, and among the PWP households the two most frequently mentioned transfers were the child support and old age grants. Forty-nine per cent of Gundo Lashu and 28 per cent of Zibambele households received child support grants for one or more children, with Gundo Lashu households having a 66 per cent take-up rate, compared to only 36 per cent in Zibambele households.[12] These take-up rates may be compared with the overall (rural and urban) provincial take-up rates of 48 per cent in Limpopo and 62 per cent in KwaZulu-Natal in February 2003 (Guthrie, 2003). Hence, among the Gundo Lashu households, take-up was above the provincial average (66 per cent compared to 48 per cent), while among Zibambele households, it was significantly lower than the provincial average (36 per cent compared to 62 per cent) but broadly consistent with the rural average.[13] For both groups, take-up rates decreased as the number of eligible children increased.[14] Grant take-up was explored in focus group discussions, which revealed that while most participants were aware of their rights in terms of grant eligibility, take-up was limited by discouragement during the application process as a result of bureaucratic delays and the significant opportunity cost of the application process.

Households in receipt of higher value grants, such as the old age grant, by definition fell outside the poorest decile by virtue of the value of the transfer (Leibbrandt and Woolard, 2001). Receipt of an old age grant has been found to have a significant impact on welfare (Case and Deaton, 1998; Duflo, 1999), and hence old age grant receipt in PWP households is a useful proxy indicator of household economic status. Thirty-two per cent of Gundo Lashu households received state old age grants compared with only nine per cent of Zibambele households, reflecting both the lower number of pensioners

12 There were 256 eligible children in Gundo Lashu households of whom 169 received grants, and 462 eligible children in Zibambele households of whom 165 received grants.

13 The 36 per cent Zibambele take-up rate was consistent with findings in rural KwaZulu-Natal by Case et al., (2002) who found a 33 per cent take-up rate.

14 In Gundo Lashu households, take-up was 72 per cent when one child was eligible, falling to less than 17 per cent when three or more children were eligible. Among Zibambele households, take-up rates were 40 per cent when one child was eligible, falling to less than 6 per cent of full take-up when three or more children were eligible.

in Zibambele households and lower take-up rates.[15] The take-up rate for the old age grant was 80 per cent in Gundo Lashu compared to 58 per cent in Zibambele households. This again suggests a greater emphasis on poverty targeting in the Zibambele programme, where receipt of a state transfer was in some instances adopted as a criterion for exclusion from the programme. Hence, the low rate of pensioners and old age grant take-up among the Zibambele group is indicative of successful PWP targeting. The high incidence of pensioners and take-up rates among the Gundo Lashu group again suggests less of a poverty focus in this programme.

While low grant take-up rates among the poor and the implication that poorer households have lower take-up rates than better-off ones may seem surprising, given the relatively high value of social transfers in South Africa and the fact that transfer receipt is sufficient to move households above the poverty line, this effect is not unexpected.[16] The PWP survey suggests that 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.[17]

## Propensity score matching to assess PWP incidence[18]

To complement the descriptive analysis set out previously, Propensity Score Matching was used to gain an insight into the relative economic status of PWP households in each programme. Since direct comparisons between income data in the PWP survey and the Census were not possible because the Census provides only banded rather than continuous income data, PWP survey households were matched with Census households on the basis of a number of household characteristics other than income, using the PSM technique. The incomes of the matched households were then compared with the overall income distribution in the survey areas to assess incidence.

The analysis indicates that 35 per cent of the Gundo Lashu households fell below the 40th income percentile and 57 per cent of Zibambele households below the 45th percentile.[19]

15 The number of pensioners in the Gundo Lashu households was significantly higher than in the Zibambele households with 0.45 pensioners per household against 0.15 for the latter. A higher percentage of Gundo Lashu households included pensioners than the regional norm with 38 per cent of Gundo Lashu households containing members of pensionable age compared with the rural Limpopo figure of 33 per cent (Stats SA, 2003a). By contrast, only 14 per cent of Zibambele households included pensionable members compared with a provincial rural norm of 39 per cent (Stats SA, 2003a).

16 Similar effects are not noted in most cash transfer programmes in the region, particularly in LICs, as transfer values tend to represent only a fraction of household consumption needs and most are not sufficient to bridge the poverty gap.

17 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 Zibambele programme, receipt of a state transfer is a criterion for exclusion from the programme (G Kingdon, May 2004, pers. comm.). However, given the close community scrutiny of income flows within Zibambele households, this does not seem likely in the case of Zibambele households.

18 This section is based on McCord and Wilkinson (2009).

19 The discrepancy in the income percentiles presented here (40th and 45th, respectively) is due to the fact that the income bands do not contain equal proportions of the population.

In order to understand the significance of these figures, they can be compared to the targeting incidence of over 100 social protection programmes examined in a review (Coady, Grosh and Hoddinott, 2002). An analysis of the targeting performance of the reviewed programmes found that the median-targeting performance achieved the provision of 50 per cent of programme benefits to the poorest 40 per cent of the population (Caldes, Coady and Maluccion, 2004: 31). Zibambele poverty-targeting performance was superior to this average and Gundo Lashu inferior with the poor receiving 1.27 times their population share in the case of the Zibambele programme and 0.88 in the Gundo Lashu programme, representing a significant difference between the two programmes in terms of the extent to which they reached the poor. This is consistent with the incidence implications of the demographic data that the Zibambele programme was more effectively targeted at the poor than the Gundo Lashu programme. It is also consistent with programme objectives and the poverty focus of the Zibambele programme.

The analysis also indicated that households with no dependent members (those not of working age) were significantly more likely to have members participating in a PWP than households with equal numbers of dependents and non-dependents. This supports the thesis put forward by Barrett and Clay (2003) that PWP participation may be particularly attractive to households with surplus household labour of low marginal value.

An analysis of the relationship between asset ownership and programme participation indicated that households with a TV were less likely to participate (as might be expected as these were relatively high-income households) as were households without a radio, the poorest households. Households which were poor but able to afford some low-cost assets (i e a radio) were found to be the most likely to participate, while the very poorest were less likely to participate in either programme.

## Insights from the incidence analysis

The main conclusions to be drawn from the incidence analysis are that the Gundo Lashu households appear, on average, to have been either at the mean or better off across both the income distribution and a range of other socio-economic indicators than the overall population from which they are drawn, while the Zibambele households were significantly poorer than the overall population, with dependency ratios having a significant impact on the likelihood of participation.

In both cases, it was found that as the number of dependents in the household increased relative to the number of non-dependents, the likelihood of PWP participation declined. The effect was much stronger in Capricorn than in KwaZulu-Natal, which may reflect the fact that the Gundo Lashu programme offered only full-time employment, whereas the Zibambele programme provided more flexible part-time employment which made it more accessible for households with higher dependency ratios, who might have been excluded from participation in a full-time programme due to domestic responsibilities.

## Conclusion

The conclusions that can be drawn from this analysis are that the poverty incidence of the Zibambele programme was superior to that of the Gundo Lashu programme over a range of different indicators, and that programme design and implementation modalities had an impact on programme incidence outcomes.

Analysis of the PWP survey revealed that different demographic and socio-economic segments of the population participated in the two case study programmes. The Zibambele workers were predominantly female household heads or the female spouses of household heads and significantly older than the Gundo Lashu participants, who tended to be the children of the household head, with equal male and female participation and be in households with lower dependency ratios. In the Zibambele programme, which had explicit poverty-targeting objectives, used community selection techniques and offered flexible employment, the poor received 1.27 times their population share of the PWP employment. By contrast, in the Gundo Lashu programme, which relied on self-targeting and offered full-time non-flexible employment opportunities, the poor received only 0.88 times of their population share of employment. This low share is noteworthy given the fact that despite labour demand exceeding local supply, the poor were unable to access their share of employment, illustrating the failure of the poor in these areas to compete successfully for PWP employment.

The case studies suggest that active poverty targeting, rather than reliance on the work conditionality or restricted wages, is required to promote programme participation by the poor. The Zibambele case also indicates that using community-based targeting in the context of a long-term relationship between local communities and implementing agencies can promote the participation of the very poor, if not the poorest. Such an outcome is more likely to be achieved in Type B programmes where there is a sustained relationship between communities and programme implementers than in other types of programmes. It is not clear whether similarly effective targeting can be achieved in short-term employment projects, particularly when they are implemented by the private sector, in the absence of contractual poverty-targeting incentives, given the cost implications of implementing poverty targeting and the fostering of effective community participation that this requires. Such an approach may drive up costs and so have negative efficiency implications.

The relatively low poverty incidence of the Gundo Lashu programme, which was implemented by contractors without explicit poverty targets or incentives and with minimal community participation in selection, is illustrative of this problem. This is consistent with research on the MEGS in India, which identified the negative implications for poverty 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.[20]
The case study also suggests that the quality of employment provided may have an impact on incidence with labour-constrained households with high dependency ratios in particular (a group which are likely to be among the more vulnerable), experiencing some

20 S Pellissery, Department of Social Policy and Social Work, Oxford University, 2004, pers. comm.

degree of exclusion from full-time PWP participation. This indicates the need to consider the quality of employment provided in terms of flexibility, part-time employment opportunities and household labour substitutability in order to offset the participation disincentives for labour-constrained households and promote PWP participation among the more vulnerable.

Overall, the incidence differences between the two programmes are consistent with the design, targeting and rationing methods used in each case, and the fact that the Zibambele programme was explicitly (and exclusively) poverty-targeted, while the Gundo Lashu programme was more plural in its targeting.

# Chapter 10

# *Case study labour market insights*

Having discussed the incidence of the two case study PWPs in terms of the demographic and socio-economic status of participating households in Chapter 9, this chapter attempts to explore some of the key questions relating to the labour market impact of participation in the two case study programmes. This is done by examining the labour market characteristics of PWP participants and household members and exploring the impact of PWP skills development and work experience on labour market performance.

Despite the fact that PWPs are frequently presented as labour market rather than social protection interventions (Vodopivec, 2004; Martin and Grubb, 2001), little attention has been paid to questions about which segments of the labour force PWP participants are drawn from, and programme impacts on employment and labour market performance. Little empirical analysis is available on the prior employment status of PWP participants or the labour market characteristics of PWP household members. It is generally assumed rather than empirically ascertained that if targeted correctly, participants will be drawn predominantly from the unemployed. Likewise, there is limited research addressing the impact of PWPs on the subsequent labour market performance of participants, despite the fact that improved performance after PWP participation is a critical condition for the realisation of the 'graduation' objective so prevalent in the PWP rhetoric. Insofar as discussion of PWPs is included in the general Active Labour Market Policy (ALMP) canon, there is some literature on the impact of PWPs providing training and skills development (Type D programmes), (see, for example, Martin and Grubb [2001] as discussed in Chapter 7), but the focus is primarily on PWPs within an OECD rather than a developing country context.

## Assessing the labour profile of PWP workers and household members

An assessment of the prior labour market status of beneficiaries and their household members, and the medium-term labour market impact of programme participation would ideally require either longitudinal surveys or cross-section surveys which elicit employment histories along with tracer studies over time. Such approaches have not been adopted in relation to PWP programming in the region or more widely. The PWP survey does not provide this depth of information, but nevertheless offers a source of data on the labour market status of PWP participants and their households, which provides

an opportunity to explore not only individual responses to PWP participation but also issues of PWP-related household labour adjustment, another critical issue on which the current literature is largely silent.[1] This is with the notable exception of Woldehanna (2009) who identified the substitution of child for adult labour within the household as a result of PSNP employment in Ethiopia.

The analysis in this chapter is structured as follows. First, the labour profile of PWP workers and household members is sketched, in terms of labour force participation rates, the distribution of PWP and market employment, dependency ratios and unemployment rates. An analysis of the characteristics of PWP workers and their households is provided and some initial conclusions regarding incidence are drawn, based on these characteristics. Next, the labour market origins of PWP workers are examined in order to gain further insight into programme incidence, and PWP participants' engagement with local labour markets is explored. Questions relating to the second-round intra-household labour substitution and employment implications of PWP employment are then discussed. This analysis also offers some illumination of the extent to which PWPs are:

- bringing the unemployed into employment, as generally anticipated
- increasing participation rates, or
- repositioning those already in employment.

The impact of the training and work experience component of PWPs on informal and self-employment is then explored in order to assess whether the case studies offer evidence to support the assumption that PWP participation confers the additional labour market returns, as anticipated in the literature, in terms of the 'ladder into the labour market' function. Finally, the constraints to employment, as reported by the PWP participants themselves in survey and focus group interviews, are explored in order to assess programme performance in relation to workers' own labour market experiences.

The labour profiles of Gundo Lashu and Zibambele PWP workers and household members are set out in Table 10.1.

## Participation rates

The participation rate is the percentage of the population of working age who are either employed or actively seeking work. The participation rate among all members of Gundo Lashu households was 63 per cent (56 per cent if current PWP participants were excluded). For Zibambele households, the participation rates were 62 per cent and 49 per cent, respectively. These rates may be compared with the national rate of 68 per cent (Stats SA, 2004).

The higher participation rates when PWP participants were included could be explained in two ways:
Firstly, the PWP participants with higher rates of participation within the household, reflecting a pre-existing labour market difference between PWP and non-PWP household

1 See Betcherman et al., (2004) for a discussion of the extreme difficulties of attempting to assess household labour adjustment responses.

**Table 10.1: Labour market characteristics of PWP workers and household members**

| | Zibambele | | Gundo Lashu | | | |
|---|---|---|---|---|---|---|
| | **All household members** | **Excl. PWP* workers** | **All household members** | **Excl. PWP** workers** | **Excl. current PWP*** ** | **Former PWP workers** |
| **Potentially economically active (n)** | 1 500 | 1 105 | 911 | 600 | 782 | 182 |
| **Unemployed & seeking work (n)** | 413 | 411 | 304 | 181 | 304 | 123 |
| **Unemployed & not seeking work (n)** | 26 | 26 | 5 | 3 | 5 | 2 |
| **Working (n)** | 490 | 99 | 261 | 98 | 132 | 34 |
| **Participation rate (%)** | 62 | 49 | 63 | 47 | 56 | 87 |
| **Narrow unemployment rate (%)** | 46 | 81 | 54 | 65 | 70 | 78 |
| **Broad unemployment rate (%)** | 47 | 82 | 54 | 65 | 70 | 79 |

*Source: Own calculations from PWP survey 2003*

Notes: * All workers in Zibambele households excluding PWP workers

** All workers in all Gundo Lashu households excluding current and former PWP workers

*** All workers in all Gundo Lashu households excluding current PWP workers

members; and secondly, as an artefact of the fact that the PWP was actively bringing non-participants into the labour force. In the absence of baseline data on PWP participants, it is not possible to ascertain the relative importance of these two factors although it is possible to draw some inferences from PWP participants' responses to questions relating to work forgone. This is discussed in the next section of this chapter.

Higher levels of labour force participation among PWP participants than other household members may not be the consequence of the same processes in both programmes, given the demographic differences between the two worker groups. The higher participation rate is particularly striking in the Zibambele programme: a difference of 13 per cent, (compared to seven per cent in Gundo Lashu households). An increase in female labour

force participation resulting from the PWP was noted in focus group discussions in KwaZulu-Natal, where participants stated that the Zibambele programme had made it possible for women for whom alternative opportunities were not available, to enter the labour market. The impetus for the 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.* (2003: 469–70)

When suitable part-time employment became available in remote rural areas through the implementation of the PWP, it was possible for women to respond by taking work compatible with their domestic responsibilities. It is interesting to note that this effect has been observed elsewhere as a consequence of the implementation of PWPs offering employment of a kind which is accessible to women (for example, in terms of flexible or part-time hours). An example is the Jefes programme in Argentina, the implementation of which led directly to a significant rise in female labour force participation (Harvey, 2007b).

## Dependency ratios

The ratio of the economically dependent part of the population to those of working age, which indicates the economic burden the productive portion of a population must carry, is known as the 'dependency ratio'. A higher figure indicates a heavier burden of care on those of working age.[2] The dependency ratio within Gundo Lashu households population is 0.67, which compares to a provincial dependency ratio for Limpopo of 0.79 (Health Systems Trust, 2003), and a dependency ratio of 0.95 for the black population of rural Capricorn (Stats SA, 2003c). This indicates that the Gundo Lashu dependency ratio is significantly below both the provincial norm and the directly comparable rural district figure, suggesting a higher number of working-age members per dependent in Gundo Lashu households, than in the overall population, and a lower degree of vulnerability among this subgroup of the Limpopo population. By contrast, within the Zibambele population the ratio is 0.84, which is significantly higher than the 0.64 ratio for rural KwaZulu-Natal.[3] This implies that the Gundo Lashu households may have a significantly lower proportion of dependants than in the local population, while the Zibambele households may be broadly consistent with the local population in terms of dependants.

## Employment history

The employment experience of PWP workers and other household members is outlined in Table 10.2. Some 149 of the Gundo Lashu households had no current PWP workers,

2 The dependency ratio is calculated on the basis of the number of those not of working age divided by the number of those of working age, defined as those between the ages of 15 and 64.

3 The provincial figures are taken from the Health Systems Trust, based on Stats SA 2003 Mid-Year Population Estimates, Statistical Release P0302, 2003.

**Table 10.2: Employment experience of PWP workers and household members**

| | Zibambele | | | | Former Gundo Lashu | | | |
|---|---|---|---|---|---|---|---|---|
| | **PWP participants (n = 335)** | **Mean age** | **Non- participants (n = 976)** | **Mean age** | **PWP participants (n = 149)** | **Mean age** | **Non-participants (n = 540)** | **Mean age** |
| Last employed 2+ years ago | 44% (n = 149) | 49 | 12% (n = 114) | 46 | 17% (n = 26) | 50 | 12% (n = 66) | 45 |
| Never employed | 24% (n = 82) | 44 | 76% (n = 748) | 22 | 37% (n = 55) | 31 | 80% (n = 432) | 25 |

*Source: Own calculations from PWP survey 2003*
Note: Only data for former Gundo Lashu households was included in this analysis.

as their contracts had been completed at the time of the survey. These are referred to as former Gundo Lashu households in the discussion to follow.

Among former Gundo Lashu PWP participants, 37 per cent had never been employed prior to PWP engagement and 17 per cent had not been employed for two years or more prior to their PWP participation. This compares with 24 per cent and 44 per cent, respectively, among the Zibambele participants. In both cases, the difference between the samples was significant, with the Zibambele workers including significantly fewer of those who had never been employed and significantly more long-term unemployed with previous work experience. The higher percentage of Gundo Lashu participants without previous labour market experience is consistent with the greater proportion of youths in the programme. In terms of previous work experience, the profiles of non-PWP household were similar, with 80 per cent of members of Gundo Lashu households never having worked before and 12 per cent not having worked for two years or more, while in Zibambele households, the figures were 76 per cent and 12 per cent, respectively.

## Current employment

The distribution of employment (both PWP- and market-based) among PWP households is illustrated in Table 10.3.

Among Gundo Lashu households with current PWP workers, 56 per cent had one person employed and 44 per cent two or more. Among Zibambele households, 82 per cent reported only one working household member (the PWP participant), with only 18 per cent having two or more workers. This implies a particularly heavy reliance on PWP employment within the Zibambele households.

**Table 10.3: Total number employed per household (including PWP employment)**

| Number employed per household | Gundo Lashu | | Zibambele |
|---|---|---|---|
| | Former (% of households) n = 149 | Current (% of households) n = 119 | (% of households) n = 413 |
| 0 | 47 (n = 70) | 0 (n = 0) | 0 (n = 0) |
| 1 | 39 (n = 58) | 56 (n = 67) | 82 (n = 339) |
| 2 | 11 (n = 16) | 35 (n = 42) | 14 (n = 58) |
| 3 or more | 3 (n = 4) | 9 (n = 11) | 4 (n = 17) |

*Source: Own calculations from PWP survey 2003*

A comparison of former and current Gundo Lashu household employment data gives no indication of employment substitution. While it is likely that intra-household labour substitution did take place to some degree, this table suggests that it may have been in areas of activity which were not considered by respondents as 'employment'.

### *Employment patterns*

Thirty per cent of all labour market participants in the Gundo Lashu households reported having worked during the last seven days, in response to the question:

> *During the past seven days did [you] … work for Zibambele/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?* (PWP Survey, 2003)

However, if broken down by PWP participant status, only 21 per cent of former Gundo Lashu participants reported having worked recently compared with 35 per cent of those who were not past or present PWP participants.[4] This challenges the notion that participation in PWP activity will significantly enhance labour market performance, at least in the short to medium term. It could be argued that this low level of employment immediately after PWP participation could be an artefact of 'Ashenfelter's dip', the frequently observed phenomenon of former PWP participants experiencing low employment rates immediately after the cessation of PWP employment. This usually occurs during a period of job search and relocation in the labour market, reflecting a form of temporary or frictional unemployment rather than being an accurate indicator of a steady state of unemployment among recent PWP graduates (Ravallion, 2003). However, if the employment performance of former Gundo Lashu participants is analysed taking into account

4 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 termination of employment or indicate that participants are 'graduating' into alternative employment opportunities.

the period of time between completion of PWP employment and the survey interview, no such effect can be identified. Forty-eight per cent of former PWP participants had completed employment less than three months prior to the survey and 52 per cent between three and nine months previously. The respective employment rates were 19 per cent and 18 per cent, indicating no discernible Ashenfelter's dip but rather a uniformly poor labour market performance across all former PWP participants. The primary reason cited by respondents for their poor labour market performance after participation in the PWP was lack of demand for labour (75 per cent of respondents).

The PWP survey indicates that levels of unemployment among non-PWP participants were high. Only 35 per cent of Gundo Lashu and 18 per cent of Zibambele non-PWP participants had worked recently. Of the non-PWP participants in Gundo Lashu households who reported working recently, 49 per cent were engaged in regular wage labour, 26 per cent in casual wage labour and 12 per cent in both subsistence agriculture and non-farm enterprises. Disaggregated by gender, 53 per cent of men and 43 per cent of women reported engaging in regular wage labour and 24 per cent and 28 per cent, respectively, in casual wage labour.

By contrast, only 18 per cent of Zibambele household members reported being employed in regular wage labour. Disaggregated by gender, 21 per cent of men and 15 per cent of women reported engaging in regular wage labour, with 67 per cent and 56 per cent, respectively, being engaged in casual wage labour. A higher percentage of female participants than male were active in non-farm enterprises: 15 per cent compared to 5 per cent. Zibambele labour market participants faced a more insecure relationship with the labour market than Gundo Lashu participants, with 63 per cent of Zibambele employment being in the form of irregular casual labour compared with 26 per cent of Gundo Lashu employment. This is linked to the more limited employment opportunities in the Zibambele areas, with less access to agricultural sector employment than in the Gundo Lashu catchment area.

Interestingly, a small number of Zibambele participants (2.7 per cent of PWP workers) reported temporary work activity (housing construction, factory work, temporary farm labour, domestic work and domestic production) which they carried out while engaging in PWP employment. This was offered as a reason for 'not finding additional employment' and suggests that the extent of temporary or episodic employment may be greater than captured in the survey, in terms of respondents offering a negative response to the questions regarding recent employment, while simultaneously engaging in a range of informal or temporary activities. This is consistent with the findings of Adato et al. (2004), that episodic and short-term employment may not be considered by respondents as 'work'.[5]

These findings indicate that the relationship between PWPs and the labour market may be more complex than is often assumed, inasmuch as:

5 This is also suggested 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. The question of whether or not the follow-up survey was recording a genuine phenomenon or not has not been settled.

- PWP participants may not necessarily be unemployed prior to PWP participation, even if that is how participants perceive themselves in terms of their own definition of 'work'.
- PWP workers may engage in a range of concurrent activities during PWP participation if the programme can offer sufficient flexibility.

The PWP survey revealed high levels of engagement in subsistence agriculture at a household level in both groups, with 67 per cent of Gundo Lashu and 87 per cent of Zibambele households reporting domestic agricultural production. Domestic household production was taking place in the majority of the households whose members engaged in PWP 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 by respondents to be limited by external factors. The main factor limiting agricultural activity among Gundo Lashu households was reported as insufficient access to land (53 per cent), followed by lack of cash to purchase agricultural inputs, such as seeds and fertilisers, and lack of water, which was of particular concern due to a two-year drought experienced in Limpopo at the time of the interviews, with the last normal harvest in the area having taken place in 2000. The same three factors were identified by the Zibambele households. One implication of these findings is that access to cash through PWP wages could potentially have a positive impact on domestic production, by enabling the purchase of additional agricultural inputs.

## Unemployment

The broad unemployment rate among all Gundo Lashu household members, including current PWP participants, was 54.2 per cent.[6] This may be compared to a rate of 59.7 per cent for the rural provincial population, derived from the March 2003 LFS (Stats SA, 2003b); see Table 10.4. The existence of PWP employment obscures the underlying unemployment rate among participating households, treating PWP participants as workers rather than members of the unemployed who are engaging in temporary sponsored 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 ascertained by excluding current PWP employment. In this case, the broad unemployment rate among Gundo Lashu household members would be 69.7 per cent. However, it is likely that intra-household labour substitution would take place, resulting in a lower unemployment rate, although no data is available to indicate the extent of substitution.

The unemployment rate falls to 65 per cent if all PWP participants (past and present) are excluded since unemployment is higher among former PWP participants than

6 The broad rate of unemployment is used as the basis of discussion in this section since it is more appropriate than the narrow rate 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 (Kingdon and Knight, 2000; Nattrass, 2000). The fact that participants are discouraged does not imply that their joblessness is of less policy concern, and hence, it is appropriate to include this group of participants within the category of the unemployed.

**Table 10.4: Gundo Lashu unemployment (broad)**

| Non-urban Limpopo (LFS 2003) | Gundo Lashu household members (excl. all PWP participants, former and current) | Gundo Lashu household members (excl. current PWP participants) | | | Former Gundo Lashu PWP participants only |
|---|---|---|---|---|---|
| % unemployed | | | | | |
| Total | Male | Female | | | |
| 59.7 | 51.0 | 65.8 | 65.2 | 69.7 | 78.6 |

*Source: Own calculations from PWP survey 2003 and LFS March 2003 (Stats SA, 2003b)*

**Table 10.5: Zibambele unemployment (broad)**

| Non-urban KwaZulu-Natal(LFS 2003) | Zibambele household members (incl. PWP participants) | Zibambele household members (excl. PWP participants) | | |
|---|---|---|---|---|
| % unemployed | | | | |
| Total | Male | Female | Total | Total |
| 57.8 | 54.3 | 60.8 | 47.3 | 81.5 |

*Source: Own calculations from PWP survey 2003 and LFS March 2003 (Stats SA, 2003b)*

non-PWP participants (79 per cent as against 65 per cent).[7] If it is assumed that there is some degree of substitution of employment among PWP participants, the underlying non-PWP unemployment rate within Gundo Lashu households would fall to between 54.2 per cent (assuming 100 per cent substitution) and 69.7 per cent.

Unemployment among the Zibambele households is set out in Table 10.5. The broad unemployment rate among all Zibambele household members was 47 per cent. If PWP workers are excluded, the figure rises to 82 per cent, 24 per cent above the rural provincial mean. Since only one-third of Zibambele (and Gundo Lashu) participants reported employment substitution, in terms of giving up some form of alternative remunerated employment in order to participate in the programme,[8] it may be assumed that the underlying non-PWP unemployment rate prevailing in Zibambele households tends towards the upper end of the range between the PWP and non-PWP unemployment rates, ie between 47.3 per cent and 81.5 per cent.

In both instances, the 'non-PWP' unemployment rate is likely to fall between the inclusive figure, which takes into account PWP employment, and the exclusive figure, which

7 This may suggest that the PWP participants themselves comprise a group which is less successful in the open labour market than their non-PWP household colleagues, which could be an artefact of their particular demographic and individual skills and experience.

8 Three-quarters of participants in both programmes reported giving up some form of alternative activities, but only one-third reported giving up remunerated employment.

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 across the PWP and non-PWP participant groups, in terms of characteristics affecting labour market performance.

If PWP participants are excluded, the unemployment rates are 10 per cent and 24 per cent in excess of the broad provincial figures in the Gundo Lashu and Zibambele programmes, respectively, suggesting that unemployment in both groups may be above the provincial norms, particularly in the case of the Zibambele households. This is consistent with the expectation that the unemployment rate among PWP households would be greater than among non-PWP households because of the likely self-selection of households experiencing higher rates into PWPs. However, to the extent that PWP participants were employed prior to PWP participation and are substituting PWP for alternative employment, excluding these workers could artificially inflate the estimate of unemployment in participating households, in the absence of the PWP. Unfortunately, however, with the data available it is not possible to assess accurately the extent of employment substitution among PWP workers, in terms of their prior employment.

## Labour market origins of PWP workers

In reviewing incidence, it is useful to attempt to evaluate the labour market origins of the PWP workers. Conventional PWP theory argues that PWP workers would be drawn primarily from among the unemployed. The PWP survey data analysed indicates that there may in fact be three potential sources for the case study workers:

1) the unemployed (or discouraged)
2) those drawn out of alternative employment, in which case work substitution is taking place, and
3) labour market non-participants, drawn into the labour market by the PWP.

The data indicates somewhat different prior labour market status patterns in the two programmes, reflecting both programme design and implementation differences. Each of the three potential sources of PWP participants are now discussed.

### *The unemployed*

As reported earlier, among former Gundo Lashu workers, 17 per cent were long-term unemployed, having not worked for more than two years, and 37 per cent reported never having worked, while 48 per cent of Zibambele workers were long-term unemployed and 24 per cent had never worked. In these cases, the PWPs contributed to a net reduction in unemployment.

### *Those drawn out of alternative employment*

Where workers were drawn out of alternative employment, work substitution was taking place as a result of the PWP, with workers repositioning themselves in the labour market,

rather than creating a net reduction in unemployment. This is likely to occur in the case of workers for whom employment was precarious, unpredictable or poorly remunerated. Thirty-five per cent of Gundo Lashu participants and 28 per cent of Zibambele workers reported giving up remunerated employment to participate in each of the programmes. Among the Gundo Lashu participants, casual wage labour was the main form of employment given up (reported by 16 per cent of workers), with 13 per cent giving up non-farm activities (making goods for sale or providing services) and just six per cent giving up regular wage employment. Among the Zibambele participants, none reported giving up regular employment, 24 per cent reported giving up casual labour employment and 14 per cent non-farm activities. In focus group discussions, the reasons offered for this substitution were that the PWP employment represented either better wages than their previous employment or an improved quality of work, with greater likelihood of ongoing employment compared to the sporadic employment offered in the market. Even though the Gundo Lashu programme did not offer ongoing employment, it did offer the potential for multiple-month employment for some workers and hence, may have resulted in a preference for taking even a very short-term PWP employment contract, given the possibility of securing long-term PWP employment. Although no evidence was found to support this contention, it is possible also that the promise of training and construction work experience served as an incentive to forgo alternative work, in anticipation of the future benefits of potential integration into the labour market as a result of increased skills and experience.

It is possible, and indeed likely, where household labour availability permitted, that some labour substitution took place within the household, through a process of 're-optimisation' of labour allocations, with other household members taking up the activities forgone by the PWP participant. In this context, PWP-induced labour substitution might not represent employment (or income) forgone at the household level. However, it is not possible to assess the extent of such intra-household reallocation of labour from the survey data. It is interesting to note that PWP households had a lower dependency ratio than the overall population, implying that the availability of labour in a household may have been a condition for PWP participation and hence, may have rendered such substitution more feasible, due to the presence of additional working-age members. However, it is possible that this lower dependency rate related to the need for participating households to contain non-PWP household members of working age to take up the burden of domestic and unpaid labour left by PWP participants rather than to take on redistributed remunerated work.

### *Non-participants*

From the survey data, it is not possible to assess with confidence the impact of PWP work experience on labour market entry among workers who were formerly non-participants. However, 37 per cent of Gundo Lashu workers and 24 per cent of Zibambele workers reported having never worked before, and it is likely that some of these were previously non-participants.

Given that the mean age of those reporting no previous labour market experience in the Zibambele group was 44, this may represent workers entering the labour market

for the first time, rather than unemployed workers. (The mean age of those with no labour market experience in the non-PWP workers group was 22, which is likely to represent unemployed youth, rather than non-participants.) By contrast, the mean age of the Gundo Lashu workers entering the labour market for the first time was lower, at 31, although this could still include some non-labour market participants entering the labour market, rather than youth unemployed, since the mean age for those who had not previously worked in the Gundo Lashu non-PWP worker sample was only 25.

## Programme insights from prior labour market status

While data constraints prohibit robust analysis, differing labour market patterns are discernible in the two programmes, as illustrated in Table 10.6 and Figure 10.1.

Approximately one-fifth of Gundo Lashu PWP participants were long-term unemployed, two-fifths had not previously participated in the labour force, and the same proportion had engaged in labour substitution. By contrast, just less than half the Zibambele workers were long-term unemployed, one-quarter had not previously participated in the labour force and approximately one-third had engaged in labour substitution.

On examining this pattern of employment, it seems that while a third of workers reported substituting PWP employment for prior employment in both case studies

**Table 10.6: Prior labour market status of PWP participants**

| | Long-term unemployed | Never previously worked | Previously employed | No data |
|---|---|---|---|---|
| Gundo Lashu | 17% | 37% | 35% | 11% |
| Zibambele | 48% | 24% | 28% | 0% |

*Source: PWP Survey*

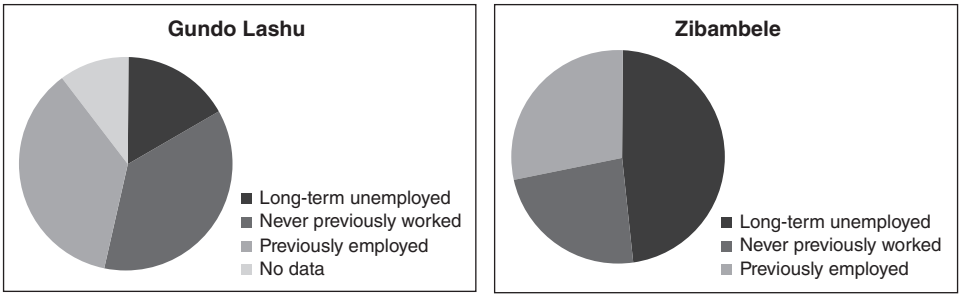


**Figure 10.1: Labour market origins of workers**

(although the quality and remuneration of this employment was significantly different, as will be discussed in the following chapter), Gundo Lashu households had a significantly lower percentage of long-term unemployed and a larger share of young labour market entrants without work experience. By contrast, the Zibambele programme seems to have brought significant numbers of older women into the labour force. These findings are broadly consistent with the differing programme objectives, with Gundo Lashu providing employment for the youth unemployed without previous employment experience, and Zibambele offering support to the long-term unemployed and encouraging the participation of older women. The extent of labour substitution in both programmes is interesting, perhaps indicating the poor quality of alternative employment open to participants. Whether such distortion is perceived as problematic or as a positive artefact of the programme is contingent on one's ideological stance, but in social protection terms, it indicates that the PWP participation is perceived as offering greater household benefits, however, defined by participants, than alternative market-based employment options.

### Second-round intra-household labour substitution and employment

The forgoing analysis and discussion provoke a major question relating to intra-household labour effects, in that they indicate that PWP-related labour substitution is not exclusively an individual but rather an intra-household phenomenon. However, the information on labour substitution within the PWP survey is limited, relating only to first-round labour substitution effects at an individual level, ie substitution on the part of the PWP participant, and does not examine secondary and subsequent intra-household substitution effects, nor the re-optimisation of household labour allocations as a result of PWP employment. For this reason, it is difficult to assess the extent to which PWP-induced employment substitution (both paid and unpaid) was absorbed within the household, or whether such substitution represented net losses in terms of total household employment activity and, as a result, net losses to the household economy. This is an important area for future analysis which is not currently addressed in the PWP literature.

## The impact of training and work experience

The impacts of programme participation on labour market performance are explored here in terms of whether labour market exposure and training led to improved employment performance, as anticipated, and whether PWP employment stimulated any forms of informal or self-employment. It is not possible to draw statistically robust conclusions regarding the impact of the training, given the limited data available, but the findings do offer insights into the participants' perceptions of the training provided, and together with reported labour market performance of PWP graduates already discussed, they give an indication of likely programme labour market impact.

**Table 10.7: Workers recalling training in specific areas as a percentage of those reporting having received training**

| | Gundo Lashu | Zibambele |
|---|---|---|
| **Workers reporting having been trained** | n = 129 | n = 336 |
| **Technical road maintenance/ construction** | 27 (n = 35) | 99 (n = 333) |
| **Supervision** | 13 (n = 17) | 15 (n = 50) |
| **Entrepreneurship** | 74 (n = 95) | 13 (n = 44) |
| **Life skills** | 8 (n = 10) | 3 (n = 10) |

*Source: Own calculations from PWP survey 2003*

## PWP participants' perceptions of training[9]

Overall, 38 per cent of Gundo Lashu and 81 per cent of Zibambele participants reported that they had received training.[10] The subjects in which training was reported are set out in Table 10.7.

It is noteworthy that the majority of the Gundo Lashu workers reported no technical skills training. Despite the very different percentages reporting training in entrepreneurship (74 per cent of Gundo Lashu workers and 13 per cent of Zibambele workers), the reported outcome, in terms of engagement in micro-enterprise, is similarly low in both cases, with only 12–14 per cent of survey respondents reporting increased micro-enterprise activity.

The impact of training on labour market performance was assessed through a direct question in the survey, 'Has this training enabled the worker to find additional wage employment?' Only 6 per cent of formerly employed Gundo Lashu respondents and 4 per cent of Zibambele respondents replied positively, implying that 95 per cent of PWP workers perceived that the training had not had an impact on labour market performance. In interpreting these findings, it is important to note that 63 per cent of the Zibambele workers who answered the question about work-seeking, reported looking for work while participating in the programme. In the light of this, the low percentage reporting that the PWP training promoted their labour market performance challenges the assumption frequently made in relation to PWPs in South Africa (and elsewhere), that PWP participation and related training will 'increase their [workers'] capacity to earn an income once they leave the programme' (Mbeki, 2003).[11]

9 On-the-job and any additional training provided were considered together for the purposes of this analysis.

10 Interestingly, PWP participants 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 themselves may have been limited.

11 Address by President Mbeki to the National Council of Provinces, 11 November 2003, reported in *This Day* 12 November 2003, under the headline, 'Mbeki Promises a Million New Jobs'.

The primary explanations given by workers for why the training had not enabled them to find employment were lack of employment opportunities (given as the primary reason by 61 per cent of Gundo Lashu and 82 per cent of Zibambele respondents), and lack of resources for a job search (reported by 29 per cent of Gundo Lashu and 7 per cent of Zibambele respondents). The emphasis on lack of employment opportunities represents a realistic analysis of their labour market prospects on the part of the workers, given the levels of unemployment prevalent in rural KwaZulu-Natal and Limpopo. The critical issue here is that no skills shortage has been identified for the array of skills acquired by workers through participation in construction or maintenance-based PWPs; these are not the skills for which a significant unmet demand is apparent.[12]

Under the SPWP Conditions of Good Conduct (South Africa, Department of Labour, 2002a, 2002b), a derogation from the minimum wage was agreed by the Congress of South African Trade Unions (COSATU) for EPWP participants as a *quid pro quo* for the training benefits each participant would receive (McCord, 2007a). Accordingly, in the Gundo Lashu programme, workers were paid 75 per cent of their regular PWP wage while receiving training, on the basis of the imputed value of the training. However, this practice 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 a training activity which was not considered valuable, and experiencing what was perceived as a 'wage deduction' for doing so.[13]

While PWP participants did not place a significant value on the training provided,[14] focus group discussions revealed that workers themselves had identified the key areas in which they felt training would be effective, based on their understanding of the local labour market, but that this analysis did not influence the package of training options provided. This relates in particular to problems of asymmetry in labour market information, expressed as a perception that lack of information and of social networks were key constraints to accessing employment opportunities.[15] This suggests that PWP participants would value the provision of labour market information as one component of a training package. However, this would only serve to reduce frictional labour market inefficiencies rather than increasing the net amount of employment available, unless significant job creation or self-employment also resulted (this issue is discussed in more detail later on).

12 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 diplomates' (PCAS, 2003). Engineers, technicians and artisans are also in chronically short supply. These are not the skills acquired by participation in PWPs.

13 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.

14 In recognition of the limited perceived value of the skills training provided, life skills training was introduced into the Gundo Lashu programme in place of formal skills training, subsequent to the survey. The value of such an intervention is contingent on both the content and quality of the life skills training offered; however, the term 'life skills' was not clearly defined in either of the two case study programmes or the broader EPWP of which they are a part. This is typical of life skills training within the PWP sector more broadly.

15 The contribution of social capital to labour market performance is discussed in Nattrass (2000).

Workers also highlighted a need for access to microfinance institutions and the formal banking sector, in order to access funds for micro-enterprise, factors which could be addressed through the training component of PWP programmes.

## Entrepreneurship and micro-enterprise development

Another frequently assumed beneficial impact of PWP participation on labour market performance is that as a consequence of labour market exposure and skills development, workers may become entrepreneurs or contractors, entering into market-based relationships with other employers and moving up the hierarchy of the labour market once they have their 'foot on the employment ladder' (Phillips, 2004). In order to explore this assumption, workers were asked whether they had aspirations to become contractors. Fifty-eight per cent of Gundo Lashu and 72 per cent of Zibambele workers stated that they would like to become contractors. However, lack of access to finance and lack of technical knowledge were stated 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, these represent binding constraints, and hence, workers' aspirations are unlikely to be met as a result of PWP participation alone, without significant complementary interventions and investment in these areas. It is interesting to note that a sizeable minority of workers did not aspire to move up the labour hierarchy but preferred to remain as labourers. Both these findings challenge the assumption that workplace training and skills development will result in the development of small, medium and micro-enterprises, unless other barriers to access are removed.

The spontaneous development of micro-enterprise activity, as a 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. About 14 per cent of Gundo Lashu and 12 per cent of Zibambele households responded positively. The income-generating activities initiated among Gundo Lashu households were primarily focused on small-scale trading (54 per cent) and service provision (30 per cent), with limited increases reported in agricultural and household production. Among the Zibambele households, small-scale trading was also the most common (50 per cent), followed by agricultural production (26 per cent), with only 10 per cent of households reporting service provision and household production increases. Focus group discussion among the Zibambele workers indicated that while limited markets represented an important constraint to the development of local micro-enterprise, the main factor preventing the development of micro-enterprise was the lack of credit and capital, a concern highlighted by over 80 per cent of respondents. By contrast, lack of business or technical skills was considered to be a constraint by only 12 per cent of Gundo Lashu and 6 per cent of Zibambele respondents, indicating that access to capital was perceived as a greater priority than business skills training in terms of overcoming barriers to business development.

The limited levels of investment in micro-enterprise 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. In this way, the PWP wage leads to productive investment only if it is large enough to cover consumption needs. 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' (Devereux, 2000: 4), while low-value transfers, by contrast, were mainly consumed in the form of food and clothing. The survey findings were consistent 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 microfinance component (group savings and micro-enterprise training) had been added to the PWP package, enthusiasm for micro-enterprise 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. However, at the time of the research, these group projects had not yet been realised, and so, their success could not be evaluated. What is evident, however, is that microfinance inputs have the potential to improve workers' perception of the feasibility of investing in viable business ventures. This insight is supported by evidence from an evaluation of the DFID-financed Improving Livelihoods through Public Works Programmes (ILTPWP) component of the Malawi Social Action Fund (MASAF), which found that inputs in areas such as microfinance, credit, savings, group formation and enterprise development can play a critical role in the stimulation of micro-enterprise, which cannot be achieved through PWP wage transfer alone.

### Secondary enterprise development

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, with the bulk of their wage expenditure being 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 purchase, and workplace consumer demands. However, the duration of these benefits was limited to the period of employment. In neither case was a significant or sustained increase in local economic development evident, as a consequence of the wage transfer.

## Participants' perceptions of the constraints to employment

In both the Gundo Lashu and Zibambele focus groups, workers stated that the experience of working in the PWP and the skills gained through participation had not significantly enhanced 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 findings outlined previously, that former PWP workers in Gundo

Lashu households had no greater likelihood of employment than other household members; only 19 per cent of former PWP employees were still working at the time of the interview compared with 17 per cent of household members without PWP employment experience.

If the broad unemployment rate among former Gundo Lashu workers is used, this picture becomes increasingly stark, with unemployment rates of 80 per cent among former PWP employees compared with 65 per cent among non-PWP participants and a mean rate of 60 per cent among the rural Limpopo population (see Table 10.4). 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. It is possible, however, 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.

In terms of the impact of PWP income and experience on household-wide employment performance more generally (mediated through improved information networks, increased resources available for job search, transport, etc, as mooted by Posel et al., 2006), the data does not suggest that programme participation had a significant impact. Among Zibambele households, only four per cent had members who had found work since the household was given a PWP contract, and only eight per cent of households with former Gundo Lashu workers and six per cent of households with current Gundo Lashu workers reported that one or more family members had found work since a household member had taken up PWP employment. It is not clear in either case whether any additional employment was a consequence of a household member participating in the programme or was unrelated to PWP employment.

The labour market constraints described by PWP participants as the main constraints to successful labour market participation are explored in the section that follows. These constraints are critical as they illustrate the limitations of a PWP's potential to promote successful labour market participation (and thereby potentially 'graduation'), in the context of chronic unemployment, and demonstrate that factors external to the PWP are key in determining its labour market impact.

## Reasons for discouragement

Among labour market participants who had not worked recently, 75 per cent of Gundo Lashu and 65 per cent of Zibambele 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 'non-searching unemployed' for this group and suggests that their inclusion in the unemployment statistics is appropriate (see Kingdon and Knight, 2000). Some 25 per cent and 15 per cent, respectively, gave 'lack of money to pay for transport to look for work' as the main reason, and 12 per cent of the Zibambele group reported having lost hope of finding any kind of work.

Among the Zibambele PWP participants not engaged in work-seeking activity, the dominant reasons given for not seeking employment were the lack of employment opportunities

in the area, 'family considerations/child care', and 'ill-health/disability' reported by 28 per cent, 24 per cent and 22 per cent of respondents, respectively. These findings suggest that some Zibambele participants 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. They also indicate that the Zibambele programme may have included those with physical infirmities which could preclude conventional labour market participation. These health and domestic care constraints to labour market participation may have implications for the likelihood of the progression of PWP participants to employment in the open labour market. It may be that those targeted for PWP participation on the basis of their poverty face health, domestic responsibility and mobility constraints which limit their potential participation in the labour market, particularly when employment is not available in the immediate vicinity. This suggests, paradoxically, that effective poverty targeting may adversely affect the likelihood of graduation resulting from programme participation since it is the poorest who face the greatest barriers to successful labour market engagement.

## Mobility and domestic responsibilities

The issue of labour mobility was explored further in the survey, with the respondents being asked if they sometimes travelled and stayed away from their homes to look for employment. Fifty-four per cent of unemployed Gundo Lashu household members reported that they sometimes did so compared with only 36 per cent of Zibambele household members. Among Zibambele PWP participants, only five per cent reported travelling in search of employment. It is possible that this low mobility among Zibambele participants is primarily a consequence of their PWP employment obligations, but given the flexibility offered within the Zibambele programme (in terms of worker substitution) and participants' reported desire to seek additional employment, gender could also be a factor, inasmuch as is it implies a set of social and domestic constraints to mobility (93 per cent of the Zibambele participants are female). Todes, 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. (2006).[16] Travelling in search of work occurred less frequently for both sexes among the Zibambele

16 Among the Gundo Lashu unemployed, 59 per cent of men travelled in search of employment compared with 50 per cent of women, and in Zibambele households, 42 per cent of unemployed men travelled for this reason, compared with 32 per cent of women (not tested for significance).

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, lack of money for job search expenses and lack of work availability again were the dominant responses among the unemployed in both samples. Samson (2002) and Posel et al. (opcit) found that receipt of a social grant contributed to increased employment search activity in recipient households, but the emphasis given by these respondents to the lack of income for job search suggests that the value of the wage was not sufficient to address this constraint.

Among Zibambele PWP participants themselves, however, the pattern differs, with household responsibilities being the main constraint to travelling in search of employment for 63 per cent of women and 43 per cent of men. Lack of work availability was the main reason given by 22 per cent and 15 per cent of male and female Zibambele participants, respectively, and lack of funds for a job search, 17 per cent and 15 per cent, respectively. These responses again indicate that Zibambele participants may be combining domestic responsibilities with the PWP employment in a way which would be impossible if they were employed in the mainstream labour market. The value of the availability of Zibambele employment in the participants' immediate vicinity was 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 some distance from the home, and was therefore not accessible to women with domestic responsibilities or infirmities. 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 or sporadic, requiring no participant to travel more than two kilometres to her work station.[17]

In both samples, 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 limits both access to information about job availability and also help from contacts who might facilitate access to jobs (the concern articulated in 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 considered a rational use of scarce financial resources in PWP households. This realistic assessment of labour demand and of the critical role assigned to social networks in securing employment corresponds to findings by Nattrass (2000) and suggests that a combination of high levels of unemployment, limited income and poor access to labour market information influence labour market choices and constrain job search activity.

## Conclusion

While it is not possible to identify the direct impact of PWP participation on employment due to the lack of baseline data on prior employment and labour force participation status, the high unemployment rate prevailing among former PWP workers challenges

17 J. Mlawu, Policy Director, KwaZulu-Natal Department of Transport and Public Works, February, 2004, pers. comm.

the assumption that programme participation had a significant beneficial impact, in terms of subsequent employment performance, in the short to medium term.[18]

The Department of Public Works implementing the South African national employment programme of which the Gundo Lashu and Zibambele programmes formed a part, characterised the hoped-for post-PWP employment scenario 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' (Phillips, 2004), aspirations typical of many PWPs across the continent. However, the evidence from the survey suggests that workers may rather graduate back into unemployment or underemployment 'under normal conditions', returning to the *status quo ante* in terms of their labour market performance. The training received by workers appears to have had little impact on employment, largely due to the limited demand for semi-skilled construction workers in the programme areas. The majority of workers aspire to move up the labour market ladder, but recognise that lack of skills and access to capital renders this unlikely. Equally, micro-enterprise activity by workers is also limited, again largely due to capital constraints, the lack of complementary social development and microfinance inputs, and limited local demand.

The fact that the survey found no evidence of improved labour market performance as a consequence of PWP labour market experience or training is not surprising, given the high levels of rural unemployment and the limited demand for low- and semi-skilled workers. 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 have significant effects on labour market performance, particularly given the limited time allocated to training in both programmes, and the limited duration of employment in the Gundo Lashu programme. Hence the labour market situation facing PWP graduates, revealed by the research findings set out in this chapter, challenges the argument that participation in the EPWP is a 'stepping stone' to employment in the open labour market (ibid). A combination of low demand for labour in programme areas, the mobility constraints implied by household obligations and limited resources for a job search together suggest that the anticipated exit and graduation scenario for former PWP participants may not be realistic. 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 and possibly continue to engage in *ad hoc* local employment and home production activities rather than risking them on investment in job search, particularly when the inhibiting effect of lack of social contacts is well understood.

18 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 long-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 9 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 a programme's labour market impact in the long term.

# Chapter 11

# *Case study poverty impacts*

Building upon the review of incidence in the two case study programmes and their labour market impacts, in the previous two chapters, this chapter explores the impact of programme participation on poverty using a range of monetary and non-monetary indicators. The chapter first explores the impact of the PWP wage on household income poverty and then explores what this means at a household level in terms of a range of non-income dimensions of poverty in order to assess and compare the social protection function of the two different case study programmes.

## Measuring the poverty impact

Ideally, in order to assess the impact of an intervention on income poverty, household income data from before and during PWP employment should be used together with data for the same period from a control group using a difference-in-difference (DID) approach. However, as discussed previously, neither of the two case studies had collected baseline data on the socio-economic status of participants, and hence, neither pre-treatment household data nor non-treatment control group data was available, and so, it was not possible to use a conventional DID approach. The challenge this represents is one encountered in many PWPs across the region, which requires some methodological ingenuity to address. The approach adopted to assess the poverty impact of these two programmes is set out in some detail later as it presented some valuable insights into the role of PWP income within beneficiary households.

Given the absence of baseline data, the approach adopted was to assess total household income during, or, in the case of the former Gundo Lashu households, after programme participation and compare this to a counterfactual created by subtracting the estimated net income gain from total household income. In order to do this, values for both net income gain and total household income had to be calculated. These figures were then used to assess changes in poverty incidence and depth using Poverty Incidence Curves (PICs) and Foster Greer Thorbeck (FGT) indices.[1] The process for deriving these figures and the poverty impacts they revealed are described in the pages that follow.

1 As described earlier, the analysis made use of a Household Subsistence Line (HSL) poverty line of R486 (US$65 at 2004 prices) per adult equivalent.

## The PWP wage

As a first step in assessing the income impact of the PWP intervention, the value of the wage derived from PWP participation is explored. The distribution of wages in both programmes is illustrated in Figure 11.1. In this boxplot, the bottom and top of the box represent the 25th and 75th percentile of the PWP wage and the central line the median (the 50th percentile).

Figure 11.1 shows that wage dispersion among Zibambele workers was relatively small, a consequence of the uniform monthly contract issued to all workers. The mean income was R329. The small variation in the reported Zibambele wage is of note since all employees were paid a standard R334 per month. The difference may be due to some workers reporting the net amount available after the deduction of bank fees (between R15 and R25).[2]

By contrast, the monthly PWP wage for current Gundo Lashu workers varied widely because of the task-based payment system adopted and the variable length of workers' contracts with some working 24 days per month and others working for significantly

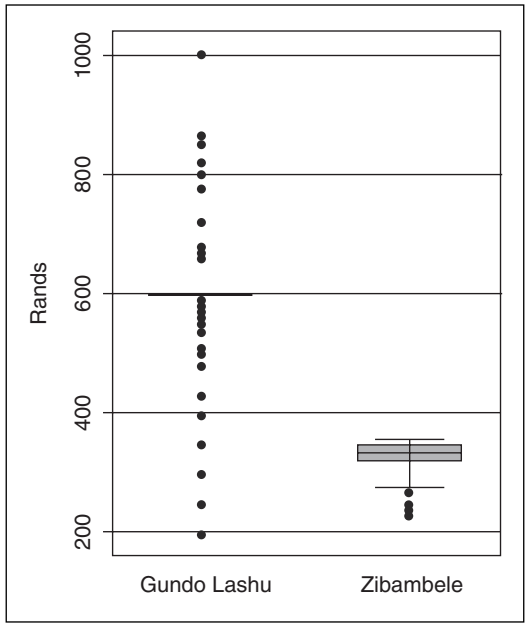


**Figure 11.1: Distribution of monthly PWP wages (Rands)**
*Source: Own calculations using PWP survey, 2003*

2 Zibambele wages are paid electronically through the formal banking network in order to reduce opportunities for theft and corruption; the loss of between four per cent and seven per cent of the Zibambele wage on bank charges represents a significant cost to PWP workers.

shorter periods.[3] If a mean monthly PWP wage were to be estimated for the Gundo Lashu workers, it would be R579, although, given the wide dispersion of wages, a mean value is not particularly informative in this context.

In order to consider the poverty-reducing function of the PWP wage, it is useful first to compare it to the wage income of non-PWP workers (see Table 11.1). The total income of PWP participants (taking into account any additional income reported from non-PWP employment) is also included in the table.

Twenty-eight percent of Zibambele workers reported additional income, reflecting the part-time nature of the PWP employment. For these workers, the mean monthly wage income was R492, 49 per cent higher than the mean PWP wage. Since Gundo Lashu employment was full-time and physically demanding, participation in the programme left little opportunity for engagement in additional income-generating activity.[4] This is reflected in the fact that only 7 per cent of current Gundo Lashu workers reported additional wage income from other sources.

In the Zibambele programme, the wage income was similar for both PWP and non-PWP workers, although PWP workers with additional wage income reported higher total wage income than non-PWP workers by a margin of 30 per cent.

**Table 11.1: Monthly wage income for PWP and non-PWP workers (Rands)**

| | Mean PWP wage | Range | Mean PWP worker total wage (for those reporting additional earnings) | Range | Mean non-PWP worker total wage | Range |
|---|---|---|---|---|---|---|
| **Zibambele** | 330 (n = 415) | 230–360 | 492** (n = 116) | 320–2140 | 327 (n = 99) | 40–2 000 |
| **Gundo Lashu** | 579 (n = 340) | 200–1 000 | 886* (n = 24) | 750–1172 | 674 (n = 98) | 36–3 960 |

*Source: Own calculations from PWP Survey, 2003*

*Notes:*

** 7 % of Gundo Lashu workers reported additional wage income and provided values*

*** 28 % of Zibambele workers reported additional wage income and provided values*

3 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.

4 This is based on a norm of one task a day, which will take on average five hours to complete.

Figure 11.2 illustrates the distribution of monthly non-PWP worker income (excluding former PWP workers) within PWP households in the two programmes. The distribution of incomes in the Gundo Lashu programme is more widely spread with a mean which is twice that of the Zibambele programme (R674 compared to R327), indicating that the Zibambele group is more homogenous with significantly lower wage incomes.

Both the PWP and non-PWP wage dispersions are large for the Gundo Lashu population, rendering analysis based on means problematic. This dispersion has implications for the following discussion as most of the analysis requiring an income variable can only be carried out on the Zibambele data. In the tables that follow, the Gundo Lashu analysis will only be presented where this dispersion does not undermine its validity and direct comparisons between Gundo Lashu and Zibambele data will only be made where they are meaningful.

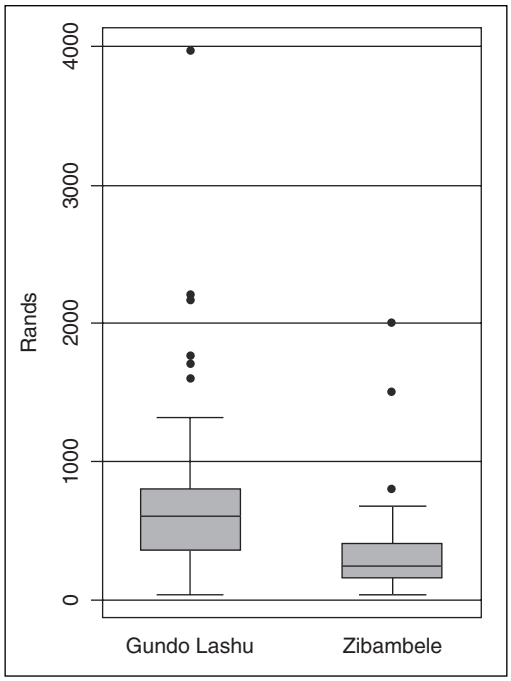


**Figure 11.2: Distribution of non-PWP worker wage income (Rands)**
*Source: Own calculations using PWP survey, 2003*

## Total household wage income

The mean total wage income for Zibambele households, including the PWP wage, was R436 with the PWP wage representing 76 per cent of total household wage income.

Under-reporting of wage income is a common problem in household surveys (see Deaton, 2003), which could result in an overestimate of the value of the PWP wage as a share of total wage income. In order to compensate for anticipated under-reporting of wage income in the PWP survey, reported income is inflated by a factor of 1.6 to approximate actual income.[5] If this inflator is adopted for the non-PWP wages only, the PWP wage forms 66 per cent of the total wage income for Zibambele programme, still a highly significant proportion of overall wage income.

## Income forgone

In order to assess the wage impact of PWP participation in the context of the dynamic processes of labour substitution, it is necessary to take into account wages forgone (Van de Walle, 1998). This consideration has, however, been omitted from many previous PWP impact evaluations (see discussion in Devereux and Solomon, 2006, and Chapter 4) a serious analytical omission. Wages forgone represent a directly measurable private opportunity cost of programme participation,[6] which is particularly relevant when considering the net income impact of a PWP and its function as an instrument of social protection provision.[7]

Ideally, pre-PWP household wage income should be reviewed in order to calculate income forgone. However, in the absence of a baseline study, this information has to be inferred from the recall data in the survey. Such data is not ideal as: 1) it is subject to recall error and 2) it does not capture the complexity of shifts in intra-household labour allocation arising from PWP employment.

However, notwithstanding these limitations, an attempt has been made to estimate the value of income forgone in the two case study programmes, and on this basis to estimate approximations of the net income gains arising from PWP participation.

An important caveat to this analysis is the fact that the degree of labour market distortion in the form of the substitution of one form of employment for another may be greater than indicated by the survey findings as many respondents might not consider 'piece work' or casual work to be 'work' and worthy of reporting (as suggested by Adato et al., opcit). Also, findings could potentially be biased by a concern among respondents that admitting to prior work participation might result in exclusion from PWP employment. Focus group work confirmed that these factors were likely to result in the under-reporting of work forgone. Given this potential bias, the estimates in this chapter represent the upper limits of the net financial value of PWP employment representing

5 In the absence of firm knowledge of the level of survey income under-reporting in South Africa, Meth (2006a and 2006b) adjusted the value of LFS income upwards until total income was approximately equal to the national accounts income estimates. The raising factor used to reach this was 1.6.

6 As discussed in Chapter 5, it is important to note that income forgone is not the only private opportunity cost of programme participation (see, for example, discussion of the variety of informal rents paid in order to participate in the MEGS in India, in Pellisery, 2008 and Sharp, Brown and Teshome, 2006) but it is the principal cost and one which is most readily measurable through survey analysis.

7 Datt and Ravallion (1994a) also suggest the possibility of examining utility forgone, assessed in terms of time allocations. However, only the income approach is used in this analysis.

the maximum possible benefit, and as a result, the most optimistic estimates of the net financial impact of the programme.

In addition, the question of household-level PWP-induced labour substitution and re-allocation raised in the previous chapter has a bearing on the accuracy of the analysis of income forgone. Given the limitations of the data available, it is only possible to examine income forgone at an individual level and so, the analysis that follows does not take account of whether the activities forgone were taken up by other household members. To the extent that they were taken up by other members of the household, income forgone would not represent a net income loss at household level but only at the level of the PWP participant.

## Labour market substitution

The survey findings suggest that significant labour market substitution occurred in both programmes as a consequence of PWP employment. The number of PWP participants reporting reducing or giving up alternative activities in order to participate in the PWP programme was high, with 81 per cent of all Gundo Lashu and 72 per cent of Zibambele workers reporting giving up some form of work.[8] A review of the nature of work given up, both paid and unpaid, offers possible insights into the nature of the changes in household labour allocations taking place. The results are set out in Table 11.2.

Among the Zibambele workers reporting having forgone work, domestic, casual wage and subsistence labour were the dominant categories of work forgone (between 21 per cent and 25 per cent) with no workers reporting giving up regular wage employment in favour of PWP participation. The relatively low total Zibambele PWP wage would not compensate for the loss of regular wage employment, and it is unlikely that if a Zibambele worker had had regular wage employment, this would have been given up for Zibambele employment.[9]

**Table 11.2: Categories of work forgone**

| | % of workers answering yes to each category | |
|---|---|---|
| | **Zibambele (n = 299)** | **Gundo Lashu (n = 275)** |
| **Regular wage employment** | 0 (n = 0) | 5.8 (n = 16) |
| **Casual wage labour** | 24.0 (n = 72) | 15.9 (n = 44) |
| **Subsistence labour** | 21.0 (n = 63) | 10.0 (n = 28) |
| **Non-farm activity** | 13.8 (n = 41) | 12.8 (n = 35) |
| **Domestic activity** | 25.1 (n = 75) | 34.6 (n = 95) |

*Source: Own calculations from PWP survey 2003*
*Note: Categories are not mutually exclusive.*

8 This includes unpaid domestic work. Not all those reporting reduced work activity gave a monetary value for this work.

9 It is also unlikely that a worker with such employment would have been selected by the community for inclusion in the programme.

Among Gundo Lashu workers reporting work forgone, one-third gave up domestic activity, between 10 per cent and 16 per cent casual wage labour, non-farm activity and subsistence, and only 6 per cent regular wage employment.

The fact that only a small percentage of Gundo Lashu workers of both sexes reported giving up regular wage labour is in part a reflection of the limited availability of such employment in the area. For men, the most frequent kind of work forgone was casual wage labour with 27 per cent of those who gave up work reporting this as an activity forgone compared to only 6 per cent of women. For women, the most frequent area of work forgone was non-remunerated domestic work, mentioned by 50 per cent compared with only 17 per cent of men. The second most important category for women was non-farm income-generating activity, which was given up by 17 per cent of women compared with only 8 per cent of men. This illustrates a gendered difference in work forgone by Gundo Lashu workers and is likely to reflect the gendered allocation of labour within the households of participating workers. Unfortunately, a gender analysis of the type of work given by Zibambele workers is not possible owing to the small number of males participating in the programme (seven per cent).

### *Local employment opportunities*

Among the Zibambele PWP workers, 31 per cent reported having given up alternative paid work activities (regular or casual labour, or non-farm activities[10]) compared to 36 per cent of Gundo Lashu workers with the mean value of reported income forgone differing significantly at R158 and R380, respectively. Focus group participants stated that many Gundo Lashu workers had worked on an informal basis immediately prior to programme participation, confirming the survey findings, and that workers had chosen to substitute PWP work for this employment due to the extremely low wage levels prevailing in the local informal sector and the informalised component of the agricultural sector (R6 per day) and the relative ease with which workers could move in and out of low-paid informal sector employment.[11]

Focus group discussions revealed extremely limited employment opportunities in both the formal and informal economy for Zibambele workers particularly in areas where access to agricultural employment or to raw materials for domestic production (such as grass and clay) was limited. Only informal short-term employment, frequently paid in kind, was available in many Zibambele communities, and access to wage labour was extremely limited and *ad hoc*. In these conditions, security of employment was perceived as the core benefit of participation in Zibambele. Workers stated that they would give up or refuse higher paid temporary employment in favour of PWP employment, if engaging in such work on a temporary basis entailed giving up the security offered by PWP participation.[12]

10 Non-farm activities were defined in the survey as 'making things to sell, selling things, providing services, etc.'

11 A minimum wage was introduced in the agricultural sector in South Africa in 2002. However, introduction of the minimum wage in agriculture was perceived by interviewees as having little impact on the highly casualised lower end of the agricultural sector in which workers were recruited and paid daily on a task basis with no employment registration or documentation of their employment, and hence, few barriers to exit and entry.

12 Focus group discussions, Eshowe and Mapumulo, KwaZulu-Natal, February 2004.

A small proportion of workers reported values for income forgone which were greater than the value of the PWP wage (2.7 per cent of Gundo Lashu workers and 1.4 per cent of Zibambele workers).[13] While the number of workers reporting this is low, it may indicate a preference for PWP work which was perceived as higher quality work than the work forgone. The focus group discussions in both areas indicated that the available work tended to be sporadic and irregular, and varying in terms of availability and duration of employment as well as certainty of being paid for work performed.[14] This conforms to Muller's characterisation of employment in the South African informal sector as 'survivalist, offering poor job security and yielding low returns' (Muller, 2003: 1). For these reasons, it was reported that forgoing uncertain, and even in some instances, higher paid work in favour of lower paid PWP employment which was available for potentially several weeks, months or in the case of the Zibambele programme, on an ongoing basis was a rational deployment of labour. This effect was captured in the survey. Focus group discussions suggested that instances in which income forgone exceeded PWP income might have been more widespread than survey findings indicate, since a higher premium was placed on the value of extended or permanent employment than higher wages for a temporary period.

## The valued qualities of PWP work: stability, security and flexibility

PWP workers argued that their labour market decisions were not driven exclusively by the goal of maximising the current wage. This challenges the assumption that labour behaviour is primarily a function of the wage rate and suggests that it is also informed by consideration of the security of income streams over time, an important determinant of the perceived quality of employment. The fact that employment duration plays such a key role in informing labour behaviour offers an 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 net income. This was particularly the case among the Zibambele workers, who defined the attributes they valued in the PWP employment as:

- the regular wage
- a stable and predictable wage level
- the permanent nature of employment provided, and
- the flexibility of working hours.

These attributes made it possible for PWP participation to be combined with other household responsibilities and work opportunities, thereby allowing labour-constrained households which might not be able to participate in full-time employment or employment with set hours of participation to benefit. Workers also valued highly the acceptance

13 n = 9 in the Gundo Lashu and n = 6 in the Zibambele programme.

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

of labour substitution from within the household. This is particularly important as it permits the reallocation of PWP employment within the household in the case of sickness or death on the part of the nominated worker, reinforcing the stability of the income stream especially at times of household stress. This concession also enables PWP workers to take-up occasional full-time temporary work outside the PWP, if the opportunity arises, without sacrificing the security offered by PWP participation.[15] These unusual design elements mean that the programme increased the potential for participation by labour-constrained households and enabled poor households to optimise their wage income through participation in locally available transient employment opportunities through intra-household labour reallocation. Recognising this, workers were keen to maintain their employment in the scheme rather than engage in alternative, less secure employment with potentially higher remuneration.

These findings are consistent with the arguments of Devereux (2000) and Dev (1995) that predictability of income flows may be as important, if not more important, than the net value 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 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 asset' (Dev, 1995: 126, 136). He went on to say 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'. (ibid)

The implication of this argument is that the insurance function of a PWP is critical. However, a PWP can only provide this insurance function if it offers some kind of credible guarantee of employment on a sustained basis (a Type B programme). This represents a significant challenge given the fiscal, administrative and technical constraints faced by many MICs and LICs.

These findings highlight the importance of the quality in terms of stability, security and flexibility of PWP employment, and the fact that this in itself has a value to programme participants and influences their labour market behaviour as well as the monetary value of programme participation. It is important that these factors are taken into account in the PWP debate in order to inform appropriate programme selection and design.

## The value of income forgone

Having established that substitution occurred between PWP and prior employment, the next challenge in assessing the net value of the PWP wage is to assess the actual value of income forgone. In the Zibambele programme, the mean value of income forgone

15 The example offered by Zibambele workers was temporary seasonal work, cutting sugar cane.

was R157 (n = 115) (48 per cent of reported PWP income), R123 for men and R158 for women. When instances where the value of income forgone exceeded the value of the PWP wage are excluded from the analysis, the monthly value of Zibambele income forgone falls from R157 to R140 with a mean male value of R145[16] and corresponding female value of R140, which is 97 per cent of the male figure.

### *Net PWP income value*

Estimates can be made of the net income gain to households from PWP participation by subtracting income forgone from the reported PWP wage. From this, a net financial benefit ratio (NFBR) can be derived (McCord, 2003), which indicates the percentage of the gross PWP wage transfer, which constitutes additional household income.[17] This ratio is calculated in the next paragraph.

The mean net income gain from participation in the PWP for Zibambele workers reporting having given up work was R190, indicating a NFBR of 0.58.[18] No gender differential was indicated; the mean net monthly income gain was R199 for men and R190 for women, resulting in NFBRs of 0.60 and 0.58, respectively.

These ratios are only meaningful for the limited number of workers reporting income forgone. In order to calculate the programme-wide NFBR, the fact that only one-third of programme participants reported income forgone needs to be taken into account. It is assumed that for the workers who reported no income forgone, the net income gain was the full amount of the transfer in which case the NFBR is unity;[19] this would apply in the case of 299 of the Zibambele workers.

Combining the analysis for those reporting income forgone and those not reporting, it would result in an overall programme-wide mean net income benefit of R294 for each Zibambele worker (compared to a R330 gross benefit), representing a NFBR of 0.89. However, as already discussed, the degree of labour market substitution taking place may be greater than the figures reported in the survey imply, and hence, these calculations may underestimate the extent of income forgone, exaggerating the NFBR of these projects. Hence, the figure of 0.89 can be taken to represent a best-case scenario or upper limit of the actual NFBRs prevailing in the two programmes, respectively, while the pattern of

16 It should be noted that n = 8 for this group with men constituting only 7 per cent of the total Zibambele workforce.

17 This ratio is calculated on the basis of the simplifying assumption that intra-household labour reallocation did not take place such that another household member took up the activities forgone. This simplifying assumption has been adopted throughout this chapter due to the lack of data on intra-household labour reallocations. This caveat applies to all discussion in this chapter about income forgone and total household income and could potentially lead to an understatement of the net PWP income impact if significant levels of intra-household re-optimisation of labour allocation were taking place.

18 This excludes workers reporting income forgone which exceeded the PWP wage due to problems with the reliability of the data for this small group, which requires further investigation,

19 It is likely that reporting bias would result in underestimates of both the number of workers giving up previous work and also the number reporting giving up remunerated work. In the light of this, the ascription of a NFBR of 1 to those not reporting income forgone is likely to result in an overstatement of the mean NFBR and an exaggeration of the net value of the transfer.

income forgone reported by one-third of the workers can be used to set lower limits of 0.58. From this analysis, it can be concluded that the NFBR falls between 0.58 and 0.89 for the Zibambele programme. If, however, significant intra-household labour reallocation not captured in the survey was taking place to accommodate work forgone by PWP participants, the extent of income forgone at a household level would be lower than the NFBR range set out earlier would suggest.

## Total household income

Having approximated the value of the net wage, the next step required to assess its impact on poverty is to review it in the context of total household income. In addition to employment-derived income, a calculation of total household income needs to take account of state and private transfers including social grants, private transfers and social insurance, and a range of community- and family-based transfers such as remittances, loans and gifts within the community (horizontal transfers), as well as transfers marking events such as marriage or the birth of a child.

### *State social grants and insurance*

The survey gathered data on the value of state transfers received in the PWP households. The transfers accruing to the largest number of household members were the child support grant and state old-age pension. All other state grants and insurances were received by a negligible percentage of the sample.[20] In total, 67 per cent of Gundo Lashu households and 37 per cent of Zibambele households received some form of state transfer with mean values of R620 and R416, respectively.

### *Private transfers*

While it is recognised that private transfers contribute to the diversified income base of the poor (Habib and Maharaj, 2007), it is unusual for them to be captured in conventional surveys. The survey captured data on several forms of private transfer although the numbers involved were small by comparison with the incidence of state transfers. Twenty-one private maintenance grants were reported in Gundo Lashu households and 13 in Zibambele households, representing receipt by eight per cent and three per cent of households, respectively. The number of reported private pensions and retirement benefits were six for Gundo Lashu and five in Zibambele households (two per cent and one per cent of households, respectively). Private maintenance grants for children or spouses were the most commonly occurring private transfers reported, but workplace pensions and retirement benefits, bride price (lobola) and compensation for illegitimate

20 One hundred and sixty-nine child support grants and 98 old age pensions were reported in the Gundo Lashu sample, and 161 and 38, respectively, in the Zibambele sample. A detailed discussion of social grant and insurance receipt among PWP households, including take-up rates, is provided in Chapter 8.

children, injury or theft were also reported.[21] The relatively low coverage of workplace pensions was expected, given the very low proportion of PWP households with a member employed in the formal economy. The reported incidence of the other major forms of social redistribution, such as lobola, was low given the demographics of the sample — it is likely that there was significant under-reporting of this form of transfer. Private transfers reported included one-off compensation payments from the fathers of illegitimate children either in the form of cows or cash with values between R700 and R3 000, lobola payments, and workplace pensions/benefits ranging from R670 to R1 772 per annum. The high value of both workplace insurances and private transfers is notable in relation to the mean household monthly Zibambele wage income level of only R466.

### *Remittances*

Remittance income was also included in the survey in order to ensure as many of the diverse sources of household income prevalent in South Africa as possible were incorporated into the analysis. This information is frequently omitted in national household survey work, and for this reason there is little direct comparative data.[22] Even when included in a survey, however, remittance income may frequently be under-reported due to problems of recall and the fact that many remittances may be in-kind, which may be difficult to remember and to value in monetary terms. These difficulties typically result in the underestimation of the contribution of remittances to household income.

Notwithstanding these concerns, 28 per cent of Gundo Lashu households and 12 per cent of Zibambele households reported remittance income from household members. These figures are consistent with the percentage of households reporting migrant workers, 28 per cent in the case of Gundo Lashu and 7 per cent in the case of Zibambele. The mean annual value remittances was R3 041 (ranging from R250 to R12 000) for Gundo Lashu and R615 (from R40 to R1 500) for Zibambele households. It is noticeable that the Zibambele figures are considerably lower and less widely distributed than the Gundo Lashu figures. The dispersion in the case of the Gundo Lashu figures prevents them from being readily incorporated into any analysis based on mean values. Although the Zibambele dispersion is fairly large, because only a small percentage of households receive remittances, the impact on mean income estimates will not be very large.

## Horizontal transfers (intra-community)

In order to complete the assessment of total household income, contributions in the form of financial or non-financial gifts from non-household community members (community

21 The numbers of private maintenance grants reported were n = 21 in Gundo Lashu and n = 13 in Zibambele households, representing receipt by 8 per cent and 3 per cent of households, respectively. The number of reported pensions and retirement benefits were n = 6 for Gundo Lashu and n = 5 in Zibambele households (2 per cent and 1 per cent of households, respectively).

22 See Posel and Casale (2003) for a full discussion of the constraints to analysis of remittance behaviour in current household survey instruments.

contributions) are also reviewed.[23] This information, which is not normally collected in national surveys in South Africa, sheds light on households' coping strategies under conditions of high unemployment and impoverishment.

Within the Gundo Lashu sample, only seven per cent of households with current PWP workers reported receipt community contributions compared to 20 per cent among households without current workers. The mean monthly value of these contributions for households with current workers was R123 per month and R55 for households with former workers (45 per cent of the value for those with current PWP employment). This indicates that a higher proportion of households without current PWP employment received transfers from the community but that the mean value of the transfer was significantly lower, ie households without current PWP employment reported significantly lower levels of community support in absolute cash terms, but a greater percentage received assistance. There are many possible 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, or differential characteristics of households retaining PWP employment over a longer period. This is an area for further research.

Twenty-eight per cent of Zibambele households received community contributions, indicating a significantly greater reliance among Zibambele than Gundo Lashu households on community support even during programme participation. However, the level of assistance was significantly lower than among Gundo Lashu households with a mean monthly value of only R25 ranging from R10 to R3 848 per annum (obviously an outlier). This may be linked to the fact that, even when participating in the programme, most Zibambele workers remained under the poverty line (see McCord, 2004a) 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. These findings are consistent with research by Moller (1992) and Hofmeyr (1985) cited in Nattrass (2000), which highlights 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 with 24 per cent of Gundo Lashu households and 28 per cent of Zibambele households giving financial or material support to non-household members.[24] The mean monthly amount given by Gundo Lashu households was R44 and by Zibambele households R18, and the main recipients of this assistance were relatives living outside the household and neighbours.

These findings suggest that significant horizontal redistribution is taking place with households focusing their gifts on relatives and neighbours. The Zibambele households focused more exclusively on assisting neighbours. In focus group discussions, 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

23 This question was answered by 255 out of a total of 263 Gundo Lashu households (97 per cent), and 408 out of 413 Zibambele households (98 per cent).

24 Interestingly, the data indicates that PWP employment status does not make a significant difference to the number of Gundo Lashu households acting as donors, with 23 per cent of households with current PWP employment making contributions, compared with 28 per cent of former PWP households doing so.

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 Zibambele workers received support from the community, and when they had access to employment, they reciprocated with gifts to both those in need and those who had assisted them in their times of hardship.

### *Total household transfers value*

For households reporting transfers, the total mean monthly value of state and private transfers to Gundo Lashu households was R645 ranging from R100 to R2 360 and to Zibambele households R469 ranging from R50 to R5 000. In both cases, the data was skewed by a small number of high private transfers (private maintenance, pensions and other transfers).

### Total household income

Due to the dispersion problem, total mean household income was only calculated for Zibambele households. This was obtained by aggregating income from all the sources discussed earlier: wages, the net PWP wage, state social grants and insurances, private transfers, remittances and community contributions, and imputing values where incomes were reported but values not provided.[25] On the basis of this analysis, mean total monthly income was found to be R656 (US$87), which translates into a mean monthly per capita income[26] of R154 (US$21).

## The impact of PWP participation on income poverty

Having calculated total household income among PWP participants, it is possible to assess the impact of programme participation on household income poverty by comparing it to a derived counterfactual, namely, total household income minus net PWP income. The impact is illustrated by calculating Poverty Incidence Curves (PICs) for the two programmes, following Ravallion (2003).Then total income in the PWP households is reviewed in relation to a poverty line using Foster-Greer-Thorbecke (FGT) indices to estimate the incidence and depth of poverty within the two programme groups. This analysis enables conclusions to be drawn regarding the role of PWP income in reducing income poverty.

### Poverty Incidence Curves

The PICs calculated for each programme illustrate the impact of the intervention on headcount poverty (see Figures 11.4 and 11.5). PICs are cumulative frequency graphs with adult equivalent monthly income shown on the *x*-axis and the fraction of the sample

25 Imputed income was based on the adoption of the mean value for that form of income. The net PWP wage used here is based on reported PWP wage, less reported value of income forgone.

26 Calculated on the basis of adult equivalents.

population on the *y*-axis with 1 representing 100 per cent of the sample. The vertical line represents a poverty line of R486 per adult equivalent based on the cost of a basket of goods and services comprising food, housing, fuel, light and transport derived from the HSL for low-income households developed by Potgieter (2003) and modified in line with Meth (2004a) as discussed in Chapter 8. The upper curves on each figure illustrate total monthly income per adult equivalent, including the PWP income, and the lower curves the 'estimated counter-factual PIC, after deducting the imputed income gains from the observed (post-intervention) incomes' (Ravallion, 2003: 2). Income forgone has also been added to the counterfactual PIC in order to more closely model the income reality. The shift of the curve to the right in both cases confirms the positive impact on poverty reduction of programme participation.

Figure 11.3 indicates that on the basis of the R486 poverty line, approximately 8–9 per cent of the Gundo Lashu sample were brought out of poverty by participation in the programme. While the decrease in the poverty head count was limited, the reduction of the poverty gap was significant. The earlier structures concerning the use of mean income data do not apply in the case of PIC analysis as all incomes are allocated to the appropriate households in the generation of PICs.

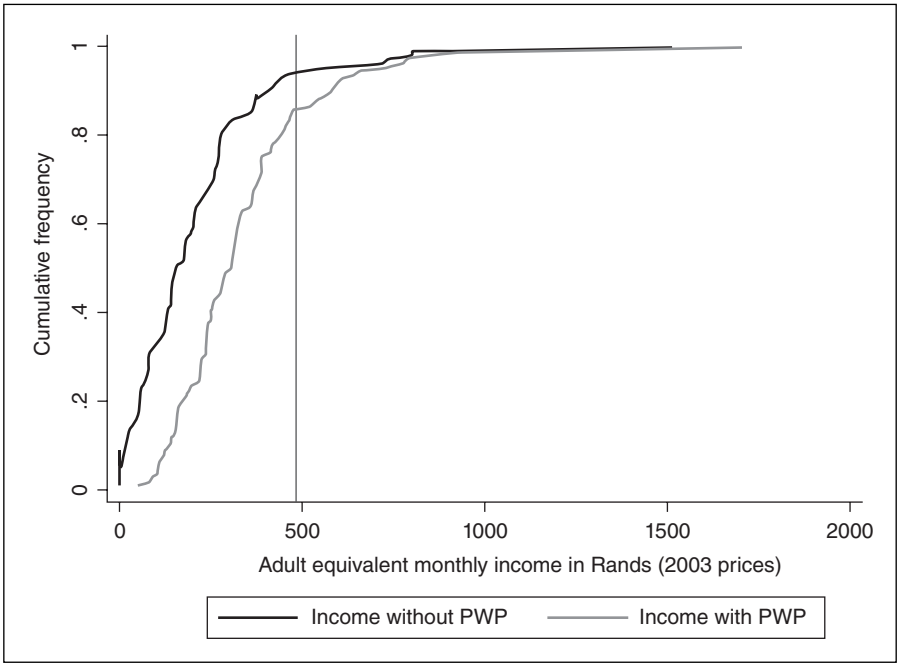


**Figure 11.3: Poverty impact of disbursements under the Gundo Lashu programme (income per adult equivalent)***

*Source: Own calculations from PWP survey, 2003*
*Note: * Current Gundo Lashu households only*

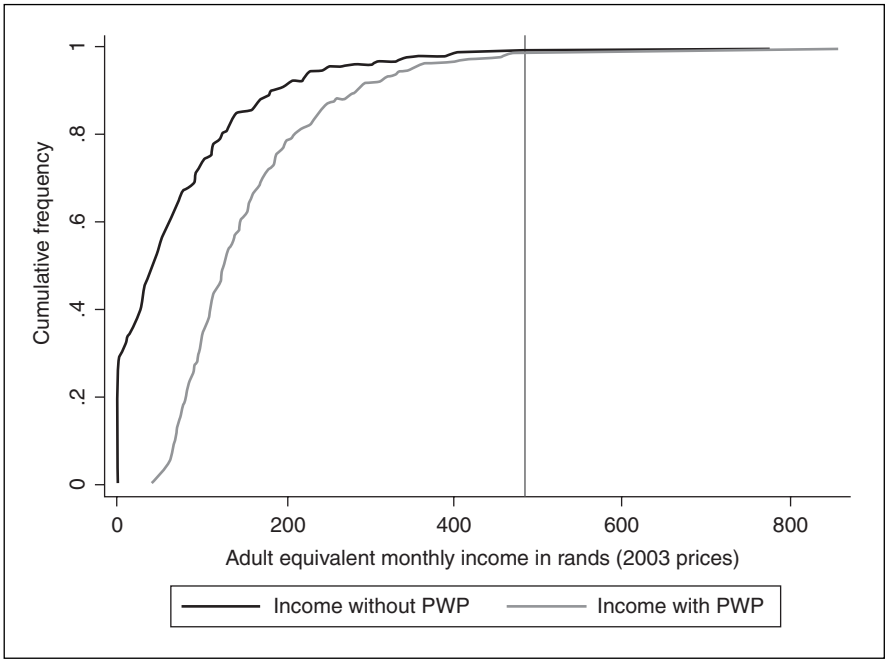


**Figure 11.4: Poverty impact of disbursements under the Zibambele programme (income per adult equivalent)**

*Source: Own calculations from PWP survey 2003*

Figure 11.4 illustrates that the Zibambele programme had no impact on headcount poverty, on the basis of the R486 poverty line, as almost all programme participants remained below the poverty line even after receipt of the PWP wage. However, in the case of the Gundo Lashu programme, the poverty gap was significantly reduced especially at lower income levels. Because poverty levels were higher among Zibambele programme participants, the poverty gap reduction was more marked; scanning the diagram suggests that the incidence of adult equivalents with an income of less than 100 rands per month fell from about 70 per cent to below 30 per cent.

## The nature of poverty in PWP households

The incidence and depth of poverty within the sample groups can be estimated using FGT indices. One FGT index ($P_0$) can be used to calculate a headcount estimate of poverty within the sample households. Even when PWP income is included, this analysis indicates that 99 per cent of Zibambele households and 86 per cent of current Gundo Lashu households fell below the monthly HSL poverty line of R486, as did 91 per cent of

the former Gundo Lashu households.[27] These headcount poverty findings indicate that PWP participation did not move the majority of PWP households in either programme out of poverty as measured by the household subsistence poverty line.

The second FGT index ($P_1$) is used to calculate the poverty gap and indicates the depth of poverty experienced by participants in the two programmes. This index is particularly useful given the high incidence of households falling below the poverty line and the need for a more nuanced understanding of their poverty status.

The poverty gap ($P_1$) is the distance between adult equivalent income and the poverty line and was calculated for both sets of households. For current Gundo Lashu households, the mean gap between income and the poverty line was R227 per adult equivalent per month (ranging from R424 to R11) and for former Gundo Lashu households R322 (ranging from R473 to R0.3). For Zibambele households, the mean shortfall was R332 per adult equivalent per month ranging from R436 to R7. Poverty gap ratios calculated on the basis of these figures indicate a $P_1$ value of 0.48 for current Gundo Lashu households and 0.72 for Zibambele households, indicating a significantly greater depth of poverty among Zibambele households.

The poverty gaps in both programmes are illustrated in Figure 11.5, which indicates that the Zibambele households fell further below the poverty line than the current Gundo Lashu households and had a more concentrated distribution of income.

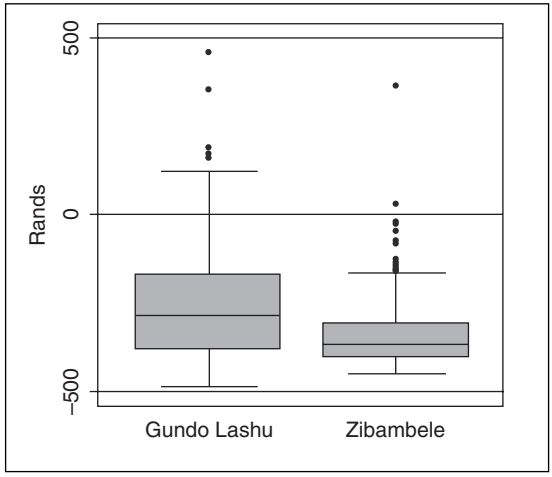


**Figure 11.5: Shortfall between adult equivalent income and the poverty line (R486) (Rands)**
*Source: Own calculations using PWP survey 2003*

27 Comparing the poverty headcount among former and current Gundo Lashu households offers an interesting insight. This is not a technically robust approach, since the former and current Gundo Lashu households may have differing characteristics which may influence their total income independently of the PWP, but this caveat notwithstanding, it is notable that while 86 per cent of current Gundo Lashu households fell below the poverty line, the figure was 91 per cent for former households. These figures may indicate that Gundo Lashu employment reduced the headcount poverty incidence among participating households, and the implied percentage reduction is consistent with the PIC estimate of a 5 per cent reduction in poverty among current Gundo Lashu participants, illustrated in Figure 11.3, although this change in headcount poverty is not statistically significant.

## Drawing conclusions about income poverty

The key insight from the FGT analysis is that most participants in the Gundo Lashu programme, and almost all of those in the Zibambele programme, fell below the HSL poverty line even while in receipt of the PWP wage. Hence, while PWP participation successfully reduced the depth of poverty endured by participants, the impact on headcount poverty was negligible due to the low value of the transfer relative to the poverty gap in each case.

Both the PIC and FGT analyses indicate that the majority of participants in both programmes were poor in terms of the HSL poverty line, and the PIC confirms that both programmes had a positive impact in terms of reducing the poverty experienced by participating households. The FGT ($P_1$) analysis shows that the Zibambele programme reached those experiencing a significantly greater depth of poverty. This raises the broader question of whether reaching 'the poor' is in itself an adequate measure of programme performance, in contexts where a large proportion of the population are poor and resources to address poverty limited, and whether the key question should rather be, what sections of the poor are being targeted?

## The impact of PWPs on non-income indicators of poverty

The earlier discussion has been consistent with the convention in PWP evaluation which assesses impact in terms of changes in income calculated on the basis of the value of the wage paid. This approach has been developed in the discussion by taking into account a wider range of income sources than are conventionally considered and attempting to calculate income forgone in order to assess impact in terms of the net rather than gross wage. However, notwithstanding these refinements, as in the mainstream PWP evaluation literature, assessment of impact has been limited to a discussion of direct income changes.

This approach has limitations in terms of assessing the impact of PWP participation on poverty as the income effect of the PWP wage is essentially a proximate (or intermediate) rather than ultimate indicator of impact. In the next section, the impact of wage receipt on a range of non-monetary and socio-economic outcomes is examined including consumption, financial and material asset ownership, and human capital formation (education and nutrition).[28] In addition, reported impacts relating to psychosocial well-being, access to state grants and the assets created through the PWP are reviewed, as well as the implications for the local economy. This analysis is not a formal impact evaluation, the methodologies adopted being too limited to permit this. Rather, it explores from a primarily descriptive perspective the areas in which the PWP transfer has had an impact on the lives of participants and as such raises a number of questions which would be valuable to explore in future evaluations of impact.

28 In terms of education and nutrition, the findings are limited to immediate changes in school participation and consumption rather than over time, primarily due to methodological constraints relating to the research time frame. The short-term nature of most PWPs makes an assessment of human capital outcomes a challenge in many PWP evaluations.

## Methodological limitations

Research in this area was subject to methodological limitations due to the lack of baseline data on participating households. 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. 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 rollout of social protection grants (see Guthrie, 2003), may also have influenced the welfare of households during the PWP employment period although levels of grant take-up in Zibambele households were low. Where positive changes have taken place in socio-economic indicators during the period of PWP employment, it is likely that these changes are indicative of a causal relationship although exclusive causality cannot be assumed.

## Use of PWP income

All respondents were asked about the main use of the additional income earned through PWP employment in their household. Food purchase was reported as the main use in 100 per cent of Zibambele households and 79 per cent of Gundo Lashu households with purchase of clothing (13 per cent) and education (four per cent) being the other primary uses mentioned.

In terms of secondary uses of the income, education was reported by 82 per cent of Zibambele households compared to only 37 per cent of Gundo Lashu households possibly indicating a greater prior shortfall in Zibambele education expenditure (see the following section for further discussion of this issue). Only 13 per cent of Zibambele households spent PWP income on burial societies compared with 42 per cent of Gundo Lashu households. This issue was investigated in focus group discussions and Zibambele workers reported investment in burial clubs as an aspiration rather than a current option, given their income levels.[29] They reported that, in the absence of formal burial club membership, mutual self-help was their primary coping mechanism for dealing with funeral costs derived from the increased social capital arising from membership of the local Zibambele road maintenance team.

## Financial assets

In terms of changes in ownership of financial assets (formal or informal savings, insurances, etc), since joining the PWP, 36 per cent of current Gundo Lashu households reported increased financial assets and 18 per cent of former Gundo Lashu households (possibly reflecting poor recall or diminution of financial assets since the termination of PWP employment). In contrast, 64 per cent of Zibambele households reported an increase in financial assets despite the lower monthly wage transfer. This is consistent with Devereux and Solomon's suggestion that savings are likely to increase with longer

29 This confirms findings by Ardington and Leibbrandt (2004: 11) 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).

programme duration (Devereux and Solomon, 2006). Although the monthly wage was significantly smaller in the Zibambele programme than the Gundo Lashu programme, the sustained duration of the employment resulted in a greater increase in financial assets. The linkage of payment modalities to formal sector banking, in the case of the Zibambele workers, promoted an increase in ownership of financial assets (mainly in the form of holding a bank account), which may previously have been extremely limited but may indicate greater linkage to financial assets rather than actual increases in asset ownership.

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 Transport was increased informal savings activity (for example, through stokvels[30] 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.

## Material assets

In terms of material assets, the results mirror the changes in financial asset ownership among Gundo Lashu households. Thirty-five per cent of current and 20 per cent of former Gundo Lashu households reported an increase in material asset ownership (cooking implements, furniture, etc). The fact that current Gundo Lashu households reported a more positive impact in terms of material asset ownership than former households suggests that either the benefit itself (perhaps through resale of items purchased during the period of employment) or the perception of the benefit decreased after the period of employment and the associated wage income. Among Zibambele households, by contrast, 65 per cent reported an increase in material asset ownership. The difference between the two programmes in terms of changes in material asset ownership was statistically significant.

These findings may illustrate the positive impact of sustained employment on accumulation (in terms of both financial and material assets) although they need to be considered in the light of the lower socio-economic status of the Zibambele households in general, and the fact that as a consequence, their initial asset ownership status was likely to be lower, and by implication, their prioritisation of the accumulation of basic household assets greater. This is an issue for further investigation.

## Education

A key area of expenditure reported by Zibambele workers, 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.[31] Each household was asked whether all

30 Stokvels are rotating credit clubs popular in South Africa. Members contribute a fixed sum to a central fund on a weekly, fortnightly or monthly basis, and each month, a different member receives the money in the fund which was collected during that period.

31 'Regular participation by all children' was adopted as the education indicator in preference to the more conventional but less sensitive usage of 'enrolment', due to the high levels of enrolment (and dropout) in South Africa (Van der Berg, 2007), which undermine the usefulness of the indicator in terms of the formation of human capital.

**Table 11.3: Impact of PWP on regular school attendance**

| | Households with former Gundo Lashu workers (n = 128) | Households with current Gundo Lashu workers (n = 102) | Zibambele households (n = 392) |
|---|---|---|---|
| | % of households in which all school-age children regularly attended school | | |
| **Prior to participation in PWP** | 94 (n = 120) | 89 (n = 91) | 66 (n = 257) |
| **At time of interview** | 93 (n = 119) | 94 (n = 96) | 89 (n = 350) |

*Source: Own calculations using PWP survey 2003*

school-age children attended school regularly at the time of the survey and prior to PWP employment.[32] The results are presented in Table 11.3.

Ninety-four per cent of current Gundo Lashu households with school-age children reported that all the children were attending school regularly at the time of the interview compared to 89 per cent prior to programme participation. For households with former workers, the rate of attendance at time of interview was 93 per cent similar to participation levels prior to programme participation of 94 per cent. These attendance rate changes are not significant for current or formerly employed Gundo Lashu households, and there is no indication of a sustained change in attendance after PWP participation.

For Zibambele households, however, the impact of PWP participation on education was significant; participation in the PWP raised the percentage of households with regular school attendance by all children from 66 per cent to 89 per cent. Moreover, 26 per cent of households where only some children used to go to school, shifted into regular school attendance for all children in the household, subsequent to PWP employment.

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, perhaps since the constraints to school participation for the remaining 10 per cent were not income related. However, in Zibambele households where the initial levels of attendance were considerably lower, attendance rates rose significantly after PWP employment. The reasons given for children in Gundo Lashu households not regularly attending school prior to participation in the PWP were 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

32 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).

identified 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 seven per cent of households.[33] This indicates that poverty remains a serious constraint to 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 their households enjoyed PWP employment, was in both cases cited as lack of money for school equipment, while in Zibambele households, the need for children to work to earn income to support the family was also raised as a key constraint.

These findings were borne out by focus group discussions with the Zibambele workers. While households could sometimes earn money through casual work to pay school costs,[34] they were often unable to afford consumables, such as stationery or uniforms, and in these instances, children were 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.

## Food consumption

In the same way that households were asked about the impact of the PWP wage on education using recall questions, the issue of nutrition was explored by asking questions about food consumption patterns (questions addressed the frequency of children and adults skipping meals and not eating for a whole day due to a lack of funds).

Responses to all three questions indicated a positive correlation between improved household food consumption and PWP participation. This effect is particularly striking among the Zibambele households where the initial consumption patterns were significantly worse than among the Gundo Lashu households. It is noteworthy that the Zibambele households reported adult consumption behaviour characteristic of chronic under nutrition, prior to participation in the programme, with adults reporting a high incidence of skipping meals for whole days (49 per cent of households reporting this occurring frequently) and not eating for whole days (40 per cent), while 34 per cent of households reported reducing the size of children's meals. The reported impact of participation in the programme on nutrition was statistically significant in each case for the Zibambele households, but not for the Gundo Lashu households, and is consistent with the primary use of PWP income being food for the Zibambele households.

This finding is illustrated in Table 11.4. which sets out responses to the question relating to the frequency of adults skipping meals due to lack of funds.

33 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'.

34 Despite formal fee waivers, it was reported that schools levied a variety of additional 'non-fee' costs on which participation was conditional.

**Table 11.4: Impact of PWP on frequency of adults skipping meals due to lack of funds**

| | | Before PWP | During PWP |
|---|---|---|---|
| | | (% of households reporting this behaviour) | |
| Current Gundo Lashu (n = 114) | Most of the time | 13 (n = 15) | 7 (n = 8) |
| | Sometimes | 32 (n = 36) | 18 (n = 20) |
| | Never | 55 (n = 63) | 75 (n = 86) |
| Zibambele (n = 413) | Most of the time | 49 (n = 204) | 1 (n = 6) |
| | Sometimes | 41 (n = 166) | 18 (n = 74) |
| | Never | 10 (n = 43) | 81 (n = 333) |

*Source: Own calculations using PWP survey 2003*

While improvements subsequent to programme participation were reported by both Gundo Lashu and Zibambele respondents, the impact on those regularly skipping meals, who may be assumed to be the poorest, were significant for Zibambele households but marginal among the Gundo Lashu households.

## Psychosocial well-being

Programme participation was also found to have unanticipated psychosocial benefits. Participants in both the Gundo Lashu and Zibambele focus groups 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 reported that they had not been 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 Zibambele focus groups, women reported that poverty had prevented them from participation in social processes including activities which were central to the expression of their belief systems, including performing appropriate burials, making spirit offerings and holding the ceremonies required to mark the anniversary of family deaths. Failure to observe these customs resulted in social stigma and shame. This conforms to the social dimension of poverty characterised by Sen in terms of social 'functioning', which he defines as 'achieving self-respect or being socially integrated' (Sen, 1993: 31). Subsequent to their PWP employment, social integration improved with workers reporting being able to participate in social processes, such as performing key rituals again, and giving food to the needy in their communities, which they regarded as illustrative of their changed social as well as economic status within the community.

## Access to grants

A second unanticipated outcome was improved access to government grants. Since joining the PWP programme, 15 per cent of Gundo Lashu and 28 per cent of Zibambele

households reported increased access to government grants. While in part this reflects the successful efforts of the Department of Social Welfare to promote grant take-up during this period (Guthrie, opcit), the differing incidence of changes in grant take-up may 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 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 in order to facilitate this, 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). Also, the social facilitators working with the Zibambele group informally provided information on grant eligibility and access, an input which was not included in the Gundo Lashu programme.

In the Gundo Lashu programme, by contrast, ownership of identity documentation was reportedly a pre-requisite for eligibility with ID books being used as the basis for the employment lottery process, implying that those without identity documents may have been excluded from the selection process.[35]

## Impact of assets created

The research did not attempt to assess the socio-economic impact of the rural access roads created or maintained through the PWP (a critical question which is difficult to address using conventional qualitative and quantitative research approaches, as discussed in Chapter 6). However, recipients were asked whether they perceived that the road constructed or maintained had benefited the household. Ninety per cent of Gundo Lashu and 97 per cent of Zibambele respondents responded positively; improved transportation was the major benefit identified by over 70 per cent of respondents, and improved school access by a further 10–15 per cent. Unfortunately, within the constraints of the survey instrument, it was not possible to quantify these benefits or assess the quality or sustainability of the asset created.

## Local economic impacts

An initial exploration of the broader economic impacts of the programmes on the local economy was carried out. In order to gain an indication of the extent of income flows to the local economy arising from the PWP wage, respondents were asked where they purchased most of their food and the major item purchased with the PWP income. Sixty-seven per cent of Gundo Lashu respondents reported purchasing most of their food from local shops, 10 per cent from local informal traders or neighbours and 23 per cent from shops in town, implying that almost 80 per cent of the PWP households injected their PWP-funded food expenditure into the local economy. By contrast,

35 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, May 2004, pers. comm.).

91 per cent of Zibambele respondents purchased most of their food in town with only nine per cent buying most of their food locally. This reflects the fact that the Zibambele wage was paid through the commercial banking sector with wages accessed in the local towns. This illustrates how payment modalities can be a critical determinant of the location of spending and of any resulting multipliers. Expenditure of the Zibambele wage was unlikely to stimulate local informal sector growth by increased demand, since so little of the wage income entered 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 per cent lower, indicating a tension between immediate economic benefits at household level and medium-term economic development benefits to the community.

Focus group discussions revealed that local micro-enterprises sprang up around the Gundo Lashu work teams, with small businesses selling snacks to workers at break times,[36] and small markets arising spontaneously on pay day similar to those noted by Ardington and Lund around pension points on pay day (Ardington and Lund, 1995). However, these 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, not concentrated into work teams in a particular area like the Gundo Lashu workers and had less disposable income.

Similarly, the survey revealed little evidence of the generation of small and micro-enterprises among workers themselves, and when asked in focus group discussions why they had not invested a proportion of their capital in such enterprises workers laughed, replying 'we have *eaten* our capital!'. This indicates that the level of the wage was not sufficient to enable both consumption and investment usage. 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 dependent on:

- the strategic value of the asset created, and
- the quality and durability of the asset (see discussion in Chapter 6).

These factors are in turn dependent on the initial asset selection processes, the adequacy of technical aspects of construction and the subsequent management of the assets produced, which is largely determined by local government performance.[37] These factors were not within the scope of the survey, and consequently, an assessment of the indirect economic benefits arising from the provision of infrastructure was not possible. This is an important area, however, for further analysis.

36 For example, the marketing of vetkoek (fried dough balls) to PWP workers was reported in the Gundo Lashu focus group discussions.

37 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).

## Conclusions

An analysis of the PWP survey data has offered insights into the impacts of the two case study programmes: the Type C Gundo Lashu and the Type B Zibambele programme. It has also illuminated the effects of programme design on outcomes. The survey findings indicated that both programmes had negligible impact in terms of reducing headcount poverty, but both programmes contributed to a reduction in the depth of poverty experienced by participating households and affected a range of non-monetary aspects of poverty, for the duration of the programme participation.

Despite the continued high levels of income poverty even during programme participation, both programmes had a beneficial impact across the range of dimensions of poverty examined including asset ownership, food consumption, service utilisation and also social integration. The initial situation of the Zibambele households was consistently found to be one of greater poverty than for the Gundo Lashu households, whichever dimensions of poverty were explored. Consequently, some impacts which were marginal for Gundo Lashu households (such as school attendance and nutrition) were significant for Zibambele households, despite the significantly higher wage offered in the Gundo Lashu programme, indicating the importance of targeting to the poorer in order to maximise programme impacts.[38]

In the case of the Gundo Lashu programme, potential impacts were limited by the short duration of the employment. For these workers, the PWP income would have had the characteristics of a wage shock rather than a sustained wage increase, a consideration which is likely to have engendered different economic responses in terms of use of the wage compared with the Zibambele workers, who had assured access to ongoing income. Among the Gundo Lashu households, there were no indications of significant sustained benefits in any of the monetary or non-monetary indicators of poverty examined, resulting from the episode of PWP employment, and the temporary effects were primarily related to income poverty reduction.

In the case of the Zibambele programme, there are indications that PWP participation had a statistically significant impact not only on material and financial asset accumulation but also on factors which can potentially influence the inter-generational transmission of

38 It is interesting to note that the significant impacts of the PWP wage in terms of nutrition, 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 Zibambele 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, 1–7 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, 25 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, 13 July 2004). The findings 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.

poverty, examples being significant improvements in food consumption and increased participation in education. Given the extended nature of programme employment, these impacts could potentially have a significant effect on medium- to long-term outcomes such as reducing the adverse impacts of chronic malnutrition, including stunting, and promoting educational outcomes and thereby improving the terms of future labour market engagement.

It must be noted, however, that it is unclear in the context of mass 'transformational' unemployment to what extent marginal increases in educational achievement do have a significant role to play in enhancing employability and earnings, and thereby reducing poverty in the medium term (see, for example, Keswell and Poswell, 2002). Keswell and Poswell suggest that only significant step changes in educational attainments are likely to result in discernible improvements in subsequent labour market performance and highlight the fact that other factors, such as the quality of education, are as important as the nominal level of achievement in determining eventual labour market and earnings outcomes.

While Gundo Lashu households experienced a temporary reduction in income poverty as a result of PWP employment, there is, however, no evidence of significant impacts on non-income poverty or labour market performance in the short or medium term. This is likely to be in part due to the higher pre-existing levels of asset ownership and human capital accumulation within the Gundo Lashu households and also the short-term duration of employment and elevated income. This is highlighted by responses to a question concerning Gundo Lashu workers' perceptions of the sustained impact of participation in PWP employment on poverty, subsequent to the ending of PWP employment.[39]

When asked whether participation in the programme would lead to a sustained reduction in household poverty after their term of employment was completed, only 33 per cent of former workers felt that programme participation would have sustained impacts on poverty reduction. This indicates that having completed their term of PWP employment, the majority of programme participants did not anticipate any lasting impact on household poverty.

This is consistent with the theoretical argument outlined earlier, that Type B PWPs are more likely than short-term Type A, C or D programmes to confer sustained benefits in situations of chronic poverty, directly through the ongoing transfer and potentially also indirectly through significant improvements in asset ownership, consumption and school participation, socio-economic integration, etc, which could confer sustained medium- to long-term benefits which are not dependent on an ongoing wage transfer. The extent to which the impact of these benefits is sustained would depend on a range of factors including the duration of the period of the wage transfer and the amount of accumulation of material and human capital this engendered and the nature of the broader socio-economic context.

39 This question was only asked of Gundo Lashu households, out of sensitivity to the anxiety expressed by Zibambele workers regarding the potential termination of the programme.

## Programme design implications

The analysis of the impact of the two case study PWPs outlined previously indicates that the achievement of significant benefits in terms of material and financial asset ownership, human and social capital improvements, occurred in the Type B Zibambele programme which targeted a poorer segment of the population, offering lower levels of remuneration but greater employment security in the form of ongoing, flexible employment.

A number of key programme design issues affecting programme outcomes have arisen from the discussion of the two programmes in the preceding chapters. The most important insights emerging from the analysis are that:

- The quality of employment provided is likely to play a key role in determining the participation of poorer labour constrained households and the extent to which households can optimise income during PWP employment.
- Effective targeting of PWP employment to poorer households is likely to result in more significant impacts on a range of poverty indicators.
- A PWP may have a significant effect on reducing the depth of poverty but will not necessarily impact on poverty headcount.
- A wage which is adequate to promote consumption may not be sufficient to stimulate significant investment as most PWP income is consumed.
- The duration of benefits arising from PWP employment may be limited to the period of programme employment, and programmes may not necessarily confer ongoing benefits.
- Sustained benefits after programme participation are only likely if sufficient investment in human capital (eg child nutrition,[40] education or skills development) and capital accumulation take place during programme implementation, and
- The extent to which human and material capital accumulation result in poverty reduction and improved livelihoods in the medium term, is contingent on the broader economic context.

These findings confirm the core thesis of this book that in contexts of chronic poverty, a short-term period of employment in a PWP is unlikely to confer significant social protection benefits beyond the period of programme implementation as the income is primarily used for consumption purposes and that even during the period of programme employment, the impact is likely to be a reduction in the depth of poverty rather than a movement out of poverty.

If sustained social protection outcomes are desired, conferring preventive, promotive or transformative social protection benefits, then a medium- to long-term intervention is required which will either provide ongoing transfers to enable consumption-smoothing, as long as the need for support exists, or, if benefits are to be sustained after the completion of the programme, promote some form of accumulation of material and human

40 In order to have a sustained impact on physiological and mental development, adequate nutrition must occur during the first three years of a child's life (WHO, 2009), and so the achievement of sustained benefits deriving from improved child nutrition is conditional on the inclusion of children within the intervention at an appropriate age.

capital. These benefits were identified in the type B Zibambele programme, offering sustained employment and providing an opportunity for accumulation but were not apparent to any significant degree in the short-term Gundo Lashu programme. These findings represent a rare empirical insight into the limitations of PWPs as an instrument of social protection in the context of chronic poverty and a challenge to many of the assumptions underpinning the current policy discourse.

# Chapter 12

# *Conclusion: Implications for future programming*

This book has attempted to illustrate that much current public works programming in sub-Saharan Africa is problematic and that many of the assumptions underlying the selection and design of these programmes are not empirically founded. Many Type A, C and D programmes are unlikely to deliver the social protection goals ascribed to them in the policy discourse, when implemented in the contexts of transformational unemployment, which characterise much of the region. While Type B programmes are more likely to achieve social protection outcomes successfully, they also have associated challenges relating to cost and operational feasibility.

The Social Protection Sector of the ILO has been forthright in its criticism of the reality, as opposed to the 'public image', of PWPs, as exemplified in this passage, which confirms and summarises much of the critique set out in the preceding chapters:

> *In sum, public works have long appealed to those concerned with poverty and unemployment. They are frequently used in developing countries, and are often presented as the means of creating public infrastructure, generating jobs and 'targeting' the poor. Unfortunately, there are reasons for skepticism about the wilder positive claims made for public works. One is that they use up a lot of scarce resources, and result in low productivity work being done. Another is that they are not very good at 'targeting'. The poorest and most insecure are likely to be at the end of the queue for these casual jobs. Yet another is that such schemes are prone to political corruption. And perhaps above all, they have to be massive schemes if they are to have much effect on the incidence of poverty and economic insecurity.* (ILO, 2004: 372)

This statement reflects one of the key strands of argument in this book, setting out a critique of PWP design, implementation and performance. The other strand is a critique of the conceptual weakness of the PWP debate, particularly in relation to the social protection agenda, and it is this weakness which the work has sought both to illustrate and to address in some measure.

The core argument of this book is that short-term PWPs can function acceptably in acute labour market crises but that there is no evidence or theoretical basis for expectations that such programmes will be effective instruments in situations of chronic labour market failure. This analysis holds true for the situations of transformational

unemployment which prevail in many developing countries, and in particular, in much of sub-Saharan Africa.

It has been argued that in terms of providing social protection, a PWP has the potential to confer benefits through three vectors: the wage transfer, the assets created and the skills or training transferred during PWP employment. However, when examined empirically, it was found that the means of assessing PWP performance in each of these areas is constrained and that analysis of impact, beyond days of employment created, or wages transferred, is scarce. In as much as limited data is available on the impact of skills development and labour market experience, they indicate that skills development only has the potential for significant impact in contexts of structural rather than transformational unemployment and as such may not be well-suited to the sub-Saharan African context. Even in relation to the wage transfer, the simplest and most direct vector of social protection, detailed analysis suggests that benefits may be significantly overstated, with the net PWP income gain comprising only 30–50 per cent of the gross wage in some instances. Similarly, the adoption of the restricted wage as a form of targeting was found to be problematic, leading to the exclusion of labour-constrained households and also limiting the potential income benefits of participation.

Mirroring the conceptual lack of clarity surrounding PWP programming, and the poor evidence base on PWP performance, an interesting and complex picture has emerged in relation to PWPs and poverty reduction in the literature, which on the one hand recognises the limited evidence on the efficacy of public works on poverty reduction but yet continues to argue their potential as an instrument for poverty reduction, while conceding that impacts are likely to be transitory, (see, for example, Vodopivec, 2004). These contradictions lie at the heart of the current PWP discourse.

## The limits of the current evidence base

The limited analytical work available on PWPs performance is primarily focused on Asia, relating mostly to programmes in India, to a lesser degree Indonesia and Latin America. Most of the detailed research into impact analysis has focused on Type B programmes, EGSs or GEPs, offering longer-term time horizons; and hence, greater opportunities to monitor and assess impact. However, even within this literature, the focus is still primarily on immediate rather than indirect or sustained benefits. By contrast, most PWPs in sub-Saharan Africa may be characterised as Types A, C and D, offering short-term PWP employment, and there is little detailed empirical analysis of these forms of PWPs.

There is also little analysis in the literature of the impact of any of the PWP vectors other than the wage, and even this vector is itself inadequately interrogated. The importance of income forgone has been recognised following Van de Walle (1998), but critical issues relating to other dimensions of the material costs of accessing PWP employment (Pellisery, 2008; Gaiha and Imai, 2005; Sharp et al., 2006) and the human, physical costs of participation (Helen Keller International, 2007) remain largely ignored in the mainstream PWP literature, particularly in relation to sub-Saharan Africa.

There are also important evidence gaps in relation to incidence, in terms of who participates in PWPs, and who benefits, directly and indirectly from their implementation. While there is some research into incidence questions in the Asian context, there is little empirical evidence relating to the incidence of PWP participation and benefit in sub-Saharan Africa.

These evidence gaps have not however, been highlighted as significant problems in the existing literature, despite their critical importance for assessing the efficacy of PWPs' social protection function. The short-term nature of most programmes in the region mitigates against the gathering of the data required for such analysis, as socio-economic data collection is often perceived as an additional cost burden rather than an essential prerequisite for meaningful programme impact and incidence assessment. These data omissions render assessment of the effectiveness of PWPs challenging and limit attempts to assess their function as instruments of social protection, since, it is not possible to calculate either impact or incidence with any degree of confidence or comparability.

In addition, the data on PWP costs is highly problematic. Inasmuch as the data exist, it implies that the cost per unit transferred may be significantly greater than for the cash transfer alternatives (see, for example, Smith, 2001). However, whether such a (putative) premium is acceptable is contingent on the value of the assets created, another area in which inadequately evaluated.

The limited empirical evidence which is available together with a theoretical analysis drawing on social policy and labour economics, suggests that many PWPs may be poorly specified, poorly targeted, costly and have limited social protection impact in contexts of transformational unemployment, particularly, when the form of PWP implemented does not correspond to the labour market failure, it is attempting to address.

## Why do PWPs remain so popular?

Given the mismatch between PWP expectations and programme outcomes explored in the preceding chapters, the question arises as to why such programmes are repeatedly implemented. The review of the PWP canon indicates that it is not possible to explain the ongoing popularity of PWPs on the basis of evidence of their social protection or labour market impact. The literature intimates that either conceptual confusion, resulting in unfounded expectations of PWP performance, or a set of ideological and political preferences, or a combination of the two rather than empirical evidence, is leading to the repeated selection of inappropriate types of PWPs in preference to alternative social protection interventions. These concerns are implicit in the conclusions of Murgai and Ravallion regarding the selection of an EGS (the MGNREGS) over alternative social protection options in India in 2005 (Murgai and Ravallion, 2005). They are also explicitly outlined in Karuri et al. (2007) with reference to the political pressure exerted on the commission charged with the development of a comprehensive social protection strategy in South Africa to adopt a PWP-based response to the problem of the working-age poor unemployed in preference to a cash transfer alternative.

A degree of politicisation in the selection and implementation of PWPs is also indicated by the correlation in the timing of the launch or expansion of major PWPs with periods of political instability. PWPs in such instances offer the opportunity for a government to be seen to be doing something about the issue of the working-age poor, in the eyes of both the domestic constituency and the donor community, irrespective of programme efficacy. At the same time, they enable governments to diffuse accusations of populism which could be associated with cash transfer-based responses to the same set of social protection concerns, as PWPs are more ideologically consistent with the dominant neo-liberal political orientation of many donors and sub-Saharan African governments.[1] PWPs are also consistent with the ideologically rather than the empirically constituted concern to avoid 'dependency' that informs much of the current sub-Saharan African social protection debate (Meth, 2004c; Di Lollo, 2006).[2] The same considerations render PWPs attractive, inasmuch as they hold out the prospect of a market-based 'treatment' for the problem of the working-age poor, which is perceived, without empirical justification, to be less 'dependency-inducing' than alternative options. For these reasons, the conceptual weaknesses and performance limitations identified in this book have not impacted adversely on the popularity of PWPs in recent years.

While PWP selection is in part based on assumptions and ideological preferences rather than evidence, the problem is exacerbated by the loose and inconsistent adoption of PWP terminology which results in crippling mismatches between PWP form and intended function.

## Why do these findings matter?

The findings shared in this book are significant as they illustrate that PWPs are repeatedly implemented with social protection objectives, yet without an adequate evidence base to attest to their ability to meet these objectives, a scenario which led a senior South African government official to describe the national EPWP as 'an accountability-free zone' (McCord, 2006) — an appellation which may well be appropriate to PWPs well beyond the South African sphere of operation.

This matters as PWPs are regularly selected over alternative potentially more effective and cost-efficient social protection instruments in the region. In implementing a PWP, governments must allocate scarce administrative and financial resources to execute high-cost social protection interventions; the administrative cost is borne at the expense of

1 For example, in response to calls for the introduction of a cash transfer-based social protection intervention for the working-age poor in South Africa, in addition to a range of cash transfers for vulnerable groups outside the labour force, such as children and the aged, South African Finance Minister, Trevor Manuel, stated that such a grant would constitute 'unaffordable economic populism' (Business Day, 20 August 2002).

2 Di Lollo argues that *[c]oncern over 'welfare dependency' has featured prominently in the public discourse around social assistance programmes in numerous countries for many years. The notion that social assistance payments tend to sap the recipient's initiative, independence and propensity for securing paid employment is widespread and is often assumed to be an objective fact (rather than a concept) by public officials, social commentators and the media. Consequently, charges of 'welfare dependency' have often been used as the basis for cutting social assistance expenditure, restricting eligibility or preventing new initiatives* (2006: iv).

reduced administrative allocations to other government interventions; and the financial cost is either borne from the fiscus with the attendant opportunity costs that implies or from donor budgets. Where donor funds take the form of loans, as, for example, in the case of the PWPs implemented as part of World Bank Social Action Funds, passing the cost of programmes that create assets of uncertain value for marginal current social protection gains on to future generations provokes a very real ethical question.

PWPs often also entail high opportunity costs for participants who, in pursuit of household income, must compete for limited opportunities for labour in return for often uncertain wage rates, which are frequently below the statutory minimum wage with unpredictable delays in remuneration, often in poor-working conditions and requiring hard physical labour (a particularly high cost given many participants' health may already be compromised by chronic poverty and malnutrition). The morality of making such demands on the poor, in return for what some argue is a state's most basic responsibility to its citizens, the fulfilment of the right to basic social protection (Devereux and Sabates-Wheeler, 2007: 1) is questioned by the analysis set out here (see also Standing, 2002, 2008).

Instead of recognising the deficiencies in the PWP models selected in the region in response to the onset of mass transformational unemployment, policy-makers have chosen to retain their old preferences, failing to recognise the inadequacy of such interventions in the face of fundamental structural changes in the global economy and the chronic rather than transient character of current labour market failure with respect to their 'surplus' populations. This entails retaining the language of graduation, exit strategies, self-targeting, and labour market solutions to poverty and social protection provision; together these terms comprise an attractive rhetorical package, irrespective of the lack of robustness of these aspirations and the failure of the empirical record to support them. This rhetoric also tends to pervade the academic literature, irrespective of the reality of PWPs on the ground.

The analysis offered in the present work is, therefore, an attempt to make the case for a reconsideration of the function of PWPs in the current social protection discourse and the types of programmes implemented and to argue that the current PWP approach may not look so attractive from the beneficiary perspective. Only fleeting glimpses of their reality are revealed in the literature: the workers who have graduated from the short-term PWP employment 'treatment' in South Africa and who argue that their only hope of future employment is the next government employment programme in their area; the women in Limpopo who frowned, perplexed at the question as to how they had invested the capital accumulated through short-term PWP participation and responded laughingly, 'We have eaten our capital!'; women workers enduring increased malnutrition as a result of hard physical PWP labour in Bangladesh so that their families can benefit from the PWP wage; the workers unable to meet basic ILO labouring norms due to poor physical health and malnutrition in Ethiopia; or the women forced to trade sexual favours in order to access PWP employment in South Africa whose stories were told in the course of this book. These glimpses, however, are enough to raise questions about the

prevailing assumptions underlying ongoing PWP choice and to provoke the search for more rigorous analysis of programme impact and improvements in programme design, to ensure that future PWP programming does not continue to short-change the poor.

PWPs remain omnipresent in response to the social protection needs of the working-age poor in the region and they have a potentially constructive role to play in addressing critical labour market and poverty challenges, but in many instances, they are flawed and poorly designed programmes, whose form is inconsistent with their function and objectives. This book has aimed to open them up to critical scrutiny and challenge those working in this sector to improve future policy choice and programme design.

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