



Does universal basic income work for Latin America?

by Andrew Thompson

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What happened?

Brazil has just extended emergency COVID-19 payments to informal workers and poor households for another three months, at a time when there is growing interest in the idea of a universal basic income (UBI) in Latin America.

The details

One reason the COVID-19 pandemic has been so damaging in Latin America is that the region has high rates of poverty and informal working. Without a safety net it is almost impossible for the poor to observe quarantine and social distancing protocols. Recognising this, governments have set up emergency payments schemes. Brazil's right-wing government was forced by Congress to offer BRL600 (US\$113) a month for three months to informal workers and the poor, on top of the already long-running and successful 'conditional cash transfer programme' known as Bolsa Familia. President Jair Bolsonaro has just extended the emergency payments for another three months, although at a lower rate (it will taper down to BRL300 by September). While economy minister Paulo Guedes is worried by the fiscal cost, with municipal elections coming in October, some type of support scheme may be extended even further.

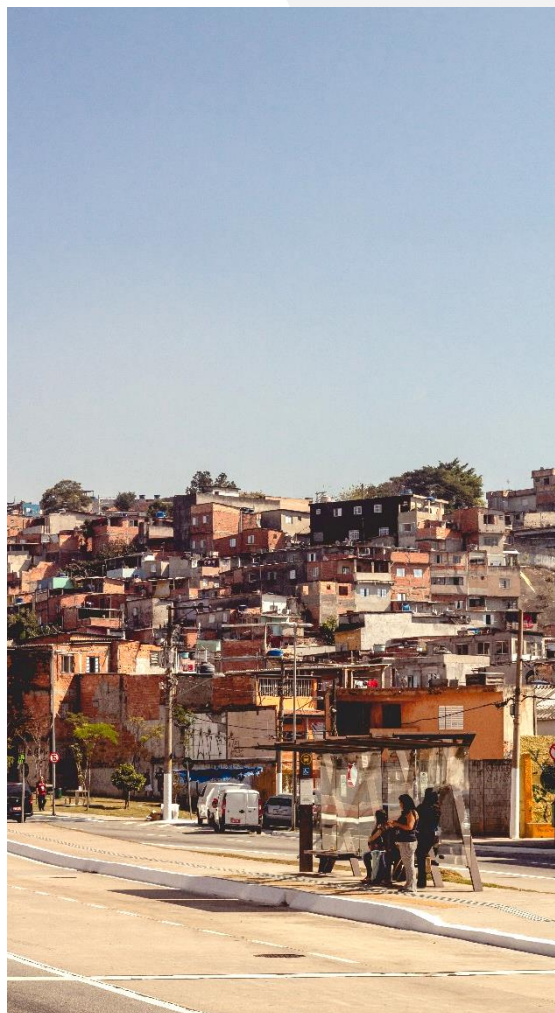


Table 4 | Latin America and the Caribbean: social protection measures in response to COVID-19

Cash transfers ^a	In-kind transfers	Provision of basic services	Social protection for formal workers	Other direct support to individuals or families
<ul style="list-style-type: none"> • New cash transfer programmes • Expansion of existing programmes (early disbursement, increased amounts, wider coverage) 	<ul style="list-style-type: none"> • Food • Medicines • Masks • Cleaning products 	Suspension or waiver of bill payment for: <ul style="list-style-type: none"> • Water • Electricity • Gas • Communications (telephone, Internet, TV) 	<ul style="list-style-type: none"> • Reduced exposure to COVID-19 (teleworking) • Income and employment protection (unemployment insurance, sick leave, bans on dismissal) 	<ul style="list-style-type: none"> • Tax relief • Loan and mortgage payment accommodations • Price control

Source: Economic Commission for Latin America and the Caribbean (ECLAC).

^aTransfers for persons and households in situations of poverty and vulnerability, including informal workers.

A total of 29 regional governments have announced a range of social protection measures. But accessing them is not always easy, and there are bureaucratic hold-ups. One way or another a lot of people are still left out. So the question is: why not go a step further and offer some type of a universal basic income (UBI)? Interest in UBI has grown in rich countries partly because of the threat to jobs from automation. In Latin America Colombian finance minister Alberto Carrasquilla has said the idea is worthy of consideration. In fact, the UN’s Economic Commission for Latin America and the Caribbean (ECLAC) is positively enthusiastic about the idea. In a [report published in May](#) it argued for the immediate introduction of a basic emergency income (BEI) for six months. It should be equivalent to one “poverty line” (the per capita cost of basic necessities). According to ECLAC calculations this would benefit 215mn people or 34.7% of the population and cost the equivalent of 2.1% of GDP. ECLAC further suggests governments should consider transitioning to offer permanent schemes.

What does it mean?

A crisis can generate new ideas: while there are arguments pro and against UBI, for many it holds promise as a cost-effective way of reducing poverty and improving public health.

About the Author

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As well as being a Canning House Associate Fellow, Andrew is a former foreign correspondent (Buenos Aires, Mexico City, Rio de Janeiro) and a broadcaster for the BBC's Latin American Service. Working through La Rambla Research Ltd., he writes about economics, political risk, and business in Latin America.



These stories are also available on Andrew's blog site, [La Rambla Research](#).