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# Poverty Traps in Argentina



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# Poverty Traps in Argentina

## Poverty and Equity Assessment

September 2024



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# Abbreviations

AMBA	Metropolitan Area of Buenos Aires
ANSES	National Social Security Administration
AUH	Universal Child Allowance
BPBA	Census in low-income neighborhoods of the Province of Buenos Aires
CEDLAS	Center for Distributive, Labor and Social Studies
CNCPS	National Council for the Coordination of Social Policies
ENGHo	National Household Expenditure Survey
EPH	Permanent Household Survey
EPH-TU	Permanent Household Survey – Urban Total
GBA	Greater Buenos Aires
INDEC	National Institute of Statistics and Censuses of the Argentine Republic
INSSJP	National Institute of Social Services for Retirees and Pensioners
NEA	Northeastern Argentina
NOA	Argentine Northwest
OECD	Organisation for Economic Co-operation and Development
ODSA-UCA	Observatory of the Argentine Social Debt of the Catholic University of Argentina
NPO	National Budget Office
OPISU	Provincial Agency for Social and Urban Integration
GDP	Gross domestic product
PPP	Purchasing power parity
PUAM	Universal Pension for the Elderly
SEDLAC	Socio-Economic Database for Latin America and the Caribbean
UCA	Catholic University of Argentina
USD	US dollars

All dollar amounts are in US dollars, unless otherwise indicated.

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# Executive Summary

**A**rgentina faces persistently high poverty rates, which have shown an upward trend in recent years, despite increased resources aimed at mitigating poverty. Over the past four decades, poverty—measured using the national methodology—has consistently affected more than 25 percent of the urban population (Figure 1). This has persisted during a period when public spending grew 2.6 times, reaching the highest levels among middle- and upper-middle-income countries. While static fiscal incidence analysis indicates that Argentina achieves notable reductions in inequality and poverty through public spending, this impact has been driven more by the volume of spending than by its progressivity (Lustig et al., 2021). Strengthened policies have yet to succeed in significantly reducing poverty levels.

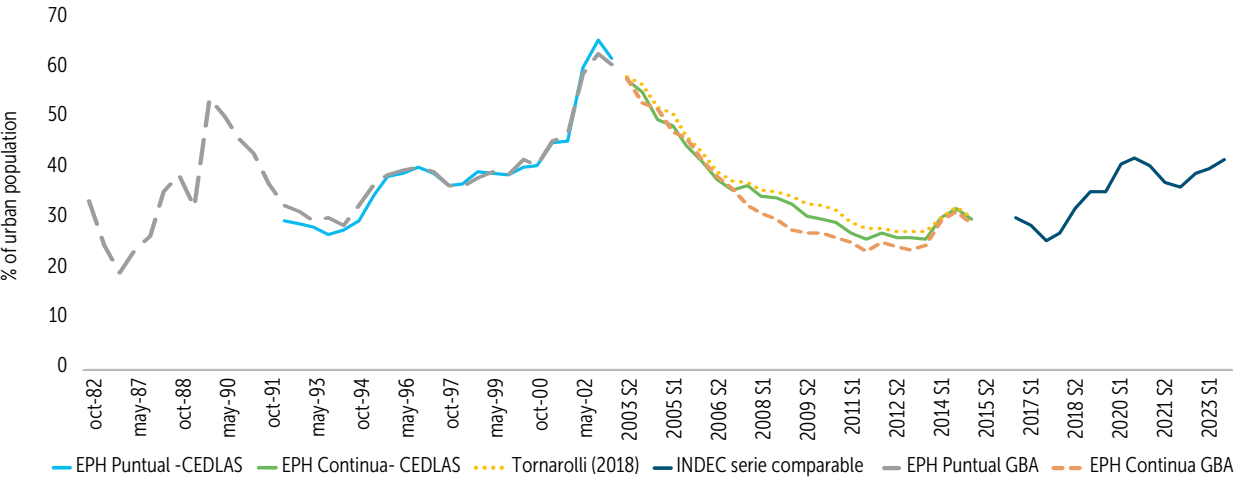
Poverty persists despite the implementation of strengthened policies aimed at reducing it

This apparent paradox can be explained by economic dynamics that limit the ability of low and middle-income households to sustainably increase their incomes. Recurring macroeconomic imbalances and inflation erode real household income, particularly among the poorest segments of the population. Additionally, significant barriers hinder the accumulation and effective use of productive assets. Without addressing these underlying constraints, there is a growing need for continued protection and assistance for low-income households.

**Figure 1**

Poverty levels—measured using the national methodology—have remained above 25 % over the past decades

Estimates of long-term poverty trends in Argentina, 1982-2023 (based on national poverty line)



**Source:** CEDLAS estimates, Tornarolli (2018) and comparable INDEC series since 2016. **Note:** CEDLAS = Center for Distributive, Labor and Social Studies of the National University of La Plata; EPH = Permanent Household Survey; GBA = Greater Buenos Aires; INDEC = National Institute of Statistics and Censuses of the Argentine Republic.

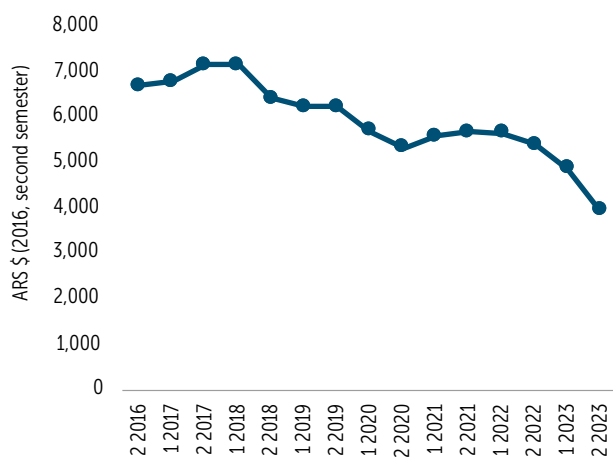
**Real household income has declined, becoming more vulnerable and increasingly dependent on public transfers.** Between 2016 and 2023, the most recent period with comparable information, average

real per capita income fell by 41 percent (Figure 2). Labor income's share of total income for the poorest decile dropped from 64 percent in 2016 to 58 percent in 2023, while the role of public transfers grew from 19 to 27 percent. In deciles 2 and 3, the importance of public transfers almost doubled.

**Figure 2**

Average per capita household income declined by over 40 percent between 2016 and 2023

Average per capita household income (in second-semester 2016 Argentine pesos)



Source: World Bank estimates based on data from INDEC.

**The decline in labor income accounted for 60 percent of the increase in the poverty rate between 2016 and 2023.** Labor income is the largest component of household income across all population groups, but for low- and middle-income segments, it largely comes from vulnerable sources, such as informal work or self-employment (Figure 3).

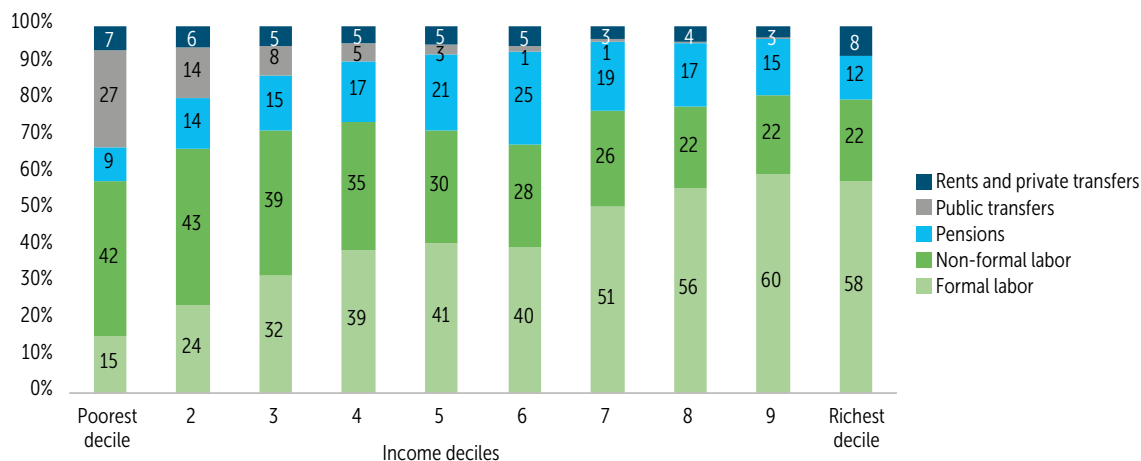
Labor income is the largest component of household income across all population groups, but for low- and middle-income segments, it largely comes from vulnerable sources, such as informal work or self-employment (Figure 3).

**Policy responses have struggled to address the structural factors that limit income generation, often getting caught in various “traps.”** While the establishment and expansion of social transfers and protection mechanisms have built a foundational infrastructure for poverty reduction, this system is precariously positioned. It has been undermined by ongoing macroeconomic instability, unsustainable fiscal policies, distorted incentives for investment and job creation, and the misallocation of productive resources.

**Figure 3**

Labor income is the largest component of total income, primarily from vulnerable employment in middle and lower segments

Composition of per capita household income by source, by decile, second semester 2023



Source: World Bank estimates based on data from INDEC.

These dynamics are reflected in four “poverty traps” which are interconnected both in their origins and their consequences.

**Trap 1. Fiscal imbalance and inflation: a vicious cycle that limits allocative efficiency**



**Inflation has been one of the most important determinants of poverty in Argentina.** Since a large portion of income among poorer households is spent on consumption, inflation disproportionately impacts these groups compared to wealthier households. This effect is intensified when the prices of goods in the basic consumption basket rise faster than the general rate of inflation, a pattern frequently observed in Argentina (Figure 4). Poorer households feel this impact more acutely because a larger share of their total expenditure goes toward food. Additionally, the lack of quality job creation, coupled with rising inflation, has led to a decline in real wages, especially in the informal sector. Most working poor do not have their earnings indexed to inflation or otherwise protected from it, making them more vulnerable to the erosion of purchasing power.

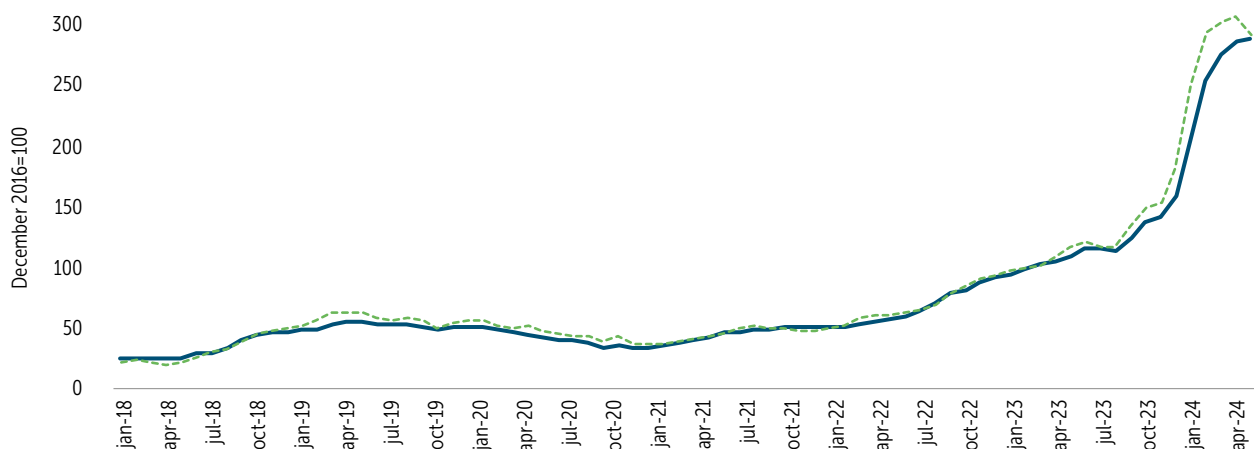
**In a context of fiscal imbalances that drive inflation, a difficult cycle emerges.** Mechanisms like indexing pensions and social transfers, along with income support and subsidy policies, aim to compensate for the loss of real income value and reduce the risk of poverty and extreme poverty. However, these measures can be hard to sustain financially and may inadvertently contribute to inflation.

**Recurrent fiscal deficits have been a key factor fueling inflation in Argentina. Fiscal consolidation poses a dilemma, as a significant portion of public spending is either directly or indirectly linked to past inflation or tied to economic subsidies.** While eliminating inflationary financing of the deficit is essential to break the cycle of high deficits, macroeconomic imbalances, and rising inflation, consolidating fiscal expenditures is challenging. This is particularly true because many of the largest spending areas are rigid or carry a high risk of policy reversal, especially in a situation where more than 40 percent of the population cannot afford the basic consumption basket.

**Figure 4**

**Food prices have often outpaced headline inflation**

Change in the general consumer price and food price indexes, 2018-2024



Source: INDEC.

The need to continually adjust subsidies, protection measures, and social assistance in response to inflation exerts fiscal pressure, limiting the efficiency of public spending. This dynamic undermines the government’s ability, both in the short and long term, to promote asset accumulation, enhance productive use, and improve economic outcomes, particularly for the poor and vulnerable.

Despite these challenges, there are opportunities for fiscal consolidation that could enhance distributional impact. One key area is improving the progressivity of subsidies for public services. Within the realm of social policy, energy and transport subsidies, as well as distortionary taxes, are notable examples of distributional inefficiencies (López del Valle et al., 2021). For many years, the gap between prices and the costs of generating power and delivering basic services has been covered by widespread subsidies, often with a “pro-rich” distributional bias. Although the tariff segmentation policy introduced in 2022 has reduced this bias, significant reform is still needed to ensure that subsidies are efficiently targeted.

### Trap 2. Intergenerational and geographical imbalances leading to chronic poverty



A higher incidence of poverty among children and adolescents and social spending disproportionately directed toward the elderly, translate into chronic poverty and limited social mobility. The persistence of poverty throughout the life cycle weakens inclusion mechanisms and perpetuates existing disadvantages. Economic distortions and imbalanced policy responses have exacerbated two key issues: an intergenerational imbalance in spending—favoring the elderly—and persistent territorial inequalities, which are difficult to address due to the lack of representative data on poverty and equity at the subnational level.

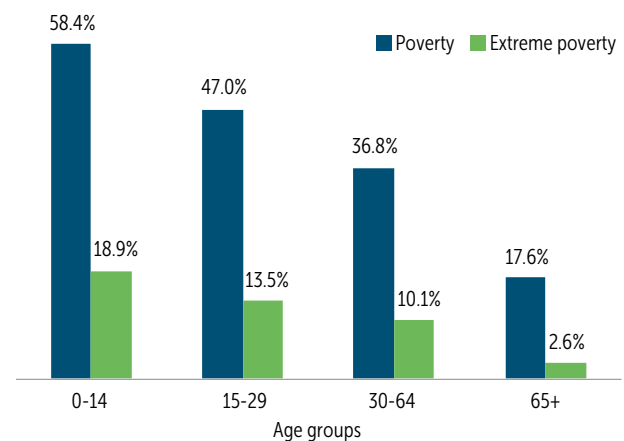
More than half of the country’s children (58 percent in the 0-14 age group) are considered poor, according to the latest official estimate. By

contrast, the poverty rate among those over 64 years old was 17.6 percent in the second semester of 2023 (Figure 5). However, there is an intergenerational bias in social spending; for instance, in 2023, spending on pensions was estimated to be six times higher than on contributory family allowances, while noncontributory pension expenditures were three times higher than those on assistance programs directed to children and adolescents (ONP-UNICEF, INSSJP and Ministry of Economy).

Figure 5

### More than half of children and adolescents live in poverty

Poverty and extreme poverty rate by age range, second semester 2023



Source: INDEC.

Strengthening human capital is essential to breaking the cycle of intergenerational poverty. One of the main barriers to income generation in Argentina is the decline in human capital accumulation, particularly in education and nutrition. While quality education and social inclusion for youth are crucial in urban and suburban areas, populations in the north of the country, where chronic poverty is more prevalent, also need investments in infrastructure and connectivity.

Geographically, poverty often coincides with limited productive employment opportunities and gaps in access to essential services. Access to services and markets is vital; however, designing

effective policy solutions is challenging due to the lack of data that allows for detailed analysis of poverty patterns at the local level.

**A better understanding of the population in rural areas and small cities, as well as welfare dynamics at the subregional level, is critical to addressing inequalities based on where households reside.**

Unlike most countries with comparable levels of development, Argentina lacks poverty measurements that represent the entire population, as they are currently limited to the largest urban centers. This limitation hinders the design, implementation, and evaluation of effective poverty reduction policies. The impact is particularly significant in certain regions, such as the northern provinces, where poverty measurements cover less than 40 percent of the population.

### Trap 3. Spiral of low productivity and income vulnerability



**Informality is a persistent feature of Argentina's labor market, as it is in many countries across the region, and it closely linked to the prevalence of low-quality jobs.** Over the past decade, the share of informal salaried workers (those not contributing to social security) has remained around 30 percent in Argentina. However, when considering non-salaried workers, the rate of informal employment exceeds 40 percent.<sup>1</sup>

**The cycle of low productivity, informality, low-quality jobs, volatile incomes, and poverty -common across Latin American countries- is further intensified by Argentina's macroeconomic imbalances.** Unlike many other countries in the region, the role of labor income in reducing poverty in Argentina significantly declined between 2009 and 2015 (World Bank, 2018). From 2018 onward, consecutive macroeconomic and pandemic shocks hit after years of weak private sector job creation. The employment rate had remained stagnant at around 42.2 percent of the population in the years preceding COVID-19.

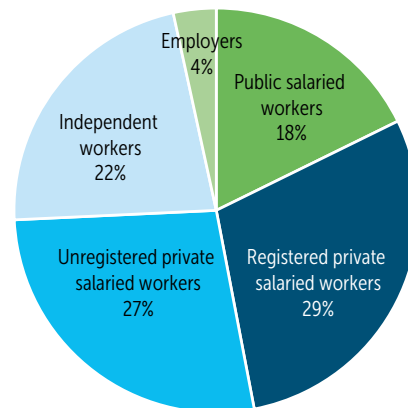
<sup>1</sup> Data based on ILOSTAT, International Labour Organization, Geneva.

**Formal job creation in the private sector has been weak, with significant variations across different regions.** For instance, in the northern provinces, formal private employment represents only 12–20 percent of total employment (Figure 7).

**Figure 6**

Half of all workers are informal or self-employed

Employment composition by occupation category, second semester 2023

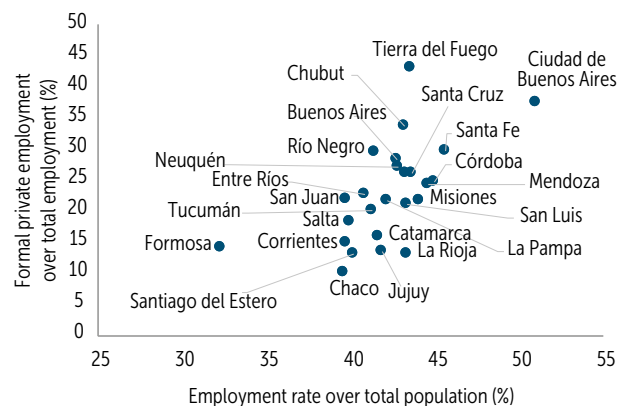


Source: World Bank estimates based on data from INDEC.

**Figure 7**

In certain provinces, formal private employment constitutes less than 20 percent of total employment

Employment rate and share of formal private employment, urban areas, 2023



Source: World Bank estimates based on data from INDEC.

**For poor households, the primary source of income often comes from informal and precarious labor.** About two-thirds of the working poor hold informal salaried or independent jobs, typically in nonprofessional roles. In vulnerable urban neighborhoods, the majority of young people aged 17 to 30 are employed informally. This pattern of informality and low-quality employment starts early, with the average age of first employment being just 16.

**The median wage has been on a downward trend, progressively approaching from above the poverty line, due to losses in real value—even for formal workers.** By 2023, the labor income of an average informal or self-employed worker was insufficient to cover a basic consumption (poverty) basket, compared to 2017 when it could cover 1.3 baskets. Additionally, the purchasing power of self-employed professionals and wage earners in the formal public and private sectors has diminished significantly, dropping from 3.2 poverty baskets in 2017 to less than 2 in 2023 (Figure 8).

**In this environment, the accumulation of other productive assets remains extremely low,**

**particularly for the middle- and low-income households.** Few families can acquire assets that generate income, or investments yielding interest or dividends. According to the latest household expenditure survey, conducted in 2018, only the highest income deciles had more than 5 percent of the population possessing these types of assets.

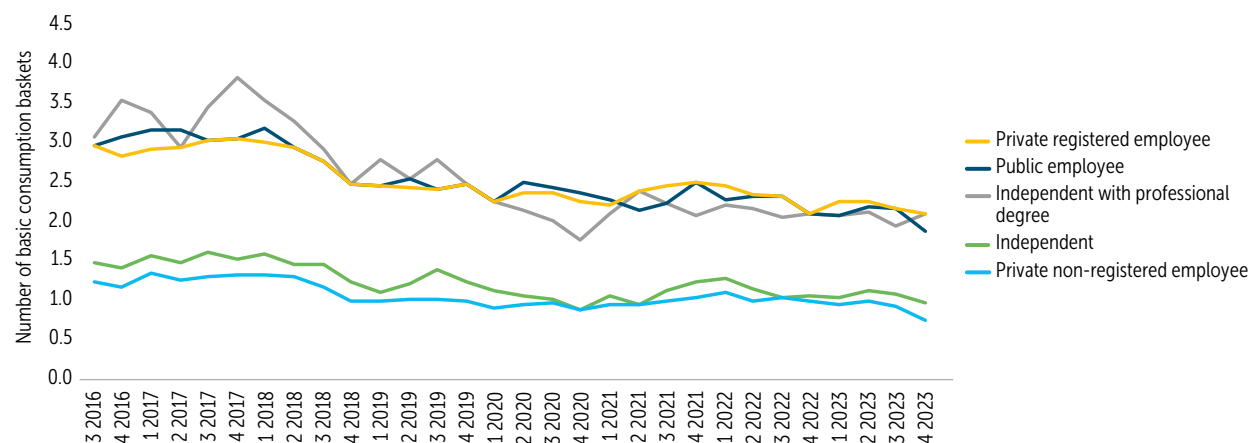
#### Trap 4. Increasing climate risks and limited capacity for resilience



**Argentina faces significant challenges in reducing the exposure and vulnerability of the poor to climate events and other external shocks, especially given the constraints created by the other poverty traps.** Climate change and related environmental shocks pose critical risks to economic activities, particularly in agriculture, and hinder improvements in overall well-being. It is estimated that climate-related droughts could lead to losses of up to 4 percent of GDP by 2050. Additionally, annual floods result in losses of up to US\$1.4 billion in assets and approximately US\$4 billion in well-being (Argentina Country Climate and Development Report, World Bank, 2022).

**Figure 8**

Number of poverty baskets affordable to workers earning the median wage, by type of employment and quarter, 2016–2023



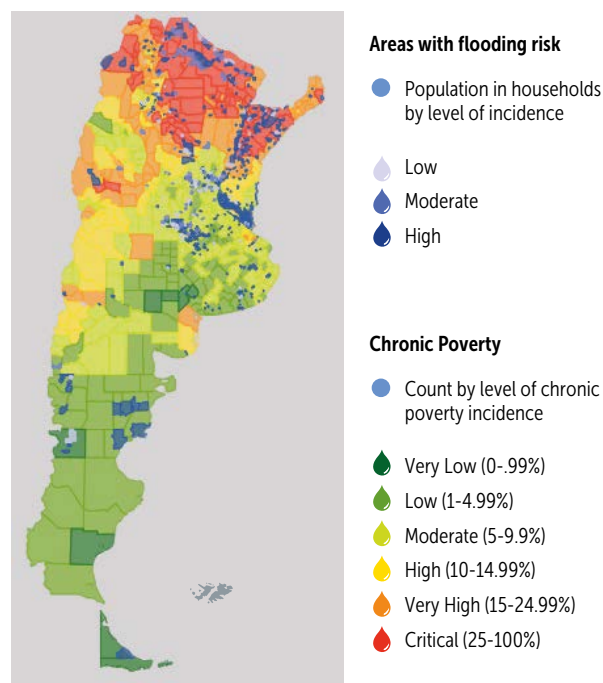
Source: World Bank estimates based on the Permanent Household Survey, INDEC.

For the poor and vulnerable, climate shocks can mean the loss of scarce assets and the erosion of social assistance benefits, driving them deeper into poverty for years. Factors such as limited access to clean water, poor-quality housing, proximity to open-air landfills, and residence in high-risk flood zones increase the exposure of low-income populations to climate risks. For instance, the flood risk index aligns with areas of high chronic poverty, particularly in the northern provinces and Greater Buenos Aires (GBA) (Figure 9). Furthermore, projected temperature changes are most pronounced in regions with higher poverty rates, such as the northern areas. Given their limited assets, these communities have low resilience to such events, and climate shocks can quickly reduce access to affordable food and energy.

**Figure 9**

### High flood risk and chronic poverty rates converge in specific territories

Map of flood zones and chronic poverty



**Source:** Pablo De Grande and Gonzalo Rodríguez (2023). Provincial Cartography National Census of Population, Households, and Housing 2010; and Gasparini et al. (2020). Chronic poverty. Retrieved August 2, 2024, <https://mapa.poblaciones.org/>.

Extreme weather events, particularly droughts and floods, are Argentina’s most significant climate risks, severely impacting the well-being of its population. Floods directly affect the poorest and most vulnerable populations, leading to asset loss, including human capital due to increased prevalence of diseases and food insecurity (Rozenberg et al., 2021). Droughts cause major economic setbacks by disrupting agriculture, a key driver of growth and exports, which subsequently leads to income losses across the population.

**Natural resource management is critical to Argentina’s economy, but investments needed to shift towards sustainable practices are often hampered by the urgency created by other poverty traps.** The sustainable use of natural resources in agriculture, extractive industries, and energy-related activities is essential for inclusive development. However, the immediate need of generating foreign exchange earnings and rapid economic growth often encourages the overexploitation of resources or the postponement of investments for diversification, prioritizing short-term gains over long-term sustainability.

**In addition, people living in poverty may have fewer opportunities to transition to the green economy, making it harder for them to generate income.** The transition to more sustainable industries and jobs carries risks, particularly for communities dependent on natural resources for their livelihoods, whether as producers or workers. Barriers such as inequalities in human capital, infrastructure, and price distortions that hinder efficient asset use further restrict income generation for the poor.

### Overcoming poverty traps

**The cornerstone of a poverty reduction strategy in Argentina is to strengthen households’ capacity to generate income.** Addressing the structural constraints that the economy and households face in this regard requires comprehensive reforms across multiple areas.

**Key priorities for overcoming the poverty traps include:**

- 1. Macroeconomic stabilization, with a focus on inflation reduction, is a critical first step.** In addition, establishing rapid-response mechanisms and temporary support measures to directly target beneficiaries can help ensure that vulnerable households are not disproportionately burdened during economic adjustments.
- 2. At the same time, it is essential to find the margins for efficiency gains to make fiscal consolidation processes sustainable while protecting those who need it most.** Argentina can gain from integrating administrative data to enhance the targeting of economic subsidies and social programs. Incentive mechanisms could also improve intergovernmental coordination, reducing fragmentation and duplication of support efforts.
- 3. Address the structural barriers to income generation with emphasis on two priorities:**
  - a. Enhance human capital development with differentiated actions according to the needs of the population in different contexts and geographical areas.** Investment in education, health, and safety, with a balanced focus on children and adolescents, is needed to break the cycle of intergenerational poverty. Social inclusion initiatives are crucial in suburban areas like neighborhoods in the Conurbano (the suburban area of the City of Buenos Aires), while infrastructure improvements, such as better connectivity, are key for northern regions.
  - b. Promote policies that facilitate the creation of high-quality jobs by leveraging synergies between local and global opportunities.** On the demand side, this includes removing distortions that discourage the development of quality employment and boosting workers' transitions to higher-productivity sectors. On the supply side, it includes prioritizing social investments that create quality

job opportunities, particularly for women, including in the care economy.

- 4. Reduce vulnerability to external shocks, including climate events, at the macro and micro levels.** This includes diversifying economic activities and exports at the macro level and designing effective risk insurance mechanisms at the micro level. Investment in climate adaptation is essential at both levels.
- 5. For the success of the above actions, it is crucial to have adequate instruments to measure and monitor poverty for the entire population.** Effective poverty reduction requires accurate tools to measure and monitor poverty across all populations, including rural areas, and with detailed geographical representativeness. A thorough diagnosis of the varying needs across regions is critical for guiding resource allocation and achieving meaningful outcomes. Ensuring that poverty reduction strategies involve co-responsibility at provincial levels will strengthen implementation efforts.

Addressing these key areas may help Argentina overcome its poverty traps and pave the way for a more resilient, inclusive, and sustainable future.



# 1 Poverty in Argentina has grown, though diagnostic assessment faces limitations

## 1.1. Poverty has increased in Argentina, while it has declined in most countries in the region

**Compared to other countries in Latin America and the Caribbean, Argentina has a relatively poverty rate.** The latest estimate, using the international poverty line for upper-middle-income countries (US\$6.85 per day, 2017 PPP), showed a poverty rate of 10.9 percent in 2022.<sup>2</sup> Among countries in the region with comparable data, only two had lower poverty rates than Argentina, while the average rate across Latin America and the Caribbean was 26 percent.

**However, unlike most other Latin American countries, Argentina has seen an increase in poverty over the past decade.** Even countries that started with similar or lower poverty rates, as well as

those with weaker economic performance, managed to reduce poverty between 2012 and 2022 (Figure 10). In 9 of the 11 countries in the region with data for this period, real per capita income rose, and it rose more among the bottom 40 percent of the population. By contrast, in Argentina, real per capita household income declined for both the population as a whole and among the bottom 40 percent (Figure 11).

**The COVID-19 pandemic temporarily set back progress across the region, yet by 2022, the regional average poverty rate had fallen below pre-pandemic levels.** Between 2019 and 2022, poverty in Latin America and the Caribbean, measured by the US\$6.85 per day (PPP 2017) line, decreased from 28.1 to 26 percent.<sup>3</sup> Economic recovery and improvements in employment during 2021 helped reduce poverty, though inflation constrained the extent of these gains.

<sup>2</sup> World Bank poverty estimates are based on a harmonized version of the household survey for each country and use international poverty lines defined in per capita terms. The most recent estimates to date are up to 2022. The harmonization process includes a series of imputations that are applied to income to make it comparable across countries. All monetary measurements are adjusted to 2017 purchasing power parity (PPP) US dollars, using inflation rates estimated by private consulting firms for the period 2007-2015, and official sources thereafter. The poverty line for upper-middle-income countries, such as most LAC countries including Argentina, is US\$6.85 at 2017 PPP per capita per day. Because of differences in the poverty lines and in the construction of the income total, the official and international poverty rates are not comparable. The international line is used for cross-country comparisons, while the official methodology is used for country-specific analyses.

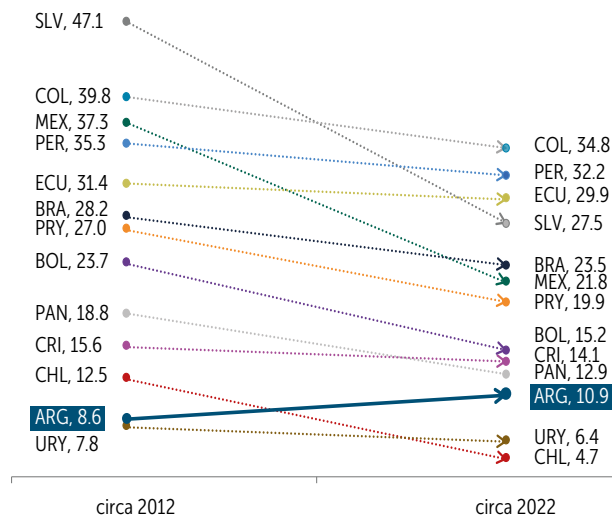
<sup>3</sup> Socio-Economic Database for Latin America and the Caribbean (SEDLAC) (CEDLAS and World Bank).



**Figure 10**

The poverty rate in Argentina is low compared to the region but has increased in the last decade

Poverty rate for Latin American and Caribbean countries (%), 2012 and 2022 (estimates with international poverty line of US\$6.85/day, PPP 2017)



Source: SEDLAC (CEDLAS and World Bank).

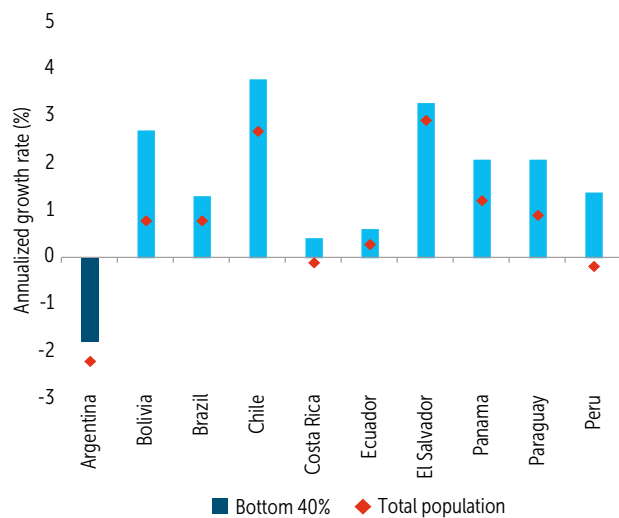
**In Argentina, the effects of the pandemic, combined with an ongoing economic crisis, exacerbated an already deteriorating situation that had been negative since 2018.** By 2020, poverty in Argentina peaked at 15.4 percent, the highest level in over a decade, based on the international poverty line of US\$6.85 per day (PPP 2017).

**In a context of income losses for different segments of the population, the proportion of the population considered vulnerable has grown and the middle class has shrunk.** According to international thresholds, individuals with a per capita income between US\$6.85 and US\$14 per day (PPP 2017) are considered vulnerable, and those with a per capita income between US\$14 and US\$81 per day (PPP 2017) are categorized as middle class. From 2012 to 2022, the share of Argentina’s population classified as vulnerable increased from 20.9 to 28.5

**Figure 11**

Real per capita income has declined for the general population and the bottom 40 percent in Argentina

Annualized growth in per capita household income for the population as a whole and for the bottom 40 percent, 2012-2022



Source: SEDLAC (CEDLAS and World Bank).

percent, while the middle class shrank from 66.9 to 58.7 percent (Figure 12).

**Inequality in Argentina remained relatively stable over 2012-2022** (Figure 13). Argentina’s level of inequality (0.407 in 2022, as measured by the Gini index) is relatively low compared to Latin American countries (0.50 on average), but high relative to upper-middle-income countries in other regions.

**Section 1.1 analyzes trends in poverty and inequality from an international perspective.**

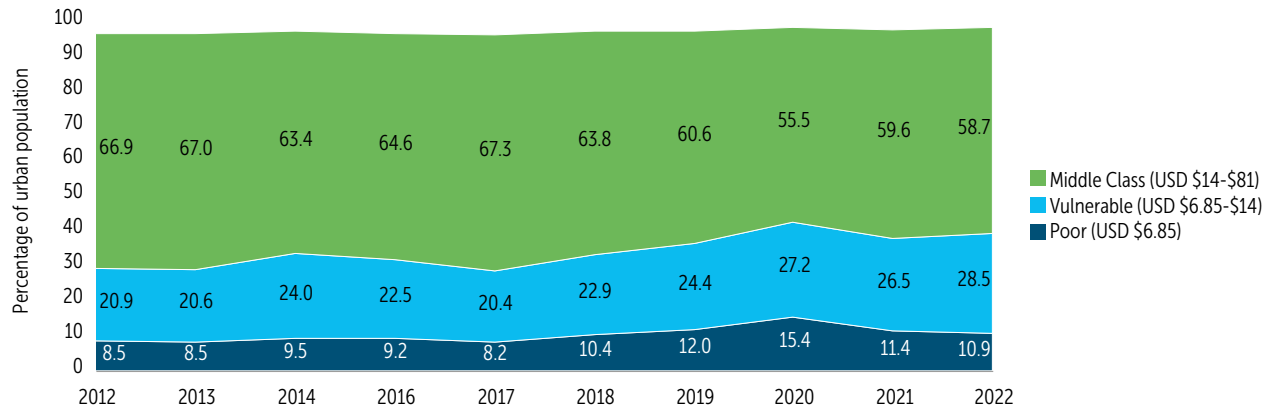
For comparability, the international poverty line was used, which sets a lower threshold than Argentina’s national poverty line employed for official measurements.<sup>4</sup> The rest of the report will focus on trends and analysis within Argentina, using results based on the national poverty line and the country’s official measurement methodology.

<sup>4</sup> Argentina’s official poverty line is determined by the value of the Total Basic Basket (CBT), which is calculated by expanding the Basic Food Basket (CBA) to include non-food goods and services such as clothing, transportation, education, and health, as consumed by the reference population (INDEC, 2016).

**Figure 12**

### The middle class in Argentina declined over the past decade

Evolution of the proportion of the population considered poor, vulnerable and middle class, according to international guidelines and methodology, 2012-2022

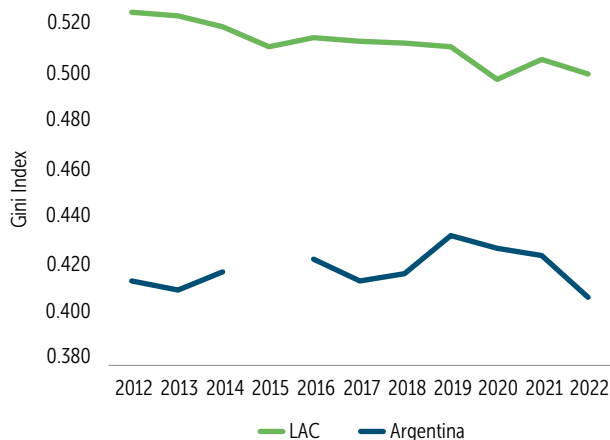


Source: LAC Equity Lab with SEDLAC data (CEDLAS and World Bank).

**Figure 13**

### Inequality has remained relatively stable at a level below regional average

Evolution of inequality in Argentina and the average for Latin America and the Caribbean, as measured by the Gini coefficient of per capita household income, 2012-2022



Source: LAC Equity Lab with SEDLAC data (CEDLAS and World Bank).

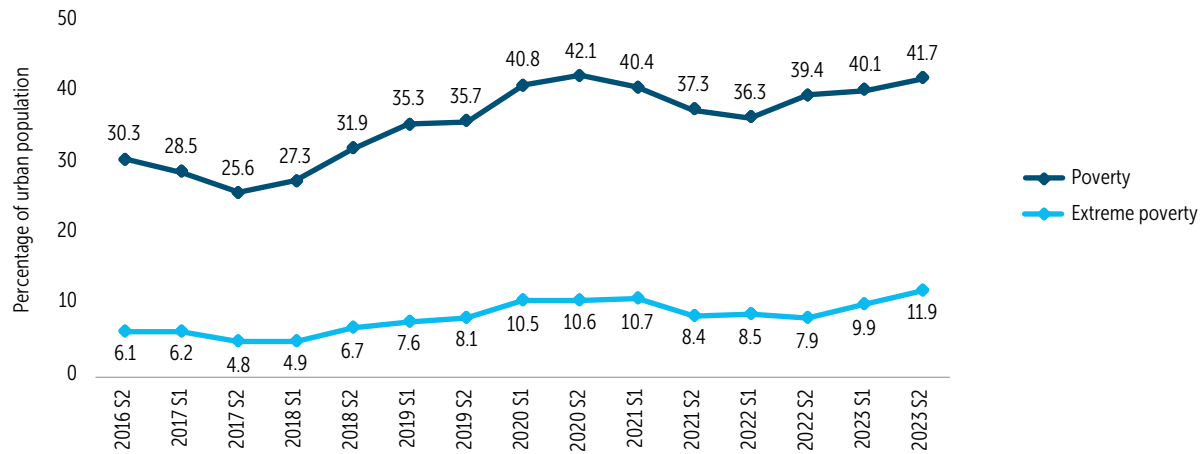
## 1.2. The poverty floor has persisted for four decades in Argentina, and the country faces a new recent cycle of deterioration

The limited progress in poverty reduction observed after 2011—as well as the steep increase after 2018—exposes the impact of a new cycle of macroeconomic difficulties and instability that Argentina has repeatedly experienced in the past. This highlights the impact of a new cycle of macroeconomic challenges and instability that Argentina has repeatedly faced. Over the past four decades, poverty rates have spiked during major economic crises, including those in the late 1980s, mid-1990s, and 2001. However, even during periods of economic growth, poverty—measured using the national methodology—has consistently remained above a floor of 25 percent of the urban population (Figure 1 in the Executive Summary).

**Figure 14**

The official measurement shows four in ten Argentines in major urban areas living in poverty; one in ten living in extreme poverty

Evolution of the poverty and extreme poverty rates, as measured according to Argentina's official methodology, semesters 2016-2023



**Source:** INDEC. **Note:** The analysis period covers the most recent comparable set of data available.

**As a result of the most recent cycle of rising poverty, the rate reached 41.7 percent of the urban population, according to the latest official measurement for the second semester of 2023.**

Additionally, the extreme poverty (indigence) rate, which represents the proportion of the population unable to afford the basic food basket as defined by INDEC, stood at 11.9 percent (Figure 14).

**Recent years have been characterized by impoverishment across all segments of the population, although with different dynamics depending on the period.** From 2016 to 2017, household incomes improved, mainly benefiting the poorest groups, resulting in poverty reduction driven by both economic growth and redistributive effects (Figure 15). However, beginning in 2018, economic recession and later the COVID-19 pandemic led to a decline in incomes across nearly all groups. The recession in 2018 and 2019 caused income deterioration, particularly in the lower percentiles, leading to an increase in poverty driven by both a lack

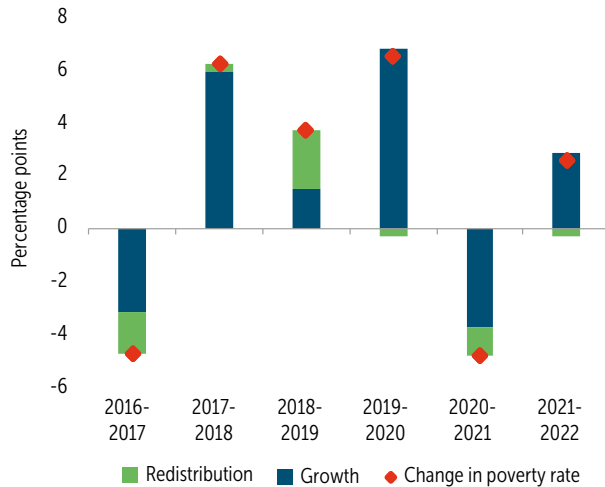
of economic growth and a general shift toward lower income levels. During the pandemic and subsequent recovery, mitigation policies helped limit income losses for the poorest, even allowing for some income growth, which contained the rise in extreme poverty in 2020 and 2021. Still, these efforts were not enough to offset the overall negative impact of stagnant growth on poverty rates (Figure 16).

**Income reductions across all population segments were primarily driven by declines in labor income—the largest component of total household income.** Between 2016 and 2023, average real per capita household income fell by 41 percent, largely due to a decrease in labor income. The main factor behind this reduction has been the fall in labor income. Combined losses in both formal and informal labor income accounted for 60 percent of the rise in poverty during this period. Public transfers played a critical role in mitigating the increase; without them, poverty would have been 30 percent higher over the period under analysis (Figure 17).

**Figure 15**

Limited economic growth largely accounts for rising poverty rates

Decomposition of annual changes in poverty by growth and distributional effects (Datt-Ravallion decomposition), 2016-2022

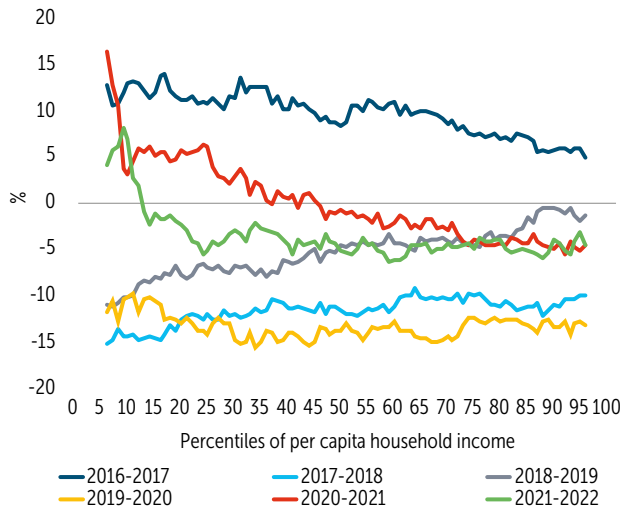


**Source:** World Bank estimates based on data from the Permanent Household Survey, INDEC.

**Figure 16**

Economic recession and the pandemic have lowered incomes across all groups since 2018

Annual per capita household income growth by percentile of the distribution, 2016-2022

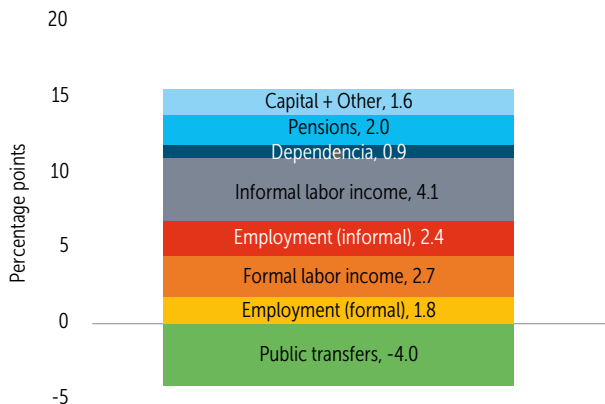


**Source:** World Bank estimates based on data from the Permanent Household Survey, INDEC. **Note:** Extreme percentiles which are typically highly volatile have been excluded.

**Figure 17**

Reductions in formal and nonformal labor income explain 60 percent of the increase in poverty between 2016 and 2023

Decomposition of the total change in poverty by the contribution of the change in different sources of income (Shapley decomposition), cumulative 2016-2023



**Source:** World Bank estimates based on data from the Permanent Household Survey, INDEC.

### 1.3. Poverty is concentrated among children, youth, and geographically in the suburbs and northern regions

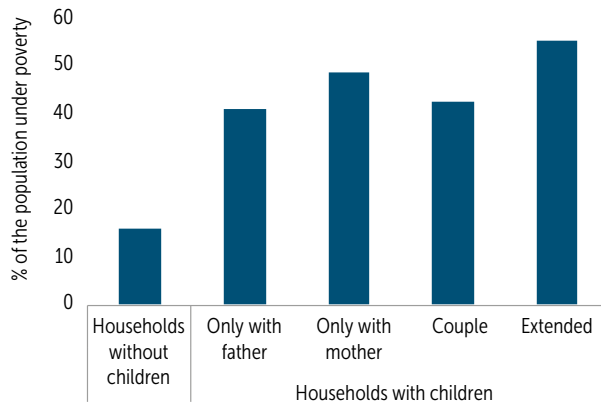
**Poverty in Argentina disproportionately affects children and adolescents, with more than half living in poverty.** As of the second half of 2023, 58.4 percent of individuals aged 0 to 14 were classified as poor, and 18.9 percent were living in extreme poverty, according to official data. The poverty rate among those aged 15 to 29 is also high, at 47 percent, which exceeds the national average. In contrast, the poverty rate among individuals aged 65 and older is 17.6 percent, with 2.6 percent living in extreme poverty (Figure 5 in the Executive Summary).

**These trends are reflected in the composition of poor households, which tend to be larger than non-poor households.** On average, poor households have 4.1 members, compared to 2.6 members in non-

**Figure 18**

Poverty rates are highest among households with children, particularly in extended households and female-headed households

Poverty rate, by household composition, second semester, 2023



**Source:** World Bank estimates based on data from the Permanent Household Survey, INDEC.

poor households, making them about 1.5 times larger. The likelihood of poverty increases with household size: the poverty rate is 9.2 percent for single-person households but rises to 60.4 percent for households with five or more members.

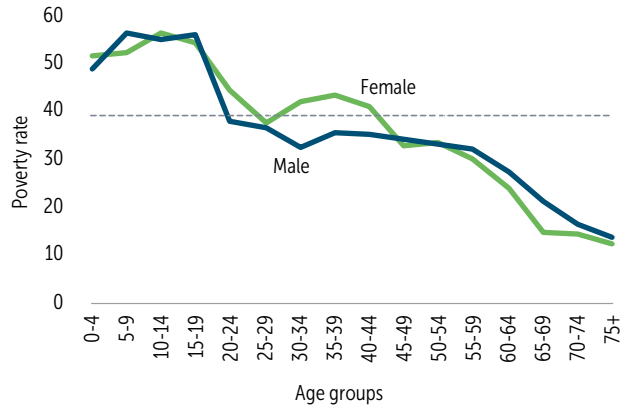
**Households with children, particularly those headed by single women or structured as extended families, face higher poverty rates.** The poverty rate triples in households with children compared to those without. Among households with children, those headed by single men have the lowest poverty rates, although such households are rare (less than 2 percent of the total). The highest poverty rates are found in extended households and those led by single women (Figure 18).

**During reproductive and parenting ages (24 to 44 years), women are at a higher risk of poverty compared to men.** While overall poverty rates are similar for men and women, a gender gap emerges during this life stage, with women more vulnerable to falling into poverty (Figure 19).

**Figure 19**

Poverty incidence is higher among women in the 24-44 age group

Poverty rate by sex and age group, official methodology, 2023



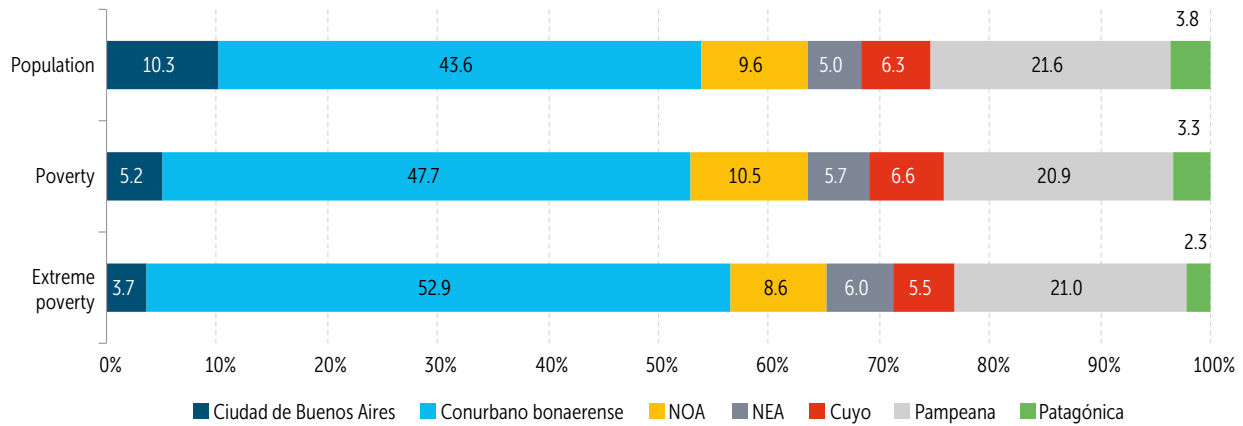
**Source:** World Bank estimates based on data from the Permanent Household Survey, INDEC.

**Geographically, nearly half of Argentina's poor and indigent populations are concentrated in the municipalities surrounding the City of Buenos Aires.** Specifically, 48 percent of the poor and 53 percent of those in extreme poverty live in the Conurbano bonaerense—the suburban belt around the City of Buenos Aires, consisting of 24 municipalities in the Province of Buenos Aires. This area accounts for 43.6 percent of the population across the 31 urban agglomerates where poverty is measured (Figure 20).

**Poverty rates are also notably higher in Argentina's northern regions, with the Northeast and Northwest historically experiencing the highest levels.** As of the latest measurement from the second half of 2023, these regions had poverty rates of 48.4 percent and 45.6 percent, respectively—about 10 percentage points higher than the region with the lowest incidence, Patagonia, at 36.5 percent (Figure 21). In terms of extreme poverty, the Northwest and the Greater Buenos Aires Area (GBA), including the City of Buenos Aires and the Conurbano bonaerense, have the highest rates.

**Figure 20**

Poverty concentration is higher in suburbs surrounding the City of Buenos Aires

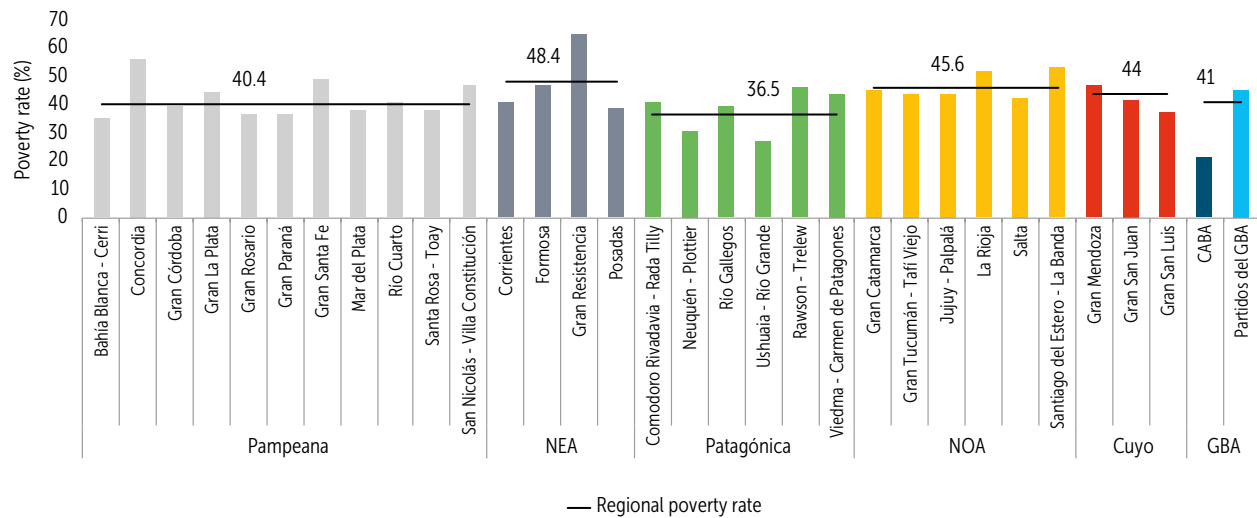


**Source:** World Bank estimates based on data from the Permanent Household Survey, INDEC. **Note:** NEA = Northeast Argentina. NOA = Northwest Argentina.

**Figure 21**

Poverty measurement in Argentina is limited to 31 urban areas, with higher incidence in the North and Greater Buenos Aires regions

Poverty rates by region and agglomerates, second semester, 2023



**Source:** INDEC, Poverty and extreme poverty rates in 31 urban agglomerates (second semester of 2023). **Note:** The measurements for some clusters have a coefficient of variation greater than 16 percent and should therefore be interpreted with reservation.

**Poverty manifests differently across Argentina's regions.** In the Buenos Aires suburbs, it is marked by job insecurity and challenges related to socio-urban integration. In the northern regions (Northeast and Northwest Argentina), poverty is characterized by limited access to public services and a lack of connectivity.

**The most significant contrasts in poverty levels occur within each region. However, diagnosing these differences at a more localized level is difficult due to limitations in the available data.** For example, there is a disparity of more than 20 percentage points between the City of Buenos Aires and the Conurbano (Greater Buenos Aires urban areas). In this case, the household survey used to measure poverty is representative of the area, making the figures reliable. However, variations within clusters in the northern regions are harder to interpret accurately because these areas have significant information gaps due to a large percentage of the population not being included in the statistics (see section 1.4).

#### 1.4. Official poverty measurements cover only part of the country's population

**Argentina's official poverty measurements do not account for the population living in smaller urban and rural areas.** Available measurements are based on the Permanent Household Survey (*Encuesta Permanente de Hogares*, EPH), which only covers the population living in the 31 major urban clusters of at least 100,000 inhabitants (approximately 62 percent of the country's total population). As a result, the survey excludes small urban areas, defined as localities with populations between 2,000 and 100,000 (27.6 percent of the total population), as well as rural areas, which include localities with fewer than 2,000 inhabitants (9.7 percent of the population).<sup>5</sup>

**This means that about 38 percent of the population is not covered by the survey, though this proportion varies significantly across provinces, as the distribution of small urban and rural populations is not uniform.** In many provinces, the survey covers less than half of the population because most residents live in smaller urban or rural areas. For instance, in the Northeast provinces, household income and poverty statistics cover only about 30 to 40 percent of the population (Figure 22).

**Approaches to diagnosing poverty among population not covered by the official measurement are limited because they rely on data sources that lack a monetary dimension or require strong assumptions about consumption patterns and prices.** Estimates using the EPH-TU, which assume that consumption patterns and prices are similar to those in the main metropolitan areas of each region, suggest that while the trends in poverty and extreme poverty in small urban areas closely mirrored those in larger urban centers between 2016 and 2022, the poverty rate was likely higher in small urban areas, whereas the extreme poverty rate was similar.

**Population census data, on the other hand, indicate a higher incidence of poverty among rural populations when assessed through living conditions, although this method does not measure monetary poverty.**<sup>6</sup> Estimates based on the 2010 census, using an 'unmet basic needs' approach, suggest that poverty may be more prevalent in rural areas compared to the regions covered by the EPH. According to these findings, the proportion of households with at least one unmet basic need was almost twice as high in rural areas (23.9 percent in combined localities and dispersed populations) compared to urban areas (12 percent) (Figure 23).

<sup>5</sup> Data from the 2010 Population Census.

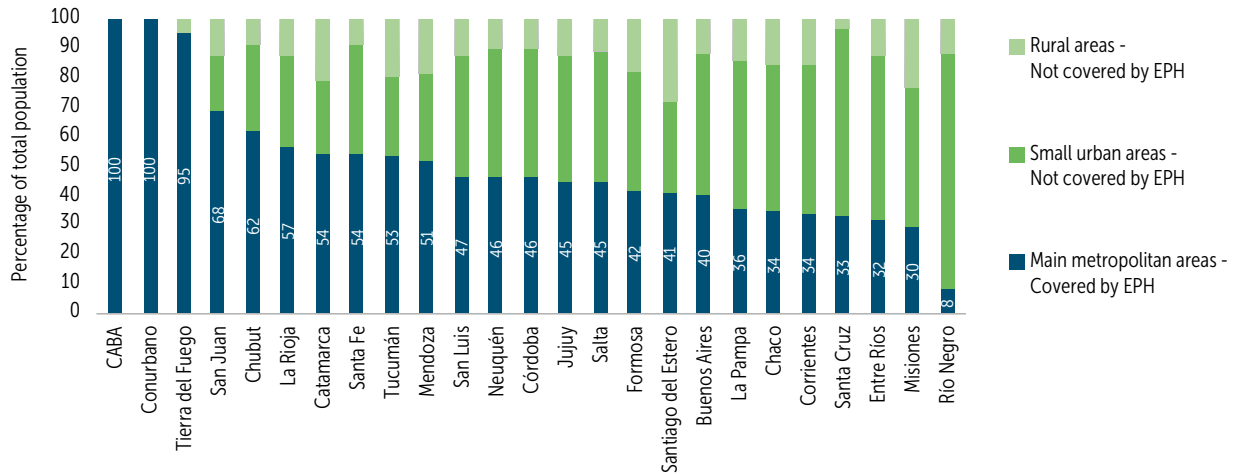
<sup>6</sup> Argentina pioneered the application of an 'unmet basic needs' methodology, launching it in 1984 based on data from the population census conducted in 1980. This methodology is based on indicators of overcrowding, housing characteristics, access to sanitation services, school attendance, and economic capacity. Since then, INDEC has applied the methodology every time new census data becomes available. Although its implementation is considered one of the first attempts to measure multidimensional poverty, weaknesses have been identified and no revisions or updates have been made since its 1984 application (Feres and Mancero, 2001).



**Figure 22**

In most provinces, poverty date cover less than half the population

Share of population in urban clusters, small urban areas, and rural areas, by province, 2023



Source: INDEC. Note: Permanent Household Survey.

**Alternative methods, such as satellite imagery, also point to higher poverty rates in rural and small urban areas.** For instance, Ciaschi (2021) used nighttime satellite images to analyze national trends in poverty and inequality from 1992 to 2013. The results suggest that poverty rates were higher in areas not covered by the EPH.

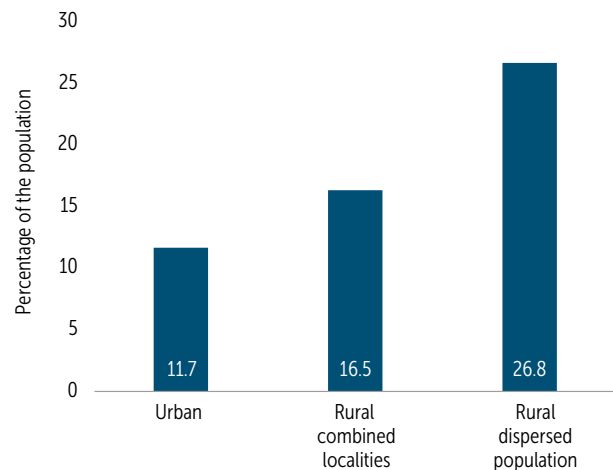
**While monetary measurements can effectively approximate non-monetary deficiencies, poverty is recognized as a multidimensional issue.** In Argentina, this multidimensional nature of poverty also faces challenges due to limitations in data coverage. Globally, there is broad consensus on the importance of measuring deprivations across multiple dimensions beyond just monetary income. Many countries in the region, including Mexico, Chile, Colombia, Costa Rica, and El Salvador, have supplemented traditional monetary poverty metrics with multidimensional approaches. However, efforts to develop a multidimensional poverty index in Argentina are constrained by data limitations, not only due to gaps in population coverage but also because of the lack of comprehensive data on

non-monetary dimensions, which are essential for implementing a multidimensional poverty framework (see Box 2).

**Figure 23**

The prevalence of unmet basic needs is higher among the rural population

Households with unmet basic needs, by locality, 2010



Source: 2010 Population Census.

## ➤ BOX 1. THE HOUSEHOLD SURVEY AND THE MEASUREMENT OF MONETARY POVERTY IN ARGENTINA

Poverty estimates in Argentina are based on the Permanent Household Survey (EPH), which serves as the primary source of data on the sociodemographic characteristics of the population, the labor market, living conditions, income distribution, and poverty. The EPH provides quarterly estimates of labor indicators and biannual data on household income and poverty status. One of the strengths of this survey is its ability to frequently monitor socioeconomic indicators, but its limited coverage restricts a comprehensive understanding of poverty across the country.

The EPH has been conducted by the National Institute of Statistics and Censuses (INDEC) since 1973, though it has undergone modifications and updates over the years, making long-term comparisons challenging. The survey's coverage has expanded over time. For instance, due to various changes in the country, the survey underwent a complete revision in 2003, which included updates to sampling and survey methods, questionnaires, frequency, and definitions. This led to a break in the time series from that year onward.

Currently, the EPH is representative of the population living in the 31 largest urban areas in Argentina, encompassing all provincial capitals and cities with more than 100,000 inhabitants. As such, the survey covers approximately 62 percent of the total population. Among these urban areas, Greater Buenos Aires (GBA) is the largest, with around 15.5 million residents.

Official poverty estimates based on the EPH began in 1988. In 2016, INDEC revised the official methodology for estimating monetary poverty. As with the previous methodology, adult equivalent units are used to account for differences in household composition, such as gender and age. The main change introduced was the use of new regional poverty lines, constructed from household income and expenditure data collected in 1997/98 and 2004/05, and later updated using average prices from the official consumer price index.

Recently, an expanded version of the EPH, known as the EPH-Urban Total (EPH-TU), has been implemented. Conducted annually in the third quarter, this expanded survey extends coverage to all urban areas, including both main and smaller urban centers. With the EPH-TU, coverage increases from 62 percent to 91 percent of the total population. Both the EPH and the EPH-TU use the same questionnaire. However, applying the official poverty estimation methodology is not ideal for measuring poverty in smaller urban areas, where consumption patterns and prices can differ significantly from those observed in major metropolitan areas.

**Sources:** CEDLAS and World Bank (2014); INDEC (2003, 2016).

**Studies and initiatives that use a multidimensional approach to poverty in Argentina suggest that the multidimensional poverty rate is more stable than the monetary poverty rate, which is heavily influenced by inflation.**<sup>7</sup> For instance, Gasparini, Tornarolli, and Glüzmann (2019) found that multidimensional poverty did not increase even

when monetary poverty rates rose in 2015 and 2016, as improvements in non-monetary dimensions offset the effects of increased monetary poverty. Similarly, the multidimensional poverty rate calculated by the Catholic University of Argentina, which excludes income, remained stable, whereas the monetary poverty rate rose in 2018 and 2019 (Bonfiglio, 2020).

7 There is an extensive literature on various aspects of multidimensional poverty in Argentina. For example, Arévalo and Paž (2015); CNCPS (2021); Gasparini, Tornarolli, and Glüzmann (2019); Gongalez and Santos (2020); López and Safojan (2013); and Santos and Villatoro (2018).

## ➤ BOX 2. INITIATIVES USING ALTERNATIVE DATA SOURCES FOR MEASURING MULTIDIMENSIONAL POVERTY IN ARGENTINA

The Catholic University of Argentina (UCA) has developed a methodology for measuring multidimensional poverty using data from the Argentine Social Debt Survey, an annual household survey conducted since 2010 that covers urban areas with at least 80,000 inhabitants. The UCA multidimensional poverty index includes 16 indicators across six dimensions: health and food, services and infrastructure, housing, environment, education and employment, and social security (Bonfiglio, 2020). To classify a household as multidimensionally poor, three criteria are used: failing to meet the minimum threshold in one indicator, in two indicators, or in three or more indicators.

The General Directorate of Statistics and Censuses of the City of Buenos Aires developed a methodology to measure multidimensional poverty (DGEyC-CABA, 2019). The dimensions and indicators were chosen based on what most of the population considers essential for a dignified life. To improve accuracy, a special module was added to the Annual Household Survey conducted in the City of Buenos Aires each year between October and December. The index includes 23 indicators across five dimensions: food, health and care, housing and access to services, household equipment, and social deprivation and education. Social deprivations encompass factors such as the inability to afford holidays or invite friends over for dinner. A household is considered multidimensionally poor if it shows deficiencies in two or more of the five dimensions. A specific dimension is classified as a gap when at least 33 percent of its associated indicators fail to meet the threshold.

Paç et al. (2016) use the Multiple Indicator Cluster Surveys (MICS) conducted by the United Nations Children's Fund (UNICEF) during 2011 and 2012. utilize the Multiple Indicator Cluster Surveys (MICS) conducted by the United Nations Children's Fund (UNICEF) in 2011 and 2012. This study focuses on poverty among children and adolescents, so the dimensions and indicators are specifically adapted for this group. The approach is rights-based and includes 28 indicators grouped into 10 dimensions: nutrition, health, education, information, sanitation, housing, environment, violence, work and play, and social interaction. Children and adolescents are classified as multidimensionally poor if they fail to meet the threshold in at least 15 percent of the dimensions, meaning deficiencies in at least 1.5 dimensions.

### 1.5. Better data are needed for more efficient policy impact

**The absence of a nationally representative household survey in Argentina results in substantive blind spots for public policy.** Without comprehensive data, the formulation and evaluation of effective and efficient policy measures at both national and provincial levels are limited. This issue also leads to a bias that highlights poverty in the Conurbano area while obscuring the conditions in smaller urban centers and rural areas. This measurement gap contrasts with most countries

in the region, which provide national coverage and ensure rural and urban representativeness (Beccaria and Glüzmann, 2013).

**Policies tailored to the specific conditions of the population and the efficient allocation of resources could be significantly improved with geographically representative poverty measurements.** Although household surveys in most countries do not typically allow for detailed geographical breakdowns (such as by province, municipality, or town), techniques for combining and imputing data from population censuses and surveys have been developed to create

poverty maps without requiring costly additional data collection (Bedi et al., 2007; Corral et al., 2022). Implementing a survey with national coverage in Argentina would make it possible to develop similar poverty maps.

**A nationally representative data source would enable the identification of local poverty for more precise targeting of interventions, as well as improve the allocation of resources to subnational governments.** Having poverty estimates specific to different jurisdictions could enhance the geographical targeting of interventions and promote cooperation across different levels of government. Geographically disaggregated data can also aid in planning and evaluating public investments in sectors such as education, health, and transportation. Furthermore, this information would improve the transparency and efficiency of fiscal transfers and strengthen joint responsibility in poverty reduction efforts.

**Updating and refining the construction of poverty baskets is also a priority.** The current poverty and extreme poverty baskets are based on consumption and expenditure data from 2012/13. Revising these baskets, for example, using data from the most recent National Household Expenditure Survey (ENGHo), would provide a clearer picture of current consumption patterns. Additionally, developing a price index with national coverage is a critical step toward enhancing the accuracy of poverty measurements.

## CHAPTER

# 2

# The drivers of poverty and barriers to income generation

## 2.1. An assets approach to analyzing household income generation

**This report adopts an assets approach to examine the opportunities and constraints households face in generating income.** Within this framework, assets broadly represent the resources households can leverage to generate income (Siegel, 2005). However, the ability of households to generate income depends not only on the assets they possess but also on how effectively they utilize these assets and the returns they earn from them (López-Calva and Rodríguez-Castelán, 2016).

**The assets approach posits that a household's capacity to generate income—and thus achieve desired levels of well-being—depends on the assets it owns, how these assets are used, and the presence and functionality of markets and institutions that facilitate interaction and income generation** (Figure 24). This approach provides a straightforward way to understand income

dynamics. Conceptually, it can be broken down into four components: (1) the accumulation—or depletion—of assets, which include human, financial, physical, natural, and social capital; (2) changes in the intensity of asset use (e.g., labor force participation); (3) returns on assets, influenced by price dynamics, macroeconomic trends, and regulations; and (4) the role of private and public transfers in income generation, including social, fiscal, and distributive policies (Bussolo and López-Calva, 2014; López-Calva and Rodríguez-Castelán, 2016).

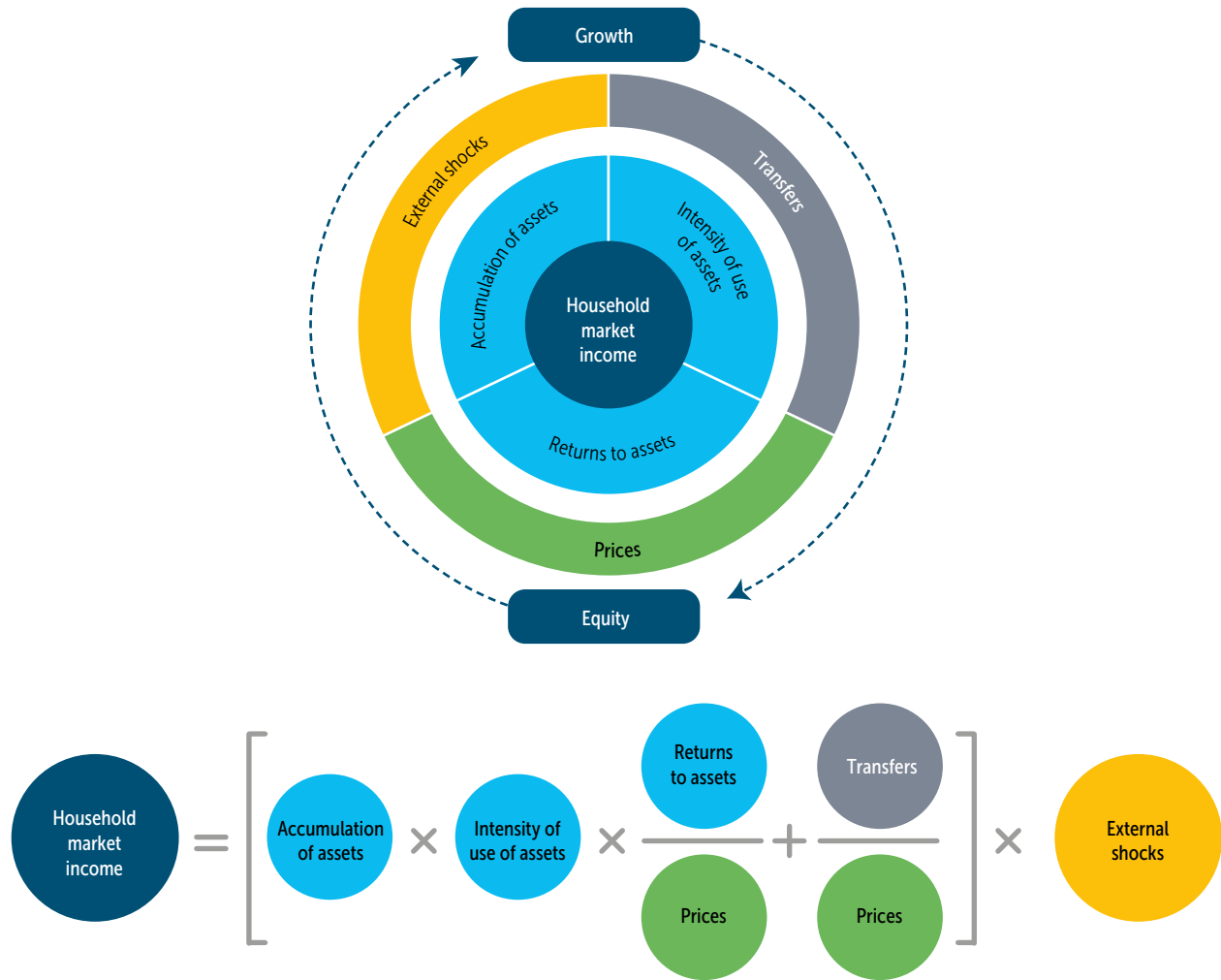
**This approach makes the study of policy responses more intuitive.** This framework simplifies the study of policy responses by categorizing them into areas associated with asset accumulation (e.g., policies that expand healthcare services or ensure continuous education), intensity of asset use (e.g., policies that support job stability), and returns on assets (e.g., policies that mitigate risk and protect wages). It also considers nonmarket-related policies, such as public transfers, including social assistance programs and safety nets.



**Figure 24**

Household income-generating capacity depends on available assets, asset utilization, and the obtained returns to use

The Assets Approach for Growth and Equity



Source: Adapted from López-Calva and Rodríguez-Castelán (2016); World Bank (2018).

## 2.2. Labor income is the largest component of total household income

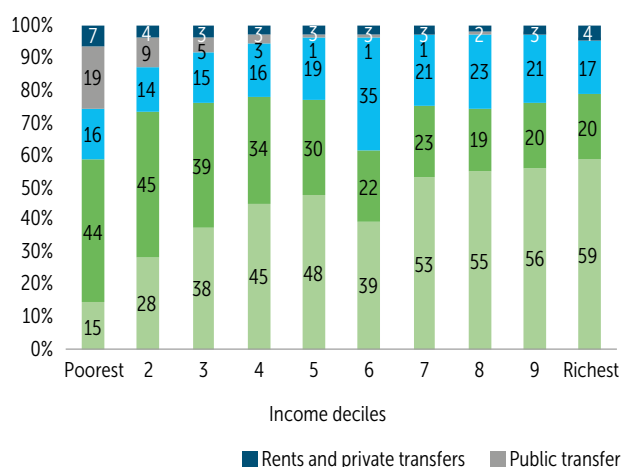
**Employment and labor income are the primary drivers of poverty trends.** Changes in the employed population accounted for about 20 percent of the increase in poverty during the

recent period with comparable data (2016-2023), while changes in labor income explained roughly 60 percent. Similarly, during times of poverty reduction, increases in labor income played a key role. For example, labor income contributed to 38 percent of the poverty decline between 2016 and 2017, and 70 percent of the annual reduction in 2021.

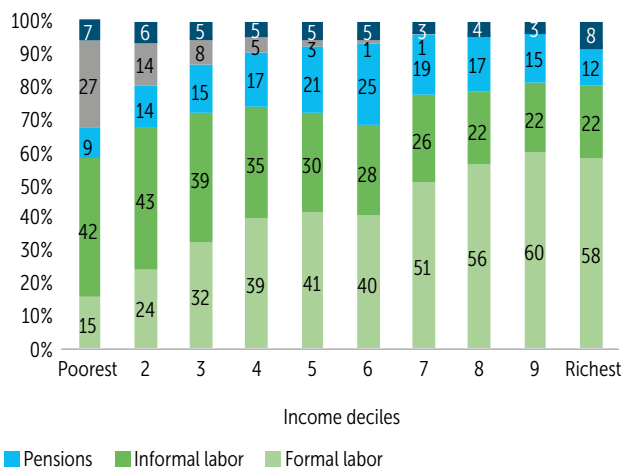
**Figure 25**

The share of labor income and pensions has decreased over the last decade

a. Composition of total household income by income decile, 2016



b. Composition of total household income, by income decile, 2023



Source: World Bank estimates based on data from the Permanent Household Survey, INDEC.

**Human capital is the most critical asset in the income generation process, and a lack of it is reflected in reduced opportunities for quality employment.** For the poorest population, 59 percent of total income comes from labor, but only 15 percent is from formal employment. This proportion increases with income levels. In the middle-income decile, labor income makes up 72 percent of total income, and it rises to 80 percent in the highest income decile. However, it is not until the fourth income decile that formal labor income surpasses nonformal labor income as the predominant source of household earnings (Figure 25, panel a).

**Over the past decade, amid rising inflation and the prevalence of low-quality jobs, the share of labor income and pensions has declined.** For middle-income households, income from nonformal labor has become increasingly important compared to formal labor income. Meanwhile, the share of

pensions in total income has decreased across nearly all income deciles, while public transfers have gained significance. For instance, public transfers made up 19 percent of total household income for the poorest decile in 2016, increasing to 27 percent by 2023. For the second decile, this share rose from 9 percent to 14 percent, and from 5 percent to 8 percent in the third decile (Figure 25).

### 2.3. Accumulation of human capital and productive assets is insufficient and of low quality

**I Investment in human capital in Argentina has not led to comparable gains in productivity over the past few decades.** The country's Human Capital Index is 0.60, meaning that due to current risks from poor health, nutrition, and learning, children born in Argentina today will reach only 60 percent of their potential productivity by age 18, assuming full health and education.<sup>8</sup> Although this index is

<sup>8</sup> The human capital index measures key points along the trajectory from birth to adulthood of a child born today. The index has three components: (a) survival from birth to school age, measured by the under-five mortality rate; (b) the expected years of school, adjusted for learning, considering the quantity and quality of education; and (c) health, measured by adult survival rates and stunting rate among children ages 0–5 (World Bank, 2020).

slightly above the regional average for Latin America and the Caribbean (0.55) and marginally higher than Argentina's score in 2010 (0.59), progress has been limited (World Bank, 2020).

**The potential for human capital accumulation varies significantly across the country, with greater challenges and productivity impacts in the northern provinces.** For example, a child born today in the Province of Chaco is expected to reach a productivity level of 55.2 percent, while a child in the Province of Formosa would reach 54.7 percent. In contrast, children born in the City of Buenos Aires are projected to be over 10 percentage points higher at 66.7 percent, nearing the levels observed in high-income countries (around 0.71) (Alonso, Berridi, and Mohpal, 2021).

## Education

**International comparisons show that while Argentina performs well in terms of coverage within the compulsory education system, it falls short in educational outcomes.** There is a notable gap in the inclusion of students in upper secondary education, and trends in academic achievement at the primary and secondary levels reveal a learning crisis that affects human capital development. This crisis is particularly pronounced among children from poorer households.

**From early childhood, the most vulnerable populations have fewer opportunities to develop human capital.** Access to early education and health services varies widely depending on socioeconomic status. For instance, in 2023, half of the children under age 4 in urban households in the wealthiest quintile were attending school, compared to only a quarter of those in the poorest quintile. Although access to early childhood education has improved in recent years (Cardini, Guevara, and Steinberg, 2021), significant disparities remain across provinces. Data from the 2022 Census show that 58 percent of children under 4 in the City of Buenos Aires attend an educational institution, compared to just 12 to 20

percent in provinces like Formosa, Misiones, Chaco, Salta, and San Luis.

**Policies aimed at enhancing human capital accumulation are most effective when they support early development and are adapted to local contexts.** Parents of out-of-school children reported that their children would attend as early as 3 or 4 years old if transportation were better (71 percent), schools were closer to home (67.5 percent), tuition was free (65.1 percent), or if the parents had stable jobs (61.3 percent) (UNICEF, 2021).

**Despite universal coverage in primary education, there are still challenges related to performance and dropout rates, particularly among children and adolescents from poorer households.** School attendance is nearly universal until age 15, with minimal differences across income levels. However, dropout rates begin to rise significantly during upper secondary education, particularly among disadvantaged students. While secondary school enrollment among youth from the bottom 40 percent of the population increased by 8 percentage points over the past decade, only 45 percent of these youth graduated by the official compulsory secondary completion age (UNICEF, 2017).

**Enrollment starts to decline after age 15, with dropout rates increasing among the most vulnerable students.** On average, 15 percent of 17-year-olds have left school, and this rate is 3 percentage points higher among those from the bottom 40 percent of households. These disparities are even more pronounced in deprived urban areas. For example, in vulnerable neighborhoods of the Conurbano, 31 percent of 17-year-olds are not attending school, and 13 percent had dropped out by age 15 (Figure 26).

**The proportion of young people is significantly higher among the poor and vulnerable segments of Argentina's population, making educational disparities in these groups a substantial loss of human capital for the country.** As youth from



households in the bottom 40 percent age, their participation in the education system drops sharply: by the age of 19, only 39 percent are still attending formal education, compared to 61 percent of youth overall. This loss of human capital potential is even more concerning given the demographic composition of the bottom 40 percent, where 4.1 out of 10 individuals are under 19 years of age, compared to 2.9 out of 10 in the general population (Figure 27).

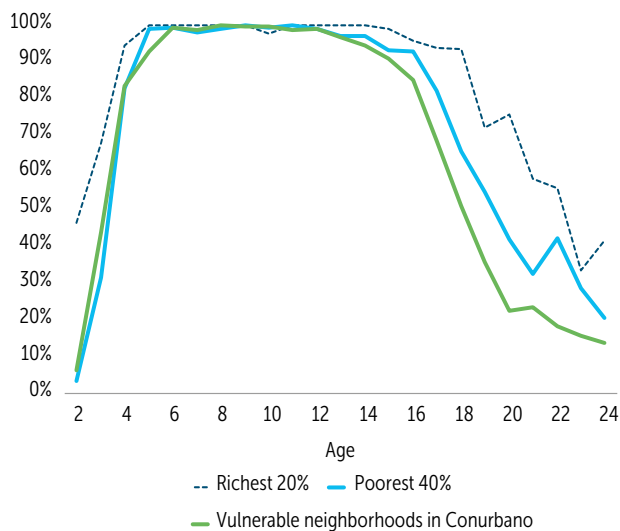
**School outcomes are closely linked to parental education levels, reflecting broader issues of social mobility.** Among young people aged 11 and older who are in school, the rates of overage students

and unexcused absences decline as the educational attainment of their parents rises. For example, 29 percent of students whose mothers completed only primary school were classified as overage, a trend that is similar when considering fathers' education. This proportion drops to 12 percent among students whose mothers had attained higher education (complete or incomplete). Unexcused absenteeism follows a similar pattern: 36 percent of students with mothers who had the lowest education level reported unexcused absences in the month before the survey, compared to 22 percent for those whose mothers had higher educational attainment (Figure 28).

**Figure 26**

**Vulnerable populations have lower early education attendance and higher dropout rates**

Gross school enrollment rate, by age among the highest income quintile, the bottom 40 percent, and vulnerable neighborhoods in Conurbano, 2018

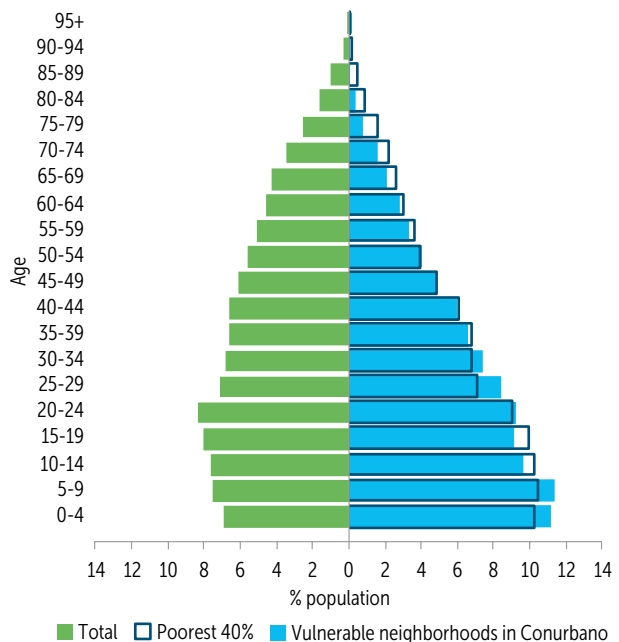


**Source:** Third quarter 2018 data from the Permanent Household Survey; and from the Provincial Directorate of Statistics of the Province of Buenos Aires and OPISU, Census in Popular Neighborhoods of the Province of Buenos Aires (CeBPBA) 2018. **Note:** The 'bottom 40 percent' of the income distribution refers to the population in quintiles 1 and 2 of the income distribution. 'Vulnerable neighborhoods in Conurbano' refers to case studies in vulnerable neighborhoods selected based on CeBPBA 2018.

**Figure 27**

**Children and young people form a higher proportion of the most vulnerable groups**

Population distribution by age, comparative of the total population, population in the bottom 40 percent, and population in vulnerable neighborhoods of the Conurbano, 2018

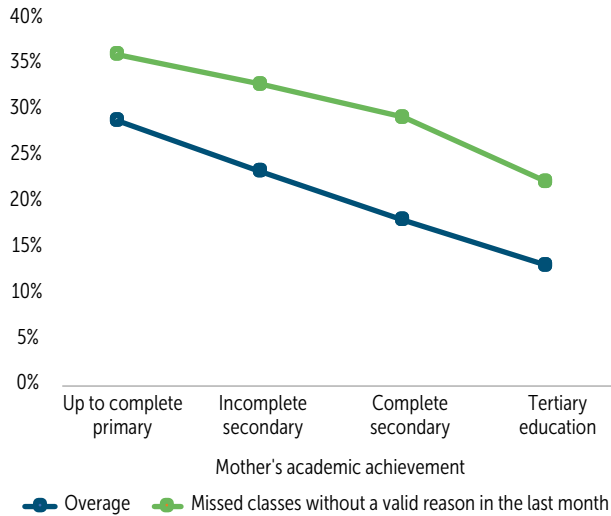


**Source:** Data for the third quarter of 2018, from the Permanent Household Survey; and from the Provincial Directorate of Statistics of the Province of Buenos Aires and OPISU, CeBPBA 2018. **Note:** The bottom 40 percent of the income distribution refers to the population in quintiles 1 and 2 of the income distribution. Barrios vulnerables del Conurbano refers to case studies in neighborhoods selected based on CeBPBA 2018.

**Figure 28**

Higher parental education levels correlate with fewer students falling behind in school

Percentage of students with school attendance and average problems, by parents' education level, 2018



**Source:** Global School-Based Health Survey (GSHS). **Note:** The indicators are for students in the first and fifth years of secondary school.

**Students who do not achieve basic proficiency face significant barriers to further learning and are more likely to drop out.** According to the national APRENDER assessments, a large proportion of primary and secondary students show unsatisfactory performance in math and language.<sup>9</sup> International assessments further underscore these challenges, with Argentina's average PISA math scores for students in the top four quintiles of the international socioeconomic scale falling below 400 points. In comparison, students from similar socioeconomic backgrounds in OECD countries, as well as in comparable nations like Türkiye and Vietnam, tend to score significantly higher (Figure 29).

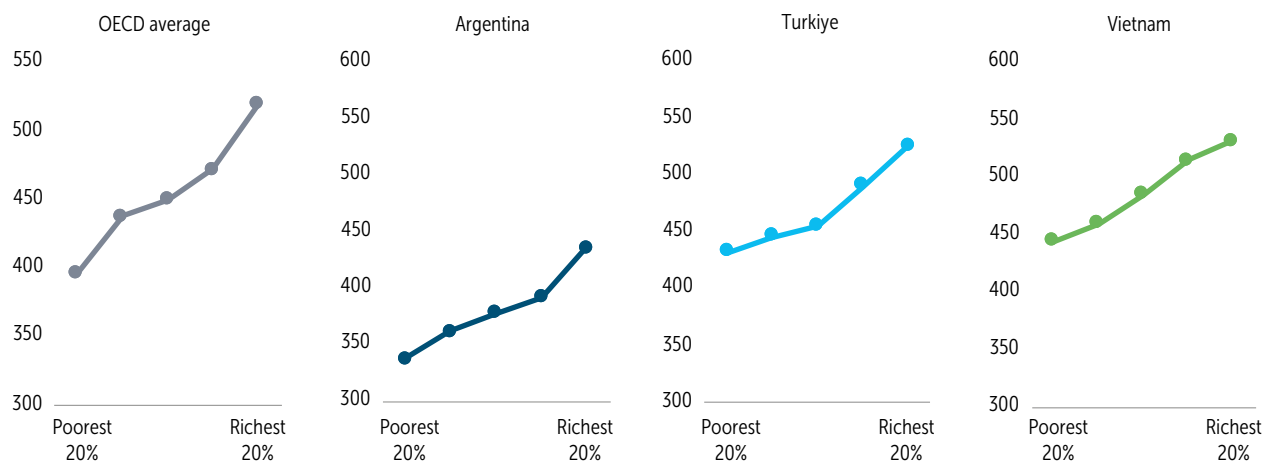
**Social environments also play a critical role in determining whether students remain in school.** In vulnerable neighborhoods of the Conurbano, 63.2 percent of youth aged 17 to 30 did not complete compulsory schooling, with 36.5 percent reporting they had dropped out, mostly during high school. This suggests that many are not attempting to

complete compulsory schooling, with 36.5 percent reporting they had dropped out, mostly during high school. This suggests that many are not attempting to

**Figure 29**

Average school performance is low in Argentina, especially for low-income populations

Mathematical proficiency by income quintile, OECD average, Argentina, and selected countries, 2022



**Source:** OCDE, PISA 2022 Database.

<sup>9</sup> See Aprender (dashboard), Secretariat of Evaluation and Educational Information, Ministry of Education, Buenos Aires, <https://www.argentina.gov.ar/educacion/evaluacion-informacion-educativa/aprender>.

finish their education. For these young people, educational trajectories were cut short, and only a small portion (11.4 percent) pursued vocational training.<sup>10</sup>

## Health

**Ensuring adequate investment in health and prevention poses significant challenges, particularly for those facing socioeconomic deprivation.** Access to health services in Argentina is provided through social security insurance, voluntary private sector affiliation, and universal public sector coverage. In 2022, about two-thirds of the population was covered by private or social security insurance, while the remaining one-third relied exclusively on the public health sector. The low-income population depends primarily on the latter, with 62 percent of individuals in the poorest quintile relying on public healthcare compared to only 9 percent in the richest quintile. This fragmented system leads to inequalities in health care access and outcomes, hindering human capital development among lower-income groups.

**The adoption of preventive care services among low-income households has remained limited.** Noncommunicable diseases, which are chronic and often develop over long periods, require regular preventive care to manage risk factors effectively. However, access to such care, including screenings for diabetes, hypertension, cholesterol, and cancer, is considerably lower among those at the bottom of the income distribution. Between 2013 and 2018, significant improvements were observed in diagnostic screenings like blood tests, blood pressure checks, and colon cancer screenings among adults in the upper income quintile. However, key diagnostic services for women, such as Pap tests, became less frequent among those in the second-poorest quintile, decreasing from 70.4 percent to 61.3 percent (Ministry of Health, 2019; Ministry of Health and INDEC, 2015). Reflecting trends in low- and middle-income countries, more than 60 percent of deaths in

Argentina, and the primary cause of years of life lost, are linked to noncommunicable diseases, which place a growing economic burden on the health system (Ministry of Health, 2018).

### **Deficits in preventive health care particularly affect children from disadvantaged households.**

In the lowest wealth quintile, 11.9 percent of children under age 5 and 26.8 percent of children and adolescents aged 5 to 17 did not receive preventive care, compared to just 1.3 percent and 11.1 percent, respectively, in the richest quintile. These figures account for 58 percent of all children under 5 and 80 percent of children and adolescents aged 5 to 17 who missed preventive health care (Figure 30). The most frequently reported reasons for missed checkups include lack of financial resources, transportation challenges, and insufficient parental time.

### **Income levels also influence the ability to adopt healthy and nutritious habits.**

A healthy food basket that meets recommended nutritional standards is 50 percent more expensive than the basic food basket used to calculate the poverty line (Albornoz and Britos, 2021; UNECE, 2021). Barriers to the implementation of effective preventive health measures include unhealthy habits that are difficult to change and limited access to timely, high-quality healthcare. For instance, people in the poorest quintiles report a higher incidence of unhealthy diets (40.2 percent) compared to those in the top quintile (32.6 percent).

### **Unequal human capital accumulation increases the likelihood of chronic and intergenerational poverty.**

Preventive behaviors in children are often linked to the educational attainment of their mothers; for example, the rate of daily consumption of sugar-sweetened beverages is significantly higher among children of mothers with lower educational levels than among those whose mothers are more educated.<sup>11</sup> As a result, disparities in health and education across generations reinforce inequality of opportunity and perpetuate poverty.

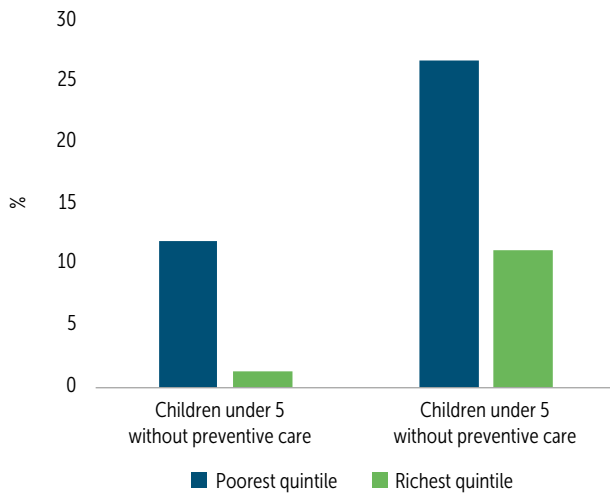
10 Provincial Directorate of Statistics (DPE), Province of Buenos Aires, 2019.

11 GSHS Results Tool, 2018.

**Figure 30**

Deficits in health checkups are most prevalent among children from disadvantaged households

Deficits in health checkups, children and adolescents, by household wealth quintiles, 2019



Source: World Bank estimates based on data from UNICEF (2021).

## 2.4. Social capital: A subtle yet crucial asset

**The effectiveness of investments in human and physical capital is closely tied to the presence of social networks, norms, and organizations that enable people to interact freely at both local and broader levels.** Social capital includes interpersonal networks among individuals with similar demographic profiles (bonding social capital) and networks that connect people from diverse backgrounds (bridging social capital). These networks can act as support mechanisms, helping individuals address significant challenges during asset accumulation. They also include formal connections with institutions that facilitate access to better resources. When social links are fragmented or weak, social capital's ability to mediate information sharing, decision-making, and civic engagement diminishes, thereby reducing the efficiency of other types of capital and limiting development outcomes (Grootaert, 1998; Grootaert et al., 2004).

**In highly deprived settings, local patterns of social ties and mobility highlight the challenges of building social capital.** The study “Locked in Poverty?” found that 4 in 10 young people aged 17 to 30 in vulnerable urban neighborhoods reported having no friends (World Bank, 2020). This lack of social connections was primarily due to changes in residence and the loss of relationships formed at school.

**For the urban poor, insecurity exacerbates social and economic exclusion, especially for women.** To avoid exposure to unsafe environments, individuals often limit their interactions, reducing opportunities outside their immediate surroundings. According to the 2018 census of working-class neighborhoods, 76 percent of residents felt their neighborhood was unsafe, and 64.3 percent considered public transportation unsafe. A qualitative study in urban settlements of the City of Buenos Aires and Greater Buenos Aires found that harassment was the greatest safety concern for women on public transport (Dominguez González et al., 2020). These negative experiences limited their independence, as many young women chose to travel with family or friends or prioritized jobs closer to home over better opportunities that required commuting. Mobility data from Greater Buenos Aires indicate that reliance on non-motorized transport is three times higher among the poor; 36 percent of low-income individuals typically walk, with 80 percent of these trips taking less than 20 minutes (Domínguez González et al., 2020).

**Isolation and social exclusion are compounded by structural barriers to escaping poverty.** The presence of institutional or non-familial adult role models can provide young people with guidance, structure, and incentives to advance in education and the labor market. Community-based organizations play a critical role in supporting adolescents who face multiple obstacles, and schools are fundamental in building networks and connections (Binstock and Esteban, 2019). However, limited opportunities for interaction beyond their immediate environment

restrict young people’s exposure to diverse life paths, role models, and support. In-depth interviews with youth from vulnerable neighborhoods underscore the benefits of activities that expand their references and break down social segregation.

## 2.5. Structural barriers and economic distortions affect productive capital accumulation

**Poor households typically lack productive capital, and middle-income segments have seen their productive assets decline over the past few decades.** Productive capital includes assets that households can leverage to generate income, such as property, land, machinery, digital infrastructure, connectivity, and financial wealth. These resources interact with human capital to drive income generation and economic growth. However, multiple economic pressures lead people to prioritize consumption over saving and investment. Additionally, financial exclusion often increases vulnerability, perpetuating a cycle of low asset holdings, low returns, and low investment (Carter and Barrett, 2006).

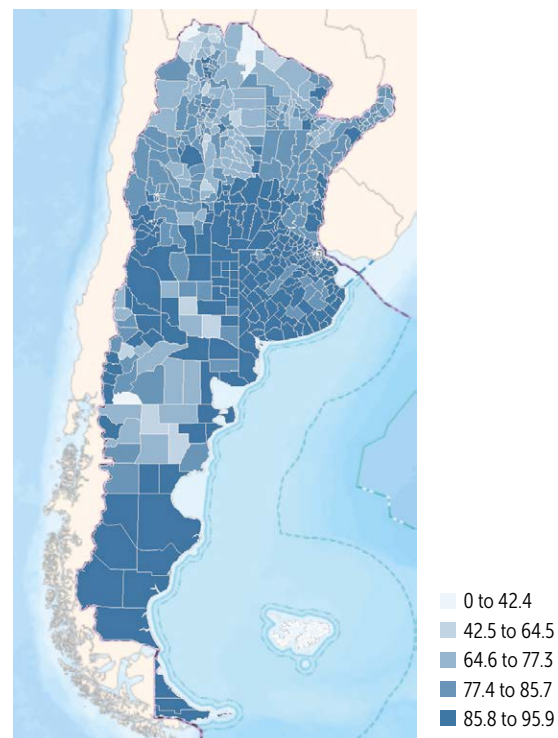
**The productive use of land, as well as residential and commercial properties for rental income, is limited at the lower end of the income distribution.** Data on land use show that about 250,000 households are engaged in family agriculture, mainly in the northern regions, with a quarter of these households lacking formal land titles. Small-scale producers who focus on self-consumption face barriers in fully utilizing their land due to limited access to markets, financing, and secure land titles (IFAD, 2016). Rental income from property ownership is almost nonexistent among the poor. Irregular housing tenure remains a significant barrier, but evidence shows that land titling among disadvantaged groups has positive impacts on investment and asset accumulation, including human capital. Galiani and Schargrodosky (2010) found that formal land titles led to a 12 percent increase in building area, a 37 percent improvement in construction materials, and a 0.69-year increase in children’s schooling, doubling the secondary school completion rate.

**To cope with the impact of shocks and protect consumption, households have often resorted to divesting physical assets or borrowing.** For example, amid the COVID-19 pandemic and lockdown measures, some households used physical capital to meet consumption needs. According to a survey conducted by INDEC in the GBA during August–October 2020, 44.7 percent of households had used savings or sold their housing assets for this purpose (INDEC, 2020 and 2021). Without physical capital, poorer households struggle to build collateral, access credit markets, or safeguard themselves against future risks. Only 31 percent of adults reported that they could cover unforeseen expenses without borrowing money, and this figure dropped to 23 percent among adults in the lowest income bracket, according to the 2017 survey on financial capabilities (Iglesias and Mejía, 2018).

**Figure 31**

Lack of internet connectivity is a barrier in northern regions

Percentage of households with a cell phone with internet, by department, district, or commune, 2022



**Source:** National Census of Population, Households, and Housing, 2022.

**Limited access to digital infrastructure also impedes asset accumulation in low-income households.** The shift to remote learning during COVID-19 highlighted the challenges faced by households without reliable internet, particularly in northern regions (Figure 31). As a result, the pandemic further exacerbated educational disparities for marginalized students.

**Frequent economic crises and exchange rate volatility hinder the ability to save and invest.** Data from the Social Debt Observatory indicate that household savings capacity in 2022 was just 9.6 percent, with middle- and low-income households having significantly fewer opportunities to accumulate savings (ODSA-UCA, 2022).

**Savings rates in Argentina are among the lowest globally, and the rates are even lower for the most vulnerable populations.** Although formal data on household savings are limited, available information suggests that wealthier households save more, while poorer ones struggle. In an international comparison,

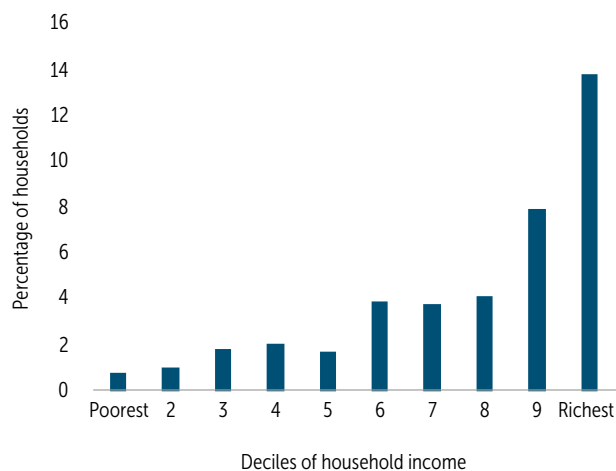
Argentina ranks among the Latin American countries where the richest quintile saves significantly more than other income groups (Gandelman, 2015). In 2017, only 29 percent of adults reported saving in the previous year, with the figure dropping to 18 percent among those in the lowest socioeconomic brackets (Iglesias and Mejía, 2018). More recent data from 2019 to 2021 show that 9 out of 10 households led by individuals in precarious employment never saved, compared to almost 7 in 10 for households with heads in more stable jobs (ODSA-UCA, 2022).

**The accumulation of physical and financial assets remains low across all income groups, limiting the ability of households to generate income from interest, dividends, or investments.** Even among wealthier segments, only 12 percent report receiving income from such sources (Figure 32). A key productive asset among the low-income population is the motorcycle, which provides mobility and economic opportunities. Motorcycle ownership is notably higher among lower-income groups (Figure 33).

**Figure 32**

Low-income households have limited productive asset accumulation and rental income

Proportion of households earning income from assets, interest, or dividends, by income decile, 2018

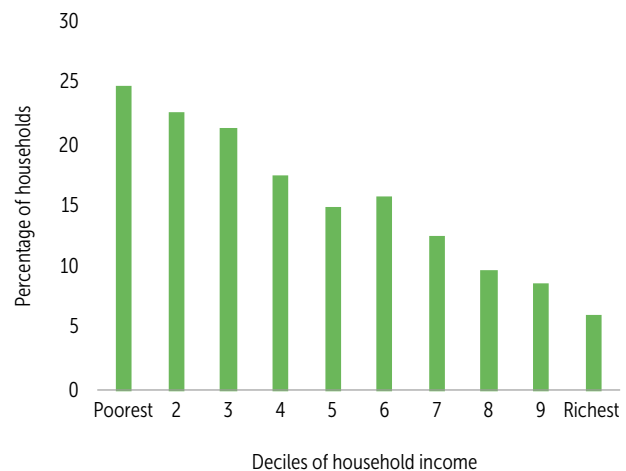


Source: ENGHo 2017-18.

**Figure 33**

Motorcycles are key productive assets among low-income populations

Share of households with motorcycles, by income decile, 2018



Source: ENGHo 2017-18.

## 2.6. Low-income population is more vulnerable to adverse climate events

**The limited assets accumulated by low-income populations are disproportionately vulnerable to adverse climate events.** For example, flood risk indexes align with areas of high population density in the northern provinces and Greater Buenos Aires Area (GBA), where poverty is more prevalent (Figure 9 in the Executive Summary). These households have low socioeconomic resilience, making it difficult for them to recover from the loss of scarce assets. In the event of a 250-year flood, 80 percent of the population in Formosa would take nearly five times longer to recover compared to those in the City of Buenos Aires (Turner et al., 2021). Case studies in vulnerable neighborhoods within the Conurbano show that 43 percent of households experienced flooding in their homes in the past year, and 91 percent of these households faced repeated flooding at least once a year. Additionally, many dwellings are located near open dump sites, with 31 percent to 47 percent of households within one block of these sites, reflecting poor environmental quality. According to a quality-of-life index, households in northern regions are overrepresented among those living less than 300 meters from landfills (Velázquez, 2016).

**Low socioeconomic resilience can have significant effects on how households and jurisdictions are able to respond to and recover from climate shocks.** For example, Formosa, Misiones, and San Juan have the lowest socioeconomic resilience scores of all provinces, according to a World Bank study (2021). This has important implications for disaster recovery dynamics. With a relatively poor population compared to other provinces, in the event of a large flood, 15 percent less of the provincial population could recover by the end of the simulation period, compared to the City of Buenos Aires, which is able to recover almost fully. In general, smaller provincial populations that experience higher per-capita asset and welfare losses take longer to recover (Rozenberg et al., 2021).

## 2.7. Restrictions affect market participation and asset use

**The prevalence of self-employment reveals a series of structural difficulties in increasing labor demand and access to quality jobs.** Most jobs among the poor are in informal or self-employment sectors, often the only viable options, particularly for the most vulnerable. While two-thirds of the working poor are in informal salaried positions or self-employed, this figure drops to less than two-fifths among the non-poor. Employment sectors for the bottom 40 percent are primarily retail (21.3 percent) and construction (16.3 percent), with over 80 percent of jobs in these sectors being informal or self-employed (Figure 34).

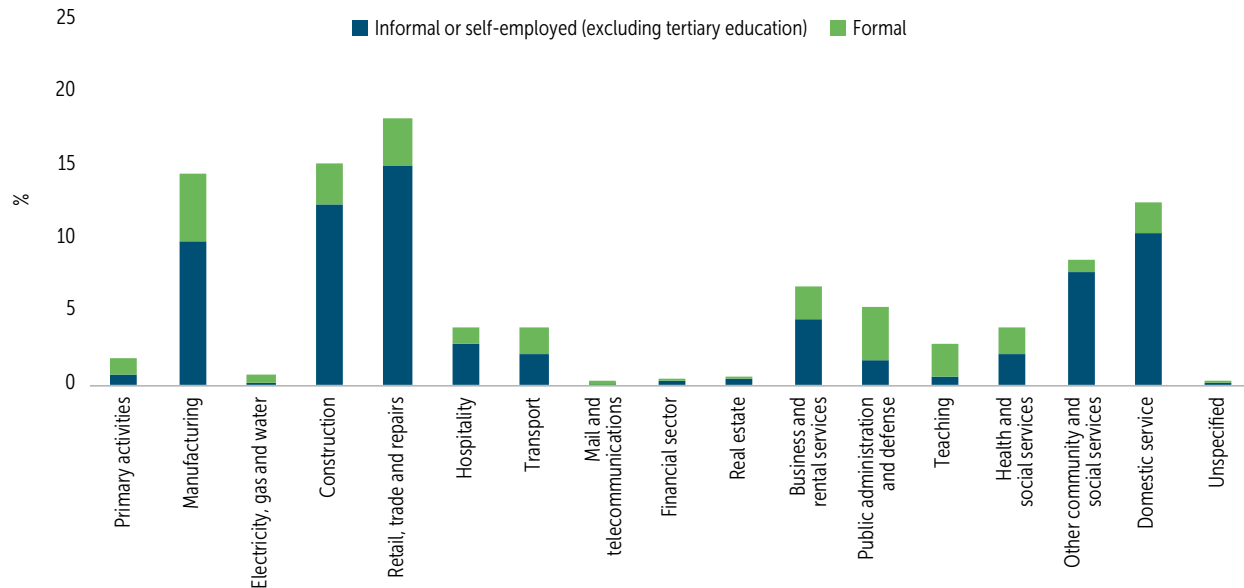
**More than half of the working-age population not engaged in the labor force are women living in poverty. Despite advances in education, women still lag in economic participation due to barriers to paid work.** The proportion of poor women who do not work during their working years, mainly due to family responsibilities, is double that of non-poor women in the same age group. Barriers to women's participation in the labor market are reinforced by their heavier load of care and domestic duties, fewer employment opportunities, and greater impacts of economic crises on sectors where women are overrepresented. During the COVID-19 pandemic, 64.1 percent of households in the GBA reported that most additional unpaid family responsibilities fell on women, particularly in caregiving (70.3 percent) and school support (74.2 percent) for households with children (INDEC, 2020). Women in Argentina also faced higher rates of job loss during the pandemic, and these effects have deepened over time (Mejía-Mantilla et al., 2021).

**In highly deprived areas, most young people aged 17 to 30 work in informal employment, continuing a pattern that typically begins around age 16.** Eight out of ten people in this age group had entered the labor market by age 15, and 89 percent of these initial job experiences were informal.

**Figure 34**

Informal employment dominates among the poorest two quintiles, concentrated in construction, retail, manufacturing and domestic services

Distribution of workers from the bottom 40 percent, by sector and employment status, 2023



**Source:** World Bank estimates based on data from the Permanent Household Survey, INDEC.

**The absence of rural populations in household surveys limits the analysis of agricultural labor markets across socioeconomic segments.** In Argentina, employment in agriculture is among the lowest in the region, at 7.5 percent (World Development Indicators, 2023). Although information is scarce, agricultural census data reveal significant gender disparities. While 45 percent of registered family farmers are women, only 10 percent of family farms are headed by women. Data suggest that fewer than 30 percent of women have access to communal property, and just 16 percent have benefited from public land allocations (Ferro, 2013). The limited job opportunities for rural women in highly mechanized farming systems may have concentrated female participation in subsistence and indigenous family farming.

## 2.8 Lack of stable job creation hinders labor productivity

**The lack of economic growth has led to minimal generation of salaried employment in the private sector.** Recurrent crises and macroeconomic instability have weakened job creation, particularly for quality employment. The number of private sector employers has not grown in over a decade, experiencing a sharp decline during the 2018 macroeconomic crisis and the COVID-19 pandemic. Employment levels at the end of 2023 were comparable to those in 2009 (Figure 35).

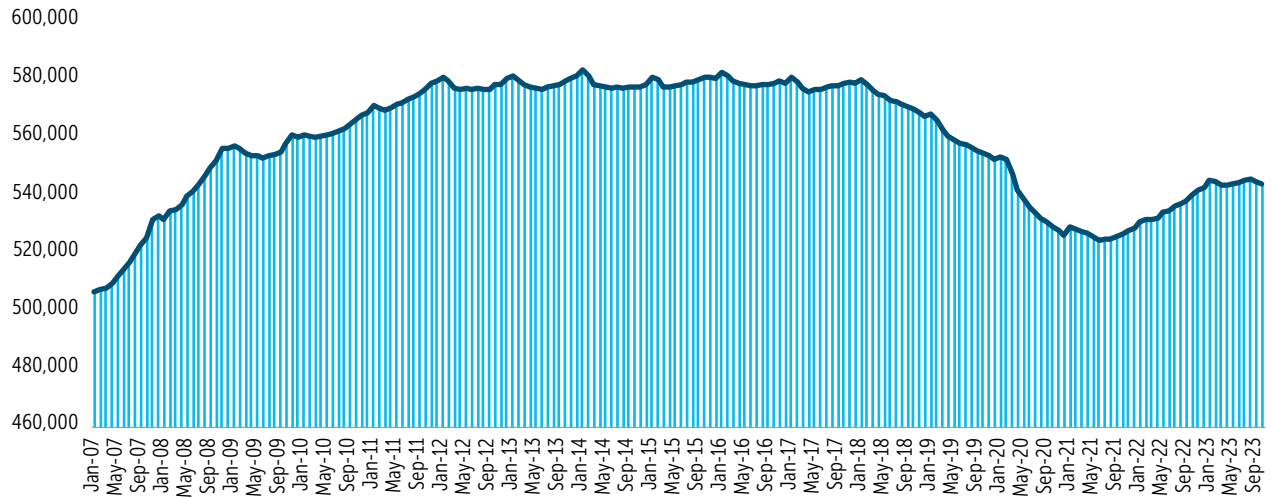
**Labor productivity has steadily declined since 2011, with total factor productivity contributing negatively to growth when terms-of-trade-**



Figure 35

The number of private sector employers reporting workers has remained stagnant for over a decade

Private sector employers reporting workers, 2007-2023



Source: Ministry of Productive Development, Open Data for Productive Development.

**driven expansion ceased** (David, Lambert, and Toscani, 2021; World Bank, 2018). The most recent period of economic growth, starting in 2004, was driven primarily by the expansion of non-tradable sectors such as construction, services, and public administration. This led to low-productivity traps and increased labor misallocation (World Bank, 2018). Macroeconomic imbalances have contributed to these distortions, discouraging investment in more productive activities. A complex tax system has also led to market concentration and smaller firm sizes, while inefficiencies, credit constraints, and challenges in converting R&D investment into innovation have stifled the creation of productive jobs (World Bank, 2018).

**Economic growth and job creation have long depended on public employment and self-employment, which are labor-intensive but capital-scarce.** Between 2012 and 2019, about 1.4 million jobs were added, yet the private sector lost 100,000 jobs. The increase in public sector employment meant

that in some provinces, public employment outpaced formal private sector jobs.<sup>12</sup>

**Low-productivity growth limits the economy's ability to create quality employment opportunities, which are crucial for reducing poverty and increasing income in the long term.** Issues such as competitiveness gaps, a limited export basket, and difficulties in generating new exports hinder economic progress and amplify the cycle of weak growth and rising poverty (World Bank, Argentina Country Economic Memorandum, 2024). These barriers reduce household earning potential and perpetuate cycles of economic hardship.

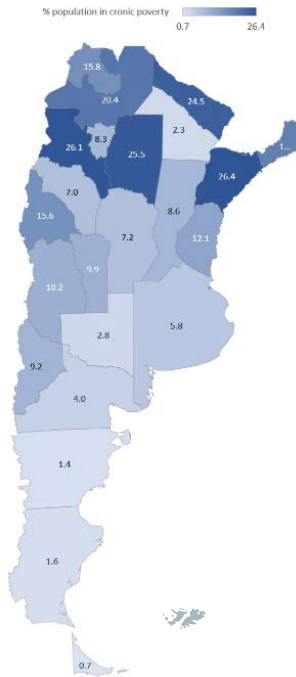
**The geographical perspective illustrates how chronic poverty overlaps with scarce productive employment opportunities.** In provinces with a higher incidence of chronic poverty (Figure 36, panel a), formal private employment has played a smaller role in employment compared to the public sector (Figure 36, panel b). Likewise, productive inclusion

<sup>12</sup> Argentine Integrated Social Security System.

**Figure 36**

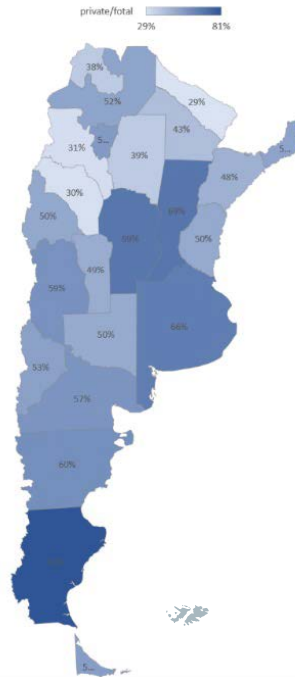
Map of chronic poverty estimates related to private employment and Potenciar Trabajo program, 2019-2021

a. Share of population living in chronic poverty, 2019 (%)



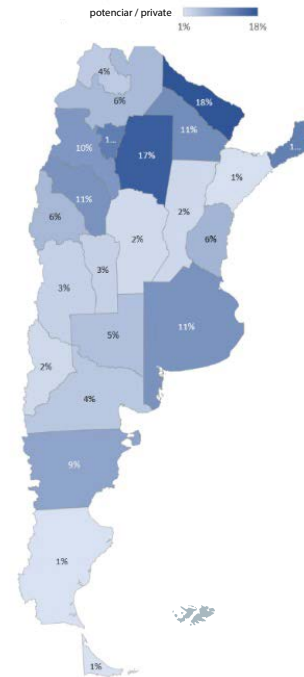
**Source:** Gasparini, Glüzmann and Tornarolli (2019).

b. Private salaried jobs in total formal employment, 2022 (%)



**Source:** Argentine Integrated Social Security System. **Note:** Data reported for August.

c. Potenciar Trabajo beneficiaries in formal private salaried employment, 2021 (%)



**Source:** Ministry of Social Development. **Note:** Data reported for August.

programs, such as Potenciar Trabajo, have worked as an alternative to compensate for income for the vulnerable population at times of employment scarcity (Salvador and Vezza, 2020) (Figure 36, panel c).

**Most private employers that have managed to stay in business have not been able to grow.** Recessions negatively affect the number of new firms, firm growth rates, and the pace of resource

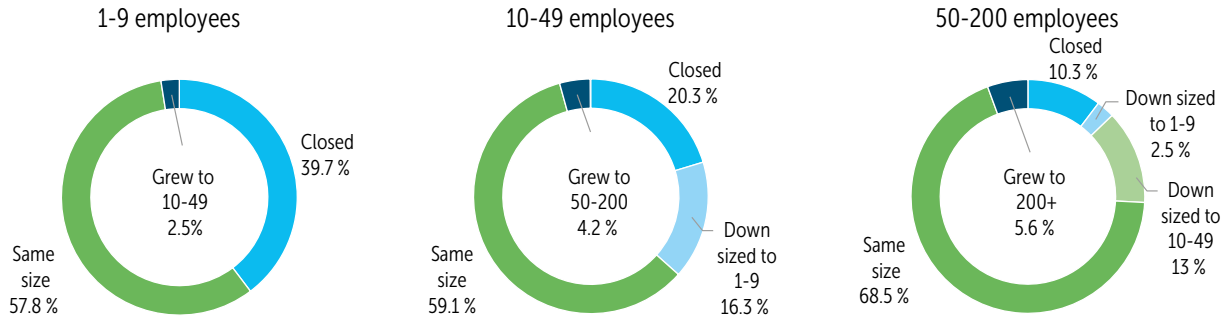
reallocation. Data from 2007 to 2018 show that most firms were the same size five years after starting operations (Figure 37).<sup>13</sup> Firms with fewer than 200 workers accounted for more than 99 percent of private employers and 65 percent of formal private employment. Job dynamics are mainly associated with the creation and destruction of jobs in small and medium enterprises. New businesses are a key driver of initial job growth, but in subsequent periods they become net destroyers (Arnoletto, 2020).

<sup>13</sup> Data from Open Data for Productive Development (dashboard), Ministry of Productive Development, Buenos Aires, <https://www.argentina.gob.ar/produccion/datos-productivos>.

Figure 37

Most of the firms that manage to stay in business retain their original size five years after establishment

Firm dynamics after five years, size at start-up, 2007–2018



Source: World Bank estimates based on data from the Ministry of Productive Development, Open Data for Productive Development.

## 2.9. Wages have lost value amid inflation and volatility

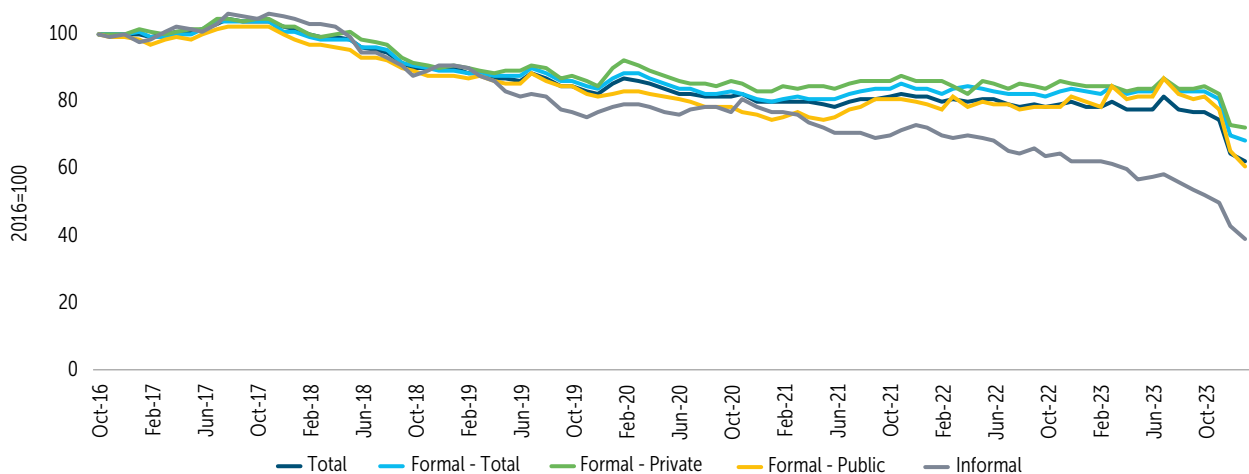
Over the past decade, the risk of falling into poverty or extreme poverty has increased for working households. Precarious employment has been prevalent among the poorest, and returns on labor have been particularly low for workers in households at the lower end of the income distribution.

Even workers with better employment conditions have struggled to maintain the purchasing power of their wages. Economic distress and rising inflation have led to a decline in real wages among salaried workers, including those in formal employment. Since 2018, the gap between the median formal wage and the consumer price index has widened, resulting in reduced real wages, especially for nonformal wage earners (Figure 38).

Figure 38

Average wages decreased by 40 percent between 2016 and 2023, with informal workers most affected

Labor market returns by job category, 2016–2023



Source: World Bank estimates based on data from the Permanent Household Survey, INDEC.

## CHAPTER

# 3

## Policy responses and poverty traps

### 3.1. Income transfer programs have been the cornerstone of anti-poverty policy

**Policy responses in Argentina have focused on the implementation of income transfer programs to supplement the earnings of vulnerable populations.**

For more than twenty years, these programs have provided direct monetary subsidies to families and individuals in vulnerable situations, conditional on meeting certain requirements and/or some form of quid pro quo. In recent years, the Universal Child Allowance (AUH) has become the most prominent program among national conditional noncontributory transfers, while Potenciar Trabajo has been a key program within the category of “social plans,” aimed at informal or unemployed adult workers by offering a labor compensation component.

**As seen in many countries across the region, Argentina’s social protection system integrates traditional social insurance linked to formal employment with an expanding number of programs designed to assist informal workers and their families.** Noncontributory social protection programs are particularly vital in countries with high levels of informality, where many people lack access to traditional social security systems. Labor

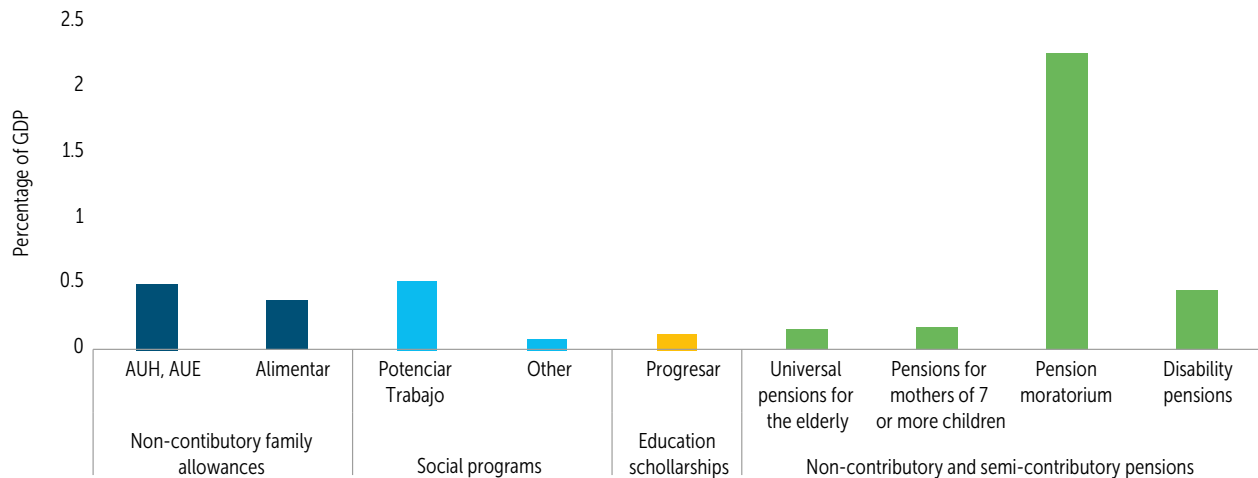
informality means a significant portion of workers do not regularly contribute to social security, leaving them and their families without pensions or protections in the event of unemployment or illness. Noncontributory programs aim to reduce poverty and inequality by supporting the most vulnerable groups, including families with children, people with disabilities, and the elderly, ensuring a basic level of economic well-being and access to essential services. Examples of such programs include noncontributory pensions and conditional cash transfers, which have been widely implemented across Latin America.

**Over time, resources dedicated to combating poverty through cash transfers in Argentina have increased.** Since 2004, large-scale emergency programs have been launched in response to various crises. For example, the temporary employment program Jefes y Jefas de Hogar Desocupados (Unemployed Heads of Household) supported 2 million beneficiaries when the poverty rate surged following the socioeconomic crisis of 2001-2002. In 2004, spending on all noncontributory transfer programs, primarily driven by the Jefes y Jefas program, was about 0.9 percent of GDP. With the introduction of pension moratoriums and the expansion of conditional transfer programs, this allocation rose to approximately 2 percent of GDP in 2007, 4 percent



**Figure 39**

Pension moratoria<sup>17</sup> represent the largest expenditure on noncontributory transfers



**Source:** World Bank estimates based on information from the Ministry of Economy’s Open Budget portal, ANSES and INDEC. **Note:** AUH=Universal Child Allowance; AUE=Universal Pregnancy Allowance. The share of spending on formal employment support programs was an estimated 0.02 percent of GDP in 2023 and is not shown in the figure.

in 2014, and peaked at 7 percent in 2020 with the implementation of the Emergency Family Income during the COVID-19 crisis.<sup>14</sup> By 2023, spending on national noncontributory cash transfer programs amounted to roughly 4.7 percent of GDP.<sup>15</sup> In addition to national programs, there are also provincial cash transfer initiatives; however, due to their diverse nature and fragmented data, it is challenging to estimate their total expenditure.<sup>16</sup>

**From a budgetary standpoint, national conditional cash transfer policies account for a minor share of social investment spending.** Overall, these transfers can be grouped into family allowances, social plans, educational scholarships, support for formal employment, and noncontributory and semi-contributory pensions. Among these,

noncontributory and semi-contributory pensions make up the largest share of spending, accounting for approximately 3.1 percent of GDP in 2023. By contrast, spending on family allowances and social plans is much lower. Noncontributory family allowances, including the AUH and the Food Benefit Program (FBP), made up less than 1 percent of GDP in 2023. Social plans, primarily represented by cooperative schemes such as the Potenciar Trabajo program, accounted for an estimated 0.6 percent of GDP (Figure 39). For context, social security expenditures (retirements and pensions) represented about 9 percent of GDP in the same year. In comparison, energy subsidies were estimated to have reached 1.5 percent of GDP in 2023, down from 2 percent and 2.3 percent in 2022 and 2021, respectively.

<sup>14</sup> The Emergency Family Income expanded cash transfers to 9 million informal workers, the self-employed, and beneficiaries of social programs during the lockdown in 2020.

<sup>15</sup> World Bank estimates based on information from the Ministry of Economy’s Open Budget portal and ECLAC’s Database of noncontributory social protection programs in Latin America and the Caribbean.

<sup>16</sup> There is also a multiplicity of programs and support known as ‘social plans and programs’ of the National State. As of 2021, this set consists of 141 social plans and programs: 60 percent under the Ministry of Social Development, 19 percent under the Ministry of Health, 13.9 percent under the National Social Security Administration (ANSES), and the rest divided among seven other ministries. Among these programs, information on coverage and benefits is practically only available for the cash transfer programs listed in this study, as detailed in the 2021 Guide to Social Programs of the National State: [https://www.argentina.gob.ar/sites/default/files/guia\\_de\\_programas\\_sociales\\_del\\_estado\\_nacional.pdf](https://www.argentina.gob.ar/sites/default/files/guia_de_programas_sociales_del_estado_nacional.pdf).

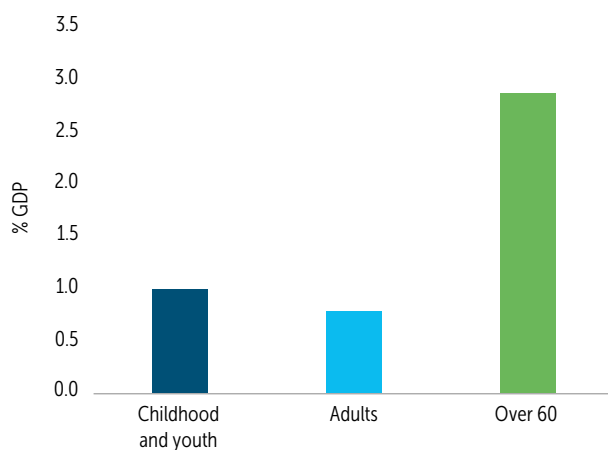
<sup>17</sup> ‘Pension moratoria’ refers to Argentina’s system of providing social security to all persons of retirement age.

**From an intergenerational perspective, social protection spending in Argentina is primarily directed toward older adults.** On the contributory side, spending on pensions and retirements has been, in recent years, approximately six times higher than expenditure on contributory family allowances.<sup>18</sup> Similarly, spending on noncontributory pensions is roughly three times that of assistance programs aimed at children and adolescents (Figure 40).

**Figure 40**

Spending on transfer programs for the elderly is almost 3 times that for children and adolescents

Expenditure on noncontributory transfer programs grouped by age of beneficiaries, 2023



**Source:** World Bank estimates based on information from the Ministry of Economy's Open Budget portal, ANSES and INDEC.

**Static incidence analysis shows that social transfers help alleviate poverty, but particularly impact extreme poverty.** For the second half of 2023, World Bank estimates using traditional distributive incidence analysis showed that the Universal Child Allowance (AUH) led to a 3 percent reduction in the overall poverty rate and an almost 30 percent reduction in extreme poverty. Other studies have reported similar effects; for instance, estimates by Poy et al. (2021) found that between 2018 and 2020, the AUH contributed to a 4.5 percent decrease

in poverty incidence and a 45.2 percent reduction in indigence. Gasparini et al. (2024) estimated that in 2022, the AUH helped reduce poverty by 5 percent and indigence by 36 percent. The impacts of other programs are more complex to quantify, but results from Gasparini et al. (2024) suggest that Progresar scholarships led to a 1 percent reduction in poverty and an 8 percent decrease in indigence. Meanwhile, the Potenciar Trabajo program was associated with a 3 percent reduction in poverty and a 19 percent reduction in indigence. Additionally, noncontributory pensions, which cover 90 percent of the elderly population, have played a crucial role in providing social insurance by maintaining the elderly population above the poverty line, with pension benefits making up around 70 percent of total earnings, at least until 2020 (Rofman and Apella, 2020).

**During the COVID-19 pandemic, the introduction of the Emergency Family Income and the provision of additional benefits through existing safety nets helped cushion the impact of the crisis on poverty.**

These mitigation measures led to reductions in both extreme poverty and general poverty, with the effect being more pronounced for extreme poverty, decreasing by 4 percentage points compared to a 1.5 percentage point reduction in overall poverty (Arakaki, Rodríguez Chamussy, and Vezza, 2021). An evaluation of the Alimentar nutrition program, which was also expanded during the pandemic, showed a decrease in food insecurity and an improvement in food quality among beneficiary households, particularly benefiting children and young recipients (Poy, Salvia, and Tuñón, 2021).

**The persistence of high poverty levels, despite the expansion of social programs, illustrates the challenge of poverty traps.**

Although social transfers provide short-term relief, structural issues, and a difficult economic environment, hinder households from achieving sustainable income generation. This paradox underscores the limitations of relying solely on social transfers to address poverty, as deeper economic reforms are needed to support long-term, sustainable improvements in living standards.

<sup>18</sup> World Bank estimates based on information from the Ministry of Economy's Open Budget portal, ANSES and INDEC.

### 3.2. The limits of income transfer policies: building solid walls on quicksand

**Cash transfer programs in Argentina have extensive coverage.** Pension benefits reach approximately 7.7 million individuals, and family allowance benefits support 9.5 million children under 18 years of age.<sup>19</sup> In 2023, about half of those considered to be living in poverty received AUH benefits for their households. Among the poor who were not AUH beneficiaries, 79.1 percent lived in households with children and at least one formal worker, making them eligible for Contributory Family Allowances, and 11 percent lived in households with a pensioner. This means around 10 percent of the poor resided in households without access to family allowances or pensions, most of which comprised individuals over 18 years old without formal employment.

**However, these gains have been limited in offsetting the lack of robust labor incomes, especially in a context of high inflation.** Between 2016 and 2023, real household income fell sharply, with real per capita income declining by 41 percent. Furthermore, reliance on public transfers increased significantly, while the contribution of labor income diminished, particularly among the poorest households.

**In recent years, the real value of pensions and retirements has been highly volatile due to inflation and changes in benefit adjustments.** The coexistence of different pension systems and currency fluctuations has made it difficult to establish a clear trend in pension, retirement, and social cash transfer benefits. For instance, the value of retirements and pensions experienced abrupt fluctuations during periods of monetary instability, as seen in 1975 and 2002. Overall, the trend reflects a decline from the 1970s to the 1980s, a recovery in the 1990s, stability between 2003 and 2008, and another recovery until 2013 (Apella, 2022).

**Despite attempts to protect pension and retirement benefits through different indexation formulas<sup>20</sup> and the introduction of bonds, their real value decreased by about 40 percent between 2017 and 2023.** The indexation formula introduced in 2009 was replaced in 2017 by a new formula that calculated adjustments based on a weighted average of inflation (70 percent) and wages (30 percent). This system, with quarterly adjustments, was suspended at the end of 2019. Until a new index was implemented at the end of 2020, discretionary increases were mostly granted to those earning minimum pensions. Since 2021, the new adjustment formula has been based on variables related to pension revenue and formal salaries, with quarterly updates. Nonetheless, average assets decreased by 25 percent between 2017 and 2021 compared to their all-time high (Apella, 2022).

**Social protection programs aim to prevent temporary falls into poverty and, through conditionality, also seek to support long-term asset accumulation. Evidence suggests that the AUH has positively impacted human capital accumulation.** The program slightly increased enrollment rates for children and adolescent students (by 0.4 percentage points and 0.8 percentage points, respectively), with even greater effects (4 percentage points) among students aged 15 to 17. It also had positive effects on student retention and graduation rates. Secondary school progression increased by 4 percentage points for students aged 12 to 14 and by 7 percentage points for those aged 15 to 17. Graduation rates improved by 2 percentage points in primary education, with gains also seen among women in secondary education. Although no significant effects were observed on the use of health services, the AUH did result in higher access to free medicines (UNICEF, ANSES, and CNCPS, 2017).

**While social protection mechanisms are essential, their long-term effectiveness is undermined by macroeconomic imbalances and unsustainable**

19 Social Security Statistics, ANSES, fourth quarter 2023.

20 Between the end of the 1960s and the present, the Argentine social security system has gone through at least seven different mobility schemes, permanent or transitory, which have aimed to maintain the real value of benefits but have not always fulfilled their function (Rofman, 2020).

**fiscal policies.** The high prevalence of precarious and vulnerable employment, combined with economic stagnation, creates a vicious cycle of income vulnerability, greater need for protection, and increased unsustainability of social spending.

**From an economic stabilization standpoint, energy price subsidies have repeatedly been identified as needing urgent reform.** In Argentina, energy subsidies peaked at 2.8 percent of GDP in 2014. Following a period of subsidy reduction from 2015 to 2019, their share fell to 1.1 percent of GDP. However, since then, residential tariffs were frozen for three years, and recent adjustments were set below inflation, leading to an increase in fiscal spending to 2 percent of GDP by 2022. After subsidies peaked, there was a reversal in tariff policy combined with a social tariff program for vulnerable users (Cont et al., 2021). This policy faced setbacks after 2019, when tariffs were not adjusted for two years, and residential tariff increases were segmented until late 2022 and early 2023, with adjustments applied only to certain user groups (Navajas, 2022).

**Evidence shows a bias in energy subsidies that favors wealthier segments of the population: a larger share of the expenditure benefits those at the top of the income distribution.** Studies in the Buenos Aires Metropolitan Area (AMBA) revealed a pro-rich bias, as targeted programs for vulnerable households (social tariff schemes) were insufficient to counter the effects of general subsidies granted through residential tariffs below cost recovery (Puig and Salinardi, 2015; Giuliano et al., 2020; Rodríguez-Chamussy et al., 2021).

**One of the key challenges in reforming this distorted system is ensuring the protection of vulnerable households.** Energy subsidies are an inefficient tool to support poor households, but removing them could severely hurt those at the bottom of the distribution or near the poverty line. Effective compensation mechanisms are therefore essential. However, issues related to information, targeting, and implementation have delayed efforts to reduce the fiscal burden of untargeted subsidies.

### 3.3. The complexity of transforming the lives of the most vulnerable

**Improving poverty conditions in the most disadvantaged areas is challenging, as these communities often face cumulative, multi-layered deprivation.** Addressing inadequate asset accumulation and limited opportunities is essential for transitioning out of persistent, multifaceted poverty. In such cases, income transfers alone are insufficient and must be paired with additional, complementary actions to support a transition out of poverty. For example, issues like limited access to public services, insecurity, environmental degradation, and social isolation are prevalent in neighborhoods where vulnerable populations live, and improving these conditions requires coordinated, comprehensive public action.

**Young people living in vulnerable settings require comprehensive policies to break the poverty cycle.** In addition to commonly assessed family and individual attributes, such as parental assets and household demographics, relational factors are positively associated with their trajectories – examples of these factors are role models in the school environment, and exposure to conditions beyond their immediate circle. Thus, public services and goods, as well as the characteristics of places, families and individuals, are interconnected, and these links are often not considered or adequately addressed in policy making.

**Infrastructure and services are key to generate conducive spaces for human capital development and social integration.** Improved housing conditions can enhance well-being directly while fostering stability, social networks, and interactions with local institutions. Building human capital in underserved areas requires that policies in education, health, and social protection help create pathways to spaces with better opportunities and potential returns for young people, aligned with their skills and aspirations.



### ➤ BOX 3. MIXED-METHOD FINDINGS ON UNHINDERED TRANSITIONS AMONG YOUTH

*Qualitative analysis of enabling factors and barriers to exiting poverty.* In-depth interviews have identified factors that influence youth transitions in education and employment, contrasting the experiences of the most vulnerable with those closer to escaping poverty (Table 1).

**Table 1**  
Enabling factors and barriers in the youth education-to-employment transition

	Enabling factors	Obstacles
Structural	Favorable dwelling location connected to other urban boundaries Parental economic stability during schooling Higher educational attainment of parents Access to social benefits for the household Employment experience, including formal work	Marginal dwelling location Precarious living conditions Experience of hunger during childhood Frequent relocation, forced migration Lack of stable home during childhood/adolescence Early school dropout Persistent unemployment or insecure employment
Relational	Positive adult relationships in youth Exposure to diverse activities and mentors Participation in community organizations	Parental abandonment Parental or mentor addiction Domestic violence Early pregnancy or childbearing Single parenthood

*Quantitative assessment.* Considering the completion of compulsory schooling as the outcome closely preceding the transition out of poverty, quantitative assessments confirm the qualitative findings. Neighborhood, household, and individual characteristics are linked and play a significant role: improved neighborhood conditions, a supportive home environment, positive family influence, and a healthy peer and school environment collectively increase the likelihood of a successful transition out of poverty.

**Source:** Binstock and Esteban (2019).

### 3.4. Overcoming poverty traps: a short- and medium-term strategy

**Addressing the constraints to household income generation is challenging due to policy traps shaped by political economy dynamics.** Policies initially designed to protect vulnerable populations from shocks often become rigid and entrenched, limiting flexibility for policymakers. Furthermore, short-term priorities frequently limit the social investment needed for sustainable improvements in well-being.

**The key to poverty reduction lies in enhancing household income-generation capacities,**

**particularly in the medium term.** While short-term interventions are crucial in emergencies, they do not address the structural causes of persistent poverty. Empowering households by improving their income-generating abilities is essential for promoting sustainable economic development and reducing dependency on financial assistance. This requires policies that improve access to job opportunities and human capital, such as education and skills training, and foster economic conditions conducive to market development and productivity growth.

**Reducing poverty necessitates a comprehensive approach that combines macroeconomic stability, effective social protection, and a long-**

**term strategy for human capital accumulation and utilization.** Improved coordination across government levels, technological advancements, and a territorial approach will allow policies to be better adapted to diverse local needs, ensuring more efficient and equitable resource allocation.

### 3.4.1. Macroeconomic stabilization and inflation reduction: Essential foundations

**A crucial foundation for poverty reduction in Argentina is macroeconomic stabilization, with a focus on reducing inflation.** Stability is necessary for creating an environment that encourages economic growth and job creation. High inflation erodes household incomes, especially for those with fewer resources, further deepening poverty. Policies that maintain low and predictable inflation, combined with structural reforms to strengthen the labor market, are essential for sustained poverty alleviation.

### 3.4.2. Protection mechanisms during economic stabilization

**During the process of economic stabilization, it is critical to put in place mechanisms that protect the most vulnerable.** This requires setting up rapid responses to emerging crises and designing temporary support targeted directly at those most in need. Efficiency improvements, such as enhanced intergovernmental coordination, can prevent fragmented or redundant efforts. Developing incentives for better coordination and efficient use of public resources, along with technological innovations like an integrated information system, can facilitate effective and targeted implementation of these measures.

### 3.4.3. Overcoming structural barriers

**To overcome structural barriers, it is essential to strengthen human capital through tailored actions suited to the diverse needs of the population across various regions.** Synchronizing policies that bolster both labor supply and demand is critical. Workforce

training will be most effective when aligned with private sector incentives, supporting the creation of quality, formal jobs. Additionally, strategies should address the unique challenges faced by smaller urban and rural areas, where obstacles to economic development are often more pronounced.

### 3.4.4. Information for efficiently addressing diverse needs

**Improving statistical and administrative information availability can significantly enhance the effectiveness of these three pillars.** Conducting a detailed needs assessment across different regions, including small urban and rural areas, is crucial for effective resource allocation. Furthermore, having data organized by jurisdiction and administrative units enables more precise, region-specific decision-making.

**It is important for policies to be flexible and adaptable to the varied needs across different territories.** This requires creating mechanisms that foster shared responsibility among different levels of government and enhance resource distribution efficiency. A key step is modernizing statistical data collection to lower costs and improve accuracy. Furthermore, integrating statistical information with administrative data will support better evaluation and targeting of social spending, ensuring that resources reach those in need efficiently and in a timely manner.

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