

## The Right to Work and Basic Income

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### The Job Guarantee: Delivering the Benefits That Basic Income Only Promises – A Response to Guy Standing

**Abstract:** The present article offers three critiques of the universal basic income guarantee (BIG) proposal discussed by Standing in this volume. First, there is a fundamental tension between the way income in a monetary production economy is generated, the manner in which BIG wishes to redistribute it, and the subsequent negative impact of this redistribution on the process of income generation itself. The BIG policy is dependent for its existence on the very system it wishes to undermine. Second, the macroeconomic effects of BIG on contemporary economies that use modern money are destabilizing. The job guarantee (JG), by contrast, stabilizes both the macro-economy and the currency while helping transform the nature of work itself. Finally, the employment safety-net in Standing's piece is not an accurate representation of the modern JG proposals – a confusion which this paper aims to remedy.

**Keywords:** basic income, job guarantee, economic security

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The job guarantee proposal is known by many names: the Employer of Last Resort (Minsky, 1986; Wray, 1998), the Buffer Stock Employment (Mitchell, 1998), Public Service Employment (Harvey, 1989), and the Job Guarantee (Tcherneva & Wray, 2005a), but none of these programs are the “right to work” programs described in Guy Standing’s article in this issue. Indeed, his article critiques the job guarantee proposals (I will use JG for brevity) largely based on a caricature of what the program is, what it aims to accomplish, and how it operates. Standing raises questions with regard to the viability, implementation, and administration of the job guarantee that have been answered in the literature, very little of which finds its way in his piece. Without reviewing the large body of existing work on the subject, one of the main tasks of this article is to underscore some key features of the job guarantee proposal that



have either been omitted or mischaracterized. The other is to illustrate how and why Standing's preferred safety-net, the basic income guarantee (BIG), is unsustainable and destabilizing to the economy.

Standing's rejection of the job guarantee proposal is based on more than the alleged problems with its design, operation, and implementation. His objection rests on a philosophical opposition to the nature of jobs in modern society, which he considers to be fundamentally punitive and unjust. The basic guaranteed income, therefore, is expected to provide the means to escape the requirement to work for one's living. JG advocates, by contrast, argue that the absence of true full employment over the long run is a precondition for the race-to-the-bottom practices that lead to bad jobs. They further emphasize that many people want to work in paid labor (not solely to get the means of subsistence), but do not have that opportunity. Therefore, a primary objective of the JG proposal is to provide that opportunity while improving the working conditions for all. Whereas Standing wants to sever the connection between incomes and jobs, JG advocates want to transform the very nature of jobs. Standing sees BIG as the "means of decommodification of labor power, of people," because he objects to the existence of commodified labor (Standing, 2009, and current article, p. xx). JG proponents want to sever the connection between the offer of employment and profitability from employment by creating an infinitely elastic demand for labor (Minsky, 1986) for those who, I stress, want to work for the public purpose. Though both policies aim to address the pervasive problems in the market process of social provisioning, the shortcomings of the BIG program lie within its operational mechanism and macroeconomic impact. Attempting to implement a universal BIG that ensures the means of subsistence to all in a monetary production economy has deeply destabilizing effects. The job guarantee by contrast, provides a key macroeconomic stabilizing mechanism that is absent from the basic income guarantee proposal.

Before proceeding with the analysis, it is important to state that the program discussed here is the universal and unconditional BIG proposal that provides subsistence income to *all*, irrespective of their labor force status. The article does not examine the macroeconomic effects of the negative income tax or any partial or transitional proposal for income support, nor programs that do not provide adequate income to purchase the minimum standard of living. There are many smaller means-tested income assistance programs (e.g., child allowance or social security), which provide essential support to their intended recipients but have distinctly different macroeconomic effects from those of a universal BIG. The program examined here is that which provides unconditional income to all members of society, irrespective of their employment, income, and wealth status, and at a level sufficient to purchase the basic necessary means of



subsistence. The goal of this program is to make it possible for those who choose not to engage in paid work to live a decent life.

The argument herein is that the very implementation of a universal and unconditional BIG in a modern monetary production economy would bring considerable instability at the macroeconomic level, uncertainty in basic goods provisioning, and unsustainability of the program itself. In modern market economies, aggregate income is generated through the commodification of labor and production for sale. While Standing envisions an economy that has decommmodified a large portion of its labor – which BIG itself is supposed to facilitate, he has not explained the alternative financing mechanism that would generate the basic income for all.

In the modern world, there can be two funding sources for BIG. The first would be employed at the state or local levels or in nations which do not control their own currencies, that is, in circumstances where governments face hard funding constraints. The financing mechanism would use these governments' power to tax certain economic activities and redistribute that income to all in the form of BIG. The second funding mechanism would work at the federal level in nations with sovereign control over their national currencies (U.S., Canada, Japan, UK, to name a few) and would use pure government fiat to pay for BIG. In this case, what would be required is for the government to pass a law mandating that all citizens receive a BIG at the basic living standard and then spend the necessary amount by directly crediting the bank accounts of all BIG recipients. In this case, income is not redistributed *per se* to fund the program, as tax collections simply destroy aggregate income (rather than stockpile it), while government spending creates it.

Funding BIG through either of these sources would produce a destabilizing effect. In the former case, the tax-and-spend redistributive mechanism that would be necessary to finance a large-scale, permanent and universal BIG for all, would undermine the very production process that it relies on to generate the income necessary to provide for the BIG. The funding for BIG comes from a monetary production system that relies on commodified labor, which BIG proponents wish to devalue. This, in turn, destabilizes the economic system and the process of income generation and, consequently, the program itself. Alternatively, if the funding were to come directly from government spending by fiat, the program will be inflationary and possibly hyperinflationary (more below, see also Tcherneva & Wray, 2005b; Tcherneva, 2006). This point is yet to be addressed by BIG advocates. In either case, the financing of BIG relies on debasing the currency – either (1) by introducing incentives to curb production, employment, and therefore income generation or (2) by hyperinflating the government fiat currency. Keynes famously attributed to Lenin the claim that



“the best way to destroy the Capitalist System was to debauch the currency” (Keynes, 1971[1920], p. 235). Considering BIG’s negative consequences on the currency and the economy, it is peculiar that its advocates have adopted this method for transforming the market system – that is, by destabilizing it. And if history is any guide, macroeconomic instability inflicts the most pain on those at the bottom of the income distribution, presumably the very same people who BIG proponents wish to help the most. By contrast, as will be discussed below, the JG proposal has important transformative effects on the labor market, without destroying the monetary system and the economy. Furthermore, the JG offers a long-run macroeconomic stabilization mechanism as it aims to make labor market conditions more just and humane.

In sum, there are three critiques presented here: (1) there is a fundamental tension in the way income in a monetary production economy is generated, the manner in which BIG wishes to redistribute it, and the subsequent negative impact of this redistribution on the process of income generation itself. The BIG policy is dependent for its existence on the very system it wishes to undermine; (2) The macroeconomic implications of BIG for contemporary economies that use modern money are devastating, whereas the JG stabilizes both the macro-economy and the currency, while helping transform the nature of work; and (3) the version of the job guarantee in Standing’s piece is not an accurate presentation of the modern proposals. Additionally, there are several real-world examples that, although not universal, illustrate many of the benefits of job guarantee programs. I shall focus on one such example, the Argentinean job guarantee program *Plan Jefes y Jefas* and its subsequent replacement by *Plan Familias* (a type of income guarantee) to evaluate their relative merits.

## How income is generated and how BIG is financed

The fact that the BIG proposal decommodifies labor at the margin presents a unique problem for the way BIG is financed and sustained. As discussed, there are two general ways to pay for BIG. One is through a tax-and-redistribute mechanism at the local level where various taxes are levied on profits, wages, sales, or property (e.g., Alaska’s Permanent Fund Dividend). The other is through government spending at the federal level, in which case spending on BIG is not constrained by tax collections and can be financed by pure fiat, the way modern sovereign currency nations finance most federally-funded programs.





The tax-and-redistribute scheme provides a series of negative impacts on the economy as a whole (Clark, 2002). Sales taxes are highly regressive, while property taxes are widely unpopular. Should any portion of the property tax income be diverted to BIG, in the US at least, the first institutions that would suffer would be local school districts, which are almost entirely funded by property taxes. Boosting taxes on profits and wages to collect additional BIG revenue fundamentally erodes the entire income generation mechanism on which BIG relies, because it taxes production to finance leisure. Note, that this is explicitly acknowledged by Standing who advocates BIG as a means of advancing the claims of leisure over the claims of employment (current article pg. xx). In short, this is a redistribution policy with the worst kind of perverse incentives – it dis-incentivizes the very production process that generates the income that supports the BIG program.

To be clear, there is nothing inherently wrong with policies that aim to redistribute income. After all, every macroeconomic policy helps create a certain structure of production that advances the income claims of one group over another. In the modern world, pro-growth, pro-investment trickle-down policies have tended to advance the claims of the capital and rentier shares of income, as well as the income shares of the high-salary individuals at the expense of the low (or medium) wage workers. The latter are continually undervalued, underpaid, and underutilized as a consequence of the race-to-the-bottom profit-seeking practices in an increasingly globalized world.

What BIG aims to do is tax profits, salaries, and rents at the top of the distribution to provide an unconditional basic income grant to all, including those whom the private sector refuses to employ (namely the low-skilled, poor, and unemployed individuals) or those who do not wish to participate in market activity on their own accord, either because they are involved in unpaid work or because they have chosen a life of leisure (note again, BIG encourages this outcome).

In other words, BIG wants to tax the income that is currently generated through production and employment and redistribute it to *all* without the condition to participate in the very process that generates that income. A predictable outcome of such a policy would be that the activities being taxed would be curtailed. This would have a desirable effect when rentier income and environmentally devastating production are concerned. But when all polluting activities, parasitic rentier incomes and “bad” jobs have been curbed (assuming that governments can design and implement such a carefully-targeted tax policy), BIG’s funding will depend on taxing profits and high wages of useful, productive activities and will continue to provide the same disincentive to doing these. What will the BIG policy tax next to fund the income guarantee?



Suppose that BIG manages to transform production and the organization of society into one where more humane and environmentally friendly production processes are taking place. Would the BIG policy not have to tax those as well to provide the BIG grant to all citizens? Indeed, it would, because unemployment is a *monetary* phenomenon and would remain a fundamental feature of profit-seeking market processes (humane or not) that would continue to deprive some individuals of income and thereby necessitating the BIG policy.

Taxing production cannot be a permanent funding mechanism for the BIG proposal. There is a clear logical limit to BIG's ability to fund itself because it provides disincentives to engaging in said production, which in turn undermines the income necessary to sustain a universal, unconditional, and permanent BIG policy. Considering how many jobs offer poor pay and working conditions (on this issue we agree), at the margin, there will be an unambiguous shift away from work into idleness. This after all is one of the objectives of BIG, namely to eliminate the bad jobs and provide the means of subsistence to individuals without the requirement to work. This way, BIG proponents argue, grant recipients could choose the activities they wish to do on their own terms – some individuals would pick leisure, some self-employment, some subsistence production. Note that all individuals, even those who engaged in subsistence production, would still need to purchase commodities,<sup>1</sup> but only those who had chosen self-employment and supply some goods or services on the market, would contribute to the very process that generates the aggregate income that BIG redistributes.

How does the BIG policy guarantee that the above-mentioned negative impact on the labor force and employment does not occur? BIG advocates argue that the “stimulus” from BIG would boost demand for product, enticing firms to hire back the people who just quit their jobs to enjoy leisure or unpaid work. Hiring them back would require raising wages to persuade BIG recipients to return to the labor market and raising prices to cover firms' rising costs. This rise in wages and prices would reduce the real value of the income of BIG recipients, and to maintain the same basic standard of living, the BIG grant would need to be increased, necessitating yet another round of wage and price

<sup>1</sup> In a capitalist economy, it is not completely possible to divorce oneself (much less the society at large, by definition) from the modern market. If it were possible to organize production at the macro-level in a way that individuals did not need to purchase any commodities, then there would be no need for BIG. However, in large part due to the existence of property rights, even those individuals who may want to engage in subsistence production will still need to purchase commodities (seeds for the gardens, timber for home repair, solar panels for home electricity production, etc).



increases. A similar inflationary mechanism would occur even if BIG were financed through pure government fiat (more below). As will be discussed later, unlike BIG, the JG provides a price anchor that does not trigger the same wage-price spiral (see also Wray, 1998; Tcherneva, 2006).

BIG supporters claim that once the recipients have been provided with income, they could choose the pursuits they undertake. Many of those activities would include the production of socially valuable output, which I presume would be sold on the market. Thus, the BIG grant would enable the increase of output from self-employment. But the assumption that the positive impact on output from self-employment outweighs the negative impact from the tax that is necessary to fund such a large and generous program, requires nothing short of divine intervention or some spontaneous choice on behalf of those BIG recipients at the margin to engage in production for sale. Some self-equilibrating mechanism must be assumed to argue that they will still end up participating in the market provisioning process. Equilibrium analysis is not an appropriate method for studying social provisioning. If the market equilibrium process worked in the first place, there would be no need for a BIG or JG policy.

Since BIG is a universal grant to all, it makes little difference whether or not some people choose to remain in paid employment (surely many will), but the relevant labor market impact from BIG is the one at the margin, where the bad jobs are. Once again, BIG advocates do not want everyone to participate in the market process and explicitly support the choice *not* to do so. Providing income to those who want to engage in leisure or subsistence production is a favored policy which, as discussed, cannot provide a steady stream of funding when by its very nature it discourages the type of market production that generates the income which is taxed to finance the BIG program. It should be noted that, just because income is primarily generated through paid work and market participation, it does not mean that policy makers should accept bad jobs and poor work conditions as a “necessary evil” in order to finance public policy (be it BIG or JG). In contrast to the mischaracterization by Standing, the job guarantee does not rely on bad jobs for its existence.

The second financing mechanism for BIG is fraught with similar problems. As I have discussed elsewhere (Tcherneva, 2006), federal funding for such programs is not technically constrained in countries that issue and control their own currencies, though it is constrained by the political process of appropriating budgets for these programs. In these sovereign monetary regimes, governments pay for their purchases by issuing their own liabilities – that is, by creating reserves. This is the normal financing operation of governments in countries like Canada, U.S., U.K., or Japan but not in countries like those of the European Monetary Union, which have abdicated control of their monetary



systems. In the former case, there are no technical and operational limits to how much governments can spend (though to be sure there are political constraints, as noted above).

Suppose that the U.S. Congress signed into law a policy that provided a basic income grant annually to every U.S. citizen, sufficient to provide him or her with the bare minimum standard of living. The first effect of such a policy would be a mass exodus from those “bad” jobs and a decline in production and output that would accompany the helicopter drop of money (via the BIG policy). There is only one consequence of such a policy – inflation. Additionally, should Congress incorporate a cost-of-living-adjustment provision and increase the BIG grant to compensate the recipients for the loss of value in their income from inflation, the result will be even more inflation, as more people opt out, production is disrupted further, and more and more money chases fewer and fewer goods (Tcherneva, 2006). Only if BIG were a one-time grant provided to recipients, it might temporarily boost aggregate demand and stimulate production, because people would know that they would still need to work for their subsistence once BIG expires and would not leave the labor market en masse. In other words, both supply and demand could rise without any necessary increase in the price level. But if BIG is a permanent policy that guarantees an annual income to all at a level that will provide the base standard of living without the requirement to work, the effect of the grant would be precisely the opposite – a boost in demand and a shock to supply, which is the well-known phenomenon of stagflation – that is, inflation below full employment.

This is the fundamental problem with modern fiat systems – they have the unique ability to fund many different public programs without technical spending constraints, but also carry the inherent possibility of inflation. In modern monetary economies, governments have a responsibility to anchor the value of their currencies. The JG program explicitly aims to do so and the program’s main stabilizing feature is its counter-cyclical buffer stock mechanism.

Public employment expands when the private sector lays off workers and shrinks when private employment recovers. In other words, when the economy is experiencing deflationary pressures from layoffs, countercyclical spending provides the expansionary force that counters them. By contrast, when the economy is experiencing inflationary tendencies from private sector job growth, public sector spending shrinks and dampens these inflationary pressures. Furthermore, the buffer stock wage is fixed, at a base (preferably living-wage) level, which provides a genuine floor to incomes and an anchor to prices in the economy. This base wage may well produce a one-time jump in prices but since it is not indexed to inflation, it does not have the embedded inflationary mechanism of BIG. Additionally, government spending is controlled through





the countercyclical fluctuations of the JG program – it does not grow *ad infinitum* the way it would with BIG or any generous pump-priming program that aims to produce full employment through conventional pro-investment pro-growth policies. No similar counter-cyclical mechanism exists in the BIG proposal.

In short, whether BIG is financed through an on-going policy of taxing production and redistributing income or by supplying helicopter drops of money, in either case it will have devastating macroeconomic consequences. Macroeconomic instability always inflicts the greatest harm on the most disadvantaged and vulnerable members of society. Perversely, BIG is a policy that harms those recipients which it intends to help the most.

There are better redistribution policies than the conventional ones, which tax and redistribute income *after* it has been generated within the existing structure of production. The alternative would be to change the very processes and structures that generate that income. This is the task of the JG proposal. Indeed, conventional income support policies do not garner wide support and are eventually reformed, as most evident in the Welfare Reform in the U.S. during the late 1990s, which resulted in an even more punitive and unjust program. A better and more sustainable redistribution policy would be one that alters the way income is generated in the first place. The best way to do this is through a “bottom up” approach that prioritizes full employment and improves the work and pay conditions at the bottom of the socio-economic ladder (Tcherneva, 2012). By securing true full employment through a public employment safety-net, the JG not only improves the distribution of income between capital and labor, but also addresses within labor income inequality, as it stabilizes incomes at the bottom and improves them faster than those at the top of the income distribution.

## The solution to “bad” jobs is a policy of “good” jobs, not a policy of “no jobs”

Guy Standing has a fundamental philosophical objection to the nature of jobs in the modern world, which he rightfully sees as demeaning and alienating for many. Whereas his observations about the steady erosion in job security, earned incomes, and compensation packages have much merit, his diagnoses for the causes of these trends and their solutions are in error. Precarious labor market conditions arise largely because monetary production economies do not operate at full employment. Global competition has exacerbated the problem and changed labor market dynamics even in the developed world by undermining the strong post-war labor contracts, worker benefits, stable incomes, and jobs as a result of outsourcing to nations with high



levels of unemployment, poor labor laws, weak worker protections, and low levels of growth and development.

Labor markets have become increasingly more precarious, necessitating new policies that would improve labor market conditions. Yet, when coupled with strong public investment and employment policy, labor markets can deliver shared prosperity, stable incomes, and improving quality of life to all (e.g., public policy in the immediate post war era or in the Nordic countries). Nevertheless, instead of devising economic policies that would improve labor markets globally, Standing prefers to eliminate the connection between income and labor. To lend support for this separation, he looks to the dark days of wage labor in the early post-Industrial era. This approach is particularly odd: it is akin to arguing that nations should not devise policies that guarantee the right to vote to all citizens, due to the torturous history of suffrage. Today, even advanced democracies are plagued by problems of exclusion and discrimination, but the humane and democratic policy response has been to foster greater, not less, access to voting. Indeed, the history of suffrage is just as dark as the early history of labor, but nations continue to fight for better laws and voting systems to guarantee the right to vote to all. It is precisely what government policy ought to do with respect to jobs – to guarantee the access to a job to all at decent pay and with good working conditions.

Standing also argues in support of severing the link between income and labor by citing surveys that reveal people's unhappiness with their jobs. But he does not delve deeper to examine the reasons for this unhappiness. Instead he seems to adopt the discredited neoclassical notion that employment brings disutility, whereas time and again, research has demonstrated that people want paid work for many reasons beyond that of receiving an income (Beveridge, 1945; Darity & Goldsmith, 1996; Sen, 1999). Job dissatisfaction stems not from having a job, but from having a *bad* job. One of the of the cited reasons for unhappiness in the workplace is the lack of decision-making power, autonomy, challenging tasks, advancement opportunities, and other (Pugno & Depedri, 2009). There is a wealth of information about organization systems that can help improve employment conditions in certain sectors that advance non-traditional job arrangements. These cutting edge work arrangements can be found primarily in the high-tech and social entrepreneurial sectors, which serve as models for organizational structure for the modern world. In other words, the nature of work is already shifting. Unfortunately, this is the case mostly for high-skilled high-paying jobs. There is no reason why policy makers cannot design jobs that could similarly empower the low-skilled/low-wage workers who suffer intermittent employment or long spells of unemployment.

There are numerous examples of direct job creation programs around the world that offer insights into how this task could be accomplished (more below).



There is also evidence that workers in the public sector are not displeased with their jobs nearly as often as their counterparts in the private sector (Demoussis & Giannakopoulos, 2007; Haile, 2009). Studies also indicate that subsidized employment (especially via public works) have much higher happiness return than unemployment or idleness (Croft, 2011). Furthermore, active labor market programs, such as direct job creation, are far more effective in helping individuals transition to paid employment than income support programs such as unemployment insurance (Graversen & Ours, 2006). In the Great Recession that began in 2008, for example, abundant anecdotal evidence indicates that employers in the USA did not wish to hire anyone who is currently unemployed (Goodwin, 2011; Rampell, 2011). One of the most often cited reasons for job dissatisfaction is job insecurity, which explains why individuals in temporary work report overwhelmingly greater anxiety and unhappiness with their jobs relative to workers with stable full-time employment (Green, Kler, & Leever, 2010; Booth, Francesconi, & Frank, 2002). Temporary work is also found to be poorer quality work (ibid.) Research also indicates that the individuals who want to work longer hours and a greater number of days are the low skilled, low-education workers, and those with intermittent employment or temporary work (Drolet & Morissette, 1997). So the vision of a post-work society that Standing advocates is not the vision of the most disadvantaged members of society. People want paid work. In the face of this evidence, it is incumbent on policy makers to provide for their needs and wants. The BIG proposal is a compassionate but paternalistic policy that does not ultimately deliver the jobs that those at the bottom of the economic ladder want. The JG proposal by contrast is based on several core considerations: (1) it acknowledges what people want and accommodates those needs; (2) it designs a program that delivers greater macro-economic stability; and (3) it helps redefine the meaning and nature of work, helping transform the economy to a more just and humane system.

## **A proper redistribution policy is one that prioritizes human input to social output**

In conditions where modern market economies do not provide adequate supply of jobs, the existence of unemployment fundamentally erodes worker rights, working conditions and living standards. The right to a job is a basic human right, but it is also good economics. Some BIG advocates object to policies for full employment on the grounds that they may foster demeaning jobs, environmental destruction, runaway growth, and government waste. Such policies can



exist, but they are not what the JG proposes. Never has a JG proponent suggested that guaranteeing a bad job should be the objective of policy makers. Standing fundamentally misleads the reader by suggesting that the JG is akin to slavery, modern communism, or any other system predicated on forced labor. JG proponents have explicitly stated that the public sector job is not only *voluntary* (no one is ever forced to take it) but it is also designed to establish the minimum necessary conditions that would constitute a *good job*. These conditions would establish the minimum standard for pay, benefits, and working conditions that the private sector must match. Many JG advocates have argued that the program should aim for a living wage that would then become the floor to wages in the private sector as well.

A living wage would not only include sufficient income to provide for oneself and one's dependents, but would also establish the minimum standard for benefits, which would include vacation, health, retirement, personal days, and paid family leave. This wage-benefit package would support both leisure activities and unpaid work. The JG itself would be structured in a way to alleviate the unpaid care burden of families. Public sector jobs would include activities that are not normally valued by the private sector and thus not adequately supplied or remunerated. The BIG proposal does not offer a solution to the public squalor that has plagued the modern world. There has been a systematic destruction of public services, investments, and social safety-nets. The JG reverses these trends by focusing on socially useful output and public goods provisioning for all. The JG is also a powerful vehicle for transforming the way income is generated and distributed in the economy without introducing the problematic incentives of BIG or its inflationary impact.

There are two ways to improve the income distribution through policy. One is to work within the existing structures that produce certain factor income shares, and to redistribute income after it has been earned and those shares have been determined by employing various income redistribution schemes. The other policy is to change the very way income is earned (Minsky, 1973, pp. 93–95). The Job Guarantee approach can do the latter by directly increasing and stabilizing the share of labor income in production.<sup>2</sup> It also ensures that by employing the unemployed, it improves incomes at the bottom of the income distribution faster than incomes at the top, thus, improving *within labor* income distribution. As Minsky had once argued, “instead of the demand for low wage workers trickling down from the demand for the high wage workers, such a

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<sup>2</sup> The redistribution of labor between the private and public sectors will depend on the level where the public sector wage is set and on the stage of the economic cycle.









literature. Although the program was not universal, it nevertheless employed 5% of the population and 13% of the labor force. The program was up and running in 5 months and, only a few months after its implementation, it had already reduced extreme poverty (i.e., indigency) by 25%. Argentina's exchange rate and consumer and producer price indices stabilized within a year. Conservative estimates of the impact of *Plan Jefes* on growth put the multiplier effect at 2.56. Indeed, Argentina recovered with a robust double-digit growth rate, which stabilized and remained around 8% until the present day (save for a brief period during the 2009 global recession). However, the economy did not wait for the return of robust growth to observe improvements in the unemployment situation. The unemployment rate fell precipitously upon implementation of the program and it was this improvement in the labor market that drove growth. This was employment and wage-driven growth, not a jobless recovery which we are witnessing in the U.S., for example. In the first 4 years after the Argentine financial crisis (during 2002–2006), the unemployment rate fell from 23% to 10% (with the most rapid decline in the first 2 years, and the slowest improvement in the latter years when the program was being phased out). By contrast, in the U.S., it took over 4 years after the start of the Great Recession to notice a small drop in unemployment. Note that the primary policy response to joblessness in the U.S., as in many nations around the world, is income support (i.e., unemployment insurance). By contrast, in Argentina the primary response was direct job creation.

Importantly, public employment in Argentina did not continue to expand and neither did it crowd out private sector work (something which Standing claims the JG would do). While there was a considerable initial enrolment of the unemployed and out-of-the-labor-force individuals, the program showed a clear countercyclical feature. The expenditure on the program at its peak was 1% of GDP, but once the economy began recovering, the public sector job program began shrinking steadily as workers found employment in the private sector. The government budget stance moved to and remained in surplus until 2010, when countercyclical government spending kicked in as a result of the global crisis. Importantly, 97% of *Jefes* workers who moved from their *Jefes* jobs to private sector employment did so at a *premium* over their *Jefes* wage. The program had established a wage floor for those workers. Additionally, by requiring that everyone who enrolled in the program obtain a social security card, the program formalized a significant portion of the informal sector and *Jefes* workers were hired into private sector jobs with the stable legal contracts and the social security benefits that come with formal sector employment.<sup>3</sup>

<sup>3</sup> For data and additional macroeconomic analysis see e.g., Tcherneva and Wray (2005c).



### Impact on families and communities from *Plan Jefes*

Field work conducted independently by Tcherneva and Wray (2005a, 2005b, 2005c, 2005d), Pastoret and Tepepa (2006), and Garzon de la Roza (2006) reveals important benefits of these programs that cannot be discerned from the macroeconomic data. What is clear is that the types of jobs that were created through *Plan Jefes* were oriented towards the needs of the families and their communities – jobs that did not crowd out private sector activities, as the private sector had not ever undertaken these jobs.

Before listing some of these programs, it is important to note that the *Jefes* program was structured in such a way that many of the community jobs were designed, proposed, implemented, and performed by the beneficiaries themselves. Whereas the federal government provided the funding and the general guidelines for these projects, the communities and individuals themselves were the ones who identified the specific unmet needs of those communities and the local resources available to meet them. They also designed and implemented these jobs. For example, two large landfills in the Buenos Aires area were cleaned up due to the efforts of the poorest community members who initiated a project to sort out the garbage from the recyclable material. People donated personal spaces – like garages and family rooms or helped build new structures in order to provide locations for the newly funded jobs. Some of these jobs included many food kitchens, tailor shops, daycare centers, subsistence farming initiatives, public libraries, afterschool activities for children, and many others.<sup>4</sup> Pastoret and Tepepa (2006) document visiting education centers, shops that were set up and run by women who performed “male” jobs – electricians, welders, carpenters and many others. Garzon de la Roza (2006) specifically looked at the jobs performed by poor women and the impact of these jobs on their lives.

What was clear from interviewing these women was the profound difference the *Jefes* jobs made in their lives, their families, and communities. A community which was once called *Cuidad Oculta* (The Hidden City), because the residents believed that their plight was invisible to policy makers, changed its name to *Villa 18* only 2 years after it was peppered with *Jefes* projects. Women we interviewed reported many benefits they reaped from the program – from learning basic skills like kneading, sanitation, food preparation, and dysentery prevention, to taking classes to finish high school or obtaining new marketable

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4 A detailed list of the activities that were funded can be found in Tcherneva and Wray (2005a, 2005b, 2005c, 2005d) and a description of some of the projects visited during our field work can be found in Tcherneva (2005).



skills, being connected to their neighbors, and feeling a sense of dignity and pride from working that they did not have while being at home. Indeed, official surveys of *Jefes* beneficiaries list that the income is the second least important reason why they were satisfied with their jobs (Tcherneva 2006). Being engaged, doing something, learning, helping the community, as well as working in a good environment are all benefits from working that *Jefes* participants favored over receiving income.

### ***Plan Jefes vs. Plan Familias***

Paternalistic visions of who should and should not work led to the gradual reform and eventual closure of the *Jefes* program. *Plan Jefes* promised a job to heads of household only, presumably male. Nevertheless, three-fourths of the beneficiaries were in fact women. Some economists argued that the program artificially brought women who were previously outside the labor force into the labor market. This “activation” of women was considered undesirable – a market distortion triggered by the job guarantee. But policy makers and economists failed to recognize that women wanted to work (every single woman Wray and Tcherneva interviewed, wanted paid employment) and that they reaped great benefits from having access to jobs in their own community and in close proximity to their homes and children’s schools. The subsequent reform of *Plan Jefes* involved two components – training and job placement assistance for the male workers and a basic income guarantee for the female workers. The rationalization for this reform was particularly problematic from a gender perspective. Poor women were viewed as unemployable by policy makers who argued that their place was in the home, not in the labor market. Policy makers rationalized the replacement of *Jefes* work with family income assistance on the grounds that it was unfair to make poor women work, since they carried a large unpaid care burden. Men by contrast were deserving of the job assistance, as they were the proper breadwinners in the household.

But women did not transition initially to the income assistance program in large numbers. In order to encourage them to do so, *Plan Familias* offered a stipend that was higher than the wage from *Plan Jefes*. Even with the higher stipend, many women chose to stay in their *Jefes* jobs. When the reform was first under consideration, a pilot program for income support was launched in the Santa Fe province (IADB, 2005, p. 29). A World Bank study of the pilot program indicated that *Plan Familias* had considerable difficulty attracting women away from *Jefes*. Less than 50% of the targeted beneficiaries (poor women with





children) made the switch. The World Bank then proposed that the government step up its PR efforts to explain the benefits of *Plan Familias* to poor women.

As noted earlier, one surprising result from the Tcherneva and Wray field-work was that every woman that was interviewed wanted to work rather than receive a welfare check of equal amount (Tcherneva & Wray, 2005b, 2005c, 2005d). During the second evaluation of *Plan Jefes*, the Ministry of Labor also found that many women were disappointed to return to inactivity as a result of being moved into *Plan Familias* (MTEySS, 2005). A third survey by Pastoret and Tepepa (2006) found that women who moved to *Plan Familias*, but whose *Jefes* community projects were not yet discontinued, kept going to work, even though they were now exempt from the work requirement and no longer qualified for participation in *Jefes*. They felt the need to be part of the community and to work outside the home.

It seems, the World Bank and Argentine government failed to recognize that poor women reaped important benefits from paid work – from greater bargaining power within the home, to more empowerment, to dignity from work. The proper reform would have been to increase the *Jefes* wage and to continue to socialize the unpaid care burden of participants further. Nevertheless, the experience of the Santa Fe province is telling. Women and poor women in particular want work. *Jefes* provided clear structures to reduce their double day shift by socializing some of their care responsibilities and by allowing the community to participate in this process. So whereas Standing is concerned with the fact that modern society does not recognize care work as useful social labor that deserves remuneration, *Jefes* did and encouraged such care activities. *Jefes* also recognized artistic pursuits, recreation, subsistence production and other activities as socially useful labor (Tcherneva, 2005).

A survey conducted by Garzón de la Roza (2006) focused specifically on the impact of *Plan Jefes* on poor women. Her study is particularly illuminating because it focuses on poor women's narratives, and shows that their first exposure to paid work significantly boosted their self-perceptions, promoted collective and individual empowerment, and had important qualitative changes to their lives (Garzón de la Roza, 2006, p. 8). Like Pastoret and Tepepa, Garzón de la Roza finds that the socialization of women's work increased the respect and recognition women received in their own homes and the community at large. The main finding of Garzón de la Roza's work is that, even those policies that are initially implemented as crisis resolution tools will, over time, produce important changes to poor women's lives (ibid., p. 10). Garzón de la Roza also finds that those who had lost the *Jefes* benefit after the reform often came back to work in *Jefes* as volunteers. She specifically finds that men, who were no longer able to find employment in the city and were compelled to join their



neighbors in the community work projects, had expanded their views about family and work as a result of their “socialization with women and children and contact with other realities” within the impoverished neighborhoods (Garzón de la Roza, 2006, p. 68). All workers reported that by working in the community, they learned things they did not know before and the experience opened their eyes to poverty and child destitution they did not know existed (ibid., p. 79). Pastoret and Tepepa (2006) report that men participating in the *Jefes* program felt that it had provided them with a “second family” (ibid.).

While the Basic Income grant intends to provide the means of subsistence, it also makes the beneficiaries invisible. By contrast, as the survey evidence above suggests, *Jefes* provided an institutional structure for civic engagement and community building. *Plan Familias* replaced *Plan Jefes* over time and was based on the idea that poor women, already burdened with unpaid care responsibilities, should not be required to work in exchange for the income support they received. But the reform was also motivated by gender stereotypes about what type of work was considered productive and unproductive and who should be considered employable and unemployable.

In the end, however, it was not child-care and other unpaid care work responsibilities that presented the obstacle to work; it was the paternalistic policies, which presumed to know what is better for the poor than the poor themselves that drove the reform of the job guarantee to income guarantee.

## Job or income guarantees: some concluding thoughts

Job guarantee programs have often been criticized for allegedly perpetuating a paid-work society that unjustly exempts the privileged and wealthy from the requirement to work, while forcing the poor to work for their subsistence. In the literature on basic income, in particular, it has been argued that an income guarantee would move the world to a post-work society where an individual's pursuits would be linked, not to the need to earn the means of subsistence, but to the freedom that the basic income grant affords (e.g., Aronowitz & DiFazio, 1994; Aronowitz & Cutler, 1998; Fitzpatrick, 2003).

In the modern monetized world, however, the poor and the unemployed want *paid* work. The Argentinean experience shows that paid work matters to the poor (poor mothers in particular), and that visions of a post-work society are not their visions. The poor and the unemployed want to participate in mainstream society, by receiving wages and contributing to private market or



community production. At the same time, those individuals feel the pressing need for mainstream society to recognize their care and community work as useful. The experience of poor women in Argentina demonstrates that the poor understand that income alone does not empower. Social mores dictate that genuine empowerment comes from *earned* income, not charitable contributions. Although non-wage income entitlements to women attempt to recognize household work as socially useful, which deserves financial support in a monetized society, they do not carry the same benefits women report from engaging in paid employment, nor do they help break the gender stereotypes of division of responsibilities within the household.

For a genuine transformation within the marketplace or the household, an active agent of change is needed. Income support programs are passive agents of change – they make their recipients invisible and hide them from the sphere of most socio-economic life. Even if income afforded greater degree of freedom to individuals, transformative changes occur when individual action is harnessed by institutions that can propel the collective interests forward. The JG is just such an institution – it puts human needs first and redefines what is “efficient” from what is “profitable” to what is “socially useful”. It engages its members directly in the goal of advancing the public purpose and is, therefore, a program that promotes inclusion. Thus, when designing fiscal policy the inclusion/exclusion nexus matters. Income alone does not create inclusion in socio-economic and political life, but participation does. To this end, one very effective way of combining the important goals of basic income and job guarantees is to design a universal guaranteed participation income program in the form of a Job Guarantee (Tcherneva, 2006). Social reformers must examine seriously the vile effects of unemployment and forced inactivity and devise a program that addresses those problems without producing macroeconomic instability. A combined job/income guarantee proposal would offer a voluntary employment opportunity at a standardized (preferably living) wage-benefit-vacation package for those unemployed individuals who are ready, willing, and able to work and would be coupled with certain income guarantees that are not tied to labor market participation, such as universal child allowance, old age income, and healthcare for all.

In sum, Standing’s unfavorable outlook toward work lends support to a policy proposal which is at its core compassionate but infeasible for three reasons. Since BIG’s primary source of funding comes from a production process based on commodified work, there is deep tension between the source of program funding and the disincentive to work the program brings through the decommodification of work at the margin. Secondly, should the government fund this program in perpetuity by attempting to guarantee the minimum



standard of living with a cost of living adjustment, it would likely render it hyperinflationary. Thus, the program would fail to meet the basic standard of living it targets, while simultaneously it destabilizes the macro-economy. Finally, experiences with public employment programs around the world have much to teach us about designing the JG in a way that enhances human dignity and empowerment. Such programs hold the unique promise of delivering macro-economic stability, better income distribution, and a stable environmentally friendly bottom-up approach to growth.

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