Performance of Social Protection in Argentina

Assessment of Two Decades of Reforms

Fabio Bertranou, Oscar Cetrángolo, Luis Casanova, Alejandra Beccaria and Julián Folgar
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Bertranou, Fabio; Cetrángolo, Oscar; Casanova, Luis; Beccaria, Alejandra; Folgar, Julián


ISBN: 9789221305958; 9789221305965 (web pdf)

ILO Country Office for Argentina

social protection / social policy / gaps in coverage / financing / trend / Argentina

02.03.1

ILO Cataloguing in Publication Data
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Abstract

The aim of this document is to describe and assess the recent performance of social protection in Argentina, specifically regarding its horizontal and vertical coverage and its funding. We also identify critical areas where there are restrictions and opportunities to improve performance in the area of social protection in the short and long terms. The major gains in the extension of income guarantees to the elderly and to families with children are addressed, as are the coordination of employment services to encourage formal employment, the extension of contributory social protection, and the implementation of measures that tend to expand access to health care services. Nonetheless, a series of challenges related to the design and funding of social protection remains. These challenges include the considerable fragmentation of rights in the health care system, reliance of pension coverage on emergency measures, poor coordination between levels of governments, and the need for reforms that expand the fiscal space allocated to social protection programs despite the growing tax burden. An implicit challenge is the lack of a solid tradition of public policy debate that would enable the setting of priorities regarding reforms envisioned for the short, medium and long term, as well as the implementation of preventative, rather than palliative, policies.

1. This article is a summary of the content of the publication Performance and Funding of Social Protection in Argentina. Considerations on the Basis of Recommendation No. 202 on Social Protection Floors, ILO country office for Argentina.
1. Introduction

Social protection performance has become increasingly important on the public policy agendas of countries in Latin America and the Caribbean. Improved allocation and effectiveness of public resources in the pursuit of social protection goals is crucial; it is essential as well to place measures along those lines at the center of economic development policies.

Argentina is a country with a long and far-reaching history in terms of social protection policy. It has implemented in recent years a series of important measures and reforms geared to eliminating coverage gaps and enhancing social inclusion.

The aim of this document is to describe and assess Argentina's recent performance in the area of social protection in relation to, among other things, the International Labor Standards on social security, specifically ILO Convention No. 102 (minimum standards) and Recommendation No. 202 on national social protection floors. Recommendation No. 202 establishes four basic guarantees as crucial to the extension of social protection: access to health care and economic security during the three stages of life (childhood and adolescence, working-age adults years, and old age). This study also addresses issues related to the contributory and non-contributory funding matrix of social protection. It identifies critical areas of restriction and opportunities to improve performance in the short and medium terms. The document also specifies and debates institutional questions pertinent to the design and delivery of social protection, including a systematic perspective that encourages effectively delivering the guarantees established in Recommendation No. 202, a topic that will have to be addressed in future reforms.

This document is organized as follows. After this introduction, a second section will provide an overview of the situation of social protection in Argentina in the late 20th century, in the nineties in particular, since the major structural changes in public policy that occurred in those years ended up defining the situation at the beginning of this century. The third section will discuss the economic and employment context in which the debates on new social protection policies ensued in the 2000s. The fourth section will address the changes that occurred during that period. It includes a study of the advances made in the four areas outlined in Recommendation No. 202, mainly economic security for boys, girls, and adolescents, for working-age adults, and for older persons, as well as access to essential health care services. The fifth section will address the problem of funding from both a historical perspective and after the 2001-2002 crisis, when a set of circumstances made it possible to expand fiscal space. The sixth section will provide an overview of new policies and present some ongoing challenges facing social protection. It contains a summary of future perspectives on social protection performance and funding, with a particular emphasis on coverage issues.
2. Social Protection in the Late 20th Century: Visions, Reforms, and Performance

2.1. Changes in priorities, deficiencies, and reforms in the nineties

In the nineties, Argentina and other countries in the region carried out major structural reforms aimed at making social protection systems more efficient by including the private sector in their management and by strengthening their fiscal sustainability.

In Argentina in particular, the reforms carried out in that decade were geared to replacing collective protection from social risks with an approach based on the individualization of social security. Notions of solidarity (both within and between generations) were replaced by a logic that transferred risk onto the individual (Spagnolo, 2012). These reforms were formulated in terms of the need to simplify the system and to improve its efficiency at the expense of coverage and solidarity.

The pension reform enacted in 1993 may be the case that best illustrates these transformations. Law Nº 24,241 enacted in 1993 created the Integrated Retirement and Pension System (SIJP, for the acronym in Spanish), which was intended to solve the structural problems facing the system (Bertranou et al., 2011; Cetrángolo and Grushka, 2004). In spirit, the new system was an attempt to provide incentives for employment formalization by tightening the link between contributions and benefits received. Indeed, for some time before the enactment of the law, the system's own resources—salary-based and other contributions—had not been enough to fund social security payments in their entirety. Other sources were used, which made a reform imperative. Pursuant to the creation of a parallel scheme of individual capitalization accounts managed by the private sector, an important share of workers' contributions ceased to form part of the State's resources, even though the State still had to fund those older persons receiving social security at the time of the reform.

Soon after it was put into effect, the system yielded effects diametrical to the announced intentions both in terms of coverage and sustainability. It became one of the main causes of the public sector's fiscal default in 2001-2002. The reform, then, ended up worsening the very problems it was intended to solve and became a warning of the impossibility of creating protection systems for the older population based solely on contributory schemes.

Another paradigmatic case from the nineties is the changes enacted in the health care system. In Argentina, health care services are provided by three sub-sectors: the public sector; social security health insurers; and the private sector. Early in its history, the network of public health services was central. Later, though, coverage expanded, particularly in the seventies, through social security health insurance managed by unions (known as Obras sociales). The way the sector was organized and the growing political weight of unions in the administration of those social security health insurers led to serious problems in efficiency and performance. To offset them, market incentives were introduced.
The way these reforms were introduced, however, led to a worsening of the system’s functioning in terms of equity. Until the mid-nineties, the system was known for ensuring even coverage to workers in each unionized sector of the economy. But once each worker could freely choose his or her social security health insurer and transfer his or her own funding according to the net amount of the Solidarity Redistribution Fund (FSR, for the acronym in Spanish),2 coverage gaps worsened and service came to depend, over time, not on a workers’ sector of the economy but rather on his or her personal income (Cetrángolo and Devoto, 2002).

The changes had perverse effects on equity due to the segmentation of supply pursuant to authorization to create differential plans in each institution and, thus, to “skim” the system. One of the measures enacted to cover workers with low salaries entailed obliging social security health insurers to provide basic services to all their beneficiaries through the Obligatory Medical Program (PMO, for the acronym in Spanish). The Superintendency of Health Insurance introduced a compensation mechanism for all cases where the amount of the claimant’s contributions was not enough to cover basic services (Anlló and Cetrángolo, 2007).

Occupational risk insurance and unemployment insurance were also enacted, which were important instruments even though, in the case of the latter, coverage has been low.

All of these reforms were put into effect in conjunction with modifications in the functioning of the labor market. Indeed, there was worldwide debate at that time on the need for a more flexible labor market in keeping with reforms taking place in other areas (freer markets, for instance). Due to growing unemployment over the course of the nineties, labor reforms were crucial to economic policy.

The decade witnessed as well a major shift in the distribution of responsibilities between the national and provincial governments in relation to the delivery of public services. Expenditure on health and education was decentralized, culminating a tendency in that direction that had begun in the late seventies.

On the whole, the structural reforms that took place in the late 20th century presented significant problems. The social protection system for the older population was incomplete, inequitable, and largely unsustainable, which compromised the solvency of the public sector as a whole. In terms of the social security health insurance system, coverage was low and shrinking; the system was costly and largely regressive in terms of redistribution. Finally, the need to provide aid to the neediest homes was not duly contemplated in the reforms. Indeed, it was not until after the 2001-2001 crisis that a nationwide initiative, the Unemployed Heads of Household Plan (PJyJHD for the acronym in Spanish), was put into effect to improve the situation.

2. Since the time it was created in the seventies, this fund has consisted of a percentage of mandatory contributions to each social security health insurer (10% for salaried workers and 15% for managers), as well as a portion of extraordinary incomes. The fund was, at least in theory, distributed to the social security health insurers with financial problems. But, starting in the nineties, major changes took place in the constitution, as well as the use, of the fund’s resources.
Lastly, in a country like Argentina where there are major disparities and uneven economic development between provinces, the decentralization of public education and health care led to marked differences in services the delivered.

As a result, this decentralization ended up putting a strain on the system for the distribution of tax resources between different levels of government and, hence, heightened political strife.

3. New Visions of the Role of Social Protection: Concern with Coverage

Recent social protection performance in Argentina must be considered in conjunction with two movements. First, major changes geared to responding to emergency situations. In the early 2000s, with the onset of the crisis of currency convertibility that had maintained parity between the Argentine peso and the dollar, the coverage of emergency programs grew. The most widespread of the various programs that attempted to provide relief to households that had fallen into poverty was the Unemployed Heads of Household Plan. Second, the local and international macroeconomic context allowed Argentina, and the rest of the region, to generate, among other things, the fiscal space necessary to consolidating a broader vision of social protection.

In the wake of the convertibility crisis of 2001-2002, a series of macroeconomic factors came together to heighten economic recovery: a relatively high and stable real exchange rate; historically high terms of trade that made it possible to maintain trade surplus; a positive balance in current accounts; and significant recovery of saving and investment rates. All of this, along with greater tax burden, the restructuring of the public debt, and other factors, created a historically large fiscal space (Cetrángolo et al., 2007).

In that new economic context, visions emerged that placed greater emphasis on aid and relief in response to the extremely serious situation facing the country in the 2001-2002 crisis. In Argentina, like many countries in the region, new spaces of reflection opened up. Lessons learned from the crisis of currency convertibility meant a new focus on social protection. Emphasis was placed on expanding coverage as a means to provide protection from certain social risks and to offset the impact of macroeconomics on the labor market.

The creation of decent work became the cornerstone of labor market policy. It was envisioned as the crux of inclusion policies and as the primary means of access to rights and social protection (MTEySS, 2010; MTEySS, 2014). In this setting, many of the reforms enacted in the nineties to render the labor market more flexible were reversed. Indeed, new regulatory frameworks were put in place to cover vulnerable groups. A series of measures aimed at improving the quality of work were enacted (Bertranou and Casanova, 2013, Bertranou et al., 2013).
“Passive” labor market policies were restructured to augment the employability of laid-off workers and workers in the informal economy and to attend to the needs of the most vulnerable populations. Thanks to short-term social security relief measures (called moratorias), later known as the Social Security Inclusion Plan, and the extension of aid to families with the creation, in 2009, of the Universal Child Allowance (AUH, for the acronyms in Spanish), social protection coverage was extended significantly according to a logic based on citizens’ rights.

What took place in Argentina was not unrelated to what was happening in the region as a whole. A series of basic social policy reforms was taking place in neighboring counties. States in those countries also prioritized widening coverage to elevate social protection floors, mostly through non-contributory and conditional cash-transfer programs.


While Argentina has historically been at the forefront of the region in terms of social protection and its coverage, its erratic economic performance in the last quarter of a century, along with political-institutional factors, led to a palpable weakening of social conditions in the country, a situation that worsened with the currency convertibility crisis. This, along with the factors outlined in the previous section, helped usher in deep changes in different areas of social protection in the wake of the 2001-2002 crisis.

In the following pages, we will examine four particularly significant aspects addressed by a large number of reforms. Specifically, policies geared to basic income guarantees for the working-age population, for families with children, and for older persons, and policies geared to health care coverage.

4.1. Income guarantees for the working-age population and active labor market policies

In keeping with Recommendation No. 202, actions geared to the working-age population that pursue the following goals are considered part of social protection policies: i) replace a temporary or permanent loss of labor income due to unemployment, workplace accident, disability, illness, or maternity; ii) combat poverty and social exclusion, whether or not associated with precarious employment; iii) (re)insert individuals in the labor market after they have faced any of the contingencies mentioned in the previous point and pursue favorable labor market insertions for new workers. Social protection encompasses, for our purposes, policies linked to employment like active labor market policies, as well as a range of other policies geared to facing contingencies. In this section, we will analyze the
Unemployed Heads of Household Plan in greater depth than the AUH because the former was designed and implemented as an authentic employment policy.

In Argentina in the nineties, a large set of low-coverage employment programs were enacted in an attempt to offset the crisis facing a labor market marked by growing unemployment and precarious employment. But it was not until 2002, in the wake of the convertibility crisis, that the Unemployed Heads of Household Plan (PJyJHD, for the acronym in Spanish) was enacted. Aimed at alleviating the high levels of unemployment and poverty at the time, the plan was a turning point in public policy due to its vast coverage.

A new period set in after the enactment of the plan. Employment policy and improving the employability of the active population was now a priority, as was the restoration of workers’ rights.³

After the 2001-2002 crisis, during a period when employment was being generated at a high rate, the PJyJHD was reformulated. Those beneficiaries who were not employed at formal jobs were now encompassed by what was called the Families Plan (Plan Familias), a social promotion program, or by Training and Employment Insurance (SCyE, for the acronym in Spanish), an active labor market policy. Thus, the number of PJyJHD beneficiaries began to decrease while the number of beneficiaries of other active labor market programs that contained a cash-transfer component, in addition to services to improve employability, increased. It is in this context that, starting in 2009, programs geared to specific high-risk groups, like youth, gained importance. Such programs included the Youth with More and Better Work Program (PJMyMT, for the acronym in Spanish). The problems facing workers in the social economy were addressed by the Program for Social Income with Work-Argentina Works (PIST, for the acronym in Spanish), administered by the Ministry of Social Development (see graph 4.1.). Similarly, after the international financial crisis, the coverage of actions geared to maintaining employment in the private sector, among them the Program for Productive Recovery (REPRO, for the acronym in Spanish), was expanded.

The vertical coverage of employment programs has varied considerably and is currently quite heterogeneous depending on policy type. When it was launched in 2002, the cash-benefit component of the PJyJHD, for instance, represented 75% of the minimum wage. Since that component of the benefit was frozen in nominal terms, by 2009 it represented less than 10% of the minimum wage. The same holds true, in general terms, for many programs (see graph 4.1). Starting in 2009, however, that tendency was reversed in the case of the aforementioned programs and, starting in 2013, for the Training and Employment Insurance Program (SCyE for the acronym in Spanish).

3. Major advances were made in labor law. Modifications in regulations pursuant to Law N° 25,877 of the Labor Code restored rights and encouraged collective bargaining. Other significant advances included the enactment of new labor regimes for rural and domestic workers by means of Law N° 26,727 and Law N° 26,844 respectively. Some aspects of the workers’ compensation system were reformed in 2012 in order to improve efficiency and services. In 2009, in a context of slower growth, the Regime for the Promotion of Registered Work was enacted. More recently, the issue of youth employment was partly addressed through the implementation of the Program to Support Students of Argentina (PROGRESAR, for the acronym in Spanish), geared to young people that neither study nor work.
In addition to the employment programs, some portion of the working-age population is covered by non-contributory pensions. The number of beneficiaries of workers' compensation for disability grew considerably from 2004 to 2013, climbing from 0.1 to 0.9 million beneficiaries. It is estimated that the coverage of working-age persons with a disability of some sort stands at 57% (Nationwide Survey on Social Protection and Social Security, 2011).

In both makeup and tendency, the resources allocated to mitigating the effects of risks faced by the working-age population changed in the 2004-2013 period. On the one hand, from 2004 to 2008, those resources went from representing 1.12% of the GDP to representing only 0.81%. This drop was mainly due to the diminished importance of the PJyJHD pursuant to the program's restructuring and to its beneficiaries finding formal jobs as the economy recovered. After 2008, the total amount of those resources began to grow until reaching 1.60% of the GDP in 2013. This growth is due, to a large degree, to the

4. The National Institute of Statistics and Census (INDEC, for the acronym in Spanish) recently released a new estimate of national accounts with 2004 figures as the baseline. Since the government has not developed a methodology that splices with the earlier series with baseline in 1993, this article does not contain comparisons with periods before 2004.
expansion of non-contributory disability pensions and to the formalization of work, which brought with it an extension of the coverage of the occupational risks insurance system.

4.2. Basic Income Guarantees for Children

Public policies for the social protection of households with children have undergone a number of changes in recent years. The current scheme has three pillars: non-contributory allowances (the AUH and other allowances for the elderly), contributory family allowances (known as AFCs for the acronym in Spanish), and the per child income-tax deduction (Bertranou, 2010).

The traditional mechanism for providing economic guarantees to this target population was the AFC system created in the fifties. But starting in November 2009 with the implementation of the Universal Child Allowance (AUH for the acronym in Spanish), the coverage of the per child under the age of eighteen or per disabled child benefit was expanded to encompass all unemployed, informal, and domestic workers, as well as
the beneficiaries of the subsidized tax and social security regime (known as monotributo social) and pregnant women. The AUH has become a key component of the system of non-contributory allowances geared to the passive population.

Eligibility for the AUH depends on an income of less than minimum wage. The cash transfer is semi-conditional: 80% is paid outright, but the remaining 20% is deposited into an account once the claimant has proven compliance with health monitoring requirements, the vaccination plan, and school attendance for each child or adolescent in the household. It is estimated that over one quarter of the target population is covered by this pillar of non-contributory aid.

Graph 4.3. Estimate of Coverage of Income Guarantee Programs for Children, 2011 (in percentages)

Excluded by the regulation

Contributory family allowances

Not covered

Income tax deduction

Other programs or pensions

Universal Child Allowance (AUH)

Source: Own elaboration on the basis of data from Nationwide Survey on Social Protection and Social Security 2011.

5. Significantly, as early as the late nineties, there were a number of initiatives to implement a citizen’s income for children. In the 2000s, social assistance programs considered the presence of children in households in their efforts to focalize services. Some jurisdictions proceeded with their own social protection programs for children.
In terms of contributory allowances, the most important reform took place in September 2012 pursuant to Decree N° 1667/2012. That measure changed how income as the basis for determining the benefit was calculated from a method based on individual income to one based on household income. That decree also established that the family allowances in the national public sector would be paid by the National Social Security Administration (ANSES, for the acronym in Spanish).

During the 2000s, the Family Allowances Single System (SUAF, for the acronym in Spanish) was established. Since its creation, ANSES has paid all family allowances. The coverage of this contributory pillar of the system is over 42% of all children in the country.

The coverage of the three fundamental components of income guarantee measures geared to households with children, along with family allowances for public employees, is nearly 80%, or above the figures for the nineties. The coverage increased due, first, to implementation of the AUH which—as stated above—covers over 25% of boys and girls under the age of eighteen and, second, to the rise in formal employment.

The AUH also meant an increase in the vertical coverage of the beneficiary households. The AUH brought an increase of over 33% in real terms compared to the benefit of the Families Plan for Social Inclusion (PFIS, for the acronym in Spanish), a program aimed at a similar target population that was absorbed by the AUH in 2009. Significantly, since that year the real value of the benefit has been relatively stable.

Within this new scheme, the difference formulated by the universal coverage lies in the fact that there are children whose parents: i) are included in the system but do not receive a child allowance because their incomes are too high; ii) are not included in the system (those enrolled in the simplified tax regime, for instance); iii) receive other subsidies that are not compatible with the AUH (such as the Ciudadanía Porteña subsidy in the city of Buenos Aires); or iv) form part of the population of children and adolescents that have not been granted an allowance though eligible for the AUH (ILO, 2014). As Graph 4.3 shows, in 2011 groups i), ii), and iii)—the groups excluded by the regulation—represented some 13% of children, whereas the group of those eligible but without coverage (group iv) represented 12%. The main problems facing that final group in terms of access to the AUH have to do with paperwork and documentation (MTEySS, 2014).
The AUH is funded by social security resources, more specifically by the current revenues of the Integrated Argentine Social Security System (SIPA, for the acronym in Spanish) and by the resources generated by the Sustainability Guarantee Fund (FGS, for the acronym in Spanish); the AFCs, on the other hand, are funded by employers’ contributions. Like the family allowances geared to SIPA beneficiaries, disability pensions are funded by SIPA resources.

Just as coverage of boys, girls, and adolescents has been extended, resources allocated to family allowances have been increased. In 2013, 0.99% of the GDP was allocated to social protection for boys, girls, and adolescents. As Chart 4.1 shows, within that percentage, the components receiving the most resources were the AUH (0.47%) and the AFCs (0.44%). Significantly, those figures do not include the family allowances of provincial governments or income tax deductions for physical persons.6

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6. The tax expenditure for ACFs for 2010 was around 0.05% of the GDP (Bertranou and Casanova, 2012).
4.3. Income guarantees for the elderly

Due to economic changes and an extremely difficult social situation, a debate ensued after the 2001-2002 crisis on what reforms to the existing pension system should be designed and implemented. Three key problem areas of the social security system were identified: financial sustainability, coverage, and benefit level. The capitalization scheme was the object of considerable criticism (Bertranou et al., 2011).

Starting in 2005, the national government undertook a battery of measures and implemented numerous reforms to the social security system. Four of the reforms undertaken were particularly significant: i) in early 2005, a social security moratorium was established that allowed workers who did not meet years of contribution requirements to receive social security benefits, recognizing social security debt until 1993 (and for two years, recognizing debt from 1994 to 2004). More recently, in 2014, Law Nº 26,970 re-instated the moratorium, but this time social security debt until 2003 was recognized; ii) in 2007, the accrual factor (or accrual rate) was raised from 0.85% to 1.5% for every contribution year (with a minimum of thirty and a maximum of thirty-five years). At present, the pension benefit is composed of basic component (called Basic Universal Benefit) and a wage-linked component that represents between 45% of the average salary for the last ten years for workers who have contributed for thirty years and 52.5% for workers who have contributed for thirty-five or more years; iii) in December 2008, the individual capitalization regime was eliminated and its subscribers and beneficiaries were immediately incorporated into the State-managed system through the creation of the Integrated Argentine Pensions System (SIPA); and iv) also in 2008, Law Nº 26,417 for the Mobility of Public Social Security Benefits established a scheme for adjusting benefits to reflect the evolution of salaries of active worker and social security resources.

Due to its design and structure, as well as the nature of the labor market in Argentina, the SIPA is currently facing serious challenges in its attempts to reach universal coverage. While coverage is at historical levels for the country and is high by regional standards, that is due almost exclusively to the use of emergency measures like the social security moratorium that, as explained above, enables individuals who do not meet the requirements to receive benefits. After a fall in levels of horizontal coverage mostly due to a tightening of contribution and eligibility requirements and the deterioration of the labor market, horizontal coverage grew from nearly 70% to over 90% from 2004 to 2013.

The levels of coverage achieved in recent years are not, however, sustainable in the medium or long terms. The number of older adults who can enjoy this benefit will inevitably decrease over time as the cohorts born after the early seventies who likely entered the labor market in the early nineties will not be encompassed by the moratoriums enacted in the later years.

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7. On the basis of estimates presented in Grushka (2014) and in Rofman and Apella (2014), if social security policy is not changed, coverage levels might fall to as low as 50% by 2040; they could well rise again after 2050, however, if the formalization of the labor market continues at current rates.
Furthermore, the vertical coverage of the SIPA, measured as the pseudo replacement ratio between the average benefit and the median salary in the formal economy, recovered in the nineties as a result of the stability of the average salary and a certain “selectivity” for those beneficiaries with high incomes (Bertranou et al., 2011). After the crisis, and with a lag in benefits adjustments due to increases in prices and in salaries, the pseudo replacement ratio fell for several years. Since 2009, though, it has recovered significantly due to the Mobility Law. In 2013, the “contributory” benefit (that is, not including beneficiaries of the moratorium) reached 67% of the median salary of formal salaried workers. The moratorium benefit was largely stable. It reached nearly 40% of the median salary of formal salaried workers, or almost 50% of the average salary of all salaried workers (that is, formal and informal).

Of course, the extension of social security coverage and the recomposition of benefits starting in 2005, in the case of beneficiaries with low social security benefits, and starting in 2009, for all beneficiaries, meant that public expenditure on social security
grew. Chart 4.2 shows how the weight of expenditure on pensions, whether contributory, semi-contributory, or non-contributory, went from 3.7% to 7.3% of the GDP from 2004 to 2013.\(^8\) Of those three, the bulk of the increase in expenditure lies in the social security moratorium, which is here considered semi-contributory.

<table>
<thead>
<tr>
<th>Year</th>
<th>SIPA - Contributory Regime</th>
<th>SIPA - Moratorium</th>
<th>Non-contributory(^{(*)})</th>
<th>Total</th>
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<tr>
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</table>

Note: \(^{(*)}\) estimate includes veterans of the Malvinas/Falklands, Plan Mayores, NCPs for seniors, and NCPs for disability.
Source: Own elaboration on the basis of Ministry of Economy and Public Finance data.

4.4. Access to health care

Though, in Argentina, a public health care system underlies the entire health care system—that is, all citizens have the right to services, regardless of whether or not they are covered by social security health insurers or by private carriers—the system is currently structured around three subsectors: the public subsector, the social security health insurance subsector, and the private subsector.

In the public subsector, health care is in the hands of provincial governments, which develop their own budgets and policies. In the social security subsector, health care is provided through social security health insurers managed by unions and funded by contributions from workers and employers. This sector is marked by heterogeneity and, as mentioned earlier, trade unions play a central role in it.

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8. In 2013, Argentina changed the base year for its GDP calculation from 1993 to 2004. It is not possible to construct a unified GDP series for the period that goes from 1993 to the present. Furthermore, it is not possible to assess nominal changes near the new baseline year (2004) (See Cetrángolo et al., 2015).
In terms of horizontal coverage, growth in formal employment in recent years has meant an increase in the coverage of the employment-based social security health insurance component of the system. Similarly, the extended coverage of the social security system in recent years has meant greater coverage of the component of health system geared specifically to older adults through the Social Security Health Insurance for Pensioners managed by the State (INSSJP, for the acronym in Spanish, but better known as PAMI, Comprehensive Medical Care Benefits). According to data from the 2010 Census, some 63.9% of the population has health insurance, whether through social security health insurers or through private insurance carriers. If broken down by age group, some 95% of older adults have coverage; the rate of coverage for working-age adults is near the overall rate; and the rate for children stands at 55.8%, or below the average.

The level of expenditure on health care in Argentina is one of the highest in the region, though much of that total (nearly 30%) is private expenditure. Expenditure on the public and social security health insurance subsectors has grown steadily since 2002, when the crisis in Argentina subsided. In 2013, for instance, expenditure on the public health system constituted 2.5% of the GDP; expenditure on the social security system, through social security health insurers (Obras Sociales Nacionales) and PAMI, constituted 3.8% of the GDP. These levels are higher than figures for the mid-nineties, when they stood at 1.9% and 3% respectively.
The Argentine health care system is marked by fragmentation not only between the three subsectors (social security health insurance, private, and public) but also within them. The “vertical” coverage of the population with health insurance varies greatly in terms of financial protection and type of service (UNDP, 2011).

Regarding the basic services that the Argentine health care system must provide, since 1999 all components of the system—that is, National Social Security Health Insurers (Obras Sociales Nacionales or OSNs, for the acronym in Spanish), PAMI, and private insurance carriers—have been required to cover the Basic Basket of Mandatory Health Services (a minimum services floor),9 currently known as the Mandatory Health Benefits Package (PMO, for the acronym in Spanish). Significantly, and as explained above, prior to 1995, each worker’s contributions to the OSNs were used to fund the specific social security health insurer of his or her trade union; each worker had to be enrolled in his or her union activity sector’s health insurance—there was no choice regarding institution. Since 1995, however, when free choice of social security health insurer was instituted, the system has ceased to be based on a principle of solidarity; profound differences between services have set in. The actual coverage enjoyed by each household depends, ultimately, on its income. This because supplementary plans are permitted and because required contributions can be used, if the beneficiary so chooses, towards payment of a private insurer.

Graph 4.6. Expenditure on and Funding of the Health Care Sector in Argentina, 2013 (in percentages of GDP)

9. PAMI services are different and broader.
To understand how asymmetrical the use of OSN resources is, consider that 5% of the social security health insurers cover 54% of all subscribers, while those social security health insurers that cover 30% of all subscribers concentrate some 50% of the system’s resources.

The most important measure adopted immediately after the 2001 crisis was to increase the rate of contribution to the Solidarity Redistribution Fund (FSR, for the acronym in Spanish). No major advances have ensued since. Much more has been done to ensure basic levels of coverage for groups of the population that were not covered by the OSN system. One measure was the requirement to prescribe drugs using the generic name, which meant a significant reduction in costs. Another was the introduction of Programa Remediario, which is designed to ensure access to drugs at primary care centers.

Finally, Plan Nacer implemented an incentive system that increased the health coverage of women of reproductive age and of boys and girls while also establishing the transferal of funds to provincial governments that ensured those services. Now called Programa Sumar, the services provided by this public-funded insurance are in the process of being expanded.

5. The Funding of the Extension of Social Protection

5.1. Evolution of the expenditure on social protection in Argentina and of its funding

The last decade in Argentina has witnessed considerable changes in the level and structure of the funding of social expenditure. A somewhat far-reaching perspective of the reforms and new policies implemented in the 2000s shows that expenditure on social protection increased from 2005 to 2013 after having dropped, in real terms and as percentage of the GDP, from 2002 to 2005. Specifically, that expenditure went from 8.5% of the GDP in 2005 to 15.5% in 2013, which represents an increase of almost seven percentage point. (see Graph 5.1). Of course, the significant increase in the percentage of the GDP during this period represented much more significant increases in absolute values.

10. For more detailed information on what happened in relation to social protection spending from 2002 to 2003, see Bertranou and Bonari, 2005.

11. The social protection expenditure analyzed here encompasses the four basic guarantees outlined above. Expenditure in those four areas is much smaller than overall public social expenditure.
A major change in the makeup of social protection funding lies behind the increase in the resources allocated to it. Resources from contributions, which we call “contributory funding,” more than doubled from 2004 to 2013, climbing from 4.3% to 10.3% of the GDP (Graph 5.1). Resources from taxes and other sources such as returns on the Sustainability Guarantee Fund (FGS) in the case of ANSES—resources we call “non-contributory funding”—rose from 4.5% to 5.3% of the GDP during the same period. In this change in funding structure, then, contributory resources climbed from 48.9% of social protection expenditure in 2004 to 66.1% in 2013. Significantly, that change took place during the 2004-2009 period. The structure has remained almost exactly the same since 2009.

The structure of social security funding largely explains the aggregate changes in the funding of the four guarantees discussed here. Chart 5.1 shows that social security expenditure in the GDP rose by 3.7 percentage points from 2004 to 2013, increasing from 3.7% to 7.4%. This expansion was funded by contributory resources, which climbed from 44.3% of overall social security expenditure in 2004 to 71.7% in 2013. The increase in non-contributory funding of income guarantees for households with children was higher than the increase in contributory funding.
5.1 Evolution of Resources Allocated to Social Protection and Makeup of their Funding by Guarantee, 2004-2013

<table>
<thead>
<tr>
<th>Guarantee</th>
<th>Type of funding(1)</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health(2)</td>
<td>Contributory</td>
<td>1.99</td>
<td>2.07</td>
<td>2.06</td>
<td>2.14</td>
<td>2.36</td>
<td>2.96</td>
<td>3.08</td>
<td>3.07</td>
<td>3.41</td>
<td>3.77</td>
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<tr>
<td></td>
<td>Non-contributory</td>
<td>1.53</td>
<td>1.60</td>
<td>1.59</td>
<td>1.64</td>
<td>1.76</td>
<td>2.08</td>
<td>1.95</td>
<td>2.10</td>
<td>2.23</td>
<td>2.45</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>3.52</td>
<td>3.66</td>
<td>3.65</td>
<td>3.78</td>
<td>4.12</td>
<td>5.04</td>
<td>5.03</td>
<td>5.17</td>
<td>5.64</td>
<td>6.22</td>
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<tr>
<td>NNyA(3)</td>
<td>Contributory</td>
<td>0.36</td>
<td>0.42</td>
<td>0.40</td>
<td>0.45</td>
<td>0.50</td>
<td>0.57</td>
<td>0.52</td>
<td>0.48</td>
<td>0.41</td>
<td>0.44</td>
</tr>
<tr>
<td></td>
<td>Non-contributory</td>
<td>0.17</td>
<td>0.15</td>
<td>0.14</td>
<td>0.19</td>
<td>0.22</td>
<td>0.22</td>
<td>0.44</td>
<td>0.47</td>
<td>0.48</td>
<td>0.55</td>
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<tr>
<td></td>
<td>Total</td>
<td>0.53</td>
<td>0.57</td>
<td>0.54</td>
<td>0.63</td>
<td>0.72</td>
<td>0.79</td>
<td>0.96</td>
<td>0.93</td>
<td>0.89</td>
<td>0.99</td>
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<tr>
<td>Working-age</td>
<td>Contributory - LMP(4)</td>
<td>0.06</td>
<td>0.07</td>
<td>0.08</td>
<td>0.07</td>
<td>0.09</td>
<td>0.11</td>
<td>0.09</td>
<td>0.07</td>
<td>0.07</td>
<td>0.06</td>
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<tr>
<td>individuals</td>
<td>Contributory - SST(4)</td>
<td>0.25</td>
<td>0.30</td>
<td>0.36</td>
<td>0.37</td>
<td>0.40</td>
<td>0.44</td>
<td>0.53</td>
<td>0.59</td>
<td>0.66</td>
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<td>Non-contributory - LMP</td>
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<td>0.17</td>
<td>0.22</td>
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<td>0.21</td>
<td>0.18</td>
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<tr>
<td></td>
<td>Total</td>
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<td>0.94</td>
<td>0.81</td>
<td>0.69</td>
<td>0.66</td>
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<td>0.91</td>
<td>0.91</td>
<td>0.94</td>
<td>0.98</td>
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<tr>
<td>Older adults(5)</td>
<td>Contributory</td>
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<td>1.69</td>
<td>1.97</td>
<td>3.06</td>
<td>2.91</td>
<td>3.94</td>
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<td>4.36</td>
<td>4.89</td>
<td>5.27</td>
</tr>
<tr>
<td></td>
<td>Non-contributory</td>
<td>2.04</td>
<td>1.64</td>
<td>1.58</td>
<td>1.42</td>
<td>1.84</td>
<td>1.44</td>
<td>1.48</td>
<td>1.42</td>
<td>1.81</td>
<td>2.08</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>3.67</td>
<td>3.33</td>
<td>3.55</td>
<td>4.48</td>
<td>4.75</td>
<td>5.38</td>
<td>5.56</td>
<td>5.78</td>
<td>6.70</td>
<td>7.35</td>
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<tr>
<td>Total</td>
<td>Contributory</td>
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<td>4.55</td>
<td>4.88</td>
<td>6.09</td>
<td>6.27</td>
<td>8.02</td>
<td>8.29</td>
<td>8.54</td>
<td>9.43</td>
<td>10.27</td>
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<tr>
<td></td>
<td>Non-contributory</td>
<td>4.48</td>
<td>3.96</td>
<td>3.68</td>
<td>3.50</td>
<td>3.99</td>
<td>3.96</td>
<td>4.16</td>
<td>4.25</td>
<td>4.74</td>
<td>5.26</td>
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<tr>
<td></td>
<td>Total</td>
<td>8.77</td>
<td>8.50</td>
<td>8.56</td>
<td>9.59</td>
<td>10.25</td>
<td>11.98</td>
<td>12.46</td>
<td>12.79</td>
<td>14.17</td>
<td>15.54</td>
</tr>
</tbody>
</table>

Notes: (1) Contributory funding: resources from contributions to social security; (2) data for the 2010-2012 period are estimates on the basis of MECON and AFIP data and data from provincial governments; (3) includes all contributory family allowances, some of which benefit other age groups; (4) LMP: labor market policies; SST: Spanish acronym for occupational risks insurance; (5) NCPS for older adults and disability are imputed in this guarantee, though, significantly, working-age individuals benefit as well. This does not include expenditure on security forces or untransferred provincial funds.

Estimates of contributory funding of benefits for older adults are based on spending information for ANSES programs on the assumption that other benefits are self-funded.


5.2 Generation of fiscal space after the 2001-2002 crisis

While total resources allocated to social protection increased from 8.8 to 15.5% of the GDP from 2004 to 2013, even greater resources are required if social protection is to be extended. If that is to ensue, the creation of a greater fiscal space is paramount. As the two sources of funding for social protection, tax and labor market policy are key areas of action.

In fiscal terms, the years that followed the crisis witnessed significant recomposition of public accounts. The consolidated fiscal balance for the nation and for the provinces went from being negative at a rate of over 6.5% of the GDP to yielding a surplus of
similar magnitude. The surplus dropped in the following years, reaching nil in 2010 and proceeding to yield a deficit. Finally, the increases in expenditure at a rate greater than influx of resources meant the loss of the financial surplus.

The greater fiscal space obtained was due, initially, to the considerable reduction in spending in real terms as a result of the devaluation and of inflation in the immediate wake of the 2002 crisis. But it can also be explained by a constant increase in tax burden. In terms of tax burden, current levels are now historically high, standing at over 31% of the GDP in 2013. This increase in tax burden can be explained, largely, by the re-institution of “emergency” taxes (they continue into the present) and export licensing taxes, as well as higher payroll taxes and increases in taxes whose parameters have not been adjusted at the inflation rate (income tax, for instance).

In Argentina in recent years, the performance of the labor market has been closely tied to the collection of social security contributions. The social security resources collected by the government went from 2.5% of the GDP to 7.0% between 2004 and 2013. Most of this increase can be explained by contributions from salaried workers (from both employees and employers), which climbed from 2.3% to 6.7% of the GDP during this period. The social security contributions of independent workers represent only 0.2% of the GDP.

Furthermore, pursuant to the creation, in late 2008, of the SIPA, the State took charge of managing the flow of contributions of those who had subscribed to the former capitalization regime, which, in 2008, represented around 1.2% of the GDP. From 2006 to 2011 in particular, payments to cancel the social security moratorium increased total social security resources, though their contribution later decreased as beneficiaries paid off debts that had been established in nominal terms.
As stated above, labor market performance through salaries and formal work has been responsible for the bulk of the growth in social security resources. A battery of measures has been carried out to formalize the informal economy; collective bargaining has been revitalized and the minimum wage raised on a regular basis.

### 6. Closing Remarks: Assessment of Social Protection Reforms and Future Perspectives

It has been shown that the construction of a modern social protection system with universal and equitable coverage depends on sustained economic growth with tax resources that evolve at a greater rate than the national product. In the Argentine case—and others like it—however, those conditions are necessary but not enough in and of themselves. At least two other critical conditions are necessary. First, growth in the national product must bring with it greater decent employment to alleviate the pressures of non-contributory expenditures and to increase social security resources (ILO, 2011; Vararat et al., 2011).
Second, social protection schemes that assure adequate social protection floors must be designed and funded.

In terms of the former, earlier increases in precarious and informal employment were turned around, which meant major advances in guaranteeing citizens’ rights. The informal employment rate continues to be high, however, and informal employment represents a major obstacle to the universalization of social protection, regardless of its design.

In terms of the second concern, while significant advances have been made in the extension of social protection in the four areas discussed here, a series of challenges remain in relation to funding. These challenges include the considerable fragmentation of rights in the health care system, dependence of pension coverage on emergency measures, and the need for reforms that expand the fiscal space allocated to social protection programs both now and in the future, despite the growing tax burden. Furthermore, an implicit challenge is the lack of a solid tradition that would enable the design of preventative public policies and the setting of priorities, as well as a series of reforms envisioned for the medium term. It is possible to identify some of the deficiencies that must be addressed in future reforms to social protection policy in Argentina.

First, there is a need to broaden the debate on social protection and to bolster institutionality. This means committing to building consensus on priorities for the medium term. Emphasis must be placed on the need to move beyond an always short-term perspective for the sake of a strategic vision that anticipates possible structural changes. The impact of expected changes in the age structure of the population, for instance, must be assessed. Demographic changes will affect both the level of resources geared to distinct social protection measures and their makeup in terms of type of benefit.

Because of Argentina’s federal structure where the functions of government are divided between different levels, the impact of demographic changes on the structure and level of public expenditure will undoubtedly require revision of intergovernmental fund transfers (Cetrángolo, 2014).

It is clear that the basic challenge lies in substantially reducing current levels of informal labor. Aware of the magnitude of that challenge and of how hard it is to combat in the short term, a greater fiscal space must be built, one that makes it possible to undertake the reforms necessary to each area of social protection without upsetting macroeconomic balance.

The specific challenges facing each area of the social protection system must be addressed by policy reforms. In the case of health care, adequate and equitable coverage must be assured to the entire population. Older adults must count on a protection system that ensures predictable levels of income for those who contributed during their active years and for those who did not, separating funding sources and maintaining incentives to contribute. Finally, the system of social protection for the neediest households must be bolstered in terms of institutionality and funding.
Each policy must incorporate funding schemes and clear rules of access in order to maximize impact on redistribution. Substantial improvement in the coordination of the different areas of the central government and between levels of government is necessary. The responsibility of each level of government in relation to social protection—a question that is, at present, often vague—must be more clearly defined.
Referencias bibliográficas


