






LABOUR AND REDUCING POVERTY AND INEQUALITY

PARLIAMENTARY OBSERVATORY OF THE UNIVERSAL PERIODIC REVIEW*

13 recommendations
received by Brazil regarding the
third cycle (2017-2021) of the UPR

1  in progress
2  in retrogression
10  not fulfilled

HUMAN RIGHTS AND DEVELOPMENT

Recommendations related to establishing an economic and social development strategy that is inclusive and sustainable to overcome poverty and reduce inequality.

**International Covenant on Economic, Social and Cultural Rights
(Decree No. 591/1992)**

Determines that people have a right to self-determination, which includes the ability to freely ensure their economic, social and cultural development.

Among the rights guaranteed:

- right to adequate work and to remuneration that guarantee a decent life for all workers, in an equitable manner between men and women;
- freedom of creation and association to trade unions;
- right to social security, including social insurance;
- right to an adequate standard of living, including adequate food, clothing and housing, with continuous improvement of living conditions.

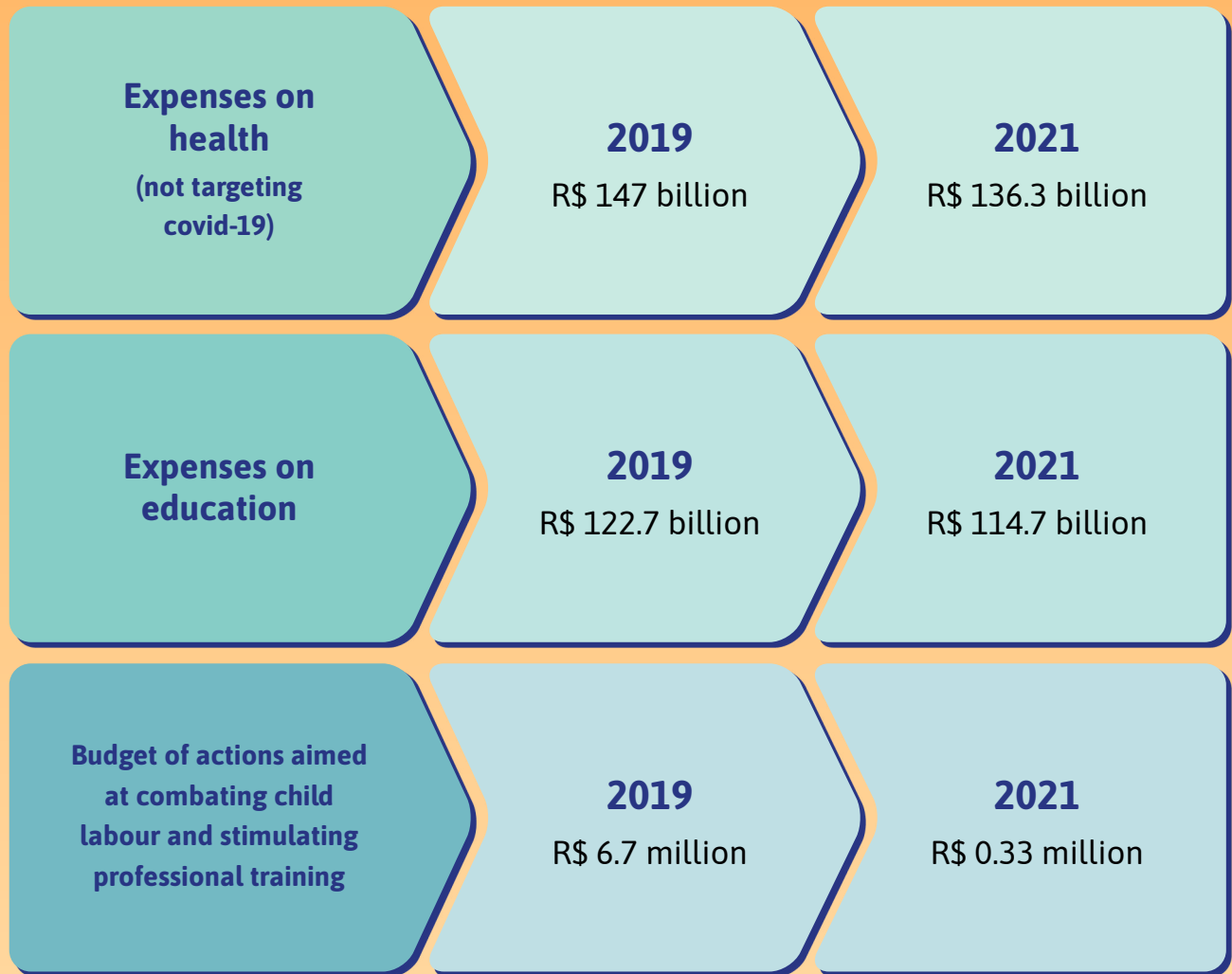
**Declaration on the Right to Development (United Nations General Assembly
Resolution 41/128 of 1986)**

States have the right and duty to formulate appropriate national development policies, aimed at constant improvement of the well-being of the population, based on their active, free and meaningful participation in development and in the fair distribution of the benefits resulting therefrom.

* The Observatory is a government mechanism to monitor the effectiveness of the recommendations made to Brazil in order to improve our human rights situation. It is a partnership between the House of Representatives and the United Nations in Brazil (UN Brazil)



REDUCTION OF IMPORTANT EXPENDITURES IN THE FEDERAL BUDGET¹



Retrocessions in spending linked to policies for the environment protection, women, quilombolas, racial equality, indigenous peoples and children and adolescents are also highlighted.



¹ Institute of SocioEconomic Studies (Inesc). **A conta do desmonte** – Balanço do Orçamento Geral da União 2021. Brasília: Inesc, 2022. Available at: <https://www.inesc.org.br/wp-content/uploads/2022/04/BalancoOrçamento2021-Inesc-1.pdf>.

MICROECONOMIC STRUCTURAL REFORMS



Labour Reform - Law no. 13.467/2017

- Greater flexibility in the formal labour market to create jobs.
- It allowed negotiated collective agreements to overlap with labour laws, enabling negotiations that result in fewer rights for employees, including less than what is provided by current legislation (except rights enshrined in the Constitution and international treaties).
- It has weakened access to Labour Justice and the influence of trade unions.
- The employment bond becomes more thin, allowing intermittent contracts and "outsourcing" or unrestricted subcontracting.
- Hiring legal entities instead of individuals is legitimate.
- The concept of the employment bond present in the labour legislation is made more flexible, especially in the Consolidation of Labour Laws (Decree-Law No. 5.452/1943).



Provisional Measure No. 905/2019 Amendments to Provisional Measure No. 1.045/2021

- Attempts to create other labour bonds with fewer rights through the "Yellow - Green" Labour Licensebook.
- An attempt to create a new labour bond different from the ones provided for in the Consolidation of Labour Laws (CLT).
- Tax exemptions were proposed to employers and less labour rights to employees, with the justification that this flexibilization would increase employment.



Social Security

Proposal for Constitutional Amendment (PEC) No. 287/2016

- It has not been considered by the plenary of the House of Representatives.
- Intended to reduce access to the social security benefits system and social assistance, eliminating about R\$650 billion in spending over 10 years.
- Proposed Constitutional Amendment (PEC) No. 6/2019: original projection to withdraw R\$1.1 trillion from social security expenses over 10 years.
- Approved as Constitutional Amendment No. 103/2019: projection of reduction of expenses by R\$800 billion over 10 years.

STATE ACTION AND INEQUALITIES

State action, through **public spending** and **direct** and **indirect taxation**, has a decisive influence on reducing income inequalities generated in economies.²



Original market income

Sums all income, excluding taxation and public spending

It is almost as unequal in other Latin American countries, in Organisation for Economic Cooperation and Development (OECD) countries or in the European Union (EU) countries

However...

When the State takes on its role in taxation and public transfers, inequality is significantly reduced in richer OECD and EU countries.



In Brazil...

The redistributive impacts of direct taxation are minimal, which barely offsets regressive indirect taxation.³



Between May 2017 and August 2022, there were no significant changes in taxation towards improving income distribution.

In comparison with OECD countries, Brazil taxes "Income" less than the average in OECD countries, while it taxes more on "Goods and Services",⁴ making the latter indirect taxes burden fall proportionally on the poorest in the country, worsening inequality.

² Important references on the subject can be found in OXFAM BRASIL. **País estagnado**: um retrato das desigualdades brasileiras. Oxfam Brasil, 2018.

³ SILVEIRA, F. G.; PASSOS, L.; SILVA, E. G.; PALOMO, T. R. Impactos redistributivos das transferências públicas monetárias e da tributação direta: evidências com a POF 2017-2018. **Nota técnica** Ipea, n. 89. Brasília: Ipea, 2020.

⁴ Receita Federal. **Carga tributária** no Brasil 2019. Julv. 2020



Public spending



Considered central in economic and social development strategies.

The recent perspective of the Brazilian State has been to decrease these expenditures - Constitutional Amendments (EC) No. 95/2016 and 109/2021.

EC No. 95/2016 Austerity regime

- Impacts important expenditures (public investments, various social programmes, science and technology, among others).
- Weakens Brazil's economic and social performance.
- Threatens millions of lives, thus violating international human rights standards.

Ipea Social Policy Bulletin (2015)⁵

Half of the reduction in income inequality in Brazil in its years of highest growth (2003-2012) came from the labour market incomes, while public pensions contributed to a reduction of almost 25% in the Gini index of income in Brazil in this period.⁶

Governmental action vs. covid-19

Discrepancy between pandemic progression and budget⁷

2020
R\$597.3 billion

2021
R\$126.5 billion



number of deaths
from the disease was
worse on this year

Financial execution
to combat covid-19,
in constant reais
adjusted by the IPCA
from December 2021

⁵ Receita Federal. **Carga tributária no Brasil 2019**. July, 2020.

⁶ Social Policies: monitoring and analysis. Brasília, DF: Ipea, 2015.

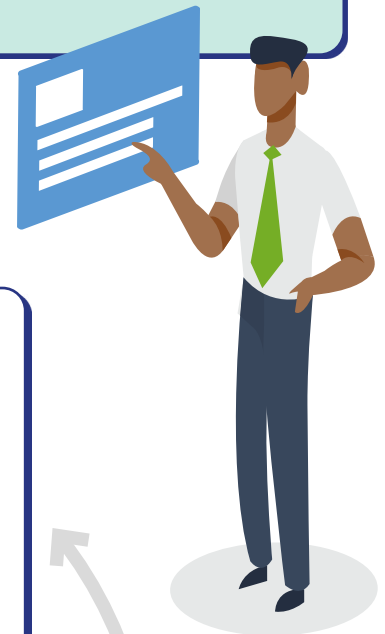
⁷ Gini index is an instrument to measure the degree of income concentration in a given group. Learn more: [https://www.ipea.gov.br/desafios/index.php?option=com_content&id=2048:catid=28#:~:text=O%20C3%20d8Index%20Gini%20c2Created,%20d presentame%20zero%20c%20aem\).](https://www.ipea.gov.br/desafios/index.php?option=com_content&id=2048:catid=28#:~:text=O%20C3%20d8Index%20Gini%20c2Created,%20d presentame%20zero%20c%20aem).)

GROSS DOMESTIC PRODUCT (GDP)

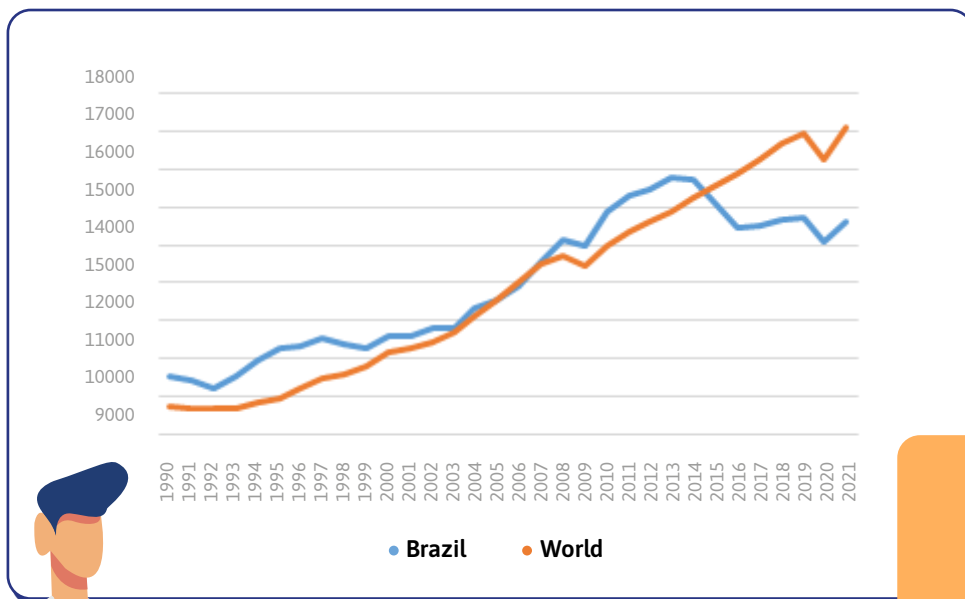
Measures the added value of an economy

The evolution of GDP provides elements to observe changes in the level of economic activities and in general living standards

The evolution of Brazilian GDP has been below the global economy and below its needs for recovery from the 2015 and 2016 crisis and, especially for its economic and social development.



GDP per capita, in US\$, in Purchasing Power Parity (PPS) from 2017, 1990-2021



Source: the World Bank and Authors.

Per capita income has dropped in Brazil since 2014

The real growth rate of per capita income has been negative in the recent period

The Brazilian situation, in contrast to the world average, points towards retrocessions



INCOME AND INEQUALITY



Income distribution has worsened since the 2015-2016 crisis

Share of employee remuneration on the GDP
(IBGE National Accounts Data)

Displays how gross income is distributed between employees and employers

Growth between 2005 and 2016

Decrease after 2017

Reached 43.5% of GDP in 2019

Growth rate of *per capita* household income among the 40% with the lowest income

(IBGE - Continuous PNAD)



Indicating:



Deterioration of income among the poorest, accompanied by an increase in inequality rates.



Gini index * of *per capita* household income in Brazil

*The higher the Gini index, the greater the inequality.

2012

0.540



Series Initial Year

2015

0.524



Lowest index in the series

2019

0.543



Increased inequality

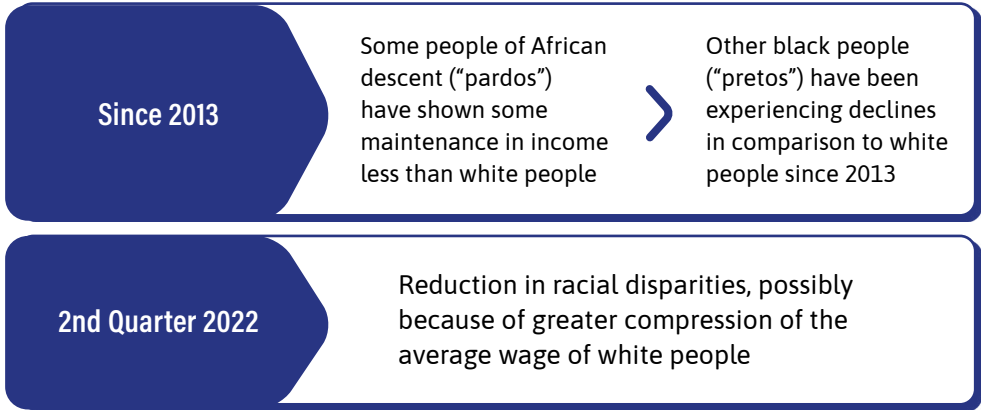
LABOUR MARKET

Period under analysis is characterized by labour market fragility and shocks resulting from the covid-19 pandemic, exacerbating existing difficulties.



Second quarter of 2022

Labour yield by race⁸



Unemployment rate and composite underutilization rate of the workforce are structurally higher for women than for men, although there was some relative improvement for women up to 2015. Proportionately higher increase in women's unemployment from 2016 and especially in 2020.



The gender inequalities gaps between women and men has slightly shrunk in recent years

Due to declining on average incomes, the wages usually received by employed individuals showed a significant decline starting at the fourth quarter of 2019 and only picked up in the second quarter of 2022.

Important indicator of consumption and demand capacity

⁸ TN: In Brazil, the official racial classification in data production separates people of African descent in two groups: "pretos/os" and "pardos/os". Both are used to identify people of African descent (black people) however, to better reflect the national context in light of historic factors, such separation was established. Whenever information on people of African descent refers to only one of those two groups, it will be properly identified in parenthesis.

POVERTY (DATA FROM THE IBGE SUMMARY OF SOCIAL INDICATORS)

2020

Situation of extreme poverty

Monthly *per capita* income less than \$1.9 in purchasing power parity (PPP) per day

12 million Brazilians
5.7% of the total population

Poverty situation

Income less than US\$3.2 PPP

22.4 million people
10.6% of the population

Population earning more than \$5.5 PPP

50.9 million people
24.1% of the Brazilian total

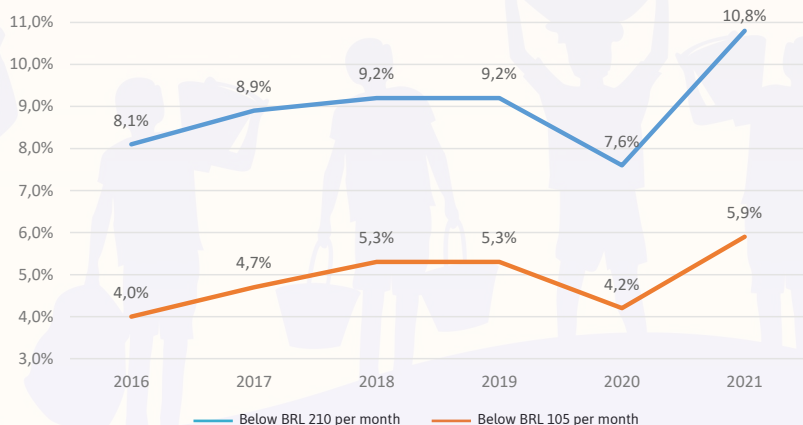
Extreme poverty, which was increasing, was significantly reduced due to Emergency Aid (Auxílio Emergencial) in 2020.

Changes in poverty at a annual and monthly frequency (Foundation Getúlio Vargas)

Poverty peaked in March 2020, with the beginning of the pandemic, and in March 2021, as Emergency Aid (Auxílio Emergencial) ended.

Lowest poverty levels are also in mid-2020, because of the positive effects of this social benefit.

In November 2021, data showed higher poverty levels than in the pre-pandemic period and projected an increasing trend.



Proportion of people living in poverty and extreme poverty as defined by the Auxílio Brasil (Brazil Aid) programme, which are respectively income below BRL 210 per month and BRL 105 per month. Poverty, after the effects of the Emergency Aid in 2020, is growing significantly in 2021, surpassing pre-pandemic levels.

Source: FGV Social. Authors.

MINIMUM WAGE



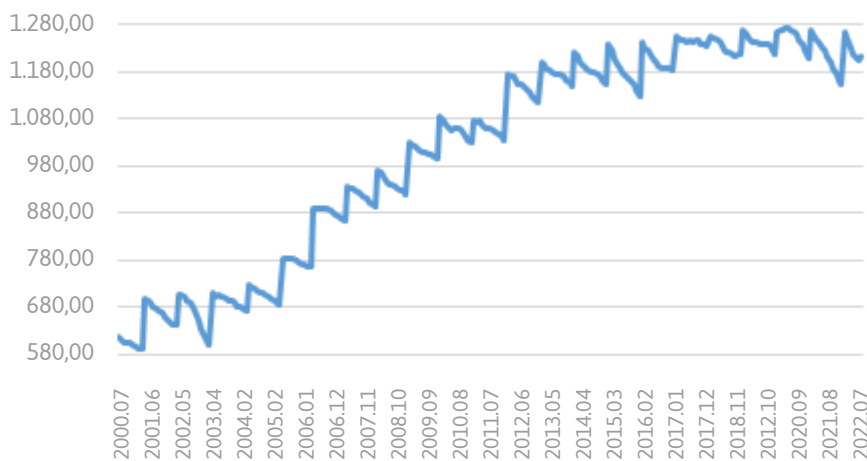
Law No. 13.152/2015

Minimum wage valuation policy

Created for the period from 2016 to 2019 and has been discontinued

In 2020, 2021 and 2022, adjustments to minimum wage were made through a provisional measure and only based in the INPC, that is, without actual increase.¹⁰

Real minimum wage in R\$ of the last month, deflated by INPC (2000-2022)



The Annual Budget Bill (PLOA) for 2023, presented by the Executive Branch on 08/31/2022, reveals the intention to readjust the minimum wage for the next year only according to inflation measured by the INPC.

Comments¹¹

Positive effects of the minimum wage on reducing inequality.

The minimum wage contributes significantly to reducing gender pay gaps.

The increase in the minimum wage from 1994 to 2014 was responsible for one third of income inequality reduction in Brazil during this period.

The impacts of the minimum wage go beyond government action in the labour market and positively influence income transfers within the scope of social security conferred by the General Social Security System (RGPS) and the Continued Cash Benefit (BPC).

¹⁰ Before the aforementioned Law No. 13.152, from July 29, 2015, and its predecessor, Law No. 12.382, of February 25, 2011, which established the value of the minimum wage in 2011 and its long-term valuation policy, the adjustments of the wage ceiling with real gains from 2004 were made through provisional measures and negotiations with trade unions.

¹¹ ILO. **Global wage report 2020-2021: wages and minimum wages in the time of covid-19**. Geneva: ILO, 2020. Available at: https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_762534.pdf. And https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3181965.

FOOD INSECURITY AND HUNGER

2022 REPORT FROM THE FOOD AND AGRICULTURE ORGANIZATION (FAO)



In the world

Prevalence of severe food insecurity increased in the world between 2014-2016 and 2019-2021

It went from 7.7% to 10.7% of the world population (38.9% increase in prevalence rate)

Prevalence of severe and moderate food insecurity went from 21.8% to 28.1% (high of 28.8%) in the world



In Brazil

2014-2016 to 2019-2021

Data show recent growth in food insecurity higher than the world average

Severe food insecurity

Leaped from 1.9% to 7.3% (384.2% expansion in prevalence rate)

Severe and moderate food insecurity

Went up from 18.3% to 28.9% in the period (increase of 57.9%)

In 2020

55.2% of households¹²

= 116.8 million people

Had some degree of food insecurity

In the context of the covid-19 pandemic¹³

Only 4 out of 10 families achieved full access to adequate food in 2022

More than 14 million people began to experience hunger, bringing the total number of people in this circumstance to 33.1 million

By gender of household head

Women are more penalized in the level, growth, and prevalence rate of severe food insecurity

By race of household head

Higher prevalence and growth of recent severe food insecurity among people of African descent compared to white people



- The expiration of the II National Plan for Food and Nutrition Security (Plansan), from 2016 to 2019, was not succeeded by another similar policy.
- The National Council for Food and Nutrition Security (Consea) was extinguished.
- The stocks of the National Supply Company (Conab) were greatly reduced for various food products.

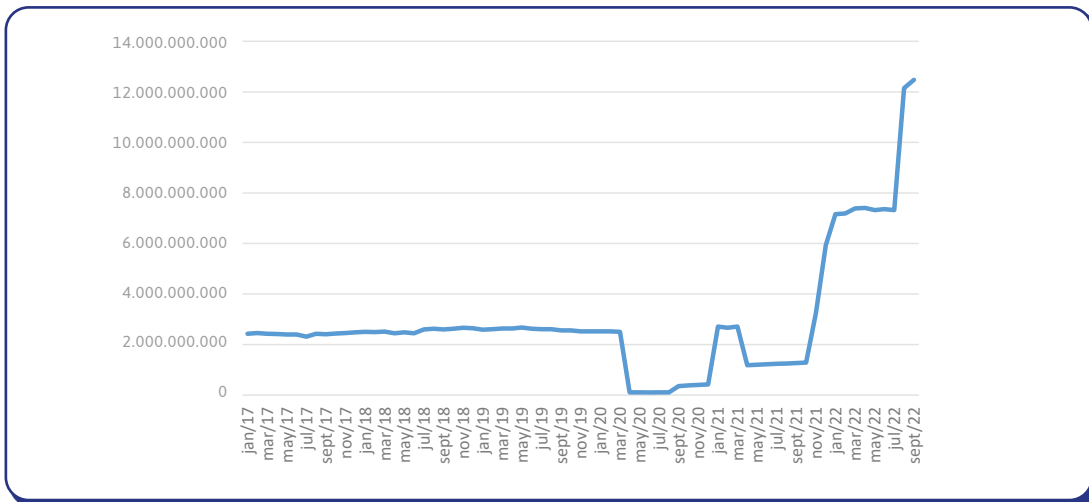
¹² Rede Brasileira de Pesquisa em Soberania e Segurança Alimentar e Nutricional (Rede Penssan). **Inquérito Nacional Sobre Insegurança Alimentar No Contexto Da Pandemia Da Covid-19 No Brasil**. 2021. Available at: http://olheparaafome.com.br/VIGISAN_Inseguranca_alimentar.pdf.

¹³ Penssan Network. **2º Inquérito Nacional Sobre Insegurança Alimentar No Contexto Da Pandemia Da Covid-19 No Brasil**. 2022. Available at: <https://olheparaafome.com.br/wp-content/uploads/2022/06/Relatorio-II-VIGISAN-2022.pdf>.

BOLSA FAMÍLIA PROGRAMME AND AUXÍLIO BRASIL PROGRAMME

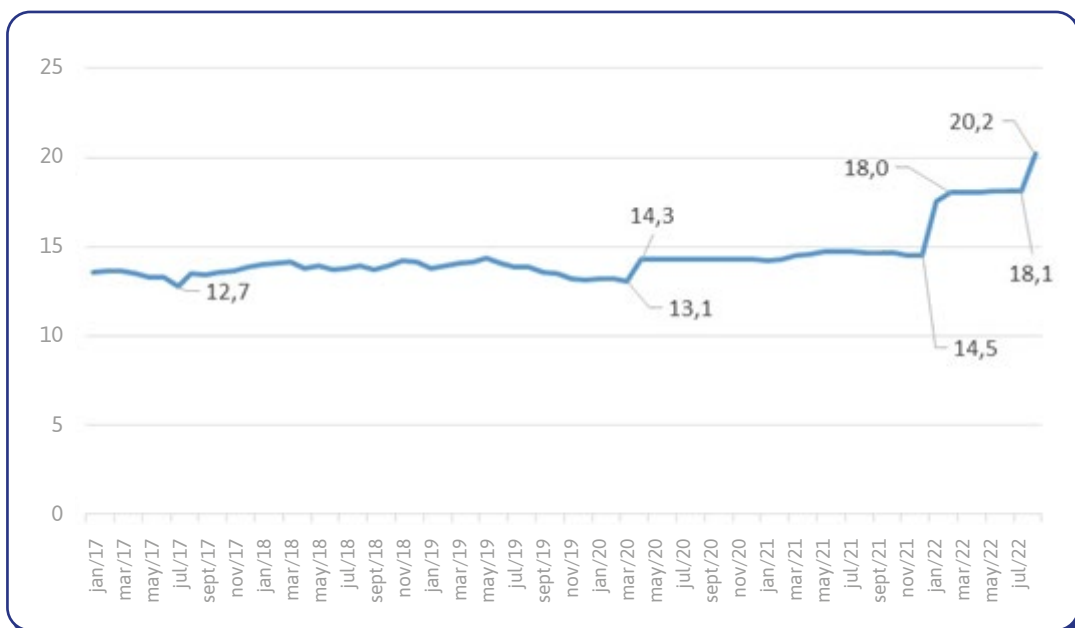
Bolsa Família Programme (PBF)	
Created in 2003, it defined poverty through the family's monthly <i>per capita</i> monetary income.	It operated direct income transfers with conditionalities that had the objective of improving families' access to rights and public services.
Although it had as its main purpose income transfers, the PBF also promoted improvements in health and education indicators of the public assisted, reducing poverty in these two dimensions.	Replaced by the Auxílio Brasil Programme Law No. 14.284/2021

Total amount redistributed by Bolsa Família/Auxílio Brasil, 2017-2022



Source: SAGI - VIS DATA 3 Beta. Authors

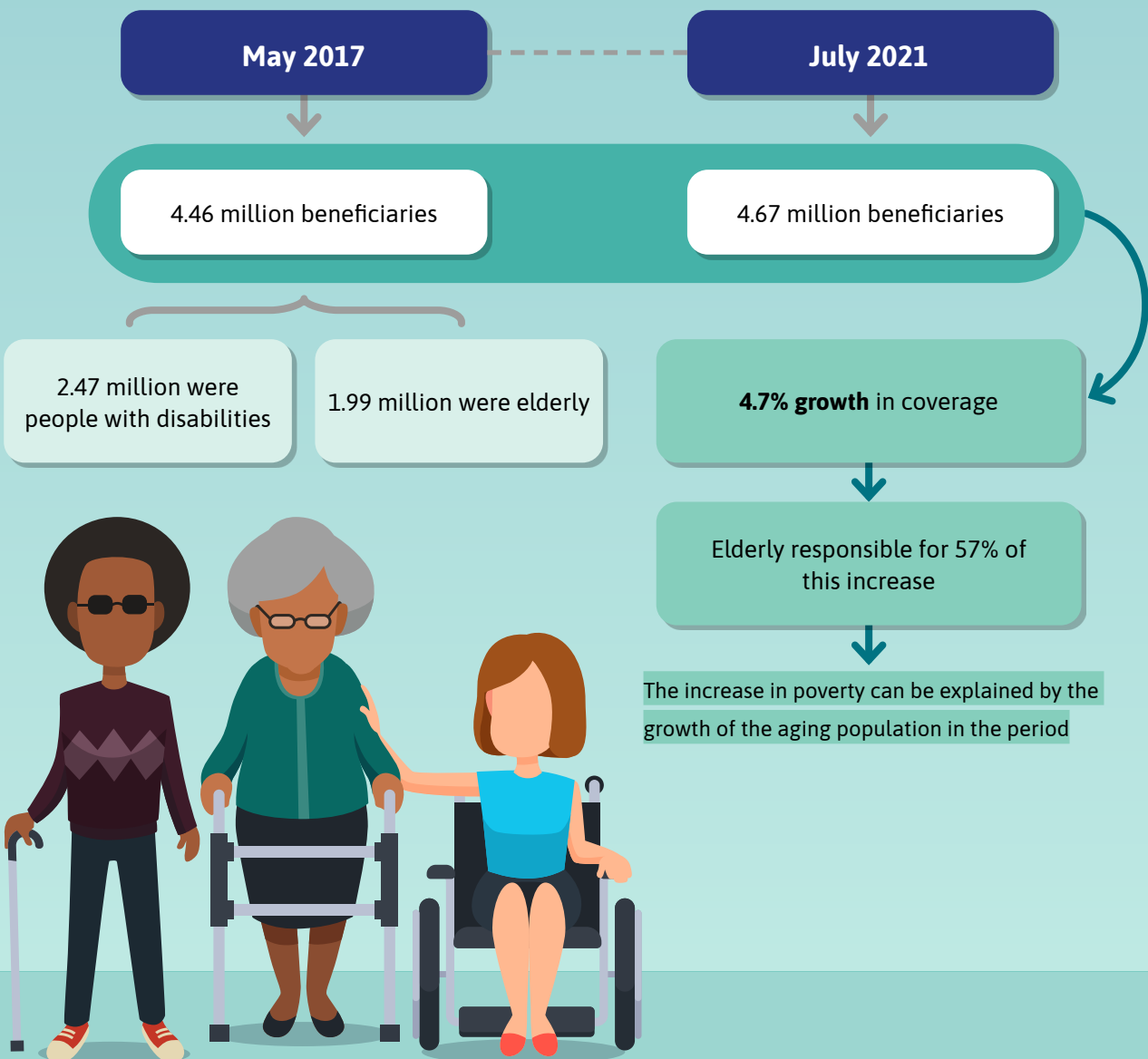
Number of families benefiting from the Bolsa Família and Auxílio Brazil, in millions (2017-2022)



Source: Sagi. Authors.

CONTINUED CASH BENEFIT (CPB)

Continuous Cash Benefit (BPC)	
Constitutional right that consists of a monthly income of a minimum wage guaranteed to the elderly or people with disabilities who prove that they do not have means to provide for themselves or that they depend on their family economically.	Regulated by the Organic Law of Social Assistance (Law No. 8.742/1993), which establishes the eligibility criteria for being a beneficiary of the BPC. It produced concrete effects after infra-legal regulation through Decree No. 1.744/1995.
It is administered and operated by the National Institute of Social Security (INSS).	The fact that it is based on the minimum wage amount enables the BPC to rescue a significant portion of beneficiaries and their families from poverty and extreme poverty, in addition to effectively contributing to the reduction of social and income inequalities.



New rules and the impact on access to services

Decree No. 8,805/2016

Determines that the requirements for granting, maintenance and review of the benefit are the registry of one's CPF and the Unified Registry for Social Programmes of the Federal Government

The requirement was transposed to Loas, through Law No. 13.846/2019, which instituted the Special Programme for Benefit Analysis with Indications of Irregularity and the Disability Benefit Review Programme

Consequences

Besides hindering the approval and access to BPC by new applicants, the rule also impacted the stock of benefits

Failure to comply with the registration of the Unified Registry began to generate suspension and blockage in the payment of the BPC in the second half of 2019

In addition

Lack of personnel in the INSS (Social Security Institute)

impounding of initial applications for social security benefits and BPC

Provisional Measure No. 922/2020: temporary hiring of retired INSS employees and inactive military personnel to reinforce the service and processes analysis by the agency.

However

2020 closed with an increase in the number of pending processes within INSS, generating a backlog for more than 1.7 million beneficiaries.

Covid 19 Pandemic

Ordinance No. 611/2021, from the Ministry of Citizenship: suspension of the BPC blockages due to the holder not being in the Unified Registry, extending the period for people to register without suspending the payment of the benefit.

Law No. 13.982/2020: authorization for the INSS to anticipate the amount of BRL 600 per month, between April and June 2020, for people with disabilities or elderly who requested the BPC and were still awaiting administrative analysis of their request. Initial validity of 3 months, extended for another 4 months.

Law No. 14.176/2021

For BPC concession: the monthly family income *per capita* must be equal to or less than $\frac{1}{4}$ of the minimum wage. From January 2022, it could be increased to up to $\frac{1}{2}$ minimum wage, in a scaled manner, considering the applicant's vulnerability conditions.

Inclusion Aid: financial benefit of $\frac{1}{2}$ minimum wage to be paid to the person with moderate or severe disability who enters the formal labour market. Only persons who receive the BPC or who have already been beneficiaries in the last five years, and who receive remuneration of up to two minimum wages, may be beneficiaries.

SOCIAL PROTECTION OF WOMEN IN VULNERABLE SITUATIONS

Law
No. 12.470/2011



Protection of vulnerable women, particularly low-income housewives

Between 2017 and 2019 – Statistical Social Security Yearbook

Declining trend of insured women, reducing the social security of this group



LEARN MORE

Full report – Labour and Reduction of Poverty and Inequality

- **Public Hearing held on 09/02/21**
- **Report on the hearing**
- **Parliamentary Observatory of the Universal Periodic Review**