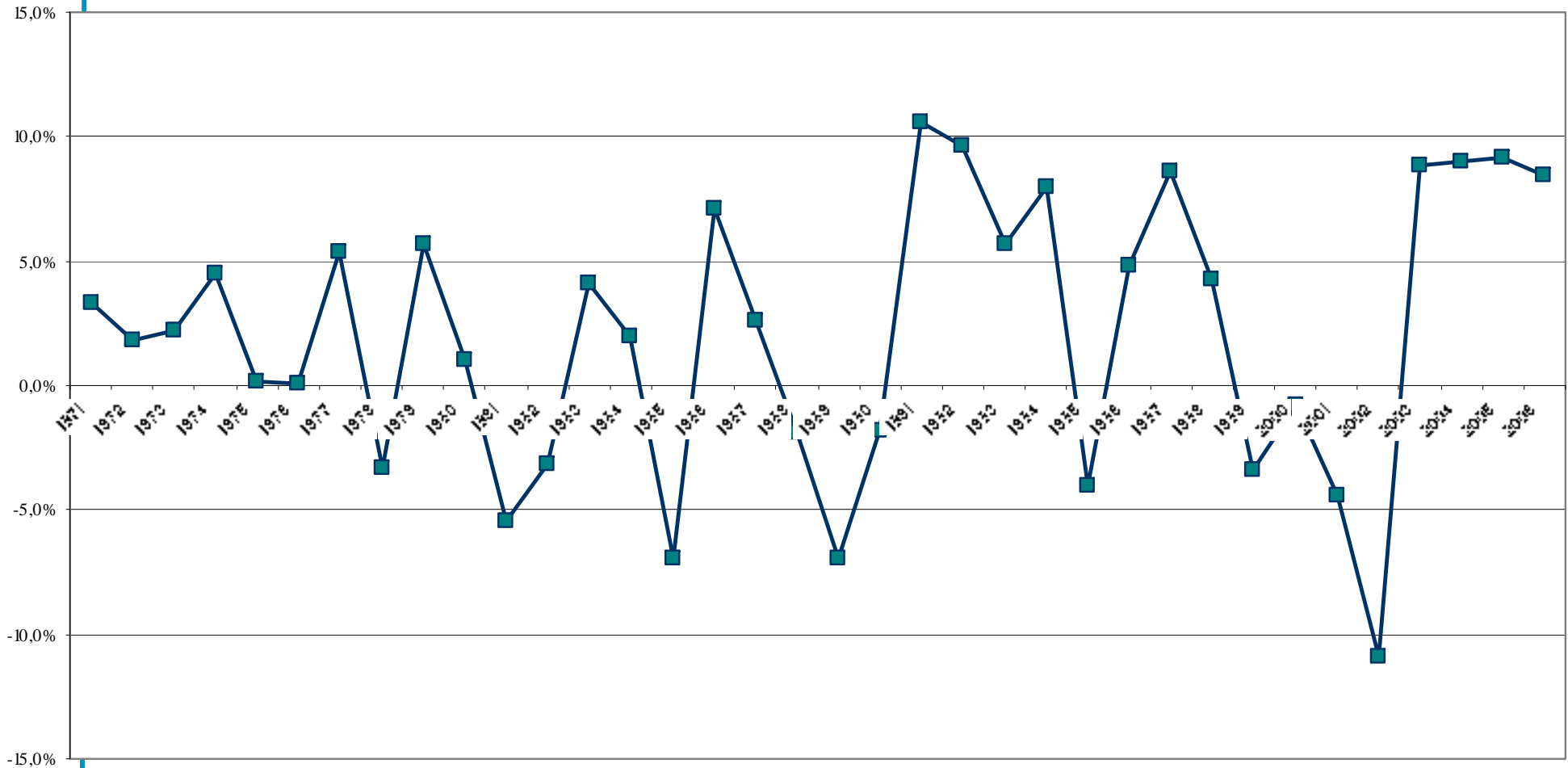


Argentina: A case study on the *Plan Jefes de Hogar Desempleados* or the employment road to economic recovery

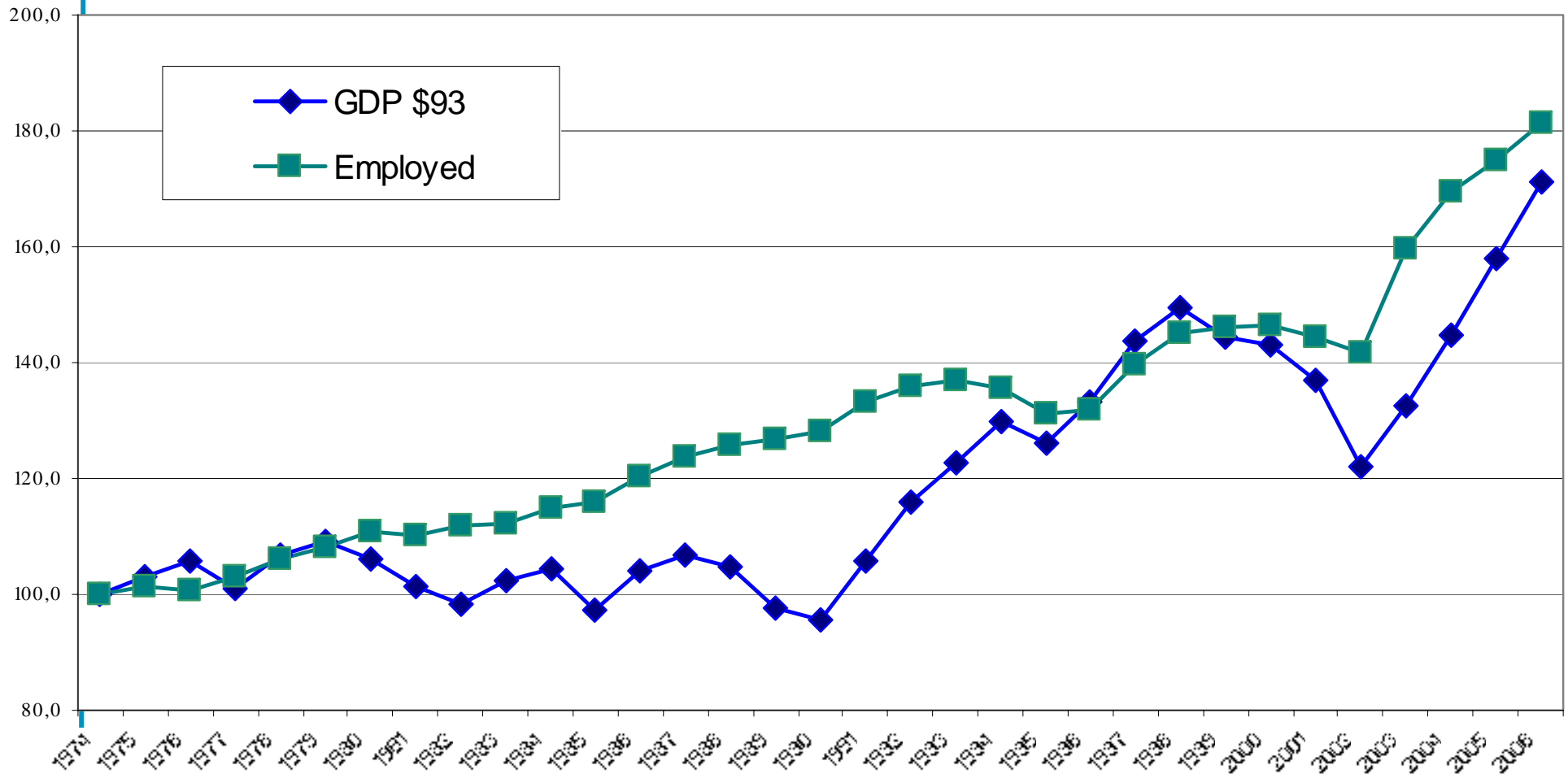


**Daniel Kostzer
UNDP Argentina
May 2008 Rio de Janeiro**

Economic volatility...expressed in GDP growth rate



The relationship between employment and GDP



The relationship between employment and the economy in the 90's



- The target were the macroeconomic fundamentals, leaving the labor market to automatically adjust.
- Labor market should adjust freely in terms of prices and quantities.
- Every rigidity should be removed to let markets work..
- Labor costs should be reduced in order to maintain competitiveness.
- Almost religious believe that productivity increases would impact on wages.

The unfulfilled promise ...

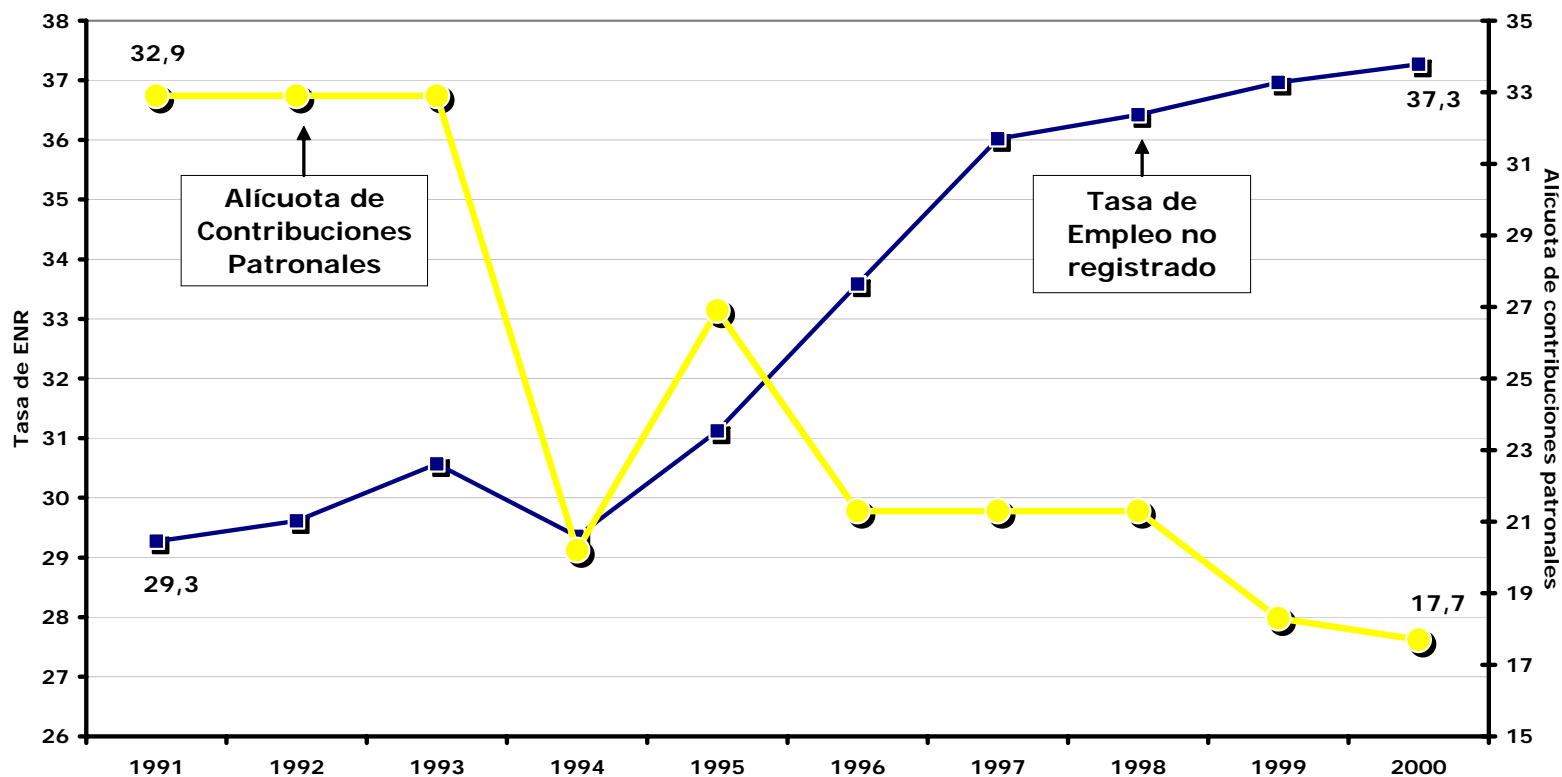


- Notwithstanding labor market flexibilization, unemployment, precariousness and informality grew.
- Even with very high GDP growth poverty increased.
- Productivity increases were not transferred to salaries and wages.
- Labor costs reduction were not translated into increases in employment.

Perverse results of labor market policies ...



Tasa de empleo no registrado y alícuota promedio de contribuciones patronales



Fuente: SPTyEL - DGEyEL

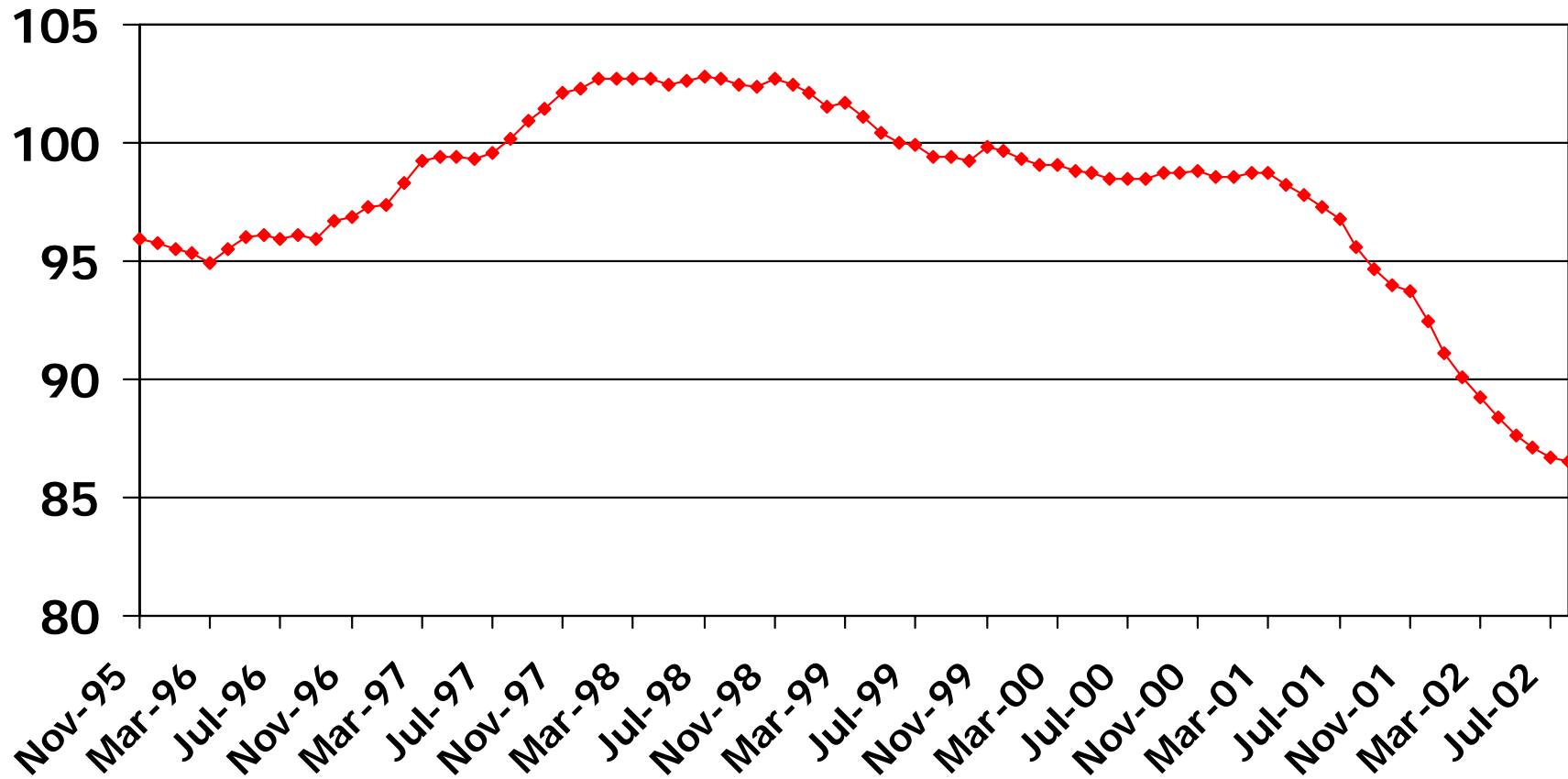
A simple diagnosis ...



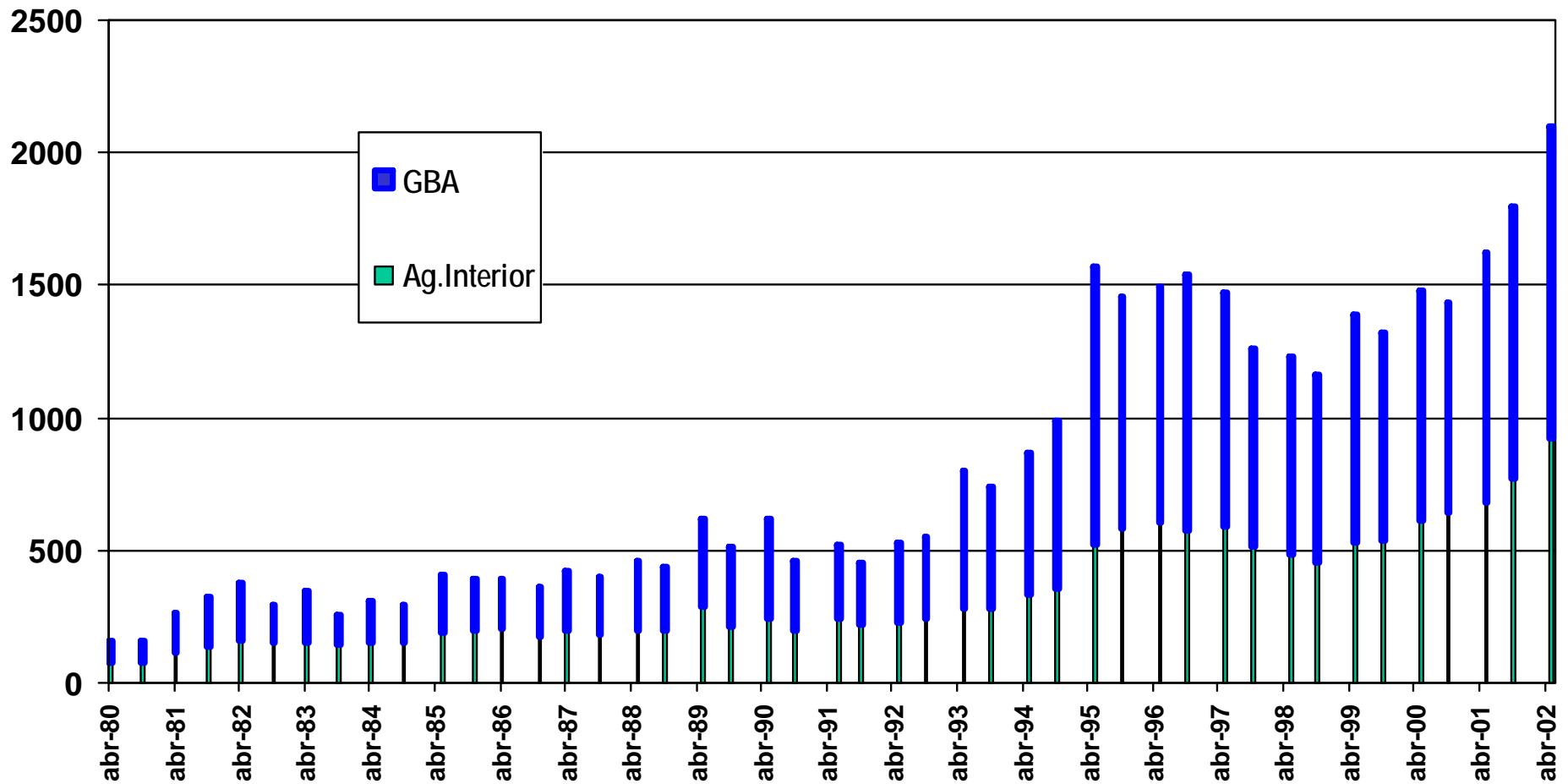
Economic growth was disarticulated

- **Socially**, since wages were a mere cost of production. Deficit in terms of quantity and quality of employment.
- **Sectorally** since imposed international integration, reducing the level of domestic linkages and networks, destroying firms and sectors.
- **Regionally** due to the fact that many regions lost their economic viability and reduced levels of domestic demand.

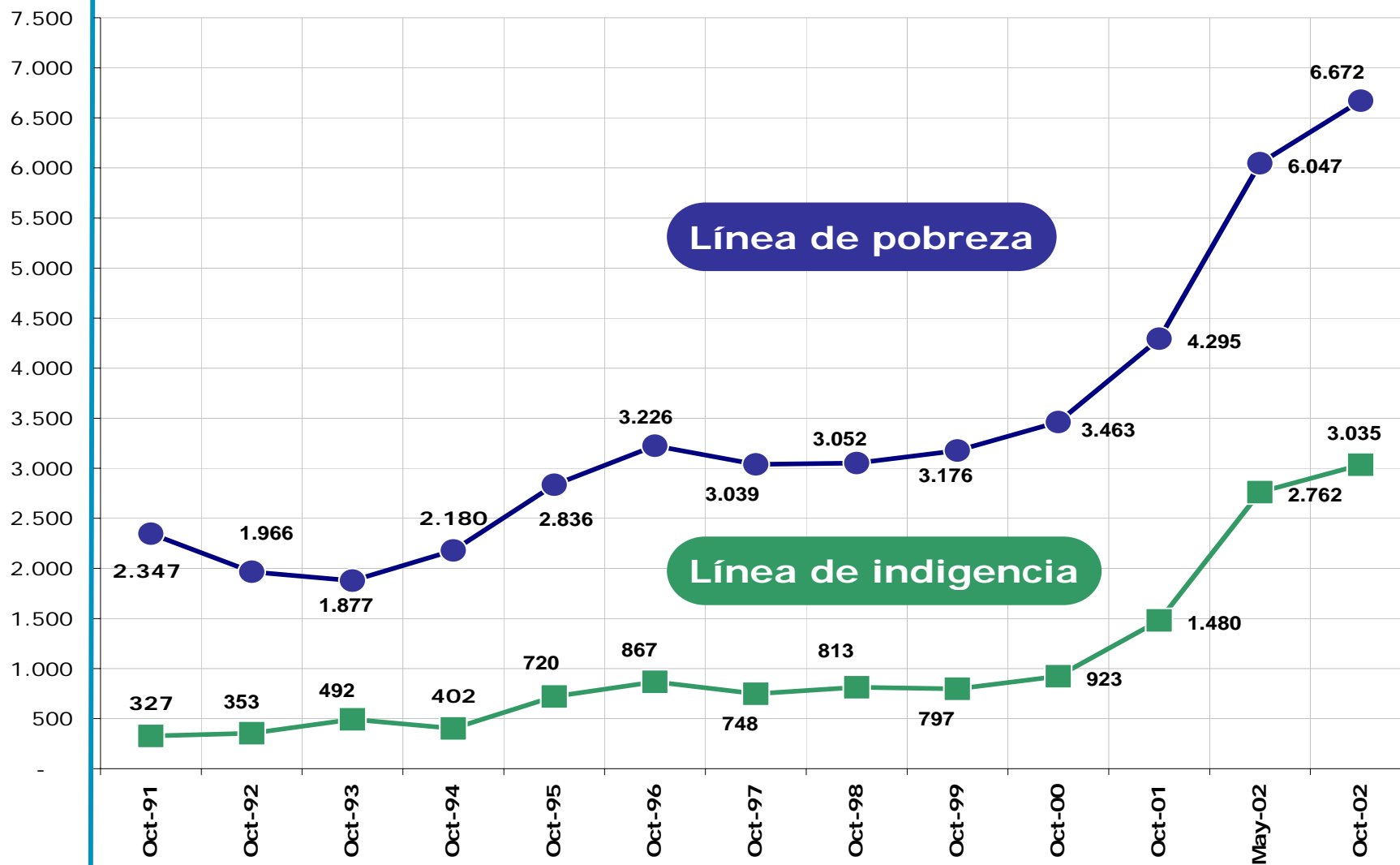
Formal employment declined by 25%



The number of unemployed increased more than three times ...



Evolution of poverty and indigence ...



The new pattern of growth...



New relative prices ...

- *De facto* protection of domestic production by the new exchange rate
- Technologically there is no bias to imported technologies with low labor content
- New fiscal instruments (export taxes).
- Fiscal surplus
- A buffer stock that allowed policies of income redistribution.

The new political context



- **Redefinition of the role of the state**
 - Re-programming of the foreign debt
 - Recovery of monetary sovereignty
 - Capital flows control
 - Universal social policies

Tools ...



Income policies tools

- Head of household program (Plan Jefes)
- Fixed amount increases
- Minimum wage
- Increases of family allowance
- Rise in pensions and retirements
- Promotion of collective bargaining



Plan jefes y jefas de hogar desempleados

**Job guarantee or the State as
Employer of Last Resort**

Political advantages



- Constitutes a global strategy against exclusion and poverty
- It is a clear schema of social protection, not charity
- Reduces unemployment
- Integrates excluded groups
- Permits the identification of problems for further interventions

Social advantages of employment programs



- It is basically a counter-cyclical strategy
- Solves basic needs problems of households
- Improves human capital at individual and global level
- Involves beneficiaries in collective plans and projects
- Reduces pressure on informal labor markets fixing a minimum wage for the sector
- Improves income distribution

Regional advantages of employment programs



- Improves or maintain domestic demand
- Improves infrastructure and services at local level
- Generate multiplying and accelerating effects
- Can articulate with productive sectors in order to create stable, good quality jobs
- Does not distort negatively local markets

Plan Jefes de Hogar Desempleados



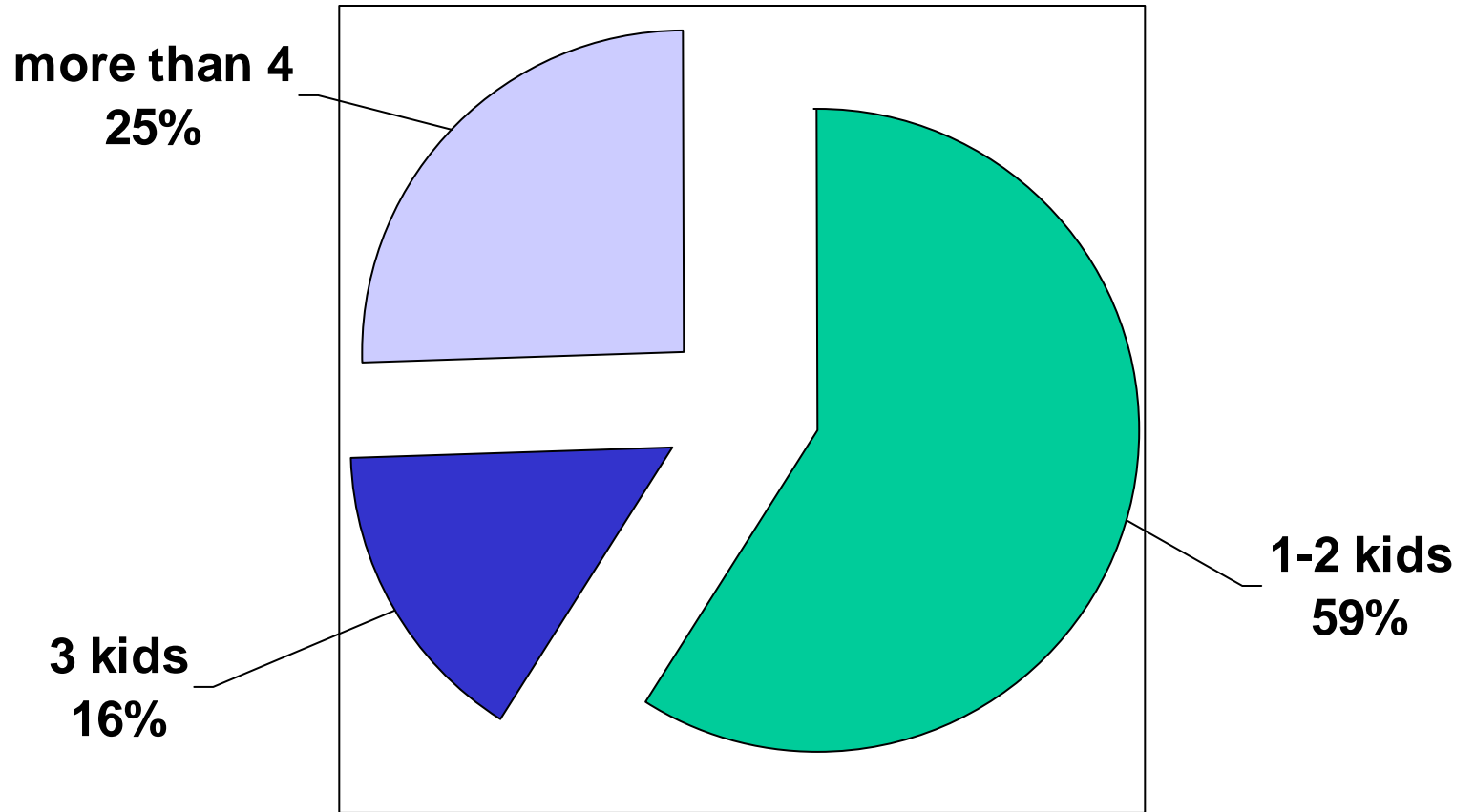
- Provides an income to those head of households with dependants
- There is a work commitment of 20 hours per week
- Managed by the Ministry of Labor
- Decentralized at local level
- Projects by Municipalities and NGO's
- Total amount: 0.92% of GDP
- 4.9% of Federal Budget

Some characteristics...

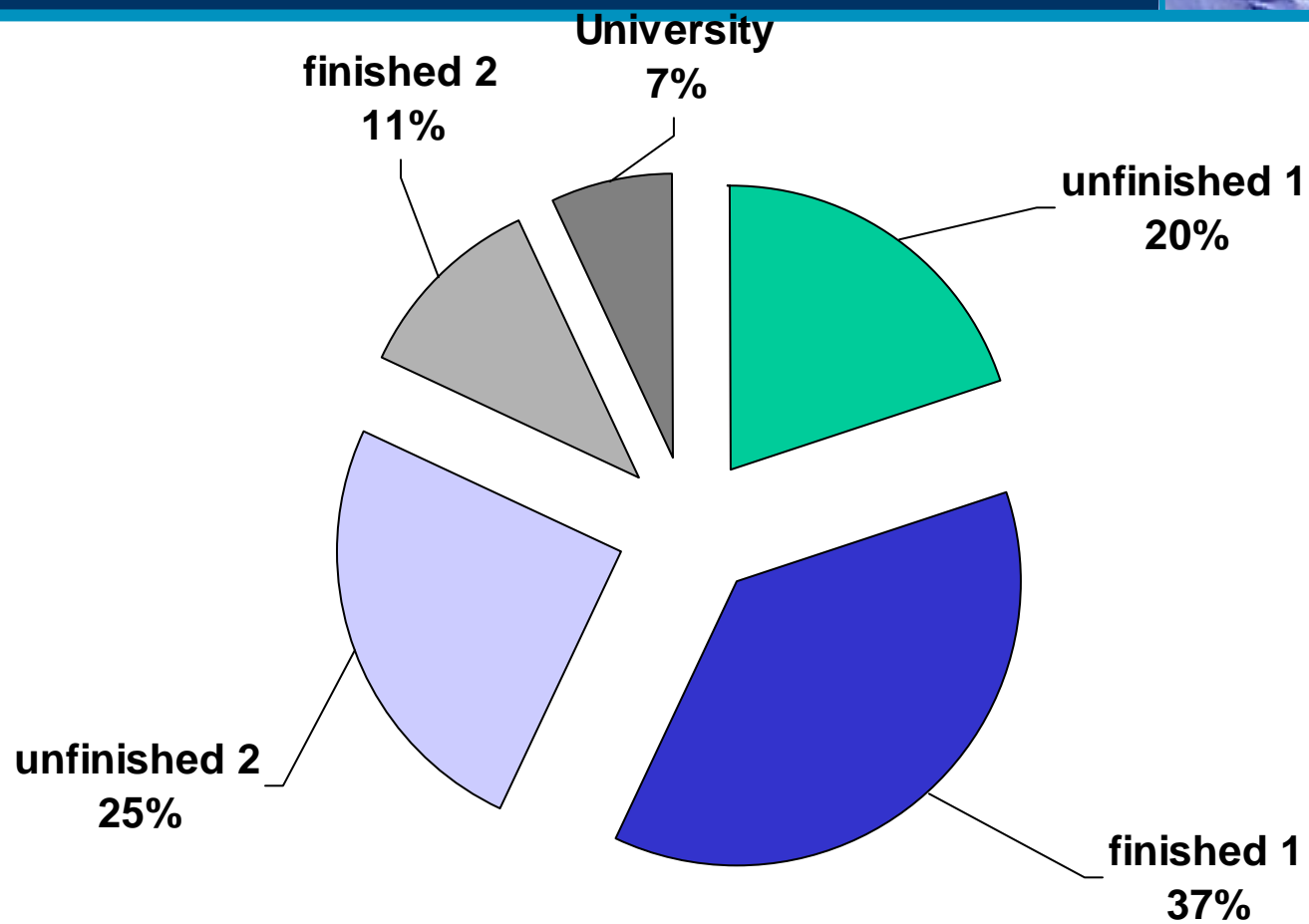


- Covers 16% of the overall households of the country
- In some provinces it reaches 40% of households
- Very young population: 47% are below 35 years old
- 71% are female
- 60% of the female are head of household (single parent)

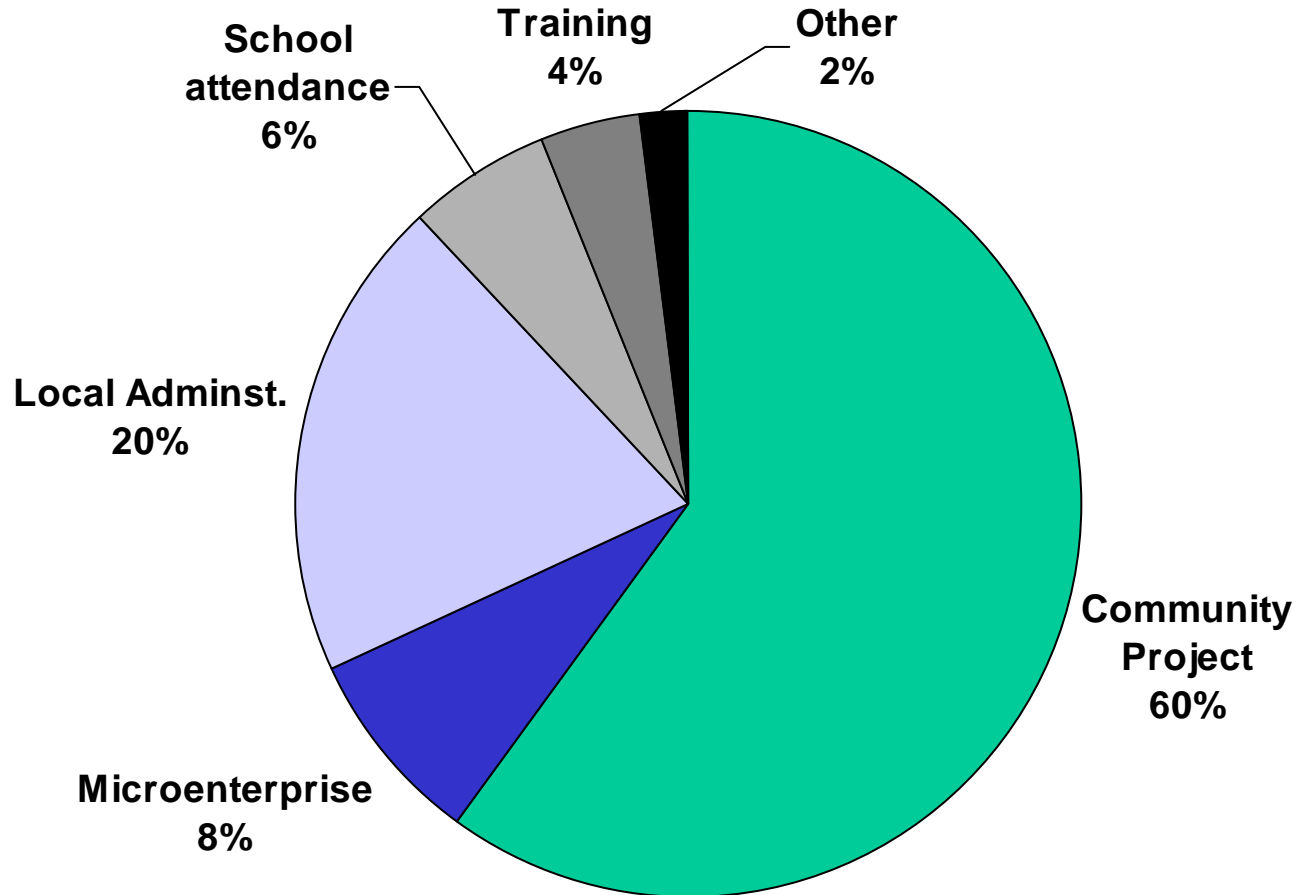
Number of kids...



Educational level of beneficiaries



81% engage in work commitment



The community projects...



- **Production of goods**
 - Bakery
 - Clothing
 - Bricks
 - Community farms
- **Production of services**
 - Childcare
 - Elderly care
 - Teaching assistance
 - Community and school kitchens
 - Health programs support

The micro-enterprises...



- **Individual**

- Small scale production
- Self employment in services

- **Joint projects**

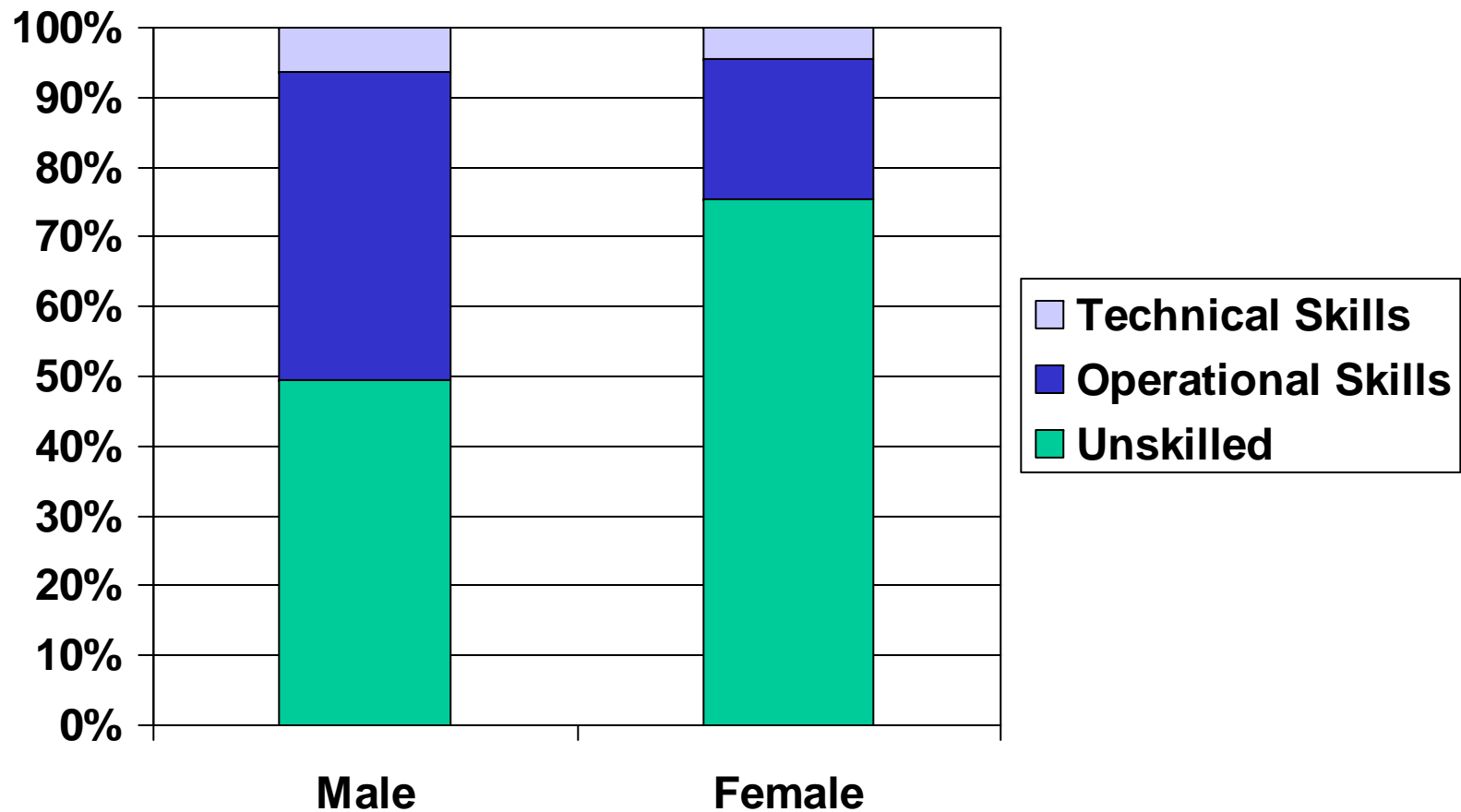
- Cooperatives
- Joint ventures with private firms

Education ...



- **Back to school**
- **Vocational Training**

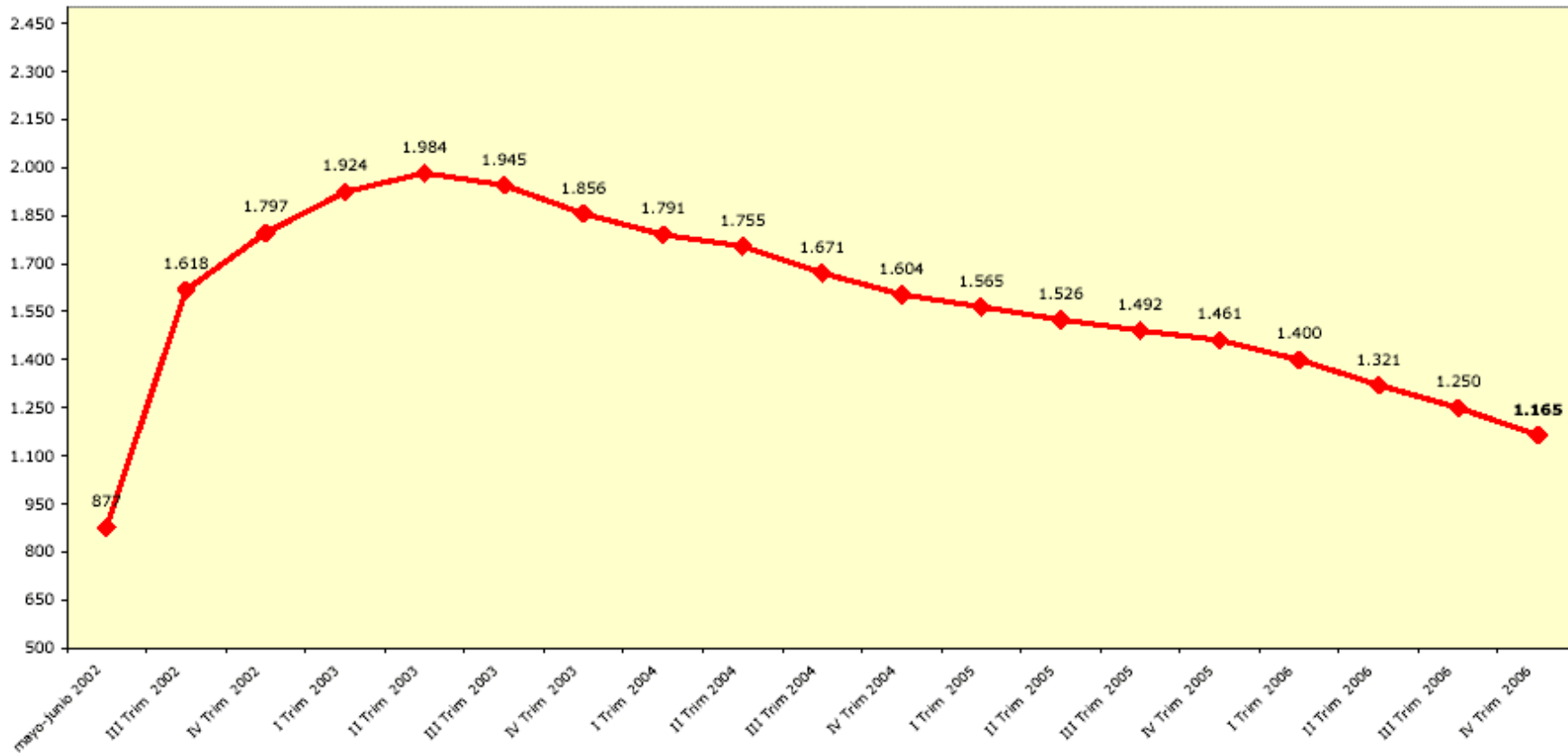
Skills of beneficiaries according to gender



Evolution of beneficiaries as % of total employment



Gráfico 1.1: Programa Jefes de Hogar. Evolución de beneficiarios.
Promedios trimestrales (en miles).



Skills and experience



Previous experience

- **98% of male had previous experience**
- **82% of female had previous experience**
- **Male workers were formerly in industries and construction**
- **Female workers were in manufactures and house care and administration**

The program, poverty and indigence



- **90% of the households are under the poverty line**
- **53% are under the indigence line**
- **The benefit represents an increase of 63% of the household income**
- **With the program indigence has reduced by 25 percentage point among beneficiaries**
- **Poverty only by 8%**
- **20% of the households have the benefit as sole source of income**

Impact of the program



- **The multiplying effect of the program is 2.57**
- **700 thousands beneficiaries found a job in the formal sector of the economy**
- **Almost half of them have a part-time job informally**
- **20% engaged in temporary jobs (in and out the program)**

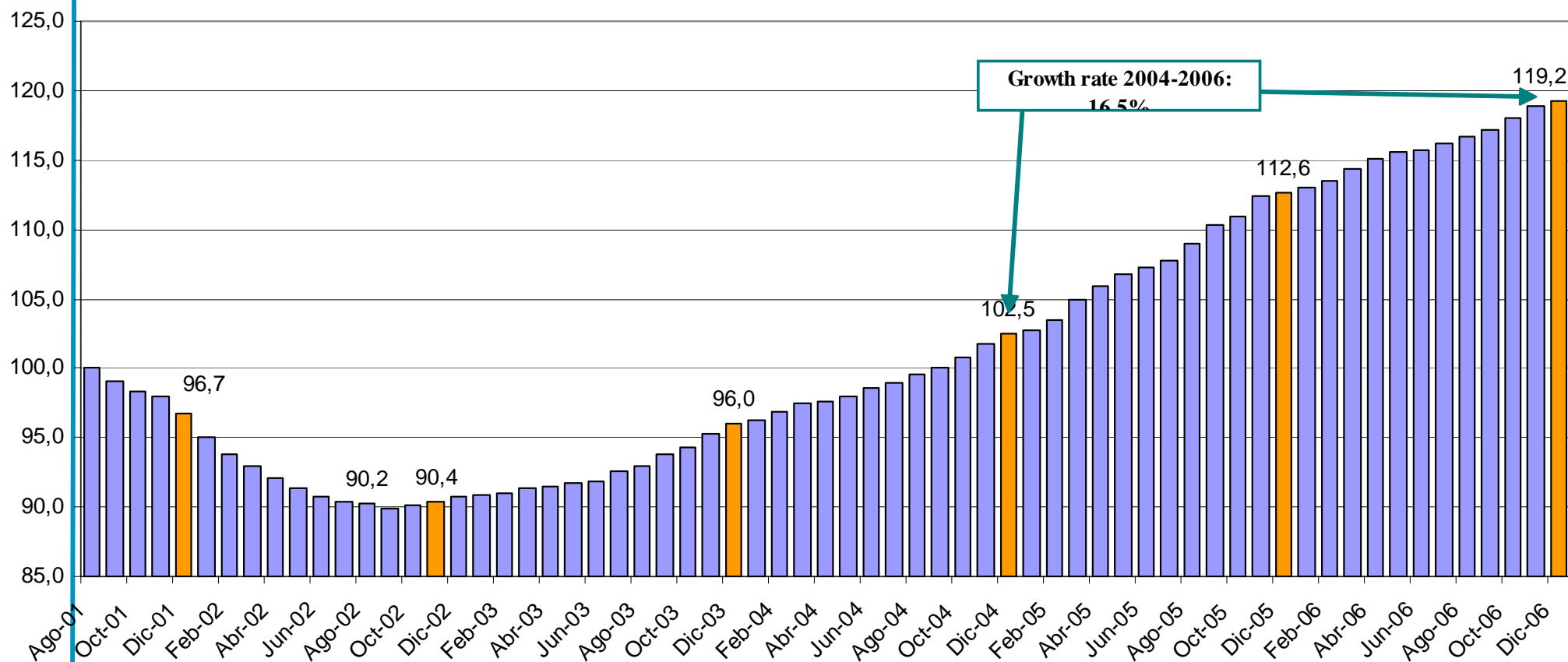
The impact on the overall economy



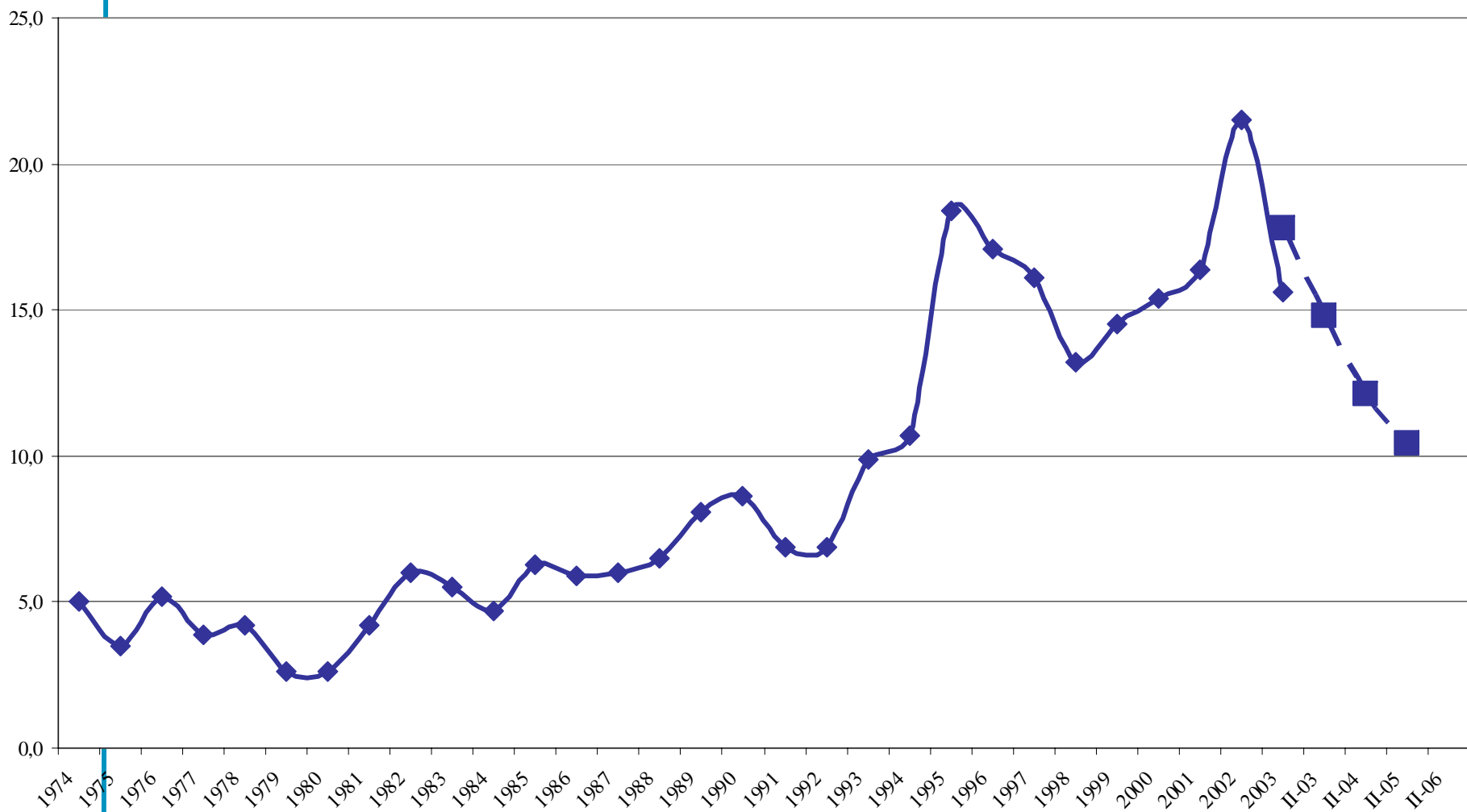
Economic growth in every region of the country

- **Recovery of the employment**
- **Before in the provinces than in Buenos Aires**
- **Reduction of unemployment**
- **Recovery of purchasing power of wages, including the informal sector.**

Important recovery of formal employment



Reduction of unemployment ...



Some indicators...



	1993	1998	2003	2006*
Average income of households (current \$)	\$ 1.137.90	\$ 1.183.60	\$ 892,00	\$ 1.842,65
Variation of average incomes	-	4%	-25%	107%
Median of the income	\$ 800	\$ 800	\$ 600	\$ 1.450
Poverty line value in current \$	\$ 424,70	\$ 495,30	\$ 720,10	\$ 930,00
PL variation	-	17%	45%	29%
Ratio average income and PL	2,68	2,39	1,24	1,98
Variation if Ratio average income and PL	-	-11%	-48%	60%
Gini coefficient (G)	0,455	0,472	0,482	0,4495
Households under the poverty line (H)	13,6%	17,7%	42,6%	19,2%
Income elasticity of poverty	-2,23	-2,13	-1,42	-2,16
Distribution elasticity of poverty	3,74	2,96	0,34	2,11

“Silver Bullet?”
“One size fits all?”



There is a need to complement with other measures

Universal child allowances (0-13 years old)

Scholarships for high school.

Special pensions for the elderly

What to do with small scale producers?

Access to land, water...

Access to credit

Some considerations...



Silver bullet? One size fits all?

Take into account the structure of the country

food importer or food exporter

Oligopolistic domestic structures

Open financial markets

Keynesian or Marxian type of unemployment



There is no better social and economic policy than full employment ...

Nor better work than decent work ...

That is why there is a need to place employment in the center of economic policies.