

**CFEPS**

*Center for Full Employment and Price Stability*

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## **THE ART OF JOB CREATION: PROMISES AND PROBLEMS OF THE ARGENTINEAN EXPERIENCE**

BY  
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## **The Art of Job Creation: Promises and Problems of the Argentinean Experience**

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For many years Argentina was proclaimed to be the success story of IMF austerity and market liberalization policies, until it experienced an economic meltdown in the winter of 2001-2002. To deal with the looming crisis and skyrocketing unemployment and poverty rates, the Argentinean government implemented a limited employer of last resort program (ELR) called *Plan Jefes y Jefas de Hogar Desocupados* (Program for the Unemployed Male and Female Heads of Households, or simply *Jefes*). Largely due to the efforts of Labor Ministry economist and C-FEPS collaborator Daniel Kostzer, the *Jefes* plan was in many ways modeled after the ELR proposals developed in the US and specifically those of the Center for Full Employment and Price Stability (C-FEPS).

In August 2005, three C-FEPS scholars, Jan Kregel, Pavlina Tcherneva and L. Randall Wray, undertook a research trip to Argentina with the purpose of evaluating the operation of this direct job creation program. Although *Jefes* is only limited to unemployed heads of poor households and is thus not a true ELR program, it nonetheless possesses key institutional features, which have been proposed in the literature on ELR. Thus an understanding of what worked well in the Argentina, and what did not, sheds light on some of the theoretical debates on ELR and on the implementation and design of future direct job creation programs.

This trip was preceded by two other visits to Argentina by C-FEPS scholars. In November 2002, Director Mathew Forstater was invited to consult the ILO and the Labor Ministry in support of a proposed piece of legislation (which was subsequently passed) targeting an increase in Argentina's minimum wage. Later, in August 2003, Kregel, Tcherneva and Wray met with Labor Minister Carlos Tomada and his staff—the architects of the specifics of the *Jefes* plan—to discuss the institutional structure and macroeconomic impacts of the program (for detailed analysis, see Tcherneva and Wray 2005a, 2005b and 2005c).

The purpose of the latest trip, which is the subject of this report, was twofold: 1) to go into the field to observe specific *Jefes* projects and meet with the workers and their supervisors, and 2) to discuss the program's operation and its future with the top government officials at the Ministry of Labor and the City Government of Buenos Aires, who are directly responsible for the design, execution, and administration of the *Jefes* plan.

## I. VISITING PROJECTS AND MEETING WITH PROJECT BENEFICIARIES AND SUPERVISORS

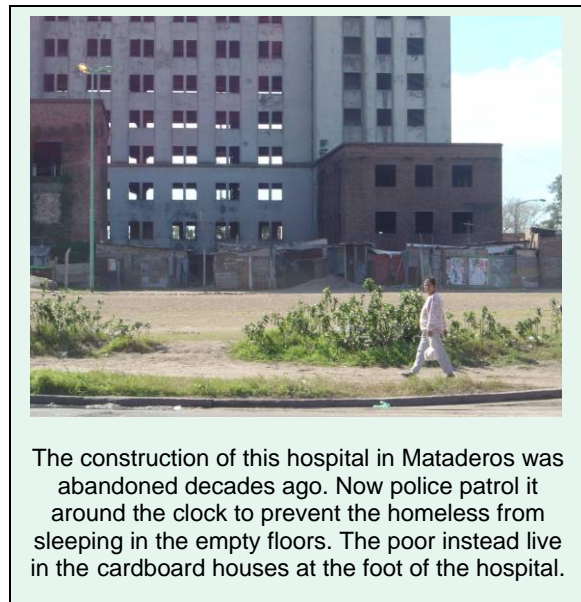
Very briefly, the *Jefes* program offers a payment of 150 pesos per month to an unemployed head of household for a minimum of 4 hours of daily work. Participants work in community services and small construction or maintenance activities, or are directed to training programs (including finishing basic education). The household must contain children under age 18, persons with handicaps, or a pregnant woman. Households are generally limited to one participant in the *Jefes* program. The program was intended to be the government's primary policy for dealing with the economic crisis that gripped Argentina with the collapse of the currency board. It has provided jobs to 2 million workers at its peak or about 5% of the population, and about 13% of the labor force. Presently government's total spending on *Jefes* is less than 1% of GDP, with nearly 1.5 million participants.<sup>1</sup>



### 1) *Jefes* Projects in the Neighborhood of Mataderos

The first group of job creation projects we visited was in the neighborhood of Mataderos. It is perhaps among the most impoverished regions in suburban Buenos Aires. The infrastructure was crumbling, many streets were not paved well (if paved at all), the sewer system was in shambles, there was limited electrification, houses lacked proper windows and roofs (in fact there were many shanty homes), manhole covers were missing, and piles of trash littered the streets. The neighborhood was a disaster. In fact this particular area of Mataderos was called Ciudad Oculta—the Hidden City, a city whose destitution, according to the locals, nobody wants to see. It was clear to us that not just figuratively, but quite literally as well, this was a forgotten city, completely outside of the purview of political, social, and economic Argentinean life.

Our guide through the neighborhood was Gladis, a leader of one of the picatero political social movements, called “Barrios de Pie”. Picateros are generally

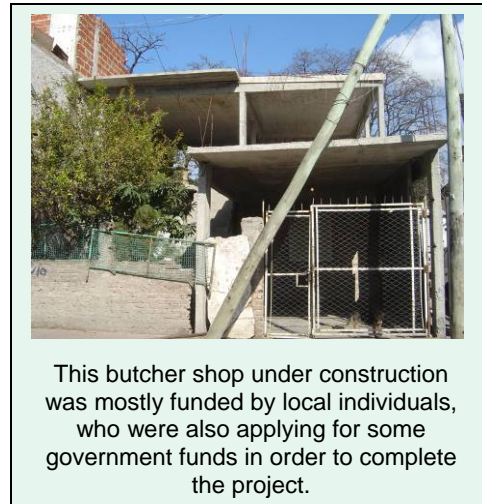


<sup>1</sup> Note that public spending on social programs in many developed countries is comparable in size or even greater: the US spends 1% of GDP on social assistance, while France and the UK dedicate closer to 4%. Thus, arguably, Argentina's spending is small relative to needs.

members of political organizations that represent the workers and the poorest of the poor. The picateros were among the many individuals who took to the streets during the crisis in Dec 2001-Jan 2002 and who demanded that the government create jobs and deal with the massive poverty problem.<sup>2</sup> Most of these social movements today have official representation in the Ministry of Labor, so that the interests of the poorest segments of the population are directly conveyed to policy makers. In other words, these are political or grassroots movements whose representatives have a voice in government. Gladis was one such representative.<sup>3</sup>

### The Butcher Shop

She first showed us the construction project of a very small two-story building, whose first floor was intended as a butcher shop for the unemployed men in the community, and whose second floor was to serve as a small training and education facility. This was a common model for many projects: one room was allocated to the actual jobs being performed, while adjacent rooms were allocated for literacy training or basic education. It is worth noting that the initial stages of construction were self-financed. The initiative of the community members was clear. Later, they were planning to apply for funds from the government in order to complete the project and pay *Jefes* wages to those who would work there. As we have reported in our earlier work, job creation projects are up to 60% to 80% funded by the government (see Tcherneva and Wray 2005a, 2005b and 2005c). The rest is financed through non-profits or NGOs.



This butcher shop under construction was mostly funded by local individuals, who were also applying for some government funds in order to complete the project.



The Mataderos bakery was one example of community kitchens serving the poor neighborhoods.

### The Mataderos Bakery

Our next stop was a local bakery. Once again this was a very small structure. There were three women at work, and one oven. The second floor here, too, had a training facility, where the women learned how to maintain cleanliness standards, how to make the dough and how to bake goods. Other men and women also came for literacy training at this facility. We were greeted by about 25 men and women, members of the “Barrios de Pie” organization, each of whom worked or studied at this facility. We interviewed the supervisor and the workers. Each was allowed to

<sup>2</sup> The Argentinean population is very politicized. Voting in Argentina, for example, is mandatory for all citizens above the age of 18. There still are considerable labor movements in the country, despite the union-busting of the previous decades. This is why we observe so many picatero movements, but picateros participating in the *Jefes* plan are less than 10% of total participants.

<sup>3</sup> The organization “Barrios de Pie” which Gladis headed is part of a bigger political movement called “Patria Libre”—one of the collaborative picatero movements in the country working closely with the government to create jobs.

work only four hours (as the program requirements stipulate) and all of the food that was produced there went to feed the community. The workers told us that the food they made was insufficient to feed the hungry and, in fact, the poor from neighboring boroughs also came to get food at this location. We asked the workers if they would like to work more hours for more pay—for example 8 hours for double the pay. Each, without exception, said ‘yes.’ We also asked whether they would prefer to receive equivalent transfer payments to stay home and each said ‘no’.



There were other food kitchens scattered in the neighborhood. We were told that they experienced the same problems—they could not feed everyone who knocked on their door.



Some other services for the residents of these neighborhoods included the shelters for battered women and abused children. Because those who work in the shelters also live in the very same communities they serve, they had a good idea of who the women and children are who needed this service but were afraid to ask. Thus they were able to reach out and help them.

### Sewing Cooperative

The next project we visited was a sewing facility. Again this facility was a very small room which had three sewing machines purchased with government funds. The beneficiaries were unemployed heads of household who lost their factory jobs. They were, in a sense, ‘skilled labor’ although they were very poor and with little formal education (most had not finished secondary school). But these individuals had previously worked in the textile industry where they had acquired the necessary skills to perform their present duties. Two women and one man were working there when we visited. The clothes they made were primarily for the neighborhood kids—mainly school uniforms and gym outfits. The government provided the materials and wages for four hours of work. However, the workers were allowed to use the machines if they wanted to produce more clothes. Of course they had to buy the additional materials themselves and find a market for their products. This particular group had formed a cooperative (not an unusual arrangement), and they marketed the ‘extra’ and used the proceeds to cover their costs and share the profits. Again, we asked them whether they would like to work more hours for more pay and all said ‘yes’. Furthermore, all preferred paid work over transfer payments—even at the same pay.



It is an understatement to say that the conditions in this neighborhood were deplorable. We expected to see far more *Jefes* projects than were actually created there. In terms of the demographics, it is also worth noting that many of the residents of these neighborhoods are legal immigrants mainly from Bolivia, Peru, Paraguay, and Uruguay. Most of them came to Argentina in the 80s and 90s to take factory jobs in the industrial areas of Buenos Aires—factories which are largely defunct today.

## 2) *Jefes* Projects in the Municipality of Almirante Brown



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

The other set of projects that we visited were located in the Municipality of Almirante Brown. This neighborhood is an hour and a half by car from downtown Buenos Aires. It is also a somewhat ‘wealthier’ neighborhood by comparison.

Nonetheless interpret ‘wealthier’ with care. It still had many dirt roads and crumbling homes, but it was generally cleaner, there were some small shops and businesses in the area, and the neighborhood was a bit safer.

Our guide was Dr. Graciela Doldan—the General Director for Employment for this municipality. We left our car in the lot of a large grocery store in the safer parts of the area. Graciela then picked us up in her own car and showed us around.

### The Agro-Cooperative

The first project we visited was an interesting hybrid of activities. The project was located on a plot of land which was previously abandoned and fallow. The plot was assigned to a group of unemployed heads of households to use for their own sustenance and provision. The beneficiaries had uprooted the shrubs and the weeds and had divided the plot in two parts. One was used for agriculture where men (for the most part) worked the land—they primarily planted vegetables to feed themselves and their families. The other half of the plot was a makeshift bakery. There was an outdoor oven where the women made bread and

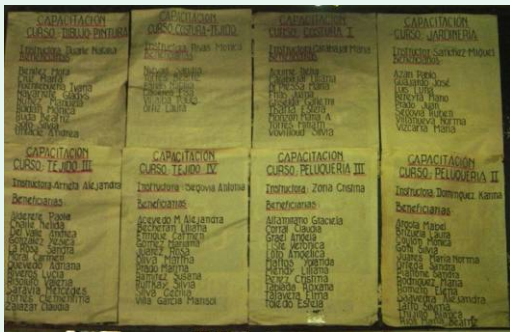


The rest of the plot was used to prepare food using an outdoor oven and to care for the children in a mini-daycare center.

prepared the food (again mostly for their own consumption). All of these people had

children and thus two women were designated for their care. Thus, part of this half of the plot was a kindergarten of sorts. There were a total of 25 people at this agro-coop, the men and women working side by side to supply food to the group and to take care of the children. As in the case of the bakery in Mataderos, most women had previously been outside the formal labor market, and some of the men had lost jobs—in one case skilled work—in the crisis. All wanted more hours and preferred work over transfer payments.

### The Pastry Shop/Bakery



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

We next visited another bakery, which prepared various pastries. Most of the people working there were young women who had graduated from high school not too long ago and were unable to find any jobs to support themselves and/or their kids. This bakery made bread and pastries which they marketed to the neighbors on a door-to-door basis. It also offered courses in various subjects from sewing and weaving to gardening and hairdressing. Again, all people we interviewed wanted full time work and preferred work over transfer payments.

### The Multi-project facility

The next facility was among the most interesting. A family with 9 children had offered some of the rooms in their small home as working areas for *Jefes* beneficiaries. This family was not paid anything (not even ‘rent’) in return.

#### *a. The Sewing Micro-enterprise*

Two of the daughters worked in these projects along with the other beneficiaries. One daughter was quite entrepreneurial. She and two other women had obtained funding for two sewing machines from the government and they made baby clothes and blankets. She explained that she saved 10 percent of her first sale and bought additional materials to make more clothes. She did the same with her next earnings and so on. This was a micro-enterprise for which the government funds served as ‘start-up’ money used by the beneficiaries to purchase the materials and set up their own shop. This young woman and the other two workers also made clothes for the neighborhood and sold them door to door. It should be noted that the clothes were very beautiful and skillfully



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

made. The room where they worked had educational posters announcing places where one could get basic education in the neighborhood or advice on contraception and family planning.



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

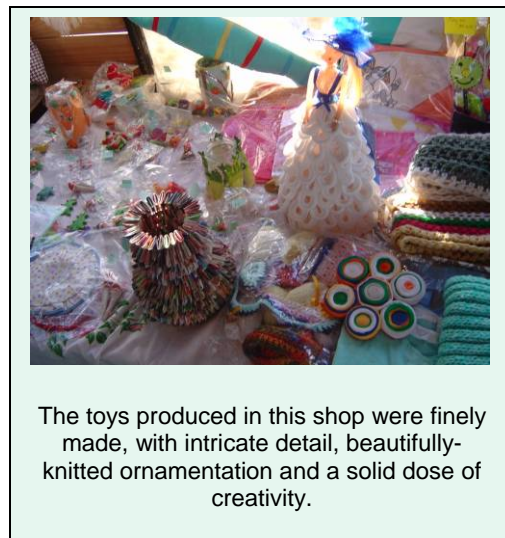
### *b. The Toyshop*

Another room in this house was populated with people sitting around a long table where they all performed their respective jobs. They primarily produced toys for the kids in the neighborhood—an abundance of dolls, play balls, and various other toys were displayed in the room. While many of the women had never worked previously, they possessed the necessary skill to perform this job. All of the toys

were finely made, with intricate detail, beautifully-knitted ornamentation and a solid dose of creativity. Many of these toys were made of recycled or other inexpensive material. The women had produced a series of paper toys that could rival the art of origami. As with the products of the other projects, many of these toys were distributed to the kids in the neighborhood. August 14<sup>th</sup> is the Day of the Child in Argentina. When we visited this toyshop, the workers were preparing special surprise gifts for the kids in the area for this holiday. There was yet another oven in this toyshop. Some of the women prepared empanadas and various other baked goods for the people working there. Some of the women preferred part time work, although others wanted full time jobs. All preferred work over transfer payments. It was obvious that they enjoyed the social interactions made possible by their jobs.

### The Grocery Store

Many of the products were delivered door to door, but some were marketed otherwise. For example, in the large grocery store where we parked our car, we observed a special section designated specifically for *Jefes* products. This section was manned by members of a small cooperative. They had their own cash register and product displays. They sold products made not only by the members of the coop but by other *Jefes* workers as well. This particular location sold many knitted clothes, shoes, small crafts, toys and furniture. In fact, it was our impression that the displays looked very much like an art exhibit, with colorful and well-executed products. We saw several chairs, desks, and beds. There was a picture catalogue of the many different products one could order that were produced by *Jefes* workers. There were kitchen cabinets, wooden staircases, window frames—all of



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





Some of these knitted clothes were sold in a special section at the local grocery store dedicated to products made by *Jefes* workers

quality that did not seem in any way inferior to similar but mass-produced products. One could argue that, in fact, many of the handmade products were of superior quality. A labor ministry official estimated that the products were offered at about 20% below comparable market prices.

We interviewed many of the immediate project supervisors and their beneficiaries. The next section will cover some of their responses and will elaborate on our observations. The last section concludes with the discussions we had with government officials at the Labor Ministry and the City Government of Buenos Aires.

## II. ADDITIONAL OBSERVATIONS AND NOTEWORTHY FINDINGS

### 1) Work vs. Leisure

It is commonly argued that government employment programs create a moral hazard problem. People take comfort in the guarantee of employment and do not put enough effort in their work or look for ways to slack on the job. Furthermore, the argument goes, people would much rather receive the monetary benefit of this safety-net, but stay at home instead of being forced to go to work.

Was this the case with *Jefes*? Totaling all the people we had met on our visits, we spoke with nearly 100 individuals who were *Jefes* workers and supervisors. When asked “would you prefer to receive the benefit of the *Jefes* program but stay at home,” every single one, *without exception*, said that they would not want to sit at home and that they preferred to go to work. When asked “why”, the most common responses were that 1) they felt useless sitting at home, 2) they felt like they were helping the community, 3) there was dignity in working, 4) they were meeting their neighbors and 5) they were learning new skills.

It is also worth mentioning that, when visiting the projects, some of the visits were planned in advance while others were surprise visits. In all cases, those who were on duty kept working. As we interviewed them, we were under the distinct impression that there is work to be done, which we are possibly disrupting. We were able to spend some time with many people who were off-duty but wanted to talk to us about their experience. In all cases, people took pride in the things they produced. They treated us to pastries and wanted to know how they tasted. They



These toys were made of recycled material.

wanted us to see every type of baby outfit they made, touch the fabric, comment on the products. The people from the toyshop gave us two souvenirs—a Christmas tree ornament and a jewelry box, both of which were made with recycled plastic.

## **2) Auxiliary Services**

Some of the important advantages of the program that beneficiaries reported were their proximity to the jobs and to childcare. Beneficiaries' kids either attended daycare (some of which was also provided through the *Jefes* program) or attended school very close to home. Furthermore, many people reported that before being laid off, many of the private sector jobs were in areas of Buenos Aires that required them to commute up to two hours in each direction. And if their children needed to be picked up from school earlier, there was no way to get to them due to the long distance. Thus many indicated that they had to work in the community due to childcare and transportation considerations.

## **3) Problems**

### *Pension Plans*

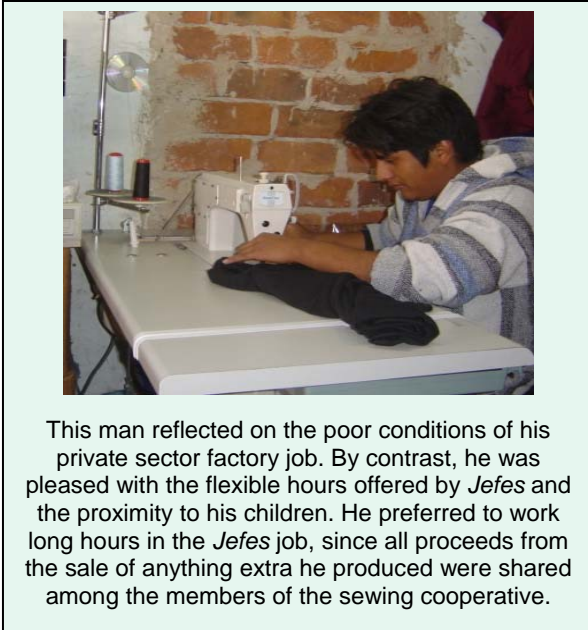
One main problem with the program that the beneficiaries reported was the lack of a pension plan. An old gentleman, who worked in the agro-coop discussed above, reported that he was employed for 40 years in a private printing press before he lost his job due to automation. He reported that he only had 5 years to retirement, but after he was laid off, he lost both his job and the retirement benefits. He now works in *Jefes* to feed himself, but he was distressed about what to do when he becomes too frail to work the land.

## **4) The Meaning of Work**

It was particularly interesting to note that whomever we asked “do you think the government can find enough jobs for the unemployed” interpreted the question to be asking about factory or other industry jobs. This led many people to answer with a ‘no.’ But when asked differently, “do you think that there are essential goods and services that your community needs, which can be performed by *Jefes* workers,” everyone without exception answered in the affirmative. In many ways, people distinguished between factory work and community work. Many other people claimed that there are social services that are not considered ‘productive’ in the sense of profit-generating activities that, nonetheless, needed to be done—things like caring for the young, old and the frail, cleaning and fixing up the neighborhoods, running soup kitchen, and so on.

The director for the national advancement of employment at the Ministry of Labor, Dr. Luis Casillo Marin, argued for example that in Argentina there is abundant infrastructure for social services that sits underutilized, especially the infrastructure that was put in place by the Eva Peron Foundation. The latter was set up to help the poor get housing, food and clothes. The physical and institutional infrastructure that was created by this foundation can be adequately put to use today. Scores of buildings, parks, recreation facilities were created; there are numerous residences that the Foundation built for the elderly, abused, orphaned, homeless, poor, unemployed, handicap and immigrant. The Eva Peron Foundation also built entire ‘student cities’, summer camp facilities, youth homes for the arts, sports and recreational facilities. The problem is lack of paid workers to run them.

The Eva Peron foundation was in many ways set up to do exactly what *Jefes* is doing today. Many of these facilities were expropriated after the 1955 coup and were used for other (mainly military) purposes. But, according to Dr. Marin, many were largely underutilized, and it was a pity to leave these resources idle when they were already set up to cater precisely to the needs of the people *Jefes* also aimed to serve.



This man reflected on the poor conditions of his private sector factory job. By contrast, he was pleased with the flexible hours offered by *Jefes* and the proximity to his children. He preferred to work long hours in the *Jefes* job, since all proceeds from the sale of anything extra he produced were shared among the members of the sewing cooperative.

### 5) Education and Ideology

An interesting observation that emerged from our visits was that education and faith in the private sector's smooth functioning go hand in hand. The poorest of the poor (generally those with very little education), were very happy to work in the community and hold public sector jobs. Some of them who had a bit more education wanted to work private sector jobs but had bitter experiences with the working conditions of factory jobs. Others, who had considerably more education, even if they liked *Jefes* and the environment it provided, were itching to get back to the factory. Here are some examples:

In the Mataderos sewing cooperative, one of the men, complained about the abhorrent conditions in his factory job. Before the textile factory shut down, he was required to meet a daily quota of tailored clothes. If he was unable to do so in 8 hours, he had to work overtime but with no pay, often till the wee hours of the morning. Now he works close to home and if necessary he would stay to work late (even all night) but only because anything extra he produces is remunerated—it is sold and the proceeds are divided by the coop. Furthermore, he said that he was much happier to be closer to his children. He was among the poor of the poor, and he wanted a private sector job but only if it offered better conditions. He reported to be happy with the conditions in *Jefes*.

As we indicated, those that had little skills and education were very happy to work in the community food kitchens and agro-projects. For those at the lowest strata, this was their first job and many reported that they liked meeting some many of their neighbors and that they were no longer just sitting at home wondering what to do with themselves. They looked forward to going to the *Jefes* jobs.

There were others who also lost their factory jobs but were now doing more 'socially oriented work'. Those that were more educated (some with completed high school education) wanted private sector employment. In fact, many of those who lost their factory jobs reported that, while it was great to work side by side with their neighbors, they looked to the time when they could get back their factory or administrative or service jobs.

The paradox was that the more education and skills they possessed, the more participants considered their private sector jobs ‘real work’ even if they did the exact same thing and under better conditions (as was the case in the sewing facility) in the public sector. Those however who started up their own micro-enterprise were very happy to have their own business close to home.

When asked what skills they wanted to acquire that would increase their chances in getting a private sector jobs, all respondents identified computer training as crucial (even those who were largely illiterate also wanted computer training!)

#### 4) Impact on Women

The impact of the program on women was immediately apparent. Many were happy to work and preferred to be among people over staying at home as they had previously done. Many were happy that the daycare centers were close to their jobs and they could see their kids during the day if necessary. Many said they were surprised by the small things they learned which they did not know before—how to disinfect their working places/homes, how to prepare food (they learned new recipes), how to mend clothes. All felt that they did useful work for



the community and that this experience was good for them as well. Many of the elderly in good health were also happy to have the option to work if they wanted.

The ‘reactivation of women’ or, in other words, their entry into the labor force was an unexpected result of *Jefes*. Some consider it a bad thing that women are entering the labor market; however, all women we interviewed said that they preferred to work and receive income rather than receive income and stay at home. This is important because the *Jefes* program has recently started moving many women off its payrolls and into another government program called *Famillias*. This latter program is designed specifically for unemployed mothers and provides no work option. So while the *Jefes* program used to provide the income and jobs to many women, they are now moved to a program which provides money but without the job opportunity. Some politicians and program administrators spoke of this shift as a positive reform in the program, while women whom we interviewed (we stress again—without exception) wanted to work. *The point is not to require women to work as is done in modern workfare programs with punitive means-tested measures, but to give women the opportunity to be employed in decent jobs if they want to work.* In the US, one of the results of the 90s welfare-to-work reform is that many women are required to obtain jobs just to ‘prove’ they are deserving

welfare recipients (even if these jobs require long commutes and offer meager wages). The *Jefes* program in Argentina provides to women both the income and the job.

### Formalizing the Informal Sector

*Jefes* workers are registered with social security numbers. When they find private sector jobs their employers are required to pay social security and other mandatory taxes and benefits. However, not many can find private sector jobs, first because the private sector is still in shambles and not hiring in great numbers, second because *Jefes* workers are



largely from the low-skilled low-education segments of the population, and third, (in many cases) also because of discrimination. Men in the neighborhood of Mataderos reported that many of the private sector jobs they applied for had a 'height requirement.' The Mataderos region is highly concentrated with immigrant or local

indigenous population, which tends to be much shorter than their white Argentinean counterparts of European descent. The height requirement was clearly a method of 'selecting out' the indigenous and immigrant labor.

It should also be pointed out that many beneficiaries reported that because of the very low *Jefes* wage, they still had to work in the informal sector to support themselves.<sup>4</sup> Many women cleaned homes and many men worked in construction or ran small errands for wealthier people. A few people—especially the administrators we spoke with—said that working in *Jefes* stigmatized participants, identifying them as low income and perhaps low skill and education workers.

### III. DISCUSSIONS WITH GOVERNMENT OFFICIALS

Our meetings with Federal Government officials included:

1. Arnaldo Bocco—Governor at the Central Bank of the Republic of Argentina
2. Lic. Daniel Hernandez—Director for National Training, Employment and Professional Formation, Ministry of Labor
3. Lic. Jorge Costelo Maciel—Director of the National System of Employment, Ministry of Labor
4. Lic. Gustavo Svarzman—Undersecretary of Production, Tourism and Sustainable Development in the City Government of Buenos Aires

<sup>4</sup> The *Jefes* wage is below the poverty level.

5. Dr. Luis Castillo Marin—Director for the National Promotion of Employment, Ministry of Labor

Several of the meetings also included some of these policy-makers' staff members. All of these meetings were arranged and facilitated by Daniel Kostzer, Director of Research and Macroeconomic Coordination at the Ministry of Labor. Mr Kostzer, as mentioned above, was instrumental in championing C-FEPS's ELR model for Argentina, and the *Jefes* program was largely a result of his efforts.

The discussions with the Central Bank Governor were outside the immediate prevue of the *Jefes* plan. Thus only the discussion with the remaining four policy makers is immediately relevant here.

All administrators and their staff considered *Jefes* to be a temporary program in need of sizeable reform. It should be pointed out that while many of the administrators and their staff were critical of the program, they were nonetheless committed to it. Although it seems the program may be losing political support, Dr. Marin pointed out that it still employs a large number of people and therefore he did not foresee a program shut-down for at least 5 years.

This reform, which Lic. Hernandez and Lic. Maciel discussed, involved phasing out the job component and replacing it with a universal child allowance and unemployment insurance. The child allowance is clearly a poverty-reducing measure, which in their opinion was not necessarily in any conflict with the current *Jefes* arrangement. The unemployment insurance however was considered to be the more desirable labor market policy. They had estimated that 600,000 people would be applying for unemployment insurance (which is proposed to pay 300 pesos per month for 12 months of unemployment). They had also budgeted the total annual cost for this new program to be exactly what *Jefes* costs today. We compared the 2 programs: today the *Jefes* plan covers twice as many people (about 1,200,000) who are gainfully employed at \$150 pesos for 4 hours of work. The reformers wanted to pay twice as much money to half the people for *not-working*. Furthermore, their proposed program would expel participants after 12 months of unemployment insurance, while *Jefes* is currently open-ended.

In fact, it is unlikely that 600,000 people will turn up for unemployment insurance. Today the officially unemployed in Buenos Aires only make up 200,000 people. The majority of the unemployed are in the provinces. It is interesting to note that a year ago the city of Buenos Aires employed 50,000 people in *Jefes*, while today there are only 35,000 *Jefes* workers. Much of the difference, according to government officials, is explained by people leaving *Jefes* jobs for work in the private sector.

The Administrators we met reported the following problems with *Jefes*:

1. The most common objection Government officials made was the issue of corruption or clientelism. Some of this corruption comes directly from government officials. For example, someone runs for office by promising access to the *Jefes* program to his

unemployed constituents. He is reelected, pockets the money and does not provide the jobs. Other forms of corruption involve offering *Jefes* jobs to people who are not unemployed (this is especially the case in the rich neighborhoods). For example a construction company would lay off its employees, re-hire them as *Jefes* workers, and subsidize their wage with the government funds. While these are isolated cases, they are favorites with the media. In most cases, the corruption occurs in the political sphere. In some cases it comes from the political movements themselves. Some picateros would use the *Jefes* money to pay their members to take to the streets in peaceful demonstration for whatever cause they are lobbying the government. We were not able to observe any such cases of corruption.

2. The next objection was that the training and retraining component of the program was far too small; the vast majority of the people who manage to find private sector jobs are high-skilled, but less than 10% of the *Jefes* jobs deal with education and training. Thus the component of the *Jefes* program that increases employability must be enlarged, if many *Jefes* workers are to transition into skilled jobs.
3. Because the program is not universal, there are allocation problems—some regions managed to get funding, others did not. Furthermore, women enter the *Jefes* program as the head of the household, while the man still works in the informal sector. Additionally there are cases of favoritism. Paradoxically while the administrators agreed that universalization of the program would eliminate such allocation and corruption problems, some did *not* favor universalizing *Jefes*, making it accessible to all unemployed (not just to the heads of households). Program cost seemed to be the major objection.
4. There were also poor or mismanaged projects. The administrators pointed out some cases of wasteful use of government funds: for example, requesting electric ovens for food-kitchens in areas that lacked electrification.
5. Some administrators expressed the concern that the *Jefes* workers may be stigmatized because they are associated with the militant picateros. But as it was noted above (see footnote 2), picateros comprise only 10% of the *Jefes* jobs, so if there is indeed such a stigmatization, it is a most unfortunate development.
6. Another concern was that there aren't enough useful activities for people to do. This was an interesting concern and wholly contrary to our observations in the field. Administrators seemed to consider a project to be useful if it was 'productive' according to market efficiency criteria. They were more likely to think of the food kitchens, agro-coops and bakeries as 'make work'. By contrast, it was our distinct impression that these were much needed services that the community did not previously have and many people's lives depended on them. So again there was a mismatch between what is considered useful—profit making enterprises or socially beneficial activities.

7. Time and time again, administrators articulated problems with how the program was administered. In short, they thought they lacked the necessary institutions and infrastructure to create and manage these projects. This again was in stark contrast with our observation. People donated their homes, so that productive activities would be set up and other people could work there. Others built new structures or used old ones to set up their job projects, so long as the *Jefes* plan was offered to the unemployed. The complaint about insufficient resources was also in contrast with Dr. Marin's opinion that, in fact, there was abundant physical and institutional infrastructure, which was being underutilized. He was perhaps the only administrator who argued that we must reorient our thinking and recognize socially useful activities as deserving remuneration. While some of the administrators argued that they had the money but not the capacity to implement the jobs, Dr. Marin claimed that the capacity to implement jobs was there, but there wasn't enough political commitment to increase the budget of the program.
8. Because of the distinction between what is considered productive and unproductive, the emphasis in *Jefes* is on Micro-enterprises. All administrators favored the implementation of more micro-enterprises. They offered some good examples of successful small start-ups (some of which we observed). Things like tailor-shops or cyber cafes required little money but proved to be market viable and provided income for the entrepreneurs. The administrators seemed to be unaware of other criteria that would be used to evaluate program success.
9. They also argued that it was harder to identify useful activities to be performed in the big city, while in rural areas the task was much easier.
10. Dr. Marin pointed out that administrators were increasingly of the opinion that government should no longer be driven by the idea of downsizing the public sector, but that there was an important role for the government to play in providing jobs and social security. It was also being recognized that the government should absorb some of the labor by creating more public sector jobs. The critics on the other hand reported that some of the *Jefes* workers have replaced public sector jobs, while other critics suggested that they did not really replace but actually duplicated the public sector jobs.
11. Another concern was that there were no clear links between *Jefes* and industry. What was necessary was a vision of how *Jefes* activities can help the overall development and growth of Argentina. These needed to be clearly articulated.

It should be emphasized again that all of the policy makers we met, despite their critique of the program, seemed very committed to the problems of unemployment and poverty. Despite their preference for program reform, some were presently designing a *Jefes* program specifically targeted to youths who either finished high school or dropped out. This new program would help them stay in school while at the same time giving them an opportunity for vocational training on the job.



There still remains the problem of what activities should be accurately measured as useful and productive. All jobs (private or public) are presently evaluated according to private sector and free market efficiency criteria. Argentina was the poster child of IMF free market policies which were largely responsible for the social dislocation we observe today. It is clear that sometimes free market ideology clouds the mind and prevents new ways of thinking about how to begin rebuilding a country.

**For Further Reading:**

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