

Productive inclusion – opportunity for decent work as a right and not a duty¹

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The main topic of this paper is to discuss the actions that governments can take to promote better work opportunities for poor workers to earn more income than they are earning today. It will be based on the Brazilian experience using the authors' background as a basis for the reflection. Rather than trying to find an answer, the intention of this paper is to discuss recent questions after a decade of different approaches that were taken by the Brazilian Federal Government in the context of its fight against poverty.

The paper is divided in three parts. The first addresses a summary of recent facts and results that Brazil has achieved through its model of development with social inclusion. It describes this new development model that let the country go through the 2008 international crisis with much less social impacts and economic losses than many other countries. This discussion is key to understand why the productive inclusion has got to the position it has today on the government agenda even after so many interesting results that will be shown.

The second section of the paper is dedicated to a more theoretical discussion of the concepts in which the idea of “productive inclusion” is based. As it will be shown, some of the questions that arose in the issue of rights for citizens and workers take the discussion to fields contradictory to the policy making itself. It is important to overcome these confusions in order to address the actions that governments can take with less noise.

In the last section, recent outcomes of initiatives that have been conducted by the Brazilian Federal Government are analyzed in the perspective of letting people have access to better work opportunities and earn the money they need for decent living conditions. As many initiatives have been tried, it seems that there are still many interesting challenges left in this field. Comparisons between the contexts in which those public policies have been undertaken are key, particularly in terms of rural and urban environment.

1. Recent facts and results – The development with social inclusion model

The changes which the Brazilian society has gone through during the last decade have been noticed worldwide. Under the Workers Party (PT) administration, with Luiz Inácio Lula da Silva and Dilma Rousseff as presidents, many unexpected results were achieved by prioritizing social issues on the political agenda.

It is important to remember that the period in which Brazil went through these changes is the same period that the world went through one of the greatest economic crises since 1929. Most countries went into economic depression, unemployment has been increased everywhere and still the Brazilian economy kept on growing, generating jobs and reducing inequality.

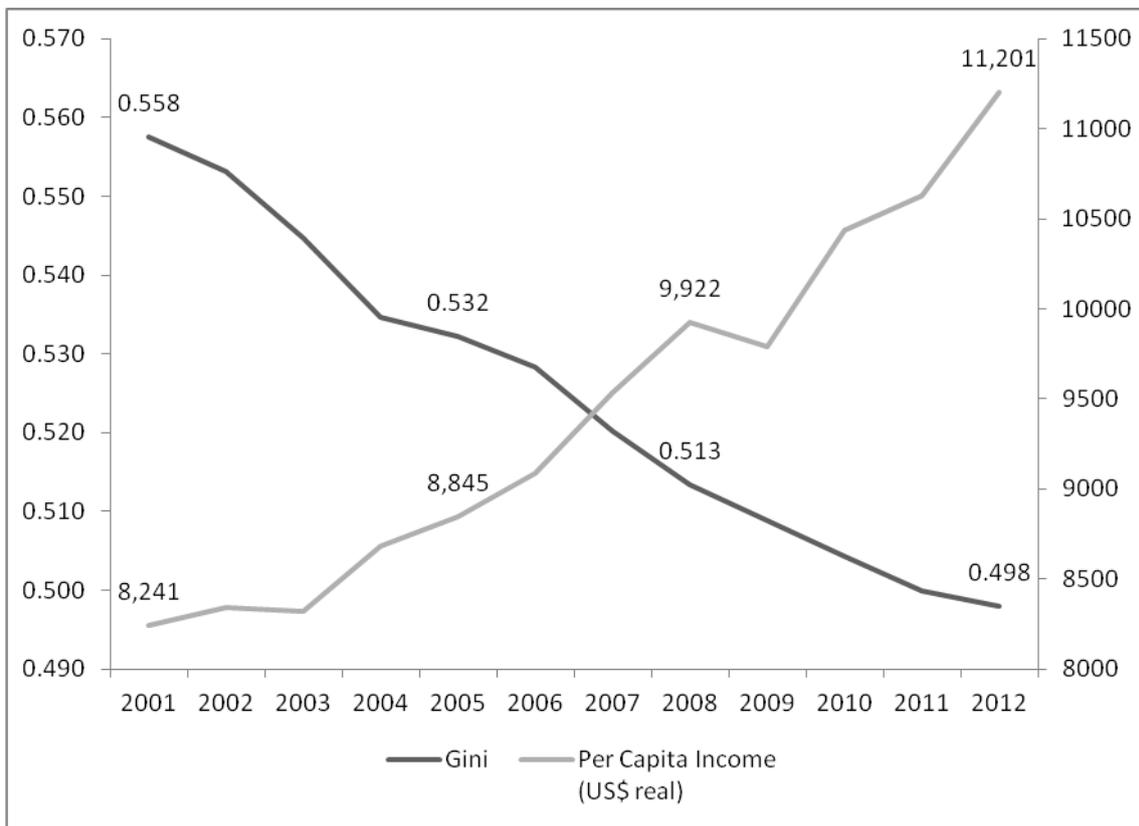
¹ This paper was sent for publication on the November 14th 2014. Updated data for policies and programs can be found at <https://www.wwp.org.br/>

There are many different explanations for this phenomenon; some of them try to find economic reasons for these results. But most of them miss the most important part of what has happened – there has been a political decision to put social issues as first priority and that lead to a different path in comparison to many other countries that were all looking for conservative solutions for budgets and public policies.

Instead of cutting expenses and saving resources for the hard days to come, the Federal Government decided to keep on track with the agreements and plans that were created before the crisis came. The three most important were certainly the minimum wage agreement, the increase in public investments in infrastructure and the broadening of the social protection system.

With this group of measures, the country was able to keep growing, the income raised and inequality went down. In a decade, the per capita income was increased in more than 36% while the drop in the Gini Index was 0.1 in the scale² (Fig.1).

Figure 1 - REAL PER CAPITA INCOME* E GINI INDEX**



Source: NSCN/IBGE and PNAD/IBGE

* Actual Values – GDP deflator (2011) ** Families Monthly Income *** Exchange rate: US\$ 1,00 = R\$ 2,00

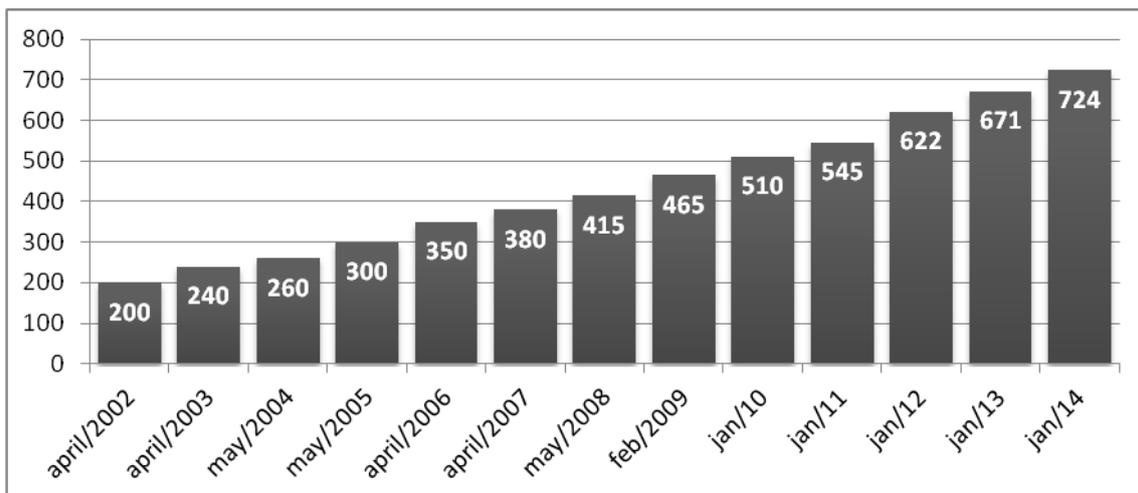
² A decrease of 0.1 in the Gini Index was a great achievement for Brazil that took the country to one of its best distributive situations since 1960. It represents a great improvement in the distribution of income with a greater impact on lower income classes.

1.1.1 Minimum Wage Agreement

The Minimum Wage Agreement was a political arrangement made in Congress with representatives of different parties and sectors to generate a formula to foresee the national minimum wage growth in the medium term. Workers, business owners and many other representatives were brought together to negotiate how much they thought that the reference value could be in a decade and decide on how to do it, year by year. The final agreement stated that every year the value would be raised in a variance of the GDP growth of the two years before in real terms. Established by a national Law³, it meant that workers would receive part of the benefits of the growing economy and the firms would know how much their costs could grow and get prepared. In that way, fewer rounds of negotiation would be needed and most of the economic scenarios could be predicted without surprises.

The value of the minimum wage experienced 72% growth in real terms over ten years⁴. That meant more money running into the local economy⁵, more consumption, better businesses perspectives and more people intending to invest as well. Even with almost 17% of Brazil's economic activities being related to informal sectors, the minimum wage works as reference price and could positively influence the economy as a whole.

Figure 2 - MINIMUM WAGE EVOLUTION(R\$)



Source: Central Bank/ Ministry of Economy Data: R\$ and % real (deflacioned by INPC)

³ Law No. 12.382/2011

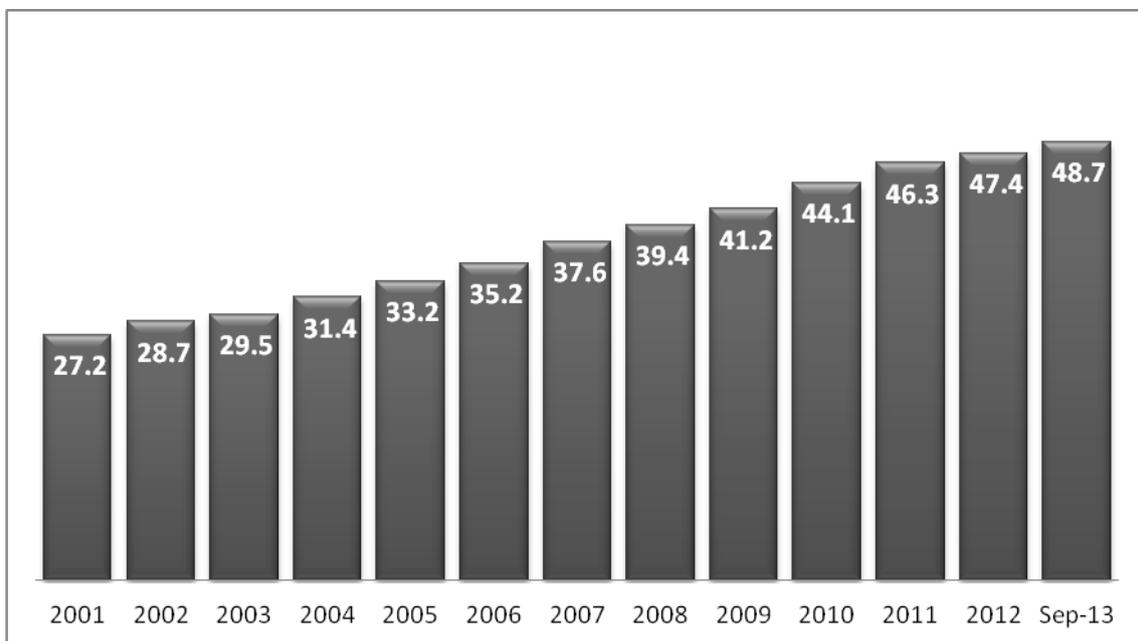
⁴ Some researchers points out that the national Brazilian minimum wage is still far from the value it should be in real terms for the works to receive a fair payment for their work. (FGV,2014). It means that its value and the appreciation process are being discussed as a recent issue that can be changed soon. One of the key topics on the arguments is the Brazilian workers' productivity and the expansion of the qualified workforce supply.

⁵ More than 50% of workers on North and Northeastern Regions of Brazil earn minimum wage and those who earn a better salary use the value as reference to negotiate. Even workers from informal activities take the reference to define their wage.

1.1.2 Growth Accelerating Program (PAC)

The second initiative to keep the country growing was a national infrastructure project called PAC that was designed to solve many problems with Brazil's logistics. From roads to airports, including energy and water supply, this Program was actually a sum of different strategies for reducing the national production costs and infrastructural problems. It was meant to improve the business environment and allow investors to be more secure to invest in different areas throughout the country with long term return periods. Not only on the economic side, the program also intended to contribute with environmental and social issues, engaging national and local governments and agencies to cooperate. Even with some problems that are not going to be discussed in this paper, the program worked out as great economic incentive to foster public and private investments.

Figure 3 - EVOLUTION OF FORMAL JOBS STOCK (IN MILLION)

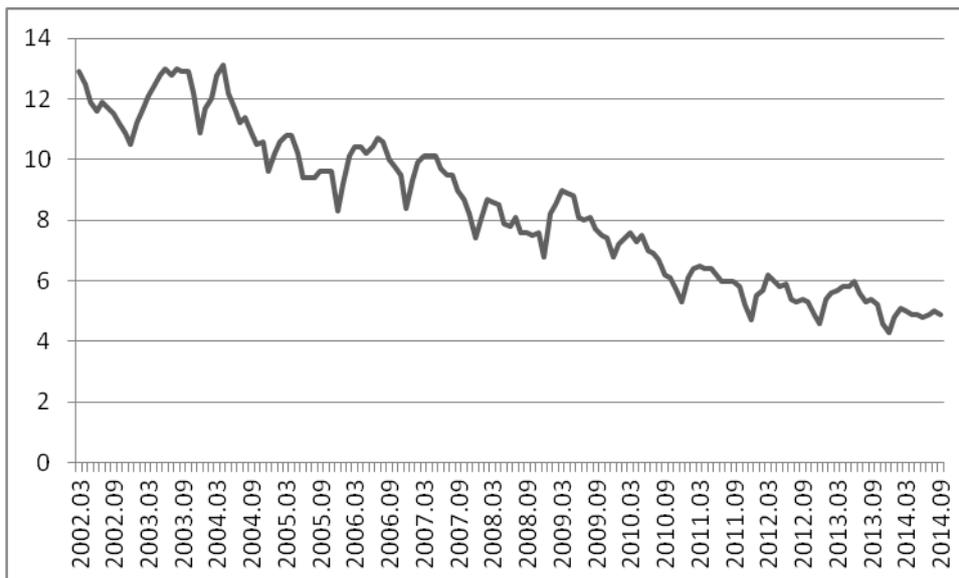


Source: RAIS/MTE. Note: Balanced by the end of the periods

More than 21 million formal jobs were created from 2003 to 2013⁶ – the unemployment rate reached under 6% (almost what can be defined as full employment rate). Multiplied by the growth in minimum wage values, the economic impact of these two first measures were great.

⁶ The economically active population varied from 83 million (2002) to 95 million people (2012) – Source: IBGE/PME.

Figure 3 - EVOLUTION UNEMPLOYMENT (% OF ECONOMICALLY ACTIVE POPULATION)



Source: PME/IBGE.

It resulted directly in an expansion of the income earned in wage basis, meaning that the percentage of work income in the Brazilian total income grew as well⁷. The contributory basis for social security had also an increase with more formal workers being registered by firms. As the available consumption income forecasted greater markets, the production could be increased generating a positive cycle for the whole economy.

1.1.3 Improving the coverage of the National Social Protection System

The third component of the mechanism that enabled Brazil to strengthen its economic gains was broadening the national social protection system. Composed by many different policies with services and benefits it was particularly important for the poorest regions of the country.

Ensuring citizens' rights, it also helped to maintain consumption levels, spreading it out to potentially depressed areas of the territory. As long as most of the poverty is sometimes spatially concentrated, these areas were able to receive even more financial support than others. In this sense, it was possible for local shops, stores, entrepreneurs and other small businesses to receive a great increase in their demand. As a result, local jobs and opportunities were created and enabled many poor people from these areas to access better opportunities than they would have without the cash injections of the social programs. Obviously, it was a great discovery for Brazilian public policy researchers to find this kind of impact less than a decade after the start (or increase) in the programs⁸.

The Brazilian national benefits system can be divided in many ways. One interesting classification would be to separate the contributory part from its non-contributory programs. In the first group we have benefits securing income for recently unemployed workers

⁷ If the percentage of work income is calculated in GDP terms, in a decade it meant a growth of 8 % (POCHMANN, 2014)

⁸ The economic multiplier effect of the Bolsa Familia Program is over 2.2 on the GDP if the household consumption is considered. - IPEA, 2014

(unemployment benefit), retirement plans and social security. The second is composed of benefits for the poor, disabled or elderly people and the *Bolsa Familia* Program.

From the elderly poor to unemployed workers, every social program was improved in terms of coverage and value in the last period. As an example, the contributory social security used to be related with urban workers in formal jobs. It was extended to rural areas and a new variety of benefit was created for informal workers. It resulted in an increase of people covered by the social security system to almost 80 million, around half of the Brazilian population (200 million).

The unemployment benefit is received by workers while they are looking for a new job. Its coverage was amplified so it was paid for by 8 million contributors. The BPC benefit which is received by the elderly and disabled poor was extended to cover over 30 million citizens without a financial contribution. It pays a full minimum wage for those people and is responsible for the survival of millions of poor families in Brazil.

The *Bolsa Familia* Program is one of the most studied conditioned cash transfer programs in the world. Even for United Nations agencies and multilateral institutions such as the World Bank it has been used as a model of well-designed public policy that has reached those who really need support. It was created in 2003 with approximately 4 million families (16 million people). With an expanding trajectory it was already reaching 14 million families (50 million people) by 2014.

Once more, due to the Brazilian regional inequality much of low income classes are concentrated in poor areas. The group of benefits described helped bring together these cities and neighborhoods to have some currency injection and to avoid economic depression. In this sense, if the creation of jobs, the increase in minimum wage value and social programs expenditure are summed up, their effect can explain a great part of the social progress made by the country during the period.

That is why the net per-capita income growth of the 20% poorest part of the population could grow at a rate 2.6 times greater than the 20% richest (IPEA, 2014). It was a direct consequence of investing on those who needed to be part of national consumption making local markets flow.

Another interesting result was the multiplier effect (IPEA, 2014). By their data it was possible to prove that most of those social policies, specifically the cash transfers, reached a level much greater than 1. It means that the expenditure made with the public budget accelerated the economy in real terms, particularly with activities most needed by poor people. Those studies demonstrate that only the *Bolsa Familia* could get to a 1.78 multiplying effect⁹. Many small cities and villages got an increase in their local demands supported by local governments with budget from national levels.

⁹ Each Real spent on Bolsa Familia resulted in a plus 1.78 Real in the Brazilian Gross Domestic Product (IPEA,2014, p.36)

The drop in the Gini index from a 0.62 mark in 2002 to a 0.48 in 2013 was astonishing. As previously stated, it is the great record for equality for Brazil over the last 50 years¹⁰. Once again, a record achieved besides the 2008 world international financial crisis that led the rest of the world to huge increases in their inequality rates. It is hard to overcome a depression as the one created by the financial markets. But it is even harder to get over it fighting against inequality.

One can say that the result couldn't have been predicted when the decisions were made by the Federal Government. But it is possible to say that the criteria of the decisions were already defined and that was what leads Brazil to following this track. Some say that other countries should do the same in order to have an international economic recovery since we're still living under a decrease in growth rates and the increase of unemployment. Still there are political analysts insisting with recessive formulas even with the outrageous results seen everywhere. The exception was Brazil.¹¹

Another estimate indicates that 22 million Brazilians went out of extreme poverty during the decade (UNDP US\$1.25 reference). It corresponds to a reduction of 89% of the poor population in 10 years¹². Even with great numbers shown in many other countries with the Millennium Development Goals (MDGs) the Brazilian result was also part of a political decision to end extreme poverty in the country. By 2011 Dilma Rousseff was elected and became Brazil's first woman President. Overcoming extreme poverty was a defined goal and part of her election campaign and government programs. Almost obsessively, even the governments' mission statement was that "a rich country is a country without poverty".

Designed to overcome extreme poverty¹³ in the country, the Brazil Without Extreme Poverty Plan¹⁴ was created. It was based on a multidimensional approach to allow low income classes to have access to better income and public services as well. More than a marketing campaign, its goals were to put in practice effective national policies on poverty. The program was designed to operate in three different areas: to address the income problem; to allow poor people access to public services and; to enhance work opportunities for low income classes. These areas were established as an axis to a national plan that involved more than ten different Ministries on each of the approaches.

The plan is coordinated by the Ministry of Social Development and the Fight against Hunger (MDS) with dozens of public policies. It has a national governance structure to monitor the actions included in the plan and a rigid schedule of goals that each institution should achieve. Being part of the plan means to have a political priority given by the head of the Executive while also being committed to make them happen.

Certainly the clearer strategy was related to increasing income that could be addressed with improvements in cash transfer programs. A new diagnosis showed that poverty was still very much concentrated on the younger demographic after a year of working without deep changes

¹⁰ BONELLI, RAMOS, 1993

¹¹ ILO, 2014

¹² PAIVA, FALCÃO, BARTHOLO, 2013

¹³ Reference value: less than \$1.25 a day (UNDP)

¹⁴ FALCÃO, COSTA, 2013

on pre-designed programs. In this sense, overcoming extreme poverty would be relevant not only for the present time but would be particularly important for the country's future generations. So after some innovations of the policy design most of the poor children and youngsters were taken out of those conditions. Taking 22 million people to a better income situation turned out to be not only a great achievement for Brazil in the present but also a better perspective for the future.

As this paper doesn't intend to discuss all the consequences and dimensions of the *Brazil Without Extreme Poverty Plan*, we will concentrate on the actions designed for the inclusion of low income classes in labor markets. But some of the instruments used in the design of the plan are determinant for further discussions, particularly the registering system used for the plan.

1.2 The Unified Registry

One of the most important actions that were created along with the *Bolsa Familia* Program was the creation of a national database of the families that were being enrolled in the program. Until that time Brazil only had around 4 million families registered and part of their information was broadly incomplete.

With the Unified Registry a huge database was developed and today it has the important information of more than 80 million people. Every Brazilian citizen with an income of over half of the minimum wage can be registered. This data is used for policy design of different public policies. Registered in the database are records of income, housing, schooling, parenthood, health and many strategic aspects that are useful to design better policies for this population. A team of 75 thousand staff members from all national federal levels are mobilized to register and update all the information (families should have their data updated every two years¹⁵).

The Ministry of Cities could make their housing policy more targeted to the poor people that need a place to live. The Ministry of Health could use the data to expand their hospitals and offer physicians to the places where they are needed the most. Even the educational services could be prioritized in neighborhoods where children are lacking opportunities to study. The start of full-time public schooling offer dates from this period and it has being offered mostly on areas indicated by the information of the Unified Registry. Nowadays more than 20 different programs use the Unified Registry data to design, operate and monitor their public policies.

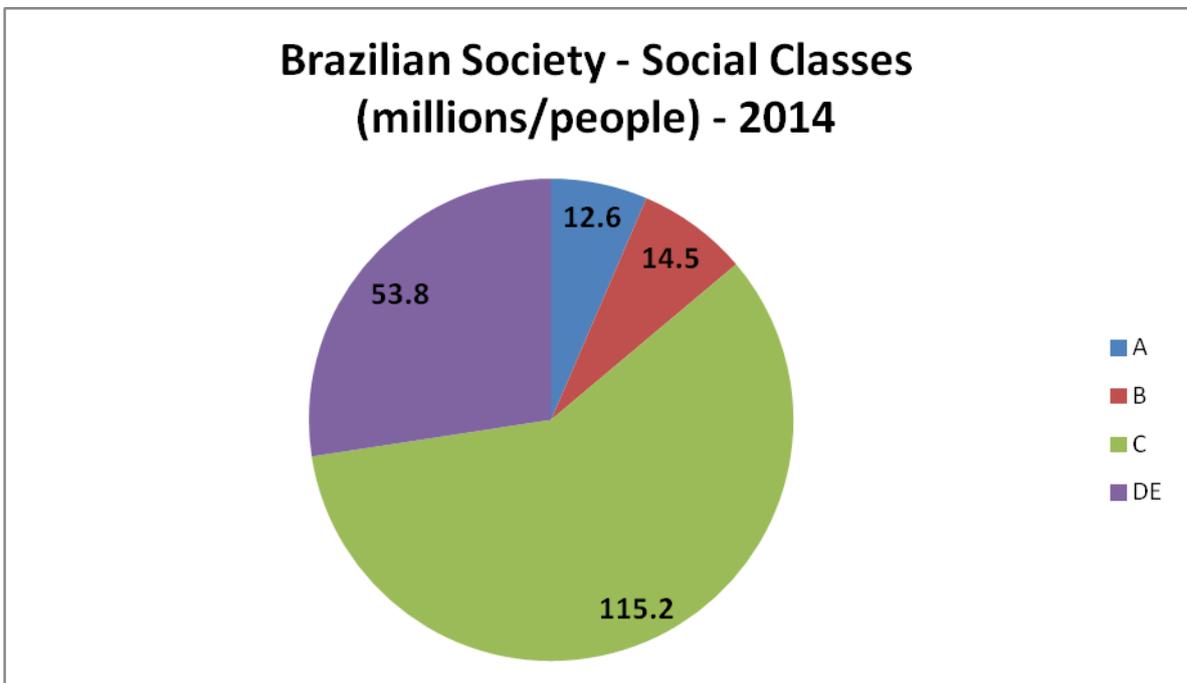
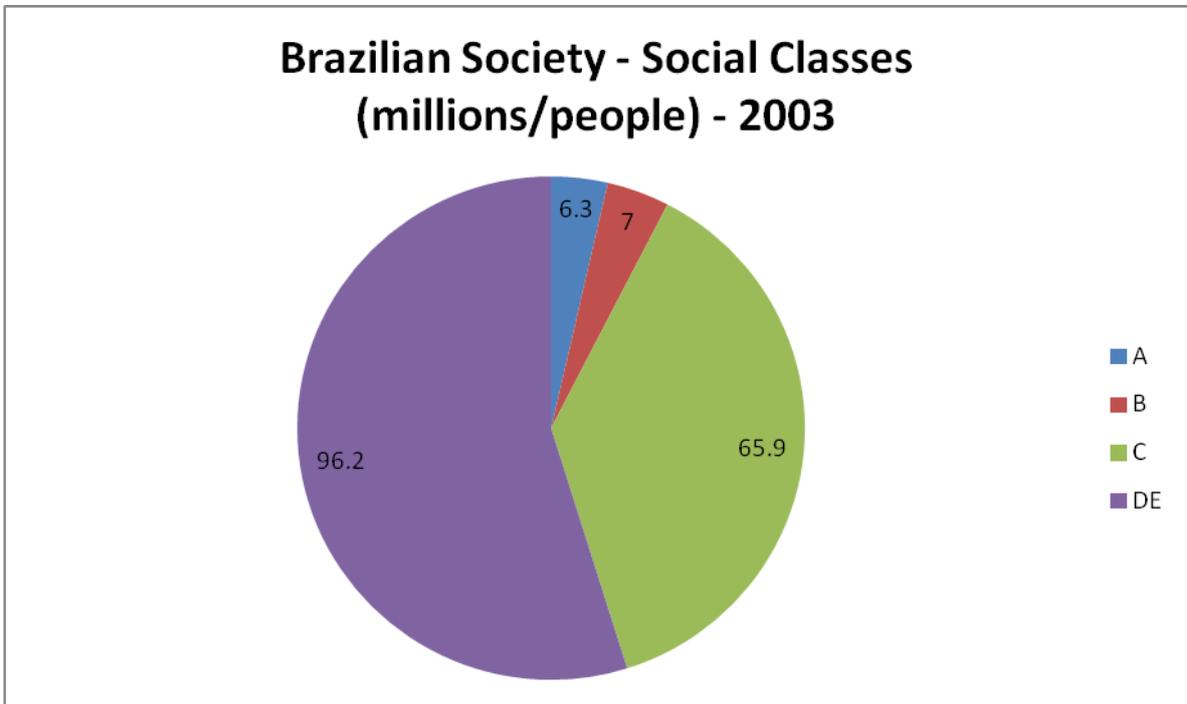
1.3 The great results in fighting extreme poverty

With the success of the many policies developed, not only has inequality dropped but large amounts of people are living in much better conditions. Only the *Bolsa Familia* took 22 million people out of extreme poverty. Brazil used to be a country with its population concentrated

¹⁵ Families enrolled in the *Bolsa Familia* program that don't update their information can be disconnected from the program. They have to have their data updated at least every two years. In this sense, even families with higher income can stay on the program for the updating period which is a good measure for people who are worried about losing the benefits when they get a formal occupation.

mainly in lower income classes. In a decade a great number of people overcame their D and E income class situation to become part of C class in income terms.

Figure 4 – DISTRIBUTION OF BRAZILIAN POPULATION – INCOME CLASSES (IN MILLION)



Forecasts. Baseline: 6,5% YoY income growth rate

Source: IBGE and IPEA Produced by: Ministry of Finance¹⁶

¹⁶ BRASIL, 2012

It is possible to say that the Brazilian extreme poverty rate under 5% is getting close to the rate of extreme poverty of developed countries. But even still, Brazil is a very unequal country with a long way ahead of it in the direction toward being an economically democratic country. But it is noticeable how it was possible to make so much progress in such a short time.

On the problems that remain, still almost 200 thousand people are living in extreme poverty because they are not known by the Government. There are 36 million *Bolsa Familia* recipients that are not living under extreme poverty because they are receiving the benefit¹⁷. If the program was extinguished these people would revert back to their previous conditions. Not that the benefit means a lot – it is not more than US\$ 80 per family per month on average. But it makes a lot of difference for those who receive it. In monetary terms, 36 million people are not poor because of it.

Recent data shows that 50% of Bolsa's population are less than 16 years old and should not be working (as they are attending school). From the adult population, 73% work even more hours per day than the non-beneficiary standard¹⁸. It means that almost 13 million poor Brazilians work a lot but they can't access the necessary income for them not to be poor. It also means that the program does not unstimulated people from working – on contrary, it allows them to look for better positions.

There are some politicians that argue that the *Bolsa Familia* program should have an "exit door". They mean that the beneficiaries will get lazy with the cash received and won't be willing to work. For these people the receivers of the benefit should not be allowed to be enrolled in the program indefinitely.

These politicians have a false diagnosis of the problem. They think that the families are lacking work. They propose the idea that beneficiaries' families should have work conditionality for them to be enrolled¹⁹. This means that those who are already working, currently a rate of 73%, would have another duty to be included as part of the income program. As if those families weren't available for work they intend to make them work even more.

As said, data shows that the *Bolsa Familia* beneficiaries do work and work a lot. They don't need work incentives or motivation to be out of poverty. Many conservatives even think that motivation is the problem. Usually poor people are fighting against the conditions of poverty because they simply need to survive, not to strive. They are already working and using their skills in the way that they cannot stay poor forever. But they aren't able to access the opportunities and jobs that would lead them to this better future. They don't lack work ethic, they lack opportunities. So they demand support to have better access which can be seen as a duty for the State to end this poverty trap.

It seems that work conditionality would be an answer if the problem was lack of willingness to work. As seen, that is not the problem and a new conditionality is not the solution. Instead,

¹⁷ It is important to highlight that it costs less than 1% in GDP terms.

¹⁸ IPEA, 2013 p.345

¹⁹ The program has already conditionalities on education and health. Children from *Bolsa Familia* families needs to attend to school, and the family is oriented to have appointments with physicians in specific periods. Otherwise they are disconnected from the program.

what needs to be discussed is how to let this population access better opportunities through which they can earn more than they are earning today. Different approaches can be developed and some of them are already being used in Brazil.

Together with the discussion of approaches it is also necessary to discuss how these actions are organized. And the role that states can play to make it happen is key to the discussion.

2. Concepts of Productive Inclusion

“Decent work sums up the aspirations of people in their working lives. It involves opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men.” ILO²⁰

The definition of the International Labor Organization - ILO of what work should be like in everyday life illustrates a path when discussing work opportunities for poor people. It should be a way for people to concretize their needs and dreams, a form of expression with complete freedom of choice. It should be equally accessed by men and women as a way for them to produce and receive a fair income.

There are many theoretical debates that could be held on each of the ideas expressed in the concept. The same might happen when discussing “productive inclusion”. As shown before, it is known that lots of people around the world are working a lot but they can’t earn enough income for their needs to have a decent life. They cannot choose what they want to work with and they are not allowed to take the risk of trying different initiatives for them to improve their life. Most of the time, making a change might rely on not receiving even the small amount of money that they are earning at present, leading them to a worst situation.

Another philosophical debate is whether low income workers are already part of the society so they could not be “included”. The concept of “reserve army” developed by Marx is the clear picture of the role these people play in the capitalist system – accepting any kind of work for any wage, the poor tends to lower the price of the work force for even lower than their survival needs. When the term inclusion is applied here it is just stating that there is a group of opportunities which some people have access to and others don’t. It is intended to find a way match them as well.

It is also implied that Governments will have a role to play in supporting these people with public policies. It means that the notion of market equilibrium is rejected assuming that the

²⁰ ILO, 2007

limits in between markets and the State is important. None of these discussions are going to be deeply developed in this paper. It is assumed that more important than discussing theoretically, this issue has a lot of background that can be explored in concrete terms. Not that the theoretical debate is unimportant, it is just not the approach which is adopted here.

As has been said already, 73% of *Bolsa Familia* beneficiaries are working more than the standard of non-enrolled population but they still cannot earn enough. In this sense, the idea of “Work Conditionalities” for social protection benefits is to be considered inadequate and won’t be discussed in this article as well. It is assumed that what these people need is access to better work opportunities and to have the proper instruments to be able to do so. Cash transfer programs are being discussed all around the world and no one has been able to prove that the problem of the poor is that they are not working. It is a prejudice that upper and middle classes have in saying that those people don’t stand up to enhance their present poor situation. Suffice it to say, it is not intended to discuss this approach in this paper to avoid reproducing this kind of prejudice²¹.

2.1 The Scales

It is possible to trace a path of the points of view that employment and work issues have been approached in Brazil’s public agenda historically. Obviously through the colonial period, slavery was still a common work relation in the country (abolished only in 1888), so there wasn’t much to discuss about work policies. After it had been prohibited and the country became independent from Portugal (1889) the issue could have its first possibility of getting on the agenda.

As it happened in many other countries the first discussions on the topic weren’t related to promoting opportunities but to regulate work conditions. The first national broad bill on workers’ rights was created by Getulio Vargas in 1943. It was directed to regulated work and capital rights and to guarantee basic issues such as working periods, minimum wage values and other attributes for working classes. In terms of opportunities, work issues were only a part of the national scenario and treated as a direct consequence of macroeconomic policies until the 1950’s. In this sense it was far from local governments to support matching people with jobs or getting the skills needed for that was mostly a private task for individuals and firms.

Brazil is politically divided into 26 States, one Federal District and 5,565 municipalities through its 8.5 million km² area. Each of them has their own government staff with political and budgetary autonomy. Some state and municipal governments developed different approaches to support their citizens with regards to finding work. Regional inequalities started to be addressed by the national government in the 1970’s. Throughout Brazil's dictatorship (1964 – 1982), local authorities had to start rehearsing some regional policies for employment. But it wasn't until the 1980’s when Brazil was hit by a rise on its unemployment rate that the issue

²¹ IPEA, 2014.

really got to the ground. The Federal Constitution approved in 1988 stated that the municipality was partly responsible to deal with production and employment policies.

Brazil was not spared from the international 'neoliberal' wave of the 1990's. Many political federal authorities tried to make individuals responsible for their own work situation. Training programs were offered broadly even with the decreasing rates of national growth. Many people couldn't find a job, not because of their lack of skills, but by the lack of opportunities themselves. Even in this situation there was an ideological view that it was for each one to find its own solution. The State had no responsibilities even with rising rates of unemployment.

By the end of the millennium, governments resumed the task of supporting people in finding opportunities. The use of Job corps, microcredit, coops fostering programs sprouted everywhere. Still it was very difficult to combine strategies without national coordination. Instead the agenda was dominated by the idea of inter-State competition for industries fostered by the national government with deregulation of local subsidies.

Most of the suffering for unemployment and low wages was justified by public authorities as part of the price to pay for the economic stabilizing that Brazil was going through after the hyperinflation period. Though, some people (11% of working population were looking for jobs) were footing the bill and the workers received a hard drop on the minimum wage. It was not only a problem of being unemployed but also underpaid.

It was after former Workers' Party President Lula's election in 2003 that most of the scenario changed and work issues got back on the agenda. Economic growth was back as a national priority and the purchasing power of the working classes as well. The cooperation was fostered in between different government levels (Federal, States and municipalities) as with the private sector. Regional and local development plans were rebuilt and new instruments were incorporated seeking for better results.

2.2 Approaches

It is possible to set at least three different groups of ways that public policies can be oriented in supporting people to access better work opportunities. The first one and mostly known is fostering the creation of formal jobs and matching the workforce demand and supply. Training programs are usually the central instrument in promoting people to get employed. Information of markets needs of the industries and other strategies are also common in this kind of approach.

The second path is to let people make their own small businesses. Usually legal regulation (permits) and credit are mostly used for these initiatives. The approach is also related to the business environment with partnerships between public and private sectors.

The last strategy is related to collective work. In recent years there has been great increase in people who are finding self-management as a way to co-organize their work. Known as Solidarity Based Economy²² or Workers Self-Directed Enterprises²³, these firms range from a

²² SINGER, 2007

²³ WOLF, 2014

short number of workers to tens of thousands²⁴. Even if with the unemployment reduction tends to weaken this kind of alternative, it can still be seen as a great option for workers in some economic sectors.

Mostly, in any of the cases, it is possible to aggregate the instruments used in five different groups:

1. Credit and Non-repayable credit / Assets donation – specific credit products with appropriate design and conditions for each kind of activity can be supported by governments;
2. Public purchases – the State is a great market usually dominated by big enterprises that can deal with bureaucratic arrangements and laws. It is possible to make exceptions for small and local producers to access these markets. It turns out to be good at supporting opportunities.
3. Technical assistance – Universities and research centers can support producers to enhance their businesses. They can be hired through public policies in order to facilitate the access for this kind of service, especially for the smallest ones.
4. Legal regulation – some commercial restrictions imposed to small businesses can be overcome through new laws. This includes reducing bureaucratic procedures or even creating specific conditions for this firms to operate;
5. Training

Each of them can be discussed separately in terms of challenges and limits for its usages. Part of the in-depth examination of each of these instruments will be developed in the last part of this paper.

3. Different contexts, results and challenges – outcomes and issues from practices in Brazil

The usage of different public policies needs to be evaluated with regards to its own goals. In different contexts, the instruments described previously can vary according to the needs and circumstances in which they will be used. So this is something to include in the discussion to be developed. Clearly, the approaches for rural areas and urban cities generate different challenges when discussing policy design. In Brazil the trajectory of the concrete cases can be very illustrative.

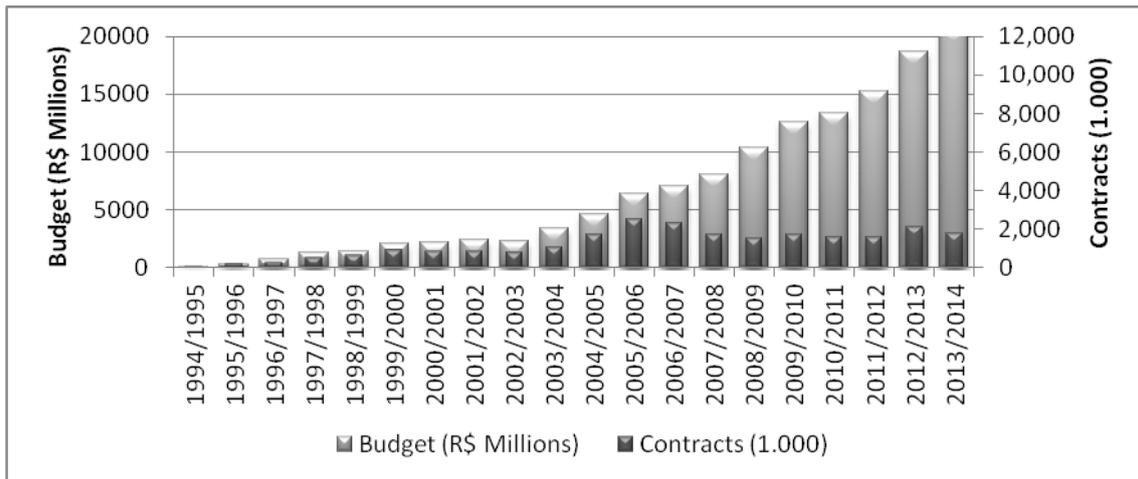
3.1 The Rural Context

Starting with the rural context, there are lots of successful policies that have already been created in Brazil. The Legal Regulation was made by the “Estatuto da Terra” from 1964 and it inspired the beginning of the Land Reform program. The National Institute for Land Reform dates from 1970.

²⁴ Today the Mondragon Cooperative Complex in Spain has more than 80.000 workers self-organized. The authors’ master’s degree was on an experience in Brazil of a Sugar Mill that went bankrupted and its 5.000 workers turned it into a self-managed firm.

As long as we are examining only the public policies related to low income classes, the first national credit program directed to small family farmers was the Pronaf, established in 1996. It is a financing policy that starts with the evaluation of the farmers economic conditions, registered in a form called DAP – Declaration of Allowance for PRONAF. It has very low interest rates that vary for 5 different income levels. It also involves the possibility of having part of the credit not being repaid by the farmer. It is a credit instrument closely related to land reform settlements and family farmer support.

Figure 5 - FAMILY FARMERS STRENGTHENING – CREDIT – PRONAF

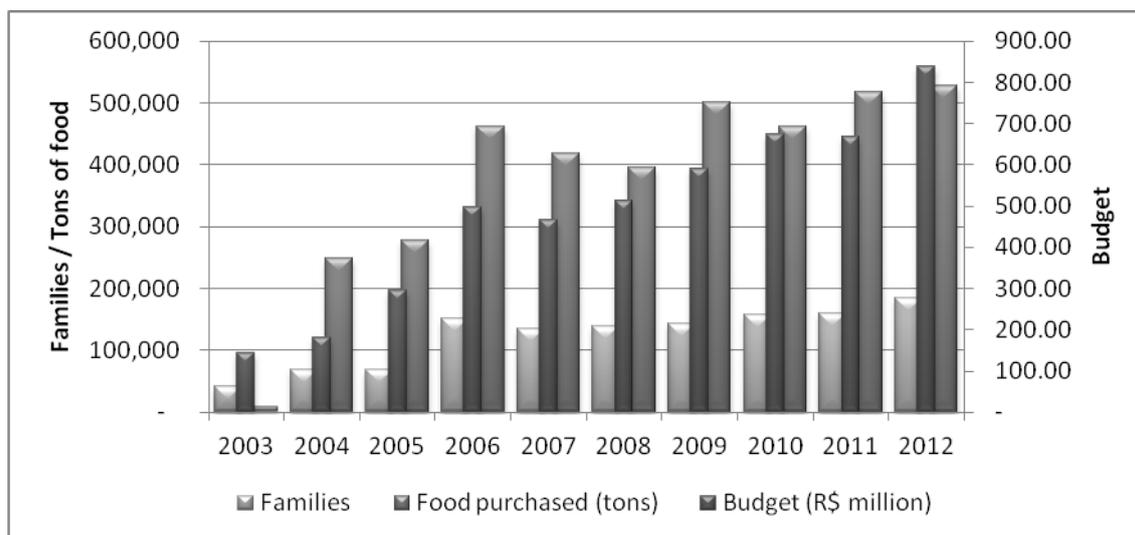


Source: MDA

Another example of an instrument to support rural initiatives was the creation of a National Technical Assistance and Training program. The national system started in 1940 with the Brazilian System for Technical Assistance – Sibrater. By the 1960’s State governments developed their own teams and institutions called Technical Assistance and rural Extension Enterprise – EMATER. Each State had its own connected with each other through a national network. A national research institution was also created for rural themes called the Brazilian Enterprise for Agricultural Research - Embrapa. After some controversy regarding the role of the State in promoting this kind of support for the private sector during the Neoliberal era, nowadays those policies have their importance recognized and are being reorganized by the Brazilian Enterprise for Technical Assistance - Embrater.

Created in 2003, the Food Purchase Program is a nationwide program that allows local governments and public institutions to buy goods from family farmers with a simplified purchasing process. It opened the public market to those who historically weren’t able to take advantage of this opportunity. In this sense it also increased local economic activities mostly in poor regions. On the other hand, it enhances the quality of the food used for meals in public institutions (schools, hospitals, etc) with local production. 30% of the food bought from public schools was legally determined to come from local small farmers.

Figure 6 - FAMILY FARMERS STRENGTHENING - FOOD PURCHASE PROGRAM (PAA) (IN R\$)



The DAP from the Pronaf program was strategic to allow poor family farmers, most of them informal, to be able to do these commercial operations. It has been used as a formal document of regularity of property and economic capabilities for those who couldn't even have any other kind of fiscal documents.

Many of those systems and policies were developed before 2003 and used to support farmers in the whole country. After that year there has been a Presidential decision to put priority on poor people and these institutions were challenged to adapt their work towards targeting this people. In 2011 the Brasil Without Extreme Poverty Plan was launched by President Dilma. As explained, it was designed to overcome this burden of misery that the country still carries. With different strategies, one of the main axes was the productive inclusion of extremely poor people. It was supposed to strengthen the economic activities this population was already engaged in. In this case, it would enforce the need for these public policies to be even more adapted to poor people's economic activities.

In rural areas, more than 2 million poor people accessed different public policies. Newly designed ways of technical assistance (ATER) were able to reach almost 300 thousand families. The donation of inputs and not refundable credit (like a benefit called Bolsa Verde - Green Benefit, which is paid to families with properties in environmental protection areas) was accessed by almost 50 thousand families in more than 800 different municipalities. The "Light for all" (Luz para todos) program was created to get isolated rural communities access to energy for their houses and small businesses as well – more than 150 thousand extremely poor families couldn't access energy without the program. Lots of improvements were also made to help rural low income classes to gain access to better work and income generation conditions.

Part of these great progresses in rural public policies for supporting family farmers comes from the tradition of this population for organizing themselves collectively. There are lots of

grassroots movements that are used to fight for rights and could gain many benefits from their struggle²⁵.

Also within the rural context there is a great difference in the way that governments can support income generation for families. As land and agricultural knowledge are assets²⁶ it is easier for public authorities to work directly with them even when they are too poor. They can take advantage of the ownership of small pieces of land and help them make the transition from self-consumption cultures to market oriented ones. The creation of collective units for improvement of goods is another option also taken.

At last, agricultural goods are clearly defined when planning their production. You can easily predict the time when you'll plant and crop, without many surprises. If someone plants beans, he'll chop beans. If they cultivate corn, the harvest will be of corn. And many of these commodities are defined in markets which are foreseeable so that governments can also predict what they intend to buy it in advance. It is a strategic characteristic to coordinate this relation between public and private intentions and get the State to have the best of its support for those who need it.

3.2 Urban Areas

Differently from rural context, the urban areas present many more challenges when it comes to supporting poor people improving their work conditions.

The kind of production developed in cities isn't usually as foreseeable as the rural goods. First of all, most of the production that comes from cities is made to a low predictable market that limits the ways in which public purchases can be used as a source of credit. Mostly related to services or low scale goods (handmade products) it is also the small businesses that usually struggles to survive in very competitive markets. The "death rate" of initiatives in cities is high²⁷ with very low price determination power. So the income they can earn is usually reduced. And they are working in a high risk environment living with ultra-short term contracts (days or weeks).

This is one of the greatest contradictions to deal with when designing policies for urban poor people. With all the challenges presented, this is the group that should be able to take the highest risk in economic terms. But without any asset or time planning²⁸ available for them to

²⁵ There is a saying that public policies are like beans, they only cook under pressure (BETTO, 2014). So the social movements in rural areas had a strategic role on these achievements.

²⁶ There are some proposals that try to take the asset inequality issue to urban areas. One of those is the Baby Bonds by Darrick Hamilton that discusses how it would be possible for poor people to receive a public saving when they get to their youth so they can take the risk for an option on higher education or financing their own business (HAMILTON, DARRITY JR., 2013)

²⁷ SEBRAE, 2013

²⁸ "The extremely poor people can plan a day. They don't know if there will be a tomorrow. The common worker is someone who lives a month. The middle classes can plan a year. And the rich plan decades" (POCHMANN, 2013). The power of money is not only about the present, but also the way one can deal with the future.

calculate their chances, usually they only have blind choices. It means that they tend to accept an opportunity much more on courage or necessity than as a rational choice. More so, rich people can usually try many investments (diversify risk) as long as they have sufficient capital to do so. Poor people don't have any way of supporting failure – it is a once-in-a-life-time try to make things work, without insurance in case of not being successful.

The low level of political organization from low income workers can also be noticed in major cities when most workers unions are for those who are already “middle class”. That doesn't mean that nothing is being done on their behalf but still there are lots of challenges to overcome when designing policies for these people. The *piqueteros* movement in Argentina and the garbage collectors from Brazil and many other countries are examples of some new organizational processes which are starting to get stronger. In this sense, many of them are being able to influence policy design as older grassroots movements did in rural areas. Some unemployed workers movements are also growing in many places but they seem to still lack of a common platform or defined demands for governments to negotiate. In this sense, most of the policies developed to support workers in urban areas don't reach low income classes, since they end up targeting formal employers.

Another example from Brazil is the National Employment System (SPTER). It intends to organize jobs and income opportunities as a public system dealing with training and job Inset. Part of it is related to supporting micro entrepreneurs with a recent Law approved by the Congress. But most of the Technical Assistance” for this initiatives are developed by a para-governmental institution called SEBRAE, which is the branch of services on their owners union. Most of the services offered on both systems present some difficulties when dealing with poor and unorganized people.

There is also a national Microcredit program that makes partnerships with public and private banks and NGOs to support initiatives. It hadn't been as successful as expected because of design problems. As consequence, many defined goals could not be attained.

Most of the limits of these programs are related to the lack of proper design for low income classes. It should be assumed to deal with low educational levels (even illiteracy sometimes) and the impossibility of them taking risks since their already compromised in obtaining whatever income they can just to survive. Again the perverse contradiction strikes back: the people who are in the most precarious situation are exposed to the highest risk.

With the Brazil Without Extreme Poverty Plan new services were developed to try and overcome some of these difficulties. A national training program (Pronatec Brasil Without Extreme Poverty) was created to reach specifically these people. The target of 1 million enrollments was achieved by March of 2014 demonstrating the importance of specific design for this kind of approach.

A big effort was made with the advertisement and orientation for low income micro Entrepreneurs (MEI). More than 4 million businesses were formalized with the new law and 400 thousand were from people enrolled in the Bolsa Familia program.

Also with Microcredit, some new regulations were edited to facilitate the access to credit for this population. Interest rates dropped from more than 60% a year to 6% and the participation of public banks increased as a result. 7 million operations were contracted since then with almost half of it with people from social programs.

With the Solidarity Based Economy or Workers Self-Directed Enterprises programs more than 8 thousand initiatives were supported in 1.5 thousand cities. It relates to more than 150 thousand workers organized in self-managed firms.

Even with the historical mark of 7 million enrollments in higher education and the expansion of housing for 30 million people still there are 36 million of Bolsa Familia program beneficiaries that depends on it to not be in extreme poverty. As shown, more than 73% of them are working even more than the standards of 'not-poor' people. But they don't earn enough money not to be poor. There is a gap of opportunities and public policies for these people to access better work positions.

So it is not a problem of not having initiatives or experiences to generate work and income for poor people in cities. But those experiences are still insufficient and need to be improved. There is a great challenge to take these programs to the scale needed for all the people that want to be enrolled. As well as to make their careers or enterprises sustainable in time, taking advantage of information and instruments that only the state can make use of.

The large amount of data available for governments nowadays from many long term projects can be used to create scenarios and help people take their chances. What usually private consultancy groups do for big businesses can be done for the smaller ones too. By predicting local and regional economic changes and new opportunities to come there is a chance for these people to take advantage of the State support and prepare themselves for what is to come. If an area will have a big new oil plant it is predictable that new migrants will live there soon. This means that the local market will have its demand increased. If the payroll of the new plant can be known beforehand it is possible to estimate this increase and prepare the local community for the economic impact. If not, it is certain that foreign firms from bigger cities will get there when the opportunities appear and suppress local owners who will be hired as employer at most. By matching private investments planning with effective public policy, the local population can absorb more of the positive economic outcomes.

As previously shown, we have strong public policies in rural areas but fragile public policies in an urban context. This is what is currently being debated - how to improve these urban policies. Expanding microcredit to other cities with national public banks; expanding technical assistance through a new network with proper projects and approaches (as it was done for the rural context); taking advantage of public data of public and private investments to foresee urban opportunities of services and goods. Strengthening self-directed firms can be a way to transit from a profit driven system to a work driven system. There are many opportunities

available. As well as making these firms as dynamic²⁹ as the market needs and let them have a better way to compete with bigger firms³⁰.

It is clear that some limits are not possible to overcome because they are market determined. It means that approaching them might get policies to an even greater level of difficulties when dealing with real profitable opportunities and trying to democratize them for the poor. To get to these limits would be a great achievement since nowadays we still have a long way ahead.

What is needed is to take the work conditionality out of the agenda. What low income classes people need are better opportunities. The ways that the State supports them needs to be strengthened. Not for them to work more but to work better.

Brazil is doing fine but there is still a lot to do. There are many opportunities for those who are betting there. Low income classes need to be part of the game and take their chances. Let them win. In this sense we'll be able to keep on fighting against poverty, reducing inequalities and letting people have access to a better and more sustainable situation. Cash transfers and benefits are rights they have already earned. Now it is time to let them have a right for better work opportunities and governments have a great role to play to make this happen.

²⁹ TEIXEIRA, 2011

³⁰ Maybe a new governance structure of coordination for these policies could be established as was done in a rural project called "Territorios da Cidadania" (Citizenship Territories) that organized 120 areas with 1,850 municipalities. It was a coordinating project for 20 different ministries to overcome poverty in rural areas. A local committee was created with local leaders to establish priorities and define collective goals for the community to achieve (MDA, 2009).

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