

Programa Bolsa Família and the Recent Decline in Regional Income Inequality in Brazil

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There is seemingly no doubt that the Programa Bolsa Família (PBF) has contributed significantly to reducing income inequality among Brazilians during the last decade (Soares, 2012). A product of a timely correlation between the nature of the programme and the nature of regional income disparities in Brazil, the PBF's distributional impacts have an important spatial dimension that has not been explored in depth in the existing literature about the programme.

In terms of public policy design, the PBF, by promoting universal access to basic education, for example, constitutes a **spatially blind** type of public policy, as its focus is defined by the social standing of individuals, without any reference to their territorial or regional location. In this sense, it is quite distinct from traditional political policies focused on attracting productive (and, generally, industrial) investments to the poorest regions, such as in the use of Constitutional Funds for regional development (FNE for the North-East, FNO for the North and FCO for the Centre-West regions) or policies for directing credit with spatial conditionalities, as in the case of Banco do Nordeste's CrediAmigo microcredit programme.

Regional income disparity in Brazil is characterised by the fact that poorer states are geographically clustered in the north-east and north of the country and have high numbers of people living in poverty and extreme poverty: these are poor neighbouring states with many poor inhabitants. For example, in the specific case of Maranhão (the poorest state in the country), in 2006, 39.5 per cent of the population had a per capita household income lower than the PBF's upper limit at the time, of R\$100, while in São Paulo, in that same year, the proportion was only 5.8 per cent. In such a situation, public policies that focus on the poorest people ultimately have a stronger relative impact on the incomes of the poorest states.

This is exactly the case of the PBF. The table illustrates this point clearly: the traditional Gini index is used as an indicator of inequality in the per capita income distribution among the states. With a share of only 0.5 per cent of the total income (average for 1995 and 2006), the numbers in the second column indicate that the PBF accounted for almost 15 per cent of the reduction in regional income inequality in Brazil between 1995 and 2006, of about 12.2 per cent.

Impact of the Programa Bolsa Família on Regional Income Inequality among Units of the Federation 1995–2006 (%)

	Share of total income (average 1995–2006)	Contribution to reducing regional inequality	Elasticities of regional inequality in relation to income sources
Labour income	80.22	76.00	0.036
Retirement and other pensions	15.71	-5.4	-0.011
Capital or property income	3.25	0.7	0.003
Programa <i>Bolsa Família</i>	0.50	14.8	-0.020
Continued Cash Benefit (BPC)*	0.34	8.9	-0.012

Note: * BPC is a benefit for elderly people or persons with disabilities living in extreme poverty.

Source: Silveira Neto and Azzoni (2012). During this period, there was a 12.2 per cent reduction in the Gini index (from 0.2214 to 0.1942).

Other sources of non-labour income sometimes account for a greater share of the total (e.g. retirement and other persons) but contribute far less towards mitigating regional inequality in Brazil.

Finally, the table's third column shows the measures (elasticities) that inform us about the percentage impact on inequality triggered by a 1 per cent variation in each income source. In the case of the PBF, a 1 per cent increase in programme funding was associated with a 0.02 per cent reduction in regional inequality (as measured by the Gini index). No other non-labour income boasts a greater distributional impact, and all other variations entail much higher costs.

Finally, the evidence presented in the table leaves very little doubt as to the role of labour income in the evolution of regional income inequality in Brazil. With the PBF's extension threshold about to be reached (there are progressively fewer eligible individuals still excluded), it is likely that the importance of labour income will continue to rise. Also increasingly important are policies that allow for a better insertion of the poorest people into the labour market (e.g. by improving public education).

References:

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