

Mexico's *Programa de Empleo Temporal*

Evaluation and Reforms

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**Employment Guarantee Policies:
Responding to the current economic crisis and contributing to long-term development
UNDP-Levy Economics Institute,
NY, June 22-23, 2009**

Assume a world with non-imaginary fiscal constraints....

*Give to the people, especially to the workers, all that is possible. When it seems to you that already you are giving them too much, give them more. You will see the results. Everyone will try to scare you with the specter of an economic collapse. But all of this is a lie. **There is nothing more elastic than the economy which everyone fears so much because no one understands it.***

Juan Perón,
(Advising the President of Chile in 1953, quoted in Hirschman
1981, p.102).

Context

- Introduced in 1995, “Tequila” crisis, reforms: NAFTA, Ejido, PROCAMPO, FAIS, PROGRESA...
- Phased out 2001-2006, slowly revived 2007-
- **Actual and *potential* relevance and cost-effectiveness (in transferring resources to the poor)** in current crisis, given comparative advantage in context of other available instruments...
 - CCTs (Progres/Oportunidades)
 - Other employment/productive programs (including permanent public sector employment...)

Advantages

- 1) **Efficient self-targeting.** If wages are sufficiently low, minimize inclusion and exclusion errors without the administrative and incentive costs associated with means or proxy-means test targeting
- 2) **Long-term impact:** productive and community infrastructure in poor regions can have a long-term impact on regional poverty.

Challenges

- 1) **High participation and input costs:** labor opportunity costs, and the costs of material inputs to the projects. Under underemployment, rather than unemployment, these may wipe out the gains from its comparative targeting advantage.
- 2) **Uncertain impact of public projects on poor,** in the absence of effective monitoring and evaluation mechanisms.

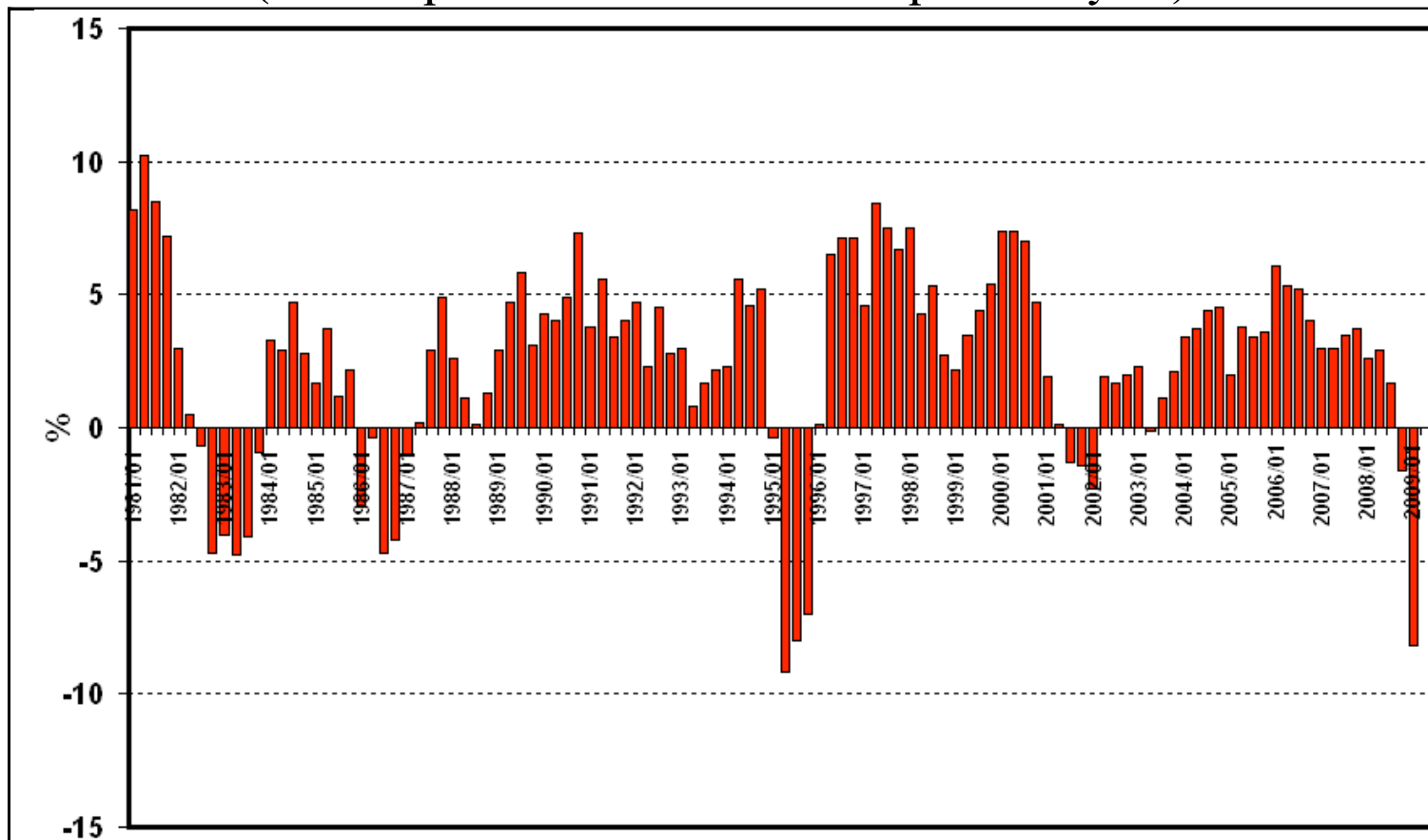
EGP vs. PET

(PET vs. Progresa/Oportunidades)

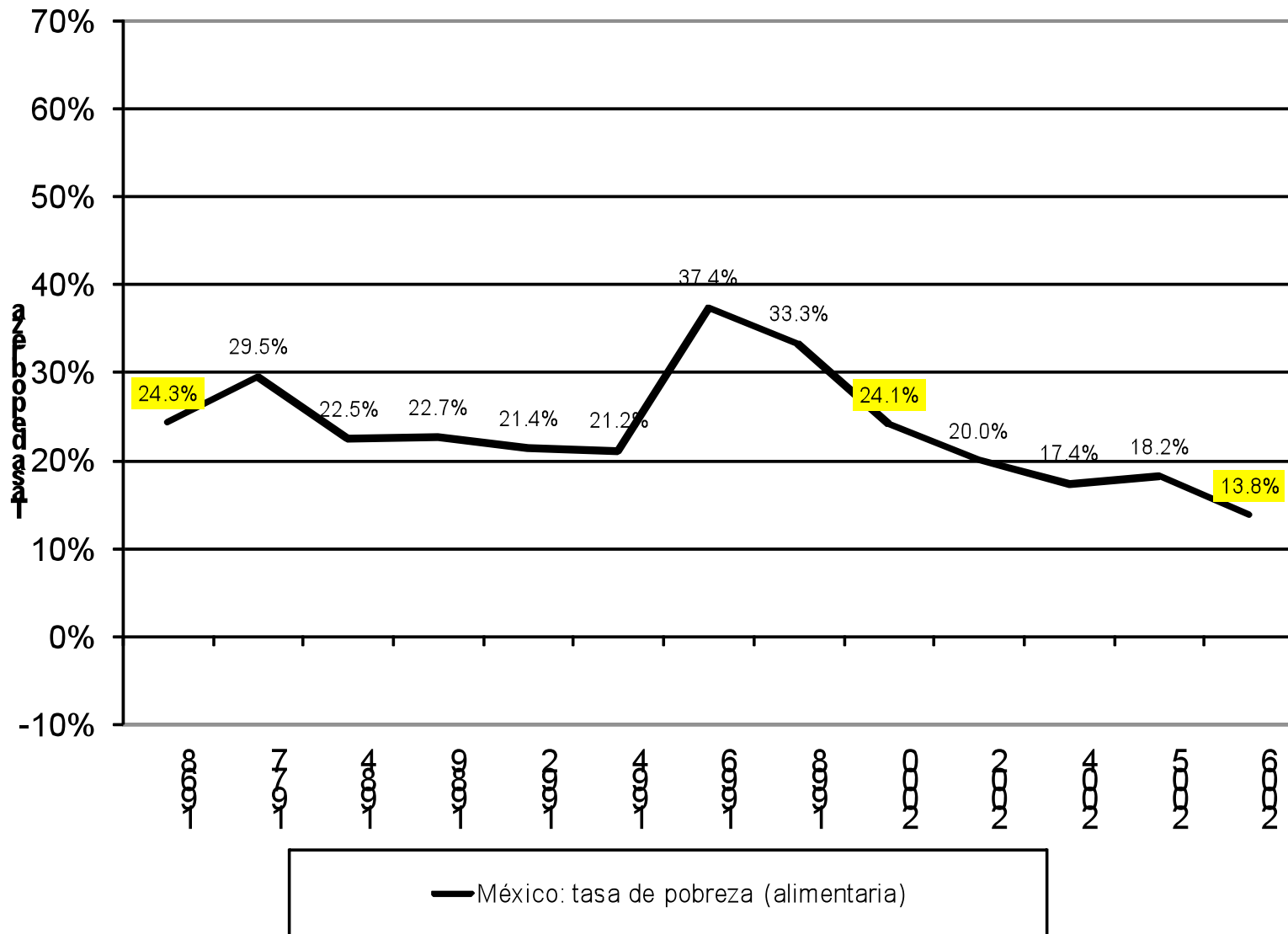
- Both seek to address short as well as long-term poverty
- *CCTs* not designed for protection against economic shocks or cycles...
 - Self-selection/low wage makes PET better, more flexible targeting
- **Political economy of program survival:** two contrasting stories...
 - Coverage: Progresa 2.5 mill HHs in 2000 (5 million today)
 - “Acquired right” vs. transient benefit
 - Institutional: centralized & autonomous coordination vs. multi-agency, decentralized
 - Evaluation: PET not evaluated, first results critical

Current crisis may be as deep as 1995, but more prolonged...

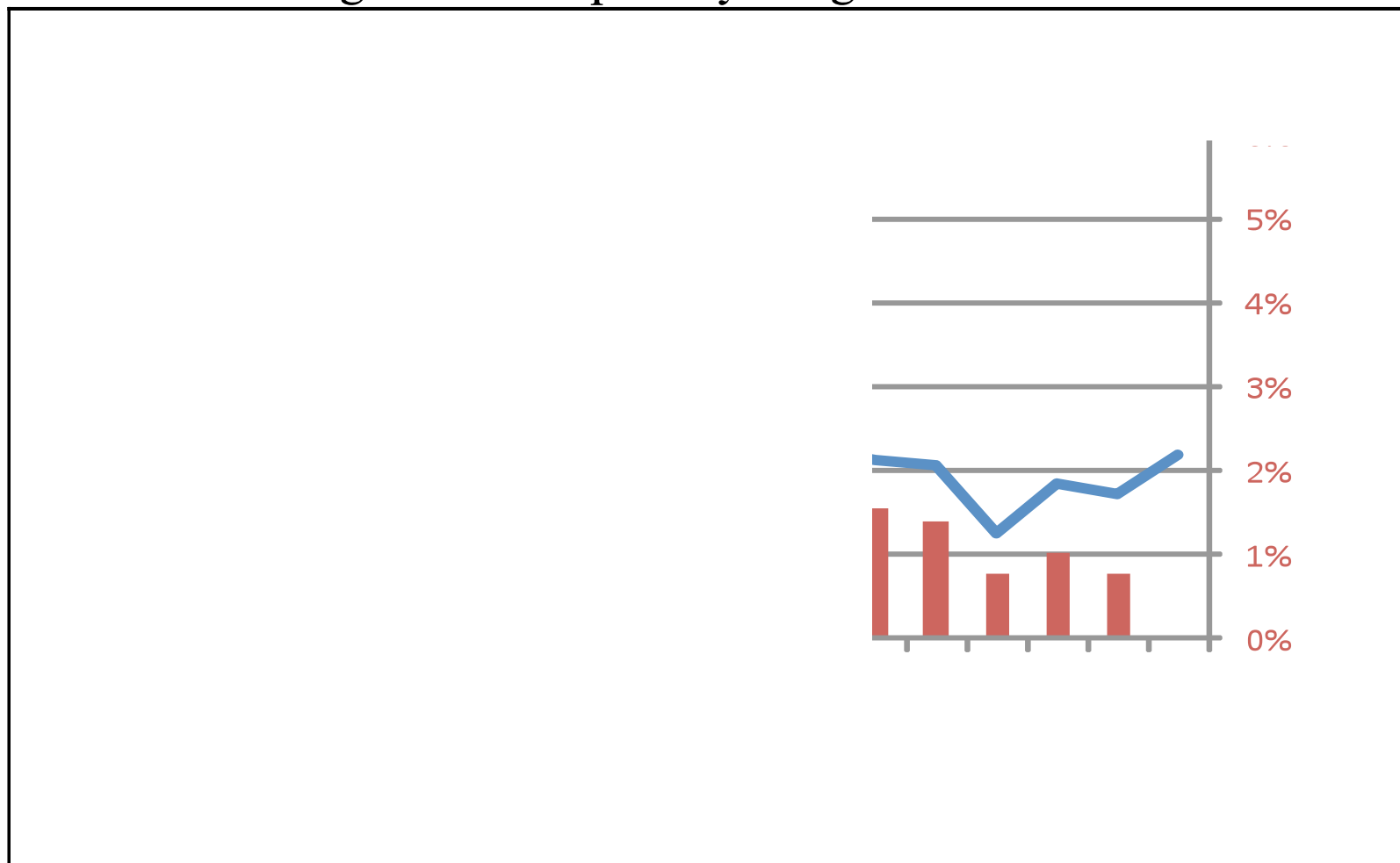
Quarterly GDP growth 1981-2009
(with respect to same semester in previous year)



Poverty likely to increase more than in 1995 (migration)...

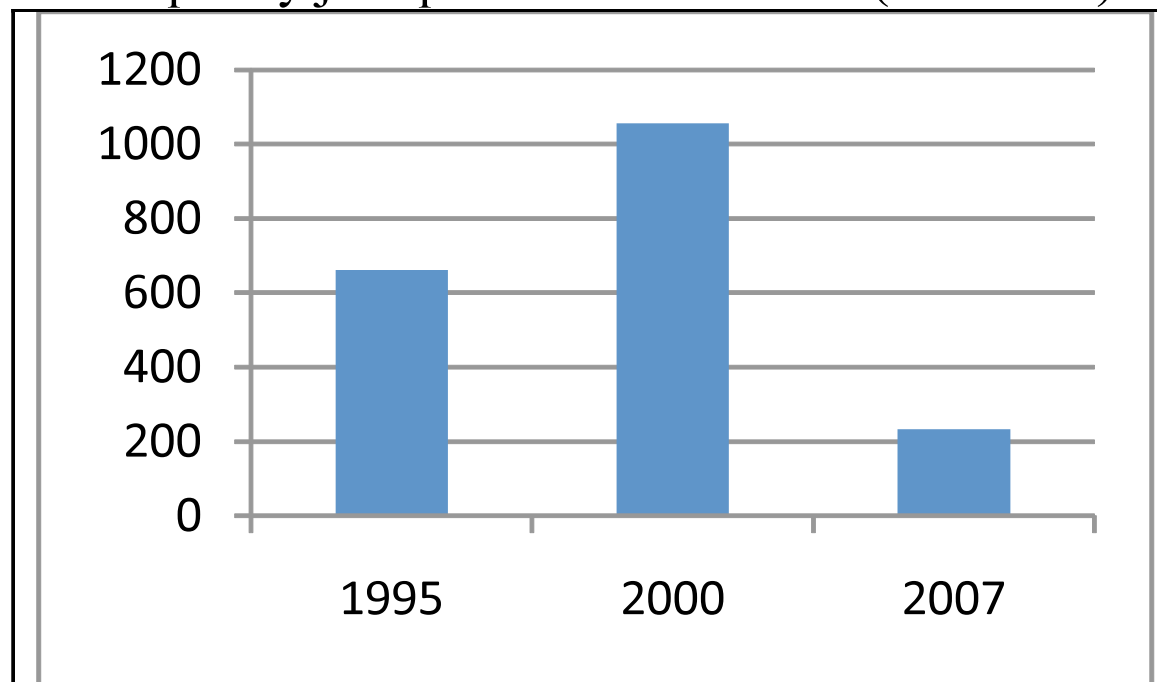


PET budget and anti-poverty budget share: 1995-2009



Source: Anexo Estadístico, Segundo Informe de Gobierno 2008-2009 (modificado).

Temporary jobs provided: 1995-2008 (thousands)



Source: Anexo Estadístico, Segundo Informe de Gobierno 2008.PEF 2009 (modificado).CIPET.

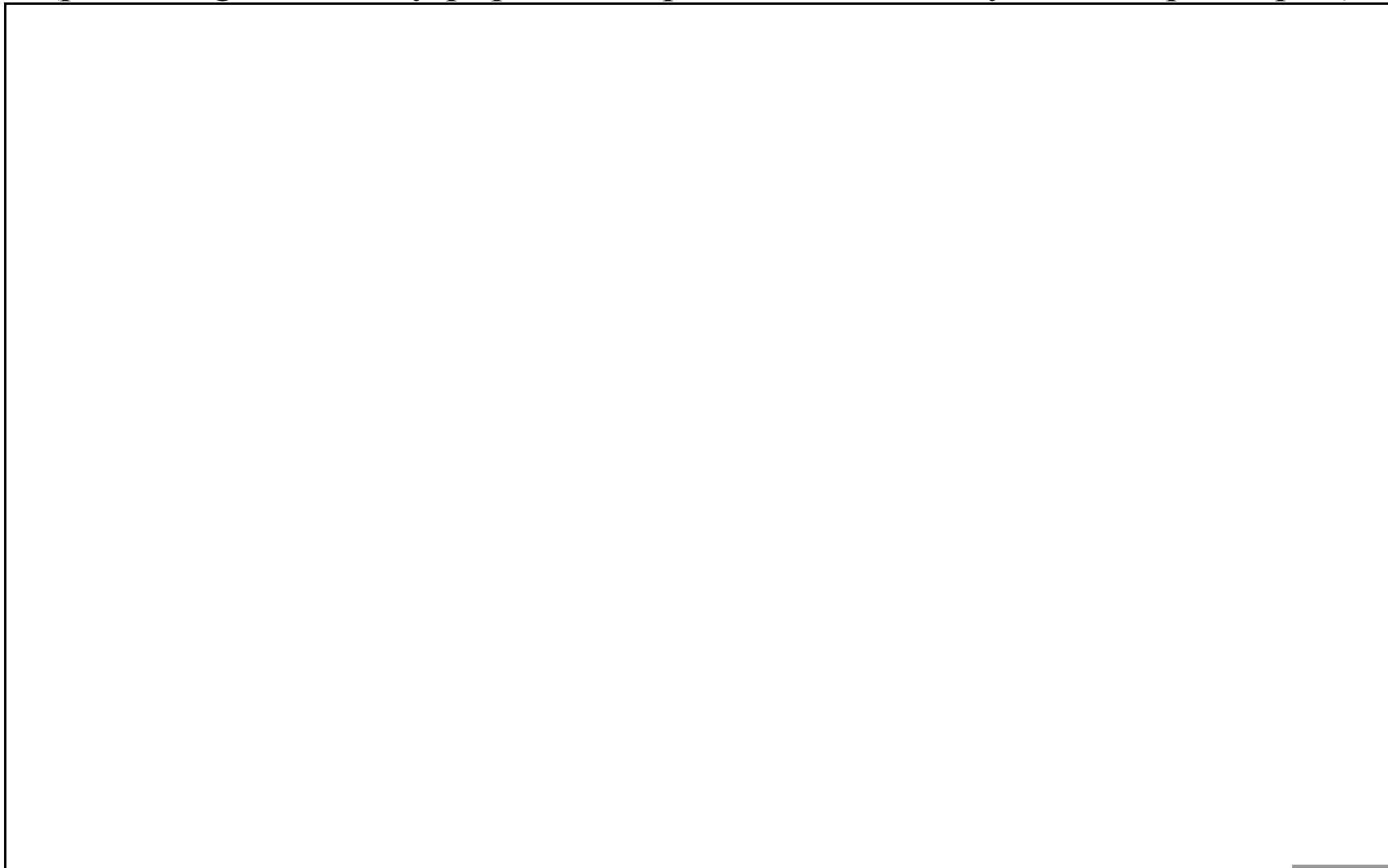
	Original	Present
Maximum size of localities	2,500	15,000 PET Urbano (2009)
Wage	90% MW	99% MW (2003-)
Maximum work days	88 days	176 days (Urban: 4-6 month)

PET budget shares



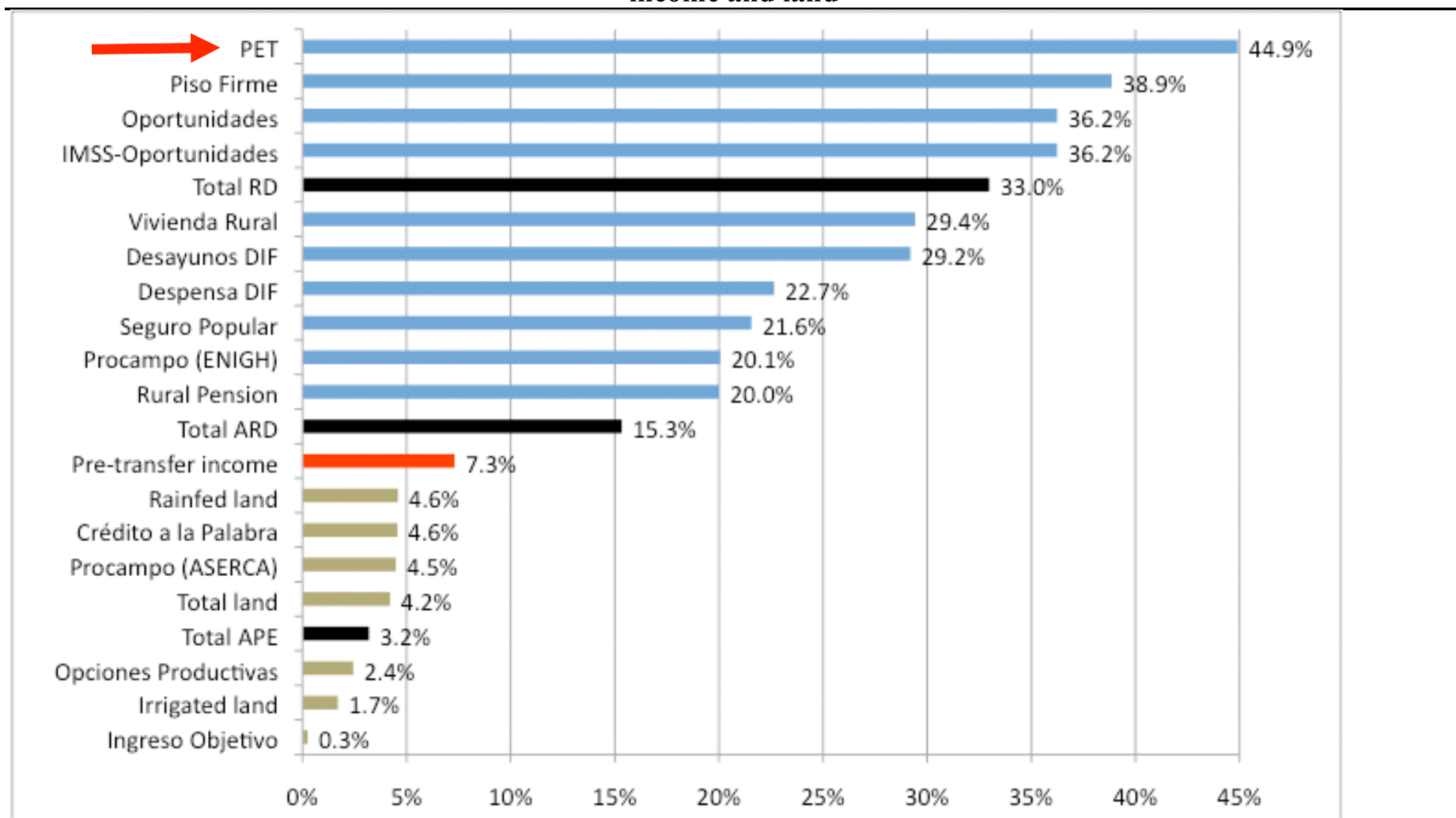
*Source: Anexo Estadístico, Segundo Informe de Gobierno 2008-2009
(modificado). CIPET.*

Distribution of PET beneficiaries
(percentage shares by population quintiles ordered by income per capita)

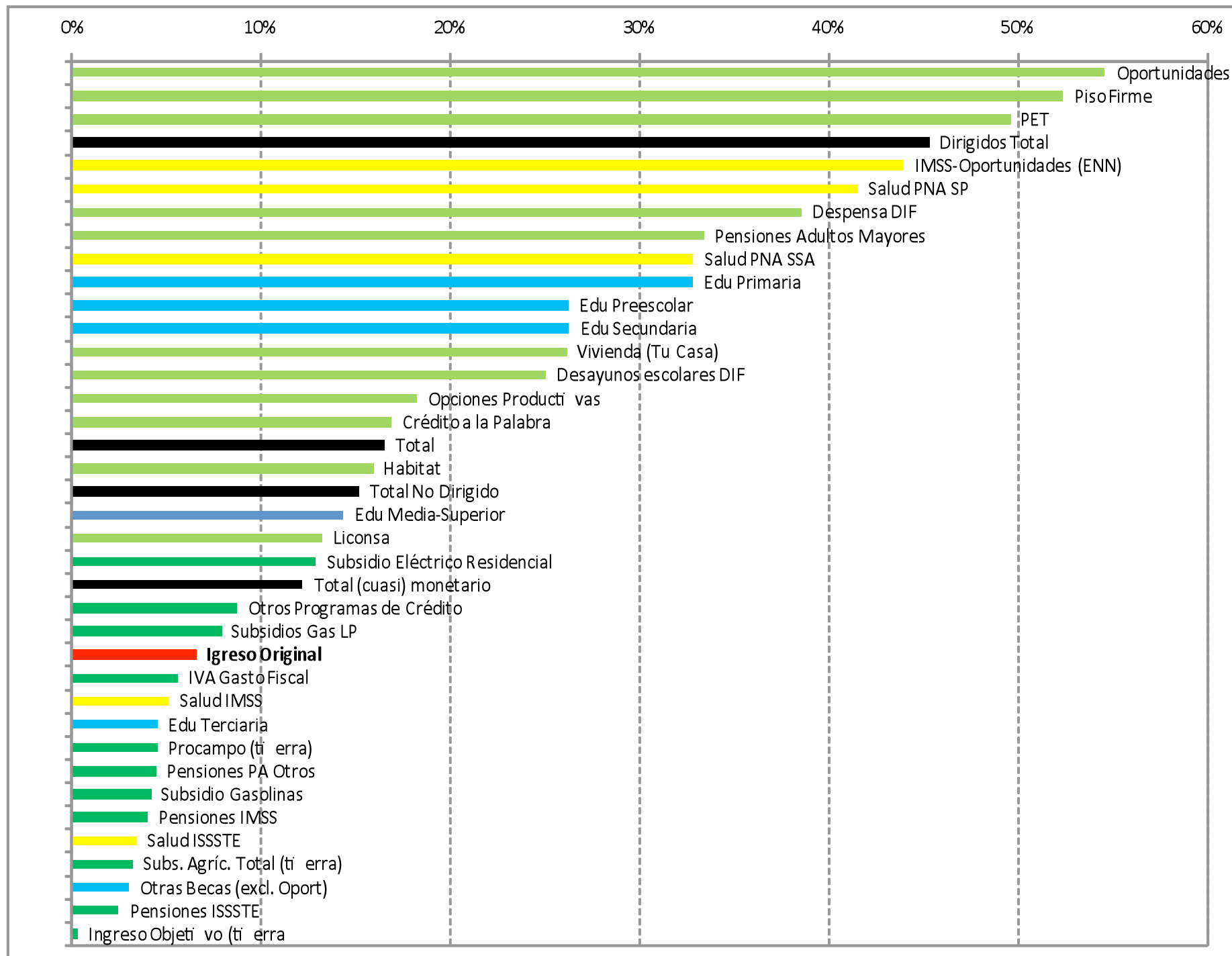


Source: author's calculations using ENIGH, Modulo Programas Sociales, 2002, 2004, 2006.

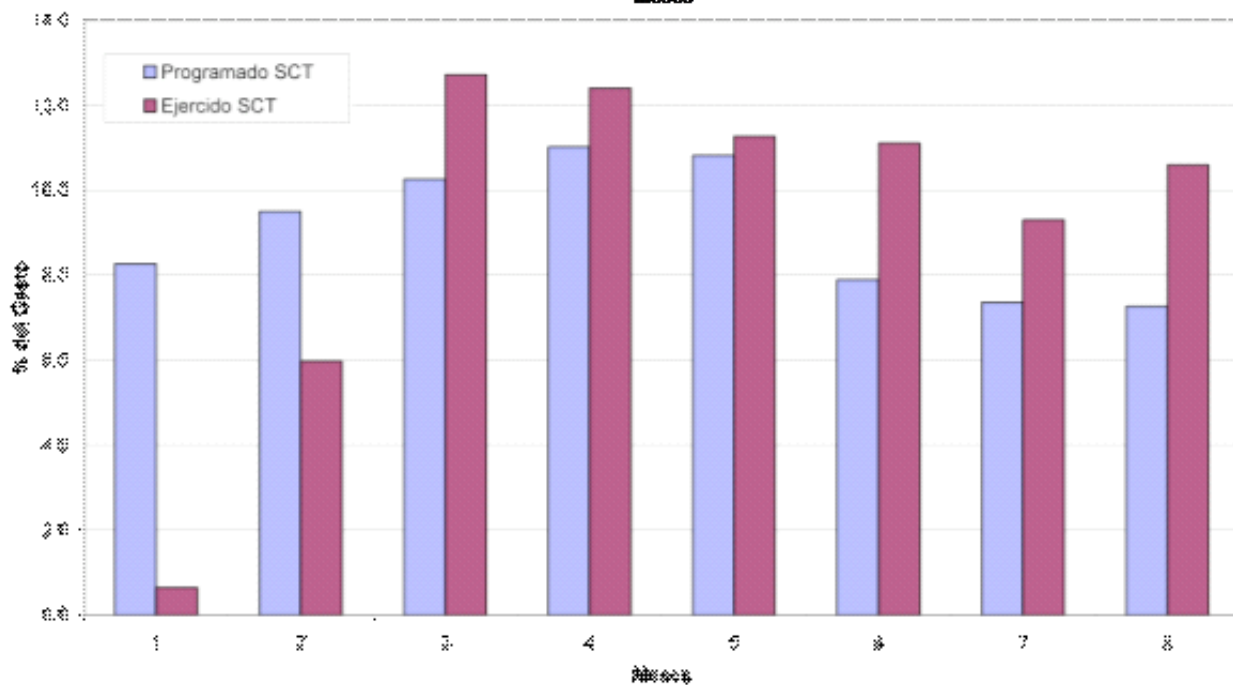
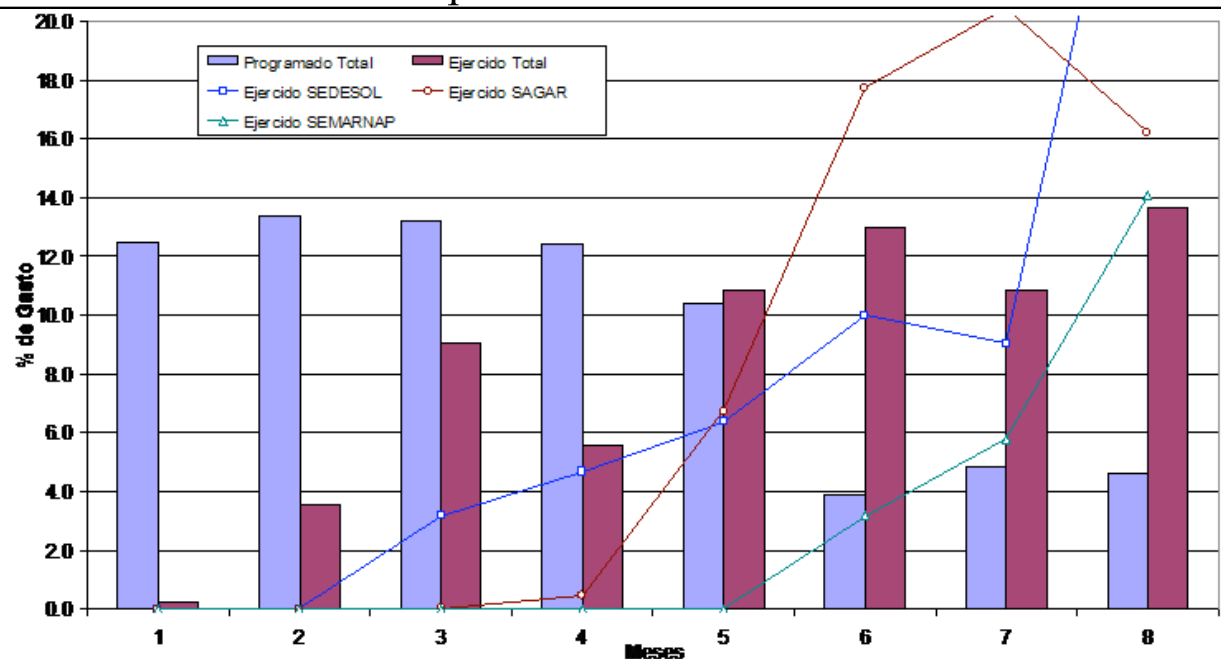
Relative share of poorest 20% of rural households in Agricultural and Rural Development (ARD) Expenditures, income and land



Source: author's calculations using ENIGH 2006, ENIGH 2004 (Social Module), ASERCA Beneficiary data bases.



Temporal Allocation: 1999



Source:

<i>Parameters</i>	<i>Description</i>
$\frac{S + S_{NO}}{G}$	<i>Wage share:</i> share of total program spending allocated to beneficiary wages.
$\frac{S}{S + S_{NO}}$	<i>Wage targeting:</i> share of total wage spending allocated to the poor.
$\frac{SN}{S}$	<i>Net wage gain:</i> wage received by the poor net of participation costs (financial or in species contributions, as well as forgone income) as a share of the wage paid by the program.
$\frac{BI}{BS}$	<i>Targeting of indirect benefit it:</i> share of the project's social benefits accruing to the poor.
$\frac{BS}{G}$	<i>Social benef it/ Cost:</i> share of the program's cost which is self-financing through its social benefits.
$\frac{SN}{G}$	<i>Direct benef it/ Cost</i> $\left(= \frac{SN}{S} \cdot \frac{S}{S + S_{NO}} \cdot \frac{S + S_{NO}}{G} \right)$
$\frac{B}{G}$	<i>Total benef it/ Cost:</i> direct and indirect benefits to the poor per peso allocated to the program.

Probable values for PET's cost effectiveness parameters

Parameter	PET	PET* World Bank	Typical workfare programs**
Wage share	75%	70%	50%
Wage targeting	44-66%	80%	75%
Net wage gain	50-60%	50%	75%
Targeting of indirect benefits	50%		25%
Social benefit/Cost	50%		50%
Direct benefits/Cost	17-30%	28%	28%
Total benefit/Cost	42-55%		41%

**Values assumed for PET, in World Bank (1999).*

***Values assumed by a typical rural temporary employment program in a low income country in Ravallion (1999b).*

Targeting cost efficiency of Oportunidades, PET and other targeted programs

	Objective Population	PET*	PET Potential	Oportunidades	Other targeted	Other targeted Productive**
Targeting (%transfer received by poor)	Poorest 20%	44%	66%	54.5%	22.0%	13%
	Poorest 40%	66%	86%	81.7%	43.3%	21%
Administrative costs + material costs		25%	5%	8% ^b	8%	8%
Participation costs		50%	25%	2% ^b	2%	10%
Benefit/Cost	Poorest 20%	17% (42%)	47% (72%)	49%	20%	10%
	Poorest 40%	25% (50%)	61% (86%)	74%	39%	18%

Sources: own calculations based on table 3 above; Módulo de Programas Sociales, ENIGH 2006

*Value in parenthesis includes the indirect benefits to the poor from the outputs of the projects, in addition to direct transfers.

**Opciones Productivas and Microregiones.

Reform and Expand

- Reforming planning procedures and practices to ensure **anti-cyclical allocations**: periods of low economic activity.
- Targeting geographic areas and population groups with **limited alternative income-generating opportunities**.
- **Self-financing of material inputs** by the benefited communities.
- **Project accountability, M&E**
- **Coordinate with infrastructure programs...**
 - FAIS: 3000 billion US,
 - PET: 163...
- **Public services, public sector employment...**