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**INSTITUTE FOR THE STUDY OF THE AMERICAS  
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**Argentina's *Nuevos Pobres* since  
the Corralito**  
**From Despair to Adapting to Downward Mobility**

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## GLOSSARY OF SPANISH WORDS

Asambleas (Barriales)	Neighbourhood assemblies that emerged during late 2001
Cacerolazos	Demonstration using pot and pans to make a noise
Capital Federal	The federal district of Buenos Aires
Corralito	Limit on cash withdrawals from bank accounts decreed by Economy Minister Domingo Cavallo on 01/12/2001
Convertibilidad	Decree passed in 1991 where the Argentine peso became pegged to the US dollar
Nuevos Pobres	Those people who are newly impoverished
Obrero	A worker
Piqueteros	Unemployed workers movement that blocks roads as a form of protest.
Villero	Shantytown dweller

## ABBREVIATIONS

CEPAL	Economic Commission for Latin America and Caribbean
DFID	Department for International Development
FLACSO	Facultad Latinoamericana de Ciencias Sociales
FONDECYT	Fondo Nacional de Desarrollo Científico y Tecnológico
GDP	Gross Domestic Product
ILO	International Labour Organisation
IMF	International Monetary Fund
ISI	Import Substitution Industrialisation
JDC	American Joint Distribution Committee
NGO	Non-Governmental Organisation
SITEAL	Sistemas de Información de Tendencias Educativas y Sociales en América Latina
UBA	University of Buenos Aires
UNESCO	United Nations Educational, Scientific & Cultural Organization

## INTRODUCTION

We of the sinking middle class may sink without further struggles into the working class where we belong, and probably when we get there it will not be as dreadful as we feared, for after all, we have nothing to lose.

George Orwell

The spectacle of hundreds of enraged, smart-suited professionals furiously banging pots and pans outside Argentina's Central Bank in a *cacerolazo* protest against the confiscation of their dollar bank deposits during December 2001 was all too alluring for the international mass media. But since the *corralito* and the Argentine Government's default on its \$95 billion debt (Lopez Levy 2004:11) the plight of the country's *nuevos pobres* has disappeared from their attention. Even within academia, the pauperisation of millions of its middle-class is an issue barely touched upon in the early twenty-first century. This research deficiency is attributable to several causes. First, within Latin America itself the issue of 'new poverty' is barely discussed because of the fact that the middle-class is comparatively much smaller than in Europe and North America so their impoverishment is less politically significant. Second, the structural poverty enveloping the continent has become a far more relevant topic for intellectual analysis. Meanwhile for scholars of the world's richer nations, the idea of downward social mobility is no longer novel or worthy of investigation. In any case, for geopolitical reasons they have focussed much more on the evolution of the new poverty that emerged during the early 1990s in the former Soviet Union (Kessler/Di Virgilio 2006).

But this paper does not simply try to trace the fate beset upon the newly and abruptly impoverished victims of the 2000/2 economic crisis since the *corralito*. It also presents a sociological analysis of those new poor who experienced subtler pauperisation as part of the gradual decline in living standards which, as first acknowledged by Minujín, Beccaria and Bustelo in *Cuesta Abajo* in 1993, emanated from the stabilisation and structural adjustment policies that commenced three decades ago (Minujín 1995:153).

In recent years, academic literature in this area has concentrated on a debate about whether one can speak of the disappearance of the middle-class. Svampa develops Mafud's prediction (1985:17) from twenty years ago that the development of neo-liberalism has polarised its 'losers' in the lower-middle class (who experience proletarianisation) and 'winners' (who enjoy 'oligarchisation' by integrating into the upper-class). She argues that the cultural homogeneity of the middle-class has thus been irrevocably extinguished (2000). In *La Clase Media, Seducida y Abandonada*, Minujín disagrees with this prognosis of dualism, and while recognising that the middle-class has fractured, he proposed that the new poor retain certain aspects of social and cultural capital that ensure they remain integrated rather than marginalised (2004:20). More recently, Kessler has produced some intriguing work on both self-identification of the new poor and what patterns have emerged with respect to their social mobility (2006). Since Fiszbein et. al. meticulously dissected the World Bank's (2003) household survey to scrutinize how the new poor have adopted coping strategies in Argentina since the crisis, no further attempts have been made to research how these trends have changed. A revised and truncated effort (albeit illustrative not exhaustive) is made here.

Unlike most previous studies in this field, this paper aims to contribute to a niche in academic research by investigating “what has happened to Argentina’s new poor who have *not* recovered their previous socio-economic status since the *corralito* but have had to adapt to long-term downward social mobility?” Chapter 1 provides an overview of the significance of ‘new poverty’ and poses whether the subjects of our study can still legitimately be described as ‘new’ poor a quarter of a century after their initial social descent. By observing changes in different asset capitals they possess (financial, human, physical, social and natural) that distinguish ‘new’ from ‘structural’ poverty, it establishes an analytical basis for ascertaining why they have remained poor, what their prospects are for recovery and what can be done to help them. Such an approach that dissects new poverty in this way has not been undertaken before. Chapter 2 focuses on the labour market, observing downward pressures on mobility that help to explain why such a considerable proportion of the new poor have not, and are not likely to see their situation improve in future. Chapter 3 reveals some of the psychological and social consequences of having moved from ‘despair’ to resignation and ‘adapting to downward mobility’ since 2000/01, as suggested by the title of this article. Finally in the concluding chapter, it seeks to aid further research by drawing on evidence from earlier chapters to understand the problems those affected by new poverty face, while proposing alternatives for how the phenomenon may be confronted through the use of social and micro-economic policy.



## METHODOLOGY AND LIMITATIONS

Field research was conducted over a period of two months in Buenos Aires and interviews usually took place in respondents' homes, where those who classify as *nuevos pobres* (even if they do not regard themselves as such) felt most comfortable. Respondents were questioned not only about changes in their attitudes and lifestyles pertaining to their asset capitals, but were also asked to make self-assessments about their current socio-economic situations and how they believe they will change in the future. I already knew many of those interviewed, as clients of the JDC,<sup>1</sup> an NGO, for whom I had performed voluntary work during the economic crisis. I had hoped that this relationship might help illicit more honest responses from interviewees, who I believe saw me as someone empathetic to their plight. However, one cannot rule out the possibility that they may have been prone to exaggerate their circumstances, or paradoxically, even to have underplayed their conditions for fear of humiliation, a common sentiment in light of their rapid decline in personal fortune. In addition, it must be stressed that these interviews are used to illustrate certain points and do not represent the entire spectrum of 'new poor'. Where I argue a case using a quote from a respondent, they are usually substantiated by statistics from CEPAL, SITEAL or other reliable source, or verified by experts whom I approached. Most of my secondary evidence was acquired from sources obtained from FLACSO, UBA, or newspaper and other online archives.

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<sup>1</sup> [www.jdc.org.uk](http://www.jdc.org.uk)

## CHAPTER 1 - THEORETICAL FRAMEWORK

First the weakest were excluded, then followed the less weak. Finally the middle-class was condemned to the same fate.

Bertold Brecht, 1898-1956

### **The emergence of the *nuevos pobres***

From the mid-twentieth century, throughout most of Latin America, the middle sectors flourished both numerically and in their living standards under the predominant ISI economic model. In Argentina, this was promoted by General Juan Peron under whose command, domestic industry was protected, higher levels of education were encouraged and a welfare state was created - offering job security, social protection and access to goods and services, while improving opportunities for upward social mobility. However, since then, these favourable conditions have been slowly stripped away as the middle-class has endured three waves of impoverishment (Kessler/Di Virgilio 2006). The first wave began when the military government of 1976-83 enforced a salary freeze upon middle-income earners in an attempt to control inflation. The second wave was the most prolonged and gradual - a consequence not only of the hyperinflation of the late 1980s which wiped out savings and caused serious repercussions for small businesses, (Martinez 2003) but more significantly, the 'squeezing' of the lower-middle class during the 1990s. As Argentina embraced the free-market under structural adjustment policies carried out during Carlos Menem's presidency, thousands of small enterprises folded as they lost subsidies and failed to contend with the concentration of industry and influx of powerful foreign competition from multinationals (Liendo 2001:19). Labour also became relatively less productive and more expensive due to technological innovation, so was substituted with capital (Mejía 2006). Public sector shrinking demanded by the IMF to confront the debt crisis, prompted redundancies for 150,000 civil servants with many more incurring a significant deterioration in salaries

and conditions (Lvovich in Svampa ed. 2000:56). Furthermore, in Argentina the imposition of neo-liberalism and the materialism and individualism it spawned, placed citizens, especially the middle-class, under immense pressure to conform to conspicuous consumption guidelines under which they were encouraged to purchase cheaply imported luxury good and services which were paid for with credit, which itself led to long-term indebtedness (Liendo 2001:30).

Working conditions for many white-collar workers also worsened as they ‘sank’ much faster than the ‘structural poor’. Often, they did not enjoy the same degree of trade union protection or benefit as much from social rights, so were more exposed in times of economic recession (Mafud 1985:160). While average real household income for the poorest quintile of society fell by 25% during these two decades, for the middle quintiles it was nearer 33% (Minujín 1995:161-162).

Finally the most recent ‘wave’ was the economic crisis of six years ago. For many of the middle-class, it entailed not only the sudden loss of savings in the *corralito*, but hundreds of thousands more lost businesses or jobs. Internal investment fell by a quarter as GDP receded by 20.1% between October 1998 and March 2001 (Beccaria 2005:236-237). The end of the pegging of the peso to the dollar under *convertibilidad* also made many the imported goods and services they were accustomed to purchasing, suddenly become incredibly expensive, meaning they even many of those who retained their jobs, had to forfeit such extravagant lifestyles. In 1980, just 3.1% of the population were blighted by ‘new poverty’ (those who were not poor previously but had become so), whereas by 2002 it amounted to 35.8%. To put the crisis into perspective, according to leading Argentine economist Bernardo Kliksberg, some seven million middle-class people became impoverished in its aftermath (Naishtat 2006).

## Defining the New Poor – Economists vs Sociologists

In 2002, in several shantytowns on the outskirts of Buenos Aires, posters appeared saying “welcome middle-class!” (Abadi/Mileo 2002:20) however, in reality, only a negligible number fell so profoundly that they ended up living in such pockets of temporary settlements. Generally, the new poor continued to reside in apartment buildings in metropolitan, middle-class districts despite the fact that from an income and consumption perspective, (often used by economists as indicators of poverty), they were in the same situation as an *obrero* shantytown dweller who only had a tin roof separating them from the elements. New poverty therefore takes place ‘behind closed doors’ and is ‘hidden’ (Kliksberg 2000:105). The experience of pauperisation for millions during the last three decades highlighted that poverty in Argentina was no longer a homogenous concept but had become far more complex.<sup>2</sup> ‘New poverty’ differs from ‘structural’ poverty because the former is the result of a recent process (retreat of the state, labour market changes etc) not a longer-term social position (Iriarte 2003). Recognising this, Minujín, Beccaria and Bustelo explain that although their income and consumption levels had fallen drastically, plunging them into impoverishment according to the ‘poverty-line approach,’ unlike the structural poor, they retained adequate housing, access to health and education services and had drinking water, gas and electricity needs etc fulfilled. Hence, in the Argentine case, one had to combine both ‘poverty-line’ and ‘basic needs’ approaches to redefine the

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<sup>2</sup> In this article I avoid describing the new poor as fallen ‘middle-class’ unless cited authors do so specifically. Firstly, because approximately a quarter were actually ‘non-poor’ working-class before becoming newly impoverished (Lvovich in Svampa ed. 2000:52) and secondly because the notion of ‘belonging to the middle-class’ is rather spurious, for reasons explained later. A more accurate way to encapsulate the origins of at least three-quarters of those described as ‘new poor,’ is to adopt Svampa’s terminology – the ‘services class’. Taken from Goldthorpe and Austro-Marxist - Renner in the 1980s, it describes workers in non-productive employment, who unlike the working-class are engaged in a different quality of work, whereby they exercise greater authority or autonomy because they are the skilled holders of privileged information e.g. self-employed, experts or professionals located in the services sector (Svampa 2000).

composition of this ‘new poverty’ in sociological, not purely economic terms (Minujín 1995:159).

Diagram 1 (see appendix) illustrates this and how the nature of poverty has changed in Argentina. It shows how new poverty has become much more prevalent since 2002, as indicated by the expansion of Area C. Meanwhile, the structural poor are described as those who are impoverished in terms of basic needs and income (Areas A and B). In Area A, a small minority of structural poor live above the poverty-line in terms of income, yet have their basic needs unsatisfied (Minujín 1995:159-160).

**Characteristics of new poverty**

- Heterogeneity in employment profile
- Unemployment/underemployment
- Significant changes in consumption patterns from before
- Invisibility
- Appearance or aggravation of health problems
- Deterioration of family and personal relations
- Difficulties in social integration

Source: *La Lucha Contra la Pobreza en América Latina*, Kliksberg 2000:105

Unlike the structural poor, *nuevos pobres* also benefit from possessing certain capital assets that help them escape poverty. In terms of their social capital, their ‘connectedness’ through kinship ties or networks of business acquaintances or friends with valuable social status, can help expand their access to other institutions, employment possibilities, or material needs. With respect to human capital, they are likely to possess much higher levels of education and a greater diversity of work experience and skills, including leadership potential. They are also likely to be healthier, having been able to afford better quality food and having had access to superior healthcare in the past. Part of this investigation will strive to determine the extent to which since the *corralito*, the current new poor have managed to retain this

social capital and ‘connectedness.’ Have they suffered human capital losses from being de-skilled and dis-educated, or endured poorer health and thus been brought closer to the structural poor in these respects? This article assumes that by definition of remaining ‘new poor’, their financial capital (savings, liquid assets, credit) lost during the crisis has not yet been replenished, but I shall test this anyway. Natural (resource-based) capital for both new and structural poor living in urban areas will be negligible. Finally in terms of physical capital, I will investigate whether access to affordable transport, secure shelter, adequate water supply and sanitation, clean, affordable energy and information have decreased or been recuperated by the new poor since 2001. Certainly, *nuevos pobres* enjoy higher basic needs fulfilment (as mentioned), but has their previously superior ability to obtain physical capital in the form of private health care, education or home security been permanently restricted?

Obviously one cannot be precise when measuring how these asset capital levels have changed, due to the impossibility of aggregating the exact amount each household possesses, but these findings will be illustrative and based on interviewees’ responses and other evidence compiled during research. Adapting DFID’s use of the ‘asset pentagon’ can help observe these changes (1999). The shape of the pentagon can be used to show schematically the variation in people’s access to such assets (See Diagram 2 in appendix which illustrates how asset levels changed on the pentagon pre and immediately post-*corralito*). Where the lines meet at the centre of the pentagon, this represents zero access to assets, while the outer perimeter represents maximum access. On this basis, different shaped pentagons can be drawn to also represent what may happen to the new poor in the future. Comparisons can also be made with pentagons for the structural poor. Thus conclusions will be established about whether in terms of asset capitals, the new poor are moving increasingly closer to structural poverty or not.

## **Exhaustion of a Model: Are the New Poor Still ‘New’?**

The crisis of 2001 clearly produced a new ‘wave’ of impoverishment, but in a much more violent fashion than the subtle, gradual pauperisation of previous decades. However, by then it was no longer a ‘new’ social phenomenon in Argentina (Kessler/Di Virgilio 2006). To describe this tendency as ‘new poverty’ in the 1990s was useful because there was a need to distinguish it from traditional impoverishment. It also helped reduce the social stigma of being ‘poor.’ But someone who became impoverished in the late 1970s or 1990s ‘waves’ (or even during the crisis of six years ago, and has remained in that situation today), cannot legitimately still be described as ‘new’ poor. Yet due to the differences in cultural, human and social capital they possess compared to the structural poor mentioned earlier, some distinct way of classifying them (without using the term ‘new’) must be found. One of the pioneering theorists of ‘new poverty,’ Gabriel Kessler suggests that an alternative approach is to view their predicament as closer to that of today’s European ‘new poor,’ that’s to say a services class that has suffered economic decline during the last thirty years and for whom impoverishment is accompanied by indebtedness and the inability to meet expenses (2007). While a useful likeness, the Argentine ‘new poor’ are not European, and despite similar structural economic transformations there, the Latin American variety have been the victims of a distinct set of policies. Using this background and evidence from my research findings, a more sophisticated approach to overcoming this terminological deficiency will be explored.

## **The New Poor 2001 - 2007 – A Synopsis**

Approximately 10% of the population, or four million Argentines can be described today as ‘new poor’ in the sense that they are living below or very close to the poverty line, yet were not historically poor (Curotto *Prensa Digital* 2006). What has become clear from a recent study<sup>3</sup> is that approximately 40% of Argentina’s *nuevos pobres* have recovered the equivalent jobs and consumption patterns that they enjoyed before the 2001 devaluation. Meanwhile, the rest look likely to face the prospect of remaining poor, despite the strong macroeconomic recovery that Argentina has benefited from since. Several interviewees indicated that soaring inflation since the devaluation has kept them in poverty because their salaries have not risen as quickly. According to CEPAL, inflation in Argentina has increased by 54.9% since the devaluation (*Anuario Estadística* 2.3.1.). This factor is especially relevant in keeping the ‘new poor’ impoverished because they generally work in the services sector so tend not to be unionised, whereas workers in the manufacturing or construction industry who are, have taken advantage of the new dialogue with the Kirchner government to push for wage rises at least in line with inflation since September 2003 (Kessler 2007).

Graph 1 (in appendix) illustrates how for the remaining 60% of the ‘new poor’ who have not escaped poverty since the *corralito*, spending habits and lifestyles remain curtailed compared to those who managed to recover.

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<sup>3</sup>CCR consultancy group’s 2006 survey



## CHAPTER 2

### LABOUR MARKET & SOCIAL MOBILITY SINCE THE CRISIS

Our children are the first generation to be worse off than their parents

Daniel Filmus, Argentine Minister for Education

#### **Argentina: A History of Intergenerational Upward Social Mobility**

Minujín and Lopez demonstrated that new poverty is closely related to individuals' fluctuating connection to employment, and therefore poverty is becoming a more fluid condition (Feijoo 2003:14). To explain why some 'newly impoverished' have not managed to escape pauperisation since the *corralito*, a detailed look at the labour market since then must be conducted.

Throughout the twentieth-century, Argentines enjoyed an exceptionally high degree of upward social mobility relative to the rest of Latin America. This upward generational mobility began when millions of migrants arrived at the country's urban centres during Peron's efforts to build up domestic industry and was facilitated by an unusually accessible education system (Mafud 1985:24-26). Traditionally, it has been assumed that a movement from employment in the primary to the secondary or from secondary to the tertiary sectors represents 'upward occupational mobility' because usually it is synonymous with higher salaries, improved working conditions, prestige or autonomy. Between 1965 and 1995 for example, this upward mobility occurred because structural changes in the economy, strongly created jobs in the services sector whilst jobs were shed in industry and extraction (FONDECYT survey, Buenos Aires, Kessler/Espinoza 2006). In terms of the highest positioned job that one would obtain in their life, if the subject today is middle-aged, the biggest movements in upward occupational mobility

in Argentina were experienced between their grandparent (usually of the immigrant generation) and their parent, with often further (but reduced) upward mobility between their parent and themselves. However their children (today under thirty years old) are beginning to experience zero or even downward mobility (Triskier 2007).

$$\text{Total Occupational Mobility} = \text{Structural Mobility} + \text{Residual Mobility}$$

Explaining the above formula, Total occupational mobility equals Structural mobility (changes in mobility attributable to transformations in the economy which effect demand for labour in different sectors) *plus* Residual mobility (the extent to which individuals ‘work themselves up the ladder’, exploiting opportunities available to them such as education, natural ability and their own efforts). The interesting thing is that the proportion of total occupational mobility consisting of ‘residual’ mobility has been falling since the 1960s. It made up approximately 53.2% of the total (compared to 46.8% attributable to structural changes) in 1960, whereas by the year 2000, it had declined to just 41.6% of the total (Kessler/Espinoza 2006). The results of this survey are critical for the new poor because they mean that although the social structure in Argentina is still permeable, it is becoming increasingly rigid. Individuals are evermore reliant on the demand for labour in the economy rather than their own individual accomplishments in order to achieve upward mobility. However, for the new poor it means that it is increasingly difficult to become upwardly mobile after a ‘fall’ such as the one they experienced.

## **Downward Social Mobility and the New Poor since the Crisis**

This trend is not necessarily a bad thing, so long as the structural changes in the economy promote upward mobility. Indeed, the epoch of neo-liberalism has intensified upward structural mobility because on the whole it has created greater numbers of highly-skilled and professional jobs in services, commerce, business, and professions, whilst rapidly replacing employment in agriculture, construction and manufacturing (as the result of privatisations or the increasing substitution of labour with capital in these sectors *ibid.* 2006). However, one of the legacies of the 2001 economic crisis has been that for the first time in modern Argentine history, the labour market has actually been haemorrhaging hundreds of thousands of skilled service sector jobs and creating almost as many in industry and construction. Primary and secondary sectors have been the backbone of the subsequent Argentine boom (the economy is averaging 8% per year growth) due to high world commodity prices and soaring demand for manufactured exports following the post-crisis peso devaluation (Beccaria 2005:239). CEPAL figures in Table 1 (see appendix) convey how since 2002, the Argentine economy has experienced labour market transformations that signify *downward* structural mobility. For those who have remained ‘newly impoverished’ in 2007, especially those who lost jobs or were demoted during the crisis, at best they have experienced stagnated mobility or have gained lower-level jobs in the same field as their previous job, but have potentially suffered occupational movements away from highly-qualified service sector employment towards unskilled, manual jobs in industry or extraction. For the new poor, who have not yet recovered their old occupational status, there is little hope of achieving upward mobility and doing so in future (Kessler/Espinoza 2006).

Traditional ‘service class’ jobs that *nuevos pobres* would have habitually commanded have dried up or only have only begun to recover since the heavy losses sustained

during the crisis. In terms of who is actually filling job vacancies since the *corralito*, another piece of evidence makes for fascinating reading. If one examines these figures in terms of level of education as a basis for comparison, it indicates that those with completed secondary or tertiary education (where the new poor are generally located) are getting back to work far more quickly (21% and 16% employment growth respectively) than those with incomplete secondary or completed primary education (just 3% growth) between 2002 and 2005 (Beccaria 2005:243). Yet, although the higher-qualified benefited most from job creation during the economic recovery, they have gained proportionately *least* in terms of salary recovery. Between October 2001 and 2005, real income for those with lower levels of education fell by 30.5% whereas for those with secondary or tertiary education it diminished by 40%. Since the recovery (October 2002), average salary growth in the first two years was 8.1% across sectors; yet in ‘services class’ sectors such as business, real estate, and finance - where new poor are most likely to be found, it actually fell by 8%. Meanwhile salaries soared 16% in industry and construction (ibid.2005:244-246, SITEAL).

Generally, one has witnessed a displacement of lowly-skilled, structurally poor workers in the unskilled services sector by the new poor, who have taken over their jobs having not been able to find the qualified jobs they would be more suited to (Kessler/Di Virgilio 2006). Employers tend to prefer having higher-qualified people doing the same jobs for the same wage. Thus, many new poor are finding that work is fairly easy to obtain, so long as it is lowly-skilled and often poorly paid. As several interviewees commented, employers are taking advantage of the desperate need to have work and are remunerating them pitifully. A professional English translator who had well-paid jobs with several multinational organisations during the 1990s recounts:

After working for several weeks ‘through the night’ in a call-centre, I decided to look for a new job because I was completely exhausted. Since then, I’ve been working as a sales assistant in a shop, selling leather goods. I use my English to converse with tourist customers and my boss offers me a double shift, which I do every day, six days per week from 9am to 8.30pm. The long hours are hard, I have to stand up all day, which makes my legs ache, but I have no choice. If I didn’t I’d be completely in debt.

Even for those who have managed to retain their qualified and apparently prestigious jobs, many have remained ‘poor.’ This is due to the phenomenon of ‘spurious upward mobility’ in which despite maintaining upward occupational mobility, it has been accompanied by ‘downward mobility in terms of pay and conditions.’ Although this was also occurring throughout the 1990s, the tendency has been aggravated by the economic crisis as the weight on employers to create a flexible workforce has become more intense. Work has become more precarious, and downward pressure on salaries means that those jobs created for the services class are much more poorly paid than several years ago (ibid. 2006). In 2001 for example, a skilled and qualified worker in the services sector earned some 30% less (in real terms) than an unskilled, manual worker in 1980.

Since the crisis, many companies are much more wary of the difficulties fixed contracts can cause during periods of economic downturn. For that reason, it is increasingly common today to take on unemployed professionals as ‘self-employed consultants’ whose jobs are dependent on the success or failure of the company who hire them (Postel 2007). The numbers of ‘highly-educated’ in non-contracted work have surged by 6% for men and 14% for women (SITEAL 2.7/2.8) while between 2000 and 2005, the proportion of well-educated people in informal sector work rose by about 3% (this is also higher for women). Average informal sector salaries are approximately half that of the formal sector and virtually all informal sector workers are living below the poverty-line, including a significant part of the new poor (Oña 2007).

## **Barriers to Recovery for the New Poor in Argentina's Labour Market**

*Nuevos Pobres* who possessed wide-ranging experience before 2001 have found it much easier to find work again than those with limited experience, among whom unemployment, underemployment and unskilled, low-salaried work are more common today (Postel 2007). Interviews reveal that sometimes this is because the individuals themselves find it unfeasible to retrain in another skill, because they do not have the money to take a course and certainly cannot forego all or part of their salary to do so. Furthermore, although first degrees (except postgraduate) are free, no government assistance is available in the form of grants. Businesspeople and industrialists are often the ones who have remained impoverished because the crisis left them with large debts from their companies. Also they commonly employed family members in their (now bankrupt) businesses, which created 'multiple' negative impacts on the household economy when they closed. Apart from the fact that the debt burden is one that those in the 'independent' professions (those not reliant upon demand) did not have, 'dependent' professionals tended to have skills in just one specific area that was subject to consumer demand, which has since vanished by 2007. Meanwhile, those in the independent professions such as teachers and doctors were more shielded from the impact of the crisis:

When our factory went bankrupt in 2002, luckily I had experience in other areas. For many years I was a biology teacher. So I said to myself "I'm going to start teaching again" and you know what? Within weeks I was giving classes...however the opposite happened to her [his wife]. You see she didn't have the same diversity of experience as me. Losing the factory really got her down. She's lost the 'get up and go' (*onda*) she used to have and today she still hasn't found anything.

Some of this group of former industrialists managed to undertake a short-term vocation as a coping strategy before recommencing production as the economy picked up. But for those who have not had such luck and couldn't afford to purchase the equipment or rent the property to do so, their economic woes continue. For others without experience

in diverse areas, obtaining employment lower down the hierarchy in the same industry was usually the only option. Yet sometimes, in such cases, employers wouldn't take them seriously. In others they are too ashamed to take on a job they are over-qualified for:

I was very well known in the world of fashion. All my ex-employees merely had to mention that they had worked for Silvia W. and they would immediately be offered jobs because I had a reputation for getting the best out of my staff. But curiously when Silvia W. came to look for work, the door was closed every time. It's been so hard because I'll ask old contacts in the industry if they have any vacancies selling clothes in their shops and they'll answer "but what with all your experience, why would you want to do that?!" If only they knew, I'd do anything to work again.

Additional problems exist that are peculiar to the new poor, in terms of their pursuit of work, which have made the chances of achieving employment more limited since the *corralito*. It is important to realise that the ways in which educated people affected by economic crises look for work is totally opposite to the strategies adopted by businesses to recruit. Being more likely to purchase newspapers, those with higher levels of education will first browse the 'appointments' section of the papers to look for job opportunities. Then they may approach an employment agency, but the very last option they will explore, is to resort to social networks because of the shame in revealing their plummeting personal circumstances to friends and acquaintances (Goldschmidt 2007). Social contacts (not newspapers, or employment centres) are also the way that 83% of people achieve employment (Bolles 2006), so effectively the social capital, which should be a strength for the middle sectors, is a superfluous resource for the new poor. In contrast, company managers will first search within their own ranks and networks and only as a very last resort will they place an advert in a newspaper to recruit (Goldschmidt 2007). Looking in opposite directions in this way has meant that many opportunities to improve their situations have simply passed the new poor by.

Age discrimination by employers is a principal cause of ongoing impoverishment for those who suffered in the economic crisis. A visit to several job centres in Buenos Aires divulged that perhaps 80% of jobs advertised, specifically requested that applicants be under the age of forty-five. Equality laws to prevent such practices do not exist. But there are other more tolerable reasons why older people are experiencing such difficulties in the labour market. To a certain extent, those who are middle-aged are more likely to possess traditional qualifications that are no longer relevant or demanded in the modern labour market. Those qualified in new professions like technicians, computer analysts and engineers have been inclined to recover their old jobs much more quickly than geologists for example (Kessler 2007). As I was told by someone in her fifties:

If I could go back in time I would choose a much more practical degree, because nowadays they ask for practical experience and specific qualifications when recruiting. No one wants to take on someone like me as a secretary with my Arts degree. They prefer someone who has just graduated as a 'bilingual secretary.'

Gorz and Dahrendorf contemplated that we are in the era of “the end of work.” Nun clarified that what is really at play is the end of the notion of salaried, stable and well remunerated ‘employment’ as a pillar of social cohesion (Iriarte 2003). Efforts by the Government to address these key issues in the labour market have failed. There appear to be few options of escape for the new poor as things stand in 2007.



## CHAPTER 3

### THE CRISIS, SELF-IDENTITY, PSYCHE & NEW REALITY

Saber que se puede querer que se pueda,  
quitarse los miedos sacarlos afuera;  
pintarse la cara color esperanza,  
tentar al futuro con el corazón

Diego Torres, 2002

#### **Convertibility, End of the ‘Middle-Class Dream’ & Coping Strategies**

The words of *Color Esperanza* struck a chord with every Argentine who had been affected by the economic crisis. The lyrics imparted an upbeat message of hope to those who had lost everything and who were struggling to resurrect their lives. Needless to say, the song got to number one. And it stayed there. Amidst the ‘desperation and terror’ felt by the middle-class at the time (Masseroni/Suane 2004:247-257), the success of Torres’ song represented the sparks of optimism that were yearned for. This chapter investigates how the social attitudes, self-perception and psychological state of the newly impoverished have evolved since.

In the years that followed Menem’s pinning the peso to the dollar in 1991 (so as to confront inflation and allay middle-class fears about their own implosion), this ‘magic formula’ allowed the middle sectors to finally fulfil their dream of ‘entering the first world: For several years, they basked in an orgy of conspicuous consumption due to the artificially low prices for luxury imports and overseas holidays (Guano 2004:76) but when this policy became unsustainable during the economic crisis, the peso devalued by some 300% and their quality of life plummeted overnight. Having lived so extravagantly, they subsequently had to fundamentally readapt their lifestyles by enacting coping strategies to allow them to survive from day to day. The erosion of the very cultural practices and values that distinguished them from the structural poor began to penetrate the middle sectors from the late 1970s but became much more acute

after the *corralito* as *convertibiliad* ended. Shivering from the cold during an interview that took place in the home of one respondent while it snowed outside, I was told:

I look back on the time when the peso was one-to-one with the dollar with fond memories. I earned 2,000 dollars a month; I could go to the supermarket and buy what I wanted without even looking at the prices. Now I don't even have enough to pay the electricity bill and I haven't bought clothes for five years. It's dangerous because ten years ago we could buy anything we wanted... We aren't accustomed to living this way... and my telephone line is controlled. It hurts because I can't even call my daughter who left three years ago to find work overseas.

In 2003, the World Bank (153) identified the implementation of several 'adaptive household strategies' by the new poor, which reduced consumption. Among those that have since become long-term include the restricted use of utilities, public transport and taxis (especially following the energy crisis of 2007 which led to price hikes). The elderly have been especially affected by this and the fact that some imported medicines became prohibitively expensive since the peso devaluation. Most new poor have maintained some private health coverage (*obra social*) although at reduced levels. These trends have severely diminished human and physical capital since the crisis.

Some 'active strategies' have also become more permanent like the tendency for increased numbers of income earners in the household. However, selling off assets, supplementing income through micro-businesses and resorting to social network strategies like receiving aid from NGOs have become less commonplace since 2003. Participation in the exciting barter clubs, (*clubs de trueque*) which temporarily helped replenish social capital, has also dwindled to negligible levels, as many have since gained full-time (albeit low-paid) employment, denying the need to engage in *trueque* (Bombal/Luzzi in Epstein 2006:149-153).

Feijoo explains that when minimalist strategies such as cutting back consumption reached the point where acute downheartedness and feelings that there was 'no way out' of the economic situation became overbearing, the new poor began to dream of

returning to the prosperous European lands from which their grandparents came, or of escaping even further afield to north America or Israel (2003:46). Although it is difficult to know how many out of the 250,000 Argentines who emigrated since the economic crisis did so because they were 'newly impoverished', it is fair to say that it was a sizable proportion, having scraped the resources together to do so. In 2002 Abadi and Mileo forecast that many of the new poor who left, had deluded themselves into believing that moving overseas could magically solve their economic woes, and that they would soon become disillusioned with their new lives (2002:137-143). By 2004, this vision had been fulfilled and the vast majority who left Argentina had returned home. During the last three years, also spurred by the Argentine recovery, they continue to return in large numbers (Galván 2007).

## **Coping with Coping Strategies – Psychological Impact of the Crisis**

Many new poor have had their ideas, beliefs and expectations fundamentally reshaped by their new reality, (Kessler/Di Virgilio 2006) but unlike the north American new poor from the last three decades, who could look to the Great Depression, families in Argentina had no similar experiences as points of reference to draw upon to help them cope psychologically with sudden impoverishment (Shutz 1987 in *ibid.*).

According to sociologist Ana Wortman, in an attempt to maintain certain ‘symbolic’ social or cultural capital after the crisis, many new poor tried to continue attending sports clubs, send their children to private school, or maintain internet access as a form of social contact to demonstrate ostentatiously to others that they still possessed economic means, even if it meant foregoing health insurance or getting into further debt (Elustono 2006). This has been impossible to maintain in the long-term, but various, innovative ways of obscuring the ‘shameful’ signs of having socially descended into impoverishment are constantly devised (Valente 2007). Many have refused to relinquish certain, small indulgences that provide minimal pleasures ‘to look forward to’ amidst a sea of despair (Golovanevsky 2004:153).

Mafud (1985:86-91) explains that certain social norms associated with middle-class lifestyles makes them particularly exposed to feelings which induce psychological trauma in times of economic crisis. Freud describes how if the ‘superego’ (the self-constructed image of how one should be if they reach their potential) is not achieved, it can generate frustration (Masseroni/Suane 2004:244). The middle-class has thus been especially vulnerable because they are imbued with high aspirations and were disproportionately affected by the crisis and social decline. Consequently, self-esteem has been severely crushed, which has itself produced a vicious circle of poverty

because it has often resulted in the new poor not believing in themselves or their ability to find work again.

From infancy, a guiding precept is ‘individual competitiveness’ with others and ‘self-reliance,’ characteristics that affect all elements of their social and human relations. A profound fear of being ‘unmasked’ for their frailties dominates life and creates a distortion between the outward appearance they present to others and their reality. It is not surprising then, that the economic crisis led to feelings of extreme isolation and loneliness, and that they could not reveal to the outside world what was happening to them. As one respondent expressed when describing what was most important when receiving aid from an NGO:

Yes they helped me, the really helped me, especially by putting me in touch with people who were going through the same thing as me. I mean when you meet such people you finally realise that you aren’t alone. This was more important than giving me money to buy food because it provided reassurance. You can’t put a price on that.

For reasons of pride, many new poor neither sought nor accepted aid from NGOs and charities, in some cases despite destitution (Triskier 2007). Those who did (especially the elderly) today find themselves exposed to increased vulnerability because with scarce financial capital or useful human capital remaining, they rely on such social networks for survival (Minujín/Anguita 2004:39).

‘Stability’ is another value in which the middle-class is conditioned. The expectation of high educational attainment and the purchase of property are typical insurance policies they strive for (Mafud 1985:101). The economic chaos of 2000-2002 and ensuing personal vulnerability has left them floundering.

In contrast to numerous working-class manifestations of solidarity to try to regain upward mobility since the crisis, with no shared burden or sense of struggle (other than

the *cacerolazos* or *asambleas* that are now virtually defunct) feelings of impotence have set in. If traumatic experiences as well as the idea they will never return to the quality of life they once had, are prolonged (as has been the case for the new poor who have not recovered), it breeds feelings of despair, depression or mental paralysis (ibid).

Interviews were particularly revealing about how different people have responded to prolonged impoverishment in contrasting ways. Two harmful defence mechanisms have been enacted in response to sudden impoverishment - denial and guilt. For those who had managed to accept their new realities, there was more pessimism but self-culpability about their situations. One respondent blamed herself and other Argentines for the 'mistake' of buying cheap imported goods during *convertibilidad* in the 1990s thus, contributing to the country's increasing debt!

Interestingly from both my own interviews and those by Masseroni and Sauane in 2002-3, women tended to fall more into this category. Males were more likely to be in denial of their current realities, hence expressed more optimistic outlooks. The gender difference in postures may partly be attributable to ongoing *machismo* in Argentine society and roles expected of men and women. The woman is more frequently the one who has to confront the daily realities of the household economy.

Then of course as already discussed, among the *nuevos pobres* themselves the scope of experiences among them translate into varied psychological responses. Those who were slowly impoverished during the 1990s and for whom the economic crisis was the 'final blow' have managed to adjust more easily and with relatively limited psychological damage because the last decade has been one of gradual sacrifice of cultural capital that has moulded a new way of life. However, for those who suddenly

lost everything in the crisis, the shock of having to abruptly adapt to their new reality has induced far more serious repercussions (Triskier 2007).

Psychologically, the single most significant blow for the new poor has been the loss or downgrading of their employment status. Among the services class, a person's very identity is strongly defined by their work. The shame that this has engendered among the new poor has, in many cases since 2001, provoked self-exclusion and withdrawal from social circles, not only because they feel uncomfortable in such environments but also because they simply don't have the money to maintain the expensive lifestyles associated with socialising with old acquaintances. In the absence of their previous occupation, they feel they are not valued (Goldschmidt 2007) and increasingly 'disconnected from society.' This detachment, exacerbated since the *corralito*, has not only resulted in the loss of social capital but has also caused problems with reintegration and marginalisation that will no doubt be a legacy of *nueva pobreza*.

Inevitably, increased vulnerability caused by economic instability, constant mental anxiety, working demands and qualitative and quantitative reduction in leisure time, especially since the crisis, has provoked huge increases in stress-related health problems in many *nuevos pobres* according to figures from the Alvear Hospital in Buenos Aires in 2007.

## Social Attitudes - Impact of the Crisis

Torrado explains that since the *nuevos pobres* have lost one of their most valuable privileges – upward social mobility, their life projects have evaporated. Feijoo disagrees and argues that because they still possess higher educational standards than the structural poor, they conserve their aspirations in spite of their economic situation (Ansaldi 2003). In reality, the impact is different from case to case and much depends on the distinction mentioned earlier between those who have accepted their new reality and those who deny it. Generally since 2001, all ambition and hope has dissipated. The crisis of 2001 taught the middle sectors that even when the country appears stable (as it did in the mid-1990s when the peso was tied to the dollar); a new crisis might be imminent. Increasingly only short-term preoccupations exist (Figueira in Elustono 2006) and expectations have been minimised, perhaps as a defence mechanism to avoid disappointment. One woman commented:

My goals nowadays are modest...the zenith (*cumbre*) of my life has past...thinking realistically about what I want from my life now; I'd have to say just to maintain what I already have. What has happened to me has killed off any hopes (*mató la illusion*) of anything more. If I lost a little money because the business wasn't running well or in some crisis or other, I used to say 'well never mind, the wheel will keep spinning'. But it's when the wheel doesn't turn anymore that you have a problem.

With respect to attitudes towards their children's education, Daniel Filmus the Argentine Minister for Education recently conceded that "in Argentina, education can no longer be seen as a trampoline towards social mobility, today it is more of a parachute" (Minujín 2004:129). Young adult new poor seem to increasingly be concentrating on 'living for the day.' Their lack of hope is acting as a deterrent to planning for their futures. For example, according to Alberto Croce, Director of the SES Foundation,<sup>4</sup> before, university students would choose degrees that would send them into a specific career because they could plot a way into the labour market. Since the crisis, this optimism has disappeared and they are increasingly choosing degrees that they enjoy doing instead (Minujín/Anguita 2004:130). Between 1999 and 2004 the numbers of university students at the UBA who enrolled in the

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<sup>4</sup> A Foundation in Argentina that works to promote educational inclusion for young people



social sciences increased by 51.6% and the numbers studying Philosophy and Arts climbed by 33.8% (Carli 2007 8-11). Yet these fields are among those with the lowest prospects of employment upon leaving university according to Sergio Postel, Director of the *Fundación Ariel*<sup>5</sup> (2007). For reasons mentioned in Chapter 2, today a university degree neither guarantees the kind of employment the graduate desires nor a higher salary – which is contributing towards a second generation of highly-qualified new poor. Despite this, generally the ‘young new poor’ feel it’s still worth enrolling for *any* degree so that they will at least have a better chance of securing employment one day, even if it ends up being low-skilled work.

This is especially true for females who are attending university in increasing numbers relative to males from new poor families since the crisis. There is now almost a 7:3 female to male ratio (UNESCO). This is partly explained due to the ongoing wage discrimination against women in the labour market that means men earn approximately 45% more for performing the same job. Male 18 year-olds are weighing up the costs and benefits of forfeiting six years salary and are in greater numbers, deciding that a university degree is simply not worthwhile so are preparing to enter the job market straight after leaving school. This is because their salary will be comparably higher, and also because they know they will find it more difficult to obtain part-time work to pay for their studies than their female peers. Female school leavers (or their parents) recognise the need to be more qualified than men in the long-term to earn the same salary (Goldschmidt 2007).

At least at primary and secondary levels, newly impoverished parents are trying to preserve educational standards for their children and there has been no large-scale abandonment of it since the *corralito* (Minujín 2004:129). Between 2000 and 2007 many more ‘medium to well-educated’ parents are sending their children to school a year earlier than the

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<sup>5</sup> An Argentine employment service, specifically established to support professionals and new poor since the economic crisis [www.jobariel.net](http://www.jobariel.net)

compulsory starting age of six. However, it wasn't until 2003-4 that there was a sharp increase in the numbers of 15-17 year olds from such households who dropped out of school altogether to seek full-time employment in order to supplement household income (SITEAL). This suggests that during the initial aftermath of the crisis, parents placed greater emphasis on the importance of education and advised their children to stay at school or university, but when they realised they could not raise sufficient income on their own a year or two later, they reluctantly demanded that their children initiated their careers. The personal sacrifices many have made in order to keep their children in private schools are admirable (although this endeavour has not always been sustainable). The parents of today's school or university-aged children are either the children or the grandchildren of the immigrant generation themselves. It appears that the cherished value which that generation placed upon education (because it was the only route open to them for social ascendancy in a Creole society where the upper-class monopolised senior positions) has persisted, even though the likelihood that educational achievement will actually help them - has reduced since (Mafud 1985:17).

However in what Minujín labels the 'dis-education' of the new poor, certain elements of informal education *are* certainly being diminished in such families. The sales of books are plummeting and parents read to their children less as working hours have risen since the crisis (Minujín/Anguita 2004:129). He also observes how adolescents from such families are increasingly attending state schools rather than private ones, and suffering detrimentally in educational terms from lower spending on (and standards in) state schools generally.

Regardless of educational enrolment and attendance, the children of *nuevos pobres* have much less chance of acquiring the cultural capital that their parents did. It is estimated that to enjoy the equivalent educational, recreational and cultural standards just for *one*

‘middle-class’ child of 15-20 years it would require parents to part with an extra 1,500-2,000 pesos (£250-£350) per month. This equates to about half the average household income for an Argentine family! (2004:20).

As the prospect of social mobility has disappeared during recent years, superstition and spirituality have emerged as alternative sources of hope, as has gambling, replacing the void that hard-work, education and upward structural mobility left behind. One architect I spoke to who has only achieved sporadic and poorly paid employment since the time of the *corralito* told me:

After everything I’ve been through in the last few years, on the one hand I despair but on the other I’m willing to believe in anything. That’s why, although you may find it strange, I wear this lucky bracelet.

An investigation for *Clarín* newspaper revealed that during the last fifteen years, (but with increasing ferocity since the economic crisis), a rapidly growing number of the impoverished middle-class are being seduced by evangelical, religious sects who claim to have quick-fix solutions to their problems (Elustono 2006).

Politically speaking, certainly at the height of the *asambleas barriales* between 2002 and 2003, participation in protests and alternative forms of government as well as solidarity with social movements by the new poor was strong (World Bank 2003:17). This attitude temporarily replaced the ‘save yourself, if you can’ mentality that the Menem period engendered during the 1990s (Dinerstein 2003:190). However, such mind-sets have since faded away as resignation took root, and people concentrated on rebuilding their lives at more practical levels. The period of political crisis and engagement with alternatives heightened political awareness for many, but in the longer-term, has merely contributed to cynicism and disillusionment with mainstream politicians. Little faith remains that the traditional political process will be able to resolve their economic woes although radical solutions have escaped them (Briones/Mendoza 2003:13).

## **Social and Household Relations – Impact of the Crisis**

Pauperisation has had detrimental affects upon social relations, and significantly reduced social capital for the victims of *nueva pobreza*. In terms of household composition, the 2003 World Bank household survey found that recently impoverished Argentines (especially those hit by unemployment) had returned to their original family homes to live with nuclear or even extended family, in order to save rent (17). In some cases this ‘emergency arrangement’ persists, which proves problematic because it has pushed many households back into an ‘expansionary phase’ of the household cycle and higher dependency ratios.

But the traditional family model also broke down in other ways. The upheaval caused by the economic crisis obliged both the spouses of the main (usually male) breadwinner in the household, as well as children of working age, to try to earn an income. The household therefore experienced a redefinition of roles and duties. Often during 2001/2 it even entailed the female becoming head of the household because the types of jobs available at the time tended to suit (and request) women, including many that were temporary or in the informal sector (ibid.18). Ever since, low real terms salary levels have obliged many new poor women who were new to the workforce, to retain their jobs, even after their husbands returned to full-time employment. Invariably, this has increased women’s burdens, and they are now expected not only to fulfil domestic responsibilities but earn additional income (Masseroni/Sauane 2004:259). Factors such as the anxiety caused by economic and occupational instability and longer working hours (thus less quality time spent between family members) have combined to increase the strains upon all types of relationships. This has triggered higher divorce rates, acts of aggression as well as drug and alcohol consumption among struggling middle sectors (World Bank 2003:18).

Latin America witnessed strong rises in the number of female-headed households within the middle-class during the 1990s, as a result of higher divorce rates. As it was women who were usually left to rear any children, it has led to what Jelin describes as the ‘feminisation of poverty.’ Such households remain particularly vulnerable because not only is their sole income distributed more sparsely across dependents, but also women are still subject to lower salaries for performing the same job. They also have less access to credit, so opportunities to escape recent impoverishment are impeded (1998:99-100). Domestic violence in newly impoverished families that *have* remained together has also risen since 2001 (Kliksberg 2006).

Generally speaking, old friendships appear to have died away and social capital has been used up without being regenerated (Kessler/Di Virgilio 2006). One single mother I spoke to, recounted what happened in a relationship with her partner:

My last partner was two years ago – Miguel. We went out for four months... And the excuse he gave me when he left was that he could see that I was struggling due to my financial situation and told me he didn’t want to be with someone so embittered by it.

But in some cases pauperisation has strengthened marital partnerships or friendships

The most upsetting part about it all was what happened to us socially. When all this happened to us, our friends suddenly disappeared...they wouldn’t even greet us in the street anymore...it’s like if you don’t have any money you are nobody. But the important thing is that it made my own relationship with my wife much stronger. It was strengthened in many ways – mutual support, someone to listen to your grief. After having lost so many friends I looked around me and saw the one person left who was always going to be by my side.

In several homes that I returned to since 2003, it was noticeable that having lost many friends, family gatherings had significantly increased in importance.

One interviewee distressingly conveyed how new poverty can obstruct childbearing. Whereas among the structural poor, having more children is seen as an investment to generate extra household income in future years, for the new poor, different, ‘middle-class’ values predominate and poverty means they either don’t feel it is fair to raise a child in such circumstances or need to concentrate on re-establishing their careers.

## Self-Perception – Impact of the Crisis

The experience of pauperisation and the decay of cultural norms have painfully brought the self-identity of the new poor into question during the last few years (Golovanevsky 2004:157). The shattering realisation that now their income levels and social position are similar to those of the traditional poor, even ‘the ones who live in shantytowns’, has led them to recognise that the only thing distinguishing them is their superior education and distinct personal histories (Lvovich in Svampa 2000:78). In response, some new poor have conjured up imaginative ways of differentiating themselves. Obviously, one should not generalise and many find such views repugnant, but elements of the ‘fallen middle-class’ of European extraction have attempted to reinforce their fading social differences with the structural poor, by evoking the imagery composed by Sarmiento and the founding fathers of Argentina, which promoted the ‘whitening’ of its city centres. Thus, they have begun to demonise shantytown inhabitants on the urban periphery and dehumanise minority groups in city-centres as ‘barbaric, dangerous and foreign’ (Guano 2004:69). While conducting my fieldwork in Buenos Aires, conservative business tycoon Mauricio Macri, won a landslide victory for the governorship of *Capital Federal*, largely playing on peoples’ fears about crime. Part of his manifesto was to eradicate the shantytowns – the alleged ‘source of criminality.’ However, in more than one home affected by *nueva pobreza*, I was told that this was no solution because the *villeros* would merely seek new accommodation by encroaching on city-centre areas, taking possession of its abandoned houses and bringing with them associated crime and other ills. The subtext seemed to be their fear that the last recognisable barrier between themselves and the traditional poor - sites of residence, would disintegrate. Such trepidation is not totally unfounded. Record numbers of *villeros* are currently occupying vacant housing in the city-centres, diluting hitherto

existing spatial segregation between new and structural poor (Kessler/Di Virgilio 2006).

The new poor are also finding it almost impossible to define their own social position. Aspiration and upward social mobility were principles by which one could once identify the middle-class. However, in an era where these concepts have been lost or made obsolete respectively, it is problematic to continue to do so. Torrado adds that given there are now so many incoherent features of it such as precarious formal employment, unemployed university graduates or homeowners on state benefits and who can't even meet basic needs, being middle-class increasingly only exists in the imaginary (Elustono 2006). Many are inventing reasons for their own inclusion – qualifications (even if they are low), past employment and cultural standards. Among newly impoverished, three trends have emerged in terms of self-definition according to a CCR study. The first group continues to describe themselves as 'middle-class,' based on the above principles but admit 'they have been impoverished'. They make up 55%. A second group, 33% of the sample, speak of themselves as middle-class but explain that although they have sustained heavy falls in their standards of living, their affiliation to the middle-class is not compromised because there has been a 'massive devaluation' of the term. A third group representing 12%, consider themselves 'expelled' from it, citing deterioration in lifestyles and consumption patterns. This group is growing fastest of all, and those who did not possess such a high level of education held these views especially strongly. Whilst recognising their own impoverishment and closeness to the lower-class, they maintain a distance from them, for example by refusing to be part of assistentialist aid programmes, insisting they are only for the '*really* poor' (Kessler/Di Virgilio 2006).

## CONCLUSIONS

The lower strata of the middle class - the small tradespeople, shopkeepers, and retired tradesmen generally...all these sink gradually into the proletariat, partly because they are swamped by competition with the large capitalists and partly because their specialised skill is rendered worthless by new methods of production.

Karl Marx, Communist Manifesto, 1848

### **1) What Happened to the New Poor & What Does their Future Hold?**

Marx' prophetic words are like a spectre haunting twenty-first century Argentina. In terms of their asset capitals, they have not only remained impoverished financially, but their human capital has also rapidly eroded for the reasons outlined. With respect to their social capital, networks have been exhausted and connectedness forsaken as relationships have generally suffered. Physical capital has also reduced, as access to private services has declined. Evidence in this paper suggests that the first generation of *nuevos pobres* (elderly and middle-aged), who derive from any of the three waves of pauperisation and have not escaped impoverishment since the *corralito*, are unlikely to do so in future given the crucial role that the labour market has played in keeping the new poor impoverished and evidence that upward social mobility, even upward structural mobility has ended (and is in fact turning downward). In effect, for the first generation of *nuevos pobres*, in terms of their financial, social, physical and human asset capitals, they have indeed moved much closer to the structural poor as illustrated by Diagram 3 (in appendix). Generally, they have not quite sunk into structural poverty because elements of their human capital (education and skills) remain, even if less valuable or relevant than before. By nature of their type and location of residence, their physical capital remains marginally higher too.



Interestingly, many respondents felt much more optimistic about their childrens' future than their own. Parents have generally maintained educational investment in their children, perhaps because it is increasingly the only factor separating them from structural poverty.

The fact that their parents went to university continues to be an incentive for their children to also enrol, and has become a resilient intergenerational cultural feature (Kessler, 2007). This suggests that for the second generation (current school pupils, university students or those not yet born in new poor families), human capital *will* eventually be replenished. Further, many of the qualifications they receive are much more relevant to today's labour market than that of their parents, and they will be likely to use this recuperation of human capital to foster their own social and physical capitals as well as earnings and liquid asset potential (thus financial capital) in the future. However, these capitals probably won't expand to the same point that their parents enjoyed at the height of their own careers (in light of the end of upward generational mobility and real salary declines). A word of caution here, this prediction is very much speculative and generalised. Of course, for those newly impoverished children who have abandoned their studies (initially a temporary strategy that has become permanent), the human capital deficit will be impossible to reconcile (Kessler/Di Virgilio 2006).

## 2) Can We Still Speak of a New Poor?

Although used in this paper for reasons of simplicity, the antiquated phrase ‘new poor’ has been uncomfortable to employ. Taking their distinct personal histories, satisfied basic needs, residential location and elements of cultural capita into account, in its place I suggest that the term ‘Post-New Economic Model (PNEM) poverty’ is adopted to describe them herewith. Although this phrase does not easily roll off the tongue, it is apt because it encompasses all of those in the generation who were impoverished since the early 1980s debt crisis in Latin America *because of* any of the three phases of the new economic model (Bulner-Thomas 1996:1) imposed on the continent to confront the deep structural problems that caused it. These phases were 1)1980s stabilisation policies, 2)Early 1990s structural adjustment - implemented following the Washington Consensus reforms, and then 3)Efforts to increase investment and productivity to ‘strengthen’ the economy in the long-term. These also correspond chronologically with the three respective ‘waves’ of ‘new poverty’ in Argentina. A widely accepted view that the excesses of the NEM contributed towards the 2001/2 Argentine economic crisis is assumed too, thus those who were impoverished *since* the *corralito* can also be incorporated into ‘PNEM poverty’ as they were also impoverished *because of* the NEM. Of course neo-liberalism and the new economic model deepened the misery experienced by millions of Argentines who were already living in conditions of extreme poverty (Green 2003:85). This term does not imply they weren’t (as it doesn’t encompass long-term poor) but refers specifically to those who passed from being non-poor into poverty *because of* the process. Importantly, the term therefore also emphasises the historic difference between the two types of poverty as the term ‘new poor’ did. Further, by explicitly linking such impoverishment to an economic process (NEM) it invites policy measures to specifically confront its root cause (the macroeconomic changes of the last thirty years), instead of encouraging further anti-poverty measures that treat poverty as a homogenous phenomenon regardless of reasons for it - a major government and international institutional failing in recent years.

### 3) Confronting PNEM Poverty – Past Mistakes, Future Lessons

Although three decades have passed since the emergence of *nueva pobreza* in Argentina, the response from government, international organisms like the World Bank and NGOs to address the issue has been abysmally inadequate, most disappointingly since the *corralito* (Kessler 2007). National governments have been more preoccupied devising policy to co-opt the structural poor and pacify the potentially politically harmful *piquetero* movement and trade unions. The relatively new context demands especially creative social policy that deviates from those that have traditionally been relied upon. ‘Targeted’ policies based on districts with high incidences of poverty and traditional Argentine practices such as political clientelism<sup>6</sup> that are used to fire-fight structural poverty will not work in the case of PNEM poverty due to its territorially dispersed nature and the fact that the old middle sectors are less likely to be bought off in this way. Nor will ‘income-targeting’ work because, as demonstrated, it would be impossible to differentiate new and structural poor.

The economic recovery in Argentina since 2001 has been impressive, but its government’s policy of focussing heavily on stimulating the macro-economy has meant the micro-economy has been seriously neglected, especially in the labour market. Efforts to reintegrate those affected by PNEM poverty have been feeble. For example, one of the few policies enacted that should aid those above the age of forty-five (of which there are large numbers of new poor) to return to work - the *Regimen Especial de Empleo*, only applies to *Capital Federal* and even then does not actually oblige companies to obey any specific directive. It merely offers a small incentive (subsidising employee’s salary by 15%) in the instance that firms add older workers to their personnel (*Asociación 50 a 60*). What is really needed are tough and enforceable

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<sup>6</sup> See Auyero (2001)

policies that actually outlaw discrimination in the workplace, with greater powers for regulatory institutions to monitor and fine companies who for example, pay female workers inferior salaries for the same job or favour workers under a certain age. Nor is any help offered to mature students affected by PNEM poverty who want to return to education and study a degree so as to re-skill for the labour market in 2007. Such support could include access to grants or encouraging companies to enact 're-training leave' in a similar way to maternity leave. Forgoing six years' salary to undertake a degree is simply impossible in the current climate.

To its credit and through the *La Red de Regularización de las Relaciones de Trabajo*, the Kirschner administration has reopened dialogue with the trade unions and professionals' guilds in recent years, in an effort to regularise the labour market and confront the casualisation of work. It has taken steps to encourage formal employment and secure pensions, health insurance and other benefits. While this may prevent future 'new poverty' for those enjoying formal sector employment, little has been done to directly support those who still (out of necessity) work in the informal sector. In order to prevent freefall for PNEM poor (or anyone else) who work informally, and to inhibit polarisation between them and formal sector workers, as the ILO have suggested, measures must be taken to guarantee certain protections for them too.

The main asset of the PNEM poor is their human capital, whether it is superior education, leadership skills or experience. Many are unemployed, underemployed or employed in areas where their human capital is not utilised. At the same time there is an educational crisis, especially in poorer areas where teachers do not have suitable qualifications or do not attend classes (Dussel FLACSO 2007). Therefore a 'National Entrepreneur Scheme' through which the highly-skilled PNEM poor are targeted and

paid by the state to teach English, business management, leadership, accountancy etc to these children could resolve such problems. Alternatively they could be employed directly by sponsoring firms, who would then benefit from privileged access to secondary school leavers in the classes their respective sponsored teachers taught. Such policies would help employ 'new poor' and aid their recovery while also improving prospects for the young among the structural poor as well as benefiting companies themselves.

Due to the fact that so many Argentines have experienced impoverishment during the last thirty years, there are and will be growing numbers of elderly PNEM poor - many of whose health depends upon imported medicines that are grossly expensive due to the weak peso (post-devaluation). A key way of assisting them would be by utilizing the profits generated by the current economic boom to create a 'war chest' for use towards subsidising medicines further for senior citizens. In the meantime, investment in the biotechnology industry must be made so that cheaper, domestically produced pharmaceuticals can be manufactured in future. This paper has found that aside from the elderly, those who are particularly vulnerable to PNEM poverty and need to be supported include women, single parents and those in the expansionary stage of the household cycle.

In *La Clase Media, Seducida y Abandonada*, Minujín and Anguita confidently predicted that the *nuevos pobres* in Argentina will assume an 'important role in the economic recovery of the country, as happened in similar crises in South-East Asia after their own crash in the late 1990s, by developing their own small and medium sized enterprises (2004:43). However although many PNEM poor, especially those industrialists and shop-owners, have the expertise and experience needed to do so, the

lack of credit to acquire the resources necessary is a considerable impediment. The strengthening of micro-finance initiatives would significantly aid the PNEM poor in doing this, because the combination of possessing substantial human capital, the weak peso and fertile conditions for industry (especially export promotion) mean they would benefit from a strong position to unearth niches and run successful small businesses that would help them emerge from poverty.

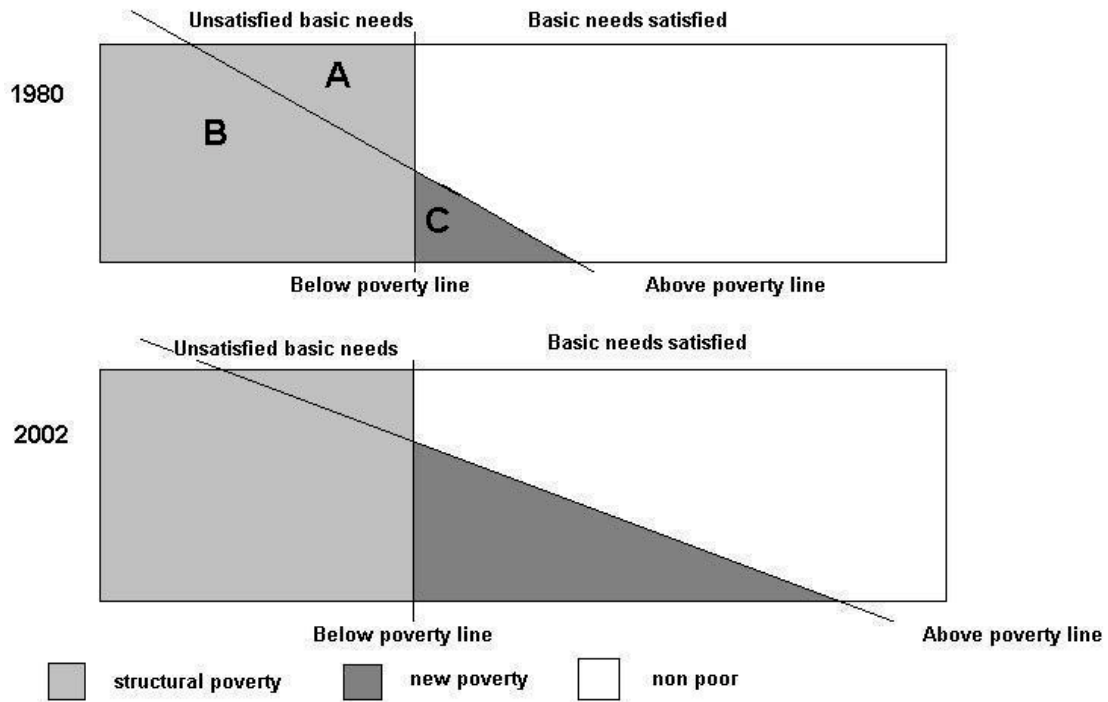
Finally NGOs such as *Fundación Ariel* need to be supported and their operations expanded. Given the problems indicated earlier concerning the reintegration of new poor into the labour market, employment centres that specifically target the impoverished services class can help ‘turn their heads of firms and such professionals towards, rather than away from each other’ (Goldschmidt 2007).

Even if these and other policies *are* implemented, what economists and sociologists have long been calling ‘new poverty’ will almost certainly not be eradicated forever. The Argentine economist Miguel Broda once claimed that profound, structural conditions that lie in the heart of the Argentine economy condemn the country to a perpetual cycle of boom and bust, or as he put it evoking biblical imagery - ‘seven years of fat cows then seven years of famine’. These conditions are inherent in developing capitalist societies and have been aggravated further by the process of neo-liberalism. Each new recession since the 1980s has brought with it another ‘wave’ of newly impoverished middle sectors, the most recent – the 2001 crisis was more of a tsunami that produced millions more. The tide has currently retreated again, but it’s only a matter of time before the next wave comes crashing onto the shore.

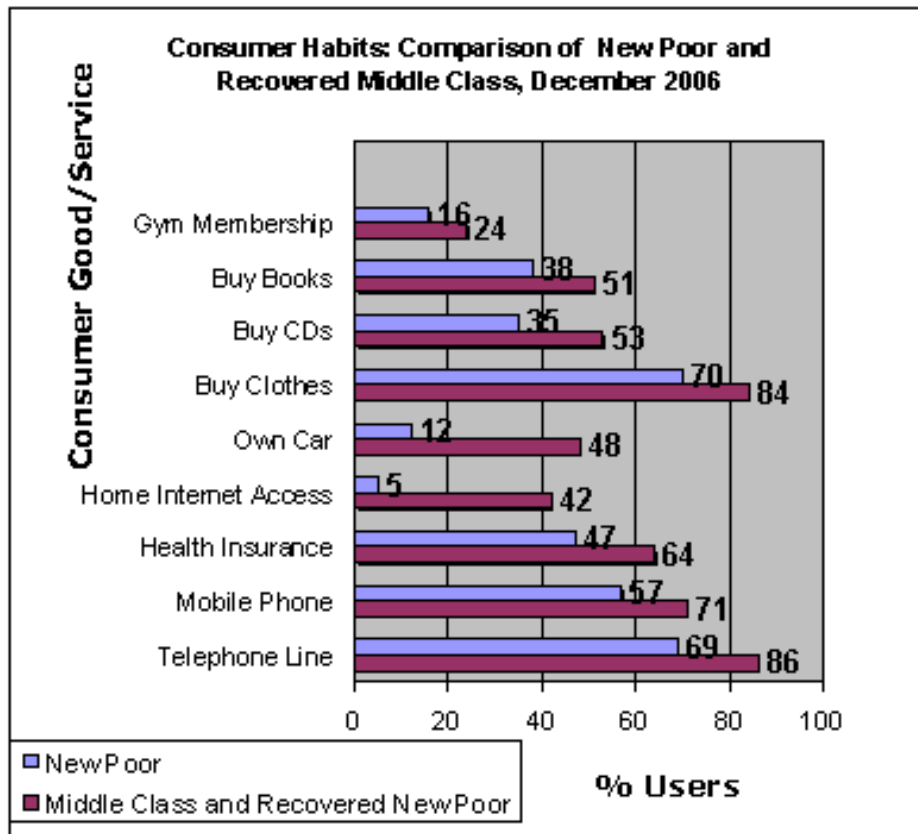
# APPENDIX

**Diagram 1**

**Changes in the consistency of poverty in Argentina 1980 - 2002**



**Graph 1**



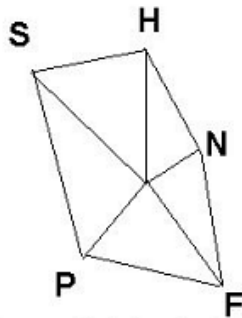
Source: CCR in Elustondo, *Clarín*, 2006

# Asset Pentagons Representing Capitals Trajectory of the New Poor Since Corralito

**H = Human Capital   N = Natural Capital   F = Financial Capital**  
**P = Physical Capital   S = Social Capital**

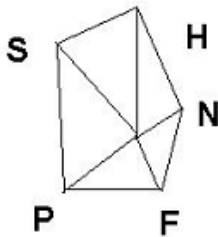
**Diagram 2**

**Pre-Corralito**



Before the Corralito and prior to impoverishment, new poor would have possessed significant financial capital in terms of savings, cash, liquid assets and access to credit. Human, social and physical capital levels will have also been high with negligible natural capital for reasons explained above.

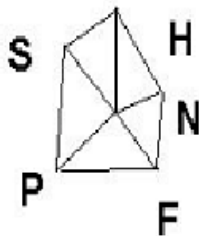
**Immediately Post-Corralito**



Yet during the Corralito and economic crisis many became new poor, losing financial capital (shortening of Line F). In spite of possible job loss, human capital remains high (because skills, education and experience are not ‘suddenly’ lost), social capital is maintained and even exploited at this stage as coping strategies are implemented. Physical capital is only mildly reduced (small decrease in Line P)

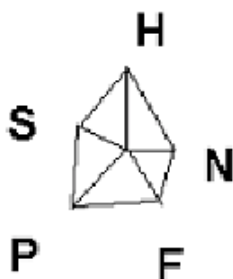
**Diagram 3**

**2007 and Beyond**



For those who have remained ‘new poor’, not only is financial capital still limited but there has been a deterioration in human capital as despite high education levels, experience is becoming increasingly irrelevant, given the jobs available in the labour market. Also it has been such a long time since they had a job where they could utilise their skills set that they are becoming ‘de-skilled’ (shortening of Line H). Having lost touch with peers in their social group they are also losing social capital and networks that they used to belong to (Line S shrinks). Physical capital has also reduced a little as standards of public services have declined and new poor find they cannot afford to use private services to the same extent as before (further reduction of Line P).

**Structural Poor**



In the long term, while the new poor maintain greater human, physical & social capital than the structural poor, their levels become



**Table 1**

**Structural Change in Argentina's Labour Market  
Jobs in Economy (%)**

<b>Sector</b>	<b>2002</b>	<b>2005</b>	<b>Net Change</b>
<b>Agriculture</b>	<b>1.1</b>	<b>1.1</b>	<b>0</b>
<b>Mining</b>	<b>0.3</b>	<b>0.3</b>	<b>0</b>
<b>Manufacturing</b>	<b>12.8</b>	<b>14.1</b>	<b>+1.3</b>
<b>Utilities</b>	<b>0.5</b>	<b>0.5</b>	<b>0</b>
<b>Construction</b>	<b>6.7</b>	<b>8.5</b>	<b>+1.8</b>
<b>Commerce</b>	<b>21.5</b>	<b>23.4</b>	<b>+1.9</b>
<b>Transport</b>	<b>7.2</b>	<b>7.8</b>	<b>+0.6</b>
<b>Finance</b>	<b>9.2</b>	<b>8.4</b>	<b>-0.8</b>
<b>Services</b>	<b>40.5</b>	<b>35.5</b>	<b>-5.0</b>
<b>Unspecified</b>	<b>0.2</b>	<b>0.3</b>	<b>+0.1</b>

Source: CEPAL *Anuario Estadística* 1.2.8.

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## **INTERVIEWS (Buenos Aires)**

### **Informants**

Goldschmidt, Alejandra - Director, *Integración y Desarrollo Laboral*, 27 June 2007

Kessler, Gabriel – Author, academic, expert on new poverty in Argentina, 10 July 2007

Postel, Sergio – Director, *Ariel Job Center/Fundación Ariel*, 2 July 2007

Triskier, Fabián -Welfare Director, *American Joint Distribution Committee*, 28 June 2007

### **Supporting interviewees**

José C. 7 July 2007

Silvia W. 7 July 2007

David, Marta and Viviana H, 24 June 2007

Patricia K. 18 June 2007