

Rewarding participants in public works programmes: Cash or food transfers?

Overview

What is the best way for public works programmes to remunerate participants so that they can achieve improved socio-economic status? Drawing on evidence from a study conducted by the HSRC on the Expanded Public Works Programme (EPWP) Phase 2 (2009–2014) in KwaZulu-Natal (KZN), this policy brief considers the appropriateness and outcomes of the programme's wage-transfer mechanisms – namely, 'wages' in cash or as in-kind payments in the form of food parcels – by contrasting their socio-economic outcomes across programme beneficiaries. The findings presented begin to question the efficacy of in-kind transfers both as a measure of social protection and the extent to which they achieve their objective of reducing food insecurity. This review of policy implementation in KZN argues that some reforms are required with respect to remunerating participants. These reforms include changing from food transfer to cash, or at least offering the option to do so; improving the consultative process with participants; establishing an effective monitoring and evaluation system to track the impact of these programmes; and conducting a cost-benefit analysis of the delivery of food versus cash as a wage-transfer mechanism.

Introduction

The problem

Poverty, inequality and unemployment levels in South Africa remain unacceptably high 20 years after the advent of democracy. These triple challenges manifest themselves in relatively high levels of unemployment and in deficits in household-level food security. While the impacts of unemployment are disproportionately felt by the youth, the impacts of household-level food insecurity are most severely felt by young children. These challenges have serious consequences for the intergenerational transfer of poverty (FAO 2015). The objectives and rationale of South Africa's public works programme therefore need to be framed and assessed within this context.

It is widely recognised that social protection spending is not only progressive but can contribute to significant reductions in poverty and inequality. Public works programmes remain a popular public policy instrument in developing countries as a short-term measure for tackling unemployment and alleviating poverty. These programmes are based on the notion that employment provision will directly improve household livelihoods through access to wages while simultaneously stimulating the economy. Such programmes are assumed to contribute to increasing

consumption, particularly in relation to food security (nutrition), building asset accumulation, improving labour market access, and boosting human capital and skills-transfer outcomes (McCord 2012).

One of the key channels through which public works programmes achieve some of these socio-economic outcomes is through wage transfer. This makes the wage-transfer mechanism a critical programme design feature, one which can either improve desired outcomes or worsen them. As such, it becomes imperative to conduct an assessment of how different transfer mechanisms fare in terms of their socio-economic impacts on programme beneficiaries, particularly in relation to improving their food and nutritional security outcomes.

Background and context

At a strategic level South Africa's Expanded Public Works Programme (EPWP), introduced in 2004, is a key government priority as it relates to decent work, sustainable livelihoods and food security. Its objectives are to generate jobs, provide income streams for households and thereby alleviate poverty through short-term employment opportunities. It finds expression in the Medium-Term Strategic Framework (MTSF) Outcome 4, 'Decent employment through inclusive economic growth', and its importance arises from the fact that the EPWP is the single largest employment initiative of

the South African government (DPME 2014).

The goal of EPWP Phase 2 (2009–2014) was to provide ‘work opportunities for poor and unemployed people in South Africa so as to contribute to halving unemployment by 2014, through the delivery of public and community services’ (DPW 2009). EPWP Phase 2 set out to achieve this by intensifying labour-absorption strategies in the delivery of government interventions aimed at expanding and improving access to public, social and economic infrastructure and services. Simultaneously it would provide unemployed people with access to income, work experience and potential pathways into the labour market (DPW 2009).

During 2014 the HSRC led a study commissioned by the KZN Department of Transport (KZN DoT)¹ to assess the socio-economic impacts of EPWP Phase 2 implemented in the province between 2009 and 2014. The study profiled 15 EPWP projects across all four EPWP sectors.² These projects were located in four provincial districts: Zululand, Ethekwini, Umzinyathi and Ugu.

Of the 15 projects profiled, 14 used cash payments as transfers to programme beneficiaries, while one project, the Siyazenzela³ Food for Waste Programme implemented in the Ugu District, used in-kind payments in the form of food parcels for work done instead of cash. One specific component of the study focused on examining the comparative performance of cash versus food transfers with respect to household poverty, quality of life and food security in terms of EPWP benefits for participating households. This policy

brief addresses findings in respect of this component.

Defining EPWP transfer modes

In South Africa the predominant mode of transfer in EPWP Phase 2 is wages in the form of cash payments, with the wage rate being set ‘below the prevailing wage rate’ (McCord 2012: 76). A deviation from this transfer mode is the Siyazenzela Food for Waste Programme, introduced in KZN in 2006, which is currently included as one of many Environment and Culture sector EPWP interventions. The Siyazenzela programme combines food for work with waste removal and has its origins in the Brazilian Curitiba (garbage that is not garbage) Programme (DPW 2013). The uniqueness of this EPWP intervention is that the mode of wage transfer is food parcels (rather than cash), food vouchers or food tokens. The value of these in-kind transfers is equivalent to 12 days’ paid labour per month at the minimum EPWP Phase 2 wage rate as at 2013, or R71 per workday (DoL 2012).

The programme, operating in the Hibiscus Coast Municipality (HCM), Ugu District, targets informal settlements where the residents collect waste in the area in exchange for a monthly food parcel. The primary focus is on communities underserved in respect of municipal solid-waste removal. The location of the programme in the HCM is informed by evidence that at least 8 000 households were unserved in respect of solid-waste removal (DPW 2013). Once the community is identified, households defined as living in poverty⁴ that are able to offer labour are then recruited into the programme. The HCM Siyazenzela programme provides each

participant with a food parcel valued at R900 per month,⁵ which equates to slightly above the minimum EPWP2 wage rate of R71 per day. This is in exchange for the waste picker working three days per week and delivering approximately five bin bags of garbage per week. Participants are not given a choice of cash or food payment, and only receive the food parcel. The rationale for wage transfers as food parcels for the Siyazenzela programme was broadly articulated as follows (DPW 2013):

- This approach compensates participants with a non-cash transfer (food parcel), thereby assuring food security.
- It minimises misuse and abuse of funds.
- It contributes to reduced alcohol and substance abuse.
- It provides regular and consistent employment over a 12-month period.
- Participants would have free time to pursue other economic activities, such as waste recycling.
- The focus of the benefit was not the individual participant but his/her household.

Key findings

Poverty-alleviation outcomes of Siyazenzela Food for Work Programme

By design, the EPWP tries to alleviate poverty through the wages that are paid to beneficiaries, the assumption being that the wage transfer will deliver positive poverty outcomes. The EPWP is anticipated to contribute to consumption smoothing, asset accumulation and even potential transitions out of poverty. This socio-economic outcome can be measured by money-metric indicators such as

1 The KZN DoT was the lead agency coordinating EPWP Phase 2 in the province for the MTSF period 2009–2014.

2 Infrastructure, Environment and Culture, Social, and Non-State sectors.

3 Translated from isiZulu, *Siyazenzela* means ‘we are doing it for ourselves’.

4 It was unclear what measures were used to define households in poverty.

5 At the time of the study in 2014.

whether the EPWP household is above or below the poverty line during programme participation. Figure 1 shows the household income status of current beneficiaries of the 15 EPWP programmes profiled in the HSRC study.⁶ It is evident that Siyazenzela households have a disproportionately higher number of beneficiary households living below the poverty line compared with other EPWP beneficiaries. The results indicate that the monetary poverty objective has not been reached through the Siyazenzela programme. As Figure 1 shows, 85% of Siyazenzela households currently on the programme were below the poverty line (R443 per household

member per month), compared with the average across the remaining 14 sites of 42%. It is thus unsurprising that the mean income for current Siyazenzela households is the second lowest (at R975; see Table 1).

Given Siyazenzela's wage-transfer mechanism, these results are predictable as the programme is expected to deliver its impact via improvements in nutrition and food security. Assuming that this alternative wage mechanism works, then we would expect to find Siyazenzela participant households with superior food and nutritional outcomes

relative to those from cash wage-transfer-based projects.

Improved food and nutritional outcomes

Food and nutritional outcomes are generally measured through a set of basic indicators which assess food consumption patterns, nutrient availability and household food intake, among others. For the purposes of this analysis, we created a comprehensive food index based on 10 indicators to assess the performance of payment as food parcels versus cash.

⁶ The details of the profiled sites are as follows: ETH – DSW = Ethekewini District – Durban Solid Waste; ETH – ECD = Ethekewini District – Early Childhood Development; ETH – KRG = Ethekewini District – Kha Ri Gude; ETH – TOU = Ethekewini District – Tourism Ambassadors; UGU – NOM = UGU District – Non-State sector; UGU – SIY = UGU District – Siyazenzela Food for Waste; UGU – IAS = UGU District – Invasive Alien Species; UGU – VCP = UGU District – Volunteer Social Crime Prevention; UMZ – BWS = Umzinyathi District – Bulk Water Services; UMZ – CCG = Umzinyathi District – Community Care Givers; UMZ – C&G = Umzinyathi District – Clean and Green; ZUL – CCG = Zululand District – Community Care Givers; ZUL – IAS = Zululand District – Invasive Alien Species; ZUL – LDC = Zululand District – Land Development and Care; ZUL – P49 = Zululand District – Road Infrastructure.

Figure 1: Household income by EPWP project: Current beneficiaries

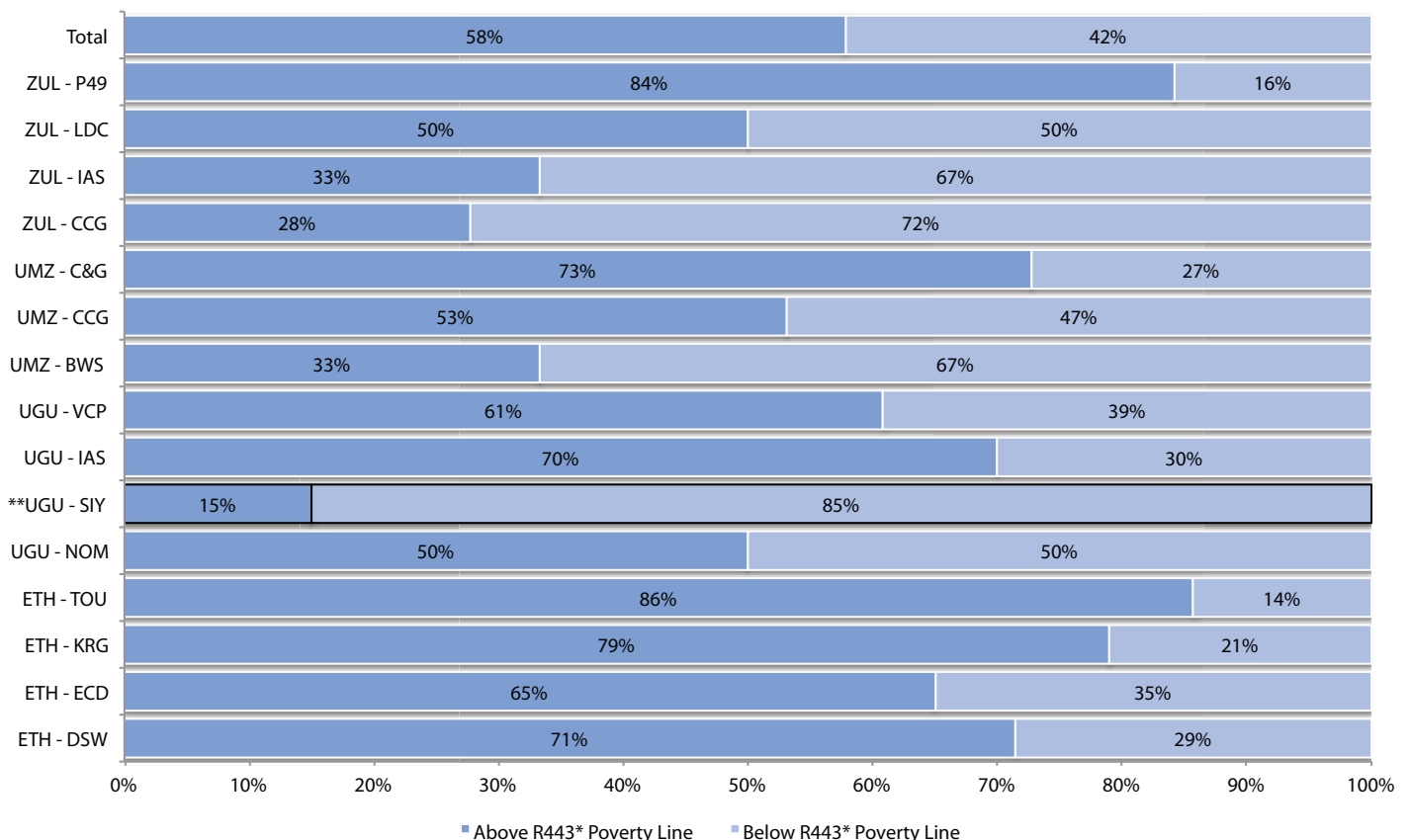


Table 1: Monthly mean household income by EPWP project: Current beneficiaries

Project name	N	Mean
ETH – DSW	20	R 4,538
ETH – ECD	18	R 7 459
ETH – KRG	19	R 5 369
ETH – TOU	6	R 6 209
UGU – NOM	17	R 2 751
**UGU – SIY	20	R 975
UGU – IAS	8	R 3 844
UGU – VCP	14	R 2 108
UMZ – BWS	2	R 1 626
UMZ – CCG	31	R 3 162
UMZ – C&G	11	R 3 182
ZUL – CCG	18	R 3 223
ZUL – IAS	2	R 751
ZUL – LDC	6	R 3 292
ZUL – P49	16	R 4 829
Total	208	R 3 767

The findings of this exercise reveal unexpected results – namely, that Siyazenzela offers food and nutritional outcomes that are among the lowest of all the projects (see Figure 2). This means that Siyazenzela fails on both social protection counts: income poverty alleviation, and nutrition and food security improvement. Specifically, not only does Siyazenzela fail to push people out of poverty, but it also fails in an area where it is supposed to excel, that of improved food and nutritional outcomes.

Absence of effective monitoring and evaluation systems in EPWP

A key weakness of the KZN DoT's EPWP monitoring and evaluation system was the absence of empirical measures to assess whether a household's livelihood status and outcomes had improved as a direct result of participation in the EPWP. An effective system would have collected baseline data on food and nutrition status of households and would have generated evidence to alert the KZN DoT much earlier to the fact

that assumptions about the value of food parcels had not been realised.

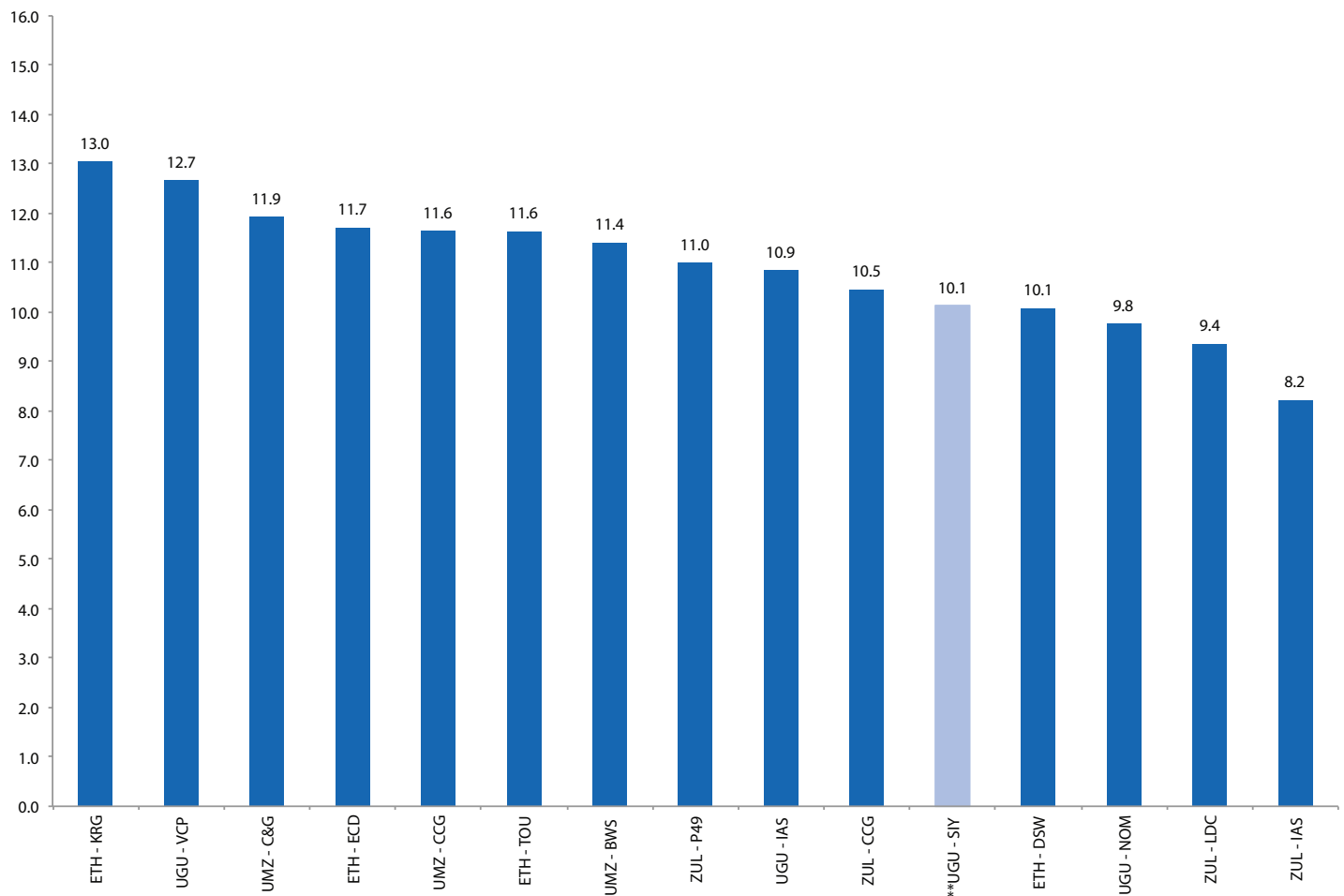
Cost-benefit analysis

The terms of reference for the study included a cost-benefit analysis to be undertaken, specifically in relation to the cost per job created. The study attempted to collect data for all 15 projects through the application of a cost-effectiveness analysis (CEA) tool in order to assess the effectiveness of EPWP spending. The experience of administering this tool highlighted a chronic problem in the EPWP of significant gaps in information gathered, with most of the data received being aggregate figures. To illustrate this for Siyazenzela, the only data provided were the global costs of procuring the actual food parcels. No costs were provided for administrative or management costs of procurement incurred by the relevant department. Hence it was not possible to assess whether or not this transfer mode was cost-effective.

Recommendations

- *Change the wage-transfer mechanism from food to cash.* It appears that it would be in the best interests of participating households to change the wage-transfer mechanism from food to one of cash, or at least to provide this as an option. Some households may prefer a food-based safety net. The choice has never been an option.
- *Open up beneficiary consultations to discuss wage-transfer mechanisms.* Such consultation can deepen mutual understandings of and assess perceptions and preferences with respect to the form of wage transfer that will best serve recipients' local needs and possibly stimulate the local economy. In the same way there is a need to explore jointly how the public works programmes can best contribute to local development and increase income generation and other opportunities.
- *Establish an effective monitoring and evaluation system to track the impact of public works programmes.* This will allow the Department of Public Works (DPW) to assess whether programme expectations are being met. Currently a number of assumptions are made about the EPWP's value, none of which has been tested. This system will require baseline studies to be undertaken. Baseline studies and tracking may also help clarify some of the anomalies evident from the results of the current study (e.g., Siyazenzela was among the poorest with regard to mean household income and was in the lower third when it came to nutrition and food security).
- *Undertake a cost-benefit analysis of the delivery of food as a wage transfer compared to cash.* The costs of delivery of food parcels are hidden and may be leading to leakages in

Figure 2: Summative food and nutrition index



Note: High scores = better food and nutrition outcome

the system. The DPW is urged to facilitate the collection and analysis of relevant financial data to assess which wage-transfer model is the most efficient and economically viable model to pursue.

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