WORKING PAPER

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

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A UNIVERSAL CHILD GRANT IN BRAZIL: WHAT MUST WE DO, AND WHAT CAN WE EXPECT FROM IT?

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1 INTRODUCTION

The objective of this paper is to propose a universal child grant for Brazil. We will discuss the rationality behind the proposal, how best to design it, its initial operational set-up, its costs, and some of its distributive aspects. The proposed allowance is based on the unification of the three child allowances that currently exist in the country.

A universal child allowance is nothing more than one more step on the path towards rationalising social protection. In 2003, *Bolsa Família* was created from the unification of four pre-existing income transfer programmes: *Bolsa Escola*, *Bolsa Alimentação*, *Cartão Alimentação* and *Auxílio Gás*, as well as the Programme for the Eradication of Child Labour, although this last one still retains its legal and administrative identity today.[2] This unification and the subsequent administrative and management innovations linked to *Bolsa Família* resulted in an integrated system of benefits operating within the same registry, the same definitions of what constitutes a household and of what is considered income, the same eligibility thresholds, and coherent benefits. These benefits all operate under the umbrella of the Single Social Assistance System (*Sistema Único de Assistência Social*—SUAS).[3] The importance of *Bolsa Família* for non-contributory social protection in Brazil has been amply documented,[4] and its positive impacts would never have happened had the previous programmes continued to co-exist in an uncoordinated and fragmented manner.

However, 15 years after the creation of *Bolsa Família*, the need for greater rationality in social protection has once again become clear, particularly regarding benefits for children. There are still three different child allowances in Brazil: the child benefit associated with *Bolsa Família* itself, the formal labour market *Salário Família* (Family Wage) and the child deduction

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2. The transfer for the Child Labour Eradication Programme, however, is managed together with the *Bolsa Família* transfer.

3. A detailed account of the initial years of *Bolsa Família* can be found in Cotta and Paiva (2010).

4. *Bolsa Família* is perhaps the most evaluated programme in Brazil, and the results are overwhelmingly positive. It is the most progressive transfer in Brazil (Neri and Souza 2012), whose impacts on poverty and inequality (Soares et al. 2010; Hoffmann 2013), on educational attainment (Oliveira and Soares 2013) and on health (Proença et al. 2018) have all been extensively evaluated.

in personal income taxes. Each of these transfers is based on different income criteria, pays different benefits for the same underlying trigger event, uses different definitions of what constitutes a family, and uses its own management and information system (or lack thereof). The 'system' created by these benefits suffers from significant coverage gaps, allows duplication of benefits, and pays higher benefits to less needy children. Numerous parallels can be drawn between today's situation and the situation immediately before the unification of the previous conditional cash transfer programmes into *Bolsa Família*.

This paper is organised as follows. Section 2 discusses why a universal child grant makes sense and looks at a few countries in which such a grant has been put in place. Section 3 details the three programmes that pay benefits to children today, and their coverage is analysed in Section 4. Section 5 sets out our proposal for their unification, and their distributive aspects are discussed in Section 6. Section 7 offers a conclusion.

2 WHY SHOULD THE STATE PAY CASH TO FAMILIES FOR THEIR CHILDREN?

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.

According to Atkinson (2015), a universal child grant would avoid the twin failures of means-targeted benefits: potential adverse incentive effects due to high marginal rates of implicit taxation,[5] and low take-up rates due to stigma or shame associated with benefits only for poor households.[6] Other authors emphasise that benefits only for poor people will lead to weak coalitions for their defence. Universal benefits, on the other hand, may lead to coalitions between classes, with politically influential middle classes defending the interests of poor people while defending their own. Hopefully, coalitions such as this will lead to deeper and longer-lasting effects on poverty and inequality (Korpi and Palme 1998). For this same reason, universal benefits would be more resistant during fiscal hard times, which is something fundamental to guarantee lasting effects of social protection (UNICEF 2012). Finally, there is something to be said in favour of a policy that treats all citizens of a country the same, regardless of origin or income.

According to this view, means-targeted transfers are undoubtedly better than nothing, but they are, nevertheless, an imperfect strategy against child poverty and deprivation as compared to a universal grant, which would allow higher take-up rates and would be more generous and resilient to economic downturns.

A second argument is that while universal benefits are not necessarily progressive, a universal allowance for children would be highly progressive. The high incidence of child poverty in Brazil and in many other countries almost ensures that any transfer for children also becomes a transfer for poor people. In Brazil, for example, child poverty rates among children aged 0–15 are twice the national average. Even more dramatic is that they are eight times higher than poverty among those aged 65 or more (Paiva 2016). Precisely because it would reach a population highly susceptible to poverty, a universal grant for children aged 0–18 would be the second most progressive benefit in the Brazilian social protection portfolio. According to Souza and Soares (2011), only the highly targeted *Bolsa Família* is more progressive (i.e. has a more negative concentration coefficient)[7] than the distribution of children in Brazil.

For this benefit to become even more progressive, it could and should be taxed as income. According to the scheme proposed by Atkinson (2015), this would give the children of poor people a higher net allowance than the children of rich people.

A third argument in favour of a universal grant is that means-tested benefits often have large coverage gaps among poor households (Mattos and Ponczek 2009). There are at least two possible reasons for this. Although the literature is far from unanimous, many argue that these benefits are stigmatising (for example, Sunesson et al. 1998; Mkandwire 2005), which leads to low take-up rates.

Another reason for low coverage among poor households is that poverty is both a chronic and a transitory condition. Many poor people, particularly in middle-income countries such as Brazil, suffer from high income volatility (Soares 2009). A large proportion of vulnerable Brazilian families do not live permanently under the poverty line but will often cross it in both directions, mostly because of their precarious participation in the labour market (Leichsenring 2010). This means that there will be a lag in the income registered in *Bolsa Família*'s *Cadastro Único* (Single Registry) and any given family's real income, which leads to nontrivial exclusion errors.[8] An operationally well-designed universal benefit would lead to take-up rates of close to 100 per cent and low exclusion errors for everyone, including poor people.[9]

SOME EXAMPLES OF UNIVERSAL CHILD GRANTS

Universal child grants have become a very common piece of the social protection landscape in developed countries. Different countries such as the UK, France and Sweden—representing examples of social-liberal, conservative and social-democratic welfare States, according to Esping-Andersen (1993)—have all adopted this kind of approach since the mid-20th century, and today it is an indispensable element of their social protection strategies. In some cases, the children of poor people also receive targeted top-ups.

The UK's Child Benefit was implemented right after the Second World War (1945) as part of the Beveridge Plan. It was one of the three strategies against extreme poverty (SSA-ISSA 2016). The Child Benefit is paid to all children up to 20 years old, as long as they are full-time students. In accordance with Beveridgian principles, the Child Benefit is considered taxable income for households that pay income tax. As of April 2016, its value was GBP20.70 per week for the first child and GBP13.70 for all subsequent children. This is 3.1 per cent of the UK's per capita income as reported in its national accounts. In addition to the Child Benefit, poor families in the UK also receive the Child Tax Credit, which is a means-tested benefit whose value varies according to income.

Social protection for families in France dates from the 1930s. The *loi Landry* of 1932, a *décret-loi* from 1938 and the *Code de la Famille et de la Natalité Françaises*, of 1939, established the principles that remain valid today: benefits for all families and roughly proportional to the number of children (Bichot n.d.). The benefit structure is quite complex, with a total of 13 different benefits, some of which are targeted and others universal. The *Allocations Familiales* are an almost universal benefit paid to all families with at least two children aged 20 or less. Families with two children are paid EUR131.16 per month (EUR65.58 per child) to help with the upkeep of their children, families with three children receive EUR299.20 (EUR99.73 per child), and each additional child beyond three receives EUR168.04. Children aged 14 or older receive an additional EUR65.58 top-up. In addition, there are various means-tested transfers such as the *Complément Familial,* which is a EUR171.56 benefit provided to families with three or more children whose

income is less than EUR37,780 per year. The complex nature of the benefit system means that no single modal transfer exists, but if we chose the benefit given to the typical family (EUR65.58 per child), it would be 2.2 per cent of per capita gross domestic product (GDP).

Finally, in Sweden (SSA-ISSA 2016), the first legislation mandating universal child benefits also dates from the immediate post-war period (1947). Parents of all Swedish children aged 16 or less receive SEK1,250 per month for the upkeep of their first child, which amounts to 3.2 per cent of Sweden's per capita GDP. Benefits for additional children are slightly higher. As in other Organisation for Economic Cooperation and Development (OECD) countries, additional means-tested benefits also exist.

While we chose three countries as examples of how universal child grants can be a coherent part of different types of welfare systems—conservative for France, social-democratic for Sweden and liberal for the UK—a full 17 of the 28 countries in the European Union (60 per cent) have universal child grants, according to 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.

While universal child grants are the norm among the social protection systems of developed countries, they are still a rarity among middle-income countries and almost non-existent in poor countries. In Latin America, where social protection has a long history, child benefits have traditionally been restricted to the children of formal workers under social security arrangements (Roca 2011). A revolutionary solution to the exclusion of poor people from social protection was the emergence of targeted cash transfer programmes, particularly conditional cash transfers (CCTs). Beginning in the 1990s, CCTs turned the social protection equation on its head. Instead of justifying a child benefit as a secondary add-on to a contributory system whose *raison d'être* was retirement, most CCTs were explicitly designed as child-centred transfers where benefits to families without children were the secondary add-ons. CCTs spread like wildfire and today are present in all Latin American countries except Venezuela and, increasingly, in other developing nations worldwide.[10] CCTs are an immense success by any measure, but they have not, unfortunately, been granted immunity from the shortcomings mentioned above, such as the exclusion of many poor children.

Even in Brazil and Mexico, countries whose names have become synonymous with successful CCTs, all the problems listed above apply. CCTs are routinely criticised in the political discourse, their value has been kept low, and many poor households receive nothing for their children, due to either income volatility or stigma. Given these conditions, it is perhaps a surprise that the quest for universality in child protection is relatively recent in Latin America.

Argentina is the most inspiring case. The *Asignaciones Familiares Contributivas* (AFC) has been providing benefits since 1968 to all children in families linked to the public- and private-sector contributory systems (Roca 2011). The multiple crises faced by Argentina since the 1980s, however, have clearly shown the limits of contributory social protection, and the *Plan Familias* was created as a response to the 2001-2002 crisis. Despite the AFC, the *Plan Familias* and income tax deductions, one out of every three children in Argentina remained without specific social protection, and these uncovered boys and girls were mostly in the lower half of the income distribution. The solution devised in 2009 was the transformation of the *Plan Familias* into the *Asignación Universal por Hijo* (AUH). The AUH was to include all families not covered by either the AFC or income tax deductions.

How does it work? Despite the objective of universal coverage, the system kept each of its three components intact and working with its own registry and operational parameters. The value of each benefit was harmonised so that social protection for children would pay the same regardless of each family's affiliation. All three registries were made to communicate with each other, to avoid duplication of benefits or coverage gaps, but, ultimately, it was up to the AUH to guarantee that all children were covered (UNICEF 2012; Bertranou and Maurizio 2012).

The AUH led to an increase in coverage of 3.7 million children and teenagers aged 17 or less, in addition to the 6.5 million already covered previously (Roca 2011). It is undoubtedly a success. However, complete universality is still beyond the reach of the system: despite its intentions, only 87 per cent of children were covered. Worse, many of the uncovered households are in the lower part of the income distribution.

The Argentinian experience points with alacrity to a key limitation of public policy: good intentions are not enough. Defining something as a right or establishing a universal system is not enough to achieve universality. Reaching all children is not an easy task—the Argentinian plan was well thought out but nevertheless failed to reach 100 per cent of children. The operational details are crucial and will make all the difference between reaching all children or only most of them. These same nitty gritty details will also make the difference as to who is left uncovered. We will not ignore operational issues in this proposal.

3 A BRIEF REVIEW OF CHILD BENEFITS IN BRAZIL TODAY (2017)

Brazilian families can count on three monetary benefits made exclusively or preferentially 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. Each will now be described in detail.

BOLSA FAMÍLIA BENEFITS

The *Bolsa Família* benefit structure is relatively complex. There are two types of benefit: those linked to the presence of a certain type of individual, paid to families whose per capita income falls below the *Bolsa Família* poverty line (BRL178, or about USD88 purchasing power parity—PPP), and those paid to families in extreme poverty, according to *Bolsa Família* criteria (BRL89, or about USD44 PPP).[11]

There are four benefits linked to individuals, although only two are of interest to us: the BRL41/month child benefit and the BRL48/month adolescent variable benefit. The child benefit is limited to five per family, and the adolescent benefit to two per family. Both are relatively non-binding limits, since few Brazilian families are very large. There are also benefits for pregnant and lactating women, but these do not concern us here.

There is no legal requirement that those who receive the benefits use them for child-related expenditures, although there is considerable evidence that this does in fact occur.

There are two family-wide benefits. The first is the basic benefit, which is a single monthly payment of BRL89 made regardless of family size. The second is the Extraordinary Benefit for Overcoming Extreme Poverty (BSP), which is equal to the poverty gap in relation to the *Bolsa*

Família extreme poverty line. It is a top-up payment designed to ensure that no one remains beneath the extreme poverty line (BRL89). Although these benefits improve the standard of living of all family members, including children, they are not child-specific.

The basic benefit and the BSP are somewhat redundant. The objective of both is to eradicate extreme poverty, and the BSP is probably the best, since it avoids the sharp cut-off at a household income of BRL89 and is also sensitive to family size. If the basic benefit were to be eliminated, all of the ensuing poverty gap would be filled in by the BSP. Nevertheless, some of the basic benefit goes to families whose ex post income is higher than the extreme poverty line; therefore, the elimination of the basic benefit could lead to a degree of savings that could be used for a hypothetical universal child benefit.

TABLE 1
Bolsa Família benefits

Name	Value (BRL)	Eligibility threshold (per capita family income, BRL)	Who is it for?
Child benefit	41	178	Poor children (aged 0–15)
Nursing benefit	41	178	Poor nursing women
Pregnancy benefit	41	178	Poor pregnant women
Adolescent benefit	48	178	Poor youth (aged 16 and 17)
Basic	89	89	Extremely poor families
BSP	poverty gap	89	Extremely poor individuals

Source: Ministério do Desenvolvimento Social <http://mds.gov.br/assuntos/bolsa-familia/o-que-e/beneficios>.

All *Bolsa Família* benefits are conditioned on children attending school and being vaccinated, as well as pregnant women attending pre- and post-natal check-ups. The conditionalities are monitored, and failure to comply leads to progressively tougher sanctions that may lead—after a long time and various visits by social workers—even to the cancellation of the benefit. A universal child benefit would be a right given to all children; therefore, failure to comply with a conditionality could never lead to the cancellation of the benefit. Monitoring conditionalities, however, also implies monitoring the rights of children to health and education. This means that if conditionalities are not met, children's rights are being violated, which should lead to corrective action by the State.

From the operational point of view, *Bolsa Família* is based on the Single Registry for Social Programmes. As shown by Bartholo, Mostafa, and Osorio (2018), the Single Registry has its limitations, but it is, undoubtedly, a tool which hits much more than it misses. This means that *Bolsa Família* has a direct relation with poverty and privation.

SALÁRIO FAMÍLIA

Salário Família is part of social insurance, and thus, contributory. It is part of the *Regime Geral de Previdência Social* (RGPS) and is received by workers in the formal sector as well as families receiving other social security benefits, such as workers on temporary disability pay and all types of retired workers. *Salário Família* is means-tested, but not according to household or family income. Workers with children aged 14 or less whose pay is less than BRL1,319.18 per month are eligible. Both parents are eligible if both fulfil the salary requirements. The value of *Salário Família* is BRL31.71 per month.

Salário Família is paid to employees by their employers. The payments are then deducted from the social security contributions paid by the employer. The law says that education and health conditionalities must be met, but there is no verification whatsoever. The employer is required in theory to keep all records for a period of 10 years, but there is no centralised registry; therefore, nobody knows who really receives *Salário Família*.

TABLE 2
Salário Família benefits

	Value (BRL)	Eligibility (individual wage, BRL)	Who is it for?
Salário Família	31.71	1,319.18 or less	Children (0–14)

Source: Instituto Nacional do Seguro Social—INSS <https://www.inss.gov.br/beneficios/salario-familia/valor-limite-para-direito-ao-salario-familia/>.

As a result of its poor design, *Salário Família* is also poorly targeted. Although it is intended for low-wage workers with children, the deprivation criterion is the value of a parent's pay and not the household income level. More serious is the fact that it is linked exclusively to the formal labour market. Although there are exceptions, those in the formal labour market are in general those in the upper—not lower—parts of the income distribution. These limitations mean that the link between *Salário Família* and poverty is tenuous. A father or mother whose spouse has a high salary will be far from poverty, while a father or mother employed in the informal sector will be more likely to be vulnerable to poverty. In the simulations we ran using the 2017 *Pesquisa Nacional por Amostra de Domicílios Contínua* (PNAD-C) household survey, 23 per cent of children in families receiving *Salário Família* are in the upper half of the income distribution.

INCOME TAX DEDUCTIONS

The last benefit we will examine are the income tax deductions for dependent children. While it is an indirect benefit (a beneficiary pays less income tax than he or she would without the children), it is no less real than the others. The income tax deduction is worth BRL2,275.08 per year (or BRL189.59 per month). The deduction, however, is not from tax paid but from taxable income. This means that to discover how much the Brazilian State pays families for their children, the deduction must be multiplied by the marginal tax rate paid by each individual (see Table 3).

TABLE 3
Implicit benefit of income tax child deductions (BRL)

Tax rate	Tax bracket	Children and youth (aged 0–21 or 0–25)
7.5%	1,903.98	14.22
15.0%	2,826.65	28.44
22.5%	3,751.05	42.66
27.5%	4,664.68	52.14

Source: Secretaria da Receita Federal <http://idg.receita.fazenda.gov.br/acesso-rapido/tributos/irpf-imposto-de-renda-pessoa-fisica>.

Values vary from zero, for taxpayers whose taxable income is less than BRL1,903.98 per month, to BRL52.14 per month for taxable income above BRL4,664.68 per month. The regressivity of the income tax child deduction is apparent with little or no calculation: it is only for those who pay income tax, and greater for those with higher income.

Of the three transfers, the only ones that make it clear to the recipient that a child benefit is being paid are the two *Bolsa Família* benefits. They are paid through a specific bank card printed with the programme logo, and they are not associated with any other factor or event (such as receiving a monthly pay cheque or an income tax rebate). *Salário Família* is more likely than not to be perceived by all but the most acute pay cheque observers as simply part of the month's wages. Although its value is clearly printed on the pay cheque, so are dozens of additional appendages, attachments and deductions required by Brazilian law. The only time the income tax deduction is noticed is when income tax payers make their annual declaration. It takes only a few minutes per year to write the names and identification numbers of children on the electronic income tax form, and the value of the child deduction is not clear to anyone but those familiar with marginal taxation. This means that, except for *Bolsa Família*, the other two methods the Brazilian State uses to provide social protection to children will pass largely unnoticed.

If unnoticed, it is not hard to surmise that these payments will also not strongly affect behaviour, and the funds will not be spent on the children they are meant to benefit.

In addition, values transferred in such diffuse, complex and indirect ways make it very difficult to consolidate administrative records, limit transparency in the use of public resources and make coordination of public policy even more challenging.

4 COST AND COVERAGE OF SOCIAL PROTECTION FOR CHILDREN IN BRAZIL

The coverage of the three child grants in Brazil is not difficult to estimate but does require a few hypotheses. As we emphasised above, *Bolsa Família* has a good registry, and its data are publicly available; the income tax also has a good registry, but its use is strictly forbidden (even without identification) by tax law; and *Salário Família* has no registry at all, and data on its recipients are spread out among the records of thousands of employers and the social security administration. Tables of income tax data are becoming more complete and timely, but the microdata remain under lock and key.

Bolsa Família payment data show that the number of families receiving benefits has remained more or less constant at 14 million over the last few years. The data for 2017 can be found in Table 4.

TABLE 4
Bolsa Família benefits and annual expenditures, 2017*

Benefit	Number of benefits (millions)	Annual expenditures (BRL billions)
Basic	12.05	12.29
Child	18.93	8.86
Adolescent	3.07	1.70
Nursing	0.39	0.18
Pregnancy	0.44	0.21
BSP	5.77	6.36
Total	13.75	29.60

Source: *Bolsa Família* payroll, December 2017 (annualised values).
Note: *Only active and suspended benefits (excluding cancellations).

Table 4 shows that in 2017 there were 18.9 million child benefits and 3.1 million adolescent benefits, making a total of 22 million children and youth under 18. The total budget outlays were about BRL10.5 billion in 2017.

The basic benefit, on the other hand, was paid to 12.05 million families at a cost of BRL12.3 billion. Elimination of the basic benefit would increase the BSP from BRL6.3 billion to about BRL13.47 billion. Nevertheless, the new BSP would be about BRL1.98 billion less than the sum of the basic benefit and the BSP in 2017.

TABLE 5
Resources saved by replacing the basic benefit with an increased BSP in 2017 and 2018 (BRL millions)

	BSP (A)	Basic (B)	New BSP (C)	Monthly savings (A+B-C)	Annual savings
July–August 2018	584	866	1,278	173	2,071
July–August 2017	521	767	1,123	165	1,978

Source: *Cadastro Único* from July and *Bolsa Família* payroll from August (2017 and 2018).

The only administrative data about *Salário Família* available about private employees is the bill sent by employers to the Instituto Nacional do Seguro Social (INSS), the Brazilian social security administration. Due to the wage cap for receiving *Salário Família*, there are very few public employees who receive it, but those who do are in the public records of the federal government, 27 state governments and 5,570 municipalities. A new tax management system called *eSocial* will allow for the creation of a centralised registry for formal private-sector employees, but the data have not yet been collected. Retirees receiving *Salário Família* can be found in INSS microdata. In other words, there is no way to assemble a good registry of its recipients.

However, the bill sent by employers to the federal government represents the lion's share of *Salário Família* expenditures, and that information is readily available. *Salário Família* expenditures have been more or less constant since 2013, at BRL2 billion per year.

According to the Brazilian tax authority, in 2016 (we have no data yet for 2017) income tax payers declared 14 million dependents (18.3 million if zero-tax households are included). The sum of all the deductions was BRL41.7 billion, which, when multiplied by the appropriate marginal tax rates, gives us an implicit benefit amount of BRL5.8 billion (see Table 6).

Not all dependents, however, are children. Spouses, fathers, mothers and grandparents may all be declared as dependents if they do not have their own income. If only child dependents are counted, the numbers change: we have 10.6 million dependent children, whose implicit benefits added up to BRL4.3 billion in 2016.[12]

TABLE 6
Income tax deductions (calendar year 2016)

Income bracket (BRL)	Tax rate	Deduction (BRL billions)	All dependents		Only children and youth	
			Number of dependents (millions)	Benefits (BRL billions)	Number of dependents (millions)	Benefits (BRL billions)
Up to 22,847	0%	9.691	4.259	0.000		
22,847–33,919	7.5%	10.488	4.610	0.787	3.421	0.584
33,919–45,012	15.0%	6.150	2.703	0.922	2.059	0.703
45,012–55,976	22.5%	3.774	1.659	0.849	1.249	0.639
Above 55,976	27.5%	11.647	5.119	3.203	3.887	2.432
Total		41.749	14.091	5.761	10.616	4.358

Source: Receita Federal/CETAD (2017).

How much is the benefit implicit in the income tax deductions? If we divide BRL5.8 billion by 14 million dependents whose benefits are not zero, the average benefit is BRL34.07 per month. If only the child and adolescent benefits are considered, the calculation is BRL4.3 billion divided by 10.6 million, which yields BRL34.21 per month per child.

In conclusion, we have BRL12.5 billion from *Bolsa Família* (variable benefits and the basic benefit), BRL2 billion from *Salário Família*, and BRL4.64 billion (corrected for 2016 inflation) from income tax deductions. If all expenditure on child grants were to be put into one pot for 2017, we would have something close to BRL19.1 billion.

5 DISTRIBUTION

Brazil operates a very good household survey, the *PNAD Contínua*. The number of people receiving various cash transfers, particularly targeted transfers, however, is underestimated in the survey; this is not unusual and also happens in the USA and Europe. The solution we found for this problem was to identify who receives a given transfer in the household survey and then multiply the sample weights by the ratio between the household survey totals and the administrative record totals. The coefficients used were 1.07, 1.31 and 1.27 for *Salário Família*, *Bolsa Família* and income tax deductions, respectively. With corrected totals, it is easy to analyse incidence by per capita income centile.

FIGURE 1

Incidence of *Bolsa Família* variable benefits (child and adolescent), of implicit income tax child benefits and of *Salário Família* by per capita household income centile
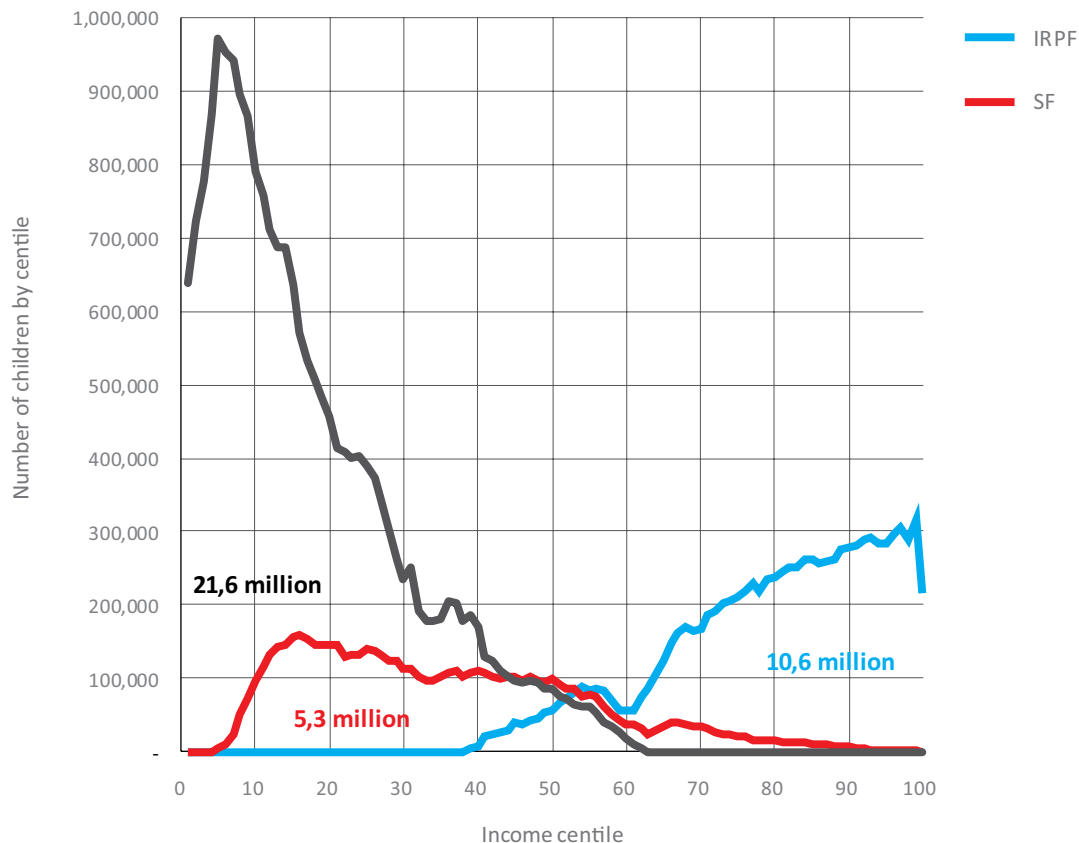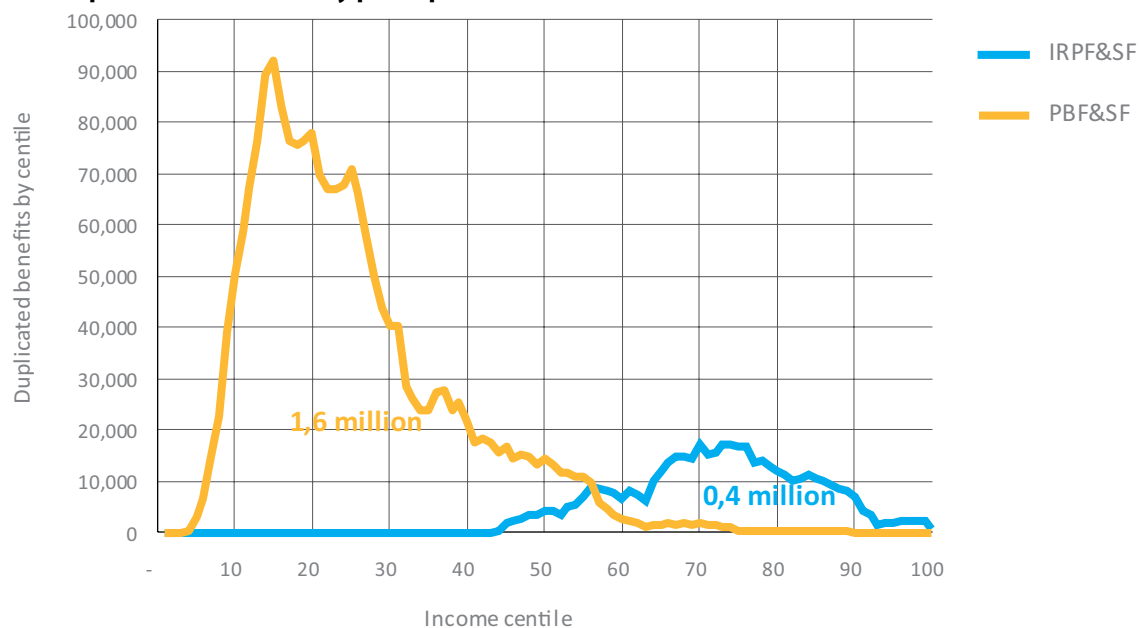

Source*:* Receita Federal/CETAD (2017); *Bolsa Família* payroll, December 2017 (annualised values); *PNAD Contínua*.

Figure 1 holds few surprises. *Bolsa Família* variable benefits are almost entirely for children and adolescents in the lower half of the income distribution, *Salário Família* is concentrated from the second to the sixth deciles, and tax deductions are for the upper deciles. Centile 5 is where we find the greatest number of *Bolsa Família* children and youth (about one million). The Salário Família mode is centile 22, with 137,000 children; the centile with the greatest number of children benefitting from income tax deductions is centile 99, with 317,000 children and youth who are potentially declared as dependents.

It is important to stress that it is impossible to tell from the *PNAD Contínua* who in fact pays income tax. Why? Because there is no way of knowing what other deductions are claimed by individuals and households. In other words, while we are relatively confident that the grey and red curves that represent *Bolsa Família* and *Salário Família* transfers are accurate, the blue line representing implicit income tax grants is less accurate. Instead of trying to impute deductions, we decided to plot all individuals and households whose taxable income is above the legal limit for submitting a tax declaration. It is highly unlikely that households in centiles below 60 pay any income tax at all, and it is equally unlikely that those in centiles below 70 pay enough to receive relevant implicit child benefits.

FIGURE 2
Overlap between benefits by per capita household income centile
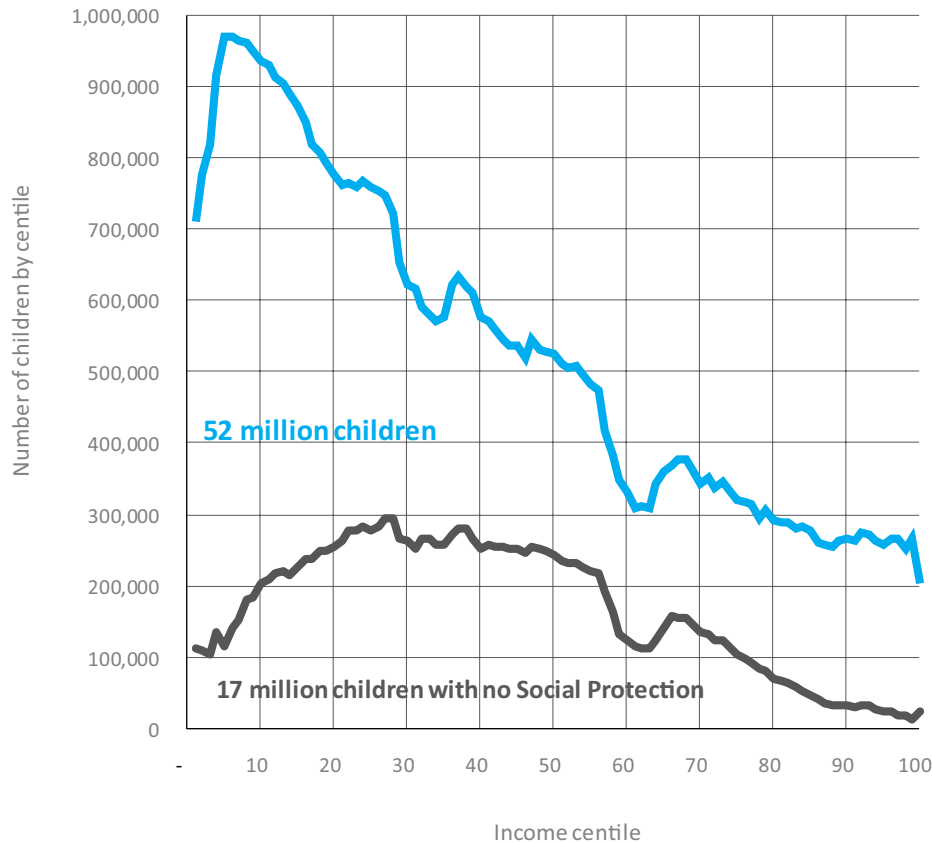

Source: Receita Federal/CETAD (2017); *Bolsa* Família payroll, December 2017 (annualised values); *PNAD Contínua*.

According to our reweighted household surveys, there are close to 2.5 million children receiving two grants. We did not try to calculate the overlap between *Bolsa Família* and households paying income tax, since the two are at opposite extremes of the income distribution, as shown by Figure 1. We estimate the overlap between *Bolsa Família* and *Salário Família* at 1.6 million children, and the overlap between *Salário Família* and income tax benefits at close to 400,000 children. There are also children who receive two *Salário Família* grants—one from the father's employer and another from the mother's. We would like to once again stress that this does not imply any fraud or other wrongful behaviour but, rather, a very poorly designed public policy.

Finally, Figure 3 shows the distribution of children whose families receive nothing for their upkeep, as well as the total distribution of children and youth under 18 by household income centile.

FIGURE 3
All children and children with no benefits by per capita household income centile

Source: Receita Federal/CETAD (2017); *Bolsa Família* payroll, December 2017 (annualised values); *PNAD Contínua*.

Figure 3 shows one of the most important arguments in favour of a universal child grant. There are 17 million children and youth whose families receive nothing from the State for their upkeep. Not one 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.

Whether due to stigma or to high income volatility among those vulnerable to poverty, the fact is that targeted transfers are failing to reach children living in or vulnerable to poverty. And this happens in a country with one of the world's largest, best-targeted and best-evaluated CCTs.

Another crucial argument in favour of a universal child grant is the distribution of children and youth themselves, which is represented by the blue line labelled '52 million children'. People under 18 are so strongly concentrated in the lower parts of the income distribution that a universal child grant would be the second most progressive transfer by the Brazilian State, after only Bolsa Família. In other words, despite being given equally to rich and poor children, a universal child grant would go overwhelmingly to the lower half of the income distribution, simply because that is where the children are.

EVALUATION OF THE 'SYSTEM' WITH THREE COMPONENTS

If the three child grants that exist today in Brazil were to be considered a single system, the inescapable conclusion is that it is fundamentally irrational. Children from all income levels receive grants, but there are many children and youth who receive more than one grant, and many more who receive no grant at all. Three out of every four uncovered children are in the lower half of the income distribution—either poor or vulnerable to poverty. 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. If taken as a whole, Brazilian social protection for children is simply indefensible.

6 UNIVERSAL CHILD GRANT: DESIGN, COSTS, OPERATION AND EX ANTE EVALUATION

DESIGN AND COSTS

The proposal to be put forth in this section is a universal benefit for all Brazilian citizens and residents aged 0–17. The value we will work with is today's *Bolsa Família* value: BRL41 per month, which is about 1.6 per cent of Brazilian per capita GDP. All three existing grants would be abolished. The income tax deduction for children and *Salário Família* would simply cease to exist, and their budgets would be transferred to the universal child grant budget. Three of the *Bolsa Família* benefits would also cease to exist: the variable child benefit, the basic benefit and the adolescent benefit. The BSP would need to increase to make up for the gap left by the abolition of the basic benefit.

The Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatstica*—IBGE) estimates the number of children aged 0–17 in Brazil at 54.5 million (see Table 7). Table 7 also shows the budget needed to provide all their families with BRL41 per month to help cover their needs. The cost would be BRL26.6 billion in 2018, and slightly less in subsequent years due to demographic change.

TABLE 7
Number of children aged 0–17

Year	Children and youth aged 0–17 (millions)	Grant (BRL)	Total cost (BRL billions)
2018	54.129	41	26.631
2019	53.759	41	25.159
2020	53.500	41	25.038
2021	53.272	41	24.931

Source: IBGE, 2018 population projections <http://servicodados.ibge.gov.br/Download/Download.ashx?u=ftp.ibge.gov.br/Projecao_da_Populacao/Projecao_da_Populacao_2018/projecoes_2018_populacao_2010_2060.xls>.

We estimated the total expenditures for existing child grants in 2017 at BRL19.1 billion. This means that another BRL7.5 billion in additional funds would be needed to reach the BRL26.6 billion needed for universality. This is about 0.1 per cent of GDP or about 0.5 per cent of federal government expenditure in 2017. It is true that the fiscal situation in Brazil is dire, but we are talking about modest sums from the point of view of the federal budget. In addition, there would be some savings on administrative costs, which are it is not possible to estimate.

IMPLEMENTATION

Once a political decision is made to pursue a social protection policy, a good implementation scheme is crucial for its design. A good implementation design is what makes the difference between a successful programme with very high coverage—which is what we want from a universal child grant—and a failure whose coverage rates are little better than the three existing benefits. There are two possible approaches to the implementation issue: interoperability and single registry.

INTEROPERABILITY

The first approach would be to unify the eligibility rules and benefit amounts for the existing programmes but essentially keep each programme. A way to do this would be to expand *Salário Família* to all formal employees and expand *Bolsa Família* to cover all children whose parents are neither formal employees nor income tax payers. There would be three separate registries (a *Salário Família* registry would have to be created using *eSocial* data) which would be interoperable. This is the model used in Argentina.

We believe this model is a non-starter for Brazil. Argentina had considerable advantages over Brazil in implementing it. First, Argentina had a good AFC formal-sector registry, whereas Brazil has none for *Salário Família*. Second, Brazil has much stricter income tax secrecy laws than Argentina. Brazil's tax secrecy laws would allow only unidirectional interoperability between the tax administration and the other registries. Even with all the advantages Argentina had relative to Brazil, its coverage is still far below universal, and many of those uncovered are in the lower parts of the income distribution. We believe that the Argentinian experience with coverage that is far from universal is a cautionary tale for middle-income countries attempting to implement universal grants whose implementation is spread across various agencies.

SINGLE REGISTRY

The second possibility is to combine not only eligibility criteria and benefit amounts but also operation. If this is our choice, there is really no alternative to using the operational structure of *Bolsa Família*. The centrepiece of this programme's operational structure is the Single Registry.

The Single Registry is a massive database of families and individuals that are either poor or vulnerable to poverty. Twenty-seven million of Brazil's 70 million families (38 per cent), 75 million of its 206 million people (36 per cent), and almost 30 million of its 54 million children (55 per cent) are in the Single Registry. What needs to be done so that the 24 million children who are not in the Single Registry can be eligible to receive the universal child grant? Given that the new benefit will not be means-tested, it will not be necessary to use all 17 information blocks (the Registry is long). Only the two blocks pertaining to identification and family structure are needed for the operationalisation of the universal child grant. This nucleus would contain only identification (name, address, identification number) and family (mother, father, siblings and other household members) information. The extensive data on earnings, durables, household, employment and other income-related variables would not be needed for a universal grant. The data would be necessary essentially to prevent overlapping payments and coverage gaps.

In addition, much of this information can be migrated from other databases. Data from tax declarations could be migrated from income taxa data to the Single Registry, particularly if such a migration were authorised by the taxpayers themselves (including households paying no tax). Families whose income lies beneath the income tax threshold who are interested in the universal

grant but not in other means-tested benefits would need to provide only the identification and family information and would thus be immediately eligible for receiving the universal child grant.

Payments would be made, as for *Bolsa Família* today, either by direct deposit or through the programme's bank card.

The information in the Single Registry today is valid for two years (as defined by Decree No. 6.135/2007) and could be extended, for beneficiaries of the universal grant but not means-tested programmes, to four or five years or whenever there are changes in household composition. This would considerably reduce the pressure on social workers or other agents charged with collecting information for the grant.

What would be the effort involved is such a strategy? Today 28.7 million children and youth aged 18 or under are in the Single Registry. Another 10 million were declared to the tax authorities as dependents in 2016. As we stressed before, no centralised registry exists of children whose parents receive *Salário Família*, and their data will have to be input into the Single Registry. Remember that the IBGE estimates that there are 53.7 million children in Brazil. This means that there are another 14.4 million children whose data are not in any benefit registry. If we divide this number by 1.64, which is the average number of children per family with children, an initial estimate of 8.8 million families to be registered can be made.

COMPARISON WITH THE PREVIOUS PROPOSAL

This proposal for a universal child grant is somewhat different from the proposal made by Souza and Soares (2011). In this previous article, only children up to 14 would receive the benefit. *Bolsa Família* transfers and tax deductions for children above this age would be kept as is. In our proposal, by contrast, no existing child benefit would be kept, and all would be integrated into the universal child grant. Neither did Souza and Soares consider the possibility of squeezing an extra BRL2 billion out of *Bolsa Família* by unifying the basic benefit and the BSP. Finally, the previous article was largely silent on operational details, such as those previously discussed. Table 8 summarises the differences between the two proposals.

TABLE 8
Comparison with the previous proposal

Characteristics	Souza and Soares (2011)	This proposal
Coverage	Children up to 14	Children and youth up to 17
What happens to transfers (*Bolsa Família*, *Salário Família* and IRPF)?	Kept for beneficiaries over 14	Abolished, except for the BSP
Resources	- *Bolsa Família* child benefits	- All of *Bolsa Família* except for the BSP
	- *Salário Família*	- *Salário Família*
	- Income tax deductions for children up to 14	- All income tax deductions for children
	- BRL6.5 billion per year in addition resources	- BRL6.6 billion per year in additional resources
	Total: BRL18.85 billion/year	**Total**: BRL25.5 billion/year
Operation	Not specified	Via Single Registry

EXPANSION, EVALUATION AND ADDITIONAL POINTS

A few further issues must still be discussed. The first regards the possibility of expanding the universal child grant in a delicate fiscal situation. The International Monetary Fund projects the public-sector fiscal deficit to be 2.3 per cent of GDP in 2018, and the gross public debt is nearing 80 per cent of GDP.[13] A recent constitutional amendment has also capped real federal government spending for 10 years. It is likely that there will be no additional resources to be immediately channelled to the universal child grant other than those identified here, and the budget for 2019 or 2020 will fall short of the BRL25 billion needed for universality. If this likely situation becomes reality next year, then the expansion of the universal child grant could take place gradually over a period of three to four years.

The implementation process can be started at once, however, even if not all the financial resources are available. As seen above, over 14 million children and youth still need to be registered, and this is necessarily a gradual process.

While gradual expansion may fall short of our ideals in terms of immediate universalisation, it does provide an excellent opportunity for impact evaluation. A third of the children and youth under 18 in Brazil currently receive nothing, and most poor people are covered by *Bolsa Família*. This means that it would be possible to expand the universal child grant randomly (except for children in low-income families, of course). This would allow for an experimental evaluation of the grant's impact on behaviour. Its impact on school attendance, test scores, vaccination, nutrition and percentage of household expenditures on children could be tracked for grant recipients and compared with non-recipients. A national experimental evaluation whose treatment and comparison groups number in the millions would probably be the first of its kind.

Nevertheless, a phased roll-out and experimental evaluation of a grant justified as a right—which is the basis of any universal benefit—is fraught with ethical and legal difficulties that must be pondered in greater detail than we have space for here. However, some points should be considered.

ETHICAL CONSIDERATIONS

In general, benefits justified as a means to ensure a citizenship right are not evaluated (Barrientos and Villa 2015). This is an empirical observation, not a normative imposition. On the other hand, we need not necessarily condition the grant's expansion on evaluation results—and this is a normative proposition. We agree with the decision to extend the grant to all children and youth regardless of the evaluation results, but this does not reduce the need to know what results taxes are buying. Evaluation results can help redesign how the benefit operates, make decisions about values and provide for the political defence of the grant.

LEGAL CONSIDERATIONS

The law that creates the grant can define it as a right only after the expansion period. This would set the expansion in law, since rights can be demanded judicially, but it would allow for a phased expansion period, which, considering Brazil's fiscal situation, is very defensible. Alternatively, the grant cold be created as a non-right and defined as a right only after the end of the expansion period. This would allow leeway in choosing how long the expansion period will be.

CONDITIONALITIES

Failure to meet *Bolsa Família* conditionalities may lead, at the end of a long series of increasing sanctions, to the loss of the benefit. If a grant that corresponds to a right cannot be cancelled, what possible justification is there for continuing to monitor school attendance and vaccination? The answer to this question is not difficult. The Child and Adolescent Statue[14] requires that all parents (not only poor parents) ensure that their children attend school and receive their vaccinations. If something is legally required, it should be monitored, independently of the existence of a child grant. In addition, monitoring of school attendance and vaccination is one of the best ways to identify vulnerable children and youth and alter the social assistance network. Brazil has a highly developed monitoring system. Since it is based on IT solutions and interoperability, it imposes no out-of-pocket expenses on families and is done at a very low cost to the State.

GRANT VALUE

Finally, an important issue is how often the grant value will be readjusted for inflation or to guarantee greater purchasing power. A grant corresponding to a right should have cost-of-living increases defined in law. The value of *Bolsa Família* benefits depends exclusively on a decree issued by the executive, which in turn depends on fiscal expedience and political convenience (usually one set against the other). In Brazil most payments corresponding to legal rights are indexed either to prices or to wages (usually the minimum wage, but sometimes mean or median wages). Either would be acceptable for the universal child grant, but we believe that the lack of an objective criterion would not be a good option.

7 CONCLUSION

The idea of a universal child benefit was a structural part of the 1942 Beveridge Report in the UK and is considered by authors such as Anthony Atkinson (2015) to be one of the main initiatives for reducing structural inequality. Universality is an antidote against perverse incentives and stigma associated with targeted benefits, would present low exclusion errors and would be effective in the struggle against poverty and inequality, and more resistant to fiscal shocks. It is a very common feature of social protection systems in developed countries, although rare in middle-income and poor countries.

Today, families in Brazil have at their disposal three benefits for children: *Bolsa Família*, *Salário Família* and the income tax child dependent deduction. If understood as a system, these three benefits comprise a pinnacle of irrationality: 17 million children and youth are not covered, transfer values vary—with higher values being reserved for the very richest—and benefit concession depends on different registries whose operation is excessively complex.

This proposal is as simple as we could make it: a single universal grant, paid to the families of all children and youth aged 17 and under and proportional to the number of such children and youth, whose value is the same as the *Bolsa Família* child benefit (currently BRL41 per month). This benefit should be paid to the families of the more than 50 million children in Brazil and would be financed primarily by what is currently spent on the three existing child benefits.

We estimated the cost of a BRL41 universal child grant at slightly more than BRL25 billion per year. About BRL18 billion could be covered by discontinued benefits, and about BRL7

billion (about 0.1 per cent of GDP) in new money would be required. The operation would be through the Single Registry, with some modifications to input identification and family data on 9 million missing families. The new benefit would be unconditional, but the State would continue to monitor school attendance and vaccination for all children, as required by law. Monitoring of these legal requirements also allows for early identification of children in vulnerable situations by the social assistance network. Cost-of-living increases in the grant value would be written into law.

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. Half of these forgotten children are in the lower third of the income distribution, and three quarters are in the lower half.

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.

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NOTES

5. A high marginal rate of implicit taxation means that as family income increases, the benefits are lost. This may result in adverse incentives for work or other initiatives that can increase family income.

6. Means-tested benefits are often associated with poverty in a pejorative way, particularly when the political climate is polarised. This means that many families who are eligible for benefits will not seek them out for fear of being stigmatised as 'lazy poor people' or 'deadbeats'.

7. The Concentration Coefficient measures how pro-poor or progressive adding an additional unit of currency to a programme is. While a Concentration Coefficient of 1 means it all goes to the richest person in the society, a Concentration Coefficient of 0 means it all goes to the poorest. An equally distributed benefit has a Concentration Coefficient of 0.

8. Despite the best efforts on the part of *Bolsa Família* staff to minimise these exclusion errors due to income volatility, the problem remains one of the programme's main challenges.

9. The operational challenges for this to occur, however, cannot be minimised. The poorest people will continue to have less access to information and public services. Therefore, by definition, they are at risk of being over-represented among non-beneficiaries, despite the lack of formal entry barriers for those eligible.

10. According to the World Bank (2017), 67 developing countries had CCTs.

11. The PPP conversion factor is 2.024 according to the OECD, but the market exchange rate is 3.191.

12. The Federal Revenue Service does not disclose deductions by type of dependent. Therefore, for this estimation, we have simulated the rates of the personal income tax declaration (*Imposto de Renda da Pessoa Física*—IRPF) in PNAD and assessed the share of dependents who are direct children or stepchildren. The shares are: 74.22 per cent for the 7.5 per cent rate, 76.16 per cent for the 15 per cent rate, 75.29 per cent for the 22.5 per cent rate and, finally, 78.72 for the 27.5 per cent rate.

13. Net public debt is about 51 per cent of GDP.

14. Law No. 8.069, of 13 July 1990.

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