



► ILO Brief

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Impact assessment of COVID-19 response policy measures on informal employment in Argentina

A Computable General Equilibrium approach

Background

During the COVID-19 pandemic, ILO committed to the UN 2030 Development Agenda's objective of ensuring full, productive and voluntary employment, along with decent work, and focusing on vulnerable groups and the sectors most affected by the crisis.

Goal: To develop a comprehensive method, a country-specific Computable General Equilibrium model, for evaluating the impact and effectiveness of policies regarding labour markets, employment, and social protection, with special attention to labour informality and gender gaps.

Case of study: Argentina implemented measures to protect jobs and mitigate the impact of the crisis on employment, firms and income.

Prior to COVID-19, Argentina was struggling with socio-economic difficulties, including poverty, unemployment, inflation, recession, financial instability and fiscal constraints. The pandemic worsened the situation, disproportionately affecting vulnerable groups. Argentina's COVID-19 policy strategy consisted of four intervention pillars.

The first pillar was a set of (fiscal, monetary and financial) **stimulus measures to the economy and employment**, and price control measures to reduce inflation.

The second pillar was intended to **support business, formal employment and income**. It aimed at preserving:

- **Formal labour** relationships by limiting layoff (double severance payment and prohibition of layoffs and suspensions), wage subsidies and zero-rate credits for employers (ATP, and credits for MSMEs and the REPROII) and some sector-specific measures (culture and tourism).
- **Income** of the rest of the population through an expanded social security system, larger amounts of benefits and greater coverage of existing income programmes. The IFE income programme targeted the unemployed,

independent workers and informal wage earners (e.g. women providing domestic cleaning and care services and also beneficiaries of other social assistance programmes – AUH, AUE, PROGRESAR). The income transfers aimed at containing income of the most vulnerable households and thus, avoiding a poverty increase.

The third pillar covered the protection of workers at their places of work, and included sanitary protocols, leave for workers at risk and those with care responsibilities for children and the elderly, and also teleworking practices.

The fourth pillar concerns solutions through social dialogue (e.g., suspensions, reduction of wages).

► Four intervention pillars of the COVID-19 policy strategy



1- Stimulus measures to the economy and employment



2- Measures to support business, formal employment and income



3- Protection of workers at working places



4- Solutions through social dialogue

Methodological framework

A multisector, recursive-dynamic, saving-driven Computable General Equilibrium (CGE) model for Argentina 2018 was developed to evaluate the impact of COVID-19 labour market measures (second pillar) on sectoral activity and employment, with a focus on labour informality and gender inequality.

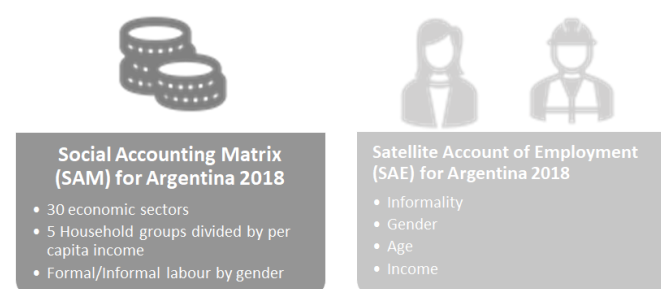
► Key insides of the CGE model for labour policy evaluation



Labour market assumptions. According to the Argentinian labour market characteristics and the literature, this CGE model assumes:



Data & Calibration: The CGE model calibration requires two main datasets, developed for this particular case study using public and official data sources and criteria:



Elasticities of substitution between formal and informal labour (Schramm, 2014) and also between male and female workers (De Giorgi et al., 2013; Severini et al., 2018; Naurez, 2022) have been taken from the literature in order to complete the calibration of the model.

COVID-19 policy scenarios

To analyse the impact of the Argentinian policy strategy, we focus on policies oriented to support business, employment and income (**second pillar**):

► Detailed policy measures of the second pillar

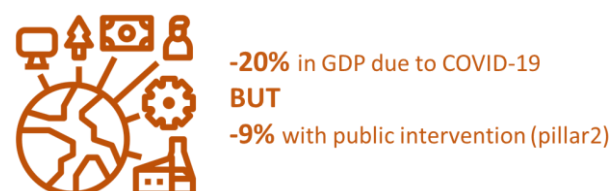
Workers and Business Programmes	Social Assistance Programmes	Sector Specific Programmes
• Layoff prohibition • Collective Labour suspensions • Emergency Assistance programme for work and production (ATP). • Credits for SMEs • Productive reconversion programme (REPRO II). • Assistance to Independent workers (ATI)	• Emergency Family Income (IFE) for lower-income households • Cost: 0.97% of GDP	• "Previjae" programme for the tourist industry. • Cost: 0.29% of GDP

From a time-perspective, these measures began to be implemented right at the start of the COVID-19 lockdowns on 20 March 2020, and had different, overlapping time spans.

Results and final remarks

The key findings of this study emphasize that,

- the policy measures applied during the COVID-19 crisis considerably cushion the decline of GDP;



- they support formal jobs, whereas informal jobs remained quite unprotected (informal jobs destruction);
- they were more effective in sustaining female employment as compared to male employment.

Public policies oriented to protect **formal employment (-2%) BUT not informal employment (-37%)**



Pro-female (formal) employment impact (-7.6%) of policies compared to the male employment impact (-8.8%)

At the individual programme level we highlight that:

- IFE and ATI programmes proved advantageous for preserving income of poorer households (independent workers, informal jobs, unemployed people), while
- the prohibition of layoffs and the ATP programme had a more favourable effect on households where income mainly comes from formal jobs and own business activities.

The government interventions carried out in Argentina were necessary and effective in protecting business, income and employment amidst the COVID-19 crises, but also to facilitate the recovery path in the subsequent years preserving formal employment and the female labour participation.