10 years International Policy Centre for Inclusive Growth

UNITED NATIONS ECLAC

The International Policy Centre for Inclusive Growth is jointly supported by the United Nations Development Programme and the Government of Brazil.

One pager No. 268

ISSN 2318-9118 December, 2014

Social Protection Systems in Latin America and the Caribbean: **Uruguay**

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Uruguay's welfare state can be characterised by its universal primary education system, its early and robust social security system as well as widespread health coverage and benefits. Uruguay also has one of Latin America's highest levels of social spending in terms of Gross Domestic Product (GDP) (24.3 per cent) and as a percentage of total public spending (80.6 per cent).

Yet the Uruguayan welfare state is rigid and increasingly unable to confront social risks. The decline of the State's capacity to do so is due to the fact that while family structures have entered the second demographic transition and labour markets have become increasingly precarious, the Uruguayan welfare architecture has remained structured on the idealised version of traditional family patterns and highly formal, full-employment labour markets. Additionally, ageing has placed increasing fiscal burdens on the social security and health care systems.

Uruguay has three major social state pillars: social security—including contributory and non-contributory transfers—education and health care. Labour protection and housing complete the social architecture of the Uruguayan State.

Social security and social assistance spending is concentrated in the *Banco de Previsión Social* (BPS) and represents more than 46 per cent of social spending (11.5 per cent of GDP), and 70–75 per cent is spent on old-age, survivor and disability (OASD) benefits, 5–7 per cent on family allowances, and 15–18 per cent on other transfers (unemployment, sickness and maternity leave). OASD benefits are organised in a three-tier system: non-contributory, needs-based OASD, contributory pay-as-you-go pensions and individual, privately administered capitalisation funds. Social security coverage of labour is high (75 per cent), and pension coverage reaches around 90 per cent of those older than 64. The BPS receives large subsidies from the general treasury, almost one third of all contributory benefits. Reforms have facilitated access to non-contributory pensions and to the contributory pillar.

Unemployment insurance covers those engaged in formal employment with benefits for six months, with a declining replacement rate (66 per cent to 40 per cent of original wages). Recent reforms introduced this declining replacement rate and have also added benefits for some special circumstances (economic crises, population aged 50 or above).

Family allowances were targeted at low-wage formal workers, but a reform has created a new regime that is targeted and non-contributory, increasing the benefits from USD20 to USD50 per first child (and 66 per cent of that for each subsequent child). Currently 500,000 family allowances are paid, covering 80 per cent of households with children in the three lowest income deciles.

Uruguay had a two-tier system of health care: state provision (general state health services (ASSE) and police and military health providers) and private non-profit insurance called 'mutual aid societies' (MAS). The latter could be accessed either through private fees or by contributing as a formal worker to the *Dirección Seguros de Salud del Estado* (DISSE). The 2007 health reform created a broader insurance system that combines contributory and family-based non-contributory criteria for eligibility. The Health Care Fund (FONASA) created by this law is financed through contributions from formal workers and the general Treasury. If one member of a household contributes to social security, all members are eligible and can select a provider (state-based or MAS) of their choosing. In households where nobody contributes to social security, only state providers grant access. Health spending increased substantially (from 4 per cent to 6 per cent of GDP; and from 21 per cent to 25 per cent of social spending between 2005 and 2012), as has the number of people able to access MAS.

Today, 97.5 per cent of Uruguayans have access to some form of health care, with 60 per cent affiliated with MAS and the rest with access to state providers. Health care indicators have benefited: infant mortality is among the lowest in the region (8.3/1000 in 2013), all births are attended by specialised personnel, and 97 per cent of children have their basic vaccines delivered in a timely fashion.

Public education covers 84 per cent of all students. Private education receives no subsidies. Education is compulsory from ages 4 to 17, though coverage is universal only between 5 and 13 years. Ten per cent of four-year-old children remain out of the system, and after age 13 there is a steady decline in coverage due to high drop-out rates. Primary-school completion rates are almost universal, though only 80 per cent of students do so at their expected age. Some 69 per cent of 18–20-year-olds complete lower high school, while only 38 per cent of 21–23-year-olds complete upper high school. Recent reforms sought to increase time in school for primary-school students and decrease drop-out rates in high school. Spending has increased from 3.2 per cent of GDP in 2005 to 4.5 per cent of GDP in 2013. Results have been disappointing regarding high school. A reform aiming mostly at curricula, evaluation systems and teacher training is currently being discussed regarding high school.

Family allowances, health, pension and social security reform have partly filled the gap between the new risk structure and the old social protection architecture. But welfare imbalances remain. Old-age and social security protection for formal workers is far greater than protection aimed at children and women, who are less likely to be employed and, especially, formally employed. The need to create a non-contributory state-led assistance system, with new services and transfers, is part of the reform agenda. The recent reform of family and maternity leave —increasing population coverage and length of time—and the expansion of full-time schools and pre-school care showcases some possible new directions for Latin America's oldest welfare state.

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This One Pager is a partnership between the IPC-IG and ECLAC.

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