

**ANALYSIS OF THE STATE OF LABOUR-BASED  
TECHNOLOGY IN SOUTH AFRICA:  
*A Review of Current Practice since 2005***

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Mbongeni Mondlane**

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## **1. Introduction**

Following the 11<sup>th</sup> Regional seminar in October 2005, by Labour-based Practitioners on integrating Labour-based Approach (LBA) for Socio-Economic Development in Mombasa, a resolution was made to uphold, mainstream, and upscale the use of LBA in the provision of infrastructure and related services in order to create wealth especially among the poor communities via the following strategies:

- i) Creation of an enabling environment (through formulation of LBT<sup>1</sup> supportive policies, efficient institutional framework, appropriate legislation, and setting up of conducive contract conditions),
- ii) Capacity building (through research, training and awareness creation),
- iii) Increased allocation of resources (financial, equipment and information/data), and
- iv) Mainstreaming cross-cutting issues such as gender, HIV/AIDS, governance and environmental protection.

During the above mentioned seminar, participants reviewed progress made by various countries towards Arusha Seminar held in October 2003 for Labour-based Practitioners based on its recommendations. Upon the conclusion of the Mombasa Seminar, a Statement was prepared which recommended that practitioners with support from ILO (International Labour Organization) monitor the implementation of the above outlined plans. The forthcoming 12<sup>th</sup> Seminar to be held in October 2007 in Durban, South Africa, is meant to make a follow-up on the progress made towards the Mombasa Statement.

The key purpose for this report is to provide a situational analysis of the state of affairs in terms of labour-based works and to analyse and review the progress made in Zambia since the year 2005 based on the Mombasa Statement It describes in some of the constraints that are likely to slow down progress of labour-based approaches (LBA) and provides some recommendations for South Africa.

## **2. Analysis of Labour Based Technology in South Africa**

The application of labour based technology in South Africa is briefly analyzed as work in progress. At inception a limited number of labour-based practitioners were appointed to initiate and run the process. As the team got expanded, the need to decentralize operations was realized and is under implementation. Limitations are that technical skills in South Africa are lacking; the conventional methods of construction are experiencing similar difficulties with the reduction of experienced engineers when there is an increase in infrastructure investments. The application of the Expanded Public Works Programme (EPWP) as a means for massive employment creation is debatable and the matter still generates a lot of opinions on what the EPWP should do and how big it should be. Training is pivotal to the programme, but the skills that are transferred are not directly

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<sup>1</sup> LBT refers to the use of employment intensive approaches to investments in infrastructure and service delivery, operation, maintenance, and the utilization of local resources.

linked to opportunities in the growing economy, hence a lot more have to be provided to the beneficiary if they are to find their space in the mainstream economy. The size of the EPWP is the biggest ever public works programme to date, with a total expenditure of R9.5 billion in the first 3 years of implementation. In 2006/07 the expenditure was R5.5 billion, but when compared to a national expenditure of R471 billion, it's only 1.1%. The size of the EPWP should also be analyzed in context with other safety nets such as the Social Grant with an expenditure of 11.1% in 2006/07. The debate on reforms to the social safety net and the expansion of the EPWP for a guaranteed income or guaranteed employment can be said to be lacking in concrete action.

Legislation that supports the EPWP and labour-based methods of construction has limited enforcement, since inception the EPWP audited public bodies once with the assistance of the Auditor General, it is unclear what the impact of the audit findings are. The Division of Revenue Act (DORA), is an important piece of legislation, that is not applied by public bodies in relation to the conditions to use labour based methods, hence little initiatives that support labour based methods in infrastructure projects, most public bodies have to be encouraged to comply with this legislation.

The Ministerial Determination for Public Works Programmes, can be said to be a loophole for a dual labour market, but its use is limited to government funded programmes. The debate on excluding small employers from certain labour regulatory requirements and sectoral wage rates, is vehemently opposed by organized labour. Hence there is little progress to create incentives for the use of labour based methods, or grow the pool of small scale contractors, that require labour based technology as means to break the entry barriers to the construction industry.

### **3. Inception stage for EPWP**

At inception the EPWP set for itself modest targets, which is to create 1 million job opportunities in its first five years. The Infrastructure's target was set at 750,000 job opportunities with a potential budget of R15 billion. The understanding was that the use of labour based methods is still a new concept to most public bodies hence an incremental approach to expanding of the programme will be adopted. The emerging contractor development programme was one of the options that public bodies interested in increasing the pool of labour based contracting capacity, were encouraged to sign up for. To date the programme, now called Vuk'uphile, has trained in the excess of 500 contractors with their 1,000 supervisors to be certified Construction Contractors using Labour Based Methods.

The need for the site supervisor has been a greatest achievement from the programme considering that South Africa is currently faced with a huge shortage of technical professionals in the construction industry. This shortage particular of great impact as the infrastructure sector is on an upswing, with projections for projects previously unprecedented.

#### 4. Jobs or Welfare

The employment problem in South Africa is currently estimated to have been rising for 30 years, and reached a plateau in 2003 at extremely high levels, standing at 31% in March 2003 by the narrow definition, and 42% by the broad definition (McCord, 2004). This prompted a lot of expectations for the EPWP to address this problem, the size of the programme is a matter of concern. Considering the modest size of the projected budget and employment targets, the contribution of the EPWP to make a meaningful dent on unemployment is minimal.

The success of the EPWP can also be attributed to the relaxation of some of the conditions under the Labour Relations Act, by the introduction of the Ministerial Determination for Public Works Programme. The determination relaxed the following conditions:

- requirement for contribution to the Unemployment Insurance Fund
- No severance to be paid when employees are laid off
- Remuneration for a reduced wage, below the stipulated minimum for the
- sector
- Allocation of work on task basis

The labour legislation on the other hand continues with no relaxation of these conditions for the private sector, and this marginalizes small scale companies as they are obliged to adhere to these conditions. The introduction of the bargaining chambers, on the other hand has increased the strength of the working class, but

because only big business participates, small and emerging businesses interest when negotiating wages are marginalized. The emergence of Construction Contractors trained in Labour Based Methods of construction, will remain confined within the public service, unless the conditions of employment are relaxed, an unlikely position considering the strength of the organized labour in keeping the dual labour market discussion off the agenda.

The allocation for the EPWP at 1.1% of the national budget is minimal when compared to the safety net allocation at 11.1%. However for a developmental state this compares well above the norm with other countries in the region with no provisions for the elderly, disabled and vulnerable.

The general consensus between government and organized labour, has been the provision of employment for the able bodied, however the introduction of programmes such as Siyazibambela, the waste collection programme for compensation by food parcels, is a welcome shift in policy that address the poor.

## **5. Enforcement of Legislation**

The incorporation of the EPWP Guidelines as part of the Division of Revenue Act had excellent intention to integrate the use of labour based methods in infrastructure projects, however poor enforcement has resulted in minimal compliance. The exercise undertaken by the EPWP and the Auditor General to audit compliance also had good intentions, but with little follow up action after the report was consolidated, compliance continues to be on voluntary basis. The Treasury Department remains one of the key departments to enforce compliance, however it is early to determine the contribution of their support for labour based methods as some of the conditions from the conditional grants have only been recently communicated, with possible punitive measures for none compliance.

The proposals explicitly provided for some kind of dual labour market, but called for discussion of the criteria governing such duality. At every stage, the reform of labour market policy has been strongly opposed by the ANC's powerful allies, the Congress of South African Trade Unions (COSATU) and the South African Communist Party (SACP), both of which operate politically as factions within the ANC. Prior to the 2005 conference, Moleketi had told the press that: *COSATU is on the defensive. It does not want to do anything that will worsen its situation of shrinking membership. But it is not going to solve its situation by being narrow and short-termist. It needs to grow by including the outsiders rather than just protecting the insiders.* Moleketi underestimated COSATU and the SACP. They saw the proposals as 'an attack on existing worker rights', lobbied strongly against them at the conference, and secured a final resolution that left labour market reform off the immediate agenda. Reformers were allowed to save face with a resolution that called for further research to be conducted on the effects of policy on job creation.(Seekings, 2006)

## **6. References**

McCord, A: 2004: Policy Expectations and Programme Reality: The Poverty Reduction and Labour Market Impact of Two Public Works Programmes in South Africa

Seekings, J.: 2006; Employment guarantee or minimum income, University of Cape Town / Yale University Paper for USBIG Conference (February 2006)

## South Africa

Enabling Environment		
Policy Framework – Key Question (in bold) and Issues	Policy - status/progress as reported in Mombasa 2005	Policy - update on status/progress in 2007
<p><b>Is policy supportive of LBT and what work has been done to strengthen policy on LBT and make it operational over the last two years?</b></p> <p>(i) Is use of local resources and LBT in infrastructure investment mentioned in key policy documents, eg Vision Statement, NDP, PRSP, Macro Economic -Sector and Cross Cutting policies? If so, please give example.</p> <p>(ii) Is Privatization policy encouraging the involvement of local actors? How?</p> <p>(iii) Is Procurement policy favouring the use of local resources and LBT? How?</p> <p>(iv) What policies are ‘missing’ or need changing to increase the uptake of LBT?</p> <p>(v) What signs are there to indicate that policy promoting the use of local resources and LBT have become operational?</p> <p>(vi) If relevant policies are in place, but there is no or little activity on the ground, what could be the problem?</p>	<p>A National Policy for use of labour intensive methods for government funded contracts adopted</p>	<p>i) Policy is enabling for Labour Based Methods, the division of revenue Act (DORA) has clauses that require public bodies to use labour intensive methods.</p> <p>(i) The Roads Upscaling allocation has also incorporated labour intensive methods of construction as part of the conditions of the grant to Provincial Departments of Transport.</p> <p>ii) (ii) There has been little activity in the privatisation of state assets that are linked to infrastructure development. Currently state assets privatisation is on hold. Unlikely to function considering that enabling policies are applicable to public bodies and State Owned enterprises.</p> <p>ii) (iii) Procurement has been favourable to LBT, where the training of Learner Contractors in the form of Learnerships has been a condition of contract. All learnership projects use labour based methods of construction.</p> <p>) (iv) There are adequate policies in place, there is a need for enforcement as the current requirement on Municipal Infrastructure Grant (MIG) and other conditional grants have not been fully enforced. The debate on a dual labour policy may provide some breakthrough on how LBT can be appropriate outside</p>

		<p>of government funded programmes</p> <p>(v) There have been a series of EPWP programme launches nationwide and the training of Local Officials Nationwide has been received with enthusiasm. Most of the public bodies do have labour based projects running.</p> <p>(x) Some public bodies do not identify EPWP projects in time and are in the process of developing local capacity. Political support at ground level is not uniform, such that where the political pressure on the officials to implement EPWP there is a big difference to areas where the political support is promoting other initiatives. Where there is a dire need for service delivery, LBT is perceived to delay the process.</p>
<b>Institutional Framework- Key Question (in bold) and Issues</b>	<b>Institutional Framework - progress as reported in Mombasa 2005</b>	<b>Institutional Framework - update 2007</b>
<p><b>Are there institutions specifically charged with operationalising/promoting LBT works, eg a specific unit or department? If so, are they effective, if not, what institutional framework is being considered to support LBT?</b></p> <p>(i) What is the role of this(ese) institution? Eg planning, capacity building, resource mobilisation, legislation, standards, implementation, M&amp;E, promotion of LBT etc?</p> <p>(ii) Are these institutions influencing across sectors, or specifically for one line ministry/sector?</p> <p>(iii) Are they supported by policy, and/or what role do they play in policy formulation</p>	<p>EPWP Unit has been established at National Department of Public Works. Provincial units have been established or are being established</p>	<p>(iii) The National Department of Public Works has a dedicated Unit under a Deputy Director General that is tasked with the coordination of EPWP.</p> <p>(iv) (i) The unit is responsible for LBT policy formulation, advocacy, M&amp;E and providing technical support to public bodies.</p> <p>(v) (ii) The EPWP unit cuts across all spheres of government, the clustered EPWP sectors, include all line ministries responsible for infrastructure, social sector,</p>

		<p>environmental and economic.</p> <p>(vi) (iii) The National policy on employment creation tasked the NDPW to coordinate these sectors. Each of the Sector Units is responsible for the formulation of the sector policy on employment creation and how the sector will meet its employment creation targets.</p>
<b>Legislation - Key Question (in bold) and Issues</b>	<b>Legislation - progress reported as in Mombasa 2005</b>	<b>Legislation - update 2007</b>
<p><b>Are there any certain pieces of legislation that make the use of LBT difficult or unfavourable? If so, what has been done to correct this?</b></p> <p>(i) Is existing (relevant) legislation in general appropriate for the promotion of LBT. eg labour laws, procurement legislation etc?</p> <p>(ii) How is relevant legislation enforced on LB projects; are there enforcement mechanisms in place?</p>	<p>Division of Revenue Act includes requirements for using EPWP Tender and Design Guidelines. Employment Framework for Public Works Programmes is in place</p>	<p>) The Code of Good Practice makes it possible for public bodies to pay on task basis and also pay a reduced wage, however the same legislation limits employment to a maximum of 24 months. This restricts EPWP to short term projects.</p> <p>(i) The Code of Good practice, employment legislation is appropriate as it makes LBM cost competitive to MBM, and makes provision to remunerate on task basis, also provides waivers for contribution to Unemployment Insurance and severance pay, which are barriers for entry for small scale contractors using LBM. The DORA is currently not enforced,</p> <p>(ii) The employment legislation is enforced by the Code of Good Practice is only applicable to government funded programmes. An Audit of</p>

		<p>compliance to DORA was done once by the Auditor General, but no action was taken for none compliance. It should be acknowledged that Public Bodies, especially municipalities are struggling to spend their budgets, R400 million was withdrawn from their budgets towards the end of the financial year. It is unlikely any measures from none compliance to DORA will have as much impact when the ability to spend their allocation is not complied with.</p>
<b>Contracts - Key Question (in bold) and Issues</b>	<b>Contracts - progress as reported in Mombasa 2005</b>	<b>Contracts - update 2007</b>
<p><b>Are contract documents suitable for LB contracting, ie for contracting smaller domestic firms? Have there been any improvements or amendments over the last two years</b></p> <p>(iii) (i) Are there Special Considerations in LB contracts, eg targeting, labour management, labour standards etc?</p> <p>(ii) Are contracting procedures appropriate? Eg packaging of works, tendering procedures, relaxed collateral requirements etc</p> <p>(iii) Are domestic contractors accessing works through competitive bidding? If not what is the main difficulty</p>	<p>EPWP Guidelines provide specific contract conditions which need to be incorporated into all contracts to make LBT a contractual requirement</p>	<p>(i) The introduction of Emerging Labour Based Contractor Learnerships have focused the special construction , documentation are prepared for LBM</p> <p>(ii) Contract procedures are appropriate for the LBM Contracting, the limitation is that such conditions are predominately applied in a closed contracting environment during the contractor training phase.</p> <p><b>(iii)</b> Some public bodies are allocating works to be done labour intensively; the limitation is that the contracts are far in-between and small in</p>

		value.
<b>Incentives - Key Question (in bold) and Issues</b>	<b>Incentives - progress as reported in Mombasa 2005</b>	<b>Incentives - update 2007</b>
<p><b>Are there any incentives or disincentives for the use of LBT, and what has been done over the last two years to encourage the domestic construction industry and the use of LBT?</b></p> <p>(i) eg regulation on import duty, taxation, joint ventures, domestic preference, etc</p> <p>(ii) Increased budgetary allocation for those councils who promote LBT</p>	No report was presented	<p>) An additional allocation of R3 billion was approved for provinces for labour-intensive road construction, rehabilitation and maintenance under the EPWP over the MTEF period starting from 2007-08</p> <ul style="list-style-type: none"> <li>• Additional R3,003, million added to increase spending on access roads and maintenance targeted to scale up EPWP in roads</li> </ul> <p>These additional funds will result in an estimated 108 000 additional work, approximately 2 000 km of new low-volume roads and the maintenance of approximately 32 000 km, over and above the current EPWP outputs of the road sector with baseline allocations</p>
<b>i) Capacity Building</b>		
<b>Training - Key Question (in bold) and Issues</b>	<b>Training - progress as reported in Mombasa 2005</b>	<b>Training - update 2007</b>
<p><b>Is there sufficient capacity to upscale/current planned LBT works at all levels?</b></p> <p>(i) Is there training capacity for LBT in the country? Institutionalised? Sustainable?</p> <p>(ii) What type of training is available for various cadres and role players i.e. for both the private sector and public sector?</p> <p>(iii) Is training capacity sufficient to meet the demand?</p> <p>(iv) Is training accessible, ie can customers afford training costs?</p> <p>(v) Has LBT been introduced in under and post graduate curricula?</p>	Specialized training programmes for consultants, contractors, supervisors and foremen are in place and are being provided through the Construction Educational and Training Authority	<p>Training of 20 EPWP Staff at NQF 5 and 7</p> <p>Training of 3,000 Municipal Staff of NQF 5 and 7</p> <p>Training of 1,500 Vuk"phile Learnership Contractors and Site Supervisors.</p> <p>Training of Service Providers on how to run the NQF 5 and 7 Training Programme</p> <p>Training of Engineering Consultancy Firms on NQF 5 and 7</p>
<b>Research &amp; Development - Key Question (in Bold) and Issues</b>	<b>Research &amp; Development- progress as reported in Mombasa 2005</b>	<b>Research &amp; Development - update 2007</b>
<b>Is there any other research or development with regards to LBT taking place in the country?</b>	Research is being commissioned through M&E section in partnership with	Longitudinal Survey are undertaken by the EPWP M&E Unit. The National Census data has

<p>(v) (i) Have any research or development needs been identified  (ii) Is there a system in place to collate and disseminate best practices and research findings</p>	<p>Witwatersrand University, Centre for Scientific and Industrial Research (CSIR) etc</p>	<p>also included EPWP jobs as one of the data fields and in due course this information will provide a basis for research on the impact of the programme. The University of the Witwatersrand runs a Project Management Programme at Masters level where students research LBT. The CSIR also runs Transport symposiums for practitioners on recent research findings.</p> <p>(i) Research on the impact of the LBM as a means for job creation comparative to other job creation means has been identified considering the competing interests fro funding.</p> <p>(ii) Workshops are the main means of sharing best practices and the EPWP unit also run an internal bi-monthly meeting hosted by each of the public bodies, where innovations from each region is show cased. Site visits between public bodies is also a means to share best practice.</p>
<p><b>Awareness Raising &amp; Advocacy - Key Question (in bold) and Issues</b></p>	<p><b>Awareness raising/advocacy -progress as reported in Mombasa 2005</b></p>	<p><b>Awareness raising/advocacy - update 2007</b></p>
<p><b>What is being done in terms of promoting or lobbying for LBT in the country, and who is doing this?</b>  (i) Is there a national champion for LBT?  (ii) What can be said about LBT awareness level at various levels?</p>	<p>Continuous awareness raising campaign about EPWP has been put in place. The Kwa Zulu Natal Transport Technology Transport Centre signed a Memorandum of Understanding with ILO/ASIST to act as a focal point for labour-based technology knowledge sharing. The CSIR Transport Technology Centre is also working with ILO/ASIST sharing knowledge on labour-based technology</p>	<p>Minister a Champion of the programme and presents key note addresses at programme launches, for national, provincial and municipal projects  Numerous paper spreads have been distributed through the media, highlighting progress achieved  Radio and TV live interviews of the programme senior management on progress  Public announcement of the programme end of 4<sup>th</sup> Quarter report to the media, parliament and stakeholders highlighting the programme performance.</p>

		Deputy President at the Launch of the Nation Youth Service Programme highlighting new programme initiatives and publicizing the programme
<b>Allocation of resources</b>		
<b>Financial - Key Question (in bold) and Issues</b>	<b>Financial - progress as reported in Mombasa 2005</b>	<b>Financial - update 2007</b>
<p><b>Is the level of financial allocation for LBT work satisfactory and what is the trend over the last two years?</b></p> <p>(i) What share of infrastructure investment budget is annually allocated to LBT</p> <p>(ii) Are resources ring fenced for LBT</p> <p>(iii) Which institutions are financing LBT? Government, Donors, Private financiers etc</p> <p>(iv) Are credit facilities available for LBT contractors?</p>	<p>Funds have been allocated to provinces and municipalities earmarked for LBT/EPWP. Additional funds are being targeted</p>	<p>(iv) The level of budget is satisfactory, Treasury approved a R3,3 billion allocation over three years for roads to be upgraded using labour based methods</p> <p>(v) (i) The total Infrastructure budget for the next 3 years is estimated at R350 – R400 billion, the EPWP Infrastructure expenditure last year was R 5 billion</p> <p>(vi) (ii) The R3,3 billion on the MTEF is ringfenced for LBT in the Roads and Transport sector, and Vuk’uphile Learnship projects had at least R2 billion ringfenced for LBT in the last 3 years</p> <p>(vii)(iii) Government through various grants</p>
<b>Equipment – Key Question (in bold) and Issues</b>	<b>Equipment – progress as reported in Mombasa 2005</b>	<b>Equipment – update 2007</b>
<p><b>How are private contractors accessing the necessary appropriate equipment?</b></p> <p>(i) If not, what is the main difficulty? Eg equipment finance, equipment availability etc</p> <p>(ii) What type of support is provided by Government and/or local financial institutions?</p>	<p>The Government is actively trying to discourage use of equipment</p>	<p>Funding for handtools and essential light equipment is provided, by ABSA Bank through favourable interest rates to emerging contractors. To date ABSA has funded projects to a value of more than R170 million, some of which funded procurement of light equipment.</p> <p>(i) Equipment is widely available both for purchase and lease and there is an established servicing</p>

		(ii) sector for light equipment Government brokered a deal with ABSA Bank to provide bridging finance for LB contractors on the Vuk'uphile programme, most of which were not meeting the requirements. Because of readily available credit in South Africa predominately for clothing and furniture purchases, when in payment default, the defaulter is backlisted, which makes it difficult to secure future credit, government has recently revised the Credit Act.
<b>Linkages - Key Question (in bold) and Issues</b>	<b>Linkages - progress as reported in Mombasa 2005</b>	<b>Linkages - update 2007</b>
<b>How are LB infrastructure initiatives integrated into wider development plans and if so, what were the benefits, eg financial, resource utilisation, impact, sustainability etc?</b> (i) How is information, experiences and best practices from LB infrastructure initiatives shared amongst practitioners and other stakeholders	EPWP Learning network to share experiences and lessons is being established, Best Practice Guides for LBT are completed and are being published	i) The use of LB in the rehabilitation of rural infrastructure is making inroads to most roads department. The skills required to run appropriate technology programmes is still lacking, but the will is there. The use of Guidelines is having an impact as more awareness on what constitutes a LB project is beginning to be understood. ii) (i) Through project site visits and spot checks if the guidelines have been adhered to practitioners through show casing their projects, disseminate information and share experiences for corrective action.
<b>7) Mainstreaming cross cutting issues</b>		
<b>Gender HIV/AIDS, environment, governance – Key Question (in bold) and Issues</b>	<b>Gender, HIV/Aids, environment, governance - progress as reported in Mombasa 2005</b>	<b>Gender, HIV/Aids, environment, governance - update 2007</b>
<b>How are cross cutting issues such as gender, HIV/Aids, environment and accountability considered at various levels</b>	Targets for employment and training are in place through “Code of Good Practice for	Social issues are an integral part of the programme. The training component includes

<p><b>of planning and implementation? What type of training is provided in this regard and how are policies and strategies enforced?</b></p> <p>(i) Are these components included in the project budgeting process as “accompanying measures”</p> <p>(ii) Do the execution contracts include specific conditions of contract for addressing these issues ?, If So, specify/elaborate</p>	<p>Public Works Programmes”</p>	<p>courses on HIV/AIDS, which also explore gender issues, a course that is compulsory for all programme beneficiaries.</p> <p>(i) All projects are supposed to have Hygiene and Health practitioners, who provide First Aid and also distribute condoms to project beneficiaries.</p> <p>(ii) The contract makes provision for a First Aid practitioner with a First Aid Kit, the kit is equipped with provisions for medical emergencies and as part of First Aid training, HIV/AIDS is prominently integrated.</p>
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