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# Income support and social protection in Latin America and the Caribbean

## Debates on policy options


Raquel Santos Garcia
Consuelo Farías
Claudia Robles

Coordinators



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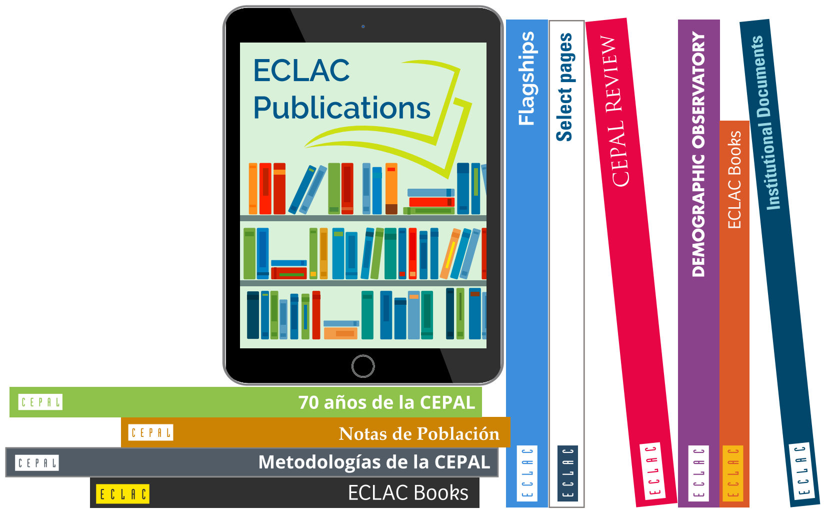


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## Debates on policy options


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This document was coordinated by Raquel Santos Garcia, Associate Social Affairs Officer; Consuelo Farías, consultant; and Claudia Robles, Social Affairs Officer, all of the Social Development Division of the Economic Commission for Latin America and the Caribbean (ECLAC). It was prepared in the framework of the project "Social protection and vulnerability", financed by the European Union Facility for Development in Transition. The chapters were prepared by Jurgen De Wispelaere and Consuelo Farías, consultants; and Ernesto Espíndola, Claudia Robles and Raquel Santos Garcia, staff members of ECLAC. Simone Cecchini, Chief of the Latin American and Caribbean Demographic Centre (CELADE)-Population Division of ECLAC, participated in the initial development phase (up to September 2021) and in the drafting of comments for a previous version of this document.

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# Introduction

*Raquel Santos Garcia*
*Claudia Robles*

## A. Making headway on income protection in Latin America and the Caribbean

On the social front, Latin America and the Caribbean are characterized by high levels of poverty, inequality, informal labour and sizeable gaps in access to social protection entitlements. Given the high levels of informality, access to social protection through traditional mechanisms linked to employment and social security is not always available in the region (ECLAC, 2012). Coverage associated with non-contributory social protection entitlements has remained limited. As a result, one of the main functions of social protection systems —providing income protection to individuals and households— has not been fully consolidated.

A variety of factors have all contributed to the debate on how to make guaranteed income a permanent feature in social protection systems. These include the rapid endorsement of emergency cash transfers during the pandemic, the increase in the amounts and coverage of existing transfers and their proven role in reducing poverty, as well as their limited ability to sustainably overcome poverty and hunger given their limited and residual nature. Measures such as the emergency basic income (ECLAC, 2021, 2020c) and a universal basic income, a policy proposal that dates back decades, have all been discussed. Other policy options can also be explored with a view to significantly expanding the coverage of income support instruments for individuals and households.

In 2022, ECLAC estimates showed an informality rate of 48.1% for 20 countries in Latin America and the Caribbean (ECLAC, 2022a). The informality rate is projected to reach 48.4% by 2023, which is in line with pre-pandemic levels (ECLAC, 2022e). The informal sector is characterized by low-wage workers, high employment instability and limited access to social protection (ECLAC, 2012). Because this population lacks access to contributory social protection, it was also largely excluded from non-contributory entitlements coverage prior to the pandemic, which was reserved for the extremely poor and low-income population. Meanwhile, the vulnerability of households in the region transcends the employment situation in which individuals find themselves at any given time and affects a large share of the regional population. Some analyses have highlighted the transition that workers make between formality and informality at various points in their lives, which has a direct impact on their access to social protection (UNDP, 2021). Additionally, simply having a job does not mean being safe from poverty in the region. In 2021, according to ECLAC data, 24.1% of people in employment in Latin America were living in poverty. Moreover, 78.4% of the Latin American population was in the low or lower-middle-income strata (ECLAC, 2022b), and therefore more likely to see their living conditions deteriorate during critical events and, as a result, fall into poverty. This vulnerability is heightened by a shifting risk matrix, which includes, among other things, aspects of climate change and exposure to disasters, demographic and employment changes, epidemiological and nutrition transitions, various types of violence and recurrent crises (ECLAC, 2019; Holz and Robles, 2023). A new strategy is therefore needed to provide universal, comprehensive, sustainable and resilient social protection that will safeguard the well-being of individuals and their households, eradicate the risk of poverty, actively reduce inequalities and contribute to the full development of human capabilities (Holz and Robles, 2023).

A first key point of this document is that the lack of income protection instruments is contributing to the protracted social crisis. By around 2020, 56.3% of the population in Latin America and the Caribbean had access to at least one social protection entitlement (excluding health care), compared to 90.4% in Northern, Southern and Western Europe (ILO, 2021). More specifically, the low coverage before the pandemic of key cash transfers to protect the income levels of individuals and their families from shocks throughout the life cycle, and especially in early childhood and old age, stood out: family and child entitlements, unemployment protection mechanisms and access to old-age pensions (Robles, 2023).

In the case of family entitlements, Part VII of ILO Social Security Convention No. 102 lays out a set of minimum standards for their provision in the form of periodic cash transfers, in-kind transfers or a combination of both. The ILO Social Protection Floors Recommendation, 2012 (No. 202) states that basic social security guarantees should include "basic income security for children, at least at a nationally defined minimum level, providing access to nutrition, education, care and any other necessary goods and services". Family allowances include cash transfers to offset the costs of raising and caring for children or other dependant individuals and are intended to support working or retired parents. In the region, entitlements are paid in various formats —periodic or one-off— and are mostly contributory in nature or are paid by employers or the tax authorities. In all, 14 Latin American countries have such contributory transfer schemes, although in four of them they are only available for children or old age, disability and invalidity pensioners. As part of non-contributory social protection, these entitlements are associated with cash transfer programmes and, except for specific cases such as the Family Subsidy in Chile, linked to conditional cash transfers, which are widely present in the countries of the region (Tromben and Podestá, 2019). The coverage and amounts of these entitlements are, however, limited (see chapter III of this document and Atuesta, 2023). Accordingly, in 2018, it was estimated that spending aimed at one-third of households with children and adolescents (not including primary and secondary education) amounted to only 1.3% of GDP compared to 2.8% in the European Union and 2.4% in OECD countries (Tromben and Podestá, 2019).

With regard to unemployment entitlements, around 2020 the percentage of unemployed individuals receiving cash transfers in Latin America and the Caribbean was only 12.5%, while in Europe and Central Asia, this figure was 51.3% (ILO, 2021), and only eight countries in Latin America and the Caribbean had unemployment insurance (ECLAC, 2022c). In 2020, less than half of working people in 15 Latin American countries (44.7%) were contributing to the pension system (ECLAC, 2022c). Tackling the challenges of reducing informality and strengthening labour participation while also providing the necessary income protection for informal and self-employed workers and their families is therefore one of the major pending tasks for social protection policies in our region.

In 2019, about a quarter of older adults did not have access to an old-age pension, despite the importance of expanding coverage associated with non-contributory pension systems (ECLAC, 2022c). The coverage of economic entitlements for people with disabilities was even more limited (ECLAC, 2021).

These shortcomings in available entitlements in terms of the coverage of existing social protection instruments and access to the needed entitlements have been compounded by other factors, resulting in a protracted social crisis in the region since the pandemic (ECLAC, 2022b). From March 2020 to the end of 2021, a total of 468 non-contributory social protection measures and other types of support were implemented, including for previously uncovered populations such as informal workers, as well as a series of measures aimed at employment protection and the adaptation of contributory entitlements such as unemployment insurance (Atuesta and Van Hemelryck, 2022; ECLAC, 2022b). However, poverty and especially extreme poverty rose sharply compared to pre-crisis levels. In 2020, 32.8% of people in Latin America lived in poverty and 13.1% in extreme poverty. In 2021, extreme poverty reached 12.9% (partly explained by emergency cash transfers implemented between 2020 and 2021) and poverty is estimated to have fallen to 32.3%. This slight improvement, however, was not enough to return to pre-pandemic poverty levels; by 2022, it was estimated that extreme poverty will increase to 13.1% of the population (ECLAC, 2022b).

Moreover, in connection with the deterioration of the labour market, social protection coverage has been affected and its gaps have widened. In 2021, a decade-long decline in pension coverage and a drop in the share of people registered with or contributing to the health systems was noted (ECLAC, 2022c). The region is now facing high inflation and a series of cascading crises and fears of a more significant impact not only on those in the lowest income quintiles but also, as the pandemic crisis showed, on the middle-income strata (ECLAC, 2022b, 2022d). These impacts include, among others, growing food insecurity (ECLAC/FAO/WFP, 2022) and what might be characterized as a divide in access to social services (Robles, 2023), manifested in rising school dropouts (ECLAC, 2022b), discontinuity in health checks and interrupted access to school feeding programmes (Castillo and Marinho, 2022), phenomena that affect children and adolescents in particular. In such conditions, strengthening social protection systems is a necessity and should be a strategic policy for inclusive social development in the countries (ECLAC, 2022b).

A second key aspect highlighted in this document is that the region's cumulative experience shows that social income protection has been segmented and limited in coverage. From the early 2000s and prior to the pandemic, the region had made major strides in reducing poverty and extreme poverty by implementing poverty reduction strategies and progressively expanding social protection systems. Non-contributory social protection programmes, and more specifically conditional cash transfer programmes, have been the most widely used schemes at the regional level (Abramo, Cecchini and Morales, 2019). These programmes, which provide cash transfers to recipients who meet certain conditions and are aimed mostly at families with school-age children and adolescents, were an important innovation in social policy. They have helped establish the provision of cash transfers by the State as a valid and legitimate option to address the structural issues of poverty and social protection gaps through contributory systems in the region. They have also created ways to connect families in situations of poverty and vulnerability with existing social programmes as a step towards building universal social protection systems (ECLAC, 2021; Abramo, Cecchini and Morales, 2019; Cecchini and Madariaga, 2011).

Meanwhile, various areas of social protection systems have embraced a series of innovations, such as reforms to health and pension systems —including the introduction of non-contributory pension systems in several cases— and a care policy agenda has gradually emerged (Arenas de Mesa, 2019; Arza and others, 2022; ECLAC, 2017 and 2022c; Holz and Robles, 2023). One notable experience is that of comprehensive early childhood care policies. Although they do not address income issues, they have coordinated entitlements in the areas of care and early education, nutrition and food security, and health. The progress made in non-contributory pension systems in the region is also worth noting. These systems are an important tool for increasing the coverage of pension systems, tackling poverty and inequality in old age, and addressing the lack of income due to disability or persistent gender inequalities in pension access. Currently, there are 37 active non-contributory pension programmes in 26 countries in Latin America and the Caribbean: 17 of the programmes include only an old-age component, 8 include only a disability component, and 12 have both disability and old-age components. Considering only the recipients of the old-age components, these programmes cover 29% of older adults aged 65 and over in the region (Arenas de Mesa, Robles and Vila, 2023). The experience of expanding non-contributory pension systems shows a real possibility for strengthening cash transfers with broad, even universal, coverage, with consequential impacts on poverty (Arenas de Mesa, 2019, ECLAC, 2022c). However, considerable challenges do remain in terms of how adequate such transfers are and their fiscal effects, just as with general pensions as a whole (Arenas de Mesa, Robles and Vila, 2023).

Despite these social policy expansions since the 2000s, social policy has arguably remained not only segmented with regard to access, adequacy and quality but also heavily stratified in terms of social inequality issues in the region (Arza and others, 2022; ECLAC, 2016, 2022b). Moreover, progress has not been sustained, with new entitlements stagnating at very limited levels of coverage and adequacy (Holz and Robles, 2023). This is visible in the deterioration from 2015 in social indicators, which are sensitive to changes in social policy and political economy priorities in the countries. Among the identified trends are an economic slowdown, rising poverty and especially extreme poverty, and a steep decline in the pace of inequality reduction: between 2014 and 2019, poverty increased from 27.8% to 30.4%, while extreme poverty is estimated to have climbed from 7.8% to 11.4% over the same period (ECLAC, 2021 and 2022b).

While universal social protection is not a new idea, the pandemic revealed new facets and amplified its importance. Globally, social protection is recognized as a fundamental human right linked to the right to an adequate standard of living, among others. The Social Protection Floors Recommendation, 2012 (No. 202) of the International Labour Organization (ILO) (ILO, 2012) states that all people should be guaranteed a basic level of security over the life cycle. These minimum guarantees should be included in national social security systems, determined according to each country's needs, and at least provide access to a defined set of goods and services, including essential health care and basic income security for children, older people and working-age adults who are unable to earn sufficient income. ECLAC has previously advocated for universal, comprehensive, sustainable and resilient social protection systems (ECLAC, 2022b). Prior to the pandemic, it had already examined the proposal for a system of redistributive cash transfers for citizens (ECLAC 2014, 2018, 2020a and 2020b). Options and costs were then explored for a partial basic income system prioritizing children and adolescents, older adults and unemployed people to provide an economic security floor for young people and support economic autonomy for women. The Secretary-General of the United Nations António Guterres has called for new strategies such as basic income to address the consequences of changes in the world of work, including automation, job insecurity and informal labour, and the increased recurrence of disasters and emergencies that create major challenges for social protection (Guterres, 2018).

A third central element of this document deals with approaches to income protection with an initial focus on both ends of the life cycle. Social protection can be defined as a set of policies aimed at "guarantee[ing] universal access to income that permits an adequate level of well-being, as well as universal access to social services (such as health, education, water and sanitation), housing, labour inclusion policies and decent work" (ECLAC, 2020b, p. 20). These policies seek to address poverty and vulnerability throughout the life cycle, and more specifically, structural inequalities (ECLAC, 2020b). They play a crucial role in providing sustainable income protection to households and individuals, especially when critical events occur. This was underscored by the pandemic, the impacts of which also exposed the limitations of existing instruments to fully protect people in need. However, there is no consensus in the countries regarding the specific mechanism through which such protection should be granted, nor on the ways these entitlements should potentially be linked to others that are equally necessary to achieve sustainable levels of well-being for inclusive social, economic and environmental development in the region. Such entitlements include policies to encourage productive and quality employment to support labour inclusion as well as policies that allow for effective connection with the education, health, care and food security sectors. This is especially important with regard to multidimensional poverty and the previously discussed impacts of the pandemic (Holz and Robles, 2023).

This document seeks to specifically address the income protection dimension of social protection systems and explores various instruments and policy options that have been discussed in recent years. The aim is to continue along these lines from a comparative and regional perspective, emphasizing the non-contributory component. After identifying the arguments that underpin proposals on basic income and reviewing various alternative schemes that would allow progress to be made in household income protection in the region, this document examines possible short-term options to advance towards universal social protection and income guarantees. The ways in which social protection and income are interrelated with the set of dimensions that are part of universal, comprehensive, sustainable and resilient social protection systems are also discussed. Furthermore, it is argued in this document that the income protection dimension alone cannot provide sufficient comprehensive social protection. To this end, it is suggested that a strategy to strengthen social protection —together with the institutional frameworks for sustainable mechanisms to protect personal income, with a priority focus on both ends of the life cycle (childhood and old age— should also propose new avenues for expanding the public supply of quality social services and identify comprehensive interventions in priority populations.

In particular, the region faces a context in which child poverty is overrepresented in total poverty. In 2021, 45.5% of children and adolescents were in poverty, which is 13 percentage points above the regional average (ECLAC, 2022b). According to ECLAC estimates, during the pandemic, income poverty among children and adolescents reached 51.3%; in other words, one in every two people at this life stage were poor (ECLAC/UNICEF, 2020). Given the severe impact of the pandemic on their well-being, efforts must focus on generating a minimum level of income that can support their holistic development and lay the foundations for greater equality.

The lessons already learned in the region relating to the expansion of programmes that have helped reduce poverty levels for specific populations can also be leveraged to close gaps and move forward. This is especially important in the case of conditional transfer programmes as well as non-contributory pension schemes for older adults. This is an area where challenges remain and where the experience of expansion can also be considered for a child grant as well as enhanced cash transfers for people with disabilities.

Accordingly, this document proposes a strategic commitment to prioritize progress towards universal, comprehensive, sustainable and resilient social protection systems and to consolidate their income protection function based on a pre-established mechanism that prioritizes households with children and adolescents on the one hand, and older adults on the other. For older adults, expanding non-contributory pension systems will be key to ensuring that at least the population living in poverty is covered at sufficient adequacy levels according to national poverty or extreme poverty lines, depending on national possibilities and realities. These lines can be viewed as steps that can be taken towards universal income protection coverage, either through a basic income, guaranteed minimum income or one of the other mechanisms described in this document.

Moving forward with instruments to safeguard income levels can also help reduce inequalities that affect different populations. Social protection gaps and income insecurity deepen risk exposure among those affected by the structural deficit of protected and quality jobs, including youth, women and informal workers and their households, creating a vicious cycle in which precarious employment and barriers to social protection reinforce each other.

This document is structured as follows. Following this introduction, the first chapter delves into both sides of the debate on a universal basic income, defined as an individual cash transfer paid out periodically to all residents of a territory without having to meet conditions to receive it. The second chapter reviews other income protection options, including universal child entitlements, non-contributory pensions, guaranteed minimum income and emergency income. It also highlights the connection in some proposals between income protection and labour inclusion and access to social services, and provides examples of experiences in European countries and other regions. The third chapter explores current debates, draft legislation and policy proposals to guarantee and protect income levels either universally or quasi-universally, and describes experiences of implementation in Latin America and the Caribbean. Finally, the fourth chapter examines the potential costs to analyse the feasibility of progressively moving forward on various income protection modalities, including a mechanism for closing poverty gaps and the gradual implementation of a cash transfer for children and older adults in the region. This document concludes with several policy proposals. First, in response to the need to ensure timely responses to disasters and crises such as that triggered by the pandemic, the possibility of creating a sustainable income protection mechanism in line with the basic emergency income is studied. Additionally, because children are a highly vulnerable population and are overrepresented in poverty, it is suggested that children be made the priority group in terms of universal, quasi-universal or high coverage transfers. Policies to address this issue should be incorporated in a stable manner into the range of instruments of social protection systems in the region. Children's existing access to social protection services can be further enhanced, even transcending the conditionality-based approach that has prevailed in the programmes. Moreover, from a life cycle and gender perspective, and considering the rapid population ageing in the region, non-contributory old-age pension systems should be strengthened with high coverage and integration into the pension systems as a whole. Finally, two approaches are highlighted: first, the importance of strengthening approaches that link income protection with labour inclusion mechanisms, based on lessons learned from comparative experience in this area; and second, the need to seek mechanisms to continue promoting greater coordination between contributory and non-contributory entitlements with care policies and access to fundamental social services, such as education and health. This will foster increasing levels of financial sustainability of social protection systems in a synergistic way with substantive progress in inclusive social development and rising equality.

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# I. Basic income: conceptual elements and discussion

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The concept of basic income has been the subject of considerable debate over the years (ECLAC, 2018; Van Parijs and Vanderborght, 2017). Its conceptualization and proposals have been subject to various interpretations and positions regarding its role within the scope of a welfare state and its complementarity with (or eventual replacement of) the various components included in a social protection system (ECLAC, 2017, 2018). Various arguments have been put forward for and against its potential design and implementation, as well as its link to the labour market and a new form of social organization. It is worth noting that the debate on universal basic income has intensified since the pandemic and its effects on the population's well-being.

This chapter outlines the main features of the concept of a basic income, as well as the arguments for and theoretical objections to the model. This chapter places the basic income debate within a broader policy context, describes several basic income models found in the literature, and presents some of the leading alternatives in contemporary debate, as well as cases of pilot programmes and experiments around the world.

## A. The central idea: five core features

Basic income, at its core, is a periodic cash transfer paid out to each individual resident of a country without any work conditions (Van Parijs and Vanderborght, 2017). While basic income bears some resemblance to other types of income support and social protection schemes introduced or discussed in Latin America, these five core features make it a type of policy that is distinct from any policies currently being implemented: it is a periodic, individual, universal and unconditional cash transfer.

## 1. Cash transfer

Basic income is a cash transfer paid out in national or local currency. It is distinct from both in-kind support and vouchers, which restrict access only to certain, pre-approved goods or services. For reasons of justice as well as efficiency, basic income gives individuals the freedom to purchase any good or service on the open market.

In the standard model, basic income is typically paid out in the national currency, but there is growing interest in the idea of paying out a basic income in a local or alternative currency. The main argument in favour of adopting local rather than national currencies is to promote the regional economy, which is especially effective when there is a sufficient buy-in of local businesses in the programme (see, for example, the case of Maricá in Brazil in section D in this chapter and in chapter III).

## 2. Periodic

Basic income is a cash grant paid periodically, typically on a monthly basis, and permanently – i.e. for the duration of a person's lifetime. The main reason for advocating for a regular periodic payment is to promote economic security by ensuring that individuals have continual access to a small and predictable source of income (Van Parijs and Vanderborght, 2017). It is also typical to model the periodic regularity of basic income payments on programmes that already exist in a country, most commonly paid out on a monthly basis, although there are exceptions. For example, the Alaska Permanent Fund Dividend, commonly described as a type of basic income, is only paid once at the end of the year (Goldsmith, 2005; Widerquist and Howard, 2012).[1]

Economic security as the rationale behind periodic payments requires that the level of basic income is fixed and that its value does not fluctuate dramatically over a short time frame.[2] High inflation can quickly undermine the economic security provided by a regular basic income, a phenomenon that requires further attention, especially in times of crisis, such as now.

Economic security also requires basic income to be paid out on both a permanent and periodic basis. While there have been suggestions for a basic income in the form of a life account —a credit which individuals can draw on at any point in their life, up to a maximum limit such as five years in total— this reduces the potential for ensuring economic security across the life cycle, in particular for those who are most vulnerable (De Wispelaere and Stirton, 2004). There may also be emergency situations when a temporary basic income is justified, such as the proposals for an emergency basic income as part of a policy response to the COVID-19 pandemic (Gray Molina, Montoya-Aguirre and Ortiz-Juarez, 2022). But even in this case, there are advantages to having a permanent small basic income in place that can be increased temporarily in an emergency (De Wispelaere and Morales, 2021), as was the case in Maricá (Katz and Ferreira, 2020).

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1 The discovery of an oil field in 1967 in Alaska led to the creation of the Alaska Permanent Fund Dividend (PFD), a fund into which the State would deposit 25% of the revenues from annual oil profits, according to a 1976 amendment to the State constitution. Since 1982, every resident has been eligible to receive an unconditional cash transfer (Gentilini and others, 2020). The annual PFD payment in 2021 was US$1,114. The value fluctuates according to earnings and the price of oil. See [online] https://pfd.alaska.gov/.

2 For specific cases where the basic income consists of a permanent fund financed by exports of a raw material (oil), as in the cases of Alaska and Maricá, the difficulty is that their values fluctuate depending on the global price of the commodity.

### 3. Individual

One controversial feature of basic income is that it is designed so that individuals are eligible for the same level of basic income regardless of their household arrangement.[3] While recent social policy development has increasingly focused on individualization of entitlements received. (Frericks, Höppner and Och, 2016), in many countries most social protection policies place the household unit at the centre. By contrast, basic income does not link entitlements with household arrangements at a particular point in time nor with their variations over the life cycle[4] (Van Parijs and Vanderborght, 2017). These two features together ensure basic income offers a predictable and stable income; this is therefore a critical feature for understanding how basic income promotes economic security, especially when sociological and demographic change increases the variation in household composition and patterns of cohabitation and family formation. It also reduces perverse incentives for family members to artificially live together or break up for purely economic reasons.

The second way in which the individual nature of basic income differs from many contemporary policies is by paying out the basic income in individualized accounts as opposed to that of the head of the household. This significantly contributes to improving equality and fairness in the household. Particularly, the guaranteed personal access to a basic income is a major contributor to the economic security and well-being of women by reducing their financial dependence on their husbands (Zelleke, 2011). While concrete basic income models allow for some variation, the standard model is for each individual to have their own basic income paid into their own account but for the woman to receive the basic income of children up to 18 years old as a matter of default (Davala and others, 2015).

### 4. Universal

Basic income is often explicitly referred to as "universal basic income", but the way in which it should be regarded as universal is subject to controversy. This is in part because the very idea of "universalism" remains somewhat elusive in social policy circles and can mean different things when applied to a particular policy. The problem is further complicated because there are very different ways in which a policy deviates from universalism by focusing on a subset of the population. Finally, the idea that universal policies never prioritize a population subset is also wrong. It is helpful to briefly consider two very different ways in which a policy focus on a specific group or subset within the population of a country or region. These involve what Clasen and Clegg refer to as "conditions of category" and "conditions of circumstances" (Clasen and Clegg, 2007).

In the first case, categorical policies focus on specific individuals or groups that meet certain well-defined category boundaries. Examples include children, pensioners, people with disabilities and unemployed people. These policies are not universal in that they do not cover the full population, but they are often labelled as universal when they apply to everyone within the particular category. This is the case for the universal social pension or a universal child grant, which are different from contributory pensions that only apply to part of a group. A similar line of reasoning can be applied to other focused populations, provided they are relatively stable, such that simple categories are applicable: students, people with disabilities, refugees and migrants, among others. The argument here is that while the entitlements are restricted to a specific subset of the population, within that

[3] We can distinguish three variations: i) an adult-only basic income, where an individual is only entitled to a basic income upon reaching adulthood (typically 18 or 21 years old); ii) a uniform basic income, where adults and children are entitled to the same basic income; and iii) a differentiated basic income, where children receive a lower basic income than adults. Each of these three variants is individual in that the entitlement and/or level of transfer does not change with the household composition.

[4] There are some proposals for a household-level basic income, often on grounds of practical implementation. But these proposals have gained little traction and almost all models currently debated embrace individual entitlements.

subset they share all the other features of a basic income —a periodic cash transfer paid unconditionally to all individuals of the group— and are also assumed to have comparable effects.

In the second case, "conditions of circumstances" involves focused, non-universal policies in which means testing is carried out by applying an income, wealth or other economic means test to determine the circumstances of individuals who are eligible to receive the transfer. The purpose is to identify a subset of the population of insufficient means —i.e., those living in poverty— and to restrict eligibility for a programme or transfer to that subset of people. When policymakers advocate for a basic income as a universal programme, they avoid focusing through means testing due to its practical difficulties (Standing, 2017), for moral reasons and because it is often experienced as stigmatizing and intrusive, which can explain exclusion errors in social protection (Van Oorschot, 1998; Laín and Julià, 2022). Means testing requires a significant administrative effort and investment, and even then it is prone to bureaucratic error and delays in provision, in particular when circumstances change rapidly or repeatedly (De Wispelaere and Stirton, 2012). It can also be subject to information asymmetries and moral hazard[5] (Handler and Babcock, 2006). Other reasons to avoid means testing include so-called social traps that prevent individuals from escaping poverty or unemployment (Van Parijs and Vanderborght, 2017). This is the case, for example, for people with disabilities who receive a grant based on their inability to work, thereby reducing their chances of returning to the workforce (Ståhl, De Wispelaere and MacEachen, 2022). For basic income advocates, the simple solution to all these problems is to discontinue means-tested policies and instead adopt a universal basic income that is independent of a person's economic means.

It is important to stress that a basic income implicitly benefits those at the bottom end of the income distribution. Basic income shares with many other universal programmes that it "focuses within universalism" (Skocpol, 2001; Spies-Butcher, Phillips, and Henderson, 2020), which refers to the fact that policies that everyone receives are most valuable to the most vulnerable individuals. There are two reasons why a universal, non-means-tested basic income aims at people living in poverty. First, a basic income introduces a floor of economic security that has no gaps (gaps that tend to affect people living in poverty to a greater extent) since it applies to every individual, irrespective of economic circumstances (Van Parijs and Vanderborght 2017). Policies that have strict eligibility requirements and depend on a means-testing process can experience errors and delays, especially when individual circumstances change frequently, as they often do for the more vulnerable members of society. Second, the net value of a basic income is higher for people of lower means.

## 5. Unconditional

The most controversial feature of a basic income —and arguably the most critical— is that it imposes no behavioural conditions upon its recipients.[6] Basic income is both unconditional ex ante and unconditional ex post (Dowding, De Wispelaere and White, 2003). Ex ante conditionality refers to the absence of any qualifying condition for an individual to receive a basic income. The only qualifying condition inherent in most basic income proposals is a residency requirement: typically, the requirement is to have lived in the country for the number of years that determines eligibility for other social protection programmes (Van Parijs and Vanderborght 2017). Importantly, in contrast with contributory policies, basic income does not require someone to have contributed taxes or a social premium to become eligible. Ex post unconditionality refers to the absence of behavioural conditions to remain eligible for a basic income, such as demonstrating a willingness to work, actively looking for work, engaging in some form of social participation,[7] etc. A person is entitled to a basic income simply by being a member of society, and no

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5 Such information asymmetries and moral hazard produce incentives to engage in free-riding and creative compliance on the part of claimants; in response, bureaucrats counter with distrust and excessive control (Handler and Babcock, 2006).

6 Clasen and Clegg (2007) refer to this as the absence of "conditions of conduct".

7 A variant of basic income introduced by Anthony Atkinson (Atkinson, 1996) is "participation income". This is a quasi-basic income that is not targeted but imposes a participation requirement to receive it, such as working or seeking work, being enrolled in education, engaged in care work or volunteering. It would therefore exclude very few people.

other conditions whatsoever are imposed. Basic income, by virtue of being unconditional, sets itself apart from the bulk of social protection policies, including the so-called active labour market policies in advanced welfare states in Europe or the conditional cash transfer schemes in Latin America.

The most common confusion around basic income's lack of conditionality is that basic income is a policy that supports inactivity. It has been argued that this is a mistaken view of both intention and the effects of this policy (see, for example, Van Parijs and Vanderborght, 2017). In terms of intentions, many advocates view basic income as a policy that is explicitly aimed at supporting individuals engaging in social activity both in and out of the labour market. In the labour market, basic income avoids the unemployment trap —a situation that occurs when the entitlements for the unemployed population discourage these individuals from looking for work— and supports individuals entering the labour market (Van Parijs and Vanderborght 2017). At the same time, basic income promotes employee mobility in the labour market by giving them the means to undertake training and find better quality jobs. Basic income also supports the social activation of people outside the labour market, including education, volunteering and care. Recent experiments in Finland and the Netherlands not only failed to record a significant withdrawal from the labour market, but on the contrary, provided evidence of a modest increase in labour market and social participation (Kangas and others, 2021).

## B. The case for universal basic income

Proponents of basic income advocate for the need to introduce a universal and unconditional income floor as part of a social protection system fit for purpose to meet current and future challenges. But basic income advocacy comes in many different forms. Some advocates argue for basic income on principled grounds as a requirement of justice, while others view basic income more pragmatically as an instrument that improves upon current welfare institutions and policies (Barry, 1996). Similarly, we can also distinguish between advocates who intend basic income to have an ameliorative impact versus those who think the objective of basic income is emancipatory or transformative (Calnitsky, 2018).

The expectations of basic income as a public policy instrument will determine its design and implementation, which will be discussed in more detail later in this section. When it comes to reasons for adopting basic income, the debate runs the gamut between two extremes. On one end is a minimal basic income that offers limited social entitlements at the margins of existing social protection. On the other end is a maximalist basic income that radically transforms existing social protection. In between these extremes, the challenge is to design and implement a basic income that is both desirable (in terms of policy impact) and feasible (in terms of budgetary and political costs).

### 1. Arguments in favour of basic income

#### a) Combating poverty and tackling inequalities

Basic income is expected to have an impact on large number of social problems. First, basic income is often perceived as a policy tool aimed at combating poverty, since those who are most poor are typically found to be the most common recipients.

By design, basic income offers an income floor to every single individual, which reduces (although does not entirely eliminate) the likelihood of a person in poverty falling through the social protection safety net (De Wispelaere and Stirton, 2011). Basic income would thus catch those who may find themselves ineligible for traditional social protection programmes. It can also protect people who experience ups and downs in their careers or spend long periods in the informal labour market (Martinelli and Vanderborght, 2022). Third, basic income can be provided in a non-stigmatized manner, which impacts both transfer take-up rates as well as a host of social variables (including health and social participation) that must be taken into account given the multidimensional aspects of poverty.[8]

Fourth, basic income has a direct and measurable impact on individuals who, in terms of a broader concept of economic security and vulnerability, are at risk of poverty, whether due to external shocks (such as the COVID-19 pandemic) or more long-term trends in the labour market (Van Parijs and Vanderborght, 2017; Standing, 2017). The precise share of the population who directly benefit from basic income largely depends on the level of the transfer provided and how it interacts with existing policies. This will also be important in determining their potential impact on poverty. Basic income proposals that take on a more residual form, for example, may be easily outperformed by more specific, targeted measures, whereas a comprehensive basic income would likely outperform feasible alternative schemes.

Basic income could also address economic inequality through its redistributive potential, depending on the level of the transfer and the specifics of its financing (Atkinson, 2015). At one extreme, a basic income may be funded by a reallocation of existing public funding, which may involve largely a horizontal redistribution of resources among lower income groups while leaving higher income groups largely unaffected. By contrast, if basic income is primarily funded through an income or wealth tax (or perhaps a consumption tax on luxury goods, etc.), a much larger redistributive potential could be expected, particularly if the tax rate itself is designed to be very progressive. But it is important to consider that while a decrease in economic inequality may be a by-product of basic income, it is not clear this could or should be its main objective.

### b) Modernizing labour markets

The benefits of basic income for society, and in particular for vulnerable individuals and groups, are closely correlated to its expected impact on labour markets. This is one of the primary reasons for political stakeholders to support basic income pilot schemes, which are mainly motivated by an increase in precarious employment and unemployment-related fears following ongoing technological changes (Kalleberg, 2018; Pulkka and Simanainen, 2021).

There are several mechanisms at play in understanding how basic income might impact rapidly changing labour markets. The first relates to the fact that a person does not have to be unemployed to receive a basic income, unlike some social protection schemes subject to conditionalities. Because basic income sets a floor unrelated to an individual's employment status, it can support individuals moving from non-employment to part-time employment instead of trapping them in unemployment or precarious employment. This is a major argument for basic income advocacy that directly counters concerns that basic income would cause labour market withdrawal (Van Parijs and Vanderborght, 2017).[9]

The corollary of supporting individuals to move in and out of work without losing access to guaranteed income support also means that workers are better able to withstand rapidly changing circumstances in labour markets and the economy more widely. Another related effect is that the existence of income support entirely independent of a person's employment status may incentivize some workers to move from informal to formal employment while simultaneously making it easier for employers to make the same shift. This latter effect is likely to have more impact on women in particular, who more often work in the shadow economy (see more details in section C of this chapter).

Basic income is also said to have an impact on wages and employment conditions (Calnitsky, 2020). Part of the argument is explained through basic income improving the bargaining position of workers relative to employers. A basic income allows for workers to move away from poor jobs to seek out better employment, even if this means incurring a period of unemployment.

[8] As evidenced by the case in Finland in Kangas and others (2021).

[9] Experimental evidence supports the argument that basic income increases labour participation rather than reducing it (Gilbert et al., 2018).

Nevertheless, there are also counterarguments that suggest basic income may not have a beneficial impact on all types of workers or industrial sectors, in part because of the inability of basic income to fully accommodate the costs of leaving employment (even temporarily) (Birnbaum and De Wispelaere, 2021). In the end, the impact of basic income will be determined by how it interacts with labour market institutions and social policies (White, 2020).

### c) Promoting gender equality

There is a strong debate about the expected impact of basic income on gender equality and the empowerment of women both in employment and inside the household (Zelleke, 2011). Gender effects in the labour market follow from the gendered nature of labour markets themselves, with for instance women taking up a larger share of informal, part-time and precarious work while also facing social and legal obstacles in terms of career advancement compared to men. To the extent that a basic income allows individuals to more easily move into part-time work, this effect will have a disproportionately larger impact on women than men. Similarly, to the extent that basic income empowers workers to bargain with employers (see section B) and provide better protection against such issues as workplace harassment and discrimination, these impacts may be greater for women due to the inequality they face.

Basic income is also closely tied to debates around the unequal distribution of paid labour and unpaid care work, which is disproportionately carried out by women around the world. There are at least three aspects to the basic income and care agenda that are worth analysing. First, there is the idea that basic income offers recognition for the unpaid care work carried out by women (Mulligan, 2013). Those who adopt this position see similarities with basic income and the movements for household wages to recognize domestic work, but because a basic income by design is not related to any specific type of work activity, the scope for such recognition would be limited. Second, while not offering direct recognition for unpaid care work, a basic income might nevertheless offer some compensation for women who undertake it. They could, for instance, gain access to income support they fail to qualify for when it is contributory or linked to formal employment. This might even involve women actively deciding to spend more time engaging in care work, with the basic income making up part of the lost wages (Elgarte, 2008). This last point remains controversial among gender equality advocates because it could involve the effect of reducing women's labour market participation and supporting the traditional distribution of labour between employment and unpaid care work (Robeyns 2000). A third point relates to whether basic income might incentivize men to take on care work. On the one hand, basic income might offer men this option by virtue of supporting their lost wages (Elgarte, 2008). But on its own it remains to be seen whether that is a sufficiently strong incentive —in particular since the same basic income would also be available to men who decide to solely focus on their career prospects.

A final critical effect of basic income on gender equality relates to empowering women within the household in relation to their partners, and especially in situations of inequality and abuse. Here, the argument is that a basic income gives women an exit option from any relationship, notably relationships in which there is emotional abuse or even physical violence. Empirical research into the intra-household gender impact of basic income is limited, but existing studies suggest it may indeed have this empowering impact (Gonalons-Pons and Calnitsky, 2021; Calnitsky and Gonalons-Pons 2021).

#### d) Supporting communities and democratic institutions

There is an argument that basic income has community as well as individual effects. Recent sociological research has established that community effects impact a wide variety of social issues, from labour market participation decisions (Calnitsky and Latner, 2017) to a decrease in crime and violence (Calnitsky and Gonalons-Pons 2021).

Some argue that basic income can improve societal relations between different groups by producing increased social solidarity since the universalism of every citizen receiving a basic income produces a shared bond, similar to what happens when building universal health or education systems. The absence of stigma related to conditional entitlements further improves social relations between different social groups. Unfortunately, there is insufficient evidence to suggest basic income will have the same solidarity-producing effect as universal health care or education. There are several reasons for this. First, basic income does not involve setting up visible social institutions (such as schools and hospitals); rather, it ultimately only involves every individual receiving their monthly check or deposit. Second, it is important to keep in mind that while every citizen receives a basic income, not everyone is a net recipient; depending on the level of the basic income, the bulk of citizens may end up being net contributors by having to pay taxes. Third, the social legitimacy of basic income appears to still be very much to socially acceptable categories, with evidence suggesting offering basic income to immigrants or refugees will drastically reduce public support (Bay and West Pedersen, 2006).

Finally, another argument is that basic income may have the potential to strengthen democratic institutions and the political inclusion of some groups (Pateman 2004). However, a greater democratic impact could be obtained through stronger political participation of socially vulnerable groups. There is evidence to suggest that these groups, by overcoming the stigmatizing interactions they have with the State through conditional programmes, would more actively participate in elections, which would thus translate into higher voting rates (Morales, 2018).

### 2. Objections to basic income

#### a) Fiscal cost

The cost of basic income is one of the most prominent objections put forward. What drives the perception of basic income as a prohibitively costly policy is that every citizen receives an income supplement. It is often suggested that targeting would allow more resources to reach those in greatest need. In most cases, basic income is intended to be a redistributive scheme in which only those at the lower end of the income distribution are net recipients. According to this logic, high-income recipients would "pay back" their own basic income through taxes as their income bracket increased, thus funding the basic income of lower income individuals. The precise share of the population who are net recipients compared to contributors depends on the level of the basic income, the income distribution and the specific tax rates deployed. But the distinction between net recipients and net contributors is inherent in any basic income scheme.

However, even when the fiscal cost of basic income is less than assumed by its critics, there are important economic and political challenges related to how to finance it. There are three broad fiscal strategies available. The first strategy is to adjust the existing income tax rate to fund basic income. This can have distortionary economic effects as well as incur political resistance from those who will bear most of the additional cost. The second strategy is to partially fund basic income by absorbing other cash transfer schemes, which could lead to a regressive scenario where more grants might be offered to the lower-middle-income individuals than those in the lower income ranges, in addition to drawing resistance from other stakeholders. The third strategy is to implement new types of taxes, such as a wealth tax, green taxes or a Tobin tax. This strategy may also have significant distortionary effects and raises important practical and political concerns about introducing a new tax scheme. Various combinations of funding mechanisms are available, but in each case it is important to realize that it is difficult to find a solution that manages competing concerns of adequacy, fiscal stability, minimal economic distortion and viability of basic income (Martinelli, 2020).

It is important to consider that while it is feasible to design a basic income that is sufficiently low as to be affordable and with minimal fiscal changes, such a basic income would have little impact on its goals. The main challenge for basic income advocates, therefore, is to introduce a basic income that is affordable while having substantive impacts.

**b) Work disincentives**

Basic income offers income support independent of an obligation to work or seek work. The concern is not only that basic income supports those who opt out of work but also provides incentives for employees to work fewer hours or drop out of the labour market altogether. There is both an economic and a political dimension to this objection. Economically, the concern is that introducing basic income will lead to drastically reduced labour market participation, especially in sectors with mainly low-skilled and low-paid workers, and reduce both general economic output as well as the sustainable fiscal basis for financing social protection (including basic income itself). Politically, the main concern is that a significant reduction in labour market participation makes basic income unsustainable as popular and political support for basic income will drop when divisions between those in work and those out of work increase.

There are several responses to the work disincentives objection. The first, as mentioned above, is that basic income does not necessarily lead to drastic work reduction. While there is some experimental evidence of reduced working hours and temporary dropping out of work (e.g. to complete schooling), there is little evidence from completed and ongoing basic income experiments that supports the fear of a massive reduction in labour market participation.[10] This is partly because the level of basic income in experiments conducted to date is typically too low to allow for individuals to comfortably quit their jobs. Another reason is that basic income reduces unemployment traps, which means a reduction in labour market participation for some can be counterbalanced by an increase in labour market participation for others, such as young people joining the labour market or making it easier to take a part-time job. As mentioned above, there is also some evidence that reduced labour market participation in certain sectors can be countered by firms offering higher wages and better working conditions, which partly reflects the improved bargaining position of low-income workers under a basic income regime (Calnitsky, 2020).

A second response is to reassess the reduction of working hours and dropping out of labour markets in light of what workers actually do when they reduce their labour market participation. Evidence from basic income experiments strongly suggests labour market reduction is associated with increased care responsibilities or investment in skills upgrading (Calnitsky and Latner, 2017), notably by women, as well as the growth of self-employment and small business activity (Calnitsky, Latner and Forget, 2019).[11] The first of these are key features of the social investment approach to social protection (Martinelli and Vanderborght, 2022), while the increase in self-employment and small businesses directly contributes economic value. More generally, basic income is typically associated with the valuation of non-monetary but essential social and reproductive activities such as caring and volunteering, which are disproportionately carried out by women. However, it is important to realize that improving labour market participation remains a strong political objective in most societies and as such the objection should be taken seriously. It is also important to note that while current evidence appears to side with

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[10] It is important to note that basic income experiments only offer a temporary income to those in the treatment group, which means care must be taken when drawing strong conclusions from these results for estimating the impact of a permanent basic income policy.

[11] Basic income can also enable people with health problems to escape the so-called work disability trap (Ståhl, De Wispelaere and MacEachen, 2022) and fully recover before returning to work, which has long-term benefits for both workers and employers. Interestingly, experimental evidence suggests a basic income leads to a reduction of labour market withdrawal for health or disability reasons (Calnitsky, Latner and Forget, 2019).

basic income advocates in finding no major negative impact on work incentives, this only applies to modest basic income models that have been tested. There is no real evidence of the labour market impact of the more ambitious schemes.

### c) Political feasibility

Another criticism of a basic income points to the difficult political hurdles the proposal faces (De Wispelaere and Yemtsov, 2020). While recent research shows strong and growing support for basic income (Roosma and van Oorschot, 2019), and that support increased during the COVID-19 pandemic (Nettle et al., 2021), it decreases rapidly once specific details, such as the level of payment and financing, are mentioned. Public opinion research confirms that a general agreement among political actors and stakeholders about the overall idea of a basic income masks a deep and persistent disagreement about which specific model of basic income to institute (De Wispelaere, 2016). Internal conflict among basic income stakeholders may end up reducing the opportunity of building a sizeable and lasting basic income constituency, even in post-pandemic welfare states (Vlandas, 2021; Weisstanner, 2022).

A second hurdle concerns the difficulties in building a basic income coalition among political parties to introduce relevant basic income legislation. Disagreement over the specific income models to be adopted is also reflected across parties, and political actors are sensitive to the political and ideological framing of the proposals. Basic income advocates may need to exert some caution in deciding which politicians or parties to team up with (De Wispelaere, 2016).

At the country level, basic income appears to be caught up in the so-called supply and demand paradox (Parolin and Siöland 2019; De Wispelaere and Yemtsov, 2020). Not all countries have the administrative capabilities to introduce a large-scale policy such as basic income (De Wispelaere and Stirton, 2011; De Wispelaere and Stirton, 2012). Countries that have such a capacity are typically those with well-developed welfare states. But these are also the countries where existing social protection systems offer comparatively generous entitlements with robust coverage, and where consequently demand for basic income is relatively low. By contrast, countries where basic income demand is high are those where existing social protection systems are minimal. But in those countries, introducing basic income may require significant investment in administrative capabilities. Hence the supply and demand paradox: countries with high capacity have low demand for basic income, whereas countries with high demand for basic income have to overcome low capacity to institute them.

### d) The "Trojan horse"

The "Trojan horse" objection is a concern raised by progressives who fear that introducing basic income will dismantle the whole complex of welfare state institutions and social protection policies. Just as the Greeks tricked the Trojans into accepting a gift that became their downfall, some groups worry that once basic income is introduced it will spell the end of other public programmes. There are two mechanisms at play with this objection. On the one hand, the worry is that basic income will be funded by reducing or fully absorbing existing programmes, especially policies such as social assistance or specific programmes such as disability assistance or basic pensions. Over time, the basic income could expand excessively by increasingly absorbing more public funding and public programmes. In extreme cases, this could lead to a scenario where basic income is one of only a few publicly funded programmes, with other forms of social support left to private insurance and the market. Since basic income is paid to all on a uniform basis, such an evolution would amount to a regressive transformation of the welfare state —a prospect that provokes resistance.

On the other hand, for advocates of universal basic income, this concern —while understandable— is overblown. First, most countries have firm commitments to welfare institutions and publicly funded social protection in place that would not be easily undermined by basic income. The same applies to countries with strong institutions of collective bargaining or involvement of trade unions in wage setting. Second, countries where such institutions or commitments are much weaker already face serious problems that existing public institutions are unable to accommodate. These are the cases where a basic income may end up playing an important role in securing progressive policy outcomes.

## C. Variation in basic income design and implementation

Basic income is a policy that sets itself apart from other traditional social protection programmes. It is tempting to think of basic income as a single monolithic policy that can be exported into different policy environments along roughly similar lines. In terms of concrete design and implementation, however, basic income comprises a family of closely related schemes (De Wispelaere and Stirton, 2004). Examining the basic income debate across Latin America reveals extensive variation in the proposals being made. This variation follows from the fact that the core idea of basic income leaves open a number of important design questions, including most importantly what the appropriate level of a basic income is and how basic income interacts with other social protection programmes. The following section reviews the differences in basic income proposals and models that can be identified in the various ongoing debates in this area.

### 1. Full versus partial basic income

The main features outlined in section A of this chapter deliberately leave open the question of the level of basic income provision. There are two types of responses to this question.

One approach is to insist that any type of basic income should be set at a level that allows people to live a dignified life. Advocates of a full basic income typically refer to the poverty line of a single-person household as the threshold. A basic income at the poverty line, by definition, should lift everyone out of poverty. This level is considered adequate without being too generous, such that, for instance, incentives to work are retained at least for jobs paying a decent wage.

But there are several complications with this approach. The most obvious issue is that a full basic income may be considered too expensive with both the amount of basic income and the share of net basic income recipients. There may also be economic concerns about labour market disincentives for low-paid jobs. Another complication is that with a full basic income there is increased pressure to drastically reduce or even eradicate other income support programmes that are providing important social protection for specific populations. For instance, people with disabilities often require additional assistance, which means that a basic income must be complemented with focused programmes. While there is nothing preventing a full basic income from being complemented with any other type of social protection measure, social policy research has shown that programmes that are heavily targeted towards smaller subgroups are subject to gradual and sometimes invisible retrenchment processes (Korpi and Palme, 1998; Jacques and Noël, 2018). This outcome could affect some of the most marginalized members of society and should be avoided.

While basic income advocates may insist that a full basic income is the ultimate goal, in the short and medium terms they may need to adopt a more pragmatic attitude and focus on introducing a so-called partial basic income instead. There are two ways to define a partial basic income. The first is again by reference to the poverty line: a partial basic income is set at any level (substantially) below the poverty line. The second is by reference to additional social policies that can be subsumed under the basic income. One predictable implication of introducing a partial basic income below the poverty line is that additional social protection measures would be required to ensure that every individual can achieve a minimal standard of living. Importantly, these two ways of defining a partial basic income are not equivalent. It is possible for a basic income to absorb all existing social policies and still leave a sizeable part of the population in poverty. In such a situation, basic income would be labelled as "partial" under one definition but "full" under the other.

A partial basic income avoids the two problems mentioned earlier —it is both cheaper and retains a constituency for other income support policies, assuming they are in place— but at the cost of having less of a direct impact on poverty alleviation, inequality and other issues. A partial basic income that is too low runs the risk of not generating sufficient benefit to justify the investment and reducing the basic income constituency to a point where social support for basic income dwindles. In other words, whereas a full basic income runs into the problem of crowding out the constituency for additional social protection measures, a partial basic income that is too low faces the opposite problem of not being able to sustain a robust constituency for basic income itself. This means that a politically sustainable basic income needs to find the sweet spot: neither too high nor too low.

### 2. Why the social protection context matters

The variation in the level of basic income is an important determinant for understanding its role in social protection. But basic income only produces effects in combination with a host of other policies and institutions that make up a particular social protection context. Debates on the pros and cons of basic income compared to other income support schemes often still fail to fully appreciate the interaction effects of basic income and the wider policy environment.

Several implications follow from this fact. First, it is impossible to have a meaningful conversation about the conditions under which a basic income —or, indeed, which basic income variant— should be adopted without explicitly discussing the social protection context. Second, this means that when distinguishing basic income models, particular basic income-social protection constellations are actually being discussed, with both variation in basic income design and the interaction with key social protection elements being of equal importance.

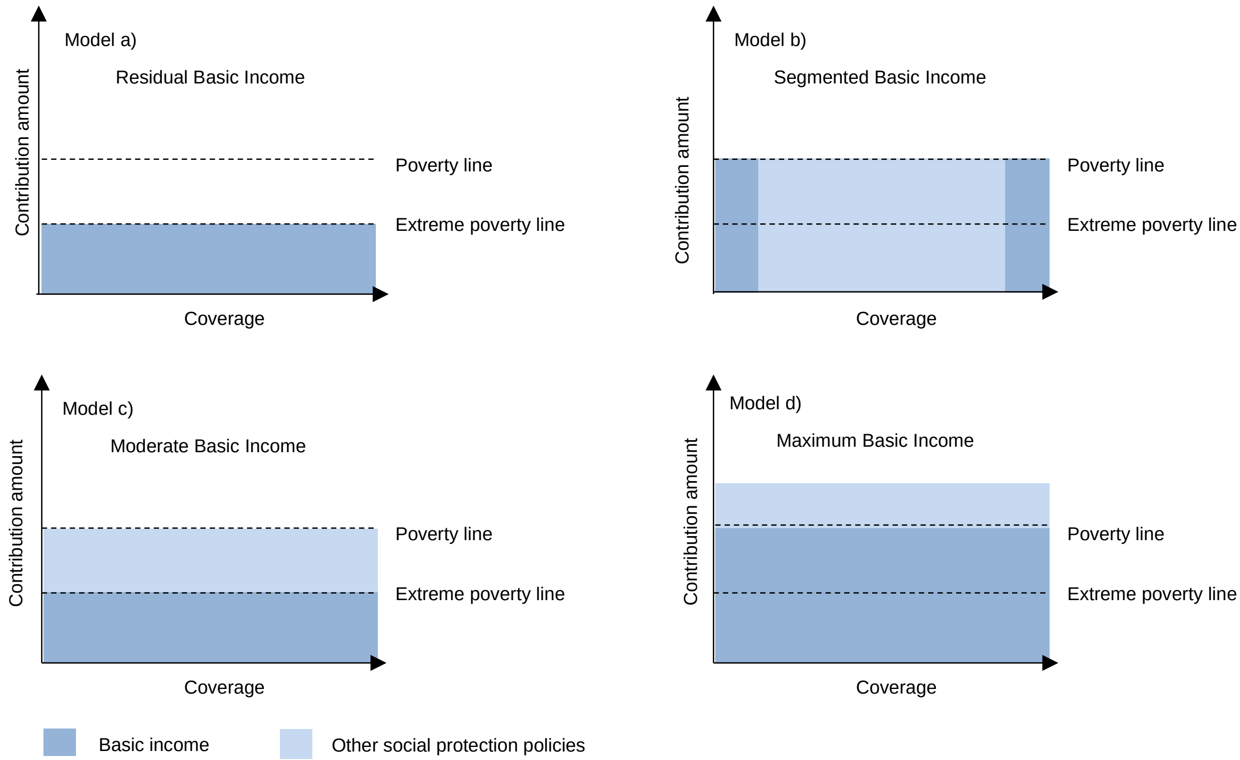
Broadly speaking, there are four main types of interaction with the social protection context when introducing a basic income. In the first instance, basic income can be introduced as a novel policy layer, entirely separated from and operating independently from other polices already in place. This model is entirely fictional and would be impossible to implement anywhere in the real world. A second type of interaction involves basic income absorbing a number of other (predominantly flat-rate and tax-financed) social protection programmes, with their funding becoming part of the basis for financing the basic income. The number of programmes that are absorbed is a political decision and one that is likely to generate considerable competition. A third type of interaction is with programmes that have been drastically reduced in scale and scope following the introduction of a basic income. The remaining recipients may be insufficient to ensure the long-term stability and survival of these schemes.

A fourth and final type involves basic income interacting with robust programmes that are retained after its introduction, with individuals, depending on their particular circumstances, receiving both a basic income alongside a range of other social protection programmes. This interaction should not be assumed to be smooth or straightforward given the very different design, implementation and purpose of basic income and these other policies. In some cases the interaction can be contentious with programmes competing for resources and political attention.

### 3. Four basic income models

Given the importance of understanding basic income in the specific policy context in which it is to be introduced, basic income models should be explicitly thought of as a function of both variation in basic income design (especially the level of the transfer) and the diverse social protection environment, in particular supplementary income support policies. Accordingly, four main models can be distinguished based on the coverage and adequacy of the transfer, roughly in order of generosity: a) the residual basic income model; b) the segmented basic income model; c) the moderate basic income model; d) the comprehensive basic income model.

**Diagram 1:**
**Four basic income models**




Source: Prepared by the authors.

### a) The residual basic income model

The residual basic income model combines a low partial basic income with few or no supplementary income support programmes. For many individuals, the residual basic income may be the only publicly funded income support to which they have access. However, the level of the basic income itself is too low to have a significant impact on poverty or social marginalization in the absence of a regular alternative source of income.

The residual basic income model may nevertheless have an impact on the economic security of individuals or families that are dependent on different types of irregular, precarious and low-paid work, as well as provide food security to all individuals. This is because the basic income sets a minimum income floor to which subsequent earned income can be added without fear of losing the basic income floor itself.

The overall impact of the residual basic income model depends on a number of factors, including the share of the population with access to regular market income but also the financing of the basic income. This residual model may be considered a progressive improvement in a scenario where existing social protection is largely non-existent, inadequate and patchy or simply inaccessible to a large share of the population. In this scenario, universalizing income support even at the level of a residual basic income may be considered a valuable achievement. Such a scenario would also be progressive in that the funding would most likely come from taxing higher income households. In the progressive scenario, the residual basic income model may be regarded as a key stepping stone towards the progressive realization of a robust and adequate universal social protection system.

However, another likely scenario is decidedly regressive and a cause of considerable concern among critics of basic income. In this scenario, the residual basic income is also introduced as a replacement of existing social protection schemes, including more generous programmes. While the residual basic income scheme would fill some of the gaps of a set of more specific social policies, it would also directly or indirectly dismantle programmes that would continue to benefit many individuals. Targeted social policies could be directly dismantled when their funding is entirely rolled into the residual basic income model, leaving some recipients worse off or having to rely on a less generous residual basic income.[12] Polices could also be indirectly affected when the amount received is discounted by the level of basic income, and as a result the programmes themselves become marginalized and largely ineffectual over time (De Wispelaere and Morales, 2016). In this scenario, the residual basic income is regressive in that the bulk of financing would be taken from existing targeted programmes and redistributed to a much larger share of the population.

#### b) The segmented basic income model

This model refers to a series of proposals where specific groups are given an individualized, universal and unconditional regular income. Although this model does not extend to the whole population, these schemes explicitly take the form of a basic income for a specific group.

One important type of segmented basic income model is age-based. Both the universal basic pension (basic income for older adults) and the universal child grant (basic income for children) are common examples and can be found in various forms in several countries around the world. For example, since April 2019, Gyeonggi Province in the Republic of Korea has paid out a Youth Basic Income to every 24-year-old resident (Yi, 2021). Whereas a basic income for children or older adults aims at an age-group situated outside of the labour market, the Korean Youth Basic Income is explicitly aimed at addressing youth unemployment.

Age is a very easy administrative category to address in a way that involves no stigma or burden for recipients. By contrast, other types of segmented basic income models may aim at specific groups that are harder to distinguish or require a more involved eligibility process. Some of the most recent planned pilot projects involve experimenting with basic income for groups such as artists (Ireland) or care leavers[13] (Wales) (Johnston, 2022). Some basic income proponents have advocated for a basic income to caregivers, but it remains unclear how this would work in practice. Finally, other segmented models may focus on a target population that is already captured in an administrative register. The *Renda Básica de Cidadania* in Maricá (Brazil) is paid out to individuals already registered in the federal government's database known as the *Cadastro Único* (Katz and Ferreira, 2020).[14] Similarly, the Finnish basic income experiment focused on a specific category of unemployed individuals who are part of the unemployment registry maintained by Kela (the Social Insurance Institution in Finland) (Kangas and others, 2021).

The level of segmented basic income models is undetermined and can vary across countries or over time. Some proposals are more generous while others are closer to the residual model. Proposals may also diverge on whether they advocate for a uniform level of basic income paid out to different eligible groups or whether the level should be differentiated, for instance, with children only receiving half the level of basic income of older adults. The two main factors impacting the generosity of segmented basic income models are the financing capability and modality, and the existence of other social protection policies complementing the basic income. The latter together with the level of basic income will then also determine the impact of a specific segmented basic income model at both individual and aggregate level, such as on the reduction of child poverty or its redistributive impact. The way in which this type of model is implemented (e.g. aimed at children or older adults) can overcome

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[12] This is the Trojan horse concern discussed previously, where basic income is seen as an instrument for dismantling most costly and redistributive social protection.

[13] A care leaver is an adult who spent time in the care of the social welfare system, without parental or family support. They may have been in foster care, in a youth home or in other accommodation.

[14] See chapter III for more details about this programme.

objections related to providing the grant to working-age adults. It can also be considered as the first step of a gradualist strategy for implementing a full universal basic income for the whole population.[15]

### c) The moderate basic income model

The moderate basic income model is probably the proposal that captures the imagination of the majority of basic income advocates. This model combines a partial basic income model with a well-developed social protection system, with most residents having access to both the basic income and various other programmes. The moderate basic income model is a hybrid system with that falls between the universal income floor created by the partial basic income and additional income support at variable levels in line with an individual's personal circumstances. While all residents have access to the same level of basic income, eligibility for other programmes (in addition to the basic income floor), the amounts provided and the modalities under which they can be accessed will vary extensively. To the extent that the effects of basic income interact with the broader social protection environment, the impact of the moderate basic income model across society will likely vary.

The moderate basic income model is expected to outperform the residual model in terms of reducing poverty, economic insecurity and inequality. It is comparatively more progressive since the basic income is only partly funded by reducing other social protection schemes and is likely to require additional financing through taxation. Furthermore, the moderate basic income model is also expected to be more economically sustainable than the comprehensive model (which will be discussed in the next section), by virtue of being set at a much lower level and therefore lower aggregate cost, although its design is more complex (Martinelli, 2020).

The challenge of introducing a partial basic income into a complex social protection environment must not be underestimated. First, introducing the partial basic income requires deciding which programmes will be absorbed by the basic income floor, which will continue to exist but be drastically reduced in scope and scale, and which will operate independently from the basic income floor, taking into account various administrative units involved and possible resistance. Second, complications also arise when policies fulfil functions in addition to income support, such as controlling access to other policy areas or programmes that could be hampered or even lost by being absorbed into a basic income.

A third type of complication has to do with how the partial basic income interacts with other policies that involve conditions such as a requirement to actively seek employment. This could reduce the potential impact of a basic income.[16]

A final complication relates to the political economy of implementing a moderate basic income model. There are many different ways of introducing a moderate basic income, each of which will generate different sets of winners and losers compared to the status quo ex ante (Martinelli, 2020). Two very different basic guidelines can be considered. A progressive guideline insists that changes in income support programmes are only justified when no one is made worse off. A more neutral or conservative guideline instead may insist that changes in income support programmes must benefit the largest share of the population. Each of these guidelines is compatible with the structure of a moderate basic income model but end up producing a very different policy mix and social outcomes (De Wispelaere and Stirton, 2013). This means the moderate basic income model will be subject to important political dispute, which in turn may affect its long-term stability.

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15 The problem here is that while the first step is easy, expanding basic income beyond these specific groups is often very difficult and faces numerous bottlenecks and political veto points (De Wispelaere and Yemtsov, 2021).

16 One example is health. One of the pathways through which basic income positively affects health is by reducing stress, which is associated with not only added income but also a lack of stigma and conditionality (Johnson and others, 2022). But if people are still being stigmatized because they are partly enrolled in targeted programmes, there will likely be only a minimal positive impact on stress and health.

Where basic income advocates often assume introducing even a partial basic income will simplify the social protection environment, in practice a moderate basic income model may add another layer of complexity to the system.

#### d) The comprehensive basic income model

The comprehensive basic income model is the most advanced of basic income proposals. This model to some extent reintroduces simplicity by setting the basic income at high enough level to cover all needs for a single-person household. In this way, it can easily absorb a large number of income support policies without making the vulnerable in society worse off. In practice, a comprehensive basic income model would integrate all cash entitlements available through flat-rate transfers into the basic income, retaining only entitlements tied to programmes for specific needs, such as special support for people with disabilities. The result is a very adequate secure income floor sufficient to cover the basic needs for a single person, on top of which individuals can apply for additional entitlements.

The comprehensive model retains simplicity but unlike the residual model it also is generous and progressive. While part of the cost is financed by absorbing a number of tax-financed income support policies, additional financing will be required (Martinelli, 2020). The main drawback is the cost itself: the comprehensive basic income model offers each net recipient a higher payment and as such also significantly expands the number of net recipients The additional financing may require an additional tax effort on the part of high-earners that may be considered too steep.

A second drawback is that at this level an unconditional basic income could affect labour market incentives and participation rates. It is important to realize that, because no experiments or pilot projects have ever implemented a comprehensive basic income model, there is no real evidence on the effects of what would happen if this modality were introduced. Existing evidence from pilot projects or basic income-like schemes such as the Alaska Permanent Fund Dividend at best tells us something about the moderate basic income model. Thus far no country has tried to pilot a comprehensive basic income model. The uncertainty in terms of predicting the transformative effect —whether positive or negative— constitutes a third drawback of this model. The comprehensive model is a somewhat utopic idea for now, but remains an important inspiration for a transformative social agenda (Van Parijs 2013).

## D. Lessons from basic income pilot projects and experiments

Around the world, there have been no projects or experiments with universal basic income programmes that meet the five basic criteria of offering payments in cash that are periodical, individual, universal and unconditional. This presents significant challenges with regard to producing evidence to inform guidelines on how these programmes work in practice, which model to choose in each context and what impacts to expect, among other questions. However, numerous pilot projects, experiments, and short-term policies that meet some of the criteria of a universal basic income programme have been implemented. They provide indications of how to set up these programmes and what their potential impacts may be in specific contexts. Most of these projects are not universal, but they do provide individual and unconditional cash transfers. These cases have produced preliminary and short-term results that occur in specific contexts, so they cannot necessarily be extrapolated to a wider context. With this in mind, lessons from the case studies to date do provide evidence of overall positive impacts on recipients' living conditions, who report improvements in health, nutrition, education, perceptions of economic security and more. Furthermore, the experiences show that in general these experiments and pilot projects would not create disincentives to enter and stay in the labour market.

First, there have been pilot projects and completed experiments in countries in Africa, Asia, Europe and North America. For example, unconditional basic income pilot projects were implemented in Namibia between 2007 and 2009 and in India (in the state of Madhya Pradesh) between 2011 and

2012. Assessments of these experiences showed positive results with regard to living conditions. In Namibia, the pilot project delivered positive results in school enrolment and dropout rates, lowered the poverty rate, increased birth weights, reduced crime rates and stimulated the local economy (Tena, 2018; Gentilini and others, 2020). Meanwhile, in India, the results are similar to those in Namibia, with improvements in material conditions of households, increased access to health services, increased food security and the quality of food consumed, which led to improvements in child nutrition, school attendance and school performance (Davala and others, 2015; Standing, 2013; Schjoedt, 2016). There was also a reduction in inequality, a shift from precarious to more sustainable jobs, an increase in productive work and a decrease in debt (Standing, 2013; Schjoedt, 2016; Tena, 2018).

On the European continent, there are examples from Finland, the Netherlands and Spain. In Finland, between 2017 and 2018, the first national randomized experiment on basic income was conducted, during which a group of unemployed people aged 25 to 58 were given an unconditional monthly cash transfer to assess its effects on people seeking work. In Utrecht in the Netherlands, a randomized experiment was conducted in 2017 with people from the welfare-to-work system, where unconditional transfers were given to recipients.[17] Both experiments found that a basic income would not reduce incentives to get a job or work, and in the case of Utrecht, labour participation and access actually increased (Allas and others, 2020; Verlaat and others, 2020). In Spain, an experiment was conducted in Barcelona's Besos district with four modalities on who and how the transfer was delivered: a group whose access was conditional on participation in other programmes, an unconditional group, a limited group and a non-limited group. The study's recipients reported improved well-being, better physical and mental health, and less concern about accessing basic food staples (Gentilini and others, 2020).

Finally, in terms of pilot projects and completed experiments, Canada conducted three experiments between 1974 and 2018 in Manitoba, Ontario and Vancouver, while South Korea implemented one in Gyeonggi. The experiment in Manitoba, Canada, was conducted between 1974 and 1979 and was the first basic income experiment. It operated through a negative income tax. The second experiment, conducted in Ontario in 2018, consisted of monthly payments to recipients. Finally, the third experiment in Vancouver, the same year, consisted in the provision of a one-time transfer to homeless people. Despite the varied experiment designs, the results showed improvements in general and mental health, less alcohol and tobacco use, reduced poverty and crime, increased wages, job changes with better working conditions, and access to more stable housing (Ferdosi and others, 2020; Foundations for Social Change, 2021). In South Korea, the basic income experiment for 24-year-olds had positive effects on happiness, mental health, exercise frequency, diet, gender perception, economic activity and time use (Young and others, 2019).

Second, there have been policies that were implemented but which did not last. This was the case in Iran and Mongolia, which are considered the closest experiences to a universal basic income. In both countries, universal cash transfer programmes based on natural resource and commodity dividends (known as resource dividend models, according to Gentilini and others (2020)) were implemented for a limited period. In Iran, after eliminating the energy subsidy, an unconditional transfer was implemented on a compensatory basis for the entire population. This transfer was successful in reducing income inequalities and did not negatively impact the labour market. However, it did negatively impact household consumption, since the elimination of subsidies and the international context led to high levels of inflation that affected the price of oil. This in turn reduced the real amount of the transfer, which could not offset the impact (Enami and Lustig, 2018; Zarepour and Wanger, 2022). Meanwhile, Mongolia set up a Human Development Fund to collect and distribute mining profits equitably. This

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[17] As of 2018, there were already nine municipalities in the Netherlands experimenting with guaranteed minimum incomes, including Utrecht. The other municipalities where experiments were being carried out were Tilburg, Groningen, Deventer, Nijmegen, Wageningen, Apeldoorn, Oss and Epe. In June 2018, more than 3,000 welfare recipients were participating in these experiments (Groot and others, 2018).

universal and unconditional programme had positive results in terms of financial inclusion, poverty reduction and inequality reduction (Gentilini and others, 2020).

Third, there are ongoing programmes and experiments, such as the policies of Alaska and Maricá, Brazil, and experiments in Kenya, Germany, South Korea, the United States and the United Kingdom. Maricá, a municipality in Rio de Janeiro, Brazil, has had a basic income programme in place since 2013 and is the closest experience to a universal basic income in Latin America and the Caribbean (see chapter III for more details on its policy priorities and history). This programme pays out periodic unconditional transfers to the municipality's population. Since it began, it has been expanding the entitlement coverage and amounts: it was initially paid to households with incomes up to one minimum wage and reaching households with incomes earning up to three minimum wages (Lima and Pero, 2020). The project aims to achieve full coverage and also meets the unconditional criterion. In Alaska**,** there is an unconditional and permanent transfer programme called the Alaska Permanent Fund Dividend, which has been in place since 1982. As in Maricá, and similar to the programmes in Iran and Mongolia, this programme is financed through an oil reserve resource dividend. Although its value is low compared to the average annual income, there are clear positive effects on poverty reduction, health outcomes in newborns and educational improvements. Moreover, the programme has not significantly impacted employment at the aggregate level. However, it has deepened income inequality, presumably because of differences in consumption patterns between socioeconomic groups (Gentilini and others, 2020; Guettabi, 2019).

Since 2017, the world's largest basic income experiment has been under way in Kenya. Run by the non-profit organization GiveDirectly, the experiment is planned to run for 12 years and has so far distributed cash transfers to 20,000 people in 197 villages. Preliminary results, which were obtained during the COVID-19 pandemic, show that providing cash transfers at a time of global uncertainty ensured access to basic necessities such as health care and food (Banerjee and others, 2020). In Germany, a project was launched in August 2020 to conduct three universal basic income experiments over a three-year period. In Gyeonggi (Korea), a basic income experiment for all rural residents began in the second half of 2021. In Wales (United Kingdom), an unconditional basic income pilot project is being designed for young people over the age of 18 who are engaged in care work. Finally, in the United States, there are more than 100 municipalities with minimum income pilot projects and experiments in place through an initiative called Mayors for a Guaranteed Income (MGI).[18] Interestingly, there are no recorded experiments in Latin America that fully comply with the five characteristics of a basic income at the national level. The closest example is the programme in the municipality of Maricá in Brazil, where the entitlement is not paid in cash but rather on the basis of a specific exchange currency.[19]

In short, a body of literature will need to be compiled to produce a comparative analysis of how such policies work. To date, they highlight key elements of employability and the limited scope of the pilot projects. These pilots have shown that there is no conclusive evidence that basic income discourages labour participation, and that it can have the opposite effect and even contribute to generating income and increasing access to jobs through productive investments and microentrepreneurship (see Gentilini and others, 2020; Standing, 2017). This would provide a basis for deepening the positive links that can exist between cash transfers and entitlements to guarantee income levels and local economic development processes. There is also some evidence that this type of policy improves people's overall well-being and promotes women's economic autonomy, as highlighted in this chapter.

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[18] See [online] https://www.mayorsforagi.org/.

[19] The municipality of Niterói, Brazil, recently implemented a monthly transfer to Bolsa Família programme recipients. It is similar to the policy implemented in Maricá and uses a local currency. For more information, see [online] http://www.niteroi.rj.gov.br/arariboia/.

The debate on a mechanism to guarantee income levels for individuals and households has become increasingly intense and diverse, and the following chapters will explore alternatives to the basic income proposal.

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# II. Guaranteed minimum income, universal transfers for children and older adults, and other income protection options

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A range of non-contributory social protection options have been explored or implemented recently with a view to ensuring universal or quasi-universal levels of income protection. Below are some options that can provide income protection in the region and address the challenges of coverage, adequacy and financial sustainability of social protection systems.

This chapter does not discuss contributory mechanisms or those linked to broader social security coverage, particularly in the context of consolidated welfare states with entitlements tied to unemployment insurance and family allowances connected to formal employment. However, potential opportunities are explored for using these non-contributory instruments to show how contributory coverage, and thus social protection as a whole, could be extended.

## A. Negative income tax and guaranteed minimum income

This section explores two options that offer income security through an income verification policy. The first option is the negative income tax, a concept developed by Milton Friedman (Friedman, 2013). The aim is to provide each person with a uniform (and unconditional) income supplement, with those in higher income brackets owing money based on how much their incomes exceeded the tax threshold. Subject to means testing, individuals in lower income brackets receive their negative income tax in the form of a refundable tax credit, i.e. a payment that decreases according to income, up to the break-even point, after which the negative income tax credit becomes a tax deduction.[20] This mechanism provides universal protection with a design based on the situation of households rather than individuals. In addition, instead of requiring prior means testing, it provides ex post economic security at a frequency subject to the tax cycle, which could even be annual. This makes it substantially different from the basic income approach and hampers its role in income protection for the most vulnerable (see Honkanen, 2014 and Van Parijs and Vanderborght, 2017). Aside from a design perspective, given the Latin American context, tax reporting is generally limited to higher income strata, which creates additional challenges in rolling out the negative income tax. Based on data from the Inter-American Development Bank, more than 80% of personal income tax is paid by the wealthiest 10% of the population (Barreix, Benítez and Pecho, 2017).

The second option, the guaranteed minimum income (GMI) is also a means-tested policy where, unlike the negative income tax, any family below a certain income threshold is guaranteed to receive a minimum payment. This means that GMI coverage tends to be limited to the lower share of income distribution, with transfers decreasing as income increases. In other words, if the eligibility threshold of the GMI policy is the poverty line, poverty will be eradicated at a lower budgetary cost (Gentilini, 2020).

Minimum income schemes can be defined as income support schemes that provide a level of social protection for working-age adults (whether or not they are working) who have insufficient financial means and who are not eligible for contributory, insurance-based social entitlements or whose entitlements and access have expired. More specifically, they are mechanisms that aim to guarantee a minimum standard of living for people and their dependants. As a result, these schemes help promote human capabilities, avoid increased poverty levels, reduce people’s risk aversion and, in times of crisis, act as countercyclical stabilizers (Frazer and Marlier, 2015).

However, these schemes, depending on their design, can introduce significant disincentives to work (Van Parijs, 2004; Gentilini, 2020). Any income from work or other earnings will reduce the grant received by the same amount. As a result, such programmes rarely work in their pure form when put into place. In most cases, entitlements are moderately reduced and the programmes often require some form of registration with the public employment service or proof of active job search. Additionally, as eligibility for these programmes is limited to a group below a very low-income threshold, in most cases the families receiving the grant are effectively those with the lowest income potential, such as families with older adults, people with disabilities who face barriers to full labour market inclusion, or single-parent families with children with few opportunities for paid work. However, a nuanced design in this direction may incentivize labour participation to earn income above the guaranteed level (Gentilini, 2020).

Like with other targeted policies, determining who is eligible for a GMI also requires a means test. As discussed in chapter I, section A, GMI programmes are administratively complex, because they require social information systems to accurately assess both eligibility and the level of entitlements to be obtained based on needs identified when a person enters the programme and over time. Most importantly, the methodology can mistakenly exclude people due to bureaucratic errors or the limitations of targeting methods, and it is often considered intrusive and stigmatizing.

Between 1990 and 2000, several countries around the world developed GMI programmes, and most EU countries have GMI schemes. The programmes are highly variable in terms of their components, amounts, access requirements and duration. For example, the minimum wage, average income, standard costs of living (basket of basic goods and the poverty line), among other reference variables, may be used to determine the entitlement amount, and some countries do not even specify the mechanism they use. A common element across countries is the delivery of the GMI on a periodic basis and the conditionality

[20] The break-even point at which net recipients become net taxpayers can be the same in both the basic income model and the negative income tax model.

attached to the entitlement is mainly related to attendance at or participation in a set of social and labour inclusion activities. The most common conditions require people to register on job portals and with employment offices, demonstrate active job search efforts, participate in employment activities and accept job offers under certain conditions (Coady and others, 2021).

## 1. The guaranteed minimum income in Europe

The 1992 European Council recommendation[21] called on EU member states to develop programmes to guarantee minimum incomes for their citizens. In 2008, the European Commission's recommendation on active inclusion laid out principles and guidelines for a comprehensive strategy[22] based on three integral pillars: adequate income support, inclusive labour markets and access to quality services. Then, in 2017, the European Pillar of Social Rights (EPSR) was proclaimed. The EPSR sets out 20 principles in three areas: equal opportunities and access to the labour market, fair working conditions, and social protection and inclusion to move towards a Europe that is inclusive, fair, strong and full of opportunity. In particular, Principle 14 states that "Everyone lacking sufficient resources has the right to adequate minimum income benefits ensuring a life in dignity at all stages of life, and effective access to enabling goods and services. For those who can work, minimum income benefits should be combined with incentives to (re)integrate into the labour market" (European Commission, 2022).

Guaranteed minimum income schemes are an important component of social protection systems in Europe (Coady and others, 2021). According to Frazer and Marlier (2015), these are non-contributory means-tested cash transfer schemes to support the incomes of working-age individuals (working and non-working) who are ineligible for social assistance programmes or whose participation in them has expired, and which are coordinated with employability policies. In 2018, it was estimated that the average spending by 35 countries in Europe on income support for the population was equivalent to 3.42% of GDP in 2018, with 1.07% of that average spent on programmes that include means-testing such as the GMI (Coady and others, 2021) (see figure 1). Investment in these entitlements exceeded 5% of GDP in Denmark, Finland, France, Luxembourg and Sweden. The main source of expenditure was family entitlements (1.86% of GDP), followed by unemployment entitlements, entitlements linked to social exclusion and housing entitlements. It is worth noting that about two-thirds of these entitlements are not targeted. In 2018, spending on targeted entitlements amounted to 1.07% of GDP, while spending on non-means-tested entitlements was 2.35% of GDP, with significant variations across countries (Coady and others, 2021).

In 2015, the European Social Policy Network (ESPN) conducted an evaluation of guaranteed minimum income schemes in countries across the continent. Out of a total of 35 countries considered in the study, most have GMI schemes; however, only five of them (Switzerland, Cyprus, Iceland, Liechtenstein and the Netherlands) pay out sufficient entitlements to ensure a decent standard of living and only 10 countries performed positively in terms of adequacy. Most grants were below the at-risk-of-poverty threshold.[23] For example, countries with GMI schemes that were considered weak, such as Bulgaria, Latvia, Poland and Romania, offer per capita amounts equivalent to between 24% and 29% of the at-risk-of-poverty threshold, while the more generous countries, such as Belgium, Austria, Denmark, Ireland, Luxembourg and the Netherlands, offer amounts between 71% and 91% of the at-risk-of-poverty threshold (Frazer and Marlier, 2015).

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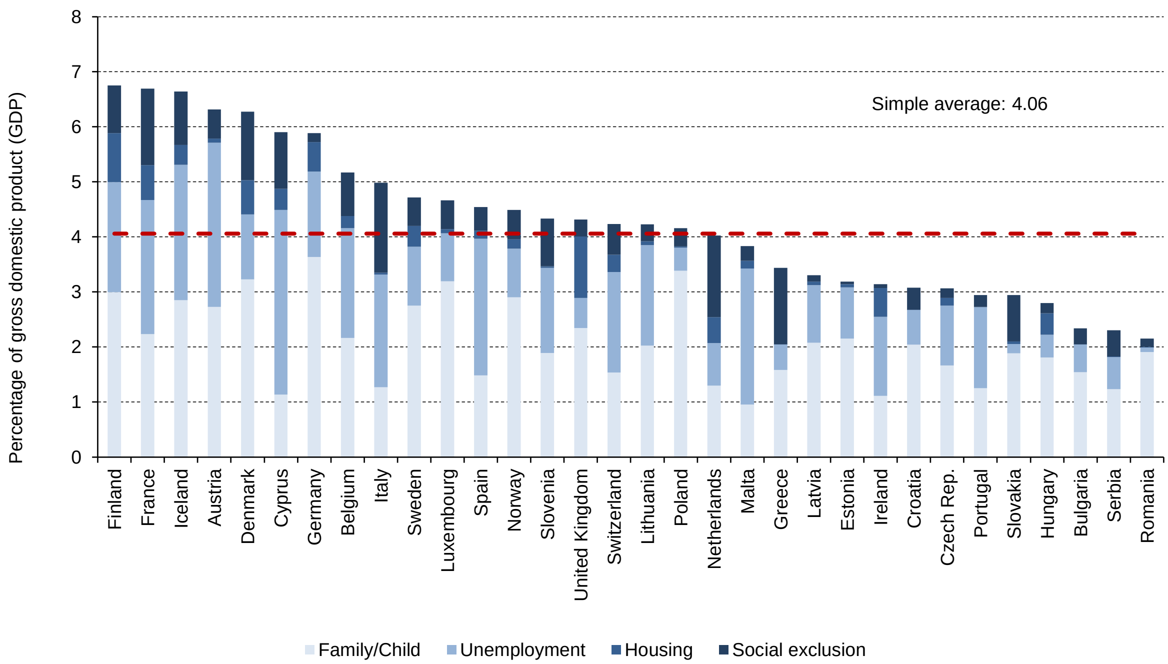
21 Council Recommendation 92/441/EEC of 24 June 1992 on common criteria concerning sufficient resources and social assistance in social protection systems. [Online] http://data.europa.eu/eli/reco/1992/441/oj.

22 Commission Recommendation of 3 October 2008 on the active inclusion of people excluded from the labour market (notified under document number C(2008) 5737). [Online] https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A32008H0867

23 "The at-risk-of-poverty rate is the share of people with an equivalised disposable income [total income of a household, after tax and other deductions [...] divided by the number of household members converted into equalised adults] below the at-risk-of-poverty threshold, which is set at 60% of the national median equivalised disposable income after social transfers. This indicator does not measure wealth or poverty, but low income in comparison to other residents in that country" (EUROSTAT, 2022).

**Figure 1**
**Europe (35 countries): spending on income support measures in European countries[a], 2021[b]**
*(Percentage of gross domestic product)*




Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of data from Eurostat (2022). See [online] https://ec.europa.eu/eurostat.
[a] The calculation considers data on social protection spending by item and the gross domestic product of the countries in 2020. The Family/Child category refers to spending on cash or in-kind transfers aimed at supporting the costs of pregnancy, childbirth and adoption, as well as children's education and care for other family members. Housing refers to spending on measures to support expenditure on this item, while Unemployment refers to spending on measures to maintain the income of unemployed individuals. Finally, the Social exclusion category relates to cash or in-kind transfers aimed at combating social exclusion not covered by the other items.
[b] The data are preliminary estimates for 2021 from the European System of Integrated Social Protection Statistics (ESSPROS). Expenditure data for the United Kingdom corresponds to 2018, to 2019 for Montenegro and to 2020 in Bosnia and Herzegovina, Greece, Slovakia and Türkiye.

The experience in Europe raises some additional caveats on the application of the GMI. Evidence suggests that these entitlements have reduced the depth of poverty in European countries by bringing more households closer to the poverty line. However, it has also been argued that these entitlements could lead to dependency among recipients, especially in terms of structural inequalities that hinder the labour market inclusion of the most vulnerable people, such as those with low levels of education and without access to care policies (Coady and others, 2021).

Finally, several points have been raised based on various assessments to improve guaranteed minimum income schemes. Assessments suggest that the schemes should improve their capacity to incentivize the labour inclusion of recipients and incorporate an active inclusion approach. This means that they should enhance the development of inclusive labour market policies, access to high quality services and adequate minimum income systems so that they reinforce each other and support the social and labour market inclusion of working-age adults. To ensure this happens, participation in active labour inclusion policies as well as registration with public employment services can be required as conditions for being a GMI recipient. Proposals have also been made to increase their coverage and effectiveness in terms of the scope potential recipients of these schemes to take into account the different disincentives that may arise for subsequent labour market inclusion (Frazer and Marlier, 2015).

**Box 1**
**Minimum living income in Spain**

Before the pandemic between 2009 and 2018, Spain had an unemployment rate of over 15%, with 21.5% of the total population at risk of poverty and 11.3% of the employed population at risk of poverty. Moreover, the Gini coefficient was 33.4, three percentage points above the European average. The social and economic crisis triggered by the COVID-19 pandemic meant that, between March and May 2020 alone, more than 760,000 people lost their jobs and almost 3 million contracts were temporarily suspended or affected by reduced working hours (Santos Rocha, 2020).

With the health emergency, debate on a minimum income for the most vulnerable people intensified and the Spanish government worked to speed up the implementation of a permanent national policy to tackle poverty and unequal income distribution in the country.(Santos Rocha, 2020; Podemos, 2019) In May 2020, the government approved the Ingreso Mínimo Vital (IMV, minimum living income), a grant managed by the national social security system to provide a minimum income for economically vulnerable families to meet their basic needs. According to the Ministry of Social Rights and 2030 Agenda, the IMV is defined "as a subjective right of citizenship: it will be received as long as access requirements are met (...). This 'safety net' is guaranteed to be available to whoever needs it".(MSCBS, 2021)

The value of the IMV is calculated on the basis of the so-called guaranteed income, determined annually by the State budget act and considered as the minimum for a dignified life. The amount of the guaranteed income is increased according to household composition (known as a "cohabitation unit") and by applying incremental scales (Gobierno de España, 2020, p. 10). The monthly grant amount paid by the State equals the difference between this guaranteed income and the total income of the recipient or household. For 2020, the guaranteed income amount was 5,538 euros per year, and for 2021, 5,639 euros (for single-person households). For a cohabitation unit, the guaranteed income is equal to the base amount for a one-person household (469.93 euros per month) multiplied by 30% per additional household member (140.98 euros per month), up to a maximum of 220%. This means that if there are more than five people living in the same household, the entitlement amount is the same, regardless of the actual number of household members. There is also a 22% supplement on the base amount for single-parent families (Gobierno de España, 2020, p. 21).

There are four requirements to access the IMV: i) legal and effective residence in Spain, including foreigners living in the country; ii) being in a situation of economic vulnerability due to insufficient income or assets, where annual income must be less than the guaranteed income and assets must not be valued at more than three times the base value of the guaranteed income (the exception to this asset requirement is the applicant's habitual residence); iii) the applicant must have applied for all pensions and other entitlements to which he/she may be entitled, with the IMV being the last available means of protection at the national level; and iv) persons who are not working must be seeking employment. Although there are exceptions, the IMV is not intended for people who are not working or not looking for a job (Gobierno de España, 2020). According to the Spanish government, as of 1 October 2021, the National Social Security Institute (INSS) had approved 336,933 IMV applications covering a total of 800,000 recipients. Of these, 38% are children and adolescents (La Moncloa, 2021).

**Economic viability and effectiveness**

Reactions to the IMV have been mixed, although it is still too early to assess its impact on the quality of life of the recipients.

The International Monetary Fund (IMF) stated that the IMV is "greatly welcome" as an important measure to improve the Spanish social protection system. The IMF also noted that a review was necessary to assess how the different income protection entitlements would be integrated and how to incorporate them into a medium-term fiscal plan (Escrivá, 2020; IMF News, 2020).

The target group is estimated at 5% of the population, where the aim is to lift at least 1.6 million people out of extreme poverty (equivalent to 3.4% of the Spanish population) (Gobierno de España, 2020). However, in addition to other criticisms linked to the bureaucracy associated with application management, as of 1 October 2021, the entitlement's coverage of the population in extreme poverty had reached just over a third of those targeted.

Sources: Gobierno de España (2020), Real Decreto-Ley 20/2020, dated 29 May establishing the minimum living income, BOE-A-2020-5493, January; IMF News (2020), "Press Conference 4 June 2020" https://www.imf.org/en/News/Articles/2020/06/04/tr060420-transcript-of-imf-press-briefing; J. L. Escrivá (2020), "Yesterday, Gerry Rice (@imfspokeperson) described the new Spanish Minimum Income Scheme as a 'crucial' measure to ensure sufficient support for the most vulnerable households and 'an important contribution to enhance the social safety net in Spain' @imfnews. [Online] https://t.co/zzjRAvzthD, @joseluisescriva; G. de E. La Moncloa (2021), "La Moncloa. 1 October 2021. El Ingreso Mínimo Vital llega en septiembre a 800.000 personas [Prensa/Actualidad/Inclusión, Seguridad Social y Migraciones]". [Online] www.lamoncloa.gob.es/serviciosdeprensa/notasprensa/ inclusion/Paginas/2021/011021-imv-beneficiarios.aspx [Accessed on 19 November 2021]; MSCBS (2021), "Gobierno de España, Ministerio de Derechos Sociales y Agenda 2030: Guía de facilitación de acceso a las medidas"; Podemos (2019), "Coalición progresista. Un nuevo acuerdo para España", Podemos. [Online] https://podemos.info/coalicion-progresista/ [Accessed on 19 November 2021]; T. Santos Rocha (2020), "O Ingresso Mínimo Vital na Estrutura de Proteção Social da Espanha Após a Pandemia de COVID-19", Revista de Estudios Institucionais, set./dez. 2020, vol. 6, no. 3.

## B. Temporary income as a response to crises and emergencies

Following the COVID-19 pandemic, several governments and international organizations have proposed introducing a temporary basic income (De Wispelaere and Morales, 2021; Gray Molina, Montoya-Aguirre and Ortiz-Juarez, 2022). Unlike the permanent universal basic income, this grant would be a temporary income for a limited period in response to a major emergency event. The COVID-19 pandemic is an example of such an emergency, but it is possible to envisage other types of crisis events, including natural disasters and major weather events such as floods, tornadoes or wildfires that cause damage and losses and where such an entitlement could be incorporated into policy options. Given that extreme weather events are expected to increase over the next decade, a temporary basic income could become a regular policy instrument (Robles, Atuesta and Santos Garcia, 2023).

The responses of social protection systems to critical events are fundamental to safeguard people's living conditions and bridge the gap between the government's response —together with other key actors— and the recovery of those affected to strengthen the link between the emergency response and social and economic development actions (Beazley and others, 2019). Similarly, stronger social protection mechanisms that can provide a response during emergencies are essential to prevent and cope with the consequences of disasters on human capabilities and social development, recover pre-emergency living standards, increase household and community resilience, mitigate future disaster risks, and ensure that people living in poverty and affected by shocks are not pushed into even more complex cycles (ECLAC, 2021a; Robles, Atuesta and Santos Garcia, 2023).

Even before the COVID-19 pandemic, several countries had developed mechanisms that trigger cash transfers for affected populations as an early response to disasters and emergencies. This response could be based on existing social protection programmes by increasing the amount or duration of an existing grant (known as vertical expansion) or by expanding coverage to reach more individuals or households (known as horizontal expansion) (Beazley and others, 2019) to create an ad hoc grant in times of crisis or activate a pre-planned ad hoc grant. According to Martínez and Murrugarra (2018), this would be a shift from the traditional government response, which was previously exclusively focused on infrastructure reconstruction, towards social protection systems that could increase household resilience.

While the idea of a basic income is still widely debated, the concept of a temporary basic income during emergencies can be viewed as a more specific and pragmatic approach to addressing the immediate needs of individuals and families in times of crisis. This approach can give people have the resources they need to cope with these events and recover from an emergency, while providing access to social protection entitlements to prevent poverty and reduce inequality in risk exposure.

As a way to address the impacts of the pandemic, the proposal for a basic emergency income has received unprecedented interest and support, including from organizations such as ECLAC and the United Nations Development Programme (UNDP). The Secretary-General of the United Nations suggested "exploring mechanisms to provide people living in poverty with basic emergency incomes. This could include the possibility of providing the equivalent of one national poverty line" (United Nations, 2020, p. 3). The same year, ECLAC encouraged countries in the region to provide a basic emergency income to sustain basic needs and household consumption. The suggested initial time frame was six months, later extended to between nine and 12 months given the intensity and duration of the pandemic in the region. Another suggestion was then made that the amount of this grant should be equivalent to one poverty line for people living in poverty (ECLAC, 2021b, 2020a, 2020b). As a point of reference, the cost of a transfer equivalent to one poverty line for six months for the population living in poverty, subtracting what countries spent on conditional transfer programmes and non-contributory pensions in 2019 and on emergency pandemic programmes in 2020, was an additional expenditure of 2% of 2020 GDP, while the cost of a transfer equivalent to one extreme poverty line was 0.2% of 2019 GDP (ECLAC, 2021b).

The main difference between a universal basic income and a temporary one lies in the predictability and security associated with a regular income floor. A temporary basic income may involve considerable uncertainty in determining the start and end of the emergency, and thus in its activation and deactivation. In terms of how long this grant is provided, it should be noted that the consequences of an emergency often outlast the event itself, in which case a longer-term temporary basic income may need to be considered. Different scenarios and models for introducing a temporary basic income can therefore be distinguished. In a first scenario, a temporary basic income is introduced during an emergency and the policy is fully implemented on an ad hoc basis. In this scenario, there is unlikely to be much warning if the scheme will be extended, so the cut-off may be abrupt and not correspond to the post-emergency recovery period in real time. A second, more fully developed scenario involves establishing a temporary basic income as a policy that can be enacted swiftly and urgently under specific emergency conditions (De Wispelaere and Morales, 2021). This would entail having a scheme that already fits within an established institutional framework, an area in which substantial progress could be made (as will be seen in the case of Latin America and the Caribbean) based on the pandemic experience (Robles and Rossel, 2021; Robles, Atuesta and Santos Garcia, 2023). This scenario requires having clearly established procedures in place for activating a temporary basic income, a dedicated funding stream and a well-tested bureaucratic system capable of quickly implementing it and delivering entitlements to recipients. Under such conditions, a temporary basic income would not only provide immediate economic relief, but would also have a major impact on economic security and related social effects (e.g. mental health). A third scenario combines universal and temporary basic income by instituting a small permanent basic income that can be immediately increased when a state of emergency is declared (De Wispelaere and Morales, 2021). The advantage of this scenario is that the implementation modalities would be proven and the necessary funding would be required. While a temporary basic income shares several features with a universal basic income, it should be viewed as a distinct policy proposal designed to address a very specific set of circumstances. However, although the two policies are distinct, they could be combined to reinforce each other where necessary.

### 1. Cash transfers and emergency responses around the world

There are several examples of temporary basic income programmes around the world that have been rolled out in response to emergencies or crises to financially support affected individuals and families. In Canada, for example, the federal government launched the Canada Emergency Response Benefit in March 2020 to provide eligible individuals with a monthly payment of Can$2,000 to help cover their basic expenses during the pandemic. In the United States, the Coronavirus Aid, Relief and Economic Security Act includes provisions for temporary unemployment entitlements and stimulus payments to eligible individuals.

In Latin America, as will be explained in more detail in chapter III, more than 500 non-contributory social protection measures had been implemented in response to the pandemic by August 2022 (Atuesta and Van Hemelryck, 2023), covering up to 50.2% of the population of Latin America and the Caribbean in 2020, with spending of around US$90 billion between March and October 2020 alone (ECLAC, 2022).

As in Latin America and the Caribbean, the impact of the COVID-19 pandemic overwhelmed the pre-established responses of social protection systems in European countries, which also launched a series of emergency measures. However, these measures focused on adapting and extending employment protection mechanisms and strengthening social security to reduce the social and economic consequences of the pandemic. Eligibility conditions were relaxed to ensure the inclusion of the most vulnerable. Pre-existing schemes in European countries that were adapted include sick leave, part-time work schemes, unemployment insurance, minimum income, long-term care and parental, paternal and maternity leave for childcare. However, various extraordinary and new measures were also deployed. For example, when schools and childcare establishments closed, financial support was provided to parents whose children could not continue attending these facilities, new support was delivered to self-employed workers, and the exemption, suspension and deferral of social security contributions was implemented in small and medium-sized enterprises. It is estimated that 53% of the total measures implemented applied to labour and social security policies, while only 47% focused on non-contributory entitlements to specifically address the needs of those excluded from the contributory pillar (Gentilini and others, 2022).

It has been estimated that the main stabilizing employment protection mechanism during the crisis was unemployment insurance. The assessment by the European Social Policy Network (ESPN) indicates that, of the 35 countries considered in the study, all have unemployment insurance and only nine countries did not make temporary adjustments to their schemes. The amounts, duration and requirements of work retention schemes (part-time work schemes and income subsidies) aimed at protecting and safeguarding jobs were also made more flexible, and some countries even introduced new schemes for certain labour sectors. Part-time work schemes directly subsidize hours not worked (17 countries) while income support schemes provide financial support for hours worked and can also supplement the income of short-time workers (12 countries). Entitlements aimed at self-employed workers were also identified, including the suspension, reduction or exemption from payment of taxes and/or social contributions for the self-employed and businesses as well as cash transfers paid out in amounts close to the average income or a percentage of reported pre-pandemic income (Baptista et al., 2021).

Other support measures were implemented, such as those related to housing (mortgage relief, eviction moratorium, pause on rent increases and extension of rental payments, among others); guaranteed provision of the basic services of water, energy and digital communication (Internet) to vulnerable populations; and childcare for parents dealing with school closures (additional days off, coronavirus leave, special leave for childcare and care time).

Finally, minimum income schemes and other social assistance support were strengthened through temporary adjustments in eligibility requirements, allocation amounts and extended duration. Overall, existing minimum income schemes were modified, although some countries also deployed new protection measures for vulnerable population groups not tied to the labour market (children, students and recipients of social assistance policies). The pandemic highlighted the importance of these schemes and the need to guarantee an adequate minimum income level, especially for the most vulnerable, in order to move towards full social inclusion (Atuesta and Van Hemelryck, 2022; Baptista and others, 2021).

Using the household gross disposable income indicator created by the European Union, the European Commission's Employment Committee and Social Protection Committee show that household incomes fell sharply in the second quarter of 2020, with a decline of 2.7% compared to the previous year, followed by a rapid and strong recovery in the third quarter, with an increase of 1.3% compared to the same quarter of 2019 (EMCO/SPC, 2021; Baptista and others, 2021). These trends reflect the continued strong stabilizing effect of social protection systems that helped mitigate the impact of the crisis on household incomes (EMCO/SPC, 2021) and the important role of truly universal and comprehensive systems in their components.

Finally, other examples of temporary basic income programmes in response to disasters include the transfer programme implemented by the Government of Sierra Leone in the wake of the Ebola outbreak in 2014–2016, and the Unconditional Cash Transfer programme implemented by the Zimbabwean government in 2019, which gave eligible households with a one-time payment of ZWL$300 (approximately US$30 at the time) to help alleviate the effects of an economic crisis.

## C. Entitlements focused on specific populations

Entitlements focused for specific populations, such as children and older adults, address a particular social problem and can be a gradual step towards a universal guaranteed income. Some points of the debates on universal or quasi-universal entitlements for children and older adults (in the latter case, by strengthening non-contributory pension systems) are briefly discussed below.

### 1. Universal child grants

Studies show that investing in early childhood is key to ensuring children's rights and generates high returns not only for children, but also for society as a whole. This is because the early years of life are a unique window of opportunity to foster the development of fundamental capacities and cognitive and socioemotional skills to lay the foundations for a life of health and well-being. Ensuring the right conditions for early childhood development produces the highest rates of return on human capital for more equitable and prosperous societies and a skilled and more productive future workforce. Investing in children is also more efficient compared to investments in other age segments (Heckman, 2012; Esping-Andersen, 2008). Furthermore, OECD research (2011) indicates that households are most vulnerable during child-rearing years when they must balance paid employment and unpaid care work.

Not only is childhood a stage of life when people traditionally face high barriers to access social protection, but children are twice as likely as adults to be in extreme poverty. In addition, the multiple consequences of the COVID-19 pandemic have directly and indirectly affected children's well-being. In Latin America and the Caribbean, child poverty is overrepresented in total poverty. In 2021, 45.5% of children and adolescents were in poverty, which is 13 percentage points above the regional average (ECLAC, 2022). According to ECLAC estimates, during the pandemic, income poverty among children and adolescents reached 51.3%; in other words, one in every two people at this life stage were living in poverty (ECLAC/UNICEF, 2020). Furthermore, the social distancing measures that led to the closure of schools and childcare facilities meant that in-person classes and health care checks and vaccinations were suspended. This resulted in a higher risk of malnutrition, food insecurity and school dropout, with effects on the current and future holistic development and well-being of children (Castillo and Marinho, 2022). Thus, the different dimensions of children's well-being have been deeply impacted, especially in households with people who are unemployed, in precarious or informal work and/or have suffered reductions in income. Given the severe impact of the pandemic on their well-being, efforts must focus on generating a minimum level of income that can support their holistic development and lay the foundations for greater equality.

Universal child grants are a child-sensitive policy option that seeks to address their needs and vulnerabilities, combats inequalities that occur from early in life and guarantees their rights and income. These entitlements are cash transfers that must be equivalent to a level that meets children's basic needs. They are provided in cash on a regular basis and unconditionally to all children and adolescents under the age of 18 for a period of at least 10 years. This proposal is consistent with the line of action 1.3 of the Regional Agenda for Inclusive Social Development (ARDSI), which stipulates assessing "the desirability and feasibility of gradually and progressively incorporating a universal transfer for children and a citizen's basic income" (ECLAC, 2020, p. 32), along with ensuring that the entitlements paid by social protection systems include a child-sensitive perspective. It is also consistent with the recommendation made by the Secretary-General of the United Nations in the early days of the pandemic. In the policy brief for Latin America and the Caribbean, it was argued that, given the magnitude of the incidence of child poverty, a universal transfer for children could be a step towards a permanent policy of universal basic income within a new development model during the recovery (United Nations, 2020). Universal child entitlements can be seen as a mechanism to guarantee income and reduce children's vulnerabilities to risk and crisis situations (Bacil and others, 2022; ECLAC/UNICEF, 2020; ECLAC, 2021d; Díaz and others, 2019; Castillo and Marinho, 2022; ILO/UNICEF, 2019). At least 20 countries[24] around the world have some form of universal child entitlements; 18 are high-income countries and only one country in Latin America, Suriname, provides universal transfers for children (see chapter III) (ODI/UNICEF, 2020). According to a study by the Overseas Development Institute and UNICEF (ODI/UNICEF 2020), cash transfers —excluding quasi-universal[25] — in high-income countries had a positive effect on household income by reducing the average poverty rate by 14 to 22 percentage points, while quasi-universal transfers accounted for 15% of the impact of cash transfer programmes on households with children. This analysis shows that countries with universal child grant schemes have below-average levels of poverty. The study also calculates universal child grants financed with 1% of GDP in middle-income countries and estimates that they could reduce total poverty by up to 20%. Thus, universal child grants are an option to strengthen social protection for children, reduce poverty and contribute to national development (see table 1) (Bacil and others, 2022; ODI/UNICEF, 2020).

The same study notes that the costs of universal child entitlements depend on several factors, from the share of children in the population and projections of population growth to the amount of the transfer. Generally, the average cost of universal child entitlements is 1% GDP, equivalent to the global average of public spending on social entitlements for children, which is considerably higher than the investment in conditional transfer programmes in Latin America (ODI/UNICEF, 2020).

In addition to the so-called full universal child grant models (unconditional and focused on all families with children under the age of 18), there are models that can take the form of i) short-term or age-limited entitlements; ii) means-tested and aimed at lower income households, as in the case of child and youth entitlements in Denmark and the United Kingdom; and finally iii) mixed models (ODI/UNICEF, 2020).

The positive impacts of the experiences in countries with universal child entitlements invite reflection and debate on the possibility of deploying these mechanisms to secure children's income and well-being. To move forward in this area, social institutions must be strengthened. Countries must also have an integrated social registry of households and broaden access to the financial system (Bacil and others, 2022). It is also worth noting, as Bastagli and others (2016) point out, that the impacts of cash transfers are enhanced when they are complemented by additional interventions, such as providing training and information to families, subsidies, in-kind transfers and coordination with other social programmes and quality social and basic services (ODI/UNICEF, 2020). The inclusion of universal or quasi-universal transfers for children should be envisaged, first by ensuring coordination between the various non-contributory cash and in-kind entitlements and second through sectoral policies on education, health and housing, which are key to the holistic development of children and subject to ongoing review of the criteria for access, coverage and quality of these services (Vargas and others, 2021). This makes more sense when thinking about comprehensive recovery strategies when dealing with the impacts of the pandemic and within the framework of a child rights-sensitive approach to social protection.

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24 The 20 countries are: Austria, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Ireland, Israel, Latvia, Libya, Luxembourg, Malta, Netherlands, Norway, Romania, Slovakia, Sweden and Suriname.

25 Quasi-universal child grants are cash transfer entitlements that do not meet all the requirements of a universal grant, either because they require conditions to be met, are irregular/one-off payments, or are delivered through income or other means testing (ODI/UNICEF, 2020).

**Table 1**
**Components of five countries with universal child grants**

| Name | Recipients | Monthly grant amount[a] | Value relative to the poverty line *(Percentages)* | Cost as a percentage of GDP | Poverty reduction *(Percentages)* | Inequality reduction |
|---|---|---|---|---|---|---|
| Germany – *Kindergeld* | Children and adolescents up to age 18, with extension possible up to age 21 (if registered as a jobseeker) or up to age 25 (if studying or volunteering). | EUR 219 to EUR 250 per child, depending on age | 15 | 1.1 | 7 | 1.5 points |
| Austria – *Familienbeihilfe* | Children and adolescents up to age 18, with extension up to age 24 for those who can prove school enrolment. | EUR 114 to EUR 165.10 depending on the child's age | 9 | 1 | 7 | 1.5 points |
| Estonia – *Lapsetoetus* | Children and adolescents up to age 16, with extension possible up to age 19 for those enrolled in secondary education or vocational institutions. | EUR 30 per child<br>EUR 60 for 2 children<br>EUR 100 for more than 3 children | 6 | 1.3 | 2 | 0.6 points |
| Finland – *Lapsilisälaki* | Children and adolescents who are permanent residents in the country until they reach age 17. | EUR 94.88 to EUR 182.69 depending on the number of children | 6 | 0.6 | 5.5 | 1.1 points |

Source: Prepared by the authors on the basis of ODI/UNICEF (2020) and Bacil and others (2022).
[a] In the case of Germany, the grant is paid on a quarterly basis.
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**Box 2**
**Italy implements a single and universal child allowance to address the pandemic**

As part of its efforts to mitigate the effects of the pandemic, Italy implemented a single and universal child allowance. Currently, 7 children are born per 1,000 inhabitants in Italy, making it the country with the lowest birth rate in the European Union. In light of this situation, and in order to contain the demographic decline, support the expenses of households with children and promote women's access to the labour market, the single and universal child allowance was established as part of the "Family Act" (Legislative Decree no. 230, 2021). The allowance is a single monthly financial grant that replaces other existing entitlements and deductions, is universal in nature and is intended for each dependent child and for women from the seventh month of pregnancy until the child reaches legal age, and for each child with a disability, with no age limit. In some cases, if recipients can provide proof of continuing studies or work in internships or low-paying jobs, the allowance is extended to children who have reached legal age. The allowance is intended to cover all employee categories, including non-salaried, informal and self-employed workers who were excluded from existing entitlements.

The amount is determined by the national social security agency (Istituto Nazionale Previdenza Sociale – INPS) on the basis of the ISEE, which stands for "indicator of the equivalent economic situation" in Italian and which is calculated based on an indicator of the economic situation and the number of family members according to a scale of equivalence established by law. This means that the amount varies according to household income and is between 50 euros and 167 euros per month per family. It is paid to an estimated 7.6 million families, or 27% of the total population.

The single allowance includes the following deductions and family entitlements: the birth or adoption supplement, allowance for families with at least three children under the age of 18, family allowances for families with children and orphans, childbirth allowance and tax deductions for children, adolescents and young people up to the age of 21.

Source: Legislative Decree of 21 December 2021, no. 230: "Istituzione dell'assegno unico e universale per i figli a carico, in attuazione della delega conferita al Governo ai sensi della legge 1° aprile 2021, n. 46". Rilascio della procedura informatica per la presentazione delle domande. [Online] https://www.gazzettaufficiale.it/eli/id/2021/12/30/21G00252/sg.

## 2. Universal non-contributory pension schemes for older adults

Older adults face several risks related to their stage of life, given their lack of income, the characteristics of their labour participation and the limitations of access to social protection systems, which increases their vulnerability. Moreover, demographic changes, longer life expectancy and increased demand for care mean that different options must be considered to sustain the living conditions and well-being of older adults. According to a rights-based approach and the right to a life of dignity in old age, universal pensions for older adults can be considered an appropriate option to guarantee a basic level of financial security and stability, regardless of individual contributory capacity. This is particularly important for older people who are living in or at risk of poverty as they age. Universal social protection coverage for older adults is also explicitly stated in the ILO Social Protection Floors Recommendation No. 202 (2012), as well as in the ILO Conventions No. 102 (1952) and No. 127 (1967a) and Recommendation No. 131 (1967b), which support the idea of strengthening universal and comprehensive pension systems to ensure an adequate level of income in old age.

Non-contributory pensions are cash transfers that seek to protect people against the risks of old age, disability or invalidity, regardless of recipients' employment history and pension contributions (Arenas de Mesa, 2019). The main goal is to reduce poverty in old age (Bertranou, Solorio and Van Ginneken, 2002). While these pensions, which are integrated into contributory schemes, are generally targeted, universal non-contributory pension systems are increasingly being identified.

According to the ILO's World Social Protection Report 2020–2022 (2021) conducted in 2021, out of a total of 195 countries surveyed, 21 (11%) had universal non-contributory pension schemes. However, 36% of the countries surveyed still offer only contributory schemes, which, while essential, may exclude a significant proportion of older people, including informal and self-employed workers if non-contributory pension systems are unavailable (ILO, 2021).

## D. Universal basic services

Universal basic services is a complementary solution to proposals that address the monetary aspect of income protection. There has been renewed interest in recent years in public services as a response to more than a decade of underinvestment in public infrastructure stemming from the austerity policies many countries adopted after 2008. Strengthening universal public services would allow for a renewed commitment to public and social solidarity (Gough, 2019; Coote and Percy, 2020).

First, the universal basic services proposal underscores the idea that public services should adopt a universal design and avoid increasing fragmentation and privatization. The State must also re-engage in producing public services and ensure universal access for all its residents. Second, the emphasis on universal basic services also highlights the importance of services as policy instruments to meet basic needs that cannot be satisfied with cash transfers.

It is important to overcome the apparent opposition between advancing protected, and even universal, income levels and access to universal basic services. Neither basic services nor cash income alone can cover all people's needs, and both are required —or at least mechanisms to protect income and ensure access to quality social services— to contribute to people's social and labour market inclusion. Furthermore, even though universal basic services and proposals such as universal basic income or others aimed at guaranteeing income levels may end up competing for funding or administrative capacities, the solution is not to forgo one or the other, but to achieve the optimal balance of both given the specific social protection context in which they operate. This perspective fully aligns with the conviction of the need to move towards universal, comprehensive, sustainable and resilient social protection systems, where both dimensions are fully considered (ECLAC, 2022).

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# III. Moving towards income protection in Latin America and the Caribbean

*Consuelo Farías*
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After exploring the conceptual debate on various options for moving forward with social income protection, this chapter explores the various debates and policy proposals as well as some implementation experiences in the region. The discussion includes information on draft legislation that has sought to move towards the creation of a universal basic income in the countries, particularly in the context of the pandemic, as well as policy proposals and experiences in protecting household incomes through universal or quasi-universal schemes,[26] either on a general basis or focused on specific populations.

[26] This chapter received valuable contributions from Rubén Lo Vuolo, Corina Rodríguez Enríquez and Noemí Giosa Zuazua from the Interdisciplinary Centre for the Study of Public Policies (CIEPP) in Argentina, Julio Aguirre from the Universidad Nacional del Cuyo in Argentina and the Basic Income Earth Network (BIEN), Julio Linares from the Basic Income Earth Network (BIEN), Flavio Gaitán from the Red Iberoamericana para el Estudio de Transferencias de Ingresos, Nicolás Dvoskin from the Centro de Estudios e Investigaciones Laborales (CEIL–CONICET), Itaí Hagman and Andrés Cappa from the Patria Grande Front, Fabio Waltenberg from the Universidade Federal Fluminense (UFF) and the Marica Project, Gabriela Cabaña from Red IBU Chile, Alejandra Zúñiga from the Universidad de Valparaíso, Jonathan Menkos and Mónica Juárez from the Instituto Centroamericano de Estudios Fiscales (ICEFI), Pablo Dávalos, Ecuadorian economist, Ana Ramerí, researcher at the Instituto de Pensamiento y Políticas Públicas (IPyPP), Andrey Badilla Solano from the Centro de Investigación en Cultura y Desarrollo (CICDE), Fabricio Bonilla from the Red Renta Básica Universal de Costa Rica, Yasmín Salazar and Andrea Bonilla, researchers at the Department of Quantitative Economics of the Escuela Politécnica Nacional (EPN), and Naum Kliksberg, Professor of psychology and sociology.

## A. The experience of conditional cash transfer programmes as a precedent

Social policy efforts to reduce poverty in Latin America during the 1980s and 1990s was mainly focused on the population living in poverty and extreme poverty. This focus was combined with a market logic in access to social services that encouraged the use of subsidies for the most efficient and rational use public resources (Cecchini and Martínez, 2011), with the State playing a subsidiary role. Similarly, social investment funds, which seek to streamline public investment policies through social programmes and projects, are gaining prominence (Cecchini and Martínez, 2011).

In the last 20 years, the region of Latin America and the Caribbean has innovated in terms of social policy with respect to this previous approach. In line with an increasingly established approach to social protection as a set of entitlements aimed at tackling the problems arising from poverty and social exclusion, a series of non-contributory social protection programmes have been rolled out to overcome poverty and reduce inequalities throughout the life cycle. In particular, conditional cash transfer programmes are one of the main policies used to address and eradicate poverty in the region. As their name suggests, these programmes revolve around cash transfers, and in some cases, in-kind transfers, to poor or extremely poor households with children and adolescents. In exchange, recipients must engage in certain capacity-building behaviours. With some programmes, transfers are also delivered to older adults, people with disabilities and unemployed adults, among others (Cecchini and Madariaga, 2011).

While cash transfer programmes were not a new concept in the region,[27] their cross-cutting and regular use in these countries is novel. These programmes have been expanded throughout the region, from the pioneering experience in municipalities and the Federal District of Brazil in the mid-1990s to the incorporation in 1997 of the education, health and food programme (Progresa) in Mexico.

Before the onset of the COVID-19 pandemic, 30 conditional transfer programmes had been identified in 20 countries in the region, with coverage equivalent to 18.5% of the population in conditional cash transfer recipient households (ECLAC, 2021a).[28] In 2020, almost all Latin American countries had some version of these programmes, which included conditions linked to school attendance, health checks and employability. Some of these programmes have been designed as a gateway to the full range of State entitlements, while in other cases their main focus has been on more or less rigid monitoring of compliance with conditions.[29] With regard to the level of spending, after a sustained increase in investment in Latin American and Caribbean countries during the 2000–2014 period, spending as a percentage of GDP on cash transfer programmes showed a downward trend between 2015 and 2019, when processes of elimination and redesign of some programmes were observed (Atuesta and Van Hemelryck, 2022).

These programmes have played an important role in the social policy and social protection agenda in the region. More specifically, within the framework of social protection systems, cash transfers aim to sustain basic consumption levels in the short term and, in the medium term, to influence better educational, nutritional and health levels of children and adolescents, thus reducing poverty and its intergenerational transmission. Their cross-cutting implementation by governments with different

[27] In Chile, for example, the Family Subsidy (Subsidio Único Familiar – SUF) has been in place since 1981.

[28] See these data and more in the ECLAC Non-contributory Social Protection Programmes Database – Latin America and the Caribbean. [Online] https://dds.cepal.org/bpsnc/ptc.

[29] Cecchini and Madariaga (2011) and Abramo, Cecchini and Morales (2019) classify cash transfer programmes according to whether they involve soft conditions, hard conditions and systems or networks of programme coordination with conditions. For programmes with soft conditions, the transfer is considered a citizen's right and the health and education conditions are a reinforcement of that right, while the hard conditions are intended to promote the human development of the population living in poverty. The final category refers to programmes that operate as structures for coordination to ensure access to entitlements from different programmes and create a minimum floor of inclusion.

political leanings has also helped overcome preconceptions among recipient households and about possible effects on labour disincentives (Abramo, Cecchini and Morales, 2019).

Although findings have been mixed and inconsistent across different groups of recipients and contexts, conditional cash transfers are generally found to have a positive impact on human development capabilities and on access to education, health coverage and medical care (Cecchini and Atuesta, 2017; Cecchini and Madariaga, 2011; Rossel and others, 2022). Regarding the effects on poverty rates, Abramo, Cecchini and Morales (2019) show that conditional cash transfers may not decrease poverty incidence significantly given the low amounts provided with respect to poverty lines. However, these programmes have helped reduce the severity and depth of poverty, thereby improving well-being for low-income families (Abramo, Cecchini and Morales, 2019).

For example, an analysis of conditional cash transfer programmes in place around 2017 in 13 Latin American countries showed that they failed to cover the income shortfall of the population living in poverty (the gap between their independent income and the poverty line), while in the case of non-contributory pensions, this was true for at least five of the countries considered (Cecchini and others, 2021). Some conditional cash transfer programmes also have exclusion errors due to the limitations of the methods for identifying recipients. The share of people erroneously excluded from coverage has reportedly been increasing in recent years (Cecchini and others, 2021). It should be noted that the coverage achieved in 2019 by these programmes was 12 percentage points lower than the population living in poverty in that year (according to the information available in ECLAC, 2021a). Positive effects from the transfers have been noted on local economic activity, which, together with their contribution to household income (Cecchini and Madariaga, 2011; Cecchini and Martínez, 2011), reinforces the contribution that these programmes have made to the social protection systems in the countries.

Finally, in terms of a rights-based approach, it is important to discuss the conditions of these programmes. It would be questionable to infer a causal effect of these programmes on human development components associated with compliance with the conditions they impose (Cecchini and Madariaga, 2011). Additionally, unconditional transfer programmes have also shown significant and positive effects on education and health indicators (Baird and others, 2011; 2013), which opens up an area of debate on the role of conditions. Moreover, in terms of a human rights approach, these programmes cannot impose conditions: doing so violates the principle of non-discrimination. Distinguishing between "deserving" and "undeserving" people living in poverty conflicts with the principle of universality of access to an entitlement that is directly linked to the right to an adequate standard of living. Similarly, conditions must be designed in accordance with the principle of accessibility entitlements, with the understanding that limiting the public supply of social services in certain territories could hinder delivery of the grant subject to conditions and, again, constitute discrimination (Cecchini and Madariaga, 2011; Cecchini and Rico, 2015; Sepúlveda, 2014). There is also evidence, in the countries that apply conditions, that recipients may be confused about why conditions are suspended (Rossel and others, 2014).

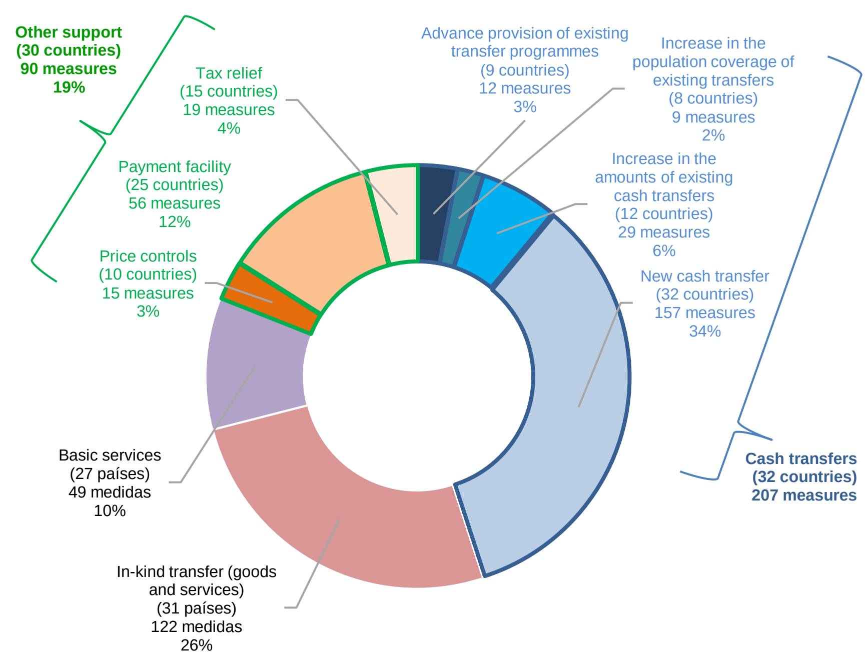
During the pandemic, these programmes helped partially mitigate a rise in poverty (ECLAC, 2021a, 2022a). In 14 countries in the region, institutional frameworks and infrastructure for conditional cash transfer programmes were used to implement emergency measures consisting of cash and in-kind transfers during the pandemic, while in five of them these programmes were adapted by suspending the associated conditions (Atuesta and Van Hemelryck, 2022). It is also important to consider that, in addition to conditional cash transfers, there are a number of other unconditional cash transfers and family entitlements that are part of the non-contributory and contributory social protection package. However, on the whole, these transfers were insufficient to cope with the magnitude of the crisis, which led to an unprecedented process of creating new emergency measures for cash and in-kind transfers (Robles, 2023) while prompting a discussion of other options outlined below.

## B. Recent measures and debates on guaranteed income policies in Latin America and the Caribbean

### 1. Non-contributory cash transfers as the main measure taken in response to the COVID-19 emergency

During the pandemic, countries in the region rolled out numerous non-contributory social protection measures. Public social spending by central governments in Latin America reached its highest level in 2020, totalling 13.5% of GDP (ECLAC, 2022b). As figure 2 shows, between 2020 and 2021, 468 non-contributory social protection and other support measures were implemented, including 207 cash transfers, 122 in-kind transfers and 49 measures to ensure and facilitate access to basic services (water, energy, telephone and Internet), in addition to 90 measures comprising tax relief, mechanisms to ensure ease of payment and price controls (Atuesta and Hemelryck, 2022).

**Figure 2**
**Latin America and the Caribbean (33 countries): emergency non-contributory social protection measures and other support for people in situations of poverty and vulnerability, by type of measure, from 1 March 2020 to 31 October 2021[a]**
*(Number of countries and percentages)*




Source: Atuesta, B. and T. Van Hemelryck (2022), "Protección social de emergencia frente a los impactos de la pandemia de COVID-19 en América Latina y el Caribe: evidencia y aprendizajes sobre sistemas universales, integrales, sostenibles y resilientes de protección social", Project Documents (LC/TS.2022/143), Santiago, Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official data from the countries; ECLAC, COVID-19 Observatory in Latin America and the Caribbean [online database] https://www.cepal.org/es/temas/covid-19, and "Medidas de protección social para enfrentar el COVID-19", Social Development and COVID-19 in Latin America and the Caribbean [online database] https://dds.cepal.org/observatorio/socialcovid19/listamedidas.php.
[a] Includes the 468 measures announced between 1 March 2020 and 31 October 2021. The countries included are: Antigua and Barbuda, Argentina, Bahamas, Barbados, Belize, Bolivia (Plurinational State of), Brazil, Chile, Colombia, Costa Rica, Cuba, Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago, Uruguay and Venezuela (Bolivarian Republic of).

In 2020 and 2021, 157 new cash transfers were set up due to the exceptional circumstances. These transfers were a central mechanism of social protection strategies in emergency, crisis and disaster contexts because they help sustain household income and immediate consumption. Their role and importance in tackling the pandemic's effects on the population, particularly with regard to reduced working income, have helped broaden debates on the need to formally integrate them into social protection programmes that are able to automatically adapt during a crisis, expand coverage in a timely manner and increase entitlement amounts (United Nations, 2020; Robles, Atuesta and Santos Garcia, 2023; Robles and Holz, 2023). However, the extent to which these measures successfully and adequately responded to the crisis is limited. With regard to cash transfer measures implemented between March 2020 and January 2022, 79% of the time they lasted three months or less (Robles and Rossel, 2021). In terms of their adequacy, analysis of the cash transfer measures with the highest coverage in 27 Latin American countries between 2020 and 2021 indicates that Brazil, Chile, the Dominican Republic and Panama provided entitlements that were equal to or above the extreme poverty line over the entire period, while only Chile delivered entitlements at the poverty line (Atuesta and Van Hemelryck, 2022). As a result, these measures managed to contain, but not completely halt, the dramatic increase in poverty and extreme poverty experienced in 2020 (ECLAC, 2021a), which contributed to the prolonged social crisis in the region (ECLAC, 2022a).

With regard to the new cash transfer programmes implemented during the pandemic, the following are notable for their high levels of coverage: Auxílio Emergencial in Brazil, Ingreso Familiar de Emergencia in Chile, Ingreso Solidario in Colombia and Plan Solidario in Panama. Additionally, as part of the emergency response, other measures that modified their coverage and transfer amounts in ongoing programmes are worth noting, such as the Tarjeta Alimentar in Argentina and the Canasta de Emergencia Alimentaria in Uruguay (Robles, Atuesta and Santos Garcia, 2023).

The Ingreso Solidario programme in Colombia, effective until the end of 2022, reached approximately 10 million people (almost 20% of the population). In Chile, the Ingreso Familiar de Emergencia por COVID-19 (IFE)[30] was initially aimed at informal households, but as the emergency continued, it eventually covered nearly 90% of the Chilean population (8.5 million households and 17 million people) in 2021 by constantly adapting the grant amounts and progressively simplifying access requirements. The second mechanism that Chile deployed during the emergency was the Ingreso Familiar de Emergencia Laboral (IFE Laboral). This programme was part of the "Chile Apoya" inclusive recovery plan that was implemented from August 2021 to December 2022. This cash subsidy, originally planned for three months,[31] was introduced during the pandemic to promote the reinstatement of unemployed workers who could rejoin the labour market through a formal, indefinite, fixed-term, temporary, seasonal or part-time work contract, and to encourage inclusion and formalization of the labour market. The Auxílio Emergencial[32] programme in Brazil was aimed at people who were unemployed, informal workers, low-income earners and microentrepreneurs over age 18 and mothers under age 18 who were not receiving social security entitlements, with a monthly income of less than half the minimum wage and a family income of less than three minimum wages. In all, some 26 million informal workers not receiving pre-existing social entitlements were identified, and the programme reached 80% of the poorest people and covered a total of 45.6 million families (Ministerio de la Ciudadanía, 2020). In Panama, the Plan Solidario[33] has reached more than 1,300,000 people in vulnerable situations (approximately 30% of the population) through the delivery of

[30] See: Ley 21.230 of 14 May 2020; Ley 21.243 of 23 June 2020; Ley 21.251 of 3 August 2020; Ley 21.352 of 6 June 2021.

[31] See [online] https://www.chileatiende.gob.cl/fichas/97039-ife-laboral.

[32] Ley Nº 13.982 of 2/04/2020; Medida Provisória No 937 of 2/04/2020; Medida Provisória No 956 of 24/04/2020; Decreto No 10.316 of 7/04/2020; Ordenanza No 351 of 7/04/2020; Decreto N. 10.470 of 24/08/2020; Ley Nº 14.020 of 6/07/2020; Medida Provisional N. 1000 of3/09/2020; Medida Provisional nº 1.039; Medida Provisional nº 1.037 of 18/03/2021; Decreto nº 10.661 of 26/03/2021; Ordenanza MC N 622 of 31/03/2021; Ordenanza No. 627 of 15/04/2021; Ley nº 14.150 of 2021.

[33] Decreto Ejecutivo No.400 of 27 March 2020 "Que crea el Plan Panamá Solidario".

cash resources to meet priority needs for food and medicines purchased in local shops. These resources have been delivered by means of physical vouchers or transfers through identity cards, which has allowed for greater traceability and transparency in their allocation.

## 2. Proposals for income protection in the region: a brief review

The non-contributory social protection measures implemented during the pandemic did not result in the establishment of an emergency or universal basic income on a regular basis in the region. However, the approaches and debates formulated between 2020 and 2021 are a window of opportunity to discuss a proposal on basic emergency income as a policy that can be activated in times of crisis in the countries, as well as on regular mechanisms for household income protection. This is especially important at a time of increasingly frequent disasters and cascading crises (Robles, Atuesta and Santos Garcia, 2023). It has also been suggested that the space for dialogue created by the pandemic could even extend this debate to one on universal basic income (Cooke, De Wispelaere and Orton, 2020).

This section reviews the debates that can be identified from government sources on this issue at the regional level. There is substantial variation in the options considered, which range from proposals for reactive cash transfers during emergencies and disasters to guaranteed minimum incomes and a universal basic income. Finally, there are many other options that explore universal or quasi-universal income guarantees that cover children and older adults, as well as options that seek to link income guarantees with employment.

### a) Proposals for universal basic income

A key precedent for analysing the discussion on basic income in Latin America is the 2004 Law 10.835[34] in Brazil, which establishes the right to a citizen's basic income for all Brazilians and foreigners who have been residents in the country for at least five years, to be paid on a monthly, individual basis independently of socioeconomic status. The law envisages initiating cash transfers focused on the most vulnerable and moving progressively towards universality, with "sufficient" amounts to cover the basic survival needs of food, education and health. The first article of this law states that "The coverage of the benefit must be achieved in stages, at the discretion of the Executive Power, prioritizing the neediest strata of the population". Although the Bolsa Família conditional transfer programme —instituted the day after Law 10.835 was enacted— is considered the first step towards a citizen's basic income, this law still lacks an effective implementation plan in the country.[35] Among the probable reasons for its hampered implementation are the budgetary and tax reform challenges required to finance it, as well as the political economy necessary to support such a proposal for conditional and prioritized entitlements (Costa, 2020; Lavinas, 2013; Oxfam Brasil, 2020).

In 2020, during the pandemic, two new bills related to Law 10.835 were introduced. The first of these was presented by Senator Randolfe Rodrigues (Projeto de Lei n° 2621, of 2020), with the objective of establishing the first stage of implementation of the Citizens' Basic Income Law with a minimum value of half the minimum wage (subject to conditions). This bill is still in the pipeline with no recent progress (Senado Federal, 2022a). The second, supported by Senator José Serra (Projeto de Lei n° 2742, of 2020), proposes setting out the law's delivery criteria and funding sources by officially tying it to the Bolsa Família programme and other non-contributory social protection programmes. This proposal has been shelved (Senado Federal, 2022b).

The closest experience to a universal basic income in the region is in Maricá, a municipality of Rio de Janeiro, Brazil, which has had a programme since 2013 called Renda Básica de Ciudadanía (RBC) or

[34] For more details, see Law 10.835 "Institui a renda básica de cidadania e dá outras providências" [Online] http://www.planalto.gov.br/ccivil_03/_ato2004-2006/2004/lei/l10.835.htm.

[35] In April 2020, a lawsuit was filed by the public defender's office claiming a lack of regulation regarding the law and the executive branch's failure to issue a decree on its implementation, which was a priority in the context of the global COVID-19 crisis.

[Citizens' Basic Income] created by the Municipal Solidarity Economy Law (Lei N°2448/13 "Institui o Programa Municipal de Economia Solidária, Combate à Pobreza e Desenvolvimento Econômico e Social de Maricá"). This programme is part of a solidarity economy project that is financed through a resource dividend from oil reserves, similar to the programme in Alaska (United States), and whose main objective is to contribute to the local and community development of the municipality and to reduce social inequality. The project includes multiple initiatives, from providing free transport to offering savings accounts for public school students, financial support for tertiary education and transfers for Indigenous residents. The project also includes a community bank, the Banco Mumbuca, which is responsible for transferring the cash allowance in the mumbuca currency (equivalent to a real) that can only be used and circulated in digital format (QR code or via card, not cash) around the city to encourage consumption and spending within the local economy. There are approximately 6,000 formal and informal establishments that accept this currency.

Initially, the amount of the RBC was 50 mumbucas covering a total of 40 families. When the law was approved, the amount was increased to 70 mumbucas per month and was intended for households with incomes of up to one minimum wage. Then, in 2015, it was extended to cover households with monthly incomes of up to three minimum wages (US$205) registered in the CadÚnico information and registration system and increased the grant value to a total of 85 mumbucas (Law n° 2.652 of 15 December 2015). Two new entitlements were also added: the "Renda mínima gestante" for pregnant women and the "Renda mínima joven solidario" for young people (Lima and Pero, 2020). Again, in 2017, the amount was increased to a total of 130 mumbucas and provided to people whose monthly family income is up to three minimum wages (R$2,994 or US$807 in 2019, according to January 2019 values and exchange rate) and who have lived for at least three years in Maricá. Approximately 42,000 people receive the RBC, equivalent to a quarter of the total local population. However, it should be noted that the project aims to achieve full coverage of the municipality's inhabitants and that the provision is unconditional, i.e. it does not require recipients to fulfil any behaviours or co-responsibilities (Prefeitura de Maricá, 2021).

The Basic Citizen Income programme injects around R$8.4 million into Maricá's economy on a monthly basis, which amounts to approximately 25% of the municipality's GDP. Lima and Pero (2020) noted the positive effects of the expansion of the basic income programme's coverage on the labour market, with 9,200 new jobs were recorded in 2019.

During the pandemic, R$200 million (US$37,249,500) was injected into the programme and the transfer amount was increased from 130 to 300 mumbucas (US$24 to US$56, respectively) from April 2020 to May 2021. After that date, the value was set at 170 mumbucas per month (US$31). Recent reports indicate that people's economic security increased, especially for those in the informal sector, and that in 2020 formal employment in the municipality rose by 15%.

Well before the pandemic in Mexico, in 2007, the parliamentary group of the Party of the Democratic Revolution (PRD) proposed an unconditional citizen's universal income of no less than the current minimum monthly wage to tackle extreme poverty and unemployment in the country and replace existing focused social programmes through a progressive fiscal reform to finance them.[36] Later, in 2016, deputies Araceli Damián González and Norma Xóchitl Hernández Colín of the parliamentary group of the National Regeneration Movement (Morena) sought to guarantee the right to a citizen's universal income that would cover a minimum of adequate nutrition with a value that

[36] Proyecto de Ley de 2007 "Iniciativa con proyecto de decreto por el que se expide la ley que establece el derecho al ingreso ciudadano universal" (Gaceta: LX/1SPR-25/13024); Proyecto de Ley de 2016 "Iniciativa con proyecto de decreto por el que se adiciona un párrafo al artículo 4° y se reforma el 73, fracción XXIX-D de la Constitución Política de los Estados Unidos Mexicanos, para crear el Derecho al Ingreso Ciudadano Universal (ICU)".

would rise to allow people to live in dignity. To date, no legislative progress has been made on any of these initiatives.

In terms of draft legislation introduced during the pandemic, information has been collected for a number of countries:

- In Mexico, a project was discussed that aimed to provide a minimum living income to people whose income was reduced due to a special situation defined as "one in which, due to any type of contingency or unforeseen event, the national economy, employment and income or remuneration of people are severely affected" (Senado de la República, 2020, p. 11).
- In Peru, the Nuevo Perú political movement[37] proposed an universal basic income, via a tax reform that includes a tax on large fortunes, for a minimum of three months for people over age 18 and excluding those receiving contributory social protection and high-income earners.
- The Bien Común policy initiative[38] in the Dominican Republic proposed a three-month transfer equivalent to the eligible spending of the first quintile of lower income households (US$270). This allows the executive branch to add 0.5% of nominal GDP to 1% of the estimated current revenues of the central government to cover contingencies due to public disasters and/or emergencies.
- In Panama, draft bill 113[39] was put forward with a view to establishing a basic income of B/6.50 per day (US$6.45 dollars) for one year for all Panamanians, regardless of socioeconomic status, to be financed by a fund which, according to the UNDP, would be used to pay off the debt of Panama. The Broad Front (Frente Amplio–FA) in Uruguay proposed a basic income for recipients of the Uruguay social card (Tarjeta Uruguay Social–TUS) and family allowance (Asignación Familiar–AF), so that they would receive a minimum monthly cash salary.[40]
- In Ecuador, the draft bill for the organic law for the universal unconditional basic income programme for a dignified life for Ecuador[41] proposed a universal basic income that forms part of the fundamental right of Ecuadorians to a dignified life, including the costs of food, connectivity and health, based on progressive implementation (Dávalos, 2021).
- In Barbados, the intention was announced to move forward with a basic income scheme that would combine a citizen's dividend[42] with the existing annual Reverse Tax Credit (RTC), where each Barbadian resident worker over age 18 who earns less than BDS$25,000 per year (US$12,389), and who has worked for at least four months and earned a minimum of BDS$1,000 per month (US$496), receives an annual RTC of BD$1,300 (US$644).[43]

[37] For more information, see [Online] https://nuevoperu.pe/noticias/por-un-ingreso-basico-universal-contra-el-hambre-y-para-reactivar-la-economia/.

[38] For more information, see [Online] https://elnuevodiario.com.do/bien-comun-propone-renta-basica-rd14800-y-congelacion-de-prestamos-durante-crisis/.

[39] For more information, see [Online] https://www.asamblea.gob.pa/APPS/SEG_LEGIS/PDF_SEG/PDF_SEG_2020/ PDF_SEG_2020/ 2020_A_113.pdf.

[40] For more information, see [Online] https://www.elpais.com.uy/negocios/noticias/en-uruguay-se-propone-la-renta-basica-para-hogares-como-funciono-en-el-unico-pais-que-la-experimento.

[41] The bill is before the Permanent Specialized Commission on the Economic and Tax Regime and its Regulation and Control, which must discuss it and present it to the National Assembly (Dávalos, 2021).

[42] A citizen's dividend is designed so that every citizen is entitled to a dividend from a shared property or territory. The reasoning is that since the natural resources of a nation belong to everyone, the profits from using or selling the resources (taxes or dividend) should be invested in the members of society. Mongolia's oil dividend, Iran's energy subsidies (which were replaced by cash transfers), and Alaska's Permanent Fund Dividend Examples are all examples of resource or citizen's dividends (Standing, 2017).

[43] For more information, see [Online] https://bra.gov.bb/About/Tax-Administration/Reverse-Tax-Credit.aspx#:~:text=Cash%20 Rebate, filed%20by%20December%2031%2C%202021.

> Implementing the RTC in 2018 was viewed by the government as "a first foray into a universal basic income" and a way to "create a greater sense of belonging" among the people (Barbados Today, 2021).[44]

It is also worth noting that in recent years several proposals have emerged in the region from academic and civil society organizations along these lines. While these proposals do recognize the challenges of implementing basic income, they also highlight the impact that basic income has on citizens' well-being, poverty reduction, improved income distribution and increased individual consumption capacity, which in turn could have a multiplier effect on national aggregate demand and drive economic growth and job creation.

Of the proposals developed prior to the pandemic, the Instituto Centroamericano de Estudios Fiscales (ICEFI) proposed a basic income for Guatemala of Q175 per month (US$22.67), to be implemented gradually until achieving universality in 2030, with a view to replacing existing social assistance programmes. It was estimated that this proposal, which would require tax reform[45] to finance, could lower the Gini coefficient from 0.538 to 0.472, increase the economy's potential growth by up to 50% and create up to 4.7 million jobs by 2030. Based on this proposal and the socioeconomic context exacerbated by the pandemic, ICEFI calculated a universal basic income for Central American countries equivalent to the amount associated with the international extreme poverty line (US$1.90 per day), an investment that would range from 1.2% to 7.5% of GDP. The proposal identifies and estimates possible sources of funding[46] and identifies potential discussion stakeholders for policy validation (ICEFI, 2017a, 2017b, 2020). Additional proposals have been identified for several countries, including those from the Red de Renta Básica from the University of the Republic of Uruguay (UDELAR, 2020), researchers from the University of Santiago de Compostela (Chile), the Centre for Research on Culture and Development of the University (CICDE) of Costa Rica and the Centro de Estudios Sociológicos at the Colegio de México and the Centro de Investigación Económica y Presupuestaria (CIEP), both in Mexico, among others.

### b) Measures and proposals for guaranteed minimum income

In Latin America, the mechanisms leveraged by Chile to guarantee labour income are notable. These are the guaranteed minimum income (Ingreso Mínimo Garantizado–IMG) and the emergency family income (Ingreso Familiar de Emergencia–IFE). Law 21.218 of 2020 establishes the guaranteed minimum income grant that provides a cash transfer to supplement workers' income, so that they reach a minimum wage of $340,817 Chilean pesos (US$429[47]).[48] The subsidy is aimed at dependent workers —with contracts in force and compliant with the labour code— who work more than 30 hours a week, who receive a gross monthly salary of less than $452,477 Chilean pesos (US$570 dollars) and who are part of the 90% of the lowest income households registered in the Social Household Registry. The grant amount is calculated on the basis of the gross income, before legal deductions, received during the third month prior to the payment of the grant. Around one million workers have received the grant since it came into force, with women making up the majority of recipients (Ministerio de Desarrollo Social y Familia, 2021; Subsidio Ingreso Mínimo Garantizado, 2022). While the measure is a way to guarantee

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44 No progress has been noted in the discussion of basic income in this country.

45 The tax reform would envisage: i) income tax reform towards a flat rate of 25% on taxable income; ii) the elimination of tax entitlements and incentives; and iii) the gradual but steady reduction of income and value-added tax evasion vectors (ICEFI, 2017a).

46 i) Combating illicit capital flows; ii) reducing tax incentives; iii) reducing income tax evasion; iv) reducing value-added tax evasion; and v) tax reforms for revenue collection and improving the overall progressiveness of the tax system.

47 The International Monetary Fund (IMF) exchange rates for the corresponding year are used, in line with the method used for the estimates of the ECLAC Non-contributory Social Protection Programmes Database in Latin America and the Caribbean. In [Online]: https://dds.cepal.org/bpsnc/.

48 See [online] https://www.chileatiende.gob.cl/fichas/77717-postulacion-al-ingreso-minimo-garantizado-img. This grant is aimed at workers with a gross income of less than $452,477 Chilean pesos (US$570). The grant consists of a transfer of up to $66,893 Chilean pesos, depending on the gross income received.

the incomes of the most vulnerable, it has been criticized because it sidesteps the underlying problem of the Chilean labour situation, including low wages. Instead, proposals have been made to raise the minimum wage and subsidize only small and medium-sized enterprises (CUT, 2020).

It also highlights the debate that arose in 2022 in Argentina around the universal basic salary (Salario Básico Universal–SBU) draft bill promoted by deputies from the Front for Everyone (Frente de Todos) party. The goal was to address the inequalities resulting from the Argentine labour market by providing a non-contributory monthly grant to workers between the ages of 18 and 64 who perform essential jobs for society but who traditionally do not receive a decent and dignified income. This would include unemployed people, workers in the informal economy, registered in category "A" of the Simplified Regime for Small Taxpayers or in the Regime for Social Inclusion and Promotion of Self-Employment. The proposal seeks to integrate the basic salary into the social security system, so that jobs in the popular economy are considered as formalized rather than subsistence work. Suggestions were made to peg the amount to the basic food basket (approximately $14,000 Argentine pesos or US$109), with a net fiscal cost of 0.9% of GDP and an estimated coverage of 9 million people. It was proposed that the SBU require education-related conditions (completion of primary and secondary education) and employability workshops, such as for vocational education or training and career guidance.[49]

### c) Income guarantees during emergencies

Prior to the pandemic, cash transfers during emergencies in the region did exist. Latin America and the Caribbean is considered the second most disaster-prone region in the world. In the past 20 years, some 152 million people have been affected by disasters, whether sudden-onset events, such as earthquakes, hurricanes and floods, or protracted events, such as droughts (OCHA, 2020). In addition, according to ECLAC, the frequency of disasters in the region has increased 3.6 times in half a century (ECLAC, 2015). In the Caribbean, the frequency and intensity of the hurricane season has increased in recent years, along with volcanic eruptions and earthquakes, such as the earthquake that hit Haiti in August 2021. Sudden-onset disasters cause significant losses and damage that is often irreversible, with slow and unsustainable recovery of infrastructure and livelihoods, and their recurrence is a barrier to overcoming poverty and reducing inequality (ECLAC, 2021b). Similarly, the Central American Dry Corridor and other areas in South America have suffered severe and prolonged droughts, often caused by periodic and predictable phenomena, such as the El Niño phenomenon in 2015 and 2016. These phenomena can disrupt the economy, health and food and nutrition security of the affected population for long periods of time.

As Martínez and Murrugarra (2018) note, pre-existing transfer programmes have been the most widely used in disaster response because of their consolidated delivery systems and adequate level of population coverage. This is the case in Ecuador which, following the 2016 earthquake, delivered new cash transfers using the channels of the existing conditional transfer programme, the Human Development Grant (Bono de Desarrollo Humano – BDH), through the infrastructure and logistics of the Ministry of Economic and Social Inclusion. Several new programmes were put in place to be used only in cases of emergency, including a temporary monthly unconditional transfer programme offering payments of US$250. In Peru, due to the 2017 coastal El Niño event, the government created a new transfer programme, the Bono Una Sola Fuerza. This grant extended the value of ongoing and well-known programmes such as Juntos and Pensión 65 with an additional payment of US$60 and increased the coverage of others, such as the Haku Wiñay programme, to recipients in districts designated as emergency zones. Despite six-month delays in the delivery of the grant, what is interesting in the Peruvian case is that

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[49] This proposal was not addressed and a new one was put forward by the Citizen's Unity (Unidad Ciudadana) bloc, called Income Reinforcement (Refuerzo de Ingresos), which would be a temporary policy focused on households with four or more members that are not able to cover the basic food basket. To date, none of the proposals has advanced in the Senate. See [online] https://www.senado.gob.ar/parlamentario/comisiones/verExp/1860.22/S/PL.

the country had already determined that the annual national budget must allocate 1% of current revenues to emergencies, which facilitated the legislative procedures for transfers. When the respective disasters occurred, both the Ecuadorian and Peruvian programmes temporarily suspended conditions in their transfer programmes (Beazley and others, 2019; Martínez and Murrugarra, 2018).

Argentina has also expanded several of its social protection schemes, doubling contributory and non-contributory entitlements for a period of three months, to people affected by floods, forest fires and volcanic ash. The schemes reached users via other social programmes, and by integrating various previously established entitlements, the government has been able to reach the majority of those affected quickly and effectively (Beazley and others, 2016).

In the aftermath of Hurricane Maria in 2017 and with the cooperation of the World Food Programme (WFP) and UNICEF, the Government of Dominica provided (also with delays), unconditional transfers to approximately 25,000 affected people, expanding its public assistance programme (Programa de Asistencia Pública – PAP) both vertically and horizontally (Beazley and others, 2019).

Various assessments have indicated that the creation or expansion of non-contributory social protection systems in response to disasters has modified and strengthened registration, payment, monitoring and evaluation processes of social ministries and national social protection systems. This was the case for the design and implementation of a single registry of victims in Ecuador as part of the response to the earthquake (Martínez and Murrugarra, 2018). In Dominica, via cooperation with the WFP and UNICEF and in the aftermath of Hurricane Maria, the government is developing new social protection systems and processes not only for emergencies but also for regular transfers, strengthening information management systems in data collection and developing standard operating procedures. However, once the value of entitlements is increased during a crisis, cases in the region show that it is difficult to lower them again and there may be expectations for them to become permanent (Beazley and others, 2019).

#### d) Universal or quasi-universal grants for children and older adults

Given the significant vulnerability and social protection gaps faced by people at both ends of the life cycle, the debate on universal and quasi-universal child grants and non-contributory pension systems has intensified in the region. Focusing on these groups of people can help prioritize social policy efforts, which face growing challenges in terms of coordination with other social protection services. It should also be noted that most of the basic income proposals identified at the regional level suggest focusing on children, adolescents and older adults to receive entitlements as a first stage of a basic income.

#### *i) Child grants*

Suriname is the only country in Latin America that currently has universal child grants. The general child allowance (*Algemene Kinderbijslag*) is a monthly allowance of Sur$75 (US$2.36) per child or adolescent paid once a year to people living in the country with children under the age of 18, and can be claimed for up to four children or adolescents. According to Bacil and others (2022), the effective coverage of this transfer is 57.9% of the total number of children and adolescents.

The debate for a basic income for children was ongoing even before the pandemic. The universal child allowance (Asignación Universal por Hijo – AUH) programme in Argentina is worth noting as one of the conditional transfer programmes in the region that has made the greatest progress in guaranteeing a level of income for children. Introduced in 2009 by the country's national social security administration (ANSES), this programme represented a paradigm shift in social protection at the national level by extending the coverage of family allowances (Asignaciones Familiares – AAFF)[50] to the non-contributory pillar, covering workers belonging to the informal economy and extending

[50] The family allowances programme (AAFF) in Argentina consists in transferring income to children in households with adults in formal employment. Unlike the AUH, it does not require co-responsibilities for behaviour (Díaz, Florito and Karczmarcyzk, 2020).

the guarantee of the rights of children and adolescents. The AUH is a monthly cash transfer of ARS$7,332 (June 2021 values, equivalent to US$54 dollars) (ANSES, 2021) for each child or adolescent under the age of 18 or with a disability (no age limit in this case) living in households whose parents or guardians are unemployed or working informally, self-employed, in domestic service or enrolled in the programmes of the Ministry of Labour, Employment and Social Security. Because the grant is conditional, it requires compliance with health checks, the compulsory vaccination schedule and the child's attendance at school. Despite major efforts to increase coverage, it is estimated that by 2020 at least 1.2 million children and adolescents were not covered by any of the three pillars, mainly because of barriers to entry and eligibility criteria. Moreover, additional challenges have been identified in terms of allowance adequacy, among other factors (Díaz, Florito and Karczmarcyk, 2020; UNICEF, 2020; UNICEF, 2018).

It is worth noting that in Argentina during the pandemic, Decree 840/2020 was approved, which set out a series of measures to advance towards effective universal social security coverage for children. It eliminated the fifth child limit to receive the AUH[51] and the minimum wage for children of salaried workers, reduced the years of residence for foreign residents, and reintegrated those who had been terminated for non-compliance with any condition. Additionally, a single payment equivalent to an allowance for each child was granted and Decree 261/2021 was signed, which allocated a supplement of ARS$15,000 to AUH recipients. ANSES recognizes the impact of these measures in reducing the levels of poverty, indigence and income distribution: in the third quarter of 2020 it was estimated that 29% of recipients were living in a situation of indigence, and without the AUH this figure would have been 46%. Even so, progress still needs to be made in making family allowances universal to guarantee children's rights, regardless of the occupational status of the adults in the household (ANSES, 2021; UNICEF, 2020). Prior to the implementation of the AUH, in 1997, congressional deputies Elisa Carrá and María Elisa Carrió presented a bill for the creation of a citizen's income for children (known as the INCINI), which proposed a universal income guarantee for children up to the age of 18, but which neither moved forward nor found its way into subsequent initiatives. Other proposals have also highlighted the importance of advancing towards an unconditional universal income for children under different scenarios based on the principles of universality, adequacy and territorial equity (Díaz, Florito and Karczmarcyzk, 2022), as well as within the framework of emergency basic income (Lozano and others, 2020).

In the case of Brazil, the reintroduction of the Bolsa Família programme has been announced. While also maintaining conditions, the new Bolsa Família programme, which came into force on 1 January 2023, guarantees the payment of a general child grant of R$600 (US$127) (Brazil, 2023). The additional R$150 (US$29) for each child under age six, pending identification of eligible families in the Cadastro Único information and registration system, will also start to be applied during 2023. This supplement will be valid for up to two children, with details yet to be determined by the government. Meanwhile, there is a supplementary draft bill aimed at Bolsa Família recipients to create the basic early childhood income of R$800, for the first three full years of life, with a reduction of R$100 for each subsequent year. Each family could apply for up to three entitlements. To finance this initiative, large fortunes would be taxed, the exemption on profits and dividends distributed from legal entities to individuals would be revoked and transfer tax rate would be increased. The proposal has been pending in the Federal Senate since 2020 (Senado Federal del Brasil, 2020).[52]

Various analyses have highlighted the importance of moving towards some kind of mechanism that would guarantee the income levels of families with children and adolescents in the region, either through a universal or quasi-universal transfer, or integrated into the set of entitlements of the social protection system (see, among others, Bacil and others, 2022; ECLAC/UNICEF, 2020; Vargas and others, 2021).

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[51] This measure alone managed to add more than 16,000 children and adolescents as recipients of the universal child allowance (ANSES, 2021).

[52] See [online] https://legis.senado.leg.br/sdleg-getter/documento?dm=8876301&ts=1597346216184&disposition=inline.

### ii) *Universal non-contributory pension schemes for older adults*

In Latin America and the Caribbean, demographic changes, longer life expectancy and increased demand for care mean that different options must be considered to sustain the living conditions and well-being of older adults. In this context, non-contributory pension programmes have made significant strides in the region, with coverage for those aged 65 and over increasing from 3.0% in 2000 to 27.8% in 2021. An estimated 85% of the increase in total pension coverage is due to the expansion of non-contributory pensions. Currently, in Latin America and the Caribbean, 26 countries have 37 active programmes, 17 of which include only an old age component, 8 have only disability components and 12 have both disability and old age components. However, it is important to consider that not all non-contributory pension systems in the region operate in the same way. Some programmes operate using a focused modality for the most part, while a smaller but growing number of programmes aspire to universal coverage, with varying degrees of coordination with the general pension systems (Arenas de Mesa, Robles and Vila, 2023).

The Plurinational State of Bolivia and Mexico have universal non-contributory pension programmes for older adults, although there are also proposals and legislative initiatives that consider a basic income to ensure minimum subsistence conditions for this group. These programmes aim to ensure a minimum social protection floor for older adults by categorizing them as economic and social rights holders. Like universal transfers for children, these programmes can be seen as a first step towards universal social protection floors.

The Plurinational State of Bolivia has Law No. 3791/2007 on universal income in old age, known as a "dignity pension" (Renta Dignidad), which establishes access to a cash transfer as a fundamental right for all Bolivian residents over age 60. The law established a lifelong pension of $2,400 bolivianos (US$347) per year for those who were not receiving income or remuneration from the long-term social security system, and $1,800 bolivianos (US$260) for those who were; by 2022, both amounts were set at $4,550 and $3,900 bolivianos, respectively (APS, 2022). This experience demonstrated that universal social protection for older adults is possible even in developing countries, given that the Plurinational State of Bolivia is one of the countries in the region with the lowest GDP per capita. Furthermore, in terms of impact, it has been estimated that the Renta Dignidad helped lower the poverty rate by 14 percentage points, reduced child labour and increased pension coverage. During the pandemic, it stabilized the incomes of recipient households, reduced economic insecurity, ensured food security and prevented further increases in poverty (UDAPE, 2013; Bottana, Hoffmann and Vera-Cossio, 2021).[53] Beyond the scheme's significant impacts, the International Labour Organization (ILO) has recognized that political will and governmental commitment have been fundamental for its implementation and sustainability (Durán-Valverde and Barbero, 2016).[54]

Since 2019, Mexico has been rolling out its "well-being pension" (Pensión Bienestar), a programme for older adults that provides a non-contributory pension payment every two months to retirees and pensioners over age 65.[55] In 2020, the right of older adults to access a non-contributory pension was enshrined in the Constitution through the addition of Article 4, and in 2021 it was decided that the amount of the pension should increase by 20% each year until 2024. Currently, pensions of $3,850 Mexican pesos (US$185) are paid out, with an estimated 10 million people having received them.

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53 See also [Online] https://blogs.iadb.org/ideas-que-cuentan/es/como-un-programa-de-pensiones-no-contributivas-resulto-critico-durante-la-pandemia-covid-19/.

54 This grant is financed by fossil fuel revenues (oil and gas production) and dividends from state-owned enterprises (Durán-Valverde and Barbero, 2016).

55 Before 2021, the pension was intended for people over age 68 from non-Indigenous communities and for people over age 65 from Indigenous communities (Gobierno de México, 2019).

In Chile, Law 21.419 was recently enacted to create the Universal Guaranteed Pension (Pensión Garantizada Universal – PGU) in Chile, replacing the solidarity pillar (which included a solidarity old age contribution and basic solidarity pension). The Universal Guaranteed Pension is a monthly cash contribution of a maximum of $193,917 Chilean pesos (US$215) to all people aged 65 and over who are among the 90% most vulnerable (based on per capita income) and who are either retired or working. The first stage of implementation for the Universal Guaranteed Pension ranged from February to July 2022 and focused on people eligible to receive entitlements under the former solidarity pillar. The second stage began in August 2022 and extended coverage to people over age 65 who do not belong to the wealthiest 10%, who have 20 years of residence or have lived in the country for at least four years before receiving the entitlement and who report a pension base of less than $1,000,000 Chilean pesos (US$1,145). Its fiscal cost is projected to be 1% of GDP (approximately US$3.2 billion) and will be financed by the funds foreseen for the bills for the "long" and "short" pension laws and the elimination of tax exemptions.

In contrast to measures for children, only one bill has been registered to create a basic income for older adults. The Uruguayan bill put forward in 2020 (No. 553/2020) aims to establish a universal basic income in the country for residents over age 60 in order to transition to a new social security system that unconditionally guarantees at least the minimum subsistence conditions. The monthly amount would be 3,496 indexed units, or approximately $16,366 Uruguayan pesos (US$400), and would not replace retirement income, pensions or other entitlements. Moreover, it imposes no access conditions, i.e. it does not depend on the individual's socioeconomic status. To date, there has been no legislative progress on the bill.

In Colombia, as part of the proposal of President Gustavo Petro's Government Programme 2022, it was decided to move forward with a reform of the pension system towards one that is mainly public and based on social solidarity. It would unify three pillars: contributory, non-contributory and complementary voluntary savings. Within the non-contributory pillar, the universal pension would be aimed at pensioners and retirees who are currently not entitled to a pension, the amount of which would be set at half a minimum wage, or approximately $500,000 Colombian pesos (US$134) (Programa de Gobierno de Gustavo Petro, 2022, section 3.9).

In sum, cash transfers rolled out during the pandemic reached exceptionally high levels of coverage and demonstrated their capacity to mitigate, but not overcome, all impacts of the health crisis in Latin America and the Caribbean. However, they also fomented discussions and debates on exploring instruments and mechanisms for guaranteed income protection throughout the life cycle, especially when coping with situations of uncertainty, disasters and crises. Some of the mechanisms that were explored refer to others that have been expanded in the region, particularly those intended to provide economic security during disasters and to further extend the coverage of non-contributory pension systems. There are several options currently being debated in countries with some experience of implementation, which shows the value of this discussion.

Following on from the debates on financial sustainability presented in this chapter, the next chapter provides estimates linked to some of the options for guaranteeing income levels for the population in the region.

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# IV. Estimating the cost of cash transfers associated with the implementation of options to protect income levels in Latin America

*Ernesto Espíndola*

## Introduction

As a complement to the conceptual discussion in the previous chapters, estimates of the annual cost of a monthly transfer for income protection in Latin America are presented below. To this end, various options for grant amounts, recipient populations and coverage have been explored. More specifically, estimates are given for the total population, in line with a universal basic income, and for the child, adolescent and older adult populations. A scenario of a progressive increase in transfer coverage has been considered, based on a projection of moderate economic growth for the whole region between 2023 and 2030 to determine the magnitude of the macroeconomic burden.[56]

In addition to the estimates linked to the transfer of a consistent basic income regardless of recipients' socioeconomic situation or personal or family characteristics, other estimates were also made exclusively for the population living in poverty and which are equivalent to the value of the poverty gap at the individual level and, therefore, variable according to each household's shortfall between its per capita income and the value of the reference poverty line. Together with estimates of a basic income for the entire population, which aim to close income gaps, they serve as minimum and maximum benchmarks to compare the aggregate costs of entitlements. They also provide insight into the impacts on poverty reduction and inequality resulting from the different transfer simulations using microdata

[56] Projections between 2023 and 2030 with a constant real annual growth rate of 2% for all countries.

from the most recent household surveys available (from 2021, with the exceptions of data from Honduras, which are from 2019, and those from Chile, El Salvador and Mexico, which are from 2020).

## A. Cost of basic needs and poverty

To ensure a uniform approach in the transfer estimates presented below, the values of the poverty and extreme poverty lines for the countries as calculated by ECLAC were used. These lines reflect the cost of the minimum expenditure basket and the cost of a basic food basket that is sufficient to satisfy people's calorie requirements, and are set by ECLAC based on a common procedure to develop a conceptually and empirically comparable measurement while reflecting each country's specific consumption patterns. Since these values represent the minimum amount at market prices that a person must spend to meet basic their needs, they are used as a reference for estimating the cost of transfers.

Table 2 shows the value of the poverty and extreme poverty lines around 2021 for 15 countries in the region. Per capita income levels, the percentage of the population living in poverty and the absolute poverty gap (i.e., the average difference between the total per capita income of people in poverty and the respective poverty line), expressed in 2018 dollars, are also shown. It should be noted that since the cost of the poverty and extreme poverty lines differ in different geographical contexts, the respective values of the poverty and extreme poverty lines in urban and rural areas are shown. Since the entitlement values in each country were established according to the poverty and extreme poverty lines estimated by ECLAC, the estimates take into account these geographical differences, resulting in annual entitlement costs based on a weighting of entitlement values and the weight of the number of recipients from urban and rural areas.

As the table shows, on average, the cost of the minimum rural food basket (extreme poverty line) is 90% of the cost of the urban one, and 79% for the minimum expenditure basket (poverty line). It is also important to note the large differences in the costs of the two baskets in the various countries, expressed in 2018 dollars. To illustrate the above, in urban areas the value of the food basket or extreme poverty line varies between US$48 dollars in Paraguay and US$84 dollars in Chile and Uruguay; the value of the urban poverty line varies between US$91 dollars in Paraguay and US$199 dollars in Argentina. As a simple average, in urban areas the benchmark value for the extreme poverty line is US$61 per month, and the benchmark value for the total poverty line is US$126 per person per month.

Table 2 also provides information on the average per capita income. In urban areas, the value of the poverty line is on average 34% of the median per capita income, ranging from 22% (Panama) to 56% (Honduras). In general, the higher the average per capita income and thus the greater the distance from the poverty line in each country, the lower the incidence of poverty, although a high level of income concentration below the average may result in higher than expected incidences of poverty.

Table 2 also shows the incidence of poverty at the national, urban and rural levels in the various countries, according to ECLAC estimates. It ranges from 4.8% in Uruguay to 52.3% in Honduras and is higher in rural than in urban areas. As a simple country average, the incidence of poverty in urban areas is just over 21.3%, while in rural areas it is 33.3%. In rural areas, the absolute poverty gap (the difference between the per capita income of people in poverty and the poverty line, expressed in 2018 dollars) is similar to or smaller than in urban areas, which is partly due to its larger size: the larger the proportion of people in poverty, the larger the subgroup of people in poverty whose per capita income is closer to the poverty line tends to be. This usually means that, given the same degree of public effort to reduce poverty, poverty reduction is greater in areas where poverty is more widespread. As a simple average, in urban areas the absolute poverty gap is around US$40, while in rural areas it is close to US$35.

**Table 2**
**Latin America (15 countries): values of the poverty and extreme poverty lines in the countries[a], per capita income, poverty incidence and poverty gap by country, around 2021**
*(In 2018 dollars and percentages)*

| | | Value of the line of... | | | | | | Per capita income | | | Incidence of poverty | | | Poverty gap | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Poverty | | | Extreme poverty | | | | | | | | | | | |
| | | National total | Geographical area | | National total | Geographical area | | National total | Geographical area | | National total | Geographical area | | National total | Geographical area | |
| | | | Urban | Rural | | Urban | Rural | | Urban | Rural | | Urban | Rural | | Urban | Rural |
| Country | Year | In 2018 dollars | | | | | | | | | Percentages | | | In 2018 dollars | | |
| Argentina | 2021 | … | 199 | … | … | 83 | … | … | 374 | … | … | 27.9 | … | … | 60 | … |
| Bolivia (Plurinational State of) | 2021 | 111 | 121 | 88 | 61 | 62 | 57 | 222 | 253 | 148 | 29 | 23.3 | 42.8 | 36 | 35 | 38 |
| Brazil | 2021 | 114 | 119 | 86 | 54 | 56 | 46 | 360 | 388 | 185 | 24.3 | 22.6 | 35.4 | 46 | 47 | 39 |
| Chile | 2020 | 176 | 181 | 135 | 83 | 84 | 76 | 574 | 593 | 426 | 14.2 | 14.7 | 10.8 | 73 | 74 | 60 |
| Colombia | 2021 | 97 | 104 | 71 | 53 | 54 | 47 | 221 | 251 | 113 | 35.4 | 32.7 | 44.6 | 38 | 41 | 30 |
| Costa Rica | 2021 | 138 | 145 | 120 | 61 | 63 | 57 | 487 | 556 | 304 | 17.3 | 15.3 | 22.5 | 46 | 49 | 41 |
| Dominican Republic | 2021 | 100 | 102 | 89 | 57 | 58 | 56 | 216 | 224 | 176 | 22.5 | 22.6 | 22 | 29 | 29 | 25 |
| Ecuador | 2021 | 99 | 106 | 84 | 56 | 58 | 51 | 225 | 258 | 155 | 28.5 | 26.4 | 33.1 | 30 | 31 | 28 |
| Honduras | 2019 | 98 | 109 | 85 | 44 | 49 | 39 | 142 | 194 | 79 | 52.3 | 36.8 | 70.9 | 42 | 41 | 43 |
| Mexico | 2020 | 126 | 134 | 101 | 62 | 65 | 53 | 230 | 256 | 145 | 37.4 | 34.5 | 47 | 43 | 44 | 39 |
| Panama | 2021 | 114 | 122 | 95 | 62 | 63 | 59 | 462 | 551 | 241 | 15.6 | 9.8 | 29.8 | 36 | 36 | 37 |
| Peru | 2021 | 129 | 139 | 93 | 61 | 64 | 53 | 325 | 362 | 180 | 19.3 | 16.5 | 30.2 | 38 | 41 | 31 |
| Paraguay | 2021 | 86 | 91 | 76 | 47 | 48 | 45 | 224 | 265 | 154 | 20.9 | 14.7 | 31.5 | 26 | 26 | 25 |
| El Salvador | 2021 | 105 | 112 | 95 | 51 | 53 | 47 | 198 | 237 | 137 | 30.7 | 23.6 | 42.2 | 37 | 36 | 38 |
| Uruguay | 2021 | 179 | 179 | 176 | 84 | 84 | 88 | 734 | 741 | 607 | 4.8 | 4.9 | 3.1 | 35 | 35 | 21 |
| Simple average[b] | | 120 | 126 | 99 | 60 | 61 | 55 | 330 | 366 | 218 | 25.2 | 21.3 | 33.3 | 40 | 40 | 35 |

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the Household Survey Data Bank (BADEHOG).
[a] Food and non-food basket values calculated by ECLAC for cross-country comparison purposes.
[b] Does not include Argentina.

## B. Cost of reducing poverty by prioritizing transfers to the population living in poverty

In a context of severe resource constraints or widespread poverty, the minimum cost of a transfer to help reduce poverty can serve as a basis when designing a limited guaranteed minimum income entitlement. The goal of combating poverty is a basic element for fostering social inclusion and a better distribution of well-being in the population and is at the heart of the goals set out in the 2030 Agenda for Sustainable Development.

Specifically, the cost of a transfer equivalent to the absolute poverty gap between the total population in poverty, children and adolescents in poverty, and older adults (aged 65 and over) in poverty is shown below. Eliminating or reducing this gap has significant effects on eradicating or reducing poverty and reducing inequality (as measured by the Gini coefficient). However, the need to correctly identify the population living in poverty at a given time in order to estimate the total resources required for this entitltment, among other things, robust national information systems and frequent updating, which entails fairly costly field data collection operations as well as complex validation processes to avoid errors of inclusion and exclusion of the recipient population. Similarly, the implementation of a cash transfer system that correctly manages recipients' data and is able to deliver entitlements in a timely manner significantly raises the costs of administering a possible transfer programme for poverty eradication, especially in countries and areas with higher levels of informal labour, population dispersion and access difficulties, among other factors. In many cases, this operation becomes impracticable or costly and results in major failures in resource prioritization, with the consequent reduction of the expected impact of such programmes. In the medium term, it is hoped that the countries of the region will be able to strengthen their social information systems by creating reliable registries of recipients that will provide options for implementing this type of grant, as shown by the European experience, for example, in the case of the minimum living income in Spain (see box 1 in chapter II).

**Table 3**
**Latin America (15 countries): monthly and annual values[a] of a transfer equivalent to the absolute poverty gap among various populations living in poverty, around 2021**
*(In 2018 dollars and percentages)*

| | | Total population | | | | |
|---|---|---|---|---|---|---|
| Country | Year | Incidence of poverty | Average monthly grant value | Recipient population | Annual spending | |
| | | Percentages | In dollars | In thousands of people | In millions of dollars | As a percentage of GDP in 2022 |
| Argentina[b] | 2021 | 27.9 | 60 | 8 063 | 6 098 | 1.1 |
| Bolivia (Plurinational State of) | 2021 | 29.0 | 36 | 3 455 | 1 579 | 3.8 |
| Brazil | 2021 | 24.3 | 46 | 51 680 | 29 699 | 1.5 |
| Chile | 2020 | 14.2 | 73 | 2 775 | 2 537 | 0.8 |
| Colombia | 2021 | 35.4 | 38 | 17 634 | 8 409 | 2.2 |
| Costa Rica | 2021 | 17.3 | 46 | 890 | 518 | 0.8 |
| Dominican Republic | 2021 | 22.5 | 29 | 2 367 | 848 | 0.9 |
| Ecuador | 2021 | 28.5 | 30 | 5 085 | 1 911 | 1.8 |
| Honduras | 2019 | 52.3 | 42 | 4 767 | 2 520 | 9.6 |
| Mexico | 2020 | 37.4 | 43 | 47 395 | 25 466 | 2.1 |
| Panama | 2021 | 15.6 | 36 | 655 | 301 | 0.4 |

| Country | Year | Total population | | | | |
|---|---|---|---|---|---|---|
| | | Incidence of poverty | Average monthly grant value | Recipient population | Annual spending | |
| | | Percentages | In dollars | In thousands of people | In millions of dollars | As a percentage of GDP in 2022 |
| Peru | 2021 | 19.3 | 38 | 6 408 | 3 063 | 1.3 |
| Paraguay | 2021 | 20.9 | 26 | 1 513 | 489 | 1.2 |
| El Salvador | 2021 | 30.7 | 37 | 1 943 | 916 | 3.3 |
| Uruguay | 2021 | 4.8 | 35 | 170 | 74 | 0.1 |
| Simple average[c] | | 25.3 | 41 | 154 800 | 84 428 | 2.1 |

| Country | Year | Population aged 0–17 years | | | | |
|---|---|---|---|---|---|---|
| | | Incidence of poverty | Average monthly grant value | Recipient population | Annual spending | |
| | | Percentages | In dollars | In thousands of people | In millions of dollars | As a percentage of GDP in 2022 |
| Argentina[b] | 2021 | 42.1 | 62 | 3 388 | 2 635 | 0.5 |
| Bolivia (Plurinational State of) | 2021 | 40.2 | 38 | 1 671 | 809 | 2.0 |
| Brazil | 2021 | 38.8 | 45 | 20 608 | 11 676 | 0.6 |
| Chile | 2020 | 20.3 | 64 | 913 | 732 | 0.2 |
| Colombia | 2021 | 49.8 | 39 | 7 361 | 3 626 | 0.9 |
| Costa Rica | 2021 | 30.2 | 47 | 362 | 216 | 0.3 |
| Dominican Republic | 2021 | 36.0 | 30 | 1 171 | 445 | 0.5 |
| Ecuador | 2021 | 38.9 | 31 | 2 403 | 928 | 0.9 |
| Honduras | 2019 | 61.7 | 43 | 2 036 | 1 095 | 4.2 |
| Mexico | 2020 | 50.6 | 45 | 18 753 | 10 620 | 0.9 |
| Panama | 2021 | 25.3 | 37 | 299 | 141 | 0.2 |
| Peru | 2021 | 27.7 | 38 | 2 834 | 1 373 | 0.6 |
| Paraguay | 2021 | 29.5 | 26 | 730 | 242 | 0.6 |
| El Salvador | 2021 | 41.8 | 39 | 748 | 363 | 1.3 |
| Uruguay | 2021 | 9.8 | 34 | 85 | 36 | 0.1 |
| Simple average[c] | | 36.2 | 41 | 63 363 | 34 937 | 0.9 |

| Country | Year | Population aged 65 and over | | | | |
|---|---|---|---|---|---|---|
| | | Incidence of poverty | Average monthly grant value | Recipient population | Annual spending | |
| | | Percentages | In dollars | In thousands of people | In millions of dollars | As a percentage of GDP in 2022 |
| Argentina[b] | 2021 | 6.9 | 46 | 238 | 137 | 0.02 |
| Bolivia (Plurinational State of) | 2021 | 23.7 | 28 | 215 | 76 | 0.18 |
| Brazil | 2021 | 6.3 | 52 | 1 364 | 898 | 0.04 |
| Chile | 2020 | 5.9 | 79 | 162 | 161 | 0.05 |
| Colombia | 2021 | 22.9 | 36 | 1 065 | 484 | 0.13 |
| Costa Rica | 2021 | 7.3 | 38 | 48 | 23 | 0.03 |

| Country | Year | Population aged 65 and over | | | | |
|---|---|---|---|---|---|---|
| | | Incidence of poverty | Average monthly grant value | Recipient population | Annual spending | |
| | | Percentages | In dollars | In thousands of people | In millions of dollars | As a percentage of GDP in 2022 |
| Dominican Republic | 2021 | 9.6 | 26 | 103 | 34 | 0.03 |
| Ecuador | 2021 | 14.8 | 28 | 238 | 82 | 0.07 |
| Honduras | 2019 | 47.5 | 47 | 334 | 196 | 0.75 |
| Mexico | 2020 | 23.8 | 39 | 2 834 | 1 374 | 0.12 |
| Panama | 2021 | 7.5 | 29 | 39 | 14 | 0.02 |
| Peru | 2021 | 13.2 | 34 | 482 | 208 | 0.08 |
| Paraguay | 2021 | 16.2 | 23 | 81 | 24 | 0.06 |
| El Salvador | 2021 | 25.4 | 39 | 167 | 83 | 0.29 |
| Uruguay | 2021 | 0.3 | 30 | 2 | 1 | 0.00 |
| Simple average[c] | | 15.4 | 38 | 7 372 | 3 796 | 0.13 |

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the Household Survey Data Bank (BADEHOG).
[a] Figures aggregated annually and as a percentage of GDP include an administrative cost equivalent to 5% of the amount of entitlements.
[b] Urban areas.
[c] Simple average of the countries, with the exception of the recipient population and annual expenditure in millions of dollars, which correspond to an aggregate of 15 countries. In contrast to table 2, the average incidence of poverty in the total population at the national level includes the urban areas of Argentina. Table 3 shows the above-mentioned baseline figures. These estimates are based on the total population living in poverty, children and adolescents living in poverty and older adults living in poverty.

If a programme were designed to cover the entire per capita income gap of all people living in poverty with respect to the cost of the minimum expenditure basket (poverty line), it would cover just over 25% of the population (simple average of 15 countries), with an absolute coverage of about 155 million people, an average expenditure per person of US$41 per month and an annual aggregate of just over US$84 billion, equivalent to an average of 2.1 percentage points of GDP in 2022. This estimate includes an administrative cost of 5% of the total amount of the transfers. Unless otherwise indicated, all of the following estimates in millions of dollars or per cent of GDP include this administrative cost. This benchmark is already used in a study by Durán-Valverde and others (2019) that includes cost estimates for a universal transfer for early childhood (0–4 years) in 134 countries; the administrative cost considered was 5% of the total cost of the transfer and the same criterion was applied in a study on a secure income for children and adolescents in Chile (Vargas and others, 2021).

The disparate levels of development and inequality in the countries of the region implies a high degree of difference in the extent of poverty and, therefore, in the relative cost of eliminating the aforementioned income gaps. In Honduras, the poverty level exceeded 52% of the population in 2019 and its GDP per capita is one of the lowest in the region, meaning that eradicating poverty through a transfer programme to fill this gap would cost 9.6% of GDP (in 2022). The Plurinational State of Bolivia has a relatively similar level of GDP per capita to Honduras, but poverty affected just under 30% of the population in 2021, and would cost 3.8% of GDP to eradicate. Other countries that would face a significant fiscal burden to eradicate poverty are El Salvador (3.3% of GDP), Colombia and Mexico (2.2% and 2.1% of GDP, respectively[57]). In contrast, in a significant number of countries this cost would be around one percentage point of GDP in 2022 or less (Chile, Costa Rica, Dominican Republic, Panama and Uruguay).

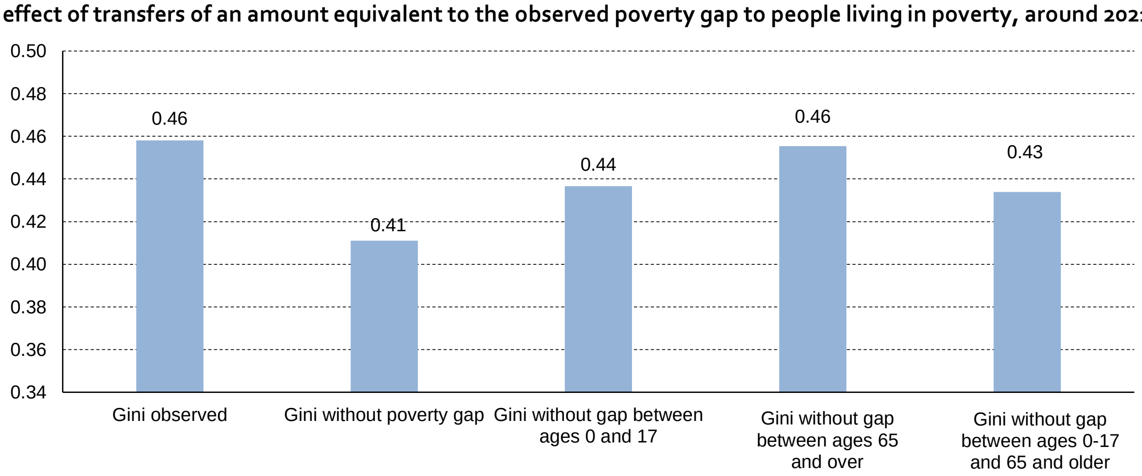
[57] Excluding Honduras, the simple average of aggregate transfer expenditure to close the poverty gap for the whole population falls to 1.5% of GDP.

If transfers to close the money gap between per capita income and the poverty line were allocated exclusively to people under age 18, and even though they are affected by a much higher incidence of poverty than the rest of the population (36.2% as a simple average across the 15 countries), the annual costs would be equivalent to only 41.4% of the cost of a programme with full coverage among people living in poverty. The aggregate cost would be approximately US$35 billion per year (on average, 0.9% of GDP in 2022). This scheme would benefit a total of 63 million recipients and would have an important impact on the exercise of the rights of children and adolescents. However, the effect of this entitlement would only be to reduce gaps with respect to the poverty line and not to reduce its incidence, since this mechanism does not address the gaps of the remaining members of the households with children and adolescents, virtually all of whom live in households with adults.

If such transfers were allocated exclusively to older adults in poverty, the poverty reduction effect would be greater due to the presence of households composed exclusively of older adults, but it would still be limited. As the age group with the lowest overall incidence of monetary poverty (15.4% as a simple average across the 15 countries), the aggregate cost and the cost as a percentage of GDP would be lower at US$3.8 billion and 0.13%, respectively. The recipient population would be around 7.4 million people and the effect on poverty reduction would be somewhat greater, as the recipient population would include households composed only of older adults living in poverty. Such a transfer would reduce poverty to 11.3% of older adults (simple average of the 15 countries), but it would have a small effect on the overall poverty level (under a 0.4 percentage point decrease).

However, the inequality-reducing effect of transfer schemes that fully or partially cover the poverty gap is significant, namely because the transfers are focused on the bottom of the income distribution, as shown in figure 3. As might be expected, the greatest reduction in inequality, as measured by the Gini coefficient, would come from a transfer towards all people living in poverty: based on a simple average of the countries, this coefficient would be reduced by 10%, from 0.458 to 0.411. In contrast, the transfer aimed only at older adults would hardly change this indicator because the grant would be allocated to a small proportion of the population (0.6% reduction). Similarly, delivering the transfer to people under age 18 would have a greater impact on reducing inequality (−4.7%, Gini coefficient of 0.437), and if it were combined with a transfer to older adults it would slightly increase the inequality-reducing effect (−5.3%), although it would reduce the depth of poverty more than its total incidence.

**Figure 3**
**Latin America (simple average of 15 countries): changes in the Gini coefficient of income concentration due to the effect of transfers of an amount equivalent to the observed poverty gap to people living in poverty, around 2021**




Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the Household Survey Data Bank (BADEHOG).

## C. Costs of delivering universal and quasi-universal transfers to specific populations and their effects on poverty and unequal income distribution

This section presents estimates of the costs of a quasi-universal transfer (up to the first four quintiles of the reference population) for two priority population groups: children and adolescents and adults aged 65 and over. A joint estimate is also provided for the latter two subpopulations (in the form of a transfer to populations that would be economically dependent). As a point of reference, the investment required to finance a universal basic income —one that is the same for all people regardless of their socioeconomic status or other characteristics— is also included at the beginning of this section.

Given that cost projections and simulations of the effects of transfers on poverty and inequality are based on a scenario of a progressive increase in basic income coverage until 2030, for the first case it was decided to use the population projections according to the most recent version of the United Nations Population Division's World Population Prospects (WPP) (2022).[58] However, the simulations of the impact of transfers on the reduction of poverty and inequality were carried out without making a projection of their evolution and without modifying the population framework used by the various surveys. Thus, while poverty reduction or changes in income concentration are exclusively a result of increases in delivered entitlements coverage and cannot be attributed to changes in population composition or exogenous variations (in transfers) that alter income distributions across countries, aggregate-level cost projections (in millions of dollars) also depend on population changes. In addition, to assess the impact on public finances of a programme with the options explored with progressive coverage until to 2030, GDP was projected with assumptions of 2% annual growth in all countries between 2023 and 2030. It should be noted that in this exercise the amounts of the various simulated entitlements (with regard to the poverty or extreme poverty lines calculated by ECLAC) remain constant over time.

Given the differences in Latin American economies, the costs of the entitlements considered were estimated using three different values of the individual transfer, based on both conceptual-normative criteria and the feasibility of implementing a programme of this nature that could be financially sustainable over time. These values are: i) a transfer equivalent to one poverty line per person, representing the cost of a minimum expenditure basket that includes food, transport, clothing and basic housing expenses, among other items; ii) a transfer equivalent to an extreme poverty line representing the cost of a basic food basket; and iii) a transfer equivalent to 25% of the poverty line.[59] It should be noted that the values of the poverty and extreme poverty lines vary between urban and rural areas within and between countries (see table 2 for the values of both lines expressed in 2018 dollars).

Finally, to reduce the fiscal burden that this type of programme would create, estimates were made considering a progressive increase in the programme's coverage in any of its modalities with a time frame of universal coverage and lower coverage (80%, 50% and 40%) by 2030. For the purpose of presenting the information, the estimate was chosen with a quasi-universal coverage (80%) by 2030 as follows: at its inception (2022–2023), the programme would start with coverage that would prioritize recipients belonging to the poorest 40% of the population; in 2024–2025 coverage would include recipients in poorest 50% of the population; in 2026–2027 the poorest 60%; in 2028–2029 the poorest 70%, before finally reaching in 2030 coverage for the whole population of children and adolescents and people aged 65 or older in the poorest 80% (first four quintiles of the per capita income distribution).

[58] See [online] https://population.un.org/wpp/Download/Standard/Population/.

[59] The 25% poverty line threshold has also been used in the studies by Ortiz and others (2017) and Durán-Valverde and others (2019) for the International Labour Organization to calculate a universal transfer for children and adolescents aged 0–14 in 57 low- and middle-income countries in the first case, and for children aged 0–4 in 124 countries in the second case.

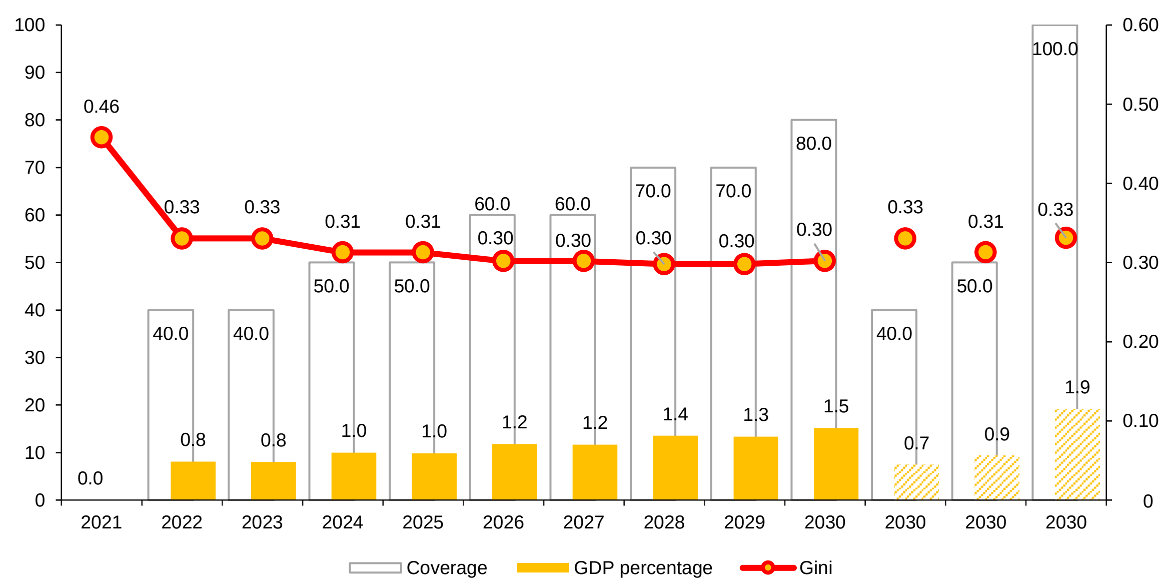
## 1. Basic income with broad coverage for the population

Basic income aims to guarantee a stable purchasing power to ensure a sufficient and dignified level of well-being and, in principle, does not exclude anyone. Based on this guiding principle, the estimates shown below take into consideration monthly entitlements aimed at the entire population and of an amount that has a significant impact to ensure minimum well-being levels, such as a transfer equivalent to a poverty line (minimum expenditure basket) or extreme poverty line (food basket).

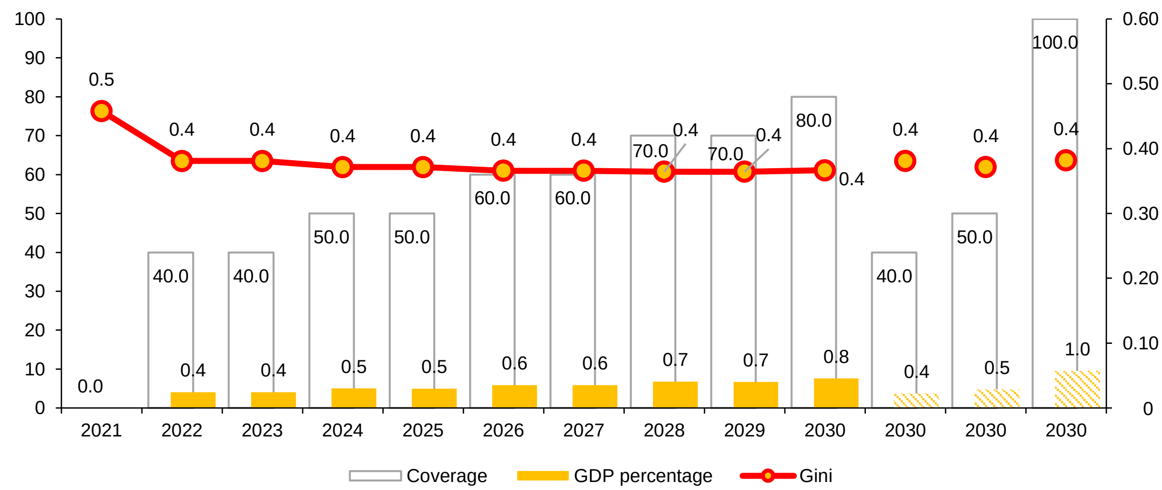
For 15 countries in the region, a programme to provide the entire population with a monthly basic income equivalent to the value of the poverty lines (urban and rural) in each country would entail direct spending of about US$895 billion (at 2018 prices), which as a simple average would amount to 18.3% of projected GDP in 2030. Administration costs would be added to those figures, and assuming they amount to 5% of the total cost of the transfer, would add an additional US$45 billion dollars or so, for a total average 19.2% of GDP (see figure 4.A). If the goal were limited to progressively reaching 80% coverage of the population by 2030, the average macroeconomic effort that the countries of the region would have to make would reach 15.2% of GDP that year. This figure would be reduced to 9.3% of GDP with 50% coverage and 7.4% of GDP if the programme of transfers of a monthly poverty line were restricted to poorest 40% of the population (see figure 4.A). Even with the latter criterion (40% coverage), countries such as the Plurinational State of Bolivia, El Salvador and Honduras would have to invest resources equal to or exceeding 10% of 2030 GDP; no country would see a fiscal effect of less than 3% of GDP.

**Figure 4**
**Latin America (simple average of 15 countries): estimated coverage, costs and redistributive impact of a basic income with a scheme to progressively increase coverage to 80%[a], projection for 2021–2030**

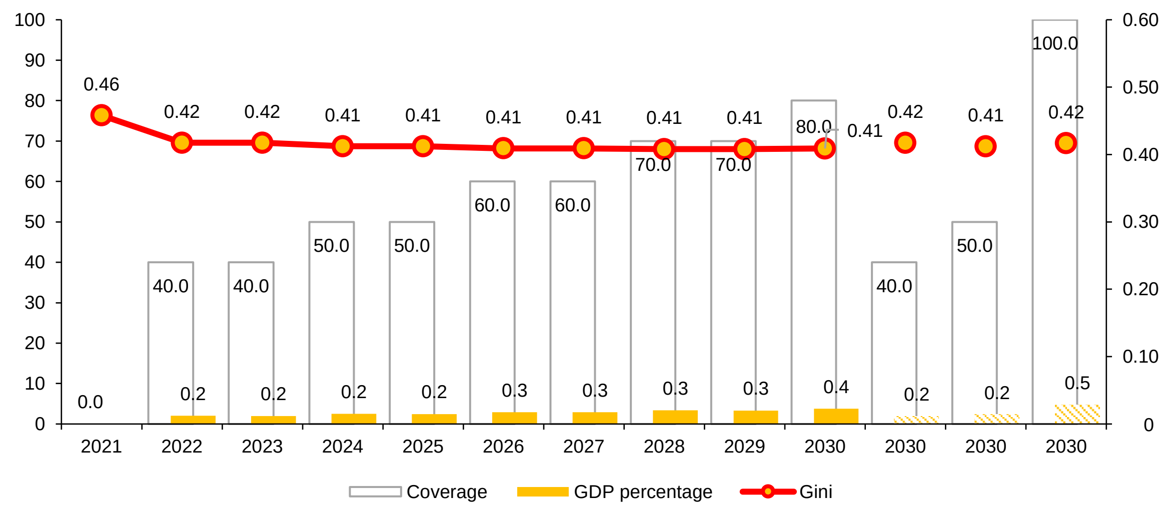
**A. Annual cost of a monthly transfer per person equivalent to one poverty line[b]**



**B. Annual cost of a monthly transfer per person equivalent to an extreme poverty line**[b]




**C. Annual cost of a monthly transfer per person equivalent to 25% of the poverty line**[b]




Source: Economic Commission for Latin America and the Caribbean (ECLAC), estimates and projections on the basis of the Household Survey Data Bank (BADEHOG).
[a] At the end of each graph, the cost of covering the poorest 40 or 50% of the population and 100% in 2030 is also given.
[b] The poverty and extreme poverty lines at the national level calculated by ECLAC.

The high amounts mentioned above can be lowered by considering a value equivalent to a food basket (extreme poverty line) as a monthly transfer. Although the overall resources would be slightly less than half of those projected with the transfer of a minimum expenditure basket, they would still be quite substantial: on average, universal coverage of such a monthly transfer would be equivalent to 9.5% of 2030 GDP (US$450 billion per year). The country that would mobilize the least resources (Panama) would have to spend a total of 4.7% of GDP (including 0.22% of GDP for administrative costs). Lower coverage would lighten the fiscal burden: 80% coverage would be equivalent to 7.6% of GDP, which would be reduced to 3.7% of GDP if coverage were restricted to the poorest 40% of the population. In the latter scenario, countries such as Costa Rica, Panama and Uruguay would be the only ones to allocate amounts equal to or less than 2% of GDP in 2030 (not including administrative costs).

Given the potentially high financial burden of providing a universal or quasi-universal basic income, the cost (and impact) of transferring a monthly amount equivalent to 25% of a poverty line was also analysed (see figure 4.C). Such programmes with universal coverage would amount to an average of 4.8% of GDP (US$235 billion), with Panama and Uruguay mobilizing 2.5% or less of their GDP. If the coverage were 80% of the population, Chile and Costa Rica would join the group of countries requiring resources equal to or less than that percentage of GDP. With a target of 40% of the poorest population, a majority of countries would mobilize less than 2 percentage points of GDP (including administrative costs), with the exceptions of the Plurinational State of Bolivia, El Salvador, Honduras and Peru.

While it is always possible to identify a monthly value for a transfer to increase coverage and achieve manageable fiscal costs, the impact of such a transfer should not be overlooked. Accordingly, the transfer of one monthly poverty line, even in a scheme restricted to the poorest 40%, would contribute to eradicating monetary poverty (except in Honduras) and, as illustrated in figure 4, would significantly reduce inequality as measured by the Gini coefficient (28% reduction, from 0.458 to 0.330). If the transfer is restricted to the value of one extreme poverty line, it would contribute to its eradication (as long as the programme existed), and poverty would be reduced significantly (as a simple average across countries, from 25.3% to 6.8%), although the deconcentrating effect of income would be more limited (a 20% reduction at most at a coverage of 70%, as shown in figure 4.B). A transfer equivalent to 25% of the poverty line would obviously have a more limited effect: on average, poverty would be reduced to 17.5%, and the Gini coefficient would fall by 11% at most (to 0.408).

The above estimates suggest that, although a universal and adequate basic income is a desirable objective, implementing such a programme should consider time frames of no less than a decade in terms of the cost dimension for many countries. This constraint, coupled with the need to establish an entitlement amount at the individual level that meets a minimum criterion to improve well-being, leads to estimates that include another criterion that, while allowing for some degree of entitlement adequacy and meaningful coverage, also supports financial sustainability. To this end, some populations must be selected which, due to their demographic characteristics, can be considered as economically dependent and, therefore, subject to the action of other stakeholders to ensure minimum levels of well-being.

### 2. Universal and quasi-universal transfer options for children and adolescents

As mentioned above, it can be challenging to explore regular income transfer programmes without turning them into complex initiatives from a financial sustainability perspective due to the high financial burden they may entail. One option is to focus on priority population groups. **Children and adolescents** are a priority group because they are still in the process of becoming full members of society, and because they are dependent upon their families and vulnerable to deterioration in family well-being, among other reasons. The vast majority of countries in the region allocate significant public resources to this age group, whether through free or subsidized public services, income contributions to households with children and adolescents or other forms of support. However, these initiatives do not actually establish this group as a recipient group in itself, but usually according to the characteristics of the household in which they reside or by virtue of their demand for social services.

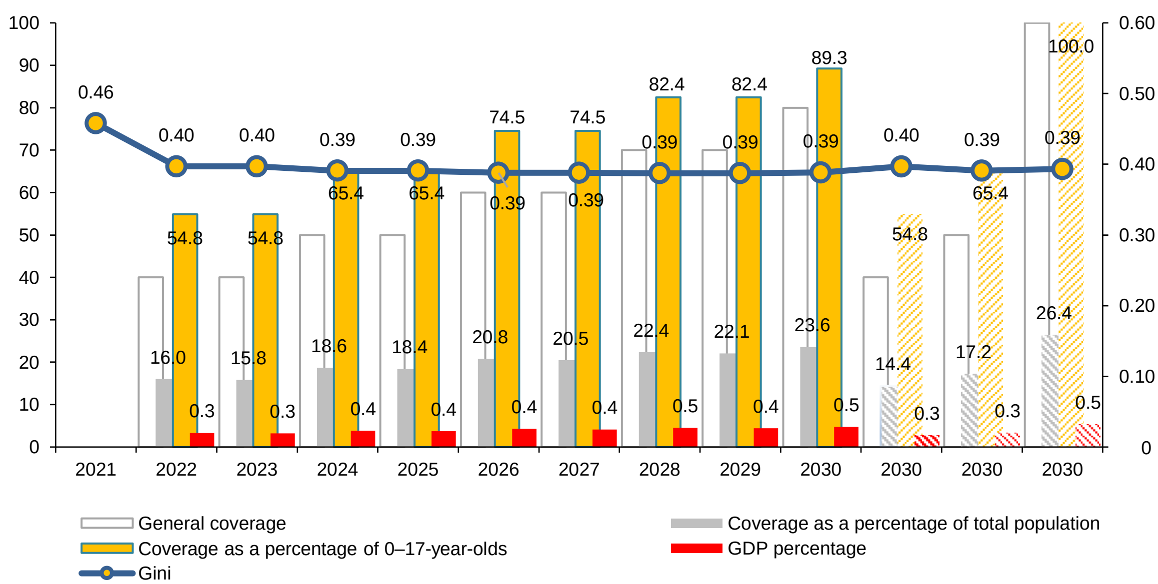
Of the 15 countries analysed, children and adolescents account for just over 29% of the total population on average, although there are significant variations depending on the stage of the demographic transition in which the countries find themselves. Thus, while this population group comprises less than 25% of the population in countries such as Brazil, Chile, Costa Rica and Uruguay, they make up more than one-third of society in countries such as the Plurinational State of Bolivia, Honduras and Paraguay. According to population projections made by the United Nations Population Division, in 2030 in the Plurinational State of Bolivia alone, children and adolescents up to age 17 will still make up just over one-third of the population.

If the region were to allocate a monthly transfer equivalent to the value of a minimum expenditure basket or poverty line to children and adolescents with progressive coverage according to income quintiles until reaching universal coverage in 2030, on average the total spending (transfers plus administration costs) would be equivalent to 5.3% of projected GDP for that year (just under US$230 billion, with an average monthly transfer of around US$126 in urban areas and US$99 in rural areas (see table 3)). Only in Chile, Costa Rica, Panama and Uruguay would spending be equal to or less than 2% of GDP; in the Plurinational State of Bolivia and Honduras, it would reach double digits. Such a transfer would not have the impact of a universal scheme (covering the entire population), since it would be intended for children and adolescents who, although mostly concentrated in lower income groups, are present across all groups. At its minimum level, in 2028, where recipients account for 22% of the total population and 82% of the child and adolescent population, the Gini coefficient is reduced by 15%, from 0.458 to 0.387.

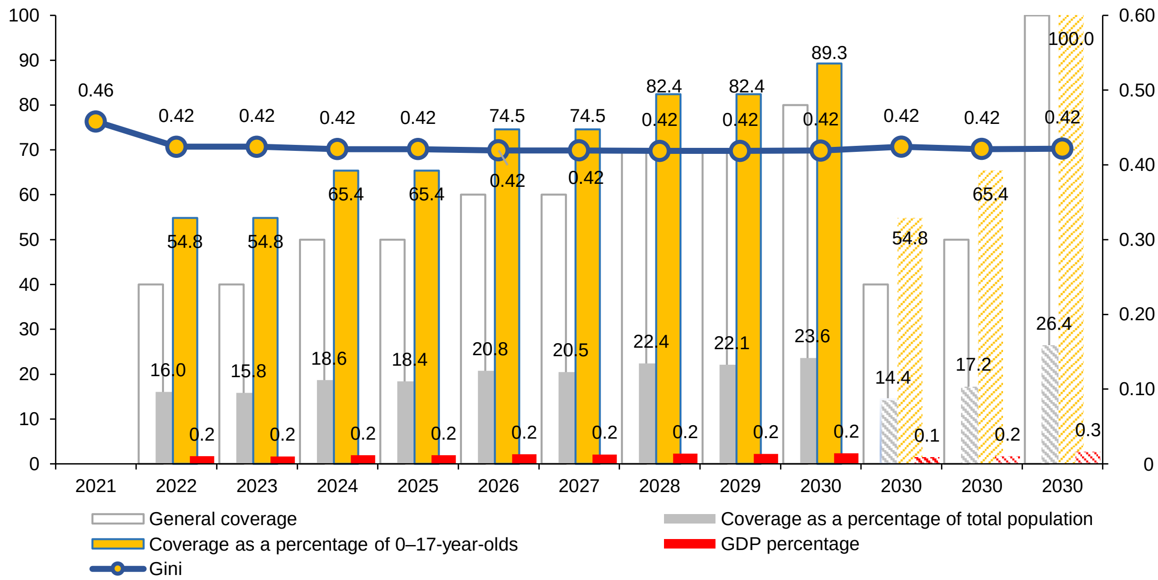
In a scheme where the goal is not universal but 80% coverage, the average fiscal burden would decrease to 4.7% of GDP, but spending would still exceed double digits in the Plurinational State of Bolivia and Honduras, and in the country with the lowest spending (Uruguay) it would be around 1.8% of GDP (see figure 5.A). A final coverage of 50% would involve costs equivalent to an average of 3.3% of GDP, while a transfer scheme to children and adolescents belonging to the poorest 40% of the population (and 54.8% of all children and adolescents in the region) would still amount to US$124 billion, or an average of 2.8% of GDP in 2030 (see figure 5). In most countries, this spending would involve resources equivalent to less than two GDP points, but would exceed this percentage in Argentina, the Plurinational State of Bolivia (over 6% of GDP), Ecuador, El Salvador, Honduras (over 6% of GDP), Paraguay, Peru and the Dominican Republic.

**Figure 5**
**Latin America (simple average of 15 countries): estimated coverage, costs and redistributive impact of a transfer aimed at children and adolescents with a scheme that progressively increases coverage to 80%[a], projection for 2021–2030**

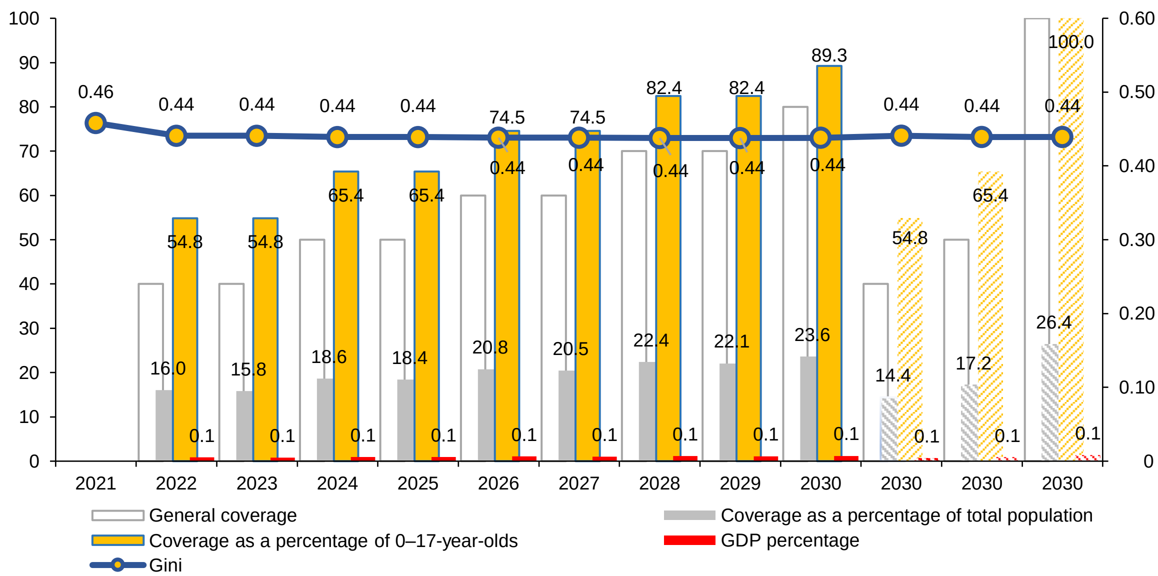
**A. Annual cost of a monthly transfer per person equivalent to one poverty line[b]**



**B. Annual cost of a monthly transfer per person equivalent to an extreme poverty line**[b]




**C. Annual cost of a monthly transfer per person equivalent to 25% of the poverty line**[b]




Source: Economic Commission for Latin America and the Caribbean (ECLAC), estimates and projections on the basis of the Household Survey Data Bank (BADEHOG).

[a] At the end of each graph, the cost of covering children and adolescents belonging to the poorest 40 or 50% and of the population, and 100%, in 2030 is also given.

[b] The poverty and extreme poverty lines at the national level calculated by ECLAC.

If the grant were equivalent in value to a food basket or extreme poverty line, the associated costs would naturally be significantly lower than those mentioned above. Thus, a universal transfer to the child and adolescent population of the 15 countries considered in 2030 would involve resources equivalent to 2.7% of GDP on average, amounting to around US$110 billion including administration costs, and in most countries it would be less than 2% of GDP (Argentina, Brazil, Chile, Colombia, Costa Rica, Mexico, Panama and Uruguay). Ecuador, Paraguay, Peru and the Dominican Republic would join the previous group if the coverage in 2030 were children and adolescents belonging to the poorest 50% of the population. Reducing the coverage to only children and adolescents in the poorest 40% by 2030 would result in a total fiscal burden equivalent to 0.7% of GDP. This would also lower spending in El Salvador to under 2% of GDP. However, in the Plurinational State of Bolivia and Honduras this spending would still be a significant macroeconomic burden (between 3% and 4% of GDP). Here, the maximum reduction in inequality (as measured by the Gini coefficient) would be just under 9% (see figure 5.B).

Projecting the costs of a transfer that reaches the child and adolescent population belonging to the lowest 80% of income earners in the 15 countries considered in 2030 would involve resources equivalent to 1.2% of GDP on average, totalling around US$52 billion including administration costs, and in most countries it would be less than 1.5% of GDP (Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, Panama, Paraguay, Peru, Dominican Republic and Uruguay; among these countries, spending would be more than 1% of GDP only in Ecuador, Paraguay and Peru). This transfer would still be significant for the Plurinational State of Bolivia, Honduras (over 3% of GDP or more) and, to a lesser extent, El Salvador (1.6% of GDP). For coverage in 2030 to children and adolescents belonging to the poorest 50% of the population, these amounts would reach US$1 billion in the Plurinational State of Bolivia (2% of GDP) and US$700 million in Honduras (2.1% of GDP). Among the entitlements explored in this chapter for children and adolescents, this would have the lowest impact in terms of a change in distribution: the maximum effect would be a reduction in the Gini coefficient of just over 4%.

### 3. Universal basic pension for people aged 65 and over

Another priority group for income protection in the region is older adults. In terms of what is expected from a well-functioning labour market and a society that guarantees a decent standard of living through work and social protection systems, this group of people should enjoy a decent pension at the end of their working life as a result of their pension contributions and various solidarity mechanisms. Like children and adolescents, people in this age group who are no longer in the labour market are considered economically dependent. For **older adults** (and unlike children), economic dependence refers to the provision of a pension as part of a country's pension system (without something in return), but whose resources are derived from the person's past employment and the savings linked to that work.

However, in most Latin American countries, the percentage of older adults receiving a decent pension exclusively from contributory sources is low, given the high proportion of older adults who did not make pension contributions during their working lives (e.g. those who performed unpaid care work). To maintain or access a minimum level of well-being, these people require some kind of non-contributory payment, which explains the significant expansion of these systems in recent years (Arenas de Mesa, 2019).

As mentioned above, most countries in the region are in a stage of demographic transition, which in recent decades has mostly shifted from a society with many young people to one with many young adults.[60] This implies a gradual decline in the population aged 0–17 in all countries and, as a counterpoint, relative and absolute growth in the number of people aged 65 and over. In 2022, it is estimated that, as a simple average of the 15 countries analysed, older adults will make up 9% of the population (53 million people). Only four countries have a double-digit share of this group: Argentina (11.9%), Chile (13%), Costa Rica (10.8%) and Uruguay (15.6%). By 2030, the average is expected to increase to 11.2%, with Brazil, Colombia, Ecuador, Mexico, Panama and Peru joining the above-mentioned countries (with 10% or more older adults).

The low statistical relevance of this age group within the population means that the estimates and projections made for the provision of the various entitlements here amount to a financial burden that is

[60] See [online] https://www.cepal.org/es/enfoques/efectos-desafios-la-transformacion-demografica-america-latina-caribe.

relatively easy for most countries to handle, at least in the short term. Additionally, although contributory pension systems are still insufficient in the region (in terms of coverage and pension amounts), most States have made major strides. This progress is visible in a significant number of countries that have implemented non-contributory pension systems and which reflects a step forward in terms of the possibilities of developing protection policies and a guarantee of a basic income for this population.

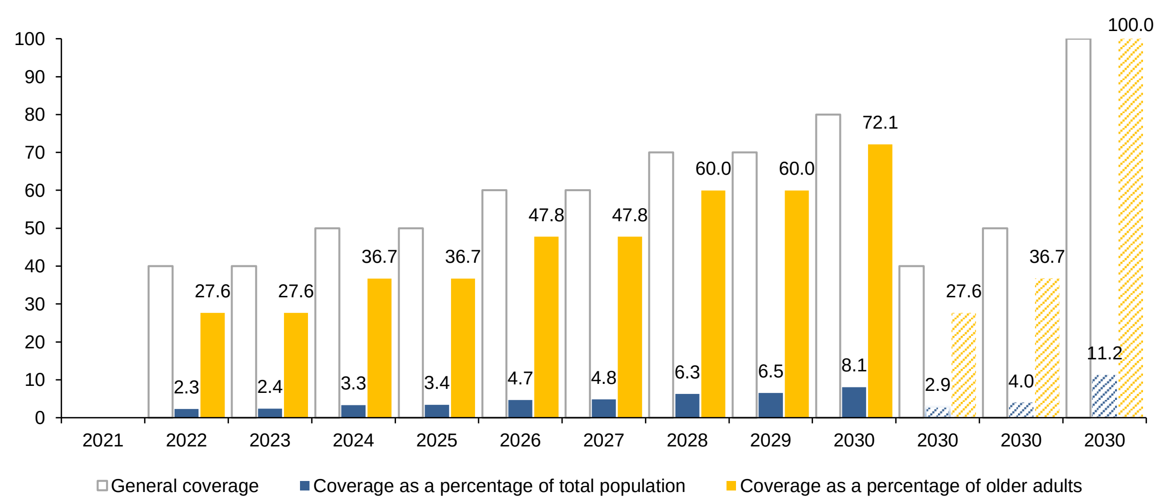
More specifically, with regard to estimates and projections of the cost of delivering monthly transfers according to various modalities, the lower aggregate amounts of these transfers are compounded by the possibility of accounting for the existence of similar programmes (e.g. non-contributory pensions). For these, the present estimate can be considered a supplement, which means a somewhat more precise estimate can be made to establish the order of magnitude of the additional resources that would be required to complement existing programmes and achieve the targets for coverage and adequacy in the transfer amount. As a result, based on a very realistic view of the financing capabilities of such a programme, the projection is favourable, at least for the vast majority of the countries in the region, i.e. it is economically feasible to implement, as shown below.

Figure 6 shows the estimated cost of achieving a monthly transfer amount equal to the minimum expenditure basket or poverty line, subtracting what is currently transferred through non-contributory pensions, to progressively reach coverage of 40%, 50% and 80% of this population by 2030 (i.e. older adults belonging to the poorest 40%, 50% and 80% of the population). It also shows the cost of having reached universal coverage of older adults. As figure 6.A shows, and similar to the case of children and adolescents (figure 5), older adults account for a small share of the population. If the programme were to have 100% coverage of older adults in 2030, the transfer would reach 11.2% of the population. However, unlike the previous group (children and adolescents), older adults are not concentrated in the lower income strata, as the yellow bar shows. Thus, if in 2022–2023 the transfer were granted to older adults belonging to the poorest 40% of the population, recipients would make up 27.6% of all older adults (and 2.3 or 2.4% of the total population, depending on the year). By reaching 80% coverage in 2030, just over 72% of older adults would receive this basic income (8.1% of the population), and 27.9% of the remaining older adults would belong to the highest income quintile of the population.

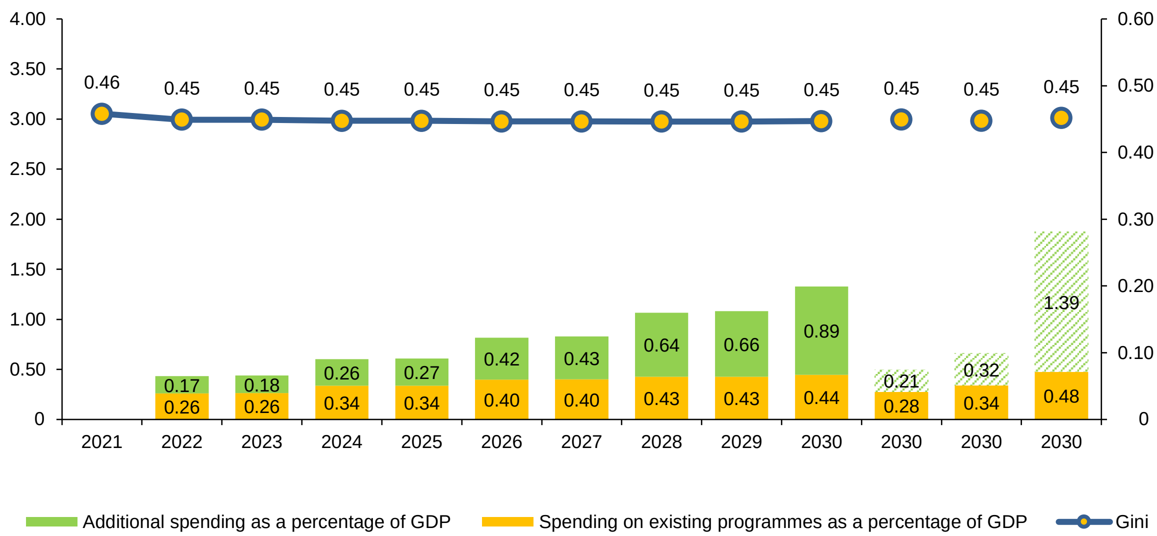
**Figure 6**

**Latin America (simple average of 15 countries): estimated coverage, costs and redistributive impact[a] of a non-contributory pension equivalent to one poverty line aimed at adults aged 65 and over with a scheme that progressively increases coverage to 80%[b], projection for 2021–2030**

**A. Benchmark coverage (per capita income groups) and actual coverage (older adults receiving the grant with regard to the total number of older adults and with regard to the total population)**



**B. Annual cost of a monthly transfer per person equivalent to one poverty line[c]**




Source: Economic Commission for Latin America and the Caribbean (ECLAC), estimates and projections based on the Household Survey Data Bank (BADEHOG); Arenas de Mesa, A., C. Robles and J. Vila (2023), "El desafío de avanzar hacia la sostenibilidad de los sistemas de pensiones en América Latina", Social Policies Series, Publication of the Economic Commission for Latin America and the Caribbean (ECLAC) (in press) and Non-contributory Social Protection Programmes Database in Latin America and the Caribbean, Non-contributory Pensions, Social Development Division, ECLAC, [online] https://dds.cepal.org/bpsnc/ps.

[a] The sum of the bars shows the total cost of a pension programme with a transfer equivalent to the poverty line according to different coverage levels. The yellow bar represents current programme spending, and the green bar represents the additional spending required. The Gini coefficient shows the total estimated impact of the transfer, not just the additional spending.

[b] At the end of figure 6.B, the cost in 2030 of covering older adults belonging to the poorest 40 or 50% of the population, and 100% of older adults, is also given.

[c] The national poverty lines were calculated by ECLAC.

The low population weight and its lower concentration in the lower income strata result in a much smaller effect on inequality reduction: the maximum effect, which would be obtained in 2028, would be a 2.6% reduction in the Gini coefficient. But establishing a target coverage of older adults belonging to the poorest 40%, 50% or even 80% of the population or universal coverage within this group, with a transfer equivalent to the poverty line, would at least be generally feasible for most countries in financial terms: on average, the first target (40%) would require resources in 2030 equivalent to 0.49% of GDP; at 50%, this would be 0.66% of GDP and at 80%, this would be 1.33% of GDP. However, as mentioned previously, there are now several programmes in place that provide a non-contributory pension to older adults in most countries in the region (see Arenas de Mesa, Robles and Vila, 2023). This means the present estimate of the cost of achieving a non-contributory pension equivalent to a poverty line is already partly funded and systems are set up to deliver the grant. As a result, the additional resources that would need to be injected into such a programme are quite low: covering the poorest 40% of older adults would only require additional resources equivalent to 0.21% of GDP on average (US$7 billion); at 50%, this would be 0.32% of GDP (US$10.8 billion); and at 80%, this would be 0.89% of GDP (US$44 billion at the regional level), including programme management costs.[61]

[61] The estimate of administrative cost requirements (5%) was based on the amount of resources in addition to those that would already be allocated to non-contributory pensions in each country.

There are cases where the estimated coverage is lower than that already achieved by countries (particularly the Plurinational State of Bolivia, with coverage above 90%), but where the transfer amounts fall below the poverty line (or extreme poverty line). In other cases, the coverage of existing programmes is lower than those included in the present estimates, but the average transfer amount would be higher than the value of the poverty line calculated by ECLAC (Argentina, Chile and Uruguay; in Costa Rica and Paraguay, the average value of the transfer is near the poverty line). In these cases and in those where the present estimate proposes higher coverage and amounts than those currently in place, in order to calculate the estimated additional costs (discounting the current costs according to the coverage defined for each year), it was assumed that older adults are perfectly ordered from lowest to highest income and that the amount of existing entitlements is equal among recipients. This means that if, for example, half of older adults who are recipients were selected, all of them would be poorer than the other half, and the resources they receive correspond to half of the total expenditure.[62] Also, in order to estimate the discount over time based on information for 2021 for the current programmes, it was assumed that they maintain a constant percentage of coverage among older adults and operational costs as a percentage of GDP.

The scenario of a universal non-contributory pension for older adults, given that they are more concentrated in the upper income strata, would represent total spending in 2030 equivalent to 1.87% of GDP, but additional resources compared to current levels would amount to 1.39% of GDP on average (about $75 billion at the regional level). Under this coverage scheme, there would be three countries that would have to raise additional resources of over two percentage points of GDP in 2030: El Salvador, Honduras and Peru (about 2.5% of GDP in the first two cases). If the target coverage were reduced to older adults in the poorest 80% of the population, no country would have to allocate such a large amount of additional resources.

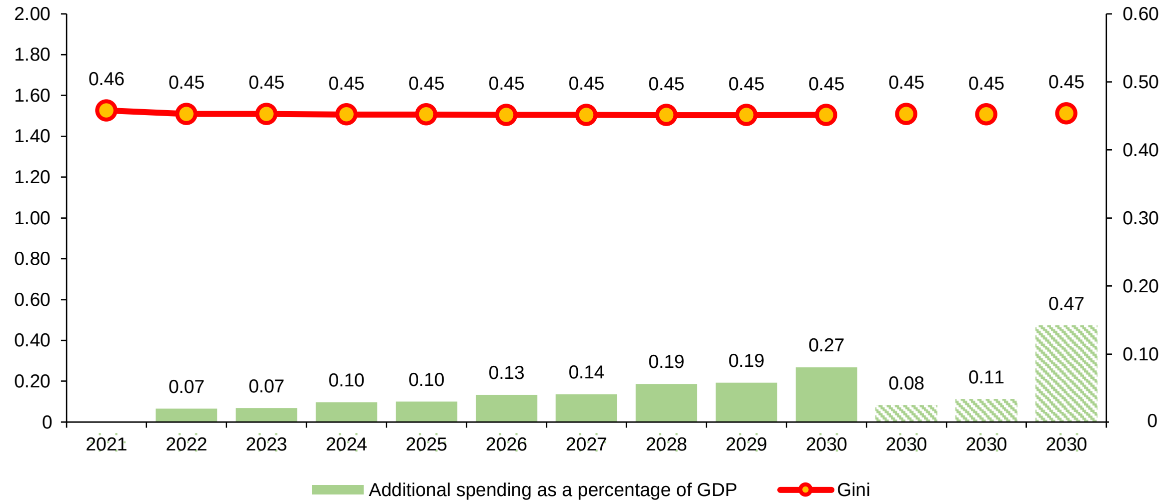
If spending levels were still too high to make it feasible to implement a monthly transfer equivalent to a poverty line, another scenario can be explored. Although it cannot be considered as a grant sufficient to guarantee a minimum well-being level, if it were fully allocated to individual expenditure, it would guarantee adequate food and so it would be expected to have a certain impact on the well-being of older adults. Figure 7 shows a projection of the average additional spending that would be necessary to top up non-contributory pensions to progressively ensure access to sufficient resources to meet food needs (transfer of an amount equivalent to the value of the extreme poverty line).

As might be expected, the redistributive impact of the monthly transfer of a value equivalent to the extreme poverty line to older adults is lower. In 2026, when 47.6% of older adults would be prioritized, the reduction in inequality would peak at −1.5%. To this should be added that the current value of the regional average Gini coefficient (0.458) would already include the redistributive effect of the non-contributory pensions currently in place (see figure 7).

The additional cost of a non-contributory pension equivalent to the value of the food basket to cover older adults in the bottom 40% of income earners would be only 0.08% of GDP, and 0.11% of GDP for the bottom 50%. If the target were towards universal coverage, the additional cost would be 0.47% of GDP by 2030. Of course, if it were already feasible for a majority of countries to fully fund a universal pension equivalent to a poverty line, guaranteeing a food basket would make it possible to extend such a programme. In El Salvador and Honduras alone, this grant would represent additional spending of between 1.0% and 1.2% of GDP.

[62] No information is included for Honduras or the Dominican Republic in this estimate. Honduras has no functioning non-contributory pension system, while the Dominican Republic is currently implementing a non-contributory pension pilot project.

**Figure 7**
**Latin America (simple average of 15 countries): estimated additional costs and redistributive impact[a] of a non-contributory pension equivalent to one poverty line[b] aimed at older adults aged 65 and over with a scheme that progressively increases coverage to 80%[c], projection for 2021–2030**




Source: Economic Commission for Latin America and the Caribbean (ECLAC), estimates and projections based on the Household Survey Data Bank (BADEHOG); Arenas de Mesa, A., C. Robles and J. Vila (2023), "El desafío de avanzar hacia la sostenibilidad de los sistemas de pensiones en América Latina", Social Policies Series, Publication of the Economic Commission for Latin America and the Caribbean (ECLAC) (in press) and Non-contributory Social Protection Programmes Database in Latin America and the Caribbean, Non-contributory Pensions, Social Development Division, ECLAC, [online] https://dds.cepal.org/bpsnc/ps.

[a] The total estimated impact of the transfer is shown, and not just the additional spending (spending on current programmes is shown in figure 6.B).

[a] The extreme poverty lines at the national level were calculated by ECLAC. The additional cost of these estimates with regard to the current programmes is shown.

[b] At the end of the graph, the cost in 2030 of covering older adults belonging to the poorest 40 or 50% of the population, and 100% of older adults, is also given.

## D. Final considerations

Implementing a programme that grants a basic income to the entire population and thus guarantees each person the ability to satisfy all the basic needs that allow for full social inclusion is an economic and social objective, but also an ethical one in Latin American societies. The various inequalities —starting with the excessive concentration of primary income and the limited possibilities for States to redistribute resources that would have a significant impact on these major differences— are an obstacle to dynamic, sustainable economic development that leaves no one behind. This why a basic income is an important redistributive tool to promote this process by boosting demand for basic goods.

However, the vast majority of countries in the region are faced with the paradox of a low growth dynamic, among other factors. The result is a low capacity to raise public revenue, which hinders progress in establishing a basic income, or at least an adequate grant that covers the most vulnerable groups before later moving towards universal coverage.

As such, it is essential to take into account the fiscal capacities of the countries when determining the amount of an eventual grant that could be feasible and sustainable, one that considers the need to safeguard income levels that meet the conditions for people to exercise their social rights. Alternatives that prioritize population subgroups such as children and adolescents or older adults can make such a programme more viable. It should be noted that other options not addressed in this document can also be considered for transfer estimation, such as prioritizing coverage of children during early childhood with a view to progressively expanding it and guaranteeing an adequate level of income protection for households with children and adolescents. However, providing a transfer that allocates resources to some members of the household may result in a redistribution of resources within each household or family. This makes it difficult for this transfer to become an effective guarantee for the individual satisfaction of the set of basic needs that the entitlement should cover.

More limited delivery alternatives, such as a transfer equivalent to the cost of a food basket, can facilitate its feasibility when allocated to subgroups of the population. In scenarios of sustained growth over the next decade, a combination of expanding (and even universal) coverage of non-contributory pension systems for older adults and the implementation or expansion of basic transfers for children and adolescents with lower income levels should be seriously considered. Such options should also be analysed in conjunction with the investment projections that have been envisaged in terms of sectoral social policies, from an integral perspective of social protection systems.

The data indicate that over a time frame of seven years, it is possible to find alternatives that on the whole would enable progress towards a guarantee of rights and that consider the necessary priorities that will be required for a long-term development strategy, as well as synergies between social and economic policies. These could be combined with increases in coverage or monthly transfer amounts (general increases in transfer amounts or differentiated according to socioeconomic criteria) in line with future financing capacities.

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# V. Final recommendations

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The discussion on household income protection in the region has become increasingly prominent following the profound impacts of the COVID-19 pandemic and within a situation that has been described as a cascading crisis (ECLAC, 2022a). The region of Latin America and the Caribbean has accumulated significant experience in social protection following the introduction of cash and in-kind transfers which, through non-contributory social assistance, have sought to compensate for structural deficits in social security entitlement coverage due to pervasive informal labour. However, instruments such as conditional cash transfer programmes had limited coverage and amounts before the pandemic, and even when combined with all cash transfers available in the countries, they have not been sufficient to provide adequate and effective social protection during the protracted social crisis (Holz and Robles, 2023). Three years on, extreme poverty is projected to follow an upward trajectory in 2022, rising from 12.9% to 13.1%, while poverty will continue to affect just under a third of people in Latin America. Similarly, the increase in inflation will also have major repercussions on the food security of the regional population, with an especially strong effect on the poorest and middle-income strata and potentially profound impacts on the overall development of children and adolescents (ECLAC, 2022b).

The experience during the pandemic shows the rapid activation of an unprecedented number of non-contributory social protection instruments and other measures that mitigated, but did not halt, rises in poverty and extreme poverty (ECLAC, 2021a). Most of the announced measures have been cash transfers and, in particular, new cash transfers, although pre-existing conditional cash transfer programmes were also adapted and leveraged to respond to the emergency. The duration and adequacy of the transfers provided were critical in analysing their effects in countering the impacts of the pandemic (Atuesta, 2023; Atuesta and Van Hemelryck, 2022). As the protracted crisis lingers and rising inflation continues, countries are still using old and new measures in the same way as during the pandemic (ECLAC, 2022b; Holz and Robles, 2023). This shows the flexibility of countries to react quickly and adapt their transfers to changing contexts. It also reflects their increased institutional capacities given the development in recent years of technical instruments such as recipient registers and automatic payment systems. However, as evidenced by the triple health, economic and social crisis in 2020 and 2021, the costs associated with delays in implementing timely measures can be substantial. These delays can have long-lasting implications for the comprehensive health and well-being of the population, including that of children and adolescents, as well as deepen pre-existing inequalities (Cid and Marinho, 2021; Castillo and Marinho, 2022; Robles, 2023).

These findings have intensified the debate in the countries on household income protection mechanisms, including the proposal for a universal basic income. Although this is a long-standing debate, the first months of the pandemic brought new momentum to the discussion, momentum which is still apparent, for example, in the various bills and academic proposals on this issue, as shown in chapter III. As discussed in chapter I, this type of policy provides certainty in times of instability and access to a guaranteed level of social protection during crises. ECLAC has suggested that this policy could be part of a new social regime of rights or welfare States that takes into account the demographic, labour, technological and productive changes under way and provides a basic social protection floor (ECLAC, 2018). This basic social protection floor would be especially important for young people and women's economic autonomy as well as for increasing workers' bargaining power. Previously, ECLAC explored the possibility of moving towards a system of citizen's and redistributive cash transfers, such as through a basic partial income system for children and adolescents, older adults and unemployed individuals (ECLAC, 2014). Subsequently, the role of cash transfers aimed at both ends of the life cycle (early childhood and old age) as part of the welfare regime and the social protection system was explored in order to advance towards universal coverage (ECLAC, 2020a). This could reorder social hierarchies and establish conditions to reduce inequalities in their various iterations in the region on the basis of this guaranteed floor (ECLAC, 2018). It would also contribute to securing people's autonomy, agency and dignity as part of the integral dimensions of equality (Bárcena and Prado, 2016). Given that ensuring a universal transfer equivalent to a sufficiently adequate amount for all people would entail high fiscal costs, as indicated in chapter IV, this financial burden would be a complex undertaking given the multiple demands that exist in terms of social protection and sectoral policies in our region. Some short- and medium-term policies can be identified that seek to move towards inclusive social development and decisively address household income protection as an essential component of universal, comprehensive, sustainable and resilient social protection systems. The following section outlines three possible areas for further work along these lines, although they are not exhaustive regarding the debate that has been discussed throughout the document.

## A. Protecting incomes during crises and emergencies: quickly activated cash transfers

As noted in chapter III, in the context of a pandemic, and as a response to the immediate needs resulting from crises, ECLAC recommended developing a basic emergency income equivalent to a poverty line for the entire population living in poverty (ECLAC, 2021a). Consequently, a first recommendation of this document in line with the lessons learned from the pandemic and previous suggestions (ECLAC, 2021b; Robles and Holz, 2023; Robles, Atuesta and Santos Garcia, 2023) is to move towards the **institutionalization of an emergency income protection mechanism** that includes a guaranteed transfer at least for the population living in poverty and, ideally, for those in the lower-middle-income strata who are most vulnerable, or to consolidate an entitlement that would make it possible to achieve a guaranteed level of income protection that is available on a universal or quasi-universal basis. This transfer could be triggered by various types of shocks, including health emergencies, disasters and large-scale economic crises with a high potential impact on the well-being of the population. The criteria for activation should be determined according to considerations that can be pre-established at the national level (regarding the scope of the crisis or disaster and the impacts that could be considered for this measure) (Robles and Holz, 2023).

This measure could be implemented based on the lessons learned during the pandemic. Aspects to consider include institutional/legal, financial and technological components (Robles and Holz, 2023). In terms of **institutional challenges**, it is important to note those that are: i) linked to the regulatory framework that can support this measure (e.g. having it enshrined in law given the constant issuance of decrees); ii) linked to and coordinated with existing programmes, through mechanisms of vertical expansion (increasing amounts or duration of existing entitlements) or horizontal expansion (increasing coverage) (WFP, 2017); iii) linked to operational mechanisms for their rapid implementation and delivery in the territories, and including strengthened social information systems and broad use of banking services by the population; and iv) associated with design elements that include their amount and scope (universal, quasi-universal, more detached from a basic income approach, targeted), among other aspects (Robles and Holz, 2023; Robles, Atuesta and Santos Garcia, 2023). For example, in Chile, a bill has been proposed for the activation of the Emergency Family Income (Ingreso Familiar de Emergencia–IFE) in case of confinement to protect household income[63] (Robles, Atuesta and Santos Garcia, 2023). Of course, this type of proposal requires broad consensus, safeguards for financial sustainability and a robust institutional framework to allow for rapid implementation if required. Thus, this measure should, at the very least, include institutional and legal elements based on a previously studied legal framework for its implementation in the event of a crisis. A budgetary and financing framework as previously set out in the legal framework to be established should also be put in place, and it should include various technological considerations on the mechanisms that must operate to identify the affected populations and reach them in a timely, adequate and sustainable manner (Robles and Holz, 2023).

## B. Income protection as one facet of multidimensional efforts

Secondly, it is also important to draw lessons from the pandemic in terms of the **multidimensionality of the efforts** required to deal with emergencies, especially natural and anthropogenic disasters, from the perspective of universal, comprehensive, sustainable and resilient social protection systems (ECLAC, 2021) and to recover from their effects. The link between social protection systems and disaster risk management mechanisms must be strengthened. These mechanisms are activated when disasters occur, i.e. when an external hazard —which may be caused by natural environmental and anthropogenic factors (such as social conflicts, wars and possible technological threats)— can have a significant impact on the well-being of the population due to exposure and vulnerability factors, particularly among the most vulnerable populations (Cecchini, Holz and Robles, 2021; Shi, 2019).

Accordingly, an income protection policy during times of crisis must be coordinated with the set of entitlements that make it possible to safeguard living standards and livelihoods and the resources that households have, including employment, housing and access to social services to support capacity-building. ECLAC has shown that the region is experiencing a "scarring effect" among younger generations, reflected in an educational crisis marked by increasing levels of school dropout and learning delays, among other phenomena (ECLAC, 2022b). A transfer policy alone would not suffice to tackle this situation. Instead, coordinated and comprehensive strategies are required to guarantee the simultaneous protection of consumption levels, access to social services —particularly in education and health, but also in housing, transport, Internet access and all public and quality social services— as well as the continuity of social security systems that can provide sustainable social protection (ECLAC, 2021; Robles and Holz, 2023). This requires thinking about the role of cash transfers during the emergency process to guarantee household consumption levels and throughout recovery. During the recovery

[63] See [online] https://www.gob.cl/chileapoya/.

period, early identification of the population most affected, most at risk and experiencing the highest levels of inequality is key. This would make it possible to combine income protection mechanisms with the coordination of specific strategies to reconnect with available public solutions and quality social services. This could even lead to expanding the supply of public social services, if they are non-existent or difficult to access in certain areas.

It is worth noting that, in the context of the current food crisis, food accounts for two-thirds of inflation in lower income households, and it has been estimated that the number of people going hungry in Latin America and the Caribbean increased by 13.2 million, reaching 56.5 million between 2019 and 2021 (ECLAC/FAO/WFP, 2022). As a result, there is a greater need to bolster the purchasing power of cash entitlements and complement these measures with other transfer modalities (e.g. in-kind transfers) as well as to value and strengthen the role of food programmes (e.g. school feeding programmes). It is thus vital to consider indexing new and pre-existing cash entitlements to inflation so that their impact is sustainable and their amounts remain adequate (Robles and Holz, 2023). It will also be important to strengthen other synergies between food programmes and local and regional agricultural supply and between social protection policies and policies to promote agricultural production (ECLAC/FAO/WFP, 2022). The magnitude of the food insecurity emergency in general and among children in particular should not be underestimated; the situation will require social policy efforts to be prioritized to prevent a vicious cycle. Urgent action through **intersectoral strategies** is therefore essential.

The pandemic also revealed opportunities to strengthen the link between cash entitlements and other capacity-building policies and measures during emergencies, especially labour market inclusion. For example, in several countries, recipients of emergency cash transfers could access technical and professional training schemes to improve their employability and job opportunities, as has been documented, for example, in the cases of the Bono Proteger programme (Protect grant) in Costa Rica and the Jóvenes Construyendo el Futuro programme (Young people building the future) in Mexico (Atuesta and Van Hemelryck, 2022; ECLAC, 2021b).

## C. Income protection as a feature of social protection systems and sustainable policy: some options

This report has explored **various universal or quasi-universal schemes for social income protection** for households, communities and individuals that can be discussed in the countries of the region. The magnitude of the impacts of recent crises makes it all the more **important to have some form of income protection scheme with the widest possible coverage and sufficient levels of adequacy and sustainability**. This objective could be achieved in a variety of ways and with different links to the social protection systems in place in the countries. The potential cost of some of these options has been explored.

At the beginning of this document, **universal basic income** was analysed in detail as a medium-term policy for countries to guarantee incomes though various schemes. The five features of this instrument were outlined: a universal, periodic, individual and unconditional cash transfer. The role of universal transfers in reducing the exclusion errors that can occur in targeted programmes; their contribution to creating a sense of belonging and promoting gender equality; and the mitigation of feelings of stigmatization associated with transfers only focused on the poor and extremely poor was highlighted. It was also noted that their implementation would not necessarily lead to disincentives to labour inclusion, but instead could provide people with the means to find work. There are various options for implementing such a policy, and given its high fiscal costs and difficulties linked to the political economy of its implementation in the region, other options could be considered. These options could allow for gradual steps towards increasingly universal income protection mechanisms and thus support efforts to eradicate poverty and substantially reduce inequalities, in line with the 2030 Agenda for Sustainable Development and a rights-based approach. Among the options discussed, **minimum income and negative income tax** were included, as well as the role of **grants for children and non-contributory pension schemes** for older adults.

Three pathways forward are suggested below for the design and implementation of a transfer to provide guaranteed levels of adequate income. These pathways also seek to increase coordination with the entitlements that are part of the developing social protection systems in the region.

First, given the overrepresentation of poverty among children, the low coverage of contributory family transfers and non-contributory transfer programmes for households with children and adolescents, and the aggregate impacts on their well-being during recent crises, a first pathway is to consolidate **a grant scheme aimed at children**. As noted in chapters II and III, a universal or high-coverage grant for children has been included in the recent social protection debate (Bacil and others, 2022; ECLAC/UNICEF, 2020; ODI/UNICEF, 2020; ILO/UNICEF, 2019). In 2020, in the policy brief for Latin America and the Caribbean, the Secretary-General of the United Nations argued that, given the magnitude of the incidence of child poverty, a universal transfer for children could be a step towards a permanent policy of universal basic income within a new development model during the recovery (United Nations, 2020). Similarly, the Regional Agenda for Inclusive Social Development proposed assessing "the desirability and feasibility of gradually and progressively incorporating a universal transfer for children and a citizen's basic income" (ECLAC, 2020b, p. 32), along with ensuring that the entitlements of social protection systems include a child-sensitive perspective.

This scheme should at least initially cover households in the lower-middle-income strata, in order to protect the living conditions of families of informal and self-employed workers, who receive independent income but often lack access to social protection. This is especially important during a decade that will be marked by the impacts of the pandemic and the potential effects of food insecurity on children caused by the current inflationary crisis. It would also contribute to reducing inequalities from childhood onwards, creating a shared floor for skills acquisition and opportunities.[64] While the investment may be significant, this is partly explained by the absence of a strong institutional framework aimed at this population. However, prioritizing this population is key given the high costs of child poverty for children's rights and development opportunities (Griggs and Walker, 2008). This type of scheme is not incompatible with implementation under a staggered modality in terms of expanding the grant amounts, the covered child population and the coverage that can be achieved within a given time frame. For example, as mentioned in chapter IV, this transfer could at least cover children in poverty and extreme poverty during their early childhood before being progressively expanded.[65] Four additional considerations are also put forward:

- It is crucial to learn from the experience of conditional transfer programmes and non-contributory pension systems, which, over a period of two decades, have seen their coverage grow exponentially at the regional level, with a considerable rise in countries that have moved towards universal or expanded coverage. There are important lessons to be learned in terms of transfer design with regard to the coordination of stakeholders and consensus for their implementation, the social institutional framework required and the mechanisms for gradual progress to ensure the sustainability of these reforms.
- It is also essential to strengthen the systemic logic of a child rights-sensitive approach to social protection in the design of this transfer in order to reduce the economic and social vulnerabilities that are linked to poverty and social exclusion of children, adolescents and their

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64 The impacts of this grant on income inequality were explored in chapter IV. See also Bacil and others (2022).

65 It is also possible to adopt various options for determining the amounts and iterations for this transfer according to the different income levels of population groups. See, for example, Bacil and others (2022).

families (UNICEF, 2012). Thus, it is hoped that this transfer will be closely linked to the set of entitlements that seek to strengthen access to health, education and care systems in the countries, through universal or priority access policies, grants, maternity, paternal and parental leave, scholarships, and other cash and in-kind transfers, including school feeding and nutrition reinforcement programmes. This is particularly important given the current impacts of food insecurity and school dropout in the region (ECLAC, 2022b). Thus, one solution would be to link transfer programmes with capacity-building initiatives already undertaken by conditional transfer programmes. This would not necessarily entail introducing conditionality criteria in the design of this entitlement. As seen in chapter III, unconditional transfers can have substantive impacts on capacity development in children and adolescents. It is also possible to promote the link between social services and access to a cash transfer through other means, such as through a communication strategy or by reinforcing access to health and education services through local family support (Vargas, Robles and Espíndola, 2021).

- It is possible to start by strengthening this systemic logic within the framework of comprehensive early childhood care systems, which already exist in various countries in the region, and from which lessons and recommendations can be drawn for comprehensive protection at other life cycle stages. These include the logic of a "entitlements chain" that provides a regulated and targeted range of investments, goods, services and transfers to simultaneously address the various dimensions of capacity-building in children; the intersectoral and territorial coordination mechanisms already in place; the visibility of this stage of the life cycle as a subject of public policy; and the social information systems and evaluation and monitoring mechanisms already in place (López, 2021).
- The incremental implementation of this grant can also be complemented by the expansion of contributory transfers, which are also part of the social protection systems in the countries, but which are currently unevenly represented in terms of family entitlements. This would support the financial sustainability of all transfers for children.

Second, continuing to expand the coverage of non-contributory pension systems is a feasible goal in terms of the political economy of countries and necessary due to population ageing. This is because these systems are instruments that have already had impacts on the social protection of older adults and the reduction of the risk of poverty in old age, at relatively low cost and with a social institutional framework that is increasingly consolidated. As indicated in chapter IV of this document, reaching 40% coverage and an amount equivalent to the poverty line with this instrument in countries where this threshold has not been reached would amount to 0.49% of GDP in 2030, considering what is already invested in non-contributory pensions in Latin American countries. Making simultaneous progress in both stages of the life cycle —childhood and old age— also makes perfect sense from the perspective of the social security guarantees set out in ILO Recommendation No. 202, and would cement social protection links for growing shares of the region's population. It is possible to consolidate an incremental plan to expand the coverage and levels of adequacy of these entitlements, along with the consolidation of a system of cash transfers for people with disabilities, which recognizes their differentiated economic needs and support in the processes of labour inclusion, education and training. While further work is needed on ways to advance income protection for people with disabilities, whether through non-contributory pensions or cash transfers that do not hinder their inclusion in the labour market (Bietti, 2023), the expansion of non-contributory pension coverage for this population is also an imperative in the region.

Third, addressing the situation of informal workers and people facing periods of unemployment or who are outside the labour market is also crucial.

The experience of **minimum income policies** in Europe could be relevant for their application in the countries of the region. Depending on the design chosen, the policies could provide options for closing the gap with respect to the agreed levels of income to be protected, while also boosting people's **inclusion in the labour market** (Frazer and Marlier, 2015). The impacts of the pandemic on the labour market, including rising informality and labour participation dynamics, make coordination with a labour-market policy especially important. This policy can be complemented with other policies of support, training and labour inclusion to ensure decent working conditions for the most vulnerable workers.

In all these cases, the **coordination** of **non-contributory income transfer policies with contributory social security policies** should be strengthened, as this is a key element for progress in the financial sustainability of social protection systems and in improving the levels of adequacy and coverage of their entitlements. This could be achieved through policies that link the two dimensions, such as in the area of family transfers or through initiatives aimed at reducing informal work that include the promotion of a guaranteed minimum income as part of the measures. From the perspective of this document, none of the options explored should constitute a replacement for the quality public social services that States can provide with substantive implications for equality and social cohesion. This does not prevent countries from improving upon the design of all social and, especially, cash transfers to avoid potential duplication as well as incentives that make it difficult to enter formal employment or to declare low incomes in order to be eligible for these policies (Bietti, 2023; UNDP, 2021).

## D. Institutional challenges for income protection

Finally, it is worth mentioning the institutional challenges involved in moving forward with efforts to guarantee income protection in the region. While the pandemic led to a growing consensus on the prevalence of universal coverage of social protection systems, implementing that coverage —including an income guarantee— requires an incremental and gradual process that reflects national realities and depends on a variety of institutional, political, economic and social factors.

First, there are challenges related to financing constraints, with a projected economic slowdown in 2023, high levels of indebtedness and limited fiscal space. In this regard, it is essential to ensure progressive taxation with greater revenue-raising capacity and measures that seek to reduce tax evasion and avoidance, for example, as well as the review of tax expenditure (ECLAC, 2022c), with a continual focus on the financial sustainability of the measures proposed. ECLAC has raised the importance of advancing towards a **social compact**, which will require a **fiscal covenant** to sustain it with a view to consolidating universal social protection systems as a pillar of a welfare state (ECLAC, 2022b). This entails reaching agreements and identifying mechanisms on the levels of social protection (coverage, recipient populations and adequacy) that will be guaranteed within the scope of the systems and policies to be implemented.

Second, sustaining the policies that are established to protect household incomes requires overcoming a number of organizational challenges in terms of design and implementation. First, there are major challenges in terms of building robust social information systems that allow potential recipients of a new entitlement to be quickly identified or, alternatively, systems that can be expanded for existing entitlements. There are also issues regarding the efficient delivery of transfers and aspects related to their monitoring and evaluation. The pandemic consolidated progress in this area, but it also highlighted significant deficiencies and unequal starting points among countries that need to be addressed (Atuesta and Van Hemelryck, 2022). In a similar vein, there are also challenges with regard to including these transfers in the framework of universal and comprehensive social protection systems to avoid possible duplication between programmes while also enhancing existing systems by taking an incremental approach when developing them.

There is a third political economy challenge to this type of initiative, involving decisions that are both technical and political. These include, for example, the desire to move towards universal entitlements. As ECLAC has indicated, the universalist approach is not necessarily opposed to targeting, but targeting should be used to support the universalist approach, particularly when interventions are prioritized to overcome a range of inequalities (ECLAC, 2016) with a view to achieving universal access to entitlements that enable the exercise of rights. Similarly, determining transfer amounts and their adequacy requires a process of technical and political consultation to agree on the levels that can be guaranteed at the national level, as indicated in ILO Social Protection Floors Recommendation No. 202. Finally, these measures must be supported by broad social consensus and understood from a social investment perspective, where they are not only linked to cash entitlements but to all social protection instruments, with their role being to ensure the exercise of people's rights and the sustainable development and inclusive social development of countries.

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In the area of social protection systems, the Latin American and Caribbean region is characterized by structural gaps in coverage and sufficiency, owed especially to widespread labour informality. To offset these deficits, the region has accumulated vast experience in social protection through the introduction of cash and in-kind transfers as non-contributory social protection.

In addition, in light of the profound impacts of the coronavirus disease (COVID-19) pandemic and an unfavourable economic and labour context, the discussion on mechanisms for ensuring adequate income levels in the region has become central. This paper seeks to address the income protection dimension of social protection systems, exploring various instruments and policy options discussed in recent years from a comparative and regional perspective, focusing on their non-contributory component. By exploring their possible costs, it also analyses the feasibility of advancing progressively in various income protection modalities.

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