

# The COVID-19 Crisis and its Impacts on Social Welfare in Brazil: The Rise of Poverty and Inequalities

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The present article aims to analyze the rise of poverty and social inequality in the world caused by the COVID-19 crisis, in addition to considering how to address the issue in the context of new perspectives on the social welfare state. In order to contain the spread of the pandemic, governments have adopted policies of social isolation. These measures have weakened the global supply chains, creating impacts between supply and demand, which in turn have generated uncertainties about income and employment. As a result, world economies are vulnerable to the increment of poverty and differences between social classes.

**Keywords:** COVID-19, Latin America, pandemic, poverty, social inequality, policies

Este artículo tiene como objetivo analizar el aumento de la pobreza y la desigualdad social en el mundo causada por la crisis del COVID-19, también estudiar cómo se debe abordar el tema en el contexto de nuevas perspectivas sobre el Estado del Bienestar Social. Para contener la propagación de la pandemia, los gobiernos han adoptado políticas de aislamiento social. Estas medidas han debilitado las cadenas de suministro mundiales, creando impactos entre la oferta y la demanda, que a su vez han generado incertidumbres sobre los ingresos y el empleo. Como resultado, las economías mundiales quedan vulnerables al incremento de la pobreza y de las diferencias entre las clases sociales.

**Palabras clave:** COVID-19, América Latina, pandemia, pobreza, desigualdad social, políticas

## **Introduction: Poverty and Social Inequality as a Global Problem**

According to the World Social Report of the United Nations (UNDESA 2020), the growth of inequality in developed and developing countries has slowed economic and social development. Two thirds of the world population live in societies where inequality has increased. Thus, the more unequal a society, the less successful it will be in reducing poverty, and it will face less economic growth and a greater chance of political instability. The increase in inequality over several generations has resulted from a combination of economic problems, driven by job insecurity, income disparities, and the lack of opportunities.

In this scenario, trends such as technological innovation can contribute to economic growth, as well as accompanying an increase in wage inequality and the displacement of workers (UNDESA 2020). Climate change is affecting the whole world, however, poor countries, especially those that depend on agricultural areas, are most penalized. Urbanization provides opportunities, but also growing differences between the poor and the rich. International migration has good effects on global economic production, where it contributes to poverty reduction in the countries of origin, however, this depends on the conditions under which the migration occurs (UNDESA 2020). These trends, in addition to enabling a more egalitarian world, at the same time can cause an increase in discrepancies between countries and regions. For this reason, the new coronavirus health crisis may be a reason to rethink models of new social structures, but it can also have devastating effects with poorly thought-out policy applications in such an unequal world.

The research method in this study used was the hypothetical deductive with the use of bibliographic review (secondary data) for the construction of the main argument.

## **Poverty and Social Inequality in Latin America**

In recent years, Latin America and the Caribbean have reached their lowest income concentration index, however the region is still considered the most unequal on the planet, with a Gini Index of 0.5. CEPAL's *Social Panorama of Latin America 2018* reported that in 2017, the number of people living in poverty was 184 million, of which 62 million were in extreme poverty. The Latin American fiscal model is based on the indirect and regressive tax burden, which mainly falls on consumption, harming the poorest. Thus, the region finds itself through the direct collection of taxes on income below the average recorded by OECD countries (ONU Brasil 2018; CEPAL 2018, 2019).

The Latin American and Caribbean region is the most unequal in the world and the most urbanized among developing regions, exposing a significant part of the virus contagion population under unprotected conditions. Furthermore, the pandemic broke out in a complex economic, social, and political scenario, in a context of low growth and high levels of labor informality. Due to the effects of the pandemic, the Economic Commission for Latin America and the Caribbean (CEPAL 2019) projects a 9.1% drop in gross domestic product (GDP).

Unemployment in Latin America was projected to increase from 8.1% in 2019 to 13.5% in 2020, which would raise the number of unemployed in the region to more than 44 million—an increment of more than 18 million people compared to 2019. In this context, the poverty rate was predicted to growth 7.0 percentage points in 2020 to 37.3%, an increment of 45 million (231 million people in total), and the extreme poverty to increase 4.5 percentage points to 15.5%, which represents an increment in 28 million people (96 million people in total) (CEPAL 2020).

COVID-19 reaches a region marked by a matrix of social inequality, whose structural axes—socioeconomic stratum, gender, life cycle stage, territory, disability and immigration status, among others—generate scenarios of multiple and simultaneous exclusion and discrimination, which result in an increased vulnerability to disease. These inequalities are also expressed in the field of health, both in coverage, effective access, and results of health services, as in the basal health conditions of individuals and communities. Therefore, it is key consider this inequality in the response to the pandemic.

Latin America's social inequality is a result of the late mode of capitalist production and colonial inheritances. Consequently, the production process implied an uneven distribution of income, employment, goods and services, and productive resources. The Latin American region lives in poverty and misery, even during cycles of progress in capitalist development, and they become even more intense in periods of crisis and recession. With the COVID-19 pandemic in Latin America, millions of people will suffer the impacts of poverty, and with the increase in social inequality, more vulnerable populations, as gauged according to their characteristics of race, gender, sexual orientation, immigration status, and economic class, will face social exclusion and discrimination.

The structural challenges of poverty, deep inequality in different dimensions, and weak health and social protection systems have exacerbated the vulnerability of the region in the face of the pandemic. Decisions made by the national authorities have been very different; several countries have had some success in their efforts to flatten the curve of contagions, while others are still far from achieving it.

## **The Brazilian Scenario**

In the case of Brazil, the country faced a political-economic crisis that started in mid-2014, which resulted in millions of unemployed Brazilians. According to PNAD Contínua released by IBGE in 2019, there were 11.6 million people unemployed, with 38 million informal workers. The deepening of precarious conditions in the Brazilian labor market are also consequences of labor reforms carried out by the current federal government. Thus, due to restrictive measures to combat the pandemic, layoffs in the period skyrocketed with the closing of companies in various sectors, leaving the scenario even more fragile in a health crisis.

In addition, this pandemic reproduces the naturalization of structural inequalities in Brazilian society (Furtado 1992; Pochmann 2015). Overload of the public health system and low investments in structure end up favoring a health service with little efficiency for its population, especially for the

most vulnerable. Therefore, restrictive sanitary measures, such as social isolation and maintaining good hand hygiene for the control of the virus, as recommended by the World Health Organization (WHO), come up against a humanitarian emergency, with precarious urban infrastructures: more than 13 million people live in favelas; some live on the streets; others are deprived of their liberty—Brazil is the third country in the world in terms of prison population; and local indigenous communities do not have access to infrastructure (transport, basic health, education, electricity).

In addition to the structural and historical problem, Brazil is experiencing an unfavorable political moment. Led by a president who denies the importance of COVID-19, like Donald Trump, Brazil has no national program to combat COVID-19. Initiatives are from regional and local governments (states and cities), including in negotiations for the purchase of the vaccine. The central power's stance weakens measures to combat COVID-19 and gives the impression that its impacts are minimal.

An advantage, however, is Brazil's robust public health system that guarantees access to all health procedures for the entire population. Problems emerge, such as the lack of sufficient money to meet all needs, but the issue of access to health services by the poor has been resolved. Without the public health system in Brazil, the pandemic would bring barbarism to the country: anarchy, chaos, and a process of social regression.

## **Conclusion: The State of Social Welfare**

From this conjuncture questions arise about the role that social policies play in a society shaped by the perverse individualism of capital. As much as there is talk of a democratic virus that affects all social classes, it is the poorest who are subject to housing difficulties, lack of basic sanitation, limited urban mobility, and overload of public health and security systems, among other issues. In this case, public policies become relevant and fundamental for the social leveling of populations that have less chance of producing their own means of survival, especially during the coronavirus crisis (Fernandes 2020; Senhoras 2020).

Without control of the pandemic, it is impossible to think about economic recovery. In order to confront the pandemic in all its phases, policies regarding health, social, and economic issues must be integrated, coordinated, participatory, and adapted to each national and subnational context and guided by related fundamental principles or bases. In accordance with these principles, life, health and, well-being, are paramount and constitute prerequisites to revive the economy, so that control and mitigation in health and economic policy are aligned. Furthermore, reducing inequalities is a guiding axis of policies; therefore, everything that is done during this crisis and afterwards must aim to build more egalitarian, inclusive, and resilient societies. Social protection is a central tool to face the pandemic, and the fight against poverty, inequality and exclusion must be a fundamental piece.

The prioritization of health and the strengthening of health systems based on the primary healthcare strategy should be considered the necessary foundations to respond to the crisis in all its aspects. Strengthening leadership capacity of the State is a *sine qua non* condition for reconstruction

and, along with it, dialogue and social participation are vital for an integral convergence between the sectors of health and economy. Finally, measures based on scientific (evidence-based) information are required to promote health in response to the pandemic, considering the criteria of essentiality, gradualness, and flexibility in a dynamic public health context (Duarte 2012).

In this respect, social protection systems, such as the guarantee of a Universal Basic Income (RBU), can become effective tools to combat existing inequality across the planet (Furieri and Silva 2020; *El País* 2020). The idea of the social welfare state, which gained ground in the twentieth century, becomes even more important as a result of the coronavirus health crisis, which has moved the economic system with forecasts of an increase in world poverty. With that, the neoliberal policies of the Washington Consensus that resisted the financial crisis of 2008, are put “in check,” by social maladjustments and setbacks produced by the market, giving way to a new consensus of Keynesian measures as a means to mitigate the effects of the crisis.

In the current context of global economic disorder in which we live, government intervention is justified by the collective interest and national security. With the advance of the pandemic, social inequalities and poverty that already existed lead to even greater social disruptions, especially in regions such as Latin America. Therefore, the State needs to assume its role and ensure that the main needs of society are met in this moment of crisis. Finally, maintaining human dignity creates instruments of the State’s real strength and *raison d’être*.

Policy options to address the pandemic involve consolidating a national plan and an intersectoral consensus. The answer should be structured in three phases, not linear and interrelated: control, reactivation, and reconstruction, considering the participation of technical and representative actors not only from the field of health, but also from various other social and economic fields.

Both for pandemic control actions and for reactivation stages and reconstruction, it is essential to increase public investment in health until reaching the parameters recommended by the WHO and other public institutions in order to ensure the strengthening of healthcare systems, expanding and reconfiguring quality health services, with a focus on primary health care, and immediately and rapidly addressing the needs of unsatisfied health demands, reducing inequities, and improving conditions of access to service essentials, including financial protection.

The pandemic could become a historic opportunity for Brazil and other Latin American countries to implement the public policies existing in their legal documents. There is already a provision in the legal systems for a welfare state model, and there are also public institutions with the purpose of creating a welfare state. The central problem today is the economic relationship between the social objectives pursued by the welfare state and the economic behavior of private agents. This results in greater control of economic activity by the State so that its social and economic ends are achieved.

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