

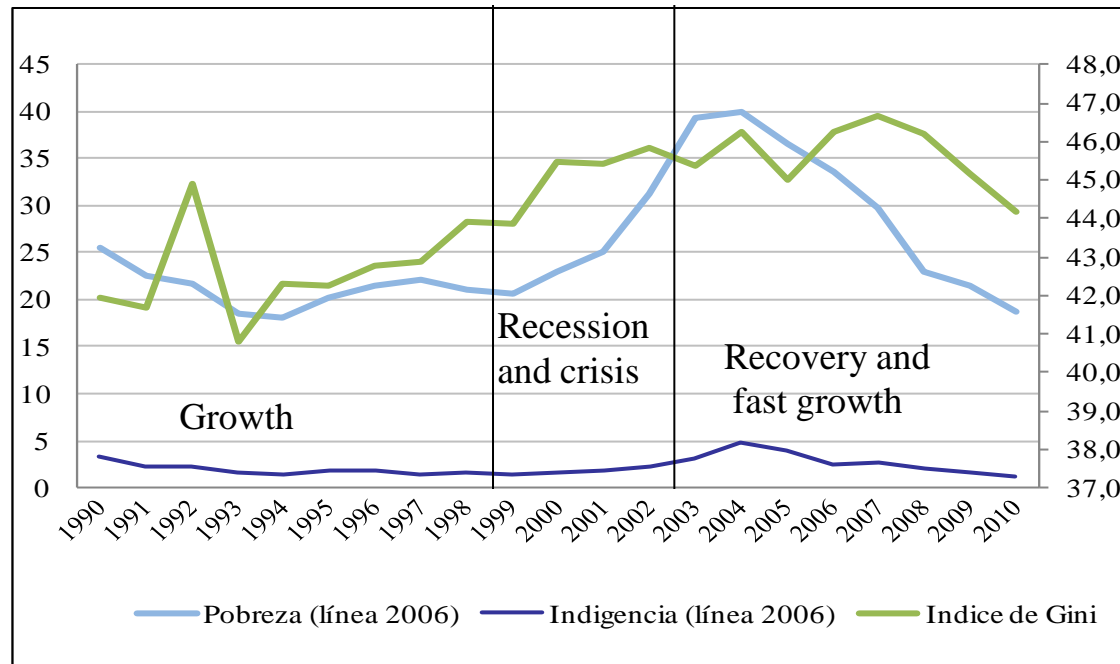
**Recent Developments in the Role and Design of Social Protection Programmes A Policy Dialogue, Expert Workshop and South-South Learning Event *Brasilia, Brazil December 3-5, 2012***

# **The recent expansion of cash transfer programs in Uruguay**

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# I. Introduction

## Income poverty and inequality in Uruguay. 1990-2011



- Poverty incidence in households with children: 53%
- Change in household composition : % hh. with children 48% in 1990; 40% in 2011
- Attendance to primary school: universal since early decades XX century
- Secondary school: high drop out, particularly in lower income strata (40% among the poor and 50% among extreme poor)

## II. Social protection in Uruguay

- First half of the 20th century: universal social policies was established in the areas of education, labour and health, covering most of the population
- Uruguay's pension system reached almost universal coverage among elderly people, in part due to laxity in the requirements to receive contributory benefits
- The social security system started to run deficits that widened as a result of a plebiscite in 1989 by which the contributory pensions became indexed to the national average wage index

- In 1943, Asignaciones Familiares (AFAM), a transfer scheme for formal workers with children was created. School attendance was required. Means tested since 1995
- An independent but similar system provides the same benefits for public employees
- In 2004, after the severe 2002 economic crisis, AFAM-HMR was created, aimed at providing social assistance to households with children for informal workers. Means tested at 3 mw
- Although the system expanded significantly, the monthly transfer was extremely low (16% mw) and had no effect on poverty and extreme poverty alleviation

## **II. The recent expansion of cash transfers: from PANES to AFAM-PE**

- In March 2005 a centre-left party won the elections for the first time in Uruguay and promoted the following reforms:
  - Tax reform (income tax)
  - Restoration of centralized wage-setting mechanisms (supressed in 1992)
  - Substantial increase in minimum wages
  - Health reform
  - Social protection reform
- Social protection reform - two stages:
  - a) 2005-2007: creation of MIDES and emergency plan
  - b) 2008 – onwards: Plan de Equidad

## a) Plan de Atención Nacional a la Emergencia Social (PANES)

- Temporary anti poverty program, April 05 – December 07. Cost: 0.41% GDP
- Aims: assist households hit by 2002 crisis and strengthen human + social capital of the poor
- Target population: HH from the bottom quintile below poverty line (8%)
- Monthly cash transfer (*Ingreso ciudadano*) US\$56 (lump sum); Food card HH with children and pregnant women. Between US\$13 - US\$30; other minor components
- Inter institutional coordination for implementation: MIDES, BPS
- Assignment based on proxy means test (including educational attainment, number of hh members, crowding, durable goods, sewage, etc.) and an income threshold
- Participation was conditional on children's school attendance and health checks (for children and monthly prenatal controls for pregnant women). In practice, conditionalities not enforced due to limited coordination between MIDES and educational system

## **b) 2008 – to date. Plan de Equidad**

- Plan de Equidad was conceived as a public strategy for reducing poverty and social inequality on a structural or permanent basis. It included tax and health care reforms, which were implemented in the last five years.
- Among its components, it included a cash transfer, AFAM-Plan de Equidad, that expanded and transformed the previously existing non contributory branch of AFAM
- Other components: Food Card, expansion of day care centres for children aged 0-3, Uruguay Trabaja (workfare and capacitation plan)

## AFAM-PE

- This new benefit shares some characteristics of LA CCTs but embedded in the social security system (jointly run by MIDES and BPS)
- Target population: vulnerable hh. with children (50% of the Uruguayan children aged 0 to 17)
- Vulnerability is determined according to a new proxy means test score and an income threshold
- Cost: 0.51 GDP
- Eligibility independent of adult contributory status (some formal hh. eligible for the two systems but they have to choose)



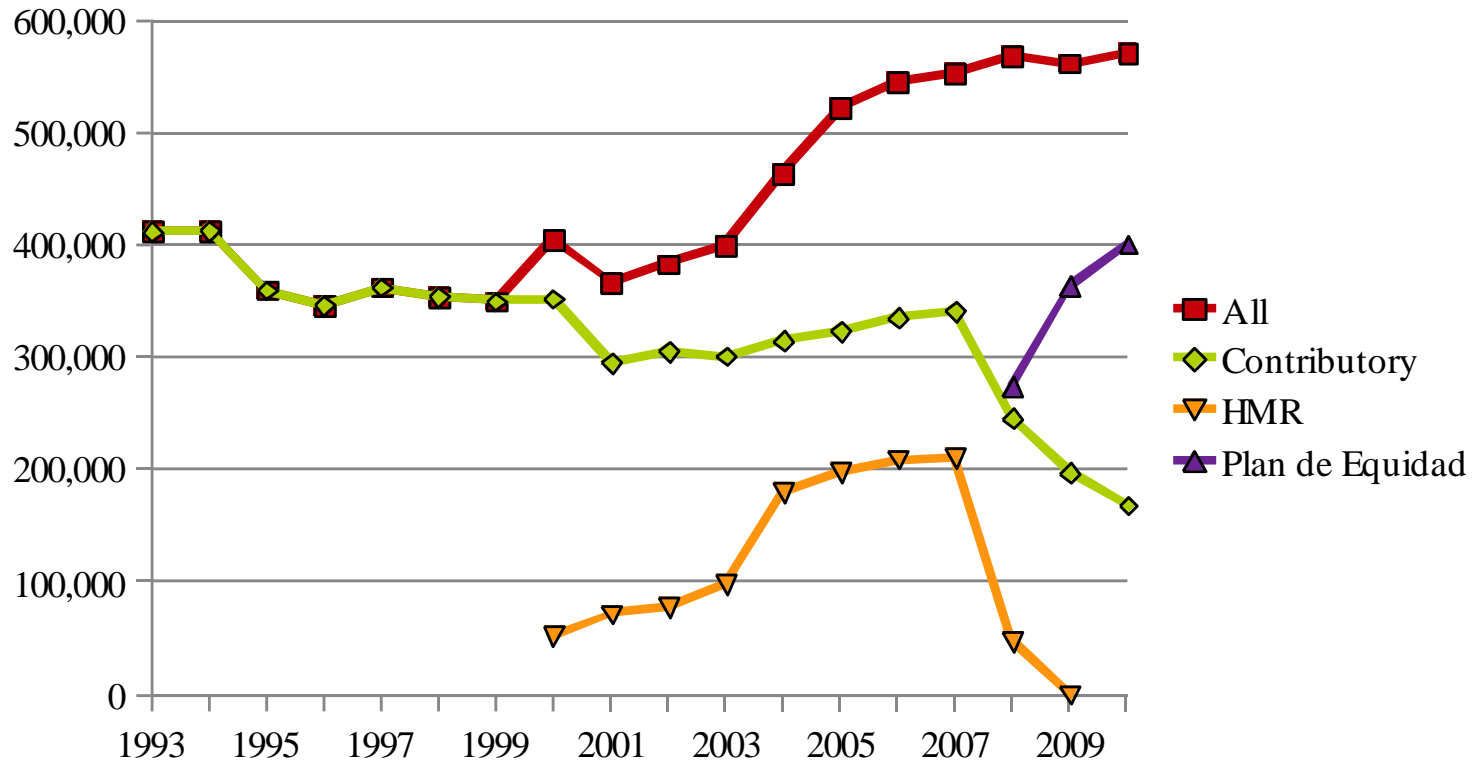
## AFAM-PE: – Enrolment and eligibility

- Conditional on school attendance for children aged 6 to 18.
- Average benefit per hh.: 65 U\$\$S. Benefits increase 40% (for the first child) when children attend secondary school The amount of the transfer is calculated as follows:

$$Th = A_p * (\text{under } 8)^{0.6} + (A_s - A_p) * (\text{under } 8_{\text{sec}})^{0.6}$$

- The benefit is indexed to the Consumer Price Index
- The contributory strand of AFAM remained unchanged (benefits are lower than AFAM-PE)

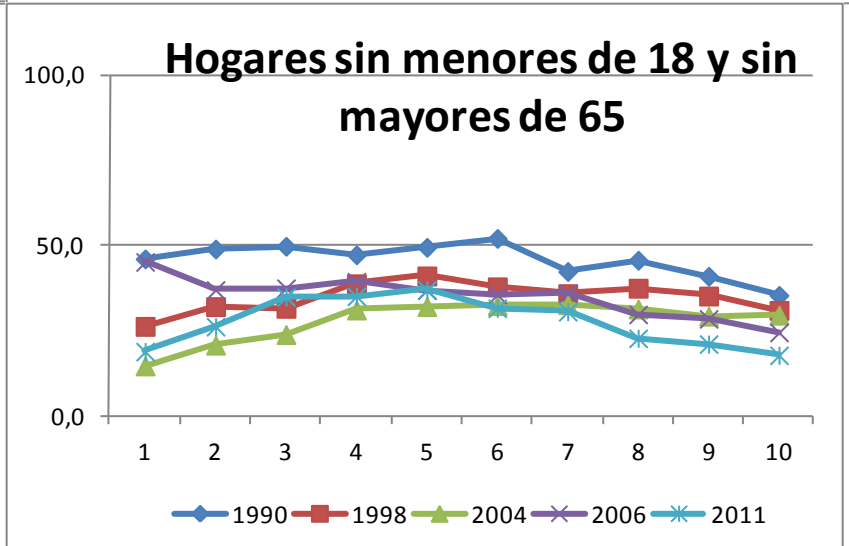
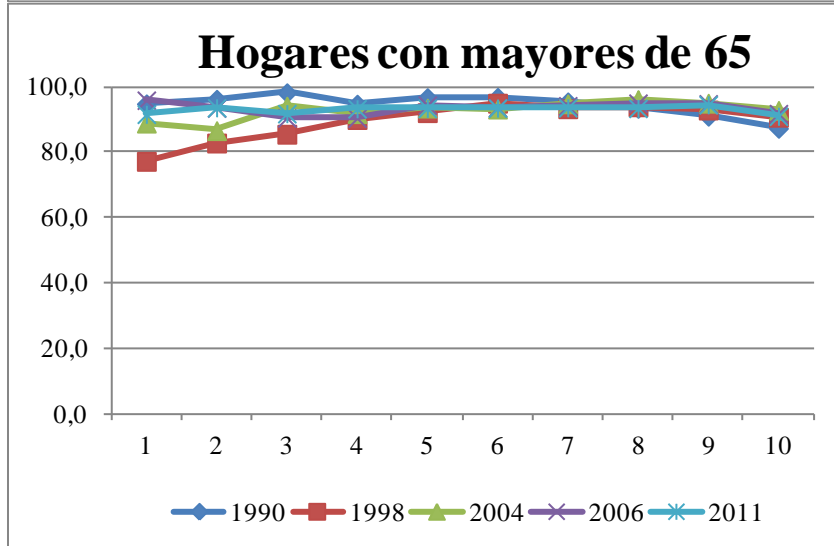
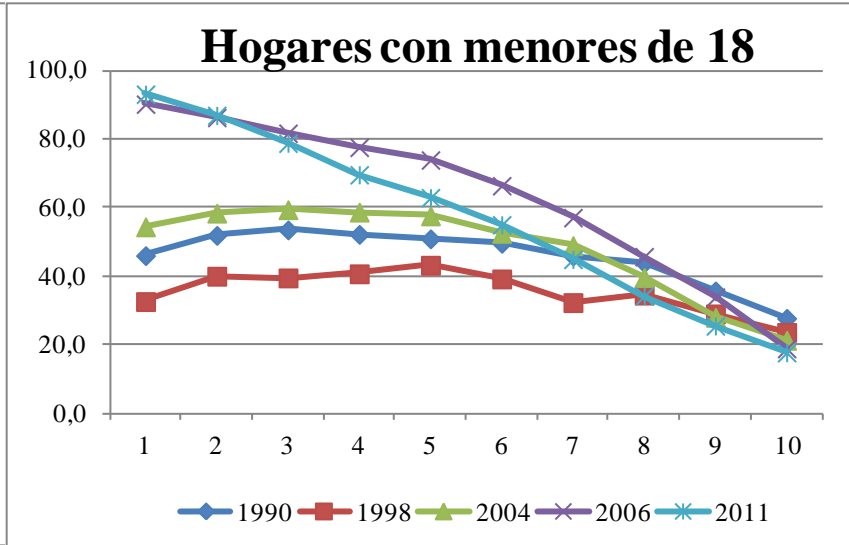
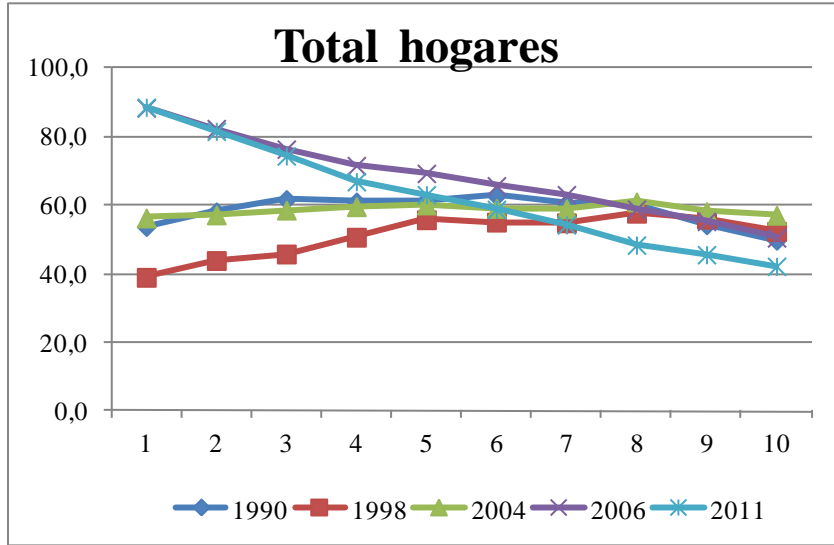
# AFAM benefits paid by the Social Security Institute by sub-system. 1993-2010



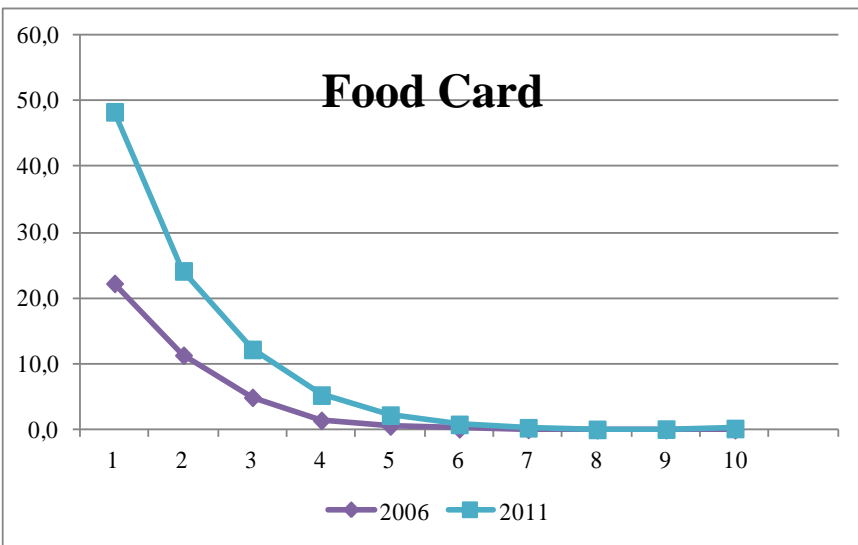
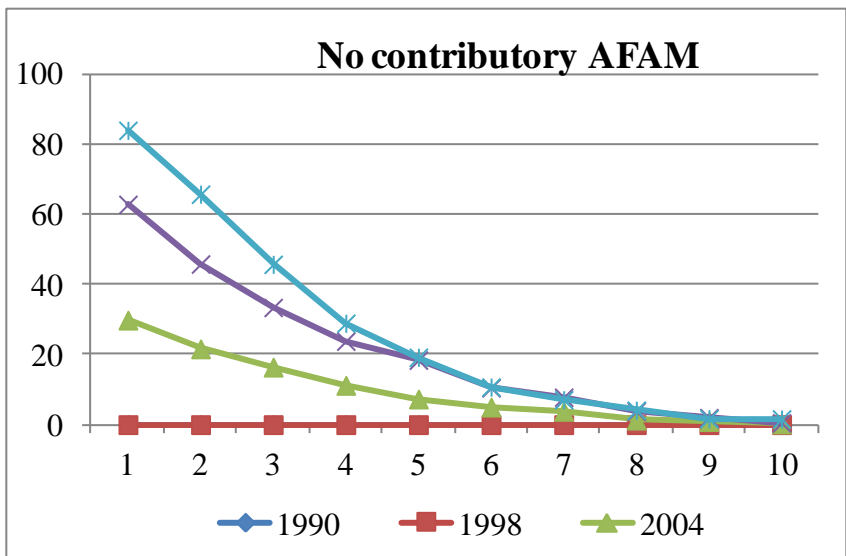
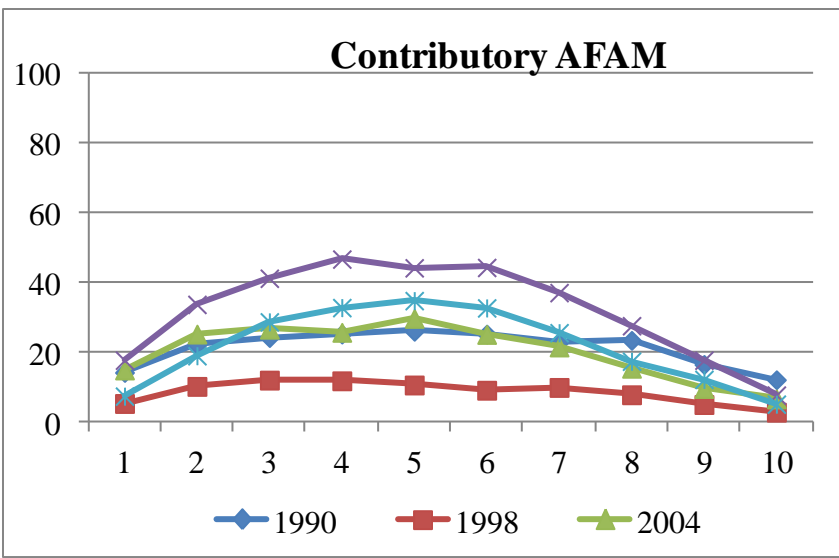
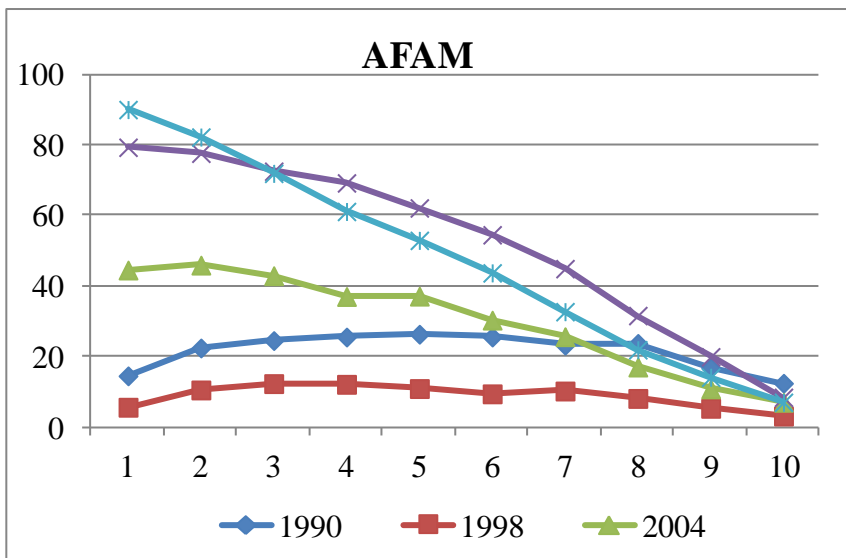
- PANES applicants having children aged 0-18 were transferred to AFAM-PE if they satisfied the proxy-means and the means-test conditions
- The transition was completed in July 2009

# III. The recent expansion of the outreach of non contributory transfers

Access to public transfers by per capita income decile. Uruguay. Urban areas. 1990-2011



# Households with children 0-17. AFAM and Food Card coverage. 1990-2011



### III. Program effects

Contribution of Ingreso Ciudadano, AFAM-Plan de Equidad and Food Card to poverty and indigence alleviation and to the reduction of inequality					
	Indigence		Poverty		Gini
	Fgt (0)	Fgt (1)	Fgt (0)	Fgt (1)	
<b>2006</b>	<b>2.6</b>	<b>0.6</b>	<b>27.7</b>	<b>9.5</b>	<b>45.3</b>
Ingreso Ciudadano	-30%	-33%	-1%	-7%	-1%
<b>2010</b>	<b>1.14</b>	<b>0.3</b>	<b>18.6</b>	<b>9.4</b>	<b>44.3</b>
AFAM-PE	-40%	-50%	-6%	-9%	-2%
Food Card	-25%	-25%	-2%	-3%	-1%

Source: Amarante and Vigorito (2012)

- PANES impact evaluation (RD):
  - effects on low birth weight (-), health checks (+), informality (+)
  - no effects on teenage school attendance, labor supply
- AFAM impact evaluation: in process

## V. Further steps

- Reach eligible households that still donot have access to benefits:
  - hh. with children that never applied for the benefit
  - time span of income threshold
  - proxy-means test (updated this year)
  - school attendance at 14-17
- Households not covered by existing programs, basically those composed only by adults : Food Card expansion?
- Unification of the contributory and non contributory strands of AFAM up to a threshold to be defined
- Control of conditionalities and inter institutional coordination
- Complementary interventions: Educational reform, Uruguay Crece Contigo, Jovenes en Red
- Household information update (AFAM administrative records)