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School Attendance, Child Labor and Cash Transfers:
An Impact Evaluation of *PANES*

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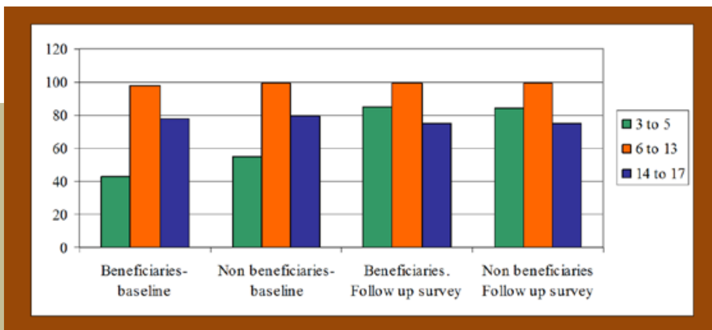
POVERTY AND EDUCATION IN URUGUAY

Uruguay is a small, middle-income country whose poverty and inequality rates are among the lowest of the Latin American region. However, from 1994 to 2005 - in the aftermath of the early 1990's economic crisis - the country experienced an increasing trend in both poverty incidence and severity. This deterioration motivated the implementation of a temporary (April 2005 to December 2007) anti-poverty program, the *Plan de Atención Nacional a la Emergencia Social (PANES),* which included a conditional cash transfer component (*Ingreso Ciudadano)*.

In addition to providing direct assistance to poor households, the intervention aimed at fostering human capital accumulation and promoting social integration. In terms of education in Uruguay, access to primary schooling is universal since the early decades of the 20th century, but challenges remain to improve quality and expand secondary-level enrollment rates.



ABSENCE OF IMPACT

Results indicate that cash transfers had no impact on school attendance and child labor in Uruguay. In other words, the intervention failed to achieve its objective in terms of human capital accumulation.

According to the authors, such failure can be explained by different factors:

- lack of incentives due transfers' insufficient amounts relative to household income,
- potential substitution effects, the role of non-income determinants of school attendance, and
- lack of control of the conditionalities, (as it was publicly acknowledged by MIDES after the plan was removed).

As no differences in household income between beneficiaries and non-beneficiaries were found, the possibility of a potential "substitution effect" was invalidated. Considering different outcomes on **labor market insertion** in general, again the researchers found no effects in terms of participation and employment.

ASSESSING THE IMPACT OF CASH TRANSFERS ON YOUTH'S EDUCATION AND LABOR

In this PEP-supported study, a team of Uruguayan researchers set out to assess the impacts of the cash transfer component of PANES, on school attendance for children aged 3 to 17, and on child labor for those aged 6 to 17. The team also explores the role of some of the potential channels highlighted in the literature on cash transfer programs: household income, adult labor supply and conditionality.

The evaluation is based on two data sets:
- the administrative records from PANES applicants (baseline information) and
- the second wave of a follow-up survey gathered two months after the program ended.

The researchers relied on specific methodological approaches, fostered through the PEP Policy Impact Evaluation Research Initiative (PIERI), to assess the program's impact on identified beneficiaries and non-beneficiaries.

For **schooling**, there seemed to be no influence on resulting outcomes in terms of attendance, even when "awareness of transfer conditionality" was considered. Results for teenagers suggest either that
i) the amounts of transfers were not enough of an incentive to foster secondary school attendance, or
ii) ii) that other variables (not income-related) are involved in such decisions.

Finally, the initial rates for **child labor** being so low in Uruguay, it is no surprise that the analysis traces no effects on this particular outcome.

CONCLUSIONS AND RECOMMENDATIONS

By highlighting the specific features of the Uruguayan intervention, this study provides insights into how the role of such policies, in influencing socioeconomic outcomes, may vary in different contexts. In the case of Uruguay, as primary school attendance is close to 100%, it was unlikely to obtain effects for children aged 6 to 12.

In terms of future interventions, new directions shall be explored in terms of
1) complementary interventions that can operate on the non-income determinants of school attendance among teenagers,
2) adjusting transfers to the number of children (in contrast with the fixed amount provided by PANES) and
3) considering whether providing the transfers to the parents exerts the same effect on schooling than giving the money directly to teenagers.

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