

PUBLIC AND PRIVATE TRANSFERS BY SOCIO-ECONOMIC GROUPS IN URUGUAY

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About Uruguay

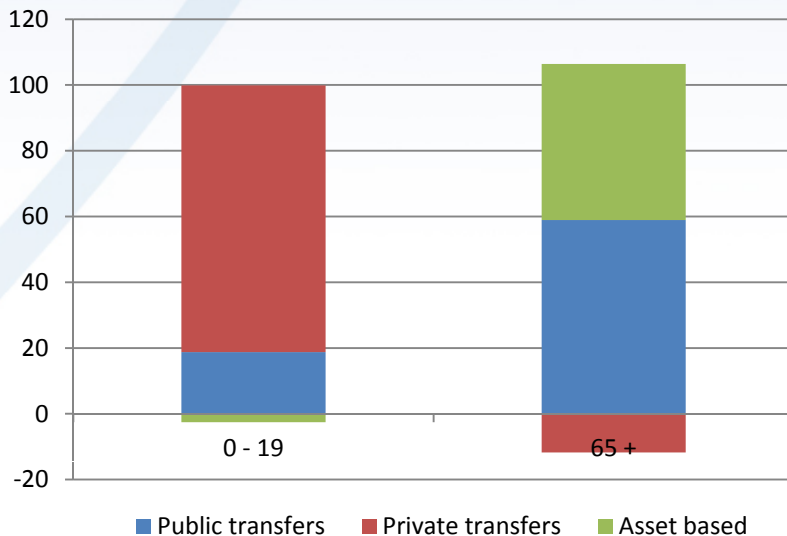
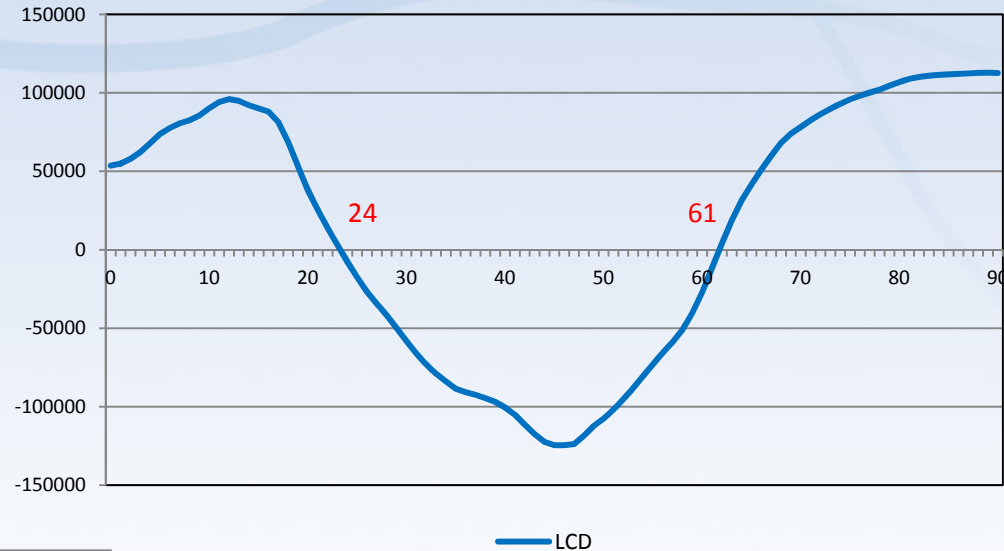
- Part of a group of countries with the lowest levels of inequality (Gini around 0.45) and poverty in Latin America (LA)
- Long tradition of social policies (compared to LA standards)
- Social security system created around the beginning of 20th century.
- Previous research
 - indicates that pensions are less inequal than wages.
 - concludes that minimum pensions and ceilings benefit the poor labor force during retirement
- Public education extended coverage of primary level since the beginning of 20th century.
- Currently, the main problem is drop-out of teenage boys and quality of public education is a concern

About Uruguay

- Public health services are offered by free to poor people. There is a concern because their quality would be worse than in the private services
- The tax system is based on indirect taxes. The studies of distributive impact indicate that the tax system has a negative distributive impact
- We also know the patterns of NTA estimates:

URUGUAY 2006

The LC surplus lasts 38 years
(from age 24 to age 61)



Children finance the LCD with private transfers (80%) and public transfers (20%)

The elderly finance the LCD with public transfers (60%) and RA, and are private transfers givers

Purpose

- Estimate NTA by SES to assess if they follow the same pattern as the standard “individual”
- In the future we would like to use NTA by SES to address inequality issues

OUTLINE

- Estimation method and definition of groups
- The role of public and private transfers in the support of per capita LCD by SES
- Who support public resources?

ESTIMATION METHOD

- Age profile of group g
- The aggregate value AV^g for age a of group g is

$$AV_a^g = \frac{XS_a^g * P_a^g}{\sum_g XS_a^g * P_a^g} * AV_a$$

- where: XS denotes the smooth value estimated with the microdata; P is the population; AV is the aggregate value
- The smooth average profile is AV^g / P for each age

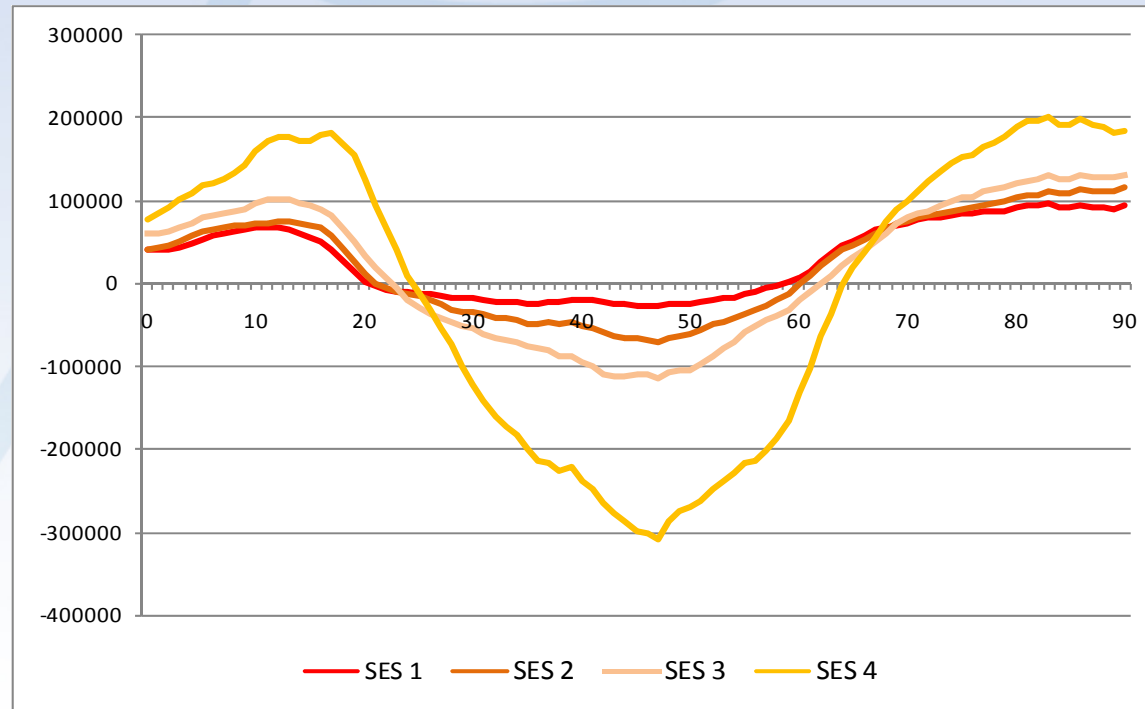
SOCIOECONOMIC GROUPS

Group	Schooling of hh adults (average in years)	Population %	Age 0-19 %	Age 65+ %
SES1	0-6	31	30	53
SES2	7-8	25	28	19
SES3	9-11	24	25	15
SES4	12 +	20	17	12

OUTLINE

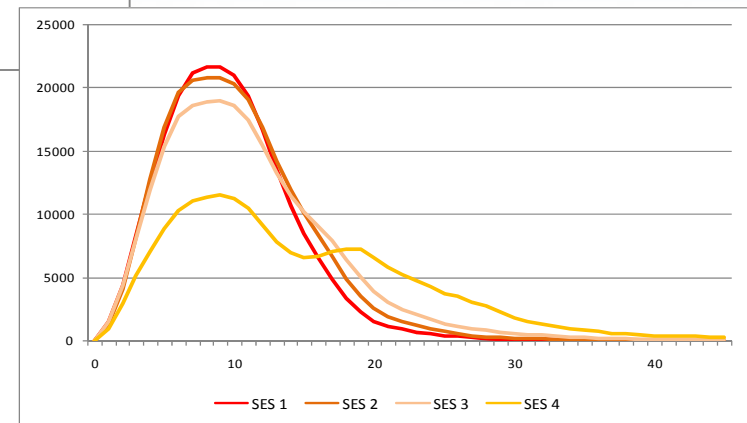
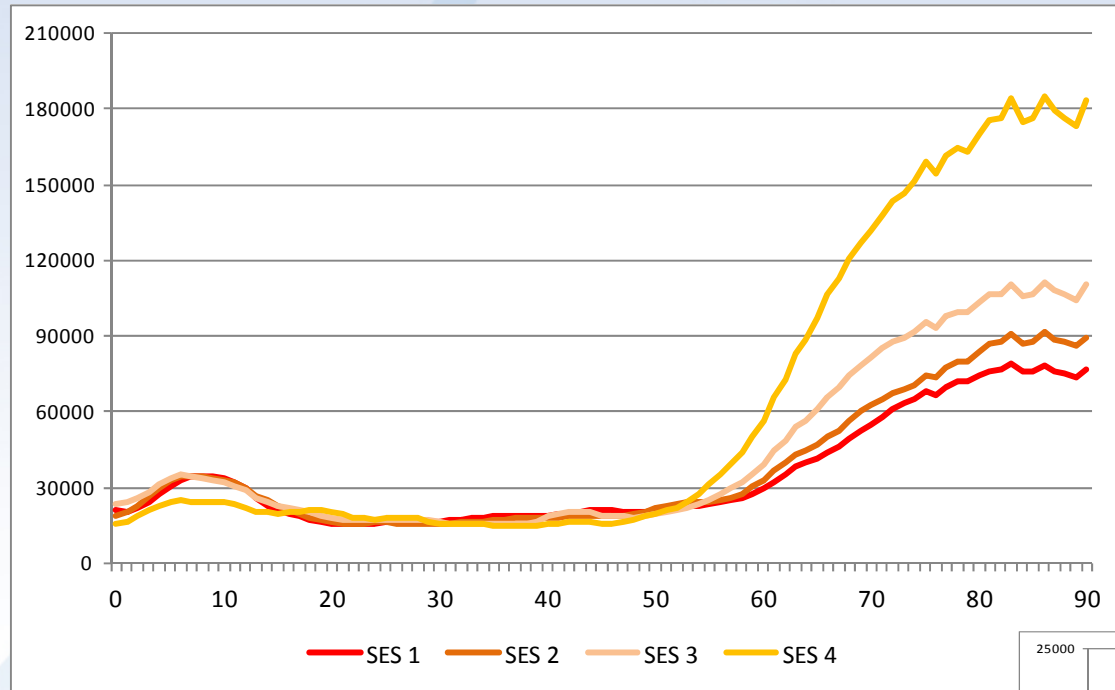
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Lifecycle Deficit by SES (per capita values)



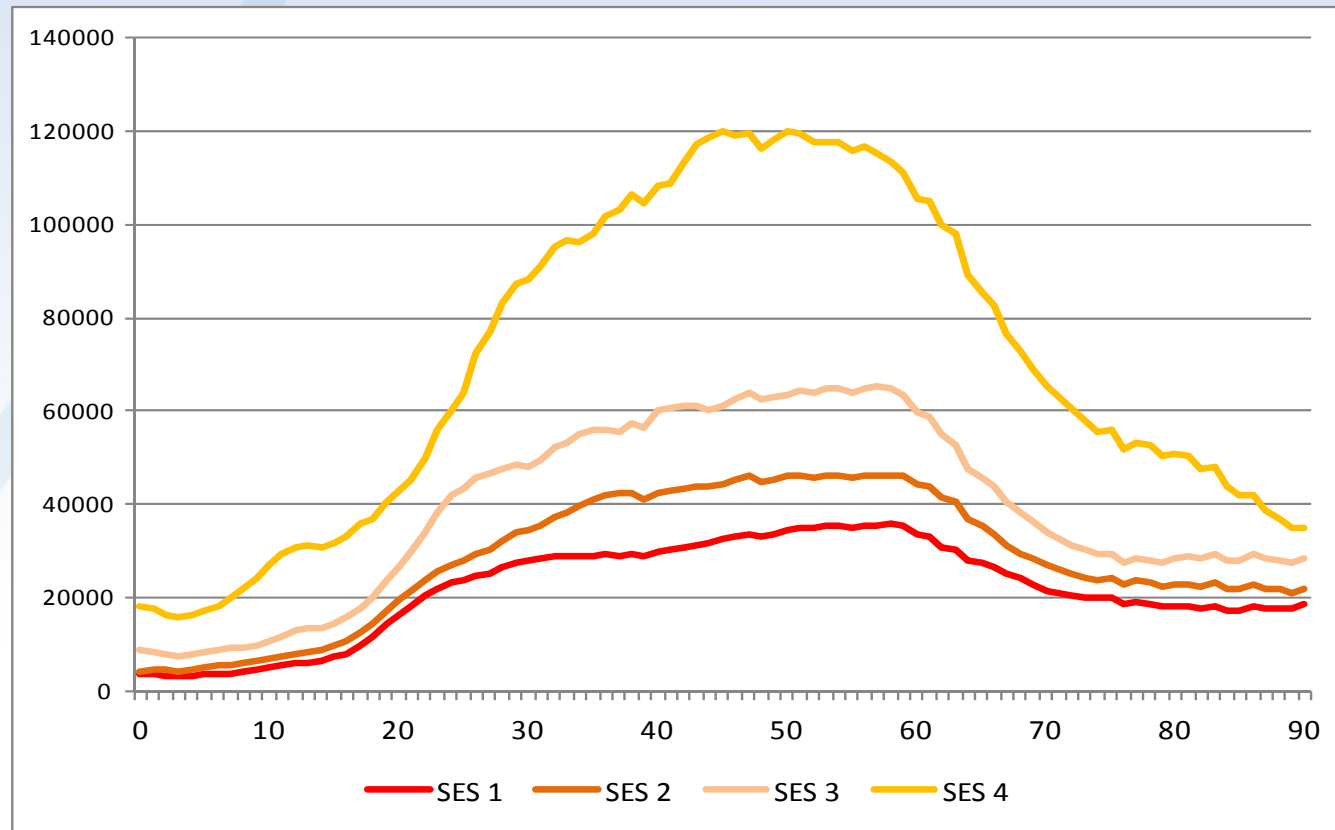
	FIRST AGE	LAST AGE	DURATION
SES1	21	58	38
SES2	22	60	39
SES3	23	61	39
SES4	25	64	40

Public Transfers Inflows by SES (per capita values)



Public Transfers Outflows by SES

(per capita values)

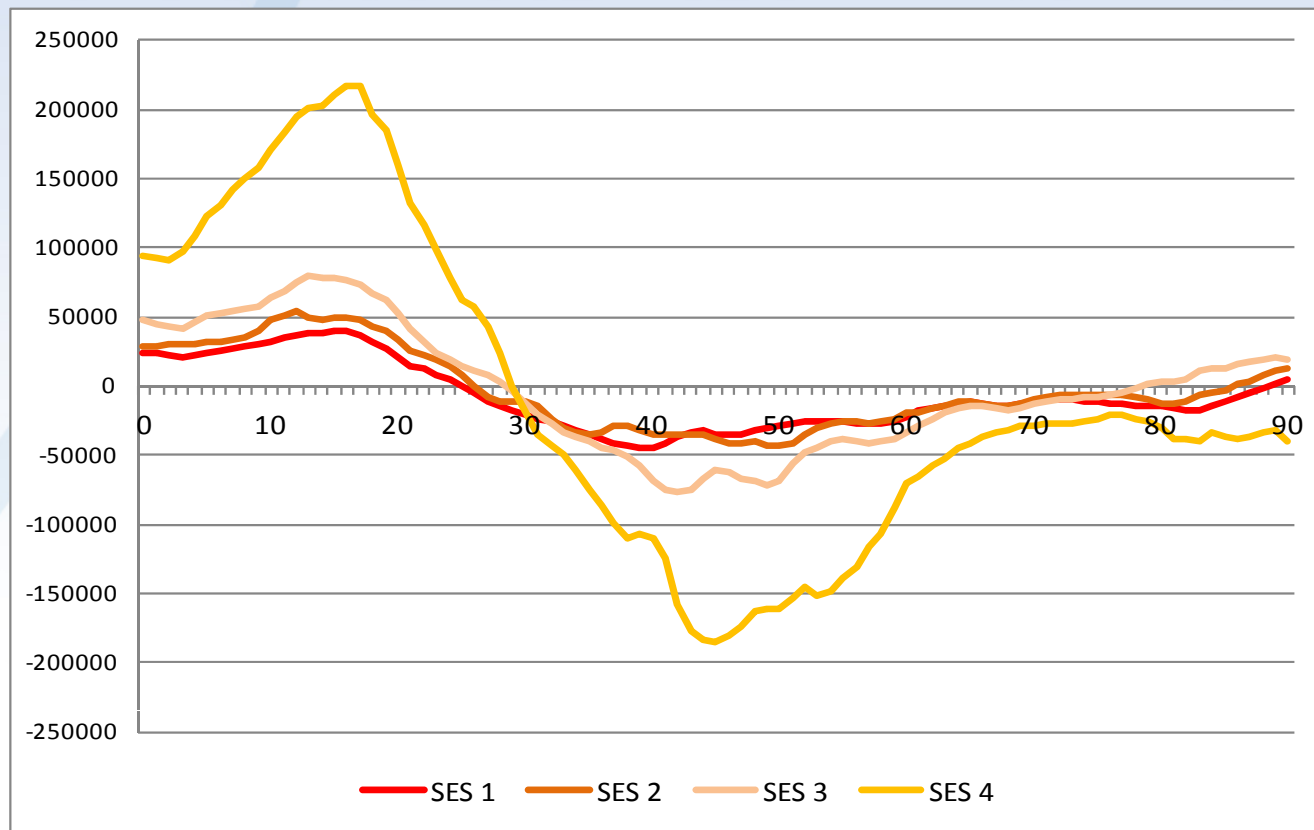


Net Public Transfers: NT^g / NT

GROUP	0 - 19	20 - 64	65 +
SES1	1.4	0.3	0.8
SES2	1.3	0.6	0.9
SES3	1.1	1.0	1.1
SES4	-0.3	2.3	1.8

Net private transfers by SES

(per capita values)



Net Transfers: NT^g / NT

GROUP	0 - 19		20 - 64		65 +	
	PUBLIC	PRIVATE	PUBLIC	PRIVATE	PUBLIC	PRIVATE
SES1	1.4	0.5	0.3	0.6	0.8	-1
SES2	1.3	0.6	0.6	0.6	0.9	-0.5
SES3	1.1	1.0	1.0	0.9	1.1	0
SES4	-0.3	2.5	2.3	2.0	1.8	-2.9

Financing LCD:

- The average NTA child finances the LCD:
 - 20% public transfers, 80% private transfers
- Children of SES1 and SES 2:
 - 40% and 30% public transfers
- Children of SES 4:
 - no public transfers

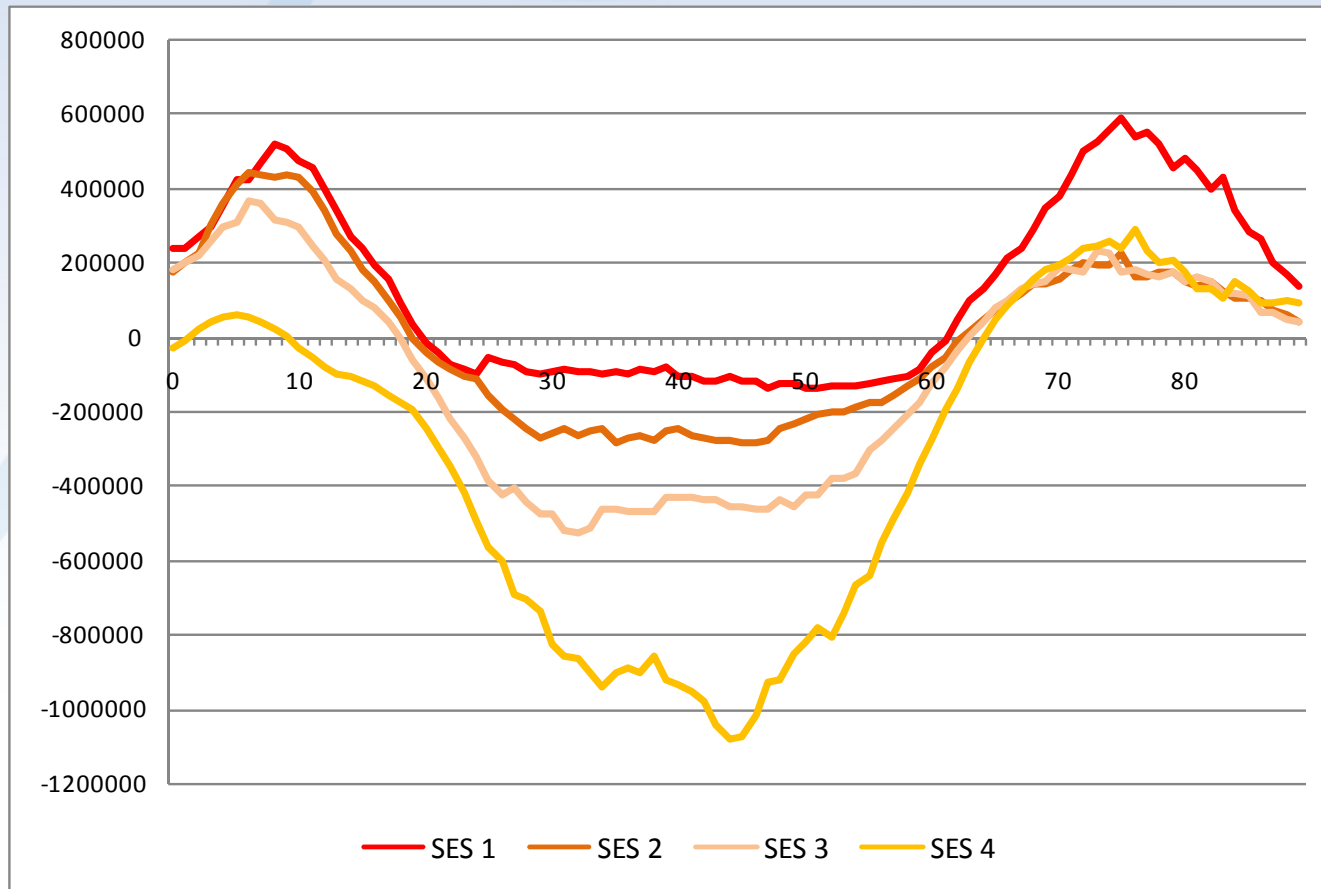
Financing LCD:

- The average NTA elder finances the LCD
 - 64% public transfers, -12% private transfers
- Similar profile for all SES except
 - SES 4 high (a little) public transfers and give more private transfers

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AGGREGATE NET PUBLIC TRANSFERS



Grouping younger than 65 within each SES

- If we are looking at one year, children and adults may be consider a unit (family)
- We grouped children and adults in order to estimate the net transfer of each SES “unit”

Grouping younger than 65 within each SES

GROUP	LCD = C-Y	NET PUBLIC TRANSFERS	% OF GIVEN NET PUBLIC TRANSFERS
SES1	+	RECEIVE	-
SES2	+	GIVE	7
SES3	-	GIVE	25
SES4	-	GIVE	68

Conclusions so far

- The consumption of children is mainly supported by private transfers
- The elders contribute to private transfers
- The NTA by SES shows that
 - Public transfers are important for children of low SES
 - Consistent with positive distributive impact of public programs addressed to children
 - The issue of quality remains unanswered
 - The elder of all SES give private transfers , but are specially high for SES 4. Beneficiaries of these transfers were not identified yet

Concluding remarks

Regarding the ages with LC surplus

- The surplus is low for SES 1
- The adults of SES 4 are the main support of public resources and they have the longest period of surplus

Ideas next steps

- The elderly receive more public transfers the higher their SES
 - This is related to their past contributions
- Examined the profile of net public transfers without both contributions and contributive pensions
 - Contributions are lower than pensions
 - The deficit of the system as a transfer should be considered
 - No clear results yet

THANK YOU

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