

IMF/PIIE Rethinking Fiscal Policy Event

“Helping People”

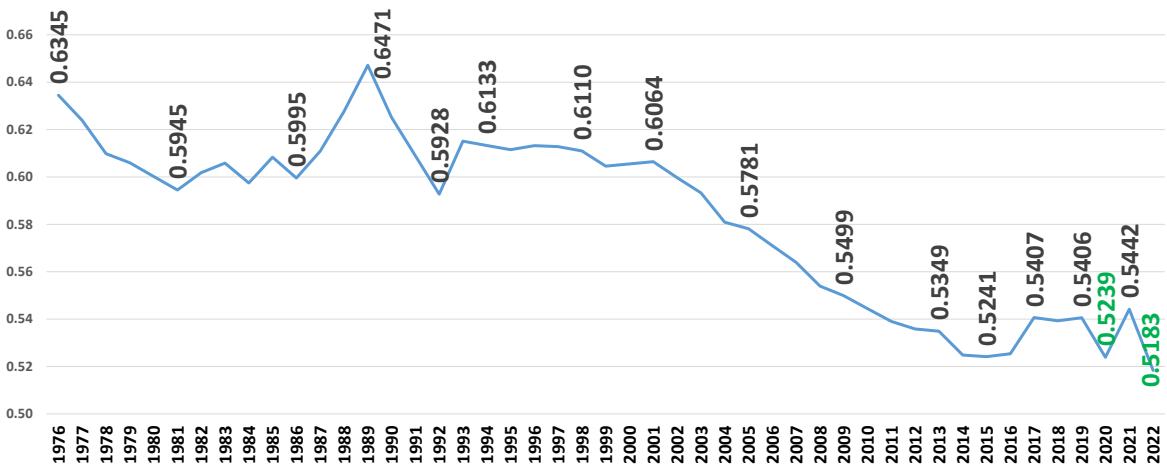
Brazilians during the Pandemic and Beyond

Marcelo Neri – marcelo.neri@fgv.br



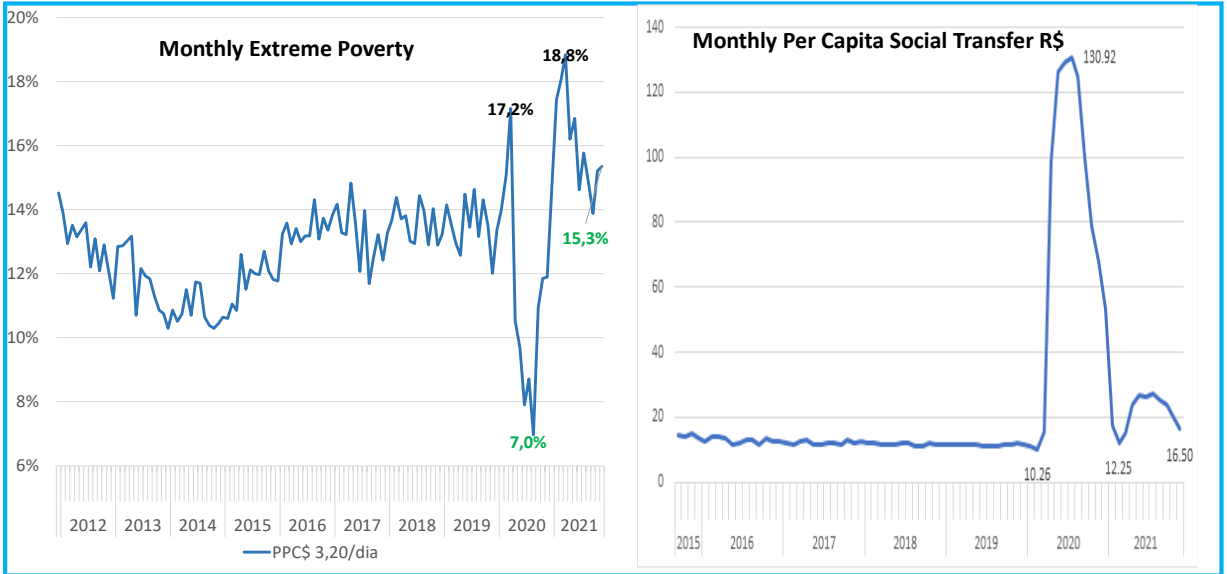
Washington DC May 31, 2023

Inequality in Brazil 1976-2022 – Gini of Per Capita Income

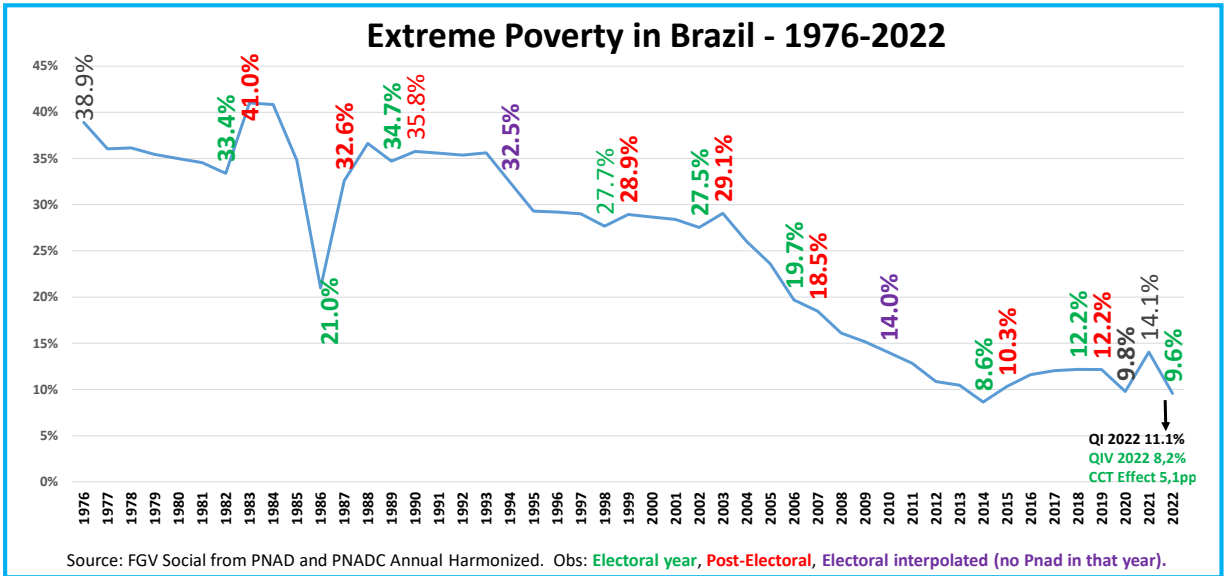


Source: FGV Social from PNAD and PNADC Annual Harmonized





Source: FGV Social from PNADC Annual. *US\$ 3,2 PPP a day (Neri and Hecksher 2022)



Source: FGV Social from PNAD and PNADC Annual Harmonized. Obs: Electoral year, Post-Electoral, Electoral interpolated (no Pnad in that year).



Permanent transfers

- Poverty rollercoaster. To avoid **policy-induced instability**.
- Auxílio Emergencial to be seen as a **capital transfer**. Paid directly in savings accounts deposits (**Nudge**).
- The pandemic left **permanent marks** on both **size and design** of income transfers.
- Anti-poverty transfers changed **from 1% to 2,5% of GDP**.
- **Targeting loss** 45% above pre pandemic levels

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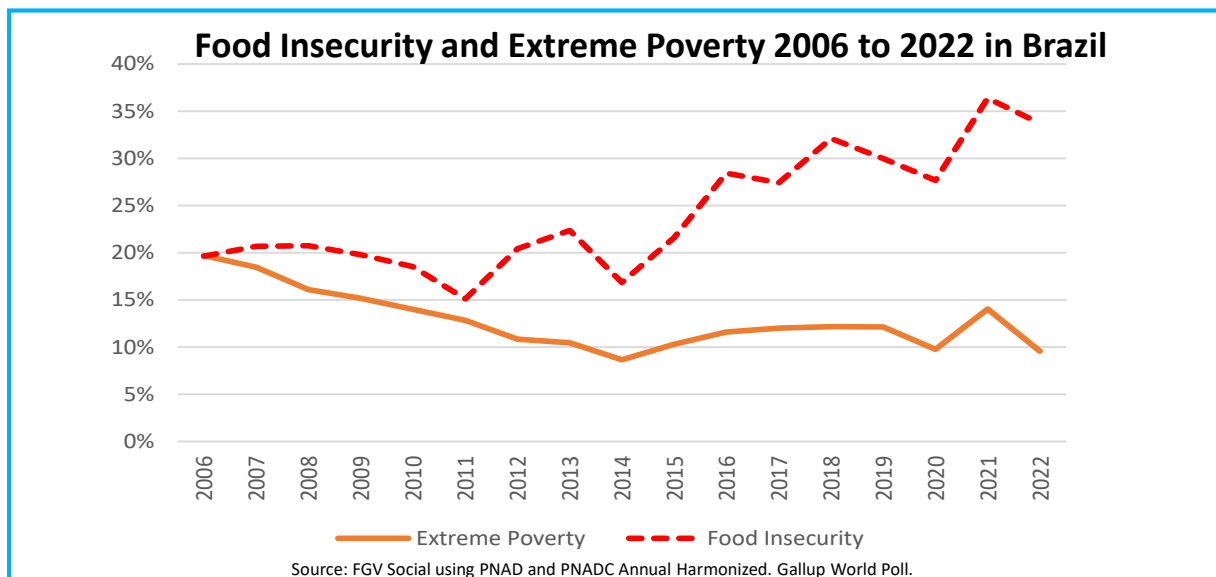
Family fragmentation

- Minimum transfer **per Family** was kept.
- **Single-person households** rose 73%.
- Recently, created benefits per children but still family splits incentives.

Structural recovery

- Bolsa Familia **conditionalities** can heal the scars of the Covid Generation.
- Child overall **vaccination gaps** rose from 6,9% in 2019 to 28,5% in 2021
- **School dropouts** 5-9 went back 15 years. **Math proficiency** Back 14 years.
- The end of monetary poverty is only the beginning.....

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In kind transfers (food against hunger) agenda is back full course! **Thanks!**

Points additional details:

Brazil as a Small World

- Brazil is a close representation of the World income distribution. Both mean & inequality.
- Brazil in its lowest income inequality ever measured. Gini fall 0,04 in 2020 and 0,026 points in 2022
- Measurement issues: Incorporating the tax side to net income inequality. The Bolsa Família effect on inequality in its first period of inception and expansion 2003 to 2015 did not compensate the rise of indirect taxes.
- Brazil **still among the top 10% most unequal countries**
- Brazil is not a poor country but has many poor individuals due to high inequality. **Space for redistribution.**



Permanent Transfers

- In 2020, nearly 1/3 of the whole Brazilian population got direct benefits. On average 4,5 times previous CCT benefit.
- **Avoid policy induced instability.** Weekly national household surveys. Too much of a good thing is not a very good thing.
- Top incomes interpolation in the pandemic crisis - greatest losses in the middle class.
- **The pandemic left permanent marks.** As a share of GDP **anti-poverty transfers changed permanently from 1% to current 2,5% - 3% range.** including Bolsa Família (BFP) and Continuous Benefit (BPC) programmes.
- **Targeting loss of 45% wrt to P2 pre pandemic levels** found either by decomposition of previous changes and by simulations. Concentration Index BFP rose from -0,64 to -0,47. In the begin of pandemic BPC (CI = -0,07) BPC transfer eligibility criteria doubled. SAM benefits multipliers increase with targeting power: BF 1,78 BPC 1,19 Pensions 0,53 Unemployment Insurance 1,06

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Family splits

- Minimum transfer by Family. Benefit value independent of income level and family size.
- Created incentives for family fragmentation in administrative records (CadÚnico). In one year **single person households rose from 15% to 26%.** Additional benefits per children improved targeting but did not eliminate family fragmentation incentives.
- Operational burden. Homeless tends to be officially the new single persons households. Low quality Auxílio Emergencial registries the delay rate in CadÚnico rose 138% (from 13% to 31% more than 2 Years)

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Structural recovery.

- Bolsa Familia through conditionalities monitoring schemes **heal the scars of the Covid Generation.**
- Child overall **vaccination gaps** rose from 6,9% in 2019 to 28,5% in 2021 (Unicef)
- **School evasion** among 5 to 9 years old rose during the pandemic from 1,4% to 5,5% went back 15 years. Leaders in social isolation. Study time of Bolsa Familia children in 2020 was 50% of 2006 levels. Math proficiency in 5th grade SP goes back 14 Years. Portuguese 10 Years.
- Assimetries between food insecurity and extreme poverty, being Brazil a main food exporter.



Questions:

What are the relevant labor market gender related policies to cushion pandemic shocks and leverage opportunities afterwards?

- Recession was more a Shcession. Female food insecurity rose from 14 pp, Share of female CCT recipients fell from 91% pre pandemic to 81% current.
- Flexible working hours legislation protected partial jobs (MP 936/2020) in the immediate aftermath of the pandemic benefited more females jobs fell 2 pp more for females but without thie extra hours flexibility would be 5 pp higher (17% X 12% of males) and 9 pp in the bottom half of distribution (23% X 12%).
- Channel funds to the best opportunities and providing safety nets through microcredit.
- Crediamigo federal program with female bias in both coverage and profit allows to reveal new business opportunities to rebuild back better in the bottom after the pandemic
- Microcredit boosted life insurance demand to avoid contagion effects in group lending. Life insurance claims over insurance premiums more than doubled during the pandemic offering key protection where Brazilian formal workers schemes does not reach.

Questions:

How about connections with educational policies for a structural recovery from the pandemic?

- Local (allow different sub-national experiments).
- Extra study time to catch up (means).
- Vaccine effects on dropouts.
- Back 10 Years in Portuguese. Educational (Familia Carioca) proficiency recovery (results).