

PUBLIC WORKFARE :
Overview of International Experience

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**Training Course on “For Protection and Promotion: The Design
and Implementation of Effective Social Safety Nets”**

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Outline

- Defining Public Workfare
- Models of Workfare
- Objectives and Rationale
- Benefits and Costs
- Design issues:
 - Wage rate and targeting
 - Labor intensity
 - Other design features
- Country case studies: Ethiopia, India, Latvia, Argentina
- Challenges and Opportunities
- Lessons and Policy Implications

What is Public Workfare?

- Public workfare programs (also known as public works programs) provide temporary employment at low-wage rate mostly to unskilled manual workers on labor-intensive projects such as road construction and maintenance, irrigation infrastructure, reforestation, and soil conservation, and more...
- Important to distinguish different models/approaches

Models of workfare based on objectives/expected outcomes

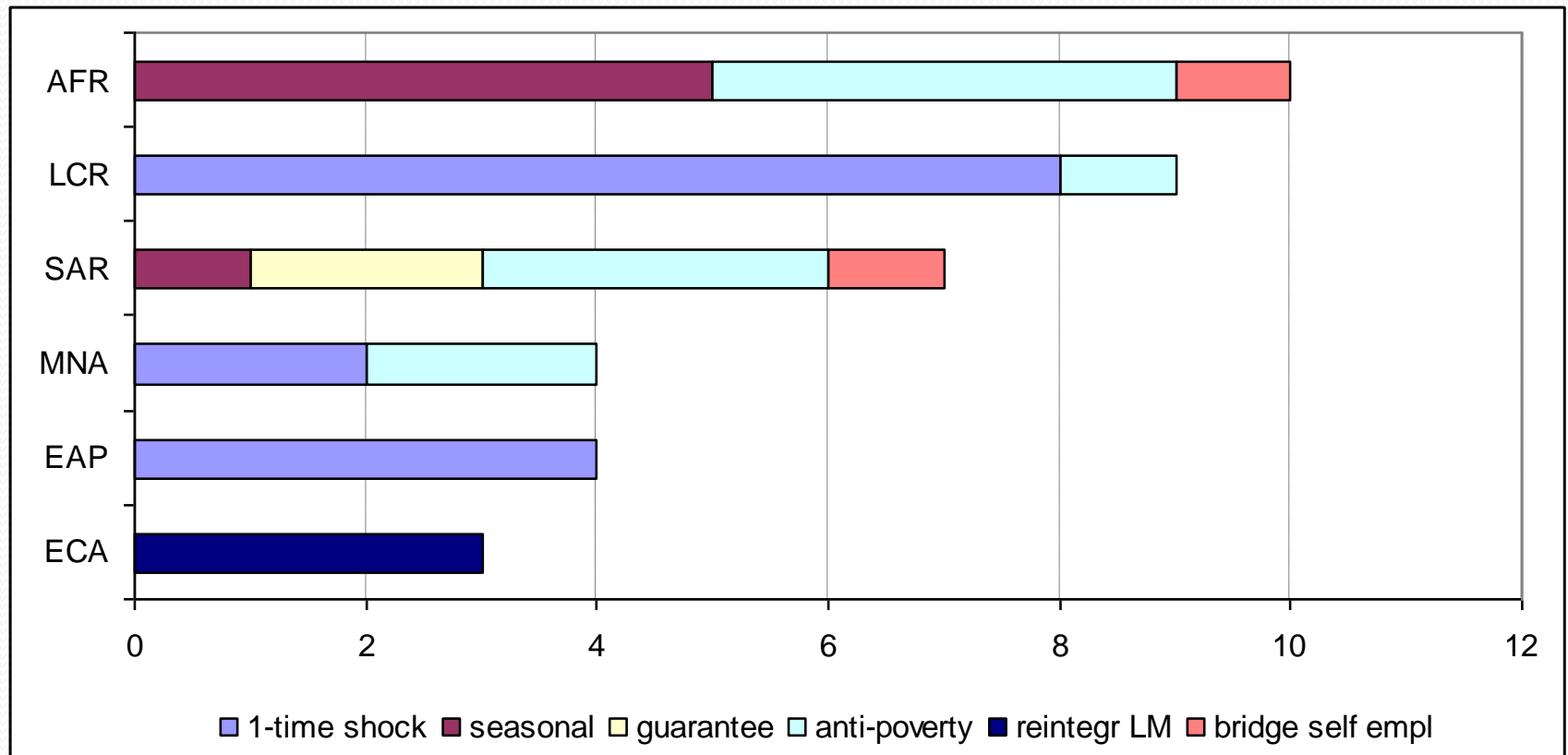
- Public workfare mainly as a short term safety net *to provide the poor with a source of income through temporary employment in labor-intensive projects that either create new infrastructure or maintain existing infrastructure; primary motive income support*
- Public workfare as a longer term safety net mainly as a poverty alleviation program, often providing *employment guarantee for certain number of days* (e.g., India's NREGA)
- Public workfare essentially for infrastructure development, with employment/income generation as a secondary objective
- Public Works Plus, i.e., employing individuals on a temporary basis on projects but with components for training, savings, etc. ,to graduate participants out of poverty by enabling them to gain access to longer term formal sector employment or self-employment

Objectives.....

Objectives varied by countries:

- Mitigation of covariate one-time shock (e.g.drought) with temporary employment/income support as primary motive
- Post-conflict rehabilitation
- Largely for infrastructural development with income support as secondary motive
- Poverty relief – employment guarantee schemes
- As a bridge to formal employment (training)

Difference in objectives



Rationale....

- Quite effective in consumption-smoothing,
- Can perform an insurance function
- Can be rendered complementary to growth (via infrastructure building),
- Potential for self-targeting,
- Potential for regional targeting,
- World-wide experience, including OECD, Africa, Latin America, South and East Asian countries

Benefits and Costs

- Benefits
- Transfer benefits = wage rate, net of
 - transaction costs – foregone income
- Stabilization benefits if timing synchronizes with agricultural slack seasons,
- Second round benefits from assets.
- Costs to the government
- Administrative costs+wage cost+non-wage cost
- Costs to participants: transaction costs

Scale of operations: Person days of Employment (PDE) generated

- Botswana: 7 million person days
- Ghana: 1988-91: 0.5 -do-
- India: pre-NREGA 1.1 million person days
- India: post-NREGA 2012: 1.44 million pde
- India: employment per person: 42/year
- Bangladesh FFW+TR.. 300,000 persons x 60 days
- Korea 140,000 to 200,000 pde
- Argentina: Bottom 20% households

Design parameters (a) Wage rate.....

- The level of the wage rate is critical for determining *distributional* outcomes,
- A number of options exist for determining the level of the wage rate:
 - Keep it below the ruling market wage
 - Keep it equal to the minimum wage
 - Keep it higher than the market wage
- In case of first option, self-selection is possible and inclusion errors could be avoided, but does not guarantee avoidance of exclusion errors especially if the program is over-subscribed
- Country circumstances vary a great deal; not all countries succeeded in the first option; not surprisingly varied experience

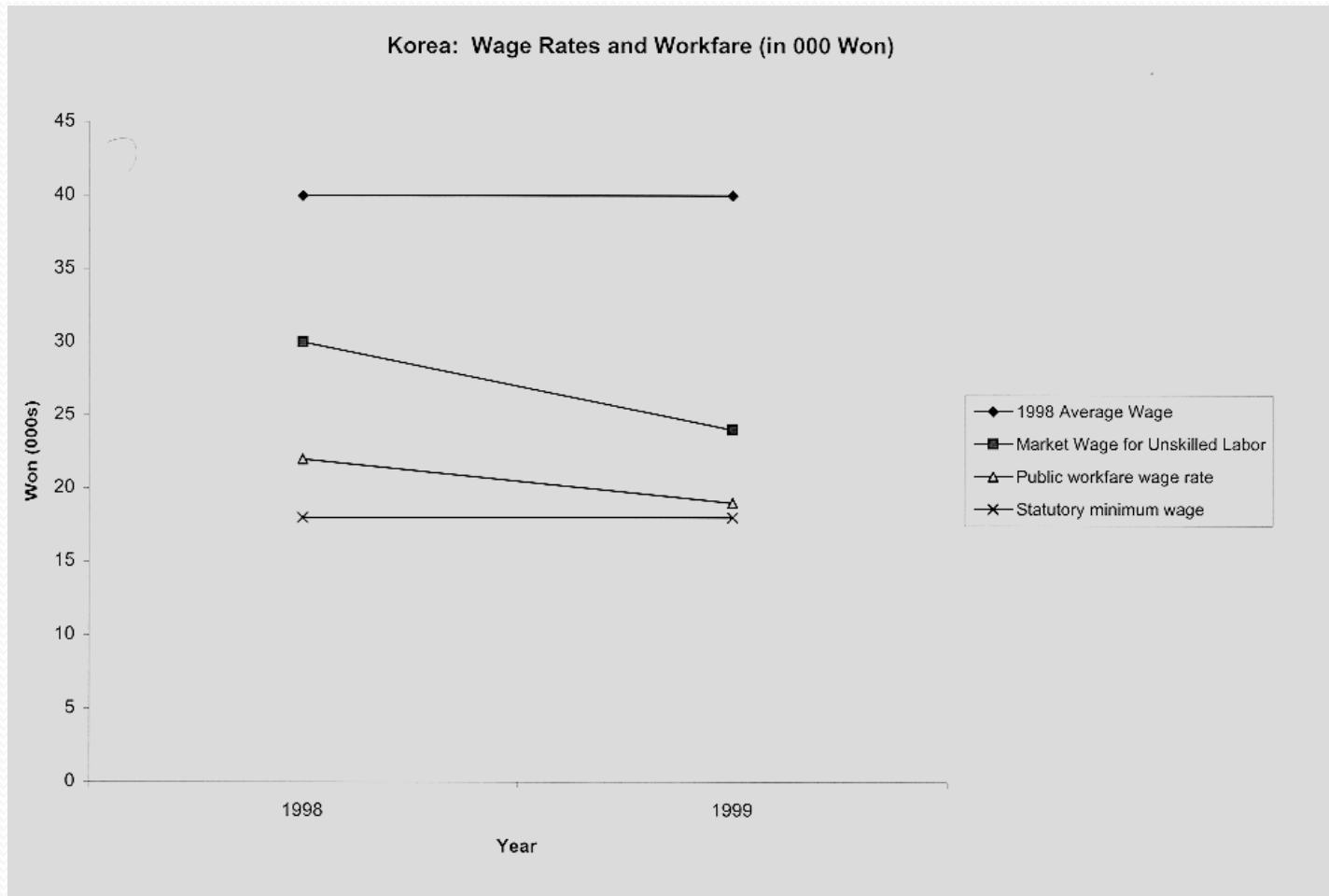
Table 1: Public Works: Program Wage (PW), Minimum Wage (MNW) and Market Wage (MW) in Selected Countries

Country/Program	PW in Relation to MNW and/or MW
1. Bangladesh: Cash For Work, 1991-92	PW < MW
2. India: (a) Cash For Work, JRY, 1991-92	PW = MNW > MW
(b ₁) MEGS: up to 1988	PW = MNW < MW
(b ₂) After 1988	PW = MNW > MW
3. Pakistan: IG PRA * III, 1992	PW < MW
4. Philippines: Cash For Work 1990	PW > MW
Food For Work 1987	PW ** > MW
5. Botswana: Cash For Work	PW < MNW, but > MW
6. Kenya: Cash For Work, 1992-93	PW = MNW > MW
7. Chile: Cash For Work 1987	PW < MNW = MW

1. Wage rate, targeting and transfer gains

- Evidence is overwhelming that a relatively high wage rate attracts the non-poor to the program and reduces distributional gains
- A relatively high wage leads to job rationing and even abuse of the program
- The best option is to keep the wage above the statutory minimum wage, but below the prevailing market wage....only Korea managed to accomplish this (see figure)

Getting the design right.....



2. Selecting Beneficiaries/Targeting

Beneficiary selection depends on program objectives and targeting approach (geographical, PMT, self-selection, etc).

Once a location and community has been targeted individual selection of beneficiary takes place.



- ***Self-selection:*** Setting the wage rate below the market rate allows self-selection of the poorest into the program. This also saves on administrative cost of selecting the poor by other means and most important, prevents labor market distortions.
- Not always possible, for very good reasons

What if the program is oversubscribed?

Options when program is over-subscribed

- Follow rotation in several different ways:
 - Smaller, more frequent projects
 - Shorter hours in the same project
 - Eligible workers work for fixed number of days so everyone gets a chance to work
 - Communities rank households by poverty status and agree to select accordingly
 - Eligible workers selected by lottery

Other approaches to targeting

- Geographic targeting
- Community selection
- Proxy Means Tests
- Reservations: e.g., quotas for women
- Administrative selection based on criteria that predicts household's poverty (proxy means tests: targeting presentation)

3. Share of wages/Labor intensity.

- Typically in low-income countries, it varied between 0.3 to 0.6
- Depends on the nature of the asset being created, and the agency executing the program
- Useful practice: assess labor content of various projects, and pick highest, in line with community preferences

4. Other design features

- Choice of assets: community involvement
- Seasonality – best to run during agricultural slack seasons –
- Gender aspects: program design can be adjusted to make it acceptable to women
- Public/private/NGO/Donor participation

Some country cases

Findings from Impact Evaluations

The new Public Works Program in Ethiopia

- Main objective to develop sustainable community assets
- Improve the natural resource base and the social infrastructure
- Ultimately, aimed at developing the watersheds
- ... thereby increasing productivity and improving livelihoods

Ethiopia: Program Overview

Objective	Anti-poverty Safety net – provide short term productive jobs; reduce household food insecurity; enhance farm productivity
Budget	US \$ 300 million annually
Target population	Chronically food insecure households, later extended to transitorily food insecure households; not exclusively targeted to youth.
Selection criteria	Geographical/administrative/beneficiary ranking
Wage setting	Wage based on food security considerations; average daily wage US\$ 0.70.
Duration in program	Year-round
Job opportunities	7.6 million households employed on public works

Examples in Annual Program

- Soil and Water Conservation
 - 1.936 million kms bunds
 - 47, 378 km terrace
 - 1.38 million ha closed
 - etc
- Small-scale irrigation
 - 412 rivers diverted
- Rural roads constructed
 - 32,896 km
 - 527 concrete bridge
 - 101 wooden bridges

Ethiopia: Impact evaluation

- Several econometric evaluations, based on panel data for 2004, 2006 and 2008, mostly led by IFPRI with World Bank economists, have shown positive impacts on:
 - Reduction of food insecurity (3 months of food insecurity reduced to 1 month or less)
 - Substantial increase in income
 - Solid progress in agro-climatic infrastructure, especially irrigation related
 - Significant increase in farm productivity (13% to 22%)
 - Distress sales prevented
 - Asset holdings (livestock) increased
 - Impact on income *growth* over time limited
- Virtually no leakage of funds*

India's MGNREGA – design features

- 100 days of work per rural household per year guaranteed upon demand
- State-specific agricultural minimum wages (cash) paid on piece rate basis (based on rural schedules of rates)
- State-specific minimum wage served as program wage
- Unemployment allowance if state fails to provide work for HH within 15 days
- Types of works eligible have a heavy focus on water/irrigation activities, as well as connectivity
- *Village level democratically elected bodies implement the the program with significant resource in control*

NREG – experience to date (2)

- Female participation far higher than previous PW programs
- Objective of flushing money through GPs has been realized despite risks/flaws
- Appears that program awareness high relative to other public works and safety net programs
- Works carried out largely water conservation (60%), road connectivity (16%), land development (13%)
- Major issue: governance/corruption especially in some States (Bihar); inter-state variation in performance
- Currently a raging controversy over its effectiveness
- Two opposing views

Two views on MGNREGA

- Currently controversy is raging on the effectiveness of the program – very senior economists Berkeley, Columbia, Harvard writing comments and rejoinders.....(Prof. Pranab Bardhan et.al, and Jagdish Bhagwati et. Al)
- Debate anchored on three issues: (a) What was the net wage gain and impact on poverty, (b) targeting– did it serve exclusively the poor, and © quality of assets
- First – evidence based on a sample survey of workers in the state of Bihar showed that though the wage was Rs.130, net wage gain was only Rs.50 since workers had to give up alternative employment of Rs.80; only 1% reduction in poverty (Ravallion)
- Others argue that it is unlikely since program is expected to operate in non-peak season – not supported by evidence

Controversy....

- Second issue: targeting and self-selection
- Program requires workers to do hard labor attractive only to the poor, and non-poor are kept away....again evidence points out in some states 20 to 30% of workers were non-poor – possibly to sharp difference between market wage and program wage
- Third issue: Assets created are of poor quality....may be true in India's program –mandatory high labor content – village councils will little experience in infrastructure construction and with high mandatory labor intensity a recipe for poor quality, some argue
- Bottom line: all is not well with MGNREGA



Latvia's Public Works Program

Latvia's Program Overview

Objective	Safety net - assist families by providing them with income-generating opportunities
Budget	LVL 55 (US\$110) million over 2009-2011 About 0.25% of GDP in 2010 and 2011
Target population	Registered unemployed people who were not receiving unemployment benefits
Selection criteria	First in, first out
Stipend	100 LVL (US\$200) per month (80% of net min wage)
Duration in program	Up to 6 consecutive months; Beneficiaries can re-register if they desire
Job opportunities	Public infrastructure maintenance; environmental clean-up; social, municipal, and state services

Main findings: Targeting is good

- Most of the beneficiaries were relatively poor
83% of beneficiary households belonged to the poorest income quintile of the population.
96% in the bottom 40%
Latvia's population is young: Not exclusively targeted to youth, but most participants belonged to age group 25 to 39.
- Leakage was low
- The targeting performance is robust to the choice of welfare indicator (asset index, consumption, or income)

Main findings: ↑ Income



1. The program increased household income by LVL 67 while the actual payment was LVL 100 per month
2. Households in the public works program earned about 37% more than households in the control group
3. Nearly 110,000 jobs were created significantly impacting on unemployment; however, still long waits suggest unmet demand for the program
4. A lower proportion of households participating in the public works program reported reducing their food intake (quantity and frequency), or reducing doctor visits (preventive and during illness) than households in the control group

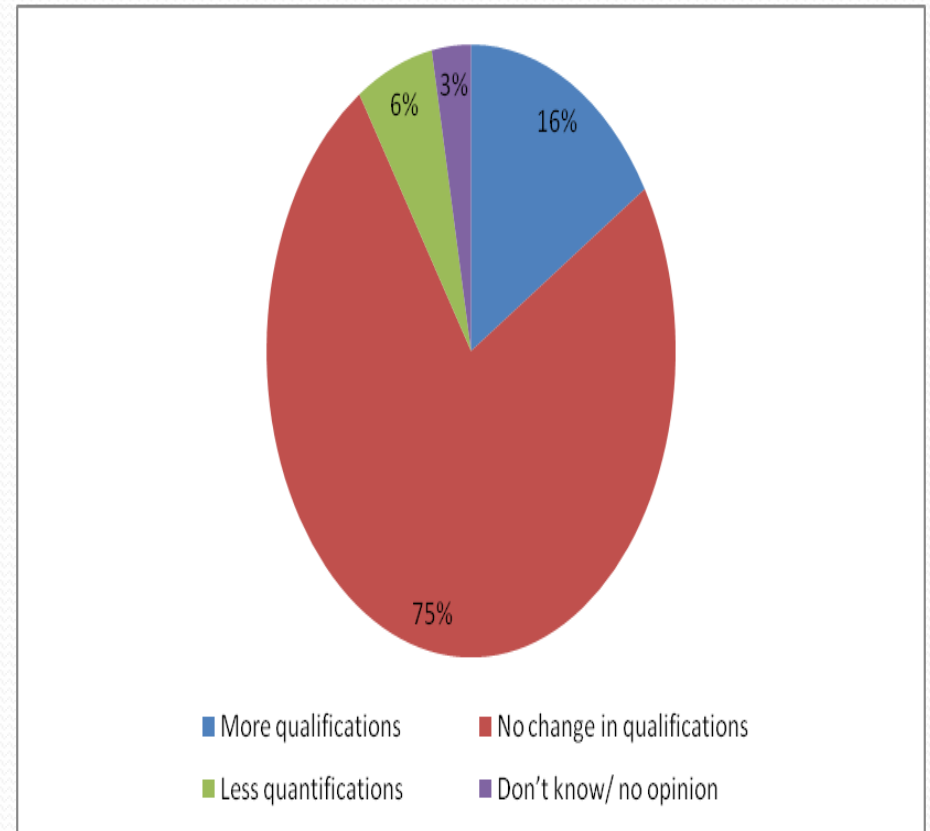
Main Findings: Administrative processes are good

Rated by participants:

1. Payment amounts were accurate
98% of participants reported receiving correct payment.
2. Payments were made efficiently
Payments were deposited in bank for 80% of the participants, while rest were paid in cash.
3. Payments were made on time
94% of participants reported payment arriving on time.
4. Status information was given when requested
56% of participants reported that they enquired about their position on the waiting list, and 90% of those received the information.
5. There was some tampering with the waiting list
10% of participants reported that they tried to improve their position on waiting list, and half of them were successful.
No evidence of bribery.

No long-term training impacts on beneficiaries

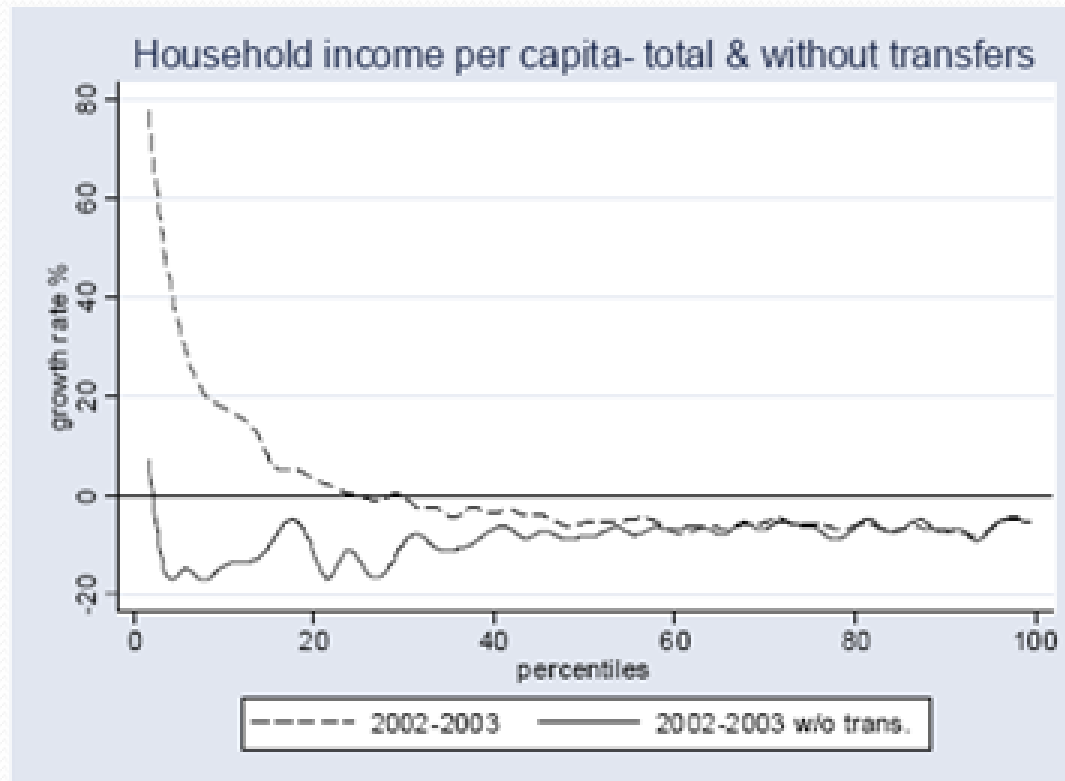
- 16% of participants believe that their qualifications have increased
- 75% of participants believe that their qualifications have not changed



Argentina experience

- Following macroeconomic shock and sharp increase in unemployment, Argentina introduced a PW program at low wages
- Impact evaluations have shown positive impacts: 80% of participants were from bottom 40% of income distribution
- Significant income growth among the poor

Argentina: HH income with and without PW transfer



Challenges and Opportunities

Key impact evaluations are showing progress, mainly arising from income transfer. Impact of community assets are more difficult to discern:

- Jefes (Argentina) prevented an estimated additional 10% of participants from falling below the food poverty line, and allowed an extra 2% of the population to afford the food component of Argentina's poverty line
- MGNREGS (India) wages for female casual workers have increased approximately 8% more in participating districts
- PSNP (Ethiopia) increasing food security and livelihood assets; especially when combined with other programs

5 LESSONS TO BE LEARNED FROM PUBLIC WORKS

1. THE USE OF PUBLIC WORKS IS EXPANDING

PWs have emerged as a critical social protection response tool, in situations of increased risk and vulnerability. It has shown promise to promote gender empowerment through participation

2. PUBLIC WORKS PROGRAMS ARE COMPLEX, BUT CAN BE CUSTOMIZED

In addition to low income settings, public works now play an important role in middle income countries, fragile states, and countries facing social tensions, e.g., Arab Spring. This typically involves customization in design to expand program objectives beyond income support, i.e., promoting labor market participation and pathways out of poverty.

3. INNOVATIONS ARE MAKING PROGRAM IMPLEMENTATION SMARTER AND MORE EFFICIENT

Many countries are developing stronger IT based MIS to automate program processes. This helps leapfrog implementation bottlenecks in facilitating beneficiary identification, tracking, payment, and program monitoring.

4. A COMBINATION OF PROGRAM LEVEL AND BENEFICIARY INPUTS CAN HELP PROVIDE THE CHECKS AND BALANCES NEEDED AGAINST ERROR, FRAUD, AND CORRUPTION

Combining top-down and bottom-up processes helps to promote transparency, and reduce issues of corruption that have pervaded public works schemes in the past.

5. EMPIRICAL GAPS REMAIN

More needs to be learnt about the effectiveness and impact of new experiences and new approaches and to address issues including governance and the impact on poverty and the labor market

Policy implications: What explains success, failure?.....

- First, be clear about objectives (mitigating shocks, insurance and just poverty relief, seasonal employment)
- Second, success depended a great deal on careful design:
 - Setting the wage level right
 - Assessing household food needs/community screening combined with other methods
 - Ensure reasonable labor intensity, and work ethics (8/hour day)
 - Set up appropriate oversight mechanisms (community oversight in Ethiopia, social audits in India's NREGA)
 - Predictable funding
 - Seasonal targeting, geographic targeting, household targeting, self-selection
 - Gender sensitivity
 - Design adjustments (including training component) to make the program attractive to youth
 - Set up excellent M&E systems and feedback systems

Gallery: A few photographs from Yemen PW Program projects

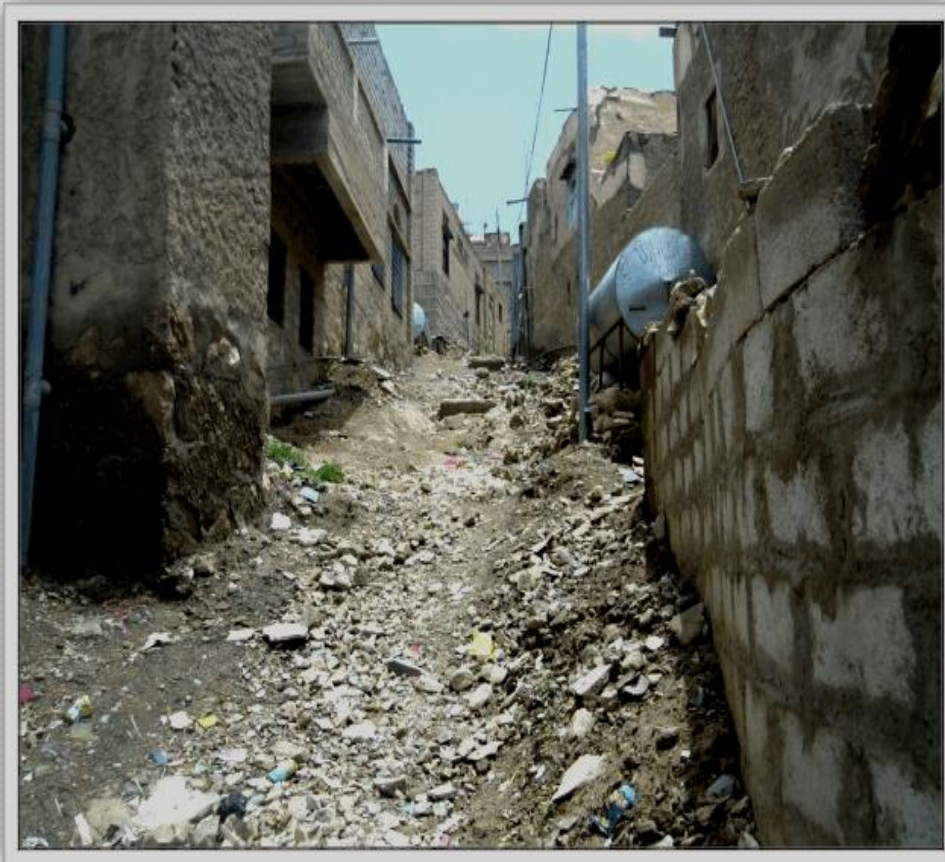
Compared samples of intervention (*before and after*) in Al-Hasowh, Hajja City, Yemen PW project



Sailat Al Naja pavement project in Al Hawtah City, Yemen



Al-Qid neighbor pavement project in Al-Birikh, Al-Baida City, Yemen





THANK YOU FOR PATIENT LISTENING!