CONDITIONAL CASH TRANSFERS, LABOUR MARKETS, AND POVERTY REDUCTION: A PILOT STUDY OF BRAZIL’S BOLSA FAMÍLIA

by

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ABSTRACT

As one of the most recent trends in poverty reduction policy, conditional cash transfers (CCTs) provide cash to poor households upon fulfillment of certain conditions, often education or health-related. By increasing CCT beneficiaries’ level of human capital, CCTs aim to increase their skills and resources to lift them out of poverty. Yet, the success of translating increased human capital into long-term poverty reduction is contingent upon changing labour market trajectories. The purpose of this study is to understand CCTs’ prospects for long-term poverty reduction, taking Brazil and its Bolsa Família program as a case study, through the opportunities for beneficiaries to improve their labour market outcomes. The results suggest that there are substantial obstacles to beneficiaries’ ability to successfully translate their increased human capital, acquired through the Bolsa Família program, into better labour market trajectories, and therefore long-term capacity for improved income generation and poverty reduction.

Keywords: conditional cash transfers; Bolsa Família; labour markets; poverty reduction; education; poverty
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TABLE OF CONTENTS

Approval ........................................................................................................................................... ii
Abstract ............................................................................................................................................... iii
Acknowledgements ........................................................................................................................ iv
Table of Contents .......................................................................................................................... v
List of Figures .................................................................................................................................. vii
List of Tables .................................................................................................................................... ix

1: Introduction ................................................................................................................................. 1
   1.1 POVERTY AND CONDITIONAL CASH TRANSFERS ................................................. 1
   1.2 RESEARCH QUESTION ................................................................................................. 4
   1.3 AGENDA ............................................................................................................................ 4
   1.4 METHODOLOGY ............................................................................................................... 6

2: Conditional Cash Transfers and Brazil’s Bolsa Familia Program .............................................. 9
   2.1 POVERTY REDUCTION AND CONDITIONAL CASH TRANSFERS ......................... 9
   2.2 SOCIAL POLICY AND CONDITIONAL CASH TRANSFERS ...................................... 10
      2.2.1 Overview of the Emergence of CCT Programs Across Latin America ................. 10
      2.2.2 Defining CCTs: Program designs, parameters and goals ..................................... 12
      2.2.3 Why Conditional Cash Transfers?: The Economic Theory of CCTs ................... 13
   2.3 SOCIAL POLICY IN BRAZIL ......................................................................................... 15
   2.4 THE BOLSA FAMÍLIA: PROGRAM PARAMETERS, GOALS AND IMPACTS ............ 20
      2.4.1 Program Design and Parameters .......................................................................... 20
      2.4.2 Goals and Impacts ................................................................................................. 26
   2.5 THE BOLSA FAMÍLIA: ISSUES AND DEBATES ......................................................... 32
      2.5.1 Coverage and Targeting ....................................................................................... 32
      2.5.2 Conditionalities ...................................................................................................... 39
      2.5.3 Gender ................................................................................................................... 42
      2.5.4 Inequality and Poverty ............................................................................................ 43
      2.5.5 Labour Market Participation .................................................................................. 48
      2.5.6 Exit Strategies ....................................................................................................... 50
   2.6 CONCLUSIONS .................................................................................................................... 51

3: Poverty Alleviation, Human Capital Accumulation, and Labour Market Trajectories ............... 54
   3.1 THE POVERTY-EDUCATION-LABOUR MOBILITY NEXUS ....................................... 54
   3.2 THEORIES OF LABOUR MARKET MOBILITY ............................................................ 56
      3.2.1 Human Capital Theories ....................................................................................... 57
      3.2.2 Dualistic Labour Market Theories ......................................................................... 58
   3.3 DETERMINANTS OF LABOUR MOBILITY IN BRAZIL ............................................. 61
3.3.1 Human Capital Theories: The Role of Educational Attainment in Labour Markets in Brazil .......................................................... 61
3.3.2 Dualistic Theories: The Role of Discrimination and Segmentation in Labour Markets in Brazil .......................................................... 64
3.4 CONCLUSIONS ................................................................................................................. 72

4: Labour Market Opportunities for Poverty Reduction .................................................. 74
4.1 LABOUR MARKETS AND POVERTY ........................................................................... 74
4.2 BRAZILIAN LABOUR MARKET TRENDS ................................................................. 78
  4.2.1 Labour Demand Structures .................................................................................. 78
  4.2.2 Returns to Education ......................................................................................... 81
  4.2.3 Segmentation: The Formal-Informal Divide ...................................................... 85
4.3 THE BRAZILIAN LABOUR MARKET AND CONDITIONS OF DECENT WORK .............................................................................. 89
  4.3.1 Labour Productivity ........................................................................................... 90
  4.3.2 Employment, Participation, and Unemployment Rates ........................................ 93
  4.3.3 Poor and Indigent Workers ................................................................................ 96
  4.3.4 Vulnerable Workers .......................................................................................... 98
4.4 CONCLUSIONS ................................................................................................................. 100

5: Labour Market Outcomes Among Bolsa Família Program Beneficiaries .................. 102
5.1 FIELD RESEARCH ....................................................................................................... 102
5.2 EDUCATION ................................................................................................................ 103
5.3 INCOME ...................................................................................................................... 107
5.4 EMPLOYMENT ........................................................................................................... 110
5.5 SOCIAL PROTECTION ............................................................................................... 115
5.6 INTERGENERATIONAL TRENDS ............................................................................. 117
5.7 CONCLUSIONS AND IMPLICATIONS ...................................................................... 120
REFERENCE LIST .............................................................................................................. 126
LIST OF FIGURES

Figure 1: Number of Families in the Bolsa Família Program................................. 23
Figure 2: Value of Benefits Disbursed through the Bolsa Família Program ............... 23
Figure 3: Per Capita Income Growth Rate in Brazil by Income Decile (2001-2005) ...... 46
Figure 4: Labour Income and Wages as a Percentage of Total Income in Urban Latin America (2006)................................................................. 74
Figure 5: Incidence of Poverty among Employed Population, National Total, and Rural and Urban Areas ......................................................................................... 97
Figure 6: Educational Attainment........................................................................... 104
Figure 7: Quality of Education - Ensino Fundamental (Number of Students per Class) 106
Figure 8: Quality of Education - Ensino Medio (Number of Students per Class)....... 106
Figure 9: Grade Repetition.................................................................................... 107
Figure 10: Average Monthly Household Income .................................................. 108
Figure 11: Fluctuations in Average Monthly Household Income (over the past 5 years) ............................................................................................................. 108
Figure 12: Reasons for Income Increases ............................................................... 109
Figure 13: Reasons for Income Declines ............................................................... 110
Figure 14: Employment Status ............................................................................ 111
Figure 15: Unemployment Trends (Total time unemployed over past 5 years)........ 111
Figure 16: Duration of Unemployment (Time since last employment among unemployed) ............................................................................................................. 112
Figure 17: Employment & Education (Total time spent in a job that required respondent's level of education) ............................................................................. 113
Figure 18: Sector of Employment (Current/Most recent) ......................................... 114
Figure 19: Sector of Employment (Ever) ................................................................ 115
Figure 20: Access to Social Protection (in current/most recent job) ....................... 116
Figure 21: Access by Type of Social Protection (in current/most recent job) .................. 117

Figure 22: Educational Attainment (Among primary income earners when respondents were aged 6-15 years) ............................................................................................................. 118

Figure 23: Average Monthly Household Income (when respondents were aged 6-15 years) ......................................................................................................................... 119

Figure 24: Sector of Employment (Among primary income earners when respondents were aged 6-15 years) .................................................................................. 119

Figure 25: Access to Social Protection (Among primary income earners when respondents were aged 6-15 years) ................................................................. 120
LIST OF TABLES

Table 1: Social Spending in Brazil (2001-2006) ................................................................. 18
Table 2: Federal Spending on Social Assistance (1995-2005) .............................................. 19
Table 3: Bolsa Familia Program Coverage .............................................................................. 22
Table 4: Bolsa Familia Benefit Structure (as of January 2008) .............................................. 24
Table 5: Number of Families Covered under the Bolsa Familia Program (excluding
suspended and cancelled benefits) ......................................................................................... 37
Table 6: Evolution of the Gini Coefficient (2005-2009) ....................................................... 44
Table 7: Poverty and Extreme Poverty in Brazil ...................................................................... 47
Table 8: Latin America: GDP Growth Rate per Person Employed (Percentage) ........... 91
Table 9: Persons Employed in Low-Productivity Sectors, National Total and Urban Areas
(Percentages) ......................................................................................................................... 92
Table 10: Income and Wages of Persons Employed by Sector of Employment (in 2000
dollars) ..................................................................................................................................... 92
Table 11: Latin America: Employment Rate, National Total (Percentages) ..................... 94
Table 12: Rate of Participation, Unemployment, Employment and Wage Earnings in
Brazil (Percentages) .................................................................................................................. 95
Table 13: Latin America: Employed People Living in Indigence and Poverty, National
Total (Percentages) .................................................................................................................. 97
Table 14: Latin America: Vulnerable Workers (Own-Account and Family Workers),
National Total (Percentages) ................................................................................................... 99
Table 15: Employment Stability (Number of jobs held over past 5 years) ..................... 112
1: INTRODUCTION.

1.1 POVERTY AND CONDITIONAL CASH TRANSFERS.

There is much evidence to support the notion that childhood poverty has life-long effects\(^1\). The cycle of intergenerational poverty operates through numerous channels, including but not limited to reduced schooling, lower educational attainment, and malnutrition, all of which have long-term consequences for future levels of productive capacity and standards of living. The growing literature on the impacts of intergenerational poverty, as well as widespread poverty in the developing world, have spawned a multitude of policy responses. One of the more recent trends in poverty reduction policy has been the implementation of conditional cash transfers (CCT) programs, whereby poor households are targeted with direct cash payments from the state on the condition that they fulfil established educational and health-related targets. This typically includes maintaining a minimum rate of school attendance, making regular visits to health clinics, and consistent attendance at health seminars for (usually female) heads of household. Thus, CCT programs aim to create ‘co-responsibilities’ between the targeted households and the state for investment in children’s human capital. These programs have two main objectives: (a) in the short term, to provide immediate poverty alleviation and increase basic consumption among poor households; and (b) in the long term, to increase human capital accumulation among poor children in order to break the intergenerational transmission of poverty.

\(^1\) Barrientos and DeJong, “Reducing Child Poverty with Cash Transfers.”
This study will focus on this second goal; that is, the impact of human capital accumulation on long-term poverty reduction. By increasing CCT beneficiaries’ level of human capital accumulation, CCT programs aim to increase their skills and resources to lift them out of poverty and thus break the intergenerational cycle of poverty. The purpose of this study will be to understand the prospects of CCT programs for long-term poverty alleviation in developing countries, taking Brazil and its Bolsa Familia program as a case study.

CCT programs have become quite prominent in the social policy landscape in Latin America, and across the political spectrum, as redistributive mechanisms used to compensate for the high rates of inequality that exist across the region. Among the largest, and to date, most successful CCT programs in the region, Brazil’s Bolsa Família Program (‘family stipend’) program provides direct cash transfers to poor households on the condition that program eligible children (aged 6 to 15) attend school 85% of school days within a given month. Launched in 1995, today the program encompasses approximately 11 million families, or 25 percent of the country’s population\(^2\). As a direct result of the Bolsa Família program (BFP), many studies have noted the increased educational enrollment and achievement rates, as well as higher levels of basic consumption among recipient households.

Yet, while the Brazilian program is widely considered one of the most successful of its kind in terms of targeting poor households, increasing school enrollment rates, and decreasing child labour rates, the extent to which the BFP contributes to decreasing overall poverty and inequality through the creation of new economic opportunities for the

\(^2\) Ministério de Desenvolvimento Social e Combate à Fome, “Principais resultados — Programa Bolsa Família.”
poor is less clear. Indeed, there is a paucity of research on CCT programs’ long-term impact on inequality and poverty in terms of the ability of national markets to accommodate a higher skilled labour force by providing expanded employment opportunities that would lift the poor out of poverty and start to close the enormous inequality gap.

At the same time, the reorientation of the Latin American (and Brazilian) development model towards export-oriented activities, trade liberalization, and increased global capital market integration under neoliberalism, has changed the shape of the region’s labour force³. Many scholars have noted the dramatic rise of the informal sector since the 1980s, and a concomitant decline in workers’ wages, protections, benefit structures, and working conditions⁴. Reygadas⁵ notes that the vast majority (20 million of 29 million) of newly created jobs in Latin America between 1990 and 1999 were in the informal sector, which now accounts for 46.4 percent of the labour force, compared to 28.9 percent in the 1980s. In Brazil, informality in the labour market rose steadily from the late 1980s through the early 2000s. Despite recent gains in formality, the informal sector continues to account for a substantial portion of the labour market.

In tandem with the informalization of the labour market, returns to education have systematically declined for low- to medium-skilled workers while returns to highly skilled workers have increased. This widening gap has been fuelled by soaring demand for highly skilled labour, but limited supply due to substantial bottlenecks in the

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⁵ Reygadas, “Latin America: Persistent Inequality and Recent Transformations.”
education system that have prevented increased enrolment in tertiary education. At the same time, educational expansion at the middle to secondary level has generated a bulge of semi-skilled workers chasing ever fewer, and poorly remunerated jobs.

Given these trends in returns to education and the ‘informalization’ of the labour force, the question of whether there exist employment opportunities of sufficient quality to impact income generation capacity and in turn poverty is particularly salient. Thus, determining program participants’ employment opportunities after the program is crucial to determining the programs’ ability to achieve its stated goal of long-term poverty reduction.

1.2 RESEARCH QUESTION.

Thus, the present study will seek to address the following research questions:

Are beneficiaries of Brazil’s Bolsa Família program able to effectively deploy their increased human capital in the labour market in terms of better quality and remunerated employment as compared to non-beneficiaries?

What are BFP beneficiaries’ labour market outcomes and are they consistent with sufficient capacity to increase income generation and reduce long-term poverty rates?

1.3 AGENDA.

In order to address the question of the Bolsa Família program’s potential for long-term poverty alleviation through increased human capital accumulation, this study will be divided as follows. The second chapter, which follows, will examine the literature on CCTs and Brazil’s Bolsa Família program with regard to their economic logic, structure
and parameters, and goals and results in terms of increased current consumption and school enrolment and attendance rates. This chapter will also highlight key issues and debates surrounding the BFP and other CCT programs and contextualize these within the most recent research on the subject.

The third chapter will explore the education-poverty-labour market nexus that, while underlying the second goal of the BFP, has remained largely unstudied and unmeasured. The chapter will then situate the second goal of increased human capital accumulation for long-term poverty alleviation within the broader theoretical literature on the determinants of social mobility through the labour force, with attention to both human capital and dualistic labour market theories. This will be followed by an analysis of the contributing factors involved in determining mobility in Brazilian labour markets, including educational attainment, race/ethnicity, gender, family background, geographical location, quality of services, and economic sectors, to establish the possible constraints on BFP beneficiaries in improving their labour market trajectories.

Chapter four will provide a macro-level analysis of the economic and labour market conditions and trends in Brazil that provide the backdrop to the findings from the micro-level field data detailed in the following chapter. This chapter will examine the recent trends in economic policy and conditions and labour markets in Brazil since the late 1980s, with particular note of rising levels of informality and declining returns to education. The concept of 'decent work' put forth by the International Labour Organization and the indicators for measurement outlined by the United Nations provides a framework for analysing the state of quality and quantity employment in Brazil in terms of capacity to generate poverty reduction among BFP beneficiaries.
Lastly, chapter five will summarize findings from field research conducted in two poor communities, or favelas, in the city of Rio de Janeiro with both beneficiaries and non-beneficiaries of the Bolsa Família program. The data provide a micro-level analysis of beneficiaries’ income and employment trends to complement the previous chapter’s macro-level analysis of economic labour market conditions, with the overall aim to assess the success (or lack thereof) among beneficiaries’ of the BFP in translating educational gains into labour market outcomes sufficient to impact poverty levels.

1.4 METHODOLOGY.

The choice of Brazil as a case study for the broader implications of CCT programs across the region is based on three factors: (a) the implementation period; (b) the size of the program; and (c) the level of development of the economy. In terms of the implementation period, given that the evaluation of the long-term poverty impact of CCT programs requires implementation over a considerable time period, as one of the first CCT programs in the region, with its component programs initiated in 1995, the Bolsa Família program is an obvious choice since few programs have been in place long enough for beneficiaries to have completed the program. Second, the BFP is the largest CCT program in Latin America, and thus provides the scope to allow for meaningful comparisons across different regions and groups with varying personal characteristics. Finally, given that the Brazilian economy is one of the largest and most developed in the region, it is likely to provide a ‘best-case scenario’ in terms of labour market outcomes for CCT beneficiaries. That is, if sufficient labour market opportunities for beneficiaries do not exist in Brazil, it is unlikely that a less developed economy such as Nicaragua, for
example, would be able to offer better labour market opportunities to its program beneficiaries.

This study necessitated both primary and secondary research. In terms of the latter, the study draws on an extensive academic literature on both CCTs in Latin America and the Bolsa Família program specifically in Brazil. Considerable data has been collected on Latin American CCTs, both in terms of the programs’ impact on immediate poverty alleviation through increased consumption, and on long term human capital accumulation measured by increased school enrolment and attendance. Furthermore, an extensive amount of information on the Bolsa Família program’s parameters, goals, and outcomes is available through the Ministério do Desenvolvimento Social e Combate à Fome. The academic literature on general trends in Brazilian labour markets was also key in shedding light on the availability of jobs to BFP beneficiaries, particularly with regard to (1) the impact of high levels of informality in the Brazilian economy on the quality of employment available; and (2) the match between labour market demand for semi-skilled/primary and secondary educated workers (i.e. the targeted groups under the BFP) and the distribution of educational attainment within the labour force.

In terms of primary research, this study incorporated (1) the analysis of macro-level labour market trends and conditions in terms of the availability of decent work (see chapter three); and (2) the analysis of micro-level labour market trends among former beneficiaries vs. non-beneficiaries of the BFP (see chapter five). For the macro-level analysis, extensive data from available through CEPAL (the Comisión Económica para América Latina y el Caribe) enabled the primary data analysis of labour market
conditions in terms of the ILO/UN framework of decent work. The micro-level analysis was conducted with two sample groups, beneficiaries and non-beneficiaries of the BFP, in the communities of Prazeres and Julio Ontoni, in the city of Rio de Janeiro. Data was obtained though ethnographic interviews, with both structured and unstructured components. The former component sought to establish key data points around respondents’ educational attainment, income, employment and access to social protection. This provides the basis of the findings presented in the fifth chapter, complemented by personal experiences and opinions expressed in the unstructured component of the interviews. In sum, by integrating both the macro- and micro-level labour market trends, this study aims to provide preliminary results on the impact of the Bolsa Família program on beneficiaries’ labour market trajectories and thus its overall effectiveness as a policy tool for poverty reduction.
2: CONDITIONAL CASH TRANSFERS AND BRAZIL’S BOLSA FAMÍLIA PROGRAM

2.1 POVERTY REDUCTION AND CONDITIONAL CASH TRANSFERS.

With recent international focus on making significant gains in poverty reduction, a multitude of policy options have emerged. Along with microfinance and credit programs, conditional cash transfers (CCT) have become one of the major innovations in anti-poverty programs across the developing world, and particularly in Latin America, over the past fifteen years. First introduced in Mexico and Brazil, CCT programs provide poor households with direct state transfers on the condition that they meet certain established criteria, such as school attendance.

This chapter will review the origins of conditional cash transfer programs, situated within the broader trajectory of social policy in Latin America and Brazil. It analyses the proliferation of CCTs across Latin America and their program design, parameters and goals, with particular focus on Brazil’s Bolsa Família program (BFP). The chapter then assesses the successes and challenges of the BFP thus far, highlighting the major debates surrounding the program, including what will be identified as the major missing link in the logic behind the BFP: the supply of labour market opportunities for beneficiaries.
2.2 SOCIAL POLICY AND CONDITIONAL CASH TRANSFERS.

2.2.1 Overview of the Emergence of CCT Programs Across Latin America.

CCT programs have become a prominent feature of social policy across much of Latin America, and have been advocated as the state of the art strategies for overcoming high rates of poverty. Indeed, nearly every country across the region, regardless of political leanings, has implemented some form of conditional cash transfer, with notable programs including Mexico’s Oportunidades (formerly Progresa), Colombia’s Familias en Acción, Chile’s Subsidio Unitario Familiar, Ecuador’s Bono de Desarrollo Humano, Argentina’s Plan Jefas y Jefes, Nicaragua’s Red de Protección Social, Honduras’ Programa de Asignación Familiar, Bolivia’s Beca Futuro, and Jamaica’s Programme of Advancement through Health and Education (PATH).

Conditional cash transfer (CCT) programs represent a new approach to social policy in that they shift from traditional supply-side interventions, such as investments in schools, health centres etc… to demand-side interventions to support beneficiaries by encouraging their use of these supply-side services. These programs have two explicit goals: (a) short term poverty alleviation, in recognition of the need for support in meeting basic needs immediately; and (b) long term capital accumulation, in recognition of the importance of human capital in breaking the intergenerational cycle of poverty. The underlying rationale for CCTs lies in their use as a vehicle for development whereby households are encouraged to invest in their human capital, through greater uptake of both educational and health services. The programs’ focus on children is predicated on the principle that human capital accumulation among youth will begin to break the intergenerational transmission of poverty. Further, by encouraging demand for social
services, the programs aim to compensate for supply-side failures where social services have often failed to reach the poor\textsuperscript{6}.

Rawlings\textsuperscript{7} explains that these programs represent a fundamental shift in policy that blurs the traditional division between social assistance and social insurance, where the former are based largely on non-contributory systems, aimed at redistributing income and resources to the poor (for example, through child allowances, and food or housing subsidies), while the latter are usually contributory and meant as risk management systems providing protection against market failures and shocks. She notes that this evolution of social policy is a result of numerous problems associated with traditional social assistance programs, particularly the use of ineffective targeting methods that led to regressive targeting; high levels of inefficiency due to high administrative costs and the costs associated with components of the programs which detract from transfers to the poor (for example, the purchase of materials in an employment creation program); the paternalistic, clientelistic and corrupt form of many programs; and, the excessive focus on immediate poverty reduction while failing to address longer term structural issues that could break the intergenerational cycle of poverty. CCT programs are perhaps the clearest policy manifestation of this new line of thinking on social policy and assistance.

The popularity and widespread adoption of CCT programs across Latin America can be understood in the programs’ potential to deal with a key problem in the perpetuation of poverty in the region, that is, poor educational attainment, within the current economic model and discourse on poverty reduction. Moreover, politics appears to have played a considerable role in the adoption of CCT programs in many Latin

\textsuperscript{6} Hall, “From Fome Zero to Bolsa Familia.”
\textsuperscript{7} Rawlings, “A New Approach to Social Assistance.”
American countries. The programs’ key political appeal lies in their ability to provide a direct link between government and beneficiaries through the cash transfers, such that these programs are a very visible and tangible strategy for poverty reduction. Their associated political value has led to a push in most countries to maximize the number of beneficiaries, even if that has meant limiting the monetary value of benefits. For example, in Brazil, the Bolsa Família program (BFP) has been closely linked with the Lula administration (2002-2010), despite the fact that the programs that make up the BFP were initially implemented under the Cardoso administration (1994-2002). Furthermore, Lula’s overwhelming majorities won in the 2006 election were highly correlated with the regions receiving the highest proportions of the BFP benefits, namely the North and Northeast.

2.2.2 Defining CCTs: Program designs, parameters and goals.

Among the first CCT programs, Mexico’s Oportunidades has expanded to cover more than four million households, or 20% of the population, with an annual budget of US$1.8 billion by 2002. Colombia’s Familias en Acción program is on a much smaller scale than Mexico’s program, with an annual budget of US$100 million. While CCT programs generally target primary school aged children for cash transfers, some programs also include preschool and secondary school aged children. A notable difference across programs is the fixed vs. variable transfer structure: while some programs provide a fixed transfer across age groups (such as in Brazil’s BFP), other programs increase the transfer

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9 Ibid.
10 Rawlings, “A New Approach to Social Assistance.”
11 Ibid.
as children advance at school in recognition of the increased opportunity and direct costs of secondary education (for example, in Mexico’s *Oportunidades* program).

The provision of transfers is usually to the female head of household, as they are seen as more likely to use the transfer for productive investment and consumption, focused on the child. Transfers are made in cash, often as direct deposits in bank accounts set up for the beneficiaries and linked to a debit card. Making the transfer as cash rather than as in-kind transfers is thought to be less paternalistic, to address information asymmetries between government and households in that they allow the latter discretion over the best use of funds, to allow for better targeting and less leakage to the non-poor, to reduce lower transaction costs, and to allow for easy adjustments over time and across populations\(^\text{12}\). In sum, CCTs are argued to have reduced problems with targeting, increased efficiency, and achieved concrete advances in human development\(^\text{13}\).

### 2.2.3 Why Conditional Cash Transfers?: The Economic Theory of CCTs.

The goal of CCT programs is to target poor households that underinvest in the education of their children, with the aim of changing household or individual behaviour accordingly. Becker’s\(^\text{14}\) model of human capital investments at the household level provides a framework of analysis through which to understand investment in education for economic development. Within this model\(^\text{15}\), sustained growth is understood as dependent on increased marginal productivity of labour. Education is seen as increasing marginal productivity, and therefore as an investment for higher future rates of return\(^\text{16}\).

\(^{12}\) Rawlings and Rubio, “Evaluating the Impact of Conditional Cash Transfer Programs.”

\(^{13}\) Rawlings, “A New Approach to Social Assistance.”

\(^{14}\) Becker, “Investment in Human Capital.”

\(^{15}\) Wolff, *Poverty and Income Distribution.*

\(^{16}\) Ibid.
At the same time, education involves both direct costs (e.g. tuition, books, supplies) and opportunity costs (e.g. forgone earnings during the period of schooling). Consequently, the decision to make the investment in one’s human capital through education is dependent on the \textit{actual and perceived} rate of return to that investment (i.e. potential future earnings, dependent on employment opportunities).

The question then arises as to why households underinvest in their children’s human capital and how CCTs might shift their incentives to do so. In his model of the household, Becker\textsuperscript{17} extended the model of consumer demand to the household level, treating the household as a single unit in which all individuals seek to maximize the welfare of the household. The need for cash transfers programs (i.e. market failures arising from the lack of demand for education) can be understood within the context of an intra-household bargaining process in which the allocation of resources is reflective of the strength of the negotiating positions of members of the household\textsuperscript{18}. Underinvestment in children’s human capital in the form of schooling can be seen as a disparity between parents’ preference for short term gain from their child’s employment and children’s long term gain from higher educational attainment. Because children are unable to compensate for the opportunity cost of their schooling (i.e. forgone wages), parents’ preference for short-term outcomes (i.e. increased household income) wins out. Studies have shown that welfare gains resulting from increased education largely accrue to the child\textsuperscript{19}. At the same time, the rate of return of the child’s education to the parents is a pivotal factor in determining the level of educational attainment on the part of the child. Thus, CCTs that provide cash on the condition of school enrolment/attendance and

\begin{itemize}
  \item \textsuperscript{17} Becker, “Investment in Human Capital.”
  \item \textsuperscript{18} Barrientos and DeJong, “Reducing Child Poverty with Cash Transfers.”
  \item \textsuperscript{19} Ibid.
\end{itemize}
account for the opportunity cost of children’s schooling, and increase efficiency by addressing this mismatch between parents’ preferences and children’s welfare, in turn providing incentives for poor households to take up educational services.

2.3 SOCIAL POLICY IN BRAZIL.

Historically, Brazil’s social protection system was largely based on a contributory social security system that was highly focused on the urban population and the formal sector, excluding the bulk of rural dwellers and informal labour\textsuperscript{20}. It was only in the post-authoritarian period, with the signing of the 1988 Constitution, that the basis of a new, more inclusionary, welfare system would be put into place. As in the rest of Latin America, a major component of the new social policies implemented in the post-authoritarian period in Brazil, which sought to address the social crisis that arose from the structural adjustment of the 1980s and ‘90s, would be cash transfer programs, both conditional and unconditional.

The two main policy instruments implemented in Brazil under these new social policies were the Benefício de Prestação Continuada (BPC) (unconditional cash transfer program) and the Bolsa Família Program (BFP) (conditional cash transfer program). The BPC is an unconditional cash transfer to individuals with severe disabilities or those over the age of 65, with a household per capita income below one quarter of the minimum wage (that is, R$87.50 (US$50) per month)\textsuperscript{21}. Municipalities then are responsible for the selection of beneficiaries through their departments of social assistance, while the federal

\textsuperscript{20} Soares and Sátyro, \textit{O Programa Bolsa Família: Desenho Institucional, Impactos e Possibilidades Futuras}.

\textsuperscript{21} Medeiros, Britto, and Soares, \textit{Targeted Cash Transfer Programmes in Brazil: BPC and the Bolsa Família}. 

15
Ministério de Desenvolvimento Social e Combate à Fome (MDS) is in charge of program management, and the Caixa Econômica Federal operates the cash transfers\textsuperscript{22}. The BPC, in contrast to the BFP, is enshrined in the 1988 Constitution, while the latter was created through a presidential measure subsequently approved by Congress into law\textsuperscript{23}. This difference is notable particularly in relation to the programs’ political independence; indeed, the BPC, as a consequence of its close links to the Constitution, is regarded as a right, and therefore not linked to any particular political administration, while the BFP, though implemented as separate programs under the Cardoso administration, is closely associated with the Lula administration by both its supporters and critics. At the same time, its appeal has grown to span the political spectrum in Brazil, becoming a key issue in the 2010 presidential elections, with both leading candidates, the PSDB’s Serra and the PT’s Rousseff supporting and attempting to capitalize on the programs’ political appeal.

On the other hand, the BFP is a conditional cash transfer that provides both a guaranteed basic income as well as a per child benefit conditional on school enrolment and attendance to the extreme poor, and only the per child benefit to the poor.

These programs represent a new approach to social policy that does not link social assistance with an inability to work. Indeed, both the BPC and the BFP appear to be major innovations in social policy in Brazil in that they constitute the first social assistance programs that recognize the importance and legitimacy of a guaranteed basic income, without requirements such as to be employed in the formal sector, to live in urban or rural areas, to have children etc…\textsuperscript{24}. In addition, these programs are generally highly affordable. Across Latin America, CCTs generally account for no more than 1-

\textsuperscript{22} Ibid.
\textsuperscript{23} Ibid.
\textsuperscript{24} Jaccoud, Pobres, Pobreza e Cidadania: Os Desafios Recentes da Proteção Social.
2% of GDP at most\textsuperscript{25}. In 2005, BPC and BFP spending combined amounted to approximately 0.8% of GDP, whereas federal expenditures on the public debt interest amounted to 6.7% that same year\textsuperscript{26}. Yet, spending on these programs is somewhat hampered by the distribution of spending in the social budget. Although social spending in Brazil is quite high at 16% of GDP, social security and pensions account for the majority of spending at 60%, while health and education account for only 13% and 5% respectively\textsuperscript{27}. Moreover, while the overall level of social spending in Brazil is quite good when compared with average OECD spending (at 25% of GDP), it is highly skewed in favour of pensions at 44% of spending, compared to an average of 33% for OECD countries\textsuperscript{28}. Thus, social spending in Brazil, as in much of Latin America, disproportionately favours the middle and upper income groups, while the poor rely on various cash transfer programs that account for less than 1% of GDP.

Social assistance as a whole remains a very small portion of the total social budget and a miniscule proportion of GDP; nonetheless, it has continuously grown under both the Cardoso (1994-2002) and Lula (2002-2010) administrations. The table 1 shows social spending levels from 2001 through 2006.

\textsuperscript{25} Zepeda, “Do CCTs Reduce Poverty?”
\textsuperscript{26} Medeiros, Britto, and Soares, Targeted Cash Transfer Programmes in Brazil: BPC and the Bolsa Familia.
\textsuperscript{27} Hall, “From Fome Zero to Bolsa Familia.”
\textsuperscript{28} Ibid.
By the end of Cardoso’s administration, social assistance spending rose to 5.6% of total social spending, largely as a result of the expansion of social assistance programs such as the BFP\textsuperscript{29}. Under the Lula administration, social assistance spending had increased by an impressive 60% between 2002 and 2004\textsuperscript{30}. One of the most notable increases has been for the BFP, which grew from 23% of the social assistance budget, at R$2.4 billion, under Cardoso, to 36%, or R$5.8 billion, under Lula by 2004 alone, rising again to R$6.5 billion in 2005 and R$8.3 billion (US$3.36 billion) in 2006, or 38% of the total social assistance budget\textsuperscript{31}. At the same time, these social assistance programs, including the BFP remain a small percentage of government spending and of overall GDP. Indeed, between 2002 and 2006, spending on the BFP rose from 1.1 to 2.5% of total government spending, and from 0.2% to 0.5% of GDP\textsuperscript{32}. The bottom section of table 2 shows social

\begin{table}
\centering
\caption{Social Spending in Brazil (2001-2006)}
\begin{tabular}{|c|c|c|c|c|c|}
\hline
Year & TOTAL SOCIAL BUDGET & SOCIAL ASSISTANCE BUDGET & BOLSA FAMÍLIA \\
\hline & RS (billions) & % of GDP & RS (billions) & % Direct Social Budget & RS (billions) & % of Direct Social Assistance Budget \\
\hline 2001 & 160 & 13.3 & 8.5 & 5.3 & 1.5 & 18.0 \\
2002 & 182 & 13.5 & 10.2 & 5.6 & 2.4 & 23.0 \\
2003 & 213 & 13.7 & 12.9 & 6.0 & 3.4 & 26.0 \\
2004 & 249 & 14.1 & 16.2 & 6.5 & 5.8 & 36.0 \\
2005 & -- & -- & 17.0 & -- & 6.5 & 38.0 \\
2006 & -- & -- & 22.0 & -- & 8.3 & 38.0 \\
\hline
\end{tabular}

Source: Reproduced from Hall 2006

\end{table}

\textsuperscript{29} Ibid.
\textsuperscript{30} Ibid.
\textsuperscript{31} Ibid.
\textsuperscript{32} Ibid.
spending as a percentage of GDP. Note that the social assistance category includes, but is not limited to, the BFP.

Table 2: Federal Spending on Social Assistance (1995-2005)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>R$ billions</td>
<td>1.3</td>
<td>1.5</td>
<td>3.0</td>
<td>4.3</td>
<td>5.2</td>
<td>7.5</td>
<td>9.5</td>
<td>12.1</td>
<td>13.4</td>
<td>16.5</td>
<td>18.8</td>
</tr>
<tr>
<td>% of GDP</td>
<td>0.08</td>
<td>0.09</td>
<td>0.17</td>
<td>0.24</td>
<td>0.29</td>
<td>0.40</td>
<td>0.49</td>
<td>0.60</td>
<td>0.66</td>
<td>0.75</td>
<td>0.83</td>
</tr>
</tbody>
</table>

Source: Reproduced from Abrahão de Castro et al. 2008 with data from IPEA

Moreover, the BFP accounts for a mere 2.3% of cash transfers in Brazil, compared to pensions, which account for 82%. Within the BFP, the Bolsa Escola (school stipend) component accounts for approximately half of all spending on the four major program components (Fome Zero, Cartão Alimentação, Auxílio Gas, and the Bolsa Escola). However, at the same time that the social assistance budget has increased from 1 to 6% of social spending between 1995 and 2005, other areas have suffered as a result. For example, funding for health has decreased from 16 to 11% of the social budget and funding for education has decreased from 8 to 6%, suggesting that supply-side investments could suffer as a result of the political popularity of CCTs. It is possible, then, that as a result of the political popularity of CCTs, and support gained from expanding their funding, other social spending priorities, such as health and education, may have suffered. If this is the case, demand-side investments, such as through CCT programs, may not yield the desired results if funding is cut too much to supply-side services.

33 Ibid.
34 Ibid.
In addition to domestic spending, much support has been offered by international donors, including the World Bank and the Inter-American Development Bank (IDB), which enthusiastically supported CCTs, notably the BFP in Brazil. In June 2004, the World Bank approved a US$572 million loan to Brazil for funding for the BFP, designated for technical assistance for the creation of a unified registration database, as well as cash transfer money, and monitoring and evaluation\textsuperscript{36}. In addition, the IDB approved a US$1 billion loan that same year for the BFP, with another US$2 billion contingent on satisfactory progress\textsuperscript{37}.

2.4 THE BOLSA FAMÍLIA: PROGRAM PARAMETERS, GOALS AND IMPACTS.

2.4.1 Program Design and Parameters.

In 1995, several different guaranteed basic income programs were launched around Brazil. The *Programa de Garantia de Renda Familiar Mínima* was launched in the city of Campinas in March of 1995, followed several months later by the *Bolsa Familiar para Educação* in Brasilia, and by the end of the year, by the *Programa de Garantia de Renda Familiar Mínima* in Ribeirão Preto. All three programs were restricted to families with children of school age and attached conditionalities to the receipt of benefits, based on school attendance. 1996 saw the creation of the first federal CCT program, with the implementation of the *Programa de Erradicação do Trabalho Infantil* (PETI), which aimed to decrease child labour through conditionalities around school attendance and child labour, as well as through increased funding for afterschool programs. By 2001, the numerous state and municipal level education-based CCT programs.

\textsuperscript{36} Hall, “From Fome Zero to Bolsa Familia.”

\textsuperscript{37} Ibid.
programs were scaled up to the national level under the Cardoso administration under the name Bolsa Escola.

Among the first and largest national CCT programs in the region, Brazil’s Bolsa Escola (‘school stipend’) program aimed to increase enrolment rates by providing direct cash transfers to poor households, defined as those with a monthly per capita income of less than R$90\textsuperscript{38}, with children aged 6 to 15, in grades 1 to 8, on the condition of 85% school attendance. Poor households receive R$15 per student/beneficiary per month, to a maximum of 3 children per household, for a total maximum of R$45 per month per household\textsuperscript{39}.

To increase administrative efficiency, decrease overlapping services, and improve targeting, the program was subsequently amalgamated with several other CCT programs, including Fome Zero, Cartão Alimentação, and Auxilio Gás, into the overarching Bolsa Família program, which now encompasses approximately 11 million families, and 25% of the population\textsuperscript{40}, or approximately 54 million people. Table 3 shows the number of families registered in the Cadastro Único (the database of eligible families), the amount spent on benefits under the BFP, both in nominal terms and as a percentage of GDP.

\textsuperscript{38} This was chosen as the cutoff for eligibility as it constituted half the minimum wage at the time of program implementation.
\textsuperscript{39} Lindert et al., “The Nuts and Bolts of Brazil’s Bolsa Família Program: Implementing Conditional Cash Transfer in a Decentralized Context.”
\textsuperscript{40} Ministério de Desenvolvimento Social e Combate à Fome, “Principais resultados — Programa Bolsa Família.”
Table 3: Bolsa Familia Program Coverage

<table>
<thead>
<tr>
<th>Criteria</th>
<th>2004</th>
<th>2006</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of families (in Cadastro Unico) (millions)</td>
<td>9.0</td>
<td>11.1</td>
<td>11.3</td>
</tr>
<tr>
<td>% of households (PNAD)</td>
<td>12.5</td>
<td>16.8</td>
<td>--</td>
</tr>
<tr>
<td>% of household income (PNAD)</td>
<td>0.49</td>
<td>0.69</td>
<td>--</td>
</tr>
<tr>
<td>Benefit expenditures (R$ millions)</td>
<td>3.792</td>
<td>7.525</td>
<td>10.607</td>
</tr>
<tr>
<td>% of GDP</td>
<td>0.30</td>
<td>0.35</td>
<td>0.37</td>
</tr>
</tbody>
</table>

Source: Reproduced from Soares & Sátyro (2009) with data from PNAD

The number of beneficiaries in the BFP doubled between 2003 and 2006 to over 30 million, equivalent to approximately 75% of those living below the poverty line\textsuperscript{41}. In addition, the average value of the benefit paid per household has increased three-fold during that time period from R$28 (US$13) to R$75 (R$34). At least three quarters of the country’s absolute poor are now beneficiaries under the BFP\textsuperscript{42}. In the Northeast, one of the poorest areas of the country, an estimated one third of households receive the transfer\textsuperscript{43}. The rationale for the BFP and the design of its objectives and conditionalities are rooted in the pervasiveness of poverty in Brazil and its high correlation with low levels of education\textsuperscript{44}. In 2001, the overall incidence of poverty in Brazil was 22%; however, widespread regional disparities, particularly between the North/Northeast and the Centre-South regions existed, with the incidence of poverty at 22% in the city of Fortaleza, while only 3% in the city of Curitiba\textsuperscript{45}. Figures 1 and 2 illustrate the regional distribution of BFP benefits, both in terms of the number of households enrolled in the program and the total value of benefits received in each state in Brazil.

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\textsuperscript{41} Hall, “From Fome Zero to Bolsa Familia.”
\textsuperscript{42} Ibid.
\textsuperscript{43} Ibid.
\textsuperscript{44} World Bank, “Brazil: An Assessment of the Bolsa Escola Programs.”
\textsuperscript{45} Ibid.
While the BFP was initially restricted to families with children, the BFP now has provisions for beneficiary households without children to receive a minimum stipend if their monthly per capita income meets the threshold cut-off. As of January 2008, households whose per capita income was less than R$60, with or without children, could receive a basic income supplement of R$58 per month. In addition, households with children between the ages of 6 and 15 could receive an additional R$18 per child per
month, on the condition of meeting health and educational requirements, to a limit of three children. For households with adolescents between the ages of 16 and 17, households meeting the income criteria could also receive R$30 per youth per month, to a limit of two children. Households with a monthly per capita income of between R$60 and R$120 could only receive the per child benefit, but were exempt from the basic income supplement. Table 4 outlines the benefit structure based on income.

**Table 4: Bolsa Família Benefit Structure (as of January 2008)**

<table>
<thead>
<tr>
<th></th>
<th>Households with a per capita income up to R$60</th>
<th>Households with a per capita income between R$60.01 and R$120 and children aged 0 to 17</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Basic Transfer</strong></td>
<td>Fixed transfer of R$58/month</td>
<td>--</td>
</tr>
<tr>
<td><strong>Variable Transfer</strong></td>
<td>Transfer of R$18/month per child (maximum 3 children)</td>
<td>Transfer of R$18/month per child (maximum 3 children)</td>
</tr>
<tr>
<td><strong>Variable Youth Transfer</strong></td>
<td>Transfer of R$30/month per youth (maximum 2 youths)</td>
<td>Transfer of R$30/month per youth (maximum 2 youths)</td>
</tr>
<tr>
<td><strong>Maximum value of transfers per family</strong></td>
<td>R$172/month</td>
<td>R$114/month</td>
</tr>
</tbody>
</table>

Source: Reproduced from Jaccoud (2009) with data from MDS

For the national program, the target population in each municipality was established based on data from the PNAD (Pesquisa Nacional de Amostra de Domicílios), the census and school census. The implementation of targeting, however, was left to the municipalities without specific federal directives as to how to carry this out; thus, there is considerable variation among municipalities in targeting practices. For example, some municipalities have given schools the responsibility for identification of potential beneficiaries, while others have used a self-identification mechanism, and others

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still have used a combination of geographical targeting and household visits. Data collection, registration of beneficiaries and monitoring of conditionalities occurs under a single register called the Cadastro Único. Each municipality is required to create a social council (Conselho de Controle Social), with members chosen from the public and civil society by the mayor, with the purpose of identifying potential beneficiaries, monitoring conditionality requirements, as well as transparency and accountability of program processes.

Across Latin America, CCT programs have been administered in very different ways in terms of the level of centralization or decentralization. There is concern that overly centralized systems may reduce the impact of CCTs as local governments are often by-passed by central governments, which lack the former’s ability to identify and address beneficiaries’ needs. This has been a particular concern in Mexico and Colombia, and in countries with weak or newly democratic systems where governments have a long tradition of clientelism and corruption. This, however, has been a notable difference of the Brazilian program, which, unlike many CCT programs, is highly decentralized, with the responsibility for the application of means testing, mechanisms for social control of monitoring, and the financing of the BFP coming from local governments. The decentralization of financing, however, has resulted in the perverse problem that the poorest municipalities are the ones that need the program the most, yet also are the most unable to afford them since they have a higher incidence of poverty. Indeed, there is evidence that a shortage of funds in the poorest municipalities has led to

47 Ibid.
48 Ibid.
49 Rawlings and Rubio, “Evaluating the Impact of Conditional Cash Transfer Programs.”
50 Handa and Davis, “The Experience of Conditional Cash Transfers in Latin America and the Caribbean.”
51 World Bank, “Brazil: An Assessment of the Bolsa Escola Programs.”
under-coverage of the qualifying population\textsuperscript{52}. Moreover, the decentralized fiscal arrangements of the program allow richer states and municipalities to top up or expand coverage under the federal program\textsuperscript{53}, further exacerbating inequalities. A possible solution to this would involve the federal government topping off benefits at the municipal level.

2.4.2 Goals and Impacts.

The BFP, as well as most education-based CCTs, has two explicit goals: (1) increased current consumption for short-term poverty alleviation; and (2) increased human capital accumulation for long-term poverty alleviation. In relation to the first objective, CCT programs have seen considerable success in increasing consumption levels among the poor. In Mexico, average consumption levels increased by 14\% and median food expenditures by 11\% over non-beneficiary households, largely due to higher expenditures on fruits, vegetables and meat\textsuperscript{54}. In Nicaragua, beneficiary households saw no improvement in consumption levels; however, control households saw a decline in consumption, largely due to low coffee prices and a drought, which translates into a 19\% increase in per capita consumption as a result of the transfer\textsuperscript{55}. This suggests another possible function of CCT programs: to insure against income shocks that might hamper consumption. Income shocks can seriously affect health, nutrition, and educational outcomes of the extremely poor, and CCTs can provide an assured source of income to cushion against income shocks.

\textsuperscript{52} Britto, “Recent Trends in the Development Agenda of Latin America: An Analysis of Conditional Cash Transfers.”
\textsuperscript{53} Britto, Conditional cash transfers.
\textsuperscript{54} Rawlings, “A New Approach to Social Assistance.”
\textsuperscript{55} Ibid.
As a direct result of the BFP, Resende and Oliveira\textsuperscript{56} found that average annual expenditures of beneficiary households was R$300 higher than non-beneficiary households and that increased expenditures are concentrated on food, education, hygiene and clothing, suggesting the success on the first goal of increasing immediate consumption. This increased consumption, and the resulting enhanced nutritional status of beneficiaries, is important for the program’s second goal: human capital accumulation.

The second goal of the BFP, as well as other education-based CCTs, is increased human capital accumulation with the goal of long-term poverty alleviation, typically measured by school enrolment and/or attendance rates. CCT programs across Latin America have shown a positive effect on enrolment rates. In Mexico, the impact of the \textit{Oportunidades} program on primary enrolment was estimated at merely 1.07\% for boys and 1.45\% for girls; however, the impact on secondary school enrolment rose to 9.3\% for girls and 5.8\% for boys\textsuperscript{57}. Colombia’s \textit{Familias en Acción} program has seen similar disproportionate gains for secondary school enrolment, with primary school enrolment in urban areas unaffected by the transfers, but a 12-14\% increase in secondary school enrolment\textsuperscript{58}.

In Brazil, evidence shows success in reducing drop out rates, ensuring enrolment at the right age, and increasing promotion rates. In an evaluation of the municipal Bolsa Escola in Brasilia, drop out rates were found to be lower among beneficiaries at, 0.4\% in 1996 compared to 5.6\% among non-beneficiaries, and promotion rates significantly

\textsuperscript{56} Resende and Oliveira, “Avaliando resultados de um programa de transferência de renda.”
\textsuperscript{57} Rawlings and Rubio, “Evaluating the Impact of Conditional Cash Transfer Programs.”
\textsuperscript{58} Ibid.
higher, at 80% for the former compared to 72% for the latter\textsuperscript{59}. Britto\textsuperscript{60} notes that “net enrolment rates in grades 1 to 8 [...] have increased from 87% to 96% from 1994 to 1999”, and Cardoso and Souza\textsuperscript{61} calculate that, in tandem with these increased school enrollment rates, the \emph{Programa de Erradicação do Trabalho Infantil} (PETI), the predecessor to the Bolsa Escola and BFP, decreased child labour among 7 to 14 year olds by 7% in the state of Pernambuco, 13% in Sergipe, and 26% in Bahia. Bourguignon, Ferreira and Leite\textsuperscript{62} assess the impact of the Bolsa Escola on occupational choice; that is, children’s time allocation between the labour force and school. They find that about 40% of unenrolled 10 to 15 year olds choose to enroll in response to the transfer, and among poorer households, this percentage is as high as 60%. While school enrolment rates were already high, late entry and low attendance rates led to slow progression through the education system. For example, in Brasilia, a relatively affluent city, prior to the introduction of the Bolsa Escola only 62% of children enrolling in school were of the right age for their grade, while the rest were older\textsuperscript{63}. Thus, the BFP seeks to address this key feature of poverty by increasing incentives for early enrolment and continuous attendance.

The large-scale financial resources transferred by CCTs and their conditionality-induced behavioural changes hold the potential for spill-over effects on other aspects of the household, community and region. These may include: changes in attitudes and intra-household decision making; spill-over effects on non-beneficiaries, such as induced

\textsuperscript{59} World Bank, “Brazil: An Assessment of the Bolsa Escola Programs.”
\textsuperscript{60} Britto, \emph{Conditional cash transfers}.
\textsuperscript{61} Cardoso and Souza, “The Impact of Cash Transfers on Child Labour and School Attendance in Brazil.”
\textsuperscript{62} Bourguignon, Ferreira, and Leite, “Conditional Cash Transfers, Schooling, and Child Labor.”
\textsuperscript{63} World Bank, “Brazil: An Assessment of the Bolsa Escola Programs.”
behavioural changes, increased employment opportunities, or increased prices; reduced international migration; and decreased child labour\textsuperscript{64}.

There is a common belief in the strong link between poverty and child labour. Yet, there is extensive literature comparing data from various Latin American countries showing that poverty does not always explain child labour; other factors, such as intra-household bargaining, and risk management strategies have been proposed as alternative explanatory factors\textsuperscript{65}. Ample evidence exists, however, confirming the existence of intergenerational child labour traps in that those who grow up as child labourers have little human capital with which to escape poverty; thus, their children too become child labourers\textsuperscript{66}. Emerson and Souza\textsuperscript{67} confirm this, finding that Brazilian parents who worked as children were more likely to have their children enter the workforce, even when adult incomes were held constant, suggesting there are social norms attached to the value of children’s education versus labour force participation. The high opportunity costs of children’s schooling and the low quality of the education system in Brazil combine to lessen the value placed on children’s schooling\textsuperscript{68}. Labour force participation and schooling, however, are not mutually exclusive, although there is ample evidence to show that the time and effort devoted to schooling is negatively correlated with workforce participation\textsuperscript{69}.

\textsuperscript{64} Handa and Davis, “The Experience of Conditional Cash Transfers in Latin America and the Caribbean.”
\textsuperscript{65} Cardoso and Souza, “The Impact of Cash Transfers on Child Labour and School Attendance in Brazil.”
\textsuperscript{66} Ibid.
\textsuperscript{67} Emerson and Souza, “Is There a Child Labor Trap?.”
\textsuperscript{68} Cardoso and Souza, “The Impact of Cash Transfers on Child Labour and School Attendance in Brazil.”
\textsuperscript{69} Ibid.
Cardoso and Souza\textsuperscript{70} find that the BFP has a significant impact on increasing school attendance for both boys and girls. Indeed, the transfers change the allocation of children’s time between work and school; yet, the impact of CCTs is not a reduction of child labour, but rather, of children taking up schooling concurrently with working\textsuperscript{71}. Thus, the BFP may have no net reduction effect on child labour, perhaps as a result of the transfers being too small to induce forgoing the income from child labour. Bourguignon, Ferreira and Leite\textsuperscript{72} confirm this assessment, noting that children’s earnings average R$80-120 per month, while the BFP transfer is only R$18 per month per child.

While the BFP’s predecessor, the \textit{PETI}, had a significant impact on reducing child labour rates by as much as 26\% in the state of Bahia, Hirata\textsuperscript{73} argues that this was a result of the explicit objectives of the program to do so, and thus the conditions explicitly required children to stop working. Further, he argues that if the objective of a CCT program is to fight child labour, there must be proper targeting of working children, child labour-related conditions, stronger incentives for program take-up, and improved monitoring of compliance. In the absence of such improvements, preliminary results from a study of Paraguay’s Tekoporâ program suggest potential for CCT programs to actually stimulate child labour\textsuperscript{74}.

Very little attention has been paid to the issue of spill-over effects of CCT programs on non-beneficiaries. Given that CCT resources are limited, governments must allocate funds to the neediest groups; however, those excluded are often barely better off.

\textsuperscript{70} Ibid.
\textsuperscript{71} Ibid.
\textsuperscript{72} Bourguignon, Ferreira, and Leite, “Ex-ante Evaluation of Conditional Cash Transfer Programs: The Case of Bolsa Escola.”
\textsuperscript{73} Hirata, “Cash Transfers and Child Labour: An Intriguing Relationship.”
\textsuperscript{74} Ibid.
than those included. The impact of the presence of a CCT program in a community or region can have significant spill-over effects on households that do not receive the transfer. If this effect is positive, the poverty reduction effect could potentially be much higher than originally thought. For example, if a program ineligible individual is a labourer, the increased demand for goods and services in the community could lead to increased employment opportunities. If that individual owns a small business, increased prices on goods and services could increase his/her income and increased liquidity from the presence of transfers could improve credit markets, providing opportunities to scale up production. Informally, transfers may lead to food gifts from program participants as in kind sharing as informal insurance against shocks. By the same token, this effect could also be negative and thus the poverty reduction impact reduced. In his analysis of Mexico’s Oportunidades program, Lehmann finds a positive spill-over effect on food consumption among ineligible households, the effect of which is greater among the poorer than the better off, although the reasons for the positive spill-over are not explained. Further, the potential for negative spill-overs due to increased prices without a concomitant increase in demand for labour/employment must be considered.

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75 Lehmann, “Do Conditional Cash Transfer Programs have a Pro-Poor Spillover Effect?”
76 Ibid.
77 Ibid.
78 Ibid.
2.5 THE BOLSA FAMÍLIA: ISSUES AND DEBATES.

2.5.1 Coverage and Targeting.

The debate over targeted versus universal social programs is long-standing in Brazil. While the country has opted to target resources at poorer households, there are many who argue that since targeting requires a sophisticated and up to date registration and monitoring system, it is inherently problematic given the volatility in the incomes of the poor. Moreover, it is often argued that targeting can be the source of corruption and political manipulation. On the other hand, universal systems are seen as administratively simple and therefore lower cost and in principle more fair since there is no arbitrary decision over who receives the benefit and who does not. Indeed, Senator Eduardo Suplicy of São Paulo (PT) has been pushing for over 10 years for the implementation of an unconditional and universal Citizen’s Basic Income. Although the concept was approved by Congress in 2004, requiring the government to implement a universal basic income for all Brazilians by the following year, as of yet, this has not been implemented and social assistance resources have remained targeted at the poorest sectors of society.

On the other hand, those in favour of targeting point out that under a universal program, because the money is distributed equally among the better-off and the poor, the poor receive less than if that money were concentrated on the most needy. Thus, targeting is portrayed as more desirable as a result of its higher impact on closing the poverty and

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79 Standing, “Conditional Cash Transfers: Why Targeting and Conditionalities Could Fail.”
80 Ibid.
81 Ibid.
inequality gaps\textsuperscript{82}. In terms of the BFP itself, the program benefits approximately one quarter of households in the country. Thus, if the program was transformed into a universal basic income transfer, and the annual budget remained the same, the transfers would amount to one quarter of what they currently are, implying a reduction in the average monthly household benefit from R$60 to R$15\textsuperscript{83}, which hardly seems worthwhile or effective as a poverty reduction strategy.

A related debate, often cited in support of universal programs, challenges the accuracy of targeting in the BFP. The income threshold for the program in September 2004 was a monthly per capita income of R$50 and R$100 (depending on the benefit – variable or fixed)\textsuperscript{84}. Yet, Medeiros et. al.\textsuperscript{85} find that 21\% of the BFP transfers went to households whose per capita income was higher than R$100. Nevertheless, they also find considerable evidence that the intensity of these deviations is very low; that is, these targeting errors result in benefits going to families who are only slightly above the threshold for the program, compensating for the relatively high incidence of targeting deviation. Moreover, the authors note the high levels of income instability among beneficiary households, whether linked to seasonality of employment, negative external shocks, or to informal employment, and thus the desirability of a stable cash transfer to supplement household income. Hall\textsuperscript{86} comes to similar conclusions, estimating that over 80\% of BFP benefits reach the poorest 40\% of households.

\textsuperscript{82} Medeiros, Britto, and Soares, \textit{Targeted Cash Transfer Programmes in Brazil: BPC and the Bolsa Familia}.
\textsuperscript{83} Ibid.
\textsuperscript{84} Ibid.
\textsuperscript{85} Ibid.
\textsuperscript{86} Hall, “From Fome Zero to Bolsa Familia.”
Another oft cited criticism of targeted programs is the potential for clientelism, as a result of targeting and conditionality requirements. While the risks for such behaviour are obvious, there have been attempts to reduce the risk of clientelism by making funding for municipal quotas contingent on the accuracy of targeting in each municipality, providing a built-in deterrent from patronage and clientelistic practices. One of the goals of decentralization was to aid in the prevention of clientelism. While a study by de la Brière and Lindert\textsuperscript{87} finds evidence of political manipulation in at least ten percent of the municipalities sampled, this was largely where the legally mandated social councils were not set up. Where these councils did exist, they were found to be quite effective in their program implementation.

It is commonly argued that because CCTs target children and the poor typically have higher fertility rates, these programs will be more effective in reaching the poor and preventing leakage to the non-poor\textsuperscript{88}. There appears to be considerable evidence to show that these programs are generally effective in targeting the poor over the non-poor and the more poor over the less poor. In a survey of CCT programs, Coady et. al.\textsuperscript{89} find evidence to support this argument, calculating that, on average, 81\% of program benefits go to the poorest 40\% of households. In their analysis of Mexico’s \textit{Oportunidades} program, de Janvry and Sadoulet\textsuperscript{90} find that there is a higher number of poor (at 68\%) than non-poor (at 32\%) covered by the program and that there is a higher incidence of coverage among poorer households. However, they also find that at the village level, the transfers do not

\textsuperscript{87} de la Brière and Lindert, “Reforming Brazil's Cadastro Único to Improve the Targeting of the Bolsa Familia Program.”
\textsuperscript{88} de Janvry and Sadoulet, “Conditional Cash Transfer Programs for Child Human Capital Development: Lessons from Experience in Mexico and Brazil.”
\textsuperscript{89} Coady, Grosh, and Hoddinott, “Targeting Outcomes Redux.”
\textsuperscript{90} de Janvry and Sadoulet, “Conditional Cash Transfer Programs for Child Human Capital Development: Lessons from Experience in Mexico and Brazil.”
benefit the very poor more than the less poor; thus, they conclude that CCT targeting is equivalent to a uniform distribution of transfers among the poor rather than disproportionately larger transfers going to the very poor. In this same study, the authors also find that the key area where transfers can be most effective is in inducing secondary school enrolment and attendance. In terms of cost efficiency, Coady\textsuperscript{91} found that in Mexico’s *Oportunidades* program, for every 100 pesos of the program budget, 8.9 pesos go to administrative costs, almost 30 pesos go to targeting at the household level, and 26 pesos go to the cost associated with transfer conditionality.

Evidence suggests that Brazil’s BFP has been reasonably accurate in targeting the poor, with low leakage rates to the non-poor. Indeed, the number of people in households that are eligible for the BFP benefits but are currently not receiving them is estimated at 12.2\%, while the number of people in ineligible households currently receiving the benefit is even lower at 5.9\%.\textsuperscript{92} Despite these successes in targeting, particularly in comparison with other highly regressive aspects of Brazilian social expenditures, there have been significant problems and inconsistencies with targeting. Targeting has largely been left to municipal governments, which has led to considerable variation in practices, with some municipalities using self-targeting mechanisms, some using schools, and some using geographic targeting and household visits to identify beneficiaries.\textsuperscript{93} While there have been management systems developed to prevent multiple registrations of the same household, there is evidence of the exclusion of potential beneficiaries because the

\textsuperscript{91} Coady, “The Application of Social Cost-Benefit Analysis to the Evaluation of PROGRESA.”
\textsuperscript{92} Soares and Sátyro, *O Programa Bolsa Família: Desenho Institucional, Impactos e Possibilidades Futuras.*
\textsuperscript{93} Britto, *Conditional cash transfers.*
municipality has reached its quota⁹⁴. At the same time, under-coverage rates, that is, the portion of the targeted population that is missed by the program, are also high, partly due to fiscal constraints in the poorest municipalities⁹⁵. In their case study of the functioning of the Bolsa Escola in the city of Recife, Lavinas and Barbosa⁹⁶ find a significant deficit in coverage, whereby only a small percentage (less than 2%) of those households in extreme poverty are included as beneficiaries, suggesting significant inequalities in access amongst the poor. De la Brière and Lindert⁹⁷ argue that there is significant potential for improving targeting methods through improvement of the Cadastro Único, the scoring system for household-level means testing, notably with increased customization of questions by municipality.

Apart from the methods used for targeting, the structure of targeting in the BFP as well as other CCT programs has been questioned. First, because of the focus on school-aged children, the BFP and other education-based CCTs tend to exclude poor families with only preschool or adolescent children. Second, as a result of residency requirements, these programs can end up excluding the poorest to a large extent. In Brazil, these requirements are estimated to reduce the number of eligible families by up to 21% overall, although they disproportionately reduce eligibility in the Centre-South region (by 41% in São Paulo, 81% in Brasilia, compared to 6% in Recife and Belém) where municipalities are most capable of financially supporting these programs⁹⁸. Third, household-level proxy means tests are not always well disclosed, leading to perceptions

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⁹⁴ Ibid.
⁹⁵ World Bank, “Brazil: An Assessment of the Bolsa Escola Programs.”
⁹⁶ Lavinas and Barbosa, “Fighting Poverty by Encouraging School Attendance: A Case Study of the Scholarship Program in Recife.”
⁹⁷ de la Brière and Lindert, “Reforming Brazil's Cadastro Único to Improve the Targeting of the Bolsa Família Program.”
⁹⁸ World Bank, “Brazil: An Assessment of the Bolsa Escola Programs.”
of arbitrariness of application of the program, while the use of a static proxy means test
may not be appropriate for meeting short term consumption needs during crises, given
that those who need/qualify for the program will change rapidly\(^99\).

In order to have the desired impact on poverty and inequality reduction, any
guaranteed basic income program must have a minimum level of coverage. When the
BFP was launched in 2003, the number of beneficiary households under all the
component programs (i.e. Fome Zero, Bolsa Escola, Cartão Alimentação, Auxilio Gás
etc...) was estimated at 10 million, although there was much overlap between the
programs\(^100\). Participation in the program was increased to 11 million beneficiary
households (without overlap) by 2006\(^101\). Although there was little change in the BFP
coverage in 2007 and 2008, in January 2009, the federal government decided to increase
coverage to 13.7 million households by the end of the year in response to the global
economic crisis\(^102\). Table 5 shows the number of families covered by the BFP by year.

Table 5: Number of Families Covered under the Bolsa Família Program (excluding suspended and
cancelled benefits)

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of families</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>6,571,839</td>
</tr>
<tr>
<td>2005</td>
<td>8,700,445</td>
</tr>
<tr>
<td>2006</td>
<td>10,965,810</td>
</tr>
<tr>
<td>2007</td>
<td>11,043,076</td>
</tr>
<tr>
<td>2008</td>
<td>10,557,996</td>
</tr>
</tbody>
</table>

Source: Reproduced from Soares and Sátyro (2009)

\(^99\) Rawlings, “A New Approach to Social Assistance.”
\(^100\) Soares and Sátyro, O Programa Bolsa Família: Desenho Institucional, Impactos e Possibilidades
\(^101\) Futuras.
\(^102\) Ibid.
The benefit structure of most CCT programs targets school-aged children. Handa and Davis\textsuperscript{103} argue that the transfer amount should generally represent 20 to 40% of the per capita total poverty line in order to be a meaningful amount to the beneficiary. While most CCT programs across Latin America meet the low end of this range, Brazil is an exception where the transfer represents only 12% of the poverty line\textsuperscript{104}. While educational transfers are allocated on a per-child basis, most programs have benefits caps, justified on the theoretical basis of economies of scale within a household; however, to the extent that the per-child subsidy is ostensibly linked to the opportunity cost of school attendance, there is a disjuncture here with the rationale of CCT programs\textsuperscript{105}. The BFP benefit structure places caps on transfers at three children per household, for a total of R$45 per month per household. Moreover, unlike other notable CCT programs (e.g. in Mexico and Colombia), there is no variance in the amount of the transfer on the basis of age or gender. This variance was established in recognition of the increased direct and opportunity costs of attending school as children get older, as well as the social constraints placed on girls in accessing education. Given the disproportionate impact of transfers on secondary school enrolment and attendance, in combination with the evidence of the disproportionate impact of secondary education on poverty alleviation in Brazil\textsuperscript{106}, it would seem that variable transfers on the basis of age and educational attainment would be beneficial to the BFP.

\textsuperscript{103} Handa and Davis, “The Experience of Conditional Cash Transfers in Latin America and the Caribbean.”
\textsuperscript{104} Ibid.
\textsuperscript{105} Ibid.
\textsuperscript{106} Besley and Cord, \textit{Delivering on the promise of pro-poor growth.}
2.5.2 Conditionalities.

Attaching conditionalities to the transfers disbursed to poor households is seen as key to the long-term goal of human capital accumulation and breaking the intergenerational transmission of poverty\(^\text{107}\). De Brauw and Haddinott\(^\text{108}\) explain the rationale for conditionalities in terms of three goals: (a) to induce behavioural changes where there is a divergence between the social and private costs and gains from this changed behaviour; (b) to overcome information asymmetries between government and poor households; and (c) to effect political economy benefits, such as public approval of programs. The use of conditionalities is understood in terms of two objectives: (a) efficiency, and (b) equity. First, inefficiencies in the provision of social services arise when there is a disjuncture between social and individual efficiencies\(^\text{109}\). Investments in human capital generate positive externalities for society as a whole by increasing the efficiency of the overall level of human capital in the economy. When there is a mismatch between the private rate of return (individual efficiencies) and the social rate of return (social efficiencies) of human capital investments, a need arises for the subsidization of the provision of social services and the conditioning of social cash transfers to correct for these externalities\(^\text{110}\). Second, the equity argument for conditionality is centred on the increased political acceptability of cash transfers\(^\text{111}\), and thus the increased size of these transfers when conditions are attached. Therefore,

\(^{107}\) de Janvry and Sadoulet, “Conditional Cash Transfer Programs for Child Human Capital Development: Lessons from Experience in Mexico and Brazil.”

\(^{108}\) de Brauw and Haddinott, “Is the Conditionality Necessary in Conditional Cash Transfer Programmes? Evidence from Mexico.”

\(^{109}\) Fiszbein and Schady, *Conditional Cash Transfers*.

\(^{110}\) Das, Do, and Ozler, “Reassessing Conditional Cash Transfer Programs.”

\(^{111}\) Lindert et al., “The Nuts and Bolts of Brazil’s Bolsa Familia Program: Implementing Conditional Cash Transfer in a Decentralized Context.”
conditionality can be understood as a mechanism through which governments can carry out targeted redistribution of income in a politically acceptable manner.

De Brauw and Haddinott\textsuperscript{112} maintain that there is empirical evidence supporting improved health and educational outcomes as a result of conditionality. Indeed, Medeiros et. al.\textsuperscript{113} note a 95% compliance rate with the educational conditionalities of the BFP, although the impact of the conditionality cannot be separated from that of an independent trend, such as perceived parental responsibility. At the same time, a recent impact assessment by Cedeplar\textsuperscript{114} also supports the success of conditionalities in improving educational outcomes.

Proponents of conditionalities argue that where the levels of poverty and inequality are high, cash transfers with the goal of redistribution are warranted. Thus, the question becomes whether the political climate necessitates the use of conditionalities. In Brazil, as in many parts of Latin America, poverty is highly correlated with race due to the legacy of colonialism and slavery. As a result, observers have noted the widespread belief in Brazil that poverty has structural causes\textsuperscript{115}; that is, poverty is seen as a result of an unjust society. At the same time, the socioeconomic, racial and class divisions as well as the history of clientelistic and corrupt practices among government may make conditionalities necessary to justify, and ultimately sustain, cash transfers through different administrations. Indeed, the role of conditionalities in cash transfers has gained

\textsuperscript{112} de Brauw and Haddinott, “Is the Conditionality Necessary in Conditional Cash Transfer Programmes? Evidence from Mexico...”

\textsuperscript{113} Medeiros, Britto, and Soares, \textit{Targeted Cash Transfer Programmes in Brazil: BPC and the Bolsa Familia}.

\textsuperscript{114} Projeto de Avaliação do Impacto do Programa Bolsa Familia.

\textsuperscript{115} Lindert et al., “The Nuts and Bolts of Brazil's Bolsa Familia Program: Implementing Conditional Cash Transfer in a Decentralized Context.”
multi-partisan support for the BFP and a high national approval rate\textsuperscript{116}. In the case of Brazil, both private and social inefficiencies justified the use of conditionalities. Significant demand-side constraints in terms of both direct and opportunity costs prevented poor households from accessing available educational services\textsuperscript{117}; thus, the BFP aimed to act as an incentive to counter these constraints and promote school attendance.

Despite these successes, the desirability of imposing conditions on cash transfers remains a contentious issue. Criticisms of conditionality echo those of targeting, and include (a) high administrative costs that result from the need to monitor behavioural compliance and to administer means-based testing; (b) the potential costs imposed on beneficiaries, for example, if the preferences of the poor do not align with the conditions of the program; (c) the potential difficulty in meeting the conditions, for example, in rural areas far from health and educational services; and (d) the demeaning, paternalistic and stigmatizing effect of the conditions to the extent that they imply that the poor are either irrational or incapable of understanding their best interests\textsuperscript{118}.

In sum, there is far from a consensus on the question of the desirability of attaching conditions to cash transfer programs. Nevertheless, in the Brazilian case, compliance rates with BFP conditionalities are quite high, estimated at 85\% in 2008\textsuperscript{119}. Moreover, the process of dealing with households not meeting the conditionalities required by the BFP is quite lengthy, requiring several warnings, with the ultimate goal

\footnotesize
\textsuperscript{116} Ibid.
\textsuperscript{117} Ibid.
\textsuperscript{118} de Brauw and Haddinott, “Is the Conditionality Necessary in Conditional Cash Transfer Programmes? Evidence from Mexico.”
\textsuperscript{119} Soares and Sátyro, \textit{O Programa Bolsa Família: Desenho Institucional, Impactos e Possibilidades Futuras}.
always being to reinstate benefits. Indeed, the cancelation of benefits under the BFP takes one full year before all warnings and temporary freezing of funds have been exhausted in order to give the household a chance to meet the conditionalities of the program. In the end, only 4.5% of households enrolled in the BFP are ever subjected to cancelation of their benefits\textsuperscript{120}.

2.5.3 Gender.

In recent years, the gender dimensions of poverty have been given considerably more attention. Many NSP programs have attempted to incorporate women more directly into their programs, notably by using women to administer or hold responsibility for anti-poverty programs. The BFP and other CCT programs hold the potential to have substantial positive impacts on gender equality. While disbursing cash transfers to female heads of households originated in evidence that they would use the transfers more effectively than males, this can also empower women by increasing their financial assets and their earning power and thus their role in household decision-making\textsuperscript{121}. Increased access to the financial system among the poor, but particularly among women, through the receipt of cash transfers holds the potential to increase their access to financial services such as microcredit and loans. This can serve to empower women by giving them a role in the public sphere that enhances their self-confidence and loosens male control over their lives.

At the same time, these programs neglect to acknowledge any role or responsibility among men for meeting such conditions or for the running of the

\textsuperscript{120} Ibid.
\textsuperscript{121} Britto, Conditional cash transfers; Medeiros, Britto, and Soares, Targeted Cash Transfer Programmes in Brazil: BPC and the Bolsa Familia.
household. Moreover, CCTs entail costs for women, notably with respect to meeting the conditionalities imposed by the program, such as meeting additional demands on their time and resources, for example, to attend educational and health seminars, and ensure that program conditionalities are met. This may be particularly problematic for single and working mothers and may ultimately inhibit them from meeting the program’s conditions, and therefore prevent them from accessing these programs. Women’s contribution to these programs has been vital to their successes, yet some programs have failed as a result of overloading women, and there is growing concern that states are abdicating their responsibilities and ‘dumping’ them onto women and mothers\textsuperscript{122}.

### 2.5.4 Inequality and Poverty.

Given the BFP’s stated goals, the program’s impact on income inequality and poverty levels are key to evaluating the program’s success. With the recent decline in the Gini coefficient in Brazil, there has been much debate around the role of the BFP in this reduction. Since 2001, income inequality in Brazil has dropped markedly and consistently, to the lowest it has been in 30 years\textsuperscript{123} and the difference between the richest 20% and the poorest 20% has decreased more than 20%, and all this during a period of relatively moderate economic growth\textsuperscript{124}. Even so, it is important to note that inequality in Brazil remains extremely high, surpassing an estimated 90% of countries around the world\textsuperscript{125}. The evolution of the Gini coefficient between 2005 and 2009 is shown below.

\textsuperscript{122} Molyneux, Change and Continuity in Social Protection in Latin America: Mothers at the Service of the State?
\textsuperscript{123} Hailu and Soares, “What Explains the Decline in Brazil's Inequality?.”
\textsuperscript{124} Paes de Barros et al., Determinantes Imediatos da Queda da Desigualdade de Renda Brasileira.
\textsuperscript{125} Paes de Barros et al., A Queda Recente da Desigualdade de Renda no Brasil.

<table>
<thead>
<tr>
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<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gini Coefficient</td>
<td>0.569</td>
<td>0.563</td>
<td>0.556</td>
<td>0.548</td>
<td>0.543</td>
</tr>
</tbody>
</table>

Source: IPEA 2010

Numerous studies in the past few years have sought to determine the contributing factors to this decline and to estimate their relative weight and the drop in inequality is frequently attributed to cash transfer programs, particularly the BFP. Paes de Barros et. al.\(^{126}\) find that changes in family income are the main cause of the decline in inequality and poverty. The authors also find that non-labour income, such as from state cash transfers, is responsible for at least half the drop in per capita income inequality between 2001 and 2005. This is particularly significant given that non-labour income represents a mere one quarter of total income\(^{127}\). In addition, the authors find that while labour income declined by 7% over that same period, the inequality in labour income distribution dropped by 13%, which explains at least 2/3 of the decrease in the income difference between the richest 20% and the poorest 20%. If half the drop in per capita income inequality is explained by non-labour income such as cash transfer, the other half is explained by a redistribution, not of the rate of employment, but of remuneration among employees (that is, in favour of the poor)\(^{128}\).

Hailu and Soares\(^{129}\) similarly argue that direct cash transfers in addition to increased access to education account for at least two thirds of the fall in inequality since

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\(^{126}\) Paes de Barros et al., *Determinantes Imediatos da Queda da Desigualdade de Renda Brasileira*.

\(^{127}\) Ibid.

\(^{128}\) Ibid.

\(^{129}\) Hailu and Soares, “What Explains the Decline in Brazil's Inequality?.”
2001. Soares and Sátyro\textsuperscript{130} find that while labour income was responsible for almost three quarters of the drop in the Gini coefficient between 1995 and 2004, the contribution of labour income declines significantly to less than one third post-2004. At the same time, the authors calculate that the BFP alone is responsible for over 20\% of the decline in the Gini coefficient, while the BFP and BPC together account for approximately 35\% of the decline. The authors conclude that cash transfers, given their small portion of overall GDP, at less than 1\%, make a disproportionately large contribution to decreases in inequality. An IPEA\textsuperscript{131} study comes to similar conclusions, estimating that the cash transfer programs, including the BPC and BFP, were responsible for 23\% of the drop in income inequality between 2001 and 2004. In addition, the reduction in rural poverty from 39.5\% to 35.4\% between 2003 and 2004 was also largely attributed to the BPC and the BFP\textsuperscript{132}.

Given the contribution of the BFP and other cash transfer programs to the decrease in income inequality in Brazil, the role of falling poverty rates in reducing inequality is also significant. Between 2001 and 2005, poverty and extreme poverty fell by 4.5\% each\textsuperscript{133}. While national income grew at 0.9\% per year, this growth disproportionately benefited the poor\textsuperscript{134}. Indeed, the annual growth rate of the income of the richest 10 and 20\% was negative at -0.3\% and -0.1\%, respectively\textsuperscript{135}. Figure 3, below, depicts levels of growth among wealth deciles in Brazil between 2001 and 2005.

\textsuperscript{130} Soares and Sátyro, \textit{O Programa Bolsa Familia: Desenho Institucional, Impactos e Possibilidades Futuras}.
\textsuperscript{131} Nota Técnica sobre a Recente Queda da Desigualdade.
\textsuperscript{132} Hall, “From Fome Zero to Bolsa Familia.”
\textsuperscript{133} Paes de Barros et al., \textit{A Importancia da Queda Recente da Desigualdade na Redução da Pobreza}.
\textsuperscript{134} Ibid.
\textsuperscript{135} Ibid.
Note the negative growth for the richest deciles and the much more positive growth for the poorest deciles.

*Figure 3: Per Capita Income Growth Rate in Brazil by Income Decile (2001-2005)*

Source: Adapted from Paes de Barros et al.\textsuperscript{136}

At the same time, the annual growth rate of income among the poorest 10% was 8%\textsuperscript{137}.

In terms of poverty reduction, overall the BFP has a relatively modest impact on poverty rates. As Soares and Sátyro\textsuperscript{138} highlight, however, this is to be expected given that the benefits paid are far less than the poverty line of R$120 per capita per month. Indeed, the program’s impact on the severity of poverty and on diminishing the poverty gap is far more substantial. The authors find that the BFP has reduced the overall poverty rate by a mere 1.64%, which is equivalent to only 8% of the poverty rate prior to the program; nevertheless, the poverty gap ratio declined by 18% and the severity of poverty by almost

\textsuperscript{136} Ibid.
\textsuperscript{137} Ibid.
\textsuperscript{138} Soares and Sátyro, *O Programa Bolsa Família: Desenho Institucional, Impactos e Possibilidades Futuras.*
one quarter\textsuperscript{139}. Table 7 shows percentages of the poor and extreme poor in Brazil, as well as the poverty gap and the severity of poverty. Note the decline on all accounts for both the poor and extreme poor.

Table 7: Poverty and Extreme Poverty in Brazil

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2001 % of poor among total population</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2004 Variation 2001-2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>POVERTY</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of poor among total population</td>
<td>38.6</td>
<td>38.2</td>
<td>39.3</td>
<td>36.8</td>
<td>34.1</td>
</tr>
<tr>
<td>Poverty Gap</td>
<td>18.0</td>
<td>17.2</td>
<td>18.1</td>
<td>16.1</td>
<td>14.6</td>
</tr>
<tr>
<td>Poverty Severity</td>
<td>11.1</td>
<td>10.3</td>
<td>11.0</td>
<td>9.6</td>
<td>8.5</td>
</tr>
<tr>
<td>EXTREME POVERTY</td>
<td>% of extreme poor among total population</td>
<td>17.4</td>
<td>16.4</td>
<td>17.4</td>
<td>15.0</td>
</tr>
<tr>
<td>Extreme Poverty Gap</td>
<td>7.43</td>
<td>6.57</td>
<td>7.24</td>
<td>6.01</td>
<td>5.22</td>
</tr>
<tr>
<td>Extreme Poverty Severity</td>
<td>4.65</td>
<td>3.93</td>
<td>4.41</td>
<td>3.61</td>
<td>3.10</td>
</tr>
</tbody>
</table>

Source: Reproduced from Paes de Barros et. al. (2007)\textsuperscript{140}

The novelty about the decline in poverty in recent years in Brazil has been not necessarily the rate of reduction, but that the driving force behind it has largely been a reduction in income inequality rather than high rates of economic growth. Indeed, Paes de Barros et. al.\textsuperscript{141} attribute 73% of the decline in poverty and 85% of the decline in

\textsuperscript{139} Ibid.
\textsuperscript{140} Paes de Barros et al., A Importancia da Queda Recente da Desigualdade na Reduccion da Pobreza.
\textsuperscript{141} Ibid.
extreme poverty to a reduction in inequality. Given the BFP’s contribution to decreasing inequality (estimated at over 20%), the program has evidently done more to reduce poverty and extreme poverty than would be suggested by an initial assessment of the data.

### 2.5.5 Labour Market Participation.

A common criticism of CCT programs is that they will decrease incentives to work among beneficiary households. The household decision to provide labour is a decision of time allocation between household activities and paid work. Income shocks such as cash transfers can alter a household’s established time allocation strategy; to the extent that CCTs increase incomes, paid time loses value relative to unpaid time. While there are few sound studies on the topic, there are numerous preliminary findings that suggest that this criticism is unfounded.

First, BFP transfers are quite low, ranging from R$18 to R$112 per month. While the transfers permit a substantial improvement in the living conditions of beneficiary families, representing an estimated 11% rise in income, the average benefit amounts to approximately R$60 per month, which is hardly enough to compensate for even an extremely low-paid job.

Second, recent data from the PNAD (Pesquisa Nacional de Amostra de Domicílios) suggests that individuals in beneficiary households work just as much if not more than individuals in comparable non-beneficiary households. Labour market

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142 Texeira, “What is the Impact of Cash Transfers on Labour Supply?.”
143 Medeiros, Britto, and Soares, Targeted Cash Transfer Programmes in Brazil: BPC and the Bolsa Familia.
144 Ibid.
participation rates are 73% for the first distribution decile for beneficiary households, 74% for the second, and 76% for the third, while the participation rates for the same deciles for non-beneficiary households are 67%, 68%, and 71%, respectively. Similarly, a Cedeplar\textsuperscript{145} study of the BFP found that labour market participation rates among beneficiary households was 3% higher on average than similar non-beneficiary households\textsuperscript{146}. Texeira\textsuperscript{147} similarly finds only a marginal reduction in supplied labour hours in response to BFP transfers of 0.5 to 3.5 hours per week per working adult, with a greater effect as the transfer amount increases as a share of household income. Thus, those just below the poverty line reduce their labour supply less than those below the extreme poverty line. Further, these reductions affect women’s labour supply more than men’s, explained by the fact that they contribute more to domestic work, resulting in an increase of domestic work by 1.1 hours per week\textsuperscript{148}.

Finally, a decrease in labour market participation is not necessarily a negative impact of the program. For example, many impoverished households have no choice but to increase labour market participation rates among women and children, usually in low-paid, unstable, and sometimes dangerous jobs. In this case, a decrease in labour market participation should be seen as a positive outcome of the BFP. Similarly, participation rates among women were more susceptible to decline with the receipt of BFP benefits\textsuperscript{149}, although given their disproportionate responsibility for domestic work and childcare, easing the burden of labour market participation on women should not necessarily be

\textsuperscript{145} Projeto de Avaliação do Impacto do Programa Bolsa Familia.
\textsuperscript{146} Medeiros, Britto, and Soares, Targeted Cash Transfer Programmes in Brazil: BPC and the Bolsa Familia.
\textsuperscript{147} Texeira, “What is the Impact of Cash Transfers on Labour Supply?.”
\textsuperscript{148} Ibid.
\textsuperscript{149} Medeiros, Britto, and Soares, Targeted Cash Transfer Programmes in Brazil: BPC and the Bolsa Familia.
seen as a negative impact. In sum, the overall impact on labour supply is much lower than originally suggested and largely unsupportive of this line of argument.

2.5.6 Exit Strategies.

Much of the most recent debate around the BFP has been focused on exit strategies; that is, creating opportunities beyond the program so that beneficiaries no longer require the program benefits. Arguably, this constitutes one of the key missing links in the logic of the program design. Cash transfers are intended, and have been shown to increase household purchasing power and therefore consumption, if the transfers are stopped, households’ spending ability is also curbed. As a result, CCTs are often criticized for only temporarily alleviating poverty without providing an emancipatory means out of poverty\textsuperscript{150}, or for creating dependency on state hand-outs among beneficiaries\textsuperscript{151}.

There is general consensus that the transfers alone cannot alleviate long-term poverty; indeed, a redistribution of assets within society is necessary in order to impact poverty beyond the receipt of cash transfers\textsuperscript{152}. CCTs and the BFP aim to break this intergenerational transmission of poverty through increased investment in human capital accumulation, which, by altering the distribution of productive capabilities among the poor, will ostensibly give them the power to pull themselves out of the poverty traps in which they have been stuck and improve their welfare over the long-term. Education, however, is necessarily a long-term investment and thus CCTs must be implemented over

\textsuperscript{150} Ibid.
\textsuperscript{151} Soares and Sátyro, O Programa Bolsa Família: Desenho Institucional, Impactos e Possibilidades Futuras.
\textsuperscript{152} Medeiros, Britto, and Soares, Targeted Cash Transfer Programmes in Brazil: BPC and the Bolsa Familia.
the long-term if program exit strategies are to be seen in terms of long-term poverty alleviation through human capital accumulation.

But, while a redistribution of human capital and productive capabilities is evidently necessary to break the intergenerational transmission of poverty, this alone is insufficient; indeed, there must also be a redistribution of opportunities, particularly within the labour market. Thus, while some critics propose putting a limit on the number of years that households can participate in the program, this would run contrary to the stated objectives of the program itself. Since human capital accumulation occurs over decades, the programs necessitate a long-term commitment to providing funds to poor households.\(^{153}\)

### 2.6 CONCLUSIONS.

In sum, CCT programs constitute one of the major policy instruments implemented in the aftermath of the structural adjustment of the 1980s and 90s. These programs represent both a break with the historical trajectory of social policy in Latin America, which tended to be highly exclusionary and focused on the upper and middle classes employed in the formal sector, as well as a break with the traditional conceptualizations of poverty. Indeed, CCTs acknowledge the structural forces behind the cycle of inter-generational poverty in the region and specifically aim to redistribute the allocation of resources, in this case human capital, in order to increase the assets of the poor.

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At same time, the widespread appeal and adoption of these programs across Latin America can be largely attributed to their ability to conform to the neoliberal model. The implementation of CCT programs by governments across the political spectrum has perhaps been one of, if not the most, notable trend in poverty and inequality reduction strategies in Latin America in the past fifteen years. Among them, the Brazilian Bolsa Família program is widely considered to be one of the most successful of its kind in terms of increasing consumption, increasing school enrolment rates, and decreasing child labour rates. Yet, the second goal of CCTs (that is, poverty alleviation through increased human capital accumulation) is only achieved over the long term, given that the beneficiaries of the program are school-aged children and thus the impact of their additional human capital accumulation will only be seen as they enter the labour force. Moreover, it is not clear that successfully increasing human capital accumulation among beneficiaries will necessarily translate directly into long-term poverty alleviation. Increased human capital formation will likely only translate into higher incomes (and thus lower poverty rates) if those skills and education are successfully deployed in labour markets to secure better employment outcomes for beneficiaries.

The current debate over exit strategies for beneficiaries is particularly salient. Whether sufficient labour market opportunities exist for the beneficiaries of the BFP, as well as other education-based CCTs, whether these opportunities, should they exist, be accessible to beneficiaries, and whether the returns to education in the labour market correspond closely enough with the direct and opportunity costs of education to warrant participation in the program are all key questions that remain unanswered and yet will be key to the programs’ long term success or failure. The following chapter investigates this
second point (i.e. whether labour market opportunities are accessible to Bolsa Família beneficiaries) by examining the theory and empirical evidence on determinants of labour mobility in Brazil.
3: POVERTY ALLEVIATION, HUMAN CAPITAL ACCUMULATION, AND LABOUR MARKET TRAJECTORIES

3.1 THE POVERTY-EDUCATION-LABOUR MOBILITY NEXUS.

The widespread adoption of conditional cash transfer programs in Brazil, and subsequently across Latin America, as a means to poverty alleviation has been predicated on the notion of breaking the cycle of inter-generational poverty transmission through increased human capital accumulation among beneficiaries. The logic of these programs thus makes a crucial link between poverty and lack of education. Empirically, this link is well supported. The relationship between human capital accumulation and increased income (or decreased levels of poverty) is well established. In addition to being one of the most documented findings in microeconomics, it is intuitive that education is an importance means to escaping poverty, whether through formal schooling, training or informal skills acquisition. Perry et. al.\textsuperscript{154} note that poverty levels fall systematically as the level of educational attainment of the head of the family rises, and a minimum of completion of secondary school by the head of household is generally found to be a prerequisite to pulling a household out of poverty. Indeed, poverty rates are 25 to 40 percent lower among households headed by a secondary school graduate compared to those headed by someone without a completed primary education\textsuperscript{155}. On a macroeconomic level, most analyses of the economic successes of the Asian Tigers have

\textsuperscript{154} Poverty Reduction and Growth: Virtuous and Vicious Circles.

\textsuperscript{155} Ibid.

If education is a key determinant of income, and high levels of education are necessary to escape poverty, it is unsurprising that disparities in education and in returns to education have been found to be a major driving factor in income inequality and poverty in Brazil and across Latin America.\footnote{Bourguignon, Ferreira, and Leite, \textit{Beyond Oaxaca-Blinder.}} Across the region as a whole, on average workers with a university education earn triple that earned by uneducated workers, while those with secondary education earn one and a half times as much.\footnote{Poverty Reduction and Growth: Virtuous and Vicious Circles.}

If the persistence of poverty is a result of an inability to increase long-term income generation, understanding the constraints the poor face in breaking out of low-productivity economic activities is imperative. Much of the poverty traps literature highlights the importance of credit and insurance constraints and insufficient assets. Also of central importance is the poor’s capacity to use their labour; thus, understanding the determinants of labour market outcomes or labour mobility, that is, the ability to move between jobs and income levels, is key to assessing the potential for long-term poverty alleviation. In Latin America, labour earnings are of particular importance to poor households, accounting for over two-thirds of total household income.\footnote{Ibid.} Individual labour and income mobility is generally understood to be potentially constrained by two factors: (1) deficiencies in the quality of labour assets that enhance productivity, such as...
human capital; and (2) differentials in returns to those labour assets based on barriers to mobility in the labour market unrelated to skill, such as discrimination or segmentation. Both these constraints on labour mobility, either in isolation or in combination, can lead to low-earnings traps among the poor.

This chapter will examine the factors that determine, and potentially constrain, the labour and income mobility of the poor in Brazil. This chapter will first examine the two major theoretical perspectives on labour market mobility, namely human capital theories and dualistic labour market theories, followed by an analysis of the theoretical paradigms within the Brazilian context. Ultimately, determining labour mobility potential for the beneficiaries of cash transfer programs such as Brazil’s Bolsa Família Program (BFP) will be a key factor in beneficiaries’ ability to translate the additional education they gain through CCT programs into better labour market outcomes and higher incomes, breaking the inter-generational transmission of poverty.

3.2 THEORIES OF LABOUR MARKET MOBILITY.

In the extensive literature on the determinants of social mobility through the labour force, there are two main paradigms that have been offered to explain individuals’ labour mobility: (1) human capital theories; and (2) dualistic labour market theories. The former view earnings as largely a function of supply and demand for labour in a competitive labour market. Wage differentials are seen as a result of differences among workers both in marginal labour productivity and preferences, which are determined by both observed individual characteristics, such as education and work experience, and

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160 Poverty Reduction and Growth: Virtuous and Vicious Circles; Paes de Barros, Henrique, and Mendonça, Pelo Fim das Décadas Perdidas: Educação e Desenvolvimento Sustentado no Brasil.
unobserved characteristics, such as industriousness\textsuperscript{161}. Thus, from this perspective, low labour earnings are the result of low human capital. On the other hand, dualistic theories view labour pricing as determined by segmentation in labour markets in which earnings and mobility differentials among workers with similar skills result either from discrimination (for example, based on gender or race), or from barriers across occupations (for example between informal and formal jobs, between rural and urban jobs etc…).

\subsection{3.2.1 Human Capital Theories}

Human capital theories focus largely on skill and educational attainment as the primary determinants of labour market outcomes and social mobility. Within this paradigm, \textit{functionalist theories}\textsuperscript{162} maintain that formal education transforms inherent skills into skills useful in the labour force and thus educational attainment can be used as an index of skill. \textit{Human capital theories}\textsuperscript{163} view educational attainment as part of human capital, which, in combination with skill level, determine labour market outcomes. Human capital theory recognizes that an individual’s decision to invest in human capital (i.e. to undertake training or education) involves both direct (i.e. tuition, books etc…) and opportunity costs (i.e. forgone wages) for which the individual hopes to compensate in the long term through higher future earnings. Thus, increasing one’s human capital, that is, educational attainment, is expected to translate into higher labour mobility and better labour market outcomes. \textit{Signaling theories}\textsuperscript{164} are a variant of human capital theory that,

\textsuperscript{161} Poverty Reduction and Growth: Virtuous and Vicious Circles.
\textsuperscript{162} Davis and Moore, “Some Principles of Stratification.”
\textsuperscript{164} Spence, “Job Market Signaling”; Weiss, “Human Capital vs. Signalling Explanations of Wages.”
while acknowledging the importance of learning, emphasize the ways in which schooling acts to signal or filter for productivity differences. Signaling theorists argue that employers operate with limited information about employees’ skills and therefore use educational attainment as an indicator of skill level; thus, labour market outcomes will reflect educational attainment more than skill. In either case, the fundamental notion of human capital, that is, the concept of forgoing current earnings for the prospect of increased future income, is entirely compatible with both views of education as either skill accumulation (as in human capital theory) or as a screening or signaling tool for employers (as in signaling theory). Ultimately, the education-income nexus is not at stake, whether the causal mechanism is understood as skill or screening. The key factor that has not been considered in any of these models, however, is the quality of schooling received and its impact on labour mobility. In Brazil in particular, and Latin America more broadly, the differences in the quality of education received in the public vs. private educational sectors is most certainly instrumental to earnings and mobility differentials; nevertheless, a model that accurately accounts for the quality of education has yet to be offered.

3.2.2 Dualistic Labour Market Theories

Dualistic theories focus on the unequal advantages generated by labour markets that can result in low-earnings traps among the poor, either through discrimination or segmentation within labour markets. In the case of discrimination, the impact of individuals’ personal characteristics, such as race/ethnicity and gender, among others is key to determining labour mobility. Within this paradigm, statistical discrimination theory holds that due to the limited information with which employers make hiring
decisions, they tend to use subjective considerations such as race and gender as proxies for the productive capacity of workers since the latter is not easily discernible\textsuperscript{165}. Also within this paradigm, Conflict theories\textsuperscript{166} focus on the power dynamics that determine access to schooling, arguing that educational attainment reflects the distribution of power within society rather than the distribution of skill. Thus, labour mobility will reflect power, proxied by educational attainment, instead of skill. Credential theory, also put forth by Collins\textsuperscript{167}, sees educational attainment as a biased indicator of skill since it is used by powerful groups within society to filter out uncertified, but equally competent, employees. Thus, educational attainment, rather than skill level, is key to determining labour mobility. Credential theory is differentiated from signaling theory in that the former emphasizes discrimination while the latter highlights limited information as the reason for the importance of educational attainment rather than skill in determining labour mobility. Finally, taste-for-discrimination theory\textsuperscript{168} holds that discrimination among employers is based on maintaining a given social composition within the workplace. Hiring an employee who is not part of the social group (for example, from a different ethnic/racial group, different gender etc…) lowers productivity because of the psychic and subjective costs implied by association with the non-member employee. Thus, membership in the dominant group within a given workplace determines labour mobility.

In the case of labour market segmentation, barriers to mobility across occupations, such as between the informal and formal labour markets or between the

\textsuperscript{165} Phelps, “The Statistical Theory of Racism and Sexism.”
\textsuperscript{166} Collins, “Functional and Conflict Theories of Educational Stratification.”
\textsuperscript{167} Collins, The Credential Society.
\textsuperscript{168} Becker, The economics of discrimination.
rural and urban labour markets, result in labour earnings differentials. For example, informality can result in productivity constraints whereby micro and small enterprises cannot afford to participate in the formal institutional structure, and therefore cannot capitalize on productivity gains through economies of scale and innovation, and in turn productivity growth is limited\textsuperscript{169}. Theories of informalities date back to Harris and Todaro\textsuperscript{170} who viewed informal employment as underemployment and disguised unemployment, however, since then others have contested whether participation in the informal this reflects segmentation or voluntary choice (see, for example, Maloney 2004\textsuperscript{171}). These authors question the conventional view of the informal sector as inferior, and highlight that participation in the informal sector can be a voluntary choice which, due to factors such as greater flexibility and avoidance of onerous government regulations, may prove more attractive to certain workers, especially youth, women with children, and unskilled workers. It is likely that both voluntary and segmented processes are at work, with the lower costs and greater flexibility in the informal sector serving as the primary attraction, while the downward shift of the demand curve for formal sector workers underlies informal employment as disguised unemployment or underemployment. Regardless of the cause of labour market segmentation, lower earnings in the informal sector, relative to the formal sector, are far from negligible and may result from lack of skills and education or credit constraints. In addition, the lack of social protection and benefits linked to informal work is a major deficiency in terms of both quality and security of employment.

\textsuperscript{169} Poverty Reduction and Growth: Virtuous and Vicious Circles.
\textsuperscript{170} Harris and Todaro, “Migration, Unemployment and Development.”
\textsuperscript{171} Maloney, “Informality Revisited.”
Finally, many unobserved factors, such as the quality of education, family background, labour market connections, and individual characteristics, such as industriousness, may result in earnings and mobility differentials among workers. Despite the analytical distinction between human capital and dualistic explanations of low labour earnings and mobility, there is probably much overlap and feedback between both human capital and dualistic factors. Differentials in earnings pricing among workers with similar skills can have considerable feedback effects on the incentives to invest in human capital; thus, the low returns to education can reinforced a low-education, low-earnings poverty trap. The following section will examine the theoretical perspectives presented here in the context of Brazilian education and labour markets.

3.3 DETERMINANTS OF LABOUR MOBILITY IN BRAZIL.

Historically, the high rates of poverty in Brazil have been more a result of low wages and low labour mobility than of high unemployment rates; that is, Brazilians are generally poor not due to a lack of jobs, but rather to a lack of labour mobility and of high quality and/or remunerated jobs. Given the close relationship between poverty and labour mobility in Brazil, an examination of the determinants of labour mobility is in order.

3.3.1 Human Capital Theories: The Role of Educational Attainment in Labour Markets in Brazil.

Throughout the 1980s and ‘90s, the Brazilian population saw substantial increases in educational attainment, with average years of schooling increasing steadily from 4.91

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172 Povert Reduction and Growth: Virtuous and Vicious Circles.
years in 1981 to 6.85 years in 1999, while average real hourly wages remained almost unchanged at an average of 2.81 reais in 1981 to 2.83 reais in 1999. In addition, the percentage of the population with secondary education increased from 6 percent in 1976 to 22 percent in 2005 (Osorio 2008). Over the period of 1982 to 1998, Blom et. al. find that returns to tertiary education increased sharply, while those to primary and secondary education decreased substantially; yet, the largest expansion in education was at the intermediate/secondary level. Moreover, Binelli et. al. find that despite a significant increase in secondary graduation and a dramatically increasing college wage premium, the relative proportion of students progressing to tertiary education remains low. Both these studies suggest that the current supply of workers with tertiary education does not meet demand, driving up the college wage premium. Similarly, Zepeda et. al. find that while labour incomes increased over the period of 1992 to 1996, this largely did not benefit the poor, whose income increased less than the mean for the labour force overall. Indeed, sluggish and volatile growth along with capital-intensive investment in the 1990s have led to small gains in labour mobility, both in terms of quantity and quality of available jobs, making employment one of the main problems facing Latin America, and Brazil.

Ferreira and Veloso estimate the extent of intergenerational educational mobility in Brazil, and find that labour mobility increases with fathers’ wages, and the

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174 Arbache, Dickerson, and Green, “Trade Liberalisation and Wages in Developing Countries”; Blom, Holm-Nielsen, and Verner, “Education, Earnings, and Inequality in Brazil, 1982-98”; Binelli, Meghir, and Menezes-Filho, “Education and Wages in Brazil”; Lovell, “Race, Gender, and Development in Brazil.”
176 Binelli, Meghir, and Menezes-Filho, “Education and Wages in Brazil.”
177 Zepeda et al., Growth, Poverty and Employment in Brazil, Chile and Mexico.
178 Ibid.
179 Ferreira and Veloso, “Intergenerational Mobility of Wages in Brazil.”
improvement of basic education and in turn the fall in returns to education may be behind increased labour mobility among those below the median wage distribution. Marió et. al.\textsuperscript{180} find that low educational attainment of parents increases the likelihood of an individual living below the poverty line, yet, an additional year of schooling among the parents only increases children’s schooling rates by 0.3 years. Thus, they conclude that there is considerable intergenerational inertia. Dunn\textsuperscript{181} considers variations in earnings mobility in terms of the impact of returns to education, the progressivity of public education investment, and the heritability of income-related traits. His analysis shows that returns to education and progressivity of education investment significantly impact the intergenerational mobility of earnings, suggesting that public investment in educational opportunities (such as through the Bolsa Família Program) can have a considerable impact on earnings and labour mobility. While Brazil is found to have among the highest levels of intergenerational earnings transmissions in the world, progressive investments in education and declining average returns to schooling have contributed to diminishing earnings elasticity recently\textsuperscript{182}.

Overall the picture of education in Brazil over the past two decades has been one of considerably higher average educational attainment, accompanied by little growth in wages, implying diminishing wage premiums on additional education. In other words, the education-income nexus appears to be weaker than human capital theory predicts. This holds true at the lower levels of education, namely primary through secondary education, although the college wage premium appears to be growing. Ultimately, the wage premiums offered for middle to secondary education (termed \textit{ensino fundamental}

\textsuperscript{180} Marió, Woolcock, and von Bulow, “Assessing Social Exclusion and Mobility in Brazil.”

\textsuperscript{181} Dunn, “Intergenerational Earnings Mobility in Brazil and its Determinants.”

\textsuperscript{182} Ibid.
and *ensino medio* in Brazil) are fundamental to the logic of CCTs, and the BFP, as long-term poverty alleviation strategies. If program beneficiaries are able to complete middle to secondary education, where they were previously only able to complete primary education at best, but there are no earnings premiums on this additional education, it is unlikely that the programs’ logic of increasing future earnings and breaking long-term poverty through increased education will ultimately be successful.

3.3.2 **Dualistic Theories: The Role of Discrimination and Segmentation in Labour Markets in Brazil.**

3.3.2.1 **Discrimination: Race, Gender and Labour Mobility**

There is an extensive literature linking race and gender to low labour mobility in Brazil, with the most vulnerable groups to labour market changes including non-whites and women\(^\text{183}\). Indeed, the *Pesquisa Nacional de Amonstra Domicilio* shows that proportions of workers earning less than the minimum wage were distributed as follows: 68.7% of black women workers; 64.6% of white women workers; 34.5% of black men; but only 24.2% of white men\(^\text{184}\). Moreover, women and non-whites are also disproportionately represented in the informal sector compared to men and white workers\(^\text{185}\).

While the participation of women in the labour force in Brazil has consistently increased over the past twenty years, it remains below male participation rates; moreover, there has also been a steady decline in the gender wage gap since the late 1980s, from

\(^{183}\) Marió, Woolcock, and von Bulow, “Assessing Social Exclusion and Mobility in Brazil”; Lovell, “Race, Gender, and Work in São Paulo, Brazil, 1960-2000”; Lovell, “Race, Gender and Regional Labor Market Inequalities in Brazil”; Lovell, “Race, Gender, and Development in Brazil”; Ferreira and Veloso, “Intergenerational Mobility of Wages in Brazil.”

\(^{184}\) Marió, Woolcock, and von Bulow, “Assessing Social Exclusion and Mobility in Brazil.”

\(^{185}\) Ibid.
about 70% to approximately 25%\textsuperscript{186}. Interestingly, both Afro-Brazilian and white women have consistently exceeded men in educational attainment since the 1960s\textsuperscript{187}; yet, Brazil’s wage gap remains among the highest in Latin America\textsuperscript{188}. Given that women have surpassed men on average in terms of educational attainment\textsuperscript{189} and that the wage gap prevails even when education and hours are held constant\textsuperscript{190}, the persistent wage gap indicates lower returns to productivity-related characteristics among women and thus the existence of discrimination against women in terms of wages and therefore decreased labour mobility. Despite the persistence of the wage gap, the data show a smaller gap for younger cohorts of workers of 23% for those aged 25-44 compared to 37% for those aged 45-64\textsuperscript{191}.

In addition to gender, race has long played a considerable role in determining social mobility in Brazil. Afro-Brazilians constitute approximately 45% of the population, yet constitute over 60% of the poor; moreover, poverty rates and the rate of duration of poverty for non-whites are significantly higher than for whites, even when controlling for schooling\textsuperscript{192}. The racial wage gap has remained remarkably consistent over the past two decades, with non-whites earning on average half the income of whites\textsuperscript{193}. In addition, Ferreira and Veloso\textsuperscript{194} find that the persistence of low wages and lack of labour mobility for blacks is considerably higher than for whites: when controlling for other characteristics and variables, the probability remaining in the lowest

\textsuperscript{186} Ibid.
\textsuperscript{187} van Klaveren et al., “An Overview of Women's Work and Employment in Brazil.”
\textsuperscript{188} Lovell, “Race, Gender, and Work in São Paulo, Brazil, 1960-2000.”
\textsuperscript{190} Marió, Woolcock, and von Bulow, “Assessing Social Exclusion and Mobility in Brazil.”
\textsuperscript{191} van Klaveren et al., “An Overview of Women's Work and Employment in Brazil.”
\textsuperscript{192} Marió, Woolcock, and von Bulow, “Assessing Social Exclusion and Mobility in Brazil.”
\textsuperscript{193} Ferreira and Veloso, “Intergenerational Mobility of Wages in Brazil.”
\textsuperscript{194} Ibid.
income quintile is 47% for blacks, compared to 25% for whites. At the same time, the persistence of high wages is stronger for whites, with the probability of remaining in the highest income quintile for whites at 50% compared to 23% for blacks. Nevertheless, the authors acknowledge that the race variable may be masking the persistence of other unobserved factors, such as differentials in parental asset income that might constrain educational investment, rather than discriminatory practices.

As the average educational attainment among the Brazilian population as a whole has increased over the past thirty years, the proportional racial gap in education has decreased, implying an overall equalizing effect of improved education. Despite improvements, this equalization was not sufficient to close the racial education gap, with the absolute gap at 7 percent in 2005 sitting slightly higher than over the past three decades. While indigenous and Afro-Brazilians, both men and women, on average complete fewer years of schooling than white Brazilians, they are also disproportionally concentrated in low-income jobs. Moreover, their relative socioeconomic positions are further exacerbated by 1 to 3 percent lower returns to schooling than for whites. At the same time, there is much evidence to show that, ceteris paribus, race imposes earnings penalties almost exclusively in higher income deciles, such that both pretos (Afro-Brazilians) and pardos (mixed-race Brazilians) in the lower income deciles are able to secure comparable returns to education as their white counterparts. Similarly, investigating the impact of race on educational transitions, that is, moving from one year

195 Ibid.
196 Osório, Is all Socioeconomic Inequality among Racial Groups in Brazil Caused by Racial Discrimination?
197 Ibid.
198 Poverty Reduction and Growth: Virtuous and Vicious Circles; Ribeiro, “Classe, raça e mobilidade social no Brasil”; Bartalotti, “Discriminação Salarial por Cor e Gênero Revisitada: Uma abordagem de decomposição contrafactual utilizando regressões quantílicas.”
of schooling to the next, Ribeiro\textsuperscript{199} finds that social class rather than race has a far greater bearing on whether a student successfully transitions from one level or year of schooling to the next. Thus, while race becomes constraining to the social and labour mobility of pardos and pretos in the upper income deciles, it does not appear to be a significant barrier to mobility among the lower income deciles.

While there is clear evidence of discriminatory employment practices in the Brazilian labour market, resulting in decreased labour mobility for women and non-whites, it is unclear the extent to which the racial and gender gaps are due to inequality in pay versus inequality in human capital\textsuperscript{200}. A study by Arias, Yamada and Tejerina\textsuperscript{201} found that when accounting for differences in quantity and quality of education and family background, the racial earnings gap fell from a 46 percent to a 16 percent disadvantage unrelated to workers’ skills and productivity. In sum, to attribute socioeconomic inequalities between racial groups in Brazil entirely to racial discrimination would be inaccurate; indeed, such discrimination is a factor, but one among many, such as regional and educational disparities. Thus, in addition to human capital and discrimination, there are numerous other factors that could influence an individual’s labour mobility in Brazil, namely geographic location, the quality of services available, and the sector of employment.

\textsuperscript{199} Ribeiro, “Classe, raça e mobilidade social no Brasil.”
\textsuperscript{200} Lovell, “Race, Gender, and Work in São Paulo, Brazil, 1960-2000.”
\textsuperscript{201} Arias, Yamada, and Tejerina, “Education, Family Background and Racial Earnings Inequality in Brazil.”
3.3.2.2 Segmentation: Geography, Quality of Services, and Sectoral Employment

**Geography**

There are several components to the spatial/location factor that are relevant to labour mobility, namely regional location (North vs. South) and/or origin, and rural vs. urban location. Stark regional inequalities have long divided Brazil into almost two different countries in terms of income, living standards and overall economic development. Indeed, while only 30% of the country’s population lives in the Northeast, the region is home to nearly 50% of the poor. These regional differences have been found to contribute not only to determining economic opportunities available to the poor which could limit social and labour mobility, but also the level of discrimination they face, which in turn would also affect social mobility. Indeed, Marió et. al. and Perlman find discrimination against nordestinos, that is, people from the Northeast region, in the labour force in the South. Furthermore, social mobility has been found to be higher in the more developed regions of the country, namely the South, accentuating regional disparities in labour mobility. Ferreira and Veloso corroborate this finding: in the Northeast, the probability of a son of a father in the lowest quintile remaining there is 58%, compared to just 24% in the Southeast. At the same time, they find that the probability of a son of a father in the highest quintile remaining there is 47% in the South, compared to 36% in the Northeast. Thus, regional location has implications for social/labour mobility both in the region itself in terms of economic opportunities

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202 Marió, Woolcock, and von Bulow, “Assessing Social Exclusion and Mobility in Brazil.”
203 Ibid.
204 Perlman, “Elusive Pathways Out of Poverty: Intra- and Intergenerational Mobility in the Favelas of Rio de Janeiro.”
205 Marió, Woolcock, and von Bulow, “Assessing Social Exclusion and Mobility in Brazil.”
206 Ferreira and Veloso, “Intergenerational Mobility of Wages in Brazil.”
available to the poor, and in the rest of the country in terms of the discrimination they face in accessing labour market opportunities.

Another axis of the spatial/location factor is rural vs. urban location. Data suggest that the poor are disproportionately represented in rural areas, which contain 35% of the population, but 55% of the poor\textsuperscript{207}. Furthermore, there is evidence of discrimination based on place of residence within urban areas, namely restricted labour market opportunities for those living in favelas who are often automatically associated with criminal activities as a result of their place of residence\textsuperscript{208}. Thus, social mobility is restricted both by rural vs. urban location due to limited economic opportunities, but also by location within urban settings as a result of discriminatory societal attitudes. In sum, regional location and origin, rural-urban location, and place of residence within urban locations all constitute relevant factors in determining Brazilians’ social/labour mobility both for reasons of economic opportunities and of discriminatory practices.

\textit{Quality of Services}

The quality of educational services received by both beneficiaries and non-beneficiaries is arguably another major factor in determining social/labour mobility. While Brazil has developed a very respectable system of institutions of higher education in comparison with any other Latin American or developing country, basic education was long neglected. Indeed, educational spending has disproportionately favoured higher education: in 1995, while 4.7\% of GDP was spent on education, 25.5\% of that was spent on higher education serving less than 2\% of the population\textsuperscript{209}. As a result, both the

\textsuperscript{207} Marió, Woolcock, and von Bulow, “Assessing Social Exclusion and Mobility in Brazil.”
\textsuperscript{208} Marió, Woolcock, and von Bulow, “Assessing Social Exclusion and Mobility in Brazil”; Perlman, “Elusive Pathways Out of Poverty: Intra- and Intergenerational Mobility in the Favelas of Rio de Janeiro.”
\textsuperscript{209} Castro, “Education.”
quantity and quality of basic education has long been mediocre at best. The quality of education received can evidently have a considerable impact on future labour mobility and earnings. A study by Arias, Yamada and Tejerina\textsuperscript{210} finds higher average returns to education among workers educated in states with higher quality education, proxied by a lower pupil-teacher ratio.

Furthermore, the Brazilian education system is highly stratified along public-private lines in terms of the quality of educational services offered by each. While all public education is tuition-free, implying that all students have access to mediocre public primary and secondary schools, a private primary and secondary education is a de facto prerequisite to pass the entrance exams to publicly funded, tuition-free universities. Undoubtedly, the disparities in the quality of education offered in the public system (that is, the only system accessible to the poor) pose a considerable obstacle to social mobility. Thus, even where students in poorly funded public schools have a zero schooling gap, they are likely to be far behind their counterparts in private schools in terms of human capital accumulation. In terms of the present study, however, which aims to compare the labour mobility of BFP beneficiaries and non-beneficiaries, both groups were drawn from comparable income levels and thus only had access to the public education system.

Given the high level of decentralization of education in Brazil, disparities between states and municipalities in terms of funding capabilities could also influence the quality of educational services offered. Despite considerable disparities in funding capabilities between municipalities and states, FUNDEF, a federal program subsidizing education in poor schools by supplementing education budgets for those states and municipalities that

\textsuperscript{210}Arias, Yamada, and Tejerina, “Education, Family Background and Racial Earnings Inequality in Brazil.”
are spending the constitutionally-mandated proportion of their budgets for education but are still unable to reach the defined per student cost of $315 reais, and by redistributing funds from those municipalities and states that do not need to spend their mandated budgets for education towards poorer communities. The reshuffling of funds as a result of this program has been considerable and suggests a relative equalization of funding and thus the quality of services offered across public schools throughout the country. Given the scope of this study, however, the research focuses on low-income communities in one metropolitan area and thus will deal exclusively with the public education system, since private education would inherently be beyond the reach of the groups studied, both beneficiaries and non-beneficiaries of the BFP.

**Sectoral Employment**

Many scholars have noted the marked increase in the informality of employment since the 1980s. In Brazil, informal workers are defined as those who do not hold social security cards that entitle them to employment benefits such as unemployment insurance. Despite recent increases in the formalization of the Brazilian labour market, it remains highly segmented, with the informal sector accounting for approximately 55% of employment in Brazil overall, and 87% of rural employment. The Brazilian informal sector is characterized by predominantly non-white workers (although the number of white workers in the informal sector is increasing), lower levels of educational attainment among workers, lower levels of unionization, higher levels of discrimination,

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211 Castro, “Education.”
212 Ibid.
214 Ernst, *Recent dynamics in Brazil's labour market.*
and lower levels of productivity\textsuperscript{215}. The poor are disproportionately represented in the informal sector\textsuperscript{216}, notable given that labour mobility has been found to be lower in the formal sector and does not vary with educational attainment, while labour mobility in the informal sector decreases with higher educational attainment\textsuperscript{217}, suggesting there is a cap on the level of social mobility accessible to those in the informal sector. While there is evidently huge variation within the informal sector in terms of labour mobility, the quality of employment and level of remuneration, the lack of employment benefits and protection is an important aspect of the quality of jobs and labour mobility offered to beneficiaries of the BFP. Thus, this is another crucial variable to be considered when assessing BFP beneficiaries and non-beneficiaries’ real and potential labour mobility and labour market outcomes.

3.4 CONCLUSIONS.

Though the positive relationship between education and income is well established, with the former being key to increasing the latter, it is clear that there are various other factors at play that impact individuals’ labour and income mobility and in turn their ability to increase their long-term income generation and break the cycle of poverty. At the same time, the evidence presented in this chapter suggests that education is a key determinant of earnings, and that income differentials unrelated to workers’ skills are of secondary importance to their productive endowments. In general, it appears that many of these other factors, whether race, gender, geographical/spatial location, etc… have a considerable impact on individuals’ ability to increase their human capital and,

\textsuperscript{216} Marió, Woolcock, and von Bulow, “Assessing Social Exclusion and Mobility in Brazil.”
\textsuperscript{217} da Silva and Pero, “Segmentação do Mercado de Trabalho e Mobilidade de Renda entre 2002 e 2007.”
largely as a result of deficiencies in human capital accumulation, are constrained in their ability to increase their labour and income mobility.

Given the links established here between poverty, education and income, the extent to which individuals can translate their education into increased earnings will also depend on labour market opportunities and individuals’ ability to access them. In other words, increased education alone will not guarantee higher incomes; rather, one must also account for labour market conditions and an economy’s capacity to provide sufficient quantity and quality jobs, in order to properly assess the value of additional education in securing better labour market outcomes. The following chapter will explore these labour market conditions and trends, both in terms of demand and structure in the Brazilian labour market, in order to assess the labour market opportunities for BFP beneficiaries.
4: LABOUR MARKET OPPORTUNITIES FOR POVERTY REDUCTION

4.1 LABOUR MARKETS AND POVERTY.

The labour market is the primary mechanism through which economic growth translates into poverty reduction and improved income and well-being among the poor. This is particularly true in Latin America and Brazil, where labour income accounts for the vast majority of total household income at nearly 80 percent for Latin America as a whole, and over 70 percent for Brazil\(^\text{218}\).

Figure 4: Labour Income and Wages as a Percentage of Total Income in Urban Latin America (2006)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of household surveys conducted in the relevant countries.

\(^{a}\) Simple average.

Source: CEPAL 2008\(^{219}\)

\(^{218}\) CEPAL, “Employment, Poverty and the New Target of the First Millennium Development Goal.”

\(^{219}\) Ibid.
Labour markets are the key factor in determining high levels of social inequality in the region, with labour income accounting for between 70 and 90 percent of inequality as measured by the Gini coefficient\textsuperscript{220}. Labour markets link economic growth and poverty reduction through job creation, increased real wages associated with increased productivity, and increased social protection, which all contribute to improved incomes and well-being. At the same time, limited access to employment has consistently been a determining factor in the persistence of high levels of inequality and poverty in Brazil and across Latin America\textsuperscript{221}. Thus, the importance of labour markets in facilitating poverty reduction through the creation of both a sufficient number of jobs, as well as jobs of sufficient quality, in Brazil and across Latin America is clear.

In 2008, the United Nations explicitly acknowledged the importance of this link between poverty and labour markets in establishing a new Millennium target “to achieve full and productive employment and decent work for all, including women and young people”\textsuperscript{222} as part of the Millennium Development Goals. This new goal, as a subset to the first Millennium Development Goal “to eradicate extreme poverty and hunger”, illustrates the strong links between labour markets and poverty reduction. The foundation of target 1.B can be found in the ILO’s concept of decent work, introduced in 1999 and defined as “productive work in conditions of freedom, equity, security, and human dignity”\textsuperscript{223}. While this new Millennium Development Goal does not set out quantitative targets, it does establish four indicators for monitoring the establishment of “decent work”, namely labour productivity rates; employment and participation rates;

\textsuperscript{220} Ibid.
\textsuperscript{221} Ibid.
\textsuperscript{222} Ibid.
\textsuperscript{223} ILO, “Report of the Director-General: Decent Work.”
worker vulnerability, measured as the proportion of self-employed and unpaid family workers in total employment; and the poor and indigent worker rate.

Both insufficient labour incomes and limited access to employment are key problems across Latin America, including in Brazil. The high incidence of poverty can be largely attributed to the poor performance of labour markets\textsuperscript{224}. Moreover, both the Corporación Latinobarómetro\textsuperscript{225} and the International Labour Organization (ILO)\textsuperscript{226} have found that insufficient employment and income are systematically cited as one of the greatest concerns among Latin Americans for over a decade. Indeed, Zepeda et. al.\textsuperscript{227} find that between 1996 and 2004, per capita labour income decreased by 1.6\%, primarily as a result of falling earnings rather than unemployment. Similarly, Kakwani et. al.\textsuperscript{228} find that, between 1995 and 2004, labour market earnings declined at an annual rate of nearly -1.5 percent, and even more rapidly at a rate of -2.05 percent between 2001 and 2004\textsuperscript{229}. Even while labour incomes increased between 1992 and 1996, these increases largely did not benefit the poor, whose gains were systematically smaller than the overall mean; in addition, the poor were disproportionately affected by an overall increase in unemployment rates\textsuperscript{230}.

After a decade of recession in the 1980s, and a slow recovery over the course of the 1990s, expectations were raised that the living conditions and labour market opportunities would improve dramatically. Moreover, while labour conditions have seen recent improvements, slow, volatile growth and capital-intensive investments did not

\textsuperscript{224} Zepeda et al., Growth, Poverty and Employment in Brazil, Chile and Mexico.
\textsuperscript{225} CEPAL, “Employment, Poverty and the New Target of the First Millennium Development Goal.”
\textsuperscript{226} ILO, Trabajo Decente En Las Americas.
\textsuperscript{227} Zepeda et al., Growth, Poverty and Employment in Brazil, Chile and Mexico.
\textsuperscript{228} Kakwani, Neri, and Son, “Linkages Between Pro-Poor Growth, Social Programs and Labor Market.”
\textsuperscript{229} Ibid.
\textsuperscript{230} Zepeda et al., Growth, Poverty and Employment in Brazil, Chile and Mexico.
significantly impact the quality or quantity of jobs available. There is now growing acknowledgement that there remains a dire need to address the problems of high inequality and poverty. Given its exceptionally high rates of inequality and persistent problems of poverty, this rings particularly true in Brazil. To address such concerns and effect a sustained reduction in poverty, a strong process of employment creation will be required wherein the poor are the primary beneficiaries.

Clearly slow and unstable economic growth restricts the potential for the creation of employment and the increase of productivity and wages; still, since 2004, Brazil has seen GDP growth rates consistently over 3 percent, most years between 5 and 6 percent, and projected at 7.5 percent for 2010. Yet, not all growth necessarily leads to a rapid and sustained reduction in poverty; indeed, this can only be achieved through a process that creates both creates jobs and increases productivity that will provide the necessary economic opportunities for the poor. Given these established links between labour market conditions and the potential for poverty reduction, this chapter will first examine current labour market trends and conditions in Brazil, notably the impact of economic and trade liberalization on the demand structures for labour, the high level of labour market segmentation, and trends in returns to education. The chapter will then use the framework of decent work put forth by the ILO, as well as the indicators established by the UN Millennium Development Goals to monitor the conditions required for decent work, in a macro-level analysis of the Brazilian labour market and its capacity to provide ‘decent work’ opportunities for the poor. As such, the data analysis in this chapter will

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231 Zepeda et al., *Changes in Earnings in Brazil, Chile, and Mexico: Disentangling the Forces behind Pro-Poor Change in Labour Markets.*
232 Zepeda et al., *Growth, Poverty and Employment in Brazil, Chile and Mexico.*
provide insight into the labour market conditions with which Bolsa Familia beneficiaries and non-beneficiaries must contend in attempting to secure employment that will break the cycle of inter-generational poverty transmission.

4.2 BRAZILIAN LABOUR MARKET TRENDS.

The labour market structure and the demand structure for labour in Latin America is widely understood to have shifted with the reorientation of the Latin American, and Brazilian, development model towards export-oriented activities, facilitated by trade liberalization and increased integration into global capital markets. This, along with a concomitant rise in the average education level among the labour force further enhanced by education-based conditional cash transfer programs such as the BFP, have had important implications for the employment composition and wage differentials of the workforce. Several recent trends in Latin American and Brazilian labour markets stand out: (a) the impact of trade liberalization on the demand for and returns to skilled versus semi-skilled and unskilled labour; and (b) the rise of the informal sector as a major source of employment.

4.2.1 Labour Demand Structures.

Over the past twenty years, there has been a notable shift in the returns to unskilled, semi-skilled, and higher-skilled workers, in favour of the latter. This shift has often been associated with increasing trade liberalization policies, implemented since

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the 1980s\textsuperscript{236}. There are two competing explanations of the impact of trade liberalization on the demand for labour. The Heckscher-Ohlin model predicts that, given equal tariff reductions across all sectors, comparative advantage will encourage newly liberalized economies to shift production towards economic activities that use abundant unskilled labour. The increased demand for unskilled labour will lead to higher wages and decreased inequality and poverty. The trade liberalization policies implemented under the structural adjustment policies of the 1980s-90s were based largely on the predictions of this model. Neither the Brazilian nor Latin American economies bore out this prediction. Empirical studies suggest that Brazilian trade reforms did not induce a concomitant increase in demand for unskilled labour\textsuperscript{237}. Rather, there is ample evidence to suggest that the returns to education fell over the period of economic liberalization\textsuperscript{238}, in line with another explanation of the impact of trade liberalization of labour markets.

On the other hand, the Skill-Biased Technological Change (SBTC) model predicts that technological change, rather than trade, has the strongest impact on labour markets through two mechanisms. First, trade liberalization subjects previously protected domestic manufacturers to international competition, decreasing domestic prices. These reduced prices lead to reduced rents to be shared among employees and thus wages fall\textsuperscript{239}. In addition, the rapid inflow of foreign technology as a result of FDI and increased imports is predicted to be skill-biased because it is largely designed in and for industrialized economies, which are skill-intensive, in turn changing the demand structure.

\textsuperscript{236} Gonzaga, Filho, and Terra, “Trade Liberalization and the Evolution of Skill Earnings Differentials in Brazil.”
\textsuperscript{237} Giovannetti and Menezes-Filho, “Trade Liberalization and the Demand for Skilled Labor in Brazil.”
\textsuperscript{238} Ferreira, Leite, and Wai-Poi, “Trade Liberalization, Employment Flows, and Wage Inequality in Brazil”; Arabsheibi, Carneiro, and Henley, “Changes in Human Capital and Earnings Inequality.”
\textsuperscript{239} Arbache, Dickerson, and Green, “Trade Liberalisation and Wages in Developing Countries.”
for labour in favour of higher skilled workers\textsuperscript{240}. Explanations of the Brazilian experience have focused largely on SBTC\textsuperscript{241}, whereby trade is associated with a form of technological change that raises the relative demand for skilled workers without a concomitant increase in the supply of high skilled labour, leading to increased inequality in earnings.

Similarly, Feenstra and Hanson\textsuperscript{242}, and Wood\textsuperscript{243} theorize that decreased transportation and communications costs have resulted in a comparative advantage for select developing countries in capital-intensive industries due to the lower wages demanded by relatively high skilled workers. Thus, as firms are able to access highly educated but relatively cheap labour in developing countries, the human capital inputs in production increase in both developed and developing countries, increased demand and in turn returns to high skilled labour. Empirical evidence from various countries across Latin America, notably Costa Rica and Colombia, have supported these theoretical predictions, although they are also consistent with the Brazilian experience\textsuperscript{244}.

These shifts in the demand for labour have important implications for the labour market opportunities that exist for semi-skilled, or secondary school educated workers, such as the beneficiaries of the Bolsa Família program. Given the rapid and widespread increase in access to increased levels of education, notably secondary education, since the implementation of the Bolsa Família program, in order for the program to have the desired long-term impact of reducing inter-generational poverty through increased human

\textsuperscript{240} Acemoglu, “Technical Change, Inequality, and the Labor Market.”
\textsuperscript{242} Feenstra and Hanson, \textit{Productivity Measurement And The Impact Of Trade And Technology On Wages}.
\textsuperscript{243} Wood, “Globalization and Wage Inequalities.”
\textsuperscript{244} Blom, Holm-Nielsen, and Verner, “Education, Earnings, and Inequality in Brazil, 1982-1998.”
capital accumulation, and by implication enhanced labour market opportunities, there would necessarily have had to been a considerable expansion in both the quantity and quality of jobs available, particularly to semi-skilled (or secondary educated workers). Yet, this has not happened; instead, in line with SBTC theory, the demand for high skilled workers has increased, resulting in a growing premium on the price of high skilled labour, while the demand for low and semi-skilled labour has stagnated or dropped, ultimately leading to greater inequality in pricing between high and lower skilled labour. As a result, those workers that have invested in additional education at the secondary level and thus bore the opportunity costs of entering the labour market earlier face higher competition for jobs and relatively low remuneration given low demand for their skill level.

4.2.2 Returns to Education.

Simultaneous to the structural economic reforms that swept the country and the continent in the 1980s, Brazil, along with many other developing countries, has witnessed a dramatic expansion of its education system, with average years of schooling among the labour force increasing at an annual rate of nearly 3 percent between 1995 and 2004. The result has been substantial increases in the average levels educational attainment in the Brazilian labour force, yet the returns to different levels of education have not been uniform. Indeed, the wage gaps between unskilled and skilled workers has widened as the demand for highly skilled labour has outpaced supply. Thus, the returns to tertiary education have increased sharply, while returns to primary and secondary education have

\[245\text{Kakwani, Neri, and Son, “Linkages Between Pro-Poor Growth, Social Programs and Labor Market.”}\]
decreased substantially. Blom et al.\textsuperscript{246} attribute these reduced returns to primary and secondary education to the increased focus on the universal provision of basic education, which in turn resulted in a significant expansion of unskilled and semi-skilled segments of the labour force. At the same time, the demand for high-skilled workers increased, often attributed to skill-biased technological change and structural adjustment policies implemented during the same period\textsuperscript{247}. Given that the relative supply of semi-skilled workers (that is, those with intermediate or secondary education) has increased substantially since the 1980s, while the supply of high-skilled workers has remained relatively stable\textsuperscript{248}, a considerable skill premium has led to disproportionate gains in returns to tertiary education.

The marginal income returns to an additional year of schooling are either constant or decline for the first eight years of basic education, increase slightly with the completion of secondary education, and soar dramatically at the tertiary level\textsuperscript{249}. A major implication of these low and flat returns to basic education for poor workers is that those who do not complete this cycle are easily substitutable in the labour market, leading to low wages and highly unstable jobs. Moreover, the marginal returns to tertiary education are most dramatic upon completing a four to five year course, that is, a full degree program, meaning that those attempting to work and study simultaneously will struggle with lower than expected returns to their education level (Guillermo et al. 2006).

\textsuperscript{246} Blom, Holm-Nielsen, and Verner, “Education, Earnings, and Inequality in Brazil, 1982-1998.”
\textsuperscript{247} Arabsheibani, Carneiro, and Henley, “Changes in Human Capital and Earnings Inequality”; IBD, Good Jobs Wanted: Labor Markets in Latin America; Bourguignon, Ferreira, and Lustig, The Microeconomics of Income Distribution Dynamics in East Asia and Latin America.
\textsuperscript{248} Giovannetti and Menezes-Filho, “Trade Liberalization and the Demand for Skilled Labor in Brazil.”
\textsuperscript{249} Poverty Reduction and Growth: Virtuous and Vicious Circles.
Numerous empirical studies note the diminishing the rates of return to additional years of education at the basic and secondary level, and the gains in returns to tertiary education since the early 1980s. Kakwani et. al.\(^{250}\) find the average annual rate of return to education to have declined by -4.62 percent between 1995 and 2004. Arabsheibani et. al.\(^{251}\) find that, while a man with two years education in 1988 yielded a 12 to 13 percent gain in earnings for an additional year of schooling, this dropped to 6 to 9 percent in 1992, and only 5 percent by 1998. Among women, the gains in returns were even lower at 10 to 12 percent in 1988, dropping to 7 to 11 percent in 1992, and a mere 2 to 4 percent by 1998. In contrast, rates of return to additional schooling at higher levels of education were considerably higher among both men and women, with marginal returns at 16 years of schooling at 28 to 30 percent per additional year in 1998, dropping to 26 to 29 percent in 1992, but soaring to 33 percent in 1998\(^{252}\). Blom et. al.\(^{253}\) similarly find that the returns to a university graduate surged by 24% between 1982 and 1998, while returns to primary, lower secondary, and upper secondary decreased by 26, 35 and 8 percent, respectively. These patterns in returns to education have led to a widening wage gap between low skilled and highly skilled workers, with workers with lower levels of education, who already received a substantially lower wage relative to highly educated workers, seeing their returns to education fall. It is important to note that, despite increases in the real minimum wage since 2000, which constitutes an important means to

\(^{250}\) Kakwani, Neri, and Son, “Linkages Between Pro-Poor Growth, Social Programs and Labor Market.”
\(^{251}\) Arabsheibani, Carneiro, and Henley, “Changes in Human Capital and Earnings Inequality.”
\(^{252}\) Ibid.
closing the wage gap and to reducing poverty in Brazil, rising unemployment rates since the early 1990s have largely mitigated the potential impact on poverty\textsuperscript{254}.

Despite the considerable increase in secondary graduation as a result of the focus on enhanced access to basic education, and despite a dramatically increasing college wage premium the relative proportion of students progressing to higher education remains low\textsuperscript{255}. The fact that educational expansion at the secondary level is not translating into a proportional increase at the tertiary level, in turn depressing semi-skilled wages, suggests the presence of a bottleneck at the secondary level of education in that demand for tertiary-educated workers is not being met by supply. While Binelli et. al.\textsuperscript{256} do not speculate as the to cause of this bottleneck, the highly segmented nature of the education system along public-private lines likely contributes considerably to the barriers to accessing tertiary education.

At the same time, unemployment rose for all types of workers (skilled, semi-skilled, and unskilled) but more so for semi-skilled workers, suggesting a disjuncture between the supply and demand of semi-skilled workers\textsuperscript{257}. Giovannetti and Menezes-Filho\textsuperscript{258} find that technological shocks induced by trade liberalization are skill-biased and raise the demand for skilled workers, but not for semi-skilled workers; thus, they note the need for increased human capital investments in order to compensate for this change in the demand structure for labour.

\textsuperscript{254} Kakwani, Neri, and Son, “Linkages Between Pro-Poor Growth, Social Programs and Labor Market.”
\textsuperscript{255} Binelli, Meghir, and Menezes-Filho, “Education and Wages in Brazil.”
\textsuperscript{256} Ibid.
\textsuperscript{257} Giovannetti and Menezes-Filho, “Trade Liberalization and the Demand for Skilled Labor in Brazil.”
\textsuperscript{258} Ibid.
To the extent that the Bolsa Família program has boosted enrolment rates in primary and secondary schooling, as well as the rates of completion of secondary education, the program has begun to address this deficit. There remains, however, a disjuncture in its ability to provide beneficiaries with sufficient means to increase their income levels and decrease poverty rates given that (a) there are insufficient employment opportunities for semi-skilled, secondary educated workers, as implied by the findings of diminished marginal returns to education below the tertiary level; and (b) there is a disconnect in the ability of secondary school graduates to make the transition to tertiary education and thus increase their long-term income potential, as evidenced by the fact that demand for highly educated/skilled workers has consistently outpaced supply. Without satisfying either of these conditions, the opportunities for BFP beneficiaries to capitalize on the additional schooling gained through the program by increasing their long-term earning potential, it is unlikely that the program will meet its stated goal of long-term poverty reduction through increased human capital accumulation.

4.2.3 Segmentation: The Formal-Informal Divide.

The size and growth of the informal sector in developing countries has often been linked as a key factor in persistent wage inequality and poverty. Over the past twenty years, there has been a marked increase in the informality of employment across Latin America, as well as a concomitant decline in workers’ wages, benefit structures, and working conditions as a result of the lack of protections provided by state legal structures.

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259 Bargain and Kwenda, *Is Informality Bad? Evidence from Brazil, Mexico and South Africa.*
in the formal sector\textsuperscript{260}. Indeed, the vast majority (20 million of 29 million) of newly created jobs in Latin America between 1990 and 1999 were in the informal sector\textsuperscript{261}, defined as those economic activities and production occurring outside state legal and accounting structures\textsuperscript{262}. Portes and Schaufler\textsuperscript{263} note that rigid labour codes that protect formal workers have created incentives for firms to increase their use of informal employment, leading to the expansion of the informal sector as a result of the increased demand for labour.

The informal sector is now estimated to account for over 55\% of the Latin American labour force\textsuperscript{264} compared to 28.9\% in the 1980s\textsuperscript{265}, although this varies by industry and was as high as nearly 87\% in the agricultural sector\textsuperscript{266}. In Brazil, the rapidity of growth of the informal sector beginning in the 1980s to early 90s has been remarkable, with informal employment growing an astronomical 10 percent between 1990 and 2000 alone\textsuperscript{267}. While there is evidence of recent increases in the level of formality of the Brazilian labour market since 2004\textsuperscript{268}, the informal sector continues to account for at least 40\% of the labour force\textsuperscript{269}, if not more\textsuperscript{270} and arguably may represent the majority of employment opportunities available to unskilled and semi-skilled workers. Moreover, given the highly segmented nature of the Brazilian labour market,

\textsuperscript{261} Reygadas, “Latin America: Persistent Inequality and Recent Transformations.”
\textsuperscript{262} Cacciamali, “Globalização e processo de informalidade.”
\textsuperscript{263} Portes and Schaufler, “Competing Perspectives on the Latin American Informal Sector.”
\textsuperscript{264} Ernst, Recent dynamics in Brazil’s labour market.
\textsuperscript{265} Reygadas, “Latin America: Persistent Inequality and Recent Transformations.”
\textsuperscript{266} Hallak, Namir, and Kozovits, “Setor e emprego informal no Brasil: Análise dos resultados da nova série do sistema de contas nacionais - 2000-2006.”
\textsuperscript{267} Bosch, Goni, and Maloney, “The Determinants of Rising Informality in Brazil.”
\textsuperscript{268} da Silva and Pero, “Segmentação do Mercado de Trabalho e Mobilidade de Renda entre 2002 e 2007.”
\textsuperscript{269} Soares, “Some Stylized Facts of the Informal Sector in Brazil in the 1980s and the 1990s.”
\textsuperscript{270} da Silva and Pero, “Segmentação do Mercado de Trabalho e Mobilidade de Renda entre 2002 e 2007.”
transitions towards the formal sector almost always involve wage increases, while those towards the informal sector imply a wage loss. Indeed, wage differentials between the informal and formal sector are significant, even when controlling for heterogeneity among workers, with a transition from the informal to formal sector implying nearly a 10 percent increase in earnings on average, but up to a 15 percent gain for lowest skilled workers\textsuperscript{271}. Furthermore, labour mobility also varies between the informal and formal sectors, with permanency year on year over 90 percent in the formal sector, compared to an average of 60 percent in the informal sector; however, mobility rates increase with educational attainment, meaning that informal employment is less transitory for those with less education\textsuperscript{272}.

The implications of these findings are particularly significant for strategies for poverty reduction through labour market mobility to the extent that the poor, less educated worker has a low probability of transitioning from the informal to the formal sector and in turn securing the wage premiums associated with formal employment. Ultimately, an expanding and/or large informal sector is likely indicative of weak state capacity in shaping and regulating labour markets, which could hamper the state’s ability to implement policies to reverse this trend.

At the same time, increasing the overall educational and skill level (ie: increasing human capital formation), notably with the implementation of CCT programs, are seen as key to increasing formal sector employment and narrowing the gap between the formal


\textsuperscript{272} da Silva and Pero, “Segmentação do Mercado de Trabalho e Mobilidade de Renda entre 2002 e 2007.”
and informal sectors. Given this ‘informalization’ of the labour force and the decreasing returns to unskilled and semi-skilled workers, the question of whether there exist employment opportunities of sufficient quality to impact poverty is particularly salient. Thus, determining beneficiaries’ employment opportunities after the program is crucial to assessing its long-term consequences and thus its overall value as a policy tool for poverty and inequality reduction.

In sum, the labour market trends in Brazil over the past three decades have been strongly positive for those with higher levels of education (i.e. skilled workers) but negative for semi-skilled and unskilled workers. Overall, it would appear that, as a result of the highly skewed distribution of income in Brazil which has favoured capital-intensive rather than labour-intensive investment and industry, returns to education in terms of wages and labour mobility now disproportionately favour those with tertiary education and are declining or stagnant for those with primary and secondary education. This would suggest that there is insufficient demand for unskilled and semi-skilled workers (that is, those targeted by the Bolsa Família program) to offer sufficient labour market opportunities to beneficiaries of the Bolsa Familia program to impact long-term poverty rates. At the same time, there is evidence that improvements in human capital accumulation have disproportionately large benefits for the less skilled, highlighting the importance of education policy in reversing these trends.

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273 Ernst, *Recent dynamics in Brazil's labour market.*
274 Arbache, Dickerson, and Green, “Trade Liberalisation and Wages in Developing Countries.”
275 Zepeda et al., *Growth, Poverty and Employment in Brazil, Chile and Mexico.*
276 Arabsheibani, Carneiro, and Henley, “Changes in Human Capital and Earnings Inequality.”
4.3 THE BRAZILIAN LABOUR MARKET AND CONDITIONS OF DECENT WORK.

Given the recent broader trends in the Brazilian labour market in the previous section, which largely point to limited labour market opportunities for poor, less educated, and low to semi-skilled workers, and thus the limited capacity for poverty reduction through the labour market, this section will assess the availability of ‘decent work’ in Brazilian labour markets, as outlined by the UN in Millennium Development Goal (MDG) 1.B and the International Labour Organization. This concept, defined by the ILO as “productive work in conditions of freedom, equity, security and human dignity”\(^{277}\), is predicated on the notion that only decent employment, not simply employment, is a prerequisite for poverty reduction. Decent work is explained as the ability of all persons who wish to find work to be able to do so, to be able to achieve an acceptable standard of well-being, to freely choose that work, to have equitable treatment in and access to that work, to have access to adequate social protection through work, and to be treated with respect within the workplace\(^{278}\). This concept provided the foundation for MDG 1.B, which is assessed in terms of four criteria: (1) labour productivity, measured by growth rate of GDP per person employed; (2) employment rate, measured as the employment-to-population ratio; (3) poor and indigent workers, measured by the proportion of employed people living under the poverty line; and (4) vulnerable workers, measured as the proportion of self-employed and contributing family workers in total employment. The following subsections will examine the data within these four criteria.

\(^{277}\) ILO, “Report of the Director-General: Decent Work.”

\(^{278}\) Ibid.
4.3.1 Labour Productivity.

A principal component of the concept of decent work is productive employment, which necessarily implicates labour productivity rates. Labour productivity, measured by GDP growth rate per person employed, is used to gauge a country’s economic conditions and the economy’s ability to generate and sustain decent employment opportunities with fair wages\(^{279}\). Increased labour productivity is typically closely linked with poverty reduction, increased wages, and more equitable income distribution\(^{280}\). Across Latin America, however, low levels of labour productivity growth have resulted in failure to impact poverty\(^{281}\). While labour productivity in Brazil, measured as growth rate of GDP per person employed, has climbed significantly at a rate of 2.0 percent between 2003 and 2006, compared to 0.2 percent between 1992 and 2002, it remains lower than in many other Latin American countries, and is less than half that seen in several other developing regions, including East Asia, Central and Southern Europe, and South Asia\(^{282}\).

\(^{279}\) CEPAL, “Employment, Poverty and the New Target of the First Millennium Development Goal.”

\(^{280}\) Ibid.

\(^{281}\) Ibid.

\(^{282}\) Ibid.
Moreover, while labour productivity across Latin America was above the global average in the mid-1990s, by the mid-2000s, the situation had reversed, with Latin America lagging behind several other developing regions, notably East Asia and the Middle East, among others. This low rate of labour productivity implies a reduced capacity in the region, and in Brazil, to successfully reduce poverty through labour market opportunities for the poor. In addition, low productivity sectors tend to offer low quality jobs, with limited job security, low wages, and a lack of access to social security systems. It is estimated that half of all Latin American workers are employed in low-productivity sectors, while labour incomes in low-productivity sectors are estimated to have declined by 18 percent. Table 9 illustrates the high, but declining rates of persons employed in low-productivity sectors in the Brazilian labour market, while table 10

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283 Ibid.
284 Ibid.
highlights the wage gaps between employed persons in low and medium to high productivity sectors in urban areas. Note the rising wages within the medium to high productivity sectors, and the concomitant declining wages in low productivity sectors.

Table 9: Persons Employed in Low-Productivity Sectors, National Total and Urban Areas (Percentages)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>NATIONAL TOTAL</th>
<th>URBAN AREAS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Both sexes</td>
<td>Women</td>
</tr>
<tr>
<td>1990</td>
<td>59.9%</td>
<td>63.1%</td>
</tr>
<tr>
<td>2001</td>
<td>50.0%</td>
<td>56.3%</td>
</tr>
<tr>
<td>2006</td>
<td>46.8%</td>
<td>53.3%</td>
</tr>
</tbody>
</table>

Source: Compiled with data from CEPAL 2008

Table 10: Income and Wages of Persons Employed by Sector of Employment (in 2000 dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Employed</th>
<th>Low Productivity</th>
<th>Medium and High Productivity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>302</td>
<td>290</td>
<td>317</td>
</tr>
<tr>
<td>2001</td>
<td>312</td>
<td>203</td>
<td>403</td>
</tr>
<tr>
<td>2006</td>
<td>318</td>
<td>189</td>
<td>411</td>
</tr>
</tbody>
</table>

Source: Compiled with data from CEPAL 2008

Overall, the picture of labour productivity in Brazil is one of improving productivity, both in terms of GDP growth per person employed and persons employed in low-productivity sectors, but generally lagging behind several other Latin American countries and numerous other developing regions. These trends put into question labour market capacity to provide the quality of jobs required to significantly impact poverty.
4.3.2 Employment, Participation, and Unemployment Rates.

The link between poverty reduction and labour markets must also take account of an economy’s capacity for job creation. The employment rate measures both the economy’s ability to absorb the labour force as well as labour market participation rates. It must be noted, however, that very high and/or steep upward trends in employment rates are not necessarily indicative of a high capacity to impact poverty through labour market opportunities, as these can reflect an abundance of low quality jobs and/or the entrance of a population that had traditionally lower rates of labour market participation, such as women or young people. In Brazil, employment rates have increased overall since 1990, largely due to a large increase in the number of women entering the labour market. Indeed, a sizeable increase in female employment rates of nearly 10 percent was accompanied by a concomitant decrease in male employment rates\textsuperscript{285}.

\textsuperscript{285} Ibid.
Given the size of the informal sector in Brazil, it is difficult to accurately measure (un)employment trends by simple unemployment figures. As Bourguignon\textsuperscript{286} notes, unemployment rates in developing countries are often highly misleading given that, in the absence of (or lack of access to) formal unemployment insurance, open unemployment is limited to the high skilled workers who can afford to be unemployed; those who cannot (unskilled workers) are inclined to accept any employment. Thus, the unemployment rate will count these workers as employed but does not account for underemployment or poor quality employment. Despite these limitations, it is useful to examine unemployment rates, particularly when accounting for the formal-informal divide. Since the mid-1990s,

\textsuperscript{286} Bourguignon, “Development Strategies for More and Better Jobs.”
the unemployment rate has remained at around 9% in Brazil, about 50% higher than earlier in the decade\textsuperscript{287}.

\begin{table}[h]
\centering
\begin{tabular}{|c|c|c|c|c|c|c|c|c|c|c|}
\hline
\textbf{Year} & \textbf{PARTICIPATION RATE} & \textbf{UNEMPLOYMENT RATE} & \textbf{EMPLOYMENT RATE} \\
 & (\% of working-age population) & (\% of the economically active population) & (\% of the working-age population) \\
\hline
\textbf{Brazil} & & & \\
1990 & 63.5 & 44.1 & 84.3 & 3.8 & 3.5 & 3.9 & 61.1 & 42.6 & 81.0 \\
2001 & 67.0 & 54.1 & 81.0 & 9.3 & 11.9 & 7.5 & 60.8 & 47.7 & 74.9 \\
2006 & 69.0 & 58.0 & 81.0 & 8.4 & 11.0 & 6.4 & 63.2 & 51.6 & 75.8 \\
\hline
\textbf{Latin America} & & & \\
1990 & 60.6 & 40.7 & 82.2 & 5.3 & 6.5 & 4.7 & 57.4 & 38.1 & 78.3 \\
2001 & 64.9 & 50.3 & 80.7 & 9.0 & 11.0 & 7.6 & 59.0 & 44.7 & 74.6 \\
2006 & 66.3 & 53.2 & 80.7 & 7.4 & 9.4 & 6.0 & 61.4 & 48.2 & 75.8 \\
\hline
\end{tabular}
\caption{Rate of Participation, Unemployment, Employment and Wage Earnings in Brazil (Percentages)}
\end{table}

Source: Compiled with data from CEPAL (2008)

Various factors likely contributed to this trend, including unfavourable macroeconomic conditions (notably, the 1999 devaluation), structural changes to the economy as a result of economic liberalization, the rise in the female labour market participation rate, and the contraction of the public sector as an employer.

Yet, unemployment rates do not affect all workers equally; indeed, women and young people both have higher rates of unemployment, particularly those in the lowest income quintiles. Among young people aged 15 to 29 years in the poorest income quintile, unemployment rates in 2005 were nearly 25 percent, compared to 6.6 percent in 2001.

\textsuperscript{287} Ernst, \textit{Recent dynamics in Brazil's labour market}. 

95
the richest quintile\textsuperscript{288}. Moreover, youth unemployment rates are highest among those who have completed secondary education, primarily as a result of the devaluation of educational attainment with the rapid and widespread increase in access to basic and secondary education over the past thirty years\textsuperscript{289}. This trend has crucial implications for Bolsa Familia beneficiaries who, through the program, have been able to attain higher levels of education, and ideally complete secondary education, only to face higher levels of unemployment than those with lower and higher levels of education.

4.3.3 Poor and Indigent Workers.

An additional measure of an economy’s ability to provide decent work is reflected in the proportion of the working poor, that is, employed people living below the poverty and indigence lines. If workers are unable to generate sufficient income from their jobs to pull themselves out of poverty, evidently the goal of poverty reduction through better labour market outcomes cannot be achieved. It is important to note that a worker’s income level is not the only relevant factor in determining whether he/she falls below the poverty or indigence lines; the number of dependents within the household is also critical in determining whether that income is sufficient to provide a reasonable level of well-being within the household\textsuperscript{290}. Table 13 and Figure 5, below, illustrate the percentage of employed people living below the poverty and indigence lines, as established by the UN Economic Commission for Latin America and the Caribbean.

\textsuperscript{288} CEPAL, “Employment, Poverty and the New Target of the First Millennium Development Goal.”
\textsuperscript{289} Ibid.
\textsuperscript{290} Ibid.
Table 13: Latin America: Employed People Living in Indigence and Poverty, National Total (Percentages)

<table>
<thead>
<tr>
<th>Country</th>
<th>Indigence (National)</th>
<th>Indigence (urban areas)</th>
<th>Indigence (Rural areas)</th>
<th>Poverty (National)</th>
<th>Poverty (urban areas)</th>
<th>Poverty (Rural areas)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>...</td>
<td>...</td>
<td>1.6&lt;sup&gt;a&lt;/sup&gt;</td>
<td>10.5&lt;sup&gt;b&lt;/sup&gt;</td>
<td>3.2&lt;sup&gt;c&lt;/sup&gt;</td>
<td>...</td>
</tr>
<tr>
<td>Bolivia</td>
<td>...</td>
<td>39.8</td>
<td>30.5</td>
<td>...</td>
<td>12.1&lt;sup&gt;g&lt;/sup&gt;</td>
<td>13.7&lt;sup&gt;h&lt;/sup&gt;</td>
</tr>
<tr>
<td>Brazil</td>
<td>15.8</td>
<td>8.0</td>
<td>5.3</td>
<td>9.8</td>
<td>5.0</td>
<td>3.0</td>
</tr>
<tr>
<td>Chile</td>
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<td>1.2</td>
<td>6.2</td>
<td>2.0</td>
<td>1.2</td>
</tr>
<tr>
<td>Colombia</td>
<td>16.7</td>
<td>15.8</td>
<td>13.0</td>
<td>12.0</td>
<td>14.0</td>
<td>11.2</td>
</tr>
<tr>
<td>Costa Rica</td>
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<td>3.4</td>
<td>2.8</td>
<td>2.4</td>
<td>1.9</td>
<td>2.1</td>
</tr>
<tr>
<td>Dominican Rep.</td>
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<td>6.4</td>
<td>6.0</td>
</tr>
<tr>
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<td>11.0</td>
<td>16.9</td>
<td>12.2</td>
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<td>11.9</td>
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<td>8.5</td>
<td>8.4</td>
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<td>...</td>
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<td>21.4</td>
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<td>4.4</td>
<td>2.7</td>
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<td>...</td>
</tr>
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<td>24.9</td>
<td>6.8&lt;sup&gt;a&lt;/sup&gt;</td>
<td>4.7&lt;sup&gt;h&lt;/sup&gt;</td>
<td>9.1&lt;sup&gt;i&lt;/sup&gt;</td>
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<td>18.4</td>
<td>5.9</td>
<td>7.6</td>
<td>6.4</td>
</tr>
<tr>
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<td>1.7</td>
<td>1.3</td>
<td>2.2</td>
<td>...</td>
</tr>
<tr>
<td>Venezuela</td>
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<td>11.5</td>
<td>4.0</td>
<td>4.4</td>
<td>...</td>
<td>...</td>
</tr>
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<td>Latin America</td>
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<td>14.3</td>
<td>11.4</td>
<td>10.5</td>
<td>9.6</td>
<td>6.8</td>
</tr>
</tbody>
</table>

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of household surveys conducted in the respective countries.

Figure 5: Incidence of Poverty among Employed Population, National Total, and Rural and Urban Areas

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Source: CEPAL 2008
While there has been a steady decline in the working poor since 1990, and the averages for Brazil are below the Latin American average, the working poor remained a significant portion of the labour force in 2006. Indeed, nearly a quarter of the labour force in Brazil still lives below the poverty line, and this is as high as 40 percent among the rural labour force\textsuperscript{291}. Moreover, the employed population living below the indigence line in rural areas is significant at over 15 percent.

While increases in the overall employment rate have helped the working poor increase their incomes, it is not clear that this reflects a growing capacity within the economy to create better quality employment. It is likely that at least a portion of the increases in the employment rate, and thus the decreased indigence and poverty levels among the labour force, was a result of several factors, including declining fertility rates which tended to reduce average family size, in turn reducing the number of dependents per worker, and increased employment rates among women, which increased the average number of employed persons per household\textsuperscript{292}. Thus, as it stands, it cannot be said that the operation of the Brazilian labour market allows broad segments of workers to improve their well-being to the point of pulling themselves above the poverty and indigence lines.

4.3.4 Vulnerable Workers.

The final indicator of the Brazilian economy’s capacity to provide decent work to be examined is the proportion of vulnerable workers, defined as self-employed, or own-account, workers and unpaid family workers. These measures are taken to reflect access

\textsuperscript{291} Ibid.
\textsuperscript{292} Ibid.
to social protection through employment, which is a key component of the concept of decent work. To the extent that that poverty exists because of the lack of safety nets offered to the poor, particularly in times of economic crisis or reduced labour demand, the link between access to social protection and diminished poverty is clear. As table 14 below shows, own-account/self-employed workers and family workers account for an average of over 30 percent of the labour force in Brazil; however, these averages conceal vast disparities between the urban and rural labour forces, where the percentage of vulnerable workers can be as high as 50 percent in the latter.\(^{293}\)

### Table 14: Latin America: Vulnerable Workers (Own-Account and Family Workers), National Total (Percentages)

<table>
<thead>
<tr>
<th>Country</th>
<th>Both sexes</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Around:</td>
<td>Women:</td>
<td></td>
<td>Men:</td>
<td></td>
<td>Young people</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Argentina a</td>
<td>25.6</td>
<td>22.3</td>
<td>19.3</td>
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<td>16.7</td>
<td>24.8</td>
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<td>15.9</td>
<td>15.0</td>
<td>10.3</td>
</tr>
<tr>
<td>Bolivia b</td>
<td>43.7</td>
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<td>43.0</td>
<td>54.1</td>
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<tr>
<td>Costa Rica</td>
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<td>35.9</td>
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<td>27.2</td>
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<td>19.5</td>
<td>16.8</td>
</tr>
<tr>
<td>Venezuela (Bol. Rep. of)</td>
<td>25.7</td>
<td>39.3</td>
<td>37.0</td>
<td>22.1</td>
<td>42.2</td>
<td>37.6</td>
<td>27.4</td>
<td>37.5</td>
<td>36.6</td>
<td>19.2</td>
<td>33.9</td>
<td>29.5</td>
</tr>
<tr>
<td>Latin America</td>
<td>33.0</td>
<td>35.0</td>
<td>33.7</td>
<td>34.1</td>
<td>37.0</td>
<td>35.9</td>
<td>32.5</td>
<td>33.6</td>
<td>32.1</td>
<td>25.7</td>
<td>27.2</td>
<td>25.4</td>
</tr>
</tbody>
</table>

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of household surveys conducted in the respective countries.

\(^{293}\) Source: CEPAL 2008

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\(^{293}\) Ibid.
In addition to rural workers, young people are more likely to be categorized as vulnerable workers, as many enter the labour force in low productivity sectors, in low paying jobs, with precarious working conditions and little access to social protection systems\textsuperscript{294}. This, of course, can be at least partially explained by their lack of experience and lower level of qualifications; however, it also has a significant impact on the ability of CCT programs, such as the BFP, to impact poverty levels through better labour market outcomes, at least in the short-term.

4.4 CONCLUSIONS.

To the extent that labour markets create jobs, increase real wages and productivity, and provide access to systems for social protection, they provide a key mechanism through which economic growth can be translated into poverty reduction. Brazil’s Bolsa Família program, as well as various other CCT programs, is predicated on this linkage between labour markets and poverty reduction. One of the program’s two stated goals is to reduce long-term poverty through increased human capital accumulation, which implies better labour market opportunities for those for its beneficiaries, who are generally expected to attain at least some secondary education.

This chapter has examined Brazilian labour market trends and economic conditions in order to assess the availability of labour market opportunities for these semi-skilled, secondary educated workers. Given that the majority of the beneficiaries of the Bolsa Família program will fall within this category of worker, this chapter assessed the opportunities provided within the labour market to improve their long-term well being through income generation sufficient to pull themselves out of poverty. The macro-level

\textsuperscript{294} Ibid.
analysis of both trends in demand and returns to labour, high levels of labour market segmentation, and insufficient availability of quality (or decent) work suggests that these workers will face much difficulty in securing employment that will enable them to improve their incomes and well-being to the point of breaking the intergenerational transmission of poverty. Thus, given the labour market conditions and trends presented in the data analysis in this chapter, it appears unlikely that beneficiaries of the BFP will be able to obtain the desired labour market outcomes to meet the program’s goals. Given these findings, the following chapter will examine the micro-level of individual beneficiaries’ labour market experiences to determine the extent to which they match this macro-level view of the Brazilian labour market.
5: LABOUR MARKET OUTCOMES AMONG BOLSA FAMÍLIA PROGRAM BENEFICIARIES

5.1 FIELD RESEARCH.

The previous chapters have outlined the structure and parameters of the Bolsa Família program (chapter 2); established the links between poverty reduction, education (or human capital accumulation), and labour markets (chapter 3); and examined the economic and labour market conditions that BFP beneficiaries face upon leaving the program (chapter 4).

The previous chapters’ macro-level data analysis suggested that, despite the Bolsa Família Program’s explicit goal of achieving long-term poverty reduction through human capital accumulation, trends in demand and returns to labour, high levels of market segmentation, and insufficient availability of quality, or “decent” work all contribute to a lack of labour market opportunities for both low-skill and semi-skilled workers. Indeed, the demand structures for labour appear to have shifted to heavily favour high skilled labour; yet, there appear to be bottlenecks in the education system that have prevented the progression of much of the labour force into higher education; that is, beyond secondary education. At the same time, declining demand for low- to medium-skilled labour has made this section of the labour market highly competitive and poorly remunerated. This has resulted in a situation in which there is a large number of jobs available to a small proportion of the population (i.e. highly educated/skilled workers) while the majority of
the labour force (i.e. those with primary and secondary education) compete for a declining number and quality of jobs.

This chapter will explore individual experiences in the labour market among both beneficiaries of the BFP and non-beneficiaries in two poor communities, or favelas, in the city of Rio de Janeiro. Data from field research in the communities of Prazeres and Julio Ontoni were collected through extended interviews, with both structured and unstructured components, among individuals both participating in the BFP program (referred to as “beneficiaries”) and individuals never having been enrolled in the program (referred to as “non-beneficiaries”). Interviewees were selected through both snowball techniques and referral from the community centres’ staff. The principal finding that became overwhelmingly clear though the field research was that the Bolsa Família program is in fact not successfully bridging the gap between beneficiaries’ education and their labour market outcomes in order to impact income generation and in turn poverty levels. Given the insufficient quantity and quality of labour market opportunities outlined in the previous chapter, it is unsurprising individuals’ experiences also reflected this. Indeed, the primary obstacles to improved income and employment appeared to be insufficient quantity and quality of jobs as well as insufficient quantity and quality of education in the public sector to enable beneficiaries to alter their labour market trajectories. Ultimately, this suggests that the BFP faces much larger problems than increasing educational attainment among the poor to reducing long-term poverty.

5.2 EDUCATION.

The study first attempted to establish educational attainment levels among both beneficiary and non-beneficiary populations in order to confirm the existence of a large
population of semi-skilled, secondary educated (referred to in Brazil as ensino medio) workers. The data clearly show a substantial bulge in educational attainment at 8 to 10 years, as shown in figure 6 below, regardless of participation in the BFP.

Figure 6: Educational Attainment

This is consistent with the production of a large number of semi-skilled workers, not only among BFP beneficiaries but also non-beneficiaries, suggesting that widespread improvements in access to education have resulted not only from the Bolsa Família program itself but also from widespread improvements in access to education more generally. At the same time, the data clearly show a bottleneck in progression to higher education, with only 13% of beneficiaries and 8% of non-beneficiaries completing more than 10 years of schooling. Clearly the bulk of the poor fall into the semi-skilled, secondary educated category of workers. Thus, both beneficiaries of the BFP (and non-beneficiaries) are being educated to a level at which the labour market is already saturated in terms of the demand for their particular skill level. In turn, they must either
accept employment that does not require their level of education, that is, to accept lower returns to their level of education than would be expected, or remain unemployed.

There appeared to be a clear understanding of the lack of labour market opportunities that exist for semi-skilled workers among most respondents. Most expressed a desire to further their education, but there was general consensus among both beneficiaries and non-beneficiaries that significant barriers prevented them from doing so, namely the poor quality of public primary and secondary education which prevented them from passing the *vestibular*, that is, the entrance exams to public university. Some respondents reported taking the vestibular multiple times but being unable to pass the exams without private tutoring, something that was financially unfeasible. The data on the quality of schooling among both beneficiaries and non-beneficiaries illustrate the poor quality of public education in Brazil and the obstacles it would pose for the poor in achieving any level of higher education beyond secondary, or ensino medio. Figures 7 and 8 below illustrate the poor quality of schooling at both the primary (ensino fundamental) and secondary (ensino medio) levels, proxied by the average class size. Data collected on the average number of hours per instructional day, as a proxy for educational quality, also showed poor results, with 100% of respondents reporting that they attended classes for 1 to 4 hours per school day, at both the primary and secondary levels.
Figure 7: Quality of Education - Ensino Fundamental (Number of Students per Class)

Figure 8: Quality of Education - Ensino Medio (Number of Students per Class)

Figure 9 shows the average number of grade levels repeated by beneficiaries and non-beneficiaries, which also speaks to the poor quality of the public education system.
The high levels of grade repetition among all respondents, a majority of whom repeated more than three grade levels, also suggest significant delays in transitioning from education into the labour market, in turn delaying beneficiaries’ (and non-beneficiaries’) ability to generate income to improve their well-being.

5.3 INCOME.

Patterns of income generation among beneficiary and non-beneficiary households also reveal an inability to generate sufficient income and to change labour market trajectories in order to break the cycle of poverty. Although beneficiaries reported average lower monthly household incomes than non-beneficiaries, they also more often reported increases in household income than non-beneficiaries, implying greater income stability and potential for upward mobility. Figures 10 and 11 depict both the distribution of household income among respondent households as well as fluctuations in income over the past five years.
While this would seem to be a positive trend, the data show that the gains made in household income among beneficiaries are rarely a result of labour mobility or better labour market outcomes. Rather, at 83 percent, the vast majority of beneficiaries reported that the cause of these income gains were either increased labour market participation
among other household members (50%) or the benefits received through the Bolsa Família program (33%).

**Figure 12: Reasons for Income Increases**

![Bar chart showing reasons for income increases for beneficiaries and non-beneficiaries.](image)

The majority of beneficiaries (60%) and all non-beneficiaries reported either no change or a decline in household income. Moreover, a lack of employment was the major reason cited fairly equally by both beneficiaries and non-beneficiaries (at 57 percent and 55 percent, respectively) as the cause of declines in household income, followed by an involuntary reduction in work hours (29 percent and 27 percent, respectively) (see figure 13 below). This, in combination with the lack of increases in income due to changes in labour market trajectories, would suggest a lack of labour market opportunities in general, confirmed by the fact that all respondents reported actively seeking work, with the exception of one non-beneficiary respondent. Thus, whatever limited labour market opportunities that do exist for beneficiaries, they appear
to be insufficient to impact income and therefore have a long-term impact on poverty among BFP beneficiaries.

Figure 13: Reasons for Income Declines

5.4 EMPLOYMENT.

Trends in employment among both beneficiaries and non-beneficiaries point to both a general lack of labour market opportunities as well as a lack of available ‘decent work’, as defined and measured by the ILO and UN and discussed in the previous chapter. The majority of both beneficiaries (60%) and non-beneficiaries (75%) report currently being either unemployed or self-employed, which, in the case of this study, refers to casual, part-time work from home, as a coping mechanism for unemployment. It is important to note that all respondents categorized as self-employed considered themselves to be unemployed.
Despite high unemployment rates, BFP beneficiaries had slightly higher employment rates than non-beneficiaries and on average spent less time overall unemployed. The majority of BFP beneficiaries were unemployed for less than 10 months over the past 5 years, compared to a majority of non-beneficiaries reporting to have been unemployed for over 10 months out of the past 5 years.
On the other hand, among those categorized as unemployed at the time of the study, the duration of unemployment tended to be longer among beneficiaries than non-beneficiaries. Indeed, the majority of unemployed non-beneficiaries were unemployed for 7 to 9 months, compared to a majority of unemployed beneficiaries being unemployed for over 1 year.

Figure 16: Duration of Unemployment (Time since last employment among unemployed)

Similarly, employment stability seemed to favour non-beneficiaries relative to beneficiaries. On average non-beneficiaries tended to have held fewer than 3 different jobs over the past 5 years, compared to between 2 and 7 jobs among beneficiaries.

Table 15: Employment Stability (Number of jobs held over past 5 years)

<table>
<thead>
<tr>
<th></th>
<th>0-1 job</th>
<th>2-3 jobs</th>
<th>4-5 jobs</th>
<th>6-7 jobs</th>
<th>8-9 jobs</th>
<th>10 or more jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beneficiaries</strong></td>
<td>0%</td>
<td>60%</td>
<td>27%</td>
<td>13%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Non-Beneficiaries</strong></td>
<td>42%</td>
<td>58%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>
If a principal requirement of the success of the BFP is that increased education among beneficiaries (that is, the bulge in those with 8 to 10 years schooling discussed in previous sections) can be effectively deployed in the labour market, perhaps one of the most telling findings of this study is that the majority of beneficiaries (60%) reported having never work in a job that required their level of education over the past 5 years, while 80% had spent either no time or less than 6 months in a job that required their skill level.

**Figure 17: Employment & Education** *(Total time spent in a job that required respondent's level of education)*

On the other hand, rates were even higher among non-beneficiaries, with 92% never having worked in a job that required their level of education/skill within the past 5 years, suggesting that the Bolsa Família program may in fact be aiding beneficiaries in obtaining better labour market outcomes through increased educational attainment (or, human capital accumulation), but there substantial barriers to accessing such
employment, namely the poor quality of education received in the public education system, as well as an insufficient quantity of available quality jobs.

As discussed in the previous chapter, another important measure of the availability of decent work is sector of employment. Given that the informal sector is highly correlated with poor working conditions, lower remuneration, and lack of social protection, it is a key indicator of the quality of work (or, decent work). While the majority of both beneficiaries and non-beneficiaries report having worked in both the formal and informal sectors, the majority of non-beneficiary (92%) and all beneficiary respondents reported having worked predominantly in the informal sector, with over three quarters currently or most recently employed in the informal sector.

Figure 18: Sector of Employment (Current/Most recent)
This not only has implications for income, which, ceteris paribus, tends to be lower in the informal sector and is consistent with the finding that non-beneficiaries have both higher incomes and higher rates of formal employment than beneficiaries, but also for labour productivity and for access to social protection. Given that increased income generation and access to social protection are key to alleviating poverty, especially in the long-term to protect against adverse income shocks, high rates of informality among beneficiaries suggests a low capacity for long-term poverty alleviation through the BFP.

**5.5 SOCIAL PROTECTION.**

Consistent with high levels of informality among both beneficiaries and non-beneficiaries, the majority of both groups reported no access to social protection systems through their current or most recent employment. Although rates of access were higher among non-beneficiaries, this parallels their higher levels of formality.
The lack of access to social protection systems is suggestive of a lack of decent work that would allow beneficiaries of the BFP to pull themselves out of poverty. As outlined in the previous chapter, a key indicator of the availability of decent work in an economy is the rate of vulnerable workers, defined as those who lack access to systems of social protection and, often correlated, those who work in the informal sector. Clearly the rate of vulnerability among Bolsa Família beneficiaries remains high and is in turn likely to restrict their ability to change their long-term income generation capacity. Moreover, where it may be possible for beneficiaries to pull themselves out of poverty, it may not be sustainable over the long-term as beneficiaries would remain vulnerable to adverse income shocks unless they were able to increase incomes enough to ensure sufficient savings levels to cushion these shocks. Ultimately, the data presented here on income levels and employment trends do not support the notion that attaining such savings levels would be feasible.
Where respondents did have access to social protection, it was limited to unemployment insurance that was described by respondents as lasting only 3 to 6 months, after which time they no longer had access to any benefits. Moreover, access to such protection was about 12 percent higher among non-beneficiaries, highlighting again the continuing vulnerability to long-term poverty among beneficiaries and their inability to access decent work.

**Figure 21: Access by Type of Social Protection (in current/most recent job)**

![Figure 21: Access by Type of Social Protection (in current/most recent job)](image)

### 5.6 INTERGENERATIONAL TRENDS.

In an effort to gain a better understanding of the trends established through the data presented here, and their implications for long-terms trends in labour market outcomes, the study also investigated the educational, income, employment and social protection trends among respondents’ parents or guardians when respondents were children, aged between 6 and 15 years. The findings clearly show the positive impact of
both the Bolsa Família program and broader expansions to access to the educational system on educational attainment among both beneficiaries and non-beneficiaries. Average educational attainment has shifted from 0 to 4 years among respondents’ parents/guardians, to an average of 8 to 10 years among respondents.

Figure 22: Educational Attainment (Among primary income earners when respondents were aged 6-15 years)

Although improved, the trends in average monthly household income between respondents’ parents/guardians and respondents themselves have not been so dramatic. This indicates that, despite dramatic improvements to educational levels, the returns to such education have diminished over time, leaving beneficiaries (and non-beneficiaries) with relatively less capacity for upward labour and income mobility than their parents.
Similarly, the findings show a dramatic decrease in the formality of employment and a concomitant decrease in access to social protection systems between respondents’ parents/guardians and respondents themselves, despite much lower levels of educational attainment and slightly lower income levels among the former.

Figure 23: Average Monthly Household Income (when respondents were aged 6-15 years)

Figure 24: Sector of Employment (Among primary income earners when respondents were aged 6-15 years)
This is, of course, consistent with the surge in informality in labour markets in Brazil and across Latin America since the 1980s, and highlights the expanded vulnerability among the labour force in Brazil. Such high levels of vulnerability are difficult, if not impossible, to reconcile with effective long-term poverty reduction.

**Figure 25: Access to Social Protection (Among primary income earners when respondents were aged 6-15 years)**

Overall, the data suggest that both employment conditions and opportunities for increased income generation have declined over time despite increases in average educational attainment among the population as a whole, leaving BFP beneficiaries ill-positioned to change their labour market trajectories to impact long-term poverty.

### 5.7 CONCLUSIONS AND IMPLICATIONS.

In sum, both the macro-level data analysis as well as the micro-level ethnographic field research indicate an overall poor labour market environment for beneficiaries and non-beneficiaries alike. Despite considerable improvements to educational attainment among the poor, at least partially as a result of the Bolsa Familia program, these
educational gains have not been successfully translated into improved labour market opportunities and outcomes, and in turn improved income generation among beneficiaries. Indeed, the micro-level data show that in many cases beneficiaries faced worse labour market conditions, including higher levels of informality, and lower access to social protection systems, than non-beneficiaries. Where beneficiaries appeared to have made gains over non-beneficiaries, such as lower rates of unemployment and positive income fluctuations, these initial results masked enduring problems. For example, in the case of income fluctuations, the vast majority of increases in household income were a result of either increased labour market participation by other household members, or benefits received from the BFP, neither of which indicates increased labour market opportunities.

On the other hand, the findings presented here did indicate potentially positive results for BFP beneficiaries in terms of their ability to use their education and skill level in the labour market. Though only a small percentage of BFP beneficiaries (20%) had worked in a job that required their level of education for longer than 6 months over the past 5 years, this was considerably higher than among non-beneficiaries. To the extent that the rate of job acquisition at beneficiaries’ skill level could be enhanced, the Bolsa Família program would be well positioned to effect long-term improvements to poverty; however, as it stands, there appear to be substantial obstacles to beneficiaries’ access to a very limited pool of jobs, which ultimately offer poor remuneration given the over-supply of workers at this skill level and high demand. In sum, the Bolsa Família program, while successfully achieving its goal of increased human capital accumulation among the poor, has yet to effectively translate such gains into better labour market trajectories among
beneficiaries in order to achieve its stated goal of long-term poverty alleviation, beyond participation in the program itself.

It is important to note, however, that these results should in no way be taken to discount the value of the Bolsa Família program, or the successes it has already achieved. As discussed in the second chapter, the BFP has seen considerable successes in terms of alleviating poverty in the short-term as well as dramatically increasing educational attendance and attainment. These are important gains and necessary initial steps towards improving long-term income generation among the poor through improved labour market outcomes. The findings presented here merely highlight the next step that will need to be addressed in the program in order to translate these short-term gains into long-term improvements for the poor.

While it would be premature to attempt to provide comprehensive policy recommendations for government based on the data presented here, given the small scale of the study, several implications are worth noting. First, this study highlights the centrality of labour markets to long-term poverty reduction. Indeed, without changed labour market trajectories and better capacity to generate income, the poor can hardly expect to see long-term welfare gains. Though many CCT and other anti-poverty programs acknowledge the importance of education to improved earnings capacity, there is often a lack of explicit policies and programs to make the link from better education to better jobs. This is precisely the problem highlighted with the BFP. In the case of Brazil, there is clearly a need both to encourage better labour market opportunities among semi-skilled workers as well as a need to alleviate bottlenecks in the education system to entering higher education and additional vocational training and specialization among the
poor. Although there are indications that the Brazilian government is aware of the need to bridge the education-labour market gap with the introduction of such programs as PLANSEQ, which offers vocational training to BFP beneficiaries in either tourism or construction, there are major limitations in the program design. Namely, participation in the program is limited to one person per BFP household, despite the fact that households can enroll up to three children in the Bolsa Família program. This evidently seems to defeat the purpose of the PLANSEQ program and was cited by various respondents as problematic. Moreover, the current public university system that provides the rich with government subsidized higher education at the expense of the poor is undoubtedly hugely problematic with respect to educational bottlenecks and will need to be addressed if they are to be resolved.

Related to this last point, this study also emphasizes the issue of the poor quality of public education in Brazil and the obstacles it creates for the poor in improving their long-term welfare. Virtually all respondents expressed a clear desire to further their education and to use their education effectively within the labour market, but were of the opinion that the poor quality of their public education prevented them from doing either. There is a clear need to address the substantial disparities between the public and private education systems in Brazil if the inequality gaps that have generated high levels and persistence of poverty are to be closed. This will likely involve a concerted effort to invest much more heavily in primary and secondary public education over tertiary education and to re-create a stake in the public education system among the middle and upper classes.
Given the scope of this study, as well as the timeframe, and the difficulties in working in communities that are normally fairly closed to outsiders, the sample size was necessarily small and the selection of study participants was conditional on their willingness and availability to participate, as well as their referral from either community centre staff or other study participants. As such, there are necessarily considerable limitations to the data presented here, and the reproduction of these results on a much larger scale would be required to make more definitive conclusions as well as decisive policy recommendations. Nevertheless, given the paucity of data on this subject, as well as the research question’s centrality to the long-term success of the Bolsa Família program, this study provides some valuable initial findings and insights into possible trends and problems for BFP beneficiaries upon completing the program. Further study of labour market trajectories among BFP beneficiaries on a larger scale could serve to inform the future shape of the Bolsa Familia program as it attempts to bridge the gap between education and labour markets in order to impact long-term poverty reduction.

The findings here are not only of interest to the Brazilian case, but also provide a useful point of departure for both similar investigations and pre-emptive policy responses in other Latin American countries that have implemented conditional cash transfer programs. Given Brazil’s relatively stronger economic and labour market conditions compared to many other Latin American countries (save in many cases, the other Southern Cone countries, Costa Rica, and Panama), it appears to be better off in terms of its ability to provide improved labour market opportunities for beneficiaries of its CCT program. Despite this, this study has shown that there is in fact a substantial disconnect between increasing beneficiaries’ educational attainment and translating those
achievements into better labour market outcomes and improved long-term welfare. If these problems remain in Brazil, despite relatively better economic and labour market conditions, the ability of poorer Latin American countries to bridge the education-labour market gap is likely far less than in Brazil. Indeed, if Brazil has struggled to translate short-term gains from the BFP into long-term reductions in poverty, it is unlikely that a much smaller and poorer country, with less institutional and financial capacity to address this problem, has been successful in doing so. Ultimately, however, this gap in the education-labour market-poverty nexus must be addressed, both in Brazil and other Latin American countries, in order to effect the desired impact on long-term poverty and to achieve CCT programs’ stated short-term and long-term goals.
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