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# ANKER LIVING WAGE REFERENCE VALUE

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## NON-METROPOLITAN URBAN ARGENTINA 2020



### LIVING WAGE

ARS 38,741  
PER MONTH  
(US\$515)\*

*\*Living wage is estimated in local currency. It is converted into dollars for the convenience of readers at the exchange rate indicated in the footnote on page 1. This means that the dollar value of the living wage estimate varies with the exchange rate.*

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*The Anker Reference Values are endorsed by the Global Living Wage Coalition (Fairtrade International, Rainforest Alliance, Social Accountability International and ISEAL Alliance). Development of the methodology was initiated and supported by Fairtrade International and German Federal Ministry for Economic Cooperation and Development (BMZ). Further support was received from Rainforest Alliance, Social Accountability International and Clif Bar & Company.*



# Anker Living Wage Reference Value<sup>1</sup>

## Non-Metropolitan Urban Argentina 2020

### 1. Anker Living Wage Reference Value for non-metropolitan urban Argentina in 2020

The Anker Living Wage Reference Value for 2020 for non-metropolitan urban areas of Argentina is ARS 38,741 (USD 515)<sup>2</sup> per month with a 95% confidence around it from ARS 36,203 to ARS 47,482. This is the living wage required by workers in typical non-metropolitan urban areas of Argentina to be able to afford a basic but decent living standard. The Reference Value is comprised of a net living wage (i.e. take-home pay) of ARS 36,376 (USD 483) per month plus an estimated ARS 2,365 (USD 31) which would need to be paid by law as contribution to Social Security (14%) and health care employee contribution (3%) on the living wage.<sup>3</sup>

*“A living wage is the remuneration received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unexpected events.” (Global Living Wage Coalition).*

### 2. Anker Reference Value Methodology

Anker Living Wage Reference Values are based on a new methodology developed by Richard Anker, Martha Anker and Ian Prates. This methodology is based on a rigorous statistical analysis of 40 internationally comparable, quality-assured Anker methodology studies spread across low-income and middle-income countries carried out primarily under the auspices of the Global Living Wage Coalition. Anker Reference Values are internationally comparable, consistent with results from existing Anker living wage and living income benchmark studies and easy to update every year, and so are especially valuable for countries where it has not yet been possible to organize and fund a full quality-assured Anker methodology living wage or living income study.

Anker Living Wage Reference Values represent a living wage for typical families in rural (or urban) areas of low-income and middle-income countries. Since they are based on a statistical analysis, they have a margin of error for typical rural (urban) areas of a country, which is generally around +/- 10% using a 95% confidence interval. Since Reference Values are not location-specific within countries and represent the living wage in typical rural (or urban) locations, the margin of error could be larger for unusual locations with atypical living costs within a country such as large cities with high living costs, or poorer (richer) areas with relatively low (high) living costs and norms.

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<sup>1</sup> Prepared by: Azfar Khan, Ian Prates, Martha Anker, and Richard Anker.

<sup>2</sup> Exchange rate used to convert to US dollars is ARS 75.3. This is the exchange rate as of 1 August 2020.

<sup>3</sup> In Argentina, employees earning a wage need to pay mandatory contributions to social security at a rate of 14% of gross salary and 3% as contribution towards health care. The income tax rate ranges from 5% to 35% with the top end rate applying to incomes in excess of ARS 762,706.

### 3. Country Context

#### *Geography and demographics*

Argentina is located in the southern tip of the South American continent, bordering Chile in the west, Bolivia, Brazil and Paraguay in the north, and Uruguay in the northeast. To the east lies the Atlantic Ocean and the coastline runs 4,700 kilometers (2,900 miles). In terms of area, Argentina is the second largest country on the continent and the third largest in terms of population after Brazil and Columbia.

According to the United Nations Department of Economics and Social Affairs (UN-DESA) Population Division *World Population Prospects* data, Argentina's population is expected to reach just over 45 million inhabitants by the end of 2020, 92% of whom would be in urban areas.<sup>4</sup> Buenos Aires, its capital and largest city, accounts for almost 30% of the total population. Over the last four decades, population growth has been consistently declining and at present is just short of 1% (0.93% more accurately). The total fertility rate (TFR) is marginally above the replacement level at 2.24 live births per woman<sup>5</sup>, and approximately one-quarter of the population is below 15 years of age.

#### *Economy*

Argentina has been characterized by economic turmoil, mismanagement and often, corruption for well over 50 years along with frequent regime changes including restricted democracy and direct military rule.<sup>6</sup> After the end of the Falklands Crisis in 1982 when full political democracy was restored, which has endured to the present, there has been sluggish economic development, moving from crisis to crisis.

Argentina's economy is only second to Brazil's in South America with a projected GDP of \$450 billion in 2020. According to International Monetary Fund's (IMF) data, GDP per capita (in US dollars Purchasing Power Parity (PPP) was US \$20,537 in 2018, the highest in Latin America. In 2018, The Financial Times Stock Exchange (FTSE) classified Argentina as an "emerging market", and it is a member of the G20 group of major economies.<sup>7</sup> Despite its relative economic clout, the Argentinian economy has underperformed when compared to other countries of the region. In the last decade, there have been periods of contraction and growth with fluctuations in GDP and in GDP per capita<sup>8</sup>, and the last four years have suggested a shrinking of the economy.

Five structural characteristics of the economy are worth highlighting.

<sup>4</sup> The 2010 Census suggested the population at 40 million inhabitants. See UNDESA-Population Division *World Population Prospects* data at: [www.population.un.org](http://www.population.un.org).

<sup>5</sup> <https://worldpopulationreview.com/countries/argentina-population>

<sup>6</sup> OECD (2017) *Multi-dimensional Economic Survey*, Paris.

<sup>7</sup> FTSE Country Classification (March 2018 Interim Update)

[https://research.ftserussell.com/products/downloads/FTSE\\_Interim\\_Country\\_Classification\\_Review\\_2018.pdf](https://research.ftserussell.com/products/downloads/FTSE_Interim_Country_Classification_Review_2018.pdf)

<sup>8</sup> International Monetary Fund (IMF) *World Economic Outlook Database*, April 2019, at IMF.org (retrieved August 2020).

First, Argentina is one of the most heavily indebted countries in the world. The debt presently stands at US\$ 323 billion. This has impacted negatively on the general economic performance and the welfare of the population at large.

Second, Argentina has been running a trade surplus over the last two decades with agriculture and industry accounting for major exports, and manufactures displaying a deficit that reflects an uneven pattern of economic development. On the other hand, the current account deficit has grown considerably fueled mainly by debt servicing.

Third, Argentina has been plagued by high inflation for quite some time. According to the Financial Times, inflation was 53.8% in 2019, the highest it has been in three decades. Argentina now ranks among the top five countries in the world in inflation.<sup>9</sup>

Fourth, the peso has been depreciating rapidly along with high inflation. The peso, which was ARS 45 to a US dollar in mid-2019, fell immediately after the August 2019 elections to ARS 60 to a US dollar.<sup>10</sup> Presently (September 2020), it stands at ARS 75 to a US dollar. It should be noted that 80% of the country's debt is denominated in US dollars. This has made it difficult for the country to service its external debt; it acts as a brake on foreign investment and provides an impetus to capital flight. It has also impeded development of a sustainable growth strategy that could reduce poverty and unemployment without hyperinflation.

Fifth, the country is characterized by high income inequality. Prior to the restoration of a democratically elected government, Argentina enjoyed moderate inequality with a high degree of social mobility. This changed in the 1990s along with internal conflicts and social unrest, which intensified after the 2002 crisis. It has been argued that the depth and speed of the reforms and the scarcity of good public policies contributed to increasing income inequality.<sup>11</sup> The Gini coefficient is 0.454 (2018). This places Argentina in the top third of countries in the world in income inequality.<sup>12</sup> National Institute of Statistics and Census (INDEC by its Spanish acronym) data for the last quarter of 2017 indicate that the richest 10% of the country control more wealth than the poorest 60%.

Given the structural malaise that characterizes the economy, the prognosis is that the Argentinian population may have to contend with a significant deterioration of living standards and economic hardship for several years to come. This scenario is looking increasingly likely in the aftermath of

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<sup>9</sup> Argentina ranks fifth behind Venezuela, Zimbabwe, Sudan and South Sudan in the level of inflation. See "Argentina's inflation nears highest level in three decades", *Financial Times*, 15/1/2020. (<https://www.ft.com/content/e6f5c436-37d2-11ea-a6d3-9a26f8c3cba4>)

<sup>10</sup> See "Why did the Argentine peso plummet following Macri's loss?" *Peoples Dispatch*, 20/08/2019 <https://peoplesdispatch.org/2019/08/20/why-did-the-argentine-peso-plummet-following-macris-loss/>

<sup>11</sup> See Leonardo Gasparini and Guillermo Cruces (2008) "A Distribution in Motion: The case of Argentina", Centro de Estudios Distributivos, Laborales y Sociales, Facultad de Ciencias Económicas (CEDLAS), Universidad Nacional de La Plata. Paper prepared for UNDP project: "Markets, the State and the Dynamics of Inequality: How to Advance Inclusive Growth".

<sup>12</sup> The Gini coefficient is a standard measure of inequality and ranges between 0 and 1, where 0 indicates perfect equality and 1 perfect inequality.

the COVID-19 pandemic, which has adversely impacted nearly all sectors of the economy with construction, commerce, finance, manufacturing and mining being particularly disrupted leading to a shrinking of the economy by 5% in the first trimester of 2020. The IMF predicts a contraction of around 9-10% for 2020.<sup>13</sup>

### *Social Conditions*

#### *Poverty*

The situation with regards to poverty is worrying. The devaluation of the Argentine Peso is making the country poorer and this trickles down to ordinary lives. Trend data show a consistent increase in poverty levels in Argentina over the last two decades.

The poverty rate was 32% in 2018.<sup>14</sup> Results of a recent survey reported at the end of 2019 suggest that perhaps 40.8% of the population is in poverty with almost 60% of children living below the poverty line.<sup>15</sup> Some experts further argue that if economic recovery lags further, more than half the population would be plunged into poverty by the coming year.<sup>16</sup>

According to official INDEC statistics, poverty is particularly pronounced in the northern provinces of Chaco, Salta, Jujuy, Formosa and Tucuman, which also suffer from relatively poor infrastructure that inhibits the ability of public sector institutions to provide much-needed social services. Poverty rates are lowest in Buenos Aires and also in Santa Cruz and Tierra del Fuego, but the last two also have a very small population base.

It has been reported that the Argentine society includes “several different layers of marginalized, poor and excluded segments” with over a third of the population described as being poor and 6% living in extreme poverty, i.e. unable to meet a budget for most basic needs.<sup>17</sup> In urban areas, particularly in outlying areas, these trends are further exacerbated by a severe lack of civic amenities with over a third of the households not having proper sewage facility, 20% lacking good drinking water and 15% deficient in adequate housing.<sup>18</sup> INDEC data for early 2019 indicate

<sup>13</sup> IMF predicts Argentina’s economy will slump 9.9% in 2020, *Buenos Aires Times*, 25/06/2020

<https://batimes.com.ar/news/economy/imf-predicts-argentinas-economy-will-slump-99-in-2020.phtml>

<sup>14</sup> World Bank “Poverty headcount ratio at national poverty line (% of population)” <https://data.worldbank.org/indicator/SI.POV.NAHC> (Retrieved 7 September 2020). This is determined at \$5.50 international dollars per person per day.

<sup>15</sup> “Argentina: Surveys indicate 40.8% of the population lives below the poverty line”, *MercoPress*, 6/12/2019 <https://en.mercopress.com/2019/12/06/argentina-surveys-indicate-40.8-of-the-population-lives-below-the-poverty-line>. See also, New UCA report puts Argentina poverty level at 40.8%, *Buenos Aires Times*, 6/12/2019 <https://www.batimes.com.ar/news/argentina/uca-reports-poverty-rates-have-reached-40-in-third-quarter-amid-political-transition.phtml>

<sup>16</sup> “Argentines battle rising poverty and hunger, with or without debt deal”, *Reuters*, 5/08/2020,

<sup>17</sup> Agustin Salvia and Berenice Rubio (2020) “Social Inequality in Contemporary Argentina”, *Global Dialogue*, 7:4 <https://globaldialogue.isa-sociology.org/social-inequality-in-contemporary-argentina/>

<sup>18</sup> Ibid.

average per capita income as ARS 11,231 (US\$ 250) per month, which was still less than the national minimum wage at the time of ARS 12,500 (US\$ 278).<sup>19,20</sup>

### *Education*

Promoting access to education has always been a priority in Argentina. Education is free at the primary, secondary and tertiary levels and at the undergraduate level in state universities. The country has a very high literacy rate of 98.1% (2016 figure), which is a 5% increase from the 1980s and 12% higher than the present global average.<sup>21</sup> The share of individuals completing secondary school rose to 43.5% from 34.9% between 2003 and 2017. According to the World Bank, the country has a 90% enrollment rate in secondary schools, but despite this, only 27% go on to higher studies and the system produces far fewer graduates as a percentage of the population than in neighboring countries. Drop-out rates also figure prominently in secondary education. Half of students enrolling for an upper secondary degree leave school without finishing the degree.

It is suggested that the Argentinian education system exacerbates inequalities, with student performance being closely related to socio-economic conditions. Regional disparities are notable in terms of ease of access to education, quality of education, education budgets, education infrastructure and teacher salaries. Provinces exercise a great deal of autonomy over educational matters, and this has resulted in uneven educational outcomes between provinces.<sup>22</sup>

In addition, austerity measures have in recent years seriously impacted the educational system. The continuous rollback of the public sector has led to lower government spending on education and high inflation has reduced teachers' salaries in real terms.

### *Health*

The Pan-American Health Organization (PAHO) describes Argentina's health care system as three tiered: i) a public sector, which is publicly financed and maintained; ii) a compulsory social security sector, organized on the basis of *obras sociales* insurance plans; and iii) a private sector, financed by voluntary prepaid insurance plans based on estimates of actuarial risk or direct fee-for-services.<sup>23</sup> Roughly 14,579,000 people (36%) depend on the public sector, 25,375,000 (63%) are members of an *obra social*, and 6,400,000 (16%) make use of voluntary insurance plans; 15% have multiple forms of coverage.<sup>24</sup>

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<sup>19</sup> Note that the symbol for Argentine Peso is the same as the dollar sign. The minimum wage and the exchange rate quoted is from 1/03/2019. The minimum wage rose to ARS 16,875 (US\$ 279) by October 2019. It has remained unchanged as of July 2020.

<sup>20</sup> The US dollar values are based on ARS 45 to a US dollar exchange rate. See "Why did the Argentine peso plummet following Macri's loss?" *Peoples Dispatch*, 20/08/2019. <https://peoplesdispatch.org/2019/08/20/why-did-the-argentine-peso-plummet-following-macris-loss/>

<sup>21</sup> UNESCO Institute of Statistics (UIS) database <http://data.uis.unesco.org/>

<sup>22</sup> Rafael de Hoyos, Peter A. Holland and Sara Troiano (2015), "Understanding the Trends in Learning Outcomes in Argentina, 2000 to 2012", *Policy Research Working Paper 7518*, World Bank, Washington DC.

<sup>23</sup> Pan-American Health Organization (PAHO) (1999), *Argentina: Profile of the Health Services System*, Buenos Aires.

<sup>24</sup> Gabriel E. Novick, Health Care Organization and Delivery in Argentina: A Case of Fragmentation, Inefficiency and Inequality. Global Policy Volume 8. Supplement 2., March 2017. <https://onlinelibrary.wiley.com/doi/pdf/10.1111/1758-5899.12267>

As in the administration of educational institutions, health services too are managed by the national, provincial, and municipal governments. The public hospital is the cornerstone of the public services. It provides care to the poor who have insufficient or no medical coverage and often subsidizes the *obras social* by providing services to their beneficiaries without charge. There are, of course, differences in the quality of delivery, with the public sector facilities beset by rigidities and inefficiencies. They perform less-than-on-par with their private counterparts that provide independent services for private patients with the ability to pay and those affiliated with *obras social* plans, or users of voluntary insurance plans, known as pre-paid health care entities.

A recent publication places Argentina as one of the leaders in healthcare delivery in the Latin American and Caribbean (LAC) region.<sup>25</sup> Its per capita health expenditure ranks behind Cuba and Chile only and out of pocket spending is the second lowest after Cuba, indicating good coverage of the population. This good coverage is also reflected in the number of doctors (4 per 1,000 population) and in the number of hospital beds provided (5 per 1,000 population), which are again in the top 5% of LAC countries. Life expectancy at 76.7 years (80.4 years for women and 73 years for men) is also one of the highest in the region, but the country performs poorly when 'determinants of good health' indicators are considered, as the percentage of population smoking, consuming alcohol and in obesity are all above the LAC average.

Economic crises have impacted negatively on health services provisions in Argentina, both in terms of quality and quantity. Linkages between macro-economic policies and decline in health care funding and declining health status are clearly established in research.<sup>26</sup> Given the considerable health inequalities that already exist across the country and between population groups, it is the poorer groups and the marginalized who are the most affected. Indigenous people who inhabit the northern provinces, along with the working class population, are arguably more at risk of potential negative effects of recession on health than the rich and urban middle class Argentinians as they rely more on social protection and public healthcare.

*Labor Market* Statistics on employment in Argentina show a minute percentage (0.09%) of the labor force working in agriculture, 21.4% are said to be in industry, and 69.2% involved in services. Argentina has one of the highest unemployment rates in South America. In 2019, the unemployment rate was 9.7%<sup>27</sup> and in the first quarter of 2020 it climbed to 10.4%<sup>28</sup> The youth unemployment rate (15-24 years) was 23%. ILOSTAT data further reveal that 22% of total

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<sup>25</sup> OECD and World Bank (2020), *Health at a Glance: Latin America and the Caribbean 2020*, OECD Publishing, Paris.

<sup>26</sup> Ralph Catalano, Sidra Goldman-Mellor, Katherine Saxton, Claire Margerison-Zilko, Meenakshi Subbaraman, Kaja LeWinn and Elizabeth Anderson, (2011) "Health Effects of Economic Decline" in *Annual Review of Public Health*, Vol. 32:431-450.

<sup>27</sup> Argentina Unemployment Rate 1991-2020, *Macro Trends*, (retrieved 7/09/2020)

<https://www.macrotrends.net/countries/ARG/argentina/unemployment-rate#:~:text=Argentina%20unemployment%20rate%20for%202019,a%200.23%25%20increase%20from%202015.>

<sup>28</sup> This is the figure provided by the site "Trading Economics", <https://tradingeconomics.com/argentina/unemployment-rate>



employment could be considered as being in vulnerable jobs, i.e. as contributing family members and own-account workers.

Informality is another notable feature of the Argentine labor market. After reaching a peak in the early 2000s, the share of informal workers (those working but not contributing to social security) fell back to the 1990's average level, but then rose again. Informal work may be found in formal firms under informal labor agreements, unregistered firms that systematically operate at the margin of regulations, and in own-account establishments, which do not register and make contributions. The last figures available, provided by the World Bank based on the ILOSTAT database, show that informal employment in the country was 49.5% of total non-agriculture employment in 2019.

#### **4. Wage and income ladders and gaps to a living wage and living income in urban and rural Argentina**

Figure 1 provides a wage ladder for a typical non-metropolitan urban area and some context on gaps to this living wage. It compares the Anker Living Wage Reference Value with five other wage indicators. The Anker Living Wage Reference Value for non-metropolitan urban Argentina is almost three times greater than the World Bank poverty line wage for upper-middle-income countries and 28% higher than the national poverty line wage. It is two and half times more than the average wage for the agriculture sector and twice the national minimum wage.<sup>29</sup>

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<sup>29</sup> In addition, much of the Argentinian workforce is in informal employment where the minimum wage is difficult to attain.

**Figure 1**



**Notes:** <sup>a</sup> Argentina’s national poverty line was set in December 2019 and was measured in adult equivalent units (and note that Argentina is 92% urban according to the World Bank). We converted this into a per person poverty line using the adult equivalence scale of the Argentina government, updated this for inflation to June 2020, and multiplied this result by 4 (for family size) to estimate family income at the national poverty line.

<sup>b</sup> The World Bank upper-middle income country \$5.50 (PPP 2011) poverty line was estimated using PPP for 2020 that was estimated using a formula suggested by the World Bank, which uses the latest available PPP from the World Bank (2018) and inflation rates from the IMF for Argentina and the United States since 2018.

<sup>c</sup> The family size used for expositional purposes to estimate family income at the national poverty line and the World Bank poverty line was 4 (2 adults and 2 children). This family size is between: (i) average household size of 3.4 from 2019 National Household Survey micro data when single-person households (that do not have children) and very large households (that are likely to be extended families with more than 2 adult workers) are excluded and considering that this average household size is biased downward by a relatively high percentage of female-headed households that are generally smaller in size (28% of households are female-headed according to United Nations); and (ii) family size of 4.4 implied by the child mortality-adjusted total fertility rate in 2018 of 2.4 according to Ministry of Health data.

<sup>d</sup> Number of full-time equivalent workers per family of 1.66 is used for expositional purposes to estimate poverty line wages. It was estimated using 2019 National Household Survey micro data on labor force participation rates, unemployment rates and part-time employment rates for males and females ages 25-59.

<sup>e</sup> Minimum wage was last increased in October 2019; there has been around 21% inflation since then to June 2020.

<sup>f</sup> Payroll taxes on a living wage are 17% (14% for social security and 3% for health care). Income tax would not be assessed on the living wage.

<sup>g</sup> The Anker Living Wage Reference Value is estimated directly based on statistical analysis and therefore does not have an explicit family size or number of full-time workers per family (although note that urban reference family size falls from 5 to 4 with development in Anker living wage studies and number of full-time equivalent workers ranges from around 1.46 to 1.78 although this is not related to development).