The Levy Economics Institute of Bard College

LEVY INSTITUTE

Conference Proceedings

EMPLOYMENT GUARANTEE POLICIES

Responding to the Current Economic Crisis and Contributing to Long-Term Development

A Collaborative Project of the United Nations Development Programme, Regional Bureau for Latin America and the Caribbean (RBLAC), and the Bureau for Development Policy (BDP), in Partnership with The Levy Economics Institute

June 22–23, 2009, Blithewood, Annandale-on-Hudson, New York

Contents

The proceedings consist of summaries of the keynote speakers' remarks and session participants' presentations.

Foreword

It is my great pleasure to welcome you to The Levy Economics Institute for the conference on "Employment Guarantee Policies: Responding to the Current Economic Crisis and Contributing to Long-Term Development." This conference is a collaborative project of the Regional Bureau for Latin America and the Caribbean and Bureau for Development Policy of the United Nations Development Programme, and the Levy Institute.

The purpose of the conference is to explore the feasibility of public job creation programs as a response to the rising unemployment and structural shifts in labor markets caused by the global economic crisis. With poverty and inequality on the rise worldwide, job creation, especially for marginalized populations, is urgently needed. By mobilizing unused domestic labor resources, direct job creation can become an engine of pro-poor growth while also promoting gender equality and meeting social inclusion targets. Guaranteed public service employment—requiring governments to act as employers of last resort—can play a crucial role in ensuring full employment, reducing poverty, ameliorating distress migration, and delivering physical infrastructure and social services in ways that especially benefit underserved communities.

Presenters will include policy advisers, members of government organizations, academics, and international development experts. The conference is designed to provide a forum for analysis of public employment programs that have already been implemented in South Africa, Argentina, India, and Mexico, and for consideration of new initiatives.

I trust you will enjoy the conference and look forward to seeing you again at future Levy Institute events.

Dimitri B. Papadimitriou
President, Levy Economics Institute, and *Jerome Levy Professor of Economics*, Bard College

Program

Monday, June 22

8:15–9:00 a.m.

WELCOME AND INTRODUCTION TO THE THEMES OF THE CONFERENCE

Rebeca Grynspan, *United Nations Development Programme*
Selim Jahan, *United Nations Development Programme*
Rania Antonopoulos, *The Levy Economics Institute*

9:00–10:30 a.m.

SPEAKERS

Jan Kregel, *The Levy Economics Institute*
"Global Crisis and the Imperative for Job Creation: A Development Perspective"
Dimitri B. Papadimitriou, *The Levy Economics Institute*
"*During* and *After* the Crisis: Why Is an Employer-of-Last-Resort Policy Needed?"

10:45 a.m. – 12:45 p.m.

SESSION 1

Country Experiences: India, South Africa, and Argentina

Moderator: Luis Felipe López-Calva, *United Nations Development Programme*
Santosh Mehrotra, *Rural Development Planning Commission, Government of India*, "India: National Rural Employment Guarantee Act"
Maikel Lieuw-Kie-Song, *Expanded Public Works Programme, Department of Public Works, South Africa (former director),* "South Africa: Expanded Public Works Programme"
Daniel Kostzer, *United Nations Development Programme,* "Argentina: Jefes y Jefas de Hogar"

2:00–4:00 p.m.

SESSION 2

Funding Employment Guarantee Programs

Moderator: Steven Miller, *Economists for Full Employment*
Pinaki Chakraborty, *National Institute of Public Finance and Policy, India* "Policy Space, Fiscal Space, and Financing for NREGA"
Jan Kregel, *The Levy Economics Institute,* "Currency Regimes, Inflationary Pressures, and Fiscal Space Constraints"

4:00–5:15 p.m.

SESSION 3

Social and Economic Inclusion Outcomes

Moderator: Ajit Zacharias, *The Levy Economics Institute*

Steven Miller, *EFE,* "Urban Renewal and Youth Unemployment"

Rania Antonopoulos, *The Levy Economics Institute,* "Promoting Gender Equality: Home-based Care and Early Childhood Development; Scaling Up Social Sector Job Creation for the Case of South Africa"

Martha Tepepa, *Centro de Estudios Urbanos y Ambientales, El Colegio de México,* "Community Development and ELR: A Gender Perspective on Jefas y Jefes"

5:30–7:30 p.m.

RESESSION 4

Responding to Joblessness: Policy Contexts and the Role of the UNDP and Other Development Institutions

Moderator: Jan Kregel, *The Levy Economics Institute*

Cecilia López Montaño, *Senator, Congress of Colombia,* "Colombia's Displaced Population"

William Mitchell, *Centre of Full Employment and Equity, Australia,* "ELR: The Case of Pakistan"

José Carlos de Assis, *National Development Bank of Brazil,* "Addressing Joblessness in Brazil"

7:30 p.m.

SPEAKER

Selim Jahan, *United Nations Development Programme*, "Making Infrastructure Generate Employment for the MDGs"

Tuesday, June 23

The dialogue sessions are intended to promote the exchange of views among all participants. To that end, panelists were allocated 10 minutes each, and then the floor was opened for comments, questions, and general discussion.

8:45–10:00 a.m.

DIALOGUE 1

Policy Choices and Challenges in Introducing EGP, ELR

Scope and Scale: "Universal" (demand-driven) or "targeted"

Institutional Arrangements: Level of centralization, getting "incentives" right, wage setting

Identifying and Managing Job Creation's Indirect Policy Objectives: Community development, social inclusion, skill creation, poverty reduction, MDGs

Discussants: Radhika Lal, Rania Antonopoulos, Santosh Mehrotra

10:15 a.m. – 12:15 p.m. **DIALOGUE 2**

Policy Options and Challenges in Introducing EGP, ELR

Funding: Costing and sources of financing, impact in internal/external balances

Inflation: Acceptable range and micro-macroeconomic impacts

Discussants: Jan Kregel, Daniel Kostzer, Pinaki Chakraborty, William Mitchell

1:30–2:30 p.m. **SESSION 5**

Scaling Up What Has Worked, Experimenting With New Ideas

Moderator: Dimitri B. Papadimitriou, *The Levy Economics Institute*

Marc van Imschoot, *International Labour Organization,* "ILO's Employment-intensive Infrastructure Programs"

Kate Philip, *Office of the Presidency, South Africa,* "The Family-weekend Program"

2:30–3:30 p.m. **SPEAKER**

Stephen Pursey, *International Labour Organization,* "The Global Jobs Pact: A Brief Report"

3:45–5:45 p.m. **SESSION 6**

Quantitative-Qualitative Analysis

Moderator: Rania Antonopoulos, *The Levy Economics Institute*

Ajit Zacharias, *The Levy Economics Institute,* "Distributional Impact of the American Recovery and Reinvestment Act"

John Scott, *Centro de Investigación y Docencia Económicas, Mexico,* "Mexico's Programa de Empleo Temporal: Evaluation and Agenda for Reform"

Kijong Kim, *The Levy Economics Institute,* "Micro-macro Simulation Analysis for the Case of South Africa"

5:45–6:45 p.m. **ROUNDTABLE ON NEXT STEPS**

Roundtable Discussion

The role of the United Nations Development Programme, other U.N. System partners, and the International Labour Organization; strengthening capacities, engaging in policy research, and consolidating the Economists for Full Employment global network

Discussants: Stephen Pursey, Steven Miller, Luis Felipe López-Calva, Rania Antonopoulos

Welcome and Introduction to the Themes of the Conference

REBECA GRYNSPAN

Assistant Secretary General, United Nations, and Assistant Administrator and Regional Director, Regional Bureau for Latin America, United Nations Development Programme (UNDP)

REBECCA GRYNSPAN presented an overview of the current global crisis and the role of employment policies in the Latin American and Caribbean region. Having highlighted that after more than six years of constant growth regional GDP is now declining, she noted that the severity of the impact will depend on the length of the crisis, how governments respond, and how the international community reacts. The region's dependence on commodity exports, limited value added in manufacturing, and exports based on natural resources, as well as weak social protection systems, underlie the current expectations for higher levels of poverty and inequality.

Grynspan pointed out that the region has taken 25 years to recover to the poverty levels that existed prior to the crises in the 1980s (when the poverty rate was 40 percent). At this juncture, many citizens are not in a position to face the current crisis. As they have only recently emerged from poverty, they have not built up their assets and savings, and consequently, are highly vulnerable to income shocks. The social cost for a large segment of the population could be steep, and thwart the achievement of the Millennium Development Goals (MDGs) as a result of higher malnutrition and infant mortality rates, and lower school enrollment rates.

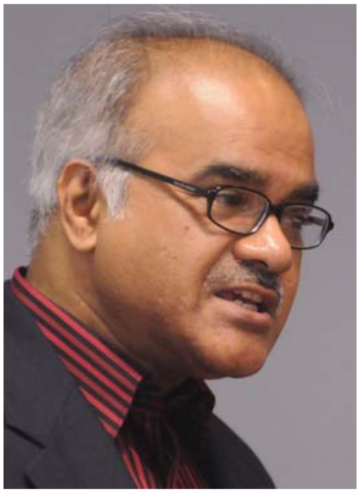
Employment is a fundamental channel through which the crisis affects the welfare of specific households. The urban unemployment rate may rise from 7.5 to more than 9 percent and affect up to four million workers, while the number living below the extreme poverty line could increase by 6 million in 2009. These estimates were made earlier this year, so they underrate the effects of the crisis. Furthermore, several studies have shown that the unemployment rates are higher among women.

Grynspan remarked that the effects of the crisis on poverty and other social indicators must be offset with concrete government initiatives that can address the problems at hand. For example, conditional cash transfers, which have played an important role in addressing school enrollment and chronic poverty in rural areas, are not designed as countercyclical responses to income shocks affecting diverse types of households and geographic areas. When considering stimulus packages, governments often favor projects with a large physical infrastructure over community-based or social infrastructures that can be instigated faster, provide welfare protection, and include more female employment. Well-designed employment guarantee schemes (EGS) and employer-of-last-resort (ELR) policies can play the role of social safety net, and prevent people from falling into poverty traps.

In sum, the Latin American and Caribbean region is facing a global crisis after a long period of growth. The social cost is likely to be very high and unequally distributed in the region. This calls for specific government responses, especially needed in areas that affect children, youth, and women due to the long-term impact on family welfare, along with policy options that include public employment schemes.

SELIM JAHAN

Director, Poverty Practice, Bureau for Development Policy, United Nations Development Programme (UNDP)



SELIM JAHAN stated that there were three important issues surrounding employment: its intrinsic value in terms of a person's livelihood and self-respect, its equalizing effect in terms of equitable growth and gender equality, and its use as a strategy for poverty reduction. Moreover, the importance of these issues grows significantly during a crisis.

Jahan outlined some of the distinguishing characteristics of the present crisis: (1) it is multidimensional (related to the overall economy) and multiregional; (2) it is accompanied by price volatility (e.g., food and primary commodity prices), which makes a response more difficult; (3) there is widespread vulnerability in terms of its impact on people (extending to the middle classes) and countries, so there is a need for innovative policy responses; and (4) its economic and human costs will be long and deep.

Beyond balance-of-payment problems and a slowdown in growth rates, malnutrition, school dropout rates (especially for girls), and maternal mortality are certain to rise. We must keep in mind that, while growth will eventually resume, these human costs can never be recovered. In terms of human development, it will take much longer to get back to the earlier path.

This impact of the crisis will require a global response with innovative and coordinated approaches, in addition to conditional cash transfers and EGS programs. He noted that those who work at the UNDP country level are the first ports of call when there is a crisis, but that there is a need for everyone, at all levels, to learn from one another.

RANIA ANTONOPOULOS

Director, Gender Equality and the Economy Program, The Levy Economics Institute

RANIA ANTONOPOULOS introduced the themes of the conference, including the challenges of the markets in terms of the subprime mortgage crisis, rising food prices, and insufficient demand. Citing the late Argentine economist Raúl Prebisch, she noted that a number of the problems confronting us today are in many respects the same as those faced in the 1970s: poverty, unemployment, social exclusion, and lack of shared growth and opportunities are still with us. If it is indeed the case that market mechanisms do not provide the means for addressing these issues, joblessness in particular, an important question—the one behind the conference's organization—is whether government should act as employer of last resort (ELR).

In considering ELR and EGS as a (pro-poor) automatic stabilizer policy, numerous questions arise. Antonopoulos observed that the conference was dedicated to sharing country experiences in regard to positive impacts and the challenges of implementing EGS, including sustainability of funding, impact on macroeconomic balances, criteria and choice of works to be undertaken, participant selection criteria, institutional arrangements, and poverty alleviation results.

Antonopoulos noted that many countries have made use of such programs over the years. She presented a typology of the rationale that had motivated the introduction of such federal direct job creation programs, which ranged from addressing structural unemployment to short-lived emergency initiatives. Among them, she suggested that the experiences in India (National Rural Employment Guarantee Act), South Africa (Expanded Public Works Programme), and Argentina (Plan Jefes y Jefas de Hogar) stand out, and would serve as the springboard for identifying and discussing issues and challenges arising from their implementation. Finally, she suggested that when economic costs and benefits of the various projects and programs are considered, the implications of joblessness for social exclusion and political marginalization must be kept in mind as well. Antonopoulos thanked Rebeca Grynspan and Selim Jahan for their support and participation in the meeting and acknowledged the International Labour Organization for enabling the establishment of Economists for Full Employment, a global organization that serves as a platform for policy advisers, policymakers, and economists.

Keynote Speakers

JAN KREGEL

Senior Scholar, The Levy Economics Institute

Global Crisis and the Imperative for Job Creation: A Development Perspective

JAN KREGEL began by providing some background with regard to the United Nations' focus on employment as an important aspect of development, and the idea that "domestic resource mobilization" as a responsibility of developing countries must also include mobilization of unutilized labor resources (i.e., the unemployed). He then noted that, in the context of the current crisis, many overlooked the fact that the dot-com and subprime mortgage bubbles were global, and that they had benefited many developing countries as well. The trend of the last decade or so was one of exceptionally positive performance in terms of rising growth rates, low and stable inflation rates, improved external balances and reduced debt burdens, rising inflows of foreign direct investment, and, in some cases, higher employment levels. This performance was not caused primarily by the Washington Consensus, said Kregel, but rather was fueled by what was happening in the global economy, which included the buildup of asset bubbles. Moreover, this performance varied greatly across and within countries, including structural deterioration and increasing structural unemployment that will continue during the crisis. Therefore, any solution to the crisis must recognize that many people were already unemployed prior to the cyclical and structural problems created by the crisis.

The benefit for developing countries was not caused by changes in structural conditions or policies but rather by responses to international conditions. The question is whether there will be a repeat of the conditions that caused the positive performance. Rising employment stemmed from outsourcing, which came from private equity funds (and the creation of leverage), rising U.S. household mortgage debt (i.e., the demand for developing-country exports), speculation in commodity index funds (i.e., higher commodity prices that improved the terms of trade), and interest rate arbitrage (i.e., lower interest rates, risk spreads, and debt service). Kregel pointed out that these short-term capital flows from the carry trade provided absolutely no debt benefits. Thus, while the developing countries were beneficiaries of the bubbles, the underlying factors creating higher employment are unlikely to return. Balance sheet restructuring by households and financial institutions will cause the demand for exports to decline rapidly, and there has already been a significant reduction in leverage and capital flows.

Since the focus of the stimulus packages is rebuilding balance sheets rather than increasing demand or employment, these packages are insufficient in responding to the crisis. Rather, the response should be global, and should include both developed and developing countries. The problem is that the latter, with the exception of some large countries like China, have difficulty mobilizing the financing to support stimulus policies. The international financial institutions are opposed to stimulus policies unless developing countries have very strong fiscal and external positions. Meanwhile, these countries have become more dependent on the behavior of primary commodity prices rather than manufactured goods, and, in particular, on external rather than domestic demand. Thus, most developing countries need to shift their policies and become domestic demand-led economies that serve as the nucleus for renewed global expansion.

The kinds of stimulus packages that can be used for both cyclical and structural responses include employer-of-last-resort (ELR) and government employment programs because they directly impact domestic incomes (real wage incomes) and create financial stability (stimulus led by investment and private sector financing ultimately leads to unstable financial structures). In the United States, for example, there has been an astronomical increase in profits, productivity, and consumption over the last 10 years but virtually no increases in real wage incomes. As a result, there was a massive creation of debt, which ultimately brought about the crisis. The crisis could have been avoided if real wages had increased at the same rate as productivity, alongside stable profits and income distributions. Moreover, banks should have increased their capital base rather than pay out excessively large bonuses to their personnel.

Kregel noted that there is much debate about guaranteed incomes relative to employment policies. He outlined some of the features of the Roosevelt administration's New Deal, including various public works, ELR programs, and other policies to encourage investment. These stimulus relief programs not only provided jobs but also provided a range of other social and political attributes.

DIMITRI B. PAPADIMITRIOU

President, The Levy Economics Institute

***During* and *After* the Crisis: Why Is an Employer-of-Last-Resort Policy Needed?**

DIMITRI B. PAPADIMITRIOU introduced an overall picture of unemployment and the necessity for employment policy during and after the current crisis. He noted that the trend in the employment-to-output-growth ratio has declined with technological change, and that high unemployment rates are now endemic and not necessarily a result of this crisis. For example, an unsettling statistic derived from the Bureau of Labor Statistics is that the official U.S. unemployment rate for May 2009 is 9.4 percent, but the "comprehensive" rate, which includes part-time workers and the underemployed, is 16.4 percent.

He discussed the role of markets, noting that, although they deliver equilibrium outcomes, economic and social outcomes are not optimal in the relevant timeframe. Real markets do not provide sufficient demand, so there are large numbers of unemployed who are able and willing to work. Limited government involvement and a laissez-faire approach yield uneven outcomes; as has been shown, there is a need for a Big Government and a Big Bank, particularly during sharp economic downturns such as the Great Depression—and the "Great Recession" that began in 2007. A Big Government can increase economic well-being, implement labor policy, ameliorate instability by financial markets, and maintain income and profit flows. A Big Bank can act as lender of last resort and inject liquidity into the financial system.

Papadimitriou outlined the characteristics of joblessness, which is concentrated among segments of the population that suffer other disadvantages: racial and ethnic minorities, immigrants, women (especially female heads of households with children), younger and older individuals, and people with disabilities and lower educational attainment. Moreover, lack of employment is markedly correlated with poverty and a high degree of social exclusion. Thus, there is a need for active employment policy. John Maynard Keynes, for example, suggested that there should be targeted policies to deal with specific segments of the unemployed. Papadimitriou emphasized that employment policy should not be inflationary, interfere with the microdecisions of firms, rely on "fine-tuning" aggregate demand, or replace existing jobs. Policy should be consistent with the premise that socially productive work is preferable to income maintenance.

Policy options fall under three categories: reduction of the workweek (work sharing), employment subsidies, and direct job creation by government. Although country experiments with the first option have previously failed, governments in Europe and the United States are establishing work-sharing programs during the current recession. These programs, however, target people who are already employed, overlooking those who have lost their jobs since 2007. Employment subsidy schemes are difficult to implement, are unlikely to achieve high rates of employment, and have limited application in the developing world because the private sector is not sufficiently established. Moreover, they interfere with employer decisions and distort the market mechanism.

Direct job creation where government acts as the employer of last resort was first proposed by Hyman P. Minsky in 1965 and revived by The Levy Economics Institute, the University of Missouri–Kansas City, and the University of Newcastle, Australia, in the late 1990s. Government is the only sector that can generate an infinitely elastic demand for labor, divorce hiring from profitability, and offer a wage to anyone who is willing and able to work; that is, it becomes a market maker for labor. This option should be used when private sector demand is insufficient to provide full employment. It ensures full employment with stable prices (acts as an automatic stabilizer) and does not lead to tight labor markets or inflation. In order to maintain an ELR program, domestic policy space requires fiscal and monetary sovereignty. For example, the government as borrower of last resort can fix the interest rate, and it does not have to borrow or issue debt in order to deficit spend.

Papadimitriou outlined some of the small- and large-scale ELR programs worldwide. Special challenges faced by developing countries include having only a small range of commodities, limited exports, substantial imports, large wage disparities, limited administrative capacities, inadequate domestic infrastructure, and pegged exchange rates. He suggested that projects should be designed to bring the supply of basic necessities in line with human development goals, enhance exports, reduce business costs and attract private investment, decentralize project development, administration, and supervision, and avoid competition with the private sector. He calculated that a hypothetical ELR program in the United States that employed seven million workers would cost less than 1.32 percent of GDP, while contributing 1.72 percent to GDP.

SELIM JAHAN

Director, Poverty Practice, Bureau for Development Policy, United Nations Development Program

Making Infrastructure Generate Employment for the MDGs

SELIM JAHAN integrated three words into an address about "making" "infrastructure" generate "employment" for the Millennium Development Goals (MDGs). The link between infrastructure and the MDGs has several transmission mechanisms, including the relationship between infrastructure and employment, and between employment and the MDGs. In addition, the word "making" implies the relevance of policy.

Infrastructure development will have a positive impact on the MDGs through several mechanisms. One is that infrastructure can reduce costs, increase profitability, and alleviate poverty. Another is that infrastructure can contribute to the supply and distribution of food, and basic social services. It is important to bring employment into this relationship because it is intrinsically valuable as a means of livelihood, but it is also important in terms of people's dignity and self-respect. Moreover, employment can equalize the benefits of growth and reduce poverty, and is strategic in terms of forward and backward linkages (particularly internal linkages), so it plays a major role.

Jahan pointed out that there is no automatic link between infrastructure development and employment, and that there are different employment impacts associated with large- versus small-scale infrastructure, due to the underlying employment elasticities involved (i.e., the intensity of capital versus labor). Another consideration is the amount of spending on infrastructure and the costs associated with operation and maintenance. Thus, the linkage between infrastructure and employment depends on scale, technology, and the operations and maintenance component. Similarly, there is no automatic linkage between employment and the objectives of the MDGs.

Strategies in terms of policy instruments and institutions come into play in ensuring that infrastructure generates employment for achieving the MDGs. It is important to have the macroeconomic framework conducive to micro- and meso-level interventions, said Jahan. Rural occupations such as agriculture are back in fashion and should be part of any national employment strategy related to industrial policy. The economic crisis has had an upside by increasing focus on the short and medium terms, and on the structural constraints in the long term, while encouraging organizations to work together (including researchers, policymakers, and technical experts).

Jahan noted that there were pockets of deprivation in the developed countries and that poverty was no longer a phenomenon confined to the Southern Hemisphere. Thus, the inequality issue (or relative poverty line) is relevant in both a northern and southern context. He also noted that it is important to avoid creating parallel programs when initiating various targeted interventions. Moreover, in cases where the majority of people live below the poverty line, the national development plan should be the equivalent of an antipoverty program. In his concluding remarks, Jahan stressed the importance of putting in place permanent institutions as part of the overall strategy.

STEPHEN PURSEY

Director of the Policy Integration Department and Senior Adviser to the Director-General, International Labour Organization (ILO)

The Global Jobs Pact: A Brief Report

STEPHEN PURSEY noted that the ILO was the only U.N. agency with tripartite representation in terms of the real economy (government, employer organizations, and trade unions). He presented an overview of the recently negotiated Global Jobs Pact, which represents a worldwide consensus on how the ILO should address the crisis. The pact's main policy issue is to accelerate labor market recovery while protecting the most vulnerable, and to shape a more sustainable globalization that avoids the risk of future crises. Challenges include avoiding the pitfalls related to one-size-fits-all policies (for countries and local communities), deriving a global solution to the global crisis, and linking actions around labor markets with policies that boost global demand (e.g., reforming the financial system, supporting open markets, and shifting to a green economy).

Pursey outlined a number of scenarios about the length and depth of the global job crisis. If both the recovery in output growth and job content is weak, there will be at least six more years of severe labor market distress. If policies focus on job content to counteract the recession and stimulate growth, then the distress could be alleviated within three years. (These results are based on the relationship of 0.5 percent employment elasticity relative to output growth.) Pursey observed that in a period of weak labor demand, it is important to remain focused on the goal of full, productive, and decent employment, and to reduce the risk of high unemployment and additional working poverty. Moreover, the likely severity and duration of the global jobs crisis means that it is essential to improve social protection for people who are vulnerable to a distressed labor market. He noted that the labor elasticity of employment is lower in industrial countries and higher in the least developed countries, and that the developing countries will have a very rough year in 2010. Thus, the global jobs crisis will look much worse if India and China slow down.

The Global Jobs Pact consists of five parts: (1) decent work responses to the crisis (e.g., accelerating employment creation and sustaining enterprises); (2) principles for promoting recovery and development; (3) building social protection systems; (4) social dialogue and gaining respect for international labor standards; and (5) coordinating a global strategy. Some of the main principles include prioritizing employment (including public employment services), supporting vulnerable people in the informal economy (including migrant workers), avoiding protectionist solutions (including wage deflation and lower labor standards), bolstering regulations that promote sustainable enterprises, and providing development assistance to the least developed countries with restricted fiscal space.

Full and productive employment (and decent work) should be at the heart of crisis responses, including macroeconomic stimulus packages. Active labor market policies include investing in skill development, supporting worker retention within enterprises, promoting job creation by small- and medium-size enterprises (as well as micro-enterprises), investing in public EGS and other public works programs that create jobs, and increasing investment in infrastructure and "green" jobs.

Sustainable social protection can prevent increased poverty, stabilize the economy, and promote employment options. Particularly important is building a basic social protection floor (e.g., health care and income security in combination with public EGS); extending unemployment benefits; providing minimum benefit guarantees and adequate coverage for temporary workers; and avoiding wage deflation, combined with narrowing the gender pay gap. Even the least developed countries can aspire to these basic measures, said Pursey.

Rights and dialogue are important to the global economic recovery because the labor standard system prevents a race to the bottom in terms of working conditions (e.g., labor cost cuts) and contributes to a culture of social dialogue. There is need for collective action on a global scale in order to prevent child labor and work discrimination, to respect the right to collective bargaining, to strengthen capacities for labor administration and inspection, and to make full use of ILO instruments.

Pursey outlined policy coherence priorities for the ILO as well as global policy priorities that include building a globally consistent framework for the financial sector that serves the real economy (e.g., protecting pensions and savings), promoting trade and markets that benefit everyone, shifting to an environmentally friendly economy that helps to accelerate a jobs recovery, and making international resources available for countercyclical action—including budgetary support. The ILO has decent-work country programs that fit into the U.N. development assistant frameworks and other national development strategies, said Pursey. It should use its expertise in world-of-work issues to support a coordinated global crisis response.

Sessions

SESSION 1

Country Experiences: India, South Africa, and Argentina

Daniel Kostzer, Maikel Lieuwe-Kie-Song

Santosh Mehrotra

MODERATOR:

LUIS FELIPE LÓPEZ-CALVA
United Nations Development Programme (UNDP)

SPEAKERS:

SANTOSH MEHROTRA
Rural Development Planning Commission, Government of India

MAIKEL LIEUWE-KIE-SONG
Expanded Public Works Programme (EPWP), Department of Public Works, South Africa *(former director)*

DANIEL KOSTZER
United Nations Development Programme

SANTOSH MEHROTRA reviewed the 30-year history of wage employment programs in India prior to the implementation of the National Rural Employment Guarantee Act (NREGA) in 2006. He outlined some of the problems of earlier programs, such as limited employment, low program coverage, high levels of bureaucracy, and corruption. He noted that India is not significantly integrated into the world economy, so it has not been impacted as much as other countries by the global financial and economic crisis. In spite of recession, growth is still rapid. Nevertheless, employment has been affected in labor-intensive sectors such as leather, textiles, and jewelry, and urban workers without jobs have been returning to rural areas.

In 2004, in an electoral upset, the National Congress Party came to power on a wave of rural support, following a period in which agriculture grew at a slower pace than overall GDP and rural wages had stagnated. NREGA was one result. It was seen as a key element in India's inclusive growth strategy (i.e., employment for the poor, such as landless laborers and marginal farmers), with greater rural investment in agriculture, health, and education. The country's poor embraced the Act because it provided them with a safety net by guaranteeing 100 days of employment to anyone who wanted to work. The cost of NREGA represents only 0.7 percent of GDP ($6 billion at market exchange rates), so this type of program is affordable in any country, said Mehrotra.

With the introduction of NREGA, there has been a paradigm shift from earlier programs. The Act introduced a legal guarantee, a time-bound action to fulfill the guarantee (or receive an unemployment allowance), an incentive structure (the central government funds 90 percent of the cost but each state government is liable for the unemployment allowance), demand-based resource availability (there is no fiscal cap), accountability of the public delivery system, and significant design improvements.

Since 60 percent of Indian agriculture would be impacted by insufficient rainfall, social mobilization of rural labor under NREGA has focused on land development and water conservation; in particular, land owned by the poorest tribal groups. Mehrotra observed that NREGA has generated more employment than earlier programs and reduced internal migration, and that self-targeting is clearly working because employment has benefited the poorest tribes and the participation rate of women has exceeded the guidelines (46 versus 30 percent). Thus, the program has enhanced the autonomy and empowerment of Indian women, who are among the most discriminated against in the world.

In terms of innovations related to the program's design, 60 percent of total expenditures must be dedicated to unskilled wages. As a result, market wage rates have risen significantly in areas where NREGA projects have been implemented, and landlords have had to raise wages (in spite of their protests). Moreover, the Act's geographic targeting also seems to be working, since the poorest Indian states have had the highest percentage of households granted 100 days of employment under the program.

In terms of future challenges, Mehrotra advocated a system of social audit by the gram panchayats (local governments at the village level), greater resources allocated for administrative costs and technical support, and an interface between large watershed development programs and (local) NREGA projects. Another important mechanism is to ensure transparency (separating the payment agency from the implementing agency) and wage payments (deposits into bank and post office accounts rather than cash). India has a highly informal economy in which only 8 percent of the total workforce is in formal, private and public employment. What is clearly lacking is a system of social assistance (social and health insurance) that provides conditional cash transfers to counter the effects of future global downturns.

MAIKEL LIEUWE-KIE-SONG outlined the design and planned implementation of South Africa's EPWP from 2004 to 2014. He noted that much of the population was poorly skilled in spite of large investments in education, resulting in extremely high unemployment rates (23 to 40 percent, depending on the measure), along with low labor participation rates. The main pillars of the economy (mining and agriculture) have become less labor intensive (partially due to the country's rapid integration into the global economy).

South Africa maintains a large cash transfer system of social grants that benefit 13 million people (out of a total population of 47 million) and represent 2.4 percent of GDP and 10 percent of the total government budget. As a result, there is considerable resistance to more social spending. Precursors to

EPWP show that parallel program and government functions don't work (e.g., there is the ongoing issue of output versus maximum employment), so poverty and employment programs should not be separate entities but rather funded from line budgets. Thus, there was a new approach with respect to the design of EPWP during the 2004–09 period that addressed the government's prioritized deficits in infrastructure and social and environmental services, without fueling fears of displacement within the public sector.

The initial key design features of EPWP included decentralization of government programs, provision of infrastructure and services for training, a special employment framework (e.g., training entitlement and an allowance for lower wages), and inclusion within the core function of government (i.e., the Department of Public Works). The design sought to complement MDG-related investments and augment the budgets of various government departments. Overall, the program increased household incomes, was characterized by a female participation rate of 46 percent, and reached its target group. Its reach, however, represented only 11 percent of the unemployed in 2007–08.

EPWP expenditures were significant but insufficient, and there were significant differences in performance between the provinces and the municipalities. The Department of Public Works has limited authority to direct the program (its budget is controlled by other departments), there is less than expected income per beneficiary, and there are operational difficulties such as nonuniform wage structures and employment conditions, and grants with multiple conditions. Other issues concern a lack of technical support, underestimated costs, and making the program more effective and efficient. Although there is wide support for EPWP, it comes with caveats (e.g., business is concerned about budget deficits, while the middle and upper classes are skeptical that government can deliver on its promises). In addition, the discourse has been framed as a "choice" between EPWP and a basic income grant rather than how the program and the grant can complement each other.

Targets for EPWP in the 2009–14 period include 4.5 million new jobs over five years, an increase in the average duration of work (up to 100 days), minimum wages above the poverty line, inclusion of nonstate agencies such as NGOs, introduction of an intergovernmental fiscal wage incentive managed by EPWP (to drive program growth and lower the risk of making infrastructure projects more labor intensive), and a stronger focus on employment (with less emphasis on training, exit strategies, and enterprise development). Although the money received by the municipalities is fully discretionary, the national government will reward them if they create jobs. Discussion on how to structure an improved employment framework for the social sector is still under way.

Lieuw-Kie-Song reviewed some key lessons that have been learned during the implementation of EPWP. He maintained that management should oversee the trade-off between quality of service and employment creation, as tensions are likely to increase as the program grows. He also maintained that technical support and capacity building are critical, and require a long-term view with strong financial and institutional commitment.

DANIEL KOSTZER outlined the Plan Jefes y Jefas de Hogar in Argentina and the use of employment as a strategy for human development. Prior to implementation of the program in 2002, GDP stagnated, unemployment increased, inequality and poverty rose, and there was a high proportion of workers without social protection. These features evolved during a period of free market enterprise when rigidities were removed and labor markets adjusted freely in terms of prices and quantities (e.g., labor costs were reduced in order to maintain competitiveness). There was an almost religious belief that productivity increases would impact wages. However, poverty increased even with a very high GDP growth rate, as productivity increases were not transferred to salaries and wages, and labor cost reductions did not translate into more employment. As a result, the unemployment rate skyrocketed, there was political unrest (in December 2001, food shortages led to violent protests and the collapse of the Rúa government), and there was hyperinflation when the government, under pressure from the International Monetary Fund (IMF), abandoned its policy to devalue its currency by 40 percent.

The Jefes plan was designed to provide, at the local level, an income to heads of households with dependants. The cost of the program represented 0.92 percent of GDP and 4.9 percent of the federal budget. There was a work commitment of 20 hours per week that was managed by the Ministry of Labor. Typical microenterprises included the production of goods (e.g., bakeries and community farms) and services (e.g., child and elderly care, and health program support), and educational training. The program covered 16 percent of all households, and included as many as 40 percent of households in some provinces. It was taken up by a very young population (half were under 35 years of age) that was 71 percent female, of which 60 percent were single-parent heads of households.

Following the implementation of the Jefes program, the unemployment rate declined, average household incomes rose, and poverty levels fell dramatically. The political advantages of an ELR program are that it constitutes a global strategy against social exclusion and poverty, represents a schema of social protection, provides basic needs at the household level, improves human capital, and reduces pressure on the unprotected and informal labor markets. At the local level, an employer-of-last-resort (ELR) program is countercyclical, improves services, barely distorts the local labor markets, and creates good quality jobs that mesh with the productive sectors. Nevertheless, the Jefes program in Argentina has been contracting (as a result of government policy), despite much higher economic growth in regions with the largest share of household participants.

Kostzer noted that an ELR program such as Jefes should complement other measures such as universal child-care allowances and pensions, and should enable small-scale producers to access land, water, and credit. Within this context, one must consider a country's structure (importer or exporter), its financial markets (open or closed), and the type of unemployment (Keynesian or Marxian). He also noted that the UNDP has a wide range of technical assistance available for capacity development in implementing an ELR-type program. Moreover, there is assistance at the national level with respect to tools for diagnosing labor markets and databases for evaluating ELR programs. The role of the UNDP at the local level includes registration of beneficiaries, project design and management, project databanks, and identification of training needs through the employment offices.

In sum, there is no better social and economic policy than full employment, said Kostzer, and no stronger contribution to human development than a decent job. That is why there is the need to consider the achievement of full employment as a development strategy.

SESSION 2

Funding Employment Guarantee Programs

Pinaki Chakraborty

Jan Kregel

MODERATOR:

STEVEN MILLER

Economists for Full Employment

SPEAKERS:

PINAKI CHAKRABORTY

National Institute of Public Finance and Policy, India

JAN KREGEL

Senior Scholar, The Levy Economics Institute

PINAKI CHAKRABORTY outlined the differences in the IMF and UNDP approaches toward fiscal space. Fiscal solvency is the prime concern of the IMF, while broader development outcomes combined with financing are the concern of the UNDP. In other words, resource mobilization—including domestic resources such as taxes and borrowing, external finance, and reprioritization of expenditures—is critical.

Economic reform in India began during a time of high fiscal and revenue deficits. Efforts to contain the deficits included reducing discretionary development spending, capital expenditures for public investment, and social sector spending. The Fiscal Responsibility and Budget Management (FRBM) Act of the Union Government introduced rule-based fiscal control, with a numerical target for reducing the fiscal deficit (to 3 percent of GDP) and eliminating the revenue deficit by the end of fiscal year 2008–09. At the state level, the Fiscal Responsibility Act (FRA) was introduced by the Finance Commission through the design of debt relief. The overall effect of these measures was a huge reduction in deficits for both the central government and the states, a significant increase in the tax-to-GDP ratio, and an increase in development spending. The question is, *What explains this improvement—fiscal rules or growth?*

NREGA was introduced in 2005, during a period of high economic growth, low fiscal imbalance, and enhanced fiscal space. At the time, growth in terms of policy space focused on urban areas, but something needed to be done for rural India (in spite of huge opposition from fiscal conservatives). NREGA was eventually implemented in all rural districts and provided jobs for 45 million households, especially the poorest castes and women. Program expenditures in FY2007–08 represented 10 percent of the fiscal deficit, which was 2.7 percent of GDP. (It is estimated that the fiscal deficit as a percent of GDP has more than doubled, to 6.0 percent, in FY2008–09.)

In light of the current crisis, the general consensus for government policy is a quick return to fiscal deficits at the precrisis level and the need for increased government spending. As a result, policy space has expanded, and no one is thinking about reducing NREGA expenditures. The main issue is whether NREGA is an instrument of fiscal stimulus, and whether there is space for extending the program's scope. The government has introduced fiscal stimuli on the revenue side by an across-the-board cut of 4 percent in the cenvat (excise duty) rate to boost demand, as well as a 2 percent cut in the excise duty and service tax. On the expenditure side, an additional increase in program expenditures and in market borrowing for capital expenditures is planned.

It is estimated that these government measures will result in a decline in central tax revenues (and their allocations) that will have a huge contractionary effect at the state level, whose revenues have also been hard hit by recession. As a result, state budgets are shrinking, as reflected in the decline in the growth of major expenditures scheduled for next year. Thus, the net effect at the aggregate level is a high probability of fiscal contraction. FRA debt relief should be suspended for now, said Chakraborty, so that the states can counter the effects of the crisis on local economies. If fiscal space is not increased, there will be further bottlenecks for both social and physical infrastructure, and an increase in poverty that will hamper growth.

Given the current downturn in the economy, whereby deficit reduction is less of a priority, the policy space for EGS should be enhanced and NREGA extended, since it has paid a huge political dividend. The total allocation in NREGA is only 0.5 percent of GDP, so there should not be a huge budgetary cost associated with extending the program into urban areas. (As an example, one small state is planning to introduce EGS in urban areas, without central government support.) Furthermore, the number of days of employment in rural areas should be increased.

In spite of significant increases in the central allocation for NREGA, the fund utilization ratio remains poor in many states, especially in the poorer regions. Some of the issues related to accessing the program include the need to address "demand side vulnerability" more effectively in order to build capacity at the local level, and the fact that many people are unaware of their legal right to participate in the program.

JAN KREGEL addressed the ability of governments to finance programs. On the one hand, there is the view that governments are constrained by their ability to fund their expenditures. On the other hand, many view such constraint as an economic myth. The notion that governments should have balanced budgets and should not run deficits over a particular timeframe has nothing to do with the economic impact of government financial decisions. If the role of financial markets is to smooth out the differences between incomes and outlays, then, according to standard economic theory, government is expected to operate during periods of deficit and surplus. As a result, it is in a position to fund ELR programs and play a countercyclical role that offsets the natural economic cycle.

In regard to capital budgeting, one argument recognizes that there are differences between various kinds of expenditures. Normally, governments do not recognize these differences but view all expenditures as having only a short-term impact (including schools and hospitals). According to traditional economics, deficit spending is an appropriate means of funding productive investments. Although Keynes argued in favor of balanced budgets, he also maintained that government should calculate capital account budgets in the same way that firms do; that is, it is appropriate to deficit spend if the project increases productivity over time, has long-period returns, and will be repaid in the future. Thus, one can argue that expenditures on schools and health, as well as ELR programs, can be included in that part of the capital budget.

Other arguments relate to fiscal space—which, by definition, acknowledges the fact that there is a constraint on the government's ability to spend. This leads to notions of net expenditures, cuts in government spending, and dynamic accounting (mobilizing resources to generate income that exceeds the cost). Another approach is to look for alternative sources of resources such as external borrowing and foreign savings in order to finance development. Kregel questioned whether developing countries could in fact develop on the basis of external resources or external savings because of the transfer problem and the accumulation of debt. Developing countries have been the major transferers of resources to developed countries (contrary to official policy), but they can continue to exist without borrowing from the international capital markets.

Does a government budget constraint really exist, and is there theoretical support for this belief? Kregel outlined how a dynamic economic system functions. The traditional view is that businesses save prior to investing, banks receive deposits (i.e., reserves) before making loans, governments sell bonds or levy taxes before financing their expenditures, and households save in order to consume. In this view, it is impossible to have excess production and output, or unemployed resources; that is, supply equals demand and the economy is always at full employment.

In the real world, economies are not always at full employment, businesses finance investment with bank credit (i.e., investment creates savings), and banks lend prior to receiving deposits. The spending-before-financing approach also applies to governments, where financing is part of interest rate policy. Money is both a special type of commodity (a promise to pay) and a debt (a liability of the state), and the crucial part of the story is to decide how it is created. The government can spend as much as it wants because it creates a demand for its currency or the liability that it issues in the form of a tax. Citizens must pay the tax by selling their services to the state. And as long as the government is the monopoly issuer, there is no limit to the amount of money that the government can spend.

Kregel outlined how government finances its expenditures and why it must run a deficit. Government spending is necessary so that its citizens can acquire the liability required to pay taxes. The liability is created when the central bank credits the Treasury account. When the government spends, the account is debited and its citizens' deposit accounts are credited. When taxes are paid, the citizens' accounts are debited and the government account is credited. The government does not need to borrow because the circuit closes and taxes equal expenditures. However, the government must run a deficit if the income elasticity of money is greater than one (e.g., if its citizens hold government liabilities for security).

Kregel also outlined how interest rates are determined and why the central bank has control over the interbank policy interest rate and thus can influence other rates. He showed that the government does not need to borrow and that interest rates do not need to be positive. The government does not have to finance itself by selling bonds and the risk-free rate on government bonds should be zero—which would solve part of the financing problem. Moreover, a government cannot default unless it operates under self-imposed constraints and chooses to do so. Thus, any economy that understands how its financial system works can finance ELR programs because the problems of such programs are not related to deficits, interest rates, or total costs. However, external constraints such as deficits under fixed exchange rates or borrowing under flexible rates may be a problem, and may require management of the capital account.

A capitalist system with long-lived capital investment requires borrowing. Kregel suggested that we make this argument about how economic systems function, so that people and governments understand that they have the ability to finance job creation programs such as ELR.

SESSION 3
Social and Economic Inclusion Outcomes


Steven Miller


Martha Tepepa

MODERATOR:

AJIT ZACHARIAS

Senior Scholar, The Levy Economics Institute

SPEAKERS:

STEVEN MILLER

Economists for Full Employment

RANIA ANTONOPOULOS

Director, Gender Equality and the Economy Program, The Levy Economics Institute

MARTHA TEPEPA

Centro de Estudios Urbanos y Ambientales, El Colegio de México

STEVEN MILLER focused on urban job creation (including youth unemployment) and the strategy of employment guarantee programs. He noted the preeminence of rural-based programs in the 1970s and 1980s, and the transition to applying labor-intensive methods to poor urban neighborhoods in the 1990s. He also noted that recent literature on urban development focuses on the spatial dimension of cities and ignores how capital formation in infrastructure and housing is linked to job creation and the labor markets. Moreover, privatized services are promoted as being more efficient than public services.

In terms of developing a strategy for urban employment, Miller looked at areas where municipal government officials have a comparative advantage for job creation. These officials can employ certain policy levers associated with the regulatory framework, the informal economy, infrastructure investments, and building alliances around common goals. When the term "informal sector" was first coined in the 1970s, it was imagined that the informal economy was separate from the formal economy and marginalized. Although there was the belief that the informal economy would decline along with an increase in economic development, it appears that the informal economy develops in symbiosis with the formal economy—that it is permanent and growing, a feature of modern capitalist development (not just traditional economies), and a basic component of the overall economy (not a marginal or peripheral sector). This outcome is in response to developed countries' subcontracting work to the developing countries because of lower wages and incomes.

In terms of the policy implications of a growing informal sector, it is important to look at both the supply and demand sides of the informal economy. There are two broad categories associated with "informal" workers: the self-employed, and wage labor. An urban employment strategy has to recognize not only the different categories of workers but also who is buying the goods and services produced by the informal economy. The sources of demand include the domestic low- and high-income markets, as well as the global markets. The strategy should also look at the issues surrounding who is actually purchasing the goods and how those goods are made (e.g., the use of child labor).

Regulations can provide protection and a level playing field, but they are seen to be an impediment to job creation and responsible for the spread of informality in the workplace (along with high levels of unemployment). There is a role for municipal government to play here in terms of getting more jobs out of their infrastructure investments prior to analyzing the cost of mopping up the residual unemployment.

RANIA ANTONOPOULOS addressed the gender dimensions of the crisis and ELR policies, with a focus on EPWP in South Africa because of its initiatives with respect to social service delivery (most direct job creation programs favor large-scale public works). She noted that the current economic crisis has occurred at a time when many countries are experiencing crises with respect to poverty, income inequality, high unemployment, and diminishing space for securing livelihoods (e.g., environmental and land use rights). She then proceeded to make a case for public employment programs that create jobs that alleviate women's and girls' unpaid work burdens. .According to time-use survey data, home-based care and early childhood development are primarily the responsibility of women in most countries. As a result, women work longer hours and receive less pay than men. In South Africa, women account for three-quarters of the time spent on unpaid work.

The unemployment rate in South Africa has ranged between 22.5 and 27 percent in the last decade, an extraordinary high figure by any international comparison. Still, these figures hide the fact that unemployment disproportionately affects some segments of the population (e.g., for the urban ultrapoor the figure is 70 percent). Since unpaid work increases with unemployment status and poverty, she proposed that programs can be designed to counter the very high unemployment rate as well as the skewed distribution of time spent on unpaid work.

Antonopoulos employed a SAM (social accounting matrix) model to analyze the macro and micro implications of scaling up the EPWP program in South Africa. The question posed was, *What would be the costs and benefits of creating jobs to provide early childhood development to 50 percent of the children in the country (which is roughly equivalent to the percentage of households in poverty) and 20 percent of households, the most vulnerable, that are providing (unpaid) home-based care for people suffering from HIV/AIDS?* The expectation at the outset was that most of the job creation would be directed toward women for two separate reasons: first, they are the main caregivers and spend the most time in unpaid work; and second, the female labor intensity in these social sectors is very high (60 percent in education and 69 percent in health).

The total cost of intervention was estimated at 9 billion rand. Based on different policy assumptions, between 600,000 and 1.2 million new full-time jobs could be created. It was estimated that there would be an additional indirect job for every three new jobs. In the simulation, GDP was shown to expand by 1.7 percent; also, one third of the program costs would be paid for through the increase in taxes associated with the multiplier effect. In addition, the intervention was shown to lead to pro-poor growth, and for the participating beneficiaries, it eliminated poverty for some households and reduced depth of poverty for others. Based on previous qualitative studies, it is expected that the intervention would result in expanded social inclusion and a sense of increased dignity and autonomy. The added benefit of social service delivery would promote gender equality, since it would result in more female employment, combined with a reduction in unpaid work.

Antonopoulos pointed out that the success of an employment-based government program should not be evaluated strictly in economic terms but should also include the social costs of not mobilizing domestic resources (e.g., in the face of very high unemployment and social unrest). She concluded by stressing the importance of opening up space for a dialogue among stakeholders, taxpayers, the unemployed, the business sector, ordinary citizens, and their communities, alongside government and nongovernment organizations.

MARTHA TEPEPA pointed out that the economic crisis in Argentina in 2001 had an enormous impact on poverty, unemployment rates, and GDP. It also intensified problems for people already living in extreme poverty (e.g., poor nutrition and health, and limited access to housing, education, and public services) that are often overlooked by the economic establishment. A social program that has been instrumental in combating poverty is Plan Jefes y Jefas de Hogar, which alone had 200,000 participants in projects that aim to develop local productivity and capacity building through technical and economic assistance. Most (60 percent) are community projects, but these also include administrative tasks, educational courses and training programs, and micro-entrepreneurial activities. In addition, there have been unforeseen collateral benefits that have been very important for human development, such as social inclusion, community building, empowerment, and improved self-esteem. The majority of participants are single females who are heads of households.

Tepepa discussed two case studies from the greater Buenos Aires area—Cuidad Oculta (La Buena Voluntad de Cielo) and Lomas de Zamora—based on empirical research combined with on-site visitations and interviews. Her focus was the effect of these projects on human development (e.g., social inclusion and empowerment) rather than strict economic outcomes. The first case study consisted of a community kitchen and dining room, classrooms, and child care facilities. The women participating in the project have found emotional stability and support, said Tepepa, and a safe place to care for their children. The second study included occupational training projects such as textiles, as well as schools and workshops, and vocational courses in cooking, carpentry, and electricity. The projects were run by the Education Ministry, adapted to the particular needs and aspirations of participants (there was no age limit), and included unemployed teachers. The strategy was to bring education directly to the students' homes, without the need for expanded infrastructure, including day-care centers. The information gained through interviews is now being analyzed, so the results of the research have not yet been published.

Tepepa maintained that the success of these projects was a result of direct coordination between government ministries by the National Council of Social Policies, which regulated and implemented the technical and institutional design of the social programs (with priority given to marginal areas). For example, the literacy training and skills program was coordinated between the ministries of education, science, and technology, as well as the ministries of labor employment, social security, and social development.

Since 2005, many participants have been encouraged to transfer to new programs that are not employment programs per se but rather resemble income transfer programs. One new program in greater Buenos Aires targets improved water quality and delivery, and it will be the focus of future research, said Tepepa. This is a social inclusion program that provides infrastructure and jobs, extends water and sewage services, and reduces health problems due to poor water quality, creating local cooperatives in the process. One such women's cooperative was formed in order to demand water from the authorities, and they subsequently took the appropriate union courses to become plumbers and install water links. In this case, the institutional arrangement included the national water company, the Federal Planning Public Investment and Services Ministry, and local authorities. It is projected that the program will reach over one million people in 13 municipalities by 2011. Such programs have given women a survival strategy, Tepepa said, and have been a source of personal development.

SESSION 4

Responding to Joblessness: Policy Contexts and the Role of the UNDP and Other Development Institutions

Cecilia López Montaño

José Carlos de Assis

MODERATOR:

JAN KREGEL

Senior Scholar, The Levy Economics Institute

SPEAKERS:

CECILIA LÓPEZ MONTAÑO

Senator, Congress of Colombia

WILLIAM MITCHELL

Centre of Full Employment and Equity, Australia

JOSÉ CARLOS DE ASSIS

National Development Bank of Brazil

CECILIA LÓPEZ MONTAÑO considered the role of employer-of-last-resort (ELR) programs in countering Colombia's displaced population, which has risen to the level of a humanitarian crisis. She noted that Colombia has the highest number of internally displaced persons in the world (three to four million people) as well as the highest rate of unemployment in Latin America. She also noted that two thirds of the population is engaged in the informal market. These features were not a consequence of the current economic crisis but rather the effect of economic policies perpetrated by the political establishment. The government has relied on income transfers for political support, so there is always ample stimulus for people to remain in the informal sector. Moreover, there has been no analysis to determine a way out of this dilemma in terms of the agricultural sector or from a labor market perspective. López stated that she was running for president in the forthcoming election in order to put these critical labor issues and matters of entitlement on the table.

According to López, the current president believes that everything should be given to the private sector. In spite of a relatively high annual growth rate (6 percent), economic policy is not neutral in social terms, so the economy represents a jobless growth model. Taxes on the formal sector, combined with a social policy of income transfers to the poor, have made labor very expensive—40 percent more expensive than capital.

López observed that two thirds of the displaced population is under 40 years of age (and 40 percent are under 20 years of age), and that nearly half of those displaced are women who are also heads of household. She maintained that ELR programs are a possible way out for the displaced and for the humanitarian crisis as a whole, and wondered if these programs should be transitory or permanent, and whether they could supplant income transfers. López favored a minimum level of homogenous entitlements in place of a variety of social policies, and questioned the feasibility of translating the right to work into reality.

Many of the poorest of the poor in the cities were very productive in the rural sector, but they cannot go back to the land because there is no mechanism to return the land to them (and there are security risks). Another problem is that the large number of displaced people is a threat to government stability. A further problem is that people rely on all kinds of subsidies and remain in the informal sector with only temporary work. The worst part is that these income transfers have been financed by international institutions such as the World Bank, and the participation rate of poor women in the formal sector has declined.

This situation is bad for society overall, since it supports the continuation of very poor services in education and health. Employment is the only way to organize a decent life, but a legal minimum wage is a privilege in Colombia. A minimum wage should be established along with cash transfers for workers, a stimulus for formal employment, and the creation of investment projects. These measures would encourage formal employment when ELR programs reactivate the economy and dignify the labor market. But how do you move from one type of social policy to an ELR-type policy where the wage structure is focused on the needs of the poorest and there is stimulus funding to promote formal employment under the auspices of a fixed budget?

WILLIAM MITCHELL preferred the term "job guarantee" to ELR, which in his view has negative connotations. He conceived the notion of a buffer stock approach to full employment in 1978 (based on the Australian government's approach to stabilizing the price of wool). Mitchell was adamant that policymakers view job guarantee schemes as a macroeconomic stabilization framework rather than simply as a means of creating jobs. These schemes should be the permanent basis of a sustainable growth strategy that is designed to achieve full employment and price stability.

In a disclaimer, Mitchell stated that any comments about Pakistan expressed his own opinion, based on his own research, and were not a reflection of the Asian Development Bank, where he recently completed a macroeconomic risk assessment of Pakistan. He noted that he would embark on a similar three-year project of countries in Central Asia (working with public research institutes). This project would include a regional development strategy based on employment creation and a skills development framework integrated within the job guarantee structure.

The mainstream view of Pakistan is that it has been living beyond its means. Foreign direct investment and worker remittances, together with government deficits, promoted high growth rates biased toward consumption. This process became unsustainable in 2008, when the pace of inflows slowed and the country started running out of reserves. According to orthodox economists, the solution was to shore up the foreign exchange reserves. Rather than default (a step preferred by Mitchell), the government agreed with the IMF approach, which favored monetary and fiscal policy tightening. Mitchell suggested that the IMF program is flawed because it does not have a clear understanding of the nature of currency sovereignty or the character and financing of the budget and trade deficits. According to Mitchell, the IMF constructs everything in terms of financial crisis while ignoring the real crisis, which is one of output and unemployment. Pakistan has huge idle resources (e.g., underutilized labor), so it is living below, not above, its means. Fiscal sustainability cannot be defined independent of a benchmark for full employment, and fiscal policy has not been overly expansionary. Thus, fiscal restraint is not a viable solution that would enable Pakistan to return to a self-sufficient and sustainable growth path in the medium term. Further, growth should not be an end in itself but a means to achieve a better living standard.

A sovereign government should never target a budget outcome such as a particular deficit-to-GDP ratio because this approach is self-defeating (e.g., government budget surpluses are followed by devastating downturns). Contrary to the mainstream view, a sovereign government is not revenue constrained and does not face any solvency risk in its own currency. Budget deficits finance private savings and the accumulation of wealth, and nation building requires the government sector to have deficits. Moreover, all of the advanced economies, in an effort to counter the current economic crisis, have moved into deficit.

Two of the policy options available for maintaining price stability are unemployment buffer stocks (the nonaccelerating inflation rate of unemployment, or NAIRU, approach) and employment buffer stocks (the job guarantee approach). The NAIRU approach (monetary policy via interest rate manipulation is used to target inflation) wields unemployment as a policy instrument rather than a policy target. As a result, the IMF conditions require unemployment to rise. This is an extremely costly approach in terms of net income losses and social costs. On the other hand, full employment via the job guarantee approach provides training and skill development, alleviates poverty, builds communities, leads to intergenerational stability, and acts as a price anchor.

Theory suggests that a job guarantee should be an unconditional and universal offer of a public job at a minimum wage to anyone willing and able to work. A minimum wage is not a capacity-to-pay concept but rather a statement that should set the wage at a socially sustainable value. It is a mechanism that controls inflation, since the government hires off the bottom, and it is a high quality anchor that maintains an effective labor supply.

The job guarantee approach is imperative in a developing country that has a sovereign currency system, said Mitchell. The real cost entails the actual resources deployed, not the nominal budget cost. International agencies can support this medium-term policy strategy by contributing to the design and implementation of investment and export diversification programs, in combination with job guarantee programs.

JOSÉ CARLOS DE ASSIS observed that the current crisis has worsened Brazil's high unemployment rate, which is almost 30 percent if one considers the underemployed and discouraged along with the official unemployment rate (9 percent). The problem is especially grave among the young and unskilled living in poor urban communities (the favelas), where there are inhumane living conditions, extreme poverty, and violence.

Land reform and government support to the small agricultural producers has helped to reduce poverty in rural Brazil. The Bolsa Familia is a comprehensive basic income guarantee program that has become the most popular program of President Lula da Silva's government. In addition, the Plan for Accelerated Economic Growth, with extensive funding by the government, aims to reduce the infrastructure and housing deficit while stimulating the economy. What is missing is a program to reduce unemployment and improve the living conditions for the mainly young, unskilled people living in poor urban communities.

The proposed five-year Citizen City Job Guarantee Program would provide remunerated work for everyone willing and able to work. Projects would seek to improve the living conditions of poor communities in the main metropolitan areas. Participants would be paid the official minimum wage for up to seven months per year and work to build houses and other infrastructure, along with providing necessary services related to daycare centers and health clinics.

The program is affordable, said De Assis, because it is fiscally responsible (even according to the principles of sound finance) and would cause the fiscal deficit to peak at less than 3.5 percent of GDP. Moreover, Brazil has one of the lowest government deficits in the world (this despite the fact that federal governments with their own sovereign currencies can never be fiscally constrained). If every officially unemployed person in the urban areas and half of all underemployed and discouraged persons participated in the program (5.9 million), the cost would be 1.0 percent of GDP. If every eligible person participated in the program (9.0 million), the cost would be 1.5 percent of GDP. By comparison, the cost is less than the fiscal stimulus programs recommended by the IMF, and less than one-fifth of what the Brazilian government pays in annual debt obligations.

Because of the size of the problem, the political system in Brazil has become paralyzed, observed De Assis. The fundamental paradigms of our modern age have collapsed. Therefore, resolution requires a political coalition in support of the proposed job guarantee program, as well as a new age of international cooperation to solve global crises related to matters such as finance, unemployment, the environment, and nuclear weapons.

SESSION 5

Scaling Up What Has Worked, Experimenting with New Ideas

Marc van Imschoot

Kate Philip

MODERATOR:

DIMITRI B. PAPADIMITRIOU

President, The Levy Economics Institute

SPEAKERS:

MARC VAN IMSCHOOT

International Labour Organization (ILO)

KATE PHILIP

Office of the Presidency, South Africa

MARC VAN IMSCHOOT presented an overview of the ILO's Employment-Intensive Investment Program (EIIP), which provides assistance in Madagascar, Kenya, and Indonesia. The EIIP has over 30 years' experience linking employment with infrastructure development, in more than 40 countries. The program focuses on public investment because it is an instrument that is available to government, includes a major share of infrastructure investment, and can be used as a vehicle to promote full and productive employment as well as decent work.

Van Imschoot outlined various small-scale, labor-intensive programs in Madagascar since the late 1980s. The main innovation was the use of limited contracts with various ministries that emphasize local resources. This was followed by the establishment of a social fund and the use of contract agencies (a demand-driven approach to community development) because of the low capacity of government. The creation of an autonomous nonprofit training center provided program education in activities such as school and road construction for ministry staff as well as people in the private sector. One focus was decentralizing investment at the district level, with project priorities set by the municipalities (the projects were not labor intensive but the materials came from within the country).

The investment in human capital and (social and economic) local infrastructure development raised the capacity of the people and enabled a scaling-up of projects, including the delegation of work to agencies with a good implementation record. This increase in capacity beforehand allowed a quick response to natural disasters and the channeling of diverse funds through established local institutions with a significant absorption capacity, such as small contractors and community-based organizations. It is therefore possible to rapidly develop projects and programs at a large scale in a low-income country, said Van Imschoot.

Kenya is another example of scaling up programs in response to a food, fuel, and financial crisis, along with substantial youth unemployment (72 percent in 2005–06). Half of the population is under 20 years of age and account for two thirds of the poor. A recent jobs-for-youth program represented 1 percent of the remaining 10 percent of the government budget after operating expenditures. There was the political will to implement this special program through the use of existing structures such as the line ministries (rather than specialized agencies). The program is labor intensive (with a target of 200,000 jobs) and decentralized, but it is supply driven rather than demand driven. Program challenges include the need for skilled labor (e.g., supervisory and IT personnel) as well as casual, unskilled labor; and the application of contractual arrangements with community-based organizations that include a minimum wage, the employment of women, and a local resource-based approach.

Indonesia is experiencing similar problems in terms of the social impact of the crisis (e.g., rising unemployment, lower wages, and expansion of the informal economy). It developed large stimulus packages to increase purchasing power (price subsidies), enterprise and export competitiveness, and local infrastructure budgets. At the request of constituents, the ILO has used EIIP to assist with designing the infrastructure components, to supply the analytical tools and give advice on delivery mechanisms and procedures, to provide training in local resource-based techniques and contract administration, and to assist in setting up monitoring and information systems in the ministries in order to calculate the impact of the investments on employment. Van Imschoot noted that overhead costs should be kept in the range of 5 and 10 percent of the total project cost.

In sum, said Van Imschoot, the elements of scaling up projects include evaluating the institutional setup (the line ministries along with the local government and agencies), assessing the capacity of the local actors (with additional training as needed), evaluating procurement and payment procedures, keeping overhead within a reasonable range, building in mechanisms to assure accountability, and making the appropriate technical choices.

KATE PHILIP reviewed the Community Work Programme (CWP) in South Africa. This program initiative was in response to the government's strategy to address inequality and the most marginalized first by placing employment at the heart of economic policy. CWP is part of the Expanded Public Works Programme and provides access to a minimum level of regular work (i.e., two days a week) for up to 100 days a year. Site management is handled by nonprofit implementing agencies and community participation is used to identify "useful work" and set priorities. Multisectoral "work" is decided by ward committees and should contribute to community goods and services. The start-up scale of CWP is 1,000 participants per site.

The interface between design and strategy is a crucial issue, said Philip. The program emphasizes "regular and predictable" work because unemployment in South Africa is deeply structural (the unemployment rate ranges from 23 to 40 percent), so there is a need for an ongoing employment safety net. Research shows that households receiving a grant are more likely to invest in economic activity, since predictable incomes mitigate risk, allow for financial planning, and sustain local markets. CWP aims to supplement existing livelihood strategies without disrupting or displacing them.

Another key design element is the use of implementing agents in response to capacity weaknesses. Philip noted that the sphere of local government is new in South Africa (it was introduced in the postapartheid period) and, despite overall progress, there are severe capacity constraints and a lack of service delivery in marginal areas (leading to protests). CWP's aim is to avoid placing further burdens on local governments, and to deliver more jobs while devolving program management to the local level. A CWP site requires formal support from the local government and the use of ward committees to strengthen local institutions and avoid parallel systems. The implementing agencies are responsible for project management (including cashless payment of wages) and are accountable to the central government in terms of effective program management and to the local government in terms of the delivery of "useful work."

A third key design element is strengthening local development planning via the ward committees. This process is intended to enable strong grassroots input into local development planning, but the process is new and often weak. However, it is gaining strength by addressing some of the unfunded local mandates and by unblocking partially funded structures (the work identification and implementation process is often just a fortnight). This mechanism has strengthened CWP by institutionalizing the link to local government, ensuring alignment with local development plans, and facilitating the link to other spheres of government. Prioritized programs include food security, home-based care, social programs, recreation, environmental rehabilitation, and road maintenance. Since these programs are also being addressed by government, they need to link to existing departments and programs. This has implications for how CWP is institutionalized in the state.

CWP acts as a mechanism for delivering integrated development at the local level, which is often overlooked by existing programs. Through this process, there is a strong focus on translating social challenges into work opportunities (e.g., violence against women has been translated into useful work, such as increased surveillance and escort services in dangerous neighborhoods). One concern is that this program is contributing to the presence of understaffed volunteer organizations, and to limiting the resources for care work that are available to poor communities. Care work is provided mainly by women, and it validates unpaid support roles.

One of the methodologies used by CWP is the Organisation Workshop. It involves large numbers of people for a month in a full-time action-learning process (including work organization and task management skills) that is designed to deliver a set of outputs aligned with the community's needs. This approach has been used at the inception phase to develop a cadre of people to act as supervisors and team leaders. Young women have been the main workshop participants, by an overwhelming margin.

According to Philip, the easiest way to scale up CWP is to expand the scope of sites to include the whole municipality, and to leverage off existing relationships with local government. The program's current target is to scale up from three initial pilot sites to 50 sites by the end of the 2009 calendar year. She maintained that it is possible to achieve a million participants per annum by extending coverage to all municipalities, and to establish a presence in the most marginal municipalities within three years. The institutional capacity would become permanent, and could be adjusted in response to economic conditions (and budgets).

It is crucial to avoid setting up parallel funding mechanisms (and avoid hostility), said Philip. CWP went from a concept to a national priority within 18 months—which demonstrates that pilot projects can be a stepping-stone into national policy (the problem is that too many of these projects have no trajectory into policy). It is important to involve national stakeholders and limit their initial risk, while enabling them to take ownership and manage the transition into policy when the pilot is shown to have a positive impact. She noted that CWP has also achieved a range of additional outcomes that align with the key strategic concerns of the South African government.

SESSION 6
Quantitative-Qualitative Analysis


Kijong Kim, John Scott, Ajit Zacharias


Rania Antonopoulos

MODERATOR:

RANIA ANTONOPOULOS
Director, Gender Equality and the Economy Program, The Levy Economics Institute

SPEAKERS:

AJIT ZACHARIAS
Senior Scholar, The Levy Economics Institute

JOHN SCOTT
Centro de Investigación y Docencia Económicas, Mexico

KIJONG KIM
Research Scholar, The Levy Economics Institute

AJIT ZACHARIAS provided a preliminary assessment of the likely impact of the 2009 American Recovery and Reinvestment Act (ARRA) on median household income, gaps between population subgroups, and income inequality (i.e., the employment channel). He found that ARRA partially replaces lost jobs and has a remedial effect on median household money income but is unlikely to restore robustness to middle-class incomes or improve the money income of the bottom 60 percent of households. It is also unlikely that the legislation will redress the substantial gaps in money income between nonwhites and whites, single female–headed families and married couples, and less-educated and college graduates. The analysis points toward the necessity for a comprehensive employment strategy that goes well beyond ARRA (e.g., an expanded role for public employment).

ARRA represents a package of spending increases and tax cuts initiated by the Obama administration that is expected to provide relief to low-income and vulnerable households hurt by the economic crisis, while supporting aggregate demand (e.g., modernizing health care and infrastructure, improving schools, and investing in clean-energy technologies). The preliminary assessment of the Act's impact consists of three main steps: constructing a baseline scenario of labor market conditions and the distribution of income, estimating the increase in employment by industry and occupation, and simulating the changes in earnings on the distribution of money income.

In the first step, the Annual Social and Economic Supplement is adopted as the basic sample and labor force status by industry, age, and sex are imputed for all civilian adults 16 years and older. The resulting baseline scenario is an imputed dataset with complete labor force characteristics and income profiles for 2008.

In the second step, a "comparative-static" approach is used to estimate the effects of ARRA on income distribution relative to the baseline scenario. (The simulated effects represent a best-case scenario for employment, since labor market conditions have worsened in 2009.) Using Congressional Budget Office estimates of ARRA budgetary costs for 2009–19, the authors make adjustments in terms of expected cutbacks in state and local government spending, and with respect to coverage and timing, to derive an appropriate amount of fiscal stimulus over the 2009–11 period. This stimulus is split between outlays (purchases of goods and services, transfers, and subsidies) and tax cuts in order to apply a set of multipliers and calculate the employment effects by industry. A different method based on input-output analysis is used to estimate the employment effect of government purchases of goods and services. It is assumed that the additional employment created by ARRA would be split across occupations in each industry in the same proportions as the Bureau of Labor Statistics' occupation-industry matrix for 2006.

The potential additional employment from the stimulus created by the act is estimated under two sets of multipliers for transfers, taxes, and subsidies (high and medium) and under two assumptions regarding the industrial distribution of final demand generated by government purchases (termed "government" and "private"). The estimates of new jobs under the medium scenarios (i.e., an additional 6.2 million jobs between 2009 and 2011) are nearly identical to the administration's own—a finding contrary to charges that its estimates are not robust. Nevertheless, total employment has already fallen by 7.0 million (from December 2007 to May 2009), and even the high-scenario estimates would have merely a palliative rather than a curative effect on the employment crisis.

Zacharias noted that the amount of stimulus required per ARRA job is much higher for taxes than outlays. It appears that the government could have achieved more employment at the same cost, since 55 percent of the fiscal stimulus is expected to come from tax cuts.

As expected, there is a much lower share of government employment under the "private" as compared to the "government" scenario. Nevertheless, the government sector is the largest employer under both assumptions, followed by professional and business services, and education and health services. Additional employment generated by ARRA is expected to favor blue-collar and low-end service occupations, males, nonwhites, college-educated workers, and people over 60 years of age.

Since 2000, there has been a dramatic decline in men's income that has created a lost decade in terms of family income growth. Zacharias estimated that average annual earnings from ARRA jobs are likely to be approximately 3 percent higher than earnings from non-ARRA jobs. (The most striking increase is for workers in the bottom quintile of the earnings distribution). In general, the effect of ARRA will be to raise the lower end of the earnings distribution and to allocate gains in a pro-poor fashion, but this will have only a negligible effect on overall inequality in money income. He concluded that the restoration of growth rates (family income, output, and employment) is impossible without a radical shift in macroeconomic and labor market policies.

JOHN SCOTT gave an evaluation of and reform agenda for Mexico's Programa de Empleo Temporal (PET). This government program was initiated in 1995 in response to the "Tequila" crisis (the rapid devaluation of the peso that sent the country into a deep recession), phased out in the 2001–06 period, and then slowly revived. In his official evaluation, Scott found that the program had a lot of potential and was better than many other programs in transferring resources to the poor.

The advantages of PET are efficient self-targeting without high administrative costs, combined with long-term impacts on regional poverty due to the expansion of community infrastructure. The disadvantages are high participation and input costs (in the presence of labor opportunity costs) and uncertain impacts on the poor in the absence of effective monitoring and evaluation mechanisms.

Scott compared the PET with other, similar programs, noting that the existing crisis compensation programs were not designed as protective measures against economic shocks or cycles, nor were they adaptable to changing conditions within households; they also rigidly maintained (unrealistic) administrative targets, and often had sustainability issues (when political administrations changed). PET is a better instrument because of its self-selection mechanism and flexible targeting approach.

Mexico's economy has been significantly affected by the current international financial crisis. Scott observed that poverty increased dramatically during the preceding crisis (from 21 to 37 percent) and took a lot of time to recover to precrisis levels. He expected the effects of the current crisis to be equivalent to the last one, particularly in light of ILO projections of prolonged and deep unemployment. The country will therefore need a very ambitious program such as PET, where antipoverty spending currently represents only two-hundredths of 1 percent of GDP. As a result, the issue is not one of fiscal sustainability but of expanding the program in ways that work.

In 2007, PET provided approximately 200,000 jobs, compared to more than a million jobs in 2000. The program, however, has recently expanded, from 88 to 176 days of employment per year per beneficiary. Wages have been set at 99 percent of the minimum wage, and locality size has been increased to include an urban component (with a population of up to 15,000). Without incurring administrative costs, PET has the potential to provide more help to the poor than social assistance programs such as Oportunidades, which targets poverty by providing cash payments to families in exchange for regular school attendance and health clinic visits. Moreover, previous programs paid for price-based commercial products but completely overlooked the needs of subsistence farmers.

The opportunity cost of PET should be high (absent actual observations) because a majority of program spending goes toward wages for workers in poor rural localities during times of low economic activity. In order to reduce participation costs as much as possible and maximize resources for the poor, one needs to target specific groups at specific times, increase the speed of the planning process, and spend early in the agricultural year. Self-financing of material inputs by communities is very important, as is ensuring that there are social benefits.

There is a great opportunity to alleviate poverty in Mexico because there is a large, centralized infrastructure fund that is allocated to the states and municipalities, independent of PET. This fund xssocial services because of the ability of very strong unions to capture rents. Therefore, concluded Scott, public employment should be reformed.

KIJONG KIM described how to incorporate a new hypothetical sector such as the Expanded Public Works Programme (EPWP), which is a direct job creation initiative, into a social accounting matrix (SAM) for South Africa (SAM-SA). This approach is used to capture the impact of the program and its proposed expansion in terms of sectoral development, job creation, and poverty reduction.

A SAM is a double-entry table (matrix) that provides a consistent framework of national accounts and incorporates both the distributional and the social dimensions of an economy (i.e., the interactions between production, factors of production, institutions, capital accounts, and the external balance). While a SAM can show how total income is distributed between capital and labor at the aggregate level, it can also show the relationships at a disaggregated level (e.g., labor specified by gender or skill).

Multiplier analysis based on a SAM supposes that the technical coefficients of production remain constant. Since the projects associated with the EPWP sectors designated for job creation are labor intensive and atypical of the existing economic structure, a new, separate, hypothetical sector needs to be added to SAM-SA. Moreover, there needs to be a simple hypothetical integration method to circumvent rebalancing the SAM without sacrificing the accuracy of the multiplier analysis.

Kim described how to reformulate SAM-SA and incorporate the specifics of EPWP's targeted employment policy, coupled with poverty reduction. In terms of integrating EPWP within the SAM and rebalancing the matrix, it is assumed that there are no leakages to the exogenous accounts, EPWP income is spent on EPWP services, and there is EPWP input-output symmetry.

Kim found that modifying SAM-SA with the EPWP social sector and factor accounts lifted aggregate incomes of poor and ultrapoor households much more than those of nonpoor households. This finding correctly reflected the targeted nature of the program: there was pro-poor growth within a highly unequal system. The enhancement of poor and ultrapoor households come from EPWP job targeting and wage payments for unskilled workers. The simulation also showed that gender decomposition in the factor accounts highlighted inequalities in employment. Thus, fixed multiplier analysis using a SAM can articulate any multiplicative effects of economic policy instruments and provide valuable insights to policymakers.

The cost of the EPWP program in 2000 represented 1 percent of GDP and had a high female intensity. Kim conducted three simulations based on the social sector and labor- and capital-intensive infrastructure that showed the relationship between the total direct job count (based on the wage rate) and the creation of indirect jobs (targeting wage income to poor households with a higher propensity to consume). He found that the social sector scenario increased the income of poor and ultrapoor households more than the labor-intensive infrastructure scenario, and much more so than the capital-intensive infrastructure scenario. Based on the notion that all social sector infrastructure spending has a similar impact, one third of project spending was recouped through multiplier effects (e.g., an increase in tax revenues).

The advantages of the SAM methodology are that it provides a broad overview and conceptual understanding of the economy, and it is a flexible tool for policy impact analysis. The disadvantages are that it is data intensive and represents a short-term static analysis that does not account for potential price effects or asymmetric behavioral responses (i.e., the coefficients are fixed). Kim noted that it would be important to have more time-use survey data from other developing countries in order to assess the redistribution of unpaid work and general well-being, and to simulate employment programs for women who do more unpaid work than men.

Participants

RANIA ANTONOPOULOS is a research scholar and the director of the Levy Institute's Gender Equality and the Economy program. She specializes in macroeconomics and gender. Her publications include the co-edited volume *Unpaid Work and the Economy: Poverty, Time Use, and Gender in Developing Countries* (Palgrave, forthcoming); *An Alternative Theory of Long-run Exchange Rate Determination* (VDM Verlag, 2009); "The Intersection of Paid and Unpaid Care Work," Integration Working Paper Series, International Labour Organization (April 2008); and "State, Difference, Diversity: Toward a Path of Expanded Democracy and Gender Equality," in *Democracy, State, and Citizenship in Latin America*, Vol. II (in Spanish) (United Nations Development Programme, 2008). She recently headed up a team of Levy Institute researchers studying the impact of public employment guarantee schemes (EGS) on pro-poor growth and gender equality. The project, supported by a grant from the UNDP, consisted of a pilot study exploring the synergies between EGS and unpaid work—including unpaid care work—in India and South Africa. Antonopoulos holds a Ph.D. in economics from the New School for Social Research and is a founding member of the global network Economists for Full Employment.

JOSÉ CARLOS DE ASSIS—journalist, economist, and production engineering doctor at the Federal University of Rio de Janeiro—introduced economic investigative journalism in Brazil in the 1980s, when he wrote the best sellers *A Chave do Tesouro* (The Key to the Treasury, 1983) and *Os Mandarins da República* (The Mandarins of the Republic, 1984), covering the economic scandals under the military regime. Also, he has dedicated himself to political economy, having written, among other books, *O Grande Salto para o Caos* (The Great Leap toward Chaos, 1986), with M. da Conceição Tavares; *Análise da Crise Brasileira* (An Analysis of Brazilian Crisis, 1988); and *A Nêmesis da Privatização* (The Privatization Nemesis, 1997). More recently, he published *A Quarta Via* (The Fourth Way, 2000); *Trabalho como Direito* (Labor as a Right, 2002); *Moeda, Soberania e Trabalho* (Money, Sovereignty, and Labor, 2004); and *A Crise da Globalização* (The Crisis of Globalization, 2008). He has worked for major Brazilian newspapers, collaborating regularly with some of them. At present, he is professor of international economy at the State University of Paraiba, and serves as adviser to the president of the National Development Bank of Brazil, or BNDES.

Research Associate **PINAKI CHAKRABORTY** is a professor at the National Institute of Public Finance and Policy (NIPFP), New Delhi, and a member of the Finance Commission for the Union Territories, Ministry of Home Affairs, Government of India. He formerly served as a fellow, senior economist, and economist at NIPFP; as an associate professor at the Centre for Development Studies; and as a consultant for the Eleventh Finance Commission of India. He has worked on the role of fiscal policy in poverty reduction, subnational public finances, budgetary subsides and expenditure incidence, tax policy in developing countries, fiscal federalism, and gender and taxation. Chakraborty is currently engaged in research on implementation and financing issues related to NREGA in India. He holds an M.A. in economics from North Bengal University and an M.Phil. in applied economics and a Ph.D. in economics from the Centre for Development Studies at Jawaharlal Nehru University.

REBECA GRYNSPAN is the United Nations assistant secretary-general and United Nations Development Programme (UNDP) assistant administrator and regional director of the Bureau for Latin America and the Caribbean. Previously, she was director of the subregional headquarters in Mexico of the United Nations Economic Commission for Latin America and the Caribbean (ECLAC). She is a member of Task Force I on poverty and economic development under the U.N. Millennium Project headed by Jeffrey Sachs and a member of the U.N. High-Level Panel on Financing for Development chaired by Ernesto Zedillo. Grynspan was vice president of Costa Rica from 1994 to 1998, as well as coordinating minister of the government's social and economic sectors and its housing and human settlements ministries. She has held many other public and advisory positions in Costa Rica, including president of the board of the Mortgage and Housing Bank and coordinator of the national poverty reduction strategy and pension system reform. In addition, she was a professor at the University of Costa Rica's School of Economics. Grynspan has served on the boards of the Inter-American Development Bank's Support to Women's Leadership and Representation Program, the Central America Program, and the International Food Policy Research Institute. She studied economics and sociology at The Hebrew University and holds a B.S. in economics from the University of Costa Rica and an M.S. in economics from the University of Sussex. She has authored or coauthored numerous articles on social and economic policy, including, most recently, *Pacto Fiscal y Cohesión Social en América Latina y el Caribe* (2008), *Introducción a las Políticas de Superación de la Pobreza* (2008), *Distintas Miradas sobre la Región: Enfoques sobre Cohesión Social y Desarrollo* (2007), *Universalismo Básico y Estado:Pprincipios y Desafíos* (2006), and *Reflexiones sobre Opciones Estratégicas para Reducir la Pobreza* (2006).

SELIM JAHAN is the director of the Poverty Practice, Bureau for Development Policy (BDP), United Nations Development Program (UNDP). Prior to his appointment in 2007, he was cluster leader, Strategies and Policies for Poverty Reduction (2006), and senior adviser, Employment for Poverty Reduction (2001–06), BDP/UNDP. He also served as the deputy director of the UNDP's Human Development Report Office and was a member of the core team that authored nine global Human Development Reports between 1993 and 2001. Before joining the UNDP in 1992, Jahan held a number of different positions, including professor of economics and director of the economic research unit, University of Dhaka (1984–92); economic adviser, Planning Commission, Government of Bangladesh, (1989–90); visiting scholar, School of Public Policy, University of Maryland (1992); and lecturer at McGill University (1983–84), where he received his Ph.D. in economics. In the 1980s and early 1990s, he also served as an adviser and consultant to various international organizations, including the International Labour Organization, UNDP, UNESCO, and the World Bank. Jahan's current research interests include modeling for MDG-based national development strategies, inclusive growth and inequality, employment for poverty reduction, and economic governance. He publishes widely, and is the author of six books and more than 150 academic articles.

KIJONG KIM is a research scholar in the Gender Equality and the Economy program at The Levy Economics Institute. His current research interests lie in two areas: gendered macromodeling and employment impact assessment. The former topic covers strengthening the gender aspect of macroeconomic modeling, which includes incorporating time-use data into social accounting matrices and gender-oriented macromodels. The second area, employment assessment, includes input-output analysis for the employment impact of various fiscal policies, including the Expanded Public Works Programme in South Africa and the American Recovery and Reinvestment Act in the United States. He has taught microeconomics, macroeconomics, and environmental economics at the International School of

Economics at Tbilisi State University and the Bard Center for Environmental Policy at Bard College. Kijong received his B.S. in economics from Korea University and a Ph.D in applied economics from the University of Minnesota, St. Paul.

DANIEL KOSTZER is currently coordinator of the Social Development Cluster at the Buenos Aires office of the United Nations Development Programme (UNDP). In 2002, as director of research and macroeconomic coordination of the Ministry of Labour, Employment, and Social Protection of Argentina, he became the leading force in the introduction of the Plan Jefes y Jefas de Hogar. In the aftermath of the 2001 financial collapse in this country, the heads of household job guarantee approach was implemented to solve Argentina's unemployment crisis and it played a significant role in providing jobs for members of poor households and restoring economic stability. He has been a consultant for the International Labour Organization (ILO), U.N. Economic Commission for Latin America and the Caribbean, and UNDP on issues related to employment, income distribution, and employment policies, and is also a member of the knowledge networks of the ILO's World Commission on the Social Dimension of Globalization. Kostzer has been a lecturer on Argentinean social structure at the University of Buenos Aires and a member of the editorial committee of the journal *Estudios del Trabajo of ASET* (Association of Labor Studies Experts of Argentina). A former adviser to the National Lower Chamber and director of CEDENOA (Center of Studies of the Argentinean Northern Region), he completed his graduate studies at the Institute of Social Studies, The Hague.

JAN KREGEL is a senior scholar with the Monetary Policy and Financial Structure program, and currently holds the position of Distinguished Visiting Research Professor at the Center for Full Employment and Price Stability of the University of Missouri–Kansas City. He was formerly chief of the Policy Analysis and Development Branch of the United Nations Financing for Development Office and deputy secretary of the United Nations Committee of Experts on International Cooperation in Tax Matters. Before joining the U.N. he was professor of economics in the Università degli Studi di Bologna, as well as professor of international economics in Johns Hopkins University's Paul Nitze School of Advanced International Studies, where he also served as associate director of its Bologna Center from 1987 to 1990. Kregel has published extensively, contributing over 160 articles to edited volumes and scholarly journals, including the *Economic Journal*, *American Economic Review*, *Journal of Economic Literature*, *Journal of Post Keynesian Economics*, *Economie Appliquée*, and *Giornale degli Economisti*. His major works include a series of books on economic theory, among them: *Rate of Profit, Distribution and Growth: Two Views* (1971); *The Theory of Economic Growth* (1972); *The Reconstruction of Political Economy* (1973 and 1975, 2nd ed.); *Theory of Capital* (1976); and *Origini e sviluppo dei mercati finanziari* (1996). His most recent book is *International Finance and Development*, with J. A. Ocampo and S. Griffith-Jones (2006). Kregel studied primarily at the University of Cambridge, and received his Ph.D. from Rutgers University. He is a life fellow of the Royal Economic Society (U.K.) and an elected member of the Società Italiana degli Economisti.

RADHIKA LAL is an economist with over 20 years' experience in development research and policy formulation, specializing in political economy, development issues, and the structural policies and options for reorganizing the work done by the poor, with a view to personal empowerment and enhanced productivity. This set of concerns has spurred a decade-long engagement with new information and communication technologies (ICT), and an exploration of their potential for enhancing pro-poor development choices and innovation. She is currently an ICT policy adviser in the Poverty Group of the Bureau for Development Policy, United Nations Development Program. The focus of her work at the UNDP includes managing the employment portfolio of work on an interim basis, as well as focusing on pro-poor ICT options and integrated development approaches to enhance development effectiveness and empowerment. She holds a Ph.D. in economics from the New School for Social Research.

MAIKEL LIEUW-KIE-SONG is an independent researcher and consultant based in São Paulo, Brazil. He is a former chief director of the Expanded Public Works Programme, South African Department of Public Works. Maikel has also worked as an academic at the WORK Research Centre for Employment Creation in Construction at the University of Witwatersrand, as an executive director for the NGO Afribike, and as a consulting engineer in Curaçao, Suriname, Guyana, and South Africa. Maikel is a Suriname national and holds a B.S. degree in civil and environmental engineering from Cornell University and an M.S. in transport and road engineering for development from IHE Delft/Delft University of Technology.

LUIS FELIPE LÓPEZ-CALVA is chief economist at the Regional Bureau of Latin America and the Caribbean of the United Nations Development Programme (UNDP). In 2006–07, he was a visiting scholar at the Stanford Center for International Development, Stanford University, and is a former associate professor and chair of the master's in public economics program at the Graduate School of Public Affairs, Tecnológico de Monterrey, Mexico City. Between 2002 and 2006, López-Calva served as director of the Human Development Research Office in Mexico (UNDP-Mexico). He is a former professor of economics at the Universidad de la Américas en Puebla and El Colegio de México. He has published widely on issues related to child labor, poverty, institutional economics, and economic development, including the books *The Emerging Integration of the California-Mexico Economies* (with H. J. Shatz, 2004) and *Child Labor in Latin America* (ed., 2006). López-Calva holds a B.A. in economics from the Universidad de las Américas Puebla, a master's in economics from Boston University, and a master's and a Ph,D. in economics from Cornell University.

CECILIA LÓPEZ MONTAÑO is a Liberal Party senator in the Colombian Congress (2006–10), and is currently the only woman among seven candidates running for her party's nomination for president. López has been in public service for more than 30 years, serving as head of the National Unit of Planning (1978–80); managing director of FONADE (1981–82); vice minister of agriculture (1982–85); Colombian ambassador to the Netherlands (1985–88); director of the International Labour Organization's regional employment program for Latin America and the Caribbean (1988–90); director of the Social Security Department (1990–92); president of Consenso (1992–94); minister of the environment (1994–96); minister of agriculture (1996–1997); director of the National Planning Department (1997–98); international consultant (1998–2006); and president of the Agenda Colombia Foundation (2002–06). She currently sits on the board of the International Food Research Institute, headquartered in Washington, D.C., and is a member of the World Health Organization's World Wide Group of Experts on Intellectual Property. She is president of the Group of Parliamentarian Women of the Americas, Inter-Parliamentary Forum of the Americas (FIPA), Ottawa, and plays an active role in the Cartagena Feminist Initiative. In 2008, López was appointed the Liberal Party's spokeswoman, and was nominated Senator of the Year by her colleagues. She is a recipient of the Cruz de Boyacá Medal, given by the Colombian government to citizens who have served the nation with honor. López has published 14 books and numerous academic articles. She holds a degree in economics from the Universidad de los Andes, Bogotá, and received two postgraduate degrees from Mexico's Centro de Estudios Educativos, in demography and the economy of education.

SANTOSH MEHROTRA is head of development policy, Rural Development Planning Commission, Government of India. He was a lead author of India's 11th Five Year Plan (2007–12) and also heads the team preparing the country's forthcoming Human Development Report. He was formerly regional economic advisor, Regional Centre for Asia, United Nations Development Program (UNDP), Bangkok, and chief economist for the UNDP's global Human Development Report (2004). He also led UNICEF's research program on developing countries at the Innocenti Research Centre in Florence, Italy. Mehrotra received his Ph.D. at the University of Cambridge (1985), and from 1988 to 1991 was associate professor of economics at Jawaharlal Nehru University. He subsequently joined the U.N., where he served in various capacities for the next 15 years. Mehrotra's research interests include industry and trade issues, the impact of macroeconomic policy on health and education, and the economics of health and education. He is the author of numerous books in his areas of expertise, including *Asian Informal Workers: Global Risks, Local Protection* (with M. Biggeri, 2007), *Eliminating Human Poverty: Macro-economic Policies for Equitable Growth* (with E. Delamonica, 2007), *The Economics of Elementary Education in India* (2006), *Universalizing Elementary Education in India: Uncaging the Tiger Economy* (2005), *Development with a Human Face: Experiences in Social Achievement and Economic Growth* (1997), and *India and the Soviet Union: Trade and Technology Transfer* (1990).

During his 25-year career with the International Labour Organization (ILO), **STEVEN MILLER** has worked on job creation from a variety of perspectives: as chief technical adviser of a $4 million special public works program in Burkina Faso, Miller was responsible for research, training, and evaluation of the ILO's global Employment-Intensive Investment Programme and for program development and technical advisory missions to primarily developing countries. In 1998, he coordinated employment-related outcomes for the U.N. General Assembly's five-year review of the World Summit for Social Development. From 2000 to 2005, Miller was the secretary of the U.N. Secretary-General's Youth Employment Network (YEN)—a partnership of the World Bank, the ILO, and the U.N.—launched within the framework of the United Nations Millennium Summit. He has undertaken ILO support missions in over 40 countries and published in a number of areas of employment policy, including urban employment, informal economy, and remuneration policies. Since leaving the ILO in 2008, Miller has taught at the New School for Social Research on urban employment. He is currently an independent consultant, and supports the global Economists for Full Employment network as a founding member. Miller holds a bachelor's degree from Yale University and a master's in political science and economics from Boston University.

WILLIAM MITCHELL holds the research chair in economics and is the director of the Centre of Full Employment and Equity (CofFEE), an official research center at the University of Newcastle. He is also on the board of CofFEE-Europe, a sister center established at the University of Maastricht. He currently supervises six Ph.D. students. Mitchell has published widely in refereed academic journals and books. His research interests include macroeconomics, regional science, development economics, labor economics, and econometrics (particularly time-series and spatial applications). His latest book is *Full Employment Abandoned: Shifting Sands and Policy Failures* (with J. Muysken), published by Edward Elgar in 2008. Mitchell was an early developer of the concept of employment guarantees using buffer stock principles. He has received regular research grant support from the national competitive grants schemes in Australia and is an Expert Assessor of International Standing for the Australian Research Council. He has extensive experience as a consultant to the Australian government, trade unions and community organizations, and several international organizations, including the European Commission, the International Labour Organization (ILO), and the Asian Development Bank. He recently finished a major project for the ILO in South Africa evaluating its public works program, and is currently working for the Asian Development Bank on macroeconomic risk assessment and regional development strategies for the Central Asian Regional Economic Cooperation countries. A centerpiece of this work will be the design of employment creation schemes in a regional setting with integrated skills development.

DIMITRI B. PAPADIMITRIOU's research includes financial structure reform, fiscal and monetary policy, community development banking, employment policy, and distribution of income, wealth, and well-being. He heads the Levy Institute's macroeconomic modeling team studying and simulating the U.S. and world economies. In addition, he has authored or coauthored many articles in academic journals and Levy Institute publications relating to Federal Reserve policy, fiscal policy, financial structure and stability, employment growth, and Social Security reform. He is currently working to publish (or republish) the work of the late financial economist Hyman P. Minsky. Papadimitriou is president of the Levy Institute and executive vice president and Jerome Levy Professor of Economics at Bard College. He has testified on a number of occasions in hearings of Senate and House of Representatives Committees of the U.S. Congress, was vice chairman of the Trade Deficit Review Commission of the U.S. Congress (1999–2001) and was a member of the Competitiveness Policy Council's Subcouncil on Capital Allocation (1993–98). He was a distinguished scholar at the Shanghai Academy of Social Sciences in fall 2002. Papadimitriou has edited and contributed to 10 books published by Palgrave Macmillan, Edward Elgar, and McGraw-Hill, and is a member of the editorial boards of *Challenge* and *The Bulletin of Political Economy*. He is a graduate of Columbia University and received a Ph.D. in economics from the New School for Social Research.

KATE PHILIP is the head of the Second Economy Strategy Project, an initiative of the South African Presidency developed as part of the Accelerated Shared Growth Initiative of South Africa. Philip coordinated development of a policy framework titled "Second Economy Strategy: Addressing Inequality and Economic Marginalisation," which was adopted by the South African Cabinet in January 2009. In this capacity, Philip also initiated the Community Work Programme, and is currently managing its institutionalization as a government program.

STEPHEN PURSEY is director of the Policy Integration Department and senior adviser to the director-general of the International Labour Organization. Among the issues he has worked on are international policy coherence, measuring decent work, the impact of globalization on poverty reduction and decent work, multinational enterprises and social policy, freedom of association and the right to bargain collectively, sustainable development, and trade and investment issues.

JOHN SCOTT is a professor-researcher and former director of the economics division at the Centro de Investigación y Docencia Económicas in Mexico City. He was educated at New York University (B.A., philosophy) and the University of Oxford (M.Phil., economics). He has been a member of the Technical Committee for the Measurement of Poverty in Mexico and the Mexican Commission for Macroeconomics and Health. His principal research areas include poverty and inequality analysis, the design and evaluation of social and rural development policies, agricultural and energy subsidies, the economics of health and social security, and the distributive incidence of public spending. He has worked on these areas as a consultant for various international organizations—including the World Bank, the Inter-American Development Bank, the U.N. Food and Agriculture Organization, the Organisation for Economic Co-operation and Development, and the United Nations Development Program (UNDP)—as well the Mexican government (treasury, social, health, and labor ministries). These studies have appeared in numerous technical reports and academic publications. Currently, he is coediting the 2009 Mexico Human Development Report for the UNDP and completing a book on the *Political Economy of Inequality in Mexico*.

Research Associate **PAVLINA R. TCHERNEVA** is an assistant professor of economics at Franklin and Marshall College, specializing in the fields of monetary theory, fiscal policy, and macroeconomic stabilization. She previously taught at Bard College and the University of Missouri–Kansas City (UMKC). From 2000 to 2006, Tcherneva served as associate director for economic analysis at the Center for Full Employment and Price Stability, where she remains a senior research associate. She was also a visiting research scholar at the University of Cambridge Centre for Economic and Public Policy. Tcherneva's current research interests include the nature of government finance, Keynesian fiscal policies, and direct job creation. She is presently studying the effects of pro-employment policies on gender outcomes and urban development. Tcherneva has worked with policymakers from Argentina, Bulgaria, China, Turkey, and the United States on proposing, developing and evaluating public sector job guarantees. She has published in the *Rutgers Journal of Law and Urban Policy*; *the International Journal of Environment, Workplace, and Employment*; and *Oeconomicus*. She is coeditor (with M. Forstater) of *Full Employment and Price Stability: The Macroeconomic Vision of William S. Vickrey* (2004). Tcherneva holds a B.A. in mathematics and economics from Gettysburg College and an M.A. and a Ph.D. in economics from UMKC.

For the past five years, **MARTHA TEPEPA** has been studying employer-of-last-resort and job guarantee programs such as the Plan Jefes y Jefas de Hogar in irregular settlements in Lomas de Zamora, Argentina. She received an M.A. in cultural anthropology from Columbia University and a Licenciature en Economia from the Universidad Autónoma Metropolitana Azcapotzalco, and is currently enrolled in the urban and environmental studies Ph.D. program at the Colegio de México.

MARC VAN IMSCHOOT received an M.S. degree in civil engineering from the State University of Ghent in 1976. After working at the Antwerp Waterworks the following year, he began his international career for the International Labour Organization (ILO) in 1978 in Kenya, where he helped to scale up the Rural Access Roads Programme, one of the first vast employment-intensive programs in Africa. From 1980 until 1984, he continued his work in Kenya for the Belgian Development Corporation in the newly created Ministry of Water Development. Since the mid-1980s, he has assisted the ILO in the design and monitoring of public works programs in numerous countries in Africa and Asia. He has also helped the World Bank set up social funds in Madagascar, Rwanda, Morocco, and Yemen. Together with others, van Imschoot developed training manuals in local resource-based techniques in different sectors, with a view to enhance the capacities of small- and medium-size enterprises and local consulting firms. He also intervenes as a technical auditor for projects financed by the World Bank, ILO, and DANIDA. Today, van Imschoot works as senior technical advisor in the Employment-Intensive Investment Branch of the ILO.

AJIT ZACHARIAS is a senior scholar at the Levy Institute and codirector of the Levy Institute Measure of Economic Well-Being (LIMEW) project. His research focuses on the measurement of economic well-being and distribution of income and wealth. In addition to several Levy Institute publications on the LIMEW and other topics, he has published in *Challenge*, *Cambridge Journal of Economics*, *Eastern Economic Journal*, *Journal of Economic Inequality*, *Review of Income and Wealth*, and *Review of Radical Political Economics*. Zacharias is a member of the editorial board of *Journal of Economic Inequality* (Springer) and the advisory board of *Dialectical Anthropology* (Springer). He received an M.A. from the University of Bombay and a Ph.D. from the New School for Social Research.

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