Summary

• What are the most important challenges in terms of inequality to be faced in Brazil in the coming years?
  – Trends in inequality and poverty and its determinants
  – Overview of the characteristics of the labour market

• How has the 2008/2009 crisis impacted on the vulnerable population of Brazil?
  – GDP data from 2008 and 2009
  – Trends in inequality and poverty

• Which key labour and social policies will Brazil use to tackle poverty and inequalities?
  – Social protection in Brazil: social security and social assistance

• Bolsa Familia Program (Conditioned Cash Transfer – CCT)
  – Characteristics, evolution, main results and present and future challenges.
Brazil: brief overview

- Population: 193 million
- Area: 8.5 million km²
- Federative Republic: 26 states, 5,565 municipalities and the Federal District
- GDP (2009): R$ 3.143 billion
- GDP (PPP): $2.025 trillion (2009 est.)*
  - Country comparison to the world: 10
  - $2.029 trillion (2008 est.)
  - $1.931 trillion (2007 est.)
- GDP per capita (2009): R$ 16,414
- GDP per capita (PPP): $10,200 (2009 est.)*
  - Country comparison to the world: 105
  - $10,300 (2008 est.)
  - $10,000 (2007 est.)
- GDP per capita has decreased in 1.2%
  (variation of -0.2% in GDP and population growth rate of 0.99%)

*TData are in 2009 US dollars

Trends in inequality and poverty

- Important reduction in income inequality
  - Between 2001 and 2007, Gini coefficient declined 7%, reaching its lower value in the last 30 years (from 0.593 in 2001 to 0.552 in 2007).
  - In 2008 the Gini Coefficient reached 0.548
- Reduction in levels of poverty and extreme poverty
  - The rate of income growth of the poorest was almost three times higher than the national mean
- Most important factors affecting poverty and inequality
  - Economic growth, appreciation of minimum wage and programs of income guarantee to the poor (social security benefits, BPC and PBF).

Source: Ipea, based on National Household Sample Survey – Pnad/IBGE microdata.

Bolsa Família contributed with 21% of the inequality reduction observed in the last years.

Evolution of extreme poverty: Brazil, 1990 to 2008

Source: Barros, 2009, estimates based on PNAD 1990-2008
Impact of the crisis

- Brazil experienced two quarters of recession, as global demand for Brazil’s commodity-based exports dwindled and external credit dried up.
- However, Brazil was one of the first emerging markets to begin a recovery.
- Consumer and investor confidence revived and GDP growth returned to positive in the second quarter, 2009.
- The Central Bank expects growth of 5% for 2010.
- There was no reversion of the trends of inequality and poverty reduction from the end of 2008 to the end of 2009. We are in the same position now as when the crisis begun.
Labour market characteristics

- **Economically Active Population (PEA)**
  - 99.500 millions: 92.395 millions employed and 7.106 millions unemployed

- **Unemployment rate**
  - 7.1%

- **Informality**
  - 43% of the workers have formal jobs (employees with signed work cards or public employees)
  - 52.1% declare to contribute to social security (considering special regimes for rural workers, coverage is of around 65%)

Source: PNAD 2008

- **Increase in formal employment in 2009**
  - 995,110 jobs created
  Source: MTE/MF

- **Increase in formal employment in the first quarter of 2010**
  - 657,259 jobs created
  Source: CAGED/MTE March 2010

- **Formal employment in March 2010**
  - 1.820.045 workers admitted - 1.553.630 workers laid off = 266.415 new formal jobs
  Source: CAGED/MTE March 2010
Participation of the population with low income in the labour market

• Only 10% of the inscribed in Single Registry have had a formal job for at least one month in 2007.
• Only 750 thousand inscribed have been employed with written contract or signed card for more than 4 years.
• Most of the work positions were unstable: 50% of the BFP beneficiaries lost their formal jobs within 11 months (30% lost their jobs in only 6 months); only 25% were able to come back to formal labour market in 48 months. Source: Leichsenring, 2009.

• An important part of the Brazilian work force – formed mainly by poor workers, with a fragile position in the labour market) is unprotected by the social protection system.
• Middle classes have a well-structured set of social protection policies and programs connected to their participation in the labour market.

Social Protection in Brazil

• 1988’s Federal Constitution
  – Integration of health, social security and social assistance
  – Basic public education (9 years)
  – Health: public offer and complimentary private network of services
  – Social Security
    • Contributive schemes
      – General and Special Regimes
  – Social Assistance
    • Non-contributive and selective schemes
Social Protection in Brazil

- Complimentary roles of the branches of the social protection system
  - Different objectives, target-groups and models of management
  - Social Security: aims to provide income to those who lose their capacity to work. Prevents poverty.
  - Social Assistance: aims to provide a set of basic social securities to all those who need them. Delivers benefits and services. Focus on poverty and vulnerability.

- Guaranteeing security of income
  - BPC (1996): unconditional and non-contributive transfer to older people (above 65 years old) and to disabled people unable to work. They also have to live in families with a monthly per capita income of ¼ of the minimum wage (US$ 71). Income substitution.
  - PBF (2003): conditional cash transfer program that guarantees income to extremely poor families and to poor families with children and adolescents. Income complementation to poor families whose adult members are in the economically active population.

Social Protection of occupied population (between 16 and 59 years) - 2008
(including rural region of North Region)

Occupied population from 16 to 59 years (83.97 millions)

CONTRIBUTING (40.68 millions) to the General Regime of Social Insurance – RGPS

CONTRIBUTING (5.91 millions) to Special Regimes (Military personnel and Civil Servants)

SPECIAL SECURED GROUPS** (RURAL) (7.78 millions) – RGPS

NON CONTRIBUTING (29.87 millions)

BENEFICIARIES (receiving benefits) (1.22 million)

SOCIALLY PROTECTED (53.82 millions): 65.3%

SOCIALLY UNPROTECTED (28.65 millions)**

Income < 1 Minimum Wage (12.51 millions)

Income ≥ than 1 Minimum Wage (15.7 millions)

34.7% of total

Source: own calculations, based on microdata from the National Household Sample Survey - Pnad - 2008
** In Pnad, these workers declare not to contribute to RGPS.
*** Including 431,933 unprotected workers whose income is unknown.
The Evolution of Social Protection for workers aged from 16 to 59 - 2008
(data from rural areas in the Northern Region excluded)

Source: own calculations, based on microdata from the National Household Sample Survey - Pnad - several years.
* Information from rural areas in the Northern Region excluded.

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The evolution of social protection

- Social security coverage for workers aged from 16 to 59 stopped falling in 2002 and has been growing since then.
- Social security coverage is mainly based on full contributive schemes, but a semi-contributive scheme addressed to small farmers is also important.
- Recovery in coverage rates is due to increasing affiliation to contributive schemes, which, on its turn, may be explained by the growing share of workers with a registered contract in the private sector.
- Labour market performance and traditional contributive schemes are thus playing an important role to increase social protection.
- However, traditional contributive schemes still are insufficient to cover the whole working population and cannot prevent poverty (especially among the youth).
Bolsa Família Program

Conditioned Cash Transfer
- Focused
- Conditioned
- Free utilization
- Delivery of resources directly to families through magnetic cards
- Beneficiaries’ list available on the WEB

Immediate relief of poverty (cash transfers)
Support to the exercise of basic social rights and rupture of poverty intergenerational cycle (conditionalities)
Development opportunities to families (complimentary actions)

Bolsa Família Program: characteristics
- Focus on poor and vulnerable families
- Co-responsibility: two-sided commitment from the State and beneficiary families
  - Attention both to the supply and the demand side of public services of social assistance, health and education.
- Benefits paid through the banking system and preferentially to women
- Families have autonomy to use financial resources
- Shared responsibilities between sectors of the State and government spheres
- Participation and control of the civil society
- National coverage based on estimates of poor families in municipalities
Coverage of Bolsa Família Program

November, 2003 - 1.2 million
December 2009 – 12.4 millions

The expenditure with benefits in 2008 represented:
- 0.4% of GDP
- 0.84% of government expenses
Operational costs represent around 5.0% of costs with benefits
**Bolsa Familia Program and Single Registry**

**Bolsa Familia Program**
- **Target population**
  - Extremely poor families and poor families with children and adolescents
  - Eligibility criteria: administrative income thresholds (R$ 140 per capita income since 2009 – US$ 78)
  - Brazil does not have an official poverty line
- **Targeting mechanisms**
  - Geographic and household assessments based on per capita monthly income

**Single Registry**
- Data collection instrument which aims to identify and characterize all poor families in Brazil. Used as an input to policy making process.
- Includes families with per capita income of up to ½ of the minimum wage (R$ 255 ~ US$ 141).
- There are 18 millions of families in the Single Registry; 12.4 million are now BFP beneficiaries.
- Data collection and entry is decentralized to the municipalities
- Inscription in Single Registry does not guarantee selection to Bolsa Familia
- Database consolidation and management is centralized.

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**Bolsa Familia Program: Benefits**

**Extremely poor Families:** monthly per capita income of R$ 70,00 or less (US$ 39)

- **Basic Benefit:** R$ 68,00 (US$ 38)
- **Variable Benefit:** R$22,00 (US$ 12) per children under 15 years old up to the limit of 3 benefits (R$ 60,00 - US$ 33).
- **Variable Benefit to the young (16-17 years old):** R$33,00 (US$ 18) per children up to the limit of 2 benefits (R$66 – US$ 36,5).

**Poor Families:** monthly per capita income between R$ 70,00 (US$ 39) and R$ 140,00 (US$ 78)

- **Variable Benefit:** up to 3 members
- **Variable Benefit for the Young:** up to 2 members

BFP benefits range from R$ 22 (US$ 12) to R$ 200 (US$ 111)

Monthly average value of the benefit: R$ 95 (US$ 53)
Conditionalities in Bolsa Familia Program

**Education**

- Minimum school attendance of 85% for children from 6 to 15 years old
- Minimum school attendance of 75% for adolescents aged 16 and 17 years old

**Health**

- Nutrition monitoring for pregnant and lactating women, and children aged up to 7 years old
- Prenatal and postnatal monitoring
- Immunization schedule for children aged up to 7 years old

Conditionalities in Bolsa Família Program

- Current meaning
  - Commitment from public power and families
  - Axis of integration to the non-contributive social protection network
  - Axis of federative articulation
- Goals of monitoring systems
  - To concretize the right of vulnerable families to have access to health, education and social assistance services.
  - To map situations of severe vulnerability to guide the actions of the public agents
  - To identify gaps in supply of social services
  - To contribute to the goals of the public policies in health, education, social assistance and food and nutritional security.
  - To make sure that the most vulnerable families receive multidimensional attention from public agents
- Monitoring the most vulnerable families
  - Partnership between the areas of income transfers, social assistance, health and education.
  - Aims to assist the families that can not comply with conditionalities to overcome the barriers that prevent them to benefit from universal public services.
Bolsa Família Program: main results

- Contributes to the expansion of coverage of the non-contributive branch of the social protection system
- Contributes to the empowerment of women by granting benefits to them
- Prioritizes traditional groups (indigenous groups and communities of former slaves (quilombolas))
- Contributes to promote universal access to services of education, health and social assistance.
- Contributes to the institutionalization of the system of social assistance

Bolsa Familia Program: some results

- Inequality
  - Between 2004-2006 Bolsa Familia has contributed with 21% of the reduction in inequality.

- Extreme poverty
  - PBF explains 8% in reduction of poverty and 18% the poverty gap.
  - 12.4 million beneficiary families, around 4.3 million have trespassed the line of extreme poverty of the program (R$ 70 per capita/month) due to the benefits from Bolsa Familia.

- Poverty
  - The number of families that have trespassed the line of poverty of the program (R$ 140 per capita/month) is considerably inferior (around 135 thousand families) due to the modest value of the benefits.
  - Bolsa Familia is a program of income complementation.

- Impact of the benefits in per capita monthly family income
  - Average mean growth of 48.7% (from R$ 48,69 to R$ 72,42), leading families above extreme poverty line.
  - Increase in per capita monthly family income is differentiated by region, reaching 60% in North and Northeast (due to the lower level of income in these geographic regions) and 30% in Northeast, Center-West and South.

- Financial planning
  - Regularity of cash transfers helps families in planning their household budgets
Bolsa Familia Program: some results

- Educational indicators
  - Families keep their children and teenagers in school, with regular attendance; reduction of school drop-out.

- Health indicators
  - Food security
    - Beneficiary families eat better and more frequently
  - Reduction of malnutrition
    - Improvements in the quality and quantity of food consumption
    - Three or more meals a day in beneficiary families
      - 94.2% of children under 5 years old
      - 85% of teenagers and adults
Bolsa Familia and school Attendance

Impact of the Bolsa Familia Program on school attendance -

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Source: UFPE, evaluation studies of the effects of monitoring PBF conditionality on education. Based on PNAD 2006.

Bolsa Familia Program: evolution of children underweight rate between beneficiaries. Brazil 2006 to 2009

Legend (in %):
- até 3.0
- 3.0 -- | 6.0
- 6.0 -- | 9.0
- 9.0 -- | 12.0
- 12.0 -- | 20.0

Source: SISVAN/MDS
Challenges

• Inequality among federative entities (size, institutional capacity, political commitment)
• Issues of coordination among sectorial policies, government spheres and between State and civil society
• Need to create consensus about how to approach equity issues in universal policies
• Need to create consensus about the legitimacy of income guarantee schemes directed to poor families that have adults with capacity to work

Future directions

• Clarifying the complimentary roles of non-contributive and contributive social protection schemes
• Improving coverage and quality of universal public services
• Guaranteeing access to universal public services to the poor and the vulnerable
• Institutionalization of BFP
  • Establishing a methodology to define the target-population
  • Criteria sensitive to measures of economic growth and inequality
  • Realigning the value of the benefits and establishing criteria to adjust it regularly
  • Institutionalizing links with non-contributive benefits and services
  • Institutionalizing links with other social policies
• Definition of the nature of BFP according to its relationship with other branches of the social protection system
  • Level of complementation of household income
  • Connection with projects of economic development at national, regional and local level.
Thank you!

terezacotta@mds.gov.br