



International  
Labour  
Office  
Geneva

**Employment Sector  
Employment Report No. 6**

**2010**

**Mitigating a Jobs Crisis: Innovations in Public Employment  
Programmes (IPEP)**

Maikel Lieuw-Kie-Song and Kate Philip

ILO  
Employment  
Sector  
Employment  
Intensive  
Investment  
Programme

Copyright © International Labour Organization 2010  
First published 2010

Publications of the International Labour Office enjoy copyright under Protocol 2 of the Universal Copyright Convention. Nevertheless, short excerpts from them may be reproduced without authorization, on condition that the source is indicated. For rights of reproduction or translation, application should be made to ILO Publications (Rights and Permissions), International Labour Office, CH-1211 Geneva 22, Switzerland, or by email: [pubdroit@ilo.org](mailto:pubdroit@ilo.org). The International Labour Office welcomes such applications.

Libraries, institutions and other users registered with reproduction rights organizations may make copies in accordance with the licences issued to them for this purpose. Visit [www.ifrro.org](http://www.ifrro.org) to find the reproduction rights organization in your country.

---

Lieuw-Kie-Song, Maikel; Philip, Kate

The Mitigating a Jobs Crisis: Innovations in Public Employment Programmes (IPEP)/ Maikel Lieuw-Kie-Song and Kate Philip; International Labour Office, Employment Sector, Employment Intensive Investment Programme- Geneva: ILO, 2010  
1 v. (Employment report, no.6)

ISBN: 9789221235972 (print); 978921235989 (web pdf)

International Labour Office: Employment Sector

Employment policy / Jobs crisis/ public employment/ employment guarantee scheme/ public works programmes/ targeting/  
wage rate / developing countries

13.01.3

*ILO Cataloguing in Publication Data*

---

The designations employed in ILO publications, which are in conformity with United Nations practice, and the presentation of material therein do not imply the expression of any opinion whatsoever on the part of the International Labour Office concerning the legal status of any country, area or territory or of its authorities, or concerning the delimitation of its frontiers.

The responsibility for opinions expressed in signed articles, studies and other contributions rests solely with their authors, and publication does not constitute an endorsement by the International Labour Office of the opinions expressed in them.

Reference to names of firms and commercial products and processes does not imply their endorsement by the International Labour Office, and any failure to mention a particular firm, commercial product or process is not a sign of disapproval.

ILO publications and electronic products can be obtained through major booksellers or ILO local offices in many countries, or direct from ILO Publications, International Labour Office, CH-1211 Geneva 22, Switzerland. Catalogues or lists of new publications are available free of charge from the above address, or by email: [pubvente@ilo.org](mailto:pubvente@ilo.org)

Visit our web site: [www.ilo.org/publns](http://www.ilo.org/publns)

---

Printed in Switzerland

## Preface

The primary goal of the ILO is to contribute, with member States, to achieve full and productive employment and decent work for all, including women and young people, a goal embedded in the ILO Declaration 2008 on *Social Justice for a Fair Globalization, and*<sup>1</sup> which has now been widely adopted by the international community.

In order to support member States and the social partners to reach the goal, the ILO pursues a Decent Work Agenda which comprises four interrelated areas: Respect for fundamental worker's rights and international labour standards, employment promotion, social protection and social dialogue. Explanations of this integrated approach and related challenges are contained in a number of key documents: in those explaining and elaborating the concept of decent work<sup>2</sup>, in the Employment Policy Convention, 1964 (No. 122), and in the Global Employment Agenda.

The Global Employment Agenda was developed by the ILO through tripartite consensus of its Governing Body's Employment and Social Policy Committee. Since its adoption in 2003 it has been further articulated and made more operational and today it constitutes the basic framework through which the ILO pursues the objective of placing employment at the centre of economic and social policies.<sup>3</sup>

The Employment Sector is fully engaged in the implementation of the Global Employment Agenda, and is doing so through a large range of technical support and capacity building activities, advisory services and policy research. As part of its research and publications programme, the Employment Sector promotes knowledge-generation around key policy issues and topics conforming to the core elements of the Global Employment Agenda and the Decent Work Agenda. The Sector's publications consist of books, monographs, working papers, employment reports and policy briefs.<sup>4</sup>

The *Employment Working Papers* series is designed to disseminate the main findings of research initiatives undertaken by the various departments and programmes of the Sector. The working papers are intended to encourage exchange of ideas and to stimulate debate. The views expressed are the responsibility of the author(s) and do not necessarily represent those of the ILO.

José Manuel Salazar-Xirinachs  
Executive Director  
Employment Sector

<sup>1</sup> See [http://www.ilo.org/public/english/bureau/dgo/download/dg\\_announce\\_en.pdf](http://www.ilo.org/public/english/bureau/dgo/download/dg_announce_en.pdf)

<sup>2</sup> See the successive Reports of the Director-General to the International Labour Conference: *Decent work* (1999); *Reducing the decent work deficit: A global challenge* (2001); *Working out of poverty* (2003).

<sup>3</sup> See <http://www.ilo.org/gea>. And in particular: *Implementing the Global Employment Agenda: Employment strategies in support of decent work*, "Vision" document, ILO, 2006.

<sup>4</sup> See <http://www.ilo.org/employment>.



## Foreword

Unemployment and other employment-related problems do not occur only in times of crisis. As observed by the ILO, there was a Jobs Crisis before the financial crisis, a structural unemployment problem as a result of jobless growth in many areas of the world. Investment in infrastructure development can play an active role in employment generation, both directly and indirectly through their multiplier effect within different economic sectors:

- Demand for infrastructure investment and maintenance from developing countries amounts to US\$ 900 billion p.a., public funding accounting for some 70-75%;
- Regular investments and counter-cyclical spending in infrastructure are widely used to expand demand, create and sustain jobs;
- Innovative Public Employment Programmes such as public work programmes and employment guarantee schemes complement regular investments.

Public employment programmes such as *public works programmes* and *employment guarantee schemes* (PEP/EGS) are a key tool to protect the most vulnerable against shocks and to develop at the same time local infrastructure promoting social and economic development. They form part of the recovery plans in many countries. Different challenges need to be addressed for translating existing plans into effective PEP/EGS programmes. Therefore, there is a wider case for public employment programmes as part of ongoing employment and social protection policies. This is an area of significant innovation at present, in relation to the types of work, the conditions of work – and the right to work.

The Paper will cover these issues and more, straddling the range of options from public works programmes to employment guarantees, and providing policy insights and practical design tools to inform decision making at policy and programme level. They have benefited from Mr. Maikel Lieuw-Kie Song and Dr. Kate Philip's extensive experience as the Chief Director with the Department of Public Works in South Africa and as Head of a strategy development process on economic marginalization for the South African Presidency respectively, and from inputs from the ILO Global EIIP Team, in particular Marja Kuiper, Mito Tsukamoto, and Marc Van Imschoot from the Employment Sector, other ILO experts, in particular, Philippe Marcadent, from Social Protection and Steven Miller from the Economists for Full Employment Network.

Terje Tessem  
Chief,  
Employment Intensive  
Investment Programme

Azita Berar-Awad  
Director,  
Employment Policy Department



# Contents

	<i>Page</i>
Preface.....	iii
Foreword.....	v
1. Introduction.....	1
2. EGPs: what they are and what is different.....	4
2.1 Employment Guarantee Programmes: an introduction.....	4
2.2 Differences across the spectrum.....	5
2.2.1 <i>Emphasis on employment</i> .....	5
2.2.2 <i>Interaction with the labour market (Wage rates and working conditions)</i> .....	6
2.2.3 <i>A long-term perspective</i> .....	8
2.2.4 <i>Universality, rights and entitlements</i> .....	10
2.2.5 <i>Affordability, fiscal and monetary policy</i> .....	11
3. Programme objectives and policy alignment.....	13
3.1 Programme outputs and development objective.....	13
3.2 Policy alignment and integration.....	14
3.3. Managing multiple objectives.....	15
4. Influence of policy objectives on design.....	17
4.1 PEP and unemployment.....	17
4.2 PEP and social protection.....	19
4.3 PEP and poverty reduction / alleviation.....	21
4.4 Provision of services and assets.....	22
5. Operational issues.....	23
5.1 Programme constraints: complexity, costs and capacity.....	23
5.2 Trade-offs and complementarities.....	24
6. Types and nature of work to be done.....	26
6.1 Lessons from infrastructure programmes.....	26
6.1.1 <i>Use of local consultants and contractors</i> .....	26
6.1.2 <i>Potential of re-orienting existing budgets to be more labour-intensive</i> .....	28
6.1.3 <i>Choice of assets</i> .....	29
6.2 PEPs and provision of environmental services.....	30
6.3 PEPs and provision of social services.....	30
6.4 PEPs, participatory processes and local development.....	31
6.5 PEPs, training and exit strategies.....	33
7. Conclusion and recommendations.....	35

References ..... 37

Unemployment, underemployment and involuntary part-time work ..... 40



## List of Acronyms

ASIST	Advisory Support, Information Services and Training
CCT	Conditional Cash Transfer
ECD	Early Childhood Development
EGP/S	Employment Guarantee Programme / Scheme
EIIP	Employment Intensive Investments Programme (ILO)
ELR	Employer of Last Resort
EPWP	Expanded Public Works Programme (South Africa)
GJP	Global Jobs Pact
ILO	International Labour Office
MEGS	Maharashtra Employment Guarantee Scheme (India)
NREGA/P	National Rural Employment Guarantee Act/ Programme (India)
PEP	Public Employment Programme
PSNP	Productive Safety Net Programme (Ethiopia)
PWP	Public Works Programme



# 1. Introduction

**“People don’t eat in the long run, they eat every day”<sup>5</sup>**

The current economic crisis and especially its employment effects have once again brought the role of the state in employment creation strongly to the forefront. As employment provided by the private sector has shrunk dramatically, adding to an already growing employment challenge, it is increasingly recognised that the State needs to play a much more active role in employment generation. This does not only imply looking at its overall employment policy and strategy and at its role in creating an enabling environment for employment creation by the private sector, but also at the role of the State in the direct creation of employment.

The G20 leaders attending London Summit in April 2009 recognized the human dimension of the crisis and committed themselves to “support those affected by the crisis by creating employment opportunities and through income support measures” and “to build a fair and family-friendly labour market for both women and men”, through measures such as “active labour market policies”.<sup>6</sup> The ILO Summit on the Global Jobs Crisis stressed the importance of targeted employment programmes as a response to the economic crisis. This was substantiated through the country assessments that were carried out for the G20.

The Global Jobs Pact builds on a history of international agreements on employment, the right to work and the goal of decent work. These reflect increasing recognition of the centrality of employment in the eradication of poverty and the promotion of social inclusion. Below are some key milestones in this regard:

-Relationship between employment and the fight against poverty and social exclusion acknowledged by the World Summit on Social Development in 1995;

-24th Special Session of UN General Assembly in 2000 called upon the ILO to develop a coherent and coordinated international strategy for the promotion of freely chosen, productive employment – which led to the development of the Global Employment Agenda (GEA);

-At the UN General Assembly on the 2005 World Summit, Heads of State and governments indicated their strong support for “fair globalization and resolve to make the goals of full and productive employment and decent work for all, including for women and young people, a central objective of [their] relevant national and international policies, as well as [their] national development strategies, including poverty reduction strategies, as part of [their] efforts to achieve the millennium Development Goals” (Ref. Resolution 60/1);

-The Social Justice Declaration (2008) recognizes and declares, among other matters, that the commitments and efforts of members and Organization to implement the ILO’s constitutional mandate, including international labour standards, and to place full and productive employment and decent work at the centre of economic and social policies, should be based on the four equally important strategic objectives of the ILO.

<sup>5</sup> Attributed to Harry Hopkins, Head of the Works Progress Administration (WPA) which was responsible for the implementation of many of the New Deal programmes during the depression in the USA during the 1930’s (Taylor 2008)

<sup>6</sup> G20 leaders’ statement, The Global Plan for Recovery and Reform, London, 2 April 2009, paragraph 26.

As the employment crisis is expected to continue for the coming years, more and more countries will be considering interventions and programmes that lead to direct employment creation to cushion the most vulnerable from sliding deeper into poverty. The Global Jobs Pact unanimously adopted by all ILO constituents in June 2009 calls for decent work responses to the crisis. Amongst these responses, the role of direct employment creation by government through emergency public works programmes and employment guarantee schemes that are well targeted and include the informal economy was recognised. These events underscored the need to reinforce knowledge development and dissemination of good practices in the design and implementation of public employment programmes.

This paper attempts to guide policy makers who are considering the responses suggested in the Global Jobs Pact. At the same time, it provides a framework for an upcoming ILO course on 'Mitigating a Jobs Crisis: Innovations in Public Employment Programmes (IPEP)', designed to support such efforts. While emergency public works programmes have been used widely for a long time and are generally well understood and documented, there has been significant innovation in the areas of public employment in recent years, which changes the scope of options available for public policy in this area.

Firstly, such programmes are not only crisis responses; in many countries in the world, unemployment is an ongoing challenge, with markets unable to create employment at the scale required. Public employment programmes (PEP) are able to complement employment creation by the private sector, and offer an additional policy instrument with which to tackle the problem of un- and underemployment, as part of wider employment policy.

Secondly, the range of types of work undertaken has changed. Public works programmes (PWP) and Employment Guarantee Programmes (EGPs) have become strongly associated with infrastructure and construction 'works', but this has changed, with examples of work in the social sector, environmental services, and multi-sectoral, community driven programmes.

Finally and most significantly, the introduction of a national employment guarantee programme in India, the National Rural Employment Guarantee Programme (NREGP) has given new meaning to the role of the state in creating a right to work: by making 100 days of work per household a legal entitlement in rural areas. This also raises new options for alignment and complementarity between public employment and wider social protection policy also.

These developments significantly expand the range and scope of policy choices and opportunities available in relation to public employment, whether as part of a crisis response, as part of long-term employment policy, or as a complementary element within wider social protection policy.

### **Programmes on a Continuum: A Definition of Terms**

The literature in this area uses many different terms to describe public employment programmes. This paper uses four terms to refer to the programmes discussed.

**Public Works Programmes (PWP)** refer to the more common and traditional programmes; although these may be a temporary response to specific shocks and crises, public works programmes can also have a longer-term horizon. Cash and Food for work programmes are included in this term.

**Employment Guarantee Programmes / Schemes (EGP/S)** which refer to long-term rights-based programmes in which some level of entitlement to work is provided. These are explained in much more detail in the paper.

**Targeted Employment Programmes (TEP):** These are public employment programmes that aim to reach a specified target group.

**Public Employment Programmes (PEP)** includes all of the above as well as a wide spectrum of options between them. It is used to refer to any direct employment creation by government through an employment programme - rather than through the expansion of the civil service.

This paper builds on both research and practical experience of the authors, the ILO as well as other members of the Economists for Full Employment network who have worked in this area over many years. While the paper discusses many aspects of Employment Guarantee Programmes, its main objective is to demonstrate that many of the elements of these programmes can be incorporated into long-term public employment programmes that may not go as far as creating a guarantee of work, and even into emergency or short-term public works programmes to improve their impact and performance. There is a range of possible programme designs, much like a spectrum of programmes, with short-term emergency programmes on the one end and universal employment guarantees at the other end of the spectrum.

While there are many similarities, there are also real differences between the interventions at the two ends of the spectrum. Perhaps the most essential difference for policymakers is the shift from a short-term perspective in the case of emergency public works programmes towards a medium to long-term perspective in relation to employment guarantee schemes. This shift has profound implications for programme planning and design, for programme impacts and outcomes, and how these are assessed. While the case for short-term emergency public employment programme is well established, this paper makes the case for a longer-term perspective also.

The next section of this paper will introduce Employment Guarantee Programmes (EGP), their basic concepts and underlying economic theory, some of the critical differences between EGPs and PWPs, and their policy implications. The third section discusses the different approaches to these programmes typically found in practice, recognising that in there is a huge diversity in circumstances and contexts and that some elements of EGPs may not be realistic in some political or economic situations. The fourth section discusses how policy objectives translate into specific design features of these programmes as well as some of the most important trade-offs between programme objectives that need to be considered. The fifth section discusses some of the operational issues to be considered when policy decisions are made so that the policy is also informed by operational feasibility. The sixth section discusses the various work activities that may be included in these programmes and the paper ends with conclusions and recommendations.

## 2. EGPs: what they are and what is different

### 2.1 Employment Guarantee Programmes: an introduction

EGPs are still rare in the world<sup>7</sup>. The oldest and longest running scheme is the Maharashtra Employment Guarantee Scheme which for many years was the only one of its kind. It is now part of the national programme in India: the National Rural Employment Guarantee Programme (NREGP). Other countries are considering these programmes, most notably Bangladesh, Nepal and Pakistan. They are receiving increasing attention and recognition and recent suggestions by some authors on what an ideal safety net would look like contain programmes that in many ways would function as employment guarantee programmes (Ravaillon 2008).

EGPs are based on the concept of the state acting as an Employer of Last Resort (ELR). It creates a role for the State to provide employment to all those willing to work, should the labour market not be able to offer such employment. The fundamental objective of the ELR is achieving and maintaining full employment, a long-standing objective of the ILO and its member states and one also included in the Millennium Development Goals since 2005<sup>8</sup>.

One way a state can put its role as employer of last resort into practice is by offering an employment guarantee. Under an EGP, a state guarantees work, at a specified minimum wage rate, to all those who demand it. Such a guarantee can be a legal guarantee, and in that case can also offer legal recourse to individuals, such as unemployment benefits when the state does not provide them with work when required. The Government of India has taken this approach with the passing of the National Rural Employment Guarantee Act (NREGA) in 2005, which mandates the establishment of the NREGP.

Because the state acts as an employer of *last* resort, it offers work at a wage rate set by the government and all those not willing to work for that wage would in essence be considered voluntarily unemployed. The wage paid by the state through its programme will in effect be the minimum wage rate as nobody would take up employment at a lower wage rate if the state always offers an alternative. The corollary of that is that nobody who has an alternative would take up the EGP job and demand for work provided by the EGP would in effect be countercyclical. In times of high labour demand, i.e. times of economic and employment growth the EGP would shrink. In times of low labour demand, i.e. recessions, these programmes would expand. In this aspect it would function in a very similar manner to other social security interventions like unemployment insurance.<sup>9</sup>

<sup>7</sup> It is recognized however that there are a number of programmes in the world that in practice guarantee employment such as the PSNP in Ethiopia even though they do not provide legal guarantees, as in India.

<sup>8</sup> Since 2005 Millennium Development Goal has been expanded to include objective 1b: Achieve full and productive employment and decent work for all, including women and young people

<sup>9</sup> For more detailed theoretical discussion of Employment Guarantee Schemes and the related concept of Employer of Last Resort, readers are referred to amongst others, Minsky, Mitchell,

## 2.2 Differences across the spectrum

Rather than describing in length what EGP are, this section highlights differences across the spectrum: from the more conventional public works programmes with which most policymakers are familiar, to EGPs at the other end of the spectrum. This not only illustrates the differences, but also highlights the areas where EGP can result in better performance of more conventional PWP.

### 2.2.1 *Emphasis on employment*

The main emphasis of employment guarantee programmes is on employment rather than other objectives such as provision of infrastructure, social security or mitigation of the impacts of a crisis. This emphasis is based on the value and importance of employment in and of itself and the objective of achieving full employment. Proponents of EGPs see it as a key component of any strategy for achieving and maintaining full employment.

While there is a strong economic argument for full employment, probably the strongest argument is one that transcends economics. Societies are based around the notion that it is through work that we meet our basic needs: for food, housing, clothing etc. Those we obtain these without working in a legal and socially acceptable manner can be considered rare exceptions as most do not manage this and suffer. And there are far too few alternatives to obtaining these legally if work is not available.

Furthermore in many societies employment signifies the primary transition to adulthood, and especially young men are under huge pressure to enter the labour market as part of leaving the house and starting a family. Their failure to do so often leads to stigmatisation and in many cases pressures to earn an income through illegal means. Providing employment is really the only means of addressing this complex set of issues but in many contexts, the private sector is not doing so sufficiently and is also subject to fluctuating shocks and crises. Nor is self-employment an option for all. This is where the State can enter as an ELR as it often offers the only remaining alternative<sup>10</sup>.

From the perspective of the individual trying to sell his or her labour, there is also the problem that every day unsold is lost forever. People cannot save their labour and to use (or sell) it again tomorrow, every-labour day lost is lost forever both to the individual and the economy and society. Labour is much like a perishable good, like produce or seats on an airline that cannot be sold once the airplane takes off. One of the premises of an ELR is that this permanent loss of unused labour needs to be minimised for the benefit of the individual and society at large.

Wray, and Papadimitriou of whom an extensive set of papers is available on the EFE website: [www.economistsforfullemployment.org](http://www.economistsforfullemployment.org)

<sup>10</sup> See Wray 2007 for an extensive discussion on this.

**Box: The effects of Unemployment**

There is plenty of evidence that unemployment has many far-reaching effects other than loss of income, including psychological harm, loss of work motivation skill and self-confidence, increase in ailments and morbidity (even mortality rates), disruption of family relations and social life, hardening of social exclusion and accentuation of racial tensions and gender asymmetries

Source: Development as Freedom, Sen, 1999)

There is increased recognition of these devastating social and human effects of unemployment and severe underemployment; these have taken new forms in a context of globalisation, raising new questions about the role of the state in this regard:

‘This highlights the important role of the State in managing the process of integration into the global economy, and in ensuring that it meets both economic and social objectives. This role includes the provision of classical public goods which have positive externalities such as health, education, and law and order; the supervision of markets and the correction of market deficiencies and failures; the correction of negative externalities such as environmental degradation; the provision of social protection and safeguarding the vulnerable; and investment in areas of public interest where private investment is not forthcoming.’

‘A Fair Globalisation: Creating Opportunities for All’; ILO 2004

Advocates of ELR interventions argue that this role includes a role for the state in the provision of employment for those who need and want it. And many would support the statement that: “Employment policy is the best social policy” (Kostzer 2009): because the provision of employment is probably the most effective way of achieving many social development objectives and contributing to social protection. This emphasis on employment and the social value of work differs from other perspectives with regards to PWP, which see social protection, investment or other objectives as paramount.

The emphasis and impact of EGPs is not only on the quantity of employment however, but also often on improving the quality of employment. In particular in circumstances where working conditions are poor, adherence to labour legislation minimal and incomes derived are very low, EGP have the potential to improve this situation.

### ***2.2.2 Interaction with the labour market (Wage rates and working conditions)***

Another important difference across the spectrum from short-term PWP to EGP is the approach to engaging with the labour market. Traditional PWP have tended to take a passive approach to the labour market and are often carefully designed not to disturb the labour market, even if it may be dysfunctional for much of the poor population. By providing an employment guarantee, EGPs on the other hand, EGPs are intervening in the labour market to address a form of market failure. In the process, significant scope exists to achieve systemic impacts on this market, in ways that make it function better for the poor.



The approach taken to the setting of wage rates illustrates this. In many PWP, wages are set at levels below the prevailing wage rates and often below official minimum wage rates. The most common argument for this is that by setting the wage rate low, the programmes become self-targeting – because only the poorest people will work for these rates, whereas higher wages could result in displacement of existing economic activity – where someone who is actually employed but at a lower wage leaves their job to join the PEP. In the latter context, the poor are likely to be squeezed out of the programme. Where wages are very low, the term ‘employment’ is often avoided and terms like “income- support, transfers, subsistence and economic assistance” are frequently used to describe the payments made to participants (Subbarao 2003).

The choices made in setting wage rates in an EGP are likely to have profound impacts on the labour market as a whole. In India, for example, the NREGP has opted not to be a passive ‘taker’ of the prevailing informal wage rate, but has opted to pay the minimum wage rate set for the agriculture sector. By guaranteeing a minimum level of work at these rates, workers have been provided with an alternative to prevailing wage rates in the sector, which are often far below minimum wages and are often exploitative. Providing such an alternative is likely to provide a far more effective mechanism for setting a wage-rate floor than attempting to do so through enforcement of regulation.

This illustrates how an EGP can be used as an effective measure to set the minimum wage, by making its own wage rate the de facto minimum. If the programme offers work at this wage rate to all who need it, people would always have an alternative to working for a lower wage rate - whether formally or informally. And even if the guarantee is not universal, or there is no explicit legal guarantee, this effect would happen if the programme reaches a large proportion of the unemployed population, as it also creates bargaining power for the unemployed who can now negotiate at least an equivalent rate or threaten to go work for the EGP instead. There is evidence of this effect even without the provision of an actual employment guarantee<sup>11</sup> and it can be expected that a guarantee would only amplify the effect. Therefore, EGPs can have important impacts on the overall wage rate and may be designed to maximise this impact.

This makes the setting of the wage rate for an EGP critically important as it has much more far- reaching consequences than the wage rate set under more limited PWPs. A first approach is that the government decides to pay at the existing minimum wage, such as in India. This rate varies significantly across states and in some cases is set relatively low – even though many landowners still pay below this rate.

At one level, it seems obvious that government would not want to undermine its own legislation by paying below the minimum wage. There are cases however where paying the minimum wage would have unintended consequences.

In some countries, the minimum wage is set through a bargaining process that reflects conditions in the urban formal economy. This process often excludes a large part of the economically active population in rural areas and/or in the urban informal economy, where wages are in fact significantly lower. Paying the minimum wage in such circumstances could lead to the replacement of labour with machinery and large-scale job losses in the private sector, particularly in agriculture. This trend away from labour intensity in agriculture is well established in advanced economies where labour costs are higher and it is not an implausible outcome in developing countries.

<sup>11</sup> See Devereux 2006 who presents evidence of this in Bangladesh and several states in India.

This would also not be in line with the fundamentals of an ELR as the government would in effect be acting as an employer of choice, rather than one of last resort.

In such circumstances, the setting of the wage rate becomes more complex and another approach is required. In such a case a number of factors other than minimum and prevailing wages and impacts on the labour market could be considered, including poverty lines and other indicators used to measure poverty and indigence, the value of social transfers if these exist and the level of the reservation wage<sup>12</sup>. The question shifts from seeing the wage rate primarily as a self-targeting mechanism by finding the wage rate at which only the poorest of the poor would be willing to work, to what is a reasonable wage rate given the economic context and income required to cover basic needs<sup>13</sup>. The intention is not to justify a 'desperation wage', but to set wage rates at levels that contribute to the goals of social protection and poverty reduction.

The impact of EGPs on the labour market is not confined to wage rates only, but extends to other aspects such as minimum working conditions, availability of labour, the labour participation rate and ultimately to the reduction of un- and underemployment. In many ways the effect of EGP on working conditions is similar to that of the wage rate as the EGP sets not only a wage floor, but also a working conditions floor. It may enable people to avoid dangerous work that does not offer required safety measures, or exploitative practices such as extremely long working hours. It is important of course that the EGP offers a minimum set of standards and does not itself engage in dangerous or exploitative practices.

There is also evidence that PEP may increase the labour participation rate by providing employment to those who would not otherwise be economically active. This was the case in Argentina (Galasso and Ravallion 2003, Antonopoulos 2007) and there is evidence that PEPs attract women who previously would not engage in wage labour. Factors in this include the ability to work close to home and possibly on a more flexible basis, making it feasible to work.

### *2.2.3 A long-term perspective*

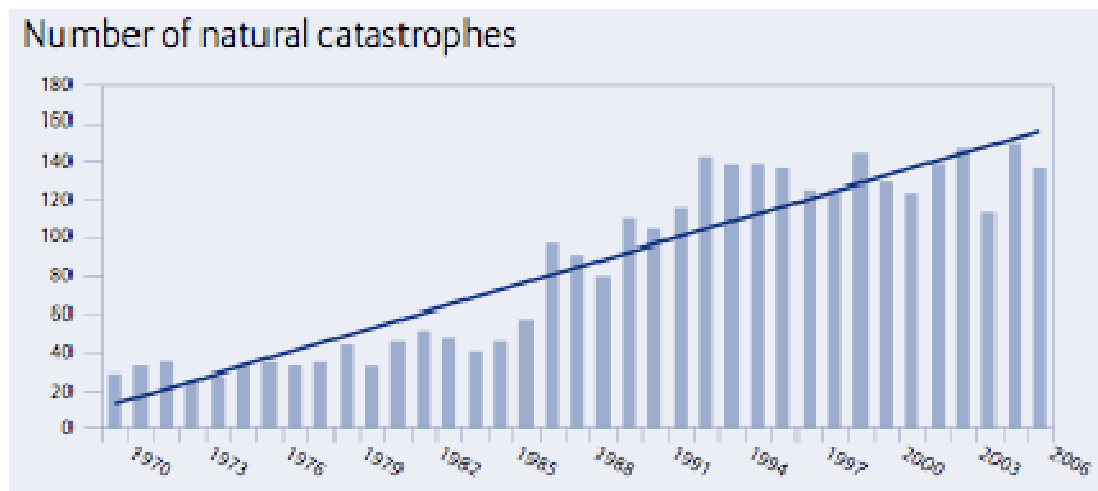
A third element in which programmes across the spectrum differ is in the shift from PEPs as short-term crisis responses to a long-term perspective required for the design and implementation of an EGP. This is because EGPs are not a crisis response, but are part of longer-term employment and potentially also social protection policy, providing employment and some income security to those who the private sector cannot absorb, whether in times of growth or recession. Essentially, once the core argument for such programmes is based on their role in employment policy, rather than simply as a response to shocks, the focus shifts towards a long-term perspective; such programmes then become an ongoing instrument of employment creation, that will shrink and expand as economic conditions change, but that will require a basic level of capacity and an institutional framework to remain in place.

<sup>12</sup> See Miller et. al. 2010 (forthcoming) for a discussion on the factors being considered in South Africa for establishing a minimum wage rate for the EPWP.

<sup>13</sup> These are all factors that should also be taken into account when setting the overall minimum wage as stipulated in the ILO's Convention 133.

While EGPs require a long-term perspective, the capacity of all PEPs to respond quickly to shocks is in fact greatly enhanced where they are institutionalised as ongoing programmes. If the institutional and human capacity to deliver an effective PEP needs to be put in place with every shock, the results are generally “too little too late” (Devereux 2004). Climate change, increasing environmental stresses, in particular related to water, population growth leading to people seeking to edge out a living in increasingly marginal and risk prone areas as well macro-economic instability are all factors contributing to this increasing numbers of crises and shocks. Figure 1 below shows the global trend for natural catastrophes. Given this trend, maintaining a basic level of capacity for the rapid expansion of these programmes is not only prudent, but probably very cost effective as even as an instrument to respond to shocks, the evidence suggests that having a long term perspective and functioning institutional and operational arrangements are hugely beneficial in being able to respond quickly to shocks and catastrophes.

**Figure 1: Trends in the number of natural catastrophes globally**



Source: Allianz<sup>14</sup> 2007.

**Public Employment Programmes are better able to respond to shocks when they are institutionalised as an instrument of employment policy**

The *Jefes* programme in Argentina is often cited for the speed at which it was able to respond to the crisis in Argentina in 2001: but it was preceded by the *Trabajar* programme which was already a sizable programme and provided employment to over 400,000 people (Subbarao 2003). NREGP in India was preceded by MEGS as well as the national *Jawahar Rojgar Yojna* (JRY) programme. The Expanded Public Works Programme (EPWP) in South Africa was preceded by the Community Based Public Works Programme and despite going into its second five-year phase is still growing.

*Effective programme implementation requires experimentation and active learning from what works and what does not in a specific context.*

<sup>14</sup> Insurance companies hold a good perspective on this, given the direct stake they have in this area, and all their predictions and risk reports show similar trends and raise similar concerns.

A long-term perspective is also required for effective policy alignment and integration. Aligning EGPS to overall employment, investment and income/ social protection policies is only really feasible if a long-term perspective is taken. The importance of this alignment cannot be underestimated. From a policy perspective ensuring that growth is employment-intensive is critical for ensuring that people do not become permanently employed in the PEP and that the programme actually shrinks in times of growth. From an operational perspective non-alignment can often be hugely problematic leading to duplication of functions and political tensions, whether between Ministries, or between national and sub-national governments. This alone can be enough to undermine the success of PEPs, as there are too many vested institutional interests in seeing it fail. From an impact perspective alignment is also critical, as other economic policies may be contradictory or counterproductive and this should be minimised.

#### 2.2.4 Universality, rights and entitlements

Conceptually, the ELR approach has as a starting premise that programmes should be universal, meaning that there should be no restrictions to participation and any person should be able to enter the programme if they so desire. This is a fundamental difference with most other PEPs where the starting premise is generally a certain budget allocation/fiscal spending limit. The shift is one from doing what is considered *affordable*, (however that is defined), to one that tries to fully meet a *critical need in society*. It is fully recognised that this is a very political statement, as both “affordable” and “critical need in society” will ultimately be defined by the local political process and cannot be imposed. This paper merely provides a perspective on these two issues for policymakers to consider, so that the final decision on these issues is well informed.

Another important feature of an employment guarantee approach is that it incorporates a rights based approach, and is therefore designed more from the perspective of individual entitlements than purely from a macro perspective. The objective shifts from a focus on reaching a certain number of people or a percentage of the unemployed, to reaching all those who may require the employment provided by the programme. While in practice there are limitations in achieving this and some level of rationing of employment is usually required, the rights based approach is important in guaranteeing a minimum level of employment and income to programme participants. It is in its objective to be universal and rights-based, and provide guaranteed income, that EGPS are similar, and align very well with objectives to extend social security coverage as advocated by the ILO (ILO 2009).

In practice, no EGP has yet been able to be truly universal. This is a reflection of the political and fiscal context in which these programmes compete with other policy priorities for resources - and can be perceived as potentially impacting negatively on such interests. It is also a reflection of the considerable operational and logistical challenges such programmes present to governments, which in most countries are already overstretched. So all programmes known so far have created some level of rationing as illustrated below. Many of these rationing approaches are similar to targeting approaches used in PWP.

**Table 1: Types of work rationing**

Type or rationing	Description	Example
<b>Geographic</b>	Only limited to a specific area or type or area, such a rural areas, or specific states municipalities, or spatial poverty traps	NREGP in India only in rural areas, PSNP is only implemented in District with low levels of food security, Community Works Programme in South Africa is applicable only to residents of municipalities where it is implemented
<b>Age group</b>	Youth	<i>KKV</i> <sup>15</sup> in Kenya is only for 18-35 year olds
<b>Gender</b>	Women	<i>Zibambebe</i> <sup>16</sup> in South Africa almost exclusively targets women-headed households in rural areas
<b>Household</b>	Work is allocated on the basis of households (not adults)	Both <i>Jefes</i> <sup>17</sup> and NREGA provide work based on households rather than individual adults
<b>Type of household</b>	Only households with children and unemployed members, Female Headed Households, Only food insecure households	<i>Jefes</i> , <i>Zimbambebe</i> , PSNP all define specific household characteristics for eligibility
<b>Part time work</b>	Work is not full-time but limited to a few hours a week	<i>Jefes</i> : 20 hours a week, <i>Zibambebe</i> 12 hours a week, CWP: 2 days a week (100 per annum)
<b>Total amount of work taken up</b>	Work is restricted to a limited number of days	Only 100 days a year in NREGA, 5 days per household member per month in PSNP

### 2.2.5 Affordability, fiscal and monetary policy

The focus of discussion on affordability tends to be on the costs of PEP; but these need to be weighed in relation to the costs of unemployment to a society and to its economy.

These include direct budgetary costs such as for social security and other social safety nets, the economic costs of lost productivity, and the social costs arising from the loss of self-respect, social alienation and exclusion that characterise unemployment, and the impacts of these on families and communities.

The costs of PEP also need to be weighed in relation to the considerable benefits such programmes bring: the impacts of increased demand in local economies, the contribution of the assets and services delivered, the scope of all of these to contribute to

<sup>15</sup> KKV refers to the *Kazi Kwa Vijana* Youth Employment programme in Kenya that provides employment exclusively youth between 18 and 35 years old.

<sup>16</sup> The *Zibambebe* programme is a rural road maintenance programme in Kwa Zulu-Natal Province in South African that employs around 40 000 poor, almost exclusively women headed households on a part-time basis.

<sup>17</sup> The *Jefes de Hogar* Programme in Argentina was initiated after the financial collapse in Argentina in 2002

pro-poor growth, and the range of other social and economic multipliers associated with their implementation.

From an economic perspective, however, the idea of the state acting as the ‘employer of last resort’ raises key debates in economic theory and in relation to macro-economic policy: in relation to how the causes of unemployment are understood, the relationship between interest rates, inflation and unemployment, and in terms of the potential macro-economic impacts of full employment.

A key part of macro-economic policy is the quest for price stability and low inflation, with interest rates used as the most common instrument for controlling inflation. Yet it is widely accepted that increasing interest rates to control inflation results in higher unemployment, in the short-term at least. Implicit in this approach to macro-economic policy is therefore an assumption that unemployment is an acceptable price to pay for low inflation. While high inflation certainly does not benefit the poor, this is nevertheless a highly political policy choice with profound social consequences: yet it tends to be presented simply as a technocratic necessity. This has generated a search for macro-economic alternatives able to avoid this trade-off, and to prioritise employment without discarding the benefits of price stability.

A ‘functional finance’ approach is one such alternative, developed in the context of debate on the role of the state as employer of last resort. This approach argues that where states control their own currency, there is no fiscal constraint on their capacity to fund such a programme, and that where such funds are applied in ways that unlock labour productivity and create public goods and services, the risks of this stimulating inflation can be avoided<sup>18</sup>.

While macro-economic policy remains a highly contested area, the recent financial crisis has certainly demonstrated the potential for states to use deficit financing to address a crisis where necessary; the critical issue is whether the need to address unemployment is able to mobilise an equivalent level of fiscal commitment.

In this context, there is an important distinction to note with regards to the fiscal implications of an employment guarantee programme as opposed to a more conventional form of PEP. PEPs are generally financed based on a specific budget allocation decided upon by a government as part of its normal budget process and the scale of the programme and the way it is targeted are determined by budget allocations. The implication is that programmes scale is not determined by the demand for work, but by the supply of funds.

An EGP on the other hand requires that the scale of the programme and the amount of employment it offers be based on the actual demand for work. Hence the budget for the programme will need to be adjusted to meet this demand; increased if demand is high, but also decreased when demand is low. This has implications for the fiscal position of government, as it is not able to fully control its expenditure on an EGS. It can be expected that budgets required will be higher in recessions because of higher demand for these programmes, and lower times of employment growth in line with the countercyclical nature of the programme.

<sup>18</sup> For more on this topic, readers are referred to Mitchell, Wray, and Kaboub, available on the EFE website.

This important distinction can be used as a basis to categorise programmes. There can be supply driven programmes whose scale is defined by a specific budget made available for the programme and may not be able to grow even if there is demand from people to work in the programme that cannot be met. On the other hand there are demand driven programmes whose scale is determined by the demand for the work it offers, and if more people demand work, the programme expands to meet this demand.

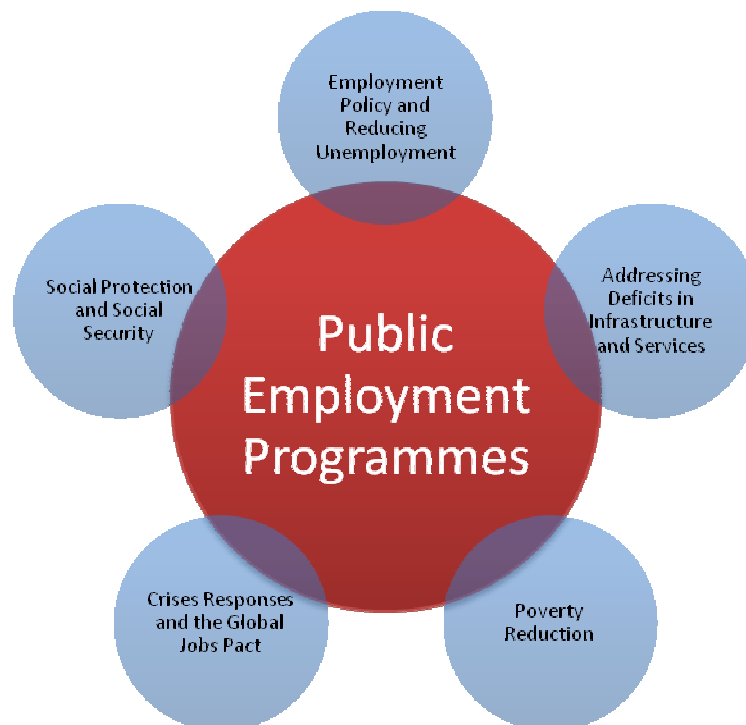
### 3. Programme objectives and policy alignment

#### 3.1 Programme outputs and development objective

While there are many variations, PEPs typically deliver the following core outputs:

- Employment (for participants)
- Income/ transfer (for participants)
- Public and/or social goods and services, including e.g. infrastructure;

These main outputs of PEPs support core development objectives, including poverty reduction, the reduction of unemployment, increased access to basic services, social and economic inclusion, and achievement of the Millennium Development Goals. PEPs can also be delivered in ways that target disadvantaged groups such as women or youth. This ability to impact on multiple objectives is a key strength of these programmes, and makes them highly desirable from a policy perspective.



## 3.2 Policy alignment and integration

The scope for PEPs to impact on wider policy priorities in relation to employment, income transfers/ security and the creation of public assets are all affected by whether the programme is long-term or short-term. When programmes are longer-term, the importance of alignment and integration increases. And it is therefore important to distinguish between these two. In this context alignment focuses on the policy level and ensures that there are no critical differences between programmes that have similar objectives. An example of this is where different departments of programmes use different definitions of vulnerability for targeting purposes leading to the exclusion of individuals.

Integration in this context refers to cases where there is also the need for different programmes to work together on an implementation and operational level. An example of this may be the integration of technical training on scarce skills by one department into a public works project run by another department.

At the policy level the following questions typically arise in the course of planning and designing PEP/EGS:

- Where does PEP fit in relation to policies and strategies for employment growth, for improving the quality of employment and for reducing under and unemployment?
- How do they align with other programmes that seek to increase the income of the poor?
- How do they fit into an overall redistributive policy?
- How do they link to issues like minimum wages, poverty lines and social security?
- How do they fit into overall strategies for infrastructure delivery, financing and prioritisation policies?
- How do they complement other public and community services?
- How can services provided best be sustained and assets created best be maintained?
- How are these programmes funded in the long run? Through infrastructure or services budgets? Or through social security budgets and anti-poverty allocations? International aid?

Ideally, all these questions would be answered by structuring PEPs to align with the overall policy frameworks and programmes on increasing employment, improving income and provision of infrastructure and services. Doing this is not only important for the design of the PEP but is also critical for building support for a programme that is recognised to be aligned to other policy priorities in that it either actively contributes to achieving these objectives or at least does not undermine other policy priorities. Common concerns around PEPs in that they crowd out other investment or impact on labour supply for other sectors of the economy are best addressed by dealing with these questions of integration head on.

In practice this is difficult for a number of reasons:

- Policy integration is always difficult and PEPs are no exception.



- Programmes with multiple objectives are almost always subject to trade-offs between the objectives and balancing these trade-offs is difficult both technically and politically.
- There are institutional and operational challenges and in some cases limitations that are often underestimated and hinder implementation of integrated policies, resulting in these policies being abandoned or revised.

Effective integration can happen and will generally work best when the challenges and limitations are recognised up front. This Paper attempts to address these issues. Before continuing on issues on integration of PEP with wider policies and objectives, some discussion on the key outputs listed earlier is warranted.

None of these focus areas are wrong of course, but what is important is that this is clearly articulated and that the trade-offs between these outputs are taken into account when programmes are designed and implemented. The approaches to the formulation of these objectives will be discussed first. The trade-offs will be discussed further down.

### **3.3. Managing multiple objectives**

Different approaches to designing and analysing PEPs match the relative policy priority given to their three core outputs: employment, incomes and assets and/or services. These approaches often have a theoretical underpinning that either implicitly or explicitly prioritises one of the three outputs over others. The most common approaches are informed by the following perspectives:

- An ELR perspective considers the employment output as paramount (Wray 2007, Mitchell 2002, Minsky 1986 etc.);
- From a social protection perspective, security of income and transfers take precedence (McCord 2009, Subbarao 2007, Devereux 2006);
- A Labour intensive investment approach typically emphasises the quality and nature of infrastructure or services provided (McCutcheon 2004, Islam and Majeres 2001, Edmonds 2009).

These three approaches are also summarised in Table 4 below along with an “outcome driver” for each of them. The outcome driver in this context can be seen as the overarching rationale for why a government may adopt a particular approach. Understanding these approaches and how they influence programme design and objectives<sup>19</sup> is very important. Problems may arise in the evaluation of programmes when there is no clear alignment between programme approach, objectives and design. If the design approach is informed by a focus on social protection for instance the programme

<sup>19</sup> The difficulty that may arise around objectives and not articulating these accurately is exemplified by the review and analysis of the EPWP in South Africa. While the programme on the one hand articulated a number of objectives, including employment creation, skills development it also had a very specific quantitative target of providing at least one million work opportunities over its 5 year life time. Despite achieving this target within a four rather than five year time frame some analysts still refer to this programme as a failure as it did not meet all the various stated objectives, while at the same time the South African government lauds it as a success, albeit recognising a number of shortcomings the programme is aiming to address in its second phase.

objectives with regard to infrastructure provision and maintenance are typically more modest.

The potential tensions between programme objectives are illustrated by Ghose et Al.:

*“... Developing countries have often attempted to reduce poverty by implementing special public works programmes or employment guarantee schemes. In principle, these programmes can constitute investment programmes for the non-formal segment. In practice, they often function as mechanisms for transfer payments to the poor. Transfer payments are important since the desperately poor need immediate relief, but they should complement and not substitute for investment in the non-formal segment. Use of public works programmes or employment guarantee schemes as mechanisms for transfer payments obscures the perspective. A clear distinction needs to be maintained between programmes for transfer payments and programmes for investment.” (Ghose, Majit and Ernst 2008 in the Global Employment Challenge)*

Particular problems are also faced in relation to defining programme objectives in programmes. Rebuilding infrastructure and providing employment to secure incomes may be a primary objective in some crises, particularly in the case of natural disasters. But in the case of an economic crisis that has led to an increase in unemployment, the employment objective may be paramount. In the event of a steep rise in food prices as was the case in 2008; programmes may want to focus on providing a transfer that supplements other income.

Clear articulation of programme objectives and priorities is important for the terms on which they are evaluated. Those looking through programmes from a social protection lens often criticise the relatively limited social protection impacts of programmes where the investments are primary. On the other hand, those primarily interested in investment in infrastructure and assets often criticise these programmes for not producing quality or cost effective assets.

Similar tensions apply in programmes focussed on social services. For example, in South Africa there is ongoing debate about the inclusion of Early Childhood Development as part of the public employment programme, because of concerns that the priority given to employment outcomes is at the expense of quality care.

Such tensions can be addressed by clearly defining, separating and articulating the objectives of a programme, designing it to meet these objectives, and monitoring and evaluating it against them also. And while this seems fairly obvious, in practice programme objectives are often defined in a rather inaccurate fashion and programme design often does not match all the objectives, leading to problems when programmes are evaluated.

**Table 4: Approaches and objectives**

	<b>Employment</b>	<b>Social Protection</b>	<b>Delivery of Infrastructure, Services</b>
<b>Macro Objective</b>	Create job opportunities	Protect vulnerable groups against shocks	Contribute to national/local growth
<b>Intermediate</b>	Mobilise surplus	Provide a minimum	Public investment in

<b>Objective</b>	labour for productive activities	transfer or income security to those defined as in need	infrastructure or delivery of services
<b>Micro objective</b>	Provide a minimum level of income through providing paid work	Provide safety net to allow for a minimum level of consumption/ prevent distress sale of assets.	Improve access to infrastructure or services to the individual of members of their community
<b>“Outcome Driver”</b>	Reduce unemployment	Improve social protection/ Safety net	Improve infrastructure and services

## 4. Influence of policy objectives on design

This section highlights the design implications for these programmes when priority is given to one specific policy objectives. It examines the implications for the prioritisation of 1- - reducing unemployment, 2-social protection, 3- poverty reduction and 4- provision of assets or services.

### 4.1 PEP and unemployment

The previous section made the distinction between programmes that provide employment and those that provide a transfer. If a PEP/EGS needs to be designed with the aim of reducing unemployment, it would therefore need to provide employment, and not a transfer. Important in this regard is therefore that the programme avoids deviating from established employment norms. Unlike programmes that provide transfers that create work under special provisions and often do not abide by basic labour legislation such as minimum wages and health and safety requirements, employment programmes should do so, although there may be exceptional circumstances where full compliance may not be possible. The section on Wage Rates has explored this issue with regards to minimum wages to be paid, but in general it would be best if these exceptions are avoided and that unemployment is reduced in a clear and acceptable manner.

If PEPs are to be designed to reduce unemployment a good understanding of the local labour market is critical. Understanding the nature of unemployment and underemployment, trends in labour force participation, wage structures and interlinking dynamic effects are all important to consider in ensuring that the desired effects are achieved.

A clearly articulated objective around reducing unemployment is important, given that even people who have worked for only an hour a week are classified as employed in most countries. While few programmes are aiming only for a statistical reduction in unemployment, providing full-time work to all may also not be the objective. What matters is to clearly state this.

The table below aims to assist the diagnosis of the nature of unemployment and underemployment and highlight particular design features of PEPs that can assist in reducing them. It also provides possible complementary programmes that when implemented together with the PEP can increase the desired impact significantly. The manners in which unemployment and underemployment are used in the table are explained in more detail in Annex A.

<b>Table 7: Un- and underemployment Characteristics and Responses</b>									
	<b>Unemployment</b>					<b>Involuntary part-time</b>		<b>Underemployment</b>	
	<i>Cyclical</i>	<i>Long-term</i>	<i>Structural</i>	<i>Frictional</i>	<i>"Specific"</i>	<i>Seasonal</i>	<i>Casual</i>	<i>Low wages/ poor conditions</i>	<i>Low productivity</i>
<b>Description</b>	Unemployment due to economic cycles, lack of employment is temporary and picks up when economy recovers	Period of unemployment is long (more than 6 months), high surplus labour and large number of discouraged workseekers	Skills mismatch, unemployed lack of skills to take up available jobs	People are unemployed for a short period, people switching between jobs (also called transitory or wait unemployment)	Unemployment concentrated in regions, or among definable groups in the labour market	Work only available in specific periods and no work outside those periods	People are employed for a limited time only although they are willing and need to work more	People are working full-time (or more) but at (extremely) low wages and under poor conditions	People are working full time but their productivity is too low to generate sufficient income
<b>Context</b>	Economic slowdowns and recessions where employment shrinks temporarily until economy starts growing again	Conditions with large amounts of surplus labour and insufficient capital formation for the market to create sufficient employment	Rapid changes in technology and skills have become redundant, education and training systems that fail to create a workforce that can meet demand for skilled labour	Periods of unemployment are typically short and associated with time it takes unemployed to find another job. Unemployment often voluntary	Youth unemployment, high rates of unemployment among women or ethnic groups, specific regions with high unemployment leading to outward migration	Agricultural areas with clear peak seasons, areas with tourist seasons, manufacturing and retail employment in some countries	Only casual employment available, much time spent looking for work in between casual work resulting in a low number of days actually worked	Workers paid below minimum wages, exploitation where productivity could warrant higher wages, work in (in)formal sector with no adherence to labour laws	Productivity so low that employer is not able to pay higher wages. Often "self-employed" in informal sector, subsistence agriculture, fishing etc.
<b>EGP design elements</b>	Rapid provision of work in sufficient scale to stimulate demand	Creation of longer term employment, creation of assets and provision of social services to assist in addressing deficits, increased demand to be matched by budgets	Provision of flexible work to enable workers to enter with current skill levels and afford training programmes. Include training as a work activity	Offers short-term employment allowing people to bridge gap between work	Programmes targeted on youth, rural areas etc. Provision of day care for women during work, flexible and part time work to complement other activities	Provision of work during "low seasons", provision of assets and services to assist with minimising seasonal variations	Programmes that create short-term work to increase overall availability of work, programmes that provide regular and predictable work, work during "off-hours" (evenings, Saturdays)	Programmes with minimum wages above prevailing (unacceptably low) wages. Large scale to offer real alternative, creation of assets and provision of services to enable other activities	Programmes that offer (part-time) work at minimum wages and focus on addressing causes of low productivity (natural resource rehabilitation, irrigation)
<b>Complementary interventions</b>	Unemployment insurance and benefits	Cash transfers to complement income from EGP and to reach those not able to access EGP	Training programmes, bursaries, training subsidies, placement programmes, educational reform and enhancement	Placement programmes, improve information availability, unemployment insurance	Wage subsidies for the target group, training, targeted cash transfers, day care to enable women to take up other available work	Cash transfers to complement income (particularly child support)	Cash transfers to complement income (particularly child support), placement programmes to minimise costs of looking for work	Legislated and enforced minimum wages and employment conditions	Cash transfers to complement income, improved access to capital and training to increase productivity

## 4.2 PEP and social protection

A key goal of the ILO and the family of UN agencies is to build effective systems of social protection; a key question is to what extent PEP can contribute to this goal. The ILO identifies the following two elements as part of the social protection floor:

- *Services*: geographical and financial access to essential services (such as water and sanitation, health, and education).
- *Transfers*: a basic set of essential social transfers, in cash and in kind, paid to the poor and vulnerable to provide a minimum level of income security and access to essential services, including health care. (ILO 2009):

PEP can make a contribution to both these elements of the social protection floor. In terms of access to services, these programmes can be used to invest in the infrastructure required to provide such services, and may also be able to invest in the services themselves by employing people to assist with the provision of health and education related services in particular. Not all infrastructures delivered by PEPs necessarily contributes to social protection: this is a design choice.

In relation to the income transfer dimension of PEPs, a number of issues arise. From a social protection perspective, the following issues need to be assessed:

Is the income regular and predictable; can participants rely on it or is it simply a short-term injection of funds – a kind of ‘windfall’?

Is there an entitlement to the income, however this is targeted or qualified?

Without these two conditions being met, the programme may contribute to offsetting shocks, and it may even contribute to reducing poverty, but these income transfers cannot be defined as part of social protection. (Marcadent 2010).

There are also important questions about the most appropriate instrument for targeting the most vulnerable, and the need for PEP/EGS to complement rather than substitute for other forms of social transfer aimed at the most vulnerable. The risks of relying only on PEPs are illustrated below.

### **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, the sick and malnourished in Malawi (as well as in Ethiopia) sometimes choose to participate in these projects because there is no alternative. This experience demonstrates the risk of assuming labour-constrained vulnerable groups have spare labour available. This experience demonstrates the risk of assuming 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.

The work conditionality assumes that poor households have idle labour willing to work if employment is made available.

International experience with public works documents strong demand for these jobs, with most programmes required to resort to non-wage rationing mechanisms. Two factors can work against the poorest in their attempts to access benefits through public works – they often have the least spare time available to commit to public works, and the targeting mechanisms do not always reach them.

Unconditional grants are often more effective in reaching these households. The cost of delivering benefits through public works to older people, child-headed households or those severely affected by HIV/AIDS is likely to be significantly higher than the cost of an unconditional transfer. Complementary social transfers to households with no one able to work are a critical element of efficient and equitable public works programmes.

SOURCE: McCord (2005a), quoted in Samson et al 2006

From an employment policy perspective, however, there is a different set of concerns in defining PEP as part of social protection, and the income earned as ‘transfers’. Instead, it is argued that it is important to recognise the difference between providing employment (and the income associated with that) and providing an income transfer. Programmes that provide employment under a defined set of employment conditions including a particular minimum wage should not be seen as providing a ‘transfer’. Of course those working derive income from this work, but this is earned income, and in essence the same as income earned by all other people who are employed. This income does of course contribute to the social security of those receiving it, but classifying this as a ‘transfer’ undermines the work component of the programme and reinforces the perception that the work being done is not “real work” but “make work”.

Where the notion of a transfer may have validity in this context, however, is in programmes that pay at levels below acceptable wage levels and/or that involve tasks that are outside the definition of ‘work’ in a given society. Determining and defining either of these criteria raises complex issues of definition and are contested, with the benchmark for what is ‘acceptable’ straddling formal minimum wages, prevailing wage levels, the reservation wage, and/or some form of poverty line in different contexts. The classification of what is recognised as ‘work’ also varies between different social contexts, also, with care-work providing an obvious example of this difficulty: in many societies, much care-work is not recognised as ‘work’ or remunerated; in others it is.

These debates link also to wider labour market debates: with those advocating greater liberalisation in the labour market often arguing that programmes paying at low levels or (or ‘desperation’ wages) do actually provide employment and that the low wage rates actually reflect more accurate market wage rates than “artificial” minimum wages. On the other hand, those who oppose deregulation of the labour market argue that these programmes should not be considered “employment” as this would undermine existing labour legislation and rights, but are a form of poverty relief.

The distinction between PEPs and conditional cash transfer (CCT) programmes with a work condition attached to them is therefore a complex one. For example, there are various interpretations of whether the *Jefes* programme in Argentina was an employment programme or a cash transfer programme with a work conditionality to it (Miller et. al. 2010).

By contrast, NREGA in India guarantees income to those who request work but where the state fails to provide it. In such circumstances those who have requested work are

entitled to an unemployment benefit, effectively a transfer. In this way NREGA combines the provision of income through employment with income through a transfer if employment cannot be provided. The PSNP in Ethiopia also provides a combination of employment and transfers – providing employment to those who have surplus labour, and a transfer to labour constrained households<sup>20</sup>.

From a design perspective therefore there are quite a few issues and options to consider in designing programmes to contribute to social protection.

With regards to providing income there are conceptually the following choices:

The programme provides **employment, at minimum conditions and wages** from which participants derive income that contributes to their social security. In this context however the programme does not really contribute to constructing the social security floor, but in practice reduces the need for this floor.

The programme provides a **transfer** to participants. This transfer is on the condition of work, but is not a wage and can thus be **below the minimum wage level** (but does not necessarily have to be). The nature of the work is often somewhat “borderline” These programmes are common, but often of short-term duration because of their ambiguous, and somewhat controversial nature especially from a labour legislation perspective. They are most common as responses to crisis and often closed down afterwards. Although common, the question is not only whether these qualify as part of social protection – but also whether they should qualify as PEP.

The third choice is around providing some kind of guarantee of income to participants in case they are not able to work, thus providing both employment and income security in the absence of employment. As described earlier, in NREGA income is guaranteed in the case the state is not able to provide work while in Ethiopia’s PSNP programme, income is guaranteed in those instances in which the household is not able to provide labour.

### 4.3 PEP and poverty reduction / alleviation

It is argued by some that the difference between social protection and poverty reduction is increasingly blurred (Devereux 2006) and in the context of PEP can even be interpreted to be the same (McCord 2008). However as one approaches this issue, both macro and micro aspects are important in the design of PEP. On the one hand there is the micro objective, of how PEPs reduce poverty at the individual or household level. Whether the programme reaches 5 percent or 50 percent of the poor, it matters what impact the PEP has on those that it does reach. The Productive Safety Net Programme (PSNP) in Ethiopia is a good example of having clear micro objectives of increasing household food security and prevention of the distress sale of assets.

On the other hand there is the macro objective that looks at the impact on all poor people, and considers whether overall poverty levels are reduced, i.e. whether just 5 or 50 percent of the poor their situation is improved. There is a potential trade-off between these micro and macro objectives of course as maximising the impact for the household typically means more resources focussed on fewer households, often leaving fewer resources to enable expanded coverage.

<sup>20</sup> These households may be labour constrained because they are single headed or child headed households, members may be pregnant or lactating or not able to work due to illness or age.

The greater the level of continuity, predictability and income transferred, the greater the contribution to social protection and to the reduction of poverty is likely to be. Where PEPs are short-term, they have been criticised for only providing temporary relief, with people sinking back into poverty once their opportunity in a PEP comes to an end.

While this may be the case, the effect is not always that simple<sup>21</sup>. A short term PEP may prevent a household from entering a downward spiral and sinking into chronic poverty in the context of a specific shock, enabling it to maintain levels of resilience. However, the shorter the duration of the programme and the lower the wages the more this criticism is likely to be valid.

Important as the wage rate is, it is not the only determinant of the net benefit to participants. Also key is the opportunity cost of participation in a PEP. In strictly economic terms the benefit of working in a PEP can be defined as the income gained minus the costs of participating, typically consisting of opportunity and transactional costs. This means that there can be two approaches to maximising the benefit to participants: one is to increase the income through the wage rate. The other is through minimizing the opportunity and transactional costs of participating.

The most common important transactional cost issue is usually the location of work and hence the costs of getting to work. For this reason, many programmes are designed so that 'work' is kept within a 5 km radius of where participants live. This measure alone has significant impact, allowing those in communities who cannot travel to work to take up work and often results in an increased labour participation rate (Ref Argentina, Kenya, and NREGA).

Another measure is through offering work on a part-time basis, which allows participants to balance other livelihood activities rather than having to forsake them. This also enables the participation of women, who may be better able to work for a few days or hours a week than full-time. Furthermore, in some conditions, the opportunity cost of participating in a programme is extremely low. In conditions, with high rates of unemployment, surplus labour and a labour market offering mostly casual and informal work, the opportunity cost of participating would generally be lower.

PEPs are also able to target groups that are particularly vulnerable or disadvantaged and are often difficult to target with other interventions. PEPs can be targeted in specific geographic locations with high poverty rates for instance. Furthermore, if programmes are universal they make it easier for the most vulnerable to benefit for these programmes, as they are not competing for opportunities with those that are better off and generally more empowered to take advantage of work that is being made available, thus minimising the exclusion that occurs on non-universal programmes.

#### **4.4 Provision of services and assets**

In some programmes the provision of services and assets is considered the primary objective. For these programmes budgets are typically allocated on the basis of particular services to be provided or assets to be created. These activities may then be designed to maximise the employment to be created in the process of providing these services, but the duration of the employment created for instance will largely be dictated by what is required to provide the service, not the need of the target group.

<sup>21</sup> Devereux (2003) argues that while small transfer make small impacts, moderate transfers can make big impacts as they start enabling savings and investment in the household.



Such an approach is not easily compatible with an EGP, as they are not responsive to fluctuating demands for employment as EGS should be. They can however be complementary to an EGP in the sense that they can increase the aggregate amount of available employment and thus reducing the required scale of the EGP. In practice this would entail having two parallel programmes. One focusing on raising the aggregate employment created through government investments to make them more labour-intensive and an EG that would create additional employment for those who cannot be accommodated on the other programme.

Some aspects, in particular the recruitment on these programmes would benefit from integration however, whereby all those seeking work apply centrally. They can initially be directed to existing labour-intensive projects, and only when these projects are not able to accommodate more people, additional EGP projects would be added to ensure that the employment guarantee is put into effect.

## 5. Operational issues

### 5.1 Programme constraints: complexity, costs and capacity

There are a number of issues to consider when one moves from the relative comfort of theoretical EGP to their implementation. These issues relate to the following:

- The complexity of these programmes
- The costs of such complexity.
- The capacity of the State to deliver.

There is no doubt that these programmes require substantial capacity, no matter what the operational and institutional arrangements are and this need to be planned and resourced.

In addition to what may seem to be purely operational concerns is the issue of whether these programmes can maintain long-term political and popular support and what measures need to be considered to ensure this. These 'operational' issues – and the institutional arrangements put in place - are often more influential in this regard than may be anticipated. Given that PEPs are complex programmes to design and manage, a key question is whether similar objectives can be achieved in simpler and possibly more cost effective ways:

- If the overriding priority is to increase the income of particular target groups, (conditional) cash transfers may be a more efficient policy option.
- If infrastructure construction or service provisions are the overriding objectives, are there better ways to deliver these?
- It is where employment – with all its social and economic spin-offs - is the clear policy priority that PEPs have a clear policy advantage.
- In practice, however, many developing countries face a complex combination of all of these priorities, including for example surplus labour, poorly functioning labour markets, widespread poverty, infrastructure and service deficits, poor governance with scope for corruption – as well as frequently occurring shocks and crises. This makes PEP an attractive 'multi-purpose' policy option - as demonstrated by their widespread and repeated use. This in turn means that complexity is unavoidable: with significant implications for the need for clearer

planning, design and execution – and the capacities required within the state to do so effectively.

- The capacity to plan, design and execute such programmes is required within the state. It is often assumed that such capacity is in place: but this has often proved to be a dangerous assumption, responsible for many problems in PEP, be it poor quality assets and services, programmes that never go to scale, or widespread variation of programme quality within one country. Part of the problem, in infrastructure-based programmes for example, is that, since government already manages large infrastructure portfolios it is often assumed that adding an additional set of activities will require only limited additional capacity.
- There are two flaws with this assumption. The first is that in most developing countries existing capacity to manage and deliver infrastructure or services is already overstretched. The second is that these programmes often require a level of dedicated capacity if they are to go to scale. So putting in place and building capacity should always be part of the implementation strategy. But what are the capacities typically required?
- Although these vary from country to country, and are influenced by the nature of the government and the institutional arrangements, the following key capacities are required:
  - Economic/ Fiscal: Make the case for programme budgets, demonstrate economic effectiveness of the programme
  - Political/ Popular: Build political support for the programme, communicate programme impacts and benefits, and rights
  - Planning and coordination: Coordinate programme activities between different ministries, and state and local governments
  - Programme Management
    - Project Management including contract management
    - Accountability and transparency
    - Technical (Sector specific): Design and ensure quality of interventions
  - Community engagement and mobilisation: ensure local participation fair recruitment, inputs in prioritisation of activities and identification of projects
  - Reporting, monitoring and evaluation: Ensure there is capacity to report on activities, collect and analyse reports for improving programme performance and decision-making and evaluation to assess programme impacts and enhance programme design.

## 5.2 Trade-offs and complementarities

In practice trade-offs on these programmes are almost inevitable as avoiding them would, amongst other things, require flawless execution in contexts that are far from amenable to flawless execution.

### **How different policy assumptions inform implementation practices**

Let us consider a fairly typical situation in which there are delays on a particular project due to a third party's fault and there is no work available for participants:

- In a programme that is designed with social protection as its primary goal, the policy would be to keep paying participants as it is not their fault that there is no work available and the primary purpose of the project is to transfer income.

- In a programme that has the delivery of assets as its primary objective, the policy would be that pay would not be continued; as it would result in a higher cost for the project and create the risk that the asset or service could not be finished in the end.

- A programme that has employment as its primary objective might require that participants be shifted onto another set of activities to ensure that they keep working.

How programmes deal with the most common trade-offs in practice really determines their nature, more than what they are called or what the programme objectives state and so both programme designers and analysts would do well to study and understand them more carefully to ensure that programme design follows programme intention and not the other way around.

**Table 7: Common trade-offs in PEPs**

<b>Typical choices</b>	<b>Options</b>
No work can be done due to outside factors	Send workers home without pay or pay them without having worked
Setting the wage rate	Higher wages can mean fewer people benefit, lower wages reduce the impact for each participant
Leakages	Self selection may result on participation of those not in target group- Rigorous selection carries costs
Share of wages versus materials	High labour intensity with lower quality / standard assets/ lower labour intensity with more material input and higher quality assets
Speed of implementation	Rapid provision of work with limited design and planning or more time for planning and design with slower responses
Centralisation versus Decentralisation	Which of these is more efficient and effective depends significantly on the local institutional context.
Contracting	Force account with higher labour share but dense backstopping requirements or sub-contracting to SME and local consultants leading to lower labour share

In addition to trade-offs there are also complementarities with other policies and programmes. EGPs and cash transfers are often discussed as alternatives to each other, while there is no reason, either in theory or in practice, why they cannot co-exist. In a paper comparing potential cash transfer and job creation programme in Kenya, Zepeda (2007) finds the impacts of the two interventions to be different in terms of the impact on urban versus rural unemployed and the extreme poor. The irony is probably that these two types of interventions could be highly complementary. There is increasing evidence of this around the world, with the Productive Safety Net Programme (PSNP) in Ethiopia probably being a good example. The potential impact of combining the two and designing them to be complementary is one of the most exciting policy challenges lying ahead.

How trade-offs are best dealt with or how complementarities are best achieved often boils down to programme design. The next section will therefore discuss programme design issues in more detail.

## 6. Types and nature of work to be done

Deciding on the focus of work in PEPs is a key design issue. The work undertaken can vary significantly and this has implications for cost, capacity and complexity. The activities in the following areas have been part of PEP:

- Infrastructure
- Environment
- Social
- Community Works (Multi-Sectoral)
- Training related activities

Before these different types of work are discussed, it is important to discuss that the decision on which work activities can be included can be made at various levels. In some programmes, these decisions can be made centrally, and projects are decided upon at the national level. In other instances the decision-making can be more decentralised and only a set of criteria or principles are designed at the central level. The multi-sectoral programmes discussed further down are most likely to emerge in decentralised programmes, while the more centralised programmes generally result in more sector-driven programmes.

### 6.1 Lessons from infrastructure programmes

PEPs have been used for the construction, rehabilitation and maintenance of infrastructure for many years and extensive experience exists in this regard. The Employment Intensive Investment Programme (EIIP) of the ILO through its Advisory Support, Information Services and Training (ASSIST) programme has created large repository of research and documentation on the labour-based approaches, technologies and the types of infrastructure that can be build and maintained using these programmes.

The long history does not imply however that this field has not been dynamic and a number of areas are worth highlighting. Technically there is the area of constructing higher standard and urban infrastructure using labour-based methods on which technically significant progress has been made in South Africa<sup>22</sup>. Through this work the scope for construction of especially high standard roads in a labour-based manner has increased significantly. There have also been developments, three of which are discussed in more detail below, as they all have important lessons beyond infrastructure related work.

#### 6.1.1 Use of local consultants and contractors

A key development in the use of labour-based methods over the past 25 years has been the increased involvement of private contractors. Before this, labour-based methods were implemented on a large scale without contractors through the use of force account operations where government would hire labour directly and also provide the technical supervision themselves<sup>23</sup>. However with the downsizing of governments and the drive towards contracting and outsourcing in the 1990's and early 2000's a shift took place towards using local consultants and contractors to design and implement labour-based projects. This trend is largely continuing. The experience with the use of contractors has

<sup>22</sup> See for instance research at the University of the Witwatersrand and the Council for Scientific and Industrial Research (CSIR) (McCutcheon and Taylor-Parkins 2003, CIDB 2007)

<sup>23</sup> The Kenya Rural Roads Programme and the MEG are good examples of this.

been mixed however and it should not be assumed that the use of contractors is always the better option.

Some lessons from India and South Africa are valuable in this regard. The first lesson is that in the normal contracting approaches of lump-sum or unit rate tendering; there is essentially a bias against the use of labour-based methods, especially on larger projects. One of the main processes driving efficiency and thus profitability for contractors in civil engineering works is economies of scale and typically for larger quantities of work, larger machines are used to increase the efficiencies. Labour-based methods do not allow for economies of scale however, as once overheads have been minimised, the unit rate cannot be reduced further, no matter how big the work as it is directly proportional to the number of man-days required.

Contract conditions can of course be used to force contractors to use labour-based methods for specified parts of the work, but the experience in South Africa was that this requires intensive project management from the side of the client/ state. In particular during the contract implementation there is a need to intensively “police” projects to ensure that machines are not used where not allowed.

The second lesson is that in order to have the labour-based work executed in an efficient manner, specialised contractors and supervisory staff are required who are trained in the management and supervision of labour-based works. Many countries, often with the support of the ILO, have embarked on such training programmes for small contractors and their staff. These training programmes typically require substantial management and investment by the State.

These requirements for intensive project management and investments from the state suggests that governments should carefully consider their role in project implementation, as there may be circumstances where the government would be better off to implement projects themselves, or at least take a much more active role in project implementation and be much more directly in control of the labour-intensity of its projects<sup>24</sup>.

This does not by any means suggest that contracting should be banned completely from labour-based works, but that there should be awareness of the challenges and potential pitfalls.

Where government capacity is constrained, the use of labour only contractors may be an option as this poses limited risks. In labour contracting, contractors essentially compete around the management and administration of labourers, and those who can hire labourers, administer their contracts and pay wages most efficiently would be awarded tenders and this would relieve the State of all these duties. Technical in-house staff can then concentrate on the technical supervision and procurement of materials. Other approaches to be considered are community contracts in which communities organise and manage much of the works themselves. Community contracting is a participatory process whereby a community group negotiates with local government or a development programme and enters into a contractual agreement in order to undertake an activity that leads to an improvement in their livelihoods. The main difference with “conventional” community-level project activities is that the contract approach is based more on partnership relations than on “provider-recipient” relations. A process of negotiation and bargaining is essential to arrive at an agreement, or contract, that is satisfactory and feasible for all parties. These

<sup>24</sup> In India under the NREGA contractors have been banned, largely for the reasons above. The experience was that getting the desired percentage of spending paid out in local wages was too difficult when contractors were being used.

negotiations between public administrations on the one hand, and community groups on the other, strengthen the social position of target groups in the unorganised sectors, and thus provide the basis for a more democratic and equal form of partnership. If well designed, the contract approach is likely to strengthen the collective capacities of the poor to act as partners in development, and to enhance accountability of public administrations.

### 6.1.2 Potential of re-orienting existing budgets to be more labour-intensive

Another important lesson from infrastructure programmes is the macro-economic impact and a study that is in particular worth mentioning is one based in South Africa done by McCord and Seventer (2004). Using data from a detailed comparison between the financial and economic costs of machine-based versus labour-based road construction as well as a Computer General Equilibrium model, the effect of shifting infrastructure expenditure from machine-based to labour-based were modelled. The table below present a summary of the results.

**Table 8: CGE Results**

	1	2	3	4	5
	Labour Based Method	Machine Based Method	Labour Based Method	Machine Based Method	Impact of switching from machine to labour based R million (unless indicated otherwise)
	Direct impact	Direct impact	Total impact	Total impact	
1. CAP	216	216	1,386	1,345	41
2. LABEPWP	781	228	781	228	553
3. LABLowSkill	0	0	236	229	7
4. LABMedSkill	166	205	592	622	-30
5. LABHiSkill	300	300	621	610	12
6. Gross sectoral output	809	1,039	4,848	4,679	169
7. Output multiplier			1.6	1.5	
8. GDP	1,462	950	3,615	3,033	583
9. GDP multiplier			1.2	1.0	
10. % of GDP	0.1%	0.1%	0.34%	0.28%	0.05%
11. Government inc	345	389	1,039	1,021	19
12. Imports	268	425	1,452	1,488	-36
13. % Ch in 0-20%	3.1%	0.9%	3.2%	1.0%	2.1%
14. % Ch in 20-50%	1.1%	0.3%	1.2%	0.5%	0.8%
15. % Ch in 50-90%	0.0%	0.0%	0.2%	0.2%	0.0%
16. % Ch in 90-100%	0.0%	0.0%	0.2%	0.2%	0.0%
17. Employment EPWP (full time jobs p/a)	104,384	25,543	104,384	25,543	77,767
18. Low skilled	0	0	3,123	2,769	353
19. Medium skilled	2,027	2,513	8,456	8,288	168
20. High skilled	984	984	3,435	3,177	258
21. Total	105,847	28,565	117,850	39,303	78,547

Source: McCord and Seventer 2004

Analysing these results further yields some very interesting additional results. Firstly the increase of approximately 79 000 full time equivalent jobs from 25 565 to 105 847 without increasing overall expenditure of R3 billion is highly significant in and of itself. It means government has reduced the cost of creating a full time equivalent from R76 330 to R25 456 and it would be hard to imagine a more cost effective way for the government to generate employment.

The second important aspect to highlight is the increase on overall GDP generated by this shift. The research estimated that the shift would represent 0.05% of GDP. This should be evaluated against a total spending of R3 billion which accounted for about 0.3% of GDP. Furthermore the increase in the number of people employed as a percentage of the total number of people employed would be about 1%. In summary the results suggest that shifting already planned expenditure representing about 0.3% of GDP from machine based to labour based, would increase GDP by about 0.1% and increase total employment by about 1%.

All of this would suggest that it certainly makes economic sense for governments to have an increase in the labour intensity of their investments as part of their employment strategies and public employment programmes. As the experience described above suggests, this shift is generally best achieved by governments themselves driving this process, with limited involvement of contractors whose interests are typically not served by such a shift. Also suggested by McCord and Seventer such a shift alone is generally not a sufficient measure for addressing unemployment or achieving full employment, but the figures would suggest that it can make a valuable and significant contribution. Findings in other countries like Madagascar and Cameroon have yielded similar results (van Imschoot 2006, Yemene 2007). Incorporating this approach could thus be an important strategy for creating additional employment and containing the overall budget required for the implementation of any EGP. But it also suggests that increasing the labour intensity may also be an option in other work activities and would be worth considering.

### *6.1.3 Choice of assets*

Which assets to create or maintain, and who makes the decisions in this regard, is another key aspect of infrastructure programmes that influence the impact of the programme. If the impact of the programme on the poor is to be maximised, then the assets created should also benefit the poor. If on the other hand these assets primarily benefit the non-poor, then the impact of the programme will be restricted to the income earned by the poor through their employment on the programme activities.

There are various approaches possible to deciding which assets to invest in or maintain. At the one end, these decisions can be made at the central level, typically by government departments responsible for these assets. Roads departments may simply decide which roads to maintain based on their existing plans and priorities. The extent to which these plans and priorities were identified in consultation with the poor and local communities varies considerably from country to country, but it is fair to conclude that when these decisions are made centrally, there will be many cases where the assets created provide only limited benefits to the poor.

In particular in the case of infrastructure programmes that focus on re-orienting existing budgets, the decision-making on the assets to invest in will typically be made centrally, or at least by the relevant departments responsible for this type of infrastructure. The degree to which these will benefit the poor will depend on the overall focus of the poor of that particular department, but inevitably investments will be included that are not aimed at benefitting the poor, but can still create employment for the poor in the process of construction and maintenance.

At the other end of the spectrum are approaches where the decision-making process is completely decentralised and local communities decide not only on the nature of the assets to work on, but also exactly which particular asset will be rehabilitated for instance. The main advantage of this approach is that the likelihood of the assets benefiting the poorer directly is very high and that there is generally a high degree of ownership of the asset afterwards, making it more likely that it will be looked after and maintained.

In between these ends, there are numerous possible options of course. In NREGA for instance the nature of the possible works is specified by the central government largely based on the labour-intensity of these works and their second round benefits, but the choice of which particular asset to work on is decided locally. See <http://www.ilo.org/public/english/employment/recon/eiip/areas/community.htm>

Other programmes are even more decentralised, generally only putting restrictions on investment in private assets, although some programmes even allow for investment in private assets for the poor and vulnerable.

## **6.2 PEPs and provision of environmental services**

Using PEP to address environmental concerns and make investments in environment and local ecosystems is likely to increase dramatically over the coming years, as climate change will add significantly to already existing climate stresses in many developing countries. In addition to many activities already identified and executed under PEPs increasing number of activities related to the mitigation of and adaptation to climate change can be expected.

In many instances, the distinction between these and infrastructure related activities might not be that clear: the construction of a dyke against rising sea levels is clearly both an infrastructure and environmental related investment. In order not to duplicate efforts however, this section will focus only on non-infrastructure related activities.

The inclusion of environmental services in EGPs opens up enormous potential for work activities that can occupy large numbers of people for a long time and should help to address concerns about whether or not there are sufficient activities to employ people productively under these programmes (Lieuw-Kie-Song 2009). Especially if the scope for part-time, but long-term work in caring for the environment exists there is scope for massive employment. Activities such as reforestation which includes caring for planted seedlings and young trees, removal of invasive vegetation, removal of litter and garbage from nature and in particular water bodies and restoring degraded land all provide scope large scale engagement in many countries.

## **6.3 PEPs and provision of social services**

There is also considerable scope for expansion for employment in the area of social services, with a wide range of possible services which can be provided through EGPs and it would be relatively easy to identify additional areas through local consultation processes. Perhaps, the most important element of these activities is how they relate to public services already provided by the government using the normal civil service. There are risks here of overlap and duplication, as well as undermining working conditions for normal civil servants. The experience with the introduction of Early Childhood Development (ECD) as part of the EPWP in South Africa is particularly relevant here.

The introduction of ECD in the EPWP caused considerable confusion over how this was to be integrated with existing ECD services provided and existing expansion plans for these services. ECD for children above four years of age was to be provided by teachers in public schools for instance and this created tensions with the role of those employed through the EPWP. Ultimately it was decided that the ECD component of the EPWP would function more like a training and placement programme where participants would be recruited and trained with the intention that they would exit into longer-term employment within the sector but outside the EPWP. This created institutional tensions between different parts of government mandated with achieving the same outcomes.



From an operational point of view there are also challenges in organising the work to ensure effectiveness and how to involve nongovernmental organisation (NGOs) and community based organisation (CBOs) who typically play an important role in the provision of these services. The key objective here is that the programme does not compete with these NGOs, but rather mobilises and supports them to increase the services they are already providing.

Another critical element in terms of the provision of these services is that many do require a medium or long term approach to the employment of the individual, as part of ensuring quality care. There is a strong inter-personal dimension to many of these services that may be undermined if it is designed as short-term work or work on a rotational basis. For example, if care to children or orphans is part of the services provided, it would be counterproductive for the children to have a new care giver every couple of months or even weeks.

Strong local involvement in the identification and provision of these services can strengthen programmes:

- Services would be identified and prioritised based on local needs and knowledge
- The risk of duplication would be minimised as communities would be unlikely to identify a particular service as a priority for the EGP if it is already being provided through another government programme or institution
- Services that are ineffective are more likely to be stopped and new activities could be identified if new needs arise
- Knowledge of local organisations and individuals is more likely to be used effectively.

Organisationally, services could be provided through forms of community contracting, or through local CBOs and NGOs contracted to provide these services.

#### **6.4 PEPs, participatory processes and local development**

While PEPs are often a policy response from the centre, there are also examples of PEPs arising as an outcome of social mobilisation and/or of tri-partite negotiation between business, labour and government, and/or other stakeholders; there is also wide scope to build community consultation and participatory approaches into the design and implementation of PEPs, and to integrate PEPs into local development planning processes.

In India, for example, the introduction of an employment guarantee was in part a response to popular pressure from below; it was linked initially to a 'Right to Information' campaign which exposed abuses and corruption in the allocation of resources in the public works programmes that existed in India at the time, leading to their transformation.

These roots in social mobilisation processes are reflected in certain key aspects of the design of India's employment guarantee scheme; in particular, the programme is designed to be demand-led, with the local *panchayat* (local government structure) expected to provide work 'on demand' - within 14 days of a formal request by a group of a minimum of ten people. This has the potential to incentivise local mobilisation and organisation, and places the initiative in the hands of those who need work, rather than in the hands of local officials. It does however also mean that where there are information gaps or such initiative and organisational capacity are lacking, the *panchayat* has no obligation to initiate the programme.

In South Africa, the Expanded Public Works Programme (EPWP) was an outcome of a tri-partite Growth and Development Summit in 2002, which built on existing but

uncoordinated public works initiatives; a tri-partite Framework Agreement on wages and working conditions for public works programmes was also in place. The need for an expanded public employment programme was one of the only issues the social partners were able to agree on in this summit, and the EPWP has reported back into South Africa's tri-partite National Economic Development and Labour Council (NEDLAC) ever since.

The strength of this process was that the programme was rooted in wide social consensus, but the social partners had different views on where EPWP's priorities should lie: the compromise was to include multiple objectives, with a range of trade-offs embedded in the design. While this was an effective way to build social consensus, these multiple objectives created implementation challenges for EPWP.

In both these examples, processes of social mobilisation and social dialogue have impacted on overall design at a high level. There is also considerable scope for PEP/EGS to integrate local consultative and participatory processes into decision-making on work outputs and implementation at a local level, and to contribute to building participation in local development planning and prioritisation.

The most common form such participation takes is in relation to targeting and selecting beneficiaries at a local level. In the Productive Safety Net Programme (PSNP) in Ethiopia, for example, the target beneficiaries are food insecure households: local Community Food Security Task Force (CFSTF) teams undertake needs assessments within the community and identify those households considered eligible for different levels of support. These names are read out at a public meeting of the community, before the list is submitted to the relevant government structure for final approval.

Under the right conditions, the use of participatory processes to select beneficiaries draws on local knowledge to assist the targeting process in ways that can be more effective and cost-efficient than other forms of means-testing. However, such approaches are not without risks. They assume a local culture of participation that may underestimate the pervasiveness of local power structures and patronage networks, as well as gender, ethnic or other biases at local level that may make some households less 'visible' even within their own communities.

PEP/EGS can also enable processes of local prioritization of those assets and services most needed for local development. This can be within a particular sectoral or thematic focus, such as in relation to food security or infrastructure needs, or can be open-ended and include social services and care work. The following excerpt is illustrative of this regard:

*'During our first meeting ... village leaders stated that there was not much scope for NREGA kind of works in the village. They could not think of many works which can be undertaken under the NREGP.... In the focus group discussions attention of people was drawn towards the burden of unpaid work on the women (using time use statistics) and the needs of the village for infrastructure and for productive assets. The major contribution of focus group discussions was that (1) they helped people to view NREGS in the long term perspective in the sense that it made them realize how NREGS works in the coming 5-7 years can contribute to the development of the village, (2) how the drudgery of unpaid work was a major constraint of women and how NREGS work can help here. Villagers came out with concrete suggestions.'* (Hirway, Saluja and Yadav).

In South Africa, processes of local consultation on priorities in the Community Work Programme (a new component of EPWP) have demonstrated the scope for 'work' to address social challenges. In rural and urban sites, priorities have included the care of orphans and vulnerable children, home-based care for those with HIV/Aids and/or TB, as well as auxiliary support to affected households – including labour support to maintain food production. Activities to reduce crime include organised recreation activities for youth; strategies to reduce violence against women and girls include simple but effective actions such as cutting the long grass adjacent to paths and posting street guards on key access

routes or points of vulnerability. In the process of identifying ‘useful work’, these social challenges are also identified and taken on by communities themselves. Typically, infrastructure and service backlogs are also high on the agenda.

Where PEPs enable decision-making and prioritisation at community level, issues of alignment with other government programmes is key. At the most basic level, if a local PEP develops assets or infrastructure, such as a road, a community hall or a borehole, the key question is: who owns these assets, who is responsible for their maintenance and from which budget will this be resourced? This issue is particularly important if the PEP is a short-term intervention. If these questions are left unanswered, the useful life of assets created is likely to be relatively short.

Even in the context of an ongoing programme, however, these issues arise. Without formal institutional mechanisms to ensure alignment, the risk exists that the PEP sets up parallel delivery systems. While communities are unlikely to prioritise assets or services they already receive, this does not mean the government department responsible for such delivery will necessarily embrace a process which pre-empts or displaces their role. Quite simply, if the institutional politics of this is not well managed, a PEP programme can find itself under pressure from other departments within the government.

This issue is significantly simplified if the PEP has a sectoral focus, and is managed within the mandate of one Ministry or sphere of government. In India, the NREGP falls under the Ministry of Rural Development, and the scope of ‘works’ undertaken in its early stages focused on water conservation, irrigation infrastructure, roads and activities within its broad mandate. The need to link the NREGP to other rural programmes has been highlighted. Given that both of these fall under the same Ministry, this illustrates some of the complexity of ensuring alignment.

However, while there are institutional advantages to a sectoral focus, it may not be easy to absorb people at the scale required within the limits of one set of sectoral activities; there are also significant opportunities to promote local ownership of development processes where communities are challenged to identify ‘useful work’ in a multi-sectoral way.

In the Community Work Programme in South Africa, this alignment is achieved by integrating the decision-making on ‘useful work’ into local development planning processes, which are themselves multi-sectoral processes. At local level, Ward Committees are consulted in the development of an annual Integrated Development Plan, which informs local budgets. These Ward Committees are now also used to identify ‘useful work’ for the Community Work Programme.

## 6.5 PEPs, training and exit strategies

Many PEPs incorporate training elements. The training elements can have very different objectives however. There are four training approaches that are most commonly incorporated into PWP as indicated in the table below.

	Target Group	Objective
1	Government Officials	Improve programme design and management
2	Local Consultants, Small Contractors, NGO, Community Based Organisations (CBO),	Build design and implementation capacity Increase sustainability of assets created
3	Participants	Increase programme productivity
4	Participants	Enable participants to exit the programme into better forms of employment.

While the first three all contribute to improving the impacts and outcomes of the PEP itself, and may be crucial to successful implementation, the focus on training participants in order to give them skills to enter the wider labour markets poses greater difficulties, particularly where such training is not related to the work required within the PEP.

This emphasis on training participants for other forms of employment when they ‘exit’ the PEP is often based on the perception that lack of skills is the main impediment preventing participants from finding employment (or becoming self-employed), and that the PEP is well placed to bridge this gap. Both assumptions are however often flawed. In many contexts, the reasons people cannot find work or cannot become self-employed are more complex, and relate to the wider structure of the economy, which is failing to create job opportunities for unskilled – or even for semi-skilled - workers. While a PEP may bring temporary relief, and training may help a limited number of workers to exit the PEP programme into more rewarding and sustainable (self-) employment, the overall experience is that PEPs do not provide any meaningful advantage to unskilled workers given the structure of most developing country labour markets – with scarce skilled labour and overly abundant unskilled labour.

Two strategies can be singled out to increase and sustain the employment impact of PEPs and infrastructure investments:

- Aim to extend the employment-generating impact 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. 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. Similarly, the second-order economic benefits stimulated by the availability of cash in the local economy arising from the wage transfer can support private sector job creation. 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.
- Increase the employment-intensity of regular infrastructure investments. A large proportion of national public investment budgets in developing countries – sometimes up to 70 percent – goes to the infrastructure and construction sector. The range of technological options available for this sector is considerable. For example, the share of the cost of equipment in the total cost of unpaved road construction may vary from 30 to 80 per cent and that of labour from 10 to 60 per cent, according to the technological option chosen. As infrastructure investments are largely controlled by the State and planned and funded under Public Investment Programmes, they can and should be used as a tool of public policy to achieve pro-poor development and labour-intensive growth. Given the large amounts of money involved, even a minor shift towards more employment-intensive technology options in (urban and rural) infrastructure investment can have a major impact on aggregate employment creation for unskilled workers. Furthermore, the indirect employment generated by labour-based methods is estimated at between 1.5 to 3 times the number of directly generated jobs.

## 7. Conclusion and recommendations

The call from the Global Jobs Pact (GJP) for governments to implement EGPs and PWP to address some of the impacts of the global economic and financial crisis recognises the important role these programmes can play in creating employment and strengthening social security. This call was partly informed by the long history of these programmes, as well as by recent developments and innovation in the area of public employment that has widened the scope of policy priorities to which these programme can contribute.

In particular, the emergence of a form of employment guarantee as part of public policy in India offers a new instrument for realising one of the ILO's most fundamental goals, which is to secure the right to work – and to decent work in particular.

While the right to work is recognised as a human right in the UN's Declaration of Human Rights, the commitment the full employment was articulated in Convention 122 on Employment Policy of the ILO, and 'full, productive and decent employment' is an added target in the Millennium Development Goals, the challenge of providing work for all who are willing and able to work has not yet been met. The challenge is to find new instruments able to achieve this. One part of this equation includes policies that promote labour-absorbing growth in the economy as whole; but the state has a key role in closing the gap between the scale of employment created in this way and scale of demand for work.

The GJP is a response to the global financial crisis, and includes a call for the implementation of public employment programmes as part of the crisis response. Markets do not only fail to create employment in times of crisis, however; many countries were already grappling with unemployment challenges before the crisis - and will continue to do so after the crisis is 'over.'

This paper demonstrates that important as PEPs are as part of the crisis response, they also have a key role to play as an ongoing instrument of wider employment policy, as part of realizing a right to decent work. Where PEPs are integrated into employment policy in this way, they provide a counter-cyclical response able to expand and contract in response to the demand for work in changing market contexts. Where a long-term perspective on their role is taken, their capacity to contribute to wider ILO and development policy goals is enhanced: including to the sustainable reduction of unemployment, to decent work, to a social protection floor, to poverty reduction, and pro-poor growth.

So while the crisis has highlighted the role of public employment - there is also a stronger case for ongoing public investments in employment creation. While it is recognised that integration is not easy, alignment can often be more easily achieved.

Apart from the policy arguments, there are also important operational arguments in favour of a longer-term perspective. These programmes require capacity in government to be effectively implemented and that this capacity cannot be created overnight in case of a crisis. Maintaining some minimal level of capacity and institutional readiness requires a medium to long-term perspective.

This paper highlights some of the recent developments in the design of these programmes. Experience has shown that their design, in particular how well the design matches the policy objectives of the programme, and how the inevitable trade-offs of the programme are managed are critical to programme success. These recent developments thus offer a good opportunity for having future programmes that contribute more

effectively and to the better alignment of the key outcomes these programmes can create namely:

- Reduced un- and underemployment
- Increased social security and protection
- Provision of infrastructure and services based on local needs

Together these three can make a significant contribution to reducing poverty.

In order for these programme to contribute to these outcomes it is recommended therefore that:

- Policymakers place employment at the heart of their economic policies, and develop the instruments required to realise a right to work in their societies,
- Policymakers integrate PEP into their wider employment policies, and take a long term approach to these programmes, recognising that they are countercyclical and expand and shrink over time;
- EGS and PEP are considered not only as crisis response tools, but that in particular their role to contributing to achieving full employment and realising a social protection floor and reducing poverty are recognised
- That care is taken to align these programmes with other policies and programmes so that they complement each other, rather than possibly compete or work against each other
- The possible trade-offs between various programme objectives are taken into account during the formulation of objectives and programme design.
-

## References

- Allianz 2007, “*Hedging Climate Change, How insurers can manage the risk if increasing catastrophes*”, Risk Report, Allianz Dresdner Economic Research, (Allianz SE, Munich) (Available on www.allianz.com)
- Antonopoulos R, 2007, The Right to a Job, the Right Types of Projects: Employment Guarantee Policies from a Gender Perspective, *Working Paper No. 516*, (The Levy Economics Institute of Bard College, New York)
- Dell Ninno C., Subbarao K. and Milazzo A. 2009 “*How to Make Public Works Work: A Review of the Experiences*”, Social Protection Discussion Paper No. 0905, (World Bank, Washington D.C.)
- Devereux S. and Sabates-Wheeler R. 2004 “*Transformative Social Protection*” Institute for Development Studies Working Paper 232, (University of Sussex, Sussex)
- Devereux S. and Solomon C. 2006, “Employment creation programmes: The international experience”, Issues in Employment and Poverty Discussion Paper No. 24, Economic and Labour Market Analysis Department, (International Labour Office, Geneva)
- Dewan S. and Peek P 2007 “*Beyond the Employment/ Unemployment Dichotomy: Measuring the Quality of Employment in Low Income Countries*”, Working Paper No. 83, Policy Integration and Statistics Department, (International Labour Office, Geneva)
- Galasso E. and Ravallion M 2003 “*Social Protection in a Crisis: Argentina’s Plan Jefes y Jefas*”; World Bank Policy Research Working Paper 3165
- Ghose A. K., Majid N. and Ernst C. 2008 “*The Global Employment Challenge*” (International Labour Office, Geneva)
- Hirway I, Saluja MR, Yadav, B “*Analysing Multiplier Impact of NREGA Works Through Village SAM Modeling;*” paper produced as part of research project: “From Unpaid Work to Public Service Job Creation: Towards a Strategy for Pro-poor Economic Development and Gender Equity,” at The Levy Economics Institute of Bard College.
- ILO 2003, A Programme Document of the Employment-Intensive Investment Branch A global programme: Investing in employment for poverty reduction and local economic growth, (ILO: Geneva)
- ILO 2009, Extending social security to all : A review of challenges, present practice and strategic options. Draft for discussion. Tripartite meeting of experts on strategies for the extension of social security coverage, International Labour Office, Social Security Department. – (ILO: Geneva)
- Islam R and Majeres J, 2001 “Employment-intensive growth for poverty reduction: what can labour-based technology in infrastructure contribute? *Proceedings of the First International Conference on Employment Creation in Development*, Research Centre for Employment Creation in Construction, (University of the Witwatersrand: Johannesburg)
- Kostzer D. 2008, *Argentina: A Case Study on the Plan Jefes y Jefas de Hogar Desocupados, or the Employment Road to Economic Recovery*, Working Paper No. 534, (The Levy Institute of Bard College, Annandale on Hudson, NY)

- Lieuw-Kie-Song M, 2009, Green Jobs for the Poor: A Public Employment Approach, Poverty Reduction Discussion Paper 2009-02, (UNDP, New York)
- Marcadent P. 2010, Personal Communication
- McCord A. and Van Seventer D., 2004, The Economy-wide Impacts of the Labour Intensification of Infrastructure Expenditure in South Africa, Forum Paper for African Development and Poverty Reduction the Macro-Micro linkages, Somerset West, South Africa. Available on : <http://www.tips.org.za/node/820>
- McCord A, 2009, Recognising Heterogeneity: A Proposed Typology for Public Works Programmes, *SALDRU Working Paper 26*, (University of Cape Town, Cape Town)
- McCutcheon R, (2003) Concepts, Potential, Principles, Issues/Lessons and Guidelines, Chapter 2 in *Employment and High Standard Infrastructure*, Research Centre for Employment Creation in Construction, (University of the Witwatersrand: Johannesburg)
- McCutcheon R and Taylor-Parkins F (Ed.), (2003) *Employment and High Standard Infrastructure*, Research Centre for Employment Creation in Construction, (University of the Witwatersrand: Johannesburg)
- Miller S, Lal R, Lieuw-Kie-Song M and Kostzer D, (2010) Public Works and Employment Programmes: Towards a Long-term development approach, *Poverty Reduction Discussion Paper, PG/2010/003*, (UNDP: New York)
- Minsky, H. 1986. *Stabilizing an Unstable Economy*. New Haven: Yale University Press.
- Mitchell W and Mosler W, 2001, Fiscal Policy and the Job Guarantee, *Working Paper No. 01-09*, Centre of Full Employment and Equity, (The University of Newcastle: Callaghan , Australia)
- Ravallion M, 2008, Bailing out the World's Poorest, *Policy Research Working Paper 4763*, (The World Bank Development Research Group, Washington DC)
- Samson A, Van Niekerk, I, Mac Quene K (2006), 'Designing and Implementing Social Transfer Programmes'; (EPRI Press Cape Town).
- Sen A (1999), "*Development as Freedom*" pp 94, (Oxford University Press, Oxford)
- Slater 2008 (draft) Cash Transfers, Social Protection and Poverty Reduction, *Background Paper for the Flagship Report on Poverty*, United Nations Research Institute for Social Development, (United Nations: Geneva)
- Subbarao K., 2003, Systemic Shocks and Social Protection: Role and Effectiveness of Public Works Programmes, *Social Safety Net Primer Series, Social Protection Discussion Paper*, (World Bank Institute: Washington DC)
- Taylor N., 2008 "*American Made: The enduring legacy of the WPA-When FDR put the nation to work*", pp 215 (Bantam Dell, A division of Random House, New York)
- UNEP 2009 Global Green New Deal, Policy Brief, United Nations Environmental Programme, UNEP: Nairobi
- Van Imschoot, 2006. "Etude comparative des différentes approches utilisées pour la réalisation des infrastructures de base à Madagascar" [Comparative Study of the



Different Approaches Used for Various Types of Basic Infrastructure Work in Madagascar]

- World Bank 2009, Averting a Human Crisis During the Global Downturn, Policy Options from the World Bank's Human Development Network, World Bank: Washington DC, Available on:  
[http://www.wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2009/05/19/000333037\\_20090519005113/Rendered/PDF/485120WP0Avert10Box338912B01PUBLIC1.pdf](http://www.wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2009/05/19/000333037_20090519005113/Rendered/PDF/485120WP0Avert10Box338912B01PUBLIC1.pdf)
- Wray R. 2007 The Employer of Last Resort Programme, Could it work for developing countries? *Economic and Labour Market Papers*, Economic and Labour Market Analysis Department, (International Labour Office, Geneva)
- Yemene S. 2007, Evaluating the Impact of Labour Intensive investments in the case of Cameroon, (ILO: Geneva)
- Zepeda E. 2007, Addressing the Employment-Poverty Nexus in Kenya: Comparing Cash Transfer and Job Creation Programmes. *IPC Working Paper 40*, (UNDP: Brasilia)

## Unemployment, underemployment and involuntary part-time work

**Unemployment** refers to a situation where there is an excess of job seekers in relation to the actual number of available vacancies at a prevalent wage rate over a lengthened period of time. Usually it has been categorized differently depending on the nature of unemployment and also in terms of its duration. When unemployment is categorised based on its characteristics four types are generally recognised, Classical, Keynesian, Structural and Frictional unemployment.

**Classical unemployment** is defined as excess supply of labour at a *real wage rate higher than the market equilibrium wage rate* in the labour market. According to the Classical economists, such unemployment exists due to institutions like ‘minimum wages’ which imposes a real wage rate in the market that is supposedly higher than the market equilibrium wage rate and is not cost effective. Hence deters employers from hiring all workers. The probable solution lies in wage flexibility and removal of minimum wage norms.

**Keynesian unemployment** is defined as a situation where the number of job seekers is more than the number of jobs available at a *prevailing wage rate*. It is caused due to a lack of effective demand for goods and services within the economy. It is sometimes referred to as cyclical unemployment by linking it with the business cycles like the boom and the recession. It is not necessarily short term in nature (as was observed during the Great Depression, 1930 and also the current phase in the US) and the problem is often addressed by providing different forms of fiscal incentives and stimuli to boost effective demand within the economy and thereby increase employment opportunities.

**Structural unemployment** is supposedly caused due to a resultant mismatch between jobs offered and the skill levels of potential workers. Often it is caused to a mismatch between skill variation, geographical location and other similar structural factors. Such can also give rise to a kind of frictional unemployment. The most common prescription for structural unemployment is proper policies and interventions that address skill development and proper dissemination of information in the labour market.

**Frictional unemployment** is defined as transitory unemployment. It is also known as search unemployment or wait unemployment. It indicates those unemployed who are amidst transiting between jobs. Such unemployment is caused largely due to an information asymmetry operating in the market. It is a resultant of a mismatch created due the characteristics of labour supply and demand. The reasons of mismatch can be manifold related to skill, location, preference, etc. Frictional unemployment is different from the above-mentioned unemployment as it is often voluntary in nature. The others are involuntary and require institutional help to overcome the problems.

While these are the most common categories of unemployment used by economists, in the context of PEPs it is useful to recognize more specific categories. Some can be seen as sub-categories of the four main categories. The importance is that PEPs require different design approaches for some of these sub-categories.

**Seasonal unemployment** is sometimes referred to as a kind of frictional unemployment as it involves specific seasonal activities and renders the workers jobless for the rest of the year. In developing nations, policy intervention is required to provide alternative employment to the seasonal workers.

While the term “**specific**” **unemployment** is not in common use among economists, it is used to highlight situations where specific and definable groups in society suffer from rate of unemployment significantly higher than the average rate. Examples of this are youth in much of the world, women in many developing countries, some castes and tribes in India, some geographic areas like the former homelands in South Africa etc.

Another way of categorizing unemployment is based on the duration of unemployment for the individual. To this effect unemployment has also been distinguished into short run and long run. The classical definition of **short-term unemployment** was provided by Phillips (Phillips curve) where the Phillips curve depicts an inverse relationship between inflation and unemployment. In other words, in the short run, lower the unemployment, higher will be the inflation rate, i.e. short run unemployment varies with the rate of nominal wages in the economy. However, short-term unemployment is often defined as unemployment over a period of 6 to 12 months.

Two or more short-term unemployment phases together add up to **long-term unemployment** situation, sometimes also referred to **chronic unemployment**. Generally unemployment lasting longer than a year is termed as long-term unemployment. The definition of unemployment provided in the beginning pertains to the definition of long run unemployment. In the long run, it has been empirically proven that the inflation rate has no bearing upon the unemployment rate.

#### Underemployment and involuntary part-time work

In many countries the problem of underemployment is as severe or even worse than the problem of unemployment. Poor people can generally not afford to be unemployed and therefore often engage in forms of economic activity that are not productive and provide very little income. Others are in a situation where they move from casual job to casual job, but spend a lot of time in between merely looking for work, often without any luck. Depending on the definition used, these people are not classified as unemployed, but their situation is as dire as often those of the unemployed.

In some cases PEP scan also be used the address the problem of underemployment, but in order to so effectively, requires an understanding of the underemployed. In terms of analyzing the local labour market and the possible participation of workers in the PEP. Four types of involuntary part-time work and underemployment are used in this context.

The first, “**seasonal involuntary part-time**” is essentially the same as seasonal unemployment. It describes a situation whereby workers are only able to obtain work during, fairly predictable periods of peak labour demand, but are left without any work outside these periods. This is most common in the agricultural sector but also occurs in other sectors like fisheries, tourism and retail.

The second, “**casual involuntary part-time**” refers to a situation where people are only able to move from a short-term casual job to another short-term casual job and spend a lot of time in between looking for work, often without success. Most of the jobs founds are also informal. Substantial time and resources are devoted to the cost of looking for work. This type of situation is more prevalent in urban areas, in particular among youth with limited education and work experience. It occurs in a context of “surplus labour”.

In terms of the more classical definition of underemployment, there are also two types to distinguish. The first referred to as “**low wages/ poor conditions**” refers to situation where people are employed full-time, often long-term but at very to extremely low wages and poor working conditions. It results in situations where people work full-time, often excessive hours, but remain below the poverty line. In many cases this type of

underemployment does not conform to labour legislation and minimum wages in particular are ignored. (Often worker productivity may warrant higher wages, but there is no mechanism for demanding higher wages)

The other type is referred to as “**low-productivity**” and is more common with self-employed workers. In this situation, worker productivity is extremely low, mostly due to external factors: planting on infertile land, fishing in rivers with few fish etc. Again in many cases people work very hard and long hours, but are not able to increase productivity.

## Employment Reports

### 2008

1. Apprenticeship in the informal economy in Africa-Workshop report, Geneva, 3-4 May 2007  
ISBN 978-92-2-120202-8 (print); 978-92-2-120203-5 (web pdf)
- 1-F L'Apprentissage dans l'économie informelle en Afrique: Rapport d'Atelier, Genève, 3 et 4 mai 2007  
ISBN 978-92-2-220202-7 (version imprimée); 978-92-2-220203-4 (web pdf)

### 2009

- 2 Report on the training and up-skilling of vulnerable groups in TPSEP countries: Brunei Darussalam, Chile, New Zealand and Singapore  
ISBN 978-92-2-122097-8 (print); 978-92-2-122098-5 (web pdf)
3. Learning from the 1997-1998 Asian financial crisis:  
The ILO experience in Thailand and Indonesia  
ISBN 978-92-2-1223870 (print) 978 92 2211223887 (web pdf)
4. ILO role in economic and financial Crises:  
Lessons from the 2002 Argentine crisis and its aftermath  
ISBN 9789221223894 (print) 978 92 21223900 (web pdf)
5. Decent Work issues in Poverty Reduction Strategies and National Development Frameworks- A seminar report – 15-17 December 08  
ISBN 978-2-122624-6 (print) 978-2-122625-3 (web pdf)
- 5-FR Questions relatives au travail décent dans les stratégies de réduction de la pauvreté et les cadres nationaux de développement  
Compte rendu de séminaire – 15-28 décembre 08  
ISBN 978-2-222624-5 (print) 978-2-222625-2 (web pdf)

**A complete list of previous working papers can be found on:**  
**<http://www.ilo.org/employment>**





## **Employment Sector**

**For more information visit our site:  
<http://www.ilo.org/employment>**

International Labour Office  
Employment Sector  
4, route des Morillons  
CH-1211 Geneva 22

Email: [edempdoc@ilo.org](mailto:edempdoc@ilo.org)