Poverty and Employability Effects of Workfare Programs in Argentina

In the early nineties Argentina began implementing public workfare programs. Workfare became a central policy in 2002 when, in reaction to a deep economic and political crisis, the government increased the number of beneficiaries to two million in a country of 38 million. Workfare beneficiaries are required to work in a community project with a public or non-profit organization in exchange for a fixed monthly benefit.

Why does the Argentinean government rely so heavily on workfare? Success in terms of poverty reduction is reported to be the motivation for keeping the number of beneficiaries so high. Indeed, previous studies found that benefits are effectively assigned to people in need and that the income gain during participation in the program is approximately 50 percent of the benefit, which is quite a high figure given the incentive the program generates to reduce other income-generating activities.1

However, PEP researchers in Argentina suspect that the above evidence is based on a biased sample since it excludes beneficiaries who refused to report their address and fails to take account of unobserved time-invariant characteristics of beneficiaries. Using a different dataset that addresses these two issues (i.e. the Permanent Household Survey which is the main household survey in Argentina), PEP researchers find that, while targeting was pro-poor, more than 30 percent of beneficiaries in 2001 did not satisfy the eligibility criteria, and that the income gain during participation was positive, but only 25 percent of the benefit. They also find that one third of participants received the benefit for at least 18 consecutive months (the official maximum length of the program in 2001 was between 3 and 6 months) and many of them never actually worked in a community project. These findings are consistent with media reports suggesting that at least some workfare funds are exploited by incumbent politicians to buy votes. In the opinion of these PEP researchers, an independent agency, not the executive branch of the government, should manage workfare funds.