

Welfare Dependency and Poverty Traps: Evaluating the contribution of health policy using administrative data

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May 30, 2018

Oral Sessions: Health, labor and the social security system.

Abstract

This paper uses linked administrative data sets to estimate the causal impacts of public health provision on poverty. It combines individual data from Brazil's welfare register – which tracks up to 60 million individuals over time, recording their employment, earnings and receipt of transfers – with information on the opening of health care facilities in Rio de Janeiro. The *Clinicas de Saude da Familia* (CSFs) focus on primary care, giving special attention to women and children's health, in addition to offering continuous treatment to chronic diseases that greatly affect the elderly.

Brazil is an interesting laboratory for this analysis because of its rich public policy environment that nests universal health coverage and a large cash transfer programme. Using health facilities sequential implementation across neighborhoods in Rio de Janeiro during the first half of 2010's together with a difference-in-differences strategy, we have preliminarily found that the opening of a health facility increases employment and incomes of women in the informal sector, as well as in formal positions where employers do not offer any health insurance.

In particular, providing universal health care might be a way to reduce government spending on welfare programmes. The proposed channel is that improved health increases workers' productivity and income. This can be especially important among women because not only are they often in less good health, but they are also the carers for ill family members. Our findings so far suggest that the efficiency of government spending on poverty reduction can be enhanced through investments in public health. Providing universal health care can be an effective strategy for increasing the employment and income of poor people, potentially reducing their dependence upon cash transfer programmes.

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