

# SOCIAL DIALOGUE TO ACHIEVE THE SUSTAINABLE DEVELOPMENT GOALS



FORMALISING  
THE  
INFORMAL  
ECONOMY

COUNTRY BRIEF

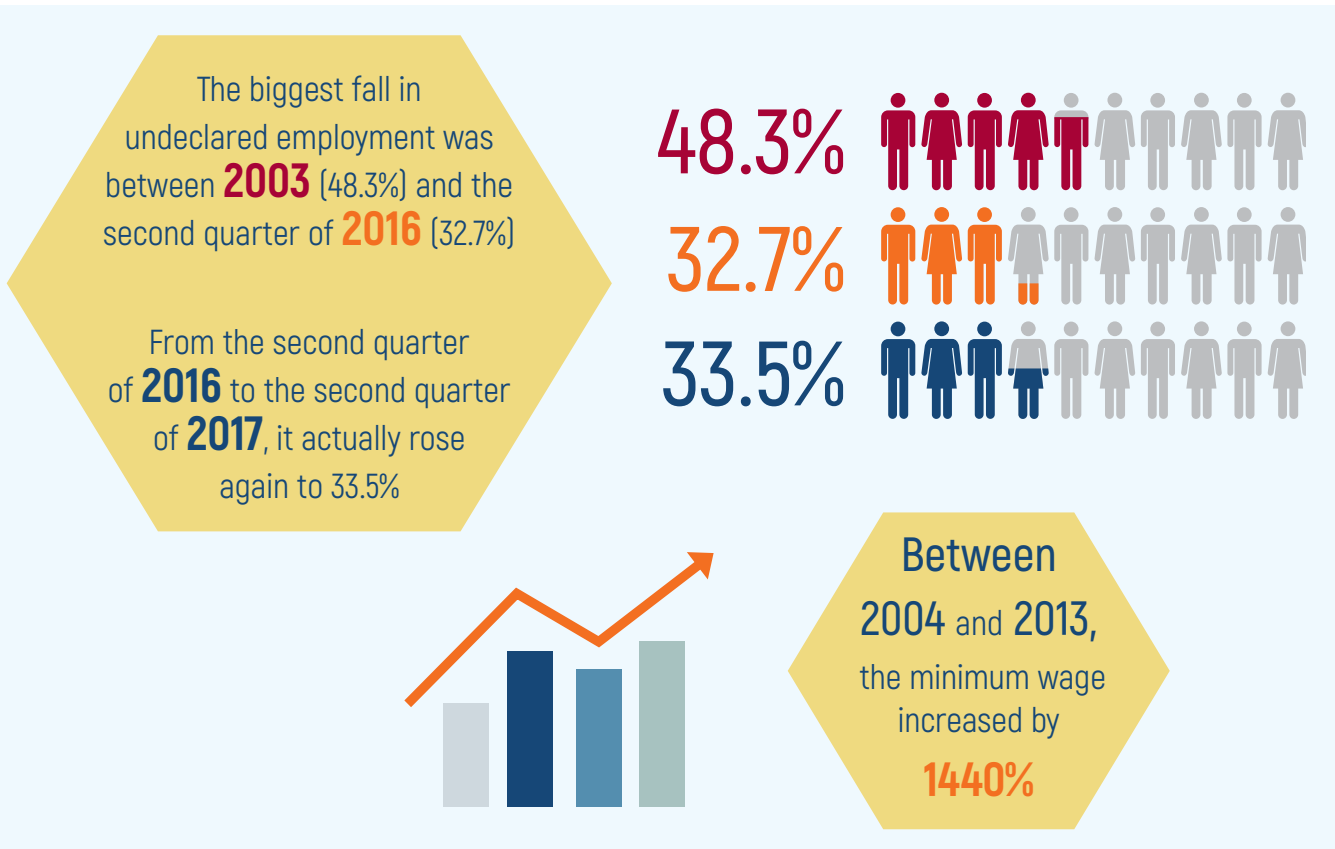


# ARGENTINA



**A**s Argentina braces itself for a raft of tough austerity measures following the recent approval of an IMF loan for US\$50 billion, it is likely to result in the further expansion of informal employment in Latin America's second largest economy. It's not without precedent: during the 1980s and 1990s the informal economy grew more in Argentina than in any other country on the continent. However, following the economic crisis of 2001, and with the Kirchner

governments of 2003 to 2015, numerous economic variables improved, giving rise to a substantial decrease in informal employment. Until recently, although the percentage of informal workers remained high, undeclared employment decreased from 48.3 per cent in 2003 to 33.5 per cent in the second quarter of 2017. With the fall in value of the Argentinian peso against the dollar, this is unlikely to be sustained.



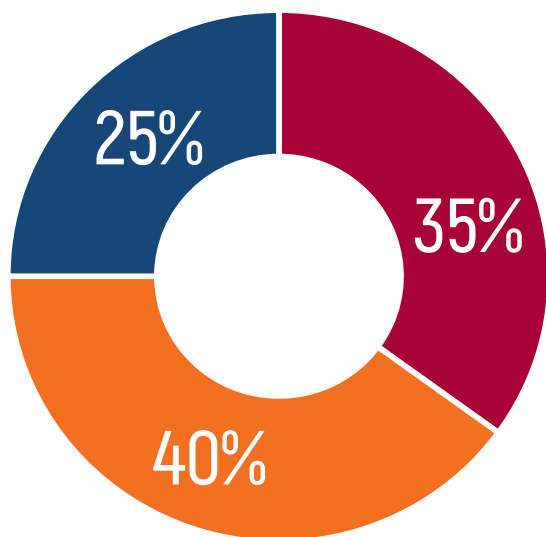
In Argentina, the informal economy is expressed in terms of “unregistered or undeclared work”, and occurs mainly in domestic work, small businesses, agriculture, construction, and the semi-slave labour operations in textile sweatshops and the agricultural sector. Other widespread forms of informal economic activity include self-employed work in small or micro enterprises, street vending or services provided in private homes, such as repair

work and plumbing. In 2013, approximately one-third of all undeclared work took place within formal companies while 40 per cent corresponded to informal businesses and 25 per cent to people working in private homes.

Social dialogue is a key tool in facilitating the formalisation of entrepreneurs and workers operating in the informal economy. These formalisation processes are directly

linked to the fulfilment of several of the Sustainable Development Goals (SDGs) set out in the 2030 Agenda. Argentina has a range of social dialogue structures through which policies directly or indirectly contribute to the formalisation of workers.

These policies can, in turn, be linked to various SDG targets, particularly those relating to SDG 1 (ending poverty), 8 (decent work and economic growth) and 10 (reducing inequalities). Some of the most important examples are outlined below:



In 2013, approximately 1/3 of all undeclared work took place within **formal companies**, while 40% corresponded to **informal businesses** and 25% to people working in **private homes**.

## WAGE INCREASES

One of the major gains secured through social dialogue in Argentina between 2004 and 2016 was the considerable increase in the minimum wage. The increases seen during this period led to progress in line with Targets 1.1 and 1.2 of SDG 1 related to poverty reduction and Targets 10.1 and 10.4 of SDG 10, related to the growth in the incomes of the poorest sectors of society. These increases impacted pay and income of informal economy workers and contributed to increases in demand that have a positive impact on the income of self-employed workers.

The negotiations that enabled these wage increases took place within the tripartite framework of the CSMVM (Employment, Productivity and the Sliding and Living Minimum Wage Council). In 2004, following

many years without any increase in the minimum wage, the government raised it on two occasions. Since that time, the Council has met yearly, introducing successive increases. By 2013, the minimum wage had increased by 1440 per cent.

However, after 13 years during which the minimum wage was set through tripartite negotiations, the current government of President Mauricio Macri abandoned the social dialogue process. In 2017, following two negotiations in which no agreement was reached, the Macri government unilaterally set the 'increase'. This resulted in a net loss for Argentina's most vulnerable workers as it fell short of the government's inflation forecast for that year.

# SOCIAL AND FOOD EMERGENCY LAW

Another important contribution to Targets 1.1 and 1.2 of SDG 1 on ending poverty was the Social and Food Emergency Law (No. 27345) passed by parliament in December 2016. The law was a direct response to advocacy campaigns led by social movements from the informal economy and Argentina's trade union centres. Amongst other measures, it declared a nationwide social emergency for a year, called for efforts to bolster the people's economy<sup>1</sup>, and proposed a 15 per cent monthly increase

in the Universal Child Allowance (AUH). It also foresaw the creation of a Register of Workers in the People's Economy, a social wage for workers in the people's economy (equal to 50 per cent of the minimum wage, to supplement the income generated by their work) and the establishment of a People's Economy and Complementary Social Wage Council. In response, similar steps were initiated in the capital city of Buenos Aires.

<sup>1</sup> *Economía Popular: a self-organised people's economy movement in Argentina based primarily on informally or non-traditional forms of work.*

A quarter of all urban workers are **self-employed**. They represent a high rate of informality



## LAW ON THE PROMOTION OF DECLARED WORK AND THE PREVENTION OF EMPLOYMENT FRAUD

A Law on the Promotion of Declared Work and the Prevention of Employment Fraud was approved in 2014 as a direct result of social dialogue between trade unions, employers' organisations and government officials. One of the key objectives of the legislation was the strengthening of labour inspection, while ensuring coordination between national and provincial authorities to detect and penalise any breaches of the labour legislation.

The law also saw the establishment of a Public Register of Employers with Employment Sanctions (REPSAL), aimed

at highlighting employers that fail to comply with the regulations. Employers are kept on the register for between 60 days and three years, depending on the offence committed and the remedial measures taken. Employers on the register are denied access to credit lines from public banks or benefits programmes implemented or funded by the state. The law also established a special scheme for micro-employers (of up to five workers), with reductions in employer contributions and the amounts they must pay to Occupational Risk Insurers. Collective co-

responsibility agreements were also established, covering social security in sectors with high levels of informal employment and with distinctive features such as seasonality and high labour turnover (particularly in the rural economy).

## SOCIAL SECURITY CONTRIBUTIONS

As a result of a simplified single contribution system (known as the *monotributo*), the number of self-employed workers registered for social security coverage rose to 2.7 million at the beginning of 2013. These payers are entitled to partially subsidised health insurance and a fully subsidised pension scheme. However, various initiatives have been developed within the framework of the Commission to Strengthen the Social Security System of the CSMVM since it was set up in 2016, all

linked to the promotion of policies supporting productive activities, the creation of decent jobs, entrepreneurship and the formalisation and growth of micro-, small- and medium-sized enterprises (Target 8.3 of SDG 8), as well as promoting the social, economic and political inclusion of all (Target 10.2 of SDG 10). The Commission investigated the possibility of simplifying employment registration procedures for small- and medium-sized enterprises, as well as doing more to raise awareness amongst those workers with social security coverage difficulties, such as micro-entrepreneurs and self-employed workers. In the case of the latter, which represent around a quarter of all urban workers and display a high rate of informality, their social security coverage was found to be affected by irregular contributions (due to fluctuating income levels). The Commission proposed tackling this problem by incorporating these workers within proposed pension reforms, however the Commission's proposals were ignored when pension reforms were eventually carried out at the end of 2017.



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## FORMALISATION THROUGH COLLECTIVE BARGAINING



Between 2011 and 2017, 33 Collective Bargaining Agreements included some reference to the **informal economy** and **undeclared work**.

Another social dialogue framework through which initiatives have been promoted to help formalise the economy and foster the social, economic and political inclusion of all (Target 10.2 of SDG 10) is collective bargaining. A review of the collective bargaining negotiations held between 2011 and 2017 revealed that 33 agreements had included some reference to the informal economy, and more specifically to undeclared work.

Examples of the type of clauses included in these agreements were general provisions on promoting the regularisation of employment relationships, discouraging evasive practices and underlining the

need to join forces to eradicate informal employment. Such clauses were negotiated in sectors such as agriculture, manufacturing and business services.

## CONCLUSIONS

Despite the persistence of high levels of informality in Argentina, the importance of social dialogue in addressing the informal economy and improving the conditions of informal workers is clear. Many collective agreements now include clauses on undeclared work, along with mechanisms designed to control it, demonstrating the importance attributed to this issue by both trade unions and employers. However, in the light of the regressive policies and initiatives being adopted by the Macri government, such as the decision to unilaterally set the wage increase in 2017, social dialogue is currently under threat in Argentina. In addition, the systematic inclusion of the informal economy in broader or national-level structures, such as the CSMVM, is something that needs further reinforcement. However, the extension of social dialogue forums in the country illustrates the value attributed to it by social actors and different levels of governments: not only in terms of the policies it has generated, but also in terms of its contribution to building more inclusive democratic institutions and a more equal society.

*This summary is based on in-depth country research, the full research document is available at*  
**[www.ituc-csi.org/social-dialogue-informality](http://www.ituc-csi.org/social-dialogue-informality)**

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