

# Jobs in a crisis: Principles of effective public employment programmes



### In brief:

- This brief outlines the role of public employment programmes (PEPs) in overall economic crisis response with reference to the COVID-19 pandemic. Unemployment has spiked in developing countries, due to COVID-19 mitigation measures, such as national lockdowns and the indirect effects of the economic global shock from the pandemic.
- PEPs often form part of countries' recovery plans after economic shocks such as COVID-19 and can be a policy tool to provide social protection, create jobs and provide public infrastructure.
- This brief focuses on two initiatives in Rwanda that function as PEPs, including the Vision Umurenge Program and a school construction programme, but also draws on international experience, to outline principles for effective public employment programmes.
- PEPs should be set at the right level – high enough to help the poor, but low enough not to distort market wages; PEPs should target the poor effectively, and if they have a gender quota they may have the greatest welfare impact. PEP design is important to achieving impact; and community engagement is important.
- Effective PEPs find ways to efficiently balance the three objectives of social protection, job creation and the provision of public infrastructure. They are most effective and timely where institutional and fiscal capacity exists before a crisis hits. Finally, they are not a panacea and need to coordinate with and be complemented by other measures to reduce poverty and provide employment in a crisis.

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## Introduction

Given the mass unemployment caused by the global COVID-19 pandemic, job creation is an urgent imperative. In response, the International Labour Organisation (ILO) has stressed the urgency of accelerating the creation of public employment programmes (PEPs) and even full employment guarantee schemes. Unemployment has spiked in developing countries, due to national lockdowns and other COVID-19 mitigation measures, as well as external global shocks. In this brief we begin with the context of Rwanda, but also draw from other countries' experiences, to outline some principles in the literature that might be applied to successful public employment programmes.

In Rwanda, the health crisis, global economic situation and resultant early and decisive lockdown reduced export demand, reduced domestic demand and supply, and caused an initial spike in unemployment in April 2020, which recovered to 22.1% in May; however, this was still 9% higher than pre-COVID levels<sup>1</sup>. In response, the Government of Rwanda launched an Economic Recovery Plan that runs from May 2020 to December 2021<sup>2</sup>, which includes two major components: an economic recovery response largely aimed at firms, and a social protection response aimed at vulnerable households, which builds on and expands existing social protection systems.

In this note we focus throughout on two initiatives in Rwanda that function as PEPs. The first is the Vision 2020 Umurenge Program (VUP) "classic public works" and "extended public works" programmes, which were set to be expanded under the social protection response component of the Government's Economic Recovery Plan. VUP is well established, having been set up in 2008; it is run by the Ministry of Local Government, has a high level of community involvement and pays unskilled workers in communities to undertake labour-intensive public works projects. The second initiative, run by the Ministry of Education, is the Home Grown School Construction Approach which aims to build 22,505 new classrooms and 31,932 latrines across the 30 districts of Rwanda. The Government has partnered with the World Bank to co-finance this through a concessional loan to the Ministry of Finance and Economic Planning<sup>3</sup>. The programme involves hiring unskilled labour from local communities. Whilst the World Bank component of the mass classroom construction project was already planned pre-COVID-19<sup>4</sup> and was primarily an education and classroom construction project rather than primarily a public employment programme, given its scale, timing and labour intensive nature, it will perform the job-creating function as a public employment programme, and in our experience the Government views it as such<sup>5</sup>.

This brief is written in response to interest from the Government of Rwanda; we hope it may also be of wider interest. We aim to outline the role of public employment programmes in overall economic crisis response especially COVID-19, and then provide recommendations on the design and implementation of public employment programmes of this kind, borrowing from Rwandan and international context.

## The role of public employment programmes in crisis response

During COVID-19, Rwanda and most other countries have come under enormous macroeconomic pressure, suffering large losses to GDP. On the demand side, the global slowdown in economic activity

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<sup>1</sup> Labour Force Survey May 2020 <https://www.statistics.gov.rw/publication/labour-force-survey-trends-may-2020q2>

<sup>2</sup> <https://www.newtimes.co.rw/news/rwf800-billion-accelerate-rwandas-economic-recovery>

<sup>3</sup> Of these figures, the World Bank agreed to fund 11,000 classrooms and 14,500 latrines<sup>3</sup> in a 200 million USD funding agreement signed last year to support the education sector, of which 126 million USD is allocated to construction.

<http://documents1.worldbank.org/curated/en/184411564797693303/pdf/Rwanda-Quality-Basic-Education-for-Human-Capital-Development-Project.pdf>

<sup>4</sup> <https://www.newtimes.co.rw/news/world-bank-injects-us200-million-rwandas-education-project>

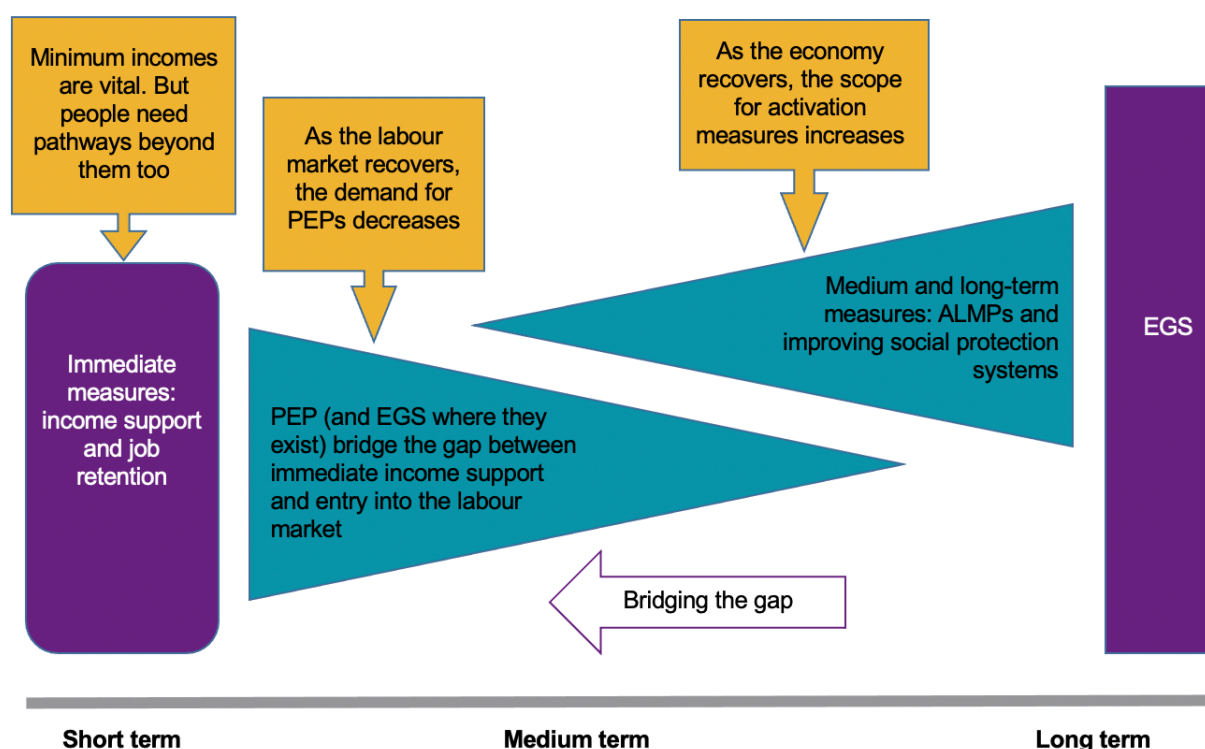
<sup>5</sup> Pers. comm: Meeting between Amina Rwakunda and the IGC Rwanda team

measures. Measures taken include “job retention measures, support to enterprises in severely impacted sectors, expansion of unemployment benefits and also social assistance aimed at the poorest and most vulnerable” (ILO 2020), as well as conditional targeted transfers and essential service support (IGC, 2020). However, in most countries, many of these measures have been temporary and have an average length of 3 months<sup>6</sup>; moves to reopen the economy soon followed. In addition, low-income countries have limited fiscal space and would typically have to prioritise.

According to the International Labour Organisation, public employment programmes (PEPs) can pick up where social protection measures leave off: they can provide productive jobs before the private sector is able to do so. PEPs vary in the form they take but have three key objectives: (i) provision of meaningful **employment** where the private sector is unable to do so, (ii) the continuation of **social protection**, and (iii) provision of **public infrastructure** or other output by those employed under the PEP.

Figure 1 shows ILO’s conceptualisation of the placement of a strong PEP scheme in relation to other measures to provide social protection and boost employment after a crisis (ILO 2020)<sup>7</sup>. It may follow initial social protection measures, that are then phased out as the economy recovers and active labour market policies (ALMPs) become more effective.

**Figure 1: The placement of Public Employment Programmes among other measures in response to a crisis (ILO 2020)**



Source: Adapted from [International Labour Organization \(ILO\)](#).

<sup>6</sup> Ugo Gentilini et al., “Social Protection and Jobs Responses to COVID-19: A Real-Time Review of Country Measures”, 2020, available on [www.socialprotection.org](http://www.socialprotection.org).

<sup>7</sup> This is not specific to developed or developing countries

By stimulating demand, PEPs can also mobilise the capacity of the domestic private sector and re-ignite business activities, resulting in a multiplier effect. In this way - and proportionally to their size - they can act as the first mover in mobilising private sector activity during economic downturn and crises, through procurement and the provision of incentives.

## Principles for effective public employment programmes

PEPs should be designed and implemented based on both contextual needs and on evidence of what works well to meet their three goals: to support the labour market, provide social protection and provide public amenities. We summarise some principles based on Rwandan and international experience as follows.

### 1. Wages need to be set at the “Goldilocks” level: not too low, and not too high

Wage-setting for PEPs is a sensitive process that involves striking a balance. On the one hand, the wage must be high enough to improve the welfare of the vulnerable poor; a sufficiently high wage can limit the downward pressure on wages, contribute to bringing labour rights and offering pathways to re-employment. By supporting a wage floor policy, the PEP can result in wage stabilisation and decent wage standards, and improve household incomes (Subbarao et al., 2013). On the other hand, the wage should be low enough - usually just below the local labour market wage for the poor - that it does not put upward pressure on this market wage. Such a wage level promotes self-selection for target beneficiaries and does not distort the local labour market (Subbarao et al., 2013) and thereby adversely affect local firms and employment.

If wages are set at a rate higher than market rate, there is a high probability of attracting the non-poor into the program and crowding out beneficiaries the program is trying to target. Rationing became more widespread in India’s employment guarantee scheme after wages were hiked up in line with a doubling of the national minimum wage (Subbarao et al, 2013). Rationing that takes place due to high wages attracting more workers may undermine the poverty alleviation goals of the program as some poor households receive fewer or no days of work due to being crowded out by the non-poor. Evidence also shows that the rationing in India led to distorted benefits through increased rural private sector wages and negative education outcomes for older children (Sukhtankar 2016). The size of the programme may also constitute a binding constraint as rationing may still be necessary even if wages are set below market rates – for example where the quantity of jobs created by the PEP is well below the number of unemployed – but at least the poor and unemployed self-select into the programme whichever workers end up in the programme.

Rwanda’s approach to wage-setting under VUP has evolved by trial and error, revising inefficient wage policy in which wages were set above or below market rates and “ultimately achieving a consensus and adoption of efficient wage levels conforming to international good practice” (Subbarao et al., 2013). Initially, the implementing agencies of the VUP exercised autonomy in setting the wage rate for labour-intensive projects such as planting trees and building roads. The Ministry of Local Government allowed room for revision of the wage-rate on a project-by-project basis but sector-level consultations revealed distortions of the local economies especially in market rates for similar labour intensive works, as well as inflationary tendencies. For example, on a tree planting project that was implemented by three different agencies, each agency set a different wage for the same work. Sometimes even in the same locality leading to distortions. In addition, to promote monetisation and formalization of local communities, the Ministry set a mandatory savings objective for participants which forced the wage-rate upwards of the market rate. Noting the inefficiencies caused by the policy of wage autonomy, the government then stipulated that public works wage rates should not exceed the wage rate of similar

works contracted by private agencies in the same area. (Government of Rwanda, 2007; Subbarao et al., 2013). According to Rwanda's official household living conditions survey in 2017, just 1% of households that exited the public works program complained of low wages, implying that wages are not set too low, although more information on participant perception of wages would be necessary to gauge this question more accurately.

However, in the World Bank-funded component of Rwanda's school construction programme, the wage-setting process is less clear from the project appraisal document – and thus it is less clear whether wages are set too high or too low in this programme. The document states that the Ministry of Education will use the established Home Grown School Construction Approach but adapt its conventional focus

## **2. PEPs should be effectively targeted at the poor**

During the COVID-19 pandemic, PEPs are likely to be most effective if they aim to include those workers who lost their jobs for pandemic-related reasons rather than only the pre-pandemic poor. Early evidence suggests that the pandemic may have affected a different category of people such as the urban versus the rural poor more, urban informal traders more than rural subsistence farmers. They are also most impactful where they target less skilled and less educated workers, who are more vulnerable to long-term unemployment (Lal et al., 2010). Effective targeting would access two groups of workers: the vulnerable labour supply impacted by the pandemic, and the unemployed. Well-designed PEPs are “the classic example of self-targeting” (Ravallion, 2008) by the poor and unemployed because of a wage level that is set low enough that workers usually prefer market wages when available, and because of the time commitment required for PEPs that prevents other work (World Bank, 2008). Self-targeting is particularly relevant with the COVID-19 pandemic as those affected in this instance may not be the traditional groups that access social support. In many countries the pandemic has hit the urban informal sector who are typically not on tax registries or social cash transfer schemes which are typically targeted at the rural poor (Resnick et al., 2020). During a crisis, if well-designed they can be better at targeting the poor than cash transfer schemes, which tend to take longer to respond to changes in the need for assistance (Ravallion, 2008). There is also evidence from the India's employment guarantee scheme that targeting, and impact can be increased when local governments are empowered to choose projects as well as select and enrol people into public works (Sukhtankar 2016).

Eligibility and wage can be used to control uptake levels and used as a tool for targeting, as well as avoiding distortion in the labour market. Uptake levels should be assessed at different milestones, for example allowing more vulnerable people to enter the scheme as an emergency response early on, and tightening eligibility to shrink the programme afterwards (Veras Soares, 2009). PEPs are also effective tools to crowd-in local investment, which will have multiplier effects in the local economy, and therefore should be targeted at regions that can best absorb such investments and reap positive externalities. For example, the Ethiopia's Integrated Housing Development Programme directly stimulated a local cement and construction industry in Addis Ababa.

The public works programmes under VUP in Rwanda use a categorisation system known as *Ubudehe* to identify beneficiaries. In Rwanda, the Ministry of Local Government begins with the integrated household living conditions survey (EICV), and other data and assessments informed by local leaders and “beneficiaries”, to categorise vulnerable households into four *Ubudehe* categories - to be expanded to five from January 2021<sup>8</sup>. The list is then presented to the Ministry of Finance for planning and budgeting to assist with financing the Vision Umurenge Programme (VUP), the mainstay of social

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<sup>8</sup> <https://www.newtimes.co.rw/news/new-ubudehe-categories-what-you-need-know>



protection in Rwanda<sup>9</sup>. However, the Minister of Local Government Anastase Shyaka has revealed the challenges in relation to Ubudehe targeting, stating that he believes the slowdown in poverty reduction between 2014 and 2017 as recorded by EICV surveys is “probably because we were not supporting the right people”; Rwanda’s New Times newspaper reported in June 2020 that local-level nepotism in the selection of households into lower categories eligible for assistance, has been a challenge<sup>10</sup>.

Thus, Rwanda’s VUP does not rely on the “self-selection into low wages” mechanism mentioned above, but on Ubudehe categories. Whilst this system has the advantage of having long-standing institutional backing and familiarity by the public, it evidently has challenges in terms of targeting the right households. Moreover, the targeting challenges pre-date COVID-19 and thus Ubudehe cannot have yet responded to the way in which COVID-19 has shifted the population of the poor. The Government is clearly working to address these challenges, but the updates to the Ubudehe categorisation are becoming active well after the school construction programme is due to be completed. Unlike VUP, Rwanda’s school construction programme does not use Ubudehe categories for the selection of workers from local communities, and it was not designed explicitly to be a public employment programme. Thus, whether it targets the poor depends on whether wages are set at a level that enables “self-selection into low wages”.

### **3. PEPs with strong gender quota may have the greatest welfare impact**

Both consultation of women during the design phase of a PEP, and a gender quota to increase female participation, may increase the economic impact of a PEP. For many countries women are on average less-educated and poorer than men - which is the case for Rwanda<sup>11</sup> - and with more domestic responsibilities, and therefore more likely to be hard-hit by economic shocks (ILO EIIP 2018). Households headed by women are also equally, if not more likely to increase investments in agriculture such as livestock and tools, facilitating household minimum income security. (World Bank, 2014). If women take up a significant proportion of the available jobs, this is likely to improve household assets; for example, in Liberia’s Cash for Work Temporary Employment Program, female participants used large shares of their wages on farm-based investments and debt-management as compared to male participants (Subbarao et al., 2013). There is also evidence from the India employment guarantee scheme that increased female participation led to increases in girls time spent in school, grade progression, and female bargaining power (Afridi et al, 2012). In Rwanda, over half of those employed by the Government’s VUP public works programme have been women: 54.7 percent in 2014 and 56.4 percent in 2017 (Rwanda Integrated Household Survey, 2014, 2017).

### **4. PEPs should be both timely and well-designed**

Timely implementation of PEPs, especially after the onset of a crisis, should not be at the expense of effective design. Poor design may lead to low quality job creation and production, which will dampen impact and potentially have political consequences. That PEPs will have a positive welfare impact is not inevitable; an evaluation of Malawi’s Social Action Fund shows no evidence that the programme improved food security (Beegle et al 2017), which they hypothesise may be due to poor targeting or other unknown factors. Design of PEPs would ideally draw upon technical expertise in a timely manner. This includes monitoring, evaluation, learning and improving during implementation and running of the programme, which will increase ability to adjust the program to improve effectiveness (Bechterman et al., 2001). In addition to this, maximisation of benefits requires a clear focus on assisting the poor,

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<sup>9</sup> According to World Bank (2019), since VUP started in 2008 it has implemented over 2,200 projects, employed more than 800,000 households and generated over 40 million paid working days.

<sup>10</sup> <https://www.newtimes.co.rw/news/new-ubudehe-categories-what-you-need-know>

<sup>11</sup> Authors’ calculations from EICV 5 data

underemployed and unskilled workers and ensuring their integration into the labour market (Lal et al., 2010). This is especially necessary in short-term horizon PEPs, to mitigate long term unemployment risks.

Implementing agencies would ideally have well-established local networks and prior experience in carrying out projects. Using pre-existing private or public agencies builds participants' and community confidence in the program and reduces the possibility of design and implementation errors. In the Rwandan context, school construction was somewhat delayed in relation to the onset of the COVID-19 economic crisis and the classrooms were not all completed by September 2020 as planned. Moreover the Home Grown School Construction Approach was not originally designed to be primarily a public employment programme but with the goal of improving the education sector by constructing classrooms by mobilising voluntary labour, and later, paid labour. Whilst both the school construction programme, run by the Ministry of Education, and VUP, run by Ministry of Local Government, are certainly well-established institutionally, substantive comments on programme design from the perspective of being effective PEPs, go beyond the scope of this brief.

## **5. Successful PEPs efficiently balance trade-offs between competing objectives**

When PEPs are designed and implemented to achieve multiple objectives, it is challenging to manage the trade-offs between ensuring income security, job-creation and efficient and effective delivery of public services/goods. As ILO notes, it can also make PEPs difficult to categorise - they have been labelled as social protection, active labour market programmes, or another category of their own. Trade-offs should be carefully considered at the planning stage of the programme and negative consequences should be minimised (ILO, 2020)<sup>12</sup>. The types of challenges and trade-offs that ILO (2020) highlights should be considered when planning a multi-objective PEP include: (i) the need to keep the programme input costs as low as possible in order to optimise the number of workers reached; (ii) the simultaneous need to offer wages that are high enough to prevent labour market deterioration and improve welfare, but low enough that they minimise cost per worker, maximise workers reached, and do not distort the labour market through the minimization of input costs; (iii) the need to scale up PEPs as a response to crisis, but without them becoming inefficient “make work” schemes and compromising adequate planning and quality standards of the public good provided<sup>13</sup>.

## **6. Community engagement is important**

A bottom-up participatory approach in which needs, grievances and solutions are identified from all categories especially from participants from the lowest income categories may facilitate efficiency in design and service delivery of PEPs. Community engagement and transparency during the key phases of the project allows for particularized design of the program, ensuring significance to the local infrastructural needs, as well as maximisation of benefits for, and interconnectedness of the community. In Liberia, the success of the Cash for Work Temporary Employment Program (CfWTEP) was partially attributed to local decision-making from the sub-national to community level where local leaders played a role in defining the vulnerability criteria and participants selected projects according to their needs. Communal participation in Ethiopia has shown to enhance effectiveness of implementation and sustainability of the project. Strict criteria for selection of participants and beneficiaries should be clearly communicated to local leaders to avoid job-rationing/favouritism. (Subbarao et al, 2013).

In Rwanda, Ubudehe, which began as early as 2001 and which underpins the VUP, is not only a wealth

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<sup>12</sup> [https://www.ilo.org/employment/units/emp-invest/WCMS\\_746368/lang--en/index.htm](https://www.ilo.org/employment/units/emp-invest/WCMS_746368/lang--en/index.htm)

<sup>13</sup> *ibid.*

categorisation and “social mapping” system to select households to receive assistance and participate in PEPs but also a participatory process involving local communities and local leaders. This process usually also selects the “public works” to implement (Shah 2011). It is described by the Government as a “home grown solution” and a “long-standing Rwandan practice [going back over a century] and culture of collective action and mutual support to solve problems within a community”<sup>14</sup>, but now applied more systematically to VUP’s public works programme and other assistance to the poor. Whilst the school construction programme is run and funded centrally and may be less community-centric than VUP, the Home Grown School Construction Approach decentralised (District and Sector-based) and community-based activities including unskilled labour and voluntary work (if possible during COVID-19).

## **7. Maintaining institutional and fiscal capacity to scale up PEPs at short notice in response to crisis is better than building the capacity at the last minute**

Even if a government can formulate a strong PEP design, weak institutional capabilities to implement that design can result in ineffective and inefficient delivery. As ILO (Maikel and Phillip, 2010) writes, “the capacity of all PEPs to respond quickly to shocks is in fact greatly enhanced where they are institutionalised as ongoing programmes”. If the institutional capacity has to be built specially for every shock, the result is generally too little, too late. The ILO argues that it follows that “maintaining a basic level of capacity for the rapid expansion of these programmes is not only prudent, but probably very cost effective” and point to stark annual increases in the number of shocks including natural disasters, pandemics and other unexpected events. Rwanda has opted to scale up using its existing social protection framework, which no doubt increases the speed and quality, and reduces the cost, of its PEP.

Another important consideration is the affordability of a PEP and the fiscal capacity to implement it. Its cost needs to be weighed against the various economic and fiscal costs of unemployment; but even where the cost of unemployment is projected to be very high and a large PEP makes sense, the government needs the fiscal space to implement it. During COVID-19, many governments, including Rwanda, have urgent balance of payments needs due to a combination of global economic crisis and the impacts of various domestic lockdowns, and thus fiscal space is often not at a scale that implements PEPs at a scale that fills the actual demand for work from unemployed workers, so the scale of PEPs is dictated by the availability of funds (Maikel and Phillip, 2010). Thus, the impact of PEPs on unemployment depends on the available fiscal space.

The introduction of technology can reduce corruption and therefore costs in the implementation of PEPs: Muralidharan et al. (2016) found that biometrically authenticated payments infrastructure (“Smartcards”) reduced leakage of funds in the implementation of the National Employment Guarantee Scheme; they argue as a result that investing in secure payments infrastructure can improve state capacity to implement welfare programs in developing countries. Banerjee et al. (2020) found that e-governance forms in India, in which “advance payments were replaced by ‘just-in-time’ payments, triggered by e-invoicing, making it easier to detect misreporting”, reduced programme expenditures by 24% whilst increasing employment; scaling this up reduced national expenditures by 19%.

## **8. To complement PEPs and boost job creation during a crisis, government might bring forward the most employment-intensive investments**

During this time of unusually high unemployment, Governments should seek to support the creation of as many jobs as possible. The International Labour Organisation’s Employment Intensive Investment

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<sup>14</sup> <http://www.rgb.rw/index.php?id=35>



Programme recommends two strategies to increase the employment impact of public investments. First, governments should focus on public works that are labour-intensive by default such as maintenance works, forestry, land and environmental improvements, community works and sanitation. Second, governments should utilise labour-based technologies where they can competitively replace the use of capital - for instance in construction (ILO, 2020)<sup>15</sup>. Rwanda's VUP public works and school construction schemes are very much in line with both points; however, its broader public investment planning - and that of any country – might consider prioritising the most employment-intensive investments at this time, and delaying less employment-intensive investments to the future, especially if this can be done without changing government spending.

## Conclusion

We have outlined a series of principles to maximise the effectiveness of PEPs, which are important to prevent the deterioration of the labour market during a crisis. However, PEPs are no panacea. An important constraint that Rwanda and other countries face during COVID is a combination of increased demand on government resources for a wide range of expenditures, and reduced tax revenues, creating limited fiscal space with which to implement not only large-scale PEPs but also other social protection measures. PEPs cannot provide social protection for every vulnerable person, employment for every unemployed worker, or all public infrastructure; moreover, they will not reach a significant proportion of vulnerable households. Therefore, in spite of resource constraints, they need to be complemented by other social, economic and labour market policy measures. On social protection, Imbert et al. (2020) argue that low income countries can cast an emergency safety net with extensive coverage if they use a broader patchwork of solutions than higher-income countries, which include public works programmes, expansion of their social insurance system, building on existing social assistance programmes, and involving local governments and non-state institutions to identify and assist vulnerable groups who are otherwise harder to reach – which Rwanda is doing.

Finally, coordination with other measures is important. ILO (2020) highlights areas of coordination that PEPs should consider; these include the following four areas. First, PEPs should seek complementarity and alignment with other social protection measures such as health coverage, maternity protection, child and family benefits, disability, sickness and old age. Second, PEPs should consider coordination with other fiscal stimulus measures including infrastructure-based stimulus, and incentives and credits to boost private sector investment. Third, PEP wages should be coordinated with comparable local market wages as discussed. Fourth, PEPs might be complemented by some measure to support the minimum wage for market jobs, but not in a way that allows PEPs to out-compete existing local firms; and fifth, PEPs should coordinate with public employment services, training and reskilling measures (ILO, 2020). Thus whilst PEPs can be very effective, they are not a panacea to achieve their three objectives.

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<sup>15</sup> [https://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/documents/publication/wcms\\_743537.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/publication/wcms_743537.pdf)