



Policy Research Brief

October 2009 – Number 60

“Family Allowances and Child School Attendance. An ex-ante Evaluation of Alternative Schemes in Uruguay”

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Asignaciones Familiares is a child allowance program that began in Uruguay in 1942 and was significantly modified in 2008. The program is focused on children aged 0 to 18 and aims at alleviating poverty and promoting school attendance, particularly among teenagers. A team of Uruguay researchers conducted an evaluation of the likely effects of this reform on teenage school attendance, labor participation, poverty and inequality, as well as on adult labor supply. Results provide important insights to further improve the design and implementation of this program.

The researchers first attempted to predict the impacts of the recently implemented *Asignaciones Familiares* regime that includes a premium for each child attending secondary school and adjusts for the number of children in the household (Table). This regime is shown likely to lead to a six percent increase in teenage school attendance rates nationwide. It is also found to be very progressive, with a near doubling of attendance rates among the very poorest (Graph 1). The reform slightly reduces poverty incidence and income inequality. However, it significantly reduces extreme poverty. The program is also likely to slightly decrease adult labor supply.

The researchers go on to explore two alternative regimes with the same overall budget. In the first, there is no reduction in the allowance per child according to the number of children in the household and the premium for children attending secondary school is increased. The impact on secondary school attendance is larger. Even stronger impacts on teenage school attendance rates are observed among the poor – more than doubling for the poorest – and the

nationwide rate rises a further two percent. Results for adult labor, poverty, extreme poverty and inequality are not different from the first scenario.

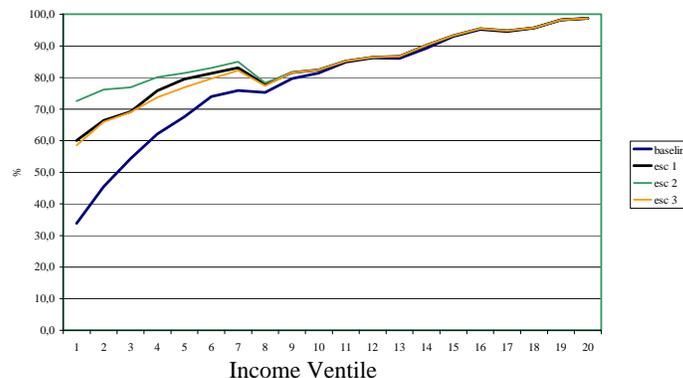
Table: Scenarios

Scenario	Children under 18	Children under 18 in secondary school
Asignaciones Familiares	\$700*	\$300*
More targeted	\$400	\$900
Universal	\$500	\$0

*Reduced for each additional child in the household.

The final scenario provides the same allowance to all children, whether they attend secondary school or not and regardless of the number of children in the household. Its impacts are virtually indistinguishable from those of the current regime. Again, results in regards to adult labor, poverty, extreme poverty and inequality are similar across scenarios.

Graph: Secondary-school attendance rates by scenario and income ventile (Children, 14-17) %



This Policy brief is based on Working Paper PMMA 2010-07.