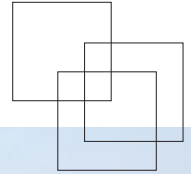




International
Labour
Office

Towards the right to work

**A GUIDEBOOK FOR DESIGNING INNOVATIVE
PUBLIC EMPLOYMENT PROGRAMMES**



Guidance note 5
**Setting the appropriate
wage rate in PEPs**

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Towards the right to work

A GUIDEBOOK FOR DESIGNING INNOVATIVE PUBLIC EMPLOYMENT PROGRAMMES



Guidance note 5

Setting the appropriate wage rate in PEPs

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Guidance note 5

Setting the appropriate wage rate in PEPs



Objective

The objective of this note is to look at the different approaches and theories that can be used for setting wage rates and to help gain an understanding of the advantages and disadvantages of the various approaches and trade-offs involved in setting wages in public employment programmes¹.

Instructions

Please read the introduction, selected readings and the case study.

Introduction

Setting wages for public employment programmes (PEPs)

While there are many methods for arriving at a wage rate for a public employment programme, it is useful to group them into the two approaches normally used.

1. The programme is a ‘wage-taker’ and sets its wage rate based on existing market conditions, typically below the market wage.
2. The programme is a ‘wage-setter’ and sets its wage rates on criteria other than market conditions, and may even intend to change those conditions.

The ‘wage-taker’ approach is used often in setting the wages on public works programmes (PWP), where the wage rate is generally set at a level below the prevailing wage rate for similar work with the main purpose of making the programme self-targeting.

¹ M. Lieuw-Kie-Song; K. Philip; M. Tsukamoto; M. Van Imschoot: *Towards the right to work: Innovations in public employment programmes (IPEP)*, ILO Employment Working Paper No. 69 (Geneva, International Labour Organization, 2011).

Box 1. Design question: What is your PURPOSE?

- To target the very poorest in a context in which other social measures are absent – and on a tight budget?
- To complement a comprehensive social grants system by making a meaningful contribution to lifting people out of poverty in a context of high inequality – and a strong fiscal base?
- To provide a short-term response to reduce a slide into poverty for working people thrust into temporary unemployment by a crisis?
- To create a permanent social safety net that can be scaled up during crises?
- To create an ongoing employment safety net as a permanent feature in your economy in a context of long-term and widespread unemployment?
- To achieve full employment by offering work at a minimum employment floor to every individual who requests it?

The approach taken is also going to be determined by the overall purpose of the programme as illustrated by the above design questions. Critical in this regard is an understanding of the local labour market, and nature of the un- and under-employment situation, as these will dramatically impact on the response to a particular wage rate. In areas characterized by seasonal unemployment, for instance, market wage rates may vary dramatically during the year. The note on un- and under-employment provides some further guidance on this.

What are the arguments for the wage-taker approach?

By setting the wage rate below market levels, this approach aims to be self-targeting – to attract only those who have no alternative. The lower this rate is set, the more likely it is to attract people who are very poor, and the less likely it is to draw people away from other forms of work or livelihood activities. This may not be visible to policy-makers, but may be making a sustainable contribution to their livelihoods as well as to the local economy. The effect of this is that this approach supports the targeting of the poor, and income is only provided to those who need it most. An underlying principle of the wage-taker approach is that the PEP should take care to avoid distorting the labour market.

A strong part of the case for setting the wage rate below market rates is to avoid ‘displacement’ of existing economic activity. If many people are engaged in informal or subsistence activities and leave these activities to join a PEP that is paying at a higher level than they are earning, this may

affect labour supply to the other existing economic activity, which may not be desirable. This approach is based on setting a wage rate that is self-targeting, which is discussed in detail in the paper by del Ninno, et al. (2009) in the selected readings list below.

What are the critiques of this approach?

The main criticism of this approach is that it can result in a wage rate that is too low to make a significant impact on the poor it is targeting and may be referred to by some as a “desperation wage” or as creating “poor work for the poor”. Furthermore, because it is so low, it sometimes makes it difficult to refer to it as a wage rate, and terms like ‘stipend’, ‘income support’ and ‘social assistance’ are used to justify the low rate.

With regards to using the wage rate as a targeting mechanism, it has generally been found to be effective in targeting only certain categories of the poor, and it is becoming increasingly clear that using it as the main targeting mechanism tends to result in two problems with targeting:

1. It tends to exclude poor households with limited labour supply, for example poor households with only one adult member would need to consider whether or not to trade-off participating in a PEP at low wages with suspending other livelihood activities, especially if the work offered is of a short-term one-off nature.
2. Relatively better-off households with surplus labour tend to be attracted – better-off households with multiple adults may still find the participation of one member of the household attractive in order to supplement their income.

Furthermore, if the programme only pays people at a marginally higher level than they may earn elsewhere, the net contribution to their livelihoods is only the margin between what they were earning and what they are now earning. This is an expensive way to create a small marginal increase in local earnings.

Finally, the market wage rate is often hard to determine. It may vary regionally and seasonally. In some rural areas, the labour market is so grim that the notion of a market wage rate is even questionable. Also, in many cases, it is different for men and women. If the rate for women is lower than that for men, additional difficulties arise in setting the rate below the market wage – should it be below the market wage rate for women to attract the poorest women? Therefore, whichever of the two is chosen as the benchmark can make a significant difference, and will also impact on the participation of men and women in the programme. Even if the market wage rate can be determined accurately, a self-targeting approach would suggest that the rate should be set below it. The difficulty is in deciding by how much it should be below the market wage rate in order to be effective in self-targeting.

What are the arguments for a wage-setting approach?

A wage-setting approach requires a more active role for the programme in determining wage rates. It is based on recognizing that the programme will impact the dynamics that affect local wages, and that the programme can be an important tool in driving these impacts in the desired policy direction.

The most significant impact a public employment programme can have is that the wage rate it adopts can become the *de facto* minimum. If the programme were to offer work to all who demanded it, nobody would work formally or informally for a lower wage rate. Additionally, if the guarantee was not universal, or there was no explicit legal guarantee, as long as the programme reached a large proportion of the unemployed population, it would give them bargaining power. They could either negotiate at least an equivalent rate or work for the PEP. There is evidence of this effect even without the provision of an employment guarantee² and it has been proven that a guarantee would only amplify it further, for example, through MGNREGA.

This effect makes the setting of the wage rate for an employment guarantee scheme (EGS) critically important as it has much further reaching

consequences than a wage rate set under a smaller public works programme (PWP). There are essentially two possible approaches. The first is that the government decides to pay at the existing minimum wage. This approach has been adopted in India where MGNREGA pays the official agricultural minimum wage. Of course, this makes sense, as one would not want a government to undermine its own legislation by paying below the minimum wage. There are cases, however, where such an approach would raise some legitimate concerns.

In some countries, minimum wages set through a bargaining process that reflects conditions in the urban formal economy do not reflect the



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² See Devereux (2006) in further reading list who presents evidence of this in Bangladesh and several states in India.

reality in the (large) informal and rural economies. In such circumstances, this approach may not be feasible.

This process often excludes a large part of the economically active population who earn significantly lower wages. Paying the minimum wage in such circumstances could have undesirable effects. It would also not be in line with the fundamentals of an employer of last resort programme (ELR), as the government would in effect be acting as an employer of choice, rather than one of last resort.

In such cases, the setting of the wage rate becomes more complex and a number of factors other than minimum and prevailing wages should be considered, including poverty lines and other poverty and indigent indicators, values of social transfers if these exist, impact on labour supply and, possibly, reservation wages³. However, the question shifts from what is a wage rate at which only the poorest of the poor would be willing to work, to what is a reasonable wage rate, given the economic context and income required to cover basic needs, while at the same time carefully considering the impact and labour supply.

Edmonds (2009) takes such a broader approach for a public employment programme being planned in Cambodia, and not only considers prevailing and minimum wages, but also the broader context, in particular how the proposed wage rate relates to local poverty rates and measures.

What are the critiques of this approach?

There are a number of concerns related to the wage-setting approach. One is that it may result in labour shortages for some sectors of the economy, especially if it is set at a rate much higher than the prevailing wage rate. Especially in larger countries, there may be specific regions where this may be the case if the national wage rate is adopted for the PEP.

There are also concerns that it may unnecessarily increase the scope of the programme, as it could attract people away from other activities, even if they are paid only slightly less. These people could in some instances not be considered the target group of the programme, but would nonetheless want to participate, even if they were only marginally better off.

The combined financial effect of higher wages and more participants can also increase the budget required to maintain the programme, thus increasing overall programme costs and potentially crowding out other government investments.

³ See S. Miller et al. (2010) in the further reading list for a discussion on the factors being considered in South Africa for establishing a minimum wage rate for the EPWP.

Wage rates and productivity

Another important aspect to be considered in setting the wage rate is workers' productivity. Programmes that aim to place significant emphasis on the quality of work, the productivity of workers and strict timelines for implementation may want to consider a higher 'efficiency wage'⁴, especially if these workers will be required to work under close supervision, to more exacting standards and to achieve higher productivity. In this case, the wage rate is set at a comparable rate to that generally offered in the area. International experience shows that the consequences of too low wages on labour-based programmes are: (a) high labour turnover and absenteeism; and (b) low productivity of workers who remain on the project.⁵

Wage rates and income security

Another important factor to consider in setting the wage rate is the degree to which the PEP increases income security. If work offered is of a once-off short-term nature, a very low wage rate might not be attractive to many very poor people, especially in labour-constrained households, as already discussed. However, a dramatic difference in how potential participants approach the programme can be made if it offers better income security in the form of regular and predictable, or even guaranteed income. Many may find participation attractive, even at lower wage rates, as securing their income over time might be a key household priority.

Wage rates and affordability

One important factor that often affects the wage rate is the affordability of the programme and the extent to which an increased wage rate increases the overall programme cost. When programmes are designed within a fixed budget, the following trade-off is common:

This example illustrates the trade-off existing in a situation where in a given location there are too many persons demanding a temporary job in public works, but the available resources are limited and not sufficient to include all of them in the program, two options emerge. The first is to maintain the wage rate at the higher level and include a larger number of workers on a rotation bases for a few days each. The second is to adjust the wage level at a lower level and include a smaller number of workers, willing to work at a lower wage, for more days each.⁶

⁴ Efficiency wage is a wage rate above the market rate paid to ensure better performance in the form of higher productivity or efficiency and reduced labour turnover.

⁵ D. Tajzman; J. de Veen: *Employment intensive infrastructure programmes: Labour policies and Practices* (Geneva, International Labour Office, 1998).

⁶ C. del Ninno; K. Subbarao; A. Milazzo: *How to make public works work: A review of the experiences*, Social Protection Discussion Paper Number 0905 (Washington, DC, World Bank, 2009).

In the case of an EGS, programme budgets need to be adjusted to demand and so such a trade-off would not exist. However, such situations may occur if the programme is designed within a fixed budget. Nevertheless, an absolute minimum wage rate should be maintained to avoid other problems such as people only working out of desperation, stigmatization and workers being malnourished while being required to do hard physical labour.

Other effects on the labour market

The impact of PEPs on the labour market is not confined to wage rates, but extends to other issues such as working conditions, the availability of labour, the labour participation rate and, ultimately, reducing un- and under-employment.

With regards to working conditions, the impact is very similar in that the programme would also contribute to creating a minimum level of working conditions, in particular with regard to working hours, and occupational health and safety. As with the wage rate, this would create an 'employment floor' where fewer and fewer people would take up work offering worse remuneration and working conditions than those offered by the programme.

A large enough PEP or EGS can also expect to have an effect on the labour participation rate, as it may attract into work those who previously did not consider seeking employment. This effect may be due to various reasons:

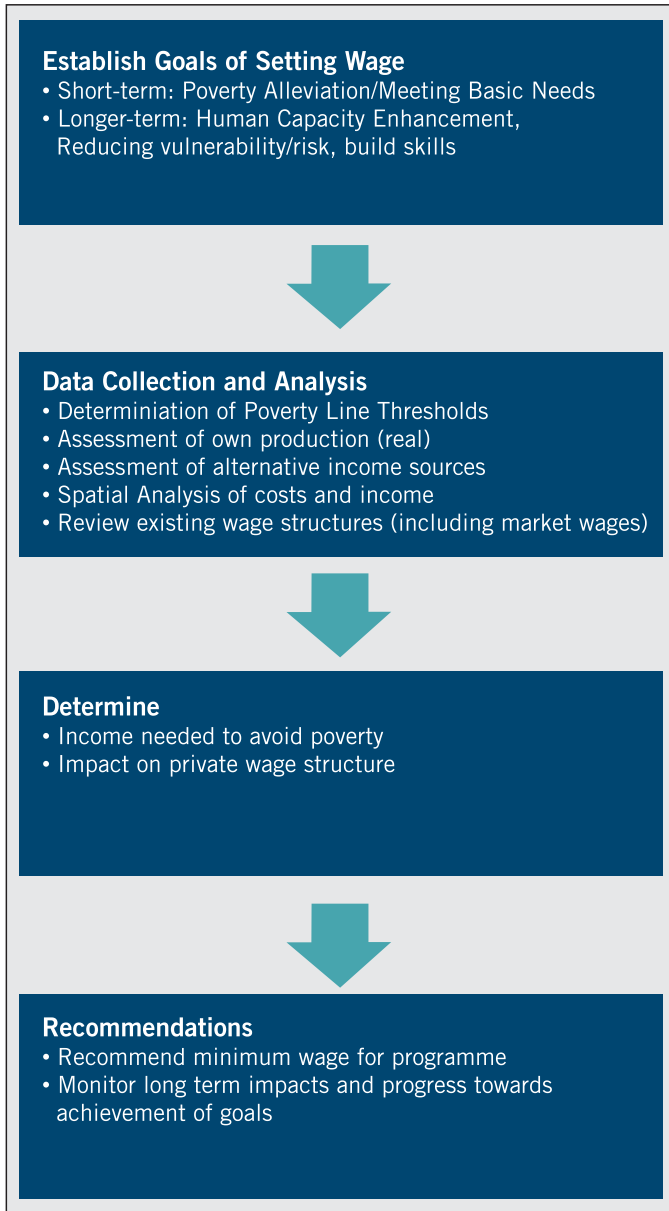
- PEPs increase work opportunities and may therefore reduce the number of discouraged work seekers⁷. If work is offered close to home, as many PEPs tend to do, those who are not able to travel might consider working for the PEP.
- If the PEP offers child-care facilities, those caring for children may consider applying.

Employment guarantee schemes can also contribute to closing the gender wage gap by paying equal wages to men and women. In India, MGNREGA appears to have this effect contributing to closing a long-standing wage gap in the agricultural sector. By offering work to women at wage rates equal to men, it creates a better paying alternative for women.

Figure 1 proposes a framework and process for setting the minimum wage in the case of an EGS. It considers a much wider range of factors than existing wage structures and poverty lines by factoring in the overall programme goals, as well as an analysis of income from production and other sources.

⁷ Discouraged work seekers are willing and able to engage in a job but are not seeking work because of a lack of opportunities (perceived or real).

Figure 1. Framework for minimum wage determination



Source: W. Mitchell: *Assessing the wage transfer function and developing a minimum wage framework for the Expanded Public Works Programme in South Africa* (Newcastle, Australia, Centre for Full Employment and Equity, University of Newcastle, 2008).

Selected readings on the two approaches to wage setting

We have selected two excerpts from different sources that highlight the differences between the two approaches to wage setting. As will be clear from reading both of them, there are important differences between the two approaches, both in terms of the underlying principles and the actual outcomes.



Excerpt from: *How to make Public Works Work: A review of the experiences*

By C. del Ninno, K. Subbarao and A. Milazzo, World Bank, 2009

The wage rate

Three wage rates have to be distinguished: (a) program wage which a workfare program pays to hired laborers, (b) minimum wage which is the statutorily fixed wage rate, and (c) the market wage, which is typically the unskilled market wage for laborers which may be either below or above the statutory minimum wage. In countries where the market wage is below the minimum wage (for whatever reasons including weak enforcement of the minimum wage), publicly funded program wage cannot be lower than the minimum wage, and hence it has to be higher than the local market wage for unskilled labor. If this happens, the scope for self-selection is ruled out because the program wage, now higher than the ruling market wage, is most likely to attract the non-poor to the workfare program.

There is much variation across countries in the relationship between the program wage, market wage and the minimum wage (see Table 3). The limited information available renders the delineation of any pattern quite difficult. In general, we can say that most of the countries in our sample did succeed in maintaining the program wage relatively low, among which some countries fared better than other.

Table 3. The relationship between Program Wage, Minimum Wage, and Market Wage

Wpr= Programme wage, Wmin= Minimum wage, Wmkt= market wage	Country / Program and starting date
Wpr=Wmin>Wmkt	Botswana LIPWP (1992), Wpr after 1998 India MEGS (1975), Wpr after 1988 India JRY (1989)
Wpr=Wmin<Wmkt	Argentina Trabajar (1996), Wpr before 2000 India MEGS (1975), Wpr before 1988 Colombia Empleo en Accion (2001) Uruguay PAC (2003)
Wmin<Wpr<Wmkt	Korea (1998)
Wpr=Wmin	South Africa EPWP (2004) Indonesia PK (1998) Thailand SIP (1998) Morocco PN (1960s) Zambia PW (2002)
Wpr=Wmkt	Egypt PWP (1993) Indonesia Merc Corps' CFW (2005) Somalia ACF's CFW (2004)
Wpr<Wmin<Wmkt	Argentina Trabajar (1996), Wpr after 2000 Argentina Jefes (2002)
Wpr<Wmkt	Bolivia PLANE (2001) Cape Verde FAIMO (1980s) Ethiopia FFW (1980), and PSNP (2005) Tanzania TASAF (2000) Afghanistan LIPW (2002) Bangladesh FFW (1974) Pakistan IGPR (1984)
Wpr<Wmin	Mexico PET (1995) Peru 'A Trabajar Urbano and Rural' (2002) Malawi MASAF (1995) Algeria IAIG (1994) Yemen (1996)
Wmkt<Wpr<Wmin	Botswana LIPWP (1992), Wpr before 1998 Madagascar HIMO (FID) (2000)
Wpr=Wmin + social contributions	Bulgaria (2002), Chile (1993)

In countries where the program wage was kept *lower than the market wage*, a certain degree of self-selection of the poor into the program may have occurred, as it did in India's Maharashtra Employment Guarantee Scheme *prior to 1988* (when the minimum and program wage doubled) (Subbarao 1997). Following the wage hike in 1988, the average monthly expenditures on MEGS as well as the number of person days of employment increased, leading to rationing of the program and consequently the erosion of employment guarantee (Subbarao, 1993; Ravallion *et al.* (1993); Dev, 1995; Subbarao *et al.* 1997; Subbarao, 1997;). Table 4 shows that there is high variation in the level of the minimum and casual wage across States in India in 1999/2000, and that on average, 75% of casual laborers worked for less than the minimum wage. This evidence suggests that an employment guarantee scheme in which the wage is set at the level of the minimum wage (which in many countries is higher than the market wage), would be extremely expensive for the Government and likely to result in poor targeting (by attracting the non-poor to the program – see O'Keefe, 2005).

Table 4. State agricultural minimum wage, average casual wage, and share of casual labor days

State	State minimum wage for agric. labor (Rs/day)	Avg casual wage (Rs/day) in 1999-00	% of casual labor days worked at less than state min. wage
AP	80	35	96.5
Assam	46	47	31.9
Bihar	59	36	93
Gujarat	60	40	73.4
Haryana	80	63	60.7
Karnataka	46	37	59.2
Kerala	91	91	40.1
MP	53	29	91.5
Mahrashtra	45	34	63.9
Orissa	50	29	93.3
Punjab	82	68	58.5
Rajasthan	60	53	60.8
TN	54	45	51.5
UP	58	41	66.4
W. Bengal	62	44	83.9
All-India	—	40	75.2

Source: P. O'Keefe *Workfare programs in India and Internationally: Note on issues and experience* (New Delhi, World Bank Office, 2005).

In a situation where the *market wage is higher than the minimum wage, publicly funded program wage can still be set either at the level of the minimum wage, or even slightly higher than the minimum wage, but lower than the prevailing market wage.* This type of wage setting is most likely to lead to self-selection of the poor in the program. In the PWP introduced by Korea following the financial crisis in 1998, the *program wage was set at a level slightly lower than the prevailing market wage* for unskilled labor to ensure that only those most in need would participate in the program. During the crisis, the market wage rate fell, and the public works wage was adjusted downward several times to maintain self-targeting to the poorest (Subbarao, 1999 and Hur Jai-Joon. 2001).

However, in those countries where minimum wage is equal or above the market wage and restrictive employment laws prevent setting the wage below the minimum level, the possibility of using self-targeting mechanism is hindered. This is the case of Colombia's *Empleo en Acción*⁸ which is unable to self-select its beneficiaries due to the legal obligation to pay the minimum wage (and possibly benefits). Instead, *Empleo en Acción* uses other targeting mechanisms by limiting the eligibility to workers classified as categories 1 and 2 (lowest income quintiles) in the SISBEN⁹. In spite of the intent for self targeting, the program wage should be set in relation to the project goals. In the context of Somalia, a country afflicted by seasonal droughts and displacement of its population, migration and destocking are

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⁸ For more information on Colombia's Social Safety Net System see: World Bank 2002 *Colombia Social Safety Net Assessment Report No 22255-CO*, August 2002.

⁹ For details on Colombia's SISBEN see: Tarsicio Casteñada 2005. *Targeting Social Spending for the 2006 with Proxy-Means Testing: Colombia's SISBEN System*, June 2005.

the most reliable and common coping mechanism in the area, traditionally served as a buffer against crop failure (Mattinen and Ogden, 2006). The salary offered by *Action Contre la Faim* in southern Somalia was set for the most part taking into account the restocking objective among the poorest households, at a level slightly above the daily going rate for casual labor (System for Selecting Beneficiaries of Social Programs), which is a proxy-means testing system that classifies people based on assessment of living conditions of individual families.

The choice of the remuneration method, daily rate/piece rate can also affect the targeting and outcomes of PEPs. Task based payment provides flexibility and may attract more women to worksites (Dev 1995, Subbarao *et al.* 1997) or allow several member of a family to share the work. However, task-based payments can be confusing and difficult to administer and might be exploited by the gang leader and cause delay, like EGS program (Pellissery, 2006).

On the other hand, the wage rate offered by public works programs should not be set at such a low level below the reservation wage (opportunity cost of labor) because, apart from not making a dent on seasonal malnutrition, it would exclude poor households that have higher reservation wage because of existing constraints and stigma. Barrett and Clay (2003) show that in Ethiopia FFW, imperfect factor markets caused poorer household to have a higher opportunity cost of labor, leading to inaccurate targeting outcomes. As a solution, they propose to add simple categorical variables to be used in combination with a variety of wage rates to exclude better off people with high reservation wage: such as too much land, some forms of capital, too many people in the households and so on.

Effective wage rate and numbers of hours worked

The numbers of hours worked has an impact on the actual wage rate and the participation in the program. It is not unusual in African setting to allow people to work 4 or 5 hours and get paid a full day wage. The rationale is to allow people to attend their fields. Unfortunately this policy increases dramatically the actual wage rate, thus attracting a large number of people to participate in the program. The common solution is to let all those willing to work participate into the program and ration (or rotate) the number of days worked. This has happened in Madagascar for example where workers are required to work 5 hours daily in the WB-funded HIMO projects (labour-intensive projects implemented by FID as part of Social Protection) for an average duration of 20 days, gaining a wage higher than the market wage for unskilled labor. Because of the relative high wages (less than 1 dollar a day) and the greater demand for employment than the employment opportunities created, almost everywhere a rotation system was applied to give a chance to work to the largest number of poor people.

Excerpt from: A strategy for a Public Works Programme as part of a Social Safety Net: Issues and approaches

By G. Edmonds, ILO, 2009

Targeting and wage rates

Clearly a PWP as part of the Social Security Net needs to clearly set out who are the intended beneficiaries. Labour intensive programmes as discussed above are generally self-targeting. However in the Cambodia context the cash and food for work programmes have used poverty mapping and food insecurity tracing as the first rough guide to where these programmes should operate. The actual location of the projects and the choice of the participants in the project are carried out through a participatory process with the commune councils and the village development committees where they exist.

Wage rate setting is an important issue in all public works schemes and the process of deciding on the appropriate level cannot be based entirely on self-targeting concerns and avoiding distortions in local labour markets. More important in a public works programme in which provision of employment is the main weapon to relieve poverty, it is crucial that the programme provides a just and favourable remuneration. In order to ensure this it is necessary to establish what it costs to sustain an average household in terms of basic needs such as food, shelter, health, education and some level of insurance against future possible calamities - before considering what poor people are paid elsewhere. With 30% of the population classified as poor, there are obviously a large number of people who despite finding some form of employment receive earnings that are insufficient to meet basic needs. Therefore, the issue of remuneration and the number and duration of jobs offered in a future programme will need careful consideration.

Labour intensive programmes are for households who have persons who are able to offer their labour. If such programmes are not effective in creating or preserving assets, the cost of providing the benefit could be high. The aim of labour intensive programmes is to create the maximum amount of employment within a given budget. By implication, as little as possible is spent on tools and equipment to maximise the amount paid to labour. If the wage rate for labour intensive projects is too low the opportunity cost to a household of working on a project may be felt to be too high especially when the alternatives are at least perceived to be better in terms of remuneration.

Labour-based programmes are less labour intensive. The choice of technology is geared to utilising labour for activities for which labour is economically and technically viable. For a given amount of resources, the LB approach will typically create less employment than the LI approach.

However, the LB approach is more effective in creating and maintaining infrastructure assets than LI programmes. LB will probably require a higher “efficiency wage”¹⁰ because LB workers will be required to work under closer supervision and achieve higher productivity. The wage rate is therefore set at a comparable rate to that generally offered in the area. International experience shows that the consequences of too low wages on labour-based programmes are: (a) high labour turnover and absenteeism, and (b) low productivity of workers who remain on the project¹¹.

In summary, the above discussion highlights the importance of recognising the difference between different types of programmes and their implications for wage rates and the balance between employment and asset creation or preservation.

As part of the preparation of the draft final strategy document the ILO has commissioned a survey in which the objectives are to define appropriate wage rates for a nationwide programme and to provide information on the availability of labour for such a programme. The result of the survey will be available by the end of the year.

¹⁰ Efficiency wage is a wage rate above the market rate paid to ensure better performance in the form of higher productivity or efficiency and reduce labour turnover.

¹¹ See Tajman and de Veen (1998) in the further reading list.

Further reading

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-  Dell Nino, C., Subbarao, K., Milazzo, A. 2009. How to make public works work: A review of the experiences, Social Protection Discussion Paper Number 0905 (Washington, DC, World Bank).
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Checklist

SETTING THE APPROPRIATE WAGE RATE	
Respond to the following questions	<input checked="" type="checkbox"/>
Assess the domestic environment	
Existing levels of wage rate (e.g. skilled, semi-skilled, unskilled)	
Minimum wage rate, average rate	
Self-targeting rate that will discourage potential participants from leaving alternative forms of livelihood	
Is the purpose to raise the existing wage floor? If so, what wider labour market or economic impacts are anticipated?	
Assess what labour laws are applicable (e.g. national labour laws or basic conditions of employment enacted in an Act?)	
Is there a special dispensation for PEPs?	
Can PEP workers engage in collective bargaining or be part of unions?	
Ensure gender equity	
Assess hours of work per day	
Assess full time, regular, or seasonal work implications	
Assess formal employment benefits and what could be offered as part of PEPs	
Assess if PEP replaces any grants to which participants are entitled	



SETTING THE APPROPRIATE WAGE RATE

Respond to the following questions



Asses the effective wage rate

Will the PEP subsidize business or for-profit activities?

Will there be a difference in pay between work that contributes to public or private assets?

Payment frequency (e.g. time based: daily, weekly; or task based: on completion of task)

Assess benefits and net pay (e.g. if wage rate higher than average wage)

Will wages be standard across sectors (e.g. infrastructure, agriculture, environmental, social)?

What percentage of budget will go to wages? What is the anticipated labour intensity? Will labour intensity ratios be specified?

Setting a limit on number of hours per day, days per month? Day and night workers?

Set up a strategy to deal with unions interest – collective bargaining, social processes

Assess tax considerations / tax exemptions and statutory costs

Have wages and remuneration been set to ensure that programmes do not take participants away from other existing alternative job opportunities?

Have clear guidelines been issued and disseminated regarding wage rates and tasks expected?

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