

INCOME INEQUALITY, PUBLIC EMPLOYMENT AND INCOME TRANSFERS IN CONTEMPORARY BRAZIL

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ABSTRACT

The action of the State, through public job mobilization and transfers of income, constituted an important element to understand the inequality of income in Brazil. At the same time recent researches verify the end of the trajectory of the inequality reduction of income registered in the 2000s, we realized the rise of fiscal austerity policies which objectify to dehydrate the acting fields of the State. Mapping and analysis of public employment (Federal, State, and Municipality) and of the Direct Income Transfers (Rural Retirement, Benefit of Continuing Provision and Bolsa Família Program) help in the comprehension of the decisive actions of the State for the income generation and distribution.

Keywords: Income Inequality; Public Jobs; Transfers of income

RESUMO / RESUMEN

DESIGUALDADE DE RENDA, EMPREGO PÚBLICO E TRANSFERÊNCIAS DE RENDA NO BRASIL CONTEMPORÂNEO

A ação do Estado, por meio da mobilização do emprego público e das transferências de renda, constituiu importante elemento para compreensão da desigualdade de renda no Brasil. Ao mesmo tempo em que pesquisas recentes constatarem o fim da trajetória de redução da desigualdade de renda registrado na década de 2000, percebemos a ascensão de políticas de austeridade fiscal que objetivam desidratar os campos de atuação do Estado. O mapeamento e a análise do emprego público (Federal, Estadual e Municipal) e das Transferências Diretas de Renda (Aposentadoria Rural, Benefício de Prestação Continuada e Programa Bolsa Família) ajudam na compreensão da decisiva atuação do Estado na geração e distribuição de renda.

Palavras-chave: Desigualdade de renda; emprego público; transferências de renda

DESIGUALDAD DE RENTA, EMPLEO PÚBLICO Y TRANSFERENCIAS DE RENTA EN BRASIL CONTEMPORÁNEO

La acción del Estado, por medio de la movilización del empleo público y de las transferencias de renta, constituyó un importante elemento para la comprensión de la desigualdad de renta en Brasil. Al mismo tiempo que investigaciones recientes constatan el fin de la trayectoria de reducción de la desigualdad de renta registrada en la década de 2000, percibimos el crecimiento de políticas de austeridad fiscal que objetivan minar los campos de actuación del Estado. El mapeo y análisis del empleo público (Federal, Estatal y Municipal) y de las Transferencias directas de renta (Jubilación Rural, Beneficio de Prestación Continuada y Programa Bolsa Família) ayudan en la comprensión de la decisiva actuación del Estado en la generación y distribución de la renta.

Palabras-clave: Desigualdad de renta; empleo público; transferencias de renta

INTRODUCTION

Historically, state action has been a determining factor in income generation and distribution policies in Europe, the United States, and Brazil. In the latter, there was a sharp decline in income inequality between 2000 and 2010. This drop was the result of several factors, including the reduction of unemployment, the inflationary control that impacted the Minimum Wage, and the expansion of Direct Income Transfer Programs, such as Rural Retirement, the Continuous Monthly Benefit, and the Bolsa Família Program. The effect of these income transfer policies was combined with the expansion of public employment, at the Municipal, State and Federal levels. The expansion of public employment was due to the expansion of state actions in a movement known as the municipalization of education and health. This article uses the mapping of public employment and Direct Income Transfers on the municipal scale to discuss this context, recognizing that public income reduces income inequality in a country whose social indicators show unemployment and poverty. This discussion is not restricted to the Brazilian political scenario. As indicated by Dardot & Laval (2014) and Streeck (2018), it also occurs in the European context. It is not merely a set of circumstances; instead, it is one of the facets of a global project that has tragic consequences in economies with a high degree of reliance on the financial system. This dependence forces states to shrink social policies in health, education and, fundamentally, social assistance.

THE UNEVEN INCOME INEQUALITY

The results of the *Synthesis of Social Indicators 2017* (IBGE, 2018) were not a surprise to those who study the trajectory of Brazilian social inequality. The proportion of poor people jumped from 25.6% of the population in 2016 to 26.5% by 2017. This means that 54.8 million people subsisted on an income of up to \$5.5 day. Extreme poverty, equivalent to an income of \$1.30 a day or less, affected 15.2 million people. However, the numbers do not reveal the complexity of income inequality; first, they need to be divided for gender and race and next, regional factors should be considered. After all, living on \$1.30 per day in Brasília, São Paulo or the Northeastern Semi-arid region presents different challenges. The organization of the labor market, the model of dispersion and capital accumulation determine income asymmetries at the regional level. Other factors include the provision of infrastructure and public services and the financing of production by the State. Income inequality is not restricted to differences in labor productivity; it is not natural nor justified by individual skills.

Income inequality is the mother of inequalities since it is income that permits the consumption of goods and services that influence the social mobility of individuals. According to Piketty:

Indeed, income consists of two components: income from labor (wages, salaries, bonuses, earnings from non wage labor, and other remuneration statutorily classified as labor-related) and income from capital (rent, dividends, interest, profits, capital gains, royalties, and other income derived from the mere fact of owning capital in the form of land, real estate, financial instruments, industrial equipment, etc., again regardless of its precise legal classification). (2014, p.24)

This definition of income formed the basis of the book *Capital in the Twenty-first Century*, which analyzed the transition from income from assets and property to real estate and financial income in Europe and the United States. In the case of Brazil, slavery was central as the matrix of the production process and the accumulation of income over generations. The *Census of 1872* (Brazil, 1872), contains information about the manual and skilled professions of the free and enslaved populations. According to the data, in Brazil, there were 90,494 enslaved servants and day laborers, 306,637 domestic slaves, of whom 129,816 were female. There were also 40,766 slaves working as seamstresses. There is no denying that slavery is the origin of the legion of female domestic workers whose ancestors served the aristocratic mansions and houses of the Empire as well as the bourgeois homes of the Republic. The exploitation linking the generations is evident in both the countryside and in the city. After all, the exploitation of slave labor guaranteed profits in the coffee and sugar cane plantations, as well as in urban centers through the exploitation of domestic work and small-scale manufacturing. In the cities, slave ownership was a source of income by renting out the slave's services with remuneration for their time,

known popularly as "*escravos a ganho*" (Schwarcz and Gomes, 2018). As if by magic, in 1888 (Brasil, 1888), we left slavery aside, preparing the ground for the Republic. With the wave of a magic wand, it was imagined that the freed slave would be on an equal footing in a labor market composed of free white men and migrants. Freedom from captivity did not create isonomic working conditions, proving that destiny came more and more from the rural and urban slave quarters. Servitude replaced slavery so that even when blacks and mulattoes were not the passive objects of criminalization, their fate, as Florestan Fernandes wrote, was the "gradual incorporation into the dregs of the urban working class" (1978: 28).

Along with these considerations, two principles are vital in the analysis of income inequality. The **first principle** is that there is no isotropic market, offering ideal conditions of production and circulation of goods and services, or isonomic remuneration for workers. The *Minimum Wage* illustrates this argument. Established in 1936 (Brasil, 1936), it was intended to guarantee workers' food, housing, and transport requirements. In 1940, Decree 2.162 (Brasil, 1940) determined the regional variation of the *Minimum Wage*, providing a description of the hourly value and setting the percentage of regional costs of food, housing, clothing, hygiene, and transportation. The highest amount was in the capital of São Paulo state, at 220\$000 and the lowest in São Luís, at 120\$000, which recognized the regionality of income from the relation between the labor market and the purchasing power of the *Minimum wage*. The **second principle** is that race and gender inequality is too organic to be considered as the basis for the distribution of income from work. Historically, men and women, blacks and whites, have not had access to the same job opportunities and therefore, income, and thus were not able to accumulate real estate and land patrimony.

Regions	Average actual income from the main work usually received per month by persons 14 years old and over, employed in the reference week, in formal and informal jobs (R \$)										
	Total	Formal work						Informal work			
		Total	Sex		Color or race		Total	Sex		Color or race	
			Men	Women	White	Black or brown		Men	Women	White	Black
North	1 569	2 279	2 475	2 010*	3 160	1 994	(1 023)	1 092	900	1 302	962
Northeast	1 409	2 105	2 286	1 866	2 825	1 814	832	903	724	1 115	746
Southeast	2 311	2 717	3 049	2 294	3 299	1 956	1 482	1 742	1 165	1 830	1 153
South	2 243	2 502	2 766	2 152	2 683	1 801	1 544	1 833	1 177	1 665	1 222
Central-West	2 353	2 813	3 068	2 472	3 382	2 399	1 610	1 836	1 317	1 988	1 374
Brazil	2 039	2,555	2 832	2 194	3 076	1 957	1 240	1 398	1 021	1 639	984

Figure 1: Actual average income from the main work received per month by persons 14 years of age or older, employed in the reference week, in formal and informal jobs, by sex and color or race, 2017

(Source: IBGE)

Figure 01 shows how these dimensions are historically intertwined in the Brazilian territory. In 2017, the average income of formal jobs in the Northeast was 69% of the national average income and 59% of the average income of the Midwest. When considering income from formal work, the gender difference is striking; women have lower incomes in all the regions.

The biggest differences are in the North and Northeast and are even more relevant when color and/or race are taken into account. Blacks received 63% of what whites earned in 2017. Income from formal employment is no longer asymmetrical because the universal value of *Minimum Wage* in 2017 was R\$937.00. This fact influenced both formal and informal work, with average incomes above R\$899.00, which guaranteed a ceiling for the exploitation of labor and, at the same time, reduced the gender and race asymmetries in this income group. Data from the Ministry of Labor (MTE-RAIS, 2017) indicate the size of the formal labor market. In 2017, there were 46,281,590 registered workers, of whom 25,912,235 were men and 20,369,355 were women. Women's remuneration is lower in the six occupations with the highest employment rates (*Administrative Assistant, Office Assistant, Retail Salesperson, Cleaner and Line Feeder*), a clear indication of the asymmetries of gender pay.

However, the formal labor market differs significantly from the informal market, which employed 37.2 million Brazilians in 2017, of whom 4.3 million were domestic workers. The average income from

informal work, R\$1,240.00, is 48.5% of the average income of formal work. When considering the gender gap, the reduction of informal average incomes in relation to formal incomes reaches 39.9%. Compared to Brazil as a whole, in the Northeast, the informal female worker receives 82.33% of the average informal wage and 46.53% less than the average formal female worker's wage. Regardless of the segment, blacks have an average wage lower than the average remuneration of whites. The reality of informal work is not only concentrated in populous cities but is also found in sparsely populated municipalities. Sporadic work such as weeding, mowing, soil tillage, and other farm maintenance services are carried out informally, intermittently and precariously. In urban centers, the informality of the commercial sector (pharmacies, butchers, haberdashery, markets, among others) matches the informal employment of a multitude of people without access to the benefits linked to formal work.

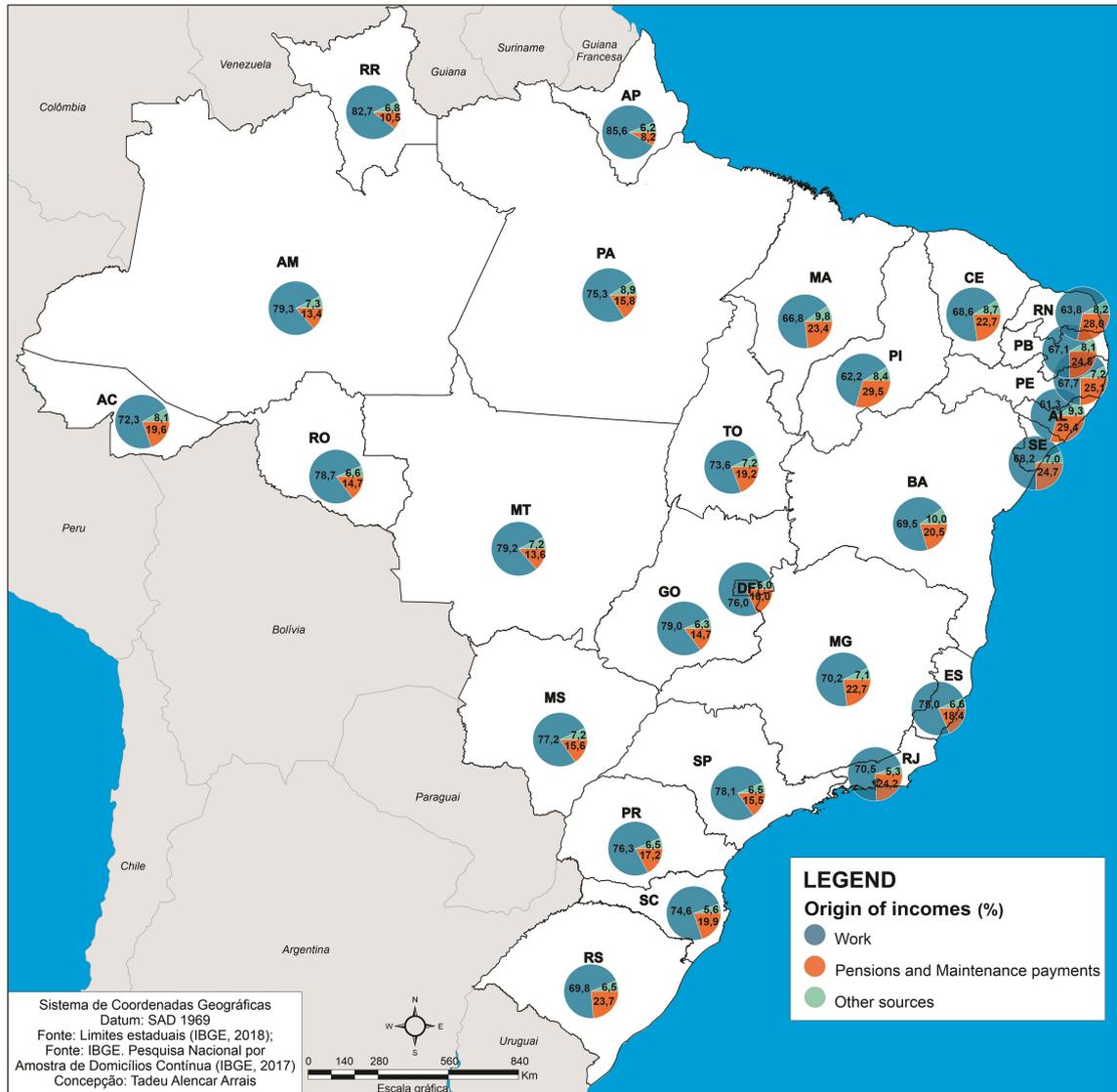


Figure 2: Sources of income of Brazilian households, 2017

Source: Organized by the author from IBGE (2018)

In the *Synthesis of Social Indicators 2017* (IBGE, 2018) there was data on the distribution of income by actual sources of income. Based on origin, there are three categories of income: *sources of employment*, *pensions and maintenance payments*, and *other sources*. The weight of pensions and maintenance payments in household income is more relevant in the Northeast, being 23.8%, higher than the national average, which reached 19.4%. Piauí, Alagoas and Rio Grande do Norte presented 29.5%, 29.4%, and 28.0%, respectively, of the proportion of pensions and maintenance payments of general

household income. Pensions and maintenance payments in the Southeast accounted for 18.6% of total income generation. The income obtained from work reached 67.4% in the Northeast, 73.3% in the South and 75% in the Southeast. The importance of *other sources* (income transfers, donations, profitability, scholarships, among others) that bring benefits and income transfer programs is noteworthy, due to the variations of the *Minimum wage* (up to a quarter, more than a quarter to a half, and more than three *Minimum Wages*). In the Northeast, *other sources* represented 40.6% of the income of those receiving up to a quarter of the *Minimum wage*, reaching 51.5% of Piauí.

The analysis of the inequality of formal and informal income involves individuals with different degrees of vulnerability. Consequently, formal incomes result in greater security due to social security benefits such as pensions, care payments, and benefits (sickness, accident, imprisonment), in addition to the maternity salary and the FGTS (Mandatory Fund for Unemployment Benefit). In the first quarter of 2018, 13.7 million unemployed people (IBGE, 2018b) were not included in this labor market dynamic, which influences the labor supply (formal or informal) in an increasingly uncertain market. From earnings, the analysis of income fragmentation reveals a regionally differentiated labor market. When we consider gender and race, this market is persistently unequal, as well as being asymmetric, especially when considering incomes from the public sector.

THE SOURCES OF THE INDIVIDUAL INCOME FLOW

There are many ways of analyzing municipal economic performance. Gross Domestic Product is most commonly used in comparisons. Therefore, the conclusion is that the per capita GDP of the municipality of São Paulo, equivalent to R\$57,071.43 in 2016, was 1.77 times higher than the per capita GDP of the municipality of Goiânia, of R\$32,209, 01 (IBGE, 2018c). On the other hand, the added values of GDP, explain the relevance of certain economic activities on the municipal scale. However, the abstract nature of measurements of GDP disqualifies them from a clarification of income flows; for this, information on the sources and volume of individual incomes is more useful.

INCOME SOURCE		SPECIFICATION		Relationships.
Employment	Public	Municipal		5,514,541
		State		3,103,630
		Federal		1,119,059
		State Owned Enterprise		762,460
		Other entities		91,116
	Private	Formal	PRIVATE COMPANY	31,368,022
			Nonprofit entity	3,237,855
		Individuals and other organizations		1,054,904
INFORMAL			37,283,000	
Pension Fund	General Regime	Pensions		12,907,517
		Maintenance payments		5,305,618
	RPPS - Own Regimes	States, Municipalities, and DF	Pensions	2,382,317
			Pensions	680,749
		Union (Executive, Legislative, Judiciary and Public Prosecutor)	Pensions	436,937
			Pensions	300,937
		Servicemen/women	Reserve	158,284
Pensions	223,072			
Direct Income Transfers	Rural Retirement	Pensions		6,900,457
		Pensions		2,369,958
	Continuous Monthly Benefit	Older persons		2,022,221
		Disabled		2,527,257
	Bolsa Família Program.	Benefits		40,919,906

Figure 3: Simplified scheme of the main origins of the individual income flow

Source: INSS (2017, 2018), MDS (2017), IBGE (2018), RAIS-MTE (2017)

By individual income stream, we mean the monetary values destined to individuals regularly, as a

result of wages and salaries, pensions, and maintenance payments, as well as direct income transfers from the public authorities. This picture does not include what Piketty (2014) defined as "*income from self-employment*," such as rent, income from financial investments or share dividends. The three groups described in figure 3 totaled 160,669,817 sources of income, higher than the 90.6 million employed population (IBGE, 2018c), which is due to possible situations of accumulated sources of income. An individual can have a formal productive activity and supplement their income with an informal job. The same thing happens with retirees and pensioners when they have other types of income, such as informal and/or formal jobs.

In the public sector, especially in teaching, it is common to have a simultaneous link with the State and municipal governments or work for both private and public entities. Pensions often accumulate benefits for spouses and/or children who have other sources of income. Income transfers can also be added to formal and/or informal work, provided that the family *per capita* amount does not reach the income ceiling that cuts off the receipt of the benefit.

The diversity of sources also results in the asymmetries of average incomes. In 2017, employment in *Public administration* recorded an average income of R\$4,226.49. It is the only sector (*Mineral extraction, Manufacturing industry, Public services and utilities, Construction, Trade, Services, Public Administration, and Agriculture*) that employed more women (5,378,548) than men (3,816,667). Excluding *Public administration*, the other formal working groups totaled 37,086,375 people. The largest group works in the services sector, with 16,772,645 formal jobs, followed by the commercial sector, with 9,230,750 formal jobs. These two sectors have an average remuneration of R\$2,938.49 and R\$2,004.84, respectively.

Income from social security in urban areas included 12,907,517 pensions (age, disability and contribution time) and 5,305,618 INSS pensions due to death. In 2017, the average value of the INSS (INSS, 2017) urban retirement pension was R\$1,530.35, and the pension due to death was R\$1,280.35. According to the *Public Service Pensions Supplement* (INSS, 2018b), the *Own Regimes* (RPPS) pensions and maintenance payments made by the States, Federal District, and municipalities, benefited 2,382,317 people, and 680,749 pensioners. In 1970, there were 2,042 *Own Pension Plans* (RPPS), and the retirement income was between R\$9,810 and R\$5,015. In 824 municipalities these incomes were between R\$2,000 and R\$ 4,971.00 and in 1,149 municipalities they were below R\$1,195.00.

In 2017, the RPPS of the Union (Executive, Legislative, Judiciary, and Public Prosecution Service) totaled 436,535 retirees and 300,937 pensioners. These segments received an average income from benefits of R\$12,003.00 and R\$ 13,931.00, respectively (INSS, 2017). The military's RPPS (Brazilian Navy, Brazilian Army, and Brazilian Air Force) covers 158,284 reserve personnel and 223,072 pensioners. There is no doubt that in these segments pensions and maintenance payments have become a factor of capital accumulation, reinforcing the income asymmetries between the public sector and the private sector. Considering the Direct Income Transfers, Rural Retirement amounted to 9,337,208 benefits (INSS, 2018) and the Continuous Monthly Benefit, destined for the elderly and people with disabilities on a low income, totaled 4,549,478 benefits, with an average of R\$934.84. In 2017, the *Bolsa Familia* granted 40,919,906 benefits, with an average payment per family of R\$182.00 (MDS, 2018).

Understanding the flow of individual monetary income from public and private sources is central to the discussion of the functions of the state and its role in financing social development. Since the 1930s, the Brazilian state has become a major player in income distribution, by offering employment, making public purchases and financing production, as well as interfering directly in the economy through the creation of public enterprises. These actions were followed by the expansion of social security and income transfer programs, which targeted the most vulnerable populations through supplementary income, such as the Rural Retirement and Social Security Support, which date back to the beginning of the 1970s. As it expanded its functions, the state interfered in different areas of society, thus performing the functions of "accumulation" and "legitimation," recalled by O'Connor (1977). In budgetary terms the conditions for capital accumulation conflict with the demands of the most vulnerable social groups. However, in both cases, the state capitalizes the market, as evidenced in government expenses and interest payments, as well as in the capitalization of individuals through public employment or income transfers. According to Kenneth Galbraith (1975), it is a "bureaucratic symbiosis" which, in the case of Brazil, is illustrated by the relationship between the expansion of state

functions and the channeling of resources to the private market. Relationships between the State, society and the market are closer to symbiosis than parasitism, a perspective that is shown below from the mapping and analysis of income flows from public employment and Direct Income Transfers, on the municipal scale.

THE FUNCTIONALITY OF PUBLIC INCOME

In both everyday discourse and academic literature it is not unusual to find the criticism that public incomes are functional, such as the concept of an "economy without production" (Gomes, 2001), which discusses the economic dynamics of the northeastern semi-arid region from State's capitalization of individuals and municipal governments. However, this concept must be observed with reservations, since productive activities such as agriculture, commerce, and services, coexist alongside the governmental sphere in all municipalities.

Activity, by added value, of municipal GDP	Total municipalities of the highest added value activity	Municipal demographic class					
		up to 10,000	From 10,000 to 20,000	From 20,000 to 50,000	From 50,000 to 100,000	Above 100,000 except capital	Capital
Public administration, defense, education and health, and social security	2725	1327	765	516	89	25	3
Other services *	1478	275	323	413	210	235	22
Agriculture, including support for agriculture and post harvest	735	523	133	66	13	0	0
• Manufacturing Industry	261	96	69	60	22	13	1
Livestock, including livestock support services	161	138	16	5	1	1	0
Water, Sewage, Decontamination and Waste Management Activities	98	46	30	18	1	3	0
Commerce, repair of motor vehicles and motorcycles	46	16	9	11	7	3	0
Extraction industries	35	9	10	6	7	3	0
Forestry, fishing and aquaculture	25	13	8	4	0	0	0
Construction	7	5	1	1	0	0	0

Figure 4: Municipalities, by population class and greater participation of activity by added value GDP

Source: IBGE (2018c)

As indicated in figure 4, in municipalities with less than 10 thousand inhabitants there were 1,327 municipalities where the category *Public administration, defense, education and health, and social security*, was the most relevant in the generation of employment. This was also the case for classes below 50,000 inhabitants. *Other services* were the dominant activity in 1,477 municipalities, especially in municipalities above 100 thousand inhabitants, such as the capital cities that concentrated 32.87% of the Brazilian GDP. In 2016 this percentage was higher, at 36.87%, in municipalities above 100 thousand inhabitants, excluding capital cities. The municipalities with up to 20 thousand inhabitants, accounted for 15.34% of the population and 9.7% of the national GDP. The sector *Agriculture, including support for agriculture and post-harvest*, was the most important in 735 municipalities, of which 71.15% had populations of up to 10,000 inhabitants. The correlation between the municipal demographic class and GDP does not exclude a set of activities that demand the presence of the State, by financing the production or through purchasing power and the supply of public services.

The use of the term "economy without production" should take into account issues that surpass pejorative identifications about the action of the State, among which we highlight:

- Municipal government revenues from Constitutional Transfers are part of our federative model, and the asymmetries in the volume of resources of the FPM (Municipal Participation Fund) or FUNDEB (Fund for the Valorization of Basic Education) are related to municipal demographic characteristics.

- Benefits characterized as Direct Income Transfers (*Bolsa Família*, Continuous Benefit and Rural Retirement) are linked to the degree of people's vulnerability and the connection with family

agriculture. They are legal mechanisms, regardless of region.

- The volume of public employment, especially at the municipal level, is due to the expansion and decentralization of the functions of the State; this movement is known as municipalization and affects health and education.

- Public employment income results in less gender asymmetry, especially in the less populated municipalities and in the occupations related to teaching, unlike income from the Union, concentrated in the most populous cities, such as the state capitals and the Federal District.

The spatialization of data on public employment and direct income transfers at the municipal level helps explain the role of the State in the dynamics of income generation and distribution.

PUBLIC EMPLOYMENT IS WORK TOO

Before accepting, *a priori*, the negative discourse about State intervention, it is worth considering that these functions require the construction of a technical-bureaucratic structure. An IPEA study (IPEA, 2010, 2018) links this expansion to the universalization of services and the increase in the number of Brazilian municipalities. The example of education is sufficient to substantiate this argument. In 2017 (INEP, 2017) there were 184,145 basic education establishments in Brazil, which included primary, elementary, and secondary education, as well as other modalities. There were 131,606 primary education establishments, 80,515 of these were municipal and 11,732 were the responsibility of the state. Of the 1,737,492 primary school teachers, 857,235 worked for the municipalities, 436,202 for the states and 29,927 for the Union. In any given area, whether in health, education or social assistance, the image is of a network of public services covering a territory of 8.5 million square kilometers. In this sense, the ideal size of the state will correspond to the dimensions of the demands of society.

Figure 5 shows the presence of the public sector in the Brazilian territory. In 2017, there were a total of 9,737,230 jobs in *Public administration*, 55.49% of which are in the municipal sphere. In 768 municipalities, municipal employment accounted for more than 80% of all formal jobs. In 1,365 municipalities this figure was between 50% and 80%, in 1,209 from 30% to 50%, and in 1,859 above 10% to 29.99%. This universe of 5,201 municipalities, represented 93.37% of the all Brazilian municipalities. The twenty municipalities with the highest municipal public employment, equivalent to 711,504 jobs, concentrated 12.90% of municipal employment. Of these only five are not state capitals: Guarulhos, Campinas, Campinas, Osasco, and São Bernardo do Campo. The classes with the highest participation, above 7.22%, are in the North, Northeast, and Midwest, as well as in the West of São Paulo, Paraná and Rio Grande do Sul, mostly in municipalities with less than 20,000 inhabitants.

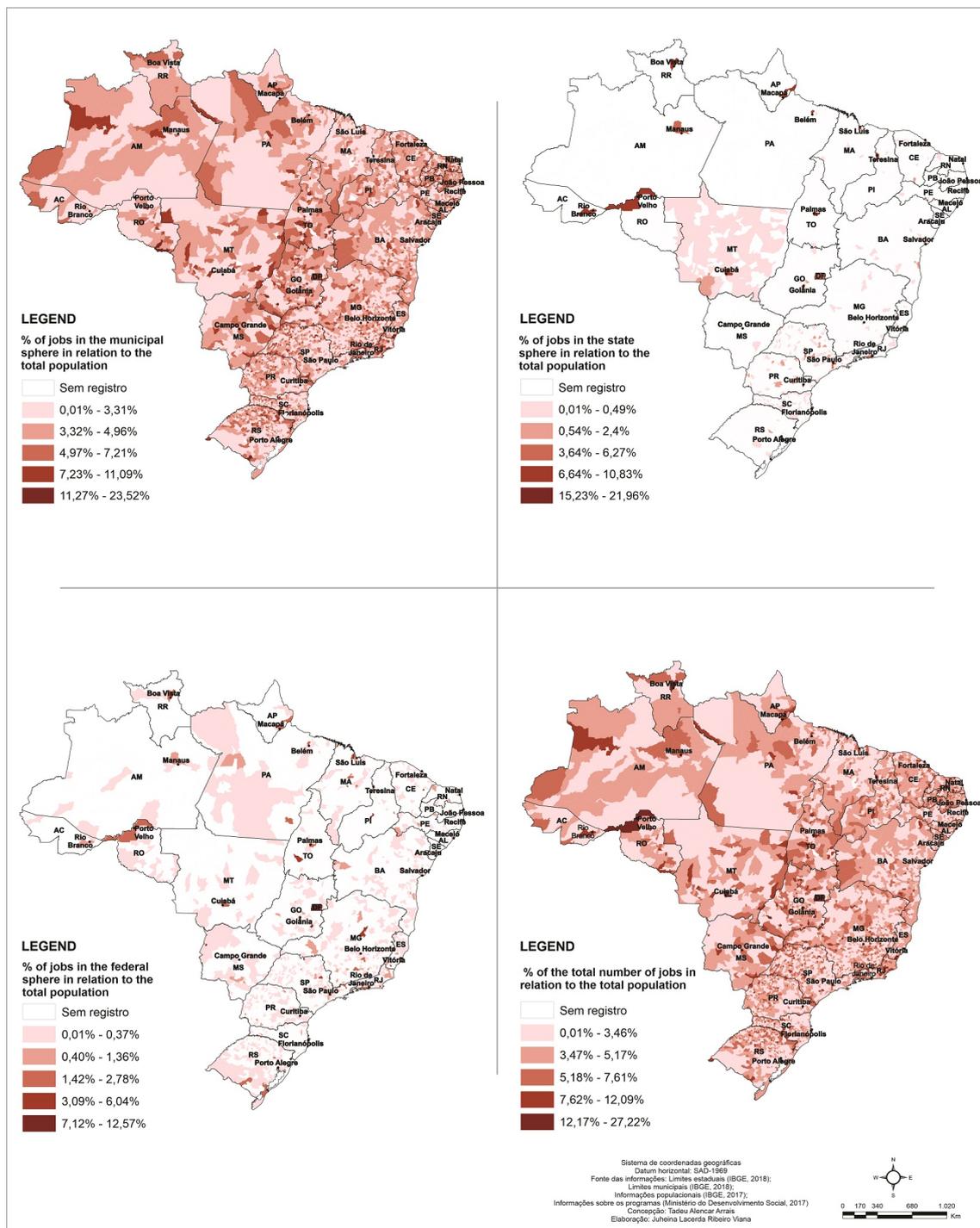


Figure 5: Percentage of public employment in the three administrative spheres in relation to the municipal population, 2017

Source: IBGE (2017), MTE-RAIS (2017)

Due to the concentration of records in capital cities, employment in the state and the federal spheres can be analyzed together, with 3,103,630 and 1,119,059 links, respectively. Only 332 municipalities have records of state jobs. Of the total of 3,103,630 state jobs, 90.11% are concentrated in capital cities and 2.3% in cities such as Campinas (SP), Ribeirão Preto (SP), Londrina (PR), Maringá (PR), and Anápolis.

Regarding the federal sphere, there are records of jobs in 890 municipalities. The State capitals, account for 955,653 jobs; 85.39% of federal employment. This dynamic directly influences the

distribution of public employment densities. The structuring of federal and state public employment data produces a distorted perception of the municipal scale. The Federal District, for example, registered 382,088 jobs, equivalent to 34.14% of the total national federal employment. The same concentration pattern was repeated on the state scale, in the respective capitals, which may be due to the centralized registration of public servants in the capitals.

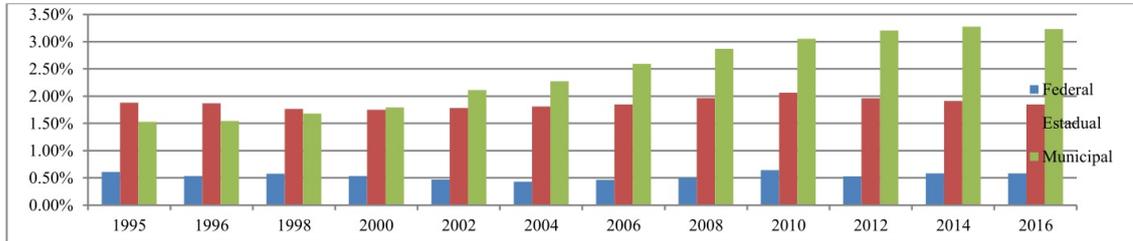


Figure 6: Percentage of those employed in the public sector, in relation to the total population, by the level of administration

Source: IPEA (2018)

Therefore, the expansion of public employment is closely linked to the expansion of state actions on all three scales. It is not by chance that the positions related to teaching, in states like Acre, Piauí, Tocantins, Amazonas, Bahia Maranhão, Pernambuco, and Roraima, are those with most substantial *Public administration*. In 2017, there were 9,195,215 jobs in *Public administration*, with an average salary of R\$4,226.49. In terms of volume, this injected 38.8 billion reais into the municipal economies. For men, the average remuneration was R\$4,912.16 and women earned R\$3,737.27; 76.08% of the average male salary. Considering the evolution by the administrative level, we verified that on the municipal scale the percentage in relation to the population increased from 1999, to include 3.23% of the population in 2016. This rise is parallel to the intense process of municipal fragmentation. In 1991, there were 4,491 municipalities; this number rose to 5,507 in 2000 and 5,507 in 2010. In the period under study, the federal sphere fell from 0.61% to 0.58% and the state from 1.88% to 1.85%. Public employment accounted for 19.86% of total formal employment in 2017. The percentage of oscillation is related to the expansion of State functions, but there was also a smaller fluctuation of employment in the private sector.

There is a recurring idea that advocates the existence of excess public employment in Brazil. The matrix of this thought lies in the neoliberal postulation of *government as a corporation*, appealing to Dardot and Laval (2016: 291), who state that "*public servants, as well as the users of public services, are economic agents who respond only to the logic of personal interest*". However, when comparative studies such as Mattos (2011) are examined, it is evident that the ratio of public to general employment in Brazil is lower than in Germany, Canada, France, the Netherlands, the United States, and notably, in Denmark and Sweden. Rather than an accounting problem, this issue is related to the nature of the Social State and its capacity to meet social demands in various areas such as health, education, culture, among others. However, the fact remains that regarding remuneration, there are functional asymmetries between the private and public sectors, especially in some sectors of the Legislature, the Judiciary and Federal and State Executive divisions, which influence income inequality.

The provision of income is a right

There is a close link between Direct Income Transfer policies and the structuring of the Welfare State, a principle that applies to the United States, Germany, England, as well as Brazil. We agree with Amartya Sen that these policies are a kind of "protective security":

Protective security is necessary to provide a social safety net, preventing the affected population from being reduced to abject misery and, in some cases, even to starvation and death. The sphere of protective security includes fixed institutional arrangements such as benefits to the unemployed and regulatory income supplements for the indigent, as well as ad hoc measures such as the distribution of food in collective hunger crisis or emergency public jobs to generate income for the needy. (Sen, 2000, p.57)

Type of benefit	Origin	Target Public	BENEFICIARIES 2017
Retirement Rural	LC no. 11, 1971, established the Rural Worker Assistance Program, aged 65 years and 50% of the Minimum Wage for the head of the family.	60 years for men and 55 years for women, with 1 Minimum Wage.	6,900,457
Continuous Monthly Benefit	Law no. 6,179 (1974), which instituted the Amparo Previdenciário. Law no. 8,742 of 1993.	1 Minimum wage for people with disabilities and the elderly poor, with per capita income up to ¼ of MS over 65 years.	4,544,248
Bolsa Família	MP 132 of 2003 and Law number 10,836, in 2004.	Families living in poverty (per capita income between R\$85.01 and R \$ 170.00) and extreme poverty (per capita income up to R\$85.00)	40,919,906

Figure 7: Synthesis of the institutional frameworks of direct income transfer programs

Source: Brazil (1971, 1974, 1993, 2004), INSS (2017), MDS (2017)

The Rural Retirement, the Continuous Monthly Benefit, and the Bolsa Família form the *Brazilian Social State Protective Policy Tripod*. When analyzing the three policies, categorized as Direct Income Transfer, it is crucial to understand the relationship between their spatiality, the determinants related to the family group and/or individuals and the impact on the reduction of income inequality. Figure 8 shows the relation between the number of inhabitants of each municipality and the total number of beneficiaries; this data permits the examination of the degree of municipal dependence of these three income transfers.

Concerning Rural Retirement, in 2017, there were 6,900,457 benefits, including *age, invalidity and contribution time*. Given the possibility of accumulating income, the 2,369,958 pensions were not considered. Only fourteen municipalities do not have any records of Rural Retirement benefits. In absolute terms, we identified two patterns. The first is those municipalities with a strong regional polarization, such as Picos-PI (19,454 benefits), Santarém-PA (17,001 benefits), Caxias-RJ (15,518 benefits), Campina Grande-PB (14,211 benefits), Itapipoca-CE (13,310 benefits), and Imperatriz-MA (16,675 benefits). The second pattern is represented by capital cities, such as Teresina (25,635 benefits), São Luís (19,046 benefits), São Paulo (12,960 benefits) and Belém (11,537 benefits). The classes with the highest participation are in the Northeast and North, as well as the North of Minas Gerais and the West of Rio Grande do Sul. There are 205 municipalities in the class above 17.51%, of which only 41 have over 20,000 inhabitants, reinforcing the relationship between the density of the urban network and the characterization of familiar agriculture.

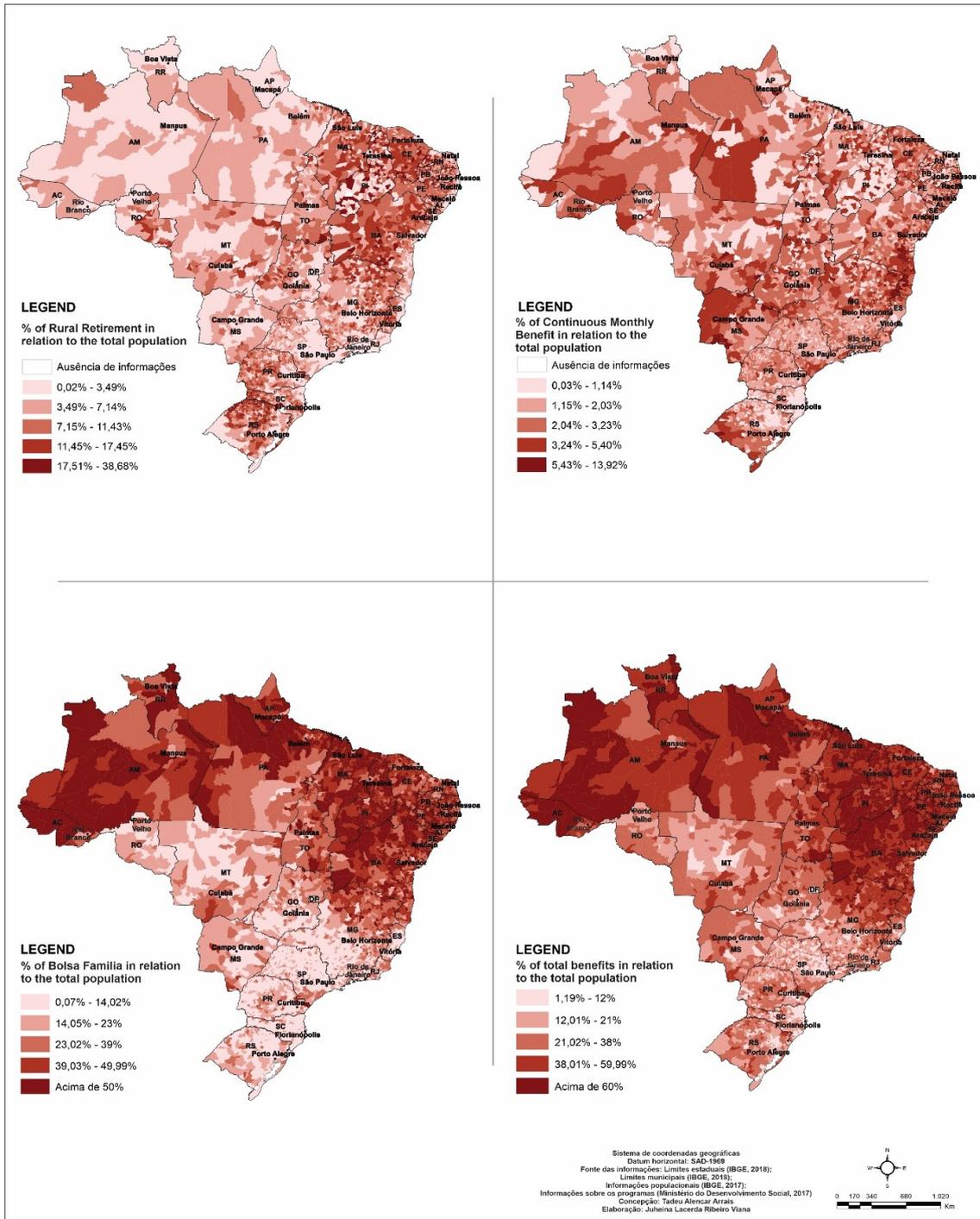


Figure 8: Percentage of the benefits of Rural Retirement, Continuous Monthly Benefit and Bolsa Familia in relation to the total population of the municipality, 2017

Source: IBGE (2017), INSS (2017), MDS (2017)

The Rural Retirement benefits are singular in their impact both in the countryside, through spending and small investments and in the city, where in many cases their support of the elderly has become a key source of family income. Preliminary results of the *Agricultural Census 2017* show 5,072,152 establishments (IBGE, 2018d), with 15,036,978 working producers, mostly family farmers. This shows that, in addition to guaranteeing minimum social conditions, the Rural Retirement benefits guarantee Brazilian food security.

With regard to Continuing Monthly Benefits, there were 2,022,221 issued to the elderly and

2,527,257 to people with disabilities, totaling 4,549,478 benefits. In absolute terms, the concentration is in the capital cities. The first fifteen municipalities with the highest volume are capitals: São Paulo, Rio de Janeiro, Fortaleza, and Recife, with 202,664 benefits, 110,171 benefits, 82,768 benefits, 76,572 benefits, and 65,640 benefits, respectively. The fifteen cities totaled 940,524 benefits, representing 20.67% of the total. Considering the municipalities in the classes between 5.43% and 13.92%, three have more than 100 thousand inhabitants; ten have between 52,697 and 89,592 inhabitants and the others between 20,258 inhabitants and 48,861 inhabitants. The emphasis is in the Southwest of Rio Grande do Sul, the Northeast of Minas Gerais and the Southeast of Bahia and the State of Ceará.

In 4,794 of the 5,554 municipalities with a record of Continuous Monthly Benefits, there is a more significant amount of benefits for the disabled. This benefit brings together characteristics of income, age and health vulnerability and has a considerable impact on the family nucleus, especially for people with degrees of motor and mental deficiency, such as microcephaly, whose mothers, unable to provide for their children, apply for these benefits. A study by Pereira *et al.* (2017) of the profile of demand of the Continuous Monthly Benefit shows that in 2009, 204 benefits were granted for cases of microcephaly. This rose to 1,603 in 2016, of which 1,171 were in the Northeast, attesting the cyclical relevance in the provision of this benefit.

The Bolsa Família is, without a doubt, the income transfer program with the highest penetration in Brazil (Arrais, 2016). It is a mostly urban program since the specific groups considered as rural, (excluding *quilombolas*, indigenous people and fishers), concentrate 9.1% of the total benefits. Another feature is the legal provision (Brazil, 2004) that the benefit is preferably paid to women, a fact that has a positive impact on gender income inequality.



Figure 9: Municipalities with the highest absolute amount of Bolsa Família benefits, 2017

Source: MDS (2018)

The 20 municipalities with the most significant volume accounted for 14.54% of total benefits granted in 2017; only six are not capital cities, which parallels the regionalization of poverty, concentrated in the metropolitan regions. The classes above 50% are in the Northeast, and the North, with an emphasis on the states of Piauí, Maranhão, Ceará, and Alagoas. However, it is noteworthy that benefits can be accumulated, for example, a basic benefit for needy families, and variable benefits for the young, nursing, pregnant and to overcome poverty, besides unforeseen situations.

The tripod of protective security demonstrates the capillarity of the state's protective policies in Brazil. Even with different mean values, judging from the conditionalities of the family group and/or the degree of the individual's vulnerability, the impact on the immediate reduction of poverty is undeniable. A further effect is the dynamization of the municipal economies through consumed income, especially, on the municipal trade, the financing of small farms and the care of elderly and disabled people.

CONCLUSION

Brazilian history has always had the image of a country of contrasts. Jacques Lambert (1978) described the opposition between the "modern" coastline and the "archaic" interior. At that time there

was a duality between agrarianism and the recent industrialization. The integration of the regions by state planning seemed to be the way to overcome this challenge, which later proved to be false. The public of circulation, communication, and energy infrastructure favored industrialization and, consequently, the reproduction and intensive exploitation of labor in an increasingly integrated and unequal country. The image of a country of contrasts was slowly replaced by the image of an unequal and urbanized country. From the 1970s, we urbanized poverty without, however, eliminating it from the countryside. At the end of the 1980s, with democratization, issues related to social development received more attention on the political agenda. The *Constitution of 1988* broadened the range of the State, as well as its purpose of combating the visible poverty and resulting inequality of opportunities revealed, for example, in low *Human Development Indexes*. In 1991, 85.8% of the Brazilian municipalities were in the range known as the lower band of municipal development; this percentage dropped to 41.8% in 2000 and 0.6% in 2010. In 2010, the average band of municipal development prevailed, covering 40.1% of all municipalities, which is well above the 0.8% registered for the same developmental milestone in 1991 (UNDP, 2017). The reduction of inequality paralleled the reduction of poverty and, consequently, income inequality, in a period described by the IPEA (2012) as a "decade of inclusion." Among the reasons for the reduction of income inequality was the resumption in increasing the *Minimum wage*, the reduction of unemployment, the most critical component of family income, and, primarily, the expansion of social protection networks.

However, the distributive gains of the "decade of inclusion," did not last long and after 2016 the country began to see setbacks, demonstrated by an agenda of reducing state intervention in line with a movement to criminalize politics, as analyzed by Souza (2017). According to IBGE data, in 2017, the proportion of poor people reached 26.5% of the population, which means that 54.8 million people survive on incomes of up to 5 US\$ per day. The UNICEF report (2018), *Poverty in childhood and adolescence*, states that 6 out of 10 Brazilian children and adolescents live in poverty. In November 2018, according to MDS (2018), there **27,755,037** families enrolled in the Single Register for Social Programs, a total of 76,174,523 people, 87.52% of whom have a *per capita* family income up to a half of the *Minimum wage*, considered as low income, in a situation of poverty and extreme poverty. These regressions are the unambiguous manifestations of three global and connected movements:

1. The erosion of the role of the State indicated by the adoption, in 2016, of a New Fiscal Regime, with negative implications for public funding and investment, as highlighted by Tavares and Ramos (2018).
2. The implantation of structural reforms, especially labor and social security reforms, which simultaneously affect the formal labor market and the system of pensions, maintenance payments, and welfare insurance.
3. The reduction of investments in social policies in social assistance and education that mainly affect the most vulnerable groups, and have a negative impact on the expectation of social mobility.

Historically, the State has played a decisive role in reducing income inequality, which occurred through regulation of the relationship between capital and labor and the creation of the *Minimum wage*, by financing production and forming a market of public purchases in several segments that aided the formal employment market. Linking social security and welfare benefits to the *Minimum wage* and the creation of Bolsa Família contributed to the fight against poverty and, consequently, the reduction of income inequality. Despite its distinct nature, the capitalization of individuals through public employment and income transfers adds to the supply of public services by the State, something common, with differences in intensity, in diverse countries. In OECD countries (Organization for Economic Co-operation and Development) there is an outstanding participation of *Social Protection* and *General Public Services* (OECD, 2017). Since the beginning of the twentieth century, many of these countries, such as England and the United States, have seen the expansion of state functions as a way of minimizing crises, a movement that has reduced generational poverty (Piketty, 2014, Atkinson, 2015). The reduction of inequality in Western democracies has therefore occurred in line with the expansion of the State's action through the universalization of public services and actions to combat risk situations, as indicated by Castel (2015). However, even in European countries, the rhetoric of the fiscal crisis, as described by Streeck (2018), reinforces the evidence of a move from a model of a *Fiscal State* to a model of an *Indebted State*, which aims to make the financing of social policies unfeasible. The case of Brazil is more tragic than that registered in European liberal democracies. Here, a consensus emerged

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