

*Descamisados y Piqueteros:*  
**The Impact of the Labour Movement on the Argentine Welfare State**  
**- EXCERPT -**

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GERG Conference  
August 17, 2015

## **Carlos Menem**

Carlos Menem, democratically elected in 1989 and 1995, was the first Peronist to be elected as President of Argentina since Juan Perón. Although Menem had a background with the Peronist party and ran on a Peronist platform, his policies once in office stood in stark contrast to traditional Peronist ideals. Pressured by international financial institutions, Menem introduced harsh neoliberal policy reforms (Vacs, 2002). To outline this drastic change, the following sections will begin by describing the influence of neoliberalism in Latin America during this time period, followed by a specific focus on Menem's Argentina.

### Neoliberalism in Latin America

Across Latin America during the 1980s and 1990s, a trend of significant fiscal deficits, high administrative costs, growing unemployment, high inflation, and rising debt prompted international financial institutions such as the International Monetary Fund, United States Agency for International Development, and the World Bank to become involved in Latin American economic and social policy. Neoliberalism, which is an economic and political ideology which promotes liberal ideals to their extreme, was the underpinning of these economic and social policy recommendations. With an emphasis on limited government intervention, laissez-faire economic policies, and decentralization, as well as a heavy reliance on the power of the market and private property ownership, these neoliberal principles promoted "cuts in government expenditures, liberalization of trade and capital flows, privatization of state enterprises, relaxation of economic regulations, and incentives for foreign direct investment" (Huber & Bogliaccini, 2010:646-647). In terms of providing and financing social services, the private sector was emphasized and it was suggested that the role of the state be severely reduced.

Those aligned more closely with social democracy suggested alternatives to the proposed reforms – for example, “the International Labour Office (ILO) emphasized the principles of equity and solidarity in labour market and social policy” (Huber & Bogliaccini, 2010:647) – however, lacking financial and political power, these alternatives were typically overwhelmed by the force of the international financial institutions. In spite of this, internal opposition did retain power and, although the influence of neoliberal reform was felt across Latin America, policy implementation varied across states depending on the power resources of internal pressure groups. These particular arrangements of pressures within each state created unique power struggles across Latin America during this time period. Factors included the attitudes and power of the ruling government, the presence of internal groups and actors in contact with the institutions, the presence of coalitions, and the power resources held by internal groups in opposition to drastic reform – for example advocates against neoliberalism, stakeholders, unions, and resistance groups (Huber & Bogliaccini, 2010).

#### Carlos Menem: Rise to Power

In Argentina, seven years of horrendous military rule followed the death of Juan Perón in 1974 – after a military coup toppled his successor and third wife, Isabel Perón, in 1976. In 1983, Raúl Alfonsín of the Radical Party was elected President of Argentina through the first democratic election since Perón’s last term in 1973. Similar to much of Latin America, Alfonsín’s government led Argentina through dire periods of economic deterioration, massive inflation, huge debt, rampant unemployment, and falling wages; Argentina’s economic situation was further worsened by a weak industrial base and a severe international dependency, as well as the global recession which reduced the prices of Argentine exports. Socially, the government was also struggling with the aftermath of the extensive and violent human rights violations

committed during the military rule. Attempting to deal with this complex situation, Alfonsín introduced a new currency, cut government spending and social services, introduced wage and price controls, and increased foreign loans from the International Monetary Fund (IMF) (Keen, 1996; Vacs, 2002).

In the 1989 presidential elections, Carlos Menem, then the Governor of the poor province of La Rioja, ran as a Peronist candidate promising a productive economic and social revolution, as well as renewed success for Argentina. Backed by the Peronists, powerful unions, the working class, and various middle-class sectors, Menem was successfully elected in 1989. As the economic and social situation continued to worsen under Alfonsín's government, Argentina was placed under a nationwide state of siege; demonstrations, strikes, and food riots plagued the country. In the midst of this chaos, Alfonsín cut his presidency short and transferred power to Menem five months before Menem's scheduled inauguration. Expecting an immediate rejection of Alfonsín's policies, which had aided in the hitherto unparalleled crisis, Menem's actions once in power shocked Argentina (Keen, 1996; Vacs, 2002).

#### Carlos Menem's Presidency: 1989 – 1999

On July 8, 1989, five months before his scheduled inauguration, Menem became President of Argentina following the early end of Alfonsín's government. Elected with 51.7% as a Peronist candidate, Menem's first priority upon inauguration was to quell the chaos in Argentina by stabilizing the economy. Yet, to the surprise of his original supporters, Menem introduced drastic neoliberal social, economic, and labour reforms. Driven by neoliberal principals and the recommendations of international financial institutions, Menem's market-oriented policies called for the liberalization of trade agreements and labour laws, as well as the privatization of state-run corporations, pensions, and healthcare. Through new policies, workers'

accident compensation insurance was pushed towards privatization, the pension system was broken up into a tiered system with a private capitalized component, and health insurance was divided by complex reforms. Family allowance was also drastically scaled back; assistance available to spouses and large families was cancelled and, of the programs that remained, qualification became strict and programs became more difficult to access; a stress on highly targeted and paternalistic social assistance programs also began to emerge. Overall, during Menem's government, public social spending was withdrawn, social security was decentralized, and the responsibility for wellbeing was shifted to the family, private charities, and the market (Usami, 2004; Vacs, 2002).

Through these drastic reforms, Menem created a far more residual welfare state, which incorporated traditionally liberal elements into a largely conservative regime. Public social spending, income redistribution, benefits, and social programs were reduced. In addition, coverage became less complete and far narrower. With a heavy emphasis on the market and private welfare, the social programs that did exist were far more reactive and targeted, with more barriers to eligibility and accessibility. Politically, competition, commodification, stratification, and inequality increased. With the new reforms, citizens needed to have strong links to employers and the market in order to secure their wellbeing. Without strong links, those without formal employment were faced with a highly fragmented and very restricted social safety net (Usami, 2004).

### Resistance to Neoliberalism

These drastic reforms were not met without resistance. Many unions, as well as the *piqueteros* – a new group of demonstrators – actively opposed the reforms. A history of strong social involvement and the legacy of Perón – who created heightened expectations of the role of

the state and a concrete understanding of the ability of the working class to shape policy through their collective strength – fuelled the opposition (Turner, 1983; Usami, 2004; Vacs, 2002).

### The Labour Movement

During Menem's presidency, the labour movement was far from the largely unified entity it had been during Perón's government. Following Perón's death, the strength of organized labour was weakened and the number of industrial workers fell; in addition, military rule deteriorated the power of the labour movement by taking control of unions and by kidnapping, exiling, or killing influential labour leaders. Menem's presidency further weakened the labour movement as union density plunged and rival groups arose within organized labour and the General Confederation of Labour (CGT). The divisions occurred for two main reasons: firstly, there was a divide in support for Menem as some supported Menem fully as a Peronist leader, while others remained loyal to Peronism but opposed Menem and the neoliberal reforms; secondly, whereas Perón had attempted to consolidate labour into a unified force, Menem pitted unions against each other by creating a climate in which unions frequently had to compete against each other for scarce benefits (Usami, 2004; Vacs, 2002).

Even under such conditions, the labour movement continued to be a significant force and trade unions maintained power and exerted pressure through strikes. Due to this, trade unions were actively involved in negotiations and were able to influence labour and social policy reforms; for example, as Usami notes, "the CGT remained the biggest support organization of the Peronist Party and despite its weakened political influence, it was almost impossible to carry out policies in complete disregard of its demands" (2004:235). This opposition aided in maintaining existing policies or in keeping parts of past policies. For example, the labour movement was able to halt the proposed full privatization of the pension system and health

insurance; furthermore, in the case of health insurance, the right to operate health insurance through trade unions was secured. Thus, due to the involvement of the labour movement, Menem was not able to adopt a market-oriented economic approach in full, but rather was forced to retain parts of past policies (Usami, 2004).

### *The Piqueteros*

Even with the concessions achieved by the labour movement, the neoliberal reforms had drastic negative consequences for the people of Argentina as inequality, poverty, and unemployment increased rapidly. With increased privatization and the liberalization of labour laws, massive layoffs created a large sector of unemployed workers. It was from this dire situation that the *piqueteros*, or the picketers, emerged in 1996. The *piqueteros* are comprised of Argentine workers who had become unemployed due to neoliberal reforms. To show their fierce opposition, the *piqueteros* set up road blocks and cut traffic from main thoroughfares – sometimes for days at a time (Colmegna, 2003; Giarracca & Teubal, 2004).

Though pickets had been used previously during strikes to prevent entrance to factories, the actions of the *piqueteros* reconceptualised the practice. As Colmegna describes, “the *piqueteros* set up barricades made of burning tires, nails, and broken bottles, thousands of men and women sit on the road, preventing the traffic from passing and only allowing emergency vehicles through. They cook, eat and take turns to sleep” (2003:4). At first, these demonstrations were intended to fulfill the immediate needs of specific groups; likewise, in the early stages, mass layoffs were considered to be exceptions. Yet, as reforms increased and the state withdrew further, unemployment and the informal economy increased, and the *piqueteros* became a symbol of the destruction caused by neoliberal reform. Demonstrations expanded as solidarity

between those exploited by the reforms and outcast from the system grew to include youth, women, the poor, and union members. Becoming more formally organized, spreading throughout Argentina, and demanding more dramatic social, political, and economic change, the *piqueteros* constituted concrete resistance to Menem's neoliberal agenda (Colmegna, 2003).

As the economic situation continued to deteriorate, the *piqueteros* formed more organized social groups. Some *piquetero* groups allied with political parties – for example the Communist Party or the *Partido Obrero* (Workers' Party) – while others allied with unions; others remained entirely independent. Many *piquetero* groups advocated for direct representation through a reconceptualization of politics. As Giarracca and Teubal note “instead of delegating power to representatives during elections only, leaving the government to make decisions in the name of a ‘majority’, a permanent participation of the citizenry has been arising” (73:2004). Led through assemblies, these groups operate on consensus-based decision making and a rejection of hierarchical power; by ensuring equal participation in decision making and constantly changing delegated representatives, the assemblies enforce horizontal power as opposed to vertical power. The groups further provide for members through an *economia solidaria* (or solidarity economy) in which resources are pooled and used for projects to enhance the wellbeing of all participants. In addition, barter and exchange is promoted, food is purchased communally, and workers' are supported in turning abandoned factories into cooperatives. As one *piquetero* noted: “We advance very slowly, but we go along together ... Maybe we will take longer to arrive, but we will do so all together” (Giarracca & Teubal, 2004:75).

#### *Que Se Vayan Todos: 1999 – 2003*

At the end of Carlos Menem's term in 1999, Argentina had been reshaped by neoliberal reforms and inequality, poverty, and unemployment were rampant. Fernando de la Rúa,



Menem's successor, was inaugurated on December 10, 1999. Under de la Rúa, Menem's neoliberal policies were heightened; health and education were further reformed, labour laws became more flexible, massive capitalist flight occurred, the recession deepened, wages continued to fall, unemployment increased dramatically, and living conditions deteriorated. In response, protests, demonstrations, strikes, and *piquetero* road blocks increased. On December 3, 2001, with the intention of stopping the alarming capitalist flight, the *corralito* measures were introduced; these measures effectively froze bank accounts, leaving Argentine citizens unable to draw money from the banks. With the introduction of the *corralito* measures, protests grew to include the middle class, who now found themselves instantly unable to access their savings. Massive protests increased and food began to be looted; this prompted the government to declare a state of siege on December 19, 2001, under which all gatherings were prohibited. The public announcements created an immediate response and people took to the streets in defiance of the state of siege throughout the country. In Buenos Aires, demonstrators gathered at the historic Plaza de Mayo and many stayed throughout the night; the next day, the crowds grew. The chant, which came to be a symbol of the events, manifested itself during these demonstrations: “¡*Que se vayan todos!*” or “throw them all out!” (Colmegna, 2003; Giarracca & Teubal, 2004).

The next day, on December 20, 2001, the government ordered that the demonstrators in Buenos Aires be repressed. At noon, forced control began in the Plaza de Mayo; from there, repression spread outwards through the city center. Over 4,500 people were arrested and violence resulted in over thirty people being killed (Lavaca Collective, 2007); with at least seven being shot at point-blank range, the incident was “one of the worst repressions by a democratically elected government in the history of Argentina” (Giarracca & Teubal, 2004:57).

Due to the impacts of these events in Argentina, as well as the international media coverage, de la Rúa resigned and his presidency was cut short on December 20, 2001. Following de la Rúa's resignation, protests, demonstrations, strikes, and road blocks continued and multiplied throughout the country. Over the next twelve days, Argentina experience five Presidents in quick succession (Colmegna, 2003; Giarracca & Teubal, 2004).

### Impacts of the Crisis

The impacts of the Argentine crisis were extreme. Economically, it is estimated that between 1974 and 2002, Argentina's GDP fell 25%. Production decreased dramatically as factories began to close in 1999; by 2002 the industrial sector was operating at only 50% of its capacity. Likewise, in 2002, Argentina's unemployment rate was over 23% with an additional underemployment rate of 22% – over 45% of the population was either entirely unemployed or without sufficient employment.

For those who remained employed, incomes fell and, as illustrated below, disparities increased substantially (Giarracca & Teubal, 2004).

<b>Table 1 – GDP Distribution and Disparity in Argentina (1974 – 2002)</b>			
<b>GDP received by:</b>			<b>Level of Disparity</b>
<b>Year</b>	<b>Poorest 10%</b>	<b>Richest 10%</b>	<b>Richest strata receives <i>X</i> times more than poorest strata</b>
1974	2.3%	28.2%	12.3
1990	2.3%	35.3%	15.3
2002	1.1%	37.6%	34.2

Source: Giarracca & Teubal, 2004

As the Lavaca Collective notes, “in 1974, Argentina had a distribution of wealth similar to many developed countries” (2007:24) – the richest strata received 12.3 times more than the poorest strata; as the graph outlines, by 2002, the rich received 34.2 times more. This figure only continued to rise throughout 2002 and into 2003, when the level of disparity reached close to 50 times greater (Giarracca & Teubal, 2004; Lavaca Collective, 2007).

The number of Argentines living below the poverty line also increased dramatically: 15% in the early 1990s increased to 30% by 2000. In 2002, over half of Argentina was below the poverty line and 22% were living in extreme poverty. Vulnerable age groups were especially susceptible to poverty, with 58% of the youth under 14 years of age living below the poverty line and many retired Argentines, whose pensions had been drastically reduced under the neoliberal reforms, falling into the category of extreme poverty. While most of the unemployed lived in extreme poverty, even employed Argentines experienced drastic hardships; in 2002, 733,000 jobs paid wages so low that employees lived in extreme poverty – a 70% increase from 1998. During the crisis, 1.8 million employed Argentines lived in extreme poverty. Many of those who became destitute during the crisis were categorized as “the new poor” – previously middle class Argentines who experienced a rapid transition into poverty (Giarracca & Teubal, 2004).

In spite of the fact that Argentina produces a tremendous amount of food, hunger and malnutrition also rose alarmingly across the country; millions of people turned to sifting through garbage as the population began to starve. Children suffered tremendously as food in schools disappeared due to government cuts and the situation became direr; for example, in 2002 in Buenos Aires, more than 58% of children were undernourished and, in the northeast province of Misiones, 60% of children experienced anaemia due to malnutrition. To complicate matters, the

quality of healthcare worsened and medical accessibility decreased due to reforms and funding cuts (Giarracca & Teubal, 2004).

Considered one of the most extreme and rapid transformations in history, the level and speed of deterioration in Argentina highlights the impacts of neoliberal reform and economic collapse. Overall, over 80% of Argentines were impoverished by the crisis through unemployment, poverty, hunger, and malnutrition. The economy was ruined, citizens lost their savings instantly with the introduction of the *corralito* measures, and industry was devastated. As Giarracca and Teubal note, it is “no wonder that almost all walks of life have gone to the streets, because of the massive nature of the damage being done. Not only the unemployed were robbed of their jobs, the workers of their wages, the middle classes and pensioners of their savings and pensions, but the very foundation of the capitalist system has been put in question” (2004:67-68).

### 2003 Presidential Campaign

After the end of Carlos Menem’s last term in 1999, Argentina faced unsteady governance until 2003. Throughout the crisis, Presidents were faced with economic and social turmoil and none were able to stay in power for a full term. As the 2003 elections approached, Menem sought to regain political power; with a fourth of the vote, Menem led the presidential elections during the first voting round. Yet, with such little overall support, Menem did not exceed the threshold necessary to secure the presidency; furthermore, he had only surpassed his major opponent, Néstor Kirchner, by a thin margin. Growing pressure manifested itself both as resistance from Menem’s strong opponents, who were fearful of more neoliberal reforms, and as weariness from his supporters, who began to realize that the chance of securing the presidency

against Kirchner was unlikely. Under this mounting pressure, Menem withdrew his candidacy and Kirchner became President of Argentina by default.

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