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**Towards the right to work: Innovations in Public
Employment Programmes (IPEP)**

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Preface

The primary goal of the International Labour Office (ILO) is to contribute, with member States, to achieving 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*¹, 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 workers' 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 work², 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 policies³.

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 briefs⁴.

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.

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¹ See http://www.ilo.org/public/english/bureau/dgo/download/dg_announce_en.pdf (accessed 17 October 2011).

² 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).

³ See <http://www.ilo.org/gea> (accessed 17 October 2011). In particular: *Implementing the Global Employment Agenda: Employment strategies in support of decent work*, "Vision" document, ILO, 2006.

⁴ See <http://www.ilo.org/employment> (accessed 17 October 2011).

Foreword

Unemployment and other employment-related problems are ongoing challenges faced by many governments and they do not occur only in times of crisis. As observed by the ILO, there was a jobs crisis before the financial crisis hit the world in 2008, and a problem of structural unemployment as a result of jobless growth in many areas of the world with markets unable to create employment at the scale required. Public employment programmes (PEPs) such as *public works programmes* (PWPs) and *employment guarantee schemes* (EGSs) are key tools to protect the most vulnerable against shocks, at the same time as developing infrastructure, assets and services that promote social and economic development: whether in response to a crisis, or as part of longer term, counter-cyclical employment policy.

There has been renewed interest in these mechanisms over the last couple of years. Firstly, this is because they have formed part of the crisis recovery plans in many countries. They constitute a component of the Global Jobs Pact (GJP) designed to “guide national and international policies aimed at stimulating economic recovery, generating jobs and providing protection to working people and their families”.

There is also strong potential synergy between such approaches and the emphasis on infrastructure development in many recovery plans – because of infrastructure’s strong direct and indirect employment multiplier effects:

- demand for infrastructure investment and maintenance from developing countries amounted to 900 billion US dollars (US\$) per annum, public funding accounting for some 70–75 per cent;
- regular investments and counter-cyclical spending in infrastructure were widely used to expand demand, create and sustain jobs.

Innovative public employment programmes such as public works programmes and employment guarantee schemes can also complement regular investments in infrastructure.

There is also renewed interest in this area because of a range of wider innovations linked to increased recognition of the longer term potential of PEPs/EGSs in contributing to social assistance, infrastructure and service provision, and in making labour markets work more effectively for the poor. This includes, for example, the development of a minimum employment guarantee in India, which creates a rights-based framework in this area for the first time. This has stimulated new thinking about the role of public employment programmes as part of ongoing employment and social protection policies.

This Working Paper is based on the original Employment Report No. 6 *Mitigating a Jobs Crisis: Innovations in Public Employment Programmes (IPEP)* published in 2010 and covers these issues and more, straddling the range of options from public works programmes to employment guarantee schemes, and providing policy insights and practical design tools to inform decision-making at policy and programme levels. They have benefited from the extensive experience of Mr. Maikel Lieuw-Kie Song, Chief Director with the Department of Public Works in South Africa, and Dr. Kate Philip, Head of a strategy development process on economic marginalization for the South African Presidency, and from extensive inputs from Ms. Mito Tsukamoto and Mr. Marc Van Imschoot, both from the Employment-Intensive Investment Programme (EIIP), in the Employment Policy Department of the ILO Employment Sector.

The ILO and the United Nations Development Programme (UNDP) have also exchanged ideas and experiences as part of the consultative processes informing their respective policy papers on the key role of public employment in tackling key development

challenges. This collaboration and mutual exchange has contributed to the indepth policy debate on this issue, and has led to a high level of synergy. Readers are, therefore, also referred to the paper *Public Works and Employment Programmes: Towards a long-term Development Approach*, UNDP International Policy Centre for Inclusive Growth, Working Paper No. 66, 2010.

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List of abbreviations

| | |
|---------|---|
| ECD | Early Childhood Development |
| EGS | Employment Guarantee Scheme |
| EIIP | Employment-Intensive Investment Programme |
| ELR | Employer of Last Resort |
| EPWP | Expanded Public Works Programme (South Africa) |
| GDP | Gross domestic product |
| GJP | Global Jobs Pact |
| ILO | International Labour Office |
| NREGA/S | 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”⁵

The 2008–2009 financial and economic crisis and especially its employment effects brought the role of the state in employment creation strongly back to the forefront. As employment provided by the private sector has shrunk dramatically, adding to an already growing employment challenge, it has been increasingly recognized that the state needs to play a 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 through timely, time-bound and targeted programmes widely supported by governments, the private sector and workers alike.

The G20 leaders attending the Seoul Summit in November 2010 recognized the importance of addressing the concerns of the most vulnerable. To this end, they declared to put jobs at the heart of the recovery, to provide social protection, decent work and also to ensure accelerated growth in low-income countries⁶.

The ILO Summit on the Global Jobs Crisis in June 2009 stressed the importance of public employment programmes as a response to the economic crisis. This was substantiated through the country assessments that were carried out for the G20 in Pittsburgh, the United States of America.

The global financial crisis led to large-scale job losses – in the range of some 210 million persons, the highest-ever number of unemployed and up by over 30 million in 2007; but prior to this, decent work deficits were already evident. As the employment crisis is expected to continue for the coming years, more and more countries have been and will be considering interventions and programmes that lead to direct employment creation to cushion the most vulnerable from sliding deeper into poverty. We know from past crises that there is likely to be a considerable lag in the recovery of employment. In addition, with 45 million new entrants to the global jobs market annually – most of them young women and men – some 440 million new jobs will need to be created from now to 2020 just to keep pace with the growth in the labour force.

The ILO/International Monetary Fund (IMF) conference in Oslo on 13 September 2010 reconfirmed that a prolonged failure to reduce the global jobs deficit will have detrimental effects on the economy “enfeebling recovery and undermining social stability”. The compounded effect of unemployment with the lack of appropriate social protection coverage of many of the most vulnerable is leading not only to social tensions, but also to increased levels of inequalities. Great emphasis was made in Oslo on the need to improve the integration of employment and social policies with international and national macroeconomic policy strategies, and that these require a better understanding of the forces at work in the global economy (ILO-IMF, 2010). The ILO has been looking at these various contributing forces, both globally and nationally, and some instruments and policy tools already exist that could contribute further to this debate.

⁵ 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 1930s (Taylor, 2008).

⁶ The G20 Seoul Summit, Leaders’ Declaration, 11–12 November 2010.

Box 1: The Global Jobs Pact

The Global Jobs Pact (GJP) 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:

- the 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 United Nations (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.

The Global Jobs Pact⁷, which was unanimously adopted by all ILO constituents in June 2009, calls for decent work responses to the crisis. Included amongst these responses is the role of direct employment creation by government through policies promoting productive growth and investments through public employment programmes and employment guarantee schemes. The importance of including the informal sector and social dialogue were both agreed. In addition, it was acknowledged that the provision of an employment floor for those that can work could be an important complement to a social protection floor for those who cannot. This has also 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 GJP. At the same time, it provides a framework for the ILO course on 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 documented and, to a large degree, understood, there has been significant innovation in the area 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 are able to

⁷ Since its adoption in June 2009, the Global Jobs Pact has received worldwide support including from the United Nations, the UN Economic and Social Council, the G8 Summit (L’Aquila), the G20 Summit (Pittsburgh), the European Union (EU), Ministers of Labour meetings of the Organisation for Economic Co-operation and Development (OECD), the African Union (AU), the Organization of American States (OAS), the Arab Labour Organization and the Asian Development Bank (ADB).

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 (PWPs) and employment guarantee schemes (EGSs) have become strongly associated with infrastructure and construction ‘works’, but this has evolved, 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 Scheme (NREGS) 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 complementarities between public employment and wider social protection policy.

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.

Box 2: Programmes on a continuum – definition of terms

The literature in this area uses many different terms to describe public employment programmes. This Paper uses three 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 (CFW/FFW) programmes are included in this term.

Employment guarantee schemes (EGS) 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.

Public employment programmes (PEP) includes both 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 the research and practical experience of the authors, the ILO as well as other members of the Economists for Full Employment network⁸ who have worked in this area over many years. While the Paper discusses many aspects of employment guarantee schemes, 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

⁸ The Economist for Full Employment is a group of economists working towards building a global informal network of academics, policy advisers, institutions, advocates and members of government, committed to the realization of the *right to a job*.

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 policy-makers 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 schemes, their basic concepts and underlying economic theory, some of the critical differences between EGSs and PWPs, and their policy implications. The third section discusses the different approaches to these programmes typically found in practice, recognizing that there is wide 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. Employment guarantee schemes: what they are and what is different

2.1 An introduction

Employment guarantee schemes are still rare in the world⁹. The oldest and longest running scheme is the Maharashtra Employment Guarantee Scheme in India, which for many years was the only one of its kind. It is now part of the National Rural Employment Guarantee Scheme (NREGS). Other countries are considering these programmes, notably Bangladesh, Nepal, Pakistan, and more recently Honduras, Mexico and the Philippines. They are receiving increasing attention and recognition, and key features of employment guarantee programmes are increasingly part of proposals for what an ideal safety net would look like (Ravaillon, 2008).

Employment guarantee schemes are based on the concept of the state acting as an Employer of Last Resort (ELR), which can take different forms and straddle a spectrum of options. Such programmes create a role for the state by providing employment to all those willing and able to work, should the labour market not offer such employment. The fundamental objective of the ELR is achieving and maintaining full employment, a long-

⁹ 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.

standing objective of the ILO and its member States through its Employment Policy Convention, 1964 (No. 122) and one also included in the Millennium Development Goals (MDGs) since 2005¹⁰.

In such a context, 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 EGS job and demand for work provided by the EGS would in effect be counter-cyclical. In times of high labour demand, i.e. times of economic and employment growth, the EGS would shrink. In times of low labour demand, such as in recessions, these programmes would expand. In this respect it would function in a very similar manner to other social security interventions such as unemployment insurance¹¹.

However, an employment guarantee scheme is not necessarily universal; it can also be designed in a more limited and targeted way. The critical distinction between an employment guarantee and other forms of public employment is that a guarantee creates access to employment as a right. However, there are two levels of rights that should be mentioned here. One based on a legal right founded on an enacted law, and the other one which guarantees employment within a programme, which may not necessarily be based on a law, but has a system for appeal or a mechanism to address grievances if the right to work is not honoured.

India was the first country in the world to implement such an employment guarantee; in 2005, the Government of India promulgated the National Rural Employment Guarantee Act (NREGA). This law guarantees rural households 100 days of work per annum, provided by the state, and delivered through the National Rural Employment Guarantee Programme. Significant and groundbreaking as this is, the guarantee is nevertheless targeted and defined in key ways.

Under an EGS, the state guarantees a certain level of work at a specified minimum wage rate, to all those defined as rights holders. This means rights holders are able to hold the state accountable for the delivery of such work, and would have forms of recourse where the state fails to do so. In India, such recourse is defined in the Act, as access to an unemployment benefit equivalent to the wages 'lost' by the failure of the state to provide work.

2.2 Differences across the spectrum

Rather than describing at length what EGSs are, this section highlights differences across the spectrum: from the more conventional public works programmes with which

¹⁰ Since 2005, the 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.

¹¹ For more detailed theoretical discussion of EGSs and the related concept of ELR readers are referred to amongst others, Minsky, Mitchell, Wray, and Papadimitriou of whom an extensive set of papers is available on the EFE web site available at: <http://www.economistsforfullemployment.org>

most policy-makers are familiar, to EGSs in which some level of right to work is created for those defined as rights holders, as well as an ELR context in which the employment guarantee is universal and leads to full employment. This not only illustrates the differences, but also highlights the areas where public employment programmes with components of EGS can result in better performance to the more conventional PWP.

2.2.1 Emphasis on employment

One of the strengths of public employment programmes is that they are able to contribute to many objectives – provision of income to participants, the creation of public goods and services, or mitigation of a crisis. Often, however, these secondary objectives can end up taking primacy over the goal of employment creation in the way programmes are designed.

In employment guarantee programmes, primacy is given to employment creation, even though the importance of these other outcomes remains. This emphasis is based on recognition of the value and importance of employment in and of itself and on the importance of achieving full employment. Many proponents of EGSs also see them 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 one 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 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 basic needs 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 stigmatization and, in many cases, to pressure 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 alternative¹².

From the perspective of the individual trying to sell his or her labour, every day unsold is lost forever. People cannot save their labour to use (or sell) the next day – every day of labour lost is lost forever – to the individual, to the economy and to society. Labour is much like a perishable good, or like seats on an airline that cannot be sold once the airplane takes off. The long-term human costs of unemployment stemming from a crisis are visible in the persistent loss in earnings, reduced life expectancy, and lower academic achievement and earnings for their children – all which have been confirmed effects of past recessions, as confirmed at the recent ILO/International Monetary Fund (IMF) Conference in Oslo (ILO-IMF, 2010). One of the premises of an ELR is that this permanent loss of unused labour needs to be minimized for the benefit of the individual and society at large.

¹² See Wray (2007) for an extensive discussion on this.

Box 3: The effects of unemployment and importance of Decent Work

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: Sen (1999).

The crisis has again put before our eyes something that we all know: good jobs, quality jobs, decent work are, everywhere, central to the lives of women and men. Decent work is a source of personal dignity. Stability of family and households. Peace in the community. Trust in government and business and overall credibility of the institutions that govern our societies. Labour is much more than just a cost of production. This simple aspiration to have a fair chance at a decent job is at the top of the political agenda, on top of opinion surveys; yet, policies are not delivering.

Source: Somavia (2010).

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 globalization, 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. (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, 2008) 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 approaches to public works programme, which sometimes see social protection, investment or other objectives as paramount.

The emphasis and impact of PEPs 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 the incomes derived are very low, PEPs 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 EGS is 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 or ‘distort’ the labour market, even if it may be dysfunctional for much of the poor population. By providing longer term public employment or an employment guarantee, PEP/EGSs are intervening in the labour market to address a form of market failure. In this sense, they add a new instrument as part of active labour market policies. In the process, significant scope exists to achieve systemic impacts on the labour market, in ways that make it function better for the poor.

The approach taken to setting 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. Where the scale of the employment offered is limited – as is usually the case in PWPs – the argument is that, as a result, 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; Del Ninno et al., 2009).

The choices made in setting wage rates in large-scale PEPs are likely to have profound impacts on the labour market as a whole, whether universal or not. In India’s EGS, for example, the NREGS 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 at least a partial 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.

A universal rights-based EGS 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 PEP 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 to work for the EGS instead. There is evidence of this effect even without the provision of an actual employment guarantee¹³ and it can be expected that a guarantee at any level would only amplify the effect. Therefore, EGSs can have important impacts on the overall wage rate and may be designed to maximize this impact.

This makes the setting of the wage rate for an EGS critically important as it has 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 where the agriculture minimum wage was used. This rate varies significantly across states and in some cases is set relatively low – even though many landowners still pay below this rate.

¹³ See Devereux (2006) who presents evidence of this in Bangladesh and several states in India.

At one level, it may seem obvious that the government would not want to undermine its own legislation by paying below the minimum wage. There are cases, however, where paying the minimum wage could 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. This would 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 wage¹⁴. The question shifts from seeing the wage rate primarily as a self-targeting mechanism, intended to find the wage rate at which only the poorest of the poor would be willing to work, to one of deciding what is a reasonable minimum wage rate given the economic context and the income required to cover basic needs¹⁵. 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 EGSs on the labour market is not confined to wage rates only, but extends to other aspects such as minimum working conditions, the availability of labour, the labour participation rate and ultimately to the reduction of un- and underemployment. In many ways the effect of EGS on working conditions is similar to that of the wage rate as the EGS sets not only a wage floor, but also a floor for working conditions. 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 EGS offers a minimum set of standards and does not engage in dangerous or exploitative practices.

¹⁴ 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.

¹⁵ These are all factors that should also be taken into account when setting the overall minimum wage as stipulated in the ILO’s Convention No. 131.

Box 4: PEPs and decent work

In many instances, PEPs act as large employers in the areas in which they are operational and through this impact on the local labour market. Because of this, they can both support or undermine decent work. Public employment programmes can impact on all four of the Decent Work Objectives as defined by ILO:

- Employment and income opportunities
- Rights and standards at work
- Social protection
- Social dialogue.

The manner in which the programme is designed and implemented will determine the nature of these impacts.

The fundamental objectives of PEPs are to increase access to employment and income opportunities and they are part of a response to a lack of such opportunities. In addition to the direct access to work through the PEP, the investments and services that form part of PEPs can often contribute to increasing productivity of other income generating activities. However, PEPs can also potentially compete for local labour with other economic activities and through this result in changes that may in the long run reduce available employment by, for instance, contributing to the mechanization of agricultural- and construction-related activities.

The ways in which PEPs can improve adherence or undermine the minimum wage have already been discussed in the paper and are a critical issue for how the PEP impacts on decent work. But beyond wages, PEPs can, at relatively low cost, also contribute to the formalization of work by introducing measures such as written contracts, job cards, payment through bank accounts, grievance and appeal mechanisms and formally recognized rights at work. Such measures are often completely absent in the contexts in which PEPs are implemented and, for many participants, PEPs are the first time they are exposed to such measures governing labour relations.

Public employment programmes can also make important contributions to social protection, and sometimes they are designed with social protection being their main objective. Important features of PEPs that contribute to its social protection outcomes are ensuring, reliable, regular and predictable income for participants, ensuring the security of income by incorporating measures such as entitlements, unemployment allowances or by giving priority to transfers, so that households can still be provided with an income even if employment cannot be provided during certain periods.

The potential for PEPs in social dialogue is also increasingly being recognized, as PEP participants are generally not recognized and are voiceless in the social dialogue process. However given the strong community involvement and structures that many PEPs incorporate, the voices and views of these participants are sometimes able to emerge through these structures and so enter into the social dialogue process. This process is increasingly being supported by new processes like appeal and grievance mechanisms as well as technological advancements, such as central registries of participants, and may result in the emergence of new types of representative organizations. Public employment programmes can also make important contributions to the content of social dialogue and, in particular, around the question what decent work entails in contexts that are often largely rural, informal and characterized by low productivity and income.

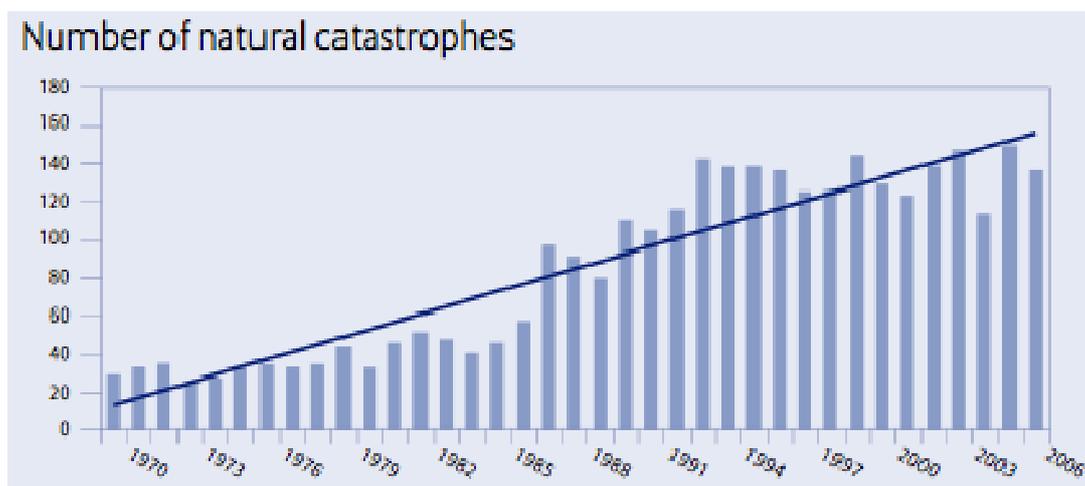
There is also evidence that all forms of public employment programmes may increase the labour participation rate by providing employment to those who would not otherwise be economically active. This was the case in Argentina (Galasso and Ravallion, 2003; Antonopoulos, 2007) and there is evidence that PEPs attract women who previously would not engage in wage labour. Factors influencing 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 PWPs as short-term crisis responses, to the long-term perspective required for the design and implementation of an EGS or a scalable PWP. This is because these PEPs are not a crisis response, but are part of longer term employment policy and potentially also of 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.

While such programmes require a long-term perspective, the capacity of all PEPs to respond quickly to shocks is in fact greatly enhanced where they are institutionalized 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 a living in increasingly marginal and risk-prone areas as well macro-economic instability are all factors contributing to the increasing numbers of crises and shocks. Figure 1 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 also probably very cost effective. Even as an instrument to quickly respond to shocks and catastrophes, the evidence suggests that having a long-term perspective and functioning institutional and operational arrangements are hugely beneficial.

Figure 1: Trends in the number of natural catastrophes globally¹



¹ 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.

Source: Allianz (2007).

Box 5: Public employment programmes require experimentation and active learning from what works and what does not in a specific context.

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. However, it was in fact preceded by the *Trabajar* programme, which was already a sizeable programme and provided employment to over 400,000 people (Subbarao, 2003).

The National Rural Employment Guarantee Scheme in India was preceded by the Maharashtra Employment Guarantee Scheme (MEGS) as well as the national *Jawahar Rojgar Yojna* (JRY) programme. Many of the innovative provisions in the NREGA are based on the long history of these programmes in India.

The Expanded Public Works Programme (EPWP) in South Africa was preceded by the Community Based Public Works Programme (CBPWP). While the EPWP is much bigger than its predecessor, its design was profoundly influenced by the experiences of the CBPWP.

A long-term perspective is also required for effective policy alignment and integration. Aligning PEPs 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 subnational governments. This alone can be enough to undermine the success of PEPs, as there are often 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 minimized.

2.2.4 Universality, rights and entitlements

The 'right to work' – having free choice of employment, under favourable conditions of work and with protection from unemployment – is a human right, which is

recognized in the UN Universal Declaration of Human Rights (1948). Everyone has the right to work without any discrimination, to be remunerated justly and favourably to ensure human dignity and social protection. The universality of the concept of decent work introduced by the ILO is – providing opportunities and income; rights, voice and recognition; family stability; and fairness and gender equality for women and men – to obtain decent and productive work, in conditions of freedom, equity, security and human dignity.

Since 1919, the ILO has been contributing to a rights framework in the world of work. The driving forces for the organization's creation arose from the desire to secure peace at a time when social justice was not prevalent. In October 1919, the ILO adopted the first six International Labour Conventions. Following the massive unemployment that resulted from the Great Depression years, the ILO adopted the Declaration of Philadelphia (1944), which acknowledged the key goal of full employment, including the prevention of unemployment and the provision of an adequate living wage.

In 1964, the ILO adopted Employment Policy Convention, 1964 (No. 122). By October 2010, 103 member States had ratified this Convention confirming their intentions to pursue full employment (ILO, 1964). In 2005, decent work was incorporated into the MDGs with the addition of MDG 1b, which now includes a target:

To make the goals of full and productive employment and decent work for all, including for women and young people, a central objective of our relevant national and international policies and our national development strategies.

The importance of decent work is thus increasingly recognized as a critical element of global and national development agendas.

The universal aspiration to reach full employment was again confirmed in the ILO Declaration on Social Justice for a Fair Globalization (2008) as a way to combat poverty and rising inequalities in the context of the growing challenges of globalization. Although historically many instruments have been developed, adopted and ratified, the challenge to provide employment for all those who are willing and able to work still exists. States offering an employment guarantee scheme based on a right may just be one step closer to achieving this.

At present there are 188 international conventions that have been adopted by the ILO, some more relevant to public employment programmes, others less so. Some worth mentioning are included in Annex A.

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. Even where the nature of the employment guarantee is not universal, the creation of a guarantee means that the state is obliged to find the resources necessary to meet this obligation – as is the case, for example, in social protection schemes that confer an entitlement. 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 recognized 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 policy-makers to consider, so that the final decision on these issues is well informed.

A key 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 right-holders 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 EGS are similar, and align very well with objectives to extend social security coverage as advocated by the ILO (2009).

In practice, no EGS 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. 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 |
|--------------------------|--|---|
| Geographic | Only limited to a specific area or type of area, such a rural areas, or specific states municipalities, or spatial poverty traps | NREGS in India only in rural areas, PSNP is only implemented in districts with low levels of food security, Community Works Programme in South Africa is applicable only to residents of municipalities where it is implemented |
| Age group | Youth | KKV ¹ in Kenya is only for 18–35-year-olds |
| Gender | Women | Zimbabwe ² in South Africa almost exclusively targets women-headed households in rural areas |
| Household | Work is allocated on the basis of households (not adults) | Both <i>Jefes</i> ³ and NREGS provide work based on households rather than individual adults |
| Type of household | Only households with children and unemployed members, female-headed households, only food-insecure | <i>Jefes</i> , <i>Zimbabwe</i> , PSNP all define specific household characteristics for eligibility |

| | households | |
|--------------------------------------|---|--|
| Part time work | Work is not full-time but limited to a few hours a week | <i>Jefes</i> : 20 hours a week, <i>Zibambele</i> 12 hours a week, CWP: 2 days a week (100 per annum) |
| Total amount of work taken up | Work is restricted to a limited number of days | Only 100 days a year in NREGS, 5 days per household member per month in PSNP |

¹ The *Kazi Kwa Vijana* Youth Employment programme in Kenya that provides employment exclusively for youth between 18 and 35-years-old.

² The *Zibambele* programme is a rural road maintenance programme in Kwa Zulu-Natal Province in South Africa that employs around 40,000 poor, almost exclusively women-headed households on a part-time basis.

³ The *Jefes y Jefas de Hogar Desocupados* Programme in Argentina was initiated after the financial collapse in Argentina in 2002.

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 characterize 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 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. Important as these are, it should also be noted that the extent to which these arguments apply depends also on the extent to which an employment guarantee is universal. This is not only a question of who the rights holders are, but also the probability of those who are officially rights holders ever taking up the guarantee, whether the number of days of employment offered add up to ‘full employment’, and what level of residual unemployment is considered ‘necessary’ by those most worried about the consequences of full employment. In other words, in many of the countries where an employment guarantee is most needed, unemployment levels are so high – and employment levels so far removed from ‘full employment’ – that the economic debates about the implications of full employment can be a red herring in policy terms: easily ‘controlled’ for in the way the guarantee is designed, if that is the necessary compromise. These debates are nevertheless explored below.

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 prioritize 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 avoided¹⁶.

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 within certain limits; the critical issue is whether the need to address unemployment is able to mobilize 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. Public employment programmes 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 is determined by budget allocations. The implication is that the programme’s scale is not determined by the demand for work, but by the supply of funds.

An employment guarantee scheme, 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 and 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 counter-cyclical nature of the programme.

This important distinction can be used as a basis to categorize 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

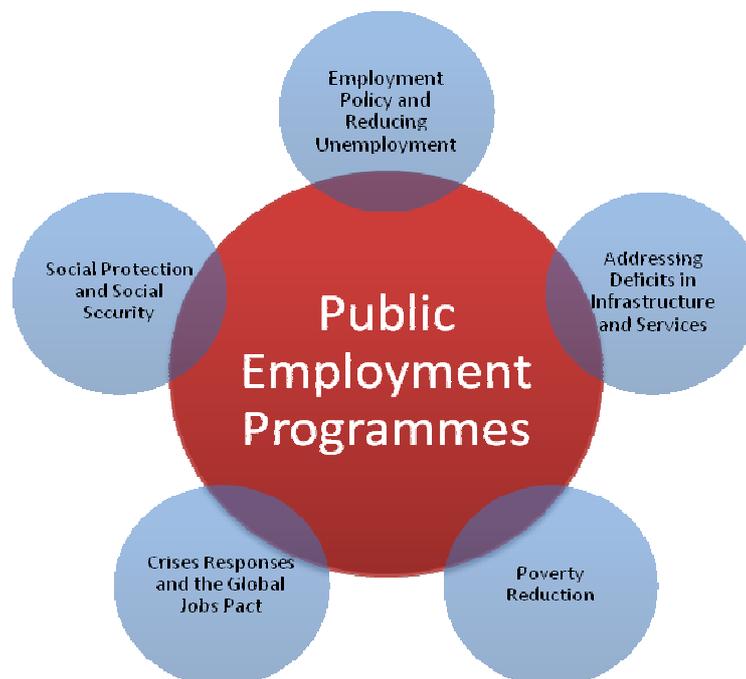
While there are many variations, PEPs typically deliver the following core outputs:

¹⁶ For more on this topic, readers are referred to Mitchell, Wray and Kaboub. Available at: <http://www.economistsforfullemployment.org/> [24 October 2011].

- 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 MDGs. Public employment programmes 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.

Figure 2: PEPs can contribute to many policy objectives simultaneously



3.2 Policy alignment and integration

The scope for PEPs to impact on wider policy priorities in relation to employment, income transfers/social 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. 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 prioritization 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, through social security budgets and anti-poverty allocations, or through 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 providing infrastructure and services. Doing this is not only important for the design of a PEP but is also critical for building support for a programme that is recognized as being 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 that PEPs crowd out other investments or impact on the labour supply of 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 under-estimated 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 recognized up front. This Paper attempts to address these issues. Before continuing on issues of the integration of PEPs with wider policies and objectives, some discussion of the key outputs listed earlier is warranted.

Of course, none of these focus areas are wrong, but it is important that they are clearly articulated and that the trade-offs between the 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 later.

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 the creation of assets and/or delivery of services. These approaches often have a theoretical underpinning that either implicitly or explicitly prioritizes 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).
- From a social protection perspective, security of income and transfers take precedence (McCord, 2009; Subbarao, 2007; Devereux and Solomon, 2006).
- A labour-based investment approach typically emphasizes the quality and nature of infrastructure or services provided (McCutcheon, 2004; Islam and Majeres, 2001).

These three approaches are also summarized in Table 2 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 objectives¹⁷ 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 objectives with regard to infrastructure provision and maintenance are typically more modest.

The potential tensions between programme objectives are illustrated by Ghose, Majit and Ernst (2008):

.... 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.

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 at programmes from a social protection lens often criticize 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 criticize these programmes for not producing quality or cost effective assets.

¹⁷ 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, on the one hand, the programme articulated a number of objectives, including employment creation and skills development, on the other hand, it also had a very specific quantitative target of providing at least one million work opportunities over its five 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 is a success, albeit recognizing a number of shortcomings that the programme is aiming to address in its second phase.

Similar tensions apply in programmes focusing on social services. For example, in South Africa there is ongoing debate about the inclusion of an early childhood development component 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 2: Approaches and objectives

| | Employment | Social protection | Delivery of infrastructure, services |
|-------------------------------|--|--|--|
| Macro objective | Create job opportunities | Protect vulnerable groups against shocks | Contribute to national/local growth |
| Intermediate objective | Mobilize surplus labour for productive activities | Provide a minimum transfer or income security to those defined as in need | Public investment in infrastructure or delivery of services |
| Micro objective | Provide a minimum level of income by 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 |
| 'Outcome driver' | 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 objective. It examines the implications for the prioritization of: employment generation; provision of social protection; and the creation of assets and provision of services. Their impact on poverty reduction/alleviation is discussed at the end.

4.1 Employment generation

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 avoid 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 2.2.2 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 were avoided and that unemployment were 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 considerations 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 state this clearly.

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 B.

Table 3: Un- and under-employment characteristics and responses

| | Table 3: Un- and under-employment characteristics and responses | | | | | | | | |
|------------------------------------|---|---|--|--|--|---|--|---|--|
| | Unemployed | | | | | Underemployed | | | |
| | <i>Cyclical</i> | <i>Long-term</i> | <i>Structural</i> | <i>Frictional</i> | <i>'Specific'</i> | Time-related | | Inadequate employment situations | |
| <i>Seasonal</i> | | | | | | <i>Casual</i> | <i>Poor wages/ conditions</i> | <i>Low productivity</i> | |
| Description /key feature | Unemployed due to economic cycles, lack of employment is temporary and picks up when economy recovers | Period of unemployment is long (more than six months), high surplus labour and large number of discouraged work seekers | 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 |
| Context | 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 | Often 'self-employed' in informal sector, subsistence agriculture, fishing, etc., but at very low productivity |
| PEP design elements | 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 labour market 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/ urban 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 minimizing 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' | 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) |
| Complementary interventions | Unemployment insurance and benefits | Cash transfers to complement income from PEP and to reach those not able to access PEP | 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 minimize 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 Provision of 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 PEPs 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).

Public employment programmes 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 contribute 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?

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, personal communication).

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.

Box 6: The need for a complementary social transfer for households with no one able to work: Malawi’s Social Action Fund and Ethiopia’s Productive Safety Net Programme

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 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.

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 into 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.

The recognition of these issues has resulted in the inclusion of an unconditional transfer component in the Productive Safety Net Programme (PSNP) in Ethiopia. This programme explicitly recognizes labour availability of households and has a complementary cash transfer component referred to as Direct Support. Severely labour constrained households receive transfers without having to work, pregnant and lactating women can temporarily be transferred to Direct Support component and increasingly households with only limited labour availability are provided with a combination of income through public works and Direct Support. These innovations highlight the possible complementarities of public works and cash transfers, especially with regards to extending coverage to different types of households.

Source: McCord (2005a), quoted in Samson et al. (2006); Government of Ethiopia (2010).

From an employment policy perspective, however, there are different concerns about defining PEP as part of social protection, and defining the income earned as ‘transfers’. Instead, it is argued that it is important to recognize 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 contributes 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 recognized 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 recognized as ‘work’ or remunerated; in others it is. However, the universality of the decent work concept encompasses all forms of work, including unpaid work in the family and in the community. The effort to value and analyse this contribution is important in order to understand how the social productivity of unpaid work indirectly subsidizes economic productivity (ILO, 2006). These debates link also to wider labour market debates: with those advocating greater liberalization 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 should be considered as a form of poverty relief.

The distinction between PEPs and conditional cash transfer (CCT) programmes with the conditionality of employment within 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 CCT programme with a work component (Miller et al., 2010).

By contrast, NREGS in India guarantees income to those who request work. Where the state fails to provide it, those who have requested work are entitled to an unemployment benefit, effectively in the form of a transfer. In this way, NREGS combines the provision

of income through employment with income through a transfer if employment cannot be provided. The Productive Safety Net Programme in Ethiopia also provides a combination of employment and transfers – providing employment to those who have surplus labour, and a transfer to labour constrained households¹⁸.

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 protection floor, even though in practice it 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 crises and are 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 a PEP.

The third choice provides 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 NREGS income is guaranteed in case the state is not able to provide work in rural areas, while in Ethiopia’s PSNP programme, income is guaranteed in those instances in which the household is not able to provide labour in districts acknowledged to be food insecure. In both cases, this demonstrates how the state can be a provider of an ‘employment floor’ for those who can and are able to work, and a ‘social protection floor’ to those who are not physically able to, and how well these can complement each other.

4.3 Creation of assets and provision of services

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 maximize 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.

Such an approach is often not easily compatible with an EGS; as such, programmes are not as responsive to fluctuating demands for employment as an EGS should be. Their scale is driven by long-term infrastructure planning and is therefore difficult to ‘gear up or scale down’. They can, however, be complementary to an EGS in the sense that they can increase the aggregate amount of available employment and thus reduce the required scale of the EGS. In practice, this would entail having two parallel strategies: one focusing on raising the aggregate employment created through government investments to make them

¹⁸ 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.

more labour intensive, and an EGS 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 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 EGS projects can be added to ensure that the employment guarantee is put into effect.

4.4 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 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. Independent of the percentage of poor who are reached by the programme, what matters is the impact the PEP has on those that it does reach, usually the most vulnerable tiers of society. The Productive Safety Net Programme in Ethiopia is a good example of a programme that has clear micro objectives to increase household food security and prevent 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. There is a potential trade-off between these micro and macro objectives of course as maximizing the impact for the household typically means more resources focussed on fewer households, often leaving fewer resources to enable expanded coverage.

The greater the level of continuity, predictability and income transferred, the greater the contribution to social protection and poverty reduction. Where PEPs are short term, they have been criticized 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 simple¹⁹. 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 valid the criticism.

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 maximizing the benefit to participants: one is to increase the income through the wage rate; the other is to minimize the opportunity and transactional costs of participating.

The most 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 a significant

¹⁹ Devereux (2003) argues that while small transfers make small impacts, moderate transfers can make big impacts as they start enabling savings and investment in the household.

impact, allowing those in communities who cannot travel to work to take up work and often results in an increased labour participation.

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.

Public employment programmes are also able to target groups that are particularly vulnerable or disadvantaged and are often difficult to target with other interventions. They can be targeted in specific geographical locations with high poverty rates, for instance. Furthermore, if programmes are universal, they make it easier for the most vulnerable to benefit from 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 minimizing the exclusion that occurs on non-universal programmes.

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 PEPs 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 needs 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 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 (from PWPs to EGSs) 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 PEPs 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 better 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 PEPs, 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 and 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, be better informed about the needs, 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 mobilization: ensure local participation fair recruitment, inputs in prioritization 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 this.

Box 7: 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 completed in time.

- 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, which goes beyond what they are called or what the programme objectives state; both programme designers and analysts would do well to study and understand these more carefully to ensure that programme design follows programme intention and not the other way around.

Table 4: Common trade-offs in PEPs

| Typical choices | Options |
|--|---|
| 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 or lower wages can mean reduced impact for each participant |
| Leakages | Self selection may result in the participation of those not in target group or rigorous selection carries costs |
| Share of wages versus materials | High labour intensity could lead to less quality / standard assets. Lower labour intensity with adequate material input could result in 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 |
| Centralization versus decentralization | 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 small- and medium-sized enterprises (SMEs) and local consultants leading to lower labour share |

In addition to trade-offs, there are also complementarities with other policies and programmes. Public employment programmes and cash transfers are often discussed as alternatives to each other, but 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 programmes 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. These two types of interventions could be highly complementary as proven by the PSNP in Ethiopia. The potential impact of combining the two and designing them to be complementary is one of the most exciting policy challenges ahead.

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 services
- community works
- training related activities.

Before these different types of work are discussed, it is important to recognize that the decision on which work activities can be included can be made at various levels. In some programmes, these decisions are made centrally and the menu of projects is decided upon at the national level. In other instances, the decision-making is more decentralized and only a set of criteria or principles are designed at the central level.

6.1 Lessons from infrastructure programmes

Public employment programmes 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 of the ILO, also through its regional Advisory Support, Information Services and Training (ASIST) programmes, has created a large repository of research and documentation on labour-based approaches, technologies and the types of infrastructure that can be built and maintained using these programmes.

This field continues to be a dynamic one. At a technical level, significant progress has been made in South Africa in particular, in constructing higher standard infrastructure and urban infrastructure using labour-based methods²⁰. Through this work, the scope for the construction of high standard roads in a labour-based manner has increased significantly. Three other key lessons from this sector are discussed below, because of their relevance for all PEPs.

6.1.1 Use of local consultants and contractors

A key development in the use of labour-based methods over the past 30 years has been the increased involvement of local small- and medium-sized enterprises. 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 themselves²¹. However with the downsizing of public sectors and the drive towards contracting and outsourcing in the 1990s and early 2000s, 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 been mixed, however, and it should not be assumed that the use of contractors is the better option, as is often the case. Rather the advantages and disadvantages of both options should be considered within the specific programme context.

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. The main processes driving efficiency and thus profitability for contractors in civil engineering works are economies of scale and, typically, for larger quantities of work, larger machines are used to increase efficiency. Labour-based methods do not allow for economies of scale, however, as once overheads have been minimized, 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. In general, the use of small and medium contractors has proven to be cost efficient for small- and medium-sized works.

²⁰ 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).

²¹ The Kenya Rural Roads Programme and the Maharashtra Employment Guarantee Scheme are good examples of this.

Contract conditions can, of course, be used to encourage contractors to use labour-based methods for specified parts of the work, but the experience in South Africa where equipment is abundant has been that this requires intensive project management from the side of the client / state. In particular during contract implementation there is a need to 'police' projects intensively to ensure that machines are not used where they are not allowed, much like monitoring and enforcing other labour standards.

Another lesson is that in order to have labour-based work executed in an efficient manner, specialized contractors and supervisory staff are required who are specifically trained in the management and supervision of labour-based works. Many countries, often with the support of the ILO, have implemented such training programmes for small contractors and their staff. These training programmes typically require substantial management and investment by the state particularly in countries where the domestic construction industry is not well developed.

These requirements for intensive project management and investments from the state suggest that governments should consider their role in project implementation carefully; there may be circumstances in which the government would be better off implementing projects, or at least taking a much more active role in project implementation and being much more directly in control of the labour-intensity of its projects. In India, for example, the experience was that getting the desired percentage of spending paid out in local wages was too difficult when contractors were being used – a key reason why the use of contractors is not allowed under NREGS. While disallowing contracting completely may not be the solution, there should be awareness of the challenges and potential pitfalls.

The use of labour-only contractors is a possible 'middle of the road' option, where government capacity is constrained, as it limits risk of achieving low-labour intensities in practice. In labour contracting, contractors compete for 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 relieving 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 organize 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 negotiations between public administrations and community groups strengthen the social position of target groups in unorganized sectors allowing for social dialogue, and thus providing 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 of PEPs. In a study in South Africa by McCord and Seventer (2004), the effects of shifting infrastructure expenditure from machine-based to labour-based methods were modelled. The study used 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 table below presents a summary of the results.

Table 5: Computer General Equilibrium model results, South Africa

| | 1 Labour- based method | 2 Machine- based method | 3 Labour- based method | 4 Machine- based method | 5 Impact of switching from machine- to labour-based (ZAR million ¹) |
|---|---------------------------------|----------------------------------|---------------------------------|----------------------------------|--|
| | Direct impact | Direct impact | Total impact | Total impact | |
| 1. Capita | 216 | 216 | 1 386 | 1 345 | 41 |
| 2. EPWP labour | 781 | 228 | 781 | 228 | 553 |
| 3. Low-skilled labour | 0 | 0 | 236 | 229 | 7 |
| 4. Medium-skilled labour | 166 | 205 | 592 | 622 | -30 |
| 5. High-skilled labour | 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 |

¹ Unless indicated otherwise.

Source: McCord and Seventer (2004).

Analysing this data yields some very interesting results. Firstly, the increase of approximately 79,000 full-time equivalent jobs from 28,565 using machine-based methods to 105,847 using labour-based methods, without increasing overall expenditure of 3 billion South African Rand (ZAR)²² is highly significant. It means government has reduced the cost of creating a ‘full-time equivalent’ job from ZAR105,023 to ZAR28,342²³ 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 in overall gross domestic product (GDP) generated by this shift. The research estimated that the shift would represent 0.05 per cent of GDP. This should be evaluated against a total spending of R3 billion which accounted for about 0.3 per cent 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 per cent. In summary, the results suggest that shifting already planned expenditure representing about 0.3 per cent of GDP from machine-based to labour-based methods, would increase GDP by about 0.1 per cent and increase total employment by about 1 per cent.

All of this suggests that it makes economic sense for governments to increase in the labour intensity of their investments as part of their employment strategies and public employment programmes. This shift is generally best achieved by direct government

²² 1 US dollar (US\$) = 7.79 South African Rand (ZAR).

²³ Based on R3 billion/28,565 jobs = R105,023 per job and R3 billion/105,846 jobs = R28,342 per job.

involvement in implementation, with limited involvement of contractors, whose interests are typically not served by such a shift. According to McCord and Seventer (2004), such a shift is generally not sufficient on its own to address unemployment or to achieve full employment, but the figures suggest that it can make a significant contribution. Findings in other countries like Cameroon and Madagascar have yielded similar results (van Imschoot, 2006; Yemene, 2007) using input/output models. Incorporating this approach could thus be important for creating additional employment and containing the overall budget required for the implementation of any EGS. But it also suggests that increasing labour intensity may be an option worth considering in relation to other work activities.

Other tools such as the Dynamic Social Accounting Matrix (DySAM) are used to analyse the effects of investment planning on the economy and their employment impact. They can be used to specifically explore the relationship between intensive employment strategies, job creation, and poverty reduction. This tool is dynamic and, therefore, considers changes over time thus easing assumptions on income and technical coefficients. It also provides some distinction on technology choices.

6.1.3 Choice of assets

Decision on which assets to create or maintain, and who makes these decisions, is a key institutional issue in infrastructure programmes that influences the impact of the programme. If the impact on the poor is to be maximized, 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 limited to the income earned by the poor through their employment on the programme activities.

There are various approaches to deciding which assets to invest in or maintain. At one end of the spectrum, decisions are often 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 when these decisions are made centrally, there are likely to be cases where the assets created provide only limited benefits to the poor. The degree to which infrastructure programmes will benefit the poor will depend on the overall poverty focus of that particular department, but will inevitably include investments that are not aimed at benefiting the poor – but that 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 decentralized and local communities decide not only on the nature of the assets to be prioritized, but also on the particular local assets to be created or rehabilitated. The main advantage of this approach is that the likelihood of the assets benefiting the poor 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 maintained.

In addition, some of the assets created (e.g. rural access roads, irrigation) can have an increased induced effect on employment when considering the access they create to basic services and new markets or leading to increased agricultural produce. The multiplier effect that these can have on the economy can also be significant.

Within this spectrum there are numerous possible options. In most PEPs, the menu of eligible projects is specified by the central government, based largely on the labour

intensity of these works and their second-round benefits, but the choice of which particular asset to work on is decided locally²⁴. Other programmes are even more decentralized, 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 Provision of environmental services

The use of PEPs to address environmental concerns and to make investments in the environment and local ecosystems has a long history. The majority of the past Special Public Work Programmes put in place by many countries in collaboration with the ILO had an important component on environmental protection. Their use is likely to increase dramatically over the coming years, as climate change will add significantly to existing environmental stresses in many developing countries. Increasing numbers of activities related to the mitigation of and adaptation to climate change can be expected.

In many instances, the distinctions between these and infrastructure-related activities are not that clear: the construction of a dyke against rising sea levels is clearly both an infrastructure and environmental investment.

It has been demonstrated that the inclusion of environmental services in PEPs 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. 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 for large scale engagement in many countries.

6.3 Provision of social services

There is also considerable scope for the expansion of employment through PEPs in the area of social services, and additional areas can be identified through local and participatory 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 of overlap and duplication, as well as of undermining working conditions for normal civil servants and for employees in the private sector. The experience with the introduction of Early Childhood Development (ECD) as part of the Expanded Public Works Programme (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 and existing expansion plans for the sector. Early Childhood Development 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

²⁴ *Employment-Intensive Investment Programme (EIIP)*. ILO, EMP/INVEST, 2011, <http://www.ilo.org/eiip> (accessed 26 October 2011).

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 to achieve the same outcomes.

From an operational point of view there are also challenges in organizing the work to ensure effectiveness, and in relation to the involvement of nongovernmental organizations (NGOs) and community-based organizations (CBOs), which typically play an important role in the provision of these services. The key objective here is that the programme should not compete with these NGOs, but rather mobilizes 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 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 service provided, it would be counterproductive for the children to have a new caregiver 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 prioritized based on local needs and knowledge.
- The risk of duplication would be minimized as communities would be unlikely to identify a particular service as a priority for the PEP 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 organizations and individuals is more likely to be used effectively.

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

6.4 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 mobilization and/or of tripartite 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 mobilization 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 10 people. This has the potential to motivate communities and local organizations to mobilize. It 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 on such initiatives and where organizational capacity is lacking, the *panchayat* has no obligation to initiate the programme.

In South Africa, the Expanded Public Works Programme was an outcome of a tripartite Growth and Development Summit in 2002, which built on existing but uncoordinated public works initiatives; a tripartite 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 tripartite 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 mobilization 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 prioritization.

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 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. However, the ILO experience is that, through the use of its local-level infrastructure planning and prioritization methodology entitled 'Integrated Rural Accessibility Planning (IRAP)', which provides rural communities with access to productive resources, and basic social services and facilities, and through community contracting, these instruments – especially when used in post conflict situations – have been found to be useful in encouraging dialogue and transparency between different social and power structures.

Public employment programmes/employment guarantee schemes can also enable processes of local prioritization of those assets and services most needed for local development. This can be carried out within a particular sector or be thematic, 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 in 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, 2008?)

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 tuberculosis (TB), as well as auxiliary support to affected households – including labour support to maintain food production. Activities to reduce crime include organized recreation activities for youth; and strategies to reduce violence against women and girls including 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 public employment programmes enable decision-making and prioritization 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 prioritize assets or services they already receive, this does not mean the government department responsible for such delivery will necessarily embrace a process that pre-empts or displaces their role. Quite simply, if the institutional politics are 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 NREGS 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 NREGS 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 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 Training and exit strategies

Many public employment programmes incorporate training elements. However, these elements can have very different objectives. There are four training approaches that are most commonly incorporated into PWP as indicated in the table below.

Table 6: Training approaches

| | Target Group | Objective |
|---|--|---|
| 1 | Government officials | Improve programme design and management |
| 2 | Local consultants, small contractors, NGOs, community-based organizations (CBOs) | Build design and implementation capacity Increase sustainability of assets created |
| 3 | Participants | Increase programme productivity |
| 4 | Participants | Enable participants to exit the programme into longer term and possibly better forms of employment. |

While the first three all contribute to improving the impacts and outcomes of the PEP, 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:

- Increase the employment intensity of regular infrastructure investments. A large proportion of national public investment budgets in developing countries – sometimes up to 70 per cent – go 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 1.5–3 times that of directly generated jobs.
- 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 strengthening the domestic market and demand,

hence, 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.

7. Conclusion and recommendations

The call from the Global Jobs Pact for governments to implement EGSs and PWPs to address some of the impacts of the global economic and financial crisis recognizes the important role these programmes can play in creating employment and strengthening social protection. This call was partly informed by the long history of these programmes, as well as by recent developments and by innovation in the area of public employment, which 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 framework for realizing 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 recognized as a human right in the UN's Declaration of Human Rights, the commitment to full employment was articulated in the ILO Employment Policy Convention, 1964 (No. 122), 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 Global Jobs Pact 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. However, markets do not only fail to create employment in times of crisis; 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 to pro-poor growth.

So while the 2008–2009 financial and economic crisis highlighted the role of public employment, there is also a stronger case for ongoing public investments in employment creation. While it is recognized 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 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 innovations 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 contribute effectively and offer better alignment to the key outcomes, most notably: reduced un- and underemployment.
- Increased social security and protection.
- Provision of infrastructure and services based on local needs creating multiplier effects in the economy.

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

In order for public employment programmes to contribute to these outcomes it is recommended therefore that:

- Policy-makers place employment at the heart of their economic policies, and develop the instruments required to realize a right to work in their societies.
- Policy-makers integrate PEPs into their wider employment policies, and take advantage of their increased efficiency in a long-term approach to these programmes, recognizing that they are countercyclical and expand and shrink over time.
- Employment guarantee schemes and public employment programmes are considered not only as crisis response tools, but their roles in contributing to creating an employment floor, achieving full employment, realizing a social protection floor and reducing poverty are recognized.
- Care is taken to align these programmes with other policies and programmes so that they complement each other, rather than possibly competing or working against each other;
- The possible trade-offs between various programme objectives are taken into account during the formulation of objectives and programme design.

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Annex A

The ILO and full employment

The four Fundamental Principles and Rights at Work:

- **Freedom of association and the effective recognition of the right to collective bargaining**
 - Freedom of Association and Protection of the Right to Organize Convention, 1948 (No. 87)
 - Right to Organize and Collective Bargaining Convention, 1949 (No. 98)
- **Elimination of all forms of forced or compulsory labour**
 - Forced Labour Convention, 1930 (No. 29)
 - Abolition of Forced Labour Convention, 1957 (No. 105)
- **Effective abolition of child labour**
 - Minimum Age Convention, 1973 (No. 138)
 - Worst forms of Child Labour Convention, 1999 (No. 182)
- **Elimination of discrimination in respect of employment and occupation**
 - Equal Remuneration Convention, 1951 (No. 100)
 - Discrimination (Employment and Occupation) Convention, 1958 (No. 111)

Other relevant conventions

- Hours of Work (Industry) Convention, 1919 (No. 1)
- Weekly Rest (Industry) Convention, 1921 (No. 14)
- Workmen's Compensation (Accidents) Convention, 1925 (No. 17)
- Forty-Hour Week Convention, 1935 (No. 47)
- Minimum Age (Industry) Convention (Revised), 1937 (No. 59)
- **Labour Clauses (Public Contracts) Convention, 1949 (No. 94)**
- Protection of Wages Convention, 1949 (No. 95)
- **Employment Policy Convention, 1964 (No. 122)**
- **Minimum Wage Fixing Convention, 1970 (131)**
- Holiday with Pay Convention (Revised), 1970 (No. 132)
- Rural Workers' Organizations Convention, 1982 (No. 141)
- Termination of Employment Convention, 1982 (No. 158)
- Safety and Health in Construction Convention, 1988 (No. 167)
- **Employment Promotion and Protection against Unemployment Convention, 1988 (No. 168)**
- Indigenous and Tribal Peoples Convention, 1989 (No. 169)
- Prevention of Major Industrial Accidents Convention, 1993 (No. 174)
- Part-time work Convention, 1994 (No. 175)
- Maternity Protection Convention, 2000 (No. 183)
- Safety and Health in Agriculture Convention, 2001 (No. 184)

Annex B

From the training module on unemployment and PEPs

While high rates of unemployment may form the rationale of instigating a PEP, the nature of the labour market and unemployment needs to be understood in order to design the PEP to be responsive to the needs of the unemployed.

Official definition of Unemployment (ILO, 2003)

The standard definition of unemployment is based on three criteria that have to be met simultaneously.

The “unemployed” comprise all persons within the age limits specified for measuring the economically active population, who during the reference period were:

“without work”, i.e. were not in paid employment or self-employment as specified by the international definition of employment;

“currently available for work”, i.e. were available for paid employment or self-employment during the reference period; and

“seeking work”, i.e. had taken specific steps in a specified recent period to seek paid employment or self-employment.

For the purpose of designing PEPs three widely used categories of unemployment are useful: Keynesian, Structural and Frictional unemployment. Each warrants a somewhat different response. This module also uses the term ‘long-term’ and ‘specific’ unemployment. These are not official definitions of unemployment but are useful in discussing the design of PEPs. It is not always easy to categorize unemployment, however, and the aim of this module is to create a framework for analysis that assists in the design of a PEP. This framework is summarized in Table 3.

Keynesian unemployment refers to a situation where the number of job seekers is more than the number of jobs available at a prevailing wage rate. Its cause lies in a lack of effective demand for goods and services. It is sometimes also referred to as *cyclical unemployment* by linking it to business cycles. It is not necessarily short-term in nature (as was observed during the Great Depression of the 1930s and also the current phase in the USA), 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. Public employment programmes are widely used in response to cyclical unemployment, as they not only create employment in a downturn when it is needed most, but also help to boost demand in the process.

Structural unemployment refers to a situation where there is a mismatch between jobs offered and jobs needed, caused by a mismatch between skill levels, geographical

location, sectoral shifts in the production pattern of a country and other similar structural factors. The most common prescription for structural unemployment is policies and interventions that address the relevant structural constraint – such as skill development, labour mobility and proper dissemination of information in the labour market. Public employment programmes may be designed to contribute to addressing the structural cause of unemployment, but they are generally not in a position to address this constraint as their own. In a situation of structural unemployment, which is primarily skills related, a PEP may be designed to provide income to enable workers to retrain themselves, and so improve their job market prospects. Programmes may also consider incorporating elements of training or giving easier access to training programmes and/or consider using the PEP as a platform for providing work experience during or after training. If the structural constraint is geographical, the PEP may allocate additional resources to encourage job creation and investment in geographical areas with higher unemployment. The investment may focus on economic infrastructure to maximize the second round benefits of the PEP.

Frictional unemployment is also referred to as transitory unemployment. It is also known as search unemployment or wait unemployment. It indicates those unemployed who are transitioning between jobs. Such unemployment is caused largely by an information asymmetry operating in the market. It is a result of a mismatch between labour supply and demand. The reasons for this mismatch can be manifest in relation to skill, location, preference, etc. Frictional unemployment is different from the other kinds of unemployment as it is often voluntary in nature. The others are involuntary and require institutional help to overcome the problems. In a situation of frictional unemployment, PEPs are not a commonly used instrument although they may serve as a bridge for people transitioning between jobs. In particular, in circumstances in which unemployment insurance is not available, such an approach may be beneficial.

Long-term unemployment refers to those who are unemployed for a longer period, typically for more than six months. In situations of high long-term unemployment the design of PEPs should also take a long-term view. They may want to offer long-term employment, even if it is on a part-time basis only. The causes of long-term unemployment vary and can be multiple. Long-term unemployment can have devastating consequences, for those who are unemployed and their families, but also for society as a whole as it often results in social and political instability.

Specific unemployment is used to refer to easily identifiable groups in society that suffer disproportionately from unemployment. Youth and women are perhaps the most common examples of such groups, but they can also consist of specific ethnic or racial groups and “scheduled castes and tribes” as is the case in India. In some countries specific geographical areas may suffer from much higher unemployment and may be the primary focus of the PEP. Public employment programmes may have to adopt specific targeting measures to be able to ensure participation from these groups. In some cases, PEPs can even be designed specifically for these groups.

These categories are not mutually exclusive, as individuals can obviously fall into different categories simultaneously.

Underemployment and PEPs

Public employment programmes can also be used to address underemployment, but in order to do so effectively, it requires an understanding of the underemployed. This is often even more complex and difficult to understand. In terms of analysing the local labour market and the possible participation of workers in the PEP using four types of underemployment are useful.

Table 3 also describes two types of underemployment and possible design approaches. The first, *'time-related and seasonal'* is similar to what is also referred to as seasonal unemployment. It describes a situation in which 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. In these situations, the PEP can be designed to provide employment during the times when there is only limited work available. They should also be reduced in scale during the times of peak labour demand so as not to compete with these other economic activities. If the work on offer is exploitative and at unacceptable working conditions, the PEP may be used to offer workers an alternative, even during peak seasons and so contribute to achieving minimum standards and conditions of work.

The second, *'time related and casual'* 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 found 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 these circumstances, PEPs can offer part-time work to enable people to continue looking and taking up other work, but provide a safety net in case they are not successful in finding other work.

Current international definitions for Underemployment (ILO, 2003)

The current international guidelines provide general conceptual definitions and operational definitions for the measurement of:

- (a) Time-related underemployment, and
- (b) Particular types of inadequate employment situations.

Both concepts reflect an under-utilization of the worker's capacities (thus well-being). Both are defined in relation to an alternative work situation in which the person is willing and available to engage.

Time-related underemployment relates to persons who are willing and able to work beyond the total hours worked in all the jobs they hold during the reference period and who work, during this period, fewer total hours in all their jobs than a selected threshold.

There are three criteria in the definition of time-related underemployment:

- (a) Willingness to work additional hours
- (b) Availability to work additional hours
- (c) Having worked less than a threshold relating to working time.

The international guidelines identify three types of inadequate employment situations for which countries may wish to calculate separate indicators:

- (a) Skill-related inadequate employment: which includes persons who are willing or seeking to change their current work situation to use their current occupational skills more fully, and were available to do so.
- (b) Income-related inadequate employment: which includes persons who are willing or seeking to change their current

work situation to increase their income by increasing the levels of work organization or productivity, by improving tools and equipment, training or infrastructure, and were available to do so.

- (c) Inadequate employment related to excessive hours: which includes persons who are willing or seeking to change their current work situation to work fewer hours with a corresponding reduction of income.

In terms of those who are underemployed under '*inadequate employment situations*', Table 3 also describes two types. The first referred to as '*poor wages/conditions*' refers to situations in which people are employed full-time, often long-term but at very or extremely low wages and poor working conditions and without formal contract arrangements. In many developing countries, it results in situations where people work full-time, often excessive hours, but remain below the poverty line. They are part of 'the working poor'. In many cases this type of employment situation 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). A public employment programme may be designed to offer a better alternative to this type of work, but only if it offers longer term employment.

The other inadequate employment situation referred to is '*low-productivity*' jobs and is more common with self-employed workers. In this situation, workers' productivity is extremely low, mostly due to external factors: farming on infertile or degraded land, fishing in areas with depleted fish stocks, etc. Again, in many cases people work very hard and long hours, but are not able to increase productivity. Programmes can provide supplementary income in these situations, and at the same time the work activities can be focused on investments that may be able to raise the productivity in the long run.

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