Brazil’s income guarantee system

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www.oecd.org/els/social/inequality/emergingeconomies
Outline

1. A multipillar income guarantee system

2. Programs characteristics

3. Challenges for Social Protection in a unequal society
## Income guarantee programs – benefits numbers

**December 2008**

<table>
<thead>
<tr>
<th>Program</th>
<th>Beneficiaries</th>
<th>Benefit nature</th>
<th>Monthly paid benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Social security</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Urban workers</td>
<td>contributory</td>
<td></td>
<td>15.040.000</td>
</tr>
<tr>
<td>Rural workers</td>
<td>Contributory with subsidies</td>
<td></td>
<td>7.740.000</td>
</tr>
<tr>
<td>Public employees</td>
<td>Partially contributory</td>
<td></td>
<td>3.253.800</td>
</tr>
<tr>
<td>Unemployment insurance</td>
<td>Contributory</td>
<td></td>
<td>7.200.000</td>
</tr>
<tr>
<td><strong>Aid income (BPC-Continued Benefit)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>poor elderly people</td>
<td>Aid- non contributing</td>
<td></td>
<td>1.500.000</td>
</tr>
<tr>
<td>poor disabled people</td>
<td>Aid- non contributing</td>
<td></td>
<td>1.600.000</td>
</tr>
<tr>
<td><strong>Conditional Cash Transfer (Bolsa Familia Program)</strong></td>
<td></td>
<td></td>
<td>12.400.000</td>
</tr>
</tbody>
</table>
### Income guarantee programs – benefits, coverage and spending 2008

<table>
<thead>
<tr>
<th></th>
<th>PBF</th>
<th>BPC</th>
<th>RGPS</th>
<th>RPPS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of benefits</td>
<td>12 400 000</td>
<td>3 100 000</td>
<td>22 780 000</td>
<td>3 253 800</td>
</tr>
<tr>
<td>Number of benefits per 100 inhabitants (1)</td>
<td>5.7</td>
<td>1.5</td>
<td>12.0</td>
<td>1.7</td>
</tr>
<tr>
<td>Total benefits amount (in millions R$ 2008)</td>
<td>10 606</td>
<td>13 786</td>
<td>194 460</td>
<td>121 807</td>
</tr>
<tr>
<td>Total amount (millions of US$ 2008)</td>
<td>6 607</td>
<td>8 587</td>
<td>121 136</td>
<td>75 878</td>
</tr>
<tr>
<td>Average monthly amount (R$ 2008)</td>
<td>84</td>
<td>391</td>
<td>657</td>
<td>2 880</td>
</tr>
<tr>
<td>Total amount as GDP %</td>
<td>0.35</td>
<td>0.46</td>
<td>6.47</td>
<td>4.05</td>
</tr>
<tr>
<td>Estimated per capita income of the families with beneficiaries (R$ September 2008)</td>
<td>196</td>
<td>353</td>
<td>745</td>
<td></td>
</tr>
<tr>
<td>Estimated per capita income of the families with beneficiaries (US$ September 2008)</td>
<td>108</td>
<td>195</td>
<td>411</td>
<td></td>
</tr>
<tr>
<td>Estimated participation in the benefitted families income (%)</td>
<td>10</td>
<td>34</td>
<td>49</td>
<td></td>
</tr>
</tbody>
</table>
Average annual growth of household per capita income in daily US$ PPC, according to tenths of income distribution

fonte: Ipea (2010)- ODM rapport.
Poverty: Average household per capita (2008)

Poverty Line = 25% of Minimum Wage

Poverty Before Pensions: 20.19

Poverty After Pensions: 10.74

Poverty Line = 50% of Minimum Wage

Poverty Before Pensions: 40.56

Poverty After Pensions: 29.18

Source: Pesquisa Nacional de Amostra Domiciliar - IBGE
## Estimating Poverty

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poverty</td>
<td>10,7</td>
</tr>
<tr>
<td>Poverty before PBF</td>
<td>11,9</td>
</tr>
<tr>
<td>Poverty before BPC</td>
<td>11,1</td>
</tr>
<tr>
<td>Poverty before Social Security</td>
<td>20,2</td>
</tr>
</tbody>
</table>

Poverty line: 25% of minimum wage
Current structure of the income guarantee system

- Set of distinct public programs;
- Complementary character;
- Significant impact in inequality reduction;
- Significant impact in poverty prevention and poverty alleviation;
- Significant reduction in social vulnerability.
Social Security

Social Insurance:

- Income substitution for workers unable to work (illness, old age, maternity, accidents); and for their families (in case of insured’s death or reclusion);
- Compulsory contributory system, under a pay as you go (PAYG) regime;
- Benefits related to contributions;
- Labor related effort;
- Social patrimony;
- High institutional density.
Social Security

Aid income for poor elderly and disabled people (BPC – Continued Benefit)

- Income substitution for poors who are unable to work;
- Non contributory system;
- Social solidarity;
- Budgetary resources;
- Means tested;
- Benefit equal to 1 minimum wage;
- Constitutional right (high institutional density);
Social assistance

PBF

- Supplementary income for poor workers;
- Social solidarity;
- Budgetary resources;
- Means tested;
- Low benefits;
- Low institutional density (no constitutional mandate).
Social Security challenges

- Generosity of the Civil Servants social insurance system (RPPS);
- Generosity of some benefits for survivors;
- Fragile financial basis in the rural workers social insurance segment;
- Fragile integration to non contributory pensions;
- Demographic changes;
- Aging and dependency;
- Informal workers exclusion from contributory regimes.
Social assistance challenges

- Reduced benefit amounts;
- Poverty persistence in spite of labor market participation;
- Poverty persistence of children in low income families;
- Beneficiaries’ stigmatization;
- Focus sustainability;
- No legal guarantees.
Poverty and social protection

- The role of income guarantee systems;
- Considerations on guaranteed and exigible rights;
- Defining funding sources;
- Social protection for active and inactive workers;
- Social protection and social integration
- Fighting and preventing poverty.