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Argentina to Restructure Public Sector, Including State-Owned Companies

by LADB Staff
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In a nationally televised broadcast Nov. 28, Argentine President Raul Alfonsin announced the introduction of what he called a "revolutionary" plan to reform the state bureaucracy. Among other things, the reform program foresees the reduction of public sector employment (including the armed forces) by 20% before year-end 1989, and the reorganization of the state productive sector. According to Alfonsin, state sector inefficiency is the antithesis of "modernization."

The government, he said, was compelled to act in order to prevent further erosion of national productivity. A decree was issued creating a Public Companies Directorate to act as a holding company for 13 of the largest state-owned companies. The holding company will be managed according to "private sector principles," and will be headed by an "outstanding private businessman" working in tandem with an interministerial commission. The company is to manage state-owned oil, airline, telephone, railroad, and postal companies. Next, the reform plan also includes the privatization of selected state companies.

Although the president did not specify the enterprises to be privatized, previous statements by economy officials indicate that companies in the petrochemical, transport, iron and steel sectors are the most likely candidates. The reduction of public sector jobs will reportedly be realized via employees' "voluntary withdrawal." Workers who voluntarily give up their jobs before February 28, 1987, will receive "double indemnification" benefits. Immediately upon quitting, workers will receive a payment of "not less than 3,580 australes."

Next, such individuals will qualify for monthly compensation payments. Individuals with up to 10 years on the job will receive payments for six months; 10 to 20 years service, nine months; and, over 20 years in service, 12 months of compensation payments. To reduce pay inequalities in the public sector, a new salary scale will be implemented. Salaries are to be increased at the lower end of the pay scale. Alfonsin pointed out that pay increases must adhere to present austerity guidelines.

The president then mentioned that other "possible measures" to reduce fiscal outlays were not acted upon due to the "penury" of affected persons. A case in point are individuals dependent on government social security or retirement benefits. After announcing that pensions will be increased in 1987, Alfonsin stated that the increased expenditures will be absorbed by requiring higher social security contributions by employers. (Basic data from NOTICIAS ARGENTINAS, 11/28/86)

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