

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,
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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.

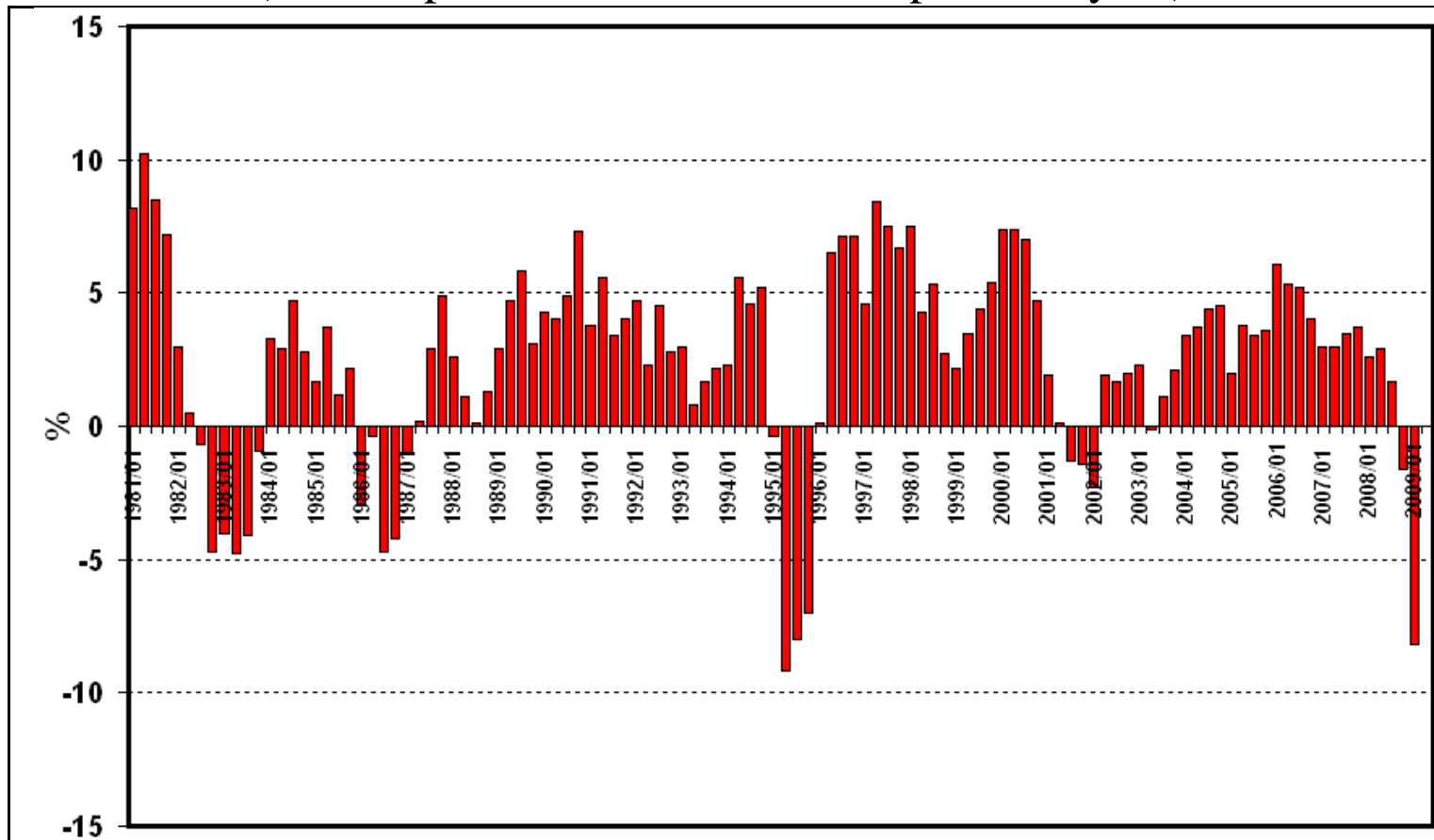
EGP vs. PET

(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

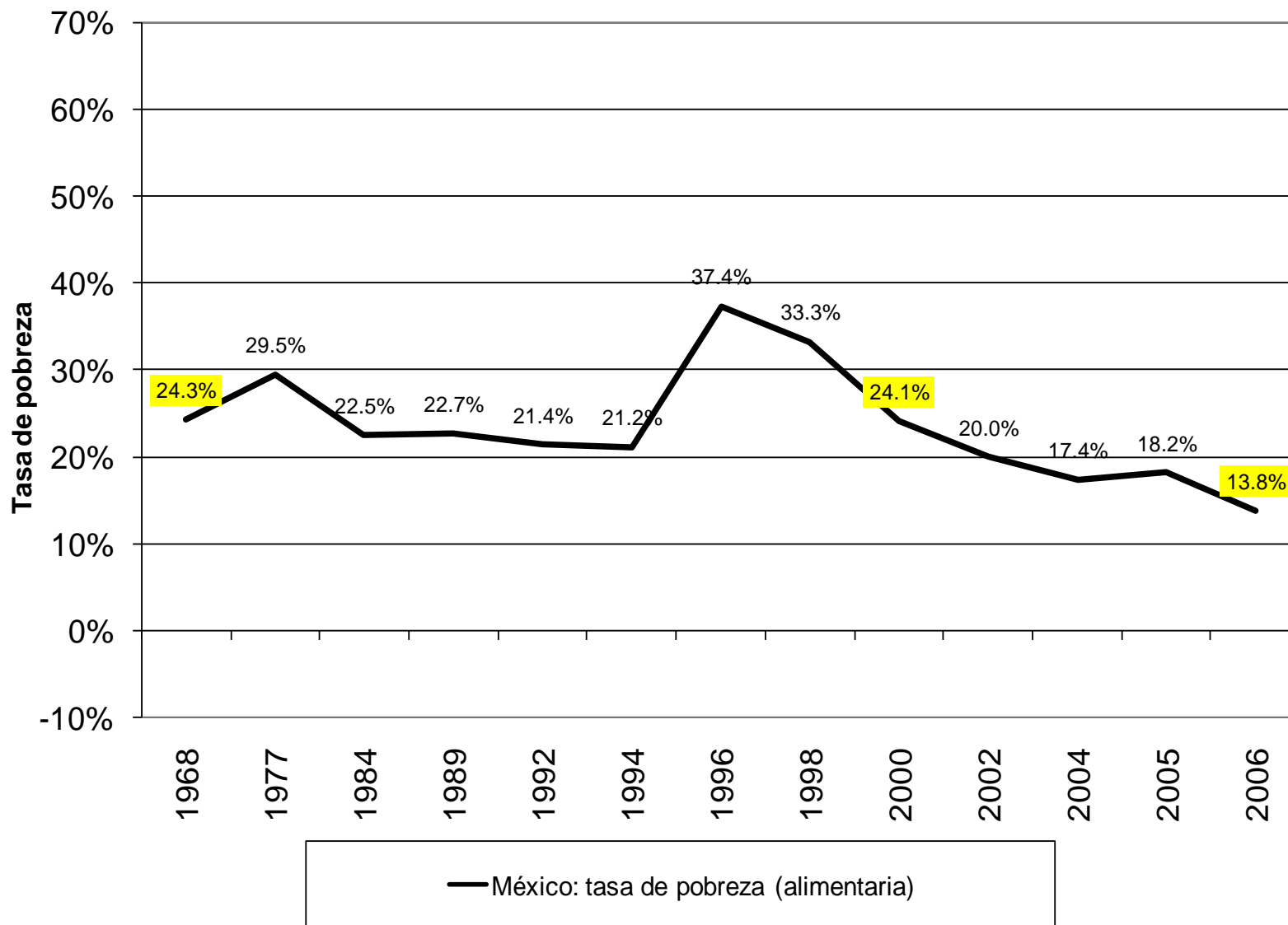
Current crisis may be as deep as 1995, but more prolonged...

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

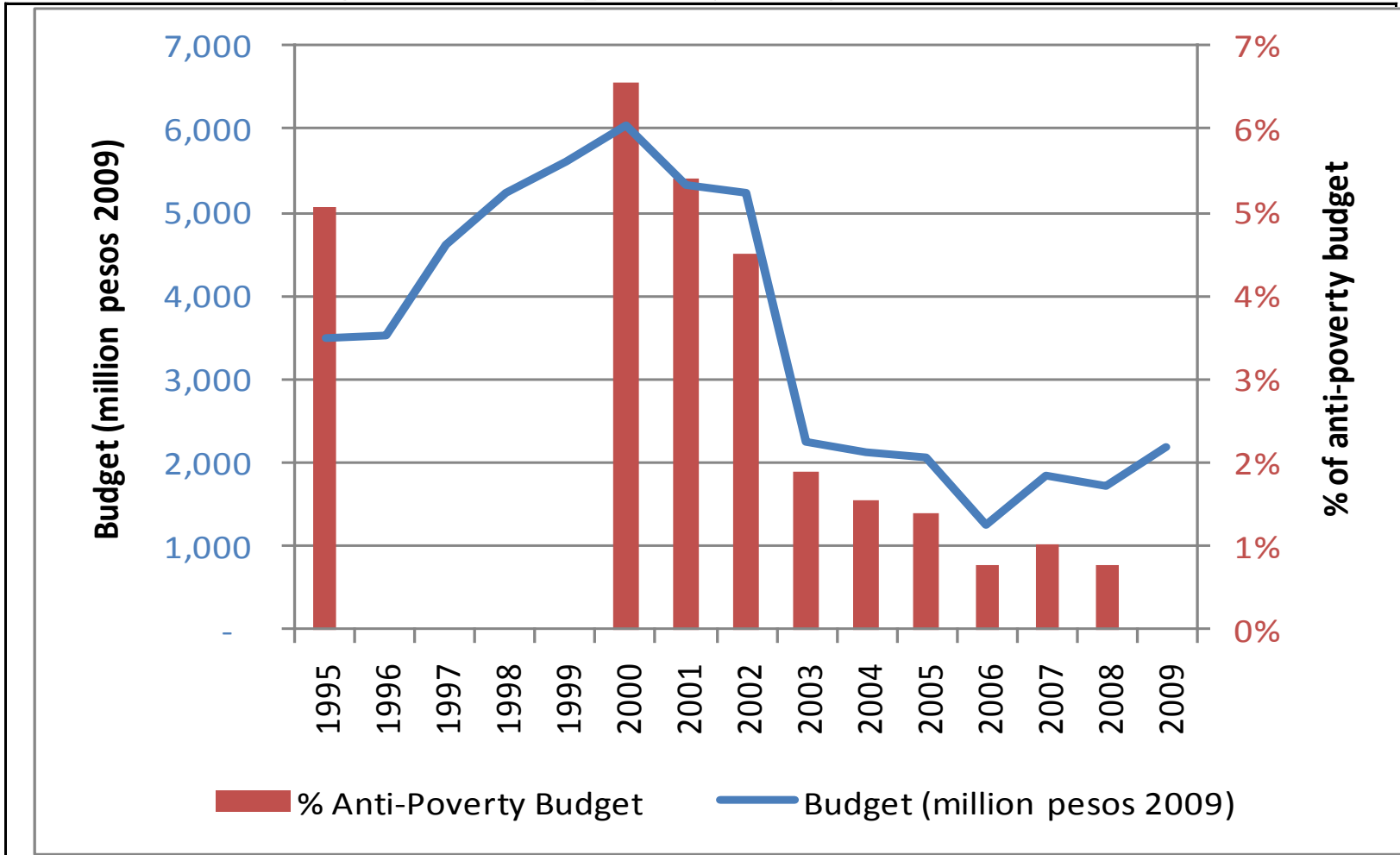


Source: INEGI, graph Gerardo Esquivel

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

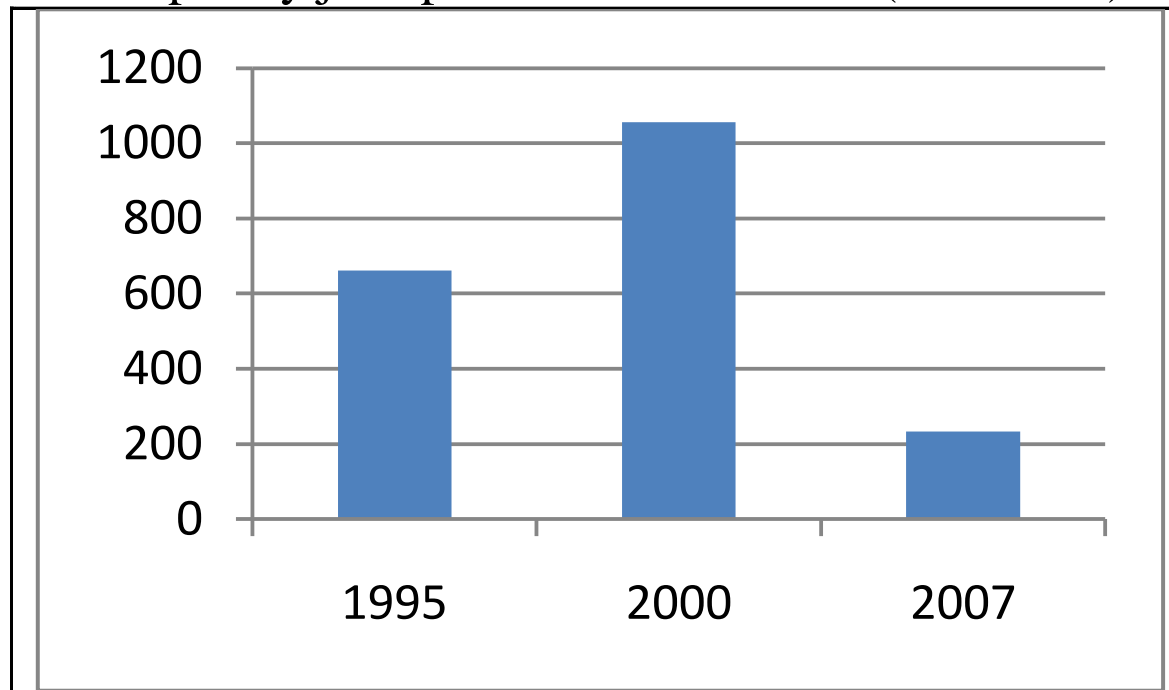


PET budget and anti-poverty budget share: 1995-2009



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

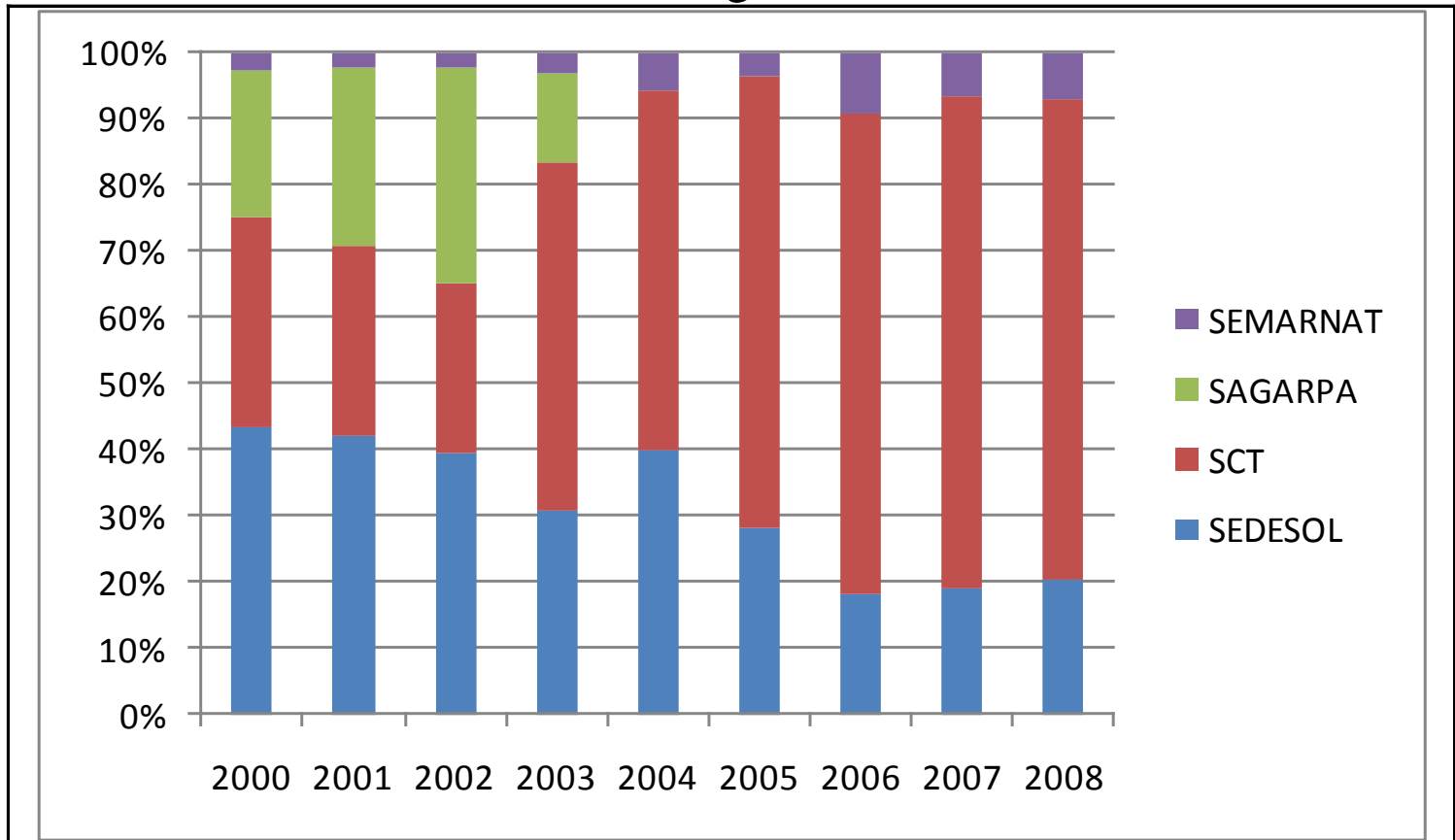
Temporary jobs provided: 1995-2008 (thousands)



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)

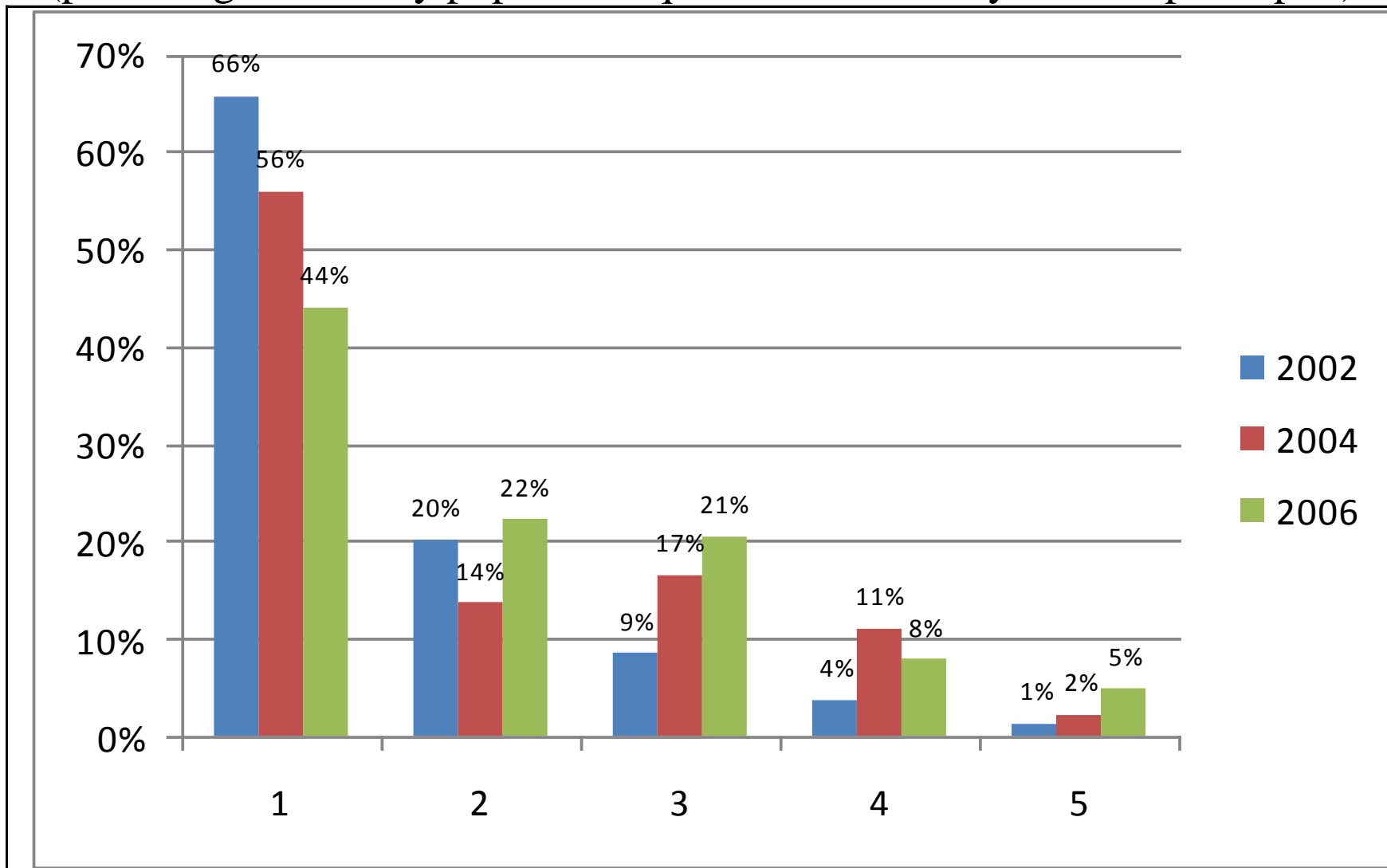
PET budget shares



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

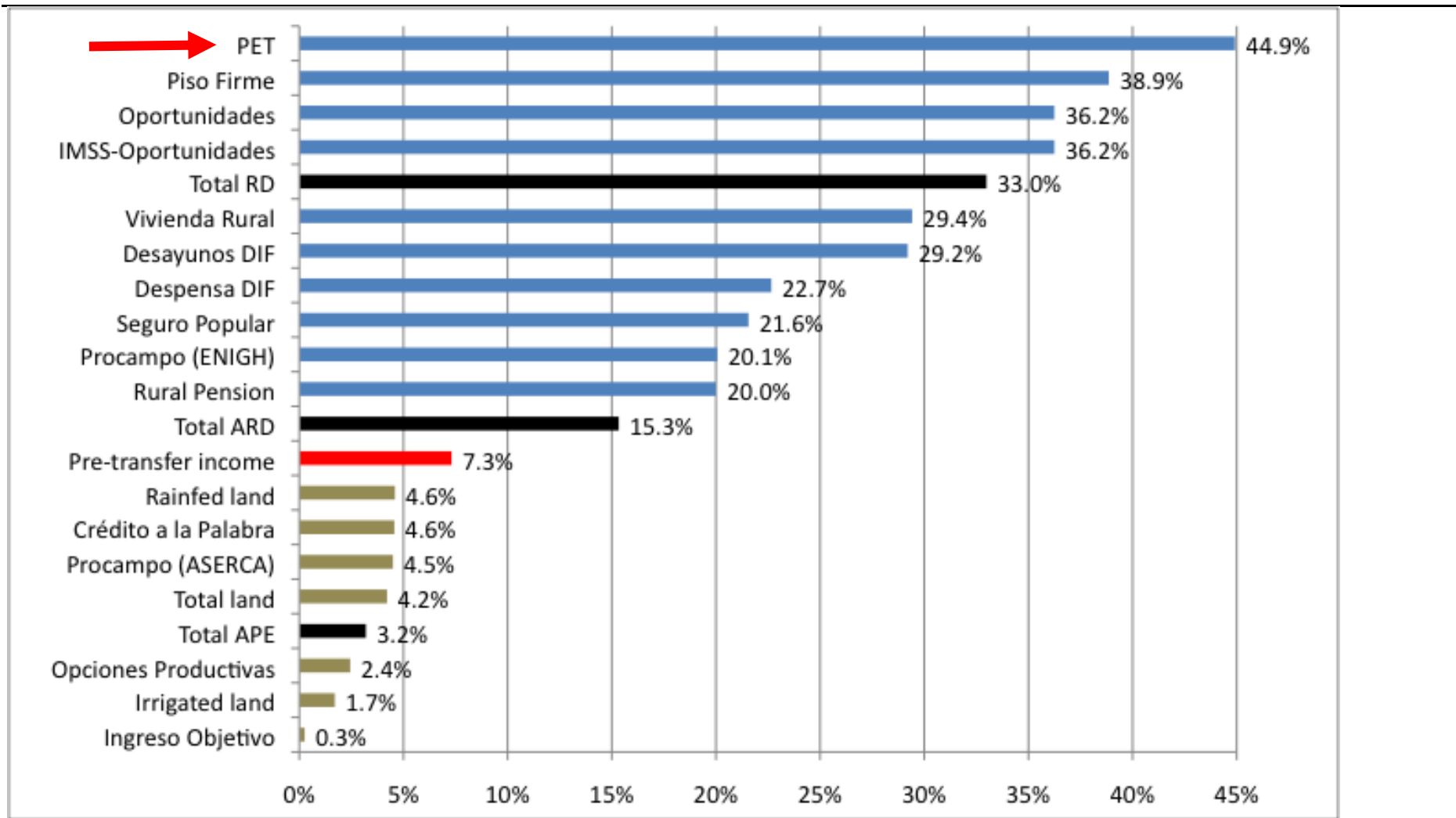
Distribution of PET beneficiaries

(percentage shares by population quintiles ordered by income per capita)



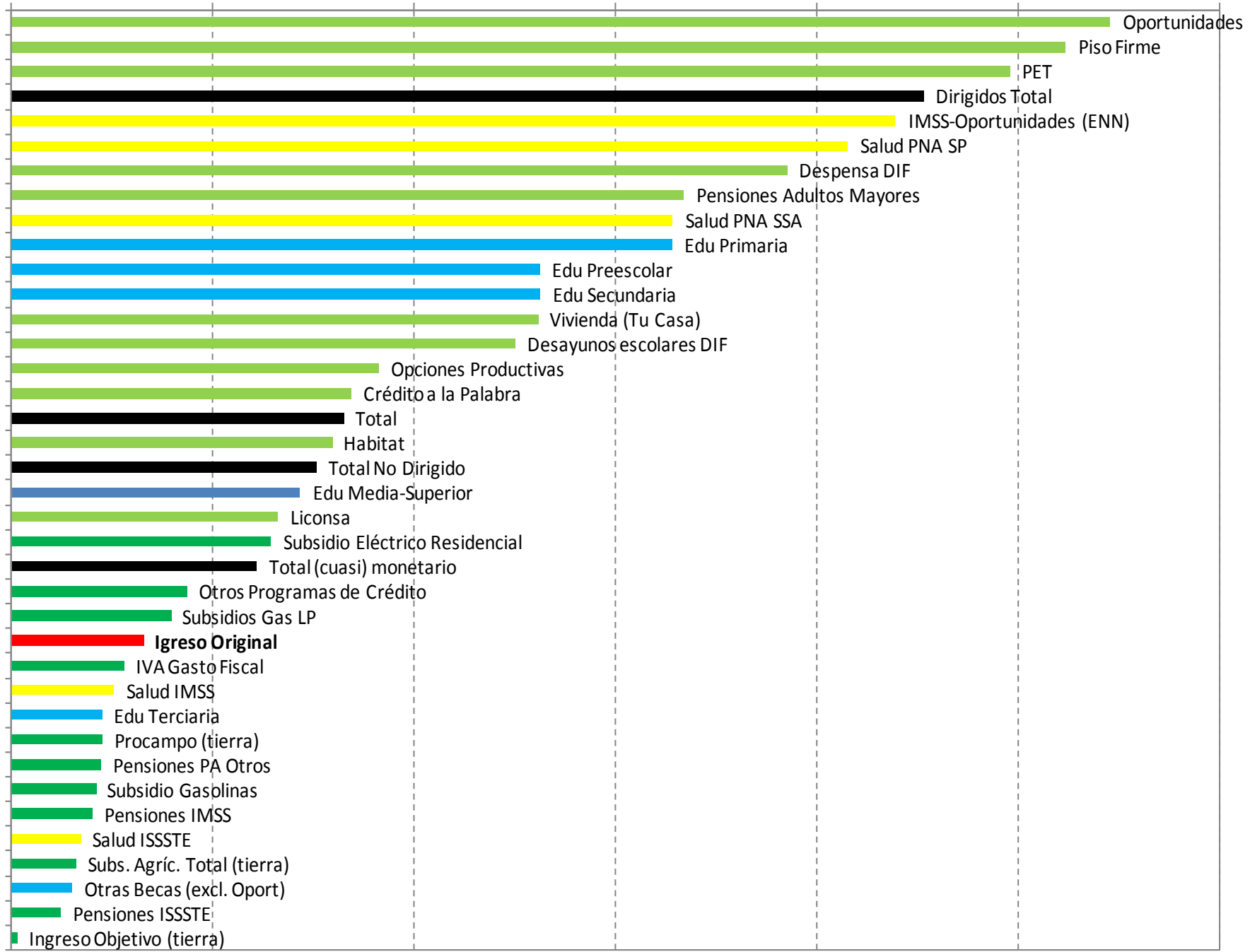
Source: author's calculations using ENIGH, Modulo Programas Sociales, 2002, 2004, 2006.

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

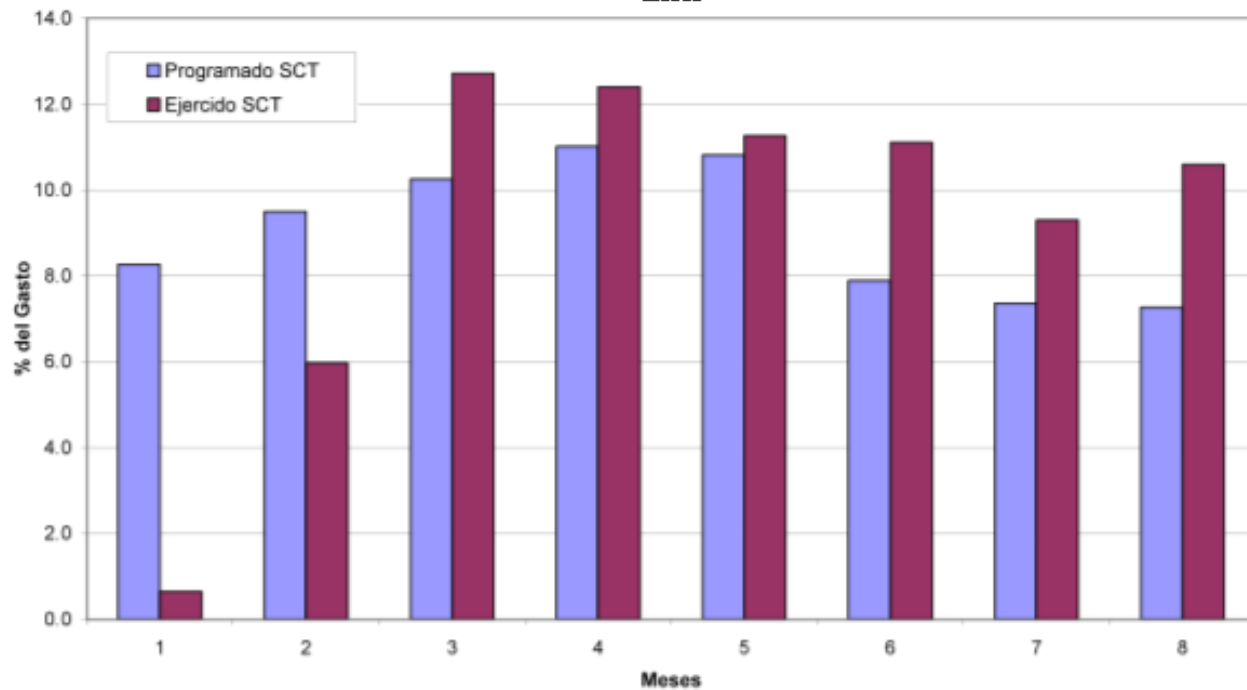
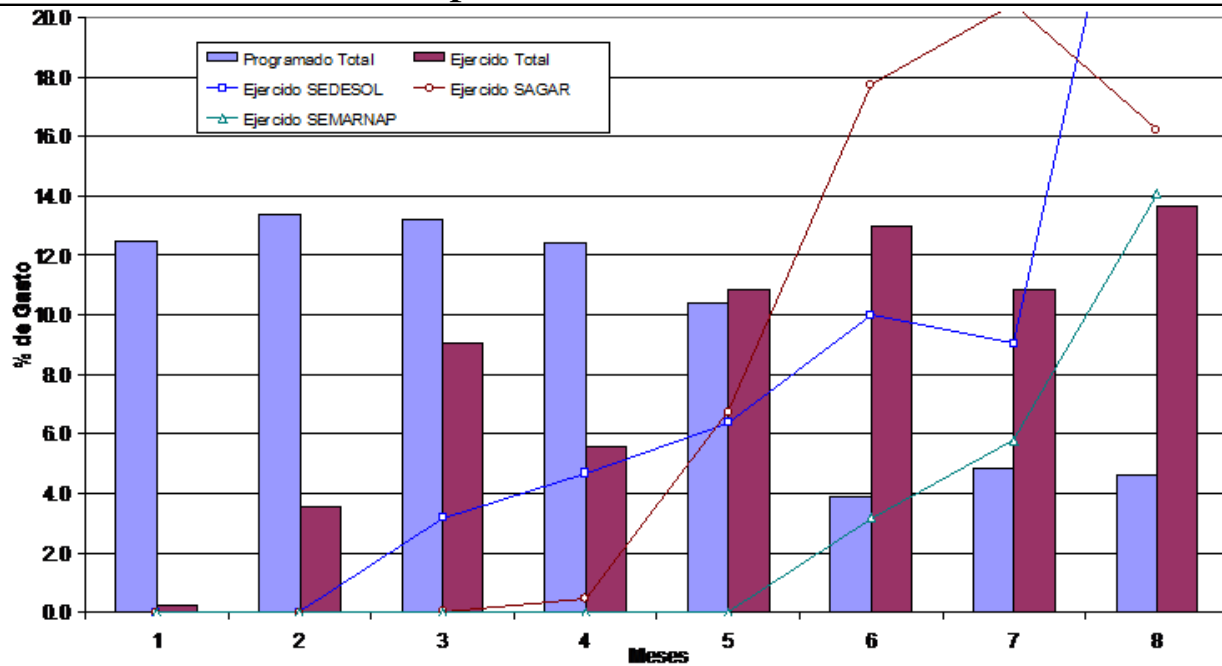


Source: author's calculations using ENIGH 2006, ENIGH 2004 (Social Module), ASERCA Beneficiary data bases.

0% 10% 20% 30% 40% 50% 60%



Temporal Allocation: 1999



Source:

$$\frac{B}{G} = \frac{S + S_{NO}}{G} \cdot \frac{S}{S + S_{NO}} \cdot \frac{SN}{S} \cdot \left(1 + \frac{BI}{BS} \cdot \frac{BS}{G} / \frac{SN}{G} \right)$$

<i>Parameters</i>	<i>Description</i>
$\frac{S + S_{NO}}{G}$	Wage share: share of total program spending allocated to beneficiary wages.
$\frac{S}{S + S_{NO}}$	Wage targeting: share of total wage spending allocated to the poor.
$\frac{SN}{S}$	Net wage gain: 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.
$\frac{BI}{BS}$	Targeting of indirect benefits: share of the project's social benefits accruing to the poor.
$\frac{BS}{G}$	Social benefit/Cost: share of the program's cost which is self-financing through its social benefits.
$\frac{SN}{G}$	Direct benefit/Cost $\left(= \frac{SN}{S} \cdot \frac{S}{S + S_{NO}} \cdot \frac{S + S_{NO}}{G} \right)$
$\frac{B}{G}$	Total benefit/Cost: 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 wage 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...**