Child Poverty and Inequality in Argentina. COVID-19 Effects.

UNICEF Argentina

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Child Poverty and Inequality in Argentina
COVID-19 effects
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Introduction

The coronavirus (COVID-19) has caused an unprecedented public health emergency with immediate and long-term consequences. These consequences can entail particular risks and effects in children, adolescents and their families and especially affect the most vulnerable. These entail particular risks and effects in children, adolescents and their families, especially the most vulnerable ones.

Whereas children are not the most affected group in terms of health, they are the hidden victims of the pandemic. While they may also become ill, COVID-19 has secondary consequences that affect children, such as social isolation, school closures and living in environments that are not always safe, among others. All these situations affect their education, expose them to violence and have an impact on their mental health. Furthermore, the measures taken to prevent the spread of the virus affect household finances; in particular, those of families with children living in poverty, of vulnerable families living in crowded housing conditions, those that do not have soap and water to wash their hands, and children and adolescents without parental care.

Before the start of the pandemic, 53% of the children and adolescents in Argentina already lived in poverty. Given the outbreak of the pandemic and the mandatory and preventive social isolation measures to slow down the spread of the virus, the government of Argentina has implemented several actions, especially among the most vulnerable populations, aimed at mitigating the socioeconomic effects of the pandemic.[1] In this context, the purpose of this document is to evaluate the impact of the coronavirus pandemic in terms of the level and the composition of child poverty and inequality among groups of children in Argentina. While it is acknowledged that poverty is multidimensional, the report focuses on monetary poverty since the purpose is to assess the effects of the pandemic in the short term on the aggregate level of economic activity and, consequently, on employment and family income.

Thus, the assessment of structural poverty and other types of poverty unrelated to income will be left out. Some of those aspects include education, housing and health. These types of deprivation are as important as the financial one (and, even arguably, complementary), yet there are no reasons

[1] https://www.argentina.gob.ar/noticias/covid-19-medidas-economicas-para-paliar-los-efectos-de-la-pandemia

to maintain that in the short period under analysis, they may be affected by fluctuations in the economic cycle. The macroeconomic scenario that affects the world today have a direct and immediate impact on employment and income, and thus, on monetary poverty.

The period analyzed in this document is from 2019 to 2020 where it will be assumed that in macroeconomic terms, there will be an evident reduction of economic activity in 2020 and a recovery in 2021.

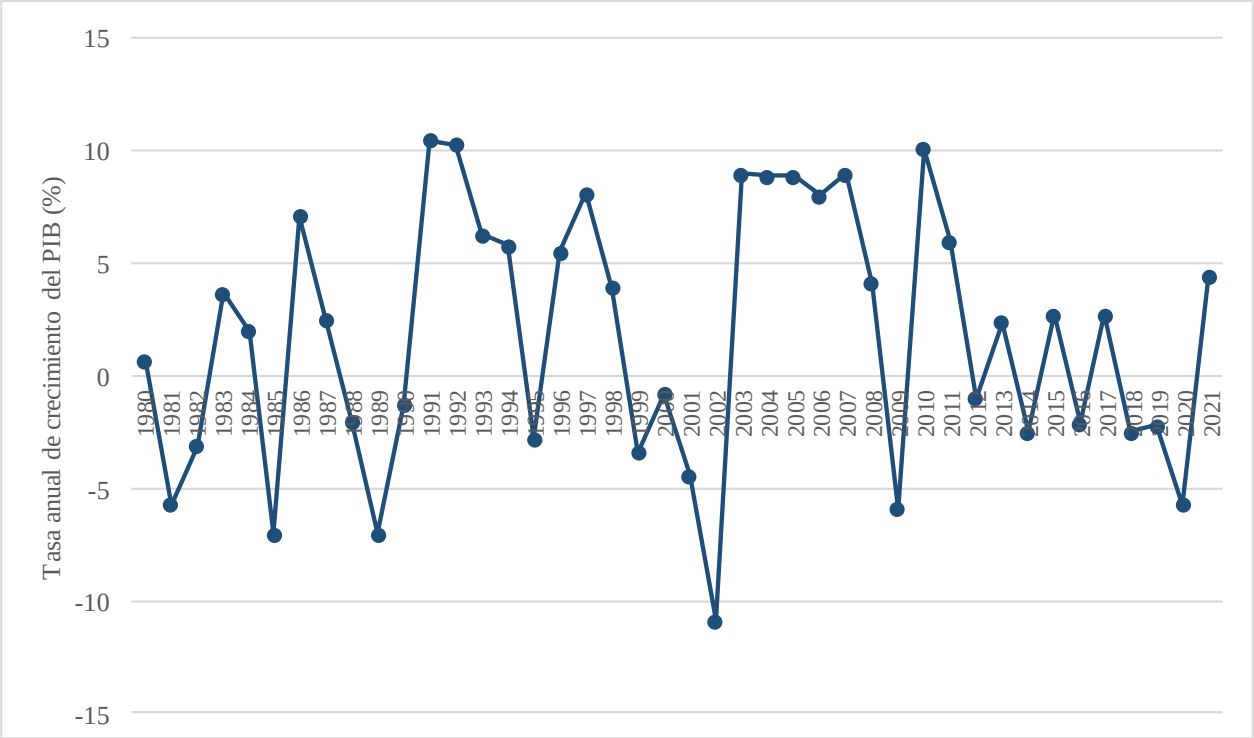
The economic cycles in Argentina

A 2019 World Bank report shows that during the 1950- 2016 period, Argentina went through 14 recessions. These are defined as events of one or more consecutive years of negative growth (World Bank, 2018). If the latest recession is added, then the total is 15, out of which 10 took place in the 1980-2020 period (Chart 1, Table 1) The average duration of recessions in Argentina is 1.6 years. According to estimates by the International Monetary Fund (IMF), the economic downturn foreseen for the year 2020 will be 5.7 % compared to the level observed in 2019.[2] The fact that there was a downturn of 2.2% in 2019 in relation to the level of 2018, which implies an accumulated downturn of 7.9% between 2018 and 2020.

It is worth noting that IMF identifies the COVID-19 crisis as of medium scale, i.e., more severe than the 1995 crisis, but not as grave as the ones registered in the 1980s and in 2002. Furthermore, the recovery foreseen for 2021 would place the country at a higher level than that of 2017 (Chart 1)

[2]This estimation is a little lower than the one projected by ECLAC (2020), which estimated a GDP drop of 6.5% for Argentina during 2020 (compared with 5.3% of the region as a whole).

Chart 1 Argentina, 1980-2021. GDP Annual Growth Rate (%)



Source: Prepared by IMF, *Data Mapper*

Chart 1. Argentina, characteristics of each recession between 1980 and 2020

Event	Year	Δ GDP (%)
Debt	1981	-5.7
Inflation	1985	-7.0
Hyperinflation	1989	-7.0
Unemployment	1995	-2.8
Convertibility	2002	-10.9
Global	2009	-5.9
COVID-19	2020	-5.7

Source: Prepared by IMF, Data Mapper

How do recessions impact poverty?

One way to measure the impact of the changes on the level of activity is to estimate the product-poverty elasticity, an indicator that shows how sensitive the poverty rate is to changes in the aggregate economic level of activity.

However, we must consider that variations in poverty rates depend on the trend of incomes (work and non-work income) on the one hand, and on employment on the other. In Argentina, recessions were frequently determined by abrupt corrections to the exchange rate that brought about the acceleration of ~~the~~ inflation with a GDP drop, whilst the expansionary phases were linked to the population's income improvements related to a foreign exchange lag or overvaluation of the local currency (under the so called *stop-and-go* dynamics) This causes a significant and negative correlation between ~~the~~ economic activity and poverty levels.

Once an elasticity has been obtained, it will be assumed to be a constant in the short term, an estimation based on available macroeconomic projections will be realized.[~~3~~]

Results

Effect estimates

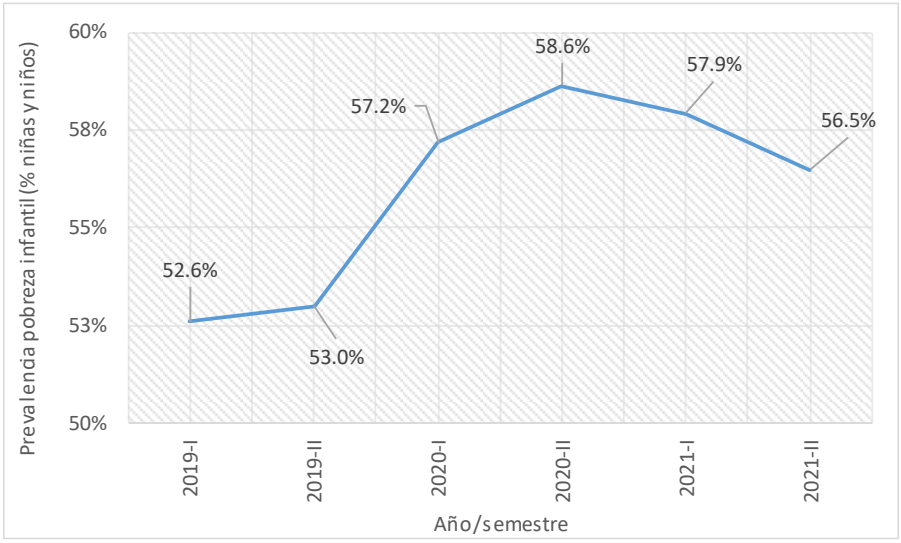
Results can be seen in ~~charts~~ graphs 2a and 2b. In 2019 the percentage of poverty in children and adolescents was 53%, by the end of 2020 the level of child poverty could be 58.6%. Extreme poverty (indigence) towards the end of 2020 might be 16.3%, having started at 14.1 in the second semester of 2019.[4]

In terms of population size, it would imply the following: between 2019 and 2020 the number of poor children and adolescents would increase from 7 million to 7.7 million. In the case of extreme poverty, this implies an increase of a little more than 400,000 children and adolescents. They could be called *the COVID poor*, since they would emerge as the consequence of the forecast recession.

These are people who, in a different situation, would have been able to overcome poverty, but cannot do so due to the drop in their income, which, in turn, could be caused by problems in the job market (employment) or because they entered poverty for reasons related to the quarantine and to the reduction of the associated level of economic activity ~~level~~.

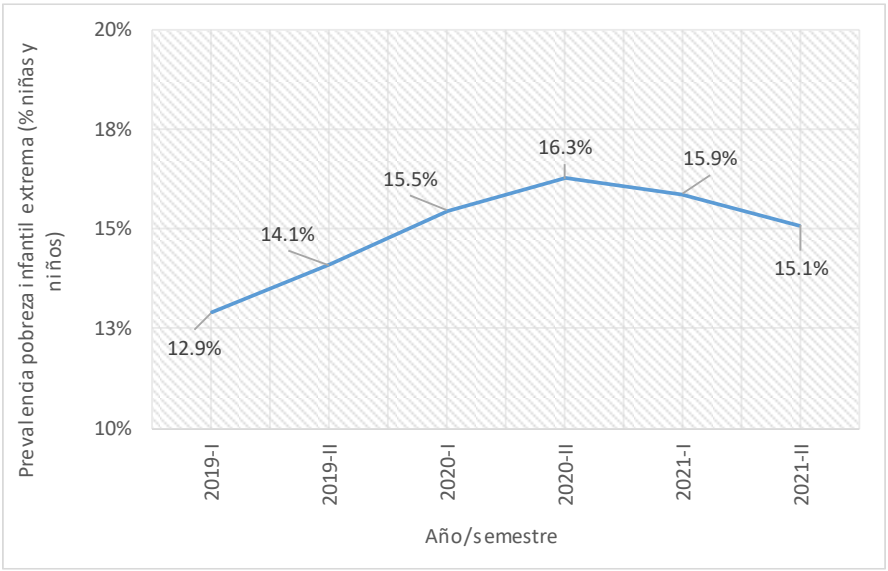
[3]See methodological note for more details as to the model implemented.
[4]Although no data on general poverty is presented, the results obtained are consistent with other micro-simulations such as the one carried out by Bonavida & Gasparini (2020).

Graph 2a. Argentina, child poverty 2019 (observed), 2020 and 2021 (estimated)



Source: Prepared with data from EPH-INDEC and INDEC, National Accounts.

Graph 2b. Argentina, child poverty 2019 (observed), 2020 and 2021 (estimated)



Source: Prepared with data from EPH-INDEC and INDEC, National Accounts.

Charts 2 and 3 include evidence about the observed and estimated poverty prevalence rates, as well as the number of children and adolescents affected by poverty during the crisis and before the recovery foreseen by macroeconomic forecasts. The expansion is carried out taking into account not only the prevalence rates but also the growth of the child population of the country:

Profiles (inequality)

Based on the previous analysis, it is clear that poverty affects more children and adolescents living in female-headed, mainly single-parent, households, which indicates inequality in terms of gender. In the case of female-headed households, the poverty levels might, by the end of 2020, reach 67.5%, almost 15 points above male-headed households (53%).

Furthermore, the prevalence of poverty is very high in households headed by an unemployed man/woman (94,4%), an informal workers (83,9%), or an independent non-professional head of household (81.5%). Gender inequalities can also be observed here: unemployment and informal work levels are more noticeable among women than among men. Women's work history reveals more precarious employment situations. The overload of care tasks and household chores that women endure has a major impact on their possibilities to find formal full-time jobs. (Ministry of Economy, 2020a).

At the same time, poverty is spread equally between regions, with the exceptions of the Northeast and the South, which significantly move away from the others. Also, poverty is more prevalent in shanty town households (91.7%).[5]

The incidence of poverty increases significantly when the children and adolescents live in households where the head of household has had up to six years of schooling (92.9%) or is a foreign migrant (70.8%.)

The differences between child poverty and extreme child poverty (indigence) are particularly marked when taking into account the employment situation of the parents, education level, and immigration status.

[5] The variable used to classify the location of the home in a shanty town/non-shanty derives from the following questions "Is your home located in a shanty town? (by observation)" This question is part of the Home questionnaire of the Permanent Household Survey. Please note that the reply is the surveyor's own observation.

Chart 2. Observed and estimated poverty prevalence and extreme poverty rates in children and adolescents

Variables/Categories	2019		2020	
	Poverty	Extreme	Poverty	Extreme
Total	53.0	14.1	58.6	16.3
Sex of the Person of Reference				
Male	48.3	10.9	53.0	12.6
Female	60.4	19.2	67.5	24.2
Employment				
Formal worker	27.6	2.2	30.4	3.8
Informal worker	71.8	19.3	83.9	28.3
Non-professional self-employed worker	67.9	16.5	81.5	22.1
Professional self-employed worker	25.4	4.3	25.4	6.4
Unemployed	80.5	38.4	94.4	46.8
Inactive	72.7	24.8	85.5	33.5
Years of schooling				
0-6	83.6	25.6	92.9	24.0
7-11	71.9	21.5	80.1	27.0
12+	36.0	7.5	39.8	9.4
Type of household				
Nuclear w/ch	47.7	11.1	53.6	12.3
Single parent	58.9	25.7	63.1	33.7
Extended	61.8	15.4	67.6	20.0
Location of the home				
Shanty town	74.4	24.5	91.7	48.5
Non-shanty town	46.5	10.7	56.9	15.3
Region				
Buenos Aires Metropolitan Area	53.5	16.8	61.3	21.3
Northwest	56.6	10.6	64.3	12.6
Northeast	58.2	14.3	59.5	14.3
Cuyo	53.1	9.7	57.8	12.9
Centre	50.8	11.6	52.1	12.7
South	42.3	8.2	47.8	10.7
Citizenship status				
Native-born	51.1	13.5	56.4	16.3
Internal migrant	56.3	15.6	64.2	20.6
International migrant	65.1	17.3	70.8	18.9

Source: Prepared with data from INDEC-EPH

Chart 3. Number of children and adolescents living in poverty (expanded)

Variable/Category	2019		2020	
	Poverty	Extreme	Poverty	Extreme
Total	6,962,580	1,857,207	7,718,940	2,152,013
Sex of the person of reference				
Man	3,876,595	875.905	4,297,718	1,014,943
Woman	3,085,985	981.302	3,421,222	1,137,070
Employment situation				
Formal worker	1,312,734	105,790	1,455,339	122,583
Informal worker	1,456,516	391,001	1,614,741	453,067
Non-professional self-employed worker	1,324,591	322,642	1,468,484	373,857
Professional self-employed worker	213,339	35,764	236,514	41,442
Unemployed	710,891	339,356	788,117	393,224
Inactive	1,944,052	662,653	2,155,238	767,840
Years of schooling				
0-6	629,148	192,967	697,494	223,598
7-11	3,757,772	1,125,626	4,165,987	1,304,304
12+	2,575,660	538,614	2,855,459	624,111
Type of household				
Nuclear w/ch	3,746,715	876,665	4,153,729	1,015,823
Single parent	965,464	420,915	1,070,345	487,729
Extended	2,250,231	559,627	2,494,678	648,460
Location of the home				
Shanty town	845,458	278,641	1,044,655	552,942
Non-shanty town	6,117,123	1,578,566	6,674,286	1,599,071
Region				
Buenos Aires Metropolitan Area	3,745,141	1,175,291	4,151,984	1,361,852
Northwest	788,480	148,046	874,134	171,547
Northeast	360,545	88,817	399,712	102,916
Cuyo	458,514	83,565	508,323	96,830
Centre	1,387,201	318,172	1,537,895	368,678
South	222,699	43,315	246,891	50,191
Citizenship status				
Native-born	5,111,098	1,351,824	5,666,327	1,566,407
Internal migrant	1,190,384	329,383	1,319,698	381,668
International migrant	661,099	176,000	732,915	203,937

Note: The data corresponding to shanty towns was expanded using the estimations of number of children obtained from the ReNaBaP (National Registry of Slums for its acronym in Spanish)

Source: Prepared with data from INDEC-EPH

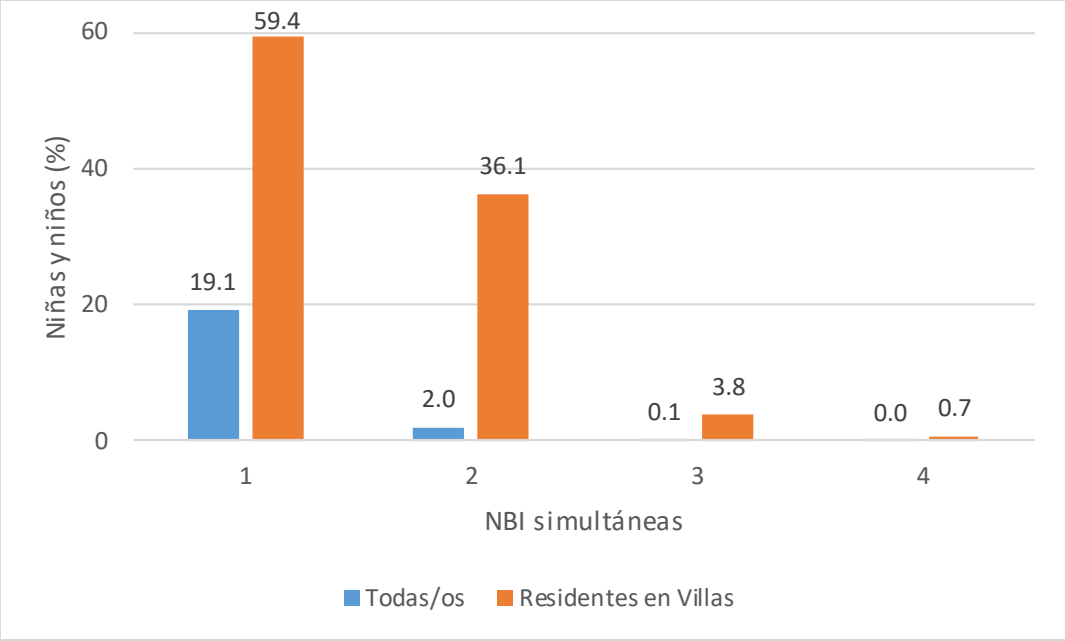
In terms of population, the 756,000 children that might potentially fall into poverty are concentrated in households where the reference person has intermediate schooling, is unemployed or is a wage earner and lives in the metropolitan area of Buenos Aires or in the center of the country (Chart 3).

Location of the home

The geographical location of residence (housing) is one of the main characteristics that impacts inequality, especially for children who live in shanty towns or slums. The ReNaBaP (National Registry of Popular Neighborhoods of Argentina) indicates that 4.2 million people live in such places. Almost 90% do not have formal access to running water, 98% are not connected to the sewage system, 64% are not connected to the power grid and 99% do not have access to the natural gas grid.

These are homes that have at least one unmet basic need (UBN - NBI for its acronym in Spanish) (chart 3) because they are unsuitable and overcrowded. These factors are additional sources of concern for the implementation of disease containment measures.

Chart 3. Argentina, 2019. Children living in homes according to number of UBN shanty towns and the rest of the population.



Source: Prepared with data from INDEC-EPH

Chart 4 shows the increase in inequality in these neighborhoods. Children living in slums have, in relative terms, a greater proportion of women as a reference person (female household heads), an unsuitable educational environment at home, and employment variables that evidence the wide gap caused by precarious and non-formal employment and the deep impact of unemployment and

inactivity. The differences concerning citizenship status are also relevant and pertain to children who live in homes where the level of internal and external migration is higher than those who live outside shanty towns.

Finally, in terms of gender equality the consequences of the pandemic are even higher in slums. For 34% of women living in slums, household chores without wages are their main occupation. 12% have unreported employment, while 26% are unemployed. Comparatively speaking, the unemployment level is higher in women and unpaid tasks are their sole responsibility. This category surveyed by the ReNaBAP is related to child and adult care tasks and household chores (OGyPP,2020- Gender and Public Policies Observatory, for its acronym in Spanish).

Chart 4. Population structure according to the location of the home. Argentina, 2019

Variable/Category	Location		
	Non-shanty town	Shanty town	Total
Total	100.0	100.0	100.0
Sex of the person of reference			
Man	59.4	55.4	59.3
Woman	40.6	44.6	40.7
Age group of the person of reference			
-25	2.1	5.6	2.2
25-59	87.5	86.8	87.5
60+	10.4	7.6	10.3
Level of education of the person of reference			
0-6	5.7	12.1	5.9
7-11	39.3	64.1	40.1
12+	55.0	23.8	54.1
Employment status of the person of reference			
Formal worker	36.3	17.3	35.7
Informal worker	14.8	22.5	15.0
Non-professional self- employed worker	13.9	19.3	14.1
Professional self- employed worker	7.1	0.9	6.9
Unemployed	7.0	14.1	7.2
Inactive	20.9	25.9	21.1
Citizenship status			
Native-born	77.1	64.7	76.8
Internal migrant	15.8	18.0	15.9
International migrant	7.1	17.3	7.4

Source: Prepared with data from INDEC-EPH

Conclusions and recommendations

As part of the mandatory and preventive social isolation measures set to slow the spread of COVID-19, the Government has implemented an important set of actions aiming at limiting the economic consequences of the confinement in different economic sectors of the society. ~~Therefore~~, Budgetary efforts aiming at protecting the income and mitigating the effects of the pandemic on the most vulnerable sectors increased substantively, going from $514,000 to $650,000 million pesos and reaching 2% of the GDP calculated for 2020. This is mainly due to the increase in the food policies budget ($38,000 million), bonuses granted to AUH (Universal Child Allowances for its acronym in Spanish) and AUE (Pregnancy Allowances for its acronym in Spanish) recipients ($3,100 million) and the implementation of the Emergency Family Income (IFE for its acronym in Spanish), with the allocation of $89,630 million. Furthermore, if other labor and/or production support programmes - such as the Work and Production Emergency Allowances (ATP for its acronym in Spanish) and subsidized loans, among others, are considered, **then the responses designed for this pandemic reach around 3 points of the GDP.**

Despite this, the estimations presented here indicate that **by the end of 2020, child poverty would have reached 58.6% of children and adolescents. This implies that approximately 7.7 million children will live in poverty, of which 2.1 million (16.3%) will live in extreme poverty;** that is to say, they will live in households whose income will not cover the minimum basic food needs.

Key recommendations

First, even though the investment made by the National Government in response to the pandemic is very significant, it is of essence to improve the sufficiency and purchasing power of the AUH as the main income protection method for children, in particular for extremely poor families, in order to secure the flow of goods needed to survive. This is an extremely short-term containment measure (the duration of the recession directly linked to the pandemic).

In the same vein, it is crucial **to continue distributing the special supplement of $3,103 pesos for the recipients of the Universal Child Allowance (AUH) and Pregnancy Allowances for**

2020.[6] This measure implies, in practice, that **the total amount of the AUH will be above the indigence line** for an equivalent adult, and would enable each child or adolescent recipient of AUH to maintain the protection of income in an effective and continuous way in relation to their **nutritional needs.** Should the measure continue to be applied during the second half of 2020 (six months), **its fiscal cost would imply an investment equivalent to 0.25% of the GDP.**

Second, it is necessary to **increase the reach of the social protection programmes, such as the Universal Child Allowance and Pregnancy Allowance and the Alimentar Card** The enormity of the challenges brought about by Covid-19 adds another reason to come up with universal and unconditioned answers to cover all children and adolescents, particularly on a scale large enough to allow families to get out of (or avoid falling into) extreme poverty.

Since 2016, the submission of AUH booklets that validate school attendance and periodic health checks in order to receive cash transfers have been extended. It is estimated that these extensions, may reach up to 500,000 children and adolescents. In the current situation, **it will be difficult for 4 million children to prove they comply with the conditions for the AUH**, and it is recommended **that the AUH becomes a universal and unconditioned income protection subsystem,** or that the conditions are not punitive in order to prevent affecting hundreds of thousands of children.[7]

Different international experiences (such as the Bolsa Familia programme in Brazil or the Child Support Grant in South Africa) provide evidence on the convenience of implementing non-punitive mechanisms that do not entail penalties in case of school dropout or absence of health checks, which should instead act as a signal of deep vulnerability and should help the state take notice. That is, implement monitoring and support actions for families together with local and provincial governments, in order to guarantee that children and adolescents attend and stay in school and that

[6]It should be noted that, as is the case with the regular allowances, 80% of the $3,103 supplement is transferred every month, while the remaining 20% is held and is transferred when the book certifying the fulfilment of the conditions is submitted. This implies that the most vulnerable families have to bear the inflation consequences of this delayed transfer.

[7]UNICEF has carried out various investigations at global and local level that show that the impact of conditioned and non-conditioned programmes have positive effects on the decrease of poverty and on the exercise of the rights of children and adolescents. However, the conditions punish those who do not comply with the requirements and the consequences of not being protected can be very serious, especially in the current situation (UNICEF, 2019 and 2017).

they can access health benefits, but without punishing their unfulfillment with the loss of an additional right (the access to social security).

Finally, this report brings to light the existence of the existence of **deep inequalities among specific social sectors that require an additional effort to implement differential policies that supplement universal measures and that take into account the situation of children who live in poor households, and therefore, are especially vulnerable and at risk.**

In particular, we are referring to: female-headed households, single-parent households, or extended households or households headed by individuals with low education level where the parents have precarious or informal employment. The reinforcement or addition of specific measures for these groups is of essence in all the poor neighborhoods around the country. In these neighborhoods, **there is a combination of monetary poverty and structural poverty**, as well as problems to comply with social distancing measures and the limited access to basic services such as drinking water, sanitation and other utilities. Furthermore, these families have precarious and informal employment, they do odd jobs or start small business within the popular economy and are bearing the brunt of the economic fallout from Covid19.

Non-government organizations, social movements and religious institutions have called attention to this situation. In particular, they have highlighted the steady increase in **food assistance**, along with the complications of delivering such resources (packed meals or food bags) to avoid the gathering of crowds. The national government, as well as provincial and municipal governments, acknowledge these concerns and have taken measures to increase the budget for meal assistance, but the demand surpasses currents resources. **Coordination between the different levels of government, community leaders and organizations is necessary to design specific strategies to address the immediate needs and specific territorial development policies in the medium term.**

The pandemic has caused an increase in child poverty and entails the risk of deepening previously existing inequalities. In this context, it is crucial that the policies to be implemented **consider universal mechanisms that protect income and access to essential goods and services that reduce the impact of the pandemic, especially in the most vulnerable households with**

children and adolescents, as well as other strategies focused on the communities and the most exposed population groups.

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Methodological note

There are at least three methods to assess the impact of recession on poverty levels. The most traditional one consists in locating the households with members that are informal workers, whether wage earners or independent workers, and to imagine scenarios of employment loss, involuntary reduction in working hours, income reduction that may take place in the ways mentioned above. The second method assesses the impact of an aggregate demand shock upon direct and indirect employment requirements in each of the economic sectors. The third method focuses on the relationship between economic fluctuations and monetary poverty levels. This document has followed this last method.

The methods listed have advantages and limitations. The first one, partially balanced, focuses mostly on a microeconomic level because it provides assumptions on household situations. The other two are mostly macroeconomic since both work with economic aggregates. The difference between the second and the third method lies in the data required. In order to assess the aggregate demand shock on the employment requirements, an input-output matrix is needed, while the relation product-poverty needs accurate estimations of the economic product and poverty levels of specific periods. These three procedures have the arbitrariness in the design of scenarios in common. However, the procedure selected herein is considered overarching since arbitrariness is carried over to the institutions specialized in creating estimates, such as the Ministries of Economy, the International Monetary Fund, the ECLAC or the World Bank.

Product- poverty elasticities

The selected procedure requires the estimate of product-poverty elasticities, and there is a variety of methods through which said estimate may be made. The simplest procedure has been chosen for this report and it consists in obtaining the interest parameter through estimating a double regression-logarithmic by ordinary least squares with quarterly product and poverty data provided by the National Institute of Statistics and Census.

We worked on the 2004-2019 period, trying to respect the methodological homogeneity of the Permanent Household Survey, which yielded the general and child poverty (total and extreme) data used in the estimates. The general results are summed up in Chart A.1.

Chart A.1.

Estimated elasticities for different types of poverty Argentina, 2004-I-2019-II

Types of Poverty	Elasticity	Controls	R^2	F
General	-1.6913	Quarters	0.917	5412.8
	0.013			
Extreme	2.6571	Quarters	0.881	3196.1
	0.024			
Child	-1.2548	Quarters	0.898	3803.3
	0.014			
Extreme child poverty	-2.4964	Quarters	0.867	2798.7
	0.024			

Note: In parenthesis, the standard deviation of the estimate. The sign is ignored.

Source: Prepared with data from INDEC, EPH and National Accounts.

These are the values selected to forecast the poverty level of the country for 2020 and 2021. But the final selection was made after testing different specifications and procedures to estimate parameters.

Limitations

Other potential mechanisms on which the pandemic could impact child poverty were not considered. Secondly, as to the effects of the model, GDP evolution values that show a recovery as of 2021 were considered. This must be analyzed with caution. Thirdly, although poverty is a multidimensional phenomenon, this report only deals with the impact on monetary poverty.