

## Ensuring adequate wages In public employment programmes – Experience from Ethiopia

### **Introduction:**

Determining the adequacy of wages in public employment programmes is a matter of delicate balance – between ensuring sufficient wages for meeting an acceptable standard of living and avoiding the displacement of workers from other sectors to the public employment programme, thereby preserving the essence of the programme as a ‘last resort’ option. Such programmes therefore tend to pay wages that are lower than the minimum wage or the market wage.

### **Background:**

Generally, adequate income is one of the most difficult dimensions of decent work to assess. In Ethiopia – against a backdrop of extreme poverty and food insecurity- such an assessment was perhaps even more difficult. In 2005, Ethiopia launched its Productive Safety Net Programme (PSNP) – a public employment programme targeting food insecure and vulnerable households through wage employment as well as food transfers. However, with no official minimum wage for rural Ethiopia- the difficulties in estimating an adequate wage rate were exacerbated. Further, there was no real objective measure of adequate income which could be subscribed to. In such circumstances, the PSNP set income in relation to minimum food consumption benchmarks.

### **Details of the intervention:**

In 2005, the PSNP started off paying a daily wage rate of 6 Ethiopian Birr (ETB), which, at the time, was equivalent to around US\$ 0.60 a day. Over the course of the programme, this was increased twice, once to ETB 8 (0.21 USD) and then to the current level of ETB 10 (0.21 USD) . In essence, the daily wage rate is set such that it was sufficient to purchase or is the equivalent of 3 kilograms (kg) of cereal – thus amounting to six days of food requirements for one person.

Where payments were in the form of food, the transfers consisted of 3 kg of cereal. Since a household is provided with five days of work (and income) for every household member, the wage rate is such that the income from five days of work provides 15 kg of cereal, which is enough to give food security to a household member for a month. Expressed in a different way, in a household consisting of two adults and four children, the adults would have to work 30 days for the PSNP to earn enough to provide food security for the entire household. It also means that, on average, each adult would work only 15 days of a month for the PSNP and would have the remainder of their time to engage in other livelihood activities or work.

### **Impact:**

In many regions where the PSNP has been implemented, the wage rate is below the prevailing market wage rate. However, the fact that the labour market is extremely ‘thin’, and available work has been seasonal and of short duration, has raised concerns over alternate employment. The PSNP offers regular and predictable work, which is very different from other wage employment offered in these areas.

In addition, the wage rates and food transfers provided represent a clear analysis of the socio-economic needs of the target beneficiaries, as measured by their cereal purchases. The Sphere Standards for Ethiopia prescribe the minimum monthly consumption of 15 kg of cereal, 1.5 kg of pulses (protein) and 0.5 litres of oil (fat). Against this, while the PSNP provides a wage rate based on ensuring 15 kg of cereal, it should be recognized that households need to work only part time on the PSNP to meet their monthly cereal requirements and that the remaining time could be used to engage in other livelihood activities that would enable the household to also purchase the additional required protein (pulses) and fats (oils). So, from a strictly food consumption perspective, the earnings appear to address minimum food consumption needs in line with the programme's objective of "ensuring adequate consumption among targeted households"

Furthermore, work is offered close to home which means that the cost of participating is low and there is more scope for combining working on the PSNP with other livelihood activities. These are factors that make the PSNP attractive, as demonstrated by the high demand for it, despite the low wage rate it offers.

*Source: International Labour Organisation. (2012). Towards the right to work: a guidebook for designing innovative public employment programmes.*