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SHADOW MINISTER OF PUBLIC WORKS AND INFRASTRUCTURE

[UNSIGNED ELECTRONIC COPY]

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Hon. Minister Patricia de Lille
Minister of Public Works and Infrastructure
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Dear Hon. De Lille

DEMOCRATIC ALLIANCE SUBMISSION ON THE DRAFT EXPANDED PUBLIC WORKS PROGRAMME POLICY

1. Introduction

The Democratic Alliance (DA) agrees with the broad effort to reform the Expanded Public Works Programme (EPWP) but we do not support the reform path recommended by the Department of Public Works and Infrastructure's (DPWI) draft EPWP Policy. While the Policy does acknowledge that Public Employment Programmes (PEPs), of which the EPWP is one, are designed to offer short-term employment to vulnerable communities, it appears that its overall policy thrust is calibrated towards positioning PEP opportunities as a substitute to sustainable job creation.

If South Africa is to address the current skills deficit in the economy and provide the unemployed with a decent chance of finding long term jobs in the formal sector, the DA proposes a forward-looking EPWP policy that leverages on the Small, Micro and Medium Enterprises (SMMEs) sector to promote skills development. 'Massification' of work opportunities under the EPWP, as alluded to in the policy, should not solely be defined by the transference of a stipend to programme participants. There should be a tangible realisation of value through the acquisition of transferrable skills by participants which would prepare them for a seamless transition into formal employment.

The proposed business case for the EPWP in this draft policy, while rightly anchored on 'tackling the triple challenges of poverty, inequality and unemployment', remains inward looking and redistributive in its orientation. Instead of pivoting outside the public sector to create value for EPWP

participants, the policy envisages a programme that evolves around an expansive role of the state in job creation, raising the risk of crowding out private enterprise participation in short-term PEP initiatives.

In designing the PEPs, it is much more beneficial to innovate outside the public sector by broadening opportunities of participation through the incorporation of the untapped potential of the private sector. South Africa's multi-billion rand EPWP budget is a valuable resource that could be used as a leverage to create incentives for private enterprises to on-board and transfer skills to PEP participants through short-term work opportunities which would alleviate the full responsibility of job creation currently placed on the state.

In order to ensure that the EPW programme creates value for participants and increases their rate of transition into the formal economy, the DA proposes that the policy should be anchored on these foundational pillars:

- The EPWP should not be a substitute for sustainable job creation;
- Broadening public/private partnerships in EPWP through collaboration incentives with the private sector;
- Addressing fragmentation in PEP budget allocation;
- Provision of certification for program participants.

2. EPWP is not a substitute for sustainable job creation

PEPs do play a critical role in providing transitory work opportunities for individuals and communities struggling with unemployment. However, due to a sustained failure to grow the economy and create formal job opportunities, there is always a risk or temptation by governments to recalibrate PEPs as long-term employment creation instruments. The draft EPWP policy appears to have fallen into this trap by suggesting that, due to an unemployment crisis created by a low-growth economy spanning a decade, the EPWP has to be expanded to fill the unemployment gap by creating 5-million employment opportunities by 2030 at an annual growth rate of 3,3%. Regardless of the amount of short-term work opportunities created under the EPWP, the policy should always be codified as a framework for transitory work for the unemployed and not a substitute for a policy environment that enables economic growth and the creation of real jobs.

PEPs are at the lower end of the employment policy continuum and as such should ideally facilitate transition into long-term employment in the labour market. However, the challenge for South Africa at the moment is that the market for formal employment is depressed – a situation which might have potentially increased long-term participation in PEPs by participants due to lack of jobs to transition to. The draft EPWP policy should therefore include an advisory statement articulating the importance of growing the economy and creating jobs as a long-term solution to addressing the unemployment crisis. There is need to emphasise the point that, unless South Africa embarks on a sustained programme of structural economic reform, that unlocks investment, growth and jobs, it is counter-productive to expect that PEPs will be the answer to chronic long-term unemployment.

3. Incentivizing public/private partnerships in the EPWPs

Under Policy Position No.5, titled *'Refocus EPWP to Enable Massification'*, the draft EPWP policy correctly points out that 'Small, micro and medium enterprises (SMMEs) should be given much more priority in the PEP environment. This is especially considering the fact that SMMEs employ 50-60% of South Africa's work force and contribute around 34% of GDP'. Still, the articulation of SMME or private sector involvement in PEPs does not go far enough in the EPWP policy in its current form.

Since bankable skills development should be at the centre of any PEP rollout, it is recommended that prioritisation should be given to high-value sectors such as the green economy, artisanal industries and early-stage ICT sector startups. These are sectors that constitute a huge portion of South Africa's critical skills list. Not only will participants gain skills that the economy needs, the payment of implementation fees to SMEs to facilitate the EPWP programme will be a valuable income stream to help them innovate and grow.

The EPWP's multi-billion budget can be used to create incentives for SMMEs and the private sector to on-board more PEP participants in order to reach the threshold for massification envisioned in the draft EPWP policy. Through 'learning on the job' schemes, the EPWP programme can subsidise the cost of training by providing financial incentives to SMME's human capital development. In order to ensure that PEP participants conclude their training at an assigned SMME or private enterprise, the entirety of their stipend income which was to be paid during the course of the training period, will be forfeited to that specific SMME or private enterprise should they fail to complete the full course of their EPWP assignment. The aim of the financial incentives to SMMEs is to ensure that they take on more EPWP participants, especially the youth, and develop their skills levels as per the agreed service level agreement.

4. Addressing financial resource fragmentation in the PEP sector

It is imperative that the draft EPWP policy makes a case for the consolidation of PEP budgets across the public sector system to achieve economies of scale and prevent duplication in PEP implementation, as is currently the case. Currently, the two biggest PEP programmes in South Africa are the EPWP under the Department of Public Works and Infrastructure (DPWI) and the Community Works Programme under the Department of Co-operative Governance and Traditional Affairs (COGTA). Both programmes have a cumulative budget allocation of R4,3-billion for the 2022/2023 financial year. Considering the substantial administrative costs that are involved in managing PEP initiatives, consolidation of PEP budgets will minimise resource wastage and ensure that more money is spent on participants rather than paying for administrative overheads.

With both programmes appearing to 'dip in the same pool' of public employment intervention, government cannot afford to have a 'silo approach' on the allocation and management of PEP budgets. Whether it's the DPWI or COGTA, one of them will have to initiate a discussion towards the consolidation of PEP budgets to obtain optimal value for participants and the lowering of programme implementation costs.

5. Provision of certification for programme participants

Individuals who take part in a PEP should be provided with certification to prove their participation and the quality of training that they received during the course of employment under the EPWP. On this aspect, the draft EPWP policy offers contradictory positions which obscures its position on the importance of certificates of training. First, the policy argues that:

'In several cases the insistence of training certification has brought in complexities and costs that outweigh the training benefits and the wage bill. All the research shows that employers value work experience more than the kind of training certificates characteristic at this level. So make the work experience meaningful, ensuring that it enhances employability.'

Later on, it makes a U-turn by arguing that:

'Depending on the job and related skills set, the option for accreditation or certification related to the training should be explored. This adds value to the investment that government is making in the individual (best value-for-money) as well as enables the individual to utilise the accreditation for future employment opportunities.'

The policy contradiction is unhelpful and creates ambiguity for all stakeholders involved in the EPWP. In order to fulfill the social contract in the PEP, participants must be provided with official documentation to prove their experience and training. Failure to do so will negate the argument that PEPs are designed to offer immediate social relief to the unemployed while helping them to transition into formal employment at the conclusion of their PEP assignment.

6. Conclusion

PEPs should not be used as a substitute for investment-friendly policies that drive economic growth and create sustainable long-term employment opportunities. This should be stated clearly in the draft EPWP policy. The policy should include an advisory statement on the importance of a sustained programme of structural economic reform to grow the economy and create jobs. In addition, the EPWP should provide incentives for public/private partnerships that would create training opportunities in high value industries such as green economy, artisanal industries and early-stage ICT sector startups. To achieve economies of scale and reduce administration costs, this submission recommends the consolidation of budgets across the PEP value chain. Finally, individuals who take part in a PEP should be provided with certification to enable them to prove their training and experience as they transition into formal employment.

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Democratic Alliance