

Re-inventing
public
policies to
deal with
informality in
Argentina

2003-2007

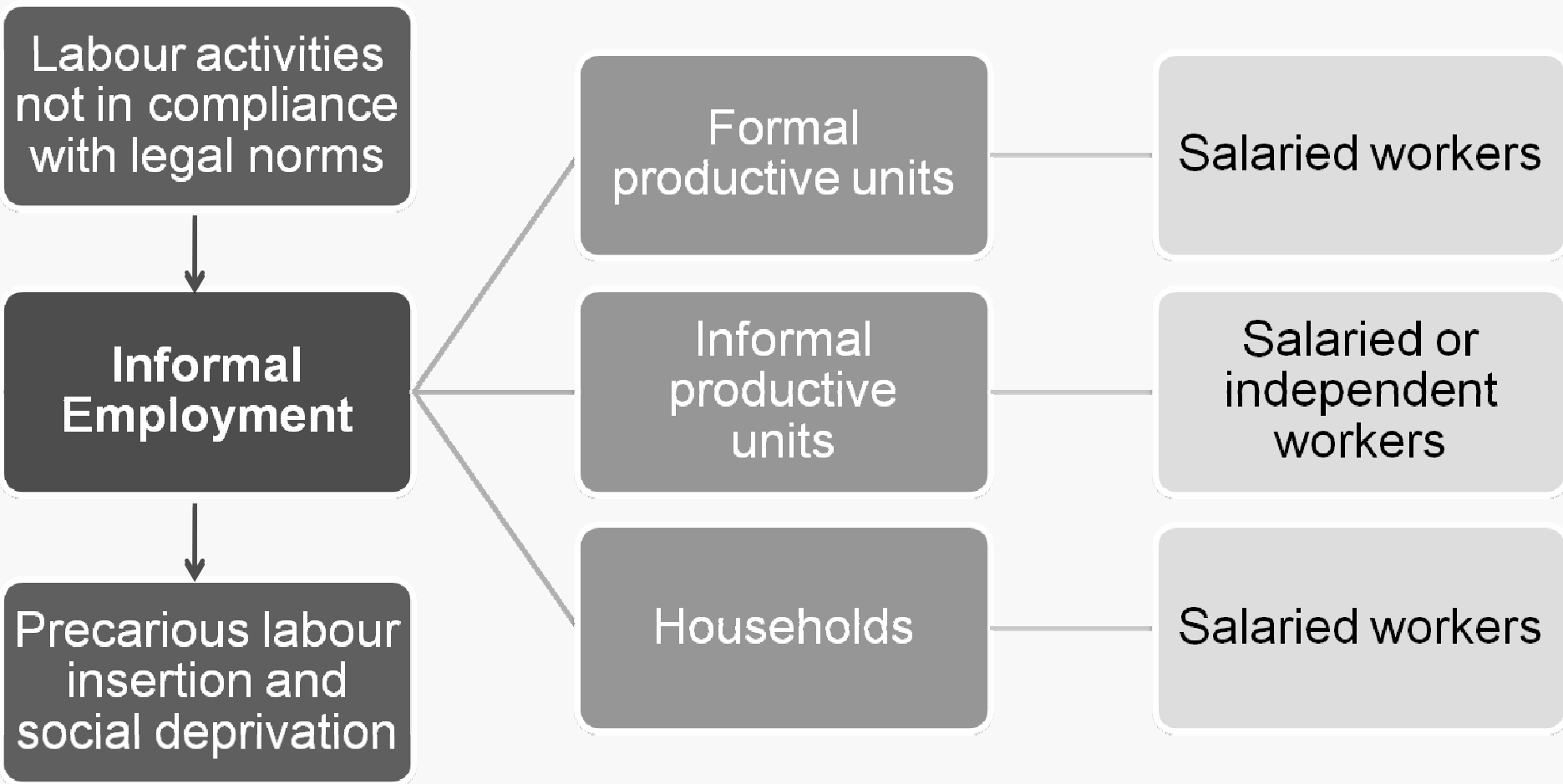
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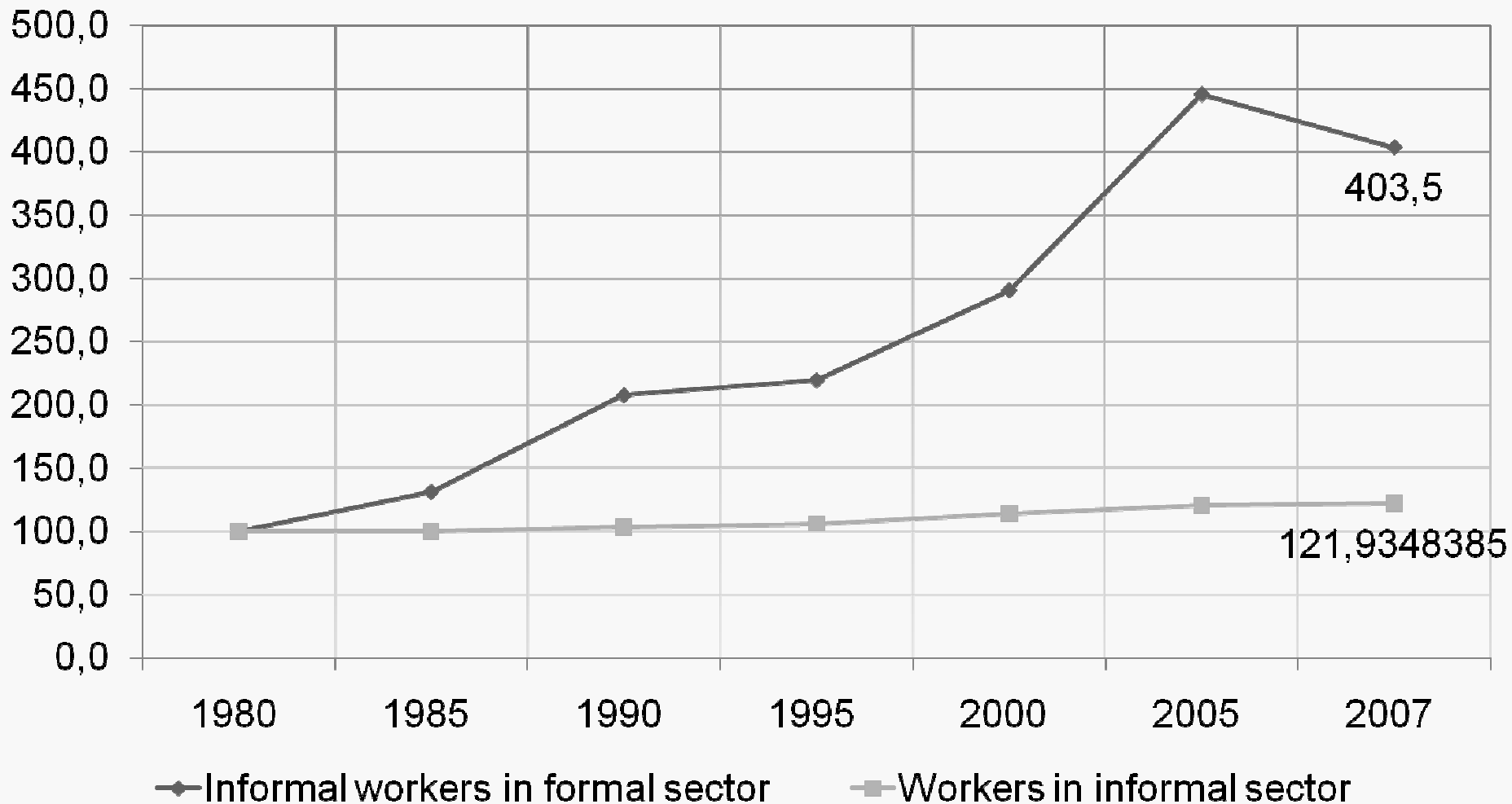
Background

- In 1972 ILO introduced the concept of “informal sector” which included workers with insufficient incomes due to the low productivity of their tasks.
- Regional Employment Program for Latin America (PREALC) defines the urban informal sector in Latin America founded on these characteristics: low entry barriers in terms of skill, capital and organization; small scale of operation; low levels of productivity and a low capacity for accumulation.
- In Latin America, at the end of the substitution industrialization process and the debt crisis, labour market was characterized by precarious employment and atypical contracts in the formal sector.
- In 2002 ILO redefine the concept of informal sector, based on labour conditions beyond the sector (formal or informal) that workers are employed.

Analytical framework



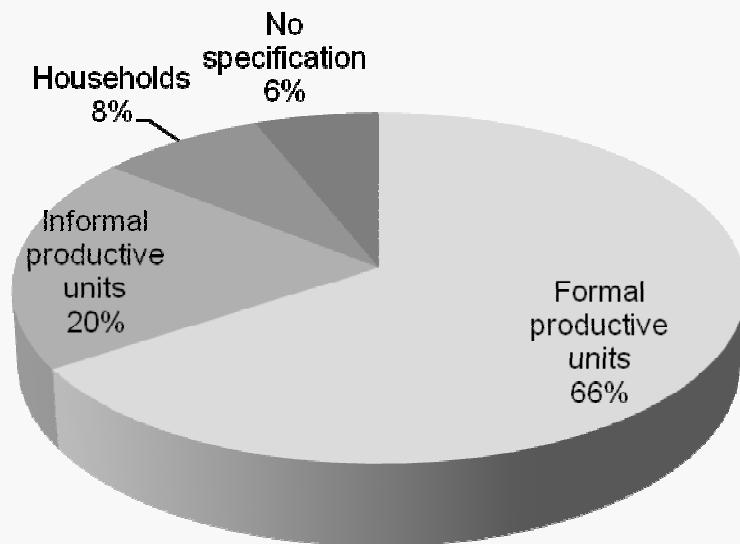
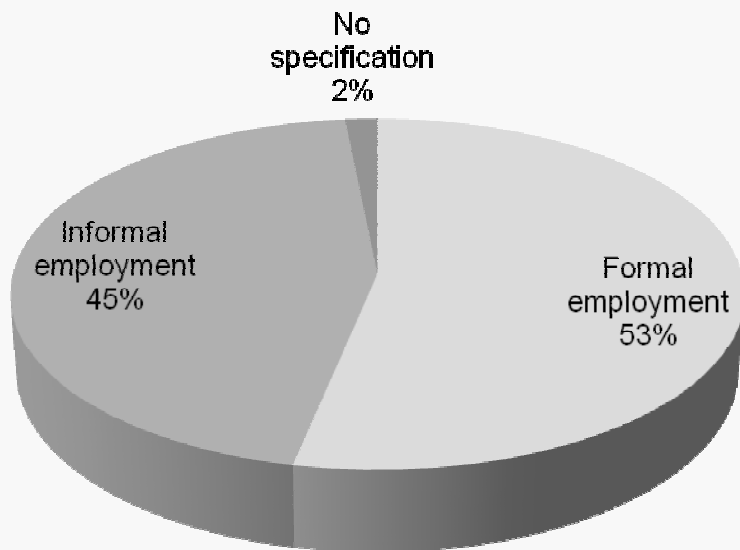
Informal employment evolution



Characteristics of informal employment in Greater Buenos Aires

Employment according to formal grade of occupation

Employment according to formal degree of productive unit



Forty percent of the economically active urban population of the country lives in the Greater Buenos Aires

Main Characteristics

- Important heterogeneity in different dimensions (salaried and self-employed workers).
- 76% of working poor are informal.
- 91% of workers assert they did not have an alternative to the informality.
- Informality frequently affects young and workers with low educational levels.

Informal employment according to activity status and formality level of the productive unit

30%

- Salaried workers in formal units

26%

- Self-employed workers

18%

- Salaried workers in households

17%

- Salaried workers in informal units

2%

- Unpaid family workers

1%

- Employers

Reasons for labour informality

- Informal salaried workers in formal productive units:
 - Labour informality is the result of an imposed labour relation by formal employers.
- Main determinants in this category:
 - Lack of human and material resources in the labour inspection.
 - Culture of noncompliance of labor rules.
 - Firms have economics and organizational impediments for observing labour rules.

Reasons for labour informality

- Salaried and self-employed workers in informal productive units
 - Informality is a result of noncompliance of labor rules and economic vulnerability of the informal units.
- Main determinants in this category:
 - Small economic growth rate and lack of job creation.
 - Independent workers with low-level skills.
 - Expensive and complex legal framework for micro-enterprises.

Intervention proposal

- Combine actions and programs in accordance with multiple factors of labour informality (not only in labour field):
 - Orientation of the growth model.
 - Definition of the regulation framework.
 - Social conscience in relation to labour informality.
 - Education and occupational training programs.

This proposal is against the “unique” policy model applied in Argentina and Latin America during the 90s.

Policy model comparison

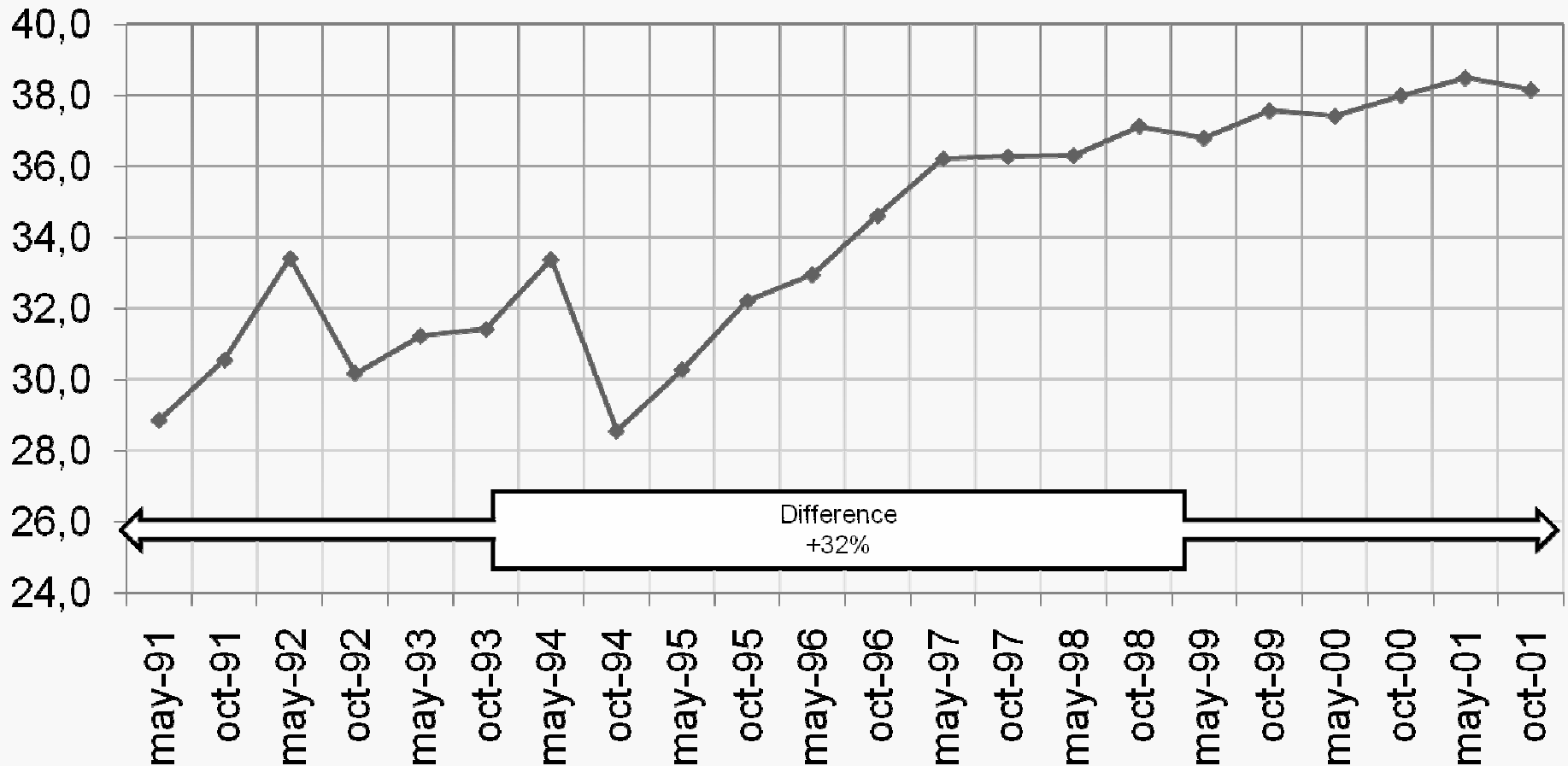
Unique policy model 1991 – 2001	Main dimensions of informality	Integral policy model 2003 - 2007
Drastic degradation of the productive system	Characteristics of the economic growth	Competitive exchange rate. Incentives to the investment and the internal consumption.
Flexibilization of labour relations and reduction of non-wage labour costs	Regulatory framework	Reduction of recruitment costs for new workers in small and medium- sized enterprises.
Labour inspection was virtually removed	Labour Inspection Policy	Labour inspection as a State policy
Labour informality was socially accepted as a valid labour alternative	Social awareness	Set the public agenda by introducing the issue of social.

New model policies

- Set the public agenda by introducing the issue of social.
- Improvement and strengthen of labor inspection.
- Reduction of recruitment costs for new workers in small and medium-sized enterprises.
- Administrative procedures simplification to include workers in the Social Security System.
- Regularization of domestic workers.
- Corporate Social Responsibility Plan.
- Trade union corresponsability for the rural sector.
- Law on Home Work.

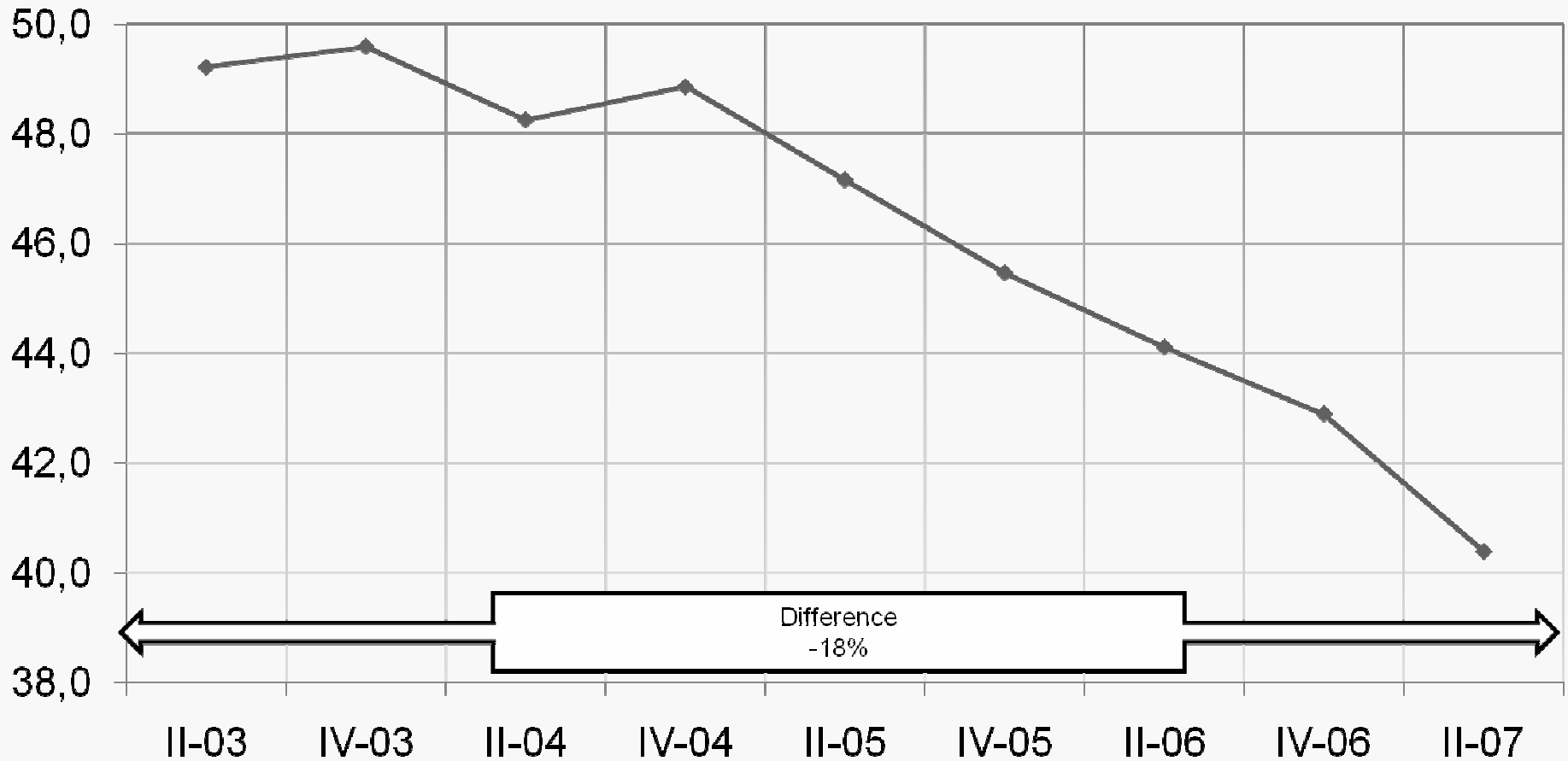
Results (1991-2001)

Labour informality rate

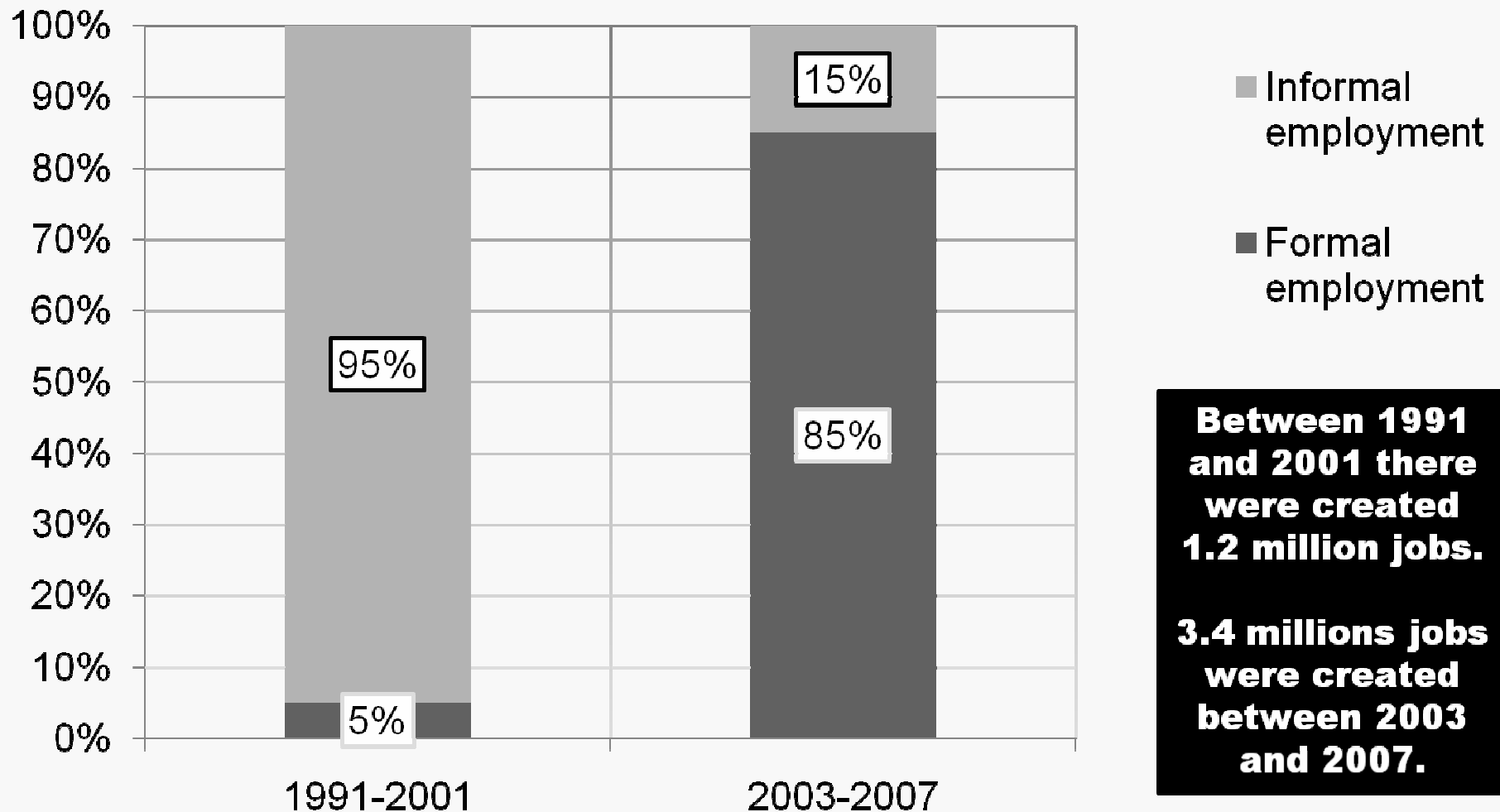


Results (2003-2007)

Labour informality rate



Compared results



Between 1991 and 2001 there were created 1.2 million jobs.

3.4 millions jobs were created between 2003 and 2007.

Conclusions

- Informality is one of the most serious problem in the argentine labour market, characterized by an important heterogeneity with several determinants.
- Inadequate “unique” policy based on flexibilization and labour wage cost reduction.

Conclusions

- It is necessary an intervention based on several measures, attending simultaneously the different dimensions of this problem.
- The intervention model applied in Argentina during the period 2003-2007 goes on with these policies, and obtained very positive results.