

A poverty alleviation program with public works under asymmetric information*

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Abstract

In this paper, we show an effective poverty alleviation program as focusing on a workfare-system. Since the government cannot observe people's ability because of existence of asymmetric information and cannot identify the people whose productivity are low, inefficient poverty alleviation programs are observed. Workfare is known as one of the solutions of this problem and taken in the whole world. We divide some workfare systems into two types; one provides one-type job and the other provides variety of jobs in the public sector instead of cash transfers. Then, we show that the type with various of jobs succeeds in cost-effectiveness and income redistribution. Moreover, we indicate that this policy can increase welfare as comparing to a workfare system with one-type job.

Key Words: Workfare, Income redistribution, cost effectiveness
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