

Digging holes and filling them in again? How far do public works enhance livelihoods?

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Public works are of two broad kinds: short-term measures respond to a one-off shock (such as drought or flooding); longer-term measures respond to persistent cyclical events such as shortage of work opportunities in e.g. the agricultural off-season. In some cases, short term measures are used in response to persistent events in the hope that even brief employment may be sufficient to enable 'graduation' from poverty. It has been argued that PWPs, whether short- or longer-term, can impact on livelihoods promotion through the wage transfer itself, the assets created, and also the skills development or work experience impact of PWP participation (McCord, 2005). Data are too limited to permit firm conclusions, but, drawing on experience with short-term measures in southern Africa and with longer-term measures in India, this paper sets out the issues and draws tentative conclusions.

Policy conclusions

- Evidence remains limited on whether the assets created by either short or long-term public works programmes (PWPs) help in the reduction of chronic poverty remains limited. More and better evidence is urgently needed.
- Even for longer-term public works (LTPW), to create productive assets is costly in terms of technical design, supervision, materials and equipment; and the threat of elite capture is pervasive.
- It is often anticipated that skills development and capital or material accumulation resulting from wage inputs will complement the asset creating function of the PWP to promote livelihoods and 'graduation'. However, there is little evidence of the sustained effect of any of these three presumed impacts on livelihoods promotion in either Africa or Asia.
- The types of impact achieved by both long and short term PWP are therefore often limited to smoothing income or consumption during the period of employment, and given the additional costs associated with PWP implementation, PWP may not be as cost-effective as other measures seeking these types of limited impact.
- Finally, PWPs work only if households contain at least one able-bodied member; where they do not, the categorical targeting of widows, orphans, the disabled etc may be more appropriate, as also may targeting by income or expenditure thresholds, though to maintain the necessary databases for this is expensive.

Introduction

There are many different kinds of public works interventions, but the key components are the provision of employment by the state at a prescribed wage for those unable to find alternative employment. This provides a form

of social safety net and simultaneously creates public goods. Conceptually, public works are a form of conditional social transfer, in which the transfer is a wage, paid on condition that specified tasks are completed, such as the excavation of a given volume of earth.



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Public works have three main attractions to funding agencies: one is that they require recipients to work and so deflect potential criticism that to provide ‘handouts’ discourages people from working; second, they are intended to create productive assets and so help to enhance the incomes of the poor beyond the period of employment, promoting ‘graduation’ out of poverty, and, third, by setting the wage at or near the basic minimum, they ‘self-target’ by attracting only the poor, and so save the expense of more complex targeting methods based on income or expenditure thresholds (McCord, 2008). By definition, they can benefit only households containing at least one able-bodied member, whilst, in fact, the poorest households are likely to be labour-constrained and may best be reached by alternative categorical targeting approaches, targeting resources to, for example the elderly, widows, the disabled and orphans or vulnerable children.

Recent literature has challenged the above premises, arguing that the ‘handout’ view is not necessarily valid, and that self-targeting is rarely as straightforward as appears (Barrett and Clay, 2003). There is wider concern over the quality of administration of public works. Drawing on data from southern Africa and India, our focus here is more specific, namely on how public works relate to the productive aspects of the livelihoods of the poor.

Short term public works in southern Africa – building livelihood assets?

Main features

Much of sub-Saharan Africa may be characterized as experiencing chronic labour market failure, with high levels of involuntary unemployment (or underemployment) persisting over a prolonged period, as the consequence the structure of the economy rather than some form of exogenous shock. A large proportion of the population of these countries may be described as living in chronic poverty, following Hulme et al (2001), who define chronic poverty as a situation in which a significant proportion of the population remain in poverty between one period and the next, due to their inability to accumulate the productive assets required to exit poverty. The implementation of short term PWP represents a response to this situation which is popular among national governments and donors alike, representing a form of social assistance¹.

Building assets – the evidence

There is frequently an *a priori* assumption informing this PWP popularity, particularly in sub-Saharan Africa, that even short term PWPs have a positive impact on livelihoods and graduation out of chronic poverty. When examined closely it is found that this effect is assumed to operate through a combination of three vectors; the wage payment, improved labour market performance (as a result of both workplace experience and training) and benefits accruing from the assets created (McCord, 2005). However, there is a growing body of literature that is critical of the efficacy of public works in terms of poverty reduction through each of these vectors, (see for example McCord 2004a and 2007a, Pellisery, 2008).

Public works promote consumption smoothing during periods of disrupted access to income, particularly where the problem is covariate, ie affecting a whole community, and in this way prevent or reduce distress selling of assets. Hence the wage component of PWPs offers a risk insurance function, responding to acute or transient shocks either resulting from some single exogenous event,

or cyclical crises, relating for example to annual shortfalls in labour demand at a given point in the agricultural cycle. The duration of this benefit is linked to the duration of the wage transfer, limiting the social protection benefit of a short-term PWP implemented in a context of ongoing or chronic poverty. It is hoped in the policy discourse however, that such programmes simultaneously produce as an output assets which will reduce vulnerability to future shocks. The extent to which these assets do in fact reduce future vulnerability and promote livelihoods is however not generally addressed in programme evaluation or the literature relating to either short or long term PWP employment, and neither is the third potential vector of anticipated livelihoods promotion, skills development. The lack of beneficiary voice in programme design and evaluation compounds these problems. These are critical areas for future empirical research, since if the assets produced do not make a significant and sustained impact on livelihoods, the additional premium required to provide social assistance through PWP, in preference to alternative and less costly forms of social protection instrument, cannot easily be justified from a fiscal or administrative perspective.

Hence while PWPs may have an important consumption smoothing function (i.e. are counter-cyclical), the critical question is whether the programme duration is commensurate with the nature of the labour market crisis (short term or chronic) and whether such programmes are likely to have a sustained impact on poverty reduction, through asset creation or skills development such that they promote graduation out of poverty.

A review of the east and southern African experience of PWP suggests that if public works are to address livelihoods in the context of chronic poverty, several key characteristics need to be in place:

- Sustained public works employment or repeated/cyclical access to PWP employment as required, offering ongoing cash transfers.
- Integration of public works programmes (PWP) with other developmental initiatives.
- Linkages with micro-finance, and micro-enterprise activities.
- Creation of assets which directly impact on reducing vulnerability and promoting livelihoods.
- Flexible employment, enabling participants to combine PWP employment with other responsibilities (such as domestic or own production) and income earning opportunities.
- Adequate PWP wages, to meet the basic subsistence needs of participants, ensuring that the PWP wage does not replicate the adverse inclusion often experienced by those employed in the lowest segments of the labour force.
- Direct poverty targeting measures (rather than relying exclusively on self targeting through a restricted wage and the work requirement).

Implemented in this way, public works could potentially play a significant role in situations of chronic poverty. If however short term PWP employment is offered in the context of ongoing or cyclical poverty, simply replicating the PWP model used in situations of transient poverty, offering a single episode of short term employment, the developmental impact is likely to remain negligible, as the only benefits are likely to be transient consumption smoothing, rather than livelihoods promotion. In the context of chronic poverty, such programmes are likely to provide only palliative inputs of limited significance rather than sustained poverty reduction.

Despite poor performance, continuing donor attraction to public works can be explained in terms of the ideological attractiveness

of public works, their apparent ease of self targeting, and the fact that, in theory at least, they involve the creation of productive assets (McCord, 2008).

Long term public works in India – the National Rural Employment Guarantee Act (NREGA).

Main features

The basic objectives of NREGA, passed in September 2005, are essentially long-term, namely to enhance livelihood security in rural areas; as well as creating productive assets, protecting the environment, empowering rural women and fostering social equity [GoI 2005]. Its budget in FY 2006-07 was Rs113bn, rising to Rs120bn for 2007-08 (approximately US\$3bn, equivalent to some 0.4% of GDP). It is intended ultimately to benefit some 54 million of the poorest rural workers, initially in 200 poor districts (expanded to 330 districts – approximately two-thirds of the districts in the country – from April 2007). The Act builds on earlier experience with Employment Guarantee in Maharashtra. Apart from affirming the ‘right to work’, it also seeks to ensure that the poor have a voice in decisions on the works to be undertaken, so that such works contribute to their livelihoods. The core features of the Act are:

- Registration by unskilled workers with local government for a job card which is valid for at least five years.
- The provision of not less than 100 days of local (i.e. within a 5 km radius) wage employment per registered household, on demand, in a financial year.
- At least one-third of the wage seekers to be women.
- Payment of the statutory minimum agricultural wage, with equal wages paid to men and women.
- Contractors and labour displacing machinery not to be engaged.
- Only works approved by local government to be taken up.
- Provision of unemployment allowance if an applicant is not provided with work within fifteen days of receipt of his/her application for employment.
- Provision of work site facilities such as safe drinking water, child care, shelter and first aid. In case of accidental injury while working, the injured person is entitled to medical treatment free of charge.
- Free medical treatment in case of accident and payment of compensation of Rs25,000 (approx. US\$600) in the event of death or disability.

Implementing NREGA

Implementing NREGA on the scale envisaged has posed major challenges, requiring: adoption at State level of the national legislation and outline procedures; the training of public officials and elected representatives in its provisions; campaigns to inform the rural poor of their rights in relation to the Act; the printing and issuing of jobcards; prioritising the public works to be undertaken; recruitment and monitoring of labour; verification that the work has been done adequately, and so on. It is not therefore surprising that the types of difficulty reported in Box 1 were encountered, though the reproduction within NREGA of the kinds of corruption widely found in other schemes suggests that the high ideals with which it was conceived have not permeated the middle and lower reaches of the administrative and political systems.

Conclusions and forward perspectives

PWPs are implemented largely in a mechanistic fashion – if not exactly ‘digging holes and filling them in’, they appear still to be motivated largely by the three (partly discredited) factors outlined above – making people ‘earn’ the transfer, ease of targeting, and the – creation of productive assets. This last factor is paid lip-service, but rarely implemented rigorously.

In both India and S Africa, some productive assets are created but there is little empirical evidence that these have any positive livelihood impact among the poor. Where (as often happens) there is pressure to absorb large amounts of labour by getting assets created rapidly and on a large scale, the prospects that the poor will benefit are particularly remote (McCord, 2007b).

Evidence from southern Africa suggests that, particularly in short term PWP, it is likely that the main social protection benefit will be though the wage transfer and its impact on consumption smoothing, rather than financial accumulation, skills development or secondary benefits accruing from the assets created (McCord, 2004a). In India, one of the persistent criticisms of NREGA is that it has no skill enhancement component, although the international evidence suggests that linking skills development with PWP employment may not always be the optimal method for upgrading the skills of the poor or increasing their employability (McCord, 2007b).

Where it is implemented well, and with dense coverage, NREGA is likely to discourage the lower skill workers, those who have found migration hazardous, or those who have strong ‘at home’ commitments, from migrating. This is in line with an underlying political objective of keeping the rural poor in rural areas, given the

Box 1: Problems with the implementation of NREGA

- Low utilisation of available funds: central government provides 90% of the funding for NREGA, but on average, the States used 71.5% of funds in FY 2006/7, with some under 50%
- Low and intermittent provision of work: a national average of 43 employment days per benefited family in 2006/7; failure to meet the target of one-third women beneficiaries in 11 of 27 States; intermittent provision of work, often clashing with main agricultural activities.
- Implementation difficulties, including absence of social audits and inadequate focus of public works on priority areas such as water conservation, drought proofing and plantations; non-implementation of workplace facilities and unemployment benefit
- Low awareness of the Act’s provisions among intended beneficiaries, beyond the “100 days of work” provision
- Misappropriation of funds in the process of issuing job cards and registering workers on specific jobs; diversion of funds to unauthorised works

Sources: (Samarthan 2007)



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political sensitivity of in-migration among urban middle classes. However, it potentially slows down the pervasive dynamic of movement to urban areas where the “real jobs” are, and so for some at least, substitutes public for private funding of jobs. The close density of NREGA implementation occurs only in small pockets as of yet, and so this effect is limited. However, overall, NREGA is still in its early stages, so that the impacts of NREGA on migration for the future need to be closely monitored.

Two broad questions emerge from these insights: for fuller assessment of PWPs: one is the need to untangle their impacts on migration, requiring an assessment of whether it is only the ‘distressed’ poor who benefit, and whether the potentially economically mobile are discouraged from moving. The second concerns the cost-effectiveness of PWPs. Where (as at present) longer term livelihood impacts via asset creation and skill enhancement appear weak, the main benefit of PWPs is consumption smoothing, and this can be achieved by other means such as cash transfers. The relative cost effectiveness of cash transfers and PWPs in relation to these questions require urgent assessment.

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Endnotes

- 1 The term covariate is used to describe a shock which is experienced across a community and cannot be mitigated by risk sharing within a specific social group or network (see Cafiero, C. and Vakis (2006).