

ILO Research Department

THE EMPLOYMENT EFFECTS OF PUBLIC WORKS PROGRAMMES

Public works programmes can raise the living standards of beneficiaries during participation, but their effects post-participation are less clear. New evidence suggests that the success of public works programmes hinges on a number of key design and implementation features and that employability-enhancing components, such as training, can boost their effectiveness in creating sustainable, quality jobs.

Key findings

- Public works programmes play a significant role in Latin America and the Caribbean (LAC). In fact, in a number of countries (e.g. Argentina, Brazil and Mexico) the majority of ALMP spending goes into financing such schemes.
- Public works schemes can raise the living standards of beneficiaries during participation, although their effects post-programme are ambiguous.
- The experience of Peru suggests that the likelihood of finding a job after participating in a public works programme is a function of the length of the training component (i.e. below a certain threshold the effects are insignificant or negative) and its appropriateness (i.e. whether targeted to address individuals' needs).
- To further enhance labour market outcomes and ensure that such a policy strategy is equitable, it is important to make certain that programmes:
 - (i) contain a strong and targeted training component that addresses the employment barriers of the participant, while being mindful of the local needs of the economy;
 - (ii) are well-resourced in order to maintain programme stability and provide the opportunity to participate to all eligible individuals;
 - (iii) guarantee that targeting rules are appropriate, enforce eligibility criteria strictly and ensure regular supervision of the different activities;
 - (iv) ensure that the programme is demand driven, for example by including social partners in its design.

Research question

Overall, the main aim of public works programmes is to compensate for shortcomings in private sector job creation. In LAC, however, as in many other emerging and developing countries, these programmes are mainly regarded as poverty alleviation and community development measures. These programmes also often have additional aims, such as providing a source of social protection for

people who are not covered by contributory schemes or income support, as insurance against economic shocks.

As such, a number of public works programmes have been introduced during recent economic crises (e.g. *Trabajo por Uruguay*) and subsequently phased out. However, they are more often implemented

as workfare programmes, which means they are longer term in nature (e.g. *Construyendo Perú*) and are frequently combined with other interventions (e.g. training) to assist participants in finding non-subsidized employment once the programme concludes.

In terms of implementation, the ILO Compendium illustrates two trends with regard to public works programmes in the region, notably: (i) their financial decentralization to local or regional governments; and (ii) the fact that implementation is often undertaken by civil society non-profit organizations, such as NGOs and cooperatives.

The existing evaluations of some of these programmes in the region have focused mainly on their role as an anti-poverty strategy during times of crisis and very little is known about the employment outcomes of participants once these programmes have ended.

This Research Brief – published as part of the project “What works: Active labour market policies in Latin America and the Caribbean” (box 1) – attempts to address this knowledge gap.

What works?

Against this backdrop, an impact evaluation was undertaken to assess the medium-term effects of the Peruvian workfare programme *Construyendo Perú* on employment, job quality and working poverty (box 2).

The evaluation – carried out by means of a regression discontinuity design – assessed the effects of the programme in 2012 for individuals who participated during the period 2007–10.

Results show that the intervention helped to raise employment and reduce inactivity for certain groups. However, among those who found a job, there are questions regarding the employment quality.

In particular, the programme helped female and lower-educated participants to find a job or to be attached to the labour market. For higher-educated individuals¹ and men, however, the programme was found to have no employment effects.

1 For the purpose of this analysis, lower-educated individuals are considered to be those who have completed, at most, primary-level education (0–7 years of schooling) and higher-educated individuals are those who have completed 8 years or more of education.

Box 1. Research project: “What works: Active labour market policies in Latin America and the Caribbean”

The project aims to provide the first systematic analysis of ALMPs in the region and assess their effectiveness in improving labour market and social conditions. The main outcomes include:

- *ILO Compendium of labour market policies:* Collects information on ALMPs implemented in a wide range of Latin American countries since the 1990s.
- *Literature review and meta-analysis:* Examine the main results found in the literature on impact evaluation of ALMPs, paying particular attention to evidence from the region.
- *Impact evaluations:* Individual impact evaluations were conducted on the following interventions: a multi-approach activation programme in Argentina, the Colombian PES and a workfare programme in Peru.
- *Synthesis report:* Offers a non-technical presentation of the main findings of all these elements together in a single volume.

For more information, please see:
www.ilo.org/alm-p-americas.

Alongside these effects, participants (with the exception of lower-educated ones) were more likely to be employed informally and to be among the working poor. Programme participants were also more likely to work in occupations characterized by lower job quality, i.e. with an increased likelihood of not being covered by social protection.

Finally, the programme had a positive effect on the number of hours worked for the group as a whole. Yet, for women and higher-educated individuals, it increased the odds of working an excessive number of hours.²

2 According to the ILO, working 48 hours per week or more constitutes excessive working time.

Box 2. Workfare programmes in Peru: From *Construyendo Perú* to *Trabaja Perú*

In June 2007, *Construyendo Perú* (which replaced *A Trabajar Urbano*) was introduced with the intention of supporting unemployed persons – mainly heads of households – in situations of poverty and extreme poverty in a more sustainable manner. To achieve this goal, the programme provided short-term jobs (through the financing of public investment projects), which included an element of skills development. Unlike its predecessor, *Construyendo Perú* was extended to rural areas and its duration was not limited to a single recessionary event. As such, it was introduced principally as a workfare programme, aiming to address employability through the provision of training in addition to the income support.

Targeting was an important component in the planning of the intervention and was conducted in three stages. The first stage consisted of prioritizing the different geographical zones (districts) according to the magnitude of their poverty levels and development shortcomings (using the composite index FAD – *Factor de Asignación Distrital*). The second stage, self-targeting, consisted of establishing a wage level, which would be sufficiently low to attract only vulnerable individuals to the programme. The programme paid 16 PEN per day (equivalent to US\$11.4, PPP), which equalled 63.6 per cent of the minimum wage from 2008 to 2010. Once the districts had been determined and the projects chosen, local offices of the programme opened the registration process to all interested individuals. The third and final stage was individual targeting, which consisted of selecting beneficiaries from the pool of people who had registered to participate. This selection process was based on predetermined criteria; notably, whether an eligible applicant lived in poverty or extreme poverty, according to a socio-economic profiling exercise carried out by the programme.

During the course of the programme, participants benefited from a short-term job in a public investment project, such as pedestrian access provision, educational and health infrastructure, etc. The programme created a little over 685,000 temporary positions, varying considerably in duration from a few weeks to four months. In parallel, participants were provided with two types of training: a general course of instruction, which included a range of soft skills development; and more specific training that aimed to develop technical skills that would be appropriate to the needs of the labour market in the region.

In 2011, a new programme, *Trabaja Perú* (which remains active as of 2016), was created to replace *Construyendo Perú*. Like its predecessor, *Trabaja Perú* aims to create short-term jobs and develop productive capacities of the most vulnerable. *Trabaja Perú* has therefore assumed all the functions of *Construyendo Perú*, with the exception of the training components, which were removed from the objectives of the programme in 2012. Moreover, unlike its predecessor, the funding for *Trabaja Perú* depends on the fulfilment of previously established targets.

Policy considerations

Despite the great potential of ALMPs, in many LAC countries they remain underdeveloped and could be leveraged further to the benefit of society. This is also the case for public works programmes, where research shows that their development must take into consideration the fact that policy design has to be based on an analysis of the labour market and social needs of the specific country and/or region in question. Some potential areas to improve the effectiveness of these programmes include:

- (ii) ensure that the intervention is tailored to fit the productive demands of the region and meets the needs of the individual;
- (iii) establish a minimum length for training courses and adapt their intensity and depth to individuals' skills sets; and
- (iv) establish linkages with the private sector and local organizations.

Ensure that programmes have a strong and targeted training component

Employability-enhancing components, such as training courses are likely to improve both employment and job quality outcomes, especially over the medium term. For these components to be effective, they need to:

- (i) allocate training courses in a systematic way;

Ensure that programmes are well resourced

Enhancing the effectiveness of programmes will undoubtedly require that they are well resourced and that the allocation of resources is effective. Peru, for example, remains one of the lowest spenders on labour market programmes in the region. Meanwhile, the prevalence of low-quality jobs, such as informal and vulnerable employment, in the country is among the highest in LAC countries with available information (figure 1).

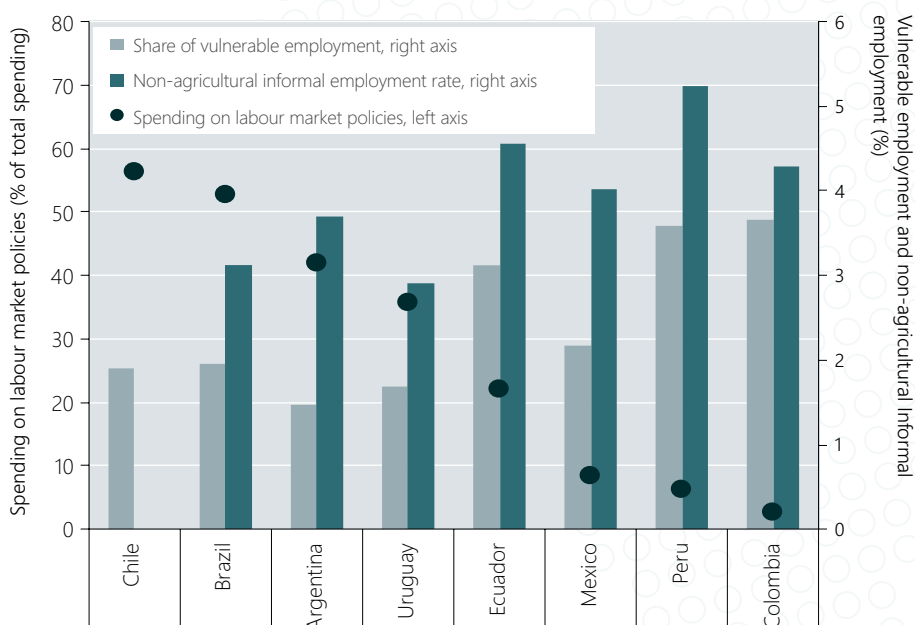
It is also important to maintain budget stability and take into account the economic cycle when establishing the programme's budget.

Ensure that programmes are properly designed and implemented

Despite the potential of public works programmes, the evidence shows that their success hinges on a number of key design and implementation features. Regrettably, public works programmes frequently lack essential characteristics, a factor which has eroded longer term impacts and undermined their credibility. Key aspects in this regard include:

- stricter enforcement of targeting rules and eligibility criteria to ensure that everyone who should benefit from the programme is given the opportunity to participate;
- a guarantee of regular supervision of the different activities and follow up on the evolution of well-established targets;
- the inclusion of social partners in the design and implementation of the programme to ensure that it is demand driven;
- improvement of data collection and evaluation practices.

Figure 1. Spending on labour market policies and job quality variables (2010), selected countries



Source: ILO (2016).

Further reading

Escudero, V. 2016. *Workfare programmes and their impact on the labour market: Effectiveness of Construyendo Perú*, ILO Research Department Working Paper No. 12 (Geneva, International Labour Office).

International Labour Organization (ILO). 2016. *What works: Active labour market policies in Latin America and the Caribbean* (Geneva, ILO).

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