

The ways to reach universal coverage in Argentina

Oscar Cetrangolo

Universidad de Buenos Aires

ILO-China-ASEAN High Level Seminar to achieve the SDGs on Universal
Social Protection through South-South and Triangular Cooperation

Beijing – 6-8 September 2016

TOPICS OF DISCUSSION

1. Introduction: Restrictions on the expansion of social protection in Latin America and Argentina
2. Social protection gaps
 - a. Income guarantees for the working-age population
 - b. Basic income guarantees for children
 - c. Income guarantees for the elderly
 - d. Access to health care
3. The funding of the expansion of Social Protection
4. Final remarks and main challenges

TOPICS OF DISCUSSION

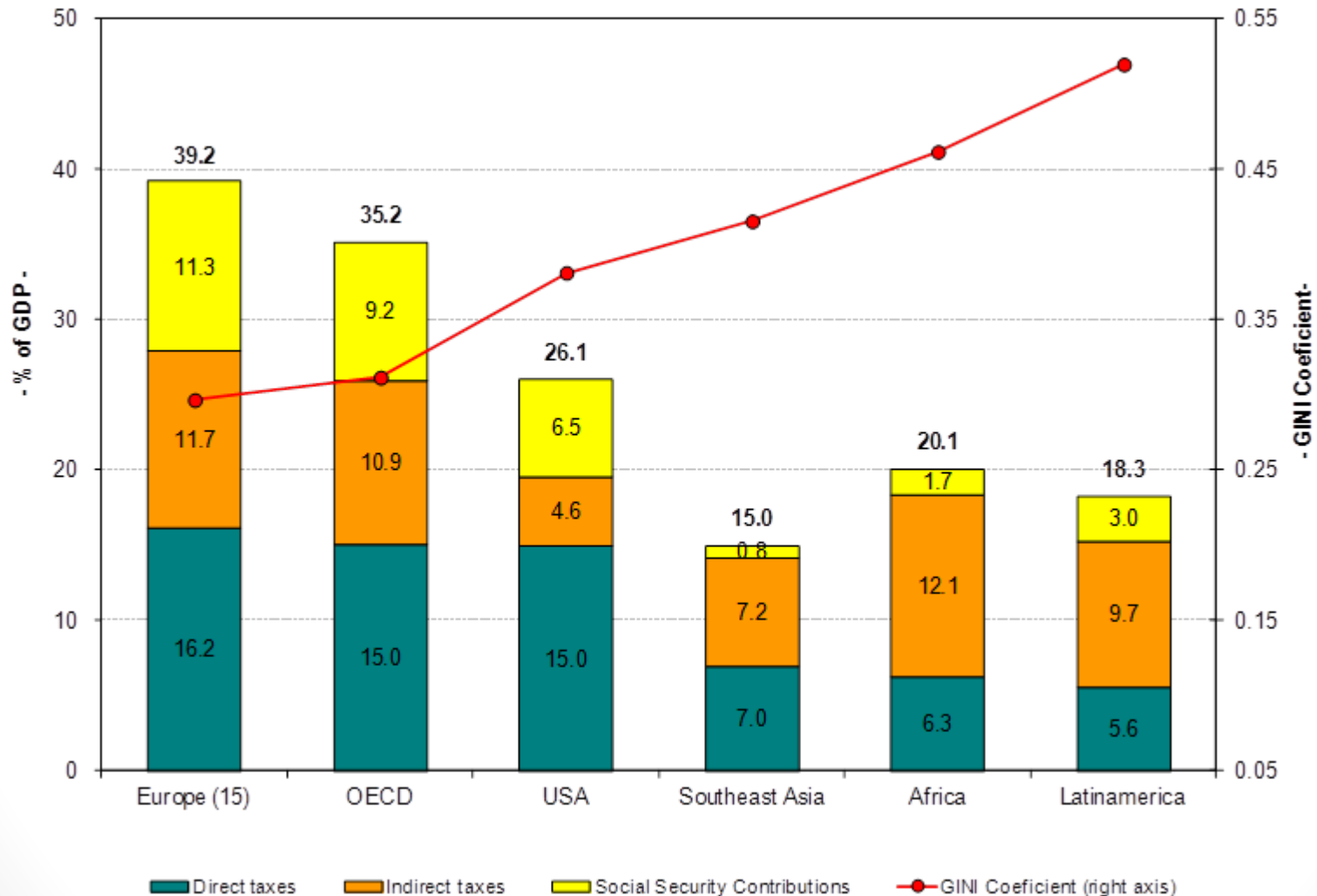
1. **Introduction: Restrictions on the expansion of social protection in Latin America and Argentina**
2. Social protection gaps
 - a. Income guarantees for the working-age population
 - b. Basic income guarantees for children
 - c. Income guarantees for the elderly
 - d. Access to health care
3. The funding of the expansion of Social Protection
4. Final remarks and main challenges

Introduction

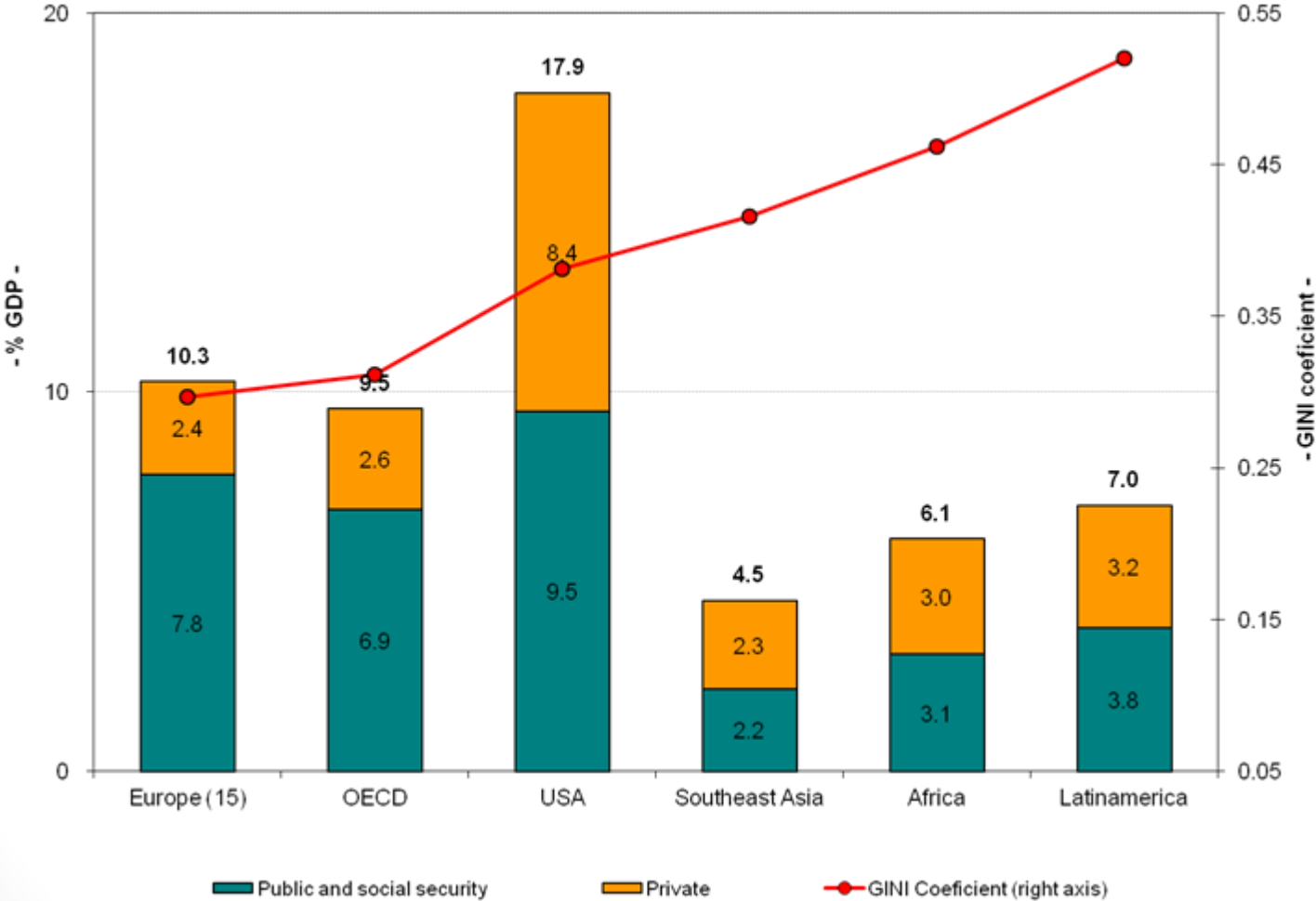
Latin America is characterized for:

- Highest inequality
- Informal economy
- Inadequacy of contributory social protection
- Low tax burden

Tax revenues and Gini Coefficient, by region



Health Expenditures and Gini Coefficient, by region



High Macroeconomic Volatility in Argentina: Economic Activity and Labor Market (1991-2013)

GDP growth and unemployment rate (%)



Main aim of this presentation

- To describe and assess the recent performance of social protection in Argentina
- To summarize the main policies oriented to improve the horizontal and vertical coverage of Social Protection and its funding.
- To identify critical areas where there are restrictions and opportunities to improve performance Social Protection in the short and long terms.

This presentation is based on:

Performance of Social Protection in Argentina. Assessment of two decades of reforms, by Bertranou, Fabio; Cetrángolo, Oscar; Casanova, Luis; Beccaria, Alejandra; Folgar, Julián; ILO Argentina, Buenos Aires, 2016

http://www.ilo.org/buenosaires/publicaciones/WCMS_459620/lang--en/index.htm

TOPICS OF DISCUSSION

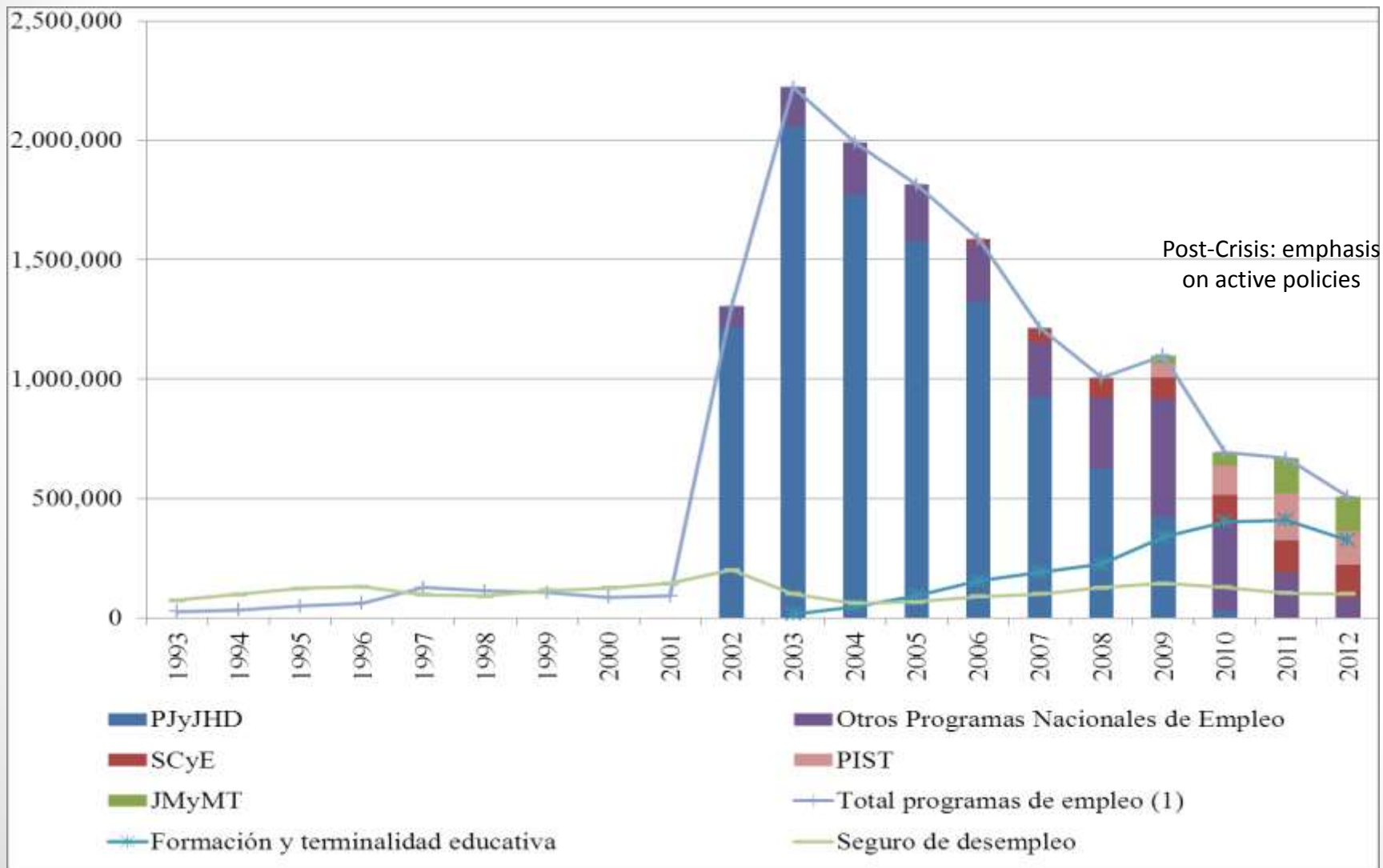
1. Introduction: Restrictions on the expansion of social protection in Latin America and Argentina
2. **Social protection gaps**
 - a. **Income guarantees for the working-age population**
 - b. Basic income guarantees for children
 - c. Income guarantees for the elderly
 - d. Access to health care
3. The funding of the expansion of Social Protection
4. Final remarks and main challenges

Income guarantees for the working-age population

- The unemployment insurance coverage has been closely related to the formal employment (and labor participation in the case of women), making it difficult to expand it.
- 2000s expansion of non-contributory programs.
- The vertical coverage of employment programs has varied greatly and today it is very heterogeneous depending on the type of program.
- Lack of articulation and program coordination between Ministries involved in different initiatives.
- Different situation along the territory.

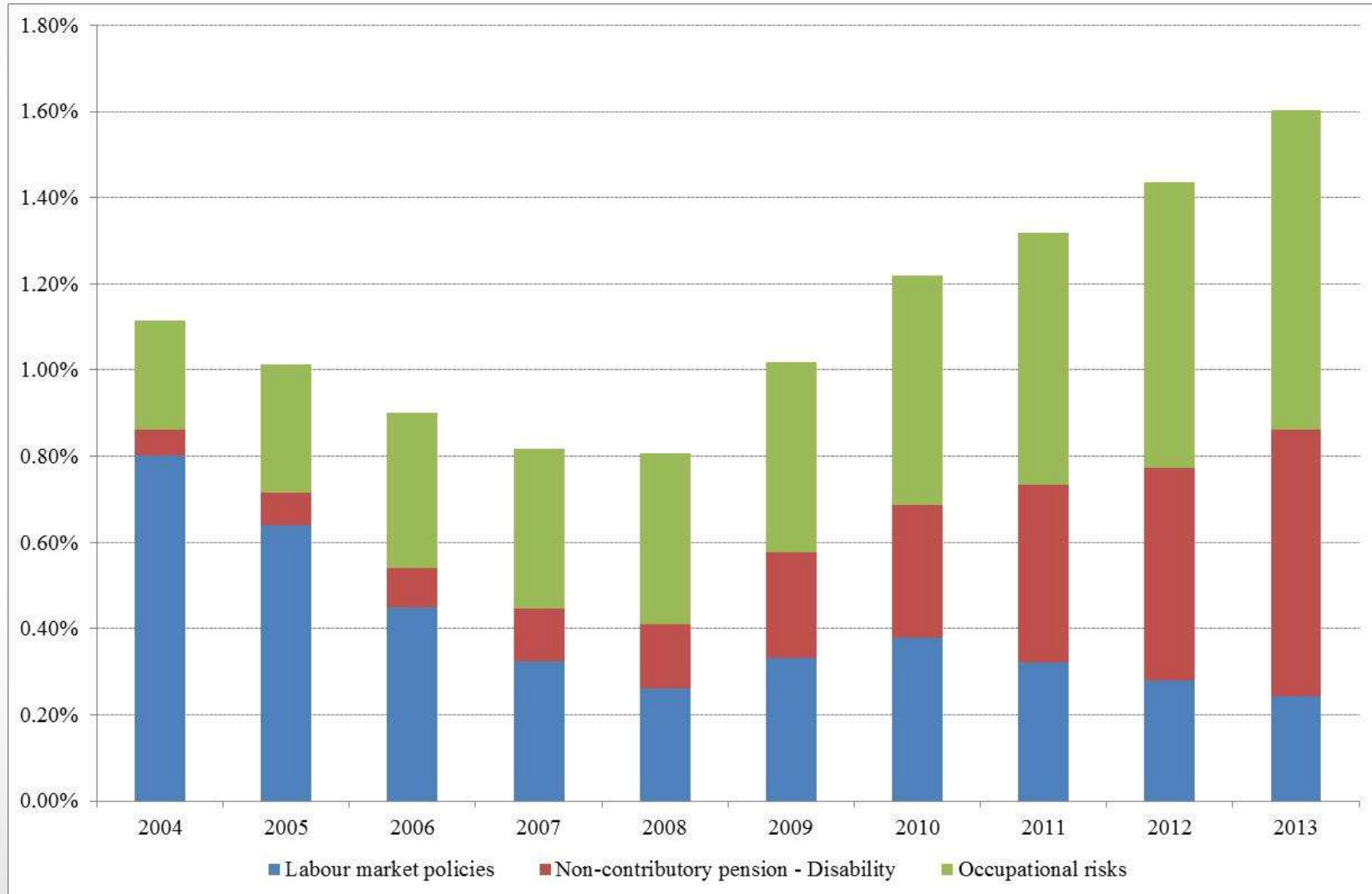
Increase in labor market policies coverage during 2002 crisis

(average annual benefits)



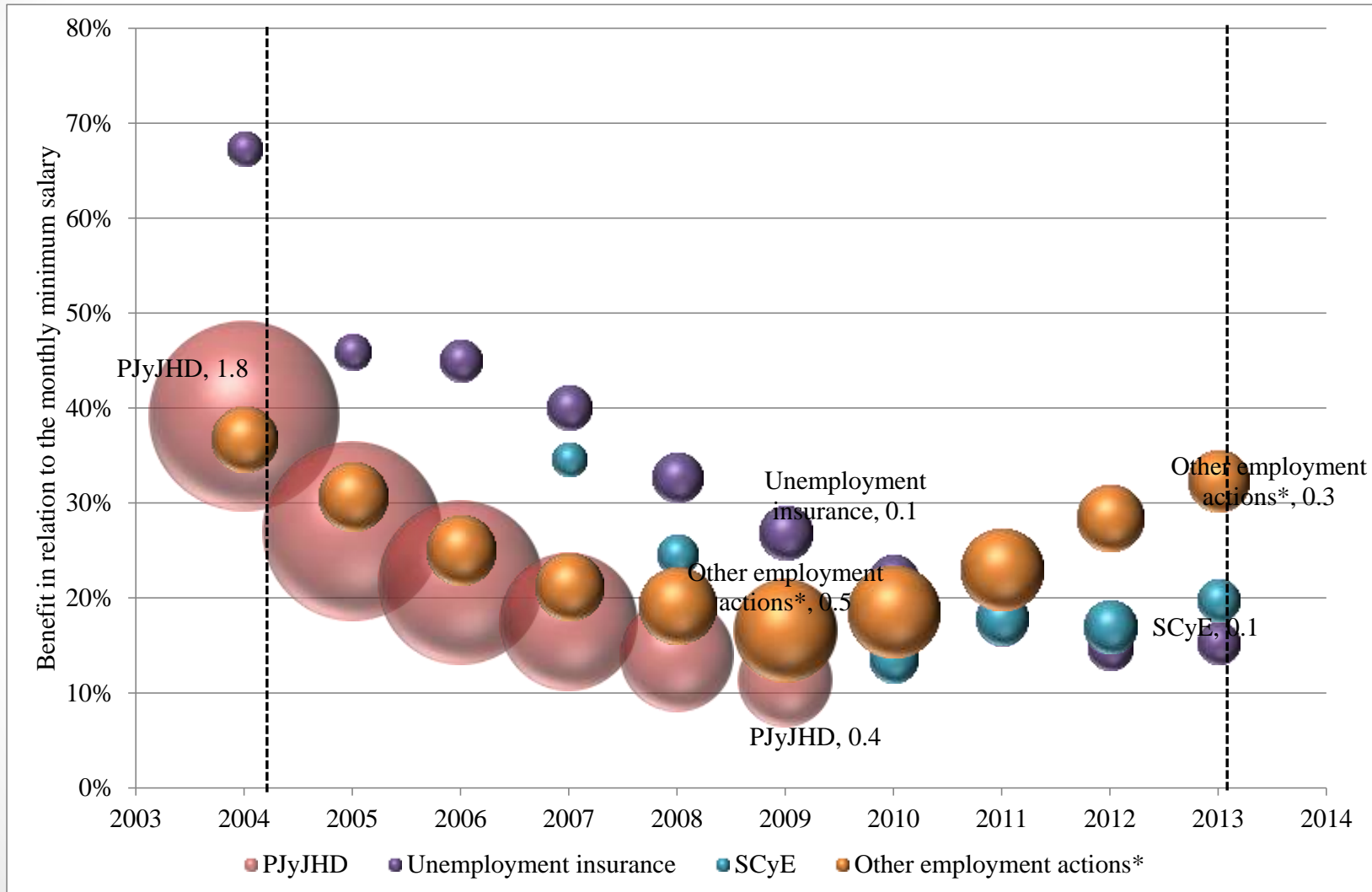
Resources Allocated to Policies geared to Contingencies Faced by the Working-age Population, 2004-2013

(in percentage of GDP)



Horizontal and Vertical Coverage of Employment Programs, 2004-2013

(the size of each bubble indicates the horizontal coverage in millions of beneficiaries by percentage)



TOPICS OF DISCUSSION

1. Introduction: Restrictions on the expansion of social protection in Latin America and Argentina
2. Social protection gaps
 - a. Income guarantees for the working-age population
 - b. Basic income guarantees for children**
 - c. Income guarantees for the elderly
 - d. Access to health care
3. The funding of the expansion of Social Protection
4. Final remarks and main challenges

Basic income guarantees for children

- Access to the economic security of children is associated with the performance of the labor market and income level, creating differences between social sectors.
- Since 2009: strong progress in the expansion of coverage through a new program: Universal Child Allowance (AUH)
- AUH is source of relevant income to lower-income households.
- There are still not covered sectors and, above all, excluded by the regulation.
- Heterogeneities in regional coverage
- Need to enhance the articulation and coordination with other programs, mainly in the provinces
- Debate about the pertinence of conditionality factors (education and health).

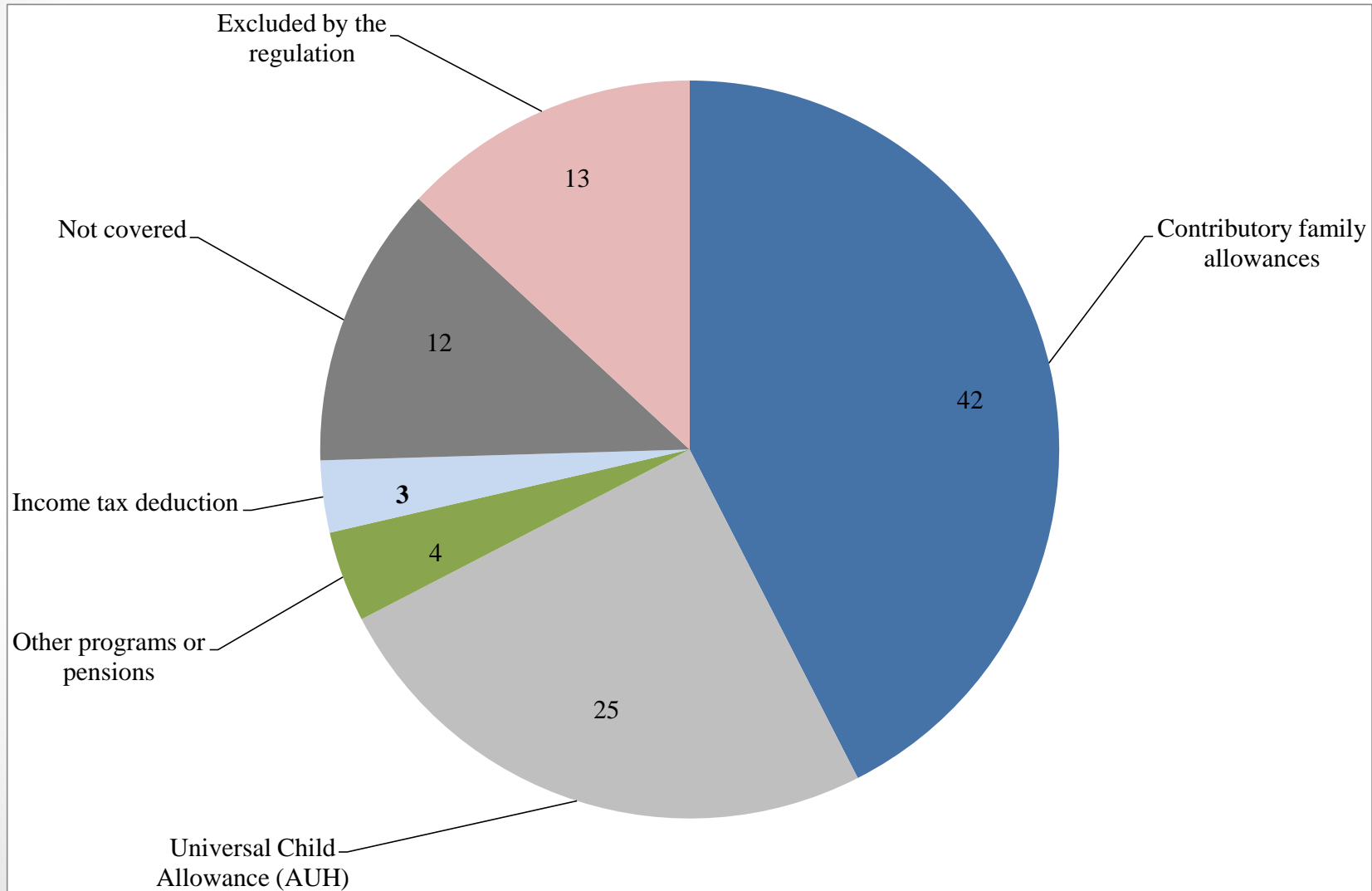
Public Expenditure on Income Guarantee-related Social Protection for Children, 2004-2013

(in percentage of GDP - baseline year 2004)

Year	Benefits	Non-contributory benefits			
	AFC for the economically active	Family allowance for the economically passive	AUH	PFIS	Total
2004	0.36	0.07		0.10	0.43
2005	0.42	0.08		0.08	0.50
2006	0.40	0.06		0.08	0.46
2007	0.45	0.07		0.11	0.52
2008	0.50	0.08		0.15	0.58
2009	0.57	0.09	<i>n/d</i>	0.13	0.66
2010	0.52	0.09	0.35		0.96
2011	0.46	0.08	0.39		0.93
2012	0.41	0.08	0.41		0.89
2013	0.44	0.08	0.47		0.99

Estimate of Coverage of Income Guarantee Programs for Children, 2011

(in percentages)



TOPICS OF DISCUSSION

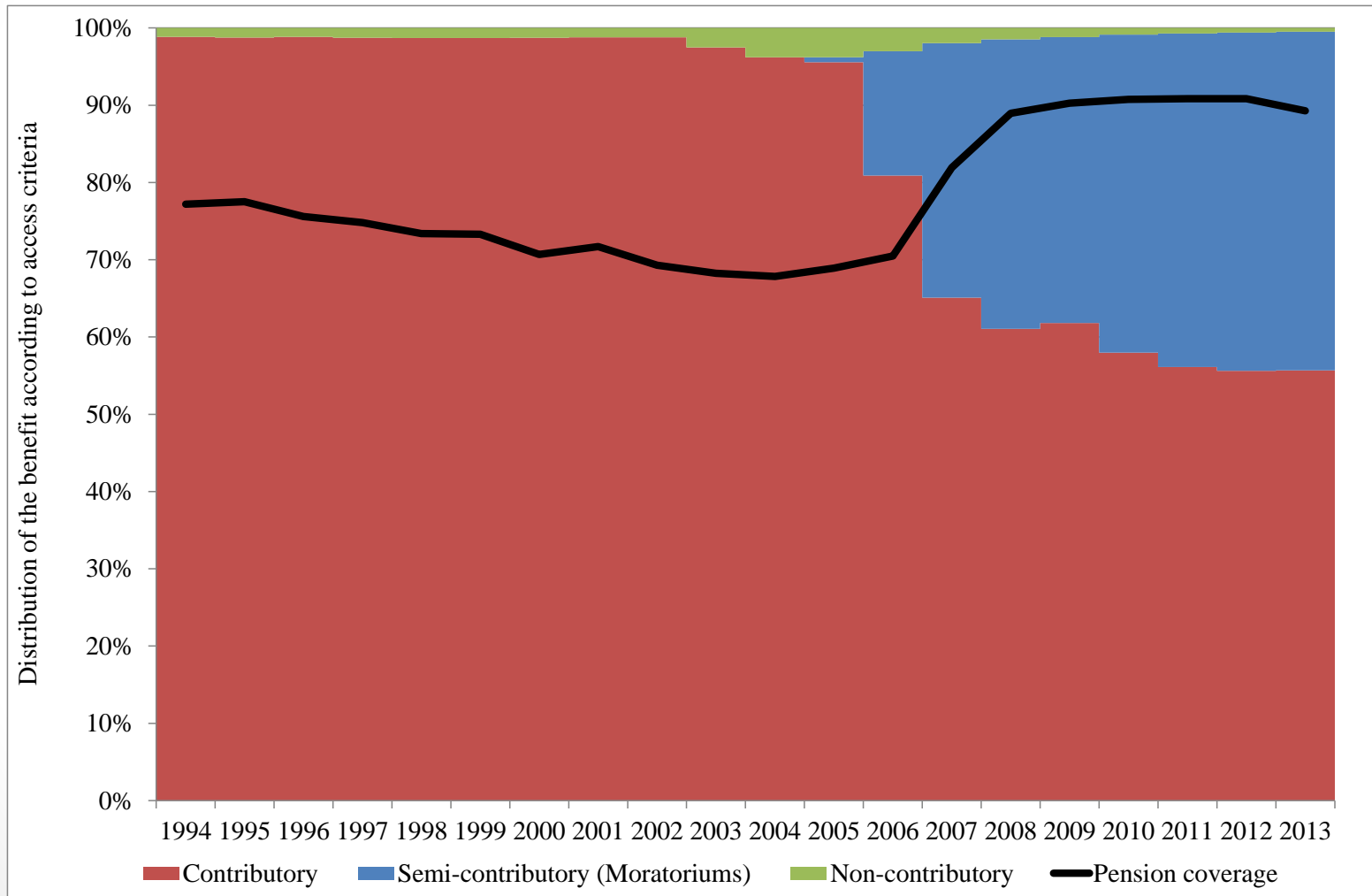
1. Introduction: Restrictions on the expansion of social protection in Latin America and Argentina
2. Social protection gaps
 - a. Income guarantees for the working-age population
 - b. Basic income guarantees for children
 - c. **Income guarantees for the elderly**
 - d. Access to health care
3. The funding of the expansion of Social Protection
4. Final remarks and main challenges

Income guarantees for the elderly

- In December 2008 the individual capitalization scheme founded 14 years earlier was terminated when its affiliates and beneficiaries were all transferred to the pay-as-you-go scheme, and the Argentine Integrated Pensions System (SIPA, for its acronym in Spanish) was established.
- By 2006 the coverage of the pension system became less than 70% of the population over 65 years.
- Through an emergency measure (Moratorium) coverage reached 95%
- In some provinces (13 of 24) public servants are covered by systems administered by the provincial government.
- Special schemes: Employees of the armed and security forces and special or privileged regimes.
- Problems remain unresolved: sustainability of coverage, equity, financing.
- Impact on macroeconomic volatility

Evolution of Social Security Coverage and Distribution of Benefits among contributory, semi-contributory and non-contributory regimes, 1990-2013

(in percentages)



Public Expenditure on Income Guarantee Benefits Associated with Old Age, Disability, and Survivors' pensions, 2004-2013

(in percentage of GDP - baseline year 2004)

Año	SIPA - Contributory Regime	SIPA - Moratorium	Non-contributory	Total
2004	<i>3.43%</i>	<i>0.00%</i>	<i>0.24%</i>	<i>3.67%</i>
2005	<i>3.13%</i>	<i>0.00%</i>	<i>0.19%</i>	<i>3.33%</i>
2006	<i>3.18%</i>	<i>0.13%</i>	<i>0.24%</i>	<i>3.55%</i>
2007	<i>3.07%</i>	<i>1.19%</i>	<i>0.22%</i>	<i>4.48%</i>
2008	<i>3.04%</i>	<i>1.40%</i>	<i>0.31%</i>	<i>4.75%</i>
2009	<i>3.26%</i>	<i>1.69%</i>	<i>0.43%</i>	<i>5.38%</i>
2010	<i>3.29%</i>	<i>1.77%</i>	<i>0.50%</i>	<i>5.56%</i>
2011	<i>3.42%</i>	<i>1.86%</i>	<i>0.50%</i>	<i>5.78%</i>
2012	<i>4.00%</i>	<i>2.12%</i>	<i>0.58%</i>	<i>6.70%</i>
2013	<i>4.36%</i>	<i>2.27%</i>	<i>0.71%</i>	<i>7.35%</i>

TOPICS OF DISCUSSION

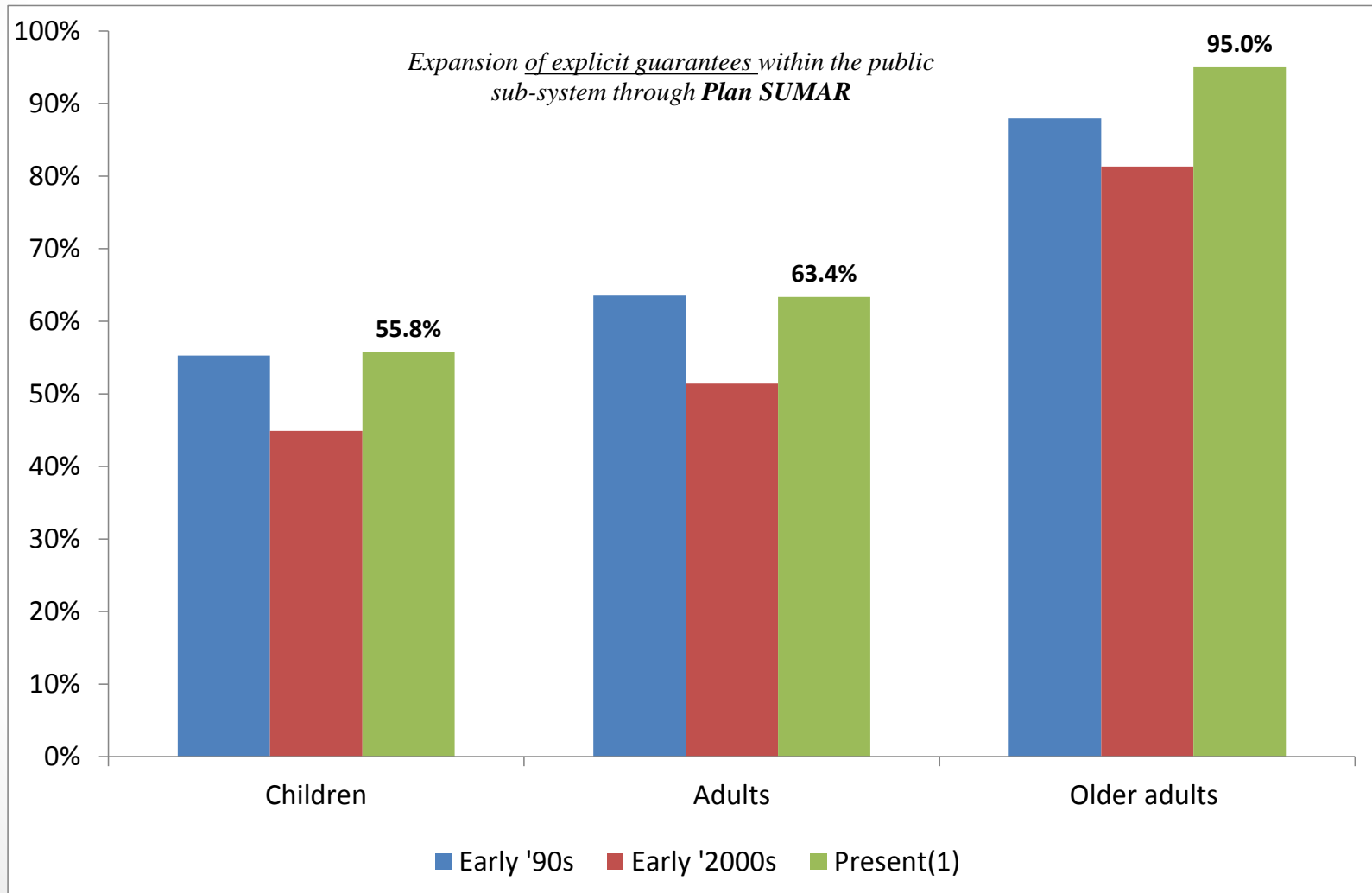
1. Introduction: Restrictions on the expansion of social protection in Latin America and Argentina
2. Social protection gaps
 - a. Income guarantees for the working-age population
 - b. Basic income guarantees for children
 - c. Income guarantees for the elderly
 - d. Access to health care**
3. The funding of the expansion of Social Protection
4. Final remarks and main challenges

Access to health care

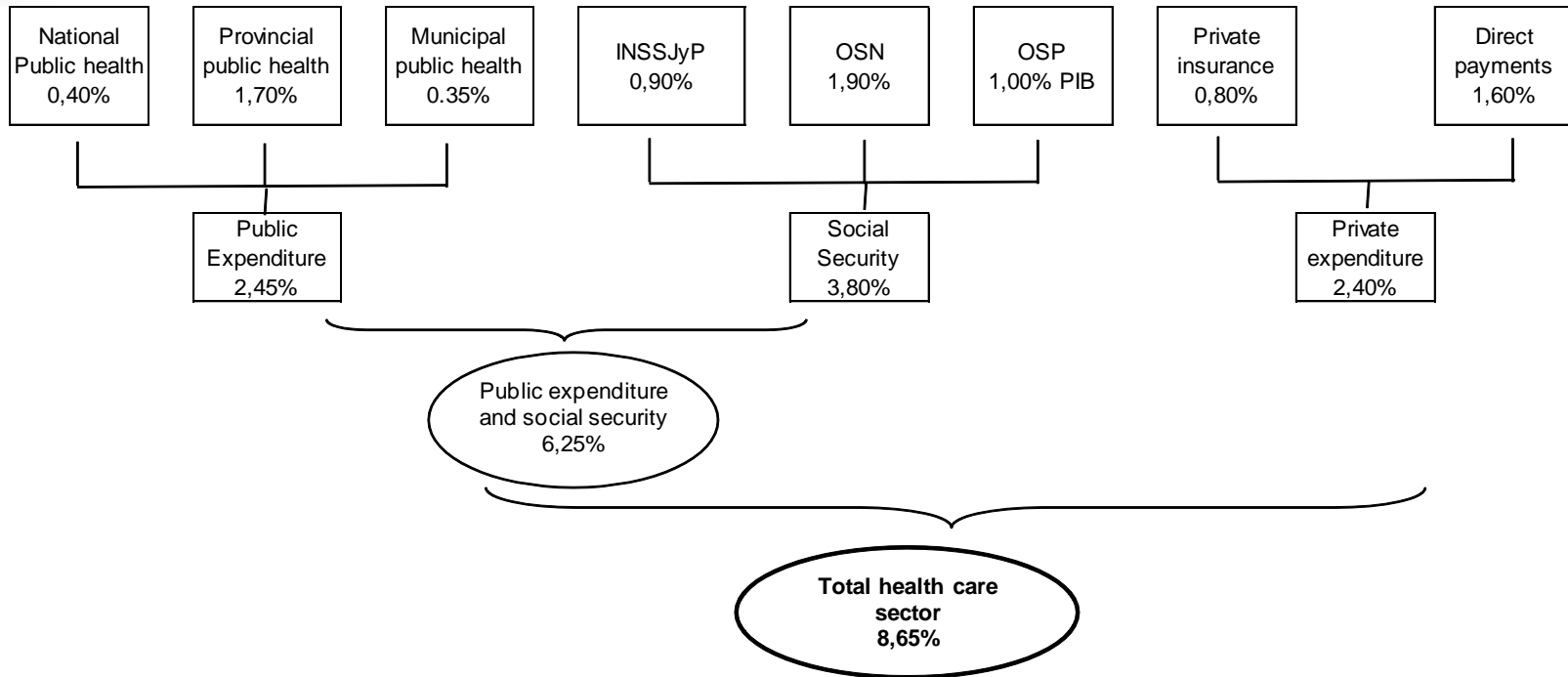
- Health system in Argentina is highly fragmented. It is currently structured around three subsectors: the public subsector, the social security health insurance subsector, and the private subsector.
- All citizens have the right to services provided by the public sector, regardless of whether or not they are covered by social security health insurers or by private carriers.
- In the public subsector, health care is in the hands of provincial governments.
- In the social security subsector, health care is provided through social security health insurers managed by unions and funded by workers and employers contributions.
- Since early 1970s there is a component of health system geared specifically to older adults through the Social Security Health Insurance for Pensioners managed by the State (INSSJP, for the acronym in Spanish, but better known as PAMI - Comprehensive Medical Care Benefits-).
- According to data from the 2010 Census, some 63.9% of the population has health insurance, whether through social security health insurers or through private insurance carriers.

Health Insurance Coverage by Age Group, 1990-2010

(in percentages)



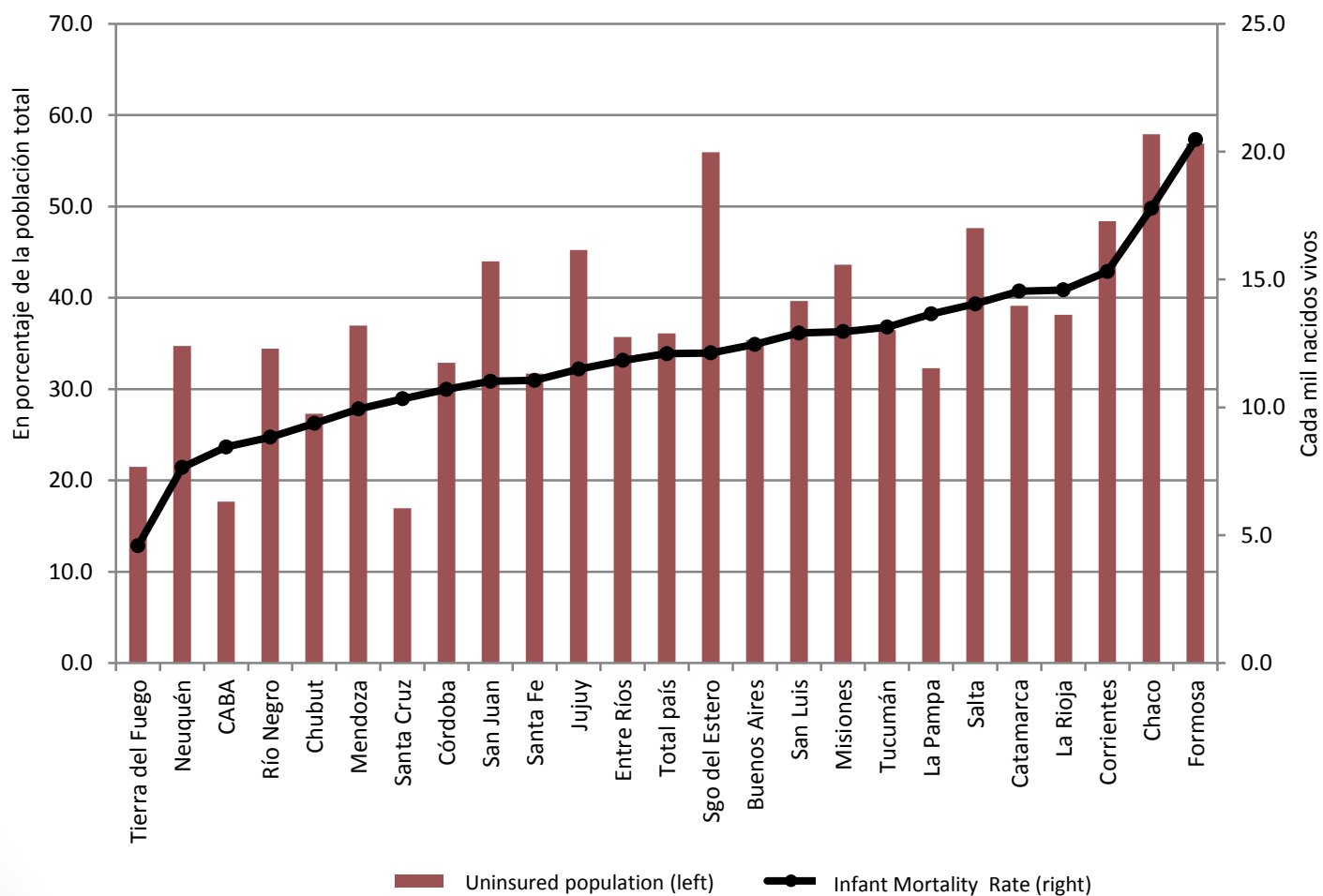
Expenditure of the Health Care Sector (2013 - % of GDP)



Access to health care

- In the public subsector, health care is in the hands of provincial governments.
- After 2002, different initiatives have been introduced in order to tackle the consequences of the crisis for non-insured population
- The *Plan Remediar* provided free drugs in Primary Care Centers
- The *Plan Nacer* implemented an incentive system that increased effective health coverage of women of reproductive age and of boys and girls while also establishing the transfer of funds to provincial governments that ensured those services.
- Now this plan became *Programa Sumar* and the services provided by this public-funded insurance are in the process of being expanded

Regional fragmentation in access to health care



Fuente: Cetrángolo y Goldschmit (2013).

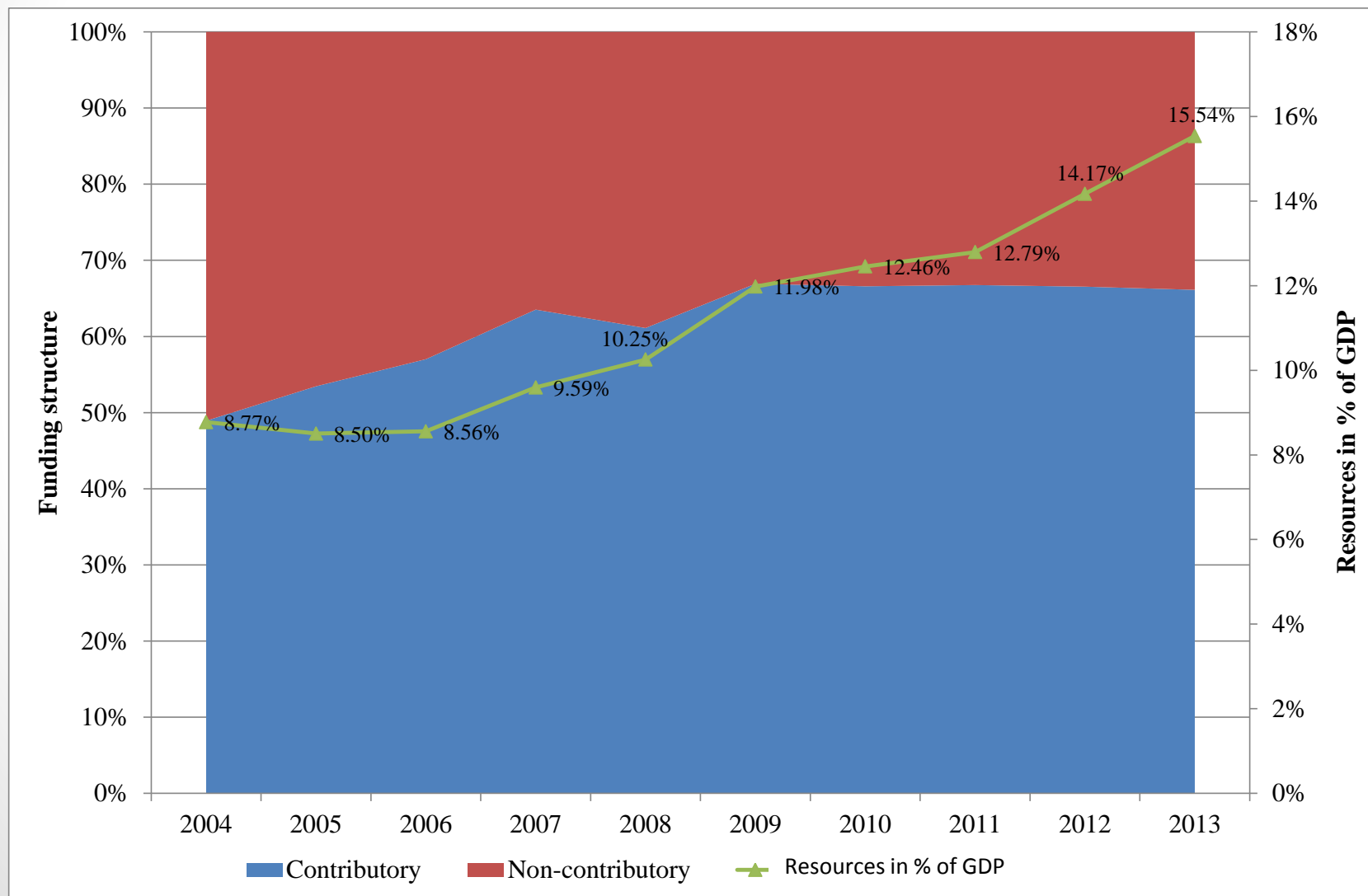
TOPICS OF DISCUSSION

1. Introduction: Restrictions on the expansion of social protection in Latin America and Argentina
2. Social protection gaps
 - a. Income guarantees for the working-age population
 - b. Basic income guarantees for children
 - c. Income guarantees for the elderly
 - d. Access to health care
3. **The funding of the expansion of Social Protection**
4. Final remarks and main challenges

Access to health care

- Due to a favorable macroeconomic environment, fiscal space was extended and allowed an important expansion in social protection expenditures
- The increase revenues coming from contributions on wages and general taxation allowed for an increase in social protection funding from 8.8% to 15.5% of GDP since 2004
- This led to significant increases in spending on health, social protection for children and the elderly population.
- There was no similar increase in the coverage of the working age population.
- Wage tax evasion was estimated in 21% for registered employees and almost 50% for autonomous workers. It represents around 1.7% of GDP

Evolution of Resources Allocated to Social Protection (four guarantees) and Makeup of their Funding, 2004-2013



Evolution of Resources Allocated to Social Protection and Make-up of their Funding by Guarantee, 2004-2013

(in percentage of GDP - baseline year 2004)

Guarantee	Type of funding ⁽¹⁾	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Health ⁽²⁾	Contributory	1.99%	2.07%	2.06%	2.14%	2.36%	2.96%	3.08%	3.07%	3.41%	3.77%
	Non-contributory	1.53%	1.60%	1.59%	1.64%	1.76%	2.08%	1.95%	2.10%	2.23%	2.45%
	<i>Total</i>	<i>3.52%</i>	<i>3.66%</i>	<i>3.65%</i>	<i>3.78%</i>	<i>4.12%</i>	<i>5.04%</i>	<i>5.03%</i>	<i>5.17%</i>	<i>5.64%</i>	<i>6.22%</i>
NNyA ⁽³⁾	Contributory	0.36%	0.42%	0.40%	0.45%	0.50%	0.57%	0.52%	0.46%	0.41%	0.44%
	Non-contributory	0.17%	0.15%	0.14%	0.19%	0.22%	0.22%	0.44%	0.47%	0.48%	0.55%
	<i>Total</i>	<i>0.53%</i>	<i>0.57%</i>	<i>0.54%</i>	<i>0.63%</i>	<i>0.72%</i>	<i>0.79%</i>	<i>0.96%</i>	<i>0.93%</i>	<i>0.89%</i>	<i>0.99%</i>
Working-age individuals	Contributory - LMP ⁽⁴⁾	0.06%	0.07%	0.08%	0.07%	0.09%	0.11%	0.09%	0.07%	0.07%	0.06%
	Contributory - SST ⁽⁴⁾	0.25%	0.30%	0.36%	0.37%	0.40%	0.44%	0.53%	0.59%	0.66%	0.74%
	Non-contributory - LMP	0.74%	0.57%	0.36%	0.25%	0.17%	0.22%	0.29%	0.25%	0.21%	0.18%
	<i>Total</i>	<i>1.06%</i>	<i>0.94%</i>	<i>0.81%</i>	<i>0.69%</i>	<i>0.66%</i>	<i>0.77%</i>	<i>0.91%</i>	<i>0.91%</i>	<i>0.94%</i>	<i>0.98%</i>
Older adults ⁽⁵⁾	Contributory	1.62%	1.69%	1.97%	3.06%	2.91%	3.94%	4.08%	4.36%	4.89%	5.27%
	Non-contributory	2.04%	1.64%	1.58%	1.42%	1.84%	1.44%	1.48%	1.42%	1.81%	2.08%
	<i>Total</i>	<i>3.67%</i>	<i>3.33%</i>	<i>3.55%</i>	<i>4.48%</i>	<i>4.75%</i>	<i>5.38%</i>	<i>5.56%</i>	<i>5.78%</i>	<i>6.70%</i>	<i>7.35%</i>
Total	Contributory	4.29%	4.55%	4.88%	6.09%	6.27%	8.02%	8.29%	8.54%	9.43%	10.27%
	Non-contributory	4.48%	3.96%	3.68%	3.50%	3.99%	3.96%	4.16%	4.25%	4.74%	5.26%
	<i>Total</i>	<i>8.77%</i>	<i>8.50%</i>	<i>8.56%</i>	<i>9.59%</i>	<i>10.25%</i>	<i>11.98%</i>	<i>12.46%</i>	<i>12.79%</i>	<i>14.17%</i>	<i>15.54%</i>

TOPICS OF DISCUSSION

1. Introduction: Restrictions on the expansion of social protection in Latin America and Argentina
2. Social protection gaps
 - a. Income guarantees for the working-age population
 - b. Basic income guarantees for children
 - c. Income guarantees for the elderly
 - d. Access to health care
3. The funding of the expansion of Social Protection
4. **Final remarks and main challenges**

Final remarks and main challenges

- While significant advances have been made in the expansion of social protection, a series of challenges remain:
 - ✓ considerable fragmentation of rights in the health care system,
 - ✓ reliance of pension coverage on emergency measures,
 - ✓ poor coordination between levels of governments,
 - ✓ the need for reforms that expand the fiscal space allocated to social protection programs both now and in the future, despite the growing tax burden.
- Lack of a solid tradition that would enable the design of preventive public policies and the setting of priorities, as well as a series of reforms envisioned for the medium term.
- Emphasis must be placed on the need to move beyond an always short-term perspective for the sake of a strategic vision that anticipates possible structural changes. The impact of expected changes in the age structure of the population, for instance, must be assessed. Demographic changes will affect both the level of resources geared to distinct social protection measures and their make-up in terms of type of benefit.

Final remarks and main challenges

- The basic challenge lies in substantially reducing current levels of informal labor.
- Aware of the magnitude of that challenge and of how hard it is to combat in the short term, a greater fiscal space must be built, one that makes it possible to undertake the reforms necessary to each area of social protection without upsetting macroeconomic balance.
- The specific challenges facing each area of the social protection system must be addressed by policy reforms.
 - ✓ In the case of health care, adequate and equitable coverage must be assured to the entire population.
 - ✓ Older adults must count on a protection system that ensures predictable levels of income for those who contributed during their active years and for those who did not, separating funding sources and maintaining incentives to contribute.
 - ✓ The system of social protection for the neediest households must be bolstered in terms of institutionality and funding.

Final remarks and main challenges

- Each policy must incorporate funding schemes and clear rules of access in order to maximize impact on redistribution.
- Substantial improvement in the coordination of the different areas of the central government and between levels of government is necessary.
- The responsibility of each level of government in relation to social protection—a question that is, at present, often vague—must be more clearly defined.

Thank you very much!

ocetran@econ.uba.ar