

Protecting the Vulnerable:

The Design and Implementation of Effective Safety Nets



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The World Bank

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Safety Nets in Crisis

The Argentine experience

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Social Protection in Argentina

Before the 90s:

- Public
- High coverage to formal workers and old aged persons
- Lack of programs to cope with Unemployment (very low unemployment rates)

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Main problems

- Fiscal deficits
- Inequalities
- Exposure to Manipulation
- Non sustainable in the long run
- Lack of credibility
- Institutional breakdown

The reforms of the 90s

- Social policy concentrated efforts in improving the rationality, increasing efficiency and improving the benefits to formal workers
- Although informality and unemployment increased, they were considered exceptions

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The scenario of the 2000s

- Highest unemployment rates in decades
- Economic depression (4 years of negative GDP growth rate)
- Informality increased
- Low coverage of programs designed to the formal workers: Pension plans and Unemployment insurance

Changes in income

Between Oct 2001 and Jul 2002

- Increased 8.0 %
- No change 43.4 %
- Reduced 48.6 %

Source: Fiszbein et al.

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Employment Indicators

	May/June 2002	October 2001
Employment Rate	29.9	31.1
Activity Rate	39.8	39.8
Unemployment Rate	24.9	22.0

Source: Fiszbein et al.

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Poverty Rates

	May 2002	Oct 2001
Poverty	53.0	38.3
Indigence	24.8	13.6

Source: INDEC

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Strategies – Household level

- Adaptative household
 - Reduce consumption of goods/services
 - Change consumption patterns
- Active household
 - New (secondary) workers
 - Working more hours
 - Increase home manufacture
 - Reduce domestic service

Strategies – Social Network

- Less than 7 % have access to Social Plans administered by the government.
- Other sources include:
 - Assistance from other persons
 - Borrowing from friends
 - Community Activities

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Use of strategies by households

	% of Households
Adaptative household strategies	98.2
Active household strategies	37.3
Social Network strategies	32.7
Social Plans	6.9

Source: Fiszbein et al

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Social Safety Nets

Conditions:

- Extensive to informal sector
- Prevent shocks, rather than repair
- Prepare individuals to protect themselves, rather than rely on the State's assistance

Government Programs

- Unemployment
 - TRABAJAR
 - EMERGENCIA LABORAL
 - CREAR TRABAJO
 - JEFAS Y JEFES DE HOGARES

- Training
 - CERTIFICACION DE COMPETENCIAS
 - TALLERES OCUPACIONALES

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Government programs in Argentina - 1

- Relatively recent history
- Limited coverage
- Conceived as emergency programs
- Mostly financed by international agencies

Government programs in Argentina - 2

- Pro-cyclical
- Lack of transparency and discretionality in the allocation process
- Imprecise definition of roles (public/private institutions)
- Low Social Capital

Social Safety nets - Institutions

- Improving the allocation of resources requires increase of the Social Capital
- Developing Social Capital implies:
 - => An institutional social network (formal or informal)
 - => Participation
 - => Trust

Confidence in certain institutions

	High Confidence (%)	Low Confidence (%)
Public Schools	63	32
Catholic Church	58	37
State Universities	57	29
Nonprofit Org.	57	33
Civil Associations	39	38
Small Business	31	59
Municipal Govt.	26	68
Business	22	69
Armed Forces	22	67
National Government	19	74
Labor Unions	13	78
Political Parties	11	84

Source: World Bank

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Assistance in case of job loss

	% of Population
No one	15.1
Family	67.1
Neighbors	3.1
Friends	8.5
Patron/Church	1.7
Government	0.9
Union/Work Group	0.8

Source: World Bank

Conclusions - 1

- The existing Social Safety Net of Argentina proved to be insufficient to cope with the effects of an economic crisis of exceptional magnitude
- There is a high deficit in the development of instruments focused on the poorer groups of the population (unemployed, informal sector)

Conclusions - 2

- The government has implemented a number of programs since the 90s, but these have proved to be insufficient, because they were conceived to correct exceptional situations
- A stronger articulation needs to be defined between public and private institutions

Conclusions - 3

- There is a critical need to develop Social Capital, and the government should define a precise articulation with NGOs and other private institutions
- Substantial efforts need to be done to increase participation and confidence, especially of the poorer

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Conclusions - 4

- It is essential to improve transparency and accountability of public and private institutions
- Transparent rules of resource allocation should replace discretionary mechanisms

Conclusions - 5

- Resources should be allocated on a regular basis to finance the Social Network.
- A public debate is necessary to produce a redistribution of funds allocated to Social Programs