From social protection to vulnerability: Argentina's neo-liberal reforms of the 1990s

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Abstract. *This article examines the neo-liberal reforms introduced in Argentina in the 1990s, focusing on labour policies and their consequences for labour market dynamics and the welfare of households. To put this period in historical context, the authors first provide a brief summary of the strategies applied both during the preceding import-substitution phase and in the aftermath of the political, economic and social crisis of 2001–02. The latter, in effect, served as the tipping point for the emergence of a new set of social and economic policies aimed at promoting social cohesion and inclusion through employment.*

Argentina's import substitution industrialization (ISI) strategy was based on a rather weak welfare state, albeit endowed with social and labour institutions. A succession of "stop-go cycles" failed to achieve solid economic progress and the strategy was abandoned, both because it ran out of steam and because of international circumstances. The next phase rested on the emerging socio-economic paradigm of deregulation and liberalization, echoing the solutions proposed by the international financial organizations. This process got under way in the mid-1970s with the first wave of liberalization and economic opening adopted during the period of military dictatorship. It underwent further refinement in the 1980s, culminating in the "neo-liberal" policies of the 1990s, when Argentina went overboard to satisfy demands to substitute the market for the State's role in the economy. Privatization of public assets, market deregulation and openness to international competition were the central tenets of the reform. Economic reforms sidelined the social dimension by redefining key aspects of the existing labour and social protection regimes, fundamentally altering perceptions of the relationship between social and economic policies. These changes went much deeper than a mere refocusing of policies and instruments.

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For all its macroeconomic failings, the ISI strategy did presuppose coordination of economic and social policies such that the former internalized the aims of the latter. By contrast, the neo-liberal model of the 1990s imposed something of a disconnection between the economic and the social: development came to be conceived merely in terms of growth, and market predominance meant that efficiency counted more than equity. In other words, economic growth alone was believed capable of generating spill-over effects that would automatically improve the social situation over time.

Paradoxically, the ISI approach and the pro-market reform stage ultimately produced quite similar results. Both led to deep financial crises featuring foreign debt default, macroeconomic instability, fiscal deficits and severe institutional disruption. In both cases, these outcomes were exacerbated by exposure to international crises, particularly the 1973 oil shock and the turmoil in the United States after 11 September 2001, which coincided with the 2001–02 crisis in Argentina. Unprecedented levels of unemployment, poverty and inequality added a tragic dimension to the experience of the 1990s. The institutional collapse of 2001, which occurred in a context of acute social upheaval, resulted from an unprecedented process of social exclusion and marginalization which had taken a little over 20 years to unfold. It is therefore not surprising that a new approach to labour policy and social welfare was adopted after the worst of the national crisis was past.

Import substitution industrialization

Between 1930 and 1976 (a period of alternating democratic and authoritarian regimes), Argentina's economic policy was based on import substitution industrialization. Within the framework of a virtually closed economy with considerable state intervention, the country gradually moved from specialization in the production of primary agricultural and livestock commodities to diversification into a wide range of manufactured goods, with the iron and steel and mechanical engineering industries serving as the main drivers of industrial development.

Import substitution industrialization gained fresh momentum after the Second World War, coinciding with the emergence of the welfare state worldwide; it contributed to the development of a large and varied, but technologically weak, industrial sector (Katz, 1983). The domestic market expanded but its rates of growth were modest, although the world was experiencing a post-war economic boom with historically unprecedented rates of GNP, trade and investment growth, full employment, low inflation and continuous improvement in people's standard of living (López, 2006).

At the same time, the labour relations system featured scant contracting flexibility and old-style Taylorist work organization, within an idiosyncratic model of capitalist development known more for its control of workers and labour discipline than for innovative and efficient production methods (Catalano and Novick, 1992). Labour relations were based on three pillars: centralized collective bargaining; the single-union model; and trade union responsibility for social service delivery to members, especially for health care and social assistance

(Rosanvallon, 1988). Thus, the union movement contributed to the construction of industrial workers' identity and solidarity and their integration into Argentine society. Its modus operandi was not based on labour–capital confrontation; rather, it joined forces with employees to bring pressure to bear on the State, with the aim of securing benefits for both labour and capital, though disputes could then arise over how the benefits were distributed (Novick and Tomada, 2001).

Another feature of Argentine labour relations during this period was the corporatist nature of relations between unions and the State. The unions displayed the strong ideological cohesion associated with Peronism,[1] as well as organizational strength – particularly in key industries, such as iron and steel – and a highly developed ability for coordinated action, which made it easier to pool interests. The unions viewed their role as one of active participation in public policy-making – i.e. not limited to labour market issues – which relegated confrontation to a secondary place (James, 1988).

At that time, social protection in Argentina was concerned with the development of social security and the provision of basic services in a situation of near-full employment. A Bismarckian form of employment-related contribution-based social security was established, in accordance with the then-prevailing labour regime. This led to employment being perceived both as synonymous with protection and as an instrument of social integration, bringing recognition and a sense of belonging. This model of social protection was implemented through the expansion of social insurance, a state-run redistributive system which provided health care, family allowances and retirement pensions to a fairly high percentage of the population. The employment situation was fairly satisfactory: for example, the unemployment rate stood at around 2.5 per cent in the late 1970s; and the proportion of unregistered employees (i.e. those not paying contributions towards a retirement pension) was barely above 10 per cent in Buenos Aires in the early 1980s (Roca, 2005).

Overall, Argentina's social protection system was based on intra- and intergenerational solidarity, universality and insulation of social protection from market interests. Public expenditure on social security was very high in relation to GDP, which put Argentina among the top regional spenders in this respect. Nonetheless, the social protection policies of the ISI era could be described as "restrictively universal" (Lengyel and Novick, 2008), since they were unable to overcome certain problems of coverage or to avoid a degree of social stratification.

The neo-liberal model, structural reforms and labour market deregulation in the 1990s

The military dictatorship that took power early in 1976 set the stage for the neo-liberal model which was to be fully applied in the 1990s. Restoration of democracy began in 1983, in a period overshadowed by the debt crisis and bouts of

[1] The political movement which initiated the welfare state in Argentina and that still carries considerable weight to this day.

hyper-inflation that came to be known as Latin America's *lost decade.* The neoliberal economic and social policies implemented in 1989–99 transformed the structure and dynamics of employment and of social protection in Argentina.

At the risk of oversimplification, one could say that, in essence, this change consolidated a model whose key goal was to improve competitiveness and productivity by means of large-scale opening up to international markets for goods, services, technology and capital, indiscriminate deregulation, reckless privatization of public assets, and the dismantling of the existing system of social protection.

Greater efficiency was supposed to stimulate production as a result of a drastic reallocation of resources and labour, with specialization leading to increased imports of relatively cheaper foreign goods. According to the proponents of this policy, it was to generate highly positive returns in terms of growth, which had been sluggish for over 30 years with relatively high, but increasingly unsustainable, social protection.

In this context, currency convertibility was legislated in 1991, pegging the national currency to the United States dollar and obliging the Central Bank to back the monetary base in full with international reserves.[2] Local contracts in foreign currency were also recognized as legally binding, giving rise to a two-currency system. This monetary arrangement was the linchpin of a stabilization programme that was intended to rid the economy of the high inflation that had prevailed since the mid-1970s, with bouts of hyperinflation in 1989 and 1990. The programme included the near-total liberalization of trade flows and full deregulation of the capital account of the balance of payments. These measures accompanied other pro-market reforms, including privatization of most state enterprises (Damill, Frenkel and Maurizio, 2007).

A key factor underlying this model was that the State gave up its role as "promoter of development" and concentrated on creating conditions conducive to market-led growth. This feature was particularly evident after the initial success of stabilization, when sustaining the competitiveness of an economy with an overvalued currency peg and extremely free trade led to a drastic reduction of labour costs and much higher indebtedness. In other words, "an attempt was made not only to drive labour from 'pockets of inefficiency' towards 'technological' unemployment, but also to force the cost adjustment of the labour remaining within the system" (Pautassi, 2002, p. 3).

In this context, social policy was relegated to a subsidiary role, amounting to little more than administration of benefits and social control. Social protection went from being a system that included a wide range of state-provided services (whatever their imperfections and limitations), to one offering far narrower scope for state action, with more and greater risks consequently transferred to the private sphere (Boyer, 2006). Argentina – a pioneer of labour protection and

[2] See Act No. 23.928, of 27 March 1991, on the convertibility of the Austral, in *Boletín Oficial*, 28 March 1991, No. 27104, p. 1; also available on the *Información Legislativa* web site of the Ministry of the Economy and Public Finance at: http://www.infoleg.gov.ar/infolegInternet/verNorma.do?id=328 [accessed 18 August 2009].

social security in Latin America – thus became a country with a shrunken and dismantled social safety net, with highly negative consequences for the quality of life of most of its population.

The process of economic growth failed spectacularly to deliver the expected social improvements – particularly in combating poverty. During the initial phase of "convertibility" (1991–95), the country experienced renewed economic growth (5 per cent per year on average), but it did not recover. The unemployment rate tripled, from 6.9 per cent in May 1991 to 18.4 per cent in May 1995, both because of domestic factors and because of the effects of Mexico's "tequila crisis" of 1994; and the employment rate fell from 36.8 to 34.8 per cent over the same period. Growth then stopped, initially because of this crisis, and later because the economy entered a clearly recessionary phase (1998–2002) during which GDP contracted by more than 3 per cent annually under the impact of the Asian and Brazilian crises. Furthermore, the "reformist" policies had a negative impact throughout Argentina's social structure, causing conditions of greatly increased vulnerability, inequality and social exclusion.

The employment regime and the individual employment relationship

In the 1990s, deregulation of the labour market was aimed at weakening the relatively protected status that wage earners enjoyed under the old regime in order to make labour subject to free market forces (Novick and Tomada, 2001). Deregulation occurred through reforms of both the individual employment relationship and collective labour relations. The first took place between 1991 and 1995, while the second – less successful – began in 1994 (Etchemendy and Palermo, 1998).

In short, reform of the *individual employment relationship* took three approaches, the aim of which was to "delabourize" the employment relationship by making contracts more flexible, i.e. more precarious (Palomino and Trajtemberg, 2007). Provision for family benefits and occupational accident coverage became subject to contract type.

Flexible contracts

The first approach was based on "flexibilization" via atypical forms of employment contract which undermined the normative role of permanent contracts and helped create a highly segmented, vulnerable and heterogenous labour market. The starting point was the passage in 1991 of the National Employment Act.[3] This legislation established "new" forms of work contract, which reduced or waived social security contributions, introduced changes in wage adjustment methods through productivity clauses, and set up Argentina's first unemployment insurance scheme, as well as employment programmes for so-called "special groups" of workers.

[3] Act No. 24.013, of 5 December 1991, in *Boletín Oficial*, 17 December 1991, No. 27286, pp. 4–10; also available at: http://www.trabajo.gov.ar/infogeneral/legislacion.asp [accessed 26 July 2009].

The integrated system of unemployment benefits was the most important of the "specific benefits" policies. However, this system provided only limited coverage because it excluded a great many jobless people (especially informal-sector workers or formal-sector workers failing to meet applicable statutory criteria). In 1994, the average monthly number of beneficiaries was 98,513, rising to 144,738 in 2001 and 200,398 in 2002, and then declining to 105,371 in 2003. The last three figures translated into rates of effective coverage of the unemployed of 6.1, 6.6 and 3.4 per cent, respectively (Bertranou and Bonari, 2005).

The new legislation also introduced "promoted contracting modalities", which created a non-labour legal relationship, modifying the concept of the continuous employment relationship, and exempting employers from up to 50 per cent of their social security contributions. These changes were implemented through obscure, ambiguous and even discriminatory regulations. The key instrument in this respect was a decree promulgated in 1995, on the argument that it would help to create jobs.[4] However, the result was a severe drop in social security contributions between 1995 and 2000, costing the social security system over US$23.3 billion. If account is also taken of workers contributing to defined contribution schemes and tax evasion in regard to jobs not registered with the Integrated System of Retirement and Pensions (SIJP), the total shortfall for this period amounted to some US$84.7 billion (Roca, 2001). In other words, the reduction of contributions had a perverse effect on employment growth and job tenure regularization. While the Government endeavoured to reduce labour costs by reducing contributions, the statistics show that open unemployment rose from 29.6 per cent in 1991 to 37.3 per cent in 2000 and 44.8 per cent in May 2003 (Roca, 2005).

Between 1998 and 1999, the process continued with the enactment of two further laws that were controversial although they backtracked on earlier reforms in some respects.[5] In particular, precarious ("trash") contracts were scrapped and only apprenticeship contracts and internships were maintained, albeit with some changes. In addition, the statutory duration of the probationary period was reduced, while the existing regulatory framework for dismissal was basically kept in place, except for the minimum amount of severance pay (two months' wages), which was roughly halved. Finally, the minimum amount of severance pay was also reduced – and its payment delayed – in cases of dismissal for economic reasons.

Family allowances

The second approach focused on family allowances. The most significant aspect of reform in this area was that entitlement was shifted primarily to low-paid

[4] National Decree No. 292/95, of 14 August 1995, to make provision for the reduction of employers' social security contributions, in *Boletín Oficial*, 17 August 1995.

[5] Act No. 25.013, of 22 September 1998, which provides for a "labour reform regime", in *Boletín Oficial*, 24 September 1998, and Act No. 25.165, of 15 September 1999, which established a national registry for rural workers and employees, in *Boletín Oficial*, 12 October 1999. Available at: http://www.infoleg.gov.ar [accessed 17 July 2009].

workers. However, this did not address the main problem: only formal-sector workers could qualify for family benefits, while a sizeable proportion of the poor, who generally work in the informal economy with no social security coverage, were left out.

Work-related accidents

The third approach consisted in amending the occupational accident compensation system to eliminate the concept of liability that previously made it possible to sue employers for compensation. Employers were also required to take out insurance with an occupational hazard insurance agency (Aseguradoras de Riesgos del Trabajo, ART), which operated in a similar way to retirement and pension funds.

Collective labour relations

The collective agreements regime was amended: its defining features were formally maintained, but its content and scope were much altered. This reform sanctioned contractual flexibility and encouraged flexibility within companies concerning conditions of employment, i.e. hours of work, assignments and remuneration. This implied, for instance, eliminating wage indexation clauses, making wage increases subject to productivity gains and forbidding the offsetting of such increases by means of higher prices. Furthermore, wage bargaining was limited to a few sectors only while, in the other sectors, bargaining was focused on labour flexibilization clauses (Novick and Trajtemberg, 1999). The numerous issues discussed in this regard included external flexibility (precarious employment contracts); working time (annualization, time banks, etc.); wages (performance-related pay) and work organization (multiskilling, functional mobility, etc.).

The new system also changed the organization of bargaining levels by encouraging decentralization to the company level as from 1992.[6] It also did away with compulsory ministerial certification of wage settlements, limiting state control to observance of clauses governing pricing and productivity. Simultaneously, and in some contradiction, the most important collective agreements concluded in the 1975 bargaining round – the last major round of collective bargaining – were allowed to remain in force (for details, see Goldin, 1997; Moreno, 1991). In 2001 and 2002, collective bargaining became "crisis bargaining", resorting to "preventive procedures" designed to facilitate bargaining in cases of bankruptcy, downsizing or severe economic difficulty. The number of settlements reached through such procedures tripled in 2002 (Novick and Trajtemberg, 2005).

The corporatist aspects of the relationship between the State and trade unions were somewhat attenuated. Given the radical changes that occurred in collective bargaining, due to the unprecedented increase in unemployment,

[6] See Decree No. 470/1993, of 18 March 1993, on collective labour agreements, in *Boletín Oficial*, 23 March 1993, No. 27603.

unregistered employment and labour market fragmentation, the unions were reluctant to bargain from a position of disadvantage and took a defensive stance – hence the low frequency of collective bargaining throughout the 1990s. This posture, while "legitimizing" the campaign against labour flexibilization, sought to maintain the unions' status by preserving the monopoly on worker representation they enjoyed by virtue of their "trade union personality" (*personería gremial*);[7] it also managed to protect the provisions of earlier agreements (by operation of a clause that automatically renewed them until new agreements were signed), and it kept the administration of health and social services under trade union control – one of the unions' main links with their members and an important source of funding (Novick and Tomada, 2001; Palomino and Trajtemberg, 2007).

In conclusion, the flexibilization and deregulation of working conditions and employment relationships were central to the labour reforms conducted in Argentina in the 1990s.

The social protection system

The welfare regime inherited from the days of the ISI model underwent far-reaching reform through deregulation, decentralization and privatization. As a result, the management of social risks became increasingly individual, in violation of one of the basic principles of the country's social security, namely, intra- and inter-generational solidarity. At the same time, the State's responsibility for promoting universal access to social protection was abandoned, or at least restricted, in favour of a leading role for the market. The dominant view was that public social policies should focus on the essential needs of the most vulnerable groups, while reducing the coverage and quality of basic services, which had always been more universal. The reorganization of social protection was achieved largely through pension and health-care reform and decentralization of the educational system.

Pension reform

Pension reform produced a hybrid model of retirement and pension funds based on two pillars, namely: the traditional, state-run, pay-as-you-go scheme; and a savings scheme run by private funds.[8] This system, with its separate sources of funding, offered the option of relying on the "Retirement and Pension Fund Administrations" (AFJP). The public, pay-as-you-go scheme continued to be run by the National Social Security Administration (ANSES), being financed

[7] "Trade union personality" confers privileged status upon certain unions in regard to representation within a particular plant, company, industry or area. For further details, including a recent challenge to this status, see Goldin (2009).

[8] See Act No. 24.241, of 13 September 1993, establishing the integrated pensions system, in *Boletín Oficial*, 18 October 1993, No. 27745; also available at: http://www.infoleg.gov.ar [accessed 17 July 2009].

through the contributions of employers and the self-employed, as well as through regular budget and extra-budgetary funds; it differed from the previous system, especially in regard to benefits.

By contrast, the defined contribution scheme was financed by direct contributions from its members. Its rationale was to link benefits strictly to contributions and encourage savings through privately managed funds in order to improve the efficiency of the pension system. In practice, however, its privatization was illusory because the State kept its central role: it regulated the scheme, guaranteed affiliation, financed the supervisory and control bodies, paid the costs of transition (the deficit of the old system, minimum pension benefits under the new system as well as other benefits), and guaranteed minimum returns on funds under AFJP management as well as members' benefits in case of bankruptcy of the private funds. All of this was financed with pension system receipts considerably reduced by the marked fall of registered employment and the decrease in employers' contributions.

The reform also included complementary provisions such as those of the Pension Solidarity Act of 1995,[9] whereby the State would guarantee payment of benefits only up to the amount of the budget appropriation (art. 1), and the amount of retirement pensions would no longer be linked to active workers' pay (art. 7). In practice, once defined benefits had been eliminated, benefits under both the public and the private systems became equally uncertain.

Reform of health care

The health-care system reform was based on devolution to the provinces and fee-charging for access to the "universal" public system, as well as deregulation and "free choice" of "social agencies" (which set up the health funds). Public hospitals – the linchpins of universal access – were required to become self-financing by charging users affiliated to a union-run "social agency", which clearly undermined the principle of free health care. In effect, this reversed the operating logic of the public health-care system, which switched from subsidized supply to subsidized demand. In practice, however, supply concentrated on those who could afford to pay for services, to the detriment of those who could not and for whom access to services was subject to a means test.

Educational reform

The administration of all state secondary schools and non-university higher education establishments was transferred to the provinces, thus continuing the trend towards decentralization started by the military government in the 1970s when primary-school administration was thus transferred. As pointed out by some authors, this reform process was driven by fiscal, rather than educational, criteria and led to "a low level of sectoral planning and design" (Cetrángolo et al., 2002, p. 60; see also Vinocur and Halperín, 2004).

[9] Act No. 24.463, of 8 March 1995, in *Boletín Oficial*, 30 March 1995; available at: http://www.trabajo.gov.ar/infogeneral/legislacion.asp [accessed 14 July 2009].

The Federal Education Act of 1993[10] laid down guidelines for financing the new system by increasing the resources provided jointly by central Government and the provinces; it also extended the duration of compulsory education to ten years; established the principle of free education; and committed to increase the education budget over a period of five years. The actual outcomes, however, raise serious doubts about how well founded the reform was. By the end of the 1990s, not only had the promised budget increases failed to materialize but, in the context of deepening economic recession, public education faced a serious financial crisis when funding collapsed and the central Government suspended its guaranteed transfers.

As discussed earlier, social protection reform resulted in strong “targeting” of social programmes in line with the then-dominant principle of subsidiarity of the State. Accordingly, instead of expanding and improving basic social services – through increased coverage and support for universal schemes based on rights and a degree of permanence – social benefits were reduced and redirected towards population groups lacking the resources to meet their basic needs through the market.

This fundamental shift resulted in a proliferation of programmes and schemes in areas such as health and education infrastructure, job creation and vocational training, creation of micro-enterprises, free delivery of food and medicines, mother and infant care, and many more. The point is aptly made by Pautassi (2002, p. 2): “after a decade of development of this kind of policy, there came a sort of flood, an unbroken chain of programmes, slightly modified and under different labels, but essentially with the same design and similar goals”. In many cases, there was no evaluation of results; yet, these schemes were extended, proliferated and became institutionalized, showing they were no longer merely temporary, but had gradually come to provide what basically amounted to social assistance.

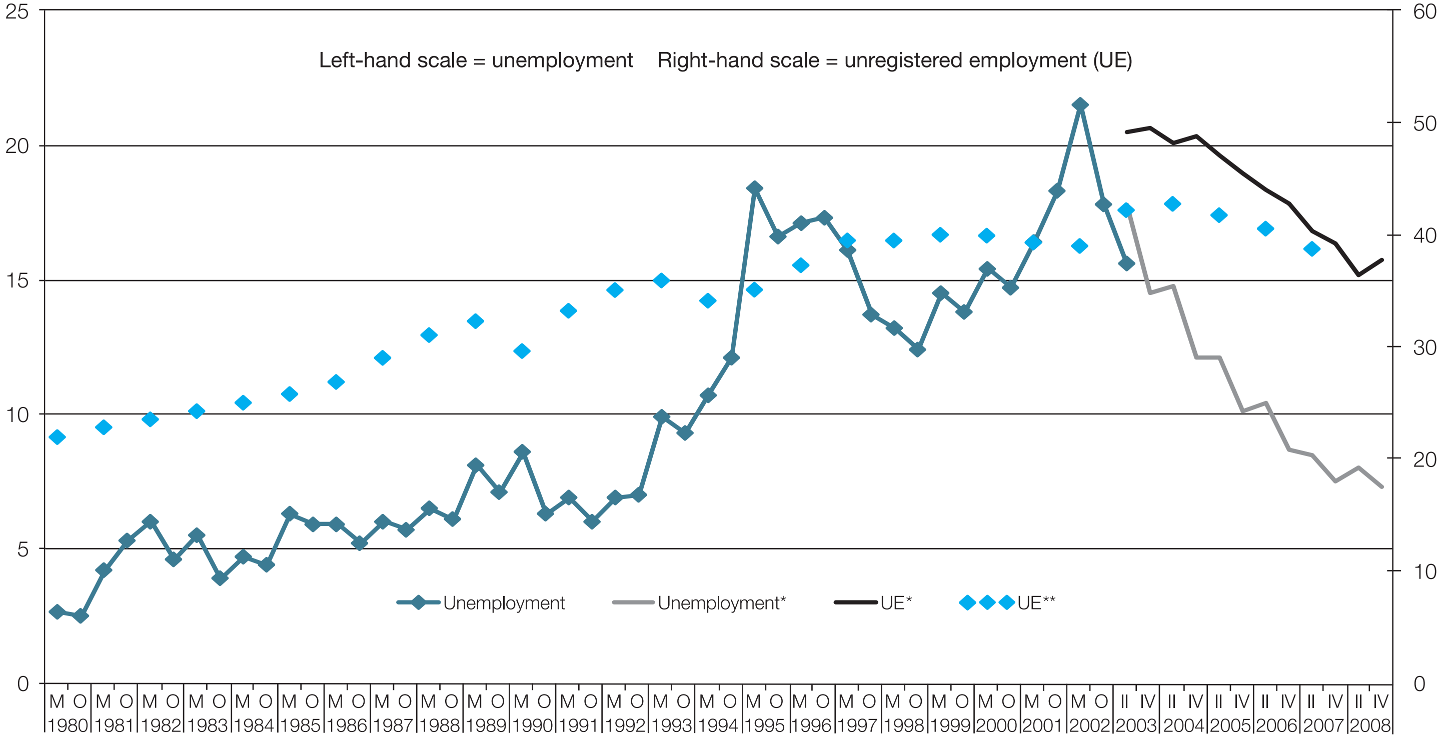
Resulting social and labour market changes

Significant changes occurred in the economy, including internationalization of leading enterprises, closure of small and medium-sized ones, increasing precariousness and segmentation of state-owned enterprises and a great inflow of footloose capital. Meanwhile, the social effects included growing income inequality, increased poverty, expanding informal employment, and a surge in unemployment.

A breakdown of the economically active population throws light on the labour market imbalances that occurred in the 1990s. While the number of active men grew by 22 per cent over the decade, that of active women increased by 41 per cent. This considerable increase in urban labour force participation (30 per cent between 1990 and 1999) translated into unequal increases in employment and unemployment. Thus, while employment grew by almost 20 per cent

[10] Act No. 24.195, of 29 April 1993, in *Boletín Oficial*, 5 May 1993, No. 27632, pp. 1–5.

Figure 1. Annual rates of unemployment and unregistered employment, 1980–2008 (percentages)

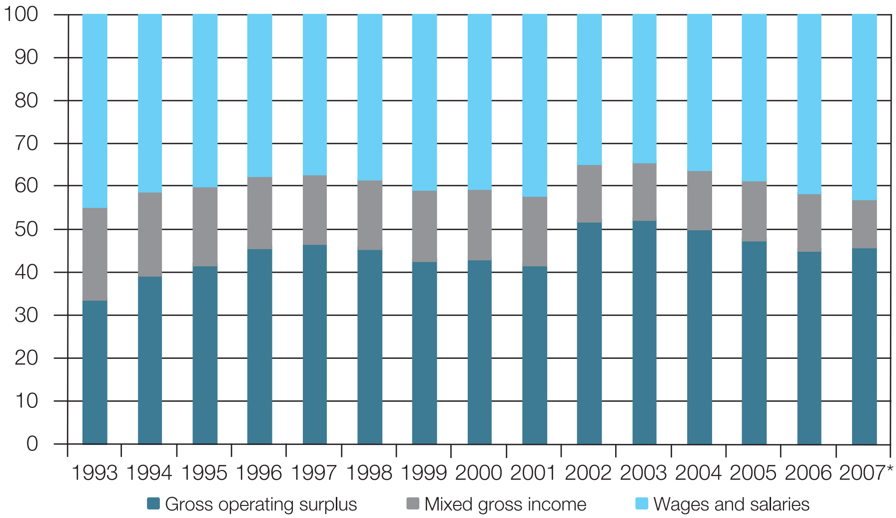


M: May data. O: October data. II: second-quarter data. IV: fourth-quarter data.

* M and O were used from 1974 to 2003. From 2003, a change of methodology yielded quarterly data. As a result, the data are not strictly comparable over time, and a time series break occurs in that year. The new series are indicated by an asterisk, i.e. Unemployment* and UE*. ** The standardized UE rate is an estimate designed to produce a long series of annual data. It is represented by a discontinuous chain of squares to differentiate it from the quarterly data. The series is indicated by a double asterisk, i.e. UE**.

Source: INDEC Household Survey (http://www.indec.gov.ar); and Schleser (2007), citing data from the Ministry of Labour, Employment and Social Security.

Figure 2. Labour's share of gross value added, 1993–2007 (percentages)



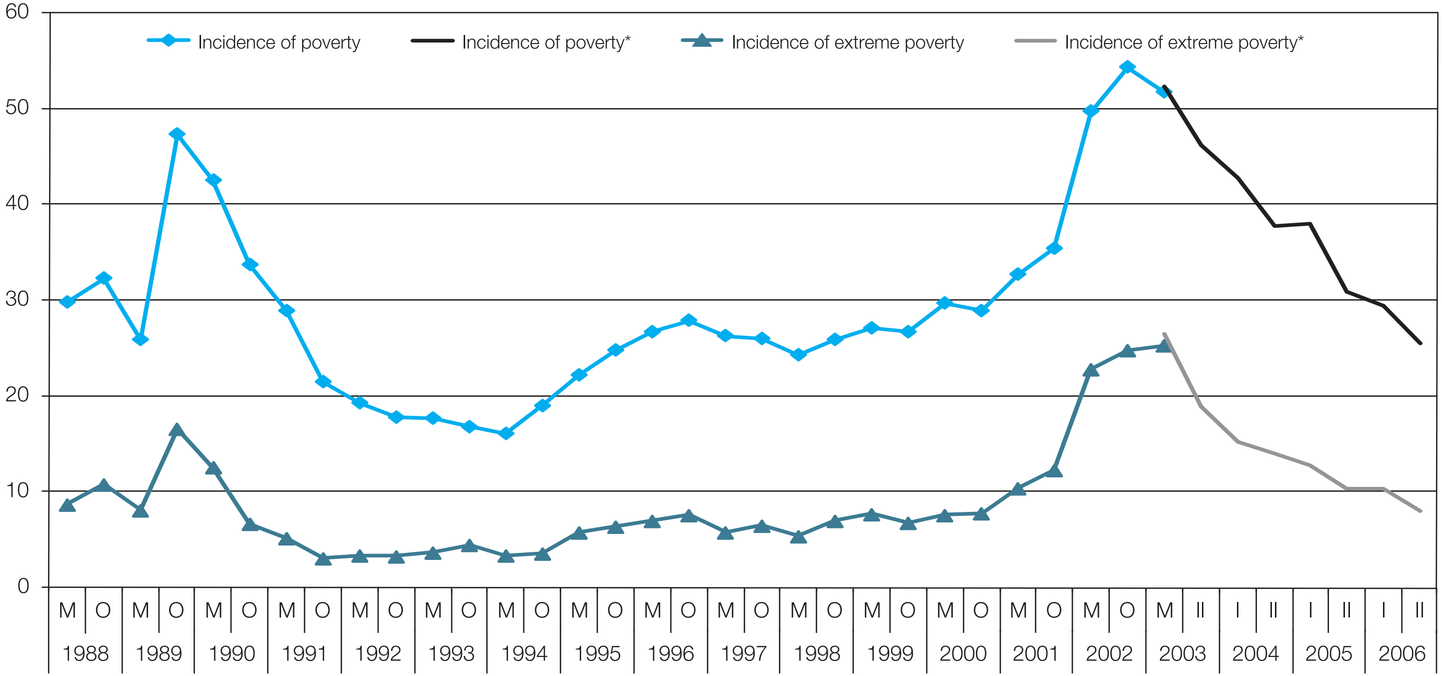
* Data for 2007 are estimates.
Source: Ministry of Economy and Public Finance, National Accounts Directorate.

during the 1990s, unemployment increased by 170 per cent. In 1999, urban participation totalled 13.7 million people, 60 per cent of them men and 40 per cent women; 11.9 million had a job, and 1.8 million were actively seeking paid work without finding any. Female employment grew by 30 per cent (as against 13 per cent for men), while female unemployment went up by almost 200 per cent, against 150 per cent for men (Pautassi, 2002, p. 5).

Registered unemployment grew exponentially, more than doubling between 1991 and 2000. Even more significantly, during the "successful" stage of the convertibility regime (1991–95), the unemployment rate tripled, up from 6 per cent in October 1991 (see figure 1). Unemployment became a growing structural problem, reaching a first peak of 18.4 per cent in the aftermath of Mexico's "tequila crisis" in 1995, and a second peak of 21.5 per cent during the economic and institutional crisis of 2001–02. Meanwhile, the value of the minimum wage (at current prices) dropped by over 75 per cent between 1983 and 1993 and stayed at that level throughout the next decade. Labour's share of gross value added declined by 10 percentage points between 1993 and 2003 – from 44.7 to 34.3 per cent – while capital's share increased disproportionately (see figure 2).

The incidence of poverty reached its highest historical point in October 2002, affecting 54.3 per cent of the population (see figure 3). This was a consequence of the price increases which followed devaluation of the national currency. However, even before the end of pegged convertibility in 2001, 35.4 per cent of the population were already living on incomes below the poverty line, in very vulnerable conditions, as a result of falling nominal incomes, low job creation and high levels of inequality.

Figure 3. Incidence of poverty and extreme poverty, 1988–2006 (percentages)



M: May data. O: October data. I: first-quarter data. II: second-quarter data.

Note: The incidence of poverty is the proportion of households whose income does not exceed the total cost of the “basic (family) basket” (CBT), while the incidence of extreme poverty is the proportion of those whose income does not exceed the cost of the “basic food basket” (CBA).

* M and O were used from 1974 to 2003. From 2003, a change of methodology yielded quarterly data. As a result, the data are not strictly comparable over time, and a time series break occurs in that year. The new series are indicated by an asterisk, i.e. “poverty” and “extreme poverty”.

Source: Data for Greater Buenos Aires from the INDEC Household Survey (<http://www.indec.gov.ar/>).

A new direction for policy after the crisis of 2001–02

The neo-liberal strategy produced results that were catastrophic for the socio-economic system and for Argentina's model of production specialization. Over the 1991–2002 period, GDP grew by 15.3 per cent while the population grew by 13.6 per cent, but consolidated public social expenditure decreased by 2.2 per cent. Over the last four years of that period, however, GDP suffered a marked fall, most notably by 10.9 per cent between 2001 and 2002. As described above, the consequences in terms of poverty levels, unemployment, precarious employment and the dismantling of labour's institutional framework were even worse.

The model was abandoned through an about-turn in economic strategy that coincided with the positive cycle experienced by Latin American economies over the past six years. In Argentina's case, this change of course was characterized by the pivotal importance attached to employment in all public policies,[11] and the interdependence of economic, trade, labour and social policies.

The strategy hinged on restoring such institutions as labour inspection, collective bargaining and an incomes policy based on a minimum wage; restoring inter-generational solidarity in the pension and retirement system together with expanded coverage and re-nationalization;[12] and a wide range of active labour market and vocational training policies, including the establishment of a network of municipal-level employment agencies, sectoral and regional training programmes, youth employment policies, etc. This social and labour strategy was coordinated with a macroeconomic strategy which focused on achieving a competitive exchange rate and on cleaning up the public accounts and foreign debt. Both flourished thanks to favourable international economic conditions.

A recent study by Frenkel and Rapetti (2008) concludes that this recent phase – in which developing countries experienced trade surpluses, financial strength and accelerating growth rates – marks a departure from historical patterns. In some countries, these results were achieved by policies that sought to foster growth through the fixing of competitive exchange rates, which simultaneously helped generate higher growth rates, balance of payments surpluses and

[11] In order to promote decent work and attain the Millennium Development Goals, Argentina set itself four quantifiable objectives: reducing unemployment and unregistered employment rates; extending the coverage of social protection; reducing the proportion of workers earning wages below the cost of a "basic (family) basket"; and eliminating child labour.

[12] See, in particular, Act No. 26.475, of 4 December 2008, which established an "integrated provident scheme" (SIPA) and terminated the defined contribution scheme (the "integrated retirement and pensions system"), in *Boletín Oficial*, 9 December 2008, No. 31548, pp. 1–2; also available at: http://www.trabajo.gov.ar/infogeneral/legislacion.asp [accessed 14 July 2009]. These reforms seek simultaneously to achieve sustainable funding, equity, universal access, prevention of poverty, and social protection for the elderly. They are also expected to secure additional funding to consolidate the surplus achieved by the provident scheme, ensure regular payment of amounts due and pursue expansionary policies. Since the establishment of the private pension funds, the public system is estimated to have lost some 5.5 billion pesos (at constant 2006 value) on account of foregone revenue (because of members transferring to the defined contribution scheme) and 6 billion pesos due to the reduction of contributions.

accumulation of reserves. In other countries, they were due primarily to international factors exogenous to domestic economic policies: low international interest rates, rising commodity prices, etc. In Argentina, as outlined above, both of these processes were at work.

Thus, a new growth model emerged, based on the domestic market while simultaneously achieving a notable increase in exports – with clear emphasis on quality job creation. In the 1990s, 95 per cent of the jobs created in manufacturing were in the informal economy. Between 2003 and 2007, that proportion dropped to 15 per cent. Indeed, unregistered employment increased between 1980 and 2004 and declined between 2005 and 2007 (Schleser, 2007). The ratio of unregistered to total employment fell from 46.4 per cent in the first quarter of 2005 to 37.8 per cent in the last quarter of 2007.[13] The number of enterprise start-ups has also grown significantly and their survival rate has increased (Castillo et al., 2006).

Meanwhile, collective bargaining went from covering 3 million private-sector wage earners in 2003 to 5 million in 2008, a 66 per cent increase in under five years. Collective bargaining has tended to compensate for wage inequalities: the minimum wage is closer to the collectively bargained wage, wages in weak sectors are closer to those of strong sectors, and negotiated wages are closer to those actually paid (see Palomino and Trajtemberg, 2007). Even in a period of contraction in the world economy, in 2008 and 2009 collective bargaining has been actively conducted by all parties and crisis-prevention procedures are increasingly being implemented in order to reduce the impact of the global crisis on jobs.

Furthermore, since early 2003, higher real average income and better distribution of wages and salaries among the employed, together with a general rise in employment, have contributed to significant improvement in indicators of poverty and household incomes. In effect, between the second semester of 2003 and the second semester of 2006,[14] there was a marked reduction in the incidence of poverty, which fell from 36.5 to 19.2 per cent for households and from 47.8 to 26.9 per cent for individuals (Maurizio, Perrot and Villafañe, 2007).

Concluding remarks

This article has examined the neo-liberal reforms introduced in Argentina in the 1990s, and presented some of the macroeconomic, social and labour market objectives of the policies pursued in order to recover from the crisis of 2001–02, which was mostly caused by domestic factors. Yet there remain persistent dilemmas regarding Argentina's economic and social development strategy (Lengyel and Novick, 2008). For example, in order to overcome predominance of the primary sector, sustained both by historical factors and by high commodity

[13] Data from the *Boletín de Estadísticas Laborales* of the Ministry of Labour and Social Security, avalable at: http://www.trabajo.gov.ar/left/estadistcas/bel/index.asp [accessed 17 July 2009].

[14] The latest year for which reliable and representative data on poverty are available from the National System of Statistics.

prices until the global downturn at the end of 2008, it would be desirable to create a model of production specialization and technological innovation capable of ensuring sustainable integration in the global economy with growth in higher value-added employment. In this sense, the former view that Argentina should rely on its natural resources for its chief comparative advantage has been replaced by little more than conjecture: the outlook is indeed fraught with uncertainties and imponderables.

The year 2009, however, has brought a most threatening global financial and economic crisis, whose future course is very hard to predict. In the present context, public policy must be maintained, not only to soften any negative effects on the population, but also to reduce their extent and to limit ways in which they might spread. Instead of falling back on traditional "adjustment policies", Argentina is making every effort to sustain economic activity and employment levels, while endeavouring to promote secure, competitive and high-productivity employment.

A central, active role for the State is essential if quality jobs are to be preserved and well-coordinated policies are to be implemented to prevent severe recessionary effects. This is a priority objective not only at the macroeconomic level but at the meso and the micro levels. Available policy instruments are already being used to this end, including crisis-prevention procedures and a "productive recovery programme", while innovative solutions are also being sought to address both emerging and long-standing problems. Indeed, today's development challenges cannot be met with models from the past. What remains to be demonstrated is the rich potential of a mix of policies underpinning a development model in which social policy effectively meets the needs of the population and gradually brings about improvements in social welfare.

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