

Argentine unions and employers agree to wage cuts pushing millions into poverty

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The administration of President Alberto Fernandez (Peronist) is responding to the COVID-19 crisis in Argentina with mandatory quarantines, subsidies to big business, and wage cuts, affecting hundreds of thousand workers.

This week, the Federation of Commercial Workers negotiated with the Chamber of Commerce a 25 percent wage cut for April and May for about half of its 1.2 million members. At the same time, the Metalworkers Union (UOM) negotiated a six-month wage cut of 30 percent for workers laid off by the companies of the Industrial Metals Association, and other employers, affecting 60,000 members of the union, including workers past the age of 60, who are at high risk and are not allowed to work. This agreement will remain in effect even in cases in which wages are partially subsidized by the state. Following an agreement with the Mechanics Union, auto dealers and repair firms will pay 25 percent of wages; 50 percent will be paid by the Fernandez administration.

Supposedly, a recent presidential decree prohibits layoffs, except when there is less demand, a gigantic loophole during the pandemic. According to Armando Cavalieri, who heads the Commercial Workers union, and Jorge Di Fiori of the Argentine Chamber of Commerce, the 60-day agreement was the result of a “social dialogue” with the goal of “saving jobs.” The agreement with the metal workers’ union is scheduled to last 120 days. The pretext for this second agreement is the “critical situation” that those companies face, following a 22 percent fall in production since 2018 for auto and other industries.

These sell-out “express” agreements by the Argentine trade unions and management are taking place with no consultation with workers, and under conditions in which there is increasing hunger and destitution across

this South American country.

Currently, for a family of two adults and two children not to be classified as “indigent,” it would have to earn a monthly income of 17,353.25 pesos (little more than US\$240), an income that would barely cover food expenses. Similarly, the poverty line (covering food, services and clothing) now stands at 41,994.86 pesos, up from 11,640.06 and 28,750.94 a year ago. Not included in these numbers are housing costs.

The latest official statistics (December 2019) show that nearly 38 percent of the population are now under the poverty line (16 million people), compared to 32 percent in 2018. For indigence, the numbers are equally dramatic, 8 percent of Argentina’s households can barely afford to feed themselves, up from 6.7 percent in 2018.

Including those workers with pending sell-out agreements, such as hotel and restaurant employees, the wage cuts could easily add up to 1 million workers, out of a labor force of 6 million.

In the last few years of austerity measures, workers’ wages have not kept up with inflation of prices for food and basic necessities, reducing the gap between workers’ household incomes and the poverty line. Last December, the country entered a food crisis.

President Fernandez decreed on Thursday price controls on milk and milk products until 2022. In the past, in the face of massive inflation, such price controls have been easily ignored.

Average real wages have lost 15 percent of their purchasing power, as the Argentine economy collapsed. An additional 25 percent is equivalent to a 40 percent total in terms of the reduction in income, according to calculations published this Thursday in *Clarín*, a Buenos Aires daily.

Half of the wage earners in the private sector (3

million) receive 45,000 pesos, barely above the 41,994.86-peso poverty line for a family of four.

The government measures in response to the COVID-19 pandemic mean that the number of those below the lines of poverty and indigence will now explode.

For workers in the informal sector, including street vendors and contingent workers, conditions will be much worse.

The shock of the COVID-19 pandemic has hit Argentina at a critical political and economic juncture. Years of austerity measures that have sunk over a third of the population into poverty and hunger, combined with an incapacity to pay debt to Wall Street banks and vulture funds, place severe constraints on the recently installed Peronist government of Alberto Fernandez and Vice President Cristina Fernández de Kirchner.

Even before the pandemic hit, hundreds of thousands of Argentines were facing food insecurity. Throughout 2018 and 2019, the previous administration of president Mauricio Macri had imposed draconian austerity measures, while borrowing from the International Monetary Fund in order to pay off Wall Street creditors, effectively piling on new debt to pay off old debt to banks and hedge funds.

This week, Argentina, a nation of nearly 40 million, has reported more than 4,000 COVID-19 infections and over 200 deaths. In response, the Fernandez administration has imposed stringent social isolation measures. On the economic front, the government has resorted to the printing of paper money, while it attempts to postpone resolution of its \$64 billion debt to Wall Street.

While the Fernandez administration allegedly has upped targeted “counter-cyclical” welfare payments by 1.7 trillion pesos for the second quarter of the year (April through June), this is a drop in the bucket compared to the cumulative effect of the attacks on wages.

Following the lead of the United States and Europe, Fernandez is allocating trillions of pesos in debt to big business; already many of those firms are purchasing dollars and dollar-denominated securities as part of a capital flight to offshore banks and Wall Street. The Argentine ruling class and Wall Street will surely demand that this massive debt be paid by the working class.

While the Argentine Central Bank has supposedly “placed filters,” the flight of corporate dollars out of the country has accelerated.

Fearing another massive dollar-flight, similar to the one that took place in 2001, many Argentines are closing their bank accounts and buying dollars, weakening the peso and putting pressure on domestic prices (the current annual inflation rate is 48 percent).

When it took power in December 2019, the Alberto Fernandez administration banked on the export of mineral products, primarily oil, together with a renegotiation of Argentina’s multibillion debt, in order to get the country out of the 2019 recession.

The COVID-19 pandemic, with its deflationary effect on the demand for fuels, combined with the global oversupply of oil, and Wall Street’s resistance to the renegotiation of Argentina’s \$300 billion debt, have pushed those plans aside.

Throughout the month of April, nearly every sector of Argentina’s working class has protested against the layoffs, wage cuts and the lack of adequate health measures against the pandemic that threaten to spread the deadly virus among workers and their families. This includes protests and plant occupations by health workers, teachers, transit workers, meatpackers, miners, government workers, paper workers and newspaper employees.



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