

A universal child grant in Brazil: what must we do, and what can we expect from it?

Sergei Suarez Dillon Soares, Graziela Ansiliero, Aline Diniz Amaral, Pedro H. G. Ferreira de Souza and Luis Henrique Paiva, Institute for Applied Economic Research Ipea

The idea of a universal child grant has considerable support. Since as far back as the 1942 Beveridge Report, a cash transfer to all children has been considered part of a global strategy for overcoming poverty and reducing inequality. They are widespread among wealthy nations, and 17 of the 28 countries in the European Union (60 per cent) have universal child grants (SSA-ISSA 2016). Notable exceptions are the Mediterranean countries such as Greece, Italy, Portugal and Spain, which retain the logic of social security for children of formal workers and social assistance (usually less generous) for the children of poor people.

Universal child grants are not as common among middle-income and poor countries. The most inspiring case is Argentina, which created the *Asignación Universal por Hijo* (AUH) to provide child grants to all children not yet covered by other systems.

In Brazil, families can count on three monetary benefits for children. These are the variable benefits for children and adolescents linked to *Bolsa Família*, *Salário Família*, and the income tax deduction for dependent children. If thought of as a system, it does not work well. The values paid out vary from BRL52.14 to the richest children to close to zero to children of income tax recipients paying little income tax after deductions. The highest values are paid to the wealthiest families. Furthermore, the income tax deduction and *Salário Família* are hidden in other policies and as such are unlikely to affect behaviour. There about 2 million children receiving more than one benefit, and, most disturbing of all, 17 million children receiving nothing. Not a cent. Half of these forgotten children and youth are found in the lower third of the income distribution, and only 10 per cent in the upper third. If taken as a whole, Brazilian social protection for children is simply indefensible.

Fortunately, for the children, it is easy to make it much better. The Brazilian Institute of Geography and Statistics (Instituto Brasileiro de Geografia e Estatística—IBGE) estimates the number of children

aged 0–17 in Brazil at 54.5 million. This means that a universal grant equal to the *Bolsa Família* child benefit (BRL41 per month) would cost about BRL26.6 billion per year. The present system costs about BRL19.1 billion per year—about BRL7.5 billion less. This is a relatively small sum as a percentage of public expenditures.

How would it work? All families with children would be included in the Single Registry (the registry currently used for *Bolsa Família* benefits) and would be paid according to *Bolsa Família* rules through a specific bank card. All existing programmes would be discontinued, and their budgets transferred to the universal child grant. All families in the Single Registry—the poorest children in Brazil—would automatically receive a card, and the remainder would be incorporated into the programme as the BRL7.5 billion additional funding needed for universality became available. This would, of course, depend on economic growth, but we estimate that a gradual four-year implementation period would allow for an experimental evaluation of the grant's impact and accommodate the difficult fiscal situation that Brazil currently faces.

A look at where families with children fall on the income distribution shows that a universal child grant would be the second most progressive transfer out of dozens that exist today in Brazil. Only the highly targeted *Bolsa Família* would be more pro-poor. Most of the new beneficiaries (i.e. those not currently covered) are poor and vulnerable children in the lower half of the income distribution. A universal child grant for Brazil is a no-brainer.

References:

- Soares, S. S. D., G. Ansiliero, A. D. Amaral, P. H. G. F. de Souza, and L. H. Paiva. 2019. "A universal child grant in Brazil: what must we do, and what can we expect from it?" *Working Paper* 181. Brasília: International Policy Centre for Inclusive Growth.
- SAA-ISSA. 2016. *Social Security Programmes Throughout The World—Europe 2016*. Geneva: Social Security Administration-International Social Security Association.