

CHAPTER 7

Assessing Government's Fiscal Instruments to Fund Public Employment Programmes in Rural Areas

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7.1 Introduction

For the past 20 years, unemployment has remained stubbornly above 20%. Rural areas are worst affected, particularly in former homeland areas, where unemployment rates are among some of the highest in the world (Klasen and Woolard, 2008). Unemployment imposes huge social and economic costs on society (Philip, 2013). As a response to the unemployment challenge, government introduced a multi-pronged strategy, which includes a large-scale public employment programme (PEP) called the Extended Public Works Programme (EPWP). Introduced in 2004, the EPWP provides short-term temporary "work opportunities" for the unemployed poor. In early 2009, government implemented a second PEP, the Community Works Programme (CWP), which provides a minimum employment guarantee and has a different implementation model from the EPWP.

In the first phase of EPWP, government spent R50-billion, of which only R6.7-billion (13.5%) went to wages (DPW, 2009a). The largest share of grant funding went to infrastructure-related projects because of the job creation potential of this sector. However, there was very little compliance with the requirements of the Division of Revenue Act (DORA), which called for the use of labour-intensive construction methods and skills training for participants. This lack of labour-intensity meant a significant amount of the income did not end up in the pockets of the poor (McCutcheon and Parkins, 2012).

Other criticisms of the EPWP include insufficient attention on rural areas where infrastructure backlogs exist, and an emphasis on employment targets at the expense of providing longer duration employment opportunities (McCutcheon and Parkins, 2012). Another major challenge is the integrated delivery of PEP projects, as the management and implementation of PEPs span all three spheres of government and various government sectors. An important policy question is whether PEPs lead to a reduction in long-run unemployment.

Funding to PEPs is growing faster than most budget programmes. The 2016 Medium Term Expenditure Framework (MTEF) allows for significant increases in PEPs: conditional grants are expected to grow annually by 6% for the EPWP and by 14% for the CWP. This increased funding comes on top of significant funding in previous years and in the context of a fiscally constrained environment. Therefore, it is imperative to assess whether government is getting value for money from these programmes, and whether PEPs can be an effective livelihood mechanism to support poor households that experience the brunt of the economic slowdown.

A comparative analysis is undertaken of the EPWP and CWP to ascertain whether the two funding models produce the same outcomes in rural areas. The specific objectives of this chapter are:

- To measure the effectiveness of fiscal instruments of PEPs in relation to intended outcomes in rural areas.
- To evaluate access/targeting of PEPs in terms of spatial location.
- To comment on the effectiveness of the intergovernmental delivery models of PEPs to deliver services in rural areas.

Both qualitative and quantitative methods are used. A budget analysis determines the allocations and growth of the EPWP and CWP, while descriptive statistics evaluate the rural versus urban access of PEPs, and output/outcome data and programme targets are compared to assess the relative effectiveness of the EPWP and CWP. Data was obtained from various sources, notably the annual Labour Force Surveys between 2005 and 2014. To complement the quantitative analysis, interviews were held with relevant stakeholders, including the Department of Public Works (DPW), which administers the EPWP programme, the Department of Cooperative Governance and Traditional Affairs (COGTA), which administers the CWP programme, and National Treasury.

7.2 Findings

7.2.1 Job creation programmes in rural areas

Table 22 shows the job creation schemes that are being implemented across a range of government departments and agencies. Apart from the Employment Creation Fund and PEPs, most other initiatives do not have an explicit rural bias. The schemes are also not necessarily designed to absorb large numbers of unemployed individuals and have quite onerous and time-consuming compliance requirements. For instance, intensive data collection is necessary to comply with the tax incentive grant's requirements. This suggests that high compliance costs work against the intended benefits of some job creation schemes. Another concern is the funding shortages in some programmes, such as the clothing and textile programme where competition from cheaper imports makes it difficult for companies to remain competitive. With respect to PEPs such as EPWP and CWP, the available funding is also insufficient to cover every citizen that qualifies for the programmes.

Table 22. Selected job creation programmes

Programme name	Description	IGFR implementation modality	Rural focus	Challenges	Allocation (2014/15) R-million
Employment Creation Fund	Set up to fund innovative and relatively higher risk projects, which are unlikely to be funded through government's normal budget processes and/or the commercial financial sector. Government agencies, NGOs and private sector within South Africa qualify under the programme criteria.	The Department of Trade and Industry (the dti) implements the programme; specialists and experts are used for project design and implementation.	Strong bias towards rural and peri-urban areas	The programme lacks capacity where those who are hired cannot fulfil the job specification. There are also bureaucracy and procurement-related challenges.	Unavailable
Clothing and Textiles Development Programme	Aims to encourage manufacturers to become (and remain) competitive against, for example, cheap imports or low-cost producing countries. Thus, the programme seeks to create new jobs and to preserve existing jobs in the sector. The programme has two strands: (i) Customised sector programme (ii) Clothing and textile production incentive	The dti is the parent department, and IDC is the implementing agent.	No rural dimension, although some companies that employ low-skilled individuals who have benefitted from the programme are situated in rural areas.	The programme has been well received, although the shortage of funding is a major challenge.	(i) 163.9 (ii) 723.4
Employment Tax Incentive	Aims to encourage employers to hire young and less experienced work-seekers. The incentive is meant as a temporary programme to stimulate demand for young workers.	SARS implements the programme.	The programme is available in all sectors (apart from the public sector) across the country.	Long data-gathering process (including tax filing, database management, verification and auditing). As this is the first time that government attempts a programme of this nature, some of these issues could be teething problems. The tax incentive may not be creating "new" jobs but rather going to jobs that would have been created in the absence of the incentive.	Unavailable
Jobs Fund	The programme creates jobs by supporting initiatives that generate employment in innovative ways. Grant funding is made available on a matched basis.	National Treasury has taken over as implementing agent from the Development Bank of Southern Africa (DBSA).	Most of the jobs created are in urban and peri-urban areas, as creating jobs in rural areas takes longer.	To get assistance, beneficiaries must have some available seed capital and capacity must be in place. Another challenge is meeting the funding criteria. For example, to qualify for funding, a farming project cannot have an outstanding Environmental Impact Assessment. In addition, some agricultural projects seem viable but cannot be funded because the project does not have any water rights.	1 338 913
EPWP	Aims to provide poverty and income relief for the unemployed through temporary work on socially useful projects. In addition, the programme provides some basic training and work experience for participants, to empower them to earn a living on an ongoing basis.	The programme is cross-cutting and implemented by all spheres of government and state-owned enterprises (SOEs). The DPW is responsible for overall monitoring and evaluation and submitting progress reports to Cabinet.	Both urban and rural	The funding for the programme is not sufficient to accommodate every citizen who qualifies for the programme. Training can be improved to offer better skills and better knowledge	
CWP	Similar to EPWP, the programme provides temporary work opportunities to unemployed and provides basic training and work experience. It falls under the non-state sector.	The programme is coordinated by COGTA, while NGOs implement the programme in municipal areas.	Both urban and rural	Challenges include institutionalising the CWP, getting framework agreements in place, and building the capacity for a much wider roll-out.	2 257.8

Source: Commission's compilation

7.2.2 Overview and spending trends of PEPs

The persistent and structural nature of unemployment created the impetus for government to introduce a wage income safety net for the unemployed poor. At the Growth and Employment Summit in 2003, the introduction of a PEP was seen as a critical priority. The objective was to provide wage income to large numbers of unemployed individuals by providing temporary work opportunities and socially useful work. In April 2004, the first phase of the EPWP was officially launched and targeted four sectors: infrastructure, environmental and culture, social and economic. In the second phase (2010–2014), the non-state sector was added, while the economic sector

was largely subsumed under infrastructure. As Table 23 shows, the main focus of the EPWP was creating work opportunities in the infrastructure sector, but in Phase 2 the social and non-state sector absorbed a larger proportion of participants. The bulk of the funding for EPWP comes from the baseline budgets of government departments and municipalities. A total of R49.6-billion was spent during Phase 1, doubling to R111-billion in Phase 2 (Table 24). Phase 2 saw the introduction of conditional grants to fund EPWP activities. These conditional grants are designed to complement departmental and municipal budgets and make up only a small share of the total EPWP funding, amounting to R4.6-billion between 2009/10 and 2013/14.

Table 23. Number of participants per sector

	Phase 1 2004–2009	Phase 2 2010–2014
Infrastructure	312 227	418 006
Environment and culture	114 228	191 900
Social	119 717	272 565
Economic	4 745	0
Non-state sector		
Non-profit organisations		27 124
CWP		200 822

Source: DPW (2005–2015)

Table 24. Spending on PEPs

	Phase 1 2004/5–2008/9	Phase 2 2009/10–2013/14	Average annual real growth rate	
	R'million		2004/5–2008/9	2009/10–2013/14
Total government spending (non-interest expenditure)	2 243 764	4 359 817	7%	7%
EPWP (total spending)	49 686	111 227	75%	-9%
EPWP (conditional grants)	-	4 563	0%	70%
CWP	-	4 238	0%	89%

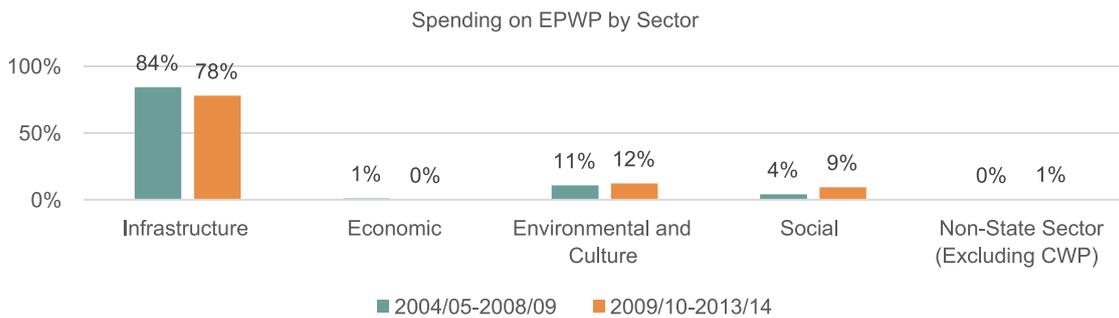
Source: National Treasury (Budget Review, Estimates of National Expenditure, Division of Revenue Bill: various years)

The CWP is funded from COGTA’s budget. Between 2009/10 and 2013/14, the programme received R4.2-billion, which is marginally less than the EPWP grant allocations for the same period. The fiscal pressures arising from the global crisis in 2009 has led to departments and municipalities moving away from funding EPWP out of baseline budgets to using more conditional grants, which increased on average by 70% per annum in real terms over this period. Between 2009/10 and 2013/14, CWP grew on average by 89% per annum. Spending on CWP has grown strongly because the programme’s implementation was scaled up across the country in order to cushion the poor against the negative fallout of the domestic economy. CWP is growing faster than the EPWP conditional grants, suggesting that government is prioritising CWP as a vehicle for creating temporary jobs for the unemployed.

Huge variations in spending are found when EPWP is disaggregated by sector. Although the infrastructure sector remains the most significant cost driver of EPWP, its share of total spending has declined marginally, from 84% in Phase 1 (2004–2009) to 78% in Phase 2 (2010–2014). A major weakness of the EPWP remains the short-term nature of jobs, particularly in the infrastructure sector. This means that beneficiaries often find themselves unemployed again at the end of the contract period of an infrastructure project (Philip, 2013). To remedy the situation, Phase 2 of the EPWP started targeting sectors where the jobs created could be of longer duration and more sustainable. As a result, the social sector has gained traction (Figure 49).

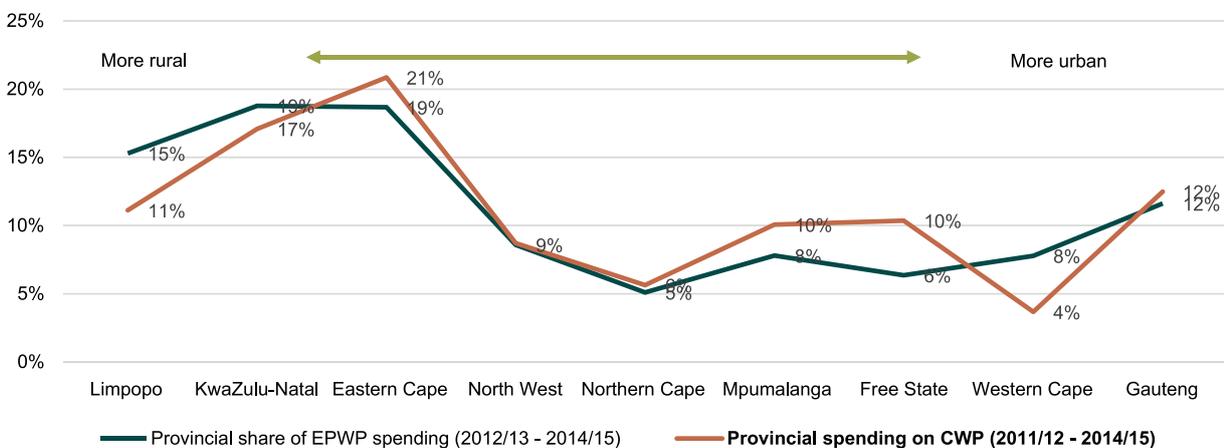
Figure 50 provides a breakdown of provincial spending on EPWP and CWP as a proportion of total spending. The provinces are arranged according to the level of “ruralness” derived from the composite index discussed in Chapter 1.

Figure 49. Spending on EPWP by sector



Source: DPW (2010; 2014):

Figure 50. Breakdown of provincial spending on EPWP and CWP



Source: DPW (2015); CWP Financial Report (2012)

During the period 2011/12–2013/14, over half (53%) of EPWP spending and almost half (49%) of CWP spending occurred in the three most rural provinces (Limpopo, Kwa-Zulu-Natal and Eastern Cape). Just over a quarter of EPWP (26%) and CWP (27%) funding was spent in the three most urban provinces (Free State, Western Cape and Gauteng). This suggests that the EPWP spending is targeted more towards rural provinces than the CWP, although the real difference is marginal. The results show that the bulk of the resources for both programmes are allocated to more rural

provinces, where the greater share of unemployed and poor households are found.

Spending on PEPs is growing much faster than total government spending, which declined by 2% in 2016/17 as a result of poor economic growth (Table 25). Allocations are expected to grow in real terms by 53% for the EPWP social sector grant and by 30% for CWP. This is a clear indication that government is targeting PEPs as a soft landing for the unemployed poor who are likely to face the brunt of the economic slowdown.

Table 25. Annual growth in PEPs over the MTEF (2015/16–2018/19)

Percentage	2015/16	2016/17	2017/18	2018/19	Average annual growth (2016/17 –2018/19)
Total government spending	5%	-2%	1%	2%	0%
CWP	40%	30%	13%	-1%	14%
EPWP integrated provincial	-12%	17%	-1%	0%	5%
EPWP social provincial	-18%	53%	1%	0%	18%
EPWP integrated municipal	-7%	6%	2%	0%	3%

Source: National Treasury (2016a, 2016b)

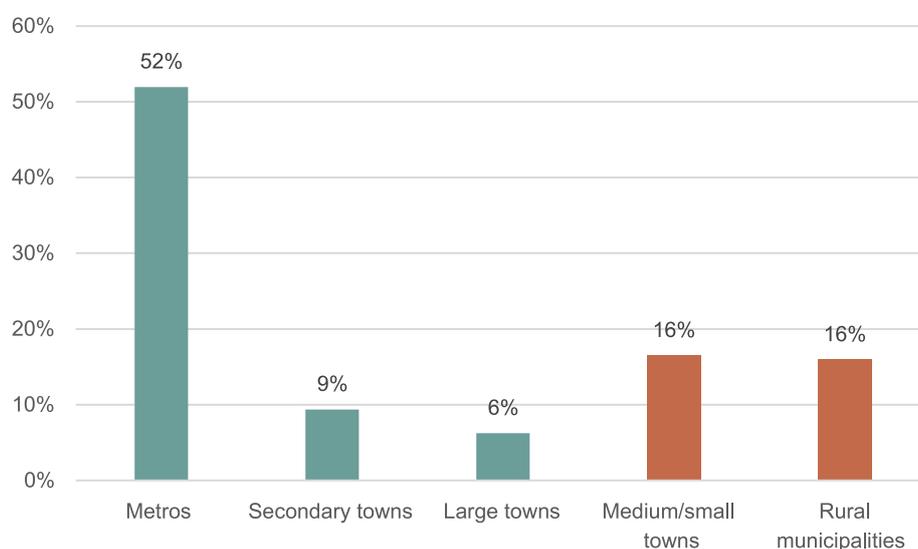
7.2.3 Access to PEPs

To gain insight around the issue of access, the location of EPWP and CWP-related work opportunities was explored. The actual number of work opportunities created according to the type of PEP (i.e. EPWP or CWP) were disaggregated

by province and type over seven years, from 2008/09 to 2014/15.

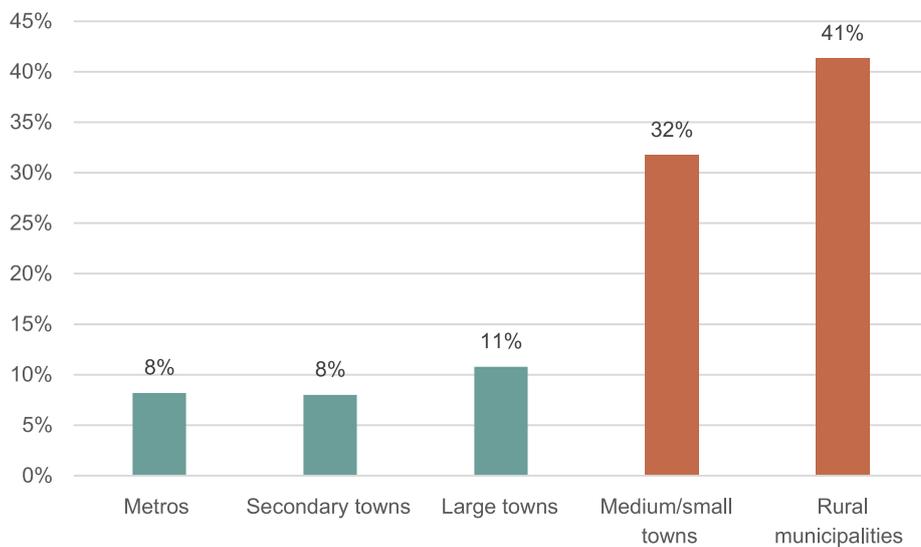
Figures 51 and 52 show the share of work opportunities created through the EPWP and CWP by type of municipal category. While EPWP work opportunities are centred in metropolitan areas, CWP has a much stronger rural focus.

Figure 51. Work opportunities created through EPWP (2008/09–2014/15)



Source: DPW (2015)

Figure 52. Job opportunities created through CWP (2012/13–2014/15)



Source: COGTA (2015)

7.2.4 Intergovernmental delivery models of PEPs

Suitable projects for CWP and EPWP are identified in different ways. EPWP projects are sector-specific (infrastructure, environment and culture as well as social sector), while CWP projects are area-based, with sites covering several wards in the municipal area. The CWP is a more effective programme because it is designed to suit the communities where the projects are implemented. It uses community participation to identify “useful work” and priorities. This means that the communities themselves own the assets created and the service delivered, and so assets (such as roads, schools, libraries and clinics) would be maintained satisfactorily.

Unlike the EPWP, where the duration of employment is on average between 4-6 months, the CWP is a part-time arrangement but is ongoing: participants can remain on the programme for as long as they need to. This also makes the CWP less prone to labour unrest. In this regard, CWP

is more effective at combating poverty – despite EPWP participants receiving training, only 25% of the participants who exit the programme get absorbed in the formal labour market, while 75% remain unemployed (Philip, 2013).

The two programmes are implemented differently. The EPWP is implemented by various sector departments, municipalities and service providers, whereas the CWP is implemented by an implementing agent contracted by COGTA. The lack of technical capacity of municipalities is likely to affect the effectiveness of the EPWP. With respect to programme reporting, both programmes have weaknesses but, unlike the EPWP, CWP annual reports are not available in the public domain.

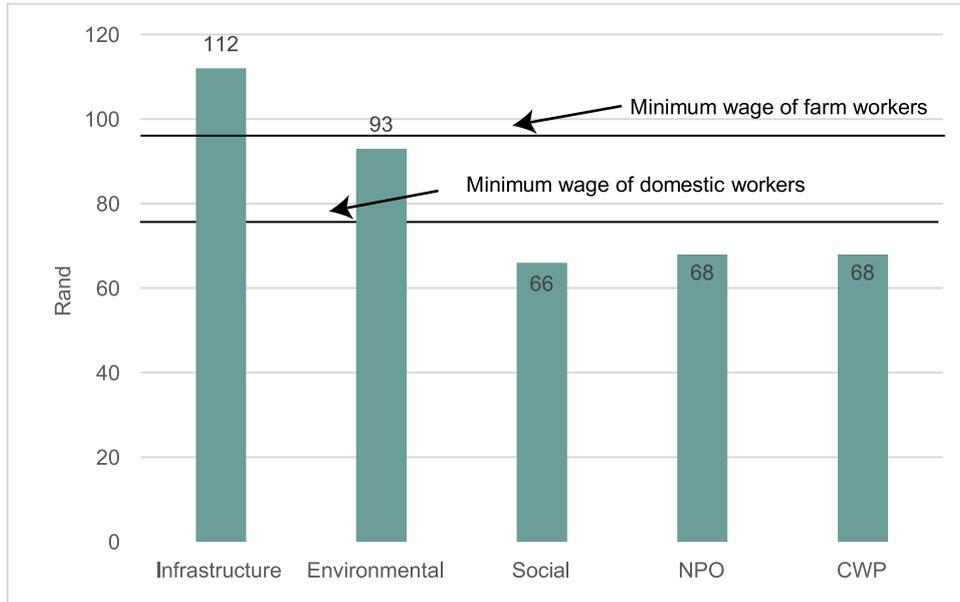
Table 26 outlines the design and implementation features of the EPWP and CWP, and highlights key weaknesses per programme, based on stakeholder interviews conducted with various national and provincial officials, and evidence from external reports.

Table 26. Design and intergovernmental implementation of PEPs

Key Dimensions of the Implementation Model	EPWP	CWP
Target recipients	Across all sectors, the average age of participants is 36.4 years, and on average 1% of participants are persons living with disabilities, 58% of participants are female and come from households consisting of about 5.49 people (DPW, 2009a). Participants are employed in the social sector (45.8%) the environment and culture sector (30.6%) and in the infrastructure sector (23.6%)	The CWP targets areas with high levels of unemployment and, by design, focuses largely in rural areas. CWP local reference committees establish the mechanisms for selection and the recruitment of participants. These committees comprise representatives from local government, the local community and local civic society organisations. The CWP reaches the most vulnerable members of society (DPME, 2015: 22).
Identification of projects and targeting	<p>Projects are identified according to specific sectors: infrastructure, environment and culture, and social sectors. At the planning and beginning of the identification process, municipalities are offered assistance, support and workshops that help them identify projects and ways to create work opportunities. Furthermore, public bodies are expected to develop a business plan that outlines how the grant will be used towards the projects and how many work opportunities the projects are intended to create.</p> <p>The major weakness in the identification process of rural projects is the influence of local elites and traditional leaders who may want to fast-track projects that serve their personal interests and may not benefit the community as a whole. Other weaknesses relate to the fact that projects are limited to certain sectors, which limits job creation, as more jobs could be created if the sectors were expanded.</p>	<p>The CWP is an area-based programme with project sites comprising various wards in a municipal area and located in areas of high unemployment and poverty levels.</p> <p>The programme prioritises labour-intensive activities (COGTA, 2011). The CWP local reference committee advises on the identification of community needs, work priorities and type of projects to implement.</p> <p>Political interference poses a major challenge in the selection of project sites and the identification of projects.</p>
Employment conditions (e.g. stipend paid, number of work days, training)	<p>Participants are paid a wage, which is set at a level that incentivises participation but not too high in order to avoid attracting individuals who are already employed. The duration of the work opportunity is linked to the duration of the project. Furthermore, the duration of work opportunity varies across the different sectors and spheres of government. On average, employment is six months in the environment and culture sector and four months in the infrastructure sector (DPW, 2009a). Participants receive accredited and non-accredited training, and the participants gain sector-specific skills.</p> <p>One of the weaknesses of these employment conditions is that participants are paid according to attendance and not necessarily according to the level of output/work for a day's work.</p>	<p>The programme offers participants a minimum number of regular days of work, typically two eight-hour days per week, eight days a month or 100 days a year. Although a part-time arrangement, the CWP is an on-going programme and therefore has no specific contract expiry date. Training is available to the programme participants and covers a wide range of skills in various industries.</p> <p>A widely reported weaknesses in the programme's employment conditions is the issue of non-payment by implementing agents. This could be due to the lack of banking services in rural areas.</p>
Programme implementation and intergovernmental coordination	<p>The EPWP is implemented by various public bodies, which include government departments, municipalities and service providers (e.g. subcontractors who only implement the labour-intensive component). Provincial steering committees, sector committees, district coordination forums and political forums in certain provinces facilitate intergovernmental engagements and coordination of the programme itself and all interactions between the departments and stakeholders or other public bodies.</p> <p>One issue is that participants do not always wanting to exit the programme at the end of the contract, which leads to labour unrest. Other implementation weaknesses are: stakeholders under-reporting work opportunities created, the money spent not equating to the reported work opportunities, full-time equivalent (FTE) targets not being met, and the incentive grant being underspent.</p>	<p>An implementing agent is appointed to develop a CWP project site, and provide financial, logistics and project management. Within each province, provincial departments in charge of local government are responsible for the planning, coordination and oversight of the programme. COGTA undertakes the overall management of the programme. Intergovernmental coordination is through local and provincial reference committees, and the CWP national steering committee. In certain municipalities, the CWP local reference committee structure is a duplication of existing structures and therefore could not be established.</p> <p>Implementation weaknesses relate to political interference and lack of good service delivery by the implementing agent in certain areas. Furthermore, it can sometimes take up to three months to authorise participants, which delays the implementation of the programme</p>
Reporting	<p>The DPW is responsible for reporting to Cabinet on the programme's progress, while provincial departments report to the national EPWP database.</p> <p>A major weakness in the reporting system is that work opportunities are under-reported. For example, participants require an identity document (ID) in order to be correctly captured on the system, and so for those who are part of the programme but have lost their IDs end up not being captured, which leads to the under-reporting of work opportunities. In addition, what is reported does not include the physical output, and the data reported is inconsistent. For instance the data reported by the EPWP unit differs from that reported by Stats SA.</p>	<p>Implementing agents are required to submit monthly financial and output reports, as well as EPWP monthly reports to COGTA. COGTA is responsible for reporting to Cabinet on the programme's progress.</p> <p>A weakness is that CWP data is not publicly available.</p>

Source: Commission's compilation

Figure 53. EPWP and CWP daily rates compared to domestic and farm workers (2013/14)



Source: DOL (2013a; 2013b)

Figure 53 shows the average daily rates for the EPWP and CWP compared to two minimum wage rates for domestic and farm workers.

In 2013/14, the daily minimum wage rate for R93 for farm workers and R77 for domestic workers. The average daily rates paid in the social and non-profit (NPO) sectors of EPWP and CWP are below both minimum wage levels, although very close to the minimum wage of domestic workers. In the infrastructure sector, the daily rates are higher than both minimum wage levels, while the environmental sector's daily rates are on par with the minimum wage level for farm workers. This suggests that some employed individuals, particularly domestic workers, could be incentivised to switch from their current employment to an EPWP work opportunity, particularly in the infrastructure and environmental sectors. Given the lack of resources in some sectors, such as the social and NGO sectors, beneficiaries are sometimes paid below the minimum rate prescribed by the ministerial determination.

7.2.5 Effectiveness of PEPs

Table 27 compares the effectiveness of EPWP and CWP (the EPWP is disaggregated by sector in order to present a nuanced analysis). Over the three-year period, the cost of creating one full-time equivalent (FTE) is significantly lower in the CWP than in the EPWP, with the exception of the NPO sector. In addition, costs vary considerably within the EPWP. For example, in 2013/14, one FTE in the infrastructure sector cost R119,387 compared to R17,370 in the NPO sector. In other words, to create seven FTEs in the NPO sector costs the same as one FTE in the infrastructure

sector. The reason for the infrastructure sector's poor performance is partly because of its low labour-intensity rate. In 2013/14 this was only 16% compared to 59% for the CWP and 89% for the NPO sector.

The results from Table 27 clearly demonstrate that, despite significant resources being pumped into infrastructure sector over the past 10 years, government has received very little value for money. In comparison, government is achieving greater value for money in the CWP, and the NPO and social sectors of the EPWP. Thus, the nature of the PEP activity being funded has a critical bearing on the impact of expenditure. Activities that are more labour-intensive, such as in the NPO sector, will naturally be more cost effective in creating jobs. However, of note is the rising cost of creating one FTE in both the NPO sector and the CWP, although the cost escalation is much higher in the CWP. These increases are a result of higher management costs and better conditions of service attached to employment.

In 2013/14, a total of just over R18-billion was spent on creating 305 000 FTE jobs through PEPs. This is significantly below the one million jobs projected for 2015 in the National Development Plan (NDP). Interestingly, if the total PEPs funds had been spent exclusively in the NPO sector, government would have achieved its target of one million jobs. And, if the funds were spent exclusively on CWP, a total of 685 000 FTE jobs would have been created. Therefore, if government wants to achieve the NDP target of two million FTE jobs by 2020, the nature of spending on PEPs would need to change, especially given the weaker economy, which is unlikely to be able to maintain long-term continued growth in allocations to PEPs.

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

	2011/12	2012/13	2013/14
Expenditure (R'million)			
Infrastructure	16 461.3	9 598.4	12 398.0
Environmental and culture	2 038.6	217.0	2 103.2
Social	1 850.1	662.0	1 932.3
NPOs	135.6	177.3	191.1
CWP	623.5	1 289.9	1 721.7
Job opportunities			
Infrastructure	374 591	N/A	391 555
Environmental and culture	164 475	N/A	205 870
Social	164 662	N/A	191 516
NPOs	39 552	N/A	51 645
CWP	105 218	205 494	172 000
Full-time equivalents			
Infrastructure	107 491	N/A	103 847
Environmental and culture	52 203	N/A	59 076
Social	67 297	N/A	67 447
NPOs	9 974	N/A	11 003
CWP	33 167	52 714	64 313
Cost per FTE (Rand)			
<i>EPWP</i>			
Infrastructure	153 141	N/A	119 387
Environmental and culture	39 051	N/A	35 602
Social	27 491	N/A	28 649
NPOs	13 591	N/A	17 370
CWP	18 799	24 470	26 771
Labour intensity			
Infrastructure	12%	N/A	16%
Environmental and culture	40%	N/A	53%
Social	37%	N/A	58%
NPOs	70%	N/A	89%
CWP	59%	59%	59%

Source: National Treasury (2016b); DPW (2015); The Presidency and COGTA (2015); Commission's calculations

7.4 Conclusion

Government invests large sums in indirect interventions such as training programmes and bursary schemes, but it is difficult to gauge the success of these initiatives in transitioning unemployed individuals into full time jobs. Other than the PEPs, many of the job creation initiatives do not have an express rural focus and are not designed to absorb large numbers of unemployed individuals into any gainful employment. This suggests that PEPs are well designed as an employment and social safety net, targeting the unemployed poor who are unlikely to find employment, even if conditions in the economy were to improve.

Although the PEPs were not established with the express intent of addressing unemployment in rural areas, the CWP appears to be more effective than the EPWP at creating employment opportunities in these areas. This suggests that attributes of the CWP could be insightful in conceptualising and implementing other government initiatives aimed specifically at the rural space.

Allocations to PEPs are insufficient to fund all qualifying beneficiaries who want to participate. Therefore, PEPs need to prioritise the most needy, especially recipients who are unemployed and without access to any type of state grant. This implies giving special priority to rural areas through the various funding instruments, as urban municipalities have a larger tax base that enables them to complement targeted transfers with own revenue to support PEPs. Rural municipalities have much smaller tax bases and are largely dependent on transfers to create jobs through PEPs.

The daily rates and work durations currently offered by the PEPs are unlikely to lift a person out of poverty. Therefore, the critical policy issue is whether PEPs are intended as a poverty alleviation mechanism or merely as an additional source of livelihood support. If policy-makers view PEPs as a poverty alleviation mechanism, any push to significantly alter the conditions of service could blur the distinction between job opportunities created through PEPs and employment offered through the formal labour market. However, this may be less significant in rural areas, where economic activity is low and formal sector jobs are scarce. Instead, ways of reducing the costs of rural participation should be investigated, especially in relation to access to banking facilities and re-registration processes.

From a policy perspective, an important consideration for allocating resources is the potential trade-off between improving service conditions and expanding the programme. Increasing daily rates or average work

durations may come at the cost of slower expansion of the programme, unless budgets are increased proportionately.

Clearly, the nature of PEP spending needs to change if government is going to come close to reaching the NDP target of creating two million FTE jobs by 2020. The cost of creating job opportunities through infrastructure is unaffordable, even though government's stated growth strategy is infrastructure-led. More jobs can be created with fewer resources, if more funds are directed to CWP, and the social and NPO sectors of the EPWP, which are more labour-intensive and have activities that are easily implementable in rural areas.

A critical weakness in both the EPWP and CWP is the lack of training opportunities afforded to participants. If PEPs are going to be a vehicle for transitioning individuals into full-time employment, recipients should be provided with appropriate training, especially in entrepreneurship and business skills. These skills are more likely to encourage individuals to create their own enterprises, if the formal labour market remains rigid and is incapable of absorbing the unemployed poor.

7.5 Recommendations

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

1. Government, through the dti, National Treasury, the Department of Social Development and the Department of Public Works, considers narrowing the focus of PEPs and using the CWP, and the social and NPO sectors of the EPWP as an explicit strategy for addressing rural poverty. Job opportunities created in these sectors are the most cost effective and labour intensive, and easily implementable in rural areas.
 - Ways of reducing the costs of rural participation in PEPs should be explored, including easier accessibility to services such as banks and re-registration processes.
2. Priority is given to unemployed individuals without access to a grant, as PEP funding is insufficient to cover all unemployed. At present, many participants either receive a social grant or are employed elsewhere. Government should also carefully balance the need to improve the conditions of employment and the need to expand PEPs.

3. The Department of Public Works and National Treasury ensure that EPWP grant frameworks in the Division of Revenue Act include an explicit condition that appropriate training of recipients (especially in skills that promote self-employment) is mandatory, given that only a small portion of EPWP beneficiaries transition into formal sector jobs. An assessment of microenterprises in rural areas that are viable self-employment options should be conducted and inform the roll-out of training programmes to EPWP beneficiaries.
4. Funding of job creation initiatives is viewed in an integrated way, with priority given to programmes that absorb unemployed poor individuals, especially if they are targeting high unemployment nodes in B3 and B4 municipalities.