

Employment Creation through the provision of Low cost housing in South Africa

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Abstract

Poverty and unemployment are problems that South Africa has not been able to overcome successfully. In the urban areas, poverty has led to the growth of Informal Settlements which are basically, but not necessarily so, residential areas for the low-income groups. The most noted cause of Informal Settlements is high migration from rural areas by people who are in search of job opportunities and better living conditions than what is available in the rural areas. This has led to more demand for low cost housing in most urban areas in South Africa. History has shown that labour-based methods of work have long been used in creating remarkable infrastructure works. Labour-intensive programmes generate more direct and indirect local employment opportunities and income by using locally available inputs (materials, simple tools and local labour) and thus creating a greater demand for local products and services than do high-technology programmes reliant on imported technology and equipment. Investment in low cost housing has a huge potential to redress the high unemployment and poverty levels in South Africa and also to correct the skill deficits in disadvantaged communities. From a theoretical perspective supported by experience elsewhere in Africa, there are reasons for considering that properly formulated labour-intensive programmes could be established to construct and maintain the required physical infrastructure, thus creating employment, skills and institutional capacities. The paper looks at the experiences, problems and outlines the potential contribution of employment creation programmes in alleviating the unemployment problem in other African countries through the construction of low cost housing through the use of labour-intensive methods. The paper then describes the potential and problems that have been encountered in South Africa in relation to employment creation through the construction of low cost housing. The paper closes with some recommendations for the future.

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1. Introduction

In South Africa, the levels of unemployment and poverty are extremely high and two of South Africa's most pressing problems (McCutcheon, 2001). The levels of unemployment have been rising steadily over the years. The level of unemployment was 7% in 1980, 18% in 1991 (McCutcheon, 1995) and 28% in 2003 (Statistics South Africa, 2003). Commitment to alleviation of poverty has become very high on the government agenda and will stay one of the focal points of government. This is motivated by the fact that, currently around 24% of the population lives on less than \$1 a day, below the poverty line defined by the World Bank (World Bank, 1994). In addition to high levels of unemployment, there is also a widely acknowledged need for housing and municipal infrastructure (water supply, sewerage, streets, stormwater drainage, electricity, refuse collection). But most importantly, it is crucial to realise that there is a great need for physical infrastructure in both urban and rural areas. In addition there is a lack of capacity and skills at institutional, community and individual levels. This problem of infrastructure backlog is aggravated by the apparent lack of capacity and skills at institutional, community and individual levels. According to the World Bank (1994: 2) infrastructure can deliver major benefits in economic growth, poverty alleviation, and environmental sustainability - but only when it provides services that respond to effective demand and does so efficiently.

Over the past 25 years several projects have been initiated in South Africa to counter unemployment and poverty (Thwala, 2001). It is envisaged that there will be others in the future. From a theoretical perspective supported by experience elsewhere in Africa, there are reasons for considering that properly formulated employment creation programmes based on the use of employment-intensive methods could be established to construct and maintain the required physical infrastructure, thus creating employment, skills and institutional capacities. The provision of low-cost housing has the potential to redress this problem of disproportionately high unemployment levels in South Africa and also to correct the skill deficits in disadvantaged communities. Among other things, these may be achieved through an efficient institutional set up, effective community participation, and construction technology that is pragmatic and innovative in nature. The paper looks at the experiences, problems and outlines the potential contribution of employment creation programmes in alleviating the unemployment problem in other African countries through the construction of low cost housing through the use of labour-intensive methods. The paper then describes the potential and problems that have been encountered in South Africa in relation to employment creation through the construction of low cost housing. The paper closes with some recommendations for the future.

2. Infrastructure Programmes and Employment Creation

Public works programmes have a long history in the industrialised countries as an economic-policy tool, both as a fiscal measure to expand or contract public spending in periods of unbalanced domestic demand as well as a short-term measure to alleviate unemployment. In recent years, they have formed important components of special job-creation schemes launched by many industrialised countries in response to either economic recession or rising unemployment among youth. In contrast to their short-term, anti-cyclical role in the industrialised countries, labour-intensive public works programmes have acquired far more

significance in developing countries where they are now frequently resorted to for one or more purposes, such as the following outlined by Jara as long ago as 1971:

1. To deal with emergency situations arising out of natural calamities such as drought, floods and earthquakes, when provision of immediate relief employment to the affected area and repair and reconstruction of damaged assets and infrastructures become urgently necessary;
2. To serve as a means for harnessing the potential resource of surplus manpower and for evening out seasonal fluctuations in employment and incomes, especially in areas exposed to pronounced seasonal unemployment and underemployment;
3. To achieve permanent drought-proofing of drought-prone areas through systematic soil-conservation and water-development measures, utilising large masses of unskilled workers;
4. To attend to long overdue tasks of erosion control and other land-development works without which agriculture would begin to stagnate and agricultural inputs fail to produce the expected results; and
5. To promote systematic development of essential infrastructure facilities integral to rural and urban spatial planning, that is, the promotion of rural development centres, community development blocks, small and medium market towns, regional growth centres and focal points, and new urban townships.

These major programmes generally comprise a wide variety of minor and intrinsically labour-intensive works such as soil conservation and reforestation; small and medium-scale irrigation (for example, canals, field channels and dams); drainage; flood-protection and land-development schemes; rural access and crop-extraction roads; and basic amenities such as inexpensive housing, drinking-water-supply projects, school buildings, and health and community centres. They are often undertaken with the involvement of local communities and institutions in their identification, formulation and supervision. They utilise predominantly public funds but sometimes receive supplementary support in the form of local community contributions in cash and materials, as well as food aid provided by bilateral donors or multilateral aid agencies such as the World Food Programme.

By sustaining demand for large masses of purely unskilled labour, these rural works programmes indeed provide an important contribution towards a simultaneous solution to the problems of rural employment, income distribution and growth. Their direct and indirect employment and income effects apart, the infrastructure they create supports agriculture and helps to preserve the ecological balance of land and forest areas which have long suffered excessive exploitation; accelerate the integration of monetized and non-monetized sectors; helps to modify the prevailing spatial distribution pattern of rural settlements so as to facilitate the more economical provision of common facilities and growth of viable rural communities; and, finally, they meet some of the more elementary basic needs of the poorer sections (Thwala, 2001).

The incomes that such infrastructure works generate can help to create new demands for manufactured consumer goods which, in turn, can make import-substitution industries viable. The true economic cost of such manufactured consumer goods, moreover, can be kept very low if underutilised manufacturing capacities - a phenomenon not uncommon in some of the developing countries - can be more fully utilised.

3. Labour-Intensive Approach

In order to alleviate poverty and generate employment during the construction and maintenance of infrastructure projects, attempts must be made to encourage the use of labour-intensive methods. According to Bentall (1999:219) “labour-intensive approach” is defined as an approach where labour is the dominant resource for carrying out works, and where the share of the total project cost spent on labour is high (typically 25 – 60%). The term “labour-intensive approach” indicates that optimal use is made of labour as the predominant resource in infrastructure projects, while ensuring cost-effectiveness and safeguarding quality. This involves a judicious combination of labour and appropriate equipment, which is generally light equipment. It also means ensuring that labour-intensive projects do not degenerate into “make-work” projects, in which cost and quality aspects are ignored. Labour-intensive construction results in the generation of a significant increase in employment opportunities per unit of expenditure by comparison with conventional capital-intensive methods. By ‘significant’ is meant 300% to 600% increases in employment generated per unit of expenditure (McCutecheon, 2002). The employment-intensive approach is otherwise called the “labour-based approach”, indicating that labour is the principal resource, but that appropriate levels of other resources are used in order to ensure competitive and quality results.

4. Overview of African Experiences through the use of Labour-intensive approach in Infrastructure Programmes

The use of employment-intensive public works programmes is not new to Africa. In the 1960s, three countries in North Africa, namely Morocco, Tunisia and Algeria, experimented with such programmes. Although started initially as emergency relief works programmes, especially in rural areas, it gradually came to acquire a development orientation. The Moroccan experiment, known as National Promotion, was launched in June 1961. This large-scale programme aimed at enhancing opportunities for the rural unemployed in productive works; and slowing down the rural exodus and associated problems with rural populations in the development process. The importance of this programme was confirmed by its mention in the constitution of 7 December, and subsequently by the creation in 1975 of the High Council of National Promotion Plan. According to one estimate, the programme provided employment for 85 000 workers per month during the peak season and increased GNP by 3, 6 per cent (Jara, 1971).

During the period 1959-1960, a large Tunisian works programme, known as Worksites to Combat Underdevelopment was carried out with 80 per cent of the cost being borne by Tunisian authorities and the remaining 20 per cent in the form of food aid from the United States. The employment created was equivalent to an annual average of 20.7 days per head of Tunisia’s labour force (Thwala, 2001). In Algeria, the publicly-sponsored works programme, known as Worksites for Full Employment (Chantiers de plein emploi (CPE)) began operating in 1962 as a relief operation. It soon acquired a strong development orientation to maximise employment in a project of economic interest, namely reforestation work to fight the severe erosion problem. (Jara, 1971). In 1965, the Peoples Worksites Reforestation (Chantiers populaires de reboisement (CPR)) was created as a statutory body attached to the Forestry Division of the Ministry of Agriculture and Agrarian Reform. Since then, the World Food Programme has provided assistance and the scope of projects has been increased to include land

reclamation and other infrastructural works.

A variety of employment-intensive works programmes in other countries consisted of limited experiments with local self-help projects. In such cases, the projects were proposed by local communities and the state made its technical assistance conditional on their execution by the local population. The intention was to get the work done as cheaply as possible, but more especially to ensure that the people viewed the projects as their own and so paid more attention to their maintenance.

Such self-help schemes occupy a prominent place in the rural development effort in Tanzania. These schemes started after independence, when there was a massive campaign to mobilise the people for nation-building with financial assistance from local and foreign institutions, and then from the Regional Development Fund. Under the village-development policy pursued by the government, the emphasis has been put on building, water works, and road construction. Ujamaa and co-operative development officers at village and district levels have helped in identifying and selecting projects, while rural housing and construction units stationed at district headquarters provide technical advice and support (Jara, 1971). In the 1980s and 1990s scholarly assessment of the Tanzanian experiments also revealed serious shortcomings.

A few countries have tried to create, through employment-intensive infrastructural works, relatively small 'functional economic areas' in the countryside in an attempt to stem rural-urban migration and retain more people on the land. An example is the Djoliba pilot project in Mali for converting a swollen rural village into an agro-urban community, which calls for several layers of investment in infrastructure. This project was to test the feasibility of the establishment of some 150 rural centres that would service Mali's more than 10 000 villages (Thwala, 2001). The Volta River Settlement Programme of Ghana, involving the creation of network of rural towns and access roads, is another example of rural spatial planning. Three times as many workers were employed in these resettlement preparations than were involved in building the Volta dam, showing the employment-generating potential of employment-intensive infrastructural investment.

In Kenya, over 12 000 kilometres of rural access roads have been constructed and over 80 000 man-years of employment have been created (McCutcheon, 1993). The Kenyan Rural Access Roads Programme is the overall responsibility of the Ministry of Transport and Communications but operates within the national District Focus policy which gives great autonomy to the local level. According to McCutcheon (1993) the methods have been considered so successful that they have been introduced in the secondary roads network (the Minor Roads Programme). In Botswana a national programme of labour-intensive road construction units has been set up within District Councils which are semi-autonomous bodies under the overall responsibility of the Ministry of Local Governments and Lands. This programme has resulted in the creation of over 3 000 jobs (total employment within the public sector is only 20 000) and the construction and upgrading of nearly 2 000 km of road. (McCutcheon, 1995). In Malawi the programme is part of the Ministry of Works and Supply. Since its inception, over 3 845 kms of district road have been upgraded in 16 of the country's 24 districts. The Labour Construction Unit in Lesotho has been attached to the Ministry of Works since 1977. By 1985 about US \$3 350 000 had been expended on various road construction works. (Thwala, 2001).

Thus, within different institutional and organisational frameworks, a wide range of techniques of labour-intensive road construction and maintenance has been extensively tried and tested over the past 25 years. Despite their valuable contribution to employment-generation, many of these earlier experiments in employment-intensive public works in Africa suffered from one or more of the following short-comings (Barker, 1986; Abedian and Standish, 1986; UNDP and ILO, 1987, Ligthelm and Van Niekerk, 1986, McCutcheon, 1990, 1994, 2001; McCutcheon and Taylor-Parkins, 2003; and Thwala, 2001):

- The ad hoc nature of schemes, lacking spatial focus and often without any links to national rural development and infrastructural planning systems.
- Makeshift administrative arrangements and failure to inject sufficient managerial and engineering skills and technical competence into project selection and execution, as well as choice of technology, resulting in poor project planning, programming and manpower management.
- Lack of balance between centralisation and effective involvement of local administrations and popular bodies in crucial programme decisions, planning and implementation.
- Failure to adjust programme operation and intensity to seasonal labour demand for agricultural operations.
- Lack of precision about target groups and programming on the basis of inadequate information about beneficiary groups.
- Lack of adequate and sustained political commitment and allocation of public funds for the programmes.
- Inadequate post-project maintenance arrangements.
- Inadequate emphasis on, and arrangements for, reporting cost-benefit studies and general performance evaluation.

5. Housing Problem in South Africa

The apartheid legacy and the repercussions of the policies implemented by the Nationalist government are still with us. The housing crisis is not a localised phenomenon; it is a global crisis which all countries are finding themselves in the midst of. It manifests itself in different ways in the different societies, but it is usually the poor who are hardest hit by this problem. The main problem is the governments' lack of capacity and sometimes lack of interest to deal with the problem in an effective and efficient manner. Institutional frameworks which are in place are not adequate to deal with the problem. In most Third World countries these have been inherited from the colonial era, and they are inappropriate for the circumstances which prevail today. This poses a problem, as change is a slow and difficult process, which some people do not want to embark on as a result of the fear of change.

South Africa is no different to the rest of the world; it too is suffering the same fate. The housing backlog inherited from the apartheid government, combined with the rise in unemployment and poverty. There is now a larger number of urban poor who have to be housed on the limited government budget. Due to the current housing conditions there has been a rise in the squatter settlement movement. Squatter or informal settlements occur either as a direct result of government policy, or as a result of land invasions. These squatter

settlements are one of the ways in which the urban housing crisis has manifested itself. It is a result of the need for people to try and solve their own housing needs in light of the fact that the government does not have the capacity to do so.

6. Employment Potential in the Process of Housing Provision

In countries where labour is abundant, increased construction activity would be one sure way to increase employment. The construction industry is particularly important for absorbing unskilled labour; giving work to the lowest income sector in the economy. As long as 1974 go, Germidis have suggested that construction has the potential to be very labour-intensive sector, particularly so when housing is concerned. An analysis of a low-cost housing project in Ghana (Ziss and Schiller, 1982), suggests that 30 per cent of the construction cost can be attributed to labour utilised directly in the construction process and an additional 11 per cent to labour utilised indirectly in the production and distribution of construction materials.

A study by UNCHS (Habitat) (1982) suggests that the share of labour in total cost of construction of core housing is probably around 25 percent. Low-income housing developments in the formal sector tend to be more labour-intensive than high-income housing UNCHS (Habitat) (1995). A study of low-income housing in Kenya also shows that less expensive forms of housing generate more employment UNCHS (Habitat) (1995). Syagga (1989) argues that, in Kenya, the labour to materials ration is 45:55 for low-income housing whereas it is 30:70 for high-income housing.

By contrast, experience in the provision of low-cost housing in South Africa has been not impressive. To date in South Africa projects with similar objectives have not been as effective. Over the past 25 years, billions of Rands have been spent on projects and so-called programmes with stated objectives of both creating employment and providing physical infrastructure such as roads, water supply and sanitation (Thwala, 2001). Based on both the international and local experiences, the problems of the employment creation through the provision of low-cost housing in South Africa through labour-intensive methods had been attributed to the following factors, which must be avoided in order for future projects to be successful in South Africa:

- There has been a lack of clear objectives linking the short and long-term visions of the programme.
- There were no pilot projects with extensive training programmes or lead-in time to allow for proper planning at a national scale. This should have allowed sufficient time to develop the necessary technology, establish training programmes and develop both the institutional and the individual capacities.
- The projects have seldom been scaled to the magnitude of national manpower needs. Very often they have been introduced in an unsystematic and fragmentary style. This often led to technical hastiness, which was compounded by incompetence and inappropriate technology selection.
- There have been organisational infirmities and inappropriate administrative arrangements.
- The projects have been over ambitious. This was a result of the lack of appreciation of the time it takes to build the necessary individual and institutional capacities at various

levels.

- There has been a lack of clearly defined and executed training programmes that link medium to a long-term development plan.
- Very little sustainable employment was created.
- Individual skills were not improved. Training, where present, was not particularly appropriate or focussed and has not shown it to be carried through into post-project employment.

7. Recommendation and Conclusion

In early phases the emphasis was upon the creation of employment opportunities for unskilled labour. Over the past decade it has become clear that in order to use labour productively it is necessary to train a skilled supervisor who is technically and organisationally competent and thus able to direct and motivate the workers under his or her control. Low-cost housing projects in South Africa should change as the policy environment changes, from relief, emergency to a long-term structured employment-generation programme. The approach should link economic growth, employment and investment policies. Low-cost housing projects must aim to ensure that infrastructure is planned around local needs rather than vice-versa. The Government needs to establish a long term programme on employment intensive construction. This cannot be established overnight, and will take some years to grow into a national programme.

Public spending on infrastructure construction and maintenance can be a valuable policy tool to provide economic stimulus during recessions. As long as quality and cost-effectiveness are not compromised, labour-intensive approaches to infrastructure development can also be an important instrument for economic growth (World Bank, 1994) but when public spending on infrastructure is not wisely deployed, it can crowd out more productive investment in other sectors.

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