
Extending coverage under the Argentinian pension system: Distribution of access and prospects for universal coverage

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Abstract One of the main challenges facing social policy in Latin American is to guarantee social security coverage for the entire population in the presence of a large informal sector. In Argentina, a regional pioneer in terms of the development of its pension system, more than one third of those of retirement age were without benefits in 2005. Since then, considerable progress has been made in extending coverage thanks to the introduction of a programme that has reduced contribution requirements and allocated benefits to a large number of seniors previously excluded from the system. This article analyzes the impact of this process in Argentina on the level and distribution of coverage, identifies changes in socio-demographic factors which affect inclusion/exclusion in the social security system, and discusses remaining obstacles to the provision of universal coverage in the medium and long term.

Keywords pension scheme, gaps in coverage, scope of coverage, Argentina, Latin America

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Introduction

One of the major problems affecting social policies in Latin America concerns the difficulties facing contributory social security systems in providing protection for the entire population in the presence of a large informal sector. Even in periods of economic growth, Latin American countries have been unable to generate sufficient stable jobs in the formal sector to guarantee social security for all. The effect of the extensive informal sector that is characteristic of the region has been to reinforce certain weaknesses in the coverage provided by contributory pension systems, which cannot guarantee gender equality or effective protection for non-nuclear families. This is why, to complement existing social security programmes, recent social policies in Latin America have relied on designs based on non-contributory schemes (with or without a special focus) to reach informal workers, the unemployed, non-salaried workers and their families and to realize progress in extending social protection both for seniors and for families and children (solidarity pensions, conditional cash transfers).

Argentina, a country which is among the pioneers in the development of social security in Latin America, has not escaped these problems. Only a few occupational groups, thanks to their greater influence, political activism and/or economic importance, were given early access to benefits when social insurance was first introduced in Argentina (Mesa-Lago, 1978; Isuani, 1985a). “Legal” coverage was extended gradually to all workers as new pension schemes were introduced for larger segments of the population, such as the industrial and service sectors. This process took place in the mid-twentieth century and led to a significant extension of social insurance coverage in the following decades. However, in Bismarckian social security systems effective inclusion depends not only on legal inclusion but on contribution requirements and the ability of each individual to meet these. During the financial crisis of the Argentinian social insurance system in the 1980s and as a result of the structural reform of the 1990s (which occasioned a high fiscal cost because of the partial transition to a system of funded individual accounts), official concern centred on the financial equilibrium of the pension system; stricter contribution requirements were introduced in order to restrict access to benefits and limit expenditure. In a situation of widespread and increasing informality in employment, the coverage rate among individuals of retirement age began to decline. Furthermore, there was a high probability that workers without social insurance rights would belong to the most underprivileged social groups (see Rofman, Lucchetti and Ourens, 2009).

A number of measures have been introduced in recent years to significantly extend the coverage provided by the pension system. As a result, the number of retirement and other pensions allocated by the National Social Security

Administration (ANSES) has increased rapidly and a large proportion of the seniors who had been excluded from the system in previous years are now included. This article will assess the impact of this process on the levels and distribution of access to benefits and discuss the capacity of the current social insurance network to guarantee full coverage for current and future generations. Following this introduction, the next section will examine the nature of the coverage problem within the Argentinian pension system and the institutional mechanisms introduced recently to extend coverage and their impact. The article then assesses the effect of this process on the distribution of coverage and the relative changes and/or continuity in the nature of the socio-demographic factors associated with access to benefits. The focus is then placed on the institutional structure of the Argentinian pension system and its limitations and prospects in terms of the provision of universal coverage. The final section summarizes the main results and conclusions are presented.

Pension system coverage in Argentina

Institutional structure, the labour market and social protection in Latin America

Contributory pension systems of the Bismarckian type, such as those introduced in Argentina in the twentieth century, are intended to “postpone” payment of part of workers’ salaries throughout their lives in order, when certain conditions are met, to redistribute this income to cover the risks of old age, disability and death. Traditionally, the aim of these systems is to maintain the standard of living of workers (and their families) when they retire from active employment, offering salary-based benefits as a “substitute” to replace former earnings. Generally speaking, these systems are intended also to prevent old-age poverty among covered workers (for example, through the payment of minimum benefits). Contributory systems can achieve both objectives (maintenance of living standards and prevention of poverty) in a context where formal employment is widespread and families are stable. However, where these conditions do not exist, coverage of the population is more limited and this produces the inequalities in levels of access and social protection that are frequently observed in the Latin American context.

For a number of years, various analysts have drawn attention to the problems concerning the coverage provided by social security systems within the context of Argentinian and Latin American labour markets (for example, Isuani, 1985b; Lo Vuolo and Barbeito, 1993; Mesa-Lago, 1990). The problem of coverage has attracted renewed attention in the past decade because of the way in which rates have continued at low levels in spite of structural reforms and, indeed, had continued to decline in certain countries, including Argentina (for example, Willmore, 2006;

Goldberg and Lo Vuolo, 2006; ILO, 2011; HelpAge International, 2004; Gill, Packard and Yermo, 2005; Barrientos, 2009).

Certain Latin American countries, which have begun a new phase of structural reform following the privatization reforms of previous decades, have thus included the extension of coverage among their primary objectives (see Uthoff, 2010). In Chile, where a social assistance benefit for low-income groups without coverage (*PASIS*) already existed, a new solidarity pension (*Pensión Básica Solidaria*) has been created for seniors without access to a contributory pension and whose income places them in the first three quintiles of the income distribution curve, and an additional benefit (*Aporte Previsional Solidario*) has been introduced for those with low levels of contributory benefits (Rofman, Fajnzylber and Herrera, 2009; Calvo, Bertranou and Bertranou, 2010; Délano, 2010; Arenas de Mesa, 2010). These benefits were introduced into the existing pension system in the form of a new pillar, with the aim of circumventing, both, the waiting lists which restrict access to non-contributory benefits and the contribution requirements for access to a minimum benefit under the contributory system (Mesa-Lago, 2009).

The *Bonosol*, a universal benefit for seniors which was created in Bolivia in the 1990s, was shown to have had a positive impact on the well-being of the poorest families (Martínez, 2006). The *Bonosol* was recently replaced by the universal *Renta Dignidad*. This new universal benefit has been incorporated into the existing social insurance system (it is not limited to a specific population group), has new sources of finance, and aims to improve both the level of benefits and their coverage (Müller, 2009). A similar benefit exists in Mexico City in the form of the *Pensión Alimentaria*, which was introduced in 2003 for all seniors living in the Federal District (DF). Mexico State followed this example in 2010 with the *Programa 70 y Más* initiative, which targets those aged 70 or older living in areas with up to 30 thousand inhabitants (Yañes, 2011). Prior to these developments, from 1992 Brazil introduced the means to extend coverage more widely through rural pensions. Access to rural pensions is provided without the need for contribution requirements typical of most social security systems. This led to a substantial improvement in coverage and in the impact of pension benefits on family income in rural households (Delgado and Cardoso, 2007). Non-contributory pensions, targeting those who do not have access to contributory social security benefits because of the nature of their employment history and personal circumstances, exist in some of these and other countries (Bertranou, Solorio and van Ginneken, 2002).

Unlike these experiences based on universality (Bolivia, Mexico DF), on regional selection (Brazil, Mexico), or with a focus on income (covering a wide segment of the population in Chile, but in a more restricted sense elsewhere), the recent extension of coverage in Argentina is based on the implementation of a huge programme to incorporate individuals of retirement age who do not meet the existing minimum contribution requirements. In practice, this is being achieved by

means of a moratorium on the payment of outstanding contributions. This measure has led to a highly significant increase in the number of beneficiaries and in persons covered. In contrast with Chile and Bolivia, however, Argentina did not introduce a new solidarity pillar into the contributory social security system — a pillar that acts as a stable mechanism for the inclusion of future generations (for a comparison between Argentina and Chile, see Mesa-Lago, 2009).

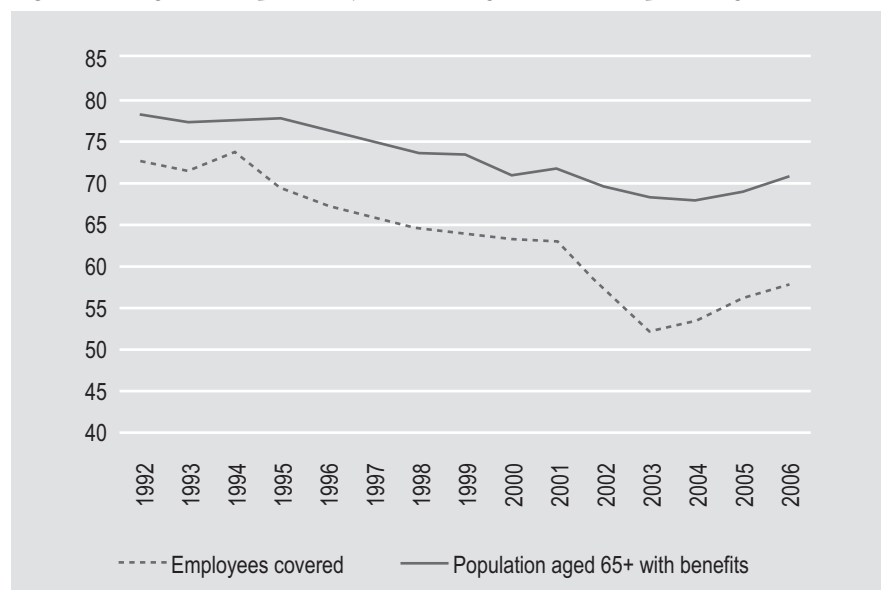
The road to exclusion from the pension system and the recent extension strategy in Argentina

The coverage provided by pension systems can be measured as regards two stages in the life course. Contributory systems enable workers to cumulate rights during the active stage of their lives, which entitle them to apply for and receive a retirement benefit on reaching retirement age and which also confer a derived right to a survivor's pension for a spouse and child dependants. A traditional indicator of coverage concerning future pension rights is thus the percentage of workers who contribute to the social security system. In turn, coverage in terms of effective access to benefits refers to those having reached retirement age and who actually receive a retirement benefit or pension. The typical indicator in this case is the percentage of men and women who receive personal benefits or who live in households with pension-derived income (for example, through a spouse). While workers' coverage depends on labour market conditions, actual coverage for those who have reached retirement age depends more on the rules governing the pension system (requirements for access to the existing scheme) and on the employment and family history of each individual.¹

There is a rich literature describing the difficulties facing Latin American pension schemes in providing full coverage (including Barrientos, 1996; Cruz-Saco, 2002; Mesa-Lago, 2008; Goldberg and Lo Vuolo, 2006; Holzmann, Robalino and Takayama, 2009; Rofman, Lucchetti and Ourens, 2009; Jiménez and Cuadros, 2003; ILO, 2010). In Argentina, the growth of the informal labour market in the 1990s increased the gap between those covered and those excluded from social security, restricting the future rights of many workers and their families. Following the reform of the pension system in 1993, 30 years of registered contributions were required on reaching the statutory retirement age in order to qualify for a pension. As these requirements were implemented in a labour market with a high proportion of informality, so coverage was reduced: between 1992 and 2003, it fell from 78 per cent to 68 per cent of those aged 65 or older (Figure 1). At the beginning of 2005, about 38 per cent of those of retirement age (from age

1. For a discussion of the advantages and disadvantages of alternative methods for measuring coverage, see Rofman, Lucchetti and Ourens (2009).

Figure 1. Argentinian pension system coverage, 1992-2006 (percentage)



Source: Based on Rofman, Lucchetti and Ourens (2009).

60 for women and from age 65 for men) derived no income from a retirement benefit or pension (see Table 1).

From 2005 onwards, the requirements for the allocation of benefits were relaxed for seniors who did not meet the conditions laid down in the existing contributory system (see Cetrángolo and Grushka, 2008; Rofman, Fajnzylber and Herrera, 2009; D’Elia, 2007). First, early retirement was introduced for unemployed workers who were no more than five years away from retirement age but who had completed the required 30 years of contributions. These workers receive reduced benefits until reaching the statutory age of retirement. Second, a “moratorium” was introduced for those who had not completed enough years of contributions to qualify for a pension under the existing system.² This is how the programme works: those who wish to do so may apply for access to the “moratorium” and declare an occupation for the period necessary to complete the years of contributions required under the present system (currently 30 years). The National Social Security Administration (ANSES) calculates the “contributions shortfall” and provides each individual with a payment plan that enables them to begin to receive benefits, reimbursing ANSES

2. Act 25.994, art. 6 and Decree 1454/05. At present, the moratorium applies to contribution debts for periods prior to the introduction of the system of individual accounts (i.e. prior to September 1993). See <www.anses.gov.ar/jubilados-pensionados/pip.php> (in Spanish).

Table 1. *Argentinian pension system coverage, 2005-2010 (people of retirement age and salaried workers)¹*

	Household with pension (%)	Personal pension (%)	Employees covered (%)
2005-T1	77	62	53
2005-T2	77	61	53
2005-T3	77	61	54
2005-T4	78	63	55
2006-T1	78	62	56
2006-T2	77	61	56
2006-T3	77	62	57
2006-T4	79	64	57
2007-T1	81	70	58
2007-T2	84	74	59
2007-T4	86	76	60
2008-T1	88	80	62
2008-T2	88	80	63
2008-T3	89	82	63
2008-T4	90	83	62
2009-T1	89	82	63
2009-T2	89	83	64
2009-T3	91	84	64
2009-T4	90	84	64
2010-T1	91	85	65
2010-T2	90	84	63
2010-T3	92	85	64
2010-T4	91	85	66
Increase in percentage points	13.6 p.p.	23.4 p.p.	13.1 p.p.
Reduction in the coverage gap	59.9	61.3	28.0

Retirement age: 60 for women and 65 for men.

Household with pension: Individuals of retirement age living in households where there is at least one retirement benefit/pension.

Personal pension: Individuals of retirement age receiving a retirement benefit or pension.

Employees covered: Salaried workers with pension deductions.

Coverage gap: The difference between existing coverage and full coverage (100%). The reduction in the gap is the quotient between the percentage points of increased coverage at different points in time (between the first trimester 2005 and the fourth trimester 2010) and the initial coverage gap (in the first trimester 2005), expressed as a percentage.

Notes: ¹ The data concerns the 29 Urban Areas included in the Permanent Household Survey carried out by the *Instituto Nacional de Estadística y Censos*. In order to facilitate comparison over time, three areas that were included in the series only at the end of 2006 were excluded from the analysis (San Nicolas-Villa Constitución, Rawson-Trelew, Viedma-Carmen de Patagones).

Source: Estimate based on the Permanent Household survey, Continuous Quarterly Basis — INDEC.

in monthly instalments deducted directly from their benefits. This measure has had a considerable impact, providing old-age benefits for those who have not contributed sufficiently, including those who have not contributed at all. Until mid-2010, about 47,000 early retirement pensions and about 2.45 million new benefits were introduced as a result of the moratorium (MTESS, 2010, p. 35).

From 2003 onwards, there was also a significant increase in the number of social assistance pensions (a pre-existing programme), although the majority of new claims concerned disability pensions and pensions for mothers of seven or more children. In 1998, the social assistance pension programme, which specifically targets elderly and disabled population groups, represented approximately 116,300 beneficiaries out of a total of 315,298 awards for non-contributory benefits paid to various population groups (Bertranou, Solorio and van Ginneken, 2002). This figure remained relatively stable until 2003, when previous tax restrictions were removed and the number of benefit recipients expanded rapidly. The number of social assistance pensions specifically targeting the “old age” category increased from 43,272 beneficiaries in December 2003 to 92,517 in December 2006, before falling to 57,069 in June 2010 (following the same pattern as the increase in benefits generated by the moratorium). Disability benefits, however, increased more rapidly: their number was multiplied by six between December 2003 and June 2010, when it reached 487,381 beneficiaries (see MTESS, 2010, p. 37). Although the number of non-contributory pensions had started to increase before the moratorium began to have an impact, no changes were observed in rates of coverage for seniors until the end of 2006 (Table 1). In practice, the increase in new beneficiaries for non-contributory old-age benefits was far less than the increase caused by the moratorium (which led to nearly 2.5 million new beneficiaries).

Changes in the level and distribution of coverage

The increase in coverage for seniors reversed the tendency towards a decline observed in the second half of the 1990s. Between the beginning of 2005 and the end of 2010 the percentage of people of retirement age receiving benefits increased from 62 per cent to 85 per cent and the percentage of seniors living in households receiving at least one retirement benefit or pension increased from 77 per cent to 91 per cent (Table 1). This helped to close nearly 60 per cent of the existing coverage gap and provided a benefit for almost two out of three people of retirement age who did not previously have one.³ The increase was highly significant, although the

3. The coverage gap is the difference between 100 per cent (full coverage) and effective coverage based on observation. Estimates were based on the Permanent Household Survey (EPH) (trimestrial data) carried out by the *Instituto Nacional de Estadística y Censos* (INDEC). Data concerning the payment of social benefits includes all types of benefits (state pension, special schemes, provincial non-transfer and professional schemes, pensions based on the moratorium, non-contributory pensions, etc.) but does not

majority of the new beneficiaries received a minimum pension (the corresponding amounts then being deducted from moratorium pensions); while full individual coverage has not yet become a reality this attempt was successful, particularly in improving access to benefits and reducing existing coverage gaps for specific social groups. Rofman and Oliveri suggest that increased coverage may have had a positive impact on income distribution among seniors. Their estimates show that the difference between the Gini coefficient of per capita income distribution with or without pensions has increased since 2007 following the implementation of the moratorium (Rofman and Oliveri, 2011, pp. 36-39). The authors also found less poverty among seniors, particularly seniors older than age 65 with pension coverage,⁴ than among the general population.

For many years, the regulations governing access to the Argentinian pension system and the unequal distribution of informal work created a widening split in the population between those covered by the system and those excluded from it. Generally, workers on higher incomes were better able to maintain coverage, men better able than women, state employees better able than those in the private sector, and so forth. Until 2003, only 8.9 per cent of actively-employed workers in the lowest decile contributed to social insurance schemes, compared with 59.7 per cent of those in the highest decile (Rofman, Lucchetti and Ourens, 2009, p. 33). Coverage gaps during the active-life stage increasingly had an impact on the situation of seniors. This is why the extension of coverage to include those who had remained outside the pension system led to an improvement in the intra-generational distribution of access to benefits.

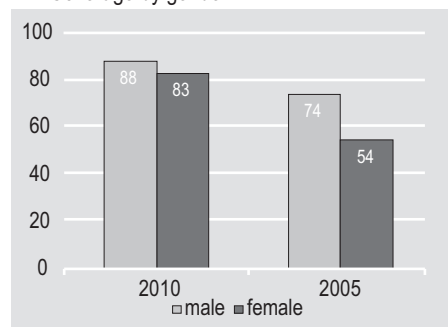
The gender gap is a common characteristic of contributory pension systems — women often cumulate less direct rights because of their lower rate of participation in the salaried labour market (although in certain circumstances they acquire “derived” pensions or income through their husbands) (see Bertranou and Arenas de Mesa, 2003; Pautassi, 2002; Ginn, 2003, among others). In fact there is a significant gender gap in most Latin American countries, except those with extremely wide (e.g. Uruguay) or universal coverage (non-contributory pensions in Bolivia) (Rofman, Lucchetti and Ourens, 2009, p. 19). Although they varied, there were significant gender differences in Argentina throughout the 1990s and early 2000s. In early 2005, only 54 per cent of women of retirement age received a retirement pension or benefit (compared with approximately 74 per cent of men). At the end of 2010, the figures stood at 83 per cent and 88 per cent for women and men, respectively (Figure 2.1). Women have gained most from the recent expansion

distinguish between them. The estimates include data from the 29 urban areas which were covered throughout the period of analysis (2005-2010).

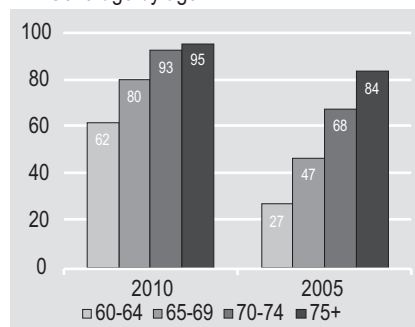
4. However, the reduction in poverty is due to a combination of a number of factors (including both the extension of coverage and the increase in minimum benefits, among others).

Figure 2. *Argentinian pension system: Individual coverage according to socio-demographic characteristics (percentage — population of retirement age¹)*

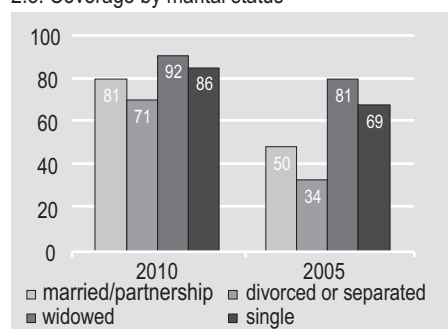
2.1. Coverage by gender



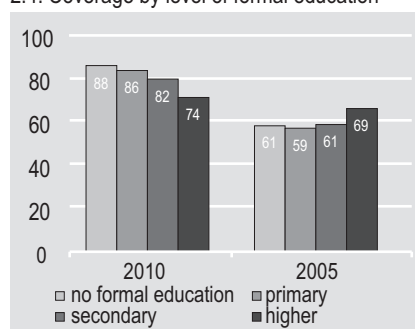
2.2. Coverage by age



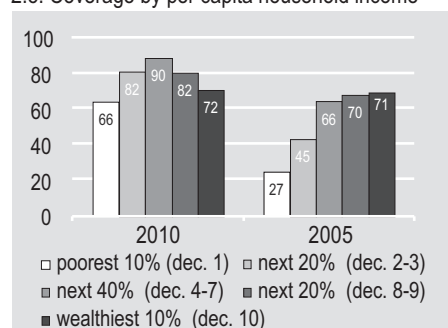
2.3. Coverage by marital status



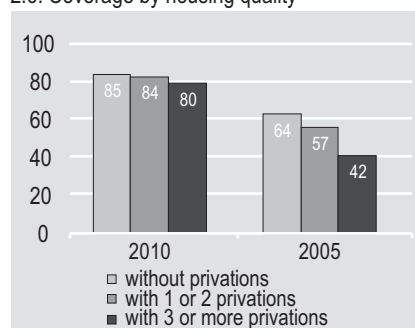
2.4. Coverage by level of formal education²



2.5. Coverage by per capita household income



2.6. Coverage by housing quality³



¹The data (2005-T2 and 2010-T2) is based on 29 Urban Areas included in the Permanent Household Survey. Individual retirement age: 60 for women and 65 for men. ²Educational level refers to the highest level achieved in the formal educational system. ³Housing quality: An indicator of structural living conditions based on six privations which affect the quality of accommodation: i) overcrowding (three or more persons per room), ii) quality of the flooring (cement, wood or earth), iii) quality of the roofing (corrugated iron, cardboard or rushes), iv) access to water (water outside the home, or outside the land), v) toilet facilities (home without a toilet, with a lavatory without a lock, with a latrine, septic tank or cesspit, or with an outside toilet), vi) location (accommodation located in a slum, close to a refuse tip and/or in an area where there is risk of flooding).

Source: Calculation based on the Permanent Household Survey, Continuous Quarterly Basis — INDEC.

of coverage because of their low initial rate of coverage and lower retirement age.⁵ This has enabled a reduction in the gender gap in coverage, although it has not yet disappeared.

Coverage tends to show a positive correlation with age in Argentina, as in certain other Latin American countries (e.g. Uruguay and Chile) (Rofman, Lucchetti and Ourens, 2009, p. 20). The older the person the better the coverage, for reasons that are both institutional (existence of schemes for extreme old age, or social assistance benefits for older seniors)⁶ and demographic (higher probability of widowhood and pension claims; longer life expectancy for higher income groups, which typically have better coverage, etc.). In Argentina, differences in coverage by age group have been exacerbated since the mid-1990s, as new requirements for access have made it more difficult for those reaching retirement age to actually claim benefits. This “layered” distribution of coverage by age group has persisted through the recent extension efforts, although the differences between the age groups have become less marked. Coverage is almost universal for those in the oldest group (aged 70 or older) (Figure 2.2).

Pension systems based on the Bismarckian model, and thus on family structure, tend to generate wider coverage gaps between individuals depending on their marital status. Widows and widowers, for example, have better coverage than single or married people because widowhood provides a pension right (particularly important for women). In 2005, individuals who were separated or divorced had a very low rate of coverage (34 per cent), less than half that for the single or widowed. These differences became less noticeable between 2005 and 2010 as a result of the significant increase in coverage for those either married or divorced (particularly for women in these categories). Marital status continues, however, to have a certain impact on the distribution of coverage: widows and widowers continue to benefit from wider coverage and are the only group to have a coverage level above 90 per cent (Figure 2.3). Coverage has doubled for individuals who are divorced or separated, but this group continues to have the lowest rate. This reflects a certain lack of familiarity concerning access to benefits, although as will be shown later in the multi-variable analysis, the effect of marital status on the likelihood of obtaining benefits has not disappeared.

Extending coverage has reduced social protection gaps based on three indicators of socio-economic status and living conditions: educational level, household income and housing quality. Layered access to benefits based on educational level was also observed throughout the 1990s and 2000s in Argentina, as in most of the

5. In fact the moratorium was popularly known as the “housewives’ pension” because it enabled many women to claim benefits who had participated little (or not at all) in the paid labour market. Overall, 78 per cent of the benefits allocated as a result of the moratorium went to women (ANSES, 2011, p. 14).

6. In Argentina, for example, there is a special benefit for extreme old age and social assistance benefits for those aged 70 or older (the normal retirement age is 60 for women and 65 for men).

Latin American countries (with the exception of countries such as Brazil and Uruguay, for example, where coverage based on educational level was fairly homogeneous). In 2005, the rate of coverage for seniors with higher education (third level or university) was ten percentage points higher in Argentina than for those who had completed only primary school education. The marked increase in coverage for those with a low level of education is a reversal of this distribution trend: in 2010, the highest rates of coverage were among those without a formal education or with a primary school education only (Figure 2.4). The higher education group has the lowest level of coverage (74 per cent, a phenomenon probably linked with the higher rate of activity of this population group (i.e. a process of “self-selection”). The negative effect of educational level (less coverage at higher levels of education) disappears if only those who are *inactive* are taken into account; the higher education/inactive group has the highest rate of coverage (94 per cent).

The reduction of coverage gaps among seniors based on per capita income and housing quality also reflects a certain reduction in the social stratification of access. Differences in coverage by income level increased during past decades. The difference in coverage between the lowest income quintile and the highest income quintile, for example, increased from 16 to 47 percentage points between 1992 and 2003 (see Rofman, Lucchetti and Ourens, 2009). Coverage has increased in practically all income groups as a result of the recent extension measures, but the increase has been more marked among the poorest (Figure 2.5). Coverage did not increase for the highest income decile (in fact it fell by one percentage point).⁷ These trends have tended to reduce previous coverage gaps. Distribution has become pyramidal in that the middle-income groups have better coverage than those in the higher- and lower-income groups. In spite of the extension, the poorest decile still has the lowest rate of coverage.⁸

Differences in coverage based on housing quality — an indicator which combines six characteristics associated with specific privations (e.g. overcrowding, lack of indoor plumbing, a toilet without a sewer, floors or ceilings made of flimsy materials, etc.) — indicate the distribution of access in relation to the more structural aspects of living conditions and the socio-economic status of families. The data based on this indicator show a similar trend to the others: increased coverage in all groups that is more marked among individuals in poorer housing,

7. Self-selection based on activity hypothesized in relation to workers of a higher educational level also seems to apply in this case: 81 per cent of those of retirement age without benefits in the highest income decile continue to work (compared with 18 per cent in the poorest decile). Almost all the inactive persons without a pension in the highest decile are women.

8. Some cross-causality is likely here: in fact, those grouped in the poorest decile may be there precisely because they do not receive benefits. Nevertheless, the fact that there are individuals on low incomes without coverage is particularly important from the point of view of public policy and indicates some of the gaps which remain in spite of the extension of coverage.

leading to a reduction in the coverage gap based on structural housing characteristics (Figure 2.6).

Naturally there is interaction among the variables, as shown in Figures 2.1 to 2.6. Multivariate analysis has been used to assess these effects, as shown in Table 2.⁹ A first estimate includes the entire sample of those of retirement age (estimate I-2010). The results confirm the positive impact of age (coverage improves with age) and suggest that, after controlling for other variables, only widowed women have a higher probability of coverage than married men (reference group).¹⁰ Housing quality does not have a significant effect on coverage. Taking only the inactive subgroup into account (estimate II-2010), married women have significantly less coverage than married men (reference group); the higher probability of coverage for widowed women disappears while the positive effect of age is maintained. Finally, neither educational level nor housing quality had a significant effect on the coverage of inactive workers in the year 2010.

For 2005, the socio-demographic variables appeared to have a significant impact on coverage: divorced or single men, and women almost regardless of their marital status (particularly married and divorced women), are less likely to receive a personal pension than married men (reference group). Out of the total population, only widows have a better rate of coverage (estimate I-2005), but this effect is reversed if only the inactive population is taken into account (as in 2010). The 2005 figures reveal two other differences compared with 2010 (i.e. before and after coverage was extended): one is the positive impact of educational level (the higher the educational level, the higher the coverage rate) and the other is the negative effect of housing quality¹¹ (those living in structurally poorer housing had lower levels of coverage than the rest in 2005, after controlling for other socio-demographic variables).

In summary, our data revealed a reduction in some of the coverage gaps generated by the implementation of a purely contributory system in a context of widespread and unequal informality as well as a particular distribution of salaried and non-salaried work between men and women. Certain factors affecting the level of coverage lost their explanatory value as a result of the measures to extend coverage, although not all of them disappeared (age and gender continue to have a significant impact on the probability of coverage when combined with certain categories of marital status). Furthermore, in spite of the massive drive to extend coverage, 15 per cent of the population of retirement age was left without access to

9. Another group of variables of potential importance. The income variable was not included because of the problems of endogeneity already mentioned.

10. Individuals with a high level of education also display a significantly lower probability of having coverage. This effect is in line with that observed in Figure 2.4, and disappears when only the inactive population is taken into account (estimate II-2010).

11. See Figure 2, Note 3, for a definition of the indicator concerning housing privations.

Table 2. Argentina: Factors affecting pension coverage for individuals of retirement age, second trimester 2010 (odds ratio¹)

	Second trimester 2010		Second trimester 2005	
	Estimate I-2010	Estimate II-2010	Estimate I-2005	Estimate II-2005
	Total population of retirement age	Total inactive population of retirement age	Total population of retirement age	Total inactive population of retirement age
Sex and marital status (Married men: reference group)				
Divorced men	0.775	1.034	0.372***	0.326**
Widowers	0.943	0.604	1.011	0.613
Single men	0.942	0.448	0.521**	0.345***
Married women	0.774	0.228***	0.173***	0.057***
Divorced women	0.612*	0.395*	0.228***	0.093***
Widows	1.505**	0.599*	1.461***	0.663**
Single women	1.258	0.691	1.052	0.527*
Age	1.135***	1.072***	1.121***	1.076***
Level of education² (No formal education: reference group)				
Primary level	0.994	1.055	1.270**	1.259*
Secondary level	0.844	0.978	1.898***	2.823***
Higher education	0.530***	1.696	2.690***	3.279***
Housing quality³ (Housing with three or more privations)	0.831	0.694	0.526***	0.476***
Remarks	6,580	5,513	5,485	4,379
Pseudo R2	0.138	0.106	0.258	0.300

*** p < 0.01 ** p < 0.05 * p < 0.1

¹ The data is based on 29 Urban Areas included in the Permanent Household Survey (See Note 1, Table 1). Individual retirement age: 60 for women and 65 for men.

² Educational level is based on the formal level of education achieved. This means that the category "without formal education" includes an incomplete primary education; "primary" includes an incomplete secondary education and "secondary" includes an incomplete higher education.

³ Housing quality: See Figure 2, Note 3, for the definition.

Source: Estimate based on the Permanent Household Survey, Continuous Trimestrial Basis — INDEC.

benefits. Who are those who remain without coverage in spite of the existing measures? Two factors are particularly relevant. First, seniors without coverage are concentrated in both high- and low-income households.¹² This distribution of seniors without coverage probably reflects two different realities: people in high-income groups may not apply for benefits because they have income from other sources (for example, because they continue to work beyond the age of retirement), while others may fail to apply (or to obtain) a pension in spite of having low incomes. Many seniors without coverage are inactive (46 per cent) and a majority of them (62 per cent) live in households with no other retirement pension or benefit. And 26 per cent of seniors cumulate both situations: they are inactive in households with no retirement benefits or pension. Situations vary considerably and more intensive research into the reasons why this population does not access benefits would be worthwhile in order to design special policies where necessary. In particular, the persistent low coverage of the poorest decile calls for a strategy that would enable this population group, which continues to be excluded from the system in spite of their low incomes, to be included.

Future prospects and obstacles to universal coverage

During the past decade the difficulties experienced by Latin American social security systems in providing protection for the more vulnerable social groups, in particular for workers in unstable, informal, rural and unpaid jobs, have been recognized as constituting one of the major challenges for social protection policies in the region. A certain consensus has begun to emerge concerning the challenges involved in reversing the regressive bias of pension systems, which are aimed typically at the middle- and high-income population groups, in the absence of a strategy to provide basic coverage regardless of the access to protection provided by formal employment and personal contributions. More recently, various countries have developed policies designed to extend access to retirement pensions. New solidarity benefits have been created in Chile, non-contributory and rural pensions have been reinforced in Brazil and universal pension systems such as the *Bonosol/Renta Dignidad* in Bolivia and the *Pensión Alimentaria* in Mexico DF have been introduced. All these experiments share the same objective: to extend protection to seniors through a solidarity benefit that enables the limitations of traditional social security systems to be transcended in the context of Latin American labour markets.

Argentina has also been interested in the challenge of how to extend pension system coverage and initiated a programme for the large-scale inclusion of

12. Approximately 24 per cent of seniors without coverage have incomes 50 per cent below the median per capita family income (compared with only 10 per cent for individuals in this position with coverage) and another 24 per cent have per capita income more than 200 per cent higher than the median (compared with 14 per cent of the population with coverage).

population groups that had remained outside the system in previous decades. However, it adopted a different mechanism that maintained a closer link with the traditional contributory scheme and focussed on reducing current exclusion rather than restructuring the future pension system. The “moratorium” was a short-term solution with two basic characteristics. First, it proposed to extend coverage while maintaining a contributory approach, although with modifications. Second, it was based on the principle of “exceptions”, with the implementation of a programme aimed at compensating for existing gaps in the system without changing its structure. The “moratorium” broke certain of the rules of the contributory system in order to extend its coverage, thus enabling those who had contributed for a few years only, or even not at all, to obtain benefits. It nevertheless maintained the regulations governing the pre-existing system; it exceptionally lowered the requirements for access but did not modify the structure, producing a hybrid system that was formally contributory even though, in reality, personal contributions had become less important in providing access to benefits.¹³ The right to benefits continues to depend on previous contributions at least in theory, although it is not easy to work out how much will be received by any one person since the calculations concerning the net value of the “moratorium-based” benefit are complex. The right to receive benefits is neither automatic nor unconditional: an individual must register with a programme and declare employment for the required number of years to meet the formal contributory requirements, within the period covered by the “moratorium”.

Under the current contributory scheme, a problem concerning long-term coverage becomes apparent when the persistently low rate of participation of the active population in the pension system is taken into account. As indicated above (Table 1), coverage for salaried workers has increased in recent years although less rapidly than for coverage for seniors. Up to the end of 2010, about 34 per cent of salaried workers did not contribute to a pension scheme. The incidence of informality is even higher among the self-employed (see MTESS, 2007). Although the proportion of actively-employed women is rising, a high proportion of women continue to work at home without remuneration and usually without personal coverage. This situation forces us to look for strategies that will guarantee full coverage for seniors in the medium and long term and to progress towards a structure that recognizes the right of informal and unpaid workers to protection and which will include them in the social protection system on a permanent basis. At the same time, this could reinforce the social legitimacy of public transfers, potentially a vital factor in the consolidation of a solid strategy for the

13. This is not the first time that the Argentinian social security system has moved away from a purely Bismarckian approach. The proportionality of benefits to wages has been modified by the partial updating of benefits (including failure to update) at various times throughout the history of the system, thus abandoning the “substitute salary” approach characteristic of Bismarckian schemes.

universalization of benefits, thus helping to build the social alliances required to sustain these benefits in the face of possible changes in policy and taxation.

In the final analysis, the Argentinian experience concerning the extension of coverage demonstrates two things. First, the social importance of introducing alternative mechanisms to a purely contributory approach and their impact on distribution: in countries with high levels of informal, precarious and unpaid work, this type of strategy can help to extend protection and improve its distribution in different social sectors to reach the population groups excluded from contributory social security. The choice of structures other than those involving precise targeting also enables the selection procedures (often stigmatizing and costly and not always effective) that are characteristic of such schemes to be avoided. Second, the Argentinian experience also reveals the limitations that persist when coverage extension is based on a system of exceptions that may solve certain problems in the short term, but which lead to the institutionalization of social protection rights for future generations. If we assume that as a result of the current employment situation there is likely to be a high proportion of seniors without rights to a contributory pension in the future, the coverage problem will reappear. Following the positive impact of the recent extension of coverage on both levels of coverage and its distribution, the effective and durable universalization of access to income protection for all seniors requires a long-term strategy to enable the levels of protection that have been achieved to be maintained and further extended, thus generating effective legal rights for present and future generations.

For this to happen we need to progress towards the institutionalization of guaranteed protection for all seniors, regardless of the employment or family history of the individual, with requirements that are clear and consistent over time, and with viable and legitimate sources of finance. Unlike other countries such as Bolivia or Chile, which approved a new series of structural reforms of their pension systems in order to introduce solidarity pillars (or integrate existing benefits), the 2008 reform in Argentina (which abolished the system of individual accounts) did not modify the conditions of access to benefits established in 1993 and did not introduce a new solidarity pillar. The establishment of a basic, non-contributory and universal benefit as an integral part of the current system could offer major opportunities to improve the efficiency and equity of the system in the long term. In the first place, such a benefit could be designed in such a way that existing contributory benefits based on salary and years of contribution could be added to it, perhaps alongside semi-contributory solidarity benefits which would provide an incentive to contribute and at the same time enable lower pensions to be increased (see for example the structure of the *Aporte Previsional Solidario* in Chile or the *Pilar Solidario* in Bolivia). A reform of this kind could provide an opportunity to clarify the sources of finance for each pillar in the system and the level of protection to be provided in future, and also reinforce the idea that all citizens, regardless of their

employment, contributory and family status, have the right to basic protection. Finally, the institutionalization of this type of scheme for the provision and financing of benefits could avoid the inter-generational inequities produced when access and benefits fluctuate, sometimes considerably, as a result of changing economic or political situations.

Conclusions

High levels of informal work have been the major obstacle preventing the extension of social security systems in Latin America. In Argentina, a country which has pioneered the development of social security, this problem became more acute during the structural reform of the 1990s that consolidated contributory access, reinforcing the direct link between personal contributions and benefits. In a labour market with high rates of informality, the application of stricter contributory requirements led to a steady reduction in coverage for seniors that became noticeable in the mid-1990s.

This situation changed more recently as a result of the implementation, from 2005 onwards, of a number of measures (which had a visible impact as from 2007) to provide access to benefits for people who had contributed little, or who were unable to meet the minimum contribution requirements for an ordinary pension. The programme allocated benefits to nearly 2.5 million new beneficiaries and coverage of the population of retirement age increased from 62 per cent to 85 per cent between 2005 and 2010. This process also changed the distribution structure of access to benefits. The gender gap in coverage was reduced and reverted to the previous bias based on educational level. The percentage of seniors receiving a retirement benefit or pension increased in all income groups although the impact was greater for the poorest, reverting to the previous scaled distribution pattern. However, the lowest income decile continued to have the lowest coverage rate. Other structural indications of poverty, such as housing quality, were no longer significant in explaining coverage.

The Argentinian experience shows the importance of adopting alternative and complementary strategies to those of the purely contributory social security paradigm in countries with high levels of informality and, generally speaking, in all countries where paid and unpaid work is unevenly distributed between men and women. Nevertheless, the high percentage of workers who do not pay pension contributions raises fears as to the feasibility of maintaining and extending the levels of coverage which have been achieved in the medium term based on current regulations. The strategy for extending the coverage of the pension system in Argentina reduced the requirements for access to the system without changing its contribution structure. Although it had a positive effect on the extension of benefits and on distribution, a longer-term assessment reveals its limitations. The

institutionalization of a universal mechanism based on solidarity to facilitate inclusion, that is independent of each individual's employment and family history, could help to overcome these limitations and to establish a simple and unconditional right to a retirement pension for current and future generations.

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