

Tripartite round table on pension trends and reforms

Overall assessment of the pension system

Argentina (Workers)

Argentina is among the group of countries which have comprehensive social protection systems. It is one of the pioneers in this field, with coverage levels, an institutional framework and social expenditure that distinguish it from others in the region and across the world (around 93% for seniors and children).

The extent of its social security spending, close to 30 per cent of total public expenditure, places Argentina among those which have made the most advances in terms of the proportion assigned for expanding benefits.

Together with the introduction of old age pension inclusion programmes and universal child benefits, especially between 2005 and 2014, have come minimum guaranteed incomes for the majority of households, regardless of the type of programme or benefit.

The updating and continuance of these indicators constitute a powerful tool for tackling income poverty and are key to ensuring the effectiveness of the existing programmes.

It should be noted that this policy has been made possible since the State took over the management of the pension system in 2008 following the reversal of the 1994 privatization.

In Argentina, the link between policies of austerity and the decline in the coverage and financing of social security systems has been blatantly obvious.

First, when the system was privatized, contributions fell from 4.5 per cent to 2.4 per cent of GDP following a reform of parameters coupled with organizational change. Second, the economic austerity policies deriving from the social, economic and political crisis of 2001 limited all revenue streams for social security, bringing coverage levels down to historic lows.

The other side of this process featured in particular the period of economic recovery starting in 2002 and the benefit inclusion programmes between the years 2008 and 2009.

Against a background of national policy changes, the scenarios of recession and lack of system financing were reinforced by a new pension reform which has acted on two levels: it has reduced system contributions (lowering "labour taxation" under a neoliberal model) and transferred the system's national resources to the provinces. These have resulted in a financial loss to the system estimated at over two per cent of GDP.

Now, following the implementation of these policies over recent years, Argentina faces two challenges which restrict the performance of the system: a severe recession set forcefully in motion in 2018, an unsustainable debt and the current outbreak of the Covid-19 pandemic.

This is producing alarming social indicators: over 40 per cent of the population live below the poverty line, unemployment is at 11 per cent and only around 29 per cent of the economically active population contribute to the system.

At a time when more is rightly required of social protection as the launch pad for economic and social indicators, the Government elected in 2019 has extended income guarantee programmes to workers as a policy to substitute for market conditions under the isolation imposed by Covid-19.

Concerning policy to update benefits, recently the Government has been debating a bill in Congress which proposes an updating formula linking earnings growth with tax revenues specifically allocated to the system.

In conclusion, the trend towards the universalization of social protection systems means that the task now is to move forward with progressive financing reforms which place the tax burden on higher income sectors (tax reforms).

The notion of a social protection floor must be redefined, by incorporating an institutional framework which brings together stakeholders from production – given the effect that labour and production policy have on financing – stakeholders from the informal economy and representatives of civil society.

The system offers little representation and coverage for offshore platform workers, self-employed workers and workers in the informal economy, and there is need for more effective and extensive coverage of unemployed workers in the formal economy. All of this highlights the fact that a large proportion of the active population suffers income insecurity and is not being listened to.

The development of care policies which provide benefits for both extremes of the population as well as workers must be a part of the plan for dealing with the country's future demographic dependency problem.

Argentina is on the path towards restoring its social fabric and building an integrated social protection system which has coordinated programmes and whose resources are focused on meeting all eventualities, especially those relating to infancy and childhood, given the implications for the future of the active population; this is the institutional framework needed to complete the task ahead.