

# THE “ALLOWANCE PER CHILD” PROGRAM OF ARGENTINA AND INCOME CASH TRANSFER PROGRAMS

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“The only way to be truly rich, with no problems, in this country or anywhere else, is to have the poor at your side”  
(Juan José Saer, *La ocasión*)

Latin America seeks to address structural problems at the labor market mainly through income transfer programs aimed at economically dependent people (children and seniors). Among other Conditional Cash Transfer Programs (CCT), the Universal Child Allowance in Argentina is unique in many aspects. It is not conceived for poor families, but yet for those with an informal employment or unemployed people living in specific conditions and sanctions. The article analyses this program, identifying similarities and differences with other CCT programs in the region and evaluates, among other issues, its advantages and limitations in terms of its coverage, distribution and conditionalities.

**Keywords:** structural problems; unemployment; conditionalities; distribution.

## O PROGRAMA DE SUBSÍDIO UNIVERSAL POR FILHO E AS TRANSFERÊNCIAS MONETÁRIAS DE RENDA NA ARGENTINA

A América Latina busca solucionar os problemas estruturais do mercado de trabalho principalmente através de programas de transferência de renda, dirigidos às pessoas economicamente dependentes (crianças e idosos). Entre outros programas de transferências monetárias condicionadas (TMC, em inglês, *conditional cash transfer programs*), a Alocação Universal por Filho (Asignación Universal por Hijo – AUH), da Argentina, é peculiar em muitos aspectos. Não está direcionado a famílias pobres, mas a pessoas com emprego informal ou desempregadas mediante condições e sanções específicas. O artigo analisa este programa, identificando semelhanças e diferenças com outros programas de TMC na região, e avalia, entre outras questões, suas vantagens e limitações em termos de cobertura, distribuição e condicionalidades.

**Palavras-chave:** problemas estruturais; desemprego; condicionalidades; distribuição.

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## 1 THE LABOR MARKET "FAILURES" AND THE INCOME CASH TRANSFERS

In the history of different economic and social systems, the capitalist system is the only one that aims to solve, simultaneously and through the same market mechanism, the problems of job allocation and distribution of income among the population. This dual function operates through a supposedly "free" contract between the supply and demand of workforce, through which labor remuneration (that is, wages) is at the same time part of the cost of production and the main component of the workers' demand power.

In practice, this supposed freedom of contract is fictional while is subjected to legal criteria and operating rules governing markets limits that the parties must respect. Among others, there are two limits that constrain labor remuneration (Offe, 2008). Thus the supposed freedom of contract is restricted between an "upper" limit that wages cannot exceed without jeopardizing the profitability of the production unit (and thus the very existence of employment) and a "lower" limit that cannot be exceeded without risking the livelihood of workers and their families (and the reproduction of the labor force).<sup>1</sup>

Economic globalization exacerbates problems, pressing for the reduction of labor costs and increasing labor productivity in order to compete internationally. The results of these pressures are many: unemployment, underemployment, precarious employment, work skills disqualification, mass migration of the labor force, poverty of the working class, inflation of costs, etc. Thus, the possibilities are increasingly restricted to manage the recruitment of the entire workforce paying an income situated between the above mentioned limits.

Among the effects derived from these difficulties, the tendencies are evident. On the one hand, the forms and conditions of employment are multiplied in such a way that the heterogeneity of the labor hired is increased. A job is a difficult reward to receive for the unemployed and a difficult privilege to maintain for the employed. In this context, the job market is not a free hiring space for the most part of the workforce, rather than a space for submission and loss of personal autonomy.

Among other consequences, one can observe a tendency that seeks to separate in part the dual function of the job remuneration, distributing income through fiscal means. These cash transfer policies to persons by fiscal means tend to be analytically located in the field of the so called "social policies" although the problem is originated in the difficulties of the labor market in complying with the imperatives imposed by the capitalist organization. In fact, the very changes in the work relationship are the best way to track the metamorphosis that the "social

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1. Social rights of the modern welfare State have joined another imperative: the work pay must also cover, through whatever scheme, an income (enough) throughout the occupationally passive life of people.

question" has been undergoing through time (Castel, 1995; Lo Vuolo *et.al*, 1999, chap. 7). The cash transfers to persons through fiscal means have been happening since the very beginning of the capitalist system.<sup>2</sup>

Many arguments are used to justify this transfer of the labor market's problems from the economic to the social field, among which I highlight two. One notes that the problem is not in the labor market, that works properly, but in the labor force, which has no capacity to be "employable", or because it demands very high incomes. Another argues that policies of fiscal income transfer to people would only be "temporary" and would serve to manage the transition to the definitive labor solution thanks to economic growth, job creation and training of the workforce.

As time goes on, these arguments become more difficult to sustain and cash income transfer policies through fiscal means are installed as "new contractual figures" between individuals and the State. Therefore, individuals respond to the specific contexts and the institutional heritage of each national system of social protection. For example, in countries with more mature and expanded social protection systems, multiple "active employment policies" varying from the transfer of income in return for training and the relocation of the unemployed, to programs that require, in exchange, the obligation to work on tasks assigned by the State (workfare) have been added to broad unemployment insurances.

Meanwhile, Latin American countries are following different paths in this area due, in large part, to the extensive presence of economic sectors operating in informal employment, and particular institutional legacies.<sup>3</sup> In this context, the promise of operation of the "virtuous cycle" between economic growth, employment and universal social protection becomes more difficult to achieve in the region (Lautier, 2006).<sup>4</sup>

These difficulties are not unexpected: the concept of informality was built decades ago in the region when it was proved that despite years of continuous economic growth, major labor groups were excluded from the benefits of formal employment.<sup>5</sup> Informality in Latin America responds to structural factors that

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2. For reference remember the "poor laws" in England and the widely quoted Speenhamland system (Aguirre and Lo Vuolo, 2011).

3. In fact, it has come to characterize welfare regimes in the region and informal security regimes (Gough, 2004), suggesting that until the 80s, its institutional responsibility matrix ranged between "informal-conservative" or "conservative-informal", depending on whether "the emphasis is placed on existing institutional characteristics or its absent" (Barrientos, 2004).

4. Added to this, is the commitment of a "dual" models dynamics, where a supposedly modern sector drags the backward sector (Barbeito and Lo Vuolo, 1992).

5. For a discussion on how the content of the term informality has changed, see for example Lautier (1994) and Theodoro (2002). For an analysis of the recent situation in the region, see Tokman (2007).

are not resolved by growth and even informality feeds the growth in much of the economy. No wonder, then, that even though many countries in the region have recorded economic growth in recent years, high levels of informality and heterogeneity remain in the labor markets.

Among other effects, this structural characteristic has limited the effectiveness of the institutional arrangements that operate under the rule of social insurance, in general, and in particular, the policies of complementation, replacement and support of income. As a result, various programs that seek to transfer income to the population not reached by formal employment and by the coverage of traditional social insurance programs can be observed in the region. Lately, they occupy a central role in the so called Conditional Cash Transfer Programs (CCT), whose origin is often identified as the Education, Health and Nutrition Program (Progresa), created in Mexico in 1997, but they actually recognize diverse backgrounds as the historical trajectory and political realities of each country.<sup>6</sup>

Most CCT programs cannot be justify by monetary transfers for labor problems of the working-age population, but for the inadequacy of household income and especially for the financial burden that the presence of an “economically dependent” population represents. The goal that is usually invoked for these programs is twofold: in the short term, to reduce poverty through the transfer of income and, in the long term, to increase the formation of “human capital” as a mechanism to break the “hereditary” chain of insufficient income. This is achieved because the “rate of return” of fiscal income transfers would be greater when addressing children, and if conditions are demanded from their parents (World Bank, 2005).

The operating rules of these programs recognize certain common general features: *i*) transfer of monetary resources (in some cases with additional in-kind transfers); *ii*) targeting households classified as poor (and/or extreme poverty) with children and teenagers (some admit categories of households without children); *iii*) punitive conditionalities linked to school attendance and health and nutritional controls of both children and adolescents and of pregnant women; *iv*) preference for the benefit's transfers to mothers;<sup>7</sup> *v*) targeting in accordance with geographical priorities, self-identification, resources tests, and/or need, etc. This does not deny that there are programs that are classified as CCT which lack some of these characteristics, but in general these are the main operational rules.

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6. As reference, since 2010, the CEPAL databases recognize CCT programs in eighteen countries in the region, covering more than 25 million households (approximately 113 million people) and with an expense of 0.4% of the gross domestic product – GDP (Cechini and Madariaga, 2011). However, the programs included differ on its operating rules, magnitude, coverage and resources. See also World Bank (2009).

7. Generally, but not always, CCT programs pay benefits to mothers, reinforcing their role as caretakers of children and the fulfillment of conditionalities on education and health. See Rodríguez Enríquez (2011).

Related to the CCT programs are the Non-Contributory Family Allowances (*Asignaciones Familiares No Contributivas* – AFNC).<sup>8</sup> Chile, for example, features the Single Family Subsidy for poor people who do not access the contributory family allowance and whose beneficiaries are chosen by the enforcement authority in accordance with the evaluation recorded in the Social Protection Profile.<sup>9</sup> Another example cited is that of Uruguay, which has been expanding coverage of its contributory family allowance program with non-contributory benefits.<sup>10</sup> Comparable Noncontributory benefits can also be seen in pensions.<sup>11</sup>

Taking as background and reference a growing debate in Argentina over multiple draft bills proposing universal benefit payments for families with children and adolescents in charge, in October 2009 the country presented the "Universal Allowance per Child for Social Protection" (*Asignación Universal por Hijo para Protección Social* – AUH).<sup>12</sup> This is a unique and non-contributory benefit which is incorporated - by Decree n. 1602- to the Law 24,714 which regulates the various benefits of Family Allowances (AF) that are paid to formal salaried workers.<sup>13</sup> The AUH benefit recognizes people who register themselves as "informal" or "unemployed" workers. The supposed universality of the benefit would be derived from the sum of the three categories considered as components of the labor market: formal salaried, informality and unemployed.

The AUH appears as a new species within the income transfer programs through fiscal means. Its uniqueness is that it explicitly recognizes that the origin of the problem lies centrally in the malfunction of the labor market and of social insurance. Interestingly, it is a program that recognizes the right of access

8. In general, family allowance programs for formal workers were established after pension programs: Argentina in 1957; Chile (1937), Brazil (1941), Uruguay (1943), Bolivia (1953), Colombia (1957), Mexico (1973), Costa Rica (1974). See ISSA (2010).

9. In addition, households within the Chile Solidarity Program automatically participate in this grant. The system also pays other benefits as maternal attendance allowance, family protection bonus (for families participating in the program "Solidarity Chile"), the March Bonus (benefit paid at the beginning of the school term for families with children whose monthly income is less than a certain amount, etc. In 2009, the contributory and non-contributory amounts were unified per child

10. Since 2000, Uruguay has implemented a program of family allowances for low-income households, regardless of the type of employment (ILO, 2007). From 2008, it was replaced by the New Family Allowance Regime, which increased coverage and paid a variable benefit according to the number of children per household, with an equivalence scale that provides a higher amount if the children attend primary or secondary school levels.

11. For example, in Mexico, on the one hand, the "Seventy-plus" program works, and, locally, the Universal Alimony of Mexico City (Yanes, 2011; Duhau, 2009). The case of Brazil's rural pension qualifies as "semi-contributory" while being financed by taxes over sales of agricultural products and a minimum pension contribution. Another non-contributive experience is the "Dignity Rent" of Bolivia (Müller, 2008).

12. See Carmona Berrenechea and Straschnoy (2008) and Lo Vuolo (2009).

13. Family allowances charged by formal employees include those paid as a monthly amount for a certain period (prenatal, maternity, child, disabled child) or paid as a lump sum to the occurrence of the event (birth or adoption, marriage, school aid). These assignments vary on descending basis (to even canceled), as the amount of the employee's salary in activity and the geographical area where it performs its task. They also charge some assignments the Unemployment Insurance beneficiaries and retirees and pensioners. The program is funded by employer contributions (workers do not make personal contributions), and various state jurisdictions (national, provincial and municipal) pay their employees directly without contributing to social security.

to a benefit recognized by law, but always when the person is participating in an employment relationship that is illegal: informal employment. And also, by leveling the rights of people in that situation with those who also declare themselves unemployed.

The operating rules of the AUH, thus, seek to resolve the deficiencies of CCT programs and even the programs of noncontributory family allowances. Hereinafter I describe the main features of the AUH and, then, analyze their likely impacts.

## 2 THE "UNIVERSAL ALLOWANCE PER CHILD FOR SOCIAL PROTECTION" OF ARGENTINA

As a general rule, those who verify the following criteria are eligible for the AUH benefit: *i*) do not receive another family allowance under the law of AF; *ii*) be "unemployed" or work in the "informal economy"; *iii*) receive remuneration below the Minimum Living and Mobile Wage (*Salario Mínimo, Vital y Móvil – SMVM*).<sup>14</sup> A maximum of five benefits may be demanded from AUH per household and payments can be made to both the mother and the father of children residing in Argentina. The regulation of the norm that created the AUH added another requirement: not only the beneficiary but everyone registered "included in the family group" must meet the characteristics stated above.

The first problem arises from the vagueness of the term "informal economy", which involves very heterogeneous activities, as recognized by various studies in the field and by government reports themselves (Ministry of Labor, Employment and Social Security, and the World Bank 2008). This imprecision enables the arbitrary selection of groups by the political power, which has resulted in the inclusion of large groups of workers in precarious working conditions, as in the case of the self-employed "*monotribuistas*" (unless they are registered as "social *monotributistas*").<sup>15</sup>

The AUH has a greater potential of coverage than other CCTs because quotas have not been imposed for the total number of benefits (such as Family Allowance, *Bolsa Familia* program in Brazil). In addition, the income ceiling for beneficiaries is relatively high and not established specifically for the program, but equivalent to the value of the overall benefit of the child allowance paid by the AF program to the lower income category of formal employees.<sup>16</sup>

14. From January 2011, the amount of the SMVM was \$ 1,840 (US\$ 443) per month.

15. The "social *monotributistas*" are a new category of workers whose production activities, services or marketing "hinder their integration into the formal economy because they are found in situations of social vulnerability". To enjoy this benefit they must be registered in the National Registry of Effectors of Local Development and Social Economy.

16. Since August 2010, the monthly value is \$ 220 (US\$ 53 approximately). There are different values of child allowance in the Family Allowance program for formal workers, according to income brackets and the region of the country in which the employee works. The AUH levels the overall value of the first tranche of the established salary scale.

The other peculiarity of the AUH is the mechanism established to compel the compliance of the conditionalities. Every month only 80% of the total amount of profit is paid and the remaining 20% is held until the end of the calendar year, at which point, one must certify the fulfillment of the conditionalities of attendance in the educational system and regular attendance of mother and child in controls of the health system. Failure to meet these conditionalities will result in the loss of the benefit and may even lead to other penalties for "distortion of the sworn statement".

Another distinctive feature of the AUH is that it is financed by funds from the social security system, including revenues and contributions of formal employees and annual returns of the Guarantee and Sustainability of the Fund of the Public Welfare Distributing System. This fund was established in mid-2007 and was expanded in late 2008 with the re-nationalization of the social security system and the subsequent transfer of the various funds that were managed by the *Administradoras de Jubilaciones y Pensiones* (AFJP).<sup>17</sup>

Another innovation is the creation, in April 2011, of the Universal Allowance per Pregnancy for Social Protection (SEA, Decree 446/2011), in addition to the AUH and organized with similar provisions: *i*) it is a non-contributory benefit within the contributory regime of AF; *ii*) its beneficiaries are pregnant women who meet the same social and labor characteristics required by AUH; *iii*) during the months of pregnancy it is charged 80% of the benefit and the 20% retained is collected at birth and provided if demonstrated the compliance with health conditionalities.<sup>18</sup>

As can be observed, the operating rules of the AUH are a particular combination between the CCT and the AFNC programs:

- the norm that regulates the benefit is included in the Family Allowances Act for formal salaried workers;
- beneficiaries are registered by employment status and because they earn an income below the SMVM;
- does not take into account household income but the employment of all household members;
- the value of the benefit and its setting are "glued" to current values for the AF program for formal employees;

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17. At that time, Argentina eliminated the individually funded component of contributions administered by private companies, established in 1994, to return to a single, state pay (Arza, 2009; Mesa-Lago, 2009; Lo Vuolo, 2008).

18. The value of the benefit to the AUE is equivalent to the "pre-natal" allocation of AF program of formal employees and for the "general area" (also about US\$ 53 monthly to date). Medical checks are required under the "Plan Nacer" of the Ministry of Health.

- a “preventative” sanction mechanism that retains some of the benefit (in a context of high inflation) for the account of certification of compliance with conditionalities;
- the benefit is funded with resources of the social security;
- a differential benefit is paid to pregnant women.

Even with this particular combination of operating rules, the AUH continues to maintain four general criteria of CCT programs: *i*) targeting (by occupational category and income); *ii*) punitive conditionalities for receiving the benefit; *iii*) lack of compatibility between various benefits of the same kind paid by other programs of social protection; *iv*) lack of integration between these benefits and tax credits recognized in the tax system. In addition, a benefit that usually is seen as a childhood right, it is actually a right of parents, according to their employment status.

### 3 THE PROBABLE IMPACTS OF THE AUH

The impacts and returns of CCT programs are controversial.<sup>19</sup> In general, the ones that are more established declare they have reached all households listed as indigent, and much of the poor. In contrast, in most programs in Central America the coverage does not exceed 20% of the population classified as poor. The positive impact on household income is varied and depends on the level of benefits transferred, of the coverage, and the “ceiling” their own income established to qualify for the benefit. The oldest and most stable programs seem to have helped improve liquidity constraints and access to credit, while improving the level and quality of the food consumed. Also, conditionalities of health and education are linked to higher rates of enrollment, although substantial improvements are not observed in learning levels and nutritional status of the beneficiaries. Disincentives to the labor supply of adults in beneficiary households are not recorded, and neither is the reduction of child labor.

To date, there is little chance of making sound assessments on these and other aspects for AUH. This is due, on the one hand, to the non-availability of information derived from the records of beneficiaries or beneficiary surveys to assess their situation before and after implementation. This is compounded by the suspicion over the indicators, released by the National Institute of Statistics and Census (INDEC) under intervention of the national government since early 2007. Nor are there adequate records of the unemployed.<sup>20</sup>

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19. See Cechini and Madariaga (2011), especially chapters V and VI.

20. Unemployment Insurance covers an average of 8% of the statistically unemployed.



### 3.1 Coverage: universal?

An example of these problems is the following: there is no agreement even on the number of children under eighteen living in the country, to the point that the figure used in different studies on the subject varies from 12.4 million to 13.6 million people.<sup>21</sup> Considering that, by February 2011, just over 3.5 million of benefits paid by the AUH<sup>22</sup> were reported, and taking into account other existing programs that pay benefits to people under eighteen, a report found out that between 18% and 28 % of this population remains not covered by any type of benefit (Lozano and Raffo, 2010).<sup>23</sup> In contrast, other research argues that only 2% would have no coverage of any kind today (Bertranou, 2010).<sup>24</sup>

The coverage analysis is more confusing when you consider that about 90% of those receiving the AUH are recorded as "unemployed" women. This finding is inconsistent with the composition unemployed/informal as well as with female/male unemployment data reflecting the employment market.

What explanation can be offered for these inconsistencies? Intuitively, it can be assumed that men who work in informal jobs prefer not to register themselves as beneficiaries of the AUH. This is so for two main reasons. One is related to the fear of the very audit activity of the State, while informality is illegal and also is at risk of not meeting certain conditions, such as receiving an income less than SMVM. Second, control of income is avoided and ensures "permanence" in the perception of income if inactive women beneficiaries are recorded as unemployed. In a way, the AUH generates a particular "informality trap" (and/or unemployment) derivative of the reason above mentioned: it recognizes a "formal and legal" right that requires people to work in an "informal and illegal" employment relationship.

This situation stems from the transfer of beneficiaries of programs that were "absorbed" into the AUH (Lozano and Raffo, 2011). In practice, though, the ones who quickly collect the AUH were those people who were already registered in other programs and, therefore, were in the databases managed by the National Social Security Administration (ANSES). For example, nearly 29% of the benefits paid to individuals was transferred by the AUH from the "Family Plan for

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21. The first data is the 2001 Census and the official reports and some private reports are taken; the second data arises from applying the proportion of this age range on the total population in 2001 (33%) of the total population of the provisional data of the 2010 Census (40,091,359 individuals).

22. According to the presentation of the Ministry of Labor, Employment and Social Security, on the Day of discussion on the Universal Child Allowance for Social Protection, organized by ASET and Unicef in Buenos Aires on March 29th, 2011. The number of adult beneficiaries stabilized at just over 1.85 million.

23. It was estimated that 4.2 million of benefits are paid by the AF system of national social security, 1.6 million are family allowances paid directly by the states (National, Provincial and Municipal), and 800,000 are covered by the tax credit for family charge on income tax from their parents' income.

24. The AUE coverage for pregnant women is even more difficult to estimate for its recent launch.

Social Inclusion” (Zaga Szenquer, 2009), which subsidized women with children to charge if not participating in the labor market (i.e., inactive). Another 21% relative to children from parents who were beneficiaries of some kind of plan of employment / unemployment (mainly programs Unemployed of Household Heads and Community Employment).<sup>25</sup> The most difficult to grasp, and that explains much of the coverage deficiency, are those who are in such a situation of extreme economic and social precariousness that they were not included in registered programs (Lozano and Raffo, 2010).<sup>26</sup>

In sum, the particular targeting method of the AUH recognizes a broad coverage under other CCT programs, but it is not universal and does not solve problems widely detected as segmentation, coverage errors, discrimination, stigma and clientelism, etc. It also incorporates the problem of the informality trap.

### **3.2 Punitive conditionalities: children’s rights and formation of human capital?**

There are various conditionalities required to collect the AUH. To limit the level of income, in practice, it operates with self-report and there are not known criteria or methods of control for it. As stated, it is a strange situation because the person working informally must state the conditions under which he/she participates in a working relationship that is illegal.

As for conditionalities of health and education, the retaining mechanism of 20% of the monthly benefit amount “dependable” on compliance is one of the most critical features of the AUH. First, it means unequal treatment in relation to wage earners from whom no amount is retained of their benefits, or taken away if the children do not attend education and health facilities. In the AF program it is another one: it pays an extra – a kind of “prize” – in case of attendance to the school system. Thus, the same elements that justify punitive conditionalities of the AUH serve to justify a “prize” for formal workers.<sup>27</sup> This unequal treatment is reinforced by the loss of real value of the monthly benefit of the AUH in an economy with high inflation (20% to 30% per year, according to more reliable private estimates and surveys of the Provinces with no statistical systems operated by the national government).<sup>28</sup>

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25. With the creation of the AUH, employment programs were also restructured and eliminated, which in some cases cut off its coverage and reduced benefits. Also, it decreased 600,000 “scholarships” of the Compensatory Actions Program in Education and transferred beneficiaries from programs of provinces and municipalities who adhered to the AUH.

26. Records show an increasing amount of benefits with “suspended collection”, estimated at about 10% of those registered, explained by the incompatibilities between National and Provincial databases, lack of card withdrawal in a timely manner, absence of mechanisms to facilitate access to identity documents, etc.

27. Similar discrimination between AUH beneficiaries and the AF program is verified in the limit of 5 benefits per household for the first case, while in the second case, the benefits charged depends on how many children they are in charge of.

28. See, for example, Barbeito 2010.

Unequal treatment is also evident in other standards. For example, the AUH requires that children attend to state schools; this restriction does not prevail for formal wage earners. The argument is that attendance in private institutions (which are almost entirely subsidized by the state) is an indicator of resource availability, although records indicate that in the lower groups of the income distribution line there is a high turnout at private establishments.<sup>29</sup> This inconsistency has led to "suspend" this requirement in practice, but it has not been repealed, and political power remains the authority responsible to apply or not sanctions for this reason.

In summary, the AUH continues to consolidate an institutional system organized to pay better benefits to workers that are better positioned in the job market and income distribution. This is not a general feature of policies and social protection programs in Latin America, leading to doubts about the objective sought with the conditionalities and the selection criteria that characterize this type of program. It is more reasonable to assume that they are related to the implementation of mechanisms of social control and political legitimacy than to the technical rationality associated to the formation of human capital.<sup>30</sup>

Conditionalities open space for arbitrariness in the selection and sanction of potential beneficiaries, particularly because the AUH is a national program, while education and health services are managed almost entirely by the provincial and municipal authorities. There is evidence to suggest the implementation of dissimilar criteria by school and health authorities to certify the "non-compliance" of conditionalities and thus enable the potential loss of the benefit and, therefore, create more difficulty in continuing the educational and career care in the health system.

The elements identified seriously question the claim of presenting these types of AUH benefits (and TMC programs in general) as "children's rights". How could these benefits be considered rights if that political authority can remove them if conditions which children and adolescents are not able to be responsible or fulfill on their own are not met? How could they be universal rights when the most disadvantaged have worse conditions of access to the benefits than others who are in better conditions, and the State reserves itself the right to sanction under unequal standards?

Punitive conditionalities, particularly when they are unequal in relation to other population groups, cannot characterize universal rights of the people, much less children and adolescents. Far from establishing childhood rights, conditionalities are a mechanism that limits personal autonomy, establishing relations of

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29. For 2006, it was estimated that 36% of children from households in the first two income groups were attending private institutions (Gamallo, 2008).

30. Similar conclusions are obtained from the case of programs such as *Bolsa Familia* (Medeiros *et al.*, 2007, p.18).

subordination and social control that open the door for the use of programs for purposes of political patronage. Its arbitrary use does not depend on beneficiaries but of the behavior of political authorities.

### 3.3 Distributive impacts: what is the level and in whose favor?

Obviously, any transfer of income to people who previously had no coverage of such benefits has positive impacts on their income, consumption, school attendance, etc. Unfortunately, in the case of the AUH it is very difficult to quantify these impacts due to the concerns expressed with regard to the information base, to which we add the complexities of operating rules regarding the selection of target groups, conditionalities, sanctions, weak oversight, etc.

To illustrate, while Indec estimates that the value of the basic food basket which defines the poverty line rose 40% between January 2007 and May 2011, estimates based on alternative price indexes place that growth in 166%. For the poverty line, the differences oscillate between 43% and 135%, respectively.<sup>31</sup> So, while the Indec estimates, for late 2010, that indigent families are about 2% of the total, and 6.8% are poor families, alternative estimates placed those percentages around 16% and 29%, respectively (Lozano *et al.*, 2011).

To the data on the cost of living complications, we add the multiple criteria used in the exercises of “simulation” seeking to estimate the distributional impact of the AUH. The dispersion observed in the results obtained by these exercises is very wide. The estimated drops in poverty and indigence indicators range from 55% and 70%, respectively (Agis *et al.*, 2010), to only 4% and 11% (Lozano and Raffo, 2010, table 20).<sup>32</sup> With other methods, it is estimated that if the selection of beneficiaries and conditionalities had applied “strict”, “extreme poverty” would fall from 6.9% to 3.2% and the “moderate” from 23.2% to 21.1%, if, instead, conditionalities were not being audited, the fall in the first case would be from 6.9% to 2.8% and, in the second case, from 23.2% to 19% (Gasparini and Cruces, 2010). A document published by the ILO estimates that the AUH program “reduces homelessness and poverty marginally by 65% and 18% compared to the previous situation” (Bertranou, 2010).

The various results of the attempts to measure the distributional impacts at the “macro” level are worsened at the “micro”. This is so because of the multiple “cases” that may occur, and also because the amounts of the benefits of AUH and

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31. The estimates reported use price indexes of Provinces whose statistics institutes maintained their methodologies. For the methodology, see Barbeito (2010).

32. Officials of the Ministry of Labor, Employment and Social Security point out reductions of 35% and 53%, respectively (See Emilia Roca, Undersecretary of Social Security Policy: “The challenges and opportunities of Social Security in Argentina”, in Dialogues of Social Protection, May 14, 2010).

AF program differ from those recognized in the "additional coverage" that represent tax deductions for family responsibilities in the population's tax income. Thus, taxpayers who earn above the wage limits established to collect the AUH and the AF, also have tax credits for their sons and daughters. This disintegration of the tax system prevents the estimate of the "net position" of each taxpayer and therefore the net distributional impact.<sup>33</sup>

In summary, it can be assumed that the distributional impact of the AUH is positive, but there is no consensus about its magnitude or about what is the distribution among the different groups. The multiplicity of programs, conditionalities, and the lack of fiscal integration are the main explanation for this situation.

### **3.4 Financing: guaranteed and stable?**

Many CCT programs are totally or partially financed by funds from foreign loans or general taxes. In contrast, the AUH takes resources from the social security system, accentuating a trend that has long been diluting the traditional separation between contributory and non-contributory benefits. This trend is verified in two ways. On the one hand, the social security benefits are financed in part with general taxes, on the other, non-contributory benefits are paid with funds raised by payroll taxes (personal contributions and employer contributions).<sup>34</sup> As an illustration, in 2009, the resources collected by dues and contributions on wages accounted for only 57% of the total revenues of the Argentinian social security system, the remaining came from transfers from general taxation.

The pension reform of 1994 was a milestone in this process. At that time, the "pothole tax" generated by the transfer of workers' personal contributions to the funds of individual capitalization accounts of contributions was covered by a corresponding transfer of general taxation. However, when Argentina re-nationalized the pension system in late 2008, recreating a public system and single distribution, general revenue taxes remained social security funded, despite the fact that the state recovered workers personal contributions. So, today, the fund that finances social security and the AUH is constituted by both resources and contributions on wages, as general revenues.

Currently, the social security system shows a surplus, which is explained by the transfer of funds from the extinct private management system to the State. The exceptional nature of these funds joins the high and growing "contingent debt" that records the social security system for non-payment of benefits, as established by the applicable law (and the Supreme Court's Office has notified to pay).

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33. On this subject, see Barbeito (1995).

34. As in the rest of Latin America, in Argentina, the greater weight of tax collection corresponds to indirect taxes and taxes on wages, while the tax burden is lower on personal income, wealth and capital (Cetrángolo and Gómez-Sabaini, 2007).

Finally, the Reserve Fund - established from the assets of the funds that previously managed the AFJP, is being used to fund the national treasury (and various grant programs).<sup>35</sup>

In summary, the AUH competes with other contributive programs for resources that may not be sufficient in the medium and long term. Part of the funding problem could be alleviated if the resources that funded the programs (whose beneficiaries were abolished and absorbed into the new program) were transferred to the AUH's financing.<sup>36</sup> However, it did not happen. The Treasury surcharged the social security system with the AUH and kept those funds to be allocated to other programs for other purposes.

#### 4 FINAL THOUGHTS: RETHINKING THE CENTRAL PROBLEM

Whenever a public policy is formulated and analyzed, the first thing to be done is to define the problem to be solved. Beyond the advertised objectives, the various tax programs of income cash transfers are the result of an increasingly urgent problem: the ineffectiveness of the labor market to meet the imperatives imposed by the regime of the current economic and social organization.

As much as they are presented as programs aimed at enshrining children's rights and training human capital, CCT programs in general, and particularly the AUH, appear as a result of a labor market failure. However, they are organized as "emergency" and temporary programs that serve to "wait" for the economic growth that will allow the labor market to meet once and for all the purposes it cannot meet.

Certain organizational principles that are common to these programs are an evidence of this. First, they are selective and targeted programs for income and/or "precarious" occupational category. Second, punitive conditionalities are required for access, which are more severe than those that must be met by people with higher incomes and jobs able to access other more generous programs of the social protection system. Third, the benefits paid are worse than those paid to better positioned groups and are not integrated with the tax credits recognized in the tax system. These operating rules are summarized in the following statement: worst benefits and more stringent access conditionalities for those who are worse off.

The peculiarity of CCT programs, in general, and particularly the AUH, is that they justify their existence in the distribution of benefits targeted to children. In other words, instead of attending the adult "guilt" of having no formal em-

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35. Including financial assistance to large companies (for example, the automotive sector).

36. Of the total annual spending announced for the AUH (0.6% of GDP), it is estimated that half is "saved" by the transfer of benefits from other programs (Lozano and Raffo, 2010).

ployment, it seeks to assist children and teenagers considered "innocent" about their situation. Paradoxically, despite the supposed innocence, it punishes those who fail to meet certain conditions for access. In practice, it is not about a recognized right to childhood.

The greatest innovation of the AUH is the recognition of the benefit to people on the working age who are unemployed and/or have informal jobs. By including them in the regulating law of the AF for formal workers and financing them with social security funds, in practice it keeps the tradition of recognizing rights of the "working" person. This criterion for defining the potential beneficiary population means a greater potential compared to the traditional CCT coverage, because it has no fixed boundaries (quotas) in the number of benefits, and the earnings ceiling is relatively high (linked to the governing SMVM of formal workers). Nevertheless, the AUH does not solve the typical problems of lack of universal coverage, heterogeneity and selectivity. So, for the Argentinian children and adolescents it has different values, depending on the employment relationship that their parents are temporarily involved in.

As a result, there is evidence to believe that the AUH originates certain forms of "poverty trap", "unemployment trap" and "informal employment trap". Because of the threat of an audit of one's income and employment, some people who work informally prefer to conceal their status and register other household members as unemployed. Besides, as people who, for some reason, were already receiving some State benefit and, consequently, included in state administrative records, almost all of the beneficiaries are listed as unemployed women.

Thus, the AUH highlights that people "adapt" to the targeting criteria and conditions applicable to each program, while the State reserves the right to discriminate between those who deserve and do not deserve benefits. The AUH reinforces this situation by applying a questionable retention mechanism "dependable" on the certification of compliance with the conditions required. This further erodes the real value of the benefit (and further complicates the access to education and health services). This combination of rules defines an unstable benefit whose operational rules are functional to paternalistic and clientelistic states.

Funding for AUH based on social security funds suggests some assurance, but the truth is that the adequacy of those funds is not guaranteed for all programs. That forced "solidarity among workers" is held in a regressive tax system where even tax credits and subsidies remain for high income earners.

The greatest merit of CCT programs and the AUH is distributing benefits to a deprived population who had no coverage of social insurance programs. However, the operating rules chosen by these programs insist in organizing principles that have proven to be drawbacks: targeting, punitive conditionality, timing and lack of integration with the tax system. These criteria enhance the role

of the “technician” specialized in qualification and selection of the population, so it is not surprising that they enjoy their choice. But, in return, it reduces the autonomy of the beneficiaries and their ability to develop in society regardless of the “permission” granted by the political power and its operators.

Some items shown in this paper help to think of possible ways to improve the results of these programs. In particular, it is interesting to highlight four increasingly clear evidences in Latin American societies: *i*) it is not possible to obtain the ideal of full employment for the entire workforce, much less in a condition to promote well-being and personal autonomy; *ii*) it is not possible to obtain universal coverage and egalitarian benefits with targeted and conditional programs; *iii*) it is not possible to generate progressive distribution of income and sustain funding sources without integrating tax subsidies with distributive progressive taxation; *iv*) it is not possible to continue to demand from the labor contract the current imperatives imposed by the capitalist system in regards to the allocation of available jobs and the income distribution.

This evidence should be considered as initial assumptions to draw new paths for income transfer policies. The challenge does not pass through adding programs to the same organization principles, but by thinking organization based on other principles. Thus, targeting, punitive conditionality, timing and lack of integration with the tax system, characterizing CCT programs, should oppose operational rules of universality, non-conditionality, stability and integration between subsidies and taxes.

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