Experience in Public Works

Lessons from Argentina and others
Public Works as a Safety Net

• Used in times of crisis by many countries
• Response to high unemployment rates
• Advantages
  – Ability to respond rapidly
  – Design encourages those in need to participate and to drop out when help is no longer needed
  – Addresses short-term (income support) as well as long-term poverty (asset creation)
Public Works as a Safety Net

- High variation in effectiveness
- Requirements for good performance
  - Clear objectives
  - Choose projects that create public goods of value
  - Careful design incorporating all fundamental aspects
  - Good system of monitoring and evaluation to make corrections and respond to changing conditions
Argentina Context

• Steep Increase in Unemployment. 17% average unemployment rate, 40% for poorest decile

• Government Decided to Expand an Existing, Small Temporary Employment Program – Trabajar Program

• Results from rigorous impact evaluations
Key Results
Trabajar I (1998-1999)

- 16,700 Projects Approved
- 300,000 beneficiaries; 400,000 jobs
- $300 million paid to participants
- World Bank loan of $200 m
- 100% of Loan disbursed in 18 months
- Second Project ($284 m.) and then scaled-up program after 2001 crisis (Jefes)
Tabajar II (1999-2002)

- 464,102 temporary jobs created
- $362 m payments to workers
- 26,453 projects approved
TRABAJO

Key Design Features

• Streamlined implementation, quick scale-up
• Program paid unskilled labor costs: 40-70% of subproject costs. Sponsoring agency covered rest. Exception for poor areas.
• Beneficiaries paid directly monthly via post office or banks (evolved)
Operational Organization

- Procedures set by Ministry of Labor
- Day-to-day management by provincial Ministry of Labor offices
- Sponsoring agencies submitted project proposals using standard formats and guidelines
- Technicians evaluated and supervised
- Proposals approved in monthly sessions
Distribution of Resources

• Budget allocated to provinces according to distribution of poor unemployed
• Subproject selection criteria gave higher weight to poorer localities
• Second project also co-financed the non-wage costs of subprojects in poor areas
Asset Creation

• Cost-effectiveness of public works depends on reasonable quality assets
• Adjustments needed to assure that assets created were of value to poor communities
• Result: Workfare + Tools to Ensure Reasonable Assets (Drawn from social fund experience)
Subprojects

• Short lead time, relatively high labor content, easy to evaluate, appropriate for low-skilled
• Menu of eligible subprojects (incl. services)
• Municipalities (mostly) and NGOs
• Standard unit costs, proper dimensioning
• Objective to tilt balance towards more labor-intensive projects/methods (engineers vs. economists)
Types of Subprojects

- Rehabilitation, expansion, new construction
- Sewerage, latrines, potable water, housing, roads, urban works, schools, health and community centers
- Community services
- Overall, 20% participation of women, varied by locality and more in services
Wage is Critical Design Feature

Appropriate wage rate assures

• Self-targeting of poor

• Incentives preserved to take up regular work when available – exit strategy

• More coverage of poor, given budget

• Maximizes net gains for participants

• Avoids rationing and perverse incentives (attracting employed individuals)
Payment Rate

- Equivalent to 2/3 of average wage for poorest decile, “ruling market wage for unskilled labor”
- Localities could reduce the rate
- Government did not call it a “wage” but “economic assistance” or stipend
- Any person willing to participate was eligible. Did not receive a contract.
Targeting Performance Workers

• Evaluation showed that after taking into account foregone income, 50% of beneficiaries came from the bottom 10 percent of the income distribution; 80 percent from the bottom 20 %

• Net income gain to beneficiaries was roughly half the payment
Results

Geographical Targeting

• Targeting to poor areas improved
• Before Bank project, the poorest department in Argentina would expect to receive $30/per person more than the least poor department. During the Project, the poorest department would expect to receive $80/per person more than the least poor department -- a gain of almost $50/person
Workfare in a Crisis

• Expanded workfare program – Heads of Household
• Emergency response and scaled-up with some implementation difficulties
• Evaluation shows effectiveness in reaching poor, mitigating the impact of the social and economic crisis and tilting the overall post-crisis growth towards poor
Strong Monitoring and Evaluation System

• Set of operational indicators closely tracked by localities

• Practical series of low-cost, rapid ex-post reviews of completed projects

• Series of rigorous, but low-cost impact evaluations. Strong interest of Ministry of Labor, supported by the World Bank
Impact Evaluations
1997-2006

• *Trabajar* (workfare) Program
• Workfare Participation and Exit
• Private Employment Subsidy
• Heads of Household Project
• Grant-financed Productive Activities for Heads of Household Beneficiaries
Timing Critical

• Trabajar: Board approval (6/97)
  Prel. Evaluation results (5/98)

• HoH: Program start (4/2002)
  Prel. Evaluation results (7/2003)
Pragmatic Design

- Used existing surveys (Social Survey, Labor Force Survey)
- Use of Administrative Data
- Partnered with local institutions (Ministry of Labor, SIEMPRO, INDEC)
- Partnered with DEC staff (Bank supervision budget and other resources)
- Government financed out of loan funds
Sources of Information

• Appraising Workfare, Policy Research Working Paper #1955 (Ravallion)

• Monitoring Targeting Performance when Decentralized Allocations to the Poor are Unobserved, PRWP #2080 (Ravallion)

• Income Gains to the Poor: Estimates for Argentina’s Trabajar Program, PRWP, No. 2149 (Jalan and Ravallion)

• Others
TRABAJOAR Program
Strong Points/Weak Points

- Self-targeting wage
- Nearly 1 million jobs
- Computerized payment system
- Excellent management
- Good MIS
- Impact evaluation
- Scaled-up quickly

- Politics influence beneficiary and project selection in some areas
- Providing jobs can take precedence over subproject quality
- Program cut during 1999 due to fiscal crisis
Response to Asian Financial Crisis: Public Works in Korea

- Launched May 1998
- Provided short-term employment (up to 3 months)
- Large scale. In first quarter of 1999, program offered 832,000 temporary jobs. More than 1 million people applied.
- Number of participants 2.5x recipients of unemployment insurance
Key Data for Korea Public Works

Spending Levels
• 1998: $660 million (19% of GDP)
• 1999: $1.9 billion (43% of GDP)
• 2000: $1.3 billion (25% of GDP)

Coverage
• 1998: 480,000 (2 percent of active population)
• 1999: 1.5 m (6.8% of active population)
• 2000: 886,000 (4 percent of active population)
Good Practices

• Wage set slightly less than market wage for unqualified labor and lowered when overall salaries declined
• Projects included activities appropriate for different skill levels
• Project selection was a mixture of “supply” and “demand”
• Role in Social Protection System
Public Works Plus

- Evidence shows that public works programs can be effective safety net
- No evidence that public works programs improve long-term employment outcomes for participants
- Initiatives in several countries to add complementary services in order to improve outcomes: labor intermediation (El Salvador), training (South Africa), grants for self-employment, certification of construction workers and home health aides (Argentina)
- Challenges