

A Year after the Implementation of the Ethical Family Income: Improvements and Pending Matters

In the debut of the Ethical Family Income Program, there is a clear improvement in the tools available for challenging extreme poverty. Nevertheless, and without ignoring all the merits of this program, an ambitious social policy such as the IEF could be improved in targeting matters and adapting to new realities.

A year ago, exactly on May 17th, 2012, one of the most important laws for uprooting extreme poverty was enacted. The purpose of the Law 20,595 is to definitely take families out of this condition, by refining the programs and tools, and fostering the conditions to improve the beneficiaries' income-generating capacity.

What is the Ethical Family Income?

The Ethical Family Income (**Ingreso Ético Familiar, IEF**) is a conditional transfer program created to overcome extreme poverty through a mutual commitment between beneficiaries and the State. Uprooting is achieved by combining cash transfers with qualification and support components. The first ones allow mitigating the consequences of poverty immediately, while intervention enables to fight the causes of poverty, both in the short and medium term.

The IEF falls within the framework of the *Eje* Program, which is the family's support and whose aim is to make a diagnosis, prepare an action plan, as well as doing a follow-up and evaluation of the benefited families. From this program, users are derived to a psychosocial assistance program and an employment support program. The first one, as indicated in the regulation, seeks to promote capabilities to strengthen social inclusion and self-development. In the meantime, the employment support program seeks to improve the people's income-generation capacity.

In a general way, transfers through the IEF program are divided into three pillars: dignity awards, duty awards and achievement awards.

The dignity pillar is a transfer which seeks to provide an immediate relief to the families in extreme poverty; the allocated amount depends on the families' characteristics.

In turn, the duty pillar conditions the cash delivery to the children's enrolment and attendance to school and health check-ups for children under 6 years old. Finally, the achievement pillar is awarded to the families where women find a formal employment and to the top 30% students of the class.

Under the heading of dignity and duty, the monthly allowance received by a standard family (2 adults and 2 children) is approximately CLP\$60 thousand. Additionally, there are school achievement bonuses and female employment subsidies.

Preliminary Results

The 2011 CASEN Survey (*Encuesta de Caracterización Socioeconómica Nacional*, National Social and Economic Survey)ⁱ was used to assess the impact of the social allowance. The Survey allows identifying the families who received the Social Allowanceⁱⁱ, although it is not possible to accurately determine the components of the amount that each family receives.

The sample of the 2011 CASEN Survey is composed of 59,084 households, from which 1,070 received a Social Allowance payment. In population terms, from a total of 4,966,890 households, 170 thousand were benefited by the IEF, that is, 3.4%. In the survey sample this proportion is 1.8%.

The 2011 CASEN Survey data correspond to the family's situation in November of that year. At that moment, the families who received the IEF had already participated in the program for eight months, a reasonable time for noting some effect.

The first thing we observe is that the IEF is better targeted than the *Chile Solidario* program. The CASEN Survey allows identifying the income decile of the families who received the Social Allowance subsidy and participated in the *Chile Solidario* program. Although most beneficiaries belong to the families of the deciles with lower autonomous incomes, the proportion of benefited families who are above the second decile is worth noting (Table 1).

In a program like the IEF, it is expectable that non-vulnerable families behave differently than vulnerable ones. Therefore, only the families of the first three autonomous income quintiles were considered, thus reducing the sample of beneficiaries to 735 households. Households with only one member, households without adult women and households with 10 or more members were also excluded from the sample. In this manner, the

considered sample included 708 families with allowance and 14,968 without it.

Table 1

DISTRIBUTION OF THE BENEFICIARIES BY DECILE

Decile	IEF	Distribution of <i>Chile Solidario</i>	
		2009	2011
i	31.6%	24.3%	27.7%
ii	25.4%	20.3%	23.3%
iii	14.3%	14.4%	14.8%
iv	7.8%	10.8%	10.5%
v	9.0%	8.5%	8.4%
vi	5.3%	7.8%	5.5%
vii	3.0%	5.5%	4.2%
viii	1.8%	3.1%	3.8%
ix	1.7%	2.7%	1.5%
x	0.1%	2.6%	0.4%

Source: 2011 CASEN Survey

The program's effect is then evaluated by randomly selecting a group of treated individuals and another group as controls. Both groups have to be representative of the population of interest and be similar among them. For this IEF impact evaluation we used the matching technique, which compares the levels of the variables of interest from a beneficiary family, not with the average non-treated ones, but with another or other families of the non-beneficiary group, which are similar in relation to certain characteristics.

The considered characteristics were: number of people in the household, number of adult women, number of children, schooling of the head of the household, age of the head of the household, and if the household was in a rural or urban zone; and the evaluated variables were: 1) the proportion of working adult women in the household; 2) the proportion of school-age people who go to school; and 3) the proportion of children with up-to-date health check-ups.

In the context of this evaluation, we also contributed to verifying this hypothesis by estimating the effect of the allowance on the following variables: a) the proportion of economically active adults and b) the household incomes derived from average employment by adult.

As shown in Table 2, the families participating in the IEF had higher female labor participation. The estimate is around 6% and it is statistically significant at 99% confidence. As there are 1.5 women per household, it can be concluded that there were nearly 9% more working women in the households that received the benefit.

Table 2

ESTIMATE OF THE SOCIAL ALLOWANCE EFFECT

Variable	Nr of Treated Persons	Nr of Controls	ATT	Standard Deviation	t-test
Female Labor Participation	708	1,435	0.058***	0.022	2.633
School Attendance ⁱ	661	1,149	0.038	0.028	1.345
Child Health Check-up ⁱⁱ	460	861	-0.005	0.03	-0.165
Active Adult Proportion	708	1,435	0.036**	0.016	2.231
Average Income per Adult	708	1,435	-	3.035	-3.036
			9.215***		

Source: 2011 CASEN Survey

(i) Families with no school-age members were excluded from calculation.

(ii) Families with no children age 6 or less were excluded from calculation.

indicates significance at 95% and *indicates significance at 99% confidence.

With regard to school attendance and child health check-up, results are not statistically significant. In other words, it seems that the benefit did not change the behavior of these households in relation to those that did not receive the benefit. In a way, this result was expectable, since the Family Allowance (*Subsidio Único Familiar*, SUF) already included these requirements.

Concerning the potential negative effects, we observe that the proportion of active adults increases significantly, but the average incomes per adult drop by slightly over 9 thousand Chilean pesos (of 2011). This means that the higher female labor participation was not at the expense of the employment of other members who were not liable to the benefit, or at least not in most cases. However, it calls our attention that the household's average incomes per worker are lower. The reason may be that newly created female employments have, on average, lower remunerations than those of the other workers, or that families relying on the benefit have more working members, but each of them dedicates, on average, less number of hours to it. Anyhow, it is a matter that requires a more extensive study in order to draw conclusions, but the preliminary evidence shows that it is a hypothesis which is worth further investigating.

Main Challenges

A year after the introduction of the Ethical Family Income Program, there is a clear improvement in the tools available for challenging extreme poverty.ⁱⁱⁱ Nevertheless, and without ignoring all the merits of this program, an ambitious social policy such as the IEF can always be improved. Although employment is one of the program's chief points, it is at the same time its greatest debt. According to the 2012 Social Policy Report, a standard family composed of a man, a woman and two children, receives CLP\$53,000 monthly on account of dignity and duty transfers, and CLP\$34,000 for Female Employment Subsidy; in other words, only 30% of the transfers is associated to employment. If the idea is not to discourage employment incentives or even stimulate poverty uprooting through work, then we have to emphatically strengthen this type of tool. The preliminary results show positive results inasmuch as working women in the households that received the benefit increased by 9%.

The second challenge is to improve the targeting system, because the IEF has been conceived to support families in extreme poverty condition, but in Chile we lack a targeting instrument that is sufficiently accurate to ensure that benefits actually reach them. The preliminary evaluation shows that even if targeting has improved in comparison to the *Chile Solidario* program, there are still families participating in the program that are above the second decile.

And third and last, we should aim at improving the conditions and adequate them to the poorest families' new realities, so that, regardless of the dynamics and characteristics of the families, they may definitely overcome poverty.

In brief...

THE DEBUT OF THE ETHICAL FAMILY INCOME:

- The IEF is the main program aimed at overcoming extreme poverty.
- Transfers are granted on the base of three pillars: dignity, duties and achievements. It relies on an intervention program which promotes psychosocial and employment capabilities.
- The first evaluation is highly positive, since it shows that working women in the households that received the benefit increased by nearly 9%.
- Further strengthening of employment and targeting, and improving conditions are pending matters.

ⁱ This section is based on Henoch and Troncoso. “*Transferencias condicionadas en Chile: Una evaluación al programa Ingreso Ético Familiar*”, in *Ingreso Ético Familiar: Innovando en la lucha contra la pobreza*. Libertad & Desarrollo, LyD editions, 2013.

ⁱⁱ The Social Allowance is the pilot program for the Ethical Family Income.

ⁱⁱⁱ This section is based on Larraín. “Ingreso Ético Familiar: Una buena política que puede mejorarse”, in *Ingreso Ético Familiar: Innovando en la lucha contra la pobreza*. Libertad & Desarrollo, LyD editions, 2013.