

## LAMERG, Latin America HR Challenges & Solutions Miami, Florida

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## Doing business in Argentina: L&E Aspects

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Managers, as good sailors, need to constantly and rapidly adapt to change.

This is specially the case in Argentina.

### The characteristics of the last populist regime for employers:

- With high inflation:
  - High union power
  - New unions for professionals, supervisors and even managers
  - Employment growth specially in public sector
- High index of employment litigation:
  - Pro employee judges appointed
  - High interest rate
  - Human rights approach to employment cases, expanding remedies

## L&E environment until 2015

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### The characteristics of the last populist regime for employers:

- Hundreds of bills at the congress to amend employment laws for more regulation pro employee
- Pension funds and savings back to the state and used for public spending and to sustain economic activity.
- Hunting at the zoo: Hi rate of informal economy, low level of enforcement.
- Exchange rate adjustments pace lower than inflation
- Increasing salaries and absenteeism:
  - the discussion of productivity and competitiveness was out of the agenda.
- Managers requesting to be paid in foreign currency and abroad to escape the local restrictions
- Expats: incentive for outbound, not a lot for inbound
- Technical default of sovereign debt

## Suddenly, after November 22<sup>nd</sup>, Argentina is back to the future

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### What happened:

- Monetary and trade restrictions solved.
- Strong devaluation of the peso
- New expectations for Argentina as an interesting market with huge potential in natural resources and urgent infrastructure needs.
- Almost out of technical default.
- Brazil in deep recession

## The new Argentina

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### New Authorities are pro-investment:

- President discussing absenteeism and competitiveness before industry leaders.
- Inflation targets to reduce to one digit in mid term
- Fiscal efforts to reduce pressure on salaries on the negotiations with unions: income tax and family allowances.
- Companies that were not allow to dismiss, are now adjusting their headcounts.
- Some plants finally are closing, since they are no longer forced to sustain their activity due to illegal government threats
- Focus on education
- Argentina still has a HR advantage

## Threats

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- Brazil economic and political crisis
- World economy: commodities prices
- Social tension due to readjustments of the economy
- Political freeze at congress: government does not have majority at the congress and needs to negotiate.

## What to expect:

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### From Unions:

- Will have less power as inflation is reduced and the real unemployment level is revealed.
- Positive:
  - Leading change while inflation decreases
  - Contain the social tension
  - Defend their Healthcare system
  - Uphold the need for a modern productive structure and economy
- Negative:
  - Corruption
  - Old fashioned and resisting change and succession
  - Formal power and not real power
  - Some new players with lack of experience and extreme ideas

## From local Bussiness

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- Fast response to change
- Try to get immediate competitive advantages
- Hi level of investment power
- Certain comfort with prior populist approach
- Might be exaggerating measures regarding prices and headcount: sense of opportunity after economic oppression



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