

# EXECUTIVE SUMMARY



International  
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## Working Paper N° 30

### Social security for independent professionals: The design and performance of social security and pension funds for professionals in Argentina

Secretariat of Social Security – Ministry of Health and Social Development  
Coordinating Authority of Social Security and Pension Funds for Professionals of Argentina  
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<sup>1</sup> This document was prepared by Sebastián Villa (ILO Consultant) and the team of the Secretariat of Social Security of the Ministry of Health and Social Development. The final version was written by Lucía Ortega in collaboration with Federico Vocos and Lisandro Rodríguez Cometta. A special thanks goes to Mariana Álvarez for her analysis of the occupational status of independent professionals, and to Juliana Boli de Lebron for analyzing the results of the participatory diagnosis workshops. General coordination was provided by Pablo Casalí (ILO) and Eduardo Léopore (Secretariat of Social Security, Ministry of Health and Social Development).

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Social security for Argentina's independent professionals is comprised of two national contributory schemes –a general scheme for self-employed workers and a small taxpayer (*monotributo*) scheme– and the pension coverage that is available through the social security and pension funds for professionals. The latter funds exist at the provincial and City of Buenos Aires levels, and substitute the national schemes.

In Argentina there are currently 82 pension funds for professionals that together have 700,000 active members and beneficiaries. The majority of these are members of the Coordinating Authority of Social Security and Pension Funds for Professionals (*Coordinadora de Cajas de Previsión y Seguridad Social para Profesionales*), and consist of social security institutions that are administered by their own stakeholders and that establish the compulsory affiliation and contributions of professionals in the industries that each fund covers in its respective jurisdiction. They also have their own control and auditing systems, as established by the various legal provisions that led to their creation.

The lack of coordination that exists between the national and provincial pension organizations that provide coverage for independent professionals underpins one of the major problems of social security for this group of professionals. It has repercussions on the transparency of information and the evaluation of the performance, monitoring, and control of these schemes. It is within this context that this study aims to characterize the respective funds and identify the principal issues and challenges they face in terms of coverage, adequacy, sustainability, and institutional coordination.

The main source of information used in the study is a survey of professional pension funds carried out between July and August 2018. It surveyed, among other elements, institutional organization, member population, pension system design, sources of financing, benefit levels, auditing and control, and administrative organization. Furthermore, specific consultations were carried out with key informants who provided information on the internal workings of the funds. Data from the Permanent Survey of Households (*Encuesta Permanente de Hogares*,

*EPH*) was used to evaluate and analyze the socioeconomic characteristics of the set of employed workers engaged in independent professional activities (*EPH*, *Indec*).

The analysis of pension funds for professionals revealed a high degree of heterogeneity in terms of the design, coverage, contributions and financing of these social security schemes. With regard to benefits, all of the funds provide pension coverage for the basic contingencies of old age, death and disability; however, the requirements, scope and criteria used to determine benefits varies, and said benefits are contributory. Almost half of the funds provide benefits that are proportional to the number of years of contributions, and just as many provide supplementary benefits to the basic pension. The funds also often provide other benefits that take the form of periodic or lump-sum payments for items such as family, health, education and training expenses, among others.

Professional funds do not receive their financing from the three conventional sources (worker contributions, employer contributions, and tax resources). Instead, financing comes from only one, or possibly two, sources: the personal contributions made by the professionals, and the contributions of the related community. In some cases, contribution amounts are tied to levels of income or professional fees, while in others they are established independently of actual or presumed level of income, and instead relate to the member's age or years of enrollment. Normally, a minimum required contribution is established to guarantee the financing of the solidarity benefit, and contributions exceeding that minimum amount will result in a better pension than the theoretical minimum. Three-quarters of the funds that are members of the Coordinating Authority recognize a minimum theoretical pension that surpasses the minimum established by the Argentine Integrated Pension System (*Sistema Integrado Previsional Argentino, SIPA*).

The total active population of members contributing to the funds registered with the Coordinating Authority is more than half a million people, while the number of beneficiaries receiving the basic pension contingencies is less than one hundred thousand. This represents an overall ratio of active members to beneficiaries that far surpasses the metrics of the national system (*SIPA*). It is also estimated that there is a greater participation of women than men among member professionals.

As for geographic coverage, the majority of the provincial jurisdictions in the country have at least one professional pension fund; the province of Buenos

Aires concentrates the largest amount of funds as well as the largest population of active members and beneficiaries. In provinces lacking professional pension funds, the population is strongly affected as they are more exposed to risks arising from the occurrence of any of the anticipated contingencies. This has contributed to the formation of the so-called “Multi-Professional Funds”.

The study has highlighted the problems and challenges related to strengthening social security for independent professionals. First, it has exposed the need to pay more attention to how the future of professions is changing, in particular, the trend towards a greater feminization of professions, and the particular circumstances faced by both novices and older professionals with respect to gaining entry into the independent labour market.

Second, it has revealed the heterogeneity and plurality of the design of these pensions, both in terms of their relationship to the conventional classification of pension systems – pay-as-you-go, capitalization, and mixed regimes – and in relation to their contribution structures, the relationship between the type of contribution and determination of benefits, and the different system parameters. This heterogeneity requires that an increased effort be made to move towards more uniform standards of the allowances and benefits that are granted, the requirements that must be met to access them, and equity in the definition of contribution schemes and sources of financing.

There are also serious disparities in terms of medical benefits coverage. At the same time, maintaining the economic-financial balance in the face of increasing demand for both quantity and quality of benefits poses difficulties. Progress must be made towards cross-cutting pension schemes that guarantee minimum medical-care coverage for both active members and beneficiaries. Furthermore, alternatives for coordination with the national or provincial governments must be evaluated.

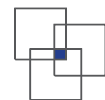
At the same time, a number of issues that affect financial sustainability are linked to longer-term trends to do with the institutional development of pension systems. While recent evidence has shown that the more mature pension funds have been able to adapt to the demographic shifts and changing realities of professional activities without significant actuarial risk, it cannot be overlooked that, as pension funds mature, they tend to lower the ratio of assets to liabilities, and changes in the future of professions could drive an expansion or decrease in the groups of professionals covered.

On another note, the lack of institutional coordination highlights the need to encourage the creation of coordinating bodies between national authorities and the Coordinating Authority for Pension Funds to strengthen organizations in order to improve inter-institutional and member information channels, adapt the tools for collection of contributions, and combat evasion. In the same vein, it is important to prioritize mechanisms for sharing information among the different institutions involved in the collection of contributions, and management and payment of social security benefits. This will provide greater transparency and institutionalize the instruments and procedures that allow for effective control and oversight of the pension contributions and benefits that are granted. To that effect, it must be noted that the Coordinating Authority has taken a prominent role in light of the diversity and heterogeneity of the pension funds for professionals, acting both as an instrument for exchange and cohesion between the different funds, and as a coordinator with the national government.

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