

A proposal for the unification of social protection benefits for children, youth and those vulnerable to poverty¹

Sergei Soares, Leticia Bartholo and Rafael Guerreiro Osorio, Institute for Applied Economic Research (Ipea) and International Policy Centre for Inclusive Growth (IPC-IG)

Social protection policy in Brazil is a historically built patchwork of programmes that pay different values to people in the same situation, leaves many unprotected (in particular, 17 million children) and is fraught with duplications and other inefficiencies. This incongruous patchwork as a whole is only slightly progressive and has very modest effects on the income distribution.

While a wholesale revision of the 15 per cent of gross domestic product (GDP) that comprises social protection in Brazil is beyond what can be attempted now, it is possible to impart greater rationality to the 0.8 per cent of GDP addressed to children and those vulnerable to poverty. The budgets of the *Bolsa Família*, *Abono Salarial* and *Salário-Família* programmes and the child income tax deduction add up to BRL52 billion (about USD15 billion) combined. With these resources, we propose a new transfer framework based on a universal child benefit and a targeted extreme poverty grant (Soares, Bartholo and Osorio 2019).

This framework would have the following guiding principles: (i) fiscal and social responsibility—not to spend what is not available, but at the same time not requiring poor people to bear the burden of fiscal adjustment; (ii) flexibility regarding social and demographic change; (iii) need measured by per capita family income and family defined as a household; (iv) use of the *Cadastro Único* as the sole poverty identification mechanism; (v) a single eligibility threshold; (vi) a benefit structure with no discontinuities; and finally (vii) a rule in law on adjustment for inflation.

While these principles allow a variety of benefit designs, we discuss only one possibility, comprising three grants (when it comes to social protection, the simpler the better).

The first would be a BRL45 universal child grant for all children and youth younger than 18 (paid through their families). The second benefit would be a BRL90 targeted and means-tested grant for children up to four years old, whose eligibility line would be BRL250 with an implicit marginal tax rate of 50 per cent for incomes exceeding this line. Finally, we would have a similarly-targeted BRL44 anti-poverty grant for individuals of all ages.

Whether our new benefit structure works better than the old one will depend upon its impacts upon poverty and inequality, as shown in the table.

Table
Impacts on inequality and poverty

Benefit	Inequality		Extreme poverty (BRL115.36)		Poverty (BRL333.90)	
	Gini	Δ Gini	%	Δ %	%	Δ %
Net income	0.5484		7.4	-	22.9	-
Present system	0.5374	0.0110	5.9	1.5	20.6	2.2
Base proposal	0.5287	0.0197	4.4	3.0	18.5	4.4

Source: National Institute of Geography and Statistics (IBGE) (n.d.).

Compared to what we have today (the second line of the table), the simulated results are very positive. While today's four benefits reduce inequality by 1.1 Gini point, the new proposed benefit structures does almost twice as well: 1.97 Gini point. For poverty, the results are even better: a 2.2 percentage points against 4.4 percentage points for poverty and 1.5 percentage points as opposed to 3 percentage points for extreme poverty.

This would eliminate duplications, coverage gaps and regressive designs, thus leading to twice the impact on poverty and inequality, covering all children in Brazil without spending another dime. This is called common sense.

Reference:

Soares, S.; Leticia B. and R. G. Osorio. 2019. "A proposal for the unification of social protection benefits for children, youth and those vulnerable to poverty." IPC-IG Working Paper 187. Brasília: International Policy Centre for Inclusive Growth.

Note:

1. The authors would like to recognise the excellent comments made by Luis Henrique Paiva and Graziela Ansiliero. This work has also benefited from comments and suggestions from staff and managers at the Ministry of Citizenship in workshops where preliminary versions of this proposal were discussed.