

# Argentina: social dialogue and the informal economy

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## 1. *Introduction*

During the 1990s, the informal economy grew exponentially in Argentina. Following the 2001 crisis, and with the Néstor Kirchner government, many economic variables improved, giving rise to a substantial decrease in informal employment. Although the percentage of informal workers, both in wage employment and self-employed, remains high, undeclared employment went from 48.3% in 2003 to 33.5% in the second quarter of 2017<sup>1</sup>.

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 the form of small or micro enterprise, street vending or services provided in private homes, such as the repair of domestic appliances, construction work, plumbing, etc.

In 2013, approximately a third of all undeclared work took place within formal companies whilst 40% corresponded to informal businesses and 25% to people working in private homes<sup>2</sup>.

Social dialogue is considered to be a key tool in examining and creating mechanisms aimed at 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.

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<sup>1</sup> Labour Statistics Bulletin (BEL) of the Technical Programming and Labour Studies Under Secretariat of the Argentine Ministry of Labour and Social Security. <http://www.trabajo.gob.ar/left/estadisticas/Bel/belDisplay.asp?idSeccion=1&idSubseccion=1&idSubseccion2=6> (Page last visited on 18 December 2017).

<sup>2</sup> According to the former minister of labour, Carlos Tomada, speaking during the tripartite discussion at the close of the III Seminar on the Informal Economy in Argentina (Bertranou and Casanova, 2015), held on 6-7 November 2013 in Argentina.

## 2. *The contribution of social dialogue to the 2030 Agenda through the formalisation of the economy*

In Argentina, there is a range of social dialogue structures through which policies directly or indirectly contributing to the transition to the formal economy have been drawn up. These policies can, in turn, be linked to various targets of the Sustainable Development Goals 1 (ending poverty), 8 (decent work and economic growth) and 10 (reducing inequalities).

### 2.1 *Wage increases and the contribution to reducing poverty and inequalities*

One of the major gains secured through social dialogue between the years 2004 and 2016 was the considerable increase in the minimum wage in Argentina. 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 the population and the adoption of wage policies that contribute to greater equality.

The negotiations that gave rise to the increases in the minimum wage took place within the framework of the CSMVM (Employment, Productivity and the Sliding and Living Minimum Wage Council), a tripartite body in charge, among other things, of setting the minimum wage<sup>3</sup>. In 2004, following many years with no increase in the minimum wage, the government raised it on two occasions, by decree, and then convened the Council, which, after several discussions, decided to increase it from \$300 to \$450. Since that time, the Council has met on a yearly basis, introducing successive increases, above the rate of inflation in some instances. By 2013, the minimum wage had been increased by 1440%<sup>4</sup>.

As regards the informal economy, the rise in the minimum wage may have had some impact on the wages and income of informal workers. One element to be taken on board is the growth in consumption, produced by the rise in the legal wage rates in the whole of the formal economy, and its impact on the income of self-employed workers.

It should be pointed out, however, that after 13 years during which the minimum wage was set through tripartite negotiations, in 2017, following two negotiations in which no agreement was reached, the current government, breaking with the previous culture of social dialogue, took the final decision and unilaterally set the percentage increase in this wage. The increase set by the government for 2017 represented a net loss, taking into account the fact that the increase is implemented in three stages, the amount fell short of the government's inflation forecast for that year.

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<sup>3</sup> Before the CSMVM started functioning, the national government established minimum wage increases by decree. The National Commission of Agricultural work has this faculty for this sector.

<sup>4</sup> Source: <http://www.telam.com.ar/notas/201310/36093-en-diez-anos-el-salario-minimo-argentino-aumento-por-encima-de-la-region-eeuu-y-espana.html>

## 2.2 *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<sup>5</sup> passed by parliament, in December 2016, in response to pressure and advocacy campaigns led by social movements from the informal economy and Argentina's trade union centres. This law (No. 27345), declaring a nationwide social emergency for a year, calls for efforts to bolster the people's economy and provides for the declaration of a food emergency, as well as proposing a 15% monthly rise in the Universal Child Allowance (AUH - Asignación Universal por Hijo) and the allowance paid during pregnancy. It also foresees the creation of a Register of Workers in the People's Economy, a social wage for workers in the people's economy<sup>6</sup>, equal to 50% of a minimum wage, to supplement the income generated by their work, and the establishment of a People's Economy and Complementary Social Wage Council<sup>7</sup> (Consejo de la Economía Popular y Salario Social Complementario), to act as a kind of joint committee on social affairs.

Following this example at the national level, various social organisations called for the passing of a social emergency law in the city of Buenos Aires. A working group on the social emergency was subsequently set up within the framework of the Economic and Social Council of the City of Buenos Aires (CESBA). A public hearing was held on the implementation of the law at the City of Buenos Aires Ombudsman Office, which is the seat of the Council of Social Organisations, comprising several of the organisations that took part in promoting the emergency law for the city. Various legislators from the city signed a commitment to press ahead with the promulgation of the legislation as well as with the establishment of a People's Economy and Social Wage Council, to facilitate its implementation.

## 2.3 *Law on the Promotion of Declared Work and the Prevention of Employment Fraud*

The Law on the Promotion of Declared Work and the Prevention of Employment Fraud (No. 26940), approved in 2014, was the result of social dialogue. The commission to combat undeclared work, made up of representatives from trade union and employers' organisations and government officials, provided the framework for social dialogue on a range of proposals to combat informal employment, including the Bill that gave rise to the current Law. One of the objectives of this legislation is to strengthen labour inspection, at the same time as ensuring coordination between the national and provincial authorities to detect and penalise such breaches of the labour legislation.

The Law gave rise to the establishment of a Public Register of Employers with Employment Sanctions (REPSAL - Registro Público de Empleadores con Sanciones Laborales), aimed at highlighting employers that fail to comply with the regulations. The Register takes into consideration the penalties imposed by the relevant bodies with inspection powers (the Labour and Social Security Ministry, Federal Administration of Public Revenues, National Register of Agricultural Workers (RENATEA) and the Superintendency of Occupational Risks (SRT)), as well as the provincial authorities and the authorities of the Autonomous City of Buenos Aires.

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<sup>5</sup> Despite being approved in December 2016, it was not regulated until March 2017, by Decree 159/2017.

<sup>6</sup> *Economía Popular*: a self-organised people's economy movement in Argentina.

<sup>7</sup> This Council is to be comprised of representatives from people's economy organisations, three government representatives, one from the Ministry of Social Development, another from the Ministry of Labour and another from the Finance Ministry. In September 2017, various social movements from the people's economy (CTEP, Barrios de Pie and CCC) led mobilisations pressing for the payment of the social salary, with the increase in line with that of the minimum wage, and the launch of the People's Economy Council.

Employers are kept on the Register for a minimum of 60 days and a maximum of three years, depending on the type of offence they have committed and the measures taken to remedy the situation that gave rise to the sanction. In addition to being identified as offenders, the employers on the register cannot have access to credit lines from public banks or benefits programmes implemented or funded by the state.

The law also establishes a special scheme for micro-employers (of up to 5 workers), with reductions in employer contributions and the amounts they have to pay to Occupational Risk Insurers. Collective co-responsibility agreements (*Convenios de Corresponsabilidad Gremial – CCG*) 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 (as in the rural sector). The agreements are signed by trade union organisations with sectoral trade union status (*personería gremial*) and employers, who are granted reductions in their employer contributions during the first period in which the CCG comes into effect. (The CCGs were originally signed in the rural sector and allowed the payment of social security contributions to be deferred until a more favourable period for employers in the sector). Mechanisms were introduced to strengthen labour inspection, including the creation of a special unit to control irregular employment (*Unidad Especial de Fiscalización del Trabajo Irregular - UEFTI*) within the Ministry of Labour, Employment and Social Security.

#### **2.4 *Initiatives to extend and facilitate social security contributions***

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. Its main task is to draw up recommendations aimed at overcoming the high level of informal employment and economic activity, largely affecting micro and small businesses and self-employed workers; remedying the lack of coordination between national, provincial and municipal social security schemes, which hinders the task of collecting and managing the contributions; as well as the registration and auditing of employment relationships. The initiatives proposed within this framework are 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 to Strengthen the Social Security System examined the differences between those not paying contributions due to a lack of means and those not meeting their obligations despite having adequate levels of productivity and profit. It looked into the possibility of simplifying the employment registration procedures for small- and medium-sized enterprises. It noted that part of the problem lies in the lack of information and lack of familiarity of many employers with the regulations concerning the registration of workers and the corresponding payments to be made in terms of social security contributions. In this sense, it highlighted the need to improve the provision of information and raise awareness among the sectors of the population with social security coverage difficulties, such as micro-entrepreneurs and self-employed workers. It underlined the need to simplify the registration procedures and to strengthen the control and auditing mechanisms.

In the case of self-employed workers, 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 the lack of regularity in their contributions. The reason for this is that self-employed workers stop making contributions when their income drops, when there is a slump in their work, making it very difficult to build up the number of years needed in contributions to qualify for a pension. It was proposed that this problem be tackled by incorporating it in the development of a new pension scheme, which takes on board the distinctive nature and diversity of this type of work, ensuring the connection between the contribution and benefit rates, in line with their real contributory capacity. The dialogue is currently focused on establishing the criteria on which to base a future reform of the pension law. The proposals made by the Commission were not, however, taken into consideration in the reform of the pension system carried out at the end of 2017.

A previously adopted measure, which contributed to expanding the number of self-employed workers registered for contribution and social security coverage, was the simplified single contribution system (monotributo), leading to progressive growth in the number of contributors enrolled, which rose to 2.7 million individuals at the beginning of 2013 (Bertranou and Casanova, 2013: 106). The aim of the "single social contribution" is similar in that it "promotes the legal recognition of productive, commercial activities and services of socially vulnerable individuals, through their inclusion in a special contribution category. Single social contribution payers are entitled to partially subsidised health insurance and a fully subsidised pension scheme" (Bertranou and Casanova, 2013: 130).

## **2.5 Formalisation through collective bargaining**

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. The negotiations were held by branch of activity, meaning that a higher number of workers are covered.

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. More specific clauses were also included regarding the contributions to be made by companies towards the work of joint committees (employers and workers) for the inspection of workplaces and working conditions, the control of undeclared work and the promotion of workers' training and access to external assistance to reduce undeclared work.

Such clauses were negotiated in the following branches of activity: agriculture and related services (13), manufacturing industry – clothing (2), paper (8), chemical (2) and non-metallic minerals (1) – and business services (14).

Previously, G. Pontoni (2011), observed, in 2008, other clauses establishing the obligation to comply with enrolment in the National Construction Industry Register. Such clauses also emphasised the joint liability of the parties in case of subcontracting; as well as the commitment to ensure the regularisation of employment relationships and to discourage evasive practices (undeclared work). Punitive mechanisms, as well as specific measures and agreements to implement joint actions against undeclared work were also considered.

Another example worth highlighting is the experience of the Statistics and Registration Institute of the Construction Industry (IERIC), not only in terms of a structure dedicated to regularising undeclared work but also as a permanent result of bipartite social dialogue. The IERIC was the fruit of a joint agreement arising from social dialogue between the national construction workers' union UOCRA (Unión Obrera de la Construcción de la República Argentina) and the Argentine Chamber of Construction (Cámara Argentina de la Construcción – CAMACRO), with regard to the former National Construction Industry Register (RNIC), the services of which had been privatised. As of that time, all the tasks previously conducted by the RNIC were transferred to the IERIC, which thus became an independent body in charge of keeping a register of the workers employed in the industry and, therefore, controlling informal employment.

### 3. *Conclusions*

Despite the conjunction between the economic transformation and the creation of institutional mechanisms that, as of 2003, contributed to reducing informal employment in Argentina, the rate of informality, both in terms of undeclared wage work and self-employment, remains high. The importance of the various social dialogue platforms through which the social partners addressed the informal economy as a key issue and proposed mechanisms geared towards improving the working conditions of those active in this economy should nevertheless be underlined.

The most significant social dialogue platforms were: the Commission that gave rise to the Law on the Promotion of Declared Work; the relationships established between trade union centres and actors in the peoples economy, which led to the development of joint actions, based on which impetus was given to the passing of the Social and Food Emergency Law and the subsequent establishment of the People's Economy and Complementary Social Wage Council (Consejo de la Economía Popular y Salario Social Complementario); the coming together of various trade union and social organisations to press for a social emergency law for the city of Buenos Aires and the frameworks for dialogue established between these organisations and various institutions; the incorporation of specific clauses referring to informal employment in collective bargaining agreements; and the social dialogue that gave rise to the IERIC.

The systematic inclusion of the informal economy in broader or national-level structures, such as the CSMVM, is something that still needs to be reinforced in the future.

Dialogue between the various social actors and the government facilitates the creation of new legal institutions and mechanisms to control informality that garner a broader social consensus, having been shaped by the representatives of the various sectors of society concerned. It is, however, essential to ensure the binding nature of the decisions made in this respect, to give greater specific weight to social dialogue in Argentina. Social dialogue is currently under threat, in light of the regressive policies and initiatives being adopted by the current government, such as the decision to unilaterally set the wage increase in 2017.

Despite the emphasis on wages in collective negotiations, a large number of agreements now include clauses regarding the issue of undeclared work, along with mechanisms designed to control it. This is indicative of the importance attributed to this issue by both trade unions and employers.

Finally, the initiatives developed by social, trade union and political organisations in the area of social dialogue highlight its importance in dealing with diverse issues connected with the world of work. The extension and propagation of social dialogue forums in the country illustrate the value attributed to it by social actors and governments. Not only can it be considered useful in terms of the policies generated but also in terms of its contribution to building more inclusive democratic institutions. In this respect, social dialogue undoubtedly plays both an essential and valuable role in fulfilling the 2030 Agenda for Sustainable Development adopted by the United Nations, as well as providing the legitimacy required for each of the measures taken in this path.

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## **4.2 Research methods and activities**

Qualitative data analysis was selected as the main approach for this research, although not to the exclusion of information arising from quantitative data, which was very useful in measuring the scope and depth of the problem at national and regional level.

The statistics available on the informal economy were analysed, official documents, specialised literature on the subject and the information provided by the various social dialogue forums to be studied (their documents, minutes, reports, publications) were reviewed, along with journalistic reports on social dialogue and the informal economy, and in-depth interviews were conducted with representatives of the social actors in the informal economy and experts on the issue, seeking to cover the widest possible range of opinions and actors. Observation was also carried out at one of the commissions of the CSMVM.

The difficulties encountered in conducting the research included the inability to arrange certain interviews, requested on various occasions, mainly with current officials from the Ministry of Labour, Employment and Social Security (MTEySS) and a number of business chambers or employers' associations.

## **4.3 Interviews conducted**

Carlos Etala – Expert on undeclared work, former deputy minister of labour

Marta Pujadas (UOCRA - CGT)

Guillermo Zuccotti (UOCRA - CGT)

Víctor Santa María – (SUTERH - CGT)

Estela Diaz (gender secretary, CTA)

Pedro Wasiejko (SUTNA – deputy secretary, CTA)

Claudio Marín (FOETRA/CTA)

Carlos Tomada (former minister of labour between 2003 and 2010)

María Victoria Giulietti (UIA)

Federico Saravia (president of the CESBA)

Laura González Velasco (Fundación Milagros – Barrios de Pie)

David Trajtemberg (director of the MTEySS Secretariat)

Juan Carlos Paulucci (MTEySS social security secretary)

Pedro Taddei (coordinator of the Standing Advisory Committee on Occupational Risks)

Marcelo Cerella (president of the Labour Affairs Commission of the CAMACRO)

Juan Martín Canedo (Advisor for the CAMACRO)

**The Trade Union Development Cooperation Network (TUDCN)** is an initiative of the International Trade Union Confederation (ITUC), bringing together affiliated trade union organisations, solidarity support organisations, regional ITUC organisations, the Global Union Federations (GUFs), the European Trade Union Confederation (ETUC) and the Trade Union Advisory Committee to the OECD (TUAC). TUDCN's objective is to bring the trade union perspective into the international development policy debates and improve the coordination and effectiveness of trade union development cooperation activities.

Le **Réseau syndical de coopération au développement (RSCD)** est une initiative de la Confédération syndicale internationale (CSI) réunissant des organisations syndicales affiliées, des organisations de solidarité, les organisations régionales de la CSI, ainsi que les Fédérations syndicales internationales (les fédérations sectorielles - FSI), la Confédération européenne des syndicats (CES) et la Commission syndicale consultative auprès de l'OCDE (TUAC). Le RSCD a pour but de traduire la perspective syndicale dans les débats sur la politique en matière de développement international et d'améliorer la coordination et l'efficacité des activités syndicales dans le domaine de la coopération au développement.

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