

The Employer of Last Resort and Gender: the Case of Argentina

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Hyman Minsky's Employer of Last Resort

- *Offers a job to anyone of legal working age
- *Provides uniform compensation package
- *Takes workers “as they are”
- *Training is a component of every job
- *Workers do useful things
- *Fixed Price, Floating Quantity

Objections to ELR



- Open-ended fiscal commitment; Govt can't afford it
- Will threaten macro stability: inflation and currency depreciation
- Unmanageable: not enough useful work; corruption; incorrigible workers

ELR and Macro Stability



- Poverty and Unemployment is the cost of maintaining macro stability (prices and exchange rates)
- Objections:
 - Ethical
 - ELR can *enhance* macro stability

Macro Stability through Buffer Stock

- Oz Wool Buffer Stock
 - Buys wool at floor price,
 - Sells at ceiling price
 - Cannot cause inflation of wool price
 - Moderates price flux and thus income and consumption
- Basket of Commodities as Buffer Stock
 - Helps stabilize price, employment, income, spending and currency
 - Generates full emp of sheep



ELR as Buffer Stock



- Govt hires labor at ELR wage; “sells” it at any higher wage
- A wage floor cannot pressure wages
- Provides effective minimum wage, acts as price anchor for economy
- Stabilizes wages, production costs, incomes, consumption, prices, and currency

ELR and Exchange Rate

- Orthodox: full emp → increase imports → depreciation → inflation
- If true: distrib effects weighed against benefits of full emp and net real benefits of imports
- ELR can be designed to reduce net imports (more later)
- Inflation effects of depr are small
- Exch rate determination is complex:
 - No evidence net imports → depreciation
 - Full emp can attract capital flows → appreciation
 - Budget surpluses also associated with low exch rate

Affordability of ELR



- *Sovereign* nation with *floating* currency can *financially afford* ELR
- Govt spends by crediting reserves, taxes by debiting reserves
- Deficit generates net reserve credits
- Excess reserves drained through bond sales to hit interest rate targets set by policy
- More tonight!

Practical Considerations, How to Implement

- Can ELR be properly administered?
- Can we find useful work?
- Real world proposals and programs:
 - Argentina: Jefes
 - Brazil: 10 Cities
 - India: NREGA
 - South Africa: EPWP
 - ADB Projects: Pakistan and CAREC

Argentina's *Jefes y Jefas* Program

- Argentina: IMF success story?
- 2001: Economy collapsed and unemployment and poverty skyrocketed; riots as banking system collapsed
- Defaulted; Abandoned dollar; implemented a limited employer of last resort program (Plan *Jefes de Hogar*) to provide jobs to poor heads of households.
- A Labor Ministry economist, Daniel Kostzer, had become familiar with the ELR proposals developed in the US and helped to design and implement the *Jefes* program over a period of, literally, a few months.

Argentina's *Jefes* Program

- 150 pesos per month for 4 hours of work daily
- Participants work in community services and small construction or maintenance activities, or are directed to training programs (including finishing basic education).
- The household must contain children under age 18, persons with disabilities, or a pregnant woman. Households are generally limited to one participant in the *Jefes* program.
- One unexpected result was the large participation of women in the program. Female heads of households initially 60% of program participants; now three-quarters.
- The program grew very quickly with total spending reaching about 1% of GDP, with more than 5% of the population participating.

Research on Argentina's *Jefes* *Program*

- Macroeconomic stabilization effects
- How does *Jefes* compare to the ELR?
- Targeting of *Jefes*, institutional setup, and Impact on beneficiaries
 - Impact on women
- Institutional vehicle for improving gender outcomes

Fieldwork

- Tcherneva and Wray (2003, 2005): *Ciudad Oculta, Almirante Brown*
- Pastoret and Tepepa (2006): *Lomas de Zamora*
- Graciela de la Roza (2006): *Moron*
- Program Participants
 - immigrants with little formal labor market experience
 - skilled workers who lost jobs in the economic crisis
 - young and educated women from a “downwardly mobile” neighborhood that had aspired to middle class status before the crisis
- Activities
 - Some of the projects sold output in markets, while others distributed their output or services free of charge to their communities
- A large majority of the participants we interviewed were female, as were the supervisors and their assigned representatives at the Labor Ministry

Argentina: *Plan Jefes*



Half of this previously fallow plot was now dedicated to growing vegetables and other crops to feed the people from this agro-cooperative and their children.



The rest of the plot was used to prepare food using an outdoor oven and to care for the children in a mini-daycare center.



All women we interviewed reported that they are happy to be working, to be involved in the community and to have jobs close to their children



Women at work at the Mataderos bakery



This micro-enterprise also had various posters pointing to local resources for family planning, training and education.

Pastry Shop, Micro-enterprise, Toy shops, Coops



The pastry shop, like many other public service projects, had a training and education facility. This is an example of the training schedules, the classes offered, and the names of the workers who were enrolled in these courses and their respective instructors.



Two small rooms of this 11-person family home were donated by this man and his wife to local unemployed people to use as working areas for their public service projects.



This micro-enterprise also had various posters pointing to local resources for family planning, training and education.



The toys produced in this shop were finely made, with intricate detail, beautifully-knitted ornamentation and a solid dose of creativity.



These toys were made of recycled material.

Bakery and Sewing Cooperatives



Women at work at the Mataderos bakery



The sewing cooperative was another very small operation.

Some Findings

- Micro-enterprises produced low-cost, quality products, often made of recycled materials
- Community projects provided useful goods and services to poor neighborhoods
- Income was not the main reason women wanted to work
- Wanted more hours
- Wanted more work
- Did not want welfare
- ➔ WHY THE REFORM?

Reform of *Jefes* into *Familias*

- Women: unproductive, unemployable, responsible for child rearing
- *Jefes* ‘activates’ them artificially, takes them away from their homes and children
- Familias is welfare.
 - a non-wage (higher) income to poor and uneducated mothers
 - Funds for educational opportunities and seminars
 - funds for “communication and information strategy” to explain the benefits to women, inform them of the available training, improve public opinion of the program, administrative oversight, program management, and to implement the easy and efficient transfer of *Jefes* participants into *Familias*.

Jefes vs. Familias and Women

- How do women benefit from job guarantees vs. cash support programs?
- Sen/Nissbaum: Substantive Freedom and Capabilities Approach (3 conditions of freedom)
 - Want individuals want (paid work)
 - Provide opportunities (job guarantee)
 - Remove obstacles (socialize care burden)

Jefes vs. Familias and Women

- Expand, enhance female agency: patients of development, agents of development
- Erode paternalistic views of women's place in society and women's jobs, meaning of work
- Dignity, Empowerment, Respect
- Escape from domesticity, forced inactivity
- Double shift?

Problematic Reform

- *Santa Fe* test run study by World Bank
- Stepped up PR efforts
- Reinforces paternalistic views
- *Jefes* provides control over income, output and assets (micro-coops). *Familias* does not.
- Makes them dependent on social services
- Removes tangible opportunities that empower

Bottom-Up Approach



Lessons: ELR For Developing Nations

- Experience shows even broad program “costs” about 1% of GDP— “affordable” even on conventional criteria
- Multiplier impact + reduction of social and private costs + useful output → “net cost” is minimal
- Socially, Politically, and Economically stabilizing, not destabilizing

SPECIAL CONSIDERATIONS FOR DEVELOPING ECONOMY

- Pegged exchange rate: reduces sovereignty; reduced scope for policy independence
- Little output demanded in international mkts; (luxury) consumption and investment goods imported
- Limited competence; institutional constraints
- Monetary leakages (imports, foreign assets); inflation pass-through

IMPLEMENTATION IN DEVELOPING NATIONS

- Gradual phase-in: registration, lottery, community projects
- Targeting: heads of household; rural poor; regional (Brazil 10 cities)
- Compensation: non-money benefits: housing, healthcare, food, transportation; limit import content
- Projects: labor-intensive; limit import-content; export-oriented projects; integrated with development plans

ELR vs Nonsense

- “The Conservative belief that there is some law of nature which prevents men from being employed, that it is 'rash' to employ men, and that it is financially 'sound' to maintain a tenth of the population in idleness is crazily improbable--the sort of thing which no man could believe who had not had his head fuddled with nonsense for years and years....” (J. M. Keynes)

