

Designing public works programmes for protection and growth

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Public Works Programmes (PWP) have been widely employed in both developed and developing countries to provide social protection to people of working age who are living in poverty. Beyond social protection, adequately designed PWPs can potentially enhance local productivity and contribute to overall economic development through three main channels: i) cash transfers; ii) creation or improvement of assets; and iii) creation or development of skills. By transferring cash to beneficiaries, PWPs can protect household consumption while promoting savings and investments in productive assets. Through the generation of public goods and the provision of training, public works can also lead to the accumulation of community assets and the development of skills, alleviating local productivity constraints.

Despite increasing interest and the theoretical arguments on the productive role of PWPs, existing evidence mostly focuses on the impact of cash on smoothing consumption and reducing poverty, rather than on the potential of PWPs to promote economic growth. Despite the lack of evidence, a literature review of existing programmes around the developing world allowed us to identify a number of design considerations for PWPs that are relevant if they are going to achieve growth-related impacts (McCord 2012; Beazley and Vaidya 2015).

- **Targeting:** One of the purported advantages of PWPs is that by attaching a work requirement and setting wages below the market level, they allow for the self-selection of poor people. This means reduced information and administrative efforts compared to alternative targeting methods. However, self-targeting is not always feasible or desirable. In fact, most programmes tend to combine self-targeting with geographic and/or community-based targeting. It is also important to highlight that if the main programme objective is to promote growth, attracting the poorest of those living in poverty may not be an optimal strategy, as these individuals are likely to have lower levels of human capital and lower productive potential.
- **Wage rate:** The programme's wage rate has implications for a number of aspects, such as targeting, productive investments, local multiplier effects, inflation, labour market distortions, local wages, and forgone income. Each of these aspects should be carefully weighted. Wage rates should be high enough to allow households to meet their consumption needs and leave a margin for investments; higher wages can lead to larger multiplier effects but need to be traded off against the risk of inflation and labour market distortions.
- **Payment process:** The timely and regular delivery of transfers is a key determinant of a programme's impact on consumption smoothing and household investments. The introduction of computerised payrolls and attendance sheets, as well as the use of electronic payments, might improve the timely delivery of cash.
- **Transfer modality:** Complementing regular transfers with lump-sum payments might have a positive effect on the productive potential of PWPs if the transfer of large amounts of cash is able to reduce beneficiaries' financial constraints for investments (Beazley and Farhat 2016).
- **Remuneration method:** Workers can be paid according to a piece-rate or time-rate system. Piece-rate systems pay workers based on their output—

namely, the number of products they produce or the tasks they complete. Time-rate systems remunerate workers according to the amount of time they spend working.

Piece-rate payment systems can lead to significant increases in the levels of output by attracting individuals who are more productive and incentivising workers to produce more. However, effective functioning of these systems requires strong administrative and managerial capacity.

Compared to piece-rate systems, time-based systems are easier to implement, although likely to cause major productivity losses.

If programmes aim to both support consumption and foster economic growth, and the management capacity is relatively good, setting simple daily tasks and linking payments to their completion could be a good compromise between both methods.

- **Project selection:** Community involvement in the selection of assets, as well as the integration of projects within local and regional economic development strategies, is important to address productivity constraints. However, the productive potential of projects often needs to be traded off against the ability of public works to create employment, as more labour-intensive works might have a lower impact on local productivity. Local capacity to guarantee the convergence of technical, managerial and non-labour inputs at the work site should also be taken into account in the selection process, to guarantee the technical quality and the sustainability of the assets created.
- **Training:** Outsourcing training to specialised training institutions is likely to significantly improve the quality of the service. Involving local entrepreneurs through consultations or internship programmes can facilitate the identification of skill shortages and improve the employability of individuals by connecting employers and employees.

Most PWPs in poor countries offer single short-term episodes of employment to prevent sudden reductions in consumption. It is rare to find PWPs that have been explicitly designed for the promotion of growth, even though conventional discourse emphasises the productive role of these programmes. This One Pager provides some considerations that emerge from the limited evidence base for programmes with both protective and productive goals. Combined with a clear vision for programme objectives and context-specific analysis, it should help policymakers improve future programme design.

References:

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