

**AGENTS OF THE SOCIAL SECURITY'S
NATIONAL ASSOCIATION - ANFIP**

ANFIP FOUNDATION OF SOCIAL SECURITY STUDIES

Analysis of the Social Security in 2003

May 2004.

2004 - Agents of the Social Security's National
Association - ANFIP

ANFIP Foundation of Social Security Studies

Socioeconomic Studies Advisory Committee:

Advisor: Floriano José Martins

Economy Consultant: Maurício José Nunes Oliveira

Collaborator: Flávio Tonelli Vaz

The distribution of this book's texts and other content is allowed if mentioned the source.

Printed in Brazil

Cover, Graphic Project and Layout: Kenia Dias Almeida / Alexandre dos Santos Valente

1 - Introduction

Despite a permanent negative Governmental campaign that aims to tell the public opinion that the RGPS (*Regime Geral de Previdência Social*) has got an insolvable structural deficit, about R\$ 26 billions in 2003, the system continues to collect more year after year. In 2003, Social Security net collection increased, in nominal terms, 13,7% when compared to 2002, going from R\$ 71,03 to R\$ 80,73 billions. This growth was higher than most national economical indicators.

The Official sources have insisted in a distorted and simplistic analysis of the Social Security Budget. They don't consider the constitutional transfers of exclusive resources are reallocated, mostly, to cover other expenditures. It is because of this conceptual distortion and due to the need to finance welfare and rural benefits (one of the greatest income distribution program in the world), that the so-called "deficit" of the Social Security is badly understood and debated with society.

ANFIP has researched and published relevant information to society in general. Therefore, once more, ANFIP presents a consolidated analysis of the Social Security Balance Sheet. It is important to reinforce that the retirement programs of the Social Security is an integral part of this system, according to the article 195 of the Federal Constitution, and its problems can only be solved if thought inside this systemic point of view.

In this work, we draw a balance between the revenues and overheads of the social security in 2003, pointing out the distortions between the resources that were collected and executed and those who were effectively reallocated. The Social Security revenues were considered in this work, including those referring to the DRU (*Desvinculação das Receitas da União*).

The aim of this analysis is to show that there is credit balance in the Social Security accounts with the RGPS (*Regime Geral de Previdência Social*), even when adding data of the federal civil servant's own regimen of social security (RPPS). It is important to point out that the existence of credit balance is conceptually connected to the correct allocation of resources from the Social Security Budget in the earmarked areas.

Social Security has been presenting credit balance for years. These balances provide the monetary dimension of the contributions of the Social Security for the government's fiscal adjustment policy. From 2000 to 2003, R\$ 122,20 billions of Social Security resources were used to create the State's primary surplus, that is to say the Social Security's surpluses, which, by the way, should not exist because they should be integrally allocated in the earmarked programs, were reallocated with fiscal purposes. In 2003, there was a slight reduction of the surplus, because of the greater allocation of resources in order to fight poverty.

Graph 1 presents the variation of the Social Security Surplus from 2000 to 2003.

ESPACO PARA GRAFICO 1.

2 – Social Security Balance Sheet in 2003 with the RGPS (*Regime Geral de Previdência Social*)

In this topic, the analysis of the Social Security Balance sheet is carried out from two points of view: with and without the DRU (*Desvinculação das Receitas da União*) resources.

2.1. Balance sheet including DRU (Desvinculação das Receitas da União) resources

In this topic, the total revenue of the Social Security was considered, including DRU (Desvinculação das Receitas da União) revenues.

Social Security revenue sources in 2003 (Table 1):

- COFINS.....	R\$ 57,78 billions
- Social Contribution Tax on Net Income.....	R\$ 16,14 billions
- Net Social Security Collection (1).....	R\$ 80,73 billions
- CPMF.....	R\$ 22,99 billions
- INSS Other revenues (2).....	R\$ 0,60 billion
- Prognosis.....	R\$ 1,27 billions
- Ministry of Health's own revenues.....	R\$ 0,76 billion
- Other Social Contributions (3).....	R\$ 0,17 billion
 TOTAL.....	 R\$ 180,73 billions

NOTES:

(1) Bank collection + SIMPLES + judicial deposits - refunds - third party transfers.

(2) Financial income + revenue anticipation and others; as shown in the INSS cash flow.

(3) DVPAT contributions (earmarked for health) + prescribed premium + apprehended assets (welfare quota).

The following figures have been allocated for expenditures (Table 1):

- Benefits (1).....	R\$ 112,20 billions
- Health (2).....	R\$ 26,71 billions
- General Welfare.....	R\$ 0,48 billion
- INSS' cost, staff and other actions (3).....	R\$ 2,92 billions
- Poverty Fund actions.....	R\$ 4,17 billions
- Other Social Security Actions.....	R\$ 2,23 billions
 TOTAL	 R\$ 148,71 billions

CLOSING BALANCE (Revenues - Overheads)R\$ 31, 73 billions

NOTES:

(1) Social Security benefits + welfare benefits + EPU quota earmarked for the payroll of benefits granted by the State through special laws, as shown in the INSS cash flow.

(2) SIAFI data. Actions of health, sanitation, payroll and administrative costs of the Ministry of Health.

(3) Administrative disbursements and outlays with INSS staff.

Analyzing the Social Security balance sheet, with the RGPS (*Regime Geral de Previdência Social*), we find a positive balance of R\$ 31,73 billions. However, this credit balance was allocated in government actions in order to increase the State's tax surplus and pay for other expenses, such as debt interest and the payroll of retiree and pensioners from other ministries.

We should give prominence to the fact that all these resources were earmarked in the Social Security Estimate Budget; therefore they should have been legitimately spent. However, its execution has been contrary to the constitutional principle of Social Security.

On the other hand, if we analyze the rubric's revenues individually we shall find some serious inconsistencies, as shown below.

A). COFINS (*Contribuição Social para o Financiamento da Seguridade Social*)

In the 2003 budgetary execution, according to SIAFI data, we find the following resource allocation of COFINS' income (Table 2):

- Health.....	R\$ 6,37 billions
- Social Security.....	R\$ 20,40 billions
- Social Welfare.....	R\$ 4,59 billions
- Fome Zero program.....	R\$ 0,52 billion
* <i>Subtotal (earmarked areas)</i>	R\$ 31,88 billions
- Other areas.....	R\$ 17,79 billions
- Withheld by the Treasury.....	R\$ 10,24 billions
- TOTAL	R\$ 57,78 billions

First of all, the Treasury withheld R\$ 8,11 billions. Besides that, the National Treasury General Office (STN) claims to have transferred R\$ 20,40 billions of COFINS (including LOAS) to the Social Security. (Table 4). Actually, according to the INSS Cash Flow (Table 3), only R\$ 19,75 billions of the COFINS income was transferred to the Social Security. These withheld figures were possibly allocated in other MPS actions.

B). Social Contribution Tax on Net Income (*Contribuição Social sobre o Lucro Líquido - CSLL*)

The following figures have been allocated for CSLL revenues (Table 2):

- Health.....	R\$ 8,28 billions
- Social Security.....	R\$ 3,98 billions
- Social Welfare.....	R\$ 0,01 billion
* <i>Subtotal (earmarked areas)</i>	R\$ 12,27 billions
- Other areas.....	R\$ 0,04 billion
- Withheld by the Treasury.....	R\$ 16,14 billions
- TOTAL COLLECTED.....	R\$ 16,14 billions

As shown above, R\$ 3,94 billions were withheld by the National Treasury. The National Treasury General Office, however, claims to have forwarded R\$ 3,98 billions of the CSLL collection (Table 4), even when the INSS Cash Flow shows that only R\$ 3,76 were actually credited into Social Security accounts.

C). CPMF (*Contribuição Provisória sobre Movimentação Financeira*)

CPMF was created with a clear purpose: to finance the Department of Health's expenditures, charging a 0,20% rate on all financial transactions.

In a unilateral action to increase social contribution revenues, the government raised CPMF's rate to 0,38% in June of 1999. Theoretically, the extra 0,18% was earmarked exclusively for the Social Security. After that, there was a setback to 0,30% in 2000. In 2001, there was a new rate increase, leaving it at 0,38%. This time, 0,10% was earmarked for the

Social Security and 0,8% to the Poverty Fund. Actually, CPMF is being adjusted according to the State's Cash Flow specific needs.

According to the budgetary execution, the Ministry of Social Security received R\$ 5,0 billions from CPMF collection (Table 4), what is equivalent to the figures shown in the INSS Cash Flow (Table 3). On the other hand, the National Treasury withheld R\$ 3,34 billions of the rubric and allocated it in other fiscal actions (Table 2).

D). Poverty Fund

The Poverty Fund is financed by a 0,08% quota of CPMF's collection. The allocation of resources is shown in Table 2: R\$ 4,84 billions were collected, but only R\$ 3,44 billions were allocated to the earmarked areas. Consequently, R\$ 1,4 billions were withheld by the National Treasury. Of the figures allocated to the earmarked areas, R\$ 920 millions were used for programs carried out by the Ministry of Social Assistance and R\$ 2,52 billions were allocated to the Fome Zero program.

E). Social Security Revenue

The following figures were allocated for Social Security revenue, according to the INSS Cash Flow 2003 (Table 3):

- INSS' bank collection	R\$ 81,67 billions
- SIMPLES.....	R\$ 3,39 billions
- Other Revenues (1).....	R\$ 1,77 billions
* <i>Subtotal</i>	R\$ 12,27 billions
- (-) collection refunds.....	R\$ 0,24 billion
- (-) third party transfers	R\$ 5,86 billions
 NET TOTAL AVAILABLE.....	 R\$ 80,73 billions

NOTE:

(1) REFIS (*Programa de Recuperação Fiscal*) + FNS (*Fundo Nacional de Saúde*) + CDP (*Certificado da Dívida Pública*) + FIES (*Fundo de Incentivo ao Ensino Superior*) collections + judicial deposits and debit acquittance, according to the INSS Cash Flow.

E). Social Security Overhead

The following figures were allocated for Social Security expenditures, according to the INSS 2003 Cash Flow (Table 3):

- Social Security Benefits	R\$ 105,36 billions
* Urban.....	R\$ 84,45 billions
* Rural	R\$ 20,91 billions
- Welfare Benefits.....	R\$ 6,22 billions
* LOAS.....	R\$ 4,45 billions
* RMV.....	R\$ 1,77 billions
- EPU (<i>Encargos Previdenciários da União</i>) (1).....	R\$ 0,62 billion
 TOTAL.....	 R\$ 112,20 billions

NOTE:

(1) Destined to benefit payments given by the State through special laws.

2.2. Social Security Balance Sheet without resources from the DRU (*Desvinculação das Receitas da União*)

If the DRU (*Desvinculação das Receitas da União*) resources are not taken into consideration, the following figures are allocated for revenues of the Social Security Budget:

- COFINS.....	R\$ 57,78 billions
- Social Contribution on Net Income.....	R\$ 16,14 billions
- Social Security Net Collection (1).....	R\$ 80,73 billions
- CPMF.....	R\$ 22,99 billions
- Other INSS revenues (2).....	R\$ 0,60 billion
- Prognosis.....	R\$ 1,27 billions
- Ministry of Health's own revenue.....	R\$ 0,76 billion
- Other social contributions (3).....	R\$ 0,17 billion
SUBTOTAL.....	R\$ 180,73 billions
DRU.....	R\$ 19,67 billions
TOTAL.....	R\$ 161,06 billions

The following figures are allocated for expenditures:

- Benefits (1).....	R\$ 12,20 billions
- Health (2)	R\$ 26,71 billions
- General Welfare.....	R\$ 0,48 billion
- INSS' cost and other actions (3).....	R\$ 2,92 billions
- Poverty Fund actions.....	R\$ 4,17 billions
TOTAL.....	R\$ 48,71 billions

NEW BALANCE:

Revenues (without DRU) – Expenditures.....R\$ 12,35 billions

Analyzing the Social Security Balance sheet, even without DRU resources, there is a R\$12,35 billion credit balance. This reinforces that expanding Social Security actions is perfectly possible, because these extra resources should be allocated exclusively for the overheads of the earmarked programs.

Tables 1, 2, 3 e 4 are presented next.

ESPAÇO PARA VINCULO DO QUADRO 1, 2, 3 E 4.

3 – Welfare and Rural Benefits

In 2003, a total of R\$ 112,20 billions was spent with benefits, in an universe of 21.851.685 beneficiaries; 14.822.668 urban and 7.029.017 rural beneficiaries. (Table 5).

Out of 21 million benefits paid, 18.785.324 are social security benefits with an average value of R\$ 437,99; 735.942 are accident compensations with an average value of R\$ 393,35; and 2.330.419 are welfare benefits with an average value of R\$ 243,22 (Table 7).

Welfare and rural benefits (Rural, LOAS, RMV) represent 34% of the total spent with benefits, that means R\$ 27,13 billions (Table 6-A), allocated as follows: R\$ 20,91 billions for rural benefits, R\$ 4,45 billions for LOAS (*Lei Orgânica de Assistência Social*, which benefits the handicapped and the old) and R\$ 1,77 billions for the RMV (*Renda Mensal Vitalícia*). It is, indeed, one of the greatest minimum wage programs in the world, with an enormous social reach.

The National Treasury forwarded R\$ 38,26 billions, collected through the Social Security Budget (COFINS, CSLL, CPMF, etc.) in order to pay for benefits. (Table 6-B).

In monetary terms, the rural area, specifically, is very burdensome for the Social Security. In 2003, it collected only R\$ 1,60 billions, while it represented a R\$ 20,91 billion overhead (including rural RMV), which means 18% of the total expenditure with benefits. The rural social security subsystem collected only 7,6% of its expenditures in 2003, leaving the heaviest part of benefit payments on the count of urban collections and resources forwarded by the Treasury. However, the expenses with rural benefits are completely justified from the social point of view. And there are enough resources to broaden the reach of rural benefits.

It is known that Brazil's rural workmanship is extremely precarious, where registered workers are a minority. Therefore, it is a social segment which earns less and, consequently, pays fewer taxes. As there are no agricultural policies which mean to develop a market for rural work, the rural benefits paid by the Social Welfare act like a security blanket to millions of people.

3.1. Average Value of the Benefits (monthly income)

For better comprehension of the average value of benefits, Table 7 is presented. There, some very important data is allocated. The average value of the benefits paid is R\$ 415,71, this figure is obtained between the relation of the amount of benefits and the figures disbursed. This figure is due to the great number of benefits paid by the floor of 01 (one) minimum wage. These benefits correspond to 65% of the total 21,8 millions of benefits paid.

When the kinds of retirements are analyzed, the average value paid is R\$ 849,06. This sum is more than twice the average general value mentioned previously. This figure (R\$ 849,06) represents almost a third of the maximum value of RGPS benefits, that is R\$ 2.400,00.

Tables 5, 6A, 6B and 7 are presented next.

ESPAÇO PARA VÍNCULO DOS QUADROS 5, 6A E 6B E 7.

4 – Social Security Balance Sheet when adding the civil servant's security.

This topic aims to present the Social Security Balance Sheet including, not only the RGPS (*Regime Geral de Previdência Social*), but also adding the rubric of military and federal civil servants' social security (RPPS), even though this addition is conceptually distorted and unacceptable.

Due to a methodological issue, expenses with the Ministry of Labor and its actions are not included. Its resource sources, like PIS/PASEP and others, are not included.

The data in Table 8 show that the added revenues of the Social Security in 2003 totaled R\$ 187,47 billions. On the other hand, expenditures totaled R\$ 182,92 billions. Therefore, even when adding the social security plans of the federal civil servants, the expenses that should be covered with the Fiscal Budget, still, there is a R\$ 4,55 billion surplus.

It is important to say that in the revenue sum (R\$ 187,47 billions), a virtual revenue of R\$ 4,18 billions was added. This revenue should be credited into Social Security accounts by the employer (State) in a 2 per 1 proportion, due to the public servant's payroll, as prescribed by the Law n° 9.717/98.

Another issue that should be pointed out in this topic is the evolution of the overheads with staff and public servant's dues (civil and military servants) when compared to the GNP. Graph 2 shows that, on the contrary of what has been published by the government (that expenses with staff are too high and favor the growth of public deficit), expenses with personnel have been almost constant, even dropping in some years. From 1995 to 2003, overheads with staff and State dues have dropped from 5,68% to 5,27% of the GNP.

ESPAÇO PARA GRAFICO 2

Source: Staff Statistical Newsletter/MPOG.

Table 8 shows the Social Security balance sheet adding the civil servant's and military's social security.

ESPAÇO PARA QUADRO 8

5 – Social Security Balance Sheet according the governments Budget

This topic aims to present the Social Security balance sheet in 2003 with the revenues and overheads foreseen on the State's General Budget Estimate. Among the social contribution revenues, there are those shown in Table 9, including DRU. In this item, PIS/PASEP resources are included, and that are mainly destined to finance social programs of the Ministry of Labor and Employment (including administrative costs) and of the Ministry of Education (such as student loans), among others.

According to Table 10, there is R\$ 199,32 billions of primary revenues, which are results of social contribution dues, social security contributions and the revenues of the Social Security bodies.

As for primary expenses, besides the rubrics presented on Table 8, unemployment compensation, wage bonus, professional qualification, FAT/BNDES transfers, civil servant's assistance, food, welfare, scholar's health programs, student loans, civil defense, amateur sport, emergency food supply and distribution, other actions of the Ministry of Labor (including cost) are also included, as presented on Table 9. The total overhead came to a total of R\$ 160,34 billions. There is a R\$ 38,98 billion primary surplus of the Social Security.

ESPAÇO PARA QUADRO 9 E 10.

EXECUTIVE COUNCIL
(2001 - 2003)

Marcelo Oliveira

President

Nildo Manoel de Souza

Vice-President

Décio Bruno Lopes

Vice-president of Fiscal Affairs

Augusto Conte Soares Neto

Vice-president of Class Policy Affairs

Alfredo Miranda Lemos

Vice-president Wage Policy Affairs

Ovídio Palmeira Filho

Vice-president Social Security Affairs

Misma Rosa Suhett

Vice-president of Retiree and Pensioners Affairs

Carmelina Calabrese

Vice-president Professional Culture Affairs

Luiz Mendes Bezerra

Vice-president Welfare Service Affairs

Margarida Lopes de Araújo

Vice-president of Legal Affairs

Benedito Cerqueira Seba

Vice-president of Management Affairs

Eliane Josete Almeida de Souza

Vice-president of Patrimony and Registration Affairs

José Avelino da Silva Neto

Vice-president of Financial Affairs

Durval Azevedo Sousa

Vice-president of Budgetary Planning and Control

Rodrigo da Costa Possas

Vice-president of Social Communication

Maria Aparecida F. Paes Leme

Vice-president of Public Relations

Rodolfo Fonseca dos Santos

Vice-president of Parliamentary Affairs

Mário César Martins Fernandez

Vice-president of Interassociative Relations

AUDIT COMMITTEE

Luiz Gonzaga de Souza (SC)

Jonilson Carvalho de Oliveira (RN)

José Geraldo de Oliveira Ferraz (ES)

COUNCIL OF REPRESENTATIVES

João Alves Moreira – AC

Guy Calheiros Gomes de Barros – AL

Cláudia Andréa Sagaz Agut – AP

Miguel Arcanjo Simas Novo – AM

Roswílcio José Moreira Góis – BA

Léa Pereira de Mattos – DF

Eliezer Xavier de Almeida – CE

Eucélia Maria Agrizzi Megar – ES

José Rubens Batista – GO

Antonio de Jesus Oliveira de Santana – MA

José Caetano de Melo – MT

Maria Salete Paz – MS

Lúcio Avelino de Barros – MG

Albenize Gatto Cerqueira - PA

Evando Ricardo da Silva – PB

Célia Vieira de Lima – PE

João Soares da Silva Sobrinho – PI
Paulo de Freitas Radtke - PR
Oswaldino Messias e Aragão – RJ
Fernando Pires Homem de Siqueira– RN
Maria do Carmo Costa Pimentel – RS
Ocenir Sanches – RO
Parimé Brasil – RR
Okir de Sieno – SC
Assunta Di Dea Bergamasco – SP
Fábio Menezes Souza Silva – SE
José Carlos Rêgo Morais – TO

ANFIP FOUNDATION OF SOCIAL SECURITY STUDIES

EXECUTIVE BOARD

President

Ovídio Palmeira Filho

Director of Financial Affairs

Glaucio Diniz de Souza

Director of Projects and Specific Studies

Márcio Humberto Gheller

Director Planning Affairs

Sandra Teresa Paiva Miranda

Director of Events

Márcio Humberto Gheller

Substitutes

Floriano José Martins

Rosana Escudero de Almeida

TRUSTEE COUNCIL

President

Marcelo Oliveira

Secretary

Pedro Dittrich Júnior

Advisors

Carmelina Calabrese

Adenei Piazza Dal Pont

Rozinete Bissoli Guerini

Luiz Valmor Milani

Ana Lúcia Guimarães Silva

Substitutes

Miguel Arcanjo Simas Novo

Ary Gonzaga de Lellis

AUDIT COMMITTEE

Ennio Magalhães Soares da Câmara

Pedro Augusto Sanchez

Luiz Mendes Bezerra

Substitutes

Nelson Carvalho Leal

José Lamacié Ferreira