

## ***Appendix I: Institutional Design and Administration of Jefes***

A key feature of the program is its decentralized model. The institutional design of the *Jefes* plan includes three main partners. First, there are the national and local institutions, which provide the broad guidelines for the organization and execution of the program. The National institutions include the Ministry of Labor and GECAL (The Office of Management of Employment and Labor Qualification, which is the national agency overseeing the program)<sup>1</sup>, while the local institutions include the municipalities and the municipal consultative council (MCC), which in turn administer the program. Secondly, there are the project-executing organizations. These include various governmental, nongovernmental and nonprofit organizations where the work is performed. And finally there are the beneficiaries of the program—the workers.

The program is organized and executed as follows (See Diagram 1). The Ministry of Labor and Social Security, through the Central Executive Branch of the Office of Management of Employment and Labor Qualification (GECAL) inform and advise the municipalities and communes on all the aspects of the program.

The MCC and the municipality make a diagnosis of the community, identifying social needs and available resources. The municipality in conjunction with the Municipal Consultative Council (MCC) informs the governmental agencies and non-profit non-governmental agencies (NGOs) of the possibility for developing projects/activities which require the participation of program beneficiaries. After the diagnosis of community needs, various organizations (governmental or otherwise) design proposals of activities or projects which are then presented to the municipality and the MCC. The MCC evaluates the submitted proposals and rules on whether they should be authorized or rejected. Depending on the ruling the municipality either approves or rejects the proposals.

In either case, the decision is filed in an archive, so that the ruling is available for future audits. The municipality informs the project-executing organizations of the approval or rejection of their proposal and, in the former case, assigns the participating beneficiaries. It then sends to GECAL a summary of the activities and beneficiaries under its jurisdiction. The municipality publishes the listing of the approved projects/activities. The project-executing organization contacts the beneficiaries, informing to them of the place and schedule of their assigned work. The beneficiaries commence the corresponding activities. The MCC oversees the completion of the tasks and evaluates the outcome of the projects which are being executed. It also develops a report for submission to the Provincial Consultative Council and GECAL.

There are several key features of this design that deserve emphasis. First the central authority only provides the general guidelines of the program. Second, the local municipalities who are most familiar with the specific needs of the communities are the ones who actually administer the program. Third, the projects are well targeted to the needs of the localities and they are performed by non-profits, NGOs or governmental agencies, which already exist and operate within these localities. Fourth, employment in the public sector prepares beneficiaries for private sector employment. Beneficiaries are registered in a government database, according to the projects they have completed and the training they have undertaken. This registry in effect provides a visible and employable pool of labor to potential employers. Furthermore, by registering workers using their newly issued social security numbers, the database serves the purpose of formalizing the labor market. When private employers hire from this pool of labor, they are obliged to pay social security and unemployment insurance benefits to these worker.

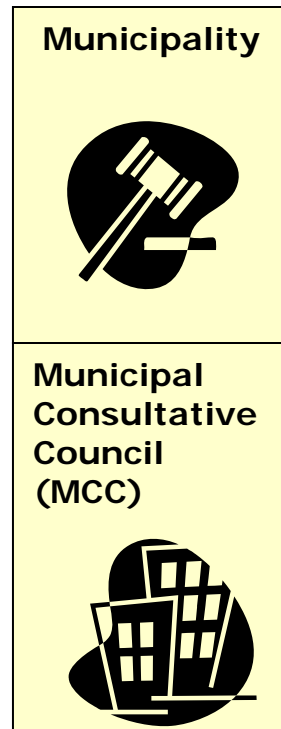
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<sup>1</sup> La Gerencia de Empleo y Capacitacion Laboral (GECAL)

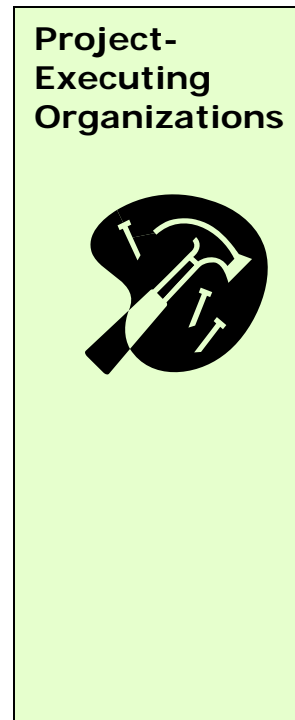
# Administration



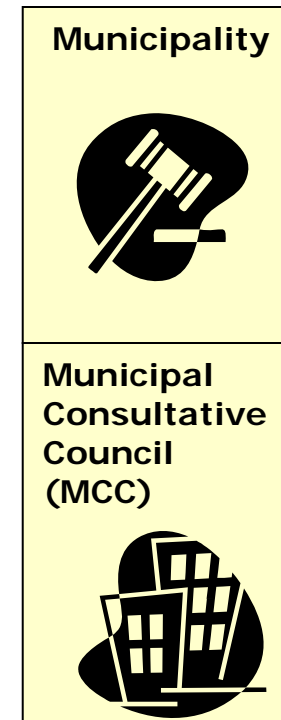
The Ministry of Labor and GECAL-inform and advise the Municipalities and Communes on all aspects relative to the program.



The MCC and the Municipality make a diagnosis of the community, identifying its social needs and available resources. They inform government agencies, non-profits and NGOs of the possibility for developing projects and activities, which require the participation of *Jefes* beneficiaries.

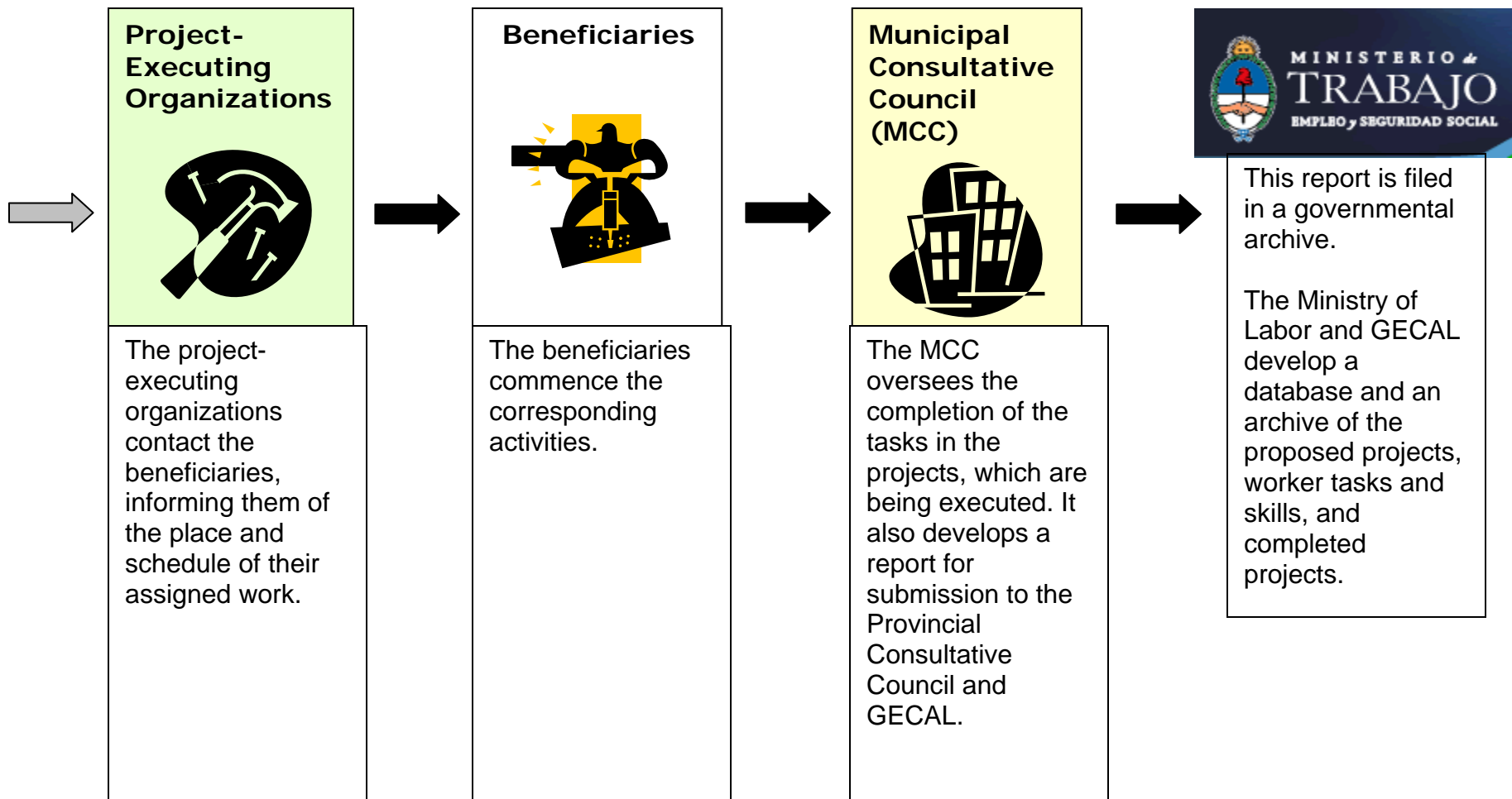


After the diagnosis of community needs, various organizations design proposals of activities and projects which are then presented to the Municipality and the MCC.



The MCC evaluates and authorizes or rejects the submitted proposals. In either case the decision is archived. The municipality informs the project-executing organizations of their approval and assigns the participating beneficiaries. It then sends to GECAL a summary of the activities and beneficiaries under its jurisdiction.

# Administration (cont'd)



## ***Appendix II: The Multiplier Effect of Jefes***

The Ministry of Labor uses the following formula for the Keynesian multiplier:

$$\mathbf{Multiplier = 1 / [1-c(1-t)+m]}$$

In this equation, **c** is the marginal propensity to consume, **t** is the tax rate and **m** is the marginal propensity to consume imports. The latter reflects the increase in consumption of imports due to an increase in effective demand. Traditionally, the value of **m** for Argentina has been 11%, but in recessions it drops below 10%. Thus, in calculating the multiplier, **m** is set to equal to 0.1, **c** to 0.9 and **t** to 0.21 (*Impacto Macroeconómico*, Agosto 2002).

The multiplier therefore is:

$$\begin{aligned}\mathbf{Multiplier} &= \mathbf{1 / [1-0.9(1-0.21)+0.10]} \\ &= \mathbf{2.57}\end{aligned}$$

The Ministry of Labor considers this to be a conservative estimate. It uses the much larger value added tax rate of 21% to calculate disposable income and a lower marginal propensity to consume, both of which reduce the value of the multiplier.

To calculate the Multiplier effect on GDP, the following data is also used:

**GDP = 334 billion pesos (current prices)**  
**Number of Jefes beneficiaries = 1.8 million**  
**Monthly Jefes wage = 150 pesos**

The increase in annual income due to the Jefes wage equals to:  
**1.8 million x 150 x 12 months = 3,240 million pesos annually**

Therefore the multiplier effect is:  
**3,240 x 2.57 = 8,327 million pesos annual addition to GDP, or 2.49% of GDP**

The Ministry of Labor offers an alternative estimate of the multiplier, which uses a much larger marginal propensity to import **m=0.15**, which further reduces the multiplier to 2.28. In this case the total annual increase in GDP is 7,387 billion, or 2.21% of GDP:

$$\mathbf{3,240 \times 2.28 = 7,387 \text{ million pesos addition to GDP or 2.21\% of GDP}}$$

# Employer of Last Resort: A Case Study of Argentina's Jefes Program

By Pavlina R. Tcherneva and L. Randall Wray

January 6, 2005

## Figures

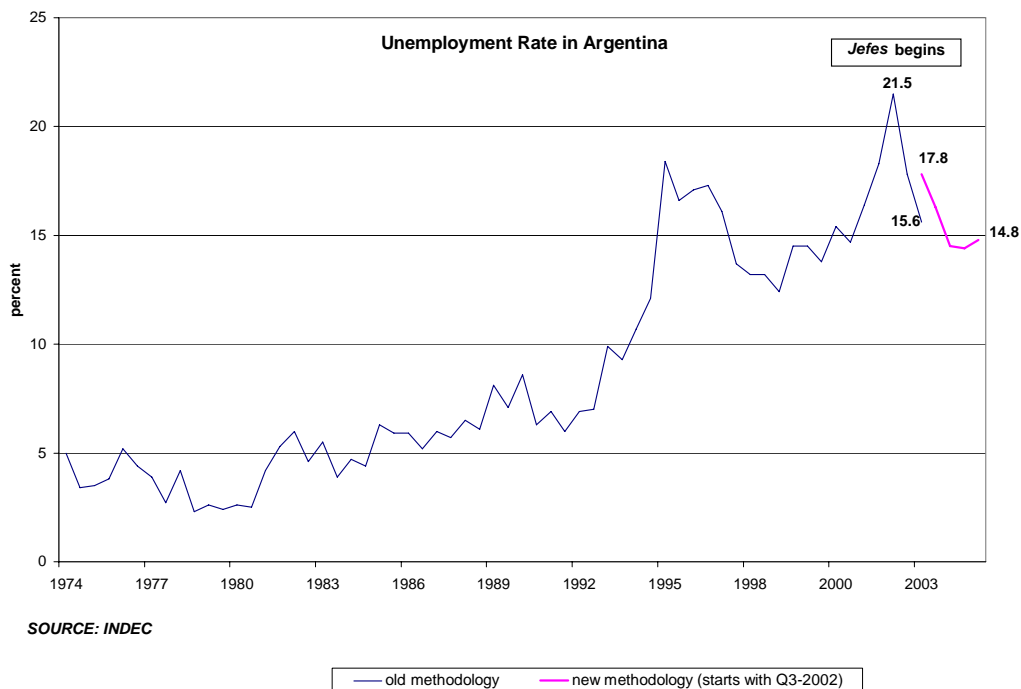
**Figure 1:** Decline in Indigence and Poverty of Jefes Beneficiaries

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

Individuals	% of individuals below the line of indigence and poverty		percent change
	without <i>Jefes</i>	with <i>Jefes</i> (Aug 2002)	
indigence	87	68.6	-18.4
poverty	98.6	96.7	-1.8

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

**Figure 2:** Unemployment Rate



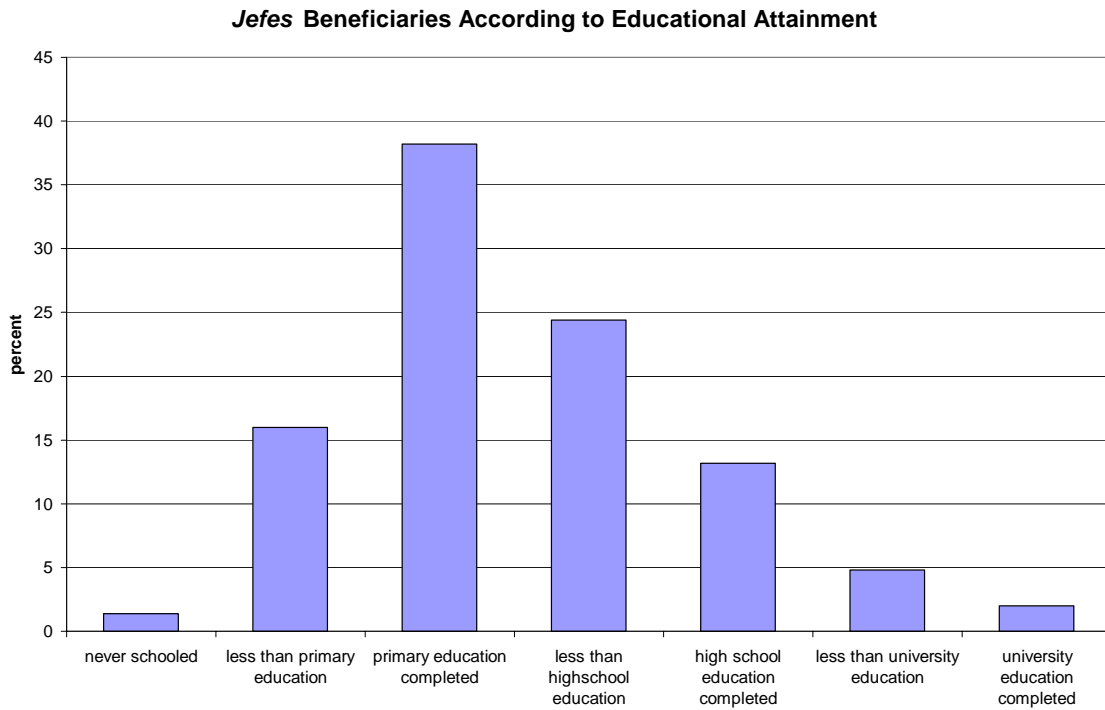
**Figure 3:** *Beneficiaries According to Unmet Basic Needs*

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 with one unmet basic need	56.80%

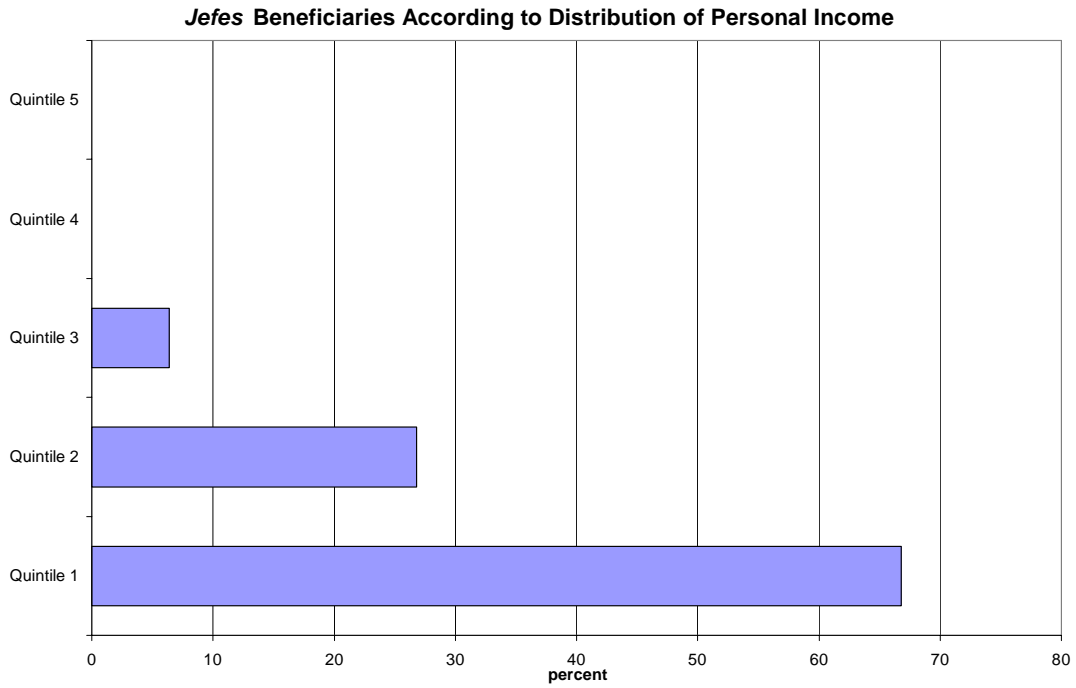
*Source: Ministry of Labor, Employment and Social Security, Argentina*

**Figure 4:** *Beneficiaries According to Educational Attainment*



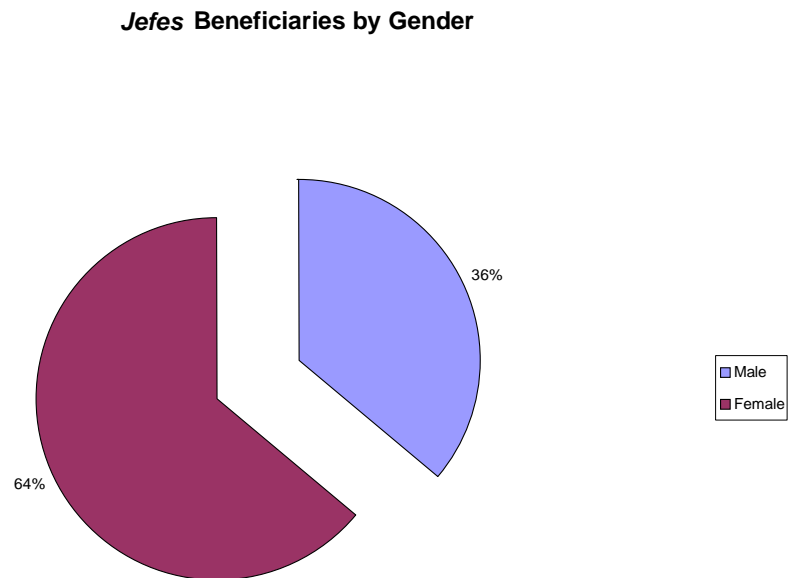
**SOURCE:** *Ministry of Labor, Employment and Social Security, Argentina*

**Figure 5:** *Beneficiaries According to Distribution of Personal Income*



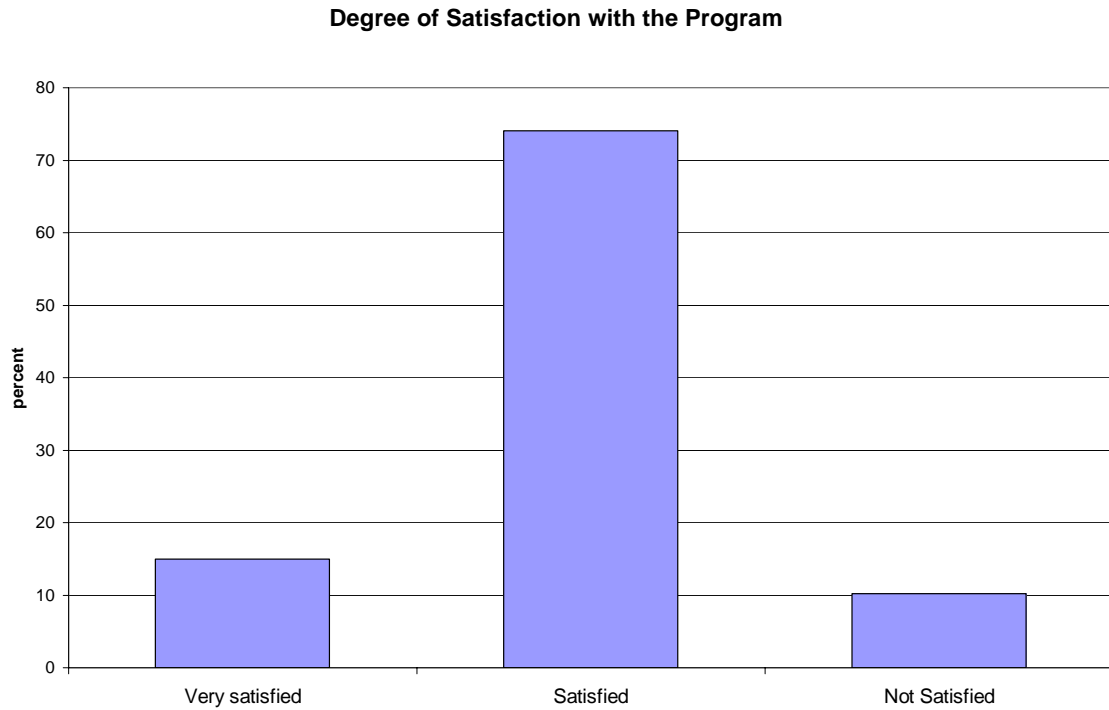
SOURCE: Ministry of Labor, Employment and Social Security, Argentina

**Figure 6:** *Beneficiaries by Gender*



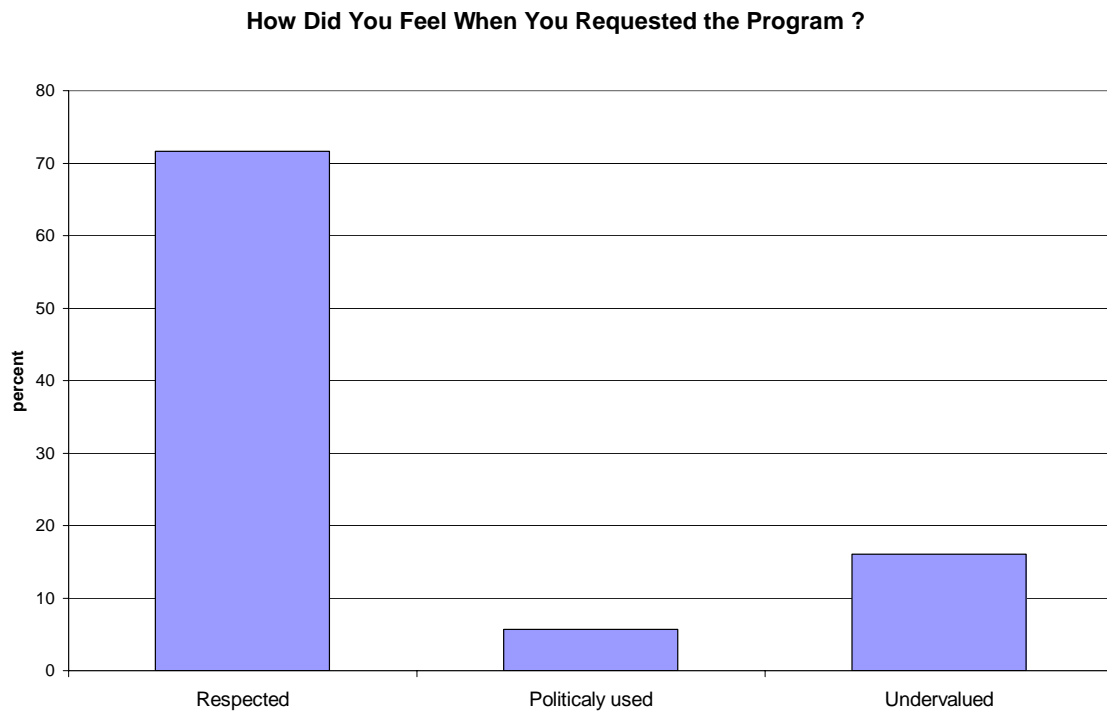
SOURCE: Ministry of Labor, Employment and Social Security, Argentina

**Figure 7:** Degree of Satisfaction with the Program



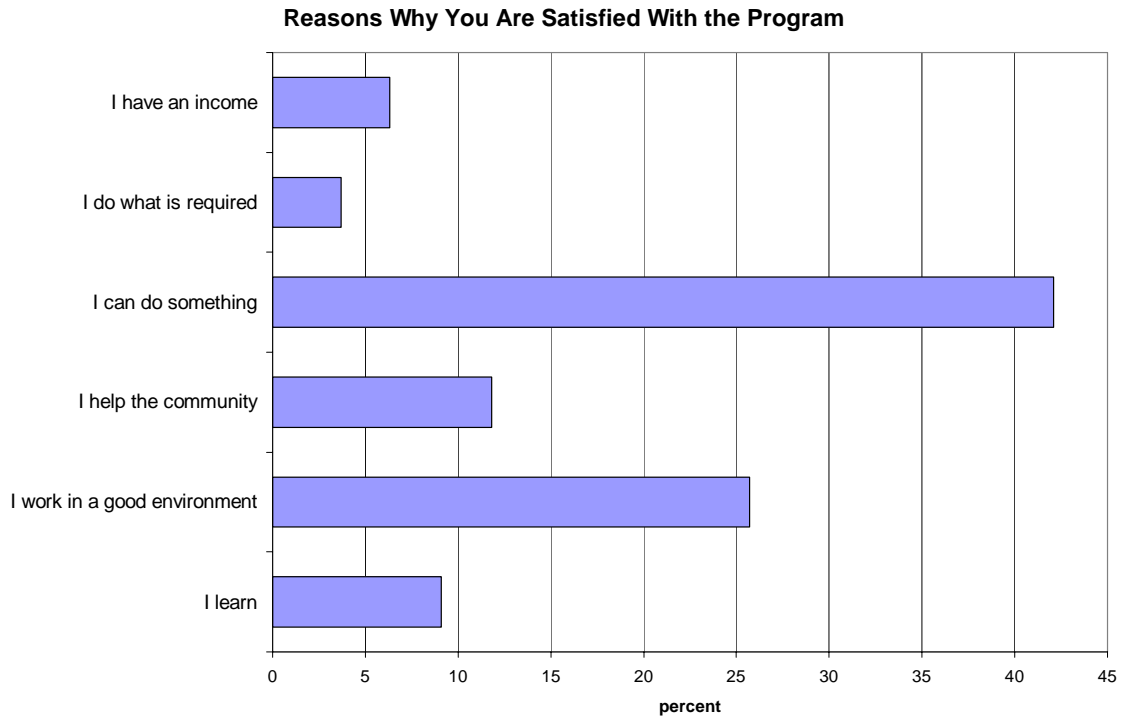
SOURCE: Ministry of Labor, Employment and Social Security, Argentina

**Figure 8:** How Did You Feel When You Requested the Program?



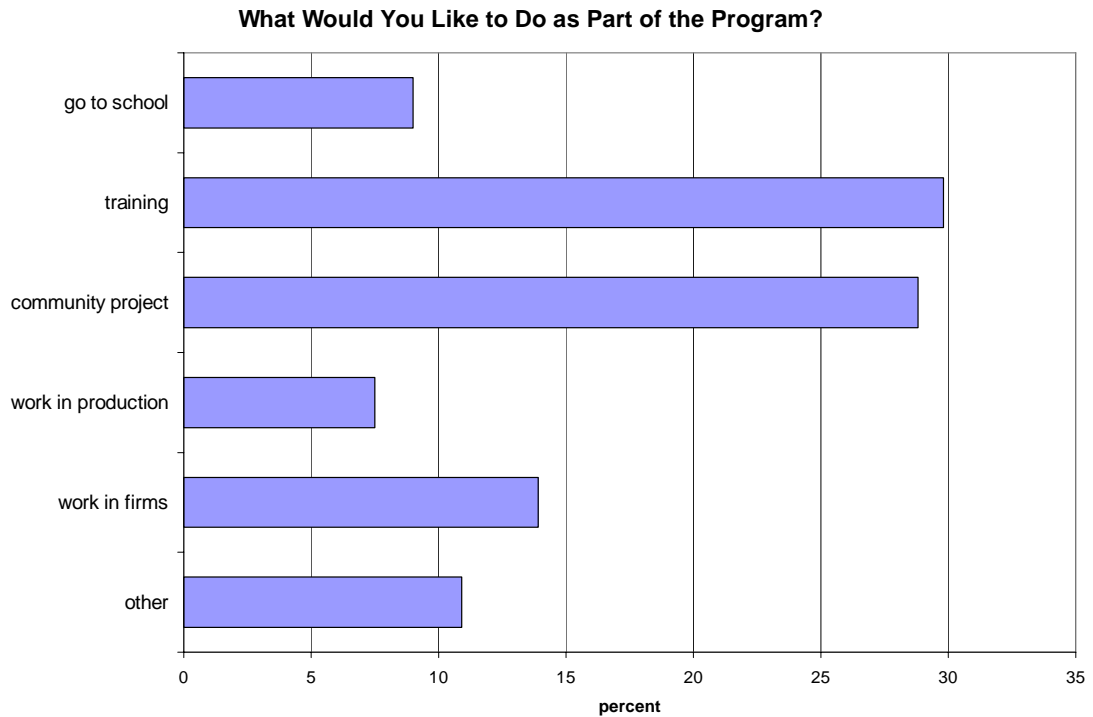
SOURCE: Ministry of Labor, Employment and Social Security, Argentina

**Figure 9:** *Reasons Why You Were Satisfied*



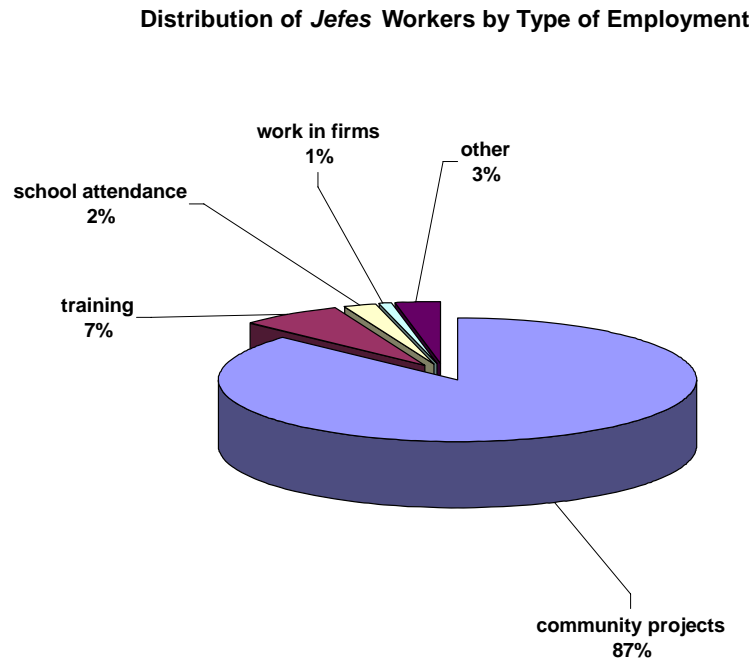
SOURCE: Ministry of Labor, Employment and Social Security, Argentina

**Figure 10:** *What Would You Like to Do As Part of the Program?*



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

**Figure 11:** *Project Typology: Distribution of Jefes Workers by Type of Employment*



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

**Figure 12:** *Project Typology: Types of Community Projects*

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
<b>Total</b>	<b>100%</b>

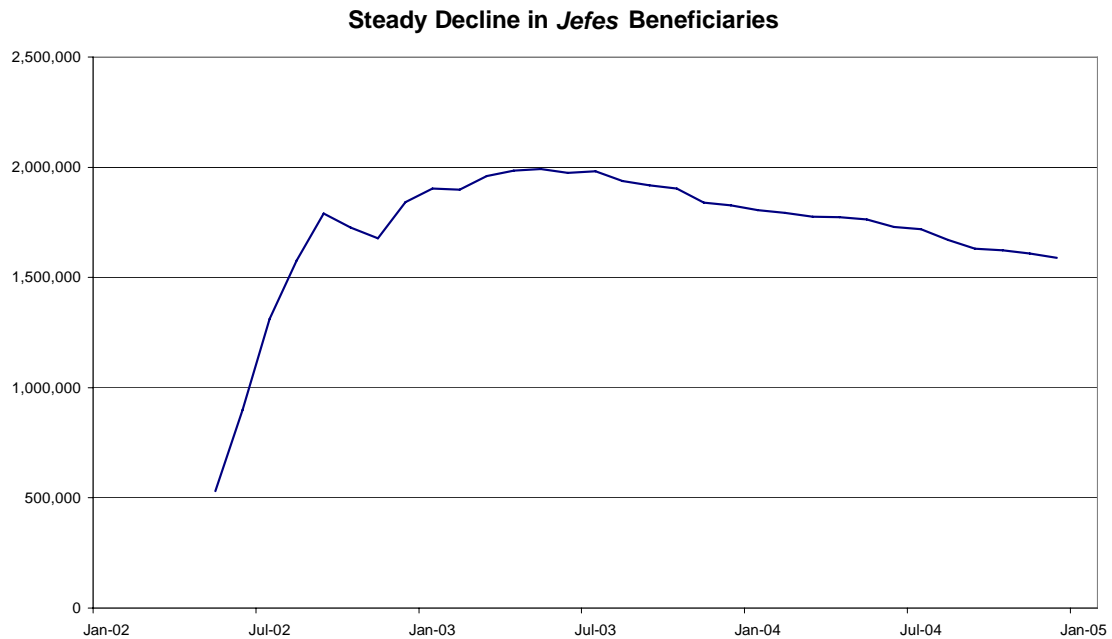
*Source: Ministry of Labor, Employment and Social Security, Argentina*

**Figure 13: Project Financing**

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

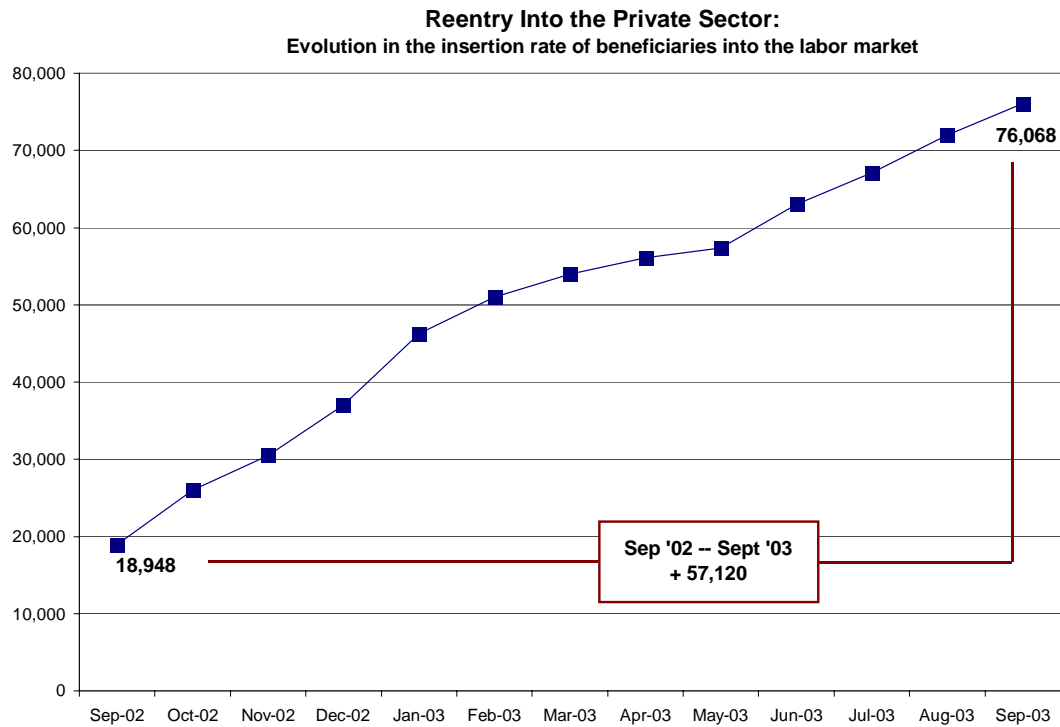
Source: Ministry of Labor, Employment and Social Security, Argentina

**Figure 14: Steady Decline in Jefes Beneficiaries**



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

**Figure 15:** *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

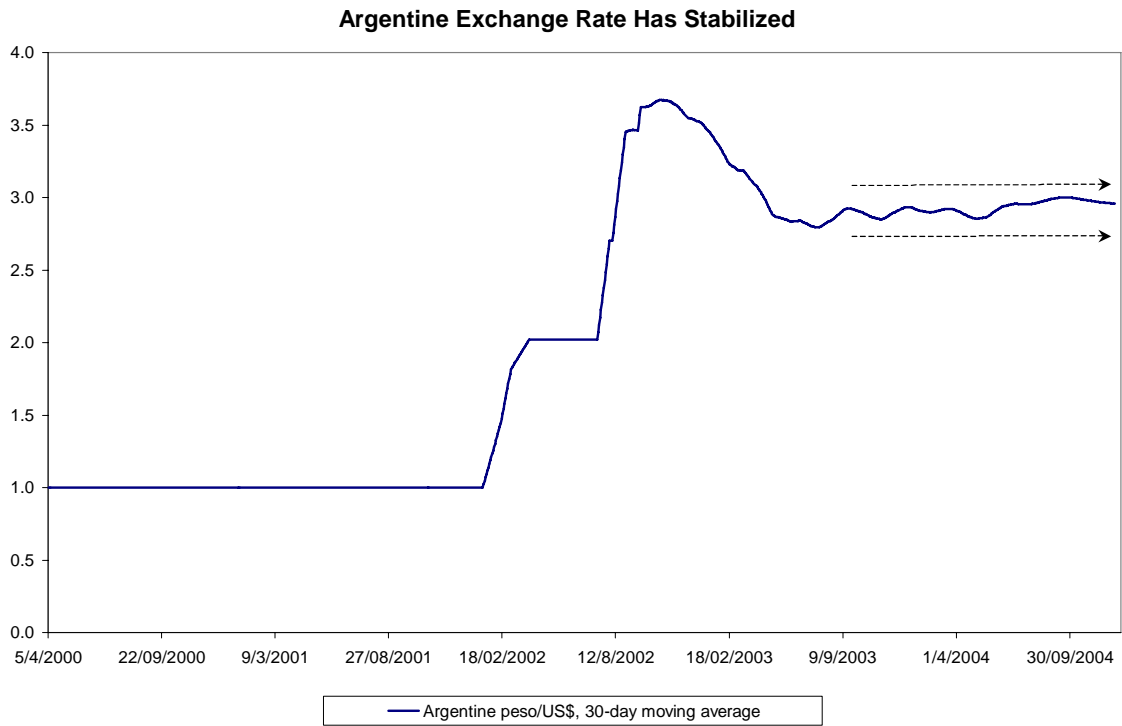
**Figure 16:** *Reentry Into the Private Sector:*  
*The Jefes wage is the effective minimum wage*

The Jefes Wage is the Effective Minimum Wage

<b>Distribution of beneficiaries who have been incorporated into the labor market according to salary received</b>	
<b>Salary received</b>	<b>Percent of beneficiaries</b>
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%
<b>TOTAL</b>	<b>100.0%</b>

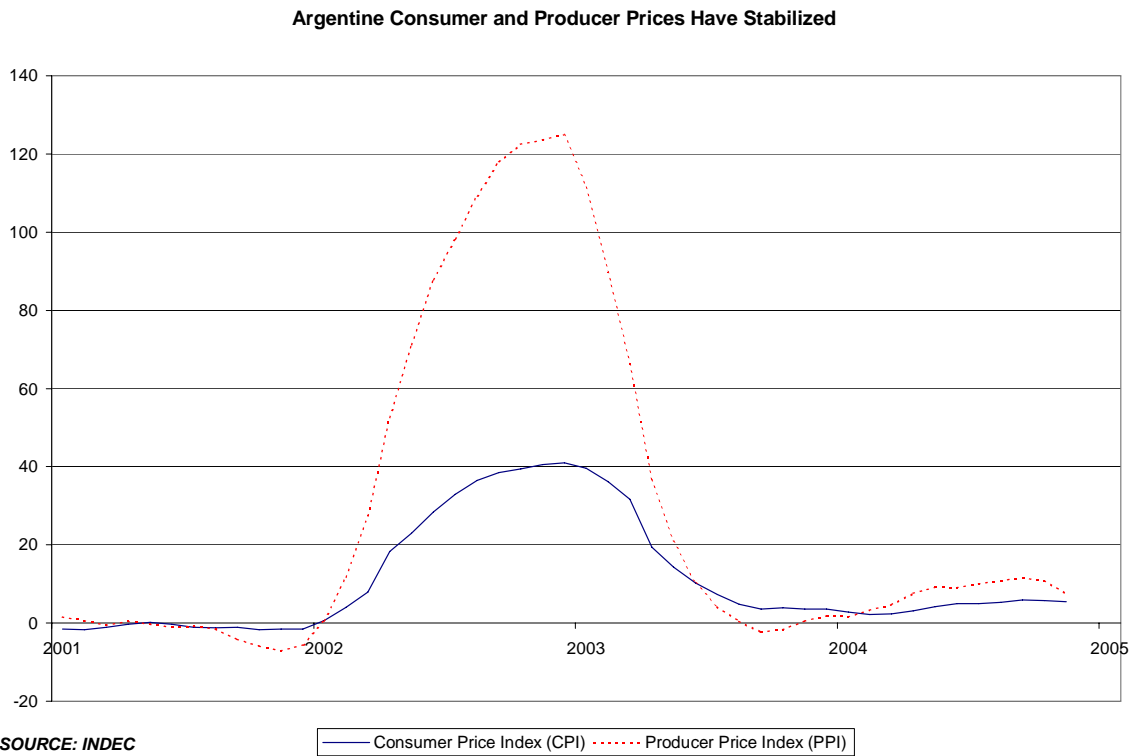
Source: Ministry of Labor, Employment and Social Security, Argentina

**Figure 17:** Argentine Exchange Rate Has Stabilized



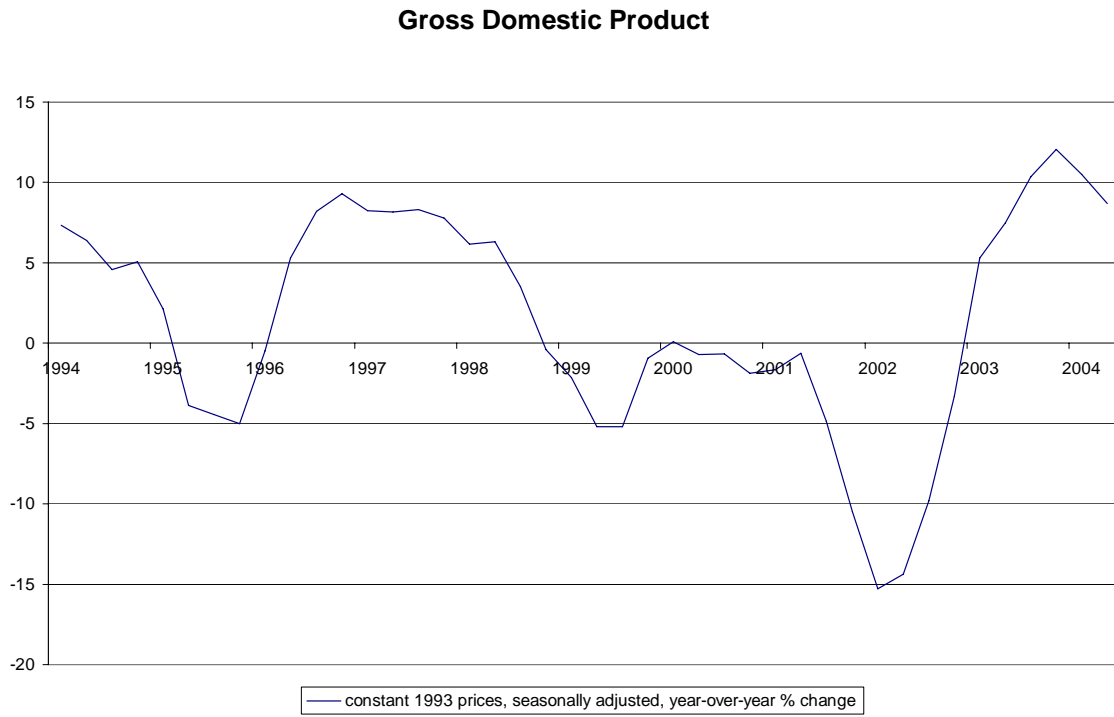
SOURCE: INDEC

**Figure 18:** Argentine Prices Have Stabilized



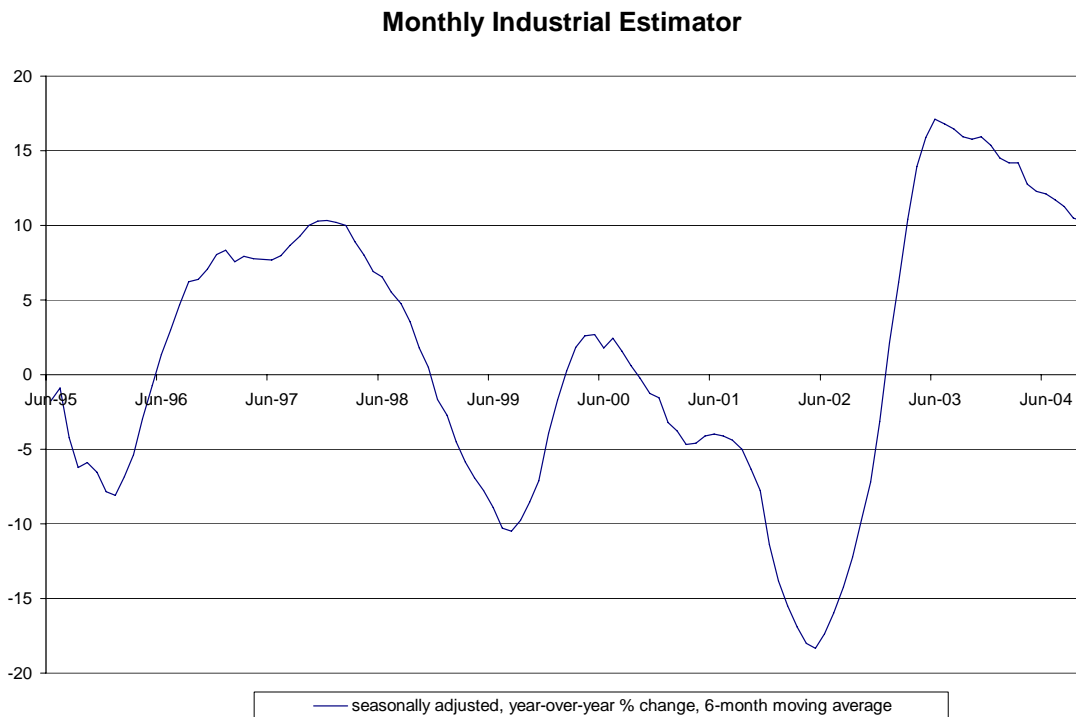
SOURCE: INDEC

**Figure 19:** *Gross Domestic Product*



SOURCE: INDEC

**Figure 20:** *Monthly Production Estimator*



SOURCE: INDEC

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