

Employment Policies in Brazil: evolution, coverage and limitations

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Session 1: Social Development Strategies for Inclusive
Growth

Painel 2: The role of employment policies

Context: Work, Unemployment and Poverty in Brazil

On one side:

- The vulnerability to poverty of economically active people is due to both unemployment and precarious work.

On the other...

- Improvements in poverty and inequality indicators (since 2005) have been linked to the increase in the earned income of the poorest as well as to the scaling-up of cash transfer programmes.

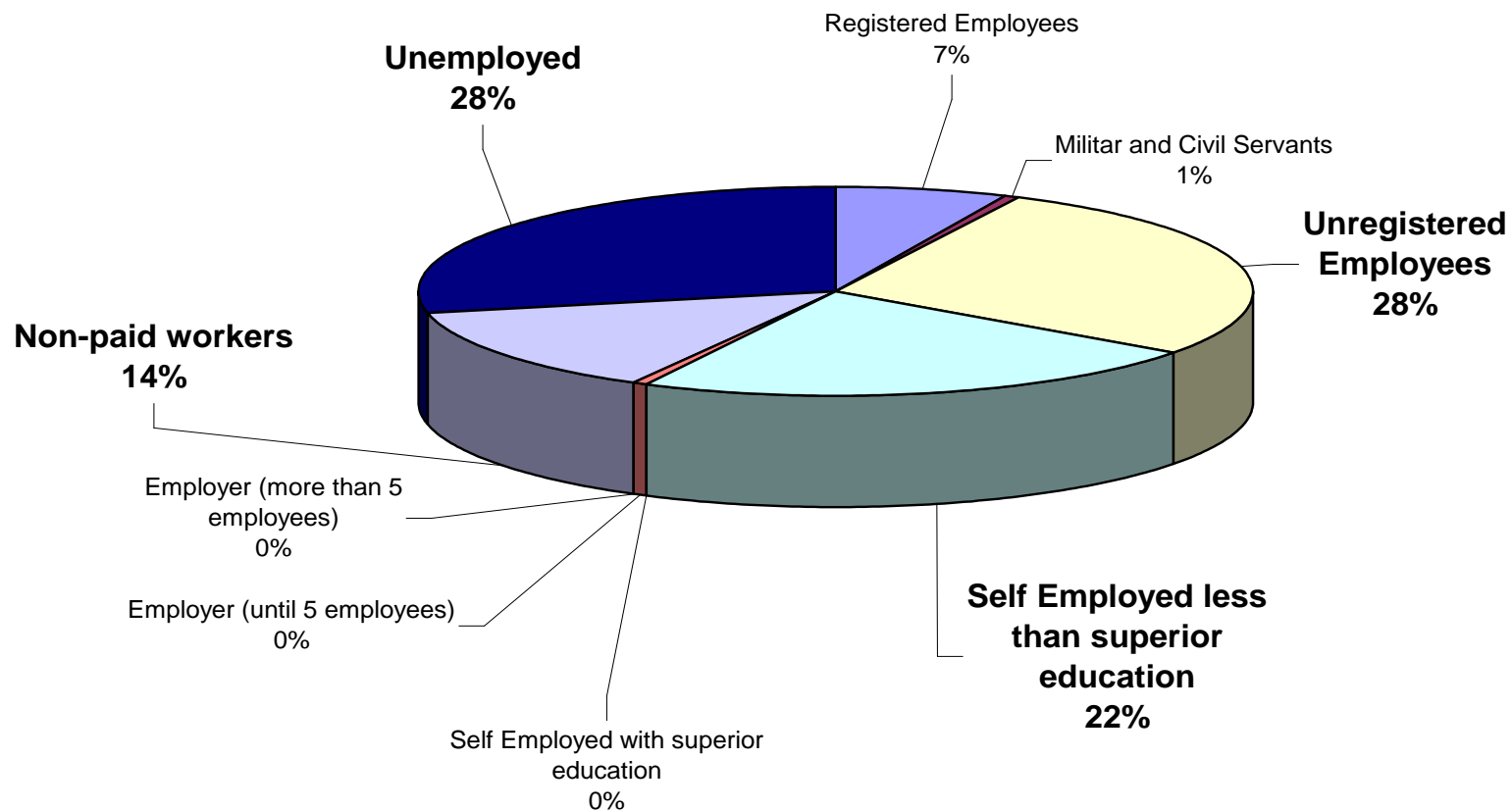
Context: Work, Unemployment and Poverty in Brazil

2008 Distribution of earned income for the population over 15 years in urban areas

- 10% had per capita household earned income $< \frac{1}{4}$ Minimum wage (\sim US\$ 56.69).
- 25% had per capita household earned income $< \frac{1}{2}$ Minimum wage (\sim US\$ 113.39).

Context: Work, Unemployment and Poverty in Brazil

Urban Economically Active Population (15 yrs +) with labour-related per capita income < 1/4 minimum wage (2008)

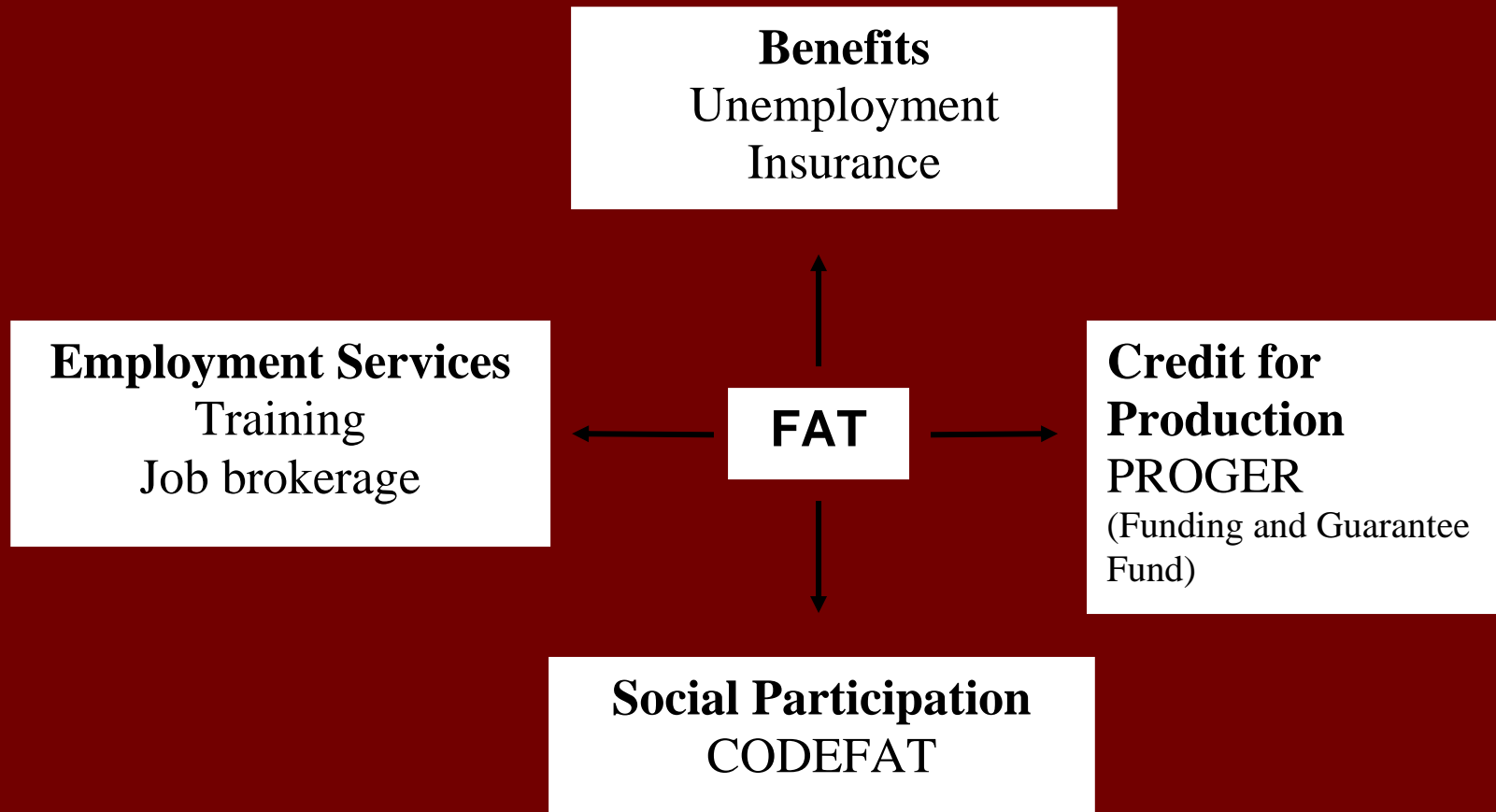


Work, Unemployment and Poverty in Brazil

Objectives of Employment Policies:

- Protection for the unemployed;
- Re-entry of the unemployed in the labour market;
- Mechanisms to increase earnings of self-employed workers;
- Upward mobility for wage-earners.

Structure of the Public Employment System



Structure of the Public Employment System

- Unemployment Insurance (2009)
 - 7.4 millions beneficiaries
 - R\$ 18.9 billions (US\$ 9.5 billions)
- SINE/Job Placement (2008)
 - 1268 job centres
 - 6 millions applicant workers
 - 2.5 millions job positions offered via SINE
 - 1.07 million workers matched with job offers.
 - R\$ 101.3 millions (US\$ 55.4 millions)

Structure of the Public Employment System

- *National Plan for Training (2007)*
 - 129.6 mil applicants, of which 118.6 mil completed their training courses.
 - R\$ 86.2 millions (US\$ 44.2 millions)
- *PROJOVEM / Urban and Rural modalities (2008)*
 - 335,000 youngsters
 - R\$ 120.2 millions (US\$ 65.7 millions)

Important: it does not include vocation training provided by parastatal vocational training services and vocational training (technical) schools.

Structure of the Public Employment System

- Employment and Income Generation Programmes (2008)
 - 1.76 million credit transactions
 - R\$ 16.7 billions (US\$ 9.13 billions)
- National Programme for Productive Microcredit
 - 1.27 million credit transactions
 - R\$ 4.34 billions (US\$ 2.37 billions)

Coverage and Effectiveness of the Public Employment System

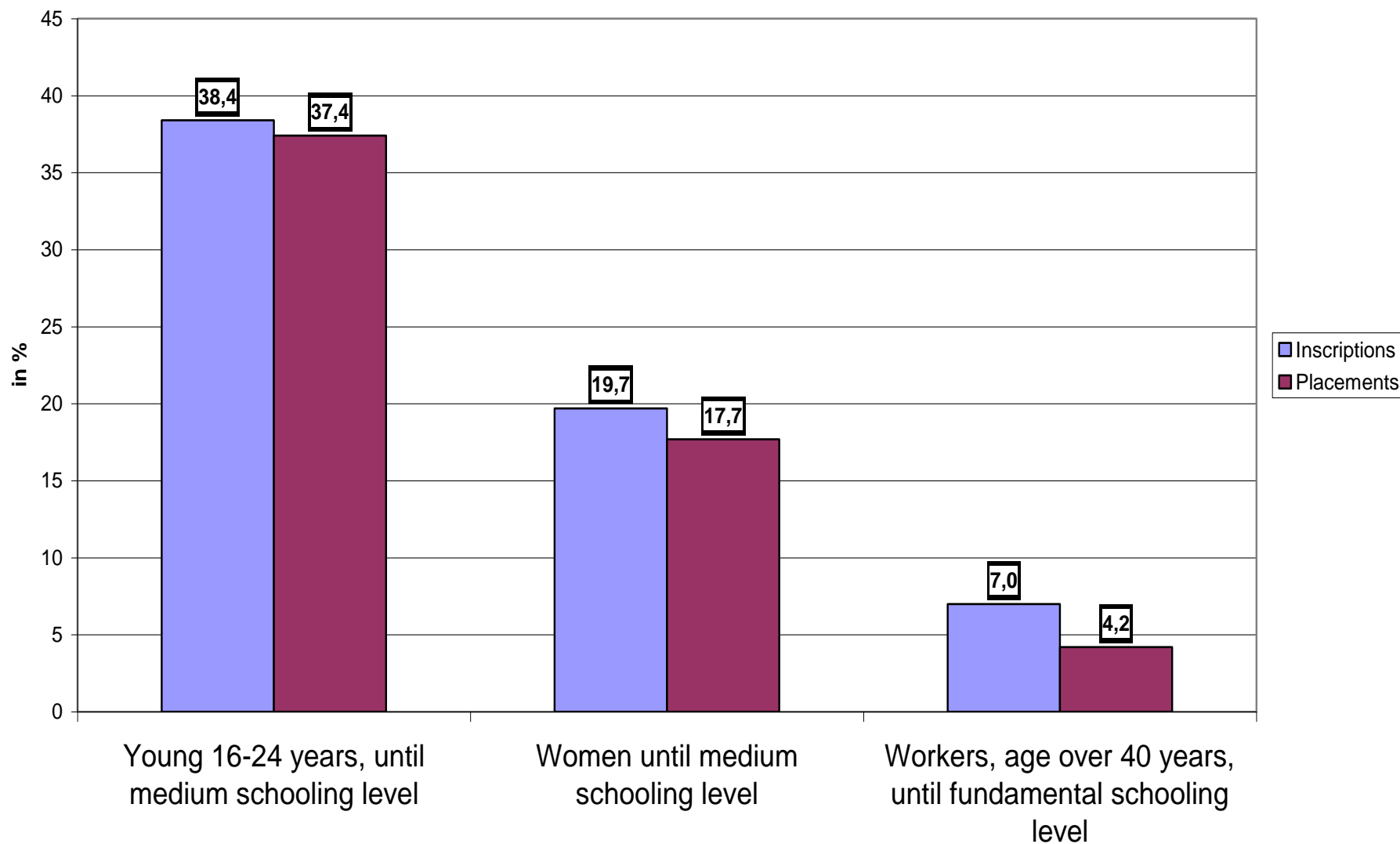
- Unemployment Insurance
 - Covers between 77 and 82% of workers dismissed without just cause.
 - Benefit level: around 65% of the last wage of the beneficiary worker.
 - Average duration of 4 months. Even 5 months is insufficient in metropolitan areas where, on average, 36%-60% of the unemployed spend 6 months or more looking for a job.

Coverage and Effectiveness of the Public Employment System

■ Job Placement

- Less than 18% of applicants get a 'job position' through SINE.
- Only 42% of the 'job positions' offered via SINE are filled in by SINE applicants.
- Among applicants, 65% were in a formal job before being dismissed, but only 1/3 are recipients of unemployment benefits.
- The profile of those for whom it was possible to find a job is very similar to the ones who were not placed via SINE, even for segments more vulnerable to unemployment.

National Employment System: inscriptions and placements by vulnerable groups



Coverage and Effectiveness of the Public Employment System

- Training (PNQ 2007)
 - Profile very similar to SINE applicants:
 - 54% had not completed secondary education.
 - 73% had no own income, and 52% has a family income up to 2 minimum wages.
 - However, graduates from this programme were only 2.7% of the workers placed by SINE, or 5.3% of all poor unemployed (per capita household income < 1/4 minimum wage)

Coverage and Effectiveness of the Public Employment System

- PROGER – Impact Evaluation (2006-08)
 - Credit for Investment
 - ❑ 6.7 jobs per business were created in average.
 - ❑ 1 new job per each R\$ 11.500 spent on credit.
 - ❑ 87% of the new hires were registered (formal)
 - ❑ Real revenues grew by 42.9% (33% for the control group)
 - ❑ 63.7% of beneficiaries were first-time credit takers.

Coverage and Effectiveness of the Public Employment System

- PROGER – impact evaluation (2006-08)
 - Credit for working capital
 - ❑ *Decrease* of 1.9 jobs per business in average.
 - ❑ 1 job created for each R\$ 15,300.
 - ❑ 84% of the new hires were registered (formal)
 - ❑ Real revenues grew 25.6% (39% for the control group)
 - ❑ 66.6% of beneficiaries were first-time credit takers.

Conclusions and Challenges

- The beneficiaries of the Employment policies are mainly urban workers vulnerable to poverty.
- Strengthening the Public Employment System can be an additional option to support poverty alleviation policies
....

...however this entails overcoming some limitations with regards to the types of protection offered to the unemployed, including duration of the benefit, integration/access to services and other types of support to self-employed workers.

- Possibilities: use of mechanisms that would allow the State to promote the expansion of work opportunities.

Conclusions and Challenges

- Protection for the unemployed.
 - Duration of the unemployment insurance is insufficient vis-a-vis unemployment spells, particularly for vulnerable groups;
 - In the short-un, there is no income guarantee (replacement) for unemployed people who did not have a formal registered job;
 - Lack of integration /access to the employment services (job placement and training) with a view to offering additional support for workers facing greater difficulties in re-entering the labour market.

Conclusions and Challenges

- Integration of Employment services
 - Supply of vocational training is not sufficient to meet the demand of the Public Employment System, of the social programmes (*Bolsa Família*) and of the self-managed enterprises.
 - One possibility to increase the supply is to use the infrastructure of the public educational, technological and vocational training system, including the parastatal Vocational Training System (e.g. SENAI, SENAC, etc). But that would imply a change in their focus.
 - Challenge: investment in training should prioritize which areas?

Conclusions and Challenges

- Support for Self-Employed Workers
 - The focus of employment and income generation programme is limited to an access to credit: it is necessary to resume technical assistance and skill-building programmes.
 - Credit funding based on FAT (Worker's Aid Fund) is becoming more expensive and scarce: there is need to move to alternative funding sources.
 - Challenge: how to associate/link policies designed to stimulate businesses with support for workers' re-insertion in the labour market?

Conclusions and Challenges

- Is it possible for Employment Policy to go beyond a focus on supply-side labour issues?
 - Government provided credit (FAT and FGTS) could be conditioned/linked to an employment generation target, as well as to some quality jobs target.
 - Government purchases/procurement could be a way to guarantee demand for micro-firms and cooperatives.
 - Public investment in social infra-structure could be coordinated with employment policies.

Thank you.

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