

*SPECIAL ISSUE ON ORGANIZING FOR AUSTERITY: THE NEOLIBERAL STATE, REGULATING  
LABOUR AND WORKING CLASS RESISTANCE*

**Austerity and its Aftermath**

Neoliberalism and Labour in Argentina

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**Abstract**

The crisis Argentina faced in the late 1980s legitimized a diagnosis that linked the country's poor economic performance to an inward-looking economy, excessive fiscal spending, unwarranted state regulations, a misguided set of incentives that failed to boost competitiveness and the "economic populism" that privileged political goals over economic efficiency. Alternatively, the solution was sought in policies that privileged deregulation, the free flow of commodities and capital, privatization and a selective intervention of the state in the economy. In this article we will account for the shape of neoliberal restructuring in Argentina by drawing attention to the heavy costs stabilization imposed on the country as the decade progressed. We will emphasize the costs the workers were called on to bear and the responses that emerged from them to challenge neoliberalism.

**Résumé**

La crise qui a frappé l'Argentine à la fin des années 1980 a justifié un diagnostic qui liait la faible performance économique à plusieurs facteurs : le caractère endogène de son économie, les dépenses excessives de l'État, les réglementations mal avisées, les stimulants mal ciblés qui ne sont pas parvenus à soutenir la compétitivité et le « populisme économique » qui privilégiait les finalités politiques plutôt que l'efficacité économique. En réponse à ce diagnostic, les solutions privilégiées visaient la déréglementation, la libre circulation des marchandises et du capital, les privatisations et l'intervention ciblée de l'État dans l'économie. Cet article présente la configuration des réformes néolibérales en Argentine en insistant sur les coûts élevés que la stabilisation a entraînés au cours de la décennie. Nous soulignons l'importance du

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fardeau imposé aux travailleurs et travailleuses ainsi que leurs réactions pour contrer le néolibéralisme.

**Keywords**

Argentina; labour reform; labour organizations; neoliberal restructuring; post-neoliberalism

**Mots-clés**

Argentine; organisation des travailleurs; postnéolibéralisme; réforme néolibérale; réforme du travail

During the 1990s, Argentina underwent a process of structural adjustment with unique characteristics in terms of both its intensity and its scope. Reforms gained momentum after the implementation of a stabilization plan that rapidly tempered rates of inflation that were exorbitant even for a country that had been experiencing constant price spikes of notorious intensity since at least the 1960s. These reforms encompassed the essential ingredients of what we have come to refer to as neoliberalism. In particular, throughout the decade, there was an unremitting tendency to position fiscal austerity, the reform of state institutions and the further flexibilization of labour markets as essential variables for addressing the obstacles to economic growth that increasingly tarnished the original success of stabilization in reactivating a seriously troubled economy. Specifically, it became a priority—as it had repeatedly in the past—to debilitate a labour movement with the organizational power to jeopardize the restructuring plans of the government. Another priority was, most certainly, to produce the reduction in labour costs required to make the entire package of reforms viable.

In this article, we will account for the shape that neoliberal restructuring acquired in Argentina by drawing attention to the steep costs that stability entailed for the country as the decade progressed. We will place particular emphasis on the costs that workers were called upon to bear, as well as the responses that—despite the difficulties normally entailed in organizing an increasingly heterogeneous working class—emerged in their challenge to neoliberalism.

**Hyperinflation and Neoliberal Reforms**

The 1980s was the decade of the transition to democracy and the failed attempt to reverse the effects of the orthodox economic policies of the previous dictatorship. The government of Raúl Alfonsín (1983-1989)

centred its economic policies on resuming growth by implementing traditional Keynesian policies, stabilizing the economy and overcoming the debt crisis in a sustainable manner. However, the government failed on most counts, and by 1988, its decision to postpone debt servicing created the conditions for a speculative run against the Argentinian currency led by creditor banks and a hyperinflationary episode in 1989 (Azpiazu, Basualdo, and Notcheff 1998, 18). This episode has been defined as an economic “*coup d’état*,” as it generated an extreme exacerbation of distributive conflicts where the big winners were the most concentrated capitalist fractions.

The scope of the crisis at that time was also a crucial element in cementing the consensus about the exhaustion of the import substitution strategy and Keynesian macroeconomic policies and, especially, about the need to reform the state. As it happened elsewhere, the “*natural*” solution was to downsize the state, to open the borders for trade and finance, to eliminate unnecessary regulations that purportedly distorted the operation of markets and to strengthen the rule of law and the institutional arrangements in order to create a favourable climate for investments. The need to leave extreme instability behind also legitimized the costs and sacrifices associated with these reforms and, to some extent, explain the swift pace and radical nature of reforms in the country.

State indebtedness—one of the problems that both triggered and justified reforms—paradoxically became a characteristic feature of the period, as reforms gradually created the conditions and the increasing need for the state to borrow in international financial markets. In turn, mounting sovereign debt created conditions for specific forms of subordinating the domestic economy, public policy and the institutional structure of the state to the vagaries of capital flight and to the monitoring and conditionality of credit rating agencies and the international financial institutions (IFIs). This subordination has produced changes in the working of the state, the distribution of wealth and the balances of power between capital and labour that have largely transcended the juncture in which these policies were implemented.

When the negative effects of the reforms themselves became evident, the threat of a return of hyperinflation justified further structural reforms, fiscal adjustment, and the reduction of the so-called “*Argentinian cost*” (mainly, the cost of the labour force). Moreover, the poor performance of the Argentinian economy during most of the 1990s, its vulnerability to international financial crises and the critical loss of confidence on the part of portfolio investors during the second half of the

decade were attributed to the persistence of illiberal enclaves and the deceleration of reforms. Thus, the need to protect what had been achieved and move forward with the elimination of still existing obstacles to restructuring took precedence over the increasing costs that reforms were palpably inflicting on workers and other social groups. Recession, falling tax collection and higher country risk premiums on sovereign borrowing were strong incentives for deepening fiscal austerity, while growing unemployment and the falling competitiveness of domestic production justified declining wages and labour flexibilization. As the explosive economic, political and social crisis of 2001 made painfully evident, reforms failed to deliver sustainable growth with increased social welfare as promised by their defenders. But the reformist strategy was effective in creating numerous spaces for accumulation, altering the power of social actors to place their demands on the state and tightening the links between the domestic economy and global finance.

#### **The Virtuous Stage of Neoliberal Reforms**

In July 1989, amidst a 200 percent monthly rate of inflation, President Carlos Menem (1989-1999) came to power announcing a drastic fiscal adjustment and an ambitious reform of the state and the economy heralded as the only alternative in order to leave instability and stagnation definitively behind, solve the debt crisis, attract investments and, ultimately, foster growth and welfare. This state reform consisted of the privatization of public assets, a major bureaucratic downsizing and the liberalization of the economy. Reforms created favourable conditions for renegotiating the defaulted sovereign debt and attracted foreign direct and portfolio investments that would be central for the sustainability of the macroeconomic stabilization program imposed in 1991.

In April 1991, economic authorities announced the implementation of a currency peg. The so-called Convertibility Program consisted of a legislated fixed exchange rate of 10,000 *australes* per US dollar.<sup>1</sup> Full backing in US dollars, gold, or dollar-nominated bonds was required for circulating *australes*, and the US dollar was established as legal tender. Price indexation—a practice that had become habitual in economic transactions—was prohibited, and wage increases were made conditional upon productivity gains. This way, the creation of money became subordinated to capital inflows or, what is the same, money was

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<sup>1</sup> In 1992, the peso replaced the austral. The peso stood at 1 US dollar throughout the decade of Convertibility.

transformed into an exogenous variable beyond the control of domestic monetary authorities (Schvarzer 1998). The underlying assumption behind the measure was that monetary and fiscal indiscipline were a main cause of instability. Thus, by limiting the possibility of increasing the monetary supply, the state would be forced to eliminate its deficit. It would also be forced to carry out policies that strengthened investor confidence in order to regain access to voluntary credit. The Convertibility Plan was accompanied by tariff reduction, the deregulation of many economic activities, the elimination of restrictions on foreign investments, the expansion of the number of state assets to be privatized and the reform of the Charter of the Central Bank.<sup>2</sup> Several bills were sent to Congress to modify the tax structure and tax management, including tax increases and strategies to improve tax collection and fight evasion. Convertibility succeeded in stabilizing the economy and creating conditions for a period of growth.<sup>3</sup> This original success was pivotal in strengthening the legitimacy of neoliberal reforms and creating the conditions for a “triumphalism” that overshadowed any consideration of either the effects on workers or the number of enduring macroeconomic, fiscal and external imbalances.

Interestingly, the celebration of the role of reforms in definitively solving the crisis coexisted with arguments about the persistence of threats to stability. An ever-fragile stabilization justified further fiscal adjustment and made its social costs inescapable. Hence, the poor performance of the labour market and the need to raise the international competitiveness of the domestic economy justified a series of changes in labour regulations whose purpose was to “flexibilize” labour markets and reduce labour costs.

In 1993, Argentina joined the Brady Plan to restructure the public debt. Through it, the principal of the debt and part of the outstanding interests were securitized with zero coupon bonds from the US Treasury acquired with funds lent by the IFIs (Fernández *et al.* 2007, 15). The Brady

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<sup>2</sup> The reform eliminated the Central Bank’s function of lender-of-last resort and further restricted its role as regulator of monetary supply. These restrictions were later “flexibilized” to give the Central Bank instruments to assist private banks with the purpose of controlling the disruptive effects of the Tequila crisis (see below) on the domestic financial system.

<sup>3</sup> Inflation fell from a monthly 27 percent in February 1991 to 11 percent in March and 5.5 percent in April. With some exceptions, the CPI continued to fall during the rest of the decade (INDEC, n.d.-b). After falling 2.5 percent in 1990, the GDP grew 9.1 percent in 1991, 7.9 percent in 1992 and 8.2 percent in 1993. Growth decelerated in the following years (INDEC, n.d.-c).

agreement did not provide significant debt relief but had positive effects on banks' portfolios, as they were able to transform defaulted credits, including past interest, into new debt bonds (Damill *et al.* 2005, 42). It also signalled Argentina's comeback to international capital markets and was the starting point of a new cycle of state indebtedness that took the public debt to unprecedented levels (Gambina 2003, 5-8). In the following years, borrowing would be a main element for financing the activity of the state and offsetting the growing current account deficit. As the devaluation of the peso was precluded by law, the government's efforts to boost the competitiveness of domestic production and to soothe the demands of domestic industrial corporations and exporters negatively affected by external competition were concentrated on reducing taxes and labour costs. This was in addition to dismissals associated with the process of privatization of public sector companies, successive rounds of fiscal adjustment and a freeze on wages that reduced workers' incomes and the disciplinary effects of growing unemployment. The outcome was a momentous increase in unemployment as well as social turmoil.

In summary, the period of stabilization and expansion was not characterized by the creation of employment. Neither was it a period of sustained improvements in workers' incomes (Baer *et al.* 2002, 67-69; Frenkel 2002, 45-46). However, poverty dropped, and wage earners and other groups especially vulnerable to the effects of inflation were benefited by stability and by the expansion of credit. The latter improved the purchasing power of some groups of formal workers and middle-income sectors, thus reinforcing the legitimacy of the program and increasing the obstacles to any changes in the exchange regime that would eventually affect debtors that had borrowed in dollars. Convertibility put an end to long-term forms of distributive conflict that had been at the root of high inflation. Ultimately, the commitment to maintaining the fixed exchange rate in a context of trade and financial openness prevented the state from regulating the effects of international financial turmoil and improving the international competitiveness of domestic production.

### **From Boom to Crisis**

Until early 1994, capital inflows favoured the accumulation of foreign reserves, the expansion of credit, economic growth and consumption. The situation took a turn for the worse in February 1994, when the rise of international interest rates reduced capital inflows to emerging markets. The gradual overvaluation of the domestic currency and the growing trade deficit that resulted from the stabilization program made Argentina

extremely vulnerable to the change in the international financial climate (Damill *et al.* 2002, 10). The domestic economy was severely hit by the “Tequila crisis”, which reversed capital flows and forced a drastic reduction in money supply to offset the losses of the Central Bank’s reserves. Credit fell, and the economy entered into a recessive period in which unemployment and poverty grew (Baer *et al.* 2002, 75). A bailout of the domestic banking system organized by the Central Bank, along with IMF assistance and a drastic fiscal adjustment, succeeded in stopping massive capital outflows and preventing the breakdown of the currency peg. The crisis also triggered a new round of reforms, in particular, a banking restructuring aimed to eliminate weaker local banks and promote the concentration and transnationalization of the system, the reform of provincial states to streamline provincial budgets and the transformation of public education and health care systems with the objectives of rationalizing spending and modernizing them with managerial technocratic criteria (Felder 2009, 62).<sup>4</sup>

After the Tequila crisis, the state regained access to credit, creating the conditions for an economic recovery. Similarly, state borrowing helped to overcome the effects of the South Asian crisis in 1997. But the impact of the Russian crisis was extremely severe and, in the context of the currency peg, irreversible. The country risk premium rose to unprecedented levels, capital inflows fell dramatically, and the economy (especially the banking system) became increasingly dollarized (Damill *et al.* 2002, 10-11). The rise of the country risk premium increased the cost of borrowing and, with it, fiscal hardship. As evidence of its commitment to servicing its international obligations and regaining investor confidence, the state deepened its drive to reduce public spending and implement additional structural reforms.

However, fiscal discipline failed to reverse recession or to regain fiscal balance. The Brazilian crisis and devaluation of 1999 exacerbated both the existing recession and fiscal hardship, as it restricted access to the main market for Argentinian exports and aggravated the overvaluation of the domestic currency (Baer *et al.* 2002, 74-75). In this context of deflation, growing unemployment and poverty, the efforts of the government were aimed at demonstrating its will to meet the state’s financial commitments

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<sup>4</sup> In general terms, all these reforms failed to attain their stated goals. A more transnationalized banking system fell short to prevent the financial crisis of 2001, provinces were increasingly unable to deal with growing social demands and falling resources and the performance of the public schools and hospitals fell to unprecedented levels.

by means of further fiscal adjustment, institutional reforms and repression and control of social protests combined with selective clientelistic hand-outs. But the combination of poor economic performance, generalized social discontent and widespread government corruption led to the electoral defeat of the party in power and the coming to power of Fernando de la Rúa (1999-2001), the candidate of the Alliance for Work, Education and Justice (*Alianza por el Trabajo, la Educación y la Justicia*).

### **Hyperdeflation and the End of Convertibility**

When de la Rúa took power, recession seemed hard to reverse; debt servicing demanded a growing share of falling state revenues and the country risk premium was growing geometrically. Consequently, doubts about the ability of the country to meet its financial commitments mushroomed. The government responded by announcing a new fiscal adjustment plan that included a cut in public employees' nominal wages, the elimination and merging of state agencies, a rise in the VAT (Value Added Tax), the postponement of public works and the elimination of several social assistance programs, among other savings. The adjustment was justified on the grounds that international trustworthiness would help to reduce the country risk premium and attract capital inflows, leading to economic recovery and, with it, improved tax collection. In addition, the government attempted to counteract the effects of the currency overvaluation on the competitiveness of domestic production by deepening labour market flexibility and reducing payroll taxes. Predictably, the draconian fiscal adjustment aggravated the already serious recession and affected tax collection. The fall in state revenues further increased the country risk premium, forcing the government to pay extraordinarily high interest rates to roll over the public debt and intensifying doubts about the ability of the state to service it (Damill *et al.* 2002, 12). Facing a "crisis of confidence", in December 2000 the government obtained a preventive loan, administered by the IMF and contributed to by the Fund itself, the World Bank, the Inter-American Development Bank and the Spanish state, as well as some international private banks. Even though the loan was presented as an instrument for boosting economic activity, in a manner congruent with the IMF's policy priorities, the intention was actually to protect creditors against a probable default. The *quid pro quo* was the commitment to introducing additional budgetary reductions and modifying the retirement and healthcare systems in order to reduce future state contributions and expand the room for private capital accumulation within them.



As the recession continued, tax collection did not improve, and the government failed to meet the commitments included in its agreement with the IMF, which led the institution to cancel the release of funds. In March 2001, a plan to impose a drastic fiscal cut that would especially affect public education was blocked by massive social protests. Soon after, Congress passed a bill that granted the economy minister extraordinary powers to reduce the fiscal deficit, but which, nonetheless, failed to restore lenders' confidence. Instead, the recessive effects of state austerity and its effects on tax collection enhanced doubts about the ability of the country to meet its financial commitments, thus increasing the country risk premium.

In order to alleviate the burden of debt servicing, in March 2001 the government implemented an exchange of existing sovereign debt bonds for new bonds with longer maturity and higher interest rates. The bond exchange and the new fiscal adjustment proposal helped to unlock IMF lending. However, they did not have any significant effect on the country risk premium, nor did they stop capital flight.

As the crisis worsened, the government renewed its commitment to maintaining Convertibility and prioritizing the financial commitments of the state over any other goal. In July 2001, the government announced a "zero-deficit" policy, making state spending other than debt servicing conditional upon the availability of fiscal resources. Nominal public sector wages and retirement pensions were immediately reduced by 13 percent, and plans were made for further reductions in the future. This new fiscal adjustment also failed to solve the financial hardship of the state, but it fuelled social anger and resistance to austerity, destroying the already thin legitimacy of the government (Felder 2007).

The failure of a new attempt to restructure the sovereign debt in October 2001 accelerated capital flight. After international institutional investors and banks had left the country, the IMF lost its interest in protecting the Argentinian economy, blocking its disbursements and pushing for a default, a restructuring of the public debt, a devaluation and a deepening of fiscal adjustment and structural reforms. However, prominent members of the Argentinian government were more inclined to dollarize the economy (as a way to eliminating exchange risk). As the dollarization was unfeasible, a desperate attempt to maintain the peg was made in December 2001. Responding to massive withdrawals of bank savings, the government imposed restrictions preventing bank customers from withdrawing their savings, the so-called "*corralito*". The *corralito* transformed the recession into a paralysis and social anger into a revolt that forced de la Rúa's resignation. During the following weeks, the country

defaulted on part of its sovereign debt and devalued the currency. The devaluation required a revision of the legal and institutional framework that had ruled the economy during the 1990s and triggered fierce struggles around the distribution of the costs of the crisis and the orientation of the recovery.

After the devaluation, inflation re-emerged in a deeply recessive context. Attempts to follow the IMF's recommendations to deepen fiscal discipline and further liberalize the economy met massive social resistance and aggravated the existing economic instability and recession. The economic situation started to change in mid-2002, when—disregarding IMF requirements—the economic authorities made the decision to intervene in the exchange market and to regulate capital movements in order to control the devaluation of the currency. The subsequent stabilization and a more competitive exchange rate created the conditions for an economic recovery.

A process of political “normalization” that included a call for presidential elections and a gradual decline of social mobilization accompanied the economic recovery. In April 2003, Néstor Kirchner (2003-2007), then governor of a province in southern Argentina, won the election. Given the recognition of the political impossibility of solving the crisis with traditional neoliberal instruments, Kirchner's policies have been interpreted by many analysts as a signal of the end of neoliberalism. Nonetheless, the depth of the transformation that neoliberalism brought to the country has proven difficult to change.

### **Working under Neoliberalism: Reshaping the Meaning of Work**

As we have suggested above, the program of structural reforms in Argentina under the aegis of a fixed exchange-rate regime created a very particular set of economic circumstances, with deleterious consequences for workers. One key variable in the determination of this problem was the performance of the industrial sector. Immediately after the stabilization, domestic industry underwent a process of expansion and rationalization. Investments in new technologies combined with the reorganization of labour processes and changes in labour regulations resulted in accelerated growth, with higher labour productivity and a reduction in the number of jobs per unit (Frenkel 2002, 46). Gradually, the appreciation of the domestic currency in combination with trade liberalization forced a large number of firms out of the market. Those who survived the competition from artificially low-priced imports did so by replacing an increasingly expensive labour force with capital equipment that overvaluation had

made cheaper to acquire (Chitarroni and Cimillo 2007, 7). Both trends—the elimination of less competitive firms and growing investment in labour-saving technology—resulted in rising levels of unemployment. As we have mentioned above, the privatization of state companies became another source of labour displacement. The negative performance of employment was also related to the changing structure of exports. The production of these exports was intensive in the use of primary resources and capital and thus could not provide a dynamic alternative for the absorption of workers displaced from other economic activities undergoing major restructuring during the 1990s (Nochteff 1998, 32).

The nature of economic growth and decline during the 1990s was, then, a critical variable in the radical transformation of labour markets in Argentina. The following statistics provide a good indication of the devastating results of neoliberalism. Unemployment increased from 6 percent in 1991 to 18.3 percent in 2001, with underemployment affecting an additional 16.3 percent of workers. In 2000, the number of precarious jobs—that is, work that does not provide healthcare, social security, paid vacations or other forms of protection—increased to 40 percent, from 26.7 percent in 1990. These figures only worsened after the meltdown in December 2001 and early 2002. Thus, by May 2002, the percentage of unemployment had risen to 21.5 percent and underemployment to 18.6 percent. Figures for poverty and indigence levels reached their all-time historical high in modern Argentina in May 2002, when 53 percent of the population was living below the poverty line, and 24.8 percent was living below the indigence line (INDEC n.d.-a). Structural changes and their impact on labour markets were also reflected in the distribution of income: while in 1974 the poorest decile of the population received 4 percent of the national income, by 2003 the figure was only 1.9 percent. In contrast, the richest 10 percent of the population saw its share of national income soar from 21.2 to 31.7 percent over the same period. Moreover, it is important to note that while poverty levels were closely related to the growth of unemployment and precariousness, it is also evident that work itself was not sufficient to provide for the satisfaction of basic needs.

Worsening social conditions and the increasing pressure of social mobilization prompted the government to find mechanisms to address the demands of the sectors most affected by the employment crisis. As a general pattern, though, programs implemented to provide some relief did not become effective means for sheltering people from the devastating consequences of neoliberalism. Following the prescriptions of the World Bank and the IMF, these programs targeted a very specific and small

portion of the population. Thus, for example, the most important employment program during this period, *Plan Trabajar*, only reached 150,000 beneficiaries, although unemployment affected approximately 5 million people at the time (Ogando 2004). It was only after the momentous social upheaval and political crisis of 2001-2002 that the new Program for Unemployed Heads of Family (*Programa Jefes y Jefas de Hogares Desocupados*), with a much broader scope, was implemented. This program reached 2 million beneficiaries across the country by the end of 2002, but it did not overcome the limitations of previous social programs with respect to the extremely low level of benefits it provided. Moreover, it did not provide healthcare or social security coverage either. In a similar vein, in the early 1990s the government instituted an unemployment insurance program. However, by 1999 only 7 percent of unemployed workers qualified to receive the very low benefits the program offered (CELS 2003, 16). In short, there was no escape from the poverty that neoliberalism had imposed on a very large segment of the population. Under these conditions, workers did not have many options other than accepting the precarious conditions employers were increasingly able to impose. Either because the government succeeded in passing labour legislation that regularized forms of precarious employment, or because of the high levels of unemployment and underemployment, workers were forced to accept jobs that did not offer any kind of protection under the law or provide access to the existing social security system. Growing informality, precariousness, unemployment and the widening income differential between workers experiencing these kinds of irregular work and those able to retain formal employment were all key in determining the growing heterogeneity of the working class.

### **Nothing Would Be the Same: Workers and Labour Reform During the 1990s**

The policies put forth by the Peronist administration of Carlos Menem came to the surprise of many who had understood his victory as a key step in a return to the party's more traditional concern with redistributive issues. The new scenario in the 1990s presented the powerful, mainly Peronist Confederation of Labour (CGT, *Confederación General del Trabajo*) with political demands and challenges to which it was only partially equipped to respond. First, the key role of the CGT within Peronism and its party (the Justicialist Party), in effect since the consolidation of Peronism as the central political force in Argentina in the mid-1940s, had been in decline since the 1980s. Menem's first measures in government, and in particular his labour reform initiatives, were indeed clear manifestations of

organized labour's deteriorating position within the party (Gutierrez 2001).

Nonetheless, even under less than optimal conditions, the CGT was still a force with considerable resources at its disposal. Specifically, through its representatives and allies in Congress, it was able to block legislation or modify bills unacceptable to labour leaders in their original form. Moreover, it was the ability to reach consensus with the CGT-affiliated members of Congress that made the sanctioning of key labour reform bills possible (Etchemendy and Palermo 1998, 376). Its willingness to negotiate with a government it considered its ally did not prevent the CGT from using more pressure when it deemed it necessary. Thus, after 1996 the CGT called a number of general strikes, particularly when it became concerned that the reforms were threatening areas it considered fundamental to its institutional integrity, or when it wanted to secure its place in the negotiation of labour reforms. In general, though, its intervention was ineffectual in preventing successive reforms that legalized various forms of precarious employment and that undermined a number of key labour rights. These reforms affected labour costs in very concrete and direct ways and thus became increasingly important as the national currency became overvalued during the 1990s and pressure to reduce production costs mounted. Particularly significant in this area were reforms aimed at reducing the contractual obligations of employers, thereby facilitating both the creation of a more flexible labour force by reducing the costs of hiring and firing workers as well as the use of temporary and part-time workers. These conditions also curtailed the right to strike and made wage increases subject to sectoral improvements in productivity.<sup>5</sup>

Menem also introduced legislation to change the regulation of collective agreements in order to make plant-level negotiations possible. While the change was eventually reverted with new legislation introduced in 1998, in practice, unions agreed to negotiate at the plant level, in many cases accepting reductions in wages or the deterioration of general working conditions (Salvia *et al.* 2000, 62). The government also attempted to undermine the monopoly that unions had exercised on the provision of health and welfare services by allowing private competition in the area.

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<sup>5</sup> The prohibition on granting wage increases not related to productivity gains was a pivotal aspect of the legal framework of Convertibility, aimed at eliminating price indexation (Bissio, Battistini, and Montes Cató 1999). The result was a virtual absence of wage bargaining during the decade.

However, this was precisely where the CGT drew the line on what it was willing to accept, and thus reforms in these areas did not prosper during the Menem administration.

### **Responding to Neoliberalism**

The support the CGT extended to many of Menem's reforms and the ineffective opposition it presented to changes that undermined several of the rights that workers in Argentina had accumulated over 50 years of struggle put the CGT in a particularly weak position. The CGT also faced a new scenario in terms of its unity and its effective hold on its monopoly on representation in the labour movement. The CGT had faced problems of internal division several times before in its history, as well as challenges from strong oppositional movements within its rank-and-file. However, in the 1990s, the leadership of the CGT was forced to address these challenges under conditions that increased its vulnerability: its diminished political clout within the party and the increasing heterogeneity of the working class. Under the weight of the circumstances, the CGT split in two from 1989 to 1991. The leaders of the sectors that remained closer to the government benefitted in significant ways from the various perks associated with their relationship.

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An important faction of the CGT representing unions in sectors that had been less affected by the economic transformation during the 1990s (in particular, services and transportation) presented a much more open opposition to reforms. The leader of this faction, Hugo Moyano, became a vocal critic of the reforms that Menem introduced. Moyano would later succeed in becoming the leader of the re-unified CGT in 2004, which once again became a key interlocutor of the state under the Kirchner administration.

By 1992, a group originally composed mostly of public-sector unions split from the CGT and constituted itself as an independent organization that later became the Central of Argentine Workers (CTA, *Central de Trabajadores de la Argentina*). This organization's strategic effort to organize the increasingly heterogeneous working class represented a new and vital experience for the labour movement in Argentina. The CTA played a fundamental role in this respect, and while its trajectory after the 2001 crisis has been marked by tensions and internal conflicts, its decisive participation in the 1990s set a very valuable example of more progressive and innovative forms of unionism. An important factor in the CTA's success was the incorporation of a sector of unemployed workers, the Federation of Land, Housing and Habitat (FTV, *Federación de*

*Tierra, Vivienda y Hábitat*), under the leadership of Luis D'Elia. The FTV was but one of the many organizations of the unemployed that emerged during the 1990s as alternative forms of organizing the growing mass of workers who faced unemployment and who had been most negatively affected by changes in the labour market. The *piquetero* movement, as it became known, was and remains a very heterogeneous movement, representing organizations with diverse political backgrounds and organizational strategies (Svampa and Pereyra 2003).

While the sum of the conditions outlined above—growing instability in labour markets, increasing poverty, weakness in workers' organizations—pointed to a juncture hardly conducive to the effective defence of labour rights, in fact workers presented a major challenge to the policies of the Menem administration. Interestingly, resistance to neoliberalism was articulated through the emergence of new actors, in particular the CTA and the *piquetero* movement. It is, then, toward these organizations that we would like to focus our attention.

### **Workers' Struggles and the Collapse of Convertibility**

In its original form, the CTA brought together large unions within the public sector, in particular the Association of Public Workers (ATE, *Asociación de Trabajadores del Estado*) and the Central of Education Workers (CTERA, *Confederación de Trabajadores de la Educación de la República Argentina*). During the 1990s, the CTA grew to encompass other unions in different sectors of the economy, but its most important area of expansion was in sectors outside the traditional sphere of union affiliation, in particular the unemployed and also the precariously employed. Part of its growing strength during this period was related to its practice of individual forms of affiliation, as opposed to the traditional model based on the representation of constituted unions.

The CTA was effective in attracting a very wide range of workers, including the unemployed, underemployed, self-employed, retirees, workers in worker-run enterprises, and those employed in the formal sector. Almost paradoxically, the influence the CTA achieved until 2001 was undermined by the political events of the post-Convertibility period and the unfolding of a new phase in workers' struggles under conditions of rapid and sustained economic growth.

Nonetheless, during the 1990s, organizations like the CTA were instrumental in facilitating the lines of communication among various sectors within the working class. The CTA represented, in this respect, a major anti-neoliberal effort to bring together a range of demands from

sectors affected in particular ways by the process of restructuring and to articulate them through various but coordinated forms of struggle and protest during the 1990s. Vital in accounting for the achievements of the CTA as an organizational alternative for the working class was its influence among the movement of the unemployed.

For those without a job, forms of protest that had previously been only marginal became extremely important as they gained a growing capacity to organize. In particular, the disruption of highways and bridges, and in some cases land occupations, became central in staging demands articulated around the most urgent community needs: work programs and their extension and renewal, the distribution of food assistance, and the reduction in public service fees.

Key actors in the earliest *piquetes* in the 1990s were skilled workers in the country's interior provinces. Roadblocks became a fundamental part of mass protests, emerging in several regions hit very hard by the privatization of public enterprises, which until then had provided the main source of employment. In some cases, roadblocks also became central to organizing mass demonstrations against wage payment delays for public sector employees as provincial governments faced increasing fiscal problems. Progressively, *piquetes* became the most common form of protest in the poorer areas around the city of Buenos Aires and later in other urban centres critically affected by the growth of unemployment. In the process, they also became disassociated with the workplace of those involved, quite clearly because for the majority of *piqueteros* there simply was no workplace.

The growing presence and significance of *piquetero* organizations became one of the most important political events of the 1990s, as they gained not only momentum in their struggles but also legitimacy as political actors. The rapid expansion of the Argentinian economy since 2003 and the resulting reduction in unemployment goes a long way to explaining the waning significance of the *piquetero* movement since then. Nonetheless, there were some features in the development of the organizations of the unemployed that also account for their diminishing capacity to organize workers only precariously inserted in the labour market.

One key problem was related to the difficulties that *piqueteros* encountered in coordinating their struggles. Thus, while we usually refer to them as a "movement", in practice the organizations remained marked by deep lines of division regarding politics as well as strategies of organization and representation. The propensity and willingness to



maintain open communication with the government was another major line dividing these organizations (Epstein 2003, 20-21). Differences regarding relations with the government became even deeper after the election of Néstor Kirchner to the presidency in 2003. Finally, some of these organizations took on a key role in the distribution of work programs, and this was the source of a considerable amount of conflict, since the government thus acquired important leverage with which to further influence, control and divide these organizations. Nevertheless, *piquetero* organizations varied considerably in terms of size and organizational strength, so the influence of the government and other local actors on them was also wide-ranging (Svampa and Pereyra 2003, 90).

Notwithstanding their differences and their eventual downfall, it is still important to point out the crucial role of all these organizations in configuring an essential space for the emergence of a common identity among their participants. In particular, they provided a new social meaning to their experience of being “excluded”, giving the movement a specific political potential at the time (Cross and Montes Cató 2002, 92-93). This was no minor achievement, particularly considering the visibility these organizations gave to the plight of a broad sector of society so negatively affected by neoliberalism.

The lack of a political force that could provide broader content to the demands emanating from this sector was one of the most serious deficits of the time. Nonetheless, the CTA as a union central was capable of contributing vitally to the promotion of alternatives that attempted to inject the protests around unemployment and poverty with broader political objectives. In the months leading up to the uprising of December 2001, for example, the CTA was a key force behind the organization and coordination of mass protests that brought the unemployed together through roadblocks and mass demonstrations in downtown Buenos Aires, along with public sector employee and teacher strikes and other forms of community-based protests such as *cacerolazos* (pot-banging protests). Probably the most important outcome of these days of protest was the confirmation of the role of organizations of the unemployed as leaders in the opposition to the government’s adjustment plans.

It is impossible to account for the events of December 2001 without understanding the pivotal role that workers’ organizations acquired in mobilizing opposition to policies that had taken Argentina to a crisis of such enormous proportions. The political events that have unfolded since have created a radically different political scenario, with challenges of its own for the working class. Yet, as problematic and contradictory as the

process has been, what is beyond doubt is the loss of the consensus that free-market policies once enjoyed and the key role played by labour mobilization in producing this outcome.

### **Beyond Neoliberalism?**

Argentina's trajectory during the 1990s points to the centrality of policies that, as it happened in so many countries at the time, profoundly transformed the nature of the intervention of the state in the economy and the objectives of its regulatory role. The depth of the crisis Argentina faced early in that decade, the particular characteristics of the stabilization plan designed to address it, and the intensity with which reforms were carried forward also indicate the necessity of understanding local conditions in the determination of the contours neoliberalism acquired in particular cases.

Acknowledging the deep political crisis that affected the legitimacy of the state in 2001, Néstor Kirchner and Cristina Fernández de Kirchner (2007-2011) have rejected international and domestic pressures to both resume the path of neoliberal structural adjustment and eliminate newly introduced regulations that have partially isolated the Argentinian economy from the volatility of global finance.

The higher exchange rate has resulted in a drastic reduction of domestic costs (including labour costs) and created more favourable conditions for a process of import substitution and industrial revitalization. Likewise, a more competitive exchange rate and rising international prices for the country's agricultural and agroindustrial products have resulted in a sustained growth of exports. Through the imposition of a tax on the exports of primary goods, the state has appropriated part of the foreign exchange windfall. This, in turn, has helped to solve the twin deficit (external and fiscal) that affected the country during the previous decade of currency overvaluation. Finally, the reversal of the decade-long fiscal hardship and the political crisis of the discourse of fiscal austerity have given the state a renewed role in subsidizing diverse economic activities and expanding welfare and social security benefits for diverse groups.

This cycle of growth has not been free of tensions. The economic recovery and the drop in unemployment made room for renewed union strength and wage demands. The latter, along with growing domestic consumption and the oligopolistic nature of some markets for mass consumption goods, have created strong inflationary pressures. Rising inflation has been at the centre of economic policymaking and political controversy.

Closely related to the priority given to growth and the rejection of pressures to resume the path of adjustment and austerity, policies in the area of labour relations acquired a particularly critical significance in the wake of the crisis in employment, the alarming levels of poverty and the demands of organizations representing precarious and unemployed workers in the early 2000s. Reducing unemployment was clearly a central priority, but addressing poverty also demanded an improvement in wages and specific welfare policies that targeted the working poor. Initially, the government relied on presidential decrees granting lump-sum wage increases for all (Orovitz Sanmartino 2010). These across-the-board increases partially offset the effects of inflation and improved the wages of formal workers as well as some sectors among the precariously employed. Since 2004, collective bargaining between workers and employers with the mediation of the state has gained momentum and has cemented the trend toward a significant improvement of salaries among registered workers. Moreover, some of the labour flexibilization measures introduced during the de la Rúa government have been reversed. Precarious workers have also benefited from some wage improvement in connection to the increase in the legal minimum wage and the rise in salaries, but their wages are increasingly lower than the salaries of formal workers (Chitarroni and Cimillo 2007, 7-8).

Nonetheless, salaries have also been slow in recovering. Taking 1970 as the base year, the average real wage reached the lowest point in 2003 (54.8 percent of the 1970 level). It gradually rose to 69 percent in 2006, but without reaching the level of the mid-1990s (88.6 percent of the base year in 1994) (Graña and Kennedy 2008). A clear expression of the losses workers have experienced is the fact that in 2006, unemployment dropped to a level similar to that of 1993, but the number of households below the poverty line was 50 percent higher (Graña *et al.* 2008). Inflation is an important factor explaining the gap between economic growth and the evolution of real wages and other social indicators. The implementation in 2009 of a child subsidy for families of those unemployed, informally employed or self-employed with salaries below the minimum wage has had some impact in raising family income, but again, inflation might undermine some of its anti-poverty potential.

To fight informality, the government has concentrated its efforts on simplifying the procedures for registering workers, on implementing a tax moratorium for employers that registered their workers and on intensifying audits. These policies have been effective among unregistered workers within formal firms. However, many other precarious workers

who form segments of the informal sector remain trapped in situations of vulnerability. They are part of the growing number of very small companies, family firms and self-employed workers linked to larger firms in the formal sector through the outsourcing of activities (Gioza Zuazúa 2007, 332-334). Thus, although 85 percent of the jobs created between 2003 and 2008 were registered formally, precarious workers still represent 36.5 percent of the workforce (Orovitz Sanmartino 2010). This figure is still considerably higher than the level in 1991, when informal workers represented 30 percent of the workforce, which was already a major increase from the 19 percent in 1980 (Chitarroni and Cimillo 2007, 6).

As we have suggested, changes since 2003 cannot be fully understood without taking into account the fundamental role of social mobilization in delegitimizing the previous consensus on neoliberalism. In the same way, the course that economic change has taken in the post-Convertibility period must be considered in terms of the political context that has made it possible. The transformation of the labour movement has been particularly important. As part of the government's support for re-establishing the central role of collective bargaining in the determination of wages, the CGT, under the leadership of Hugo Moyano, has effectively repositioned itself as the hegemonic labour representative in the country. The new strength of the CGT does not imply that it has been able to effectively represent all workers' struggles or the plight of precarious workers, but this has not prevented it from regaining the privileged role it historically enjoyed as the main interlocutor between the working class and the state.

The demands of many of the organizations of the unemployed also encountered a very different response under the government of Néstor Kirchner. Partly because of the government's recognition of the demands raised by these sectors and also because of the political significance of representing them, organizations within the *piquetero* movement were drawn within the spheres of the state in a process that emerged as a new, viable channel to influence policymaking. This was not simply an issue of co-optation or clientelism, but rather an alternative way to institutionalize the demands of these organizations in a moment when increasing the basis of support was critical for the government.

The CTA's transition into this new stage was profoundly affected by the two previous transformations in the universe of labour politics: the demobilization of the organizations of the unemployed and precariously employed and the reaffirmation of the position of the CGT within the

government. These new conditions produced important new tensions and divisions within the organization that also revealed some of the fundamental weaknesses in the trajectory of the CTA. In particular, its decision to become a political movement in 2002 turned the problem of finding a common ground to represent a more democratic segment of the labour movement into a function of its ability to innovate politically. However, all the CTA's new role as a political force achieved was to encourage its leaders to participate within other political parties, thus constituting another factor in the development of deep cleavages within the organization (Patroni 2008). Deep disagreements within the CTA also exist with respect to a government that positions itself as progressive but has supported the rebuilding of the central role of traditional unionism.

To conclude, the persistent fragmentation of the working class is one of the key characteristics of the current process of development in Argentina. It coincides with a moment of uncertainty with respect to different alternatives within organizations of the working class and their capacity to structure their struggle around precariousness. It is doubtful that further economic growth by itself can address the problem, as it is logical to suspect an important correlation between informality and the accumulation requirements of capitalism in Argentina today. In this respect, debates over whether the post-Convertibility administrations have distanced themselves from neoliberalism are in many respects misguided. The change is evident, although this does not preclude the existence of important continuities. In our view, a much more relevant question is the degree to which structural changes in the economy since the 1970s can be reversed, given the distribution of power in Argentina and the dynamism of its new stage of economic growth and insertion into international markets. Regarding the structure of labour markets, the persistence of very high levels of precarious employment points to the deep-seated transformation in the economy brought about by neoliberal reforms, which might lie beyond the space of viable change, even for a more progressive government.

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