

# Addressing Inequalities and Challenges to Social Inclusion through Productive Inclusion Policies: Brazil's Experience

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June, 2018

## 1. Introduction

In the 2000s, the significant economic growth of several medium- and low-income countries allowed for an increase in spending on social programs aimed to reduce poverty and inequality. Among many consequences of such expansion, the Unified Registry for Social Programs (Cadastro Único)<sup>1</sup> and conditional cash transfer programs, such as “Bolsa Família”, were created.

As a result, in Brazil, the poverty and hunger eradication agenda advanced significantly in the past decades: more than 25 million Brazilians left their extreme poverty situation.<sup>2</sup>

Experience has shown, however, that a significant percentage of the families benefitting from conditional cash transfer policies did not have real opportunities for economic and social emancipation. This led to the development of social policy interventions that provide not only income support, but also professional education and entrepreneurship assistance.

In 2011, those policies were consolidated in a national strategy, the "Brazil without Extreme Poverty" Plan.<sup>3</sup> Focusing on “Bolsa Família” beneficiaries,<sup>4</sup> Brazil without Extreme Poverty Plan fought poverty with three kinds of action: income guarantee, access to public services, and productive inclusion.

In the area of productive inclusion, especially in urban areas, the Plan flagship was a professional education program, the National Program for Access to Technical Education and Employment (“Pronatec”). By 2014, “Pronatec” was implemented in more than 80% of Brazilian municipalities. It offered free courses on technological and professional education primarily designed to low-income people. To do so, the Ministry of Education, responsible for managing “Pronatec”, had to coordinate its actions with the Ministry of Social Development, responsible for filling the professional qualification courses vacancies and for indicating which courses were demanded in each location. Both Ministry of Social

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<sup>1</sup> Decree nr. 6135/2007. The Unified Registry monitors approximately 80 million Brazilians living in vulnerable families over 340 dimensions that outline the socioeconomic profile of this population

<sup>2</sup> World Bank, poverty line of US\$ 1.9PPP2011.

<sup>3</sup> Decree nr. 7.492/2011.

<sup>4</sup> “Bolsa Família” beneficiaries are the poorest families within “Cadastro Único”. Currently, there are around 50 million people receiving its benefits.

Development responsibilities were carried out counting only on information from local governments' social assistance networks.

In spite of its nationwide coverage, program impact evaluations show “Pronatec” was hardly effective in raising income or guaranteeing better conditions of employability for its graduates.<sup>5</sup> In practice, social assistance network has very little information on job opportunities. Consequently, courses were supplied according to the conveniences of local teaching institutions, ignoring labor market dynamics or local productive sector needs. All in all, “Pronatec” design had no alignment between the courses supplied and productive sector demands, jeopardizing the program's effectiveness. Since these interventions did not produce significant outcomes in terms of income generation and insertion of the most vulnerable people in the formal labor market, employment relations remained persistently precarious, with high levels of informality and self-employment. Most vulnerable people continued to experience only low or no social security and labor protection at all.

There are countless competing productive inclusion programs operating at NGOs and at the three federation levels.<sup>6</sup> However, likewise “Pronatec”, many of them are not effective because they lack integration with other initiatives. First, they lack integration because different programs have different scales and, consequently, many of them have difficulties to target the poorest populations. Such challenge is even greater in a country with continental dimensions as Brazil. Second, they lack integration because most of them focus on specific aspects of productive inclusion, while productive inclusion often needs a holistic approach. For example, when professional education and labor market intermediation programs are coordinated, results are much better than when these programs are implemented separately.<sup>7</sup> The same is true for programs aiming to improve entrepreneurs' income: entrepreneurship support, financial inclusion, and financial education must be coordinated to generate impact.<sup>8</sup>

To try a more integrated professional education program, the Ministry of Development, Industry, and Foreign Trade (MDIC) tested a different program design, called “Supertec”. They conducted firm surveys to map professional training demand and supplied professional education based on them. Such design naturally coordinated labor market needs and professional training opportunities. O'Connell et al. (2017) focused on assessing the impact of this experiment on employment and wages. The conclusion of the authors is that, while the integrated design increases the probability of employment, other professional training models that do not take into account firm demands had a negligible effect on this indicator.

Learning from all previous experiences, the Federal Government launched “Progredir” Plan, in September 2017<sup>9</sup>. It is a national plan designed to create jobs, generate income, and promote the autonomy of the Unified Registry population.

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<sup>5</sup> For further information, see Report from Brazil's Ministry of Finance (2015), Report from the Federal Court of Audit (TCU, in the Portuguese acronym) (2016), and Caderno de Estudos – Desenvolvimento Social em Debate n° 30, 2018 (link in <https://aplicacoes.mds.gov.br/sagi/portal/index.php?grupo=53>).

<sup>6</sup> Besides the Federal Government, Brazil is composed of 26 states, the Federal District, and 5,570 municipalities.

<sup>7</sup> For further reference, see O'Connell et al. (2017).

<sup>8</sup> When looking to overall credit figures, “Bolsa Família” beneficiaries default rates are much higher than those of non-beneficiaries. Also, they account for only one-third of total loans directed to Unified Registry families (for further information, see <http://www.bcb.gov.br/htms/reinf/port/2018/03/ri201803P.pdf>). However, when looking to Oriented Microcredit numbers, default rates of “Bolsa Família” beneficiaries are slightly lower than overall default rates. Also, “Bolsa Família” beneficiaries receive two-thirds of total loans directed to Unified Registry families, which is a very impressive result. Oriented Microcredit associates credit supply with entrepreneurship support and financial education.

<sup>9</sup> Decree nr. 9160/2017.

“Progredir” is based on the coordination of public and private partners’ productive inclusion programs. It is built upon an information system that promotes the cooperation of all actors involved, from policymakers to beneficiaries. Bearing in mind the lessons from policies already implemented, “Progredir” aims for greater effectiveness in the productive inclusion of low-income families. In the strategy proposed, the program reinforces Brazil’s commitment to Sustainable Development Goals (SDGs), by acting directly on the fight against poverty and the eradication of social inequalities, as well as the promotion of decent work and quality education.

## 2. “Progredir”

“Progredir” aims to generate income through either the inclusion of the poorest people in the formal labor market or the improvement of their self-employment revenues. In order to explain how the plan is supposed to meet its objectives, four questions will be answered:

- Which services are supplied by “Progredir”?
- To whom?
- By whom?
- How?

### Which services are supplied by “Progredir”?

1. **Professional education:**
  - Vocational courses and workshops chosen after productive sector surveys
  - Matching education, skills, and jobs
2. **Job offers:**
  - Intermediation between private sector job offers and candidates, to shorten the distance between productive sector opportunities and the low-income population
  - Monitoring labor market performance of the “Progredir” target public
    - As discussed, labor market monitoring provides very useful information to determining “Progredir”’s professional education supply
3. **Entrepreneurship support:**
  - Managerial assistance and courses
  - Financial education
  - Targeting Oriented Microcredit supply to “Progredir” beneficiaries
  - Diminishing financial inclusion gaps

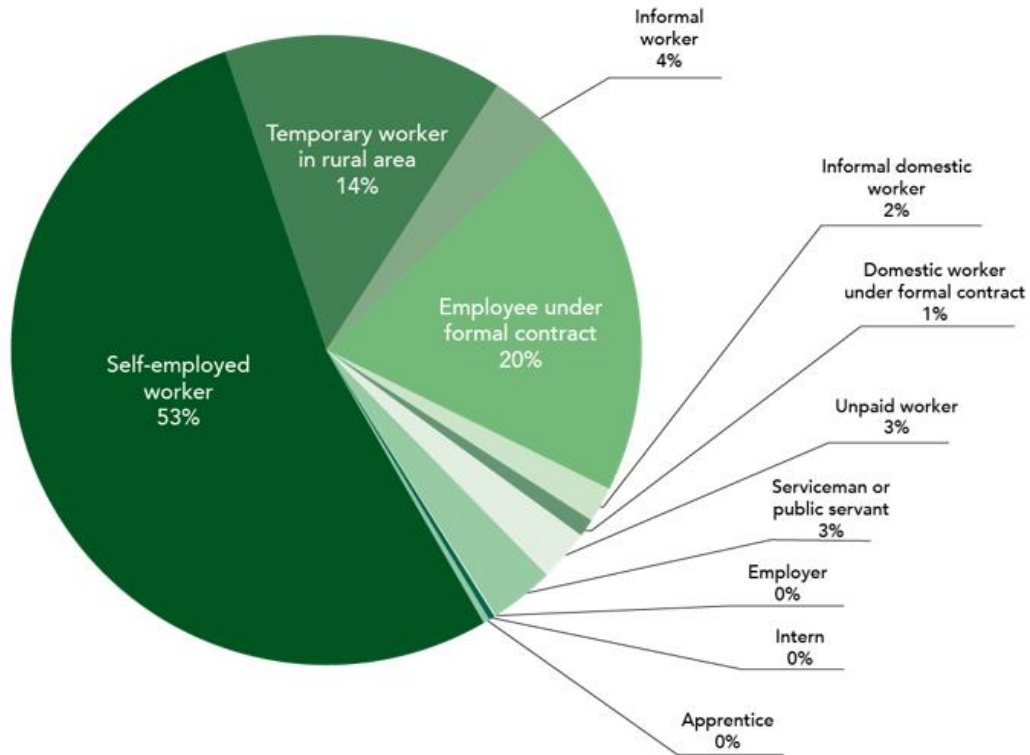
### To whom?

“Progredir” actions prioritize the most vulnerable Brazilian population, namely the people registered in the Unified Registry (approximately the 40% poorest of the Brazilian population).

As shown in Graph 1, while 24% of the Unified Registry occupied people (17.4 million) are in the formal labor market, 53% of them are self-employed workers engaged in paid activities

not necessarily preceded by a formal contract and 14% are temporary rural workers. All the remaining are out of the formal labor market. Therefore, it is clear that the most vulnerable people lack security in their work relations and income predictability.

**Graph 1: Profile of Unified Registry Occupied Population (April 2018)**



Source: Tabulator of Social Information of the Unified Registry - April/2018; elaborated by: SAGI/MDS

### By whom?

“ProgreDir”’s main innovation is the coordination of productive inclusion actions through the **Social Development Partners Network**, a group of public and private institutions that work together with the Ministry of Social Development to offer the above-mentioned services. “ProgreDir” does not pay for any of Social Development Partners Network services.

Currently, “ProgreDir” has almost 300 private sector partners, from all sorts of industries: manufacturing, trade, services, and agriculture. Such private sector partners provide job opportunities and offer information that helps to determine professional education demand. Schools offering the courses (private and public) must also be Network members. Such courses are typically philanthropic actions previously scattered throughout Brazilian territory, but now coordinated in a broader context.

Network member fintechs and banks can supply Oriented Microcredit and financial services to “ProgreDir” beneficiaries who request it. Schools and NGOs that join the Network can also offer financial education and managerial courses to these people. Financial services and financial education are combined, when it is appropriated to do so.

Even our beneficiaries can be found by our public and private partners. Therefore, we can reach regions beyond our social assistance network coverage, without having to lose our eligibility rules. NGOs help us in this task.

There is no lack of productive inclusion actions in Brazil, but they lack integration. The Network is a constant mapping of all productive inclusion actions over the whole country, so they can all focus on the same population and be timely provided. By putting together those who demand and those who supply (e.g., those who employ and those who train), the Network coordination becomes much easier.

## **How?**

The integration of network members, program beneficiaries, and public managers happens online. Thus, data available allow permanent monitoring and evaluation on the effectiveness of the services provided by all Network members, as well as timely action to coordinate them.

It is the first policy implemented by the Ministry of Social Development that stays in direct and constant contact with its beneficiaries, without the intermediation of local public managers (on municipalities). At the same time, it is the policy that can count on the greatest number of partners for reaching its target population, through the Network. Given Brazil's continental dimensions, this only became possible because of information technology tools.

The information systems that provide low-income families the opportunity to directly access “ProgreDir” services is an innovative strategy that provides more autonomy to “ProgreDir” beneficiaries. Indeed, “ProgreDir” Portal allows people registered in the Unified Registry to enroll directly in professional training courses, express interest in microcredit, seek job openings, and even write resumes to send to Network companies. Therefore, when people cannot be reached neither by our social assistance network, nor by NGOs, they can contact us directly.

From the perspective of the Network, the “ProgreDir” Portal allows the registration of job vacancies and professional training courses, as well as searches for curriculum and microcredit demand. In this sense, the Portal is a great hub of opportunities for productive inclusion, multiplying and sharing training offers, job vacancies, and entrepreneurship opportunities.

### **2.1. Integrating Skills, Professional Education, and Jobs**

“ProgreDir” innovates the design of professional education by integrating training and labor market intermediation. First, by scaling-up the “Supertec” model (courses based on firms’ needs). Second, by allowing the social assistance network to focus its efforts on what it does best: finding people that need productive inclusion opportunities. Third, by preparing people for jobs. For example, through a program named “Acessuas Trabalho”, we offer workshops on overall labor market themes, such as labor rights and socio-emotional abilities.<sup>10</sup> By the end of 2018, 435,000 low-income people will participate in these workshops, in over one

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<sup>10</sup> Lack of socio-emotional abilities is one of the main barriers for labor market participation of the poorest populations.

thousand municipalities. At last, but not least, we are trying to map our population skills to improve matches between professional education and skills, so we can have better labor market outcomes.<sup>11</sup>

## **2.2. The entrepreneurship challenge**

In order to strengthen low-income families' small businesses, "Progredir" has developed initiatives to foster the Oriented Microcredit Program, with normative changes that have benefitted the Unified Registry population.

The first initiative was the negotiation of MDS with other ministries to change a National Monetary Council norm in order to target Oriented Microcredit supply to the Unified Registry population. "Progredir"'s second initiative was to negotiate with other ministries the simplification and modernization of microcredit legislation, to reduce operation costs and increase supply.

In addition to these regulatory improvements, "Progredir" works on the identification of small entrepreneurs enrolled in the Unified Registry who are both prepared and interested in microcredit. With this information, "Progredir" brings microcredit providers (such as banks and fintechs) closer to them, reducing the prospection cost and increasing the volume of contracted operations. These entrepreneurs also receive managerial assistance, so business education and financial education become integrated.

At the same time, considering the importance of financial education actions for poorest families, "Progredir" launched the Future in Hand Program ("Programa Futuro na Mão"), to carry out workshops for more than 200,000 women who are beneficiaries of Bolsa Família, the largest action of this kind worldwide. To build this action, a pilot program was implemented and fully evaluated. Results were highly positive. For example, the average value of beneficiaries' savings who attended Future in Hand workshops almost doubled. It is worth noting that all courses and workshops offered within "Progredir" are free-of-charge, even when carried out by private partners.

Since all these actions took place, approximately US\$ 600 million in microcredit have been granted to "Progredir" population.<sup>12</sup> In addition, two thirds of this amount has been lent to "Bolsa Família" beneficiaries – an unlikely result, given these are the poorest Brazilians within the Unified Registry. These results – which have surpassed the goals established when the program was launched – confirm the potential of entrepreneurship as a tool for the productive inclusion of the families enrolled in the Unified Registry.

## **3. New Perspectives, a New Insight**

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<sup>11</sup> There is a wide range of skills to map. For example, we found over five hundred young students from "Bolsa Família", who are either poor or extremely poor, who won the Public Schools Brazilian Mathematics Olympiad this year. They will receive support to take extra Mathematics courses aimed to highly talented students.

<sup>12</sup> For further information, see <http://www.bcb.gov.br/htms/releinf/port/2018/03/ri201803P.pdf>.

“Progredir” invests in the coordination of programs, actions, and networking between the public and private sectors. These are some of the ingredients that have given a new insight to the challenge of generating employment and income for the Brazilians who need it the most. In spite of being a very new initiative, “Progredir” has already shown promising results, indicating it is on the right track. To promote opportunities for a decent and sustainable work – this is “Progredir”’s commitment.

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