

Public transfers to elders and children in Uruguay

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MOTIVATION



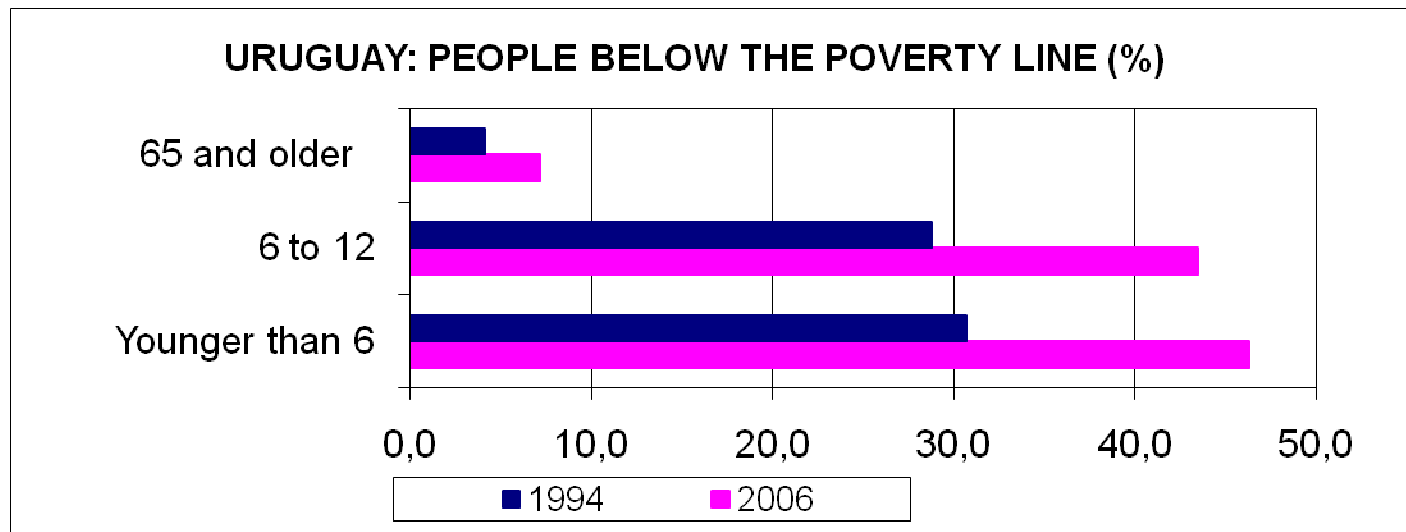
- Uruguay is one of the smallest and less densely populated countries in Latin America
 - Total population: 3.4 million people
 - 91.8% live in urban areas.
 - Uruguay is in an advanced demographic transition stage compared to Latin American standards and it is considered an aging society since the 1950s
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- In 2006, people older than 60 are 18% of the population whereas children under than 14 are 22%

MOTIVATION

- Uruguay belongs to the group of countries with the lowest inequality and poverty levels in Latin America (ECLAC, 2008).
- This performance is linked to a long tradition of social programs.
- However, there has been a persistent increase of income inequality since the 1990s
- Between 1994 and 2006, the poverty rate increased from 15% to 25%

MOTIVATION

- The proportion of the poor among children has been traditionally higher than among the elderly
- The increase of poverty between 1994 and 2006 affected mainly the children



MOTIVATION

- The aim of this work is describe the allocation of public transfers among age groups and their role in financing consumption in Uruguay.
- We use estimates of the National Transfers Account (NTA) system for 1994 and 2006
- We deflate the data of 2006 using the consumer price index

POLICY REFORMS

- In the middle of the nineties, the government implemented a social security reform
- Until 1995, the social security system was organized in a pay-as-you-go regime that financed both contributory and assistance programs.
- In 1996, a reform replaced it with one that combines a social insurance and an individual account system. Additionally, it introduced other modifications with the aim of postponing the age of retirement.
- Additionally, in 1996 the government implemented a reform in the educational system in order to diminish grade repetition and early dropout

Public expenditure

	1994	2006	Variation
	%	%	%
Public consumption	56	65	13
Public education	8	14	66
school and high school	6	11	79
university	2	2	24
administration and other	0	1	67
Public health	12	17	36
in cash	6	8	27
in kind	6	9	45
Other goods and services	36	34	-7
Social security	42	35	-19
Pensions	40	32	-22
Family allowances	1	2	46
Other in cash programs	1	2	-1
Others	2	1	-65
Total	100	100	-2

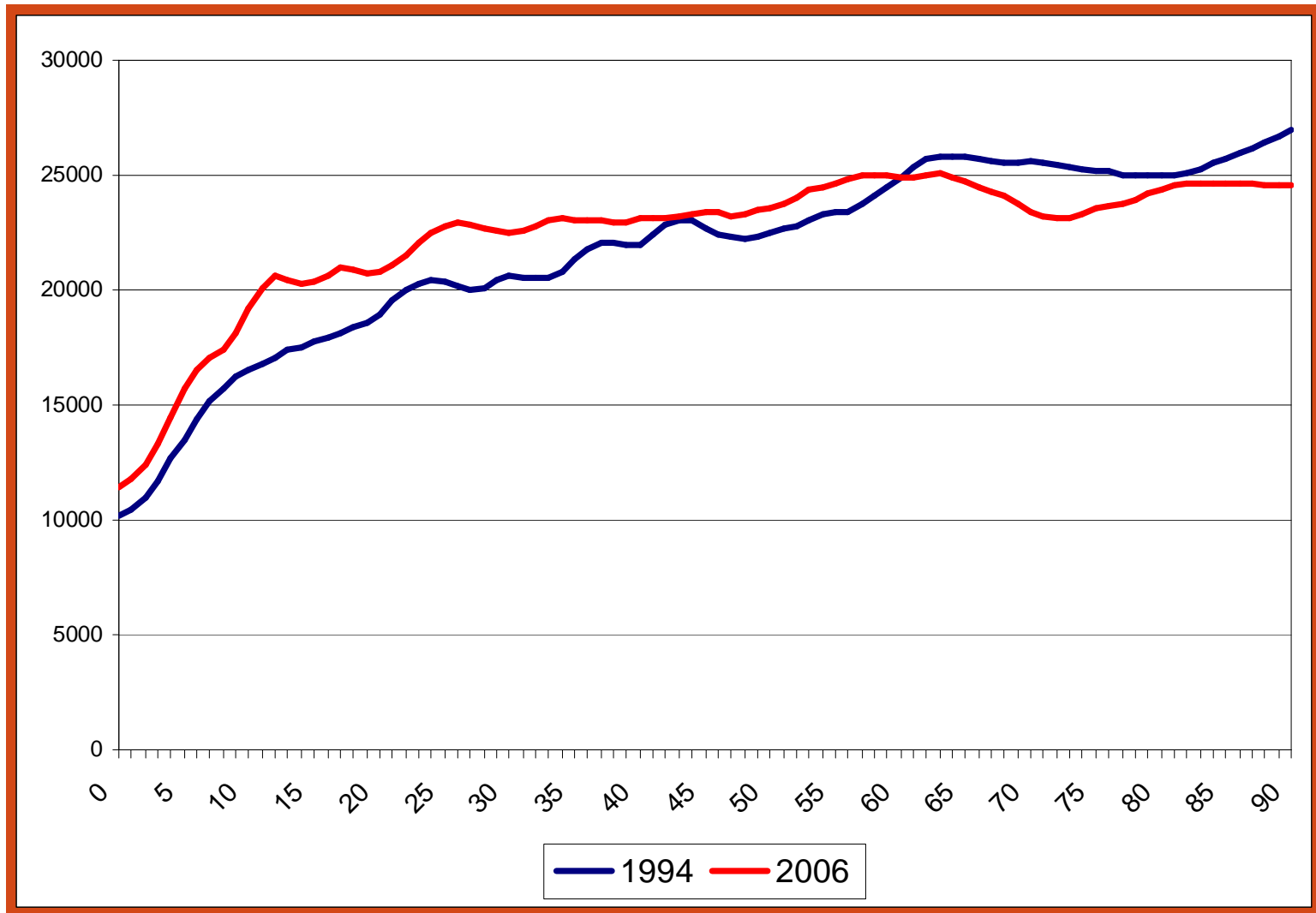
Taxes and Contributions

	1994	2006	Variation
	%	%	%
Indirect taxes	50,1	52,5	27,5
Direct taxes	16,0	23,8	80,7
Contributions	33,9	23,7	-14,9
Total	100	100	21,7

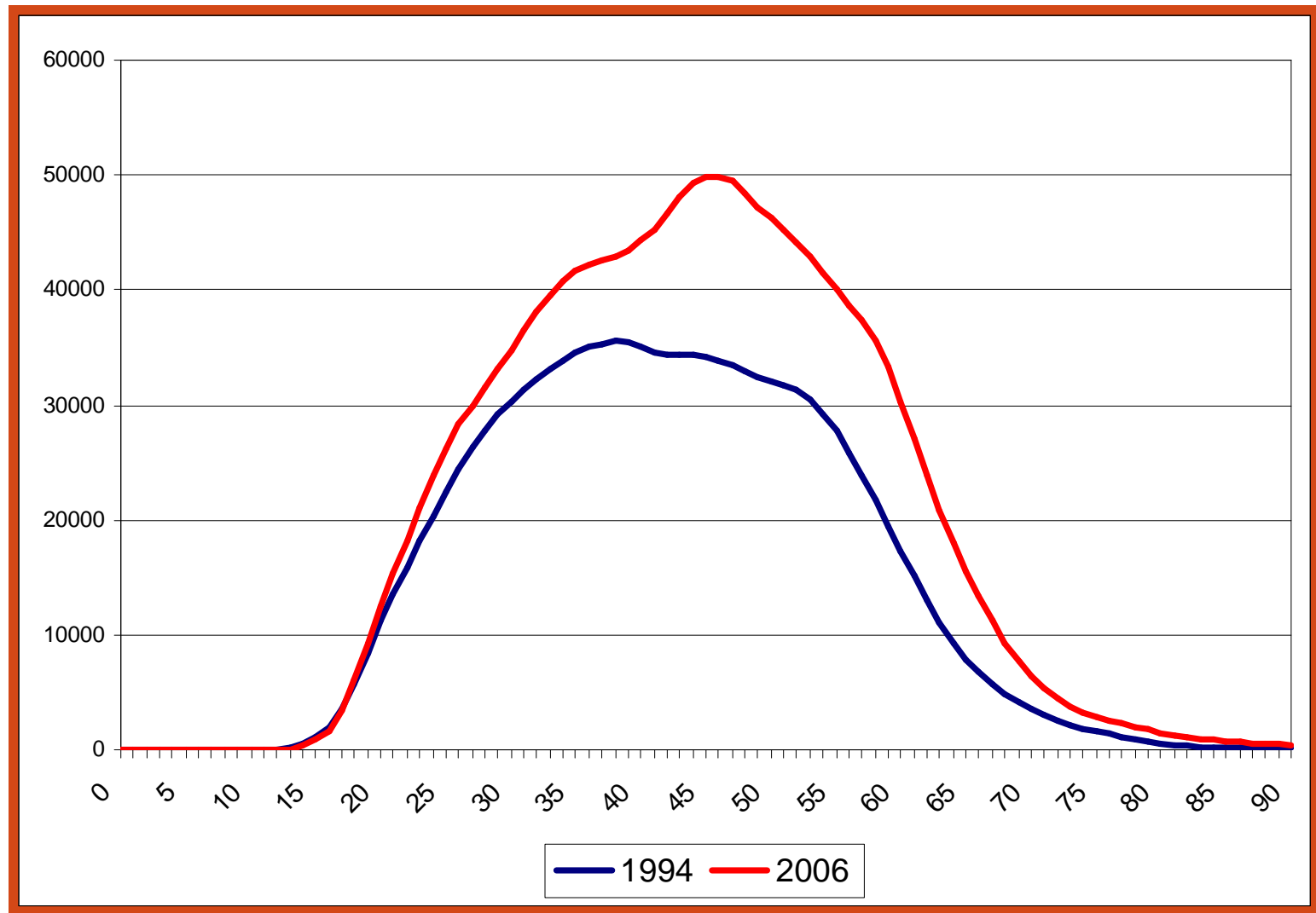
RESULTS

- Consumption, labor income and LCD
- The role of public transfers in financing consumption

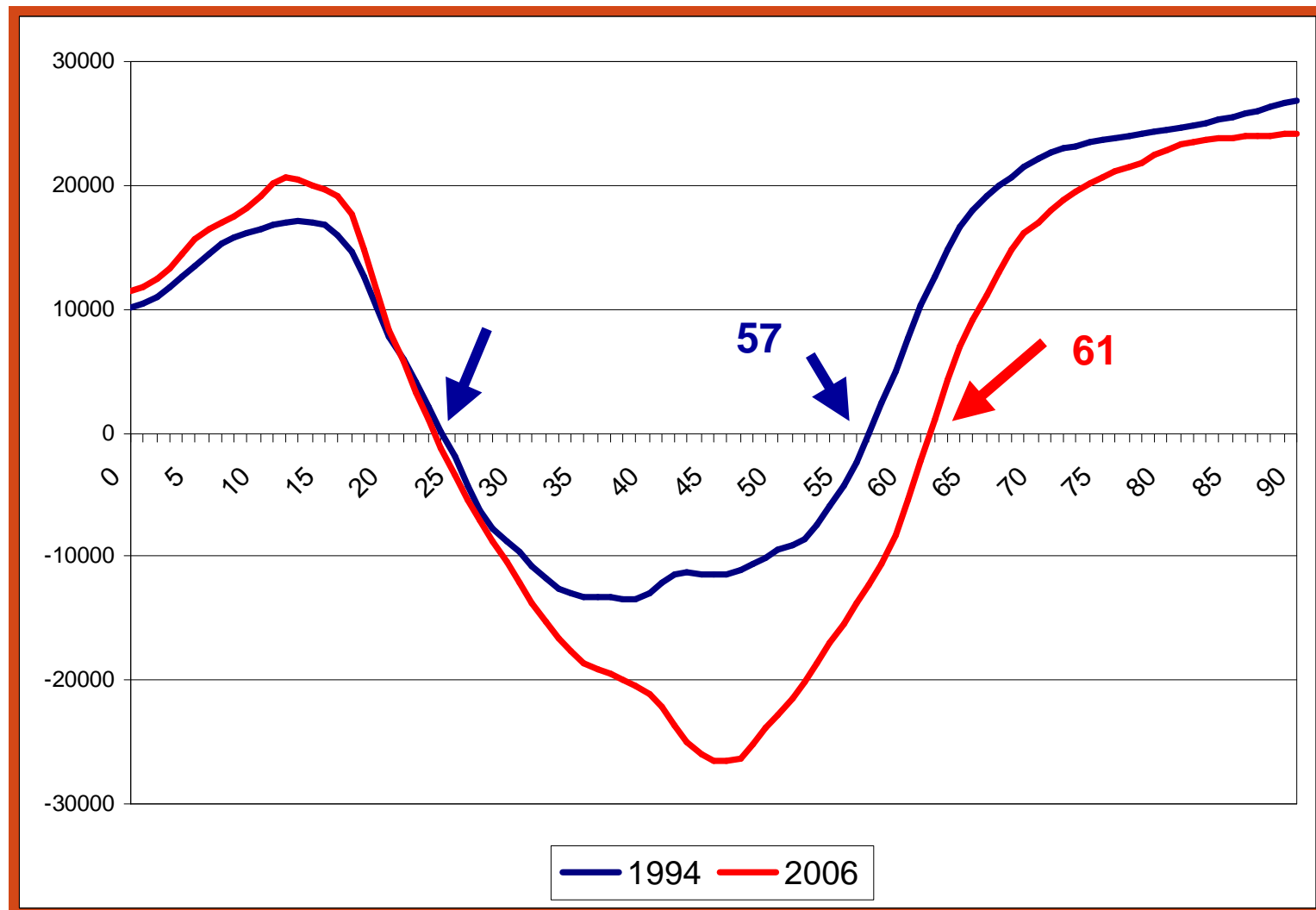
Consumption: per capita profile



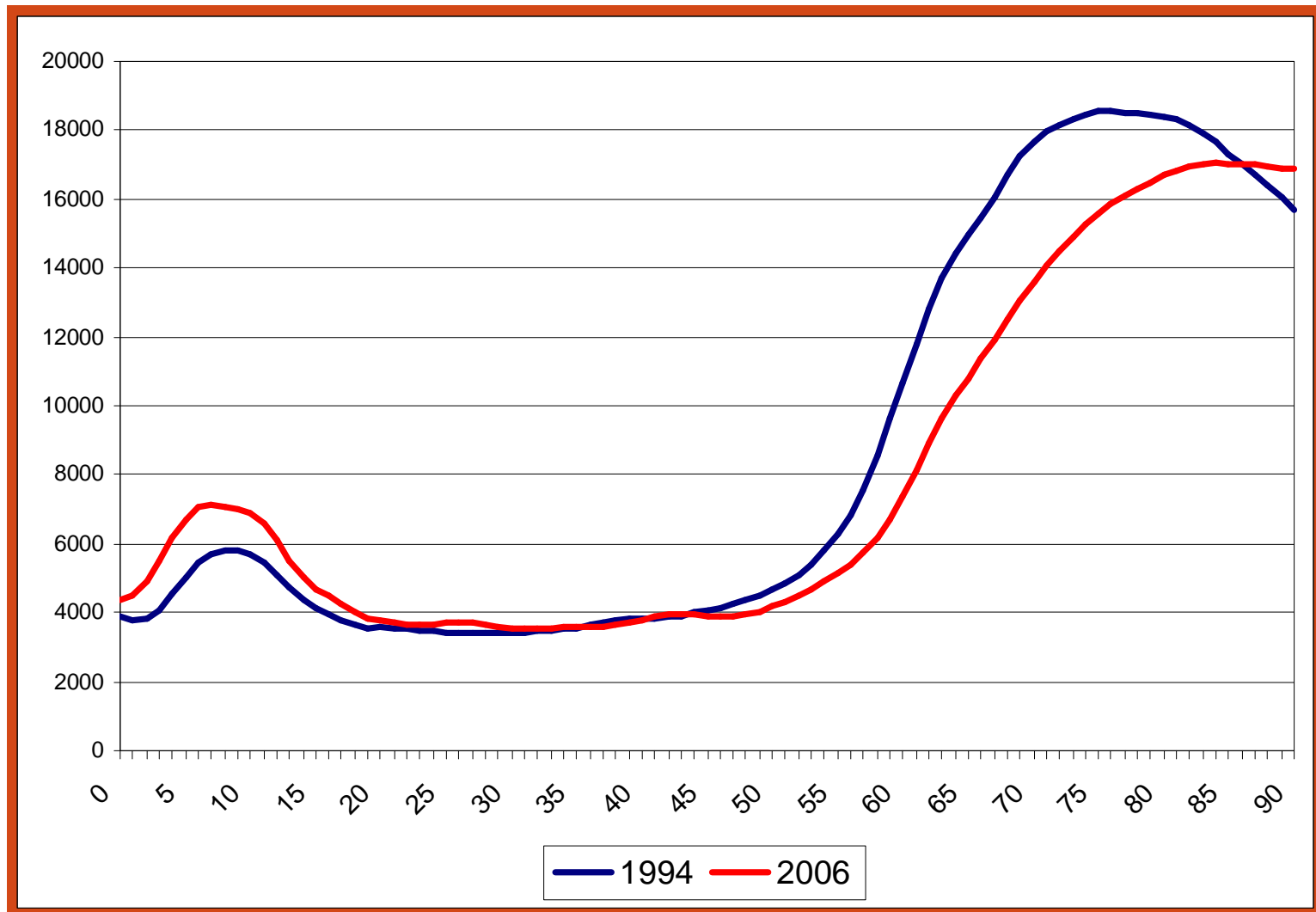
Labor income: per capita profile



Life cycle deficit: per capita profile



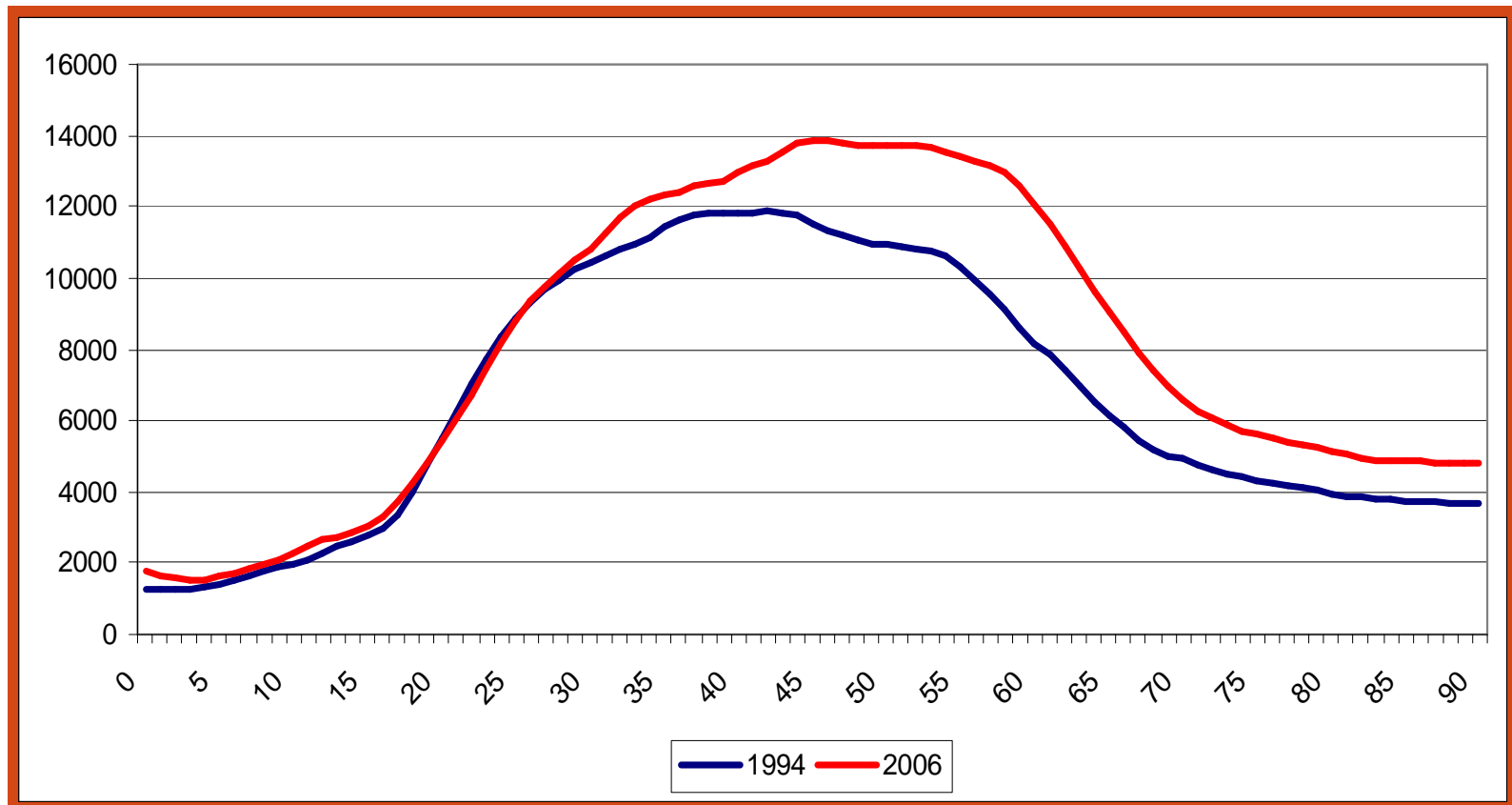
Public transfers inflows: per capita profile



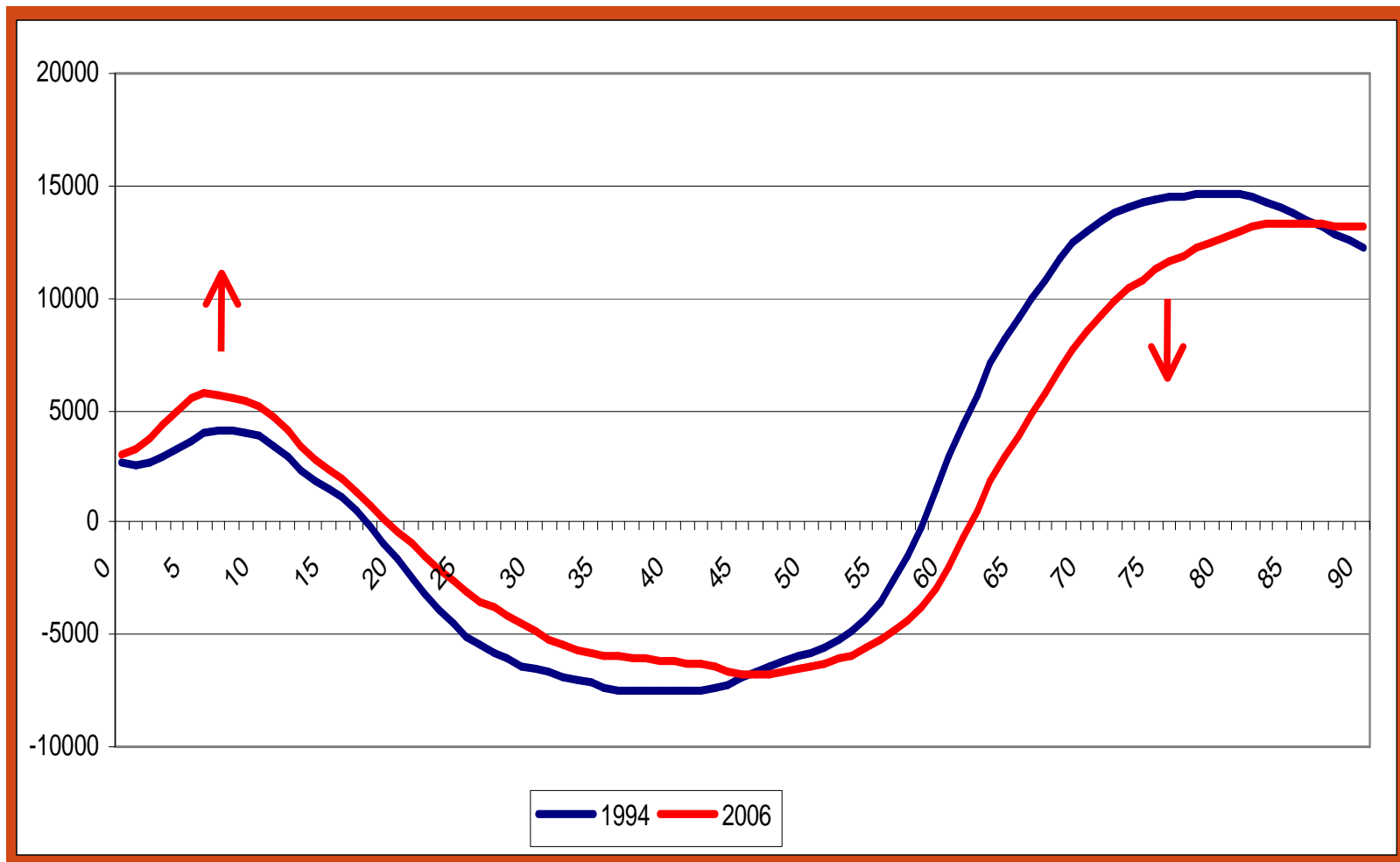
Public transfers inflows by groups of age (%)

	1994			2006		
	0 - 17	65 +	Total	0 - 17	65 +	Total
Public education	31,2	0	8,1	44,6	0	13,8
Public health	18	8,1	12,1	18,2	10,2	16,8
In cash	5,6	4,6	5,8	4,9	6,2	7,5
In kind	12,3	3,4	6,3	13,4	4	9,3
Other public good and services	48,8	13,3	36	36,3	14,4	34,3
Pensions	0,4	76,6	39,6	0,3	74,5	31,5
Family Allowances	0	0,3	1,1	0	0,3	1,6
Other in cash programs	0	0	1,5	0,1	0	1,5
Other	1,6	1,6	1,6	0,6	0,6	0,6
Total inflows	100	100	100	100	100	100

Public transfers outflows: per capita profile



Net public transfers: per capita profile



Consumption: sources of financing

	1994		2006	
	0 - 17	65 +	0 - 17	65 +
Public transfers	19	52	23	45
Private transfers	76	-8	78	-7
Labor income	3	8	2	16
Asset reallocations	2	49	-3	46
Total consumption	100	100	100	100

CONCLUSIONS

- Similar facts in 1994 and 2006:
 - Net transfers to the elderly are higher than net transfers to the children
 - Public inflows to the elderly are mainly in-cash (pensions system)

CONCLUSIONS

- Change between 1994 and 2006: an increase of public transfers to the children and a decrease of public transfers to the elderly (a decline of the gap)
- The increase of the public transfers to the children are strongly related to education. This may have a positive effect on equity and opportunities
- The decline of public transfers to the elderly is related to the social security reform. ¿Is the decrease of the consumption of the elderly related to the decline of public pensions?

GRACIAS!