

Universal cash transfers in Latin America and the Caribbean

Fabianna Bacil, Beatriz Burattini, João Pedro Lang, Camila Rolon, Merindah Loessl, Victor Thives and Louisa Wagner, International Policy Centre for Inclusive Growth (IPC-IG)

Children and adolescents are exposed to a multitude of risks, which have worsened due to the socio-economic repercussions of the COVID-19 pandemic. This emphasises the need to improve the protection of children and adolescents, who already faced greater poverty rates than other age groups before the crisis: in Latin America and the Caribbean (LAC), child poverty stood at 8.1 per cent, compared to 4 per cent for adults (ILO-UNICEF 2019).

Social protection policies are important to mitigate the vulnerabilities of children and adolescents. Cash transfer programmes are a central mechanism for satisfying the needs of families with children and adolescents. In LAC, conditional cash transfer programmes in particular are widely used. Nevertheless, they have several limitations associated with the inclusion of only a limited share of children and adolescents, targeting errors, and costs and asymmetries stemming from conditionalities.

Universal child benefits (UCBs)—regular monetary transfers aimed at children and adolescents for at least 10 years (ibid.)—represent an alternative way to offer social protection in the region. The International Policy Centre for Inclusive Growth (IPC-IG) conducted a study alongside the United Nations Children’s Fund Regional Office for Latin America and Caribbean (UNICEF-LACRO) to examine the advantages of introducing UCBs in the region and estimate their potential impact on the distribution of poverty and inequality across five LAC countries (Argentina, Brazil, Chile, Colombia and Uruguay) (Bacil et al. 2022).

UCBs can contribute to advancing the agenda of children’s and adolescents’ rights by guaranteeing their equal right to social protection, thus reducing the stigma associated with poverty. Furthermore, universal benefits jointly address different sectors of society, garnering the greatest support.

Notably, one of the main benefits of UCBs is related to the rapid expansion of viable coverage, given that a considerable gap in existing coverage for children and adolescents persists in some LAC countries. Overly specific eligibility criteria are one reason for such gaps, illustrated by the cases of Ecuador and Guatemala. Some subgroups tend to remain marginalised, such as indigenous children and adolescents, migrants, and children of marginalised non-poor informal workers. Accordingly, the unification of different transfers into a single UCB has the potential to promote improvements by embodying a benefit for which all children and adolescents are eligible.

To calculate the impact of a UCB in Argentina, Brazil, Chile, Colombia and Uruguay, this study uses recent household surveys (prior to COVID-19). Initially, principal benefits were identified which could be replaced by a UCB. The final UCB was designed according to the following principles:

- universality;
- increased progressiveness;
- no reduction in per capita income for households living under the poverty line; and
- fiscal responsibility: the budget for the UCB must be equal to the sums currently invested in existing monetary transfers.

Given the importance of targeted programmes in contexts of major poverty and inequality, this study proposes three scenarios for each country. The best targeted benefit in each is maintained in combination with the UCB. In Brazil and Colombia, other programmes which benefit children and adolescents indirectly but failed to prove progressiveness were included in the list of programmes to be replaced by the UCB.

In all cases and across the majority of scenarios, the system of cash transfers for children and adolescents became more progressive with the implementation of the UCB. Moreover, decreases in child poverty were observed, but their extent varied by country and depending on the poverty line used. Additionally, slight reductions in inequality among children and adolescents were observed. Using national poverty lines, the changes in child poverty in all countries except Brazil were not substantial.

In sum, the potential of UCBs to enhance the social protection of children and adolescents in LAC has been demonstrated, although it is worth considering a budget increase for this area. It is important to highlight the necessity of advancing this debate in the region to guarantee broader and sufficient coverage of this group.

References:

ILO-UNICEF. 2019. “Towards Universal Social Protection for Children: Achieving SDG 1.3.” *ILO-UNICEF Joint Report on Social Protection for Children*. New York and Geneva: United Nations Children’s Fund and International Labour Organization.

Bacil, F., B. Burattini, J. P. Lang, C. Rolon, and M. Loessl. 2022. “Las transferencias en efectivo con enfoque universal en la Región de América Latina y el Caribe.” *Research Report*, No. 65 (in Spanish). Brasília and Panama City: International Policy Centre for Inclusive Growth, United Nations Development Programme, and UNICEF Regional Office for Latin America and the Caribbean.