5-28-1992

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Uruguay: Chamber Of Deputies Rejects Proposed Social Security System Reform

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Category/Department: General
Published: Thursday, May 28, 1992

On May 21, the Chamber of Deputies rejected the government’s social security system reform bill. Social security spending rose from US$450 million in 1984 to US$1.4 billion in 1991. The social security system deficit in 1993 is projected at US$1 billion. At present, retirees and pension recipients number about 650,000, and health insurance program beneficiaries, 568,500. Workers paying social security taxes number 833,700 in a labor force of 1.3 million. The open unemployment rate is 11%. Among other things, the reform bill would have reduced future pension benefits by about a third. Politicians of virtually all parties agree that "something must be done" about the social security system financial crisis, but are far from consensus on identifying solutions. The government is ready to sign a new US$60 million stand-by agreement with the International Monetary Fund (IMF), which includes fiscal objectives for 1992 and 1993. Disbursement of US$300 million in loans from the IMF and other foreign creditors for buy-back of foreign commercial bank debt is contingent on the agreement with the Fund. Government officials told reporters that they have persuaded the IMF to accept a fiscal deficit target for 1992 equal to 1.2% of GDP, compared to the Fund's initial preference for 0.8%. Next, the Fund had insisted on a 30% consumer price inflation target for the May 1992-April 1993 period. Government negotiators succeeded in raising the target to 50%. Uruguay's foreign debt totals US$7.401 billion. The public sector accounts for US$4.1646 billion, and private borrowers, US$2.9847 billion. The fiscal deficit was reduced from the equivalent of 7.4% of GDP in 1989 to 1.4% in 1991. Consumer price inflation in 1990 was 130%, and in 1991, 82%. At present, real wages are equal to 1969 levels. According to government statistics, per capita GDP last year was US$2,729.80, and household income rose by 18.5%. Real purchasing power of pensions increased by 38%, and for wages, 3.8%. Tourism revenue in 1991 totaled a record US$332.5 million. On May 25, Economy Minister Ignacio de Posada told reporters that "disagreeable measures" will be necessary to mitigate the effects of a huge social security system deficit. (Basic data from Spanish news service EFE, 05/23/92; Agence France-Presse, 05/23/92, 05/25/92, 05/26/92)

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