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População, Pobreza en Brazil: Desafios de Política

Reunión de Expertos sobre Poblacíon y Pobreza en América Latina y el Caribe
CEPAL, Santiago, Chile – 15/11/2006

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PURPOSE

- To discuss the link between population and social policy, particularly in light of **intergenerational conflict** and the **demographic dividend**.
- To contextualize the discussion moving from the case of **classical social policy** (contributory social security versus education) to non contributory social cash transfer policies such as non contibutory pensions (aposentadoria rural and BPC) and conditional cash transfer programs (Bolsa Escola and Bolsa Família).

The Puzzle in Brazilian Classical Social Policy: Social Security ahead of Education

- In most countries Educational Revolution took place BEFORE social expenditure in social security. Efficiency Hypothesis.
- In Brazil, social security came first and surplus budget during expansion helped to finance infrastructure building. “Industrial Bias” exclusionary hypothesis.

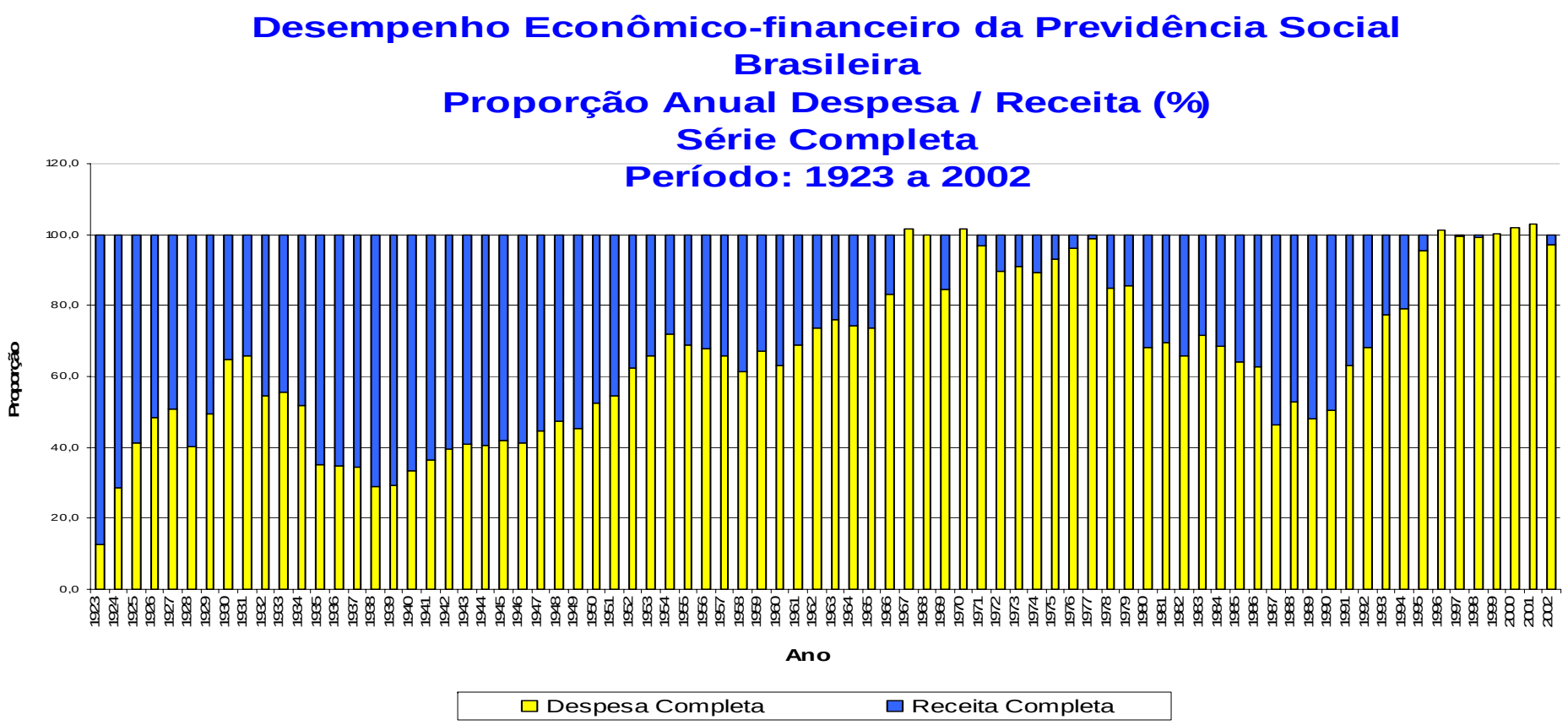
Eli Iôla Gurgel Andrade (1999) and (2003): Presents the Historical Evolution of Social Security in Brazil.

- 1923: Eloi Chaves Law
- 1933: Creation of IAPs – Retirement Institutes.
- 1936: Mixed Regime – Capitalization and Pay-as-you-Go components.
- 1945: ISSB Project.
- 1960: Organic Law of Social Security.
- 1966: Creation of INPS.
- 1977: Creation of SINPAS.
- 1981: Figueiredo's Package.
- 1988: Constitution – Generous Reform Implemented in the 1990s
- 1999: Social Security Factor Reform

Brazil: Social Security x Education (and Health)

- Historical data shows data expenditure on social security was always lower than revenues (surplus), from the *Lei Eloi Chaves* in the 1920s until the 1970s. A capitalization exercise of this surplus during the 1945-1980 period, on a hypothetical fund, shows an impressive amount (Andrade, 1999).
- The social security was a system in expansion, though dualistic, so that political arrangements seemed to converge for the industrial bias.

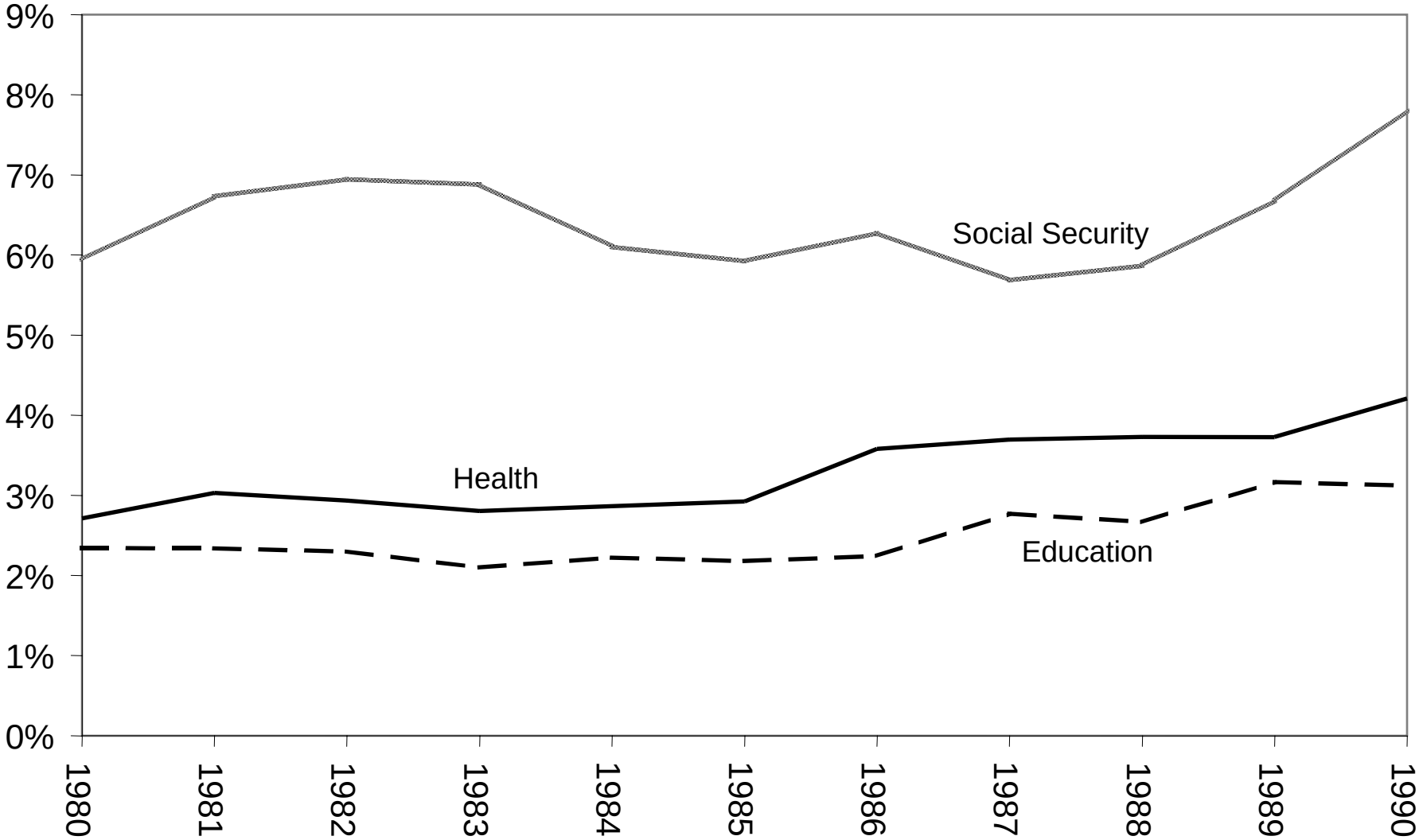
Andrade (1999): Share of Social Security Revenue covering Social Security Expenditure.



Brazil: Social Security x Education (and Health)

- Education is nationally regulated ever since the republic in the XIXth century, but its funding and provision have been local (Draibe,).
- The first four years of primary education is mandatory in the 1946 Constitution. In 1971, school attendance became mandatory until the 8th grade. In 1983, funds were tied to educational expenditures by law. Only in 1996 the law dealing with the funding of education (FUNDEF) was undertaken.

Queiroz e Turra (2005) – *Powerpoint Presentation*: Social Expenditures in Brazil (%GNP)



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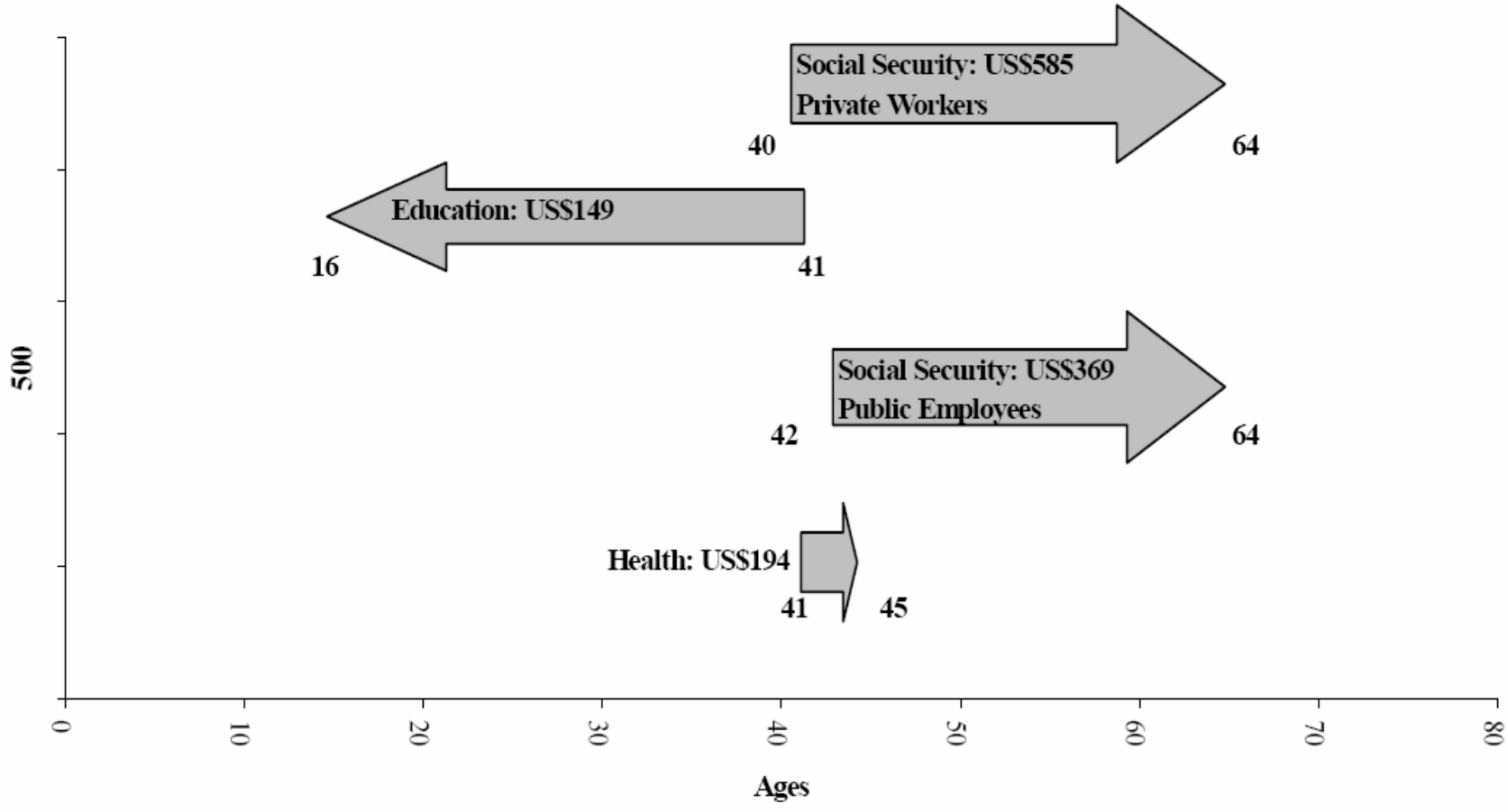
Turra (2001): *Intergenerational Accounting and Economic Consequences of Aging in Brazil*, IUSSP Conference, Salvador. Based on Brazilian Living Standard Measurement Survey (PPV – 1996) and Budgetary Totals for that year.

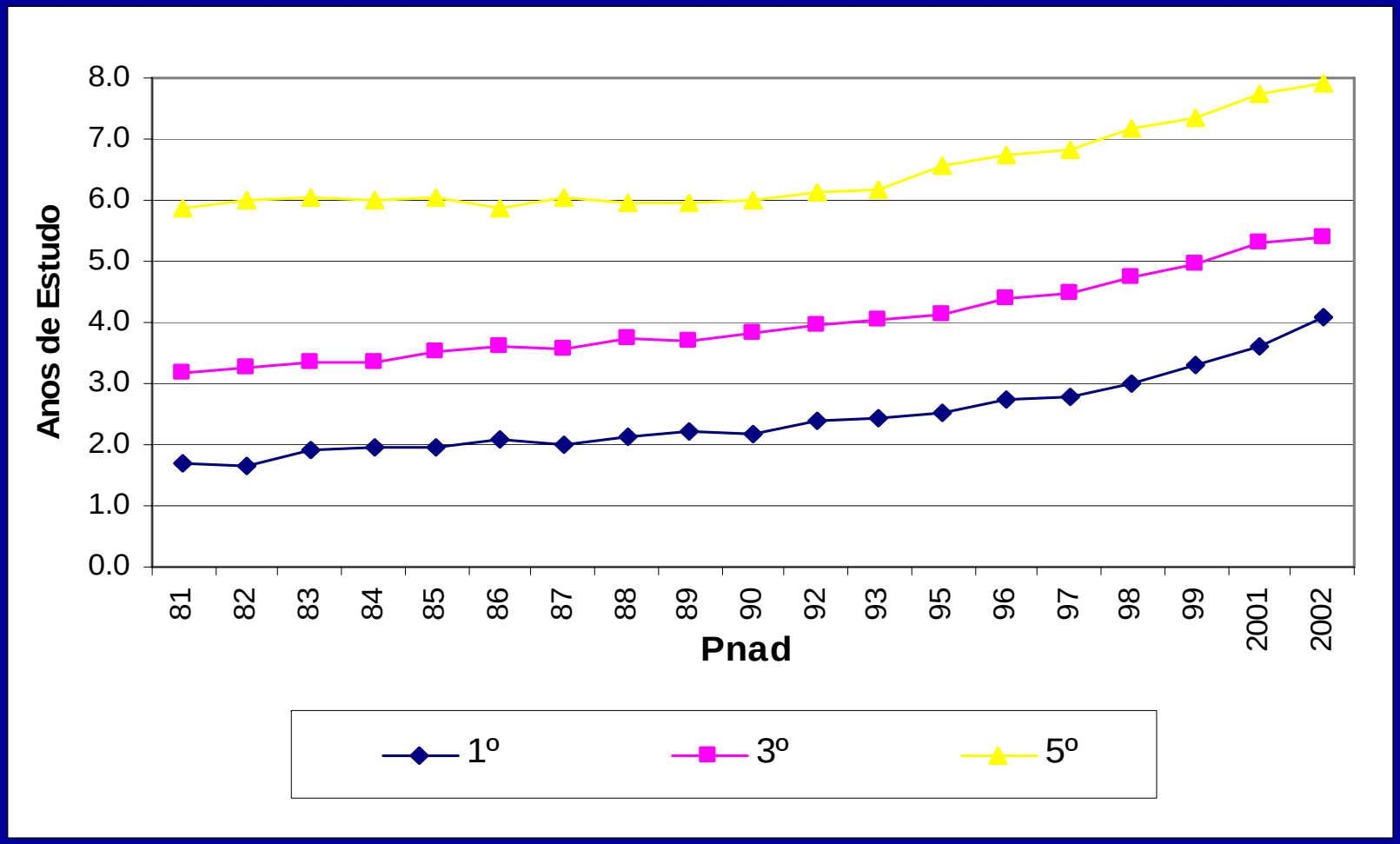
Figure 11 - Age Related Governement Transfers - Flows and Directions



What was new in the nineties?

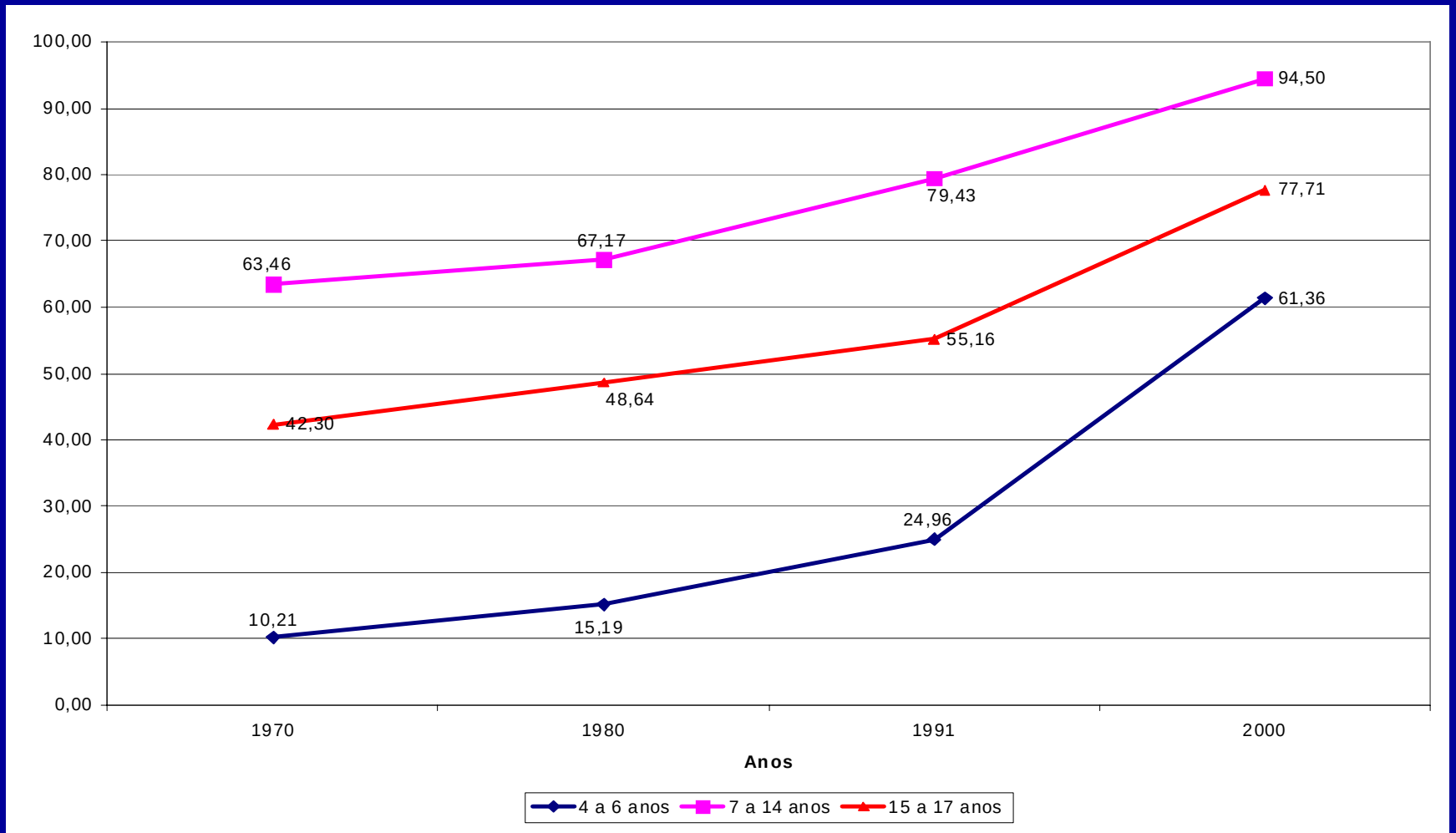
- FUNDEF – Huge coverage impact in the nineties – not to forget the role of *demographic dividend*. Impact in decentralization and the role of *municipios*.
- New school and administrative practices: election of school principles, establishment of school councils. Everyday financial control. MG, ES, PA, MS were pioneers.

Average Schooling by Quintile of Household Income



Fonte: PNAD/IBGE

School Attendance Rate by Age – Brazil, 1970/2000



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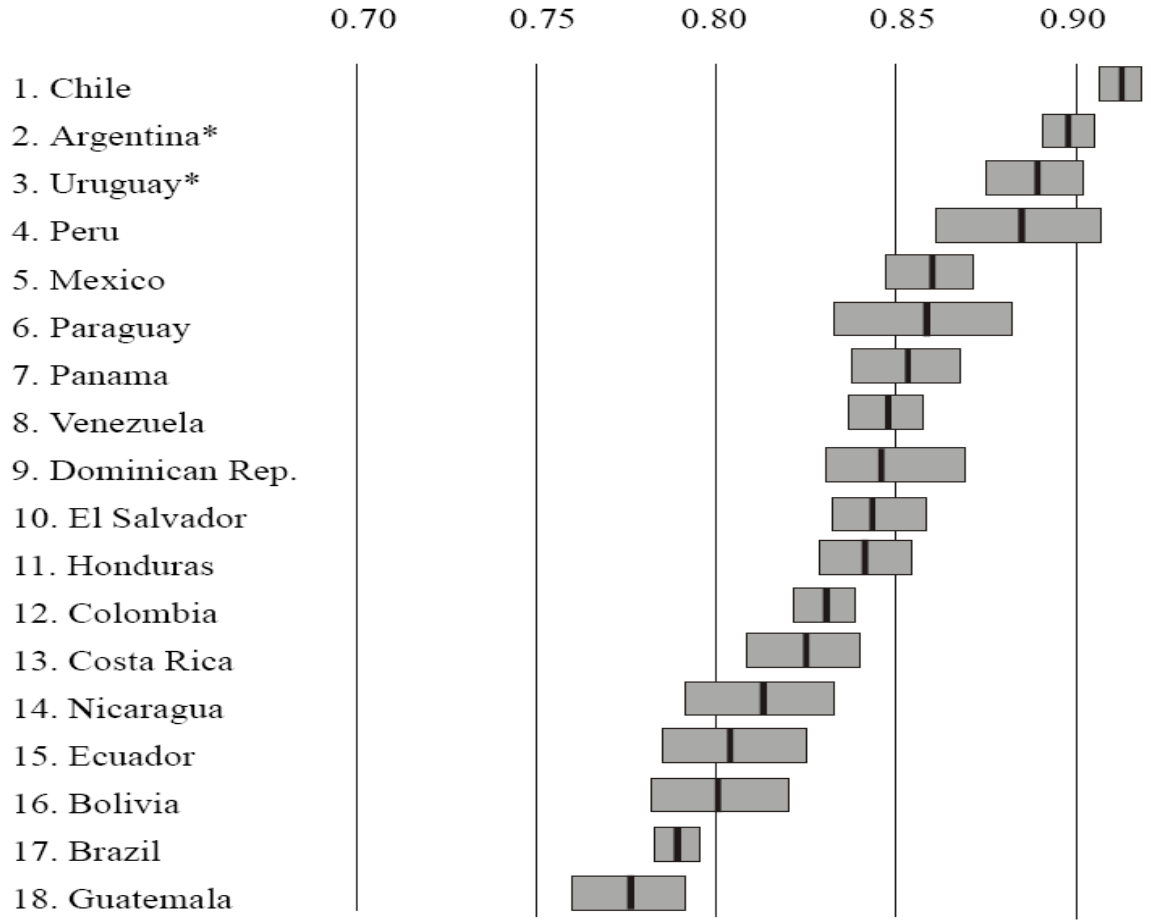
Lykke Andersen (2001) created a Social Mobility Index using household surveys in the mid-nineties – Brazil's rank is poor

Figure 1. Social Mobility Index Based on Teenagers (13-19 years)



SMI for teenagers (point estimate and 95% confidence interval)

* Based on urban samples only.

Fernando Filgueira and the Latin American Social State

- Major Issues to be considered in the Analysis of the evolution of the Social States:
  1. Expenditure
  2. Coverage
  3. Stratification
  4. Quality of Social Services
- Causal forces driving this evolution:
  1. Depth and shape of the ISI model.
  2. Political regimes and actors administering these models.
  3. Organizational and political characteristics of non-elite sectors (middle classes, formal working classes, urban informal workers, rural workers, etc.).

Fernando Filgueira and the Latin American Social State

- Filgueira (2005, ***quote to be authorized***) argues that Latin America does not have a welfare state. The system of social policies and social protection is referred as Social States.
- Four key areas express the expansion of the Latin American Social State:
  1. Education
  2. Health Care
  3. Pension and Transfers
  4. Price Controls and Subsides

Filgueira and Latin American Social State

- Filgueira's Typology of Social States in Latin America:
  1. Stratified Universalistic
  2. Dual
  3. Exclusionary
- These three states developed until the 1970s, as the crisis evolved from then until the early 1990s, two variants of social state appear:
  1. Neo-liberal
  2. **Egalitarian exclusionary basic protection social state** (*social democratic Latin American State*)

Filgueira and Latin American Social State

- Filgueira's Typology:
  1. Stratified Universalism (Uruguay, Argentina and Chile. Costa Rica as universalism).
  2. Dual Regimes based on elites statecraft and cooptation and repression of popular sectors (Brazil and Mexico).
  3. Exclusionary Regimes based on Predatory elites (Guatemala, Honduras, El Salvador, Nicaragua and Bolivia).

Filgueira: Brazil and Mexico: Why Dual Regime?

- Brazil and Mexico are included together because they have some common characteristics:
  1. Territorial Heterogeneity – Some regions with formal development of market and social protection (until the 1970s) and other exclusionary.
  2. Based on ISI.
  3. Populist model of development and political administration.
  4. Brazil, the role of modern working and middle classes.
- Unlike the stratified universalism, the social state moderates the social segmentation only in those sectors that are incorporated in modern formats of protection.
- The protection systems accentuate social differences between urban advanced sectors and the non-protected rural traditional and urban informal sectors.

Filgueira's Table comparing Brazil and Mexico around 1970

TABLE 4

Selected social development indicators for dual welfare countries, circa 1970

	% of Households below the Poverty line	% of Households below the indigence line	Illiteracy rate	Infant Mortality	Life Expectancy at birth
Brazil	49	25	33.6	95	59.8
Mexico	34	12	25.8	60	62.7

Sources: ECLAC -Panorama Social de América Latina- 1995; ECLAC Anuario Estadístico de América Latina- 1980.

Main Reason for Differences in the Indicators

- **Not social spending**, Brazil spent more in social budget than Mexico.
- More entrenched inequality in Brazil than in Mexico. Rural Mexico less unequal than rural Brazil (land reform).
- Social spend in Mexico concentrated on **Health** and **Education** while in Brazil concentrated on the **Pension System**.
- Rural population in Mexico was part of the political system, while Brazil had a higher urban bias. Draibe (apud Filgueira): ***"Brazil was quintessential industrially biased developmental social state"***.
- **"Industrial bias"** helps partially to explain **why the emphasis on social security, rather on education and health care** (Draibe).

From the ISI Crisis in the 1970s to the 1990s – The Brazilian Route

- **Filgueira** treats two ways out of the crisis:
  1. The Chilean market oriented case
  2. The reform of social expenditure.
- The **Brazilian case** is reviewed as one of averting the market utopia and possibly in the road from a dual regime to **basic inclusionary universalism**.
  - The role of FUNRURAL in the sixties and seventies (citizenship without formal wages).
  - Health reforms culminating with SUS.
  - The citizenship rights in the 1988 Constitution.
  - The Organic Law of Social Assistance (LOAS).
  - **The Cash Transfer (CT) and Conditional Cash Transfer Programs (CCT), from Bolsa Escola to Bolsa Familia.**
  - **The "unfunded" rural pension system and BPC.**

Moving from Classic to Unfunded Social Policy

- **Limits of Classic Social Policy:** Case of Education - Due to stratification and coverage problems, **demographic dividend** worked unintentionally leading to almost universalization of basic school attendance, but grade promotion and proficiency problems (school quality) remained.
- **Demographic Dividend** worked because the decline in dependency rate leads to higher coverage even with a fixed budget.

Moving from Classic to Unfunded Social Policy

- **Unfunded Cash Transfers to the Elderly:**
  - **Aposentadoria Rural**
  - **BPC**
- **Conditional Cash Transfer:**
  - **Bolsa Escola**
  - **Bolsa Família**

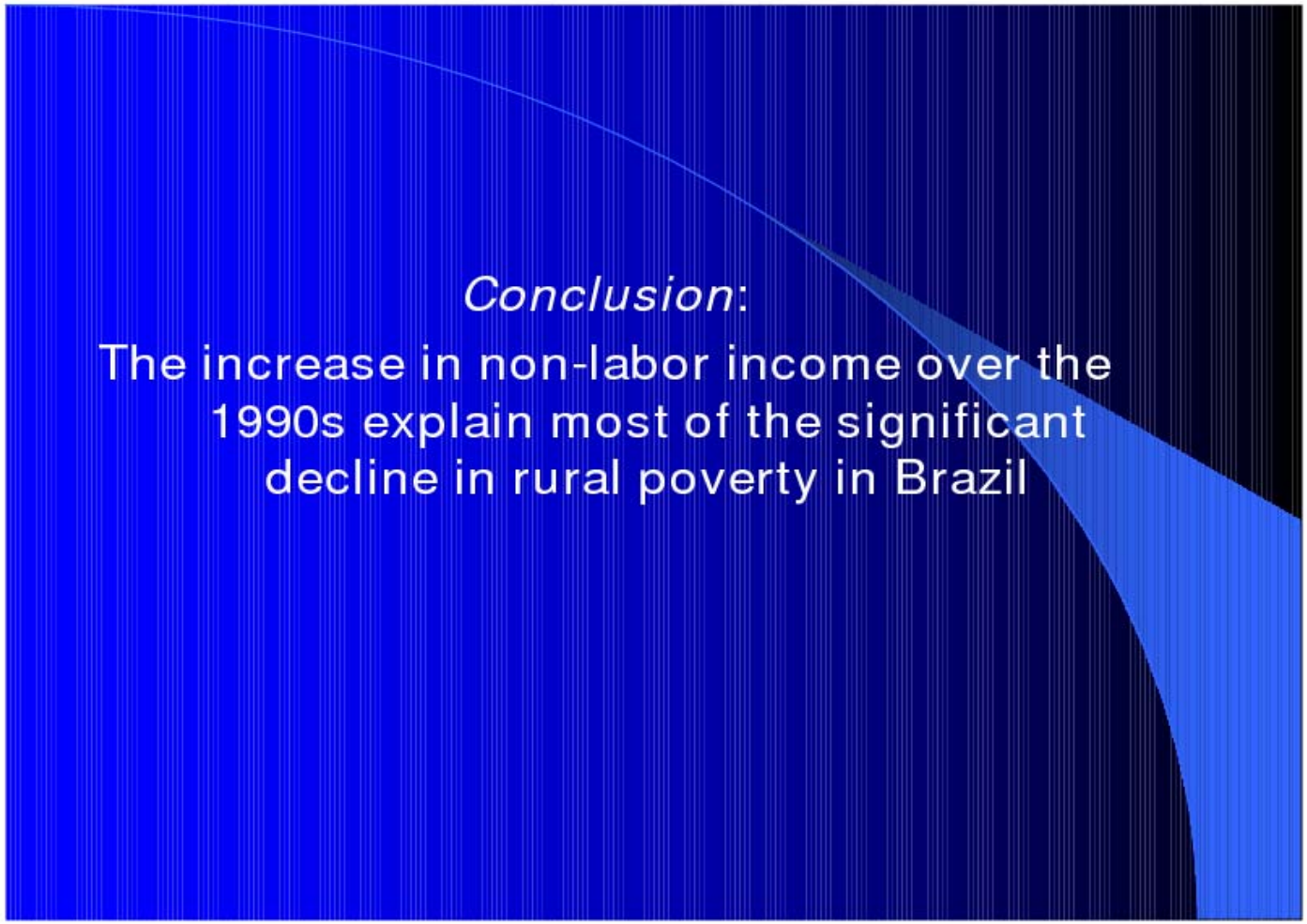
The Brazilian Route on Welfare: The Non-Contributory Pensions (Rural and BPC) – Rural Benefits (Werneck-Vianna, 2004)

QUADRO 7
QUANTIDADE E VALORES DOS BENEFÍCIOS RURAIS
BRASIL –1991/1998

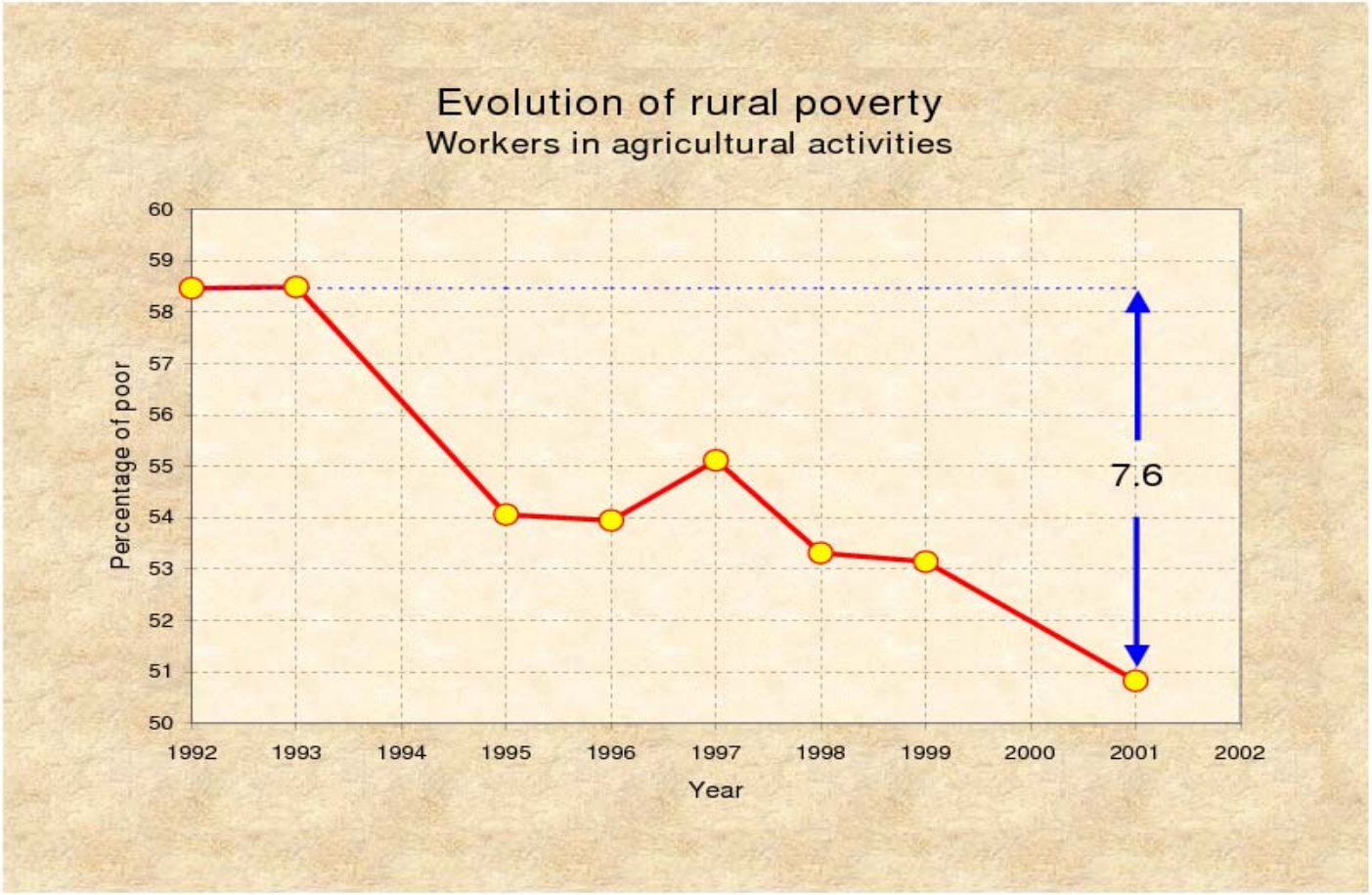
Anos	Valor dos benefícios mensais pagos (em US$ mil)	Nº total de benefícios	Nº de benefícios por idade	Valor unitário dos benefícios rurais (em US$)
1991	180,0	4.080,4	2.240,5	44,1
1992	234,4	4.976,9	2.912,8	47,1
1993	403,8	6.001,0	3.855,9	67,3
1994	526,8	6.359,2	4.176,2	82,8
1995	637,8	6.332,2	4.126,8	100,7
1996	705,2	6.474,4	4.102,2	108,9
1997	725,3	6.627,3	4.140,2	108,7
1998	749,8	6.913,1	4.305,3	108,5

Fonte: AEP, apud DELGADO & CARDOSO JR, op. cit.

Remark by Paes de Barros (2005):



Paes de Barros (2005) on Rural Poverty



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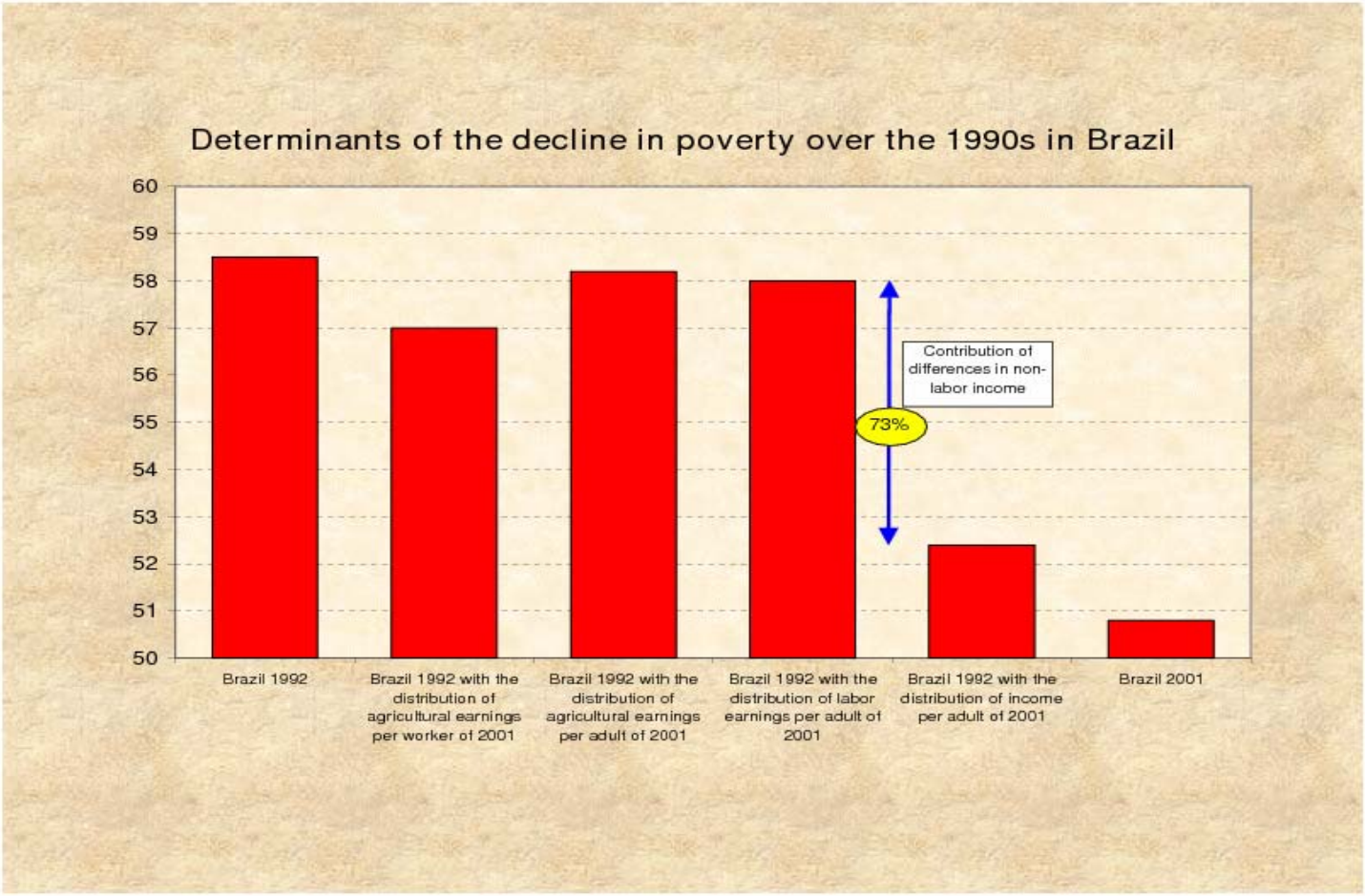
Paes de Barros (2005) on Rural Poverty



The Non-Contributory Pension: BPC

- The program pays one minimum wage per month (R$ 300,00 which is around US$ 130)) for the elderly aged 65 or more or for people with disability to work, aimed for people without social coverage and with per capita income below one fourth of the minimum wage.

- **2001:** 1,3 million beneficiaries

  2002: 1,6 million beneficiaries

  2003: 1,7 million beneficiaries

  2004: 2,1 million beneficiaries

  2005: 2,7 million beneficiaries
  (more than doubled 2001)

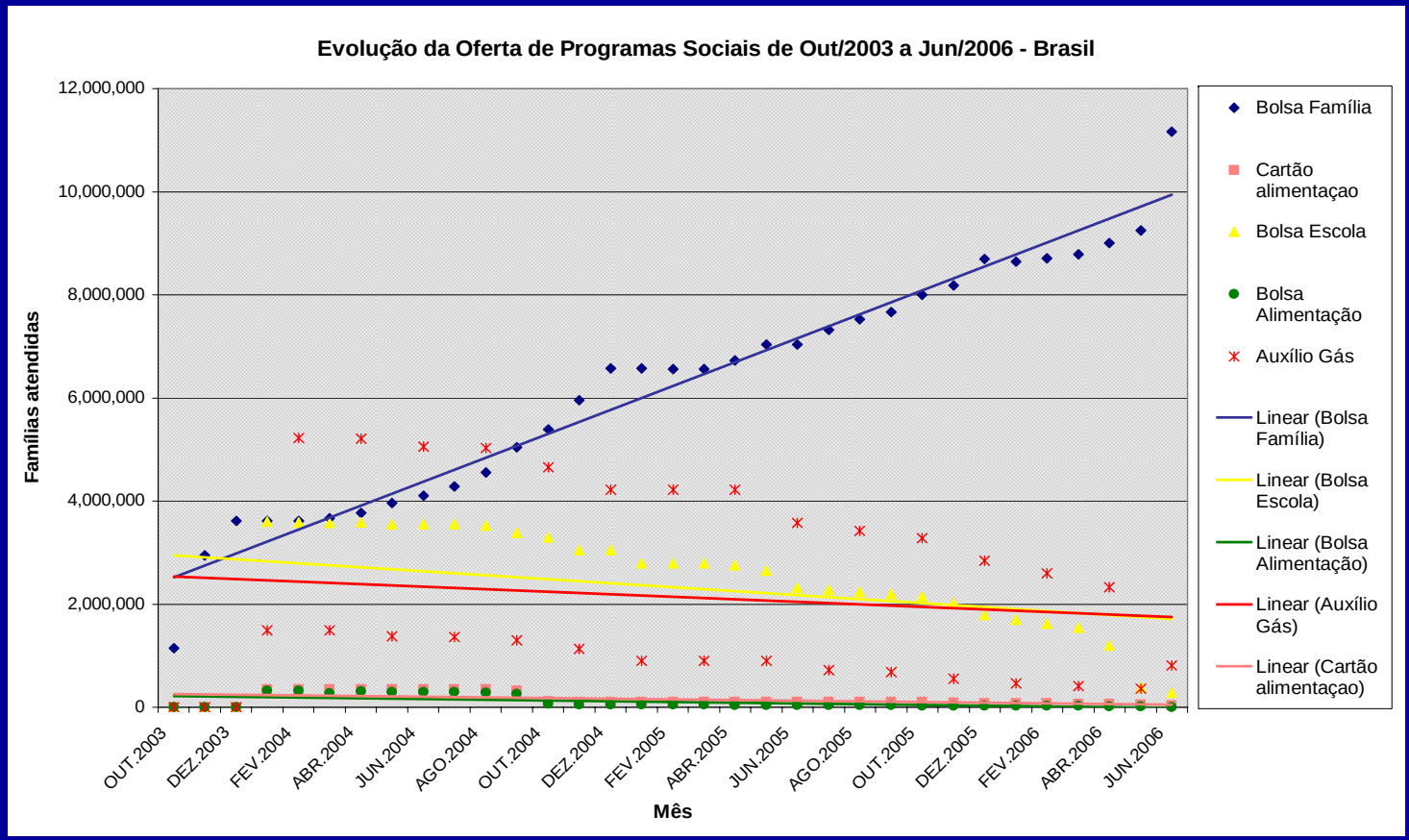
THE CONDITIONAL CASH TRANSFER PROGRAM IN BRAZIL – FROM BOLSA ESCOLA TO BOLSA FAMILIA – The Table Below shows the situation in September 2003 – Just Before the Creation of Bolsa Familia

Valores Nominais

Programas	Famílias	Valor (R$)	Valor médio (R$)
BPC	1.660.447*	401.645.884,00	1 Salário Mínimo
Cartão Alimentação	774.764	38.885.405,00	50,19
PETI	809.148*	37.117.645,00	45,87
Bolsa Escola	5.056.245	125.367.292,00	24,79
Bolsa Alimentação	1.669.554	35.215.386,00	21,09
Auxílio Gás	9.707.829	146.170.780,00	15,06

*Indivíduos

The Caseload of Some Non Contributory Social Programs in Brazil



From Migration of Caseloads to New Caseloads in Bolsa Família

Número Mínimo Estimado de Novos Beneficios Concedidos para o Bolsa Família

	BENEFÍCIOS
ESTOQUE INICIAL*- JAN/2004	7890719
NOVOS BENEFÍCIOS/2004	1885331
NOVOS BENEFÍCIOS/2005	816013
NOVOS BENEFÍCIOS/O6/2006	900775
NOVOS ENTRE 2004 e 2006	3602119
TOTAL JUNHO DE 2006	11492838

Fonte: MDS e Tabela 1*

* Benefícios: BF+CA+BE+CA

Targeting Performance

- **Exclusion Error: U1= Fp,e/Fp**
- **Inclusion Error (*leakage*): L1= Fnp,i/Fi**
- **Inclusion Targeting: TI1 = Fp,i/Fp**
- **Exclusion Targeting: TU1 = Fnp,e/Fe**

TABLE 1 – RATES

	Poor Families (Fp)	Non Poor Families (Fnp)	Total
Excluded Families (Fe)	U1=Fp,e/Fp	TU1=Fnp,e/Fe	Fe
Included Families (Fi)	TI1 = Fp,i/Fp	L1= Fnp,i/Fi	Fi
Total	Fp	Fnp	

Source: Coady, Grosh e Hoddinott (2004).

Targeting Permormance : Bolsas Família + Escola

Table 2: Targeting BF e BE – Families by household per capita consumption until R$50,00

	Poor Families	Non Poor Families	Total
Excluded Families	1.395.424	40.158.439	41.553.863
Included Families	4.106.487	6.300.587	10.407.074
Total	5.501.911	46.459.026	51.960.937

U_1= Exclusion Error = 25%
L_1= Inclusion Error = 61%
TI_1=Inclusion Targeting= 75%
TU_1=Exclusion Targeting= 86%

Fonte: AIBF, 2005.

Targeting Permormance : Bolsas Família + Escola

Table 3: Targeting BF e BE – Families by household per capita consumption until R$100,00

	Poor Families	Non Poor Families	Total
Excluded Families	5.027.664	36.526.199	41.553.863
Included Families	6.273.875	4.133.199	10.407.074
Total	11.301.539	40.659.398	51.960.937

U_2= Exclusion Error = 44%
L_2= Inclusion Error = 40%
TI_2= Inclusion Targeting = 56%
TU_2= Exclusion Targeting= 90%

Fonte: AIBF, 2005.

TARGETING PERFOMANCE INDICATOR – USING HOUSEHOLD PER CAPITA CONSUMPTION

QUADRO 2: Razão= X/Y= % Benefícios/ Percentil da Renda

1) 20% do percentil inferior da distribuição da renda: 70,9/20 = 3,5
2) 30% do percentil inferior da distribuição da renda: 79,6/30= 2,6
3) 40% do percentil inferior da distribuição da renda: 85,5/40= 2,1
4) 50% do percentil inferior da distribuição da renda: 90,5/50= 1,8

Poverty Rate – Poverty Line is R$ 150.00 (1/2 minimum wage) with Anne Caroline Costa Resende

- **WITH B. FAMILIA**
  - Headcount ratio % 34.92
  - Poverty gap ratio % 16.24
  - Index FGT(2.0) *100 10.67
- **WITHOUT B. FAMILIA**
  - Headcount ratio % 38.59 (**10.5% higher**)
  - Poverty gap ratio % 20.29
  - Index FGT(2.0) *100 14.10

Comparative Basis with Ricardo Paes de Barros

Indicadores de pobreza e extrema pobreza no Brasil

Indicadores	Extrema pobreza	Pobreza
Porcentagem de pobres (P0)	13.4	34.1
Número de pessoas pobres (em milhões)	22.7	57.9
Linha de pobreza (em R$ por mês)	73	146
Volume anual de recursos necessários para aliviar a pobreza (em bilhões de R$)	8.4	45.7
Recursos necessários para aliviar a pobreza como porcentagem da renda das famílias (%)	1.1	5.3

INCOME INEQUALITY with Anne Caroline Costa Resende

- **WITH B. FAMILIA**
  - Coefficient Variation | 1.70619
  - Gini coefficient | 0.59145
  - Theil index | 0.71427
- **WITHOUT B. FAMILIA**
  - Coefficient of variation | 1.75540
  - Gini coefficient | 0.61235 (**3.53 higher**)
  - Theil index | 0.75979

Comparative Basis with estimations from Ricardo Paes de Barros

Evolução das medidas de desigualdade da distribuição de renda - Brasil (1995-2004)

Indicadores	**2003**	1995	1996	1997	1998	1999	2001	2002
Razão entre a renda apropriada pelos 10% mais ricos e pelos 40% mais pobres	**21.7**	24.1	24.6	24.5	24.1	23.2	23.5	22.4
Razão entre a renda apropriada pelos 20% mais ricos e pelos 20% mais pobres	**25.3**	28.0	29.8	29.2	28.2	26.9	27.9	25.6
Índice de Theil-T	**0.69**	0.73	0.73	0.74	0.74	0.72	0.73	0.71
Coeficiente de Gini	**0.58**	0.60	0.60	0.60	0.60	0.60	0.60	0.59

FINAL REMARKS

- Non-Contributory Cash Transfer (Aposentadoria Rural and BPC) and Conditional Cash Transfer (Bolsa Familia) Programs are important REDISTRIBUTIVE policies.
- CHALLENGES FOR POLICY:
  - To combine the DEMAND side (human Capital investments favored by income effect and conditionalities) with SUPPLY side PROVISION OF SERVICES on education, health, and nutrition.
  - To incorporate a LIFE CYCLE perspective on SOCIAL POLICY, stressing crucial life cylce transitions.
  - Keep in mind the duration of the DEMOGRAPHIC DIVIDEND and the importance of making a revolution during a small TIME SPAN.