

BRAZIL'S SOCIAL WELFARE APPROACH

Improving job outcomes for the youth by delaying their entrance into the workforce

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Central Única dos Trabalhadores (CUT)

Central Única dos Trabalhadores (Unified Worker's Central), commonly known as CUT, is the biggest national trade union central in Brazil. CUT was founded in August 28, 1983, during Brazil's re-democratization. Today CUT has 3,438 affiliated trade unions, 7,464,846 members and represents 22,034,145 workers. CUT stands for freedom and union autonomy, with a commitment to the understanding that workers have the right to decide freely about their forms of organization, membership and financial support, with complete independence from the state, governments, employers, political parties, creeds and religious organizations.

CUT is a guest contributor to this report.

Brazil

68/148

JustJobs Index Ranking



70%
Labor Force
Participation



63%
Youth Labor Force
Participation



6.9%
Unemployment



15.5%
Youth
Unemployment

Source: These data are ILO modeled estimates provided by the World Bank. Individual authors may use national estimates.

Challenge

Young people in Brazil enter the workforce too early, hindering their ability to gain the education and employable skills that deliver good job outcomes.

Strategy

The Brazilian government has implemented a broad set of social welfare schemes aimed at giving families financial relief, enabling youth to stay in school longer and delay their entry into the labor force.

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Brazil is the only one of the BRICS (Brazil, Russia, India, China and South Africa) countries where inequality in the late 2000s was lower than it was in the 1990s.¹ Moreover, the last monthly employment report, released in March 2014, registered an unemployment rate of only 5 percent, generally considered full employment.² These accomplishments result from Brazil's sustained economic growth, focus on job creation, and support for social institutions such as education and health care.

Nevertheless, Brazil is no exception to the rule that youth struggle far more than other age groups in their search for high-quality employment. The youth unemployment rate is twice the national average and three times the rate of unemployment among other age groups.³ Almost 60 percent of youth work in the informal

sector.⁴ The popular protest movement in 2013 revealed the frustration felt by many of the country's young people.

This chapter focuses on one of the most significant challenges Brazil faces in its effort to improve employment outcomes for young people: their early entry into the workforce. Youth in Brazil are often forced to leave school early, beginning work before they have completed secondary or tertiary education and gained employable skills. This limits their ability to find a formal sector job and achieve upward mobility.

The first section describes the problems associated with Brazilian youth starting to work at an early age – often at the expense of their education – and it traces the social policies that are starting to effectively reverse this trend over

the last decade. The subsequent section provides an overview of Brazil's social protection schemes and identifies the relationship between these programs and young people's ability to delay their entry into the workforce.

This chapter finds that Brazil's diverse basket of social welfare schemes is successfully enabling young people to stay in school and vocational training programs longer, ultimately improving their employment outcomes.

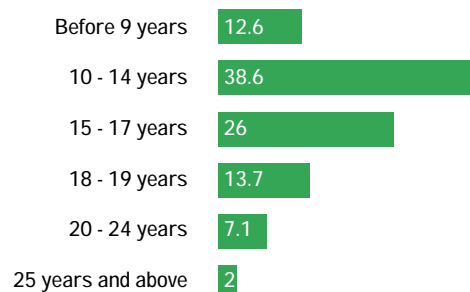
“Youth in Brazil are often forced to leave school early, beginning work before they have completed secondary or tertiary education and gained employable skills. This limits their ability to find a formal sector job and achieve upward mobility.”

Defining the problem: Brazilian youth's early entry into the labor force

One of the central concerns that policymakers in Brazil face is the premature entry of young people into the workforce, which impairs their quality of life and makes it difficult or impossible for them to acquire the education and skills required for a well paying job, especially in the formal sector. Brazilian youth tend to enter the workforce earlier than their counterparts in other emerging economies. **Figure 1** illustrates that over half of Brazil's current workforce began working at the age of 14 or younger. Over 77 percent started their first job before the age of 18.

While some Brazilian youth manage to work and study at the same time – about 14 percent

Figure 01
The Age When Brazilian Workers Entered the Labor Force (%), 2009



Source: Instituto Brasileiro de Geografia e Estatística. *Pesquisa Nacional por Amostra de Domicílios*. (Brazilian Institute of Geography and Statistics. National Sample Survey of Households.)

between the ages of 15 and 29⁵ – the vast majority of those who enter the workforce early leave school to do so. This is reflected in the low rates of educational attainment among Brazilian workers. Only 17 percent have completed tertiary education, and only 36 percent have completed secondary education.⁶

To offer a comparison, 70 percent of China's working age population had received secondary education as of 2010.⁷

Leaving school to enter the workforce affects Brazilian youth on multiple levels.

First, as the International Labour Organization points out, the earlier a Brazilian enters the labor market, the more likely he or she is to end up in precarious employment.⁸ The lack of experience and skills of these young workers means that they are less likely to find formal sector jobs. They end up in informal sector employment outside the reach of Brazil's progressive labor laws. And once they begin their working lives, transitioning from the informal to the formal sector is an almost insurmountable hurdle.

Moreover, turnover rates are higher among young people; one estimate pegs turnover among 18 to 24 year olds at 75 percent, with these young

workers spending an average of only 14 months in a job.⁹ With barely more than a year at the same job, those who start working early are less likely to build the skills necessary for upward mobility.

Third, the level of educational attainment heavily impacts employment outcomes for Brazilian workers. Among those who have completed tertiary education, 85 percent are employed, compared with only 70 percent of those who stopped after secondary education and 67 percent of those who never finished secondary school. This gap is higher than in most industrialized countries in the Organization for Economic Cooperation and Development (OECD).¹⁰

Beyond rates of employment, educational attainment is directly correlated to income level. As the OECD reports: “[In Brazil], adults aged 25-64 with a tertiary education earn 157 percent more than their counterparts with only upper secondary and postsecondary non-tertiary education. That represents the second highest earnings premium among OECD and G20 countries (after Chile), where the average is 57 percent. At the same time, Brazilians without upper secondary education incur a high

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earnings penalty compared to those with an upper secondary or post-secondary non-tertiary qualification, earning 42 percent less against an average for OECD countries of 24 percent less.”¹¹

When Brazilian youth leave school early to enter the labor force, they face higher rates of unemployment and are restricted to jobs that earn less and contain fewer protections. As this

chapter will demonstrate, however, the Brazilian government’s social welfare policies over the last decade have helped support young people who wish to study longer and delay their entry into the workforce. Given the pay-offs of higher educational attainment in Brazil, these steps by the government will translate into better employment outcomes for the nation’s current youth cohort.

Improving opportunities for youth: Brazil’s social welfare approach

Over the last decade, particularly under the leadership of President Luiz Inácio Lula da Silva – or Lula, who served from 2003 to 2010 – Brazil aggressively pursued a combination of social welfare policies aimed at reducing inequality, raising wages for low- and middle-income families, and strengthening institutions like education and healthcare. While these popular policies had aims broader than improving the youth employment landscape, they have played an important role in expanding opportunity for young people and enabling them to study longer and enter the workforce later.

Minimum Wage & Collective Bargaining

Family income is a key factor in determining when a young person in Brazil begins to work.¹² One of

the most dramatic economic developments of the last decade in Brazil is the rapid expansion of household incomes, especially among the poor. Between 2003 and 2012, the average household income increased by 51.7 percent in real terms.¹³ Meanwhile, the poorest decile of the population saw their real incomes grow by 106 percent.¹⁴ In the same period, the minimum wage increased in real terms by 72 percent, due to a newly enacted law that requires minimum wage be adjusted according to the level of GDP growth during the two previous years plus inflation in the previous year.¹⁵

The wage gains were not just limited to minimum wage workers. In recent years, 84 percent of organized workers have seen wage increases

above inflation.¹⁶ In advocating for the minimum wage legislation, ensuring its implementation, and leading the general efforts of workers to successfully lobby for wage hikes, Brazil's trade union movement – with whom Lula maintained a close relationship – played a pivotal role.

Labor Inspections and Formalization of Work

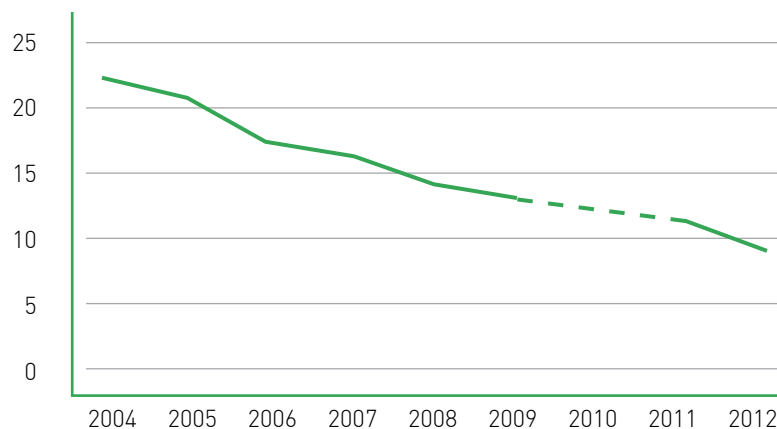
The increase in formal employment over the last decade, with regular wages and guaranteed labor rights, has also lifted up the middle and lower classes. In 2002, only 44.6 percent of the employed had a formal contract. This number increased to 57 percent by 2012.¹⁷

Better enforcement of labor laws and protection of rights through inspections and monitoring contributed to formalization of work in Brazil. In addition, the government provided incentives to small and medium enterprises to formalize their workers – for instance, financial incentives tied to regular payment of dues to the Employment Duration Guarantee Fund, which compensates workers for unjustified dismissal.¹⁸

Direct Transfers

In addition, income transfer programs serve 26.4 percent of Brazilian households.¹⁹ The most significant, Bolsa Família – a program that

Figure 02
**Poverty Rate in Brazil,
2004-2012 (%)**ⁱ



Source: World Bank; Data unavailable for the year 2010.

ⁱ These data reflect the poverty rate as it is defined in Brazil, rather than a global benchmark.

provides conditional ⁱⁱ cash transfers ranging from US \$7 to \$45²⁰ – reaches 12 million people.²¹

Taken together, this collection of policies aimed at formalizing the informal sector, raising wages, and strengthening the purchasing power of the Brazilian people played a significant role in the rapid poverty reduction the country experienced over the last decade (shown in **Figure 2**). In turn, the reduction in poverty allowed more families to keep their youth in education longer, improving their prospects for better employment.

Expanding access to higher education

In addition to policies aimed more generally at alleviating poverty and boosting household incomes, the Brazilian state also significantly expanded its investment in public education over the concerned period. In the first decade of the 21st century, public spending on education rose from 3.5 percent to 5.6 percent of GDP, and from 10.5 percent to 18.1 percent of total public expenditure. As a percentage of GDP, Brazil is nearly on par with the OECD average of 6.3 percent, and as a percentage of public expenditure it is far ahead of the OECD average of 13 percent.²² Recently, the Brazilian government approved a target to increase public education spending to 10 percent of GDP by 2024.²³

The government has made a concerted effort to expand educational institutions throughout the country, not only in major urban centers. Additionally, a reservation system was introduced that offers spaces to low-income students and black and indigenous students. This allows the children of the working class to finally enter leading universities in Brazil. Going further, the state also expanded scholarship programs for students to enter private universities. In

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2012, close to 300,000 full and partial scholarships were granted through the University for All Program (PROUNI).²⁴ In addition, the *Fundo de Financiamento Estudantil (FIES)* program allows students to fund studies in private universities through loans with subsidized interest rates, which they pay back after graduation. The expanded scholarship program and the FIES have resulted in university attendance of more than 2 million low-income youth.²⁵

The results of these investments in higher education have been impressive: from 2000 to 2012, enrollment grew from 2.7 million to 7 million students.²⁶

ⁱⁱCash transfers are contingent on compliance with requirements such as school attendance, vaccines, and pre-natal visits.

The Impact of Delayed Entry

By giving young people extra resources and opportunities to stay in school, and combining those policies with much-needed financial relief for their families, the Brazilian government's approach has succeeded in lowering the percentage of young people that enter the labor force at too young an age. **Table 1** shows the percentage of youth ages 15 to 17 that were studying versus working in 2013.

Today, 85.5 percent of this young age group is still in school. Twenty-two percent are working, and only 45 percent are considered economically

active – either employed or looking for work. Other estimates suggest the percentage is even lower.ⁱⁱⁱ Comparing these numbers to the workforce as a whole (**Figure 1**) illustrates how dramatic the shift toward education and away from early work is. Whereas the majority of Brazil's

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workforce started working before the age of 15, the new generation of young people is dedicating themselves to studies until they reach adulthood.

As young people are able to study rather than enter the labor force early, the percentage of unemployed youth is

Table 01
Brazilian Youth Ages 15-17
Studying and Working (2013)

	Studying (%)	Not Studying (%)	Total
Working	16.5	5.5	22.0%
Looking for Work	19.5	3.5	23.0%
Not Working	49.5	5.5	55.0%
Total	85.5	14.5	

Table 02
Brazilian Youth Ages 18-24
Studying and Working (2013)

	Studying (%)	Not Studying (%)	Total
Working	15.0	39.0	54.0%
Looking for Work	8.0	16.5	24.5%
Not Working	10.0	11.5	21.5%
Total	33.0	67.0	

Source: Secretaria Nacional de Juventude (National Youth Secretariat). Agenda Juventude Brasil 2013 (Brazil Youth Agenda 2013).

ⁱⁱⁱ Anderson Campos pegs the percentage of economically active 15 to 17-year-olds at 37 percent in his report: “Towards a State Policy to Combat Youth Unemployment and the Precarious Labor Market in Brazil!”

falling. Although young people aged 15 to 24 continue to represent a significant segment of those who are unemployed, the proportion has fallen from 43.7 percent in 2008 to 41.1 percent in 2013.²⁷ The absolute number of unemployed youth is also falling, from 4.1 million in 2008 to 3.4 million in 2012.²⁸ These data indicate that pressure on Brazilian young people to work has been mitigated by the social welfare policies of the last decade.

Nevertheless, the data on youth ages 18 to 24 (**Table 2**) illustrates vast room for improvement in tertiary education enrollment rates. Most young people between the ages of 18 and 24 have

given up their studies (67 percent), a majority is working (54 percent) and only 21.5 percent are not economically active. The earnings premium for workers with higher education should compel the Brazilian government to continue raising enrollment rates at universities. The upward trajectory – from 9 percent of the workforce with tertiary education in 2007 to 17 percent in 2011²⁹ – must be maintained.

Moreover, the fact that 28 percent of people aged 18 to 24 are not studying and not employed (either looking for work or not economically active) shows that many youth still fall through the cracks.

Conclusion

The case of Brazil demonstrates that improving employment outcomes for youth relies in part on understanding the circumstances that compel them to take up informal sector and low-paying work. Brazilian youth have long entered the workforce prematurely – before developing employable skills – because of the poverty their families face. Enabling youth to study longer and start working when they are better equipped to find high-quality jobs requires a multi-faceted intervention.

While policies aimed at improving young people's access to quality jobs tend to focus on specific supply side and demand side interventions, like skills training or a youth wage subsidy, Brazil's philosophy has involved a broader emphasis on social protections that empower young people by changing their environment. This approach, as this chapter has shown, can also be an effective strategy for giving young people more and better employment options.

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Endnotes

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