

Privatization of energy in the Argentine Republic

Losses and gains as seen by a trade union

**Research and report by
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Buenos Aires, Argentina**

Foreword

A reliable and affordable supply of public services plays a vital role in the life and development of societies. Today, public services, including the energy sector, are being privatized globally under the pressure of growing public financial constraints and on the basis that a reduced role for the State and increased reliance on market forces will result in improved efficiency and service delivery. There are many cases of public service reforms whose outcomes indicate the contrary, however. A lesson from these experiences is that reforms can bring out intended outcomes only if they are planned and implemented with the involvement of all stakeholders from the outset.

The ILO believes that public service reforms at all levels have to aim at: providing access for all to safe, reliable and affordable services to meet their basic human needs; facilitating sustainable local economic and social development that can achieve the goals of full employment and the alleviation of poverty; providing a safe and healthy environment; improving and enhancing democracy, and securing human rights. Public service reform must, therefore, be guided by the following basic principles: accountability, transparency and openness in government policies and actions; the provision of new and better public services; the importance of maintaining and creating good working conditions, and the adherence to core labour standards during the reform process to maintain the morale and improve the performance of public service workers.

The present working paper prepared by the Central Executive Commission of APJAE (*Asociación del Personal Jerárquico del Agua y la Energía*) of Buenos Aires, Argentina presents how the privatization in the energy sector in the country had been implemented and how it affected workers, their families and the society as a whole. It describes in detail how the reform impacted employment levels, working conditions and the morale of affected workers. The study was initially completed a few years ago, and thus the data contained may not be the most up to date. Nevertheless, public service reform in any country is a continuing process, and in this sense the information and the experiences of affected workers provided in this study would still be worth sharing, particularly with those who are likely to be involved in any way in public service reform in the future.

ILO working papers, such as this, are a vehicle for disseminating information on topics related to the world of work and the evolution of social and labour policies and practices. The opinions expressed are nevertheless those of the authors and not necessarily those of the ILO.

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Acronyms

APCCE	Asociación del Personal de Conducción de Cooperativas Eléctricas de la República Argentina (Conduction Staff of Electricity Cooperatives in the Argentine Republic Association)
APJAE	Asociación del Personal Jerárquico del Agua y la Energía (Water and Power Senior Staff Association)
APJUP	Asociación del Personal Jerárquico de la Usina Municipal de Tandil (Senior Staff of the Power Station of Tandil's Town Hall Association)
APSAYE	Asociación del Personal Superior de Agua y Energía Eléctrica (Senior Staff of Water and Power Association)
APSHi	Asociación del Personal Superior de Hidronor Sociedad del Estado (Senior Staff of Hidronor State Society Association)
CGT	Confederación General del Trabajo (Argentine Labour Union)
CISI	Centro de Investigación y Sistemas de Información (Center of Investigation and Information Systems)
DISTROCUYO S.A.	Distribución Troncal de Cuyo Sociedad Anónima (Western Trunk Line Distribution Company)
EDECAT S.A.	Empresa Distribuidora de Energía de Catamarca Sociedad Anónima (Catamarca Distributor of Energy)
EDEFOR S.A.	Empresa Distribuidora de Energía de Formosa Sociedad Anónima (Formosa Distributor of Energy)
EDELAP S.A.	Empresa Distribuidora de Electricidad de la Plata Sociedad Anónima (La Plata Distributor of Electricity)
EDENOR S.A	Empresa Distribuidora de Energía del Norte de Capital Federal y Buenos Aires Sociedad Anónima (Distributor of Energy of Northern Capital City and Buenos Aires Province)
EDERSA	Empresa de Energía Río Negro Sociedad Anónima (Río Negro Energy Enterprise)
EDESAL	Empresa Distribuidora de Energía de San Luis Sociedad Anónima (San Luis Distributor of Energy)
EDESE S.A.	Anónima Empresa Distribuidora de Energía de Santiago del Estero Sociedad (Santiago del Estero Distributor of Energy)

EDESUR S.A.	Empresa Distribuidora de Energía del Sur de Capital Federal y Buenos Aires province Sociedad Anónima (Distributor of Energy of Southern Capital City and Buenos Aires Province)
EDET S.A.	Empresa Distribuidora de Energía de Tucumán Sociedad Anónima (Tucumán Distributor of Energy)
EMLyF	Empresa de Mantenimiento Luz y Fuerza (Luz y Fuerza Maintenance Enterprise)
ENTEL	Empresa Nacional de Telecomunicaciones (National Enterprise of Telecommunications)
EPE	Empresa Provincial de la Energía (Provincial Energy Enterprise)
EPEC	Empresa Provincial de Energía de la Provincia de Córdoba (Córdoba Provincial Energy Enterprise)
ESOP	Employee Stock Ownership Plan
FAPSEE	Federación de Entidades Gremiales Jerárquicas Eléctricas de la República Argentina (Federation of Senior Electricity Union Organizations of the Argentine Republic)
HIDISA	Hidroeléctrica Diamante Sociedad Anónima (Diamante Hydroelectric Enterprise)
HIDRONOR S.A.	Hidroeléctrica Norpatagónica Sociedad Anónima (Hydroelectric Enterprise of Northern Patagonia)
HINISA	Hidroeléctrica de los Nihules Sociedad Anónima (Los Nihules Hydroelectric Enterprise)
PSI	Public Services International
INDEC	Instituto de Estadísticas y Censos (Institute of Statistics and Census)
MEyOSP	Ministerio de Economía y Obras y Servicios Públicos (Ministry of Economy and Works and Public Services)
MTSS	Ministerio de Trabajo y Seguridad Social (Ministry of Labour and Social Security)
ILO	International Labour Organization
NGO	Non-governmental organization
Pro NAPAS	Programa Nacional de Pasantías para la Reconversión Laboural (National Internship Programme for Labour Conversion)
SEGBA	Servicios Eléctricos Buenos Aires (Buenos Aires Province Power Services)

TRANSENER S.A.	Compañía de Transporte de Energía Eléctrica en Alta Tensión Sociedad Anónima (Transport Company of High Voltage Electricity)
TRANSNEA S.A.	Empresa de Transporte de Energía Eléctrica por Distribución Troncal del Noreste Argentino Sociedad Anónima (Transport Enterprise of Electricity by Trunk Line Distribution of North-eastern Argentina)
TRANSNOA S.A.	Empresa de Transporte de Energía Eléctrica por Distribución Troncal del Noroeste Argentino Sociedad Anónima (Transport Enterprise of Electricity by Trunk Line Distribution of North-western Argentina)
TRANSPA S.A.	Empresa de Transporte de Energía Eléctrica por Distribución Troncal de la Patagonia Sociedad Anónima (Transport Enterprise of Electricity by Trunk Line Distribution of Patagonia)
UADE	Universidad Argentina de la Empresa (Argentine Business University)

Introduction

The reason for this report

Our story dates back to 26 June 1959, when 36 workers belonging to the senior staff of the state company *Agua y Energía Eléctrica* decided to summon an extraordinary general meeting, in the headquarters of the company in Buenos Aires. This meeting resulted in the creation of a new trade union, the *Asociación del Personal Superior de Agua y Energía Eléctrica* (APSAYE). From the very beginning, this entity pursued three basic principles: the defence of members' interests, acknowledgment of their hierarchical tasks and the growth of the promotions that allowed the development of their careers without any distinction of category or degree. The rendering of state power services through the national company was the fundamental premise. After some time, and after the administrative procedure was completed, the APSAYE obtained its union entity number in 1962 (No. 533), covering the entire national territory. As a growing society in permanent development, it constitutes and facilitates 18 local branches all over the country. Political vicissitudes caused members and delegates redundancies in the company, but the trade union did not change its course. It obtained significant improvements in workers' social conditions and signed collective labour agreements with the support of those who had strong union convictions.

The APSAYE took part in the creation of the *Federación de Entidades Gremiales Jerárquicas Eléctricas de la República Argentina* (FAPSEE), joined the Public Services International (PSI), participated in international meetings and in the International Labour Organization (ILO) forums as a NGO. While these activities consolidated the APSAYE as a trade union, with the disappearance of *Agua y Energía Eléctrica* the union's bylaws had to be adjusted and in 1994 it became the *Asociación del Personal Jerárquico del Agua y Energía* (APJAE). This change allowed the merger and integration of three senior staff entities: *Asociación del Personal Superior de Hidronor Sociedad del Estado* (APSHi); *Asociación del Personal de Conducción de Cooperativas Eléctricas de la República Argentina* (APCCE) and *Asociación del Personal Jerárquico de la Usina Municipal de Tandil* (APJUP). Four new branches were created in addition to the existing 18, located in Tierra del Fuego, Misiones, La Pampa and the South-eastern Center of Buenos Aires. As a trade union, APJAE created a healthcare system to look after the health of its members. It also reinforced its social plan of support and motivation not only for workers but also for their families, highlighting – among other benefits – tourism for holidays, scholarships, training and loans. The adjustment achieved through a compensatory fund for working staff provided a more profitable future retirement fund for members due to their monthly contribution.

Something that makes the members of the Board of Directors of APJAE proud is that nowadays there are 35 companies which bring together affiliated members and clients to ensure that agreed working conditions are enforced. This well-established relationship allows the maintenance and reinforcement of friendly ties with other trade unions from all over the country and from the MERCOSUR. It is through the constant training of its leaders and by being in touch with its branches that the APJAE finds the necessary resources to defend its gains, keep its goals in force and define itself as **an organization that looks after the interests of those who are part of it with service, solidarity and transparency.**

For the members of this Central Executive Commission being invited by the International Labour Organization to contribute the present report triggered ideas and feelings that had long been in our thoughts. We knew from experience what it means for workers when the company they work for is sold. Our research data are based on solid

facts, figures and dates. It includes actual cases of male colleagues who lost their jobs after having tried for months to adapt to a company that did not value their many years in similar activities; of female colleagues who were under psychological treatment due to damaged health caused by the changes in their occupational environment; and of those who, after resorting to “voluntary” retirement, could not find a new place in the labour market and today suffer from the dire consequences of joblessness.

It would have been satisfying to report on the efforts made by the State, by the trade unions and by our own association to avoid some of these incidents, but the truth is that the State limited itself to include in the bid conditions those terms that would ensure the welfare of the workers who belonged to privatized companies, without supervising that such guarantees were fulfilled; and the trade unions, including our Association, were undergoing an unprecedented time as union organizations. We underwent a period of lack of information because no company published the downsizing done or to be done; and, usually, when cases were made public or the laid-off person contacted union delegates, it was a long time after their dismissal. This is because the downsizing was done in isolated areas of the country. Nobody imagined such radical measures and it is important to take this into account in order to transform what happened into a positive experience, something useful for the future. The Argentine people were not morally ready to undergo this process and in many cases their reactions were belated.

Nevertheless, by that time, the Association initiated an action to gather information about the process of privatization carried out in other countries. In order to do that, the Central Executive Commission sent some of its members to other countries that had undergone similar situations so as to broaden their experience. Countries like England, France, Italy and Spain were visited, where dialogues were held with delegates of companies and trade unions.

In England, the companies visited were British Electricity International Ltd. (BEI), London Electricity, and National Power, where it was confirmed that only English investors could bid on the privatizing process and that material and spares had to be of national origin. In France the members of the Association visited *Electricité de France*, a state monopoly that is in charge of the generation, transmission and distribution of energy, as well as the import and export of electricity flow, with 27,000,000 clients and 120,000 employees. In Italy, a country where the power service is run by the State, the *Ente Nacional para la Energía Eléctrica* was visited, as well as union organizations and the *Federación de Empresas Eléctricas Italianas*, among other entities. In Spain, companies such as *Hidroeléctrica Española*, *Iberduero S.A.*, *Unesa Unidad Eléctrica S.A.* were visited, as well as union organizations and companies in the sector. In Spain the system is mixed; it produces about 25 per cent of hydraulic energy, 37 per cent of thermal energy and 36 per cent of nuclear energy. By the time of the report of this experience – May 1991 – two companies (*Hidroeléctrica Española and Iberduero S.A.*) were about to merge.

This search for demonstrably effective experiences and models placed the Association in a pre-eminent position on the issue. Thus, once the delegates returned to the country, there was a series of meetings with parliamentarians, ministers and advisers. The Association took part in public hearings and meetings in the Senate and the House of Deputies. When the regulatory framework that set the conditions to initiate a privatization (Law 24.065) was approved, the Association’s task was to include workers’ rights in the international bid conditions. This was a daily challenge, as the Government at that time had decided to make a complete change, a radical transformation, and the guarantees that the unions asked for seemed to be an obstacle to that project. Individually, each trade union showed its opposition but together, supported by the *Confederación General del Trabajo* (CGT), they accepted the governmental policies.

The making of this report, though we did not ignore what was happening, caused us to review some unpleasant facts we would rather did not exist, such as downsizing in some electricity plants, and tasks that require high-level training being delegated to others or to workers without any moral or material motivation to do their jobs enthusiastically. We did it with a single objective: to do our bit in order to prevent other countries, other power companies and other employees from going through the same process we did when privatization occurs.

A chronological and objective account of the facts, with their gains and losses, will help us understand how and why things happened. It will also help authorities from other countries undergoing privatization processes to consider the human being as the key element of labour, of production and of society, instead of considering them as a mere file number. If we only achieve this goal, we will feel more than satisfied.

APJAE Central Executive Commission

1. The causes of privatization and an overview of the companies involved

The “welfare” State, for decades, had been gaining ground by taking in charge firms of all kinds. However, by mid-1989, it started to sell these companies. The reasons a national Administration becomes the total or major owner of a hotel, a racetrack or television channels, encompass, in this case, a long list of political, economic, social and cultural circumstances which favoured the situation. Among them, there was a misunderstood protectionist tradition exercised for decades in Argentina which, in order to keep some firms going, allowed ill-managed enterprises to be protected by the State instead of analysing their problems so as to make them profitable and independent.

Moreover, Argentina has a long history written by ephemeral administrations, led by military presidents who were in power by force without any platform programme, without knowing the needs of the people or the reality of the international situation. In this context, decisions were made quickly so as to arrange things momentarily, without bearing in mind that they would remain as part of the problem. That is why it is necessary to understand the substantial differences among the origins and the structures of the companies that were sold.

Different realities for the public services

While some companies lacked the resources for technological modernization – such as the ENTEL (*Empresa Nacional de Telecomunicaciones*) with inefficient, expensive, belated and totally anachronistic services – others were in the hands of the State because of their debts – such as the Llao-Llao Hotel, Bariloche. Others, such as *Agua y Energía Eléctrica*, started a process of internal transformation that, had it had enough time, would have proven its efficiency while maintaining its essence, through the development of isolated rural areas of the country.

So it is important to bear in mind the original differences among privatized companies, although all of them have been, in this process, treated in the same way.

When the administration of Dr. Carlos Menem passed the State Reform Law in 1989, a new period began. On the one hand, there were cases where privatization was fair and necessary –such as the case of the television channels and radio stations, where the State had taken control during the military regime and, in some cases, were afterwards returned to their original owners. But on the other hand, there were cases where it was a real collapse of the structures that deeply disturbed the fragile social framework and had a huge impact on workers.

This initial privatization was followed by that of the telephone companies, electricity plants, water, gas, oil reserves, petrochemical, iron and steel industries, railways, cellulose factories, shipyards, airlines, roads, silos and even the hotel and racetrack mentioned above. The companies found new owners and in three years had changed not only their management and logo, but in many cases their permanent staff as well, creating a problem nobody considered seriously in those happy times when attention was only paid to the money that entered their coffers.

In search of a better and faster profitability, the senior staff was asked – and they often agreed – to leave their positions to people without seniority or experience, and with lower wages. Not all the privatized companies were alike, nor did they have the same problems. The goal of this report is not to make a comparison of the realities of each of

them. However, it is important for us to understand how the power sector worked before privatization.

The power service owned by an important state company

The power service was mainly provided by *Agua y Energía Eléctrica*, a company that was 50 years old by the time of its disappearance, and which had a tradition of performing development activities extremely important for the growth of regional economies. Today, it is doubtful whether the companies that manage these services continue with those a priori non-profitable tasks (studies of the flow of a river that takes three or four decades of data collection on low and high tide, water temperature, climate peaks, etc.) before carrying out a hydro-energy project. Such daily tasks were performed by the Studies and Projects Division of the formerly state-owned company.

The Public Works Division was made up of workers from the provinces, who worked in the most inhospitable areas, in campsites where they lived for years until they finished a dam or a high voltage line. The Exploitation Division was specialized in taking the greatest advantage of the works that had been built. It was staffed by especially trained employees –often trained abroad – for each position.

The company headquarters were always affected by national political events, which led to a delegate from the Government, who had little or nothing to do with the power sector, often leading everybody. This, however, did not have any impact on the permanent organizational structure of *Agua y Energía Eléctrica* which, from the manager downwards, was guided by a solid structure that believed in training, ability, commitment and steadiness.

Some cooperatives (such as SEGBA – *Servicios Eléctricos Buenos Aires* – in the capital city, EPEC – *Empresa Provincial de Energía de la Provincia de Córdoba* – in Córdoba, HIDRONOR S.A. – *Hidroeléctrica Norpatagónica Sociedad Anónima* – and many others that for years worked very hard in order to supply energy to zones where no other company would have gone because of their low profitability) were as exposed to privatization as *Agua y Energía Eléctrica*. And their staff was equally affected in the continuity of their jobs.

Characteristics of the company

As we stated above, a few years before disappearing, *Agua y Energía Eléctrica* had begun a modernization process which, had it continued, would have allowed it to serve its clients more efficiently by the end of the century.

One of the points this change was based on was the partition of the country in four geographical regions, granting each region its own management. It allowed the decentralization of a series of decisions; time- and cost-savings and, obviously, a better service for clients.

The seniority of the staff made this “decentralization” possible because all the managers were highly qualified and trained to fulfil their functions in the Public Works, Studies, Exploitation and Administrative Divisions.

Moreover, with the advent of democracy in 1983, *Agua y Energía Eléctrica* (headed by businessmen of the sector) had fewer obstacles to develop its action plan.

Comments on the staff

It is an accepted truth that a company is made by its people, and the companies that had provided the power service up to that moment were not exceptions. In the same way that we have affirmed that a study of the flow of a river could take 30 or 40 years, or that a geologist lived alone in a desert for months to study the soil of the place where the hydraulic works were to be done, or that an office worker had to travel hundreds of kilometres to provide supplies to a campsite at a mountain range, we also consider that this was possible because their work environment motivated these people to fulfil their functions under these conditions. The finished work (high voltage lines, a small dam, or a great irrigation network) was a set goal and the whole team worked very hard to achieve it.

Certainly, the company fully compensated these sacrifices, ensuring those who spent a long time away from their cities and homes enough money to give their families an economic comfort; and their families knew that the worker was protected by the company, which provided good safety equipment, an excellent welfare benefit plan, insurances, a wage increase for uprooting or for productivity, and some other incentives which highly influenced the manager-worker relationship.

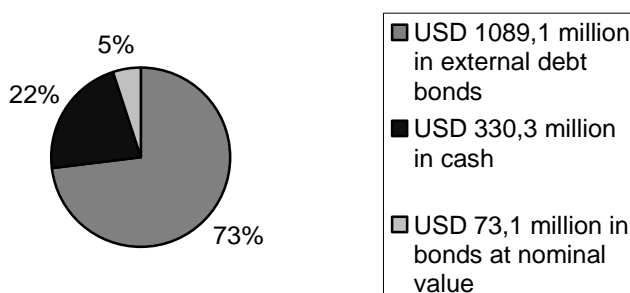
2. Chosen methods of privatization and actions taken

Bid for privatization

Taking into account all the privatizations that took place in the Argentine power sector, the foreign firms and local groups created for the occasion paid the State US\$330.3 million in cash, US\$1,089.1 in external debt bonds at cash value and US\$73.1 in bonds at nominal value. These figures demonstrate that the current owners of the power sector, divided into business units of different size, paid in cash only 22.13 per cent of their purchase price, while the remaining sum was paid 72.97 per cent in external debt bonds and 4.9 per cent in bonds at nominal value.

The successful bidders for public services got into the world market to buy the bonds of the Argentine external debt. Each bond had a different expiring date and different origins, and responded to different commitments taken on by the State. The bidders took these commitments as their own at their due terms and thus reduced the national external debt.

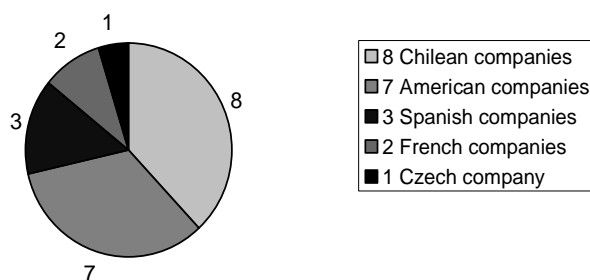
Chart 1. Method of payment



Our indebted country offered excellent credit conditions to groups representing some of the most powerful economies of the world, as is the case of the Exxel Group, which acquired the Spanish operator *Unión Fenosa* and EDESAL (*Empresa Distribuidora de Energía de San Luis Sociedad Anónima*), the company that supplies and distributes electricity in San Luis.

These foreign corporations, contrary to what is advisable, are today in a position to make decisions regarding the local power market, because a balance in the origin of the successful bidders was not kept: eight Chilean companies, seven American, three Spanish, two French and one Czech comprise the foreign component.

Chart 2. Foreign component in the successful bidders



The domestic component was extremely polarized, forming a select group that comprises *Pérez Companc* (also a bidder in the privatization of other public services), *Techint*, *Soldati*, *Astra* and *Acindar*.

Although there is no rule of thumb for a balanced formula between the percentage of foreign and domestic companies that supply a country's power services, some industries are closely related to its sovereignty (we saw how England allowed privatization only with domestic assets). In 1999, in the middle of Argentina's huge economic crisis – and from which in mid-2000, it had not yet recovered – the companies that provided electricity, telecommunications, water and oil, made very high profits. This money did not remain within our borders, because the majority of these service providers had their headquarters in other countries. In addition, we also consider that services like electricity have a lot to do with the industrial production and social development of a country. An expensive or low-quality power service will undoubtedly lead to an industry with low profits; a service provider that does not take into account the needs of their rural users also influences agricultural development and blocks the more isolated locations.

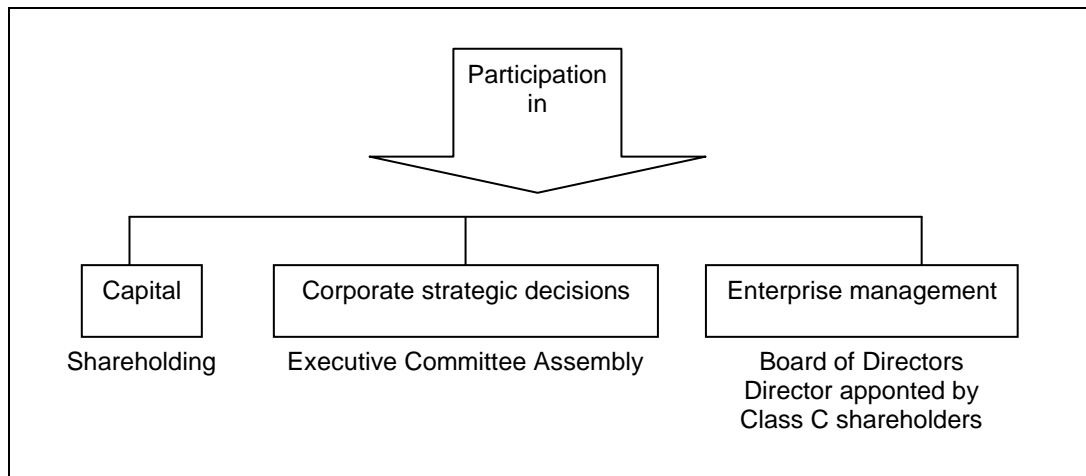
Our Association considers that it is difficult for a foreign company to show great interest in investing in the development and promotion of poorly inhabited zones, which require long-term and will only become profitable in 30 years or so.

Actions for employees: Employee Stock Ownership Plan (ESOP)

As part of the process of energy privatization, Decree 265/94 implemented the Employee Stock Ownership Plan (ESOP) for workers transferred to the privatized enterprises from *Agua y Energía Eléctrica*, *SEGBA* and *HIDRONOR S.A.* According to this decree, the workers in a privatized enterprise had to: (1) join the ESOP individually; (2) negotiate and sign a transference contract with the authorities; (3) designate a trustee bank; (4) choose their representatives before the board of directors of the enterprise; and (5) constitute the executive committees in charge of administering the plan.

It was expected that the workers bought their allocated share of the firm's stock according to the ESOP – between 2 and 12 per cent depending on which company they worked for – with the dividends obtained by the enterprises, and with 50 per cent of the profit-sharing bond issued by the privatized companies. It was established that the companies had to comply with these obligations so that the workers could have their patrimony at their disposal. Meanwhile, the *Banco de la Nación Argentina* was named trustee of the bonds (see charts A and B).

Chart A. Employee Stock Ownership Plan



The ESOP is a Stock Quoting Programme similar to those used in the Stock Exchange and the redemption dividend comes from the business performance.

Chart B. ESOP regulatory framework

Who sells	The National State
How are the shares paid?	<p>With <i>Dividends</i> (whenever the fiscal year after the privatization yields profits, of which there is no guarantee. The successful bidders of <i>Empresa Nacional de Telecomunicaciones</i> (ENTEL), for instance, repurchased the shares held by employees with the dividends received in the first fiscal year so that there was no shared ownership).</p> <p>The electricity companies employ this method and workers usually accept it, because of their uncertainty about the future.</p> <p>With profit participation bonds (50%)</p>
How is payment guaranteed?	<p>Book-entry certificates are issued.</p> <p>A pledge is signed to the order of the State. Shares are deposited in a trust bank.</p> <p>The corporation directly deposits in the bank the amounts corresponding to the redemptions.</p>
Which rights do shares grant?	<p>Economic rights: Property right and future right of disposal. Right to collection of dividends, subject to: profit rates and assembly resolution.</p> <p>Political rights: Participation in decision division (Assembly) through the President of the Executive Committee. Participation in the Administration Division (Board of Directors) through the appointment of the Head Director and Substitute Director if the shares assigned to the ESOP collectively represent a minimum of 6 per cent of the capital stock.</p>

Analysis of the real situation

The electric concessionaries, i.e. the privatized enterprises, have not only taken advantage of the possibilities they had to reduce costs, as in the case of “voluntary” retirements, but they have also found ways to substantially change the established collective labour agreements, through transferring certain tasks that usually had been performed by their own permanent staff to others. This was done through the formalization of a two-year outsourcing contract for the upkeep of systems, transport of workers, invoicing, data-reader, distribution of documents and invoices, collections, etc. in exchange for a monthly payment for the contracted period. Once the contracted period is fulfilled, the employer usually asks for renewal conditions that are less favourable. The workers who group together in cooperatives must accept these less-favourable conditions or reduce membership in the cooperative, so that those who remain can maintain their previous income level. This contributes subsequently to the high unemployment rate that affects the Argentine society. Reduction of membership is carried out according to the bylaws of the cooperative.

Another method of staff reduction that has been implemented lately is with employees nearing retirement, who agree to be paid (until they retire) a monthly salary with a reduction in statutory contribution to their retirement funds. This agreed early retirement without indemnity payments leads to a radical decrease in retirees’ pension benefits.

In addition to all this, it is necessary to point out that the privatized enterprises that currently comply with the regulations established in the bid conditions are very few, overlooking the development of staff training programme and the provision of the safety elements established in the agreements, among others.

The collective bargaining process has fundamentally changed due to the difference in power between the negotiating parties. Today the trade unions have to renew their strategies and multiply their efforts to negotiate with representatives of a number of enterprises – all of them different – in the atomization of the current electricity market. The enterprise re-engineering and outsourcing tactics mean that trade unions substantially increase or decrease the number of workers they represent, making the situation even worse.

Finally, a new and significant detail in the current negotiations is the exclusion of personnel in charge of specific or high-risk tasks, which harms the unions because the number of people involved in the negotiations is still decreasing.

New working conditions

The working hours were increased from seven hours and 15 minutes to eight hours a day, with the further difficulty that, on occasion, the working day continues without interruption until certain problems are solved or until the total of programmed tasks for the day are finished. These additional working hours are understood as part of the job and are not paid.

Regarding working hours and benefits, there are laws that clearly determine that they cannot be modified whatever the new position the worker has in the new organizational structure. However, the law may be circumvented by the use of rewards or bonuses for productivity, in which the worker risks a part of his salary in exchange for a good enterprise performance, making workers direct participants in the eventual results.

In other cases, due to the particular financial situation of each enterprise, such bonuses are paid in instalments which can extend as long as one year, failing the objective for which they were created.

The false figure of an independent worker is another unfortunate innovation. In order not to be laid off, workers accept the enterprise terms to quit their job as employees. The enterprise immediately contracts such former employees, who agree to do the same tasks as autonomous workers, thus losing the guarantees that the employer-employee relationship offers. Independent workers pay their own pension contributions, the enterprise saves in social security contributions and hires workers at will.

Examples not to imitate

The terms and conditions of the international bid for the sale of the different power service shares are similar in their chapters concerning staff. For example:

The transfer of personnel to each Concessionary Society will take place the day of the takeover, to which effect *Agua y Energía Eléctrica* State Society will adopt the necessary measures to inform about such transfers. (...)

The personnel, whose employment contracts are transferred to the Concessionary Societies, will keep the seniority acquired in *Agua y Energía Eléctrica S.S.*

Starting on the date of the notifications of circulars by the Privatizing Committee, *Agua y Energía Eléctrica S.S.* will neither raise the salaries nor increase the professional categories of the personnel to be transferred except those cases in which for service or *force majeure* reasons it would be necessary to substitute one worker for another one.

(...)

Personnel to be assigned to the concessionary companies. Reference data: file number, professional category, job, seniority in the enterprise and seniority recognized by Collective Labour Agreement Number 36/75. (...)

Collective Labour Agreement Number 36/75, applicable to the senior and supervised personnel of *Agua y Energía Eléctrica S.S.*, respectively, is given in a folder attached to the Conditions, forming part of it.

The complementary modifying acts and other norms and regulations regarding the personnel included in the Collective Labour Agreements and provisions No. 41/86 and No. 47/86 of the National Labour Relations Department, will be consulted in the information rooms located in the Capital City and in..."

(address of the corresponding office, in each case).

Clearly, the intention of the bid instruments was neither to downsize the personnel being transferred, nor to change their working conditions. It also established that bidding enterprises could not ignore what they had been well informed about concerning existing staff.

Despite these conditions, the reality was that the workforce was almost always downsized and working conditions deteriorated.

SEGBA's fate

Before its privatization, SEGBA was a big enterprise distributor of electricity whose permanent staff included up to 20,000 workers. In the period immediately before privatization, this staff was reduced to 17,600 people or 12 per cent of the personnel.

After the enterprise was privatized and, due to the application of “voluntary” retirement measures and massive layoffs, the number of workers was once again reduced, this time up to 6,618 people, as indicated in the following table.

Table 1. The impact of privatization on employment at SEGBA

	Number of workers before privatization	Number of workers retrenched	% change
Beginning	20 000	–	–
End	17 600	2 400	–12

Table 2. Retrenchment of those originally employed by SEGBA: 1992-99

Date	Enterprise	Number of workers	No. retrenched (% change)
June 1992	SEGBA	17 600	–
June 1993	At the seven privatized enterprises	11 000	6 600 (–37.5%)
June 1994	At the seven privatized enterprises	9 858	7 742 (–44%)
June 1996	At the seven privatized enterprises	8 272	9 328 (–53%)
June 1998	At the seven privatized enterprises	7 040	10 560 (–60%)
June 1999	At the seven privatized enterprises	6 618	10 982 (–62.4%)

1992-99 variation (SEGBA) = Total downsizing (66.9 per cent).

Transnoa S.A, formerly Transmisión Regional Noroeste

On 26 January 1994, TRANSNOA S.A., formed by the private enterprises IATE and *Banco Feigin-Tecsa*, and by *Luz y Fuerza* trade union, took over those services that had been provided by *Agua y Energía Eléctrica* – under the name of *Transmisión Regional Noroeste* – taking on the commitment of not downsizing at least for two years. However, it immediately started to reduce its permanent staff, not only through “voluntary” retirements but also through dismissals. In this case, employers would induce the workers to apply for a “voluntary” retirement, for which they would receive large sums of money to set up service cooperatives, ensuring them that they would become suppliers of TRANSNOA S.A. Although it might be possible that the employers had no ulterior motives (i.e. making them quit their jobs but not buying any service afterwards), the truth is that the cooperatives, formed without preparation or management training, failed in a few months. The situation even worsened when the Inter-American Development Bank (IADB), where the workers had deposited the money from their “voluntary” retirement agreements, went bankrupt, leaving a significant number of workers in a critical situation.

Just before TRANSNOA S.A. took over the services, the staff comprised 341 workers; by the time of this report (20 March 2000) there are 134 workers who provide service in the provinces of Tucumán, Santiago del Estero, La Rioja, Catamarca, Salta and Jujuy; that is to say, all the provinces that are part of the Argentine north-west. All the workers are distributed in the following way: 63 in Tucumán, 17 in Santiago del Estero, five in La Rioja, eight in Catamarca, 30 in Salta, 11 in Jujuy.

As in every process of massive staff reduction, not only a labour problem is created for the people who are laid off, but the users also notice a deterioration in the services. The leaders of the APJAE branch in Jujuy, in a note sent to this association in connection with this report, stated that:

The abandonment of the transferred buildings is as important as the decline of the service. Nowadays they try to convince the users (who do not need to be given a technical reason of why the electricity they receive is expensive and poor) by saying that quality will be enhanced with the use of a *thermo visor*, as if it were a novelty, while in *Agua y Energía* we did thermo vision two decades ago as part of our usual job.

Taking into account what happened in the Argentine Northwest, our Jujuy branch concluded that:

- (1) The service was not enhanced after privatization; interruptions in the supply still continue. The investments the concessionaries had to do according to the bid conditions were not explained.
- (2) Nothing was planned, and this is evident not only in the poor quality of the service provided but also in the absolute lack of support for the people that were left jobless. Moreover, the affiliated APJAE members are targets of permanent mobbing from the enterprise concessionary of service, behaviour that includes dismissal threats, pressure, and promotion postponements, which results in the resignation of some of our members.”

Sistema de Generación del Noroeste Argentino Centrales Térmicas del Noroeste Argentino S.A.

The Corrientes branch contributed to this report with a table showing the events in that zone concerning the four big services into which *Agua y Energía Eléctrica* was divided: *Central Barranqueras*, *Regional Noreste*, *Ingeniería Regional Noreste* and *Divisional Formosa* (see table 3).

Table 3. Employment changes after restructuring and privatization

Source enterprise	Enterprise to be privatized	Privatized enterprise
AGUA Y ENERGÍA ELÉCTRICA CENTRAL TÉRMICA BARRANQUERAS Number of workers: 272 Voluntary retirements and retirements: 55	SISTEMA DE GENERACIÓN DEL NOROESTE ARGENTINO Number of workers: 217	CENTRALES TÉRMICAS DEL NOROESTE ARGENTINO S.A. Number of workers in January 2000: 0
AGUA Y ENERGÍA ELÉCTRICA REGIONAL NOROESTE Number of workers: 377 Voluntary retirements and retirements: 206	TRONCAL DE DISTRIBUCIÓN Number of workers in the Business Unit: 151 TRANSMISION 500 Kv Number of workers in the Business Unit: 20	TRANSNEA S.A. Number of workers in January 2000: 78 TRANSENER S.A. Number of workers in January 2000: 9
AGUA Y ENERGÍA ELÉCTRICA INGENIERÍA REGIONAL NORESTE Number of workers: 92 Voluntary retirements and retirements: 70	EVALUACIÓN DE RECURSOS Number of workers in the Business Unit: 14 SERVICIOS DE INGENIERÍA Number of workers in the Business Unit: 8	EVARSA Number of workers in January 2000: 5 TRANELSA Number of workers in January 2000: 7
AGUA Y ENERGÍA ELÉCTRICA DIVISIONAL FORMOSA Number of workers: 283 Voluntary retirements and retirements: 30	SISTEMA DE GENERACIÓN DEL NOROESTE ARGENTINO Number of workers in the Business Unit: 353	EDEFOR S.A. Number of workers in January 2000: 260

Central Hidroeléctrica Diamante

HIDISA S.A. emerged as the main stockholder after the bid for the sale of this company.

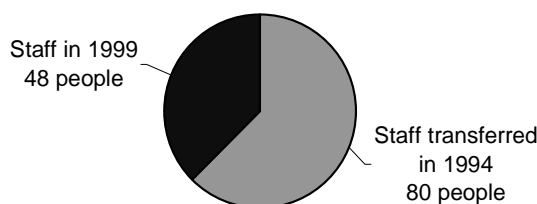
In the chapter of the bid conditions entitled “Personnel” it stipulated that:

Agua y Energía Eléctrica S.S. takes on the obligation to perform all the actions and to sign all the documents so that the personnel of *Agua y Energía Eléctrica S.S.* named in the Personnel Register (Sub annex V of this contract) start performing in the Concessionary Company from the date of the takeover.

The personnel transferred from the state-owned company to the concessionary are enumerated in chart 3, establishing that they are 80 people, in different categories.

The last personnel report obtained from the concessionary establishes that, in only four years, the headcount was reduced nearly 60 per cent, with only 48 workers employed in 1999.

Chart 3. Downsizing carried out by HIDISA S.A.



Central Térmica Sorrento S.A.

On 2 February 1993, this power station was transferred to private hands, with the Board of Directors made up of representatives of the successful bidders: Malvicino, IATE, ARGON, ELEPRINT, the ESOP and Luz y Fuerza Labour Federation. By the time of privatization, the permanent staff of *Agua y Energía Eléctrica* was 70 senior workers and 173 supervised workers. Those in charge of maintenance and administration worked seven hours a day from Monday to Friday, with six-hour shifts. The current staff amounts to 65 workers (only one supervised and 64 senior workers), under the structure of Collective Labour Agreement 36/75 in force by that time. Only one worker was left because the main tasks were outsourced by the new owner.

The task of the senior staff was merely to control the new suppliers' quality of work. This downsizing was carried out in several ways: “voluntary” retirement was accepted by 71 workers, four outsourcing contracts were drawn up, 40 workers were transferred to EPE (*Empresa Provincial de la Energía*), without receiving indemnity, keeping their category, seniority and incomes; the other 40 workers formed the EMLyF (*Empresa de*

Mantenimiento Luz y Fuerza) – a micro-enterprise – being paid only a part of their indemnities. On the other hand, 42 workers were laid off (40 of whom formed the EMLyF – a micro-enterprise – and were paid only a part of their indemnities), six workers retired and the situation of the remaining 15 is pending, without incomes and with a possibility of being transferred to EPE under unknown conditions.

The working day was extended to eight hours from Monday to Friday for maintenance and administration; shifts are six hours long and there are ten full-time employees who work ten hours a day. The maintenance workshops (mechanical, electric, machinery workshops, boilers, etc.) have only one supervisor, because these tasks were all outsourced.

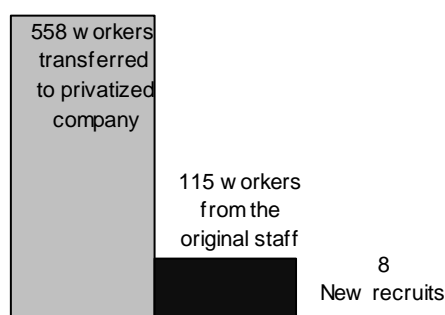
As regards the salaries, Collective Labour Agreement 36/75 is still in force; compensations were achieved for the extension of the working day and the personnel who worked in shifts kept their previous allowances.

HIDRONOR S.A.

Before privatization, in HIDRONOR S.A., there were 2,200 workers who were transferred to different enterprises. “Voluntary” retirements caused a significant reduction of this personnel. Out of the 558 employees transferred by HIDRONOR S.A. to TRANSENER S.A. (*Compañía de Transporte de Energía Eléctrica en Alta Tensión Sociedad Anónima*) at the moment of privatization, only 115 still remain. Today the plant has 123 workers, as eight employees have recently been recruited.

This difficult situation among those who lost their jobs did not only affect the economic side: there was also an increase in the divorce rate among the affected population – with the serious family consequences that this implies – and two suicides. (One suicide was due to the fact that the person could not resist the stress after 27 months of an unfruitful search for work, and the other occurred when, one year and a half after privatization, the former employee could not re-enter the labour market.)

Chart 4



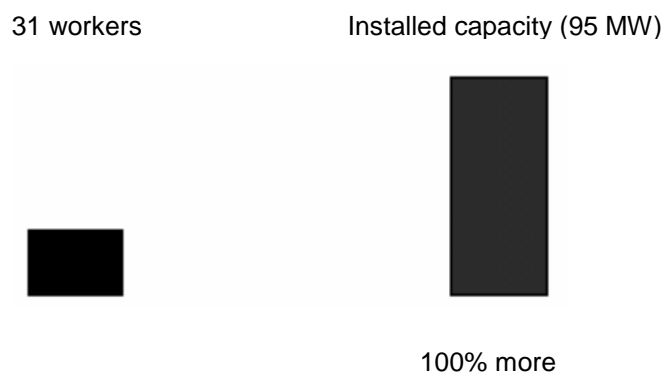
Central Térmica Alto Valle

When, on 22 August 1992, *Agua y Energía Eléctrica* transferred the services, this plant was staffed by 78 employees. By 30 September 1999, only 31 remained, though the installed capacity was 100 per cent enlarged with an undeniable burden of work for those who stayed and who, besides, suffered the constant pressure of possible dismissal or an invitation to “voluntary” retirement. The total of layoffs was due to: six retired workers, nine “voluntary” retirements, three resignations, and 29 dismissals.

Chart 5. Staff up to 22 August 1992



Chart 6. Staff up to 30 September 1999



The APJAE branch involved did a follow-up on the personnel who left the company which showed an uneven labour situation, judging by these facts: out of the 47 workers laid off, seven are unemployed at time of writing; ten are working in various employer-employee relationships; 12 are self-employed workers; seven retired, and no accurate data were found for the remaining 11.

Central Hidroeléctrica Cerros Colorados

Out of the 100 employees transferred on 11 August 1993 by HIDRONOR S.A., by 30 September 1999 only 49 were still working, and only two translators have been recruited.

Layoffs in Cerros Colorados

Chart 7

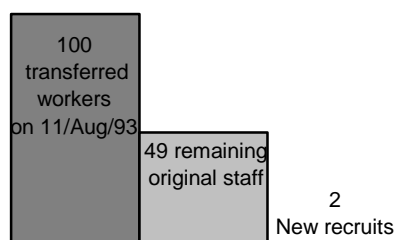
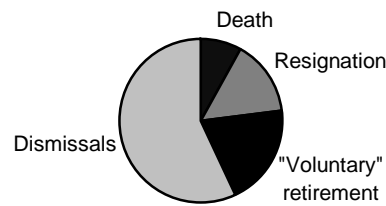


Chart 8. How downsizing was achieved



The total number of layoffs was due to the following reasons: one death (classified as occupational accident), ten resignations, 11 “voluntary” retirements, and 29 dismissals. The follow-up on the labour destiny of these people – not complete because many workers, after being dismissed or retired, lost contact with this Association – is that out of the remaining 50 workers, 26 were unemployed at the time of writing; 18 worked in various employer-employee relationships; eight were self-employed, and no accurate data were obtainable about one of them.

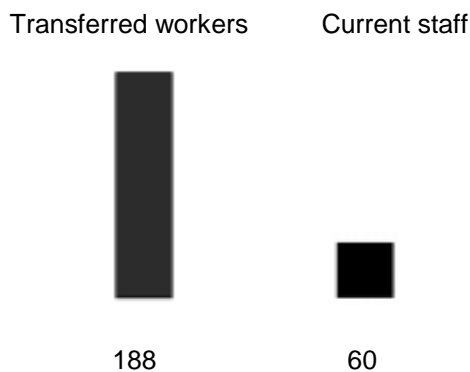
Central Hidroeléctrica El Chocón

Out of 188 workers transferred to this power plant and its compensating station Arroyito, there are 60 workers today. The Arroyito power station implemented a telecommand system which is operated from Central El Chochón, 30 kilometres away. With this system of command and control through videos, only one person has to be on duty for each shift in Arroyito.

The problem is that certain areas of the power station, such as toilets or neutral zones located out of range of the video cameras, mean that if the person on duty had either a health problem or any other trouble, it would take a long time to be noticed.

From the follow-up done by the APJAE Comahue branch, the following facts emerged: 11 workers were unemployed, 31 worked in an employer-employee relationship, four were self-employed, three retired, and there are no accurate data for 79 of them.

Chart 9



Conclusions

After having appreciated the state of the transferred personnel in this zone (except for the 63 workers transferred from *Central Alicurá*, for whom no accurate data are available), we can draw up a table that clearly shows the nearly catastrophic effect that so many layoffs had, not only for the workers but also for the enterprises:

Table 4. How workers were affected by privatization

Enterprise	Workers			
	Transferred	Laid off	Retained	% laid off
Central Térmica Alto Valle S.A.	78	47	31	60
Hidroeléctrica Cerros Colorados S.A	100	53	47	53
Hidroeléctrica Chocón S.A.	188	128	60	68
Hidroeléctrica Alicurá S.A.	63	28	35	44
Transener S.A.	558	435	123	78
	987	691	296	

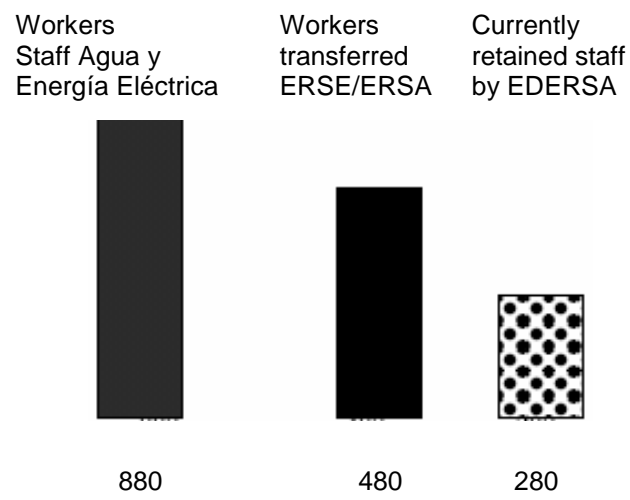
Table 5. Current situation of laid-off workers

Details	Central Térmica Alto Valle S.A.	Hidroeléctrica Cerros Colorados S.A.	Hidroeléctrica Chocón	Total
Unemployed	7	26	11	44
Re-employed by another firm	10	18	31	59
Self-employed	12	8	4	24
Retired	7	0	3	10
Other/unknown	11	1	79	91
	47	53	128	

Transference of services from Agua y Energía Eléctrica to the province of Río Negro

In Río Negro, *Agua y Energía Eléctrica* had a staff of 880 workers. After the first phase of “voluntary” retirements, its services were transferred to the province with 480 workers (the provincial enterprise was ERSE – *Energía Río Negro Sociedad del Estado*, which later became ERSA – *Energía Río Negro Sociedad Anónima*). Once the conditions to sell it were met, the province transferred the services to EDERSA – *Empresa de Energía Río Negro S.A.*, owned by *Grupo Camuzzi* – and to SAESA – where the downsizing continued. Nowadays, there are 280 workers in the permanent staff to provide service to the entire province.

Chart 10



3. Results of privatization of the power service in Argentina

How it could have been done

In March 1992, the ex-Minister of Public Works and Services, Rodolfo Terragno, shared breakfast with the executive board of APJAE in order to settle the terms about the privatization of services which, in this area, would take place two years later. In this respect, the ex-minister and economist, who was permanently consulted in the country and abroad, stated:

Privatization is not a magical formula, but it is a means about which we should not have preconceptions. If privatization is carried out “recklessly” the effects can be uncertain or, even, counterproductive. The lack of experience, the dogmatism and frivolity can lead to frustration ... The privatization process in Europe implies multiple considerations. Great Britain since 1980 has privatized telecommunications, gas, power, and water; no decision has been taken yet about the privatization of its railways, and in central Europe the privatizations have been very limited. The majority of the public services are still in the hands of the State, not because they are considered to be strategic services that have to be in the hands of the State, but because it is a process that needs considerable caution.

The important question here is: Was privatization achieved by taking into account the foreign experience and considering the strategies to avoid “a new frustration” or, on the contrary, were deadlines fixed for the bids, so that an enterprise was taken over by private hands for better or worse on a day that suited the prevailing political needs?

The answer is that, unfortunately, the latter process took place. In March 1992, an editorial in *Potencia*, the official APJAE journal entitled *Participación para el Cambio* (Participation for change), read:

With the enactment of law 24.065, it has been defined what both the new Argentine electricity market and the privatization of the national enterprises that make it up at the moment will be like, (...). We are becoming aware of a changing reality that appears as a result of a new economic philosophy, unprecedented in the traditional electricity structure of the country. (...) The adjustments in the labour structure inevitably have its risks and costs; it is the company’s responsibility to foresee and determine them in advance. Besides, the cost of the adjustments will be inversely proportional to the degree of participation offered. The predominance of social motivations in any situation of change requires the adoption of agreed and explicit measures.

As regards the risks and costs that any change implies, it is also important to bear in mind the suggestion made at the 54th Session of the ILO International Labour Conference, when it was expressed that:

The employers, workers, and their respective organizations should recognize the importance of keeping an atmosphere of comprehension and mutual confidence, made easier by the flow and exchange of information about the different aspects of enterprise life and the worker’s social conditions as soon, complete and objective as possible.

On 4 January 1992, the prestigious newspaper *La Nación* published an editorial about the privatization of the power enterprises, stating:

The National Congress passed law 24.065 which completes – according to the requirements of the President – the legal documents for the privatization of the power service within the scope of the nation – particularly the services rendered by SEGBA, *Agua y Energía Eléctrica* and HIDRONOR S.A. – as well as the electricity networks that link them. (...) The

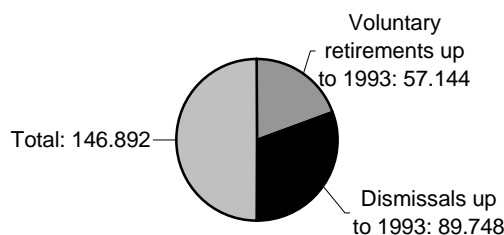
electricity distribution enterprises should be authorized to establish their own sources of generation. This would be the best way to keep costs down by taking on all the phases of the productive process. It is hardly possible that this disintegration of power enterprises improves the quality of their services or produces cheaper energy, if we consider the costs that each generation enterprise will have to pay and the size of the units – which will be smaller than those that were economical up to now.

“Voluntary” retirement as a “solution”

Before the formal bid, an “invitation to voluntary retirement” was sent by *Agua y Energía Eléctrica* to their professional, senior and supervised personnel. Due to the uncertainty of the enterprise’s fate, many workers accepted it, receiving an indemnity which amounted to a certain number of salaries based on their function and seniority. Without knowing it, these workers made the selling of the enterprises to which they belonged even easier.

By August 1993 – previous to the surrender of the enterprises to their new proprietors – there had been 57,144 “voluntary” retirements – only in the area of state enterprises – which, added to the 89,748 dismissals, amounted to 146,892 layoffs. (Source: *Banco Social de Datos de la Fundación Sindical – Instituto de Investigaciones y Altos Estudios* – on the basis of UADE, INDEC, FIEL and CISI).

Chart 11. Downsizing in state enterprises



What happened from then on?

In order to understand this problem, we should reproduce the setting of that time: after several years of announcing a privatization of services, without any specifications, the workers of *Agua y Energía Eléctrica* became more and more uncertain, and many of them considered “voluntary” retirement as a suitable solution. But, in fact, this was not the case because, after years of working in the power sector and without any previous training or preparation, they were ill-equipped to invest their indemnity money in a business, and they generally failed.

We are not trying to blame the new electricity suppliers for these personal failures, but it must be recognized that the labour restructuring – under conditions created and set by government – is a government responsibility. When the privatizing policies were adopted, parallel to this there should have been a new training in place for the workers involved in privatization, instead of leaving them unsupported, knowing that the new concessionaries’ primary goal would be to recoup their investment.

Tasks without rank

Those who stayed in *Agua y Energía Eléctrica* became part of organizations that were much smaller than the original state company and which, in some cases, were the result of an association specifically formed for this bid, without a history in common. Thus, local groups merged with enterprises of several nationalities and different ways of operating.

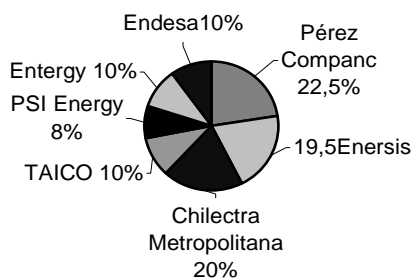
Personnel with many years of experience and training were dismissed and replaced by new and supervised workers, thus saving in daily wages and social security contributions, **but severing the transmission chain of knowledge that is, after all, the real capital in an enterprise.**

An example of this is the terrible blackout suffered for ten days in Buenos Aires – within the area of EDESUR S.A. (*Empresa Distribuidora de Energía del Sur de Capital Federal y Buenos Aires province Sociedad Anónima*) – in 1999, which caused a crisis that revealed the reality: nobody assumed responsibility for the inefficiency in the service, and nobody knew how to solve the problem.

The result was: thousands of people were affected, clients lost their goods, restaurants had to be closed, schools discontinued classes, hospitals had to generate electricity with emergency equipment, firefighters had to deliver water to houses as in colonial times, etc.

It is worth noting that the stockholders of EDESUR are 20 per cent *Chilectra Metropolitana* (Chile), 19.5 per cent *Enersis* (Chile), 10 per cent *Endesa* (Chile), 8 per cent *PSI Energy* (US), 10 per cent *Entergy* (US), 22.5 per cent *Pérez Companc* (Argentina), and 10 per cent *TAICO* (several countries).

Chart 12. EDESUR stockholders



Workers' personal experience

For the purpose of this report, workers contributed the following examples of how they were affected once the feeling of belonging to a stable organization had vanished, particularly the feeling of being secure in a job:

Mendoza, September 1999

After 38 years of working for *Agua y Energía Eléctrica*, I found myself in the dilemma of whether accepting a “voluntary” retirement (not “voluntary” at all, because I was forced to accept it), or keeping on fighting in defence of my job. The mobbing destroyed me psychically, to the point of considering myself useless to perform my job. The events of that

time were so traumatic that remembering them makes me shudder. I had always worked honestly, expecting to retire with honours when the moment came. My health – deteriorated by stress – could not bear any more, and I eventually accepted the “voluntary” retirement.

Today, at 58 years of age, having enough years of service but not the required age of 65 set by law, I cannot retire, nor can I be reinstated because the electricity market is totally polarized. Nobody takes advantage of my training, what I learnt to do during nearly four decades. I support my family on occasional jobs. I’ve even stopped paying our healthcare insurance. I am a person that worked hard to attain an upper-level post, who achieved it by my own effort, and who lost it due to a market reorganization that I do not understand and which is destroying me and my colleagues. Alberto M.’

Néstor Talento, a psychologist consulted by a 56-year-old female patient, ex employee of a privatized power company, gave a similar account:

Buenos Aires, July 1999.

The following psychological report is drawn up to be included within the required documentation for the retirement proceedings. The patient has been under permanent psychological treatment for more than two years with a frequency of two hours per week. She consults me about the alteration of behaviour in her working environment, which is substantially affecting her performance quality, putting at risk her permanence in the job. She had work stability in the same enterprise for over 20 years, which she lost due to external reasons – shutdown of the organization – causing her personality problems. To be an efficient worker, the patient had given the most of her intellectual and affective capacities and had placed basic and unsatisfied expectations in her job.

The brief crisis suffered by the loss of her job was soon and partially compensated with a new job; however, this was what gave rise to the mental disorders that followed. The ways in which the new enterprise functions, its rapid transformations, its highly competitive policies and the competitive requirements in relation to the employees’ performance, are impossible to be processed by the patient, who feels a loss of psychological support, the severance of her affective institutional links, and limited emotional exchanges ...”

Rubén Sánchez Aiech, a physician in the Comahue zone, southern Argentina, in a report of his patients’ health problems, says:

The privatization programme of public enterprises destroyed groups of people who had been working for years in an enterprise. These workers had been trained at universities to be professionals or they were technicians and skilled labour.

Most of these people received indemnity without either being previously trained for a return to the labour market or oriented towards an intelligent and productive way of investing their money. They mostly spent it in micro- enterprises like kiosks, taxis, door-to-door selling, activities they knew nothing about and which caused them, in a short term, bankruptcies and severe depression. These depressions reached high levels and had an effect on their families.

One of the people in charge of the San Rafael branch, western zone, sent the following letter to APJAE on 25 February 2000:

As all members of this Association know, my co-worker Carlos Alberto Stocco used to work, during the last phase of *Agua y Energía Eléctrica*, in the Transmission Division, a job which he carried out efficiently, reaching Category 15, and working full time. Parallel to this, he was the President of the San Rafael APJAE branch. By the time the privatizations took place, the Transmission Department was given to a concessionary and transferred to the enterprise *Transporte de Energía Eléctrica por Distribución Troncal de Cuyo S.A., Distrocuyo S.A.* At the new enterprise Mr. Stocco and another co-worker member of this Association, Alberto Sardi, were induced to disaffiliate from our trade union “because the new management did not want unionists”.

However, they were notified that the new company did intend to do an “internal unionism”. In exchange, they were promised a raise in category and wages or, otherwise, they were threatened with dismissal. It was in this situation that, faced with the opportunity of a

pay rise and wanting to keep their jobs, they resigned from the union. A year later, once the protection time established by the labour law was over, both were dismissed without any explanation.

Faced with this situation, both workers set up – together with other former co-workers under the same circumstances – an enterprise of services which did not bring in the necessary profits for them to support their families. They compensated this by doing other activities, from which they obtained good results but, evidently, the economic problem was not the only consequence they suffered. The loss of his job caused one of them a psychological problem that translated into a profound depression and which led to his suicide after a long treatment with no results.

Things that were inevitably lost

Sometimes, countries have to adopt extreme measures which are resisted by their population. But in the course of human history nations have demonstrated that they have the necessary wisdom and moderation to undergo crisis and adjustments to survive them, and to build a better future for their citizens.

That is why, while privatizations were taking place, Argentine workers started to believe in the benefits that these “modernizing” measures could bring for their country, for the enterprise they worked for and for themselves. They expected better working conditions, training according to their posts, safety equipment, salaries according to their capabilities and skills ... Not much of this happened and the workers lost the confidence they had in the privatization process.

The workers’ morale within the state-owned enterprise was lost; the transmission chain of knowledge from one generation of workers to the other was broken; the vocation for sacrifice, which meant that very important works could be done with minimum resources, was lost. The confidence which workers and clients had always had in the solidity of a system was also lost.

What could still be rectified

As time goes by, the opportunities to retrace one’s steps are fewer. But there is evidence which shows that some businessmen have begun to understand that they would never be the true owners of a company – no matter whether they had paid for it and the contracts specify it – if the workers do not identify with its philosophy and merely “render service” in it.

The acknowledgement of the senior workers, the respect for pre-existing and new agreements, the treatment of a worker not as a “human resource” but as a person, are all things which could still be rectified and that would completely change the current labour panorama in the power sector in Argentina.

Table 6. Information about privatized power companies in Argentina

Privatized companies	Geographical location	Number of workers before privatization	Date of privatization
Alto Valle	Neuquén	119	25 Aug. 1992
Güemes	Salta	223	30 Sep. 1992
Sorrento	Santa Fe	243	02 Feb. 1993
San Nicolás	Buenos Aires	598	08 May 1993
Central Térmica Mendoza (Luján de Cuyo - Cruz de Piedra)	Mendoza	266	01 Nov. 1994
Centrales Térmicas Patagónicas	Chubut, Santa Cruz	158	04 Dec. 1993
Centrales Térmicas Noroeste	Tucumán, Salta, Jujuy, Sgo. del Estero	702	21 May 1993
Centrales Térmicas Noreste	Formosa, Corrientes	217	20 May 1993
Centrales Térmicas Litoral (Sta. Fe Oeste, Calchines, Paraná)	Santa Fe, Entre Ríos	125	17 Apr. 1994
H.T. San Juan (Ullum Sarmiento)	San Juan	57	18 Mar. 1996
Florentino Ameghino	Chubut	26	01 Nov. 1994
Diamante (Agua del Toro, El Tigre Los Reyunos)	Mendoza	61	19 Oct. 1994
Río Juramento (Cabra Corral, El Tunal)	Salta	36	01 Dec. 1995
Tucumán	Tucumán	82	02 July 1996
Río Hondo (Río Hondo, Los Quiroga)	Santiago del Estero	27	29 Dec. 1994
Río Grande	Córdoba	67	31 Mar. 1996
Futaleufú	Chubut	48	15 June 1995
Transnoa S.A.	North-western trunk line distribution	341	26 Jan. 1994
Transpa S.A.	Patagonia trunk line distribution	157	15 June 1994
Transnea S.A.	North-eastern trunk line distribution	146	10 Nov. 1994
Distrocuyo S.A.	Western trunk line distribution	202	16 Jan. 1995
Gener. Aislada	Santiago del Estero	399	31 Dec. 1994
Gener. Aislada	Formosa, Corrientes	302	31 Jan. 1995
Los Nihuales	Mendoza	87	30 Apr. 1994
Transener S.A.	–	588	16 July 1993
Labouratorio Central	–	6	28 Mar. 1994
Evarsa	Neuquén/Río Negro	97	31 Aug. 1993
Emasa	Neuquén/Río Negro	28	31 Aug. 1993
Proinsa	Buenos Aires	57	31 Aug. 1993
Tranelsa	Corrientes/Chaco	16	07 May 1993
Idese	Mendoza	4	1994
Talleres Mendoza	Mendoza	37	03 Oct. 1994

Table 7. Transfer of irrigation services(*)

Privatized companies	Number of workers	Date of privatization
Province of Catamarca	8	1992
Province of Chubut	24	1994
Province of Río Negro	220	1993
Province of La Rioja	64	1993
Province of Santiago del Estero	89	1993
Province of San Juan	32	1994
Province of Santa Fe (EPE)	249	1994
Province of Mendoza (EMSE)	23	1994
Province of Río Negro (ERSE)	45	1994
Province of La Rioja (EPELAR)	130	1993
Province of Tucumán (EDET)	466	1993

(*) Although the present work refers exclusively to the "staff that was affected by privatizations done in the electric energy sector", it is important to note that *Agua y Energía Eléctrica*, the biggest Argentine supplier of this service until its privatization, was also the provider and manager of the irrigation services in rural zones. Due to the vital importance of water in agricultural and cattle-raising regions, the details of the transferred services are also included in this report

Table 8. The figures on privatizations in Argentina (in millions of US dollars)

Companies/services	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	Total
Cash income	702	1 091	3 182	4 566	732	1 171	375	22	96	6 542	18 479
Transferred liabilities	0	0	2 294	292	0	0	0	0	0	0	2 586
Gov. debt securities	6 742	13	4 675	2 202	79	0	0	0	0	0	13 711
ENTel	224	830	1 227							500	
Airlines	260										
Power sector			628	656							
Gas			658								
YPF	172	258	516	3 900						2 862	
Petrochemical industry	46		8								
Iron and steel industry			143								
Others		3	2	10						300	
Power sector			1 184	292							
Gas			1 110								
ENTel	5 000										
Airlines	1 610										
Power sector			1 587	931							
Gas			2 999								
YPF				1 271						2 880	
Petrochemical industry	131		1								
Iron and steel industry			30								
Others		13	58								
Total income	7 443	1 104	10 151	7 060						6 542	67 876

A process that changed Argentina

Almost nothing was left without being privatized or given in concession to private capitals. In record time "the jewellery of Granny" was sold: hotels, oil tankers, military factories, energy, iron and steel industries, telecommunications, railways, undergrounds, roads. More than US\$35,000 million were collected, not including the incomes from the levies of assets under concession, as in the case of toll roads.

When Carlos Menem took the chair in 1989, the State was the main business manager. And those assets and enterprises were privatized based on the claim that they were in deficit, and that their sale would help to reduce the national debt and to finance the new undertakings of the State, which would concentrate on justice, education, safety, and health.

At privatization, those enterprises were outdated in technology and most of them – with politically determined prices – could not carry their costs.

With the arrival of private sectors – which in many cases acquired those enterprises at low values – prices were no longer fixed by the State; there was considerable downsizing and investments in technology, which allowed the new owners to reap substantial profits. In order to neutralize union opposition at the time of privatization, employees were given shares which, in many cases, were sold after a few years (...).

Moreover, the disappearance of public enterprises did not put an end to the fiscal crisis, and nor did privatizations reduce the national debt, since the presidency (1995-99 period) concluded with a fiscal deficit of US\$6,000 million and a national debt of US\$120,000 million, double what it was in 1989.

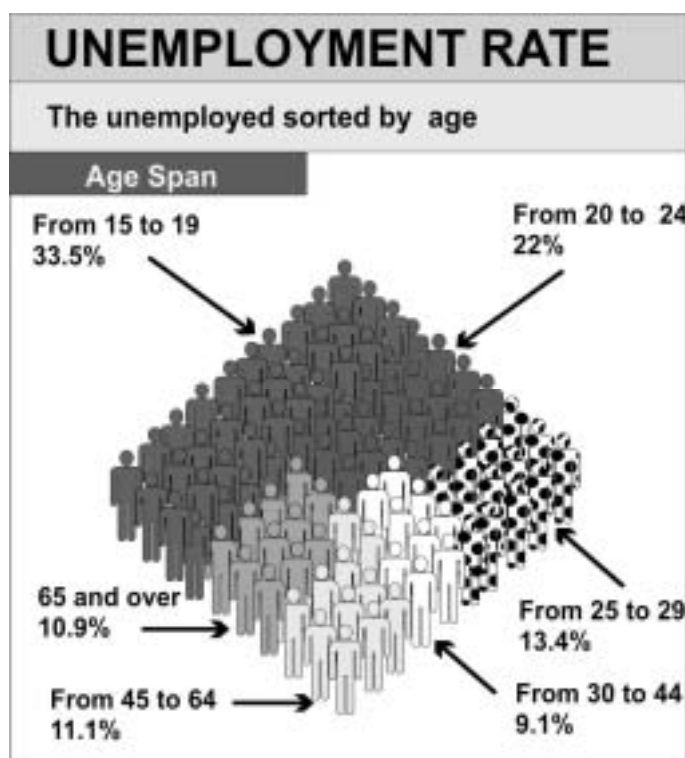
Source: *Clarín* newspaper.

Another unwanted consequence

Many advanced students from different disciplines had – at the large Argentine state power companies – a place to start to develop their professional careers, working and receiving a salary according to their level, which was raised once they graduated. This programme disappeared with privatization.

The students whose studies at that time were related to water and energy today are unemployed, and can foresee what their professional future will be like unless urgent reform measures are implemented.

The National Congress passed, in October 1999, law 25.165 which refers to a new internship regime for higher education and university students, which is intended to improve their situation and to create a legal framework for them. By means of agreements between the enterprises and educational institutions, the students receive an allowance, a scholarship, and the general social benefits of the enterprise where they are doing the internship, such as food and transport. They also have insurance protection and medical emergency care.



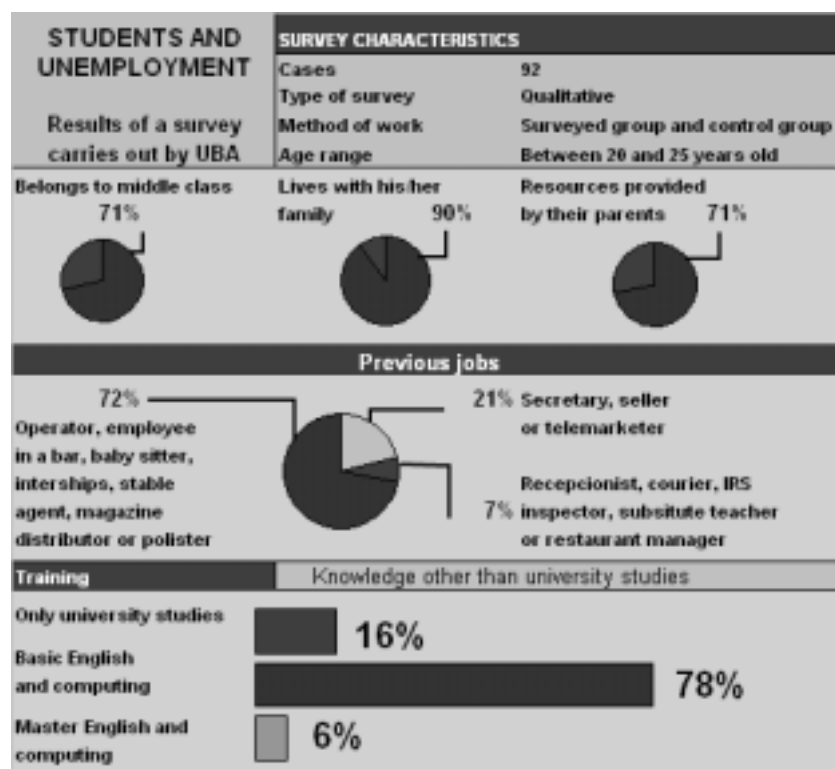
Source: INDEC.

Redeployment of retrenched workers

In 1994, the National Internship Programme for Labour Conversion (Pro NAPAS) was created. It is a system through which a former employee of a state company is trained in a private enterprise, so as to fit the requirements of the labour market. Training lasts between one and three months, with the possibility of being extended for another three months, during which the worker receives from the State a maximum of \$200 a month and works six hours a day.

Due to the significance of the problem created by the massive privatization suffered by most enterprises which were in the hands of the State, this regime proved to be insufficient.

Students and unemployment



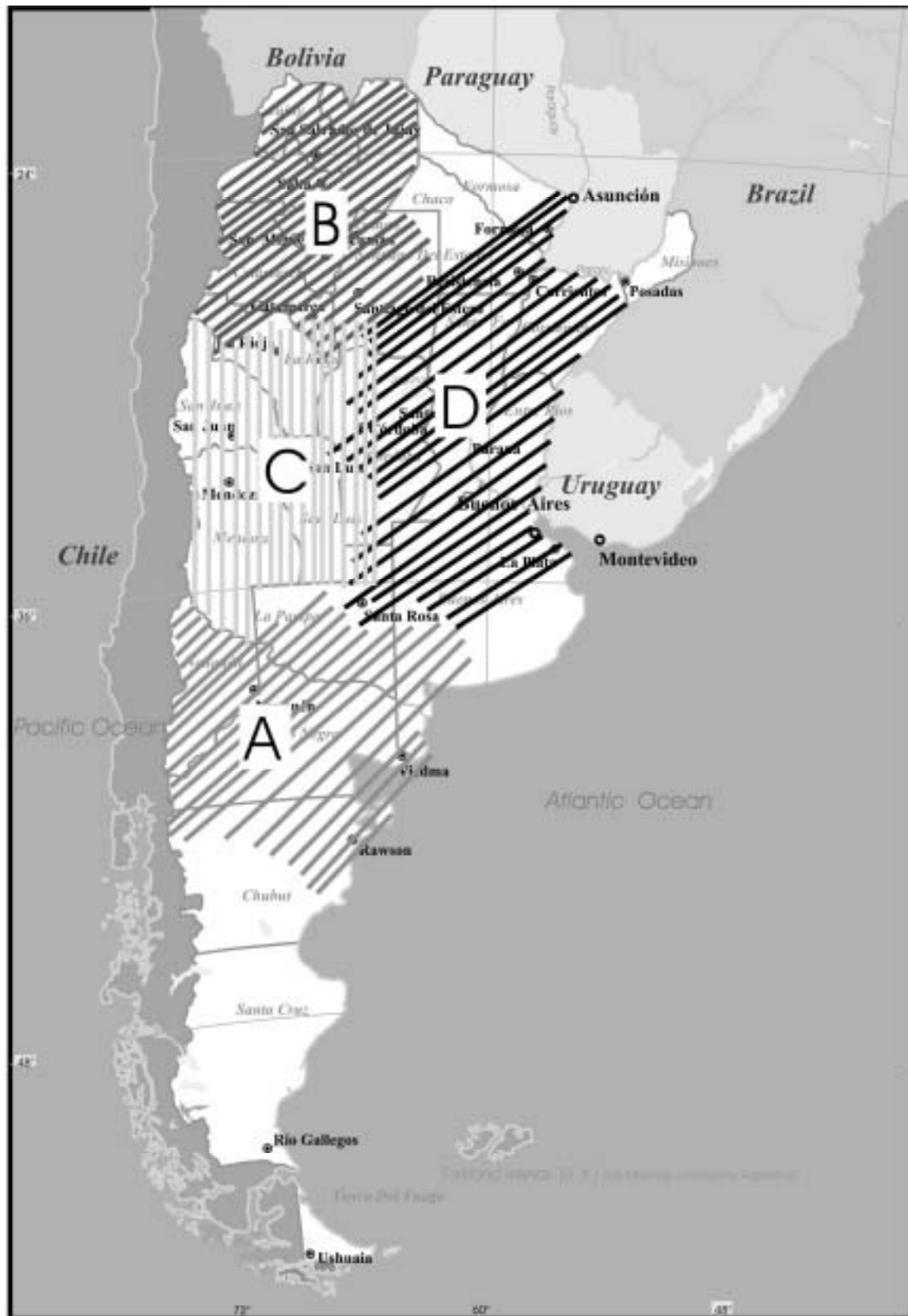
Source: University of Buenos Aires (UBA), 1999.

Map of the Argentine Republic



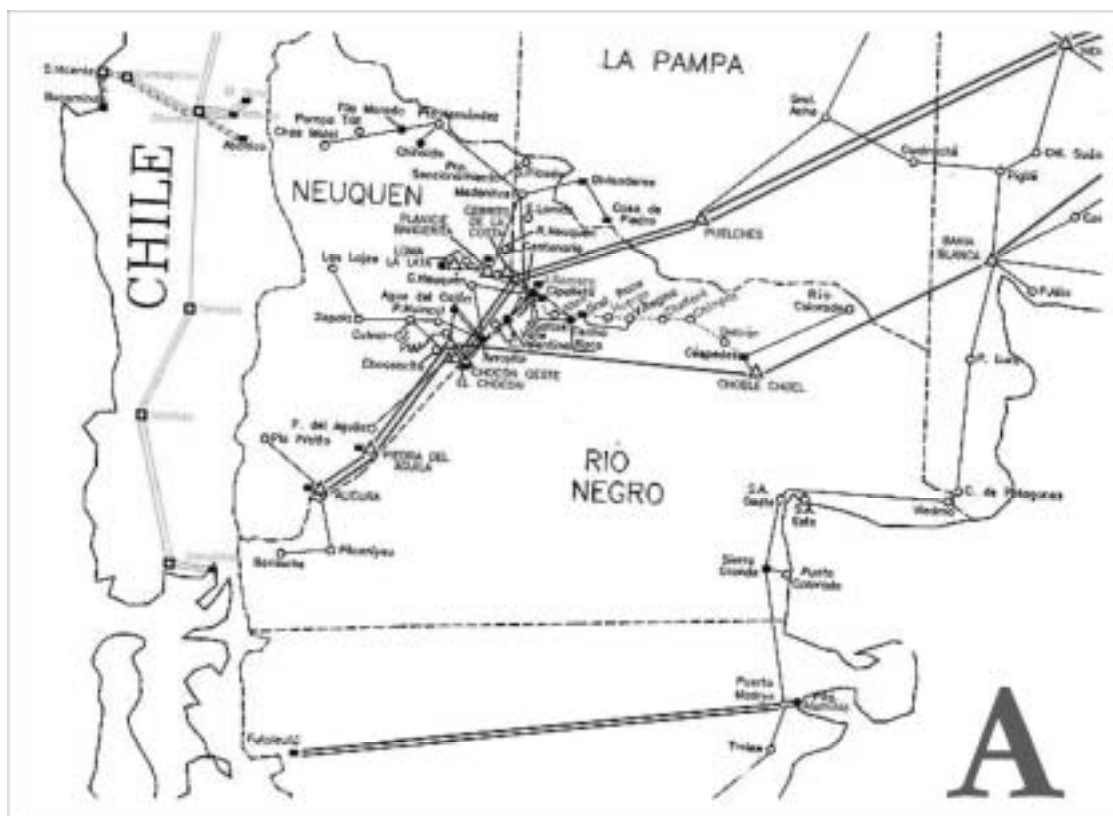
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Map of Power Stations and Electricity Networks in the Argentine Republic

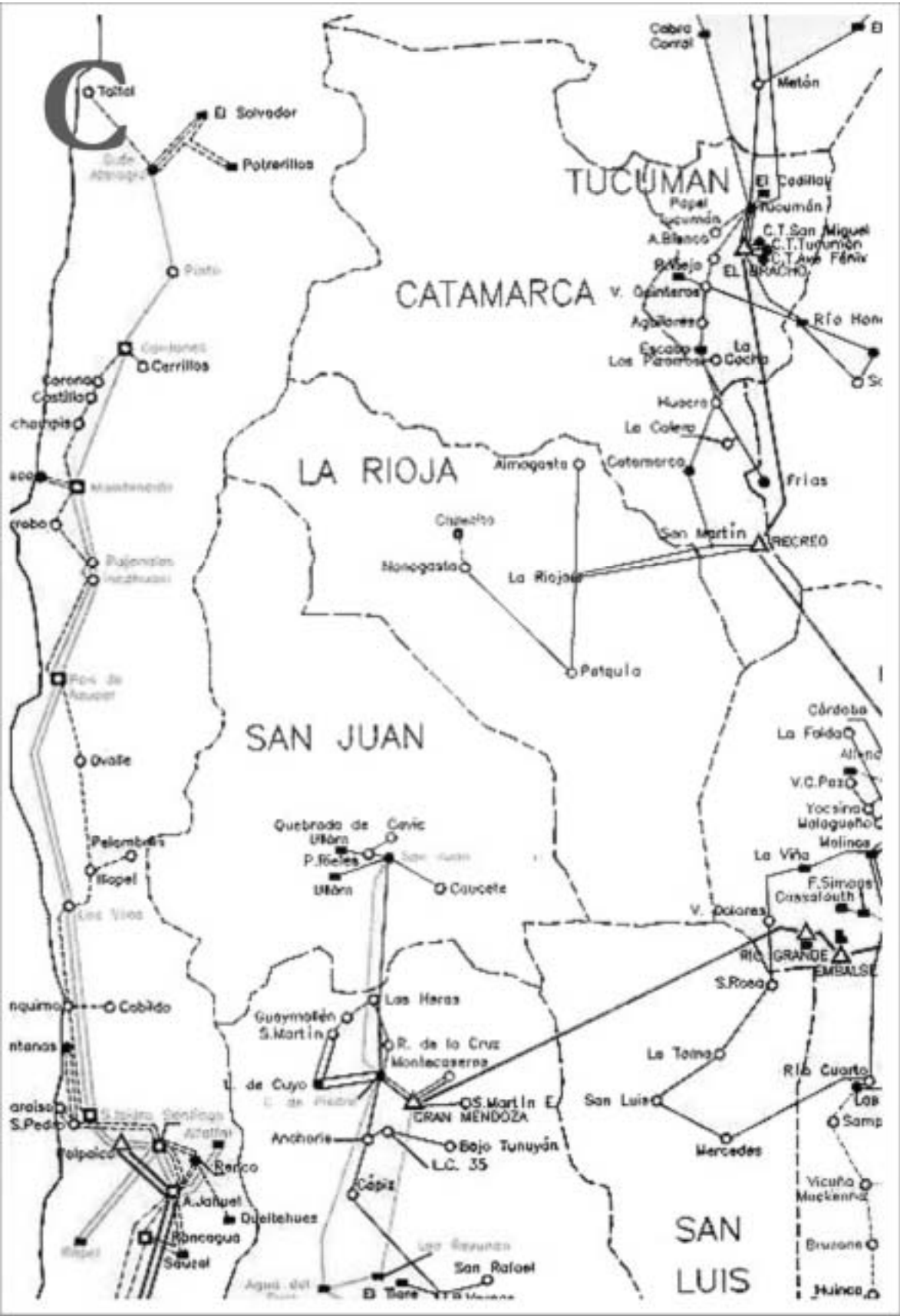


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Map of power stations and electricity networks in the Argentine Republic



Map of power stations and electricity networks in the Argentine Republic



Map of power stations and electricity networks in the Argentine Republic



Conclusions

The things that remain

As in any process of change, the privatization of enterprises in Argentina brought its people positive as well as negative consequences. In order to be as objective as possible, we have to start from the fact that the privatizing process initiated by the Government attempted to protect workers' interests at all levels. Evidently, this was not achieved, but we should not ignore some aspects of privatization that targeted workers.

In the beginning, the terms and conditions of the international bid for the sale of enterprises included a chapter on workers, detailing the names, numbers and categories of those who belonged to the enterprises to be privatized and who would be transferred together with the services. The approval of a mechanism of internships through which workers laid off from state enterprises could be hired by privatized companies for a period of up to three months for training is another demonstration of this willingness to solve the problem. The institutions created in order to supervise the new companies were also a serious attempt by Government to guide them in their functioning.

The occupational risk insurance companies, which ensured workers' safety by overseeing that they were provided with the necessary equipment and that their labour conditions were honoured without putting their physical well-being at risk, were another example of this effort to solve the labour problem in Argentina.

However, it is obvious that legislation alone – without a real political decision to enforce those laws – does not bring any benefits. Rules which allow for workers' training worthless if their return to the labour market will never take place because of the high unemployment rate. It is equally worthless to elaborate specifications for the terms and conditions detailing the staff to be transferred if there will be no control over the concessionary enterprises to verify that the personnel were not downsized. The governmental supervisory bodies – bureaucratic institutions which wait for accusations before acting – were also inefficient.

The clearest example of this inefficiency was the huge blackout experienced by EDESUR in 1999. Only after thousands of users from Buenos Aires had had no electricity for ten days, with the serious social and economic consequences that this implies, did the supervisory bodies take any action. But by the time they demanded the enterprises to honour the investment to which they had committed, to instigate staff training programmes and to show due respect to their clients, huge damage had been done.

It is true that not only the unions but also those employees who had been asked to retire “voluntarily” reacted too slowly, possibly in a disorganized manner and in a passive role, believing that everything would be solved after a while. This immature stance may lead, in time, to a *mea culpa* for not having foreseen what would happen. **But it is also true that there had never been a privatization process such as that in Argentina and all of us learned with the course of time, as the events were taking place.** In many cases, the fate of the people who lost their jobs due to the process of privatization has led to tragedy. In others, it has been a dire economic and social setback, with workers living on scant income from part-time and badly paid jobs which did not value their skills or long experience in energy enterprises. Very few workers could use their indemnity money to plan their future, because these sums were only paid in instalments. **In a country with one of the highest unemployment and hyperinflation rates of the world, an indemnity received in instalments can only be used to buy foodstuffs, as indeed happened.**

Those workers who kept in touch with their unions received advice and training to rebuild their working life, as well as a healthcare system and legal advice to face the problem. In fact, the APJAE set up a small association of magnetic cards with which it tried – in some cases successfully – to offer a labour opportunity to some of the members in need. The ACSO, as it was called, demanded a considerable additional effort on the part of union leaders, but it served the purpose for which it had been created. Unfortunately, in other cases, most of the workers felt unfairly treated and decided to break their links with anything that could be associated with their previous jobs. They decided to continue alone, to start new undertakings, and we had to respect their decisions.

Nowadays, early 2000, the power companies were being pressured by the Government into granting clients a reduction in their tariffs, especially after their credit balances were known. Users could receive a drop of approximately 10 per cent in wholesale electricity tariffs, an amount which would mean a 3 per cent reduction in price to final consumers. The announcement of the lower tariffs stated that this reduction was possible thanks to “good management of the energy sector”. That is probably true, but while the price reduction is a welcome benefit for all, perhaps the cost that each Argentine paid for it was too high.

There is a changing reality in Argentina which does not allow us to make long-term predictions for the future, though we can do an accurate analysis of the recent past. In December 1999, the government that carried out the privatization programme of state-owned enterprises handed over presidency to a new government from a different political party. Among its first measures, it announced the review of all actions taken by the previous administration. We would be happy to report that this initiative aimed to identify the workers’ problems caused by dismissals and forced resignations in order to solve them. But it was not. The goal was to search for illicit enrichment and acts of corruption; but nobody cared for the workers, it was as if they did not exist, as if they had not suffered any consequences of privatization.

The reform of the labour regulations promoted by the new government was another blow that workers had to suffer. The precarious working conditions launched by this law destroyed the hopes of hundreds of co-workers who still have not found a permanent and secure job. To crown it all, in February 2000, the “*impuestazo*”¹ was approved and is extending to all the Argentine working class who, even before its introduction, had long been unable to pay the excessive taxes imposed on them.

In conclusion, the members of APJAE’s Central Executive Commission cannot report in April 2000 – though we would like with all our hearts to say otherwise – that we see hints of progress, well-being and hope for our co-workers from the energy sector, for Argentine workers in general. Maybe we are wrong and the processes we have gone through will bring their benefits. If we could do anything, this union would do it. Meanwhile, we will continue fighting, working and hoping that the human being becomes the first and most important member of any enterprise.

¹ Translator’s note: “*Impuestazo*” refers to a substantial rise in taxes and the creation of new ones.