

Second Carnegie Inquiry into Poverty and Development in Southern Africa

The Role of Public Works  
Programmes in Combatting  
Poverty in South Africa

by

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## TABLE OF CONTENTS

	Page
Preface . . . . .	(i)
Introduction . . . . .	1
Synopsis of the role of PWP's and some common pitfalls	3
Literature Survey . . . . .	7
The Poor White Phenomenon: A Case Study of PWP . . .	14
Implementation . . . . .	27
Implications . . . . .	34
Conclusion . . . . .	47
Bibliography . . . . .	49

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PREFACE

One of the key points that has emerged from all the research papers prepared for the Second Carnegie Inquiry into Poverty and Development in Southern Africa, is the seriousness of the problem of unemployment. The situation is bad and with the current recession it is getting worse. The situation is most serious of all for black women trapped in the rural areas. During the course of the Inquiry, a good deal of work has been done on the problem of unemployment and on thinking through strategies to deal with it. Much has been learnt from studying the problem of unemployment amongst white South Africans at the time of the First Carnegie Commission on the Poor White Problem and of the subsequent steps taken by the South African State to create jobs for those who really needed them.

As part of the ongoing work of the Second Inquiry a Workshop was held at the University of Cape Town, which included Professor Pieter le Roux of the University of the Western Cape (Chairman of the Carnegie Working Group of the Public Allocation of Resources), Dr Norman Reynolds, a Zimbabwean economist who wrote "Citizens, the State and Employment: Public Works as the Core of a rural development strategy", Carnegie Conference Paper No.234, 1984; and the Director of the Carnegie Inquiry together with the three authors of this paper. The discussions of the Workshop helped to clarify a number of issues and we are most grateful to Iraj Abedian, Steffan Schneier and Barry Standish for all their

work in producing not only this paper but also for the previous one (SALDRU Working Paper No.64, 1986). This work is offered as part of the ongoing debate in this country and we hope it will prove useful in stimulating further thinking about the responsibility, and role, of the State for generating employment wherever possible.

Francis Wilson  
Director, Second Carnegie Inquiry into  
Poverty and Development in Southern Africa

## INTRODUCTION

Poverty and unemployment in South Africa are concentrated to an enormous extent in rural areas. An astounding 93,7 per cent of poverty is contained in the 'Black Reserves' and on White farms (Reynolds, 1984, p.12). This regional containment of poverty is achieved by the "panopoly of racial legislation...which has prevented the natural movement of people to where employment services and a settled family life is possible - in the towns" (Reynolds, 1984, p.12). In 1980, approximately 13 per cent of 'homeland' households received no income whatsoever, while 81 per cent received less than the minimum living level. (Simkins, 1984, p.150). The implications of this are particularly dire since about 42 per cent of the population of the 'homelands' at this time lived in closer settlements and hence had little if any means of supplementing wage transfers. (Simkins, 1981, p.7).

The level of Black unemployment has shown a marked increase. It rose from approximately 11,8 per cent in 1970 to 21,1 per cent in 1981. (Simkins, 1982, p.6). About two-thirds of the Black unemployed are located in 'homeland' areas. Since many live in the closer settlements which are often little more than rural slums, their condition is more analagous to urban rather than rural poverty. This is significant as unlike the countryside where seasonal unemployment is common, urban unemployment is year-round. Its amelioration thus requires the provision of full-time employment which is harder and costlier to create than is additional part-time work. (Reynolds, 1984, pp.14-15).

Against this backdrop of unemployment and poverty, it is clear that the expansion of employment opportunities must be a key objective of development planning. With the growing recognition internationally of the problems of mass poverty, planners have been devoting more attention to the plight of people on the lowest rung of the income ladder. It has been increasingly recognised that growth in per capita income or consumption may not automatically ensure a significant improvement for the very poor. Planning must, therefore, entail special efforts in favour of such people. The search for employment opportunities has led to substantial interest in the role that Public Works Programmes (PWP's) can play.

A note of caution should be raised here. Reynolds argues that once poverty has reached the magnitude seen in South Africa, the problem cannot be solved by a conventional public works programme alone. (Reynolds, 1984, p.17). Furthermore, the potential of PWP's is severely curtailed by the myriad of political, legal and institutional constraints that characterise the South African socio-economic formation. The authors believe that it requires considerable reform of this framework to create an environment in which PWP's are accepted by communities as a material and organisational basis for them to work together. Furthermore, since the containment of poverty and unemployment in the rural areas is caused by political as well as structural factors, it is not necessary that attempted solutions be rurally based. Indeed, in some cases PWP's in urban areas may be a cheaper and more

effective means of creating employment so long as labour mobility is unconstrained.

#### A SYNOPSIS OF THE ROLE OF PWP'S AND SOME COMMON PITFALLS

From an examination of the literature, it is evident that PWP's have potential as a means of absorbing labour in productive work. As a result, they can make a major improvement in the income and consumption levels of those employed and can create useful assets using scarce resources efficiently. (See Burki et al, 1976, p.47; Reynolds, 1984, pp.7-8; Guha, 1981, pp.69-71, 79). In rural areas, PWP's can be particularly helpful in drawing the unemployed and off-season workers into such tasks as the improvement of land use, the building of drainage and irrigation channels and the expansion and improvement of roads from villages to marketing centres. (See Arles, 1974; Ghai, 1980). In urban areas, PWP's may be useful for the clearance of slums, the building of low income housing and the expansion of schools and hospitals. (See, for example, Ghai, 1980, ILO in Journal of Development Planning, No.5, 1972). Much of the literature also stresses the importance of incorporating educational and training schemes within PWP's. It is emphasized that the manpower needs of the particular economy need to be carefully defined and education and training suitably and accordingly developed. (ILO, 1972; Levin, 1984).

From much of the literature it seems that the conceptual case for PWP's is far stronger than the experiential record. In many instances, the immediate employment potential has not been fully

developed and the assets created have not been as productive as they might have been. Furthermore, it is common that insufficient attention is directed to the generation of continuing employment associated with the completed works.

The reasons for these failures are diverse, however there are some more common shortcomings:

- (a) Many public works ventures have been on a trivial scale and there have been few systematic attempts to scale them to the needs of the economy. Lewis found this to be so even among the most ambitious PWP's. (Lewis, 1972). The Phillipines project, which Lewis considers the most ambitious of those he studied, generated the full-time employment equivalent of about 12 per cent of national unemployment at the time, but it was only a temporary crash programme. The much-praised programme in East Pakistan is estimated to have accomplished only a 3,4 per cent reduction in agricultural unemployment. The goals of Morocco's employment promotion programme have been to provide 200 days of employment annually to 125 000 people. Urban unemployment alone is estimated at 700 000 and 40 per cent of the rural labour force are unemployed or underemployed. Thus, even these which rank among the most ambitious of projects, are limited compared with national employment needs. (See Balkenhal, 1981; Burki et al, 1976).
- (b) Several schemes have been characterized by technical hastiness and incompetence as well as poor choice of technology. A Tunisian example illustrates this problem. The project involved planting trees on terraces constructed on hillsides for soil conservation. The UN advised the use of a fast-growing species of tree with limited water requirements. No account was taken, however, of the existence of a hard layer of clay three feet below the surface in many of the planting areas. After about five years, the roots reached this layer and hundreds of thousands of trees died. This led to bridges collapsing, and flood embankments washing away. (Burki et al, 1976).
- (c) Schemes have sometimes been ad hoc in nature, lacking spatial focus and often without any links to national rural development and infrastructure planning schemes. They have not been viewed or used as instruments for systematically promoting desired territorial outcomes with respect to communications and the rural-urban dimensions of national development efforts. A PWP will yield a better rate of return and will generate benefits for its target group much more effectively if it complements other development activities. A new farm to market road may scarcely raise the incomes of small and poor farmers, if their productivity is not raised and they have no surpluses to sell. New

irrigation ditches may not yield their full benefits, if new seeds, agricultural credit or fertilisers are not available.

- (d) Organizational infirmities, makeshift administrative arrangements and a lack of managerial and engineering skills have resulted in several cases in poor project planning, programming and management.
- (e) There has often been an imbalance between centralization and effective involvement of local administrations and popular bodies in crucial programme decisions, planning, and implementation. Few programmes provide adequate administrative safeguards and appropriate institutional means for genuine participation by the target group. There is a need for strengthening planning at the local level so that the design and execution of relevant programmes can not only gain from local initiative but also take into account factors of a local character. Lewis argues that centralization may often be a response to concern over technical deficiencies. (Lewis, 1972). However, bureaucratic inertia and entrenched vested interests are also common factors causing some countries to maintain centralization in the management of PWP's, and mitigates against the effective harnessing of local 'purposes and energies'. In several of the Indian programmes there has been reluctance, particularly on the part of State governments, to delegate responsibility to the local level. Similarly, the programme in West Pakistan has been centralized. By comparison, East Pakistan has had notable success with substantially decentralized organization of operations. Here, however, local jurisdictions were not required to contribute their own locally raised resources to the programme, thus their incentives to maximize project returns were denied the reinforcement that such a risking of their own resources would entail. It is evident that some programmes have been afflicted with corruption. In East Pakistan, for example, the progress made towards effective local planning and implementation in the latter half of the 1960's was badly undermined by the adoption of the programme as a system for distributing political rewards from the top. (Lewis, 1972. See also Burki et al, 1976; Reynolds, 1981, 1984; Guha, 1979, 1982).
- (f) Inadequate post-project maintenance arrangements often hamper the effectiveness of PWP's. This can largely be attributed to the failure to ensure that the operating authorities have a sufficient stake in the projects selected and in their continuing effectiveness. Of the cases examined by Lewis, only the programme in East Pakistan had specific procedures for maintenance. "Union councils at the first supra-village level of organizations were required to spend one quarter of their total revenue on maintenance and were instructed...that maintenance was to receive priority over new construction". (Lewis, 1972). In the case of the Phillipines, where no maintenance procedures were

provided, roads and canals deteriorated very quickly. The model for the development of employment guarantee schemes as conceptualized by Reynolds, goes far in creating an organizational structure which would facilitate the continued involvement of communities in PWP's. (Reynolds, 1981, 1984).

- (g) Unemployment and poverty are political as well as economic problems. The response of the Government reflects its ideology, the availability and nature of advice and financing, and the importance it attaches to the various affected groups. Political factors are thus important in shaping the design of PWP's and in determining what effects they have on poverty and unemployment over time. Thus, where there is a lack of sustained political commitment to the programme objectives, and where the original design does not provide for a vestige of control by the beneficiaries of the programmes over work offered, the distribution of benefits over the long-term is often determined by those who control scarce resources, i.e. those who usually also wield local power. Furthermore, there is often a lack of adequate and sustained commitment of public funds for the projects. (Guha, 1981; Lewis, 1972).
- (h) Finally, evidence suggests that if employees are not paid a wage that they regard as fair and that provides an incentive to work, labour productivity will be low and PWP's will be highly inefficient in producing assets. It is evident that piece-work rates are more effective. Contracts may, for example, be offered on the basis of, say, cubic metres of earth moved, or numbers of hectares planted. Payments of this sort are more easily administered than individual payments and require fewer supervisory personnel. Furthermore, under a daily wage system, people unable to contribute a marginal return greater than the wage are necessarily excluded. Under group management and a piece-rate system, this constraint can be overcome by the group rewarding. "...other non-active people to fetch water, cook and supervise babies". (Reynolds, 1984, p.24). The elderly, weak and the young can thus be included.

It is not intended to present prescriptions here. It is, however, hoped that the literature survey provides access to information from which inferences can be drawn as to the conditions under which programmes will perform best and aid in the analysis of the causes in variation of programme performance. The literature should provide some basis for transferring

knowledge and experience gained in certain locations which may be applicable in others. It should also provide an overview of the performance of public works, thus facilitating isolation of the broad patterns and tendencies and allowing for predictive generalizations which are useful to the policy-maker evaluating potential programmes.

#### LITERATURE SURVEY

Work Creation: International Experiences. M.P. Jackson and J.B. Hanby (eds.), Saxon House, 1979.

This collection is based on Papers presented to the International Conference on Work Creation held at the University of Stirling in 1978. Each Paper constitutes a separate chapter.

Chapter One, written by the editors, provides an introduction. Work Creation Programmes in Western Countries are seen as arising in response to the growing unemployment problem of the 1970's. Questions and problems relating to the concept and details of work creation programmes are raised.

Chapters 2-8 outline and evaluate Work Creation Programmes in Britain, Canada, the Federal Republic of Germany, Sweden and Holland. The aims, rules, strategies and efficacy of these programmes are discussed.

The emphasis changes in Chapter Nine, which deals with special public works for generating mass employment. The orientation in this chapter is on small-scale rural works more suitable for the needs of Third World countries. Previous experiments with special public works schemes and shortcomings common to many of them are discussed.

The initiatives of the UN and ILO in promoting special public works programmes and in assessing and removing problems relating to planning, financing, administration and staffing of public works programmes are discussed. These initiatives, as applied in a few developing countries, are described. The author concludes that public works programmes have emerged as a potent policy instrument for mass employment generation in the Third World and that such programmes must become the key element of anti-poverty oriented development strategies.

In the final chapter, the authors provide an overview of work creation schemes and draw out the most important issues

that arise from the collection of papers.

The Public Works Approach to low-end Poverty Problems: The New Potentialities of an Old Answer. J.P. Lewis, in *Journal of Development Planning*, No.5, New York, 1972.

The author argues for the use of ambitious, and well-conceived public works programmes for promoting more coherent spatial or territorial development strategies. These PWP's are seen as primarily an additive rather than reconstructive anti-poverty effort and as an integral part of a broader anti-poverty programme.

Lewis argues that the conceptual case for PWP's is far stronger than the experiential record. He briefly summarizes the experiences of the Philippines, Morocco, Tunisia, East Pakistan and West Pakistan, and concludes that PWP's can only achieve their conceptual promise as anti-poverty programmes if they overcome certain shortcomings, that have beset previous attempts. These shortcomings are listed and analyzed in some detail.

The paper examines the question of financing of public works in some depth. Attention is paid to the implications of scale on financing; to the internal-external financing mix and to the principal possibilities for non-inflationary financing of anti-poverty efforts.

Guidelines for project selection, organization and implementation are established. Although these procedures are often complex and should be determined according to the peculiarities of each case, Lewis makes recommendations on the extent and mix of centralization and decentralization of organization in PWP's.

He concludes that labour-intensive public works deserve to be rehabilitated as a major instrument of development policy.

Some elements in the Strategy of Employment Promotion in Developing Countries. ILO, in *Journal of Development Planning*, No.5, UN, NY, 1972.

In this article construction and public works are examined as one of the elements in a strategy for employment creation. The difficulties encountered with such schemes and the reasons for their frequently limited success are analyzed.

Education and training are examined in the context of the employment problem. The authors argue that the system should be adapted to stress the acquisition of technical knowledge. The manner in which education and training can be more closely linked to current foreseeable manpower needs

is examined.

Poor Whites and the Role of the State: The Evidence. I. Abedian and B. Standish. SAJE, 53(2), 1985.

The authors argue that the State employed two primary policy instruments to combat the 'poor white problem'.

Firstly, they introduced statutory measures to strengthen and protect the economic position of the white population and to bolster living standards in this group. Secondly, the State became directly involved in the provision of employment to whites.

The Paper concentrates primarily on this second approach, showing how the various departments (Forestry, Mines, Industry and Transport) contributed to alleviating the poor white problem by creating employment for thousands of white workers. These attempts often took the form of public works programmes such as afforestation, irrigation works, road and railway construction and repair.

The role of Municipalities, Provincial Authorities, Divisional Councils, parastatals and the private sector in creating employment are also examined.

The Paper provides a rich source of references in the form of government publications pertaining to the poor white problem and relief measures to combat it.

Ending Unemployment. Alternatives for Public Policy. Melvin R. Levin, Urban Studies/Community Planning Program. University of Maryland.

Discussion of public works policy is confined to the final chapter of this book, as part of a strategy to end unemployment. It summarizes and evaluates the public works programmes of the New Deal, highlighting their strengths and weaknesses. Levin critically examines some approaches to reducing unemployment through public works schemes and presents a different approach to a comprehensive job programme. This approach argues that existing commitments to social insurance, welfare and other expenditures should be used to create employment in public service jobs. The proposal is to abolish subsidized unemployment of the able-bodied, who would have to report for work on public service jobs. Remuneration would be from funds previously paid out in unemployment insurance, etc., plus an increment for work incentive.

Levin argues that acceptance of this, in principle, implies an urgent need for continuing government planning to:

- 1) identify needed projects and services,
- 2) convert these activities into numbers, skills, equipment

- and funding.
- 3) get as 'close a fit' as possible between the skills of the jobless and the needs of the nation,
  - 4) identify and develop a large number of private sector contractors capable of making effective use of the talents of a core of moderate-to-long-term marginal workers.

Public Works Programs in Developing Countries: A Comparative Analysis. S.J. Burki, D.G. Davies, et al. World Bank Working Paper, No.224, 1976.

The primary objective of this paper is to analyze and compare experience with public works programmes in different countries so as to assess their potential for absorbing unemployment, developing needed facilities and raising the living standards of low income groups. It includes most significant public works programmes between 1960 and 1976 in low income countries (urban and rural). The breadth of the framework adopted makes it possible to assess and describe the conditions, including institutional, political and social factors and their interaction over time, which can enhance or reduce such programmes' contribution to development goals.

The analysis is based on observations of 24 public works programmes in 14 countries. The data was obtained from public works programme reports and documents, private studies, articles and interviews. The result is a unique collection of information on the subject. It is, however, sometimes inconsistent or of questionable accuracy and so in some cases, the authors omitted countries or programmes from some comparisons.

The authors found that most public works programmes did not achieve their major objectives. With notable exceptions, the immediate employment potential was not fully developed and the created assets were not as productive as they might have been. The authors conclude, however, that it should not be inferred that public works lack promise. The basic rationale for public works - employment and income for some of the most needy while making productive investments at low opportunity costs - is accepted. What is needed, they argue, is a realistic assessment of the potential role within the broader development effort, recognizing both the strengths and limitations and paying attention to the variety of political and management problems that stand between promise and fulfilment.

Labour-Based Construction Programs: A Practical Guide for Planning and Management. Basil Coukis and others.

O.U.P., New Delhi, 1984 - (World Bank Catalogue of Publications, 1984).

Summarizes the basic technical and organizational know-how needed to design and implement labour-based civil-works projects. In this practical, heavily illustrated manual, decision-makers and project managers can examine some new ways of thinking about construction and the complexity of these projects.

Ten years of research and field work in nine countries provide an authoritative base for this guidebook.

British Work Creation Programmes. Michael P. Jackson and J.B. Hanby. Gower, 1982. 05 66 00523 9.

This book examines the development and impact of work creation programmes in Britain. It summarizes previous research in this area and presents the findings of a large-scale survey conducted by the authors.

The World Food Programmes and Employment. E. Costa in International Labour Review, V.107, 1973.

The author discusses the ways in which the World Food Programme has contributed to increasing employment.

The efficacy of such programmes is analyzed and it is concluded that food aid is a key incentive in development of infrastructural works. It is, however, noted that food aid is by its nature a temporary phenomenon and it is important to ensure that such aid does not have harmful effects on agricultural production and normal commercial trade in either the sending or receiving countries.

Emergency Employment Schemes. J.P. Arles in International Labour Review, V.109, No.1, 1974.

One of the goals of the ILO's World Employment Programme is to come up with practical measures that governments can adopt when confronted with the need for immediate employment creation. The author summarizes the results of the research done so far into known experiments in this field, and analyzes three types of scheme: agreements by which employers undertake to hire more labour, fuller utilization of industrial capacity, and special public works projects. The first type can really only be a stopgap measure, he concludes. Schemes of the second type make better economic sense but are confined to the industrial sector with its limited capacity for labour absorption. Preference should, therefore, be given to public works, not only because of their potential impact on labour and capital in the rural

sector but also because they are equally suitable as a response to an emergency situation or as part of a longer-run development effort.

Basic Needs: From Words to Action, with illustrations from Kenya. D. Ghai in International Labour Review, V.119, No.4, 1980.

The article suggests a methodology for giving operational content to the basic needs approach to development. This consists in identifying activities which possess basic needs characteristics such as employment creation and income-improvement for the poor, production of basic goods, provision of social and economic services on a mass scale and promotion of self-reliance and decentralization.

Two basic needs activities in Kenya - rural access road construction and low-cost urban housing - are appraised in the light of the above framework and conclusions drawn regarding the potential for expanding such activities.

Food for Employment: 20 Years of the World Food Programme. J.C. Ingram in International Labour Review, V.122, No.5, 1983.

Food can be used as payment to mobilize the poor into labour-intensive projects aimed at raising agricultural production and building rural infrastructure. The article describes how this is being achieved in developing countries, with assistance from the W.F.P. in terms of temporary and permanent jobs created and impact on priority groups.

The WFP also supports training programmes and supplies food for sale to generate development investment funds in the countries concerned. The author stresses the need for more food contributions from donor governments, greater commitment on the part of recipient governments and intensified co-operation by international agencies, to achieve the goal of food and jobs for all.

Direct Job Creation in Industrialised Countries. B. Balkenhol in International Labour Review, V.120, No.4, 1981.

Against the background of persistently high unemployment in industrialized market economy countries, public authorities are increasingly resorting to direct job creation. This article looks at the design and impact of such programmes in eight OECD countries. It finds that direct job creation involves only a small minority of the registered unemployed (usually male and unskilled); most participants find regular employment after only a few months on a scheme and displacement of regular jobs is minimal. The author concludes that public sector job creation can usefully complement other policies designed to reshape the effective demand for labour more permanently.

Income redistribution through labour-intensive rural public works: Some policy issues. S. Guha in International Labour Review, Vol.120, No.1, 1981.

The author raises the issue that, although labour-intensive rural public works have emerged as an important instrument for alleviating mass unemployment and poverty in developing countries, doubts remain as to their capacity for redistributing income and involving group participation in the decisions they involve.

Analysing empirical data from a number of typical rural public works programmes, the author concludes that, with suitable policies and procedures for the selection of projects and locations, programme financing and the meaningful involvement of target groups, it is possible to avoid the regressive tendencies inherent in such programmes, enhance their income distribution potential, and strengthen their participatory character.

Citizens, the State and Employment: Public Works as the core-of a rural development strategy. N. Reynolds, Carnegie Conference Paper, No.234, UCT, 1984.

This paper examines some of the theoretical arguments that lie behind a concern for labour mobilization in the countryside; it reviews differing philosophies that have governed the purpose and design of public works programmes. A model is developed for the organization, implementation and financing of PWP's. It concludes with an assessment of the potential role and cost of public works in Zimbabwe and in South Africa. The Paper is an essential reference for policy makers and planners of PWP's in South Africa.

The Design of Rural Development: Proposals for the Evolution of a Social Contract suited to conditions in Southern Africa. N. Reynolds, Saldru Working Paper No.40, UCT, Cape Town, 1981.

A model is developed, the aim of which is the provision of a degree of control by individuals and groups over extra employment in the countryside within the rules of a public works programme. The model is designed to provide government with the means to manage an "increasingly efficient employment creation/capital works creation/asset utilization/ and community development set of activities". The model is based on the creation of an Employment Guarantee Scheme and the method, costs and implications thereof are outlined.

Rural Development in Lesotho. J. Trollip, Saldru Working Paper No.33, UCT, Cape Town, 1981.

The author sees public works programmes as part of a design for rural development and argues that the major potential benefits of a PWP in Lesotho should be in the creation and distribution of assets and income. The Paper is critical of the conventional approaches to PWP's as they are imposed from above, without adequate regard to the needs of the community. As an alternative, he proposed an Employment Guarantee Scheme for Lesotho and the structure and workings of this E.G.S. are discussed and evaluated.

Maharashtra's Employment Guarantee Scheme: A programme to emulate? Economic and Political Weekly, July 16, 1977.

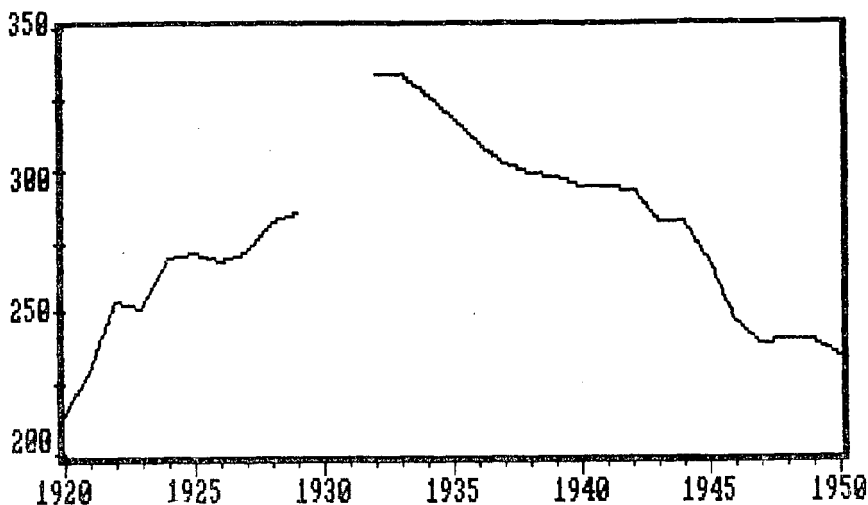
The authors assess the Employment Guarantee Scheme developed in Maharashtra State in India. The structure and working of the E.G.S. is detailed and the success it has had in providing employment evaluated. The costs and funding of the scheme are discussed.

#### THE POOR WHITE PHENOMENON: A CASE STUDY OF A SUCCESSFUL SOUTH AFRICAN PUBLIC WORKS PROGRAMME

At the turn of the century South Africa experienced a rising tide of white poverty. This increased in magnitude until 1932 when a concerted effort by government, and a period of sustained economic growth saw the poverty largely alleviated by the end of that decade and eradicated by the mid-1950's. Fig.1 shows the movement of an indicator of the number of poor whites. This has been calculated by estimating the total potential white working population from 1919 to 1950 and removing from it the total number of whites who were employed in the formal sector. This

formal sector employment has been summed as total white employment in mining, manufacturing, construction, railways, central government, provincial authorities, local authorities, formal farming, teachers and the post office.

Fig. 1: The difference between potential white working population and white employment in the formal sector 1920 - 1951



Irrespective of theoretical problems inherent in this calculation, the data which is presented in Fig.1 tells a very important story, viz. the difference between the number of whites who could have worked and those who were actually working in the formal sector increased, from approximately 210 000 in 1920 to 330 000 in 1933 and declines to 235 000 by 1950. As a proportion of the population, the number of working whites fell consistently

from 1920 to 1933 and rose consistently from 1933 to 1950, with very large numbers involved. It can only be assumed that this trend is highly indicative of the white unemployment situation over those decades, i.e. white unemployment increased from 1920 to 1933 and decreased consistently from 1933 to 1950.

The government effort in the reduction of white poverty consisted of three elements: a legislative package in the labour market designed to favour whites at the expense of blacks, a sustained effort at increasing government services to whites, particularly education, health and housing, again partly at the expense of blacks; and finally the government introduced an ambitious public works programme. While all three elements of this government effort contributed to uplifting the poor whites, some were more successful than others.

The impression given by much of the literature on poor whiteism is that the phenomenon appeared as a rigid social category of displaced persons from which there was little chance of escape. People within this group were destined to remain there for decades. Such a stock concept of the poor whites is clearly false. Poor whites were those who were driven out of rural economic activity either because of the precariousness of farming reinforced by the terrible droughts of the 1920's, or by the inability of the rural economy to maintain their standard of living. As such, they formed a 'flow' of individuals who streamed intermittently to the urban areas. Migration of bread-winners and their dependants formed the stock of poor whites.

While the stock was growing over the 1900-1932 period, it is not correct to assume that the same individuals remained within it. We therefore suggest that a more appropriate means of viewing the poor white problem is as a stock-flow mechanism rather than as a rigid social category.

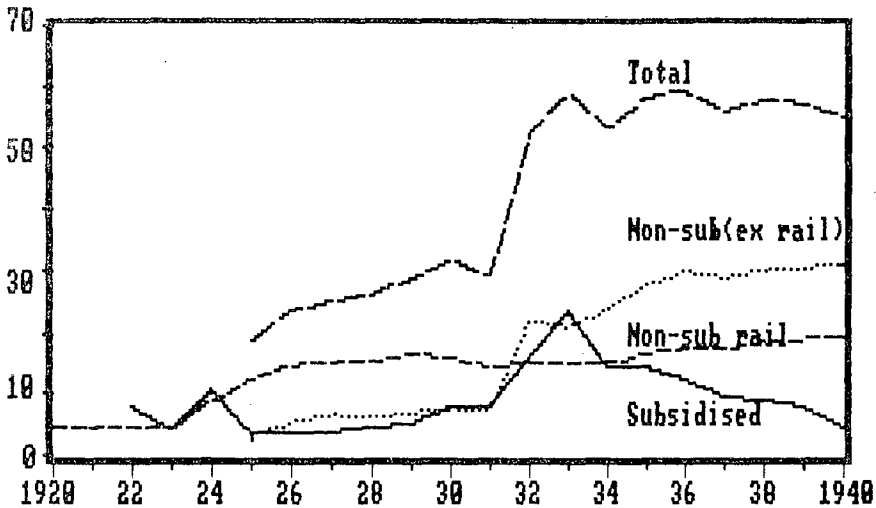
The flow of poor whites had its source in the rural unemployed. The continual increase in this flow resulted in growing white poverty, which had significant social consequences. Simultaneous with this inflow, there were also a number of outflows which increased in both variety and velocity over the first four decades of the 20th century. These were made up of, first, the great variety of State relief schemes which were introduced. Second, by a flow of newly educated or re-educated poor whites, urbanised and equipped with industrial skills, who were able to compete for work in the private sector. This education/re-education process occurred in a number of ways. Many children of poor whites had access to the newly created educational facilities formerly unavailable to their parents. Also, they lived in urban environments and therefore did not face the social and industrial disadvantages that their parents had faced. As a result, while they were rapidly receiving formal education, their parents were being absorbed in State employment. Here many of these people received industrial training and practical knowledge by formal instruction in the work-place and by the informal 'learning on the job' process. After this initial orientation process, they were either absorbed into the permanent establishment of government employment or, when sufficiently

trained, entered employment in the private sector.

It is at this point that post-Gold Standard economic growth begins to play a role. The State, having employed unskilled whites, was giving training to those with potential as semi-skilled workers. As economic growth increased, particularly in the 1930's, increasing numbers of semi-skilled whites were absorbed into industry. The vacancies which they left in the government relief schemes were then again filled with unskilled whites who were again trained. Towards the end of the 1930's this labour turnover was so rapid that the State stipulated minimum employment periods for whites in some of the relief schemes as a safeguard against losses incurred when poor white employees and their dependants had been transported long distances at government expense to take up government positions.

The public works programme consisted of three general types of employment creation: Employment increases in the railways at the expense of the railways, employment increases in central government at the expense of the fiscus and employment increases in the railways and, to a limited extent, the private sector also financed by the fiscus. Employment in each of these three categories is shown in Fig.2.

Fig.2: Whites Employed on Subsidized and Unsubsidized Relief Works 1920 - 1940

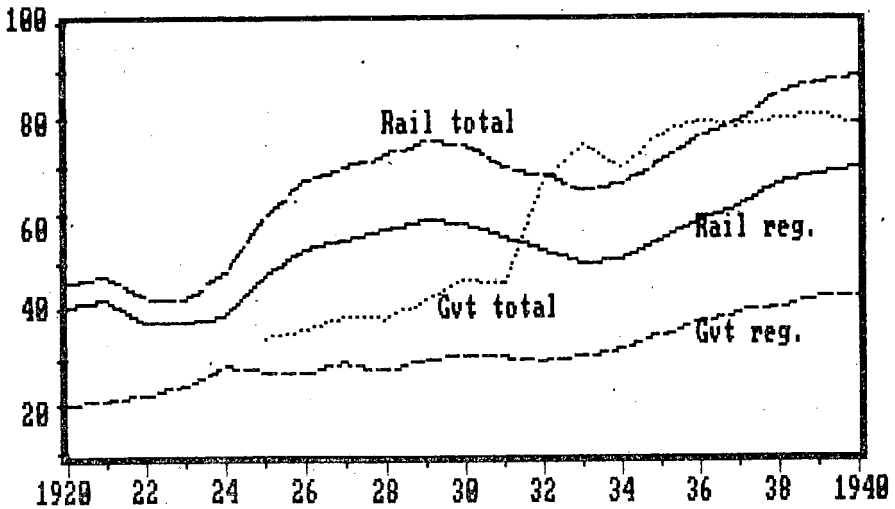


As is shown, by the mid-1920's both subsidized and non-subsidized relief measures absorbed a fair number of poor whites, although the railways remained by far the larger employer of unskilled poor whites. The situation changed drastically in 1932, a year in which the numbers in subsidized works increased by 99 per cent and those in the non-subsidized works rose by an incredible 313 per cent. This upward shift was maintained in 1933. In that year a total of 59 000 poor whites were employed by various State relief measures. This suggests that even before the economic recovery occurred, the State had brought considerable relief to the plight of many poor whites.

While the numbers taken into employment are impressive even by today's standards, it is very important to realise the extent to which the relief works contributed to increasing government

employment of whites. Fig.3 illustrates this. Employment by the central government totalled 98 000 in 1939; 59 per cent of this was made up of relief work employment. Regular employment by the central government can be seen to increase gradually and consistently over the period. Relief work increases this significantly, especially after the dramatic increase in 1933.

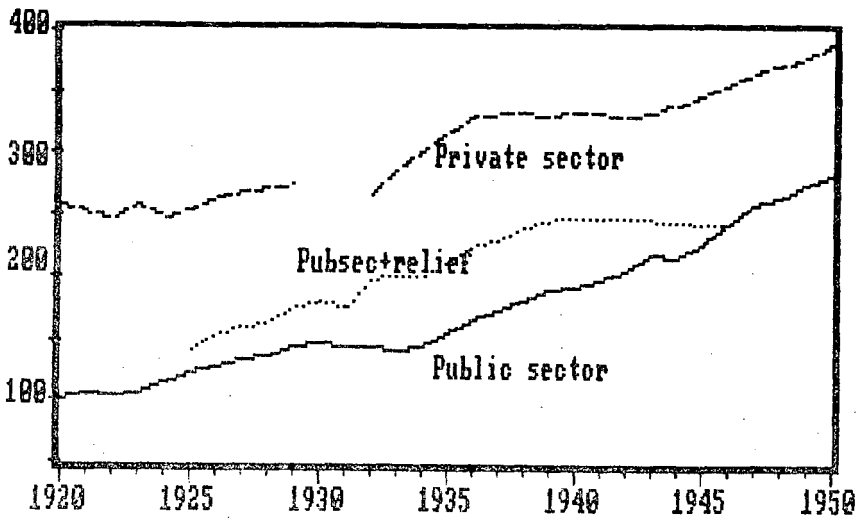
**Fig.3:** Regular and relief work employment by the railways and central government 1920 - 1940



While the numbers of whites employed in work relief schemes is clearly evident in Fig.3, it is in Fig.4 that the stock-flow mechanism inherent in the PWP of that time can be seen. As shown, public sector employment, together with the relief

schemes, shows a distinct 'bulge' between 1930 and 1945. Over this period large numbers of Whites were taken into government employment and introduced to urban disciplines and industrial skills. These people were then able to leave the PWP employment to take up employment, either in the private sector or in permanent positions in the public sector. The private sector expansion phases of 1933 to 1938 and 1945 onwards achieved a considerable reduction in the numbers of poor whites employed on the relief schemes. By 1945, these relief/retraining schemes had proved to be such a success that many were discontinued due to a lack of poor whites. In fact, even before the end of the 1933-1938 employment expansion phase, the government was finding difficulty in filling many of the positions in the relief schemes.

Fig.4: White employment in the Public and Private Sectors, and on Relief Schemes : 1919 - 1950



As was mentioned above, the government introduced three elements in its white first policy package, i.e. legislative assistance in the labour market, superior services to whites and a public works programme. In the long-term, all three factors worked not only to eliminate white poverty, but to reinforce white prosperity. Thirdly, the outflow of the stock of poor whites came about as a result of the civilized labour policy with its many ramifications. At that time, a growing number of racially discriminatory measures were introduced which affected the substitution of unskilled white labour for unskilled black labour. These allowed some whites to be absorbed into the industrial sector with little re-education.

However, in the short-term it was the introduction of a systematic and elaborate works creation programme which saw the rapid elimination of white poverty and not the extensive legislative assistance given to whites.

As has been suggested, estimates of the magnitude of the poor white problem have varied. In 1922, an estimate of 120 000 is mentioned. By 1933, the Carnegie Commission put the number of poor whites at 300 000. What proportion of these passed through the State's transformation process?

The estimated number of unskilled whites is the approximate average number employed in the given sectors over the 1933-1940 period. The number of dependants per breadwinner is very conservatively estimated to be 2. With these estimates, the total number of poor whites supported directly by State

employment and indirectly by legislation at any one time between 1933 and 1949 was 234 000, with the lion's share of this falling to direct State employment. The rate at which these poor whites passed through the process of transformation cannot be estimated as the turnover rate is unknown. However, given the magnitude of the above figures, this could have been very slow and still have solved the white poverty problem.

The implications of these figures (Table 1) are enormous. Over a twenty-year period the State supported a significant majority of the poor whites through State employment; assisted them with free housing and free medical services; educated those who lacked the education to enter the bureaucracy; introduced labour legislation to effect the substitution of black labour by white and through increased expenditure on schools, educated and trained the children of poor whites out of the poverty cycle. Over a two-decade period, State employment assisted by sustained economic growth alleviated and then eradicated the poor white problem.

The success of the poor white PWP will be obvious by now. We address one last aspect of the works programme which has important implications for introducing PWP's into contemporary South Africa. How was the programme paid for?

Table 1: Estimate of the total number of poor unskilled whites assisted by State intervention in the labour market 1933 - 1940

	Est.No. of unskilled white breadwinners employed 1933-1940	Est.No. of dependants (2)	Total
Manufacturing	14 000	28 000	42 000
Mining	--	--	--
Govt. subsidized employment	20 000	40 000	60 000
Railways unsubsidized employment	17 000	34 000	51 000
Other unsubsidized employment	27 000	54 000	81 000
<b>Total</b>	<b>78 000</b>	<b>156 000</b>	<b>234 000</b>

The options are simple: Tax and/or debt increases, and/or reductions in other types of expenditure. The fiscal consequences of State involvement in the alleviation of white poverty can be analysed by a study of the pattern of the government expenditure and revenue structure. A crude indication may be found in the trend of total real government spending over the period. From a total of 29,6m in 1920 the total expenditure increased to 50,0m in 1934 (a 68,9 per cent rise equivalent to an annual compound growth rate of 3,8 per cent.) The corresponding growth rate of the GDP over the period was 3,7 per cent per annum. The comparison implies a marginal increase in the share of government in the economy. Year-to-year variations were, however, large. Fig.5 illustrates the trend of government expenditure as a percentage of GDP.

As can be readily seen in Fig.5, the general trend of government

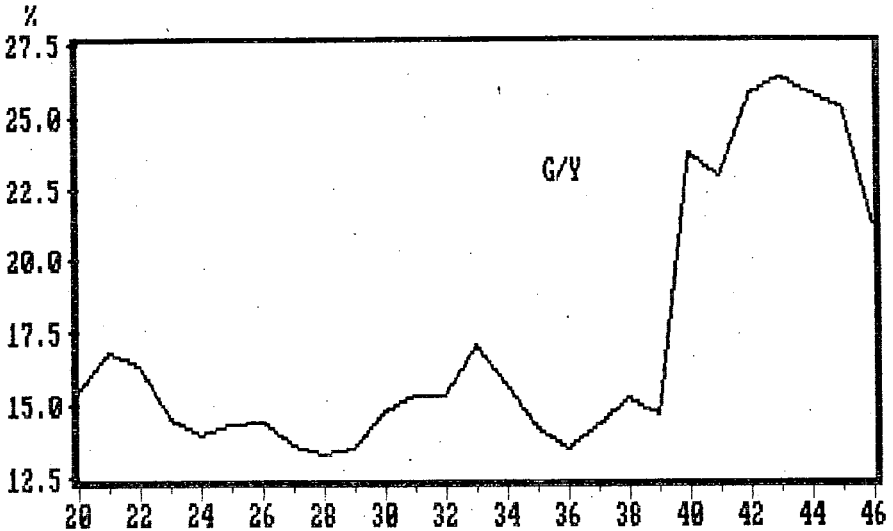
expenditure to GDP (G/y), in the 1920's, was downwards due to economic growth over the period. The economy registered an average annual growth rate of 5,2 per cent in real terms during the 1921-1929 period. Meanwhile, the average annual growth rate in government expenditure was 2,4 per cent and the downward trend of G/y results.

With the start of the depression of 1929, and its prevalence till 1932, GDP declined more steeply than government expenditure. In 1932, while the economy was hardly out of the depression, the government increased its budget by 26 per cent which raised its share of the GDP from 15 per cent to 17 per cent. This was the climax of direct government involvement in economic resource allocation. For, the economic boom of the post-1933 effected remarkable GDP growth rates of 7,9 per cent per annum on average over the 1933-1939 period). This is far in excess of the rate of increase in government expenditure (4,4 per cent per annum), and reduces G/y to 14,6 per cent in 1939.

Generally, therefore, the 'Poor White Phenomenon' had little impact on the (percentage) government share of the economy, except for the year 1933. The bulk of PWP's were financed through the 'reallocation method'. In other words, some of the Votes (Departmental budgets) were reduced to make it possible to fund the PWP's. Within the Revenue Account, votes such as Police, Post, Telephones and Telegrams, and Defence experienced either marginal change or no growth in the 1920's. Meanwhile, other (PWP) votes enjoyed substantial and sustained increases

over the period. Furthermore, in response to the social conditions of the time, votes such as Labour and Union Education were created during the period.

Fig.5: Government Expenditure as a percentage of the GDP  
1920 - 1946



Similarly, on the Loan Account, similarly, there occurred substantial reallocation of resources in this period. Entirely new votes were introduced such as Forestry, Labour, Relief of Distress, and Assistance to Farmers. The traditionally major votes in this Account, e.g. Railways and Harbours, suffered budget cuts which were at times substantial.

In summary, it can be said that the poor white phenomenon was caused by a section of the white community being locked out of both the skilled and unskilled market. The introduction of

government relief in a number of forms during the 1920's and 1930's plus a period of sustained economic growth alleviated the poverty by the 1940's and eliminated it in the 1950's. In the short-term, the most effective of these government measures was the introduction of an ambitious public works programme. Poor whites were drawn into this programme and physically rehabilitated while being exposed to industrial training. When trained, these whites were then taken into private sector employment or found positions in the public sector. At the same time, this programme generated valuable infrastructure in the form of railways, roads, irrigation schemes, afforestation and other more general public works. A very encouraging aspect of the programme is that it had little effect on aggregate government expenditure, taxation or debt. The programme was largely funded through a reallocation of government expenditure both in the revenue account and the loan account.

#### IMPLEMENTATION

Public works programmes which are to generate the skills learning and capital creation externalities that are necessary to eliminate South Africa's poverty problem can feasibly only be initiated by government. This section asks only one question, viz.: what are the pitfalls to avoid in establishing a successful PWP in contemporary South Africa? The types and scale of problems peculiar to this country must be addressed if the proposed PWP is not to become yet another drain on resources which are already severely strained.

In this present work, we find ourselves on the horns of a

dilemma. We encourage a systematic public works programme in order to combat the problem of growing poverty. To succeed, this programme must be of a magnitude not seen since the poor white programmes of fifty years ago. The poor white PWP agenda (like the majority of other large programmes), was instituted, implemented and controlled through the established bureaucracy of government at a variety of institutional levels. While it is generally acknowledged in the literature that government control of PWP's can lead to some problems, these are not of the calibre seriously to endanger the success of PWP's in a general sense. In South Africa in particular, a works programme instituted along established ideological and institutional lines will encounter difficulties. A project of this nature will not be accepted with enthusiasm from the very people it is attempting to help. Without community support, a PWP can only be implemented from the top down - an autocratic method which has little chance of achieving real success.

Yet, given this dilemma it is inconceivable that a large works programme can be implemented without government. Projects of this sort can only generate positive externalities of sufficient magnitude if initiated by government. The main issue in implementing a works programme in contemporary South Africa is not disguising its government sources but making the objective and implementation acceptable to society at grassroots level. At the operational level this programme must not be an attempt to maintain the status quo nor perceived to be such.

At the implementation level, the problems facing the introduction

of a successful works programme in South Africa may be categorised as ideological, institutional and operational.

### Ideological

A programme of government initiated public works which has poverty elimination and capital creation as its objectives will not be successful if it is rejected by the community at an ideological level. Any system of PWP's will not be accepted if it evolves along party political lines as part of an unpopular policy package. In South Africa this would be seen as a programme which will lead to furthering the policy of separate development. In this context, a PWP will be seen as further oppression and not as a means of spreading democracy. Under these circumstances, there will be no sincere community response or commitment. Under these constraints, the correct mix of projects will not be achieved and the success of the programme will at best be limited, if not a complete failure.

There exists only one solution to this problem. Any public works programme which is aimed at being successfully introduced in contemporary South Africa must be perceived by the community to be extending democratic rights across a broad frontier and must not be seen as furthering oppression.

### Institutional

In a general sense, PWP's are usually implemented by government using existing bureaucratic infrastructure. South Africa is, however, a 'special case'. The already mentioned alienation between the government and most of the people is a result of

ideological conflicts which manifest themselves at the institutional level. The people experience the extension of government at community level through community councils, local authorities, divisional councils, and in some cases through 'homelands' authorities. It is inconceivable that the people of this country will accept a system of PWP's controlled by government and implemented through existing bureaucratic institutions. Two factors contribute to this: on the one hand, a PWP operating through government will be immediately distrusted, and, for this single reason, is unlikely to succeed. On the other hand, a PWP which operates through the institutions of government will capture neither the enthusiasm of the community nor will it be likely to recognise or cater to the real needs of those communities. As is often pointed out in the literature, PWP's are likely to succeed only if projects in the programme originate from the community and are passed up to government. (See Guha, 1981; Reynolds, 1984).

A PWP system of projects being passed down from government to community, particularly in South Africa, will simply not succeed. There is currently no institutional vehicle available which communities trust sufficiently to articulate their needs through. The alienation between the government and a large part of the populace increases the complexity of the problems hampering the potential of PWP's in South Africa. The country currently finds itself embroiled in social turmoil of massive size. While the social turmoil both causes and is caused inter alia by widespread poverty, a redistribution of income even on the scale needed for

a successful works programme is unlikely to prove a palliative. To be successful a PWP must on the one hand not be seen as yet another attempt to maintain the status quo while on the other it must not jeopardise the government's power. In the former case it will not be accepted by the community, while in the latter it will not be initiated by the government. To be a success, the proposed works programme must strike a balance between these two sets of aspirations.

It appears that there is only one direction which will yield to some meeting of the players in the social contract. This is that the government must be seen to distance itself from the project politically and administratively. The project must be initiated through government as without official enthusiasm a project of this nature is unlikely to succeed. If necessary, after initiating the project, the government will be responsible for funding the PWP. However, ideally the allocation function cannot be through government or any of its institutions. For the project to be successful, control of the allocation function must be vested with some independent body which operates within clearly defined parameters. Allocation of funds and the implementation and organisation of specific projects is then done through this body. In this system the only direct control which government can have, if it is the sole funding agency, is to halt the budget allocation to the project at the end of a fiscal year. For the rest, the operation of the works programme from executive level to grassroots community contact and organisation is the responsibility of the independent body.

While the detail of the composition and workings of this independent body is not part of this current study, it is believed that a successful PWP can only be initiated through an independent, non-political body, which is free from government pressure. It is suggested that a study of the accepted independence of the South African judiciary might give valuable insights into how an independent PWP body could be established.

#### Allocation Criteria

This paper determines the need for an independent body to administer a works programme in South Africa. This is not the place to suggest the alternative forms and structures this body might take at the institutional and administrative levels. However, a set of allocative principles to which the independent body will subscribe, whatever future form it might assume, are offered.

One of the simplest ways of wasting valuable resources is if their control is not subject to evaluation and revision according to objective and measurable criteria. A works programme large enough to achieve its objectives will need some administrative infrastructure, whatever size that may be. In turn, this administration will need to establish criteria against which individual projects and the PWP as a whole can be evaluated, as well as clearly defined criteria against which potential future projects can be assessed. A works programme of the size needed will not be successful if subject to the whims and inefficiencies of bureaucratic structures. It is therefore necessary to

introduce an administrative and allocative system which is underscored by the principle of competition rather than the non-competitive allocation generated by bureaucratic structures.

Competition at the operative and the institutional levels is vital to ensure the efficient use of funds. Once a project is earmarked and funded then the use of this finance must be seen to be along the lines of some competitive system. The system is one of competition within defined boundaries, i.e. a system of competition and control. There must be competition within communities for project funding, competition within works teams for bonuses and other incentives, and singular competition by workers contracted on the piece-work principle. This concept can even be used to suggest that instead of one independent body controlling the work programme, there might be competition amongst a variety of independent bodies for control of part or all of the works programme. At all levels, the competition aspect of PWP's must be results-orientated and each area must be evaluated against the results.

On the other hand, the competitive principle in the works programme must not be seen to perpetuate the very problem that PWP's should be overcoming, i.e. the elimination of poverty and creation of capital. Competition, for all its positive aspects, remains a principle of the survival (success) of the fittest. For whatever reasons, the poor have not survived as the fittest in a competitive environment. To allow the competition principle to govern the works programme in all its aspects is likely to

help the not so poor at the expense of the very poor. Hence the works programme must encourage competition but only within certain clearly defined boundaries. The boundaries must be designed so that the very poor, those with little ability, skills or means can be taught skills and acquire means.

#### IMPLICATIONS

The introduction of PWP's has various socio-economic implications. A clear understanding of these implications is a prerequisite for the success of the exercise. To avoid misinterpretation of the consequences of the PWP's, and to take cognisance of the ideological and social controversies we regard it as of utmost importance to spell out clearly, some of the most-important ramifications of the PWP's. Given the broad nature of our approach, we can only discuss the issues in general. More detailed and sophisticated analysis of these issues would have to be done when specific projects are considered for implementation.

To put the PWP's in a global perspective, it is useful to imagine its projects as an 'occupations tank' with incoming and outgoing flows. The incoming flow would represent all those who qualify and enter various projects. The outgoing flows would consist of the individuals who have completed training courses and/or gained adequate experience to be able to find occupations in the rest of the economy. Both incoming and outgoing flows have implications for the society.

## Inflow Implications

The successful reduction of large-scale unemployment has particular ramifications which need to be addressed directly. We will discuss three of the many potential problems related to flows into the works programme.

### (i) Financing

Of immediate concern, particularly to the private sector, is the method of financing the PWP's. Clearly, the financing requirements of these programmes would depend on:

- (a) the nature of the PWP's, i.e. to what extent they are subsidized. Conceivably, PWP's could be self-financing, partly-subsidized or wholly subsidized. In all cases, even when PWP's are self-financing, it is inevitable that the initial resources are likely to be drawn from the State. Furthermore, the State might have to play an active role in removing short-run cash-flow constraints of self-financing projects.
- (b) the scale of the PWP's, i.e. how comprehensive or widespread they are. In the introduction, it was noted that an essential condition for the success of the PWP's is that they have to be proportional to the need of the economy; that is to the scale of unemployment and/or poverty, and
- (c) the duration of the PWP's, i.e. whether temporary, long-run, or permanent.

In the absence of reliable quantitative information on the above three determinants, an estimate of the financial requirements of the PWP's in South Africa is impossible. However, it is plausible to investigate potential sources of finance and analyse their respective scope in this regard.

Basically, the sources of State revenue for financing the PWP's could be listed as follows:

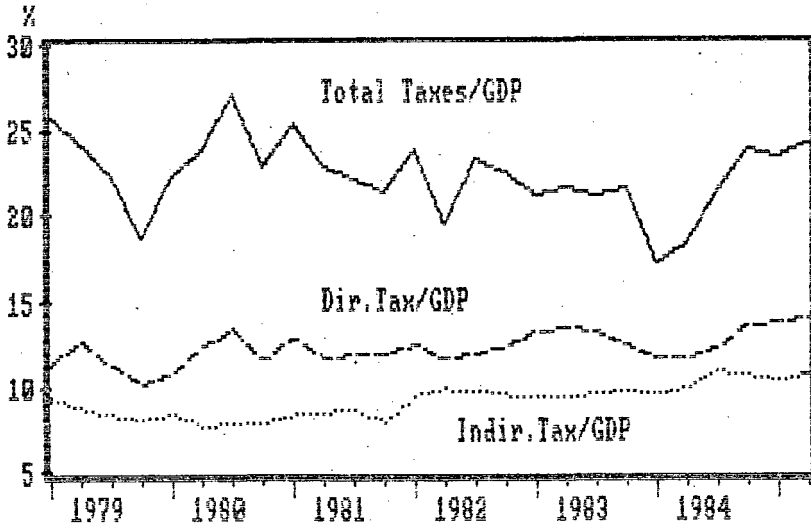
- Taxation
- Re-allocation and for Privatization
- Borrowing
- Self-finance
- Foreign Aid

Taxation:

Generally, tax revenues are a function of total national income and the aggregate tax rate. The former is, in turn, determined by the rate of economic growth which renders the tax revenue pro-cyclical. Thus it is an uncertain and unpredictable source of finance for the PWP's.

Insofar as the aggregate tax rate is concerned, the South African tax-GDP ratio is in the region of 24 per cent. The recent history of this ratio is shown in Fig.6.

Fig. 6: Ratio of total, direct, indirect taxes over GDP  
1979 - 1985



Internationally, the average tax/GDP ratios of comparable countries is in the region of 28%. Thus South Africa's ratio is by no means excessive; hence indicates some scope for utilising it as a source of financing of the PWP's. If this average is applied to the estimated 1985 GDP for South Africa of R120 000m,

it would follow that additional resources of R4 800m would be raised, from taxation, which could be used in funding, amongst others, a programme of public works.

Re-allocation and Privatization:

There are at least two ways in which the re-allocation method could be used to 'free' resources. First, various departmental budgets could be re-arranged so as to make funds available for the 'PWP's vote'. This method, it may be recalled, was used in the 1920's to finance the PWP's for the alleviation of poverty amongst whites.

The analysis of State expenditure allocation has shown that over 50 per cent of the resources available to the State has been spent on socio-economic services. The following table illustrates the point:

Table 2: Percentage Weight of Functional Categories of State Expenditure 1920 - 1980

Year	Gen. Admin	Black Admin	Public Order	Comm. Serv.	Pub. Debt	De-fence	Health	Educ.	Econ. Serv.	Total
1920	17,1	0,8	9,0	3,4	0,1	2,2	2,5	4,7	60,3	100
1925	8,9	0,5	6,1	3,7	6,5	1,5	2,3	10,5	60,0	100
1930	8,6	0,5	5,2	4,7	6,2	1,2	2,3	10,6	60,7	100
1935	8,5	1,5	4,4	4,9	6,0	1,6	2,6	10,1	60,5	100
1940	5,4	0,9	2,9	3,4	3,3	33,8	2,0	6,4	41,8	100
1945	5,8	0,2	2,6	1,1	4,6	35,1	3,8	7,3	39,6	100
1950	5,9	0,5	3,5	5,4	3,5	2,8	7,6	10,4	60,4	100
1955	8,0	1,1	1,7	5,8	3,2	1,7	5,1	11,6	61,7	100
1960	6,1	1,0	3,7	7,1	2,8	3,2	6,6	11,3	58,3	100
1965	4,0	4,4	2,9	8,2	2,8	7,4	5,4	8,1	56,8	100
1970	6,7	4,8	3,0	6,6	3,8	5,7	5,4	8,3	55,8	100
1975	5,2	5,1	2,5	4,6	3,3	10,1	4,4	7,4	57,0	100
1980	1,6	3,3	1,9	5,4	15,7	8,7	3,2	6,9	53,3	100

Whilst some of these services must necessarily be provided by the State, many need not. Hence, the resources currently spent on these categories could be channelled into the 'PWP's vote'. It might be argued that most of these para-statal concerns currently classified under 'economic services' are revenue-generating and may be self-financing, and hence their exclusion will do little to release resources. This argument is simplistic for at least two reasons: First, almost all of the State enterprises and public corporations draw directly, to a greater or lesser degree, from the State coffers. Second, at present, they almost entirely circumvent tax payment. Their relinquishment by the State could broaden the tax base and additional taxes generated could be devoted to the 'PWP's vote'.

The re-allocation method could also be considered in the case of existing social welfare spending. While this issue requires further detailed research, it is nevertheless feasible to consider it here. Conventional welfare expenditure is largely of a consumption nature. From the social point of view they are debilitating, while the PWP's are 'enabling'. Thus it seems advisable to investigate a reduction in social welfare spending in favour of the PWP's vote.

#### Borrowing:

A conventional source of funds for the State is debt-financing. While in the 1910's, 1920's and 1940's the South African government used this method of financing to fund many of the large national industrial projects, in recent years the

government has hesitated to resort to debt-financing. Generally, debt-financing is regarded as justifiable in the case of 'productive capital outlays'.

Based on the cost benefit analysis, it is found to be wise for the State to borrow and finance projects that will generate large enough cash flows to facilitate the repayment of the initial debt incurred. The PWP's generally may not be subjected to such strict criteria. However, seen from a general equilibrium point of view, PWP's that involve capital accumulation, both human and physical, could create additional income streams commensurate with their debt repayment/service requirements. Consequently the State may not hesitate to borrow for such purposes. Given a politically satisfactory implementation apparatus, a well-organized PWP might prove to be the only means of attracting substantial foreign resources in the form of foreign debt.

#### Self-Finance

While it is true that PWP's by definition require State help, it is possible to introduce programmes which could eventually become self-financing. Such programmes need to be either in the fields where economies of scale prevent private sector involvement, i.e. large-scale industrial training, or export-oriented infant industries where State protection is indispensable. In a country like South Africa, where the demand for PWP's is massive, it is necessary to meet as much of the demand as possible with self-financing schemes.

## Foreign Aid

The last resort of many developing economies in meeting their financial requirements seems to be foreign aid and given the 1985 debt crisis of the Country, this might appear as an unpromising source of finance for South Africa. This is, however, not necessarily so. Much of the foreign debt crisis appears to have been precipitated by the apparent contribution of the State to the already unstable socio-political condition.

The State in its socio-economic policies has clearly underpinned the instability.

Well-conceived and properly-scaled PWP's, if executed as outlined above, would go a long way to ameliorate the socio-economic hardship, and contribute to the restoration of confidence in the economy. As such a policy would primarily concentrate on the black population of the country, it is likely to attract both foreign aid and external resources. A case in point is the 1985 American loan embargo in terms of which US loans can only be granted if used to better the conditions of black people. The recent direct provision of funds by some of the US institutions to selected South African educational bodies for non-racial education underlines the availability of foreign resources for PWP's in South Africa.

To finance comprehensive and effective PWP's in South Africa, all the above-mentioned sources of finance should be utilised jointly. The relative proportion of each source needs to be calculated in a way compatible with the overall macroeconomic financial/fiscal policy. A situation which should be avoided is

the over-utilization of one particular funding method, e.g., taxes or borrowing so as to effectively destroy more jobs than the PWP's can generate.

(ii) Government Employment

In the light of the controversy over the extent of government involvement in the economy, the ever-increasing bureaucratization and growth of the number of public servants is viewed with anything from reservation to horror! Seen in conjunction with the appalling record of government failures, the adoption of PWP's might be seen as yet another massive expansion in the size of public sector employment.

While it is true that in the immediate short-run, the public sector would register a substantial increase in its employment, the fear of a permanent massive increase seems unjustified for a variety of reasons: First, the bulk of PWP's, as already outlined, should be implemented by a non-governmental apparatus, and hence its employment need not be included in the standard calculations of government sector employment. Second, it is important to bear in mind that the impact of PWP's on the public sector employment would be, by and large, transitory. As such, there would be a once and for all 'bulge' which would, with the passage of time, diminish as the outgoing flows exceed the incoming ones. The experience of South Africa in the 1920's and 1930's is of importance. PWP's designed to alleviate 'white poverty' created a temporary upward aberration in the trend of public sector (white) employment. As the training took effect, and further blessed by the economic boom of the 1930's, the need

for PWP's diminished and so did the public sector employment.

It might be argued that in the case of poor whites, the whites were being substituted for their black counterparts, and this contributed significantly to the success of that PWP. In the case of today's PWP's, the argument might continue, there is no substitution effect. While it is a matter of record that some degree of white/black substitution occurred in the 1920's, it was by no means substantial. In comparison with the total numbers involved, the substitution effect was very limited. The evidence suggests that the success of the State's action was due to the comprehensive new projects introduced in the early 1930's and not the result of substitution effects in existing activities.

In short, the PWP's resultant increase in public sector employment is inevitable, yet it need not be considered as 'unproductive', wasteful or a cause for concern.

#### (iii) Private Sector Employment

In addition to the above, the financial implications of PWP's might have other facets which are of no less concern for the private sector. Their implications for labour availability, wages and so on are often cited in this regard.

Theoretically, it is possible that State involvement in the labour market could result in various distortions which would complicate the operation of the market. The most important and prevalent one is that State involvement lends itself to political lobbying resulting in wages above the market rate and causes

unnecessary cost increases for the private sector. De facto, such involvement is tantamount to the imposition of a minimum wage, causing further unemployment by increasing labour participation and decreasing quantity demanded.

While this argument would hold in the case of a full-employment economy, its application to South Africa is clearly out of context. The very call for PWP's indicates the non-rivalry between the supply base of the private demand for labour and that of the PWP's. Furthermore, the ultimate beneficiary of the PWP's is the private sector. Labour, having gained skill and experience while on the PWP's, enters the labour market with some accumulation of human capital. While on the PWP's, the labour produces productive infrastructure which becomes available to the private sector. Thus, whether in the form of human or socio-economic capital accumulation, the private sector stands to benefit from the undertaking. Theoretically and empirically, it has been established that clear economies of scale exist in the State's involvement in the accumulation of such capital. The existence of externalities in training and provision of social and economic infrastructure is further justification for State involvement. Thus, it is not the fact of State undertaking PWP's but the method of implementation that deserves private sector circumspection.

#### Outflow Implications

The success of PWP's depends not only on the scale or the efficacy with which the State provides its projects but also on the speed at which the entrants to these projects are trained and

find employment in the private economy. Thus factors affecting the outflows are crucial for the exercise. The most important of these are:

- (i) Political and legal reforms, and
- (ii) Need for economic growth.

- (i) It is well-documented that the web of South Africa's discriminatory statutory and legal measures has retarded the socio-economic advancement of the black population. Starting with the Land Act of 1913 and reinforced in subsequent decades, these measures have restricted full participation of blacks in the market. With respect to PWP's, it is clear that any discriminatory measure which tends to prevent the absorption of labour, subsequent to its training/education, defeats the purpose of PWP's. Labour mobility, both horizontal and vertical, is a pre-requisite for the success of the PWP's. It should be clearly understood that the geographic heterogeneity of the country's industrial and demographic distribution might necessitate that labour be trained in one area, presumably while engaged in some type of public works scheme but subsequently find employment in another region. Any attempt to meddle with this free labour mobility would result in an obvious resource allocation inefficiency. More than ever before, South Africa needs to promote efficiency of resource utilization by not only realising the maximum possible return from expenditure on PWP's, but also by facilitating the economic resource allocation so as to realise the maximum possible growth. This point will now be taken further.
- (ii) The single most important factor determining the success of PWP's is economic growth. First, because the (outflow of labour from various schemes can be maintained only if the (labour) absorption capacity of the economy continues to grow proportionately. Second, the necessary finance drawn via taxation or borrowing for funding PWP's, is dependent critically on economic growth. And finally the propensity of private sector investment is closely related to economic performance. Private resources, whether internal or external, are more likely to be engaged in productive activities if economic conditions are favourable. Thus, it is vital for the authorities to both promote economic growth and remove impediments which act to limit growth.

In the prevailing circumstances, the State's contribution to economic growth can take a variety of forms of which the most important are:

- (a) - Political stability
- (b) - Socio-economic reform, and
- (c) - Appropriate PWP's.

It is abundantly clear that political stability is the undeniable pre-requisite for economic growth in any market economy. The South African experience of 1984/85 has shown that as far as the private sector is concerned no amount of economic potential or lucrative rate of return can replace political stability. It is stating the obvious but socio-political stability in the country depends almost solely on drastic and effective reforms. Procrastination in this respect might well prove destructive of economic opportunities. For the sake of economic growth, therefore, the State has to undertake reforms to instil confidence and stability in the economy. While a description of the types of reform is outside the deliberations of this paper, details need to be worked out and alternatives considered carefully.

Another contribution by the State towards economic growth is the PWP's themselves. Appropriate projects could be adopted so that, while providing employment/training, they can also engender economic growth. Construction of economic infrastructure, establishment of production units and elimination of wasteful resource allocation are examples of PWP's that would serve the country's economic expansion well. It is perhaps worth noting that South Africa's own experience in the 1910's, 1920's and 1930's is a salient example of PWP's which gave additional impetus to its economic growth. Construction of new, at the

time uneconomical, railway lines, establishment of forestry stations, building roads, bridges, dams and the like were what facilitated growth rates of 5,2 per cent and 7,4 per cent in the 1920's and 1930's respectively.

## CONCLUSION

In response to the rapidly worsening problems of poverty and unemployment, the creation of employment opportunities has increasingly been accepted as a key objective of development policy. However, the articulation of employment goals in operationally meaningful terms has generally been limited. A frequent explanation for this has been that the absence of accurate data makes the task almost impossible. However, even where information is available, employment expansion efforts have often not gone beyond the estimation of the prospective increase in the labour force and the linking of it in a general way to the projected expansion of total output and the level of capital formation.

The conclusion, therefore, seems inescapable that the planning of employment has generally been rudimentary. While it is not the intention of this paper to provide a blueprint for employment creation, support is given for a public works approach to dealing with this problem. The potential pitfalls associated with such an approach are spelled out, and the implications associated with its implementation are discussed.

From the literature survey and the case-study of the poor white problem in South Africa, it is clear that public works have in several cases emerged as major national programmes, absorbing large numbers of people into employment. Furthermore, they have often contributed significantly in building economic and social

infrastructure, and improving welfare and income distribution. Thus, although it seems that PWP's have often been disappointing, much of the evidence suggests that well-conceived, organized, and implemented programmes can play extremely positive roles.

It is realised that certain of the implications of a PWP appear inconsistent with the ideological position of the present policy-makers. However, the acceptance and implementation of PWP's in an ad hoc manner is doomed to failure. The success or failure of the entire programme may depend on the success or failure of only one aspect - whether it receives community support. Moreover, it is argued that political change is a pre-requisite for the effective implementation of PWP's, which can only succeed if the structures which generate and perpetuate unemployment and poverty are dismantled.

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