

Executive Summary

## **INFORMAL EMPLOYMENT AMONG YOUTH IN BRAZIL**

2015

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## *Introduction*

The economic recovery that started in Brazil in 2004 was characterised by reduced inequality and greater opportunities for entering the labour market, especially for young people. The unemployment rate among young people in Brazil has been decreasing since 2005, the year it peaked at 17%. By 2013<sup>1</sup> the unemployment rate among young people between 15 and 24 years of age was around 13%, two times higher than the general unemployment rate of 6%.

Despite the successful reduction of youth unemployment levels during the period up to 2013, the pattern of labour inclusion for young Brazilians involves many challenges that have to be addressed in order to reduce informal employment. About 70% of the young people between 18 and 24 years of age are included in the working population, which reaches 80% for 25- to 29-year-olds. The main characteristics of labour force participation among Brazilian youth can be described as: 1) high unemployment rates; 2) high labour turnover; 3) high informality rates; 4) long working hours, making it difficult to combine study and work; 5) gender and ethnic inequality; and 6) low remuneration.

Brazil has made progress in meeting the complex challenges of integrating young people into today's labour market. Labour informality for 15- to 29-year-olds dropped from 55.2% to 31.2% between 2001 and 2013. During that same period, illiteracy rates for youth 15-year-olds and older decreased from 12.4% to 8.3%, while child labour decreased by 10.8% for 10- to 15-year-olds and by 15.7% for 16 and 17-year-olds.

To a large extent, this progress is the result of social programmes for young people across the nation, such as the National Programme for Access to Technical Education and Employment (Pronatec), the National Programme for Youth Inclusion (Projovem Urbano), the University for All Programme (ProUni), and the Programme to Eradicate Child Labour (PETI). Also important is the environment for social dialogue in which the issues of the National Decent Work Agenda for Youth (NDWAY) are discussed and decided in Brazil. Brazil's pioneering initiatives with national tripartite social dialogue – which comes together as the NDWAY Subcommittee – has drawn international attention.

### *Part 1 - Progress in reducing informality among young people in Brazil*

Informality rates for young people and adults dropped between 2001 and 2013. In spite of a 24.4% reduction of adult informality, from 47.9% to 36.2%, more than one-third of adults still remain in the informal sector. For young people between 15 and 29, the

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<sup>1</sup> In 2013, the unemployment rate showed a small increase.

decline was even more significant, at about 30.8%, which caused the rates between young people and adults to converge.

In Brazil, children and adolescents under the age of 16 are not permitted to work, unless they are registered as apprentices under the Law of Apprenticeships, for which the minimum age is 14. Sixteen- to eighteen-year olds are allowed to work in jobs that do not fall under the category of worst conditions of child labour. The Brazil Statute for Youth defines young people as between 15 and 29 years of age. In public policies, young people are usually divided into three age groups: 15-17, 18-24, and 25-29.

#### Levels of education and informality

From 2001 to 2013, data show that higher educational levels for young people had an overall impact in terms of lower informality rates. In this period, informality decreased for all groups, including those who did not complete primary school (0 to 7 years of schooling). In this group, 64.3% worked informally in 2013, which was a drop of 11.6% when compared to 2001. For young people in the same period who completed 8 to 10 years of study, informality rates also dropped. The group that completed secondary school (11 years of study) not only had the lowest rate of informal workers (26.6% in 2013), but also had an 18.9% drop in informality rates, the most significant decline in informality attained in the period.

#### Combining study and work

Informality rates are higher among young people who need to work but also among those who must reconcile work with education. In 2013, the informality rate was 35.3% among 15- to 29-year-olds who only worked. Young people in the same age group that worked and studied had a significantly higher informality rate at 48.1%. The reason for this was that combining studies and work increases the probability of having a part-time job, meaning more precarious and informal work.

#### Gender

The informality rates for young men and women are very similar and show the same 30% reduction between 2001 and 2013. However, the disparities between 18 and 19-year-olds deserve closer attention in that informality rates for young men were much higher than for young women.

#### Race

In terms of race, data from 2001-2013 showed that young white people had lower informality rates than young black people in all age groups. Although between 2001 and 2013 the rate decreased for both groups, informality dropped more for white youth (33%) than for black youth (31.5%), which reinforces the inequality observed in the country.

### Living situation (rural and urban)

In 2001, young people living in rural areas showed lower informality rates than young people in urban areas. Between 2001 and 2013 the informality rate among rural young people raised slightly from 34.8% in 2001 to 36.3% in 2013. Informality among urban young people, however, dropped significantly from 49.0% to 32.2% in the same period, thereby reserving the earlier trend by attaining a lower rate of informality among urban youth than among rural youth.

### **Part 2 - Government programmes and action for educating and training young people.**

In 2013, 22% of the population between 15 and 29 years of age had not completed primary school and 41% of 18- to 29-year-olds had not completed secondary school, which is the final stage of basic education. Several government measures and actions were implemented to improve this situation, such as:

1. Expanding mandatory and free basic education to include 4- to 17-year-olds. This ensures 15- to 17-year-old adolescents, who make up the first segment of youth, the right to a free education and to stay in school.
2. Creating the National Programme for Youth Inclusion (Projovem) in 2005. This targets 18- to 29-year-olds who can read and write but have not completed primary school. It offers education for young people and adults that is integrated with professional training and grants financial support that is conditioned to students maintaining a 75% attendance record. However, the programme is considered limited as it benefits only about 100,000 of the approximately 4 million young people between 18 and 29 who are targeted by this programme because they live in urban areas, are not in school, and have not completed primary school.
3. Creating the National Programme for Access to Technical Education and Employment (Pronatec) as a way to increase professional and technological education and make it accessible to everyone in all parts of the country. The courses are free and offered by public and private institutions. Between 2011 and 2014, more than eight million people registered for technical courses as well as to begin or continue their education.
4. Creating the University for All Programme (ProUni), which grants full scholarships or partial scholarships (50% or 25%) to students in undergraduate studies or specific sequential courses at private higher education institutions. The target population is secondary school graduates from public or private schools, and active public school teachers seeking teaching credentials. Private institutions that adhere to the programme and offer scholarships are exempt from some federal taxes. In 2014,

approximately 300,000 scholarships were granted, two-thirds of which were full scholarships for students whose per capita family income was no higher than 1.5 minimum wages.

5. Creating racial and/or social quotas to provide fairer and more equal opportunities to access higher education for historically marginalized population segments.

### *Part 3 - Regulatory frameworks and the informal economy*

#### Measures to expand the formalisation of domestic workers

Domestic work in Brazil is characterised by low wages, long and poorly calculated hours, and high informality. In 2013, 66.6% of domestic workers were informal, that is, they had no official labour documents. This percentage was even higher among young people at 79.3%, most of whom were women (93.53%) and black (70.65%).

In July 2011, the International Labour Organization (ILO) approved Convention 189 and Recommendation 201, which address decent work for domestic workers. The countries that ratify these legal instruments are required to give domestic workers the same rights as all other workers. This meant Brazil had to alter its legislation since the 1988 Federal Constitution considered domestic workers to be a separate category of workers who did not have the right to enjoy the same set of labour regulations as other categories of workers.

In 2013, a Constitutional Amendment Proposal (PEC) - also known as the domestic workers' PEC - was approved, granting several new labour rights to domestic workers. However, not all the newly approved rights were automatically applied and first require that constitutional regulations are made, which are the responsibility of the National Congress.

Therefore, domestic workers currently benefit from only a few of the new rights that were immediately applicable, such as a normal work day that does not exceed 8 hours and a normal work week that does not exceed 44 hours, and the right to overtime pay that is at least 50% more than the regular hourly wage. A number of other benefits, such as unemployment insurance, the mandatory Time of Service Guarantee Fund (FGTS), and higher night wages still require specific regulations to make them valid.

Two laws were approved in Brazil to promote labour formalisation. The first is Law 11.324/2006, which offers economic incentives to employers that formally hire domestic workers by allowing them to deduct employer social security contributions from their income taxes. The second is Law 12.964/2014 that states employers can be inspected and fined if caught not providing their domestic workers with official labour documents.

### *Instituting economic incentives to reduce informality*

In 2008, the Federal Government introduced a new policy exclusively for entrepreneurs with a maximum of one employee, called Individual Microentrepreneurs (MEIs). This nationwide policy has considerably reduced the costs of formalisation for self-employed workers or employers with no more than one employee, and whose earnings are not above 60,000 Brazilian Reais a year. It should be noted that although this policy does not target young people, its universal character ensures that youth also benefit from it. The objective is to promote the creation of formal companies, formalise informal companies, and encourage the creation of formal jobs.

From the time this new policy (known as the MEI Law) came into effect, the number of people opting for a simplified tax system and social security inclusion has increased. Data from the Secretariat of the Internal Revenue Service of Brazil (SRFB) indicates that there were over 4.8 million active MEIs in March 2015.

### ***Part 4 – Extending Protection to Unemployed and Informal Workers***

The total number of unoccupied urban workers in Brazil in 2013 was 6.26 million. Approximately 60% (3.58 million) of these were young people between 15 and 29 years of age, and 1.99 million were between 18 and 24. Of the guarantees Brazil provides for unemployed workers, unemployment insurance is the most important for young workers, who are generally employed in low-paid jobs with high turnover rates.

Unemployment insurance is a social security benefit that provides temporary financial assistance to unemployed workers who have been dismissed without justifiable cause, and help them look for and maintain jobs through guidance, reassignment, and professional qualification. During the time workers benefit from unemployment insurance, they cannot receive any remuneration from either formal or informal work.

Formally registered paid workers are the main group protected by unemployment insurance, and from 1986 to 2010, their access to this programme increased significantly, from 0.15 million to 7.33 million young and adult workers. In 2015, the expectation is that this tendency will be reverted due to the new rules for accessing unemployment insurance proposed by the government. It is important to explain that these new rules are more restrictive and will most certainly reduce the number of workers protected by the programme, which will proportionally affect more young people than adults.

### *Incentives to expand social security coverage for informal workers*

Informality in labour relations is a long-standing characteristic in Brazil. According to 2013 national statistics, informal workers represented 14.8% of the working population

(aged 15 to 65). Young workers (aged 15 to 29) without labour documents formed 22.7% of the working population. In Brazil, informal workers are not necessarily unprotected by social security because they can contribute as individual taxpayers and have access to benefits (such as: pension funds, sick pay, maternity allowance, and others). However, data from 2013 showed that 78% of informal employees (aged 15 to 65) did not contribute to social security, and thus were not covered. Among young people (15 to 29), this percentage was even higher with 85% not covered by social security.

#### *Simplified Plan for Social Security Inclusion (PSIC)*

The Simplified Plan for Social Security Inclusion (PSIC) was created as a cheaper option of paying social security contributions for workers not automatically covered by a formal labour contract. PSIC gives workers the option of contributing at a lower rate equal to 11% of the minimum wage, rather than 20%. The trade-off however, is that these workers waive their rights to retirement for time of service, although they continue to have the right to the same benefits as workers who contribute the regular 20% rate. Furthermore, benefits for workers that are part of PSIC are limited to the social security minimum (one minimum wage).

#### *Part 5 - Expansion of social protection*

The 1988 Federal Constitution established a new legal framework for the social protection system in Brazil that incorporated the social dimension of universal collective rights, regardless of a workers' professional category or ties with the labour market. One of the changes brought about by this new legal framework was a new Brazilian social security system that incorporates public policies for social security, health, and social assistance.

Except for social security, which presupposes contributions, both health and social assistance benefits are universal and can be received regardless of employment ties or contributions. Today, the Brazilian social protection system is made up of a set of public policies in the areas of labour, employment and income, education, social security, healthcare, and social assistance that focus on providing goods and services and on income transfers to cover basic social needs.

#### *Policies and programmes to increase social protection for workers without formal employment contracts*

##### *Bolsa Família Programme (PBF)*

The PBF is a cash transfer programme that benefits Brazilian families living in conditions of poverty and extreme poverty. It is part of the Brazil Without Extreme Poverty Plan

that targets Brazilian families that have a monthly per capita income of under US\$ 25.<sup>2</sup> The programme covers about 14.2 million families and offers four types of benefits that vary according to the composition of each family: 1) the Basic Benefit, 2) the Variable Benefit, 3) the Variable Youth Benefit, and 4) the Benefit to Overcome Extreme Poverty.

The main purpose of the Variable Youth Benefit (BVJ) is to encourage poor adolescents between 16 and 17 to stay in school and is conditioned upon school attendance. Families that receive the BVJ must guarantee that their adolescents go to school and maintain at least a 75% attendance rate.

#### Continued Provision Benefit (BPC) for people with disabilities

This Continued Provision Benefit is another income transfer programme that is similar to the PBF in that it does not specifically target young people, albeit many youth benefit from it. It is a constitutional benefit that makes monthly transfers in the amount of one minimum wage to elderly persons 65 or older and to persons with disabilities who cannot work, provided they prove they have no other resource or family to support them.

Guaranteeing one minimum wage for individuals in vulnerable situations (old age, illness, exclusion, and disability) that were previously excluded from the main social protection mechanisms makes the BPC a unique and socially valuable benefit that meets basic needs and promotes autonomy, independence, and citizen rights for the people it covers. In 2013 it benefitted 3.9 million Brazilians: 1.8 million elderly people and 2.1 million disabled people of all ages. In 2012, as a federal government strategy to expand protection for people with disabilities, the BPC was divided into two different approaches: BPC at School and BPC Labour.

The purpose of the BPC at School is to monitor the access and attendance of children and adolescents with disabilities that receive the BPC. In 2010, only 52.61% of the 435,300 BPC beneficiaries with disabilities between 0 and 18 years of age were attending school. By late 2013, the BPC at School programme reached 393,400 beneficiaries in the range of 0- to 18-years-old, that is, meaning that attendance increased to 90%.

BPC Labour aims to strengthen the autonomy of people with disabilities by encouraging them to enter the labour market. One of the most important recent incentives was the change made to BPC legislation in September 2011. Until then, BPC benefits had been cancelled when disabled beneficiaries decided to enter the labour market. Today, disabled BPC beneficiaries who engage in remunerated activity or become individual

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<sup>2</sup> Approximately R\$ 77.00, considering the dollar exchange rate of R\$ 2.88 (February 2015).

microentrepreneurs have their benefit suspended rather than cancelled, and which may be resumed after the employment contract or entrepreneurial venture ends.

Professional Apprenticeship contracts, on the other hand, allow combining apprentice salaries with BPC benefits for up to two years, and disabled young people aged 14 or older may be hired as apprentices without losing their BPC. In June 2013 there were one million disabled BPC beneficiaries between 14 and 45, the age group covered by the programme. More than half (53%) of the programme's target population was of working age, between 14 and 30, which reinforces the importance of this initiative to provide professional qualifications for better integration into the labour market.

#### *Inclusive Homes and Day Centres for people with disabilities*

Inclusive Homes is a modality of the Shelter Service that builds inclusive homes for dependent young people and adults with disabilities, especially those covered by the BPC who have no means to support themselves, no family backup, and/or who are in the process of leaving long-term care institutions. Day Centres for people with disabilities are service units under the Unified Social Assistance Service (SUAS) that offer personal care to dependent young people and adults with disabilities to supplement the work of family caregivers. They also offer various community life and home activities to expand their social relationships, prevent isolation, and provide free time to family caregivers.

#### *Programme to Eradicate Child Labour (PETI)*

Between 2000 and 2010, the number of working 10- to 15-year-olds dropped from 1.8 million in 2000 to 1.6 million in 2010, meaning 198,000 (10.8%) less. In the same period, the number of working 16 or 17 years olds dropped from 2.1 million to 1.8 million, meaning 336,000 (15.7%) less. These reductions were the result of several public policies that include a broader social assistance network, full-time schools, cash transfer programmes, and tougher inspections and enforcement by the Brazilian agencies responsible for these areas.

PETI is an intergovernmental and intersectoral plan that integrates a number of actions to fight child labour. It involves a wide gamut of governmental and non-governmental programmes in different areas: health, labour, education, social assistance, and others. It is the Brazilian government's main strategy for ensuring compliance with Conventions 138 (regarding the minimum age for admission to employment) and 182 (regarding the prohibition of child labour and immediate action to eliminate it) of the International Labour Organization (ILO).

In terms of social assistance policy, PETI develops the following activities: 1) cash transfers to families; 2) family monitoring by professionals from social assistance reference centres; 3) active searches to locate children who are working through a

specialized social service; and 4) services to help strengthen family ties and co-existence for families and children covered by the programme. In 2012, PETI provided services (social assistance) to 853,000 children and adolescents in more than 3,500 municipalities.

## *Part 6 - Social dialogue and youth*

### *Participation of young people in designing Brazilian public policies*

Although public policies were created for young people in Brazil previously, it was only in 2003 that an agenda for youth began to take shape at the federal level when civil society, non-governmental and governmental organisations, and international bodies started an extensive dialogue process about the need to design a youth policy for the country.

The institutional framework of Brazil's national youth policy evolved and could count upon the following bodies: 1) the National Youth Secretariat, in charge of articulating programmes and actions focused on young people; 2) the National Youth Council (CONJUVE), a consultative body that joins government representatives and young people from civil society, with the main task of promoting studies and proposing guidelines for youth policy; and 3) a significant number of government programmes that directly or indirectly target young people, which are implemented by various ministries such as education, labour, health, social assistance, sports, culture, and rural development.

The National Youth Council (CONJUVE), along with the national conferences on youth, is one of the most important places for young people to participate in proposing policies and exercising public oversight. CONJUVE is responsible for developing a national policy for youth based on the material generated at the conferences as well as at meetings and seminars that integrate researchers, youth activist groups, and members of governmental institutions to debate youth policies.

The national conferences give a public space for social participation where participants, usually representatives from government bodies and civil society organizations and movements, submit demands and discuss courses of action for the public issues under discussion. The resolutions produced at the conferences are sent to the government to be used in creating policies and government programmes.

Three national conferences have been held on public policies for young people. The first conference took place in 2008 under the theme "Raise Your Flag," with about 2,000 young people participating. The second was in 2011, with approximately 3,500 participants. Its chosen theme, "Win Rights, Develop Brazil," linked rights to development. The third National Youth Conference was held in Brasília in 2015 under

the theme “The Many Ways to Change Brazil” and used digital environments effectively during the conference.

*Participative mechanisms for designing public policies that reduce informal employment among youth*

In Brazil, the National Decent Work Agenda for Youth (NDWAY) was created through a tripartite social dialogue body called the NDWAY Subcommittee. It is a result of the efforts made by the ILO, the Ministry of Labour and Employment, the National Youth Secretariat, and CONJUVE, which required coordination and dialogue between the government, workers’ associations and employers’ associations.

The NDWAY Subcommittee is a public body created by the Brazilian government to bring together pertinent entities to discuss and find solutions to reduce informal employment among Brazilian youth. At the time of writing this study, it had 32 representatives, of which 13 were from the federal government and the various ministries that develop public policies for young people, 4 were from the main national confederations of employers, 7 were from workers’ associations,<sup>3</sup> and 7 were from non-governmental organizations involved in promoting labour rights of young people, including the ILO.

Finding quality forms of participation in the labour market for young people is the main goal of the NDWAY Subcommittee members. Besides being knowledgeable about social, political, and economic contexts, members must primarily be able to make mature reflections on how to best tackle the challenge. The main outcomes produced by the NDWAY Subcommittee include the National Decent Work Agenda for Youth that contains the proposals and priorities established by the Subcommittee members, and the on-going debates about creating a National Decent Work Plan for Youth that will include actions and strategies to reach the goals set by the NDWAY.

In December 2014, interviews conducted with members of the Subcommittee revealed that they were strongly engaged in promoting decent work, as well as the high level of consensus between representatives from the government, employers’ associations, and workers’ associations on the main causes of precarious employment for young people in Brazil. According to the NDWAY Subcommittee interviewees, the causes of high employment informality among young people are related to three issues: 1) youth characteristics; 2) structural, cultural, and historical issues related to Brazil’s economic and social development; and 3) insufficient or inadequate public policies to promote the proper inclusion of young people.

All interviewees recognized that the diversity of young people – gender, ethnicity, social status, place of residence, and other attributes – translates into unequal access to

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<sup>3</sup> Although DIEESE (the Inter-Union Department of Statistics and Socioeconomic Studies) is not a trade union, it was included in this group of representatives due to its connection with the union movement.

formal employment and better labour conditions. Furthermore, most members stated that gender, ethnicity, and social class all have a strong influence on the quality with which young people are integrated into the labour market. They also agreed that recent affirmative action policies have helped reduce racial inequalities in the labour market for young people.

Most members agreed that stronger labour policies for young people had helped reduce informality rates. Some members recognized the significant outcomes for groups that had more trouble attaining formal employment, like women and black people. However, none of the trade union representatives agreed that the changes in policies have been successful. Although they acknowledged government efforts and identified the creation of the National Youth Secretariat as an important step forward, they did not see the policies as having effectively reached young Brazilians.

Another positive result revealed in the interviews was that all the members agreed that the institutions represented on the NDWAY Subcommittee play an important role in promoting decent work for young people. Furthermore, the interviews clearly demonstrated that each representative was aware of their individual and institutional roles in addressing employment informality among young people, and recognized when and where employers, the government, and workers must work together.

The types of action and initiatives conducted by the different governmental, employer, and worker institutions to reduce informality and unemployment among young people can be categorized as: 1) public policies; 2) studies and research; 3) social dialogue; 4) public oversight; 5) professional qualification and training; 6) mobilization and organization; and 7) the promotion of labour rights.

#### *Young people becoming members of trade unions in Brazil*

Between 1992 and 2012, the affiliation of young people to trade unions in Brazil was much lower than for adults. Between 1992 and 2002, the drop in youth membership was more significant than for adults, considering that a 5.7% drop was observed for 16- to 29-year-olds, while only a 2.5% decline in affiliations occurred for 30- to 65-year-olds. Between 2002 and 2012, the decline in membership affiliation among adults was much greater (7.3%) than among young workers (3.6%).

Studies about youth affiliation with trade unions show that in the 1990s, when union bases reduced in size they distanced themselves from young workers. In the 2000s, even with larger bases, trade unions made very little effort to attract the affiliation of young workers. Additionally, labour market disorganization added to the vulnerability of young Brazilian workers and weakened the affiliation process, even in periods of increasing trade union membership overall in Brazil.

In Brazil, the most successful way to bring about changes in the employer–employee relationship has been to use institutional pressure to modify general labour laws. Thus, social dialogue bodies like the NDWAY Subcommittee are still recent efforts. Worker associations and confederations have also participated in conferences, councils, and youth initiatives at the federal level as well as in many states.

Trade union centres are training young leaders as a way to establish more legitimate dialogues with working youth. The main topics of interest for discussion among young people in these organizations are related to gaining access to more education and labour rights, such as the need to create public policies that would expand and improve education in general and ensure that young people can complete their education before entering the labour market.

The trade unions understand that there is a need to change the old union ways and prioritize young people. They believe that the main challenge today is to reach young people that are not affiliated, whether because they lack political engagement and information, or because they are informal workers without representation, which is even more challenging.

The need to change union practices became even more evident after the street protests that occurred in Brazil's most important cities in June and July 2013, and which had significant youth participation. The main demands of these protests were for more and better social policies (health, education, transportation, and housing), and to put an end to corruption and the "old way of politics." They opposed political parties, politicians, and trade unions and other such organizations that they claimed represented the old-style institutionalism.