WORK AND EMPLOYMENT IN THE BICENTENARY:

Changes in employment and social protection dynamics for an extended inclusion.

2003 - 2010
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Cover photo: workers installing the structure of the Paseo del Bicentenario for the celebrations of the Semana de Mayo. 9 de Julio Avenue, Autonomous City of Buenos Aires, May 2010. We thank Daniel Kostzer for the image.

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To make an assessment of the social and employment situation in Argentina during the 2003-2010 period, it is necessary to dive into the story of the changes that allowed us to celebrate our Bicentenary in a context of growth and social peace; even when, only a decade before, the collapse of the productive model and the political crisis seemed to reach an almost irrevocable magnitude. Having been able to overcome the domestic crisis and the global crisis that started in September 2008 is a clear sign that the model we chose is not only sustainable, but also the one our country needs to find its path to growth again.

After seven years leading the Ministry of Labor, Employment and Social Security and a competent and committed political and technical team, the results obtained in terms of development, growth and social justice are not merely a post-crisis recovery, neither are they derived from a favorable international context or a random phenomenon.

On the contrary, these achievements were a direct consequence of the decision taken by the Nestor Kirchner administration in 2003 to recover a project of a productive and inclusive country that had been abandoned by the mid ’70s. The current administration of Cristina Fernandez de Kirchner chose to continue along this path, promoting national production, moving towards the creation of employment and growth of social justice, and at the same time working constantly towards a better insertion of Argentina in the regional and global contexts.

During these years, we have had to manage and overcome, on one hand, the results of a domestic economic and political crisis that seriously damaged the legitimacy of the State to extremes never seen in our country before (2001-2002). On the other hand, we decided on and managed the reconstruction of our productive structure, thrusting a process of sustained growth only slightly affected by the strongest global financial and economic crisis since 1930, doing so while maintaining our commitment to strengthen and improve workers’ and citizens’ rights and life quality.

Thus, it becomes necessary to reflect on what has happened in Argentina between 2003 and 2010 in social and labor matters in order to reach a full and deep understanding of the accomplishments and challenges of the new productive pattern that we are implementing, identifying the results of the policies and the path chosen.

This exercise will allow a better understanding of the process implemented and the important breakthroughs progressively achieved by this new dynamics in reversing the consequences of the previous cycle we had been forced into by the application of neo-liberal policies and its direct relation to the extension and broadening of
social injustice. The present study does not expect to take the analysis of every action taken in this direction—and of all its repercussions—to its final stages, but it does intend to highlight those actions that better reflect the change of direction and its impact on equity.

We were able to build a fairer country—even if there is yet much to be done—and proof of this is the festive atmosphere shown in the streets by the people during the celebrations of May 25th 2010, when it became evident that the current social situation is much better than 100 years ago and that the country overcame the climate of uncertainty and lack of hope that prevailed at the beginning of this new century. May 25th 2010 was celebrated with great popular participation, with joy, ethnic and cultural diversity, with memory and hope. These positive and encouraging statements could by themselves be enough to represent our present reality, but it is always important and necessary to have further indicators that allow us to analyze the different aspects that shape the country’s activities and the quality of life of its people.

The results of this study speak for themselves, showing the positive progress in the economic and socio-labor fields. Much has been achieved: the deep transformation of the labor market dynamics, not only creating employment but also improving its quality and its degree of protection; the recovery of the instances of collective bargaining and social dialogue; the extension of the pension system and of the coverage for children and elderly adults, with the promotion of historic policies such as the Universal Per-Child Benefit and the recovery of State control over the funds of the pension system; the inclusion of the most marginalized sectors through active employment policies, education and training. All this contributes to a path towards a higher degree of equity, clearly demonstrated by a better and fairer income distribution.

Much remains to be done, both in the economic and the socio-labor fields, but this assessment we are presenting shows us that the path chosen is the right one to follow the route that started 200 years ago with our independence and to achieve the goal that people entrusted us with through democratic elections: to achieve the happiness and prosperity of the Argentine Nation.

Dr. Carlos A. Tomada
Minister of Labor, Employment and Social Security
September 2010
In the year of its Bicentenary, Argentina shows an economic and social strength unprecedented in its recent history. The majority of economic indicators reflect a substantial improvement achieved in growth, development, and social inclusion. And all this in spite of the adverse context generated by the recent international crisis, presented as the most severe one in the last 80 years.

The new direction given to economic and social public policies in the year 2003 drastically modified the labor dynamics of exclusion prevailing in the country since mid ’70s, and transformed the reach of the social protection system. The promotion of quality, productive and fairly remunerated employment, together with the expansion and redefinition of social protection, focused on protecting a greater part of the population, are the main tools through which the current socio-economic model improves the living conditions of the people.

This document focuses especially on the evolution of the different dimensions that shape the labor market, so as to identify the changes brought about by public policies. The assessment that we present in this study has a dynamic approach, analyzing the many and diverse processes that influenced the configuration the situation in 2010, seven years after having implemented a new pattern of growth and development.

The current transformation dynamics cannot be fully grasped through static approaches, limited to merely noticing how distant the reality observed is from some ideal state that is not always explicitly formulated. Dissociating specific observations from the processes that influence their configuration, conclusions are left without their historic dimension, allowing to make judgments —in most cases negative ones— about the “reality” observed, but in no way contribute to its comprehension.

Among the necessary elements for an analysis we find the public policies and the institutions that transform the labor market and work relationships. These tools impact on the profile of their evolution, and need continuity in the medium and long term to complete the structural changes that constitute the very purpose of the development process.

This does not mean that there are no difficulties or unequal situations in the socio-
labor fields today that still affect a great number of workers and their families. The breakthrough of the present socio-productive model lies in the fact of having introduced a process of progressive, but systematic, reduction of long standing and deeply rooted problems in the Argentine labor market, which can only be eradicated through a long term process.

In the present document we will firstly present the main characteristics of the socio-productive model and the labor, income and employment policies implemented since 2003. The second chapter demonstrates the impact the present plan has had in the creation of quality jobs, in the decrease of job insecurity and unemployment, in the revitalization of collective bargaining and salaries. In the third chapter, we describe the reconfiguration and expansion of the social protection system put into practice between 2003 and 2010. In the fourth chapter, we analyze how the whole set of policies resulted in the improvement of equity. In the fifth chapter, we focus on the response of Argentina to the 2008/2009 world crisis and the strength of the socio-productive model to withstand it. Finally, we offer our conclusions.
Outline of the socio-productive model and policies as of 2003
1. **Outline of the socio-productive model and policies as of 2003**

1.1. **General structure**

After World War II, the so-called “Welfare State” was implemented in Western Europe and other countries of high or medium stage of development (Boyer, 2006). This model, based on industrial development policies and a “fordist” production mode –with a notorious increase in labor productivity- permitted the consolidation of a domestic market through the increase in individual/household demand. As a result, the living standards of the population increased systematically, and the distributive equity improved in the following decades, supported by financial compensations against diverse “collective” risks and by the strong socio-economic articulation generated by the productive system.

The local version of the industrial society related to mass-manufacture and the Welfare State also presented strong links between the productive system, the labor market and households. Even if there were workers affected by informality -a structural Latin-American trait- and therefore excluded from some social benefits, these were a reduced portion of the economically active population and had characteristics somewhat different from today’s informal workers, especially regarding salary level. In a context of full employment, with an elevated rate of salaried workers labor constituted the foundation of social integration and a main income source, a model that resulted in high levels of social cohesion and inclusion.

Since the last 25 years the country drifted away from this path. Esping-Andersen (1993, 1996 and 2000) classify different systems of Welfare, presenting the liberal (or Anglo-Saxon) type as the one that tends to individualize risks promoting market solutions, with the State in a second place, limited to merely compensating the needs of those who find it difficult to integrate into the system. Although this model co-existed with the Welfare State, we may affirm that it gained strength during the ‘70s, when globalization and the reconfiguration of global production, together with the dismantling of the productive scheme set by fordist capitalism, deeply weakened the foundations of the old model. In socio-labor terms, the consequences of this transformation were negative: the salary situation was destabilized, unemployment increased, and employment conditions and their protection became precarious (reduction of labor costs), causing a great number of workers to fall in a situation of socio-labor vulnerability (Castel, 2002).

Comparing to the labor situation in Argentina by the mid-twentieth century, the negative consequences of the process introduced by the military government in late 20th century were even more serious than the ones observed in Western Europe. This was due, in part, to an inferior response capability of Argentinian institutions compared to more consolidated Welfare States. But fundamentally, this was the
result of the implementation of free market policies, subsequently strengthened during the ’90s by the policies recommended by the Washington Consensus. In this context, public policies gave priority to economic matters over social or labor ones. Pleading for “macro stability” and greater efficiency, the severe structural reforms and privatizations implemented together with an increasing international exposure, led to the dismantling of the country’s productive system and to the weakening of the State in its role as guarantor of the minimum living conditions of the population. Consequently, the dissolution of the previously consolidated labor model in Argentina resulted in increasing levels of unemployment, vulnerability and social exclusion.

The deep economic, politic and social crisis of 2001/02, which sprung from the priority given to the market, showed the need for a revision of those ideas. However, many proposed to repeat that model and even intensify it. Facing this challenge, the administration elected to lead the country in 2003 stood against the neoliberal approach and decided to implement the current socio-productive model with the objective of balancing the requirements of a globalized, efficient and competitive economy, with the urgent need of improving the living conditions of the population.

Thus, among the different structural pillars of these changes, quality employment was set as a decisive factor of all public policies, and the State was given the role of promoter of economic development and coordinator of all actors and policies, for instance, encouraging investment and the improvement of competitiveness. In combination with policies focused on improving productivity, the Administration promoted the extension of social protection, the establishing of decent salaries and the strengthening of professional training. It was also considered essential, in order to ensure social cohesion and inclusion, to promote a more equitable income distribution, through social dialogue, collective bargaining and the articulation of income policies with social protection.

This new perspective defined the actions and policies implemented in Argentina since 2003.

1.2. Outline of the policies implemented since 2003

The National Government’s decision since 2003 was to give priority to employment, setting it at the center of all public policies as a link between the economic and social spheres, as the source of dignity for the people, as fundamental part of citizenship. The core of public policies was focused on the creation of decent employment, that is, productive and protected, with the benefits provided by labor regulations. Thus, employment is considered the foundation of social inclusion, income improvement and access to rights.

In order to reach this goal, it was not only necessary to implement a set of actions and programs, but also to recover and restate the State’s role in defining and structuring the economic, social and labor policies. Generally speaking, the outline
of the socio-economic approach developed could be summarized in the following pillars:

- The application of a growth pattern oriented towards national production and employment, through the implementation of a coherent set of social and economic policies (macro-economic, exchange-rate type, public investment in social and basic infrastructure, subsidies to production, education, science and technology policies, among others) that allowed recovering and improving the country’s competitiveness.

- The implementation of active income policies and the encouragement of collective bargaining, as a means of increasing real salary and improving labor conditions.

- Carrying out a series of actions focused on improving workers’ qualifications and generating more efficient ways to access better employment opportunities, through policies of education, training and labor mediation.

- Extending the reach and coverage of the social protection system to ensure the basic benefits and income transfers, especially towards the more vulnerable sectors and groups.

- The decision to maintain and strengthen these policies, in spite of a context of global crisis as the one that started in 2008, and to apply a set of economic and labor policies focused on preserving existing employment.

In simple words, we could describe the functioning of this economic approach in the following way: a competitive exchange rate; important public investments (especially in infrastructure); policies focused on maintaining the purchasing power of households; all these expanded and diversified the production promoted by the growth of exports and the replacement of imported goods. The growth pattern set in motion stimulated local economies, and sufficiently diversified labor-demanding activities were developed to allow growth and development to be inclusive for the greater part of the population.

This dynamics, together with active policies for income, collective bargaining and social protection contributed -through an increase in demand- to the strengthening of the domestic market. This generated an important increase in investment and an improvement in labor productivity. Simultaneously, the application of work regularization policies inaugurated a process of employment formalization unprecedented in our country’s recent history.
1.3. Economic strategy

The macroeconomic strategy allowed an improvement in the economy’s competitiveness, the sustaining of external surplus, the promotion of public and private investment and a strong impulse to household demand as the engine of economic growth.

The policy of sustaining the real exchange rate at a competitive level has been essential. It did not only allow an increase in the profitability of exports, but also served to protect the productive sector (industry especially) against the competition of imported goods. Maintaining a surplus in the country’s current account and relaxing external restrictions that characterized Argentina’s growth throughout its history, permitted to minimize the probability of a new liquidity crisis.

An increasing demand for food products, fostered by the growth of emerging countries like China and India, and the improvement of our country’s exchange terms resulting from a significant price increase in exported goods, contributed to the consolidation of a position of external surplus. Complementing this, the regulation of in and outbound flow of short term capitals and the re-nationalization of certain public utility companies that had been privatized contributed to the country’s external strength1.

The policy of debt reduction through the renegotiation of public debt and the settlement of all the commitments the country had with the IMF, together with a careful management of the fiscal policy, were central elements in conferring greater autonomy to the economic policy. Economic growth and the improvements in State tax collection (with a higher participation of progressive taxes) allowed an increasing level of public expenditure, without sacrificing fiscal surplus.

At the same time we embarked in an important promotion of public investment, especially in infrastructure and equipment, along a set of incentives to national production, all this encouraging private investment –which consequently reached record levels.

Finally, another special aspect in explaining the strong economic growth observed since 2003 is related to the active policies aimed at promoting domestic demand, particularly employment and income policies. This orientation encouraged domestic consumption and allowed a large part of the productive sector –and not only traditional exporting sectors- to take advantage of the high exchange rate and favorable external circumstances.

1 For further information on this topic, see Abeles, 2009; Panigo, 2009.
1.4. Labor and income policies

Labor policies (in the broad sense: regulatory frameworks, social dialogue, income and employment policies, collective bargaining, conflict management, inspection of workplace conditions, social protection) were focused accordingly to the general structure of this new growth pattern\(^2\). The Ministry of Labor assumed an active role, intervening in areas abandoned by the State in previous years, acting on a strategy to recover key institutions in the work sphere, conferring them with a new significance in this new context.

In this sense, the revitalization of the institutional value of the **Minimum Wage** became an important instrument in improving income distribution, since it establishes a minimum income for the lowest earning sectors, and acts as a macroeconomic policy to promote aggregate demand.

Minimum wage is determined by the National Council for Employment, Productivity and Minimum Living and Mobility Salary\(^3\) and by representatives of both workers and employers, under the leadership of the Ministry of Labor and with the participation of other representatives of the State at the national level and of the Federal Employment Council. This tripartite body was re-established in 2004 after 11 years of inactivity, resuming its regular functioning and consolidating the institution of minimum salary through social dialogue and consensus between the parts involved. An example of the performance of this mechanism is its activity during the last few years: with the last agreement signed in 2010, the minimum salary has increased\(^4\) by 820% vis-à-vis the value it had during most of the ‘90s.

Regarding labor relations, the passing in 2004 of **LAW 25,877, pertaining Labor Regulation**, provided a set of tools fitting the present context and with the strategic and priority goal of stimulating the development of decent jobs and encouraging the adherence to legal formulae that encourage collective bargaining, the preeminence of regulations more favorable for employees, and the resolution of conflicts through agreements between the affected parts. At the same time, the law facilitates the functioning of SMEs in order to stimulate job creation, and confers the Ministry of Labor –along the provincial administrations and that of the Autonomous City of Buenos Aires- the authority to intervene when necessary to ensure the adherence to labor and social security regulations.

The labor reform reversed the trend towards relaxation of labor conditions enforced during the ‘90s\(^5\). The new legislation recovers the procedure of collective bargaining at the sector or activity branch level over specific bargaining at lower levels. When

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\(^2\) In this presentation we summarize the main decisions taken in terms of labor policies in a broad sense, and we analyze their respective effects.

\(^3\) Since 2004 the Council meets yearly. It is the tripartite institution with greater coverage in our country. It is an autonomous body, with normative attributes granted by the National Congress for specific matters related to income redistribution and assistance to the unemployed population. Although these are its most visible functions, especially the fixation of the Minimum Salary, it is also capable of defining productivity and professional training goals, through any of four technical commissions (employment, productivity, salary, and professional training) that, as a group, cover a much wider agenda than the mere salary issue.

\(^4\) The last stage of this increase took place in January 2011.

\(^5\) The Labor Regulation Law (N° 25,877) overruled Law N° 25,250, known as the “Banelco Law”.
there is an overlapping of contents from different bargaining instances, the law states that the regulation most favorable to the workers shall prevail.

The dynamics of negotiations went through different stages between 2003 and 2010. At first it was encouraged by the State, which articulated salary policies with **PROMOTION OF COLLECTIVE BARGAINING** policies, stipulating that salary increases of non-remunerative (non-taxable) fixed sums –granted since 2002 to private salaried workers- be included within the basic collective agreement salary, a policy that encouraged the establishment of negotiation instances between companies and unions. Later, negotiations were extended even to sectors where unions found it harder to stand out and call for bargaining instances. The progressive recovery of union relevance allowed labor negotiations to be faced in more equitable conditions.

With the objective of fighting non registered employment (strengthening social protection and security), verifying that work conditions ensure the respect for the fundamental labor rights, and that employers voluntarily normalize illegal situations, the Ministry of Labor put into action the **NATIONAL PLAN OF WORK REGULARIZATION** (PNRT, for its acronym in Spanish), focused on the transformation of the culture of disregarding labor and pension regulations.

This required the reconstruction of the Ministry’s institutional ability to perform inspections. One indicator that may reveal this fact is the evolution of the number of inspectors at the Ministry: in 2003, before the launching of the PNRT, we had 20 inspectors; by 2010, this figure ascended to 400 agents assigned to inspections. Besides this increase in the Ministry of Labor’s capability, we must consider the coordinated intervention applied in this field in conjunction with ANSES (National Social Security Administration), AFIP (Federal Public Revenue Administration) and the SRT (Work Risks Overview Office), and the collaboration maintained during these years with the Federal Labor Council and many provincial governments.

This program investigated approximately 827 thousand establishments, involving a total of over 2.6 million workers. As a direct result of this policy, in 2009, 38% of all non registered workers were regularized as a direct consequence of an inspection.

This systematic policy aimed at reducing labor informality was applied not only by the recovery of workplace inspections, but also through a diversity of specific policies, including:

- Installation of the issue in the public agenda, establishing a clear and explicit position of the government against illegal employment. This position was strengthened through the application of a systematic awareness raising mass media campaign about the advantages of complying with labor and tax regulations and the social protection that this ensures.
• Modification of administrative procedures to simplify the registration of workers in social security. The “Program for Simplified Registration” establishes a new, single-procedure registration scheme that facilitates workers registration, employers’ identification, and the corresponding controls over current regulation compliance, paving the way towards the reduction of informal work.

• Reduction of hiring costs on new workers’ contracts for SMEs. Regulation (Law 25.877) establishes a subsidy over employers’ contributions to employees’ social security during a term of 12 months for each new worker.

• Development of a series of awareness raising actions, through different networks (schools, unions, councils, labor and production-related consultation and debate forums, mass media), to educate about the rights and obligations of workers and employers.

• Implementation of policies focused on the regularization of household service workers. These policies include the possibility for the employer to deduce the employee’s salary and its corresponding social taxes from their Income tax, the simplification of the registration and contribution payment system, and the launching of a massive media campaign promoting the importance of workers’ registration.

• Development of a company network within a program of Corporate Social Responsibility, in order to work with value chain providers in personnel registration.

In the context of the SOCIAL DIALOGUE, the part played by the Ministry of Labor has extended beyond a mere promotion of collective bargaining and chairing the National Council for Employment, Productivity and Minimum Living and Mobility Salary. In fact, an extensive agenda has been elaborated with the purpose of developing and strengthening the institutionalized spaces for dialogue. The purpose is to identify and move forward in the resolution of work-specific issues through either tripartite or multi-actor negotiation, and that the results of this participation can have a transversal impact on the practices of the parts involved and in the policies of the Ministry.

Therefore, since 2003, the policies implemented throughout the country on gender, workplace discrimination and child labor by the “Tripartite Commission for Equal Treatment and Opportunities for Men and Women at the Workplace” and the “Council for the Eradication of Child Labor” (both chaired by the Ministry of Labor), that generated a Company Network used as a referent in other countries in the region. At the same time, we have opened the debate with all stakeholders in the prevention of addictions and the fight against the consumption of psychotropic substances and drugs that affect the work sphere.

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6 Commission within which the Labor Violence Unit was created.
1.5. **Active Employment Policies**

The State, through the Ministry of Labor, developed an active policy on employment, coherent with the strategy of prioritizing employment as a tool of citizenship and as the link between the functioning of the economy and the well-being of every household.

During the first years of the administration, the Program for Household Heads was reformulated and responsibly managed. This program translated into income transfers to the lowest income households. In particular, it assisted the unemployed who had suffered the most severe restrictions during the early stages of economic recovery.

In 2003 this program assisted over 2 million people. However, during the following years many of these unemployed workers gradually re-entered formal employment (over 600,000), developed productive projects or stopped receiving the allowance due to a change in the general situation of their household (coming-of-age of children, improvement in the family income as a consequence of the general economic reactivation).

At a second stage, resulting from the dynamics of inclusion that could be observed in the labor market, the program was re-designed to accommodate the benefits to the needs of those who still required state assistance. Thus, households with a higher number of children and in a situation of critical socioeconomic vulnerability were included in the Families for Social Inclusion Program (dependent of the Ministry of Social Development). On the other hand, people whose profile allowed for assistance in entering the labor market were helped through the Training and Employment Insurance (coordinated by the Ministry of Labor), improving their training and supporting them in their search for jobs.

In this manner, the Ministry of Labor has transformed the purpose and characteristics of its policies, from a plan of social policies and income transfers to a system based on the improvement of the conditions of insertion in the labor market.

By late 2003 the Comprehensive Plan for the Promotion of Employment “More and Better Jobs” was launched, presenting a set of tools that promote the insertion in the labor market with quality employment through strategies of employability improvement, assistance in processes of insertion in salaried or independent jobs and sustainment of employment in sectors and activities that might require it. This plan is based on two institutional pillars:

- **PUBLIC EMPLOYMENT SERVICE NETWORK**: 325 Municipal Employment Offices were created and strengthened. These are technical bodies that work at the local level mediating between the offer and demand for employment,
giving free information, providing guidance and referral to employment and training services. These offices serve as a link between the set of active employment policy tools and employment opportunities originated in the private sector of the economy and the unemployed, or those who are looking to improve their employment situation. In 2009 over 380,000 people were assisted and advised at these offices.

• CONTINUING TRAINING SYSTEM: the articulation of this system relies on the dialogue between the social actors of the labor market: chambers, companies, unions, workers and education institutions that make commitments related to strategic sectorial development and to defining the profiles and qualification levels required for every position. This agreement ensures education and certification institutions that can respond with quality and sectorial relevance to the demands and needs of different territories and their respective population. Within this structure, some of the most critical components of the system were set in motion:

i) Continuing Training Institutions Network, through the implementation of plans to improve the quality of their services. Approximately 250 institutions were strengthened as part of this plan, and 44 implemented quality certification processes;

ii) Tripartite Certification and Continuing Training Sectorial Council: currently working with representative actors from approximately 40 productive sectors;

iii) Work competence certification: over 40,000 people have already certified their skills.

Between 2003 and 2010 approximately one million people were trained, either through the performance of specific professional training activities or by completing their primary or secondary education. In average, about 134,000 people per year received training, while during 2003 only 15,000 workers were trained. The importance given to this matter becomes evident also in terms of annual budget, considering that between 2003 and 2009 the resources allocated were doubled 11 times. In 2009, the State invested approximately 175 million pesos in the improvement of the continuing training system.

Within this comprehensive plan and since 2008, activities were organized also for the young unemployed between 18-24 years old with incomplete primary or secondary education. The YOUTH WITH MORE AND BETTER JOBS PROGRAM articulates a set of integrated support services focused on the creation and implementation of

7 65,000 young people who participated of labor guidance processes within the Youth with More and Better Jobs Program are included.
a training and occupational project intended to provide employment opportunities adapted to their profiles, expectations and contexts.

On the other hand, the Ministry of Labor has also developed a specific policy to improve the **EMPLOYABILITY OF DISABLED PEOPLE**, to ensure equal opportunities\(^8\). Its actions were carried out with the collaboration of governmental institutions and NGOs, through the network of Employment Offices to ensure an optimum territorial coverage.

These training, employment, and education services (for young and adults alike) have complemented the plans focused exclusively on income transference. Between 2003 and 2009 the number of beneficiaries of employment programs that received some kind of assistance –besides the purely monetary- tripled\(^9\). That is almost 1,300,000 people, considering the total of employment plans and programs implemented by this Ministry.\(^10\)

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8 This commitment had a concrete expression in the Ministry of Labor through the INTEGRANDO program, which permitted to reach our goal of a minimum 4% of total personnel to be constituted by disabled men and women (Law 25,689), at the same time setting a reference point to be applied by the public and private sectors.

9 To the 1,800,000 beneficiaries included in the different benefits managed by the Ministry of Labor, we should add 100,000 people corresponding to the “Argentina Works” program (Ministry of Social Development).

10 Each person can receive more than one benefit. If we were to count the beneficiaries only once, it can be noted that the increase has just the same been quite substantial, as we went from assisting 620,000 people in 2003 to assist through a diversity of means over 1.2 million beneficiaries.
A balance of the 2003-2009 period demonstrates that the Ministry of Labor provided advice, job training, services related to job insertion, and/or direct assistance to the most vulnerable groups through income transferences to over 4.8 Million people.

It must be noted that these active employment policies were put into practice taking into account productive development at the local level, involving an active dialogue between provincial and municipal governments and the socio-productive actors within each jurisdiction, so as to provide an answer to specific employment and qualification issues. As part of this key approach, over four hundred “territorial agreements” have been signed all over the country over the last years.

In this manner, these active employment policies supported the strategic path to the socio-productive growth of the country implemented during these years. These actions were carried out, mainly, with the participation and commitment of the representatives of workers, companies, education institutes, local educational systems, the greater part of the provincial and municipal governments, and of social movements.

11 Only those services that involve some type of income transfer are being considered. This benefits are: LABOR ORIENTATION (labor orientation for young adults; number of people assisted at the offices); EMPLOYABILITY ENHANCEMENT (professional formation; conclusion of formal studies; labor training; competence certification); EMPLOYMENT PRESERVATION (Productive Recovery Program (REPRO); inter-harvest and contra-cyclic seasonal programs; sectorial agreements against emergencies); TEMPORARY EMPLOYMENT (community activities; assistance in public infrastructure works; Argentina -Ministry of Social Development); ASSISTED LABOR INSERTION (public and private labor insertion and local public works; individual and associative productive initiatives).
Labor market, collective bargaining and labor conflicts
2. Labor market, collective bargaining and labor conflicts

2.1. Growth of economic activity and quality employment

The strong economic growth, together with the policies for the inclusion of workers implemented through the labor institutions, allowed—in a relatively short period, considering society’s historic terms—a reversal of the tendencies of unemployment, precarious employment, salary plummeting, and weakening of the unions that had marked the last decades of the twentieth century in Argentina.

The macroeconomic strategy had—among its most important consequences—a pronounced and steady growth of the Gross Domestic Product (GDP), only interrupted by the appearance of the international financial crisis that led the world’s economy to a deep recession. Indeed, Argentina’s GDP increased at an annual rate of 8.6% between 2003 and 2008. This increase was higher than the one registered for the whole of Latin America and for most of its countries individually.

This growth was based, principally, on the expansion and strengthening of our national productive structure. Eloquent proof of this is the net addition of 125,000 new private enterprises in the industrial, commercial and services fields during the 2003-2009 period, representing an increase of almost a 36%. The favorable macroeconomic context, together with the existence of strong incentives at the micro level, led not only to the aforementioned company creation process, but also to the strengthening of existing ones.

In the first place, we can observe a strong participation of new micro, small and medium enterprises (over 97% new enterprises correspond to this category) that permitted an extensive renewal of Argentina’s productive structure, and an expansion of labor, as these smaller enterprises are in most cases workforce-intensive. Secondly, an important number of enterprises not only stabilized their operations in this period but actually expanded, going from micro-enterprises to SMEs and from this category evolving into bigger firms. It is also remarkable how many enterprises emerged in this period experienced an accelerated growth. This elite of companies (denominated “gacelles” in international literature) accounted, by the end of 2009, for half of the employment generated by the total of new enterprises created in the aforementioned period.

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12 Enterprises belonging to the construction and primary sectors are not being considered in this analysis.
13 For further information on this topic, see Birch, 1981.
Another distinctive characteristic of the recent economic expansion is an increase in investments. Indeed, the investment rate for the period considered registered historic peaks and its impact on the GDP increased from 11% in 2002 to 23% in 2008. Investment in durable production equipment alone --the component of investment with higher impact in the reproductive capacity of the economy-- increased from 4.7 points of the GDP in 2003 to 10.1 in 2008, nearing the highest peak ever registered in our country.

The dynamism shown by investment had, among its most relevant consequences, an important increase in labor productivity. Thus, between 2002 and 2009 the product-per-worker rate increased by 17%\textsuperscript{14}. The improvements observed over the last years allowed the country to significantly exceed the highest level of productivity registered during the so-called “convertibility” period: in 2009 work productivity surpassed the previous record level registered in 1998 by 10%.

Naturally, the increase in productivity proved to be a key phenomenon, as it impacted directly on a reduction of labor costs per unit produced and -as we will further explain- on an increase in salaries.

\textsuperscript{14} Index based on the relation between the GDP at constant prices and the number of equivalent jobs. Information is taken in both cases from the Direction of National Accounts of the INDEC.
The steady expansion of the economy, with creation of new enterprises and an increase in productivity, together with the labor policies implemented, set the necessary conditions for promoting formal employment, registered in the social security system, in conditions of security and dignity both for the worker and his family, with the rights and benefits granted by the law, that is, decent, quality jobs.

As of 2003 we have experienced an increase in formal employment (salaried and independent workers registered in social security)\(^{15}\) not seen in our country for the last 35 years\(^ {16}\). As a result of this process, in the year of the Bicentenary, the number of registered workers is 43% higher than its peak during the convertibility regime and 67% higher than the amounts registered before the implementation of the current productive pattern.

15. According to the information collected by the EPH, registered salaried workers (who have retirement pension discounts on their salary) have access, in most cases, to the services granted by the social security system (family allowances) and receive the benefits envisaged in the labor regulation, such as paid holidays, complementary annual salary (or Christmas Bonus) and insurance against work accidents. Besides, employees receive salaries that in general exceed the line of poverty.

16. The evolution of the quantity of contributors to the National Social Security System reflects the evolution in the number of registered workers, including salaried workers employed in some enterprise and also self-employed or autonomous workers. This last information presented by the Undersecretary’s office of Social Security Policies (Social Security Secretariat – Ministry of Labor) was obtained from the administrative registries of the bodies in charge of collecting the workers’ (salaried and autonomous) contributions to the system. Between 1974 and 1993 the information comes from the National Direction of Pension Collection, in charge of such collection. Since 1993 the information comes from the Integrated System of Retirement Funds and Pensions (SIJP, in Spanish) created after the passing of Law 24,241. Considering that during the nineties many workers that had until then contributed to provincial funds were integrated into the national system, it was decided to exclude those salaried contributors from the series to avoid artificial increases in the total figure of formal contributors.
Even if the main role in this expansion has been played by the dynamism of salaried employment in the private sector, the remaining categories (public employment and independent work) also followed this trend -however, at a lower rate. The information provided by the administrative records of the Social Security System shows that two thirds (66%) of the total of formal jobs created between 2002 and 2009 were salaried jobs registered in private enterprises (2.3 million jobs). 21% corresponds to independent workers registered under the Monotributo regime and 12% to salaried workers of the public sector. 17 18

17 The national public administration and public employment of those provincial jurisdictions that transferred their pension funds to the national system are also being considered (this group of jurisdictions does not include the provinces of Buenos Aires, Córdoba and Santa Fe, among others).
18 Among the reasons that explain the growth of public employment, we could highlight the following: a) several provincial and municipal administrations gradually incorporated into their permanent payroll beneficiaries of employment plans that performed activities for them; b) a great number of workers employed through limited time service contracts were, during the last year, incorporated into the transitory payroll of the public administration, thus accessing a registered salaried job; c) the nationalization of the pension system meant the incorporation into national public administration of a considerable number of workers until then employed by the Retirement and Pension Funds Administrators (AFJP, in Spanish).
An additional indicator that demonstrates the remarkable expansion of formal employment is the fact that during the 26 years comprised in the 1974-2000 period the relation between the number of registered jobs and the population of working age (between 15 and 65 years old) hardly changed. In 1974 this ratio reached a 22%, while in 2000 the amount was 23%\(^1\). This changed drastically after 2003, when an ascending trend begun, reaching 30% in 2008, a definitive breakthrough from the stagnation of formal employment that had dominated the market for almost three decades.

\(^1\) The percentage of registered jobs among the working-age population does not precisely quantify the proportion of people that access a registered job. This is so because individual workers can have more than one formal job at any given moment.
The systematic insertion of workers into registered employment represents one of the main mechanisms of the current policy scheme focused on dealing with existing socio-labor issues. The growth of formal employment has been a key factor (though not the only one) in the reduction of job insecurity and unemployment, in the strengthening of collective bargaining, in the extension of coverage of the social protection system, in the increase of income and in the improvement of equity.

The steady expansion of formal employment has configured a virtuous labor dynamics with characteristics unprecedented in the recent history of the country’s labor market. The distinctive feature is the significant quantity of workers employed in insecure jobs (non registered salaried workers, or informally self-employed workers) and unemployed that could access registered jobs, drastically improving their labor conditions. In a study that followed the population’s employment trajectories since 2005, it has been observed that of the total of workers that accessed registered jobs, about a 60% came from non-registered salaried jobs, and a 20% was previously unemployed.

This development results in a progressive elimination of labor segmentation, one

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20 In this case, when we speak about formal employment we are strictly referring to registered salaried employment, as independent workers registered into the social security system cannot be accounted for in the EPH.
21 Mainly since 2005
22 Results of “panel” information built from user bases of the Permanent Household Survey (EPH – INDEC). Data presented in the document corresponds to the net balances of the movement of people through the different occupational situations and categories. The percentages refer to simple averages of the panels constructed for the following periods: second quarter of 2005 / second quarter of 2006; second quarter of 2006/ second quarter of 2007 and second quarter of 2007 / second quarter of 2008.

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of the most serious problems of Argentina’s labor market. The incorporation into registered employment of workers coming from situations of insecure employment or unemployment defines a process of “ascending labor mobility” that breaks the logics that dominated our labor market, by which an increasing number of workers was forced to remain in precarious employment during long periods, situations characterized by high instability, low incomes and a total lack of labor benefits.

As part of this process it is important to observe the insertion of beneficiaries of the Household Heads Program (and other similar plans) into registered and non registered or informal jobs. A relevant amount of people that between 2002 and 2003 had only access to an income transferred through the program was able to access market jobs at a growing rate. In quantitative terms, we can observe that while during the first quarter of 2003 13% of all salaried workers performed some kind of work as part of the mentioned programs, six years afterwards only 2% was in that situation.

The unprecedented expansion of formal work resulted in a significant reduction of the incidence of non registered employment and, at the same time, a remarkable growth of the overall occupied population, with the resulting reduction of the level of unemployment.

Thus, the rate of non registered employment (the index that measures the relation between non registered employment and the total number of salaried workers) went from a historical maximum of 49.7% observed during the third quarter of 2003 to 34.6% in the first quarter of 2010, experiencing a fall of 15.1 percentage points during the last seven years.
In order to accurately grasp the transformation occurred in the labor dynamics that allowed such a reduction in the level of informality we must focus on the changes in the quality of the jobs created during the convertibility period and those created during the implementation of the current growth pattern. While during the ‘90s 9 out of 10 jobs created were non registered, in the 2003-2010 period 8 out of 10 jobs are registered and only 2 are not.

The importance of the reduction of employment informality achieved in these years becomes even more valuable when we take a moment to observe the historical evolution of the harmonized rate of non registered employment between 1980 and 2009.

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One drawback that usually limits the analysis of the series derived from the Permanent Household Survey (EPH) is the methodological change introduced in the survey in 2003. As a result of this modification, the information gathered during the last seven years is not strictly comparable with the one gathered before 2003; this prevents us from assessing the present situation of registered employment as opposed to the values observed during the eighties and nineties. To solve this problem we have harmonized all the indicators for registered and non registered employment applying a set of equations over the original data, so as to construct series that would allow us to follow the matter starting in 1980. In this sense, to reduce the impact of these methodological changes over the data corresponding to the non registered employment rate, different criteria were applied for each methodology.
The evolution of the index demonstrates that the gravity of this issue increased practically every year between 1980 and 2004. During that period the rate only shows a significant decline (of at least one percentage point) in 2 out of the 24 years considered. As a result of that process, the incidence of non registered employment during those years almost doubled (it increased by 93%). It is noticeable that this upwards surge continued during both the expansive and the recessive phases of the economy, and through different economic and political regimes.

The growth observed in the previous two decades contrasts with the clearly shrinking behavior evidenced by the index from 2005 to 2009. This reduction allowed the country to reach the lowest non registered employment rate of the last 17 years in 2009, presenting a value only slightly higher than that of 1991. However, although it is important to have achieved a level similar to the one existing at the beginning of the convertibility plan, undoubtedly the greatest achievement of the policies implemented in recent years is having obtained the first systematic reduction of the rate of non registered employment in the recent history of Argentina’s labor market.

It is therefore clear, that the magnitude of non registered employment observed today cannot be attributed to the present socio-economic model, but rather to multiple causes that during the past decades determined its growth and resulted in levels unprecedented in Argentinian society. A historical analysis shows that the systematic increase of non registered employment was not the result of recessive phases but is rather the result of a trend embedded in the very economic structure of the country, which could not be modified by the different political
and economic contexts prior to 2003. The advances achieved in terms of non-registered employment do not mean that the issue has been solved, or that its present dimension is already acceptable for our country.

The expansion of formal employment resulted in a significant increase in the net quantity of jobs and, therefore, the number of people employed\textsuperscript{24}. During the period comprised between the first quarter of 2003 and the last quarter of 2009, 4.9 million jobs were created in urban areas of the country\textsuperscript{25}, resulting in the incorporation of 4 million workers to the labor market (not considering the beneficiaries of social security plans that involved work as a part of the benefit).

Even if the increase in the occupied population is quite remarkable on its own, it becomes even more relevant when compared with the average evolution of occupied workers during the previous economic phases. The average yearly increase of the occupied population for each of the different socio-political stages that Argentina went through between 1976 and 2009 is quite illustrative. Between 2003 and 2009, approximately 571,000 jobs were created yearly. This is more than triple the number of new workers incorporated into the market each year during the convertibility period and the first democratic government (1983-1989), and four times more than values corresponding to the stage of open economy and deregulation of the last military government (1976-1982).

\textsuperscript{24} The difference between the number of people occupied and the quantity of jobs lies in the fact that one individual person may have more than one job. This is applicable to every occupational category. This is frequent for household service workers, teachers and health service workers.

\textsuperscript{25} It refers to the data for the total of urban agglomerates of the country. As the EPH comprises approximately 70% of urban population, the data referred to the cities not covered by the survey are estimated assuming they possess a similar structure to the agglomerations (excluding Buenos Aires) covered. This is equivalent to applying the rates and proportions of this last aggregate to the total population of the country’s interior (that is, excluding the Greater Buenos Aires area). These results, added to the ones of the Greater Buenos Aires area, allow us to obtain national values from the different occupational categories. The urban population estimates from the INDEC were used to obtain data in absolute terms.
The growth of employment during the last seven years pervaded the whole productive structure. However, in this widespread expansion of labor opportunities, certain sectors -due to their respective weight in the occupational structure or their greater dynamism- account for a great part of the total job creation. Indeed, half of the total jobs created during the last seven years occurred in the areas of construction, public administration, finances, real-estate, corporate and the industrial sector.

This job creation process drastically reduced the worst problem of Argentina’s labor market since mid-nineties: the high unemployment rate. In 2002, 21.5% of the active population was unemployed, an unprecedented level in our country. This situation changed radically after 2003. Since then, a constant and significant reduction has been observed, resulting -by the fourth quarter of 2006- in an unemployment rate of less than 10% for the first time in 13 years. In the second quarter of 2010 (last data available at the time of writing this report) the unemployment rate reached 7.9%, the lowest of any second quarter of the last eight years (that is, since the index begun to be measured quarterly).
Even if the indexes are not strictly comparable, we may observe that the level of unemployment reached in the second quarter of 2010 is one of the lowest since 1992, suggesting a progressive return to “normal” levels of unemployment that Argentina showed during most of its history.

The reduction of unemployment extended to every social strata, even to those that presented, theoretically, the strongest restrictions to access employment. It must be noted that the number of unemployed people with low educational level and with longest periods of unemployment has been reduced in a much higher percentage than the average of unemployed workers. In one of the levels in which unemployment is stronger -youth-, it shrunk at a rate similar to the overall rate of the total unemployed population.

As previously mentioned, the indicators surveyed by the EPH since the third quarter of 2003 are not strictly comparable with data published previously, when a “static methodology” (May and October) was applied. At this point, however, it is not possible to construct a harmonized indicator for the unemployment rate (as it was possible, on the contrary, for the estimates presented for the rate of non registered employment).
2.2. **Dynamism of collective bargaining and salaries**

As of 2004, collective bargaining acquired a positive, systematic and permanent dynamics. The increase in the frequency of current collective bargaining processes maintains a tight articulation with the current socio-economic model at an institutional level, since it constitutes one of the key tools of its salary policy, enabling to modify the income distribution profile and promote consumption.

The institutional advance represented by the resurgence of coordinated collective bargaining instances and the re-activation of the National Council of Employment, Productivity and Minimum Vital Adjustable Salary since 2003 constitutes the key to the promotion and development of three-part debate in the socio-labor field in Argentina.

Overall, we can state that the three-party negotiation revitalized and encouraged by the government since 2003 is a historical landmark in our country, as it has been effective in securing improvements in the salary and in coordinating the distributive struggle. The strengthening of the actors involved in the democratic context has included the representation of the greater part of the workers of the formal sector and has counted with the explicit participation of the management. This local experience is even more noteworthy since Argentina is probably the only emerging country to develop effective forms of tripartite negotiation and to recover the leading role of unions

This revitalization is the result of the articulation of the policies and the behavior of the actors involved in the negotiation, through a process in which we emphasize:

- the political decision to transfer, since 2003, parts of the collective agreement basic salary from the non-remunerative category to the remunerative (taxable) one, with the ultimate purpose of encouraging all social actors (unions and management) to negotiate;

- the reopening of negotiation units at the sector level, a great part of which had been dismantled during the ‘90s;

- the creation of new negotiation spaces at different levels, sectors and geographical areas, that become feasible thanks to the margin allowed by the new economic growth scenario;

- the compatibility with negotiations at company level, which had predominated and almost completely monopolized collective bargaining in the previous decade;

- the recovery of the key role of unions and employers in the system of labor relationships in Argentina;

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This renewed dynamics of collective bargaining is reflected in the strong increase in the figure of agreements and collective negotiations approved every year as compared to the previous decade. While during the ‘90s the average didn’t exceed 200 agreements per year, in 2009 1,331 agreements and collective negotiations were approved by the Ministry, a historical record. The number of annual negotiations increased systematically since 2004, and was not affected even during 2008, in spite of the context of global crisis and of a slowing down of local economic activity.

A key characteristic of this new dynamics is the reactivation of sector-level negotiation: currently over 30% of all approved agreements and negotiations correspond to this category, which, by benefiting more workers if compared to the limited effect of single-enterprise level agreements, confer greater efficacy to collective labor bargaining.

The unprecedented expansion of salaried employment registered between 2003 and 2010 has had direct effects in the extension of the coverage of collective bargaining. The number of workers included in the private sector agreements went from 3.4 million in 1998 (one of the highest levels of the ‘90s) to 4.8 million in 2009, reflecting a growth of 43%. Furthermore, workers of the National Public Administration and at other State levels incorporated collective salary bargaining.

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28 The registries and resolutions considered for the elaboration of statistic data are the ones collected during a negotiation between unions and enterprises or enterprise chambers in the context dictated by Law 14,250 (2004).
29 The majority of negotiations were at enterprise-level, therefore having limited coverage of workers.
30 If we were to use the criterion of agreements and negotiations “registered” in the National Direction of Work Relationships as an operative definition, the number of negotiations would reach, for the year 2009, 1,605 cases.
mechanisms similar to the ones in use in the private sector. Some of these cases are worth mentioning, like the one of teachers and professors who established the national minimum salary for the whole sector through a Negotiation Commission for the first time in 2008, with the participation of the State, the Federal Education Council and all the unions representing the sector.

Graphic 13. Number of salaried workers in the private sector included in collective bargaining (in thousands; country total; 1997 – 2009).

Source: MTEySS, based on Approved Negotiations and Agreements and SIPA.

The growth of collective negotiation in the 2003-2010 period differs from the prevailing trends of the previous decade, and also from the trends of other periods. Today’s collective bargaining is inscribed in a larger period that started with the return to democracy in the ‘80s and that represents the longest uninterrupted functioning of this institute since the Law 14.250 was passed. Furthermore, it can be stated that since 2004 the dynamic of collective bargaining has had some unprecedented characteristics: permanence and continuity, extension in terms of the amount of activities covered, and number of workers covered.

During the ‘90s the composition of the negotiations was different since the vast majority of the negotiations and agreements were signed at an enterprise level. Regarding the contents, the negotiations allowed for different forms of flexibility, expressed both as an explicit authorization to establish employment contracts for a fixed and limited period of time, and as internal enterprise flexibility such as changing shifts, internal job organization or remuneration. The combination of a frozen minimum salary and the absence of collective bargaining in many of the most important economic activities validated the dominant strategy of individualization of the labor relations. The average salary represented only a fraction, close to 50%, of the salaries effectively paid, demonstrating the scarce “power” of these agreements over the salary.
It is interesting to point out that this process begins to change as of 2003, when the agreement salaries tend to converge with those effectively paid by the enterprises. In 2001, the average salary for the 21 most important collective agreements reached $500 approximately, an amount that exceeded the average salary effectively paid by 50% (which at that point reached $880). The difference between one and the other were discrentional increases decided unilaterally by the management. The situation had become totally different by 2009, when the average agreement salary reached 2600 pesos, representing 81% of the average remuneration effectively paid by the enterprises during that same year ($3200). This information highlights the importance of collective bargaining in this context as a key tool for establishing salaries.

The increase in the number of negotiations and agreements from 2004 to present day is associated with the growing predominance of salaries as the content of such agreements. However, we can also observe an increase in the agreements related to work conditions, professional training, employment relations, equitable treatment, eradication of child labor, regulation of adolescent labor, and gender equality, among others. This broadening of contents was promoted by the Ministry of Labor through a series of activities involving all parts in which social actors discussed and shared their experiences in relation to new contents for collective negotiation.

**Source:** MTEySS, based on Approved Negotiations and Agreements and SIPA.
The dynamism of collective bargaining, along with an active income policy and a general expansion of the economy and of employment resulted in a significant increase of salaries since 2003. Between 2002 and 2009, in spite of the increase of prices observed, the average annual remuneration of registered salaried workers grew, at the very least, 56%; regardless the price index is used to deflate the series. The average real salary for 2009 not only widely exceeds the average remuneration for 2001, but also represents the highest value for the last 23 years. One must go back to 1986 to find a higher salary level than the one observed last year.

In a term of seven years (2003-2010) the real salary level went from being one of the lowest in our whole history to one of the highest of the past three decades, evidencing a process of income recovery that has no precedent in the recent history of the country’s labor market.

The expanded coverage of collective bargaining and the successive increases applied to the minimum salary have also had a positive effect in reducing salary differentials among private sector workers. Mainly, the goal achieved by this set of actions was the raising of the “base” or “ground” salary of less-qualified workers, usually the weakest group when it comes to negotiating income and employment conditions.

The long term average salary series for registered workers was built from three information sources depending on the period to which the data corresponded: between 1985 and 1992 the source was the Salary Survey, performed by the Social SecuritySecretariat (Ministry of Labor); between 1993 and 1995 the data was obtained from the Monthly Industrial Survey and the Permanent Household Survey (INDEC) ; and as from 1996, data from the ex-Integrated System of Retirement Funds and Pensions (SIJP), today’s Integrated Argentine Pension System (SIAPA).
Another remarkable characteristic that we should point out is the reduction of salary dispersion: considering the total of all remunerations of registered and salaried workers of the private sector, dispersion was reduced 18% in the last few years\textsuperscript{34}, reversing the previous trend and evidencing a more equitable salary structure than the one observed during the 1996-2001 period.

The variation coefficient for the total remuneration of salaried registered workers in the private sector was calculated with data provided by the Integrated Argentine Pension System (SIPA). The total remuneration is defined as the gross amount, for every concept, declared by the employer. This concept includes remunerative and non-remunerative amounts (indemnities, scholarships, social benefits granted by the employer).

34 The variation coefficient for the total remuneration of salaried registered workers in the private sector was calculated with data provided by the Integrated Argentine Pension System (SIPA). The total remuneration is defined as the gross amount, for every concept, declared by the employer. This concept includes remunerative and non-remunerative amounts (indemnities, scholarships, social benefits granted by the employer).

35 Based on information provided by the Salary Index (INDEC).

The evolution of labor income for non registered workers in the private sector (excluding domestic service and the beneficiaries of employment plans) shows that the average salary between 2003 and 2009 presented a similar behavior to that of the average income of registered workers. However, in the year 2002 the behavior was different\textsuperscript{35}.

Source: MTEySS, based on SIPA.
2.3. Labor conflicts

During the first quarter of 2010, 497 labor conflicts involving strikes occurred throughout the country; 756,000 workers participated in these strikes (6% of the total salaried workers), representing 3,294,000 individual working days not worked (approximately 4 days of strike per participating worker). The vast majority of these conflicts were motivated by salary improvement claims.

This pattern of labor conflicts - in terms of the amount of conflicts, the relation between the striking workers and total workers and average days of work involved - has been repeated for the last five years with little variation. These patterns allow us to state that these conflicts are the normal expression of divergent interests between the actors. This is demonstrated by the systematic reoccurrence of two structural aspects that characterize labor conflict since 2006:

- In general, the conflict occurred at a specific enterprise or public body level. To a smaller degree, the conflict extended to a whole branch or sector at the local level, and in very few cases it affected an activity at the national level.

- Conflicts concentrated around state bodies, with greater impact in public services (education, health, etc.).

According to the information gathered, the conflicts sparked at the productive unit level (private enterprise or public body) represented between 60% and 64% of the total. On the other hand, only between 2% and 4% spread to a whole sector nationally, and between 32% and 38% affected specific sector at the local level. However, even if they represented slightly more than a third of all conflicts, the intermediate and national levels involved the greatest amount of striking workers and concentrated almost the total days of strike between 2006 and 2010.

36 Data on labor conflicts is provided by the Direction of Work Relation Studies of the SSPTyEL (Undersecretary of Employment Policies and Labor Studies) of the Ministry of Labor since January 2006, through a daily survey of 130 printed media throughout the country and the specialized bulletins of union news. This survey allows elaborating the most extensive database and archiving on labor conflicts in Argentina. Methodology and definitions can be consulted at www.trabajo.gob.ar.
This situation illustrates the different modes of labor conflict observable today in Argentina. In the conflicts occurred at the enterprise or public body level, the prevailing type has been related to contract or labor conditions complaints. Claims for higher salaries, on the other hand, represent less than a third of these conflicts.

At the branch level, both locally and nationally, conflicts present a different source: the majority (around 70%) is sparked by demands for salary improvement, and is channeled by unions and chambers through collective bargaining. In general, these are conflicts that occur during the progress of a negotiation. As noted previously, during period studied, all salary improvements demanded were consolidated.

As for the distribution according to sector, conflicts involving state employees –be it public administration at any of its levels (municipal, provincial or national) or services such as education, health, etc- are the most numerous, involve the greater number of striking workers, and last longer in terms of working days lost because of the strikes, compared to the conflicts initiated by workers of the private sector.

During the period comprised between 2006 and 2010, the percentage of conflicts initiated in public bodies is about 60%; the proportion of conflicts for the private sector, instead, reaches 40%.
A plausible explanation for the higher incidence of conflicts in the public sector might be related to a greater consolidation of the tripartite negotiation structures in the private sector regulating the relation between capital and work-force, and institutionalize the conflicts. On the other hand, this capability is still incipient in the public sector. Thus, the greater number of conflicts in the public sector could be attributed to the absence -or lower consolidation degree- of the institutionalized mediation mechanisms that operate in the private sector.

A key aspect that must be considered is the fact that labor conflicts registered between 2006 and 2010 reflect the revitalization of the role of the unions, which found in the new economic, social and productive pattern the ground for the collective actions necessary to freely exercise the right to represent the workers’ interests before the management. This representation is exercised mainly through collective bargaining and the recuperation of the mediating and arbitrating capacity of the Ministry of Labor.

Seen from a dynamic perspective, this revitalization of unions is significant especially for two reasons. First, because it reflects the resurgence of a type of conflict specific to the labor world, with institutions offering the possibility to recognize and channel them through labor regulations. Conflicts, that is, that express the divergence of interests and of actors that exercise their rights through legitimate modes of representation.

Second, because the emergence of labor conflicts occurred simultaneously to the displacement and progressive attenuation of the conflicts that had been led by
social movements and organizations outside the world of labor during the ‘90s and the 2001/2002 crisis. The transition from social to labor conflicts is so significant that we could argue that this is one of the main structural changes observed during the first decade of the new century.
3 Social protection: towards building a minimum
3. Social protection: towards building a minimum

3.1. Extended social protection in Argentina, 2003 - 2010

One of the key points of the recent socio-economic model is the definition of a social protection system focused on the containment and assistance of an increasing proportion of population in situations of socio-economic vulnerability. With the conviction that social inclusion is a condition for development and not only its consequence, we have broadened the sphere of social rights, with the purpose of progressively moving towards a minimum base in terms of social protection. In doing so, we revert a permanent trend that had prevailed since mid-'70s of using the social security system as one of the main variables of social and economic adjustment.

Among the serious problems emerged as a consequence of the implementation of neoliberal policies, a problem with one of the strongest negative impacts on equity was the ever decreasing coverage of the social protection system.

As from 2003 the design and reach of the social protection system has been modified. Firstly, as detailed in the previous chapter, the promotion of registered employment was defined as a priority strategy to achieve social inclusion. However, the growth of unemployment and labor insecurity that pervaded our country for decades required the implementation of a complementary strategy to extend social coverage to those who were not subjects of right, being excluded from the contributive system of social security. Specifically, the broadening of coverage of the social protection system was achieved through the following political strategies:

• **PROMOTION OF REGISTERED EMPLOYMENT CREATION**, thus extending the coverage of those services granted by the contributive social security system to a greater number of workers. Registered salaried employment allows access to the pension system, to family allowances, to health care, to insurance against accidents in the work place, and to unemployment insurance. Besides, most contributions and taxes collected strengthen the sustainability of the social security system's resources.

• **INCLUSION OF VULNERABLE GROUPS.** To achieve this, three main courses of action were taken:

  - Incorporation into pension benefits of elderly adults previously excluded from the pension system.

  - Extension of the social protection system to children not covered by the contributive system through the Universal Per-Child Allowance, Family Plan, non-contributive pensions, among others.

37 The CEB (Chiefs Executives Board) of the UN has promoted the adoption of a social protection floor based on the provision of a minimum level of public goods and social services and guarantees of access to transfers to eliminate poverty. These last would involve an essential health service package for the whole population, special actions to assist children, elder adults and disabled people in situations of poverty, and, transitorily, unemployed people of working age.
- Broadening of active employment policies in order to enhance accessibility to employment\textsuperscript{38} and, therefore, allowing inclusion into the social security structure.

Thus, a perspective of the whole set of policies adopted involving income transfers allows us to state that during the 2002-2009 period 7 million new benefits were granted; that is, a 63\% increase in the amount of benefits distributed by the Argentine social protection system. Compared with 1997 the amount of benefits was actually doubled (and that means 9 million more benefits).

The increased number of beneficiaries of the social protection system allowed a significant extension of social coverage to persons in a vulnerable condition, especially the elderly and children and adolescents.

In fact, in 2009, the total coverage of underage population reached 86\%, while in 1997 only 35\% was covered by the social protection system\textsuperscript{39}. As for the older population, it can be observed that after a steady decline of coverage during at least seven years (by 2003 it had been reduced to a 61\%), by 2009 84\% of the

\textsuperscript{38} This line of action has already been discussed in chapter 1, section 1.4.
\textsuperscript{39} The coverage of the social protection system for the underage population was estimated considering all measures oriented to minors, these being the following: contributive family allowance corresponding to registered salaried workers, family allowance for retired adults and pensioners and for the beneficiaries of unemployment insurance, the new non-contributive system known as Universal Per-Child Allowance, the program Families for Social Inclusion, and the non-contributive pensions for mothers with seven or more children. The total percentage of the population under 8 years of age that received some type of income transfer from the social protection system was estimated considering the population projection presented by the National Institute of Census and Statistics (INDEC).
A great part of the transfers and the quantity of beneficiaries observed in these years can be explained by the implementation of the Universal Per-Child Allowance, the Program of Social Security Inclusion and by the extension of coverage of the Family Allowance system for active workers. The increase of non-contributive, assistance and special pensions also had a positive impact on the overall result.

40 Actions oriented to the assistance of the elderly population come from the pension system. Therefore, in this case we are considering the retirement benefits and pensions granted by the national system (including the early retirement), by the pension funds of provincial and municipal public administrations, by the funds of the diverse security forces, and by professional funds. The analysis of coverage of the social protection system for elderly adults is based on the data provided by the Permanent Household Survey (EPH). This is so because the EPH is one of the few sources of information that allows an accurate identification of the age of the retirement beneficiaries and pensioners. Besides, this source quantifies the beneficiaries, regardless the amount of benefits they receive.
When we analyze the consolidated public social expenditures we observe the change occurred in 2003 with the encouragement of a progressive and systematic increase in investment on social inclusion policies. Thus, in 2008 the share of social expenditures in the gross domestic product (GDP) reached 24.4% -the highest figure in the last 30 years-, while in 1980 it was only 14.5%.

3.2. Extended coverage for elderly adults

During the 2003-2010 period we have developed AN INCLUSIVE RETIREMENT POLICY, the most inclusive in the last 50 years, focused on extending the system’s coverage and increasing the value of the benefits.

Since Law 25.994 was passed, a moratorium was established to allow those who had been left out of the social security system to have access to pension benefits. With the application of this policy, approximately 2.5 million people over 60 (for women) and 65 (for men) have had access to minimum retirement pensions.

Besides, between 2003 and 2010 there were twelve consecutive increases of the minimum retirement pension and -after the passing of Law 26.417- a mobility index was set to ensure the annual adjustment of retirement pensions beyond any political decision. In the past two years (2009/10) the accumulated increase in retirement benefits reached 51.7%.

At the end of 2008 Argentina regained ownership of the public distribution system by retaking control of the retirement and pension funds that had been privatized.

41 Last available data at the time of writing the present report.
The State regained control over the funds accumulated by the Retirement and Pension Fund Administrators (AFJP, for its acronym in Spanish), which allows to safeguard the future of workers and their families through the creation of the system Sustainability Guarantee Funds (FGS, for its acronym in Spanish), avoiding these funds to be subject to the fluctuations of the financial markets.

With the creation of the Integrated Argentine Pension System (SIPA, for its acronym in Spanish) a new and fairer distribution system has been set up, with equal coverage and treatment for every pensioner in the country. This system is composed by 56% of the income of all active workers and by 44% of the taxes paid by every argentine citizen, including the Value-added Tax (VAT).

As for the evolution of the Pension Services, they increased 648% between 2003 and 2010. This means that during the period considered the incidence of expenditure on the GDP doubled\(^{42}\).

These actions did not only allow an increase in incomes and an extension of the pension system’s coverage, but also implied opting for a path that will permit the consolidation of a technically consistent, inter-generationally equitable, participative and transparent system that will be sustainable over time.

### 3.3. **Extended coverage for underage population**

The growth of salaried registered employment observed in 2003-2010 allowed more workers and their families to have access to the benefits of social security, among which we can find the family allowance programs. Indeed, it is estimated that between 2002 and 2009 1.9 million children and adolescents were introduced into this system by the incorporation of their parents into registered employment.

Through the expansion of registered employment, the contributive system of family allowances managed to extend its current coverage to an additional 48% of children and adolescents under 18\(^{43}\), vis-à-vis 2002 values. In spite of these important achievements a significant part of the underage population living in a situation of poverty was still excluded from the Contributive System of Family Allowances. To respond to this situation of exclusion, the National Government promoted in October 2009 a momentous initiative: extending social protection to the majority of the population under 18 through the implementation of the non-contributive sub-system of the Universal Per-Child Allowance for Social Protection (AUH, for its acronym in Spanish). An important feature of this policy is that it is part of the broader legal frame of the national regime of family allowances, granting the Universal Per-Child Allowance a proper legal status, and thus providing the adequate financing guaranteed by the National Executive Power’s Decree 1602/09. The benefit consists in a monetary transfer (220 argentine pesos per child at the time) to every child and adolescent whose parents or legal guardians are in a

\(^{42}\) Source: Sub-secretariat of Social Security Policies, based on data from the National General Accounting Body (CGN). For the year 2010 we consider the projections made with CGN data.

\(^{43}\) It has been estimated that a total 7.5 million children and adolescents under 18 (60.5% of the total) live in households in which the adult in charge receives the family allowance derived from either being a registered salaried worker with a monthly income of less than $4,800, or from being the recipient of unemployment insurance, or from being a pensioner or retirement beneficiary.
situation of unemployment, employment informality or precariousness; to receive the pension the beneficiaries must comply with the proper health and vaccination requirements of their children yearly, and children must regularly assist to their corresponding level of formal education.

The AUH means a substantial change in the definition of the argentine social protection system. For the first time, we witness the implementation of a policy of universal reach that involves income transfers to a portion of the population suffering from unemployment, employment precariousness or informality and that has no economic means to contribute to the different social security systems. By the end of 2009 the AUH reached slightly over 3.4 million children and adolescents. This means that the new system accounts for almost half of the increase observed in the quantity of benefits granted by the social protection system between 2003 and 2009.

Several studies performed in 2009/2010 have demonstrated that this policy is having a significant incidence in the reduction of poverty and marginality rates, the reduction of inequality\textsuperscript{44}, and the increase of the rate of schooling of children and adolescents. In 2010, the impact of this policy on the educational system has been evident, as school enrollment grew substantially. Additionally, Bertranou (2010) observed that 30% of the lowest income households present a great proportion of AUH beneficiaries (60.9% in the first decile, 42.1% in the second and 28.5% in the third).

\textsuperscript{44} This point is further discussed in the chapter “Improving equity”
Improving equity
4. Improving equity

The improvements achieved by the new policy scheme have been fundamental for the construction of a more equitable society. The unprecedented expansion of registered employment, the reduction of unemployment, the increase in salaries, the new dynamics of collective bargaining and the extension of the coverage of the social protection system have allowed a process of significant improvement of income distribution to a degree not seen, at least, since the mid-seventies.

From the perspective of income distribution between labor and capital, it has been noted that in the 2002-2008 period (last data available at the time of writing this report) salaried workers progressively increased their share in the product. Indeed, in 2002 non-independent workers concentrated 34.3% of the product; while by 2008 the remuneration of salaried workers represented 43.6% of the product. This means that in six years workers increased their income share as part of the total yield generated by the country’s economy by 10 percentage points.

After a decade where periods of economic growth where accompanied by reductions in the share of work remuneration, as from 2003 progressive improvements took place. Even if the registered levels in this index have yet to reach their historical peak, improvements have been very important. A breakdown of the changes occurred in functional distribution leads us to the conclusion that improvements in labor salaries have been fundamentally associated to the growth of registered salaried employment and salary increases occurred within registered employment.
If we then evaluate the distribution of the total income received by all households, where we must consider not only the labor factor and the remuneration received for it but also the total of income transfers made by the State, the change in the previous trend becomes much more significant. This analysis is done through the Gini coefficient, which quantifies the manner in which a population's income is distributed\textsuperscript{45}.

This coefficient presented, between 1994 and 2002, a systematic increase (reflecting a decrease in income) of 18.5% and reached, by 2002, the highest levels of inequality registered in our country. This process is set within a trend that emerged since 1976 and that deepened remarkably with the growth model put into practice during the nineties.

As from 2003 this ascending curve swerved, starting a new phase in which the index reduced constantly (independently from its inherent seasonality factor). Between 2002 and 2009, personal income distribution improved 16%, reaching during 2009 the fairest distribution of, at least, the last 16 years.

A study\textsuperscript{46} allows us to identify which incomes contributed in a greater proportion to the improvement of equity, and which have been the effects of the new policies implemented on the social protection system to address income inequality.

\textsuperscript{45} When the coefficient approaches 1, the society is more unequal, and when it approaches 0 it is more equitable.

\textsuperscript{46} The methodology allows us to decompose the variations of the Gini coefficient according to the different income sources available to households (employment, public transfers, retirement benefits, private transfers, rent, etc.). The contribution of each income source will, by the way, depend on two factors: on the one hand, how the concentration of each income source changes, and, on the other hand, in what manner the relevance of each income source in the overall income of a household changes. These two components are called changes in concentration and changes in participation, respectively (Trujillo, L. y Villafañe, S., 2010).
The analysis of the first post-devaluation year shows the importance that money transfer programs have had over income distribution. Although the economy was beginning to recover from the deep crisis derived from the macroeconomic policies implemented in the nineties, in just one year inequality decreased 4%. The implementation of the Head of Household Program (PJJH, for its acronym in Spanish) accounts for 60% of that reduction.

The impact of the PJJH on the income of lowest income households was remarkable. Over 30% of the income of the 10% of lowest income households was received through this program. This rate changes when we consider the impact of the Program over the total of households, where it stands for a scarce 2%, hence the importance of an analysis of this kind of programs in terms of distribution.

From this point onwards, between 2004 and 2008, the Gini coefficient fell by 14%. This reduction in the level of inequality was achieved basically by three factors:

- the increase of the number of registered jobs and their income,
- the contraction of precarious employment (fundamentally, self-employment), and
- the improvements achieved in the social protection and social security system.

As for labor income, it should be noted that its growth accounts for over 85% of the reduction of inequality. The most important part of this improvement was associated to the income increase of registered employment in lowest income
households, due to an increased access to this kind of employment and to a raise in its remuneration. Specifically, over half (56%) of the improvement in equity during the period considered was related to the income of registered salaried workers.

As you can observe in the following graphic, the income of registered salaried workers increased in all income deciles. In fact, the share of registered employment in the total household income increased by 6.5 percentage points in average. However, this growth has been much more pronounced in the lowest income deciles (from 1 to 3), where the increase was of at least 10 percentage points.

The second factor is related to the loss of relevance of precarious “shelter” activities—especially self-employment—as an income source in low-income households. According to the aforementioned study, approximately 25% of the improvement in equity observed in the last few years is due to this phenomenon occurred in the labor market.

The third factor that explains the reduction of income inequality is related to the changes introduced in the social security system. Slightly over 5% of the decrease in the Gini coefficient is related to the changes introduced in retirement and other pensions, both as a consequence of the raises in the amounts themselves and

47 It should be noted that as this analysis extends to the year 2008, the impact over income distribution of the implementation of the Universal Per-Child Allowance is not mentioned. In order to calculate an estimate of the results of this policy over household income, we have calculated the variation of the Gini coefficient between 2008 and 2009, simulating for this last year the implementation of the AUH. According to the results obtained, the Gini coefficient would have been reduced by, at least, 3% just because of this policy. The participation of State transfers in the total household income increases with the AUH, exceeding the 2%. However, for the lowest deciles this percentage becomes much more important: 26% of the income for decile 1 would come from AUH transfers granted by the State. This pattern is similar to the one registered in 2003 with the implementation of the PJJH; however, it is important to remember that in that period the level of income mass, especially the one coming from salaries for registered jobs, was much lower than today.
of the extension of this social protection right to the households belonging to the lowest income deciles. The income increase derived from retirement and other pensions has been significantly higher in the low and medium-income households (deciles 1 to 6).

Summing up, the most relevant results of the set of policies implemented during the last years, such as the creation of registered employment, the reduction of labor precariousness and the extension of the social protection system, reversed years of policies of explicit or implicit exclusion in the actions of previous administrations and were fundamental in opening the way towards a more equitable society.
Response to the international financial crisis of 2008/09
5. **Response to the international financial crisis of 2008/09**

5.1. **Anti-cyclical policies**

In the context of the global crisis offset in the last months of 2008 and the contraction resulting from the failure of the financial system in the USA, the public policies dictated by the strategic approach that had been developed in Argentina became advantages that allowed the country to mitigate the social consequences of the deep international crack and recover the pace of employment growth by the end of 2009.

The fact that Argentine economy has not been dependent on foreign credit to grow during the last years and it did not incur in the financial imbalances caused by the end of the “financial bubble” was also an advantage, taking into account that the crisis itself was caused by the implosion of that bubble in the main financial systems of the developed countries, which later froze capital flow towards developing countries.

Because of the commotion caused by the global recessive situation, a new set of specific measures was added to the policies that were already in place, in order to be more prepared to face that context and strengthen the socio-labor conditions of the population. Among the most relevant we can mention:

- **MACRO POLICIES**: Important resources were allocated to stimulate the growth of investments, production and consumption in sectors and activities that have a positive impact on the economy in general and on the labor market specifically. Some of them are public works, housing plans; stimulation of productive sectors, exports pre-financing loans; loans for small enterprises. In all policies implemented, an employment preservation clause was included as a requirement to access and maintain the benefits and subsidies.

- **EMPLOYMENT PRESERVATION POLICIES**: The active intervention of the National and Provincial Governments to restrict the application of policies that might affect employment allowed, in many cases, to prevent and avoid dismissals. Crisis-prevention procedures were implemented at an enterprise level throughout the country to respond to any situation that might have a negative impact on the level of activity and occupation. The policy of permanent social dialogue between employers and workers with the coordination and intervention of the State searched for solutions that could avoid the termination of the employment relationship, through suspensions or transitory policies.

The reach of the Productive Recovery Program (REPRO, for its acronym in Spanish) - through which the National State subsidizes part
of the workers’ salaries in enterprises in a critical situation - was extended. This anti-cyclical policy reached over 143,000 workers in 2009, working at a total of 2,769 establishments -77% of which were SMEs with less than 50 employees.

A set of fiscal stimulation policies was implemented to encourage formal hiring and regularization of non registered employment (Law 24,476). These, together with the implementation of workplace inspections to support the actions taken, contributed to the registration of informal salaried workers.

In should be noted that simultaneously to the development of these actions - whose main goal was the preservation of employment - there was a strengthening of the active training and employment policies targeted to people that needed to further develop their skills in order to enhance their occupational insertion opportunities.

- **ACTIVE INCOME POLICIES:** The active income policies in place were maintained from the very outset of the global recession. As of the last quarter of 2008 the raises in retirement and pension transfers were guaranteed by law; the minimum adjustable vital salary was increased through social dialogue; collective labor bargaining was sustained; a reduction in income taxes for salaried workers was implemented; and the amounts of the family allowances were increased. Also, monetary transfer programs for vulnerable or impoverished sectors were maintained.

Many of these policies involved greater fiscal resources than expected. The impulse given to the private sector through subsidies, tax reductions or direct transfers to households, made possible by the multiple existing mechanisms between late 2008 and the end of 2009, accounted for 1.8% of the gross domestic product\(^{48}\). Argentina has been, in the global context, one of the countries that implemented more fiscal policies in response to the global crisis.

### 5.2. Emerging labor situation

The actions and policies implemented had a relevant role in moderating the negative effects of the international crisis on the labor conditions of Argentine workers. During the worst stage of the crisis the rates of unemployment, employment and activity presented scarce variations. Only the registered salaried employment in the private sector showed a slight reduction, but this net decrease was not caused by an increase in personnel dismissals (through firing or quitting) but rather by a decrease in the enterprises’ demand for new workers; in other words, a reduction of new employment contracts, not an increase in the termination of existing ones.

\(^{48}\) Including tax deferrals, decrease of direct taxes and exportation rights, additional expenses destined to public works, increase in subsidies to production and employment preservation, granting of loans, increase in the amounts and extraordinary payments of social plans, extraordinary payments of retirement benefits, raise in family allowances. Not considering the additional transfers involved by the implementation of retirement mobility and the universal per-child allowance, that would, if taken into account, raise the measurement of the fiscal impulse to a 2.6% of the GDP.
Thus, we might state that during the crisis the occupational structure, employment conditions, and labor dynamics were not substantially modified. This means that, in spite of a world-wide recessive context, we have been able to maintain the important progress achieved in the labor field during the last years.

This diagnosis strongly contrasts with the labor situation observed in most countries. In fact, during the period comprised between the first quarters of 2008 and 2010, while in most countries -especially in developed ones- an increase in the unemployment rate was observed as a result of the destruction of jobs, in Argentina the rate of unemployment suffered almost no change, thanks to the employment level support implemented as a key factor of the National Government policies. Of the 39 countries from which any data is available for the first quarter of 2010, only in four countries (Argentina being one of them) the unemployment rate did not increase when compared to the first quarter of 2008.

The current policy scheme not only managed to moderate the impact of the international crisis, it also succeeded in re-establishing the trend of registered employment growth. The results of the Labor Index Survey (EIL, for its acronym in Spanish)\(^{49}\) corresponding to the second quarter of 2010 confirm the trend of growth of private registered employment in the main urban areas during the last quarter of 2009 and the first half of 2010. In fact, between the last quarter of 2009 and the second quarter of 2010 the level of formal employment grew by 2.5% and the last quarterly variation was 1%.

\(^{49}\) The Labor Indicators Survey (EIL) is a review of private sector enterprises with the ultimate goal of analyzing the evolution and characteristics of registered jobs. The survey, performed by the Ministry of Labor since end 1995, includes -among their main areas studied- Greater Buenos Aires, Greater Córdoba, Greater Rosario, and Greater Tucumán.
This creation of formal employment allowed the country not only to recover the total number of jobs lost as a result of the global crisis, but even to exceed the previous level. Considering the monthly series presented by the EIL, the registered employment level for the private sector in August 2010 was 0.2% higher than the one observed before the beginning of the global financial crack.

In absolute terms, and based on available administrative registries, it is estimated that from the beginning of this recovery until August 2010, approximately 166,000 formal jobs were created in private enterprises throughout the country.

This recovery of jobs and the dynamism of the economic activity are also noted in the remarkable decrease observed in the quantity of enterprises that requested the subsidy granted by the Productive Recovery Program (REPRO) to the Ministry of Labor in the second quarter of 2010. In fact, the number of enterprises applying for the REPRO went from 1,300 in the second quarter of 2009 to approximately 220 in the same quarter of 2010, that is, a decrease of 83% in applications in a year.

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50 Last available data from the EIL at the time of elaborating the present report.
51 The information stems from the combination of two administrative registries: the “My Simplification” Program, implemented by AFIP, and the Integrated Argentine Pension System (SIPA). The non-seasonally adjusted series is being analyzed.
52 As the EIL has been performed since November 1995 as means to analyze the evolution of registered employment, during the crisis caused by the “Tequila Effect” the series generated through the EIL was overlapped with the information about registered private sector employment obtained through the Integrated Argentine Pension System (SIPA) corresponding to the period December 1994 – October 1995. Between December 1994 and July 2001, the information used, both from SIPA and from EIL, corresponds to the Greater Buenos Aires area. Since August 2001, the data refers to the total of agglomerated reviewed by the EIL: Greater Buenos Aires, Greater Córdoba, Greater Rosario and Greater Mendoza.
A more general assessment of the strength of Argentina’s labor market can be obtained through an analysis of the behavior of registered employment in the last 15 years, particularly in the three post-crisis recovery stages observed in the country: i) the recovery from the “Tequila Effect” crisis, initiated in the last quarter of 1995; ii) the economic recovery after the steep depression caused by the crumbling of the Convertibility regime, initiated in the third quarter of 2002; iii) the confirmed growth observed in the second quarter of 2009 after a slight decline of national economic activity resulting from the international financial crisis.

In the three periods of post-crisis reactivation, production grows more and faster than registered salaried employment in the private sector, and this phenomenon responds to a normal and common recovery process of the dynamism lost in the economic and labor variables during times of crisis.53

In spite of the similarity between the recovery stages, we can also observe important differences, strictly related to the policy scheme implemented in each one. There are three distinctive factors:

- **EMPLOYMENT LEVEL:**

  The level of employment registered in 2010, barely over a year (14 months) since the beginning of the recovery phase, was much higher than the one of the corresponding moment in the previous crises: 36.3% higher than the one of 2001/02, and 25% higher than the one following the “Tequila Effect”.

- **IMPACT ON THE DESTRUCTION OF JOBS:**

  The number of jobs lost during the last crisis has been low, and it seems even lower when compared to the employment destruction of the previous two crises. In fact, we can observe that the financial crack of 2008/09 caused only 3% of private sector employment loss during the contractive phase (September 2008 / June 2009). On the other hand, employment loss during the contractive phases of previous crises was higher: 7.2% during the “Tequila Effect” (December 1994 / March 1996), and 12.8% during the failure of the Convertibility regime (March 2001 / September 2002)

- **RECOVERY TIME OF PRE-CRISIS EMPLOYMENT LEVEL:**

  A third distinctive factor evidences the better situation of the labor market in 2010, as less than two years after the crisis begun, we have not only recovered all jobs lost due to the crisis, but we have also exceeded the number of jobs registered in September 2008 by 0.2%. On the other hand, after the previous crises our society had to wait much longer to recover the level of registered salaried jobs in the private sector it had before the crisis: almost four years for the 2001/02 crisis and three years for the “Tequila Effect”.

53 See document “Comportamiento del empleo registrado en la actual etapa de recuperación económica – EIL – 2° trimestre 2010”.
In the context of the international economic crisis, in 2009 collective bargaining processes were focused on preserving sources of employment and salaries, and even on promoting employment growth, in spite of the changes occurred in the economic cycle. Considering that in collective bargaining processes until 2010 salary has been the main point discussed, we could argue that during 2009 at least a 70% of the total of salaried workers in the private sector obtained a raise in their income as a result of the actions of the institute. This means that in spite of the critical global situation, in our country unions and enterprises continued negotiating to achieve salary increases. Certain adaptive clauses were also agreed on to compensate for the particular situations of specific enterprises and activities affected by the crisis. While the latter was expectable, the first point is itself a novelty when compared to the long 1975-2002 period, when the functioning of collective bargaining was either suspended or restricted when facing adverse economic situations.

\[54\] It has been estimated that the total salaried workers in the private sector adds up to 6 million workers, and, out of these, 4.2 million (70%) are covered by the collective salary negotiations that took place during 2009.
6 Conclusions
6. Conclusions

Making an assessment implies a comparison between two different moments; in this case, between the current situation and previous ones, analyzing policies and their outcomes; this is the only way to avoid conclusions stemming from a static and decontextualized perspective of what occurs. To achieve this, it is necessary to rely on information that allows establishing valid comparisons over time, approaching them from a perspective that avoids partial views of reality, contrasting them only against ideals or the still image of a specific instant, which would lead to false conclusions. Summarizing, to carry out an evaluation -in this case regarding the socio-labor situation- one must understand the historical evolution, “where-we-come-from”, and thus elaborate a diagnosis of the present as part of that evolution. Only by doing so it is possible to interpret the changes occurred in the dynamics of facts that give meaning to “today” and identify the challenges still pending for “tomorrow”.

The productive model and policies implemented since 2003 meant a breakthrough from the neoliberal logic that guided the decisions of previous administrations, practically since 1976\(^5\). The transformation was centered on the National Government’s decision to recover the State and its active role in the economic, social and labor fields, coordinating and integrating actions in order to maximize the recovery of inclusion and equity in Argentina. This policy-articulation approach grants sustainability to growth, as it focuses on the development of the local productive system, the creation of decent and genuine employment, the expansion of aggregate demand, and inclusion as the foundations of the country’s development. This assessment presents an account of the results of such approach.

In this context, the Ministry of Labor recovers a dynamic role, acting in matters of labor, income, employment and education policies, strengthening social dialogue and collective bargaining; it goes from the administration of social programs to the promotion, coordination and execution of labor policies. In 2004 Law 25,877, of Labor Regulation, was passed, and, in the same year, the National Council for Employment, Productivity and Minimum Salary is recalled from inactivity, re-establishing the minimum salary policy as a tool for income redistribution. The National Plan for Work Regularization (PNRT) is set in motion, with the goal of expanding the Ministry’s capability to inspect and control the compliance with labor and contributive regulations.

The macro-economic strategy helped securing a 9% annual increase in the GDP since 2003, a growth sustained by the expansion of the domestic market, the strengthening of production and a significant increase in investment. In 2009, compared to 2003 figures, 129,000 new private enterprises were registered in the industrial, commerce and services sectors. Investment rates reached historical peaks during the 2003-2009 period (23%), resulting in a remarkable growth in labor productivity.

A relevant difference with previous growth phases lies in the fact that the

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\(^5\) We must distinguish the period corresponding to the first democratic government (1983-1989), which attempted to modify part of the scheme in an adverse International context.
expansion, in this case, is centered on production and the increase of formal employment, registered in the social security system to an unprecedented level in our recent history. By 2009 the quantity of registered employees has increased by 70% as against 2002 figures. A long term perspective allows us to comprehend the importance of this development: between 1974 and 2000 the ratio between registered jobs and working-age population remained almost unaltered, while as from 2003 this trend changed and the ratio began to grow systematically\textsuperscript{56}, reaching 30% in 2008.

Economic activity had a positive impact on the dynamics of the labor market, installing a virtuous circle of growth accompanied with the creation of more and better jobs. The functioning structure of the labor market was transformed, from a labor dynamics founded on precariousness, unemployment growth, and a systematic reduction of income, to a new dynamic focused on employment growth, improvement of labor conditions, social protection and inclusion.

One of the distinctive features of this scheme is the incorporation of precarious and unemployed workers into formal employment, generating a process of “ascending labor mobility”. In this sense, the rate of non registered employment, which had doubled between 1980 and 2003, was reduced by one third between 2004 and 2010. In 2009 we reached the lowest non registered employment rate of the last 17 years. This long term analysis permits a proper dimensioning of this as the most important structural achievements of these last years, and makes it evident that the present policy approach must be maintained to continue this progress.

Another relevant result of the policies and their approach is the creation of 4.9 million jobs between 2003 and 2010, a phenomenon that gave employment to 4 million people. This triples the number of new occupied workers for the decades of the ‘80s and ‘90s, and is four times higher than the figure registered during the military regime (1976 – 1982).

This sustained process of employment creation allowed a substantial reduction of the unemployment rate, which went from 21.5% in 2002 to 7.9% in the second quarter of 2010. This reduction expanded to all strata, social groups and occupational categories.

Changes in employment dynamics were accompanied with the promotion and reactivation of collective bargaining, which through its continuity, coverage and content regained its central role in the argentine system of labor relations. The figure of agreements and negotiations approved -over 1,300 in 2009- can only be properly dimensioned when we remember that during the ‘90s the rate was of only 200 per year. Besides, the negotiation at the activity branch level was reintroduced, thus reaching a greater number of workers and positively impacting in the “collectivization” of benefits, as opposed to the “individualization” of employment relationships that predominated during the nineties.

The growth of registered employment also impacted on the expansion of the coverage of the negotiation; the number of private sector salaried workers included in the Collective Work Agreement (CCT) increased 43% since 1998 (the highest

\textsuperscript{56} The exception to this constant growth was the year 2009, when a slight impact was observed in the labor market in response to the greatest world crisis ever occurred since the 1930s.
coverage of the 90s), reaching 4.8 million workers by 2009. It should be noted that the collectively agreed salary accounted for 81% of the salary effectively paid by the enterprises in 2009, while this proportion barely reached 50% in mid-2001, since at the time it was subject to arbitrary company decisions.

The active income policy, the dynamism of collective bargaining, and the expansion of the economy and employment resulted in an important increase in real salary. Between 2002 and 2009, the average remuneration of registered salaried workers effectively increased. This recovery process sets the real salary level of 2009 as one of the highest of the past three decades.

On the other hand, the new collective bargaining dynamics, the implementation of active income policies and, especially, the increase of the Minimum Adjustable Vital Salary, had a positive repercussion in salary differences among registered workers in the private sector, with a reduction of income dispersion of 18% between 2001 and 2009.

From the perspective of profit distribution between labor and capital, we can observe an improvement in the 2002–2008 period, during which salaried workers increased their share in the product yielded by the whole economy, from 34.3% to 43.6%, an increase of 10 percentage points in six years.

The training and active employment policies accompanied this growth. The Ministry of Labor tripled the actions in matters of employment, education, advice and job training since 2003. In terms of quantity, 1.3 million more workers were covered in 2009; 325 Employment Offices were created throughout the country to mediate between work demand and supply; and the Continuing Education System was implemented, with an active participation of the social actors to define the needs, in terms of skills, for the present and future of our country. The investment in training and education ascended to 175 million pesos in 2009; while in 2003 it was 11 times less, slightly under 16 million pesos.

The current global crisis that had a negative impact on the economies of every single country since late 2008 -destroying millions of jobs around the globe- found Argentina strengthened and, because of that, its impact in our country’s labor situation was lower than moderate. While in most nations -especially the developed ones- the unemployment rate increased drastically, in Argentina it showed almost no change. The policies adopted by the National Government, focused on sustaining employment, the general economic activity and, in particular, aggregate demand, strengthened this pattern. It should be noted that the total anti-cyclic policies developed between late 2008 and all through 2009 represented 1.8% of the GDP.

On the other hand, between July 2009 and August 2010, the net creation of employment in the private sector was reprised. This recovery reached not only the totality of jobs lost as a consequence of the crisis during its contractive phase, but also managed to exceed the pre-crisis level by 0.2%.

The concern was also focused on extending the coverage of social protection. This is demonstrated by the positive evolution of the number of benefits granted

57 2008 is the last available data.
58 Last available data from the EIL of the Ministry of Labor.
by this system: they increased 100% since 1997, granting 7 million new benefits since 2003.

Regarding elderly adults, a systematic policy of coverage extension and income improvement was implemented. With the moratorium and the early retirement benefit, 2.5 million people were granted access to minimum retirement pensions, and today the system covers 84% of elders nationwide.

Simultaneously, social protection for the underage population was extended, going from 37% coverage (in terms of monetary transfers) in 1997 to 86% in 2009. This is explained, on the one hand, by the expansion of registered employment, which allowed an extension of the coverage of family allowances, which in 2010 reached 48% more children and adolescents under 18 years old than in 2002. On the other hand, the National Government introduced substantial changes in 2009 by extending the right to the majority of the underage population that was excluded from the family allowance system, through the creation of a non-contributive sub-system: the Universal Per-Child Allowance for Social Protection, which reaches about 3.5 million minors.

The set of policies focused on social inclusion resulted in a 24.4% share of the consolidated social expenditure in the GDP in 2008, its highest value in 30 years.

The changes in the situation of the labor market and the social protection system had an impact on income distribution. As from 2003 the trend towards income concentration, that had been deteriorating equity since the mid-seventies, was finally reversed, and income distribution became, year after year, more equitable (improving 16% between 2002 and 2009).

These achievements demonstrate that the path chosen and maintained -even when faced with a stage of strong retraction worldwide- leads to the conformation of a more equitable society. However, there are still labor-specific issues that affect a portion of the population (informality, non registered employment, fraudulent outsourcing, youth unemployment, difficulties in labor insertion for adults over 45 years old, household service, agricultural work, among other groups with problems). These problems indicate the need to strengthen the policies so that the transformations implemented enable to continue our way towards a complete change in the socio-economic structure of the country. Only then will we have achieved the ultimate common goal: a productive, equitable, inclusive, and socially fair Argentina.


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