

Income (In)Security in Argentina

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International Labour Office, Geneva

January 2003

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<http://www.ciepp.com.ar>

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ISBN 92-2-113395-8

First published 2003

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Printed by the International Labour Office. Geneva, Switzerland

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List of acronyms

EPH	<i>Encuesta Permanente de Hogares</i>
INDEC	<i>Instituto Nacional de Estadísticas y Censos</i>
SES-ILO	Socio-Economic Survey – International Labour Office

Abstract

In Argentina, during the 90's, the reduction of expenditure of social institutions that had, over the long years, pledged to maintain and contribute a certain level of socio-economic security through an extensive network of social security based on labour security was implemented. However, the results obtained by this process appear to call into question, the prevailing vision from "the supply side", which had inspired the current policies. This paper summarizes the impact of such policies on socio-economic security, revealed by the survey, which was carried out on behalf of the International Labour Office InFocus Programme on Socio-Economic Security (ILO- IFP/SES).

The survey showed a widespread deterioration in income levels of employees; high short-term wage variability; widespread dissatisfaction with labour income; an extremely high disposition to work longer in order to increase income; few expectations of improving family and personal income; low confidence regarding the possibility of obtaining an adequate income at the age of retirement; high criticism on equality of opportunities; strong demand for public policies aimed at promoting income redistribution and the wide acceptance of policies granting minimum allowances as a way of countering poverty.

1. Introduction

Income security is a complex notion, not easily synthesized by means of a simple definition. It is multidimensional, it is also a matter of degree and, finally, it is not an abstract concept but one that must be given a tangible reality. Its multidimensional character means that as one element in a system, income security does not depend on a single factor. Moreover, the income dimension of security is part of a broader issue: socio-economic security.

The question of degree refers to how clearly the distinction between security and insecurity can be made and, furthermore, it is influenced by methods of measuring and comparing different levels of security among themselves and with their opposite, insecurity. Finally, security is not a universal or timeless notion but one conditioned in time and space, even more so when subjective elements linked to value systems and individual expectations of the prevailing social arrangements, partake of its definition.

Discussions about the concept of security are not a minor matter. On the contrary, a clear definition of the concept is essential to orientate public policies that seek to strengthen socio-economic security or to alleviate insecurity. It is evident that the concepts used to define a particular social problem will shape, in general, those criteria upon which are grounded the actions suggested to solve it. In consequence, and in order to understand and evaluate income security policies (or broader policies of socio-economic security), we must previously start by pinning the concept down.

Thus, and in spite of the above-mentioned difficulties, the following principles are used as starting points towards a definition of income security:

- /// individuals should have an income level “adequate” to their needs, expectations and aspirations;
- /// there should be a reasonable degree of “certainty” regarding the collection of such an income, that is to say, a regular and reasonably foreseeable income flow (Standing, 1999, p. 208).

The following aspects can be taken into account in order to verify that these general principles are effectively in operation:

- /// income level;
- /// income tendency;
- /// regularity of income collection;
- /// expectations about future income levels;
- /// confidence over future income regularity;
- /// correlation with the income of the reference group.¹

Obviously, the real significance of these elements is not independent from the way in which the other constituent dimensions of socio-economic security intervene. In this respect, the prevailing conditions of access to the labour market and to employment security are particularly important. These were precisely the focus of those institutions and public policies which constituted the welfare states after the Second World War, promoting

¹ This refers to the concept of relative deprivation, where relative refers to the reference group. It means to get the same income that someone in similar circumstances would get.

the creation of socio-economic security grounded in full-employment and in rules aimed to grant employment stability. Strengthened by such a focal point, other dimensions of security began to develop: health insurance schemes, insurance schemes against different risks (including temporary loss of employment), and other benefits such as family allowances. These elements, while contributing to increase income security, made it more independent from wages.

The matrix used to define income security in a given period of time and space includes additional elements such as family arrangements. Undoubtedly, income security becomes positively influenced when there are solidarity ties within the family; the opposite however occurs when family arrangements give rise to situations of economic dependency or limit the capabilities of some family members (for instance, women and the elderly).

In a general sense, socio-economic security and, more specifically, income security are affected whenever the goal of full employment is subordinated to other macroeconomic priorities, and also when those institutions and policies that rule the performance of the labour market undergo changes. These processes are particularly acute in Argentina, a country that had distinguished itself - at least within the Latin American context - by an early development of social security institutions based on labour relationships.

This paper presents the results of a survey carried out on behalf of the InFocus Programme on Socio-Economic Security (SES) of the International Labour Office (ILO), by the *Centro Interdisciplinario para el Estudio de Políticas Públicas* (CIEPP) in Buenos Aires. The survey is part of international programme of research, the People's Security Surveys, which seeks to understand what constitutes security and insecurity for people in different parts of the world today. The objective of this paper is to describe the new conditions that characterise income (in)security in Argentina today.

With the above-mentioned purpose, the paper begins by making a brief reference to the macroeconomic context resulting from the reforms carried out in Argentina during the last decade. The results of the SES-ILO Survey are analysed in the light of the changes these reforms brought about, trying to identify the present conditions of income security and insecurity, their determining factors and their impact on different social groups.

The survey was carried out between March and April 2001 in the three main urban centres of Argentina: Buenos Aires, Cordoba and Rosario, which together represent 40 per cent of the country's total population. A total of 2,800 interviews were held according to the survey design, of which 1,800 took place in Buenos Aires, 500 in Cordoba and 500 in Rosario. For each of the already-mentioned territorial jurisdictions, sampling was performed taking into account population shares by sex (male/female), activity status (employed/non employed), and age (15-24 years old /25-44 years old /45-64 years old).

2. The macroeconomic context

Early in the 1990s, the Argentinean economic regime was drastically modified by the application of several reforms in compliance with the principles of the Washington Consensus:²

- ~~✍~~ opening of the domestic market to foreign trade;
- ~~✍~~ financial liberalization;

² The Washington Consensus refers to the set of ideas and public policies suggestions spread out mainly by international credit institutions (International Monetary Fund, World Bank, International Development Bank).

-
- ✂ privatization of public enterprises;
 - ✂ labour market flexibilization;
 - ✂ tax reform through which indirect taxes prevail.

The reforms have been accompanied by a hard monetary-exchange regime based on currency convertibility, linking the supply of money to the stock of international reserves and adopting a fixed exchange rate to the US\$ (1 peso = US\$1).

During the first stage (the middle of the decade), the economy grew steadily, driven by the influx of external capital and price stability. Inflation rates decreased in comparison with international levels, although the convergence was not immediate and caused the overvaluation of the peso.³ At the same time, both unemployment and hourly under-occupation⁴ suffered explosive growth: between 1991 and 1995, the former rose from 6 per cent to 17 per cent of the labour force and the latter from 8 per cent to 13 per cent.⁵ The apparent paradox of economic growth with employment retrenchment was due to the shock of external competition resulting from the combined action of the sudden opening to foreign trade and the exchange rate revaluation.⁶ During that period of time, and although workers' real wages rose slightly (this should be understood as their purchasing power in local currency), wages taken as labour costs rose significantly in US\$ dollars; in the particular case of the industrial sector the increase was almost 40 per cent.⁷

The new and rigid structure of relative prices (exchange rate, interest rate, public services tariffs) made the reduction of labour costs the prime objective for the public policies and strategies launched to increase productivity at the microeconomic level.⁸

The government put into place several measures to reduce employers' contributions to social security⁹ and introduce more flexible ways of contracting personnel: apprenticeships, temporary contracts, extension of the probationary period, adaptability of the working hours to variations in the production cycle, etc. Increasing labour productivity to cut back on firms' unit costs was mainly achieved by applying soft managerial technologies, intensifying the working process and extending daily working hours. An additional way of curtailing labour costs was practised through outsourcing. Subcontracting of small companies also helped to trim costs, by the use of more flexible and less protective labour practices, as well as by the increased employment of non-

³ From the start-up of the convertibility programme in April 1991 up until the end of 1995, wholesale prices increased by 17 per cent, while consumer prices increased by 53 per cent.

⁴ Involuntary part-time work.

⁵ The employment rate fell from 37.1 per cent in 1991 to 34.5 per cent in 1995 (*Instituto Nacional de Estadísticas y Censos*, INDEC), while the total amount of non-registered employees rose from 26 per cent in 1990 to 31.5 per cent in 1995 and 37.8 per cent in 2000 (Roca, 2001).

⁶ The hegemonic thinking argued that the employment issue was caused by rigidities in the labour market and consequently, successive reforms were initiated to make the existing regulations flexible.

⁷ Between 35-39 per cent, according to some estimates (Szretter, 1996; Barbeito, 1999).

⁸ The exchange rate was fixed and the peso was overvalued, which implied an important restriction to Argentinean competitiveness. Moreover, the tariff levels of public services were also established in US dollars.

⁹ By 1995 employers' contributions had dropped 27 per cent compared to their contributions in 1991. After that date, new discounts were applied, ranging between 30-80 per cent depending on the region and economic sector.

registered workers. Thus, while employment levels plummeted, labour precariousness went up.¹⁰

From the mid 1990's onwards, financing the external imbalance through incoming capital and stepped-up borrowing became less and less feasible. This situation, together with the hard peg monetary exchange regime, led to a recession-deflation process that had a negative impact on public finances and the paid-labour market.¹¹

As for the fiscal situation, the retrenchment of economic activities diminished tax revenue, and led to the application of a series of measures aimed at cutting down public expenditure, including reductions of public officials' wages and pension benefits. In the private sector, due to the narrow margin available to continue applying reductions in social contributions at the same time as harder work conditions, the adjustment of unit labour costs was initiated by cutting employees' direct nominal wages.

In consequence, while unemployment rates have remained relatively stable (at around 15 per cent) during these latter years, nominal and real wages have suffered a downward trend. The government's actions played an active role in this respect. On the one hand, wage reductions in the public sector functioned as a market signal for the private sector. On the other hand, measures were taken to renegotiate collective agreements, within a context extremely unfavourable to the protection of workers' interests.

The two above-mentioned periods of time identify two different methods for labour market adjustment. In the first, the main feature was a reduction in quantities, expressed both in the fall of employment levels and the rise in unemployment and under-occupation rates. In the second stage, adjustment has been made essentially through prices; that is to say, by means of wage reductions practised both upon nominal and real wages. A common element to both periods has been the continuous dismantling of social security arrangements based on paid-employment relations.

3. Dimensions of income security in Argentina

3.1 Income level

The level of security granted to the members of a certain society by their monetary income depends mainly on the purchasing power this affords them, which should be adequate to ensure their subsistence at a decent level. Thus, security levels can be measured by relating the individual's (or household) income to the monetary value of a reference basket. This value would represent the income required to buy, at the minimum possible cost, the minimum number of calories required for physical survival (indigence line) and, depending on the defined population's habits of consumption, other basic goods

¹⁰ Other restructuring such as the substitution of locally produced goods by imported merchandises, suppression of production lines and vertical disintegration, also affected employment levels.

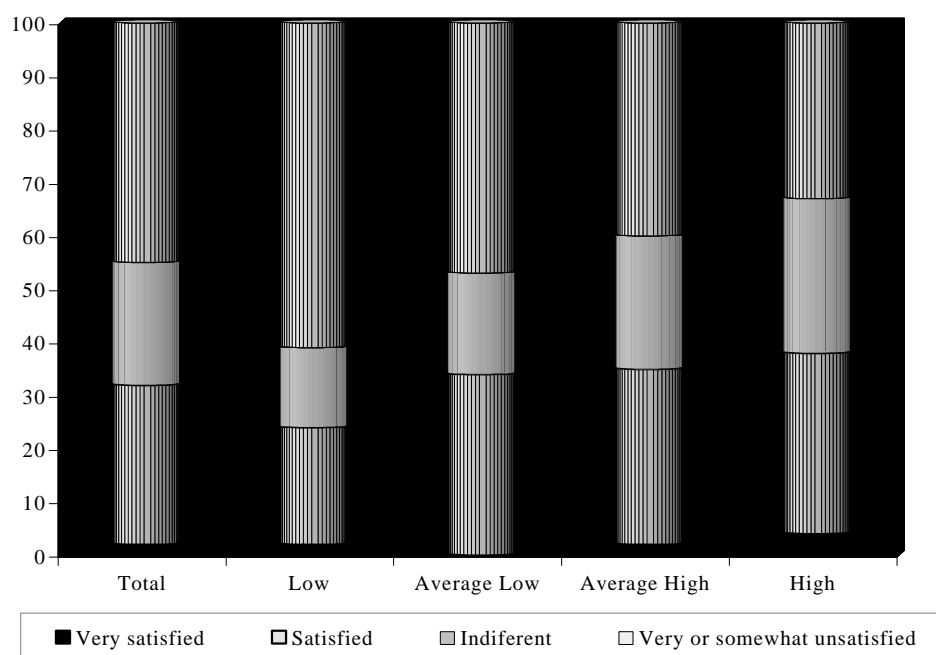
¹¹ GDP has registered negative variation for the past three years. According to the National Account Statistics of the National Institute of Statistic and Census, between 1998 and 2001, the fall in product per capita was higher than 10 per cent.

and services needed to function as a social group, such as housing, transportation, education, health and entertainment (poverty line).¹²

Over the past five years, Argentina has witnessed a considerable increase in the number of households and people with income levels below the indigence and poverty lines. According to the *Instituto Nacional de Estadísticas y Censos* (INDEC), in 1996, indigent households located in the suburbs of Buenos Aires represented 5.1 per cent of the total number of households, while poor people amounted to 19.6 per cent. In 2001, the levels had increased to 7.4 per cent and 23.5 per cent respectively.¹³

The increasing relative inadequacy of individuals' incomes is reflected in the survey. This reveals a general state of dissatisfaction regarding returns to labour: in all of the three urban areas surveyed, 45 per cent of employed individuals say they are "very/somewhat unsatisfied" with their labour incomes. Of significant import is the high incidence of dissatisfaction in the group of individuals with higher income levels: only 4 per cent of individuals in the higher quartile are "very satisfied" with their income. Undoubtedly, the long-standing economic crisis influences this group's view, albeit that it benefited from the income concentration process.

Figure 1. Satisfaction with labour income, by income quartile



Source: SES-ILO survey.

Historically, Argentina had an active wage policy that included a statutory minimum wage as an important component, to be taken as a referential level for the whole economy. This instrument has gradually become obsolete, as its real value has shrunk¹⁴ due to the

¹² In Argentina, the official value of the poverty line per capita, for an equivalent adult, amounts to \$154 per month.

¹³ The suburbs of Buenos Aires are the only urban area for which this information has been estimated in Argentina. Presently the design of a methodology for estimating a poverty line at the national and regional levels is in progress.

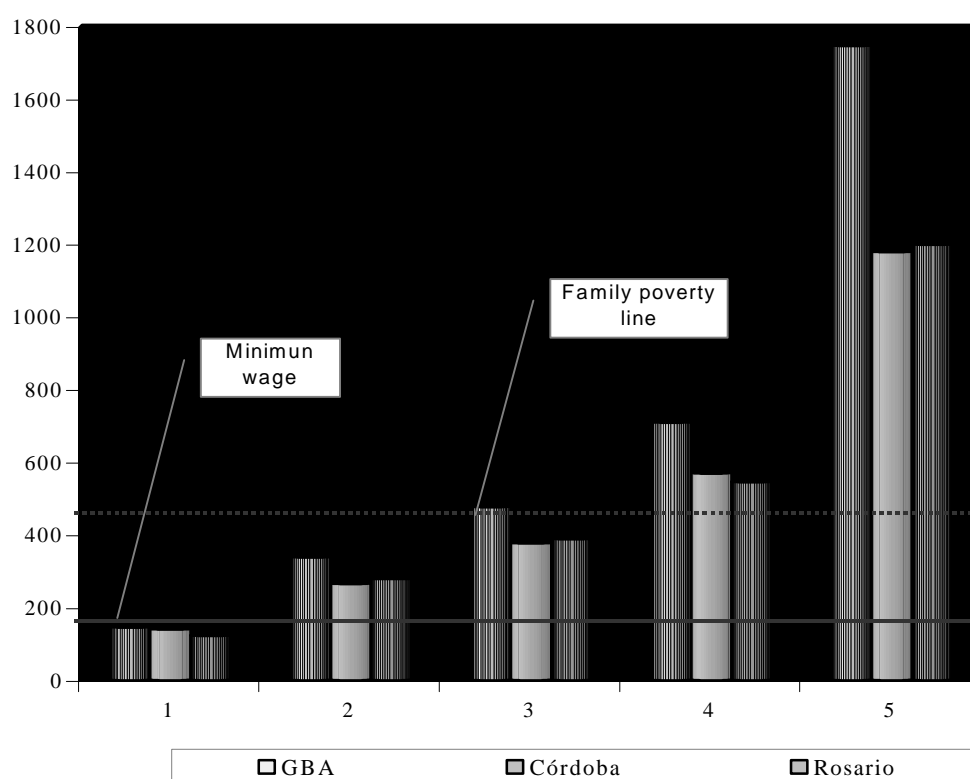
¹⁴ Presently, the statutory minimum wage is fixed at \$1 per hour, or \$8 daily, or \$200 monthly. Taking into account that the value of the poverty line for a standard family (married couple with two children between 7 and 9

lack of periodical updating¹⁵ and also because of the increase of non-registered labour contracts.

Nevertheless, the previously mentioned downward adjustment of nominal wages, taken as firms' response to the loss of their profitability, means, in fact, that average wages tend toward the legal minimum wage and that households are encountering increasing difficulties to stay above the poverty line with a single family labour-wage.

The last income survey conducted in April 2001 by *Encuesta Permanente de Hogares* (EPH),¹⁶ shows that in the three built-up urban areas examined by SES-ILO, the average wage for the lowest income quintile lie below the minimum legal wage. Similarly, workers in the three first quintiles have individual incomes that imply (in the absence of either other wage earners and/or other sources of income) severe difficulties obtaining consumption goods pertinent to the poverty line of a standard household.

Figure 2. Average income for main activity, by income quintile



Source: Author's investigation based on data provided by *Encuesta Permanente de Hogares* (EPH) - *Instituto Nacional de Estadística y Censos* (INDEC).

The survey results also reflect the growing income insecurity from the angle of individuals' living conditions. They show that for 28 per cent of the households surveyed,

years of age) amounts to \$450 per month, it is obvious that the minimum wage represents less than half of this amount.

¹⁵ The statutory minimum wage was updated for the last time in mid 1992. Since then, the consumer price index has increased almost 18 per cent. As additional and illustrative information it should be mentioned that the Employment Law enacted in 1991 gave instructions for the creation of a Council for Employment, Productivity and Minimum Wage. Among other duties, the Council was to periodically determine the minimum wage level. The institution never started effective operation.

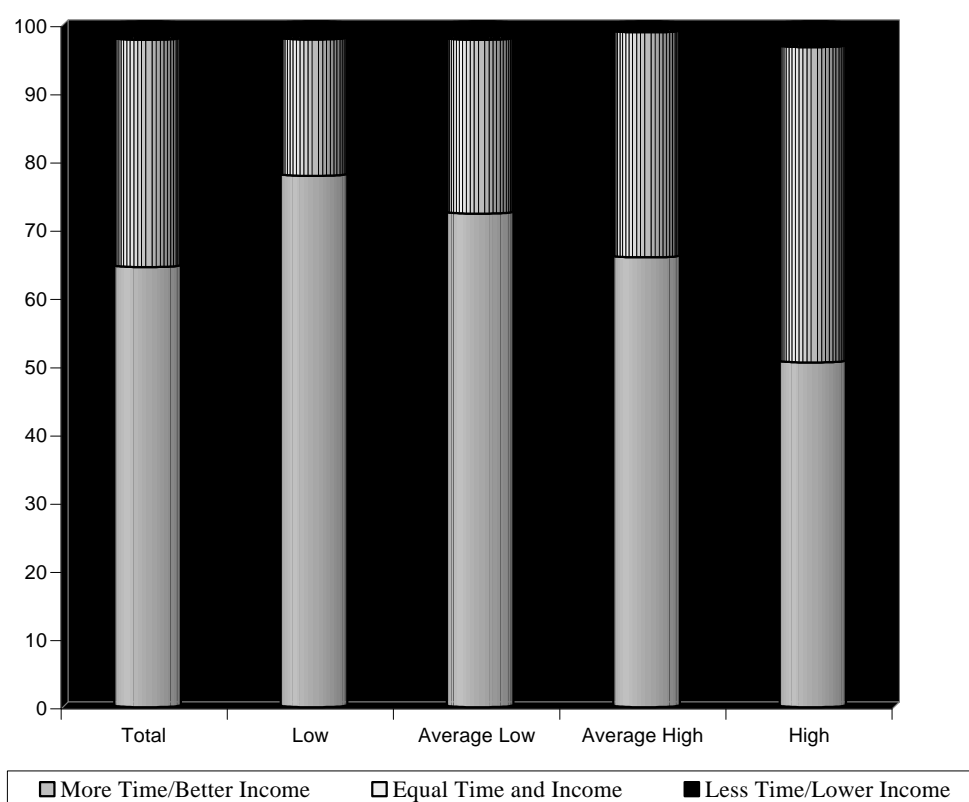
¹⁶ Permanent household survey carried out by INDEC.

income usually proves to be insufficient to meet their food requirements, while in the course of the last two years, more than 30 per cent of families have had to borrow money in order to cover their basic needs or unforeseen hazardous situations. Likewise, almost 40 per cent of the households surveyed cannot cover their housing requirements and an even higher proportion cannot regularly meet their health care requirements.

Another feature of income deficiency is the extremely high proportion (80 per cent) of households, which, during the last two years, have not had any savings capacity. This information casts doubts on employees' ability to keep up their current income flows and corresponding living standards, and suggests future scenarios of acute restriction.

Low income levels promote responses which favour the extension of working hours: 60 per cent of the surveyed individuals are determined to work more time if by doing so their income increases. The pressure is higher as their income is lower: 75 per cent of the lowest income levels quartile answer affirmatively. Even though less frequently expressed, the option "more working hours for a better income" is also present among the highest income level: 47 per cent of individuals in that quintile.

Figure 3. Inclination to work more hours for a better income, by income quartile



Source: SES-ILO survey

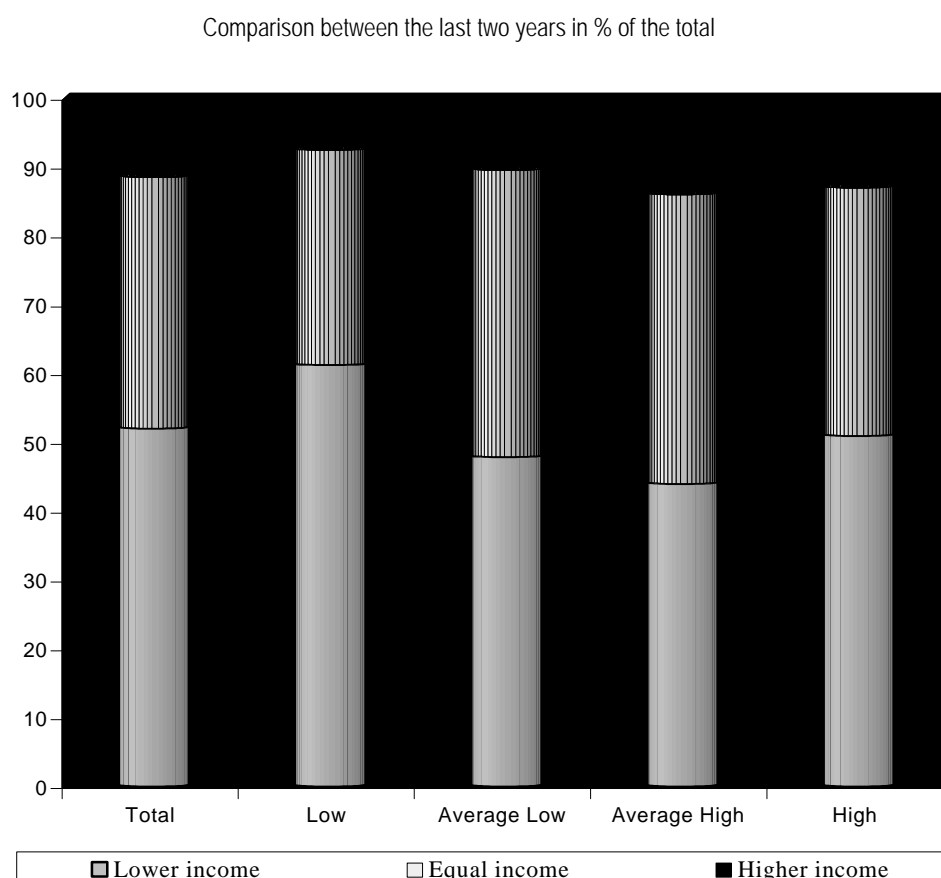
In the light of these results, it is obvious that the high and growing hourly under-occupation level is not so much the result of employees exercising a voluntary option as it is something imposed by the restrictive conditions of the labour market. In this regard, the survey makes it possible to confirm that more than three quarters of the employed individuals who work less than 30 hours per week are determined to work more time provided they are able to increase their income. This inclination to extend daily working hours is expressed in concrete action: 34 per cent of the employed are actively looking for an additional job and most of them (75 per cent) answer that the reason they do so is that their income is insufficient.

3.2 Income evolution

The survey shows an important reduction in employees' monetary income. More than 50 per cent of respondents think that the income received from their main occupation is lower than that they earned two years before. Only 11 per cent of them actually improved their income level in the same period.

The shrinking of labour incomes affects more severely the elderly, those who earn lower wages (see Figure 4) and self-employed workers. Likewise, a higher negative impact can be seen among those who work in construction and commerce, which are sectors characterised by the prevalence of informal, non-registered employment.

Figure 4. Income variation of main activity, by income level



Source: SES-ILO survey

Further analysis of the data makes it possible to establish a certain correlation between wage cuts, income variability and the type of labour contract. Almost 70 per cent of those who have suffered actual income reductions in the course of the last two years have, at the same time, a totally variable income (against less than 35 per cent of individuals with steady or even increased income.) Similarly, almost 70 per cent of those in casual/temporary employment (daily or task/piece rate basis) saw their income decline in the last two years.

The recession-deflation process of recent years means that the reduction of wages is practised not only in real but also in nominal terms.¹⁷ The downward income adjustment has applied to employees from both private and public sectors: for the former, as

¹⁷ The consumer price index fell a total of 1.5 per cent between 1999 and 2001.

consequence of entrepreneurial strategies seeking to regain profitability affected by the relative price structure which emerged with the convertibility programme; and for the latter, as a result of the combined fall in tax revenue and increase in the servicing of the external debt.¹⁸

Regarding the wages of officials working in public administration, the first retrenchment measure was taken in May 2000, a few months after the new government of President De la Rúa assumed duties. The measure was introduced as having a “temporary and exceptional scope until the emergency is overcome” and consisted of a 12 per cent reduction for gross wages higher than \$1,000 per month. It should be mentioned that the decision, though of questionable legitimacy because it damaged employees’ acquired rights and was contrary to the legislation on the untouchable quality of nominal wages, was nonetheless acknowledged by the Supreme Court.

Fourteen months later, wages were adjusted again. Taking advantage of the opportunity, the reduction percentage was raised to 13 per cent, and, this time, made to apply to wages higher than \$500 per month; a similar reduction was introduced for pension and retirement benefits; and, finally, the reduction rate was applied on family allowances, thus further depleting the income of employees with children.

This second package of measures was launched in a context of a worsening economic crisis. Putting into action the policy call for zero deficit consisted in applying rigorous cash flow criteria to dealing with the public finances: the amount of money expended had to be equal to the amount of money collected. While the government intended to avoid the risk of “default” in its public debt promissory payments, payment of wages turned out to be a variable component of the public expenditure, and to depend on the evolution of tax collection. From the point of view of the public officials (including pensioners and retirees) income insecurity is clear and evidenced in several ways: income reduction, variability, and uncertainty concerning amounts and time.

Wage reductions in the public sector encouraged similar steps to be taken in the private sector. Moreover, the State took measures that made those steps easy, in the first place, by opening up collective bargaining; in the second, by fostering decentralised bargaining at firm level, and finally, by approving collective agreements that included clauses detrimental to already instituted protective legal provisions.

Collective bargaining decentralisation is simultaneous with the deepening of the agreement renewal process. Between 1991-1993, agreements bargained at firm level represented 29 per cent of the total signed. Between 1998-2000, that proportion climbed to 83 per cent. The new agreements include clauses detrimental to employees’ wages. Among other elements, they specifically include:

- ~~///~~ annual setting of the number of working hours, granting compensation for shorter periods of time, a practice which in fact reduces overtime benefits (because of overtime being considered mostly as normal working hours);
- ~~///~~ annual scheduling of leave periods;
- ~~///~~ change in wage “stability” through the inclusion of clauses related to performance, productivity, etc. (Wainer and Cató, 2000).
- ~~///~~ cut back or withdrawal of several benefits such as the premium for attendance or for having done a number of years of service in a certain position at the company.

¹⁸ Expenditure due to interest on public debt amounted to 22 per cent of total national budget in 2000.

The Ministry of Labour gave up its tutelary and arbitral role endorsing collective bargaining, which in a number of cases, went against established regulations.¹⁹ Justifying the new position, the people responsible for it stated: “the Ministry has no responsibility for agreements between parties” and “the problem is that trade unions do not defend their members”.²⁰

Indeed, the SES-ILO Survey confirms that representation in favour of workers’ interests is weak: only 6 per cent of the employees surveyed believe that trade unions adequately represent their associates, while most of them (54 per cent) express quite the opposite. This lack of representation is not, even in the slightest degree, made good by the presence of other organisations: 90 per cent of employees surveyed declared ignoring if there were any other institutions capable of representing their interests.

3.3 Income regularity

The uncertainty caused by income variability unfavourably conditions the value of any level of wages (Standing, 1999, p. 217). Income unsteadiness can be a consequence of including variable components when fixing wages for payroll personnel, as well as of a more intensive use of temporary contracts, per day or per work/service done. Also, faster employment turnover due to high unemployment or under-occupation affects workers’ income regularity.

With regard to the wages regime, the survey shows that more than half of the individuals employed (51 per cent) received totally variable income for their main activity. Wages also varied for another 6 per cent, although only partially. Men, elderly employees, non-registered employees and self employed workers reported higher income variability.

Income insecurity is, of course, higher for the unemployed. In the first instance, they find it difficult to re-enter the paid-labour market, and secondly, the benefits paid by the unemployment insurance programme are insignificant. According to the survey, 30 per cent of the total interviewed (47 per cent among the younger and 53 per cent of individuals with low-educational levels) had been job seekers for more than a month in the last two years. Expectations of being able to turn this situation around were really low: 55 per cent of the individuals rated the likelihood of their finding a paid activity during the next twelve months “low to extremely low”.

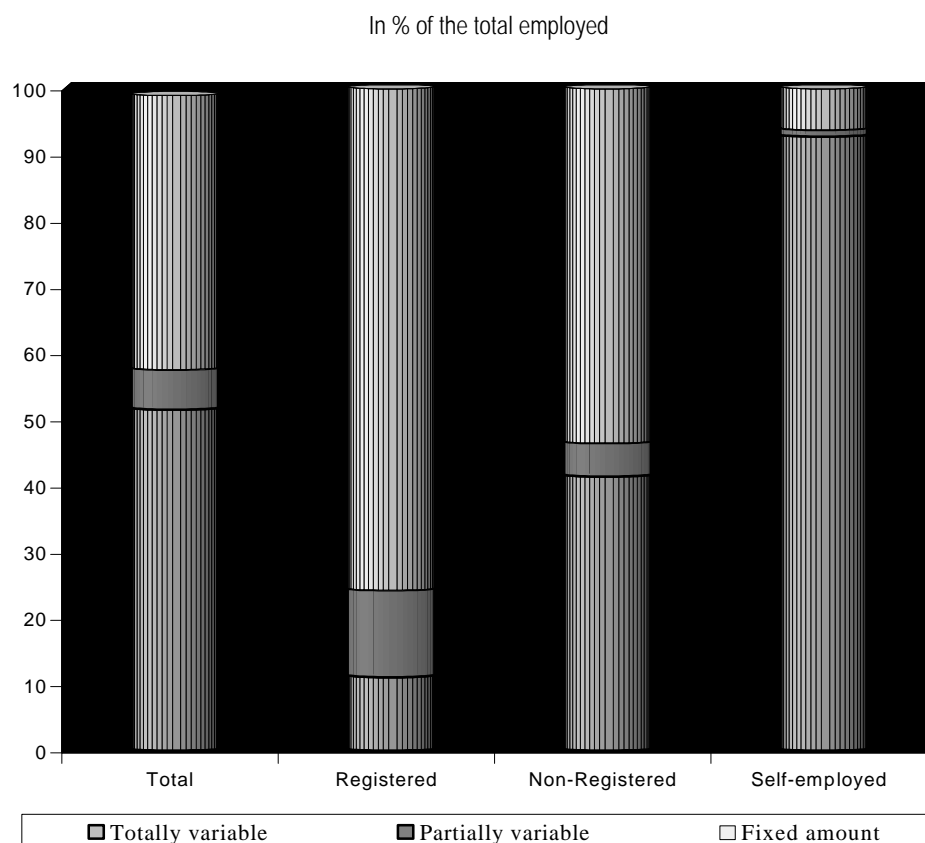
A remarkable fact is that unemployed workers do not perceive the difficulties of finding a new job as being related to some kind of unfitness on their part (e.g. insufficient skills, age or sex). On the contrary, most of them (68 per cent) attribute their difficulties to a macroeconomic context that hampers their labour opportunities.

Social assistance to the unemployed based on contributory criteria is characteristic of social security policies. Thus, a vast sector, formed by informal workers and non-registered employees is excluded from any legal security benefits. The same goes for those who are looking for their first job. Countrywide, official reports estimate that fewer than 9 per cent of the unemployed benefited from social assistance during 2000.

¹⁹ Some collective bargaining agreements have been accepted by the Ministry of Labour although they had established more than 2,400 hours of annual working time, which is against Labour Contracts Law; in other cases, irregularity has to do with the value set for dismissal compensation (Roberto Navarro, Suplemento Cash, Diario Pagina 12, 21/10/2001).

²⁰ Statement of the Undersecretary of Labour Relationships, Ministry of Labour, to the press, in the publication mentioned in footnote above.

Figure 5. Wage variability by employment status



Source: SES-ILO survey

In addition, unemployment benefits suffered continuous changes that reduced their real value. While in 1993 the average allowance was \$369 per month, this amount decreased to \$259 in 2000. Temporary work programmes are another element of assistance to the unemployed and are mainly aimed at employees in the informal sector without access to the security scheme. In practice, such temporary work programmes are used to create political dependency and their operational scope is very low, both as concerns coverage and monetary benefits.

The weakness of the policies designed to sustain income levels for the unemployed is reflected in the data from the survey: only 1 per cent of the individuals with no labour income consider unemployment insurance as their main income source, while another 1 per cent get their income through other assistance programmes. Indeed, households are the main source of protection in coping with the loss of unemployment and income: for 67 per cent of the unemployed, their family constitutes the main income source (spouse in 25 per cent of cases and other relatives in 41 per cent). In keeping with this finding, 58 per cent of job seekers are doing so to contribute to family expenses.

The fact that families are the main income support for unemployed individuals, particularly in a context where wages are falling fuels a vicious circle in the labour market in the form of a growing secondary labour force: young people who drop out of school early or women neglecting their children's care.

3.4 Expectations of future income levels and confidence about income regularity

Income insecurity also casts a shadow of uncertainty over the future of current employees. This is expressed in two ways: firstly in a lack of confidence regarding the feasibility of improving or even maintaining present employment conditions or of getting similar conditions in a new job; and secondly, in doubtfulness over the possibility of meeting the requirements for access to pension benefits once active working life is over.

The survey uncovered several self-illustrative elements. Only half of the employed are confident about being able to keep their jobs during the next twelve months. Eighty-three per cent of them think it is “very or somewhat difficult” to find a job similar to their present one, with an equivalent wage and degree of skills complexity. If their prospects of changing their present job for a new one with a higher income are clearly low, their expectations for improvement if they keep their present position are no better: only 19 per cent of the employed have been promoted in the last two years, and an even lower proportion (17 per cent) positively evaluates the perspective of being promoted in the next two years.

The feeling of insecurity regarding employment income extends to expectations for future living standards: only 30 per cent of the individuals feel “sure or very sure” that they will be able to keep their current living standards, while only 15 per cent believe their family income will improve during the next twelve months.

Undoubtedly, low future expectations are provoked by the deteriorated security conditions available in the labour market. High rates of under-utilization of the labour force, the longstanding economic deadlock and successive wage reductions are all factors that contribute to filling the future with negative perspectives.

Certainly, objective factors are also at work: the growth of labour precariousness is a key element that bodes ill for people’s future income security. In this respect, more than half of the individuals surveyed (54 per cent) believe they have “low, extremely low or not any” possibilities of accessing pension benefits in the future. This proportion is relatively higher for women (59 per cent) than for men (47 per cent), probably due to the former’s lower rates of activity and higher degree of vulnerability at the moment of joining the paid-labour market.

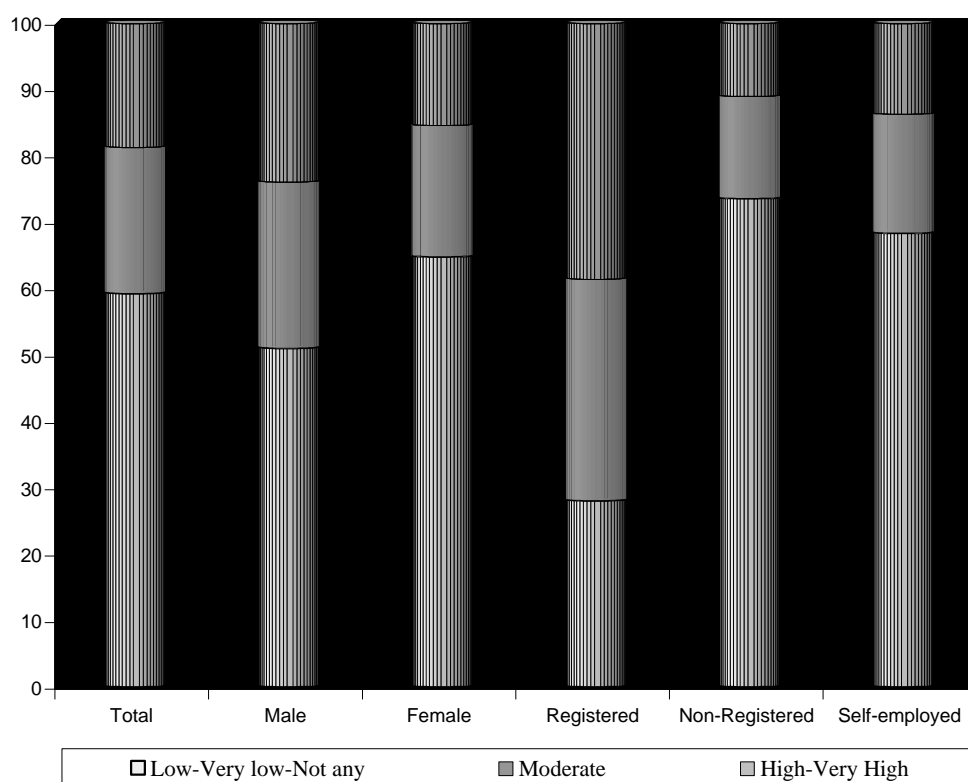
It is most remarkable that, even among registered employees, future expectations of receiving a pension insurance benefit are extremely low: only 37 per cent of registered employees answered affirmatively. This kind of response is supported by the general expectations of future income: 41 per cent envisage that in old age their income will be low or very low. Only 1 per cent believe that their future income will be very good.

This situation appears to be closely linked to the deterioration of employment conditions: the mounting numbers of unregistered employees, of the self-employed and of temporary and/or part-time workers. A recent study (Enríquez, 2001) shows that almost half of the economically active population of the suburbs of Buenos Aires, consisting of the unemployed and those working under different conditions of labour precariousness,²¹ can be considered as being in a zone of labour vulnerability. This concept of vulnerability can be assimilated to the notion of insecurity and, when insecurity of future income is

²¹ The list includes: i) all of the unemployed; ii) paid employees who do not contribute to social security, or who consider their job as an irregular, unimportant bartering, or who perform temporary duties for less than a three months period, or those under occupied individuals searching for a job; iv) all domestic servants; v) all non-paid workers; vi) all under occupied employers searching for a job.

factored in, illustrates the difficulties employees have to face to access social benefits based on contributory insurance principles.

Figure 6. Perceived possibility of receiving a pension benefit in old age



Source (SES-ILO survey).

In this respect, the impact of the changes made in the Argentinean social pension system in the mid 1990s must also be emphasized. In brief, a public system based on a distributive regime was transformed into a mixed system combining a public tier arranged according to the pay-as-you-go notion, with a private tier of individual capitalization. What needs to be stressed is that this reform imposed additional requirements to qualify for pension benefits, requirements such as: a higher pensionable age, extension of the number of contributory years, and greater regularity of instalments. Contrary to the reform promoters' statements, the incentive of individual capitalization did not function or, in any case, could not compensate for the negative impact produced by the increase in employment precariousness and the fall in income. As a result, the number of active contributors to the pension system decreased instead of increasing: in 1994 when the reform was launched, 71 per cent of affiliates contributed regularly; that proportion plummeted to less than 50 per cent in 2000.

3.5 Correlation with the income of the reference group²²

People's income security is also influenced by subjective elements related to the perception of their condition as compared to that of other individuals or social groups. There are indices to adequately measure changes affecting income and wealth distribution

²² This refers to the concept of relative deprivation, where relative refers to the reference group. It means to get the same income that would get someone in our same circumstances.

According to Standing (1999, p. 212), inequity has an indirect effect on income security, and its influence may be seen while examining relative deprivation: if inequity increases, the possibility of any real upward mobility decreases.

Argentina in recent years has been characterised by a continuous trend towards income concentration, and by the widening of the gap between rich and poor. Data from the EPH on household income for the three urban areas where the survey was carried out show how the lower quintiles' share of income has decreased.

Table 1. Household per capita income, by income quintile in %, 1996-2001

Income quintile	Gran Buenos Aires		Córdoba		Rosario	
	1996	2001	1996	2000	1996	2000
1	7.3	6.1	7.9	7.2	8.9	7.3
2	11.0	10.6	13.4	13.1	12.3	12.4
3	15.0	14.3	17.7	17.2	17.5	15.9
4	22.1	21.8	20.7	21.4	22.5	23.2
5	44.6	47.3	40.4	41.1	38.8	41.2

Source: Author's working paper based on data from EPH-INDEC.

Inequity can also be observed within the different populations. The Gini coefficient for the 43 per cent poorest households in the suburbs of Buenos Aires rose from 0.27 in 1996 to 0.30 in 2000, a stronger relative increase when compared to that suffered by the total number of households, which went from 0.49 to 0.52 over the same period.

Table 1 shows an increase in income inequity and is seen in the subsample of the employed and varies by sex, educational skills and registration of employment. According to the survey, while 35 per cent of employed men belong to the lowest income strata, this proportion rises to 62 per cent in the case of women.²³ The survey confirmed the persistence of differences in opportunity granted by educational levels: while 74 per cent of individuals with incomplete primary school tuition are in the lowest income strata and only 2 per cent in the higher ones, the average indices for individuals having completed high-school education are 26 per cent and 31 per cent, respectively.

Finally, the differences in wages paid to registered and unregistered employees stand out. While 30 per cent of the former are in the lowest income group and 11 per cent in the highest income group, for the latter these proportions are 74 per cent and 1 per cent, respectively.

The above-mentioned results are consistent with the population's criticism of present conditions of distributive equity. On a scale from one to five, almost half of the people interviewed (47 per cent) gave present conditions the lowest ranking for suitability for equal opportunity. The opinion is widely shared by individuals of different ages, income levels and occupational conditions. People with higher education, however, are the most critical: 52 per cent.

Their criticism is also projected onto the immediate future: as stated before, only a very small proportion is certain about its possibilities of maintaining its living standards.

It is significant that, far from arousing people's commitment to participate and advocate their interests, their hopelessness over both present and future prospects seems to

²³ Here it should be noted that figures refers to the total income from the main activity.

influence them in the opposite direction: 86 per cent of respondents say they do not belong to any organization, while only 5 per cent participate in religious organizations and 3 per cent in political parties. By the same token, those who participate in neighbourhood, parents' and/or students' associations do not represent more than 3 per cent.

People's very limited involvement in political parties is consistent with the low level of credibility these have won: only 6 per cent of the individuals surveyed believe that political parties are reliable institutions. Limited confidence extends to other institutions: 87 per cent do not trust the parliament, 81 per cent the courts of justice, while 80 per cent do not find the police force reliable.

Nevertheless, and in spite of the institutional mistrust and lack of participation, most of the sample answered that they were in favour of concrete redistributive measures appropriate to granting income security. More than half of the population believes that there should be some kind of ceiling for personal income; 23 per cent support the idea of granting a minimum income level while others (25 per cent), think there should be both a minimum and a maximum level on individual income. Only 17 per cent are against regulating individual income.

Where public policies are concerned, people widely agree on one point: the State must guarantee a minimum subsistence allowance. In support of that, 76 per cent believe that the government should grant a minimum subsistence allowance to the poor, although 78 per cent of them consider that to qualify for this allowance, candidates should be obliged to comply with certain requirements, namely that their children should attend school regularly and that adult members of the family should be willing to accept any kind of activity whenever offered.

4. Conclusions

Although Argentina previously led the field in Latin America where the development of the traditional institutions of the welfare state was concerned, it now seems to have become a paradigm case of the failure of the policies inspired by the Washington Consensus. The results obtained appear to call into question the prevailing vision from "the supply side", which has inspired the current policies.

During the 1990s, social institutions that had provided socio-economic guarantees through its extensive network over the years, experienced a significant reduction in their expenditures.

The economic regime, strengthened by the starting-up of the "convertibility plan", introduced severe restrictions to keep up such socio-economic guarantees. The combined effect of trade liberalisation and a fixed exchange rate resulted in the creation of a system dependent on foreign capital flows. The simultaneous need to adjust taxes in order to meet external debt payment instalments and to undertake entrepreneurial downsizing in order to adapt labour costs to the requirements of the new competitiveness, has had a dramatic, disruptive impact on the paid-labour market.

Not only did labour flexibility and the different mechanisms used to reduce labour costs not generate higher employment, they in fact contributed to degrading the quality of existing ones. To the increased under-utilization of the labour force must be added the growth of several traits of labour precariousness such as unregistered employment, temporary and or part-time contracts, and the approval of collective bargaining which not only is detrimental to employees' working conditions but also violates regulations on basic protective standards.

The 1990s thus witnessed a deep retrenchment of those social institutions that had, year after year, through a relatively wide social security net woven around employment security, contributed to ensure a certain degree of socio-economic security.

The impact of this situation on the different dimensions of income security can easily be seen in the findings of the survey which show:

- ~~/~~ widespread deterioration in the income levels of employees;
- ~~/~~ high short-term wage variability;
- ~~/~~ widespread dissatisfaction with labour income;
- ~~/~~ an extremely high disposition to work longer in order to have a better income;
- ~~/~~ few expectations of improving family and personal income;
- ~~/~~ little confidence regarding the possibility of obtaining an adequate income upon reaching the age of retirement;
- ~~/~~ high criticism regarding equality of opportunities;
- ~~/~~ strong demand for public policies aimed at promoting income redistribution;
- ~~/~~ wide acceptance of policies granting minimum allowances as a way of countering poverty.

The medium-term perspectives for the Argentinean economy are not encouraging. Given the present macroeconomic context, extension of the deadlock is the more probable future scenario, or else a major crisis if obligations to external creditors are not fulfilled. This would have as a consequence the alteration of the monetary and exchange regime.

For the time being, however, the only certainty is that this trend of deterioration in socio-economic security will not be halted, neither in general, nor with specific regard to the income situation. The worsening of the social problems makes it imperative for public institutions to react. The opinions and claims collected by the SES-ILO survey confirm the emerging demand for certain public measures to guarantee the population's access to basic living conditions.

In this regard, the need to put forward proposals for building a socio-economic security net independent from labour market conditions becomes evident. The contributions that the notion of a "citizens income" (a basic income guarantee) would make towards this objective are obvious, and would include reinstating values such as citizenship, universality, the right to enjoy certain minimum capabilities and the possibility of choosing from among different ways of life. We deem it imperative to insist that policies aligned with this thinking and responsive to the points raised in the preceding discussion should now be designed.

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