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INCOME POLICIES, INCOME DISTRIBUTION, AND THE DISTRIBUTION OF OPPORTUNITIES IN BRAZIL

ABSTRACT

Income inequality in Brazil remained high though stable between 1970 and 2000, with a Gini of per capita income around 0.6. From 2001-2006, however, income inequality has been in decline. The reduction of inequality observed over this five-year period roughly mirrors infamous increases of the 1960s. As a result, Brazil has experienced falling poverty rates despite meager growth until 2004. Brazil has already reached the first UN Millennium Development Goal of reducing extreme poverty by one half in approximately half of the time required. According to estimates based on household surveys, since 2005 per capita incomes have grown 8% annually. Brazil's recent economic performance has become comparable to the others BRICs, replicating the growth rates observed during its economic miracle. Since 2001, Brazil's poor have been experiencing growth rates on par with China.

This paper analyses the effect of income policies on income distribution in Brazil, discussing some of its political economy determinants, its near-term impacts and potential long-term effects through the distribution of opportunities. This paper summarizes my previous work on the determinants of recent trends and cycles of income based social indicators in Brazil and the role played by redistributive income policies. It demonstrates the impact of electoral cycles behind the expansion of official monetary transfers. The paper also evaluates the targeting efficiency of the principal income policies in terms of the fiscal costs versus short-term benefits to social welfare.

The paper maps the impact of income policies on a series of state variables, affording a view of the lasting effects of compensatory policies in Brazil. It evaluates the impacts of these income policies using a difference-in-difference approach between income strata. We take advantage of the recent expansion of these benefits between 2004 and 2006 and the special supplement on social programs of the Brazilian National Survey (PNAD) that were collected in these two years. We use this as a basis to test how this expansion affected the distribution of opportunity-related social indicators such as fertility, child mortality, education, physical assets accumulation, access to credit and work decisions. In the light of this evidence we discuss desirable upgrades of Brazilian income policies, such as changes in targeting strategies, new conditionalities on human capital accumulation, possible links with the supply of financial instruments, and the use of social targets to isolate policies adopted from the electoral cycle.

I. INTRODUCTION

During the last 30 years, changes in Brazilian social indicators based on per capita income such as inequality, poverty and social welfare have reflected the marked volatility of the macroeconomic environment. Until 1994 the source of instability was the rise and failure of successive stabilization attempts, while after this period the main source of instability was the impact of external crises. This paper argues that to understand the mechanics of these sharp macroeconomic fluctuations, as well as their consequences on income based social indicators it is crucial to understand the role played by various state sponsored income policies. During the inflationary instability period until 1995, income policies were behind both the core of chronic inflation and stabilization attempts. That is to say they were part of the problem and of the solutions offered. Anti-inflation plans such as *Cruzado*, *Collor* and the *Real* Plan tried to interfere directly with the processes of price formation and income determination through various measures such as price freezes, exchange rate policies, wage de-indexation rules and currency change. Only the *Real* Plan was successful in lowering and controlling inflation. Similarly, besides price stabilization, state sponsored regressive income policies are also key to understand the causes behind high inequality and attempts to fight it in Brazil. In recent anti-inequality policies, income policies are employed in which the state transfers incomes directly from the public budget. Currently there is considerable evidence that specific income policies – at least in the short-term – have played a direct role in affecting income inequality. We demonstrate that this role offers a diversity of results depending on the specific policies enacted. These impacts may also change over time as a function of changes in income policy targets and operation, or changes in the general economic environment.

Brazil is an interesting case study. During the period of 1992-2006, there was a fall in poverty levels despite the meager growth observed. Brazil reached the first UN Millennium Development Goal in this period, as the portion of the population earning less than US\$1 per day (PPP) fell 60% (Neri 2006b). The poorest income segments have experienced growth rates on par with China since the beginning of the present decade. The cumulative variation of per capita income of the poorest 10% was 57% from 2001-06 and, falling monotonically as we reach the top of the income ladder, the figure for the top 10% was 6.7% (Neri 2007a). This redistributive movement is noteworthy since Brazil

has been notorious for being one of the countries with the highest income inequality in the world. After its steep rise in the 1960s, Brazilian income inequality maintained a high yet stable Gini of per capita income around 0.6 between 1970 and 2000 (Hoffman 1989, Bonelli et al. 1989, Barros et al. 1992, Ramos 1993, Barros et al. 2000). In the period 2001-2006, however, inequality has been in decline. The fall of inequality observed in this five year period is roughly around 71%, comparable to the rise observed in the 1960s (Langoni 1973, Fishlow 1972, Bacha and Taylor 1978). This change reflects a combination of labor market improvements seen by low-skilled workers, including increases in education attainment and the adoption of increasingly targeted official income policies.

The fact is that Brazilian inflation is at its lowest levels in decades and inequality of per capita incomes is at the lowest level since PNAD measurements began in 1976. In both cases, stability of prices and the efficacy of income policies such as redistributive programs and anti-inflation plans have played an instrumental role. The evidence presented here suggests that the speed with which these programs have met with success may be a function of increased targeting of income policies, and efforts to craft income policies in tune with the electoral cycle.

The former role of stabilization plans is now played by redistributive income policies. President Cardoso is credited with stabilizing the currency, and President Lula has continued this process in redistributing the newly stable currency through a structure of social programs initiated under his predecessor. Brazil has slowly come to appreciate the importance of macroeconomic fundamentals in the achieving lasting stability, and it must now become appreciated that a sustained decrease in inequality depends on other fundamentals, such as the equality of opportunities, represented by the access to stocks of productive assets such as health, education physical assets and their impact work decisions and outcomes. The main challenge facing the new generation of income policies is to track changes induced in income flows with the high stocks of future productive wealth by the poor. This is the objective of the so called conditional cash transfers such as *Bolsa-Família*, *Bolsa-Escola*, *Bolsa-Alimentação*, *Peti* etc., and their Latin American counterparts such as *Oportunidades* and *Progresosa* in Mexico and *Praaf* in Honduras. The structural side of income policies has yet to be fully understood and perfected in the social policy in Brazil. Brazil must reinforce the structural side of

compensatory policies with individual incentives geared towards the accumulation of productive capital.

In the paper we map the impact of income policies on a series of state variables in order to predict the long-term effects of compensatory policies in Brazil. We examine the recent expansion of these benefits between 2004 and 2006 and take advantage of recent data from the special supplement of the Brazilian National Survey (PNAD) that covered these social programs during these two years. We use this as a basis to test how the expansion affected the distribution of opportunity-related social indicators between income strata and also between low-income individuals that benefit versus those low-income individual that did not benefit from the new income transfers. We evaluate the impacts of income policies using a difference-in-difference approach to test the impacts on elements such as work decisions, fertility, child mortality, education, migration, physical assets accumulation, and access to credit.

PLAN OF THE PAPER

This paper summarizes my previous work on the role played by redistributive income policies in Brazil, discussing some of its political economy determinants, its short effects on income distribution and its potential long-run effects that operate through the distribution of opportunities. We also discuss desired upgrades for the next generation of income policies in the country exploring changes in targeting strategies, the need for imposing new conditionalities and possible links with the supply of financial instruments to be explored. The paper is organized as follows: Section II discusses the main features of the changes in Brazilian public policy and income distribution in the recent past. Section III discusses the role played by electoral cycles in the adoption of different income policies targeted for various demographics. Sections IV and V describe the principal Brazilian income policies, evaluating their foci and offering a cost-benefit analysis. We devote special attention to Conditional Cash Transfers (CCTs), non contributory social security benefits and minimum wages, studying the close relationship between them. At the end of Section V we discuss the history of how income policies have affected the distribution of income of various age groups. Section VI takes advantage of recently released data and explores the long-term impacts of income policies on a series of state variables such as health, education, access to credit, physical

assets accumulation and on work decisions. In the light of this evidence, in the final section, we propose desirable upgrades of official income policies.

II. SUBJECTIVE WELL-BEING, POVERTY, AND INCOME DISTRIBUTION TRENDS

A. GENERAL BACKGROUND

The Brazilian experience has been quite peculiar in the sense that structural reforms, and in particular trade liberalization, began relatively late compared to its neighbors. Whereas other countries in Latin America started opening their economies in the early or mid-1980s, the same process started in Brazil only in the early 1990s. The same happened with inflation control: while Mexico started its stabilization process in the mid-80s and Argentina in the early 1990s, Brazil achieved successful price stabilization only after 1994.

Brazil experienced some of the world's highest inflation rates over the period from 1960 to 1995. From at least the beginning of the 1980s, curbing inflation became the focus of public policy in Brazil. Successive macroeconomic packages and three major stabilization efforts have been attempted since then: the Cruzado Plan in 1986, the Collor Plan in 1990 and the Real Plan in 1994. The Real Plan was based on an 'exchange-rate based stabilization' model that led to consumption booms instead of recessions. But the need to support an overvalued exchange rate for stabilization purposes increased the fragility of the Brazilian economy, making it vulnerable to external shocks such as the Mexican (1995), Asian (1997) and Russian (1998) crises.

The 1999 Brazilian devaluation crisis triggered important changes in macroeconomic policy that can be still observed today, including (1) the adoption of floating exchange rates, (2) the adoption of inflation targets, and (3) the implementation of the Fiscal Responsibility Law binding all government levels and state enterprises alike but with an increase in the size of the tax burden of about 10 percentage points of GDP from 1995 onwards, reaching around 37 percent in the end of 2008. One also has to bear in mind that there was very high real interest rates and an expansion of public expenditure that contributed to the rise in the Brazilian public debt that reached more than 50 percent of GDP and to the slow growth trend assumed. During 2002 elections, Brazil faced another crisis that was controlled by the new Government in the following year. This was done by means of a so-called confidence shock that meant keeping the previous directions of

macroeconomic policy in the country. Following a mild recession in 2003, a boom in the global economy and improved internal fundamentals isolated the Brazilian economy from adverse external shocks. Since 2005 average growth has been higher in Brazil: 8% per year on per capita incomes based on the revised National Household Survey (PNAD), which are comparable to the per capita GDP growth rates observed during the economic miracle of 1968-73. According to the new estimates, Brazil became a BRIC but only in this recent period. Taking into account the period from 2004 to 2007, Brazil generated around 10 million new jobs, in particular around 6 million formal jobs with no recent labor reforms attached to it. In 2007 employment generation reached 1.6 million new jobs, the new record of CAGED series since 1992. Despite of the developed countries economic crisis, during the first five months of 2008 Brazil generated 27% more new formal jobs than in the same period in the previous year.

B. LIFE SATISFACTION

Years ago when I first wore a pair of glasses to correct my myopia I began to notice the depth and clarity of things and I marveled at the subtle shades and hues of the world around me. Similarly, the possibilities of observing nuance in Brazilian society have evolved through the years. An important landmark in this process was the decision made by the IBGE in 1995 to release its household survey data along with the Institute's tabulations and reports. This small but significant step gave individuals the freedom to look at the Brazilian social data from their own perspective, as opposed to a pre-established one. Nowadays, with the release of each PNAD or CAGED report, Brazilian society debates its own achievements and drawbacks with increasing interest and knowledge. The more democratic environment in the political arena and the increasing access to information (enabled by the so-called information and communication era) has contributed to greater transparency and integrity in the public debate. I remember reading in *The New York Times* in 1994 -- around the same time I began wearing those glasses -- an article on social issues, such as the determinants of women's unemployment or the birth weight of children, and I thought how distant Brazilians were from this type of information. At that time, Brazilians would think first and foremost about inflation rates, and this had a distorting effect on the senses and concerns of Brazilians' daily life.

There is a new breed of international surveys of which Gallup's World Pool is maybe the best example. This new breed boasts two important innovations. First, they use the same

questionnaire in their research of more than 130 countries, allowing global comparisons and the flexibility enabled by the processing of individual answers (microdata). The second novelty refers to the type of question that is asked, side by side with traditional survey questions. The respondent is asked directly about individual and collective subjective matters, be they local, national or global. This feature allows the researcher to dive into the way that people form their aspirations, attitudes and expectations by enquiring about the interviewee's perceived life satisfaction and their assessments about the national educational system, performance of local economy and other topics.

The Centre for Social Policies (CPS/IBRE/FGV) has been selected along with other Latin American institutions by the Inter-American Development Bank to help digest Gallup's global data. This ambitious project will mark IADB's 50th anniversary by bringing quality of life, as perceived by the respondents themselves, into the debate's center stage.

How do Brazilians' perceived level of satisfaction with life in 2006 compare with the rest of the world? In a subjective scale from 0 to 10, Brazilians stated their happiness level as 6.61, as compared to a score of 5.25 from the rest of the world and 5.64 from Latin America. Comparatively, U.S. citizens reported a happiness score of 7.09, while Belgium and India – countries frequently references in the Brazilian social debate – rated 7.15 and 5.27, respectively. Denmark holds the world record for happiness with 7.98, while Chad ranks last with 3.36. Brazil ranks 23rd among 132 countries.

How has happiness evolved in the last five years in the world? According to Gallup's survey, global happiness has increased from 4.84 in 2001 to 5.26 in 2006. That is, the first five years in the new millennium showed a considerable and consistent advance, concurrent with the expansion of the global economy. When asked about projected happiness in five year's time, the world-wide average was 6.0. In other words, we expect a 25% growth in the world level of perceived happiness compared to how we saw ourselves five years ago and how we see ourselves five years ahead. Furthermore, two-thirds of this advance was expected to happen in the second half of the decade. This positive scenario could be at risk, however, given the recent turmoil in markets. But at the moment Brazilian's expected level of happiness in five years – 8.24 – exceeds all other 130 countries surveyed. In fact, Brazilians believe they will be happier in 2011 than

the Danish, whose predicted happiness score of 7.86 ranks them second. The country least optimistic about its future happiness is Paraguay, with 4.08. It is likely that Brazil's results are a reflection of our innate optimism. In order to control for cultural aspects, we have compared our expected happiness leap for the next five years with the current levels. According to the survey, Brazilians expect to gain 2.56 points in the next five years, exceeded only by 10 countries in the sample, including China's impressive gain of 3.04. On average, our economic growth is not on par with China. What, then, are the determinants of the Brazilian optimism? The reduction in inequality since 2001? The 2006 elections? These questions are explored in the sections below.

C. INCOME CHANGES IN 2005 AND 2006

In last section, I presented some evidence of the positive expectations of Brazilians. In a 2006 Gallup survey of 132 countries, Brazil was ranked as the most optimistic country with regard to projected levels of happiness in 5 years time. Why do Brazilians expect so much if their economic scenario does not rival other emerging countries? According to the national accounts statistics, and GDP in particular, we should not be considered BRICs (Brazil, Russia, India and China) or building bricks of future global wealth. Intrinsic cultural optimism helps to explain why the average Brazilian's expectations and reality are out of beat with each other. Swayed by this optimism, Brazilian's glass is always half full. Nonetheless, even by calculating the difference between future expectations and the current reality and accounting for cultural and psychological biases, Brazil's ranking is still remarkable because it nearly equals Chinese rates of expected happiness. If the Brazilian economy is not growing as robustly as the Chinese, however, why do Brazilians experience such a similar feeling of prosperity about our future?

This puzzle is solved if it is understood that, in fact, Brazil's economic growth parallels China's growth. Briefly stated, national accounts in 2005 and 2006 show an accumulated per capita GDP growth of 3.84%. According to PNAD estimates, per capita household income growth, excluding the population growth rate, was 16.4% for the same period or 4.3 times larger than per capita GDP, even after the adjustments made to the national accounts. In any case, either Brazil is growing more than suggested by its GDP, or poverty is not falling as much as suggested by the PNAD figures (23.9% in 2005-06).

In order to reconcile this statistical problem, we could look into the growth of GDP elements that are not captured by the PNAD – i.e. consumption movements unrelated to income. The issue here thus concerns the order of magnitude of the observed discrepancy. Another issue is that these explanations increase the paradox, instead of reducing it. In particular, consumer credit boom points to an increase in consumption expenses that are larger than increases in income. In addition, the Bovespa index increase of 60% between 2005 and 2006 suggests that the Brazilian economy has not undergone a strong reduction of income gains that could explain part of this discrepancy in growth rates.

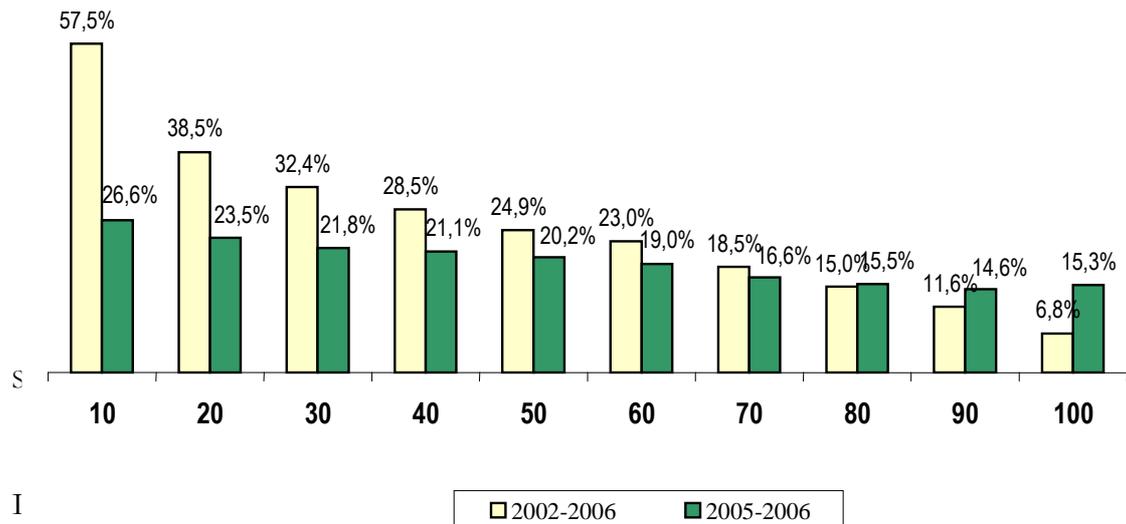
PNAD income is tabulated from nine direct questions about how much people received from different income sources. PNAD, however, with its well-balanced sample of more than 400,000 individual answers, has not undergone a single methodological change, nor has the INPC (inflation index) been used in its adjustment. The Chinese-like appearance of the PNAD statistics is reflected in other indicators for 2005-2006, such as retail sales (11.8%) and job creation (4.6 million jobs created, amongst which 2.5 million refer to new formal employment positions).

As demonstrated in the next subsection, Brazil's poorest populations experienced a Chinese-like growth at the beginning of the present decade, but in the past few years, all social groups have had this kind of growth (please see, Neri 2007c <http://www3.fgv.br/ibrecps/RET3/eng/index.htm>). The recent Brazilian boom is even of a better quality than the Chinese's because it is combined with greater equity, while China has an increasing inequality – similar to Brazil's rates during the economic miracle in the 1960s. Another parallel with Brazil in the second half of the 1960s is the lack of political freedom in China – while Brazil currently lives in a democracy. Growing in a strict political regime is easier in the short-term, but not in the long-term. In environmental terms as well China has been noticed as the pollution “black sheep”, whereas in Brazil a conservative management by the Ministry for the Environment hampers growth while also making it more sustainable. To sum it up, Brazilian Chinese-like growth of the last couple of years is better than theirs.

D. INCOME DISTRIBUTION CHANGES 2001 - 2006

We move now to the analysis of recent income distribution changes. Figure 1 below shows that Brazil's poorest (and only them) experienced a Chinese-like growth at the beginning of the present decade, but in the past few years all income strata have experienced similar levels of growth, as Figure 1 shows.

Figure 1 - Accumulated Variation in Income by Per Capita Income Decile - Brazil



According to PNAD, average individual income increased 9.16% in 2006 against a 2.3% growth in per capita GDP, even after the methodological revision of national accounts. The first statistic suggests a Chinese-like growth, while the second figure points to a Haitian-like stagnation. . As shown in Table 1, in 2006, the average income of the poorest 50% of the population increased 11.99% against an increase of 7.85% for the richest 10% and 9.66% for the middle 40% of the population. These income increases are the largest of any year this decade, including 2004.

Table 1 - Variation in Brazilians per capita income per year (%)

	Total	50% poorest	40% intermediate	10% richest
2006	9.16	11.99	9.66	7.85
2005	6.63	8.56	5.74	6.89
2004	3.14	8.34	4.13	0.68
2003	-5.81	-4.15	-4.67	-7.32
2002	0.30	3.65	0.34	-0.68

Source: CPS/FGV from PNAD/IBGE microdata

Concurrently, as shown in Figure 2, in 2006 the inequality measured by the Gini index decreased at an intermediate value of -1.06%, much lower than values from three

previous years: -1.2% in 2002, 1% in 2003, -1.9% in 2004 and -0.6% in 2005. The high income inequality seen in Brazil between 1970 and 2000 finally began to relent at the turn of the century. The increasing income equality between the years of 2001-2006 roughly mirrored the rise of inequality observed in the 1960s.

Figure 2 – Gini of Per Capita Household Income



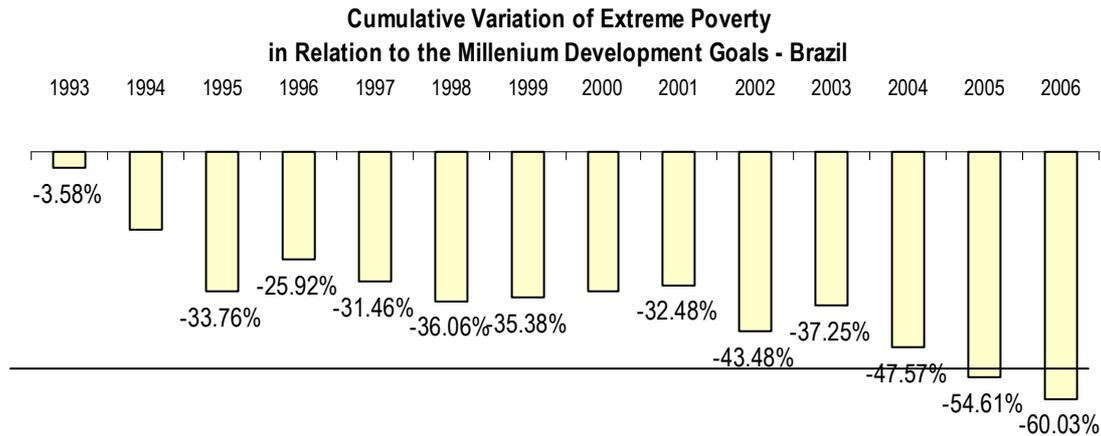
Source: CPS/FGV processing microdata from PNAD/IBGE.

Given that this decrease in inequality has occurred since 2001, economists may eventually call this era the decade of reduction in inequality, in the same manner as the previous decade could be coined the stabilization decade or the 1980s may be called the re-democratization decade – all of which are part of the same process.

E. POVERTY TRENDS

We measure long-term poverty movements against the targets set forth in the UN Millennium Development Goals (MDGs). Brazil has succeeded in accomplishing the first goal – and perhaps the most celebrated one – of the MDGs, by reducing extreme poverty by 50% in less than 25 years. In fact, extreme poverty in Brazil has been reduced by 60.53%, as Figure 3 illustrates.

Figure 3 – Variation in Extreme Poverty

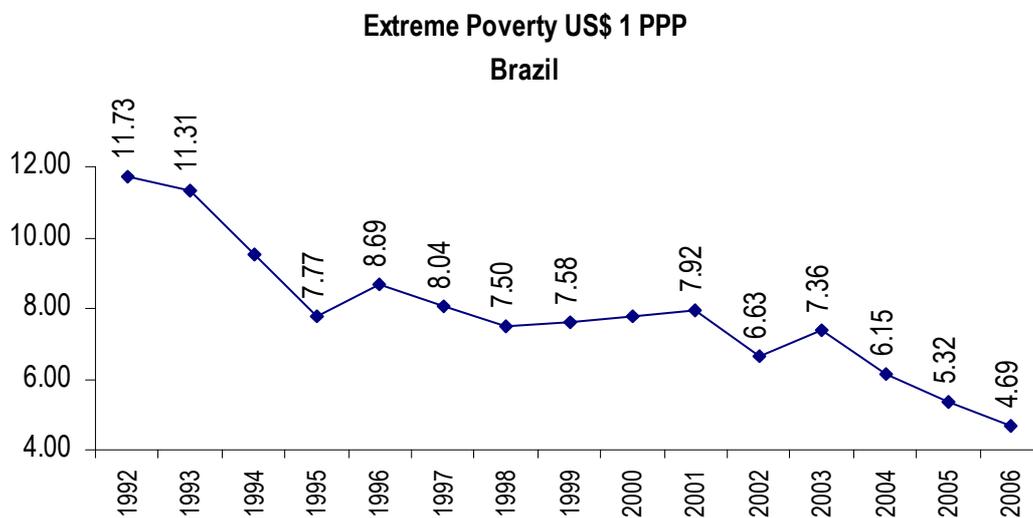


In 1994 and 2000, PNAD data was not collected. These years are represented with average values.

Source: CPS/FGV processing PNAD/IBGE microdata.

Extreme poverty is understood as an individual income level beneath US\$1 per day. According to MDG calculations, the portion of the population living in extreme poverty has fallen from 11.73% in 1992 to 4.69% in 2006, as shown in Figure 4 below.

Figure 4 – Extreme Poverty



In 1994 and 2000, PNAD data was not collected. These years are represented with average values.

Source: CPS/FGV processing PNAD/IBGE microdata.

The figure above points the dates of presidential elections (1994, 1998, 2002 and 2006) where there seems to point reductions that are clear to the naked eye. In the same way that we used the MDGs to consider the long term trends in poverty, we use in the next

section the electoral cycles to understand some of the per capita income oscillations across different income sources.

III. INCOME POLICIES AND ELECTORAL CYCLES

A. DESCRIPTION

The literature on electoral cycles describes the behavior of politicians who emphasize or embellish their successes in election years as a way to influence the result of the elections. According to the political economy literature, the outcome of elections are determined by the median voter -- hence, the option here for the use of median income, which is dated close to the first round of the elections, at the beginning of October, when the PNAD is usually launched. PNAD did not collect data in 1994 and 2007, so it is not possible to capture the full effects of cycles associated to the two episodes, as the table below demonstrates:

Table 2 – Variation in Median Income

Variation in Median Income and Electoral Cycles*					
1982	3%	1989	6%	1998	2%
1983	-23%	1990	-2%	1999	-4%
1984	-1%	1992	-3%	2001	2%
1985	20%	1993	-2%	2002	1%
1986	53%	1995	25%	2003	-4%
1987	-27%	1996	0%	2004	6%
1988	-11%	1997	3%	2005	9%
				2006	10%

**In 1991, 1994 and 2000, PNAD data was not collected. These years are represented with average values.*

Source: CPS/FGV processing PNAD/IBGE microdata.

Table 2 demonstrates that the median per capita household income has increased in all years that preceded a national election for both legislature or the presidency since 1980 (that is, **1982, 1986, 1989, 1998, 2002** and **2006**) and that this income has fallen in all post-election years (*1983, 1987, 1990, 1999* and *2003*). The average variation rate in the median income in pre-election years was **12.52%** versus *-11.87%* in post-election years, when the adjustment account is made. In the most recent elections, this trend was less exaggerated, but still existed: **4.38%** (1998, 2002 and 2006) during election years versus -

3.68% post-election years (1999 and 2003). The table below presents a summary of the fluctuations in poverty rates in *pre-* and *post-* election years.

Table 3 – Variation in Poverty Rate

Variation in Poverty Rate and Electoral Cycles*					
1982	0%	<i>1990</i>	<i>1%</i>	1998	-5%
<i>1983</i>	<i>19%</i>	1991	0%	<i>1999</i>	<i>4%</i>
1984	-1%	1992	0%	2000	-1%
1985	-13%	1993	0%	2001	-1%
1986	-37%	1994	-10%	2002	-3%
<i>1987</i>	<i>47%</i>	1995	-10%	<i>2003</i>	<i>5%</i>
1988	13%	1996	1%	2004	-10%
1989	-5%	1997	-2%	2005	-10%
				2006	-15%

**In 1991, 1994 and 2000, PNAD data was not collected. These years are represented with average values.*

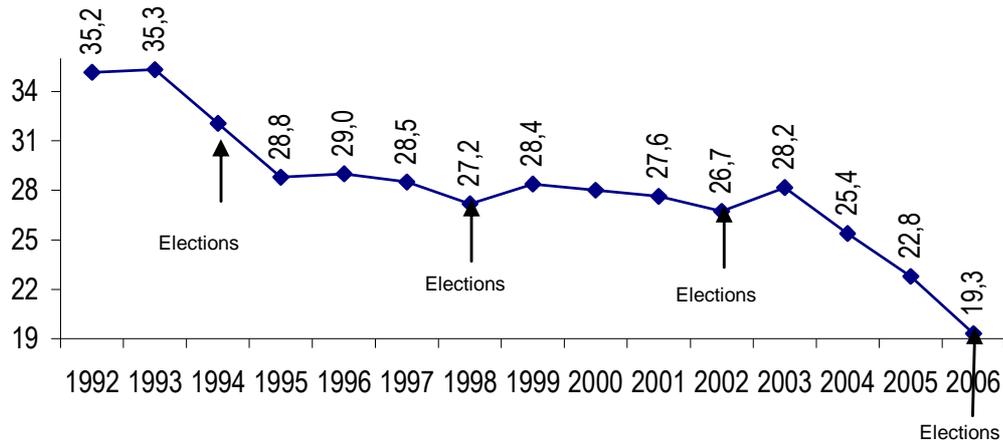
Source: CPS/FGV processing PNAD/IBGE microdata.

Similarly, as the table above demonstrates, we observe a general decrease in poverty rates in every year in which national elections were held since 1980 (1982 is the exception), followed by increasing rates in all post-electoral years. The average rate of variation in poverty in pre-electoral years was -7.69% against 14.05% in post-electoral years.

The data represented in Figures 5 and 6 was culled from the Brazilian National Survey (PNAD) from the years of 1992 to 2006. During this period the PNAD surveys' questionnaires and income concepts are more comparable. The evidence shows that during this period, election years demonstrated marked poverty reductions. The reduction of poverty between 1993 and 1995 is visible, as a result of the Real Plan in July 1994. The 1998 and 2002 elections display temporary reductions of poverty, that is, poverty reduction beyond the previous trend.

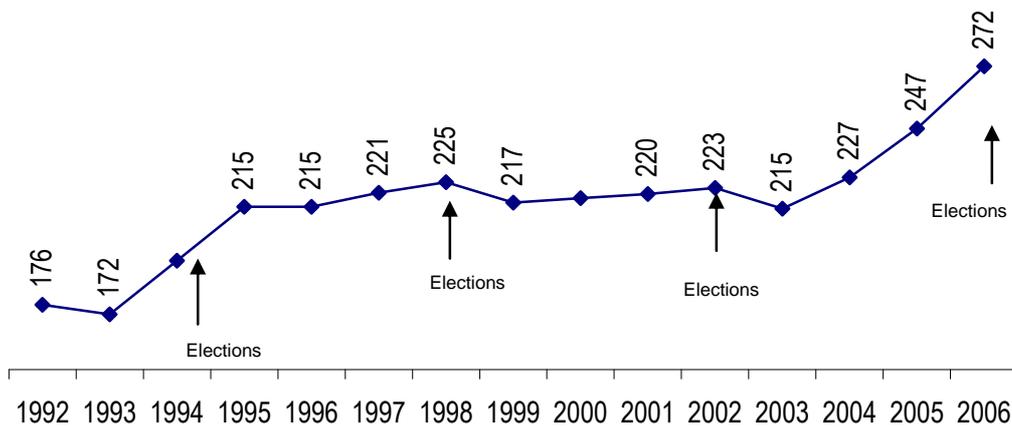
Figure 5 – Elections and Poverty and Figure 6 – Median per capita Income

Elections and Poverty % - Brazil



Source: PNAD/IBGE microdata

Median Per Capita Income - Brazil



Source: PNAD/IBGE microdata.

In sum, election is the time of good illusionary, “inebriating” news, while in the following period comes the bill and the “hangover”. Political cycles have become less pronounced as the new Brazilian democracy of 1985 matures. We will inspect further the mechanism that connects elections and income-based social indicators in the Brazilian context.

B. MINCERIAN EQUATIONS AND ELECTORAL CYCLES

To study the short-term impacts of election year politics on both voters and non voters, we examined data from electoral and non-electoral years¹ (Neri 2006a). Our sample is thus divided in four groups. The interactive effect between the voting age dummy (dV) and the electoral year dummy (dY), gives us the difference-in-difference estimator. We examined this relationship using a standard mincerian regression applied to each of the main income sources and to the total sum of sources found in the 1992-2006 PNAD questionnaires using the INPC (Consumer Price Index) as the deflator. Mathematically, this difference-in-difference estimator (D-D) can be represented with the following mincerian-type per capita income equation:

$$\ln Y = g_0 + g_1*dV + g_2*dY + (D-D)*dV*dY + \text{other controls}$$

We detail the income channels of public action that have recently affected mean income in electoral episodes and that has been captured by the new PNAD, that is, 1998, 2002 and 2006. The table below synthesizes the main findings:

Table 4 - Equation of the Per capita Household Income – various sources of income

	All sources	Main work	Social security	Social Programs
1) Votes	0.4192 **	0.3125 **	0.5129 **	0.2857 **
2) electoral	0.0611 **	0.0316 **	0.1051 **	0.2257 **
3) Votes * electoral	0.0136 **	0.0127 **	0.0274 **	0.0343 **

** Significant at 95%

Source: CPS/FGV from PNAD/IBGE microdata

Obs: controlled by sex, ethnicity, head of the household, educational level, size of the city, migration and state

The data clearly shows that for all income sources (e.g. employment, benefits from social security or other social programs²) that: (1) as expected, per capita income is lower for those above the minimum voting age of 16 this is a common feature across countries (2). The greatest income differential is found in social security, which is 51.29% higher for voters rather than non-voters. The smallest differential is in social programs, where income is 28.57% higher. (3) Income increases were greater in election years,

¹ Neri and Carega (2000) studied the impact of electoral cycles on per capita labor income on longitudinal data for the main Brazilian metropolitan regions. The main channel there was income policies associated with stabilization plans. Neri 2006a use the same approach used here.

² Income from social programs includes Bolsa-Família, unemployment benefits, and other public programs, but also the financial income whose main source is also the state. The income from all sources also includes the income from other employments, rents, and private transfers between households (maintenance payment, donations, etc.).

characterizing the electoral cycle. In those years, on average, income from social programs increased the most (22.57%), followed by social security (10.51%) and general employment (3.16%). These numbers further indicate that the use of income transfer programs is tied to the election cycle. (4) Finally, and more importantly, despite the per capita household income that smooths the effects examined here, the income of people of voting age increases more in an election year than the income of children and teenagers who do not participate directly in political contests. This difference-in-difference is captured by the interaction of the two variables mentioned above. In this case, the main relative gain comes from income from social programs. During election years this income stream increases 3.43% more for eligible voters than children and teenagers below the voting age. Social security follows this trend with a relative increase of 2.74% for eligible voters, followed by the indirect effect of employment income with 1.27%.³ Note that in this empirical test carried out last year the hypothesis #4 above presented the expected signal, but it was not meaningful for main work and social security income – which illustrates the potential magnitude of the impact of the last presidential elections for income data. The qualitative smoothing factor that must be applied to the 2006 and 1994 elections, whose data were not collected (1994) or which are not yet available (2007, the 2006 post election), is that the effects seem to last longer than all the remaining election episodes that took place in the Brazilian democratic system. In other words, we are talking about expansions of a sustained character to people’s lives, hence the expression “real” goes beyond the monetary denomination, and applies to these two episodes. In the final annex we detail the regressions summarized here.

IV. TRENDS IN INCOME POLICIES

The change in poverty levels in the 1993–95 period was associated with the implementation of the Real Plan, but what are the associated features for changes in poverty levels between 2003 and 2006? What is the role played by income transfer policies sponsored by the state, with the expansion of the Bolsa Família and minimum wage adjustments? What are the specific channels for these policy operations? These are some of the questions which we would like to answer, so that the causes and

³ We checked the importance of political cycles directly for the work income through raises in the wages of public servants in the three government levels, particularly the municipal level at the time of voting. In the case of hiring public servants, the effect is negative maybe given the electoral year’s restriction in job openings.

consequences of the recent reduction in inequality can be assessed. I offer a mix of each of these elements by summarizing past research and updating with new data. I believe that this type of analysis helps to explain the social changes observed in past years, as much as its challenges, limitations, and opportunities.

It is true that while other important achievements occurred—such as the universal provision of primary school education in the second half of the 1990s—the job market turning point over the last years is associated with greater equity in income, undoubtedly the most marked improvement for a country located on the continent with the greatest inequality in the world. To reinforce the structural side of compensatory policies with an incentive to demand the accumulation of human capital, it has to be combined with an improvement in the quality of structural policies for which health and education are important. The Education Development Plan (PDE) involve sector-specific actions to keep the supply of social services in pace with induced demand increase (Neri and Buchmann 2008).

Concerning fighting inequality in the short term, there is no doubt that in Brazil there is a generation of policies better focused and more capable of redistributing income than the policies implemented in the distant past. The problem is that Brazil does not opt for the new generation's policies instead of other less effective policies when attacking inequality and the improvement of welfare. Hybrid, less-focused policies will have a lesser impact than if the resources were allocated today and in the future to more focused policies. Brazil has opted for expanding both new and old policies. To paraphrase Ricardo Paes de Barros of IPEA, Brazil keeps throwing money out of a helicopter, the difference being that now the doors have also opened over poor corners and slums, which were not targeted by previous policies.

A useful measure in the design of public policies is the income gap (P1). It allow us to calculate, how much income is needed on average for the extremely poor to be able to meet their basic needs. Using the FGV extreme poverty line as a basis (R\$125 per month at 2006 São Paulo prices), the average deficit of each extremely poor Brazilian would be R\$48.52. As just part of the Brazilian population is below the line, data shows that it would be necessary R\$9.37 per person on average to alleviate poverty in Brazil, at a total monthly cost of R\$ 1,717,955,185 or yearly R\$20.615.462.223, around 4% of Brazilian

total income according to PNAD. This information reveals the minimum amount of transfers to lift each extremely poor person up to the basic need level.

This exercise should not be seen as a defense of certain policies, but as a reference to the social opportunity cost of adopting non-targeted policies. For example, if a universal income maintenance was provided to all Brazilians to eradicate extreme poverty, it would cost 5.6 times more than the minimum cost pointed above. If we were to use the lower figure of the Millennium Development Goals, the cost would be 11.1 times higher than the minimum cost.

The fact that inequality reduction has played an instrumental role in Brazil's poverty reduction is reinforced by Ravallion-Datt (1992) methodology. The proportion of extremely poor people in Brazil will fall from 19.3% in 2006 to 18.55% in 2007, a 3.95% drop, if per capita income grows 3% in the year. The reduction will be even greater if this growth comes hand in hand with some reduction in inequality. If the 3% expansion was combined with a slight decrease in the Gini index (move from Brazil to Rio de Janeiro's Lorenz curve which corresponds moving the per capita household income Gini from 0.562 to 0.5605), the Brazilian poverty would fall almost twice, or 6.55%, which is 2.4 times faster than the 1st MDG of halving poverty in 25 years. The proportion of extremely poor people would be 16.50%.

A. NON-CONTRIBUTORY PENSIONS

During the so-called new Brazilian democracy period that started in 1985, the elderly group was able to achieve substantial gains in income transfers by the state. Apart from the 1988 federal Constitution, other more recent social policies have caused changes in the lives of elderly Brazilians. Among these policies, we highlight (1) the 1998 reduction of the minimum age for entitlement from 70 to 67 years of age (and, more recently, to 65); (2) the Elderly Statute of 2003, which establishes social rights and promotes equity between the elderly and the remaining members of the population in different fields, increasing their self-esteem and their sense of citizenship.

Concerning income transfers, according to Camarano and Pasinato (2004), following the reduction in the minimum age for BPC (Continued Contribution Benefits, Benefício de

Prestação Continuada, BPC—Lei Orgânica de Assistência Social, LOAS)⁴ eligibility in 1998, the number of beneficiaries increased 253% between 1997 and 1999 and 648% between 1997 and 2003. If we consider the BPC and the lifetime elderly monthly income, we observe that the number of payment benefits rises 72.9% between 1997 and 2003. Apart from an increase in the number of assistance benefits, there was a real increase in the minimum wage deflated by the INPC—an inflation index that informs the calculation of social security benefits—of 22.3% between 1997 and 2003. According to the evolution of the real value of all benefits, there was a 44.4% increase over the same period. As the adjustment policies of the social security benefits since 1998 have differentiated benefits payments that are equal to the minimum floor allowed by the 1988 Brazilian Constitution, the effect of the increase of the number of beneficiaries observed rose cumulatively. Besides, in 1998, an income policy was adopted to give higher real adjustments to the floor for social security payments (one minimum wage) that coincides with BPC and noncontributory rural social security benefits.

Today, Brazil transfers more income to the elderly relative to its GDP than any country in the Latin American (Neri et al. 1999 and Camarano and Pasinato 2007). Note that this had happened before the country has completed its demographic transition. The expansion during the last 15 years of noncontributory programs to the low-income elderly population explains a substantial part of this movement. My calculations based on Brazilian national household surveys between 1992 and 2006 show that the elderly population's (60 and above) share in income increased from 7.9% to 9.96%. This same age group's share of individual income mass rose from 13.34% to 17.64%, while its share of per capita income mass rose from 10.8% to 14.51%. In per capita terms, the elderly were able to get additional income of 172 reais from the state in this period while children got direct transfers of 17 reais. Even after Bolsa Família was established in 2003, the elderly were able to get higher absolute income gains and relative poverty reductions. Some authors have argued that the elderly redistribute their incomes within households. Even under this assumption, the poverty levels in 2006 was more than 500% higher for children compared to the elderly.

⁴ Brasil, Loas - Lei Orgânica da Assistência Social, nº 8742 of 12/1993, DOU of 12/93, Brazil, Senado Federal.

Furthermore, Neri, Carvalhaes e Reis 2008 shows an improvement of health perceptions much smaller for the indirect beneficiaries of transfers than those observed for direct beneficiaries living in the same households. The fact that the elderly live in smaller families would also diminish the impact of this breadwinner effect (*efeito arrimo de família*). For instance, there were 3.23 household members in families with people over 60 years of age, against 4.98 in the total sample of families in 2003. This may be relevant for policy purposes since people expected that the increasing transfer to the elderly poor in Brazil will generate a sizable externality to other household members' individual welfare levels.

B. BOLSA FAMÍLIA

Bolsa Família, created in October 2003, is a direct descendent of Bolsa Escola, Bolsa Alimentação, Vale Gás, and other social programs that were designed in the aftermath of the 1999 Brazilian macroeconomic crisis and were gradually implemented during the last years of the Cardoso administration. President Lula integrated these different programs under the name of Bolsa Família and gave it scale. Between the end of 2004 and 2006, there was a sharp expansion of Bolsa Família, moving from 6.5 to 11 million families, nearly 25% of the Brazilian population.

The common feature of this new generation of income policies is to try to combine speed, targeting, and conditionalities. Families with a per capita income below 50 reais a month were entitled to an unconditional monetary transfer of 50 reais plus a transfer of 15 reais for children between 0 and 15 years of age, up to a maximum of three children, subject to specific conditions depending on the child's age. Children between 0 and 6 years of age had to undergo vaccination, while children and young teenagers between 7 and 15 years of age had to be enrolled in school with a maximum of 15% of days of class missed. Families with incomes between 50 and 100 reais were entitled only to the conditional part of the monetary transfers. Another important feature of Bolsa Família was to elect the mother as the main beneficiary of the transfer, betting on a high degree of altruism.

C. INEQUALITY AND DEMOGRAPHIC TRENDS

As we have seen, the main transfers in terms of social income such as social security and cash transfers are aimed at specific age groups. Social security benefits attempt in

principle to smooth living conditions specifically in old age, while the new generation of cash transfer programs in Brazil mostly focuses on children and teenagers. Labor income is also predominantly earned by nonelderly adults. There are, however, exceptions for cash transfer programs included in the other sources of nonlabor income that attempt to provide income to other age groups, such as the continuous assistance benefit (BPC) for the old and disabled or unemployment insurance, which benefits mostly adults.

Nonsocial income accrues to individuals in very diverse age groups. To make things more complex, these programs are mixed in different income concepts. One way to check the levels and trends of how total incomes affect different age groups in different ranks of the society is to compare per capita growth rates of these groups in the population with their respective pro-poor growth rates (meaning growth rates that are sensitive to inequality changes). Kakwani, Neri, and Son (2006c) propose a growth and pro-poor growth account methodology that explains the intense and regressive income changes in the PNAD. The pro-poor growth measure comes from a combination of the weights attributed to individuals in a Gini-type social welfare function, while the individual welfare follows a logarithmic form. These two forces, in combination, make the pro-poor measure more sensitive than the one implicit in Gini and Theil inequality indexes in isolation.

We have divided the population in three age groups and calculated the levels and trends of the following variables:

- Per capita children and young teenagers in household, aged between 0 and 15 years.
- Per capita adults in household, aged 16-64 years.
- Per capita elderly in household, aged from 65 years and over.

Table 5: Demographic trends (%) – Population Growth Rate between 1995-2004

Period	Unadjusted			Inequality adjusted		
	Per capita child	Per capita adults	Per capita elderly	Per capita child	Per capita adults	Per capita elderly
1995-2004	-1.96	0.83	1.66	-1.64	0.96	-0.67
1995-2001	-1.94	0.90	1.37	-1.60	1.00	-2.03
2001-2004	-2.05	0.70	2.59	-1.81	0.90	2.31

Source: Nanak, Neri and Son (2006c)

In 1995, children and young teenagers as a group represented 34.7% of the population; the corresponding figure goes up to 39.3% when we use the inequality-adjusted weighting scheme. This implies that it is more likely to find a child in the lowest per capita income ranks of Brazilian society than elsewhere. Furthermore, as can be seen in Table 5, the average annual growth rate of the population below 16 years of age in the 1995–2004 period was -1.96% , while its inequality-adjusted growth rate was -1.64% . This implies a declining trend in the number of children in average households, but with a much slower decline among poor households. On the other hand, the number of adults in a household shows an increasing trend. These findings suggest that the cash transfer programs relating to children can be further expanded due of the increase in the number of working people in Brazil.

The situation is opposite in all aspects for the old-age group. Its share of the total population is higher than the inequality-adjusted weights, and this gap has increased over the decade. In the 1995–2004 period, the annual per capita growth rate of the elderly was 1.66% , against their inequality-adjusted growth rate of -0.67% . Overall, the elderly population in Brazil is increasing. This trend, in turn, puts pressure on cash transfer programs targeting the elderly. The good news, however, is that the increase in the elderly population among the poor appears to be slower than among the nonpoor. Hence, the sustainability of cash transfer programs for the elderly in the long term calls for a targeting strategy so that the poor elderly receive greater benefits from the programs compared to nonpoor people.

V. HOW PRO-POOR WERE MONETARY TRANSFERS?

Kakwani, Neri, and Son (2006c) also apply a growth and a pro-poor growth account methodology to Brazil that explains the intense and regressive changes observed in different income sources found in the PNAD. The separation of per capita total income into different components allows one to capture the contribution of the main sources of income in the total growth patterns assumed, pro-poor growth, and the inequality aspects of social welfare. The interaction between the high nonlinearity of these last two concepts and the additive nature of income sources required the use of a Shapely

decomposition to obtain the impact of each income source's contribution to pro-poor growth. I review these results with particular emphasis on social security benefits and conditional cash transfers.

Here, I calculate the ratio between the additional fiscal cost and the benefit in terms of pro-poor growth of expanding the main public cash transfer programs in the period studied. The final objective is to reveal the contribution of each income policy component discussed above to total per capita growth and to pro-poor growth.⁵

A. SOCIAL SECURITY BENEFITS

Social security is the main component of social income in Brazil, and second only to labor earnings among the data on all income sources collected by the PNAD. Social security benefits include a contributory pay-as-you-go system and noncontributory benefits, both subject to the government's discretionary income policies. Given the dominance of the public transfer aspect in this income aggregate, it is useful to observe the ratio of pro-poor growth to total growth contribution. This can be interpreted as an elasticity that shows how many public resources (measured by their share of total income) are translated into social welfare, a type of cost/benefit analysis. The corresponding elasticity of pro-poor growth with respect to total growth (i.e., its fiscal cost), both explained by social security, rose from 0.45 in the 1995–2001 period to 2.82 in 2001–4, demonstrating a marked improvement in the ability of social security benefits targeting the poorest segments of Brazilian society.⁶ After 1998 the government adopted the new policy of setting higher adjustment rates to lower social security benefits. In the entire 1995–2004 period, this elasticity amounted to 0.74. This elasticity makes it possible to compare to what extent different types of public transfers reach the poor.

C. BOLSA FAMÍLIA

Other non-labor income sources include very different types of incomes, ranging from cash transfer programs such as the *Bolsa-Família* to capital income such as flows derived

⁵ This means growth in social welfare that is very pro-poor using a specification that uses the weights of a function that yields the Gini coefficient and an individual logarithmic welfare function like the Theil Index.

⁶ One possibility is to divide the information on social security benefits in two regimes: one with benefits equal to one minimum wage, the constitutional floor, and the rest. Neri (1998, 2001) followed this approach and showed that around 60% of social security benefits amounted to one minimum wage, while 80% of social security income accrued to benefits above this level. Each additional Real spent adjusting the social security benefits floor resulted in 4.5 times more poverty reduction than a uniform adjustment to all benefits.

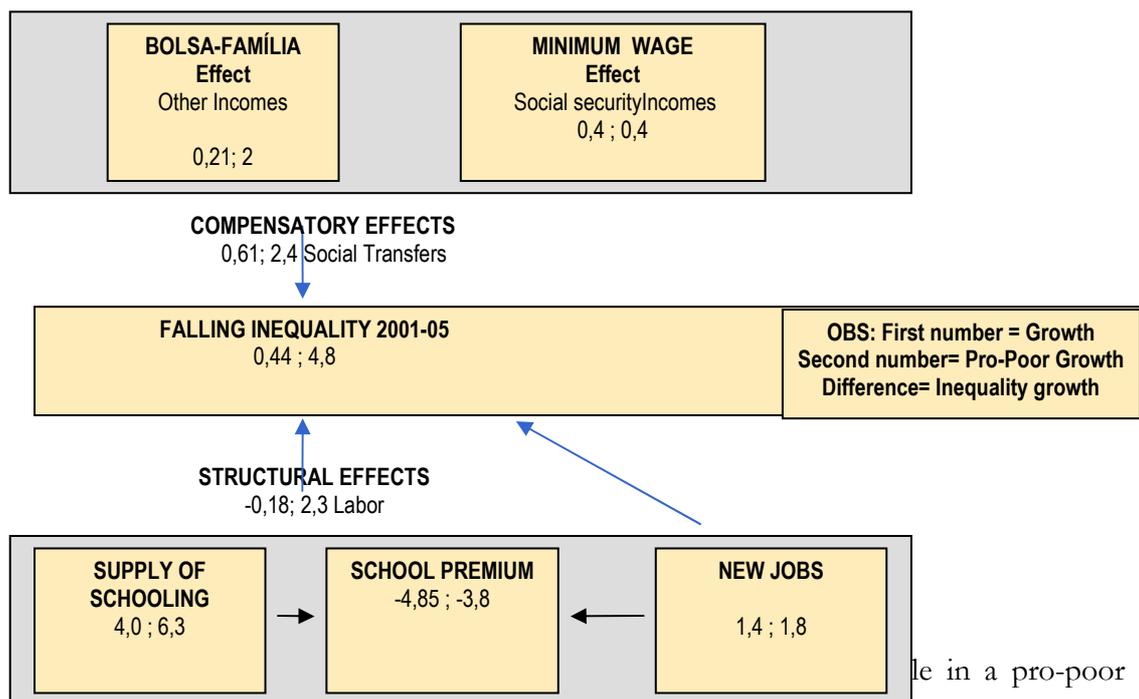
from interest rates paid on government debt. The pro-poor aspects of these items are expected to be very different, despite the fact that both are not only subject to public policy choices but are mostly mediated by the state.⁷ Interest income is largely underestimated by PNAD data, hence this income concept is largely explained by public cash transfer programmes such as *Bolsa-Familia*.

The elasticity of the contribution to pro-poor growth of a particular income transfer with respect to its contribution to total growth is useful to guide policies aimed at the poorest groups in the Brazilian society. The corresponding other non-labor income sources elasticity was 14.66 during the 1995-2004 period which is much higher than the one found for social security benefits. Each percentage point in the share of government transfers in this item bought 19.8 times more pro-poor growth in other non-labor income than in social security benefits, this result is consistent with the evaluation of conditional cash transfers done in Brazil and elsewhere (Lindert et al. 2005, Barros 2005, Hoffman 2005, Soares 2006, Bourguignon et al. 2003, Skoufias et al. 2001, Coady et al. 2004, Suplicy 2002).

Figure 7 synthesizes the main channels affecting mean incomes, social welfare and inequality growth rates from 2001 to 2005. Since mean growth was rather small, inequality changes are similar to social welfare changes (i.e. equality is equal to pro-poor growth minus growth). Thus, half of the inequality reduction is due to labor income change and the other half is due to monetary transfers. Splitting this last term into pieces we have that the Bolsa Família effect equals to 80% of the income policies part while social security equals to the remaining 20%.

Figure 7 - Determinants of Social Welfare, Mean and Inequality of Per Capita HH Income

⁷ The public debt is the main source of interest gains earned by Brazilian households.



le in a pro-poor growth pattern assumed to have made a minor contribution to total growth and to the Brazilian fiscal accounts. It seems that a small increase in government cash transfers programs had a high impact on poor people's living conditions.

VI. THE IMPACT OF INCOME POLICIES ON DISTRIBUTION OPPORTUNITIES

This section takes advantage of the PNAD's 2006 special supplement on social programs, which allows separating the beneficiaries of different official income transfer programs. Since the same questions were also used in the 2004 PNAD, there is an opportunity of testing the effects of Bolsa Família using a difference-in-difference estimator like the one used in the section on electoral cycles. The main advantage of this approach, which compares the relative evolution of the eligible and the ineligible, is that it allows inferences on causality.

We take advantage of the richness of PNAD questionnaire to consider a variety of potential Bolsa Família effects using a series of variables:

- Education Conditionalities (enrollment, school assiduity and motivations associated with these education elements such as lack of income)
- Access to Education infrastructure (hours of study, school lunches)
- Child Health (infant mortality rates, fertility)

- Communication and Information Technology (Internet access, cellular phone)
 - Public Infrastructure (Sewerage, Water)
 - Housing (access to toilettes, house financing, land property right)
 - Durables (fridge)
- Work Decisions (participation, occupation, multiple occupation, hours worked, contribution to social security)
- Labor Income (individual earnings, per capita earnings)

Almost all exercises were performed for the 3 age groups: Children and young teenagers (0 to 15), adults (16 to 64), and elderly (over 65). We emphasize during the text specific age groups where issues discussed are more relevant. For example, in the case of fertility and the risk of losing a child we consider non-elderly adults. In the case of the youngest group we divide them further in three sub-groups: 0 to 6 years, 7 to 15 years and 16 to 17 years following the different conditionalities imposed by Bolsa-Família on their human capital accumulation.

The focus of the empirical analysis is on the impact of the eligibility criteria to access Bolsa Família with year dummies for 2004 and 2006 indicating temporal evolution and their interaction. This last variable corresponds to the difference-in-difference estimator captured by the relative impact of Bolsa Família's expansion on its potential beneficiaries, with a direction of causality implied in the interpretation of the results. I implement the analysis in two stages, first where we put more emphasis in the interpretation by comparing by means of multivariate regressions the relative evolution of eligible and ineligible individuals, where eligibility is defined as per capita income without considering public transfers below 100 reais in real 2004 prices. We put the coefficient (or the odds ratio in the case of logistic regressions) of the interactive term of the two exercises performed for each variable between brackets. The first capture differences across time between eligible individuals - that is per capita household incomes without the social benefits of the program of R\$ 100 or below - and the non-eligible population. The regressions use controls such as gender, race, migration, state, city size, age, age squared, and per capita income without social programs. The second type of analysis stems from bivariate tabulations of the same variable but providing also a zoom-in on the eligible group depending on the size of benefits they are entitled to

The second empirical evidence are simple bi-variate exercise presented in the annex of the paper. They allow checking the absolute evolution of the variables of interest and a comparison within the eligible group the performance of those with per capita income below R\$ 50 - that were eligible to an additional R\$ 50 per family besides the R15 for each completed conditionality maximum of three (R\$ 45) within each beneficiary family - and those with per capita income between R\$ 50 and R\$ 100 that receive only the benefits associated with conditionalities. The idea here is to test the effects of discontinuities in the size of benefits on economic behavior.

A. HUMAN CAPITAL ACCUMULATION

1. SCHOOL PERMANENCE

To be eligible for Bolsa Família, children between 7 and 15 years of age must be enrolled in school and must not miss more than 15% of classes. There was an increase in this variables among lower income groups. When we compare groups low income eligible and non eligible kids we see that the former groups tend to present ambiguous impacts on relative school permanence with a relative decrease in school attendance (0,96) but with a substantial reduction in the number of classes missed (0,8313). When we use qualitative data on income insufficiency (or need to work) as the main reasons behind reduction in school permanence we observed a reduction in these motivations for non-enrollment (0,8179) but a small increase for missed classes above Bolsa Família 15% limit (1,0494). The impact on access to school infrastructure increases somewhat both measured by the variable indicating the fact that the children eats school lunches rose slightly (1,01) and specially by the reduction of daily school hours up to four hours a day (0,97). Nevertheless among the poorest group around two thirds of the children stay only four hours in school. This set of results indicates that the program is not pointing to the achievement of its objectives in terms of school attendance but the children that are at school have a relative increase in school hours and in their access to infrastructure.

2. FERTILITY AND CHILD HEALTH

A main concern with respect to compensatory policies is the possible effect on fertility. Bolsa Família allows a maximum of three additional transfer conditionalities for children between 0 and 15 years of age and imposes conditionality on pre-natal exams and child vaccination. Eligibility due to low-income from private sources among women 16 to 64

years of age indicates a differential decrease in the fertility for the lower income groups capture by the odds ratio of the variable indicating if the woman is a mother (0,9806). This may indicate a dominance of the income effect inducing a reduction in fertility over possible incentive effects of the Bolsa Familia program. The program might induce localized incentives for the families with less than three children between 0 and 15 years of age that were not tested here. The results on child morbidity (the quality of the child health care) is opposite there is for the lower income groups a differential increase in the percentage of babies born dead (1,0264), the death of kids in their early childhood up to one year of age (1,0624) but no statistically significant change for kids up to six years of age. In sum the results indicates that the income effect of expanding income transfers is possibly dominating other incentive effects of Bolsa Familia on birth rates but not on the quality of child care.

C. Consumption Decisions and Physical Assets Accumulation

A differential increase in the purchase of durables, public services, and housing is generally associated with eligibility criteria associated with Bolsa Familia. The only exceptions are access to sewerage collection among Bolsa Familia beneficiaries and access to housing credits for eligible low-income groups, which suggests that this item became more of a luxury service.

There is a improvement in public infrastructure in the household (access to bathroom (1,04), sewerage (non significant) and water (1,0884)) may impact positively health indicators. The access to communication and information technology (cellular phone: 1,1284), computer with Internet (1,3828) indicates a differential increase in the ability to generate income in the future. The Brazilian government is discussing the possibility of financing the acquisition of new fridges by the Bolsa Família beneficiaries in order to induce energy savings and environment protection. The poor informal access to electricity inhibits the price effects for energy savings. Eligibility criteria and effective access to Bolsa Família are associated with an increase in the access to refrigerator (1,07), Finally, although access to housing credit (0,9819) is growing at smaller rates for the low-income eligible groups, Bolsa Família eligible groups are experiencing higher rates than non eligible groups to land property rights (1.18) which may indicate a future improvement in the poor's ability to access not only house financing but also other forms of credit. This may be enhanced by explicit credit consignment clauses, as it was

applied to social security benefits from 2004 onwards. I will return to this point in the next section.

C. WORK DECISIONS AND OUTCOMES

1. WORK DECISIONS

One of the main possible side effects of compensatory policies are work disincentive effects due to a rise in reservation wages. The results here with labor market categorical will be reinforced in the next item with other log-linear equation of continuous variables presented in Table 7. There is an absolute fall in the lower income brackets groups for the main labor activity variables such as participation rates (68,06% in 2004 to 65,36% in 2006) and occupation rates with respect to the whole population in the age group (53,85% in 2004 to 52,37% in 2006). The results are mixed with a slight increase in the lower income bracket for multiple occupation rates (4.75% in 2004 to 4.8% in 2006). and in the contribution to social security with a slight (10.22% in 2004 to 11.79% in 2006) but a decrease in the intermediary income bracket of individuals eligible to lower Bolsa Familia benefits. Moving now for the controlled tests: The numbers in brackets are the odds ratio calculated directly from the interaction coefficients of binomial logistic regressions. This reduction in work activity is valid for all measures used, which include participation rates (0,89), occupation (0,9), multiple occupation (0.866), contribution to social security (0,8889).

2. LABOR EARNINGS AND HOURS

This set of result reinforces the previous conclusions suggesting the operation of work disincentive effects of Bolsa Familia. The results of a log-linear equation of continuous variables will be reinforced in the next item with other labor market categorical variables all presented in Table 7. For the lower income group that is eligible to higher benefits, we observe the combination of a reduction in real labor earnings and in the workload by the lower-income active-age individuals between 2004 and 2006: per capita labor earnings (R\$ 19,74 in 2004 to R\$ 16,33 in 2006), individual labor earnings (R\$ 40,15 in 2004 to R\$ 32,67 in 2006) with an opposite movement for the other income brackets. In the case of the working hours the lower bracket also experienced a fall (35,22 weekly hours in 2004 to 34,17 weekly hours in 2006) but it was also observed in the other income groups. In order to assess the statistical significance between these changes, we move now to the controlled D in D analysis to evaluate the relative fall between eligible and non eligible

groups. In this case, the numbers in brackets are the premiums measured directly from the interaction coefficients of the estimated Mincerian equation. To be sure, they correspond to the D in D of returns between beneficiaries and non beneficiaries of Bolsa Familia: per capita labor earnings (-0,0347), individual labor earnings (-0,046) and working hours (-0,0312). In sum, all labor market indicators show a relative deterioration in the working performance of adult individuals that are eligible to Bolsa Familia benefits.

D. Summary of Empirical Results

During the period between 2004 and 2006 and the marked expansion of Bolsa Familia benefits the overall eligible group to Bolsa Familia benefits of working age individuals presented a relative decrease in all indicators of their labor market activity or performance indicators in comparison to the non eligible group. This may indicate the need to work more on disincentives design of the program (Levy 2008). On living conditions measures a increase in the purchase of durables, access public services, and housing is generally associated with a differential increase of individuals in Bolsa Familia eligible group. The only exceptions are access to sewerage collection among Bolsa Familia beneficiaries and access to housing credits. The first exception may indicate the need to work with the supply side of sewerage supply taking advantage of economies of scale and perhaps direct subsidies to Bolsa Familia beneficiaries to allow them to pay water and sanitation service bills. This is justified by both economies of scale and scope and externalities with a potential impact on Health outcomes specially for children between 1 and 6 years of age (Neri 2008b). The relative reduction in the access to housing credit and work performance may indicate the convenience of using opportunities such as access to microfinance taking advantage of the program informational and operational structure (Neri 2008).

More specifically with respect to Bolsa Familia conditionalities impact and design we that the income effect of expanding income transfers is possibly dominating other incentive effects of Bolsa Familia on birth rates. However, indicators of the quality of child care such as pre-natal and infant mortality has shown a differential reduction. Finally, with respect to schooling decisions the results indicate that the program is not pointing to the achievement of its objectives in terms of school attendance but the children that are at

school have a relative increase in school hours and in their access to education infrastructure.

Table 6 – Human Capital Accumulation – Education - 7 to 15 years of Age

Logistic Model

16 to 64 years

			Enrolled in School	Misses More Than 15% of Classes - Enrolled in School	Not Enrolled due to Lack of Income	Miss Class due to Lack of Income - Enrolled
Eligibility	Low Income		** 0,9100	** 1,2030	** 1,2733	** 1,2049
Eligibility	Non Eeligible		1,0000	1,0000	1,0000	1,0000
Year	2006		** 1,1600	** 0,7358	** 1,8873	** 1,1297
Year	2004		1,0000	1,0000	1,0000	1,0000
Eligibility * Year	Low Income	2006	** 0,9600	** 0,8313	** 0,8179	** 1,0494
Eligibility * Year	Low Income	2004	1,0000	1,0000	1,0000	1,0000
Eligibility * Year	Non Eeligible	2006	1,0000	1,0000	1,0000	1,0000
Eligibility * Year	Non Eeligible	2004	1,0000	1,0000	1,0000	1,0000

Logistic Model

16 to 64 years

			Eats School Lunch	School Hours Up to 4 Horas
Eligibility	Low Income		** 1,6100	** 1,1800
Eligibility	Non Eeligible		1,0000	1,0000
Year	2006		** 0,9000	** 0,8500
Year	2004		1,0000	1,0000
Eligibility * Year	Low Income	2006	** 1,0100	** 0,9700
Eligibility * Year	Low Income	2004	1,0000	1,0000
Eligibility * Year	Non Eeligible	2006	1,0000	1,0000
Eligibility * Year	Non Eeligible	2004	1,0000	1,0000

Source: CPS/IBRE/FGV processing PNAD 2004-2006/IBGE microdata

* significant at the trust level of 90%. ** significant at the trust level of 95%

Table 7 – Human Capital Accumulation – Fertility and Child Morbidity – Mothers 16 to 64 years of Age

*Logistic Model
16 to 64 years*

			Is a Mother	Had Child Born Dead	Death of kids in childhood (up to one year of age)	Death of kids in childhood (up to six years of age)
Eligibility	Low Income		** 2,2793	** 1,2507	** 0,8169	** 0,8219
Eligibility	Non Eeligible		1,0000	1,0000	1,0000	1,0000
Year	2006		** 1,0598	** 1,0629	** 1,1977	0,9987
Year	2004		1,0000	1,0000	1,0000	1,0000
Eligibility * Year	Low Income	2006	** 0,9806	** 1,0264	** 1,0624	1,0078
Eligibility * Year	Low Income	2004	1,0000	1,0000	1,0000	1,0000
Eligibility * Year	Non Eeligible	2006	1,0000	1,0000	1,0000	1,0000
Eligibility * Year	Non Eeligible	2004	1,0000	1,0000	1,0000	1,0000

Source: CPS/IBRE/FGV processing PNAD 2004-2006/IBGE microdata

Table 8 – Consumption Decisions and Physical Assets – 16 to 64 years of Age

*Logistic Model
16 to 64 years*

			Has Bathroom	Has Sewarage	Has Water
Eligibility	Low Income		** 0,7100	** 0,7086	** 1,0345
Eligibility	Non Eeligible		1,0000	1,0000	1,0000
Year	2006		** 1,0500	** 0,9586	** 0,9753
Year	2004		1,0000	1,0000	1,0000
Eligibility * Year	Low Income	2006	** 1,0400	1,0006	** 1,0884
Eligibility * Year	Low Income	2004	1,0000	1,0000	1,0000
Eligibility * Year	Non Eeligible	2006	1,0000	1,0000	1,0000
Eligibility * Year	Non Eeligible	2004	1,0000	1,0000	1,0000

Table 8 – Consumption Decisions and Physical Assets – 16 to 64 years of Age (cont)

Consumption Decisions and Physical Assets – 16 to 64 years of Age

Logistic Model

16 to 64 years

			Has		
			Has Cellular Phone	Computer with Internet Connection	Has Fridge
Eligibility	Low Income		** 0,4588	** 0,9884	** 0,5249
Eligibility	Non Eleggible		1,0000	1,0000	1,0000
Year	2006		** 2,1729	** 1,2107	** 1,0534
Year	2004		1,0000	1,0000	1,0000
Eligibility * Year	Low Income	2006	** 1,1284	** 1,3828	** 1,0700
Eligibility * Year	Low Income	2004	1,0000	1,0000	1,0000
Eligibility * Year	Non Eleggible	2006	1,0000	1,0000	1,0000
Eligibility * Year	Non Eleggible	2004	1,0000	1,0000	1,0000

Logistic Model

16 to 64 years

			Has Housing Finance	Has Property Title
Eligibility	Low Income		** 0.6729	** 0.5800
Eligibility	Other case		1.0000	1.0000
Year	2006		** 0.9972	** 0.9300
Year	2004		1.0000	1.0000
Eligibility * Year	Low Income	2006	** 0.9515	** 1.1100
Eligibility * Year	Low Income	2004	1.0000	1.0000
Eligibility * Year	Other case	2006	1.0000	1.0000
Eligibility * Year	Other case	2004	1.0000	1.0000

Source: CPS/IBRE/FGV processing PNAD 2004-2006/IBGE microdata.

Table 9 – Work Decisions – 16 to 64 years of Age

Logistic Model
16 to 64 years

			Labor Market Participation	Occupied	More than One Job	Contributes to Social Security
Eligibility	Low Income		** 0,6800	** 0,5000	** 0,7331	** 0,3819
Eligibility	Non Eeligible		1,0000	1,0000	1,0000	1,0000
Year	2006		** 1,0100	1,0000	** 1,0541	** 1,0284
Year	2004		1,0000	1,0000	1,0000	1,0000
Eligibility * Year	Low Income	2006	** 0,8900	** 0,9000	** 0,8655	** 0,8889
Eligibility * Year	Low Income	2004	1,0000	1,0000	1,0000	1,0000
Eligibility * Year	Non Eeligible	2006	1,0000	1,0000	1,0000	1,0000
Eligibility * Year	Non Eeligible	2004	1,0000	1,0000	1,0000	1,0000

Source: CPS/IBRE/FGV processing PNAD 2004-2006/IBGE microdata

Mincerian Equations (Log-Linear)
16 to 64 years

			Per Capita Labor Income	Individual Labor Income	Weekly Hours Worked
Eligibility	Low Income		** -1,1541	** -0,6254	** -0,1211
Eligibility	Non Eeligible		0,0000	0,0000	0,0000
Year	2006		** 0,0470	** 0,0547	** -0,0196
Year	2004		0,0000	0,0000	0,0000
Eligibility * Year	Low Income	2006	** -0,0460	** -0,0347	** -0,0312
Eligibility * Year	Low Income	2004	0,0000	0,0000	0,0000
Eligibility * Year	Non Eeligible	2006	0,0000	0,0000	0,0000
Eligibility * Year	Non Eeligible	2004	0,0000	0,0000	0,0000

Source: CPS/IBRE/FGV processing PNAD 2004-2006/IBGE

VII. CONCLUSIONS: THE NEXT GENERATION OF INCOME POLICIES

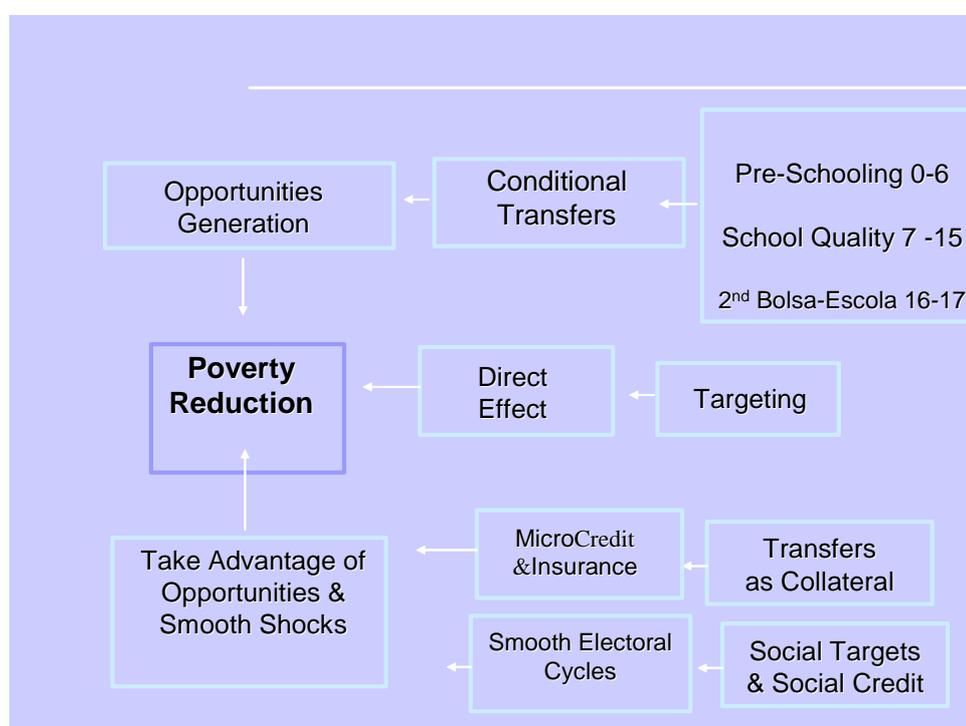
Brazilian social policies combine an old and ineffective regime of income policies with a modern regime geared toward the young and the poorest segments of society. Excessive public expenses from social programs have had the undesired effect of impeding growth through a high tax burden (37% of GDP in 2007) and real interest rates (one of the highest in the world). Recently Brazil has seemingly lived in a paradox: in spite of decreased average incomes, the income of those with smaller purchasing power grew as a result of large income transfers from the state. This combination of economic stagnation and poverty reduction that resulted in decreased inequality, contrasts with the typical path of Brazil in the past. For instance, from 1967 to 1980 Brazil observed high growth rates with growing inequality. In the following period, from 1980 to 1994, we observed low growth rates, while inequality remained high and persistent. This newer situation of economic stagnation with poverty alleviation occurred from 1994 to 2005, but was more pronounced from 2001 - 2004 due to the expansion of better targeted income policies. As we have seen from 2005 onwards, Brazil is now growing at a much faster pace, yet inequality is still falling (though at a lower rate than in the previous period). There is remarkable expansion of both well targeted (Bolsa Família) and not so well targeted income policies (associated with institutional links with minimum wage increases) in this more recent period. In the near future, faster growth and trends towards income equality could mean greater levels of poverty reduction, but the current situation demands better-targeted income policies.

The advantage of expanding compensatory policies is, in general, the speed with which their effects are felt. In contrast, the associated metaphor for structural policies is that it is better to teach a person how to fish, rather than giving them the fish. The issue is not whether policies involve income transfers or asset stocks, but their social implications in the short- and long-term. A compensatory action that hinders the productive de-structuring -- as with the task forces against drought -- or that motivates the accumulation of capital -- like Bolsa Família attempts -- can have persistent effects over poverty. The long-term impact of income transfers potential is comparable to the transfer of productive assets.

The long-term objective of social policies is to enable individuals to realize their productive potential. This movement can be achieved in various ways, by completing the portfolio of their assets or their access to markets where they are dealing. These public policies provide an exit out of poverty by opening up access to markets. In this last case, it is possible to generate welfare gains without fiscal implications, which makes them particularly attractive.

Figure 8 presents a scheme of reforms based on income policies.

Figure 8 – Bolsa Família UpGrades - Exit Doors



The desired upgrades of the Bolsa Família, would be:

I. Improve targeting. First, seek more effective targeting through improving the ability of the program to reach the poor.

i. Integrate income transfers under the Bolsa Família framework. The targeting objective becomes more difficult as the Bolsa Família program expands. But the main conclusion here is to avoid spending additional resources on income transfer alternatives less targeted than Bolsa Família such as real increases in the value of the minimum wage, or the unconditional universal provision of the minimum maintenance income. Bolsa

Família reaches nearly 25% of the Brazilian population and costs less than 0.8% of Brazilian GDP as opposed to more than 12% of GDP spent on social security payments.

The ultimate objective here should be to integrate all non contributory income transfers in a single program, preferably under the Bolsa Família framework. A first step in this direction was already taken in 2007 when non contributory social security spending was split from the rest of social security accounts. This would allow better comparisons between the opportunity costs of different income policies. It does not seem equitable to provide income transfers associated with non contributory that are ten times higher than Bolsa Família benefits.

Complementarily, the Bolsa Família structure could be used to reach nearly 25% of the Brazilian population to distribute other services besides monetary transfers. The direct effects vary on the target's the individual budget constraint or his individual welfare through direct transfers. One important difference between Bolsa Família and the previous Fome Zero policy was the emphasis given to alternative channels. Fome Zero attempted to direct expenditures through food transfers leading to allocation inefficiencies. Incidentally, Cedeplar's evaluation of Bolsa Família indicated that a large part of the transfers were directed to food expenses. However, there are situations where economies of scale and economies of scope will allow a better use of the program structure than just monetary transfers.

ii. Avoid Fragmentation. Brazil should avoid the temptation of fragmenting its income policies into different monetary transfer programs according to region, gender, race, housing conditions (*favelas*, etc). This fragmentation would make more complex the management of public policy. The binomial income-age provide a straight-forward criteria that allows to take into account for the poor population the main phases of the life-cycles such as education, working and retirement. Our empirical results on the determinants of access to Bolsa Família shows an implicit affirmative action in practice when we compare individuals with identical observable characteristics (gender, region, age, per capita income, etc.) the chances of a black Brazilian to access Bolsa Família benefits is 24% higher than a white person with the same characteristics. Income transfers from a previous generation such as BPC present the opposite results where low income minorities are underrepresented. A similar effect is observed for those who live

in slums (*favelas*). One interpretation is that these marginalized group characteristics provide a clearer signal that they are poor, hence favoring their access to a better targeted program. In sum, the Bolsa Família program in operation – not just design – presents an affirmative action mechanism favoring those groups traditionally associated with lack of opportunities.

iii. Intra-Household Distribution Channels The evidence found in Neri, Carvalhaes and Reis (2008) shows that BPC transfers to the elderly benefits the health of the recipient more than the health of other household members. Bolsa Família tries to use mothers (in 91% of the cases) as the recipients of monetary transfers. This strategy relies on the assumption that mothers will best allocate the resources to reduce intra-household inequalities of both opportunities and results. It will be important to study the redistributive and long-term consequences of this strategy.

II. Conditionality - Besides the ability of the program to reach the poorest segments of the population with monetary and non-monetary transfers, another improvement of income policies is enhancing the ability to positively affect lives through the imposition of explicit conditionalities. Especially on relevant state variables where clearly there are market failures, such as externality or credit constraints. Most of the current conditionalities of Bolsa Família seem to have a high degree of redundancy in the sense that many of the conditions they impose have already been adopted by the beneficiaries before the start of the program. Let us examine the specific age groups that are the objects of the conditionalities:

(a) 0 to 6 years of age. The program only demands children's immunization; an experimental evaluation of Bolsa Família by the Cedeplar team has shown no improvement in the vaccination of program beneficiaries. This was expected since more than 90% of Brazilian children in this age range were already covered before the program started. To provide incentives to preschools and even in nurseries, integrating these demand incentives with new education supply elements such as the institution of Fundeb could be more interesting than the current Bolsa Família itself.

(b) 7 and 15 years of age. Similarly, the current conditionality of enrollment and maximum of 15% of classes misses are redundant (Neri 2002, Cardoso and Portela

2003, Schwartzman 2005). Only 3% of the children before the program started did not attend school before the program started in 2001. Good program conditionalities should become obsolete across time, which means the pursuit of higher standards. Second, these conditionalities also present intrinsic implementation difficulties. It is hard for a teacher to signal that his or her poor student is not satisfying the conditions. The teacher may be tempted to benefit a specific student in the short run and harm all students, including this one, in the future by not strictly following the rules of the program. Third, conditionalities tend to increase the tension in the student-teacher relationship. It is perhaps better to avoid the personal student-teacher relationship by delegating the evaluation to a third party. Fourth and finally, we should perhaps be less concerned with mean indicators such as school attendance, and more concerned with end-use indicators such as learning outcomes. The final objective of an education policy is to make students learn rather than to attend class. The conjunction of these weak points with the opportunity opened by the implementation of Prova Brasil in 2005 and 2007, and now Provinha Brasil in 2008, lead me to the following proposition: Use these test results at the student level to track the learning process of each student. It is important to note that we are not talking about levels but differences in performance across time. A good school teaches someone who does not know and not one that picks an already good student who performs well during these tests (Neri and Buchmann 2007).

There are two complementary application possibilities. First, use these scores as an additional monetary reward to the Bolsa Família class attendance standard. This means looking not only at necessary but also at sufficient conditions. The other is to use test scores to condition the resources provided to schools in the educational budget. In sum, we aim here to improve the quality of education for people, demanding not only quantity but also education quality, creating incentives for this based on new information sources.

(c) From 16 and 17 years of age. The need here is to create not an incentive for the first job but, through a second Bolsa Família, to improve the low educational levels observed in all parts of Brazil (Neri 2003). This was recently adopted and it is less subject to redundancy criteria because 18% of individuals in this age group were out

of school. However, only 25% of these students said that they do not attend school due to income insufficiency (Neri 2006).

III. Access to Markets

Additional empirical results section shows quite a few effects of the Bolsa Família transfers not subject to explicit conditionalities. The income and liquidity effects of Bolsa Família might explain the differential-increasing share of durables, access to public services, and to CIT items, as well improved housing conditions. Housing credit expanded at slightly lower rates among Bolsa Família beneficiaries; the percentage of houses with land titles among its beneficiaries improves the market value of the real estate in a De Soto-type argument and the ability of individuals to access credit in general. This can improve access to financial markets by the poor. One possibility is to expand the credit frontier to where it had never been before—to the poor and to informal workers through the use of social benefits as collateral.⁸ The possibility of using Bolsa Família structure to provide access to current accounts in public banks starts to enter in the agenda but the possibility of exploring links with microcredit and microinsurance seems to be more feasible now than it was before bolsa familia was structured.

A final extension of Bolsa Família discussed here is to incorporate targets and incentives at a more aggregate level such as municipalities that are responsible for selecting Bolsa Família beneficiaries. There is an agenda of incentives provision that use the accomplishment of social targets to conditional the transfers sent to municipalities following the same spirit of conditionalities to individual families adopted in the current Bolsa Família design. The main lessons provided by this social targets literature is that one not should on a continuous basis the level of social indicators but the value added (Neri and Xerez (2007 and 2004) and Neri and Buchamnn (2008)). A second point is that one should use not the absolute performance but the relative performance across municipalities, something like the yardstick competition of the economic regulation literature. The combination of these two factors yields a relative value added criteria which resembles a difference in difference estimator.

⁸ See “O Efeito-Colateral” and “Alvorada: Um projeto acima de qualquer governo,” both published in *Revista Conjuntura Econômica* in 2002. This idea is further developed in Neri and Giovanni (2005) and Neri (2008).

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Human Capital Accumulation – Education - 7 to 15 years of Age

Year	Eligibility	Enrolled in School	Misses More Than 15% of Classes	Not Enrolled due to Lack of Income	Miss Class due to Lack of Income
2004	RDPC less than 50	93,24	13,06	0,79	2,46
	50<RDPC<100	95,05	11,32	0,67	1,30
	Non-eligible	97,11	8,51	0,33	0,85
2006	RDPC less than 50	94,85	8,93	0,78	2,21
	50<RDPC<100	95,12	7,39	0,70	1,48
	Non-eligible	97,54	6,25	0,39	0,82

Source: CPS/IBRE/FGV processing PNAD 2004-2006/IBGE microdata

Year	Eligibility	Eats School Lunch	School Hours Up to 4 Horas
2004	RDPC less than 50	74,38	67,88
	50<RDPC<100	77,67	64,21
	Non-eligible	59,15	50,29
2006	RDPC less than 50	80,96	67,71
	50<RDPC<100	81,21	61,72
	Non-eligible	60,36	48,30

Source: CPS/IBRE/FGV processing PNAD 2004-2006/IBGE microdata

Human Capital Accumulation – Fertility and Child Morbidity

Year		Mother	death of kids in childhood (up to one year of age)	death of kids in childhood (up to six year of age)
2004	RDPC less than 50	78,68	0,36	0,86
	50<RDPC<100	78,81	0,36	0,81
	Non-eligible	65,50	0,26	0,51
2006	RDPC less than 50	77,87	0,57	1,07
	50<RDPC<100	79,90	0,38	0,66
	Non-eligible	65,86	0,31	0,51

Source: CPS/IBRE/FGV processing PNAD 2004-2006/IBGE microdata

Consumption Decisions and Physical Assets – 16 to 64 years of Age

Year	Eligibility	Has Bathroom	Has Sewerage	Has Water
2004	RDPC less than 50	75,72	25,40	53,65
	50<RDPC<100	85,41	25,69	60,53
	Non-eligible	97,38	52,48	84,28
2006	RDPC less than 50	75,18	24,67	55,23
	50<RDPC<100	85,31	23,51	60,79
	Non-eligible	97,48	51,90	84,49

Source: CPS/IBRE/FGV processing PNAD 2004-2006/IBGE microdata

Consumption Decisions and Physical Assets – 16 to 64 years of Age (cont)

Year	Eligibility	Has Cellular Phone	Has Computer with Internet Connection	Has Fridge
2004	RDPC less than 50	19,84	4,03	58,71
	50<RDPC<100	23,69	0,44	70,87
	Non-eligible	59,16	16,66	93,39
2006	RDPC less than 50	33,46	5,81	60,30
	50<RDPC<100	41,12	1,21	72,14
	Non-eligible	74,19	22,13	93,81

Source: CPS/IBRE/FGV processing PNAD 2004-2006/IBGE microdata

Year	Eligibility	Has Housing Finance	Has Property Title
2004	RDPC less than 50	1,78	66,74
	50<RDPC<100	2,03	67,11
	Non-eligible	5,02	72,17
2006	RDPC less than 50	1,54	65,79
	50<RDPC<100	2,01	68,10
	Non-eligible	5,01	71,40

Source: CPS/IBRE/FGV processing PNAD 2004-2006/IBGE microdata

Work Decisions – 16 to 64 years of Age

Year	Eligibility	Participation (Employed + Unemployed)	Occupied	Have more than one work	Makes contributions to the Social Security and Pensions system
2004	RDPC less than 50	68,03	53.85	2,56	5,50
	50<RDPC<100	68,77	58.98	2,49	12,36
	Non-eligible	75,67	70.08	3,39	38,33
2006	RDPC less than 50	65,36	52.37	2,51	6,17
	50<RDPC<100	68,99	58.91	2,41	11,19
	Non-eligible	76,18	70.58	3,74	39,52

Source: CPS/IBRE/FGV processing PNAD 2004-2006/IBGE microdata

Year		Per Capita Labor Income	Individual Labor Income	Weekly Hours Worked
2004	RDPC less than 50	19,74	40,15	35,22
	50<RDPC<100	62,18	112,07	39,15
	Non-eligible	450,01	577,93	42,47
2006	RDPC less than 50	16,33	32,67	34,17
	50<RDPC<100	64,25	118,97	37,76
	Non-eligible	498,90	632,32	41,89

Source: CPS/IBRE/FGV processing PNAD 2004-2006/IBGE microdata