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Social Protection through Work

Supporting the Rural Working Poor in Lower Income Countries

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Abstract

Extending social protection to the rural population engaged in the informal economy in lower income countries is a global priority. In spite of a lack of evidence about its costs and benefits and the small scale of many programmes, workfare as opposed to welfare is often put forward as a favoured option for providing social protection for the rural working poor.

This paper studies the reasons behind the renewed interest in workfare, outlines the key characteristics of different types of workfare and welfare schemes, and proposes a simple conceptual framework to assess the relative cost-effectiveness and efficacy of different welfare and workfare policies for labour surplus households facing a diverse set of 'states' and 'shocks'.

Given the characteristics of rural labour markets in lower income countries, Productive Safety Nets or alternatively Employment Guarantee Schemes seem to be, in theory, the most suitable types of workfare to support households against recurrent or chronic un-or-underemployment. However, given their multiple objectives and the high resource and capacity requirements, the design and implementation of these programmes are difficult. In contexts of low capacity and scarce resources, as in many lower income countries, workfare schemes may need to be implemented at small scale in order to avoid risking their sustainability or impact.

Key words: workfare, welfare, social protection, rural

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1 Introduction

Reducing the poverty and vulnerability of the working age populations in lower income countries¹ is recognised as a pressing problem by governments and international agencies, and social protection is frequently considered to be an essential element of any strategy to tackle these issues. A critical dimension of the Social Protection Floor initiative – championed by the ILO and other UN agencies (OECD, 2009; ILO, 2011) – is to extend social protection mechanisms to the rural populations engaged in the informal economy. In this context, workfare is often being put forward as an essential component of rural social protection strategies for the working poor in lower income countries. As recently noted by Subbarao et al. (2013:2) the experiences of the Mahatma Gandhi National Rural Employment Guarantee programme (MGNREGA) in India and the Productive Safety Net Programme (PSNP) in Ethiopia² “point to the increased prominence of public works as a safety net instrument and as a driver in shaping social protection systems globally”.

Workfare schemes are by no means new in the developing world. Programmes with work requirements, with the joint objectives of supplementing the livelihoods of participants and creating public assets, were launched in much of Africa and South Asia at the turn of the twentieth century (Subbarao et al., 2013). What is more recent is the notion of workfare on a large scale playing a strategic role as a social protection instrument for the working poor. Providing social protection through work is a key component of social policy in many High Income Countries (HICs). The US, Sweden, Denmark and Norway reformed their welfare schemes along workfare lines in the early 1990s, with different nuances (Beaudry, 2002; Kildal, 2001). Workfare was adopted by the UK in the late 1990s with the New Deal and is still at the core of the provision of social protection to individuals who are able to work (Beaudry, 2002).

Whereas welfare programmes transfer cash unconditionally or subject to conditions not related to labour, workfare schemes transfer cash to beneficiaries subject to their meeting work requirements. In principle, workfare schemes, as opposed to Cash Transfers (CTs), have three potential channels of impact: the wages transferred, the assets created, and the skills developed. However, as this paper will discuss, there is scarce evidence showing that workfare fulfils the combined objectives of social protection and generating complementary benefits sufficiently well to compensate for the higher costs of providing social protection through workfare than through CTs in lower income countries. Moreover, there are different typologies of workfare schemes that are suitable for different contexts. The paper will present these typologies and the role each of them could play in social protection in different contexts.

In this context, three important questions concerning workfare programmes as social protection instruments are: (a) why there appears to be a preference for workfare over welfare for supporting the working poor; (b) whether this preference is justified based on an objective comparison of the overall cost effectiveness of different workfare and welfare schemes; and (c) whether and in what contexts workfare can fulfil a social protection function better than welfare.

In order to address the questions this paper presents the reasons behind the attractiveness of workfare over welfare (Section 2). It then classifies and compares workfare and welfare schemes (Section 3) and then proposes a simple conceptual framework to assess the relative cost-effectiveness and efficacy of different welfare and workfare policies for households with members available to work (labour surplus households) facing a diverse set of ‘states’ and ‘shocks’ (Section 4). The framework is intended to prompt pertinent questions to be asked when seeking to

¹ In this paper the term ‘lower income countries’ includes the following World Bank classifications: Low Income Countries and Lower Middle Income Countries.

² For more discussion see Del Ninno et al. (2009) and Lieuw-Kie-Song et al. (2011).

determine whether workfare or welfare is to be preferred for working poor households and the type of workfare that may be appropriate in a specific context. The paper ends with a summary and conclusions (Section 5).

2 The Rationale And Attractiveness Of Workfare Over Welfare

This section presents the rationale of workfare and the reasons of its potential attractiveness over welfare. At the core there is a shift in the conceptualization of social protection systems, whose objective is increasingly associated with achieving equality of opportunities rather than equality of outcomes, both in HICs and LICs. This is well reflected by the increased focus on risk management as the foundation of social protection. Other aspects of workfare that make it attractive have to do with political preferences, the multi-dimensional support offered and the effectiveness of self-targeting. These are considered in turn.

2.1 Increased focus on equality of opportunities

The growth of workfare as a mechanism for providing social protection to individuals fit to work in HICs seems to reflect a policy shift at three levels: (a) responds to the risk of creating 'welfare dependency' (welfare support acting as a disincentive to seek work); (b) places greater 'responsibility' on the unemployed to seek work; and (c) promotes the value of work as means of living.

The shift from welfare towards workfare in HICs has deeper implications than simply adding work requirements to old welfare schemes. Instead it seems to imply a change in the fundamentals of social policy. While the primary role of welfare is to 'distribute resources to provide for people's needs' workfare is rather presented as aiming 'to mitigate risk and to enable people individually to manage risk' (Dean, 2007:8).

According to Dean (2007), the 'objectives of equality and social justice are no longer concerned with material outcomes, but with opportunity structures'. With workfare, the emphasis is increasingly placed on fulfilling people's autonomy, on self-sufficiency, and on the value of work as a means of self-realization.

The rationale for workfare in HICs is based on the premise that unemployment for an individual able to work is temporary, either cyclical (caused by an imbalance between aggregate supply and demand) or structural (caused by skills shortages or mismatches between sectoral labour demand and supply). From this perspective, benefits need only be temporary, with macroeconomic policies and active labour market interventions (e.g. training, support to job seekers, employment subsidies and workfare) enabling the unemployed to re-enter the labour market after a relatively short duration of unemployment. The underlying assumptions are that the labour demand is capable of being managed so that it remains at a sufficient level and for those who are able to work employment is the main route out of poverty. This assumption, however, seems no longer true at least in some HICs and certainly not in the rural areas of lower income countries, as this paper will discuss.

The fairly recent shift from welfare to workfare conceptualization of social protection in HICs appears to be reflected in the support and advice that donors and international agencies provide to LICs. A clear example of this view is the way in which World Bank (2011) defines social protection as risk management support for individuals and societies through policies for 'prevention, protection and promotion', with a recent emphasis on the promotion function as a way of increasing equality of opportunities.³

³ It is important to highlight the growing interest in the transformative role of social protection. From this view point, social protection includes not only policies for prevention, protection, and promotion, but also transformative measures seeking

In lower income countries social protection is generally associated with creation of opportunity rather than redistribution, with establishing conditions for self-sufficiency rather than equality. Although the shift in HICs has influenced this view, there is a more fundamental reason that explains why lower income countries see social protection in this way, and why they find in workfare a promising policy along these lines⁴. Social protection as ‘equality of opportunities’ seems to respond better to the developmental challenges that these countries are facing and to the limited resources available for redistributive policies. In a sense, this view brings ‘social protection’ closer to ‘development’.

Political preferences

Governments in lower income countries and donors tend to be reluctant to give CTs to households with labour capacity (McCord and Slater, 2009, Kidd et al., 2014). Welfare programmes tend to target households without labour capacity or with reduced capacity or high dependency. From this perspective, the elderly, the disabled and children are the most frequent targets of welfare. Single mothers and widows, although able to work, are also targeted in some cases since they are members of households with reduced labour availability.

The reluctance to grant access to welfare schemes to households with labour capacity – the working poor – seems to stem mainly from issues regarding risks of welfare dependency, fiscal constraints and public perceptions, among others.

Risks of ‘welfare dependency’ are sometimes used to support a preferred approach, whereas in fact international evidence suggests that when properly designed welfare schemes do not often reduce labour efforts significantly (Grosh et al, 2009). Despite of the evidence, welfare dependency is a controversial issue and is always part of the debate on social protection in lower income countries and elsewhere. As a matter of fact, the shift from welfare to workfare in HICs was influenced by perceptions of welfare dependency and relies on the underlying assumption that by making benefits conditional on job search and training and limiting their duration, the risk of dependency is reduced (Dean, 2007). In the same line, the wide support for Conditional Cash Transfers (CCTs) in Latin America is based, among other aspects, on the fact that ‘attaching conditions to the behaviour of beneficiaries can help make redistribution to the poor more “palatable” to society and to taxpayers whose support is needed to fund the programme’ (Lindert and Vincensini, 2010:6). In words of Fiszbein and Schady (2009:10), ‘those who object to unconditional cash transfers as “pure handouts” might be more inclined to support them if they are part of a “social contract” that requires recipients to take concrete steps to improve their lives or those of their children.’

Fiscal constraints also influence the political preferences. Non-working households make up a relatively low percentage of the population, which makes targeting them more manageable and affordable than reaching the entire population that is able to work.

Finally, workfare schemes remain popular with governments and many international agencies because, based on the multidimensional support attributed to them and discussed below, such

to address concerns of social equity and exclusion (Devereux and Sabates-Wheeler, 2004). Although this is a promising approach and could eventually change the way social protection is conceived in lower income countries, this is still not the mainstream conception of social protection.

⁴ The current interest in strategies for graduating beneficiaries from social protection programmes is also embedded in the view of social protection as promoting the value of work as means of living, though often with very little clarity in the definition of the notion of graduation.

programmes seem to fit the current conventional discourse, where issues like ‘transformative social protection’ and ‘graduation’ from poverty are emphasised.

Effectiveness through multidimensional support

An important part of the attraction of workfare lies in the fact that it offers the potential of meeting the multiple objectives of social protection in the short-term, creation and preservation of public assets and provision of social and community services and improving livelihoods in the longer term. Combining these multiple objectives is especially attractive in cases where there are serious infrastructure deficits and an evident need to improve natural resource management and community amenities and services. Nevertheless in embracing these aspirations, the institutional, management and technical capacities required for planning and implementing workfare effectively to achieve the complementary objectives are not always recognised.

Evidence about the impact of workfare schemes is scarce and focuses on the effects of cash on consumption smoothing function, rather than on the impact of the work requirements. This is true not only for short-term one-off PWPs but also for large-scale programmes that have not been developed under emergency conditions (Del Ninno et al., 2009; McCord and Slater, 2009).

Moreover, despite the importance of measuring the second-round effects of workfare, this has rarely been done in a rigorous way. These second-round effects of the impact of the infrastructure created through work requirements on labour markets, economic development, and poverty need to be studied in order to fully understand the potential of these interventions (Del Ninno et al., 2009). However this has not been done systematically and the body of rigorous evidence raises doubts about the capacity of workfare to create and maintain infrastructure of value to the poor (Del Ninno et al., 2009; McCord and Slater, 2009).

As with assets, the impact of workfare on skills development in lower income countries has rarely been evaluated and in the best case scenario is limited (Del Ninno et al., 2009). Despite a recent tendency to couple workfare with mandatory behavioural skills, financial literacy, or job search training, the impact of these interventions is still unknown (World Bank, 2010b). International evidence points to an overall scepticism regarding impact of training and social protection provision in terms of improved labour market performance and income (McCord, 2012c). Besides this limited knowledge, McCord (2012c) highlights a few key issues that challenge the effectiveness of workfare through skills development:

- A key issue is whether the skills transferred are in demand;
- The identification of adequate training providers and the ability to monitor them represents a major institutional challenge.
- Another key challenge is ensuring that the economy can absorb the newly trained workers,
- The cost of social protection programmes that are combined with training scheme has been found to be high in Latin America, Asia and Africa.

It is sometimes also assumed that workfare schemes can stimulate demand by injecting cash into the rural economy and therefore foster growth. However, the limited scale and coverage of most workfare programmes restricts the potential for multiplier effects and significant demand stimulus (McCord, 2012a).

Consequently, although the policy discourse tends to emphasise the multidimensional support offered by workfare, there is a shortage of evidence in relation to the impacts through asset

creation and skills development in lower income countries (McCord and Farrington, 2008). While workfare can play a consumption smoothing function, it is important to assess whether programmes can deliver the other functions as conventional discourse claims.

Efficiency through self-targeting

Selecting the beneficiaries of social protection programmes in lower income countries is complex because of lack of data, the weakness of the necessary systems and institutions, the cost of targeting mechanisms, and high levels of poverty. CT programmes use a range of approaches for targeting transfers to the poor and vulnerable, all prone to errors of exclusion and inclusion – although the magnitude of such errors depends on the design and implementation of the method. In Sub-Saharan Africa in particular, a combination of two methods, proxy means test and community-based targeting, is often used with mixed results (Coady et al, 2004, Grosh et al 2009 and Del Ninno and Bradford (eds), 2015).

Given the problems of targeting CTs on a large scale for the working poor, workfare schemes appear attractive because they seem to resolve the targeting problem, through self-targeting. It is assumed that work requirements, by only attracting the unemployed who are willing to work for a given wage, improve the poverty targeting (Del Ninno et al., 2009; Subbarao et al., 2013; Besley and Coate, 1992). The underlying proposition is that economically active members of poor households have lower opportunity costs of labour than members of better-off households (Vaidya, 2013).

However, relying mostly on self-targeting in order to reach the extreme poor may be unfeasible or ineffective for a number of reasons. First, even if the self-selection of the poor could be induced by low wage rates, such low wage rates would reduce the impact of the programme, thus undermining its social protection function (Subbarao, 2003). From this perspective, there seems to be a trade-off between impact and self-selection.

Second, discretion in setting the wage rate to achieve self-selection is not always possible. In countries where the informal sector market wage rate is below the relevant statutory minimum wage with which public works programmes must comply, it will not be possible to set wage rates to self-target (Del Ninno et al., 2009). In the same vein, where there is strong seasonality in labour markets, wages can drop sharply during the off season, making it difficult for a workfare scheme to set the wage rate lower than the market rate.

Third, there may be sound and economically rational reasons for questioning the validity of self-targeting through wage rates. Members of non-poor households may wish to participate in public works at low wage rates and members of poor households may wish to hold out for higher wages. Evidence from workfare programmes in Malawi, Ethiopia, and Cambodia (McCord, 2012b; Barrett and Clay, 2003; Vaidya, 2010) showed that some of the 'non-poorest' sought to participate in public works at very low wage rates while members of poorer households chose not to participate. While the low wage offered was attractive to households with excess labour supply because of the low marginal value of unemployed labour, members of some poor and labour constrained households appear to have preferred to carry out other activities of greater value.

Fourth, if the wage rate is set too high there are likely to be high inclusion errors, with implications for resource requirements. Even if the wage rate is set at an acceptable level, in high labour

surplus situations, the demand for workfare jobs may be too high for the resources and capacities available⁵.

To conclude, self-targeting can make workfare more efficient than other social protection programmes that need to develop complex targeting mechanisms. However, it is important to keep in mind that, first, self-targeting is not always possible nor desirable and, second, work requirements can be a costly way of making the selection of beneficiaries more accurate, and would need to be compared with other alternatives.

⁵ This could be one reason why there is evidence of non-wage rationing of MGNREGA participation in some states (Dutta et al., 2012), since the programme relies on self-targeting by making it available to all who wish to participate at specified wage rates: 'It is clear, however, that even in this poor labour-surplus rural economy, the much vaunted self-targeting mechanism that is achieved by imposing work requirements does not tilt the balance in favour of unproductive workfare over options using cash transfers with little or no targeting and with up to about 10 per cent leakage' (Murgai et al., 2013:24).

3 A Classification and Comparison of Workfare And Welfare Schemes

As the differences across experiences with workfare schemes in India and Ethiopia highlight, there is a broad spectrum of approaches to designing and implementing workfare programmes. This section classifies the different types of workfare schemes and compares their main characteristics, including a comparison to welfare schemes.

Given the scope of this paper, the analysis is limited to workfare and welfare schemes that transfer cash with the main goal of reducing poverty and/or vulnerability.⁶ Before presenting the classification and comparison, the box below briefly describes the main features of rural labour markets and livelihoods in lower income country. The understanding of these markets is essential to the classification and comparison of policies.

⁶ This excludes a wide range of welfare programmes, including, for example, food transfers or voucher programmes. This paper does not study either infrastructure-oriented workfare schemes, as these programmes may transfer cash but they are not social protection policies.

Box 1. Rural labour markets and livelihoods in lower income countries

1. Rural labour markets and livelihood strategies in lower income countries are in many important respects different from those in HICs and more urbanised middle income countries. The term labour market conveys the notion of the economically active offering their services to employers for pay in well-functioning markets. While such labour market participation does indeed take place to a greater or lesser extent, a large proportion of rural livelihoods in many lower income countries are obtained by individuals carrying out their own production for consumption or cash. Furthermore, even where participation in labour markets is substantial, wage rates for the unskilled are low because of labour market conditions. Within this broad characterization, some of the features of labour markets in lower income are described below:
2. **Reliance on subsistence agriculture and poverty** – Poverty in lower income countries is still largely a rural phenomenon and the rural poor are frequently engaged in subsistence agriculture (Olinto et al., 2013) or are self-employed, typically in ways that are characterised by low pay, low productivity and poor working conditions. For example, non-waged work represents more than 80 per cent of women's employment in Sub-Saharan Africa (Cazes and Verick, 2013; World Bank, 2012).
3. **Landless rural households** – Landless households or those with very little or poor quality land are typically among the poorest. They cannot fall back on subsistence production and have to rely on unskilled wage employment or other poorly rewarded off-farm economic activities for their livelihoods. The proportions of those who are landless vary substantially between countries.
4. **Seasonality** – The rural labour markets in lower income countries are affected by recurrent seasonal variations in labour requirements, principally in farming. For those relying on wage employment to supplement livelihoods during the slack agricultural season, the opportunities are limited and wages are lower.
5. **Underemployment** – Unemployment is usually a misleading indicator for rural labour markets in lower income countries (World Bank, 2012). The International Labour Organization's (ILO's) estimate of the apparently low unemployment rate in Sub-Saharan Africa of 7.5 per cent in 2011 tells us very little about the level of labour underutilization in the region.⁷ The abundance of labour with inadequate growth to absorb surplus labour into productive employment results in high underemployment and large numbers of working poor (Cazes and Verick, 2013). Therefore, labour underutilization, a concept that includes both unemployment and underemployment, is more appropriate than unemployment.
6. **Informality** – There is high prevalence of informality in rural labour markets in lower income countries (Cazes and Verick, 2013), with all those engaged in subsistence agriculture and small rural enterprises being in the informal sector. The consequences of the high reliance on informal activities for the design of welfare policies are:
 - For those in the informal sector, social security systems do not typically provide insurance against unemployment and there is no systematic provision of protection against low or falling incomes.
 - Employment agencies and training programmes, if they do exist, can only intermediate between the beneficiaries of the programme and the formal sector, and generally play an insignificant role in the informal sector.
 - Governments have little up-to-date information about informal labour markets. This is a serious constraint on the ability to design labour and social protection policies for those engaged in the informal sector.
 - Informal labour markets are obviously not regulated.
7. Additional constraints on implementing social protection policies for those engaged in informal economic activities and rural labour markets are: (a) inadequate tax bases and little fiscal space, as noted earlier; and (b) low institutional and administrative capacity to implement labour and social protection policies (Cazes and Verick, 2013).
8. In summary, the majority of people who are poor and able to work live in rural areas and are engaged in informal economic activities, typically in subsistence agriculture, self-employment or informal employment, with low pay, low productivity and poor working conditions.

⁷ ILO (2014)

3.1 Main Types of Workfare Schemes in Lower Income Countries

This section classifies and describes the main types of social protection workfare schemes. Other types of workfare schemes, like infrastructure oriented, are not part of this analysis.

Safety Net Oriented Temporary Public Work Programmes (PWPs). These programmes are typically initiated to provide short-term relief in response to natural or economic shocks. Although they do provide an important social protection function, these schemes are often focused on food security and/or rehabilitating and constructing household or community assets. PWPs are not designed to provide regular and predictable support to participating households. According to McCord and Slater (2009) such programmes could be appropriate as a response to temporary disruptions to the labour market and livelihoods, and consequent temporary hardships, but are hardly the kind of social protection policy that is required in contexts of permanent or recurrent unemployment or underemployment.

Employment Guarantee Schemes (EGSs) offer repeated employment for a given number of days as a form of income insurance for a number of years. The term is generic, implying a type of employment programme-based social protection. However, since in practice such programmes are rare outside India (i.e. the small scale Zibambele Programme in South Africa), this paper refers to the features of programmes in India, in particular the MGNREGA, to outline the characteristics of employment guarantee type programmes (see Box 1). An EGS guarantees a certain number of days of employment per year on demand. All qualifying households – typically all households resident in the administrative region – can claim paid work for a given number of days at a time, of their choosing. The entitlement to the given number of days is enshrined in law and households are entitled to compensation if the entitlement is not fulfilled. EGSs offer repeated and predictable paid employment for a specified number of days, in order to provide social protection by supplementing the incomes of poor households.

Box 2. The Mahatma Gandhi National Rural Employment Guarantee Programme (MGNREGA)

1. The MGNREGA is the largest EGS in the world. This flagship programme was enacted by the Indian Parliament in 2005 and rolled out across all districts in 2008, reaching nearly 50 million rural households in 2012/13.
2. MGNREGA aims to provide basic social security to India's rural poor by offering 100 days of guaranteed waged employment to every rural household. Work should be available to anyone who demands it within 15 days of an application to work being received, and if work is not offered within 15 days the state government is liable to pay an unemployment allowance (Ministry of Rural Development, 2013). The programme has been innovative in taking a rights-based and demand-driven approach.

No time limit, in years, is specified for the duration of the MGNREGA and therefore the entitlement is valid until the scheme is modified or abolished by an Act of Parliament. In principle an EGS can be limited to a specified number of years, though this would limit the security offered by the programme to the beneficiaries. In a sense, an EGS can be seen as an 'employer of last resort', though this strictly speaking implies the provision of employment on demand at low wage rates without a limit on the amount of employment provided to each participant (Wray, 2007), while MGNREGA limits the number of days of work offered per participating household.

In summary, if the MGNREGA model is followed, an EGS would supplement the livelihoods of participants through work at a time chosen by the participants, who are likely to schedule their participation to minimise possible loss of foregone income. EGS transfers are predictable, though the characteristic of regularity is replaced by flexibility as regards taking up the opportunity at the time chosen by the beneficiaries.

Productive Safety Nets (PSNs) aim to address chronic livelihood deficits by offering ongoing employment for a certain period of time. The term productive refers to the nature of employment provided under PWPs to create assets of economic value and providing complementary support to make livelihoods more resilient, in effect by addressing the underlying causes of the chronic livelihood deficits, economic underdevelopment and rural poverty. In this sense, PSNs not only provide support through regular and predictable cash transfers during the disruption period but also perform a social inclusion function by fostering economic development and improving the livelihoods of the poor and regularly excluded.

PSNs are introduced as a generic form in the paragraph above, although the PSNP and the associated Household Asset Building Programme (HABP) in Ethiopia are probably the only programmes in the developing world with these characteristics (see Box 2). The PSNP, as a long-term strategic solution for reducing food insecurity, originated from the reactive emergency food relief programmes for famine-prone areas.

Box 3. PSNP, Ethiopia

1. The PSNP was launched in 2005 by the Government of Ethiopia. The objective of the scheme is 'to assure food consumption and prevent asset depletion for food insecure households in chronically food insecure woredas (districts), while stimulating markets, improving access to services and natural resources, and rehabilitating and enhancing the natural environment.' (PSNP, 2010:5)
2. The programme finances labour-intensive public works, such as road projects, soil and water conservation projects, water development projects and social services infrastructure projects. Cash is paid for up to five days of work a month per household member, for six months a year, until the recipient households graduate from the programme by accumulating an asset and income level that enables them to meet 12 months of food needs and to withstand modest shocks. In addition, about 20 per cent of the participating households with members unable to work receive unconditional cash or food transfers. PSNP+, launched in 2009, is aimed at connecting a subset of PSNP participants to financial services and markets, to support their graduation from the programme. The PSNP is also linked to the HABP, which provides credit and agricultural extension services to support vulnerable households to engage in both farm and non-farm activities.
3. The PSNP is a productive safety net which includes a commitment to providing a safety net that protects food consumption and household assets and is expected to address some of the underlying causes of food insecurity and to contribute to economic growth. The productive element comes from an improved infrastructure and natural resources base created through PSNP public works and the multiplier effects of cash transfers on the local economy. (PSNP, 2010:6)

3.2 Comparing Workfare Schemes

Table 1 summarises the main features of the different types of workfare programmes discussed above. The key aspects studied are the objectives and problems addressed, assumptions, design features and effects.

Characteristics		Workfare		
		Safety net oriented temporary PWP	EGS	PSN
Objectives and problems addressed	Main goal(s)	Consumption smoothing	Consumption smoothing Social insurance	Poverty alleviation Social inclusion
	Main problems addressed	Temporary disruptions to the labour market and livelihoods and associated consumption reduction	Recurrent underemployment or unemployment and associated consumption reduction	Chronic underemployment or unemployment and associated livelihood deficit and labour market underdevelopment
Assumptions	Assumptions	Disruptions to the labour market and livelihoods are only temporary; The un-or-under-employed are able to re-enter the labour market after a short period. The un-or-under-employed need support during off seasons. Employment is seen as the main route out of poverty	Disruptions to the labour market and livelihoods are recurrent; The un-or-under-employed are able to re-enter the labour market after the shock. The un-or-under-employed need support during off seasons. Employment is seen as the main route out of poverty	Disruptions to the labour market and livelihoods are chronic and caused by skills shortages, underdeveloped labour markets and slack growth. The underlying causes of un-or-under-employed need to be addressed. Employment is seen as the main route out of poverty
Key design features	Type of support	Single episode of employment	On demand	Ongoing
	Duration	Short-term: during or after a crisis (economic or natural calamity).	Over several years	Over several years
	Provision of regular and predictable transfers	No	Yes (though more flexible than regular)	Yes
Effects	Forgone income	Likely to be significant for some beneficiaries	Likely to be insignificant	Likely to be significant for some beneficiaries

Table 1. Main Characteristics of Workfare Schemes

Characteristics		Workfare		
		Safety net oriented temporary PWPs	EGS	PSN
Impact	Impact	Overall lack of evidence. Impact on consumption is likely.	MGNREGA: Impact on consumption, expenditure on durable assets, labour participation and wages. No evidence on significant impact of assets Evidence of significant unmet demand	PSNP: Impact on consumption, livelihoods and agriculture. Impact increases when the programme is complemented with other interventions. Assets are widely perceived to be beneficial by community members. No significant evidence on graduation out of poverty and resilience.
		Probably lower than other schemes due to dependence on community structures and systems already in place.	High given the rights-based approach	Likely to be high due to broad support
	Cost			

Main goals and problems addressed

Safety Net Oriented Temporary PWPs deal with temporary disruptions to the labour market and livelihoods, while EGSs with recurrent and PSNs with chronic. Recurrent disruptions are those occurring repeatedly or periodically, typically seasonally, while chronic are continuous and long-lasting. Hence Safety Net Oriented Temporary PWPs provide short-term relief during crises, typically in response to natural or economic shocks, while EGSs play a social insurance function by guaranteeing on demand employment, whereas PSNs play a social inclusion function, by fostering inclusive growth and development.

Assumptions

The three types of workfare schemes rely on different assumptions regarding the labour market. Safety Net Oriented Temporary PWPs assume that the unemployed are able to re-enter the labour market (as self-employed or employed) after a short disruption and therefore rely on the demand for work being sufficient to absorb the supply after the shock. Similarly, EGSs assume that disruptions, although recurrent, are temporary and that after the shock the unemployed or

underemployed return to employment or self-employment as usual. PSNs, however, assume that disruptions to the labour market and livelihoods are chronic and caused by skills shortages, underdeveloped labour markets and slack growth. This type of scheme believes that the underlying causes of un-or-under-employment need to be addressed so that the affected people can participate in the labour market sustainably. In sum, for both Safety Net Oriented Temporary PWP and EGSs disruption to the labour market and livelihoods are only temporary, although with different frequency, and employment is the status quo. On the contrary, for PSNs the status quo is un-or-underemployment.

Despite of the important differences, the three schemes share two core assumptions: 1) employment is the route out of poverty; and 2) support needs to be provided to the un-or-underemployed. As a consequence, the three schemes intend to increase and improve the participation in the labour market.

Key design features

Comparing type of support and duration, a few key differences between workfare types emerge. Naturally, the duration of the support offered goes in line with the type of disruption the programmes deal with; Safety Net Oriented Temporary PWP offer a single episode of employment, EGSs offer repeated employment whereas PSNs ongoing.

In relation to the type of support, the three types offer cash with the objective of smoothing consumption or alleviating consumption-based poverty. Moreover, work requirements in the three schemes are usually associated with creation, maintenance or reconstruction of infrastructure. It is rare, however, to find workfare schemes in lower income countries with work requirements aiming at developing skills, with the exception of youth programmes (e.g. the Youth Employment Scheme in Sierra Leone and the National Youth Employment Programme in Ghana).

Even when the extent to which assets are created is very programme-specific, the overall trend indicates that Safety Net Oriented Temporary PWP focus on rebuilding assets lost or damaged during the shock, while at least in theory PSNs are concerned with creating infrastructure of socio-economic value. Based on the MGNREGA evidence, EGSs place less emphasis on effective implementation of infrastructure works. It is important to mention that PSNs also include a livelihood improvement component within the benefit package.

Essential to providing a social protection function is also the regularity and predictability of the cash transferred. Plenty of evidence has shown that supplementing low and variable income through regular and predictable cash transfers helps households to smooth consumption, and sustain spending on food, schooling and healthcare in lean periods, without the need to sell assets or take on debt. In the longer term the security offered by regular and predictable transfers makes it possible to enhance livelihoods, accumulate and use productive assets and human capital, and obtain access to credit on better terms (DFID, 2011 and Kidd et al., 2014). PSNs offer regular and predictable cash transfers. This is a key feature of the ongoing, long lasting approach. EGSs, however, offer flexible (on-demand) and predictable transfers while in Safety Net-Oriented Temporary PWP transfers are not regular since they offer only single episodes of employment.

Effects: Forgone Income

The forgone income of at least some workfare participants is likely to be significant, unlike in the case welfare beneficiaries. In principle, if the workfare participants are unemployed and not engaged in any productive activity and have no prospect of such employment for the duration of workfare participation, there will be no earnings foregone or production loss. Evidently, if the

forgone earnings are deducted from the workfare income, the net value of the transfer to the participants is lower.

The size of the forgone income for participants is difficult to measure and depends on the specifics of the local labour market and the characteristics of beneficiaries. The World Bank has recently estimated the forgone income of the participants of the Bihar Rural Employment Guarantee Scheme (BREGS) in India. The results indicate that forgone income is significant for some participants (Murgai et al., 2013:20)⁸.

Despite being significant, forgone incomes could be reduced with careful programme design. In this regard, in EGSs for example, since beneficiaries can choose when to demand work, it is likely that they will do so in order to minimise the forgone income. Hence letting beneficiaries choose when to work can be a way of dealing with this problem.

Effects: Evidence on impact

The lack of systematic evidence on the impact of workfare programmes in lower income countries weakens the comparison between types of schemes. As already mentioned, the beneficial economic and developmental value of the assets created and skills transferred through workfare is frequently assumed rather than empirically established.

Despite the evidence shortage, below this paper describes the overall trends in relation to the impact of the three types of schemes, Safety Net Oriented PWP, EGSs and PSNs, through the three channels of impact: cash, assets and skills. In the case of EGSs the results of the MGNREGA in India are presented and of the PSNP in Ethiopia when it comes to PSNs.

- **Safety Net Oriented PWPs** - International evidence suggests that the main social protection benefit is through the wage transfer and its impact on consumption smoothing (McCord and Farrington, 2008). This is, of course, in line with the goal of this type of programme.

In relation to impact through asset creation, the effects tend to be more tangible when it comes to the replacement or repair of community assets lost or damaged during a shock, since beneficiaries and community members are aware of the economic value of such infrastructure. There is, however, little empirical evidence on skills transfers.

- **EGS** - The MGNREGA scheme seems to be reaching the rural poor and is attracting poor women into the workforce, although there is considerable unmet demand for work under the scheme in all states, and more so in the poorest ones, where the programme is needed most (Dutta et al., 2012). Unmet demand for work is a serious problem for a programme that pretends to guarantee work and has brought lot of questioning.

⁸ While Murgai et al. (2013) is a very carefully conducted and interesting study, its findings should be treated with some caution as regards reaching conclusions about the welfare impact of workfare. The estimates of incomes foregone in Murgai et al. (2013) are based on the respondents' counterfactual statements regarding what their earnings would have been in alternative employment if they were not participating in BREGS. Underlying this approach is the assumption that the income foregone is entirely lost to the households of the respondents, the rest of the rural labour force and the economy. There are some reasons why this assumption may not be valid. Formally, potential participants can take up BREGS employment at a time of their choosing. Therefore, to conclude that the income is foregone by the household it would be necessary to demonstrate that the alternative employment foregone could not have been shifted to another time or taken up by another member of the household who would otherwise have been unemployed.

The MGNREGA seems to be achieving the goal of consumption smoothing among beneficiaries and has also fostered expenditure on durable goods, labour market participation, and has had a positive impact on the wages of female casual workers (Emad, 2013 and Azam, 2012). According to some evidence the scheme seems to be much less successful as regards the quality of assets created (Global Insights, 2013), which seems to be in line with its main purpose, social security. Asset creation, in order to provide longer term benefits, is given a lower priority and has been less successful to date.

- **PSN** - Assessments of the PSNP suggest the programme is achieving the objective of smoothing household consumption through the cash transfer. Moreover, the programme has also had a measurable and positive impact on household assets and investments, although there is no evidence on skills transfers (World Bank, 2010b and IFPRI, 2013).

Effects on household productivity are more significant when multi-year employment is offered and where complementary interventions promoting agricultural and asset are implemented. The combined implementation of the PSNP and investments in household assets (through the Other Food Security Programme) have led to more significant improvements in food security and agricultural productivity (World Bank, 2010b).

The PSNP has also built significant community assets, which are widely perceived to be beneficial by community members (World Bank, 2010b). This was especially true of road construction and rehabilitation, well construction and soil and water conservation.

Apart from these positive aspects, there is considerable evidence of regional differences in the implementation of the programme, particularly in relation to the provision of work, payment levels, and the processing of payments. A number of implementation problems associated with lack of technical skills, difficulties in supervision, and delays in receipt of funds for capital expenditures were also found (IFPRI, 2013).

Finally, despite of showing promising results in a number of areas, there is still little evidence on beneficiaries graduating out of poverty in a sustainable way (IFPRI, 2013).

Cost

Not only it goes beyond the objective of this research to conduct a costing analysis of each workfare type, but also the data required is in most cases unavailable or non-existent. This subsection simply emphasise the fact that since these three workfare types offer different benefits and expect to have different impacts, it is of course reasonable that their costs also differ. A priori, PSNs, given their broad support are the most expensive ones. Creating and maintaining infrastructure of economic value at local level and enhancing livelihoods requires a strong management set-up, skilled programme staff at various levels, important financial and material resources, and effective systems and processes. As described above, the evaluations of the PSNP in Ethiopia have found that the regional differences in implementation capacity translate into impact differences (World Bank, 2010b).

Even though the support provided by EGSs is not as broad as PSNs, the MGNREGA implies a huge fiscal commitment due to its rights-based and demand-driven approach. Moreover, for a programme to be able to offer work on demand means that work needs to be available throughout the year, what is of course costly. The fiscal commitment of the MGNREGA is difficult to replicate, and poorer countries that have followed this path have found impossible to allocate the resources required (i.e. Nepal).

3.3 Comparing Workfare with Welfare

The most obvious distinction between welfare and workfare programmes lies in their target population: while the former are accessible to households with or without persons who are able to work, the latter are only accessible to households with persons who are able, available and willing to work. This section, in order to ensure consistency, compares welfare and workfare schemes with the same target group: households with labour capacity.

Workfare programmes as social protection schemes can offer benefits, in the forms of cash, to participants, asset creation or service provision and skills development. Cash support in return for work is the most immediate social protection effect of workfare. However, in order to justify the higher cost of social protection through the work requirement (and the exclusion of vulnerable populations who are not fit to work), it becomes necessary to demonstrate that there are sufficient gains, as a result of meeting the other two objectives, to compensate for the higher costs.

Main goals, problems addressed and assumptions

As in the case of workfare, CTs are concerned with transitory or chronic under-consumption. However workfare schemes assume that it is the labour market and the livelihoods disruptions the one causing the fall in consumption, whereas CTs are not always concerned with labour market status. Some CTs offer cash to those who are poor, for example, regardless of their participation in the labour market.

From this view point, CTs seem to be more embedded in the view of social protection as welfare, this is, as redistribution (vertical or horizontal), concerned with material outcomes rather than focused on equality of opportunities, more related to the workfare approach (see Section 2). It is important to notice, however, that the shift from 'equality of results' to 'equality of opportunities' in the social protection discourse does not mean replacing CTs, traditionally more related to welfare, with workfare, more associated with opportunities. What it does mean is that CTs themselves, when targeting households able to work, are becoming increasingly concerned with supporting the participation of beneficiaries in the labour market, and in this sense issues related to 'promotion', 'transformation', and 'graduation' are part of the current discourse.

Key design features

In relation to the duration of the support, as with workfare schemes, the range of CTs goes from temporary programmes typically implemented as part of humanitarian aid which provide short term support, to programmes that offer benefits on ongoing basis for a number of years, aiming at reducing chronic poverty.

As opposed to workfare, beneficiaries of CTs do not create or repair community assets. However, instead of imposing work conditions, CCTs impose other conditions, typically related to the use of health and education services. Moreover, in line with the recent interest in graduating beneficiaries, some CTs provide complementary services or a linked to other programmes, offering support in areas like financial literacy, technical and vocational education and training, and others.

Effects: Forgone Income

As oppose to the workfare case, in CTs forgone incomes and consequent impacts are likely to be insignificant because participants do not have to adjust their labour market participation to benefit from such schemes. Welfare CTs may arguably discourage work. However, if significant, this would be an effect of the CT itself and therefore pertinent to both welfare and workfare. Consequently, if the same amount of cash were transferred through welfare and workfare schemes, beneficiaries of the former scheme would generally receive greater net values than participants of the latter.

Effects: Evidence on impact

As opposed to workfare, evaluations of the impact of CTs in lower income countries are plentiful (DFID, 2011; Hagen-Zanker et al., 2011; Kidd et al., 2014). Not only has the direct impact on consumption been extensively assessed, but second-order effects have also been evaluated, such as school attendance, enrolment and retention, utilization of health services, food security, nutrition, accumulation of assets accumulation and building of livelihoods.

It is not the objective of this paper to review the international body of evidence on CTs, however, it is important to mention that evaluations have shown that when properly designed and implemented, CTs have positive effects on household consumption. Moreover, CTs have also proven to positively impact other welfare dimensions such as access to education and health services, nutrition and asset building, among others. Moreover, there is little evidence that these programmes have had substantial negative effects on labour market participation, an aspect that is sometimes contentious (DFID, 2011 and Fiszbein and Schady, 2009).

Besides the effects on consumption and human capital, the productive impact of CTs has been increasingly scrutinised. From this perspective, even though the main goal of most CTs is rarely to foster production and productivity, some programmes have shown positive effects. The evaluations of CT schemes in countries like Malawi (Malawi Social Cash Transfer Scheme), Kenya (Cash Transfer for Orphans and Vulnerable Children), and Zambia (Child Grant Programme), among others, have shown significant productive effects (Asfaw et al, 2012; Covarrubias et al, 2012; Seidenfeld et al, 2013; also see Davis, 2014 for synthesis of recent evaluation results).

Due to the lack of evidence it is not possible to compare the productive impact of welfare and workfare. However, since both types of programmes transfer cash, it seems fair to assume that for workfare to be a preferred option in terms of productive effects (participation in the labour market and livelihoods improvements) the work requirements do need to provide additional productive impacts. From this view point, the typical conditions of CCTs, use of health and education services, should increase the human capital impact of welfare, whereas the work conditions of workfare should increase its productive impact. However, as already mentioned, there is not enough evidence to assess the validity of this premise, which is at the centre of the comparison between welfare and workfare.

Effects: Evidence on cost-effectiveness

A cost-effectiveness comparison of workfare and welfare as social protection instruments should be at the centre of the debate regarding workfare and welfare. However, the evidence available, particularly about workfare schemes, is not sufficient and undermines the chances of conducting a cost-effectiveness comparison based on past experiences (McCord and Slater, 2009; Del Ninno et al., 2009).

Although welfare and workfare programmes provide similar kinds of support, primarily cash for participants, workfare schemes are likely to be more costly because workfare requires the creation of jobs that are suitable for the target groups, the provision of complementary inputs, monitoring of attendance and productivity, and managing programmes (Del Ninno et al., 2009). Furthermore, there will be some forgone earnings, which reduce the net benefits of workfare participation. As a consequence, it seems reasonable to assume that if workfare effects are limited mostly to smoothing income or consumption during the period of employment, such schemes may be less cost-effective than welfare (McCord and Farrington, 2008).

In sum, since workfare provides social protection with higher costs than welfare schemes, this higher cost needs to provide extra benefits in order to outweigh the costs. According to Murgai et al. (2013:1), 'for workfare to dominate other options, it would have to work better in practice. Reforms would need to reduce the substantial unmet demand for work, close the gap between stipulated wages and wages received, and ensure that workfare is productive and the assets created are of value to poor people and for economic development. Cost-effectiveness would need to be reassessed at the implied higher levels of funding.'

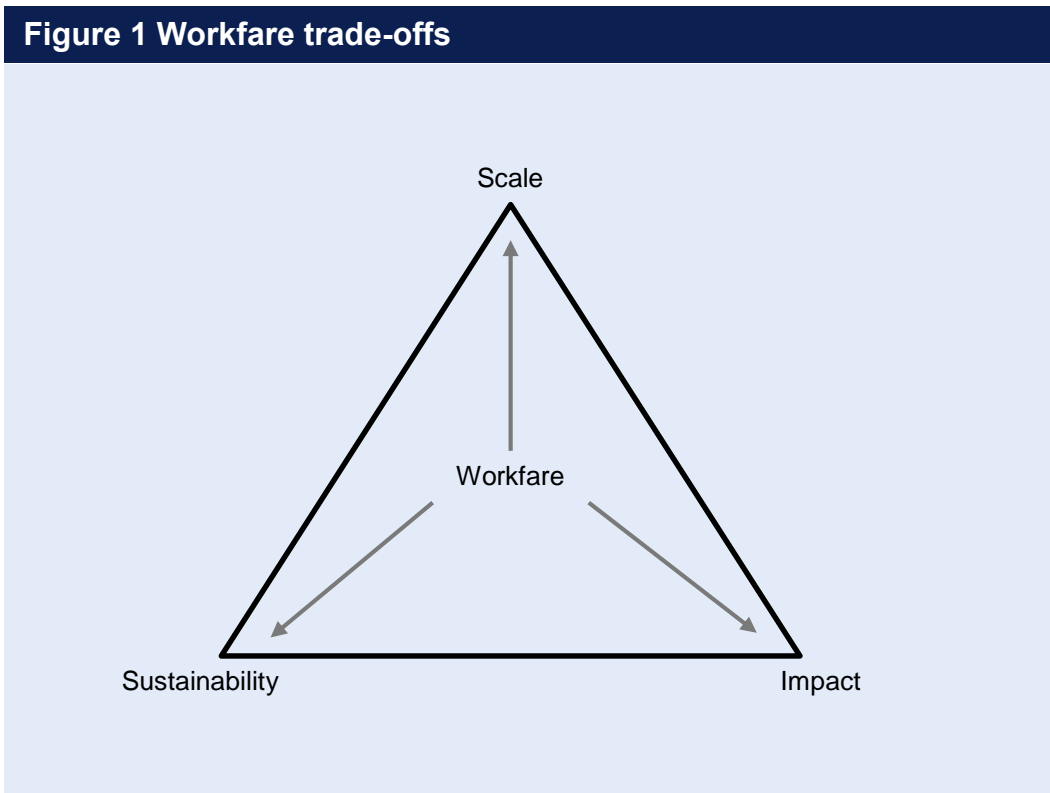
Scale

The extent to which these schemes can be implemented effectively at large scale is also an important dimension for the comparison. CTs have shown positive results at large scale, in many cases nationally, whereas this is not the case with workfare schemes.

According to McCord and Slater (2009), the scale and coverage of most workfare schemes in Africa is minimal and rarely matches the extent of need among the working poor. This is even the case in the two largest workfare schemes implemented in lower income countries, the PSNP and the MGNREGA, where although they operate at large scale, there is evidence of unmet demand leading to a process of rationing access in both programmes (Dutta et al., 2012 and Devereux et al, 2006).

Consequently, workfare schemes seem to face a trade-off between scale, impact and sustainability (see the figure below). Large scale and high impact put at risk the sustainability of the programme, due to pressures on both resources and capacity. In practice, however, sustainability appears to be achieved by reducing the scale and/or impact. This is why most workfare schemes implemented in lower income countries operate at a small scale and the impact of the work requirements is yet to be proved.

CTs may also face the same trade off, however, since a priori they require less resources and operational capacity, the fiscal sustainability does not risk the scale and impact as much as with workfare.



How to resolve this trade-off is a delicate issue. It could be argued that the impact should be non-negotiable, leaving the choice between scale and sustainability. Only programmes with proper resources and capacity can achieve large scale without risking their sustainability (and impact). This may imply that some workfare schemes should be conceived and implemented at small scale, as it is currently happening in many countries, without scaling up ambitions until the sustainability can be guaranteed.

4 The Role of Workfare in Social Protection

A common failure of the workfare approach to social protection, with a few exceptions, has been misalignments between what workfare programmes have offered and what is required for social protection. Furthermore, the capacities required for implementing programmes have been lacking in many cases. The misalignments have been widely evidenced by McCord and others in a number of studies (e.g. McCord and Slater, 2009; McCord, 2008). The reviews of workfare schemes by Del Ninno et al. (2009) and McCord and Slater (2009) show that most workfare programmes implemented in lower income countries take the form of PWPs offering single short-term episodes of employment. As explained earlier, these types of programmes are appropriate as responses to temporary disruptions of the labour market resulting in acute labour demand shortages, or as additional employment opportunities for poor households, but they do not provide regular predictable support for participating households. Evidently, most PWPs, even where they are safety net oriented are not intended to be comprehensive social protection instruments, despite being implemented in contexts of permanent underutilization of labour.

In this context, this section proposes a simple Conceptual Framework to assess the relative cost-effectiveness and efficacy of different welfare and workfare policies for labour surplus households facing a diverse set of 'states' and 'shocks'. The framework proposed is intended to prompt pertinent questions to be asked when seeking to determine whether workfare or welfare is to be preferred for working poor households and the type of workfare that may be appropriate in a specific context. In developing the framework, this paper sets aside political economy and targeting considerations. The reason for setting aside the political aspects is that although these are an important aspect of the policy process, they do not provide a technical justification for selecting the appropriate intervention. The targeting issues discussed earlier are important for workfare and welfare but are not core to the choice between the two approaches.

4.1 An Assessment Framework

Based on a view of social protection that sees it as involving 'risk management', social assistance programmes aim to protect households from two types of shocks: idiosyncratic (affecting individual households - e.g. sickness) and covariate (affecting large numbers of people - e.g. natural disasters, war and economic shocks such as rising food prices or a recession). Moreover, there is a need to make a distinction between shocks and 'states'. Shocks are unexpected events with adverse impacts on livelihoods and employment prospects. The term 'state' has been used to represent the established livelihood conditions of households, which are a consequence of the normal circumstances they face. Risk management is concerned with shocks while chronic underemployment, low earnings and associated poverty are states. Furthermore, recurrent labour underutilization because of seasonality is not strictly speaking a shock in the normal sense of an unexpected event of a temporary nature and is more appropriately considered as a state since it is regular and can be anticipated. Hence social protection instruments in lower income countries need to address shocks as well as states. Based on the above discussion, Table 2 identifies the types of shocks and states requiring social protection interventions for labour surplus households.

Table 2. Shocks and States Affecting Poor Labour Surplus Households

	Shock	Recurrent state	Chronic state
Idiosyncratic	<ul style="list-style-type: none"> • Loss of employment. • Loss of, or damage to, crops or livelihood assets. • Illness of a livelihood provider. 	<ul style="list-style-type: none"> • Seasonal loss of employment. • Seasonal loss of, or damage to, crops or livelihood assets. 	<ul style="list-style-type: none"> • Long-term unemployment or underemployment. • Lacking appropriate skills and/or livelihood assets.
Covariate	<p><i>Natural</i></p> <ul style="list-style-type: none"> - Public infrastructure damage / destruction. - Temporary or permanent damage to private livelihood assets. - Injury / death of livelihood providers. - General loss of employment. <p><i>Economic</i></p> <ul style="list-style-type: none"> - Higher prices of food and essentials (exceptional inflation or seasonal price variations). - Recession – higher unemployment, reduced prospects of gaining employment, and low earnings. 	<ul style="list-style-type: none"> • Predictable seasonal variations in labour requirement on own farms and elsewhere. • Lower earnings during the slack agricultural season. 	<ul style="list-style-type: none"> • Overall chronic underemployment and poverty.

As mentioned, the aim of the framework is to prompt appropriate questions rather than provide answers – which should be based on the analysis of the evidence in the specific context concerned. For example, if a programme is already in place, it may be more cost-effective to expand and adapt it to cover households facing different types of shocks or states rather than launching a new programme that in principle may be more suitable for the specific shocks or states. Moreover, it is important to highlight that this theoretical framework assumes that each type of schemes achieves its objectives. Although this is not a minor assumption, it seems plausible for a theoretical analysis.

With these caveats in mind, below the appropriate policy responses to different shocks and states are proposed, as also summarised in Table 3.

4.2 Applying the framework: ideal policy responses for different shocks and states

Idiosyncratic shocks and states

For *idiosyncratic shocks*, such as loss of employment or livelihood, affecting individual households an existing EGS could act as social insurance and reduce vulnerability. This is because EGSs, as any insurance scheme, are built to deal with individual shocks. However, in the absence of an EGS, setting up such an ambitious programme in order to benefit a few individual households affected by infrequent shocks does not seem cost-effective. In this sense, support through a CT seems like a preferred option.

For *idiosyncratic recurrent states* of underutilization of labour inflicting hardship, households require a form of social insurance to protect them during lean times. EGSs seem to be the best suited responses in such cases since they provide on-demand support. Consequently, households are protected and are made secure, and can count on there being a safety net available to support them during lean times.

Idiosyncratic chronic states are typified by households with economically active members who are unable to engage sufficiently well in productive activities because of household specific deficiencies, such as lack of appropriate skills or sufficient productive assets. In such cases any social protection response should not only provide short-term livelihood support but should also address the deficiencies which are at the root of the state. Strategies for improving employability and livelihood assets of households in this state are required. These could take the form of vocational training, allowances, loans and extension services to make more productive use of assets. Any of the social protection interventions considered in this paper can be complemented by strategies for livelihood improvement. However, since CTs are expected to be less costly, they are presented as the dominant option in Table 3. CT+ in the table refers to a CT complemented by support for livelihood improvement. PSNs do not seem to be the right responses to idiosyncratic shocks or states because they are complex programmes that provide comprehensive and broad support, and therefore are too costly for shocks or states that affect only a few households.

Covariate shocks and states

If the need for support is in response to a *covariate shock*, and therefore of a temporary nature but affecting a large number of households, Safety Net-Oriented Temporary PWP or CTs could be effective. The choice between PWPs and CTs would depend on the specific circumstances. PWPs would be preferable to CTs if the complementary benefits of infrastructure assets repair and maintenance outweigh the additional costs. This could be the case where, for example, the covariate shock is a natural event which has damaged the infrastructure. Furthermore, there may be insufficient information in the aftermath of a shock for effective targeting of CTs whereas with PWPs those in need of the support would choose to participate. However, if the practicalities and costs of setting up and operating a PWP are high and a CT can be effectively targeted, the latter would be preferable. If the covariate shock is an economic event, a CT would be preferable since it can be mobilised more quickly and with fewer resources, as long as it can be targeted effectively.

Covariate recurrent states refer to a predictable regular pattern of seasonal variations in labour demand with low earnings during the slack season because of shortage of paid work and lower pay for the work that is available. An EGS seems to be the most suitable response to such states since it offers participants the choice of when to claim their entitlement and therefore allows participants to manage their own consumption smoothing and other economic activities. Alternatively, seasonal CTs could play this function as well.

It is when facing *covariate chronic states* of labour underutilization that social protection policies must not only protect the population but also challenge the underlying forces that make households chronically un- or under-employed. In this case workfare could have a role, since the imposition of work requirements could be not only a condition for support but also a strategy for addressing the factors underlying the deficiencies in labour demand and poor livelihoods. PSNs are the most appropriate workfare type because they can provide the broad-based support combining safety net functions with economic development, improvement of labour markets and participation in such markets by the disadvantaged. This type of intervention would provide regular and reliable support and therefore security for a number of years, and would complement the CT with strategies for improving the livelihoods of the disadvantaged (e.g. through the creation of assets of value to the poor and development of skills).

Table 3. Social Protection Response by Types of Shocks and States: A Framework

	Shock	Recurrent states	Chronic States
Idiosyncratic	CT	EGS	CT+
Covariate	CT/PWP	EGS / Seasonal CTs	PSN

4.3 The Framework Applied to Rural Areas of Lower Income Countries

Workers in many rural areas of lower income countries are engaged in informal economic activities, typically in subsistence agriculture, self-employment or informal employment, with low pay, low productivity and poor working conditions, and are affected by seasonal shocks (covariate recurrent states) or are chronically un-or-underemployed with vulnerability of livelihoods (covariate chronic states). For covariate recurrent or chronic states, in theory EGSs or PSNs could be the most cost-effective interventions. While the former provide on-demand support – a form of social insurance that can be used when shocks occur – the latter provide broad-based support, combining safety net functions with the creation of assets and skills for economic development and improvement of labour market participation for the excluded. However, it should be borne in mind that some lower income countries also face other types of labour underutilization, for example youth unemployment, which require more tailored responses.

In order to be superior policy choices as social protection instruments, EGSs and PSNs need to be implemented effectively and efficiently. Given their multiple objectives and the high resource and capacity requirements, the design and implementation of these programmes are difficult. Beyond the Ethiopian PSNP and the Indian MGNREGA, programmes that have been questioned and still need to fulfil their potentials, it remains a challenge to develop effective large scale workfare programmes that provide regular and predictable incomes for households over a period of years.

5 Summary and Conclusions

In spite of a lack of evidence regarding the costs and benefits of workfare programmes, there appears to be a preference for workfare over welfare for providing social protection for the working poor in lower income countries. Because of the relatively high management and input requirements and costs of implementing, and possible loss of alternative income for workfare participants, employment programmes are likely to be more expensive than welfare schemes. Therefore, in order to be more cost-effective, the secondary benefits of workfare should outweigh the additional costs. However the beneficial economic and developmental value of the assets created and skills transferred through workfare is frequently assumed rather than empirically established.

Three main premises which support the use of workfare over welfare as a social protection instrument for the working poor are: (a) achieving multiple objectives; (b) targeting effectiveness; and (c) political preferences. On achieving multiple objectives, due to lack of systematic evidence regarding the additional costs of workfare and the added complementary benefits it is not possible to evaluate whether workfare schemes achieve the multiple objectives that are usually claimed, and if this is done cost-effectively. On targeting effectiveness, the validity of self-targeting by setting a wage rate sufficiently low to attract the poorest households is questionable and would lead to low benefits for participants. However, there are also issues regarding the targeting approaches available for welfare. Finally, political preference of workfare over welfare for supporting the working poor rely to an important extent on both misconceptions and ideological stances on welfare dependency and notions of self-sufficiency and the value of work as a means of self-realization.

The type of workfare response that will be suitable will depend on the kind of labour underutilization and associated hardship to be addressed. For covariate chronic states, social protection policies are required not only to provide livelihood support but also to address the underlying forces that result in households being chronically and recurrently un- or under-employed, and therefore poor. In principle, PSNs could be the most effective interventions in such cases since they are intended to provide broad-based support, combining the safety net function with public asset creation and livelihood enhancement support which address the root causes of poverty and vulnerability and give poor households a better stake in economic development.

Alternatively, flexible and well-resourced EGSs could fulfil the risk management functions for households with labour surplus that face recurrent idiosyncratic and covariate shocks, supporting livelihoods to alleviate poverty. EGSs (and PSNs of sufficient size) could also, in some circumstances, have wider impacts in respect of improving rural livelihoods by raising the wage floor and empowering the disadvantaged.

However, designing and implementing PSNs and EGSs to operate on large scales effectively and efficiently is very challenging and still needs to be assessed and proved if this can be achieved in contexts of low technical and management capacities and great need. It is also important to avoid falling into the 'workfare trap' of exaggerating what can be achieved with respect to the multiple objectives. Alongside efforts to tailor workfare programmes to suit the requirements and make them work better, there is a need for further research in a number of areas, particularly in relation to comparing the cost-effectiveness of workfare and welfare options.

To date, most workfare schemes have been small scale in relation to the social protection problem they are intended to address and also most have provided single episodes of employment, which are not suitable where predictable recurrent support is needed. This underperformance seems to be the result of a trade-off between scale, impact and sustainability. Large scale and high impact put at risk the sustainability of a programme, due to pressures on both resources and capacity. In

practice, sustainability appears to be achieved by reducing the scale and/or impact. How to resolve this trade-off is a key policy issue. In contexts of low capacity and scarce resources, as in many lower income countries, workfare schemes may need to be implemented at small scale.

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