

## Public works: An effective safety net for the poor?



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### Overview

Most assessments have found that public works programmes have significant impact in terms of temporary employment creation and increases in participants' current incomes. However, evidence of impact on enhanced employability, sustainable income gains, and the benefits to poor people from the physical assets created is limited.

**Key words: Public works, social protection**

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The International Labour Organisation (ILO) warned of social unrest in Asia as unemployment rises. Up to 23 million people will lose their jobs in the Asia-Pacific region this year, against 50 million globally in the 2007-2009 period (Reuters, February 18). The international organisation predicts that the current global economic crisis will lead to a dramatic increase in the number of unemployed people, working poor and those in vulnerable employment (ILO 2009). In low and middle income countries, where few people have access to unemployment benefits and insurance schemes, public works programmes can play an important role in providing social protection against unemployment and underemployment.

Public works programmes, or workfare, provide income support – money or food – for poor people in return for work, often in times of crisis. They typically provide short-term employment at low wages on labour intensive projects such as road building. The low wage means the programmes should only be an attractive option for poor unemployed people, which is a form of self-targeting.

In many cases, public works programmes aim to generate assets – both physical and human – to promote growth, benefiting the poor in the longer term. The created assets can include vital infrastructure, such as

roads or water supply schemes, but also individual skills and savings. Devereux (2002) draws a distinction between programmes that emphasise short-term employment creation, often in critical times, and those that also focus on asset creation.

## Lessons learned

Rigorous evaluations of the impacts of public works programmes in low and middle income countries are limited. Programmes can be successful in terms of targeting poor people, as well as generating short-term employment and income gains for participants. However, there is less evidence in terms of sustainable income gains and the benefits to poor people from the assets created (Subbarao 2003 and Lipton, 1996).

Public works programmes have provided employment for millions of people in developing countries, especially in Africa and South Asia (Devereux 2002). Bangladesh, Botswana, Ghana, India, Kenya, Madagascar, and South Africa are just some of the countries that have set up large-scale public works programmes since the 1970s. One of the largest, longest running and most studied programmes is the Maharashtra Employment Guarantee Scheme (EGS) in India. The EGS was introduced to provide guaranteed employment for poor people when the rains fail, and to help build local infrastructure; evidence suggests that the programme reduces rural unemployment by 10 to 35 per cent (Lipton, 1996).

In Argentina, Trabajar II was set up by in 1997 as a response to the economic crisis with two objectives: providing short-term work at low wages and helping to repair local infrastructure. Income gains to participants have been sizable at around half the gross wage (Jalan and Ravallion, 2003).

There have been criticisms that public works programmes focus only on relieving current needs, rather than helping to achieve sustainable poverty reduction. However, Bangladesh's Food for Work (FFW) programme, which has been operating since 1975 has found to have a range of sustainable positive impacts on agricultural production and household incomes in rural areas (BIDS/IFPRI, 1985 assessment).

The World Bank (2008) suggests that public works programmes should include the formulation of exit

strategies such as, skills training, entrepreneurship schemes and wage subsidises, to help people in their transition into employment. But available evidence

shows exit strategies has had limited success. Under Argentine's Proempleo Experiment (Galasso et al 2001), randomly selected workers were given a voucher entitling the employer to a sizable wage subsidy. A second sample also received skills training while a third sample formed the control. Voucher recipients compared had a significantly higher chance of finding a private sector job, but training had little or no impact. The impacts observed were largely confined to women and younger workers.

Similarly, South Africa's Expanded Public Works Programme (EPWP) has been found to not have a significant impact on unemployment or skills development (McCord, 2007). This

limited impact is mainly because of the limited demand for low-skilled and unskilled labour in South Africa, and the fact that the training offered within the programme is inadequate to equip participants with the skills in demand in the marketplace.

There is also little evidence on the benefits to poor people from the physical assets created by public works programmes (Haddad and Adato, 2001:9). In fact, these programmes have been widely criticised both for producing poor quality infrastructure and for creating infrastructure that disproportionately benefits the non-poor. "Because past investments in infrastructure have not had the development impact expected, it is essential to improve the effectiveness of investments and the efficiency of service provision. Innovations in the means of delivering infrastructure services – along with new technologies- point to solutions that can improve performance" (World Bank 1994).

To date there is a lack of evidence on how public works affect poverty and how cost effective they are. As an exception, an on-going study funded by the World Bank's Spanish Impact Evaluation Fund (SIEF) is assessing the impact of India's National Rural Employment Guarantee Scheme (NREGS), which guarantees up to 100 days of local work each year to every rural family. The SIEF-funded evaluation will examine its impact on poverty reduction, employment and earnings, and how it affects men and women differently

## Closing the evaluation gap

Further investigation is needed on the impact and cost effectiveness of public works programmes, looking specifically at channels through which impact occurs: (a) direct impacts in terms of job creation and income transfers to participants, and (b) indirect impacts in terms of (i) enhanced employability through skills development; (ii) wage rates in local labour markets; (iii) income multipliers (through links with the local economy); and (v) how the creation of infrastructure and community facilities affect poverty.

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## Credits

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