
Semi-conditional cash transfers in the form of family allowances for children and adolescents in the informal economy in Argentina

Fabio Bertranou and Roxana Maurizio

International Labour Office, Buenos Aires, Argentina; Universidad
Nacional de General Sarmiento, Buenos Aires, Argentina

Abstract In 2009, Argentina introduced a new transfer programme for children and adolescents younger than age 18 (Universal Child Allowance) that extended coverage under the contributory programme for family allowances to include families in the informal economy and families of unemployed persons. This article describes this innovative programme, compares it with similar programmes in Latin America and analyses its impact on coverage and its possible effects on the welfare of the population. The results indicate that the extension of access to this type of benefit has reduced considerably the coverage gap for the poor and indigent and supports efforts to consolidate the operations of different and poorly coordinated transfer programmes.

Keywords family benefit, social security scheme, gaps in coverage, informal economy, poverty, Argentina

Addresses for correspondence: Fabio Bertranou, International Labour Office, Av. Córdoba 950, Piso 13, Ciudad Autónoma de Buenos Aires, C1054AAV, Argentina; Email: bertranou@ilo.org. Roxana Maurizio, Universidad Nacional de General Sarmiento, Juan María Gutiérrez 1150, Provincia de Buenos Aires, Argentina; Email: roxanadmaurizio@gmail.com. Roxana Maurizio is also associated with Consejo Nacional de Investigaciones Científicas y Técnicas (CONICET — Argentina).

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Introduction

In 2009, Argentina expanded its programme of child benefits to include the children of workers in the informal economy and of unemployed persons. The new Universal Child Allowance (*Asignación Universal por Hijo* — AUH) consists of non-contributory benefits and is an extension of the contributory family allowances programme (*Asignaciones Familiares Contributivas* — AFC) that has developed since the 1950s. This policy marks a significant change in the conventional paradigm based on Bismarkian-type models that has dominated social security policies. Although this paradigm had begun already to lose much of its hold as a result of the transfer programmes developed in the aftermath of the Argentinian crisis of 2001–2002 — including the Programme for Heads of Households (*Programa Jefes y Jefas de Hogar*) and the Plan for Inclusive Social Insurance (*Plan de Inclusión Previsional*, which includes coverage for old-age benefits) — in this instance, the provision of wider access to family allowances is deemed especially important because the intention is for the programme to be permanent rather than transitory.

The widening of access to child benefits, which has attracted strong political and social support, will permit the gap in coverage for child benefits to be closed significantly and make an important contribution to reducing extreme poverty. The number of family allowance beneficiaries is expected to rise from 6.7 million to 11.3 million — the cost of which will represent approximately 1.5 per cent of GDP. The extension of coverage under the AUH programme will enable various transfer programmes whose operations have been poorly coordinated since the 2001–2002 crisis to be consolidated. Given that beneficiaries may receive family benefits from one programme only, consolidation has occurred already as the beneficiaries of other programmes have transferred to the AUH, which provides more generous cash benefits. This article estimates that the AUH reduces poverty and indigence by 18 per cent and by 65 per cent, respectively, compared with the previous situation where only the contributory AFC programme existed.

The new AUH follows a similar pattern to programmes found in other countries in the Southern Cone, such as in Chile and Uruguay, which include non-contributory family allowances as part of a more general system of social security transfers for children and adolescents. The experiences of countries in Latin America, such as Brazil with the *Bolsa Familia* (Family Grant) and Mexico with *Oportunidades* (Opportunities) differ, however, in that they have chosen to develop specific cash transfer programmes outside the ambit of the social security system. In Argentina, as in other countries, the introduction of the AUH has created numerous challenges for social protection policy, mainly because of the need to introduce more and better coordination mechanisms, both within the social security system and with other related policies. The programme makes a significant contribution to the creation of a social protection floor, although it will

need progressive consolidation as part of a global social protection policy for children and adolescents.

Gaps in social protection in Argentina and the need to improve a cash transfer system for the informal economy

Argentina has achieved a level of economic and institutional development that enables it to consolidate a system comprising: i) a social protection floor without gaps in coverage that provides access to essential social services; and ii) a range of traditional social security benefits offering guaranteed economic security. Historically, however, there have been persistent gaps and weaknesses in the provision of and access to transfers and essential services. These gaps and weaknesses reduce the potential for national development, lessening the possibilities for realizing a steady reduction in vulnerability and, in particular, poverty.

Over the years, Argentina has increased its level of taxation in a progressive manner in order to increase public expenditure, particularly public social spending. Alongside Brazil and Uruguay, Argentina has the highest level of tax revenue as a percentage of GDP in Latin America. In spite of this, its high level of social spending has not been accompanied by high levels of coverage, at least up to the middle of the first decade of this millennium.

One of the reasons for this level of performance, below the “possibility frontier” in social terms, has been the economic volatility of the last four decades. Specifically, high inflation, pronounced economic cycles and fiscal instability have prevented full consolidation of a modern social protection system able to eliminate existing coverage gaps and avoid various types of social exclusion. The volatile economic situation has led to significant fluctuations in available financial resources — and in social security expenditure as well — that, historically, has relied on growth in employment and coverage under contributory programmes to provide additional financial resources. A further element is the institutional context, wherein there is a lack of integration and coordination among non-contributory social protection programmes. Solidarity mechanisms are less effective as a result and may even have a negative impact in some instances.

Furthermore, the social protection system, which operates in a federal tax environment where all essential government activities must compete for funding, has to rely on a complex pattern of resources. At the aggregate level, the form of financing used introduces a pro-cyclical element into expenditure and a certain amount of regression at the distributive level, because it comes mainly from taxes on consumption.

The decline of income from contributory sources — a decline that was slowed to some extent as a result of a rapid growth in formal employment from 2003 to 2008 — has brought a mixed finance model (contributions plus taxation) into

competition with a model of access based on the contributory principle. However, in practice, flexibility in access to benefits, particularly for old-age and other pension programmes, has helped to consolidate a semi-contributory financing structure. This outcome is the result of reform measures to make qualifying conditions for benefits more flexible, thus enabling those without a full career of social security contributions to receive old-age benefits. There has also been an increase in non-contributory benefits (social assistance pensions).

Very rapid macroeconomic development following the 2001 crisis, which led to growth in employment levels and tax revenue, created an opportunity to expand the coverage provided for children, adolescents, the working-age population and the elderly in the form of transfers. The re-nationalization of the pensions system in 2008 enabled substantial improvements in social security financing through government taking control of the Retirement and Pensions Fund (*Fondo de Jubilaciones y Pensiones*) that previously was administered privately, as well as of the accumulated monthly contributions to individual retirement accounts managed by the Retirement and Pensions Fund Administrators (*Administradoras de Fondos de Jubilaciones y Pensiones*). The reserves of the privately-managed pensions system (equating to about 10 per cent of GDP) were transformed into the Sustainability Guarantee Fund (*Fondo de Garantía de Sustentabilidad*), which is part of the public social security system. In this manner, increased fiscal capacity permitted reforms and changes to be made to the social protection system to increase horizontal coverage, i.e. the number of individuals receiving cash benefits.

Until 2009, one major issue was a lack of coverage for children and adolescents in families in the informal economy. The need to reassess the priorities governing the allocation of social expenditure is based on factors that are apparent not only in Argentina but throughout Latin America. Poverty is much more widespread among children and adolescents than among other age groups, and this gap seems to increase with the more widespread development of social security (ECLAC, 2009). In Argentina, in particular following the economic recovery of 2003 and the implementation of policies to expand coverage under old-age benefits, poverty and indigence amongst those aged 65 or older fell significantly, while the situation of children and adolescents became relatively more difficult. As a result, there was a clear need to reform the transfer system to give greater emphasis to the provision of benefits for children and adolescents.

Family allowances within policies for the provision of social protection for children and adolescents

Family allowances emerged first within the framework of Bismarkian contributory systems but they do not, however, form part of the state-delivered contributory social security included and developed in the later paradigm based on William Beveridge's

report on “Social insurance and allied services” published in the United Kingdom in 1942. Family allowances were first introduced in France and Belgium in the 1920s, with groups of employers providing benefits for their workers according to the number of children in each family. Compensation funds were created later to offset the disproportionate financial burden for employers with a high proportion of workers with large families and to distribute the financial responsibility more evenly among all enterprises. This type of organization, in the form of insurance or employers’ mutual trust funds, spread throughout Europe before being implemented almost everywhere in Latin America. The compensation funds were fragmented initially, but later were unified and little by little were partly or totally absorbed into the social security system (Rofman, Grushka and Chevez, 2001; Murro et al., 2007).

It is in this context that family allowances developed as a social policy instrument, seeking simultaneously to supplement family income to improve children’s living conditions while making it easier for children to attend school as well as encouraging their retention in the education system. In line with the latter objective, in many instances family allowances for children went hand in hand with special allowances intended to support schooling.

Historically, the extent of coverage for other contributory elements of social security (pensions, work injury, etc.) was defined by the legislation and even more so by formal employment. On this basis, transfers in the form of family allowances for workers in the formal economy provided partial compensation for the increased needs of families with children and adolescents, while those in the informal economy had access only to the more restricted coverage provided by other programmes and welfare activities.

As part of the concern about poverty — especially, extreme poverty — and as the financial and administrative capacities of programmes developed, but also thanks to the support of multilateral organizations, most of the countries in the region began to develop special transfer programmes for vulnerable families. These programmes became particularly important in Argentina after the financial and economic crisis of 2001, when the emergency situation led to the rapid and necessary implementation of a massive programme to provide additional household income, known as the Programme for Heads of Households (*Programa Jefes y Jefas de Hogar*). This programme targeted those unemployed individuals responsible for the upbringing of children or adolescents younger than age 18.

Since then, cash transfers for households with children have become a basic component of public policy. Nevertheless, it must be remembered that social policy for children may be insufficient if its design is limited to the provision of cash transfers. International experience shows that the success of these programmes depends on a number of sectoral policies that, together, provide protection against social risks and the specific forms of vulnerability that confront all families with children.

International experience concerning transfers for children: Latin American strategies and examples

A comprehensive review of international experiences in transfers for children would be beyond the scope of this article. Such reviews, of varying focus, scope and depth have been reported elsewhere (see for example, ECLAC, 2006; World Bank, 2009). Nevertheless, it is important to distinguish between the different strategies to extend transfers that have been introduced recently in Latin American in order to understand better the path followed by Argentina.

In this respect, two types of strategies can be identified. First, there are those that have generated special programmes to improve the situation of families with children living in a state of poverty. This is the case in Brazil with *Bolsa Familia*, and in Mexico with *Oportunidades*. Second, there are endeavours to extend existing programmes, such as family allowance programmes provided by the social security system. This is the case in Chile, Uruguay and, more recently, in Argentina. It is also important to underline that previous experience regarding the creation, growth and evolution of ad hoc programmes has led to a process of integration with other social security transfer policies.

In Mexico, the *Oportunidades* programme grew out of the Education, Health and Nutrition Programme (*Programa de Educación, Salud y Alimentación* — PROGRESA) created in 1997, which originally provided coverage for 300,000 beneficiaries. The reviews carried out after its initiation have demonstrated clearly the positive impact of this programme on variables such as health, education and nutrition; from 2002, this led to the inclusion of new activities to extend its capacities, generate employment opportunities and income, create wealth, and provide protection against risks, under the new title of *Oportunidades*. Coverage was extended considerably to reach 5 million families in 2004 and the equivalent of 25 per cent of the population in 2008 (SEDESOL, 2009).

The scope and impact of the Brazilian *Bolsa Familia* programme has made it one of the most emblematic projects in the world in terms of cash transfer programmes for families with children and adolescents. It reaches out to more than 12 million families throughout the country, transferring the equivalent of between USD 12 and USD 120 a month per family, depending on the number and ages of the children. It is estimated that this programme has helped reduce the percentage of the population living in extreme poverty from 12 per cent in 2003 to 4.8 per cent in 2008 (Ministry of Social Development, 2010).

Two other examples that help put the Argentinian case in perspective are those of Chile and Uruguay. Although these programmes operate in countries with smaller populations and a more centralized governmental structure, they have developed from a combination of contributory and non-contributory components within an institutional framework that is more closely linked to social security.

The development of compensation funds, for example, has a long history in Chile, not only as regards contributory family allowances but also within the non-contributory scheme. The Single Family Allowance (*Subsidio Único Familiar* — SUF), for instance, is part of the latter, providing a benefit for those with reduced resources who are not eligible for the contributory family allowance because they are not formally-employed workers. Beneficiaries of the SUF are chosen from among the most vulnerable 40 per cent of the population. Households included in the Chile Solidarity (*Chile Solidario*) programme, which seeks a global solution for the situation of households in extreme poverty, are entitled automatically to this allowance. The child benefits provided previously under the contributory and non-contributory schemes were of different amounts (higher in the case of the latter), but since 2009 an identical, although small, level of benefits (equivalent to USD 12) has been paid.

Uruguay is another example from the region that has much in common with Argentina. Coverage was extended in a gradual manner to families in the informal economy, but the overall pattern was more clearly defined in the 2008 reform. Similar to Argentina, an assessment revealed that the high level of social security coverage was biased in favour of older people. In response, coverage was extended to make it universal, including all families with children living in a situation of poverty.

In Uruguay, the contributory component of family allowances dates from 1943. From 2000, two family allowance schemes co-existed: one for salaried workers in the formal economy (reformed in 1980) and one for households with lower incomes, regardless of the type of employment (introduced in 1999 and modified in 2004). From 2008, the latter was replaced, by the New Family Allowances Scheme (*Nuevo Régimen de Asignaciones Familiares* — NRAF). Coverage increased by 78 per cent between 1999 and 2008. The NRAF benefit is equivalent to about USD 26 a month, although this varies depending on the number of children in the household and their age. Family allowances have been included as one of its components in the Equity Plan (*Plan de Equidad*), a group of programmes that provides a network of assistance for social integration (ISSA, 2009; Bucheli and Casacuberta, 2009).

Study of national experiences reveals two aspects that stand out in terms of the coordination and integration of social protection. First, there is the relationship that exists between non-contributory transfer programmes and the contributory social security system. The other aspect concerns the strategy for the prevention and reduction of poverty. This strategy can be integrated into an “umbrella” programme, with common criteria for the identification of potential beneficiaries, targeting, follow-up and monitoring. Alternatively, it may be made up of a group of programmes that have certain objectives in common, but which operate each with their own tools of management.

The reform of family allowances in Argentina

Argentina has set up a three-part system to provide income support for families with children, which targets three different population groups according to the employment status and incomes of the adults who are responsible for the children (Table 1). The structure of this system derives from the gradual manner in which the component schemes that comprise the system have developed. Its most recent component, introduced in 2009, is a non-contributory scheme, established through a decree, and proposed by various political and social actors. Of note, a number of similar projects were under consideration by the National Congress when the decree establishing this component was approved. Previously, various proposals had been presented to extend the coverage provided by such benefits (Rofman, Grushka and Chevez, 2001; MTESS, 2002) and certain provincial states and the Autonomous City of Buenos Aires (*Ciudad Autónoma de Buenos Aires*) already had transfer programmes for families with vulnerable children.

The Argentine system thus includes a new first component in the form of the Universal Child Allowance (AUH): a non-contributory scheme that provides cash benefits for the children of workers who are not registered and who earn less than the adjustable minimum living wage; are unemployed; or are in domestic service. The second component consists of contributory family benefits. The third and final component consists of income tax rebates for workers in the highest income group. This three-part structure exists in many countries in Latin America, in Brazil for example, and also in member countries of the Organisation for Economic Co-operation and Development.

The core element of transfers for children and adolescents younger than age 18 was previously the contributory scheme introduced in 1957. In 1996 the legislation on Family Allowances (*Asignaciones Familiares*) was reformed completely. The new legislation simplified the structure of the benefits and limited access to beneficiaries earning less than 1,500 Argentine pesos (ARS; in 2011, ARS 4,800). Specifically, the benefits were targeted on registered workers in the low and middle wage brackets. As part of this process, earnings-related contribution rates paid by employers to finance these benefits were reduced from 7.5 per cent (in 1994) to approximately 5 per cent of monthly earnings.

The horizontal extension of coverage to families in the informal economy was completed in 2009. These benefits are financed from two sources: i) social security revenue made up of earnings-related contributions and collected taxes; and ii) annual interest on the Sustainability Guarantee Fund (*Fondo de Garantía de Sustentabilidad*) of the state pensions system created in 2007.

The AUH is a semi-conditional monthly cash benefit that is paid to one of the parents, or the guardian, for each dependant child or adolescent younger

Table 1. Transfers for children and adolescents: Three-part system

Title	Characteristics
Non-contributory	Year: 2009
Universal Child Allowance (<i>Asignación Universal por Hijo</i> — AUH)	<p>Monthly payment of ARS 180; ARS 720 for an assessed disability. There are conditionalities concerning health and education.</p> <p>Coverage for those subject to the <i>social monotributo</i> (special tax rate — single contribution — for low-earning, irregular contributors), the unemployed, or those working in the informal economy, earning less than the adjustable minimum living wage. Workers subject to the Special Scheme for Domestic Service Employees (<i>Régimen Especial del Servicio Doméstico</i>) earning less than the adjustable minimum living wage.</p> <p>Administered by the National Social Security Administration (<i>Administración Nacional de la Seguridad Social</i> — ANSES).</p>
Contributory	Year: 1957
Contributory Family Allowance (<i>Asignación Familiar Contributiva</i> — AFC)	<p>Monthly payment of ARS 135 to ARS 291 (depending on the zone); ARS 540 to ARS 1,080 for an assessed disability. Additional education allowance of ARS 170 to ARS 680.</p> <p>Coverage for employees in the private sector, beneficiaries of work injury insurance and unemployment insurance, beneficiaries of the non-contributory insurance and pensions system earning between ARS 100 and ARS 4,800. Special scheme for public servants.</p> <p>Administered by the National Social Security Administration (<i>Administración Nacional de la Seguridad Social</i> — ANSES).</p>
Tax rebate	Year: 1932
Tax Rebate Benefit (<i>Asignación por Crédito Fiscal</i> — ACF)	<p>Annual reduction in the taxable income equal to ARS 6,000 for each child or adolescent younger than age 18 (as of July 2010).</p> <p>Administered by the Federal Tax Administration (<i>Administración Federal de Ingresos Públicos</i> — AFIP).</p>

Note: USD 1 = ARS 3.97 approx. for the 12-month period ending May 2011.

Source: Authors.

than age 18 (no age limit if disabled). Eligible children must be Argentinian nationals or have been resident in the country for at least three years. The benefit is ARS 180 for each child; ARS 720 if disabled. Of the total benefit, 80 per cent is paid monthly to benefit recipients through the social security system. The remaining 20 per cent is deposited in a savings account in the name of the beneficiary with the Argentine National Bank (*Banco de la Nación Argentina*). This sum can be recovered (on behalf of children in their care who are younger than age 5) when the beneficiary provides evidence of the children having undergone medical check-ups and necessary vaccinations or (on behalf of children or adolescent of school age) evidence of the completion of the appropriate academic year. The National Social Security, Health and Education Record

(*Libreta Nacional de Seguridad Social, Salud y Educación*)¹ was created to meet these requirements.

Evaluation of the family allowances reform on coverage and welfare

This section contains an analysis of the scope of the coverage provided and the impact of family allowances on inequality (income, indigence and poverty). It consists of an *ex ante* evaluation that intends to estimate the programme's impact when it achieves maximum coverage. Other studies have already evaluated the initial implementation of the AUH.² All of these studies conclude that the programme will lead to a significant reduction in indigence and, to a lesser extent, in poverty, while having a positive impact on inequalities in redistribution.

We evaluate the impact, coverage and focalization of the family allowances system as a whole, taking into account not only the non-contributory programme (*Asignación Universal por Hijo* — AUH) and the contributory programme of cash transfers for children and adolescents (*Asignación Familiar Contributiva* — AFC), but also the third component, child tax rebates (*Asignación por Crédito Fiscal* — ACF).³ The aim is to provide a complete picture of the coverage provided in Argentina for those younger than age 18 under these three components, as well as of the redistributive impact of this social security benefit.

Source of information and methodology

The calculations presented in this section are based on microdata supplied by the ongoing Permanent Households Survey (*Encuesta Permanente de Hogares* — EPH). At the time of writing this article, the most recent information available reported data for the fourth quarter of 2009. Given that the EPH contains household data only for the major urban centres, the data has had to be extrapolated to cover the total population of the country.

One particularly important aspect was the identification of households receiving benefits from the AFC or the AUH; given that the survey questions do not address

1. See <<http://www.anses.gob.ar/LIBRETA/>>. Initially, one of the requirements for eligibility for the AUH was attendance at a state school, but this requirement was later widened to include private schools with state subsidies.

2. Roca (2010); Agis, Cañete and Panigo (2010); and Gasparini and Cruces (2010). The first of these reports is based on microdata supplied by the Permanent Households Survey (*Encuesta Permanente de Hogares* — EPH) for the fourth quarter of 2009; the two remaining reports use information on periods prior to 2009.

3. In the case of the latter, we were able to evaluate only its coverage and focus, but not its distributive impact, since the information used was insufficient to include these elements in the exercise.

this issue directly it had to be approached in a different manner. We assumed that a household with children and adolescents younger than age 18 was covered by the AFC if the head of the household or his/her spouse was: registered with the social security system as a salaried worker and was earning less than ARS 4,800 a month; was unemployed and receiving unemployment benefits; or was retired/receiving a pension.

In accordance with the legislation governing the creation of the AUH, its potential beneficiaries include all households with members younger than age 18 wherein the household heads or their spouses are salaried workers who are not registered with the social security system and who have declared monthly earnings of less than ARS 1,500; are unemployed; or inactive without being retired or in receipt of a pension. We assume that all households that meet the requirements to be eligible for the AUH do in fact receive it. This assumption may lead to an overestimation of the amount of cash benefits paid and the impact of these benefits on the indicators of inequality and poverty, in so far as there may be households that qualify for this benefit but which have not yet been incorporated into the system.

In addition, for the purposes of our estimates, since the AUH is incompatible with the receipt of any other type of social assistance payment distributed by any level of government (national, provincial or municipal), we have excluded income from the Programme for Heads of Households (*Programa Jefes y Jefas de Hogar*) and other employment programmes for all households that declared income from any of these sources.

Having identified and categorized the households and their members, we proceeded to assess the impact of family allowances (AFC and AUH) on the various indicators of inequality and poverty. To do so, we simulated the amount of benefits that households would obtain. This amount was then subtracted from the income of those households covered by the contributory AFC scheme (since the income declared by these households included this factor). In contrast, the same amount was added to the family income of households receiving the non-contributory AUH. A comparison of the real income declared in the survey and the figures obtained from these simulations revealed the impact of family allowances on total household income. The value of the basic basket of food and non-food items was then calculated on the basis of the inflation index provided by the public statistics institutions of seven of the country's Provinces in order to assess their impact on poverty and indigence indicators.

In addition to these considerations, it is important to note that the exercises carried out in this survey must be interpreted only as an approximate indication of the magnitude of the impact of the family allowances system and of the AUH in particular; its recent creation and the lack of survey data concerning real access to benefits prevent us being more precise in our estimates.

Coverage of children and adolescents younger than age 18 in Argentina

Approximately 3.4 million households out of a total of 12.4 million receive family allowances under the contributory system (Table 2). This represents 28 per cent of all households and 58 per cent of those that include children and adolescents (which total approximately 6 million).⁴

The remaining 42 per cent of households with children and adolescents are ineligible for the contributory benefit for one of two reasons: i) the absence of a head of household or spouse who is employed and registered with the social security system, retired, or unemployed and receiving unemployment benefits; or ii) the head of the household or spouse is included in one of the above categories, but has earned income or receives a pension or unemployment benefits in excess of the threshold for access to benefits under the contributory system (equal to approximately three times the minimum wage).

A major proportion of the first group of households ineligible for the contributory benefit would be covered by the AUH. Specifically, this concerns those households whose members are unemployed, working in the informal economy, or whose monthly income is less than ARS 1,500 (equal to the minimum wage). If all those households that meet the established qualifying conditions for the AUH did in fact receive it, an additional 2.1 million households would be covered, representing a possible total of 5.5 million families (i.e. 92 per cent of the total number of households with children and adolescents).

At the same time, approximately 55 per cent of the 12.1 million people younger than age 18 living in Argentina would be covered by the AFC, i.e. approximately 6.7 million beneficiaries (Table 2). The full implementation of the AUH would enable an additional 4.6 million children and adolescents to be reached, thus ensuring that almost all would be covered by one of the two existing family benefits.

As already mentioned, there is a third group of households with children and adolescents younger than age 18 that also receives benefits under the ACF. Approximately 5 per cent of households belong to this group.

However, one group of children and adolescents younger than age 18 remains without coverage from any of the above-mentioned sources. They belong to households where the head and spouse are not registered with the social security system, because they are working in the informal economy and have monthly income in excess of ARS 1,500; or because they are self-employed with a minimum income at least equal to ARS 1,500 but less than the taxable minimum for payment

4. Monthly benefits per child under this scheme depend on the beneficiary's earnings: ARS 180 for those earning less than ARS 2,400; ARS 136 for those earning from ARS 2,400 to ARS 3,599; and ARS 91 for those earning from ARS 3,600 to ARS 4,800.

Table 2. Coverage of cash transfers for children and adolescents (fourth trimester, 2009)

Household coverage	Real figures (in millions)	Per cent	Individual coverage	Real figures (in millions)	Per cent
Total households	12.4		Total individuals	40.7	
Total households with members younger than age 18	6.0	100	Individuals younger than age 18	12.1	100
<i>AFC (contributory)</i>	3.4	58	<i>AFC (contributory)</i>	6.7	55
<i>AUH (non-contributory)</i>	2.1	35	<i>AUH (non-contributory)</i>	4.6	38
<i>ACF (tax rebate)</i>	0.3	5	<i>ACF (tax rebate)</i>	0.6	5
<i>Without coverage</i>	0.1	2	<i>Without coverage</i>	0.2	2

Source: Authors.

of income tax; or because they are *monotributistas*.⁵ Approximately, 2 per cent of the total number of children and adolescents younger than age 18 is estimated to be in this situation.

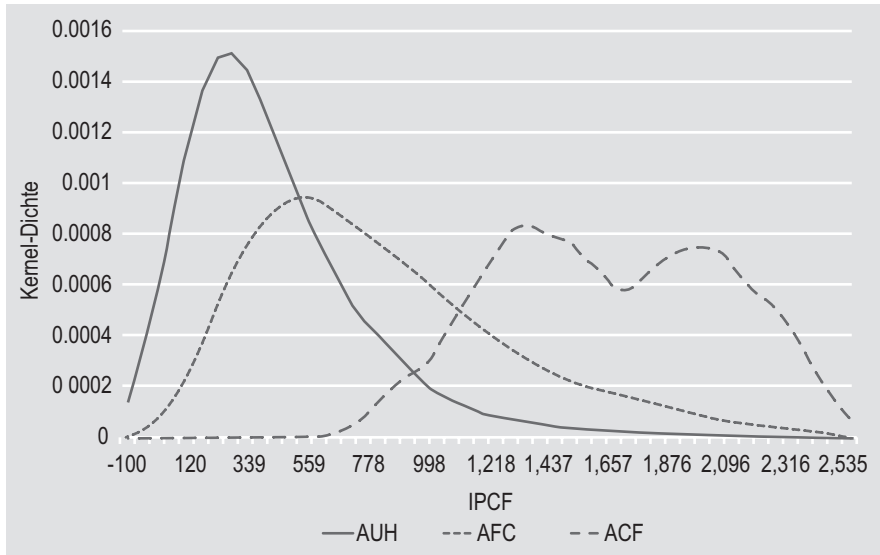
As a result, we estimate that the three schemes described above reach a combined 98 per cent of children and adolescents younger than age 18 (the AFC and the AUH cover 93 per cent between them). This demonstrates the almost universal nature of the current system (provided that all those who meet the criteria for access to the AUH do in fact receive it), which has been achieved through the extension of the contributory scheme to all households that were previously excluded because they were outside the formal labour market.

Universal child allowance (AUH): Characteristics of beneficiaries, coverage and focalization

It is interesting to compare the characteristics of households with children and adolescents younger than age 18 covered by one of the three components of the system. Households that could benefit potentially from the AUH are those that are larger than average and which have a larger than average number of children and adolescents than the households covered by the other two programmes (AFC and ACF). In addition, among these larger households, poverty is significantly more frequent. Specifically, 15 per cent of households covered by the AFC were poor in the fourth trimester of 2009, compared with 54 per cent of households with

5. These are workers, usually with irregular and low incomes, who pay a single contribution based on declared income (*monotributo*) for certain social security benefits, health care insurance and taxation purposes. The AUH regulations currently exclude this group of workers who, as previously mentioned, cannot be identified through the survey because those workers earning less than ARS 1,500 are not covered by this scheme.

Figure 1. *Income distribution of beneficiaries of cash transfers for children and adolescents (Fourth trimester of 2009)*



Source: Authors.

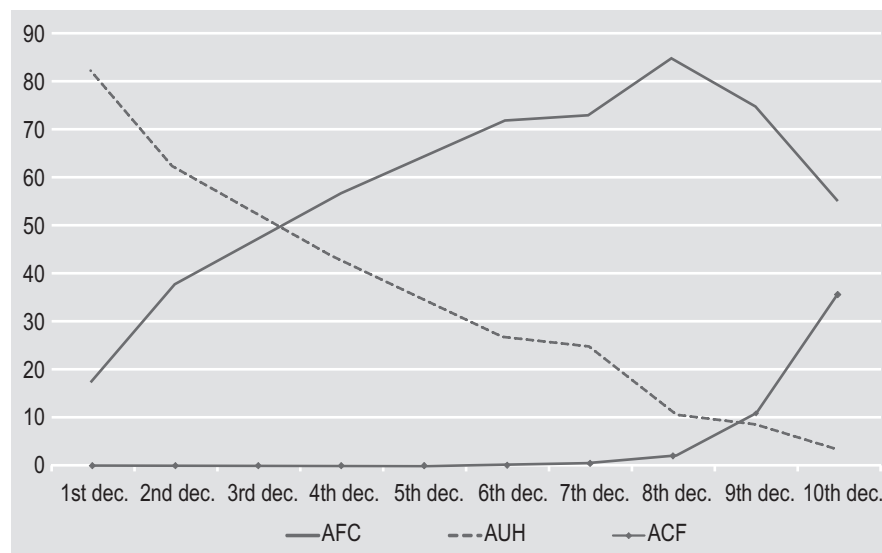
individuals younger than age 18 eligible for AUH. There were almost no indigent households in the group covered by the AFC, while approximately 19 per cent of the beneficiaries of the AUH were in that situation. As was to be expected, none of the households covered by the ACF were in the poor category.

Thus, while 59 per cent of households receiving the AFC were grouped in the first half of the per capita family income distribution curve (IPCF), this figure rose to 91 per cent for beneficiaries of the AUH. Furthermore, more than a third of these households were among the poorest 10 per cent of the population, almost 60 per cent of them concentrated in the first quintile. This picture can be more easily seen in Figure 1, where the kernel density functions⁶ of the IPCF are shown separately for the three groups. This shows the “right shift” of the distribution for households receiving the AFC benefit compared with beneficiaries of the AUH, which constitute the group with the lowest average incomes. Households receiving the ACF benefits lie at the other extreme.

Figure 2 shows clearly the downward curve of the relative proportion of households included in the non-contributory component in line with the increase in IPCF, while the contrary is true of households covered by the AFC. However, the increase in the latter is not even, since the 8th decile includes the highest

6. Kernel density permits data smoothing in instances where inferences about a population is made based on a finite data sample.

Figure 2. Distribution of households receiving cash transfers for children and adolescents by family income decile (Fourth trimester of 2009)



Source: Authors.

percentage of households with children. There is a drop in the highest income quintile because it includes households that receive this benefit through the ACF which, as already mentioned, are grouped at the highest extreme of the income distribution curve.

A highly important aspect is the classification of AUH beneficiaries according to their degree of poverty. As already mentioned, making family allowances universal means providing coverage for a potential number of almost 4.6 million children and adolescents younger than age 18 (approximately 40 per cent of the total), including 2.8 million poor and 1.1 million indigents. However, the total number of poor children and adolescents is higher than this, because a certain number of children and adolescents in that situation are covered by the contributory scheme.⁷

Two indicators can be established on the basis of this information: coverage and focalization. The first refers to the percentage of children and adolescents covered by this programme compared with the total number of individuals in that age group. Focalization indicates the percentage of poor or indigent children and adolescents who benefit. Thus, it is useful to assess the coverage provided for the poor as measured by the percentage of children and adolescents in this situation reached by the programme.

7. They usually belong to large households with only one or two members employed and registered with the social security system, which means that total family income remains below the poverty threshold.

The programme provides coverage for 38 per cent of the total child and adolescent population, most of the remainder being covered by the contributory AFC scheme. Significantly more coverage was provided for the poor, since approximately 70 per cent of the children and adolescents in that situation were covered by the AUH. An even higher percentage, between 80 and 90 per cent, of indigent children and adolescents are reached, which suggests that only a small percentage is not covered by this benefit. Finally, focalization is in the order of 60 per cent for the poor and 24 per cent for indigents. More detailed analysis indicates that 40 per cent of those who receive this benefit are not poor, most of them belonging to households with total incomes only slightly above the value of the poverty line and with more than one wage-earning member.

*Ex ante evaluation of the impact of family allowances on
poverty, indigence and inequality*

The first point that stands out is the high impact of family allowances — AFC and AUH — on indigence, with approximately 80 per cent of the child and adolescent population succeeding in leaving this situation as a result of benefits received through one of these two schemes. Thus, the proportion of indigents falls from an initial figure of approximately 16 per cent (with no contributory or non-contributory transfers) to 4 per cent in the final scenario. The AUH has even more impact owing to its more precise targeting of those households with the lowest incomes. In fact, although the contributory scheme is successful in reducing extreme poverty among children and adolescents by a third, the AUH has almost double that impact.

It is also worthwhile analyzing the distributive effects of receiving this social security benefit. In this context, the Gini index shows a drop of approximately one percentage point as a result of the AFC and one further percentage point with the implementation of the AUH. The combined effect of both components is to reduce inequality by approximately 5 per cent. At the same time, the average income ratio between the first and last quintiles falls by approximately 10 per cent under the effect of the contributory AFC scheme and 14 per cent as a result of the non-contributory AUH.

Analysis of the percentage increase in IPCF and total family income in each of the household deciles provides a clearer picture of the differing long-term impact of the two benefits. The total income of the poorest 10 per cent increases by approximately 14 per cent as a result of AFC payments (17 per cent in the case of the IPCF), while the positive impact rises to 30 per cent in the case of the AUH. Thus, the two schemes bring an increase of about 48 per cent to family income for 10 per cent of the poorest households. Owing to the precise focalization of the AUH towards the poorest households, to the fact that the amount paid is the same for each child, and

that the poorest households have more children than the others, the impact becomes less pronounced as income distribution rises.

Finally, the estimated annual gross cost⁸ of the implementation of the AUH is in the region of ARS 10,000 million,⁹ which represents approximately 1 per cent of Argentinian GDP (this includes total transfers to all those eligible). If current expenditure on other national programmes subsumed under this benefit is deducted, the net cost would be ARS 6,000 million per annum. Data provided by the Social Security Secretariat (MTESS, 2010) indicates that current AUH expenditure represents about 0.7 per cent of GDP, excluding transfers in connection with the 20 per cent of the benefit based on complying with the conditions of school attendance and medical check-ups. As a result, the cumulated AUH and AFC expenditure, which amounted to about 0.87 per cent of GDP in 2009, means that family allowances represent approximately 1.5 per cent of GDP. The National Social Security Administration (ANSES) is responsible for AUH financing, which comes from contributions paid on earnings as well as from resources provided by general taxation.

Conclusions and challenges facing social protection policies

The introduction of the AUH represents a major step forward towards meeting the challenges involved in closing the coverage gap and solving problems of poverty and indigence in Argentina. One of the most important results revealed here is that family allowance schemes have a major positive impact on the incidence of indigence among children and adolescents and, albeit to a lesser extent, on the incidence of poverty. Furthermore, the coverage that could be provided through the full implementation of the AUH is close to universal. The AUH is fiscally feasible in that it represents a transfer programme with a very acceptable cost-effect ratio for the reduction of extreme poverty in households with children and adolescents.

Institutionally, the AUH has a direct built-in connection with the contributory social security system in that it universalizes the existing system of family allowances for children and adolescents of formal-economy workers. The new configuration of the family allowances system introduces a more extensive and equitable structure into the social protection system by improving the horizontal coverage of benefits and contributing to the creation of a social protection floor.

The design of the transfers includes a conditional component that depends on school attendance and medical check-ups, which is in line with trends in transfer

8. That is, the direct cost of the programme, without taking into account the administrative costs of its implementation.

9. Based on the assumption (which is becoming a reality) that those who are eligible for the AUH do receive it.

programmes implemented successfully in many countries in Latin America. At the same time, the AUH has received strong support from many political and social actors, which endows it with a high level of social legitimacy.

Nevertheless, as with all social protection programmes, it is not surprising that both the design and implementation of the AUH have created obstacles and challenges.

In terms of coverage, it can be said that elements of the regulations governing the AUH exclude workers in the informal economy who earn more than the minimum wage. In so far as the AUH is seen as an extension of the contributory scheme, progress should be made towards equalizing the requirements laid down in the two schemes, taking into account that the maximum earnings threshold for beneficiaries of the AFC is significantly higher than the minimum wage.

As regards meeting the conditionalities for access to the cash benefit, the availability of health centres and educational establishments in the beneficiaries' neighbourhoods and surrounding areas must be taken into account, along with the quality of the services they provide. It is also important to remember that the additional cash income received by households with children and adolescents will certainly not be enough to meet the stated social objectives in their entirety, which means that a global policy is needed that incorporates other elements that reach beyond cash transfers.

The AUH regulations include a list of incompatibilities as regards eligibility for all other types of social assistance provided by public authorities at all levels. This regulation seems reasonable when the benefit replaces other programmes targeting similar needs. However, this incompatibility has been strictly defined and it has led also to restrictions in cash transfer programmes with different objectives, such as those aimed at improving the employability of unemployed workers or for workers in the informal economy. Progress therefore needs to be made towards integrating the various components that should form part of the social protection system, paying more attention to the pattern of risks and the vulnerability of different households depending on their composition.

Institutional structure is certainly one of the core variables in ensuring the success of social policies and programmes. This includes the design of the regulations as well as the choice of institutions to be made responsible for executing and managing the programmes. In this context, it is worth noting that an important factor in achieving a high level of efficiency in the implementation of the AUH is its location within the field of social security. However, this implies constraints in the design and management of a global social protection policy, which by definition must involve other government sectors including labour, health, social development and infrastructure. This creates, in turn, the need for a global social protection policy using modern methods of leadership, governance and coordination.

Finally, it is important to bear in mind that all social protection policies need a comprehensive and modern monitoring and evaluation system to enable it to make all necessary adjustments required by a changing economic situation, an evolving labour market and demographic shifts affecting the population.

Ultimately, it is progress on all these fronts that will enable us to move from the concept of a programme to that of state policy in order to achieve the objective of reducing extreme poverty and the even more important long-term objective of achieving the fuller inclusion of all citizens.

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