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Notes on *Bolsa Família* expansion, employment, and poverty eradication as a national goal

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Synopsis

The expansion of both the number of beneficiaries (horizontal expansion) and average value of benefits (vertical expansion) of Brazil's means-tested cash transfer programme(s) during and after the COVID-19 pandemic brought renewed attention not only to the decline in poverty but also to concerns that such benefits might discourage work and harm the economy. This Policy Research Brief compiles information and arguments for the discussion, taking into account Brazil's constitutional goal of eradicating poverty and reducing inequalities. From 2019 to 2023, concomitant with an increase in the number of *Bolsa Família* beneficiaries, the country also experienced a significant increase in the proportion of formally employed individuals, especially among the poorest households.

1 Old questions in a new context

The hypothesis that cash transfer programmes make people lazy predates the *Bolsa Família* programme—launched 22 years ago—and is often taken for granted by segments of the population, typically based on anecdotal observations of specific cases, frequently intertwined with prejudices and morally contentious judgments. Although the best available evidence accumulated up until the COVID-19 pandemic indicated that *Bolsa Família* contributed to an increase in formal employment as a result of the programme's multifaceted effects, the debate was reignited following the significant expansion in both coverage and benefit levels introduced with the creation of *Auxílio Emergencial* in 2020, and maintained under *Auxílio Brasil* in 2022 and the revamped *Bolsa Família* beginning in 2023.[1]

Indeed, *Auxílio Emergencial* was explicitly designed to prevent poverty among individuals who lost their income-generating capacity due to the pandemic, while simultaneously enabling more people to avoid exposure to the risks of contracting and spreading the virus through in-person work. In that context, not having to work outside the home was an intended and desirable outcome of the transfer. A similar rationale applies to *Bolsa Família*'s school attendance conditionalities, which have always aimed to promote alternatives to child labour among the poorest households.

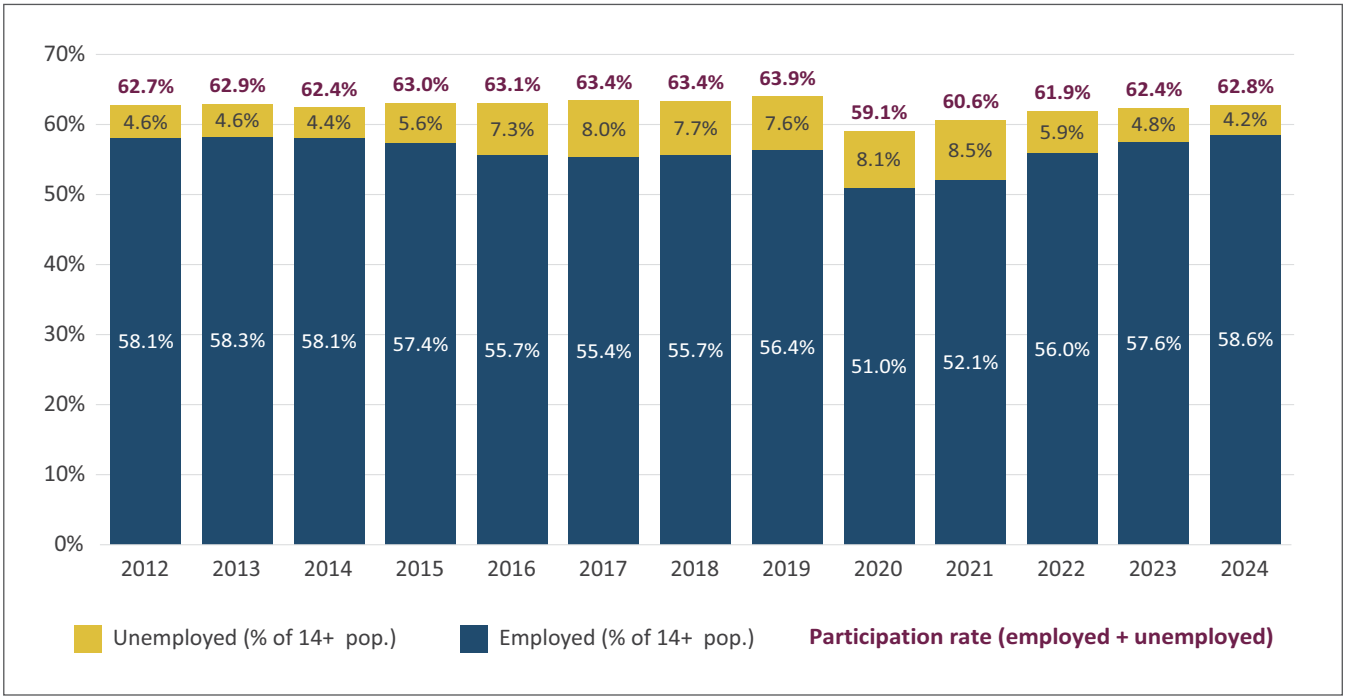
Now that the global health emergency has passed, it is pertinent to examine whether a substantial number of people remain discouraged from participating in the labour market. Moreover, it is crucial to assess under which circumstances such effects should be considered either positive or negative in relation to the country's broader development goals. This short article does not offer definitive answers, but it brings together relevant information and reflections to inform that discussion.

2 What happened alongside the expansion?

In 2024, the employment rate among individuals aged 14 and over reached a historic high (58.6 per cent), and unemployment fell to a historic low (4.2 per cent), according to the National Household Survey (PNAD-C, IBGE).[2] However, the labour force participation rate (62.8 per cent) has not yet recovered to pre-2015 levels (Pires and Silva, 2024). This rate is important, but Figure 1 reminds us of the importance of looking at its composition, which combines two very different ways of 'participating' in the labour market—especially for those who experience them either as employed or as unemployed (actively searching for employment).

FIGURE 1

Employed, unemployed and labour force participants (percentage of population aged 14 and over)—2012–2024



Source: Hecksher (2025) based on PNAD-C microdata.

FIGURE 2

Variations in the proportions of people aged 14 and over in different labour market status, by quintile group of the per capita household income distribution (in percentage points)—2019–2023



Source: Hecksher (2025) based on PNAD-C microdata.

From 2019 to 2023, employment increased by 2.2 percentage points, and unemployment dropped by 3.4 percentage points, leading to a slight decrease in the overall participation rate.

Concerns that *Bolsa Família* expansion is discouraging participation seem more related to the drop in the number of unemployed individuals (now at its lowest), since employment

is at its highest level in 2024. This concern is often linked to the idea that the economy may be overheating, and that unemployment needs to rise to a level that supposedly helps slow inflation. What is most indefensible is the notion that a means to that end would be to further impoverish the poorest.

From 2019 to 2023, unemployment dropped across all income quintile groups, especially among the poorest 20 per cent (Figure 2). Formal employment increased across all quintile groups, particularly among the bottom 40 per cent.[3] Contributions to social security also rose in all income groups.

The proportion of employed individuals, which increased across almost all income groups (quintiles), fell by 2.0 percentage points among the poorest 20 per cent. However, this decline was entirely explained by a reduction in low-paid informal occupations or unpaid workers. The types of jobs that declined are not typically those one wants to boost when aiming to foster productivity or expand potential output.

3 What happened because of the expansion?

Assessing the impact of a programme's expansion requires the credible simulation of a counter factual scenario—that is, an estimate of what would have occurred in the absence of such expansion. Oliveira and Soares (2013) reviewed the body of literature up to the tenth anniversary of the *Bolsa Família* programme, examining whether the programme and its predecessors generated any "disincentive effects" on labour supply. When such effects were identified, they tended to be minor and concentrated in population groups where such outcomes would be less concerning. There was no compelling evidence suggesting that cash transfers substantially discouraged labour supply among adults or youth (Barbosa and Corseuil, 2014). However, there was consistent evidence indicating that women were more likely than men to shift from informal market labour to unpaid domestic work—a finding that is challenged by Mariante (2025).

Gerard, Naritomi, and Silva (2021) investigate the effects of the 2009 expansion of *Bolsa Família* and conclude that municipalities receiving relatively larger transfer increases experienced greater formal employment growth in local labour markets. The findings are consistent with some degree of labour supply contraction among beneficiaries, but more prominently reflect an expansion in labour demand. This demand-side effect is attributed to the localized income multipliers generated by the increased circulation of transfer resources, benefiting not only beneficiaries but also non-beneficiaries, and ultimately leading to net employment gains.

Their work is cited by Banerjee et al. (2024) in a recent comprehensive review of the literature on social protection in developing countries. This review underscores the predominance of empirical evidence indicating that unconditional or conditional cash transfer programmes generally do not exert significant negative effects on adult labour supply (Baird, McKenzie, and Özler, 2018; Banerjee et al., 2017; Handa et al., 2018).

Duque (2024) analyses the pandemic-era expansion of transfer programmes in Brazil and identifies significantly negative effects on labour force participation rates. He employs as an instrumental variable an indicator based on the proportion of adults in each locality, demonstrating that this instrument is a strong predictor of local variation in transfer expansion. However, the validity of the instrument is questionable, as a higher local share of older adults could independently contribute to declining labour force participation, even in the absence of increased transfers. Furthermore, the lack of tabular data and the restriction of time series graphs to the post-2019 period (thus omitting the first seven years of the PNAD-C) limit the capacity to rule out pre-existing trends that might confound the causal interpretation.

While the findings of Gerard, Naritomi, and Silva (2021) are based on an expansion that occurred when *Bolsa Família* had a smaller coverage compared to its current scale, they nonetheless provide empirical justification for exploring hypotheses about the multifaceted effects of more recent programme expansions. Although these may increase the relative importance of labour supply contractions in certain contexts, it is equally plausible to expect substantial demand-side stimulus—consistent with previous episodes—leading to net gains in formal employment.

4 Final considerations

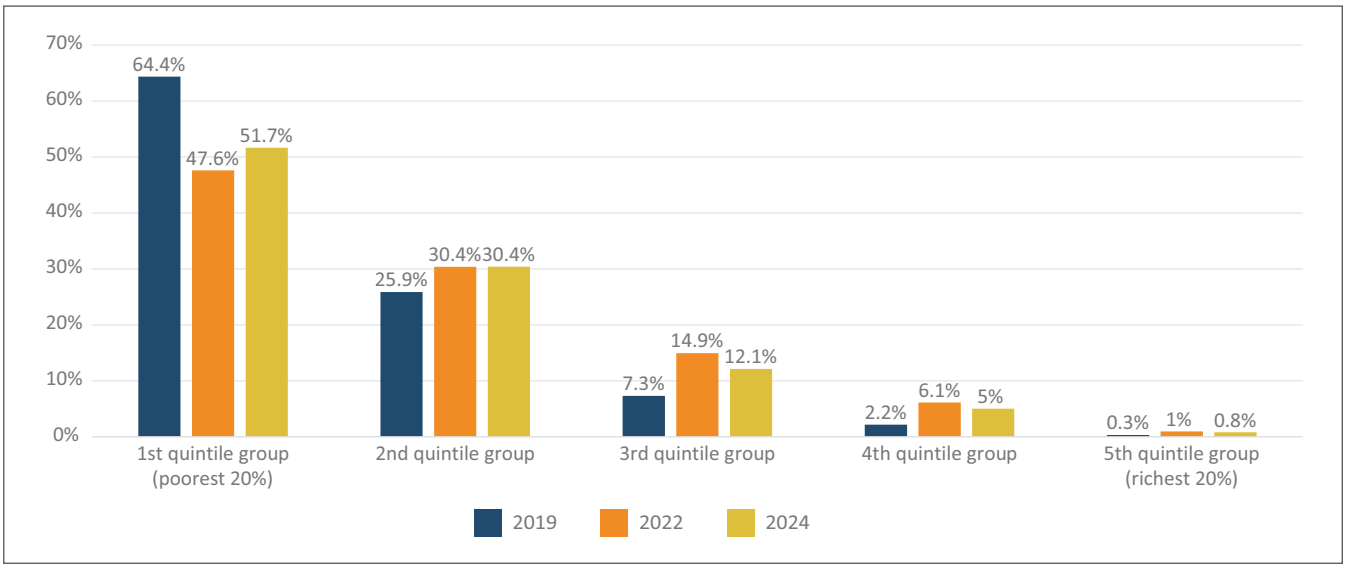
Macroeconomic adjustments should not be focused solely on inflation targeting but must also encompass broader national objectives—such as the constitutional mandate to "eradicate poverty and marginalization and reduce social and regional inequalities" (Brazil, 1988, Article 3, Clause III). In pursuit of this latter goal, income transfers to the poorest segments of the population have played a significant role, particularly following their expansions (Souza and Osório, 2024; Neri and Hecksher, 2022; Souza, Hecksher, and Osório, 2022).

This is not to downplay the harms of inflation, but to recognize that combating it does not require further impoverishment—especially when there remains considerable room to adjust fiscal privileges benefiting the wealthiest. The *Bolsa Família* programme's targeting of the poorest has improved over the past two years, after having worsened during the pandemic—largely due to the hasty expansion that jeopardized the quality of the information.[4] Figure 3 shows that more than half of the amount transferred was once again allocated to the poorest 20 per cent in 2024. This is the appropriate way for the programme to contribute to fiscal adjustment, but it does not exempt the country from ensuring a budget to reach those who are left uncovered and adjusting the benefits in a way that prevents anyone from remaining poor after receiving it.

Between 2019 and 2023, the real earnings from labour among the poorest grew at a rate substantially higher than the national average (see Figure 4). Yet, even when accounting for other income sources, the per capita household income of the poorest 20 per cent still averaged only about USD 4 per day considering 2017 purchasing power parity (PPP) in 2024. The reduction in unemployment among the poor and the corresponding increase in the price of their labour may unsettle those accustomed to paying less for it, but these trends align with the country's core constitutional objectives.

FIGURE 3

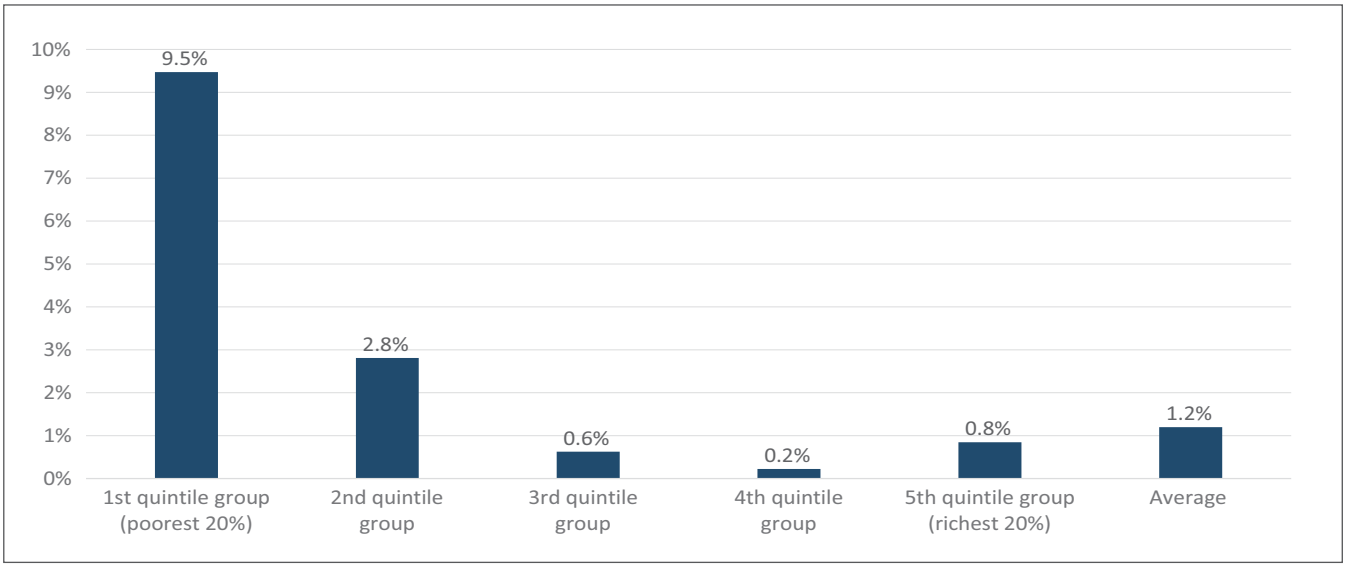
Percentage of total *Bolsa Família/Auxílio Brasil* transfers received by each quintile group of the per capita household income distribution (percentage)—2019–2023



Source: Hecksher (2025) based on PNAD-C microdata.

FIGURE 4

Average annual real growth rate 2019–2023 of average labour income of employed persons, by quintile group of per capita household income distribution (percentage per year)



Source: Hecksher (2025) based on PNAD-C microdata.

1. In March 2020, *Auxílio Emergencial*—the emergency cash transfer programme created in response to COVID-19—incorporated most *Bolsa Família* beneficiaries and significantly expanded its coverage. When the programme was discontinued in December 2020, transfers continued only for families eligible for *Bolsa Família*, resulting in a sharp reduction in both coverage and average benefit levels. However, after a four-month gap, in April 2021, the government resumed payments under a renewed version of *Auxílio Emergencial*, which offered broader coverage and higher benefits than *Bolsa Família*, though still lower than during the programme's initial phase. In November 2021, *Auxílio Emergencial* was replaced by *Auxílio Brasil*, which reduced both coverage and benefit levels compared to the emergency phase, but still represented an improvement over the original *Bolsa Família*. In 2023, *Auxílio Brasil* was renamed and restructured as *Bolsa Família*, preserving both the expanded coverage and higher average benefits established during the pandemic.

2. The unemployment rate in 2024 (6.6 per cent) was also the lowest in the historical series that started in 2012.

3. According to a study by the Getulio Vargas Foundation (FGV), published by the Ministry of Social Development, Family, and Fight Against Hunger (MDS), *Bolsa Família* beneficiaries accounted for the majority of the net increase in formal employment registrations from January 2023 to September 2024 (Brazil and FGV, 2024).

4. See Bartholo (2025) for a detailed discussion on measures taken to reestablish the quality of the information, particularly related to investigating the sharp increase in the number of single-person households benefiting from the former *Auxílio Brasil,* rising from 15 per cent in 2021 to 27 per cent by December 2022. Such huge increase seems to be largely triggered by the adverse incentives of the *Auxílio Brasil* programme for adult individuals to registry as if he/she were a standalone household and not a family member.

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