

## Social Protection for Informal Workers: Trends and Changes

### Bolsa Família: past and future of the Brazilian cash-grant programme

#### Introduction

In times where political divisions are growing, very few policies achieve the recognition that the Bolsa Família Programme (PBF), the Brazilian flagship cash-transfer policy, has obtained. Implemented 18 years ago, this policy has been praised by mainstream organizations, such as the World Bank, progressive groups and academia alike. More than 19.6 thousand academic papers were produced in the world to analyze and to assess the policy – and the findings suggested a series of positive impacts that range from extreme poverty reduction and drop in child mortality, to an increase in girls' enrollment at school and a GDP multiplier effect of 1.78.

There are, of course, some shortcomings and challenges. These include, for instance, the lack of appropriate participatory spaces, the risk of excessive financialization (indebtedness) of poor families, or the risk of contributing to a reduction in social spending in key sectors such as education, housing and basic sanitation. Some critiques coming from the gender perspective argue that the PBF uses women instrumentally, while other authors critique conditional cash-grants (such as PBF) on the grounds that these programmes place extra burden on women, as they reinforce traditional gender roles. Another important shortcoming is that the PBF often failed to reach informal workers, as it is a targeted policy, focused on families who earn no more than R\$ 178 (US\$ 32) per household member. As many informal workers earn more than that, they are likely ineligible for receiving the PBF – although still vulnerable to income insecurity.

Despite those criticisms, PBF has been widely regarded as a success story. And yet this very policy has just been terminated by the current Brazilian government. The PBF was enacted into law in 2004. In August 2021, through an executive decree (MP nº 1.061), published by president Jair Bolsonaro, and later passed into law by Congress, the PBF was officially revoked.

The proposed replacement for the PBF is called “Auxílio Brasil” (or Brazil Support Grant). The permanent cash-transfer programme's name is taken from the emergency cash-grant measures delivered during the COVID-19 Crisis in 2020 and 2021, the “Auxílio Emergencial” (AE).

Before understanding the changes in the Bolsa Família and the problems with the new permanent policy, it is important to recall the impact of this emergency programme, as it had important repercussions to shape the new policy.

#### The “Auxílio Emergencial” (short) success story

During the COVID-19 crisis, thanks to the effort by the Legislative branch, Brazil rolled out one of the largest social assistance responses in the world, with informal workers as an explicit target, but also benefiting formal workers, who lost their livelihoods when the pandemic hit the country. The way informal workers were targeted was through its design: it had a higher household income eligibility threshold (US\$ 545 per month) and a higher amount of benefits than the traditional PBF – both key design features which include more informal workers.

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Brazil delivered R\$ 600 (US\$ 120) monthly benefits, initially for three, then for five months. The benefit was equivalent to three times the amount of the average benefit of PBF. As a result of its design, it reached a much wider population: while the PBF reached about 14 million families, the AE was initially delivered to 68 million workers for 5 months.<sup>1</sup>

Instantly, 13 million people were lifted out of poverty, according to estimates from a Fundação Getúlio Vargas study. Other studies have also found that the AE was effective in reducing inequality by offsetting poverty among afro-descendants and indigenous people. Initial GDP forecast from OECD for the Brazilian GDP (a 7.4 percent plunge), thanks to the AE, was replaced by a much less catastrophic crash: -4.1 percent, one of the best results of the G20. Another estimate from the University of São Paulo suggested that the AE was responsible for avoiding a further 4 per cent drop in GDP in 2020.

Despite the promising results, the government started to cut back the AE in 2020. After delivering R\$ 600 benefits per worker from April to August 2020, the government halved the benefit amount to R\$ 300 (US\$ 60) from September to December 2020 and slashed the number of beneficiaries from 68 million to 39 million by imposing more conditionalities in order to be eligible.<sup>2</sup>

The emergency cash-transfer program was later completely halted in the first quarter of 2021, as the government believed, by October 2020, that the pandemic was finished, despite evidence that a second wave was approaching. After the second wave arrived, still in December 2020, the government scrambled to resume the payments of the emergency cash-grant in the second quarter of 2021, but reducing the amount of the benefit further, to R\$ 250.

Despite the cuts, the emergency grant was still benefiting many more people than the ordinary PBF. Finally, by August 2021, the government rushed to create a new permanent cash-grant programme to replace the traditional PBF in November. This is now known as the Auxílio Brasil (AB), with the last instalments of the emergency programme to be delivered in October.

### The “Auxílio Brasil” promises

When the government launched the Auxílio Brasil programme in August 2021, the initial promise, never formalized, was to increase the number of beneficiaries of the PBF from 14 million to 17 million families and to raise the basic amount from R\$ 189 (US\$ 35) to R\$ 300 (US\$ 55). This would mean a 21% increase, in real terms, and would include 3 million more families. However, there are 2.2 million eligible families registered in the CadÚnico (the Brazilian social assistance registry) who are currently waiting to receive their benefits. These families could be included in the programme, without making any regulatory changes. In other words, underneath all the noise, what the government introduced were only small improvements that could have been implemented by simple administrative procedures, without the trauma of ending the established policy. That is, if the goal were really to increase the reach of the programme.

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<sup>1</sup> Beneficiaries of the Bolsa Família could not accumulate both cash-grants; they had to choose between them. But since the emergency programme was initially three times more generous than the average regular PBF grant, all beneficiaries of the traditional programme opted to receive the emergency cash-transfer.

<sup>2</sup> Among the new conditionalities, it has introduced minimum 2019 annual income threshold above which the beneficiary would no longer be eligible and excluded those who were registered as income tax dependents in 2019, which affected many women and young adults.

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However, when the [executive decree regulating Auxílio Brasil was published on November 8th](#), that modest promise of expanding the PBF was broken. On the one hand, the average benefit was set at a lower level than promised: R\$ 217 (US\$ 40). This is a 15% nominal increase, which is not enough to compensate for the inflation of the period (23%) since the last readjustment. Furthermore, the prospect of increasing the number of beneficiaries was set aside.

The government is currently trying to find fiscal loopholes to increase the average benefit to R\$ 400 (US\$ 72) and increase the number of beneficiaries as promised – but only until 2022, i.e., after elections take place. After that, the benefit would go back to R\$ 217. Some members of Congress want to turn the [R\\$ 400 benefit into a permanent amount](#) and even to make annual [adjustments for inflation](#) to preserve the purchasing power of the benefits. But there is no guarantee that any of this will happen. The bottom line is that beneficiaries of the PBF are deemed to face uncertainty in the foreseeable future.

Most importantly, the discussion of the replacement of BPF ignores the COVID-19 responses and takes the pre-pandemic situation as the reference. Even if the number of families benefitting was to reach 17 million, this would mean that 22 million beneficiaries who received the AE in 2021, including many informal workers, would be excluded again. In other words, the new policy does **not include** 3 million more beneficiaries, as the government has promised: it would [exclude 22 million poor workers](#). Another [estimate from a civil society organization found that the exclusion could go up to 29 million people](#).

Even as the pandemic fades away, it will have long-lasting effects on the economy. The AE was very effective in drastically reducing poverty and extreme poverty and [mitigating a further increase in inequalities](#). But its effects were short lived. According to a [study from Fundação Getúlio Vargas](#), before the pandemic, 23 million people (11%) were in poverty. When the emergency cash-grant was rolled out, poverty was reduced to 9.8 million people (4.6%), by September 2020. But when the emergency grant was interrupted, in the first quarter of 2021, poverty spiked to 34 million people, a 47% increase compared to the pre-pandemic period.

### From Bolsa Família to Auxílio Brasil: what changes?

Bolsa Família is much more than a bank card and a cash transfer. “Hundreds of cash-transfer programmes around the world do cash transfers to families using a bank card. The difference is that it includes not only the income protection, but it has a whole construction of inclusion,” says Tereza Campello, former Social Development Minister during Dilma Rousseff’s administration. The inclusion to which Ms Campello refers is the entrance door for vulnerable citizens to access their basic rights.

It is important to identify the four key pillars that constitute Bolsa Família to understand what is being challenged by the introduction of the new grant:

- **Systems of registration:** CadÚnico, the Brazilian social assistance registry system is more than a database; it is a humanized tool, in which citizens in vulnerable situations relate to the state. It is a “humanized” approach because there are always frontline workers involved who serve the citizen by assessing his/her multiple dimensions and needs. Through this tool, when citizens register at the social assistance centres, they start a relationship with the state and access basic social rights. At the same time, policymakers have access to a wide set of information, such as household conditions, gender-based violence, and access to water and sanitation. As the families are included in the CadÚnico, it enables the social inclusion of these families by the state. As in any policy, there are some shortcomings and room for improvement in the CadÚnico. Informal workers reported [problems registering and getting appointments](#), particularly in the last 5 years. Yet, the CadÚnico has demonstrated to be an effective tool to address multidimensional risks and was key to roll out the AE.
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The new policy adds features that tend to replace this holistic, humanized process by an automated one, in which a digital account is automatically created and the relation between citizen and state is mediated through apps, rather than a human being. In turn, it can be a barrier to many beneficiaries used to the current card withdrawal system.

- **Governance and Participation:** This is a federal policy, but it is implemented locally by municipal authorities. Since its conception the design was agreed upon between local and federal decision-makers and policymakers. No changes were made without wide consultation at the local level. This ensured that the transfers were made without any interruptions for 18 years.

On the other hand, the Auxílio Brasil decree was published without any discussion with local authorities – who manage the registration and verify the observation of conditionalities, for instance. This means that no one knows for sure how the new cash-transfer policy will work and how the new conditionalities will be enforced.

- **Linkages to services:** The Social Assistance Single System (SUAS) is a network of social workers that was established by the Federal Constitution of 1988. It is an integral part of the PBF programme implementation. The new policy excludes the SUAS roles in the Auxílio Brasil.
- **Simplicity:** It is a straightforward policy, with simple conditionalities (child school enrolment, child vaccination and prenatal health checks). Nevertheless, some critics argue that if there are conditionalities that require time, such as taking children to vaccination clinics and, if women must divert substantial time from income-earning labour, the reduction in labour income may reduce the amount of resources in their control.

The “Auxílio Brasil” changes all this: it replaces a simple benefit, which varies only according to the number of children (up to three), with simple conditionalities, by a model whereby six different benefits can be stacked on to the basic benefit. And for each extra benefit there are different conditionalities. These new conditional benefits include additional grants for families with child-athletes, child care vouchers and bonuses for those beneficiaries who find formal employment. This increases the complexity of the policy – and the cost to run it and verify the new conditionalities.

As complexity increases, so do the distortions. This is the case of the new child care voucher policy, for instance, in which families receive a voucher to spend in privately-run child care facilities. The problem: in order to be eligible for this benefit, one parent has to find formal wage employment, or, in the case of informal workers or formal self-employed workers, the parent(s) must prove an income increase (yet to be specified in this new regulation). This conditionality is a double penalty on women – and women informal workers in particular – as the lack of child care facilities is one of the barriers for them to find a job and to increase their income. Furthermore, informal workers usually do not have a steady source of income – let alone proof of income increase – as required to be eligible.

## Social assistance going forward

The pandemic has revealed shortcomings of the PBF, in particular the need to reach informal workers, who are vulnerable to shocks and largely unprotected. The Auxílio Emergencial, the Brazilian emergency cash-transfer, also showed the need to increase the amount of the benefits and that it is possible to do it. More than that, it shows the very promising economic and social benefits of a broader income redistribution programme.

The AE experiment showed that bolder social assistance policies can both increase protection against poverty and spur economic growth, while creating and preserving jobs. One key feature of this emergency cash-grant was the explicit goal to target informal workers – and the large outreach, which has rendered possible to reach the so-called “missing middle.” The permanent cash-grant programme has to take into account both the learnings from the emergency programme and the new reality post-pandemic.

There are some alternatives being discussed: the main opposition party, [the Workers' Party \(PT\)](#), [advocates in favour of a R\\$ 300 \(US\\$ 55\) benefit per child](#), limited to five benefits per family, and in favour of automatically giving families from the CadÚnico database access to the grant. Another proposal stemming from civil society organizations' coalitions is to introduce a [Universal Basic Income programme](#), of R\$ 600 (US\$ 110) per family, similarly to the AE. In both proposals, the income redistribution programme would be funded by progressive taxation. Brazil has a very regressive tax system, with heavy indirect taxation (on goods and services), affecting the working poor. One of the key proposals is to introduce personal income tax on profits and financial dividends, which are exempted in Brazil, unlike almost all OECD countries. By tackling revenue and expenditure at the same time, a progressive taxation to finance this revamped cash-grant would greatly reduce income inequality in one of the most unequal countries in the world. Regardless if the policy should be conditional or unconditional, the new consensus is that the Bolsa Família Programme has to be updated – and expanded – to face this new scenario.

However, this is not what the new “Auxílio Brasil” programme does. It adds complexity and creates a lot of uncertainty. Although in public statements government officials promised to increase the number of beneficiaries and the amount of the benefit, no one knows for sure how much each family will get, how the extra benefit will work and how the new conditionalities will be observed. The budget is also uncertain. Government is currently scrambling to find revenue sources to finance the programme for next year – an electoral year – and for next year only. After the election passes, more uncertainty will come.

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## About WIEGO

Women in Informal Employment: Globalizing and Organizing (WIEGO) is a global network focused on empowering the working poor, especially women, in the informal economy to secure their livelihoods. We believe all workers should have equal economic opportunities, rights, protection and voice. WIEGO promotes change by improving statistics and expanding knowledge on the informal economy, building networks and capacity among informal worker organizations and, jointly with the networks and organizations, influencing local, national and international policies. Visit [www.wiego.org](http://www.wiego.org).

