



EMPLOYER OF LAST RESORT: THEORY AND PRACTICE

**Employment Opportunities And Public Employment Policy In
Globalising India**

Centre for Development Studies

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“There is plenty of evidence that unemployment has many far-reaching effects other than loss of income, including psychological harm, loss of work motivation, skill and self-confidence, increase in ailments and morbidity (and even mortality rates), disruption of family relations and social life, hardening of social exclusion and accentuation of racial tensions and gender asymmetries.”

— Amartya Sen (2000)

UNEMPLOYMENT RATES (%) (FEBRUARY 2008)



Australia	4.0	Greece (Dec')	8.9
Argentina	7.5	India (2007)	7.2
Belgium	10.9	Indonesia	9.8
Brazil	8.0	Norway (Dec')	2.4
Canada	5.8	Poland (Jan')	11.7
China (2007)	9.5	South Africa (2007)	25.5
Colombia	9.9	Spain	8.8
Euro Area	7.1	Sweden	6.1
France	7.5	Thailand (Dec')	0.8
Germany	8.0	Turkey (2007)	10.1
		United States	4.8

UNOFFICIAL UNEMPLOYMENT RATES



- **“Full” unemployment in the U.S. = 8.9 %**
 - **Does not include the prison population**
- **S. African expanded rate (2007) = 38.3 %**
 - 4.34mil (official unemployed) /**
16.98mil (official labor force) = 25.5 %
 - 7.84mil (off' + discouraged) / L.F. (including discouraged = 38.3 %**

Countries with Job Creation Experiences



International Experience of ELR or EGS Policies



-RIGHT TO WORK

SWEDEN: “Right to work” rather than “right to income”
1938-1970

INDIA: 1972 Maharashtra Program (Right to Food),
-2005 (NREGA), Entitlement Programme

-EMERGENCY PUBLIC WORKS

INDONESIA: 1979, 1997-8 (East Asian Crisis)

S. KOREA: 1997-8 (East Asian Crisis)

UNITED STATES: 1933-1936 – (New Deal)

ARGENTINA: 1995-2002 (Trabajar),
- 2002 (Jefes de Hogar)

International Experience (cont')



-KEYNESIAN DEMAND MANAGEMENT

AUSTRALIA: 1940-1970s

-SOCIAL FUNDS AMELIORATING EFFECTS OF STRUCTURAL ADJUSTMENT

SOUTH AFRICA: 2004 (Expanded Public Works Programme)

PERU: 1991

BOLIVIA: 1986

CHILE: 1975-1987

- ILO Employment Intensive Public Works



Malawi

Ghana

Zimbabwe

Senegal

Botswana

Tanzania

Uganda

Zambia

Bangladesh

Morocco

South Africa

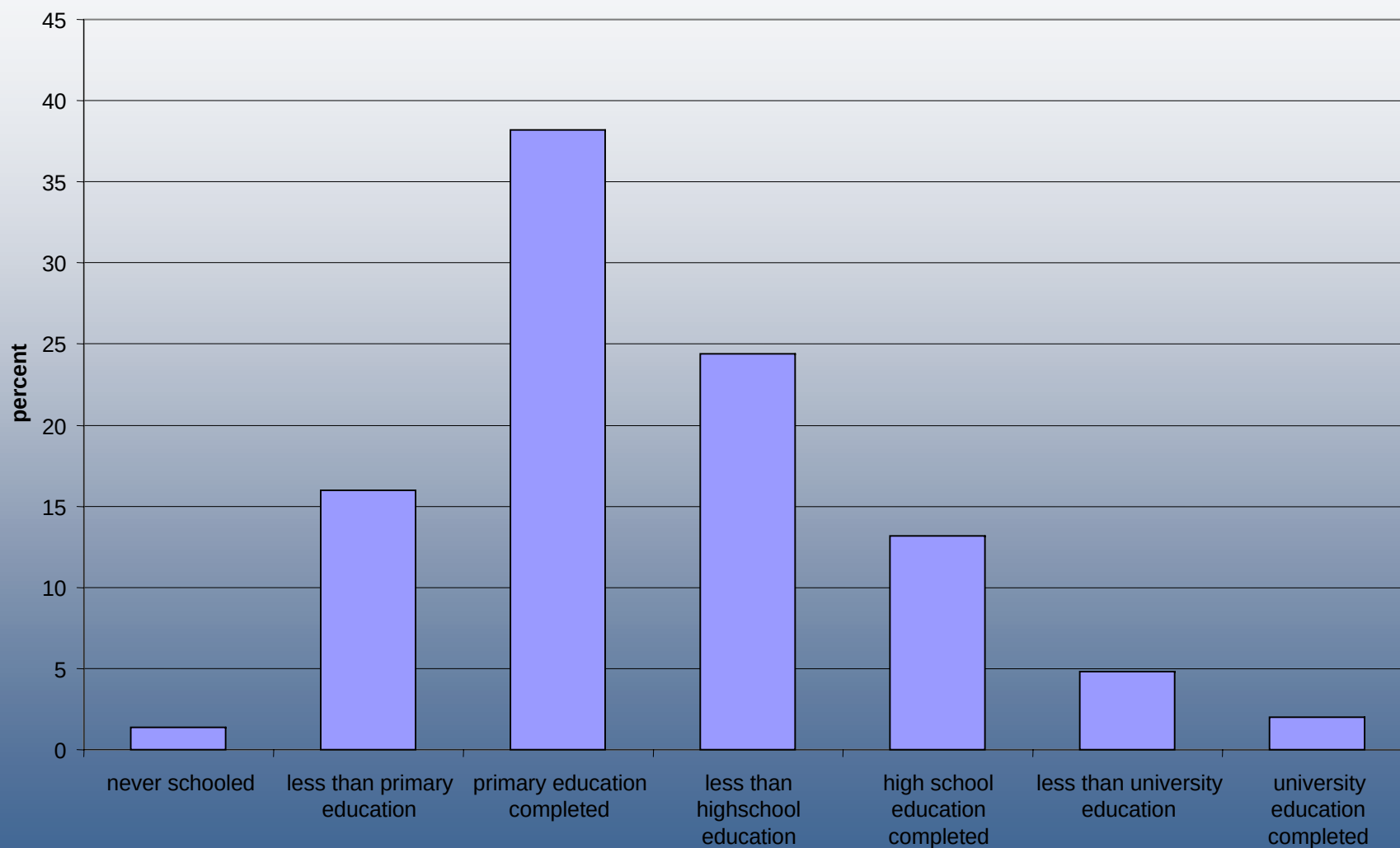
Beneficiaries According to Unmet Basic Needs



Poor sanitation	44.90%
More than 3 members per room	21.80%
Inadequate housing	8.60%
Kids that do not go to school	0.90%
Dependency rate (number of family members per employed individual in the household)	3.9
Household with at least one unmet basic need	56.80%

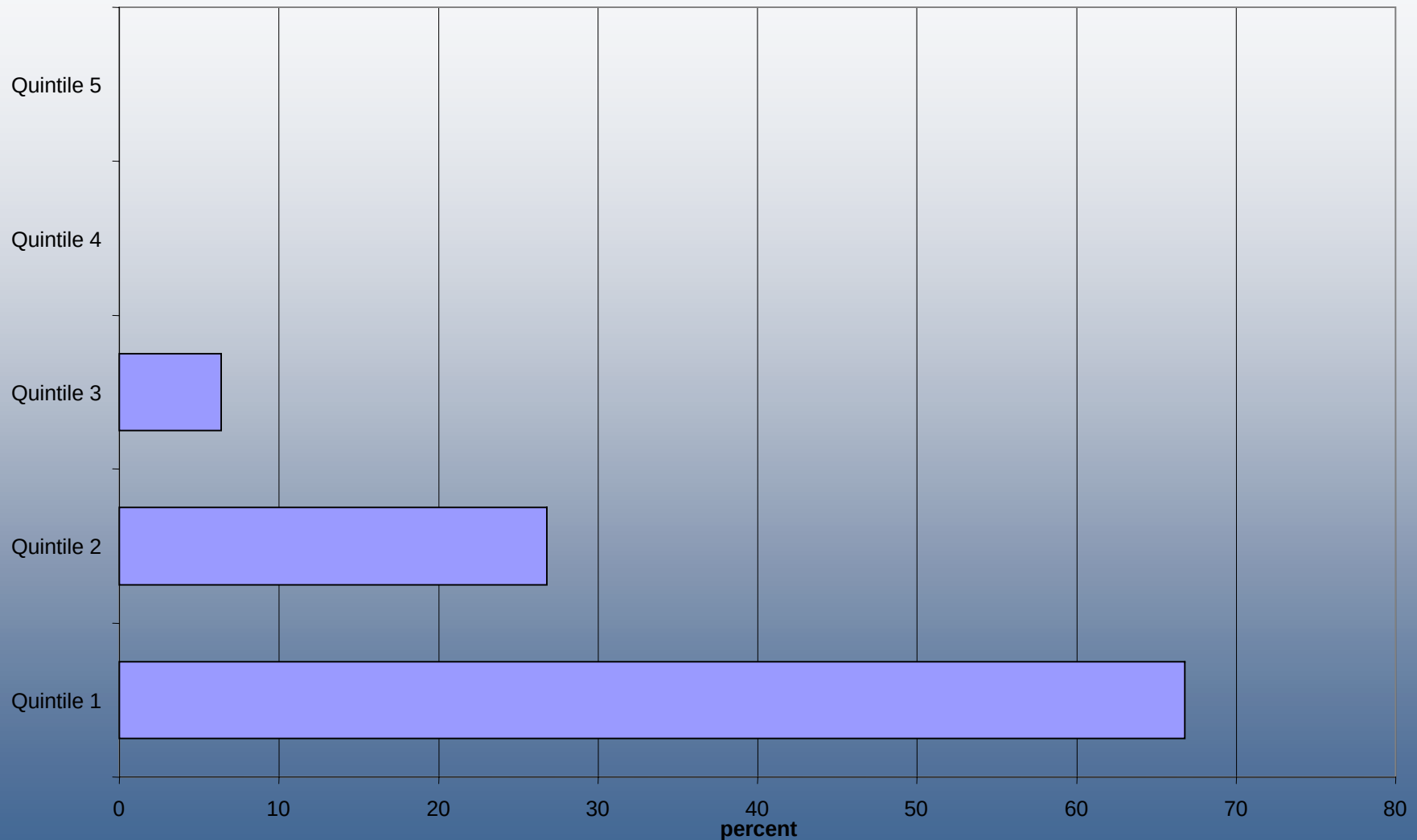
Source: Ministry of Labor, Employment and Social Security, Argentina

Beneficiaries According to Educational Attainment



SOURCE: Ministry of Labor, Employment and Social Security, Argentina

Beneficiaries According to Distribution of Personal Income



SOURCE: Ministry of Labor, Employment and Social Security, Argentina

PROGRAMME IMPACT

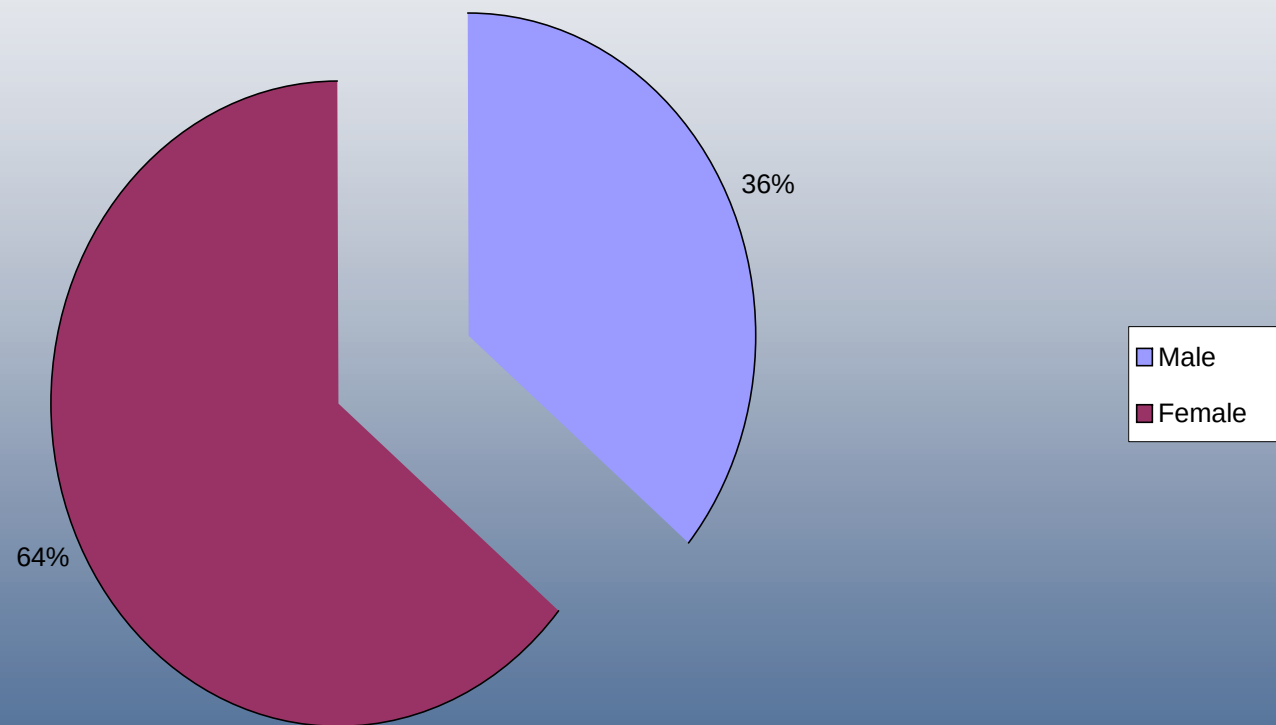
- Indigence and Poverty



% of households below the line of indigence and poverty			
Households	without <i>Jefes</i>	with <i>Jefes</i> (Aug 2002)	percent change
indigence	86.4	61.8	-24.6
poverty	98.3	95.4	-2.9

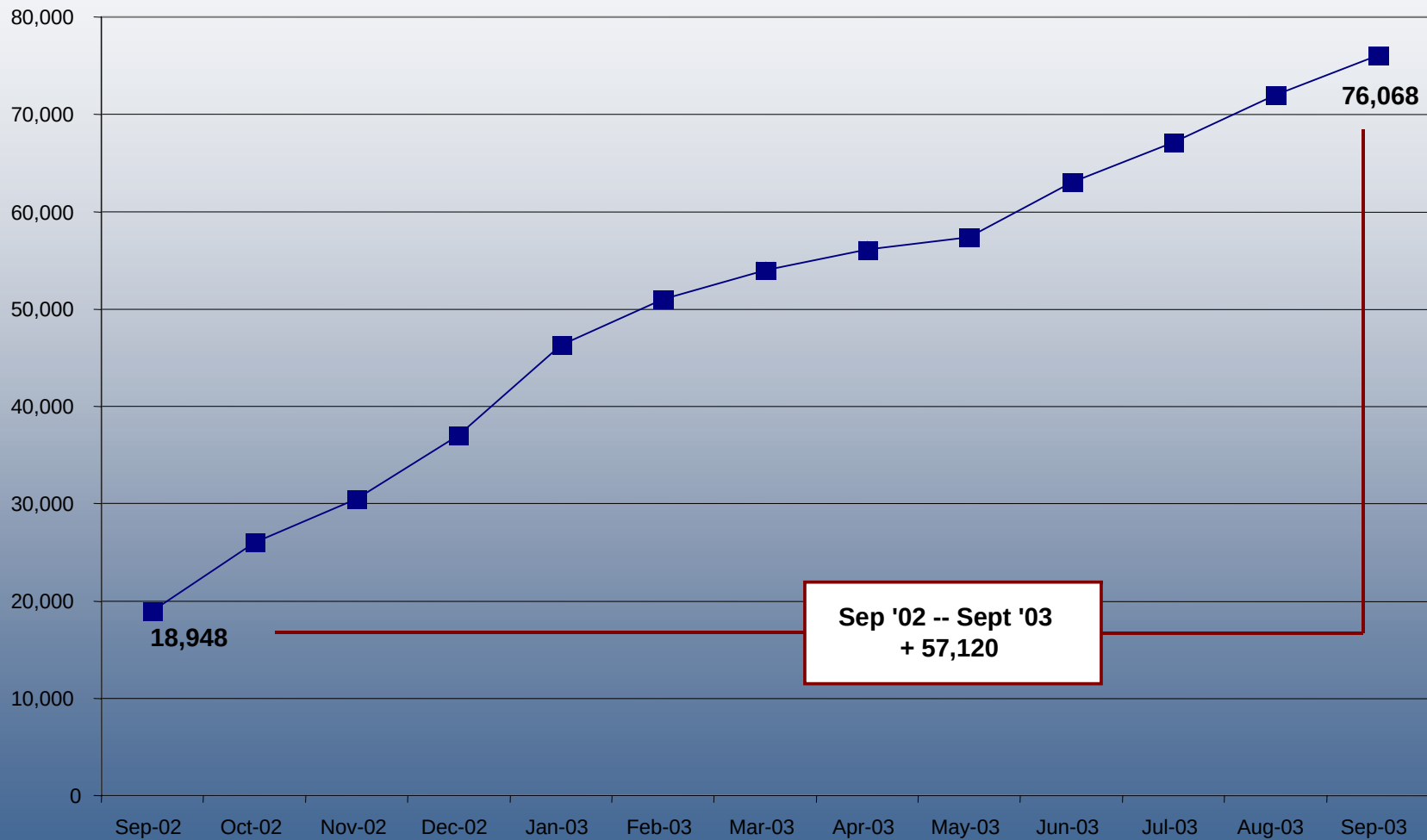
Source: Ministry of Labor, Employment and Social Security, Argentina

Beneficiaries by Gender



SOURCE: Ministry of Labor, Employment and Social Security, Argentina

Reentry Into the Private Sector: Evolution in the insertion rate of beneficiaries into the labor market



SOURCE: Ministry of Labor, Employment and Social Security, Argentina

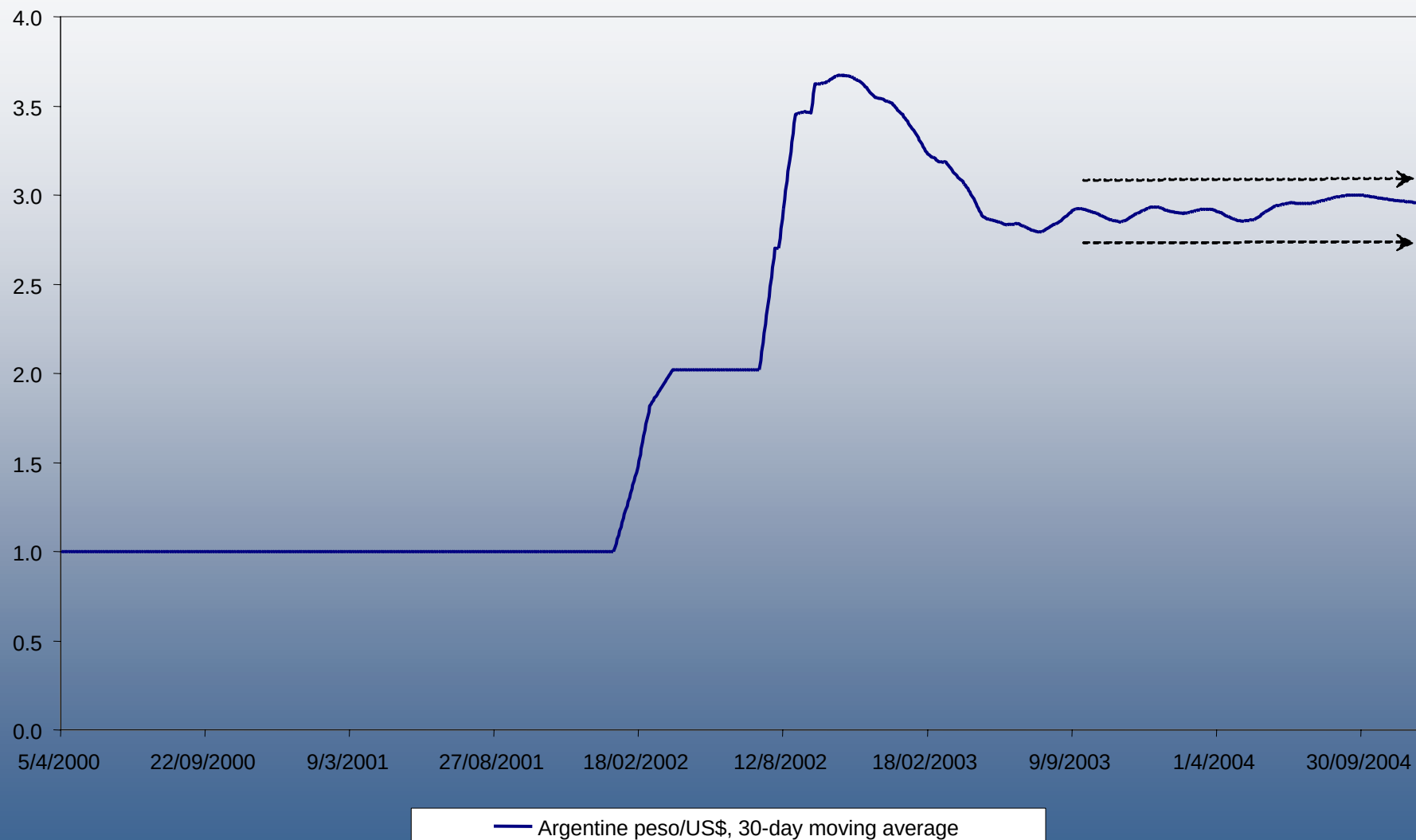
Reentry Into the Private Sector: The *Jefes* wage is the effective minimum wage



Distribution of beneficiaries who have been incorporated into the labor market according to salary received	
Salary received	Percent of beneficiaries
Less than 150 pesos	6.8%
150 -- 349 pesos	30.4%
350 -- 549 pesos	34.8%
550 -- 749 pesos	17.7%
750 pesos and above	10.3%
TOTAL	100.0%

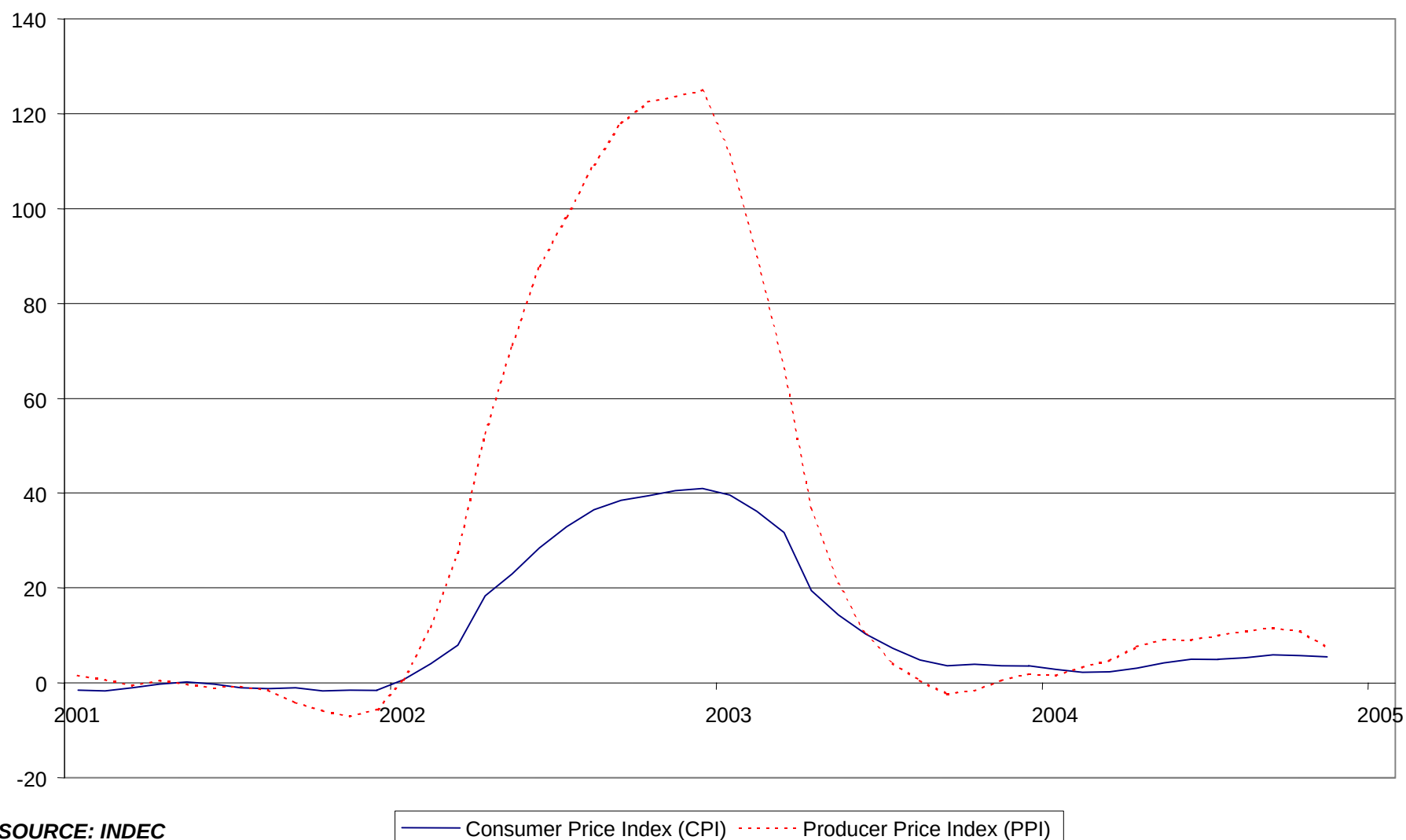
Source: Ministry of Labor, Employment and Social Security, Argentina

Argentine Exchange Rate Has Stabilized



SOURCE: INDEC

Argentine Consumer and Producer Prices Have Stabilized



Gross Domestic Product



SOURCE: INDEC

THE MULTIPLIER EFFECT OF *JEFES*

Multiplier 2.57

GDP = 334 billion pesos (current prices)

Number of *Jefes* beneficiaries = 1.8 million

Monthly *Jefes* wages = 150 pesos

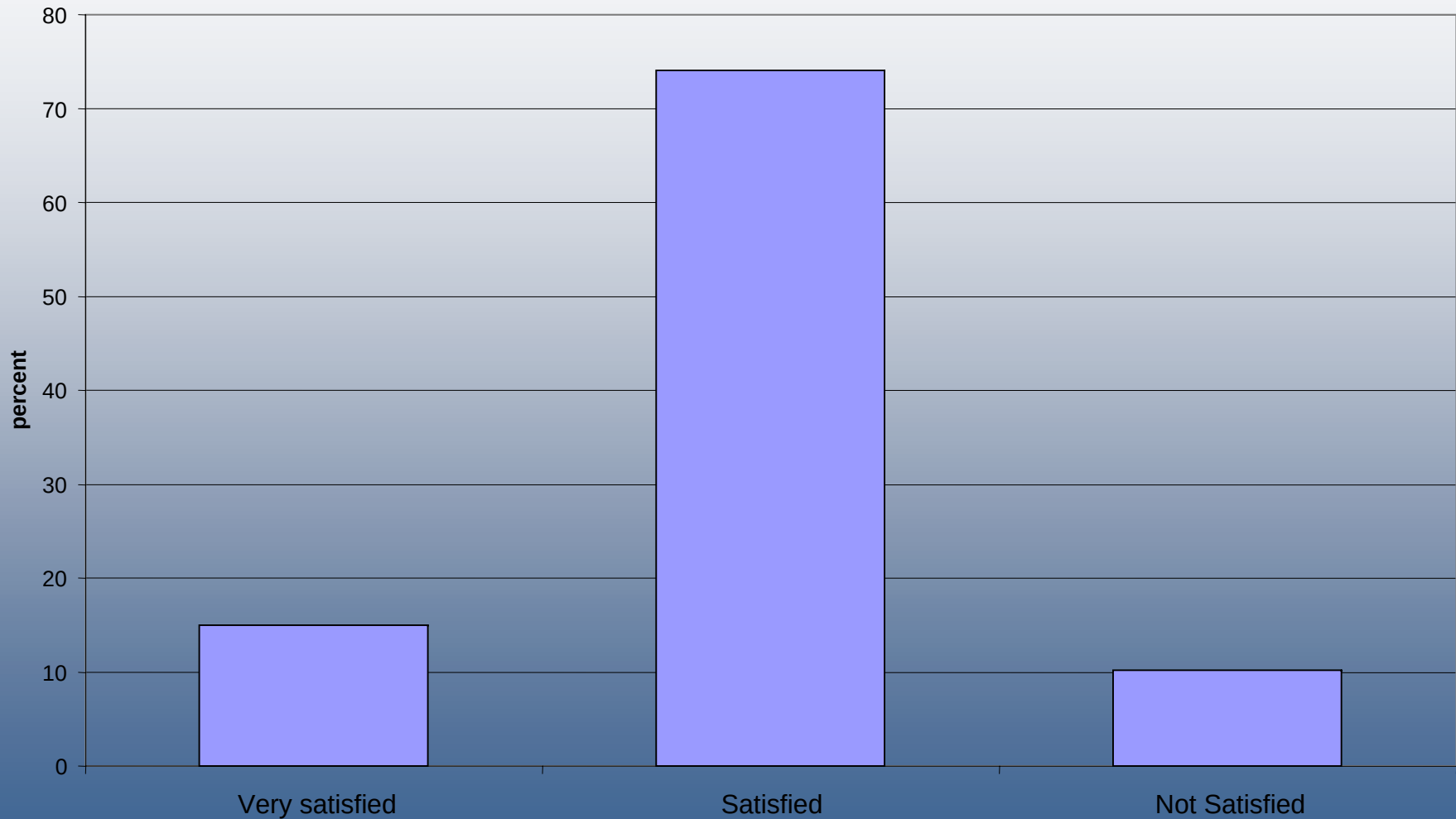
Annual income increase due to *Jefes*

1.8 million X 150 X 12 months = 3,240 million

Multiplier effect

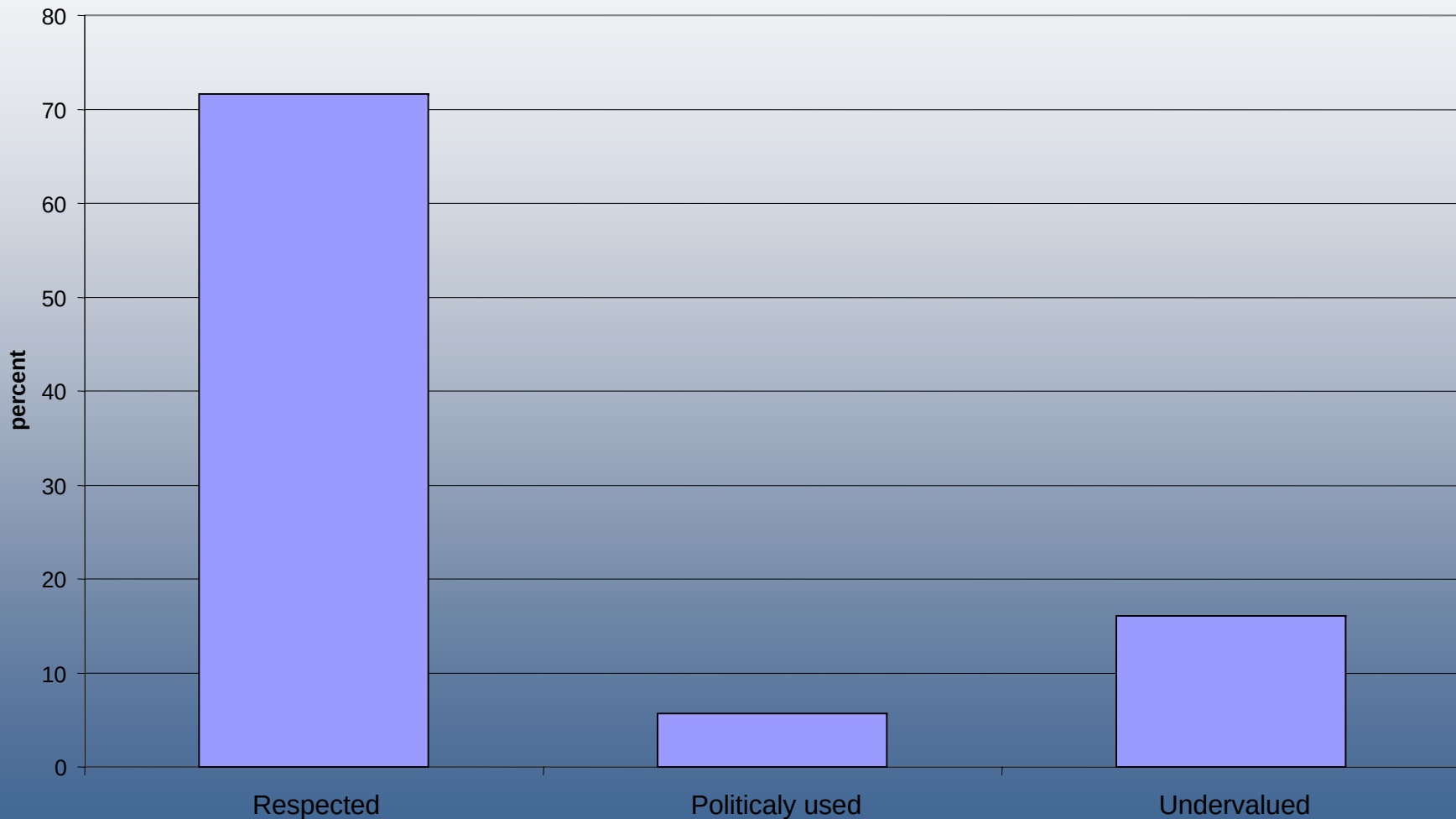
3,240 X 2.57 = 8,327 million pesos annual addition to GDP
or 2.49 % of GDP

Degree of Satisfaction with the Programme



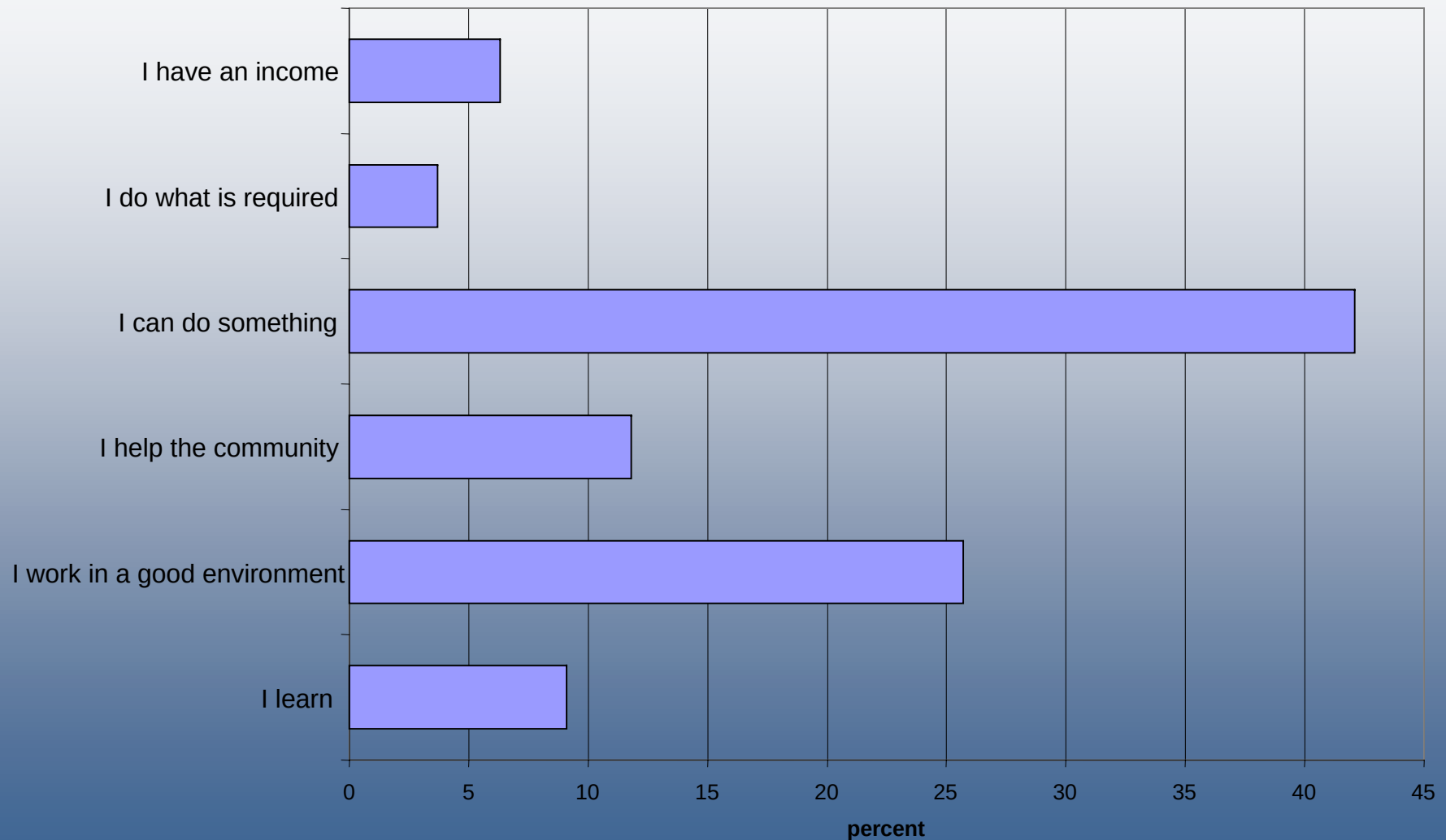
SOURCE: Ministry of Labor, Employment and Social Security, Argentina

How Did You Feel When You Requested the Programme?



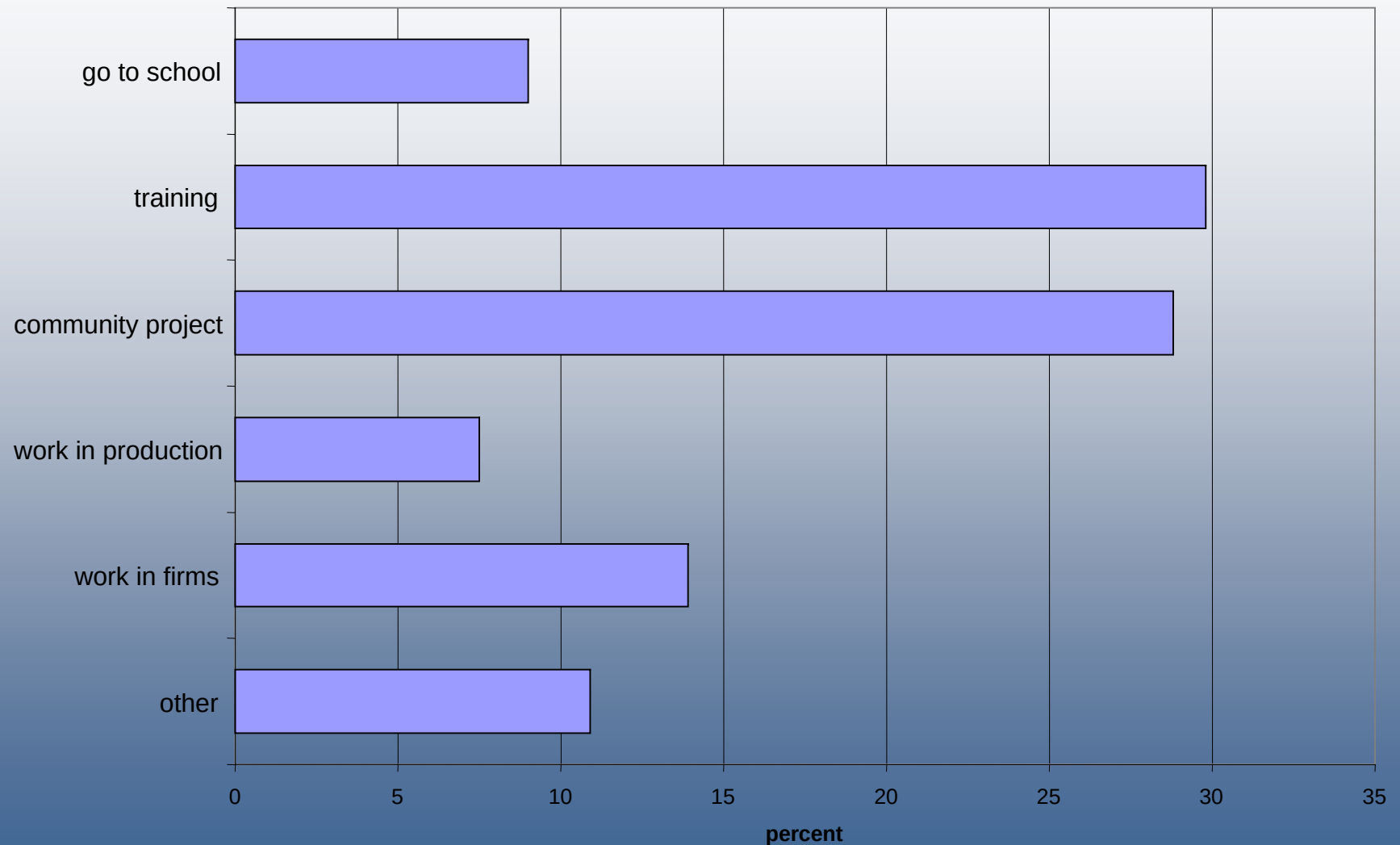
SOURCE: Ministry of Labor, Employment and Social Security, Argentina

Reasons Why You Were Satisfied With the Programme



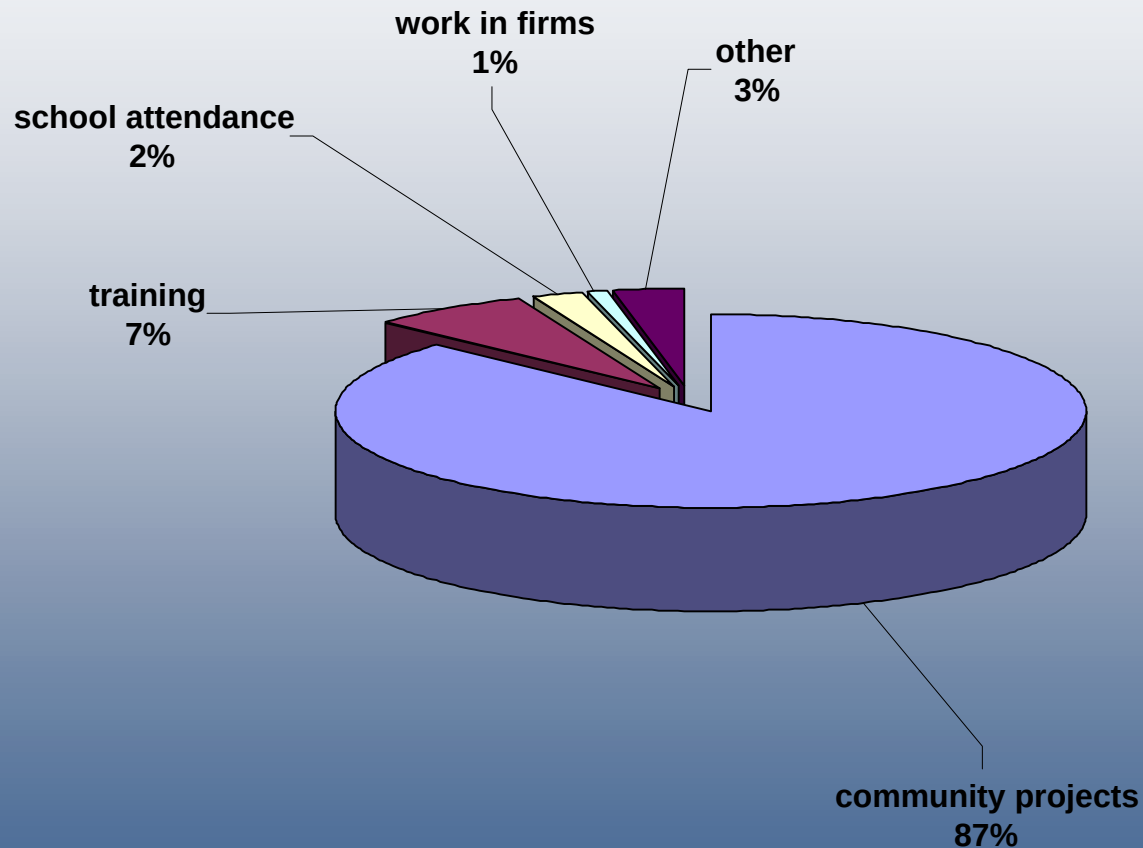
SOURCE: Ministry of Labor, Employment and Social Security, Argentina

What Would You Like to Do As Part of the Programme?



SOURCE: Ministry of Labor, Employment and Social Security, Argentina

Project Typology: Distribution of *Jefes* Workers by Type of Employment



SOURCE: Ministry of Labor, Employment and Social Security, Argentina

Project Typology: Types of Community Projects



Micro enterprises (mainly in agriculture)	26
Social and community services	17
Maintenance and cleaning of public spaces	14
Public lunchrooms	11
Educational activities	10
Construction and repair of homes and social infrastructure	8
Healthcare and sanitation	5
Administrative support	4
Child care	2
Elderly care	1
Other	2
Total	100%

Source: Ministry of Labor, Employment and Social Security, Argentina

Project Financing



	Project Types	Maximum government financing
1. Sanitary Infrastructure	1. Water supply	80%
	2. Sewer system, water-drainages	80%
	3. Pluvial networks	60%
2. Social Infrastructure	1. Health infrastructure	80%
	2. Education infrastructure	80%
	3. Welfare infrastructure	60%
	4. Communitarian cultural infrastructure	60%
	5. Sport infrastructure	60%
3. Productive Infrastructure	1. Municipal infrastructure for trade fairs & markets	60%
	2. Municipal slaughter houses	60%
	3. Recreational and/or tourist areas	60%
	4. Hydraulic defenses	60%
4. Improvement of the Habitat	1. Improvement of claypits	60%
5. Communitarian Orchards	1. Communitarian orchards	60%

Source: Ministry of Labor, Employment and Social Security, Argentina

THE GREAT DEPRESSION (1929-1933)



- Cumulative GDP decline of more than **-45 %** over the four years from 1930-1933
- Unemployment rate $> 30\%$ (non-farm workforce) and reached 50 % in Harlem, NY.
- Wage income fell **-42.5 %** over 1929-1933

U.S. UNEMPLOYMENT (FEBRUARY 2008)



Unemployment Rate	4.8 %
Youth	16.6 %
African Americans	8.3 %
Hispanics	6.2 %
Labor Participation Rate	65.9 %
Unemployed Persons	7.4 million
Employed Part Time	5.1 million
Marginally Attached and Discouraged	1.6 million
Persons who current want a job	4.8 million

Source: BLS

A HYPOTHETICAL ELR PROGRAMME IN THE U.S. - COSTS AND BENEFITS



Number of ELR workers	7 million
Wage rate with benefits	\$10 per hour
Annual Wage Bill	\$145.6 billion
GDP	\$15,000 billion
Annual cost as % of GDP	less than 1 %
Multiplier	2.0
Multiplier Effect	145.6 x 2 = \$291.2 billion annual addition to GDP or 1.94 % of GDP

FINANCING MODALITIES FOR AN ELR PROGRAM



HIGH-INCOME COUNTRIES:

FUNCTIONAL FINANCE

- Sovereign Currency with Floating Exchange Rates (U.S., Japan, S. Korea, Canada, U.K., Australia, certain lower-income nations, i.e. Mexico)

SOUND FINANCE

- Non-sovereign Currency with Floating Exchange Rates (Eurozone members)

FINANCING MODALITIES FOR AN ELR PROGRAM



SOUND FINANCE AND/OR ODA

- MIDDLE-INCOME COUNTRIES (Mexico)
- LOW-INCOME COUNTRIES (Post Conflict)

RESOURCE WEALTH NATIONS

- OIL PRODUCERS: OPEC (*Iran, *Iraq), Russia
- DIAMOND AND GOLD: (S. Africa)
- METALS: (Chile)
- FINANCIAL RESERVES: (Brazil)

