



## Systemic Shocks and Social Protection: The Role and Effectiveness of Public Works Programs

Public works programs have been an important safety net intervention in both developed and developing countries for many years. By providing temporary low-wage jobs to unskilled manual workers, income is transferred to poor households in a self-targeted manner while achieving useful projects such as road construction and maintenance, irrigation infrastructure, reforestation, and soil conservation.

Several Western countries adopted different types of public works programs during the depression years (1931-36) and again during milder recessions. In much of South Asia, public works programs began in the 1950s as “food-for-work” programs in which workers were paid for their labor with food aid from Western countries. In recent years, in Asia and Africa particularly, public works programs (also known as workfare programs) have helped poor farmers and agricultural laborers to sustain their incomes in seasons when they cannot farm or during periods of drought or famine. In Korea, public works programs have been used to mitigate the economic effects of the unemployment created by the Asian crisis of the late 1990s.

### Why Public Works Programs?

The rationale for public works programs rests on five considerations.

- The programs supply income transfers to poor workers. In countries with high unemployment rates, transfer benefits from a good workfare program can prevent poverty from

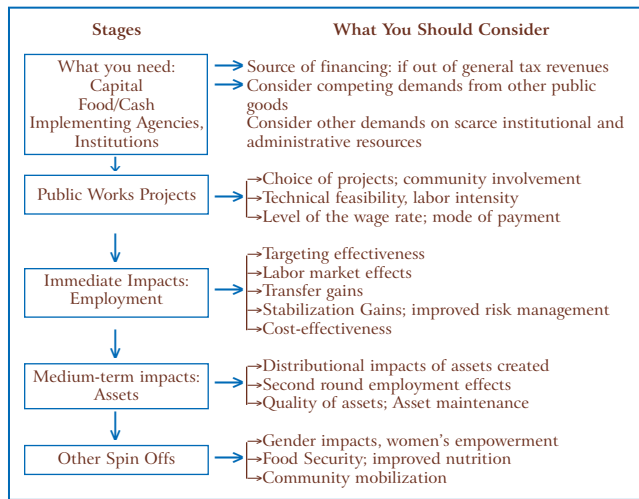
worsening, especially during periods of adjustment or transition.

- Depending on their timing, public works programs may also confer consumption-smoothing benefits. For example, programs also help households to sustain their consumption during slack agricultural seasons or years.
- In well-designed workfare programs, the workers construct or rehabilitate much-needed infrastructure.
- Public works can easily be targeted to areas with the highest unemployment and poverty rates. Poor areas and communities can benefit from the program directly (in terms of transfer benefits) and indirectly (in terms of the physical assets that the program creates or maintains).
- Finally, these programs build the capacity of communities to manage their own affairs by strengthening local governments and other institutions. They have also helped many small-scale private contractors to emerge and grow in many countries.

### Design Features

The success of each program depends very much on its design features. Figure 1 summarizes some of the key design and implementation considerations. International experience suggests six general conclusions that planners should bear in mind:

**Figure 1. Designing and Implementing Public Works**



- The wage rate is critical for determining the distribution of benefits from the program and its targeting effectiveness. The lower the wage the better the self-targeting, but also the lower the net benefit per worker. Usually the wage should be set just below the market wage for unskilled manual labor in the area in which the scheme is introduced.
- For a program to be cost-effective, it must create or maintain useful infrastructure or services. Successful implementation requires that the administrative capacity exists (or can be developed) at the local level. This constraint can be eased if donors coordinate their activities and provide assistance to build private contracting capacity. Aiming for high 'labor intensity' (i.e., a large share of the program costs going to wages) might limit the choice of projects and thus the number of workers reached, or the quality of the infrastructure created.
- Four variables determine the cost-effectiveness of public works programs: labor intensity, targeting effectiveness, the net wage gain, and the indirect benefits flowing from the assets created.

- Careful decisions about the timing and duration of the employment provided by the program can enhance its consumption-smoothing benefits to the poor, especially by providing employment in the agricultural slack seasons or after natural disasters.
- The program can be designed to further certain social goals. For example, the participation of women can be maximized by paying task-based or in-kind wages and by providing childcare or preschool services. Another goal may be to minimize the transaction costs incurred by the poor for participating in the program, for example, by locating the program's work sites close to the workers' villages.
- Assured funding, community participation, sound technical assistance, and proper understanding of the social structures and communities where the projects are located can vastly increase the effectiveness of workfare programs.

### The Impact on Poverty

The available evidence suggests that well-designed public work programs can be successful both in targeting benefits to the poor and in furthering social welfare goals. Regarding targeting outcomes, 60 to 70 percent of the households that participated in India's Jawahar Rojgar Yojna program and Maharashtra Employment Guarantee Scheme and in Argentina's Trabajar program came from poor households, and almost 100 percent of those participating in Chile's public works program are poor. As for social gains, India's Maharashtra Employment Guarantee Scheme was designed to encourage the participation of women by providing employment within five kilometers of participants' homes, providing creche facilities, and eliminating male-female wage discrimination. As a result, close to half of all participants were women. It has been estimated that, for those participating in the scheme, the severity of poverty has fallen from 5.0 percent to 3.2 percent.

The World Bank Social Safety Nets Primer series is intended to provide a practical resource for those engaged in the design and implementation of safety net programs around the world. Readers will find information on good practices for a variety of types of interventions, country contexts, themes and target groups, as well as current thinking on the role of social safety nets in the broader development agenda.



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