



Comments on Workfare Programs

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Workfare Programs

- Workfare programs are introduced with the idea of providing insurance against job loss.
- Why public employment or subsidized work instead of just an income transfer? Probably to avoid loss of skills during the process.
- Yet, these jobs are often temporary and don't provide much on-the-job training or additional skills.



Evidence on Workfare Programs

- Developed Countries: Evidence doesn't show effects of workfare for participants after finishing the program.
- Developing Countries:
 - Studies for India and Argentina (Datt and Ravallion, 1994; Ravallion et al., 2005) show positive earnings effects after participation in workfare, though estimates are imprecisely estimated.
 - Study for Colombia (Attanasio et al., 2009) finds positive effects on earnings and consumption after program finished.



Why does Workfare Work Better in Developing Countries?

- In developing countries, more limited institutional capacity to target poor or unemployment.
- Capital market imperfections greater in developing countries, so the role for transfers and consumption smoothing may be greater in this context.



Papers in this Session

- Robins et al. – evaluate Self-sufficiency Project in Canada, which randomly assigned income support to welfare recipients conditional on employment. Thus, not strictly a workfare program but rather a reemployment subsidy.
- Rinne and Bonin – use matching methods to evaluate a public employment and training program in the construction sector targeted to unemployed youth in Serbia.



Robins et al. Studies

- Robins et al.'s main results:
 - SSP increased full-time employment and earnings during the three years of the program, but disappeared after that and take-up was low.
 - SSP + employment services (SSP Plus) didn't generate additional benefits during the first three years, but did generate long-term impacts.



SSP Lessons for Developing Countries?

- SSP was tested as an alternative to traditional means-tested welfare programs in Canada. However, welfare programs either non-existent or limited in developing countries.
- Thus, the Self-sufficiency project shows that if transfer programs are to be introduced in developing countries, a better approach is to introduce work-conditioned subsidies rather than means-tested transfers.



More than Financial Incentives...but also More than Employment Services Needed

- The low take up in the basic SSP component suggested that more than financial incentives were required to get long-term recipients to go back to work and to stay at work in the long-term.
- In fact, almost 45% of those who didn't claim supplement cited inability to find work as the primary reason for not claiming.



But...Need More than Employment Services

- The SSP Plus results suggest long-term benefits from providing employment services in addition to a financial supplement.
- On the other hand, while evidence from developing countries shows that employment services on their own don't increase formal employment, possible that a work-conditioned subsidy together with employment services may increase employment in more stable jobs.



Rinne and Bonin

- Rinne and Bonin's main results:
 - No effects of training or public employment on future earnings or employment.
 - On the other hand, those that participate in the program report:
 - ❑ Being more self-confident,
 - ❑ Having a greater desire to find a job,
 - ❑ Having better health, and
 - ❑ Having better qualifications and skills after the program.



Why Results Different in Transition from Developing Countries

- The program had a difficult time attracting individuals to participate, which may suggest that the program wasn't perceived as being effective and it only attracted the worse youth.
- In addition, the sample suffered from a high non-response rate because of the inability to locate individuals during, which likely means that those in the sample are those likely to continue to be unemployed.



Effects on Subjective Well-Being

- Given that unemployment and mental health have been found to be related, the idea of examining impacts on subjective measures of well-being is important and deserves more attention in future work.