



# Argentina

Area	3,761,274 km <sup>2</sup>
Population <sup>i</sup>	40,518,951
Age structure	
• 0-14 years (%)	25.4
• 15-64 years (%)	64.1
• 65 years and over (%)	10.5
Infant mortality rate (per 1,000 live births) both sexes <sup>ii</sup>	13
Life expectancy at birth (years) female	79.2
Life expectancy at birth (years) male	71.7
Maternal mortality ratio (per 100,000 live births) <sup>iii</sup>	77
GDP per capita	
• Current US\$ <sup>iv</sup>	8,236
• PPP (current international \$) <sup>v</sup>	14,313
• Constant local currency	9,614
Consolidated social public expenditure (% of GDP) <sup>vi</sup>	24.2
Pension coverage (% of population) <sup>vii</sup>	92.8
Unemployment rate (%) <sup>viii</sup>	7
Human development index (HDI) rank <sup>ix</sup>	49
HDI poverty indicators: Human poverty index rank	13
HDI health indicators: Life expectancy at birth rank	50
HDI education indicators: Literacy rate (97.6%) and rank	31
HDI education indicators: Enrolment rate (88.6%) and rank	36

# Extension of the Universal Family Allowance: The Universal Child Allowance

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Emilia E. Roca

Argentina

## Summary

- Promotes economic security of children and adolescents;
- Launched in November 2009;
- Transfer is equivalent to the benefit that children of formal workers and of beneficiaries of unemployment insurance receive;
- Coverage of 0 to 18-year-olds who are children of unemployed and informal workers as well as of beneficiaries of other programmes who were transferred to AUH;
- 3.5 million new beneficiaries (85 per cent of Argentine children are covered);
- Closely linked to essential services, particularly education and health care.

Target Group	Programme	Benefit
Childhood and adolescence	Universal Child Allowance (Asignación Universal por Hijo, AUH)	Arg\$180 (US\$46.20) per month per child provided that those of school age attend school and in all cases register for health-care services.
	Family Allowances (Asignaciones Familiares)	Arg\$180 (US\$46.20) on average per month per child (provided that those of school age attend school) of formal salaried workers and social security old-age, invalidity or survival beneficiaries. Additional transfers for childbirth and adoption.

## Information on the Author

Emilia E. Roca, Under-Secretary of Social Security Policy, Ministry of Labour, Employment and Social Security.

## INTRODUCTION

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The discussion taking place in academia, international agencies, other organizations and in Argentina about the establishment of a social protection floor starts from different conceptions of the economy and social policies, which lead to conceptually diverse proposals. Discussions on linking social protection and employment in particular are perhaps the most intense since they involve political and social actors with very different positions.

In the case of Argentina, the drive to establish a universal child allowance was a longstanding demand, based on proposals from various sectors, social actors, unions and politicians. The main objective was to develop and implement a massive public policy campaign in order to reduce poverty, especially extreme poverty, and benefit the lower-income sectors. In this sense, the configuration of a more precarious and fragile labour market, which had previously excluded a large segment of workers from social security benefits and thus from this policy instrument, could repair the effects of this failing. However, the proposal does not mean abandoning the goal of achieving a labour market and an employment sector that guarantee social security coverage and adequate incomes.

From an alternative theoretical perspective, there is an advancing school of thought that locates the source of the problem not in the lack of jobs but in the

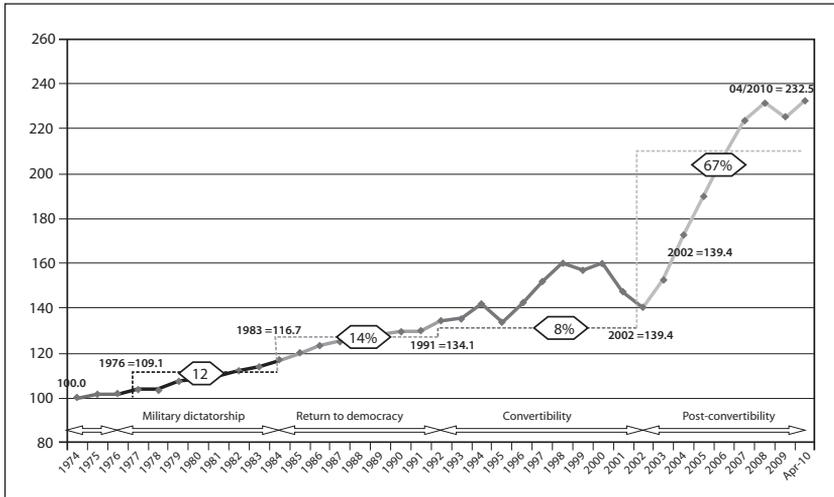
“lack of social integration because of the type of employment offered by the economic system” (Lo Vuolo, 2001). This type of thinking emphasizes the need to separate income security from job security and proposes a more comprehensive notion of labour.

Thus, taking as a reference the analytical framework used by Groot and van der Veen (2002), international experience shows that systems of income transfers are slipping from traditional so-called “conditional welfare” schemes to other variants. These variants include workfare schemes as well as proposals regarding the concepts of “basic income” and “participation income”.

Despite the substantive changes in the labour market mentioned earlier, since 2003 Argentina has seen a very significant increase in registered jobs. This showed that the creation of employment, protected employment and better working conditions are obtained from the reformulation of an economic policy that had and still has as its cornerstone job creation and job quality (graph 1). The momentum towards the generation of formal jobs exposed the fallacy of the “end-of-work” theory that arose from orthodox economic models and that appeared to be an irreversible characteristic. This empirical evidence was able to promote and support alternative Keynesian economic policies of underpinning demand by generating more and better jobs and by having an active State presence in the distribution of income.

Despite these substantial changes in the labour market, however, there still remained a very significant proportion of workers and families with no social security coverage. It should be noted that Argentina had a rich and historical institutional experience in social security, including the subsystem of Family Allowances (Asignaciones Familiares)

covering the children of registered workers. Therefore, the implementation of the Universal Child Allowance (Asignación Universal por Hijo, AUH) Decree was analysed and approved within the legal framework of this social security system, which granted full rights to all children whose parents had been excluded from the formal labour market.



**Graph 1** | Index of contributors to the pension system, 1974-2009 (base 1974 = 100).\*

Source: DGRP and SGI (from 1974 to 1993) and SI GyP and SIPA (from 1994 to 2009).

\*This graph was created based on data originating from the affidavits of the employers (firms) in the Argentine Integrated Retirement System (Sistema Integrado Previsional Argentino, SIPA), which contain the number of workers and the amount of real wages from which are established the inputs and contributions of workers and employers, respectively. The number of self-employed workers with contributions to the system is established in a similar manner.

## BACKGROUND

Dr. Néstor Kirchner assumed power in May 2003 after the deep crisis of 2001 and 2002 marked by the collapse of convertibility (1 peso = \$1, lasting from 1991 to 2001), which meant the declaration of default of the external and domestic debt, hyperinflation, rising unemployment and poverty levels never seen before in the country. Since his assumption of power, the Government of Argentina has made a

strong and growing commitment to labour and social issues. In accordance with these premises, the policies implemented have led to a new role for the State, which involves not competing with the private sector but governing the relations between market and society through the recovery of labour institutions and the social security system, and, therefore, proposing a readjustment of the system as a principal support of social protection policies.

Indeed, progress is now reaching the population in a significant way, with more than 17 million beneficiaries largely covered through the social protection system. In fact, the inclusion of more than 2.3 million more adults in retirement benefit schemes as well as the extension of coverage of family allowances, following implementation of Decree 1602/2009 (Universal Family Allowance per Child for Social Protection), guarantees that more than 9 million children and adolescents now receive social security benefits. Indeed, Decree 1602 allowed the inclusion of more than 3.7 million children and adolescents under 18 years of age in the social security system, further adding to the 6.5 million covered by contributory systems.

These policies were also accompanied by a strong inclusion of citizens from highly vulnerable sectors through a significant expansion of coverage of non-contributory pensions (NCPs), with more than 700,000 people receiving some of the benefits of the NCPs. Especially significant was the growth of benefits for mothers of more than seven children and for old-age and invalidity pensions, which quintupled. These extensions of social security coverage were complemented with actions designed to strengthen the employability of the unemployed and active workers through employment, training and education programmes. These programmes have enabled Argentina to significantly increase the population covered by different interventions of the national government, again giving the State a central

role in improving the living conditions of the population, especially the most vulnerable.

It is significant to note that the Government has allocated resources equivalent to more than 40 per cent of the national budget for the provision of benefits of the various subsystems and policies previously mentioned (contributory and non-contributory retirement and pensions, family allowances, unemployment insurance, employment and training policies, etc.).

The Ministry of Labour, Employment and Social Security, in conjunction with other State agencies including the Ministries of Social Development, of Education and of Health, is charged with implementing these social policies. These policies cut across various aspects and multidimensional axes that require a very strong linkage and coordination in order to achieve the proposed objectives.

The Ministry of Social Security, as the government agency responsible for the design, monitoring and implementation of policies regarding systems under its control (such as the retirement and pension system and the subsystem of Family Allowances and of unemployment insurance), and the Employment Ministry (responsible for employment and training policies and training) constitute the central agencies of the Ministry of Labour in the implementation of social protection policies.

It is important to mention the crucial role played by the National Social

Security Administration (Administración Nacional de la Seguridad Social, ANSES), a dependent organ of the Ministry of Labour (through the Social Security Secretariat) that, by its great capacity for territorial management and deployment, enables the Government to reach the country's most remote places and most vulnerable populations. In this context, the Social Security Secretariat should not only address the search for appropriate mechanisms for resolving the most pressing social problems but it must also prepare for those issues that arise from improvements in the conditions of employment, the links to labour and social rights, and better working conditions, all of which require a sustained effort in terms of management and financing resources in order to function effectively and efficiently. In fact, all these policies strongly impact both the budgetary requirements and the management and administration requirements of the various subsystems, thereby allowing the adaptation of institutions that are the foundation of the Argentine social security system to new realities and the needs of the target population.

The priority is also to assess the impact of these policies: to be able to measure the policies applied and effective improvement in the living conditions of the target population. In terms of dealing with the new challenges to social security, the sanction of Decree 1602/2009 by President Cristina Fernandez de Kirchner is particularly relevant. The implementation of the Universal Child Allowance (AUH) has meant a substantive and

arguably structural change and certainly one that will indisputably be remembered as one of the most important milestones marking the rich history of labour legislation and social protection in Argentina.

## BRIEF REVIEW OF THE SUBSYSTEM OF FAMILY ALLOWANCES

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Argentina had a rich historical and institutional experience in social security. Such institutions include the subsystem of Family Allowances that covers children of formal-sector workers under Law No. 24714.

The first rules and laws and even some collective agreements include clauses referring to the family wage that forced employers to pay a salary plus cover their workers' minor children. Also noteworthy is the scale for bank employees (Law 12637/1940), which in 1943 was extended to employees of insurance and reinsurance companies. Similarly introduced was the family wage for railway employees and the creation of a common fund to support workers with family responsibilities (by Decree 3771/43). In this way, coverage was extended to workers in other fields (Marasco, 2010).

In Argentina, the rights of workers and their families have Constitutional status. Indeed, rights referring to social security were incorporated into the 1949 Constitution and, after its repeal, were subsequently incorporated into the 1957

Constitution, which required the law to provide effective and comprehensive family protection as well as family allowances – a requirement established in Article 14 bis of the Constitution. In 1956, the Collective Agreement of Commercial Employees (No. 108) established a family compensation fund for employees of the sector, giving an allowance per child (Marasco, 2010). Later this was extended to other groups of workers not covered by the previous rule (Decree 7913/57 and 7914/57). Finally, it was Decree No. 18017 of 1968 that allowed the “universalization” of family allowances of a contributory nature for all dependent workers in both the private sector and the National Public Administration.

Therefore, the existence of a subsystem of family allowances in the regulatory framework of the Argentine social security system has allowed the establishment of an institutionalized system that provides benefits for children and young people and places the country at an advanced level of social protection, especially in Latin America.

Later, after the economic ups and downs suffered by the Argentine economy during the 1980s – a period called the “lost decade of Latin America” by the Economic Commission for Latin America and the Caribbean (ECLAC) and others (gross domestic product (GDP) per capita had fallen to about 20 per cent, accompanied by uncontrollable price increases, hyperinflation, rising unemployment and poverty) – the process culminated with

the implementation of a neoliberal economic model in the 1990s, a hyperinflation process also called a market “coup”. This meant the elimination of the instruments, laws and regulations governing the markets for goods and services and especially rules governing the labour market. According to most neoliberals, the relaxing or elimination of these rules relieved the market of the “ties” that constrained it. It also affected the flow of resources from corporate contributions to the social security system since the percentage of employer contributions that funded the social security system was lowered. This was used, as was convertibility, as a means for reducing labour costs in a context of strong foreign-exchange restrictions, a means that clearly affected employer contributions for family allowances. Thus, in order to reduce the financial impact that these resource-reduction measures had on the system, usual benefits were cut (spouse, large families, etc.). At the same time, salary caps were fixed for the recovery of allocations and differential amounts of benefits according to a salary scale in order to promote the lower wages.

The Family Allowances scheme is currently governed by Law 24714/96, which is divided into two subsystems: a contributory system and a non-contributory one. The first group includes all formal-sector dependent workers/employees registered in the social security system. The non-contributory group comprises the retirees and pensioners of the Argentine Integrated Retirement

System (SIPA) and beneficiaries of non-contributory pensions. In the case of family benefits to retirees, benefits are financed from the resources of SIPA, and, in the case of the non-contributory pensions, from the national budget. National public-sector workers are also beneficiaries of the system. Indeed, while for public employees of the provincial jurisdictions benefits are set according to provincial laws, in both cases (national and provincial), given the federal character of the national organization, the scheme is contributory and financed from general resources of those jurisdictions.

The benefits provided under Law 24714 relate to child and disabled-child benefits, prenatal and maternity benefits and those of an extraordinary nature such as birth, adoption and educational assistance. The amounts vary by wage level and geographical area. Workers with a salary over a certain limit (currently Arg\$4,800 = US\$1,215) are excluded from the system and the amounts of benefits vary according to the beneficiaries' area of residence. The Family Allowances scheme also excludes domestic workers and self-employed or independent<sup>1</sup> workers even if they are registered and provide contributions.<sup>2</sup> The National Social Security Administration pays family allowances directly to workers in all fields, be it in urban (industry, commerce,

services) or rural activities. The population of children and young people covered would reach approximately 4.5 million, to which must be added about 2 million children covered by the system of public employees, both national and provincial.

## UNIVERSAL ALLOWANCE PER CHILD FOR SOCIAL PROTECTION (AUH) DECREE 1602

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As already noted, Argentina had a rich and historical institutional experience in social security, in particular with the subsystem of Family Allowances covering the children of registered workers. Given this background, the implementation of the Universal Allowance per Child for Social Protection (AUH) Decree was analysed and approved within the legal framework of the social security system, recognizing this allowance as a full right for all the children whose parents had been excluded from the formal labour market.

The preamble of the AUH Decree clearly sets out the doctrinal and conceptual foundations that characterize the governments that have led the country since 2003. Public policies of the most

<sup>1</sup>This situation has an explanation: in a contributory system, independent workers' contributions do not include contributions to the subsystem of Family Allowances whereas employer contributions for employees do include them.

<sup>2</sup>The above-mentioned contribution is made with respect to employer contributions for the retirement and pension system, Family Allowances and the National Employment Fund (versus 25 per cent of total contributions, percentages that do not reflect the rebates granted during the 1990s and later corrections). Since the company pays the allowances, all documentation stays in its possession and the State does not regularly check it. In this sense, it is very difficult to estimate the number of benefits paid since in the Affidavits from Employers (Declaraciones Juradas, DDJJ), only the amounts are declared, not the cases (children for whom it is recovered).

diverse political parties have incorporated societal demands to improve the situation of households and of vulnerable children and adolescents. This assistance is implemented from a basic social security institution, which is the Family Allowances subsystem governed by Law 24714. First, when referring to Family Allowances as a substantive subsystem of social security, the proposal does not refer to a “novel” model of public intervention but rather recovers and extends the scope of this system to children not covered because of circumstances imposed on the labour market that left workers without access to social security and to the protection of labour standards. These situations resulted from the implementation of economic policies based on the deregulation of markets, mainly the labour market, and on residual and targeted social policies that catered only to the situations of greatest exclusion, and not always successfully.

These neoliberal policies, which do not include equity as a condition, had a devastating effect on low-income households, with children and adolescents the main victims since they constitute the most vulnerable population. This was the situation that public policy was required to correct through a system that starts from a concept of rights and allows households (a) to maintain regularity in minimum incomes and (b) to lessen the possible consequences of loss of a home or the household head’s job as well as drops in the informal sector due to recurring crises or economic changes.

In terms of Decree 1602, one is dealing with the need to correct the consequences of neoliberal policies, which have meant an incessant decline in the number of formal-sector jobs and thus a loss of rights to social security benefits such as family allowances – a loss that has left a very significant proportion of workers and their children without access to such coverage. On the contrary, economic, social and labour policies implemented since 2003 made it evident that the growth model based on the domestic market and the re-industrialization of the country as a base of support – rooted in employment and the improvement of the incomes of workers and retirees – enabled the economy to significantly generate jobs between 2003 and 2008. Indeed, over 4.5 million jobs were created, of which over 2.6 million were in the formal sector. This allowed the unemployment rate to drop from 22 per cent in 2002 to 8.8 per cent in 2009. This behaviour of the labour market is the context in which the decision was taken to expand coverage of Family Allowances through the Universal Child Allowance (AUH). This decision does not deny that sectors remain that have not benefited from these developments and that there is a need to deal with cases that are the most affected by exclusion and the lack of social security coverage.

With consistent and adequate economic policies, it is possible to change trends that seemed to be directed more by supernatural forces than governed by economically and socially inefficient

policies. It is precisely the exposing of the fallacy of the “end-of-work” theory of the 1990s, which urged proposals for the universalizing and uncoupling of social protection in employment, that enabled the State to address the challenge of social inclusion sustained in social security and regulations. Thanks to the enshrinement of the subsystem of Family Allowances as a right, workers no longer have to rely on patronage or arbitrary policies.

The commitment to registered job growth remains the “social added value” of inclusion in the Social Security system, which means that these “new” workers are being covered by the scheme, in particular for family allowances. The number of children covered by the subsystem of Family Allowances since the creation of more than 2 million formal jobs has increased to about 1.5 million children and adolescents, showing the importance of formal employment, which, of course, is not at issue. To the extent that the jobs created by consistent and appropriate economic and labour policies tend to be formal, the number of children covered by Social Security will increase. Then both the contributory and non-contributory systems set out in Decree 1602 will be working in harmony, like communicating vessels. Thus unemployed workers and their families will be protected even in circumstances such as the present, where the cycle of economic growth loses momentum and falls in recessions or crises.

## CONTEXT

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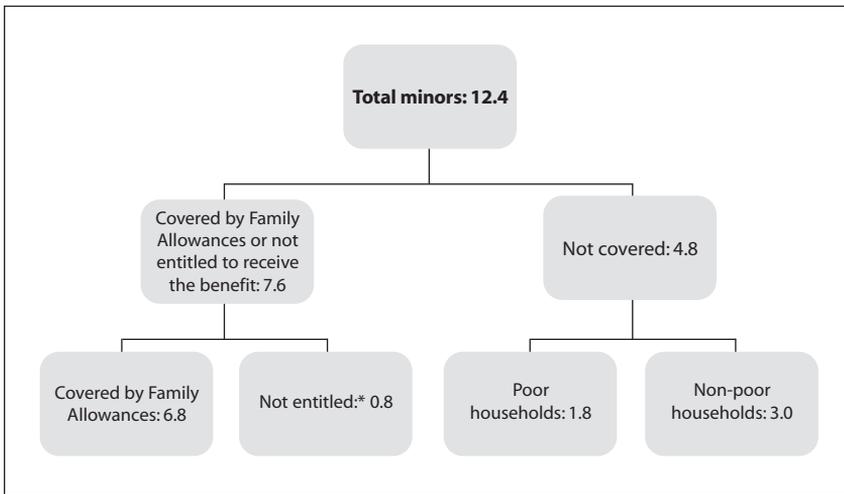
The demographic estimates for Argentina (National Institute of Statistics and Censuses (INDEC)-Latin American and Caribbean Demography Centre (Centro Latinoamericano y Caribeño de Demografía, CELADE) establish that, by 2009, there were approximately 12.4 million children under 18 years of age living in both rural and urban areas – mostly in the latter. Argentina, unlike other Latin American countries, has a high percentage of urban population, with nearly 90 per cent of the people living in cities and mainly in big cities (although only about 40 per cent live in the Greater Buenos Aires region, which includes the city of Buenos Aires and its suburbs). It is important to take this demographic situation into account when making comparisons between policies and programmes of different countries on the South American continent.

At the same time, as noted earlier, the existence of the subsystem of Family Allowances for workers in the formal sectors or those registered in the Social Security system enabled approximately 6.5 million children and adolescents to benefit from the child-allowance tax system. On the other hand, there remained a relatively smaller proportion, about 800,000, who did not have that advantage because their parents had wages above the ceiling imposed by the law

and/or deducted from the family income-tax charges for children under 18 years of age, which ultimately was a form of subsidy per child. Therefore, the group of children excluded from the benefits of a family allowance amounted to a figure closer to 5 million (see figure). On the other hand, based on indicators arising

from the Permanent Household Survey (Encuesta Permanente de Hogares, EPH),<sup>3</sup> it was determined that about 40 per cent of these children belong to poor households (poverty defined by income method) while the other 60 per cent belong to non-poor households.

**Minors covered and not covered by the subsystem of Family Allowances, 2009 (in millions).**



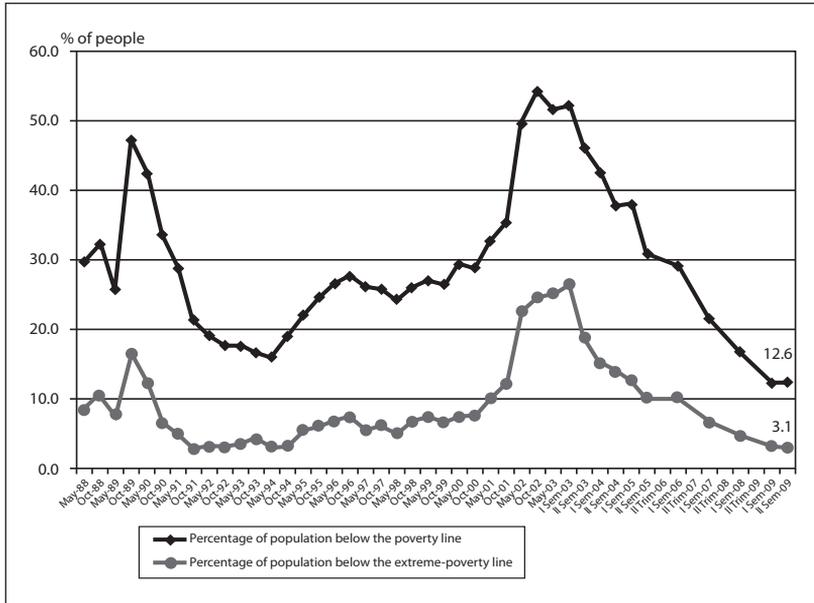
Note: \*Children of households whose parents are paid a salary higher than Arg\$4,800 (US\$1,263) or are employers or qualified independent professionals.

Source: Prepared by the Secretariat for Social Security Policy of the Ministry of Labour, Employment and Social Security (Ministerio de Trabajo, Empleo y Seguridad Social, MTESS) based on data from the Permanent Household Survey (EPH) and the 2001 Census (National Institute of Statistics and Censuses (Instituto Nacional de Estadística y Censos, INDEC)).

This situation is very significant since, right in the middle of the 2001/2002 crisis, the distribution of children was reversed between the poor and non-poor categories. Indeed, in 2002, 6 of every 10 children under 18 years of age belonged to households that were

below the poverty line (UNICEF, 2004). This means that, beyond the implementation of the AUH Decree (graph 2), Argentina has very significantly improved the levels of the population affected by poverty.

<sup>3</sup>The Permanent Household Survey (EPH), undertaken monthly by the National Institute of Statistics and Censuses (INDEC), is a continuous survey that takes place in 31 urban areas of Argentina. The Survey produces quarterly data for agglomerates of the population and is the basic source for these kinds of studies and statistical simulations. INDEC publishes the data quarterly.



**Graph 2** | Evolution of the percentage of people living below the poverty and extreme-poverty lines, Greater Buenos Aires, 1988 to May 2009.

Source: Prepared by the Secretariat for Social Security Policy, Ministry of Labour, Employment and Social Security (MTESS), based on data from the Permanent Household Survey (EPH) (National Institute of Statistics and Censuses, INDEC).

## SIMULATION EXERCISE ON THE IMPACT OF THE UNIVERSAL CHILD ALLOWANCE

To assess the impact that the implementation of the AUH Decree will have on the poverty and extreme poverty of households in Argentina, a simulation exercise was conducted based on micro data from the Permanent Household Survey of the total covered population. The Survey makes it possible to work with raw household data in terms of demographics and socio-economic and occupational characteristics of household members. The data indicated, first, the

strong impact of the Universal Child Allowance (AUH) on extremely poor households (i.e., those whose income is below the extreme-poverty<sup>4</sup> line). Indeed, the proportion of extremely poor households is reduced by about 50 per cent. It is also significant to assess the impact of the AUH on poor households (i.e., households whose income is below the value of the basic total basket); taking this into consideration reduces their numbers by about 22 per cent. In absolute terms, some 1.3 million people, of whom some 800,000 are under 18 years of age, would be taken out of poverty. On the other hand, the population of extremely poor households that exceed this situation

<sup>4</sup>“Extreme poverty” refers to the inability of households to cover a basic food basket (la canasta básica, CBA), defined as meeting the caloric requirements and energy necessary for an adult (30 to 59 years of age). Moreover, the poverty line is defined from the CBA and includes other expenses necessary for life such as housing, clothing, utilities (gas, electricity, transport, etc.). In the work of ECLAC on Latin America, it is typical to use this methodology for calculating poverty.

would amount to approximately 70,000, and of these more than 50 per cent, or about 450,000 children, would climb out of extreme poverty (table 1).

The other exercise that took place related to requirements, including those concerning whether the household or its members were informal workers, received an income below the minimum wage, and

were not self-employed workers registered in Social Security, as established by the AUH Decree. In this way, the values of the population still to be covered were adjusted, thereby enabling the estimate of the financial resources required to meet the proposed objectives. It was determined that between 3.8 million and 4 million children would be able to collect the Universal Child Allowance (AUH).

**Table 1** | Estimated impact of the AUH on poverty and extreme poverty by region, fourth quarter 2009 (as a percentage).

Region	Poverty			Extreme Poverty		
	Initial Situation	With AUH	Variation	Initial Situation	With AUH	Variation
Greater Buenos Aires	8.2	6.4	-21.4	2.2	1.3	-42.4
Northwest	12.4	9.6	-22.9	2.8	1.7	-37.9
Northeast	17.2	13.4	-21.8	5.1	2.7	-48.4
Cuyo	10.5	8.0	-23.5	2.8	1.4	-49.9
Pampeana	7.1	5.5	-22.4	2.4	1.5	-40.8
Patag�nia	4.3	3.7	-14.6	1.8	1.4	-26.6
Entire country	8.7	6.8	-21.9	2.5	1.4	-42.3

Source: Prepared by the Secretariat for Social Security Policy, Ministry of Labour, Employment and Social Security (MTESS), based on data from the Permanent Household Survey (EPH) (National Institute of Statistics and Censuses, INDEC).

It is very important to note that the action taken in terms of expanding the Family Allowances subsystem has a greater impact in the poorest regions of the country, especially the Northwest and Northeast regions (table 1). This situation is explained primarily by the relative level of income, which is lower than the national average, but also in terms of the demographic composition of households living

in these regions, especially the number of children and/or dependents. Other reasons include a lower participation in the labour market for women and older adults. The most noticeable impact can be seen in the Northeast region, whose poverty rate has been reduced by almost 50 per cent (similar to what occurs in the Northwest), whereas in the Greater Buenos Aires region, which has the largest concentra-

tion of people in the country, the reduction can reach as high as 42 per cent. In terms of poverty, the impact according to geographic area or zone ranges from 24 per cent in the western Andean region of Cuyo to 15 per cent in Patagonia, Argentina's most depopulated zone.

Another aspect of this strategy to

reduce poverty and extreme poverty is the aforementioned impact of the AUH on household income. For the poorest households (i.e., the indigents), income after receiving the AUH almost doubled, while for poor households, the impact is less since the income grows on average 30 per cent (table 2).

**Table 2** | Impact of the AUH on the income of poor and extremely poor households, fourth quarter, 2009.

Level of Household Income	Initial Situation	With AUH	Variation
Extremely poor households	Arg\$295.02	Arg\$538.51	82.5%
	US\$77.63	US\$141.71	
Poor households	Arg\$801.41	Arg\$1,035.02	29.1%
	US\$210.89	US\$272.37	

*Source:* Prepared by the Under-Secretariat for Social Security Policy, Ministry of Labour, Employment and Social Security (MTESS), based on data from the Permanent Household Survey (EPH) (National Institute of Statistics and Censuses, INDEC).

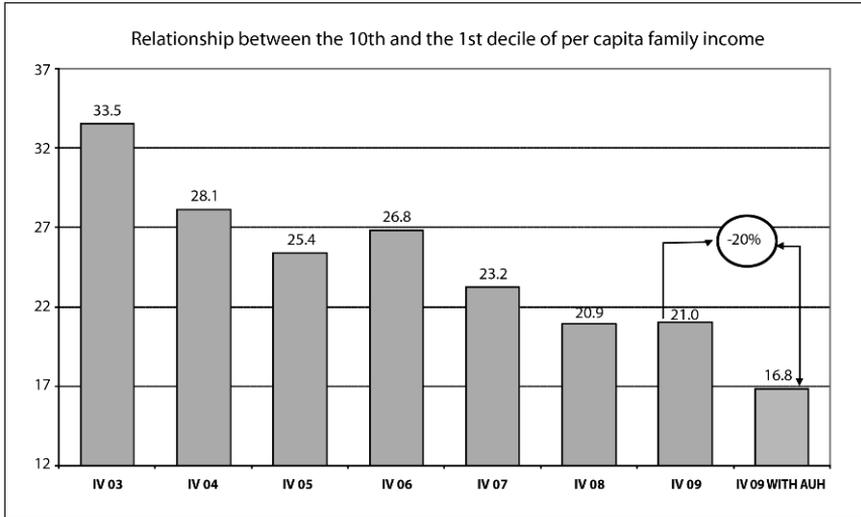
Income distribution is another very important indicator when assessing the impact of an income transfer policy such as the one put in place after the enactment of Decree 1602 (which created the Universal Child Allowance, AUH). Income distribution is measured either by the gap between the average income of the richest decile and the income of the poorest decile (median income decile 10/median income decile 1, sorted by per capita family income), or by the Gini coefficient. In the first case, the income gap is reduced by almost 20 per cent. After the enactment of the AUH Decree,

the highest-income decile dropped from being 22 times larger than the lowest-income decile to being 18 times larger. To get an idea of the 2001/2002 post-crisis situation, it is worth mentioning that the highest-income decile was 34 times larger than the lowest-income decile. In other words, the average income of the top decile exceeded in proportion the median income of the lowest decile. The reduction of the gap from 2003 until the present (graph 3) is the result of public policies tending to improve income distribution by increasing the minimum pension, extending coverage for the elderly, and

periodically adjusting the minimum wage and pensions – policies that, in conjunc-

tion with the AUH, allowed further improvement of income distribution.

**Graph 3** | Evolution of income distribution and its impact on the AUH, fourth quarter 2003-fourth quarter 2009.\*



\* The income of the total population is divided into deciles. The number of each column is the result of the division between the highest income and the lowest income.

Source: Ministry of Labour, Employment and Social Security (MTESS) (Under-Secretary for Social Security Policy) – National Institute of Statistics and Censuses (INDEC) (Permanent Household Survey).

Other indicators of inequality, such as the Gini coefficient, also showed very significant signs of improvement even before the launch of this measure. Indeed, a glance back at 2003 shows that the policies pursued by governments after 2003 (by Nestor Kirchner and by Cristina Fernandez) had and still have the objective of a continuous improvement in income distribution since they improved the purchasing power of low-income sectors and further enabled a model based on the domestic market as an indispensable engine of economic growth. Thus, between 2002 and 2009, the extension of the social

protection system (increase of pensions, contributory family allowances and the AUH) reduced the Gini coefficient by 15 per cent, from 0.54 in 2002 to 0.46 in 2009 (Ministry of Labour, Employment and Social Security, 2010).

The annualized estimated cost is more than 10,000 million pesos (US\$2,632 million) for all potential beneficiaries and nearly 8,000 million pesos (US\$2,105 million) for the 3.7 million children already covered (this represents between 0.6 per cent and 1 per cent of the Argentine GDP).

**Table 3** | Evolution of the implementation of the AUH, November 2009-May 2010.

	Nov. 2009	Dec. 2009	Jan. 2009	Feb. 2010	Mar. 2010	Apr. 2010	May 2010
Number of children	3,439,314	3,550,138	3,356,121	3,518,692	3,518,245	3,677,409	3,684,441
Number of beneficiaries	1,795,620	1,766,380	1,642,568	1,734,329	1,812,273	1,920,072	1,927,310
Average number of children per beneficiary	1.9	2.0	2.0	2.0	1.9	1.9	1.9
Amounts transferred (in thousands of Arg\$)*	583,711	599,000	566,928	595,443	613,521	641,257	642,956

\*These amounts, annualized, amount to US\$2,000 million, or 0.7 per cent of the GDP, the average benefit per family being US\$90.

## INSTITUTIONAL FRAMEWORK FOR THE IMPLEMENTATION OF THE UNIVERSAL CHILD ALLOWANCE

As mentioned earlier, the Universal Child Allowance (AUH) was created in 2009 by Decree No. 1602 of the Executive Branch. Subsequently, its implementation has been regulated by Resolution No. 393/2009 of the National Social Security Administration, the agency responsible for paying the benefits. This regulation establishes: (a) who may be beneficiaries of the allowance; (b) the requirements to be met to access the allowance; (c) the data sources to be used to determine the beneficiaries; and (d) the means and dates of payment to beneficiaries. To facilitate

operational management, the Resolution established an Advisory Committee comprising representatives of the Ministries of Social Development; Labour, Employment and Social Security; Health; Education; and the Interior. In addition, in compliance with the provisions of Decree 1602, Resolution No. 132/2010 was established, insuring delivery, by the National Social Security Administration to each responsible adult holder of the AUH, the National Book of Social Security, Health and Education for each child under 18 years of age in the adult's charge.

Prior to its launch and from the announcement of its creation by the authorities of the National Executive (comprising the President and the Cabinet of Ministers), a plan was imple-

mented for mass distribution in all media, which was supported by audiovisual material, presentations on the issue in several areas, delivery of brochures to the community, and an active presence of advising officers in places with massive turnouts.

## **FURTHER CONSIDERATIONS REGARDING THE UNIVERSAL CHILD ALLOWANCE (AUH)**

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With respect to the implementation of the AUH Decree, one item to highlight is the obligation on the part of mothers/fathers or benefit holders to comply with certain requirements established by the policy. These relate to compliance with health check-ups and vaccination of boys and girls as well as with the schooling cycle for those of school age.

To verify and monitor compliance with these requirements, the National Book of Social Security, Health and Education, comprising the holder's details, an affidavit about the person's employment status and the income earned, was created and delivered for each child (more than 3.5 million books). The book is a legal instrument that should demonstrate that the child meets the requirements, as certified by those responsible, be it the physician in the cases of vaccination and sanitary control or the school headmaster to certify the fulfilment of the schooling requirement. The existence of the book is crucial since it will enable individual monitoring of children who are beneficiaries of the

Universal Child Allowance (AUH). Moreover, it constitutes a prerequisite for the recovery of the 20 per cent that was withdrawn from the original amount (Arg\$180) deposited in a savings account in the name of the holder. This book is also an important instrument for effectively monitoring the history of each child and adolescent in relation to the control of his or her health and education. The implementation of the above requirements and their enforcement constitute what is undoubtedly the greatest challenge presented by the AUH.

## **CONCLUSIONS**

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Highlights of the discussion on the Universal Child Allowance (AUH) programme include the following:

- Allowances are reaching more than 1.9 million homes.
- The average amount per household is Arg\$342 = US\$90.
- 32 per cent of allowances were granted in the Province of Buenos Aires, 8.5 per cent in Cordoba and the same percentage in Santa Fe. These three provinces, along with Salta, Tucumán, Mendoza and Chaco (just under approximately 5 per cent each), account for almost 60 per cent of the total allowances granted.
- In May 2010, almost 3.7 million AUH benefits were authorized in addition to the 6.8 million contributory Family Allowances of the national Social Security system

and of national and provincial government workers. This means that 85 per cent of Argentine children are already covered by the subsystem of Family Allowances.

- 51 per cent of children covered by the AUH have not received any social assistance in the form of money transfers, according to data from the National Social Security Administration registers.
- The incidence of poverty falls by 21.9 per cent. This means that more than 700,000 children under 18 years of age climb out of poverty.
- The percentage of extremely poor households is reduced by 42.3 per cent, meaning that more than 400,000 children are no longer extremely poor.
- Inequality is reduced by 20 per cent (measured as the ratio of the income of the first decile to that of the tenth decile).

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<sup>iv</sup>World Bank, *World Development Indicators 2008* and *Global Development Finance 2008*.

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<sup>viii</sup>National Institute of Statistics and Censuses, 2009.

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