

Minister of Public Works
Mr J Radebe
20 April 1996

[Back](#)

At the Cosatu Living Wage Policy Conference

Comrade chair and honourable guests, it is a great honour for me to be invited to take part in this very important conference to determine a living wage policy. I am totally convinced that this is a pressing issue which needs to be settled as a matter of urgency.

For our newly-acquired democracy to proceed smoothly, South Africa has to accelerate its economic growth and development, which, in turn, will create more jobs as the economy expands. Last year our economy grew by almost four percent, which is not enough, given the rate of unemployment and widespread poverty in this country.

But one cannot have a thriving economy without co-ordinated and effective policies as a guide. These policies must involve all the role players: government, the private sector and labour.

World Bank projections indicate that economic growth is likely to remain slow on a global level in the coming years, and that perspectives for export-led growth in most developing countries remain gloomy, at best. More attention should therefore be paid to developing domestic markets, which would significantly increase income opportunities for poverty groups in rural and urban areas. In its World Development Report of 1990, the World Bank notes that the developing countries which have been most successful in building economic growth and reducing poverty, for example Malaysia and Indonesia, are those which have opted for a two-pronged strategy: this consists, on the one hand, of a growth policy that emphasises employment by making maximum use of the most abundant resource available to the poor - their labour power, and on the other hand, of a policy of investing in human capital by providing the poor with access to education, vocational training, health care and other basic services.

This same thinking inspires the policies of the Government of National Unity. We have to intervene directly with policy instruments such as labour intensive investment, land reform programmes, infrastructural works, as well as by introducing human resource development programmes appropriate employment practices and social standards.

These policy instruments will help to alleviate poverty, reduce the wasteful use of our scarce resources, decrease dependence on foreign aid and increase employment opportunities for the poorest of our country, through better management and use of local resources, and by distributing incomes and assets.

One sector with substantial potential as an employer of unskilled workers is the construction industry, provided that a conscious choice in favour of labour-intensive rather than machine based technologies is exercised, in as well as the use of small contractors in line with the broader strategy of SMME development in all sectors. The latter also contributes directly to income distribution within the construction.

In view of the widespread unemployment and underemployment in rural and urban areas of this country, it is imperative that all possibilities are seized to maximise the employment impact of infrastructure works through the choice employment-rich technologies.

The real possibility in this country has been presented by the Government's commitment to an expansive programme of infrastructural creation for the next 15 years.

The Department of Public Works is one of the champions of labour-intensive methods through its engagement in the National Public Works Programmes. It is my submission therefore that before we engage in a debate on the wage policy in the programme, we should identify the terrain, and this can only be done with a clear understanding of the paradigm behind the programme.

The central objective of the Reconstruction and Development Programme is to improve the quality of life for all South Africans, and in particular the most poor and marginalised sections of our communities. Two of the means of achieving this objective is by creating job opportunities and improving living conditions through better access to basic physical and social services, health care, and education and training for urban and rural communities.

Why should special attention be paid to creating infrastructure?

Infrastructure is one of the major sectors of economic activity where construction, rehabilitation and maintenance works account for a significant share of our domestic gross capital formation.

Secondly, the lack or dilapidation of basic infrastructure, such as roads and water supply, remains a major obstacle to macro-economic development efforts in this country.

Infrastructure works providing services to rural communities, for example, rural feeder roads, irrigation canals, water supply schemes, economic and social facilities for villages, lend themselves well to employment generation through labour-intensive methods.

However, work on infrastructure creation is, by its nature, temporary. It is also self-targeting towards the poorest members of society, because unskilled wages in construction are traditionally low. Workers with better options tend to go into other kinds of work and leave the temporary jobs in construction to those with fewer options, the poorest. Therefore although the individual jobs that are created are not permanent, the total volume of work to the poor is increased considerably through the labour-intensive methods. Added to this, are benefits from skills created.

It is for this reason that labour-intensive methods result in an increased total value of sustainable employment, a fact that has been acknowledged by the International Labour Organisation, one of the leading proponents of this thinking.

A main element of labour-intensive infrastructure creation strategy is the promotion of participatory arrangements with the local community for the creation of relatively small-scale local infrastructure projects.

The community, after organising itself and setting its priorities, takes on the role of the contractor and carries out the work with minimal assistance from the government. Under such an arrangement, the community plays a more active role than is normally the case with projects carried out by government.

A sustainable approach to delivery and maintenance of infrastructure should be based on a clear distinction between major and minor works. This approach tries to avoid workers being obliged to work for nothing where they should receive a fair wage and, at the same time, not to block local initiative.

Major works or traditional public works implies governmental responsibility for the provision of basic economic and social service to the general public, at both national, provincial and local administrative level. It also implies the use of official channels and government control of funds allocated for such works. The works themselves may be undertaken by public agencies or under contract by private firms, and call for wage labour.

Minor works or community works, on the other hand, are undertaken in response to demand by, and for the benefit of specific local groups. These usually include elements of self-help. The distinction between major and minor works depends on whether or not the workers are also beneficiaries, how they are organised to carry out work, and the socio-economic and institutional context in which they operate.

Having set the broad outline of infrastructure creation through labour-intensive methods, I now want to specifically deal with the National Public Works Programme under the Department of Public Works.

There are two types of projects that fall within the programme. These are community-based projects and the National Public Works Programme projects with contractors, which are regulated by the National Framework Agreement.

Job opportunities in the National Public Works Programme have landed to be limited in numbers, but this is likely to change when we are able to link the programme to the broad transformation of the construction industry as a whole, an initiative which we have recently undertaken.

The construction industry is the most hazardous on site, next to the mining industry. As we begin to employ more and more people on projects, we shall have to focus more on safety issues.

The objectives of community-based projects are poverty alleviation, community empowerment of the poorest in a community, temporary employment and useful asset creation.

Whilst it is very difficult to develop strict criteria, we have tried to define what we mean by community-based projects. For our purposes, the project must be small and manageable, to be able to be controlled by a community. Its size should be limited to R500 000 for a road, and R250 000 for all other types of infrastructure, such as social buildings, water and environmental works.

Projects bigger than this will most likely not be able to be managed by a community and it is highly unlikely that the community would be able to build a more expensive asset to the right quality.

Community control could include the provision of assistance by other parties, like professionals, to the community. This is because a community's current inability to manage a project should not be grounds for discriminating against them.

If projects are kept small, uncomplicated communities with a limited amount of assistance should be able to control preparation, implementation and operation themselves.

The objectives of poverty alleviation and temporary employment of the poorest in our society dictate that the wage rate should be set at a level to attract the poorest community member.

In addition, since employment on community-based projects is temporary and short-term, it is crucial that there is little distortion of the local economy and that sustainable employment occurs, in particular. This means in practice that the wage rate should not exceed that offered in permanent employment. It should only attract those who are currently unemployed. But difficulty could arise where workers, such as those on farms may be receiving unrealistically low wages.

Wages should be set at community level. However, guidelines are required for communities. This is because communities themselves are increasingly requesting such information, and such guidelines are also required for planning and preparation of budgets. But more importantly, guidelines are needed to prevent conflict between communities - there need to be a degree of conformity between communities in close proximity to each other.

Public Works has now proposed that each province should establish its own guidelines for rural and urban areas, taking into account the following factors:

National poverty indicators, such as levels of poverty, unemployment, malnutrition and literacy. This has already been done for the National Public Works Programme at national level.

The need to target the most poor.

Particular provincial dynamics and circumstances.

The National Public Works Programme undertakes other projects, which should be regulated by the National Framework Agreement on Labour Intensive Construction, which is in the course of being signed, by government, COSATU, the industry and the civic movement.

These are essentially public sector civil engineering projects, which use labour-intensive construction methods, provide for community empowerment and training of workers. Unlike the community-based projects, these involve contractors and formal contracting relationships.

With regard to these projects, in order to ensure that the cost of the project is competitive with machine-based construction methods it is important that wages must be competitive with machine rates. Based on preliminary investigations and a limited data base, it is recommended that a task rate within the range of R22 to R27 is used for budgeting and negotiations.

A task is the amount of work executed in a period in accordance with the proposed Framework Agreement or as agreed with the community.

It must be borne in mind here that these employment opportunities will be of a temporary nature, and it is therefore important that wages paid are more or less in line with current wages paid to workers in these areas, in order to prevent workers being coaxed away from permanent employment.

However, two factors come into play here, which may militate against labour-intensive construction methods.

Firstly, the State is the employer in most of these projects. However, increasingly communities do not expect government to pay them low wages, and may demand a living wage. Bearing in mind the large infrastructural needs in South Africa and the fiscal constraints faced by the Government, it is unlikely that the Government will be prepared to pay extra for labour-intensive construction to receive its benefits.

There needs to be a proper understanding here of how a wage range of R22 to R27 on a task-related job should not be looked at in terms of rands and cents, but as part of a package, which includes a training component by entitlement. This training would be accredited, so that when the worker leaves the temporary employment, he or she has a skill good enough to take the person to a permanent job or the worker is able to engage in an income generating project on his or her own.

Secondly, a deprived community may initially agree on very low wages in order to get a commitment from the funder of the project. But once the project is finalised, the workers involved could demand higher wages, thereby upsetting the budget planning and often creating difficult situations for contractors. Experience has shown that there are often conflicts when wages are set at very low levels.

I wish to state that we feel that certainty and uniformity is required for a wage rate. Here we should pose a question: Should a figure be set by the National Public Works Programme, which could be used as the basis for negotiations and budgeting, and must be revised on an annual basis.

For 1995/96, due to the limited availability of information, a range of R22 to R27 for a task should be set.

This should be revised annually by an appropriate body, such as the wage board of the Department of Labour, after consultation with the relevant stakeholders. These could include Public Works, the Department of Housing, trade unions and employers in the engineering and building industries.

These wages could only apply if the other criteria for workers on the National Public Works Programme have been met. These are: the most needy members of communities are targeted for employment, workers are selected by the community and they have an entitlement to training.

COSATU and the African National Congress come from the same alliance and therefore part of the same family. We should therefore continue to talk as such, instead of "them" and "us" when the Government talks to COSATU and vice-versa.

In fact the National Public Works Programme is a product of such fraternity. COSATU, as representing labour, was an active participant at the National Economic Forum, which drew up the blue print of the programme.

It is unfortunate that of late we have not been working very closely. But that now seems to have been rectified, with the active involvement of Khumbula Ndaba at various negotiations with us, in order to ensure that the views of labour are taken on board all our initiatives.

In fact, COSATU and Public Works will soon undertake an evaluation of all the assets that were built by the Independent Development Trust through the Department's allocation of R70m under the National Public Works Programme.

In COSATU's Social Equity and Job Creation, a proposal by the labour movement, the NPWP is discussed in detail. On our part, I can say we warmly welcome your observations and criticisms.

Of particular importance is what the document proposes. It says: "The sources of funding a major programme such as the public works programme, is within our capacity. The key sources of finance are the fiscus, the corporate sector and prescribed investment requirements on the retirement and long term assurance industry.

'We propose the public works programme be financed from government, business and labour, in the following manner: first, through a major contribution from the fiscus (the government sector), second, a three year levy of 5 percent on the pre-tax profit of business (the business sector), and third, the introduction of a prescribed investment requirement on pension and provident funds, the life assurance industry and the assets of the Public Investment Commissioners, to invest 5 percent of funds in special government bonds to finance RDP project (workers and policy holders)".

I thank you.

[top](#)