

Some lessons from the Argentinean Plan Jefes de Hogar Employment as a strategy for Human Development

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As a theoretical assumption 1...



Nothing more deceptive than an obvious fact... Once you eliminate the impossible, whatever remains, no matter how improbable, must be the truth.

- ☐ Sherlock Holmes to his assistant Watson

As a theoretical assumption 2...



□ Richard Freeman (2003)

"The problems of the labor market can not be solved in the labor market..."

The labor market is the gearbox that links the economy, its institutions, with the fulfillment of household's basic needs e.g. human development.

The diagnose...



- ☐ GDP stagnation
- ☐ Reduction of the rate of employment
- ☐ Increase of unemployment
- ☐ High proportion of workers without social protection
- ☐ Intermittent access to jobs
- ☐ Reduction of the rate of participation
- ☐ Rise of poverty
- ☐ Rise of inequality

The rationality behind the policies in the 90s



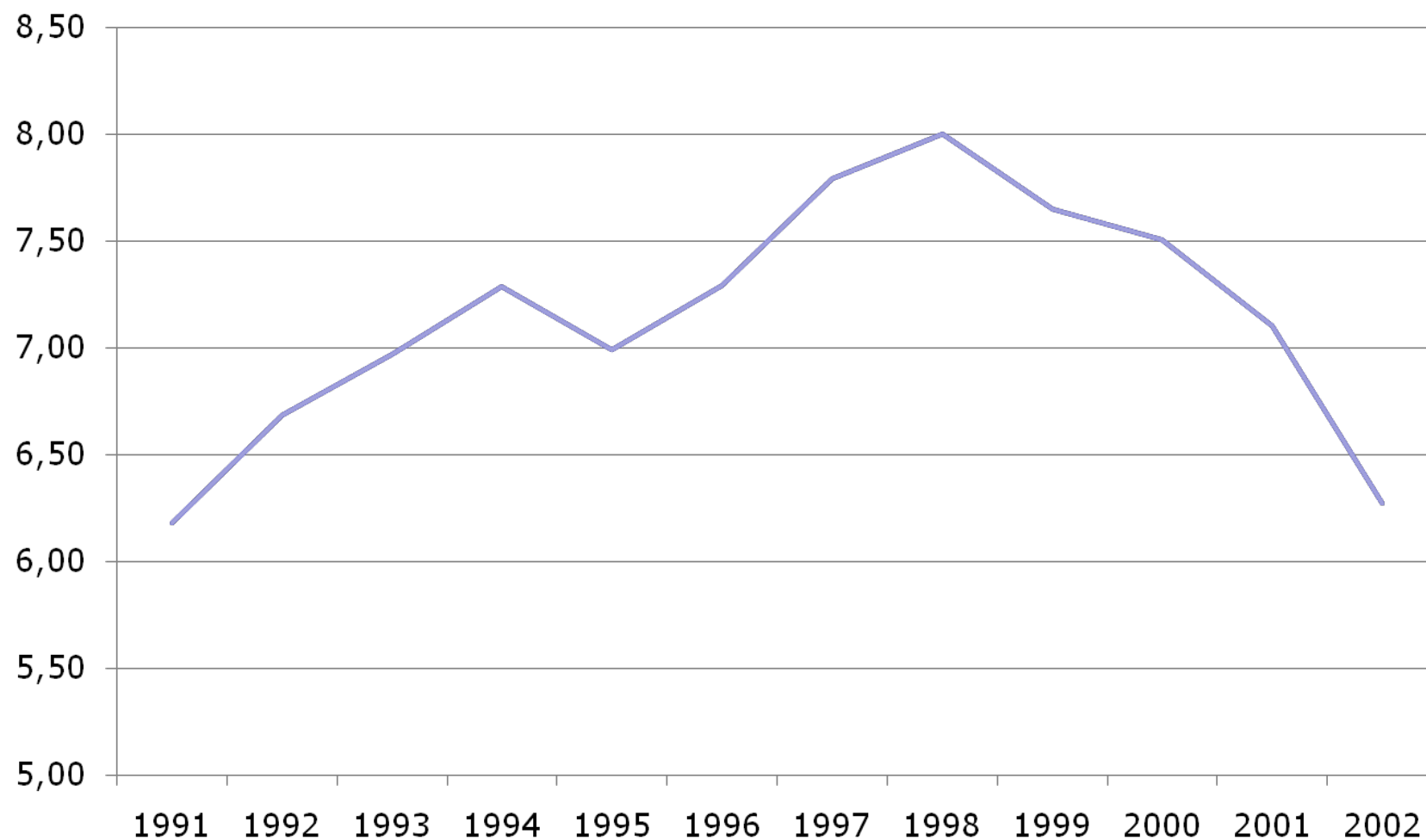
- ☐ The target were the macroeconomic fundamentals, leaving the labor market to automatically adjust.
- ☐ Labor markets should adjust freely in terms of prices and quantities.
- ☐ Every rigidity should be removed to let markets work..
- ☐ Labor costs should be reduced in order to maintain competitiveness.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

The unfulfilled promise...

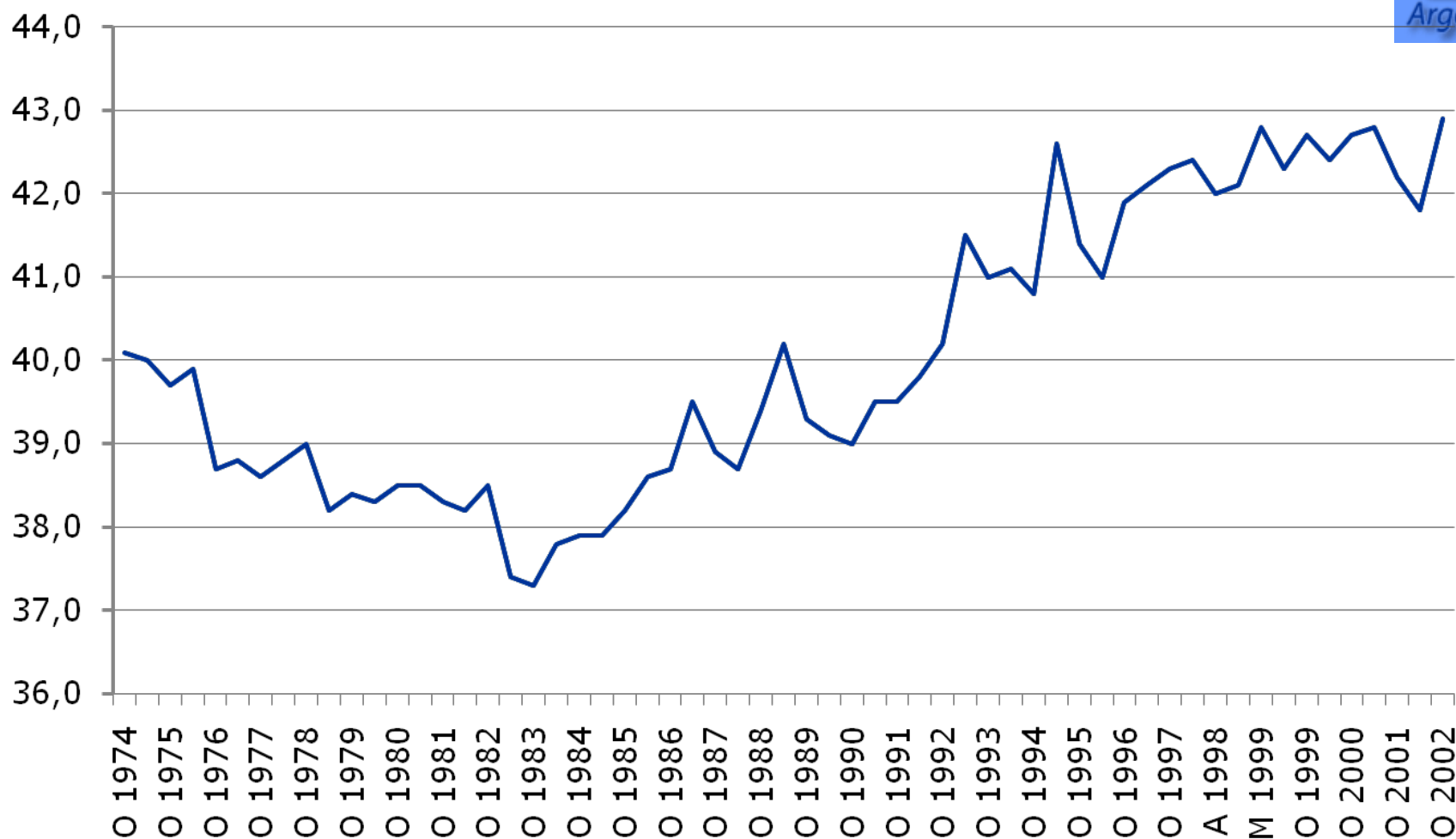


- ❑ Notwithstanding labor market flexibilization, unemployment, precariousness and informality grew.
- ❑ Even with very high GDP growth poverty increased.
- ❑ Productivity increases were not transferred to salaries and wages.
- ❑ Labor costs reduction were not translated into increases in employment.

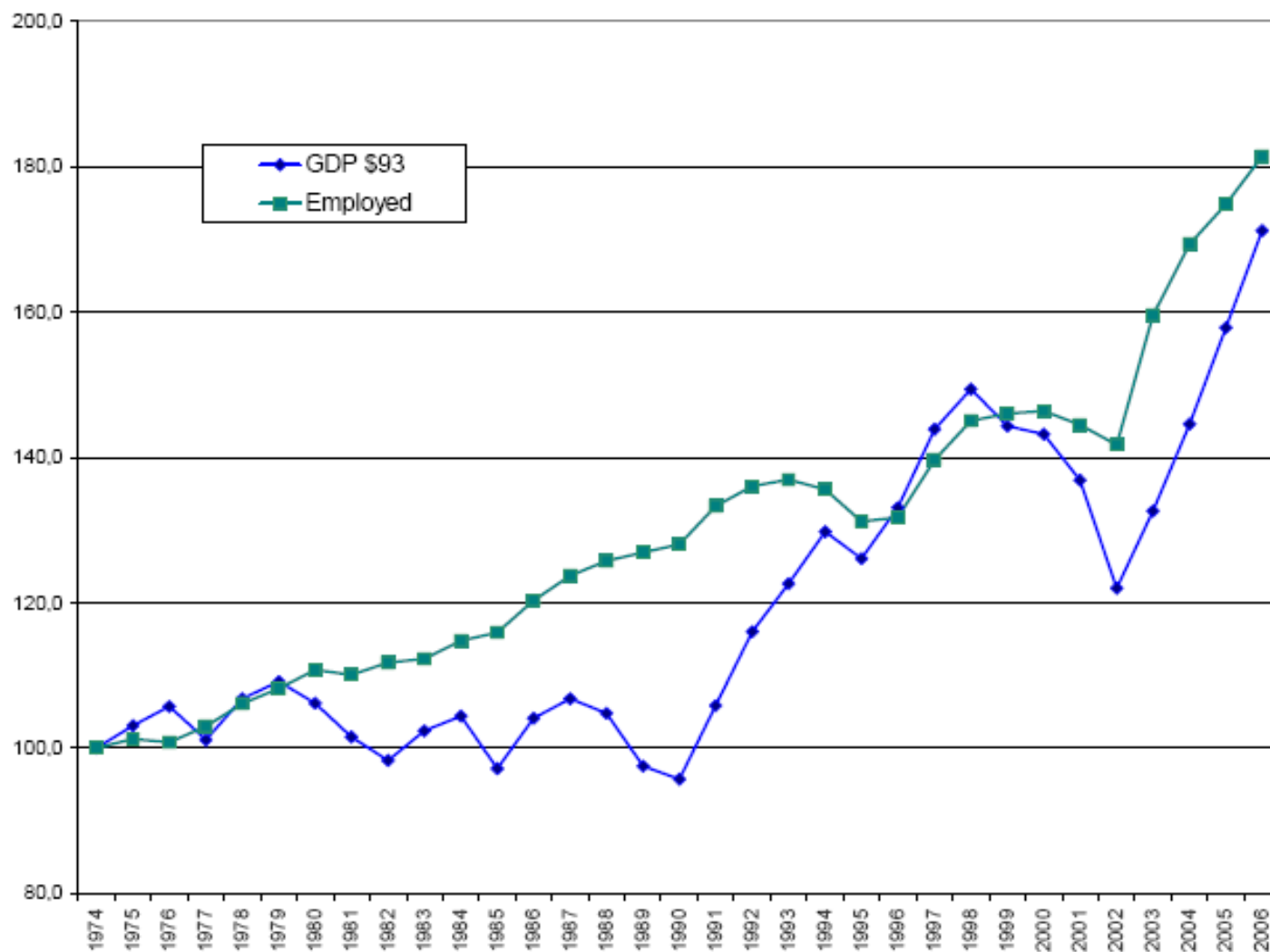
Evolution of GDP per capita at 1993 prices



Rate of participation as % of total population

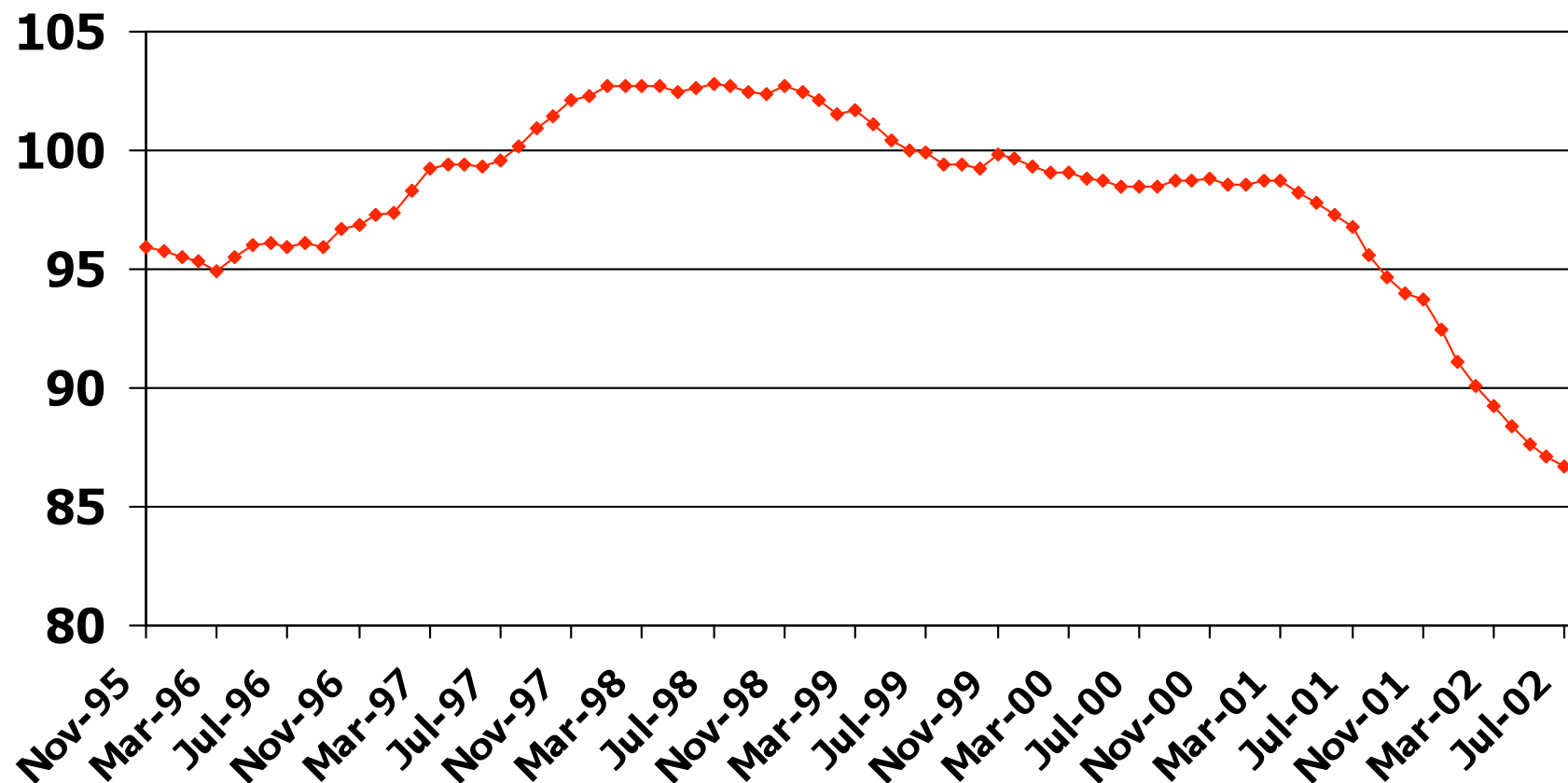


Long run relationship between GDP at 1993 prices and employed population base 1974

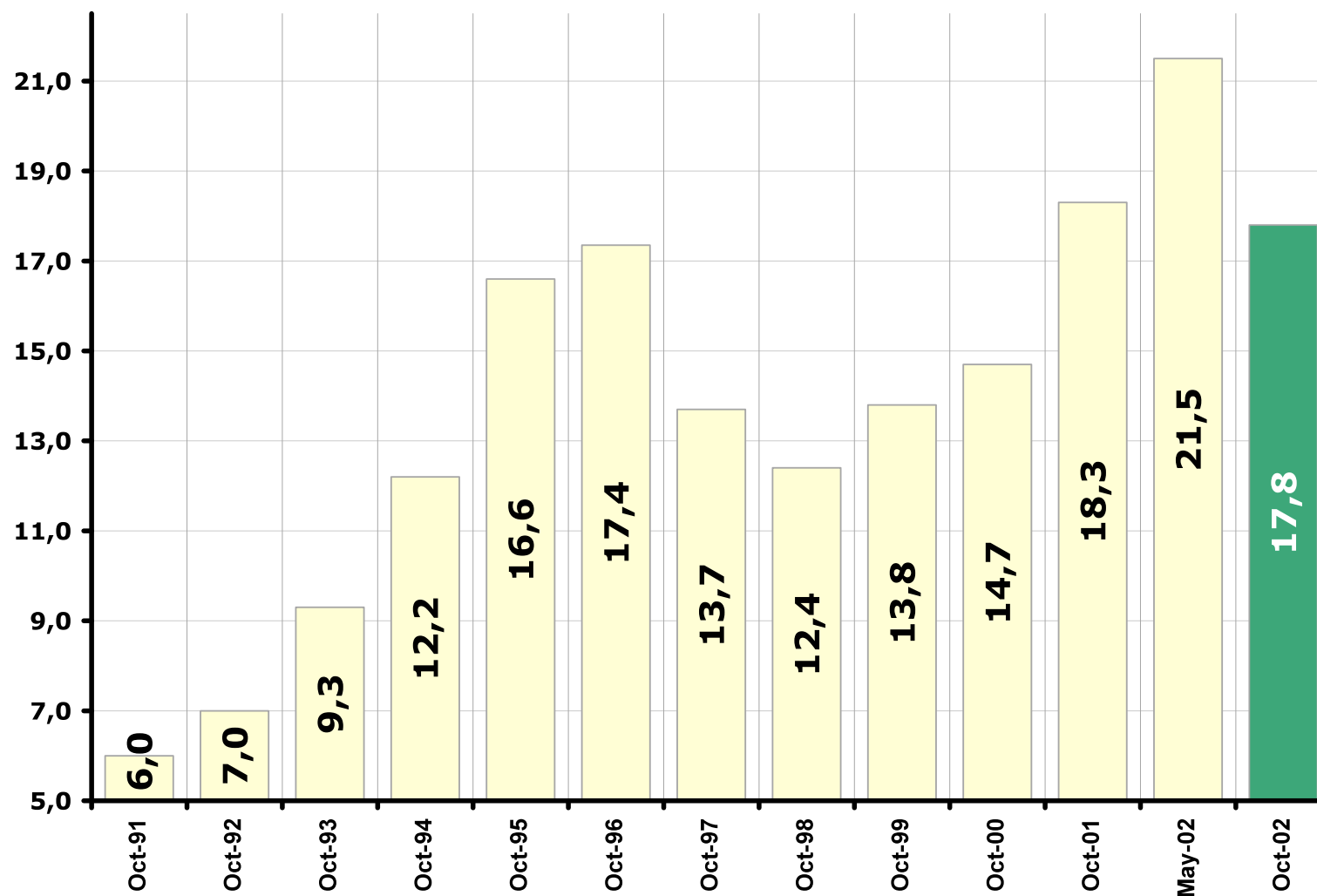


Source: National Accounts and INDEC

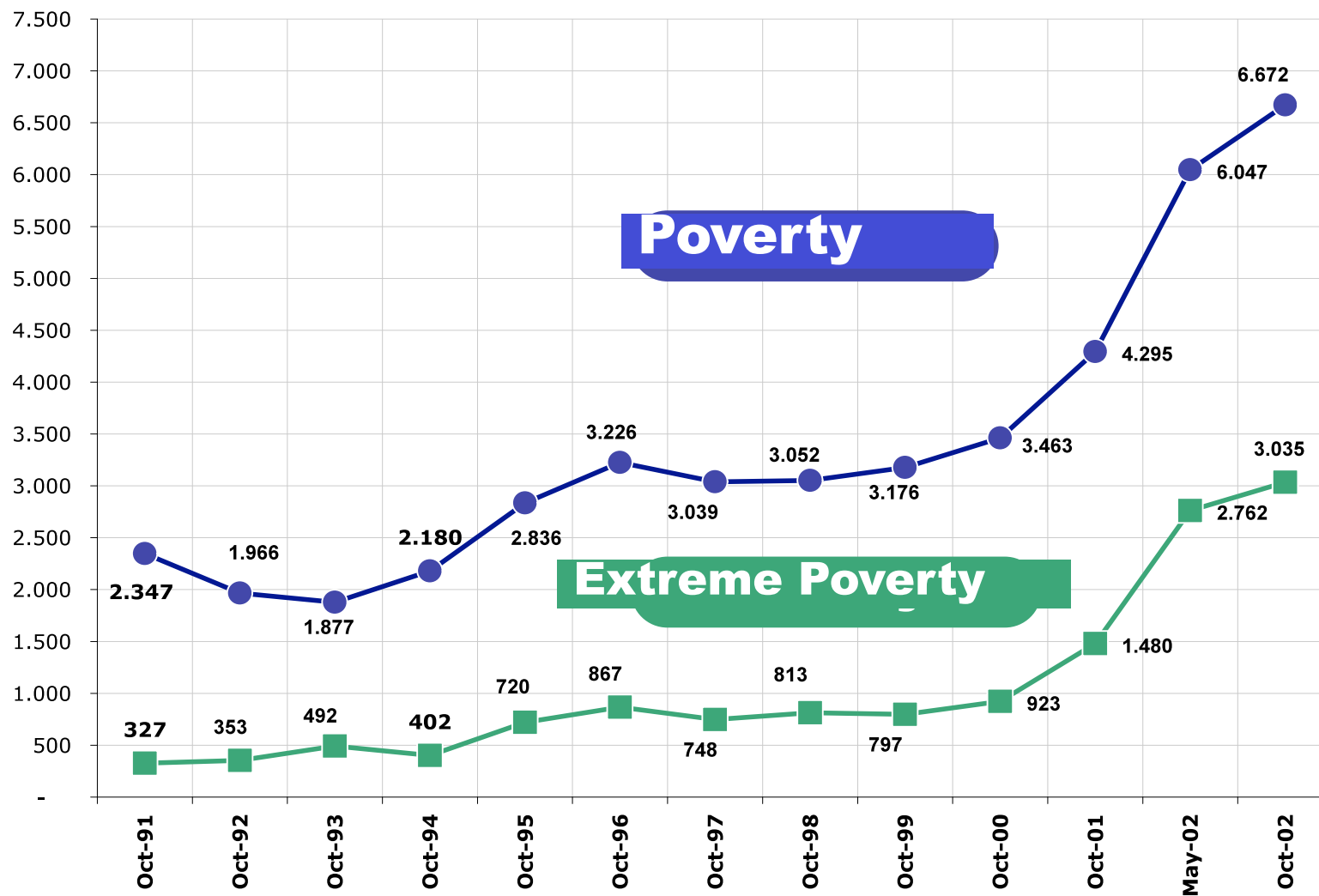
Evolution of formal employment: base 99=100



The rate of unemployment skyrocketed



Poverty and extreme poverty increased



December 21st. December 2001, 39
killed



Crisis exploded 5 presidents in a week

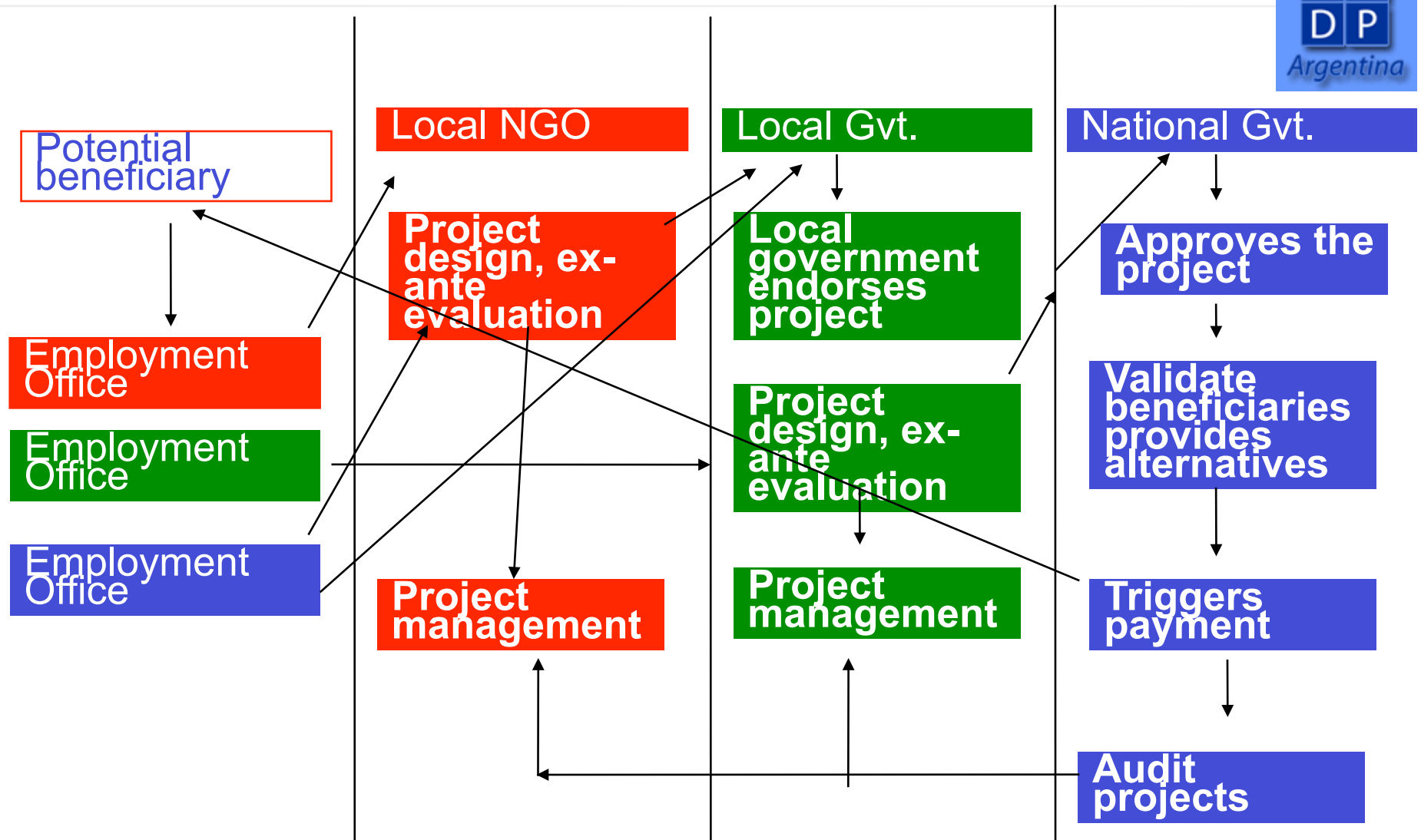


Plan Jefes de Hogar Desempleados



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

The procedures of the program...



Typical activities



- **Production of goods**

- Bakery, Clothing, Bricks ,Community farms
- Construction and self construction
- At individual level or cooperatives

- **Production of services**

- Childcare, Elderly care
- Teaching assistance
- Community and school kitchens
- Health programs support

- **Education and vocational training**

The micro-enterprises...



- ☐ Individual
 - ☐ Small scale production
 - ☐ Self employment in services
- ☐ Joint projects
 - ☐ Cooperatives
 - ☐ Joint ventures with private firms

Education ...



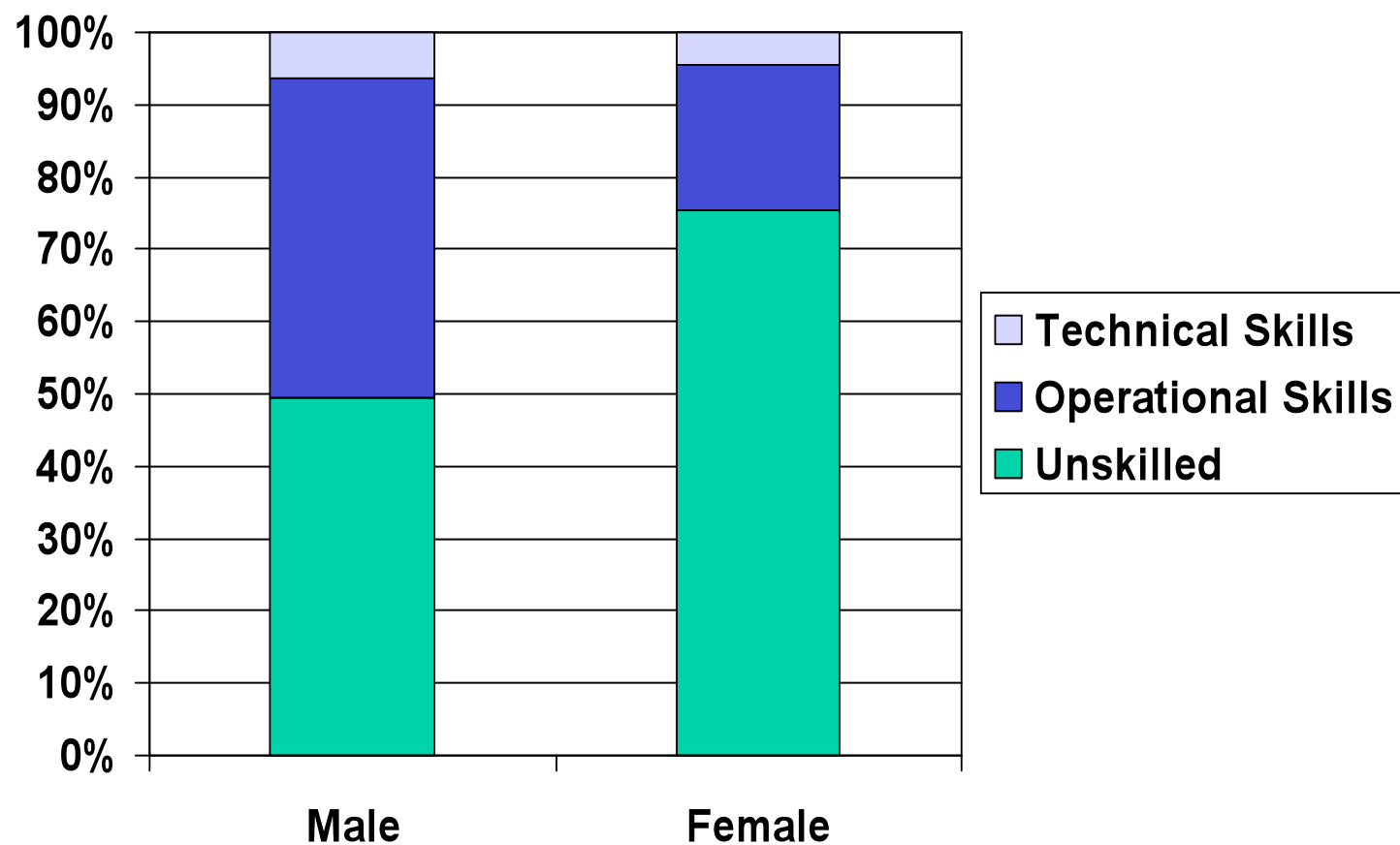
- ☐ Back to school
- ☐ Vocational Training

Some characteristics...

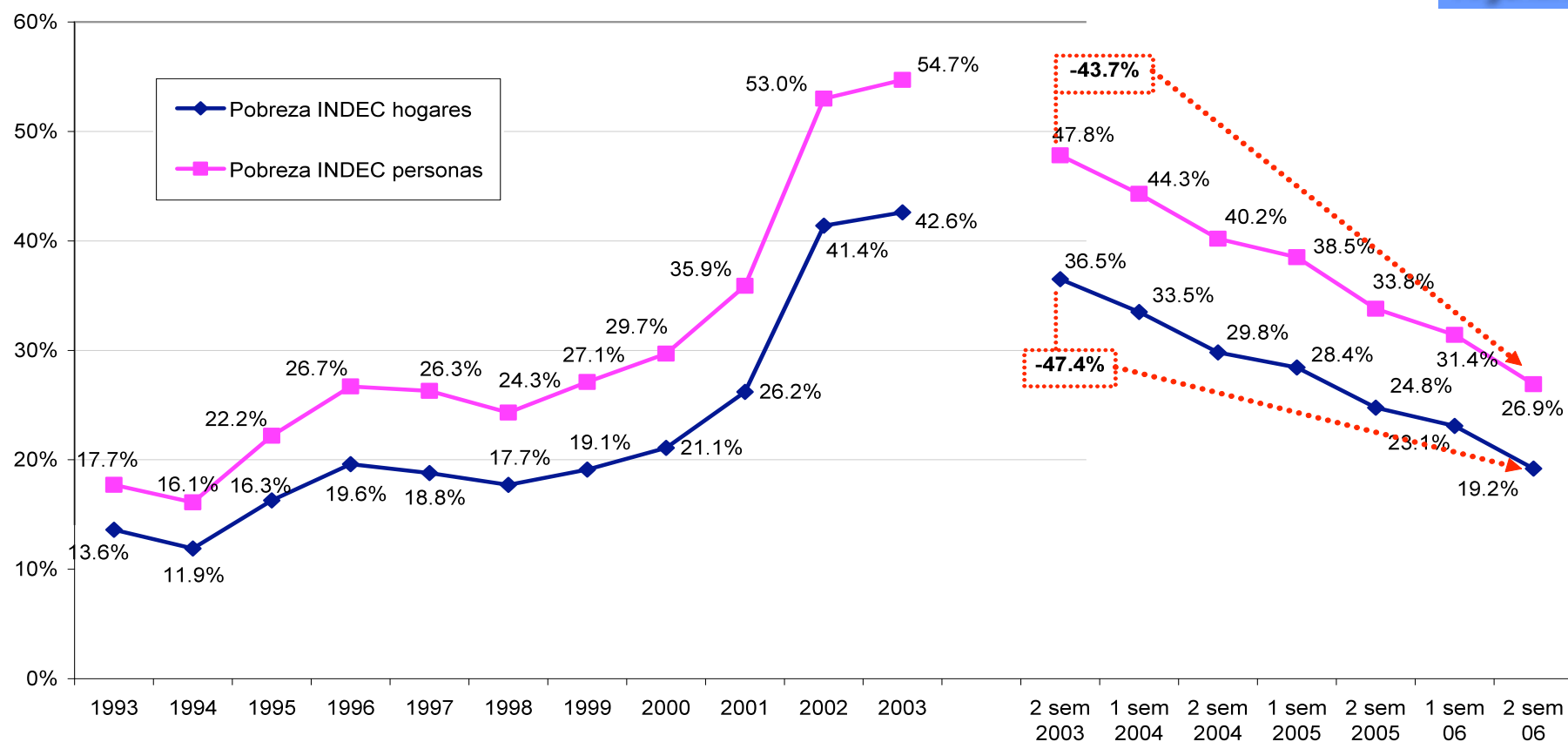


- ❑ Covered 16% of the overall households of the country
- ❑ In some provinces it reached 40% of households
- ❑ Very young population: 47% are below 35 years old
- ❑ 71% are female
- ❑ 60% of the female are head of household (single parent)

Skills of beneficiaries according to gender

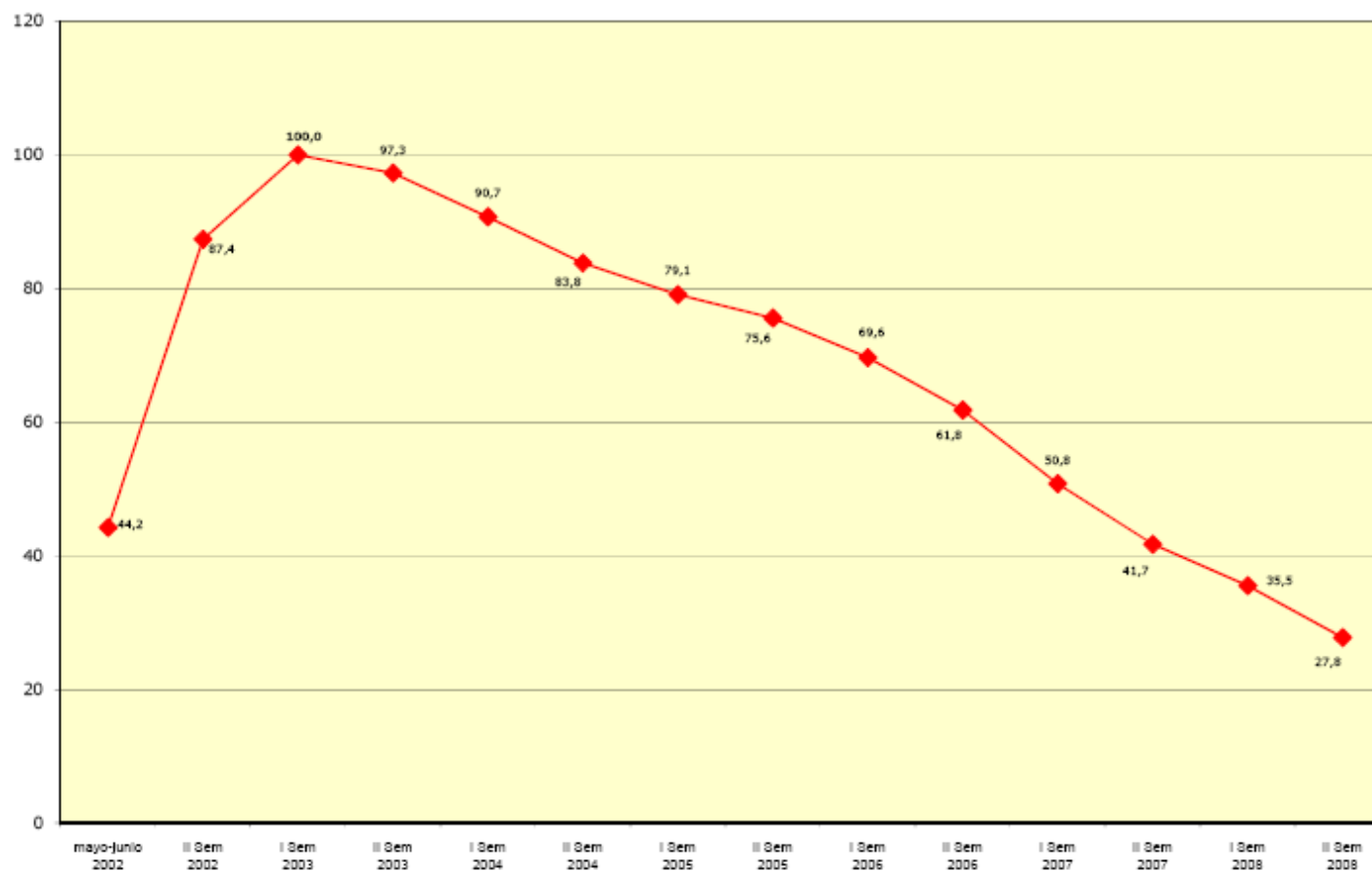


Evolución de la Pobreza en Personas y Hogares Total aglomerados urbanos

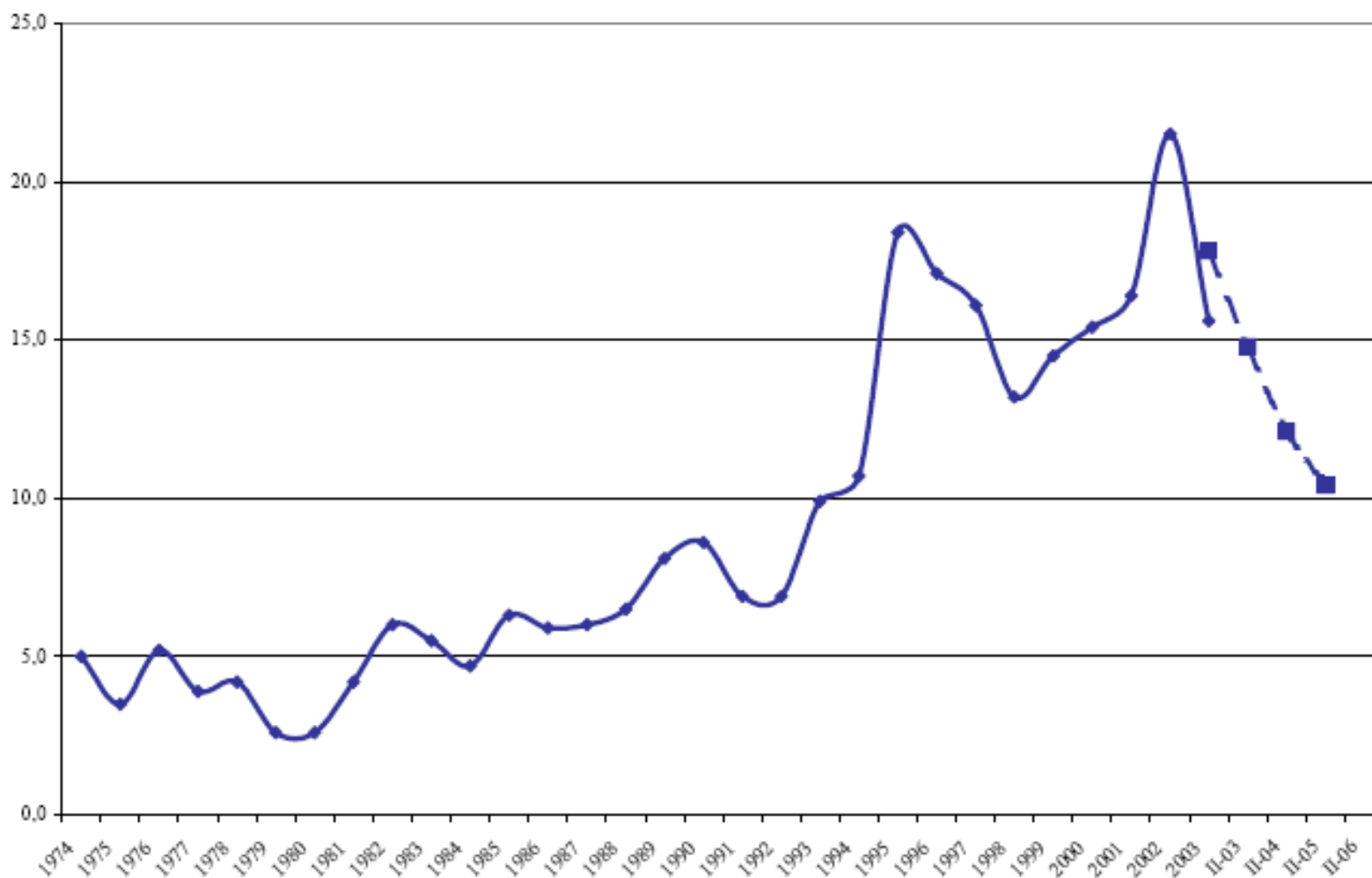


Fuente: INDEC EPH puntual ondas mayo y EPH continua semestral

Evolution of beneficiaries



Evolution of the rate of unemployment



Source: INDEC

Note: The dashed line indicates the new methodology of the household survey that changed in 2003.

Some key income indicators

	1993	1998	2003	2006*
Average income of households (current \$)	\$1.137.90	\$1.183.60	\$892.00	\$1,842.65
Variation of average incomes	-	4%	-25%	107%
Median of the income	\$800.00	\$800.00	\$600.00	\$1,450.00
Poverty line value in current \$	\$424.70	\$495.30	\$720.10	\$930.00
PL variation	-	17%	45%	29%
Ratio average income and PL	2.68	2.39	1.24	1.98
Variation of ratio average income and PL	-	-11%	-48%	60%
Gini coefficient (G)	0.455	0.472	0.482	0.4495
Households under the poverty line (H)	13.6%	17.7%	42.6%	19.2%
Income elasticity of poverty	-2.23	-2.13	-1.42	-2.16
Distribution elasticity of poverty	3.74	2.96	0.34	2.11

Source: Own calculations based on EPH-INDEC (www.indec.gov.ar)

Lessons learned



- Advantages of the ELR
- Risks
- How to face out

Political advantages of the ELR



- Constitutes a global strategy against exclusion and poverty
- It a clear schema of social protection, not charity
- Integrates excluded groups
- Allows the identification of problems for further interventions
- Puts the state “to work” in a new social contract with the society

Social advantages of ELR



- Solves basic needs insufficiencies at household level
- Improves human capital at individual, local, and national level
- Involves beneficiaries in collective plans and projects
- Reduces the pressures on the unprotected informal labor markets

Advantages of ELR at local level



- It is basically counter-cyclical
- Improves infrastructure and proximity services
- Generates multiplying and accelerating effects
- It is able to articulate with the productive sectors in order to create stable, good quality jobs
- Barely distorts local labor markets

“Silver Bullet?” “One size fits all?”



- ☐ There is a need to complement with other measures
 - ☐ Universal child allowances (0-13 years old)
 - ☐ Scholarships for high school.
 - ☐ Especial pensions for the elderly
- ☐ What to do with small scale producers?
 - ☐ Access to land, water...
 - ☐ Access to credit

Some considerations...



- ☐ The structure of the country matters
- ☐ food importer or food exporter
- ☐ Oligopolistic domestic structures
- ☐ Open financial markets
- ☐ Keynesian or Marxian type of unemployment

The UNDP has a wide scope of actions in the technical assistance aiming to capacity development in the implementation of an ELR type of programme

Assistance at the national level



- ❑ Tools to diagnose national and sub national labor markets
 - CGE models, SAMs, IO tables
 - Household surveys
 - Compound type of indexes (ILF)
- ❑ Database for delivery payments
- ❑ Databases for on-going and ex-post evaluation of the programme
- ❑ Employment offices network
- ❑ Redefinition of processes to integration and coordination of multi-jurisdictional interventions

UNDP role at local level



- Registration of beneficiaries
- Project design and management
- Project databank
- Integration of social deliverables at local level
- Employment offices
 - Identification of training needs

Assistance to the CSO



- Project design, management, and evaluation
- Training design
- Social auditing

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