

## New context, old policies



Inflation, poverty and indigence levels are far higher than official statistics indicate. Measures taken to combat the imminent economic crisis should be designed to diminish the concentration of resources and inequality. This would require an agenda that includes social policies that reverse the dynamics of exclusion the country has endured in recent decades and create a citizenship based on individual and social rights. Sustaining these social policies will require ensuring access to reliable official information – a significant change from what has been provided lately.

Centro de Estudios Legales y Sociales (CELS)<sup>1</sup>

Without a doubt, the global financial crisis will soon hit Argentina, raising several questions: What policies are being proposed to mitigate the impending increase in poverty? Are the post-crisis policies of 2001, which have been sustained in a context of economic growth, still in effect? And, finally, what are the chances that current narrowly targeted national programmes to ameliorate exclusion, poverty and indigence (income transfers, for example) will be abandoned in favour of universal policies?

The 1990s were a period of economic, political and social transformation in Latin America. This was particularly true in Argentina, which implemented the policies dictated by international credit institutions more rigorously than any other country. At the same time, in the space of a few years the country transformed its economic system, regulatory framework and social security coverage; privatised its public services; abandoned State responsibility for a number of concerns and services; and adopted a concept of social policy that ignored human rights.

Contrary to the expectations of the initiators of these policies, unemployment, poverty, indigence and inequity rose steeply. In late 2001, in the midst of an acute institutional and economic crisis the Government fell; the country abandoned currency convertibility, which had been maintained for a decade. In October 2002 57.2% of the population was living in poverty; this includes 27.5% who were indigent.<sup>2</sup>

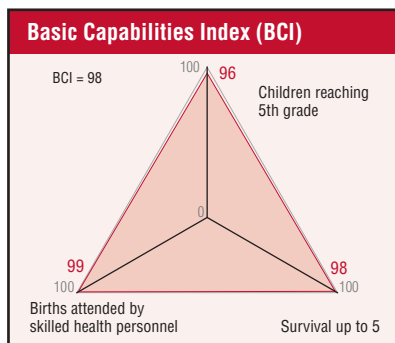
Although signs of economic recovery emerged after 2003, according to government figures (which are currently unreliable), 17.8% of the population was still below the poverty line in the first half of 2008, and 5.1% was indigent.<sup>3</sup> Private and independent reports estimate that more than 30% of the population remained below the poverty line in 2008 – about 12 million people; while 10% (about 4 million) were indigent.<sup>4</sup>

1 Written by Pilar Arcidiácono and Laura Royo, director and member of the Programme for Economic, Social and Cultural Rights at the Centre for Legal and Social Studies (CELS), and Facundo Capurro Robles, member of CELS. Our thanks to Gustavo Gamallo (University of Buenos Aires).

2 Statistics and Surveys Institute (INDEC). Permanent Household Survey and statistical regions (2001). Available from: <www.indec.gov.ar/>.

3 INDEC (2008).

4 *La Nación*, 4 March 2008.



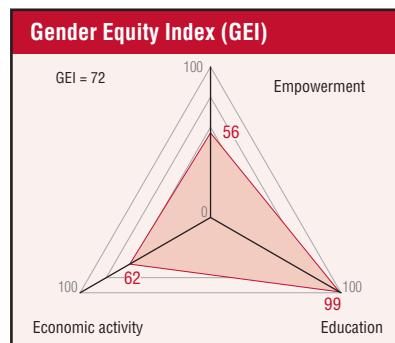
The elevated level of poverty is particularly alarming at a time when the era of economic growth appears to be ending and the international crisis is making its way to Argentina. Social vulnerability is high. The greatest threat is inflation – which unofficial estimates calculate at four times the official figure. If the cost of the basic food basket outpaces wage increases, the narrow margin that separates many households from poverty will quickly disappear.

### Unemployment

Between 2003 and 2007 the unemployment rate dropped by more than a third; during the fourth quarter of 2008 it was 7.3%.<sup>5</sup> Underemployment also fell significantly, to 9.1%. While welcome, these improvements are less heartening than they might appear at first glance. Many of the newly employed work in the informal sector; although unregistered employment has fallen from 47% of the workforce in the first quarter of 2003 to 37.8% in the final quarter of 2008, this is still an extremely high level. It means that four out of ten wage earners are excluded from labour regulations and public policies that promote indirect wage payments (such as increases in family allowances, regulations on benevolent funds, retirement schemes, etc.). Independent researchers estimate that only 125,000 people are collecting unemployment insurance out of the 1,200,000 who the Government officially reports are unemployed. The majority are discouraged, among other things, by the low benefit rate, which barely equals 20% of the average current salary. It should also be noted that gender inequities in the labour market persist, and the Government has done nothing to remove them.<sup>6</sup>

5 “Seguro de desempleo: lo piden pocos y está desactualizado”. *Clarín*, 9 March 2009.

6 *Ibid.*



### Access to information

The country's economic distress is exacerbated by the failure of the Government's National Institute of Statistics and Surveys (INDEC) to produce and disseminate reliable information on employment, poverty and inflation and other sensitive topics. This makes it difficult to develop a realistic analysis of the social situation and to design appropriate policies. The statistical user bases for the Permanent Household Survey and the Household Expenditure Survey, which are essential for analysing inequalities in household income, as well as the socioeconomic characteristics of households, are no longer made public. Other Government agencies are similarly unhelpful. The website of the Information, Monitoring and Evaluation System for Social Programmes (SIEMPRO) was suspended for a lengthy period; the relaunched site does not contain complete information. Other official websites do not provide current data, which makes it difficult to analyse social policies.

Inevitably, in the absence of good official data, alternative measurements have proliferated. They reveal, among other things, that levels of inflation, poverty and indigence are far higher than the official statistics indicate.

### Government solutions

Since the 2002 crisis, Argentina's social policies can be grouped in two broad categories: policies aimed at workers in the formal labour market and policies designed to assist the rest of the population through social programmes that transfer income.

Aside from wage increases, the policies targeting workers in the formal labour market have also included reforms of social security and family

allowances, along with incentives for employment registration and other measures. This approach appears to be grounded in a growing confidence in the market as a focal point for integration and the preferred mechanism for meeting individual and social needs, supplemented by a series of “temporary” policies.

Income transfer programmes for sectors outside the formal labour market experiencing various types of “vulnerability” include the Unemployed Heads of Household Plan (PJJHD), established in response to the economic crisis and high level of social conflict during final years of currency convertibility. This programme focuses on providing direct monetary aid (about USD 40 per beneficiary). It is billed as “guaranteeing the family right to social inclusion”, which is understood to mean ensuring that children attend school, that people can get health care, that recipients participate in the formal education system and/or labour training activities that will contribute to their future employment, and that they have an opportunity to participate in productive projects or community service, in accordance with the method of “compensation”.<sup>7</sup>

One of the plan’s major achievements has doubtless been its success in assisting large numbers of people within a short period of time. The PJJHD began operations in June 2003, and reached 1,992,497 people. In November 2007 it had 795,274 recipients on its rolls.<sup>8</sup> Since then, the number of beneficiaries has dropped, due to rising employment, young people aging out as they passed their 19<sup>th</sup> birthday, and the transfer of many beneficiaries to other social programmes, such as the Families for Social Inclusion Programme (PF).

In March 2006, during the period of economic growth, the Government introduced a training and employment insurance plan for recipients of PJJHD aid who were considered “employable” or on the way to becoming so, however only 32,000 recipients joined the programme in its first 12 months.<sup>9</sup>

The PF was created within the orbit of the Ministry of Social Development to provide for people

considered “unemployable”, particularly women with children or who might give birth. According to official data, 504,784 families were in the programme by August 2007. Benefits to these families varied according to the number of children in the household below the age of 19, and disabled people of any age in their care. The basic benefit is 155 Argentine pesos (USD 42) and may be as much as 305 pesos (USD 82) if the family includes six minors. Mothers with seven or more children are eligible for a pension of 390 pesos (USD 105).

Despite the scale of these programmes, they are hardly responsible for the drop in poverty and indigence percentages between 2002 and 2007. Their contributions can at best be characterized as “relief”, rather than a strategy to “overcome” poverty.<sup>10</sup> Above all, in the shadow of the international crisis, the persistent and intractable nature of the situation makes it truly alarming. Although PJJHD has far fewer recipients than it did during 2001-02 crisis, their numbers are still significant for a country that has experienced considerable economic growth. Furthermore, at this point access to both PJJHD and PF is only available to people who obtain a court order. For many sectors, universal coverage is only a dream.

### Need for universal social policies

Increases in employment and income have been largely confined to the formal labour market. The State has created and maintained macroeconomic conditions that have spurred an economic revival and supplemented this resurgence by introducing a variety of policies and actions such as a minimum wage, aimed at boosting the incomes of wage-earners in the formal sector. The position of these workers has improved over what it was under the policies pursued in the 1990s. However the persistence of a high level of unregistered employment, poverty and indigence diminishes the impact of measures aimed at formal workers and increases the disparity between the two sectors.

This gap is accentuated by income transfer programmes. For example, workers within the formal labour market receive a family allowance (AAFF) per child. Those not eligible include workers in the informal economy, self-employed workers, unemployed workers who are not unemployment insurance beneficiaries (such as those who benefit from social plans), domestic workers, migrants, persons deprived of their freedom or persons who are institutionalized due to mental health problems. Thus, the 2001 National Population Census found that 70% of all children were excluded. Although it should be noted that the aim of the family allowance was not to cover each child directly, but to encourage family growth and promote an increase in the

number of formal wage earners. A child whose father or mother is outside the formal labour market, as a self-employed worker or as a beneficiary of a social programme, should benefit from these programmes as well.

Similar discrimination is evident in income transfer social programmes. The PF provides mothers with 45 pesos (USD 12) per child, while a child who is lucky enough to have two parents in the formal work sector may receive as much as 100 pesos (USD 27) through the family allowance system.

### The new scenario

It is possible that the international crisis may be sparking a “rediscovery” of poverty and open a window of opportunity for discussion of universality. In an encouraging sign, a range of political sectors have proposed income transfer plans for children, with a variety of benefit levels and various degrees of “universality”. So far, they have been discussed only in parliamentary committees; none have reached the full Congress. However, the province of Buenos Aires, the most significant in the country in terms of both political influence and population, is gradually implementing a “universal” benefit policy.

Although the universal policies suggested so far will not solve the problem of poverty and exclusion, they could generate a social policy appropriate to the socio-economic context and the changes in the labour market. This will only happen if policymakers pay attention to the transformations the economy has undergone in recent years and avoid policies appropriate to other contexts, such as a full-employment economy.

The conclusion is obvious: during the economic recovery, the State has not substantially modified the country’s high concentration of income and extreme inequality. A transformation agenda should be based on the principle that social policy is essential to the construction of citizenship based on respect and the enhancement of individual and social rights. Universal policies could provide an effective strategy for overcoming the exclusionary dynamics of recent decades. Formulating them will only be possible if the public has access to reliable and extensive government data on socio-economic conditions. ■

7 Decree Nº 565/02 2002.

8 According to Ministry of Labour, Employment and Social Security information, in December 2008 the total number of employment programme beneficiaries amounted to 970,000. However, in establishing a non-differentiated benefit for every unemployed head of household, the PJJHD did not make any distinction regarding the composition of the family group. Thus, the larger number of people in the household, the smaller the impact of the benefit. It also lacked any administrative and/or judicial means of making claims. Although many appeals on the grounds of unconstitutionality have been submitted, the results are not encouraging, either with regard to changing public policy, or in terms of promoting dialogue and interaction.

See: Pilar Arcidiacono and Laura Royo. “More market and fewer rights: the State’s response to the housing crisis”. *Social Watch Report 2007*.

9 “The labyrinth of social plans”. *La Nación*, 4 March 2007.

10 INDEC (2007).