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Impact of the decoupling of Union revenue (DRU) on the social security performance

ABSTRACT

Objective: We seek to identify the impact of the *Desvinculação da Receita da União* (DRU) (decoupling of Union revenue), analyzing the revenues and expenses related to the *Regime Geral de Previdência Social* (RGPS) (social security scheme) for the fiscal years 2012 until 2016 in Brazil.


Method: We perform an exploratory study, adopting comparative analysis observing the flows of revenues and expenditures of the RGPS and the federal government, and the impacts of the DRU.


Originality/relevance: Given the current social security reform agenda in Brazil and the polarization of the debate regarding this reform, DRU has been pointed out as one of the government mechanisms that has severely affected the social security scheme.


Results: We observe that the DRU did not contribute to forming the deficit of the pension scheme in the period analyzed (2012 – 2016) because expenditures with the RGPS were higher than revenues. Therefore, the imbalance between revenues and expenditures is the main cause of the deficit in the social security scheme.

Theoretical/Methodological contributions: We identify that the increase in social security expenditures has continuously surpassed the increase in social security revenues, which may be related to the economic crisis triggered by the political instability that started in Brazil in 2014. Thus, the research contributes to show the real causes and consequences related to the deficit in the RGPS, clarifying the influence of the mechanism of the DRU on the social security scheme.

Keywords: Decoupling of Union Revenue; Social Security; Social Security Pension Scheme; Public Finance; Social Security Deficit.

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1 INTRODUCTION

In 2008, the worsening crisis in the North American financial market spilled over its effects beyond that nation's borders. From this expansion, Rose and Spiegel (2010) describe that the crisis has gained international connotation, affecting domestic products, capital markets and debt securities markets in many countries.

In Brazil, the effects of this crisis appeared only in 2012 because of the high commodity prices in the international market contributed to subdue its effects (Garcia, 2016). Despite the delayed impact, the international economic crisis triggered a strong contraction of the Brazilian economy, causing uncontrolled public finances and bringing to the debate many discussions on what should be done to face the crisis. It is against this backdrop that the issue of social security reform emerged.

On the one hand, those advocating the reform argue that the *Regime Geral de Previdência Social* (RGPS) (social security scheme) presents a deficit. Without reform, there will be no way to keep paying the benefits. On the other hand, those against a reform build other arguments, such as there is no deficit in the RGPS. According to this argument, the apparent deficit in the social security scheme is caused by the mechanism of the *Desvinculação de Receitas da União* (Decoupling of Union Revenue) (herein called DRU). Those opposing a social security reform argue that the DRU reduces the revenues coming from the contributions designated to the RGPS, consequently reducing the resources available to defray social security expenditures and causing the deficit.

The DRU was created in the 1994, begin a amendment from 1988 Brazilian Constitution (CF/1988), and comprises a set of provisions that were implemented by successive constitutional amendments (CA). The amendments intended to offer the executive branch increasing budgetary flexibility in the face of the federal revenues – especially from taxes and contributions – earmarked by the legislators in the constitution (Suzart, 2015). After the CA 93/2016, the DRU decoupled 30% of the net revenues from social contributions, the revenues from the contribution of intervention in the economic domain (which finances the state's intervention in the economy to prevent market imbalance in the area where the contribution is levied), and fees.

Amongst the arguments put forward by groups advocating or against social security reform, Brazilian society as a whole entered the debate. However, most citizens do not properly understand the details around the issue, considering the difficulty of obtaining a diagnostic of the real problems of the Brazilian pension scheme. Both the government and civil society organizations tend to distort information to favor their own arguments, and one of the themes that have been widely presented as a problem or as a solution to the current social security deficits is the DRU. In addition, at the time of writing this article, no studies were identified addressing the effects of the DRU on the pension scheme.

Therefore, this research was guided by the following question: what is the impact of the DRU on the result of the RGPS? The research sought to answer the question by analyzing the revenues and expenditures related to the RGPS for the fiscal years 2012 to 2016 in Brazil.

The article is divided into five sections. Following this introduction, the second section discusses the issue of social security, observing the national and international contexts and presenting the mechanism of the DRU. The third section presents the methodology, followed by the fourth part showing the main results. The fifth section concludes the article by presenting the final considerations.

2 SOCIAL SECURITY AND DECOUPLING OF UNION REVENUE (DRU)

2.1 Social Security around the World

A question commonly debated all over the world – and well presented by Schieber and Shoven (1999) when studying the American social security – is: will social security schemes endure when thousands of baby boomers request their pension?

This question captures a worldwide concern with pension schemes, considered as a guarantee of rights – and, according to Bobbio (2000), the right is the only effective weapon against totalitarian power. However, the lack of resources to pay the benefits and, consequently, guarantee such rights, has led states (usually with the low engagement of civil society) to seek social security reforms. In this sense, it is necessary to understand the birth of social security schemes and portray, even if not in detail, how these schemes are structured around the world.

Alencar (2009) points out that the first social security scheme in the world emerged in Germany, during the mandate of Otto von Bismarck. Chancellor Bismarck instituted mandatory insurance to protect workers in cases of health problems, accidents at work, disability, and aging paid for by contributions from employees, employers, and the state. All workers should be affiliated with insurance companies or mutual aid entities. From then on, the social security scheme became mandatory in all factories, and the German experience inspired similar schemes all over the world.

Countries started to adopt different models of social security, replicating the scheme developed in Germany by Bismarck or implementing others such as the Beveridgian and the liberal models, experiences that vary according to the history and characteristics of each country. In Latin America, Chile privatized its social security scheme, creating a mandatory contribution scheme, administered by the private sector under government supervision (Hujo, 2009). This model is also used in Mexico, El Salvador, Bolivia, and Nicaragua (Coelho, 2003). In Uruguay and Costa Rica, the model is mixed, in which both the State and the private sector act in a complementary manner to maintain the pension scheme (Coelho 2003). In Argentina, the social security scheme was privatized, and in 2009 it was re-statized, resuming the characteristics of a scheme of defined benefits. The private accounts were passed to the government that took control of the citizen's social security (Hujo, 2009).

Australia has an age-based retirement pension scheme, and the costs are covered by public revenue (Herscovitch & Stanton, 2008). This type of defined benefit pension plan is also used in Japan, China, and Hong Kong. In Europe, the design of the social security scheme was expanded after the Second World War, shaped to meet the specific needs of that period. With the change in demographics and the population's aging, maintaining the pension scheme has become too expensive in the region. Europe has today, two active workers for each retiree or pensioner (Alencar, 2009). For this reason, the whole of Europe is studying the pension schemes' reforms.

The pension plans in England have a defined benefit, maintaining a pension scheme that comprises a fixed benefit, based on the level of income, and another benefit based on the salary, calculating the pension through the average salary of the worker's whole life. In the US and Canada, for example, more than half of the population knows that they are responsible for the cost of their retirement, and use private pension plans (Marmor & Mashaw, 2017; Wolf & Oliveira, 2017).

2.2 Social Security in Brazil

The *Caixa de Aposentadoria e Pensão dos Ferroviários* (Railway Workers' Pension Fund) was created in 1923 (known as "*Lei Eloy Chaves*") (Brasil, 1923). It followed the characteristics of the German model and, according to Silva (2011), was the starting point for structuring the Brazilian social security scheme. The pension fund protected the employees of the railway companies and their economic dependents in events such as illnesses, retirement for the length of service, and disability, as well as offered pensions to heirs in the case of the beneficiary's death. Contributions from employees and employers financed the model.

During the government of Getúlio Vargas, the railway workers' pension fund was replaced by several *Institutos de Aposentadoria* (IA) (Retirement Institutes), created for the benefit of different professional categories. This scheme lasted until 1945 when the Organic Law on Social Services (Brasil, 1945) came into force and consolidated the various IAs in the so-called *Instituto dos Serviços Sociais no Brasil* (ISSB) (Institute of Social Services in Brazil).

In August 1960, the Organic Law on Social Security (Brasil, 1960) organized Brazilian social security. The legislation, however, does not extinguish the existing IA (unified around the ISSB). It ensures the beneficiaries of social security (a) the right to benefits in case of illnesses; (b) retirement due to illness, disability, special retirement, old age and length of service; (c) savings and financial welfare; and (d) pension and funeral aid, as well as family benefits in case of incarceration. The strategy of financing for this new form of organization did not change from the previous model. The break with the IS only happened in 1966, with the creation of the *Instituto Nacional de Previdência Social* (INPS) (National Social Security Institute), through Decree-Law n.72 (Brasil, 1966).

With the 1988 Brazilian federal constitution (CF/1988) (Brasil, 1988), social security became part of the list of social rights and, at the same time, became one of the elements forming the constitutional concept of social security. In other words, according to the CF/1988, social security started to be defined as an integrated set of initiatives by the Public Authorities and society, seeking to ensure the rights related to health, pension, and welfare (CF/88, art. 194).

The CF/1988 (Brasil, 1988) presents three social security schemes: (a) the social security pension scheme (RGPS); (b) the civil servants' social security pension scheme (RPPS); and (c) the military personnel's social security pension scheme. There is also what can be considered a fourth scheme, the social security complementary scheme. This article, however, will limit the discussion to the RGPS.

As mentioned above, the Brazilian social security pension scheme went through numerous adjustments regarding organizational structure and scope since its first creation. These changes, combined with the current scenario of the Brazilian economy of high-interest rates, low economic growth, and high unemployment rates, reinforce the understanding that the retirement rules in Brazil are not at the same pace as the operation of the pension scheme (Giambiagi, Mendonça, Beltrão, & Ardeo, 2004).

Several changes have been implemented in the scheme, from time to time, to correct this imbalance and align the scheme with the beneficiaries' needs and expectations. Constitutional Amendment n. 20 (Brasil, 1998), for example, emphasized the contributory nature of social security, as well as mandatory membership and the necessary financial and actuarial balance. In 2003, through CA n. 41, CF/1988 was again amended to reform social security.

This time, the CA n. 41 (Brasil, 2003a), tried to approximate the RPPS and the military personnel's social security pension scheme to the RGPS. This amendment again

reinforced the scheme' contributory nature and the financial and actuarial balance. More recently, almost 14 years after CA n. 41, a new reform of the social security pension scheme is proposed and under discussion in the National Congress.

Both the Constitutional Amendment Bill n. 287 (Brasil, 2016b) and the Constitutional Amendment Bill n. 6-A (Brasil, 2019) intend to equalize the RPPS, the military personnel's social security pension scheme, and the RGPS. Among the main provisions affecting all schemes, are: (a) increasing the full retirement age; (b) linking earnings to the minimum and maximum limits paid by the RGPS; (c) the tightening of the rules for calculating retirement earnings; and (d) the veto on receiving more than one pension per beneficiary.

The RGPS is a pay-as-you-go scheme, expressing the solidarity between the generations. The problem of this logic lies in the risk of a decrease in the contributory base, which leads to an increasing deficit. In addition to the contribution of the individual worker, the Brazilian social security scheme is financed by contributions from the employer (levied on payroll, billing, profit, and other means) and by other revenue sources related to the state's activity, such as revenue from exploring lottery.

An institutional innovation that occurred in Brazil since the 1988 Constitution was the DRU. This mechanism offered the federal government greater discretion in the management of revenues that had been earmarked by the legislators in the Constitution in order to guarantee essential services.

2.3 Decoupling of Union Revenue (DRU)

According to Suzart (2015, pp. 871-872, our translation):

The *Desvinculação de Receitas da União* (DRU) [decoupling of Union revenue] comprises a set of instruments that have been implemented throughout successive constitutional amendments. Its goal is to increase budgetary flexibility in the face of the federal revenues, particularly from taxes and contributions, earmarked by legislators in the constitution.

It is possible to say that the main purpose of the DRU is to increase the volume of resources the executive branch can freely allocate to achieve better cash management, especially at the beginning of the year since the excess of earmarked expenditures could reduce the number of free resources and create an artificial need for cash.

According to Suzart (2015, p. 872, our translation), "the provisions that created the DRU have been implemented until today." In 1994 the *Fundo Social de Emergência* (FSE) (Emergency Social Fund) was created to help stabilize the economy, substituted after 1995 by the *Fundo de Estabilização Fiscal* (FEF) (Fiscal Stabilization Fund) in force between 1996 and 1999 with the same purpose. The DRU may be considered a development of these mechanisms, called *Desvinculação de Receitas da União*, since 2000 and currently in force.

The first mechanism, the FSE, "sanitized" public finances and sought economic stabilization (Brasil, 1994). As for the FEF, there was no significant alteration in comparison to the FSE (Dias & Tavares, 1999). The main change between these two mechanisms was that the Constitutional Amendment n. 17 (Brasil, 1997), forced the Federal Government to pass on to the municipalities – through the *Fundo de Participação dos Municípios* (FPM) (Municipalities Participation Fund) – a percentage of the income tax levied. The rates designated to the FPM increased over the years, 1.56%, 1.875%, and 2.5%, respectively, for 1997 (second semester), 1998, and 1999. For Dias and Tavares (1999), this mechanism worked as a form of reimbursement from the Union to subnational governments, due to the reduction of the FPM calculation base that had occurred previously. The FSE and the FEF helped to reduce the deficit in public finances and offer more discretion to public managers in allocating resources (Dias & Tavares, 1999; Pinto, 2008). However, these mechanisms did not

correspond exactly to the concept of ‘fund’ as stated in the Brazilian legislation (Dias & Tavares, 1999; Scaff, 2004).

Constitutional Amendment n. 27 (Brasil, 2000) innovated by not creating another fund, consolidating the idea of ‘decoupling’ – the so-called DRU. In the years 2000 to 2003, 20% of revenues from taxes and social contributions were subject to free allocation by the executive branch. However, the Federal Government had to comply with the calculation bases used to transfer resources to subnational governments and to “investments in financing programs for the productive sector in the regions North, Northeast, and Central-West” (Brasil, 2000). Also, the social contribution toward basic education (known in Brazilian Portuguese as “*salário-educação*”) was excluded from the calculation base for the DRU (Brasil, 2000).

Constitutional Amendment n. 42 (Brasil, 2003b), in force since the fiscal year of 2004, included in the DRU the revenues from the contribution of intervention in the economic domain (CIDE). Constitutional Amendment n. 59 (Brasil, 2009) canceled the effect of the DRU for the "calculation of resources for maintenance and development of education," partially in 2009 and 2010, and totally in 2011. The Constitutional Amendment n. 68 maintained this annulment (Brasil, 2011).

In addition to these, other exclusions in the calculation have been made related to social contributions for the RGPS and the RPPS. According to Dias (2011), such exclusions result from provisions contained in the budget guidelines laws.

The penultimate version of the DRU had the following form of calculation:

Revenues	Percentage of the DRU
Revenues from taxes	(A) 20% of revenues from taxes
Revenues from social contributions (-) Fines, interests, and dividends from debts (-) Contributions for the social security pension scheme (RGPS) ^a (-) Contributions toward basic education (-) Percentage of the CPMF (Provisional Contribution on Financial Transactions) designated to the fund to fight and eradicate poverty ^b (-) Contributions for the civil servants’ social pension scheme (RPPS) = Net revenues from social contributions	(B) 20% of net revenues from social contributions
Revenues from the contribution of intervention in the economic domain (CIDE) ^c	(C) 20% of revenues from CIDE
Total unlinked revenues	A + B + C

Figure 1. Calculation of the DRU as provided in the Constitutional Amendment 68/2011.

Source: Adapted from Suzart (2015), with data from Brasil (2011).

^a. Contributions collected from employers levied on salaries paid, on other income of individuals, and income of workers and individuals insured by the social security pension scheme (RGPS).

^b. This revenue is currently restricted to residual balance. The CPMF was in force until 2007.

^c. This revenue is currently restricted to residual balance. The Decree 7764 of June 22, 2012, canceled the CIDE’s rate for items related to fuel.

The latest version of the DRU (Constitutional Amendment n. 93), was approved in 2016, with retroactive effects to January 1 of that year (Brasil, 2016a). Three major innovations in this new version (Brasil, 2016a) were:

- Change in the percentage of DRU, from 20% to 30%;
- Withdrawal of taxes and inclusion of fees in the calculation base; and
- Extension of the provision to subnational governments (creation of the equivalent of DRU for States, the Federal District, and Municipalities – called DREM).

Considering the latest version of the DRU in force until 2023 (Brasil, 2016a), the calculation is conducted as follows:

Revenues	Percentage of the DRU
Revenues from social contributions (-) Contributions for the social security pension scheme (RGPS) ^a (-) Contributions toward basic education (-) Percentage of the CPMF (Provisional Contribution on Financial Transactions) designated to the fund to fight and eradicate poverty ^b (-) Contributions for the civil servants' social pension scheme (RPPS) = Net revenues from social contributions	(A) 30% of net revenues from social contributions
Revenues from the contribution of intervention in the economic domain (CIDE)	(B) 30% of revenues from CIDE
Fees	(C) 30% of fees
Total unlinked revenue	A + B + C

Figure 2. Calculation of the DRU as provided in the Constitutional Amendment 93/2016.

Source: Adapted from Suzart (2015), with data from Brasil (2016a).

^a. Contributions collected from employers levied on salaries paid, on other income of individuals, and income of workers and individuals insured by the social security pension scheme (RGPS).

^b. This revenue is currently restricted to residual balance. The CPMF was in force until 2007.

According to Dias (2011), one of the main purposes of the DRU is to assist the executive branch in reaching the goal of obtaining fiscal surplus, directing state financial management based on the budgetary execution. Suzart (2015) points out that the fiscal surplus is generally used “for the payment of interest and the principal of the public debt,” however, this does not mean that the resources made available through the mechanism of the DRU are only used to pay the state’s debts. Such resources are available to the manager for free allocation, but their use must meet the budget expenditures previously established.

3 METHODOLOGY

This study analyzes the influence of the DRU on the result of RGPS, in the period between 2012 and 2016. It is exploratory and descriptive research observing the budget execution carried out by the Brazilian Federal Government, within the scope of the social security pension scheme (RGPS).

The RGPS result comprises the difference between revenue and pension expenditures, which in the Brazilian case are calculated on a cash basis. In the Brazilian model, the revenues of the social security scheme come from social security contributions directly linked to the RGPS. The expenditures are the payment of benefits granted under the RGPS rules.

In the last two versions of the DRU, in force in the period analyzed, the mechanism did not touch the contributions for the RGPS. However, the mechanism of DRU applies to other social contributions that help to finance social security (health, welfare, and pensions, according to the Brazilian Constitution). For this reason, the study focused on the behavior of revenues from social contributions, analyzing the period between 2012 and 2016.

Initially, data on the RGPS budget execution were collected and organized for the period from 2012 to 2016. Then, data on the execution of social contribution revenues were obtained. The data were collected from consultations in the platform *Tesouro Gerencial*, a managerial tool for handling data recorded in the Federal Government’s Financial Administration System (SIAFI).

The following contributions were considered as RGPS revenue: (a) contributions from insured individuals; (b) employers; (c) farmers; (d) public agencies; (e) philanthropic organizations; (f) sports events; and (g) other contributions (not including the specific contributions for the RGPS). RGPS expenditures included pensions and other benefits granted

by RGPS. It is noteworthy that these revenues and expenditures are calculated on a cash basis (collection for revenues and commitment for expenditures).

Subsequently, analyzes were performed comparing the behavior of the RGPS result over the analyzed period. The idea was to describe the behavior of RGPS revenue and expenditures, as well as the result of the pension scheme and other revenues from social contributions. Also, the effect of the DRU on this set of revenues was analyzed.

Regarding revenues, the analysis was performed using grouped data. As the study obtained data from the budget execution, there is no clear distinction between contributions related to urban or rural work. Regarding expenses, the analysis was performed using grouped and segmented data. In the budgetary execution, RGPS expenditures are segregated into three major groups: (a) urban area, (b) rural area, and (c) special pension.

The urban and rural areas refer to the insured workers' place of labor activity during the period in which the benefits are acquired. Special pensions are due to specific legislation that compensates victims of incidents of great repercussion or social commotion, such as: (a) thalidomide syndrome, (b) political amnesties, (c) leprosy, (d) rubber latex gatherers, etc.

In addition, expenditures were also segregated by type of benefits, as follows: (a) retirement pensions, (b) other pensions, and (c) other benefits (for the purposes of this research, included special pensions).

4 RESULTS ANALYSIS

4.1 Results

Figure 3 presents the evolution of the revenues, expenditures, and deficits (cash regime), directly related to the RGPS, for the period from 2012 to 2016, according to the budget execution of the Brazilian Federal Government. It is noteworthy that Figure 3 does not consider RGPS as part of the social security pension scheme. Thus, the analysis refers only to RGPS and its own sources of financing.

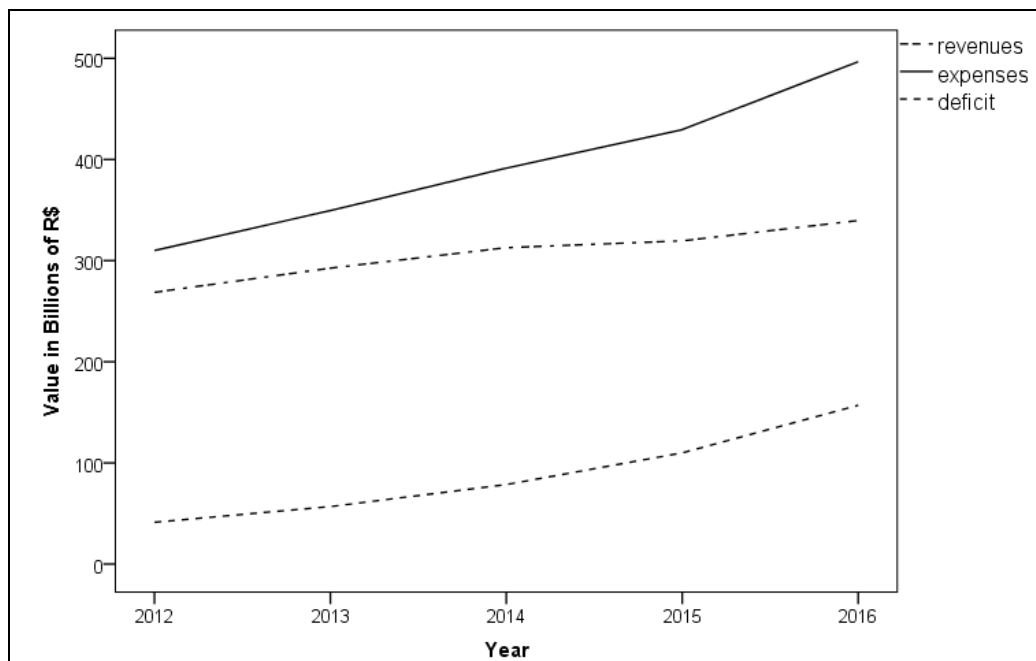


Figure 3. Budget execution directly related to the RGPS.

During the period analyzed, RGPS presented an increasing deficit from approximately R\$41.3 billion in 2012 to about R\$157 billion in 2016. There is a nominal growth of 279.8%, or a real growth of 183.4%, adjusting the 2012 figure by the inflation rate – National Consumer Price Index (INPC).

RGPS revenues went from R\$268.7 billion in 2012 to approximately R\$339.7 billion in 2016, indicating a nominal growth of 26.4% (a real reduction of 5.6%, adjusting the value of 2012 by INPC). RGPS expenditures, on the other hand, went from about R\$310 billion, in 2012, to approximately R\$496.6 billion, in 2016, showing a nominal growth of 60.2%, or a real growth of 19.6%, adjusting the 2012 figure by INPC).

From a nominal point of view, the expenditure grew more rapidly in comparison to the revenues, which means worsening in the RGPS result over the analyzed period. The impact seems more evident when analyzing the real variations, indicating a contraction in revenues and an increase in expenditures related to the RGPS.

As previously described, the versions of the DRU in force from 2012 to 2016, do not directly affect revenues of the RGPS. Assuming that the DRU affected such revenues, the results indicate that this influence would not be the cause of the deficit since RGPS gross revenue was lower than the regime’s expenditure during the period under analysis.

Therefore, if the DRU was applicable to the revenues from social contributions for the RGPS, the effect would be to increase the RGPS deficit, but not to cause it. The cause of the deficit is that expenditures, in the period under review, are higher than revenues. It is important to emphasize that revenues from contributions for RGPS are excluded from the calculation base of the revenues from social contributions for the application of the DRU.

The next step of the study analyzes the composition of RGPS expenditures, by coverage area, over the analyzed period.

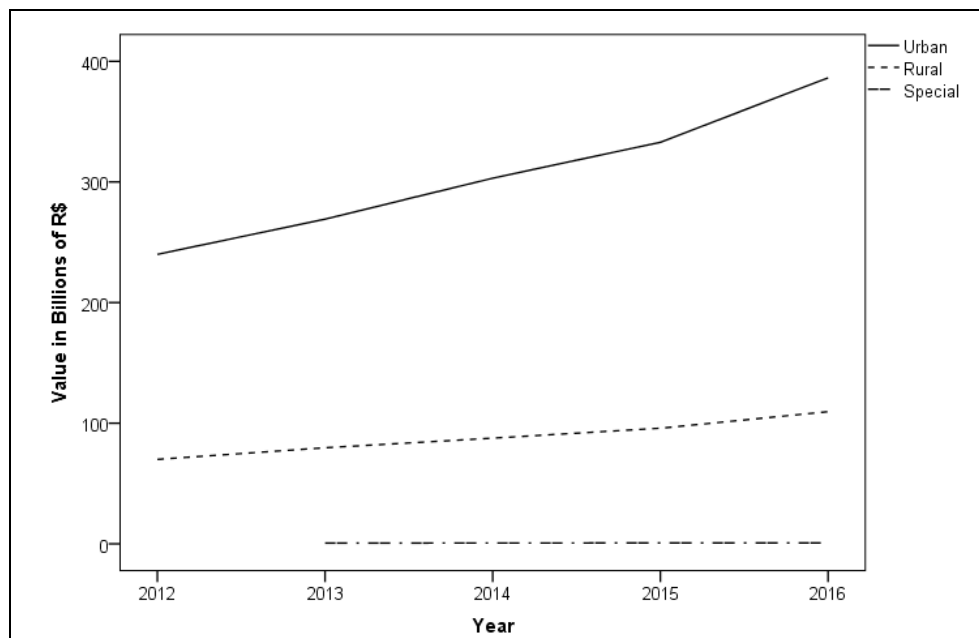


Figure 4. Composition of expenditures related to RGPS – coverage area.

As shown in Figure 4, urban pensions correspond, on average, to 77.4% of RGPS expenditures, followed by rural (22.4%) and special pensions (0.2%). Expenditures on pension to insured workers in urban areas went from R\$240 billion, in 2012, to R\$386.3 billion, in 2016 (approximate figures), indicating a nominal growth of about 61%, or a real growth of 20.2%, adjusting the 2012 value by INPC. As for the expenditures on pension to

insured workers in rural areas, the value went from R\$70 billion in 2012 to R\$109.6 billion in 2016 (approximate figures), indicating a nominal growth of 56.4%, or a real growth of 16.8%, adjusting the 2012 value by INPC. Special pensions started to be recorded separately by the Federal Government only in 2013 when they summed R\$623.7 million. In 2016, the approximate value of R\$745.7 million, showing a nominal growth of 19.6% (a real reduction of 5.8%, adjusting the value of 2013 by INPC).

Observing the results presented above, it is possible to say that the expenditures related to the pension of workers in the urban and rural areas had real growth between the years 2012 to 2016 with the expenditure with urban workers' pension showing nominal and real growth higher than the one observed with rural workers.

As previously explained, differently from the budgetary execution of expenditures, RGPS revenues are not segregated according to the beneficiaries' location (urban or rural). However, the National Institute of Social Security (INSS) monitors this variable, allowing to segregate such revenues. It is noteworthy, however, that the INSS monitoring considers some revenues indirectly related to the RGPS, which differs somewhat from the values found in this research.

According to Martello (2017), the data released by the INSS showed an RGPS deficit of R\$149.73 billion, whereas the methodology adopted in this research presented an RGPS deficit of R\$157 billion. Of the value indicated by Martello (2017), R\$103.39 billion of the deficits referred to the difference between revenues and expenditures related to workers' pension in rural areas, and R\$46.34 billion in urban areas. Thus, it is possible to say that, despite representing, on average, 22.4% of RGPS expenditures, rural pension is responsible for the RGPS deficit, which is explained by the low volume of revenues coming from the rural areas to the scheme.

Regarding urban workers' pension, Martello (2017) points out that after successive surpluses, it presented a deficit in 2016, which can be explained by the real reduction in RGPS revenues, as previously described. This explanation may be complemented by the fact that RGPS expenditures had real growth in the analyzed period.

Regarding the special pensions, they were the only expenditures that showed a real reduction in the period analyzed, despite nominal growth. Although some of these pensions are paid to people who, before the incidents, contributed as workers in the urban or rural areas, they do not have a direct source of financing as observed with urban and rural workers' pension. This makes it difficult to demonstrate the real impact of these expenditures on the RGPS deficit. However, they represent, on average, only 0.2% of the total RGPS expenditures. It is noteworthy that, although having an indemnity nature, special pensions are considered expenses directly related to the RGPS, similarly to disability allowances (and respective pensions).

4.2 Discussion

This section presents the effect of the DRU concerning social contributions during the period analyzed.

To demonstrate the effect of the DRU on social contribution revenues, the study used the total amount of these revenues, excluding the values related to revenues from contributions for the RGPS, the RPPS, and the contribution toward basic education. After obtaining the calculation basis, the percentage of 20% was applied for the years 2012 to 2015 and the percentage of 30% for the year 2016.

The results indicate that in 2012, approximately R\$57.2 billion was withdrawn using the mechanism of the DRU. That year, the RGPS deficit was R\$41.3 billion. If this was standard

behavior, it could lead to the conclusion that, although DRU is not the cause of the RGPS deficit, the amount withdrawn would be enough to defray the respective deficit. The same behavior was observed in 2013.

Table 1

Effect of the DRU on revenues from social contribution

Items	Year				
	2012	2013	2014	2015	2016
(a) Revenues from social contributions	592.34	646.90	676.69	692.40	732.34
(b) Contributions for the RGPS	268.67	292.62	312.81	319.56	339.67
(c) Contributions toward basic education	14.77	16.56	18.28	19.04	19.52
(d) Contributions for the RPPS	22.86	24.41	26.84	29.37	33.65
(e) Calculation base (a – b – c – d)	286.04	313.31	318.76	324.43	339.50
DRU (e) x 20% or (e) x 30% in 2016)	57.21	62.66	63.75	64.89	101.85
Deficit of RGPS	41.34	56.86	78.61	109.97	156.99

Note. Values in billions of R\$.

Source: Research data (2017)

As of 2014, the behavior changed since the amount that was withdrawn was R\$63.8 billion, and the RGPS deficit summed R\$78.6 billion. Thus, the deficit value surpassed the amount extracted through the mechanism of the DRU. This same pattern was repeated in the following years. In 2016, the value of the RGPS deficit exceeded the amount withdrawn using the DRU by 54.1%. It is verified, once again, that there is no causal relationship between DRU and the RGPS deficit since the deficit is caused, in the period analyzed, by the real growth of expenditures and a real reduction in revenues.

Despite not affecting the results of the pension scheme, the mechanism of the DRU reduces the number of resources related to social security contributions, which should cover the expenditures with social security such as health, welfare, and pension. This situation indicates a definite effect on the result of the Fiscal and Social Security Budget (OFSS). Thus, DRU causes a reduction in the amount of social security cash that, after all, has a negative impact on its results, even though it does not directly impact the pension scheme.

On the other hand, the negative results of the pension scheme in recent years has caused an atypical situation in the OFSS. Considering, for example, that there was no DRU and excluding the revenues from contribution for the RGPS, the RPPS and the contribution toward basic education, the relationship between the RGPS deficit and the available amount of social contribution revenues would be 14.4%, 18.1%, 24.6%, 33.9%, and 46.2%, respectively, in the years 2012, 2013, 2014, 2015, and 2016. In 2016, the RGPS deficit was equivalent to almost half of the available amounts of revenues from social security contributions (when considered in isolation). Although the DRU affects the result of the OFSS, when observing only the RGPS, it is evident that the DRU would only affect the result of the RGPS, if, and only if, there was surplus or a balanced result and, after the application of the DRU, there was a reduction in revenues for the RGPS, and a consequent deficit.

An important and little-discussed issue based on the results found is that, in a situation of deficit such as that of the RGPS in the analyzed period, the DRU causes changes in the sources funding the RGPS, which leads the Brazilian Federal Government to search for other sources (other than social security) to defray that deficit. These are unconventional sources and present the risk of future problems beyond the issues already posed by the Fiscal and Social Security Budget (OFSS). These sources of financing, including the unconventional ones, are shown in Table 2.

Table 2
Source of funding for the RGPS expenditures

Sources	Year				
	2012	2013	2014	2015	2016
Resources from the RGPS	266.45	312.88	328.13	326.10	322.47
Ordinary resources	3.54	2.11	17.09	1.24	67.21
National treasury bonds	-	-	-	21.83	52.22
Contribution to Social Security Financing (COFINS)	39.39	22.05	18.26	21.20	32.25
National treasury availability	-	9.24	3.51	11.72	18.67
Financial compensation	-	-	-	31.44	-
Concessions and permits	-	-	1.56	-	2.29
Fund for Telecommunication Monitoring (FISTEL)	-	2.32	-	13.80	-
Social Contribution on Net Profits (CSSL)	0.49	0.88	4.24	0.44	1.31
Police fees	-	-	4.62	-	-
Other economic contributions	-	-	3.36	-	-
Revenues from default interests and fines	-	-	3.46	1.53	-
Other social contributions	-	-	1.94	-	-
Contributions on lotteries	-	-	1.34	0.23	-
Fees for public services	-	-	0.97	-	-
Other	0.14	-	2.94	-	0.25
Total	310.01	349.48	391.42	429.53	496.67

Note. Values in billions of R\$.

Source: Research data (2017)

From the information on the sources of funds used to defray the expenditures with the RGPS, it is observed that the main source refers to the resources of the RGPS. In 2012, this source was responsible for the cost of around 86% of RGPS expenditures. However, given the contraction of RGPS revenues, this source only managed to cover 65% of expenditures in 2016. The second-largest source of funds used is related to the Contribution to Social Security Financing (COFINS). In 2012, funds from COFINS funded 12.7% of the expenditures. However, this source was also affected by the contracting of federal revenues, managing to cover only 6.5% of RGPS expenditures in 2016.

With the reduction in RGPS revenues and revenues from other social security contributions, the deficit in the regime was met with the use of resources from the National Treasury. The use of ordinary resources, those that the government can freely allocate, went from 1.1% in 2012 to 13.5% in 2016. In addition to ordinary resources, resources related to the issuance of government bonds were used (in 2015 and 2016, accounting for 5.1% and 10.5%, respectively) and with the remuneration of the National Treasury's availability (since 2013).

Another element that stands out is the use of a source of funds that should cover other types of expenditures rather than social security. In 2015, the Brazilian federal government used resources from financial compensation received for the exploration of oil and gas, covering 7.3% of RGPS expenditures. In 2013 and 2015, resources from the Fund for Telecommunication Monitoring (FISTEL) were also used, covering 0.7% and 3.2% of the expenditures, respectively.

It is observed that, given the RGPS deficit, the Brazilian Federal Government has sought other sources to finance the pension scheme and keep paying the benefits. It is important to clarify that social security contributions are not always able to meet the needs of the RGPS since they also need to account for delivering health, welfare, and pensions related to the RPPS.

5 FINAL CONSIDERATIONS

The results showed that the DRU did not directly affect social security revenues in the period covered in this research, since the mechanism of the DRU, according to the legal provisions in the period analyzed, do not touch the RGPS gross revenue. In a hypothetical scenario where the DRU applied to the revenue from contributions for the RGPS, the effect would be to increase the RGPS deficit and not to cause it. The DRU would only affect the deficit if the RGPS were in surplus or, at least, operated in balance. In this case, the DRU would have a direct effect on the result of the RGPS, and it would be possible to assess clearly and simply the magnitude of the DRU impact on social security revenues.

Concerning social contributions that compose the revenues of social security, in 2012 and 2013, the DRU withdrew an amount higher than that sufficient to defray the respective RGPS deficits. This situation does not occur in the years 2014, 2015, and 2016. In these years, the DRU always withdrew less than the deficit. This scenario reinforces the conviction that the RGPS deficit, in the period under analysis, was caused by the real growth in expenditures and a real reduction in revenues, not by other factors. Thus, it is important to emphasize that the DRU affects the pension scheme cash availability, but it is not responsible for the RGPS deficit.

In the period analyzed, the results observed in 2014 deserve some reflections. During this year, a process of political crisis was triggered in Brazil, which resulted in the process of impeachment of the president, which started at the end of 2015. The development of this process further affected the economic crisis, which has still not been resolved, given the political polarization that has dominated since then. These economic conditions, associated with the lack of recovery in economic activity, contribute to the increase of the existing deficit, since the more informal the employment, the lower the social security collection.

Given the scenario and the results presented, it is possible to say that each stakeholder sheds light on what seems most convenient. The government continuously uses the same explanations, such as the aging of the population, the increase in life expectancy, distortions in the rules for granting and financing rural benefits. Civil society, on the other hand, accuses the government of generating deficits in the pension scheme by not adequately financing the scheme with all its originally designated revenues, in addition to granting tax exemptions to companies without the due reflection as well as failing to collect tax from large debtors, both those who do not pay their share to the pension scheme and those who are in debt with the treasury.

As can be seen, the heart of the discussion does not touch on one of the main aspects of the issue: the anachronism of the pay-as-you-go scheme that governs the RGPS in Brazil. In other words, the debate is not about the search for more evolved solutions that are more adapted to modern realities. However, for the incessant search for palliative remedies (other sources of funding), that can keep the patient sick (the pension scheme) for another handful of years. The search for a more lasting and effective remedy (perhaps the cure) seems to be a distant and unreachable challenge, given the current situation.

Finally, it is important to mention the analytical limitations of this research. First and certainly the most relevant, for a methodological choice, this study analyzed the RGPS as an independent scheme of social security, as the legislative and executive branches in Brazil usually do. The second limitation refers to the transparency of social security information in the country, considering the limited availability of disaggregated information on social security revenues, and the fact that the period analyzed was too short.

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Impacto da Desvinculação de Receitas da União (DRU) no resultado da previdência social.

RESUMO

Objetivo: *Esse trabalho teve por objetivo identificar o impacto da Desvinculação da Receita da União (DRU), analisando as receitas e despesas relacionadas com o Regime Geral da Previdência Social (RGPS) entre os exercícios financeiros de 2012 a 2016.*


Método: *O presente artigo é um estudo exploratório. Foi empregada uma análise comparativa entre os fluxos de receitas e despesas do RGPS e da União e os impactos da DRU.*

Originalidade/relevância: *Diante da atualidade da pauta da reforma da previdência social no Brasil e da polarização do debate em relação a essa reforma, a DRU tem sido apontada como uma das graves ingerências cometidas pelo governo no que se refere à previdência.*

Resultados: *Verificou que a DRU, nos anos de 2012 a 2016 não contribuiu para a formação do déficit da Previdência, pois em todo este período os valores das despesas com o RGPS foram superiores às receitas, sendo, portanto, esta situação a principal causa do déficit do RGPS.*

Contribuições teóricas/metodológicas: *Identificou-se que o aumento das despesas previdenciárias vem superando o aumento das receitas previdenciárias, o que pode estar relacionado à crise econômica desencadeada pela crise política iniciado no Brasil a partir de 2014. Desse modo, a pesquisa contribui para apresentar reais causas e consequências para o déficit do RGPS, do que a simples suposição do impacto da DRU.*

Palavras-chave: *Desvinculação de Receitas da União; Previdência Social; Regime Geral da Previdência Social; Finanças Públicas; Déficit Previdenciário.*

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