

## ■ ARGENTINA

# Structural consolidation of social exclusion



The economic growth registered since early 2003 and the increased spending on social policies have not managed to reverse the rise in poverty and extreme poverty, failing to return to 2001 pre-crisis levels. Nor were there any changes in the approach to state programmes, which appear to be aimed at appeasing social conflict rather than at equitable development.

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The deterioration in advances in Argentina's social variables experienced an exponential growth within recent years until in 2002 it reached the maximum values ever observed. Subsequent reductions in poverty, extreme poverty and unemployment are diminishing, but it would appear that the country's poverty levels will not diminish to the point they had reached before the 2001 crisis.<sup>1</sup>

According to the National Census on Population, Households and Housing carried out in 2001, households with basic needs unmet represent 14.3%.<sup>2</sup> This includes households with at least one out of the following five characteristics: its members live in overcrowded conditions, lack basic housing or sanitation infrastructure, at least one child within the household does not attend school and the head of household has not completed third year of primary education. These characteristics, considered as structural poverty, contrast with 29.8% of households in a situation of income poverty,<sup>3</sup> that is to say, households that in spite of meeting infrastructure and basic education standards do not have sufficient income to cover the basic food basket needs. Therefore, in quantitative terms, the main problem related to poverty lies in a pattern of unequal distribution of wealth rather than in the lack of basic infrastructure levels.

### Children: the poor and the extremely poor

A differential analysis of the impact of poverty and extreme poverty on the basis of income allows a closer approach to the extant socio-economic crisis.

According to official data for the second semester of 2004, 40.2% of the population live below the poverty line and 15% are considered extremely

poor.<sup>4</sup> This situation particularly affects the north-east region, with 59.5% and 26.2% of people living below the poverty line and extreme poverty line respectively, and the northwest region with 53.4% and 21.4% respectively.<sup>5</sup>

The analysis of official statistics shows a differential impact of poverty and extreme poverty by age groups with the conclusion that most affected people are aged between 0 and 14. At the national level, 60% of boys and girls under 14 years old are poor and 26.5% are extremely poor. The situation is even more serious in the country's more backward regions. In the northeast, poverty and extreme poverty reach, respectively, 73.8% and 42% of children under 14, with peaks in Gran Resistencia (province of Chaco) and Concordia (province of Entre Ríos), where approximately 80% of boys and girls are poor, and almost half of them live in households with insufficient income to have access to a basic food basket.

Finally, in all these cases the levels of poverty and extreme poverty are slightly higher than those registered by official institutions before the 2001 crisis. This means that the period of economic growth experienced since early 2003 has not succeeded in returning the value of these variables to pre-December 2001 levels.

### More uncertain labour conditions

The contradiction between significant GDP growth levels and the persistence of high levels of poverty and extreme poverty is caused among other things by the evolution of labour conditions and, mainly, by the intensification of the process of wealth concentration.

In this sense, a few data on labour conditions are enough to point out that the economic process launched in early 2003 is insufficient to address the type of poverty which exists in the country.

TABLE 1

PERIOD	GENERAL LEVEL	UNEMPLOYMENT	
		Real Unemployment	Under-employment
01-2003	20.4	26.6	17.7
02-2003	17.8	23.0	17.8
03-2003	16.3	21.4	16.6
04-2003	14.5	19.7	16.3
01-2004	14.4	19.5	15.7
02-2004	14.8	19.1	15.2
03-2004	13.2	17.6	15.2
04-2004	12.1	16.2	14.3
01-2005	13.0	16.6	12.7

Source: INDEC, EPH. Real unemployment is calculated by including as unemployed those men and women benefiting from the "Heads of Household Programme" which grants a subsidy in exchange for community services.

Although unemployment and underemployment rates have decreased, they still remain very high, which operates as a pressure mechanism preventing any substantial improvement in the labour conditions of workers. At the same time, the tendency of this decrease is declining, which poses reasonable doubts about the medium-term sustainability of this process. Also, the evolution of the unemployment rate since early 2003 indicates that, after significant reductions, unemployment levels tended to become stable or decreased slightly by the end of that year, as shown in Table 1.

Unemployment levels affect young people more than women. The Permanent Survey on Households (EPH) indicates that the highest rate is of women under 29 years old (22.7%).<sup>6</sup> This figure does not include as unemployed those women under 29 years old who benefit from the Heads of Household Programme. If it is taken into account that approximately two-thirds of beneficiaries of the programme are women, the impact of unemployment on young women is even greater.

Finally, the persistence of high unemployment and sub-employment rates makes the real salary of workers fall well below the pre-crisis levels of December

1 In December 2001, after failed attempts to reactivate the economy, the IMF's denial to grant a new loan and the loss of investments, the Government established temporary restrictions to bank accounts. There were strong popular protests and President Fernando de la Rúa resigned.

2 National Institute for Statistics and Census (INDEC), 2001.

3 INDEC, Permanent Survey on Households (EPH), INDEC considers as extremely poor households those which lack sufficient resources to cover a food basket able to meet the minimum energy and protein requirements.

4 INDEC considers as extremely poor households which lack sufficient resources to cover a food basket able to meet the minimum energy and protein requirements.

5 INDEC, EPH. The most critical situation in terms of poverty and extreme poverty on the basis of income is evidenced in the provinces of Corrientes and Chaco (northeast region) and Jujuy and Santiago del Estero (northwest region), where income poverty levels stand at about 60% and extreme poverty reaches 30%nd semester of 2004. In October 2001, 28% of households were found in a situation of poverty on the basis of income.

6 INDEC, EPH, fourth quarter of 2004.

2001. Table 2 shows the evolution of both nominal and real salaries according to the worker's condition.

As can be observed, the process of income contraction has a stronger effect on workers in the informal sector, who account for 47.5% of total salaried workers.<sup>7</sup> In effect, only the real salary of registered workers in the private sector is at the levels of December 2001, while non-registered workers of both the private and public sector have lost 25% and 28% of their purchasing power respectively, apart from lacking both pension and health care coverage.

### Government policies against poverty

After the political-institutional crisis of December 2001, the State made a new attempt to develop and consolidate social policies aimed at reducing poverty and restraining the escalating social conflict. State intervention is implemented through the Unemployed Heads of Household Programme, the Family Plan for Social Inclusion and the "Manos a la Obra" (employment) Programme.

In 2002, the Heads of Household Programme established the provision of "non-remunerative" economic aid at ARS 150 (USD 52) for unemployed men and women with children under age 18, in exchange for services (joining formal education or participating in labour training courses or local productive projects or in community services). In May 2005, the programme had 1,512,614 beneficiaries.<sup>8</sup> In 2004, the Family Plan allocated up to USD 69.32 per month in urban areas to 210,806 mothers with three children or more.

The plan has been criticized for allocating insufficient amounts<sup>9</sup> and because a three-member household is granted exactly the same amount as a ten-member household. Moreover, a large part of the resources granted to beneficiaries are paradoxically used to pay for direct consumer taxes. There is no coordination between programmes and health and education services and some sectors were deliberately excluded. Also, the registration period for beneficiaries was closed in 2002<sup>10</sup> and currently there is no provision for new beneficiaries to join the programmes.

7 INDEC, EPH, first quarter of 2005.

8 Ministry of Labour, Employment and Social Security. [www.trabajo.gov.ar](http://www.trabajo.gov.ar)

9 In the second semester of 2004, the basic food basket for a five member household amounted to ARS 358 (USD 124), which evidences the insufficient character of the amount of ARS 150 allocated by the Head of Household Programme.

10 The imposition of a deadline to join the Unemployed Heads of Household Programme was taken to court under sponsorship of the Centro de Estudios Legales y Sociales. In such action, the Federal Social Security Court of First Instance ordered a precautionary measure aimed at ensuring that, while the process was underway, the family right to social inclusion, to a suitable standard of living and to social security of the applicant should be protected.

**TABLE 2**

<b>Index of nominal and real salaries, by worker's condition.</b>									
Last day of month values. December 2001 = 100.									
MONTH	GENERAL LEVEL		PRIVATE SECTOR				PUBLIC SECTOR		CPI
	Nominal	Real	REGISTERED		NON REGISTERED		Nominal	Real	
			Nominal	Real	Nominal	Real			
Jan-02	99.61	97.38	99.67	97.43	99.17	96.95	99.81	97.57	102.30
Jun-02	99.55	76.29	100.54	77.05	96.31	73.81	100.04	76.66	130.49
Dec-02	107.45	76.23	116.86	82.91	94.12	66.77	100.56	71.34	140.95
Jun-03	115.70	80.43	130.54	90.75	94.68	65.82	104.82	72.87	143.85
Dec-03	120.42	82.42	135.32	92.62	104.23	71.34	106.23	72.71	146.11
Jun-04	127.97	84.78	146.96	97.36	108.12	71.63	109.35	72.44	150.94
Oct-04	130.51	84.90	149.18	97.04	113.42	73.78	110.58	71.93	153.73
Jan-05	136.48	86.76	158.34	100.65	117.41	74.63	112.52	71.53	157.31

Source: Institute of Studies and Training, Argentine Workers Central, based on the EPH.

In 2003 the Ministry of Social Development promoted the "Manos a la Obra" Programme in order to generate processes of social inclusion through micro-entrepreneurships, thus turning unemployed people into micro-entrepreneurs without ensuring the sustainability of small enterprises. This way, the State's intervention in redesigning social relationships can contribute to modifying the position of individuals in the relation between capital and labour, in such a way that (formerly unemployed) workers are turned into (micro) entrepreneurs. This is the logic implicit in the programme, whose key supplement is the Family Plan, which ensures that women and their children can reproduce the labour force within the household.

In the case of the Family Plan, although it has a distributive dimension (resources are allocated to households headed by women), the action demanded as counter-payment affects the way in which poor women are acknowledged since they are asked to prove that they send their children to school and that they undergo health checks. Since this counter-payment is a behavioural demand, proposed as an incentive to develop certain practices and at the same time is an essential condition for participating in the plan, it can be inferred that those who design the plan consider that women in these sectors are careless towards their children and thereby it is necessary to force them to take basic care actions. In the eyes of society, these women should be monitored in terms of the treatment towards their own children.

Meanwhile, the increase in budgetary resources allocated to the State's social policy has not been translated into a significant change with regards to the logic of social intervention, reproducing therefore the poverty cycles characteristic of policies implemented in the 1990s.

### Conclusion

The extent of Argentina's social crisis, reflected in the analysis of the main social variables, as well as its duration in time, confront us with situations whose effects will be felt by future generations. The State should carry out urgent actions to avoid the consolidation of poverty reproduction cycles.

Although the effects of the economic recovery initiated in early 2003 have brought about an improvement of the main social indicators, they have failed to reduce the levels of poverty, extreme poverty and unemployment to rates registered prior to the crisis of December 2001.

At the same time, the process of wealth concentration has intensified further, consolidating a profoundly unequal and unfair society, where public policies seem to be guided more by the need to appease social conflict while sustaining minimum levels of survival, than by the development of inclusive policies directed towards full development. ■