



# *Policy Note*

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## **GENDER AND RACE IN THE SPOTLIGHT DURING THE COVID-19 PANDEMIC: THE IMPACT OF THE EMERGENCY BENEFIT ON POVERTY AND EXTREME POVERTY IN BRAZIL**

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### **Executive Summary**

This policy note analyzes the importance of the emergency benefit (Auxílio Emergencial in Portuguese) in containing the increase in poverty and extreme poverty in Brazil during the COVID-19 pandemic. The emergency benefit played a key role in protecting the most vulnerable groups, especially black women. We measure the magnitude of the alleviation of poverty and extreme poverty in 2020 due to the emergency benefit, broken down by race and gender, and simulate the impacts of the new benefit values for 2021 based on data from the 2019 Annual National Household Survey (PNAD-CONTÍNUA) and data from the COVID Home Survey carried out throughout 2020 (PNAD-COVID19). The results show that the emergency benefit

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values approved for 2021 will provide substantially less social protection against loss of income than the 2020 values: with the implementation of the reduced version of the benefit, poverty will be 4.1 percentage points above pre-pandemic levels and extreme poverty 2.5 points. The decrease in aid increases the impoverishment of the population and widens gender and race gaps, mainly due to the greater economic vulnerability of black women. Before the pandemic, poverty reached 33 percent of black women, 32 percent of black men, and 15 percent of white women and white men in Brazil. The scenario for 2021 leads to poverty rates of 38 percent, 36 percent, 19 percent, and 19 percent, respectively. The rate of extreme poverty, before the crisis, was 9.2 percent among black women, 8.9 percent among black men, 3.5 percent among white women, and 3.4 percent among white men. With the emergency benefit values for 2021, extreme poverty rates remain well above those seen before the crisis: 12.3 percent, 11.6 percent, 5.6 percent, and 5.5 percent, respectively. To fight poverty and inequality, we recommend the continuation of the emergency benefit and the implementation of state and municipal benefits that can offset the lower value of the 2021 federal aid.

## Introduction

In March 2021, Brazil recorded its worst numbers to that point during the COVID-19 pandemic: on March 31st, the 14-day moving average of new daily cases was 75,350, with 3,870 daily deaths. In the worst month of the health crisis so far, the federal government approved a provisional measure to reduce the emergency benefit (EB) adopted in 2020. Given that the current economic crisis in Brazil is the result of the public health crisis, we argue that it is crucial that economic protection policies be strengthened until the virus is contained.

Economic stimulus packages and emergency cash transfers were fundamental for helping the most vulnerable population groups during the COVID-19 pandemic. Worldwide, women are suffering from the loss of income and jobs as they deal with the increased responsibilities of domestic activities during the pandemic (Profeta 2020). In this sense, COVID-19 reinforces female structural vulnerability and widens the poverty gap between men and women. Based on data from the COVID-19 Global Gender Response Tracker database, Bergallo et al. (2021) discuss the gender-sensitive policies that have been implemented in Latin America. In accordance with Fares et al.

(2021), they show that most of the public policies that favored women were cash transfers, such as the Brazilian EB.

In Brazil, the EB was implemented in April 2020, aiming at alleviating poverty and the impacts of decreased income (Oliveira 2021). Monthly transfers replaced the Bolsa Família payments for most low-income families and consisted of nine installments: five installments of R\$600 and four installments of R\$300 (April through August). Single mothers who were heads of household received double the amount: five installments of R\$1200 and four of R\$600 (September through December). According to Duque's estimates (2020), the EB mitigated poverty and extreme poverty in the first half of 2020, preserving the income of families, especially those in situations of greater vulnerability.

However, between January and March 2021, there were no transfers to the program beneficiaries, while unemployment continued to rise in the country and the pandemic worsened. In the midst of discussions about the 2021 budget, the election of the new presidencies of the National Congress, and quarrels about the slow vaccination in the country, the government decided to incorporate the EB—but at reduced levels—into legislation approved in the beginning of March. In April, payments were to be resumed with four additional installments. The legislation approved by the National Congress established that a total amount of R\$44 billion designated for the EB would not be subject to the tight fiscal rules that regulate economic policy in Brazil—such as the Constitutional Amendment 95/2016, which freezes primary expenditures in the country until 2036.<sup>1</sup>

However, per household transfers were reduced to R\$250 on average, varying between R\$150 and R\$375 according to family composition: R\$150 monthly for single-person households, R\$250 for households with more than one person, and R\$375 for households headed by single mothers. It is important to stress that the approval of the new legislation does not limit the total amount spent on EB to R\$44 billion in 2021, but there will be great political and public pressure for this to be the maximum amount spent by the federal government.

Considering the Ministry of Women, Family and Human Rights effectively spent only 53 percent of its 2020 budget (Ferreira 2021), the EB was the only policy capable of mitigating the effects of the pandemic with respect to gender inequality. As shown in Fares et al. (2021), the aid brought about a reduction in income inequality between men and women, mainly protecting the incomes of families headed by black women.

Since the EB played a crucial role in protecting the most vulnerable groups, especially for black women (Gonçalves et al. 2021), it is important to explore the racial and gender impacts of the benefit reductions. We measure the magnitude of the EB's alleviation of poverty and extreme poverty in 2020 according to gender and race. In addition, we simulate the impacts of the new benefit levels for 2021, based on data from Brazil's household surveys from 2019 and 2020. It is important to emphasize that the EB had a positive impact in aggregate on the Brazilian economy—that is, not only for its direct beneficiaries, but also through a significant multiplier effect (Sanches, Cardomingo, and Carvalho 2021).

### The Impact of the Emergency Benefit on Poverty and Extreme Poverty

We compare five different scenarios: the first presents the context before the pandemic, in 2019; the second scenario shows the data from July 2020; the third from October 2020; the fourth scenario simulates the context of October 2020 without the EB<sup>2</sup>; and finally, the fifth scenario simulates the poverty rates for 2021 according to the newly established values for the EB.

To implement our analysis, we used data from the 2019 Annual National Household Survey 2019 (PNAD-CONTÍNUA) and data from the COVID Household Survey carried out throughout 2020 (PNAD-COVID19). We applied a multiple imputation method to estimate the simulated family income in the scenarios without the EB and with the 2021 EB.

We imputed the values of Bolsa Família in PNAD-COVID19 from the Bolsa Família data observed in PNAD-CONTÍNUA 2019. Imputation is done by income, race, and gender groups. We created 18 groups according to income (below R\$89 per month, between R\$89 and R\$178, and above R\$178)<sup>3</sup>, gender (woman or man), and race (white, black, brown, and other). For each of the groups, we replicate in PNAD-COVID19 the percentage of families that according to PNAD-CONTÍNUA received a family allowance in 2019. Only families that receive the EB in PNAD-COVID19 are considered for the allocation of Bolsa Família in our imputation. In the “Simulated without EB” scenario, families do not receive transfers from the EB, but receive installments from Bolsa Família. We then calculate the poverty rates in the baseline scenario, in the observed data from PNAD-COVID19, and in a simulated scenario accounting for the EB with 2021 values.

According to the World Bank, using the 2011 purchasing power parity rate (\$1.90 per day and \$5.50 per day), the poverty

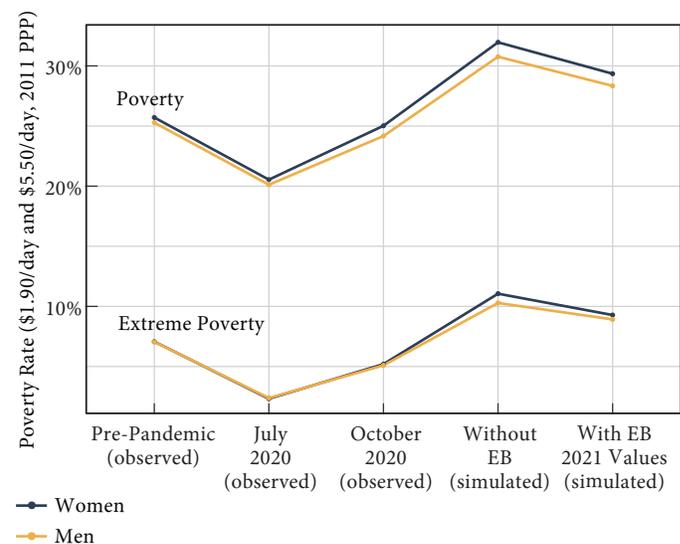
line in Brazil is R\$436 for 2020 and R\$469 for 2021, and the extreme poverty line is R\$151 for 2020 and R\$162 for 2021. Such a classification is the most common in poverty studies in Brazil. Following the World Bank criteria, Table 1 presents the poverty rates and the number of individuals in a situation of poverty for the five proposed scenarios. In the five scenarios, poverty was 51.9 million, 43 million, 52.1 million, 66.4 million, and 61.1 million, respectively. In other words, when comparing the scenario with the highest EB levels (July 2020) to the 2021 scenario and its reduced benefit levels, in the latter scenario

**Table 1 Poverty Rates for Total Population — Brazil**

	Rate		Millions of People	
	Extreme Poverty	Poverty	Extreme Poverty	Poverty
Pre-Pandemic (observed)	6.6%	24.8%	13.9	51.9
July 2020 (observed)	2.4%	20.3%	5.0	43.0
October 2020 (observed)	5.1%	24.6%	10.9	52.1
Without EB (simulated)	10.7%	31.4%	22.6	66.4
EB 2021 Values (simulated)	9.1%	28.9%	19.3	61.1

Source: Authors' estimations based on PNAD-CONTÍNUA (first interview 2019), PNAD-COVID (August and November releases).

**Figure 1 Poverty Rates and Extreme Poverty Rates by Gender, Observed and Simulated — Brazil**



Source: Authors' estimations based on PNAD-CONTÍNUA (first interview 2019), PNAD-COVID (August and November releases).

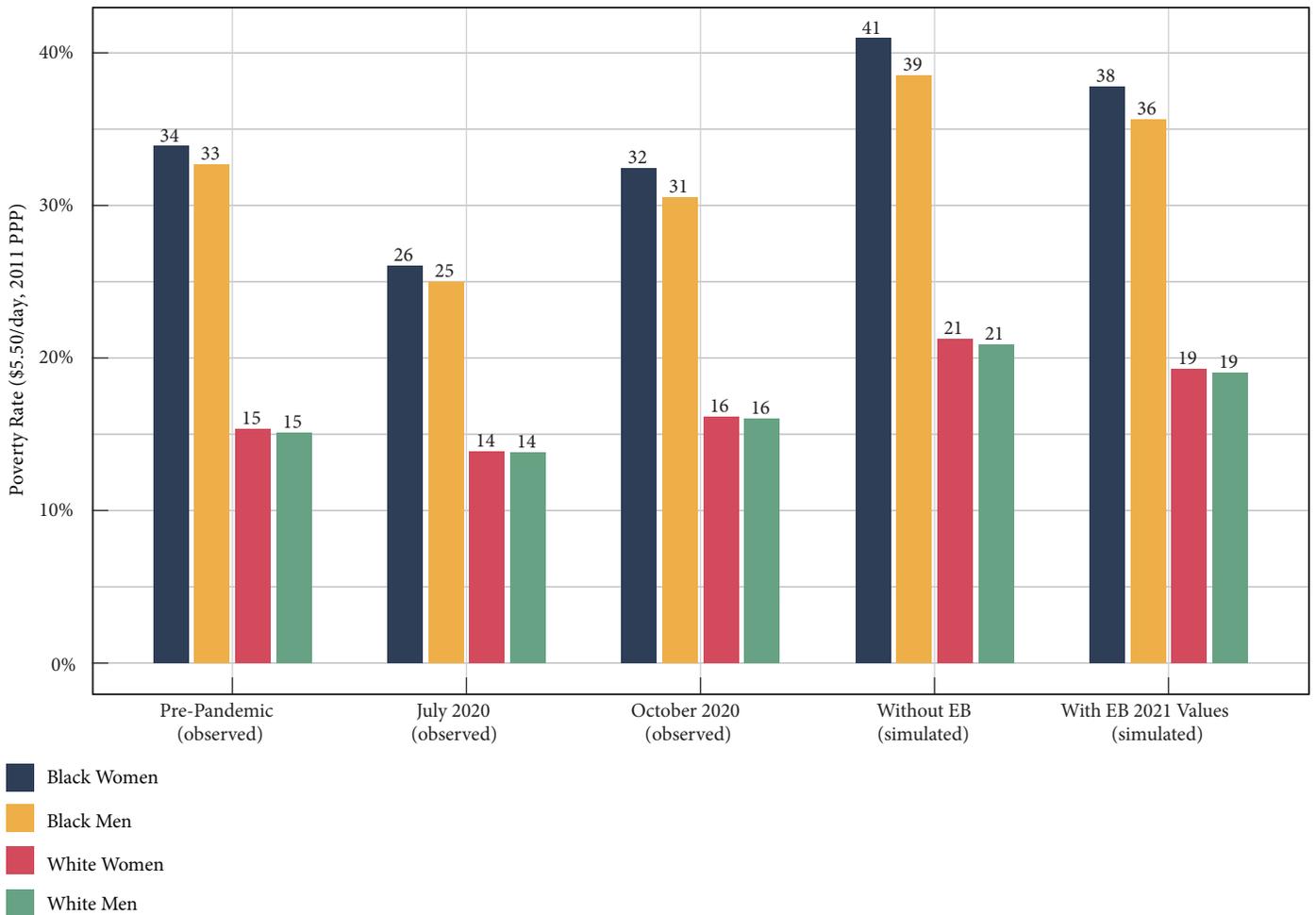
18.1 million more Brazilians fall into poverty and 14.3 million more Brazilians fall into extreme poverty.<sup>4</sup> When we compare 2021 with 2019 (the pre-pandemic scenario), we estimate that in 2021 5.4 million and 9.1 million more Brazilians will live in extreme poverty and poverty, respectively.

During the pandemic, two factors contribute in opposite ways to changes in the rates of poverty and extreme poverty. On the one hand, the fall in income due to the economic crisis leads to an increase in poverty rates; on the other hand, the EB reduces them. Thus, with regard to poverty, it is important to analyze whether the value of the EB is sufficient to mitigate the fall in income. We can see that both the extreme poverty and poverty rates are reduced during the first months of the pandemic due to the impact of the EB. Therefore, the initial values of the EB not only mitigate the effects of the economic crisis

on household income, but also allow a number of families to escape from poverty and extreme poverty. But, as expected, without the EB many families would be thrown back into poverty and extreme poverty. In this scenario, the extreme poverty rate would be four times higher than the July rates (rising from 2.4 percent to 10.7 percent in the simulated scenario without the EB). Furthermore, our data point to the fact that the new EB values are insufficient to mitigate the effects of the economic crisis, and therefore the rates of poverty and extreme poverty simulated with 2021 benefit values are higher than the rates observed in 2019 and 2020.

From this general framework, we move on to gender-disaggregated analysis. Figure 1 provides the poverty rates by gender. The data shows that the pandemic increased the gender poverty gap and that this difference would have been even greater in

**Figure 2 Poverty Rates by Gender and Race, Observed and Simulated — Brazil**



Source: Authors' estimations based on PNAD-CONTINUA (first interview 2019), PNAD-COVID (August and November releases).

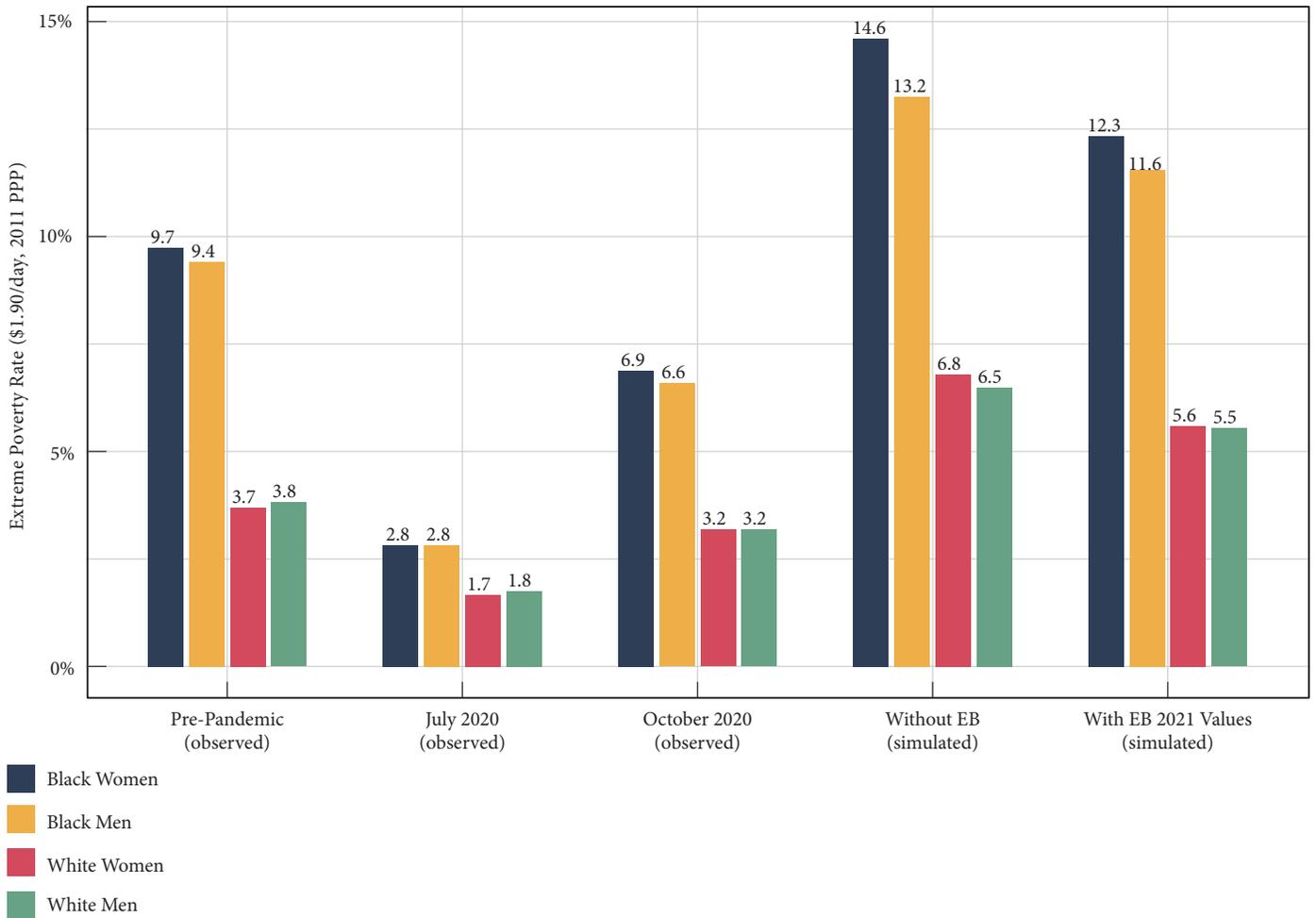
the absence of the EB. As Fares et al. (2021) points out, female-headed families, and in particular families headed by black women, lost more income than any other families during the worst moment of the crisis and are recovering it more slowly, which leads to an increase in the gender income gap. The data also reveals that the 2021 EB does not recoup the loss of income like it did in 2020, leading to an expected scenario of higher poverty and extreme poverty rates in 2021.

Consequently, the gender gap in poverty and extreme poverty widens without the EB. In Figure 1, we can observe that the EB in July 2020 was able to significantly reduce poverty and extreme poverty and mostly mitigate what would have been (without the EB) a worsening of the gender gap, while the October figures show the EB was sufficient to mitigate the widening of the gender gap in extreme poverty during that period

but insufficient to alleviate the pandemic’s impact on the gender poverty gap. The crisis shows that, currently in Brazil, a greater share of women are in a situation of poverty than men. In 2021, with the reduced value of the benefit, we observe a gap between the rates of poverty and extreme poverty by gender: women are more likely to live in poverty and extreme poverty than men in Brazil in 2021.

Figures 2 and 3 present a breakdown by race and gender. The category “black” includes black alone and mixed race black people, classified as “pardos” in Brazil. It is evident from the figures that the black population is the most vulnerable to poverty. In all scenarios, the group of black women is the one with the highest rates of poverty and extreme poverty—in the scenario without the EB, 41 percent of black women are living in poverty and 14.6 percent are in extreme poverty.

**Figure 3 Extreme Poverty Rates by Gender and Race, Observed and Simulated — Brazil**



Source: Authors’ estimations based on PNAD-CONTINUA (first interview 2019), PNAD-COVID (August and November releases).

Figure 2 shows that, before the pandemic, poverty reached 33 percent of black women, 32 percent of black men, and 15 percent of white women and white men. In July 2020, poverty was greatly reduced among black men and women. In October 2020, poverty fell by one percentage point among blacks and rose by one percentage point among whites.

In the simulation for the scenario without the EB, poverty grows to much higher levels than the pre-pandemic observation: 41 percent among black women, 39 percent among black men, and 21 percent for white women and white men. While the scenario with the 2021 EB values does reduce poverty in comparison with the “no EB” scenario—with poverty reaching 38 percent among black women, 36 percent among black men, 19 percent among white women, and 19 percent among white men—it is far less effective on this front than the more robust versions of the EB from July and October 2020, and indeed leaves 2021 poverty rates significantly above their pre-pandemic levels for all groups. In other words: the 2021 EB is not capable of sufficiently mitigating the vertiginous increase in poverty caused by the COVID-19 economic crisis.

Figure 3 estimates the extreme poverty rate. Before the crisis, 9.2 percent of black women lived in extreme poverty compared to 8.9 percent of black men, 3.5 percent of white women, and 3.4 percent of white men. In July 2020, under the effects of the COVID-19 pandemic, but also of the emergency benefit, the extreme poverty rate fell to 2.8 percent among black men and women, 1.7 percent for white women, and 1.8 percent for white men. In October 2020, the rates reached 6.9 percent among

black women, 6.6 percent among black men, 3.2 percent among white women, and 3.2 percent among white men. Without the EB, the rate more than doubles in relation to October and it is approximately seven times higher than what is observed in July: it reaches 14.6 percent, 13.2 percent, 6.8 percent, and 6.5 percent, respectively. And, finally, with the reduced EB values for 2021, extreme poverty remains at levels well above those seen before the crisis: 12.3 percent, 11.6 percent, 5.6 percent, and 5.5 percent, respectively.

When the extreme poverty and poverty rates increase, the poverty gap for black women in relation to other groups widens. Table 2 complements what was presented in Figures 2 and 3, showing the difference in poverty rates in percentage points between black women and other demographic groups. The fact that the gap is positive means that in all cases the rate of poverty and extreme poverty for black women is higher than that of other groups.

All in all, we can see that the fiscal effort of the EB, which reaches its peak in July, is able to eradicate the extreme poverty gender gap and practically eradicate the gender poverty gap in each of the racial groups. However, our data shows the resilience of the racial poverty and extreme poverty gaps in Brazil. Therefore, it is clear that a racial perspective is essential for any poverty analysis in Brazil.

### Recommended Policies

Considering the scenarios discussed here and with an aim to reduce economic inequalities during the COVID-19 pandemic, we suggest the following public policies:

- *Continuation of the EB until the end of the pandemic.* In the current economic and health crisis, promoting fiscal relief through transfers benefits the health of citizens and the economy. The EB should be continued without interruption while the pandemic lasts, to contain the effects of unemployment, alleviate hunger and poverty, and mitigate gender and race inequalities, especially the latter;
- *Implementation of municipal and state EBs.* Mayors and governors should seek to implement complementary EBs, as is already being done in Belém, Maricá, and Salvador (Oliveira et al. 2021);
- *Attention to policies aimed at children and adolescents.* Single mothers are subjected to a triple burden during the pandemic: providing income for the family, being responsible for

**Table 2 Poverty Gaps between Black Women and Other Groups (percentage points) — Brazil**

		Black Men	White Women	White Men
<b>Extreme Poverty</b>	Pre-Pandemic (observed)	0.4	5.7	5.8
	July 2020 (observed)	0.0	1.2	1.1
	October 2020 (observed)	0.3	3.7	3.7
	Without EB (simulated)	1.3	7.8	8.1
	EB 2021 Values (simulated)	0.8	6.7	6.8
<b>Poverty</b>	Pre-Pandemic (observed)	1.0	18.3	17.9
	July 2020 (observed)	1.0	12.2	12.2
	October 2020 (observed)	1.9	16.3	16.4
	Without EB (simulated)	2.4	19.7	20.1
	EB 2021 Values (simulated)	2.2	18.5	18.8

Source: Authors’ estimations based on PNAD-CONTÍNUA (first interview 2019), PNAD-COVID (August and November releases).

all housework, and taking care of children who would otherwise be in school. Internet access projects for public school students, for example, help not only young students, but also their families;

- *Prioritization in the Congress of matters related to the pandemic.* While social workers, doctors, nurses, and other public servants go out of their way to meet the demands of the population in this economic and health calamity, the government has set administrative reform as a priority. This and other nonurgent matters unrelated to the COVID-19 crisis should be discussed only when the pandemic is controlled.

## Conclusion

The results show that the reduction and temporary halt of cash transfers to the population during the COVID-19 pandemic in Brazil increases poverty, race, and gender inequality, mainly because of the worsening situation of black women. The EB program in 2020 provided not only important fiscal relief during the first wave of the pandemic, but also fiscal stimulus, protecting vulnerable groups and the economy as a whole. The EB mitigated the loss of income, brought the poverty rate to historically low levels in Brazil, and reduced inequality: poverty gaps in terms of gender and (to a lesser degree) race narrowed in 2020. Nonetheless, our results also point to the resilience of the racial gap in Brazil.

Thus, the EB is essential for women during the pandemic, especially black women, while it is also a protective measure for all population groups and not just the direct beneficiaries of the program. There is no conflict between the interests of the families receiving the EB and the interests of the economy as a whole—there is complementarity.

The consequences of the interruption of the EB at the end of 2020 and the decrease in its values in 2021 are very serious, as they allow impoverishment and gender and racial inequality to grow in one of the most critical moments of the pandemic in the country, bringing long-term negative impacts for the Brazilian population. The reduction of the EB may also have deleterious effects on the GDP. As Sanches, Cardomíngo, and Carvalho (2021) argue, the EB was responsible for preventing an even worse fall in the Brazilian GDP. According to their estimations, without the EB, Brazil's GDP would have fallen between 8.4 percent and 14.8 percent in 2020, instead of the observed 4.1 percent fall.<sup>5</sup>

The resumption of the EB is urgent. However, given the rise in the price of staple foods and the growth of unemployment, the lower EB levels approved for 2021 are insufficient to protect the affected population—pushing the most vulnerable groups to exposure on the streets in search of subsistence and risking yet further loss of control over the pandemic.

In this first quarter of 2021, Brazil presented record numbers of deaths and was forced to increase social isolation measures in several cities, while the government is providing fewer instruments to aid the population. In the most critical moment of the pandemic, with respect to public health and the economy, the government is not willing to provide fiscal relief in the country. In the context of less relief and no stimulus during an aggravated pandemic, we believe the impact of the continuing health crisis on economic activity may be greater than that experienced at the beginning of last year, disproportionately affecting black women.

## Notes

1. Known as “teto dos gastos,” freely translated as expenditure ceiling.
2. It is important to notice that we are only calculating the direct impact of the transfers and not considering their multiplier effect. We can therefore claim that this is an underestimation.
3. We use the values R\$89 and R\$178 because those are the eligibility criteria for the Bolsa Família basic benefits and variable benefits, respectively.
4. The total population in each dataset varies: it is 209 million according to PNAD CONTÍNUA and 211 million according to PNAD-COVID19.
5. Quaterly national accounts, IBGE.

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