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## Impact evaluation of a non-contributory pension program on family welfare in Brazil: Benefício da Prestação Continuada (BPC)

By Ana Lucia Kassouf and Pedro Oliveira

### The Benefício da Prestação Continuada (BPC) program

The *Benefício da Prestação Continuada* (BPC) program is a non-contributory pension scheme, implemented by the Ministry of Social Development (MSD) in 1996, which provides a minimum wage for elders and people with disabilities that make them unable to work or live on their own.

Potential beneficiaries are identified by the municipalities and invited to apply with relevant authorities, who decide whether or not to pay the benefits based on age and income criteria.

The benefit may be paid to every person aged 65 years and older, with a «per capita family income» no higher than 25% of a fixed minimum wage (≈US\$ 300.00/month in 2012) and with no social security aid or any other retirement plan fund.

In case of more than one beneficiary in the same family, the second applicant must be disabled or older than the cutoff age, and the first beneficiary's allocation will be included in the family income calculation

Comparing the BPC with the second largest cash transfer program in Brazil, *Bolsa Familia* (BF):

In 2006	BPC	BF
Total program budget	US\$ 8.2 billion	US\$ 4.4 billion
Number of beneficiaries	3 million	40 million
Beneficiary's allocation per month	US\$ 175 (fixed)	US\$ 75 (average)

Since BPC pays a minimum wage for each beneficiary, its budget is larger compared to other programs. Therefore we may expect important effects of the program on inequality and the beneficiaries' quality of life.

In this particular PEP project, a team of Brazilian researchers aimed to **assess the effect of the BPC on the elders' labor force participation** by comparing that of BPC beneficiaries to non-beneficiaries' – thus posing that BPC allocations may allow beneficiaries to retire from the labor market, which would not be possible otherwise.

The researchers expected to find not only a lower participation rate of the BPC elders in the labor market, but also some spillover effects associated with the benefit, as co-residents would be prone to leave the labor market.

## Key findings

From their empirical evaluation results, the researchers observe:

- 1 - **A decrease in labor force participation for the elders receiving the BPC benefit.**

This is very important as most beneficiaries have limited access to financial aid, and thus the BPC program presents their only chance to retire from the labor market (i.e. improving their wellbeing).

- 2 - **A significant decrease in the probability of the beneficiaries' co-residents to be working or looking for a job.**

Especially when the co-resident is not the only provider of the household and/or does not have a good job; the extra income then allows him to look for a better job or quits work to study.

And finally:

- 3 - **A decline in (child) labor participation for kids aged 10 to 15 living with beneficiary elders**, which however, was not found to be associated with an increase in school attendance.

This can be explained by the fact that Brazil has already achieved universal education – with 97% of school enrollment for kids under 15 (i.e. 9 years of basic education) – and that work and study are not mutually exclusive; several teenagers in Brazil may neither study nor work, while others may do both.



## Policy recommendations

In terms of policy adjustments, the researchers recommend:

- 1- the inclusion of conditionalities, as a way to increase the impact of the BPC program on human capital accumulation. Such conditions may include co-residents' children school attendance, vaccination and attendance to health care services, etc..
- 2- the adjustment of the allocation's value to take into account the household's size, location (state and rural/urban area) and income level
- 3- that the current minimum wage paid in Brazil should be the ceiling price of the programs' stipends.