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# Argentina's System of Social Cash Transfers

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Situation Analysis and Future Development

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The findings, interpretations and conclusions expressed in this paper are those of the author and do not necessarily reflect the policies or views of UNICEF or of the United Nations.

## **EXECUTIVE SUMMARY**

This study analyses the current spending trends in the social cash transfer programs, their coverage, and identify possible opportunities and challenges in increasing the coverage and depth of existing or proposed programs. It further conducts a projection for the current programs and the underlying socio-economic factors. Two user-friendly quantitative tools accompany this paper. These tools allow policy makers to understand the fiscal impact of changes in any part of the current system (first tool) and the feasibility of introducing a new benefit (second tool).

The government expansionary framework including the acceleration of social spending has played a significant role, along with other factors, in the fast economic rebound after the crisis of 2001/2. It further increased the economy's resilience and its ability to absorb external shocks. For instance, the impact of the world financial crisis was contained within one year after which the economy continued its growth path.

Over the past few decades, Argentina has been enjoying a relatively favorable demographic environment characterized by working age population growing at a higher rate than the overall population. This was also coupled with an increased female participation in the labor market, which further enlarged the base for the labor force. However, this has constituted a challenge to the local economy to create jobs to absorb the rapid entry to the labor market, mainly by youth and female labor participants. Evidence in the labor market shows that the incidence of unemployment falls disproportionately in the youth (both sexes) and female (all ages) labor participants. Other challenges identified is the increased proportion of post-working age population relative to the overall population, which is likely to place a pressure on the long-term branch of the social insurance and the health care system.

As a direct result of the discriminatory labor market, the social insurance coverage in Argentina has age and gender dimensions- youth (both sexes) and female (all ages, but worst in productive ages) labor force participants have significantly lower coverage rates. Both groups are at higher risk of forced labor inactivity (unemployment and maternity), which leave them without formal income replacement mechanism. This is contrary to the strong coverage in the old-age pension branch, which is provided on both contributory and non-contributory basis. The social insurance also provides coverage to children less than 18; its coverage accounted for almost 1 out of 4 children in Argentina.

The benefit allocations provided by the social insurance system are at acceptable levels (with the exception of the unemployment benefit). Nevertheless, the study finds out that the discretionary indexation of benefits failed to maintain the replacement ratios (benefit relative to wage). Furthermore, the study estimated the contribution rates that are needed to balance the system. In comparison with the current contribution rates, the study estimated rates are found to be higher for the contributory pension and lower for the contributory family allowances. This indicates that the family allowance branch of insurance "cross-subsidizes" the pension system. The size of the subsidy is expected to even grow larger in the future mirroring the differential growth rates between the pre-working and post-working age groups.

A significant advance to the design of sound social protection and antipoverty policies in Argentina is the Universal Child Allowance (AUH), a conditional cash transfer to children under age 18 of families of unemployed parents, or working in the informal economy. Current coverage is estimated at 28.8 percent of all children 18 years-old or less residing in Argentina. An identified problem is that coverage is not uniformly distributed among all years of age less than 18. For instance, infants less than 1 year-old has a coverage rate of 9 percentage points less than the average highlighting a delay in the take-up of the benefit among eligible households, likely due to birth registration issues. Coverage also decreases by ages over 10-years old; one reason could be gradually failing to meet the conditionality of the benefit i.e. school enrolment. However, this issue requires further research to conclude with confidence the reasons behind this. Other studies simulated the impact on poverty and

results were believed to have been significant (ILO, 2010). This is achieved at slightly less than a half percentage point of GDP.

The study also looks at other smaller programs that mostly cover working-age population. Their combined coverage accounted for slightly less than 7 percent of the working-age population.

The projection exercise follows the methodological approach used in the UNICEF-ILO costing tool. This exercise is divided into three parts: First, projecting the determinants of the Social Protection system (demographic, labor, and macroeconomic). Second, under a set of specified assumptions on the benefit parameters (eligibility conditions, coverage, benefit level etc.); each individual program is projected separately using the projected determinants as an input. Third: projecting the national budget. The model is explained in details as well as provided in the tool developed for the specificity of Argentina. The aim is to ensure maximal transferability of skills and allow users to revisit the assumptions when more data are available in a relatively easy manner. The tools can also be re-used in later years. Key findings of the projection exercise include:

- Overall spending as percentage of GDP will increase from 6.992 percent in 2010 to 7.943 percent in 2030. Coverage is projected to increase by 1.83 percent of the overall population.
- Spending on pre-working age population will decrease as percentage of GDP from 0.955 percent in 2010 to 0.897 percent in 2030. This is despite of the projected increase in coverage by 4.8 percent among children age 0-18 over the same period.
- Spending on working age population will increase as percentage of GDP from 0.2414 percent in 2010 to 2.670 percent in 2030. Coverage is projected to increase by 1.2 percent among working-age population over the same period.
- Spending on post-working age population will increase as percentage of GDP from 3.623 percent in 2010 to 4.376 percent in 2030. This is despite maintaining the coverage rate constant over the projection period.

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## 1- Introduction

### 1.1. Overview and Study Objective

In 2001/2 Argentina witnessed one of the worst economic crises in its history characterized by sharp decline in output, high inflation, government default in its debt, and sharp devaluation of the Argentinian currency. This crisis imposed severe social costs: poverty rates rose to 58 per cent of the overall population (75 per cent among children) and unemployment rate climbed to 18.3 per cent in 2001 (Perezniето, 2010). The government responded to this situation by expanding its social safety net (e.g. Program for Male and Female Heads of Unemployed Households), and consequently social indicators began to improve gradually by the end of 2002. More recently, other major programs were introduced (e.g. Universal Child Allowances), many of the already available programs were reformed (e.g. the Social Insurance System), and new programs are being planned for (Universal pre-natal benefit).

The rapid evolution of the social cash transfer programs in Argentina over the past decade has the feature of being an emergency response to the crisis of 2001/2 more than a natural and systematic expansion of programs parallel to the degree of development of the country. While several studies have analysed the impact of the different social cash transfer programs on the poverty profile of Argentina (ILO, 2010), there has been less emphasis on the cost development and the sustainability of these programs. This study aims at providing concrete evidence on the cost of these programs within the overall demographic, labour and economic environment of Argentina. It further analyses the current spending trends in the Social Cash transfer programs, their coverage, and identify possible opportunities and challenges in increasing the coverage and depth of existing or proposed programs. To meet this objective, two quantitative models have been elaborated<sup>1</sup> to accompany this paper. The first model is a tool that is specifically developed to conduct a projection for the current programs and the underlying socio-economic factors. The second tool allows informed users to simulate different possibilities, such as the feasibility of increasing the coverage of a certain program or increasing the benefit amount of a currently existing benefit. It further allows the introduction of new benefits that currently are not in the system.

The main challenge in conducting this type of quantitative analysis is the issue of data availability and accuracy, which has been an issue in Argentina. The study's quantitative model recognises this limitation and provides practical solutions based on a set of generalized assumptions. However, both tools are designed in a way to allow users to revisit the assumptions when more data are available in a relatively easy manner. The tools can also be re-used in later years. Ultimately, this paper along with the developed quantitative models are hoped to initiate a broader discussion with stakeholders to arrive at policy recommendations to better respond to identified opportunities and challenges.

The study is organised in four main parts: the first part (chapter 2) is a thorough examination of the socio-economic environment in Argentina, including demography, the labour market, the macroeconomic situation, and the human development profile. The second part (chapter 3-4) includes an in-depth analysis of each of the individual programs (Social Insurance and non-contributory), including establishing trends in expenditure for the different schemes and analysing the extent and effectiveness of coverage. The third part (chapter 5) describes the projection exercise that has been completed for each of the existing program within the underlying demographic, economic, social and

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<sup>1</sup> These tools use the methodological approach developed by the UNICEF-ILO Social Protection Costing tool. For further information, please visit: [http://www.unicef.org/socialpolicy/index\\_56917.html](http://www.unicef.org/socialpolicy/index_56917.html).

fiscal environment. The forth part (chapter 6) draws a consolidated picture of the extent of coverage of the combined system of social cash transfer, and the overall expenditure on these programs.

## **1.2. Definitions and Conceptual Framework<sup>2</sup>**

Social Protection is defined as the set of public and private policies and programs aimed at reducing the economic and social vulnerability of children, women and families, in order to ensure their access to a decent standard of living and essential services. At the core of social protection measures, UNICEF places emphasis on four components:

- Social cash transfers
- Programs to ensure economic and social access to services
- Social support services
- Legislation and policies to ensure equity and non-discrimination in children's and families' access to services and employment/livelihoods

This study is mainly focused on the Social cash transfer component of the overall Social Protection System. These transfers are small predictable sums of money to households to alleviate household poverty and achieve other desired social outcomes. Such grants empower recipients by providing them with greater freedom of choice in consumption decisions, and have demonstrated positive effects on food consumption, diet diversity, and expenditure on basic rights to health and education.

Social cash transfers cover a wide variety of benefits including: birth grants, child allowances, categorically targeted cash benefits, conditional cash transfers, social pensions, child care, maternal or parental benefits, sick leaves, disability benefits, housing allowances, unemployment benefits, cash livelihood supports, workfare programmes, means-tested social assistance or a combination of these. For the purpose of this study, benefits are grouped into two main parts: Contributory benefits (Social Insurance) and non-contributory benefits.

For the study situation analysis part, the performance of each individual program is assessed mainly based on two criteria:

1. Extent of coverage: the percentage of individuals covered to reference population. Special attention is directed to gender and age-specific gaps in coverage.
2. Depth of coverage: the level of protection i.e. benefit levels and replacement ratios

For the projection part of the analysis, the study develops a model that is built on the logical approach employed by the UNICEF-ILO Social Projection Tool. The model is detailed in the corresponding chapters.

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<sup>2</sup> Some parts of ssections 1.2 and 1.3 are adapted from an unpublished UNICEF Social Protection Program Guidance.

### 1.3. UNICEF Engagement in Social Protection

In addition to sharing many of the sources of vulnerability faced by their families and communities, children further face age-specific vulnerabilities that differ from those of adults. This is coupled with the fact that children tend to be over-represented among the poor. Children, therefore, require special attention during the process of designing or re-engineering of the country's Social Protection system. As a global advocate for children, UNICEF has a unique role to play in ensuring that social protection programmes are sensitive to children's rights and needs. UNICEF has been working on social protection for many years. As of 2009 its engagement in social protection spans 124 programmes in 76 countries, reflecting the increasing recognition of UNICEF as an influential partner in Social Protection at national and international levels.

Social Protection is a potentially powerful tool in helping UNICEF realize its vision of a world where the rights of every child are realized. Children's right to Social Protection is outlined in Article 26 of the CRC:

1. "States Parties shall recognize for every child the right to benefit from social security, including social insurance, and shall take the necessary measures to achieve the full realization of this right in accordance with their national law.
2. The benefits should, where appropriate, be granted, taking into account the resources and the circumstances of the child and persons having responsibility for the maintenance of the child, as well as any other consideration relevant to an application for benefits made by or on behalf of the child."

Article 27 is also particularly relevant:

1. "States Parties recognize the right of every child to a standard of living adequate for the child's physical, mental, spiritual, moral and social development.
3. States Parties, in accordance with national conditions and within their means, shall take appropriate measures to assist parents and others responsible for the child to implement this right and shall in case of need provide material assistance and support programmes, particularly with regard to nutrition, clothing and housing."

Other articles that support Children's right to Social Protection include: 18, 19, 24, 28, and 32.

In the concluding observations of the Committee on the Rights of the Child: Argentina, June 2010, further recommendations were made, including:

22. "The Committee recommends that the State party, in light of articles 3 and 4, of the Convention, take all appropriate measures, to the maximum extent of available resources, to ensure that sufficient budgetary allocation is provided to services for children and that particular attention is paid to the protection of the rights of children belonging to disadvantaged provinces and groups, including indigenous children and children living in poverty. In particular and in line with the Committee's recommendations resulting from its Day of general discussion on resources for the rights of the child-responsibility of States, it encourages the State party to:

- (a) Continue increasing the level of social investment maintaining its sustainability;
  - (b) Protect children's and social budgets from any external or internal instability, such as situations of economic crisis, natural disasters or other emergencies in order to maintain the sustainability of investments;
  - (c) Ensure the expansion of and equitable allocation to disadvantaged provinces and groups in order to address disparities and, in particular, consider migrant children and children in alternative care (both in foster care and in other alternative care) as recipients of the universal subsidy per children;
  - (d) Define strategic budgetary lines for those situations that may require affirmative social measures (such as birth registration, chronic malnutrition, violence against children, children without parental care, indigenous and migrant children, etc.);
  - (e) Ensure proper accountability by local authorities in an open and transparent way that enables participation by communities and children, harmonized allocation and monitoring of resources;
  - (f) **Continue seeking technical assistance from the United Nations Children's Fund (UNICEF) and other international organizations, as appropriate.**"
- (Committee on the Rights of the Child, 2010)

It is important to underline that social protection is a cross-sectorial issue for children. With its explicit focus on reducing children's vulnerability, social protection can play a key role in addressing some of the underlying barriers which stand in the way improving children's wellbeing. By reaching out to those who are economically and socially excluded, social protection compliments sector interventions in health and nutrition, education, child protection, and HIV/AIDS to improve outcomes and increase equity.

#### **1.4. Providers and Scope of Social Cash Transfers in Argentina**

Several public institutions engage in the delivery of the Social Protection cash transfer benefits in Argentina. For the Social Security programs, policy development is the responsibility of the Secretariat for Social Security. Program administration is provided by the National Social Security Administration (contributory programs) and the National Pension Commission (social assistance program). Other government bodies also provide general supervision including Ministry of Health, Ministry of Education, Ministry of Social development, and Ministry of Labour, Employment, and Social Security.

The mix of Social Protection programs in Argentina enabled the extension of coverage across different population segments. The following matrix presents the type of programs

Table 1: Scope of the Social Protection Programs by Working Status

	Child Benefit	Old-age	Survivor	Disability	Work Injury	Unemployment	Sickness	Maternity	Health Care
<b>Private Employees of large firms</b>	CM	CM	CM	CM	CM	CM	CM	CM	CM
<b>Private Employees of small firms</b>	CM	CM	CM	CM	CM	CM	CM	CM	CM
<b>Civil Servants</b>	CM	CM	CM	CM	CM	CM	CM	CM	CM
<b>Professional Self Employed</b>	U	V	V	V	V	-	-	-	V
<b>Unskilled Self Employed</b>	U	V	V	V	V	-	-	-	V
<b>Unemployed</b>	U	MT	MT	MT	-	MT	-	-	MT
<b>Poor/Vulnerable</b>	U	MT	MT	MT	-	MT	-	-	MT
<b>Other Economically Inactive</b>	U	MT	MT	MT	-	MT	-	-	MT

CM: Mandatory Contributory Coverage

MT: Means-tested Benefit

U: Universal Coverage

V: Voluntary Contributory Coverage

It is worth mentioning that there are several programs of social cash transfers that are delivered at the provincial and local level. Due to data limitations, the emphasis of this study is on the national-level programs.

## 2. DETERMINANTS OF SOCIAL PROTECTION

### 2.1. Demographic Developments

The preliminary census provisional data released in December 2010 estimated Argentina's population at 40.091 million (Instituto Nacional de Estadística y Censos , 2010). Approximately 92 percent of inhabitants live in urban areas with slightly more than one out of three urban inhabitants residing in the capital, Buenos Aires, metropolitan area. Between 2000 and 2010, Argentina's population grew at an average annual rate of 1.0 percent, compared with 1.2 percent and 1.3 for Latin America and Less Developed Regions, Excluding Least Developed Countries (LDRELDC), respectively (UN, 2011).

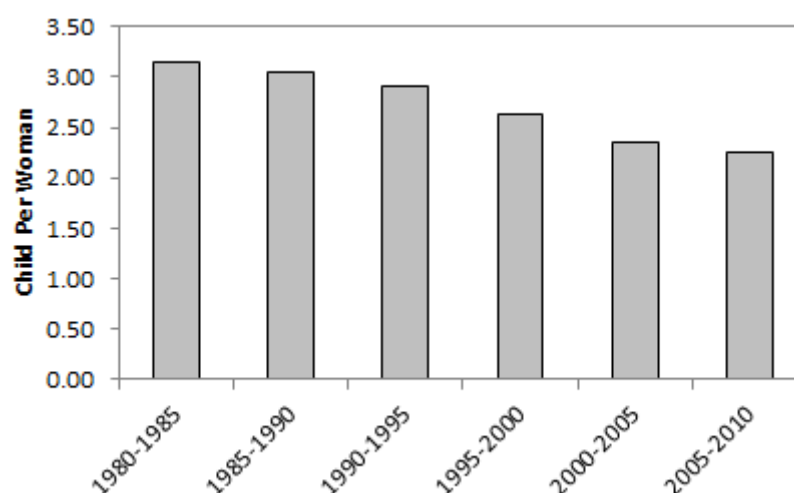
Table 2: Population Change in thousands, 1980 – 2010

Period	Population growth rate	Population change per year	Birth	Death	Net Migration
1980-1985	1.4	415	668	249	-4
1985-1990	1.5	454	688	266	32
1990-1995	1.4	455	708	277	24
1995-2000	1.2	433	701	285	17
2000-2005	1.0	359	676	298	-19
2005-2010	1.0	387	690	298	-5

Source: Based on data from (UN, 2011)

The pattern of declining natural population growth (excluding migration) can be explained by two underlying factors: fertility rates and mortality rates. Since 1980, Total Fertility Rate (TFR) decreased by 28.5 per cent, from 3.15 children per woman in early 1980 to 2.25 children per woman in 2005-2010 (UN, 2011).

Figure 1: Total Fertility Rates, 1980 – 2010



Source: Based on data from (UN, 2011)

The second factor, the mortality rate, has shown improvement over the same period. The infant mortality rate declined from a rate of 32.2 infant deaths per 1,000 live births in early 1980s to 13.4 infant deaths per 1,000 live births in 2005-2010. The crude death rate was estimated at 7.8 deaths per

1,000 live in 2005-2010, slight improvement from the rate of 8.5 deaths per 1000 in the early 1980s. Life expectancy at birth, therefore, increased steadily and reached 76.1 years in 2005–2010, compared to 73.4 and 67.7 for Latin America and LDRELDC, respectively (UN, 2011).

Table 3: Life Expectancy at Birth, 1980 – 2010

Life expectancy	1980-1985	1985-1990	1990-1995	1995-2000	2000-2005	2005-2010	2010-2015
Both Sex	70.2	71.0	72.1	73.2	74.3	75.2	76.1
Male	66.8	67.6	68.6	69.7	70.6	71.6	72.5
Female	73.7	74.6	75.8	77.0	78.1	79.1	80.0

Source: Based on data from (UN, 2011)

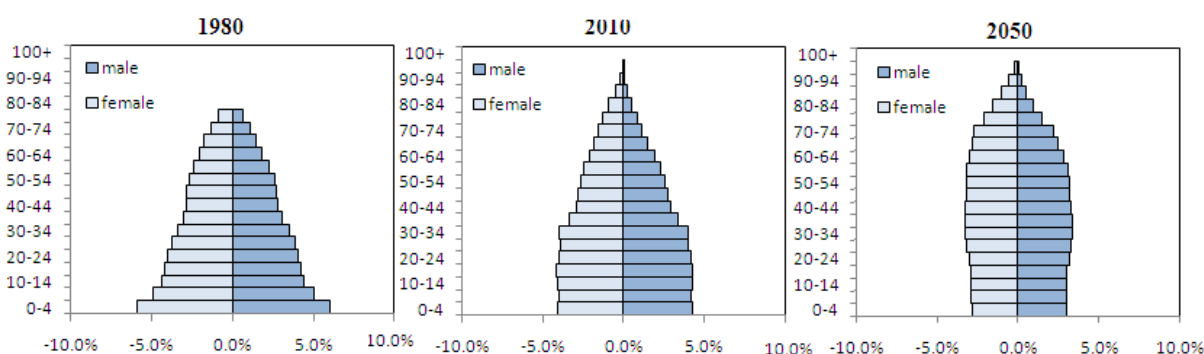
As a result of falling fertility rate and longer life expectancy, Argentina’s population has been aging at a higher pace than that of other countries in Latin America. Median age in Argentina is estimated at 30.4 years-old in 2010, compared to 27.7 and 28.0 for Latin America and LDRELDC, respectively (UN, 2011). The mean characteristic of the Argentina’s population is its broadening middle section of its population pyramid, providing favorable demographic profile for the labor market.

Table 4: Population by Age Group in thousands, 1980 – 2010

Population	1980	1985	1990	1995	2000	2005	2010
Total	27,823	29,815	32,498	34,772	36,939	38,732	40,666
Pre-working age (0-14)	8,495	9,254	9,853	10,012	10,216	10,153	10,121
Percent	30.5	31.0	30.3	28.8	27.7	26.2	24.9
Working age (15-64)	17,317	18,327	19,646	21,381	23,002	24,574	26,207
Percent	62.2	61.5	60.5	61.5	62.3	63.4	64.4
Post-working age (65+)	2,011	2,234	2,998	3,378	3,718	4,000	4,330
Percent	7.2	7.5	9.2	9.7	10.1	10.3	10.6

Source: Own calculation based on data from (UN, 2009)

Figure 2: Population Pyramid, 1980 - 2050

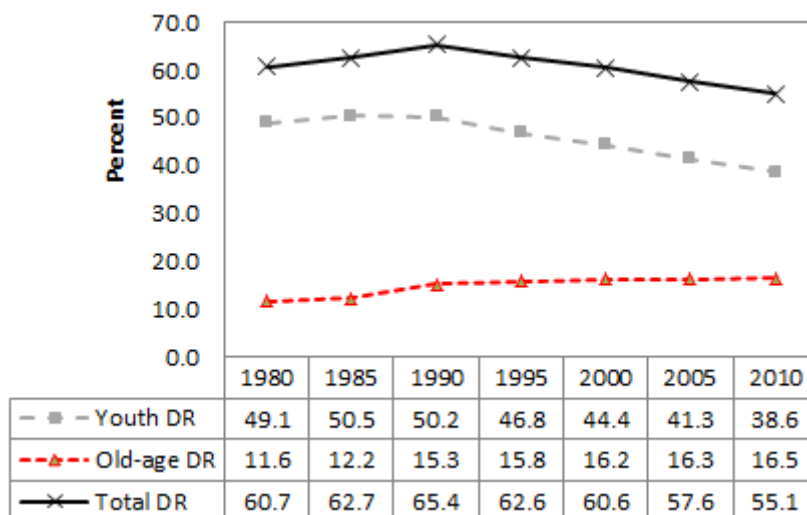


Source: Own calculation based data from on (UN, 2009)

Similarly, decreasing trends have been observed in the Youth Dependency Ratio (number of children under 15 years to one working-age person) and the Total Dependency Ratio (number of children under 15 years and elderly over 65 year-old to every person of working-age).



Figure 3: Dependency Ratios, Percent, 1980 – 2010

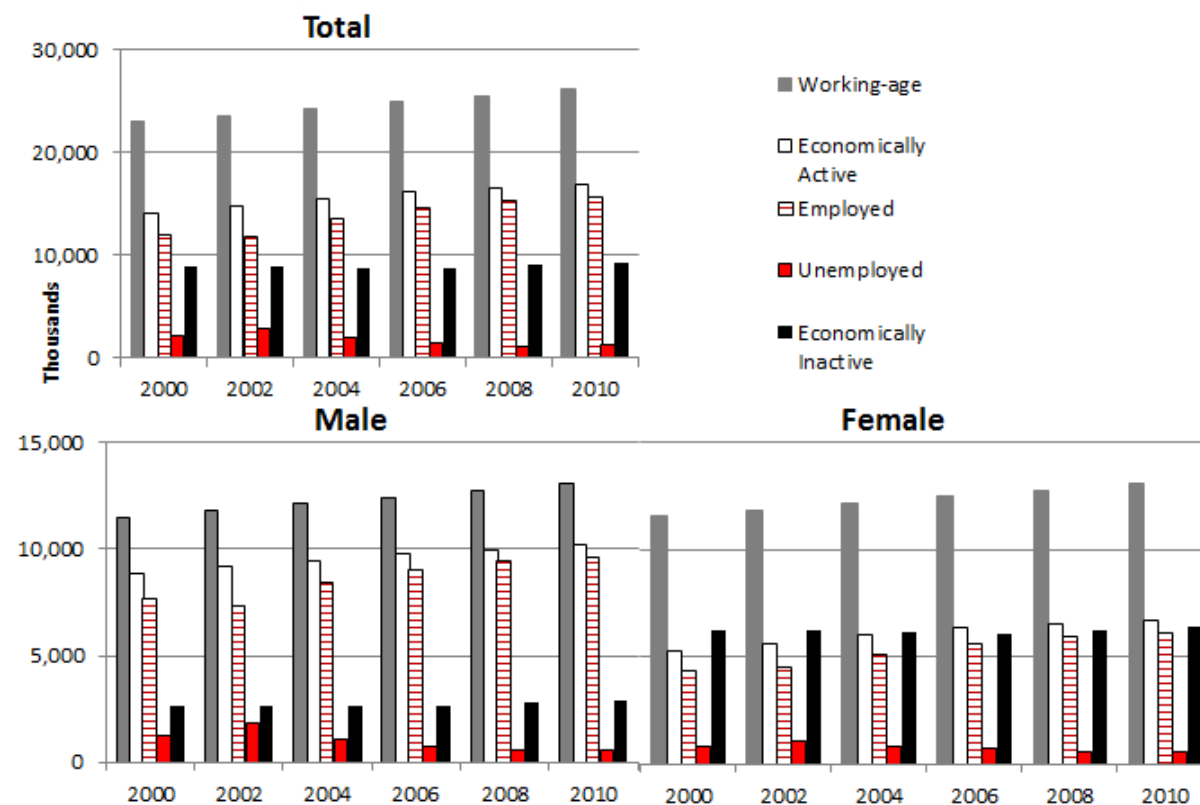


Source: Own calculation based on data from (UN, 2009)

## 2.2. Labor Market Developments and Trends

The low fertility rates in Argentina coupled with increased female labor participation rates have led Argentina to enjoy a favorable environment in which the labor force has expanded at a higher rate than that of the general population. However, the female labor participation rates have started to level off over the last couple of year.

Figure 4: Working-age Population in Thousands. 2000-2010



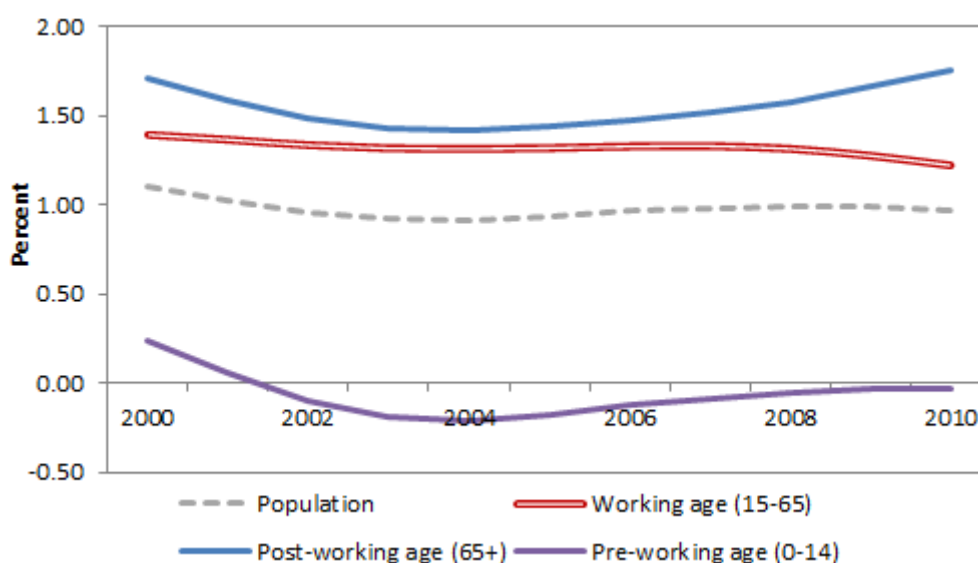
Source: Own calculation based on data from (UN, 2009), (ILO, 1996-2010) and (WB, 2011)

Table 5: Labor Force Rates, Per Cent, 2000 – 2010

	2000	2002	2004	2006	2008	2010
Labour force / population	38.2	39.2	40.3	41.3	41.4	41.6
Participation rate	61.4	62.5	63.8	64.9	64.5	64.5
Male	77.3	77.8	78.2	78.6	78.0	78.0
Female	45.6	47.4	49.4	51.3	51.1	51.1
Unemployment Rate	15.0	19.7	12.5	9.3	7.2	7.2
Male	14.1	20.2	11.2	7.8	6.0	6.0
Female	16.4	18.8	14.5	11.6	8.9	8.9

Source: Own calculation based on data from (UN, 2009), (ILO, 1996-2010) and (WB, 2011)

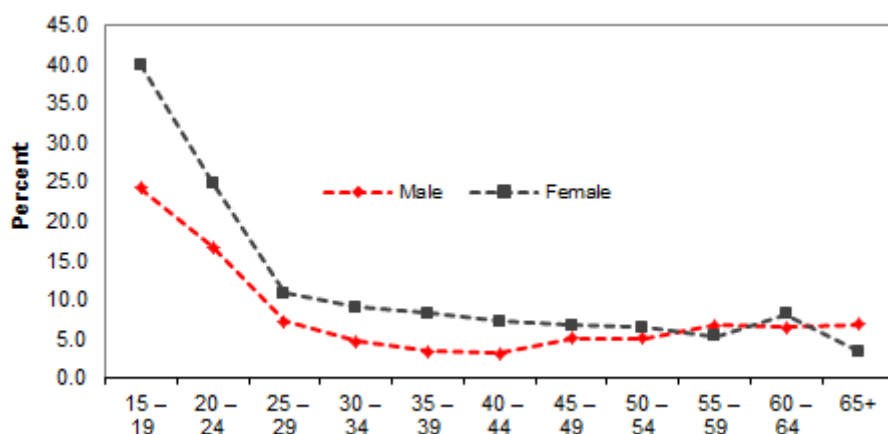
Figure 5: Population Growth Rates, by Working Status, Percent, 2000 – 2010



Source: Own calculation based on data from (UN, 2009)

The growth differentials shown above points out to two major labor market implications: First, post-working population's relative size increased from 7.2 percent of the total population in 2000 to 10.6 percent in 2010, which would consequently places a pressure on the long-term branch of the Social Insurance and the health care system. Second, while the expansion of the working-age population, and subsequently the enlargement of the labor force, has presented favorable conditions (reduced dependency ratios, larger base for contributions/tax), it also constitutes a substantial challenge to the local economy to create jobs to absorb the rapid expansion of the labor market. The unemployment rate stood at 7.2 percent in 2008, but averaged 15 percent between 1995 and 2005 (WB, 2011). The most disaggregated unemployment figures by gender and age in 2006 (ILO, 1996-2010) further shows that unemployment in Argentina falls disproportionately on the young, particularly female. The highest unemployment rate was recorded at 39.94 percent for females in the age group of 15-19. One possible reason for the high youth unemployment is the inability of the local economy to absorb the rapid entry into the labor market of new participants as explained earlier.

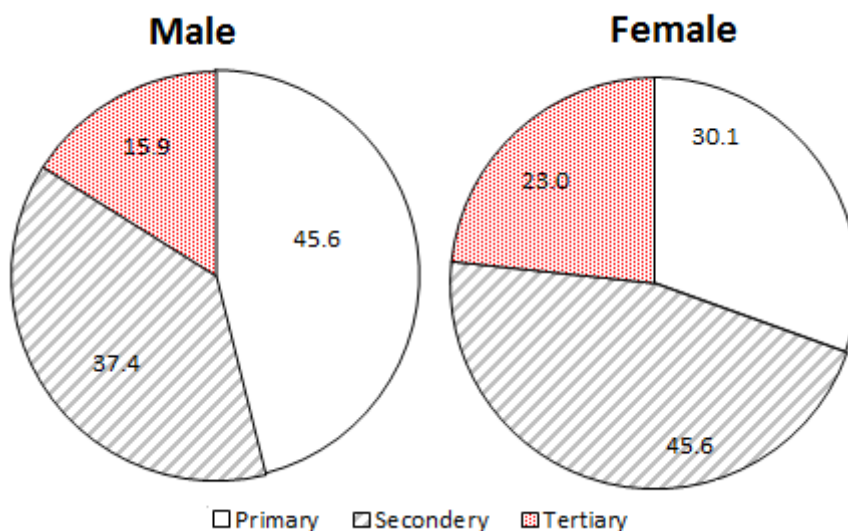
Figure 6: Unemployment Rates by Age Group, 2006



Source: Own calculation based on data from (ILO, 1996-2010)

The issue of education could also shed light on the high youth unemployment. Participants with education attainment of secondary level or less represented in 2006 almost six out of seven of the male unemployed labor force participants, and three out of four of the female unemployed labor force participants (WB, 2011) . The entry age to the labor market by these participants is most likely to coincide with the age groups of 15 – 24, which was shown to have scored the highest unemployment rates across the different age groups.

Figure 7: Decomposition of Unemployed Population by Gender and Education Attainment, Percentage of Total Unemployed, 2006

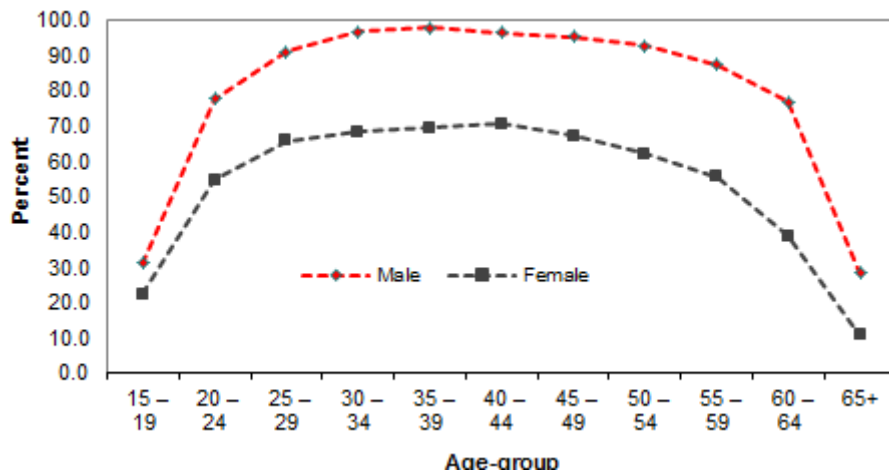


Source: Based on data from (WB, 2011)

In general, unemployment in Argentina falls with more education. The only exception is that for female labor force participants with primary education, who seem to achieve higher employability compared with those with secondary education. This is likely attributed to the visibly significant market for female house servants that do not require education.

In addition to the unemployment rates differential between male and female labor force participants, working-age males participate at higher rates in the labor market across all age groups.

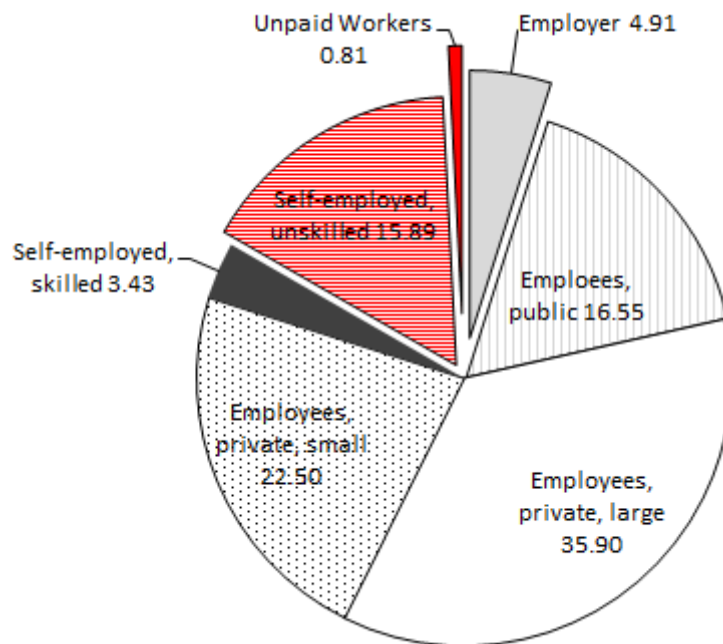
Figure 8: Participation Rates by Age Group, 2006



Source: Own calculation based on data from (ILO, 1996-2010)

In terms of type of employment, almost 80 percent of the employed labor force participants in 2010 were either employees or employers. The self-employed and family workers accounted for only 18.98 percent and 1.11 percent, respectively (SEDLAC, 2011).

Figure 9: Percentage Distribution of Employment by Contract Type, 2010



Source: Based on data from (SEDLAC, 2011)

### 2.3. Macroeconomic Developments

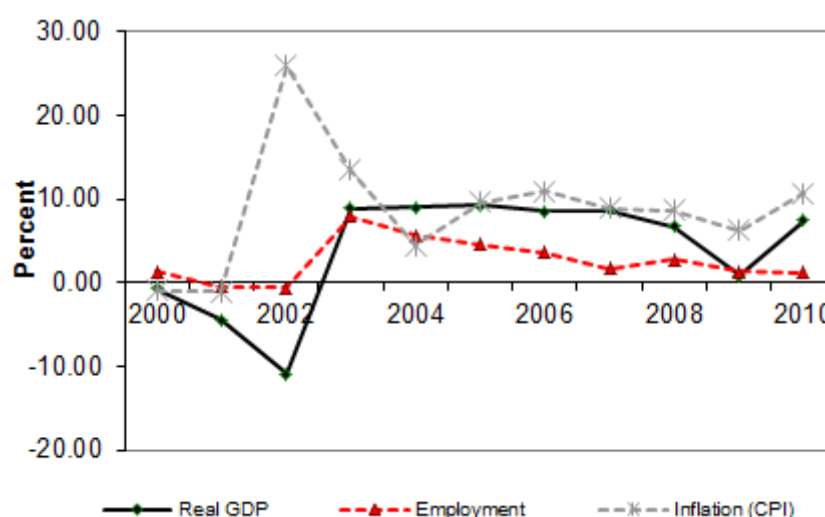
The 1990s in Argentina was marked by a period of relative economic stability characterized by low inflation environment (during the 1980s Argentina witnessed hyperinflationary levels) and relatively strong growth in real GDP. However, mounting internal economic pressures (e.g. imbalance in the currency convertibility system) coupled with a series of external shocks (the Asian crisis, the Brazilian devaluation and the appreciation of the US dollar) brought the economy into a recession started in 1998 and culminated in a full economic crisis in 2001/2002. The cumulative fall in real GDP amounted 18.4 percent between 1998-2002, inflation peaked at 25.7 percent in 2002, and the Peso suffered almost 300 percent devaluation (IMF, 2005). From 2003, confidence rose steadily and output began to recover. Real GDP grew by an average annual rate of 8.8 percent between 2003 and 2008 (WB, 2011). Real exchange rate, however, remained at the newly depreciated level

Table 6: Main Economic Indicators, 2000-2010<sup>3</sup>

Economic Indicators	2000	2002	2004	2006	2008	2010
GDP, current prices, Million LC	284,203.75	312,580.15	447,643.42	654,438.99	1,032,758.26	1,484,324.00
GDP per capita, current LC	7,693.9	8,296.4	11,665.9	16,735.3	25,894.7	36,500.6
GDP per capita, current US\$	7,697.8	2,708.4	3,990.7	5,479.2	8,235.8	9,480.7
Inflation (CPI), percent	-0.94	25.87	4.42	10.90	8.58	10.65
GDP growth, real	-0.79	-10.89	9.03	8.47	6.76	7.47
Official exchange rate, SL per US\$	1.00	3.06	2.92	3.05	3.14	3.85

Source: Based on data from (WB, 2011), (IMF, 2005), and (IMF, 2010)

Figure 10: Growth Rates, 2000-2010



Source: Own calculation based on data from (WB, 2011), (IMF, 2005), and (IMF, 2010)

The weak exchange rate coupled with favorable terms of trade (high commodity prices) played a significant role of the economic recovery, but they also shifted the structure of economic activities in support of export. In 2007, export/GDP ratio stood at 25 percent, compared with 12 percent in 1998 (WB, 2011). The downside, however, was the increased vulnerability and greater exposure to external

<sup>3</sup> In 2007 the government changed the method of calculating inflation rate; the new method has been widely criticized and is believed to have deliberately produced lower inflation rates than they actually are.

shocks. The development of the global economic crisis in 2008 and the sharp decline in international commodity prices briefly disrupted the very strong consecutive economic growth. GDP grew at only 0.85 percent in 2009. Although these external challenges remained present (or changed slowly) over the year of 2010, the Argentina's economy has proven itself to be resilient. GDP real growth returned to a high level of 7.47 percent for 2010 (WB, 2011).

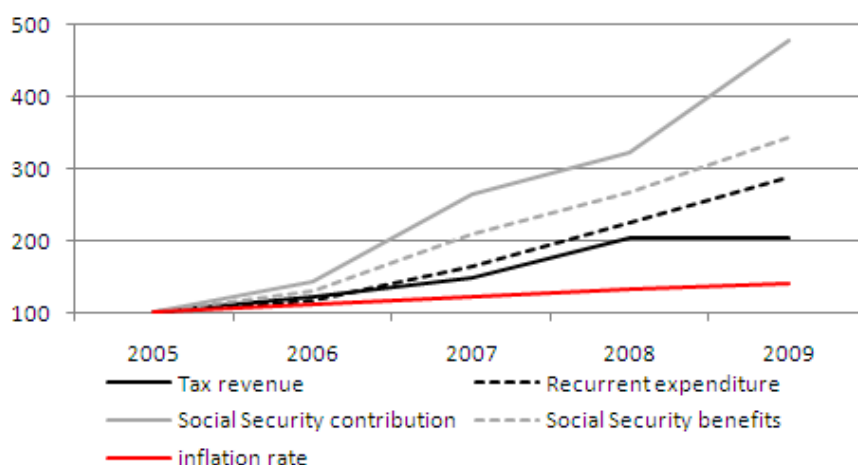
The strong post-crisis recovery strengthened the tax administration and reversed the fiscal deficit into surpluses. Between 2006-2008 growth in tax revenue averaged an annual rate of 26.8 percent, but declined slightly by 0.3 percent in 2009 due to the slowdown in the economy explained earlier. Over the same period, the government consolidated an expansionary framework included the acceleration of social spending. The growth in current expenditure averaged an annual rate of 30.6 percent between 2006- 2009 (Ministro de Economía y Finanzas Públicas, 2005-2009).

Table 7: Execution of the Consolidated National Budget, 2005-2009

	million pesos			percentage of GDP		
	2005	2007	2009	2005	2007	2009
<b>Revenues</b>						
<b>Total</b>	<b>88,878.6</b>	<b>147,464.9</b>	<b>240,485.4</b>	<b>16.7</b>	<b>18.2</b>	<b>21.0</b>
Recurrent revenue	87,771.6	146,723.3	238,210.0	16.5	18.1	20.8
Tax revenue	70,443.5	103,433.1	142,365.9	13.2	12.7	12.4
Non - tax revenue	2,126.8	3,269.3	4,638.6	0.4	0.4	0.4
Social Security contribution	13,736.7	36,287.2	65,716.0	2.6	4.5	5.7
Others	1,464.5	3,733.7	25,489.5	0.3	0.5	2.2
Capital revenue	1,107.0	741.7	2,275.4	0.2	0.1	0.2
<b>Expenditure</b>						
<b>Total</b>	<b>86,839.2</b>	<b>142,421.1</b>	<b>249,914.1</b>	<b>16.3</b>	<b>17.5</b>	<b>21.8</b>
Recurrent expenditure	76,041.0	124,394.2	218,940.8	14.3	15.3	19.1
Payroll	9,386.1	14,909.3	27,033.7	1.8	1.8	2.4
Goods and services	4,257.8	5,908.3	10,694.2	0.8	0.7	0.9
Interest payments	10,227.3	17,178.7	25,944.9	1.9	2.1	2.3
Social Security benefits	24,203.6	50,634.3	83,091.7	4.6	6.2	7.3
Transfers to other institutions	26,622.6	35,741.8	72,168.2	5.0	4.4	6.3
others	1,343.5	21.8	8.1	0.3	0.0	0.0
Capital expenditure	10,798.3	18,026.9	30,973.3	2.0	2.2	2.7
<b>Gross Surplus (Deficit)</b>	<b>2,039.3</b>	<b>5,043.9</b>	<b>-9,428.6</b>	<b>0.4</b>	<b>0.6</b>	<b>-0.8</b>
<b>Financing</b>						
<b>Total</b>	<b>-2,039.3</b>	<b>-5,043.9</b>	<b>9,428.6</b>	<b>-0.4</b>	<b>-0.6</b>	<b>0.8</b>
Change in public debt	5,138.8	20,537.2	38,773.3	1.0	2.5	3.4
Change in financial investment	-8,310.6	-25,581.2	-29,344.6	-1.6	-3.1	-2.6
others	1,132.4	0.1	0.0	0.2	0.0	0.0

Source: Own calculation based on data from (Ministro de Economía y Finanzas Públicas, 2005-2009)

Figure 11: Annual Growth Rates, 2005 (base year=100) -2009



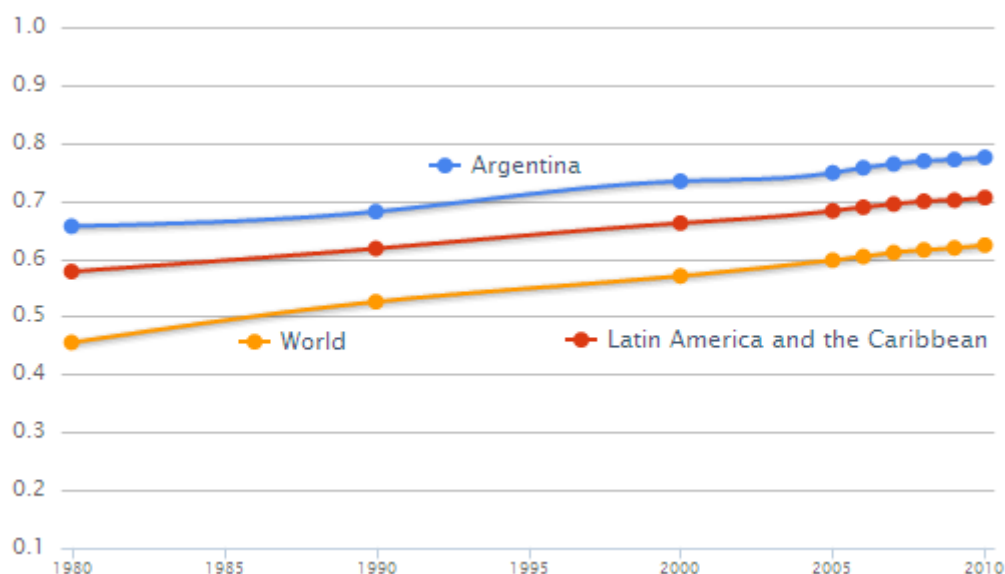
Source: Own calculation based on data from (Ministro de Economía y Finanzas Publicas, 2005-2009)

#### 2.4. Human development and Millennium Development Goals

According to the UNDP’s human development classification, Argentina is classified as a as a medium development country. The Human Development Index (HDI) was estimated for the year of 2010 at 0.775, ranking 46 among the 169 countries with comparable data (UNDP, Human Development Report 2000 -2010, 2010).

Although Argentina’s human development achievements compare favorably with other Latin American and the Caribbean countries (Average HDI = .0706 as of 2010), between 1980 and 2010 Argentina's HDI rose by 0.56 percent annually, slightly less than the annual growth of 0.67 for Latin American and the Caribbean countries over the same period. Nevertheless, the Argentina’s HDI continues to be above the regional average.

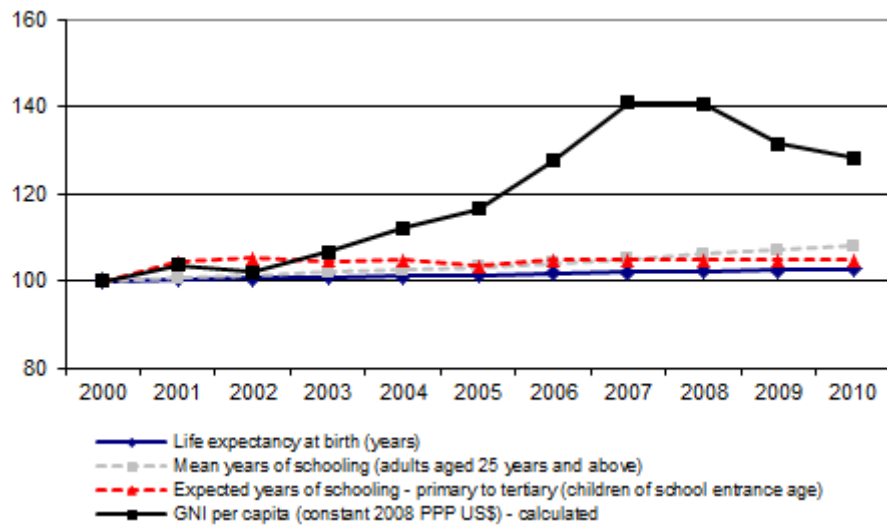
Figure 12: Development of HDI, 1980-2010



Source: UNDP web page <http://hdrstats.undp.org/en/countries/profiles/ARG.html>

The improvement in the HDI illustrated in figure 12 reflects the underlying improvements in the human development factors used to construct the HDI (namely, life expectancy at birth, mean year of schooling, expected years of schooling, GNI per capita). It illustrates that Argentines gained in income and non-income dimensions. Nevertheless, the pattern of HDI growth over the past decade followed largely fluctuations in income levels due to the economic crisis in early 2000s.

Figure 13: Growth in human developments factors used in constructing HDI, 2000 (base year=100)–2010



Source: Own calculation based on data from (UNDP, Human Development Report 2000 - 2010, 2010)

Argentina has also achieved notable success in realizing the Millennium Development Goals (MDGs). The UNDP indicated that Argentina is either already achieved or on track to meet almost all of the MDGs.



Table 8: Progress Towards Millennium Development Goals

	<b>Millennium Development Goal</b>	<b>Progress Status</b>
<b>1</b>	<b>Eradicate extreme poverty and hunger</b>	Possible to achieve if some changes are made
<b>2</b>	<b>Achieve universal primary education</b>	Achieved
<b>3</b>	<b>Promote gender equality and empower women</b>	Achieved
<b>4</b>	<b>Reduce child mortality</b>	Very likely to be achieved, on track
<b>5</b>	<b>Improve maternal health</b>	Possible to achieve if some changes are made
<b>6</b>	<b>Combat HIV/AIDS, malaria and other diseases</b>	Very likely to be achieved, on track
<b>7</b>	<b>Ensure environmental sustainability</b>	Insufficient information
<b>8</b>	<b>Develop a global partnership for development</b>	Insufficient information

Source: UNDP's website, [http://www.mdgmonitor.org/country\\_progress.cfm?c=ARG&cd=](http://www.mdgmonitor.org/country_progress.cfm?c=ARG&cd=)

However, the process towards realizing the MDGs in Argentina has been marked with great variations and inequalities across the different geographical regions. The following figure compares major indicators between the different provinces in Argentina.

Figure 14: Social Indicators by Provinces



Source: Based on (Instituto Nacional de Estadística y Censos , 2010)

### 3. THE SOCIAL INSURANCE SYSTEM<sup>4</sup>

The social insurance system in Argentina has undergone significant changes over the past few years. The pension reform of July 2004 created a mixed pension system (based on the Chilean system), which included a private system in the form of individual accounts, and a state system. Under this mixed system, covered individuals were able to choose which system to join. However, a new law came into effect in December 2008 merged the two systems into one pay-as-you-go system called “Sistema Integrado Previsional Argentino” (SIPA). Balances in individual accounts were credited to the SIPA system.

#### 3.1. Scope and Extent of Coverage

The SIPA system includes contributory and non-contributory benefits. The system comprises two branches of social insurance, long term and short term. The long term branch covers the contingencies of old age, permanent disability and survivor. The short term branch covers work-related injury, unemployment, illness, and family allowances. Members in the system and their dependents are covered for medical health. In addition, an array of benefits is also provided for needy persons residing in Argentina without meeting the minimum contribution record. The following table summarizes the scope of system benefits.

Table 9: SIPA Scope of Benefits

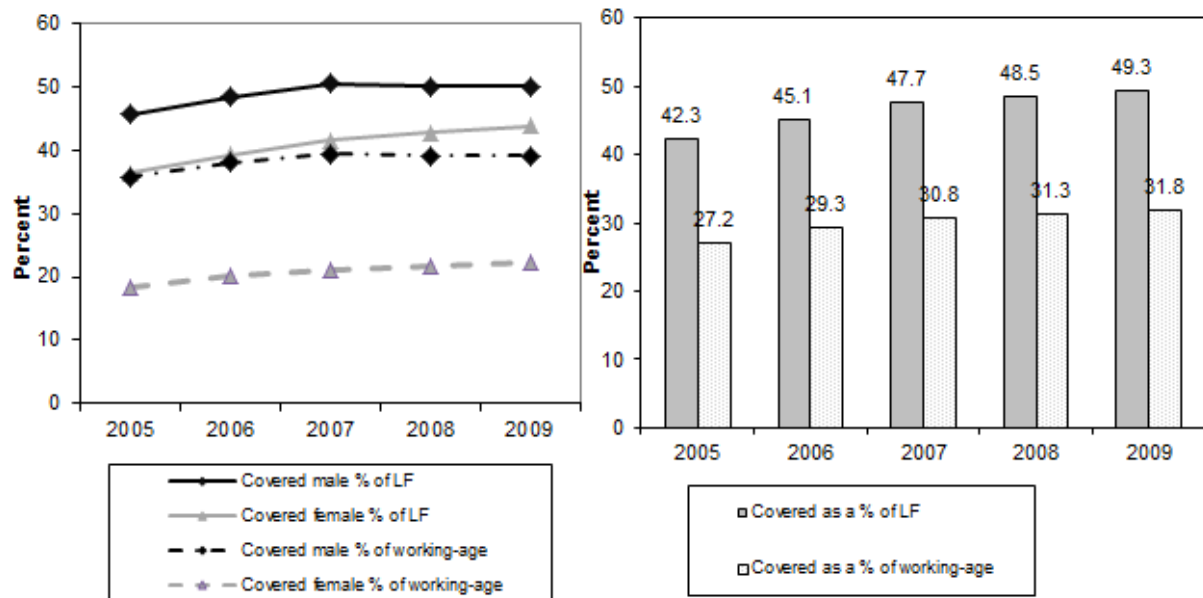
<b>Contributory Benefit</b>	<b>None-Contributory Benefit</b>
<b>1-Pension</b> Old-age pension Disability and Survivor pension Subsidies of utilities	<b>1-Pension</b> Old-age pension Disability pension Veterans of the Malvinas war Pensions given by Honorable Congress Mothers of 7+
<b>2- Unemployment</b>	<b>2- Family allowances</b>
<b>3- Family allowances</b> Child Children with disability Maternity Prenatal Lump-sum Family allowances Birth grants Adoption grant Marriage grant School allowances	Child Children with disability Spouse allowances  Lump-sum Family allowances School allowances

Membership is compulsory for all employees and self-employed (long-term and health insurance benefits only), private and public, except military personnel and employees in local government. In December 2009, there were 8,240,682 actively insured individuals (Ministro de Economía y Finanzas

<sup>4</sup> The Health Insurance System is excluded

Publicas, 2005-2009), representing slightly less than one-half of the overall labor force and almost one-third of the population in the working-age in Argentina.

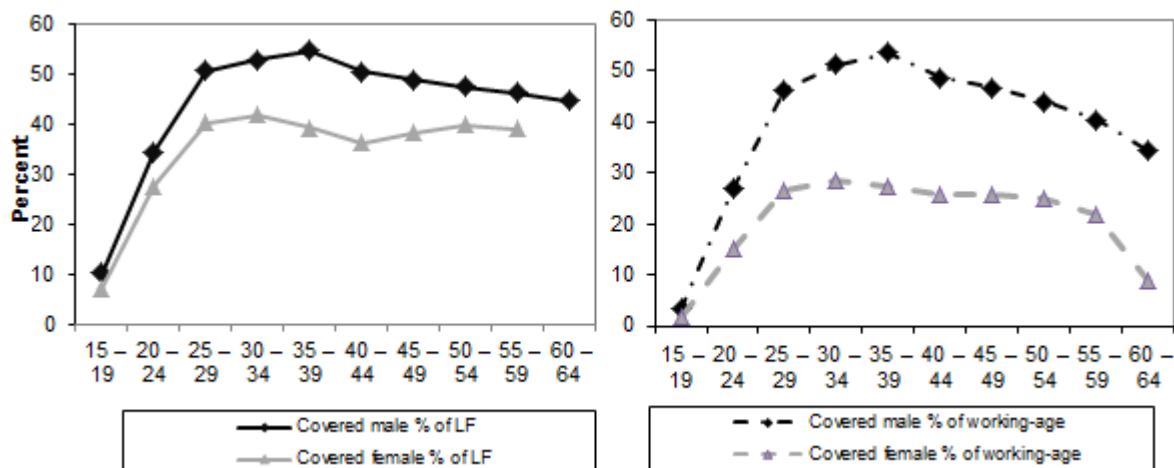
Figure 15: The SIPA Contributors as a percentage of Labor Force and Working-Age Population by Sex, 2002 – 2006



Source: Own calculation based on data from (Ministro de Economía y Finanzas Públicas, 2005-2009), (WB, 2011), and (UN, 2009)

Figure 15 shows that the social insurance coverage in Argentina has a gender dimension. It further shows that this gender gap is significantly wider for the working-age population (active and inactive in labor market) compared with only those who are in the active labor force. Low female labor force participation rates is one reason for this, but more generally the lack of universality usually produces a bias in the system against the female population, who has lower labor participation rates, have discontinued contributory record, and engaged more in the informal labor market. Moreover, figure 16 shows that coverage gap between males and females is widest in the age group 30-45. This might be explained by discriminatory labor force conditions against female participants during their productive years, which indicates that some of the provisions in the current law might have contributed to this disparity.

Figure 16: The SIPA Contributors as a percentage of Labor Force and Working-Age Population by Sex and age-groups, 2009



Source: Own calculation based on data from (Ministro de Economía y Finanzas Públicas, 2005-2009), (WB, 2011), and (UN, 2009)

In addition to the gender dimension, figure 16 shows that coverage gap falls disproportionately on youth. While the low coverage rates among youth population are explained by the high labor inactivity rates due to school enrolment in this age group, the low coverage among the active youth labor force participants is likely resulted from the high degree of informality in the youth labor market.

The low and differentials in coverage within working-age populations have a major implication. Many households are likely to continue to rely on other mechanisms to mitigate the impact of income loss resulted from forced labor inactivity. For instance, in 2009 the SIPA unemployment insurance provided benefits to 105,228 unemployed individuals (Ministro de Economía y Finanzas Públicas, 2005-2009), which is only 12 per cent of the overall unemployed population (17.04 and 6.0 per cent for unemployed male and female, respectively). Furthermore, only 0.62 per cent of unemployed youth between age 15 and 24 received unemployment benefit in the same year. Similar figures can be obtained for other short-term benefits and family allowances. On the contrary, coverage in the post-working age population is quite high. In 2009 SIPA beneficiaries age 65+ totaled 3.653 million (Ministro de Economía y Finanzas Públicas, 2005-2009), which represents 86 per cent of the general population age 65+. It is notable that females age 65+ enjoy higher coverage rates than males in the same age category.

Figure 17: Covered Unemployed as percentage of Unemployed Vs. covered old-age as a percentage of old-age population, by gender, 2009

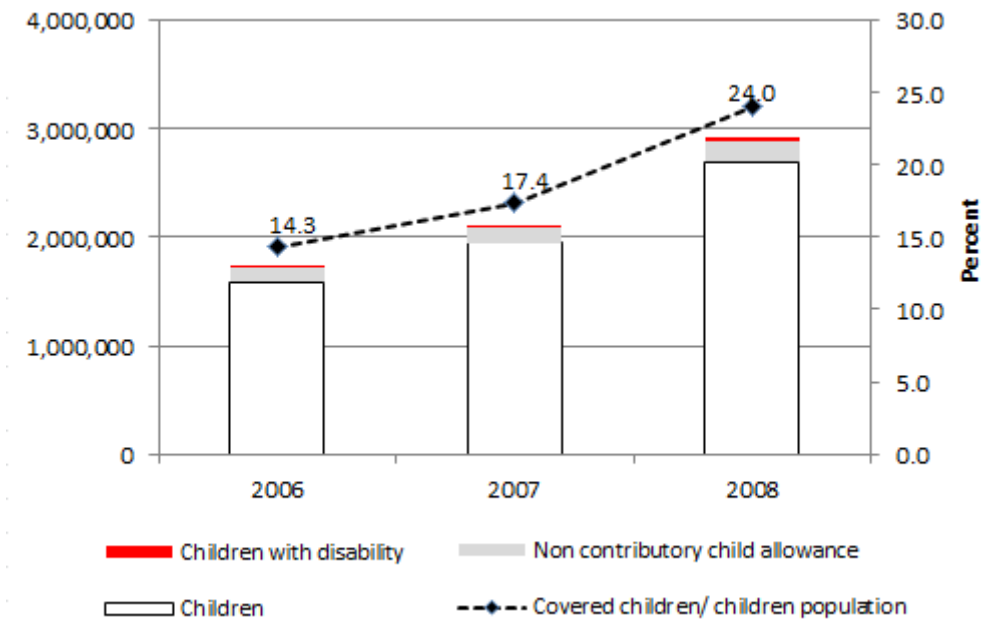


Source: Own calculation based on data from (Ministro de Economía y Finanzas Públicas, 2005-2009), (WB, 2011), and (UN, 2009)

Several reasons have contributed to the higher coverage, particularly female, in the long-term benefit branch compared with short-term benefit branch. First, higher formality in the labor force (and thus higher SIPA enrolment) in the age-groups just before the retirement age. Second, the long-term branch covers a larger pool that includes the self-employed and voluntary coverage for housewives and others that are not covered by the short-term branch. Third, the social assistance pension is provided for needy residents age 70+ regardless of contributory records.

The coverage among children within the system's social allowance provisions (both contributory and non-contributory) counts for almost 1 out of 4 children in Argentina as of 2008.

Figure 18: SIPA's Covered Children by the different programs (right axis), and SIPA's covered children as a Percentage of Total Children, 2006-2008



Source: Own calculation based on data from (Ministro de Economía y Finanzas Públicas, 2005-2009) and (UN, 2009)

## 3.2. Benefit levels and Eligibility Conditions

### 3.2.1. Long-Term Benefits: Old-age, Disability, and Survivors

The social insurance pension scheme is a defined-benefit plan. The following table summarizes the standard calculations for each benefit.

Table 10: The Contributory Pension Benefit Calculations and Provisions

Pension	Benefit	Eligibility
<b>Old-age</b>	minimum: 770 , maximum: 5,646	
Basic	-326 pesos a month - 13 months a year	- Age 65 (male), 60 (female) - 30 years of contribution and service - not eligible may substitute 2 years of age after retirement for 1 year of contribution - hazardous occupations get up to 10 years reduction in age and contributions to qualify
Compensatory	$1.5\% \times$ average adjusted monthly earnings in the last 10 years with contributions paid before July 1994 - 13 months a year	- Age 65 (male), 60 (female) - 30 years of contribution and service - Contributed before June 1994
Additional	$1.5\% \times$ average adjusted monthly earnings in the last 10 years with contributions paid after July 1994 - 13 months a year	- Age 65 (male), 60 (female) - 30 years of contribution and service - Contributed after June 1994
Advanced	$70\% \times$ basic old pension+ compensatory pension +additional pension - 13 months a year	-Age 70 - 10 years of service - contributions paid at least 5 years of the last 8 years
<b>Disability</b>	minimum: 770 , maximum: 5,646	
Regular	- for regular contributor = $70\% \times$ average salary in the last 5 years before disability - for non-regular contributor = $50\% \times$ average salary in the last 5 years before disability - 13 months a year -minimum: 770 pesos -maximum: 5,646 pesos	- loss of 66% of earning capacity -below retirement age -not receiving early retirement -medical assessment -for regular contributors, contributed 30 months in the last 36 months before disability, or meet contribution condition for the old-age pension, - for non-regularly contributor, contributed 18 months in the last 36 months before disability, or meet 50% of old-age contribution condition and contributed 12 months in the last 60 months before disability
Advanced-age	$70\% \times$ basic old pension+ compensatory old-age pension +additional old-age pension - 13 months a year	-Loss of 66% of earning capacity -65 or older
<b>Survivor</b>	- Widow(er)/partner without dependents receive = $70\% \times$ reference* - Widow(er)/partner with dependents receive = $50\% \times$ reference* - Each eligible orphan gets $20\% \times$ reference* - Funeral grant: a lump sum of 1,000 pesos - 13 months a year -minimum: 770 pesos -maximum: All survivor benefits must not exceed $70\% \times$ reference* *reference =permanent disability pension or the pension the deceased was receiving	- contributions requirement as of disability pension or was a pensioner at time of death - eligible survivors: widow(er) or partner who lived with deceased for at least 5 years (2 years if they had children), unmarried orphans less than 18, and a widowed daughter less than 18, and a disabled orphan who was dependent on the deceased.

Source: Based on (SSA, 2009) and (Ministro de Economía y Finanzas Publicas, 2005-2009)



Long-term benefits are also provided for needy persons residing in Argentina who do not meet the above qualifying conditions. Non-contributory old-age and disability benefits are paid on monthly basis, 13 months a year, at a rate of 70 percent of the minimum pensions.

Benefit levels are reviewed each March and September of every year and adjusted in line of several factors, including: tax revenue, wage index, and the revenue of the national social security administration. As of 2008, the replacement ratio, the ratio of the benefit to average wage, averaged 53.97 percent for the contributory old-age pension and 32.84 percent for the non-contributory old-age pension, compared with the 2007 ratios of 58.14 percent and 30.82 percent for the contributory old-age pension and the non-contributory old-age pension, respectively, indicating that pensions were indexed at a rate lower than the growth in wages.

Figure 19: Replacement Ratios by Pension Types, 2007-2008



Source: Own calculation based on data from (Ministro de Economía y Finanzas Publicas, 2005-2009) and (WB, 2011)

### 3.2.2. Short-Term benefits: cash sickness, maternity, and work injury

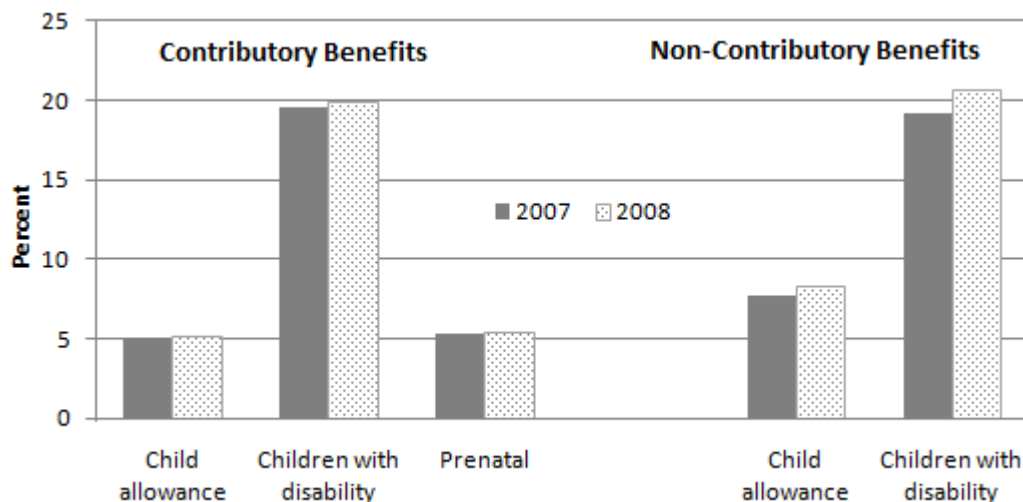
Table 11: The Contributory Pension Benefit Calculations and Provisions

Category	Benefit	Eligibility
<b>Cash sickness</b>	-100% of salary up to 3 months (less than 5 years of service) or 6 months (more than 5 years of service). -Workers with dependent, maximum durations are doubled.	According to the employment law, duration of benefits depend on the length of the employment period
<b>Work injury</b>		
-Temporary	-average earning in the last year -benefit is paid until recovery or assessed permanent disability	-no contribution qualifying condition -disability resulted from accidents occurred at work, or while commuting to work -medical assessment of the degree of disability -Disability is considered permanent if it continues beyond a year.
-permanent (provisional)	-70% of average earning in the last year. - Benefit is paid for up to 36 months (extended by 24 months if degree of loss is uncertain). - If assessed loss is less than 66% earning capacity, the above benefit will be multiplied by the % assess loss of earning.	
-permanent (definitive)	- 70% of average earning in the last 5 years for (50% for non-regular contributors) + annuity (based on 53X average earning last year) X 65/age + lump sum (100,000 pesos). - If assessed loss is 50-66% earning capacity: average earning in the last year X the % assess loss of earning. - If assessed loss is 50-66% earning capacity: average earning in the last year X the % assess loss of earning + lump-sum (80,000 pesos) - If assessed loss is less than 50% earning capacity: lump-sum (amount= 53 X average earning last year X the % assess loss of earning X 65/age)	
-constant-attendance allowance	Additional monthly allowance = the minimum monthly earning for benefit calculation	-sever disability that requires constant attendance
<b>Unemployment</b>	Minimum: 25 pesos, maximum: 400 pesos	- contributed 6 months in the last 3 years
-standard	- monthly benefit = 50% of the best wage in the last 6 months -duration: 4 months (12-23 months of contribution), 8 months (24-35 months of contribution), or 12 months (more than 36 months of contribution)	- temporary workers: 90 days of contributions in the last year -registered unemployed -available for suitable employment -not receiving any other social security benefits
-extended	- benefit duration extended for up to 6 months =70% of the first monthly unemployment benefit	-entitled for the standard unemployment benefit -age 45 or more - has children eligible for family allowance
-single payment	Lump-sum amount = 2 X sum of remaining unpaid benefits (must be at least 3 payments unpaid and one payment already paid)	-meet the conditions for standard unemployment the unemployed intends to start a business -present business plan
<b>Family allowances</b>		
-means-tested	-child benefit: 68-291 pesos, paid monthly. -parental allowance: 68-298, paid monthly. -School allowance: 170-680 pesos, paid annually. -Birth grants: lump-sum amount of 600 pesos. Adoption grant: lump-sum amount of 3,600 pesos. Marriage grant: lump-sum amount of 900 pesos. Spouse benefit: 41-82 pesos, paid monthly.	-employed persons, prisoners, and work injury beneficiaries. -meet some categorical conditions -varies with income -some grants have a minimum previous employment
-not means-test	-Disabled child benefit: 270-1,080 pesos, paid monthly.  -Cash Maternity benefit: 3 months at average gross earnings ( 6 months for down syndrome child)	-employed persons, prisoners, and work injury beneficiaries. -disabled child of any age  -at least 3 months of continuous employment before baby due date

Source: Based on (SSA, 2009) and (Ministro de Economía y Finanzas Públicas, 2005-2009)

Similar to the long-term benefits, short-term benefits are adjusted discretionally in line of several factors. However, their values on average as a percentage of Per Capita GDP seem to have increased slightly between 2007 and 2008.

Figure 20: The Ratio of Selected Family Allowances to Per Capita GDP, 2007-2008



Source: Own calculation based on data from (Ministro de Economía y Finanzas Públicas, 2005-2009) and (WB, 2011)

As for the contributory Maternity and Unemployment benefits, the benefit indexation seems to be insufficient to maintain the relative value of the benefit. The replacement ratio, the ratio of the benefit to average wage, declined for both benefits between 2007 and 2008.

Figure 21: Replacement Ratios for Maternity and Unemployment Benefits, 2007-2008



Source: Own calculation based on data from (Ministro de Economía y Finanzas Públicas, 2005-2009) and (WB, 2011)

### 3.3. Financing and Financial Trends

The long-term branch of the social insurance is financed by contribution collected from both employees and employers. The government contributes to both branches (social insurance and social assistance).

Table 12: Pension (old-age, disability and survivor) Scheme Contribution Rate as Percentage of Gross Earning

Contributor		Percent of gross earning, or in pesos	Notes
<b>Employee</b>	Salaried	11.00 %	
	Self-employed/ small contributor	114-648 pesos	According to annual declared earnings. Also finances sickness and health benefit
	Household workers	20-80 pesos	Varied with number of hours worked
<b>Employer</b>	Private sector	10.17-12.71%	Varied with type of enterprise. Hazardous employment pays additional contribution.
	Government sector	16.00 %	
	Household worker	20-80 pesos	Varied with number of hours worked
<b>Government</b>		-cost of social assistance -some benefits under the former system	Contribution from general revenues, earmarked taxes, and investment income

Source: Based on (SSA, 2009) and (Ministro de Economía y Finanzas Públicas, 2005-2009)

For insurance purposes, there is a minimum monthly earning of 268 pesos is used in calculating both employees' and employers' contribution. However, a maximum of 8,711 pesos a month is applied for employee's contribution only (SSA, 2009).

For the short-term benefits, the Social insurance branch is financed by contribution collected from employers only. No contributions are paid by the insured. The government contributes to both branches (social insurance and social assistance).

Table 13: Short-term Contribution Rate as Percentage of Gross Earning

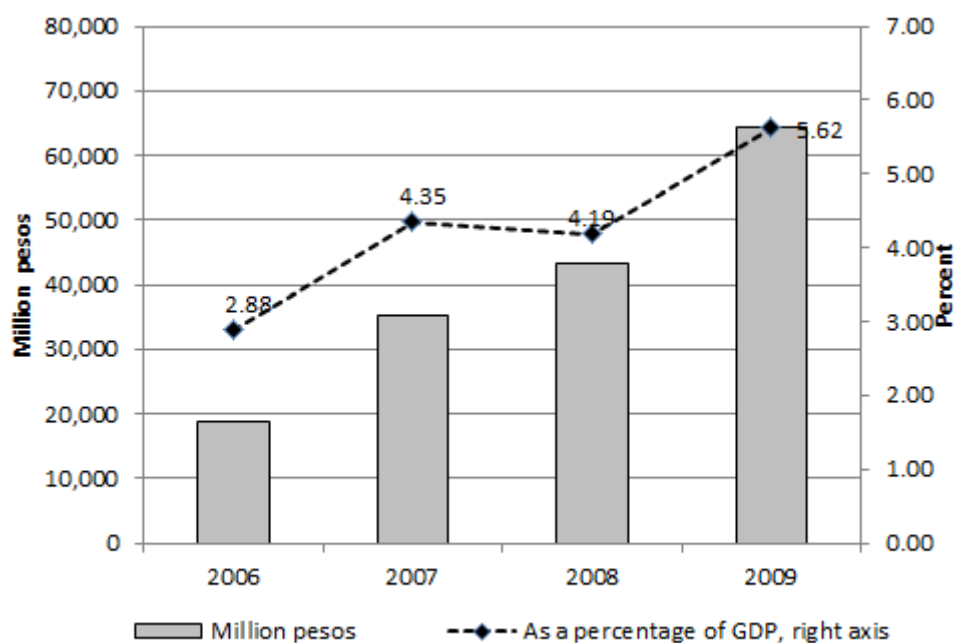
	Cash sickness	Work Injury	Unemployment	Family Allowance
<b>Employer</b>	Total cost	Total cost financed by work injury insurer (ART) or by self-insurance	0.89-1.11 % of gross payroll (according to type of enterprise)	4.44-5.56 % of gross payroll (according to type of enterprise)
<b>Government</b>	none	non	Finance any deficit	cover cost of social assistance

Source: Based on (SSA, 2009) and (Ministro de Economía y Finanzas Públicas, 2005-2009)

For contribution purposes, there is a minimum monthly earning of 268 pesos. There is no maximum for the monthly earning (SSA, 2009).

Over the period 2006 and 2009, total contribution collected increases significantly both as in pesos and as a percentage to GDP.

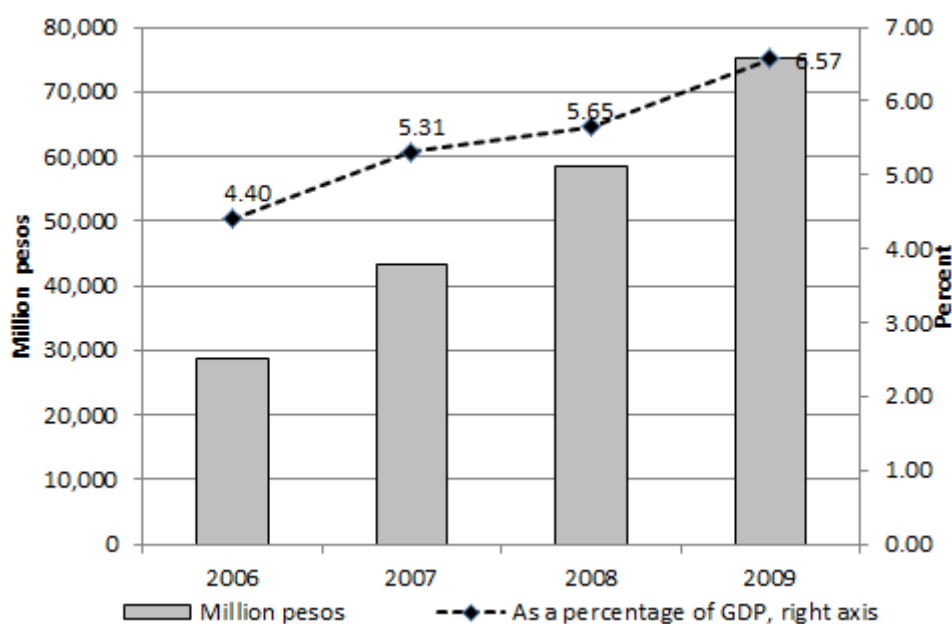
Figure 22: Total Contribution in Million Pesos and as a Percentage to GDP (right axis), 2006-2009



Source: Own calculation based on data from (Ministro de Economía y Finanzas Públicas, 2005-2009) and (WB, 2011)

The above jump in total contribution between 2008 and 2009 is largely due to the new law that came into effect in December 2008, which merged the previous voluntary-based mixed system into the mandatory SIPA system. In the other hand, the increase in total benefits paid was smaller than that of the contributions.

Figure 23: Total Benefits in Million Pesos and as a Percentage to GDP (right axis), 2006-2009



Source: Own calculation based on data from (Ministro de Economía y Finanzas Públicas, 2005-2009) and (WB, 2011)

The disaggregation of total benefits by the different benefit types and the contributory record is illustrated in the following table.

Table 14: Total Benefits in Million Pesos and as a Percentage of GDP, 2007-2008

	Total benefits, million pesos		Total benefits as a percentage of GDP	
	2007	2008	2007	2008
<b>Contributory Benefit</b>	<b>39,040</b>	<b>52,408</b>	<b>4.81</b>	<b>5.07</b>
<b>1-pension</b>	<b>36,023</b>	<b>47,408</b>	<b>4.43</b>	<b>4.59</b>
Old-age pension	25,910.86	35,112.90	3.19	3.40
Disability and Survivor pension	10,082.33	12,268.04	1.24	1.19
Utility Subsidy	29.78	26.62	0.00	0.00
<b>2- Unemployment</b>	<b>398.83</b>	<b>472.63</b>	<b>0.05</b>	<b>0.05</b>
<b>3- Family allowances</b>	<b>2,618.32</b>	<b>4,527.48</b>	<b>0.32</b>	<b>0.44</b>
Child	2,043.46	3,569.30	0.25	0.35
Children with disability	112.17	206.43	0.01	0.02
Maternity	98.04	201.71	0.01	0.02
Prenatal	39.85	73.17	0.00	0.01
Lump-sum Family allowances	<b>324.80</b>	<b>476.87</b>	<b>0.04</b>	<b>0.05</b>
Birth grants	57.57	76.57	0.01	0.01
Adoption grant	0.83	1.29	0.00	0.00
Marriage grant	29.26	37.35	0.00	0.00
School allowances	237.15	361.66	0.03	0.04
<b>None-Contributory Benefit</b>	<b>4,127.91</b>	<b>5,944.42</b>	<b>0.51</b>	<b>0.58</b>
<b>1-Pension</b>	<b>3,529.21</b>	<b>5,025.12</b>	<b>0.43</b>	<b>0.49</b>
Old-age, disability and survivor Pension	1,508.73	2,138.73	0.19	0.21
Disability pension				
Veterans of the Malvinas war	395.73	485.76	0.05	0.05
Pensions given by Honorable Congress	586.40	780.53	0.07	0.08
Mothers with 7+	1,038.35	1,620.09	0.13	0.16
<b>2- Family allowances</b>	<b>598.70</b>	<b>919.30</b>	<b>0.07</b>	<b>0.09</b>
Child	145.84	277.78	0.02	0.03
Children with disability	203.75	326.47	0.03	0.03
Spouse allowances	235.21	297.52	0.03	0.03
Lump-sum Family allowances	<b>13.91</b>	<b>17.53</b>	<b>0.00</b>	<b>0.00</b>
School allowances	13.91	17.53	0.00	0.00
<b>Total Benefits</b>	<b>43,168.03</b>	<b>58,352.09</b>	<b>5.31</b>	<b>5.65</b>

Source: Own calculation based on data from (Ministro de Economía y Finanzas Públicas, 2005-2009) and (WB, 2011)

### 3.4. Discussion

It is worth highlighting that the contribution received (figure 22) and paid out benefits (figure 23) cannot be compared for two reasons: first, received contributions is a budgetary line and it sums up all types of contributions including the contribution for social health insurance. Nevertheless, the benefit does not provide data on the social health insurance. Second, the disaggregation of benefit includes non-contributory benefits, which should be tax-financed.

To overcome the incomparability between contributions and benefits in the system, the study looks at each program separately to assess its balance. The SIPA social insurance program consists mainly of

the pension scheme and the family allowances scheme. The unemployment scheme can be simply ignored in this context due to its very small size. The study estimates the Pay-as-you-go (PAYG) rates that are needed to balance each program. The following table illustrates these estimates as compared with SIPA's current contribution rates.

Table 15: Study's estimated PAYG Contribution Rates vs. SIPA's Current Contribution Rates, 2007-2008

	2007	2008
<b>Contributory Pension Scheme</b>		
Study's estimated PAYG rate	32.17	31.94
SIPA's contribution rate	21.17 - 27.00	21.17 - 27.01
<b>Contributory Family Allowances</b>		
Study's estimated PAYG rate	2.34	3.05
SIPA's contribution rate	4.44 - 5.56	4.44 - 5.57

Source: Own calculation based on multiple sources.

A key result from table 15 is that the family allowance system's contribution structure is higher than what is actually needed to pay out the contributory child allowances within the system. Moreover, the contributory pension scheme has a contribution structure that falls significantly from meeting the incurred cost of the program on annual basis. Combining the two system leads to what is normally referred to as the phenomenon of "cross-subsidy," which generally occurs when one scheme's surplus subsidizes another scheme's deficit.

The magnitude of the cross-subsidy is expected to get larger in the future as two demographic forces operate within the system, these include: first, decreasing fertility rates, as explained earlier, which will translates into less claim on the contributory child allowances. Second and most importantly, is the aging of the general population in Argentina and more specifically, the rapid aging population of SIPA's system. For instance, in 2007 there were 1.77 contributors to every pensioner in the social insurance pension scheme (excluding those receiving non-contributory pensions) (ISS, ANSeS, 2008) as compared to 6.12 working-age individuals to every post-working age individual in Argentina as a whole. In 2008, the number of contributors to every pensioner decreased to 1.66 (ISS, ANSeS, 2008) but the number of working-age individuals to every post working-age individual decreased to only 6.11. As a direct result, the already high PAYG rate that is needed to balance the pension program is expected to go higher, leading a deeper imbalance in SIPA's system.

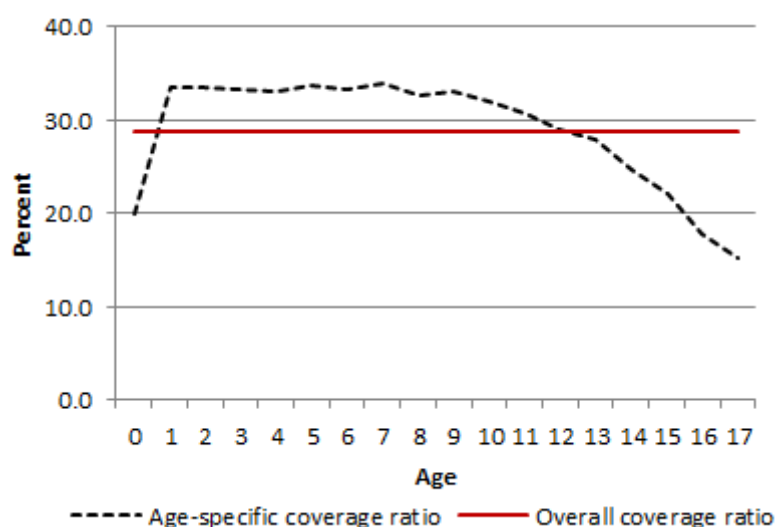
## 4. NON-CONTRIBUTORY PROGRAMS (OTHER THAN SIPA'S)

### 4.1. Universal Child Allowance (AUH)

As explained earlier, the subsystem of family allowances within the Social insurance program in Argentina provides benefits to children of the formal labour force participants. However, until late 2009, children of the informal labour force participants, who are disproportionately poorer, were not covered by any form of child benefits, highlighting the progressivity of the child transfer programs in Argentina at that time. A significant advance to the design of sound social protection and antipoverty policies in Argentina is the Universal Child Allowance (AUH), which was launched in November 2009. The AUH provides child transfer benefits equivalent to those provided under the social insurance system, and it benefits children under age 18 of families of unemployed parents, or working in the informal economy. Eligibility is also conditional on health check-ups, vaccination records, and school attendance.

The most recent data released in February 2011 shows that the AUH provided benefits to 3,507,988 children age 18 and less (Ministerio de Trabajo, Empleo y Seguridad Social, 2011), which represents almost 28.8 percent of the overall population age 18 and less in Argentina for the same year.

Figure 24: AUH Coverage Ratios by Age



Source: Own calculation based on data from (Ministerio de Trabajo, Empleo y Seguridad Social, 2011) and (UN, 2009)

A careful review of the coverage ratio by age-specific population reveals that coverage among infants age between 0-1 is almost 9 percentage points less than the average for all children. Possible justification is the delay in taking up benefits by households due to delay in birth registration, lack of information, and/or distance from registration offices. The coverage ratios also decline slowly in the upper age groups, likely due to not meeting some of the eligibility conditions, most notably school attendance. However, this issue requires further research to conclude with confidence the reasons behind this.

In terms of benefit level, the average monthly benefit amount is similar to those provided by the insurance system of family allowances, which is at 220 pesos per child as of 2011 (Ministerio de



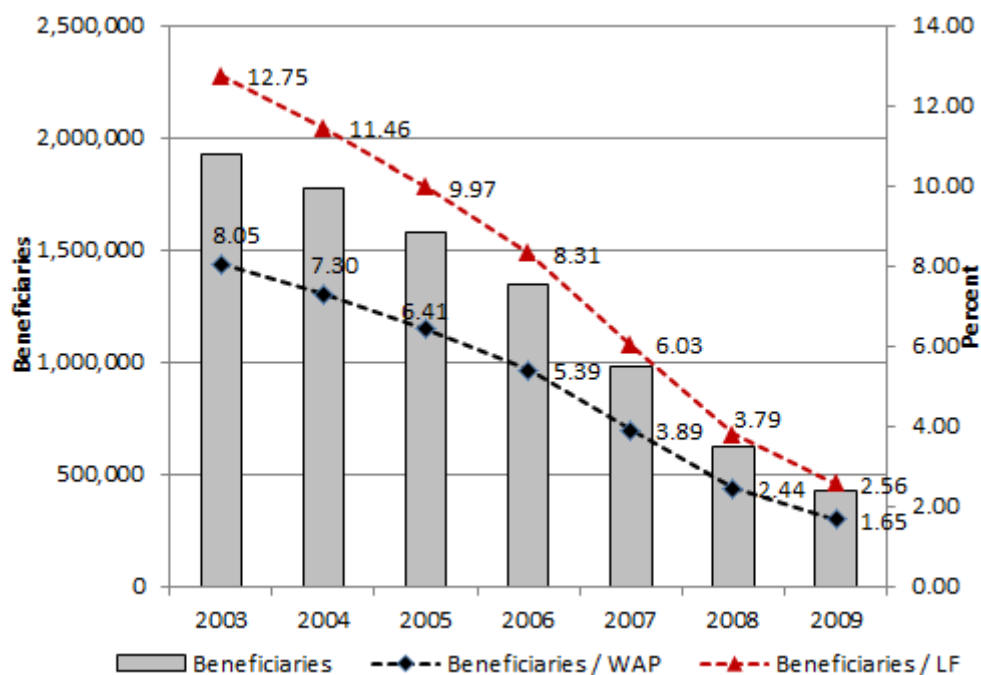
Trabajo, Empleo y Seguridad Social, 2011). The administrative data shows that each household benefiting from the AUH has on average 1.9 children (Ministerio de Trabajo, Empleo y Seguridad Social, 2011), this brings the amount of the AUH channelled to eligible households to 418 pesos monthly, which is 10.84 percent of per capita GDP. On total, the ratio of the overall AUH benefit amount to GDP is estimated at 0.458 percent for the year 2009.

Given the size of the per-household benefit and the high incidence of poverty among the covered households, the impact of this benefit on poverty reduction is believed to have been substantial. For instance, one study estimated that in 2009 more than 700,000 poor children under 18 years (included 400,000 extremely poor children) moved out of poverty, which is a reduction of poverty incidence by 21.9 percent and extreme poverty by 42.3 percent. Inequality is found to have been reduced by 20 percent (measured as the ratio of income of the first and tenth decile) (Roca, 2010)).

#### 4.2. Program for Male and Female Heads of Unemployed Households (PJJJ)

The PJJJ program was created in 2002 as the government main emergency response to the crisis of 2001/2. Under its initial design, unemployed heads of households with dependents (children under 18 years-old and disabled persons of any age) were entitled for a monthly benefit. Provided the nature of the crisis, which was characterized by very high poverty rates (more than one out of two was poor) and unemployment rate (more than one out of five labor participants was unemployed), the main strength of the PJJJ was its rapid implementation and the large beneficiary base, which totalled 1,927,314 beneficiaries in 2003 (Ministro de Economía y Finanzas Públicas, 2005-2009), representing 12.75 of the labor force and 8.05 of the working-age population for the same year.

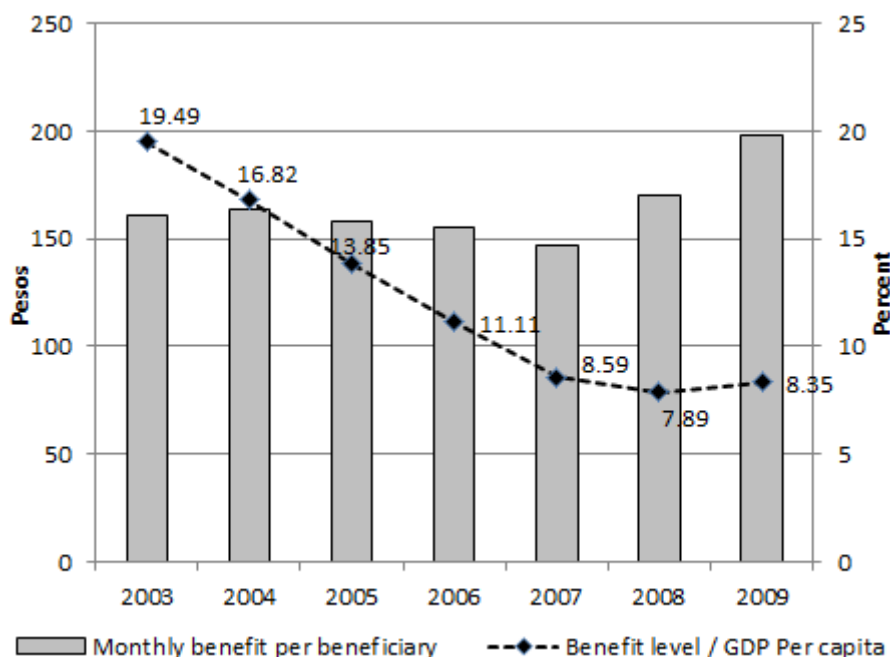
Figure 25: the Number of the PJJJ Beneficiaries and as a Percentage of the Working-age Population and Labor Force (right axis), 2003-2009



Source: Own calculation based on data from (Ministro de Economía y Finanzas Públicas, 2005-2009), (UN, 2009) and (WB, 2011)

As an emergency program, figure 25 shows that the program's coverage has declined steadily; largely mirroring the rapid economic recovery of the post-crisis period. Another reason is the decline in benefit amount expressed as a percentage of the per capita GDP, which decreased from 19.49 percent in 2003 to 8.35 percent in 2009, and therefore reduced the dependency structure and take-up rate.

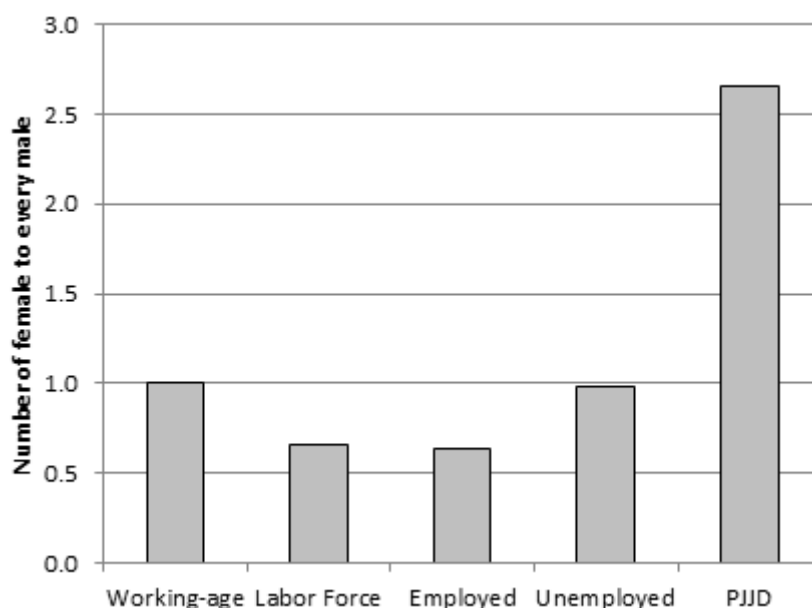
Figure 26: PJJD Average Benefit Level in Pesos and as a percentage of GDP Per Capita (right axis), 2003 -2009



Source: Own calculation based on data from (Ministro de Economía y Finanzas Públicas, 2005-2009) and (WB, 2011)

While the program's coverage was very likely one of the reasons for the reduction in the unemployment rates explained earlier, the degree of beneficiaries split between unemployment reduction as opposed to inducing more labor force participation from those who had not been previously economically active was raised as a concern early since the program's inception. To correct for this, the program has included a work requirement component, in which program participants are required to do a minimum of 20 hours per week of basic community work, training activities, school attendance, or work for a private establishment with a wage subsidy for six months. Nevertheless, the latest administrative data in 2009 showed that there are 2.65 female beneficiaries for every male beneficiary, a much higher than those of the labor market for the same year as shown below, indicating that the percentage of induced labor force participation is still high among the program beneficiaries, who are also likely not head of households.

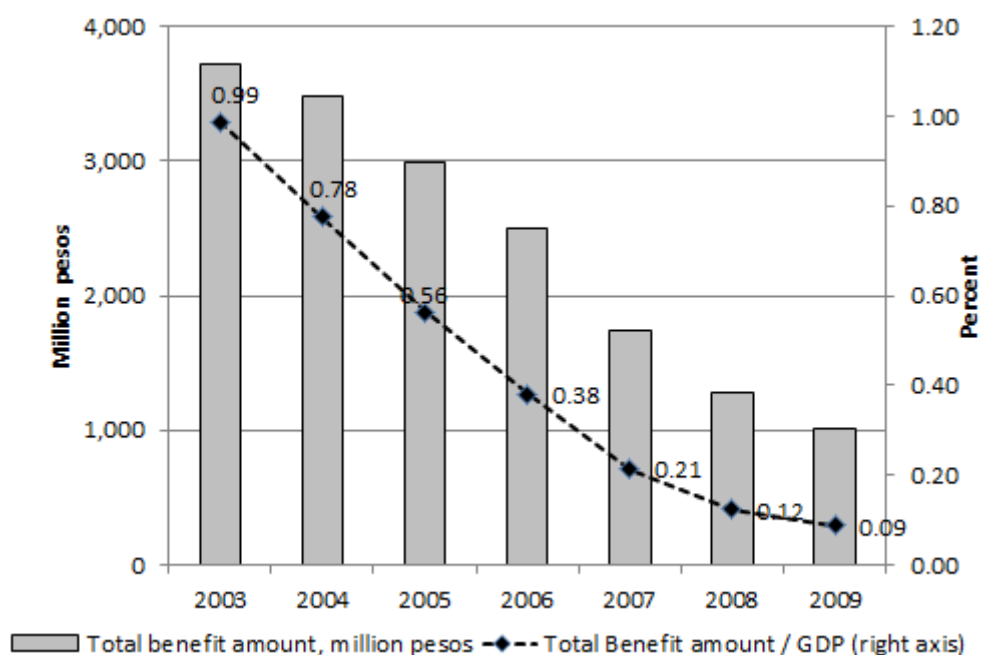
Figure 27: Number of Female to Every Male, by working Status, 2009



Source: Own calculation based on data from (Ministro de Economía y Finanzas Públicas, 2005-2009), (UN, 2009) and (WB, 2011)

Despite of the program’s apparently high inclusion error, its impact on poverty during the crisis is notable. It was estimated that almost half of PJJ participants came from the poorest fifth of the population, and 90 percent fell below the official poverty line (Pereznieta, 2010). This was accomplished at a relatively reasonable bill estimated at slightly less than one percentage point of GDP for 2003.

Figure 28: PJJ Total Benefit Expenditure in Million Pesos and as a Percentage of GDP, 2003 -2009



Source: Own calculation based on data from (Ministro de Economía y Finanzas Públicas, 2005-2009) and (WB, 2011)

More recently, the impact on poverty as a stand-alone program is likely to have been modest due to the continual decline in the program membership and the relative size of the benefit amount to per capita GDP as shown earlier. However, since JPPD beneficiaries are automatically entitled for the AUH benefit, the per household combined benefit amount will allow the combined benefit to vary with the number of children in the household, and consequently the impact on poverty reduction within beneficiaries households is expected to be strengthened.

### 4.3. Other programs

There are also a number of programs that have been providing social cash transfers to Argentinians, mostly for the working-age population. The following table summarizes the most important social cash transfers programs along with some of the key features of each program.

Table 16: Other Social Cash Transfer Programs Description, 2009

Program	Description
<b>Training and Employment Insurance</b>	Aimed at unemployed workers actively seeking to enter (or re-enter) the labor market. The program provides support and assistance to find job placement along with a benefit amount. 72.3% of participants are female, 63.7% under 45 years-old, 55% had a previous work experience, and 41.5% had a work experience as self-employed.
<b>Temporary Employment Actions</b>	<p><u>Community Employment Program:</u> covers 96% of the program beneficiaries. It is designed to provide temporary employment to unemployed workers for socially vulnerable groups through the implementation of various types of activities aimed at improving the employability and quality of life of people in the community to which they belong. In addition, beneficiaries receive a financial assistance of 150 pesos monthly for their participation in the Program. Most beneficiaries are between age 18 and 45, also 53% of beneficiaries are women.</p> <p><u>Interzafra:</u> aims at improving and sustaining the employment of temporary and seasonal workers. Most beneficiaries are between age 18 and 45, also 23.5 % of beneficiaries are female.</p>
<b>Maintenance of Private Employment</b>	<p><u>Productive Recovery Initiative:</u> covers 97% of the program beneficiaries. It aims at sustaining employment in declining sectors and in geographical areas in crisis, and alleviating the impact of adverse work-related circumstances. In 2009, the average assistance was 600 pesos used in order to complete the basic salary paid by the employer. 22.4% of recipients were female and 67.2% were between age 26 and 35. Also, 77% of establishments registered have fewer than 50 workers.</p> <p><u>Self-managed Work Initiative:</u> Aims at supporting the generation of new jobs and/or the maintenance of existing jobs through the promotion and strengthening of the productivity of the self-managed businesses. The program's emphasis is on production plants (working or to be revived), run by the owners. In addition to providing financial assistance to individual workers, the program also provides technical and financial support to improve the productive capacity, competitiveness, managerial skills, and the health and safety at work. 25% of beneficiaries are female. The age group with the highest number of beneficiaries is 46 to 55 years-old, which represents 24% of the sub-program beneficiaries.</p>
<b>Families Plan for Social Inclusion</b>	<p>Aims at promoting social protection and inclusion of families in poverty with children under 19, persons with disability of any age, or pregnant women, who do not receive any financial subsidy from the state, except Income program social work "Argentina Works".</p> <p>The program is coordinated with other national and provincial institutions to improve the employability and inclusion of vulnerable families, support children and youth, provide nutrition and health needs and the affirmation of civil rights and community identities.</p>
<b>Income Program Social Work "Argentina Works"</b>	Started last quarter of 2009. The eligibility condition is to have no other household income. The only exception is that beneficiaries of the Family Plan can still be qualified for this program. There is a work requirement that engages participants in community work to improve the quality of life in the marginalised neighbourhoods.
<b>Program for More and Better Youth Employment</b>	Aimed at young people between 18 and 24 years old, unemployed and with incomplete formal education. The program provides youth with an orientation to the labor market as well as support to complete formal education (69.8% of participants were attending an educational institution). Female counted for 57.9 % of participants.

Source: (Ministro de Economía y Finanzas Públicas, 2005-2009)

In terms of coverage, benefit levels, and total amount spent, the following table provides a summary.

Table 17: Number of Beneficiaries, Benefit Level and Total Spending of Other Social Cash Transfer Programs, 2009

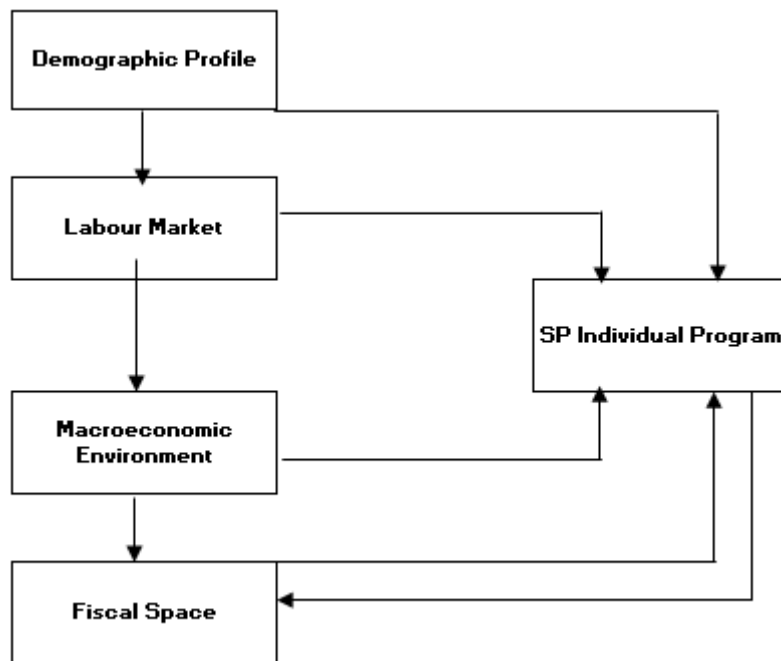
Program	Number of Beneficiaries	Benefit Level		Annual Expenditure	
		Monthly, pesos	As % of GDP per capita	Million of pesos	As % of GDP
Training and Employment Insurance	88,293	225	9.49	238.39	0.021
Temporary Employment Actions	417,007	150	6.33	750.61	0.066
Maintenance of Private Employment	73,873	600	25.32	531.88	0.046
Families Plan for Social Inclusion	683,408	211	8.90	1,730.63	0.151
Income Program Social Work "Argentina Works "	60,000	1,400	59.07	1,008.00	0.088
Program for More and Better Youth Employment	31,454	150	6.33	56.62	0.005

Source: Own calculation based on (Ministro de Economía y Finanzas Públicas, 2005-2009), (WB, 2011)

## 5. FUTURE DEVELOPMENT OF THE SOCIAL PROTECTION SYSTEM

The projection model is built on the logical approach employed by the UNICEF-ILO Social Projection Tool. In this study, the projection exercise is divided into three parts: First, projecting the determinants of the Social Protection system (demographic, labor, and macroeconomic). Second, under a set of specified assumptions on the benefit parameters (eligibility conditions, coverage, benefit level etc.), each individual program is projected separately using the projected determinants as an input. Third: projecting the national budget. The linkages and dependency structure of the projection parts are illustrated in the following diagram.

Figure 29: Components of the Projection Model



### 5.1. Projection of Social Protection Determinants

#### 5.1.1. Demographic model:

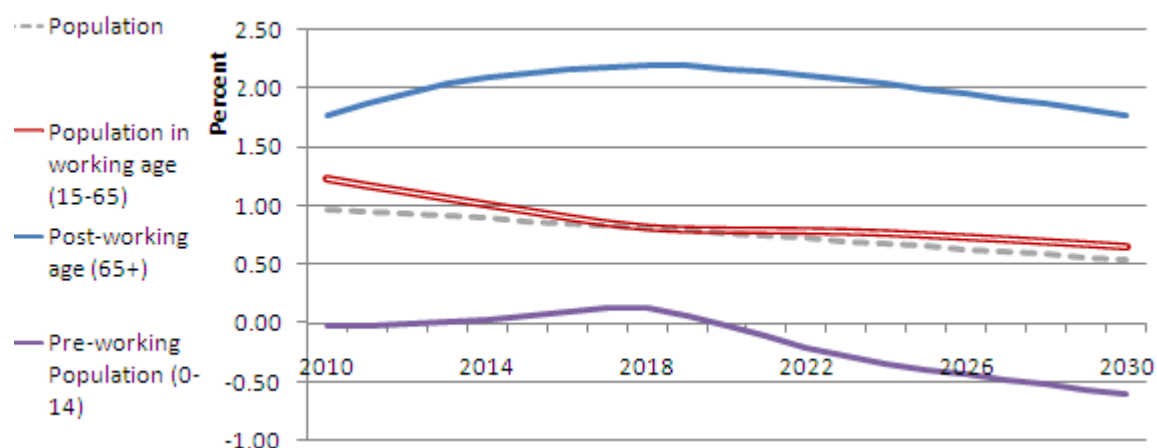
The study uses the population projection made available by the United Nations Department of Economic and Social Affairs, Population Division (UN, 2009). The data set is disaggregated by sex and single-year age. The following table summarizes the population projection main characteristics.

Table 18: Population Main Characteristics, 2011 - 2030

	Thousands				
	2011	2015	2020	2025	2030
Population	41,041	42,535	44,287	45,860	47,225
Pre-working age (0-14)	10,119	10,126	10,166	10,031	9,772
Working age (15-64)	26,512	27,625	28,793	29,927	30,982
Post-working age (65+)	4,411	4,784	5,328	5,902	6,471
<b>Percentage of Total Population</b>					
Pre-working age (0-14)	24.65	23.81	22.96	21.87	20.69
Working age (15-64)	64.60	64.95	65.01	65.26	65.60
Post-working age (65+)	10.75	11.25	12.03	12.87	13.70
<b>Dependency Ratio, Per cent</b>					
Youth DR	38.2	36.7	35.3	33.5	31.5
Old-age DR	16.6	17.3	18.5	19.7	20.9
Total DR	54.8	54.0	53.8	53.2	52.4

Source: Own calculation based on (UN, 2009)

Figure 30: Population Growth Rates by Working Status, 2010 - 2030



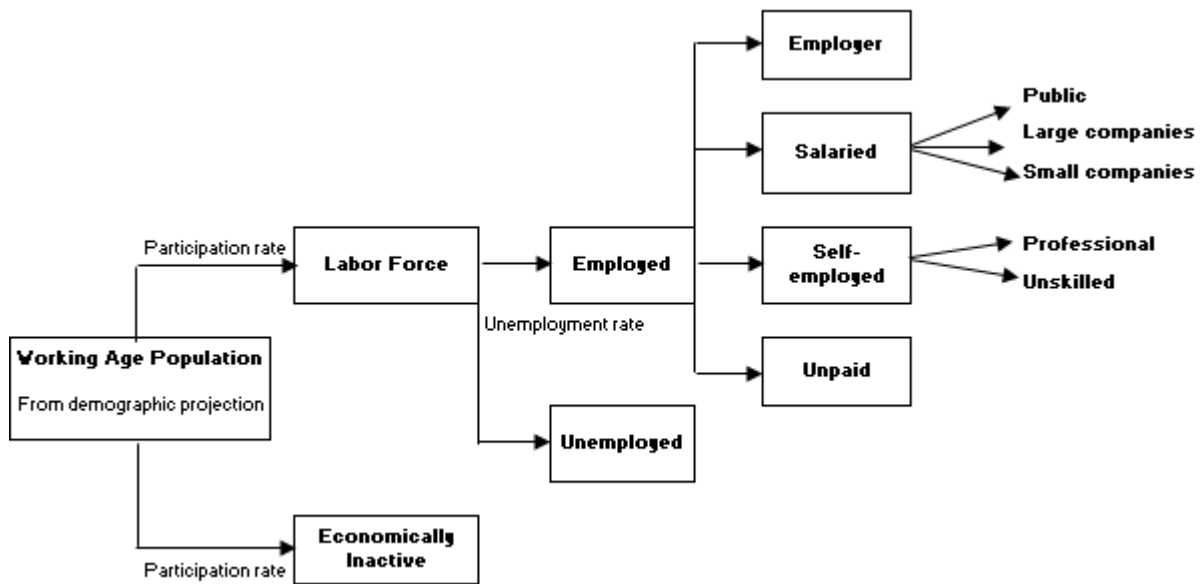
Source: Own calculation based on (UN, 2009)

#### 5.1.2. Labor Market Model:

Labor market model is directly built on the population model. The following diagram presents the structural relationships that relate both models (the population model and the labor force model) for each year in the projection period and disaggregation by age and gender.

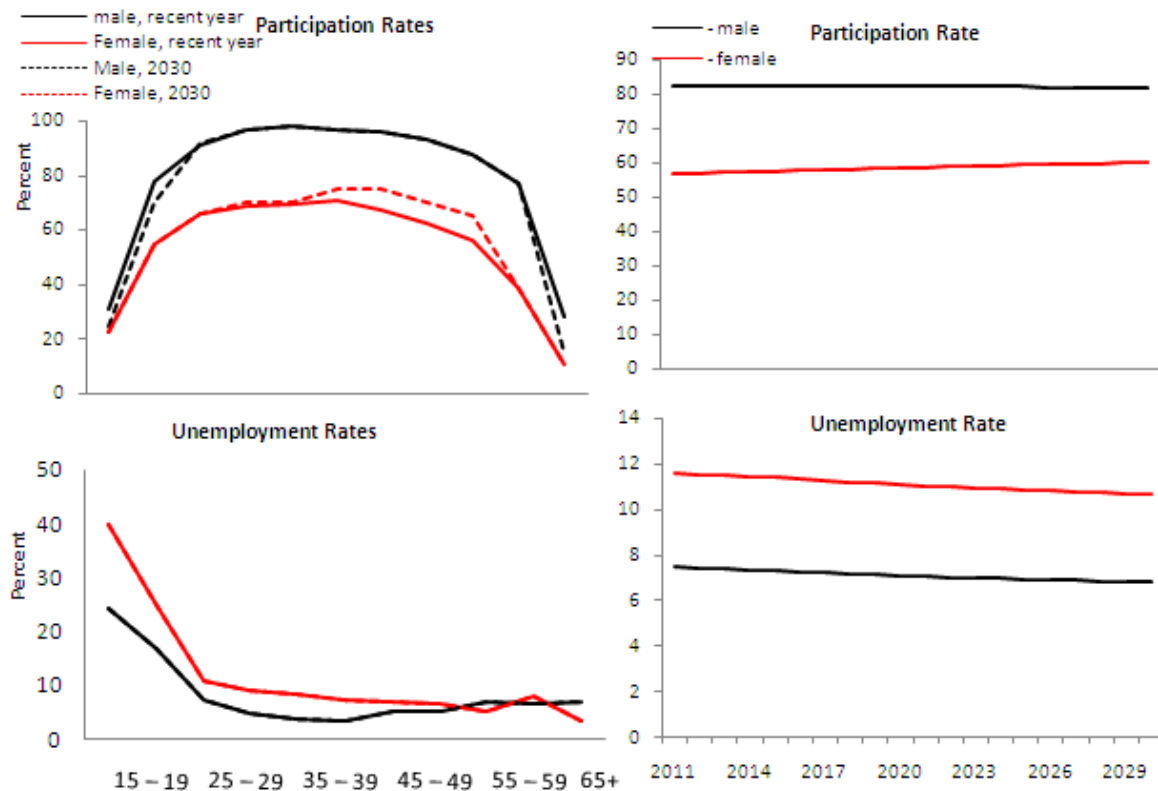


Figure 31: Labor Market Model Overview



Assumptions were made explicitly on participation rates and unemployment rates. For the participation rate, it is largely assumed that the force participation rates by age group of 2006 will stay the same over the projection period for the male working-age population. However, female participation rates are assumed to increase modestly in the age-groups 40-60 years-old. For the unemployment rate, it is assumed that age and gender-specific unemployment rates in 2006 are expected to remain the same over the projection period. The overall slight decrease in unemployment rate over the projection period is basically resulted from the change in the demographic structure of the underlying population.

Figure 32: Labor Market Model's Assumptions: Unemployment and Participation Rates, by gender and Age-groups



Applying age and gender-specific participation rates and unemployment rates on the working-age population (obtained from the population projection) for each year of the projection period produces the sought labor force disaggregated by age, gender, and working status (economically active, economically inactive, employed, and unemployed)..

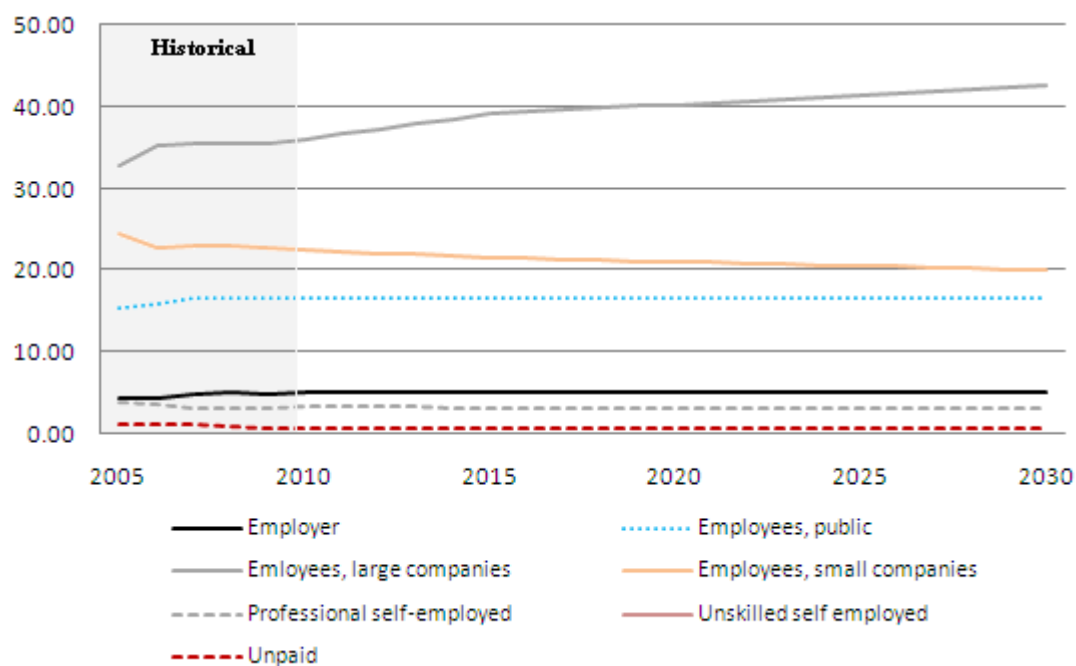
Table 19: Summary of the Labor Force Main Projection Results, thousands, 2011-2030

000	Total				
	2011	2015	2020	2025	2030
Working-age	26,512	27,625	28,793	29,927	30,982
Economically Active	18,555	19,459	20,480	21,402	22,253
Employed	16,852	17,706	18,682	19,560	20,364
Unemployed	1,702	1,754	1,798	1,841	1,889
Economically Inactive	7,958	8,166	8,313	8,525	8,728
	<b>Male</b>				
Working-age	13,232	13,795	14,389	14,968	15,505
Economically Active	10,934	11,410	11,932	12,390	12,802
Employed	10,118	10,577	11,087	11,531	11,927
Unemployed	816	833	845	859	875
Economically Inactive	2,298	2,384	2,457	2,577	2,704
	<b>Female</b>				
Working-age	13,280	13,831	14,403	14,959	15,476
Economically Active	7,620	8,049	8,548	9,011	9,452
Employed	6,734	7,128	7,595	8,029	8,437
Unemployed	886	921	952	983	1,015
Economically Inactive	5,659	5,782	5,856	5,948	6,024

Source: Own calculation based on (UN, 2009) and model assumptions

For the distribution of employed population according to the degree of formality and type of employment arrangement, the disaggregation shown in figure 31 was obtained for the historical period expressed as a percentage of the labor force. Assumptions were then made on the future development of each percentage in two points: 2015 and 2030. Using linear extrapolation, the following chart illustrates each employment arrangement as a percentage of total employment.

Figure 33: Labor Market Model's Assumptions: Employed Population by Contract Type as a Percentage of Total Employed



By multiplying each rate by the employed population for the corresponding year, we obtain employment disaggregated by the different working arrangements.

Table 20: Disaggregation of Employed Population by Type of Employment, thousands, 2011-2030

000	2011	2015	2020	2025	2030
Total Employment	16,852	17,706	18,682	19,560	20,364
Employer	831	885	934	978	1,018
Salaried Employees	12,700	13,633	14,510	15,322	16,088
Public	2,787	2,921	3,083	3,227	3,360
Private, large	6,155	6,905	7,504	8,085	8,655
Private, small	3,758	3,807	3,923	4,010	4,073
Self-employed	3,185	3,045	3,092	3,110	3,106
Professional	571	567	601	632	662
Unskilled	2,615	2,479	2,491	2,478	2,444
Unpaid	136	142	146	150	153

### 5.1.3. Macroeconomic Model:

The model is built on the neoclassical long-run path of economic growth, which decomposes growth into two components: the growth rate of the employed population and technological progress. The growth of employment is fed directly from the labor force model. In the study model, the technological progress is assumed to be captured by labor productivity growth. Over the period of 2005-2010, labor productivity in Argentina grew at an average annual rate of 4.97 percent. The study assumes that this rate will remain the same over the projection period. For the inflation rate (CPI), the average annual rate over the past 5 years, which was estimated at 9.05 percent, is expected to decline slowly to reach 9 percent by 2015, decline to 8 percent by 2020 and 7 percent by 2030. GDP deflator is linked to CPI and starting from 2020 the two rates are equated.

For the rates of real wage growth, the study assumes that they will ultimately converge to grow in line with growth in labor productivity. However, the model allows for different paces at which the convergence occurs. The following chart illustrates the growth rates in the different wage earner.

Figure 34: Macroeconomic Model's Assumptions- Growth in Real Wages

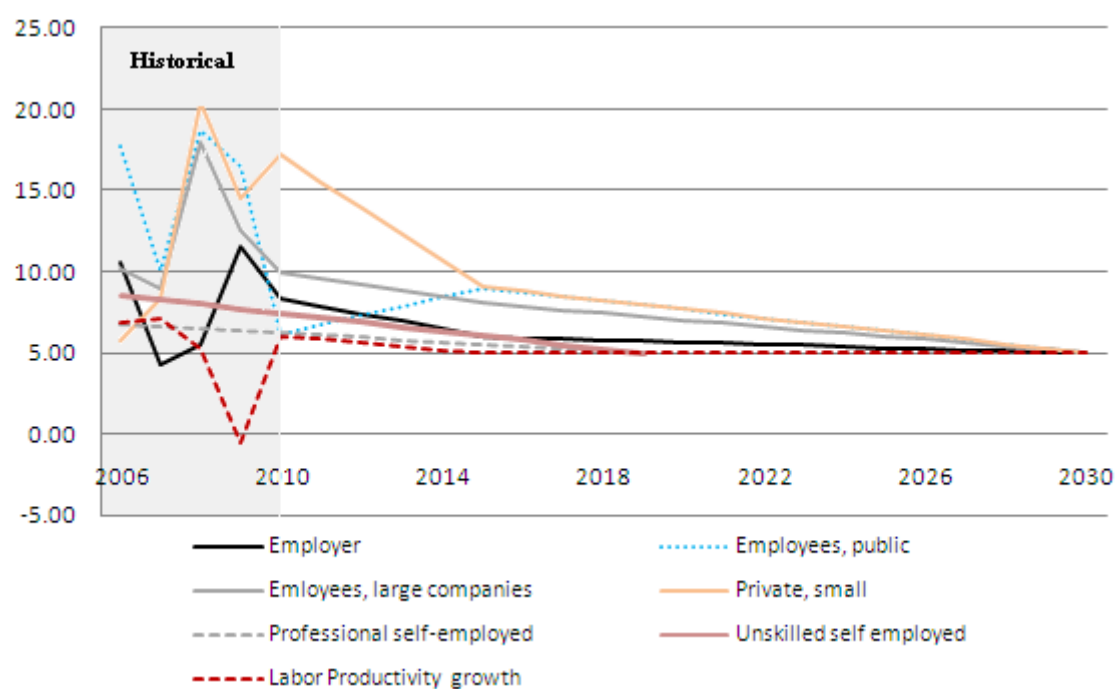


Table 21: Summary of Main Macroeconomic indicators, 2010-2030

Economic Indicators	2011	2015	2020	2025	2030
GDP, current prices, Millionpesos	1,899,521	4,467,086	9,896,029	19,132,146	35,934,817
GDP per capita, current pesos	46,273	104,990	223,366	416,977	760,440
Inflation (CPI), percent	10.32	9.00	8.00	7.50	7.00
GDP growth, real	7.25	6.21	6.03	5.89	5.77
Average nominal wage, employees only, pesos	33,485	68,368	149,115	298,194	551,531
Real wage growth, employees only	9.99	8.62	7.36	6.19	5.03
Total wages / GDP ratio	28.88	26.07	26.95	29.15	29.92
Salaries (employees) / GDP ratio	22.39	20.87	21.86	23.88	24.69

## 5.2. Projection of Individual Parts

### 5.2.1. The Social Insurance Program (SIPA)

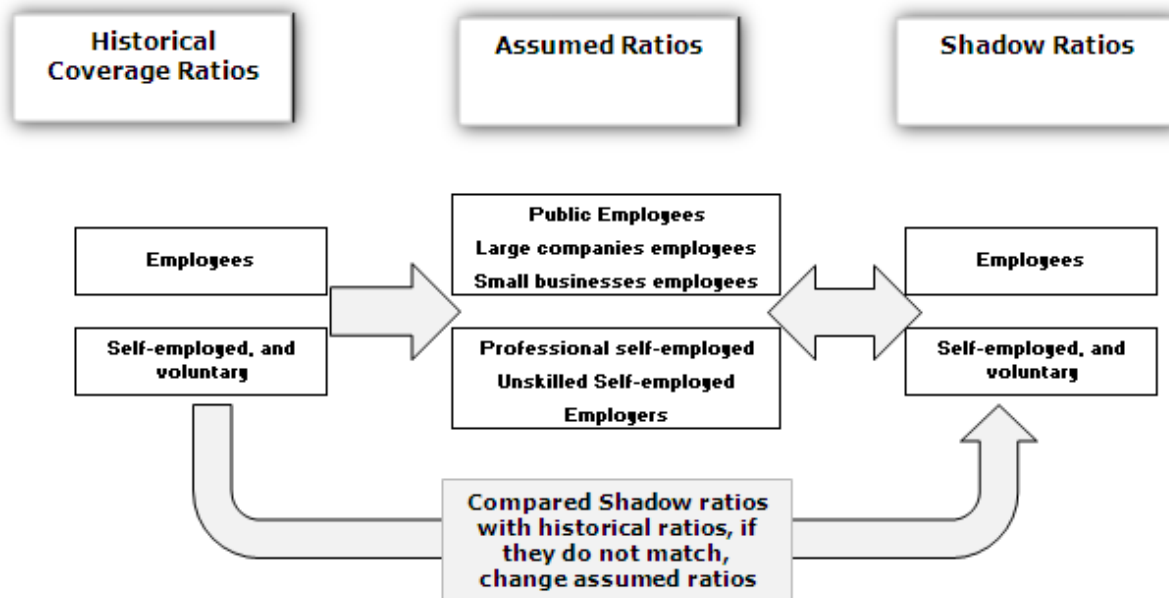
Two main constraints have limited our ability to perform an in-depth actuarial valuation to better assess the Social Insurance future development, these constraints are: Data constraints and time constraints. A full actuarial review is very demanding in terms of data (e.g. mortality and invalidity tables, system wage distribution, and many others). Such exercise will also require substantially more time. The study, nonetheless, uses a set of generalized assumptions to overcome the data shortages. The model developed is divided into 5 steps:

#### **First: projecting the contributory population:**

The SIPA's published data on contributors is disaggregated only as employees, self-employed and voluntary contributors only. For the historical period 2005-2009, coverage ratios for the employees and the self-employed/voluntary can be obtained directly by dividing the SIPA data by the corresponding labor force data.

While there is no data availability on further disaggregation of the employed population, a set of coverage ratios is assumed for 2008 and 2009. To control for the reasonability of these assumed ratios, we calculated "shadow" coverage ratios for both employees, and the self-employed/voluntary populations based on the assumed ratios and we made needed adjustment until these shadow ratios matched those historical coverage ratios for the self-employed/voluntary populations. The following figure presents the process.

Figure 35: Model for Projecting SIPA's Contributors



For projecting the above ratios, the model explicitly make assumptions on the assumed ratio to be reached by the end of 2030 and interpolated these ratios between 2010 and 2030. Then coverage ratios for employees and self-employed are calculated directly. The following table presents these assumptions.

Table 22: SIPA’s Assumptions: Coverage Ratio for the Different employment Arrangements

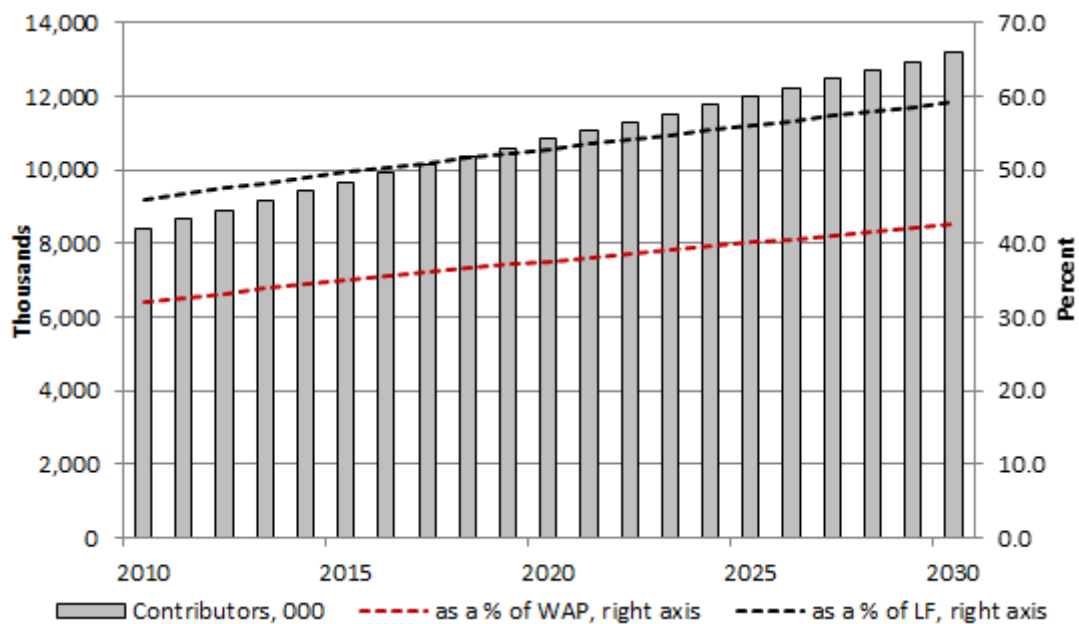
Coverage ratios	2008	2009	2010	By 2030
Public Employees	85.0	85.0	85.0	85.0
Large companies employees	70.0	70.0	70.0	85.0
Small business employees	10.0	10.0	10.0	30.0
Professional self-empl	65.0	70.0	70.0	70.0
Unskilled self-empl	32.0	35.0	35.0	40.0
Employers	25.0	25.0	25.0	30.0

The product of the above ratios and the corresponding figures from the projection results of the labor model produces the SIPA contributors disaggregated in a meaningful way.

Table 23: SIPA’s Contributors disaggregated by Type of Employment Contact, thousands, 2010-2030

000	2010	2015	2020	2025	2030
Total contributors	8,422	9,674	10,832	11,999	13,181
Employees	6,893	8,147	9,221	10,315	11,434
Public	2,339	2,483	2,620	2,743	2,856
Private, large	4,179	5,093	5,816	6,569	7,357
Private, small	374	571	785	1,002	1,222
Self-empl and voluntary cont.	1,529	1,528	1,612	1,684	1,746
Professional self-empl	400	397	421	443	463
Unskilled self-empl	925	899	934	960	977
Employers	204	232	257	281	305

Figure 36: SIPA’s contributors in thousands (left axis) and as a percentage of Working-Age Population and Labor Force (right axis), 2010-2030



## Second: projecting contribution income

Information needed to complete this projection include: contribution rates and number of contributors (disaggregated by type of contributor and type of benefit), and average insurable wage for each employment type (after applying maximum earnings). For each type of contributor (employee, employer, self-employed, etc.) and for each different branch of insurance (pension, health, family allowance, unemployment), the following formula can be used.

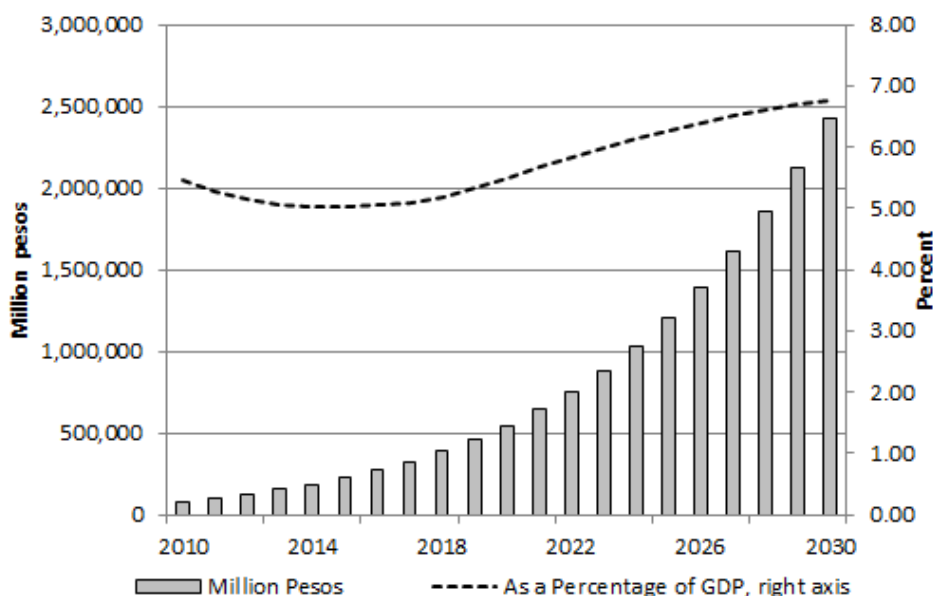
$$\text{Contribution} = \text{Contribution Rate} \times \text{Contributors} \times \text{Average Insurable Wage}$$

Then, Total contribution can be obtained by summing up for all benefits and contributors,

$$\text{Total Contribution} = \sum_{\substack{\text{type of} \\ \text{contributor}}} \sum_{\substack{\text{branch} \\ \text{of insurance}}} \text{Contribution}$$

A detailed contribution rates are described in chapter 3. Furthermore, SIPA contributors were projected in the previous section. As for the average insurable wage, this requires to have the income distribution for the insured population, which is not available. The study overcomes this by using the wage structure already projected in the macroeconomic model (does not have a cap on earnings) and then make needed adjustments based on the historical total contribution in 2009. The resulted total contribution is found to have overstated the actual total contribution by almost 16.4 percent. This is assumed to be due to two elements: the effect of the ceiling and error component. To correct for this, we assumed that over the projection period actual total contribution is equal to the product of a factor of 85.9 percent and the total contribution calculated assuming no ceiling on earnings.

Figure 37: Projected Total Contribution in Million Pesos and as a Percentage to GDP (right axis), 2010-2030



## Third: Projecting Number of Beneficiaries and Benefit Level

The following table summarizes the set of assumptions used to derive number of the beneficiary and average benefit level per beneficiary.

Table 24: Drivers for the Number of Beneficiaries and the Average Benefit level, by Type of Benefit

	<b>Drivers for the Number of Beneficiaries</b>	<b>Drivers for the Benefit level</b>
<b>Old-age pension</b>	Maintaining the coverage ratio among the elderly population	
Contributory old-age	Maintaining its relative size to the total old-age pension	Maintaining the ratio of benefit to average wage
Non-contributory old-age	Maintaining its relative size to the total old-age pension	Maintaining the ratio of benefit to per capita income
<b>Disability and survivor pension</b>	Sum of contributory and non-contributory	
Contributory	Maintaining its relative size to the total contributory pensions (old-age+ disability)	Maintaining the ratio of benefit to average wage
Non-contributory	Maintaining its relative size to the total non-contributory pensions (old-age+ disability)	Maintaining the ratio of benefit to per capita income
<b>Contributory Utility Subsidy</b>	Maintaining its relative size to the total contributory pensions (old-age+ disability)	Maintaining its relative size to the contributory average pension
<b>Other non-contributory pensions</b>		
Veterans of the Malvinas war	No change in the number of beneficiaries	Maintaining the ratio of benefit to per capita income
Pensions given by Congress	The assumption is that the pattern decreased will continue. The Model allows users to select the number of beneficiaries by 2030 and interpolate during the projection period.	Maintaining the ratio of benefit to per capita income
Mothers with 7+	The assumption is that it will decrease over time. The Model allows users to select the number of beneficiaries by 2030 and interpolate during the projection period.	Maintaining the ratio of benefit to per capita income
<b>Unemployment and maternity benefit</b>	Maintaining the ratio of beneficiaries to contributors.	Maintaining the ratio of benefit to average wage
<b>Pre-natal benefit</b>	Maintaining the ratio of beneficiaries to contributors.	Maintaining the ratio of benefit to per capita income
<b>Family allowances, monthly payment</b>		
Contributory child allowance	The assumption is that its ratio to total number of contributors will decrease. The Model allows users to select this ratio by 2030 and interpolate during the projection period. The study assumes this ratio will fall from 33.67% in 2010 to 25% in 2030	Maintaining the ratio of benefit to per capita income
Contributory children with disability	Maintaining its relative size to the contributory child allowance	Maintaining the ratio of benefit to per capita income
Non-contributory child allowance	The assumption is that its ratio to total number of non-contributory pensioners will decrease. The Model allows users to select this ratio by 2030 and interpolate during the projection period. The study assumes this ratio will fall from 18.12% in 2010 to 15% in 2030	Maintaining the ratio of benefit to per capita income
Non-contributory children w. disability	Maintaining its relative size to the non-contributory child allowance	Maintaining the ratio of benefit to per capita income
Non-contributory spouse allowance	Maintaining its relative size to the non-contributory pensioners	Maintaining the ratio of benefit to per capita income
<b>Family allowances, lump-sum amount</b>		
Birth grant	The assumption is that its ratio to total number of contributors will decrease. The Model allows users to select this ratio by 2030 and interpolate during the projection period. The study assumes this ratio will fall from 2.34% in 2010 to 2% in 2030	Maintaining the ratio of benefit to per capita income
Adoption grant and marriage	Maintaining the ratio of beneficiaries to contributors.	Maintaining the ratio of benefit to per capita income
Contributory school allowance	Maintaining its relative size to the contributory child allowance	Maintaining the ratio of benefit to per capita income
Non-contributory school allowance	Maintaining its relative size to the non-contributory child allowance	Maintaining the ratio of benefit to per capita income



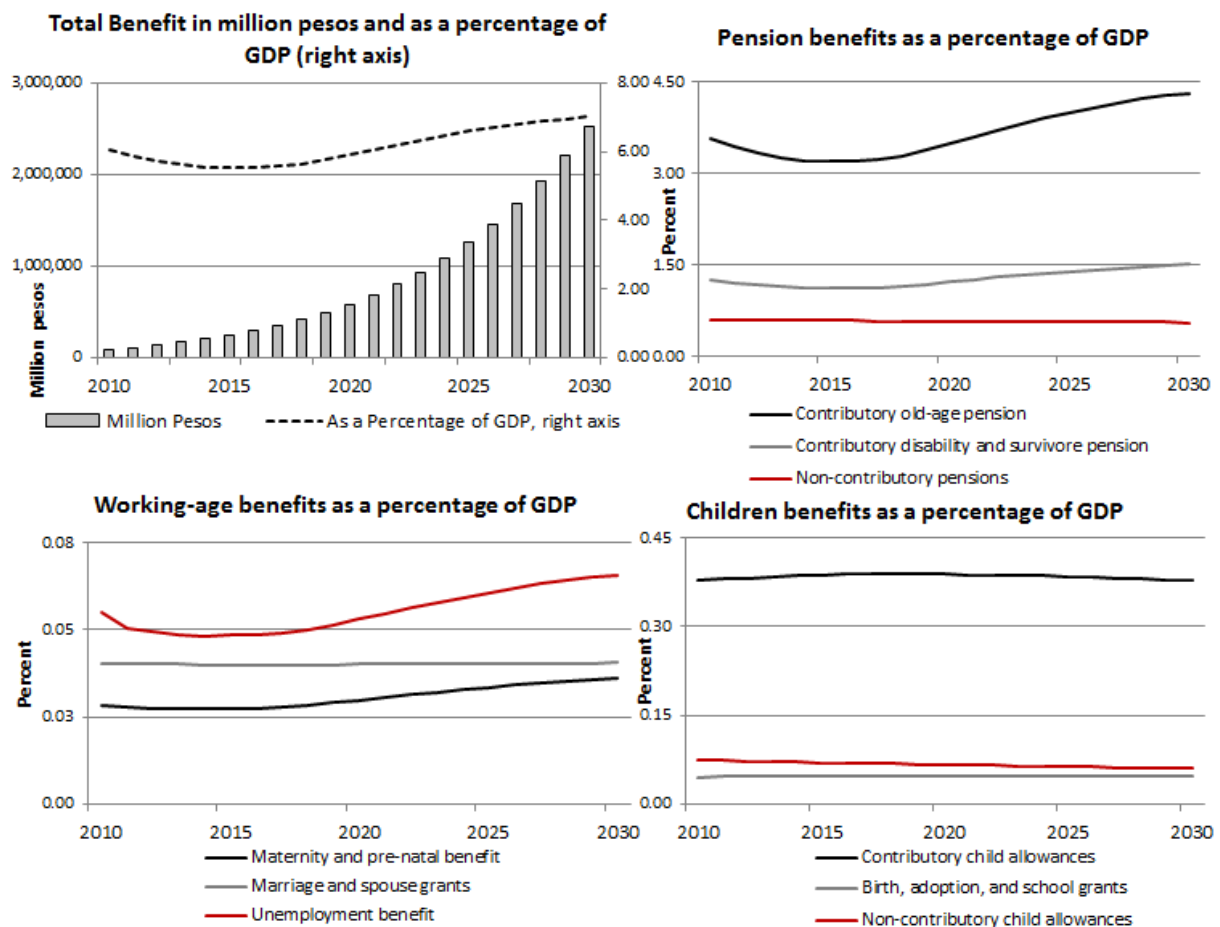
#### Fourth: Projecting Total Benefit

The amount of spending on each benefit is obtained directly as the product of the number of beneficiaries of each benefit and the corresponding benefit level. The following table shows the cost development disaggregated by the type of benefit.

Table 25: Total Benefits in Million Pesos, 2010-2030

	2010	2015	2020	2025	2030
<b>Contributory Benefit</b>	<b>79367.01</b>	<b>216176.5</b>	<b>518814.5</b>	<b>1134799</b>	<b>2288884</b>
<b>1-pension</b>	<b>71,830</b>	<b>193,286</b>	<b>467,279</b>	<b>1,033,665</b>	<b>2,098,773</b>
Old-age pension	53,201	143,159	346,095	765,595	1,554,478
Disability and Survivor pension	18,588	50,018	120,922	267,490	543,117
Utility Subsidy	40	109	262	580	1,178
<b>2- Unemployment</b>	<b>817</b>	<b>2,161</b>	<b>5,251</b>	<b>11,616</b>	<b>23,632</b>
<b>3- Family allowances</b>	<b>6,720</b>	<b>20,730</b>	<b>46,284</b>	<b>89,519</b>	<b>166,479</b>
Child	5,296	16,373	36,320	69,553	128,223
Children with disability	306	947	2,101	4,023	7,416
Maternity	309	865	2,102	4,649	9,458
Prenatal	109	359	855	1,767	3,540
<u>Lump-sum Family allowances</u>	<u>700</u>	<u>2,186</u>	<u>4,907</u>	<u>9,527</u>	<u>17,842</u>
Birth grants	114	362	830	1,649	3,171
Adoption grant	2	6	15	31	63
Marriage grant	55	183	436	902	1,807
School allowances	529	1,635	3,626	6,944	12,802
<b>None-Contributory Benefit</b>	<b>10,672</b>	<b>31,086</b>	<b>67,220</b>	<b>127,495</b>	<b>235,114</b>
<b>1-Pension</b>	<b>8,995</b>	<b>26,272</b>	<b>56,953</b>	<b>108,300</b>	<b>200,258</b>
Old-age, disability and survivor Pension	4,252	13,514	32,019	66,215	132,388
Veterans of the Malvinas war	696	2,002	4,260	7,952	14,501
Pensions given by Honorable Congress	1,023	2,667	5,088	8,401	13,323
Mothers with 7+	3,023	8,088	15,587	25,732	40,045
<b>2- Family allowances</b>	<b>1,677</b>	<b>4,814</b>	<b>10,267</b>	<b>19,195</b>	<b>34,856</b>
Child	507	1,434	3,011	5,534	9,868
Children with disability	596	1,685	3,538	6,505	11,598
Spouse allowances	543	1,605	3,528	6,807	12,767
<u>Lump-sum Family allowances</u>	<u>32</u>	<u>90</u>	<u>190</u>	<u>349</u>	<u>623</u>
School allowances	32	90	190	349	623
<b>Total Benefits</b>	<b>90,039</b>	<b>247,262</b>	<b>586,035</b>	<b>1,262,295</b>	<b>2,523,998</b>

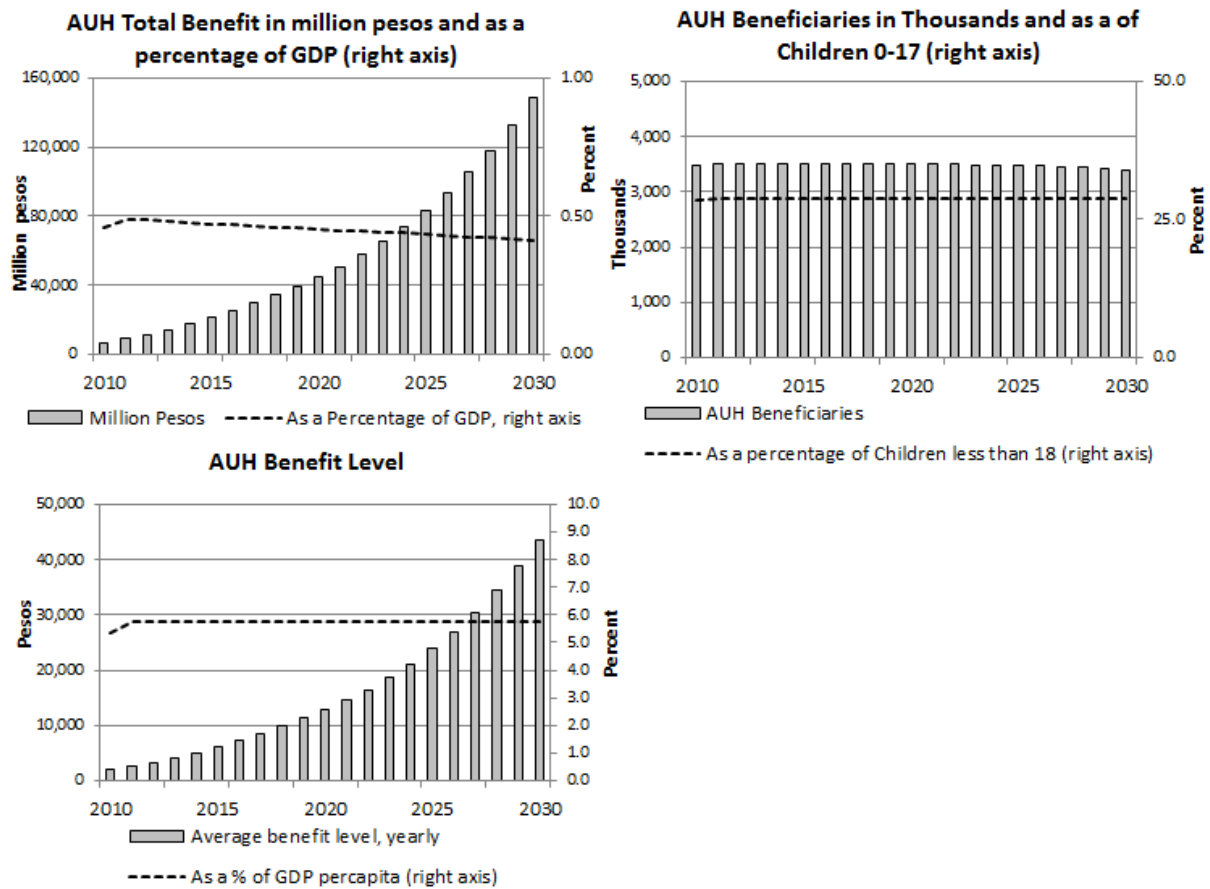
Figure 38: Benefits disaggregation by Working Status, 2010-2030



### 5.2.2. Non-Contributory Programs (Other than SIPA's)

For the Universal Child Allowance (AUH), it is assumed that the most recent (early 2011) coverage rate among children of age 18 or less will remain constant throughout the projection period. Benefit amount per beneficiary is linked to GDP per capita. Total amount spent on the benefit is obtained as the product of the number of beneficiaries and the benefit amount.

Figure 39: AUH Cost, Benefit, and Beneficiaries, 2010 -2030



For the other non-contributory benefits, which mainly cover working-age population, the starting assumption is that their combined coverage as a percentage of the overall working-age population will remain constant throughout the projection period. However, the PJJJ coverage will decline constantly until it is completely phased out by the end of the projection period. To make up for this coverage loss and to maintain the coverage ratio constant among the working-age population, other programs are expected to grow at a slightly higher rate than the growth rate of the working-age population. Nevertheless, their relative size in terms of their coverage is maintained. For each program, benefit amount per beneficiary is linked to GDP per capita. Total amount spent on each benefit is obtained as the product of the number of beneficiaries of this benefit and the benefit amount.

Figure 40: Beneficiaries of Selected Non-Contributory Programs in Thousands and as a Percentage of Working-age Population, 2010 – 2030

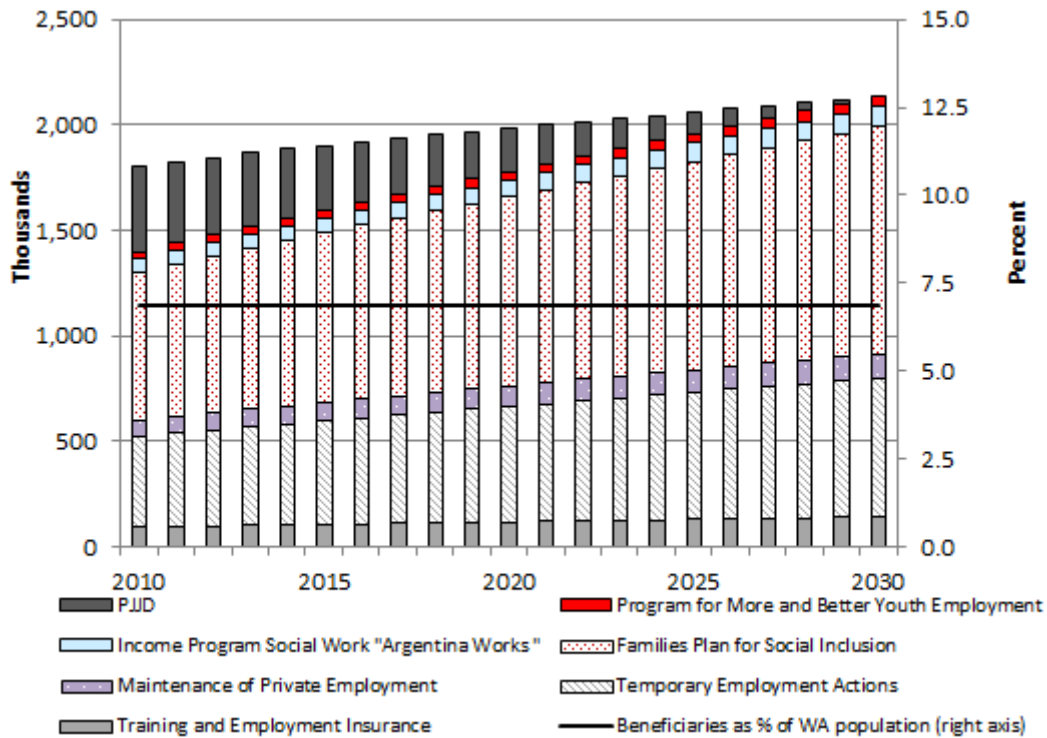
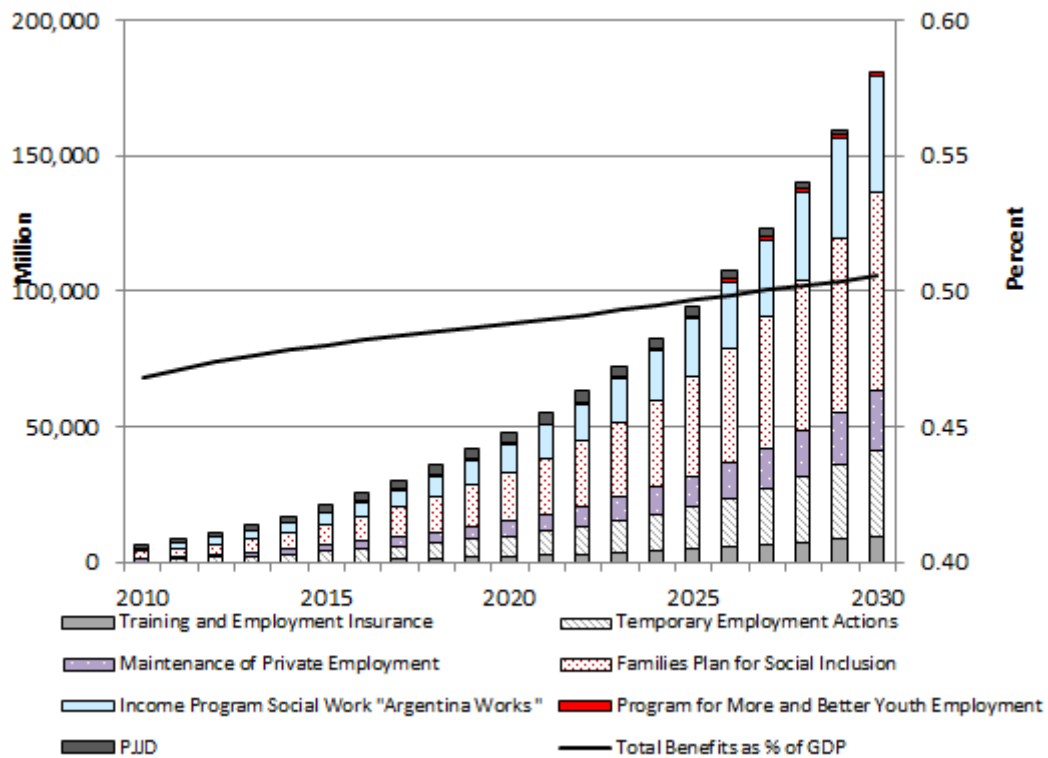


Figure 41: Expenditure on Selected Non-Contributory Programs in Million Pesos and as a Percentage of GDP, 2010 – 2030



### 5.3. Public Finance Projections

Several approaches are used in projecting the consolidated Public Budget, the main categories include:

- All budget items (except Social Security contributions and benefits, and interest payments):

The model starts by making assumptions on each item/GDP ratio in 2030 and then extrapolates linearly between the most available item/GDP ratio and those assumed in 2030. The following table summarizes the assumptions made on each item/GDP ratio in comparison with the historical data.

Table 26: Historical averages and Assumed values for a Selected consolidated National Budget Item as a percentage of GDP

Budget Item	Average ratio 2005-2009	Assumed by the end of the projection
Tax revenue	13.05	13.00
Non-tax revenue	0.40	0.50
others	0.87	1.00
Capital revenue	0.15	0.20
Payroll	1.93	2.00
Goods and services	0.78	1.00
Transfers to other institutions	5.13	5.00
Others	0.08	0.10
Capital Expenditure	2.37	2.50

- Social Security Contributions and Benefits:

The model uses the same structure used by the national budget authority, which includes a separate budget for the Social Security institutions and another one for the consolidated national budget (includes social security accounts after some adjustments). The projected social insurance received contributions and paid benefits already completed in the previous sections are for the budget for the Social Security institutions. To move to the consolidated budget, we used a correction factor.

For the received contributions, there is no need to apply a correction factor since they included all contributions by all social security major systems and they were also corrected to capture the presence on ceiling on earned incomes. Therefore, there is no need to re-apply another correcting factor to move from the Social Security Institution's budget to the consolidated government Budget.

For the paid benefits, the consolidated budget social security benefits are obtained by multiplying the projected benefits by a correction factor of 1.089, which is based on the past five years.

- Public debt development:

Firstly, it is assumed that the declining pattern of the public debt/GDP ratio over the past 5 years will continue during the projection period. For the year 2010, this ratio is assumed at 50 percent. Between 2010 and 2020, the ratio will decline linearly to reach 40 percent by 2020 and thereafter.

Secondly, the change in public debt between beginning of the year and year end is decomposed into two parts:

Adjustments (e.g. currency changes): these changes appear to be random with higher variation following the financial crisis. For the year 2010, these adjustment expressed as a percentage of GDP is assumed to be equal that of 2009 and will decline linearly to reach zero by 2030.

Borrowing/paying-back changes: The following equation illustrate the calculation for year t:

$$Borrowing_t = Debt\ end\ of\ year_t - Debt\ end\ of\ year_{t-1} - Adjustment_t$$

- Interest Payments:

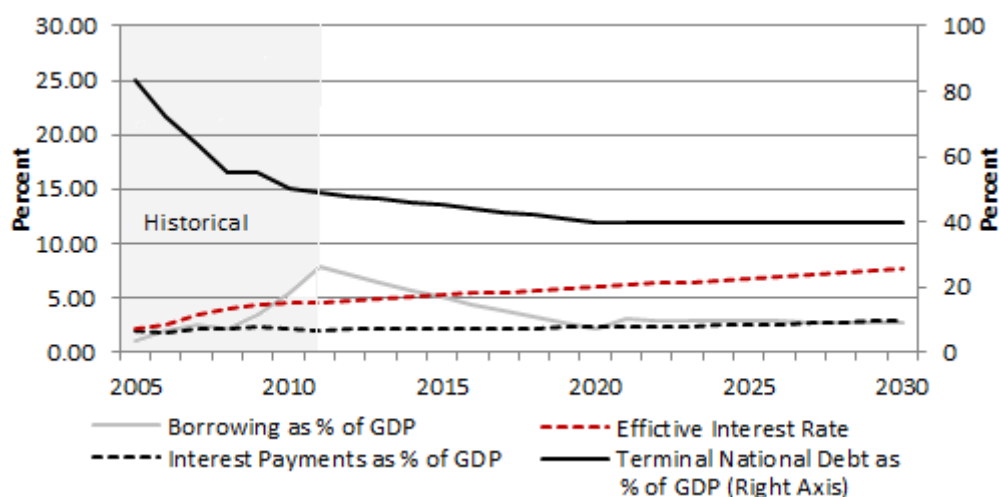
The starting point was to calculate the implicit interest for the historical period. For year t, the rate is calculated as follows:

$$Implicit\ rate_t = \frac{interest\ payment_t}{debt\ begining\ year_t + 0.5 \times (borrowing_t + adjustments_t)}$$

For the projection period, the model uses the implicit rate of year 2009, estimated at 4.32 percent, indexed with 1/3 of the inflation rate in Argentina. For any year t, interest payment is computed as follows:

$$Interest\ payment_t = Implicit\ rate_t \times (debt\ begining\ year_t + 0.5 \times (borrowing_t + adjustments_t))$$

Figure 42: Interest rates (percent), Terminal National debt (percent of GDP), Interest Payment (percent of GDP), and Borrowing (Percent of GDP)



- Financing Budget Surplus (Deficit)

Both total expenditure and total revenue are now calculated for each year in the projection period. Budget surplus (deficit) is obtained directly by subtracting expenditure from revenue. The surplus (deficit) is financed by either borrowing or through changes in the national financial investment. Borrowing is already derived above, the changes in financial investment is the part of the budget surplus (deficit) that is not financed by borrowing.

Putting everything together, the consolidated budget is illustrated in the following table

Table 27: Consolidated National Budget, 2010-2030

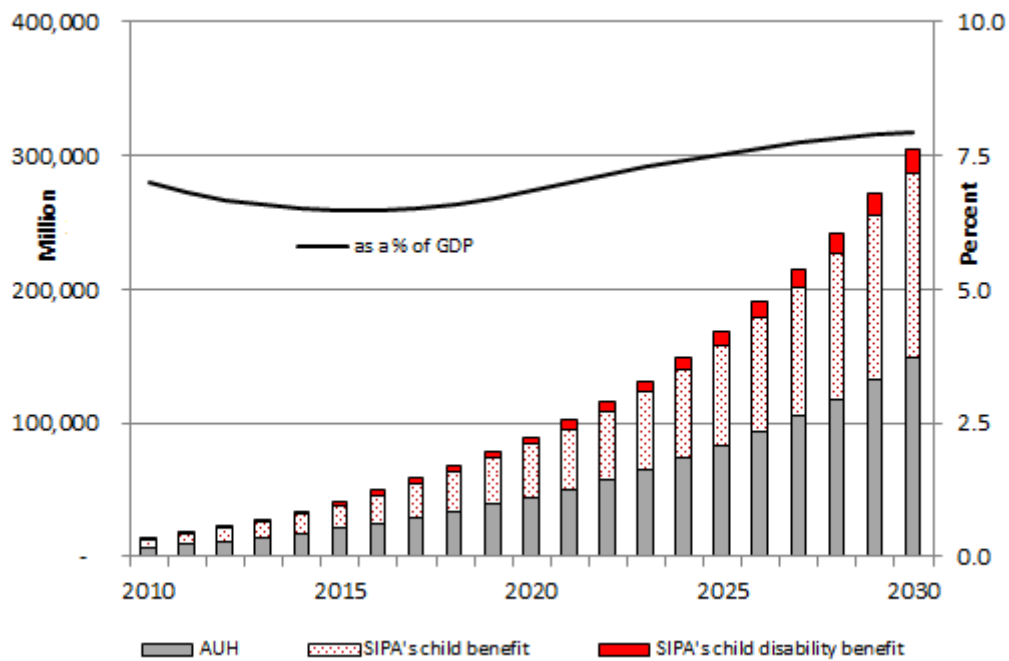
	Million pesos				Percentage of GDP			
	2010	2015	2020	2030	2010	2015	2020	2030
<b>Revenues</b>								
<b>Total Revenue</b>	<b>295,715</b>	<b>873,940</b>	<b>1,987,752</b>	<b>7,711,869</b>	<b>19.923</b>	<b>19.564</b>	<b>20.086</b>	<b>21.461</b>
Recurrent revenue	293,427	866,542	1,970,229	7,640,000	19.768	19.398	19.909	21.261
Tax revenue	193,773	582,552	1,289,188	4,671,526	13.055	13.041	13.027	13.000
Non - tax revenue	5,924	18,954	44,487	179,674	0.399	0.424	0.450	0.500
Social Security contribution	80,853	224,802	544,147	2,429,451	5.447	5.032	5.499	6.761
Others	12,877	40,233	92,407	359,348	0.868	0.901	0.934	1.000
Capital revenue	2,288	7,398	17,523	71,870	0.154	0.166	0.177	0.200
<b>Expenditure</b>								
<b>Total Expenditure</b>	<b>280,600</b>	<b>828,838</b>	<b>1,896,328</b>	<b>7,594,590</b>	<b>18.904</b>	<b>18.554</b>	<b>19.163</b>	<b>21.134</b>
Recurrent expenditure	245,480	721,648	1,655,554	6,696,220	16.538	16.155	16.729	18.634
Payroll	28,619	86,932	194,362	718,696	1.928	1.946	1.964	2.000
Goods and services	11,520	37,169	87,881	359,348	0.776	0.832	0.888	1.000
Interest payments	30,032	96,928	225,125	1,035,897	2.023	2.170	2.275	2.883
Social Security benefits	98,087	269,363	638,417	2,749,603	6.608	6.030	6.451	7.652
Transfers to institutions	76,076	227,551	500,999	1,796,741	5.125	5.094	5.063	5.000
others	1,147	3,705	8,771	35,935	0.077	0.083	0.089	0.100
Capital expenditure	35,120	107,190	240,774	898,370	2.366	2.400	2.433	2.500
<b>Gross Surplus (Deficit)</b>	<b>15,115</b>	<b>45,101</b>	<b>91,424</b>	<b>117,279</b>	<b>1.018</b>	<b>1.010</b>	<b>0.924</b>	<b>0.326</b>
<b>Financing</b>								
<b>Total Financing</b>	<b>15,115</b>	<b>45,101</b>	<b>91,424</b>	<b>117,279</b>	<b>1.018</b>	<b>1.010</b>	<b>0.924</b>	<b>0.326</b>
Change in public debt	80,267	226,044	214,351	954,210	5.408	5.060	2.166	2.655
Change in financial investment	-65,152	-180,942	-122,927	-836,931	-4.389	-4.051	-1.242	-2.329
<b>National Debt development</b>								
Beginning of the year	631,317	1,692,793	3,543,171	12,701,021	42.532	37.895	35.804	35.345
End of the year	742,162	2,010,189	3,958,411	14,373,927	50.000	45.000	40.000	40.000
Adjustment (currency etc)	30,577	91,352	200,889	718,696	2.060	2.045	2.030	2.000
Borrowing	80,267	226,044	214,351	954,210	5.408	5.060	2.166	2.655
Interest payment	30,731	96,928	225,125	1,035,897	2.070	2.170	2.275	2.883

## 6. SOCIAL CASH TRANSFER SYSTEM: COMBINED COVERAGE AND AGGREGATED COST

### 6.1. Pre-working Age Population

Combined spending on cash transfer directed to pre-working age population age less than 18 by SIPA and AUH programs amounted 14,176.51 million pesos in 2010, which accounted for 0.955 percent of the GDP for the same year. The future development is illustrated below:

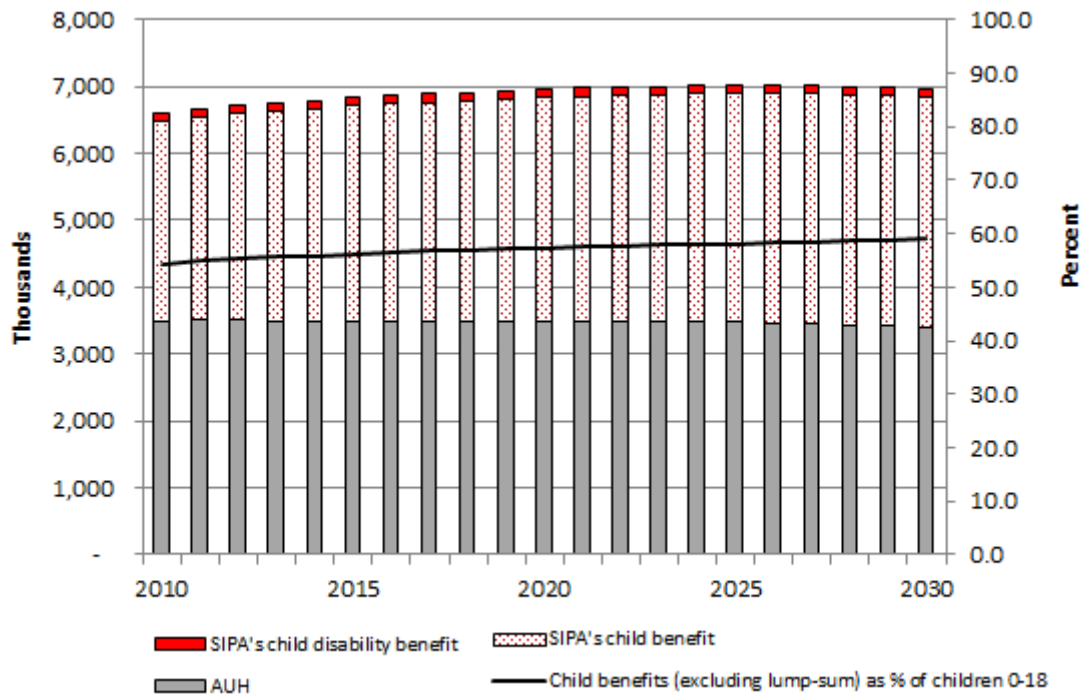
Figure 43: Total Cash Transfer Expenditure on Pre-Working Population, Million Pesos and as a Percentage of GDP (Right Axis)



In terms of coverage, both programs covered 6.61 million children in 2010, which is 54.25 percent of the population age 18 or less for the same year. The future development is illustrated below:



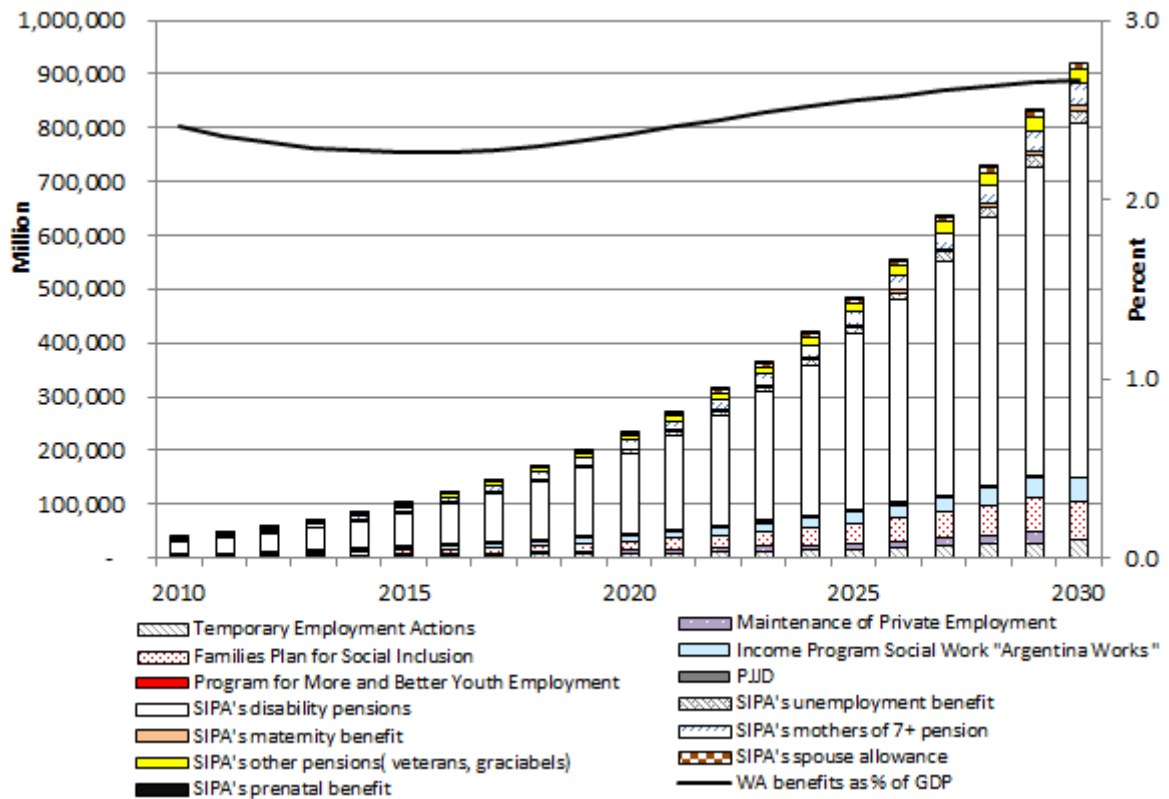
Figure 44: Combined Coverage among Pre-Working Population, thousands and as a Percentage of Population Less than 18 Years-old



## 6.2. Working-Age Population

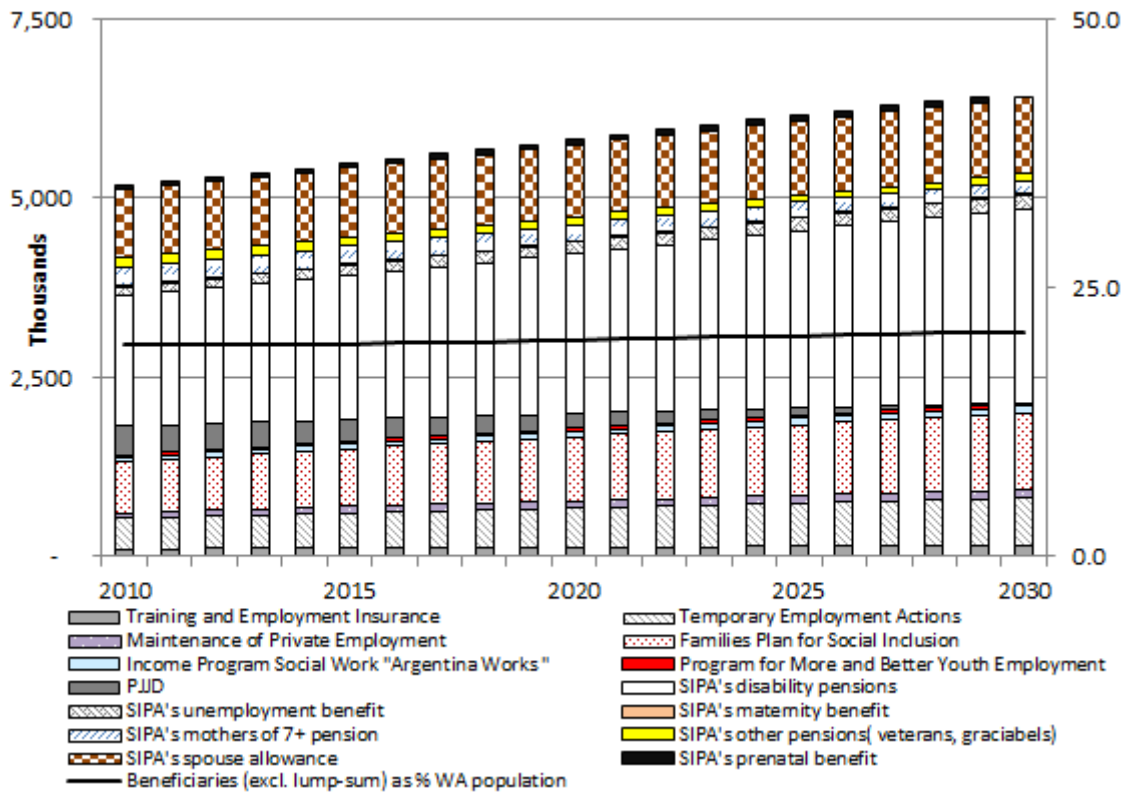
Total spending on cash transfer directed to working age population amounted 35,828.79 million pesos in 2010, which accounted for 2.41 percent of the GDP for the same year. The future development is illustrated below:

Figure 45: Total Cash Transfer Expenditure on Pre-Working Population, Million Pesos and as a Percentage of GDP (Right Axis)



In terms of coverage, the above programs covered 5.16 million individuals in 2010, which is 19.70 percent of the population age between 15 and 65 for the same year. The future development is illustrated below:

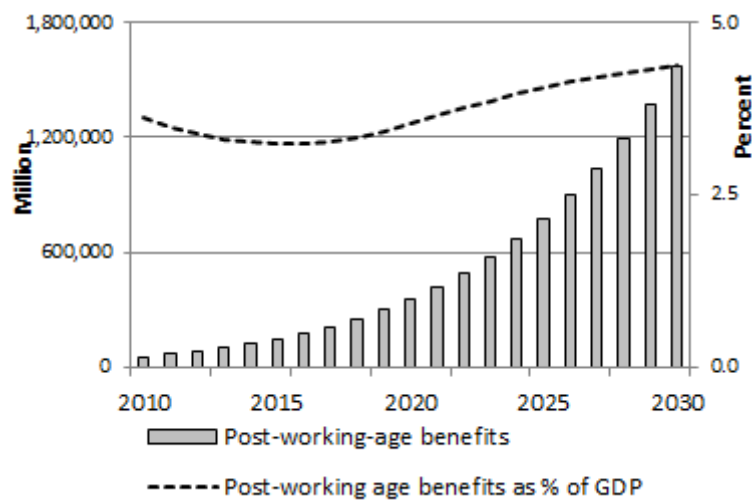
Figure 46: Combined Coverage among Working Age Population, thousands and as a Percentage of Population Between ages 15-65



### 6.3. Post-working Age Population

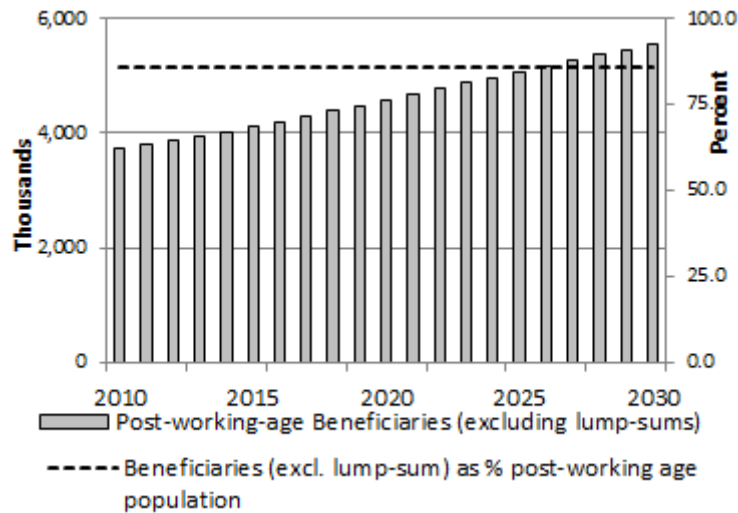
Total spending on cash transfer directed to post-working age population amounted 53,782.36 million pesos in 2010, which accounted for 3.62 percent of the GDP for the same year. The future development is illustrated below:

Figure 47: Total Cash Transfer Expenditure on Post-Working Age Population, Million Pesos and as a Percentage of GDP (Right Axis)



In terms of coverage, the pension systems covered 3.72 million individuals in 2010, which is 85.85 percent of the population age 65 and higher for the same year. The future development is illustrated below:

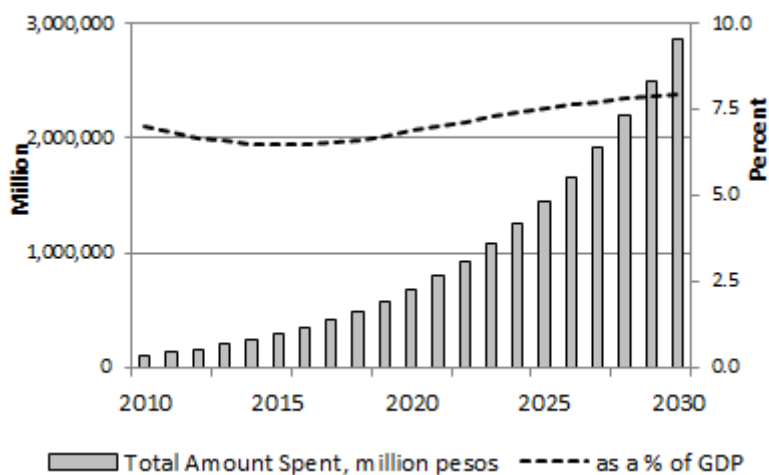
Figure 48: Coverage among Post-Working Age Population, thousands and as a Percentage of Population Age 65 and Higher



#### 6.4. Overall Population

Total spending on cash transfer by all programs studied amounted 103,787.65 million pesos in 2010, which accounted for 6.99 percent of the GDP for the same year. The future development is illustrated below:

Figure 49: Total Cash Transfer Expenditure, Million Pesos and as a Percentage of GDP (Right Axis)



These programs benefited 15.49 million individuals in 2010, which is 38.84 percent of the overall population in Argentina for the same year. The future development is illustrated below:

Figure 50: Combined Coverage, thousands and as a Percentage of Population

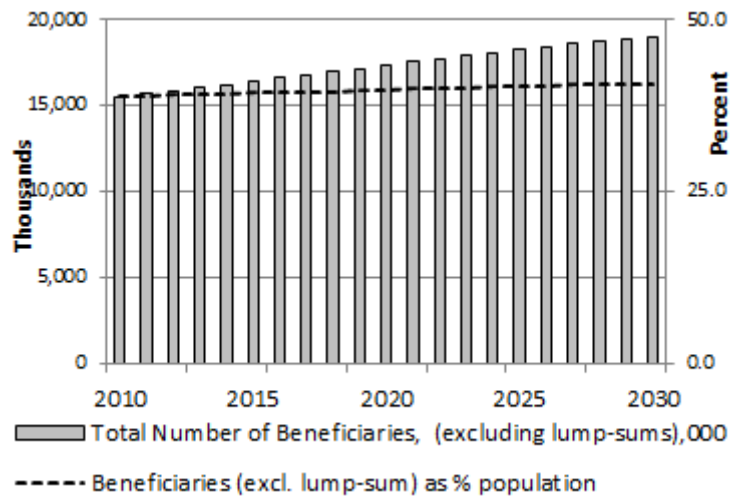


Figure 51: Population Disaggregated by Income source, 2010 - 2030

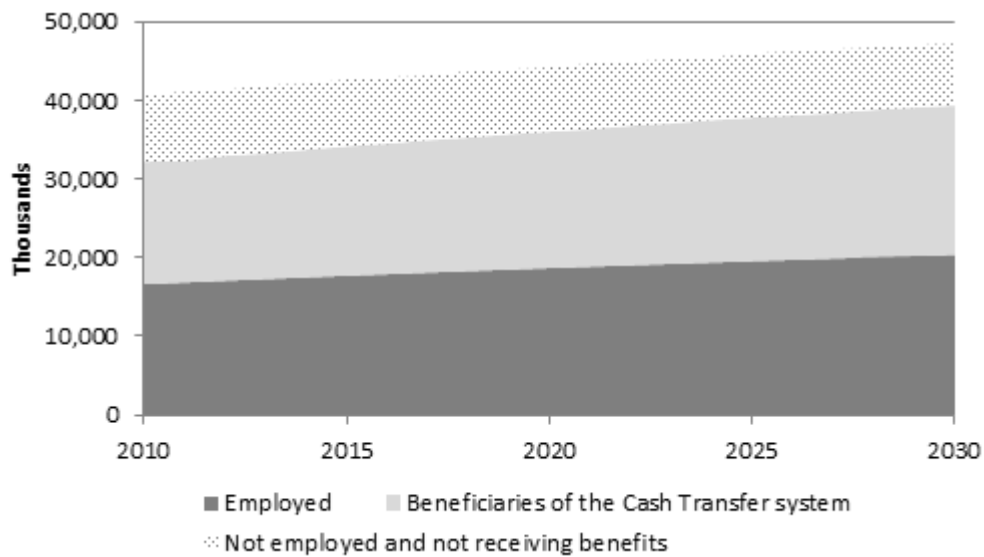


Table 28: Detailed Social Cash Transfer Expenditure and financing, 2010 -2030

	Million pesos				Percentage of GDP			
	2010	2015	2020	2030	2010	2015	2020	2030
<b>Pre-Working Age</b>	<b>14,177</b>	<b>43,617</b>	<b>94,464</b>	<b>322,176</b>	<b>0.955</b>	<b>0.976</b>	<b>0.955</b>	<b>0.897</b>
SIPA's child benefit	5,803	17,807	39,330	138,091	0.391	0.399	0.397	0.384
SIPA's child disability benefit	902	2,632	5,639	19,013	0.061	0.059	0.057	0.053
SIPA's lump-sums (birth, adoption, school help)	676	2,093	4,661	16,658	0.046	0.047	0.047	0.046
AUH	6,795	21,085	44,834	148,414	0.458	0.472	0.453	0.413
<b>Working Age</b>	<b>35,829</b>	<b>101,198</b>	<b>234,283</b>	<b>959,468</b>	<b>2.414</b>	<b>2.265</b>	<b>2.367</b>	<b>2.670</b>
SIPA's disability pensions	22,300	61,814	148,869	658,673	1.502	1.384	1.504	1.833
SIPA's unemployment benefit	817	2,161	5,251	23,632	0.055	0.048	0.053	0.066
SIPA's maternity benefit	309	865	2,102	9,458	0.021	0.019	0.021	0.026
SIPA's prenatal benefit	109	359	855	3,540	0.007	0.008	0.009	0.010
SIPA's mothers of 7+ pension	3,023	8,088	15,587	40,045	0.204	0.181	0.158	0.111
SIPA's other pensions( veterans, graciabels)	1,719	4,669	9,347	27,825	0.116	0.105	0.094	0.077
SIPA's spouse allowance	543	1,605	3,528	12,767	0.037	0.036	0.036	0.036
SIPA's lump-sum (marriage grant)	55	183	436	1,807	0.004	0.004	0.004	0.005
PJJD	1,242	2,678	3,799	0	0.084	0.060	0.038	0.000
Training and Employment Insurance	315	1,037	2,458	10,037	0.021	0.023	0.025	0.028
Temporary Employment Actions	993	3,265	7,740	31,603	0.067	0.073	0.078	0.088
Maintenance of Private Employment	704	2,314	5,485	22,394	0.047	0.052	0.055	0.062
Families Plan for Social Inclusion	2,290	7,529	17,846	72,864	0.154	0.169	0.180	0.203
Income Program Social Work "Argentina Works "	1,334	4,385	10,394	42,439	0.090	0.098	0.105	0.118
Program for More and Better Youth Employment	75	246	584	2,384	0.005	0.006	0.006	0.007
<b>Post-Working Age</b>	<b>53,782</b>	<b>144,986</b>	<b>350,428</b>	<b>1,572,488</b>	<b>3.623</b>	<b>3.246</b>	<b>3.541</b>	<b>4.376</b>
Old-age Pension	53,742	144,878	350,166	1,571,310	3.621	3.243	3.538	4.373
lump-sum	40	109	262	1,178	0.003	0.002	0.003	0.003
<b>Total Expenditure</b>	<b>103,788</b>	<b>289,802</b>	<b>679,175</b>	<b>2,854,132</b>	<b>6.992</b>	<b>6.487</b>	<b>6.863</b>	<b>7.943</b>
<b>Financing</b>								
Contribution Received (Excluding Health Insurance)	61,140	167,776	404,311	1,790,582	4.119	3.756	4.086	4.983
Tax	42,648	122,026	274,865	1,063,550	2.873	2.732	2.778	2.960

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