

# CHANGES IN LIVING CONDITIONS OF ELDERLY BRAZILIANS: THE UNEXPECTED RESULTS OF THE INCREASINGLY WIDESPREAD COVERAGE OF RURAL NON CONTRIBUTORY PENSIONS

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## I. INTRODUCTION

The purpose of this paper is to analyse the impact of changes in the Brazilian legislation on non-contributory pensions on elderly individuals well-being and their families. In other words, it aims at assessing the effect of the increasingly widespread coverage of rural non-contributory pensions that took place in Brazil in the early 1990s on family income, familial arrangements, poverty reduction and distribution and level of economic activity.

The main data analysed are those from the Brazilian National Household Surveys (PNAD<sup>1</sup>) of 1982, 1992 and 2002. They allow the study of changes that took place over a time period of 20 years. Those data inform of whether or not the person collects benefits, but not the contributory nature of these. Moreover, as both kinds of benefits (the contributory one, social security, and the non-contributory one, social assistance) are paid by the same institution, this difference may not be perceived by people in general. As a result, it is not possible to disaggregate the urban benefits by their contributory nature. It is assumed here that rural pensions are non-contributory and this analysis is limited to the rural population.<sup>2</sup> Other sources such as administrative data provided by the Social Security Ministry and other household survey data will also be used.

The paper is divided into six sections, the first one being the introduction. The second one presents a short description of changes in non-contributory pension legislation. Impact on familial arrangements, income distribution/composition and poverty are measured in the

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<sup>1</sup> PNAD is a Household Survey conducted annually by IBGE, the National Statistics Office. It is a sample survey representing the Brazilian population in each of the 27 states and the Federal District. It does not include all the rural areas in the Northern Brazil.

<sup>2</sup> All benefits are considered here as Social Security pensions, although some may be Social Assistance benefits, *stricto sensus*.

third and fourth sections, respectively. The fifth section describes other unexpected results of the Social Security policy and the sixth one presents a summary of the main results.

## **II. NON-CONTRIBUTORY RURAL PENSION POLICY**

### **2.1 Characteristics of Brazilian non-contributory pensions**

According to data from the Social Security Ministry, approximately 5.0 million non-contributory benefits were paid in December 2002 to people aged 60 years and over. This information does not include survivors' benefit recipients.<sup>3</sup> About 75% of benefits paid were rural pensions. These pensions were granted to 2.3 million elderly individuals living in rural areas<sup>4</sup> Roughly speaking, one can say that 10% of non-contributory benefits are urban. It is estimated that 18.3% of elderly Brazilians collected this kind of pension. It is also estimated that such pensions covered about two million rural families, *i.e.*, 5% of all Brazilian families. Among rural families, the coverage accounts for 38.3%.<sup>5</sup>

The Brazilian non-contributory pension scheme covers rural workers and non-insured elderly individuals that are unable to support themselves.. Strictly speaking, one cannot say that rural Social Security is non-contributory as there is a small proportion of rural workers that contribute directly to Social Security. There is a legal contribution levied on the value of the first sale of the produce (2.5%).<sup>6</sup> The buyer is responsible for paying it. The funding for rural Social Security has mainly been derived from urban contributions. Until the 1988 Constitution, urban enterprises contributed with 2.4% of total payroll.<sup>7</sup> After the promulgation of the Constitution, the Social Security system was unified and became a

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<sup>3</sup> Social Security Ministry information on survivors' pension beneficiaries were not disaggregated by age before 1988.

<sup>4</sup> The difference between these two figures may be explained by the fact that nowadays, a part of rural beneficiaries live in urban areas, as defined by IBGE. IBGE basis its definition of rural and urban areas on Municipalities Laws. These are political and administrative by nature. This definition considers the Municipalities, District and Village seats as urban areas.

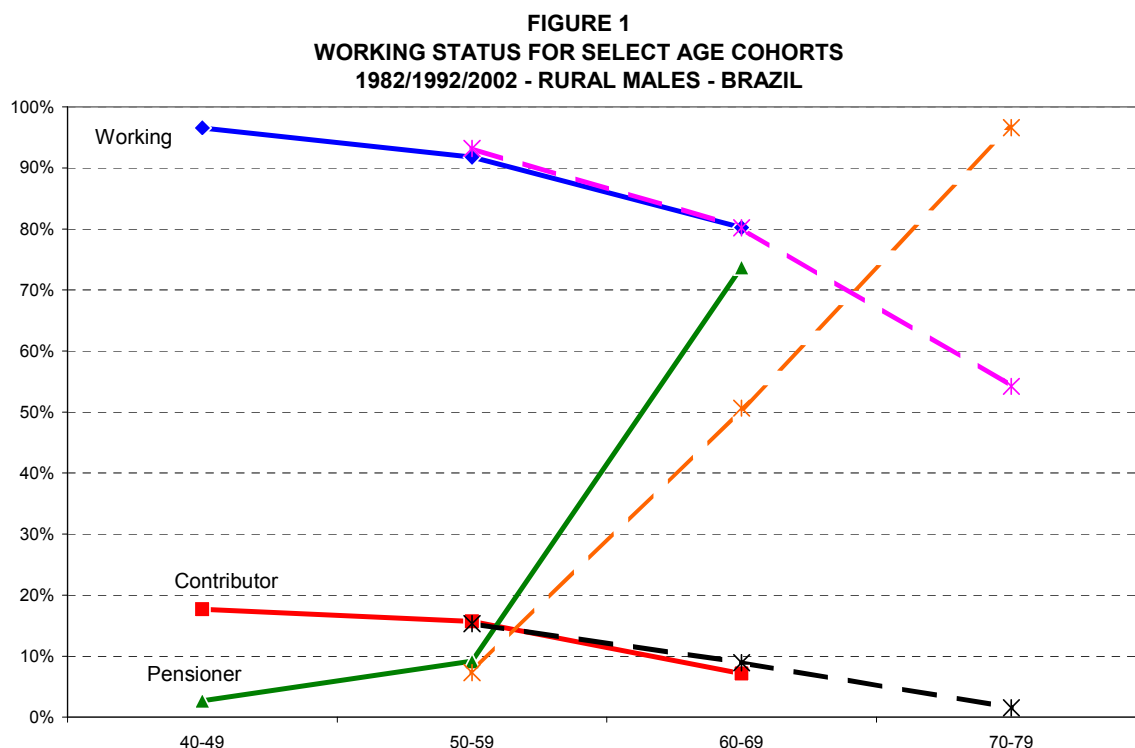
<sup>5</sup> Although we are referring here to family, the unit of analysis used is that of household. This is due to the definition of family utilized in PNADs, which is similar to that of nuclear family. For a more detailed discussion of the concepts of family and household, see Medeiros and Osório (2002).

<sup>6</sup> To this is added another 0.1% as a contribution to the coverage of work-related accidents.

<sup>7</sup> Complementary Law dated May 25 1971.

system of general solidarity.<sup>8</sup> On the other hand, part of the urban employers' contribution is embedded in prices and therefore the whole population is (indirectly) costing the systems.

Figures 1 and 2 show rural age cohorts 40 to 49 (solid line) and 50 to 59 years old (dashed line) in 1982, in three points in time: 1982, 1992 and 2002 (pseudo-cohorts), for males and females, respectively. Among males in the 40 to 49 year old age cohort, 96.7% were working in 1982, 17.7% contributed to Social Security and 2.7% collected benefits (probably mostly were due to disability). Twenty years later, in 2002, 73.7% of this cohort, then aged 60 to 69, were Social Security pensioners. The proportion of workers declined to 80.2%.



Source: IBGE 1982, 1992 and 2002 PNADs.

The experience of the above age cohort was quite similar to that of the one aged 50 to 59 in 1982 (Figure 1). The proportion of contributors, workers and pensioners at that age bracket were about the same. At the age of 60 to 69, both age cohorts showed the same proportion

<sup>8</sup> Law # 8212, dated July 25 1991, defined the funding of the system without disaggregating rates.

of beneficiaries, but the oldest cohort had a slightly higher proportion of contributors and a lower proportion of workers. Coverage of Social Security benefits became almost universal when they reached 70 to 79 years of age.

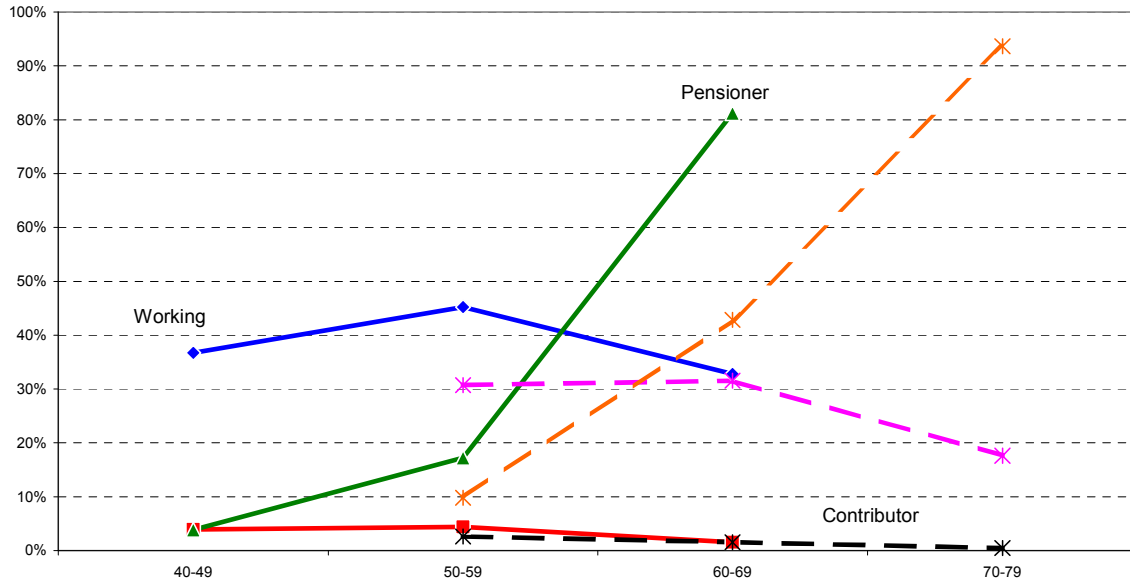
In sum, it seems that for males, the social security benefit has been linked to work. Nevertheless, it is expected that at later ages workers would have left active life and become only pensioners. It has been observed that a high proportion of elderly individuals reported themselves to be working at the age of 70 to 79.<sup>9</sup> Seasonality of rural work may explain the high activity rate of elderly Brazilians at later ages, This may also be non-paid work done in a family unit, which is compatible with the retirement situation. The average number of working hours for this age group was about 40 hours/week in 2002. This characterizes a full time activity. It is also possible that the information herein presented is overestimating elderly participation in the labour force. Elderly Brazilians could have reported participation in the labourforce, though, due to the value attributed to older men still actively working, especially in rural areas.

For females, the situation is quite different. According to Figure 2, the proportion of female contributors in the 40 to 49 age cohort was quite low in 1982, 3.9% and so was the proportion of working women, 36.7%. Less than 4% collected benefits, which were mainly survivors' pensions. For the 50 to 59age cohort in 1992, the proportion of workers and contributors did not change much, but that of pensioners increased to 17.2%. Also, there were no marked differences in the mentioned proportions between the latter cohort and the one aged 50 to 59 in 1982. The differences appear in the proportion of beneficiaries. The youngest cohort exhibited a higher proportion of beneficiaries when they were 50 to 59 years of age. This proportion was almost twice as high as that observed for the 50 to 59 age cohort in 1982. This points to a time period effect c provoked by the implementation of the measures of the 1988 Constitution, which will be discussed later in this paper as well as the effect on male population, as seen in Figure 1, which was slightly lower.

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<sup>9</sup> The Brazilian legislation allows the accumulation of pension with paid work, excepting in cases of disability pensions.

**FIGURE 2**  
**WORKING STATUS FOR SELECT AGE COHORTS**  
**1982/1992/2002 - RURAL FEMALES - BRAZIL**



Source: IBGE 1982, 1992 and 2002 PNADs.

In 2002, the proportion of beneficiaries among females aged 60 to 69 was quite high, 81.5%. This is still more than twice as high as the proportion of workers in this age cohort in 1982,<sup>10</sup> i.e., when they were between 40 and 49 years of age (36.75%), and much higher than the proportion of contributors to the system in the same year. Survivors' pensions are also included among these beneficiaries. Even if they were excluded from these figures, the difference between contributors and beneficiaries would still be high: 3.9% and 78.5%, respectively. Another marked difference in the proportion of beneficiaries is that observed between the two studied age cohorts when they were 60 to 69 years old. In 2002, 81.2% of the youngest age cohort collected some Social Security benefit. At the same age, in 1992, 47.2% of the oldest age cohort received some sort of benefit.

To conclude, for elderly rural women, entitlement to a Social Security benefit does not seem to be associated with their previous work and contribution to Social Security.<sup>11</sup> Also,

<sup>10</sup> There was a change in the concept of labour between 1982 and 1992. From 1992 on, figures included workers with no pay work, workers for self-production, for self consumption and those who worked less than 15 hours a week. This population group was not considered as workers in 1982.

<sup>11</sup> There is also some problems in measuring female labor, mainly in rural areas. Female labor is socially less valued than that of males, because it is more domestic oriented, centered on the family and not, necessarily, linked to a salary. Household surveys usually underestimate it.

as will be seen in this paper, they have been benefited much more than either rural males or urban elderly individuals of both sexes. In a general sense, one can assume that Brazilian rural pensions are non-contributory.

## **2.2 Trends in Brazilian non-contributory Social Security benefits**

In Brazil, two types of non-contributory benefits were created during the 1970s. Both were lifetime benefits: pensions for rural workers and the monthly lifetime income.<sup>12</sup> Their value was set at 50% of the minimum wage, with the exception of rural workers disability benefits that were set at 75% of the minimum wage. Rural pensions benefited heads of household aged 65 years and over or disabled individuals who could prove they had worked in agricultural activities. The monthly lifetime income, created in 1974, was the first action oriented to protect the differently able and the elderly individuals in need. Major eligibility conditions were: not collecting any other Social Security benefit, having contributed at least for one full year (or alternatively having worked for five years at an activity which at the time was not covered by Social Security)<sup>13</sup> and not having an income higher than the value of the benefit. In 1992, with the merging of systems, urban and rural monthly lifetime income were lumped together. In 1993, the Social Assistance Organic Law created a new pension system where the eligibility conditions were only elderly needs or, strictly speaking, social assistance benefits.

The current Social Assistance policy reflects the Constitutional principles of citizen empowerment. The main distinction between the current benefit and the previous one are the eligibility criteria. These, under the current legislation are only insufficiency of income, defined as a *per capita* family income under  $\frac{1}{4}$  the value of the minimum wage. This difference is embedded in the structure of the benefits. It is not a lifetime benefit anymore. For example, for the current benefit, eligibility conditions are re-evaluated every two years. For the former benefit, the criterion related to prior participation in the labour market precludes any periodic re-evaluation, since the generating factor is characterized at the time of benefit concession.

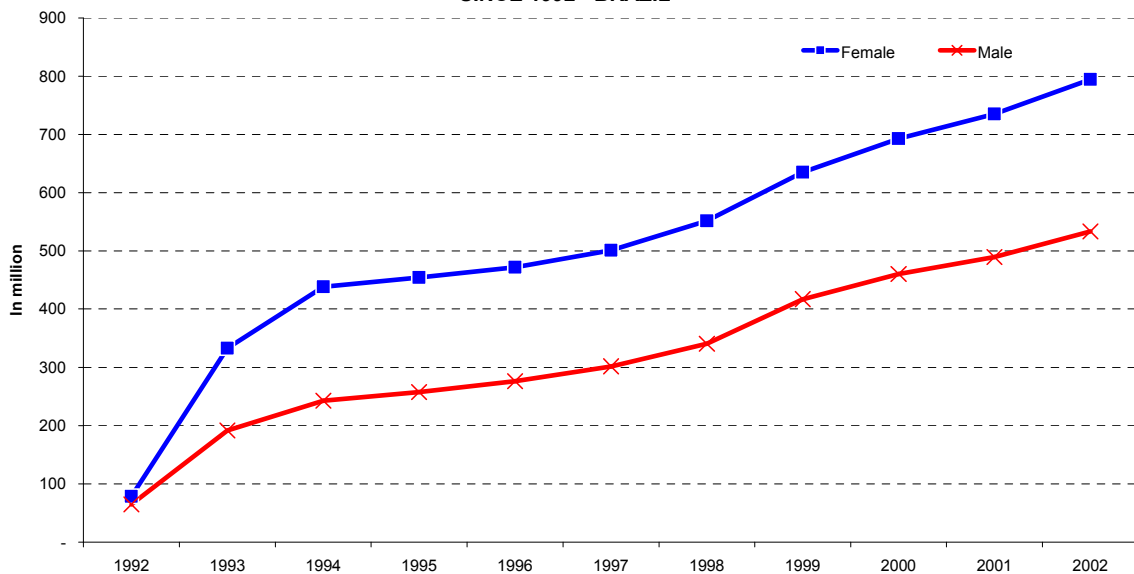
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<sup>12</sup> RMV – Renda Mensal Vitalícia

<sup>13</sup> The evidence of the inactivity or lack of income was obtained through a letter from an administrative or judicial authority identifying and qualifying the person to be entitled to the benefit.

A wider scope in Social Security and Social Assistance policies with regard to rural population and more vulnerable urban groups only came into being after the passing of Laws regulating the several items presented in the new Constitution. In the specific case of Social Security, the Constitution established universalisation, parity of urban and rural benefits, selectivity in concessions, irreducibility of pension values, definition of a pension floor at one minimum wage, equanimity in funding, diversification in the financing structure, de-centralisation and participation of the community, workers, employers and pensioners in the management of the system as basic principles. For rural pensions, the beneficiary unit was changed from the household to the individual, thus entitling married women to the benefit. Figure 3 shows that since 1993, the majority of the new rural pensions have been paid to women. The proportion has been kept stable around 60%.

**FIGURE 3  
NEW RURAL SOCIAL SECURITY BENEFICIARIES ACCORDING TO SEX  
SINCE 1992 - BRAZIL**



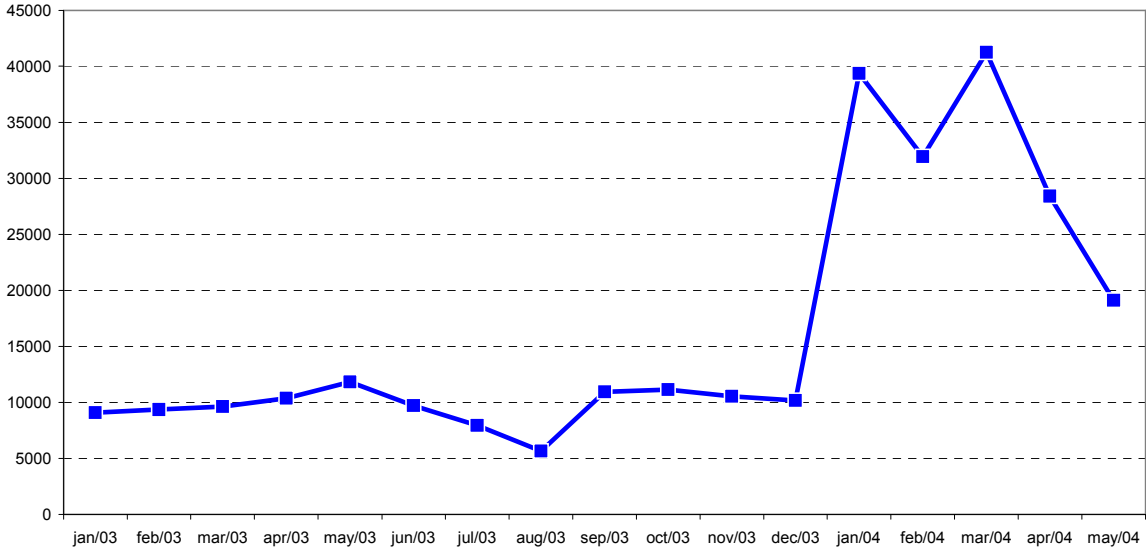
Source: MPAS, AEPS 2003

In addition, the New Constitution reduced the requirement for rural workers' old-age pension by five years.<sup>14</sup> The effect of these changes can be seen in Figures 1 and 2. The age limit for Social Assistance benefits was reduced from 70 to 67 years in 1998, with no sex differential. As a result, the number of Social Assistance benefits paid out grew from

<sup>14</sup> The 1988 Constitution states that the minimum age to be entitled to rural Social Security benefits is 55 for

88,085 to 311,177 between 1997 and 1999. In January 2004, the minimum age was again reduced, this time to 65 years<sup>15</sup>. This change has already had some impact in the number of new concessions. The monthly flow increased almost threefold from 10 thousand new benefits *per* month during 2003 to around 30 thousand in the first semester of 2004 (see Figure 4).

**FIGURE 4**  
**NEW SOCIAL ASSISTANCE BENEFITS ACCORDING TO MONTH OF CONCESSION**  
**BRAZIL**



Fonte: MPAS, AEPS.

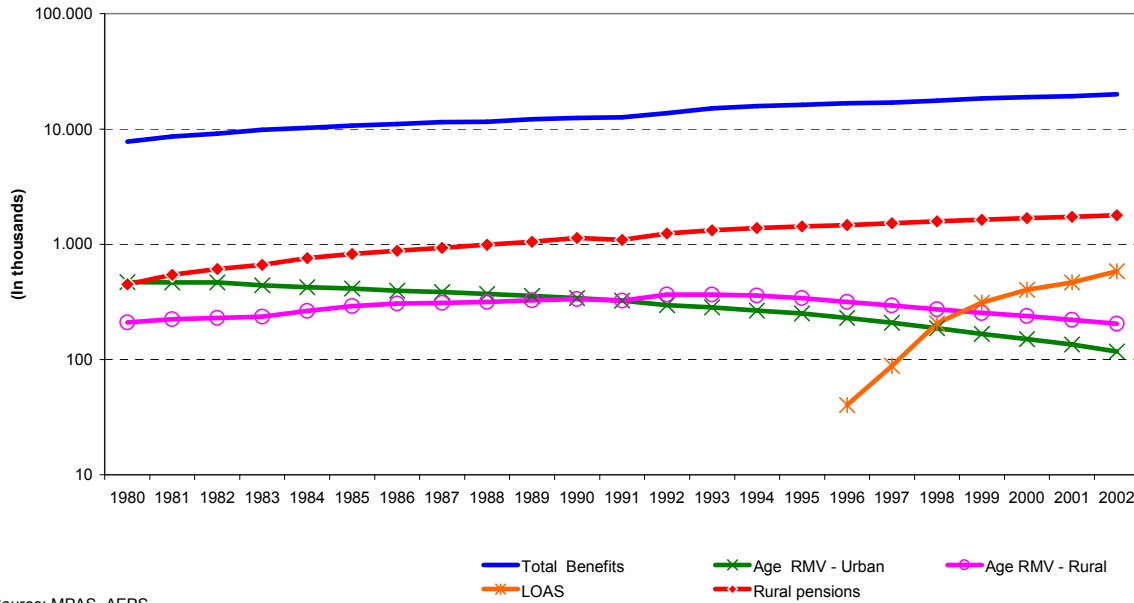
Figure 5 shows the the time period trends of Social Security benefits over the last 22 years, both aggregated figures for the whole system and selected non-contributory benefits. Total benefits increased all along the period under study but there was a change in the shape of the curve in 1992 caused by the increase in rural pensions. Nevertheless, the proportion of rural social assistance benefits underwent a slight decline. Non-contributory benefits as a proportion of Social Security benefits increased in the period from 32.3% to 36.3%. Social assistance benefits wee responsible for 12.5% of the non-contributory benefits.

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women and 60 for men, as opposed to 60 and 65, respectively for urban workers.  
<sup>15</sup> This was actually mandatory since 1999, but somehow was ignored by the Government that did not implement the reduced age until 2004



**FIGURE 5  
NON-CONTRIBUTORY BENEFITS FOR ELDERLY POPULATION  
(LOG SCALE)**



Source: MPAS, AEPS.

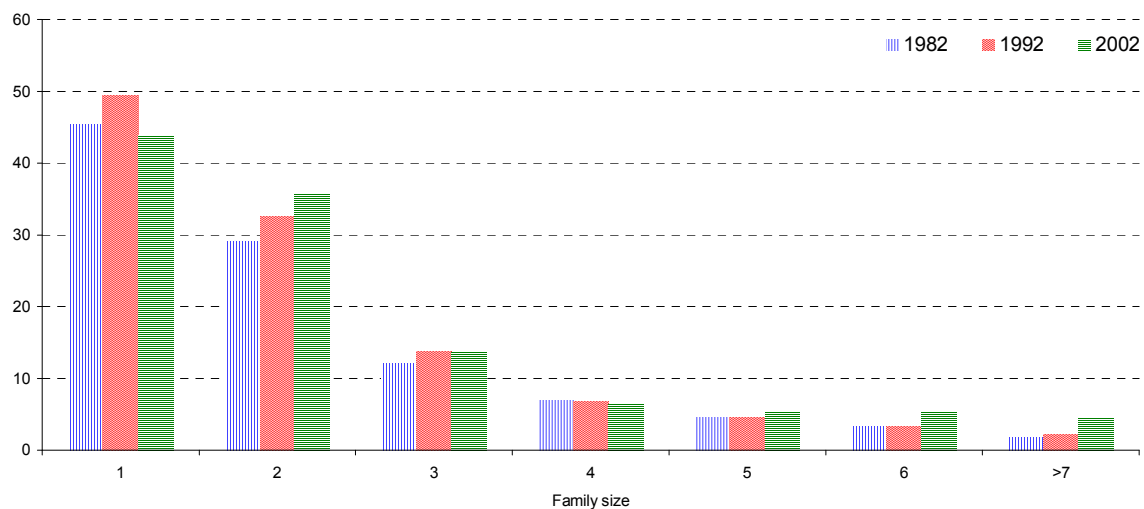
### III. IMPACT ON RURAL LIVING ARRANGEMENTS

The analysis of the impact of the increase in coverage of elderly non-contributory benefits on living arrangements, poverty and economic activities discussed in this paper considers only rural families. The first question addressed is how families are organising themselves in order to make the most of elderly beneficiary income. The interest in analysing this impact comes not only because the family mediates the relationships between the State, the market and individuals but also because in 2002 at least one elderly beneficiary could be found in 28.8% of rural families. It is usually inside family quarters that resources are reallocated among its members. The amount of available resources for families depends not only on labour market opportunities and State transfers but also on the specific stage each member is in within his or her life cycle.

Figure 6 suggests changes in rural family composition. Between 1982 and 1992, the proportion of elderly increased in all families regardless of their size. The same trend persisted in the 1990s, with the exception of families composed by one person. This is an expected result as population ageing brings about family ageing. This means that more

households include live-in elderly members. It is also expected that elderly families should conform to the “empty nest” pattern, i.e., families composed only by a couple or by a single elderly person. Under the “empty nest” hypothesis, population ageing would entail an increase in this proportion of elderly only in families of one and two persons. Nevertheless, this does not seem to be taking place in Brazilian rural areas. It can be noted an increase in the proportion of live-in elderly members in families of all sizes, but more markedly so in larger families.

**FIGURE 6**  
**PROPORTION OF ELDERLY MEMBERS BY FAMILY SIZE**  
**RURAL BRAZIL - 1982, 1992 AND 2002**



Source: IBGE, 1982, 1992 and 2002

To analyse changes in family composition of those with elderly members they were divided into two groups: “elderly families”, where an elderly member is the household head or spouse and “families with elderly members”, where the elderly is neither the household head nor the spouse. These two groups were compared to “families without elderly members”.<sup>16</sup> The above result suggests changes in family composition as well as family ageing. It has been noted that the average size of Brazilian families declined between 1981 and 2001. This was due to the fertility decline and changes in nuptiality. Nevertheless, the decline in size of families with live-in elderly members was smaller than that of families without live-in elderly individuals (Camarano and Pazinato, 2003).

<sup>16</sup> This grouping has been already used in other studies. See, for example, Camarano and El Ghaouri (2003).

Table 1 displays some indicators of rural families composition. according to the presence of elderly individuals and household's headshipness . There is a clear decrease in the proportion of families with no live-in elderly members. This was expected due to population ageing. In 1982, 76.0% of the Brazilian families had no elderly members. This figure declined to 71.2% in 2002. The greatest reduction, though, occurred between 1982 and 1992. Taking into account the headship of the household one can see that the corresponding increase occurred among "elderly families". The propotion of "families with elderly members" other than the head or spouse decreased. This reduction suggests a decrease in elderly "dependency", as already observed in other studies for Brazil as a whole (Camarano and El Ghaouri, 1999 and 2003, Cmarano et alliii, 2004)

**TABLE 1**  
**DISTRIBUTION OF FAMILIES BY TYPE - RURAL BRAZIL - 1982, 1992 AND 2002**

Type of family	Proportion of families			Average family size		
	1982	1992	2002	1982	1992	2002
Families without elderly persons	76.0	72.1	71.2	5.2	4.7	4.1
Elderly families	20.3	24.3	25.6	3.7	3.5	3.3
Families with elderly persons	3.8	3.5	3.2	6.0	5.6	5.2
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>4.9</b>	<b>4.4</b>	<b>4.0</b>

Source: IBGE 1982, 1992 and 2002 PNADs.

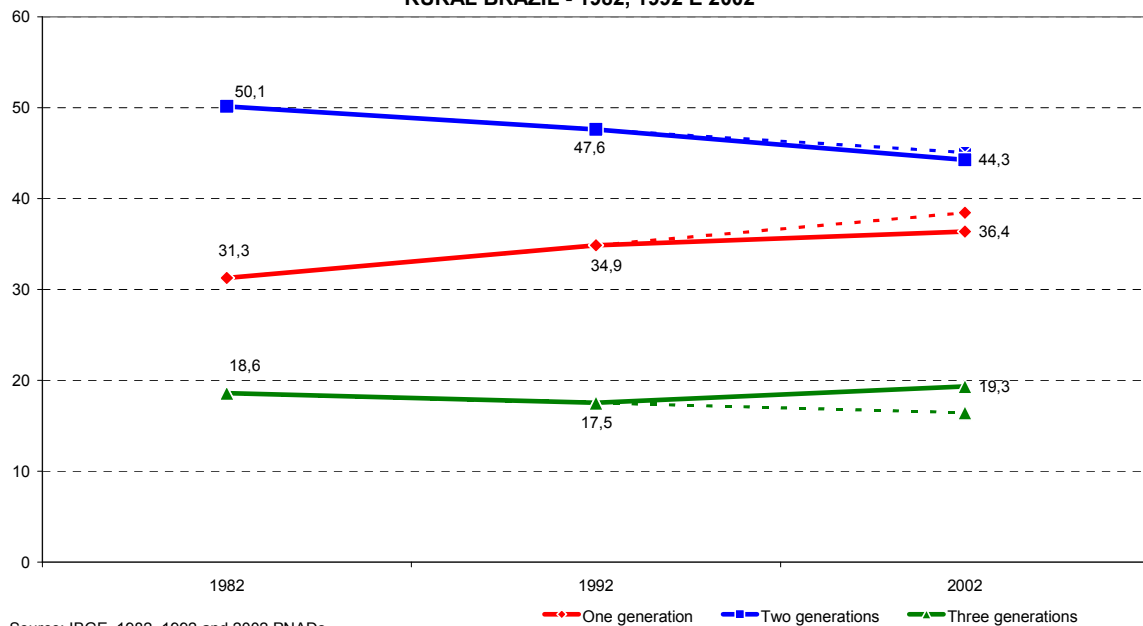
One can also note a decrease in average family size in the considered time period, in spite of the mortality decline. The fertility decline is responsible for this reduction (Camarano & El Ghaouri, 2003), since the reduction was more expressive in "families with no elderly members" and in "families with elderly members". In "elderly families", though also presenting a decline, the average size in 2002 was 3.3 persons, greater than an "empty nest".

These figures suggest a greater complexity in living l arrangements. We considered two ways to measure this complexity. The first was to consider the number of generations co-residing in the household .<sup>17</sup> Figure 7 presents the distribution of "elderly families"

<sup>17</sup> PNAD categories for "relationship to head of the household" are restricted to: spouse; children and step children; other relatives and not related. We are assuming that other relatives with age difference above 40 years should be classified as grandchildren, i.e., two generations apart. Those with differences between 20 and 40 years were classified as sons and daughters-in-law, as well as nephews and nieces, i.e., one generation apart. Other relatives with age difference between -20 and 20 years were classified as siblings, cousins, brothers and sisters-in-law, i.e., of the same generation. Those with differences less than -20 years were classified as parents, parents-in-law, uncles, i.e., from the previous generation.

disaggregated by the number of generations co-residing in the household. For 2002, besides the figure computed from the actual data, we present an estimate for that year under the assumption of linearity of the trend between 1982 and 1992 (dashed line). In 1982, the modal family composition was that of two generations, 39% of parent(s) and child(ren) and 8% of the skip-generation type with no children but only grandchildren. Families with several generations are the prevalent mode in traditional rural societies.

**FIGURE 7**  
**DISTRIBUTION OF FAMILIES ACCORDING TO NUMBER OF GENERATIONS**  
**RURAL BRAZIL - 1982, 1992 E 2002**



Source: IBGE, 1982, 1992 and 2002 PNADs.

Between 1982 and 1992 the trend is exactly what would be expected for “elderly families” with mortality and fertility decline in less traditional societies: an increase in the proportion of one generation families and a reduction in the proportion of those with co-residing generations. The fertility decline in itself can not be solely responsible for this reduction since the fertility decline in rural areas started only in the eighties and did not affect the cohort aged 60 or over in 1992.

Nevertheless, in the following decade, 1992-2002, the observed trend was a persistency in the increase of the one generation families, though not at the same rate. On the other hand, there was a reversal of the downward trend for families with three or more generations. It was observed an increase from 17.5% to 19.3%. These families were composed mainly of

elderly parents, children and grandchildren. Curiously enough, 57.7% of these children were adult males.

Another way of evaluating the complexity of living arrangements, as proposed by Goldscheider & Bures (2003), is through the proportion of adults that were neither the household head nor a spouse. In 1982, 47.3% of “elderly families” included at least one adult in such a situation. In 1992, this figure increased to 49.0% and in 2002, to 49.3%.<sup>18</sup>

This pattern of co-residence and intergenerational support is associated, among other reasons, to the reduction of economic opportunities for the young generation, a situation that has been lingering for the last 20 years. For example, the unemployment rate of young adults (between 15 and 24 years of age) increased from 7.8% to 18.9% between 1981 and 2001 (Camarano et alii, 2003). It is worth mentioning that, during this period, there was a decrease in the activity rate and an increase in the proportion of individuals attending schools. Besides, the proportion of teenage mothers is on the rise, concomitant to the increase in divorces and dissolution of unions among young adults. Motherhood as an important social role has presented itself as an alternative in times of difficulties, in nailing the first job and in the transition to adulthood<sup>19</sup> for an ever-increasing number of teenagers. This has increased the demand for parent support, there included elderly parents.

#### **IV. IMPACT ON FAMILY INCOME, POVERTY AND INEQUALITIES REDUCTIONS**

The second question addressed in this paper is how the spread of Social Security benefits has contributed to the reduction in rural poverty. In 1982, the greater proportions of poor and needy<sup>20</sup> families were found among those with no elderly members. Conversely, the smaller proportions were found among those families with an elderly member as head (see

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<sup>18</sup> These figures are not shown in a table.

<sup>19</sup> See also Camarano et alii, 2004.

<sup>20</sup> A family is classified as poor if the *per capita* income is below a certain poverty line. It is classified as needy if the income is below half this value. Poverty lines were calculated for each calendar year with a further disaggregation by region and urban/rural condition based on PNAD data and minimum consumption needs.

table 2). Between 1982 and 1992, these proportions declined for both types of families with live-in elderly members and increased for those with no elderly members. Therefore, the smaller proportion of poor families was still found among “elderly families”, but with an increase in the gap between these and families with no elderly individuals. During the 1990s, poverty levels decreased in all types of families, being the strongest reduction on “elderly families”, increasing the gap between families with and without elderly members.

**TABLE 2**  
**FAMILIES ACCORDING TO POVERTY CONDITION BY TYPE**  
**RURAL BRAZIL - 1982, 1992 AND 2002**

Type of family	1982			1992			2002		
	Needy	Poor*	Non-poor	Needy	Poor*	Non-poor	Needy	Poor*	Non-poor
Families without elderly people	35.8	30.1	34.1	43.7	27.1	29.2	33.6	28.7	37.7
Elderly families	18.7	33.5	47.8	17.2	28.2	54.5	6.9	20.9	72.2
Families with elderly people	23.0	37.5	39.5	22.0	33.5	44.5	12.4	33.0	54.6
<b>Total</b>	<b>31.9</b>	<b>31.1</b>	<b>37.1</b>	<b>36.5</b>	<b>27.6</b>	<b>35.9</b>	<b>26.1</b>	<b>26.8</b>	<b>47.0</b>

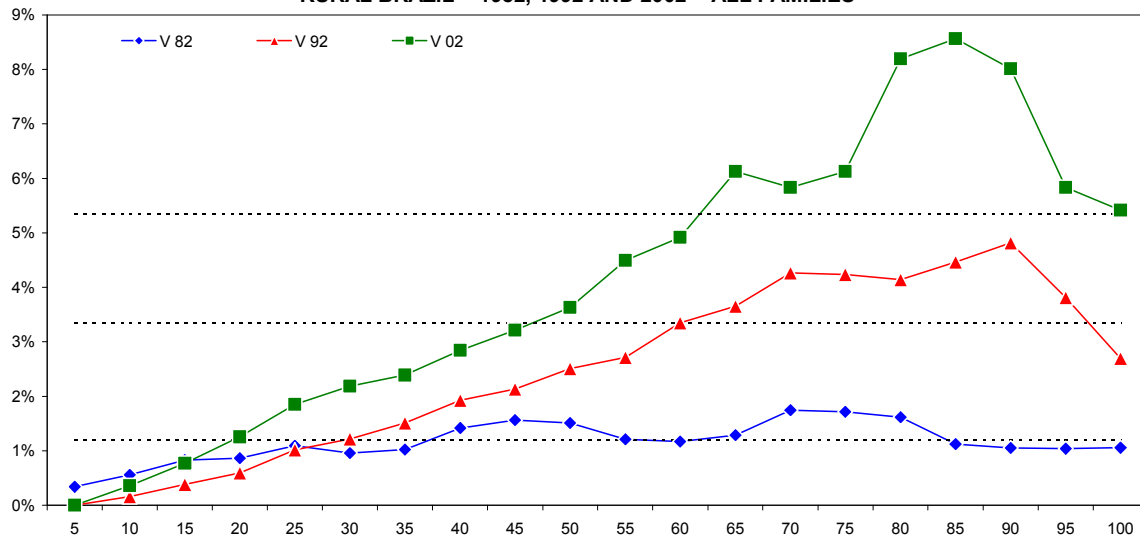
Source: IBGE/PNAD 1982, 1992 and 2002.

\* Poor, but not needy

The presence (or absence) of a live-in pensioner in families with elderly individuals is a major factor to explain poverty levels. Analysing Northeast and Southern Brazil, Delgado & Cardoso Jr. (2004) showed that, as a share of family income, pensions were greater for lower income families and labour income were larger for high-income families. In the Northeast, pensions amounted to 70.8% of family income, while in the South, the comparable figure was 41.5%.

Figure 8 presents the impact of pensions in rural families’ budget. There was observed a clear trend in time and income: the share of pensions in family budget increases with time and income; the exception is the situation of the 20% richest families. The time trend is associated with ageing. In the first time period considered, 1982/1992, this is associated with the reduction of the eligibility age, the extension of the benefit to spouses and the increase of the benefit value from ½ to one minimum wage. In 2002, the situation became quite different, though. For instance, the proportion of poor rural families was 54.0%. If an elderly pensioner had not been present, this proportion would have increased to 61.6%. The comparable proportions for 1982 were 61.2% and 62.7%.

**FIGURE 8**  
**CONTRIBUTION OF SOCIAL SECURITY BENEFITS ON TOTAL FAMILY INCOME ACCORDING**  
**TO 20-TILES OF PER CAPITA FAMILY INCOME**  
**RURAL BRAZIL - 1982, 1992 AND 2002 - ALL FAMILIES**



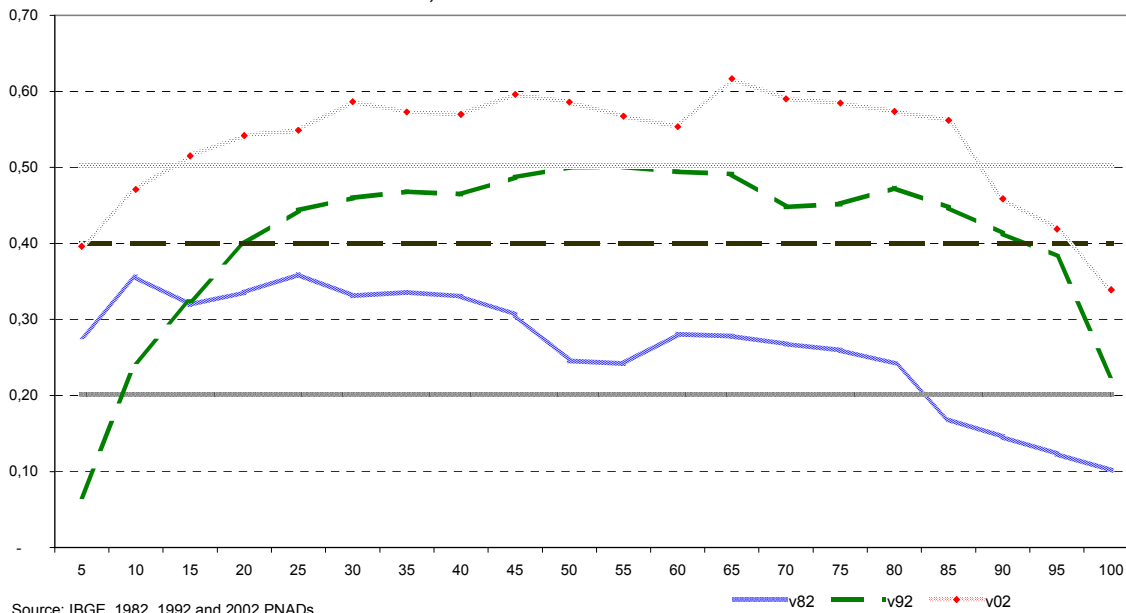
Source: IBGE, 1982, 1992 and 2002 PNADs.

Beltrão, Oliveira and Pinheiro (2000) studied the rationale behind these changes for another time period. They measured the impact of elderly income on family income. The exercise was to calculate the difference on *per capita* family income with the exclusion of elderly members and their pensions. In 1988, this income would be reduced, on average, by 6%. But, in 1996, after the constitutional changes, the reduction would be 13%. This exercise demonstrates the importance of elderly income in rural families.

Dotted lines in figure 8 show the average participation of pensions in all families' income. One can note an increase of this value in time beyond the expected increase due to ageing alone. Figure 9 presents the same information displayed in Figure 8, but restricted to families with live-in elderly members. 1982 average values for the country as a whole were similar to the ones found by Delgado & Cardoso Jr. (2004): decreasing as a function of income. For the other two considered periods, 1992 and 2002, pensions' share is concave. Nevertheless, the income contribution of a given population group to family income, *coeteris paribus*, is also a function of their relative size. Figure 10 presents the proportion of elderly individuals in the total number of members of their families as a function of

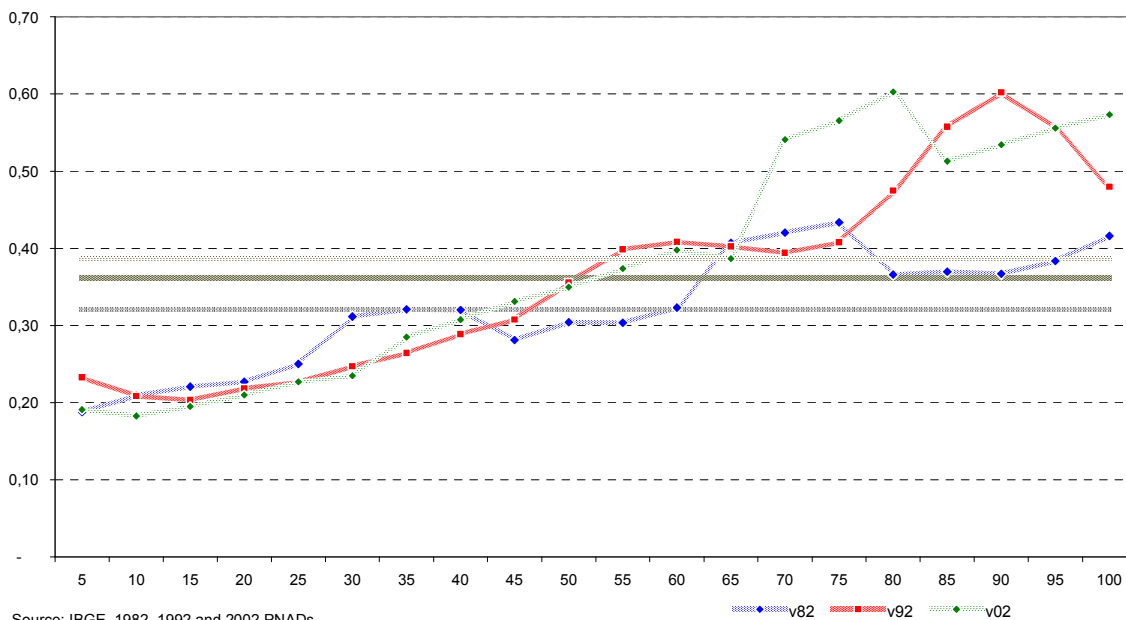
income. It can be noted a clear trend: the greater the income the greater the proportion of elderly members.

**FIGURE 9**  
**CONTRIBUTION OF SOCIAL SECURITY BENEFITS ON TOTAL FAMILY INCOME ACCORDING TO 20-TILES OF PER CAPITA FAMILY INCOME**  
**RURAL BRAZIL - 1982, 1992 AND 2002 - FAMILIES WITH ELDERY MEMBERS**



Source: IBGE, 1982, 1992 and 2002 PNADs.

**FIGURE 10**  
**PROPORTION OF ELDERY PERSONS ON TOTAL FAMILIES MEMBERS ACCORDING TO QUINTILES INCOME - RURAL BRAZIL - 1982, 1992 AND 2002 - FAMILIES WITH ELDERY MEMBERS**



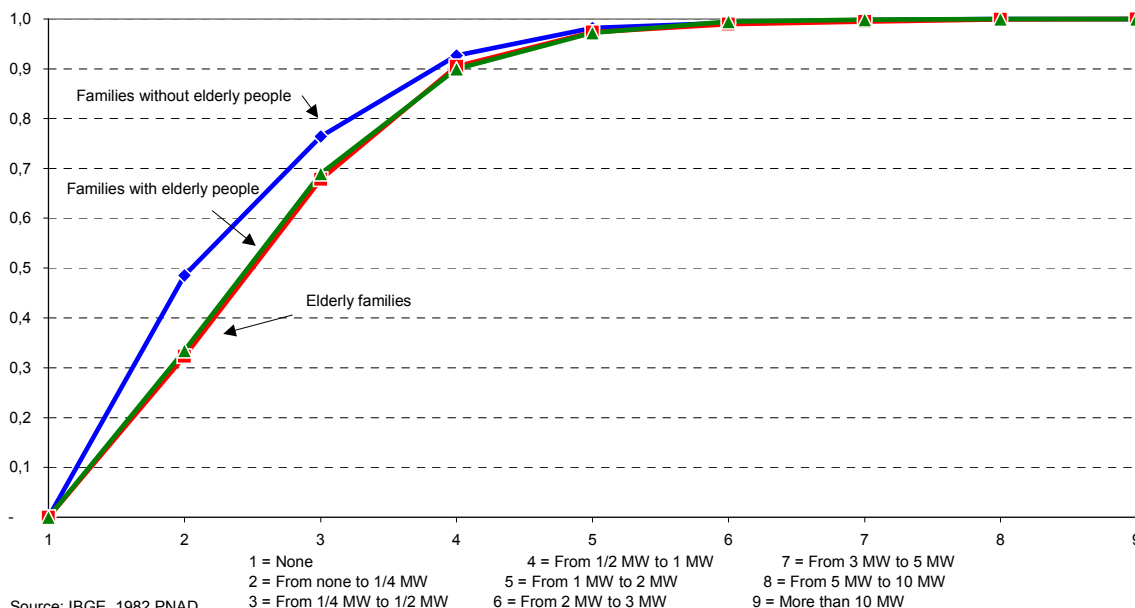
Source: IBGE, 1982, 1992 and 2002 PNADs.



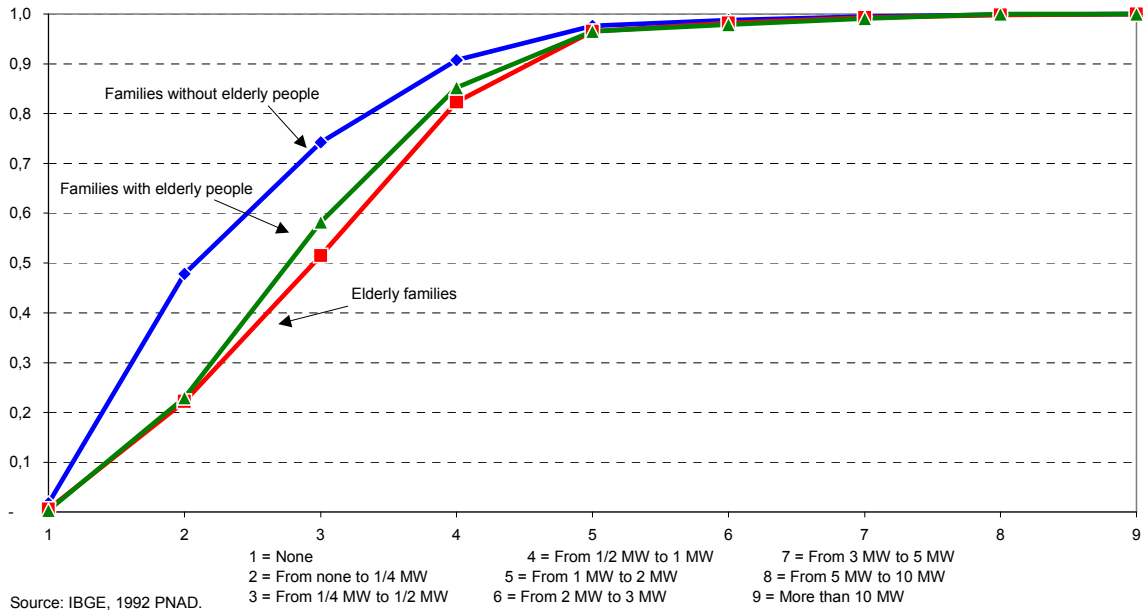
Saboia (2004), based on a field work on non-contributory benefits, also showed the importance of those benefits in poverty reduction for Brazilian elderly population. In his sample, average household *per capita* income amounted to R\$ 158.00. The elimination of the benefit would reduce this average to R\$ 87.00. In almost 1/3 of the households with a beneficiary, the non-contributory benefit was the unique source of income.

Figures 11 to 13 present the cumulative distributions of households by *per capita* income, disaggregated by type of family. It is noticeable the improvement on income distribution, at least using minimum wage as the scale. The improvement was greater for “elderly families”, and on a lesser degree also for “families with elderly members”. This result suggests that non-contributory benefits were also playing an income distribution role.

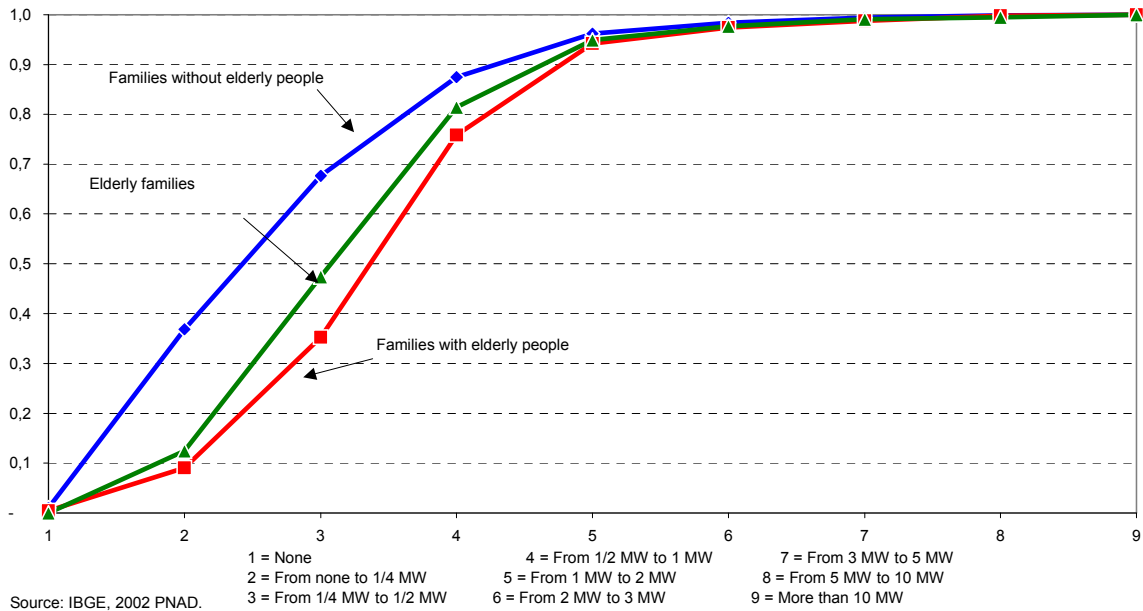
**FIGURE 11**  
**CUMULATIVE DISTRIBUTION OF FAMILIES BY PER CAPITA INCOME**  
**ACCORDING TO TYPE OF FAMILY - RURAL BRAZIL, 1982**



**FIGURE 12**  
**CUMULATIVE DISTRIBUTION OF FAMILIES BY PER CAPITA INCOME**  
**ACCORDING TO TYPE OF FAMILY - RURAL BRAZIL, 1992**



**FIGURE 13**  
**CUMULATIVE DISTRIBUTION OF FAMILIES BY PER CAPITA INCOME**  
**ACCORDING TO TYPE OF FAMILY - RURAL BRAZIL, 2002**



Another point stressed here is the matter of gender. Among the non-beneficiary population, poverty is higher among women than men. The situation is reversed when the elderly population is concerned (Camarano, 2003). The Brazilian legislation allows women to

accumulate retirement, survivor' pensions and earnings from labour. Also, the value of the survivor' pension benefit is the same as the pension of the deceased husband (one minimum wage). This means that widowhood increases women's income. The incorporation of women in Social Security has also symbolic results. Most women had not had a bank account or even their own money until then. Collecting a pension and getting their own money has started a process of empowerment for these women (Silva, 2000).

Table 3 presents selected indicators for rural families in 2002. It is clear that families with no elderly members were less affluent than other families. Their average *per capita* family income were on average 44% lower than that of "elderly families" and 22% lower than that of "families with elderly members". This pattern was not found in urban areas, but the difference can be explained by the fact that rural economy in Brazil is not based solely on currency and that pensions amount to a major hard currency flow in the area. Also, it is important to note that income from pensions can diminish the need for child labour to help the family budget. Child participation in the labour force in the three types of families found in table 3 were rather similar, but lower in "elderly families".

**TABLE 3**  
**SOME INDICATORS FOR RURAL FAMILIES**  
**BRAZIL, 2002**

Indicator	Families without elderly members	Elderly families	Families with elderly members	Total
Average familial income (In reais)	177.02	226.13	307.17	193.67
% poor children (< 15 anos)	81.44	68.71	68.72	79.73
% children (7 a 14 anos) working	5.35	4.98	5.11	5.30

Source: IBGE/PNAD 2002.

## V. OTHER IMPACTS

Many other unexpected impacts of the increased coverage of the Social Security benefits can be mentioned. One such result is that in 61% of the Brazilian municipalities, rural pension transfers exceed Federal Government transfers, which results in an important dynamo for these economies. This is true even for more affluent regions as those of São Paulo and Rio de Janeiro states. A characteristic of small town commerce is sales based on

trust.<sup>21</sup> This situation assumes that there is some sure source of income, so that later the debt can be settled. Nowadays, the necessary condition for access to credit is to be a rural pensioner (Camarano, 2004).

Delgado and Cardoso (2000) found in a field work that the role of elderly income is more than just contributing to family budget in rural areas. It also impacts the dynamics of the regional economy. In most rural households with benefits, productive agricultural activities were found: 48% in the South and 43% in the Northeast. Agriculture in both regions is characterized by the importance of small farms using basically family labour. In Southern and Northeast households with Social Security earnings, 44.7% and 37%, respectively, of the benefit was being used to fund agricultural activities. This favourable situation is possible because beneficiaries tend to receive more than one benefit per household: on average 1.78 benefits per household.

Another consequence of the widespread increase of non-contributory pensions coverage is that there has been a change of status for elderly members within their own families. Their traditional role of dependent has changed to that of provider. In 2002, older male beneficiaries headed around 92.4% of families in which they were living in. Their female counterparts headed about 35% and were spouses in 46%. This may be a result not only of the expansion of Social Security but also of the improvement in health conditions of elderly population.

## **VI. CONCLUSION**

What has been shown suggests that rural pensions were playing an important role in income distribution, poverty reduction as well as affecting living arrangements and the productive structure of rural familial economy. Another effect was the empowerment of elderly individuals, specially that of elderly women. It is likely that social assistance benefits were also playing an important role at least in elderly well-being.

It seems natural to think of an ever-increasing importance of these pensions as well as that of social assistance benefits in the near future. Population is ageing rapidly, formal jobs are

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<sup>21</sup> In Portuguese the expression is “vender fiado” (sales on a credit basis).

being reduced and poverty is becoming a worldwide phenomenon. Poverty is very high in Brazilian rural areas and will tend to increase, especially because agricultural subsidies have been reduced.

Nevertheless, the funding of rural pensions is a matter still to be sorted out. Concern with Social Security costs is a frequent theme in economic literature. The Brazilian Government is making a huge effort to balance out the Social Security budget, therein included rural pensions. Rural benefits were not affected by the two latest Constitutional amendments<sup>22</sup>#20 and #41. It seems clear that traditional ways of funding Social Security will not be enough to deal effectively with the future of the ageing population. The search for solutions to sort out the financial crisis in Social Security should take into account different ways of engendering resources and capitalization as well as reconsider the distribution of the said capital in society.

One of the conclusions brought about by this paper is that any attempt to change the current system should take into account the unexpected effects in the advancements of rural Social Security on living conditions of elderly population, of their families and surroundings, in the greater sense. We estimate that approximately two million families have been benefited from this program. This large figure attests to the fact that this is a modern social policy capable of resolving at least partially rural poverty.

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<sup>22</sup> In Brazil, most of the Social Security rules are inscribed in the Constitution. Therefore, changes have to be made by Constitutional amendments.

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