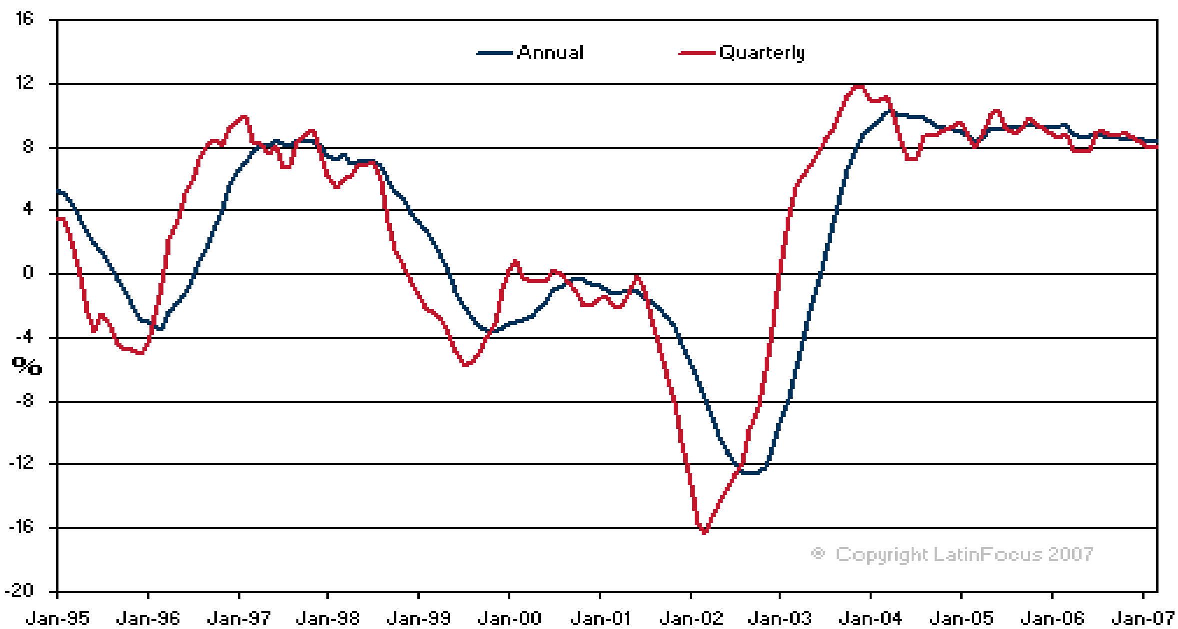
ARGENTINA'S JEFES DE HOGAR PROGRAM[1]

By Philip Harvey[2]

In 1991Argentina pegged the peso to the U.S. dollar in an effort to stabilize its value. The strategy was successful in combating the country's tendency to hyperinflation, but it laid the foundation for an economic collapse ten years later. In the wake of financial crises in Mexico (1995), Asia (1997) and Brazil (1999), the currencies of Argentina's neighbors fell dramatically in value relative to the Argentine peso and reduced the competitiveness of its exports. A decline in international prices for Argentina's agricultural exports and the world economic slowdown in 2001 left Argentina in dire straits and unable to pay its external debts. The Argentine economy fell into depression. The situation in which Argentina found itself is dramatically portrayed in Figures 1 and 2.

FIGURE 1

REAL GDP GROWTH RATE, ARGENTINA, JAN. 1995-JAN. 2007



Source: Latin Focus (http://www.latin-focus.com/latinfocus/countries/argentina/arggdp.htm)

Figure 1 shows that after moving into negative territory in 1998 Argentina's GDP plummeted precipitously in 2001, with the quarterly decline slipping to 16 percent on an annualized basis. Figure 2 shows the consequences of this collapse on the country's unemployment rate which rose from under 13 percent in late 1998 to peak at over 24

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percent in early 2002. The nation's poverty rate rose to 37 percent by the fall of 2001 and rose another 21 points to 58 percent a year later (World Bank, 2003). When street demonstrations turned violent in late 2001, President Fernando de la Rua was forced to resign.

FIGURE 2

UNEMPLOYMENT, 1995-2007

Source: Latin Focus (http://www.latin-focus.com/latinfocus/countries/argentina/argunemp.htm)

The interim President, Adolfo Rodriguez Saa, declared a default on Argentina's foreign debt but resigned a few days later and was replaced by Eduardo Duhalde in January 2002. One of President Duhalde's early actions in response to the crisis was the announcement that a Jefes de Hogar (Head of Household) emergency employment program would be established to provide work to unemployed family heads.

The program was officially established on April 3, 2002. It was described as "universal," since participation was not conditioned on a means test, but the level of benefits (150 pesos a month in exchange for 20 hours of work per week) was low enough that few but the poor applied. Calculated on an hourly basis, the program benefit paid less than the country's minimum wage of 300-350 pesos a month for full-time unskilled labor. It also provided a level of support below the country's estimated poverty line. A survey of participants conducted in August 2002, four months after the program was implemented, found that 98 percent of participants were from families whose income was below the poverty line and the income provided by the program reduced that poverty rate only 2.9 percentage points to 95.4 percent. The same survey found that 86.4 percent of participants were from families whose income was below the still lower extreme-poverty or "indigence" line, and that the program reduced this rate a more significant 24.6 percentage points to 61.8 percent (Tcherneva and Wray, 2005a: 164).

The only demographic restriction on eligibility for the Jefes program is the requirement that participants be heads of household with families that include children 18 years of age and under (or a cohabiting spouse or partner who is disabled or pregnant); however, the government operates a companion program – the Programa de Emergencie Laboral (PEL) – for unemployed adults who cannot qualify for the Jefes program (in most instances because they do not have any children). The structure of the PEL program and the benefits it provides are similar to those of the Jefes program.

Eligibility for the Jefes and PEL programs was further restricted by allowing only one person per family to enroll, by disqualifying anyone who was receiving unemployment insurance or other transfer benefits from the government, and by requiring that eligible persons sign up for the benefit by May 17, 2002. Some exceptions have been made to this latter restriction, but this has led to complaints of favoritism, discrimination and political corruption. Also, unless relaxed, this limitation will cause the program to gradually self-liquidate as participants leave it. On the other hand, there is no formal limitation on the length of time a person can remain in the program (Tcherneva and Wray, 2005b: 5).

The program operates under the authority of the federal Ministry of Work, Employment and Social Security, but most administrative responsibilities have been delegated to local municipalities assisted by Municipal Consultative Councils (MCCs) comprised of representatives of the public, private and non-profit sectors. Individuals registered for the program by submitting required documentation to a designated municipal office, including proof of identity and the individual's national identity number. Before benefit payments were commenced, the Ministry conducted a computer check of government data bases (using the individuals national identity number) to verify that they were neither employed (at least in the formal sector) nor receiving other government benefits (World Bank, 2003). Once approved, program enrollees began to receive their monthly benefit checks whether or not they had been assigned to a work project. In other words, the program is structured as a transfer program in which continued receipt of the uniform transfer benefit is conditioned on the individual participant's satisfaction of a work requirement, rather than as a jobs program that hires workers and pays them a wage based on the amount and skill level of the work they perform.

Women accounted for 64 percent of program's original complement of registrants in 2002, and that figure his risen since then. It stood at close to 75 percent in 2005, a result of more men than women leaving the program for regular employment as the economy improved. The predominance of women in the program's original workforce appears to have been based on family decisions, with women registering as family heads for purposes of the program while the adult male members of the family sought work elsewhere. The fact that program work was provided in the community reinforced this tendency; since it permitted the women to work close to their homes and their children, while the men sought work farther away from home, possibly in the informal sector (Tcherneva and Wray, 2005b: 5, 25-26). This also helps explain the significant share of new labor-force entrants among program participants. A survey of program participants in October 2002 found that 38 percent had not been in the labor force a year earlier (43 percent had been employed and 19 percent had been unemployed)(Galasso and Ravallion, 2003).

Municipalities also were responsible for overseeing the creation of work projects for the program. These work projects were created either by public agencies or local non-profit agencies. The MCCs advised and assist the municipalities in evaluating project proposals and in monitoring approved projects. The federal government contributes up to 80 percent of the cost of carrying out approved projects, but 60 percent is the more usual contribution. The project-executing entities contribute the balance of the funds necessary to carry out the projects they sponsor (Tcherneva and Wray, 2005a: 143).

Approximately 87 percent of Jefes participants are employed in community projects, 7 percent are enrolled in formal training programs, 2 percent are attending school, 1 percent are employed by firms (using program stipends to subsidize their wages as explained above), and 3 percent are employed in "other" activities (ibid). Figure 3 shows the distribution of community projects by type, with micro enterprises constituting the largest single category, followed by social and community services, maintenance and cleaning of public spaces, public lunchrooms and educational activities. These five categories account for 78 percent of all projects.

FIGURE 3

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

In August 2005 a team of researchers organized by the Center for Full Employment and Price Stability (CFEPS) at the University of Missouri in the United States conducted site visits at a number of project in both urban and suburban areas in and around Buenos Aires. While not a randomly selected sample, the projects visited did illustrate the type of activities carried on by the Jefes program in metropolitan areas. Because no rural areas were visited the visits included only one quasi-agricultural project, even though agricultural micro-enterprises comprise the single largest category of Jefes projects. Also, no large-scale projects were visited (e.g., hospitals). Projects employing males also were under-represented. (Tcherneva and Wray, 2005b: 15-16).

Three of the projects visited were located in the neighborhood of Mataderos, an area of extreme deprivation with a crumbling infrastructure, limited electrification, many shanty homes, and trash-littered streets. The first project visited in the Neighborhood was a construction project – a small two story building whose first floor was intended to house a butcher shop to provide work for unemployed men in the community. The second floor was intended for use as literacy training and basic education center.

The second project was a small bakery where three women were working at the time of the visit using a single, small commercial oven. The baked goods were distributed to the poor in the community, and poor people from neighboring boroughs also obtained food there. As with the future butcher shop, the second floor of the bakery was used as a training and education facility. Women employed in the bakery were taught cleanliness standards and dough-making and baking techniques in this room, and literacy classes were provided for other members of the community – most of whom were immigrants from other South American countries.

The third project visited in Mataderos was a sewing cooperative located in a small room with three sewing machines purchased with government funds. Two women and one man were working at the time of the visit. All were skilled in their occupation, having worked at textile factory jobs before being laid off during the economic crisis. The government provided materials for 4 hours work a day. These materials were used to make clothes for neighborhood children, mostly school uniforms and gym outfits, but the workers were permitted to use the equipment beyond 4 hours on their own account if they paid for the additional materials themselves. The workers had formed a co-op to take advantage of this opportunity and sold the extra output to increase their earnings.

The second group of projects visited were located in what had been a lower middle class neighborhood in a suburb outside Buenos Aires called Almirante Brown. The first project visited in this community was a previously abandoned plot of land that had been assigned to a co-op with 25 members who used it to grow vegetables for their own use. Half of the plot was used for this purpose, with most of the work being performed by men. The other half of the plot held a bakery with an outdoors oven where bread and other food was prepared for the co-op members, with most of the work performed by women. Also, some of the women in the co-op had been assigned to supervise the children who came with their parents to the plot, so the operation of an informal childcare center also comprised part of the co-op's work activities.

The second project visited in this community was a bread and pastry bakery. Most of the people working in this project were young women who had recently graduated from high school but had been unable to find regular work. The bakery products were sold door-to-door in the neighborhood. Vocational classes were also conducted at the bakery on subjects ranging from gardening to hairdressing.

The third location visited was a multi-project facility housed in a private home. Two of the family's daughters worked in the projects but the family received nothing else in exchange for the space they provided. One of the daughters had formed a co-op with two other women. They had obtained funding from the government for two sewing machines and produced baby clothes and blankets that were sold door to door in the neighborhood. Another room in the house contained a handicraft workshop. About twenty women were employed in this workshop, mainly making toys with recycled materials and other inexpensive supplies.

The last project visited in this community was a small retail co-op that sold Jefes-produced products in a section of a large supermarket set aside for that purpose. In addition to displaying their wares, the co-op had a picture catalogue showing additional Jefes-produced items that could be ordered. The products were being sold at prices about 20 percent below comparable market prices for similar products produced by private firms.

These activities appear to have been representative of a large number of Jefes projects. Although no agricultural micro-enterprises were visited, they presumably are rural versions of the urban and suburban micro-enterprises described above. The extent and form of larger-scale projects operated under the Jefes umbrella is less clear from these descriptions, but they include the assignment of Jefes participants to work in hospitals, the use of Jefes workers to repair roads and bridges, and a project in the public library system to rehabilitate and catalogue scrapped books for distribution to libraries in poorer communities.

The original implementation budget for the Jefes program totaled $1987 million for the first two years of operation, an average of about .9 percent of GDP per year. During this period the program employed an average of about 2 million persons (about 13 percent of the labor force). Program enrollment has shrunk steadily since then, totaling about 1.4 million persons in April 2004 (about 9 percent of the labor force). In April 2006 program enrollment was about 1.3 million (about 8.5 percent of the labor force). The total program budget in 2006 has been estimated at $945 million or about .5 percent of GDP.

As Figures 1 and 2 show, the Argentine economy experienced a dramatic recovery in the years following the 2001/02 economic crisis. Although the role played by the Jefes program in facilitating this recover is a source of dispute, it is generally conceded that the program was helpful. In addition to its direct employment effect, the program's multiplier effect has been conservatively estimated by the Argentine government at 2.57. Although the indirect employment effect of this multiplier has not been estimated, it suggests that the indirect employment effects of the Jefes program are substantial.

The level of spending required to maintain the program – between .5 percent and 1 percent of GDP – appears permanently sustainable, but this point is moot since the program has been set up to be self-liquidating as participants leave it for one reason or another.

The lesson to be learned from the Jefes program is that a job-creation program can be organized on the cheap if non-governmental organizations are trusted and relied upon to initiate and carry out the program's work projects. Also, there is little risk that this job creation strategy will encounter supply constraints. This does not mean the Jefes program provides the best model for a large-scale job creation program, but it is a legitimate model with a proven track record.

The features of the Jefes program that seem undesirable are the low and uniform level of its benefit payments, the fact that these payments are made in a form that looks and probably feels more like a social welfare transfer than a wage, the program's failure to offer full-time as well as part-time employment opportunities, and the difficulty of promoting and replicating successful projects using the program's highly decentralized administrative structure. Unfortunately, it would not be easy to correct these deficiencies. If the program paid not only higher but also differentiated wages it probably would not be able to separate its wage-payment and work-supervision functions as completely as they now are separated. Giving project-administering entities a budget to pay wages would solve this problem, but it would invite abuse in a system as decentralized as the Jefes program. It also is hard to imagine the growth of Jefes projects into large undertakings. The model works as well as it does because the workforce employed on each project is so small. Larger scale projects require larger work-forces and, consequently, a degree of hierarchy and structural complexity that the Jefes model is not designed to accommodate.

On the other hand, there is no reason a Jefes-style program could not coexist with a more tightly structured job-creation initiative. As a means of letting a hundred flowers bloom, the Jefes model may be unmatched. Nevertheless, it could be promoted to serve that function without relying on it to provide the more structured employment opportunities that other types of job-creation programs are better suited to provide.

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