Social protection to the informal sector: the role of minimum wage and income transfer policies

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Social Protection for the Informal Sector: The Role of Minimum Wage and Income Transfer Policies

Abstract[1]

The objective of this study is to examine the impact that changes in minimum wage and the main income transfer programs have had on the economic participation of the population and the informal sector in Argentina. The magnitude and importance that both policies have had in the Argentine case makes it possible carry out an in-depth analysis of these topics. In effect, minimum wage was periodically modified between 2002 and 2014 to be among the highest in the Latin American region while the mentioned income transfer program – called the Universal Child Allowance – has benefited some 40 percent of children residing in the country since its implementation.

The obtained evidence suggests that modifications to minimum wage did not produce adverse effects on employment or have a substantial impact on the probabilities of entering the informal sector. Regarding the income transfers, it was possible to confirm that it did not encourage adults in beneficiary households to become economically inactive.

JEL: J2, J4, J6

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Table of content

1 Introduction

This study focuses on an analysis of the minimum wage policy and the main income transfer program – called the Universal Child Allowance (UCA)[2]– in Argentina.

It will provide evidence about the impact these measures had on the labour market with a focus on the informal sector. It sought to determine – on the one hand – whether modifications in minimum wage reduced demand for employment and/or encouraged informality in the labour sector. On the other hand, it examined the influence of UCA as determining factors that leads the adult population in beneficiary households to leave or enter the work force. Similarly, the study assessed whether the transfers constitute an incentive for labour informality.

In recent years, the use of minimum wage and income transfer programs has intensified in several countries in Latin America and the Caribbean. Argentina is a paradigmatic case as it brings together both phenomena.

The minimum wage was repeatedly modified between 2002 and 2014 – on 24 occasions. Its nominal amount increased 10-fold between 2003 and 2014 while its purchasing power practically tripled (see Chart 1). For its part, the UCA in place since 2009 currently benefits around 40 percent of children.

Both measures are core aspects of income policy in Argentina and given their extension and coverage, contribute to the configuration of the new social protection system that appears to be emerging in Argentina. Together with their growing role in the agenda of Latin American public policies, both initiatives are surrounded by elevated controversy.

The high level of informality that characterizes Latin American labour markets adds to the debate. The high proportion of people who have jobs that are not formal – which is to say they are not declared or registered in official social security records – raise further questions about the impact that establishing a legal minimum wage can have on that labour market segment. Therefore, it is important to investigate whether increases in minimum wage – which by definition only impact workers in formal jobs in the economy – cause any slippage in the salaries of informal workers. It is also important to investigate

[2] In Argentina the Universal Child Allowance for Social Protection (hereafter Universal Child Allowance or UCA) was created through Decree 1.602/09 toward the end of 2009. The decree modified the Family Allowance Law (Law 24.714), expanding its benefits to include children whose parents are unemployed or who work in the informal sector with salaries that are below minimum, vital and mobile wage. The UCA is a monthly cash benefit that is paid to parents, tutors, guardians or blood relatives up to the third degree, for each child under 18 who is their responsibility, up to a maximum of five children. There is no age limit when the child is disabled.

whether changes in this labour mechanism lead to transitions between both segments of workers: from the formal to the informal sector and vice versa.

Similarly, the possible contractionary impact of social policies on labour supply has been a recurring concern in specialized literature. It has been suggested that income transfer programs encourage beneficiaries to moderate or even stop their search for work. A narrowing – or closure – of the income gap between inactivity/unemployment/informality and having a job is a central part of our research.

2 Revision of the Literature

2.1 Regarding Minimum Wage

Classic labour market models suggest that establishing a wage floor above the equilibrium wage – understood as that which clears any excess labour supply – will lead to a reduction in the volume of employment.

Part of the empirical research carried out in the 1980s, for the most part based on the U.S. economy, provided evidence that supports this vision (Gallasch, 1975; Gardner, 1981 y Brown et al., 1982). The reigning consensus at the time was largely based on the thought of Brown et al. (1982) who concluded that the reduction in employment among young people would be between 1 percent and 3 percent as a result of a 10 percent increase in minimum wage in the United States.

Throughout the 1990s, a growing body of work questions this mainstream view, demonstrating that the impact could be null – or in any case negative but with little economic significance. (Lawrence, Katz y Krueger, 1992; Card y Krueger, 1995; Dickens, Machin and Manning, 1999).

During the current century the debate has grown more intense based on research that offers finds contradictory results and is not lacking methodological controversy (Neumark y Wascher, 2006; Dube, Lester y Reich, 2010; Allegretto, Dube y Reich, 2011 and Lemieux, 2011)[3].

The debate has intensified in economies with segmented labour markets. In effect, if we accept that there are different segments of workers, the imposition of a specific level in the minimum wage could impact them in

[3] The theoretic operating models of alternative labour market models to the competitive model that justify the absence of contractionary effects on employment are monopsonistic. In these markets the equilibrium wage is lower than the value of the marginal productivity of labour. As a result, an increase in minimum wage does not necessarily lead to a reduction in employment. Under this hypothesis, the impact of increases in minimum wage are indeterminate (Manning 2003). From a slightly different perspective, the theory of efficient salaries admits that salary increases can increase productivity and therefore, they also do not lead to a reduction in employment (Akerlof and Yellen, 1990).

different manners.[4] The analysis of the impact of minimum wage on segmented labour markets recognizes Welch (1974); Gramlich (1976) and Mincer (1976 and 1984) as offering the most relevant contributions.

Recently there has been a renewed stream of research that has concentrated on the situation of countries in the Latin America region where the level of informality is very high. Comparative studies have been done between countries (Cunningham, 2007; Marinakis y Velasco, 2006; Maloney y Nuñez Méndez, 2004) and of course research centered on national cases has also proliferated: Brazil (Boeri et al, 2011; Lemos, 2009 y 2004; Neumark et al., 2006; Carneiro y Corseuil, 2001; Fajnzylber, 2001); Peru (Céspedes, 2006); México (Bosch y Manacorda, 2010; Cunningham y Siga, 2006 –y Brazil–); Chile (Infante et al., 2003); Colombia (Arango y Pachón, 2004), Costa Rica (Gindling y Terrell, 2007); Honduras (Gindling y Terrell, 2009 y 2010); Trinidad and Tobago (Strobl y Walsh, 2001) y Nicaragua (Alaniz et al, 2011). For the Argentinian case we can mention Marshall (2006) and Khamis (2008).

In international literature, the impact of minimum wage on the salary structure has also been profoundly analysed. On this front, there is a certain level of agreement in recognizing that the salary distribution tends to compress when there are increases in minimum wage (DiNardo et al, 1996; Autor et al, 2010) although some studies emphasize that increases in the lowest remunerations are greater in the informal sector than in the informal. (Lemos, 2009; Boeri et al, 2011).

2.2 Regarding conditional income transfers

Social protection systems based on non-contributory schemes to ensure basic protection for vulnerable populations have grown substantially in the Latin America region in recent years (Barrientos and Hulme, 2009). In 2001 these plans reached 38 million beneficiaries, but by 2010 this number had grown to 129 million (Stampini and Tornarolli, 2012). Generally, they are associated with conditions related to education, health and nutrition, usually aimed at children in the household in a bid to stop the inter-generational transmission of poverty. (Villatoro, 2007).[5]

The multiplication of these programs has recently opened a broad debate about the possible impact on the labour market that dates back many years.

[4] Hall (1982) detected that minimum wage increased a labour rotation among job positions; Tauchen (1981) and Welch (1974) discovered that it led to the migration of workers from sectors covered by minimum wage to others that are not covered. Cotterman (1981), Fleisher (1981), Hammermesh (1981) demonstrated that it reduces employment in low salary sectors and Beranek (1982) indicated that it created an incentive to contract illegal immigrants.

[5] The most important programs in the Latin America region, regarding the number of beneficiaries are: Brasil (Bolsa Familia), México (Oportunidades) y Argentina (Asignación Universal por Hijo).
Similar programs with slightly less coverage can be found in several countries in the region: "Avancemos" (Costa Rica); "Familias en Acción" (Colombia); "Chile Solidario" (Chile); "Programa de Asignación Familiar" (Honduras); "Red de Protección Social" (Nicaragua); "Red de Oportunidades" (Panamá) y "Programa Juntos" (Perú), among others.

In effect, the classical perspective saw them as policies that encourage inactivity[6] while more heterodox visions sustain that they could lead to an increase in the economic participation in certain population groups.
Moreover, some would argue that programs that seek to equalize the rights of informal workers with formal workers – in terms of the access the second group has to certain levels of social protection – generate incentives for labour informality (Levy, 2008).

3 Data and Methodology

3.1 Characteristics of the data source

The data used in the study comes from the Permanent Household Survey – EPH – which is carried out by the National Institute of Statistics and Census – INDEC. Argentina does not have panel surveys but the information coming from EPH makes it possible to obtain data of this nature. The survey does not directly investigate changes in the variables over time but it is possible to construct longitudinal data.
The EPH micro databases were used for the period that goes from 2004 to 2013.

When examining minimum wage changes, we turned to the creation of annual panels corresponding to the second quarters for the biennia in the period.[7] Using the second quarters makes it possible to reasonably capture the modifications in the value of the minimum legal salary and facilitates an estimate of its impact on the labour status of individuals (see Chart 1). As a result, it is possible to observe the location of salaried workers regarding legal minimum wage prior to its modification and one year later, which is to say when the change in the value of minimum wage had taken place. –[8]. We then added the annual rotation groups in a single data base – pooled data sample. In the regression models we controlled the membership in each annual panel through the inclusion of a dummy variable.

When exploring the effects of the income transfers, we used data from the panel of micro databases corresponding to the third and fourth quarters of 2009 and 2010. The selection of these quarters is based on the moment when

[6] A report written in England in 1834 about the so called "poor laws" is an eloquent example. In this, returning to the ideas of Malthus in his 1798 Essay on Population, it was maintained that social assistance is an incentive to not work.
[7] The data to be used corresponds to the total number of urban centres covered by the survey.
[8] The use of logistic models to estimate the impact of the variables of interest on changes in the labour status could be biased if there was a dependency on the initial situation. Due to the elevated level of informality and the high mobility between formality and informality in the Argentine case, this aspect was not problematic. In any case, the models were controlled using the CMP package from Stata module to implement conditional –recursive– mixed process estimator) that allows the inclusion of endogenous binary variables within a multinomial regression.

the income transfer program that is being analysed was implemented. The UCA took effect in late 2009 and therefore it is possible to identify beneficiary households in 2010, after the program came into effect in 2009 and trace them back a year when the UCA was still not in effect. Similar to the case of involving minimum wage, the rotation groups were added to a single database and in the regression models, membership in each annual panel was controlled through the inclusion of a dummy variable. The data to be used corresponded to the total of the urban centres that the EPH covers.

3.2 Methodological Design

The methodological design used in this investigation has two parts. In the first we turned to multinomial logistic regression models with data from the constructed panels. Secondly we used the differences in differences focus – diff in diff – with similar multinomial logistic models but with cross-sectioned micro data from the same information source.[9]

Multinomial logistic regression: Minimum wage

The analysis universe was made up of salaried workers covered by regulations related to minimum wage in the initial period, which is to say, prior to its modification. Unless otherwise indicated, salaried workers were selected whose work weeks varied between 35 and 48 hours – taking into account that minimum wage is applied to salaried workers who meet the requirement of a legal working day.

Similar to the scope of the norms on minimum wage, people in domestic service were excluded, as were the beneficiaries of employment plans. Moreover, the universe was restricted to consider salaried workers who were under the age of 60. This made it possible to concentrate attention on the economically active population and avoid transitions toward inactivity due to access to retirement benefits.

The dependent variable was defined as the labour status of individuals after the modification of minimum wage. Four categories were defined.

a) To be in a formal, salaried registered job
b) To be in an informal job, salaried but not registered
c) To not be occupied – unemployed or inactive and
c) To be occupied in a non-salaried position – this final group is the base category against which the parameters were estimated.

[9] As is known, there could be a risk of attrition when panel data is used (which is to say if there was a decline in the number of cases with the required observations and this was not random). In the databases used for this research, the loss of registers was marginal (around 6 percent on average) and therefore did not justify the application of adjustments to address this issue.

The independent variable of interest is the one that captures the impact of perceiving remuneration that is below – or in the tranche of the legal minimum wage.[10] The analysis is centred on the monthly salary received by workers in their main occupation, which is the relevant concept used to examine changes in the labour status of individuals.

Through this model it was possible to evaluate if those people with salaries below – or in the tranche – of minimum wage were more exposed to losing their jobs, or to entering the informal sector in the case of formal salaried workers after a variation in minimum wage.

The vector of independent variables was complete with the following: gender, age, age squared, educational level (characterized in the three levels), position in the household, size of the establishment, branch of activity and region of residence. Dummy variables were also included for each of the groups included in the data pool.

Multinomial logistic regression: Income transfer

Two models were defined[11]: in the first withdrawal from the labour market was tested on all those who were employed when the first interview was carried out. As a result, the dependent variable was defined in three categories.

a) Unemployed;
b) Inactive and
c) Employed – as a base category.

In the second model, similarly, it was evaluated whether people moved from inactivity to economic activity after receiving these income transfers. In this case, the universe for analysis was made up of all those who were not employed nor were seeking employment when surveyed for the first observation. The dependent variable was defined in the following three categories.

a) To be unemployed
b) To be employed and

[10] In this document a habitual practice from the specialized literature was followed and three income tranches were created based on the value of the minimum legal salary for each period: under, in the tranche and above the legal minimum.

[11] Given that the aim is to evaluate the impact of the perception of the AUH on the labour insertion of adults and considering that this program is granted only to families with parents who are unemployed or in the informal sector, it is convenient to control the possible existence of endogeneity that could bias the results. The presumed endogeneity is due to non-observed variables that could have an impact on the condition for which the households are beneficiaries – which is to say reasons why they have adults who are unemployed or in the informal sector and have children. Similar to the case of minimum wage, both models were control with the CMP Stata package (module to implement conditional – recursive – mixed process estimator) which allowed for the inclusion of endogenous binary variables within a multinomial regression. The obtained results confirmed the absence of endogeneity in this case as well.

c) To remain inactive – as a base category

The analysis group was restricted to the group of homes with children and without members who were formally employed – which is to say salaried and registered in social security – between the third and fourth quarter of 2009 and 2010. The vector of independent variables included the usual categories for this type of study: age; age squared, gender, educational level, position in the home and number of children. Moreover, controls were added for geographic regions and rotation groups. The independent variable of interest was defined as that which indicated if the home received subsidies or some social aid in cash.[12] A dummy variable was defined which assumed the value of 1 if the individual resided in a home benefiting from these transfers or 0 in the opposite case.

Differences in differences approach: Minimum wage

The differences in differences approach was applied to the group of salaried workers, in two specific moments – before and after the change in the minimum wage. The treatment group was defined in two categories: salaried workers with remunerations below the legal minimum and workers with salaries in the tranche.

On the other hand, the control group was made of up workers with remuneration above minimum wage. The method made it possible to confirm if the probabilities of entering an informal job were greater for salaried workers with remunerations below/in the tranche of minimum wages – compared with those whose wages are above the minimum – once minimum wage itself was modified.

The analysis was carried out separately for each of the biennia in the 2004 to 2013 period through logistic regressions. It was a cross sectional database for each biennia and included the observations corresponding to the universe indicated in the period before and after the modification of minimum wage.[13] In the vector of independent variables the same were included that were used in the multinomial models described above. The variables of interest were:

a) Salaries under the minimum and the year following the modification of the minimum salary.
b) Salaries in the tranche of the minimum and a year following the modification of the minimum salary.

[12] The variable used is the "Categories of Non Laboral Income: Income by subsidy or social aid (in cash) from the government, Church, etc. (V5 M)". A range of values was used to approximate the receptors of AUH. See: Design of Registry and Structure of the preliminary database of Households and Individuals. INDEC.
[13] The use of a cross sectioned data base for each biennia made it possible to have access to a greater number of cases and results than if the model had been applied to dynamic data. Moreover, in computing the double difference with independent databases the identification of the control group was more efficient.

Differences in differences approach: Income transfers

In this case, the differences in differences approach was applied on the group of adult individuals belonging to homes with children where there is no registered salaried worker – which is to say only unemployed adults or those in the informal sector. It referred to two moments in time – the second quarter of each biennium between 2010 and 2013. The treatment group was defined by those adult members of beneficiary households while the control group was made up of adult individuals in households with children who lack members employed in formal work and declared they don't receive income transfers. The method made it possible to confirm whether the probabilities of enjoying a determined labour status varied in time between beneficiary and non-beneficiary households of UCA.

4 Results

4.1 Minimum wage

Slightly less than a third of salaried workers in Argentina – considering jointly those workers whose remuneration is below minimum wage and those whose income is close to this level and with work weeks that vary between 35 and 48 hours – constitute the universe that would be most exposed to changes in this salary level (see Chart 2). Note that the proportion is slightly more than 40 percent when the impact is observed in the total number of employed.

It is possible to verify that between 2004 and 2013 this number remained relatively stable after a significant change between 2004 and 2005. The marked increase of the fraction of salaried workers with remunerations below the legal minimum as of 2005 also corresponds to the notorious increase in its value. Between 2004 and 2005, minimum wage increased from 42.8 percent to 52 percent compared with the average salary (see Chart 3).

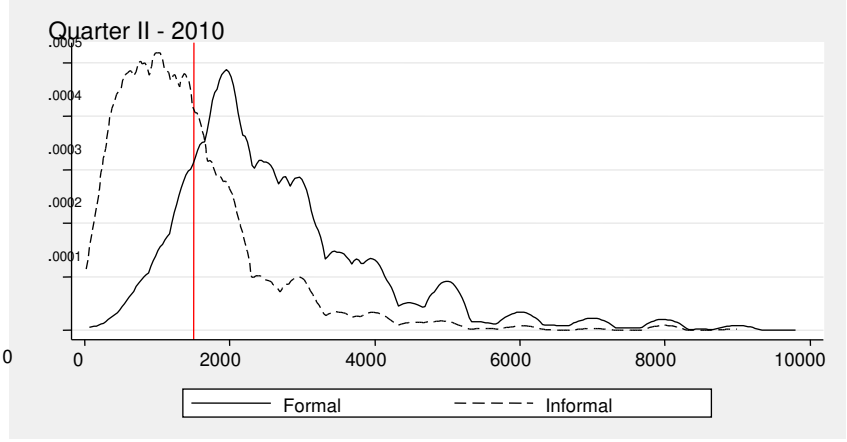
This panorama is slightly different regarding salaried workers registered in the social security system – formal workers – are considered separately from those who are not – informal.

The relative stability in the structure of the recipients based on their location regarding minimum wage suggests that nominal increases between 2005 and 2013 accompanied the variations in the remunerations of the global group of salaried workers. One direct way of measuring if this took place is by computing the coefficient between the minimum wage and different points in the distribution of salaries. It is possible to confirm that, after a significant increase in the value of minimum wage compared with average wage between 2004 and 2005, the increase of minimum wage – versus average remunerations – followed a more moderate tendency above 50 percent (see Chart 3).

The minimum wage essentially matched the average wage of the informal workers and more than surpassed that received by salaried workers in the first income decile. See Chart 3.

This alludes to the fact that the Argentinian labour market is segmented and does not operate competitively. Estimates based on Kernel density confirm this. Through its usage, it is possible to graphically represent the location of minimum wage in the distribution of remunerations for formal and informal workers. See Graph 1.[14] It is possible to appreciate that, for the group of registered salaried workers, the minimum wage is located in the extreme lower end of the distribution, leaving only a small proportion of recipients under this threshold. For non-registered workers, minimum wage is located on the descending right high side of the density function. Unlike what happened for registered salaried workers, the magnitude of informal workers with salaries below the minimum was not marginal. Globally, this evidence justifies concluding that minimum wage does not constitute a salary floor for the informal sector in the style of a "beacon", although it could have exercised it in dynamic terms as the salary gap between both segments did not increase.

Graph 1: Kernel density estimation of wages for registered and non-registered workers and the location of minimum wage (2010).[15]



Recurring to the pool of data, it was possible to estimate the proportion of those who maintained or changed their location in the salary tranches regarding the legal minimum before and after its modification (see Chart 4). It is possible to confirm that around one out of every 5 salaried workers (23.2 percent) who in the initial year received wages below the legal minimum entered the segment of those who earned more than minimum wage in the following year. In contrast, 6.9 percent of those who had received salaries

[14] For indicative purposes we have included the 2010 Kernel distribution. The same result is obtained for all the years in the 2004-2013 period.
[15] The vertical line indicates the location of minimum wage. In all cases the data comes from EPH. Estimates were made for the years 2004 to 2013.

above the minimum then moved into the group with salaries below the minimum one-year later.

The estimated probabilities with the logistic multinomial regression models support the absence of significant negative impacts on the loss of employment among formal salaried workers. In effect, registered salaried workers with remunerations at or below the minimum tranche - who are more impacted by changes in the legal minimum - did not demonstrate greater probabilities of losing their condition as the employed, which is to say they did not demonstrate greater probability of entering unemployment or inactivity. The coefficients were not significant (see Chart 6).

The panorama is slightly different when the analysis focuses on the impact regarding access to a non-registered job. A previously stated, registered salaried workers with an income that is below minimum wage and those with remunerations in the minimum wage tranche represented something less than 6 percent to 8 percent respectively in 2013. They exhibited positive and significant probabilities of entering an informal position (0.74 in the first group and much less -0.44- in the second group.) This situational data is complemented by the fact that those registered salaried workers with remunerations below the minimum had less probabilities of remaining in this condition (-0.309). This panorama suggests that minimum wage had exercised an impact on the margin – light and with little economic significance - regarding the labour status of workers.

Through a differences in differences analysis it is possible to reinforce the conclusion obtained from the panel data about the limited impact that changes in minimum wage could have on the level of informality.

4.2 Transfer of Income

The impact of the UCA on the activity-inactivity trajectory was evaluated for those members of homes who are able to access the program. The regression models made it possible to confirm that the UCA was not associated with a greater probability of moving from employment to inactivity - the coefficient was not significant (see Chart 8).

In other words, the perception of this transfer – controlled by the remainder of the factors included in the analysis – did not lead adult workers to exit economic activity. On the other hand, it did confirm a greater propensity to go from employment to unemployment. The interpretation of this derivation makes sense when we note that the jobs held by adults in these homes tend to be characterized by very low stability. Similar results were found in the separate analysis for men and women.

In the other direction, in the move from inactivity toward unemployment and employment, it is possible to confirm that the monetary transfer had a positive

and significant sign (see Chart 8). This is to say that they were associated with a greater probability of entering economic activity. In the separate analysis for men and women, it was confirmed that this would have occurred due to what happened with the first. This lends credence to the hypothesis about the predomination of certain cultural patterns that assigned men the role of breadwinner while women are assigned the role of taking care of the children and other domestic tasks.[16]

The differences in differences analysis confirms the absence of positive effects on the probabilities of becoming inactive in two of the three analysed biennia (see Chart 9). In fact, it confirms a negative and significant effect in the 2012-2013 period.

5 Conclusions and policy implications

In the current century, both the regulation of minimum wage and income transfer to poor homes have been consolidating in the Latin American region as fundamental tools for achieving basic or minimal social protection guarantees.

The Argentina case stands out in this context due to the intense use of both policies, given the coverage that is reached and the amount assigned in each case. Despite the recently described panorama, the persistence of a high level of labour informality amply justifies the development of the research in order to study the impact on the labour market and glean any policy implications.

The application of minimum wages tends to provoke intense debate. While some literature emphasizes that it reduces employment and provokes and increase in inequality, other claim that it doesn't have any negative impact on employment and also contributes to protecting the remuneration of less skilled workers. The question is further complicated by the possible impact it could have on labour informality.

Evidence obtained in the Argentinian case revealed that throughout this period, somewhat less than a third of the total number of salaried workers, considering all workers who receive less than minimum wage or in the legal minimum tranche as one group, are exposed to the possible impact from the modification of its amount.

For its part, econometric estimates demonstrated that the modifications of the minimum wage did not produce any negative impact on employment. Moreover, it is possible to emphasize that there also was no substantial impact on the probabilities of losing a formal job and entering the informal sector – the

[16] It is worth emphasizing that this analysis is limited to one-year interval between observations. The question as to whether the impact could change over a greater time period remains open. (Galasso, 2006).

impact was modest and only involved a very small proportion of salaried workers. Finally, the information obtained in this research confirmed that the salary gap between formal and informal workers did not increase.

Regarding the income transfers, the controversy has focused on the impact that the income transfer could have on the decisions to participate in the labour market. The results that were obtained demonstrate that there was no movement toward economic activity attributable to the UCA. To the contrary, some evidence was found that it could have encouraged a move to economic activity – from inactivity toward unemployment, of the men in the beneficiary homes.

As a whole, this evidence manifests in favour of encouraging the continuity of these initiatives. Moreover, due to the positive impact – although modest – that was found regarding the economic activity in certain groups of the population concerning UCA, it would be worth asking about the impact that could be obtained if the application of this policy scheme were amplified.

Finally, it is important to draw attention to the existing quota of informality in the Argentinian labour market as a distinctive element for the design of policy recommendations.

As a result, the use of specific policies to achieved higher marks in the level of labour formalization that mitigate the loss of wellbeing derived from the disadvantages associated with informality emerges as corollary. This will result in a greater effectiveness of the analysed policies – ie greater coverage of minimum wage and greater available resources due to the reduction of informal workers – thereby contributing to achieving growing levels of equity and social integration.

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List of Charts

Chart 1. Modification of Minimum Wage 2003 – 2014 (In $ Argentine) Modification of Minimum Wage 2003 - 2014

Norm	In Place Since	Salary by hour	Salary by month
Decree 388/03	December 1, 2003	1,5	300
Decree 1349/03	January 1, 2004	1,75	350
Resolution 2 of the National Employment Council, Productivity and Minimum, Vital and Moveable Wage and Decree 1192/04	September 1, 2004	2,25	450
Resolution 2 of the National Employment Council, Productivity and Minimum, Vital and Moveable Wage and Decree 750/05	May 1, 2005	2,55	510
	June 1, 2005	2,85	570
	July 1, 2005	3,15	630
Resolution 2 of the National Employment Council, Productivity and Minimum, Vital and Moveable Wage (2006)	August 1, 2006	3,8	760
	September 1, 2006	3,9	780
	November 1, 2006	4	800
Resolution 2 of the National Employment Council, Productivity and Minimum, Vital and Moveable Wage (2007)	August 1, 2007	4,5	900
	October 1, 2007	4,8	960
	December 1, 2007	4,9	980
Resolution 2 of the National Employment Council, Productivity and Minimum, Vital and Moveable Wage (2008)	August 1, 2008	6	1200
	December 1, 2008	6,2	1240
Resolution 2 of the National Employment Council, Productivity and Minimum, Vital and Moveable Wage (2009)	August 1, 2009	7	1400
	October 1, 2009	7,2	1440
	January 1, 2010	7,5	1500
Resolution 2 of the National Employment Council, Productivity and Minimum, Vital and Moveable Wage (2010)	August 1, 2010	8,7	1740
	January 1, 011	9,2	1840
Resolution 2 of the National Employment Council, Productivity and Minimum, Vital and Moveable Wage (2011)	August 1, 2011	11,5	2300
Resolution 2 of the National Employment Council, Productivity and Minimum, Vital and Moveable Wage (2012)	September 1, 2012	13,35	2670
	Feburary 1, 2013	14,38	2875
Resolution 2 of the National Employment Council, Productivity and Minimum, Vital and Moveable Wage (2013)	August 1, 2013	16,5	3300
	January 1, 2014	18	3600

Source: Own elaboration

Chart 2. Distribution of employed individuals according to their level of salary versus the legal minimum (%)[1]

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total Employed										
Under	28,5	38,6	37,2	37,7	33,1	35,8	35,2	33,3	36,2	32,5
In the tranche	16,4	9,1	7,4	7,2	9,7	8,5	10,8	12,7	6,8	10,1
Above	55,2	52,3	55,3	55,1	57,2	55,7	54,0	54,0	57,0	57,4
Total	*100,0*	*100,0*	*100,0*	*100,0*	*100,0*	*100,0*	*100,0*	*100,0*	*100,0*	*100,0*
Occupied 35-48hs										
Under	12,7	22,7	22,5	24,1	21,8	22,7	22,7	21,5	22,4	19,1
In the tranche	14,6	10,9	7,4	8,3	9,8	9,2	12,3	13,4	7,0	10,3
Above	72,7	66,4	70,1	67,6	68,4	68,1	64,9	65,1	70,6	70,6
Total	*100,0*	*100,0*	*100,0*	*100,0*	*100,0*	*100,0*	*100,0*	*100,0*	*100,0*	*100,0*
Salaried 35-48hs										
Under	10,0	19,3	20,2	21,3	20,1	20,0	19,9	19,3	19,2	14,8
In the tranche	14,7	11,1	7,1	8,2	9,7	9,9	12,6	12,1	6,9	10,3
Above	75,3	69,6	72,7	70,5	70,2	70,1	67,5	68,6	73,9	74,9
Total	*100,0*	*100,0*	*100,0*	*100,0*	*100,0*	*100,0*	*100,0*	*100,0*	*100,0*	*100,0*
Salaried 35-48hs[2]										
Under	8,1	16,7	16,8	18,5	17,5	17,0	16,7	16,3	17,1	13,0
In the tranche	13,6	10,8	7,2	8,3	9,5	9,9	12,6	12,0	6,7	9,9
Above	78,3	72,6	76,0	73,2	73,0	73,1	70,7	71,7	76,2	77,1
Total	*100,0*	*100,0*	*100,0*	*100,0*	*100,0*	*100,0*	*100,0*	*100,0*	*100,0*	*100,0*
Registered Salaried 35-48hs[2]										
Under	1,8	5,7	6,3	7,9	8,5	8,3	8,3	7,9	7,9	5,9
In the tranche	9,1	8,5	5,6	6,4	7,9	8,7	10,5	9,6	5,5	7,8
Above	89,1	85,8	88,2	85,6	83,6	83,0	81,2	82,5	86,6	86,2
Total	*100,0*	*100,0*	*100,0*	*100,0*	*100,0*	*100,0*	*100,0*	*100,0*	*100,0*	*100,0*
Unregistered Salaried 35-48hs[2]										
Under	25,1	46,5	47,2	50,2	49,1	48,0	45,6	46,8	53,1	48,5
In the tranche	25,6	16,9	11,8	13,8	15,1	14,2	19,9	20,7	11,5	12,2
Above	49,3	36,7	41,1	36,0	35,8	37,8	34,6	32,4	35,5	39,3
Total	*100,0*	*100,0*	*100,0*	*100,0*	*100,0*	*100,0*	*100,0*	*100,0*	*100,0*	*100,0*
Self Employed										
Under	30,6	43,0	37,5	42,1	36,6	42,4	43,4	36,1	39,7	40,5
In the tranche	16,3	10,7	9,9	9,2	12,0	6,6	12,5	21,9	8,5	10,2

Above	53,2	46,3	52,5	48,7	51,4	51,0	44,1	42,1	51,8	49,4
Total	*100,0*	*100,0*	*100,0*	*100,0*	*100,0*	*100,0*	*100,0*	*100,0*	*100,0*	*100,0*

(1) Classification by ranges taking rounding into account
(2) Excludes domestic service and employment plan beneficiaries
Source: Our own elaboration based on data from the Permament Household Survey – EPH – INDEC, Second Quarter

Chart 3. Ratio of minimum wage regarding different points of salary distribution based on registration. Salaried (35-48hs) (%)(1)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Salaried										
Average	42,8	52,0	54,2	55,9	53,9	58,8	58,2	54,4	56,8	55,5
Percentile 10	116,4	131,9	148,5	129,2	135,6	138,9	149,9	125,0	122,5	120,8
Percentile 25	76,4	94,9	89,3	96,8	94,9	96,1	99,9	93,7	87,5	85,3
Mid	53,8	65,0	66,1	64,6	63,3	69,4	71,4	62,5	64,5	64,4
Percentile 75	35,0	43,2	44,6	48,4	47,5	48,8	50,0	46,9	49,0	47,5
Registered Salaried										
Average	38,3	46,0	47,9	49,7	48,6	53,4	52,5	49,2	51,7	50,7
Percentile 10	87,3	94,9	104,0	96,8	105,5	104,1	107,1	104,1	98,0	96,7
Percentile 25	63,6	79,0	78,1	77,5	79,1	83,3	83,3	75,0	81,6	72,5
Mid	48,2	59,3	62,4	59,6	59,3	62,5	60,0	58,6	61,2	58,0
Percentile 75	35,0	39,6	41,6	43,0	41,3	43,1	42,9	41,7	44,5	41,4
Unregistered Salaried Workers										
Average	61,9	80,7	87,6	89,0	87,7	91,6	93,1	88,0	92,5	84,8
Percentile10	174,9	236,6	249,6	227,6	237,2	249,6	249,9	234,1	244,8	193,3
Percentile 25	121,2	157,8	156,1	155,0	158,2	156,2	150,0	156,1	163,2	145,0
Mid	87,3	98,9	104,1	107,5	105,5	104,1	107,1	104,1	122,4	96,6
Percentile 75	58,2	67,9	78,1	77,4	75,9	78,1	75,0	75,0	76,5	72,5

(1) Classification by ranges, taking rounding into account. It excludes domestic service and beneficiaries of employment plans
Source: Our own elaboration based on data from the Permanent Household Survey – EPH – INDEC, Second quarter

Chart 4: Annual transitions of salaried workers (35-48hs) according to the salary received compared with the legal minimum. Pool from the panel data 2004-2013 (%) (1)

	Location in t				
Location in t-1	No longer salaried	Under minimum	In the tranche of	Above minimum	Total

		wage	minimum wage	wage	
Under minimum wage	18,1	46,7	12,0	23,2	100
In the tranche of minimum wage	11,3	27,5	17,8	43,5	100
Above Minimum wage	5,9	6,9	6,3	80,9	100
Total	*8,9*	*16,8*	*8,6*	*65,8*	*100*

(1) Classification by ranges, taking rounding into account. It excludes domestic service and beneficiaries of employment plans

Source: Our own elaboration based on data from the Permanent Household Survey – EPH – INDEC, Second quarter

Chart 5. Modifications in the amount of the Universal Child Benefit ($ Argentine)

Data	Amount per child / pregnancy	Amount for child with disability	Decree
November 2009	180	720	1602/09
September 2010	220	880	1388/10
October 2011	270	1.080	1482/11
September 2012	340	1.200	1667/12
June 2013	460	1.500	614/13

Source: ANSES (National Social Security Administration)

Chart 6. Selected Coefficients of multinomial regressions. Dependent variable (DV): Employment status. Panel Data Pool 2004-2013 (1)

	Total salaried in t-1		Only salaried registered in t-1		On salaried not registered in t-1	
	Coef.	*Err. Std.*	*Coef.*	*Err. Std.*	*Coef.*	*Err. Std.*
TOTAL						
DV: Salaried registered in t						
With a salary below the range of the minimum in t-1	-0,384	0,085	-0,309	0,141	-0,377	0,120
With a salary in the range of minimum wage in t-1	-0,290	0,094	-0,023	0,146	-0,313	0,145
DV: Unregistered salaried in t						
With a salary below the range of the minimum in t-1	0,215	0,087	0,744	0,168	0,005	0,101
With a salary in the range of minimum wage in t-1	-0,009	0,101	0,444	0,182	-0,231	0,123
DV: Unemployed or inactive in t						
With a salary below the range of the minimum in t-1	0,309	0,103	0,186	0,179	0,342	0,140
With a salary in the range of minimum wage in t-1	0,011	0,118	0,280	0,182	-0,008	0,172
	N° de obs.: 22.364		N° de obs.17.174		N° de obs.5.190	
Men						
DV: Salaried registered in t						
With a salary below the range of the minimum in t-1	-0,398	0,102	-0,330	0,180	-0,324	0,136
With a salary in the range of minimum wage in t-1	-0,268	0,114	0,074	0,182	-0,208	0,166
DV: Unregistered salaried in t						
With a salary below the range of the minimum in t-1	0,176	0,100	0,795	0,209	-0,040	0,112
With a salary in the range of minimum wage in t-1	0,176	0,118	0,794	0,220	-0,080	0,139
DV: Unemployed or inactive in t						
With a salary below the range of the minimum in t-1	0,128	0,130	0,013	0,242	0,081	0,170

With a salary in the range of minimum wage in t-1	0,162	0,146	0,619	0,230	-0,013	0,207
	N° de obs.: 14.893		N° de obs.: 10.917		N° de obs.: 3.976	
WOMEN						
DV: Salaried registered in t						
With a salary below the range of the minimum in t-1	-0,308	0,160	-0,249	0,233	-0,493	0,270
With a salary in the range of minimum wage in t-1	-0,423	0,171	-0,267	0,243	-0,727	0,312
DV: Unregistered salaried in t						
With a salary below the range of the minimum in t-1	0,280	0,176	0,654	0,292	0,031	0,237
With a salary in the range of minimum wage in t-1	-0,593	0,207	-0,398	0,345	-0,845	0,282
DV: Unemployed or inactive in t						
With a salary below the range of the minimum in t-1	0,583	0,181	0,367	0,279	0,710	0,276
With a salary in the range of minimum wage in t-1	-0,313	0,207	-0,285	0,301	-0,278	0,329
	N° de obs.: 7.471		N° de obs.: 6.257		N° de obs.: 1.214	

(1) Universe: registered and not registered salaried workers in t-1. Classification by ranges rounded ranges. It excludes domestic service and beneficiaries of employment plans in t-1.

Note: It is controlled by gender, age of the sample, educational level (categorized in three levels) position in the household, size of the establishment, type of activity, region of residency and for each of the waves included in the data pool.

Source: own elaboration

Chart 7. Selected coefficients from the differences in differences models in multinomial regressions. Dependent variable (DV): conditions of registration. Cross section data corresponding to biennia between 2014 and 2013 (1)

DV: Registration in the year after the modification of minimum wage (1 = non registered salaried y 0 = registered salaried)	*Coef.*	*Err. Std.*
Biennia 2004-2005		
With a salary below the range of the minimum and 2005	-0,219	0,199
With a salary in the range of the minimum and 2005	0,040	0,158
	N° de observations: 8.558	
Biennia 2005-2006		

With a salary below the range of the minimum and 2006	-0,216	0,151
With a salary in the range of the minimum and 2006	-0,005	0,178
	N° de observations: 9.122	
Biennia 2006-2007		
With a salary below the range of the minimum and 2007	-0,043	0,133
With a salary in the range of the minimum and 2007	-0,185	0,174
	N° de observations: 11.028	
Biennia 2007-2008		
With a salary below the range of the minimum and 2008	-0,058	0,121
With a salary in the range of the minimum and 2008	0,043	0,155
	N° de observations: 12.809	
Biennia 2008-2009		
With a salary below the range of the minimum and 2009	-0,074	0,125
With a salary in the range of the minimum and 2009	-0,244	0,153
	N° de observations: 12.910	
Biennia 2009-2010		
With a salary below the range of the minimum and 2010	0,076	0,124
With a salary in the range of the minimum and 2010	0,175	0,144
	N° de observations: 12.834	
Biennia 2010-2011		
With a salary below the range of the minimum and 2011	0,095	0,124
With a salary in the range of the minimum and 2011	0,216	0,138
	N° de observations: 13.208	
Biennia 2011-2012		
With a salary below the range of the minimum and 2012	0,100	0,126
With a salary in the range of the minimum and 2012	-0,055	0,163
	N° de observations: 13.348	
Biennia 2012-2013		
With a salary below the range of the minimum and 2013	-0,343	0,131
With a salary in the range of the minimum and 2013	-0,229	0,171
	N° de observations: 13.144	

(1) Universe: salaried registered and non-registered workers. Classification by ranges, taking rounding into account. It excludes domestic service and those benefiting from employment plans. Control group: salaried workers with remunerations above the legal minimum.

Note: Data is controlled by gender, age, age squared, education level (categorized in three levels) position in the home, size of the establishment, type of activity, region of residence and for each of the waves included in the data pool.

Source: own elaboration

Chart 8. Selected coefficients of multinomial regressions. Dependent variable (DV): Employment status. Pool of data from the 2009 -2010 panel.

Universe: Employed in 2009

	DV: Unemployed		DV: Inactive	
	Coef.	*Std. Error*	*Coef.*	*Std. Error*
TOTAL				
With UCA	0,563	0,159	0,146	0,097
		N° de observations: 5.033		
WOMEN				
With UCA	0,734	0,271	0,195	0,117
		N° de observations: 2.143		
MEN				
With UCA	0,460	0,195	-0,015	0,183
		N° de observations: 2.890		

Universe: Inactive in 2009

	DV: Unemployed		DV: Inactive	
	Coef.	*Std. Error*	*Coef.*	*Std. Error*
TOTAL				
With UCA	0,297	0,143	0,170	0,085
		N° de observations: 7.204		
WOMEN				
With UCA	0,177	0,191	0,143	0,104
		N° de observations: 4.545		
MEN				
With UCA	0,348	0,132	0,205	0,151
		N° de observations: 2.659		

Note: Data is controlled by gender, age, age squared, education level (categorized in three levels) position in the home, size of the establishment, type of activity, region of residence and for each of the waves included in the data pool.

Source: own elaboration

Chart 9.
Coefficients selected from the differences in differences models in multinomial regressions. Dependent Variable (DV): Employment status. Cross section data corresponding to the biennia between 2010 and 2013 (1)

	DV: Unemployed		DV: Inactive	
	Coef.	*Std. Error*	*Coef.*	*Std. Error*
Biennia 2010-2011				
With UCA and year 2011	-0,042	0,137	-0,106	0,100
	N° of observations: 20.170			
Biennia 2011-2012				
With UCA and year 2012	0,586	0,140	0,738	0,106
	N° of observations: 19.065			
Biennia 2012-2013				
With UCA and year 2013	-0,209	0,144	-0,320	0,112
	N° of observations: 18.428			

(1). Universe: adults age 18 to 59 belonging to homes with children where there are no members employed in formal jobs (registered in social security). Control group: adults from homes that do not benefit from UCA.

Note: Data controlled by gender, age, age squared, education level (categorized in three levels) position in the home, size of the establishment, type of activity, region of residence and for each of the waves included in the data pool.

Source: own elaboration