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## Working Paper

# Assessment of the implications of the Bolsa Família Programme for the Decent Work Agenda

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# ASSESSMENT OF THE IMPLICATIONS OF THE BOLSA FAMÍLIA PROGRAMME FOR THE DECENT WORK AGENDA

Working Paper number 85 October, 2011

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This paper has been produced in the context of a joint ILO-UNDP research programme aimed at understanding the implications of large scale social assistance programmes for the Decent Work Agenda (DWA). The research focuses on programmes implemented in the three IBSA countries (India, Brazil and South Africa), namely the National Rural Employment Guarantee Act in India, *Programma Bolsa Familia* in Brazil and the Child Support Grant and Expanded Public Works Programme (EPWP) in South Africa. The research is also complemented by a paper exploring the decent work implications of Ethiopia's Productive Safety Net Programme.

Given that there are few systematic reviews or assessments of the contributions of these programmes to the DWA in these countries, these studies aim to contribute to filling this gap and to identifying lessons and policy recommendations. Although these programmes were not necessarily designed to explicitly conform to a *Decent Work Agenda*, the reviews indicate that these programmes have had significant direct and indirect impacts on conditions of *employment*, the provision of *social protection*, mechanisms for building consensus and contributing to deepening *social dialogue*, and the promotion of *rights at work* which are at the heart of this agenda. The studies view the realization of DW as a dynamic process.

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## **LIST OF ACRONYMS:**

CCT:	Conditional Cash Transfer Programme
CGU:	General Controllers Office
CRAS:	Social Assistance Reference Centre
ECLAC:	Economic Commission for Latin America and the Caribbean
FAT:	Worker Support Fund
GDP:	Gross Domestic Product
IBGE:	Brazilian Census Bureau
IGD:	Decentralized Management Index
IGDE:	State Decentralized Management Index
ILO:	International Labour Organization
IPEA:	Institute for Applied Economic Research
MDS:	Ministry of Social Development
MP:	Public Prosecutor
MTE:	Ministry of Labour and Employment
PAC:	Growth Accelerator Programme
PBF:	Bolsa Família Programme
PETI:	Brazilian Programme for the Eradication of Child Labour
PIS/NIS:	Social Identification Number
PLANSEQ:	Sector Qualification Plan
PNAD:	National cross-section household survey
PRONAF:	National Programme for Strengthening of Family Farming
SENAI:	National Agency Specialized in Professional Training in the Industrial Sector
SIGAE:	Employment Action Management Information System of the Ministry of Labour and Employment
SINE:	National Employment System
SUAS:	Unified System for Social Assistance
TCU:	Federal Audits Court

## **ASSESSMENT OF THE IMPLICATIONS OF THE BOLSA FAMÍLIA PROGRAMME FOR THE DECENT WORK AGENDA**

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### **INTRODUCTION**

The objective of this study is to assess the implications of Brazil's conditional cash transfer programme, the "Bolsa Familia" Programme (hereinafter the "PBF"), for the Decent Work Agenda. The Decent Work Agenda first emerged in a report by the Director-General of the ILO in June 1999.<sup>1</sup> Decent work is defined by the ILO ([www.oitbrasil.org.br](http://www.oitbrasil.org.br)) as "productive work under conditions of freedom, equity, security and dignity, in which rights are protected and adequate remuneration and social coverage are provided." Work that can be classified as decent therefore ensures respect for labour rights and guarantees living standards in conditions of dignity; it accordingly excludes any kind of work under constraint, for excessive hours or for under-remuneration.

According to the ILO Declaration on Social Justice for a Fair Globalization (2008), the four pillars of the Decent Work Agenda are employment, rights at work, social dialogue and social protection. These pillars are "inseparable, interrelated and mutually supportive." The first pillar is employment, with the goal of achieving full employment and decent work for all by promoting economic and social policies directed towards job-rich growth.<sup>2</sup> It therefore aims to reach "people who are either unemployed or whose remuneration from work is inadequate to allow them and their families to escape from poverty".<sup>3</sup> The second pillar is rights at work, encompassing the promotion of international labour standards, which guarantee that workers are not subject to abusive situations. The third pillar is social dialogue, which refers not only to negotiation and consultation between workers, employers and governments, but also to guaranteeing the fundamental right of freedom of association and collective bargaining.

The fourth pillar is social protection, which since 1944 has been understood not only as a workers' right, but as a universal right, as indicated in ILO (2010):<sup>4</sup>

In 1944, the mandate of the ILO was widened by the Declaration of Philadelphia, which was the first international legal instrument to stipulate the right to social security as a right belonging to all, and can be seen, moreover, as the first moment in history that the world community declared its commitment to the extension of social security to all. At the same time the ILO was established as the foremost authority in this field. The Declaration of Philadelphia was integrated into the ILO Constitution and laid down the "solemn obligation of the International Labour Organization to further among the nations of the world programmes which will achieve", among others, "the extension of social security measures to provide a basic income to all in need of such protection and comprehensive medical care" (Article III(f)), as well as "provision for child welfare and maternity protection" (Article III(h)), thereby extending protection from workers to all those in need.

This understanding is particularly important as it clearly states that social protection and social security programmes and policies should move beyond the realm of the formal sector towards all those in need of protection and security. Large-scale conditional cash transfer programmes, such as the PBF, are a decisive step in that direction, as they are not based on labour relations or employment status, but aim to protect all those in need. In addition, the PBF also includes provision for child welfare and maternity protection, with the focus on pre- and post-natal health care being one of its distinctive features.

The ILO's social protection framework currently has three main objectives:<sup>5</sup> (i) extending the coverage and effectiveness of social security schemes; (ii) promoting labour protection, which comprises decent conditions of work, including wages, working time and occupational safety and health, as essential components of decent work; (iii) working through dedicated programmes and activities to protect such vulnerable groups as migrant workers and their families, workers in the informal economy, as well as facilitating AIDS prevention and treatment at the workplace. The PBF is directly related to the first and second objectives of extending the coverage of social protection and security and improving the quality of work, as it allows potential workers to opt out of low-paid and hazardous types of work, in addition to being an important weapon for combating child labour.

The PBF is a conditional cash transfer programme aimed at guaranteeing a minimum level of income to poor families and at improving the access of children to education and health and of beneficiary families to social assistance. However, there is no employment component embedded in its design, with the exception of complementary programmes. For this reason, the first contribution of the PBF is related to the social protection pillar of the Decent Work Agenda, through its aim to provide a minimum income for people who are excluded from decent work in the sense that the income from work in the family is not enough to cover all its needs and/or to pull it out of poverty. It therefore complements other contributory and non-contributory social security schemes which focus on traditional social risks, such as old age, permanent or temporary incapacity for work, unemployment, etc.<sup>6</sup>

In addition to its contribution to expanding social protection, and therefore to reducing poverty and inequality, the PBF may also be making some contribution to promoting work-related rights, particularly in terms of combating child labour. Brazil's first federal cash transfer programme (the Programme for the Eradication of Child Labour - PETI) was aimed at supporting the eradication of child labour, or at least its worst forms (for example in coal production, fishing, sugar cane plantations, etc.). Starting in 1996, it offered a financial benefit to families which undertook to keep their children away from work and to send them to school. After 2006, the PETI cash transfer started to be absorbed by the PBF, although its non-cash components, such as additional school shifts and assistance by social workers for families, were maintained and are now implemented with the support of the National Secretariat for Social Assistance of the Ministry for Social Development (MSD). As the PBF inherited the goal of the eradication of child labour, there is a more direct connection between the PBF and the promotion of this particular labour standard.

Another dimension of the Decent Work Agenda on which the PBF may have an impact is the reservation wage. The PBF may enable beneficiaries to refuse work that is not decent as they now have access to a reliable source of alternative income. It may also indirectly help to improve earnings and labour conditions. Some evidence of this is discussed in the following

sections, focussing on the relation between cash transfer programmes and the labour supply among beneficiaries. It should however be borne in mind that the income guarantee may also allow people to search more intensively for a (better) job, thereby contributing, all other conditions being equal, to enhancing labour supply. This ambiguity suggests that the empirical evidence needs to be interpreted carefully, as more conventional assumptions about the behaviour of beneficiaries may not hold.

The present report makes use of existing literature which evaluates the impact of the PBF on the labour market. In addition, it analyses secondary data from the national cross-sectional household survey (PNAD) carried out by the Brazilian Census Bureau (IBGE). The data used are for 2004 and 2006, when a special supplement was published on government social assistance programmes. The report also provides some data on the labour market performance of PBF beneficiaries and discusses attempts by the Government to increase their employability and to create work opportunities. This is clearly related to the employment goal of the Decent Work Agenda, although the connection with the primary objectives of the PBF in this respect is more distant. The comments made on this aspect should therefore be seen as exploratory, both from the analytical and policy-making perspectives.

The report is divided into six sections, in addition to the present introduction. Section 1 briefly describes the evolution of social protection and of the social security system in Brazil, and the role of the PBF in this system. Section 2 presents the major features of the PBF in general terms. Sections 3 and 4 then review the main studies that have been carried out of the impact of the PBF on the supply of adult and child labour, respectively. Section 3 deals, firstly, with the evolution of the Brazilian labour market in the 1990s and the first decade of this century. A description is then provided, for 2004 and 2006, of the differences in labour market indicators for the heads of both PBF beneficiary and non-beneficiary households, using the PNAD supplement database, which allows a much more robust identification of households with PBF beneficiaries. Section 3 also contains an evaluation of the labour market performance of PBF beneficiaries for the two years using pseudo-cohorts. The decent work approach permeates the present analysis, taking into consideration the limited data available. The study takes into account the employment rate, the degree of formalization of labour relations and the proportion of employed persons in the various income groups, in addition to analysing the prevalence of child labour. The section also includes a description of regional disparities in Brazil in terms of poverty indicators, PBF coverage and labour market indicators. Section 4 examines work by children and adolescents in PBF beneficiary and non-beneficiary households. Complementary programmes for the expansion of employment and earnings opportunities of PBF beneficiaries are reviewed in section 5. Finally, the sixth section contains some concluding remarks.

## **1 THE ROLE OF THE PBF IN THE SOCIAL PROTECTION SYSTEM IN BRAZIL**

Brazil started to develop its social security system in the 1920s, when the first pension funds were created, mostly for formal sector workers in urban areas in public services and the public administration. However, each of the funds had different rules for benefits and contributions. In contrast, social assistance was residual and was mainly outsourced by the Government to private entities, as it was regarded as philanthropy.

In 1960, a law was adopted merging the various pension funds. In 1971, a non-contributory assistance scheme for elderly rural workers (FUNRURAL) was introduced, although the value of the benefits provided was much lower than the minimum pensions of urban workers. Moreover, FUNRURAL omitted to cover most women working in agriculture, as the benefit was aimed at heads of households. Despite this first non-contributory benefit, until the late 1980s, the coverage of the social security system, outside public sector employees, was almost exclusively confined to urban workers, who occupied most formal sector/registered jobs. Rural and urban workers without a registered "job card" (which provides legal recognition of a formal work relationship between an employer and an employee) had no access to social security or health care.

The 1988 Constitution unified the minimum levels of urban and rural pensions, which resulted in higher minimum rural pensions and made them more accessible to women. Access was also facilitated by not requiring previous financial contributions, just documentary proof of having worked as a small farmer. It also established a non-contributory social assistance benefit (the BPC) for people with disabilities and the elderly in families living in extreme poverty, and access to public health care was made universal.

With the expansion of social security beyond contributory schemes, most situations started to be covered of persons facing difficulties in participating in the labour market, such as the elderly and the disabled. However, until the late 1990s, persons of working age did not receive income security benefits unless they were covered by a social insurance scheme (only workers in the formal sector) and affected by a specific risk (such as sickness, injury or unemployment). A large proportion of the population therefore still remained vulnerable to poverty. As indicated in IPEA (2010), this was one of the driving forces behind the introduction of cash transfers and social assistance benefits:

"The acknowledgement of the persistence of poverty, even when members of households participated in the labour market, in addition to the incomplete social security coverage and the lack of family allowances in the system, made social assistance benefits an additional pillar of social protection."<sup>7</sup>

Brazil currently has a complex system of income security schemes, some of them strictly related to wage-earners who retire or are temporarily out of work (pensions, unemployment insurance, temporary disability benefits), while others are aimed at people who are not able to work.

The PBF can therefore be seen as a part of a broader social protection system, supplementing other schemes by providing support for persons who, despite being of working age, have an income that is too low to fulfil their basic needs.

As with social security, the PBF can be seen in at least two ways: as a means of ensuring some income security for precarious workers whose incomes are too low and volatile, even when they are employed in regular jobs; and as a way of addressing the lack of coverage of other schemes, especially unemployment insurance and temporary benefits. So, although its targeting mechanisms do not take into consideration the employment status of beneficiaries, the PBF mostly reaches workers who would otherwise not be covered by the social protection system. The PBF is clearly one of the components of the system, but cannot be seen as a substitute for social security at large, as the level of the benefit is much lower,<sup>8</sup> and the Government is under no commitment to pay the benefit to all families on the



Unified Registry (CADÚNICO) who are eligible, as the benefit is not a right. At present, the level of the benefit and the total number of beneficiaries is totally determined by the resources allocated within the fiscal year. Unlike social security benefits, they are dependent on a discretionary budgetary allocation. The total amounts allocated to social security and the PBF also differ very widely, as seen in Table.

TABLE 1

**Social Security and Assistance Benefits and Expenditure in Brazil**

	Number of benefits – December 2009	Expenditure (R\$ billions, current) - 2008	% GDP - 2008
Pensions - general scheme	23,534,497	199.6	6.91
Pensions – public sector (1)	936,733	121.8	4.22
BPC – permanent assistance benefit	3,504,080	16.0	0.55
Unemployment insurance	2,235,083	14.4	0.50
PBF	12,370,915	11.1	0.38

Source: IPEA (2010).<sup>9</sup>

(1) Excludes state and municipal pension systems.

## 2 THE BOLSA FAMILIA PROGRAMME

Conditional cash transfer (hereinafter CCT) programmes have spread all over Latin America and beyond over the past two decades. CCT programmes are clearly identified by their two goals: poverty alleviation in the short-term and breaking the intergenerational transmission of poverty in the long term. They have three basic characteristics: (i) the existence of targeting mechanisms; (ii) the so-called co-responsibilities (especially in the areas of health and education) with a view to fostering the accumulation of human capital among children; and (iii) the fact that the benefit is paid in cash. In addition, the beneficiary is usually the mother or the primary female care-giver responsible for the children (Soares and Silva, 2010).

Despite the common goals and characteristics listed above, the reasons why, and the ways in which CCTs have been adopted and implemented, and have evolved in the different countries are very case specific.<sup>10</sup> These differences can be identified using two basic criteria: the emphasis placed on each of the objectives of CCTs, and the way in which programmes are inter-related or positioned in their national social protection systems. These differences are in turn reflected in the design choices made for the various programme components, which do not always follow a well-defined logical path.

From this perspective, the PBF is a very specific type of CCT. As indicated in the previous section, the PBF plays a complementary role in the Brazilian social protection system. Despite being a flagship programme of the former Lula administration, it is not the only cash transfer programme and is not the only non-contributory programme within the social protection system. From a comparative perspective, the PBF differs from most CCT programmes in the region in terms of its size (it covers 25 per cent of the Brazilian population), and as being an additional element of a social protection system that encompasses other important components.<sup>11</sup>

The PBF was created<sup>12</sup> by the Federal Government in October 2003 under the coordination of the Ministry of Social Development (MDS). Its implementing agency is the Secretariat for Citizenship Income (SENARC) within the MDS. It represents the consolidation

at the federal level of a particular type of cash transfer programme that started with local experiences in the mid-1990s, and which has slowly made its way up to the federal level. The first local experiences were carried out in 1995 in the Federal District through the Programa Bolsa Familiar para a Educação (the Family Grant Programme for Education) and, in the municipality of Campinas, the Programa de Garantia de Renda Familiar Mínima (the Minimum Family Income Guarantee Programme).<sup>13</sup> These pioneer programmes had some features that were later incorporated into the design of the Bolsa Família. In parallel with the development of these local level experiences, the Brazilian Congress debated and subsequently approved a law creating a citizenship income in Brazil based on a Bill proposed by Senator Eduardo Suplicy of the Workers' Party, which was enacted by President Lula in early 2004, almost at the same time that the Bolsa Família became law. Some commentators, including Senator Suplicy, believe that the PBF is a first step towards a basic citizenship income, a message that was reinforced by the fact that the PBF implementing agency was called the National Secretariat for Basic Citizenship Income. However, the recent development of the programme does not suggest that it will turn into a basic citizenship income, at least in the near future.<sup>14</sup>

The PBF was created through the merger into a single programme of several other conditional and unconditional cash transfer programmes created in the early 2000s (Bolsa Escola, Auxílio Alimentação, Cartão Alimentação and Vale Gás). The PBF was also responsible for the consolidation and expansion of the Cadastro Único registry (Single Registry)<sup>15</sup> which, despite being created in 2001, was not used effectively in support of the earlier programmes, resulting in duplication and a waste of resources. Moreover, the consolidation of the initial phase of the Single Registry was not helped by the fact that the programmes were implemented by different ministries and did not have a coordinating agency.

The Act and decrees that introduced and regulated the PBF set out its objectives in terms of both the parameters for the unification of existing cash transfer programmes based on administrative objectives (such as the promotion of access to social services) and the outcomes of the programme (for example, reducing poverty and improving food security) (Bastagli, 2008; and Jaccoud et al., 2009). These objectives are to:

1. promote access to the network of public services, especially health, education and social assistance;
2. combat hunger and promote food and nutritional security (in line with the Zero Hunger Strategy);
3. stimulate the sustained emancipation of families living in poverty or extreme poverty;<sup>16</sup>
4. combat poverty; and
5. promote inter-sectorality, complementarity and synergies between policies at the various levels of government.

The PBF is therefore intended to support vulnerable and poor families and to generate commitment by the State and the beneficiary families to guarantee the supply and demand for public social assistance, health and education services. Access to health, education and social assistance are understood as basic rights of the population and co-responsibilities (conditionalities) are seen as a way of helping beneficiaries to gain access to them, rather than as punitive measures.

The implementation of the PBF is shared between various government bodies at the federal and sub-national levels. The registration of families in the Single Registry and the follow-up of co-responsibilities in the areas of health and education are two basic activities of the Programme that are in practice carried out by local governments. Moreover, local governments are also responsible for guaranteeing the adequate supply of schools, basic health care and social assistance services. With a view to offering incentives to local governments to improve the quality of the Registry (validating and updating the information provided by families) and monitoring the implementation of co-responsibilities, the MDS transfers additional resources to both local and state governments to help with the additional financial costs resulting from these activities. The amount of the transfers depends on the number of beneficiaries in the municipality, as well as a managerial index (the Index of Decentralized Management - IGD), which ranges from 0 to 1 and is based on indicators of the quality of the Single Registry and on the percentage of beneficiaries for whom compliance with co-responsibilities has been monitored.

The municipalities with high IGD scores receive more financing, which may be used for the implementation of the Programme, or for complementary programmes, or even for investment in equipment, such as computers, which contribute to improving programme management. Within these possibilities, local managers have the freedom to decide on the use of these resources.

The PBF is quite different from other CCT programmes, as it does not make use of any proxy means-testing for the selection of beneficiaries. The selection is based on the per capita income of the family, as reported by the families in the Single Registry. In order to avoid offering incentives to municipalities to over-register beyond their needs, PBF targeting is driven by quotas calculated on the basis of the estimates set out in IBGE poverty maps of the total number of poor families in each municipality. This process seems to be quite effective. According to Barros et al. (2008), 57 per cent of transfers do indeed go to families living below the poverty line. It would appear that this targeting performance is due primarily to precise registration at the local level (62 per cent) and the existence of municipal quotas (32 per cent), with very little being due to the income records available in the Registry (6 per cent).<sup>17</sup>

Benefits are paid through the public banking system, the Caixa Econômica Federal and its banking network, which includes lotteries and local stores. The payments, as in most CCT programmes, are preferably made to the women responsible for the children in households,<sup>18</sup> based on the assumption of their greater altruism in allocating family resources. However, the Government ensures family autonomy in using these resources.

The role of the Caixa Econômica Federal goes beyond making payments, as it is entrusted by the MDS with being the Programme's operating agent. The Caixa is responsible for consolidating and updating the Cadastro Único database and for generating the Social Identification Number (PIS/NIS) which identifies the individuals in the Single Registry.

The Caixa has implemented a pilot project since 2008 offering beneficiaries a simplified current account with a services package, rather than merely providing a card which would only allow them to withdraw money from ATM machines and pay points. The service package includes authorization to withdraw cash four times a month, the provision of

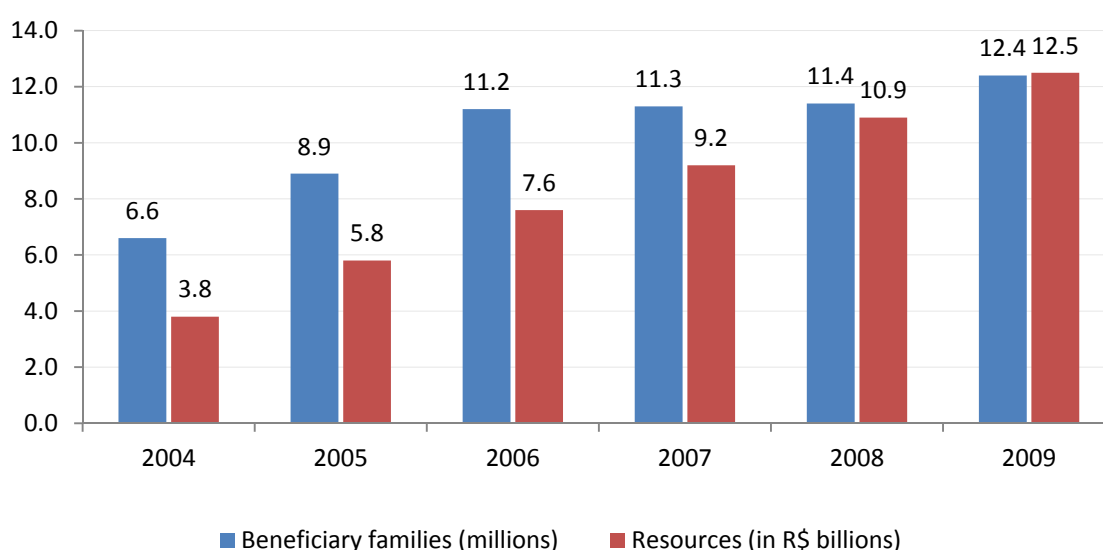
four account statements, the possibility of payments by direct debit and access to credit, insurance and savings accounts. The project plays an important role in promoting the access of beneficiaries to financial intermediation, especially in the case of women, who represent the majority of beneficiaries (93 per cent).

In October 2006, the Programme achieved its first target in terms of the overall number of beneficiaries: 11.1 million households. The target had been set on the basis of an estimate of poor families derived from the PNAD 2001 (household survey). In 2009, the ceiling was revised upwards, despite the fall in poverty observed up to then, with the aim of ensuring the compatibility of the target with the Programme aim of providing financial assistance to households likely to fall into poverty within a two-year period. This represented a move away from the cross-sectional measurement of poverty to a dynamic measure taking into account the volatility of the income of the poor.<sup>19</sup> The new target was set at 12.9 million families so as to include not only the stock of poor families at a given point in time, but also families which, because of the volatility of their income, are vulnerable to falling below the poverty line within a two-year period. This period is the minimum duration<sup>20</sup> that a family can stay in the Programme, regardless of changes in its per capita income. A family would only be dropped from the Programme during this period for non-compliance with its co-responsibilities, or because it decided voluntarily to quit the programme. It is also important to note that two years is the validity period of the information provided by families for the Single Registry.

Such a scale of coverage resulted in the expenditure of about 13 billion Brazilian reais (R\$) in 2010, which only corresponds to 0.38 per cent of estimated national GDP for that year. In relation to other discretionary social spending budgeted for 2010, a total of 7.9 per cent will be allocated to the PBF, 29.4 per cent to health and 12.7 per cent to education.

FIGURE 1

### Beneficiary Families and the Bolsa Família Budget Allocation



Source: MDS presentation at the 13<sup>th</sup> Basic Income Earth Network (BIEN) Congress, Sao Paulo, May 2010.

The two aspects of the eligibility criteria for the PBF are related, firstly, to extreme poverty and, secondly, to poverty. Households with a per capita income of up to R\$ 70,00 (extreme poverty) receive a basic benefit, irrespective of the presence of children in the household; in contrast, poor households, that is those with a per capita income of between R\$ 70.01 and R\$ 140.00, only receive a benefit if there are children and/or adolescents up to 17 years of age in the household. The inclusion of adolescents aged 16 and 17 years is an improvement in the coverage of the Programme introduced in January 2008 with the objective of preventing school drop-outs in this age group, which is precisely when the labour market participation of children in poor families becomes more prevalent.

The benefit levels for families with a per capita income of between R\$ 70.01 and R\$ 140.00 which have children aged 15 or under ranges between R\$ 22.00 and R\$ 66.00. For extremely poor families (with a per capita income below \$ 70.00), the basic benefit is R\$ 68.00, which is paid regardless of whether they have children.

The benefit in respect of adolescents aged 16 and 17 years is R\$ 33.00. However, this benefit is capped at a maximum of two adolescents per family. For poor families, if they have adolescents aged between 16 and 17, the benefit received ranges between R\$ 33.00 (one adolescent and no younger children) and R\$ 132.00 (two or more adolescents and three or more children up to 15 years of age). In the case of an extremely poor family, the range is from R\$ 101.00 to R\$ 200.00. So the maximum paid to a beneficiary family may be R\$ 200.00 (an extremely poor family with three or more children and two or more adolescents), and the minimum is R\$ 22.00 (poor families with one child). The average amount received per beneficiary family is R\$ 94.66.

Table 2 summarizes all the possible combinations of values that a beneficiary family could receive, depending on its per capita income and demographic composition.

TABLE 2

**Benefits of the Programa Bolsa Família (PBF)**

Adolescents (16 to 17 years)	Children (15 years or younger)	Benefits	
		Per capita income between R\$ 70.01 and R\$ 140.00	Per capita income below \$ 70.00
0	0	-	R\$ 68.00 (basic benefit)
0	1	R\$ 22.00	R\$ 68.00 + R\$ 22.00
0	2	R\$ 44.00	R\$ 68.00 + R\$ 44.00
0	3 or more	R\$ 66.00	R\$ 68.00 + R\$ 66.00
1	0	R\$ 33.00	R\$ 68.00 + R\$ 33.00
1	1	R\$ 55.00	R\$ 68.00 + R\$ 55.00
1	2	R\$ 77.00	R\$ 68.00 + R\$ 77.00
1	3 or more	R\$ 99.00	R\$ 68.00 + R\$ 99.00
2 or more	0	R\$ 66.00	R\$ 68.00 + R\$ 66.00
2 or more	1	R\$ 88.00	R\$ 68.00 + R\$ 88.00
2 or more	2	R\$ 110.00	R\$ 68.00 + R\$ 110.00
2 or more	3 or more	R\$ 132.00	R\$ 68.00 + R\$ 132.00

Source: Ministry of Social Development (MDS).

When families enter the programme, they agree to comply with co-responsibilities (conditionalities) in relation to health and education,<sup>21</sup> namely: the enrolment and regular attendance at school of school-age children and adolescents; and access to basic health care. With regard to education, children between six and 15 years of age have to attend at least 85 per cent of classes, while the figure for adolescents aged 16 and 17 is 75 per cent. In terms of basic health care, children between zero and six years of age have to complete the vaccination schedule and undergo monitoring of their development (height and weight), while pregnant women and nursing mothers between 14 and 44 years of age have to attend pre- and post-natal care.

Unlike other CCTs, monitoring of compliance with co-responsibilities was not originally a prerequisite for the implementation of the Bolsa Família Programme in a specific municipality or area. The Programme expanded rapidly, and the conditions relating to the monitoring of co-responsibilities were developed later in partnership with the competent ministries (education and health).

Compliance with co-responsibilities is reported by schools and municipal health units, with the information being transmitted to the Ministry of Education and the Ministry of Health, respectively, which are responsible for consolidating information on compliance with co-responsibilities and reporting it to the MDS. With regard to education, compliance with the co-responsibility is reported every two months, and for health care every six months. If households fail to comply with co-responsibilities, they undergo a process of “gradual effects” (*repercussão gradativa*) which, according to Soares and Silva (2009), is another distinguishing feature of the Bolsa Família in relation to most other CCT programmes. The MDS has adopted this gradual process because the goal of the PBF is not to punish households,<sup>22</sup> but to help them benefit from their rights.

The “gradual effects” process consists of five stages. First, the household receives a notification. Then the benefit is withheld for 30 days; the payment is then suspended for two months; and if compliance with the co-responsibility is still not achieved, it is suspended for two additional months. Only at the fifth stage is the benefit withdrawn. For families with adolescents, the fourth step (suspension for two additional months) is skipped. However, in such cases, only the benefits related to adolescents aged 16 and 17 are withdrawn.

One interesting feature of the design of the PBF, although it has only been implemented recently, is the idea that non-compliance with co-responsibilities is a sign of the additional vulnerability of the household. To help the household address this situation, a municipal social worker is assigned to monitor the household, ascertain the reasons why it has failed to meet its co-responsibilities and help it overcome these difficulties. The social worker would be from a Social Assistance Referral Centre (CRAS)<sup>23</sup> or a Specialized Social Assistance Referral Centre (CREAS).<sup>24</sup> The priority groups for CRAS assistance are currently households in a situation of non-compliance with their co-responsibilities and those with children who were previously engaged in child labour.

This component of the Programme was strengthened in September 2009 by the creation of an intergovernmental and inter-sectoral forum to monitor co-responsibilities composed of representatives of the three levels of government (Federal, state and municipal) and the three areas of co-responsibility, namely education, health and social assistance. The two major

challenges in this respect are to increase the proportion of households for which compliance with the health co-responsibility is monitored every six months, which is currently 67.5 per cent (Currello et al. 2010),<sup>25</sup> and the number of households assisted by the CRAS when they fail to comply with their co-responsibilities.<sup>26</sup>

With reference to social participation, the PBF inherited from the Cartão Alimentação the so-called comitês gestores (or managing committees). Originally, these committees were to have been of tripartite composition, including representatives of the Government, beneficiaries and civil society, with responsibility for:

1. overseeing the implementation process in order to guarantee transparency in the registry of potential beneficiaries; and
2. helping to organize beneficiaries so that they can have a voice in the Programme and improve their collective action. This feature was changed in 2004 by the PBF due to the difficulties experienced in organizing such committees in all municipalities, which had hindered the expansion of the Programme, and the suspicions of mayors concerning this new and in some ways revolutionary power structure at the local level (Silva and Tavares, 2010).

They were replaced by social control/accountability units, with the participation of representatives of the Government and of civil society, with responsibility for overseeing the implementation of the Programme, although very little room is left for the collective participation of beneficiaries. An evaluation of these units was commissioned by the MDS and revealed that in small municipalities there is very little participation by civil society organizations independent of local government, which centralizes most of the activities around the Programme (Tapajós et al 2010).

In addition to the social control/accountability units at the local level, other institutions at the national level have organized a network to oversee and control the implementation of the PBF. The network consists of three agencies operating at the three levels of government, namely: the Controladoria Geral da União (CGU – the internal audit unit and the anti-corruption agency of the Federal Government); the Tribunal de Contas da União (TCU – the Federal Audit Court); and the Ministério Público (MP – the Public Prosecutor). The network has assisted the Government through its analysis and recommendations, which have helped the Programme to improve its standards and rules with a view to preventing mismanagement, fraud and corruption.

With regard to the impacts of the PBF, the partial results of the second stage of its quasi-experimental impact evaluation undertaken by the International Food Policy Research Institute (IFPRI) have recently been released. Tapajós et al. (2010) summarizes the main results in relation to health and education. For health, there has been some improvement in childbirth, with longer gestation periods that are 14.1 percentage points higher for beneficiary pregnant women than for non-beneficiaries. The body mass index also shows a much better situation for beneficiary children, with 39.4 per cent more children being considered well nourished among beneficiaries. Finally, the proportion of children with up-to-date immunization is also higher for beneficiaries: 15 per cent higher for the first polio vaccination and 25 per cent for the third.

In relation to education, the evaluation shows a higher school attendance rate for children from beneficiary households aged between 6 and 17 years (4.4 per cent) than those from non-beneficiary households. In the North-east (the poorest region of the country), the impact is even higher: 11.7 per cent. The progression rates also show a positive impact of 6 per cent, particularly for girls aged 15 to 17, at 19 and 28 per cent, respectively.

Soares et al. (2010) show that the PBF was responsible for 16 per cent of the fall in inequality between 1999 and 2009. This is a remarkable achievement, as it accounts for only 0.7 per cent of the income of households. Its high coverage and good targeting explain this performance level. As for its impact on poverty and extreme poverty, the authors show that the PBF was responsible for 16 and 33 per cent of their decrease, respectively.

This small sample of the impact of the Programme shows that it has been very successful in achieving at least part of its objectives. However, much of the criticism of the PBF is due to the fear that cash transfers may make beneficiaries dependent on this type of income, and thus act as a "poverty trap". The argument is that beneficiaries know that if they improve their incomes by obtaining a better job in the formal or informal sectors, they may have to leave the Programme and lose the cash transfer, which is a secure source of income. As a result, they would tend not to search for less precarious work, and would not therefore break out of poverty.

However, there is also the argument that the benefit increases the opportunities of the poor. The PBF stimulates demand for education, which may give rise to a "structural change in the behaviour of individuals" (Kassouf, 2001), as their valuation of the benefits of education may gradually increase, thereby improving, if not their own employability, at least that of their children. Moreover, transfers reduce uncertainty and increase the opportunity costs of migrating, thereby facilitating entry into small businesses and better jobs. The income from the PBF is therefore an alternative to precarious integration in the labour market, which is driven by the lack of earnings opportunities.

Hence the "exit door" would consist of breaking out of the cycle of the perpetuation of poverty by complying with the health and education co-responsibilities, which would foster the accumulation of human capital. Even if the parents, who are the direct receivers of the financial benefits, are unable to sustain themselves without the additional income from the Programme, their children are guaranteed education and health services, as well as access to basic goods, such as better quality food.

Either way, the contribution of the PBF is to provide access to income regardless of work, thereby allowing families with limited income-generating opportunities to refuse precarious and dangerous jobs, and supplementing the existent system of income guarantees that has been developed in Brazil since the adoption of the 1988 Constitution.

### **3 THE BOLSA FAMÍLIA AND THE LABOUR MARKET IN BRAZIL**

#### **3.1 IMPACTS ON ADULT INTEGRATION INTO THE LABOUR MARKET: PARTICIPATION RATES AND HOURS WORKED**

Cash transfer programmes can affect adult labour market integration. Traditional microeconomic theory explains the decision to participate in the labour market and the



number of hours worked through a combination of income and substitution effects. These effects are differentiated by gender since, in the division of labour, women tend to have greater responsibility for domestic tasks, such as child care and other housework.

According to the standard neo-classical model of labour supply, income transfers may lead to a decrease in the labour supply of adults, either by reducing their participation rate (the extensive margin) or the number of hours worked (the intensive margin). Assuming that leisure is a normal good, an increase in income would lead to more time being allocated to leisure at the expense of hours worked. It should be noted that if access to cash transfers reduces child labour, especially when there are education-related conditionalities, adult participation in the labour market may increase to compensate for the fall in child labour.

In addition, as highlighted by Fiszbein and Schady (2009), there may also be a price effect. Beneficiaries may believe that they have to remain poor to maintain their eligibility for a cash transfer programme, and may therefore choose to reduce labour supply. Another factor may be the rising opportunity costs of parents taking time off work to take their children to health clinics and to school in compliance with their co-responsibilities, which could give rise to a reduction in the hours that they work.

However, most studies evaluating the impact of conditional cash transfer programmes on labour supply show no significant rise in the areas predicted by the standard microeconomic model.

Fiszbein and Schady (2009) suggest several reasons for this unexpected result. As most beneficiaries are very poor, their income elasticity for leisure may be very low. The authors add that the loss of income resulting from a reduction in child labour and increased expenditure on school, in view of the higher school enrolment rate, may exceed the amount of the cash transfers, which would mean that the household may work less without any reduction in income. Another possibility is that family units may perceive transfers to be “temporary”, and would not therefore tend to change the labour supply of adults. Finally, contrary to the current findings, the authors argue that, as the programmes are recent, any adjustment in the behaviour of households will probably only be perceived in the longer term.

In Brazil, five reference studies have assessed the impacts of Government transfer programmes on the participation of adults in the labour market (Ferro and Nicollela, 2007; Tavares, 2008; Foguel and Paes de Barros, 2008; Teixeira and Oliveira, 2010; Ribas and Soaers, 2010).

Ferro and Nicollela (2007), using data from PNAD 2003, try to identify the impact of Bolsa Escola transfers (the most important cash transfers before the PBF) on adult labour supply, both at the extensive margin (labour market participation) and the intensive margin (hours worked). The sample group is made up of households which are both registered in the Programme and already receive transfers, with a comparison group of households that are registered with the Programme but have not yet received transfers. The authors do not find any statistically significant impact on the extensive margin, that is on the probability of participation in the labour market. But they do find that mothers in rural areas and fathers in urban areas work, respectively, 1.8 and 0.6 hours less than their non-beneficiary counterparts. In contrast, beneficiary mothers in urban areas spend more time working outside the home than non-beneficiary mothers: they were found to work 1.5 hours more than mothers who had not benefited from the Bolsa Escola at the time of the survey.

Tavares (2008) analysed the hours worked by PBF beneficiary mothers in comparison with mothers in eligible households that were not receiving the benefit and mothers in households slightly above the per capita income giving eligibility for the PBF. She used data from PNAD 2004 and found a reduction in working hours ranging between 5 and 10 per cent, depending on the specification used.

Teixeira and Oliveira (2010) also looked at the impact of the PBF on hours worked, but extended the analysis to both men and women using data from PNAD 2006. The authors evaluated the impact on the hours worked of different “budget shock” intensities resulting from the cash transfer. The impact of PBF cash transfers can give rise to an increase of from 0.001 to 19 times in total household income. This range suggests that the response to this additional income (the budget shock) probably depends on how much the additional amount represents of the pre-transfer household income, suggesting a “dose effect”. In households where the income gain is negligible, the hours worked are unlikely to be affected by this “minor shock”, while in households where the gain is sizeable, a change in the hours worked may be expected.

According to Teixeira and Oliveira, the results show that the PBF generally leads to a reduction of up to 3.5 hours a week in the hours worked. However, the effects are stronger in households with a per capita income of less than R\$ 20.30 and with only one child. The intensity of the dose effect in reducing hours worked is greater for women. This is probably due to the fact that the time shadow price for women (the value of the hours dedicated to housework) exceeds that of men. Moreover, the paper also shows an increase of 0.54 hours a week in the time spent by women in household work. Women contribute more to domestic production, for example in terms of children’s education, home organization and food acquisition, and their labour supply is therefore more sensitive to budget shocks, with a much greater impact in terms of the reduction in the hours worked and an increase in the time spent on household work.

In addition, the dose effect estimate is significant for self-employed workers. There was an average reduction in the labour supply of self-employed men of 2.1 hours per week, compared with 3.5 hours a week for self-employed women. This result is expected, as the working hours of the self-employed are more flexible than those of employees.

Foguel and Paes de Barros (2008), using a panel of municipalities<sup>27</sup> that were systematically followed by PNAD/IBGE over the period 2001 to 2005, investigated the impact of the programme at the municipal level. The increase in the proportion of beneficiaries in a municipality might be expected to lead to a fall in labour force participation, either due to the income effect or the price effect on beneficiaries. Moreover, if the total amount of transfers is large in relation to the size of the local economy, an increase in demand for some goods and services consumed locally would be expected, thereby stimulating the local labour market.

The authors divide the sample by gender and income group, so that results are obtained for men and women separately for both the overall sample and for the group in which per capita household income is below the median for the municipality. They show that the participation rate and the supply of hours of poor women are lower than for women in general. For men, this result is only observed for the supply of hours. The unemployment rate is higher for women, and a comparison by income group reveals that unemployment is higher among low-income men and women.

In terms of specific results, a 10 per cent rise in the proportion of beneficiaries in a municipality increases the female participation rate by a negligible 0.1 per cent, taking into account both the overall and below median samples. For men, the effect is even smaller, with a 10 per cent rise in the beneficiary population increasing their labour supply by only 0.05 per cent. For poorer men, the elasticity is slightly higher (0.01), as a 10 per cent increase in the beneficiary population increases supply by 0.1 per cent. As with hours worked, the elasticity for women in general is about -0.01. Among men, there is no impact.

Based on the same database, but using a different methodology and working at a more disaggregated level (census track) and looking separately at rural, urban and metropolitan areas, Ribas and Soares (2010) find some results that differ from those hitherto reported. They show that in rural areas it is possible to identify some positive impacts on labour supply, especially for women and additional workers (those who are not prime earners in the household), but mostly in the informal sector. However, in metropolitan areas the results point to a reduction in labour supply, not only at the intensive margin, as found previously by other studies, but also at the extensive margin, or in other words a reduction in labour force participation.

These findings show that the predictions of the standard model of labour supply concerning the effects of CCT programmes on labour force participation do not always occur. Most of the negative impacts would appear to be observed for women and at the intensive margin (a reduction in the hours worked), with the exception of the findings of Ribas and Soares (2010) for metropolitan areas. It has also been shown that these effects are very dependent on the level and duration of transfers, the former income of households, the share of transfers in total household income and whether the household is in a rural or a metropolitan area.

In overall terms, the PBF does not appear to jeopardize the labour market performance of adult members of beneficiary families. Some labour market policy measures could be adopted to attenuate some of the possible negative effects, although a fall in labour force participation as a consequence of the Programme means that the poorest individuals, when they are beneficiaries of the Programme, are able to refuse the worst forms of labour (dangerous work, forced labour, child labour, extremely low wages).

### 3.2 OVERVIEW OF RECENT CHANGES IN THE BRAZILIAN LABOUR MARKET

If it is assumed that addressing poverty implies not only social protection, but also the improvement of work opportunities, then it is important to look beyond labour supply decisions, as opportunities are not created solely by beneficiaries. Another approach is to analyse how CCT beneficiaries perform in the labour market to see whether their indicators converge with those of non-beneficiaries, which would be expected if the Programme enables them to overcome the barriers that produce inequality.

The beginning of the current decade was emblematic in this respect, as it was characterized by a recovery in the Brazilian labour market, which had just emerged from the crisis of the 1990s. Between 2002 and 2009, unemployment fell and there was an increased formalization of labour relations. Over the most recent period (2004-2008), GDP grew by 4.7 per cent a year, employment rose by 2.6 per cent and formal employment grew by 5.7 per cent, according to PNAD.

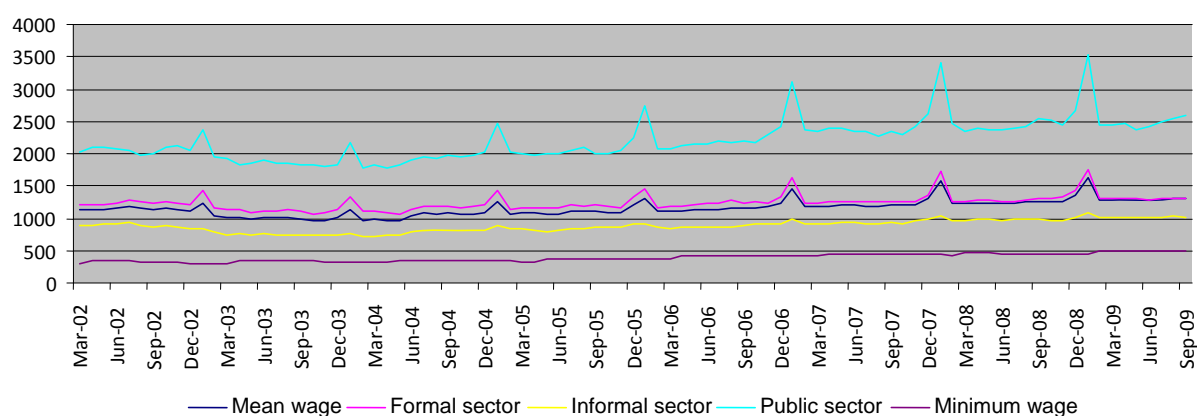
In this respect, emphasis should be placed on the introduction in 2007 of legislation readjusting the minimum wage. The adjustment is based on the Consumer Price Index

(IPC/IBGE) for the previous year, plus the GDP growth rate for the two previous years. Taking into account increases in the minimum wage prior to the adoption of the law and as a result of its implementation, there was a real rise in the minimum wage of 57 per cent between 2002 and 2009, compared with an increase of 28 per cent in the average wages of public servants and about 15 per cent in those of other workers (see Figure 2).

FIGURE 2

### Evolution of Monthly Income from Work in Brazilian Metropolitan Areas

Total average wage, minimum wage and income from work in the formal, informal and public sectors



Source: Authors' calculations based on data from PME/IBGE and IPEADATA.

In terms of job creation, between 1999 and 2008, the employment rate of the economically active population rose from 90 to 93 per cent,<sup>28</sup> which corresponds to a fall of 3 percentage points in the unemployment rate. The quality of the new jobs generated has improved, with the share of those working in the informal economy<sup>29</sup> falling from 57 to 50 per cent of the total employed population, with a consequent rise in the share of those contributing to the social security system from 45 to 53 per cent. These results can be explained by the recovery of the Brazilian economy, especially between 2005 and 2007, and more effective enforcement of the legislation by the Federal Government (Table 3).

TABLE 3

### Labour Market Indicators: Population 15 Years and Older, Brazil 1999-2008

	1999	2001	2002	2003	2004	2005	2006	2007	2008
Activity rate	0.67	0.67	0.68	0.68	0.68	0.69	0.69	0.68	0.68
Employment rate (1)	0.61	0.61	0.62	0.61	0.62	0.63	0.63	0.63	0.64
Employment rate (2)	0.90	0.91	0.91	0.90	0.91	0.91	0.92	0.92	0.93
Proportion employed in the informal economy	0.57	0.56	0.55	0.54	0.54	0.53	0.52	0.51	0.50
Proportion of employed contributing to social security	0.45	0.47	0.46	0.47	0.47	0.48	0.50	0.51	0.53
Proportion of women employed	0.40	0.41	0.41	0.41	0.42	0.42	0.42	0.42	0.42

Source: Authors' calculations based on data from PNAD/IBGE

Note (1) Employment rate of the working age population; and

(2) Employment rate of the economically active population

The situation also improved for the population groups that suffer the most discrimination in the labour market.

### 3.3 ANALYSIS OF LABOUR MARKET INDICATORS (2004 AND 2006)

In this sub-section, a series of indicators are used to examine how PBF beneficiaries performed in comparison to non-beneficiaries in the labour market between 2004 and 2006.<sup>30</sup> For this purpose, three groups have been defined. The first consists of those who are reported as PBF beneficiaries in the PNAD supplement. The second is composed of people who did not receive the PBF, even though they were eligible, as their per capita household income was less than R\$ 172.00 in 2004 and less than R\$ 175.00 in 2006: they are referred to as “eligible households”. Finally, the third group consists of persons who did not receive PBF transfers and were not eligible for them, who are referred to as “non-beneficiaries”.

Table 4 sets out the labour market indicators in 2004 and 2006 for these three groups. Between the two years, the activity rate remained unchanged for beneficiaries, at a level of 59 per cent, as well as for non-beneficiaries, with a somewhat higher rate of 65 per cent. The rate for members of eligible households was 57 per cent in 2004, with a small fall to 55 per cent in 2006. For eligible households, the proportion of those employed also fell over the two-year period from 49 to 47 per cent for the working-age population, and from 85 to 81 per cent for the economically active population. Again there was no change for beneficiaries and non-beneficiaries, with higher indicators for the latter.

The degree of informality in the labour market, measured by the proportion of employed persons who are self-employed (excluding professionals), employers in small firms (up to five employees) and unregistered employees is higher among beneficiaries. However, the rate of informality among beneficiaries fell from 0.75 in 2004 to 0.71 in 2006. The same downward trend is evident for members of eligible households (0.70 in 2004 to 0.66 in 2006) and for non-beneficiaries (from 0.54 in 2004 to 0.49 in 2006). Accordingly, as there was no change in the occupation rate of PBF beneficiaries, it may be concluded that the formalization of labour relations in Brazil over this period also extended to the poorest population. This is also demonstrated by the incidence of social security contributors, which grew for all groups, although the proportion of contributors is much higher among non-beneficiaries.

The proportion of employed women among PBF beneficiaries is another indicator that increased over the two-year period, from 39 to 41 per cent. This rise can be explained by several factors: less discriminating economic growth; higher school attendance rates, allowing mothers to work; the expansion of PBF coverage among women who were already employed; and the empowerment of women, encouraging their entry into the labour market. The hypothesis of the expansion of PBF coverage among those already employed is reinforced by the slight reduction in the proportion of employed persons among eligible women (from 0.39 in 2004 to 0.38 in 2006).

The proportion of employed non-whites among beneficiaries remained unchanged between the two years at a level of 70 per cent. The difference between beneficiaries (70 per cent) and members of eligible households (66 per cent), compared with non-beneficiaries (42 per cent) corroborates the already consensual findings of studies that poverty in Brazil is over-represented among the non-white population.

TABLE 4

**Labour Market Indicators for PBF Beneficiaries. Eligible Households and Non-beneficiaries in Brazil (2004 and 2006)**

	2004			2006		
	Beneficiary	Eligible	Non Beneficiary	Beneficiary	Eligible	Non Beneficiary
Proportion of economically active	59%	57%	65%	59%	55%	65%
Proportion of employed	54%	49%	61%	54%	44%	61%
Proportion of employed <sup>2</sup>	91%	85%	94%	91%	81%	94%
Degree of informality	75%	70%	47%	71%	66%	46%
Proportion of social security contributors	17%	24%	58%	23%	28%	59%
Proportion of employed women	39%	39%	43%	41%	38%	43%
Proportion of employed non-white	70%	66%	38%	70%	66%	40%
Proportion of employed between 10 and 17 years	14%	10%	4%	13%	8%	3%
Proportion working less than 30 hours per week	39%	33%	21%	38%	33%	22%
Proportion of employed with no schooling	21%	19%	6%	18%	16%	5%
Proportion of employed with 1-3 years of schooling	24%	20%	8%	20%	18%	7%
Proportion of employed with 4-7 years of schooling	36%	36%	23%	36%	36%	22%
Proportion of employed with 8 or more years of schooling	19%	25%	63%	25%	30%	65%
Proportion employed in agriculture	49%	38%	12%	42%	33%	11%
Proportion employed in construction	7%	8%	6%	8%	9%	6%
Proportion employed in wholesale and retail	11%	14%	19%	12%	15%	20%
Proportion employed in services	14%	18%	22%	17%	18%	22%
Proportion employed in other sectors	18%	22%	41%	21%	25%	41%
Proportion of employed earning less than 1 min. wage (>0)	41%	37%	10%	39%	38%	12%
Proportion of employed earning less than 1 min. wage	67%	58%	17%	62%	57%	18%
Proportion of employed earning exactly 1 min. wage	11%	13%	7%	14%	18%	10%

Source: Authors' calculations based on microdata from PNAD 2004 and 2006.

The incidence of child and adolescent labour (10 to 17 years) was still high among beneficiaries, at around 14 per cent in 2004 and 13 per cent in 2006, and among members of eligible households (10 per cent in 2004 and 8 per cent in 2006). For all groups, the proportion of employed persons working fewer than 30 hours a week was low, although it was higher for beneficiaries and members of eligible households (39 per cent in 2004 and 38 per cent in 2006 for beneficiaries and 33 per cent for eligible households in both years). For non-beneficiaries, the proportion was 21 and 22 per cent in 2004 and 2006, respectively.

There is a higher incidence of functional illiteracy (1 to 3 years of schooling) and persons with four to seven years of schooling among members of beneficiary and eligible households, compared to non-beneficiaries. This would be expected due to their condition of deprivation. However, between the two years, the proportion of employed beneficiaries with full primary education (eight or more years of schooling) rose from 19 to 25 per cent. A similar increase was also observed for members of eligible households (25 per cent in 2004 to 30 per cent in 2006) and for non-beneficiaries (63 to 65 per cent).

PBF beneficiary and eligible households are concentrated in the agricultural sector (over 40 and 30 per cent, respectively). However, the proportion occupied in the sector fell for the three groups, as indicated by Buainain and Dedecca (2009). There was an increase in the proportion of beneficiaries employed in non-agricultural sectors, especially in services and "other sectors",<sup>31</sup> of around three percentage points. For the members of eligible households, the increase was registered in construction, wholesale and retail and, more particularly, in "other sectors", where the rise was the same as that of beneficiaries.

Clearly, the incidence of those earning less than the current minimum wage is higher among PBF beneficiaries.<sup>32</sup> If persons with zero income from labour are included, 67 per cent of beneficiaries earned less than the minimum wage in 2004, compared with 62 per cent in 2006.<sup>33</sup> Excluding persons with no income from labour, the proportion among employed beneficiaries drops to 41 and 39 per cent in 2004 and 2006, respectively. This shows that over 20 per cent of beneficiaries do not earn any remuneration in the labour market. Some may declare zero income out of fear of losing the benefit, but many of them are indeed extremely poor. It is interesting to note the increase in the proportion of beneficiaries earning exactly the minimum wage: 11 per cent 2004 and 14 per cent in 2006. This represents a higher increase than for non-beneficiaries, but lower than for members of eligible households, for whom the proportion was 13 per cent in 2004 and 18 per cent in 2006.

These results show that PBF beneficiaries also benefited from the improvement in the labour market in Brazil, especially in terms of formalization, social security coverage and income levels.

### 3.4 ANALYSIS OF LABOUR MARKET INDICATORS USING PSEUDO-COHORTS IN THE PNAD SPECIAL SUPPLEMENTS (2004 AND 2006)

As the PNAD does not follow the same households at two different points in time, or in other words the data are cross sectional rather than longitudinal, pseudo-cohorts were constructed from the 2004 and 2006 surveys to follow the three groups identified above (the members of beneficiary, eligible and non-beneficiary households).

The groups were formed on the basis of four different combinations of the following variables: gender, race, year of birth and region of residence. Pensioners, domestic workers and the relatives of domestic workers living in the household were excluded from the pseudo-cohorts.<sup>34</sup>

First configuration:

- Gender (2): men and women;
- Year of birth (9): born in 1932-1950, 1951-1958, 1959-1962, 1963-1966, 1967-1970, 1971-1974, 1975-1978, 1979-1982, 1983-1986;
- Region of residence (4): North, North-east, South-east and South/Centre.<sup>35</sup>

Second configuration:

- Gender (2): men and women;
- Race/colour (2): white and non-white;

- Year of birth (18): born in 1932-1947, 1948-1953, 1954-1955, 1956-1957, 1958-1959, 1960-1961, 1962-1963, 1964-1965, 1966-1967, 1968-1969, 1970-1971, 1972-1973, 1974-1975, 1976-1977, 1978-1979, 1980-1981, 1982-1983, 1984-1985.

Third configuration:

- Gender (2): men and women;
- Area of residence (2): urban and rural areas;
- Year of birth (18): born in 1932-1947, 1948-1953, 1954-1955, 1956-1957, 1958-1959, 1960-1961, 1962-1963, 1964-1965, 1966-1967, 1968-1969, 1970-1971, 1972-1973, 1974-1975, 1976-1977, 1978-1979, 1980-1981, 1982-1983, 1984-1985.

Fourth configuration:

- Race/colour (2): white and non-white;
- Area of residence (2): urban and rural areas;
- Year of birth (18): born in 1932-1947, 1948-1953, 1954-1955, 1956-1957, 1958-1959, 1960-1961, 1962-1963, 1964-1965, 1966-1967, 1968-1969, 1970-1971, 1972-1973, 1974-1975, 1976-1977, 1978-1979, 1980-1981, 1982-1983, 1984-1985.

The combination of these variables generates 72 homogeneous groups in each configuration.<sup>36</sup> Table 5 shows Brazilian labour market indicators for 2004 and 2006 for PBF beneficiaries, non-beneficiaries and members of eligible households, corresponding to the four configurations. The results correspond to the mean of the observed variables for the homogeneous groups.

The results are similar for the four configurations, with minor differences in magnitude. From 2004 to 2006, there was an increase in all the configurations of homogeneous groups in the occupation rate of the economically active population, a reduction in the proportion of economically inactive persons, a reduction of informality and an increase in the proportion of social security contributors. It may be concluded from the latter two findings that the integration into the labour market of PBF beneficiaries improved over the period and that they became less precarious. Moreover, there was an increase in the average hourly wage from their main job, whether or not those with zero earnings are considered. These results contradict the hypothesis of the traditional model that cash transfer programmes may discourage beneficiaries from searching for jobs or for an improvement in their employment conditions or status because of a possible fear of losing their rights as beneficiaries. Over the short period between 2004 and 2006, the changes in the behaviour of the homogeneous groups of beneficiaries in the labour market was more favourable, in terms of magnitude, than that of non-beneficiaries (who are not eligible). This was particularly true of the fall in the inactivity rate (which remained unchanged among non-beneficiaries), as well as in relation to formalization, social security contributions and income from labour.

Despite the informality rate being 70 per cent among beneficiaries and 40-50 per cent among non-beneficiaries, the proportion of workers in the informal economy among beneficiaries fell by around 7 per cent. Among non-beneficiaries, the variation ranged between -4 and -2 per cent for the first three configurations, and - 9 per cent for the fourth.



TABLE 5

**Labour Market Indicators for Homogeneous Groups, by PBF Beneficiary Status (2004 and 2006)**

	Configuration 1		Configuration 2		Configuration 3		Configuration 4	
	2004	2006	2004	2006	2004	2006	2004	2006
<b>Beneficiaries</b>								
Employed	0.91	0.93	0.90	0.92	0.93	0.94	0.93	0.94
Inactive	0.24	0.23	0.25	0.24	0.22	0.21	0.24	0.23
Informal sector	0.72	0.67	0.71	0.66	0.73	0.68	0.73	0.68
Social security contributors.	0.20	0.27	0.22	0.29	0.18	0.23	0.19	0.25
Heads of households	0.47	0.50	0.47	0.49	0.48	0.49	0.52	0.52
Working time <30 hours	0.37	0.35	0.34	0.34	0.38	0.37	0.35	0.34
Years of schooling	4.19	4.61	4.42	4.79	3.89	4.20	4.04	4.37
Hourly earnings from main job	232.77	308.57	264.0	336.22	217.14	279.13	240.80	302.26
Hourly earnings from main job (>0)	283.48	366.70	313.93	393.13	262.20	334.05	296.44	367.30
<b>Members of eligible households</b>								
Employed	0.86	0.84	0.86	0.84	0.89	0.88	0.90	0.88
Inactive	0.27	0.31	0.28	0.31	0.24	0.28	0.25	0.28
Informal sector	0.67	0.64	0.68	0.64	0.69	0.64	0.68	0.65
Social security contributors	0.27	0.30	0.26	0.29	0.23	0.26	0.25	0.28
Heads of households	0.50	0.56	0.49	0.55	0.48	0.54	0.54	0.60
Working time <30 hours	0.32	0.33	0.32	0.33	0.35	0.36	0.31	0.31
Years of schooling	4.83	5.15	4.86	5.10	4.34	4.60	4.39	4.66
Hourly earnings from main job	261.64	296.35	264.47	296.18	232.67	261.66	253.65	287.54
Hourly earnings from main job (>0)	308.01	348.72	312.59	349.95	283.10	320.03	312.17	352.59
<b>Non-beneficiaries</b>								
Employed	0.94	0.95	0.94	0.95	0.96	0.96	0.96	0.97
Inactive	0.19	0.19	0.20	0.20	0.17	0.17	0.17	0.17
Informal sector	0.45	0.44	0.49	0.47	0.53	0.51	0.59	0.54
Social security contributors	0.60	0.62	0.55	0.57	0.50	0.52	0.40	0.46
Heads of households	0.44	0.47	0.42	0.45	0.40	0.43	0.48	0.50
Working time <30 hours	0.20	0.21	0.23	0.23	0.24	0.26	0.26	0.26
Years of schooling	8.69	8.84	8.61	8.78	7.52	7.66	6.26	6.87
Hourly earnings from main job	988.42	1112.63	938.26	1051.37	823.66	910.62	638.89	800.12
Hourly earnings from main job (>0)	1030.38	1163.08	992.03	1114.55	902.04	1002.15	913.11	1008.01

Source: Authors' calculations based on microdata from PNAD 2004 and 2006.

These differences are also relevant in respect of the proportion of social security contributors. Among beneficiaries, the proportion is close to 20 per cent, but is around 60 per cent for non-beneficiaries (who are not eligible for the PBF). This proportion rose by between 27 and 37 per cent for beneficiaries, depending on the configuration, and by about 4 per cent for non-beneficiaries, with the exception of the fourth configuration, for which the average increase was 15 per cent.

The same applies to earnings from the main job. Clearly, there is a strong difference in income levels in favour of non-beneficiaries, who on average earn three times as much as beneficiaries. Over this period, the income from labour of non-beneficiaries rose by about 10 per cent, while the rise for beneficiaries was around 30 per cent.

The inactivity rate of the working age population among members of eligible households showed an inverse trend, and was higher than for the other two groups (beneficiaries and non-beneficiaries).

There was also an increase in the proportion of non-beneficiaries and members of eligible households working fewer than 30 hours a week, as well as an increase of the proportion of household heads for all three categories. Finally, educational attainment improved for all groups, but with a higher incidence of less educated workers among beneficiaries and members of eligible households (around four years of education), compared with approximately seven years for non-beneficiaries.

### 3.5 REGIONAL ANALYSIS OF INDICATORS

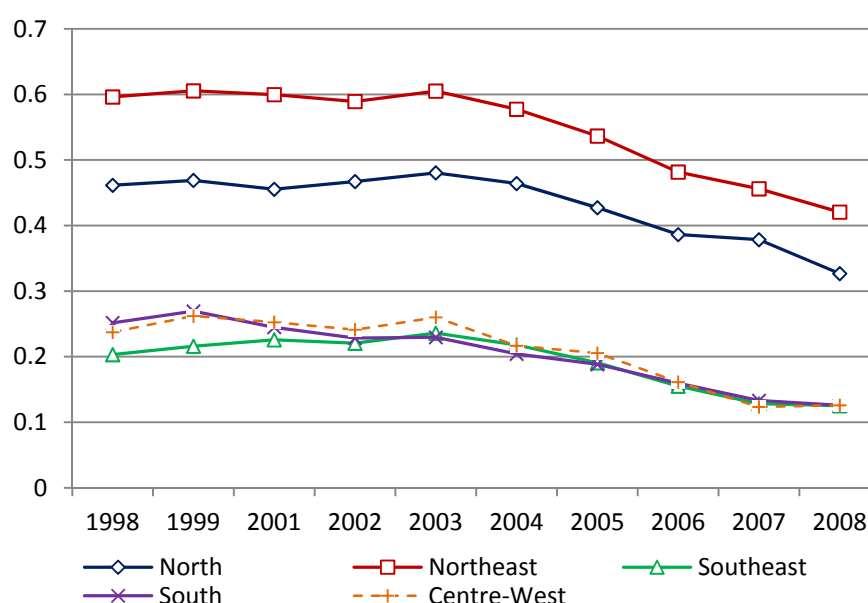
Brazil is characterized not only by a high degree of inequality in household income, but also by sharp disparities in the level of economic development between regions, with a higher incidence of poverty in some regions. It is therefore important to analyse the possible impacts of the PBF from a regional perspective.

There is a strong concentration of productive resources in the Centre-south,<sup>37</sup> while the North-east and North historically have the worst indicators of socio-economic development. In 2007, according to the IBGE, 42.3 per cent of the Brazilian population and 56.4 per cent of GDP were concentrated in the South-east, the richest macro-region, while the North-east and the North only accounted for 13.1 and 5.0 per cent of GDP, respectively, which was substantially lower than their population share (28.0 and 7.9 per cent). Regional inequality is also evident in regional labour market indicators. Mean earnings in the North, and particularly the North-east region, have remained significantly lower than the national average, even comparing workers with similar skills. These regions also have a higher proportion of workers in the informal economy, a higher incidence of child labour and lower levels of education in the labour force.

Despite persistent regional inequalities, it is relevant that since 2004, the year following the creation of the PBF, there has been an important decline in the proportion of people with household per capita income below the poverty line in all Brazilian macro-regions (Figure 3).<sup>38</sup> This was not observed over the previous five-year period. According to the IPEA,<sup>39</sup> between 2003 and 2008, the fall in the incidence of poverty in the North-east region reached 18 percentage points, followed by the North with 15 percentage points. However, it should be noted that in relative terms the incidence of poverty fell in the North and North-east by less than one third, compared with about one half in the other regions.

FIGURE 3

#### Incidence of Poverty by Brazilian Macro-region



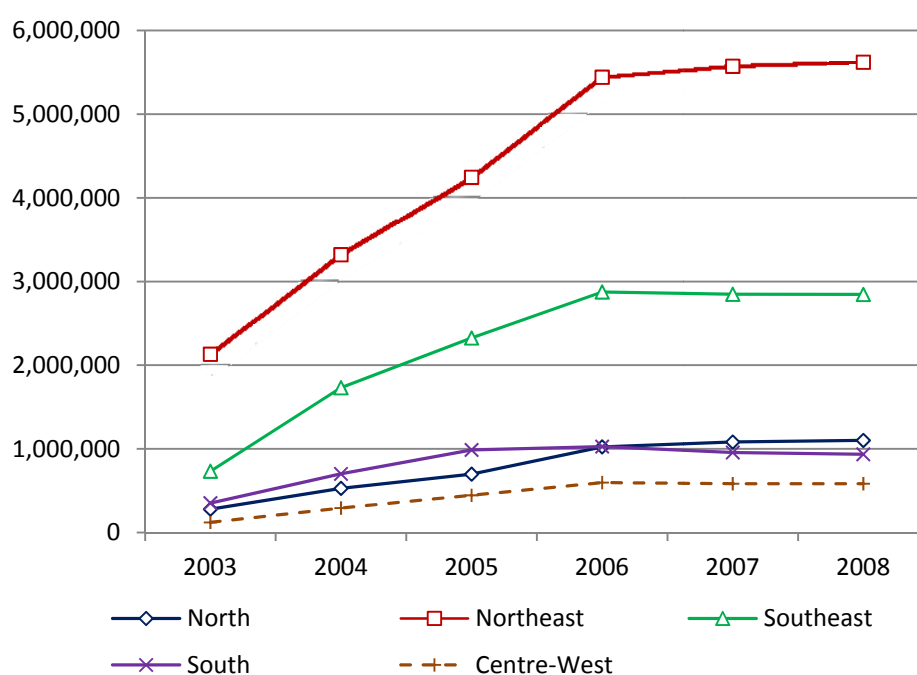
Source: IPEA.

Despite the recent fall, a substantial percentage of households in the North-east and the North were still living in poverty in 2008. In some of the poorest states of the North-east, such as Alagoas and Maranhão, almost 50 per cent of the population were living in poverty or extreme poverty.<sup>40</sup> Over half (53.1 per cent) of the Brazilian population living below the poverty line is concentrated in the North-east, where poverty also tends to be more extreme. Some 61.4 per cent of the extreme poor live in the North-east. Although the South-east accounts for 23.0 per cent of the poor and extremely poor in Brazil, it should be emphasized that it is the most populous region of the country. In this region, as well as in the other states of the Centre-south, a substantial proportion of the poor are concentrated in metropolitan areas.

According to Rocha (2003), the pockets of poverty in the North and North-east are generally characterized not only by low levels of income, but also by limited access to basic services, such as sanitation, education and health. Due to limited local resources, Rocha argues that the policies implemented by both the Federal and state governments are of tremendous importance for this population.

As indicated in the first section, the PBF covers all the macro-regions of the country. Figure 4 shows the evolution in the absolute number of beneficiary families, and confirms that the North-east is the greatest beneficiary of the Bolsa Família. In 2008, of the total number of beneficiaries, 50.7 per cent were in the North-east. Between 2003 and 2008, the number of PBF beneficiary families in the North-east rose from 2.1 million to 5.6 million which, according to Sátyro and Soares (2009), suggests that the focus of the Programme has been a success, at least in terms of regional targeting.

FIGURE 4

**BFP Beneficiary Families by Macro-region**

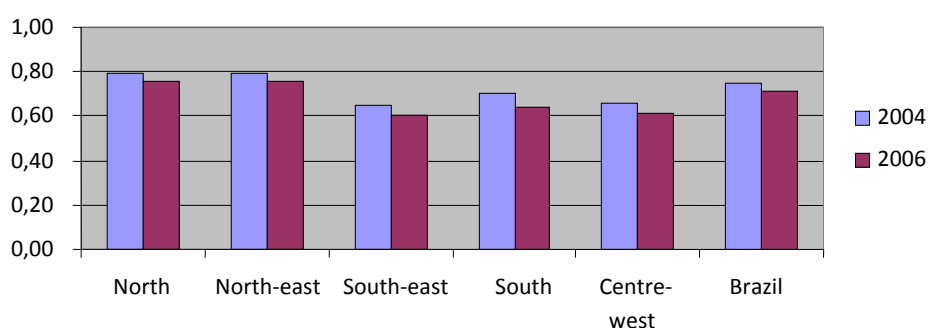
Source: Sátyro and Soares (2009).

According Sátyro and Soares (2009), since its implementation the PBF has contributed to the fall in income inequality in all Brazilian states. However, they suggest the existence of regional patterns in this contribution. In the states in the North-east and North macro-regions and, on a smaller scale, in the Centre-west, the impact has been much greater than in other states. Nevertheless, while the PBF has made a stronger contribution to this process in less developed regions, its impact in promoting equality in other regions cannot be neglected.

The labour market indicators for 2004 and 2006 show a reduction in informality in the labour relations of the employed population covered by the PBF in all five Brazilian macro-regions. However, this improvement was greater in the wealthiest regions, namely the South and South-east (Figure 5).

FIGURE 5

**Proportion of PBF Beneficiaries Employed in the Informal Economy, by Macro-region**



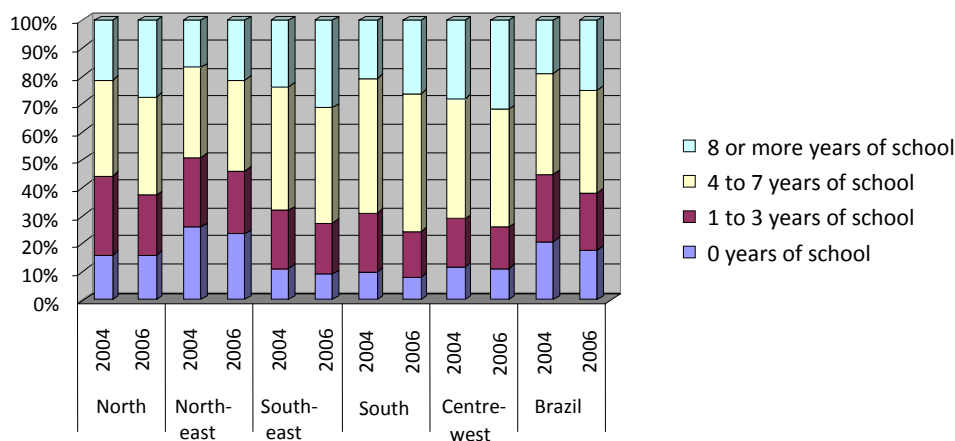
Source: Authors' calculations based on microdata from PNAD 2004 and 2006.

Data on the educational levels of beneficiaries (Figure 6) show a significant improvement in the distribution of education in all Brazilian regions. There was a higher incidence of illiteracy and functional illiteracy among employed PBF beneficiaries in the North and North-east regions. Nevertheless, between 2004 and 2006, there was a strong rise in these regions in the share of beneficiaries with over eight years of schooling (28 and 24 per cent, respectively), although that was not as high as the increase in the South-east (29 per cent). Moreover, the reduction in illiteracy and functional illiteracy among employed beneficiaries was about 12 per cent in the North-east.

The share of beneficiaries earning exactly the minimum wage from their main job rose by 25 per cent between 2004 and 2006 (Figure 7). However, the rise was 39 per cent in the Centre-west, increasing from 13 per cent in 2004 to 18 per cent in 2006; and in the South and North-east it was 27 per cent. These were the three regions that contributed most to this performance. However, as the data refer to individuals, rather than households, it is not possible to infer that there was an increase in per capita household income, and therefore an improvement in the living conditions of beneficiaries. It is nevertheless a positive sign that the composition of the labour income of beneficiaries changed favourably over the period, even in the poorest region, the North-east.

FIGURE 6

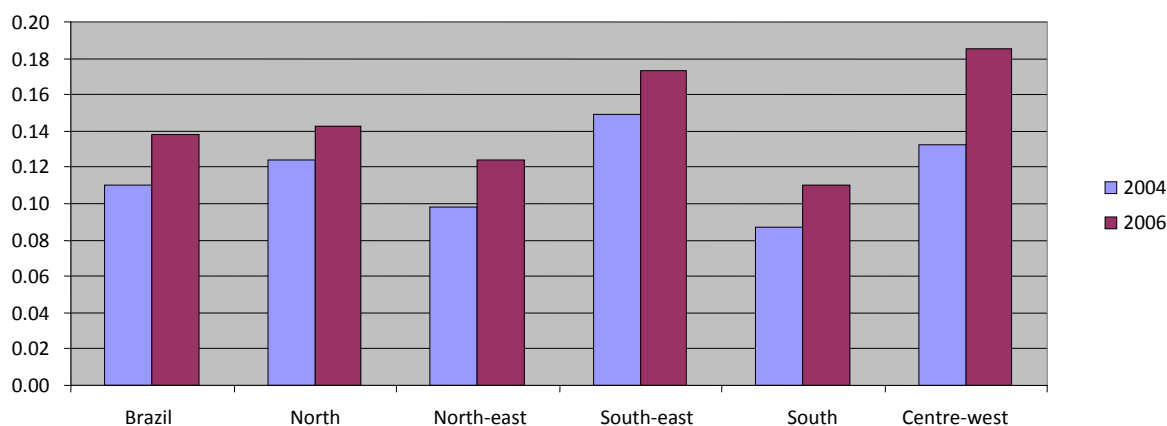
**Proportion of Employed PBF Beneficiaries by Years of Schooling and Macro-region, 2004 e 2006**



Source: Authors' calculations based on microdata from PNAD 2004 and 2006.

FIGURE 7

**Proportion of Employed PBF Beneficiaries Receiving Exactly one Minimum Wage by Macro-region, 2004 and 2006**



Source: Authors' calculations based on microdata from PNAD 2004 and 2006.

In general terms, it may therefore be concluded that there has been a significant improvement in the labour market indicators in all Brazilian macro-regions, leading to an overall reduction in the incidence of poverty. There have been improvements in all regions in the formalization of labour relations, educational attainment and earnings from work of employed PBF beneficiaries. In the emblematic case of the North-east, where there is a higher incidence of PBF transfers in view of the higher indicators of income deprivation, improvements in the labour market are reflected in the relatively higher growth, between 2004 and 2006, in the formalization of employment relations and in the proportion of workers receiving exactly the minimum wage.

#### **4 IMPACT ON CHILD AND ADOLESCENT INSERTION IN THE LABOUR MARKET: PARTICIPATION RATES AND HOURS WORKED**

Cash transfers, especially when they are conditional upon school attendance, are generally considered a useful tool in combating child labour. However, the evidence suggests that CCTs do not remove children from the labour market, but reduce the time that they work, as part of the day is taken up with schooling.

Ravallion and Wodon (2000) attempt to explain why income transfers may increase school attendance without necessarily reducing the incidence of child labour. According to the authors, the financial value of the cash transfers is not sufficient to change the decisions of families. In most cases, the requirement of school attendance for beneficiary families results in a reduction in leisure time for children, but not in the time spent working.

The Brazilian Programme for the Eradication of Child Labour (PETI), which has been implemented since 1996 in rural areas in the North-east, has the objective of reducing child labour. For this purpose, cash transfers are provided for the poorest families, especially those engaged in agricultural work, where the incidence of child labour is higher. In order to receive benefits, the families have to ensure that their children aged seven to 14 years do not work, that they go to school and stay for an additional shift of extra-class activities.

Yap, Sedlacek and Orazem (2002) evaluated the impact of PETI on the entry of children into the labour market. They chose as a sample three municipalities covered by the Programme in the North-eastern states of Bahia, Sergipe and Pernambuco. As control groups, they chose three other municipalities with similar socio-economic characteristics, but which were not covered by PETI. The results show that children in the Programme spend more time at school, less time working, less time in hazardous occupations (fishing, sugar-cane and sisal fiber production),<sup>41</sup> and that their school performance improved greatly.

Cardoso and Portela (2004) used the Brazilian Census 2000 to construct samples and control groups of children (10 to 15 years old) whose parents either received or did not receive government transfers (the Programa de Garantia de Renda Mínima<sup>42</sup> and the Bolsa Escola).<sup>43</sup> The authors divided the samples into employed and unemployed parents to identify the effect of the non-occupation of parents on child labour. The objective of the study was therefore to evaluate the effect of transfers on school attendance and on the incidence of child labour. Among several results of special interest is one showing that the transfer reduces the likelihood of children only working or neither working nor studying, and increases the probability of children only studying or both attending school and working.

Kassouf and Ferro (2005), using the PNAD 2001 database, concluded that children in both urban and rural areas who were beneficiaries of the Bolsa Escola programme worked around three hours less than those who did not receive the benefit. When investigating the reasons for the low impact of the programme on the eradication of child labour, they concluded that children who worked full time had less incentive to sign up for the programme in comparison with those who worked only part time. The reason was probably that for full-time child workers the benefit at that time did not cover their opportunity cost, measured in terms of the remuneration from child labour. It would therefore appear that the main target population (children who only worked) was not being successfully reached.

Similarly, Soares, Ribas and Hirata (2008) and Attanasio et al. (2006) analysed the effect of cash transfer programmes in Paraguay and Colombia, respectively. They found that, instead of reducing labour supply, the time spent by children at school increased at the expense of their leisure time.

Silva (2009) investigated the effect of the PBF on child labour using data from the PNAD 2004 and 2006 supplements on cash transfers from federal social assistance programmes. The author applied a multinomial logit model and the results indicated that the PBF reduces the probability of children only working, or neither working nor studying, but increases the probability of children both working and studying, in relation to the probability of them just studying. The author therefore concludes that the PBF changes the time allocation of children in favour of studying, but that there is no evidence that the PBF removes them from the labour market altogether (at the extensive margin). This finding is in line with the argument that, while not eliminating chronic poverty, the cash and conditionalities certainly reduce the opportunity costs of children attending school.

To show the relationship between the household coverage of the PBF and child/adolescent labour, PNAD 2004 and 2006 supplement data were used once again. Table 6 shows the number of children (five to nine years old), distributed according to the three groups outlined earlier: beneficiaries, members of eligible households and non-beneficiaries. Between 2004 and 2006, there was an increase of about 4 million in the number of children living in households covered by the PBF and, clearly, a fall in the number living in households classified as eligible for the PBF. This result is in line with the improvement in the coverage of the PBF.

TABLE 6

**Distribution of Children (5 to 9 years old) by PBF Status, Brazil, 2004 and 2006**

Household status	Total		%	
	2004	2006	2004	2006
Beneficiary	1,864,757	5,683,822	10.94	34.19
Eligible	8,464,473	3,928,868	49.66	23.64
Non-beneficiary	6,714,012	7,010,283	39.39	42.17

Source: Authors' calculations based on microdata from PNAD 2004 and 2006.

For adolescents (ten to 17 years of age) the same trend can be seen as for children; an increase of almost 7 million in the number of adolescents in households covered by the PBF, and a reduction in the number of eligible households (Table 7).

TABLE 7

**Distribution of Adolescents (ten to 17 years old) by PBF Household Status, Brazil, 2004 and 2006**

Household status	Total		%	
	2004	2006	2004	2006
Beneficiary	2,328,387	9,319,136	8.53	33.37
Eligible	12,312,962	5,553,247	45.08	19.89
Non-beneficiary	12,670,629	13,053,203	46.39	46.74

Source: Authors' calculations based on microdata from PNAD 2004 and 2006.

There was therefore a dramatic increase in the coverage of households with children and with adolescents between 2004 and 2006, and this needs to be taken into account in any comparisons between these two years.

Table 8 shows the share of children from five to nine years of age according to activity and household status, based on the PNAD 2004 and 2006 special supplements. The Table provides an indication of the prevalence of child labour in Brazil for these two years. In overall terms, it shows that 0.11 per cent of the children concerned were only working in 2004 and 0.10 per cent in 2006. There was also a slight fall from 1.36 to 1.33 per cent in the total number of children working and studying. Perhaps the most encouraging overall trend, however, was the fall from 8.76 to 6.89 per cent (a decrease of 1.87 per cent) in the numbers of children neither working nor studying, and an almost corresponding increase in children only studying from 89.78 to 91.69 per cent (an increase of 1.91 per cent).

TABLE 8

**Distribution of Children by Activity, Education and PBF Beneficiary Status (per cent), 2004 and 2006, Brazil**

Children (5 to 9)	2004				2006			
	Beneficiary	Eligible	Non-eligible	Total	Beneficiary	Eligible	Non-eligible	Total
Only studying	9.51	42.95	37.32	89.78	30.74	20.69	40.26	91.69
Working and studying	0.29	0.83	0.24	1.36	0.78	0.31	0.24	1.33
Only working	0.01	0.09	0.01	0.11	0.04	0.05	0.01	0.10
Neither working nor studying	1.13	5.80	1.83	8.76	2.63	2.59	1.67	6.89
Total	10.94	49.67	39.40	100.01	34.19	23.64	42.18	100.01

Source: Authors' calculations based on microdata from PNAD 2004 and 2006.

Table 9 shows the distribution of the four possible combinations of working and studying for each group of children: beneficiaries, eligible and non-eligible households. In 2004, 86.93 per cent of beneficiary children only studied, with the figure rising to 89.91 per cent two years later. Among those in eligible households, there was also an increase from 94.72 to 95.45 per cent, and a reduction of almost 3 per cent of those neither working nor studying.

TABLE 9

**Distribution of Children for Each Beneficiary Status by Activity and Education (per cent), 2004 and 2006, Brazil**

Children (5 to 9)	2004			2006		
	Beneficiary	Eligible	Non-eligible	Beneficiary	Eligible	Non-eligible
Only studying	86.93%	86.47%	94.72%	89.91%	87.52%	95.45%
Working and studying	2.65%	1.67%	0.61%	2.28%	1.31%	0.57%
Only working	0.09%	0.18%	0.03%	0.12%	0.21%	0.02%
Neither working nor studying	10.33%	11.68%	4.64%	7.69%	10.96%	3.96%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Source: Authors' calculations based on microdata from PNAD 2004 and 2006.



When comparing the behaviour of beneficiary households between 2004 and 2006, it can be seen that the percentage of those with children who were only working actually increased slightly from 0.09 to 0.12 per cent. The trend was more encouraging for those neither working nor studying, with a fall from 10.33 to 7.69 per cent, and for those only studying, which rose from 86.93 to 89.91 per cent.

In both years, the share of children "only studying" was higher in non-eligible households than in the other two household categories. This is in line with expectations, as child labour tends to be strongly associated with poverty. In 2004, the share of children only studying was similar for beneficiaries and eligible households, although there was a marked difference in relation to other types of activity. The percentage of children "only working" was lower, while the figure for those "neither working nor studying" was higher for children in beneficiary households. In 2006, the data show a similar but more accentuated difference between the groups. Nevertheless, the share of children "only studying" was higher for beneficiaries in 2006 than for eligible households. In general terms, the data in Table 9 appear to be in accordance with the expected effects of the Bolsa Familia in terms of increasing school enrolment and attendance and achieving a more limited reduction in the incidence of child labour.

The picture is similar for adolescents aged ten to 17 years as shown in Table 10, although not as pronounced. There was an overall increase in those only studying from 76.74 to 77.72 per cent between 2004 and 2006, accompanied by a slight decline in all other categories.

TABLE 10

**Composition of Adolescents by Activity, Education and PBF Beneficiary Status (per cent), 2004 and 2006, Brazil**

Adolescents (10 to 17)	2004				2006			
	Beneficiary	Eligible	Non-eligible	Total	Beneficiary	Eligible	Non-eligible	Total
Only studying	6.02	33.27	37.45	76.74	24.33	15.18	38.21	77.72
Working and studying	1.69	6.55	6.09	14.33	6.16	2.14	5.69	13.99
Only working	0.40	2.00	1.34	3.74	1.29	0.81	1.30	3.40
Neither working nor studying	0.42	3.26	1.51	5.19	1.60	1.76	1.55	4.91
Total	8.53	45.08	46.39	100.00	33.38	19.89	46.75	100.02

Source: Authors' calculations based on microdata from PNAD 2004 and 2006.

Table 11 presents the same data as Table 9 for adolescents (ten to 17 years) rather than children (five to nine years).<sup>44</sup> It shows an increase for those "only studying" in beneficiary and eligible households. There is also an increase among eligible households in those "neither working nor studying", while the proportion of beneficiaries combining the two activities (working and studying) is greater than for eligible households. This supports the hypothesis that adolescents in households benefiting from cash transfers tend to combine working and studying, rather than stopping working to study.

Table 11 also shows that the percentage of beneficiary households with children who only work fell from 4.69 to 3.86 per cent between 2004 and 2006. Those neither working nor studying also fell from 4.92 to 4.79 per cent, with an increase in those only studying from 86.93 to 89.91 per cent. Perhaps the most important aspect from the perspective of child labour was the fall in the percentage of those only working from 4.69 to 3.86 per cent.

TABLE 11

**Distribution of Adolescents for Each Beneficiary Status by Activity and Education (per cent),  
2004 and 2006, Brazil**

Adolescents (10 to 17)	2004			2006		
	Beneficiary	Eligible	Non-eligible	Beneficiary	Eligible	Non-eligible
Only studying	70.57%	73.80%	80.73%	72.89%	76.32%	81.73%
Working and studying	19.81%	14.53%	13.13%	18.45%	10.76%	12.17%
Only working	4.69%	4.44%	2.89%	3.86%	4.07%	2.78%
Neither working nor studying	4.92%	7.23%	3.26%	4.79%	8.85%	3.32%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Source: Authors' calculations based on microdata from PNAD 2004 and 2006.

It is difficult to draw any definite conclusions from these data regarding the effect of the PBF on child labour. The data are in accordance with the expected effects of the PBF, namely an increase in school attendance and a reduction in the frequency of child labour for the five to nine age group. In the case of adolescents, this positive effect is not observed in the data used in the present study.

## 5 COMPLEMENTARY PROGRAMMES

The explicit or underlying objective of complementary programmes in the context of CCT programmes is to enable beneficiaries to overcome poverty. In other words, the aim is to provide the tools to break out of the cycle of poverty in the present generation, and not to wait for this to be achieved by the next generation. They usually focus on human capital formation (training) or the provision of credit, with a view to contributing to better employment and/or higher productivity.

According to Soares and Silva (2009), the following Federal Government programmes are complementary to the PBF: Brasil Alfabetizado, PRONAF, Crediamigo, Agroamigo and Próximo Passo. Brasil Alfabetizado develops adult literacy courses. The PRONAF programme focuses on the provision of credit for family farmers, while Crediamigo and Agroamigo are credit programmes for residents in urban and rural areas, respectively. Of these programmes, Próximo Passo is most directly related to the objective of facilitating the entrance of PBF beneficiaries into the labour market. It incorporates a Sectoral Skill-building Plan (PLANSEQ) for the provision of training, which is coordinated by the Ministry of Labour and Employment (MTE). It is in essence a vocational training programme targeted at Bolsa Família beneficiaries.

Próximo Passo was implemented in 2008 by the MTE and the MDS in response to a request by the Office of the President. The objective was to train persons in occupations in the construction and tourism sectors, which would benefit greatly from the federal Growth Accelerator Programme (Plano de Aceleração do Crescimento - PAC). Based on the identification at that time of a shortage of workers in those sectors, the Office of the President coordinated a response involving the MDS, the MTE and the Ministry of Tourism. The objective was therefore, on the one hand, to meet the demands of the business community for a specific category of workers and, on the other, to create opportunities for the integration of PBF beneficiaries into the labour market.

The number of PBF beneficiaries eligible for the programme was estimated at 3.5 million, as potential participants had to be over 18 years of age, have completed fourth grade at primary school and be living in an urban area (a metropolitan area or a state capital). Resources were allocated for vocational training for 200,000 persons and the programme was scheduled to end in December 2010. The implementation of the programme has faced a number of difficulties, many resulting from operational issues, such as communication failures and the inadequacy or lack of facilities in entities providing training courses.

Unlike PLANSEQ, which has the target of placing 30 per cent of its graduates in the formal labour market, the target of *Próximo Passo* is to place 45 per cent of its graduates in the construction industry and 30 per cent in tourism in formal jobs in the respective area. Moreover, PLANSEQ uses the National Employment System (SINE) and is designed to address local needs, based on demand from labour unions or employers in states and municipalities with over 200,000 inhabitants. In such cases, a call is made for tenders from companies specializing in job training. In contrast, *Próximo Passo* was designed by the Office of the President based on a perception of what the needs of the economy should be. The Federal Government hired implementers (training providers), and municipalities had to create local demand for the training courses. The implementers/training providers obtained training contracts in areas unknown to them, with no local networks or even physical structure for the provision of courses.

Moreover, there was no articulation between the two major ministries involved in the implementation of the programmes, the Ministry of Social Development (MDS) and the Ministry of Labour and Employment (MTE). As noted above, the Single Registry is available to the MDS as the main database for the implementation of the PBF. The Registry mainly covers persons with the lowest socio-economic indicators, especially in terms of the formalization of labour relations. In contrast, PLANSEQ uses the Employment Action Management Information System (SIGAE), a system introduced by the MTE with funds from the Worker Support Fund (Fundo de Amparo ao Trabalhador - FAT) for the provision of services only previously available through the SINE. The SINE registry consists of persons who have already participated in the formal labour market, even if they are currently unemployed. This group is therefore quite distinct from PBF beneficiaries.

PBF beneficiaries therefore experienced difficulties in gaining access to the SINE network, which in turn did not have information on the target population of *Próximo Passo*. There was accordingly no way of identifying PBF beneficiaries and those eligible for the specific training programme.

The first call to participate in *Próximo Passo* was made through invitation letters sent to eligible persons in September 2008.<sup>45</sup> The demand for the courses was very low. Many of the letters did not reach their intended recipients, as PBF beneficiaries move frequently. Of those who did receive them, most did not understand the content because the language was not appropriate for persons with a low educational level.

With a view to understanding the main difficulties in the implementation of *Próximo Passo*, the MDS conducted qualitative research, based on information from State schools, with a view to locating beneficiaries and forming focus groups of PBF beneficiaries eligible for *Próximo Passo*. Between January and February 2009, two distinct focus groups were developed in twelve capital cities, including managers and PBF beneficiaries, the latter being composed of a majority of women.

The results of the focus group discussions suggested that the low level of interest among the target population was due to: a certain unwillingness by women to take jobs in the construction sector, especially in heavy tasks; transport difficulties in reaching the places where the courses were held; and, crucially, a lack of child care to look after children while parents attended the training courses.<sup>46</sup> Those most willing to participate were youths aged 15 to 16 years who, although not legally prevented from working, have to comply with the educational condition to receive the benefit. As it is assumed that they should be attending formal education, rather than a short vocational training course, the inclusion of this group in the programme was controversial. In addition to these limitations, there were also claims that several difficulties were encountered when seeking support from local SINE offices, such as names not being identified on the list sent to the SINE or prospective participants being subject to discrimination from SINE employees.

In contrast with what might be expected, rather than fear of losing the benefit, the members of the focus groups expressed great interest in obtaining further skills with a view to expanding their employment and earnings opportunities.

The CRAS subsequently contributed to the mobilization of beneficiaries, resulting in some increase in demand for training programmes. The CRAS prepared manual submissions that were sent to the SINE, but did not follow them up with beneficiaries.

Another problem raised was that PLANSEQ training courses were usually planned for people with full primary education. The training methods and content were therefore well beyond the profile of PBF beneficiaries. Some of the training agencies adapted their programmes, but that was not generally the case. The current course duration is 200 hours (about two-and-a-half months), one fifth of which is reserved for a citizenship module, including elements of Portuguese, mathematics and entrepreneurship. The remaining time is devoted to theory and practice.

In view of the above, it was perhaps over ambitious to set a target of placing 45 per cent of participants in the formal labour market, as opposed to the level of 30 per cent that is used for normal PLANSEQ programmes. There is no inherent reason for Proximo Passo to be more effective than PLANSEQ, especially as the entry requirements for Proximo Passo were lower than the normal PLANSEQ requirements, and Proximo Passo was a new programme that still had to be tested.

According to reports from the MTE and the MDS, most students consisted of women and youths, both employed and without work. The average educational level was above fourth grade. As of May 2010, according to SIGAE/MTE records, 91,927 training vacancies had already been occupied and 24,582 were available. Only 46.9 per cent of the overall target of 200,000 had therefore been filled.

Managers involved with Próximo Passo, especially those working in the MDS, seem to have concluded that this approach has not been successful. Their view is that PBF beneficiaries have specific characteristics that need to be taken into account in the design of complementary programmes, particularly in the case of training. This was something that PLANSEQ could not offer, as it was attempting to meet the demands of formal sector trade unions and employers.

As an example of an alternative to the PLANSEQ design, the MDS has supported a programme known as ACREDITAR (“believe”) in the hydroelectric plant of Santo Antonio in

Porto Velho. In partnership with Odebrecht, an engineering and construction company, the MDS has prepared a list of persons in the community who could participate in the training system planned for this construction project. The Ministry undertook the communication campaign (using cars with loudspeakers, the local media, churches, etc.). Beneficiaries were selected through a test (basic reading, writing and mathematics). Those selected were trained by SENAI, a national agency specialized in industrial vocational training, and were provided with materials, meals and transport during the course. It should be noted, however, that this type of programme design could lead to the selection of the most skilled PBF beneficiaries, taking into consideration the specific industry requirements, and does not therefore address the perceived education gap.

The evidence so far therefore points to a variety of reasons for the poor performance of Proximo Passo: design issues (how to address appropriately the limitations and potential of beneficiaries), institutional issues (lack of coordination between ministries) and operational issues (how to communicate effectively with beneficiaries). Although it is not possible to measure the impact of these factors precisely, it seems clear that integrating the PBF with measures aimed at improving the work opportunities of its beneficiaries remains a challenge.

## 6 FINAL CONSIDERATIONS

The present study has assessed the implications for decent work of the Government of Brazil's conditional cash transfer programme, the PBF. As noted in the introduction, the obvious link between the PBF and the Decent Work Agenda is the latter's fourth pillar, namely social protection. The PBF would appear to have been very successful in extending social protection and income security to the working age population living in poverty. In so doing, it has made a tremendous contribution to expanding the Brazilian social protection system, which has decisively moved in the direction of a non-contributory pillar since the enactment of the 1988 Constitution. Reference should also be made in this respect to the role of rural pensions and old-age and disability benefits (BPC) in covering social risks linked to incapacity for work, whether as a result of old age or disability.

However, in taking up the challenge of endeavouring to extend social protection to poor families, focussing on the working age population, with most beneficiaries being women, and particularly mothers, it has been alleged that the PBF has stimulated dependency on the Programme and jeopardized the insertion of beneficiaries in the labour market. From a more positive perspective, the PBF may also contribute to curbing child labour, one of the objectives of the Decent Work Agenda, through the cash transfer and the associated requirement of school attendance by children. One of the main objectives of the present study is therefore to analyse whether PBF beneficiaries have also benefited from an improvement in their labour market integration to the same extent as the general population in Brazil in the recent years. The issue of the supply of child labour and the role of complementary services in expanding the employment and earnings opportunities of PBF beneficiaries have also been analysed. These are the major areas of the Decent Work Agenda that could be affected by the PBF.

The number of families benefiting from the PBF was expected to reach 12.9 million in December 2010. Such coverage would represent over 26 per cent of Brazilian households, for an expenditure of about 0.4 per cent of the estimated GDP in 2010. In view of its scale, the manner in which the PBF affects the above issues is therefore of considerable importance.

Using pseudo-cohorts, the effects of the cash transfers on the labour market integration of the adult population were assessed, comparing beneficiaries, eligible households and non-beneficiary households. Between 2004 and 2006, the activity rate remained unchanged for beneficiaries at a level of 59 per cent, while it dropped for eligible households from 57 to 55 per cent. The occupation rate for this latter group also fell from 49 to 47 per cent as a proportion of the full working age population. However, no change was identified in the occupation rate of beneficiaries. Over the same period, there was a downward trend in the informality rate and a rise in social security contributors for all groups, although the proportion of contributors is higher among non-beneficiaries. Examination of the aggregate and cross-sectional results shows that, over a period of just two years, the integration of PBF beneficiaries in the Brazilian labour market improved in terms of formalization, social security coverage and income from work, in line or better than the overall trend observed over that period. It may therefore be concluded that the labour market integration of PBF beneficiaries improved over that period, and that they became less precarious. Moreover, there was an increase in the average hourly wage from their main job, whether or not PBF beneficiaries with zero earnings are taken into account.

The proportion of employed women living in PBF beneficiary households is another indicator that improved over the two-year period, rising from 39 to 41 per cent. This can be explained by several factors, such as: less discriminating economic growth; higher school attendance by children, which frees mothers to look for work; the expansion of PBF coverage among employed women; and the empowerment of women, encouraging their entry into the labour market. The hypothesis of the expansion of PBF coverage among those already employed is reinforced by the reduction observed in the proportion of employed women in eligible households (from 0.39 in 2004 to 0.38 in 2006).

These results contradict the standard textbook model, which suggests that cash transfer programmes may discourage beneficiaries from searching for jobs or trying to improve their labour income out of a fear of losing their entitlement to the PBF. Over this short period of time, between 2004 and 2006, the evolution of labour market indicators for these groups of beneficiaries was more favourable in terms of the magnitude of the changes than for non-beneficiaries (who are not eligible for the PBF). These results indicate the clear pro-poor performance of the Brazilian labour market over this period.<sup>47</sup>

Another positive outcome emerges from a regional analysis of the Programme. The poorest region of the country, the North-east, had 50.7 per cent of the total number of beneficiaries in 2008. Indeed, between 2003 and 2008, the number of PBF beneficiary households in the North-east rose from 2.1 million to 5.6 million. There is also evidence that, since its implementation, the Bolsa Família has contributed to a fall in income inequality in all Brazilian states, particularly in the North-east and North macro-regions.

The labour market indicators show significant improvements in all Brazilian macro-regions since 2004, which has led to an overall reduction in the incidence of poverty. There have been improvements in all regions in the formalization of labour relations, educational attainment and earnings from labour. As opportunities are more restricted in the North-east and there is therefore a higher incidence of PBF cash transfers, the impact on the income of poor families seems to have stimulated local demand, especially in the retail and service sectors, which has in turn contributed to the improvement of labour market indicators in the region.

However, the PBF seems to have had a limited impact in terms of reducing child labour, although it does appear to result in higher school attendance. This partially supports the claims that CCTs do not have the effect of removing children from the labour market, but may reduce the time that they spend working, since they pass part of the day at school. It was also observed that the effect of the PBF on households with adolescents in terms of promoting school attendance and combating child labour seems to differ from its effect on households with children in the five to nine age group.

Despite several positive results, one aspect of the Programme where there is still much room for improvement is the implementation of complementary programmes to promote job and income-generating opportunities for PBF beneficiaries. In general, programmes intended to complement CCTs should provide tools to help break out of the cycle of poverty in the medium term, usually by focusing on human capital formation for the adult population.

It is expected that that the relatively high economic growth rates will be maintained in the near future, and that the new Government will invest in the improvement of complementary services with a view to facilitating the integration of the adult beneficiary population into the labour market, which should allow the PBF to make a further contribution to the achievement of decent work in Brazil and enhance the beneficial impacts already associated with the Programme.

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## NOTES

1. For details, see <<http://www.ilo.org/public/english/standards/relm/ilc/ilc87/rep-i.htm>>.
2. ILO: *Implementing the Global Employment Agenda: Employment strategies in support of decent work: 'Vision' document*, Geneva, 2006.
3. See: <<http://www.ilo.org/global/about-the-ilo/decent-work-agenda/employment-creation/lang--en/index.htm>>.
4. ILO: *Extending social security to all: A guide through challenges and options*, Social Security Department, Geneva, 2010.
5. For details, see: <<http://www.ilo.org/protection/lang--en/index.htm>>.
6. In Brazil, there has been an expansion of social security benefits and coverage beyond the traditionally protected formal sector as a result of the introduction of new rights and recent reforms of social security schemes, including: a semi-contributory scheme for rural pensions introduced by the 1988 Constitution; the implementation of the BPC (a constitutionally defined non-contributory cash benefit for the elderly and the disabled living in extreme poverty, the value of which is equal to the minimum wage); the introduction of a mechanism to provide incentives for the formalization of informal workers in small firms through the consolidation and simplification of taxes and social security contributions (the so-called *SIMPLES* regime); and the introduction of special social security contributory schemes for self-employed workers and small businesses whose total income is below a certain annual threshold.
7. *Perspectivas da política social no Brasil*, IPEA, Brasília, 2010, p. 373; free translation, original in Portuguese.
8. The floor for pensions, temporary benefits, unemployment insurance and BPC benefits is the national minimum wage.
9. *Perspectivas da política social no Brasil*, op. cit., pp. 349-351.
10. Handa and Davis (2006) and Soares and Britto (2007) highlight the tension between the two objectives and their impacts on programme design.
11. The *Oportunidades* programme in Mexico has similar coverage, but the Mexican social protection system is much more limited than the system that has been developed in Brazil over the past 30 years.
12. Provisional Measure No. 132 of 20 October 2003, and Act No. 10,836 of 9 January 2004 and Decree No. 5,209 of 17 September 2004.
13. The PETI was the fifth programme to be incorporated into the *Bolsa Família* in 2006.
14. For more information on the relationship between the PBF and the Basic Citizenship Income, see Britto and Soares (2010).
15. The *Cadastro Único* registry is a highly relevant source of information for the Programme. Its objectives include: (a) the identification of beneficiaries; (b) the description of their socio-economic conditions; (c) the coverage and integration of social programmes; and (d) the identification of the risks and vulnerabilities to which low-income families are exposed (Jaccoud et al. 2009).
16. The complementary programmes that are discussed in more detail later in this report are intended to play a key role in enabling families to be "emancipated" from poverty. However, synergies and complementarities seem to be the biggest challenge to achieving a match between beneficiaries and programmes that could enhance their productive capacity. The following federal programmes are complementary to the PBF: *Brazil Alfabetizado* - on adult literacy; *Próximo Passo* - a training programme in the construction and tourism/hotel sectors; PRONAF - micro-credit for smallholder farmers; *Crediamigo* and *Agroamigo* - micro-finance in urban and rural areas, respectively; and support for former landless families.
17. The Registry has been improved significantly since the study was conducted. It is possible that the quality of information in income records now plays a greater role in targeting.
18. Constanzi and Fagundes (2010) show that 92.5 per cent of recipients of benefits are women. The lack of identification documents among poor women is one of the reasons why this figure is not higher. It is interesting to note that one of the unanticipated impacts of the Programme has been an increase in the proportion of poor women with legal documents.
19. See Soares (2010) for a discussion of the volatility of the income of the poor and its implications for PBF targets.
20. This was an important measure in curbing disincentives for beneficiaries to accept formal job offers. There was anecdotal evidence that some workers preferred to have an informal contract rather than a formal job in view of their fear of losing the benefit as a result of the cross-checks between the list of PBF beneficiaries and the registry of formal jobs.
21. Due to the incorporation of the PETI in the PBF, activities for the strengthening of family links have become another conditionality for families in which the children or adolescents have been removed from child labour.
22. There may be a number of reasons, such as domestic violence, school violence, disease and lack of access to a school, which justify the approach that failure to comply with co-responsibilities should not lead to repercussions.
23. The Social Assistance Referral Centre (CRAS) is a decentralized agency of the Unified System of Social Assistance (SUAS). The CRAS is responsible for the organization and provision of basic social protection services in the areas of vulnerability and social risk in municipalities and the Federal District. There are 6,763 CRAS units covering 80 per cent of Brazilian municipalities (Currello et al., 2010).

24. The Specialized Social Assistance Referral Centre (CREAS) is a decentralized agency of the SUAS responsible for the provision of specialized socio-assistance services to families and individuals at risk of the violation of their rights. It deals with domestic violence, sexual harassment, minors in custody, etc.
25. For education, this figure is around 90 per cent and compliance is monitored every two months.
26. The family support service can suspend punitive measures adopted for non-compliance. Between December 2009 and November 2010, around 13,000 households were receiving family support, for around 5,000 of which the punitive measures were suspended (Paiva, 2010).
27. In their sample, at least 10 per cent of the population were beneficiaries of conditional cash transfer programmes in 55 per cent of municipalities.
28. PNAD data are not available for 2000 as it was a Census year.
29. Because of data limitations, the informal economy is taken to include unregistered employees, self-employed workers (excluding professionals) and employers with up to five employees.
30. These two years are used for two reasons: (1) the PNAD issued a special supplement for the two years allowing a precise definition of which households were receiving the PBF; and (2) the bulk of the expansion of the Programme occurred between these two years. In August 2006, the Programme reached its initial target of 11.1 million beneficiary households.
31. The group "other sectors" includes mining and quarrying, manufacturing, accommodation and food services, transportation, storage and communication, public administration and other activities.
32. Amounts below the minimum wage are usually paid to workers who work fewer hours, workers in the informal economy (unregistered and self-employed workers), and may also be the result of family arrangements, mainly in agriculture. For details, see Melo (2010).
33. In September (the PNAD reference month) 2004, the minimum wage was R\$ 260.00, and in September 2006, R\$ 350.00.
34. The income variables considered, for both the main job and for all sources, were deflated by the PNAD income deflator proposed by Corseuil and Foguel (2002).
35. In view of the lack of representativeness of homogeneous groups in the South and Centre-west macro-regions, and as the socio-economic indicators of these regions are relatively similar, both regions are analysed together.
36. The number of groups without representation: first configuration, three groups; second configuration, one; and fourth configuration, one.
37. Which includes the South-east, South and Centre-west macro-regions.
38. Values obtained from the site [www.ipeadata.gov.br](http://www.ipeadata.gov.br) and calculated by the IPEA using the PNAD database. The extreme poverty and indigence lines are estimated using the methodology developed by the IBGE-IPEA-ECLAC commission to define a basic food basket that meets the nutritional requirements in each region. The value of the simplified basket defines the extreme poverty line. The poverty line is defined as twice the value of the extreme poverty line. This methodology is defined in the document *Metodologia na determinação das linhas de pobreza e indigência* <[www.ipeadata.gov.br](http://www.ipeadata.gov.br)>.
39. Information available at <[www.ipeadata.gov.br](http://www.ipeadata.gov.br)>.
40. Considering the poverty line defined by the IBGE-IPEA-ECLAC commission.
41. Sisal fibre is obtained from the leaves of the plant *Agave sisalana*.
42. A programme focussing on municipalities with per capita income and tax revenues below those observed in their respective states with the objective of ensuring the school attendance of children aged seven to 14 years. It was implemented between 1999 and 2000 by the Ministry of Education.
43. A cash transfer programme for poor families to ensure school attendance by children aged seven to 14 years, but with no conditionalities respecting child labour. It was implemented in 1996.
44. It should be noted that in Brazil adolescents are legally allowed to work from 16 years of age, or even 14 if they are hired under a special apprenticeship contract which guarantees school attendance and vocational training.
45. Communication with beneficiaries usually consists of letters and posters displayed in referral centres and in the *Caixa Econômica Federal*.
46. These findings are presented in: *Sumário Executivo do MDS*, March 2009.
47. Leichsenring (2010) shows that the poor population registered in the Single Registry, regardless of whether or not they are from beneficiary households, suffer from very unstable integration in the formal labour market, with a prevalence of short jobs. However, during the 2004-2007 period, there was an improvement in their integration, with an increase in the proportion of poor workers in the formal sector and in their average remuneration. This process occurred all over the country, but was more intense in the poorest regions, namely the North and the North-east. The author also emphasizes that the short duration of formal sector jobs to which the poor have access justifies the introduction of the minimum period of two years' coverage by the PBF, regardless of their income from work. This would have the additional effect of avoiding any disincentive for poor workers to take formal sector jobs due to a fear of losing the benefit.



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