

Employment quality and segmented labor markets in Argentina 1990-2011

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EMPLOYMENT QUALITY IN SEGMENTED LABOUR MARKETS

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Two quite different and contrasting periods

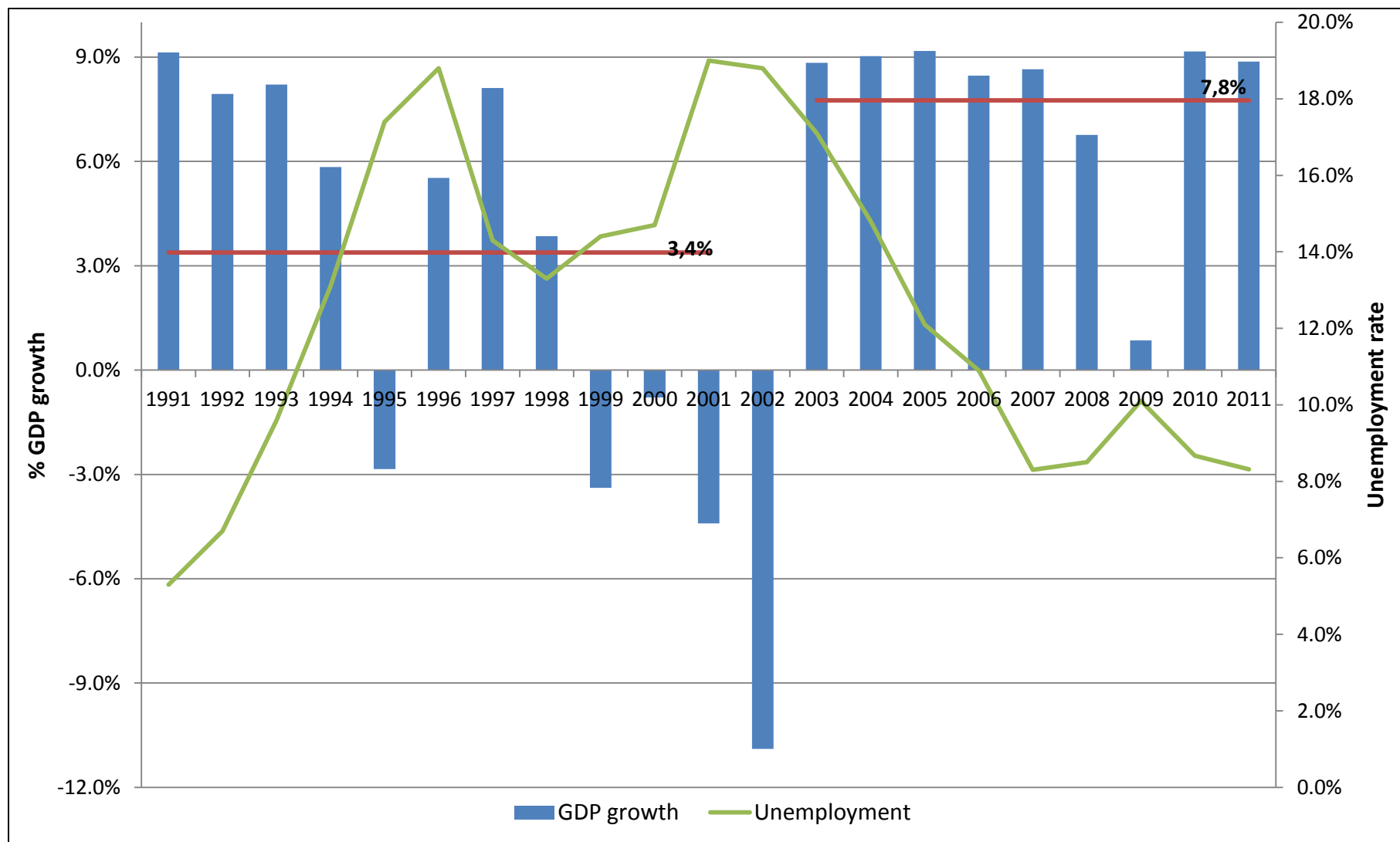
1991-2000

- Washington consensus policy approach predominance
- Structural adjustment
- Fixed exchange rate – currency board – increasing indebtedness
- Privatization
- Deregulation
- Job-less and low (average) growth
- Labor market flexibilization
- Increased labor informalization and inequality

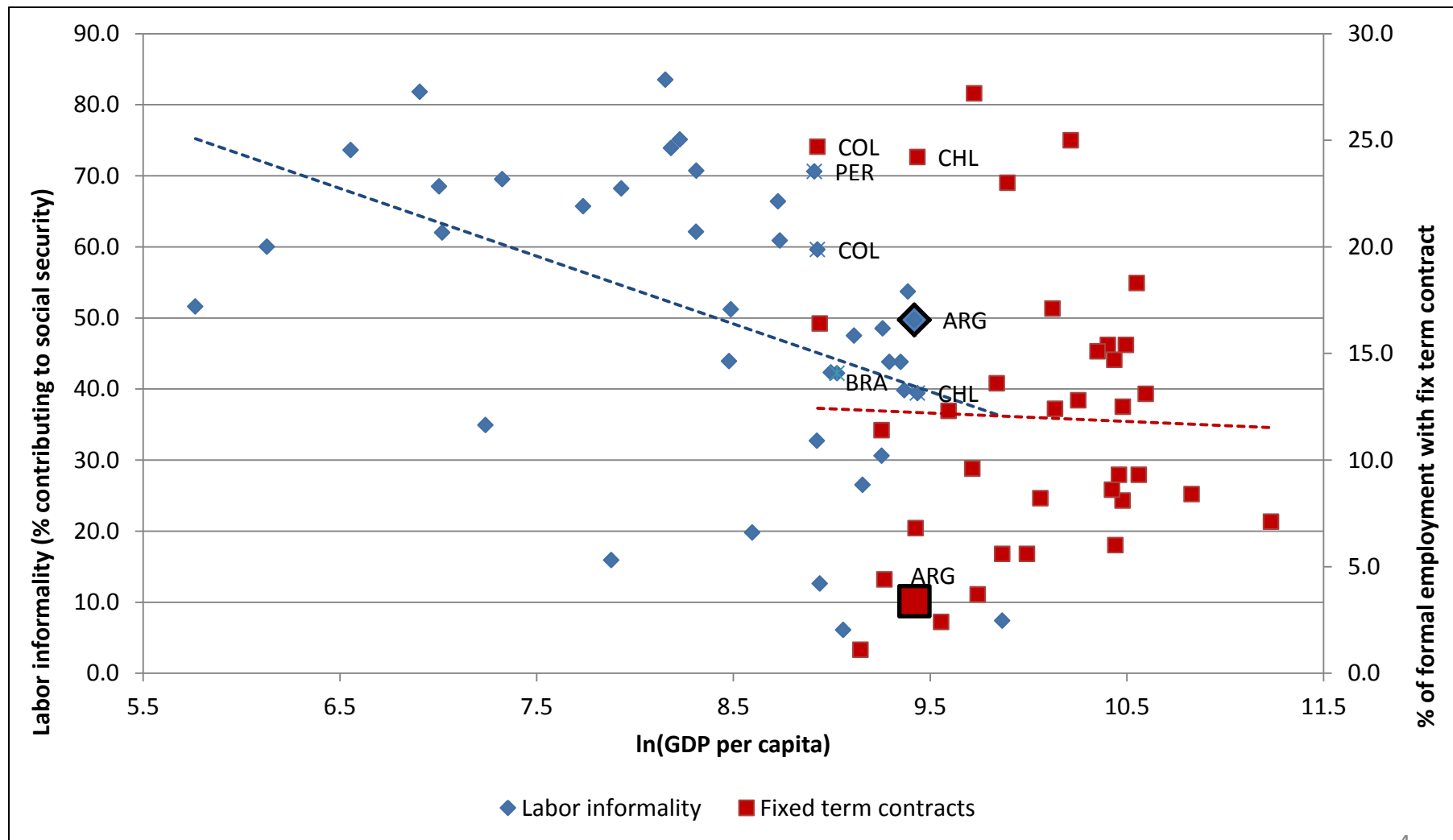
2002-2011

- High real exchange rate
- Competitiveness of the economy improved
- Growth with job creation
- Reversal in privatizations and deregulations
- Increased formalization
- Major role for labor institutions: collective bargaining, minimum wage, inspection, etc
- Decline in inequality
- Tax revenue ratio grew 10pp

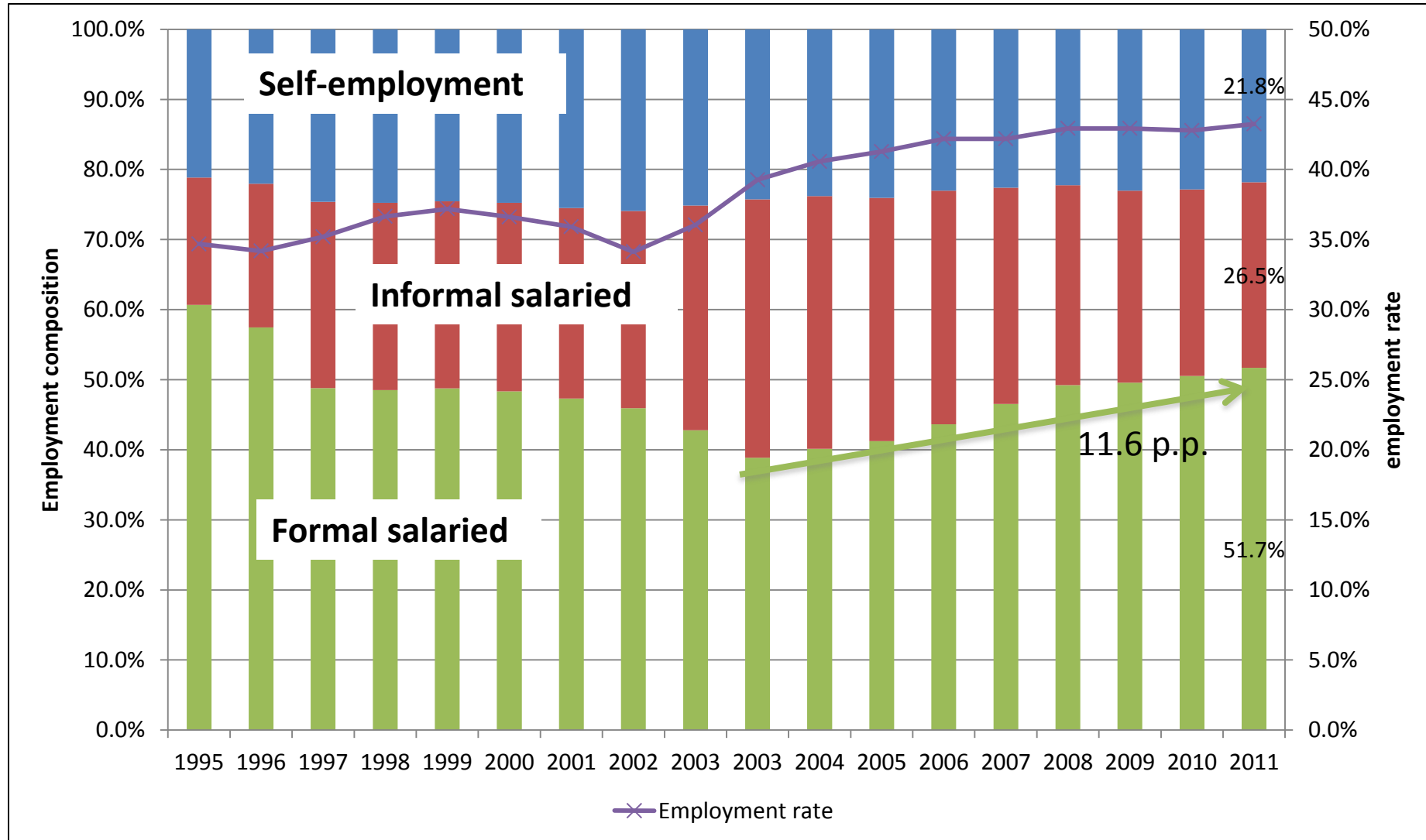
Argentina: GDP growth and Unemployment rate 1991-2011



Incidence of labor informality and fixed term contracts in formal employment: international comparison



Composition of employment and employment rate. 1995-2011

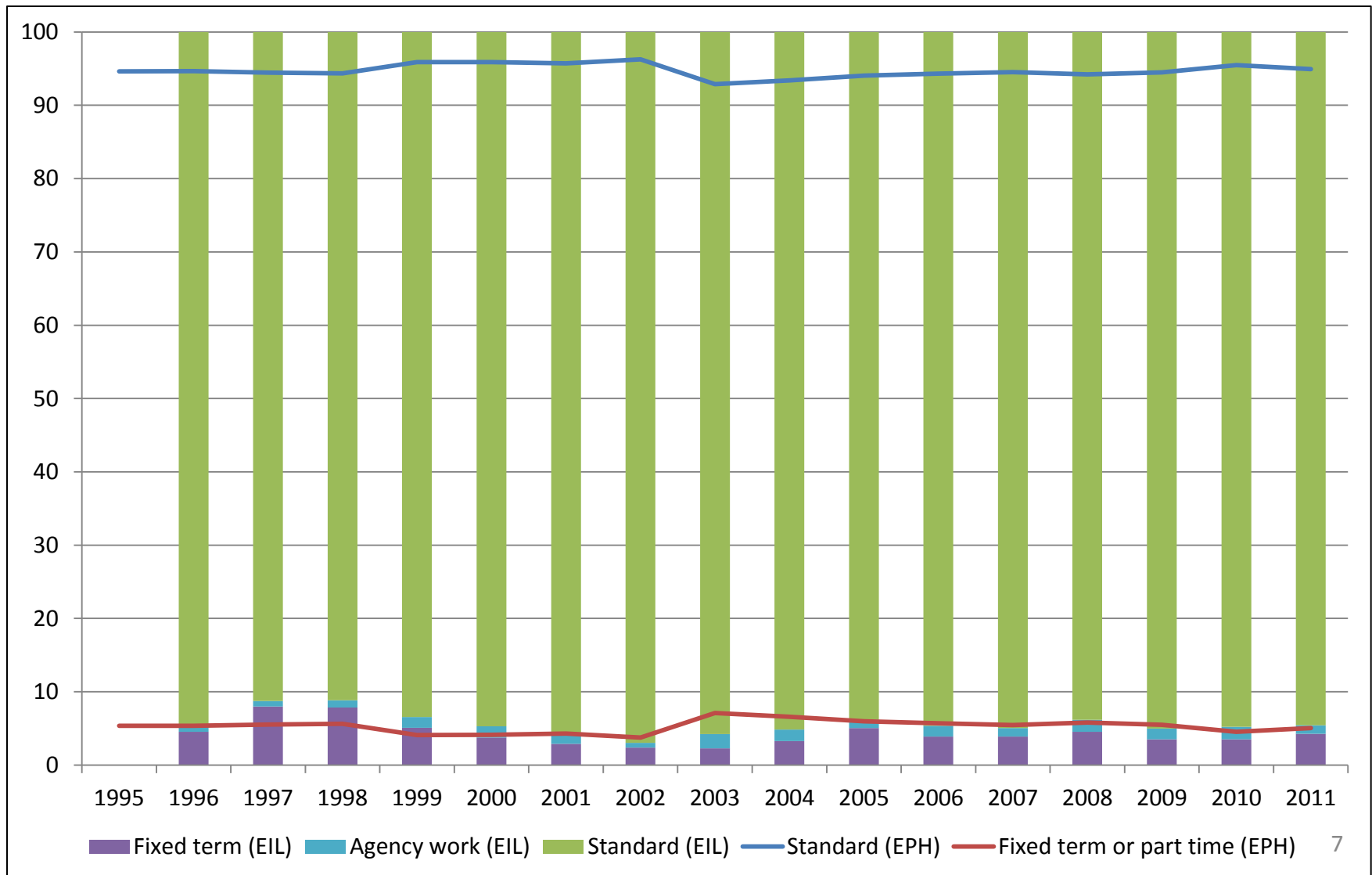


Major changes in labor legislation 1991-2010

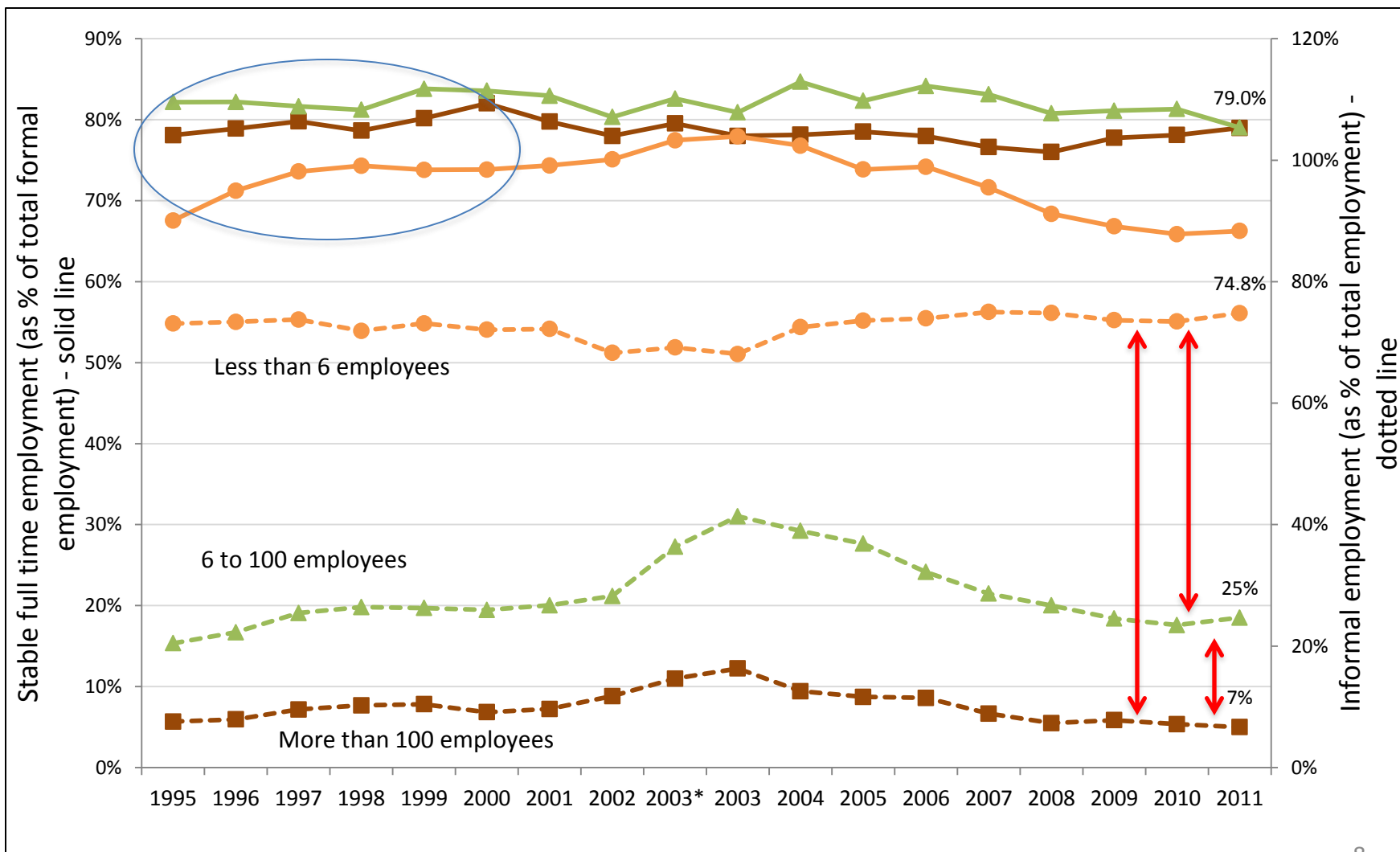
Labour legislation	Base line (1990)	Intense flexibilization	Moderate flexibilization	Crisis	De-flexibilization
		1991 and 1995	1998 and 2000	2002	2004
A) WLT contracts					
<i>Trial period</i>	Implicit in the Code (dismissal compensation was awarded only after three months of continuous employment).	1995. Trial period was given a formal status (3 - 6 months). Payroll taxes exceptions.	2000. Extended to 12 months for SMEs. Payroll taxes exceptions were eliminated.		Set in 3 months.
<i>Compensation in case of unfair dismissal (severance payment)</i>	One-month wages severance payment for every year of service and every fraction of a year greater than three months (without wage ceiling) Compensation: Could not be lower than 2 month-wages.	1991. A wage ceiling was introduced in the formula of dismissal compensation (3 collectively agreed wages, without seniority benefits).	1998. Dismissal compensation was reduced for workers with low tenure period. Advance notice was reduced for workers with tenure of up to three months.	2002. Unfair dismissal were not allowed. Severance payment were temporarily doubled (until 2007).	2004. One-month wage severance payment for every year of service and every fraction of a year greater than three months. (the compensation can not be lower than one-month wage).
<i>Social security contributions (employers rate)</i>	33%	During the 1990s the average rate of employer contributions declined regularly.		2002. (Partial) rise of employer contributions.	23% (approx.). Temporary deductions for new hiring.
B) Fixed term contracts					
<i>Fixed term</i>	<i>Fixed term contract:</i> Length: up to 5 years; compensation at the termination of the contract (50%).	1991. Temporary contract. 6 to 24 months; compensation at the termination of the contract (half a month-wage); payroll taxes reduced a 50%. 1995. Flexibilization through temporary contract was deepened for SMEs.	1998. Temporary contract was <u>eliminated</u> .		
<i>Other flexible fixed term contracts</i>		1991. "Promoted" temporary contracts. Fixed term; no payroll taxes; no compensation at the termination of the contract.	1995. Flexibilization through the "promoted" temporary contracts was deepened. 1998. "Promoted" temporary contracts were eliminated.		

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Incidence of regular and atypical employment within formal employment



Incidence of “stable” formal employment and informal employment (by firm size)



Argentina: Employment quality-related issues

- **Non-registration in employment**
 - Non-registered salaried employment declined from 49% in 2003 to 34% in 2011.
 - If self-employment is taken into account, non-registered employment reaches 43.8%
- **Regular-standard employment**
 - About 95% of formal salaried employment can be considered regular-standard employment: full-time and WLT contract.
- **Informal salaried employment**
 - 50% unskilled and 42% of them are underemployed
 - No registration but 60% find employment as “stable”
- **Domestic work**
 - 7% of total employment; 9% of salaried employment
 - Non-registration declined from 96% in 2003 to 83% in 2011
- **Self-employment**
 - 28% skilled; 67% trades workers; 4% subsistence

Table 5

Five economic cycles of employment creation/destruction by type of contract

1996-2011. Greater Buenos Aires. Q1 1996=100

	Post-Tequila crisis recovery		Recession and 2001-2002 national crisis		Recovery after the 2001-2002 national crisis		2008-2009 international crisis		Recovery post 2008-2009 international crisis	
Period	1996 - Q1 to 1998 - Q3		1998 - Q3 to 2002 - Q4		2002 - Q4 to 2008 - Q3		2008 - Q3 to 2009 - Q3		2009 - Q3 to 2011 - Q4	
Type of contract	% variation	Incidence in (net) employment creation	% variation	Incidence in (net) employment creation	% variation	Incidence in (net) employment creation	% variation	Incidence in (net) employment creation	% variation	Incidence in (net) employment creation
WLT	3.4%	41.1%	-10.1%	58.3%	38.2%	84.3%	0.1%	-3.5%	6.4%	82.2%
Fixed term	62.9%	38.8%	-73.5%	34.1%	204.4%	10.6%	-38.7%	68.0%	55.5%	22.7%
Agency	222.5%	20.0%	-56.4%	7.6%	205.4%	5.1%	-42.4%	35.5%	-26.7%	-4.9%
Total	7.8%	100.0%	-15.6%	100.0%	43.8%	100.0%	-2.7%	100.0%	7.4%	100.0%

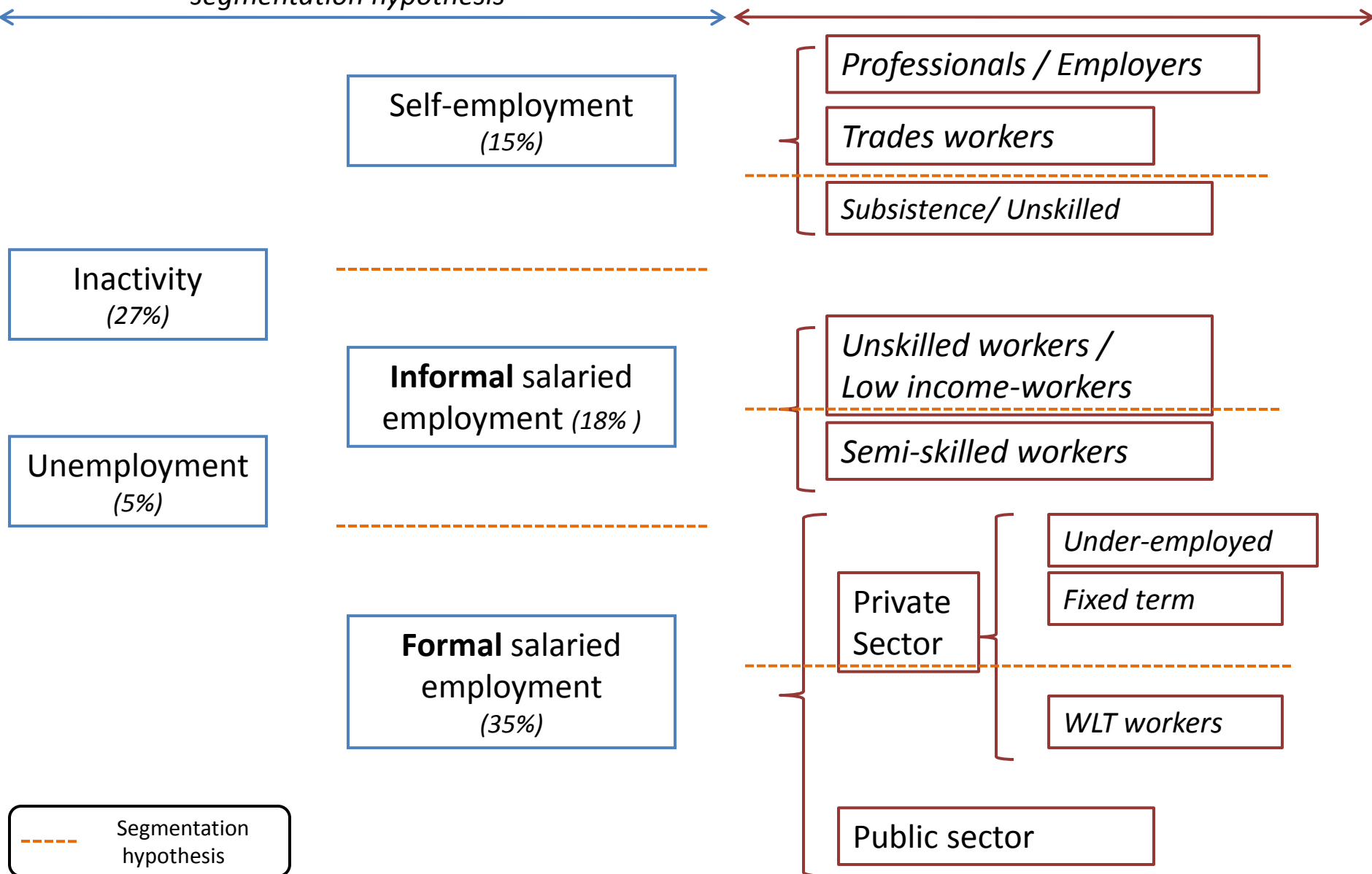
GDP growth	20.0%		-18.1%		63.5%		-0.3%		21.1%	
GDP-employment elasticity	0.39		0.87		0.69		7.93		0.35	

Source: elaborated using Encuesta de Indicadores Laborales – MoL.

How segmented is the labor market in Argentina?

*Observed workers trajectories and studied
segmentation hypothesis*

Other segmentation hypothesis to be studied



How segmented is the labor market in Argentina?: two types of analysis

- Employment-flows analysis:
 - mobility and turnover within and across labor market segments
- Wage differentials
 - Hypothesis: each segment has its own mechanism of wage determination and wage differentials persist because mobility across sectors is low

Annual transition matrix:

1995-1996 and 2010-2011

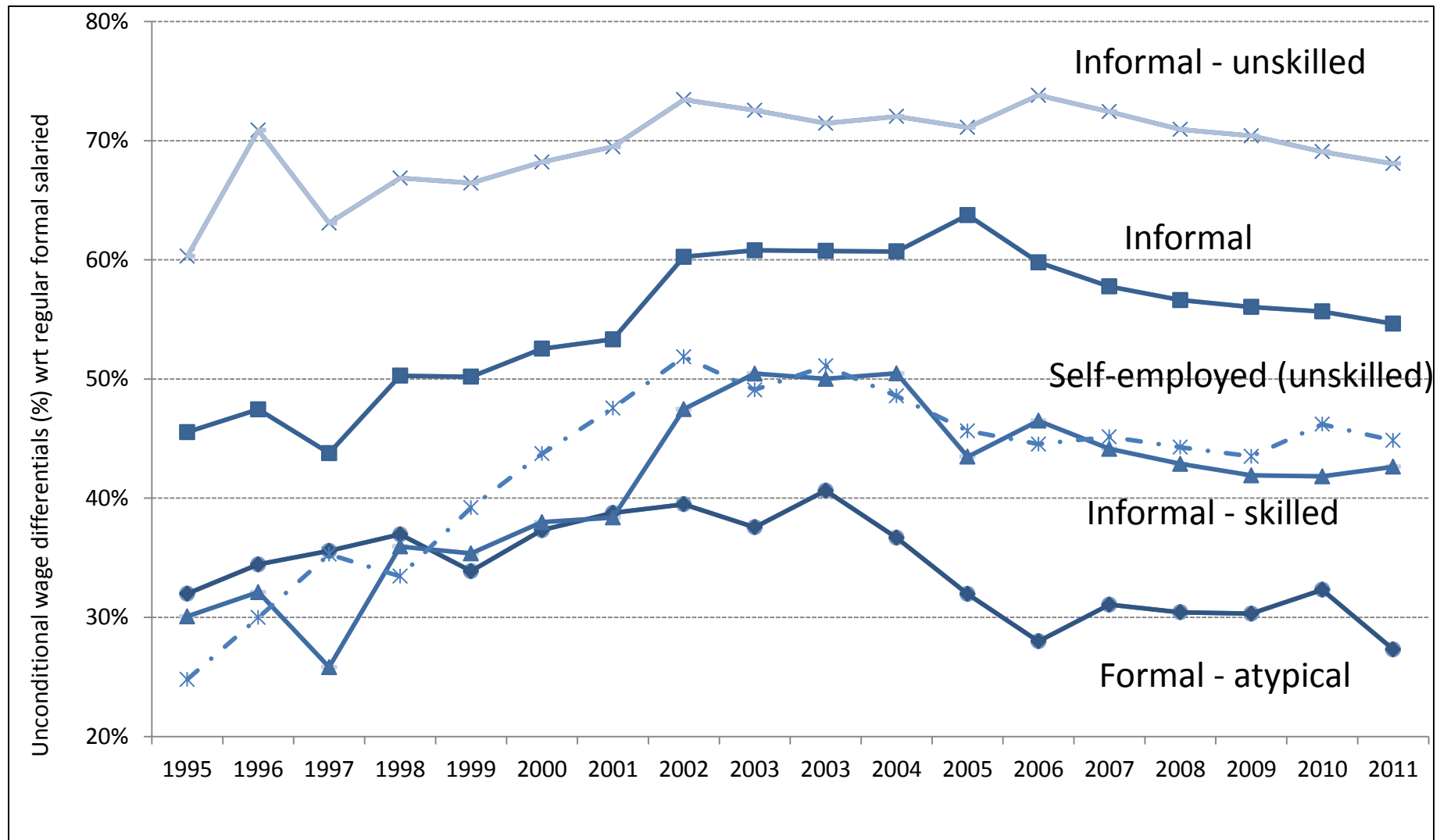
Annual transition matrix: labor status and type of employment

Status at the starting period / status at the final period		Inactive	Unemployed	Independent work			Informal salaried		Formal salaried	
				Professional	Trades worker	Subsistence	Skilled	Unskilled	Regular	Atypical
1995-1996										
Inactive		91.27	4.00	0.17	0.72	0.56	0.92	1.54	0.60	0.23
Unemployed		27.13	33.60	0.40	6.82	2.23	9.98	10.80	6.54	2.50
Independent work	Professional	5.34	4.06	56.27	14.78	3.81	8.46	0.35	5.84	1.08
	Trades worker	9.93	11.83	8.17	47.69	2.97	10.50	3.03	5.20	0.67
	Subsistence	18.49	8.22	5.96	9.85	41.89	3.89	6.96	3.48	1.25
Informal salaried	Skilled	8.41	11.14	4.08	10.96	2.27	34.85	7.56	16.77	3.96
	Unskilled	17.52	14.58	1.30	4.02	3.81	8.77	39.46	9.00	1.55
Formal salaried	Regular	2.76	3.81	1.85	1.70	0.66	4.35	1.92	77.10	5.86
	Atypical	5.55	6.50	2.20	1.31	2.12	5.27	1.00	44.37	31.67
2010-2011										
Inactive		86.95	3.19	0.26	2.24	0.18	2.34	3.15	1.45	0.25
Unemployed		34.10	20.91	0.88	8.74	0.61	11.46	12.09	9.70	1.51
Independent work	Professional	6.81	1.34	58.29	18.92	0.21	5.92	0.57	7.85	0.07
	Trades worker	15.29	3.94	7.89	53.75	1.25	7.80	4.97	4.41	0.70
	Subsistence	14.58	0.19	1.30	20.93	39.64	8.85	12.39	0.97	1.15
Informal salaried	Skilled	12.66	7.00	2.96	11.76	0.09	37.66	8.82	16.44	2.61
	Unskilled	18.72	6.84	0.95	5.74	0.82	13.28	43.51	8.26	1.88
Formal salaried	Regular	3.61	1.56	1.10	1.53	0.03	3.52	1.56	84.67	2.43
	Atypical	6.62	3.09	1.07	1.79	0.26	6.39	8.20	53.67	18.90

How segmented is the labor market in Argentina?

- Flow employment analysis: mobility and turnover
 - In general mobility is high in and across almost all labor market segments, particularly for informal salaried employment, and has declined for regular salaried formal employment.
 - Turnover for regular salaried formal employment declined in 2000s comparing with 1990s. This is mainly explained by the reduction in the exit rate.
 - Salaried informal employment also reduced its turnover rate (but it is four times the regular salaried formal employment turnover rate).

Unconditional wage differentials relative to regular formal salaried workers



Conditional wage differentials

- Fixed effect model for wage differentials after labor transitions (panel for annual transitions)
 - Results supports the hypothesis for segmentation between
 - formal and informal salaried employment
 - self-employment and formal salaried employment
 - ... but not for segmentation...
 - within salaried formal employment (public vs. private; regular vs. atypical)
 - within salaried informal employment by skills level

Summing up...

- Employment quality – segmentation issue is mainly observed in the formal / informal (registered / non-registered) employment
- Non-standard (atypical) employment in the formal segment not a major issue.
 - Even during the nineties, new flexible contractual arrangements did not account for the great majority of employment creation. Informalization was a major channel for flexibilization and more predominant than atypical employment.
- The main source of flexible arrangement for firms is informal/non-registered employment (particularly for SMEs)
- ¿Conflicting evidence? → high mobility in a context with persistence of segmented labor market

Thank you!

