



Predicted Poverty Impacts of Expanding the Community Work Program in South Africa

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Background

- ▶ South Africa's economic growth since 1994 has only resulted in marginal gains for the poor
- ▶ The expanding system of social grants helps vulnerable individuals, but high unemployment remains and there exists no social safety net for working age adults (apart from those with access to UIF for a limited period)
- ▶ There is an urgent need for interventions aimed at creating a safety net for the unemployed poor that provides both work and income



Employment Guarantee Schemes (EGS)

- ▶ One such intervention, implemented successfully elsewhere in the developing world, is an EGS
- ▶ Guarantees low-skilled work to poor, unemployed individuals and in the process contributes to the creation of productive community assets and services
- ▶ South Africa's own EGS, the Community Work Programme (CWP), began in pilot form in 2007
- ▶ It became a component of the EPWP in 2009, and in 2010 was included as a fully-financed government programme situated within the Department of Cooperative Governance and Traditional Affairs (CoGTA)

The CWP

- ▶ Similar to the well-known Indian model (NREGA) the CWP offers unemployed adults up to 100 days of paid labour per year (usually 2 days per week)
- ▶ Work is part-time, providing a predictable income floor instead of one or two intensive periods of employment
- ▶ Daily wage of R66.34 (2012)
- ▶ Projects are required to have a 65:35 ratio of wage to non-wage costs, ruling out most large infrastructure-related projects
- ▶ Food security, teaching assistants, rural infrastructure, community carers, renovations, clean ups...



A Simulated Analysis

- ▶ We try to provide estimates of the poverty-reducing potential of rapidly expanding the CWP
 - ▶ We take the current levels of poverty and through a basic simulation examine what happens when the CWP is rapidly expanded
 - ▶ We use two annual poverty lines, an upper line (R5 648/year) and a lower line (R3 052/year) in 2007 prices
 - ▶ It must be noted at the outset that income is just one of the many benefits that the CWP confers on participants, there are considerable non-monetary impacts
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Simulated Analysis (cont'd)

- ▶ Analysis uses data from the Community Survey (2007)
- ▶ We simulate the expansion of the CWP to each of the 55 District Councils (DC)
- ▶ Jobs are allocated based on the number of unemployed people in each DC
- ▶ We look at expanding the CWP to reach 1 million, 2 million, and 3.4 million people nationally
- ▶ We also look at the effects of providing 150 days of work – in addition to the current 100 day target

Understanding the effects

- ▶ Take a family of 5 (two unemployed adults and three children)
- ▶ Assume that their household income is R20 000 per year (including money from grants) – an annual per capita income of R4 000
- ▶ The CWP is rolled out in their area and the (eligible) adults find work on the programme, earning R4 970 for 100 days of work
- ▶ Household income now rises to R29 940
- ▶ Dividing this new HH income by 5 gives a per capita income of R 5 988
- ▶ They move from being ‘poor’ to being ‘non-poor’

Baseline Poverty Estimates

Baseline Poverty Estimates					
	Estimate	Std. Error	[95% Conf. Interval]		No. of Poor
Lower Poverty Line (R3 052/year)					
P0	0.314	0.001	0.317	0.319	15 080 430
P1	0.169	0.000	0.169	0.170	
P2	0.121	0.000	0.121	0.122	
Upper Poverty Line (R5 648/year)					
P0	0.511	0.001	0.510	0.512	24 262 215
P1	0.286	0.000	0.285	0.287	
P2	0.202	0.000	0.201	0.203	

KEY RESULTS

- ▶ Scenario 1A: 1 million CWP jobs @ 100 days
- ▶ **929 327** people move above the lower poverty line
- ▶ **432 159** people move above the upper poverty line
- ▶ **4.6 million** people directly benefit from the CWP wage
- ▶ **523 676** people no longer receive zero income

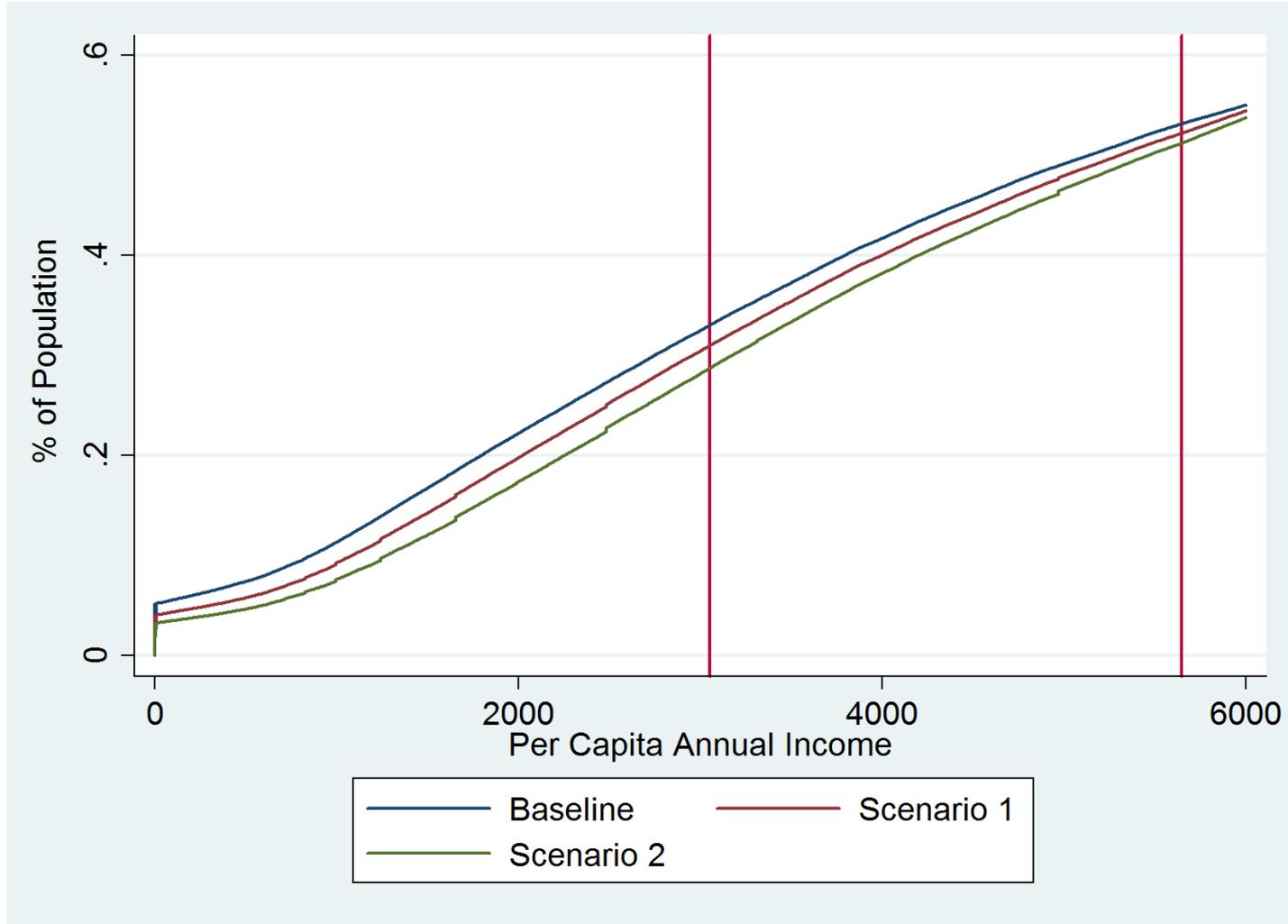
KEY RESULTS (cont'd)

- ▶ Scenario 2 A: 2 million CWP jobs @ 100 days
- ▶ **1 957 239** people move above the lower poverty line
- ▶ **886 267** people move above the upper poverty line
- ▶ **7.9 million** people directly benefit from the CWP wage
- ▶ **886 429** people no longer receive zero income

KEY RESULTS (cont'd)

- ▶ Scenario 3: 3.4 million CWP jobs @ 100 days
- ▶ **3 460 441** people move above the lower poverty line
- ▶ **2 301 827** people move above the upper poverty line
- ▶ **10 million** people directly benefit from the CWP wage
- ▶ **1.2 million** people no longer receive zero income

Cumulative Distribution Functions



NREGA Restrictions (1 job per HH)

1 million Jobs @ 100 days

Mean	Estimate	Std. Err.	% Δ	Total Δ
Lower Poverty Line (R3 052)				
P0	0.298	0.001	-1.96%	-929 327
P1	0.149	0.000	-2.02%	
P2	0.102	0.000	-1.88%	
Upper Poverty Line (R5 648)				
P0	0.502	0.001	-0.91%	-432 159
P1	0.268	0.000	-1.77%	
P2	0.183	0.000	-1.90%	

1 million Jobs/HH @ 100 days

Mean	Estimate	Std. Err.	% Δ	Total Δ
Lower Poverty Line (R3 052)				
P0	0.299	0.001	-1.88%	-892 779
P1	0.149	0.000	-2.00%	
P2	0.102	0.000	-1.91%	
Upper Poverty Line (R5 648)				
P0	0.501	0.001	-1.03%	-488 378
P1	0.268	0.000	-1.77%	
P2	0.183	0.000	-1.90%	

Inequality Shifts

Baseline Inequality Measure

Gini Coeff.	Std. Error	[95% Conf. Interval]	
0.764	0.0009	0.7597	0.7662

1 million jobs @ 100 days

Gini Coeff.	Std. Error	[95% Conf. Interval]	
0.757	0.0009	0.7550	0.7592

@ 150 days

Gini Coeff.	Std. Error	[95% Conf. Interval]	
0.754	0.0005	0.7533	0.7556

2 million jobs @ 100 days

Gini Coeff.	Std. Error	[95% Conf. Interval]	
0.753	0.00112	0.75049	0.75556

@ 150 days

Gini Coeff.	Std. Error	[95% Conf. Interval]	
0.747	0.0008	0.7461	0.7497

3.4 million jobs @ 100 days

Gini Coeff.	Std. Error	[95% Conf. Interval]	
0.743	0.0009	0.7411	0.7450

Programme Costs (2012)

Predicted CWP Project Costs

	Total Cost (Rm)	% of Govt. Expenditure	% of GDP
1m jobs @ 100 days	10 743	1.11%	0.33%
1m jobs @ 150 days	16 115	1.66%	0.49%
2m jobs @ 100 days	21 486	2.22%	0.65%
2m jobs @ 150 days	32 229	3.32%	0.98%
3.4m jobs @ 100 days	36 526	3.77%	1.11%

Conclusions

- ▶ A rapid expansion of the CWP could have significant impacts for a large number of poor and unemployed people in South Africa
- ▶ 1 million jobs for 100 days results in 930 thousand people moving above the lower poverty line, and extending this to 2 million people pushes that number up to 1.95 million
- ▶ However, poverty lines can obscure the fact that the benefits of the CWP wage extend to the participant's entire household and address the deepest levels of poverty in the country
- ▶ In addition the non-income effects of an EGS may be even more valuable and have been well documented