

# EMPLOYMENT PLAN 2014

BRAZIL



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## 1. Employment and labour market outlook

The Brazilian economy has been showing a strong labor market performance. In November of 2013 the unemployment rate hit a historical minimum (4.6%) for the second time in this decade and job creation hit a three year maximum in absolute terms for that month (47,486 new jobs) according to the General Registry of Employed and Unemployed Workers of the Ministry of Labour and Employment (CAGED). A major milestone was reached in 2007, when formal jobs overcame informal employment. In 2013, the country hit a historical minimum (15.3%) in the Informal Economy Index (Índice de Economia Subterrânea), and also hit a minimum in the Informal Employment Rate (31.9% in metropolitan areas), the smallest value for this indicator in the past 20 years according to the last National Household Survey of the Brazilian Institute for Geography and Statistics PNAD/IBGE, performed in 2012. Furthermore, in November of 2013, Brazil registered a historical maximum in average real income (R\$1,965.00) (US\$893.00) according to the Monthly Employment Survey (PME/IBGE).

Between 2011 and 2013, almost 5 million new formal jobs were created (4.937 million). The country had, according to the administrative register of the Ministry of Labour and Employment (Relação Anual de Informações Sociais/ RAIS 2012), a stock of formal employees of 47.459 million workers, which represents relative growth of 2.49% in relation to 2011.

Special attention should be paid to the following characteristics of current economic growth process in Brazil: 1) Development - differently from the past, it has not been concentrated in the most developed areas. According to the administrative registers of the Ministry of Labour and Employment, in 2012, relative to 2011, most of the real gains in income were concentrated in small business (up to 19 employees), which showed an average real gain of 5.07% and was focused in less developed regions of the country such as the North (3.80%) and Northeast (3.65%). In addition, less educated workers, whose wages are determined by the minimum wage, had the largest real gains (5.02% on average for the workers with schooling complete up to elementary school, excluding the illiterate); 2) Most of the new jobs are concentrated at the base of the occupational pyramid (up to 1.5 minimum wages); 3) Informality has decreased every year since 2003 and has hit a historical minimum in 2012 (39,3% for Brazil; and 31,9% for Metropolitan Areas), according to IBGE; 4) Unemployment has been kept low and has reached a historical minimum twice in this decade (4,6% in November 2013).



**Table 1: Economic and labour market conditions, 2008 (LHS) and 2013 (RHS)**

	GDP growth		GDP per capita (USD terms)		Employment Growth		Employment to population ratio	
Country	5.2% <sup>1</sup>	2.3% <sup>1</sup>	8,619.41 <sup>1</sup>	11,141.95 <sup>1</sup>	4.88% <sup>2</sup>	2.82% <sup>2</sup>	52.5% <sup>3</sup>	54% <sup>3</sup>
G20 Average	1.4%	1.9%	25,339	26,243	1.1%	0.9%	57.7%	57.1%
	Unemployment rate		Incidence of long-term unemployment		Youth unemployment rate		Youth employment to population ratio	
Country	7.9% <sup>3</sup>	5.4% <sup>3</sup>	1.5% <sup>4</sup>	0.7% <sup>4</sup>	17.8% <sup>5</sup>	13.8% <sup>5</sup>	50.5% <sup>5</sup>	49.9% <sup>5</sup>
G20 Average	6.3%	6.1%	24.1%	31.0%	n/a	n/a	6.9%	7.8%
	Participation rate		Female participation rate		Informal employment rate		Collective bargaining coverage	
Country	52.5% <sup>3</sup>	54% <sup>3</sup>	48,64% <sup>3</sup>	49,25% <sup>3</sup>	45,5% <sup>6</sup>	39,3% <sup>6</sup>	n/a	n/a
G20 Average	60.2	60.3	50.0	51.8	n/a	42.2	n/a	28.8
	Minimum wage (% of median wage)		Gini coefficient		School completion rate		Literacy rate	
Country	25.08% <sup>6</sup>	35.16% <sup>6</sup>	0.527 <sup>6</sup>	0.507 <sup>6</sup>	n/a	n/a	9,8% <sup>6</sup>	8,7% <sup>6</sup>
G20 Average	34.9%	34.9%	0.341	0.376	76.5	78.9	n/a	n/a

**Table 2: Labour market forecasts for [2014 or your preferred year]**

Employment growth	Unemployment rate	Participation rate	
	5.1%		

<sup>1</sup> Data from the Brazilian National Bureau of Statistics (Instituto Brasileiro de Geografia e Estatística – IBGE).

<sup>2</sup> Data from the Work and Employment Ministry of Brazil. It refers to formal jobs annual growth rate (in percentage).

<sup>3</sup> Data from the Brazilian National Bureau of Statistics (Instituto Brasileiro de Geografia e Estatística – IBGE), annualized rate for the main metropolitan areas of Brazil (Pesquisa Mensal de Emprego – PME).

<sup>4</sup> Data for the main metropolitan areas of Brazil. It refers to the unemployed who looked for a job in the last 12 months. Source: Pesquisa de Emprego e Desemprego – PED –, performed by the Departamento Intersindical de Estatística e Estudos Socioeconômicos - DIEESE.

<sup>5</sup> Data from the Brazilian National Bureau of Statistics (Instituto Brasileiro de Geografia e Estatística – IBGE), annualized rate for the main metropolitan areas of Brazil (Pesquisa Mensal de Emprego – PME) and it refers to the population aged from 16 up to 24 years old.

<sup>6</sup> Data from the Brazilian National Bureau of Statistics (Instituto Brasileiro de Geografia e Estatística – IBGE), according to the Pesquisa Nacional por Amostra de Domicílio (PNAD), a national household survey.

## 2. Employment challenges for Brazil

Corseuil et. al. (2013) has found a statistically significant association between the youth working labor force and the sector of highest turn over in Brazil using microdata of the Databases of the Work and Employment Ministry of Brazil. The entrance of the youth in these sectors means that the gain of labor experience and the improvement of specific activity related skills are compromised. The question that emerges is: How the Brazilian Work and Employment Ministry can direct the youth to activities in sectors of lower turn over rates?

Considering the recent pattern of job creation in Brazil, in which commerce and services represent the highest percentage of it, it must be clear that these sectors exhibit a seasonal demand for labor and the turn over is a consequence of it. Since the youth is entering the labor force mainly in urban areas, young people have been the primary candidates for the highest turn over rates positions in these sectors. It is also true, nonetheless, that the tertiary schooling paradigm observable in Brazil for the past two centuries that highly values tertiary education and leaves vocational education and professional training behind is not helping the youth to find job opportunities.

Recently, the Brazilian Government has launched a new program called PRONATEC, through which access to vocational college has been made feasible in all regions of the country with no cost to students, and has also been offering scholarships in order to reduce drop outs, so as to guarantee the completion of the courses by low family income students. In 2002, Brazil had 140 federal professional, vocational and technological educational centers; in the 2003-2010 period, that number more than doubled, reaching 354, and, by 2014, there will be 562 federal professional, vocational and technological educational centers, which will be able to meet the demand of 600 thousand students through all country.

A main task, though, is to improve labor force intermediation in a way that the egresses of vocational college and professional education can be directed to fields and sectors in which their training will work as a specific human capital active, so the costs of labor dismissing will be considerably enhanced.

### CHALLENGE: NOT WORKING, NOT STUDYING AND NOT LOOKING FOR A JOB: GENDER DISPARITY BETWEEN THE YOUTH AND THE NECESSITY TO PROMOTE EQUITY OF OPPORTUNITY FOR YOUNG WOMEN

Women in Brazil have lower participation rates and higher unemployment rates: in November of 2013, the unemployment rate for women (5.6%) was almost double men's rate (3.8%) considering the Metropolitan areas (PME/IBGE); if one considers the totality of Brazil, the ciphers are, respectively, 8.9% and 5.1%, according to the latest Household Survey (Pesquisa Nacional por Amostra de Domicílio/ PNAD/IBGE), performed in 2012.

The same survey showed that the women's participation rate (47.7%) is close to 50%, less than men's (68.2%), although women's participation rate comparing to the 1980's and the 2000's (1981-2009) has grown 19.8 p.p. in the period, along side a strong increase in schooling, mainly within the younger women (20-35 years old), according to Nonato et. al. (2012: 35). It is relevant to note that women have overcome men in the Working Age Population that has 9 or more years of schooling and that within the Economic Active Population; women are also a majority among workers that have 12 or more years of schooling (Nonato et. al., 2012: 37).

Among the youth aged 15 up to 29 years old that fit in the category of not working, not studying, not looking for a job, women represent, according to Camarano et. al. (2012: 38), 67.5% of that universe. The same author has found that around 2/3 of these young women were married, 61.2% already had kids and were members of families of lower per capita income, which means that they also had fewer opportunities in general. On the other hand, among women of this age group who were studying, working or both, fewer than 20% were married.

There is a clear gender component stopping women from entering the labor market associated to the pattern of the social division of labor in Brazil, even within the young group, in which house chores and child caring are tasks performed by women. One main question that emerges in this context is: considering that these women are young and that, on average, Brazilian couples are having fewer than two children, once the kids grow up, what will be the



chances and opportunities reserved for these women of less work experience and fewer opportunities in general? And what are the policies that can help them to make a smoother transition from been a stay at home mom and entering the labor market?

One urgent change is promoting universal access to public day cares and children centers: that course of action could boost the employability of women, especially of the group whose salary are lower and, thus, they can not afford full time private early childhood education or day care. Another necessary change is to provide full time public schools. On the other hand, considering the policies available today, training and labor force intermediation programs could be specifically designed to attend these groups, helping them get back or enter the labor force.

In 2007, the federal government created the National Program for Restructuration and Acquisition of Equipments for the Public School Network of Early Childhood Education (Proinfância), as a part of the Plan for the Development of Education (PDE). Its main objective is to provide financial assistance to municipalities to ensure access to children centers and early childhood education. According to data from the Ministry of Education, between 2007 and 2011, the Proinfância invested in the construction of 2,543 schools, through agreements with federal agencies. From 2011, with the inclusion of the program in the Growth Acceleration Plan (PAC2), 3,135 other nurseries and pre-schools were supported with federal funds, totaling 5,678 new units of early childhood education across the country. From 2012, Proinfância actions became part of a bigger program created by the federal government to eradicate extreme poverty: Brazil Without Extreme Poverty (Brasil Sem Miséria), and it's actions were integrated with other programs, like Bolsa Família, for example. For the biennium 2013-2014, the federal government stood the challenge of supporting the construction of 3,000 new kindergartens and preschools.

## CHALLENGE: IMPROVING HUMAN CAPITAL

Brazilian labor force has been enhancing its schooling since the 1990's, with a special increase in the higher levels of education (secondary and some or complete tertiary education). IPEA (2013) has shown that during the 2000's, the curves of schooling concerning completed high school and some tertiary education, when plotted as a percentage of the total labor force whose schooling was below completed elementary school, are almost parallel. This demonstrates that not only more students are finishing high school, but, almost in the same relative terms, more students are also joining tertiary education. By the end of the 2000's, 40.4% of the Brazilian Working Age Population's schooling referred to secondary and/or tertiary education. That number in the 1980's was only 12.7% of the same denominator, according to Nonato et. al. (2012).

In 2008, an agreement between the Brazilian government and two of the main professional educational systems (Sistema S), owned by Public Non-Governmental Organizations that represent the interests of the Industrial and the Commercial sectors of Brazil, was sealed. Through that agreement, the system will provide cost-free professional education to low income students and workers, reaching 2/3 of the liquid compulsory revenues of these organizations, which constitute a mandatory contribution in the payroll in Brazil.

According to Saboia (2009), 65% of all new formal jobs created between 2003 and 2008 could be characterized as low schooling positions even though the participation of lower school levels have been decreasing, according to the latest Annual Report of Social Information (RAIS/ 2012), from the Work and Employment Ministry of Brazil.

Today's challenge concerning human capital refers not only to the necessity of increasing years of education, which is still a task in which Brazil is engaged, but also to the necessity of enhancing specific human capital assets, by professional training and technical skills building. This task is being addressed by the Brazilian Government in a partnership between the Work and Employment and the Education Ministries: the program called PRONATEC TRABALHADOR will provide professional training to unemployed workers, being mandatory for all workers who have applied for the unemployment benefit more than two times in the past 10 years. In 2014, 500 thousand training courses will be offered to workers in all regions and states of Brazil. Besides that, both Ministries will also promote the integration of databases, in order to monitor the egresses of the training courses and to make it easier for the trained workers to find a job through the Labor Intermediation System of the Work and Employment Ministry of Brazil. The database that will be integrated is the National System of Information of Professional and Technical Education – SISTEC/ Education Ministry of Brazil and the Labor Intermediation System of the Work and Employment Ministry

(Sistema Mais Emprego). In the Federal Budget for the period 2012-2015, professional and technical education represents 11.8% of the total education budget and the goal is to reach, by 2014, 5 million enrollments in vocational education in Brazil. The expansion of the vocational and professional education reaches 340 municipalities, in all regions and states of the country, with a more intense increase in the municipalities located in less developed regions of the country (Northeast and North), the same been truth for the enrollment annual variation, according to IPEA (2013b). Furthermore, **the Science without Borders Initiative**, which has a goal of sending 101,000 students abroad by 2015, will contribute decisively to the country's human capital enhancement. It has granted 84,900 scholarships since 2012. In 2014 (through July), 23,200 scholarships (including stipends for visiting professors, young talents and foreigners in Brazilian universities).

## CHALLENGE: SUPPORTING JOB CREATION IN THE FORMAL SECTOR

In the last decade, the Brazilian government has followed an agenda committed to issues of economic stabilization, combating social exclusion and respect to human rights, which has significantly boosted formalization of the labour market. However, informality still presents itself as one of the main challenges for the Brazilian labour market, be it for paid or unpaid labour. A mix of Active Labour Market Policies and more effective labour inspection have contributed to a rate of informality of 39.3%, a historical low. Now, the launch of the National Plan for Combating Informality (see section 3) will contribute to curbing informality and ensuring that job creation is in the formal sector.



### 3. Current policy settings and new commitments

A set of policies should be taken into account when assessing the results exhibited by the Brazilian labour market indicators, such as the Minimum Wage Policy and the expansion of social benefits coverage. Both, combined with the expansion of credit and conditional transfers programs, have made the labour market a key element of inclusive growth. These policies were able to induce growth and job creation in virtually all sectors of the economy, including in less developed areas, and also promoted a revival in industrial jobs, which have been showing a trajectory of formal job growth within this sector since 1998 (IPEA, 2013). The result of this set of policies has been a decline in informality, a severe reduction of the working poor population, the reversion of a spatially concentrated development pattern, along with better regional distribution of monetary income and a consistent fall in monetary income inequality, through which workers at the base of the occupational pyramid have been seeing the largest real gains.

#### BROAD ECONOMIC SETTINGS\*

Brazil has robust financial and economic fundamentals that make the country resistant and resilient to external shocks as it has been proved by the 2008 crisis. Brazil has huge international reserves, a strong financial system and low public debt. Brazil's response to the crisis has been (and intends to be) in a robust fashion. Thus, Brazil is well positioned for the transition of the global economy back to a post-crisis mode.

As members of the G20 agreed to make reforms in order to accelerate economic growth in the next five years, the biggest challenge in Brazil is to improve investment. To fund these investment projects, long term savings must be increased through partnerships with institutional investors, pension funds and so on.

The Brazilian economy is going into a period of moderate consumption together with higher investment, keeping the current level of absorption of labour force. Nowadays, Brazil is close to the full employment threshold and the lowest unemployment rate in recent history was reported in 2013.

Thus, the main challenge for Brazil in the long term will be to increase labour productivity and the capital stock as the country will not be able to add as many workers to the labour force as it did in the previous decade. However, as the country changes its economic policy direction again and pushes for reforms that improve the working of the economy, productivity growth (and potential GDP growth) could be boosted significantly.

#### Macroeconomic policy

Fiscal policy in Brazil is guided by fiscal responsibility principles embedded in the Fiscal Responsibility Law (enacted in 2000) and aims at: i) fiscal consolidation, enabling economic growth sustainability and contributing to inflation control; ii) fiscal sustainability, with net debt reduction trajectory in relation to GDP, iii) rebalancing expenditures from concurrent expenses towards investment, thus fostering growth, and iv) expansion of social safety net so as to reduce poverty and income inequality.

Brazil's monetary policy framework consists of an inflation targeting regime combined with a floating exchange rate. Monetary policy has been successful in keeping inflation within the target band over the last 10 years. In order to deal with domestic inflationary pressures and to secure the convergence of inflation to the target, the policy rate has been hiked 375 basis points since March/2013, when it was set at the historically low level of 7.25%. The effects of monetary policy are cumulative and take place with lags. Therefore, a significant part of the response in terms of prices has still to materialize.

The Monetary Policy Committee (Copom) has stated that monetary policy should help to consolidate a favorable macroeconomic position over a longer time horizon. Therefore, given the inflation targeting regime in place, its decisions are based on the expected inflation and on the analysis of alternative scenarios for the evolution of the main variables responsible for price dynamics. Although the Copom understands that other macroeconomic policies also influence prices, it is ultimately up to the monetary policy to guarantee that short term pressures are not





disseminated over longer time periods. Ensuring such degree of stability is key to enhance confidence of consumers and investors, and provide a more favorable environment for growth over the longer run.

The floating exchange regime remains a first line of defense to external shocks and a critical mechanism for macroeconomic adjustment. In spite of this, as a response to the bout of volatility that started last year, the Central Bank of Brazil committed to an exchange rate intervention program based on derivative instruments in order to provide hedge and liquidity to the domestic foreign exchange market, while safeguarding the international reserves. This approach proved successful in curbing volatility in the second half of 2013 and was extended this year. Currently, the strategy is comprised of daily FX-Interest rate swap auctions of up to US\$ 200 million, as well as FX Repo auctions when needed. No spot interventions have been necessary.

With respect to the financial system, Brazil has proved to be resilient to external and domestic shocks; rigorous banking supervision and regulation have ensured that the system remained sound over the period of the crisis and its aftermath. The Brazilian financial system is among the most capitalized, liquid and with higher provision levels, having a low dependency on external resources and a low exposure to foreign currencies. In addition, there are buffers and instruments in place to cope with volatility and external shocks. International reserves are at US\$ 379 billion balance. Credit growth has been brought to a sustainable level and has improved its quality, as sectors with still relatively low level of credit and higher impact on the economy, such as housing, have gained space.

### Regulation, finance, incentives, investment and entrepreneurialism

There are a number of investment projects in Brazil that are bankable, profitable with relatively low costs and high returns. When these initiatives are put together, this will make the Brazilian economy more competitive, produce positive externalities and induce higher private investment from both national and foreign sources.

Brazil is still catching up with capital ratios similar to those of advanced economies and narrowing the differences of labour productivity among sectors. Brazil aims to improve the quality of its labour force through a series of initiatives, such as the *Sciences without Borders* program, which aims to issue one hundred and one thousand scholarships for university students to study abroad, and the *Pronatec* program, which aims to provide eight million courses in technical schools by the end of 2014. These are recent concrete examples that Brazil is implementing a set of textbook supply-side structural reforms that will certainly boost Brazilian productivity.

The Brazilian economy is at the onset of a new investment cycle. Brazil has a large program for PPPs and concessions, which, since the second semester of 2013, has awarded lots of concessions and contracts with high investments. It is part of the largest concession program in infrastructure in recent decades that is expected to result in significant multiplier effects throughout the economy.

#### NEW COMMITMENTS

- **Identification of potential market failures on infrastructure financing and recommendation of new regulatory measures.** The main regulatory authorities (BCB - Central Bank, CVM – Brazil Securities Commission, SUSEP - Superintendence of Private Insurance, Previc - Superintendency of Complementary Pensions) are committed to analysing potential regulatory issues that can hinder long-term financing and address them through new regulations. Since some recommendations may require coordinated measures among regulatory agencies, the Coremec (Committee of Regulation and Supervision of Financial, Securities, Insurance, and Complementary Pension) created an infrastructure working group in order to study issues related to infrastructure financing and propose solutions through regulations. Issues to be studied by the group may include: long-term hedging, credit enhancement instruments, structured finance, standardization and liquidity of capital markets instruments, development of secondary market, attraction of pension funds and insurance companies, reserve requirement exemptions, and the role of development banks
- **National Plan of Integrated Logistics (PNLI - Plano Nacional de Logística Integrada)** The PNLI will be implemented by the National Logistics Planning State Owned Enterprise (EPL – Empresa de Planejamento e Logística) created in December, 2012. PNLI is a long-term policy action whose aim is to identify the key infrastructure and services projects to remove the current and projected logistic bottlenecks at roads, rail roads, ports, airports, waterways and logistic platforms. The implementation pathway encompasses the

following activities: (1) consolidation of a database composed by traffic volume, origin and destination matrix and service standards of the current and future infrastructure; (2) implementation of a simulation system; (3) identification of existing and projected bottlenecks; and the final product (4) ranking of projects that shall generate efficiencies in the system.

- **Implementation of the Infrastructure Guarantee Fund (FGIE)** and of the Brazilian Agency for Management of Guarantee Funds (ABGF). ABGF was created in August, 2013, with the provision, among other things, to manage an Infrastructure Guarantee Fund (FGIE). The Federal Government is authorized to buy quotas of FGIE up to the total value of R\$ 11 billion (US\$ 5 billion). The main objective is to work with private insurance companies in order to directly offer guarantees to risks that are partially or totally uncovered by the market, mostly non-manageable risks such as acts of God, political and regulatory risks. At the macro level, it also intends to promote the development of the insurance market. The focus of the FGIE will be large scale projects of the Growth Acceleration Program - PAC (a massive investment program that involves all three levels of the Federation), other strategic projects defined by the government and PPPs (including at the state level). With the full implementation of its operations, FGIE will be able to offer guarantees to structural projects, minimizing non-manageable risks accountable to the grantor authority. It will allow for the development and a greater leverage of the new projects and, consequently, for an improvement of the national infrastructure and potential GDP.

## LABOUR MARKETS AND SOCIAL PROTECTION

### Labour market regulation

#### Domestic Work

- Ratify the ILO's Convention and Recommendation on decent work for domestic workers.
- Revise the Law no. 11.324/06, which deals with income tax deductions aiming to increase the formalization of domestic workers.
- Provide domestic workers with the same rights listed in the Consolidation of Labour Laws for other paid workers.

#### Democratization of Labour Relations

- Create and maintain spaces in the Ministry of Labour and Employment for the discussion of improvements in Brazilian labour relations, aiming at updating labour and union legislation and the institutionalization of social dialog. For example, the Board of Labor Relations - CRT, is a collegial body, tripartite, its purpose is to issue an opinion on proposals focused on the democratization of labor relations in the country, updating trade union and labor laws, the promotion of collective bargaining, conflicts in the work place, creating a favorable environment for job generation and decent work, through dialogue and negotiation between the government, employers and workers. The board generally meets every 2 months and its conclusions provide guidance for measure implementation, but are not binding.

### Social protection

The Unemployment Benefit in Brazil was created in 1986, as part of part of the set of labour market public policies and aims to: (i) promote temporary financial assistance to unemployed workers. In 1988, according to the Federal Constitution, the Benefit passed to integrate the Unemployment Insurance Program (UIP), which also aims to: (ii) assist worker to maintain or search for a job through integrated actions of guidance and replacement in labour market and; (iii) promote actions of professional training. Thus, the UIP is a combination of passive and active labour market policies. The Benefit is provided to formal workers who have been unfairly dismissed and is granted for a maximum of five installments. Since the 1990's it includes a broader spectrum of workers such as: artisanal fishermen (1992);



domestic workers (2001) and workers who have been rescued from a forced labour regime or from a job with conditions analogous to slavery (2003).

### Active labour market programs

- **Professional Training for Unemployment Benefit Beneficiaries (PRONATEC – Bolsa Formação Seguro Desemprego).** As previously mentioned, since 1988 the Brazilian government has been trying to integrate actions related to the labour market policies. The Professional Training for Unemployment Benefit Beneficiaries was created in 2011, in order to avoid or limit the risk of moral hazard in the use of the unemployment benefit and, at the same time, provide to the worker opportunities to go back to the labour market with a better salary. The worker who applies for the unemployment benefit for more than two times in the past ten years only gets the benefit if he or she attends the professional training course. In 2012, 23.198 unemployed workers received professional training through this program and in 2013, this number was 31.014.
- **Labor Intermediation Policy: “More Jobs” System (Sistema Mais Emprego).** The Labor Intermediation Policy was created in 1976 as part of the Brazilian Public System of Employment. By helping workers to find a available jobs, it aims to reduce frictional unemployment. In 2010 the Ministry of Labour and Employment developed a new System (“More Jobs System”) that operates the Labor Intermediation Policy in order to bring more efficiency to the Brazilian Public System of Employment: through the Mais Emprego system all positions available and all the applicants are visible to all decentralized units of the Work and Employment Ministry that are involved in Labor Intermediation. In 2012, more than 8 million workers and more than 3 million positions were been matched in the system: 6.449 million workers were sent to a job interview and over 700 thousand were placed. New measures are being taken to improve the Brazilian Public System of Employment: upgrades in the System of Labor Intermediation (Sistema Mais Emprego) and advances in the operational capacity of all the decentralized units that perform the matching are been taken.

### Policy measures targeting labour market disadvantage

- **National Program for Targeted Productive Microcredit (PNMPO)** created in 2005 and **Program for the Generation of Employment and Income (PROGER)** created in 1994. Both programs focus in offering better conditions to small entrepreneurs or social businesses as far as to access credit in order to support employment and to promote income generation. They also receive training in entrepreneurship and continuous technical assistance. In 2012, PNMPO and PROGER, programs that focus in access to credit to small business, whether formal or informal, benefited respectively 3.85 million and 90.5 thousands of small entrepreneurs. Differently from developed countries, access to credit, especially to small business and small entrepreneurs represent an issue in Brazil. Most of the resources of the Work and Employment Ministry in 2012 were targeted into this group because they represent a major source of employment in less developed areas. This strategy reveals the recondite characteristics of less developed economies, in which a development strategy must be able to reach the less dynamic areas and regions of the country and benefit these populations.
- **Program to Support Individual Microentrepreneurship (MEI).** This program, created in 2008, was designed to facilitate the formalization of small business and to reduce the bureaucracy involved in opening and keeping a formal small business, by reducing taxes and contributions and making the process easier and faster. It also had as its goal enlarging social protection coverage of small and micro entrepreneurs, focusing on their potential contribution to keep the expansion of formal job creation. According to the Secretariat of the Federal Revenue of Brazil, annually, 1 million entrepreneurs join the program: by the end of 2013, there were 3.6 million of small businesses formalized in Brazil through the program. The category of the Individual Microentrepreneurship was created by the Complimentary Law Nº 128 in 2008 and, since then, many initiatives have been taken by the government to provide support to this group.



Corseuil et. al. (2013), using econometric analysis – transition probability analysis and microdata of the Monthly Employment Survey (PME) of the National Household Survey from the National Bureau of Statistics (IBGE) - has found that the program has contributed to the considerable increase on the probability of formalization of the self employed, an occupational group that historically has had very high rates of informality and on the small businesses probability of formalization. Using the National Household Survey (PNAD/IBGE), the author has found that the program is statistically associated to the larger increase of social protection coverage within small businesses and to the measures of statistical association of social protection coverage and business formalization among the self-employed.

Special and facilitated lines of credit aligned to the program were created (CRESCER). A report of the World Bank (in the press) estimates that around 120 thousand new jobs were created through it. Part of the micro entrepreneurs is from the Northeast of Brazil (the less developed area of the country) and they also are beneficiaries of the Bolsa Familia Program – the Brazilian Conditional Cash Transfer Program (around 7%).

- **Youth Alive Plan** – Launched in 2012, the plan consists of a federal government initiative that aims to reduce youth vulnerability, especially the black youth, from situations of violence, running coordinated actions with various Ministries and establishing partnership with state and local governments. Programs are developed in the areas of education, health, culture, justice, labor and employment, among others.
- **Productive Organization for Rural Women Programme** – Created in 2008 by the Ministry of Agrarian Development, the Programme aims to strengthen the productive organizations of rural female workers through coordinated actions between different federal institutions. In its scope, studies and training courses for rural women are been developed, as well as actions of support for productive groups of women and their participation in national and regional fairs. In 2010, an International Seminar about Public Policies for Rural Women: South-South Dialogue was held, bringing together representatives of government and civil society from 23 countries in Latin America, Africa and Asia.
- **Thousand Women** – Developed by the Ministry of Education, the Thousand Women Programme aims to promote vocational and technological training for about a thousand vulnerable women in the Northeast and North regions. The Programme ensures access to vocational education and elevation of schooling, according to the educational needs of each community and economic vocation of the regions. The goal is to benefit 100,000 women by 2014.
- **Affectionate Brazil** – Included in the strategy of Brazil Without Poverty Plan, it consists in an programme to deal with the problem of extreme poverty, specially among children. The Affectionate Brazil is comprised of three pillars: health, income and education. The educational pillar involves the stimulus by the federal government to the expansion of childcares in the municipalities. It is expected that such measure will encourage female participation in the labor market.

### Measures targeting Safer and Healthier Workplaces

- **National Plan on Safety and Health at Work** – The plan, launched in 2012, was built through dialogue and cooperation between government agencies and representatives of workers and employers and articulates actions of different social actors seeking the practical implementation of the National Policy Safety and Health at Work - PNSST established by Decree 7602 of November 7, 2011. According to our National Policy on Safety and Health at Work, the priorities in the area of OSH in Brazil are:
  - inclusion of Brazilian workers in the national system for the promotion and protection of health;
  - harmonization of legislation and articulation of the promotion, protection, prevention, care, rehabilitation and repair of workers' health;
  - adoption of special measures for high-risk work activities;
  - structuring integrated network of information regarding occupational health;
  - promoting the deployment of systems and programs for workplace health and safety management;

- restructuring of the training in occupational health and safety at work and encouraging qualification and continued education of workers;
- promoting integrated agenda of research studies on safety and health at work.
- **Tripartite social dialogue and the development of regulatory frameworks** – Several Regulatory Standards regarding safety and health at work have been developed in the country through a tripartite dialogue, involving government, workers and employers representatives, along with other stakeholders, seeking to conceive strong, updated and applicable standards. A Tripartite Commission on Safety and Health at Work (TC-SST) was established in 2008, with the goal of evaluate and propose steps to the implementation of ILO's Convention No. 187, which addresses the structure of Promoting Safety and Health at Work. This Tripartite Commission seeks to revise and expand the National Policy on Occupational Health and Safety and has contributed to the development of the National Plan on Safety and Health at Work. The Commission is composed of six representatives of the Federal Government, six employers representatives and six representatives of the workers, who meet six times per year. The Tripartite Commission on Safety and Health at Work represents an important step towards the development of a policy for security and health, which is a basic social right.
- **Creation of displaceable inspection groups to inspect strategic sectors** – Brazilian regulation regarding safety and health at work has a federal range. In order to promote inspections nationwide, displaceable inspection groups were created to reduce occupational accidents and diseases in strategic sectors, and have performed inspections in areas such as major constructions, cargo transport and port areas.
- **National cooperation for the execution of regressive actions** – Ministry of Labour and Employment in Brazil has undertaken efforts with other institutions of the Judiciary structure in order to promote the execution of regressive actions covering cases of occupational accidents and diseases.

#### NEW COMMITMENTS

- **National Plan For Combating Informality** - The Plan, launched on May 22<sup>nd</sup>, 2014, supports current Active Labour Market policies by providing a new, integrated approach for labour inspections to tackle informality. The plan focuses on regions where the informality index is highest and will include the participation of the Ministries of Finance, Social Security and Human Rights. Some of the measures of the plan are: standardization of inspection procedures - systems, regulations and procedures; increase in the speed in administrative procedures of infraction notices; improvement of the accuracy in mapping informality; Increase in the amount of Auditors at decentralized units and provision of training; information exchange between decentralized units; increase labor identification coverage; etc.
- **E- Social** – Implemented in 2013, E-social is an integrated information collection system that aims to simplify the compliance of labour and social security obligations by firms. It will create a single channel for relaying information to the federal government and will help guarantee worker rights as well as improve the quality of the information transmitted.
- **Minimum Wage Policy** – Differently from the past, when the president had the power to decide annually the minimum wage value accordingly solely to political parameters, Brazil institutionalized the readjustment criteria for the period 2011-2015, through a law (Lei nº12.383, de 25 de fevereiro de 2011), giving, thus, to the economic agents predictability concerning the remuneration of their workforce. The minimum wage readjustment criteria in the considered period has been defined as the inflation of the previous year plus the real growth of the product observed two years before a given readjustment.

Through this criterion, the minimum wage in Brazil has showed, in the period 2003/2013, a 75% real gain, which has boosted formal job creation, which amounted to 4.51 million jobs created between 2011 and January of 2014, accordingly to the administrative registers of the Work and Employment Ministry of Brazil.

As a consequence, labour market formalization is in progress in Brazil and represented, in 2012, 56.9% of the total occupation, according to the last Social Indicators Synthesis of the Brazilian National Bureau of Statistics (IBGE). Currently, using the economic criteria of family income, more than half of the Brazilian population

belongs to the middle class, according to Fundação Getúlio Vargas (FGV). The Brazilian middle class has grown, on average, at a 4% annual rate, and had, in 2012, 104 million people, as pointed by the Secretariat of Strategic Affairs of Brazil (SAE/PR). Between 2002 and 2012, 21% of the Brazilian population overcame poverty and joined the middle class (SAE/PR).

## SKILLS DEVELOPMENT

Regarding the policies to increase productivity in Brazil, it is worth noting that investments in education in 2012 reached 6.1% of GDP. Still on this subject, it is worthwhile to mention the approval of the Federal law that sets aside 75% of the resources of oil royalties for investment in education and 25% in health; the same law also sets aside 50% of the Social Fund for education until the goals set in the National Education Plan are met. Considering only the proceeds of the new oil field of Libra, approximately R\$ 638 billion (US\$ 290 billion) will be invested in education and health in the next 35 years, plus R\$ 368 billion (US\$ 167.27 billion) that will be accrued to the Social Fund.

As a result of the efforts to improve the educational skills of the population, the proportion of the people employed with 11 years or more of schooling jumped from 28.8 % to 47.8 % from 2001 to 2012, which means greater availability of skilled workers in the labour market.

Moreover, it is noteworthy that the increase in per capita household income has allowed the postponement of the employability of the young, so that they can focus on studying more, which is reflected by the decreased activity rate among the age groups between 10 to 17 years, whose rate decreased from 23.3 % of the working age population, in 2001, to 15.7 % in 2012.

Thus, it is apparent that the increased schooling of the younger has allowed them access into jobs with greater possibilities for professional progress. According to data from the General Register of the Employed and Unemployed (Caged) of the Ministry of Labour and Employment, 17.2% of the people admitted with a formal contract had completed at least secondary level, in 1996, while this proportion reached 60% in 2013.

The Science Without Borders Program has awarded 84,900 scholarships for young Brazilians to study in foreign universities with high academic standards. The overall target is to grant 101,000 scholarships for students and researchers by the final of 2014.

Further, the Brazilian government has launched the national program for access to technical education and employment (Pronatec), through which access to vocational training has been made feasible in all regions of the country at no cost to the students, and also has been offering financial aid in order to reduce dropout rates and guarantee course completion by students with lower household income. In 2002, Brazil had 140 federal professional, vocational and technological educational centers; in the 2003-2010 period, that number more than doubled, reaching 354, and, by the end of 2014, there will be 562 federal professional, vocational and technological educational centers, which will be able to admit 600 thousand students throughout the country.

The Pronatec Program involves investment of R\$ 14 billion (US\$ 6.36 billion) and its target is to enroll 8 million students by the end of 2014. The program was created in October 2011 and 7.76 million young people and workers throughout the country have already completed or are taking a technical or professional qualification course for free by Pronatec, while 1 million of these people are beneficiaries of the Brazil Without Poverty program.



## Apprenticeships, vocational training and higher education

- **Projovem Trabalhador (PJT).** The Program created in 2008 intended to provide professional training for vulnerable youth aged between 18 to 29 years old who are unemployed and are not enrolled in school, whose families' per capita monetary income are up to one minimum salary. The youth are entitled to a scholarship of R\$100,00 per month during the training course, plus a grant that covers transportation and board expenses due to training. All school supplies are offered with no charge for the student. The professional training courses have 350 hours, divided in 100 hours of basic training and 250 hours of professional training. In 2012, more than 4 thousand vulnerable young people were qualified through this program.
- **Apprenticeship Law (Lei do Aprendiz).** The goal of the program is to promote job for the youth through the Apprenticeship Law (launched in the year 2000) by which all the companies of medium and large size are obligated to contract apprentices aged between 14 and 24 years old through a special work contract by a limited period of time (maximum length of two years). The minimum aliquot of apprentices is 5% of all the employees up to 15%; the percentage is determined by the employer. All the apprentices receive professional training during this period with no cost for both (employers and apprentices). In 2013, more than 335.8 thousand young people were hired as apprentices. Between 2005 and 2013, more than 1.7 million apprentices were hired in Brazil, according to the Work and Employment Ministry Administrative Registers (Relação Anual de Informações Sociais). There is still a large room for expanding these numbers since the potential number of apprentices is as large as 1.24 million. The program has a very representative retention rate: around 50% of all young people who were hired as apprentices have kept their jobs after the apprenticeships had ended, according to a World Bank Report (in press) about the Brazilian Employment Policies. In 2013, the National Forum of Apprenticeship approved the National Plan for Apprenticeship with established goals until the year 2015. This document consists of the following actions, among others: Apprenticeship in the Public Administration; Articulation of the Brazilian Classification of Occupations and the Apprenticeship System to Vocational and Technological Education; Funding Sources; etc.

### NEW COMMITMENTS

- **PRONATEC Worker (PRONATEC Trabalhador)** – PRONATEC Worker was established in 2013 and will provide professional training to unemployed or employed workers. The Ministry of Labour and Employment will shape the demand for the program so as to match the demands of professional training made by the local tripartite councils of labour and employment. The policy will be carried out as a partnership between the Ministries of Labour and Education. The program of Initial and Continued Qualification (FIC), in relation to which PRONATEC Worker is part of, had in 2011 and 2012, 1.73 million enrollments. Administrative assistant and computer operator represented more than 20% of the total enrollment in the period.
- **PRONATEC Apprentice (PRONATEC Aprendiz)** - PRONATEC Apprentice was launched in 2014 and consists in a variant of the PRONATEC program, aimed at improving the apprenticeship programs set out by the Apprenticeship Law of the year 2000. It provides federal funding so that micro and small firms as well as the public administration can also take on apprentices despite not contributing into the professional education system (S System). The main difference with regards to PRONATEC Worker is that it qualifies young workers who are already in employment. The program is a partnership between the Ministries of Labour and Education.



## 4. Monitoring of commitments

This section reports on the implementation of Brazil's commitments made under recent G20 commitments in the employment track. We highlight the implementation path of new commitments and the key indicators used to measure progress.

In addition to the specific monitoring instruments listed, Brazil's employment policies fall within the framework of the National Plan for Employment and Decent Work. The Plan was launched in 2010 and includes 62 goals, measured by 84 indicators. It is divided into 3 sections, defined by priorities: 1. Creating more and better jobs, 2. Eradicating slave and child labour, especially in its worst forms, 3. Strengthening tripartite actors and social dialog as an instrument of democratic governance.

The first comprehensive review took place in 2011, when we took stock of the progress made and identified insufficiencies in the indicators. In 2014, a systematic review of indicators was launched, ahead of the 2015 progress review. Many of the G20 commitments will benefit from both the improved indicators and the upcoming period of review next year.

As an example, Brazil's G20 commitment to increase qualification through PRONATEC Worker fits into "Priority 1 – More and better jobs" of the National Plan. Within this priority, goal 1.3.1.a sets out a 30% increase on workers qualified until 2011 and was matched by 33.3% higher enrolment in qualification courses. The new goal for 2014 is to add another 500 000 training courses, and progress towards this goal will be measured in 2015.

- **Commitment: PRONATEC Worker**
  - Implementation path: In 2014, 500 thousand training courses will be offered to workers in all regions and states of Brazil. Besides that, both Ministries will also promote the integration of databases, in order to monitor the egresses of the training courses and to make it easier for the trained workers to find a job through the Labor Intermediation System. The databases that will be integrated are the National Information System of Professional and Technical Education – SISTEC, of the Ministry of Education and the Labor Intermediation System of the Ministry of Labour (Sistema Mais Emprego). In the Federal Budget for the period 2012-2015, professional and technical education represents 11.8% of the total education budget and the goal is to reach 5 million enrolments in vocational education in Brazil by the end of 2014. The expansion of vocational and professional education reaches 340 municipalities in all regions and states of the country, with a steeper increase in the municipalities located in less developed regions (Northeast and North). This is also true for the annual variation in enrolment, according to IPEA (2013).
  - Key indicators: Progress will be measured by looking at the percentage of the program's financial budget that has been executed, as well as the percentages of enrolment in professional education.
- **Commitment: PRONATEC Apprentice**
  - Implementation path: The definite timeline of implementation currently depends on the conclusion of an agreement with the Ministry of Education regarding the number of qualification openings to be offered. This is expected to be finalized in late May, early June and the implementation should begin in the second semester of 2014
  - Key indicators: Progress will be measured by the number of apprentices enrolled and by the number of apprentices that stay on as full time workers after the apprenticeship period is over. This shall be compared to firms' potential for admitting apprentices, estimated using data from the General Registry of Employed and Unemployed Workers (CAGED).
- **Commitment: National Plan for Combating Informality**
  - Implementation path: The plan was launched on May 22nd 2014. The first activities shall begin to be implemented during the second semester of 2014 and major results are expected to be reached during 2015.



- Key indicators: Three main indicators will be used. The central indicator is the informality index as calculated by the Brazilian Institute for Geography and Statistics (IBGE). Secondly, the program shall take into account the number of workers formalized per labour inspection action, as registered by the Federal System of Labour Inspection (SFIT). Lastly, the Plan will measure the effect of formalization upon the area under inspection, by using econometric analysis based on the General Registry of Employed and Unemployed Workers (CAGED).
- Commitment: **E-Social**
  - Implementation path: The timeline for implementation is currently being finalized in consultations with the Ministry of Labour's social partners. Once concluded, there will be a 6 month period for testing the new system, and then another 6 months for the first group of firms to begin implementation. Implementation is expected to begin during 2015, starting with large sized firms.
  - Key indicators: Progress with the rollout of the system will be measured by the number of firms and workers included in e-social. Since the first group for implementation is expected to be firms with over 80 workers, it is estimated that up to 70% of workers may be included by the end of 2015.
- Commitment: **Reducing tax wedges**
  - The policy of reducing tax wedge was defined under the tax reform schedule released by the Federal Government in 2011 and comprises the Greater Brazil Plan, a set of guidelines for industrial policy, technological, commercial, services and trade, which was designed to promote structural change in the country's insertion in the world economy. The payroll exemption is made by reducing to zero the rate of social security contribution on the payroll and other employment income. The exemption covers 56 sectors of the economy and, in 2014, the Ministry of Finance announced that the policy would be made permanent.



## APPENDIX: LIST OF RECENT COUNTRY-SPECIFIC COMMITMENTS AND OTHER KEY DOCUMENTS FROM THE G20 EMPLOYMENT AGENDA

### Saint Petersburg Action Plan

#### STRUCTURAL REFORMS

Investing in infrastructure, including road, rail and energy (Argentina, Brazil, Canada, India, Indonesia, Saudi Arabia, United Kingdom, United States).

Measures to strengthen service industries (China, Italy).

Reducing labour costs through tax credits (France).

Boosting foreign direct investment through tax and regulatory reform (Japan, Korea).

Reforms to streamline business regulation (Russia, South Africa, Spain).

Tax reforms to reduce the burden on business (China, United Kingdom).

A new disability insurance scheme (Australia).

Reforms to improve skills development through schools and tertiary education (Australia, Brazil, India, Korea, South Africa, United States).

Strengthening active labour market programs to create jobs (Canada, Italy).

Labour market reform to encourage jobs and growth (France, Mexico).

Implementation of the Youth Employment Initiative (European Union).

Reforming welfare and pensions to encourage growth and jobs (France, United Kingdom)

Reducing informality through incentives for SMEs (Indonesia)

Reducing the tax wedge (Italy)

Expanding childcare to encourage women to enter the workforce (Japan, Korea)

Increasing women's participation in the workforce (Turkey)

Implementing stronger financial regulations to increase the resilience of national financial systems (Brazil, France, Germany, European Union, Japan, Korea, Mexico, South Africa, United Kingdom, United States)

Measures to strengthen financial literacy and consumer protection in the finance sector (Russia, Saudi Arabia, Turkey)

Link: <http://www.g20.utoronto.ca/2013/2013-0906-plan.html>



## LOS CABOS JOBS AND GROWTH ACTION PLAN

Promoting investments in infrastructure to increase productivity and living standards in the medium term by addressing bottlenecks (Argentina, Australia, Brazil, India, Indonesia, Mexico, Saudi Arabia, South Africa, UK).

Promoting green and sustainable growth (Australia, Korea, Germany, Mexico).

Encouraging formal sector employment through better education or skill development (Brazil, Indonesia, Mexico, South Africa).

Improving employment opportunities for targeted groups such as youth and persons with disabilities (Canada, Korea, UK).

Encouraging the participation of younger workers through apprenticeships (UK).

Retraining of long-term unemployed (US).

Increasing wage flexibility, such as decentralized wage setting (Italy).

Reducing labour tax wedges (Brazil, Italy).

Unemployment insurance reforms to make it more effective and efficient in supporting job creation (Canada).

Tax and benefit reforms to enhance productivity and improve incentives to work (Australia, Germany, Italy, UK).

Skills development (Spain).

Enhancing education, training and skills development (Australia, Canada, France, Germany, Italy, Turkey, South Africa).

Providing targeted support for the poor or strengthening social safety nets (India, Indonesia, China, Mexico, Saudi Arabia, South Africa).

Encouraging the participation of females in the labour force through, for example, reforming benefit systems and providing affordable child care services (Australia, Germany, Japan, Korea).

Link: <http://www.g20.utoronto.ca/2012/2012-0619-loscabos-actionplan.pdf>

## OTHER KEY DOCUMENTS

G20 Strategies for Youth Employment through the G20 Labour and Employment Ministers Conclusions (17-18 July 2012) (<http://www.g20.utoronto.ca/2012/2012-0518-labour.pdf>)

‘Key Elements of Quality Apprenticeships’ (2012) ([http://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/---ifp\\_skills/documents/publication/wcms\\_218209.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_emp/---ifp_skills/documents/publication/wcms_218209.pdf))

‘A Skilled Workforce for Strong, Sustainable and Balanced Growth: A G20 Training Strategy’ (2010) ([http://www.ilo.org/wcmsp5/groups/public/---dgreports/--integration/documents/publication/wcms\\_151966.pdf](http://www.ilo.org/wcmsp5/groups/public/---dgreports/--integration/documents/publication/wcms_151966.pdf))

G20 Labour and Employment Ministers’ Declaration, Moscow, 18-19 July 2013 (<http://en.g20russia.ru/load/781649316>)

The G20 Labour and Employment and Finance Ministers’ Communiqué, Moscow, 19 July 2013 (<http://en.g20russia.ru/load/781652947>)

