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# **Lost-layoff work trajectories in Argentina : social inequality and polarization in the late 1990s.**

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**Title:** Post-layoff Work Trajectories in Argentina: Social Inequality and Polarization in the late 1990s.

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## **1. Introduction**

During the 1990s, Argentina went through a period of economic restructuring, including the privatization of public assets, deregulation, and economic liberalization. Economic reforms did not solve but instead aggravated the long-term, structural deficits of Argentina's productive structure, namely, the concentration on low-end products and productive stages and the enclave nature of the most dynamic, internationally competitive sectors and firms (Porta c.2006). As they deepened economic imbalances, reforms resulted in an increasingly fragmented and polarized labor market and a persistent labor surplus, which the existing development model has failed to absorb even during periods of economic growth (Salvia and Chávez Molina 2007).

In this paper, we illustrate this process of social fragmentation and polarization, by systematizing the accumulated work of the Research Program on Structural Change, conducted at the Gino Germani Research Institute of the University of Buenos Aires. We carry out this systematization through two analytical exercises. First, we conduct a comparative analysis of post-layoff trajectories of workers who lost their jobs in two historical periods, the debt-crisis in the early 1980s and the end of the recessive period following the 1994 Mexican peso crisis. This comparative analysis is based on two retrospective surveys of laid-off, non-professional wage workers: a study conducted by José Nun (1989) and a study carried out within the Research Program on Structural

Change, more than a decade later (Persia and Fraguglia 2006). Second, we present a qualitative analysis of post-layoff trajectories. This analysis summarizes the findings of a series of qualitative studies based on in-depth interviews with workers laid off from stable, benefit-carrying jobs at the end of the 1994-1995 recession (Salvia and Saavedra 2001; Salvia and Chávez Molina 2006; Graziano and Molina Darteano 2005).

The analytic framework guiding the two analyses stresses the enduring heterogeneity and poor integration of Argentina's economic structure. As Porta points out, economic restructuring during the 1990s fostered the "specialization on the exploitation of 'new' and 'old' (albeit recreated) natural advantages, on the exploitation of captive markets and on the development of services oriented to high-income spending" (p. 2).<sup>1</sup> In this pattern of specialization, the more dynamic, technologically advanced sectors—strongly integrated in the world market—have very weak links to the rest of the national economy (Porta c. 2006: 21). As a result, innovations and "learning effects" remain confined to a few "islands of modernity," with low chances of spurring a more generalized economic development capable of putting an end to high unemployment, precarious employment, and employment in the informal sector of the economy.

In agreement with this diagnosis, we underline the continuing relevance of Nun's thesis of the *marginal mass* (Nun 1969, 1999). Borrowing from this author, we highlight the consolidation of a labor surplus which is not "functional" to the "dominant processes of capitalist accumulation" (Salvia 2007: 32). People in this segment remain "forced to carry out work activities and social subsistence practices—at the individual, family, or community level—in the informal sector of the economy, that is, outside of the social

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<sup>1</sup> Own translation from Spanish.

relations of capitalist production that operate in formal sectors and primary job markets” (Salvia 2007: 62).<sup>2</sup>

The paper is organized in four parts. The second part, following this introduction, contextualizes the analyses of pos-layoff trajectories by providing a summarized account of the implementation and evolution of economic restructuring in the 1990s and its impact on social welfare. The third part—divided into two sections—contains the comparative and the qualitative analyses of post-layoff trajectories. Finally, in the conclusions, we recapitulate the lessons from each analysis for the process of social fragmentation and polarization, and the crystallization of a labor surplus on the margins of the economic system.

## **2. The road towards economic opening and its impact on social welfare**

Capitalist development in Latin America has gone through different stages, which were all associated with developed countries’ own changing dynamics. Schematically, we could distinguish the following phases: a) an accumulation regime based on agriculture and mining production oriented to the world market during the nineteenth century; b) an industrialization regime based on import substitutions—with variable degrees of development in different countries—throughout a big portion of the twentieth century; and c) an emerging model with greater economic opening, which began to take shape in the late twentieth century. Even though these accumulation regimes developed under the influence of world capitalism, particular national and regional conditions dictated how general patterns were assimilated, adjusted, or resisted in each historical period (Ossorio 2004).

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<sup>2</sup> Own translation from Spanish.

In the case of Argentina, the crisis of the import substitution model became markedly acute in the early 1980s. Throughout the decade, the Argentinean economy proved unable to generate enough jobs to keep up with demographic growth and to solve inherited social problems. In 1983, a new democratic government replaced the self-denominated “process of national reorganization,” a brutal dictatorial regime which, on the basis of state violence, had reshaped state institutions and accomplished a massive transfer of resources from the lower and middle classes to a privileged minority. Faced with the debt crisis and rising inflation, the new democratic government implemented a series of economic stabilization programs, generally along the guidelines imposed by international agencies (especially the IMF).

In the early 1990s, and after a “lost decade” for economic development, the Argentinean economy showed signs of expansion. The recovery occurred in the context of a new global economic environment, after the government launched a program of economic adjustment and structural reforms including deregulation, privatizations, and economic opening (Gerchunoff and Torre 1996; Cortés and Marshall 1999).

The set of institutional and economic reforms significantly altered the state’s role in the economy; the state backed away from defending workers’ rights and from protecting the national industries which had flourished during the import substitution model. During this period, the government took steps to deregulate industrial relations and to make labor contracts more flexible. These changes in the rules of the game were justified as a precondition for the country’s greater integration in the world market and for continuing economic growth (Cortés and Marshall 1993; Marshall 1996).

A rich bibliography has highlighted structural reforms' drastic consequences for the labor market, namely, an explosive rise in unemployment and precarious employment, and greater segmentation (Monza 1995; Marshall 1996; Beccaria and López 1996; Salvia and Zelarrayán 1998; Salvia and Tissera 2000). Nevertheless, in the case of the densely populated Gran Buenos Aires region, studies have also shown a positive balance for 1991-1998 regarding general social welfare. At the end of the period, both household average real income and individual earners' average real income were higher than they had been at the beginning (Salvia 2000).

This aggregate assessment notwithstanding, it is important to stress two different sets of facts that seriously qualify the "achievements" of this period. First, the social welfare increase did not benefit equally all social strata. Second, the economy did not grow continually throughout the period, which ended with one the worst recessions in Argentinean history.

Studies about the Gran Buenos Aires region revealed a significant increase in social inequality, both in households' consuming power and in the economic effort needed to sustain it. The poorest households experienced a net fall in income and, in addition, diminished their participation in the general income distribution. This happened despite the fact that these households systematically intensified their economic effort, by augmenting the number of income earners per household (Salvia 2000).

Besides the rise in social inequality, it is important to stress that the general increase in social welfare was not constant from 1991 to 1998. Analysts distinguish four distinct economic cycles within this period (Salvia 2000). During the first, expansive phase, from 1991 to 1994, the government pressed hard with structural reforms and

managed to stabilize prices through a system of exchange rate parity guaranteed by law. Over these years, the GDP grew by 29%, but urban employment only expanded by 4%, below the rate of demographic growth. The economic model's poor performance in job creation can be explained by a reduction in non-professional self-employment and a fall in public employment (caused by the privatization of public assets).

But the new economic model started to show signs of stagnation and fiscal difficulties in 1994. Spurred by the Mexican peso crisis—together with internal weaknesses—a first recessive cycle hit the Argentinean economy from 1994 to 1995, with serious effects on the occupational structure. During this period, layoffs increased, “off the books” hiring jumped, over time work and wages dropped, and unemployment skyrocketed. The government responded by pushing for labor market reforms, which were then seen as a way of reducing labor costs and augmenting job creation.

Economic growth resumed in 1996, with an increase in investment, exports, and internal spending. Although economic recovery did stimulate some job creation, the more favorable economic environment did not lead to a significant rise in wages; neither was it enough to solve the high employment deficit accumulated during the recessive period.

In any case, the economic expansion came to an end in 1998, under the negative impact of international financial crises. The exchange parity scheme that had kept internal prices stable became a trap in the new external context. As the Argentinean currency got increasingly overvalued vis-à-vis that of the country's trading partners—especially Brazil's—Argentina became less and less competitive. To make things worse, the price of commodities fell, further weakening Argentina's position in the global economy.

Beyond the period's ups and downs, the economic model established in the early 1990s left a lasting, problematic legacy, namely, a long-term transformation in the dynamics of the job market, leading to greater social fragmentation and polarization (Salvia, Stefani, and Comas 2007). In what follows, we seek to illustrate this process of fragmentation and polarization by analyzing post-layoff work trajectories in the late 1990s.

### **3. Analysis of post-layoff work trajectories in the late 1990s**

To look at the process of social fragmentation and polarization experienced by Argentina in the 1990s, we will rely on two different analyses. First, we will introduce a comparative analysis of post-layoff trajectories in two historical periods, the mid-1980s and the late 1990s. Second, we will present a qualitative analysis of typical post-layoff strategies adopted by workers who lost their stable, benefit-carrying jobs in 1996.

As these analyses will show, those who lost their jobs since the mid-1990s have faced an increasingly restrictive and segmented job market, and for a big portion of them, the layoff was not a temporary break in a life of regular employment, but a definitive abandonment of work in the formal sector of the economy. From then on, many would become long-term unemployed or struggle to get by through self-generated, subsistence-level activities. Thus, following Nun's thesis of the *marginal mass*, the new accumulation model established in Argentina in the 1990s has systematically produced a labor surplus with no functionality for the economic system (Nun 1969, 1999). People in this segment do not fit into *reserve army* imagined by Marx, whose members would be cyclically employed and expelled by capitalist enterprises. Instead, they remain unemployed,



inactive or stuck in subsistence-level activities by and large dissociated from the economy's most dynamic sectors (Salvia 2007).

### **3.1 Comparative analysis of reinsertion paths in two historical periods**

The goal of this section is to compare the occupational trajectories of workers who lost their jobs in two recent historical moments: during the debt crisis in the early 1980s and two years after the 1994 Mexican peso crisis. To carry out this comparison, we resort to two different survey studies, one conducted by sociologist José Nun in 1985 and another one carried out within the Research Program on Structural Change and Social Inequality, at the Gino Germani Research Institute of the University of Buenos Aires, in 1999.

The first study (Nun 1989) tells the story of workers who lost their jobs in the car manufacturing industry in a context of mergers and internal restructuring in the early 1980s. This study follows the layoff workers' occupational history over two years and compares their fate to the experiences of those who remained employed in the auto industry.

The second study is based on a retrospective survey of non-professional workers laid off from stable, benefit-carrying jobs in 1996, after the recession following the 1994 Mexican peso crisis. The results have been recently published in two articles compiled by Persia and Fraguglia (2006). In the first, "Las formas del proceso de reinsertión," the authors analyze occupational reinsertion events occurred during a twenty-four-month period beginning with the layoff from a stable, benefit-carrying job. In the second article, "Antes y después del despido," the researchers study the interviewees' occupational

trajectories from 1996—when they lost their jobs—to 1999 and evaluate the changes occurred in their job quality, work pay, and household organization.

We should make a cautionary note regarding the comparative analysis proposed. These two studies do not refer to identical universes. While the 1988 study refers only to former autoworkers, the 2006 report refers to people who had been employed in different industries. Nevertheless, the participants in both studies were salaried, non-professional workers; this gives us the opportunity to explore the similarities and contrasts in the post-layoff trajectories in two different historical contexts.

Nun's findings about post-layoff trajectories in the mid-1980s already showed a marked increase in the difficulties experienced by laid-off people when trying to get rehired. Comparing the data from his 1988 study to the results of a previous study, Nun finds that in 1970, 61% of interviewees had been rehired within a month of being laid off. In 1985, only 38% of the sample had gotten a new job within a month, and 55% had been rehired within three months. In addition, post-layoff trajectories in the 1980s revealed a fragmentation process, which included unemployment and inactivity as a low-frequency outcome.

What about those who lost their jobs in 1996? When comparing the post-layoff trajectories in the 1980s to the post-layoff paths in the late 1990s, we find a remarkable jump in the latter in the proportion of workers who did not get rehired even after three years of being laid off from a stable job. The rise in joblessness was accompanied by an increase in the number of workers who remained unemployed without looking for a job, a

phenomenon known as *discouragement*. As shown in Table 1, 23% of the interviewees laid off in 1996 were unemployed or inactive in 1999.

**Table 1: Occupational status at the time of the survey**

	<b>1981/1982 layoffs</b>	<b>1996 layoffs</b>
<b>Occupational status</b>	<b>Status in 1985</b>	<b>Status in 1999</b>
<b>Stable wage worker</b>	84%	65%
<b>Unstable worker</b>	12%	12%
<b>Inactive/unemployed</b>	5%	23%
<b>Total</b>	107	104

Sources: authors' elaboration based on Nun (1989), Table 1 and Persia and Fraguglia (2006), Table 2.

Furthermore, we find contrasts between the 1985 picture and the 1999 situation regarding the percentage of people who regained a stable occupation after the layoff. 84% of the 1985 sample had a stable job at the time of the survey, whereas for those surveyed in 1999, that outcome had dropped to 65%.

Both studies reported a decline in self-employment. Findings of the 1985 survey indicated that, after being laid off, 27% of the sample had turned to self-employment. This figure represented a decrease when compared to comparable data from the 1970s, when 33% of the laid off workers had become self-employed. The 1999 survey, in turn, shows that 20% of the interviewees had followed this path. When excluding from the sample those with unstable jobs and the unemployed, 32% of interviewees had become self-employed in 1985 and 29% had done so in 1999 (see Table 2). This trend seems to go against the often assumed "natural" propensity to self-employment among the lower-classes in Latin America.

**Table 2: Stable workers' occupational category at the time of the survey**

	<b>1981/1982 layoffs</b>	<b>1996 layoffs</b>
<b>Occupation</b>	<b>Occupation in 1985</b>	<b>Occupation in 1999</b>
<b>Wage workers</b>	68%	71%
<b>Self-employed</b>	32%	29%
<b>Total</b>	90	68

Sources: authors' elaboration based on Nun (1989), Table 1 and Persia and Fraguglia (2006), Table 6.

Another trend highlighted by the two studies is a general decrease in earnings. However, there are differences between 1985 and 1999 regarding how this fall affected the self-employed. In the 1980s, those who became self-employed (especially the more skilled ones and those who had received a higher severance pay) managed to attenuate the fall in earnings after the layoff. Their income fell by 30%, compared to a 50% fall in earnings for those who became wage workers and a 65% decrease for those who only got temporary jobs. In contrast, in 1999, those who turned to self-employment and those who found wage work experienced a similar fall in earnings.

Based on the 1985 survey, Nun compares the reinserted workers' earnings to the earnings of a group of workers who remained employed at the same car manufacturers (see Table 3). The 1999 survey does not provide the same type of information. Nevertheless, we are still able to compare the 1999 earnings of workers reinserted in different occupational categories to their average earnings prior to the layoff. This comparison shows a strong fall in earnings for all the reinserted workers, which reaches more than a 70% decrease for those working on unstable jobs.

**Table 3: Evolution of earnings for different occupational categories**

	<b>1981/1982 layoffs</b>	<b>1996 layoffs</b>
<b>Earnings at the time of the survey</b>	<b>1985 earnings as a percentage of the control group's earnings</b>	<b>1999 earnings as a percentage of the control group's earnings</b>
<i>Control group</i>	<i>Workers still employed in the car companies in 1985</i>	<i>All study participants before the layoff (1996)</i>
<b>Wage workers</b>	53% (industrial workers) 50% (service workers)	67% (weighted average for benefit-carrying and precarious jobs)
<b>Self-employed</b>	71%	65%
<b>Unstable workers</b>	35%	29%

Sources: authors' elaboration based on Nun (1989), Table 4 and Persia and Fraguiglia (2006), Table c2.

The strong fall in earnings for those who became self-employed is one of the most striking “novelties” of the new economic model introduced in the 1990s. This fall could be an indicator of self-employment adopted as a “refuge” activity when better employment options are not available. According to Nun, this was not usually the case for those who had turned to self-employment after being laid off in the early 1980s.

To conclude, the comparative analysis shows that both waves of layoffs, the one in the early eighties and the one in the mid-1990s, resulted in a process of dispersion. In 1985, much like in 1999, an important portion of formerly wage workers did not return to stable wage work but turned to self-employment, got unstable jobs, or became unemployed. However, from 1985 to 1999, the job market grew more restrictive when it came to offering opportunities to laid-off workers. The mid-1990s wave of layoffs resulted in a process of workforce selection, benefiting younger and more educated workers.

We observe important changes between 1985 and 1999, namely, the fall in the percentage of workers who found stable work, the rise in the proportion of workers who remained unemployed or inactive, and the greater decrease in earnings for the self-employed. Together, these changes seem to speak of a more general transformation: the emergence and consolidation a labor surplus in the late 1990s, comprised by people who either do not work or only find work on the fringes of the economy. To examine more closely what it means to become part of this persistent labor surplus, and how this type of trajectory differs from other, relatively more successful paths, we will now turn to the qualitative analysis of post-layoff strategies.

### **3.2 Qualitative analysis of typical post-layoff strategies**

In this section, we will focus on the qualitative analysis of typical reinsertion paths. The analysis systematizes previous studies of particular segments of workers who lost their stable, benefit-carrying jobs in 1996 and were interviewed in depth three years later. These studies were published in three collective volumes, coordinated and compiled, respectively, by Salvia and Saavedra (2001), Salvia and Chávez Molina (2002), and Graziano and Molina Darteano (2005). En each of the studies, the authors showed how actors got to transform a certain structure of opportunities and constraints into a distinct post-layoff strategy, building upon their economic, cultural and social resources (Salvia and Chávez Molina 2002: 6; Przeworski 1982).

Here, we have assembled the cases from each study and reclassified them into a new, single typology of post-layoff strategies. The categories in this typology, match, to some extent, the types in the original studies. Our task has been to take all the cases at

once to synthesize the information and, at the same time, present a more comprehensive outlook of the process of social fragmentation and polarization occurred after the layoff. As part of this outlook, we will pay attention to how some of the formerly stable workers became long-term unemployed, got discouraged in their job search, or got relegated to subsistence-level activities on the margins of the economy.

The new typology combines two dimensions, interviewees' occupational status in 1999 and their capacity to pursue a personal project in the post-layoff period. By combining these two dimensions, we ended up with six typical adjustment paths, as shown in Table 5. To characterize each of these six adjustment paths, we will consider, first, the objective "outcome" of the post-layoff trajectory, taking into account the subjects' situation at the time of the interview, in terms of economic and—whenever appropriate—working conditions. Second, we will pay attention to the subjects' own definition and evaluation of their current situation.

**Table 4: Typical adjustment paths**

		OCCUPATIONAL STATUS IN 1999		
		Wage Workers	Self-employed	Jobless
CAPACITY TO PURSUE A PERSONAL PROJECT	Higher capacity	<i>Occupied in stable, benefit-carrying jobs</i>	<i>Micro-entrepreneurs with relative stability</i>	<i>Voluntarily Inactive</i>
	Lower capacity	<i>Occupied in precarious jobs</i>	<i>Intermittent, subsistence-level activities</i>	<i>Inactive by discouragement &amp; unemployed</i>

Source: Authors' elaboration based on Herrera Gallo, Austral, and Persia (2002), p. 14 and Table 1, pp. 34-35; Gainza and Persia (2002), Table 2, p. 45; Salvia (2002), Table 3, pp. 65-66; Ferro and Salvia (2002), p. 69 and Table 4, pp. 85-86; Gómez, Laría, and Mallimaci (2001), Annex 1, p. 68; Pereyra (2001), Annex 1, p. 87; Molina Derteano (2005); Graziano (2005); and Hermida (2005).

*Wage workers: stable, benefit carried jobs and precarious employment.*

In this section, we look at the reinsertion paths followed by twenty-nine laid off workers who found new positions as wage workers. Almost half of them found stable, benefit-carrying jobs, while the others had to adjust to precarious employment. New employment could be precarious in the sense that it lacked one, two, or all of the following conditions: job stability, regular pay, and fringe benefits (Herrera Gallo, Austral y Persia 2002; Galín and Novick 1990).

Let's start with the first segment. Among the subjects who found stable, benefit-carrying jobs, we find ten young men, three middle-aged women and an older woman. For all but three of them, the new job entailed worse working conditions than the job they had held before being laid off. The majority of these workers experienced a reduction in earnings, which was accompanied, in some cases, by longer work shifts (Herrera Gallo, Austral, and Persia 2002; Gómez, Laría, and Mallimaci 2001). For a few, the new jobs carried also greater uncertainty about future prospects, when compared to their previous jobs. Only for three of them, did the new job amount to some career advancement, because it allowed them to specialize in a chosen professional path.

Despite their losses, members of this segment had greater success in their job search than any of the other groups, as they managed to avoid job instability, irregular income, lack of pension and health insurance, and long-term unemployment. What elements in their structure of opportunities, if any, contributed to this outcome? How did subjects in this group manage to navigate a challenging labor market? Almost all of the subjects in this group share a relatively high educational level, ranging from some years of college to high school completion. Furthermore, most of the young men had the



advantage of being unmarried and not having to support a family, which allowed them to spend additional time and economic resources on their job search. The women in this group, in contrast, were the main income earners in the household, but they had access to family and community networks which facilitated their job search. In sum, the advantages they all had, in terms of educational level, lack of family responsibilities, or social networks—depending on the case—enabled them to conduct a more selective job search and land on better jobs (Herrera Gallo, Austral, and Persia 2002; Gainza and Persia 2002; Gómez, Laría, and Mallimaci 2001).

Regarding the subjects' definition of the situation, what unites the interviewees in this group is the ability to launch or carry on a personal project in the post-layoff period. For the women, it was the possibility to continue with their personal and economic development, which they associated with holding a stable job (Gómez, Laría, and Mallimaci 2001). For the married men or the men living with their partners, it was the chance of planning, forming and supporting a family (Gainza and Persia 2002). For some of the unmarried men, who enjoyed the greatest room of maneuver and margin of choice, the layoff led to a new emphasis on their education. These interviewees oriented the job search itself and even suspended it temporarily to study, get retrained and strengthen their qualifications, and then returned to the job market as more employable candidates. Interestingly, these young men got to develop a new job identity de-coupled from any particular position, as holders of a body of practical knowledge, which could get materialized in different, “interchangeable spaces” (Gainza and Persia 2002: 39).

Among those who found wage work after the layoff, we can distinguish a second segment whose members ended up with precarious jobs. Four young men and eleven middle-aged ones followed this path. It is important to point out that precarious employment was not confined to small business or to the informal sector of the economy. In some cases, it was big, well-known companies that hired workers in precarious positions (Herrera Gallo, Austral, and Persia 2002). As workers in the previous segment, subjects in this subgroup saw their work hours increase and their earnings fall. But the latter had to cope with a more general degradation of working conditions. Some were hired as registered workers but only with short-term, renewable contracts. Others were hired “off the books”, with no formal contract at all. Some did not receive a regular check, but were paid instead according to sales. Furthermore, most of them did not enjoy fringe benefits, and those who did often got them irregularly.

Compared to the previous segment, this subgroup of workers faced a more restrictive structure of opportunities at the time of the layoff. Most of them had a lower educational level and more urgent economic needs, in some cases related to their position within the household. The responsibility to support the family, with little or no help from other income earners in the household, put some of these workers in a challenging situation. Thus, in contrast to those in the previous segment, workers in this subgroup launched an immediate, widely oriented and non-selective job search (Herrera Gallo, Austral, and Persia 2002; Salvia 2002). As they faced a hostile labor market, they were ready to lower their expectations and take “whatever comes up,” rather than to prolong the job search (Ferro and Salvia 2002: 83).

Workers in this segment acknowledged a clear negative balance in their trajectory, as they compared the job they lost to the present one. In particular, some pointed out to the lack of control they experienced in their current jobs. As one interviewee put it: “You don’t control your work, they control you” (Ferro and Salvia 2002: 81). However, the interviewees clearly preferred their current situation to what they saw as the alternative option, self-employment at the subsistence level (Herrera Gallo, Austral, and Persia 2002). In fact, some of them had experienced with self-employment before landing on their current, precarious jobs, and it was that experience what led them to a certain acceptance of their present position. This acquiescence went along with interviewees’ self-perception as either “too old” or “too uneducated” to get a better job (Salvia 2002: 54).

*Self-employed: micro-entrepreneurs and subsistence-level independent workers*

Two other groups of workers did not return to the job market as wage workers but turned instead to self-employment. Twenty interviewees showed this type of trajectory, which, for a few, entailed setting up their own businesses and achieving a certain level of stability. For the rest, self-employment meant getting by at the subsistence level, either by running a non-viable business or by performing sporadic and poorly rewarded jobs.

Those who managed to set a small business and maintain it over time included three young men, a middle-aged one, and a senior citizen. The businesses they ran included a small grocery shop, two house-repairing businesses, a newspaper sale operation, and a key-making store. In none of these cases did the micro-entrepreneurial activity result in complete success. Two of the interviewees ended up quitting their

businesses for lack of a strong demand. Another subject couldn't face competition from a grocery store. The remaining two businessmen, in turn, kept on at it but they had to overexert themselves to make ends meet.

Regardless of the final outcome, these micro-entrepreneurs achieved a much greater level of stability than the rest of the self-employed. What set them apart from other cases was that—with one exception—they could rely on some accumulated capital to launch their entrepreneurial effort (Herrera Gallo, Austral, and Persia 2002). Either in the form of severance pay—completed with unemployment insurance—family contributions, or a pre-existing business, they all had material resources to establish themselves as micro-entrepreneurs. The only subject who did not was able to rely on his spouse's regular income to assume the risks of entrepreneurial work (Salvia 2002).

The opportunity to fall back on some form of accumulated capital—or on the spouse's regular income—allowed these subjects to adopt a more strategic and planned response to rebuild their lives after the layoff. Yet, it is worth noting a certain ambiguity in how these workers assessed their entrepreneurial effort (Herrera Gallo, Austral, and Persia 2002: 21). Some of them continued to long for greater certainty—generally associated with wage work. In fact, two of the young men kept looking for stable, benefit-carrying jobs while they ran their own businesses. Even so, all five small businessmen valued self-employment for its greater freedom and autonomy, when compared to wage work (Herrera Gallo, Austral, and Persia 2002: 21; Salvia 2002; Molina Darteano 2005).

The stable micro-entrepreneurs can be distinguished from another segment within the self-employed, the independent workers with loss-making businesses or unsteady,

badly remunerated jobs. Here, we find ten men and five women, comprising young, middle-aged, and older people. Some of the jobs they performed were: driving a car or a van, computer assembling, entertainment at parties, selling food, washing and repairing clothes, housecleaning, babysitting, car repairing, garden work, carpentry, and construction work. Regardless of their specific activity, the majority of them had trouble making ends meet and was forced to drastically reduce their living expenses (Gómez, Laría, and Mallimaci 2001; Ferro and Salvia 2002: 74).

With a few exceptions, subjects in this segment did not embrace self-employment as a planned exit but adopted it instead as a last-resort option when faced with little or no chances in the job market. In that sense, it is important to point out that most of these interviewees found themselves at a disadvantage when looking for a job, either because of their older age or because of their lower educational level (Gómez, Laría, and Mallimaci 2001; Pereyra 2001). Neither were they in optimal financial conditions for undertaking entrepreneurial experiment.<sup>3</sup> Only a third of them did have some accumulated capital to help fund their independent activity; the rest could not count on personal funds or family support to make self-employment more viable.

Despite their limited or negative future prospects, a few of these interviewees still preferred self-employment to precarious wage work (Herrera Gallo, Austral, and Persia 2002: 29-30). Most, however, experienced a dislocation of their preexisting personal projects and great difficulties to replace them with new life goals (Ferro and Salvia 2002: 74-76). In addition, some of them saw their social life and social ties weakened, as a consequence of their income fall. With less disposable income, it was harder to

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<sup>3</sup> For an analysis of some of the factors that contribute to the economic viability of micro-entrepreneurial activities in the informal sector, see Belvedere et al. (1999).

participate in recreational activities and social events. Furthermore, in a society where traditional gender models were still prevalent, lower earnings had a negative impact on male interviewees' self-image (Herrera Gallo, Austral, and Persia 2002: 30).

*The Jobless: voluntarily inactive versus inactive by discouragement and unemployed*

The last two groups in the typology comprised people who did not hold a job at the time of the interview. We grouped in one segment those who enjoyed a certain level of choice when they abandoned the job market. In the other segment, instead, we included those who either abandoned their job search by discouragement or were still looking for a job at the time of the interview.

The voluntarily inactive were all women. Two of them were senior citizens; the other three were in their early thirties and were married with young children. All of them left the job market encouraged by other family members (Pereyra 2001; Graziano 2005). Either a husband or a son was the main income earner in the household and the family could still manage without an additional income. Nevertheless, the older women's households experienced greater hardship with the loss of a second income.

In all of these cases, the event of the layoff combined with the women's stage in the life cycle to foster the decision to leave the job market. The senior citizens felt it was "natural" to stay home at their age (Pereyra 2001). The younger women devoted themselves to becoming full-time mothers. We should not overstate, however, the element of choice in these women's trajectories. While the older women decided not to look for a new job, they did so after having long worked for low wages and having weighed their limited chances in the job market. As for the younger women—although

not with the same intensity—they all experienced ambivalence about losing economic independence and delaying their personal development (Graziano 2005).

The younger women handled in different ways the ambivalence they felt vis-à-vis their retreat in the domestic world (Graziano 2005). One of them ended up embracing her domestic role and the traditional division of household labor as a suitable, less stressful arrangement. Another one studied music in a cultural center as a way of preserving an extra-domestic identity. The third one took her domestic role as a fulfilling though temporary situation, which would end when her children grew a bit older. For neither of them did joblessness entail the complete disappearance of a personal project.

These women's trajectories stand in contrast with those of the jobless by discouragement and the unemployed. Within this segment, we find seven middle-aged people, four women and three men. One of the women got unemployed after a sequence of precarious jobs. Another one abandoned the job market after the failure of a small business. The other two had strenuously looked for a job but eventually quit their job search by discouragement (Gómez, Laría, and Mallimaci 2001: 56). The three men—all of them middle-aged—were unemployed and they too had gotten increasingly discouraged and less active in their job search (Salvia 2002: 60).

Except for one of the women, the interviewees in this segment were able to rely on other family members to pay for their living expenses. They could afford, to a certain extent, becoming less involved in their job search or abandoning it altogether. Having worked as a skilled manual worker before the layoff seemed to have contributed to the subjects' discouragement (Gómez, Laría, and Mallimaci 2001: 62). For those who had that

background, it proved nearly impossible to find a job with similar qualifications. The country's deindustrialization in the 1990s drastically reduced the available skilled manual positions. Over time, these workers' knowledge became increasingly devalued and all there remained available to them was poorly paid, precarious jobs (Salvia 2002: 61).

For members of this segment, joblessness was not the preferred outcome. However, there were variations in how they perceived their current situation. For the men, failure in their job search produced a loss of self-esteem and a sense of hopelessness about the future (Salvia 2002). In contrast, faced with the scarcity of options, three of the women found some comfort in the domestic world (Gómez, Laría, and Mallimaci 2001: 64). This was not the case, however, for a separated woman, who kept looking for a stable job and ended up blaming herself for her lack of success (Hermida 2005: 71). As other interviewees experiencing a downward mobility path, she attributed her difficulties, in part, to her low formal education.

## **5. Conclusions**

The analyses presented in this paper aimed to illustrate the process of growing social fragmentation and polarization experienced by Argentina in the late 1990s. The first, comparative analysis of post-layoff work trajectories served to put the mid-1990s layoffs and ensuing occupational paths in historical perspective. As we have seen, both in the mid-1980s and in the late 1990s, layoffs scattered formerly protected wage workers into an array of occupational paths. However, the job market in the second half of the 1990s proved to offer much greater resistance to laid-off workers' attempts to get reinserted, and a much bigger proportion remained unemployed or got discouraged in



their job search. Furthermore, those who turned to self-employment also found harsher conditions; unlike what had happened in the mid-1980s, self-employment in the late 1990s did not lessen the fall in earnings after the layoff.

The second, qualitative analysis, allowed us to pierce into subjects' own evaluations of their post-layoff trajectory. In particular, this analysis revealed situations of self-stigmatization, as well as a self-defeating "game of mirrors;" some interviewees in each occupational category seemed to accept the losses they incurred in after the layoff, as they compared their current situation to another, less privileged "reference group." Furthermore, this analysis provided some evidence of a "path dependency" mechanism by which subjects' chances in the job market improved or worsened over time, depending on their available resources and how they used them in the post-layoff period.<sup>4</sup> Thus, for a privileged few, the layoff was a chance to rebuild their educational capital to fit in changed labor market. However, for the majority, the layoff started a downward occupational mobility path into stable though poorly paid wage work, precarious employment, long-term joblessness, or marginal, subsistence-level activities. As a tentative hypothesis, we could argue that this "path dependency" process was one of the mechanisms through which layoffs in the 1990s contributed to growing social polarization and to the consolidation of a persistent labor surplus on the margins of the economy.

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<sup>4</sup> For an explanation on "path dependency," see Stinchcombe (2005), pp. 5-7.

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