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Argentina Hikes Minimum Wage

by LADB Staff

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In August the Argentine government took steps to increase the minimum salary that workers in public administration receive. Hoping to stimulate consumption, the government lifted the minimum wage from 350 pesos per month (US$116) to 450 pesos (US$149). The wage hike came right after the announcement that there would be an increase in pensions for retirees. Even so, some economists doubt that the increases will generate enough activity to counter the partial deceleration that the national economy is currently undergoing.

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On Aug. 17, President Nestor Kirchner convened the Consejo del Salario Minimo (CSM) for the first time since 1993 to find a consensus between workers and employers. A tripartite council, the CSM has representatives from business, unions, and the government. On the government end, representatives of the provincial governments and the federal government came to the table, while union representatives wrangled over which organizations would represent workers at the council meetings.

After the August negotiations among CSM members concluded, the Consejo de Empleo established a monthly salary rate equivalent to US$149 to start in September, a figure well below the US$240 cost of the basic basket of food and services.

"The CSM resolved, by a vote of two-thirds of its members in favor, to set for all workers and employees of the public administration a [minimum] salary of 2.55 pesos (US$0.86) per hour and 450 pesos (US$149) monthly," announced Labor Minister Carlos Tomada on Sept. 2. This constitutes a raise of 100 pesos (US$33) from the current minimum wage of 350 pesos (US$116).

The Confederacion General del Trabajo (CGT) approved the decision, although the Central de Trabajadores Argentinos (CTA), which groups together state employees, rejected it, proposing instead to elevate the minimum salary to 730 pesos (US$242).

Eduardo Buzzi of the Federacion Agraria Argentina and Carlos Heller of the Central de Entidades Empresarias Nacionales abstained from the vote. The average salary for Argentine workers is 592 pesos (US$196), while the cost of basic food and services is 725 pesos (US$240).

Tomada says the CSM will also carry out a "methodological study of the formation of the prices of the basic basket."

The CSM is composed of 16 representatives from the CGT, the CTA, and the Union Obrera Metalurgica (UOM), as well as members of employer groups from industrial, agricultural, financial,
and trade sectors. Previously, the CGT had reduced its number of seats on the CSM to allow the UOM to join council deliberations. Representing the government, the labor minister presides over the CSM, with the assistance of the economy minister and the chief of the Cabinet.

In addition to coming up with a new level for the minimum wage, the CSM can recommend measures to the government in matters of labor training, salary policy, and productivity improvement. President Kirchner recently said that his government's objective is to reduce the gap between those who earn the most and those who earn the least by a substantial percentage.

Retirees get pension increase

Argentina's social security system also prepared an increase in pensions for 3 million retirees to stimulate consumption in the local economy, announced Cabinet chief Alberto Fernandez, in early August. A 10% increase for pensions up to 1,000 pesos (US$332) per month was set to take effect beginning Sept. 15, with the minimum pension payment lifted to 308 pesos (US$102).

In June, the government had raised the minimum from 240 pesos to 260, and had planned to bring it to 280, but in the second week of August the government bypassed that to reach the 308 mark. The increase will make the average monthly social security payment 441 pesos (US$146). The Labor Ministry said the raise would allow 115,000 households of retirees and pensioners to rise above indigence.

In Jan. 2002, prior to the devaluation of the peso, Argentina also increased pensions. The government said the improved revenue intake at the Social Security administration would finance the 2004 raise, and, with the taxes that go to the retirement system, payment is guaranteed until the end of the year and will cover the start of spending for the 2005 budget.

Argentine economic growth decelerating slightly

Economic analysts said that the Argentine economy had reached a "plateau" in the second trimester of 2004, after enjoying double-digit growth rates in 2003 and 8% growth in this year's first semester. They predicted the country would end 2004 with a GDP increase of about 7% and see slightly less growth in 2005.

Bernardo Kosakoff from the Buenos Aires office of the Economic Commission for Latin America and the Caribbean (ECLAC) said, "We'll see a deceleration of the growth rate, but this is normal because there was very notable growth in the first months of the year."

Seven studies distributed by Argentine newspaper La Nacion predicted that Argentine economic activity would continue growing, although at a slower rate, while the recovery would swing between 4% and 6.5%. One report indicates that in the first trimester of 2004 national economic activity grew at a rate of 11%, but, in the last three months, the number dropped 4%, and the annual growth average would round out at about 7%. Automotive businesses and tourism should continue with their upward trend.
In the external-commerce sector, there was a decrease in foreign purchasing and a slowdown in exports.

In July, industrial activity went up 10% relative to the same month in 2003, but it marked a drop of 0.2% in comparison with this June, said officials at the Instituto Nacional de Estadisticas y Censos (INEC). The institute's monthly industrial estimate for August found that the economy in the first seven months of 2004 underwent an 11.9% increase with respect to the same period in 2003.

In comparison with June of this year, the branches of the Argentine manufacturing economy that grew most in July were food production (11.2%), paper and cardboard making (9%), rubber and plastic production (7.6%), the chemical industry (6.4%), iron and steel manufacture (5.8%), and petroleum refining (5.4%).

Argentina has been climbing back from its 2001 fiscal meltdown, which, according to one World Bank report, introduced significant portions of the Argentine middle class to hunger for the first time. About half the population, or 47.8% of 36.8 million Argentines, lives in poverty and the official unemployment rate stands at 14.4%.

**Senators and Deputies raise own travel budgets**

Senators and deputies provided themselves with an indirect raise in August, increasing the number of travel fares for which they could be compensated. The Chamber of Deputies raised the number of trips they could charge from three to six for each legislator. Each senator can now charge from 1,800 pesos to 3,000 pesos more (US$604-US$1,007) for travel expenses. Senators for the capital city and the province of Buenos Aires also had their trip benefits restored to six trips, a benefit they lost after the crisis of 2001 when their travel was limited only to those who lived more than 200 km away. The senators can receive up to 900 pesos (US$302) in cash since they receive 150 pesos (US$50) per trip if they don't need the money for traveling.

Many legislators exchanged their travel vouchers for cash and paid out of pocket if the vouchers did not cover their travel expenses. The increase will cost the Senate about 700,000 pesos (US$235,000) per year.

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