

Design issues for public works programmes

The objective of this chapter is to identify and discuss the major issues in designing and implementing public works programmes. This chapter will evaluate setting wage rates and other payment arrangements, as well as the timing and duration of projects. This chapter will also explain various targeting and project management issues.

Introduction

Public works programmes can be understood as conditional transfer programmes, where the conditionality is a work requirement for the participants. When deciding whether public works are an appropriate form of social protection, one key design issue is government capacity: Does the government have the capacity to develop cost-effective, labour-intensive projects and target them to the poorest? This question comprises four concerns:

- **Government capacity:** Public works are among the most administration-intensive of the social transfer options. When government does not possess the necessary capacity, donors and international organisations sometimes intervene, but this may lead to the fragmentation of social protection.
- **Cost-effective:** Cost-effectiveness is a two-pronged concern that asks, are the costs justified by the benefits? First, public works are particularly costly because they require the labour of the poor – time and energy that often critically supports the vital business of survival. Reducing the burden on the poor – by scheduling work flexibly so that interference with other obligations is minimised, or by employing household members with more discretionary time – contributes to cost-effectiveness. Second, public works can provide important benefits, both

to the poor and to society more broadly. A public works programme in Arba Minch, Ethiopia supplied water to the community and improved the road to a nearby town.¹ The output the workers produce contributes to social protection. A cost-effective programme will provide the greatest value relative to the costs required.

- **Labour-intensive:** Labour intensity refers to the proportion of the programme's total budget that is transferred to the targeted beneficiaries. In addition to these wages, public works incur administration costs and require other inputs into the production process, in the forms of both capital equipment (such as raw materials and supplies) and technical inputs (such as design and management). If these other costs are very substantial, the cost of delivering resources to the poor increases significantly. Labour intensity is distinct from and sometimes at odds with cost-effectiveness. A more labour-intensive approach may be more expensive yet provide broader social protection.
- **Target them to the poorest...:** The poorest often live the farthest from locations where public works are most easily implemented, and may not have the labour required to participate in such programmes. Many in the most vulnerable groups – children, the elderly and people with disabilities – are unable to access typical public works programmes. Even those who are able to participate and will readily accept work are not fully “unemployed” – coping with chronic poverty drains a person's time and energy. Drawing on their human resources to supply labour to a public works project comes at a cost – a cost which reduces the net benefit of the wage paid. Those who have the least valuable alternative uses for their time will tend to benefit more from the public works.

Governments and donors frequently adopt public works as their flagship programme for tackling poverty and vulnerability through employment. Botswana's public works programmes employed 21% of its labour force in 1985-86, Chile's schemes provided 13% of employment in 1983, and India's Jawahar Rojgar Yojana programme provided a billion person-days of work in 1995.² Public works appeal to policymakers and donors for several reasons: First, they appear to be less susceptible to the hazardous notion of dependency (as discussed in chapter 3). Second, they support the rhetoric of “job creation”, a central objective in many national economic strategies – particularly in countries most in need of social protection. Third, they can produce productive assets, and therefore support the growth objectives of government. Fourth, many policymakers (and some economists) believe low wage rates will efficiently target the poor while providing effective social protection.³

As discussed in chapter 1, public works constitute a social transfer (in the form of a wage) to poor and vulnerable households that is dependent on an able-bodied member providing labour. The cost of this conditionality is at the heart of many of the debates surrounding public works as an instrument of social protection. Making social transfers conditional on recipients working is expensive – both for the government (or programme agent) who must

administer and provide inputs for the projects, and for the beneficiaries who must sacrifice time and energy in supplying their labour. Unless the programme creates valuable assets, public works are unlikely to cost-effectively provide social protection.

Public works programmes around the world vary in terms of the wage paid, the payment arrangements, the certainty, timing and duration of employment, targeting mechanisms, and the degree to which the projects promote longer-term development. These distinguishing features depend on the unemployment conditions of the country, the objectives of the policymakers and the political ideology of the decision-makers.⁴ In addition, since vulnerability created by temporary shocks to livelihoods requires different responses than do conditions of chronic destitution, the appropriate design of a public works programme depends on the country's poverty profile. For example, short-term public works projects may well address transient shocks that create temporary poverty, but they are not durable enough to tackle chronic poverty.

Chapter 1 addresses the question of when it makes sense to choose a public works programme. While most successful examples of public works programmes have proven effective for addressing transient shocks to livelihoods, political considerations often influence their choice in less than ideal circumstances. Effectively tackling chronic poverty poses far greater challenges. This chapter discusses the key issues for the design and implementation of public works programmes. It is important to emphasise that public works schemes are not substitutes for other types of social transfers – usually complementary programmes are necessary to protect the vulnerable groups who fall through the weave of a public works safety net.

Determining the wage rate

Determining of the appropriate wage rate for a public works programme is a matter of balancing the practicalities of self-targeting with the objectives of social protection. A low wage rate is often advocated by economists and social policy analysts and aims to screen out the non-poor, but evidence demonstrates that a significant number of non-poor workers may participate even where wages are below market levels.⁵ Further, low wages may undermine the programme's social protection objective if the resources transferred are insufficient to effectively reduce poverty.

Advocates of self-targeting recommend that a public works wage in a low-income country should be no higher than the market rate for unskilled agricultural labour in a normal year. They argue that a sufficiently low rate will ensure self-targeting by the poor, reducing leakage to the less poor, providing wider coverage for the poor and serving as a non-contributory social insurance mechanism. The logic rests on the assumption that anyone willing to do unskilled manual labour for such a low wage is poor – and that workers will take up alternative, better-paid work if and when it becomes available.⁶

Fixing the wages at the right level is a major challenge for these programmes. If wages are set too low, this is likely to jeopardise the programme's objectives of providing social protection. However, if wages are too high, this is likely to reduce the programme's ability to target the poor effectively, because the non-poor will become interested in taking up the work, which also reduces its social protection outcomes. In the first 15 years of the Maharashtra Employment Guarantee Scheme, the low minimum wage moderated participation in the programme through greater self-selection of the very poor. The national minimum wage increases in 1988 doubled the programme wage, dramatically increasing worker interest in the programme, even among the less poor. Programme funding did not increase commensurately, and the higher wage cost forced a reduction in the number of person-days of employment generated. The programme increased its rationing of jobs, eroding the social protection nature of the "guarantee".⁷

It is important to keep in mind that public works programmes rarely – if ever – are able to offer employment to all who want and need it. Low wages may reduce the need for alternative targeting mechanisms, but programme designers must usually incorporate mechanisms besides the wage to target the poor (as described for South Africa's Zibambele programme below). However, India's National Rural Employment Guarantee Act aims to implement a programme that avoids the need for supplemental targeting by allocating sufficient funds to provide work to all who need it. This is discussed further in Box 10.1.

There is no guarantee that even low wages will dissuade the non-poor from taking public works employment, or that a low wage will attract the poor. Given labour market failures in many countries, workers in relatively non-poor households may find even very low wages attractive as a source of supplementary income.⁸ Meanwhile, poor households with limited available labour may find very low wages unattractive, given the high cost of failing to carry out their critical domestic and subsistence activities. For this reason, it is often useful to consider supplementary targeting mechanisms which ensure the poor are targeted and reduce the need to set the low wages for self-targeting. Under conditions of labour market failure, for example, it may be preferable to combine a higher wage with a supplemental targeting mechanism.⁹ South Africa's Zibambele project provides a good example of this, with a wage rate higher than that usually paid in South Africa's public works programmes, and with supplemental community selection methods to ensure that participants are almost exclusively from the poorest households.¹⁰ The case is discussed in further detail in Box 10.2.

In the lowest-income countries, market wage rates in the agricultural or informal sectors may be so low that setting programme rates below this level might fail to even meet minimum subsistence levels.¹¹ An example of the problem of self-targeting using below-market wages in such a context is given by the Malawi Social Action Fund (MASAF) public works programme, where the wage set in 2004 was the equivalent of US\$0.30 (MK36) per day – barely the subsistence level for a single person. This wage is too low to provide adequate social protection for a household, and is unlikely to have a significant

developmental impact.¹² A worker may still participate in the programme even if the net benefit is marginal, since marginal is better than nothing. Public works programmes, however, are expensive – they require significant managerial, technical and administrative inputs. If they cannot deliver an adequate wage to participants, alternative social transfer vehicles may do a better job.

The process for setting the programme wages should be, above all, transparent. If community representatives participate in the challenges of targeting and resource allocation, they are more likely to set a wage acceptable to workers, government and/or donors and the implementing agencies.¹³ Community participation rarely enforces below-market wages.¹⁴

Wage payment arrangements

The negative effects of low wages can be compounded by poor payment arrangements that further erode the real value of the transfer. Payments must be regular, and be based on transparent processes clearly communicated to workers.

Payment delays are common in many programmes in Africa.¹⁵ Workers in the Malawi Social Action Fund have faced delays of up to three months, forcing workers (more frequently women) into debt at usurious interest rates.¹⁶ Unnecessarily fragmented payment arrangements, which often result from poor administration or funding constraints, can dramatically erode the social protection of the programme. Delays and widely varying payment arrangements can create confusion, resentment and social tension.

Depending on the structure of the programme, payment can be made on a piece-rate, task-based or time-based system. Some evidence documents that piece-rates and task-based payments provide greater flexibility in scheduling work and are often more attractive to women.¹⁷ Such payment systems tend to dominate over time-based alternatives in order to avoid perverse labour incentives.

Task-based arrangements, however, can lead to confusion. Evidence on South African programmes found that confusion about how task payments were calculated led to disappointment and resentment. Transparency and communication is critical to avoid resentment-provoking misunderstandings. Local consultation with organisations that represent the poor may assist in adapting payment arrangements to country conditions.¹⁸

If management or technical capacity is limited, verifying the quality of work may be challenging. The temptation to link work performance to payment may compromise the regularity of payments, if the time required to monitor quality creates delays.¹⁹ It is better to address performance issues with management interventions rather than compensation penalties. Management arrangements that lead to payment delays are almost always counter-productive, and always counter-protective.

Box 10.1: Legislating social protection through public works: India's National Rural Employment Guarantee Act

In 2005, India passed the National Rural Employment Guarantee Act, providing a legal entitlement to those in rural areas willing to accept casual manual work for a minimum wage. The law limits each household's right to employment to 100 days per year. The legislation is similar to that passed by the State of Maharashtra in 1976, which continues to provide limited protection to poor households. The Act institutionalises social protection more effectively than an ordinary scheme, because it binds the state with a judicially enforceable obligation.

The public works created under the law aim to protect rural households from poverty and hunger. In addition, they are likely to reduce rural-urban migration, providing work in villages will reduce the need for workers to move to cities. The gender equity provisions of the law will empower women, who are likely to constitute a significant proportion of workers in the resulting programmes. Properly executed, the public works will create valuable infrastructure, supporting pro-poor economic development. In addition, the guarantee of employment may change the relations of power in rural communities, supporting rights for the poor

that may foster greater social equity. For example, the guaranteed wage supports a floor below which unorganised workers need not fear their market wages will fall – employers cannot easily impose poverty wages when the government guarantees unskilled rural workers a better alternative.

The government first implemented the Act in 200 districts, aiming to gradually extend it to most of rural India by 2010, creating new public works projects for groups of 50 or more workers who are not yet served by existing operations. Workers receive the statutory minimum wage for agricultural labour, subject to government regulation, but with a minimum floor of Rs 60 per day. Piece-rate compensation must ensure that a worker normally receives the minimum wage when working a seven-hour day. Workers will normally be paid weekly, but in no case later than fourteen days after completing the assigned tasks. The government may require some pay on a daily basis.

The Act guarantees minimum working conditions, including safe drinking water, rest breaks, basic first aid materials and provisions for childcare – with caregivers guaranteed the same wage as the

Timing and duration

An essential design feature of a public works programme is the duration of employment offered: Is it temporary to mitigate the effects of a transient shock, is it cyclical to address predictable increases in poverty resulting from a “hungry season”, or does the programme offer permanent employment? Sometimes duration is expressed in terms of the number of days of employment offered per household, termed “person-days”. Policy responses should respond to the duration, frequency and intensity of the risks the poor and vulnerable face, as well as to the depth of their poverty. In the absence of other social transfers, public works often provide the main mechanism for coping with risk.²⁰ While most conditional and unconditional cash transfer programmes are long-term in nature, most public works schemes offer only temporary employment. Programmes that are relatively effective in addressing chronic poverty – the Maharashtra Employment Guarantee Scheme, Ethiopia's Productive Safety Net Programme and South Africa's Zibambebe programme – offer longer-term if not permanent jobs.

Many infrastructure-creation public works programmes offer employment for relatively short durations, limiting this kind of intervention's potential

other workers. The legislation aims to provide jobs within 5 kilometres of the workers' homes; failing that, projects should compensate the labourers for the cost of longer commutes.

When the state cannot provide work immediately, the Act provides for an unemployment allowance not less than 25% (in the first month) or 50% (after the first month) of the minimum wage paid to those waiting for jobs. This creates incentives for State governments to deliver – they must pay the unemployment allowances, while the central government covers most of the costs when workers are successfully employed. (Maharashtra's scheme has a similar allowance on paper, although it has never been effectively implemented.)

The Act authorises states and central government to appoint implementing agencies including Gram Panchayats (local government bodies), Intermediate and District Panchayats, line departments (for example, Public Works, Forest and Irrigation) and non-governmental organisations. Private contractors, however, cannot implement public works projects. State governments are empowered to implement their own legislation as long as it is consistent with

the national guarantee and does not reduce the entitlements.

While the Act provides for transparency and accountability in order to reduce fraud, corruption and mismanagement, it also enables the central government to stop the release of funds to projects exhibiting a prima facie case of improper funds utilisation. Unfortunately, this strong action can hurt the victims more than the perpetrators, and create perverse incentives that undermine vigilance. If funding for public works is terminated when corruption is discovered, workers may be afraid to report financial abuse.

Many of the features of India's National Rural Employment Guarantee Act support effective social protection: the rights-based approach, the guarantee of employment at a wage that can contribute to poverty reduction, the attention to gender equity, and design features that promote delivery. While significant issues remain whose resolution could more effectively promote social equity, the central challenge is the effective implementation of the legislation.

SOURCE: EGA Primer (2005).

to address chronic poverty.²¹ CARE's experience in Malawi with the Central Region Infrastructure Maintenance Programme (CRIMP) suggests that 18 months is a minimum duration required to begin to address chronic poverty. The participants are able to concentrate on building up assets in the first year that sustain their focus on income-generating activities in the second year. Programmes that aim to address chronic poverty should provide opportunities for households both to accumulate assets and to participate in additional developmental activities, such as training for permanent employment or support for income-generating activities.²²

A three- to six-month duration does not provide sufficient opportunities for workers to acquire productive assets or position themselves for an alternative livelihood that is secure and sustainable. Short duration has substantially limited the success of South Africa's Expanded Public Works Programme.²³ One of the most important positive features of the Maharashtra Employment Guarantee Scheme (EGS) has been its ability to seasonally stabilise the incomes of the poor by ensuring 100 days of employment a year to all job-seekers – an effect that would have been impossible with a programme of short duration.²⁴

The duration of public works employment should be aligned with beneficiaries' social protection requirements. For example, given the structural

and chronic unemployment problem in South Africa, long-term public works are a more appropriate response than projects of short duration.²⁵ Short-term public works provide a consumption boost, but fail to allow sufficient capital accumulation to have a long term impact.²⁶

Korea provides a model for appropriate duration. During the early 1970s, before an economic boom later in the decade, the government offered temporary employment at an unskilled labour wage, implementing road and other infrastructure projects. As the boom extended into the 1980s and market labour costs soared, more productive workers found higher-paying jobs. The falling number of unemployed workers led the government to replace the public works scheme with a cash transfer programme, which provided social protection more effectively to people who were unable to supply labour to the market.²⁷ The programme lasted as long as the unemployment of productive workers was a serious problem. Public works programmes need not be permanent – but policy needs to be flexible enough to deal with changing circumstances, and potentially to introduce more appropriate instruments as conditions warrant.

Longer duration can also build permanent programme capacity that can reduce the long-run costs of intervention. Donor-funded programmes that last only three or four months – such as those set up in response to a drought – are unlikely to develop permanent capacity. Many programmes in Bangladesh and India, for example, operate continuously throughout the year, building and developing domestic capacity. In the absence of established capacity, projects are likely to suffer delays – particularly when social protection is needed the most. Permanent duration and its associated capacity continuity benefits help support public works as a social insurance mechanism.²⁸

Supplementary non-wage targeting

Nearly all public works programmes are substantially over-subscribed and must rely on supplementary non-wage targeting because low wages are an inadequate mechanism to effectively target the poor. South Africa's Expanded Public Works Programme uses categorical targeting to include women, youth and people with disabilities. However, these criteria include approximately 70% of the potential population, highlighting the need for more effective targeting mechanisms.²⁹ Women make up more than half the population, youth frequently includes people up to age 35, and people with disabilities are defined broadly to include many who are able to work. In many cases, communities are involved in developing the necessary targeting processes to further refine the selection. Box 10.2 on the Zibambele programme describes an example of effective community targeting.

Given the distribution of wage demands (reservation wages) across the whole labour force, any programme wage will serve some targeting function. Given programme resource limitations, exclusive reliance on wage targeting (self-targeting) will often require wages set so low they cannot provide social

Box 10.2: Effective community targeting in Zibambele, South Africa

The Department of Transport in KwaZulu-Natal (South Africa) implements the Zibambele programme, successfully targeting extremely vulnerable labour-constrained households. The Department hires workers to maintain gravel access roads in rural areas, providing one-year renewable contracts for part-time work. The programme has developed a refined community targeting mechanism that effectively reaches the poorest households, which are usually female-headed. HIV/AIDS affects most of these households – either directly through illness and/or death of a household member, or indirectly through the inclusion of children orphaned by the disease.

The programme effectively reaches the poorest because the communities involved tend to demonstrate a strong sense of ownership. Public-minded programme stakeholders support and reinforce the poverty focus of the programme, targeting the jobs to those who need them most. If a participating household started to receive a social pension, a community representative (such as the local chief or a member of the Rural Road Transport Forum) would suggest that they give up the public works job in order to free space for another household with greater needs. (Receipt of a social pension in South Africa is sufficient to move a household from the bottom of the income distribution up towards the middle.) Another member of a poor household had been granted the opportunity to sell snacks in the

local school, and had subsequently succeeded in finding employment in the Zibambele programme. Community representatives persuaded this worker to give up the school-based franchise in order to allow another poor household to benefit from this micro-enterprise.

This mechanism involves more than community targeting – it represents a broader co-operative management of the distribution of income opportunities facing the poor within the locality. Zibambele's substantial local investment in social capital and development over several years promotes this high level of community ownership, supporting this active participation in the distribution and rationing of public works jobs. Two key features of the programme contribute significantly to the success of this targeting mechanism – the long term duration of employment and the public sector orientation. A shorter-term programme would not offer benefits significant enough to justify actively managed job tenures. With short employment tenures, it is unlikely that a worker would find a more attractive income opportunity while still entitled to a duration of employment worth the effort of re-allocating to another community member. If the programme served private sector projects, profit-oriented managers might resist the community ownership and regulation required for effective targeting.

SOURCE: McCord (2004), McCord (2005a).

protection.³⁰ Effective forms of non-wage targeting support higher wages, enabling public works programmes to more effectively deliver their social protection functions.

“Failure to distinguish between labour market and social protection objectives, in both policy and implementation, is liable to lead to critical errors in targeting and programme design, inefficient allocation of resources, and ultimately to a mismatch between policy rhetoric and outcomes.”³¹ The appropriate form of non-wage targeting will depend on the social priorities. If the objective is to provide experience and eventual incorporation into the market labour force, the programme should target unemployed youth, since they will have a longer term pay-off from labour force participation. If the objective is poverty reduction and social protection, female-headed households in rural areas may provide a more appropriate target. For example, rural female-headed

households in South Africa rarely have access to jobs outside of public works, and so programme participation is unlikely to serve the objective of increasing participation in the formal labour market. The desirable characteristics of the Zibambele programme – work locations close to the homes of the workers, part-time and flexible hours, and other provisions – enabled people previously locked out of the labour force to increase their participation. The social protection objective is substantially achieved, even without an increased engagement with the labour market outside of public works.

In all cases, the direct and indirect costs of targeting should be carefully considered. (See chapter 8 for further discussion on the costs of targeting.) A number of targeting mechanisms employed in public works programmes have produced stigmatising effects, inciting social tensions and exacerbating vulnerabilities.³²

Skill and labour intensity (productivity versus job creation)

The greater the share of programme expenditure on wages (labour-intensity), the more effectively will the intervention reduce income poverty for the participants in the short term (for a fixed level of programme expenditure). However, there may be a trade-off between higher labour-intensity and the likelihood of the programme to generate indirect or medium term benefits from the assets created if the lack of non-labour inputs significantly undermines productivity.³³ In addition, an excessive focus on labour intensity may undermine the programme's ability to build the capacity of the participating workers – skills development will require training costs and potentially other kinds of additional non-wage expenditure.

Failure to purchase technical inputs and materials of adequate quality can render the assets created of little value to communities. A greater investment in these non-labour inputs will shift resources away from wages, but may generate greater medium term socio-economic benefits – for the workers, for the community or the nation as a whole. More concretely, a relatively small investment in higher-quality materials for a strategic road construction project, for example, can generate high returns for the economy as a whole. (Other factors are also important, such as the choice of asset, the project design, ownership and maintenance.)

In general, the potential for labour intensity will depend on the type of good or asset being produced, and the available technologies for this production.³⁴ The choice of technology may require additional training for the participating workers, which will increase the cost of the project, but the resulting skills development may improve the longer-term social protection impact.

Evidence across many countries suggests that the many government departments responsible for public infrastructure provision favour capital-intensive projects (utilising equipment and non-labour inputs) as opposed to labour intensive methods, because of common misplaced notions of superiority or because they are quicker. Since capital-intensive technologies may

provide more concentrated returns to smaller groups of individuals, they are sometimes more prone to rent-seeking and corruption.³⁵

There are ways of providing valuable services through public works programmes, while also providing longer-term job opportunities and formal training. In South Africa, a significant number of projects provide employment in the social sector, training the unemployed to offer social services (building social assets) in place of the more conventional physical assets produced under other public works programmes. Social service projects do not always deliver assets that are prized as highly by policymakers, but they provide significant formal training that can lead to sustainable employment opportunities.³⁶

It is considerably more expensive to deliver transfers to the poor through public works than almost any other social transfer vehicle. The requirements for material, technical, managerial and administrative inputs frequently double the cost of the public works programme – usually between 30% and 70% of the programme budget will be spent on non-wage expenditures. For public works to be economically efficient, the assets and goods they produce must be highly valued.³⁷

The challenge of labour intensity is that of striking a balance between providing the greatest number of jobs in order to provide immediate social protection, and delivering productive assets that are developmental and reduce poverty in the longer term. Rigid rules – such as limiting non-wage spending to 20% (such as with Ethiopia's Productive Safety Net Programme) – are unlikely to achieve the appropriate balance, which will vary from project to project. It is more important to understand the trade-off – and make the appropriate judgements. Box 10.3 describes the first year's experience with Ethiopia's Productive Safety Net Programme.

Productivity and pro-poor impact of public works (how to maximise the social value of the public works)

Public works programmes impose a significant cost on participants in terms of foreclosing other opportunities. The work tasks absorb the labour of the poor – effort that otherwise meets the critical needs of the poor households. Time spent digging irrigation ditches displaces other opportunities for human capital investment, food security activities and care work. It is critical that the value of these alternative activities is taken into account when determining the net benefit of participation in a public works social protection programme.

Scheduling flexibility – from setting one's hours during the day to deciding when during the year it is best to work – is important for reducing the opportunities the poor must give up in order to participate. Designing programmes sensitively to permit participation in alternative employment opportunities can improve the participating household's well-being and promote food security.³⁸ In Tanzania, for example, projects were not synchronised with the agricultural slack seasons, increasing the cost of participation to the workers and reducing the social protection impact.³⁹

Box 10.3: First lessons from Ethiopia's Productive Safety Net Programme

In 2004 Ethiopia's Productive Safety Net Programme (PSNP) replaced the relief-oriented national Employment Generation Scheme. The PSNP provides social transfers to food-insecure households to prevent the loss of livelihood-supporting assets while enabling communities to expand developmental infrastructure. The programme improves on previous schemes in that it:

- Provides transfers in the form of cash rather than food;
- Improves the strategic importance and the quality of the assets created;
- Integrates public works with other developmental initiatives and priorities of line ministries;
- Creates long-term employment that supports the development of sustainable livelihoods.

The design of the programme builds on several key principles:

- The project managers allocate their resources to employing workers as much as possible, as opposed to purchasing inputs or machinery. (This is referred to as "labour intensity".)
- The community participates actively in the selection, planning, monitoring and evaluation of public works projects.
- The programme commits to employing workers and creating community assets for a longer-term

horizon, with projects planned and integrated inter sectorally with other development initiatives.

- Since the programme does not create enough jobs to meet the needs of everyone who wants work, administrative and community targeting is used to identify poor food-insecure households.
- The programme offers jobs close to where the poor live, with features that promote participation by women and reduce their regular work burden.

Ethiopia's previous experience demonstrated that public works implemented in isolation from other developmental initiatives were unlikely to make a sustainable impact on livelihoods – their poverty-reducing impact was limited to the life of the schemes. When administrative and executive capacity is limited, duplicating implementation structures constrains the government's ability to deliver social protection.

Recognising this, the PSNP aims for co-ordination – for example, integrating public works with agricultural extension initiatives. Non-governmental organisations distribute seeds and fertilizer, promote new high value crops and provide credit and other inputs, enabling households to take advantage of the productive assets created by the public works

Programmes that impose unnecessary transaction costs undermine the value of the wage benefit. Targeting that creates stigma, poorly situated projects that impose high transportation costs and poor administration reduce the value of the programme. Corruption which requires participants to pay for participation can drive the net benefit of the programme to the poor down close to zero.⁴⁰

Exit policies

Policymakers often assume that participation in public works programmes will enable a participant to rise out of poverty. The prospects for a sustainable impact, however, depend on the duration of employment, the wage level and the effectiveness of complementary development activities. In addition, there are a number of possible strategies that facilitate exit from poverty – providing skills, boosting job-creating economic growth, or providing subsidies that

programmes. In addition, 20% of the wage budget is reserved for social transfers to households in which no one is able to work.

Ensuring that the assets created by public works are appropriate and high-quality requires time and money – and limited resources can erode the ability of the programme to provide jobs to the poor in a timely manner. The PSNP imposes conditions for verifying the productive contribution of the public works before the project is approved and implemented. In the face of delivery delays exacerbated by these requirements, the PSNP has sometimes compromised on asset quality in order to achieve its more fundamental social protection objectives. Ethiopia's initial experience with the PSNP shows that an effective shift to a more developmental orientation requires better planning and coordination, more technical assistance, increased resources (particularly for non-wage income support) and greater community ownership.

The logic of annual emergency appeals (common with the previous Employment Generation Scheme) fails in the face of the increasingly predictable nature of Ethiopia's rising food insecurity. Recognising this, the PSNP has succeeded in mobilising donor support for longer-term funding. With three- to five-year commitments, both donors and the government can plan more effectively and realise efficiencies.

In theory, this will enable the PSNP to assure beneficiaries of secure and regular transfers, serving a productive insurance function that supports the poor to undertake riskier but more rewarding investments. In the first year, administrative and delivery problems have eroded this benefit. More resources are required to ensure that the programme delivers reliable social protection to the poor.

The government's administrative, technical and financial capacity constraints have posed the greatest challenges to the success of Ethiopia's PSNP. The developmental orientation of the programme increases the costs, yet promises much greater benefits. The PSNP's innovations – in terms of long term commitment, labour intensity, high quality assets and developmental integration – offer a solution that tackles the roots of poverty while providing for the immediate needs of social protection. Realising this potential requires a more substantial commitment of financial and human resources. If they are not forthcoming, unconditional transfers may provide a more effective, comprehensive and economical strategy for achieving social protection.

SOURCE: Sandford (2005).

facilitate entry into the workforce. In the absence of an effective exit strategy, most participants in public works programmes will sink back into poverty once the scheme ends.

The employment-generating impact can extend beyond the jobs created directly by the programme. If the public works produce economic infrastructure, this investment can “crowd in” private economic activity. Public works programmes will indirectly stimulate employment if local enterprises are able to respond to the demand generated by the increased purchasing power of poor households. For example, irrigation infrastructure and rural roads produced by the Maharashtra Employment Guarantee Scheme in India have led to further second-round employment creation.⁴¹ By creating assets that boost productivity in agriculture and rural non-agricultural activities, the programme has created a virtuous circle – reducing the need for public works by increasing employment opportunities in the more remunerative private sector.⁴² Similarly, the second-order economic benefits stimulated by the availability of cash in the local economy arising from the wage transfer can

Box 10.4: Wage subsidy vouchers in Argentina as an exit door for public works programmes (the Proempleo Experiment)

The Argentinian government's response to increasing unemployment is to provide temporary work, paying a relatively low wage for working on social infrastructure or community services. Participants in public works projects usually require assistance in order to obtain regular employment. Wage subsidies and skills development programmes appear to be promising options.

The government designed the Proempleo Experiment to evaluate the effectiveness of offering employers a wage subsidy and specialised training to assist participants to make the transition out of public works schemes. Randomly selected low-wage workers received the subsidy and training.

Under the experiment, one randomly selected group of workers received a voucher that entitled a private sector employer to a wage subsidy that covered part of the total wages paid to the employee. A second similarly randomly selected group was offered limited training as well as the subsidy voucher. A third randomly selected group received nothing but the right to continue in the public works programme. This group provides the basis for comparison in order to identify the effects of the interventions.

Before the programme began, a baseline survey measured the living conditions of all the participants in the programme. After 18 months of the Proempleo Experiment, 14% of the workers in the group receiving the vouchers had found a private sector job, versus only 9% in the group with received

no additional benefits (the control group). The difference was found to be statistically significant.

The workers who were able to successfully exit the public works programme were mostly women, as well as younger and more educated workers. The additional training also slightly improved the chance of employment; however, this was only apparent when statistical techniques were applied to control for the sample selection choices. The impact of training was particularly important for those with better initial education.

While Proempleo did not promote a major transition from public works to private sector jobs, the experiment cost little and managed to support some increase in private sector employment. Scaling up the experiment, however, might not increase the benefits substantially. With limited numbers of workers with vouchers, employers might receive the subsidy certificate as a tacit government endorsement of the worker. As the number of participants increase, the value of the certificate becomes diluted. In addition, the offer of a subsidy might help programme participants to find work, but perhaps to fill those positions created by retrenchments motivated by the company's desire to attract subsidies for hiring new workers. In this case, there is no employment gain for the economy, but rather an economic loss as firms pay the costs of restructuring and retraining new workers.

SOURCE: Galasso, Ravallion and Salvia (2001).

support private sector job creation.⁴³ However, this is only likely if employment is prolonged, leading to a sustained cash infusion into the local economy, and if the scale of interventions (in terms of employment) is sufficiently large.

The Productive Safety Net Programme in Ethiopia aims to provide complementary development initiatives that prepare workers for self-employment, providing agricultural extension services, micro-credit, seeds, fertilizer and other inputs. Its longer horizon – five years – provides opportunities to raise incomes and build assets. Community asset development is intended to provide similar benefits to those of the Maharashtra Employment Guarantee Scheme.⁴⁴

Skills development to enable workers to move into employment is another exit policy, which aims to provide a ladder up from the relatively low wages of public works. Most public works programmes, however, provide only the

basic skills required to carry out the specific duties of the job – and these skills rarely have significant value in the local marketplace for work. The value of any additional training provided will depend on its quality and its relevance in the accessible labour market.⁴⁵ South Africa’s Expanded Public Works Programme aimed for a choice between “moving to a new employer, further education, better-equipped job seeking, remaining with the same employer under normal employment conditions, or self-employment”.⁴⁶ In practice, after their six months of employment entitlement, most workers returned to unemployment.⁴⁷ The unskilled labour provided by most programmes does not confer any advantage, given the structure of most developing country labour markets – scarce skilled labour and overly abundant unskilled labour.⁴⁸ Skills development as an exit policy requires more than rhetoric; it may prove one of the most resource-intensive options.

In some countries, the structure of the economy fails to create job opportunities for unskilled workers. The unemployment that results intensifies if there are not effective mechanisms for providing workers with more appropriate skills. Public works schemes may help some participants find employment outside the programme – but often at the expense of another unskilled worker (a problem referred to as “labour substitution”).⁴⁹ This problem is discussed in Box 10.4 in the context of Argentina’s Proempleo Experiment.

Free distribution to vulnerable groups

Public works primarily target households that can supply labour to the programme. In some cases they offer an unconditional transfer to poor households who have no individuals able to work.⁵⁰ In particular, programmes may explicitly target female- and child-headed households or those who are chronically ill. The group eligible for free distribution varies substantially depending on country conditions, often including ten to twenty percent of total programme beneficiaries.⁵¹

Since work requirements generally exclude the most vulnerable – children, the elderly, and many of those with serious disabilities – other interventions are required in order to ensure comprehensive social protection. It is not so important who distributes the social transfers; what matters is that the complementary programmes work together so that no destitute households are excluded. Box 10.5 documents the case for complementary social transfers considering the example of Malawi’s Social Action Fund.

Civil society’s role

Civil society institutions can play a number of roles in improving the demand for public works, as well as their design and implementation. For example, civil society participation enhances the delivery effectiveness of the Maharashtra Employment Guarantee Scheme in several ways:

Box 10.5: The need for a complementary social transfer for households with no one able to work: the case of Malawi's Social Action Fund

Malawi's Social Action Fund (MASAF) generally makes no explicit provision in its public works programmes for those households in which no one is able to work. Children, lactating mothers and the sick and malnourished in Malawi (as well as in Ethiopia) sometimes choose to participate in these projects because there is no alternative social transfer available. This experience demonstrates the risk of assuming that labour-constrained vulnerable groups live in households where someone is able to work.

While MASAF funds the Social Support Project (SSP), which provides some social protection for vulnerable groups (including orphans and vulnerable children), this programme is not integrated with the implementation of public works. As a result, in some areas public works

benefit workers but fail to meet the more pressing needs of the most vulnerable.

In some countries, the predicament of the weak and vulnerable forced to seek employment in public works has led to innovating coping mechanisms. In Zimbabwe, smaller buckets are provided to workers severely affected by HIV/AIDS in recognition of their weakened state. In Ethiopia, contractors have requested exemptions from the normal labour-intensity requirements because severe malnutrition had significantly compromised the productivity of the participating workers. In these cases, ethical considerations demand a reconsideration of the work requirement.

SOURCE: Chirwa et al. (2004).

- Non-governmental organisations disseminate information and spread awareness among the poor and often illiterate workers;
- Non-governmental organisations and trade unions support political mobilisation of workers to more effectively press their demands for employment;
- Civil society institutions can check malpractice and corruption.⁵²

Endnotes

- 1 Benn (2006), page 9.
- 2 Public works programmes frequently measure their delivery in terms of the total number of days' work made available to all participants – termed "person-days". A programme that employs 20,000 workers for 100 days produces two million person-days of work. See Dev (1995); Subbarao et al. (1997), page 70.
- 3 McCord (2005b), page 3.
- 4 McCord (2004), page 8.
- 5 McCord (2005b), page 10.
- 6 Ravallion (1999), page 36.
- 7 Subbarao (1993); Subbarao (1997); Subbarao (2003), page 7; Datt and Ravallion (1994).
- 8 McCord (2005c), page 11; Barrett and Clay (2003).
- 9 Barrett and Clay (2003).
- 10 McCord (2005b).
- 11 Ibid., page 11.
- 12 Harvey (2005), page 41.
- 13 Adato et al. (1999); Subbarao (2003), page 10.

- 14 Quisumbing and Yohannes (2004), page 6.
- 15 McCord (2005c), page 12.
- 16 Chirwa et al. (2004), page 35.
- 17 Subbarao (2003), page 11, Subbarao (1997) and Dev (1996).
- 18 Subbarao (2003), page 11.
- 19 Sandford (2005), page 19.
- 20 Subbarao (2003), page 11.
- 21 McCord (2005b), page 8.
- 22 Chirwa et al. (2004), page 33.
- 23 Ibid.
- 24 Dev (1995), page 136.
- 25 McCord (2004), page 9.
- 26 Ibid., page 73.
- 27 Subbarao (2003), page 9.
- 28 Ibid., page 21.
- 29 McCord (2004), page 68.
- 30 Barrett and Clay (2003).
- 31 McCord (2004), page 68.
- 32 Devereux and Sabates-Wheeler (2004), page 12.
- 33 Ravallion (1999), page 44.
- 34 Subbarao (2003), page 13.
- 35 Stock and de Veen (1996), Subbarao (2003), page 19.
- 36 McCord (2005a), page 576.
- 37 McCord (2005b), page 6.
- 38 Ibid., page 12.
- 39 Subbarao (2003), page 20.
- 40 Ibid., page 5.
- 41 Ibid., page 3.
- 42 Sathe (1991), Dev (1995), page 123.
- 43 McCord (2004), page 65.
- 44 Sandford (2005), page 8.
- 45 McCord (2005b), page 16.
- 46 McCord (2004), page 66.
- 47 Ibid.
- 48 McCord (2006), page 5.
- 49 McCord (2005a), page 583.
- 50 McCord (2005b), page 19.
- 51 Ibid.
- 52 Dev (1995), page 133.

