



International
Labour
Organization

EXECUTIVE SUMMARY

► COVID-19 and the Labour Market in Argentina:

The challenge of fighting against the pandemic and its socio-economic impact in a period of serious economic challenges

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Executive Summary

This document analyses the impacts of the crisis caused by the COVID-19 pandemic in Argentina, especially the effects related to employment and the labour market as a function of the economic and social context. The study offers general and sector-level estimates on the subject, based on an analysis of the data available for the first quarter of 2020. It uses a categorization of activities elaborated by the ILO according to the level of risk related to the pandemic and based on the implementation of the hypothetical extraction model. In accordance with this analysis, the report identifies major vulnerabilities in the world of work, it highlights the measures implemented by the government and it indicates specific objectives that could guide future public policies, while underscoring the importance of social dialogue in designing strategies oriented at achieving more sustainable, inclusive and productive economies in view of the deep transformations involving to the world of work in this pandemic.

The health crisis caused by COVID-19 reached Argentina at a time of economic and social weakness. Barely 100 days after taking over, the new government found itself in the process of renegotiating the public debt within the framework of a contraction of the GDP, a high level of inflation and a weakened labour market. In this situation, on 20 March, Argentina implemented a regime of social, preventive and mandatory isolation (Decree 297/2020), which is still in force up to now, albeit with some amendments. The measure is part of a comprehensive strategy implemented by the government: in addition to protecting the health of the population by containing the expansion of the virus, the measure seeks to gain time in order to strengthen the national health system and adapt its response to the health emergency.

The economic and social harm caused by the COVID-19 crisis will most certainly be considerable, although foreseeing the multiple dimensions of its impact is a complex task. In addition to the pre-existing socio-economic precariousness, Argentina also sustained drops of 10 and 17 per cent in its economic activity during the months of March and April, respectively, the annual inflation rate reached 43.4 per cent in May and the economic outlook remained uncertain.

While the uncertainty about the evolution of the virus makes it difficult to foresee not only the duration of the lockdown measures but also the impact of the economic downturn, initial estimates indicate that the recession will deepen. The drop in GDP in 2020 will be around 6.5 per cent, according to the Ministry of Economy of the Nation and the Economic Commission for Latin America and the Caribbean, although according to estimates of the IMF and the bank JP Morgan the drop will reach approximately 10 per cent. The various projections

all coincide in that the contraction will be deep: the economy will be trapped in a vicious circle of decreasing consumption, fewer jobs, less income, a drop in investments and less savings.

Specifically, the Argentine economy will be affected through several transmission channels of the crisis. With respect to foreign trade, even though the effect will be less than in other countries, the concentration of exports in agricultural chains and towards destinations that are heavily affected by the pandemic – such as Brazil, the European Union, the US and Chile – increases the country's vulnerability to a drop in international prices, especially for soy, wheat and corn. Private consumption will be heavily affected by social distancing measures, which have an impact on supply, demand and liquidity, therefore particularly placing micro-, small and medium-sized enterprises at risk. Investment will also be halted, except for industries that are key to handling the outbreak, such as the food industry, pharmaceuticals and medical equipment. Major capital outflows are forecast, in addition to upward pressure on the currency markets, which will even further weaken the savings market in pesos. As a whole, the major challenge faced by the government in the short term is debt restructuring, not only to build fiscal space that contributes to economic recovery, but also because of the additional paralysis it impresses upon the economy.

Socially, the crisis has an impact on earned income, a factor that determines the available household income in Argentina. A major increase in poverty and inequality is consequently expected, even considering the contributions coming from the social transfers implemented to support income.

Argentina's labour market, which was already weak before the pandemic, began to show the impacts of COVID-19 in the first quarter of 2020. The unemployment rate rose to 10.4 per cent – a notable increase with respect to the last quarter of 2019 – and pressure on the market from the labour supply reached 28.3 per cent. Moreover, the increase in the rate of non-registered workers grew to 35.8 per cent, which shows the relevance of labour informality in the Argentine production system.

As for registered employment, while information for the labour force as a whole is still not available, the Survey of Labour Indicators of the MTEySS showed an annual downward trend of 3 per cent in private employment recorded at enterprises with over 10 workers in the months of March and April 2020. Furthermore, a big increase in the rate of suspensions is notable, which reached 7.5 per cent of workers in April 2020, after months of remaining below 1 per cent. The reasons for these suspensions also changed. While disciplinary reasons are normally the cause of approximately 85-90 per cent of suspensions, this percentage decreased to 14.5 per cent in April 2020. The percentage of suspensions due to "other causes" exceeded 70 per cent in April 2020, thereby indicating a strong correlation with the COVID-19 crisis.

This impact on recorded employment is also shown in the evolution of the number of registered workers, according to data from the Argentinian Integrated Social Security System (SIPA). While a decreasing trend had already been recorded in recent months, in April 2020 the number of registered workers decreased by 274,300 people, meaning 2.3 per cent in comparison with February 2020. Wage earners represent the greatest percentage of losses of registered employment, reaching 70.2 per cent of total terminations.

Within this context of crisis, some groups of workers will be especially affected. This is the case of workers over 60 years of age who remain occupied for economic reasons; the case of young people, and especially young women, who are the group most affected within the framework of the pandemic, with a 23.9 per cent unemployment rate; and the case of migrant workers, who, in addition to labour informality and the risk of losing their jobs, also face the difficulty of accessing aid measures and the impossibility of returning to their places of origin due to the closure of borders.

In terms of sectors, based on the classification into five segments according to the risk level proposed by the ILO globally, those sectors that are major creators of employment and that are also strongly feminized will be the most adversely affected, such as commerce, tourism, hotels, food and catering services, transport, domestic work and cultural activities. The sector that will feel the greatest impact and that will take the longest to recover will likely be the sector of hotels, restaurants and tourism agencies.

Workers in activities declared to be essential will have greater job security, but they will be exposed to major health risks, not only the risk of infection but also psycho-social risks. This is especially true for workers in the health system (70 per cent of which is composed of women, who are heavily penalized by unequal labour conditions) and for workers who provide caregiving tasks (a sector that is also feminized and highly exposed, with an overload of working time and high informality). Other groups of workers who are exposed to greater risk are those who provide emergency and security services or those who work in public works, transport, waste processing and water and power services, among whom there are additional risks related to scarce protection, an overload of working time and increased stress.

Micro-, small and medium-sized enterprises merit special attention, given that they accounted for 61 per cent of private employment in Argentina in 2019 and their participation is greater in branches of activity that are the most affected by the pandemic. The financial and asset structure of this sector exposes it to considerable vulnerability, with a high percentage of inactivity and an increased risk of closure. In employment terms, these impacts will even further intensify the decrease in wage-earning employment in favour of other categories, such

as own-account workers or small contributors under the simplified tax scheme, who are subject to greater precariousness, lower wages and longer working hours.

Even though the effects of this crisis will certainly be greater than those of other crises, as it affects labour-intensive sectors, estimating future impacts on the GDP and employment is difficult. Yet by applying a hypothetical extraction model to Argentina, it can be deduced that, as a result of the impact of COVID-19, employment will contract by 11.3 per cent in 2020. This means that over 1.2 million people will lose their jobs. In addition to the magnitude of the contraction, the estimate indicates that the most affected sectors will be hotels and restaurants, construction and community services. Regarding worker profiles, the most affected will be males, young people and workers qualified as assistants. Since the simulation does not contemplate the effects from public policies designed to sustain employment, the aforementioned drops should be partially cushioned.

In this regard, policy responses implemented by the Argentine government amounted to 5.6 per cent of the GDP and were oriented at stimulating and supporting the economy and employment, protecting workers and seeking solutions to the crisis through social dialogue, thereby allowing a comprehensive approach to the problem. Among the implemented measures, highlights include the Emergency Assistance Programme for Work and Production (ATP), credits at preferred rates for small-scale companies and the Emergency Family Income (IFE), which reached 8 million unemployed persons, informal workers, small contributors under the simplified tax scheme and domestic workers.

While employment and income support policies that strive to be universal were implemented quickly, their effective coverage has to be assessed, and the response must be adapted to the extent that the existence of vulnerable populations beyond the scope of this aid are observed. In fact, the state faced the unavoidable difficulty of processing and responding to an unprecedented number of applications for the main employment and income support programmes that were established. This clearly shows the importance of having registers that allow the system to include all employers, workers and all other people. For example, implementation of the ATP programme, targeted essentially at private enterprises of the formal sector that were already registered, turned out to be a relatively simple and problem-free process. However, execution and effective payment of the IFE was more complicated.

In addition to the effective execution of the announced measures, major challenges are still pending within the scope of public policies, such as redefining the response in order to handle medium- and long-term needs, with a focus on industries that are going to take longer to recover and on those that will have to make a greater investment in order to adapt their infrastructures to the new reality.

The recommendation of flexible working arrangements such as remote work or telework has been expanded without considering the necessary measures for bridging the gaps that exist between enterprises and workers so that they can adapt to this type of work organization. The opening-up of activity poses the immense challenge of mapping out and establishing preventive measures and specific protocols for all sectors, to the extent that their activities are progressively permitted. Moreover, regulations must be adapted to close the gaps in access to labour rights such as health and safety protection, especially in the case of self-employed workers. Likewise, strengthening the gender perspective is crucial in the response to a crisis in which women are assuming an extraordinary burden of care. Tripartite social dialogue must be supported to design effective strategies and policies that guarantee representation for all sectors and interests, with a specific focus on those with a weaker negotiating position.

For Argentina, the resolution of the macroeconomic issue is a necessary requirement to emerge from the crisis. A re-orientation of priorities in the public budget, as well as a redistribution of the tax burden in favour of parts of the population with the greatest needs, are major roads. Another option to explore would be to access international emergency and rescue funds, given that Argentina will be an eligible country. In this case, not only international cooperation but also financial cooperation must be specified under conditions that are favourable to the country's present and future.

The current crisis is modifying social and labour habits: the expansion of telework and electronic commerce, the promotion of local supply chains and virtual education are examples of activities that could continue to be expanded, but the digital gap that could accentuate existing inequalities must not be overlooked. As it was previously stated, the inequalities affecting informal workers, self-employed workers, small contributors under the simplified tax scheme and women are also being exacerbated. It should therefore be emphasized that the complex crisis due to the COVID-19 pandemic also represents an important opportunity to transform towards a more productive, sustainable and inclusive economy that resolves injustices and precariousness in the current world of work.

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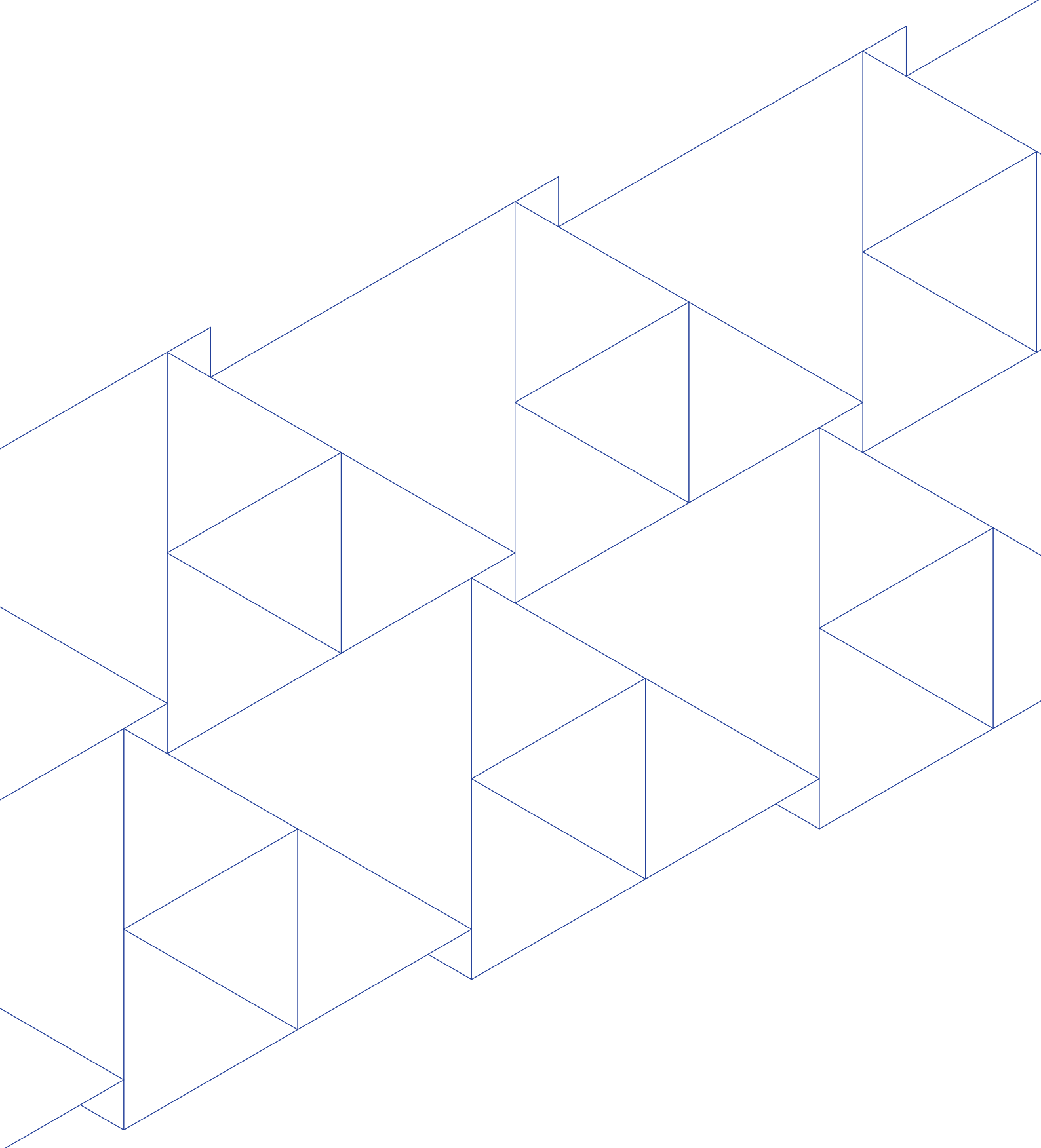
► NOTICE

The use of language that does not discriminate or mark differences between men and women is one of the concerns of our Organization. However, there is no agreement among linguists about how to do so in Spanish. In this regard and in order to avoid the graphic overload that would be meant by using 'o/a' (male/female gender markers in Spanish), we have opted to use the classic generic masculine marker in the Spanish version, thereby understanding that all mentions in such gender always represent both men and women.

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