CHILDREN IN MONETARY POVERTY IN BRAZIL
Impacts of the pandemic on the income of families with children and adolescents
The impact of monetary poverty on children and adolescents, by Florence Bauer

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The impact of monetary poverty on children and adolescents

The pandemic has had profound impacts on the lives of children and adolescents, especially those living in the most vulnerable conditions. Understanding the consequences of the pandemic in the lives of girls and boys involves analyzing how monetary poverty (defined by the World Bank, for upper middle-income countries such as Brazil, as living on less than USD 5.50/day) and extreme monetary poverty (living on less than USD 1.90/day) impacts this population.

Based on data from 2020 and simulations for 2021, UNICEF has analyzed how monetary poverty affects children, emphasizing how the emergency measures adopted by Brazil during the covid-19 pandemic influenced those indexes.

The data confirms that children and adolescents have always been – and continue to be – the most affected by poverty. By the beginning of 2020, the percentage of children and adolescents living in monetary poverty and extreme monetary poverty in Brazil was, proportionally, twice that of adults. Non-white girls and boys, and those living in the North and Northeast regions were – and continue to be – the most affected by income insufficiency, if compared to the white population and to people living in other regions of the country.

In 2020, Brazil adopted Auxílio Emergencial (Emergency Aid) to try and reduce the effects of the economic crisis caused by the pandemic. This policy was in force between 2020 and 2021, with periods of suspension and changes in the amounts transferred to the population.

It is clear that Auxílio Emergencial was of great importance at a time of crisis, temporaril reducing the effects on monetary poverty on children in Brazil. Without it, the number of children and adolescents living in poverty and extreme poverty during the pandemic would have been considerably higher.

The aid, however, was not set out to solve the monetary poverty issue in the medium and long-term. To do this, it is essential to think about permanent social protection policies, with well-defined, sustainable, and feasible funding sources. This would need to be the focus of the new Auxílio Brasil, created by the Brazilian government to replace the Bolsa Família program.

At a time when there is no evidence pointing to higher levels of economic recovery or a decrease in monetary poverty rates in Brazil, it is urgent to find ways to strengthen social protection policies, with a special focus on the most vulnerable children and adolescents.

Florence Bauer — UNICEF Representative in Brazil
1. Introduction

The covid-19 pandemic has impacted the lives of millions of people around the world, increasing inequalities and exacerbating monetary poverty. As is the case in all crises and emergencies, children and adolescents have been – and continue to be – the invisible victims of the pandemic. They are the most affected by the economic and social impacts of the covid-19.

According to a World Bank report, in 2020, extreme poverty increased worldwide for the first time in over 20 years, and between 88 and 115 million people were driven into extreme poverty that year, a number that increased to 150 million in 2021. According to the World Bank definition, extreme poverty means living on less than USD 1.90 a day.

Children and adolescents are significantly more vulnerable to extreme poverty. Despite representing a third of the global population, this group globally represents half of the people currently struggling to make ends meet on less than USD 1.90 a day. UNICEF estimates that around 100 million children have plunged into monetary poverty due to covid-19 worldwide.

According to another World Bank report, Latin America was the region most affected by the covid-19 pandemic. The health crisis has slowed economic growth in the already struggling region, and this had an immense social impact, especially after several years of modest economic growth and limited progress in social indicators. In Brazil, the pandemic led the country to a 4.1% GDP drop in 2020, followed by an unbalanced recovery in 2021, especially considering the pervasive social inequalities in the country.

Brazil was one of the global epicenters of deaths by covid-19. At the beginning of March 2022, the country had over 650 thousand confirmed deaths caused by the virus and over 29 million confirmed cases. Despite the high number of cases, vaccination efforts have accelerated, with almost 76% of the population having been fully immunized (with two doses) by early February 2022.

Increased vaccination rates contributed to improvements in the country’s economic growth rates. However, the path to a full recovery in the medium-term remains steep, given the pre-existing structural and fiscal vulnerabilities faced by Brazil and the impact of inflationary pressures on the economy.
In Brazil, the pandemic and the necessary sanitary restrictions related to economic activities resulted in a sharp drop in external and internal demand, while also restricting supply. This context brought uncertainty to the macroeconomic policy framework, especially in the fiscal area, which translates into a risk of increased public debt. This scenario will require strong fiscal consolidation and the adoption of structural measures as soon as the spread of the virus is controlled.

**Investing to reduce impacts**

As it was done in other countries, in order to reverse the impacts of the crisis on the poorest and most vulnerable, the Brazilian government presented an emergency package, focused on health spending (vaccines, tests, transfer of funds to municipalities to strengthen their health responses in the case of emergencies) and social protection policies (emergency cash transfers - Auxílio Emergencial) for 66 million people, including the expansion of the Bolsa Família Conditional Cash Transfer (CCT) Program, and incentives to companies to prevent layoffs.

The cost of this package was estimated at BRL 815.5 billion (USD 156.8 billion), or 11.4% of the country’s GDP in 2020. The fiscal stimulus limited the annual GDP drop in 2020 to -4.1%. The Auxílio Emergencial program was suspended in the first quarter of 2021, later resumed with a leaner design, and then replaced by Auxílio Brasil, created by the government to substitute Bolsa Família.

Auxílio Emergencial was a large-volume cash transfer policy enacted for a limited time to reduce the short-term effects of the pandemic on the poorest. Proposed by the Brazilian Congress in March 2020, the program transferred a monthly BRL 600 for five months to informal and unemployed workers in Brazil, with the possibility of the transfer reaching BRL 1,200 for single mothers. This amount was halved in the last months of 2020, and the government took oversight measures to significantly reduce the number of beneficiaries. In 2021, an average amount of BRL 250 was offered to families who had benefited from Auxílio Emergencial between April and December 2020. This benefit was permanently suspended in October 2021. For reference, in 2019, the average household income per capita in Brazil was BRL 860/month.

To receive Auxílio Emergencial one had to register via an application made available by the Brazilian Government – Bolsa Família beneficiaries were also eligible but had to forgo one of the two benefits. The PNAD Covid (Pesquisa Nacional por Amostra de Domicílios COVID19 - National Household Sample Survey COVID19), released between May and November 2020, pointed to the high coverage of the program, which grew throughout its first months, with the percentage of households who had access to the benefit varying between 42% and 45%. By way of comparison, Bolsa Família, the program with the highest coverage in the country so far, reached 19% of households and 25% of the Brazilian population.

Auxílio Emergencial was essentially characterized as a short-term emergency measure and counted with an average investment of BRL 293 billion between April and December 2020, and BRL 65 billion between April and October 2021. By comparison, Bolsa Família represented an investment of BRL 33 billion/year, the BPC (Benefício de Prestação Continuada - Continuous Cash Benefit Program) of BRL 56 billion/year, and the Abono Salarial (Salary Allowance) of BRL 17 billion/year.

The program aimed to make up for part of the income lost by the population during the covid-19 pandemic. Still, the country’s wage bill fell by about 20%, 15% below the level of the first quarter of 2020. The largest percentage drop was recorded in the Northeast (-23% in the second quarter of 2020), the poorest region in the country.

It was not yet possible until recently to estimate the impact of the pandemic and of the cash transfer policies developed as a response to monetary poverty in the country in a systematic way, since the main household survey that captures all incomes, the yearly PNAD Continua (National Household Sample Survey – Continues), had not yet been released for 2020. With the release of the survey’s microdata on November 30th, 2021, it was then possible to conduct a comparable quarterly analysis starting in 2012.
2. Monetary poverty in 2020

When assessing poverty only as income insufficiency, one should define the limit that separates the poor from the non-poor, such as the cost of acquiring basic food items and accessing services to meet basic needs. The proportion of national monetary poverty is the percentage of the population living below the poverty line defined for the country.

In 2011, the World Bank began adopting an absolute extreme poverty line, currently set at USD 1.90 per person per day, in purchasing power parity (PPP) adjusted dollars\(^2\). The World Bank sought to measure poverty between countries in a way that was consistent with the minimum standards for well-being in each country, using PPP exchange rates as an attempt to account for differences in living costs between the countries, so as to capture similar levels of well-being. The specific international poverty line (IPL) value is, by definition, based on the poverty thresholds used by some of the world’s poorest countries\(^3\).

The first Millennium Development Goal was formulated in 2000\(^4\), it was then followed by the first World Bank Goal, and the first Sustainable Development Goal (SDG), established by the United Nations (UN) in 2015. All of these goals are focused on reducing the number of people living below the IPL. As of 2017, however, the World Bank has adopted two new international poverty lines: an international lower middle-income poverty line, set at USD 3.20/day; and an international upper middle-income poverty line, set at USD 5.50/day\(^5\). These lines were created in an attempt to improve comparisons between countries both within and between developing regions.

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\(^2\) Purchasing power parity is used around the world to compare income levels between different countries. This measure indicates how many monetary units a certain amount of goods and services costs in different countries. Thus, in 2011, BRL 1.65 was similar in purchasing power for Brazilians to USD 1.00 for Americans, considering a list of basic food items and services drafted by the World Bank. In 2020, this ratio was BRL 2.45 to USD 1.00.

\(^3\) Ravallion, Datt and van de Walle, 1991.


Our study will use two of the aforementioned World Bank poverty lines, USD 5.5/day – related to monetary poverty in upper middle-income countries, like Brazil – and USD 1.90/day, related to extreme monetary poverty. This practice is also adopted by IBGE (Brazilian Institute of Geography and Statistics) due to the absence of a national poverty line. The chart below shows the value of this line in Reais (BRL) per month at average prices for each quarter, adjusted by the INPC - National Consumer Price Index (INPC).

With the pandemic and the implementation of Auxílio Emergencial, the percentage of Brazilians living in monetary poverty and extreme monetary poverty significantly dropped in the second and third quarters of 2020. When the amount transferred and number of beneficiaries were reduced at the end of 2020, monetary poverty increased again, returning to levels closer to 2019.

Children and adolescents most affected by monetary poverty
The impacts of monetary poverty and extreme monetary poverty were different across age groups. To analyze these impacts, the population was subdivided into children aged 0 to 6, children and adolescents aged 7 to 13, adolescents aged 14 to 17, children and adolescents aged 0 to 14, and children and adolescents aged 0 to 17. The adult population (18 and older) was also included, for comparison purposes.

The chart below shows the percentage of the Brazilian population below the two monetary poverty lines (USD 1.90/day and USD 5.50/day). As it turns out, both have remained relatively stable over the past four years – until 2020.
The graphs above show that children and adolescents were – and continue to be – the most affected by monetary poverty and extreme monetary poverty in Brazil.

By 2020, the percentage of children and adolescents below the extreme monetary poverty line almost doubled that of adults – an average of 12%, versus 6% for adults. In the case of monetary poverty, while the adult population registered a percentage of about 20%, children and adolescents remained between 35 to 45%, depending on the age group.

In the first months of Auxílio Emergencial, in 2020, the percentage of the population living in extreme monetary poverty (living on less than USD 1.90/day) dropped to about 4%, while specifically for children and adolescents this percentage dropped to about 6%. Therefore, it can be said that the program was more beneficial for families with children and adolescents.

In the case of monetary non-extreme poverty (living on less than USD 5.50/day), the impacts were more modest, 5% for the total population and about 6 to 7% for children and adolescents. This distinction is mainly due to the large difference in income per capita between more vulnerable families in relation to the upper poverty line. Thus, by such measurement, monetary poverty was not sufficiently reduced by Auxílio Emergencial.

From September 2020, the Auxílio Emergencial benefit was reduced from BRL 600 to BRL 300 to the end of the year, causing much of the drop on monetary poverty levels to be reversed.

In the last quarter of 2020, the percentage of the total population and of children and adolescents below the monetary poverty line was practically at the pre-pandemic level. In the case of extreme monetary poverty, the percentages were slightly below those of the last quarter of 2019 (6.1% in 2020:4 against 7.4% in 2019:4). This is explained by the fact that even with half the original amount, the benefit still allowed families to achieve a family income per capita above the USD 1.90/day line.

Therefore, the implementation of Auxílio Emergencial allowed a temporary reduction of monetary poverty and extreme monetary poverty among children and adolescents in Brazil in 2020. However, as the benefit was discontinued, the former situation was resumed.
3. Monetary poverty in 2021

Auxílio Emergencial was suspended in the first quarter of 2021 and was re-implemented in the next two quarters with a new design and fewer resources – about one fifth of the value invested in the previous year. Considering the importance of monitoring monetary poverty and extreme monetary poverty in the period, this study provides a simulation of the percentages of the population below the USD 5.50 and USD 1.90 lines for the first three quarters of 2021, based on available data on the Brazilian labor market. This methodology is further described in the annex found at the end of this publication.

Chart 8: Observed and simulated poverty (USD 5.50/day) (with and without Auxílio Emergencial) for children and adolescents aged 0 to 14

Source: Developed with PNAD Continua (IBGE) and World Bank data
Without Auxílio Emergencial, both percentages of the population below the aforementioned monetary poverty lines would have been about 10% higher in the second and third quarters of 2020 – which corresponds to 4.4 million children below the poverty lines.

In 2021, after the suspension of the program, the first quarter was 1% higher than the first quarter of the previous year, and the second about 2.5% higher. These increases correspond to an additional 440 thousand children in monetary poverty and 1 million additional children in extreme monetary poverty.

The simulations also show that, with the return of Auxílio Emergencial in the second and third quarters of 2021, although with less resources, the income insufficiency levels were again reduced, albeit on a smaller scale if compared to the previous year. As a result, child monetary poverty was at around 39.5%, about 1% below the pre-pandemic period, while extreme monetary poverty for the same population dropped to about 10%, 2% below the average recorded in 2019.

The same charts also show that, even with less resources, Auxílio Emergencial prevented the maintenance of child poverty levels above the pre-pandemic level. Without the program, the percentage of children below the upper and lower poverty lines would have been 4% higher than the percentage simulated with the benefit. Therefore, it can be said that Auxílio Emergencial was responsible, in the quarters in which it was in force, for preventing about 1.8 million children from living in poverty and extreme poverty at the time.

It should be noted that these rates represent the months when the benefit was in force, this does not mean that the benefit solved the structural child monetary poverty in Brazil.

4. Racial and regional diversity

**Skin color/race**

Skin color/race is a structuring aspect of the Brazilian social inequality context. Several surveys point to the worst living conditions of the non-white population in the country, also emphasizing the obstacles to equal participation in the various areas of life, and the consequences of inequality and discrimination not only for specific groups, but for society as a whole.

According to an IBGE report (2019), indicators from the PNAD Contínua highlight the severe disadvantages faced by the black and brown population when it comes to the dimensions necessary for the reproduction and/or improvement of their living conditions.

The following charts show the observed and simulated trajectory of monetary poverty in the country between 2019 and 2021. The results are divided into scenarios (with and without Auxílio Emergencial and white/non-white population). The results of the simulated estimates are corrected by the average difference between 2019 and 2020.

**Chart 9: Observed and simulated extreme poverty (USD 1.90/day) (with and without Auxílio Emergencial) for children and adolescents aged 0 to 14**

**Chart 10: Observed and simulated poverty (USD 5.50/day), with and without Auxílio Emergencial, for the 0-14 white population**

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6 When talking about the non-white population in Brazil, the term includes black, brown, and indigenous people. The term white, includes people who self-declare as white and yellow.
Monetary poverty and extreme monetary poverty rates among non-white children are about twice that of white children, as showed. About half of the non-white children were below the upper poverty line: this percentage was at about 55% in the first quarter of 2021, and returned to about 50% in the following quarters, with the reintroduction of Auxílio Emergencial – similar to the pre-pandemic level, even with the higher income transfer benefit.

Extreme monetary poverty remained stable at around 17% for non-white children through the first quarter of 2020, dropping to 6% in the third quarter of 2020, but reaching 20% in the first quarter of 2021, and finally stabilizing at 15% with the reintroduction of Auxílio Emergencial in the following quarters.

Region
Regional inequalities in Brazil are reflected both in terms of economic indicators, such as GDP per capita and family income, and in terms of social indicators. Considering that the pandemic had a strong regional impact, with higher job loss in urban areas and increased informality in the Northeast and North regions, the monetary poverty and extreme monetary poverty trajectories in the North/Northeast and Center-South regions, including the Southeast region, will also be presented.
The differences in monetary poverty (living on less than USD 5.50/day) between regions outweigh the already steep racial inequalities in Brazil. In the North and Northeast regions, child monetary poverty reaches 60%, while in the Central-South regions this percentage is at about 27%. The pre-pandemic percentages for extreme monetary poverty in the same regions were 23% and 6.5%, respectively.

During the third quarter of 2020, the percentage of children and adolescents below the monetary poverty line dropped by over 10% in the North/Northeast regions, a difference that was reduced to about 4% in the last quarter. In the other regions, the drop was more modest, at around 2%. When it came to extreme monetary poverty, the drops were greater in the North and Northeast regions, around 14% in the third quarter, which was subsequently reduced to about 5%. These percentages were also less significant in the other regions, representing 3% and 1%, respectively.

The charts illustrate the observed and simulated poverty (USD 5.50/day) and extreme poverty (USD 1.90/day) for children 0-14 in different regions of Brazil, with and without the Auxílio Emergencial program.
5. The role of Auxílio Emergencial and other cash transfer policies

Auxílio Emergencial was reintroduced in April 2021, with a lower amount to be transferred to families, rather than individuals. This caused monetary poverty and extreme monetary poverty to be again reduced, especially for children and adolescents. Poverty for the total population remained at a relatively stable level. This was mainly due to the fact that female single-parent families continued to receive a larger amount than the rest.

However, monetary poverty and extreme monetary poverty would have grown considerably in the entire period after the spread the pandemic – according to simulations – if Auxílio Emergencial had not been implemented. The difference would be around 10% for children and adolescents (4.4 million) – about 2% higher than the total population.

To assess the quality of such an estimate, the following chart compares the monetary poverty rates for different populations with and without Auxílio Emergencial throughout all quarters of 2020, and between the rates observed in the yearly PNAD Contínua for 2019 and 2020, and the rates simulated in the quarterly PNAD Contínua.

It is worth mentioning that, although the estimates of the yearly PNAD Contínua are potentially more accurate, they are subject to the selection bias of the sample of households that participated in the survey in the first interview (2019) and in the fifth interview (2020), which corresponds to about 85% of the sample.
As it turns out, the estimates are close and show similar trends. The differences are most substantially found between children and adolescents aged 0 to 14, which are about 2% lower in the third quarter of 2020. *Auxílio Emergencial* was suspended in the first quarter of 2021, causing the level of monetary poverty to considerably increase if compared to the pre-pandemic period. Although a significant percentage of families who lost the benefit were still eligible for *Bolsa Família*, this was not the case for about 20% of households, as shown in the chart below, which reveals the geographical distribution (by state) of those eligible for *Auxílio Emergencial* and/or *Bolsa Família* in the fourth quarter of 2020.

As it can be seen, most of the population lost access to one or both programs in the states of the Southeast and South regions. The table below shows a characterization of families by eligibility for *Auxílio Emergencial* and/or *Bolsa Família* in the fourth quarter of 2020.

<table>
<thead>
<tr>
<th>Eligibility</th>
<th>No. of children (0-14)</th>
<th>No. of adolesc. (15-17)</th>
<th>% of households with elderly people</th>
<th>Income per capita (BRL/month)</th>
<th>% of households with adults with complete higher education</th>
</tr>
</thead>
<tbody>
<tr>
<td>Neither AE, nor BF</td>
<td>0.466</td>
<td>0.072</td>
<td>34.3 %</td>
<td>1246.42</td>
<td>42.7 %</td>
</tr>
<tr>
<td>AE, but not BF</td>
<td>0.619</td>
<td>0.096</td>
<td>17.9 %</td>
<td>552.98</td>
<td>19.7 %</td>
</tr>
<tr>
<td>AE and BF</td>
<td>1.338</td>
<td>0.172</td>
<td>6.9 %</td>
<td>195.40</td>
<td>3.6 %</td>
</tr>
</tbody>
</table>

Source: Developed with PNAD Continua (IBGE) data

The table above shows that families that were not eligible for *Bolsa Família* but lost *Auxílio Emergencial* in the first quarter of 2021, faced intermediate vulnerability – less vulnerable than those eligible for *Bolsa Família*, but more vulnerable than those ineligible for both benefits. The distance between the three groups stands out, with the intermediate group (not eligible for BF,
but received AE in 2020) having an income per capita at less than half of that registered in the higher group (not eligible for Bolsa Familia or Auxilio Emergencial), these rates were similar to the percentage of households with at least one adult who had completed higher education.

Thus, the table above highlights the need to consider the expansion of the coverage of social protection programs in the country, including groups of people in an intermediate stage of vulnerability. As was shown, those who did not receive Bolsa Familia were very likely to face income insufficiency, especially in moments of crises or prolonged recessions. In view of the strong economic fluctuations suffered by the country in recent decades, pay attention to this population seems to be vital to avoid child monetary poverty.

As previously mentioned, governments around the world responded to the pandemic with large fiscal, monetary and financial stimulus packages. In Brazil, it was required that all levels of government acted in a context of great uncertainty and under strong economic, fiscal and social pressure. While these were necessary measures to address the health emergency and cushion the impact of the pandemic on the poor and vulnerable, government spending had a significant increase in the period.

The chart below shows a comparison between expenses undertaken to combat the effects of the pandemic (excluding the health sector) among emerging economies, from January 2020 to June 2021, according to a survey by the International Monetary Fund. As it can be seen, the total spending in Brazil, as a proportion of the GDP, was lower only than that of Chile, a country with a considerably higher GDP per capita, and significantly more solid fiscal indicators, in addition to having a lower tax burden.

Thus, Brazil has in 2022 the challenge of combating child monetary poverty, and having accumulated considerable spending, which allowed the dampening of the temporary impact of the pandemic on families, but which cannot be maintained in a sustainable manner.

With the end of Auxilio Emergencial in October 2021, the Brazilian Government modified the Bolsa Familia program and created a new benefit: Auxilio Brasil. The program resembles the design of Bolsa Familia and, includes an increased focus on cash transfers to families with young children, three additional modalities, and the provision of bonuses for academic and sports performances.

As for the amounts provided for the beneficiaries, the minimum benefit granted will only be slightly higher than that of Bolsa Familia (BRL 190 per family/month). However, a temporary bonus was created (and is only approved for 2022) bringing the average benefit to about BRL 400 – more than doubling the investment made in the previous program. The estimated impact for 2022 will be BRL 46.9 billion, according to the Independent Fiscal Institution (2021).

To fund the additional spending in 2022, the Federal Government obtained the approval of a Proposal for Amendment to the Constitution (PEC 48/20217), which uses two mechanisms for opening fiscal space in 2022:

- i. Creation of payment limits for government debt and the application of the resources saved in 2022 exclusively on social security and cash transfer programs;
- ii. Generous readjustment of the spending ceiling. The resulting Constitutional Amendment No. 114 was the main commitment undertaken by the government to free up resources for the implementation of the Auxilio Brasil program.

Although this increase in the average amounts provided for the first year of Auxilio Brasil is positive and necessary, similar levels will need to be maintained in the following years, since there is no evidence pointing to higher levels of economic recovery or decrease in poverty rates after 2022. The fight against child monetary poverty through this type of cash transfer policy will only continue to be feasible in the medium-term, and after 2022, with measures that allow sustainability in the amounts transferred.

7 https://www25.senado.leg.br/web/criticas/indicacoes/2021/03/25/202110051400.html
Without structural investments, child monetary poverty may increase

In economic terms, there is significant risk that child monetary poverty will increase in the coming years, given that the pandemic has had a great impact on families with children and adolescents, and the recovery of the economy has not yet resulted in income rates to return to pre-pandemic levels.

The following chart shows the effectively received income levels of households without children and adolescents, and of households with one or more children and adolescents (0 to 14), compared to the 2019 average.

**Chart 21: Income actually received per quarter for households with and without children**

The chart above shows that, in 2021, the income level of families without children up to 14 was about 6.3% below that of the 2019, while families with at least one child or adolescent registered a level 12% lower, if compared to the same period. This discrepancy begins to occur only in 2021, with different recovery trends from the drops recorded at the beginning of the pandemic, which were similar between the two groups.

Thus, based on the evidence presented here, it is possible to conclude that the pandemic had significant impacts on child monetary poverty, partly addressed by the expansion of social protection through Auxílio Emergencial. It was also evident that the suspension of Auxílio Emergencial at the beginning of 2021 had immediate negative effects on child monetary poverty, which went back to reaching pre-pandemic levels.

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6. Conclusions and Recommendations

This study analyzes monetary poverty during the pandemic, mainly focusing on children and adolescents. The analysis is divided into monetary poverty (living on less than USD 5.50/day) and extreme monetary poverty (living on less USD 1.90) and is subdivided into age groups, region and skin color/race.

The study shows that families with children and adolescents are more vulnerable to income insufficiency, and that child monetary poverty rates are considerably higher than adult poverty rates. By early 2020, the percentage of adults living below the poverty line was about 20%, versus about 40% for children and adolescents. For extreme poverty, these percentages were about 6% and 12%, respectively.

With Auxílio Emergencial, child monetary poverty rates temporarily dropped – but increased again when the benefit was reduced or suspended. During the third quarter of 2020, when the cash transfer was of BRL 600, child monetary poverty dropped from about 40% to 35%. In the three following months, Auxílio Emergencial was reduced and child monetary poverty rose again to 39% – returning to pre-pandemic levels. Considering extreme child monetary poverty, the percentage dropped from 12% to 6%, returning to 10% in the same periods.

Without the implementation of Auxílio Emergencial, poverty levels would have been higher than those before the pandemic. This was effectively verified when Auxílio Emergencial was suspended, in the first quarter of 2021. Without the program, child monetary poverty would have been 10% higher in the fourth quarter of 2020, that is, about 4.4 million children avoided income insufficiency due to the benefit at that time. Most of them, however, returned to poverty levels in the following semesters.

Even though these rates were reduced for children and adolescents more than for the average adult population, mainly due to the focus of the program on these age groups, children and adolescents continue to be the most proportionally affected by monetary poverty and extreme monetary poverty in Brazil.
The highest levels of child monetary poverty strongly interact with the country’s racial and regional inequalities. Child monetary poverty rates are about double for the non-white population and for residents of the North/ Northeast regions, if compared to other groups. Auxílio Emergencial was more effective in temporarily reducing monetary poverty for the non-white population and also for people from the North and Northeast regions, although the rates for both groups remained higher than the rates for white people and people from the other regions.

In 2022, Brazil has a crossroads in the fight against child monetary poverty, having accumulated considerable spending, which allowed the temporary cushioning of the impact of the pandemic on families, but not sustainably. This context will be even more worrying in 2023, if the investment foreseen for Auxílio Brasil no longer includes the amounts implemented in 2022, as a consequence of the temporary rule applied for the payment of government debts.

Auxílio Emergencial was important at a time of extreme crisis, temporarily reducing monetary poverty. This program, however, is not sufficient or appropriate to solve the problem of child monetary poverty in the long run. To do so, it is necessary that long-term programs, designed even more specifically for this public, and with feasible and sustainable funding sources are implemented. Given the current Brazilian context, UNICEF recommends:

- **Ensuring sustainable and continuous funding sources to make Auxílio Brasil feasible in the long term**
  
  Although expanding the average amounts foreseen for the first year of Auxílio Brasil is a necessary and positive measure, it is not only recommended that similar levels are maintained in the following years, but that the amounts are adjusted whenever necessary in order to avoid inflation losses.

- **Ensuring that everyone entitled to Auxílio Brasil effectively receives the benefit**
  
  The Brazilian government will need to be able to maintain the number of population covered by the program, preventing queues from forming as a consequence of austerity measures, as it is exactly in these contexts that social programs are most needed. For this purpose, periodic adjustments of the eligibility criteria (income below which the person is entitled to Auxílio Brasil) are also necessary, to better define who should be benefited. There is concern about the cost of such programs, but initiatives such as Bolsa Família represent about 0.5% of the Brazilian GDP and, bring positive multidimensional effects to the lives of families with children and the economy.

- **Implementing mechanisms to expand coverage during emergencies or public calamity situations**
  
  Although the effects of Auxílio Emergencial have been positive when it came to reducing child monetary poverty, the new Auxílio Brasil program would need to provide mechanisms for the temporary expansion of its coverage in times of crises, preventing parallel public policies from being implemented during emergency situations, such as the one experienced during the covid-19 pandemic. For this purpose, specific and clear funding sources will need to be ensured for the program. These sources should be defined by legislation, clearly stating that the program is a state priority.

- **Expanding the Unified Social Assistance System (SUAS), to strengthen social assistance monitoring, active search tools and the continuous registration of the population not yet reached by Auxílio Brasil but prone to fall into poverty during crises**
  
  In the future, in addition to creating and strengthening temporary mechanisms for the expansion of Auxílio Brasil to other population groups who are prone to falling into poverty during crises –, it will also be necessary to strengthen the tools for continuously identifying, registering and including these people in current income transfer programs, especially in Auxílio Brasil. It is estimated that about 20% of households were not covered by any type of income transfer program with the end of Auxílio Emergencial, in October 2021. The fact that households with children remain more vulnerable than those without children, especially in a context of increasing unemployment rates, will also need to be considered.
7. References and annex


Methodological Annex: Simulating poverty in 2021 without Auxílio Emergencial

Considering the need to monitor poverty – especially child poverty – in more recent periods, and to evaluate the role of Auxílio Emergencial and the alternative policies being discussed, it is useful to simulate poverty using the quarterly PNAD Contínua (National Household Sample Survey), released two months after the last month of the quarter, which contains data related only to schooling and the labor market. This approach considers the microdata of the previously used yearly PNAD Contínua as a starting point. The methodology then allows three main options for impact analysis: labor market, cash transfers and private earnings.

The last two options are then attributed to the quarterly PNAD Contínua data, which had been released up until the third quarter 2021. Therefore, the probability of a household receiving at least one benefit in each state will be evaluated in the yearly PNAD Contínua, so that those with relative probability above the percentage of households that had at least one beneficiary per unit of the federation and per quarter will be considered as recipients.

\[
P(Y_{1,ct}) = \beta_0 + \beta_1 X_{1,ct} + \varepsilon_{1,ct}
\]

he Probit model is applied, based on a set of household characteristics: (i) having a single woman as head of household, (ii) number of residents, (iii) percentage of children 0 to 14, (iv) percentage of adolescents 15 to 17, (v) percentage of white female adults, (vi) percentage of non-white female adults, (vii) percentage of non-white male adults, (viii) percentage of white male adults, (ix) presence of elderly man, (x) presence of elderly woman, (xi) presence of a formal employment, (xii) presence of people employed in the public sector, (XIII) quintiles of income, (XIV) presence of people with complete elementary education, (XV) high school, and (XVI) higher education, (XII) urban household, (XVIII) in the capital or (XIX) in the metropolitan region.

Households are then ranked by probability of receiving a benefit, and those with the highest probability are simulated as recipients, until the total percentage of households receiving at least one benefit corresponds to the percentage that received the benefit in that state and in that quarter. In the case of other private sources of income, this amount is estimated using a traditional mincer equation, in which the income logarithm is regressed over the same set of variables.

The benefits referred to include pensions, Bolsa Família, Auxílio Emergencial, and the BPC (Continuous Benefit Program). Considering that Auxílio Emergencial was gradually implemented, the probability of receiving this benefit will be estimated per quarter, the same will be done for other forms of private earnings, which also varied during the period. In the case of Bolsa Família, given that this benefit was reduced in 2020 so that families could receive AE, its probability will be estimated only for the first quarter, this coefficient will then be attributed to families in all periods. The BPC and pensions will be estimated for the year as a whole.

Table A1: Percentage of households that received at least one installment of Auxílio Emergencial per state (Federation Unit)

<table>
<thead>
<tr>
<th>UF</th>
<th>B.F.</th>
<th>Auxílio Emergencial</th>
<th>Pension</th>
<th>BPC</th>
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<td>2T/20</td>
<td>3T/20</td>
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</table>

Source: PNAD Contínua 2020
Considering the families being counted as recipients of *Auxílio Emergencial*, the cash transfer amount will be of BRL 600 for quarters 2 and 3, and BRL 300 for the last quarter, and the number of recipients will be a random number of adult family members. For 2021, the simulation considers the new rules applied for the benefit, where most families received BRL 250, while families headed by women received BRL 375 and individuals living alone received BRL 150.

The pensions and the BPC were defined according to the average quarterly figures released by the Ministry of Economy for large social security spending, as shown in Chart 5 above. For the BPC, only the minimum wage will be considered, while for pensions, a random value will be attributed based on the ordinary distribution, averaging between BRL 1,400 and BRL 1,500. This benefit may be increased to BRL 2,000.00 when considering the installments of the thirteenth salary (as evidenced in the chart below) and a standard deviation of BRL 300.00 is also considered (limited by the value of the minimum wage).

It is important to consider that pension values are potentially underestimated, considering only RGPS (Regime Geral de Previdência Social - General Social Security Regime), that is, excluding benefits from RPPS (Regime Próprio de Previdência Social - Own Social Security Regime), and, considering that one family may receive only one of the two. Thus, the methodology presented contains a potential negative bias on per capita household income. However, given the high value of these transfers, their impact on poverty rates would not be very significant.

The *Bolsa Família* amount is calculated at the end, taking into account the rules of the program, as listed below:

**Minimum Benefit**: families with monthly income of up to BRL 89 per person, benefit in the amount of BRL 89/month.

**Variable Benefit**: Children and adolescents (0 to 15). The amount of each benefit is BRL 41 and each family can accumulate up to five benefits per month, reaching the maximum amount of BRL 205.

**Variable Benefit** for Young People: adolescents (16 and 17). The amount of each benefit is BRL 48 and each family can accumulate up to two benefits per month, reaching the maximum amount of BRL 96.

**Benefit for Overcoming Extreme Poverty**: aimed at families in extreme poverty (BRL 89 per capita per month). Each family can receive one benefit per month. The amount may vary according to a calculation based on the income per person of the family and on other transfers already received from the program.

It is also important to consider that, in this simulation, some households will be eligible to receive both *Bolsa Família* and *Auxílio Emergencial*. However, because beneficiary families supposedly had to choose between one benefit or the other, those considered likely to receive both were considered as receiving only AE. This also tends to reduce the total simulated income in relation to total observed income, given that, in practice, some families received both benefits, while for others it was more advantageous to keep receiving *Bolsa Família*.

The simulations also include a scenario in which families did not receive *Auxílio Emergencial*, but continued to receive *Bolsa Família*, if they were eligible. Thus, the simulation estimates poverty levels if the benefit had not been approved in March 2020 – this hypothesis can also be empirically tested, at least in terms of trend, when observing the PNAD Contínua, since the longitudinal character of the survey allows us to follow the same families between 2019 and 2020. Therefore, we are able to simulate what the per capita household income of Brazilians would have been if they remained receiving only the benefits received in 2019, without *Auxílio Emergencial*.

The results of these simulations are shown below. The poverty and extreme poverty level and trajectory are hereby evidenced, both as observed and as simulated. As previously mentioned, simulated poverty rates if families continued to receive the *Bolsa Família* and did not receive *Auxílio Emergencial* are also revealed.
As showed, simulations perform considerably well when it comes to predicting poverty levels and trends, even if considering potential biases, like the ones previously mentioned. The charts below show the same exercise for children in the 0-14 age group.

For children aged 0 to 14, the simulation of extreme poverty performs rather well when it comes to level and trend. However, for the upper poverty line, the level is considered as underestimated, even if the trend is similar. This problem is potentially caused by the fact that the estimation of the probability of receiving the benefits has as parameter the percentage of children aged 0 to 15 in the household, causing a probable artificial focus.

As showed in Chart A5, there is a level bias that starts at about 8% below the observed level. In periods where Auxílio Emergencial was most present, however, this bias drops to 6%. Therefore, these biases will be considered for future projections, considering the suspension of AE in the first quarter of 2021 (that is, with a bias of -10%) and its return in the following quarters (-6%). The poverty level without Auxílio Emergencial will be calculated in relation to the recalibrated simulated level.