

**PUBLIC EMPLOYMENT PROGRAMS CASE STUDY:
ARGENTINA'S TRABAJAR PROGRAM**

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CONTEXT

Origins and Political Economy Backdrop

Argentina's urban poverty declined between 1990 and 1994 together with the achievement of economic stability and growth. This was a dramatic reversal of the trend during the latter part of the 1980's. While Argentina has been quite successful with its recent stabilization and reform efforts, outcomes in the area of employment have been disappointing and some of the previous gains in poverty reduction were reversed during the economic recession of 1995-1996. A highly centralized and rigid labor market has hindered mobility, reabsorption of displaced labor, and wage flexibility, and has resulted in a more costly and longer macroeconomic adjustment. In addition, the new exchange rate parity, decreases in the relative price of capital, low inflation, and nominal wage and labor market rigidities favored quantitative adjustments (reduction of labor force) over price adjustments. Wage and non-wage labor costs have remained high in spite of high levels of unemployment (nationally at 17 percent). Greater employment creation is expected to come about from increased economic activity, which will particularly be stimulated by lower labor costs and increased flexibility in contracting and collective bargaining.

The government has already taken substantial measures to reform the labor market, including reductions in labor taxes. In December of 1996 the President also signed emergency decrees which began the process of decentralizing collective bargaining in small and medium sized firms. A law to reform the severance payment system was recently proposed, as well as recent changes in the social security administration. Argentina's attempts to reform its labor market are in motion. However, it will probably be some time before these politically difficult reforms can be implemented.

Poverty and Economic Situation Backdrop

An increase in poverty during the 1995-1996 recession was closely related to the growth of unemployment. Recent data show that about 40 percent of those in Argentina's poorest decile are unemployed, compared to an average unemployment rate for the population as a whole of 17 percent. Argentina's options for dealing with widespread unemployment are to rely on economic growth to create employment and/or to institute labor market reforms that encourage greater and more productive use of labor. A recent Bank sector report argues that given the scale of the unemployment problem, the limited macroeconomic instruments at the disposal of the government, and the adverse short-term fiscal effects of further reductions in payroll tax rates, further labor market reforms are needed. While the resumption of sustained growth will improve the employment outlook, it will do so only over the longer-term.

Within the context of making these longer-term macroeconomic labor market reforms, the government of Argentina simultaneously began a series of short-term public employment programs to alleviate its growing poverty problem. TRABAJAR was started in March 1996, replacing a previous public employment scheme, PIT ("intensive work program") which was not deemed a success. TRABAJAR provides low-wage work, targeted to the unemployed, on various small-scale community-level projects. The overall aim is to reduce poverty. The two ways in which the program can do this are by providing paid work for

unemployed workers from poor households and buy producing things of value to those households and other poor families in the local community.

Fit with other SSN Programs in Argentina

The TRABAJAR program was begun by the government independent of external funding sources. After some time, the government sought out external help to finance an expansion of TRABAJAR. The Bank Social Protection Project loans to Argentina are part of a more comprehensive SSN plan. A variety of ongoing, related projects include: Social Protection Project 1, Maternal Child Health and Nutrition I and II, Health Insurance Reform, Health Insurance Technical Assistance, Municipal Development Project I (IDB funded), Municipal Development Project II, Provincial Reform Project I and II (Planned), and the Youth Training Program (IDB funded).

The TRABAJAR program is designed to be a social safety net for the poor and is not directly linked to the above projects. TRABAJAR is designed as a short-term mechanism. It does not provide a long-term solution to the current low employment generation capacity of the Argentine economy. The TRABAJAR program works to address one of the many needs of Argentina's poor.

DESIGN ISSUES

Objectives, Target Population

The objective of the project is to reduce poverty by providing temporary income support to poor, unemployed workers. This is provided as a transition measure pending the implementation of comprehensive labor reforms and a resumption of growth.

The target population is intended to receive a combination of both direct and indirect benefits from the program. The direct benefits are the wage transfer of \$200/month to every full-time worker in the TRABAJAR program. It is estimated that 350,000 people will participate in the program as workers. There are about 16,000 projects that are expected to be completed, many of which will be located in poor communities.

Targeting Mechanism

The main targeting mechanism is the low wage rate. The selection of an appropriate wage rate is critical to the success of reaching the target population. If the TRABAJAR program is to generate employment, its wage rate needs to be low enough to avoid attracting people out of other employment options. Therefore, the TRABAJAR wage rate should be lower than the prevailing wage for similar work. This being the case, it is expected that the TRABAJAR program will only be attractive to those people with few prospects for employment, causing self-selection of the target group. This is especially true in Argentina, due to the strong relationship between unemployment and poverty status.

Along with worker self-selection, the sub-project selection process places an emphasis on geographically targeting poor areas to receive projects. This geographic targeting mechanism is part of a points system used in sub-project prioritization. Therefore, neighborhoods and municipalities of the target group are promoted as potential recipients for projects that in turn provide opportunities for self-selection.

Administrative Capabilities and Requirements

The TRABAJAR program is managed by the Ministry of Labor and Social Security (MTSS) staff at the national, regional and provincial levels. The MTSS provides the menu of acceptable sub-projects, as well as criteria and other instructions for sub-project preparation, evaluation, approval, and supervision. MTSS assigns resources for each province using a formula which weighs most heavily the distribution of the unemployed poor with consideration for past implementation performance. Sub-projects can be proposed by municipalities, provinces, national agencies, NGOs or private organizations.

Since the government significantly expanded the program, the MTSS increased its promotional and training activities. This was critical to increasing access to the TRABAJAR social fund for NGO and community groups. The menu of projects which are eligible for financing by TRABAJAR includes minor construction, repair, expansion, or remodeling of schools, health facilities, basic sanitation facilities, small roads and bridges, small dams and canals, community kitchens and centers, tourist centers, and low-cost housing. Sub-projects must be completed within 4-6 months and can employ no more than 100 persons.

All subproject applications are evaluated by professionals according to a methodology which is developed during project preparation, drawing primarily on the past experience with social funds. The methodology incorporates a review of the economic, technical, financial, institutional, environmental, and social aspects of each proposed sub-project. In the evaluation of sub-project proposals, about 30 percent will receive a site visit. Sub-project applications that receive positive evaluations are considered at monthly committee meetings at the regional level. These meetings include Provincial Managers of Employment and Training (MTSS employees), the Regional Manager of MTSS, a representative from the national office of the MTSS, and members of civil society as observers (mostly business and union representatives).

At these meetings, favorably evaluated sub-projects are ranked by a point system according to several criteria. The most important of which are: geographically targeting the poverty level of the area in which the sub-project is located, coverage of previous sub-projects, the share of the labor cost, cost-effectiveness of the sub-project (capacity to pay employees lower salaries, of leveraging cofinancing from the applicant organization, etc..), project category, priority assigned by the province, labor conditions, and the relative distribution of benefits produced from the sub-project's productive activities (public/private benefits). Approved and prioritized sub-projects are funded up to the limit set by the available funds, with subsequent sub-projects pending further funding. Payments to TRABAJAR workers are made by checks through the National Social Security Administration (NSSA).

Participation as Part of Program Design

The TRABAJAR program has been a demand driven fund since its establishment in 1996. It has therefore incorporated a participatory approach into its operations. During the development of the program, social assessments were carried out in an effort to improve the participatory approach. Projects can be proposed by local governments, community groups or NGOs. The experience so far is that for the majority of projects, municipalities have been the main sponsors, although community or NGOs are often secondary sponsors. For about 15 percent of the projects, community groups or NGOs are the main sponsors. This percentage compares favorably with the experience of other social funds in Latin America.

The main recommendations for participation in the extended program include: more project promotion (specifically tailored to community groups and NGOs), more technical assistance in project preparation, removal of bias for high shares of project cofinancing and access to outside institutions for evaluation of projects. In the application procedure, sponsoring agencies will be asked to describe how communities have been involved in project selection and the sub-project evaluation process that leads to prioritization of projects and funding. Upon completion, some projects will have a survey to help determine the community's participation and their support of the project.

Implementation, Monitoring and Evaluation

Once sub-project applications have been evaluated (MTSS) and prioritized (province committee point system), they are ready to begin the implementation phase. The initial step after sub-project approval and funding is for the executing agency to present the Provincial Manager of Employment and Training Programs with a list of workers for the project. Workers can be employed from lists of unemployed workers at MTSS offices, or contracted by other means. The list is verified and the information passed on to the provincial units of the NSSA, which then forwards them to the national office. Checks are issued to each worker once a month for the previous month's work. Depending on the location of the sub-project, workers either receive their checks at a bank, or the post office. Workers then sign for their checks, and information of the receipt of wages is returned to the NSSA office.

Sub-projects are supervised by trained professionals contracted at the provincial level. Each sub-project is generally supervised at three different periods during implementation, once at the beginning before the first payment to workers is authorized, once mid-way through the execution, and one near project completion, before the final payment to workers is authorized. The methodology for these supervisory actions is developed during sub-project preparation and evaluation for funding.

A main goal is to be able to provide timely monitoring reports covering all stages of the project cycle. To this end, the program's management information system is being strengthened in an attempt to make monitoring and evaluation more effective and efficient. Previously agreed upon monitoring indicators are used by MTSS, implementing organizations, the World Bank, and the IDB. The program also has a built-in monitoring device. As projects are evaluated and completed, a database on prices of materials as well as unit costs is built up in order to be used as a basis for comparison with subsequent sub-project proposals.

As part of the overall program evaluation, a survey instrument is being used to determine the direct benefits of a random sample of TRABAJAR workers for particular sub-projects. These survey results are compared with those of a control group selected from the population at large. The indirect benefits of the projects financed through TRABAJAR will be measured by ex-post evaluations of a random sample of projects. In cases in which the outcome is not satisfactory, an examination of the TRABAJAR process and the executing agency will be undertaken to determine the main cause and to draw lessons for the future.

IMPACT

Fiscal Impact/Costs

The Social protection Project II (TRABAJAR) represents a total commitment of US\$ 1.2 billion financed primarily by the Government of Argentina, with assistance from the World Bank.

Estimated Project Costs and Financing

Project Component	Local Financing (US\$ million)	Foreign Financing (US\$ million)	Total (US\$ million)
Subprojects	1,000	178	1,178
Project administration	20	2	22
Total	1,020	180	1,200

Project Costs by Expenditure Category

Expenditure Category	Total Cost (including contingencies) (US\$ million)
Works	800
Goods (Computer and office equipment and supplies)	3.0
Services (Consultancy services, per diems, and media services)	7.5
Financial services (Service charge to process payments to workers)	6.5
Project administration	5.0
Remuneration for temporary/fixed-term staff	378
Total	1,200

As part of the program, the MTSS accounts relating to the program are to be audited annually by independent, qualified auditors using accepted auditing standards and procedures. These records have been audited under the ongoing Social Protection Project I, and have been found to be acceptable.

Targeting Results

Transfers to the targeted population did occur during the first Social Protection Project loan. To a large extent the targeting mechanisms of geographic and self-selection are effective in allowing the transfer to reach the targeted group. There remain, however, some questions regarding the efficiency of distribution of the TRABAJAR funds to the unemployed poor. The first phase of the program showed that it took \$5 to

transfer \$1 to the targeted group - the unemployed poor. This suggests that as an anti-poverty scheme, the case for TRABAJAR rests heavily on establishing that the indirect benefits are of sufficient value to poor people to outweigh the extra costs that are incurred with this program over a more direct transfer mechanism.

Several features of the scheme suggest that the indirect benefits, particularly from the assets created, help tilt the balance in favor of TRABAJAR over alternative transfer-based schemes. These features include: well-defined project selection criteria and approval procedures; cofinancing of non-labor project costs by local governments; and the existence of considerable administrative controls and monitoring. The community surveys and monitoring of indirect benefits that are included in the revised TRABAJAR program will provide information for a more thorough analysis of the distributional nature of program benefits.

Impact on Poverty

Direct income gains to the poor participating households should be enhanced; it should not be difficult to bring down the cost of transferring \$1 to the poor to around \$3 from the current estimate of \$5. If the scheme does not create assets of sufficient value to the poor then it is unlikely to be cost effective relative to alternative means of targeting transfers to poor people. TRABAJAR will not solve the problem of poverty and unemployment in Argentina, but with some effort in maintaining the desirable features of the scheme and improving others, it can make a positive contribution to the current situation.

MAIN ISSUES AND LESSONS LEARNED

One of the main issues with the TRABAJAR program is that it was designed as a transitional program. The program helps the unemployed poor, but is eventually to be phased out when other macroeconomic and labor market reforms improve the employment generation capacity of the economy. Therefore, it is a program that will terminate at some point. Program design should incorporate this eventuality, and not lead to prolonged adoption of the program.

A variety of "Lessons Learned" adjustments have been made to the TRABAJAR program for the Second Social Protection Project loan application. These changes include refinements to the targeting mechanism, changes in the point system used for prioritizing sub-projects for financing, as well as needs for institutional capacity building for both applicant organizations and the MTSS. Some of these adjustments are noted below:

- In areas where the cost of living is lower and/or the depth of poverty is greater, it is expected that people will be willing to work at a lower wage rate, and this will enhance the cost effectiveness of the program, allowing greater coverage.
- Fine tune the point system for sub-project selection by using a finer and steeper gradient of points. Example: poor areas get more points, more points for sub-projects that undercut the \$200/month wage, for sub-projects with greater community involvement, for projects with a greater focus of labor share compared to capital.
- The new program has reduced the various eligibility requirements that previously existed. This encourages the poor households to re-arrange their activities to optimally take advantage of access to the TRABAJAR program. In ending the requirement that participants be chosen based on whether they are the head of household, or that the family have young dependent(s), the program has become more flexible and beneficial in terms of meeting the needs of the unemployed poor. These changes enable families to take advantage of informal sector employment, without hurting the family's access to the program.
- The previous social protection loan rewarded municipalities which offered a higher share of cofinancing. This was not a good feature, because even though it saved money, it inadvertently favored wealthier municipalities for project approval. It is recommended that this situation be remedied by offering an incentive to municipalities who are willing to cofinance projects in a bona fide poor area. Similarly, extra points should be given when cofinancing is offered by private residents of non-poor areas (this effectively decreases the government's expenditures and makes the salary transfer to the workers far more efficient).

- A premium should be attached to proposals which are likely to yield sizable external benefits within the poor community. In these cases, direct local (community) involvement in the proposed project should be used, both as an indicator of longer term sustainability and as a source of information on possible external benefits within the local area, or beyond.
- That the management of TRABAJAR by the government as compared with other alternative management institutions is sufficiently transparent, with objective project selection, targeting criteria and controls that it is effective.

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