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Inequality and Poverty Reduction and the Limits of Social Protection Systems: The Case of Argentina during the Stage of Economic Expansion 2003-2014

Santiago Poy
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INCASI *International Network for
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Abstract

Latin America experienced a rapid decrease of poverty and inequality during the first years of the new millennium that eventually decelerated in recent years. In Argentina, a key aspect of poverty and inequality reduction seemed to be simultaneous changes in labour markets and in social protection systems, particularly in social assistance. However, these elements have rarely been considered together at household level in Argentina and in Latin America, even though labour markets and social policies are the core of the welfare regime. Thus, the main aim of the article is to examine how these spheres were articulated among different groups of households and to assess their welfare outcomes. The article draws upon a quantitative methodology using official data and micro-data of the Permanent Household Survey from Argentina for 2003-2014. The main hypothesis is that the expansion of the social protection system coexisted with a persistent labour informality, which maintained the heterogeneity of the welfare regime mitigating the power of social protection to reduce poverty and inequality. Moreover, our study shows the limits in developing countries for sustainable reduction of poverty and for social inclusion in absence of deep changes in labour markets, even in a relatively favourable macroeconomic context for more equitable wealth distribution.

Keywords

Social Policy; Inequality; Poverty; Welfare.

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1. Introduction

There is a wide consensus about the detrimental effects that neoliberal structural adjustment had in developing countries throughout the 1980s and 1990s (Barrientos and Hulme, 2009; Ghosh, 2011; Heintz and Lund, 2012). In Latin America, economic reforms led to growing inequality (Gasparini et al., 2016; Lopez-Calva and Lustig, 2010; Lustig et al., 2012; Wade, 2004), and public

policies implemented to address this situation seemed insufficient to reduce poverty and unemployment (ECLAC, 2014). However, during the last decade the Latin American region at large experienced a phase of “declining inequality” (Lopez-Calva and Lustig, 2010) and poverty (ECLAC, 2012) even when these trends eventually decelerated (Gasparini et al, 2016)¹.

¹ According to ECLAC data, Gini coefficient for the entire region (as a weighted average) was 0.563 in 1990 and reduced to 0.506 in 2015. Poverty rate was 46.2 per cent

in 1990 and 28 per cent in the region in 2015. Data is available in <http://estadisticas.cepal.org>.

Argentina is an example worth to examining in relation to the issues posed above as the country has seen inequality and poverty reduction following the economic crisis of 2001 (Groisman, 2013; Cruces and Gasparini, 2013). Indeed, it appears that changes that occurred in labour markets and in the social protection system (especially in its non-contributory elements)² have played a central role in supporting the reduction of inequality and poverty. Hence, it comes as a surprise that these elements –labour market and social protection– have rarely been considered together at household level, especially when they are at the core of the so-called “welfare regime” (Esping-Andersen, 1990, 1999; Martinez-Franzoni, 2008; Wood and Gough, 2006). The specialised literature has tended to focus on labour markets at the individual level or in social policies from an aggregated perspective (Beccaria and Maurizio, 2012; Cecchini et al., 2015; Maurizio, 2015; Rofman and Oliveri, 2012; Salvia, Vera and Poy, 2015; Trujillo and Villafane, 2012). Relatively few studies have considered the problem from the perspective of households (Groisman, 2011), and these studies have not taken into account how changes in the labour markets participated with other sources of welfare in terms of families’ incomes.

This article aims to fill this knowledge gap. In particular, it aims to critically examine how labour markets and social protection system expressed in economic household welfare outcomes. A critical concern of the article is to understand if and how such articulations were different for diverse groups of households, shedding light on the issue of social inequalities. In so doing, the article contributes to two different broader debates. Firstly, it brings elements to the debate that allow us to reconsider the “decoupling” between employment structures and social policies from a broader perspective. As Heintz and Razavi (2012) stressed, this decoupling is a key aspect of the current research agenda, partly due to

changes in labour markets which challenge traditional assumptions concerning social policies. By binding labour market structure and social protection together in terms of household welfare, the article contributes to the effort to unravel the nature of the relationships between these variables. Secondly, the article examines the nature and limits of social protection systems in increasing economic welfare and reducing poverty in developing countries during a phase of considerable economic growth as the one examined in this article (Ghosh, 2011; Heintz and Lund, 2012; Saad-Filho, 2015).

The theoretical and methodological framework that informs this study recognises that welfare is provided by the spheres of the market, the state and families, as institutions that deal with social risks, and in their interaction, define a welfare regime (Esping-Andersen, 1990, 1999; Wood and Gough, 2006). But as Wood and Gough (2006) argue, these three spheres do not play the same role nor have de same scope among different socioeconomic positions. In this vein, the main hypothesis of the article is that the expansion of the social protection system coexisted with a persistent labour informality, which maintained –although in a lower level than at the beginning of the period 2003-2014– the *heterogeneity* of the welfare regime and thus of welfare outcomes.

The article draws upon a quantitative methodology which is explained in the second section. The model adopted initially uses official data from Argentina to examine how public social expenditure evolved during the period 2003-2014. It then uses micro-data from the Permanent Household Survey (EPH) of Argentina for the period 2003-2014 to analyse the effects of labour markets and of changes to the social protection system. The EPH survey is carried out quarterly by the National Institute of Statistics and Censuses (INDEC) in the biggest cities of the country and represents almost 62 per cent of total population.

² Following Barrientos (2016: 12-13), in this paper we consider that social protection includes, in institutional terms, *social insurance* and *social assistance*. Social insurance includes the contributory programmes, whereas social assistance refers to not contributory budget-financed

programmes which are focused in reducing poverty and vulnerability. For its part, *social policy* is a broader concept, which includes not only social protection but the provision of public goods and services (Heintz and Lund, 2012: 3-4).

The article is divided into five sections. In the first section, a literature review is presented. Specifically, we introduce the notion of welfare regime as a broad theoretical framework to study how welfare is “packaged” by households. The second section describes the methodological approach adopted and the data used. The third section describes political and economic changes occurred in Argentina during the 2003-2014 period and provides a broad picture of transformations in labour markets and social protection. The fourth section examines changes in three aspects concerning household welfare. Firstly, households’ access to formal employment is considered. Secondly, public social expenditure evolution and its impact households’ budgets and poverty are analysed. Thirdly, the article presents a model of household per capita income variation decomposition. This model assesses how labour markets’ income sources, social benefits and other non-labour incomes explain welfare outcomes. The fifth section presents some concluding remarks and main contributions to knowledge.

2. Labour markets, social protection and the welfare regime

Households are the units in which social reproduction and needs satisfaction of population take place (Heintz and Lund, 2012). Labour market participation, the use of resources from different spheres (informal networks as well as formal cash allowances) and consumption practices are all organised within households³. Putting households at the centre of the analysis makes several processes simpler to understand. On the one hand, it allows us to link the individual workforce and welfare of all households’ members –whether they participate in labour market or no. On the other hand, it allows us to reassess how social policies affect life conditions, since social policies are commonly aimed at households (Martinez-Franzoni, 2008). Therefore, considering

households is useful to bind together labour markets and social protection.

The existence of different arrangements between households, markets and the state with respect to needs satisfaction underlies the concept of the welfare regime. This notion was introduced by Esping-Andersen to consider “the combined, interdependent way in which welfare is produced and allocated between state, market, and family” (Esping-Andersen, 1999: 34-35).

A central idea for this theoretical approach is that these institutions deal with social risks, which might be considered as opposite of needs satisfaction. According to Esping-Andersen, a welfare regime distributes social risks management among different spheres. At the macro-social level, risk management is determined by the operation of each of these three spheres and their reciprocal relationships. At the micro-social level, individual welfare depends on “how they manage to ‘package’ inputs from the three [spheres]... The household is the ultimate destination of welfare consumption and allocation. It is the unit ‘at risk’” (Esping-Andersen, 1999: 36).

An advantage of the notion of the welfare regime is that rebuilds the process of workforce reproduction as a whole. Therefore, the concept recovers both Marx and Polanyi’s idea that in capitalist societies the “great transformation” is that of the commodification of workforce and, then, the process of needs satisfaction relies mainly on a cash nexus (Esping-Andersen, 1990). Thus, inadequate or absence of labour incomes is the main social risk that households face in a market-based society. In this vein, Esping-Andersen’s concept of “de-commodification” is central. Since life depends on a cash nexus, a welfare regime is defined in terms of its degree of “de-commodification”, that is, the degree in which the workforce can avoid the market in order to reproduce their lives and those of their families (Esping-Andersen, 1990: 37). In the so-called “liberal” welfare regimes, the state gives modest social transfers,

³ It has to be stressed that the perspective followed here acknowledges that households are not homogeneous units. On the contrary, within households take place

differences among genders and generations with several impacts in terms of social inequalities.

so de-commodification is low. On the opposite side, the “social-democratic” regime is based on generous cash transfers that ensure households higher levels of de-commodification and higher degrees of welfare.

The welfare regime approach in Esping-Andersen’s work was mainly developed for advanced capitalist societies. As Wood and Gough (2006) point out, even when Esping-Andersen’s defines different types of regimes, some aspects are shared by all of them, including: 1) the dominant mode of production is capitalist; 2) inequalities derive mainly from exploitation of wage labour; 3) the dominant means of securing livelihoods is via employment in formal labour markets (Wood and Gough, 2006: 1699). Likewise, this approach assumes a homogeneous labour market in which formal employment is extended to the full workforce, households are mainly nuclear and wage earners and employers contribute to social protection system (Heintz and Lund, 2012).

As Martinez-Franzoni (2008) stressed, the labour market is the institutional sphere from which households can obtain welfare inputs and becomes thus critical in shaping the welfare regime. However, in developing countries and particularly in Latin America, structural heterogeneity is a feature of their economies and labour markets (ECLAC, 2014), which puts them outside from the assumptions of Esping-Andersen’s approach for Western economies. Structural heterogeneity mainly results from the way in which Latin America inserts itself in global markets, namely as a specialised provider of commodities. It describes the existence of uneven development between economic sectors in terms of productivity, insufficient labour demand in high productivity sectors and thus surplus workforce in low productivity activities (Infante, 2011). Since one of the most important determinants of labour markets characteristics is the productive structure (Fine, 2003), structural

heterogeneity results in a broad informal economy and an extensive part of workforce working in the so-called informal sector (Infante, 2011). In this context, informal economy includes normally low-productivity activities and subsistence entrepreneurship (Portes and Haller, 2004), as widespread expressions of self-employment and poverty⁴.

Wood and Gough (2006) and Gough (2013) stress how the heterogeneity of labour markets and social structures impact on the welfare regime in developing countries:

Different categories of a country’s population can experience different primary regimes: some might be successfully incorporated into state protection; others reliant upon community and family arrangements; and others more excluded from formal or informal mainstream arrangements... (Wood and Gough, 2006: 1701).

Indeed, different socio-economic groups will face different “risk structures”, especially those related to poverty and deprivation. Persistent informality in labour markets, as the “systemic roots” of poverty (Saad-Filho, 2015: 1245) play a central role in defining the kinds of risk households may face. Households have to package inputs from informal or formal work, subsistence activities, as well as formal allowances (especially those from the state), and the ways in which these inputs are packaged are likely to differ among different groups.

Since traditional social protection was highly determined by labour market participation and based on contributory systems, welfare regimes in Latin America were “stratified” and “segmented” (Barba-Solano, 2007). The structural adjustment phase implied the growth of targeted social policies in Latin America (specifically, Conditional Cash Transfers – CCT). According to Barrientos and Hulme (2009: 442-443), social assistance was specifically focused in attending poverty and deprivation in

⁴ Some global trends of labour markets, like growing precariousness (Standing, 2011) or, generally speaking, informal employment, are reinforced by structural heterogeneity in developing countries. This seems to be particularly the case under globalisation. Economic openness implicated the readjustment of several activities

to more competitive markets, which in turn resulted in growing precariousness as a way to put labour cost down (Heintz and Razavi, 2012). Thus, in developing countries, informal sector and informal employment are structural features of labour markets.

a context of globalisation and reforms that led to growing inequality and social conflict. During the 2000s, social assistance expanded, reaching most part of poor households in developing countries (Barrientos and Hulme, 2009). To an important degree, this expansion was possible due to export-based economic growth and the will of the government in office (Barrientos, 2016).

These transformations led to a debate around the idea of “universalisation” of social protection. According to some authors, this idea moves beyond “safety nets”, as they were called in “Washington Consensus” terms, and implies social assistance to promote human development and capabilities (Barrientos, 2016). Other authors refer to the idea of universalisation to describe “degrees” of coverage achieved by social protection systems, and the construction of a social protection floor (Cecchini et al., 2015). Finally, from a critical perspective, some authors stress that social assistance expansion in developing countries did not look to solve poverty in a sustainable way (which would demand addressing its structural causes) but subsidize low-productivity, informal employment in countries that already lack full formal employment (Saad-Filho, 2015).

Several changes occurred in Argentina in the last decade including a sustained economic growth and expansion of the social protection system. Even when changes in economic growth, labour markets and social protection were evident and seemed to have played an important role in household welfare, the specialised literature rarely consider these phenomena as a whole.

3. Methodology

To fill this gap, the concept of the welfare regime is useful to bind labour markets, social protection and household welfare together. Wood and Gough (2006) and Gough (2013) consider that a welfare regime comprises four components: the institutional framework, the “welfare mix”, the pattern of stratification and mobilization, and, finally, the outcomes of the welfare regime. The welfare mix includes the role of labour markets and other private sector markets (providing goods and services), the state

and the social protection system, community and informal allowances, as well as households’ behaviours, for example, in order to improve their welfare. The welfare outcomes are the dependent variable of analysis, because they include the level of human development, need satisfaction, poverty and subjective well-being (Wood and Gough, 2006: 1701).

In this article, we focus on the aspects of the welfare mix that have effects in terms of household incomes. We seek to answer the following questions: how did the interrelation between labour markets, social protection system and households’ behaviours evolve during 2003-2014? In particular: how did the labour market structure interact with the social protection system to generate changes to welfare? What differences can be recorded in such interaction of spheres among different groups and which is the specific effect of the social protection and the labour markets upon economic welfare and poverty? In order to answer these questions, our methodological framework considers four main aspects that describe the welfare mix: (1) households’ access to opportunities of formal employment; (2) evolution of social policies expenditure (SPE); the (3) impact of the social protection system’s transfers on households’ budgets and poverty; and (4) the effects of incomes from labour and social policies upon household per capita income (HPCI), considering two micro-social households’ behaviours: households’ size and structure and the number of income earners of different sources (Cortes, 1995).

To describe access to formal employment and social inequalities among different groups we use the International Labour Office’s (ILO) framework (Hussmans, 2004). The informal economy contains both employment in the informal sector (a sector defined by levels of productivity of the firms) and the informal employment inside and outside the informal sector (a kind of labour relationships that do not include social protection). This framework allows us to consider structural heterogeneity in the labour market (especially regarding to the informal sector) and also precariousness and informal jobs outside this sector. Our methodology considers the following categories:

formal employers or self-employed or own-accounts (employers in firms with more than 5 employees, or qualified own-accounts or with their own capital), formal employees (employees with a contract and social protection contribution), informal employers or own-accounts (employers in firms with less than 5 employees, not qualified own-account), informal employees (employees without social protection), household employees (employees working on private households), unemployed, inactive/ retired people and other inactive people who are not retired. In order to identify households' participation in the labour market, we focus on the economic position of Household Main Earner (HME).

In this article, we are interested in considering how different incomes sources, specifically those coming from labour markets and social protection system, contributed to change household income (as a relevant measurement of welfare). Most research focused on the welfare regime tends to assess economic welfare from an aggregated perspective, considering different indicators of welfare outcomes (for example, GDP per capita, poverty rate, etc.). However, since households are the “units at risk”, a complementary approach may be adopted. Economic welfare –measured by the household per capita income (HPCI)– can be instead seen as a result both of different incomes sources (namely, labour markets' incomes and social policies' benefits) and some micro-social households' behaviours, such as the number of incomes' recipients per income source and size of household. In order to consider all these factors, we decompose changes in HPCI. This decomposition model is an extension of that of Cortes (1995, 2000), who applied this method to Mexico's income distribution. Commonly, economists decompose income inequality – using an index, such as Gini or Theil coefficients (Bourguignon and Ferreira, 2004)– or poverty rate –as in the well-known Datt and Ravallion decomposition (1992)–. From a complementary perspective, we may include here the

decomposition of income's growth between two periods of time⁵.

The household per capita income (HPCI) of a group of households g can be written as follows:

$$HPCI_g = IREC_g NRECH_g NHMEM_g^{-1} \quad (1),$$

This means that HPCI is the result of the income per recipient ($IREC_g$), the number of recipients or incomes earners per household ($NRECH_g$) and the inverse of the number of members of households ($NHMEM_g$). As Cortes (1995) has shown, when these factors change between t_0 and t_1 at rates r , p and e , HPCI change can be written as follows:

$$\Delta HPCI_{g,t1,t0} = HPCI_{g,t0} (r + p + e + rp + re + pe + rpe) \quad (2),$$

Where r , p and e are actual variation rates of income per recipient, the number of recipients per household and the inverse of number of members of households, respectively; and the other terms are interaction between them. Following the previous logic, different k incomes sources can be added in order to describe changes in household per capita income. Re-writing equation (1):

$$HPCI_g = IREC_{g,k1} NRECH_{g,k1} NHMEM_g^{-1} + (\dots) + IREC_{g,kn} NRECH_{g,kn} NHMEM_g^{-1} \quad (3)$$

Since we are interested in changes of HPCI between t_0 and t_1 , we may re-write equation (2) as follows:

$$\Delta HPCI_{g,t1,t0} = HPCI_{g,t0} (r_{k1} + p_{k1} + e + r_{k1}p_{k1} + r_{k1}e + p_{k1}e + r_{k1}p_{k1}e) + (\dots) + HPCI_{g,t0} (r_{kn} + p_{kn} + e + r_{kn}p_{kn} + r_{kn}e + p_{kn}e + r_{kn}p_{kn}e) \quad (4)$$

Applying equation (4) to micro-data, the interest is to consider the weight of different factors on changes in the HPCI between two different points of time.

Data on public social expenditure was accessed from official information of the *Ministerio de Economía de la Nación* –Economic Department of Argentina–. To analyse households' access to formal employment as well as effects of social

⁵ Beyond Cortes (1995) there are some others previous research using this kind of approach. In Argentina, Donza

(2015) applied this method. In the United Kingdom a similar perspective was used by Brewer and Wren-Lewis (2011).

protection system on budgets, poverty and incomes, data come from the Encuesta Permanente de Hogares (EPH) –Permanent Household Survey–, which is carried out quarterly by the *Instituto Nacional de Estadística y Censos* (INDEC) –National Statistics Office of Argentina–. This survey is based on an urban sample of the most important cities of the country, capturing data for around 17 thousand households per quarter⁶.

4. Political and economic context of labour markets and social protection changes

Literature tends to include Argentina among the group of most “developed” welfare regimes in Latin America, since it had an early and relatively well-developed contributory-based social protection system and an extended formal labour market (Isuani, 2008). Despite being a stratified schema –as all “bismarckian” systems– social protection expanded during the last century. The schema, however, changed during the last decades, and especially during the 1990’s phase of structural adjustment. During this period, unemployment increased from 5.3 per cent in 1991 to 21 per cent in 2001. Informal employment in turn grew from 27.7 per cent to 30.8 per cent (Beccaria and Maurizio, 2012: 207). In that context, changes in social structure led to a gap between the institutional architecture of social protection and the structure of risks faced by households.

During the last decade, Argentina experienced high levels of economic growth –as many other countries of Latin America⁷ did–. Among the most important factors that led to high levels of growth, was the significant 2002 currency devaluation, which led to a new phase of “import substitution”. During 2003 and 2007, economic growth was based on industrial installed capacity, exports and a competitive and stable exchange rate (Damill, Frenkel and Maurizio, 2011). Nevertheless, between 2008 and 2014 economic growth weakened in relation to the previous period and so did the import

substitution strategy (Gaggero, Schorr and Wainer, 2014). The economic performance had impacts on labour markets. On the one hand, unemployment, which had risen during structural adjustment phase, fell from 24.8 in 2002 to 8 per cent in 2010; as did informal employment, which dropped from 29.4 to 25.7 per cent (Beccaria and Maurizio, 2012). On the other hand, literature has noted that the proportion of workforce employed in the informal sector and thus structural heterogeneity of labour market remained high in a long-term perspective (Salvia, Vera and Poy, 2015).

The social protection system also changed during the phase of structural adjustment. The contributory pension system’s coverage was reduced –as the informal employment grew– and it was privatised (Rofman and Oliveri, 2012). In accordance with the principles of neoliberal social policy (Saad-Filho, 2015), several anti-poverty programmes were expanded, and most were based on a “workfare” paradigm. During the 2001-2002 financial crisis, the first massive Conditional Cash Transfer was launched: the *Plan Jefes de Hogar Desocupados* (PJJHD) –Unemployed Household Head Programme–, aimed at unemployed heads of household (Cruces et al, 2008).

During the period 2003-2014 the social protection system increased its coverage in three different aspects. (i) The government implemented an extension of the contributory-based pensions system (the so-called *moratoria* –Moratorium–, that started in 2005) for the elderly who had not worked the requisite number of years to retire but were old enough for retirement (Danani and Beccaria, 2013). Also, the government expanded non-contributory pensions, especially pensions for disability and those for mothers with 7 or more children (Rofman, 2013). (ii) Anti-poverty programmes also expanded during the decade, following the trend started in the 1990s. Several workfare programmes were developed during 2003-2014, simultaneously to PJJHD,

⁶ According to the last National Census, almost 90 per cent of Argentine population live in urban districts, so the level of urbanisation is high compared to other countries of Latin America.

⁷ Between 2003 and 2014, according to ECLAC data, Latin America’s GDP had an average annual variation rate of 3.3 per cent. In many years, variation was more than 6 per cent (like 2004 and 2010).

specifically aimed at unskilled workforce (*Ingreso Social con Trabajo* –Social Income with Employment–, *Seguro de Capacitacion y Empleo* –Training and Employment Insurance–). But other “welfare” programmes were created. Specifically, the *Asignacion Universal por Hijo* (AUH) –Universal Child Allowance–, a welfare CCT based on human capital development (Cecchini et al., 2015) was introduced to address poverty as in many countries of Latin America (Saad-Filho, 2015). It is a conditional cash transfer for children whose parents are informal employees or unemployed and do not have other social protection⁸. (iii) Finally, the contributory-based familiar allowances system called *Asignaciones Familiares* –Contributory Family Allowance– grew slightly⁹.

The next section examines the effects of changes in labour markets and social protection upon household welfare. The main objective of the section is to describe how these spheres articulated and produced outcomes among different groups of households.

5. Changes in the ‘welfare mix’: employment, social protection and household welfare

5.1 Access to Formal Employment

Several changes in households’ opportunities to access formal employment became apparent during the period 2003-2014 (see Table 1). Households whose Main Earner (HME) was formally employed increased from 43.2 to 55.5 per cent of the total. The major part of these changes took place between 2003 and 2007, whereas during the period 2007-2014 households had more difficulties accessing formal employment. The period 2003 and 2007 was characterized by a strong economic growth, which explains labour market recovery and formal employment growth (Groisman, 2013). The process was also followed by an active formalisation policy implemented by the authorities.

Table 1. Labour Market Position of Household Main Earner

In percentage of households with Economically-Active Household Main Earner. Argentina, 2003-2014

	2003	2005	2007	2010	2012	2014	Diff. 2003-2014
Formal Employers / Own-Account	7.4	7.9	7.8	7.9	7.6	7.6	0.27
Formal Employees	43.2	47.0	52.1	56.0	55.7	55.5	12.28***
Informal Employers / Own-Account	17.9	17.4	16.3	15.2	16.8	15.0	-2.86***
Informal Employees	17.2	17.6	16.1	13.9	13.9	14.6	-2.64***
Household Employees	5.3	4.9	4.9	4.4	4.1	4.7	-0.60
Unemployed	9.1	5.1	2.8	2.7	1.9	2.6	-6.45***
Total	100.0	100.0	100.0	100.0	100.0	100.0	

Notes: (1) T-test for difference of proportions / (2) p-value<0.1* / p-value<0.05** / p-value<0.01***

Source: Authors' own calculations based on Permanent Household Survey (EPH-INDEC).

Nevertheless, Table 1 also shows that by 2014, almost four of every ten households had a head of household that was either an informal employee or employer, a self-employed

individual, a household employee, or unemployed. This trend reveals that economic growth was not enough to produce deep changes in the productive structure and thus in labour

⁸ Other programmes were also implemented, such as the *Asignacion Universal por Embarazo* –Universal Allowance for Pregnant Women–, an allowance for pregnant women without other social protection, or the *Programa de Respaldo a Estudiantes de Argentina* –Argentine Students Support Programme–, a programme for students whose parents were in the informal economy.

⁹ The Contributory Family Allowance began in 1934 and expanded in 1957. Since then, it is a part of the social protection system aimed to formal employees. In 1996, access was limited to employees earning less than a maximum (Bertranou and Maurizio, 2012). During 2003-2014, that maximum did not evolve following inflation rate, thus producing that expansion of formal employment was far from the expansion of this benefit.

markets (Beccaria and Maurizio, 2012; Salvia, Vera and Poy, 2015). It also reveals that economic growth was not enough condition to solve the importance of workforce in low productivity activities (Saad-Filho, 2015).

A complementary point of view in order to describe the inequality pattern that households faced during the period is considering access to formal employment by other members that are not the HME. Indeed, when households have more than one economically active person, they might have a formal employee even when the HME has an informal job. It is important to consider how the opportunities of formal job changed during this decade among secondary household earners. Indeed, according to some theories, informality is “preferred” by those

employees that live in households that have a formal employee (Maloney, 2008).

Table 2 shows that during the whole period, households with formal employment tended to concentrate formal employments. That is, compared to a household with an informally employed HME, the presence of a formally employed HME increased the likelihood of a formally employed secondary household earner. In accordance, in households in which the HME had an informal employment, there were lower chances for the secondary earners to have formal employments. Moreover, the level of access to formal employment in this period tended to remain the same for a secondary earner in a household with an informally employed HME.

Table 2. Formal Employment Opportunities among Secondary Household Earners by Labour Market Position of HME. Odds Ratios. Argentina, 2003-2014.

	2003	2005	2007	2010	2012	2014
Formal Employers / Own-Account	1.284* (0.136)	1.121 (0.128)	1.156 (0.116)	1.367** (0.120)	1.051 (0.127)	1.041 (0.122)
Formal Employees ©						
Informal Employers / Own-Account	0.332*** (0.095)	0.366*** (0.090)	0.375*** (0.076)	0.392*** (0.078)	0.351*** (0.079)	0.337*** (0.078)
Informal Employees	0.263*** (0.103)	0.251*** (0.104)	0.254*** (0.086)	0.312*** (0.090)	0.302*** (0.090)	0.298*** (0.086)
Household Employees	0.202*** (0.245)	0.148*** (0.272)	0.132*** (0.227)	0.197*** (0.198)	0.245*** (0.184)	0.228*** (0.173)
Unemployed	0.208*** (0.182)	0.183*** (0.255)	0.220*** (0.247)	0.388*** (0.286)	0.240*** (0.339)	0.240*** (0.296)

Notes: (1) Binomial Logistic regression. Dependent Variable: Access to Formal Employment Among Secondary Household Earners. Variables included: Labour Market Position of HME, Household size, Number of children < 15 years, Educational Level of Adults > 18 years, Household Head Sex, Household Head Age.

(2) p-value < 0.1* / p-value < 0.05** / p-value < 0.01*** / (3) Standard Errors in Parenthesis / (4) Formal Employees is Comparison Category.

Source: Authors' own calculations based on Permanent Household Survey (EPH-INDEC).

Nevertheless, Table 1 also shows that by 2014, almost four of every ten households had a head of household that was either an informal employee or employer, a self-employed individual, a household employee, or unemployed. This trend reveals that economic growth was not enough to produce deep changes in the productive structure and thus in labour markets (Beccaria and Maurizio, 2012; Salvia, Vera and Poy, 2015). It also reveals that economic growth was not enough condition to solve the importance of workforce in low productivity activities (Saad-Filho, 2015).

A complementary point of view in order to describe the inequality pattern that households faced during the period is considering access to formal employment by other members that are not the HME. Indeed, when households have more than one economically active person, they might have a formal employee even when the HME has an informal job. It is important to consider how the opportunities of formal job changed during this decade among secondary household earners. Indeed, according to some theories, informality is “preferred” by those

employees that live in households that have a formal employee (Maloney, 2008).

Table 2 shows that during the whole period, households with formal employment tended to concentrate formal employments. That is, compared to a household with an informally employed HME, the presence of a formally employed HME increased the likelihood of a formally employed secondary household earner. In accordance, in households in which the HME had an informal employment, there were lower chances for the secondary earners to have formal employments. Moreover, the level of access to formal employment in this period tended to remain the same for a secondary earner in a household with an informally employed HME.

These results show two sets of trends related to the welfare mix. In the first set of trends, there was an important recovery of formal employment but a persistent level of participation in the informal economy. In the second set of trends, households in which the HME was informal had difficulties accessing formal employment and given an informal HME it became no more likely over this period for the secondary earners to be formally employed. This finding seems to challenge the theories that emphasize a “voluntary” element of informality (Maloney, 2008, Perry et al., 2007) and focus on persistent inequalities in labour markets due to structural heterogeneity.

5.2 Social Policies Expenditure (SPE) and Effects on Households’ Budgets and Poverty

Social Policies Expenditure (SPE)¹⁰ in Argentina increased from 19.2 to 27.6 per cent of Gross Domestic Product (GDP) between 2003 and 2013 (last data available). This is the highest value since there are records in the country (series start in 1980). Universal expenditure – namely health, education and housing expenditures, among others– increased from 8.6

to 15.3 per cent (almost doubled) in the same period. Even when this part of SPE does not have a direct impact on household incomes, it is an important part of the changes observed in the welfare mix.

Nevertheless, a part of SPE is directly aimed at household incomes. Expenditure for the pension system grew from 6.6 to 10.1 per cent of GDP between 2003 and 2013 and represented more than a third of SPE. According to survey data from the EPH, whereas in 2004 70.5 per cent of population older than 65 years had access to a pension, that proportion climbed to 91.9 per cent in 2013. This was mainly the result of the extension of the contributory-based pensions system, but also of the growth of non-contributory based pensions. Expenditure in social assistance and Conditional Cash Transfers (CCTs) remained stable as a part of GDP. It represented 2.5 per cent of GDP in 2003 and 2.2 per cent in 2014. In 2003, the majority of social assistance was dedicated to PJJHD, a “workfare” CCT. By 2014, “welfare” CCTs expanded and explained most part of social assistance expenditure.

Even when data provide an aggregated perspective, as Esping-Andersen (1990, 1999) stressed, households are the units at risk, and have to deal with different inputs in order to guarantee welfare for their members. In this vein, from now on we focus on the effects of changes in SPE at household level. In so doing we focus upon that part of SPE that comprises economic inputs for households. Social protection benefits considered here include: (1) Employment Programmes (such as PJJHD), *Asignaciones Familiares* –Contributory Family Allowance– and, due to its small statistical incidence, contributory based unemployment insurance; (2) pensions; (3) social assistance cash transfers such as the *Asignacion Universal por Hijo* –Universal Child Allowance–, among others Conditional Cash Transfers¹¹.

¹⁰ Data in this section comes from Economical Politics and Development Planning Secretary of the Economic Department of Argentina. These data are available in: <http://www.economia.gob.ar/secretarias/politica->

[economica/programacion-macroeconomica/otras-publicaciones](http://www.economia.gob.ar/secretarias/politica-economica/programacion-macroeconomica/otras-publicaciones).

¹¹ Regarding to the Contributory Family Allowance (*Asignacion Familiar Contributiva*), EPH does not include a question to identify benefits but for wage earners the question of incomes includes that concept. Then,

Table 3. Incidence of Social Protection Incomes in Household Total Income by Economic Position of Household.*In percentage. Argentina, 2003-2014.*

	2003	2005	2007	2010	2012	2014	Diff. 2003-2014
Formal Employers / Own-Account	8,5	7,0	8,8	9,8	10,9	10,6	2,2**
Formal Employees	9,7	10,1	11,2	10,2	8,8	9,6	-0,1
Informal Employers / Own-Account	12,1	14,3	11,7	15,5	16,1	17,7	5,6***
Informal Employees	11,6	13,6	14,3	15,8	15,8	17,5	5,9***
Household Employees	15,1	22,0	22,3	25,4	25,1	27,9	12,8***
Unemployed, Retired and Other							
Inactive	80,7	86,0	88,3	89,6	90,9	88,3	7,6***
Total	30,4	29,4	29,0	29,7	29,8	30,6	0,3

Notes: (1) T-test for difference of proportions / (2) p-value<0.1* / p-value<0.05** / p-value<0.01***

Source: Authors' own calculations based on Permanent Household Survey (EPH-INDEC).

As Table 3 shows, the incidence of social protection incomes in Household's Total Income (HTI) was stable between 2003 and 2014. This reveals that even when SPE grew, other sources did the same, especially labour sources (this will be analysed in the next section). In terms of the welfare mix, from an aggregated perspective, it appears that labour and non-labour incomes had a stable behaviour upon households' budgets.

Nevertheless, social heterogeneity should be considered at this point. Social protection incomes had a stable effect among households whose HME was formally employed, unemployed or retired. It also had a relative small effect upon households whose HME was a formal employer or self-employed in the formal sector. On the contrary, social protection incomes tended to be considerably more important during this decade among households whose HME were informal employers, self-employed in the informal sector, informal employees (increased their share 5.6 and 5.9 p.p. between 2003 and 2014) or household employees (the share grew 12.8 p.p. between 2003 and 2014). Incidence of social protection incomes upon budgets of these households

extended especially since 2010 when the *Asignacion Universal por Hijo* –Universal Child Allowance– was introduced by the government. If we are interested in the outcomes of the welfare regime, incidence of different income sources in households' budget does not allow statements in terms of standard of welfare and needs satisfaction. Poverty rate is here used as an absolute measure of economic welfare. To consider direct effects of social protection in terms of economic welfare at the household level, the observed and a counterfactual poverty rate should be compared. Whereas the former is calculated considering HTI, the latter excludes from HTI incomes from the social protection system¹².

Table 4 shows two different perspectives regarding the welfare regime. First, it shows increasing effects of social protection incomes in terms of poverty reduction during 2003-2014 (4.6 p.p. in 2003 and 6.2 p.p. in 2014). The stronger effects in absolute terms have been located among households in which HME were informal employers or self-employed, informal employees, household employees or unemployed. It should be emphasized that this effect tended to be stronger among these group of households, whereas, among households

according to a methodology used by Rofman and Oliveri (2012), in this article we identified the people that had right to receive this allowance and, since the amount of the transfer differs according to wage level and the number of children, we assigned the amount of the allowance.

¹² Since in those households in which the HME is retired HTI relies mainly in social protection incomes, total incidence of counterfactual poverty is presented both considering and not considering this group of households.

whose HME had a formal employment tended to decrease during the 2003-2014 decade. In other words, our findings show that social protection incomes started to play a new role in household welfare during the last decade, an increased importance in needs satisfaction and the pursuit of livelihood, thus changing their incidence in the welfare regime.

But, secondly, Table 4 shows the persistent and strong correlation between informal employment and poverty during the period 2003-2014. In 2014, households whose HME

was an informal employee or a household employee had almost 4 and 5 times more chances, respectively, of being in poverty than those households which HME was formally employed. In this vein, persistent poverty in Argentina may be understood as related to the persistence of informal employment –especially in terms of the informal sector and household employment– and the strong correlation between these labour positions and poverty. These can be characterised as the ‘systemic roots’ of poverty in Argentina (Ghosh, 2011; Saad-Filho, 2015).

Table 4. Observed and Counterfactual Poverty Rate⁽¹⁾ by Economic Position of Household.
In percentage of households and percentage points. Argentina, 2003, 2007 and 2014.

	2003			2007			2014		
	Poverty Rate	Counter-factual	Diff. (p.p.)	Poverty Rate	Counter-factual	Diff. (p.p.)	Poverty Rate	Counter-factual	Diff. (p.p.)
Formal Employers / Own-Account	8,8	11,3	-2,4	1,9	3,0	-1,1	5,7	7,6	-1,9
Formal Employees	23,1	27,3	-4,2	10,4	15,2	-4,8	7,1	11,0	-3,9
Informal Employers / Own-Account	46,2	51,4	-5,2	24,0	28,5	-4,5	27,2	36,2	-9,0
Informal Employees	50,8	56,1	-5,3	34,2	39,7	-5,5	26,0	37,9	-11,9
Household Employees	49,2	55,7	-6,5	45,2	54,5	-9,3	36,3	47,6	-11,3
Unemployed, Retired and Other Inactive	44,9	88,5	-43,6	21,3	81,9	-60,6	19,4	82,4	-63,1
Total	36,5	52,0	-15,5	18,5	35,6	-17,1	15,5	34,9	-19,4
Total - Excluding Retired	39,4	44,1	-4,6	20,1	25,1	-5,0	16,9	23,1	-6,2

Notes: (1) Counter-factual poverty is poverty rate calculated without considering incomes from social protection system.

Source: Authors' own calculations based on Permanent Household Survey (EPH-INDEC).

5.3 Labour Markets, Social Protection and Households' Behaviours Shaping the Welfare Regime

As it was presented in the Methodology section, we apply equation (4) to micro-data to assess changes in household economic welfare between 2003 and 2014. Particularly, we focus upon three income sources: labour market incomes, social protection system benefits (pensions, Children Allowances and conditional cash transfers, including employment programmes), and other incomes –with a very small share in households' budgets–. For each of these income sources we

consider changes in the average income per recipient, the number of recipients in the households' and the proportional effect of changes in households' size. Each of these effects can be shown as a percentage of total change in HPCI.

On average, HPCI grew 50.1 per cent between 2003 and 2014¹³. In this context, according to data showed in Figure 1, it is possible to verify that economic growth between 2003 and 2014 was essentially pro-poor. In fact, in the aftermath of the big economic crash of 2001-2002, HPCI grew more intensely among households whose

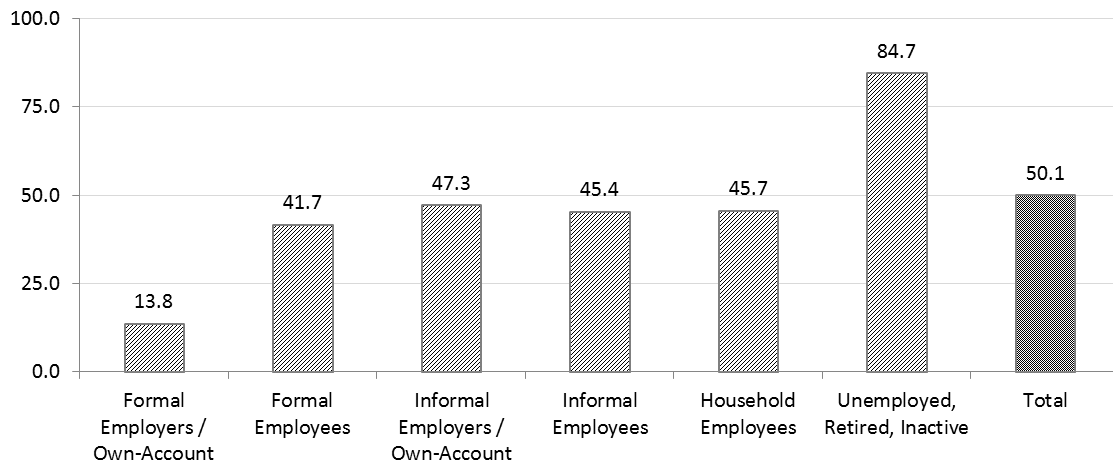
¹³ It should be stressed that according to EPH data HPCI recorded in 2014 was quite similar to that verified almost a decade before (in 1994), when structural reforms started

to have their deepest effects. This performance shows the magnitude of 2001-2002 crisis in Argentina.

HME were unemployed, household employees, informal employers or employees; rather than in

households in which the HME were formal employers or own-account.

Figure 1. Average Changes in Household Per Capita Income by Economic Position of Household. *In variation rate. Argentina, 2003-2014.*



Source: Authors' own calculations based on Permanent Household Survey (EPH-INDEC).

On average, HPCI grew 50.1 per cent between 2003 and 2014. In this context, according to data showed in Figure 1, it is possible to verify that economic growth between 2003 and 2014 was essentially pro-poor. In fact, in the aftermath of the big crisis of 2001-2002, HPCI grew more intensely among households whose HME were unemployed, household employees, informal employers or employees; rather than in households in which the HME were formal employers or own-account.

A range of questions arise from the analysis above. What are the factors that explain these different welfare outcomes? Which was the role of different parts of the welfare mix in such transformation of HCPI, and how do they shape the welfare regime? To answer these questions, Table 5 shows the results of the application of equation (4) to micro-data for 2003 and 2014.

The main effect that explains changes in HPCI between 2003 and 2014 was growth in labour market income per recipient (76.8 per cent), but social protection benefits also played an important role (20.9 per cent). Average income per labour recipient was the most important effect in HPCI recovery (49 per cent), but households also increased the number of labour

market income recipients (15.1 per cent). Social protection income –and therefore the state sphere in a welfare regime– played a smaller but relevant effect, and the increase of the number of recipients per household (9.6 per cent) was more important than the average income per recipient (7.3 per cent). Other non-labour income sources played an even smaller role in HPCI variation between 2003 and 2014. According to these data, households played an important role as an agent of economic welfare changes: they increased the number of recipients and slowly decreased their size, both of which factors have a positive effect in terms of HPCI (Table 5).

Following our model of analysis, it is important to consider how these spheres were expressed among different socio-economic groups. In those groups with formally employed HME, HPCI change was best explained by the growth of labour market income per recipient (except among households in which the HME was a formal employer). Among households whose HME was a formal employee, the second most important effect was the increased number of labour market income recipients per household, to which the reduction of household size contributed. In this group, income from social

protection programs played a small effect in changing HPCI.

A different pattern was recorded among households with HME that were informal employers or self-employed in the informal sector, informal employees or household employees. While too among these groups the most important factor explaining changes in HCPI was the growth of labour market income per recipient; income from social protection

programs increased its participation in the performance of this variable. Specifically, the number of social protection income recipients per household played a central role, whereas the growth of income per recipient from this source had a minor effect. Among households with HME that were informal employees, it seems that the growth of the number of recipients was accompanied by a growth in household size, which had a negative effect on HPCI variation.

Table 5. Effects of Different Income Sources in Household Per Capita Income Change by Economic Position of Household. Argentina, 2003-2014. In percentage of total change.

Total	Effect in ΔHPCI	r	p	e	rp	re	pe	rpe
ΔLabour Incomes	76.8%	49.0%	15.1%	5.7%	4.7%	1.8%	0.5%	0.2%
ΔSocial Protection Incomes	20.9%	7.3%	9.6%	1.2%	2.1%	0.3%	0.3%	0.1%
ΔOther Non-Labour Incomes	2.3%	0.4%	1.4%	0.3%	0.1%	0.0%	0.1%	0.0%
Formal Employers / Own-Account								
ΔLabour Incomes	78.0%	-3.8%	16.6%	64.0%	-0.1%	-0.4%	1.6%	0.0%
ΔSocial Protection Incomes	20.4%	1.2%	13.6%	3.7%	0.4%	0.1%	1.3%	0.0%
ΔOther Non-Labour Incomes	1.6%	-3.2%	3.9%	1.7%	-0.7%	-0.3%	0.4%	-0.1%
Formal Employees								
ΔLabour Incomes	90.6%	60.4%	12.4%	10.7%	3.4%	2.9%	0.6%	0.2%
ΔSocial Protection Incomes	8.3%	5.3%	1.4%	0.8%	0.5%	0.3%	0.1%	0.0%
ΔOther Non-Labour Incomes	1.1%	0.1%	0.7%	0.2%	0.0%	0.0%	0.0%	0.0%
Informal Employers / Own-Account								
ΔLabour Incomes	74.9%	52.8%	8.9%	7.9%	2.6%	2.3%	0.4%	0.1%
ΔSocial Protection Incomes	22.7%	1.2%	18.7%	0.9%	1.1%	0.1%	0.8%	0.0%
ΔOther Non-Labour Incomes	2.4%	-0.2%	2.2%	0.3%	-0.1%	0.0%	0.1%	0.0%
Informal Employees								
ΔLabour Incomes	74.2%	62.2%	20.5%	-10.3%	6.6%	-3.3%	-1.1%	-0.4%
ΔSocial Protection Incomes	23.6%	0.6%	24.7%	-1.0%	0.7%	0.0%	-1.3%	0.0%
ΔOther Non-Labour Incomes	2.2%	-0.4%	3.3%	-0.3%	-0.2%	0.0%	-0.2%	0.0%
Household Employees								
ΔLabour Incomes	45.6%	44.4%	0.9%	0.0%	0.2%	0.0%	0.0%	0.0%
ΔSocial Protection Incomes	37.8%	3.1%	31.7%	0.0%	3.1%	0.0%	0.0%	0.0%
ΔOther Non-Labour Incomes	16.6%	6.9%	4.8%	0.0%	4.9%	0.0%	0.0%	0.0%
Unemployed, Retired, Inactive								
ΔLabour Incomes	9.9%	11.7%	-3.2%	2.6%	-2.1%	1.7%	-0.5%	-0.3%
ΔSocial Protection Incomes	80.1%	32.2%	19.3%	12.3%	7.5%	4.8%	2.9%	1.1%
ΔOther Non-Labour Incomes	9.9%	3.0%	2.9%	2.6%	0.5%	0.5%	0.4%	0.1%

Source: Authors' own calculations based on Permanent Household Survey (EPH-INDEC).

6. Concluding remarks

In the context of the economic growth, reduction of unemployment and expansion of social protection systems as seen between the 1990s and today, Latin America saw a strong decrease in poverty and inequality (ECLAC, 2012; Lopez-Calva and Lustig, 2010; Cecchini et al., 2015). This trend was the opposite of what was observed in the Global North –especially in

Europe–, at least after financial crisis exploded and “austerity” or fiscal discipline was imposed to reduce public expenditure. Argentina followed a trend similar to that of other Latin American countries, reducing unemployment and informal employment, whereas the social protection system expanded, especially in terms of its non-contributory aspects.

This article examined and critically assessed how these changes were articulated in household economic welfare, namely by considering changes in labour markets, state programs, and household behaviour as inter-related spheres of a single welfare regime –this analysis following Barrientos’ (2016) assertion that research on social protection should include its contribution to changing social structure. A central concern of this article was thus to explain persistent inequalities in terms of welfare outcomes among different groups of households or, in other words, the heterogeneity of the welfare regime, and not just to explain the reduction of social and economic inequalities.

In this sense, the evidence showed a range of opposing trends in Argentina. While informal employment was reduced, four of every ten households were still headed by either a person employed in the informal economy or an unemployed person. Secondary employees in those households faced strong restrictions accessing to formal employment, thus reducing opportunities of decent work (ILO, 1999). This reveals a pattern of inequality that results of labour market features, with several impacts upon the welfare regime. Indeed, poverty remained high from a historical perspective and especially among households with HME in informal employment, even though income from labour grew strongly after the 2002 currency devaluation and that growth was the main factor for household per capita income growth for all groups considered here. The state at this time also increased Social Policies Expenditure, which made income from those sources a greater factor in poverty reduction and had a particularly important role in the HPCI of households with HME in informal employment. Hence, the interplay between labour markets and social benefits changed and deepened. As our evidence showed, households were active agents of their own welfare: they overall increased both their number of people in the labour market and social benefit recipients.

This article thus contributes to two different, current debates. Firstly, by binding labour markets and the social protection system together using the welfare regime framework, it was possible to describe social reproduction

patterns of different social groups. Considering persistent structural heterogeneity as a feature that challenges labour markets and partly explains participation in the informal economy and low productivity activities (Infante, 2011), this paper showed the importance of social protection (especially, of social assistance) in the welfare regime after 2001 crisis. As Saad-Filho (2015) remarks for the Brazilian case, this pattern can also be seen as a “subsidy” of low-productivity activities in a context of insufficient workforce demand. Secondly, and probably because of these “structural features” in Argentina’s labour markets, this paper highlights the limits of social protection systems in terms of poverty reduction. Evidence presented in this paper showed that poverty and informality remained correlated despite growth in both non-contributory and contributory social have had an important role in welfare for the groups that remained in the informal economy.

Overall our evidence demonstrated that public social expenditure had a “progressive” role in terms of the welfare regime during the last decade, in a double sense. It is acknowledged that social policy can “moderate” (that is to say, “compensate for”) inequalities, but also to shape the welfare regime. Beyond the limits of the social protection system in reducing poverty, it played a central role in household economic welfare among the poorest groups and those with HME in the informal economy. This means it tried to moderate social heterogeneity coming from markets and, even with its limits, it played an important role in “shaping” the welfare regime, opening new ways in which decent livelihood can be guaranteed.

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