Discussion of "Workfare programmes and their impact on the labour market: Effectiveness of *Construyendo Perú*" by Verónica Escudero

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General comment on workfare programs

Paper: <u>well-designed</u> workfare programs can attain several objectives:

- Anti-poverty effects $\rightarrow$ direct transfers

- Stabilization & consumption smoothing in "bad times"

- Macro level: reduce poverty rates, affect market wages
  $\rightarrow$ very hard to measure!

- Longer term: effects depend on program's "ability to raise participant's employability so they can find sustainable employment after the program culminates"
  $\rightarrow$ mechanism for *permanently* raising "employability"?
  $\rightarrow$ paper mentions empirical lack of wage effects; same issue!

  - Very important to keep this in mind when evaluating these programs (and their "skills development" components)

Comments on identification/empirical strategy I

Identification strategy is very reasonable, but with concerns:

- FAD cut-off not known, "graphically" determined
  $\rightarrow$ correctly?

Panel A. District participation
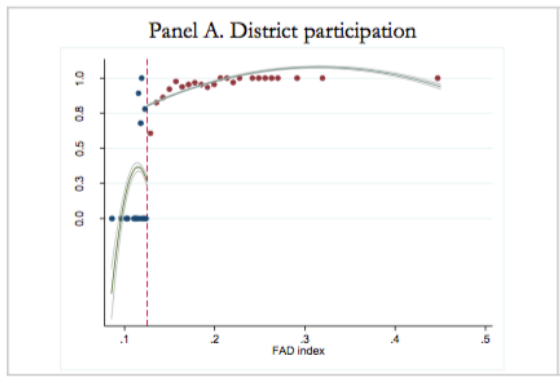
- Additionally paper suggests FAD changes every year
  $\rightarrow$ why use <u>fixed</u> cutoff?

Comments on identification/empirical strategy II

- I am worried about interpretation of geographical targeting (and fuzzy RD results), given layers of decisions:
    - "Call for tender" after FAD-based selection of districts
    - Who applies?
    - Which programs get selected?

- Could higher FAD be associated to worse job markets which are correlated to which districts decide to apply?

- Makes ITT effects hard to interpret

- Other issue: poor individual targeting (e.g. double participation) $\rightarrow$ correlated with weakness of local job market? $\rightarrow$ affects quality of available jobs (and outcomes)?

Comments on identification/empirical strategy III

- BW selection: it would be interesting to also use the "robust" BW of Calonico, Cattaneo & Titiunik (Econometrica 2014)
  - Tends to be smaller
  - Stata code will give you bias-corrected RD estimator
  - I would drop half and double BW, would keep only IK and Calonico et al. (maybe also CV)

- Not sure the paper benefits from showing parametric and nonparametric results, and multiple BWs, all in the main text

- I would pick one (my preferred would be Calonico et al.), discuss everything based on that one, and rest goes to appendix or robustness section

- In particular, it gives "discipline" for not "picking and choosing" significant results from one BW for some groups, a different one for others, etc

Comments on identification/empirical strategy IV

- When checking for threats to validity of RD $\rightarrow$ it is standard to test for covariate balancing, would be useful here

- I would explore adding covariates to RD estimation

Comments on results I

- Please do not hide non-significant results!!!
  - Makes it very hard to understand what is going on across models, and understand the source of non-significance (small point estimate or large SE?)

- My intuition is the opposite of the paper's in terms of effects of reducing BW
  - Smaller BW should reduce bias
  - Paper interprets changes in <u>point estimates</u> associated to smaller BW as "price to pay in terms of precision" (confusing, in particular when significant!)

- ILO definition of "informality" is uncommon (at least to me): why call self-employed informal? Why include non-remunerated? How sensitive are results to informality based on benefits only?

Comments on results II

- Not sure I get the point of having the "all" group if there is analysis of everything by gender/education

- Why not split results also by year of program participation? (Maybe two periods?)

- Some results seem to me potentially explained by differences in availability and quality of jobs across districts $\rightarrow$ showing no difference in LECs across cutoff would be key

- Minor: paper argues that working poor are not substantially less educated than overall population, but 2 years of schooling difference (9 v. 11) is huge!

Final comments

- This is an important and very well-written and motivate paper
- We need to understand better whether these types of programs work in Latin America, and for whom
  - Paper mentions "well-designed" programs a few times, it would be nice if some design-related policy implications were made more explicitly

- Takeaway message has to be "you get what you pay for"
  - Skills formation component was weak, so no effect there!
  - People participate multiple times, signals weak labor market
  - Very hard to improve quality of jobs with these types of interventions
  - Hours results seem surprising $\rightarrow$ welfare cost?
    (See related work by Greenberg and Robins, J.Pub.Ec., 2008, on value of non-market time for program participants)

- I will be looking forward to next version, and to other work by Verónica!

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