

How Well Could Emergency Transfer Programs Protect Informal and Vulnerable Households against Negative Effects of the Covid-19 Lockdowns?



Data on 33 emergency transfer programs implemented across 10 Latin American and Caribbean countries in response to the Covid-19 pandemic shows substantial variation in proposed coverage.



Coverages and replacement rates are in general high among the poorest households that are in the first quintile of the earnings distribution, ranging from 54 percent in Ecuador to 100 percent in Brazil and Peru.



The second and third quintiles show very different results, with replacement rates falling considerably in all cases except Brazil. For most households in these quintiles, emergency transfers compensated less than 25 percent of labor monetary income.

CONTEXT

At the beginning of the Covid-19 pandemic, governments introduced some form of lockdown to contain the spread of the virus, but the economic costs of these measures were not the same for everyone. In Latin America, where working from home is a luxury, a great proportion of the population would be left with no means to survive during this time. To overcome these losses, Latin American governments put in place a series of emergency social assistance programs. This study provides an ex ante evaluation of the potential coverage and generosity of these programs to determine if they have provided sufficient protection to those who need it during the crisis.

THE PROJECT

The analysis relies on data from two main sources. Official government websites that track policy responses to Covid-19 and, where information was incomplete or outdated, three additional sources helped complete and validate data: the main newspapers in each country, the *Weekly Policy-makers Response against Covid-19 Database* developed by the Covid-19 Policy Measures Team at the Inter-American Development Bank, and the *ACAPS Covid-19: Government Measures Dataset*. Household surveys from 2018 (except Chile, where the last wave was 2017) allowed matching the descriptions of the programs to household or individual characteristics.

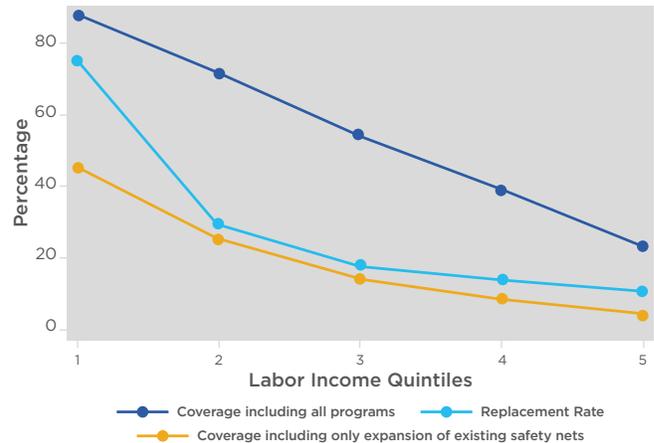
RESULTS

Figure 1 shows the main takeaway from the study, the regional average of the coverage and the regional average of the generosity of the emergency transfers. The figure presents two indicators of the potential coverage of emergency transfers, measured as the share of households that are expected to receive them. One measure includes only emergency transfers that are extensions of programs from before the Covid-19 crisis, the other considers all emergency transfers. The third line shows the generosity of the combined emergency programs, calculated as the median emergency transfer received by households each month as a proportion of their regular monthly household labor income. The three measures are computed by quintile of household labor income distribution of each country and averaged across the 10 countries.

This analysis allows the following conclusions:

- a. The emergency transfers had the potential to reach a high proportion of households in the first quintile, but coverage dropped linearly with earnings. This leaves a substantial share of households in the second and third quintiles uncovered, although these quintiles have a high concentration of fully informal households.
- b. The high coverage in the first quintile, potentially reaching 85 percent of households, hinged on the set of ad hoc measures introduced by governments in the region. If governments were to rely only on the expansion of existing social programs, coverage would have been much lower (about 45 percent).
- c. The extension of ad hoc programs also shows potential leakages. Up to 25 percent of households in the richest quintile could become beneficiaries of one of these emergency social assistance programs.

Covid-19 Emergency Social Assistance Programs in Latin America and the Caribbean: Coverage and Replacement Rates



Note: Unweighted average for Latin America and the Caribbean. (i) Coverage is defined as the percentage of household receiving the aid; (ii) Replacement Rate is the median of the monthly monetary transfer over the monthly monetary labor income for the targeted households. The regional average for coverage including only expansion of existing safety nets does not include El Salvador.

POLICY IMPLICATIONS

1. Proposed emergency measures were able to target the most vulnerable households: those in the first quintile of the country's labor income distribution.
2. However, the coverage and replacement rates in the second and third quintiles were much more limited. With the notable exception of Brazil, emergency social assistance programs as currently formulated could not replace the potentially foregone incomes of a large fraction of families in the informal workforce that were forced to shelter in place and could not work.
3. Insufficient compensation in the second and third quintiles limits the ability of governments to sustain extended lockdown periods, and it may limit their ability to enforce another wave of lockdowns in the event of a resurgence of contagion.
4. Government responses to the Covid-19 crisis highlight two important facts. First, improvements in social protection during the last 20 years allowed many countries to effectively target resources to the poorest. However, the fragmented and insufficient coverage of social protection systems remains a serious structural problem in the region. These limitations complicate the delivery of income support to informal workers who are not sufficiently poor to benefit from social assistance but lack other automatic stabilizers, such as unemployment insurance, that could alleviate the impact of temporary shocks.

5. Although there is no straightforward answer to the question of how to protect those who do not contribute to social protection systems, the need to have mechanisms that reach non-poor vulnerable households during times of negative shocks has become evident.

In light of these shortcomings, Latin America needs to consider reforms that would provide more effective and agile assistance to those falling through the cracks in times of crisis. Doing so would make the region more resilient in the wake of future negative shocks.



FULL STUDY

[Busso, M., J. Camacho, J. Messina, and G. Montenegro. 2020. "Social Protection and Informality in Latin America during the Covid-19 Pandemic."](#)

DEPARTMENT OF RESEARCH AND CHIEF ECONOMIST

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