

Social Protection in Argentina in times of SARS-COV-2

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The SARS-COV-2 pandemic has rapidly transformed our societies. Experts from different backgrounds are analyzing its consequences on the short and long term and, in terms of social protection, one conclusion is unavoidable: in a deeply unequal world, the crisis is increasing the gaps. As in every major international event, the impact varies between countries according to their preexisting conditions and the policies implemented. In Argentina, the context is quite daunting in both aspects.

Argentina pre-coronavirus

Argentina is usually considered as a middle-income country. However, the macroeconomic instability, the [prevalence of economic crisis](#), and the lack of consistent and long-term policies had negative impacts on the country's development. Perhaps one of the most striking evidence is the huge debt with the most vulnerable populations: over the last 30 years the poverty rate has never been [lower than 25%](#), there is a strong prevalence of informality, and low-income groups have a reduced [access to services, health and education](#).

After the great crisis that the country had undergone at the beginning of the millennium, Argentina experienced some recovery in the first decade due to the combination of an international boom of commodity's prices and the implementation of public policies aimed at promoting work and social protection. Unfortunately, that experience ended quickly and, since 2011, the economy is under a stagflation trend that only appears to get worse: 2019 ended with the [highest inflation rate in 28 years \(53,8%\)](#) and was the second consecutive year of recession. Moreover, in the same year the [total public debt](#) in foreign currency reached 69,9% of the GDP, the national currency experienced a strong depreciation and, after receiving the [highest loan in the IMF's history](#), the country has virtually no access to international investment and is currently undergoing a major debt restructuring for the second time in less than 20 years.

The poor economic performance has great impacts on the socioeconomic variables and the most vulnerable populations. [In the second half of 2019](#), 35,5% of the population was under the poverty line, and 8% below the extreme poverty line. Moreover, the gap in the average household income between those below and over the poverty line reached almost 40%, showing an increase in inequality. When disaggregated by age, the data is even more disturbing: more than 40% of the youth (between 15 and 29 years old) is under the poverty line, and this number raises to 52,3% for children younger than 14 years old. As for the labor market, [in the last quarter of 2019](#) the unemployment rate reached 8,9%, and the "subempleados" (people actively looking for another job or more hours of work) increased to 34,2%. The existing gender inequalities are made explicit in the labor market: while almost 70% of men participate on the labor market, only 50% of women do, and this number is even lower in the case of young women, who are also the most prejudiced from unemployment. (18,9%). In addition, women are traditionally responsible for most of the care and domestic task burden, and are the [main providers](#) in the lowest-income households.

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Despite this discouraging scenario, Argentina did advance on the last decades in developing social protection strategies. Since 2009, the country has a cash transfer system that includes the majority of children and adolescents, it has advanced on policies aimed at early childhood development and gender equality, and has one of the highest pension coverage in the region. However, it still faces a major challenge regarding inequality and income distribution which, in combination with the macroeconomic deficits, imposes a strong constraint on the realization of human rights.

Argentina's response to SARS-COV-2

The difficult economic and social context aforementioned adds to the crisis imposed by the SARS-COV-2 pandemic. The government's response focused on limiting the spread of the disease and expanding and introducing additional policies that would strengthen Argentina's social protection floor.

In March 19th, after reaching [158 confirmed cases, 3 deaths](#), and with the amount of cases doubling every 3 days, the Argentine government imposed a strict lockdown, aimed at flattening the curve in order not to overload the health care system. From a sanitarian point of view, the immunosuppressed and the elderly are those at higher risk. However, from a social protection perspective, the crisis imposes a major challenge for the vulnerable populations who had been previously hard hit by two years of economic recession and high inflation.

The social distancing epidemiological strategy imposed a sudden stop in the economy, and its consequences are becoming unbearable for an increasing number of families. The economic [forecasts for 2020](#) are not pleasant at all and, once again, vulnerable populations are the most prejudiced: they have higher rates of informality and are more likely to be "subempleado" or unemployed. This is particularly difficult for those living in poverty, since they have less savings to rely on, less access to sanitary and health services, and are less likely to [continue their work from home](#).

[The government is trying to reduce and compensate the negative effects](#), both for individuals and small and medium enterprises (which employ a considerable amount of Argentina's labor market), with cash transfers, increased transfers to subnational governments, a freeze in public tariffs and rents, credit lines, suspension of loans and credit cards payments, monthly bonuses of US\$50² for health care and security workers, and US\$30 for pensioners and families receiving non-contributory cash transfers.

Among the measures, one of the most important policies aimed at enterprises is the implementation of the new Program of Emergency Assistance to Work and Production ([Programa de Asistencia de Emergencia al Trabajo y la Producción](#)), through which the national government seeks to alleviate production costs. The program implies the deferment or reduction of up to 95% of the employer contributions to social security, and one-time wage subsidies. For companies with less than a hundred employees, the State paid between 50% and 100% of the workers' salary and, for bigger companies, it paid between US\$60 and US\$100 for every worker. Out of the 420 thousand enterprises that sign up (80% of all the SMEs), the policy reached 160 thousand enterprises (which represent almost 20% of the total active workforce). In addition, the government prohibited layoffs for 60 days, postponed the debt maturity dates for loans to small and medium enterprises, promoted a credit line and a guarantee fund for producers, made an agreement with companies to extend 3 or 6 month installment buying contracts to 12 months, interest free, aimed at boosting consumption.

² Due to the present restrictions and government interventions in the currency market the exchange rate may vary between analysts. In this document we consider 1 US dollar approximately equal to 100 Argentine pesos.

In order to reach out to the most vulnerable populations, the government established a one-time US \$100 cash transfer through the new Emergency Family Income Program ([Ingreso Familiar de Emergencia](#)) during April (although several government officials have [announced](#) that it may be repeated if the social distancing measures prevail). It is the first non-conditional and non-contributory cash transfer in Argentina, and is aimed at informal, independent, and domestic care workers. The program offers one transfer per family group, prioritizes women, and is compatible with some other non-contributory programs. As for its implementation, the program used a two-step identification strategy. First, the transfer was automatic for the 2.4 million monthly recipients of Argentina's largest conditional cash transfer noncontributory program, the Universal Assignment per Child or Pregnancy ([AUH, Asignación Universal por Hijo, currently at US\\$300 monthly](#)), with the objective of protecting children and youth. Second, the government posted an online opt-in application form, through which [10 million people](#) signed up, out of which 5.4 million met the criteria and were selected, reaching a total of 7,8 million beneficiaries (which account for approximately 18% of the country's population of 45 million). Although the design was quite ambitious, a few problems arose in its delivery given that some of the potential beneficiaries did not own a bank account in which to receive the payment, or the means to sign up for it, which delayed its implementation.

In addition, the design of this program provided plenty of information about the informal workers, who are usually not visible in formal statistics. The [Ministry of Economy](#) identified more than 6 million potential participants, out of which 42,5% are informal workers, 35,6% independent workers, 18,3% unemployed, and 3,7% domestic house workers (mostly female). Among them, 64% live under the poverty line, and the same percentage does not have private health insurance. As for their demographic characteristics, 60% of the potential recipients are in charge of children and teenagers, and almost 60% of the target population live in households with 3 to 5 members. Moreover, 20% are young people between 18 and 25 years, which are also overrepresented among the informal, unemployed and the poor. Most of the potential beneficiaries of the Emergency Family Income work in activities that were heavily restricted due to social distancing, as care work, transport, gastronomy and services.

The US\$100 Emergency Family Income represents a strong support for vulnerable homes, however, it is probably not enough: in Argentina the minimum wage is US\$170, and the poverty line for a 4-person household was US\$420 in [March 2020](#), while the extreme poverty line was US\$173 (for individuals, the poverty line was US\$135 and the extreme poverty line was US\$56). A recent study from the [Center of Distributive, Labor and Social Studies \(CEDLAS\)](#) presents evidence regarding the distributive impact of the interventions. The measures have proved to be more efficient for the lowest income households, while those between the second and fifth deciles will suffer greater differences between their pre and post-pandemic incomes. The recession will impose a shift in the income distribution in favor of the groups with higher incomes, and the Gini coefficient is expected to grow from 44 to 45,2. However, social protection policies do help to contain the rise in poverty rates: with them, poverty is expected to rise 11%, but without them the rise would be 13%. In conclusion, the social protection measures announced alleviate the negative socioeconomic impacts of the recession, but it is far away from eliminating them.

Financial implications

The Argentinean government quickly developed a wide variety of instruments to alleviate the economic impact of the pandemic. According to [government officials](#) these measures account an expenditure of 3.8 billion dollars, approximately 1,5% of the country's GDP. Although this might seem low when [compared with other middle-income countries](#), it implies a strong budget increase in a country with several financial issues. Giving the previous economic crisis, the sharp decrease in tax collection due to the economic recession, and the strong budget constraint, the financing of this measures is a central point of concern. Until now, it has depended heavily on general taxes,

international cooperation, and transfers from the Central Bank to the Treasury under the form of currency expansion.³ Among the international cooperation actions, the World Bank has agreed to transfer up to US\$300 million between 2020 and 2021 with the objective to strengthening the social protection system, [while the Inter-American Development Bank \(IDB\) and The Development Bank of Latin America \(CAF\) also announced](#) new loans to Argentina that have yet to be confirmed (the [IDB](#) with 1,8 billion dollars, and 4 billion in the case of the [CAF](#)).

In addition, representatives of the government announced over the last weeks that they were going to propose a bill to the Congress in order to charge a [one-time tax on wealth](#) for those with more than 2 million dollars. The tax would have an increasing rate that starts at 2% and reaches up to 3,5% for those with more than 30 million dollars. This measure would only impact 12 thousand people (approximately 0,025% of the population). However, giving that the Congress has just recently started to function properly online this week - after two months of closure due to the social distancing epidemiological strategy- the bill is yet to be discussed, and it has to face a strong opposition. If it were to be approved without major changes, it would help to collect up to 2.2 billion dollars that would be used to cover the government's increased spending to fight the ongoing pandemic.

Conclusion

In mid-May, after seven weeks of social distancing, the amount of infected people seems to be getting under control when compared with other countries, with only 6 deceased per million and the amount of cases doubling every 25 days (with the exception of Buenos Aires, the most densely populated city in the country). Consequently, Argentina started on May 11th a process of slow re-opening of its economy in the less-populated areas, with a focus on industrial production under strict health protocols. The impact of the crisis is yet to be completely measured, but [the forecasts are not optimistic](#): before the coronavirus outbreak, Argentina's GDP was expected to fall 1,2% in 2020 and now that number has increased to almost 7%.

This deep recession will undoubtedly worsen welfare and life conditions, especially for the most vulnerable, despite the government's attempts to diminish that impact. The new COVID-19 crisis put inequality in the spotlight. It highlights the importance of assisting lower income people who have been hit the hardest. Their cooperation is necessary to stop the spread of the disease and they are the backbone of our economy. They are also our brothers and sisters. A strong social protection floor thus remains essential if Argentina is to successfully combine an effective epidemiology strategy with political and economic recovery.

CIPPEC's production on the impacts of SARS-COV-2:

- Blofield, M. & Filgueira, F. (2020). [COVID-19 and Latin America: Social Impact, Policies and a Fiscal Case for an Emergency Social Protection Floor](#). Buenos Aires: CIPPEC.
- Díaz Langou, G., Florito, J., Caro Sachetti, F. & Biondi, A. (2020). [La oportunidad de la emergencia del COVID-19](#). Buenos Aires: CIPPEC.

³ This is a major concern in a country with high inflation like Argentina. However, given the great economic recession that is expected, there are doubts about how much the currency expansion will affect the price level, although analysts agree that risks of a hyperinflation appear to be quite low.