



▶ Development and Investment Branch (DEVINVEST) Brief

29 May 2020

The role of public employment programmes and employment guarantee schemes in COVID-19 policy responses

SUMMARY

The devastating effects of the COVID-19 pandemic have added urgency to putting in place the policy measures towards establishing an employment guarantee. Such a guarantee would aim to arrest further deterioration of labour markets. Large-scale public employment programmes (PEP) or employment guarantee schemes (EGS) would form a critical part of such a guarantee through acting as an employer of last resort and offering work at a minimum wage to those willing and able to work. However, these programmes need to be designed and implemented as part of a coherent set of economic, social protection and employment policies that collectively protect minimum conditions in the labour market and at the same time support economic recovery and transitions into formal employment.

COVID-19 has set off a wave of changes and generated immediate responses

The COVID-19 pandemic has rapidly evolved from a worldwide health emergency to the biggest global crisis since the Second World War. The pandemic has brought large parts of the world economy to a standstill, with dire social and economic consequences, and has triggered what is likely to be the largest global recession since the Great Depression. Most countries and workers in the world will be affected and recent ILO estimates show that working hours have shrunk globally by the equivalent of 305 million full-time jobs because of the impact of COVID-19 and related measures.¹

¹ https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms_743146.pdf.

To shield their vulnerable populations from the direst effects of the crisis, governments in 157 countries have responded with an unprecedented expansion of economic assistance and social protection.² These have included 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. As a result, since the start of the pandemic more than 500 million additional people have been receiving social assistance, mostly through cash transfers.³ And this number continues to increase.

In most countries, this expansion of social assistance as well as other benefits such as wage subsidies and expanded unemployment benefits are temporary. The average duration of COVID-19 social assistance measures is three months.⁴ While these can be extended, depending on how the pandemic and associated measures evolve, most are unlikely to remain in place in their current form. Furthermore, there is pressure already in many countries to re-open at least parts of the economy as soon as conditions allow and get people back to work. In the meantime, millions of people have become unemployed, and have no work to go back to, facing further insecurity in their livelihoods. This policy brief presents measures aimed at this group of unemployed and underemployed informal workers who have been impacted and presents options to provide them with work to increase their incomes and build needed assets and services in the meantime.

The uncertainty about how the pandemic will evolve and what measures will be necessary to contain it make decisions on the way forward even more difficult. Meanwhile the important debates on how quickly economies will recover, whether things will ever go back to normal, and what the “new or better normal” will look like, continue all over the world. While it is fair to say that nobody can predict the pathway out of this crisis, the devastating effects on the labour market will linger for some time and the following effects can be anticipated:

- Labour markets have dramatically worsened and will take years to recover because the reopening of economies will be tentative. Some sectors will take a very long time to recover. And as long as uncertainty prevails, private investment and consumption will remain constrained.
- Conditions for workers in the informal economy are likely to deteriorate. More workers will enter the informal economy as they lose their formal jobs and take up informal work to survive.⁵ Furthermore, because of constrained consumption in particular, these additional workers may essentially compete for a shrinking piece of the informal economy with those already working there, and as a result incomes and working conditions are likely to deteriorate.
- Poor rural households are likely to be impacted negatively owing to falling commodity prices, difficulties in getting products to market because of trade and transport disruptions, increases in prices of imported food, shifts in demand, reduced access to agricultural inputs as a result of lockdowns, downward pressure on rural wages owing to increased labour supply, and reductions in remittances from urban areas and abroad.

² <https://www.social-protection.org/gimi/ShowWiki.action?id=3417>.

³ 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.

⁴ Gentilini.

⁵ https://www.ilo.org/global/topics/employment-promotion/informal-economy/publications/WCMS_743623/lang--tr/index.htm.

- The crisis will initiate or accelerate massive transitions. Many enterprises in particular in sectors such as travel, tourism and hospitality will fail or downsize, and certain supply chains are likely to be restructured. As a result, workers may be forced out of sectors and many may need temporary employment to carry them in the period of transition.

Large-scale PEP or EGS could help mitigate the effects of the crisis

A critical part of the policy response must be to avoid further deterioration of the labour market. Over the years, especially the last decade and a half, the governments' role as *employer of last resort* has been tested in several countries. These have implemented a full or quasi-job guarantee scheme, especially in countries that have faced structural challenges and have not managed to create sufficient formal jobs. The Declaration of Philadelphia (1944) recognized the ILO's role in promoting employment programmes to raise standards of living. In 1964, this was further articulated through the Employment Policy Convention, 1964 (No. 122). An employment guarantee ⁶ would be one policy approach which would alleviate the negative impacts of COVID-19. In its purest sense, in such an employment guarantee, the state legally guarantees employment at a minimum wage to any citizen who requests it. However such a legal guarantee takes time to be put in place, and in many countries the government might choose to start with a large scale PEP, but with the possibility to develop this into a legal guarantee in the long-term.

A large scale PEP or EGS would respond to two immediate priorities. On the one hand, it would enable those who are mentally and physically able and willing to work, to earn an income. On the other hand, it puts a brake on further deterioration of the labour market, in particular of salaries and working conditions. An employment guarantee could be designed using a combination of policies and measures. In most contexts, large-scale public PEP ⁷ or EGSs would be a core element of the guarantee. While an EGS legally or implicitly guarantees state-sponsored employment, PEPs share the primary objective of creating state-sponsored employment for working-age people who are unable to support themselves owing to the inadequacy of market-based employment opportunities. The first known PEP may have been the French National Workshops established in 1848, described as an "expedient adopted in the interests of public order, and a first attempt of public assistance, called into existence the day after the Revolution by the necessity of feeding the people, and not keeping it in idleness, so as to avoid the disorders which idleness brings about". ⁸ The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) in India is a more recent example of a well-known PEP/EGS enacted in law in 2005 and the ILO has recommended the use of such schemes in previous crises, most recently as part of the Global Jobs Pact in response to the 2008/09 Great Recession.

Such programmes have a proven track record in responding to crises, and have shown to have a number of benefits, including that they:

- Create immediate paid work for those most impacted or those who may be excluded or difficult to reach through other policy measures;
- Provide complementary income and thus compensate for losses of income from other activities;
- Support and stimulate local demand, thus partially offsetting reductions in domestic and international demand;

⁶ See ILO 2009, the Global Jobs Pact where employment guarantees were also considered as part of the response.

⁷ <https://www.ilo.org/global/topics/employment-intensive-investment/themes/pep/lang--en/index.htm>.

⁸ <https://www.marxists.org/archive/lassalle/1906/04/workshops-1848.htm>.

- Are highly flexible and can be designed to complement and support other social and economic and labour market policy measures;
- Can mobilize the capacity of the private sector through adjusted procurement and incentives, in particular the capacity of construction enterprises to execute infrastructure and maintenance works;
- Strengthen communities through improving local public infrastructure and services and providing them with the resources to implement responses that address their specific needs and priorities arising from the crisis. This could include water, sanitation and hygiene (WASH) health- or care-related activities;
- Limit downward pressure on wages by supporting a wage floor through offering work at what is considered the appropriate minimum or acceptable wage in the specific context;
- Provide a possible pathway to employment through maintaining work readiness, offering work experience and enhancing soft skills, as well as through integration with skills interventions and other active labour market policies (ALMPs);
- Build social capital by harnessing the energy of individuals and communities to assist in responding to the crisis and participate in rebuilding a better community and society after the crisis;
- Respond to local needs as well as national and global priorities such as the SDGs, climate change adaptation and mitigation, and ecosystem restoration;
- Help rebuild a social contract by demonstrating government commitments to respond to the needs of those affected by creating useful jobs;
- Scale up administrative capacities quickly, if they already exist - through public employment services, welfare offices or other entry points with records of potential beneficiaries and wage disbursement mechanisms.

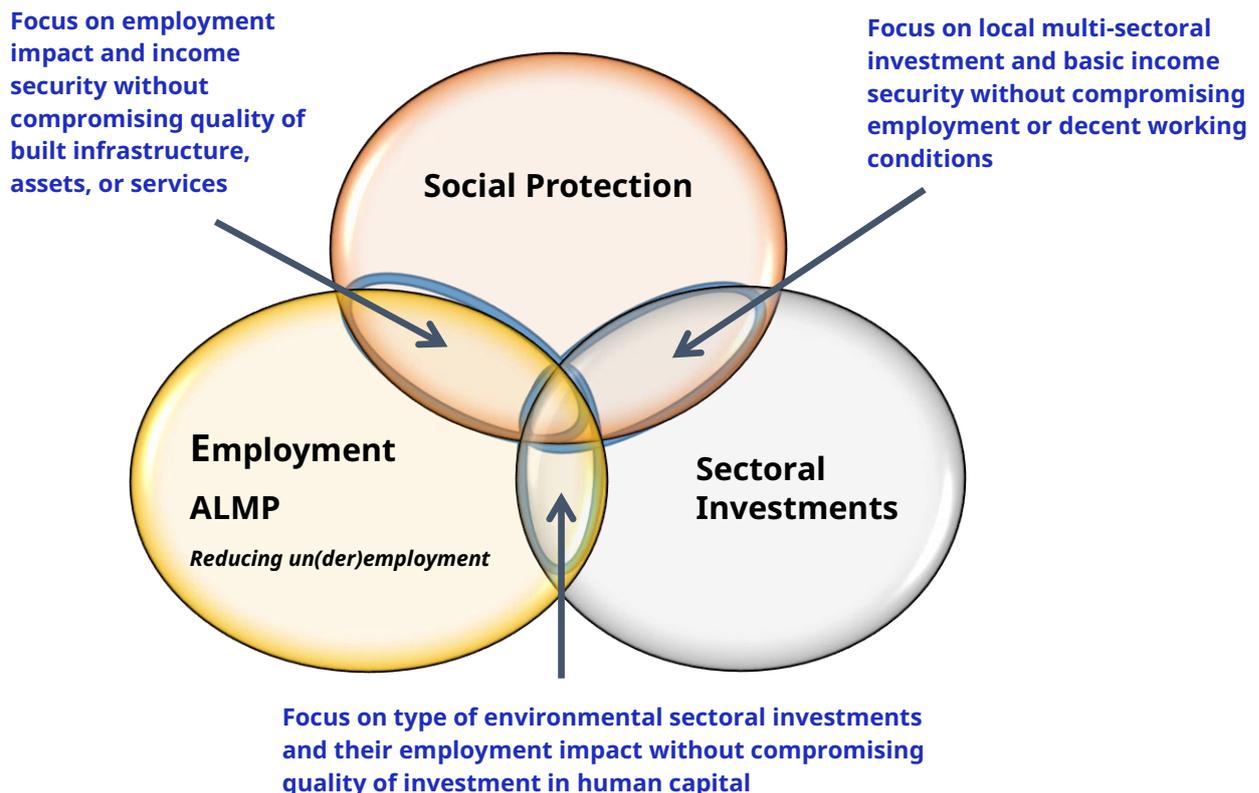
PEPs can have multiple objectives and trade-offs, including creating jobs, enhancing income security, and providing natural or physical infrastructure, public goods and services (see Figure 1). These multiple objectives can make it difficult to categorize these programmes, which in the past have been labelled *social protection measures*, active labour market programmes⁹ or a category on their own. The key challenge is when programmes are designed and implemented with the aim of achieving all these objectives at the same time. This is where some trade-offs may need to be made:

- In trying to reach as many people as possible, other input costs may be minimized, but this can impact negatively on the types and quality of assets and services that are provided.
- Lowering wages reduces costs and limits labour market distortions, but setting them too low may undermine the rationale of helping to arrest labour market deterioration and promote decent working conditions.
- Pressures to expand programmes to respond to a crisis may compromise proper work planning and the ability to ensure that services and assets are provided at the required quality standards.

⁹ For example, the World Bank and Overseas Development Institute (ODI) categorize programmes like the Productive Safety Net Programme (PSNP) in Ethiopia and the MGNREGA in India as social protection (safety net) programmes (World Bank 2018, McCord 2012). The Kinofelis programme in Greece was categorized as an ALMP (ILO 2017). The South African Government does not categorize the Expanded Public Works Programme (EPWP) as either, referring to it as a PEP that plays a role in both social protection and employment creation (National Planning Commission 2013).

If these trade-offs are not properly addressed in their design, this can result in unproductive “make-work” schemes which can become the costly equivalents of income transfer schemes. These trade-offs may be unavoidable at the start of programmes, but can be minimized with continuous monitoring and adjustment. The programmes have a better chance of being sustainable in the long run since they are based on national interests and either use public financing or at times combine this with international financing to build national systems.

Figure 1: Multiple objectives and trade-offs of public employment programmes ¹⁰



PEPs and EGS do not build an employment guarantee on their own and are strengthened by complementary policies

While PEPs are a critical requirement for an employment guarantee, they should not be expected to achieve this on their own. Rather they should be part of a coherent set of social protection, employment and economic policies which are mutually reinforcing and in turn require institutional collaboration across different ministries responsible for these policies. Such policies would not only have the aim of guaranteeing employment, but would also contribute to universal social protection. Such integration will help to manage some of the trade-offs mentioned earlier. While these complementary measures may not always be in place, key areas of integration and coherence are highlighted below:

- PEPs should be complementary to existing social protection measures, in line with the Social Protection Floors Recommendation, 2012 (No. 202). This means in particular

¹⁰ Conceptualized from Lieuw-Kie-Song et al. 2010.

alignment of any eligibility requirements, targeting criteria and benefit levels. Care must also be taken to avoid negative incentives such as discouraging beneficiaries from taking up work for fear of losing social assistance or forcing others to take up work in a PEP even though this may compromise other livelihood activities.

- Financing of PEPs should be aligned with other fiscal stimulus measures, in particular those that also support job creation such as infrastructure-based stimulus and incentives and credits to increase private investment. The stimulus package and PEPs should also be coordinated to ensure that private sector construction capacity is mobilized and that jobs are created across geographic regions as well as sectors.
- PEPs should be aligned with unemployment protection and other social protection measures, so as to ensure that those who work on a PEP do not lose entitlements or could even “refill” those entitlements. On the contrary, PEPs should be designed in a way that ensures social protection coverage, including health coverage, maternity protection, child and family benefits, and protection in the case of work injury, disability, sickness and old age.
- The wages and working conditions of the PEP or employment guarantee should be set at a level that fits the local context and may need to be adjusted as the crisis evolves. Ideally they would be determined and monitored and if necessary adjusted through social dialogue. It should take into account the extent and depth of the crisis, other measures in place and existing minimum labour standards and wages.
- At the same time, measures to both support and enforce minimum wages and conditions of works should be put in place. On the one hand, small and informal enterprises should be supported to meet these minimum standards so that they are not out-competed by PEPs for labour. Where feasible they should also be mobilized to participate through execution of some of the works and services or supply of material and other inputs. On the other hand, labour inspection should be strengthened (potentially using PEPs) to monitor compliance.
- Public employment services, training and re-skilling measures and ALMPs are also important, as they are critical for assisting those working on a PEP to transition into the labour market and gain better and longer-term employment. At the same time such transitions also ease the burden on PEPs.

Finally, the labour mobilized through these schemes can be used to address key gaps that are aggravating effects of a crisis – as well as other long-term economic, social and environmental concerns.

Adjusting PEPs to COVID-19

Like most other work, PEPs will also need to adjust to COVID-19. This requires adjustment in a number of areas, including work planning to maintain the minimum physical distance, adjustments to health and safety measures and provisions relating to sick leave and quarantines. The ILO has developed guidelines¹¹ on these issues and will require each programme to incorporate them in its own way in relation to the country context.

The current crisis also creates opportunities to innovate and test new approaches. One opportunity for these programmes is to respond to the increased demand for social services as a result of COVID- 19, such as support to older persons and those vulnerable to the virus and care

¹¹ See ILO 2020, [Adjusting labour practices in employment-intensive works in response to COVID-19](#).

for those who are sick at home. This could build on the experience in South Africa, where community health workers have been credited with playing a decisive role in reducing the spread of the virus through creating awareness and identifying possible cases at the community level.¹²

In some contexts, innovative partnerships with the private sector could be explored. Such partnerships could make work experience on PEPs more market-related and improve the work readiness of workers. It could harness the capacity of the private sector to provide training in return for labour (partially) paid for through a PEP. For such schemes a transparent process to recruit private sector partners is crucial to ensure that firms do not gain an unfair advantage from subsidized labour, and close collaboration with public employment services and other activation measures would be essential.

The type of work activities can and should be determined locally in consultation with local governments and communities but can include responses to immediate needs such as:

- Mobilizing workers to assist with managing the pandemic including tracking and tracing of those infected or at risk of having been infected;
- Providing support and care to those vulnerable to COVID-19, such as older persons, persons with disabilities or chronic health problems, those sick at home or recovering or those in quarantine;¹³
- Strengthen essential services such as waste collection, public sanitation and WASH facilities where needed,¹⁴

as well as long-term concerns:¹⁵

- Ecosystem restoration through implementation of natural resource management activities, preferably using nature-based solutions;
- Infrastructure maintenance and rehabilitation backlogs;
- Development and maintenance of irrigation schemes and small earth dams to increase agricultural productivity;
- Flood protection and river control;
- Social infrastructure (construction and maintenance of schools and health clinics);
- Digitalization of government records and archives;
- Construction and maintenance of markets and other economic infrastructure.

Considering fiscal space and affordability

The COVID-19 crisis has severely impacted the fiscal position of governments across the globe. Some countries, mostly industrialized ones, have managed to mobilize unprecedented resources to combat the devastating effects of the crisis. However, low-income and least developed

¹² See for example: https://www.marketwatch.com/press-release/covid-19---community-healthcare-workers-are-crucial-to-sas-response-2020-04-20?mod=mw_more_headlines&tesla=y.

¹³ As is being done in South Africa: <https://citizen.co.za/news/covid-19/2260439/de-lilles-plan-to-engage-20400-workers-to-help-fight-virus/>.

¹⁴ As has been done in the Philippines through the Disadvantaged Workers Programme to mitigate the adverse impact of quarantine policy on certain workers. Recipient workers are required to participate in a safety orientation and to sanitise and disinfect their houses and the immediate vicinity (Government of the Philippines 2020).

¹⁵ There is extensive experience with these activities in all regions of the world and in countries at all levels of development. The ILO's Employment-Intensive Investment Programme (EIIP) has in recent years been supporting programmes with such measures in countries as diverse as Greece, South Africa, India, Vietnam, Nepal, East Timor, Jordan, Lebanon, Tunisia, Papua New Guinea, Philippines, Ghana, Indonesia, Tanzania, Egypt and Haiti.

countries face much tougher constraints in mobilizing such resources.¹⁶ They will have to ensure that falling revenues and increased borrowing do not drive up inflation and interest rates and consequently reduce private investment. Many will require assistance from international financial institutions or donors to find resources to respond to the crisis. In addition to mobilizing funds, all governments are facing difficult decisions on what measures and interventions to prioritize using limited fiscal resources. The decision to put in place measures to support an employment guarantee will thus have to be balanced against other spending to support employers and workers.

However, while PEPs or EGSs do require substantial fiscal resources, experience has also shown that their costs can be contained through amending key design features. These include:

- defining eligibility on the basis of households or individuals;¹⁷
- limiting geographical scope to those areas where impacts are expected to be largest;¹⁸
- limiting hours or days of work offered to participants;¹⁹
- increasing labour intensity to reduce non-wage costs;²⁰
- introducing targeting of the most vulnerable.²¹

Another key cost factor is of course the wage rate offered in these schemes. This is, however, a factor with far-reaching consequences as it also impacts its effectiveness for improving incomes, the number of people who would want to participate in the scheme, and whether the scheme competes with the private sector for the labour and productivity of those working in the scheme. Social dialogue is thus critical for making and adjusting these decisions as it will enable wage rates to be set taking into account the different perspectives of the social partners.

Towards the right to work: an employment guarantee

In some countries, PEPs or EGSs can be developed relatively quickly if the political will and fiscal resources are there, and existing institutional structures can be mobilized. Public employment services and social security offices can play a leading role in the recruitment, contracting and payment of participants.²² Moreover, it is important that PEPs are designed to be consistent with the overall labour market policy framework of the national or sub-national government to ensure that synergies are optimized and workers are not only offered access to paid work for their immediate needs but also supported to transition to sustainable productive and decent employment. Municipal, district, provincial or state governments, along with community structures, can be key players in the selection, design and implementation of projects and work activities. Thus, these schemes can piggyback on existing mechanisms and initiatives for some of their operational requirements. For example:

¹⁶ https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_743477/lang--en/index.htm.

¹⁷ In India, the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) provides a legal entitlement to the household, not the individual.

¹⁸ In South Africa, the Community Work Programme (CWP) is implemented in the 286 poorest communities across the country.

¹⁹ In Argentina, the *Jefes* programme limited work per household to 20 hours per week; in India, the limit under the MGNREGA is 100 days a year.

²⁰ In Mexico, the *Programa Empleo Temporal* (PET) sets clear percentages for the share needing to go to labour for different types of work activities.

²¹ In Ethiopia, the Productive Safety Net Programme (PSNP) targets food-insecure households in which labour is available.

²² As is done, for example, in PEP programmes in Uzbekistan and Greece.

- Registration and payment systems used for social protection, including cash transfers, can also be used for PEPs.
- Other emergency employment and cash-for-work measures can form a basis for shaping programme design, including questions on wage levels and working conditions, or expanding into larger-scale programmes.
- PEP recruitment can be supported by or integrated with public employment services and build on their administrative capacities to: (i) provide places in PEPs; (ii) connect beneficiaries of PEPs with other labour market interventions, for example, training and re-skilling measures; and (iii) refer them to complementary services by other providers such as social protection or poverty alleviation programmes.
- Temporary health workers (involved in taking temperatures, tracking and tracing, monitoring quarantines) and volunteers (supporting those vulnerable to COVID-19, assisting healthcare workers) can be brought into more structured employment.

However, in other countries and contexts where there are no similar programmes and no local capacities, putting in place a large-scale PEP or EGS may be more difficult and could take longer to implement. These countries would generally tend to be poorer, but this is not always the case.²³

Timing and ensuring a dynamic response

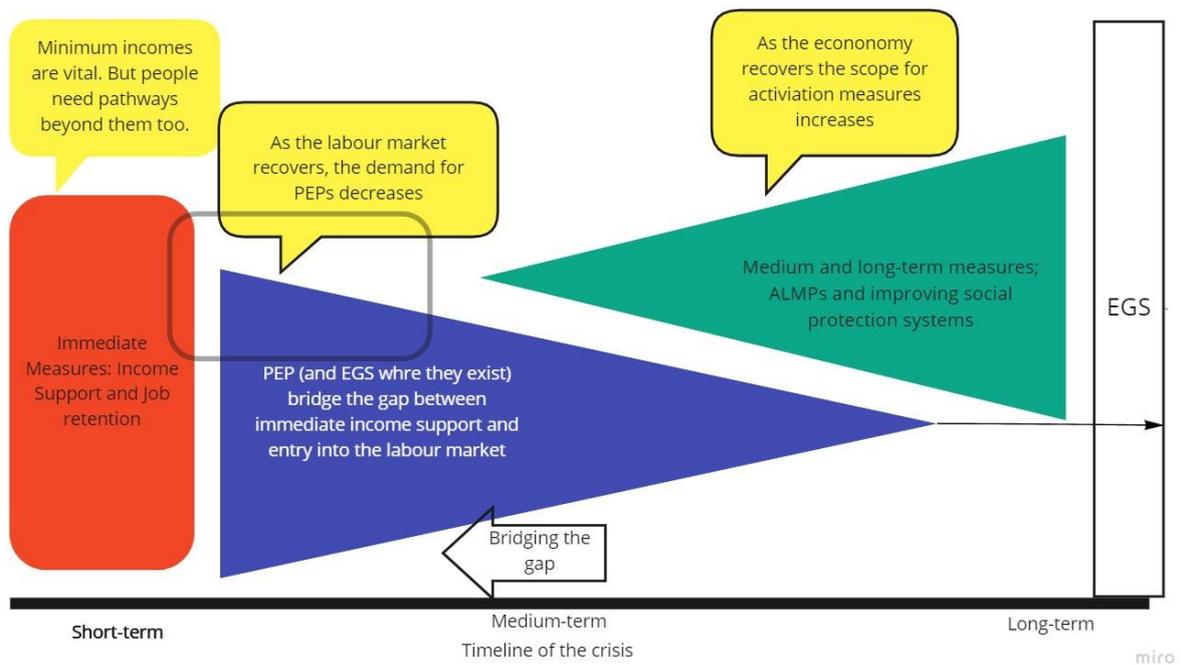
The timing of policy responses is important, as in each country the pandemic and associated crisis will have their own timeline and trajectory. In addition, different measures become more relevant as the crisis evolves. Figure 2 shows the stylized trajectory of the crisis and the role of different policy measures²⁴ and PEPs can fill the gap and bridge between short-term income security measures and longer-term active labour market measures. From a timeframe perspective, PEPs can offer unemployed and underemployed persons paid work before the private sector labour supply is able to do so, thus activating them while supplementing any incomes from social protection schemes. PEPs and EGSs thus contribute to extending social protection and reaching activation objectives. This dual approach makes it difficult to categorize them as either of these two. PEPs offer a different category of policy measures that can straddle and contribute to both objectives. They can quickly be implemented as part of social assistance and prepare the ground for medium- and longer-term ALMPs.

So far in the COVID-19 response we have seen immediate action to secure minimum levels of income through the massive expansion of emergency income support. The next step is to transition as many people as possible back into decent work. PEPs become critical in this phase as they offer paid work, dignity and solidarity through contributions to communities and/or providing needed public goods and services. They also offer skilling opportunities as the labour market recovers. At the same time, there is a critical need for strengthening other social protection measures, in particular ensuring health coverage. As the economy improves, other measures will start playing an increasingly important role, including measures to support transitions out of the informal economy.

²³ For example, low-income countries such as Ethiopia, Nepal, Rwanda and Honduras all have similar programmes and structures in place which could be used to contribute to an employment guarantee.

²⁴ Adapted from Philip et al. 2019

Figure 2: PEPs in response to the COVID-19 crisis



It is important that these policies be flexible and dynamic enough to respond to these shifts and deploy the right combination of measures at the right time. This not only requires the type of policy coherence highlighted above, but also constant monitoring, coordination and adjustment as the situation evolves.

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