

EPWP Phase 2: Targets and Target Setting Process

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Final Version

The second phase of the Expanded Public Works Programme includes a detailed set of employment creation targets for the national, provincial and local governments. All spheres of government are allocated a share of the overall targets for the second phase of the programme. The overall target of the second phase of the programme is the creation of 2 million Full Time Equivalent (FTE) jobs over the second five years of the programme. This five-year period is defined as the period commencing with the 2009-10 financial year and ending with the end of the 2013-14 financial year¹.

This document will specify how this overall target of 2 million FTE was distributed over the time, the various sectors, spheres of government and individual provinces and municipalities as given in the attachments to this document. While the process enables the setting of a detailed set of targets for all provinces and municipalities, it should be taken into account that it based on a projection over the next five years. It is highly likely that targets will in actual fact not be met in exactly the same was as projected using this methodology. There should therefore be an annual review of these targets which will allow for more accurate setting of targets. In addition to the information used for the setting of these targets, changes and budgets and past performance can be used to make more accurate predictions.

As explained in the end of this memo, this is already a requirement for the infrastructure sector were the wage incentive and its targets are also based on past performance. **The 2009-10 infrastructure targets set in this memo have therefore already been superseded by the targets set as part of the EPWP wage incentive.**

1. Overall EPWP Target

The Overall EPWP target of **2 million FTE** was decided upon after an extensive process of reviews, research and consultation across government. It was informed by the existing need for employment for the EPWP target group, projected available budgets (including additional budgets) and an assessment of the capacity within and outside the State to grow the EPWP further.

Setting the primary overall programme target in FTE rather than work opportunities represents a policy shift from the first phase of the programme. This shift was driven by concerns in the first phase that the overall target of one million work opportunities was achieved, even though on average the duration of these work opportunities was shorter than predicted. By setting the primary target in FTE's, meeting the primary target will mean that a minimum quantum of employment has been created regardless of the actual duration of the individual work opportunities.

¹ Municipality's their financial year starts three months after that of national and provincial government, but their targets are based on their own five financial years.

It is projected however that the target of 2 million FTE will be achieved through the creation of approximately **4.5 million work opportunities** with an **average duration of 100 days²** each. This is a projection for the average of the overall EPWP and it does not imply that each sector will create individual 100 day work opportunities, as some programmes already exceed this average, while other need deliberate strategies to increase the average duration of the work opportunities they create.

For this reason, in addition to targets expressed in FTE's, each of the spheres, sector, individual provinces and municipalities has been set targets for the number of work opportunities to create. It has not been assumed that every work opportunity will have a duration of 100 days, but rather the average duration of the work opportunities created by the sector in 2007-08 was taken as the starting point. For some sectors, like infrastructure and environment, it was assumed that the average duration of their work opportunities would increase over the five years as deliberate efforts to increase the average duration of the work opportunities in these sectors would be made.

2. Distribution of targets over the five years

The overall five year targets in both FTE and Work Opportunities were initially split across the five years of the second phase in accordance with the table below. This assumed that programme implementation will accelerate year on year, as the different measures to increase the scale of the programme such as the wage incentive and additional budgets kick in.

Table 1: Distribution of targets across the five year of EPWP 2

| Year | Full Time Equivalents | Work Opportunities |
|-----------|-----------------------|--------------------|
| 2009-2010 | 500 000 | 217 391 |
| 2010-2011 | 600 000 | 260 870 |
| 2011-2012 | 800 000 | 347 826 |
| 2012-2013 | 1 100 000 | 478 261 |
| 2013-2014 | 1 500 000 | 652 174 |
| Total | 4 500 000 | 1 956 522 |

In the course of setting specific sector and sphere targets individual adjustments were made and each specific sector was set a slightly higher target so that when all individual targets are summed up again, the overall total is slightly higher than the initial total target set. The sum all individual targets is presented in table 2 below. Given that the target set are projections and approximations, the key overall targets remain 2 million FTE and 4.5 million work opportunities of an average duration of 100 days.

² This should not be interpreted that all projects and programmes should strive towards creating work opportunities with an duration of 100 days. It is recognised that some activities lend themselves better to longer term work and others to shorter term work. When the average of the entire EPWP is measured however it is the objective for the second phase to increase the average from the approximately 70 days achieved in the first Phase to 100 days in the second phase.

Table 2: Sum all sector annual targets for five year period

| Year | Full Time Equivalents | Work Opportunities |
|-----------|-----------------------|--------------------|
| 2009-2010 | 550 000 | 210 870 |
| 2010-2011 | 642 000 | 260 870 |
| 2011-2012 | 868 000 | 361 739 |
| 2012-2013 | 1 210 000 | 502 174 |
| 2013-2014 | 1 650 000 | 684 783 |
| Total | 4 920 000 | 2 020 435 |

2. Distribution of targets over the four sectors

After the distribution of the targets across the five years of the programme, they were further distributed across the three existing sectors of the EPWP, namely infrastructure, environmental and social sectors, as well as the new Non-State sector. For the first year of the second phase, the performance of each sector in 2007-08 was used as a starting point to allocate each sector a share of the overall target. The distribution for 2007-08 is presented in Table 3 below.

Table 3: Contribution of each sector to the overall 2007-08 performance in both WO and FTE

| | Work Opportunities | | FTE's | |
|--------------------------|--------------------|------------|--------|------------|
| | Total | Percentage | Total | Percentage |
| 2007-08 Breakdown | | | | |
| Infrastructure | 250194 | 57.5% | 77816 | 53.7% |
| Social | 65912 | 15.1% | 43916 | 30.3% |
| Environmental | 119034 | 27.4% | 23075 | 15.9% |
| Totals | 435140 | 100.0% | 144807 | 100.0% |

These figures clearly illustrate the difference when one measures performance in FTE's rather than work opportunities. This difference had to be taken into account when FTE and work opportunity targets were allocated to individual sectors and spheres. For the outer four years of the programme, the respective shares of each sector were adjusted in line with the projections for growth of each sector and the introduction of the non-state sector.

With regards to the non-state sector, it was projected that it would grow rapidly to a scale where by the fifth year it would generate 20% of the overall target both in terms of FTE's and WO³. Table 4 presents the share of each sector of the overall FTE target. Table 5 does the same of the WO target.

³ This automatically implies that the non state sector is projected to create work opportunities of 100 day duration. Since the sector is new, this assumption might need to be adjusted once actual data is available.

Table 4: Share of each sector of the FTE target broken down per year

| FTEs | | | | | |
|-----------|--------|----------------|---------------|--------|-----------|
| Year | Total | Infrastructure | Environmental | Social | Non-state |
| 2009-2010 | 97.0% | 50.0% | 15.0% | 28.0% | 4.0% |
| 2010-2011 | 100.0% | 50.0% | 16.0% | 26.0% | 8.0% |
| 2011-2012 | 104.0% | 49.0% | 17.0% | 26.0% | 12.0% |
| 2012-2013 | 105.0% | 46.0% | 17.0% | 26.0% | 16.0% |
| 2013-2014 | 105.0% | 42.0% | 17.0% | 26.0% | 20.0% |

Table 5: Share of each sector of the WO target broken down per year

| Work Opportunities | | | | | |
|--------------------|--------|----------------|---------------|--------|-----------|
| Column1 | Total | Infrastructure | Environmental | Social | Non-state |
| 2009-2010 | 110.0% | 60.0% | 30.0% | 16.0% | 4.0% |
| 2010-2011 | 107.0% | 57.0% | 26.0% | 16.0% | 8.0% |
| 2011-2012 | 108.5% | 55.0% | 25.0% | 16.5% | 12.0% |
| 2012-2013 | 110.0% | 52.0% | 25.0% | 17.0% | 16.0% |
| 2013-2014 | 110.0% | 48.0% | 25.0% | 17.0% | 20.0% |

The shifting share of each sector, as well as the difference between the share of the work opportunities versus the share of the FTE's, represents the different characteristics of each sector and their tendency to create shorter or longer term work opportunities.

These respective shares can be adjusted annually as budget allocations shift and actual performance data of each of the sectors become available.

3. Distribution of targets across the spheres of government

The targets were distributed across the spheres of government in the same way as they were distributed across the sectors. The performance of the various spheres for the 2007-08 financial was analysed and the respective shares of each sphere was determined. Through this the share of each sphere for each of the sector targets could be calculated. The result of this was that for each sector, the share of the respective sphere of government could be calculated. The summary of this, specifying the share of each sphere of government of the overall targets is presented in tables 6 & 7 below. Annexure A contains the targets for each sector broken down per sphere.

Table 6: Overall FTE targets broken down per sphere of government

| | Local | Provincial | National | Non-state | Totals |
|---------------|----------------|------------------|----------------|----------------|------------------|
| 2009-2010 | 61 922 | 117 554 | 22 698 | 8 696 | 210 870 |
| 2010-2011 | 74 371 | 136 630 | 28 999 | 20 870 | 260 870 |
| 2011-2012 | 97 342 | 181 667 | 40 991 | 41 739 | 361 739 |
| 2012-2013 | 125 853 | 243 527 | 56 272 | 76 522 | 502 174 |
| 2013-2014 | 157 086 | 320 692 | 76 570 | 130 435 | 684 783 |
| Totals | <i>516 573</i> | <i>1 000 070</i> | <i>225 531</i> | <i>278 261</i> | <i>2 020 435</i> |

Table 7: Overall WO targets broken down per sphere of government

| | Local | Provincial | National | Non-state | Totals |
|---------------|------------------|------------------|----------------|----------------|------------------|
| 2009-2010 | 182 607 | 247 325 | 100 068 | 20 000 | 550 000 |
| 2010-2011 | 208 032 | 281 720 | 104 248 | 48 000 | 642 000 |
| 2011-2012 | 267 920 | 370 420 | 133 660 | 96 000 | 868 000 |
| 2012-2013 | 349 129 | 501 283 | 183 588 | 176 000 | 1 210 000 |
| 2013-2014 | 440 721 | 659 286 | 249 994 | 300 000 | 1 650 000 |
| Totals | <i>1 448 409</i> | <i>2 060 034</i> | <i>771 557</i> | <i>640 000</i> | <i>4 920 000</i> |

4. Distribution of provincial targets across individual provinces

The next step in the distribution of targets is the distribution of the overall provincial targets to the nine individual provinces. This involves the distribution of targets for the infrastructure, social and environmental sectors in between the nine provinces. While the principals and methodology used for each of the sectors was the same, each sector's targets were distributed through a distinct process.

Provincial infrastructure targets

The provincial infrastructure targets were distributed on the basis of the distribution of the provincial infrastructure grant and the distribution of the unemployed. For each province the average of their percentage of the overall Infrastructure Grant to Provinces and their share of the total number of unemployed (based on the broad definition) was calculated. Each province was then allocated a share of the overall provincial infrastructure targets based on this percentage. Table 8 below provides an overview of the provinces, with their respective share of the IGP, unemployed and EPWP target.

Table 8: Share of of the IGP, unemployed and EPWP 2 infrastructure target for each of the provinces.

| Province | Percentage of total IGP for each Province | Percentage of the unemployed | Share of provincial infrastructure target (average of previous columns) |
|---------------|---|------------------------------|---|
| KwaZulu-Natal | 21.5% | 21.2% | 21.3% |
| Western Cape | 7.1% | 6.5% | 6.8% |
| Gauteng | 8.4% | 21.9% | 15.1% |
| Eastern Cape | 18.2% | 14.0% | 16.1% |
| Mpumalanga | 7.9% | 7.3% | 7.6% |
| Free State | 7.9% | 6.1% | 7.0% |
| Limpopo | 14.9% | 12.5% | 13.7% |
| North West | 8.8% | 8.2% | 8.5% |
| Northern Cape | 5.4% | 2.4% | 3.9% |
| Totals | 100.0% | 100.0% | 100.0% |

The respective infrastructure targets for each of the provinces can be found in the appendix which provides the targets for all the sectors for each of the provinces.

For the Environmental and Social Sectors, the distribution of the targets was based solely on the distribution of the available budgets. In the case of the Environmental sector, the targets are distributed based on the ratios of the CASP and Land Care budgets. The provincial share of each of the allocations was calculated and then the weighted average, taking into account that the CASP budgets are much larger, were calculated. Table 9 below provides the share of these grants and the weighted average for each of the provinces.

Table 9: Distribution of the Land Care and CASP allocations across the nine provinces

| | EC | FS | GP | KZ | LP | MP | NC | NW | WC | Totals |
|--|--------------|-------------|-------------|--------------|--------------|-------------|-------------|--------------|-------------|---------------|
| Share of Provincial Environmental Sector Target | 16.5% | 8.8% | 5.1% | 16.2% | 15.5% | 9.8% | 7.9% | 12.3% | 7.9% | 100.0% |
| Land Care | 15.0% | 7.0% | 7.0% | 15.0% | 17.0% | 9.0% | 13.0% | 10.0% | 7.0% | 100.0% |
| CASP | 16.8% | 9.2% | 4.7% | 16.5% | 15.2% | 9.9% | 6.9% | 12.8% | 8.1% | 100.0% |

It should be noted that in the first years of the EPWP, the contribution of the provinces was not distributed as evenly as the distribution of the grants would suggest and as such the current targets do not correlate well with the past performance of individual provinces. Once the environmental logframe is finalised, the current targets may need to be reviewed and the distribution to individual provinces may need to be adjusted.

The provincial social sector targets were calculated in the same way but using the distribution of social sector budgets into account. The budgets used were the Comprehensive HIV-AIDS Conditional Grant which is used to fund HCBC programmes and the ECD allocations provinces make from their own budgets to provincial education departments for the implementation of ECD programmes. The

relative shares percentages are provided below. It should also be noted that no information was available for ECD allocations in the Eastern Cape, which affects their share of the targets.

Table 10 Distribution of HCBC and ECD budgets across the provinces and their share of the provincial social sector target.

| | EC | FS | GP | KZ | LP | MP | NC | NW | WC | Totals |
|--|-------------|-------------|--------------|--------------|-------------|-------------|-------------|--------------|--------------|---------------|
| Share of provincial Social Sector Targets | 5.8% | 6.9% | 20.4% | 21.8% | 8.4% | 7.2% | 3.4% | 10.7% | 15.2% | 100.0% |
| ECD | 0.0% | 6.5% | 19.9% | 19.3% | 7.8% | 8.5% | 3.3% | 13.5% | 21.1% | 100.0% |
| HCBC (HIV AIDS) | 11.6% | 7.3% | 20.9% | 24.4% | 9.1% | 5.9% | 3.5% | 7.9% | 9.3% | 100.0% |

It should be noted that the distribution of the Social sector targets are provisional, as it is agreed that a number of critical issues pertaining to the expansion of the social sector of the EPWP still need to be resolved. One key component of this is the budget allocations to the social sector programmes. Once these have been resolved, a review of the distribution of the targets would have to be done to ensure that they are still reflective of the new plans and budgets.

5. Distribution of local government targets across individual municipalities

The local government targets are for infrastructure only, as local government does not receive any allocations for implementation of the social and environmental sectors. While some municipalities do contribute to these sectors, it is difficult to set targets in the absence of budgets. This may change with the introduction of the incentive to the other sectors in future years.

The local government infrastructure budgets were set in exactly the same way as the provincial infrastructure budget, with the share of the local government targets being determined by each metro or district municipality's share of the MIG and the unemployed. The local government targets at a metro and district level are provided in the appendix.

For distribution of the targets from district municipalities down to local municipalities, the distribution of the unemployed was not taken into account further, as data on the distribution of the unemployed at the local municipality level is not detailed enough. The district municipality targets is therefore distributed to each of the local municipalities in accordance with their share of the MIG. Table 11 below provides these details for Cacadu District Municipality in the Eastern Cape. A complete breakdown of all the targets is provided in the appendix.

Table 11: Targets for District and Local Municipalities: Cacadu District, EC

| | | | MIG Allocation 2009-10 (Municipal Financial Year) | % of MIG allocation within District | Targets for 2009-10 | Targets for 2010-11 | Targets for 2011-12 | Targets for 2012-13 | Targets for 2013-14 |
|-------------------------------------|-------|------------------------------|---|-------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| B | EC101 | Camdeboo | 8 289 | 7.47% | 41 | 49 | 64 | 83 | 103 |
| B | EC102 | Blue Crane Route | 10 960 | 9.88% | 54 | 65 | 85 | 109 | 136 |
| B | EC103 | Ikwezi | 6 310 | 5.69% | 31 | 37 | 49 | 63 | 78 |
| B | EC104 | Makana | 17 464 | 15.74% | 86 | 103 | 135 | 174 | 217 |
| B | EC105 | Ndlambe | 16 154 | 14.56% | 80 | 96 | 125 | 161 | 201 |
| B | EC106 | Sundays River Valley | 12 881 | 11.61% | 64 | 76 | 100 | 129 | 160 |
| B | EC107 | Baviaans | 6 514 | 5.87% | 32 | 39 | 50 | 65 | 81 |
| B | EC108 | Kouga | 16 543 | 14.91% | 82 | 98 | 128 | 165 | 206 |
| B | EC109 | Koukamma | 9 464 | 8.53% | 47 | 56 | 73 | 95 | 118 |
| C | DC10 | Cacadu District Municipality | 6 391 | 5.76% | 32 | 38 | 49 | 64 | 79 |
| Total: Cacadu Municipalities | | | 110 970 | 100.00% | 548 | 657 | 859 | 1 108 | 1 380 |

6. Adjustments to targets and links to the EPWP wage incentive

The target setting process outlined in this document was done with the intention of setting five year targets for all the public bodies that are meant to contribute to the overall EPWP targets, so that each of these public bodies can start preparing plans as to how they will meet these targets. These targets should not be seen as being cast in stone, but should rather help to inform all public bodies of the magnitude of the contribution that is expected from them.

While the overall target of the EPWP should be seen as a minimum to be achieved, it is likely that many public bodies will overachieve and that others will underachieve and that the actual performance will not exactly follow the targets as set through this exercise.

It would make sense therefore that targets are reviewed and adjusted annually. The introduction of the wage incentive, which rewards well performing public bodies in the infrastructure sector starting in 2009-10 also requires a review of past performance and the setting of targets also taking into account the past performance of public bodies.

For the infrastructure sector for the 2009-10 financial year, this review has already been done, and the infrastructure targets for the provinces and municipalities have been adjusted already, and are linked to the allocations published in the Division of Revenue Act. The process for allocating the EPWP wage incentive and setting of targets linked to the incentive is different from the process outlined here and takes into account past performance. The allocation of the wage incentive requires an annual review and allocation of targets as past performance data becomes available. As the wage incentive becomes available to other sectors as well, a similar annual review will be required and the targets set through the process outlined in this document will be adjusted.