

Balancing stability and transition

A first assessment of Regra de Permanencia in Bolsa Familia



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July 2021

Social Protection and Jobs Team, Latin America and Caribbean Region



WITH THE SUPPORT OF



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EXECUTIVE SUMMARY

Policy makers in many countries with well-established conditional cash transfer (CCT) programs are increasingly interested in balancing income support with measures stimulating beneficiaries' financial autonomy and economic inclusion. A critical, but not sufficient, element in such strategies is the set of rules that determine program exit, as these can shape incentives toward participation in the formal labor market. This note exploits administrative and survey data, as well as international benchmarking models, to assess the compatibility of existing rules in the world's largest CCT *Bolsa Familia* (BF) with the objective of promoting labor market integration of its working-age beneficiaries.

Recipient families of BF in Brazil have a 'right to remain' (maintain most of their benefits) for up to two years after their income rises above the eligibility threshold. This concession, named *Regra de Permanencia* (RP), is available only if families voluntarily update their income information in the social registry *Cadastro Único*, and provided that the family's income remains below half the minimum wage per capita (which is nearly three times the entry eligibility threshold). As such, RP bears similarities with income disregards in minimum-income programs in high-income countries—a feature that makes BF unique compared to its peer CCT programs in middle-income countries. In addition to RP, families can also voluntarily disconnect from the BF program before an expected income increase, while maintaining the right to be readmitted in case such income drops (the guaranteed return, *Retorno Garantido*, rule)¹.

As of November 2020, 1.7 million families (12 percent) out of the 14.3 million families in BF made use of RP. The benefits that RP protects depend on the benefit package that a family received at entry.² In particular, RP allows to maintain the basic benefit when a family's income rises above the administrative extreme poverty threshold (BRL 89 per capita) and to maintain the variable benefit when income rises above the BF eligibility threshold (BRL 178 per capita). As of November 2020, only 32 percent of RP beneficiaries were above the program eligibility threshold, and thus at risk of a complete exit from the program in absence of the rule.

¹ If the family income falls while in RP, families are automatically reintegrated to the previous beneficiary status. RP and *Retorno Garantido* are not interdependent, and after completing two years in RP beneficiaries are not able to make use of guaranteed return.

² All families below the poverty line (BRL 178 per capita) are entitled to the variable benefit, assigned for each child, youth, or pregnant woman who comply with conditionalities. In addition, families in extreme poverty (BRL 89 per capita) are entitled to the benefit to overcome extreme poverty and the basic benefit (see chapter 1).

By prolonging the provision of the variable benefit, this note argues that RP extends the positive impacts of the conditionalities on human capital formation. This is especially the case among children who otherwise may be in households with slightly better incomes but without the additional monitoring. Earlier studies show that the BF benefit caused a decrease in school repetition rates, improvements in progression rates, increased completion of medium and secondary school, increased food consumption, and improvements in children’s anthropometric measures. Furthermore, survey data indicate that higher education, which is implicitly promoted by BF conditionalities, increases both the probability of employment and job quality.

Second, the comparison of BF with more than twenty other means-tested programs globally shows that ‘participation tax rates’ (PTR) for BF beneficiaries to take a formal job are among the lowest. PTR is the proportion of earnings that are lost due to higher taxes and loss of benefits when an out-of-work adult takes up a minimum-wage job. Even in absence of RP, the PTR for BF is only 10 percent³ compared to the Organisation for Economic Co-operation and Development (OECD) average of 51 percent. RP further strengthens the incentive by decreasing the PTR to 8 percent. Such low rates occur because the minimum wage is more than five times higher than the average BF benefit.

The theoretical mapping of work incentives is consistent with all findings in the empirical literature, and with the profile of work-able adults in the labor market. The BF benefit represents, on average, only a quarter of total family income of recipient families. Since its inception, given its low benefit, the program did not pretend to replace, but rather to complement, other sources of revenue for the poor. New profiles of BF adults in household surveys show that 70 percent of work-able adults in BF are already in the labor force, but their earnings are insufficient to draw their family out of poverty.

Among those who are in RP due to their labor earnings, three-quarters are self-employed—in large part informal⁴ These circumstances highlight the importance of RP in ensuring a stable income source for informal workers, who are subject to high income volatility, while they strengthen their position in the labor market. Among the wage employees under RP, the majority is formally employed. Novel analysis of the labor relations registry (RAIS⁵) in this note suggests that such workers exhibit longer job tenure

³ For a family of two adults and two children.

⁴ Even though no data on the share of informal/formal self-employment is known, analysis from the annual household survey suggests that the majority of self-employed in BF are informal workers.

⁵ *Relação Anual de Informações Sociais.*

and slightly better earnings than similar workers in BF outside RP. This can be considered a good premise to a sustainable exit from the program.

Last, there is also a significant share of families that are in RP due to pension incomes. One singularity of Brazil's RP rule, compared to other programs, is that the disregard of additional income is not limited to labor earnings. Administrative data suggest that 44 percent of families above the BF threshold and in RP have at least 80 percent of income from pensions or other social transfers.

Despite this favorable design, only 7 percent of families exit BF at the end of a two-year period in RP. Instead, 51 percent of exits in 2019 occurred because of a cross-check. When caught above the eligibility threshold, families can no longer invoke RP to have their new earned income disregarded. As designed, the rule is meant to incentivize constant and truthful declarations of new incomes. However, it is not clear whether families are sufficiently aware of the rule. Low awareness has been found to be a significant reason for low use of income disregards in other countries. In addition, the income update requires a personal visit to a CRAS⁶ office, which in some areas implies lines or waiting lists.

The note concludes that the existing set of rules are well designed, but also recommends improving their application and coordination with other policies surrounding the program:

- **Increasing awareness of earnings disregards.** At present, many more families that could benefit from RP end up being excluded from the program. The note recommends testing different awareness-raising approaches through multiple communication channels, including potentially customized messages that clarify the amount of allowed earned income by the program for each family, whether in RP or not. These approaches could be designed experimentally, and the impact evaluated.
- **Automatic enrollment in RP and interaction with guaranteed return.** The note suggests introducing automatic enrollment in RP once family labor income increases above the thresholds, while appropriately communicating the new set of rules to the household. This would reduce the high number of cancellations due to cross-checks. In addition, incentives to take up work opportunities would be further strengthened by extending the 'guaranteed return' rule also to families that complete the RP period which, in turn, would serve as income insurance for the informal.

⁶ *Centro de Referência em Assistência Social.*

- **There is a little scope to make RP more efficient.** Families could be treated differently based on their source of new income. For families being in RP due to entry in pensions, the withdrawal of the basic benefit could take place rapidly (as the family is permanently protected from extreme poverty)⁷, reserving the highest income disregards for earned labor income. Second, the RP maximum withdrawal threshold could be detached from the minimum wage, and instead tied to the value of the BF benefit and its poverty lines. Savings from both of these changes to RP would be very modest.
- **RP can be a first but not sufficient element of a broader economic inclusion strategy.** RP could be a first step toward a broader economic inclusion strategy, which should address the more binding constraints related to labor supply, employability, and information on opportunities. Those in RP could be a priority group for these policies. Depending on their specific labor profile, policies could include financial inclusion strategies, referrals to tailored skills development, and intermediation services.
- **The note also highlights future lines of research that leverage several administrative sources.** These include the identification of different profiles of in-work beneficiaries, which would allow a more operational segmentation of different groups for specific support. Future research could also explore the trajectory of households that exit the BF program (via RP or otherwise) and characteristics of those that experience a sustainable 'graduation'.

⁷ Such reform would become obsolete under the new design of BF under discussion in since 2019: in the 'New' *Bolsa*, the basic benefit would cease to exist, while the top-up benefit was never subject to RP in the first place.

FOREWORD

As the first generations of beneficiaries approaches adulthood, public administrators in Brazil, as in many other countries of leading Conditional Cash Transfers (CCTs), have been increasingly interested in supporting ‘graduation’ or ‘economic inclusion’ of their beneficiaries (Andrews et al, 2021). These are meant to prepare families to earn additional incomes without, or in addition to, social assistance benefits. The interest in graduation is shared by policy makers across the political spectrum, often for very diverse motives, such as preserving horizontal equity between included and excluded safety net beneficiaries, views on the role of the state toward the poor and the way these should be best supported, or concern with long-term fiscal implications. Such strategies are broad, but always need to concretize, on the operational front, in the set of rules that determine households’ exit from benefits, which is the object of study of this policy note.

The discussion of exit criteria becomes particularly pertinent as Brazil prepares for its economic recovery, following the unprecedented economic and social crisis brought by COVID-19 in 2020 and 2021. During the COVID-19 crisis, *Bolsa Familia* (BF) proved to be extremely dynamic and countercyclical: due to rising poverty the program will attain in 2021 its highest number of beneficiaries. Thus, processes that may facilitate economic inclusion of families received renewed attention. A common question when approaching analytically the issue of exit criteria is whether households are sufficiently incentivized (or at least not disincentivized) by benefit rules to pursue various possible avenues for economic autonomy, particularly the labor market or self-employment. This inquiry is one of the elements that first motivated this policy note. In practice, international experience shows that exit rules represented only one of the elements to support family’s economic inclusion, and only in extreme design cases they can distort beneficiary work decisions. As such, this note represents only the first piece in the broader graduation agenda for families in Brazil’s BF program.

CCTs in middle income countries like Brazil face a daunting task in striking the right balance between promoting graduation and ensuring stability in the program. Operational rules that determine when beneficiary households should exit cash transfers, such as *Regra de Permanencia* (RP) are an expression of the program’s underlying ‘theory of change’. CCTs in developing countries differ in rationale from the means-tested social assistance programs developed in high-income countries. The latter embrace an explicit short-term poverty alleviation focus and can count on a large ‘activation infrastructure’ (often more costly than the cash benefits themselves) to help families get back into work quickly. CCTs from inception focused more on the longer-term objective of human capital accumulation of children. No obvious path has been laid out for a program such as Bolsa Familia, which shares objectives of other CCTs in middle-income countries, but also design features and dynamism of high-income

countries due to its unique means-tested targeting approach. It is to address some of these questions and dilemmas that the World Bank was invited to pursue this technical note to explore a potential reform of the program RP.

1. INTRODUCTION

This technical note is a first assessment of the design of *Regra de Permanencia* (RP) rule in *Bolsa Familia* (BF), which is the main regulation that governs the treatment of new income sources accrued by poor families in BF, and, in turn, affects their eligibility to remain in the program. Exit criteria from social assistance programs are often assessed based on whether they are conducive to ‘graduation’, that is, achievement of beneficiaries' self-sufficiency and reduced reliance on the safety net for basic income support. The analysis takes this objective into account, but also considers whether the RP rule serves the primary goals of the BF program and of conditional cash transfers (CCTs) more in general: to promote the accumulation of human capital among children and to supply minimum income support for families that experience extreme poverty. The note incorporates an unprecedented analysis of matched administrative data carried out by staff in the Ministry of Citizenship (MoC) in Brazil in consultation with the World Bank team as part of the preparation of this study. The note is not an evaluation of the impact of RP on households' transition out of the program, as more evidence will need to be collected to establish this but uses available evidence also to begin exploring this question.

Under BF, families receive monthly cash benefits conditional on educational attendance of their children and regular health check-ups for children and pregnant women. When compared with similar programs around the world, and in comparison, with any other federal fiscal expenditure, the program is well targeted (Morgandi et al. 2020). According to Brazilian household survey *Pesquisa Nacional por Amostra de Domicílios Contínua* (PNADC) 2019, 70 percent of transfers declared accrue to surveyed families in the bottom 20 percent of income distribution. A large body of empirical literature showed that the program has positive impacts on educational attendance of children, grade completion, and nutrition (see Box 1). The evidence about labor market outcomes of families in BF is still nascent, partially because only recently children that stayed a considerable time in the program reached the labor market.

Box 1: Impacts of BF Program

The conditionalities of the BF program have shown positive impacts on education attendance and outcomes, nutrition, and labor market participation.

Education and Labor Market

- Reduction in school repetition rates
- Improvements in progression rates
- Decrease in age/grade distortion
- Increased completion of medium education
- Increase in conclusion of secondary school
- Reduced time on domestic work for girls
- Mixed results, but always of small magnitude, in labor force participation and formal and informal work hours; stronger elasticity for women with children
- Positive long-term effect on schooling and on the formal labor market participation.

Health and Nutrition

- Consistent evidence of positive effects on utilization of health services, particularly for prenatal care.
- Nutrition evidence indicates BF increases food consumption, improves children's anthropometric measures, and decreases anemia.
- BF expansion correlates with lower rates of under-five mortality (reduction of 58.2 percent and 46.3 percent in mortality rates by malnutrition and diarrheal diseases, respectively).
- BF expansion also correlates with lower incidence of suicides and homicides and significant reductions in new cases of tuberculosis and leprosy.
- Evidence shows that the BF contributes to significantly enhancing health outcomes among the poor in Brazil.

Sources: Amaral and Monteiro 2013; Almeida et al. 2016; Bastagli et al. 2019; De Oliveira and Chagas 2020; De Oliveira et al. 2020; Gerard et al. 2021 ; Lindelow et al. 2018; Monteiro et al. 2014; Peruffo and Ferreira 2015; Silva 2018; Simões 2012.

Several program rules currently governing the exit and reentry in the program, including the 2010 *Regra de Permanência (RP)*⁸. BF is a very dynamic program, with about 18 percent of benefits cancelled in the 12 months preceding the COVID-19 pandemic. When households reach a per capita income level above the entry eligibility criteria, the RP rule allows BF beneficiaries to stay in the program for additional two years, provided they *voluntarily* update the new income information in the social registry *Cadastro Único* and that total household income does not surpass a threshold of 0.5 minimum wage (MW) per capita or 3 MWs per family. As such, RP is working like an income disregard in social

⁸ Portaria GM/MDS nº 617, de 11 de agosto de 2010.

assistance systems of high-income countries. In addition, families that experience a decrease in income during the time when they are in RP, can return to the previous status in the program, keeping the same level of benefits. The rule was introduced in 2010 and it has not been changed since. Second, a separate rule named *guaranteed return* allows families to voluntarily exit from BF (in RP or not) and to return, if their income meets the eligibility criteria, without being subject to the waiting list.

The note is structured as follows: Section 2 gives an overview of the design and goals of the RP, its current level of take-up and cost. Section 3 evaluates the adequacy of RP in supporting the policy goals of human capital accumulation and of appropriately incentivizing insertion in the formal labor market, and explores whether households in RP are readier to graduate from BF. Section 4 compares the approach of RP with other international examples of graduation and exit approaches, which can inform potential design improvements. Section 5 concludes by giving recommendations on policy design.

2. OVERVIEW OF DESIGN AND OBJECTIVES OF THE RP

Under RP, families experiencing an income increase are allowed to continue receiving the basic and variable benefits⁹ even if their per capita income goes above the benefit-specific eligibility line. This feature is limited to 24 months and is available only provided (a) the family voluntarily updates income information in *Cadastro Único*¹⁰ and (b) total income remains under 0.5 MW per capita and under 3 MWs per family. RP allows the family to carry over all variable benefits with conditionalities (child, pregnancy, youth), as well as the *basic benefit* (BRL 89 per family) if the family had right to it at entry. Instead the top-up benefit to close gap with extreme poverty is always forfeited. The reentry in the normal benefit package is possible if a family's income falls back below the benefit-specific thresholds (see Figure 1 and Table 1).

⁹ Variable benefits are: Benefits dedicated to children and youth and benefits dedicated to pregnant women. All variable benefits are linked to education and/or health conditionalities.

¹⁰ According to the rules of the program, families must update their records whenever they have relevant changes: address, income, composition. Every two years, even if there is no relevant change, families must complete the registration to ratify the existing information.

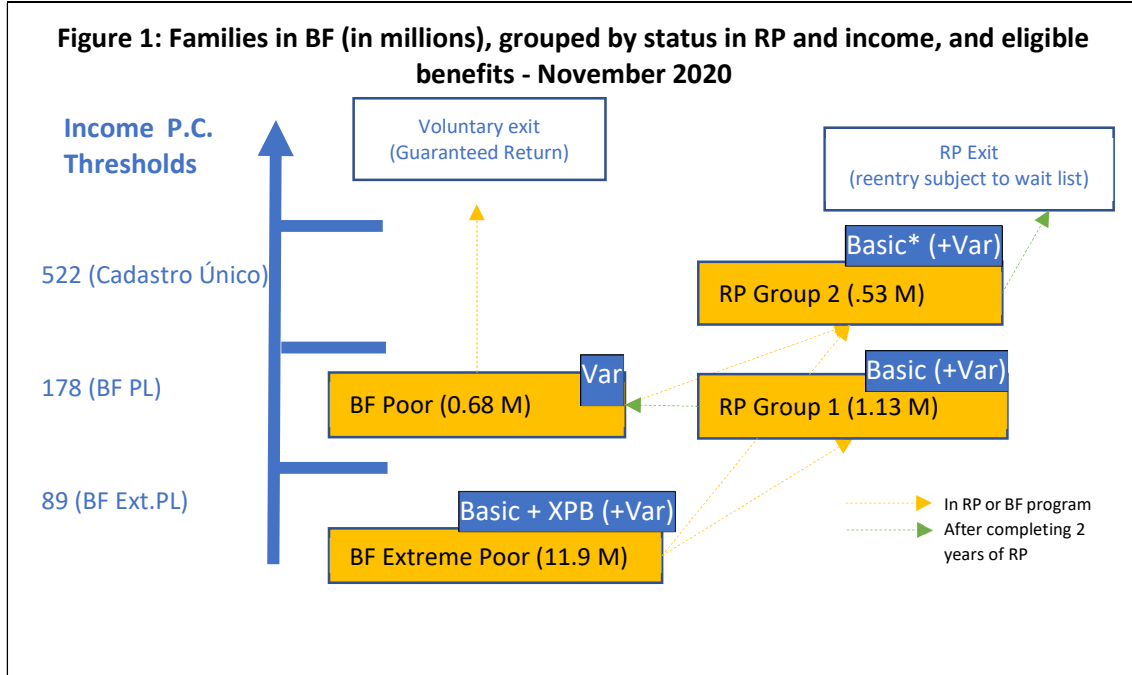
Table 1: Summary of RP rules

	Initial income: Extreme poor (Up to BRL 89 monthly per capita)	Initial Income: Poor (BRL 89–178 monthly per capita)
Benefit provided at entry in BF (normal BF rules)	<ul style="list-style-type: none"> • Variable benefit with conditionalities (BRL 41 per child, pregnant/nursing, BRL 49 per youth) • Basic benefit (BRL 89) • Extreme poverty benefit (fill gap up to BRL 89 per capita) 	<ul style="list-style-type: none"> • Variable benefit with conditionalities (BRL 41 per child, pregnant/nursing, BRL 49 per youth)
Benefit kept in RP	<ul style="list-style-type: none"> • Basic benefit • Variable benefits 	<ul style="list-style-type: none"> • Same as above
Income threshold to be disconnected from BF	0.5 MW per capita (BRL 550) and 3 MWs per family (BRL 3,300)	
Maximum duration	24 months	
Entry conditions	Families need to voluntarily update their income information in the Cadastro Único before they are found incompliant with means test during a cross-check	
Reentry	If the family falls below the BF eligibility threshold within the 2 years, the family automatically returns to its status as ordinary beneficiary of the program.	

Source: Legislation: Portaria GM/MDS nº 617, de 11 de agosto de 2010.

As of November 2020, out of the 14.3 million families in BF, 1.7 million families were under the RP scheme. Only one-third of those families under RP had incomes above the BF program eligibility line. In 2020, RP applied to 11 percent of BF families in the program. On one hand, 68 percent of them, named **RP Group 1** in this note, were still below the program eligibility rule of BRL 178; these would lose only the basic benefit in the absence of RP (Figure 1).¹¹ On the other hand, 32 percent of the families in RP, or about 4 percent of all families of BF, showed per capita income above the program upper eligibility line, between BRL 178 and BRL 522: these families, named **RP Group 2** in this note, would lose all benefit in absence of RP. Thus, the majority of families in RP are not on a ‘graduation path’ (see section 3.1).

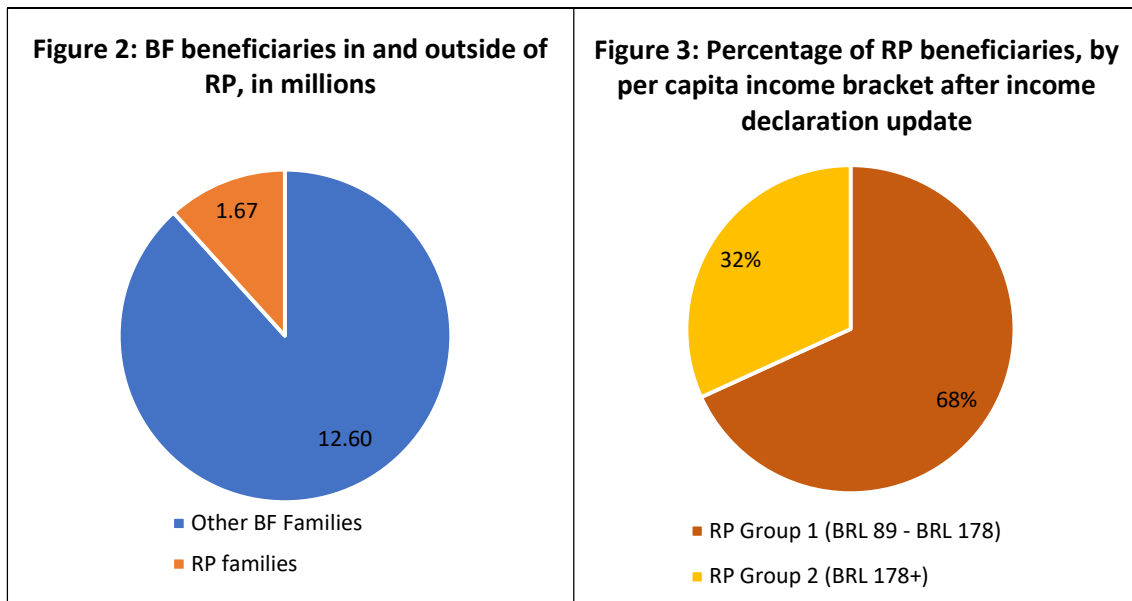
¹¹ In the absence of the RP rule, families surpassing the BRL 89 per capita line would lose access to the basic benefit.



Source: MoC, Cadastro Único, Folha de Pagamentos, Famílias em RP, November 2020. Analysis done by Nunes et al. 2021.

Note: Variable benefits include children, youth, or pregnancy benefit, and all are linked to conditionalities.

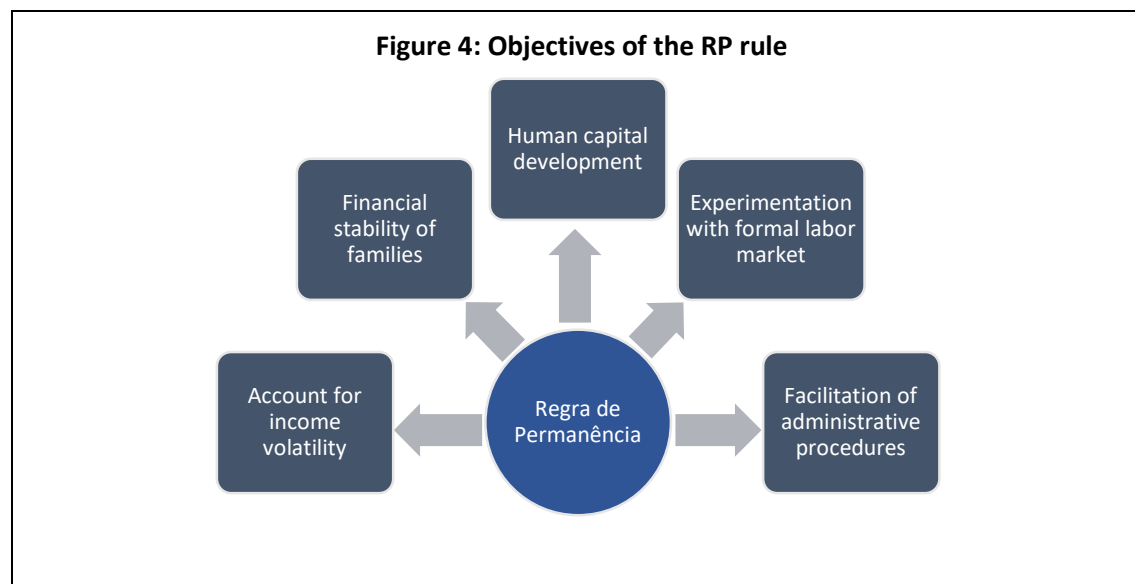
* Families eligible to the basic benefit if income increases from below BRL 89 per capita to over BRL 178 per capita.



Source: MoC, Cadastro Único, Folha de Pagamentos, Famílias em RP, November 2020. Analysis done by Nunes et al. 2021.

The RP aims to avoid several challenges that would emerge if a family surpasses the eligibility lines for the basic or for the variable benefit of BF. As designed, RP helps

meet several objectives (Figure 4). First, beneficiaries of RP are able to experiment with the formal labor market and accumulate work experience without any perceived disincentives or fear of losing a certain benefit against an uncertain or irregular labor income. Second, this disregard offers a family a certain level of financial stability, thus they are not overly affected by temporary income fluctuations. Third and foremost, the RP allows the program to continue incentivizing investment in human capital of children and youth through the prolonged application of BF conditionalities (see section 3.1 for details).



Source: Author's elaboration.

RP rule as designed rewards voluntary declarations of higher income but penalizes those who do not update their information before a cross-check. Over 1 million BF families have at least one member in *Relação Anual de Informações Sociais* (RAIS), but they are not in RP. Depending on their family composition,¹² potentially many of those families could be eligible to be RP, but they are not making use of it because entry in this status requires an intentional update of Cadastro Único by the family before the end of the mandatory update period (*revisão cadastral*). In the event of a data cross-check (*averiguação cadastral*), these families with incomes above the program eligibility line but not in RP will see their BF benefit cancelled.¹³ As discussed in section 3.3, cross-checks are the leading cause of exits from BF, and it is possible that insufficient awareness of the rule might be one reason why families do not update their information voluntarily.

¹² The family composition matters for the per capita income of every family member.

¹³ See MoC. 2020. SENARC. REVISÃO E AVERIGUAÇÃO CADASTRAL 2020. [Link](#)

As an alternative to RP, families who opt for voluntary disconnection (desligamento voluntário) can take advantage of guaranteed return (Retorno Garantido) as an insurance against future income shocks. The Retorno Garantido rule provides the possibility of an immediate return to the BF program (without joining the BF waiting list) for all those beneficiaries who voluntarily request to leave BF but *who are not in RP*, within three years if they meet the normal eligibility criteria. This is also a security mechanism that allows families to take risks in the search for income improvement. However, this mechanism is little known and is disconnected from the RP. In 2019, only 0.02 percent of BF families left the program voluntarily. Of those that left voluntarily 17 percent made use of the guaranteed return.

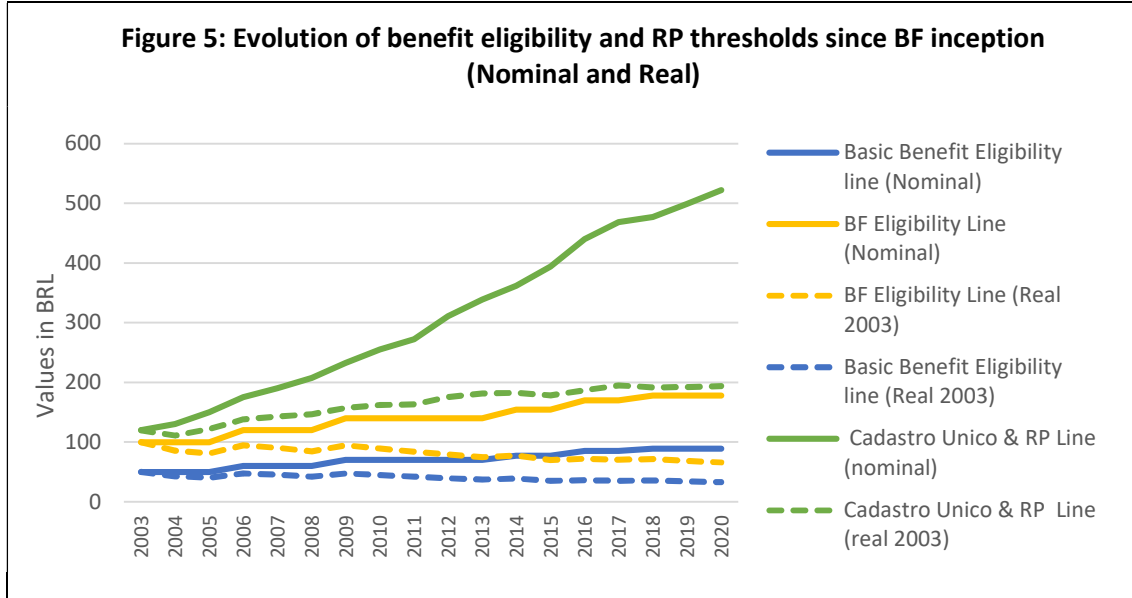
As of November 2020, the sum of all benefits that are retained thanks to RP was around BRL 269 million per month. Table 2 shows the current distribution of benefits retained by families in BF thanks to RP. Overall, this amount represents 10 percent of the total monthly expenditure on BF benefits (BRL 2.68 billion). These figures are probably are upper bound ‘cost’ of the RP policy, as they do not take into account behavioral adjustment: the absence of the RP rule could lead to a reduction of declarations of newly acquired income, which is what triggers families to move to RP status. Benefits paid to 1.1 million families in RP Group 1 account for 72 percent of the total expenditure on RP, and this expenditure is almost entirely devoted to retention of the basic benefit (BRL 89). Due to data limitation the amount of variable benefits paid out to RP Group 1 and the distribution of benefits in RP Group 2 is unknown.

Table 2: Total Value of benefits subject to RP

		Number of Families	Average Benefit, in BRL	Total Costs, in BRL
Total RP benefits, of which:		1,671,385	160.81	268,775,422
RP Group 1 (BRL 89–178)	Basic Benefit	1,139,851	89	101,446,739
	Variable Benefit	n.a.	n.a.	91,701,013
RP Group 2 (BRL 178+)	Basic Benefit	531,534	142.27	75,621,342
	Variable Benefit			

Source: MoC, Cadastro Único, Folha de Pagamentos, Famílias em RP, November 2020. Analysis done by Nunes et al. 2021.

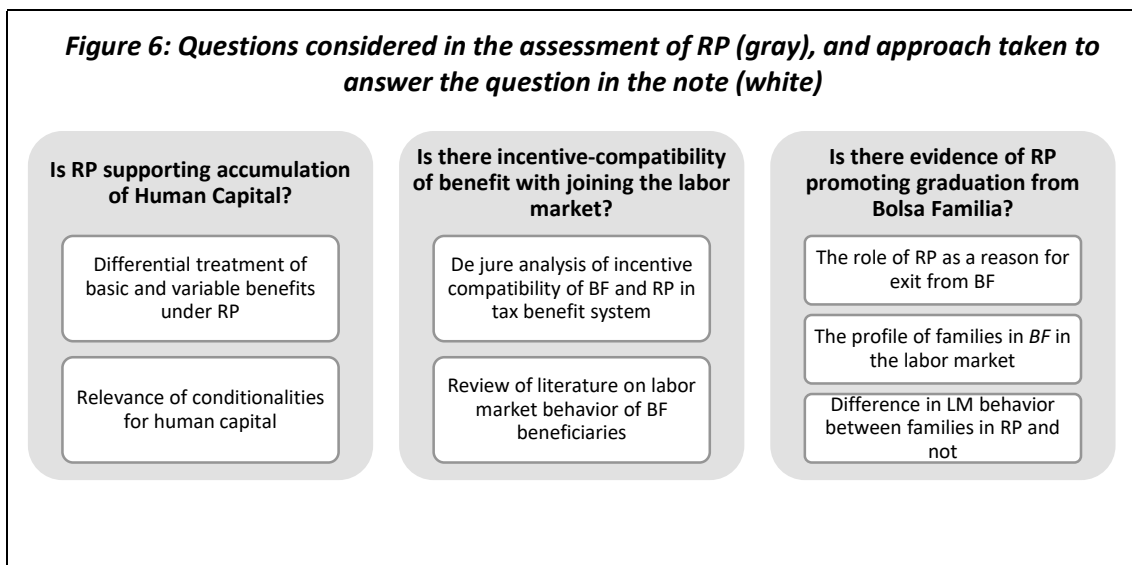
RP rules have not been updated since 2010, and the gap between initial eligibility thresholds of BF and the exit threshold of RP has increased over time, because the latter is tied to the MW. In 2010, when RP was introduced, the RP maximum threshold was set to 0.5 MW, or 1.8 times the BF eligibility line. The MW increased in real terms since, but the BF program eligibility line actually decreased in real terms. As a result, by 2020 the exit threshold of RP was 3 times the entry threshold in real terms (Figure 5).



Source: Authors' calculations based on BF eligibility rules.

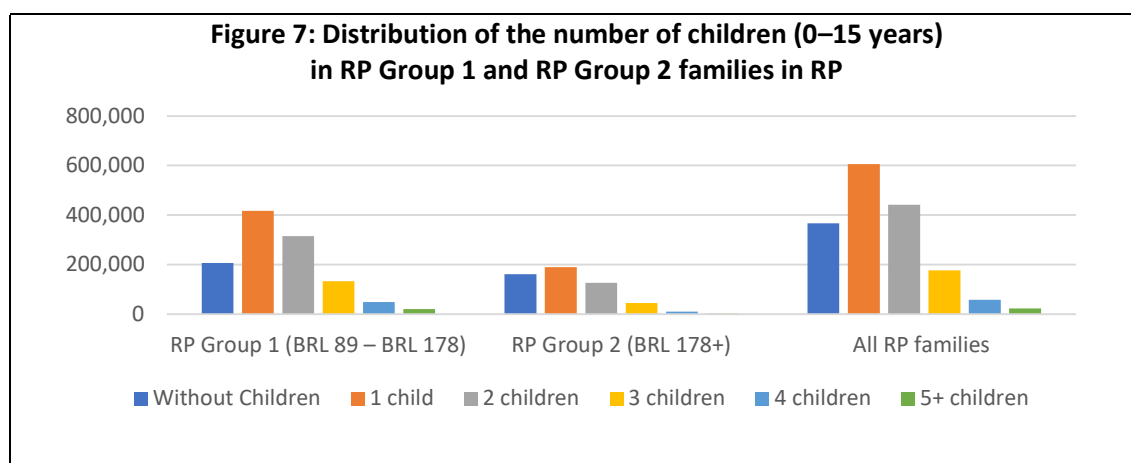
3. ADEQUACY AND CONTRIBUTION OF RP TO MEET POLICY OBJECTIVES

Continued investment in human capital, labor market incentives and the exit patterns of families in RP are three key aspects when evaluating the adequacy of RP as designed. This section explores the adequacy of three objectives of the RP rule (see Figure 4 for all objectives of the rule) in its contribution to making the BF program achieve these important intentions.



3.1 IS RP CONTRIBUTING TO GREATER ACCUMULATION OF HUMAN CAPITAL?

RP enables families with children in RP Group 2¹⁴ to continue receiving income support, which is linked to human capital conditionalities, having positive impacts on education, health, and nutrition (Box 1).¹⁵ Currently, 78 percent of families (1.7 million) in RP have children and thus are receiving a ‘variable benefit’ subject to the application of conditionalities. Among these families, only those whose income is above BRL 178 per capita (in RP Group 2) would lose the variable benefit without RP. Nevertheless, also in RP Group 2, families without children can be found. Thirty percent of families within RP Group 2 do not have children (160,000 families). Those families have been under the BRL 89 threshold before their income increased and continue to receive the basic benefit under RP or receive other variable benefits that are not connected to children between 0 and 15 years old—such as the pregnancy benefit. Among RP Group 1, 18 percent of families are without children (206,000 families), and hence conditionalities, and would only receive the basic benefit in the absence of RP (Figure 7).¹⁶



Source: MoC, Cadastro Único, Folha de Pagamentos, Famílias em RP, Nov. 2020. Analysis done by Nunes et al. 2021.

It can be presumed that RP, by increasing exposure to BF human capital benefits and conditionalities for up to two additional years, has a positive impact on education outcomes. To date there is no causal study on the impact of RP on the continuation of compliance with conditionalities. A possible counterfactual evidence is provided by the observation of households that suddenly cease to receive the BF youth variable benefit (BVJ) because the child reaches the age of 18: an empirical analysis by the MoC showed

¹⁴ Income above the BRL 178 eligibility line.

¹⁵ Families in RP Group 1 would also be subject to conditionalities in absence of RP, hence the exposure to conditionalities is not dependent on receiving RP.

¹⁶ Some families without children between ages 0 and 15 years might also receive the youth or pregnancy benefit and thus are also subject to conditionalities. Yet, it can be assumed that the majority of families without children receive the basic benefit only.

that among families still enrolled in the BF program, small positive effects on school enrollment can be found. Further, greater exposure to the BF program is associated with positive effects on formal labor market participation and earnings after five years. More research will be needed in this area, for instance by studying any differential in compliance with conditionalities for households that graduated from the program at the end of RP.

In addition, being exposed to educational and health conditionalities has been shown to have positive effects on young children. For children of families subject to conditionalities, a reduction of school repetition and age-grade distortion, an improvement in school progression, and an increase in the completion of medium education have been observed. Furthermore, the health conditionalities are correlated with under-five mortality, an increase in food consumption, and an improvement in children's anthropometric measures (Box 1 and Silva 2018). In line with that, the conditionalities connected to two additional years under RP can be assumed to have positive effects on the early childhood development of children.

3.2 IS BF INCENTIVE-COMPATIBLE WITH FAMILIES JOINING THE FORMAL LABOR MARKET?

The rules that determine social benefits assignment and withdrawals, as well as taxes on labor income, can affect the incentives that families face in entering the formal labor market. Policy makers are often concerned with the risk that beneficiaries may become 'dependent' on benefits. In fact, an established literature has found that the incentive compatibility of social safety nets depends on many factors, including design, generosity, withdrawal rules of each potential benefit a family could receive, the level of the minimum wage, and the tax rates on labor incomes (see Brewer, Saez, and Shephard 2010; Jara, Gasiar, and Makovec 2019; Meghir and Phillips 2010; Mirrlees 1971). Theoretical tax benefit models are commonly used for countries in the Organisation for Economic Co-operation and Development (OECD) to summarize the final effect of these different regulations on household final incomes, at each level of labor income, and thus map out the potential for any 'benefit traps', that is, income levels at which staying in social benefits is more advantageous than accepting a formal job. One summary measure of these incentives is the 'participation tax rate', which is the cost of leaving social assistance when entering a formal job (see Box 2). The main challenge that policy makers face is to set a benefit withdrawal rule that does not punish those that accept a formal job, while still providing a benefit that is guaranteeing a minimum income to mitigate poverty (Coady et al. 2021; OECD 2005).

Box 2: Tax and Benefit Methodology (OECD)

Participation tax rate

The participation tax rate (PTR) shows the proportion of earnings that are lost due to (a) higher taxes and (b) lower benefit entitlements when a jobless person takes up formal employment, and thus moves from not employed. High PTRs indicate low work incentives since a high share of earnings is lost due to higher taxes or lower benefits. A low (or negative) PTR indicates high work incentives, since a low share of earnings are lost (in work benefits even increase the income).

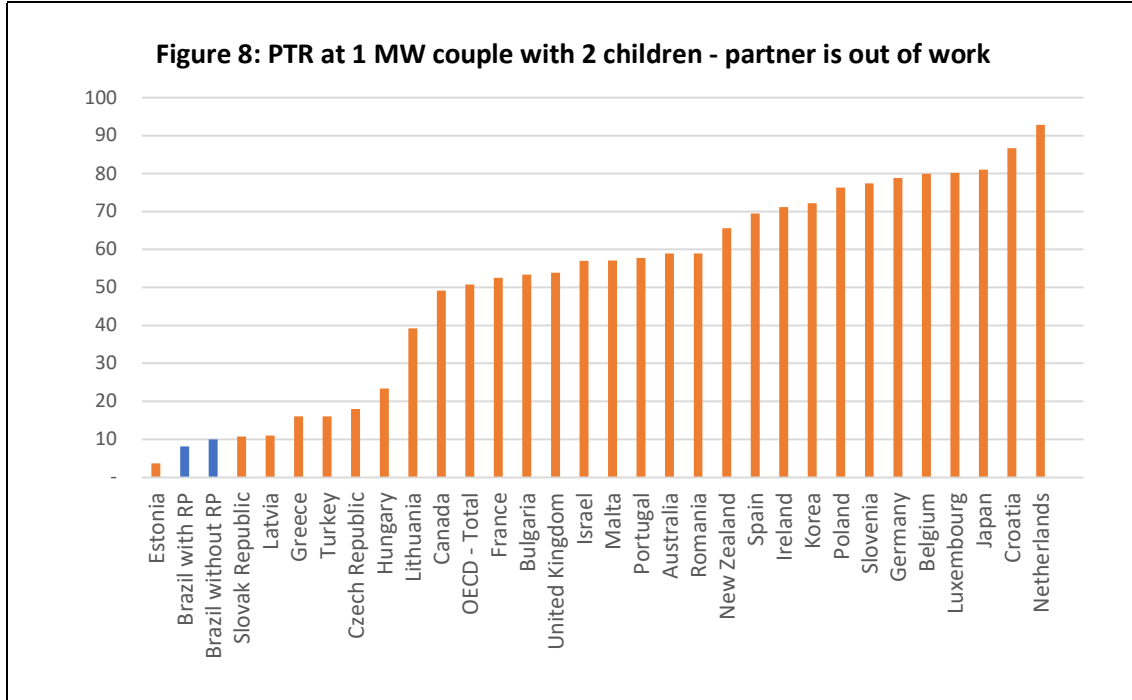
The PTR will depend on household compositions (number of adults and children), the level of earnings, and the generosity of the social assistance benefit (OECD 2020).

$$PTR = 1 - \frac{Y_{net\ IW} - Y_{net\ OW}}{Y_{gross\ IW} - Y_{gross\ OW}}$$

with OW = out of work and IW = in work.

Source: OECD 2020.

The PTR for families in BF predicts no disincentives to join the formal labor market, and is one of the lowest in global perspective. RP increases the incentives to join the formal labor market. The PTR of Brazil without the RP rule is 10 percent, which is far below the OECD average of 51 percent. When taking RP into account the PTR decreases to 8 percent for Brazil (Figure 8). The literature suggest that low PTRs are optimal at very low wage levels since low-income families are especially responsive to financial incentives (Meghir and Phillips 2010; OECD 2005).



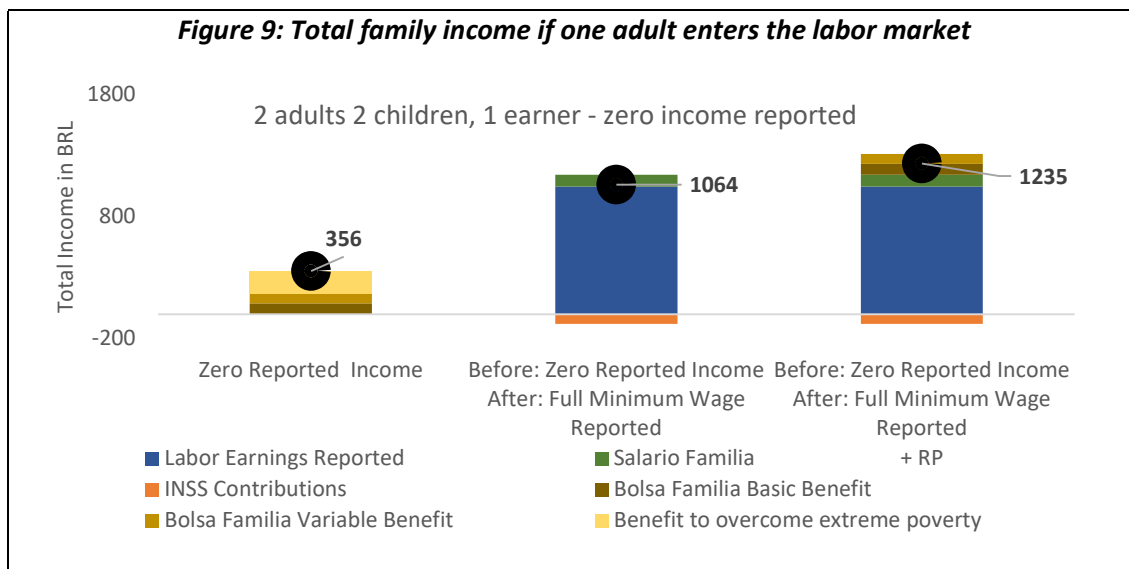
Source: OECD, PTR for families claiming guaranteed minimum income (GMI), 2019; Brazil own calculation.

Note: The PTR for Brazil considers RP rules with an initial income of up to BRL 89.

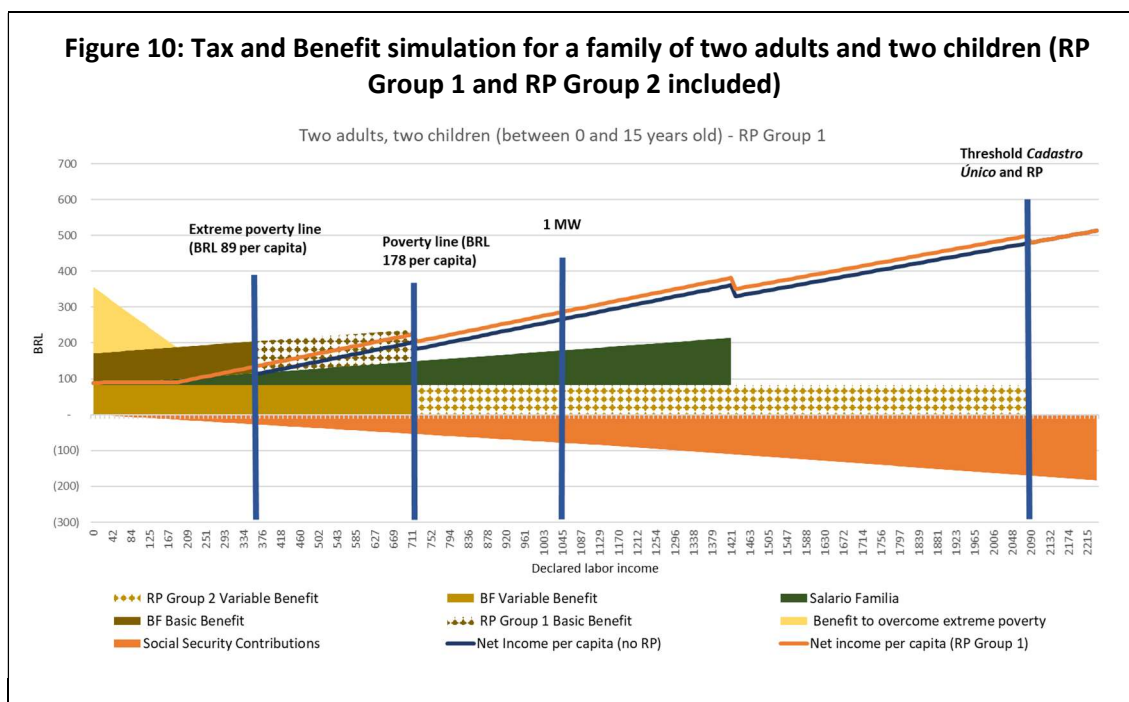
The absence of disincentives is explained by the high gap between MW and BF benefit level, and because additional social protection benefits are received by the beneficiary when entering a formal job. Based on the initial benefit level of a BF family, the income may increase by almost 250 percent if a formal job at 1 MW is obtained.¹⁷ A family of two adults and two children reporting zero income under BF and thus receiving (a) the BF benefit to overcome extreme poverty, (b) the BF basic benefit, and (c) the BF variable benefits per child totaling BRL 356 receives BRL 1,235 if one adult enters the formal labor market earning 1 MW and being under RP.¹⁸ The family will continue to receive the BF basic benefit and the BF variable benefits as well as the wage subsidy *Salario Familia* which is targeted at low wage earners. With five years of work history, the worker would also receive *Abono Salarial*. The only contributions that need to be made are contributions the social security system (*Instituto Nacional del Seguro Social, INSS*) system, yet they are completely offset by the benefits received (Figure 9). Importantly, even without RP, the income of the family where a member has a minimum wage job (BRL 1,064) is about three times higher than the income obtained while in BF. Additional charts are shown in Annex 2 with more granular illustration of tax and benefit accruing to beneficiary families at every level of labor market income level.

¹⁷ Depending on the family composition.

¹⁸ Considerando salário família e deduções do INSS.



Source: Authors' elaboration based on tax and benefit model BraJure 2020.



Source: Authors' elaboration based on BF rules

The theoretical predictions are in line with the empirical literature on Bolsa Familia's effects on the labor market, which does not identify work disincentives, but some positive effects on participation rates. Empirical literature on labor market participation of BF families is mixed. While some studies find no short-term effects of participation (De Brauw et al. 2015; De Oliveira 2009), some studies find positive impacts on labor market participation in the short term, which is stronger for younger population

(Fruttero et al. 2020). Long-term studies on BF are still scarce, yet, some studies find positive long-term effects on labor market participation, which are stronger for boys, smaller cities, and families with never formally employed parents (De Oliveira and Chagas 2020) (Box 1). The models' predictions are also in line with evidence from survey data on the profile of the labor market of BF families (Box 3).

It is also important to note that the final cost of entering work faced by low-income families goes beyond the theoretical loss of benefits and higher taxes. Incentives are a necessity but not a sufficient condition to ensure improvement in employment outcomes of the poor. The cost to participate in the labor market, especially for the poor, include childcare fees for parents of young children and transportation, which in some cases may outstrip wages (Alzúa, Cruces, and Ripani 2013; Bargu and Morgandi 2018). Moreover, safety net beneficiary profiles show these tend to have lower human capital,¹⁹ and thus have lower chances to qualify for existing employment opportunities.

3.3 IS RP PROMOTING EXIT FROM BOLSA FAMILIA? INITIAL EVIDENCE

RP is compatible with the policy objective of increasing families' economic autonomy via two channels: (a) by prolonging exposure to conditionalities and financial support for children to attend schools and (b) by ensuring incentives are in place for adults to join the formal labor market. However, there is no evidence yet that RP alone is sufficient to cause greater graduation from BF. An impact evaluation on the actual effects of RP on these outcomes was never conducted. In the absence of that, this section presents the results of a first exploration of survey and administrative data to identify descriptive evidence on the following aspects: (a) Are families using RP as a leading way to exit the program with a more stable non-BF income? (b) To what extent are adults in RP exhibiting greater participation in the labor market than other households? and (c) Are improvements in education (which BF and RP promote) conducive to more labor market insertion?

Are BF families using RP as a prevalent way to exit the BF program?

Only a minority of families exits from BF through a transitional status in RP, or because they completed the full life cycle of variable benefits of their children, or because their income was higher than RP threshold line. BF is a very dynamic program compared to other CCTs, due to the frequent cross-checks with other public registries and the obligation of families to recertify periodically. Nearly 1.6 million benefit cancellations took place within the 12 months before the COVID-19 pandemic (March 2019 to

¹⁹ CCTs might affect labor market participation through other channels as well. The conditionalities imposed—especially on children education attainment—could free up space for adults to work. Further, child labor might be reduced and those adult labor induced to compensate for the loss in income (Alzúa, Cruces, and Ripani 2013).

February 2020), with nine reasons explaining 99 percent of cases (Figure 11).²⁰ The data shows that only 7 percent of all benefits were cancelled because the family finished a two-year period in RP.²¹ Of the cancellations, 14 percent (second most common reason) are related to families who update the income information and/or the composition of the family, and as a result their income became higher than the threshold of RP of 0.5 MW per capita. Only 2 percent of benefits are cancelled because the family members cease to have the sociodemographic characteristics to receive variable benefits (such as children reaching adult age). An additional 1 percent of cancellations is due to the voluntary departure option. Families that are subject to these four types of cancellations could be considered slightly better off than at entry, but these are only 25 percent of all cancellations in a 12-month period.

On the other hand, 51 percent of benefit cancellations happen at the time of registry verification (averiguação cadastral) and without being able to take advantage of RP. The leading cause of cancellation happens if the family is found incompliant during the periodic automatic cross-check of household incomes (Figure 11); in this process, families can be excluded if they exceed the BF benefit lines. Moreover, a significant share of exits is due to other administrative reasons.²² Likely, many families are not making use of RP to stay longer in the program because they fail to invoke RP before averiguação cadastral. Accepting information from different registries is an important management innovation for BF in recent years. Nevertheless, until now this interoperability has been used to penalize beneficiaries that do not declare their income changes, instead of simply using this information to relieve the family from the administrative burden of updating Cadastro Único with information available in another administrative databases.²³ At the same time, it is important to point out that for informal workers and self-employed the necessity to voluntarily update the information in Cadastro Único, as a condition to enter in RP, remains an important incentive to provide a truthful income

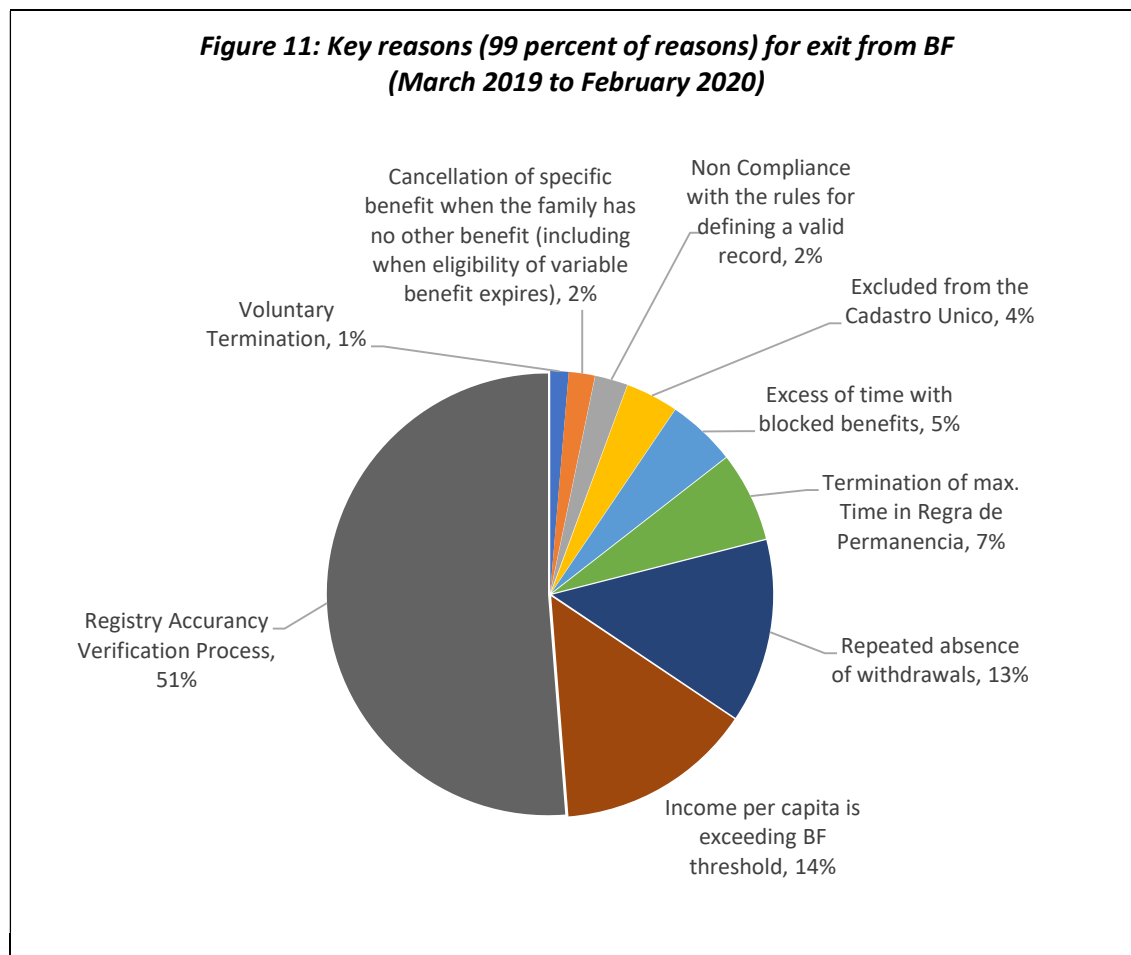
²⁰ Data on benefit cancellations is the best administrative information available to understand the patterns of program 'exit'. However, the same family may see their benefit cancelled, and then, when newly eligible, return in the program even within a one-year period.

²¹ The number and shares of families that exit BF due to RP expiration varies over time. From March 2018 to Feb 2019, it was 4.5 percent, in the previous 12 months it was 2 percent, and in the previous 12 months it was 15 percent. This change most likely depends on the prevalence of exits for other reasons (such as averiguação cadastral), which fluctuated a lot during the past five years due to variation in enforcement mechanisms for cross-checks.

²² An additional 14 percent of the cases, surprisingly, are cancellations for 'repeated absence of withdrawals' (ausência reiterada de saque) for 6 months. This is a phenomenon to be better understood. Another 5 percent is due to excess of time with blocked benefits.

²³ Other administrative databases are: Relação Anual de Informações Sociais - RAIS (Database on formal employment), Cadastro Geral de Empregados e Desempregados - CAGED, (General registry of employed and unemployed), Guia de Recolhimento do FGTS e Informações à Previdência Social - GFIP (FGTS - employer saving account) collection form and social security information), and Cadastro Nacional de Informações Sociais - CNIS (National Registry of social Information).

declaration. Harmonizing rules and principles between RP and Averiguação Cadastral would allow a family to enter in RP automatically.

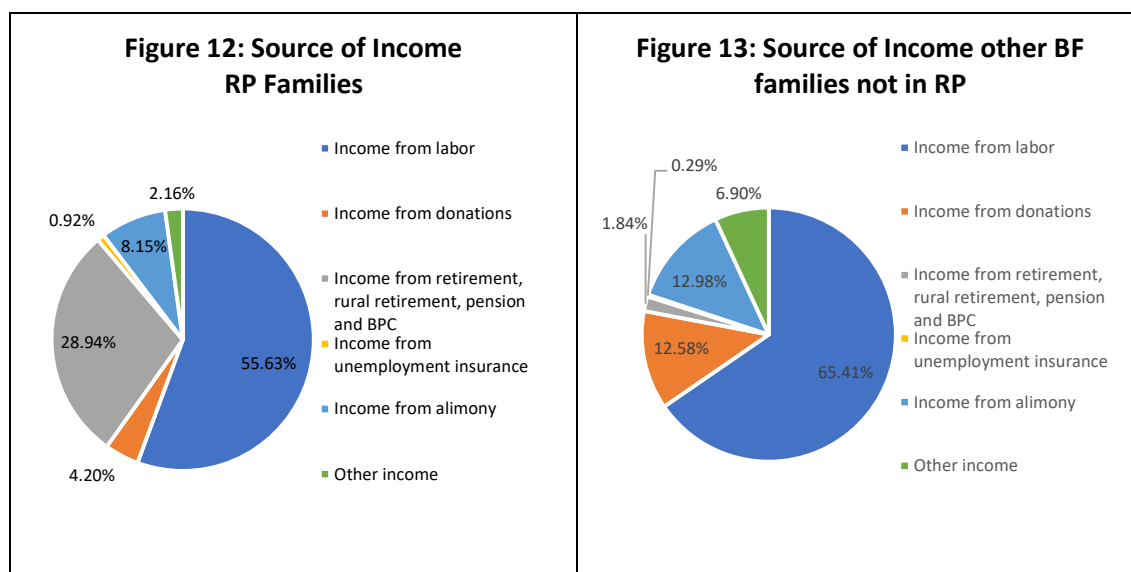


Source: MoC. Data is for March 2019 to February 2020.

Are adults in families benefitting from RP closer to the labor market and self-sufficiency?

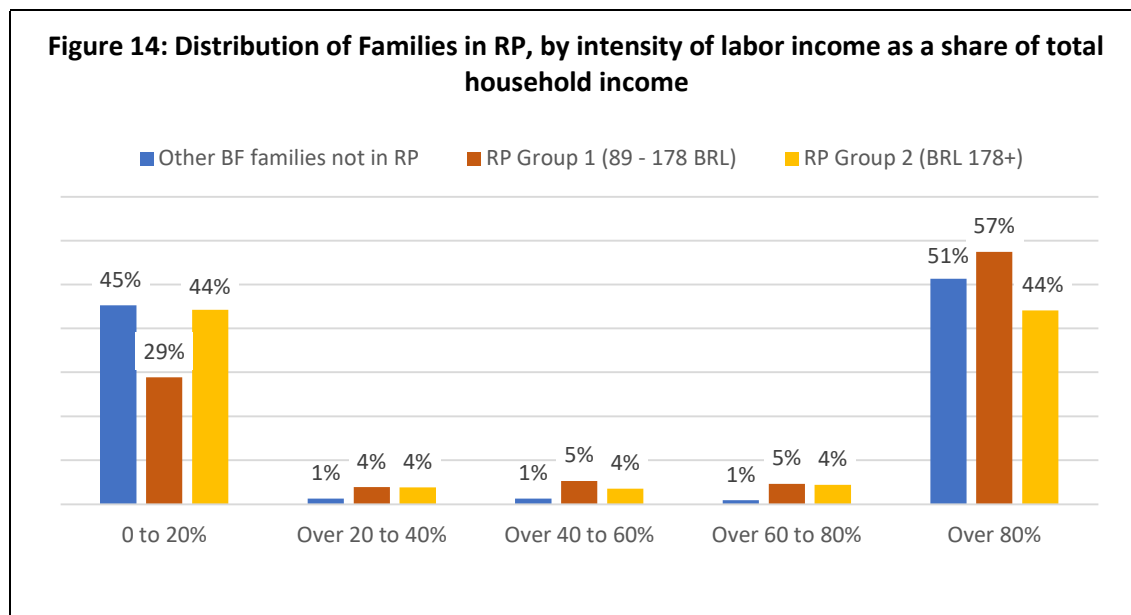
To determine if RP is a step toward self-sufficiency, the type of income that leads families to enter in RP matters. For some families entering in RP (thus exhibiting higher per capita income in Cadastro Único) may imply greater reliance on their labor; for others the greater income derives from newly acquired rights to more permanent social benefits; for others, this could be simply a re-configuration of the household, with the same income but fewer members. While all these households could be on a graduation trajectory (especially if gains are expected to be sustained), the implications on how these should be accompanied are very different.

Prima facie evidence suggests that a common reason for households to migrate into RP is the acquisition of (more generous) social protection benefits, especially BPC²⁴. In *Cadastro Único*, 56 percent of income declared by RP families is labor income (formal and informal), while 29 percent is from contributory pensions or BPC. However, among BF families not in RP, only 1.8 percent of income comes from BPC, and more than 65 percent of income is from labor (Figure 12 and Figure 13). Even if actual transition analysis has not been conducted, the comparison of these two groups suggest that the entry of a member into BPC, or pensions, especially in conjunction with the enforcement of registration in *Cadastro Único* of all BPC recipients in 2017–2018, is a leading contributor to the ‘movement’ of households to RP.



Source: MoC, Cadastro Único, Folha de Pagamentos, Famílias em RP, December 2019. Analysis done by Nunes et al. 2021.

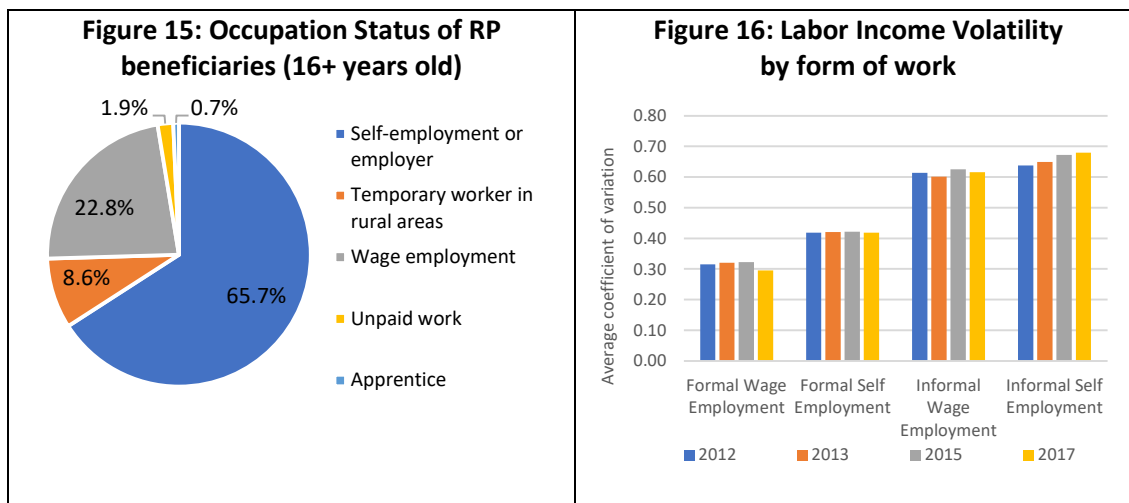
²⁴ Benefício assistencial à pessoa com deficiência – Disability benefit.



Source: MoC, Cadastro Único, Folha de Pagamentos, Famílias em RP, December, 2019. Analysis done by Nunes et al., 2021. Income includes reported income in Cadastro Único as of December 2019, excluding the income from BF.

However, the data also highlight RP households are skewed in two different clusters: those almost entirely relying on pensions income, and those almost entirely relying on earned income. Both in RP Group 1 and in RP Group 2, families are skewed in terms of their main source of income other than BF (Figure 14). This allows to identify two different typologies of families with different need for support. About 44 percent of households in RP Group 2 (those above BRL 178 BF eligibility line and close to ‘graduation’ status) earn 80 percent of their income from labor. This group represents 186,695 families, (1.42 percent of the total BF population²⁵). Under the condition that their labor income is fairly stable, this cluster of households would leave the program after the RP expires. For this group, the ‘stability’ of social assistance income that RP provides in the face of a fluctuating labor market income is likely very important. The second cluster, also 44 percent of RP Group 2 households, are families almost entirely relying on pension income: this second cluster of households is unlikely to experience fluctuations of non-BF income while in RP, unless their household composition changes.

²⁵ Please note that 2019 applies here as a reference year, due to the data crossing of RP data with RAIS 2019.



Source: MoC, Cadastro Único, Folha de Pagamentos, Famílias em RP, November 2020. Analysis done by Nunes et al. 2021

Source: Authors elaboration based on PNADC. Note: Informality is defined by not owing a CLT/CNPJ and/or not contribution to INSS.

Most of the families that entered into RP due to labor income draw such income from informal self-employment: they likely experience high income volatility and uncertainties. Among beneficiaries of RP that work, Cadastro Único also reveals that 66 percent are self-employed, whereas about 22 percent are wage employees (Figure 15). And, when this information is triangulated with the administrative database on formal employment (RAIS), it emerges that most of these wage employees have a formal work relationship. On the other hand, evidence from PNADC above suggest that four out of five self-employed are informal.²⁶ To summarize, most workers in RP are informal and self-employed; the minority is formal, and in that case, they are prevalently in formal dependent work. The type of job matters because self-employment is associated with higher income volatility, as shown in reported quarterly income by families in PNADC (Figure 16). This fact highlights the centrality of RP as a tool to stabilize income for self-employed individuals, as well as the need to include additional instruments that can strengthen earnings and reduce volatility of income for this critical group.

On the other hand, the minority of formal workers in RP tend to have higher tenure than the same type of workers in BF, which is a positive sign of stability. The analysis of formal job links through the matched RAIS - Cadastro Único reveals that working-age individuals in RP hold their formal job on average for 19.9 months, compared to 10.6 months for those in BF but not in RP (Table 3). Second, the average income of families with a member in the formal labor market is almost identical for those in RP and those

²⁶ Note that Figure 7 restricts the sample to the working-age population (18–64 years old) not disabled or enrolled full time in school. However, removing those restrictions and comparing findings in Figure 15 to BF beneficiaries 16 years or older just slightly changes the results. The share of self-employed among BF beneficiaries that are 16 years or older is 40 percent.

that are not in RP.²⁷ One interpretation of this data is that it takes time for RP to start applying: as annual household income increases, households are ‘bumped up’ to RP status, and this explains the longer average tenure in a formal job for those further along the cycle. Last, it is also important to note that working formally is not necessarily leading to RP: Table 3 also suggests that two-thirds of adults with a formal job continue to be “in work poor” because they live in families below the BF eligibility line of BRL 178 per capita.

Table 3: RP families that have one member in RAIS by income bracket and average benefit

	Income Bracket	Number of families	Share of families (column sum 100%)	Average BF benefit, BRL	Average duration of work link, in months
RP families with at least one member in formal wage job	(RP Group 1) BRL 89–178	151,352	67.6	131.61	17.8
	(RP Group 2) BRL 178–261	31,743	14.2	142.58	22.3
	(RP Group 2) BRL 261–522	40,792	18.2	125.80	25.7
	Total RP families	223,887	100.0		19.9
Other BF families with at least one member in formal wage job	Up to BRL 89	889,926	87.7	216.50	10.4
	BRL 89–178	124,460	12.3	78.94	12.6
	BRL 178–261	—	—	—	—
	BRL 261–522	—	—	—	—
	Total other BF families	1,014,386	100.0		10.6

Source: MoC, Cadastro Único, Folha de Pagamentos, Famílias em RP, November 2019; RAIS 2019. Analysis done by Nunes et al. 2021.

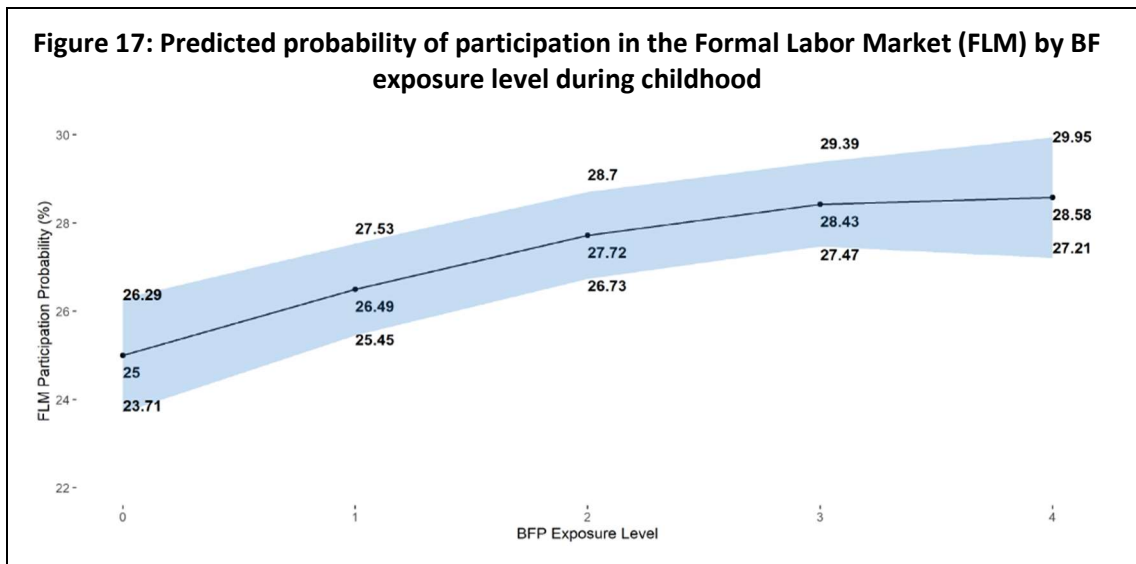
The role of education in labor market outcomes and in graduation from Bolsa Familia

By prolonging exposure of children to BF benefits and their conditionalities, RP is likely to contribute to a sustainable ‘graduation’ from poverty of the next generation, via better education, and, in turn, labor market outcomes. No research has yet established a causal relation between RP, schooling outcomes of beneficiary children, and their chances of remaining out of poverty as adults. However, since RP increases the average duration of exposure of children to variable benefits of BF by up to two years, it is plausible that the rule contributes to increasing average years of schooling (as found in the literature for the BF program as a whole).

This is important because education has a significant impact on labor market prospects and employment quality, and the likelihood of exiting from BF appears to increase with the members’ education level. The recent causal study by (De Oliveira and Chagas 2020) on the medium-term effect of Bolsa Familia finds that the program, especially by increasing the average schooling, improves by about three percentage points the chance of BF graduates to holding a

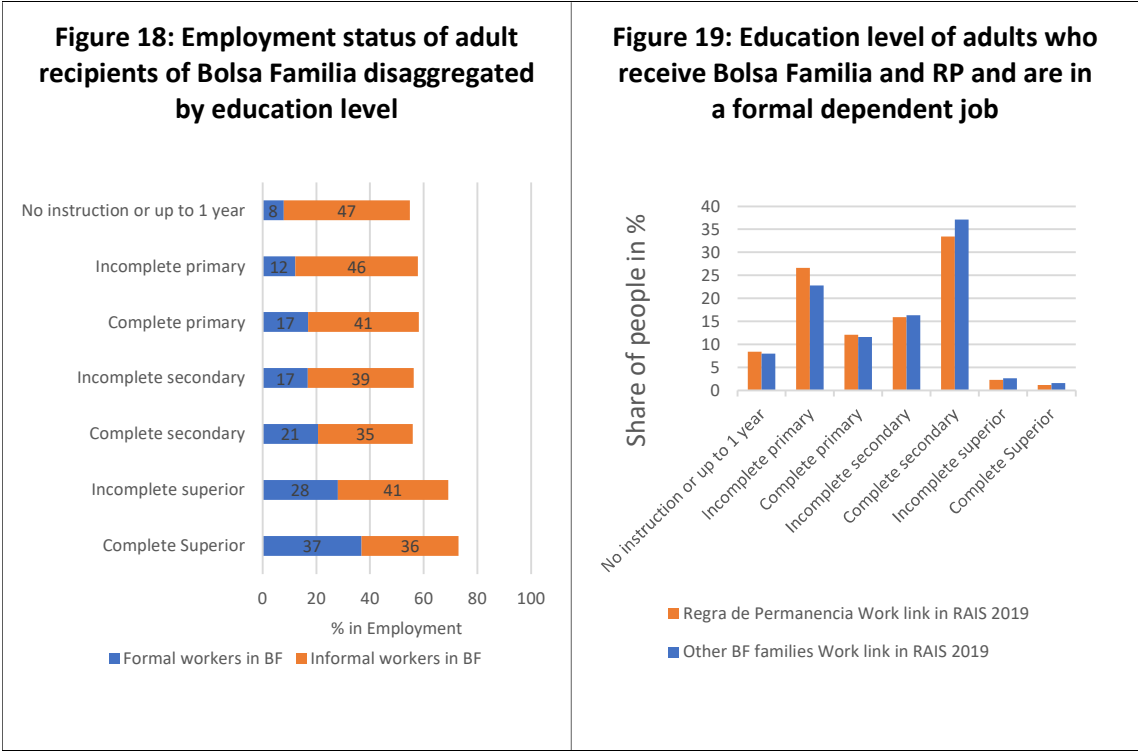
²⁷ Average monthly income for December 2019 for families not in RP and having a per capita income between BRL 89 and BRL 178 was higher than for families in RP (Annex 1)

formal sector job when reaching adult age (Figure 17). This is consistent with the profile of Bolsa Familia adults in the labor market, whose propensity to be in formal jobs steadily rises with education. Data from PNADC show that 21 percent of BF beneficiaries with a completed secondary education work formally, compared to only 12 percent for those with incomplete basic education. Similarly, administrative data (Figure 19) indicate that, among all formal workers in RAIS and in BF (inside or outside of RP families), most hold a secondary education degree. Last, preliminary analysis by the World Bank (World Bank estimates based on Cadastro Único/BIS, and RAIS) indicates that the probability of adults who were in BF to exit increases with their level of education (Figure 20).



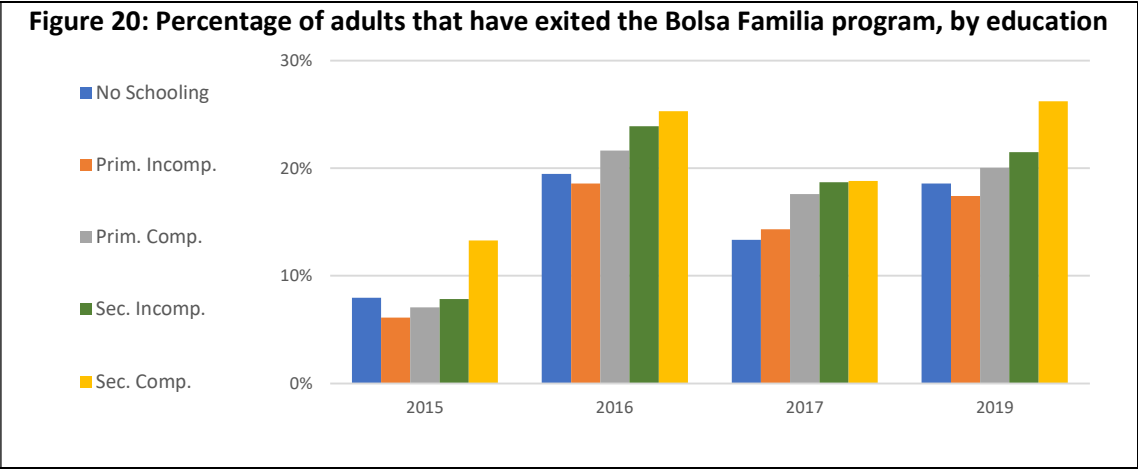
Source: De Oliveira and Chagas 2020.

Note: This figure presents the predicted probability and respective 95% Confidence Intervals of participating in the FLM across BFP Exposure Levels (0: No exposure during childhood, 1: 1 to 3 years, 2: 4 to 6 years, 3: 7 to 9 years, 4: 10 to 12 years) for a hypothetical male individual with average covariates values.



Source: Authors' elaboration based on PNADC 2019.

Source: MoC, Cadastro Único, Folha de Pagamentos, Famílias em RP, November 2019, RAIS 2019. Analysis done by Nunes et al. 2021.



Source: World Bank estimates based on Cadastro Unico/BIS, and RAIS.

Note: The figure shows the percentage of adults in Cadastro Único that used to be in a household benefitting from BF, but no longer were, in every given year.

Box 3: The profile of BF families in the labor market

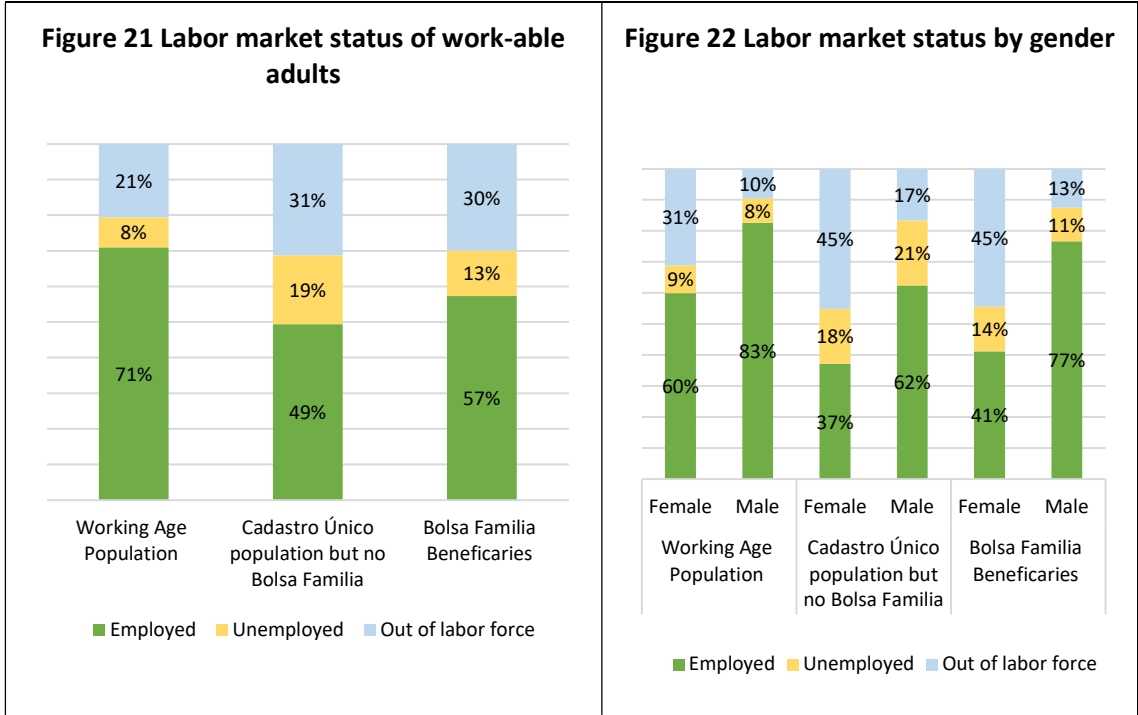
Seventy percent of BF work-able adults are in the labor force. This is the same participation rate as of adults living in households²⁸ not receiving BF but with income below the Cadastro Único eligibility line. The profile of BF adults, as shown by household survey data, is a common initial diagnostic to verify any glaring design issues that may prevent adults in social safety nets from participating in the labor market.²⁹ The PNADC³⁰ does not allow to identify specifically the families in BF that are benefitting from RP, so this descriptive analysis is not an evaluation of the rule, but a correlational analysis that compares families in the BF program as a whole, with families that are not in BF according to the survey, but nonetheless have incomes below 0.5 MW per capita (Cadastro Único line). Labor market participation rate for BF families (not disabled or enrolled full time in school) is 70 percent, which is almost the same as for other low-income households not receiving BF (68 percent) (Figure 21 *Labor market status of work-able adults*). Whereas the share of female out of labor force does not differ between the two groups, more low-income males in Cadastro Único are out of labor force (17 percent compared to 13 percent of male BF beneficiaries) (Figure 22).

The survey data indicates that work-able adults in BF have higher employment rates than workers in other low-income households who do not receive BF. As shown in Figure 21, 57 percent of BF families are employed compared to 49 percent of other low-income families in Cadastro Único. Those circumstances are mainly driven by male employment. The employment rate among male BF beneficiaries is 36 percentage points higher than the employment rate among female BF beneficiaries. The gap between female and male employment rates is smaller among other low-income families not receiving BF—25 percentage points (Figure 22).

²⁸ Other poor households are defined by individuals not receiving BF but having a per capita income below 0.5 MWs.

²⁹ See Morgandi et al. 2014; World Bank 2013.

³⁰ This analysis exploits survey data to profile adults, either in BF or below the Cadastro Único eligibility line, who are potentially able to work. Work ability is proxied by focusing only on adults of (a) working age, (b) not in full time education, and (c) not reporting to be unavailable to work due to health reasons. The profile is based on the annual household survey in Brazil Pesquisa Nacional por Amostra de Domicílios Contínua (PNADC) 2019.



Source: Authors' elaboration based on PNADC 2019.
 Note: Groups are restricted to individuals at working age (18–64) and not reporting to be out of the labor force for health reasons, and not in full time education.

Despite the significant employment rate, BF beneficiaries are on average in lower-quality jobs, prevalently self-employed and informal, consistent with their higher poverty. BF beneficiaries are, on average, with a lower income per capita than adults within the Cadastro Único poverty line who do not receive BF. For this reason, their probability of being in a formal job, on average better paying, are lower. About 44 percent of the employed who live in a family below the line of Cadastro Único have a formal job, while this is only the case among 27 percent of BF beneficiaries (Figure 23). Informal wage employment is especially high among BF female beneficiaries at 52 percent. Male BF beneficiaries are more likely to be informally self-employed (36 percent) compared to 33 percent of informal wage employment (Figure 24).

Figure 23 Employment type among working adults

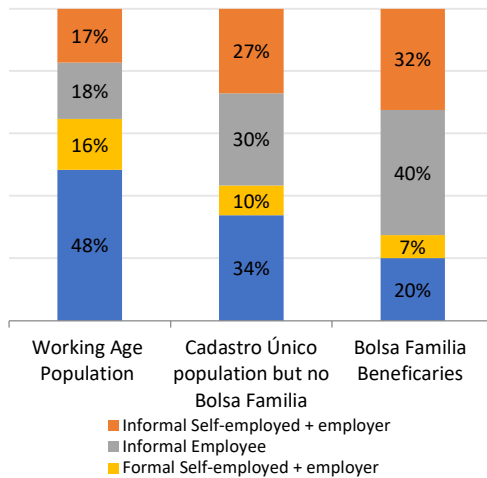
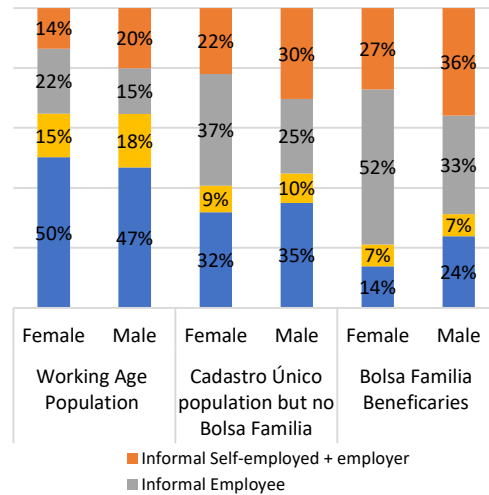


Figure 24 Occupational status by gender



Source: Authors' elaboration based on PNADC 2019.

Note: Groups are restricted to individuals at working age (18–64) and not disabled or in education.

According to PNADC, a quarter of all adults who are employed and live in a household that benefits from BF hold a formal job. These formal workers include both formal dependent workers and formal self-employed (Figure 23). As discussed above, holding a low-pay job, especially if a house has many members, is not incompatible with BF design. Second, this could be also explained by the application of RP to holders of formal jobs to maintain their benefits temporarily.

4. EXIT RULES IN CONDITIONAL CASH TRANSFERS AND LAST RESORT SOCIAL ASSISTANCE PROGRAMS: AN INTERNATIONAL PERSPECTIVE

Bolsa Familia is a rather unique program. It plays functions of a typical CCT for structural poverty reduction, but it is targeted as a means-tested program that allows to respond to shocks and transient poverty. The multiplicity of objectives in BF makes it less simple to identify a single international benchmark, and in many ways, RP already balanced many different considerations. This section reviews the international approaches to ‘graduation’ from benefits, adopted by large CCT programs, as well as select examples of last resort social assistance benefits in high-income countries that share some of the traits of BF. Even if international comparison does not imply foreign experiences are necessarily better, understanding choices made by other programs in the area of graduation and exit rules can help further inform the reform debate of RP. Several countries with CCT programs are currently discussing an enhanced graduation strategy and thus are addressing the same concerns Brazil is facing.

Graduation and exit from CCTs in considered case studies happen either (a) as soon as the family is incompliant with eligibility criteria or (b) through a recertification process that is time-bound, but much less frequent than BF.³¹ Mexico’s *Prospera* for example assessed eligibility of beneficiaries every eight years. If a household surpasses the minimum well-being line, beneficiaries are transferred to a special graduation scheme with reduced benefits for up to three years conditional on the fact that they still have school-age children or a woman below the age of 49 in the family. In Colombia’s *Familias en Accion* recertification occurs every four years; families are granted two additional years of transfers if they surpass eligibility criteria at that stage (Table 1).

Most comparison countries try to embed exit from CCTs into a broader graduation strategy. Countries such as the Philippines, Turkey, and Jamaica monitor the graduation out of the program, and they aim to guarantee a sustainable transition into formal labor markets. In Jamaica, CCT beneficiaries need to reapply to the program after four years. If families are within a certain score band immediately above the eligibility threshold, they are transferred into a graduation group. They will receive cash benefits for additional six months and case management as well as steps-to-work guidance for additional two years. In Turkey, beneficiaries that found a formal labor market job through the public employment program will receive additional 12 months of cash benefits as well as two additional benefits that aim to smooth the transition into work (Table 4).

³¹ In Brazil, families must update their information immediately when income or composition changes. Through data cross-checks, families are constantly recertified. In addition, families must reconfirm their data—even if no change has occurred—every two years.

Table 4: Exit/graduation rules CCTs international comparison

<p>Mexico - <i>Prospera</i></p> <p>Recertification Cycle</p> <ul style="list-style-type: none"> • Every 8 years <p>Eligibility for graduation program</p> <ul style="list-style-type: none"> • Household above minimum well-being line and below threshold for ongoing verification of socioeconomic conditions and has a school-age member (under 22 years old) or a woman under 49 years. <p>Special Exit Scheme</p> <ul style="list-style-type: none"> • Differentiated Support Scheme (<i>Esquema Diferenciado de Apoyos - EDA</i>) <p>Rules of Exit Scheme</p> <ul style="list-style-type: none"> • Families stop receiving food and child benefits, and primary school scholarships • Families will continue to receive secondary school benefits, high-school and occupational CAM scholarships, the Basic Healthcare Package, food supplements, supplementary food benefit for senior citizens, and <i>Jóvenes con Prospera</i> <p>Maximum duration</p> <ul style="list-style-type: none"> • 3 years
<p>Colombia - <i>Familias en Acción</i></p> <p>Recertification Cycle</p> <ul style="list-style-type: none"> • Every 4 years • Families can stay two additional years in the program to facilitate the economic stability—benefit amount not modified, just the setting of a time horizon
<p>Jamaica - <i>PATH</i></p> <p>Recertification Cycle</p> <ul style="list-style-type: none"> • Every 4 years • Re-application to the program after 4 years • Based on score placed in one out of three different groups: • Group 1: Keeps benefit • Group 2: Graduation group • Group 3: Immediate exit <p>Special rules for group 2</p> <ul style="list-style-type: none"> • Assistance through case management or steps-to-work (for a period of up to two years) • Cash benefits will be paid out for additional six months
<p>Turkey - CCT for Education and Health Assistance</p> <ul style="list-style-type: none"> • CCT payments end if one or more household members participate in registered long-term employment activities • CCT payment continues for 12 months if the employment happens through the ‘Employment Incentive Program’ by the Turkish Employment Agency within the

program 'Activating the Relation between Social Assistances and Employment' (even if the eligibility income is exceeded)

- Additional 'Job Guidance Assistance' is received: Transfer is paid maximum four times per year for expenses such as transportation, state of health, and headshot photo
- Additional 'Assistance for Start Working' is received: lump sum payment for social assistance (SA) benefit recipients who take up employment
- CCT payment continues if activity is short term (apprentices, internships, trainees)
- CCT beneficiaries that are 'employable' need to register at the public employment agency. If the registered SA recipient does not participate in active labor market programs (ALMPs) suggested by the employment agency or refuses a job after three job offers, SA payments are stopped for one year

Philippines - *Pantawid Pamilya*

- Seven-year maximum of benefit
- After a certain time, reassessment of the benefits if they should belong to the 'graduation group'
- Graduation strategy yet to be implemented

Sources: Cepal 2020; Dávila Lárraga 2016; GOVPH 2021; Hernández Licona et al. 2019; OECD 2015, 2019; socialprotection.org; World Bank 2019.

In higher-income countries, it is common to 'disregard' a certain amount of earned income from the guaranteed minimum income programs. In most OECD countries, social assistance follows a guaranteed minimum income design: the total amount of social assistance received depends directly on the 'gap' between the family income and the poverty line (Grosch et al. 2014). This is similar to the *Beneficio Superacao Extrema Pobreza* of Brazil, but affecting the entire benefit amount. Due to this design, these programs risk creating 'poverty traps', because, for each additional euro earned, total social assistance may fall by an equal amount. To address this risk, most countries include income disregards that can gradually reduce social assistance while their labor income increases. In Estonia, 100 percent of earned income from jobs is *not considered* for the first two months. After two months, 50 percent of the earned income is not considered. In Croatia, social assistance beneficiaries will still receive the full benefit in the first month, 75 percent of the benefit in the second month, and 50 percent of the benefit in the third month. Portugal is disregarding a higher share of income (50 percent) for 12 months if the new job was obtained through activation measures. If the new job was found in a different way, 20 percent of the earned income is not considered. Belgium on the other hand does not consider a fixed amount of income (16 percent of the MW) for a period of three years which may be spread over six years (see Table 5).

Table 5 Income disregard schemes in selected higher-income countries

	Brazil	Belgium	Chile	Estonia	Portugal	Sweden
% of labor income <i>disregarded</i> from computation of total income (after entering the program)	Up to 0.5 MWs per capita and 3 MW per family	€248.9 per month (16% of MW)	100% of earned income is not considered	100% (Months 1–2); 50% (Months 3–6)	20% (Months 1–12); 50% for those accepting jobs from the activation measures	25%
Additional non-labor income disregarded	All incomes are treated the same	Income from scholarships not considered, all other incomes treated the same	All incomes are disregarded	Scholarships, bestowals, alimony are never counted in family income	Income of students not counted as family income	Income of students not counted
Maximum duration of income disregard	2 years	3 years and spread over 6 years	Depends on the SA benefit rules (Chile Ético: 2 years)	6 months over 24 months	2 months	2 years

Source: Authors, based on MISSOC 2020.

However, it is important to note that in high-income countries, such income disregards are embedded in a more comprehensive and institutionally demanding ‘activation system’. The package typically includes profiling of beneficiaries at entry into social assistance, preparation of an individual or family plan, and, as needed, referral to active labor market policies, public employment services, counselling, health services, and periodic monitoring. The income disregard is thus an incentive to allow beneficiaries to meet job search and acceptance obligations. Such approaches are institutionally demanding, and the cost of services is an important share of the total cost of programs. The lesson learned from multiple countries in Eastern Europe, which made a transition from unconditional to conditional benefits in the 2000s, is that mandatory job search obligations and referrals to public employment services for social assistance beneficiaries should not be imposed before sufficient capacity is in place. The risk otherwise is to overwhelm public systems with limited results. This does not imply that voluntary, incentivized integration efforts should not be put in place for individuals close to the labor market in Brazil.

Compared to the international experience, Brazil stands out in several aspects: (a) the requirement to voluntarily update income information to activate the transition rules, (b) the frequency of recertification, (c) the equal treatment of all incomes during RP.

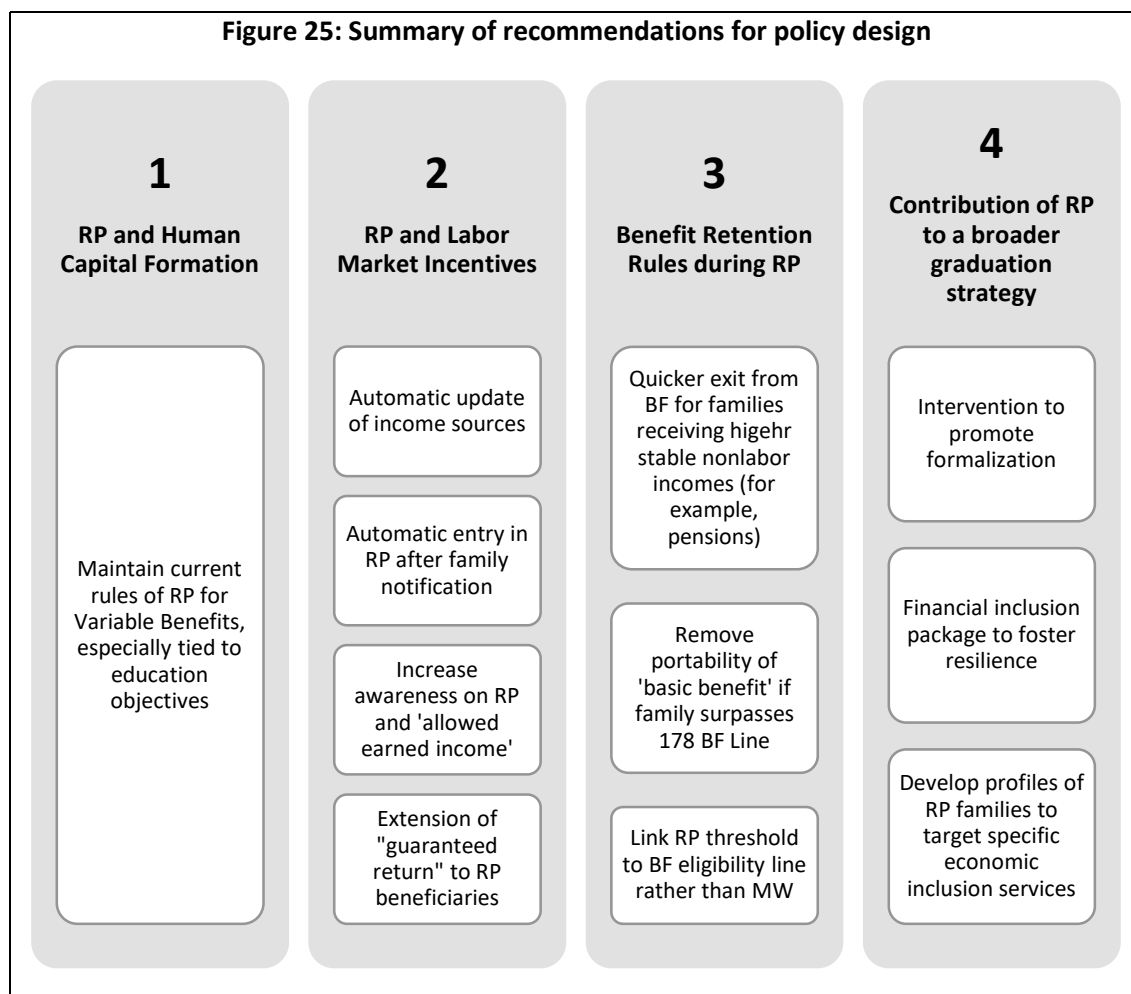
Comparing RP to other countries that have large CCTs in place, the following differences stand out:

- RP requires beneficiaries to update their information voluntarily and immediately. If beneficiaries are found ineligible during the frequently ongoing recertification process, they are suspended from the program until they provide further information about their income situation in the corresponding offices. Beneficiaries are eventually expelled if they fail to provide updated information. This increases incentives to provide accurate information, but also raises the question of whether beneficiaries are sufficiently aware of the RP rule to make the effort to visit the Social Assistance Reference Center (*Centro de Referência de Assistência Social, CRAS*) and do the update. In some municipalities, an immediate update may be difficult when the social assistance offices are overloaded, and this may lead to unnecessary interruption of the benefit.
- While the program may more quickly exclude some households than others, it also has one of the simplest reintegration protocols: this gives families the equivalent of an ‘insurance’ and theoretically raises incentives to seize work opportunities. This dynamism is a key aspect of the program that should be preserved.
- Governments built an explicit strategy to accompany beneficiaries in their self-sufficiency process, by providing additional services and guidance on how to ‘survive’ in the labor market, to families that, one way or another, are approaching the end of the program. The RP could be part of a broader graduation strategy that is focusing on graduating beneficiaries in a sustainable way.
- A lesson from high-income countries is that income disregards that de facto increase total income when working, compared to when not working, are specifically focused on *earned and formal* incomes.

5. RECOMMENDATIONS

This section presents a set of recommendations, which in part could be implemented in the short term with the information that already exists in Cadastro Único and benefit systems. The analysis of RP was informed by a comparison of its policy objectives with design rules, insights from administrative data, a broader look at family profiles, and a comparison with international experiences. The recommendations already take into account a potential reform of Bolsa Familia in 2021, under a new benefit design that has been under discussion the last two years. Simplicity has been one of the key benefits of RP. In assessing different policy options, the authors also weighed the tradeoffs between marginal improvements to the rules, versus the potential increases in complexity to implement these changes. Still, it will be essential to consider the ‘operational feasibility’ of all proposed recommendations.

In several stages, the importance of conducting more analysis is also stressed. In particular, there is need to collect systematically and over time the reasons why families exit from BF, the characteristics of those who do, and whether families that leave due to higher labor income generally can sustain it. Such information would, for instance, help determine whether 24 months is a long or short period for families to remain in RP.



1. Human capital investment

A first recommendation is to ensure that the current application of RP to variable benefits is maintained. The incentive to invest in human capital embedded in variable benefits improves chances of labor market integration and higher earnings of children when they turn adults. For this reason, it is recommended that any alteration of RP preserves the current features of the rule that allow children and youth to benefit for two additional years of income support conditional on health and schooling attendance.

2. Labor market incentives

The current rule already incentivizes formal labor market participation, and even a more generous BF benefit would not harm such incentives. The labor market profiles of families in BF presented in this note show that individuals participate in the labor force nearly as much as the general population of Brazil, despite having more constraints and higher poverty. This is consistent with the theoretical tax-benefit model presented in this paper, mainly because of the low benefit level in comparison to the MW. The average benefit has fallen over time in real terms (Morgandi et al. 2020), and it increase significantly without formal work disincentives becoming a concern.

Beneficiaries should be made aware of the opportunity that RP presents to earn additional formal labor income, or to earn more as self-employed. Understanding the implications of additional labor market earnings on maintenance of eligibility to BF is not trivial: it involves basic financial literacy (which in Brazil remains generally low, see Neri 2021) and good understanding of benefit calculation rules. Thus, it should not be assumed that even if BF rules under RP maintain a strong incentive to accept a formal job, beneficiaries are aware of this opportunity to earn more. Awareness could be raised via a tailored information intervention, including through digital technology, for instance to signal the maximum income that families could earn while remaining in the program. These policies could be tested with experimental designs, by targeting beneficiaries with different types of messages and evaluating the results in the labor market data. It is also important to note that incentives are only one of the factors that may affect households' participation in the labor market. Especially for individuals with low human capital and constraints to labor force participation (such as distance from jobs, childcare responsibilities), as it is common for beneficiaries in BF, the latter issues are more binding constraints than incentives.

Any automatic update of income sources in Cadastro Único could also automatically trigger enrollment in RP, and protect families from risk of benefit cancellation. Currently, families are only eligible to participate in the RP if they update their new incomes voluntarily, and they should do so before this higher income is detected through cross-checks. Sometimes taking such steps in overburdened CRAS offices is not a trivial process. Data from the MoC show that more than 1 million BF families have at least one member in the formal labor market, without being part of RP. As shown in section 3.3, half of all benefit cancellations before the pandemic were due to families being found with income higher than BF eligibility lines due to averiguação cadastral. An automatic process of placing families in RP, once new income information updates to total family income in Cadastro Único, should be considered instead.

Automatic enrollment in RP should be combined with the development of new communication channels to inform families of the new status and to explain the consequences. Currently the program has one centrally managed tool to inform

beneficiaries of any event that may affect their benefits (such as non-compliance from cross-checks, issues with conditionalities). This tool is the paper receipt issued by ATM machines at the time of benefit payment; this receipt can contain one short customized message. Such instruments have proven very useful to administer the program, but are also constraining when there is a need to send more complex messages. For anything of greater complexity, the program has to rely on staff in CRAS offices, who may use any channel (phone, or social media, direct home visits), to reach out to families. The application of the automatic enrollment in RP would be best implemented with the help of broader and more automatized communication channels (such as digital SMS, automated voice calls) that can inform families on their new status, the implication on their benefit levels, the opportunities.

In line with maintaining strong incentives and to reduce ‘loss aversion’, there is also a rationale for extending the Guaranteed Return (Retorno Garantido) to families using RP. The guaranteed return rule is the closest equivalent to an ‘income insurance’ or ‘unemployment insurance’ for families leaving BF (Neri 2021). Currently, the guaranteed return to BF applies to families that voluntarily leave the BF before entering in RP. The reform could extend the rights of families in RP to voluntarily abandon BF because they seize a labor market opportunity, while still maintaining the possibility of safe return in the event of an adverse situation without joining the waiting list for the BF program. So far very few families each month have made use of voluntary departure option (about 0.02 percent of BF families left voluntarily), and only 17 percent among them (about 2,000 families per month), made use of the guaranteed return. It is possible that by extending this right to RP graduates, demand for the return would also not increase excessively. But this could send a very different message to those individuals in RP that have to face decisions regarding whether to enter into a job that leads them out of the program before the end of the two-year RP period. The analysis of transition data could allow the Ministry to anticipate the number of families likely to use the *retorno garantido* over time, and to budget for it upfront.

3. Changes to benefit portability tied to RP in the current and future Bolsa Familia program

Families that go above the BF upper eligibility threshold because they receive a stable nonlabor income could be rapidly transitioned out of the *basic benefit*, which is meant to alleviate extreme poverty. The analysis suggests that one-third of households in RP derive 80 percent or more of their income from pensions. As international experience shows, many countries devote income disregards (such as RP) only for earned income. The program could adopt a similar approach and end the *basic benefit* after the family is above the BF line and receiving a stable nonlabor income, such as pensions, BPC, or other benefits, because the family ceases to be extreme poor. If the family structure changes and falls back below the extreme poverty line, guaranteed return

(recommended above) would come into effect. More research is needed to evaluate whether a similar approach (exit from *basic benefit* quickly) makes sense for families that go above BF line due to *earned* income, as labor income may be more volatile.

From a current point of view, 24 months seem to be a reasonable time frame for the RP program for families which saw an increase in labor income. The original justification for having RP last 24 months was to match the expected average tenure in work observed ten years ago and the program rule. There are two arguments that support maintaining RP status for this two-year period: (a) if RP is to be used as a window when families receive particular services to build up resilience (assets, savings, skills, and work experience) this much time may be needed to allow for matching a beneficiary to appropriate services, including in an intervention, and allowing for subsequent labor market experimentation (see section 5.4); (b) there still many uncertainties about labor transitions of families in RP, and of risk for new entrants in the labor market to quickly loose work or business income, particularly informal workers³². A fairly long-time horizon in RP, as well as the guaranteed return, are important behavioral features to encourage income declaration and labor market experimentation, without fear of losing a certain income from transfers. Monitoring families behavior for some time could lead to better information on whether RP should be shortened.

Under a new design of BF, the basic benefit would be extinguished, and RP will not apply to the new extreme poverty gap benefit (Benefício de Cidadania, BdC). The reform of BF, under discussion since 2019,³³ foresees any additional income earned from zero to the extreme poverty line would be entirely ‘taxed away’ by the equivalent withdrawal of the minimum income benefit (BdC), which, on average, will play a much bigger role in the total benefits received by families.³⁴ This equates to a 100 percent marginal tax rate for those initial earnings. Nonetheless, simulations show that, for most typologies of families (including those with two adults and one child), the loss of BdC would be significantly less than a full-time minimum wage. Also, as labor income rises, families would progressively receive the formal benefit Salário Família, which partially offsets the loss of BdC.³⁵ Additionally, if the extreme poverty line reach closer to the value of the minimum wage, the program could consider including a benefit taper to

³²As seen in Table 3, the average job tenure for formal dependent workers is about 17 months, but formal workers are only a minority of the employed.

³³ The debate on the reform of BF includes an option under discussion, to remove from BF the basic benefit, and, at the same time, to increase the poverty and extreme poverty eligibility lines. The vacuum left by the end of basic benefit would be filled by a higher minimum income benefit (benefício superacao extrema pobreza, renamed Benefício de Cidadania, BdC). The latter would not become part of the benefits carried over with RP.

³⁴ Simulations indicate that the BdC (here Benefício superação extrema pobreza, BSEP) would triple in the total expenditure, accounting for about two-thirds of all benefits distributed (Morgandi et al. 2020).

³⁵ For instance, for an adult entering a formal wage job at minimum wage, either part time (which is rare) or a full time (most common), the sum of formal workers benefits (Salario Família and, if eligible, Abono Salarial), plus the new wage, plus the variable benefit in RP, would still provide a total income between twice and three and half times the pre-labor income. The ratio of labor income to lost benefits varies depending on the family structure.

withdraw BdC more gradually like in best practice program: for instance for each BRL 2 earned above the benefit value at entry, the BdC could be reduced by BRL 1 during RP.

Table 6: Changes to RP regulation under current and a new BF benefit under discussion

	Status quo	Changes	
		BF in current design	Potential new BF design
<i>Variable Benefit portability</i>	Families with children, youth in school, pregnant women keep benefit in RP	Recommend maintaining rule as is	
<i>Basic Benefit portability</i>	Families pre-income below BRL 89 per capita keep basic benefit in RP (at any threshold)	Families that reach above BF (178) eligibility line because they receive other non-labor income (like pensions) transition out of basic benefit immediately	There will be no basic benefit under a new BF design.
<i>Extreme Poverty Gap Benefit portability</i>	Families entering RP lose extreme poverty gap benefit	No change	No change
Guaranteed return after exit	Only applied to families that leave BF voluntarily while still eligible; not to families who exit from RP	Applicable to families that exit the program from RP	
Duration in RP status	2 years	2 years	
Process to trigger of RP	Self-declaration in Cadastro Único at CRAS, at times motivated by income verification process and request from CRAS to explain	Automatic entry in RP status after income updates, but with communication and grievance/appeal process	
Maximum threshold of RP	Tied to Cadastro Único line (thus always half minimum wage)	Delink from minimum wage and make instead factor of BF entry threshold. New value could be equal or lower than current RP nominal threshold	

Going forward, it is recommended that the maximum withdrawal threshold of RP be tied to the BF benefit eligibility line rather than to the minimum wage. Overall, the RP eligibility threshold should be designed so that families do not experience a sudden loss in benefits when acquiring new incomes (especially labor income) while still being vulnerable. At the same time, the RP should be also efficient, that is, avoid overstay in

BF of families with income levels well above the eligibility threshold, considering the program often experiences budget constraints and waitlists. Thus, there is a rationale for the threshold for RP to be delinked from the MW and remain under control of the same administrators that set the other parameters for the benefit. In terms of value, a closer analysis of the distribution of incomes of families in RP could help identify an appropriate threshold, but in any case, the current nominal value, nearly three times the eligibility line to BF variable benefits, should not be increased.

4. Contribution of RP to a broader graduation strategy

Families close to exiting the program can become a special attention group for public policies meant to improve resilience after BF. This is particularly the case of families in RP status, who are above the BF poverty line and in a time-bound stay, but it could also include families that are approaching exit from the program predictably because of their children's age. The rule could be rebranded to emphasize households' entrance in a new stage of family support, which combines opportunity with a reentry possibility if incomes fall. The identification of families in RP as a priority group would not automatically lead to the application of the same interventions for all. In addition, the MoC could coordinate with other targeted programs that utilize Cadastro Único to define a package that may be more appropriate for families in transition, and that can continue beyond the time in BF. This section contains a *first, non-exhaustive, set of recommendations* related to actions that may be used to strengthen households' resilience in preparation for their exit.

A potential low-cost intervention could be to inform beneficiaries of opportunities and benefits associated with formalization. Brazil has in place significant benefits and subsidies for low earners, whether in CLT (Abono Salarial, Salário Família) or in simplified regimes for self-employed (Microempreendedor Individual, MEI). Even if most of the employed in Cadastro Único are self-employed, the take-up of MEI is very low. This could be due to the cost, but also possibly because of limited awareness of the benefits (insurance, better pension, possibly access to credit) or how to register. Information messages could target BF families in RP to inform of these policies, together with information regarding the opportunity to earn additional income brought by RP.

RP beneficiaries could become a target group of financial inclusion strategies, meant to support further resilience against shocks when no longer in BF. Offering dedicated financial services to beneficiaries in RP would be a way to increase resilience of families for a time without Bolsa Família. The main instruments include access to credit for consumption smoothing, inclusion in savings products optimized for low-income families, and micro-insurance against specific insurable risks. The strategy would need to be part of a broader financial inclusion approach that is supported by financial education. Some of these products, such as a dedicated savings account with appropriate nudges, could be offered by default to households in RP and engaged in the

labor market before they leave Bolsa Familia. Detailed recommendations regarding these products will be part of a separate forthcoming analytical work.

A systematic and regular profiling of family typologies would allow to refine targeting and prioritization. The rich Cadastro Único data could be also leveraged to generate systematically household profiles according to the type of earned and unearned income, adults' education, work-ability, number of dependents, former and current labor market status at entry. This set of information could be used with two main purposes: (a) at the central level, a profile of the population in BF enables an initial speculation of beneficiaries' economic vocations and potential and to plan for different support services and (b) at a more localized level, systematic profiles on each family can be used to implement these strategies, for instance to target labor and economic inclusion programs or to prioritize. In addition, advanced data analytics could inform ex ante which type of households are more likely to stay a short or a long time in the program (including dropping out prematurely due to incompliance with conditionalities). Similar statistical profiling models, which can predict the likelihood of staying in unemployment insurance, are used to determine benefit packages or to intervene 'early-on' on the likely long-term unemployed (Loxha and Morgandi 2014). The quality of these indicators and models will depend on the quality of data in Cadastro Único: further feedback to the system from education, tax, and social security registries (for self-employed, for instance) could be considered to improve quality of profiling of families.

Additional research on the exit pattern of BF families is an important input for the design of a broader graduation strategy. BF is a very dynamic program, especially compared to other CCTs. Further research on family profile associated with different reasons of BF families exit, including why so many do not end up using RP, could support the design of policies to support successful graduations (and not just exits). In addition, longitudinal studies could better explore to what extent households that graduated remain active in the labor market, or return to BF.

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ANNEX 1: PROFILE OF FAMILIES IN RP (BASED ON MINISTRY OF CITIZENSHIP 2021)

Table A1.1: Number of families under RP

Income Bracket	Other BF Families		RP families	
	Number of families	%	Number of families	%
Up to BRL 89	11,916,927	94.6	0	0
BRL 89–178	684,284	5.4	1,139,851	68.2
BRL 178+	1,206	0.01	531,534	31.8
Total	12,602,417	100	1,671,385	100

Source: MoC, Cadastro Único, Folha de Pagamentos, Famílias em RP, November 2020. Analysis done by Nunes et al. 2021.

Table A1.2: Number of families under RP urban/rural

Urban/rural	BRL 89–178		BRL 178+		Total	
	Number of families	%	Number of families	%	Number of families	%
Urban	924,651	81.1	422,069	79.4	1,346,720	80.6
Rural	214,796	18.8	109,106	20.5	323,902	19.4
NA	404	0.0	359	0.1	763	0.0
Total	1,139,851	100.0	531,534	100.0	1,671,385	100.0

Source: MoC, Cadastro Único, Folha de Pagamentos, Famílias em RP, November 2020. Analysis done by Nunes et al. 2021.

Table A1.3: Number of families under RP by region

Region	BRL 89–178		BRL 178+		Total	
	Number of families	%	Number of families	%	Number of families	%
North	172,089	15.1	60,236	11.3	232,325	13.9
Northeast	375,274	32.9	199,259	37.5	574,533	34.4
Southeast	271,078	32.6	170,636	32.1	541,714	32.4
South	119,023	10.4	59,549	11.2	178,672	10.7
Central-East	102,387	9	41,754	7.9	144,141	8.6
Total	1,039,851	100.0	531,434	100.0	1,671,385	100.0

Source: MoC, Cadastro Único, Folha de Pagamentos, Famílias em RP, November 2020. Analysis done by Nunes et al. 2021.

Table A1.4: Number of families under RP by education level

Education level	BRL 89–178		BRL 178+		Total	
	Number of families	%	Number of families	%	Number of families	%
No instruction or up to 1 year	140,391	12.3	73,397	13.8	213,788	12.8

Education level	BRL 89–178		BRL 178+		Total	
	Number of families	%	Number of families	%	Number of families	%
Incomplete primary	435,728	38.2	202,812	38.2	638,540	38.2
Complete primary	134,758	11.8	56,293	10.6	191,051	11.4
Incomplete secondary	123,684	10.9	49,841	9.4	173,525	10.4
Complete secondary	284,934	25.0	134,778	25.4	419,712	25.1
Incomplete superior	10,739	0.9	8,603	1.6	19,342	1.2
Complete Superior	9,617	0.8	5,810	1.1	15,427	0.9
Total	1,139,851	100.0	531,534	100.0	1,671,385	100

Source: MoC, Cadastro Único, Folha de Pagamentos, Famílias em RP, November 2020. Analysis done by Nunes et al. 2021.

Table A1.5: Number of families under RP by family size

Number of family members	BRL 89–178		BRL 178+		Total	
	Number of families	%	Number of families	%	Number of families	%
1 person	55,898	4.9	39,555	7.4	95,453	5.7
2 persons	230,456	20.2	116,909	22.0	347,365	20.8
3 persons	334,302	29.3	152,235	28.6	486,537	29.1
4 persons	242,252	21.3	123,932	23.3	366,184	21.9
5+ persons	276,944	24.3	98,903	18.6	375,846	22.5
Total	1,139,851	100.0	531,534	100.0	1,671,385	100.0

Source: MoC, Cadastro Único, Folha de Pagamentos, Famílias em RP, November 2020. Analysis done by Nunes et al. 2021.

Table A1.6: Number of families under RP by number of children

Number of family members	BRL 89–178		BRL 178+		Total	
	Number of families	%	Number of families	%	Number of families	%
Without Children	206,093	18.1	160,631	30.2	366,724	21.9
1 child	416,945	36.6	189,007	35.6	605,952	36.3
2 children	314,914	27.6	126,034	23.7	440,948	26.4
3 children	132,589	11.6	44,514	8.4	177,103	10.6
4 children	48,425	4.2	9,546	1.8	57,971	3.5
5+ children	20,885	1.8	1,802	0.3	22,687	1.4
Total	1,139,851	100.0	531,534	100.0	1,671,385	100.0

Source: MoC, Cadastro Único, Folha de Pagamentos, Famílias em RP, November 2020. Analysis done by Nunes et al. 2021.

Table A1.7: Number of families under RP by number of children

Employment Status	BRL 89–178		BRL 178+		Total	
	Number of families	%	Number of families	%	Number of families	%
Employed	931,502	38.9	395,751	35.0	1,327,253	37.6
Not employed	1,464,032	61.1	735,352	65.0	2,199,384	62.4
Total	2,395,534	100.0	1,131	100.0	3,526,637	100.0

Source: MoC, Cadastro Único, Folha de Pagamentos, Famílias em RP, November 2020. Analysis done by Nunes et al. 2021.

Table A1.8: Source of income

Employment Status	RP Families		Other BF Families		Total	
	BRL	%	BRL	%	BRL	%
Income from labor	494,501,982	55.6	868,074,457	65.4	1,362,576,439	61.5
Income from donations	37,305,534	4.2	167,015,255	12.6	204,320,789	9.2
Income from retirement, rural retirement, pension, and BPC	257,297,748	28.9	24,365,356	1.8	281,663,104	12.7
Income from unemployment insurance	8,213,502	0.9	3,843,857	0.3	12,057,359	0.5
Income from alimony	72,428,384	8.1	172,273,212	13.0	244,701,596	11.0
Other income	19,212,090	2.2	91,594,259	6.9	110,806,349	5.0
Total	888,959,240	100.0	1,327,166,396	100.0	2,216,125,636	100.0

Source: MoC, Cadastro Único, Folha de Pagamentos, Famílias em RP, December 2019. Analysis done by Nunes et al. 2021.

Table A1.9: RP beneficiaries in formal dependent employment

	No member 16 years of age or older with active employment on 12/31 on RAIS 2019		With at least one member 16 years of age or older with active employment on December 31 in RAIS 2019		Total
Families under RP	Number of families	%	Number of families	%	Number of families
BRL 89–178	897,251	85.6	151,352	14.4	1,048,603
BRL 178+	351,122	82.9	72,535	17.1	423,657
Total	1,248,373	84.8	223,887	15.2	1,472,260
Other BF families	N	%	N	%	N
Up to BRL 889	10,179,713	92.0	889,926	8.0	11,069,639
BRL 89–178	504,243	80.2	124,460	19.8	628,703
BRL 178+	2	200.0	0	0.0	1
Total	10,683,958	91.3	1,014,386	8.7	11,698,344
Total of families	N	%	N	%	N
Up to BRL 889	10,179,713	92.0	889,926	8.0	11,069,639
BRL 89–178	1,401,494	83.6	275,812	16.4	1,677,306
BRL 178+	351,124	180.3	72,535	37.2	194,789
Total	11,932,331	1	1,238,273	9.4	13,170,604

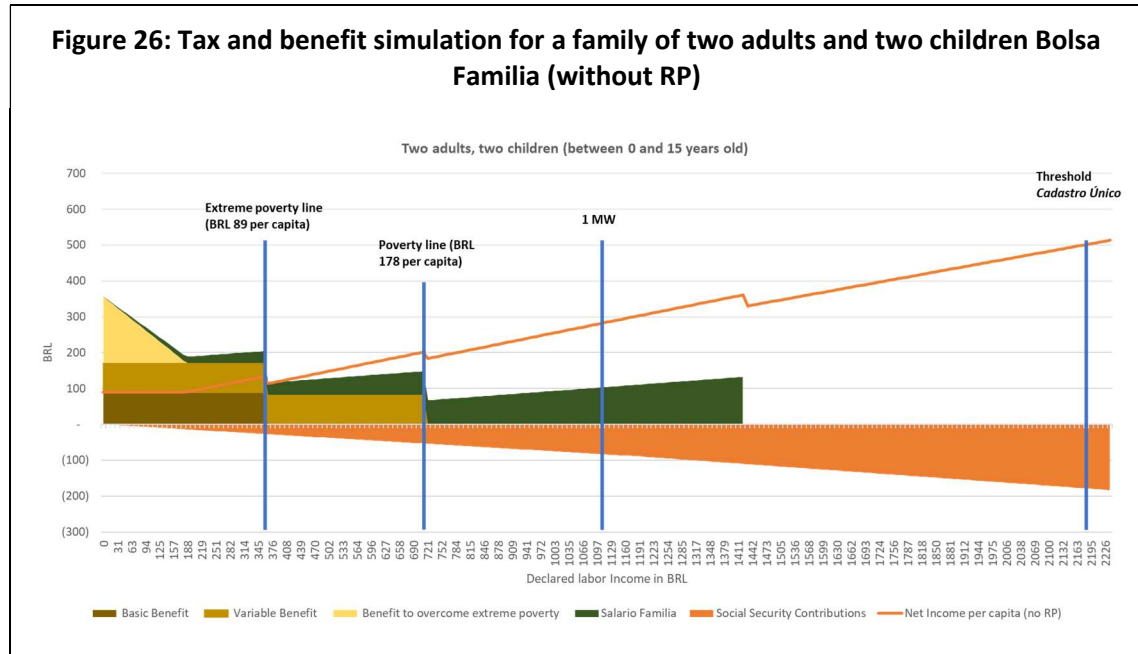
Source: MoC, Cadastro Único, Folha de Pagamentos, Famílias em RP, December 2021; RAIS December 2019. Analysis done by Nunes et al. 2021.

Table A1.10:

			With at least one member 16 years of age or older with active employment on 12/31 on RAIS 2019		Total
Members of families with an active work relationship on December 31 in RAIS 2019					
Families under RP	Number of families	%	Number of families	%	Number of families
BRL 89–178	897,251	85.6%	151,352	14.4%	1,048,603
BRL 178+	351,122	82.9%	72,535	17.1%	423,657
Total	1,248,373	84.8%	223,887	15.2%	1,472,260
Other BF families	N	%	N	%	N
Up to BRL 889	10,179,713	92.0%	889,926	8.0%	11,069,639
BRL 89–178	504,243	80.2%	124,460	19.8%	628,703
BRL 178+	—	200.0%	0	0.0%	1
Total	10,683,958	91.3%	1,014,386	8.7%	11,698,344
Total of families	N	%	N	%	N
Up to BRL 889	10,179,713	92.0%	889,926	8.0%	11,069,639
BRL 89–178	1,401,494	83.6%	275,812	16.4%	1,677,306
BRL 178+	351,124	180.3%	72,535	37.2%	194,789
Total	11,932,331	1	1,238,273	9.4%	13,170,604

Source: MoC, Cadastro Único, Folha de Pagamentos, Famílias em RP, December 2021; RAIS December 2019. Analysis done by Nunes et al. 2021.

ANNEX 2: ADDITIONAL CHARTS OF TAX BENEFIT SIMULATIONS



Source: Authors based on benefit rules of current BF.

Note: Figure shows the level of benefits received (vertical axis) at every level of formal labor income of the family (horizontal axis). Net per capita income of family is sum of labor income, all benefits minus social security and income tax. *Abono Salarial* is not included as the model is assuming limited prior tenure in formal work. The figures assume a minimum wage of BRL 1,045.