

Ministry of labour and Employment

# Social Protection and Labour in Brazil (preliminary paper)

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21/9/2023

**Index**

<b>Introduction .....</b>	<b>.2</b>
<b>1. Characteristics of the Brazilian Social Protection System .....</b>	<b>.....</b>
<b>1.1 Brief history.....</b>	<b>3</b>
<b>1.2 Structure of labour legislation in Brazil.....</b>	<b>4</b>
<b>1.3 Employee Protection System – CLT, and main protection guaranties .....</b>	<b>6</b>
<b>1.4 Construction of the self-employed worker protection system.....</b>	<b>13</b>
<b>1.5 Construction of the non- contributory social protection system:</b>	
<b>Cash transfer for retirees.....</b>	<b>22</b>
<b>2. Evolution of Social Protection Coverage in recent Brazil</b>	
<b>2.1 Analysis of the of contributory social security.....</b>	<b>24</b>
<b>2.2 Analysis of the non-contributory social protection .....</b>	<b>27</b>
<b>2.3 Unified Health System for Brazilian population .....</b>	<b>32</b>
<b>3. Recent challenges for the social protection policy of Brazilian workers .....</b>	<b>35</b>
<b>Final considerations -.....</b>	<b>47</b>
<b>4. Bibliography .....</b>	<b>49</b>

## **INTRODUCTION**

This study aims to analyse the structure of social protection in Brazil. According to studies from different areas of knowledge, such a structure includes both labour protection and the social security system, insofar as a substantial part of the security funding sources are associated with work resources. As we hope to show, the social security system, the social assistance and public health system, in addition to these resources, uses resources from the treasury, notably from the 2000s onwards, for actions that involve poverty reduction.

The first part of this study analyses the Brazilian legislative panorama on this matter. This analysis covers both the institutional and the operational part, which includes the labour judiciary system and the structures for implementing public policies by the executive branch, prospects for the workers' social protection, and the rights which are consolidated in Brazilian legislation.

Approaching the issue from a historical perspective, it is possible to remark an evolution of the social protection system, which, for more than a century, has sought to modernize itself to obtain results with a higher level of efficacy, efficiency, and effectiveness. The general line that can be drawn throughout this evolution is the constant pursue for expanding employment, reducing poverty levels and social inequality. And to achieve this goal, it is essential that the Brazilian State can truly guarantee protection and minimum levels of stability for all workers, as well as decent wages and the means for each citizen to afford his/her livelihood.

This analysis explains how the social security system is related to formalized job expansion, since it is the outplacements destined to the security system – health, retirement and social assistance – that support the system's resources. In this way, with each period of decline in formal employment, social funds also declined, compromising services. This connection poses important challenges for the future, since many studies suggest a permanent decline in the labour market, which stabilizes the increase of resources for the social security system. It will be a challenge to think of alternatives that equate both job expansion and income, as well as the solvency of contributory systems.

Finally, the study also brings a macroeconomic analysis of the labour market trends in Brazil, and challenges for the future, with the new job types which were generated by technological evolution are often performed in a platformed and transnational way. These new job types still lack adequate regulation, and their great challenge is not to allow it to be an open door to the flexibility or even extension of labour rights so hard won after a long history of social struggles.

## **5. Characteristics of the Brazilian Social Protection System:**

### **1.1 Brief history**

The first labour legislation noticed in Brazil is the Rural Unions Law, in 1903, enacted at a time when Brazilian society was still mostly rural. In this wake, in 1907 the Law of Urban Unions is enacted.

After this initial period, labour law took a strong evolution in the 1930s, when the Ministry of Labour was created. The 1934 Brazilian Constitution introduced the issue of labour law in the constitutional text, an innovation that was maintained in following constitutions. During this period, a large amount of labour legislation was also enacted under the 1934 constitution, establishing the Employment ID Card as an individual document for assessing the contractualization of work and remuneration with companies, as well as the setting of working time-schedules, the minimum wage, and other rights. A rudimentary seed of Labour Justice was also created during this period, subordinated to the Executive Power, and without any autonomy for decisions.

Concerning the unions, in 1939 it was created the union tax, compulsorily collected from workers to maintain unions. Moreover, the authorization so that the unions could function started to be requested, with the imposition a Union Charter as a model for union's self-organization and functioning.

In 1943, the Consolidation of Labour Laws (CLT) was enacted, bringing together and adapting numerous sparse legislation then already existing. This law is still in force today, even though it has been modified several times over the years.

The 1946 Constitution innovated by transforming the Labour Court into a Judiciary Body, with more autonomy. The principle of union unity was also foreseen, replacing union pluralism. By this principle, it is just allowed the existence of only one union for each professional category in each territorial base, which has been evolve over the years to city-based unions, but not restricted to it.

The 1988 Constitution, written after the 21-year military regime (late 1960s to early 1980s), consolidated the collective rights, by excluding the interference of the Public Power in the union organization, stablishing multiple individual rights for workers, but was not able to change the union fragmentation.

The situation was profoundly changed in 2017, when a broad reform of the CLT text introduced innovations that reduce labour charges, created new forms of hiring that involve reducing labour rights, less access to labour justice by employees and loss of financing of employees' and employers' unions, by abolishing the mandatory union tax.

### **1.2 Structure of labour legislation in Brazil**

All labour rights legislation in Brazil belongs exclusively at the federal level. Federal states and cities do not have the legal commandment to enact laws on this matter. Under the terms of the current Brazilian Constitution, it is only up to the federal level to legislate on

labour law (art.22, I). Article 7 of the Constitution briefly issues various labour rights, which are detailed in ordinary legislation, also enacted at the federal level.

The main ordinary laws are the Decree-Act 5.452, known as the Consolidation of Labour Laws (CLT), which deals with private sector workers; and Act 8.112/1990, which deals with public sector workers not governed by the CLT. Below these, there are collective work agreements and conventions, signed between workers' unions and companies or employers' unions. These can produce norms in a subsidiary level to the labour legislation, but they cannot contradict the dispositions in the constitutional text or in the ordinary legislation.

In general terms, Brazilian labour legislation aims to protect the worker, and assumes that he is in a more fragile condition in labour relations. The same principle is adopted in Labour Procedural Law, due to the presumed worker's lower capacity for individual negotiation before the employer, which presumably does not disappear once he/she goes to the court, in order to meet his legally guaranteed rights. On the contrary, it persists patently in the judicial process. And this situation occurs because procedural law is instrumental in relation to substantive law, that is, because it is the means through which its jurisdictional application is guaranteed.

Among the norms that corroborate the protectionist principle of the labour judicial process, we can highlight, by way of illustration, among the main ones:

- a) exemption from of costs and procedural expenses payment: the worker does not need to pay fees to file a labour lawsuit.
- b) free legal assistance: the State provides optional free legal assistance to workers for procedural follow-up.
- c) reversal of the burden of proof: the worker is exempt from proving his allegations, which is a employer duty.
- d) the *ex officio* procedural impulse: the judge can make intermediate decisions, in the course of the process in worker's interest, even if these are not expressly requested by him/her.
- e) legal texts interpretation always in a way which is more beneficial to the employee: the principle of "*in doubt, pro worker*" is adopted, i.e., when there is more than one possibility of interpreting legislation, the judge must always lean towards the side of the worker.

### 1.3 **Labour Justice System in Brazil**

Concerning the judiciary system, Brazil has a Labour Court, which is separate from the common court. While the common court handles civil and criminal cases, the labour court is focused on labour law. Its structure is composed of the Superior Labour Court (TST), headquartered in Brasilia, and covering the entire national territory. The TST is the highest instance for the judgment of labour claims (although some of its decisions may be reviewed by the Supreme Court). Below the TST in the hierarchy of labour justice there are the Regional Labour Courts (TRT), whose jurisdictions correspond to the federal states, and finally the labour

judges, located in large cities, who fit the first instance of this structure hierarchical. Although the areas of operation of most TRTs coincide with the boundaries of the federal states, it is important to emphasize that the entire structure of labour justice is organized nationally, having no relationship with local governments, either at the state or municipal level.

There is also the Labour Public Attorney's Office, also organized nationally, separate from the other public attorney offices, that deal with civil and criminal matters. The Labour Public Attorney action is before the labour courts in cases of diffuse and collective interest in labour matters, as for instance cases of child labour and forced labour.

In the executive branch organogram, there is the Ministry of Labour and Employment, which is in charge of formulating, implementing and evaluating public policies for expanding employment and income, the minimum wage policy and the health and safety policies for work market, as well as overseeing compliance with labour legislation. There is also the Ministry of Social Security, in charge of dealing with public and private social security policy, and the Ministry of Health and Social Development, dealing with primary and specialized care for the population, and the implementation of social assistance actions, as well as combating poverty and public policies for guarantying of food and nutrition security. These ministries<sup>1</sup> are subordinate to the Presidency of the Republic and have public service units in all federal units and in most municipalities.

### **1.3.1 Labour Court**

Historically, the Labour Court in Brazil (TST) has been seen and recognized as a promoter of social justice, since it interprets and applies legislation created to guarantee decent work and a fair balance in the relationship between employees and employers.

According to the Superior Labour Court, in 2022, the Labour Court handled more than 2.6 million cases, and around 574,000 conciliations were acknowledged (when litigants negotiate with the mediation of the Judiciary, to achieve an agreement for the quick resolution of cases) and ruled 442,000 cases. This work, which ensures the rights provided in the Federal Constitution and in the CLT, refunds approximately R\$ 10 billion per year to workers, referring to rights and indemnities that would not have been paid by employers without the intervention of the Labour Court, either through conciliation or judgments.

The TST is a relevant political and social actor, promoting actions and projects to raise society's awareness, as well as participating and engaging in current debates in the world of work, with emphasis on lesser-known themes of law such as sustainability, the fight against child labour, prevention of moral and sexual harassment, social inclusion and appreciation of diversity.

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<sup>1</sup> Between 2015 and 2018, both ministries were unified and in between 2019 and 2021 they were part of the Ministry of Economy, having been dismembered as a single ministry in 2021 and recreated as separate ministries in January 2023.

### 1.3 Employee Protection System - CLT, main protection guarantees provided

The Consolidation of Labour Laws (CLT) regulates labour relations in Brazil, defines the types of employment contracts, work provision regimes and prescribes a series of rights for workers. The main issues regulated by it are the following.

#### 1.3.1 Types of employment contract

The different possibilities of employment relationship are defined by the type of contract signed between the employee and the employer, and the rights of each worker may vary according to the type of contract he has with his employer. It should be noted here that in the event of a discrepancy between the terms of an employment contract and the relationship that actually takes place in practice, Brazilian legislation prioritizes the actual employment relationship over the terms of the contract. The types of employment contract are:

a) contract for indefinite period: it is the contract model most common in the labour market in Brazil, and then so called the “standard model”. This model is usually implemented after the end of temporary experience contracts, with a maximum duration of 90 days. The employment contract for an indefinite period includes: salary bonus at the end of the year (13th salary); paid vacations; two-day paid weekly rest (DSR); minimum wage according to the function performed and in accordance with the collective work agreement; limitation of the working day to eight hours a day; with a overtime pay of at least 50%. In case of dismissal without a legal-considered justifiable reason, employees under this type of contract are entitled to unemployment insurance (if the requirements for contribution time and work of 12 months in 18 months are met), and a fine corresponding to 40% of the FGTS amount, as well as a 30-day previous warning for dismissal.

b) occasional employment contract: this model does not create any employment relationship between worker and employer. It is used mainly when companies need some type of service that does not invoke the need to hire the professional. Usually, the occasional employment contract is widely used in contracting outsourced services for quick execution of professional painting, renovations, photography, plumbing, and other activities contracted on a one-off basis.

c) self-employment contract: This is a type of service contract in which the professional and the company do not correspond to an employment relationship, therefore, the service provider is not subordinated to the employer, and all agreed work is established in advance between the parties involved. In the self-employment contract, payment for the service provided is made by issuing a Self-Employed Payment Receipt (RPA), which must include social security contributions (INSS) for service provision, income tax (IRRF) and the ISS.

d) internship contract: aimed at hiring professionals in the learning phase. Hiring interns is also quite common. However, the intern's employment contract does not constitute an employment relationship, which prevents him from receiving severance pay, 13th salary, vacations, prior notice or FGTS deposit, although he has assured personal accident insurance,

and monthly financial aid, when the internship is remunerated. All rules involving the hiring of an intern can be consulted in Act nº 11.788, known as the Internship Law.

e) experience contract: this is a modality in the category of pre-determined contracts. Its validity period is a maximum of 90 days. However, for this type of employment contract to be valid, some specific rules must be followed:

- this contract can only be extended once, for a maximum period of 90 days.
- any worker can be hired on an experience base.
- the probationary period must be registered in the employee's work file card.
- the worker is covered by all labour rights when signing an experience contract.
- at the end of the probationary period, the company decides whether or not proceed to an effective CLT contract will be signed with the probationary worker.

At the late of past decade, the regulations were changed to:

f) fixed-term contract: also called a temporary contract, it establishes the exact time in which the employer will have a worker providing services to the establishment. In this model, the company must fix the start and end date of its validity, with a 2-year maximum period which may be extended once. A second extension automatically turns it into an indefinite contract. Article 443 § 2 of the CLT lists three hypotheses for the adoption of this type of contract:

- contracting of services where the nature justifies the predetermination of a contract term.
- contracting activities of a transitory type.
- hiring employees on probationary period.

Employees who follow work regimes determined by time, have their rights reduced, as a result, they do not have the right of receiving the 30-day prior notice for dismissal, as well as the fine of 40% over FGTS balance, and unemployment insurance.

g) teleworking contract: Teleworking is a category of distance work, regulated in 2017, through Act 13,467/2017, Article 75-B of CLT new labour reform. This type of employment contract can be signed for an indefinite or determined period, and it is the determination between these types of employment contracts that help to point out the rights of the worker in this hiring format. In addition, in this type of employment contract there is no requirement for a fixed working day, and it is difficult to effectively control the working day if the company does not use an electronic control system.

It is necessary to remark that with the health public policies of social isolation due to the COVID-19 pandemic, telework has strengthened, reaching about 11% of workers<sup>2</sup>, but there are surveys that indicate that the majority (about 52%) of workers wish to change jobs if they can work remotely or in home office. However, there is also growing doubts about how to

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<sup>2</sup> The group of Brazilians who worked remotely between May and November 2020 reached 8.2 million people, just 11% of the 74 million professionals who continued to work during the covid-19 pandemic. The data were disclosed by the Institute of Economic and Applied Research (Ipea), which showed that women (56%), whites (65.6%) and higher education professionals (74.6%) were the home office workers.

maintain work productivity after the threat of Covid, which has led larger private companies to evaluate this work model.

h) intermittent contract: this is a new category of work, introduced by the 2017 Labour Reform, which now allows the provision of services in a subordinate and non-continuous manner. In this modality, professionals have an effective CLT contract signed, but the working period can be changed in hours, days or months. Labour contracts of this type ensure that workers enjoy paid vacation, 13th salary, guarantee fund and social security. The rules for this type of employment contract are foreseen in paragraph 3 of Article 433 of the CLT.

### **1.3.2 Labour rights**

Concerning the rights, the guiding principle is to guarantee stability, social protection as well as to ensure continuous and stable income for workers. In general terms, workers' rights can be summarized in the following items:

#### **1.3.2.1. Limited workday**

According to the 1988 Federal Constitution, a worker's workday must not exceed eight hours a day and 44 hours a week. Any work time beyond these limits is considered overtime and must be paid as such, with the legal increase.

#### **1.3.2.2. Extra hour**

According to the law, no worker is required to work overtime. Therefore, a company cannot force it and, if the worker cannot perform the job, he/she may refuse it. If the job is performed in overtime, the payment must be at least 50% more than the worker's normal hourly rate. When this is carried out at night, on holidays or on weekends, the worker must receive the respective premiums due to these working conditions.

#### **1.3.2.3. Rest breaks: during the workday and between workdays**

The CLT also guarantees workers a series of breaks, between one journey and another and in the middle of the journey for rest and food purposes. The break between workdays must be of at least 11 hours. On the other hand, the middle-day break only exists for journeys of over 4 hours a day. For workdays until 6 hours, workers are entitled to a 15-minute break, while after 6 hours it is at least 1 hour. However, the CLT also allows unions to stipulate a middle-day break shorter than that provided for by law. However, it provides that in this case, workdays longer than 6 hours will have at least a 30-minute break.

#### **1.3.2.4. Reserve fund due to work time (FGTS)**

Every month, the company is required to deposit the equivalent of 8% of the employee's gross salary. This deposit is intended for workers to be able to receive this reserve

when they need it most: in the event of being fired or to use it to buy their own home, for example.

#### 1.3.2.5. 13th salary

Every registered worker is entitled to receive the 13th salary (Christmas allowance). More recently, this began to be paid in two instalments. The amount will be yearly-full or proportional, according to the number of months worked during the calendar year.

#### 1.3.2.6. Vacation

Workers are entitled to 30 days of paid rest every 12 months worked. Employee vacations have a different calculation. The worker receives the amount of his salary with the addition of another third of this amount on the first day of vacation.

#### 1.3.2.7. Maternity and paternity license

According to the law, regular maternity license is 120 days from the date of birth of the baby. However, the government has a program called Empresa Ciudadã (Citizenship Company). For companies that are part of it, maternity license is 180 days. For parent workers, paternity license is five and twenty days, respectively.

#### 1.3.2.8. Unemployment insurance

When the worker is fired without legal-based justifiable reason, he can apply for unemployment insurance. The worker receives three to five instalments, according to the period in which he worked. The value of this benefit is paid according to the average of the last three official salaries. Each category determines the minimum time that the worker needs to have worked in order to be entitled to receive unemployment insurance.

For each type of employment relationship there are different requirements to access Unemployment Insurance:

##### FORMAL WORKER

- Having been dismissed without just cause.
- Be unemployed when applying for the benefit
- Not having enough income of any kind to support himself and his family
- Not enjoying any continuous pension benefit, with the exception of an accident allowance and death pension
- Having received wages from a legal entity or an individual similar to it, related to:
  - 1st request: at least 12 months in the last 18 months immediately prior to the discharge date, when the first request is made.
  - 2nd request: at least 9 months in the last 12 months immediately prior to the discharge date, when the second request is made

- 3rd request: each of the 6 months immediately preceding the date of dismissal, when the other requests are made.

PROFESSIONAL QUALIFICATION SCHOLARSHIP: Having a suspended employment contract, in accordance with the provisions of a collective agreement or convention, duly enrolled in a course or professional qualification program offered by the employer. The periodicity, values and number of instalments are the same as the benefit for the formal worker, according to the duration of the professional qualification course.

#### HOUSEKEEPER

- Having been dismissed without legal-based justifiable reason.
- Having worked exclusively as a domestic worker for a minimum period of 15 months in the last 24 months preceding the date of dismissal that gave rise to the application for unemployment insurance.
- Having at least 15 FGTS contributions as a domestic worker.
- Be enrolled as an Individual Social Security Contributor and have at least 15 contributions to the INSS.
- Not having enough income of any kind to support himself and his family.
- Not enjoying any continuous pension benefit, with the exception of accident allowance and death pension.

#### ARTISAN FISHERMAN

- Being registered in the INSS (social security system) as a special insured person.
- Being able to prove the sale of fish to a legal entity or cooperative buyer, in the period corresponding to the last 12 months prior to the start of the closed season.
- Not be enjoying any benefit of continued provision of Social Security or Social Assistance, except accident aid or pension for death.
- Evidence of the professional exercise of the artisanal fishing activity that is the object of the closed season and that he has been dedicated to fishing, on an uninterrupted basis, during the period between the previous closed season and the current one.
- Not having an employment relationship or other employment relationship or another source of income other than that arising from the fishing activity.

#### WORKER RESCUED FROM FORCED LABOR

- Having been demonstrably rescued from forced labour or conditions that are like slavery as a result of inspection by the Ministry of Labour & Employment.
- Not enjoying any continuous pension benefit, except for accident allowance and death pension.
- Not having enough income of any kind to support himself and his family.

The average salary range determines the different amounts to be received related to unemployment insurance.

## YEAR UNEMPLOYMENT INSURANCE TABLE - 2023

Average Salary Range	Instalment Calculation
up to R\$ 1.968,36	the average salary is multiplied by 0,8
from R\$ 1.968,37 to R\$ 3.280,93	whatever exceeds R\$ 1.968,36 is multiplied by 0,5 and added to R\$ 1.574,69
above R\$ 3.280,93	the amount will be fixed in R\$ 2.230,97

### 1.3.2.9. Transportation vouchers

Workers who use public transport to and from the company can apply for a transport voucher. The benefit must be given on the first working day of the month.

### 1.3.2.10. Additional for unhealthy and dangerous work

The CLT also guarantees that employees who work exposed to dangerous or unhealthy environments are supposed to receive an extra monthly amount to compensate for the physical wear and tear under which they risked themselves. It is possible to mention, for example, works carried out in cold rooms or near boilers, as well as night security work and cleaning of places with large public circulation. Therefore, the payment of additional amounts in the case of provision of services under these conditions is guaranteed by the CLT. However, if the employee starts to perform functions that do not require proximity to dangerous or unhealthy elements, he may stop receiving the additional without this being considered a harmful wage reduction.

### 1.3.2.11. Previous warning

Previous warning constitutes a worker's right to be notified 30 days in advance of their dismissal. This right does not extend to workers whose employment contract is fixed term or self-employed. Prior notice constitutes a guarantee for both the employer and the employee, as it corresponds to a period in which the contract is still active even after communication of breach of contract by one of the parties. In this way, neither the employee is caught by surprise and has at least one more month of salary guaranteed, nor the employer has his/her activities hampered by the lack of labour.

### 1.3.12. Exemption from work in some specific situations

In addition, the legislation also provides the possibility of dismissal from work, without prejudice to wages, in some specific situations. Among them are, for example, marriage, death of a close relative, blood donation and participation in elections as a poll worker.

### 1.3.2.13. Weekly paid rest

The weekly paid rest (known by the acronym RSR or DSR) is also guaranteed by the CLT, as well as by the Federal Constitution. It corresponds to a weekly rest day that the worker should be entitled to, and this day is paid as if he/she had worked. In the case of people who provide services only from Monday to Friday, there are two days of weekly rest, both paid. In the case of those who work 6 days a week, there is no obligation that the day off corresponds to Sunday. However, most collective agreements establish that every 4 weeks a day off must coincide with Sunday. Thus, the rule that must be kept in mind and that is generally applicable is that the worker cannot work for 7 consecutive days without having at least one day off in the middle of them.

#### 1.3.2.14. Minimum wage

The legislation guarantees the payment of a minimum wage to workers. Currently, the minimum remuneration corresponds to R\$ 1.320 per month, R\$ 5,92 per worked-hour and R\$43,40 per worked-day (of 8 hours), according to the 2023 Act 14.663. From this year onwards, the permanent policy of valuing the minimum wage returns to exist so that, in addition to replacing inflationary losses, its value is increased by a percentage that corresponds to the GDP variation that occurred two years earlier. The establishment of this legislation allows, on the one hand, anticipation of the salary value in the following year, thus strengthening the planning capacity of private and public entities. And on the other hand, it distributes income directly to lower-income workers and indirectly to all those whose income is somehow linked to the minimum wage (most of the benefit of social protection, except for cash transfer benefits).

#### 1.3.2.15. Protection in cases of work accidents or illness triggered by the work performance

Brazilian legislation has a series of worker protection mechanisms in case of intermittence. These can be caused by accidents in the workplace, due to work or the worker's journey to the place where the service is provided. The verification of an acquired or triggered disease due to special conditions in which the work is carried out, and when it is directly related with which, can also be considered intermittence. In these cases, the worker is entitled to the following benefits:

- a) Absence paid by the INSS (social security system): if he/she needs to be absent for more than 15 days.
- b) Maintenance of the social contribution (FGTS) paid by the employer: usually collected for the time the worker is away.
- c) One-year stability: after returning, the employee is guaranteed not to be fired for the next 12 months.
- d) Retirement due to disability: when the accident at work produces consequences that prevent the worker from returning to activity.
- e) Pension due to death: when the work accident causes the death of the worker, his/her dependents are entitled to receive a pension.

#### 1.3.2.16. Receipt of compensation due to moral or material offense

Finally, the legislation guarantees the worker the receipt of monetary compensation due to moral or material offense. The first corresponds to the offense to the employee's dignity and honour, and the second corresponds to the damages concerning the employee's assets, including his/her own body, which may demand payment of damages in the event of an accident at work that reduces the worker's work capacity, for example.

### **1.4 Construction of the self-employed worker protection system**

The social security system in Brazil is regulated by the Federal Constitution/1988 (art. 194 and 195) and by Federal Act 8212. The Social Security System is formed by the Health, Social Security and Social Assistance subsystems. The caput of CF/1988 art. 194 establishes that "social security comprises an integrated set of actions taken by the Public Authorities and society, aimed at ensuring rights related to health, social security and social assistance".

To materialize this system, there are specific entities for each subsystem, such as the Unified Health System (SUS), the National Institute of Social Security (INSS), which is in charge of social security for workers in the private sector, as well as the Unified System for Social Assistance (SUAS), which aside with other public entities, which guarantee universal and free services to all citizens.

#### 1.4.1 Social Security

The Brazilian Social Security was built following the contributory model. The Federal Government has the duty to ensure a general social security system, of a contributory nature and mandatory membership, regarding a criterion that preserve the financial and actuarial balance, with the purpose of offering benefits that cover the social risks qualified by the Constitution.

As established in art. 201 of Constitution, Social Security will provide, under the terms of the law:

- a) coverage of illness, disability, death, and old age events.
- b) maternity protection, especially for pregnant women.
- c) protection for workers in situations of involuntary unemployment.
- d) family allowance and prison allowance for dependents of low-income insured persons.
- e) pension for death of the insured, man or woman, to the spouse or partner and dependents.

The guarantee of Social Security rights is operationalized through the National Institute of Social Security (INSS), both for employed workers and self-made workers who can make an individual contribution, as well as for self-made workers in the Individual Microentrepreneurs

(MEI<sup>3</sup>) category, whose contribution to the system of social security involves a lower value than the other categories, with the objective of including them in the system and guaranteeing access to assistance and social security rights.

In addition, the Benefit of Continuous Provision (BPC) of the Organic Act of Social Assistance (LOAS) is the guarantee of a monthly minimum wage to the elderly person who proves that he/she does not have the means to afford his own maintenance, nor to have it afforded to his/her family. To be entitled, it is necessary that the income per person in the family group is equal to or less than 1/4 of the minimum wage. As it is considered as a welfare benefit, it is not required to have contributed to the INSS to be entitled to it. However, this benefit does not pay the 13th salary and does not generate the right to a death pension for dependents.

Another exception is the case of the optional insured people without their own income, who dedicate themselves exclusively to domestic work in their homes (housewives) and who are from low-income families. They will be able to enjoy Social Security benefits through a reduced contribution of 5% of the minimum wage, equivalent to R\$66.00 in today's values. This will be possible thanks to the approval of Act 12.470, of August 31, 2011. In order to access the social security benefit for housewives, the family must be registered in a special Registry System for Social Programs of Federal Government and the monthly family income total must be up to two minimum wages.

#### 1.4.2 Social Security Funding

The art. 195 of the Brazilian Constitution establishes that social security will be paid by the whole society, directly and indirectly, in accordance with the law, through resources coming from Federal Government, States and Municipalities budgets, as well as the following social contributions:

- a) from the employer:
  - applied over the payroll and other work income paid or credited, due to any reason, to the individual who provides services, even without an employment relationship.
  - applied over the revenue or billing.
  - applied over profit.
- b) from the worker and other social security insured persons, with no contributions being made on retirement and pensions granted by the general social security regime.
- c) over the revenue from official lotteries.
- d) over imports of goods or services from abroad.

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<sup>3</sup> The value of the monthly contribution of individual microentrepreneurs (MEI) was increased from May this year. The change happens due to the readjustment of the minimum wage. As a result, the MEI social security contribution (except truck drivers) will be R\$66, which corresponds to 5% of the minimum wage, plus R\$1 for those who carries out activities subject to payment of ICMS and R\$5,00 for those carrying out activities subject to taxation over services (ISSQN) rate. Therefore, the value of the monthly MEI contribution will be between R\$66.00 and R\$72.00, depending on the activity carried out. For Truck Drivers MEI, the monthly value will be between R\$ 159.40 and R\$ 164.40, depending on the type of product transported and the location to which it is destined.

It is important to indicate that, except for self-employed workers and domestic employees, the contribution amounts are deducted monthly from the paycheck and paid to the National Social Security Institute (INSS) directly by the employer, for both private and public sector workers. Only in some exceptions does the worker directly make the payment. Individual Microentrepreneurs (MEI), on the other hand, must make the payment directly, on a monthly base.

The Brazilian Constitution establishes important principles that guide the definition of the cost of health, social security, social assistance activities, with the following worth highlighting:

- a) equity in the form of participation in the cost – each person must contribute to social security according to their ability to contribute, so that expenses are shared fairly.
- b) diversity of the financing base – social security revenues must be collected from several paying sources, not being restricted to contributions from workers and employers.
- c) specific budget for social security – the annual budget act of each federative entity must include a specific budget for social security.

In the specific case of the general social security regime, the main source of funding is still contributions from companies, calculated based on payroll and other work income which should belong to individuals who perform services, without maximum limitations, and to workers, incidents on the value of salary which is considered to contribution (remuneration due for work, limited to the contribution maximum established in the general social security regime – RGPS).

Some acts have already been enacted, with the purpose of promoting payroll tax relief, replacing contributions over the labour remuneration by contributions over the company's revenue, for some economic segments. However, the basis for social security funding continues to be company contributions, calculated over the payroll and other categories of work income.

Companies generally pay twenty percent of the total remuneration due to workers, in addition to other extra contributions to finance social security benefits for accidents and other risks at workplace or for work reasons.

Regarding accident benefits, only the General Social Security Regime (RGPS), through social security contributions, of a tax nature, covers the risk of accidents at work. This contribution is called Occupational Accident Insurance (SAT), and its value is calculated according to the degree of risk of occupational accidents in the economic activity carried out by each employer. However, this contribution can be reduced by up to fifty percent or increased by up to one hundred percent, taking to account the Accident Prevention Factor (FAP) of each company.

The SAT, under the terms of art. 22, inc. II, of Act 8.212/1991, is supposed to fund accident-related social security benefits:

- a) pension for accidental death.
- b) retirement due to accidental disability.

c) accident assistance.

d) accidental sickness benefit.

Regardless of actual payment of the SAT, art. 120 of Act 8.212/91 expressly states the right of Social Security to take legal action against those responsible, in cases of negligence regarding standard occupational safety and hygiene standards indicated for individual and collective protection.

#### 1.4.2.1 Current challenges in funding the social security system

##### 1.4.2.1.1 Population aging

Following the same trend seen in several other countries, Brazil has been passing through a process of population aging through the 20th century, which has intensified in recent decades, as demonstrated by the latest demographic census, including the most recent one, completed in 2023.

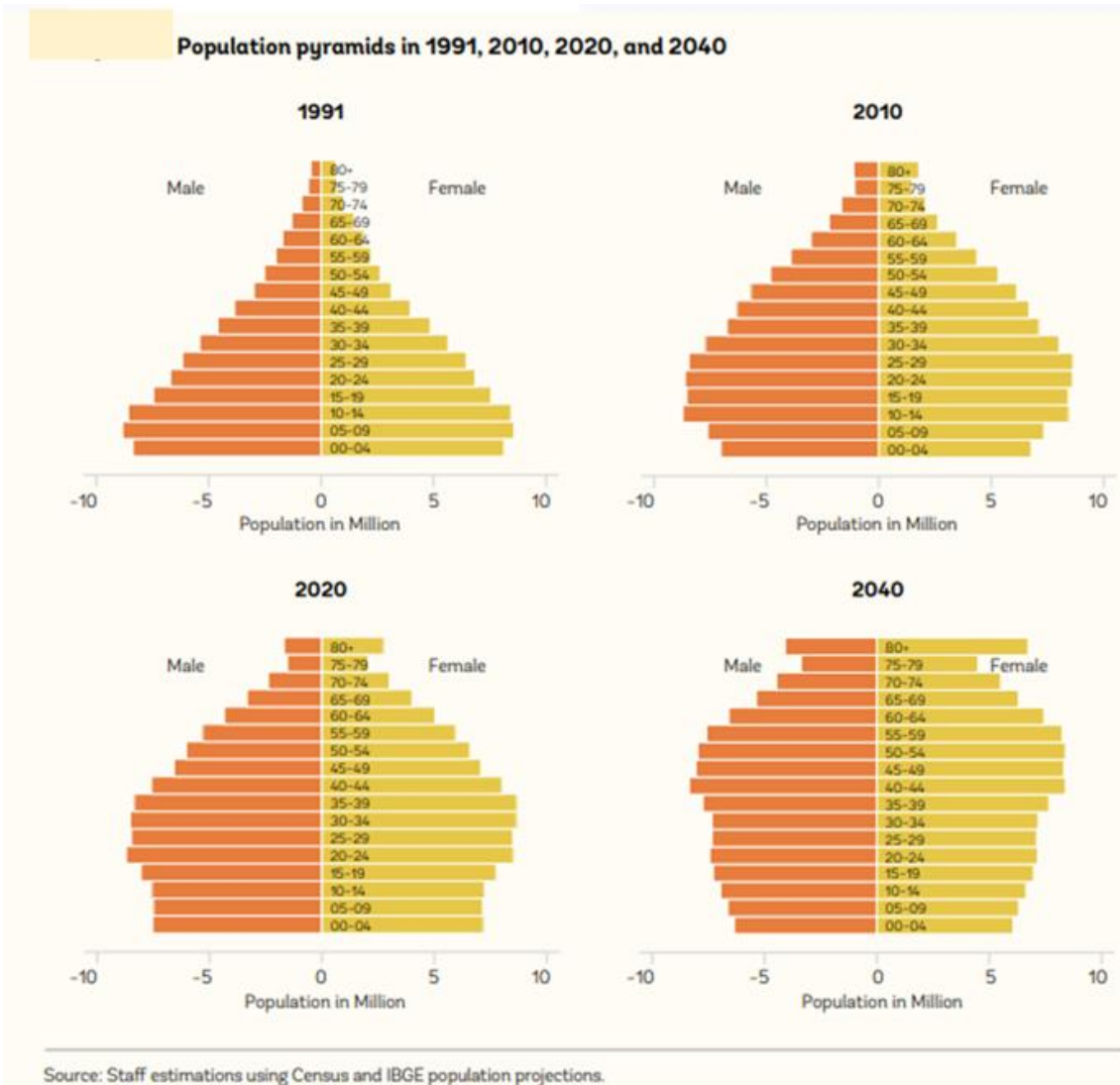
Until 2015, the impact of aging on Social Security had been debated by experts since Brazilian Social Security showed broad coverage of the elderly population, 81.7% of the population aged 60 and over, with 86.1% of men and 78.3% women. Of the total coverage, 59.1% were retirees, 9.1% were pensioners, 7.2% received both benefits and 6.2% did not receive benefits, but contributed to whatever social security system, which guarantees social security coverage.

Demographic information suggests that Brazil is in the moderate aging category, with a sharp drop in fertility and mortality rates, which was confirmed by the 2022 Demographic Census.

This stage maintains an important proportion of young people, but the elderly population begins to increase. In around 20 years, the Brazilian population will be considered aged. According to the Brazilian Institute of Geography and Statistics (IBGE), around 14% of Brazilian women are over 60 years old, while 11.9% of men are in the same age group. The population over 60 years old increased from 2% to 12% between 1960 and 2014 and doubled in just 34 years – 6% in 1980 and 12% in 2014). The fastest growing age group in Brazil is people aged 80 and over.

In this sense, the issue of social security funding is a topic that, although out on the public agenda, continues to be an object of concern, as formal employment data still shows difficulties in expanding the volume necessary to ensure full coverage of pension expenses.

The main reforms took place in 1998, 2003 and 2019, restricting workers' rights, under the allegation of balancing the pension system's accounts. Despite all these attempts, the problem has not yet been fully resolved, mainly due to the impacts of population aging.



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#### 1.4.2.1.2 Social security funding based on payroll taxation

Currently, taxation of company payrolls is one of possibilities stated by legislation to fund the social security system. Traditionally, a company must pay the equivalent of 20% of its payroll to finance the pension. The amounts are collected according to the tax regime chosen for the business.

However, even though the intention of this payroll taxation is to finance benefits for workers, this public policy also has the alleged side-effect of making it more expensive to hire labour and consequently discouraging the creation of jobs. As a result, in 2011, through Act 12.546/11, a tax incentive policy was established that included payroll relief, as a way of boosting the economy through measures that reduced the tax burden on some economic sectors.

This tax policy gave companies the possibility of choosing to pay rates of 1% to 4.5% on gross revenue, instead of 20% on payroll. Depending on the business's revenue, this model can be much more financially advantageous than relying on payroll. Payroll relief is a mechanism

that allows companies in benefiting sectors to reduce the amount of tax owed without dismissing employees or failing to hire new ones.

The bill 334/23 extends the payroll tax relief mechanism for 17 economic sectors until December 31, 2027, including the extension of this option to city administrations with a population of less than 142.6 thousand people. The benefited sectors are: Footwear and Leather; Callcenter; Communication; Clothing and wearing; Housing Construction; Construction companies and infrastructure works; Manufacture of vehicles and equipments; Machines and equipment; Animal protein; Textile; Information technology (IT); Communication technology (ICT); Design of integrated circuits; Metro-rail passenger transport; Public road transport and road load transport.

Furthermore, as mentioned previously, these companies can choose one of two ways to make social security contributions. They are:

- Social Security Contribution over Gross Revenue (CPRB), which is known as payroll tax relief. If the business meets the requirements of the legislation and chooses this form of taxation, it will contribute to the INSS based on its gross revenue. In this case, the INSS rate can vary between 1% and 4,5% depending on the economic activity you carry out.
- Employer Social Security Contribution (CPP) is the most conventional way of contributing to social security, in which you pay a sum or corresponding to 20% of the company's payroll.

This data demonstrates that the current challenge is how to replace all this revenue that has not been collected to fund social security since 2011, without making it more expensive to hire workers and discouraging the creation of jobs.

#### 1.4.2.2 Individual microentrepreneur (MEI)

The name Individual Microentrepreneur (MEI) is applied to any professional who works independently or owns a small business and can act as a small entrepreneur. After registering the opening of the MEI, the worker acquires several benefits, and generates some obligations, as he starts to contribute to his/her own social security, and has the right to retire, but also has the duty to pay taxes linked to the segment.

The MEI was created with the aim of formalizing the work of several professionals who work as freelancers or have a micro business, since before its creation these workers carried out their activities informally. Thus, MEI provides several benefits for professionals, such as:

- a) Social security coverage.
- b) Issuance of tax invoice.
- c) Hiring one employee.
- d) Access to banking benefits.
- e) Lower tax burden.
- f) Advice and possibility of growth.

The “individual microentrepreneur” program was created by Complementary Act 128/2008, which modified the General Act of Micro and Small Businesses with the aim of benefiting microbusinesses, as well as professionals who were self-employed and worked informally in Brazil. After the creation of MEI, several seamstresses, manicurists and street-sellers began to join the formal market and receive the benefits of acting as individual micro-entrepreneurs.

The creation of MEI was extremely important for several workers, who used to live informally, for example, selling their snacks at a stall or at traffic light stops, selling sweets from house to house using a bicycle, or providing services in the area of technology. All of these professionals received their monthly remuneration, doing what we call “odd jobs”, and therefore were not regularized, and considered unemployed by the State. Due to this situation, if any of them had an illness that left them unable to work or reached an age where they could no longer carry out their activities, they would be left without receiving money, since they were not entitled to any benefits from the State. After the creation of MEI, they became able to contribute to their retirement, receiving aid, and paying taxes to the government, to regularize themselves.

In general, workers under the MEI regime have the same social security rights as month-based salary-paid workers, but this parity does not extend to some labour rights, such as: 13th salary; Social Integration Program (PIS); benefit relating to an annual salary bonus; paid vacations.

#### 1.4.3 Social security benefits from the National Social Security Institute (INSS) system

The worker, whether salary-paid or individual micro-entrepreneur, who regularly contributes to the social security system under the administration of the National Social Security Institute (INSS), now has coverage of the following benefits, with the respective criteria for obtaining each of them explained in a summarized way, covering only the general rule, without including exceptions:

##### a) Retirements:

A Retirement by time of contribution: before the 2019 reform, the minimum period of contribution to become eligible for retirement was 35 years for men and 30 for women. This rule still applies to older workers. After the reform, it is no longer allowed to retire solely based on contribution time, and new contributors are subject to the minimum ages of 65 for men and 62 for women, as long as they have minimum contribution period of 20 and 15 years, respectively.

Retirement of disabled people: men retire at 60 years of age + 15 years of contribution and women at 55 years of age + 15 years of contribution. In addition to these requirements, the disabled person is required to prove that they have a disability.

Rural retirement due to age: Men retire at 60 years of age + 15 years of contribution and women at 55 years of age + 15 years of contribution. Furthermore, the benefited must have worked on a family economy basis and there cannot be permanent employees.

- Urban retirement due to age: the minimum age is 65 for men and 62 for women
- Retirement based on contribution time for teachers: men retire with 25 Years of Contribution + 60 Years of Age, and women retire with 25 Years of Contribution + 57 Years of Age
- Retirement due to disability : granted to workers who became permanently unable to carry out their activities due to health problems or accidents.

#### b) Assurances

- Accident Assistance  
Accident Benefit is payable to insured persons who suffer any type of accident that results in consequences or that reduces the worker's performing capacity. The consequences must be permanent and there must also be damage to the worker's professional life
- Sickness Assistance  
Sickness Assistance is paid to people who are unable to work or perform their usual activity for more than 15 (fifteen) consecutive days
- Prison Assistance  
Imprisonment Assistance is the benefit payable to the dependents of the person in Social Security System and is arrested

#### c) Assistance benefits

- Assistance benefit for independent harbour workers  
It is the guarantee of a monthly minimum wage to citizens aged at least 60 who, as casual workers in the harbour area, have not implemented the minimum conditions necessary to retire, nor have sufficient income to support themselves and their families
- Assistance benefit for people with disabilities (BPC)  
It is the guarantee of a monthly minimum wage to people with disabilities who prove that they do not have the means to provide for their own maintenance, nor have it provided by their families

#### d) Pensions

- Death Pension  
The death pension is a benefit granted by the INSS when there is a need to help the dependents of a deceased worker, whether or not he/she was retired on the date of death
- Special sickness pensions  
There are special pensions provided for in legislation for people with leprosy, Thalidomide syndrome, and for children with Congenital Zika Virus Syndrome

#### e) Maternity salary

Maternity salary is the benefit payable to a person who leaves their activity due to the birth of a child, non-criminal abortion, adoption or legal custody for the purpose of adopting a child up to 8 years of age

#### f) Family salary

The family salary is an amount paid to employees, including domestic workers, and to independent workers, according to the number of children or child-equivalent kids they have

#### g) Defense insurance for craftsmanship fishermen

Defense insurance is a benefit paid to craftsmanship fishermen, who are prohibited from carrying out fishing activities during the closed period for some species (when fishing is prohibited to preserve the species)

### 1.4.4 Health

In addition to the entire social retirement and pensions system, the social security system in Brazil also includes health and social assistance, which work in a complementary manner. The Federal Constitution establishes that health is a Government duty and a right of everyone, regardless of contribution. This is a social right that must be materialized by all levels of the federation simultaneously, including the federal government, states and cities, through social and economic policies aimed at reducing the risk of disease and other health problems and universal and equal access to actions and services for their promotion, protection and recovery (art. 196).

The Unified Health System (SUS) was established by 1988 Constitution, which began to be financed with resources from the Social Security budget, the Union, the States and the Cities. Public health actions and services are part of a regionalized and hierarchical network and constitute a single system, organized according to the following guidelines (art. 198):

I - decentralization, with a single direction in each level of government.

II - comprehensive care, with priority given to preventive activities, without uncaring assistance services. III - communitarian participation.

#### 1.4.5 Social Assistance

The Government is in charge to provide social assistance to needy people, without requiring contributions, as a way of ensuring the existential minimum, materializing the corollary of human dignity. In this sense, art. 203, V, of the Constitution provides for the Continuous Payment Benefit (BPC) as a citizenship right, which guarantees an amount equal to the minimum wage as a monthly benefit to people with disabilities and elderly people who prove that they do not have the means to provide maintenance for themselves or have it provided by your family, in accordance with requirements established by law.

The constitutional text is complemented by Act 8.742/93, which states the Organization of Social Assistance (LOAS). This act establishes that the BPC is guaranteed to people with disabilities and elderly people aged sixty-five or over who prove that they do not have the means to provide for their own maintenance or have it provided for by their family. As a rule, this benefit cannot be combined with another benefit within the scope of social security, with some exceptions established by law. Although it is not a social security benefit, its granting and maintenance is under responsibility of the National Social Security Institute (INSS). Furthermore, there are specific acts providing and regulating other social assistance benefits, such as “Bolsa Família”.

### **1.5 Construction of the non contributory social protection system: Bolsa Família and BPC for retirees**

Due to the historically high rates of poverty in Brazil, largely coinciding with low levels of education and qualifications for work, the adoption of public policies focused on these social segments was evident, including, for example, the Bolsa Família program, created in the 2000s.

#### 1.5.1 Bolsa Família

The Bolsa Família Program was created in 2003 with the aim of combating extreme poverty in Brazil. The program consists in the unification and expansion of income transfer programs that have existed since the 1990s, establishing a system of transferring income directly to extremely poor families (with a monthly income of up to R\$77.00 per person) and poor (with monthly income of R\$77.01 to R\$154.00 per person). When entering the program, families assume commitments related to Education and Health, such as their children attending school classes, not carrying out paid or unpaid child labour, as well as keeping updated their children's vaccination schedule.

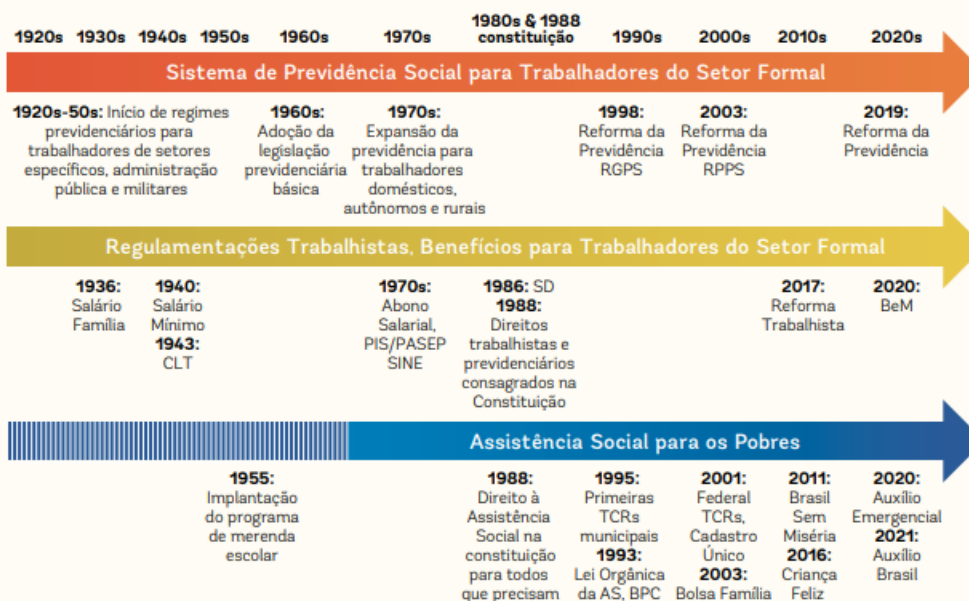
According to Act 14.601, of June 2023, originated from the Executive Order that recreated Bolsa Família by the new Lula government (MP 1.163/2023), the benefiting family receives R\$142 for each member, as an Income and Citizenship Benefit. If the sum of benefits in the family is still less than R\$600, they receive a supplementary benefit to ensure that the family reaches this monthly value. Families with children up to seven years of age are entitled to an additional R\$150 for each child. The program also adds an additional R\$50 for each family member aged between 7 and 18 or who is pregnant or breastfeeding. These supplements are called Early Childhood Benefit and Family Variable Benefit.

The eligibility criteria include families whose per capita income is equal to or less than R\$218 per month and who are registered in the Unified Official Registration for Public Policies (Cadastro Único). If the family increases its income so that it no longer fits these criteria, it will still receive half the amount, as long as the household's per capita income is not greater than half the minimum wage (in 2023 it correspond R\$660).

Since between 2020 and 2021 there was a 73% increase in the inclusion of single-person families in the Unified Official Registration and official statistical data indicate the existence of only 15.9% of homes with just one resident – National Household Sample Survey - Continuous (PNADC), done in 2022, and carried out by the Brazilian Institute of Geography and Statistics (IBGE). The new rule indicates that, if the percentage of single-person households receiving Bolsa Família in a given city is equal to or greater than 16% of the total number of beneficiary families, no new single-person families will be included in the Program, until coverage is adequate.

As the historical overview presented above involves a long period and many changes, we believe it is useful to show a summary of the measures that more directly involve resources coming from workers' payrolls. Such overview has the aim to make clearer the most relevant aspects associated with the legal changes involving Social Security, the regulation of rights and benefits for workers and social assistance, in particular with regard to income transfer and public policies for emergency assistances.

► **Figura i. Evolução do sistema de proteção social e regulamentações do trabalho no Brasil**



Fonte: Autores.

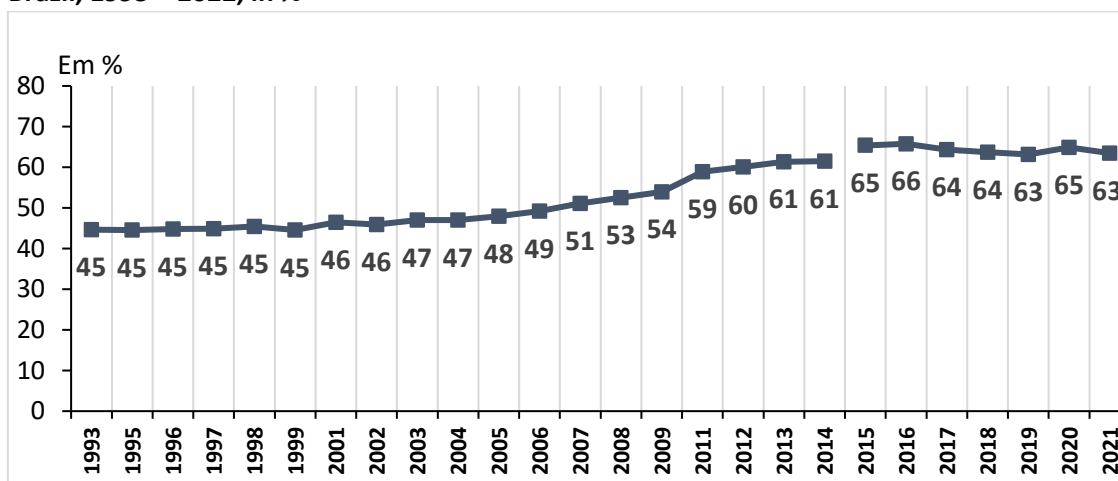
World Bank, UNDP 2023. SOCIAL PROTECTION - FOR THE BRAZIL OF THE FUTURE TO FACE CHANGES WITH INCLUSION AND RESILIENCE.

## 2 – Evolution of Social Protection Coverage in recent Brazil

### 2.1 – Analysis of contributory social security system

After remained practically stagnant the portion of employed workers who contributed to the social security system (45%), from the 2000s onwards there was a progressive increase until reaching 67% of those employed in 2017. With the labour reform that expanded outsourced and unrelated hiring formalities, there was some reduction, with the share of those who contribute showing a small reduction to 63% in 2021.

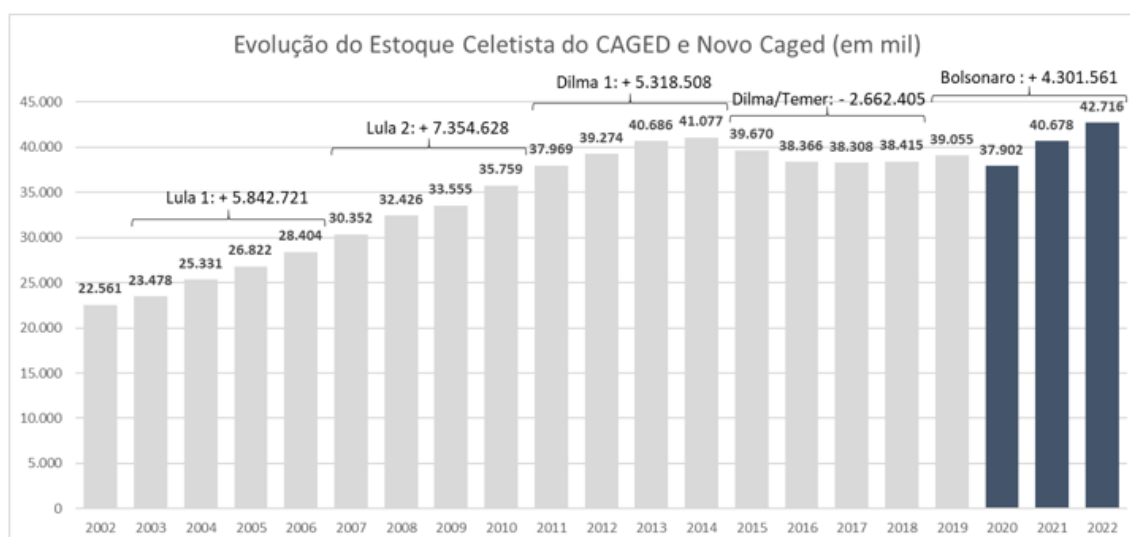
### Proportion of employed people, aged 14 and over, with Social Security Contribution Brazil, 1993 – 2022, in %



Source: IBGE. National Household Sample Survey-PNAD (1993-2014).  
Continuous quarterly National Household Sample Survey-PNADC (2015-2022)

This consistent increase in taxpayers observed in the period 2002-2014 resulted from the important increase in formal employment, which increased the number of formal employees from 22.561 million formal employees at the end of 2002 to 41.077 million in 2014. In subsequent years there was a decline in these numbers, with an increase in formal jobs only in the post-COVID 19 pandemic period. However, around 11% of these jobs no longer have full-time characteristics, with working hours of a maximum of 30 hours per week, which provokes a decrease in contributions to security systems.

### Evolution of the Caged and Novo Caged CLT Stock, Brazil, 2002-2022, in thousand people

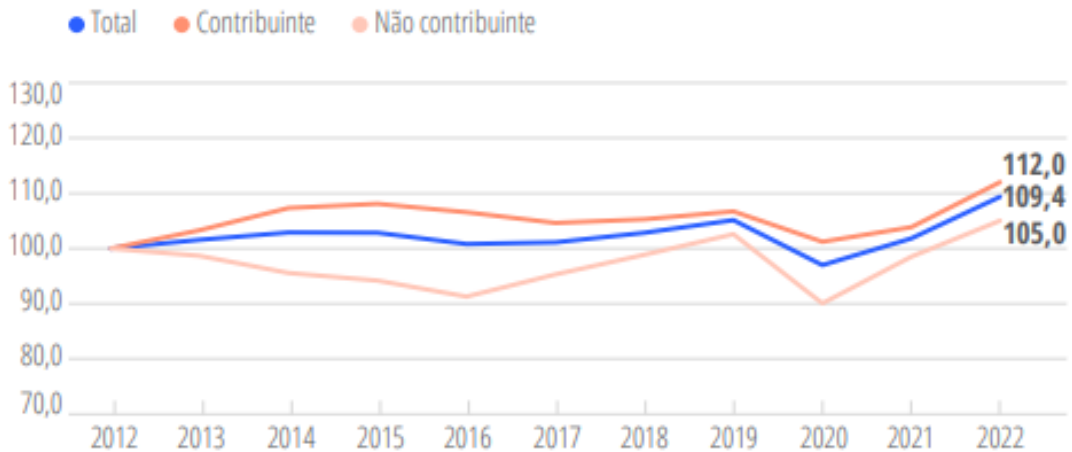


Source: M T E . CAGED. eSocial.Novo Caged.

Data for the period 2012 to 2022, from the national household survey indicates that, although the employment rate grew 9.4% in the period, workers with public social security contributions grew 12%, while non-contributors increased 5%. This performance, although

positive, must consider that there is an important decrease in values resulting from the payroll tax relief policy and from the differentiated payment of individual micro-entrepreneurs (around 7.8 million workers in compliance with the tax system simplified).

**Occupation Index by occurrence of social security contributions  
Brazil 2012-2022**

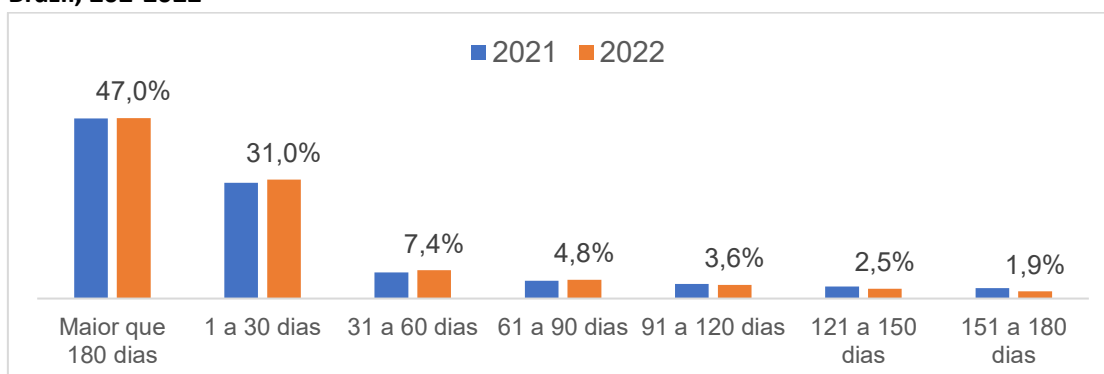


Base: média de 2012 = 100

Source: IBGE. Continuous National Household Sample Survey.

A more detailed data analysis will show that the workers' turnover that characterizes the Brazilian labour markets, combined with the Covid crisis, which disproportionately affected the income generating capacity of those who were in the informal sector, once again poses the challenge of compliance with the number of months for non-negligible portions of workers, notably domestic workers, self-employed workers and MEIs who make individual contributions. This situation arose, even with the actions that allowed the postponement of the payment of taxes and fees that lasted until 2021. Among employees with a formal contract, just over 33% of dismissals occur at the employee's request, according to information from Caged. However, even for this less unfavourable situation, 47% of them had not obtained a new formal job within a period corresponding to 180 days or more, which is yet another indication that the gap in contributions tends keep growing.

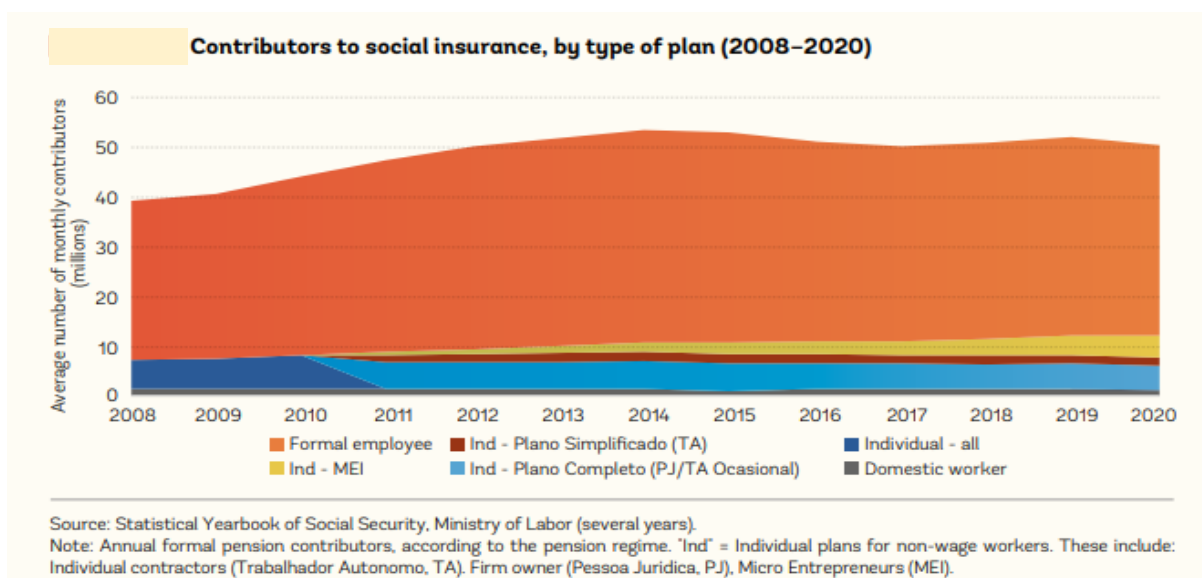
**Difference between termination date and admission date in number of days  
Brazil, 202-2022**



Source: M T E. e-Social, Novo Caged.

Administrative records indicate that, between 2008 and 2020, the number of taxpayers who are formally employed increased from around 32 million to just over 38 million, following the flow of increase in formal employment over the years.

From 2010 onwards, there was an important change, with a substantial reduction in individual contributors, which were replaced by an increase in individual plans and full plans (which involve legal entities and individual workers) as well as a gradual increase in individual micro-entrepreneurs. This group, which makes reduced contributions to the system, increased from around 9 to 12 million of people, between 2008 and 2020.



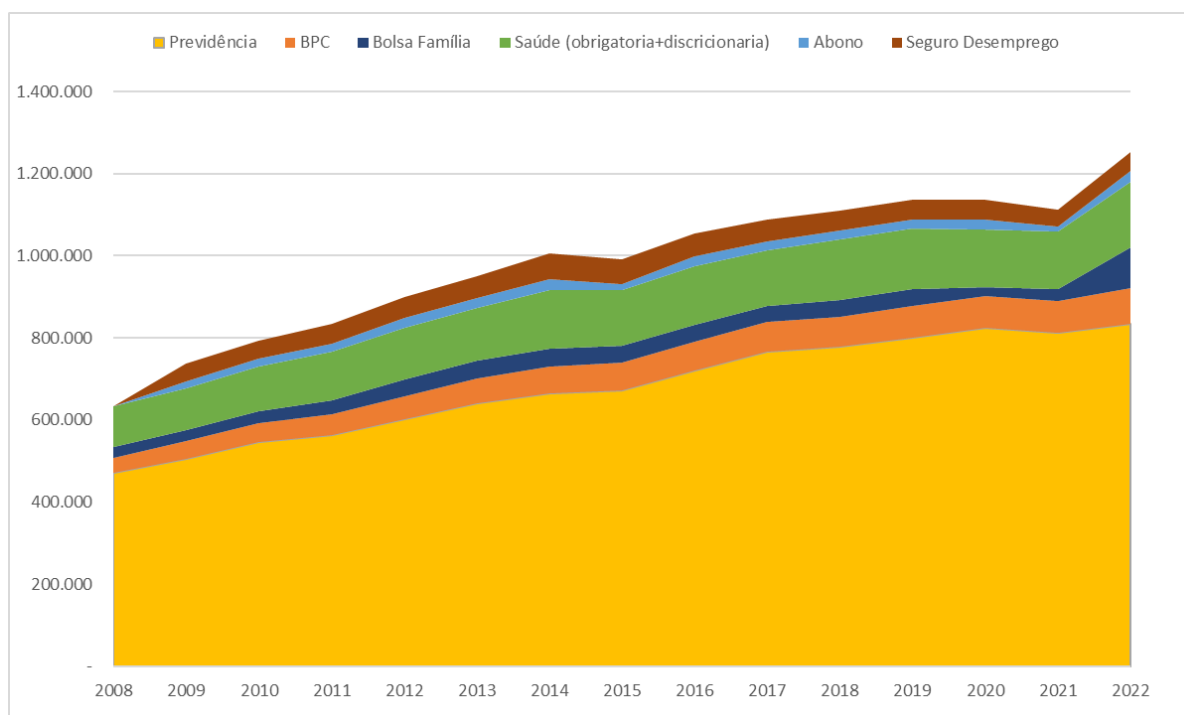
Source: World Bank, UNDP 2023. SOCIAL PROTECTION - FOR THE BRAZIL OF THE FUTURE TO FACE CHANGES WITH INCLUSION AND RESILIENCE.

It is essential to consider, however, that 40% of employed people are outside the social security system. According to information from IBGE, in 2021, this group corresponds to 35,8

million people: 18,2 million self-employed workers and family members who help in the business, 3,8 million domestic workers and 13 million employees without a formal employment contract. Among its characteristics, men and women show similar shares of non-contributors of 40% each, while among black and brown people this share reached 46%, much higher than that found among whites (33%). Without the inclusion of these workers, it will not be possible to find adequate solutions for financing these people's old age or the social security system.

Data from the National Treasury show the increase in social security and assistance spending, which increased from R\$45,1 billion to R\$833,7 between 2010 and 2022. As a result, this type of expenditure, which represented 67% in 2010, reaches 69% of the total spending on the security system, in 2022, significantly surpassing other segments, such as health (13%) and the income transfer program, i.e., the “Bolsa Família” program (8%), the Continuous Payment Benefit (BPC) (7%) and Salary bonus and Unemployment Insurance, which together represent 6%) (see INTERMINISTERIAL ORDINANCE MPS/MF No. 27, of 05/04/2023).

### Annualized Central Government Expenses – Brazil, 2008-2022, in millions of reais



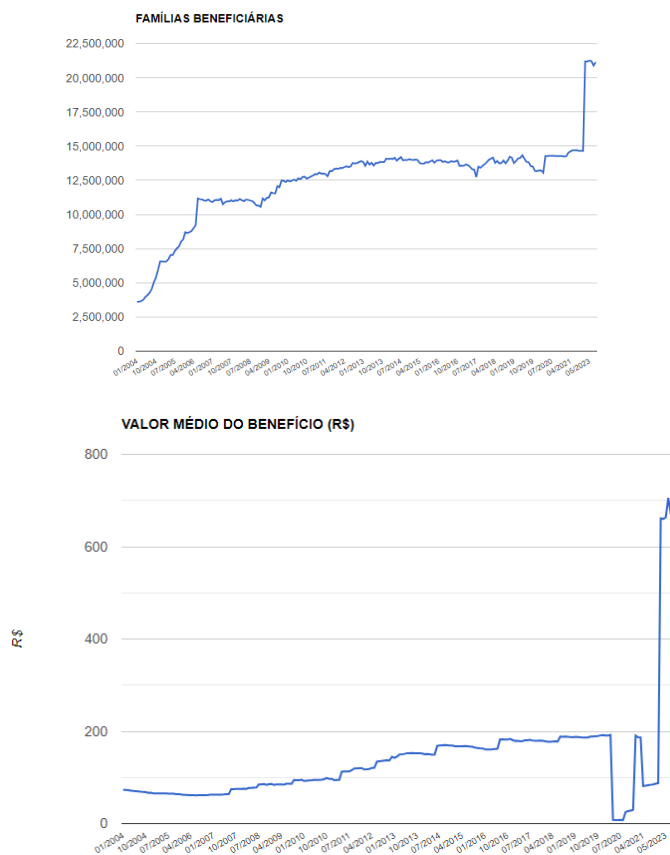
Source: National Treasury Bulletin - Historical Series Values of Jul.2023 - IPCA

## 2. 2 – Analysis of the non-contributory protection

The Bolsa Família Program, focused on poorest people, and the Continuous Payment Benefit (BPC), focused on disabled people as well as in elder people aged 65 and over whose family income per person is less than ¼ of the minimum wage, differ from other benefits of the social security system. Both are not contributory, seeking to alleviate poverty conditions in the first case, and guarantee basic income conditions in the second, since these citizens often partially contribute to the security system, but do not reach the minimum number of years to receive a benefit monetary.

The Bolsa Família Program increased from 10,97 million families in December 2006, to 12,78 million in December 2010, however, due to the reduced value that represented expenditure corresponding to R\$28 billion (at June 2023 values), or 04% of GDP. There was, however, a perception that it had not yet reached some population groups, especially those in extreme poverty, who were both in the most distant rural areas and in the most impoverished metropolitan areas. The Extreme Poverty Eradication Program, and through active search actions, increased the number of families to 14 million, in December 2014, with an expenditure of R\$45 billion (at July 2023 values), which did not exceed 0,5% of that year's GDP. The average benefits paid to help alleviate poverty did not exceed R\$182,00, with no inflationary adjustment mechanisms, since inflation was low and controlled.

**Number of beneficiary families and average benefit value  
Brazil Jan.2004 – June 2023**



Source: MDS. 2023.

During the Covid 19 pandemics, all beneficiaries of this program and all those registered in the Single Registry were included in the Emergency Aid program and could receive the program benefit or, alternatively, if the benefit value was less than the Emergency Assistance Payment, they could receive R\$600. As can the graph relating to average benefits shows, there is an attempt to return the program to the values practiced before the pandemics, but the significant increase in food prices and the significant impoverishment of the population, made it non-avoidable that the average values of payments shall return to the level of emergency assistance.

Emergency assistance in 2020 reached around 81 million Brazilians, involving expenses of R\$293,11 million in 2020, being substantially and abruptly reduced in 2021, without taking into account the fact that massive vaccination against Covid was started in March of that year and that most of the activities, although had returned to be performed in the traditional face-to-face model of work, involved risky situations for crowds, in addition to many restrictions on generating income by the poorest. Hastily brought back, the program involved much smaller amounts, practically equivalent to a quarter of what was spent in 2020 (R\$64,58 million), reaching people who were not in the Bolsa Família program.

Although it was very important in 2020, the program showed a lot of fraud and improper payments. A survey carried out by the Federal Audit Court (TCU), in April 2021, indicates that more than 7 million people had received assistance payment without fulfilling the requirements established by law, causing a loss of R\$54 billion to treasury in 2020. In October 2020, around 627 thousand people had already been notified by the Ministry of Citizenship that they should return the resources to the treasury. According to the government, approximately R\$66,3 million had been recovered by November 2021. Other recovery measures occurred through tax payers income tax adjustment declaration of federal revenue for 2021, but no numbers related to this process were released. In Parliament there was an attempt to propose the forgiveness of debts incurred by population groups that received unduly.

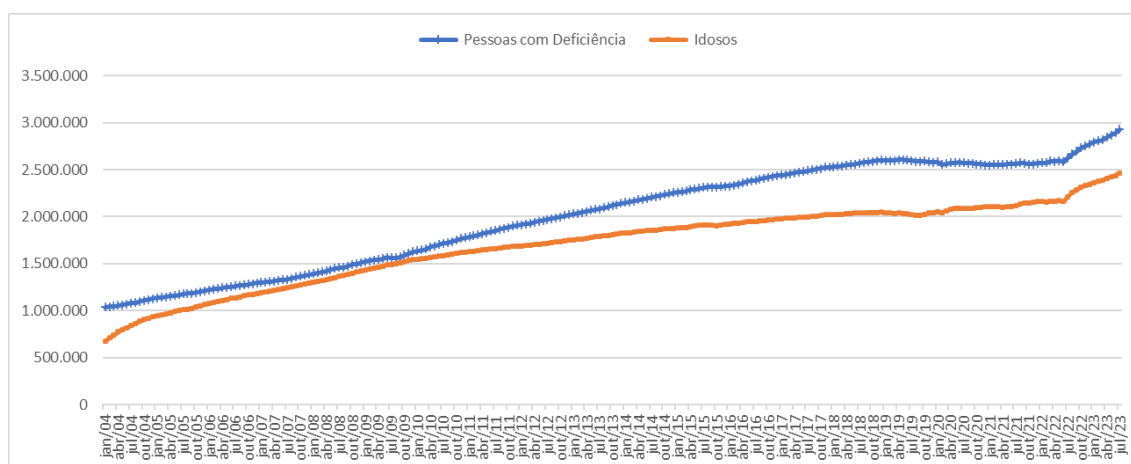
In 2023, the Lula government sought to expand the resources available to the population in stage of poverty, increasing amounts associated with children up to 7 years old to ensure that they had reduced the risk of hunger. At the same time, it encouraged the return to schools and health unities to re-take vaccination programs that were reduced to very low levels, due to the previous government's denial not only in relation to vaccination against Covid-19, but also for all other basic vaccines present in the health system.

The program goals are still pending of records updating, neglected in previous years, and the implementation of new standards for the inclusion of single-person families, whose expansion in the period 2021 and 2022 is much greater than the numbers estimated by official statistics and suggests attempts of fraud due to the division of families that live together.

The situation of disabled people and elderly aged over 65 who access the BPC involves access to a benefit that is individual, non-transferable, and not for life. Therefore, it can be withdrawn if the family's income conditions improve and it becomes able to support these people, without the benefit.

Regarding the beneficiaries of the elderly and disabled people, the numbers of both groups have been growing rapidly, due to the greater perception of those groups' rights and the importance that the minimum-wage-value benefit has for the living conditions of these people and their families. In June 2023 there were 2,9 million disabled people receiving benefits, 65% more people than in December 2010 (1,8 million). Among the elderly aged over 65 and without another source of income, the number of beneficiaries reached 2,5 million, 52% higher than that observed in December 2010 (1,6 million). Considering the expenses associated with the payment of the BPC, these doubled between December 2010 and December 2022, going from R\$48 billion to R\$98 billion.

**Number of people who receive the Continuous Payment Benefit -BPC, according to type, Brazil, Jan. 2004 to June 2023:**



Source: Ministry Social Development. 2023.

For information purposes, it is worth to mention another program carried out by the Brazilian government: The Emergency Benefit for the Preservation of Employment and Income (BeM), that was established by Executive Order 936, in April 1, 2020. Its objective was to maintain the employment relationship during the pandemic. The program allowed the employer and employee to agree on a temporary reduction in working hours, in the percentages of 25%, 50% and 70%, or a temporary suspension of the contract through individual agreements in certain situations. In the case of a reduction in working hours, the employer was to pay a proportional salary, whose value corresponded to the new working hours scheme, and the benefit paid by the government corresponded to the percentage of reduction applied to the value of a portion of the unemployment insurance. In cases of contract suspension, the benefit corresponded to 70% to 100% of the unemployment insurance value. The Program involved guaranteeing employment for workers for the same number of months as they had participated in the program.

As many agreements have been renewed multiple times, it is unclear how many workers and employers were involved in the process. The Institute of Applied Economic Research (IPEA) (October 2022) estimated between 6,5 and 9,2 million people and the expenditure of Treasury in the amount of 33,5 million in 2020 and 7,7 million in 2021, reaching employees whose income placed them from the 3<sup>rd</sup> income level, out of 10.

The last relevant point is to show how the role of different sources of income for the population changed between 2012 and 2021. Based on data from the National Household Sample Survey, the income from work remained the main source of income for households, for the country, rising from 75,7% in 2012, to 75,3% in 2021. Retirements and pensions, as well as benefits from social programs, have been increasing their participation. The first two from 16,5% to 18,2% and the last from 1,6% to 2,6%, with the latter expected to double their share in 2023.

When the data is considered in terms of the individual value, they play for population groups, the importance of social program benefits for lower-income levels is notable. Among those families with income per person of up to ¼ of the minimum wage, until 2019 this share

corresponded to 29,2%, and in 2020 it jumped to 47%, declining to 35% in 2021. For those with income per person between  $\frac{1}{4}$  and  $\frac{1}{2}$  minimum wage, it goes from 25 to 27% at the height point of the Covid 19 pandemics, declining to 12% in 2021.

For the group with a per capita income between  $\frac{1}{2}$  and  $\frac{1}{4}$  of the minimum wage and for those who receive more than 3 minimum wages, the role of retirement and pensions is the second most important, except in 2020, when there is a significant number of older people deaths, since the presence of co-morbidities were factors that accelerated contagion with the virus. In 2021, this source of resources represented 14% for the first group and 16% for the second.

**Tabela 1 - Distribuição percentual do rendimento domiciliar total, segundo as fontes de rendimento e as classes de rendimento domiciliar *per capita* em salários-mínimos Brasil - 2012/2021**

Fontes de rendimento e classes de rendimento domiciliar <i>per capita</i>	Distribuição percentual do rendimento domiciliar total (%)			
	2012	2019	2020	2021
<b>Total</b>				
Trabalho	75,7	74,4	72,8	75,3
Aposentadoria e pensão	16,5	18,7	17,6	18,2
Benefícios de programas sociais	1,6	1,7	5,9	2,6
Outras fontes	6,3	5,3	3,6	3,9
<b>Até 1/4 de s.m.</b>				
Trabalho	62,1	58,1	43,6	53,8
Aposentadoria e pensão	7,7	6,0	4,4	6,4
Benefícios de programas sociais	24,4	29,2	47,1	34,7
Outras fontes	5,9	6,8	4,9	5,1
<b>Mais de 1/4 s. m. até 1/2 s.m.</b>				
Trabalho	72,7	74,1	59,9	71,1
Aposentadoria e pensão	14,7	12,9	10,3	13,8
Benefícios de programas sociais	8,3	9,0	26,5	12,0
Outras fontes	4,3	4,0	3,3	3,0
<b>Mais de 3 s.m.</b>				
Trabalho	75,4	74,8	78,5	78,5
Aposentadoria e pensão	15,5	17,9	16,3	15,5
Benefícios de programas sociais	0,1	0,0	0,2	0,0
Outras fontes	9,0	7,3	5,0	5,9

Fonte: IBGE, Pesquisa Nacional por Amostra de Domicílios Contínua 2012/2021.

Nota: Dados consolidados de primeiras visitas em 2012 e 2019 e de quintas visitas em 2020 e 2021.

### 2.3. Unified Health System for Brazilian population

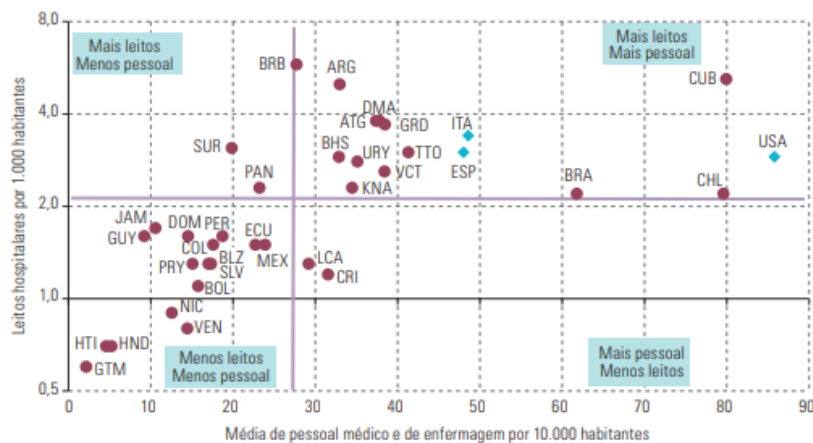
The health issue is complex, even though some aspects are different from the Brazilian situation. The entire public health area is structured around the Unified Health System, which guarantees access to basic care for all citizens and establishes rules for the services execution. Except in emergency situations (accidents or sudden illness), everyone must undergo basic care to be able to access hospital or specialized care. This process has been dismantled since 2016, to meet growing private interests, a situation that proved unsustainable with the advent of the Covid 19 health crisis. The lack of national coordination led to the federation units acting in an uncoordinated manner, causing material and lives losses. The presence of professionals with

greater technical knowledge allowed and encouraged mobilization for vaccines and tests to be acquired, as well as processes for national production to be initiated, although reinforcing competitive aspects rather than collaborative ones.

In addition to the almost 700.000 deaths from Covid-19 (11% of deaths worldwide), the pandemics also exposed the deterioration in the health system that was ongoing in the country, reducing access to hospitals and exams, and reversing substantive improvements in health care, achieved with a reduction in inequalities between population groups. A study carried out by Economic Commission for Latin America and Caribe (ECLAC) showed that in 2019, the situation regarding the number of hospital beds, as well as medical and nursing staff, placed the country in the upper quadrant with the most personnel, behind the United States, Cuba and Chile (both countries with smaller population), and with fewer hospital beds than several countries which had, however, fewer professionals.

Moller used this graph to support the thesis that in pandemic situations, extra-hospital containment and mitigation actions are more important — with actions at the primary level and in communities — such as in hospitals, which must be prepared and equipped with personnel, infrastructure and supplies enough. In this sense, the thesis supported social distancing measures, which were heavily questioned by authorities in Brazil.

**Gráfico 5**  
América Latina e Caribe (33 países), Espanha, Estados Unidos e Itália: número de leitos hospitalares e pessoal médico e de enfermagem, último ano disponível



Economic Commission for Latin America and the Caribbean (ECLAC), Social Panorama of Latin America 2020, (LC/PUB.2021/3-P), Santiago, 2021.

After the health emergency and the return to face-to-face activities, in addition to maintaining attention to vaccination cycles, the widespread worsening of health indicators became clear, such as: reduction in the vaccination coverage rate, with a very high risk of reintroduction of diseases such as polio; sharp drop in consultations; surgeries; diagnostic and therapeutic procedures carried out by the SUS; in primary, specialized and hospital care; delaying the start of treatment for chronic diseases, such as cancer and cardiovascular diseases, among others; return of records of hospitalizations for child undernutrition caused by hunger; stagnation in the downward trend of child mortality and increase in maternal deaths (from 54,8 to 107,2 per 100.000 live births between 2019 and 2021).

The serious Brazilian health situation is the result of a set of institutional, budgetary, and regulatory setbacks that promoted the dismantling of policies coordinated by the Ministry

of Health, profoundly affecting the functioning of several areas of SUS. The loss of the national health authority and the role of coordinator and articulator of national policies by the Ministry of Health is considered decisive for the disruption of successful policies and programs, such as the National Immunization Program (PNI), More Doctors (Mais Médicos), Popular Drugstore (Farmácia Popular), IST -Aids, as well as the operation of services that make up the SUS assistance networks: Primary Care, Mental Health, Women's Health, Emergency, People with disabilities, in addition to the dismantling of National Comprehensive Health Policies for Black and Indigenous Populations.

Considering this situation significantly deteriorated, in 2023, the Ministry of Health has been seeking its reconstruction, retaking its role as health authority in order to resume national, tripartite, and participatory coordination of SUS management. This measure is decisive to enable the recovery of high vaccination coverage through the excellence of the National Immunization Program (PNI), strengthening the country's response capacity to Covid-19 and other Public Health Emergencies, as reducing queues in specialized care.

Public spending on health is far from the target of 6% of GDP recommended by the Pan American Health Organization (OPAS) and there are problems in resource allocation. Financing for the first level of care does not reach the recommended parameter of at least 30% of public health spending, and in the countries where this occurs, these are extremely low amounts (Cid et al., 2020). All of this goes to the detriment of the efficiency and quality levels of the health system, and households face a high level of financial lack of protection that impoverishes them by forcing them to make large direct payments when they use the system (CEPAL/OPAS, 2020).

In July 2023, the More Doctors Program Act established the National Training Strategy for Health Specialists, which should increase the number of doctors working in SUS primary care by 15 thousand, mainly in areas of greater vulnerability. The Ministry of Health also announced the opening of new opportunities for professionals and for cities to join the program, with unprecedented initiatives such as doctors for Street Clinic teams and for imprisoned population, in addition to new vacancies for indigenous territories. In total, the More Doctors program will, by the end of 2023, expand to 28 thousand professionals.

The increase in professionals should make possible the reduction of queues, but there are a large number of people awaiting diagnosis and treatment of cardiovascular diseases, cancers, low and medium complexity surgeries affected by the pandemics, linked to structuring actions to organize strong, resolute, and integrated Primary Care, in different health regions.

Finally, the current aim to rescue successful programs such as the Brazilian Popular Pharmacy Program, as part of Pharmaceutical Assistance in the SUS, linked to the retaking of measures to stimulate the development of the Health Economic and Industrial Complex, as well as prioritization of SUS transformation, basic elements for the recovering of the Brazilian health system development.

Disputes with private medicine are still quite strong, since formal employees hold numerous private health plans, which increasingly show the difficulties of dealing with the need for clinical and laboratory exams. However, for most of the highest cost interventions, hospitals and SUS professionals do have the charge to serve the population. Private hospitals prefer to operate in lower risk and higher profitability activities, such as hotel services.

The weaknesses in the collected resources make the support of technology activities an essential issue, which will improve the professionals knowledge and assistance to the

population. The training of health professionals are also essential to allow better service in all regions, guaranteeing improved care for the population.

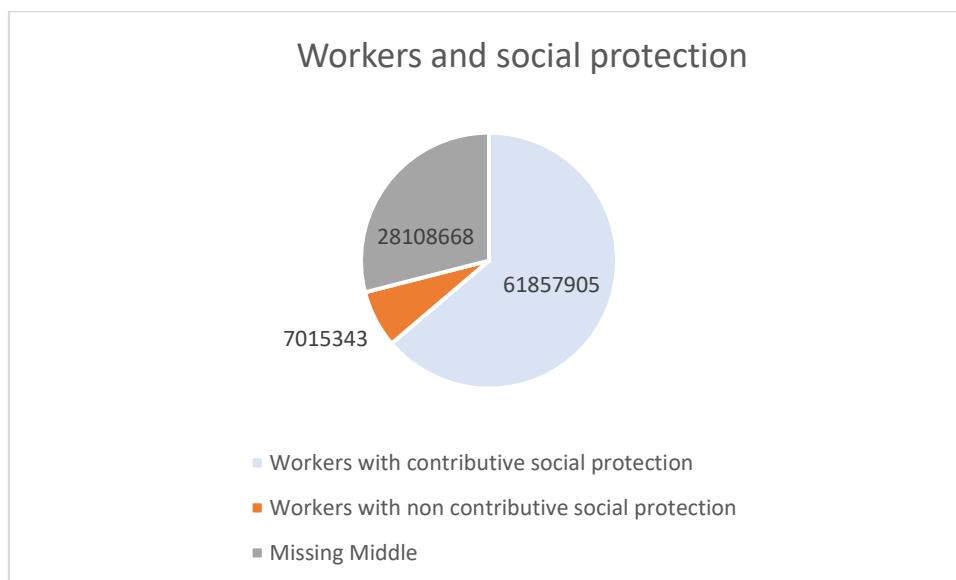
### 3 – Recent challenges for the social protection policy of Brazilian workers

#### 3.1 – Diagnosis of the “missing middle” size, workers who do not contribute and are outside of non-contributory protection

In order to have an overview of the challenges that Brazil faces in achieving full social protection coverage, we will present some data dividing the analysis between employed, unemployed and inactive workers, considering the difference between public policies that should be aimed at meeting them.

##### 3.1.1 Working missing middle

According to IBGE data, Brazil had almost 97 million employed workers in 2022 (96.981.916), of which 63,8% (61.857.905) were active social security contributors and, therefore, were directly inserted in the contributory social protection system. Among the remainder, without contributory coverage, 7.015.343 were beneficiaries of non-contributory social protection, receiving some of the benefits described in the first section of this work (especially the family allowance). Thus, it appears that 28.108.668 workers constitute the “missing middle” in Brazil.



Source: IBGE. PNAD-C. Ministry Labour and Employment.

The next step to address this challenge lies in characterizing this discovered workforce across occupational and demographic criteria:

Distribution of the “working missing middle” por status in employment	
Salary-paid employees without a signed work card	10.040.715
Domestic workers without a formal contract	2.317.016
Own account workers	13.592.866
Employers	927.514
Auxiliar Family workers	1.230.557

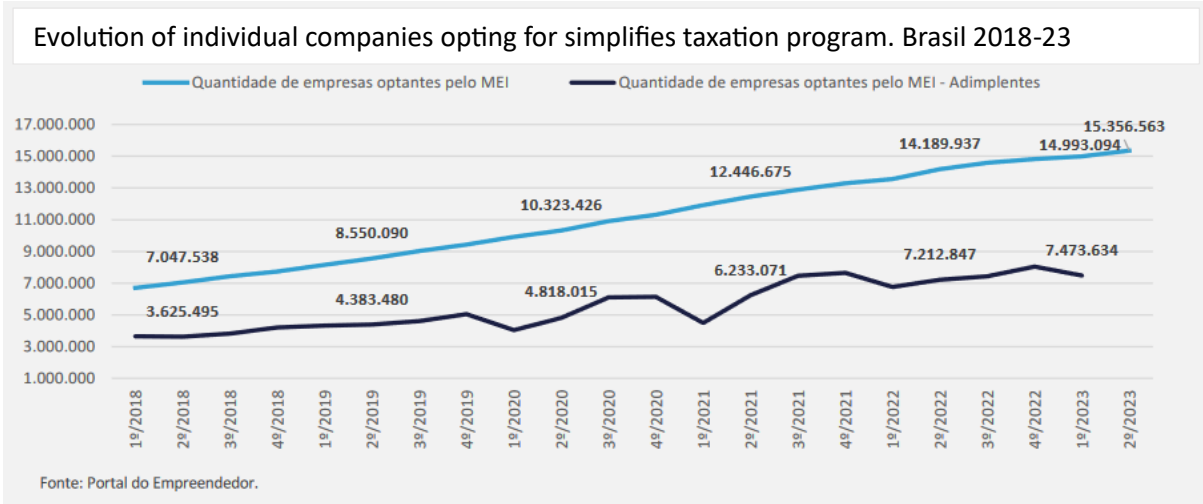
This characterization according to each occupation shows that around 12.5 million of these unprotected workers are inserted in salary-paid employment relationships with characteristics of unpaid exploitation. For these cases, the main challenge is to strengthen labour inspection systems in Brazil to enable the finding of fraudulent companies' location and to make the proper registration of these workers.

Moving forward in this direction, in 2023 the federal government authorized the execution of a public competition to hire 900 labour-law auditors who should be allocated throughout Brazil. This hiring will mean an increase of almost 50% in the number of auditors in Brazil who will be located in regions where there is a greater prevalence of non-compliance with labour rights.

On the other hand, there is still a group of around 16 million workers without social protection distributed among self-employed workers, small employers, and family assistants. For those, there are some possible aspects of public policies aimed at inclusion, and economic growth policies can allow a portion of these workers who are in subsistence conditions to be absorbed into the formal market, as public investments such as those launched in 2023 in the Growth Acceleration Program advance.

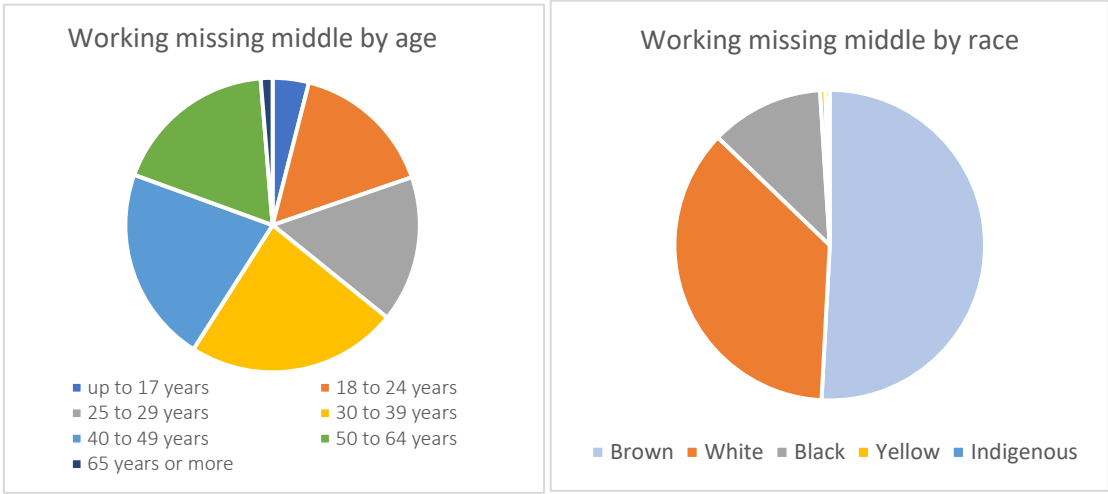
Another portion of this population can be directed towards associativism and cooperativism. From 2023 onwards, they began to receive support of the rehabilitated National Secretariat for Solidarity Economy, within the organogram of Ministry of Labor and Employment. In fact, associativism allow the union of necessary forces for small enterprises to achieve greater resilience to adverse market conditions and, consequently, contributory capacity for inclusion in the social protection system. A great example in this sense is the advancement of cooperatives for collectors of recyclable materials, essentially formed by workers in vulnerable conditions.

Finally, rethinking mechanisms to facilitate the transition between non-contributory assistance and contributory security is a central issue. At one side, the advent of the Individual Microentrepreneur meant a significant advance, and at the other side, high default rates keep remained, which can help to explain the existing large proportion of non-contributing self-employed workers, while put on the agenda the need of a review and improving of this program's mechanisms.



In order solve this problem, there is the “Desenrola” program, which helps low-income workers to renegotiate their debts and, potentially, restore their ability to contribute to the social protection system. The first part of the program was able to renegotiate 1,2 million contracts (R\$8,2 billion).

After carrying out the occupational characterization of this public, some of its demographic characteristics are the following:



Souce: IBGE. PNAD-C. Ministry Labour and Employment.

The graph above shows that the working missing middle is composed mostly by adults (62,9% between 30 and 65 years old) and mixed race (51%). They are also mostly men (18,3 million), compared to 9,8 million women.

### 3.1.2. Unemployed missing middle

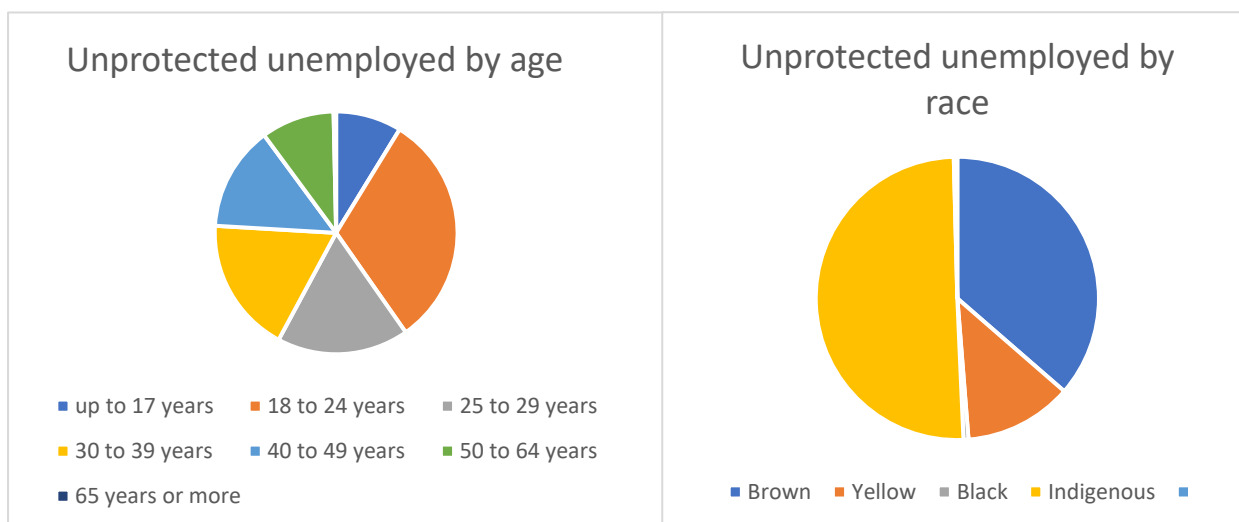
In 2022, Brazil had 10.274.621 unemployed workers, and only 1.903.593 out of which were accessing unemployment insurance or another non-contributory social program, leaving a “lost” population of 8.371.029 workers without any protection. Thinking about public policy for this group requires a more depth reflection on the Brazilian unemployment insurance system and its gaps.

In the longest period for which a worker receives unemployment insurance in Brazil is five months. However, even workers with a short period of unemployment are mostly unprotected. This fact can be explained by several factors, from the lack of sufficient contribution time to the fact that insurance is restricted to workers who previously worked as registered employees. Therefore, even among workers with less unemployment, the majority were still not protected by insurance:

Unemployment Period Range	Protected	Unprotected
<= 6 months	1.042.880	4.473.746
> 6 e <= 12 months	175.225	1.081.137
> 12 e <= 24 months	326.879	1.701.159
> 24 months	358.609	1.114.987
Total	1.903.593	8.371.029

These numbers table poses the size of the specific challenge in reaching this group, which involves not only restructuring the unemployment insurance program but also public policies to promote the formalization of the workforce through boosting economic development. In addition, there is also approximately 3,5 million workers who have been unemployed for more than a year, for whom it is essential to target specific qualification and professional guidance policies.

Regarding the gender point, unlike the case of the working missing middle, in case of the unemployed missing middle there is an equal distribution of men (4.247.999) and women (4.123.030). From a demographic point of view, they are mostly young people up to 29 years old (57,9%) and with a large proportion of mixed race people (50,3%).



Source: IBGE. PNAD-C. Ministry Labour and Employment.

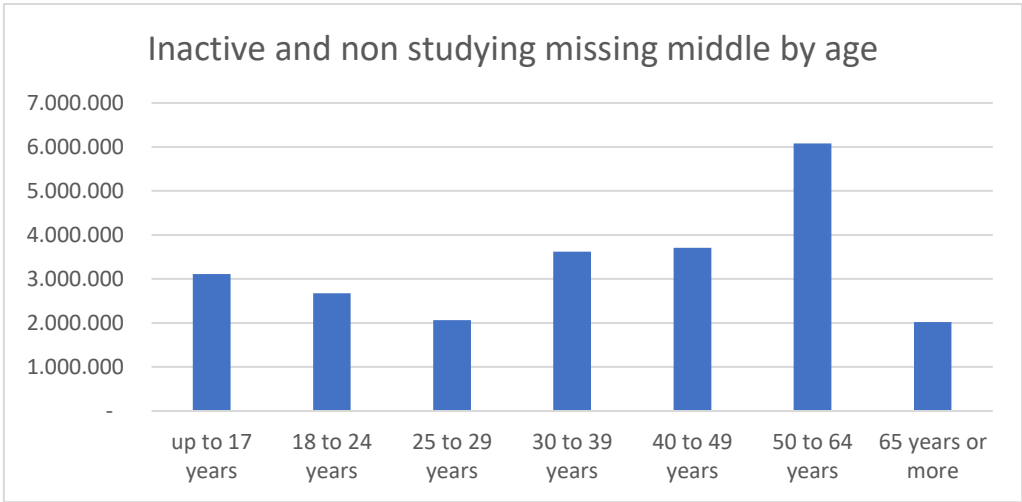
### 3.1.3. Inactive missing middle

The total Brazilian population aged over 14 and not economically active in 2022 was 66.029.875. Out of this group, 23,6 million are retired and 9,2 are included in the non-contributory social protection network, especially the Continuous Payment Benefit and the “Bolsa Família”. It is also necessary to exclude from the general data the portion of the young population that is still in study-age and, therefore, inactive because of its preparation to enter the job market, made up of 9,8 million young people.

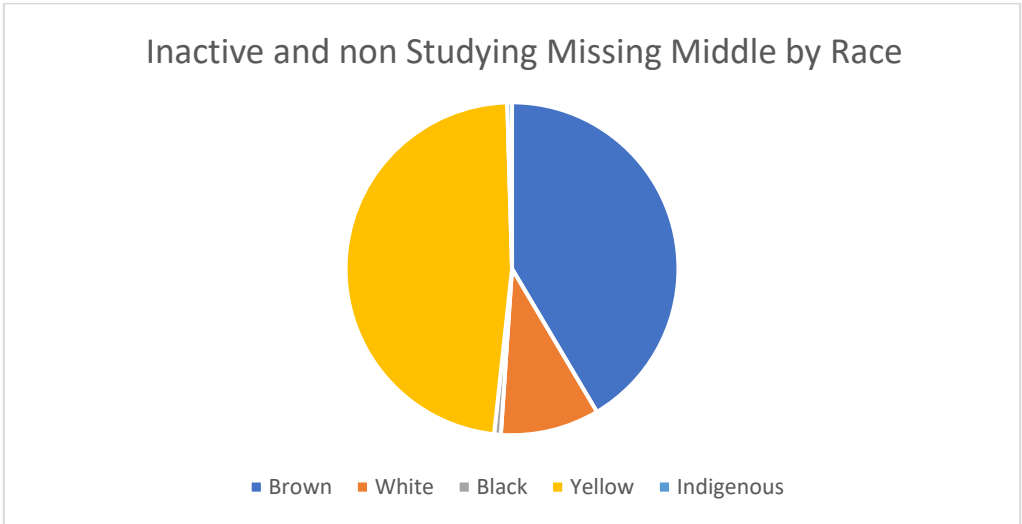
This leads to the situation of an inactive population, without direct access to social protection and non-students of the order of 23.279.941 to be more closely analysed. In this group without contributory and non-contributory protection, unlike the other two, women correspond to the largest part, who make up 15.874.664, or 68,2% of the group, compared to 7.405.277 men. This large concentration can be mainly explained when analysing the portion of this group that does not look for work because they have to take care of household tasks, their child(ren) or other relative(s), summing up almost 8 million of people, and the vast majority is women.

For this specific group, it is important to create a National Care Policy, such as the one being developed by the Ministry of Social Development, guaranteeing public care options such as children's daycare centers and shelters for the elderly and social protection mechanisms for caregivers.

Regarding demographic aspects, the group without social protection has a significant concentration among those over 50 years old (34,8%) and once again among the mixed-race population (47,8%):



Source: IBGE. PNAD-C. Ministry Labour and Employment



Source: IBGE. PNAD-C. Ministry Labour and Employment

3.1.4 Synthesis

Considering together the three occupational modalities (employed, unemployed and inactive) of people without direct contributory or non-contributory social protection, we arrive at an inclusion challenge for 61,3 million Brazilians whose inclusion in the social protection system depends on a combination of several public policies such as care, tax, social security, labour market and economic growth promotion policies. The inclusion of this significant group will only be possible with the rehabilitation of state capacity on these several fronts.

### 3.2 – Challenge of new unregulated work modalities (platform)

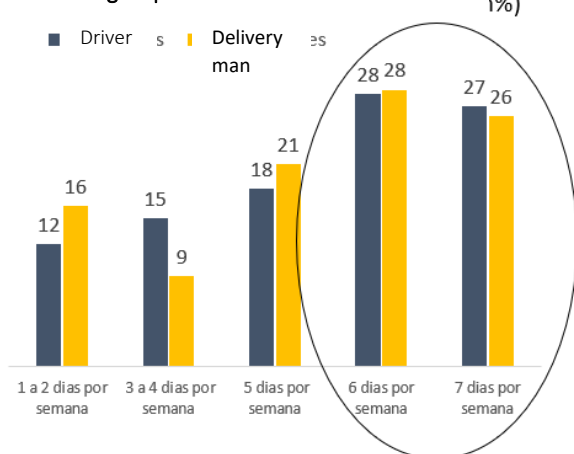
The issue of regulating the situation of workers who work with companies through platforms corresponds to one of the most relevant challenges to face, as companies understand that they are providing services to the population, merely connecting the demand of those who want services with workers who can offer such service. There is a strong controversy in most of countries and it is notable that it always tends to be the same companies operating, most of times not paying taxes in the countries where they carry out their activities.

There is an increasing consensus that the groups which face the biggest problems, including health problems, resulting from work accidents and physical and mental exhaustion are drivers who transport passengers and delivery personnel, most of whom carry out this activity using motorcycles and bicycles, but there are many doubts related to working hours – considering the number of days worked each week and the number of worked hours in each day, the number of applications from different companies to which professionals are associated, the remuneration for the work performed.

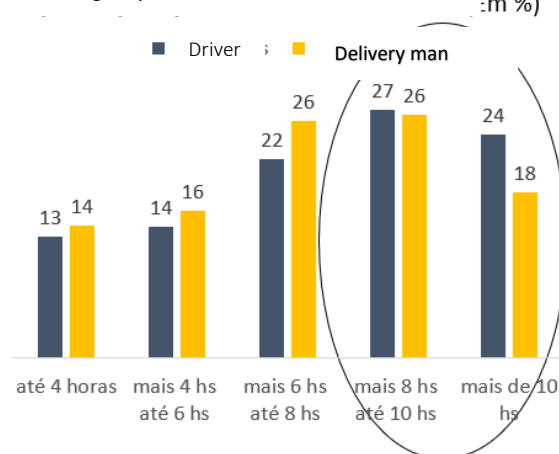
The Ministry of Labor, taking advantage of communication with workers through the Digital Work Card, launched an online survey that brought some relevant information which can be summarized as follows:

Based on the responses obtained in the M T E Survey, most of workers who work for app-based companies works 6 to 7 days a week, with shifts of at least 8 hours a day and receive between R\$ 601,00 and R\$ 2.640,00.

Number of days per week worked for enterprises that uses digital plataforma Brasil 2023



Number of hours per day worked for enterprises that uses digital plataforma Brasil 2023



Fonte: Sondagem M T E, 14 a 21/08/2023.

#### For drivers who work for app companies

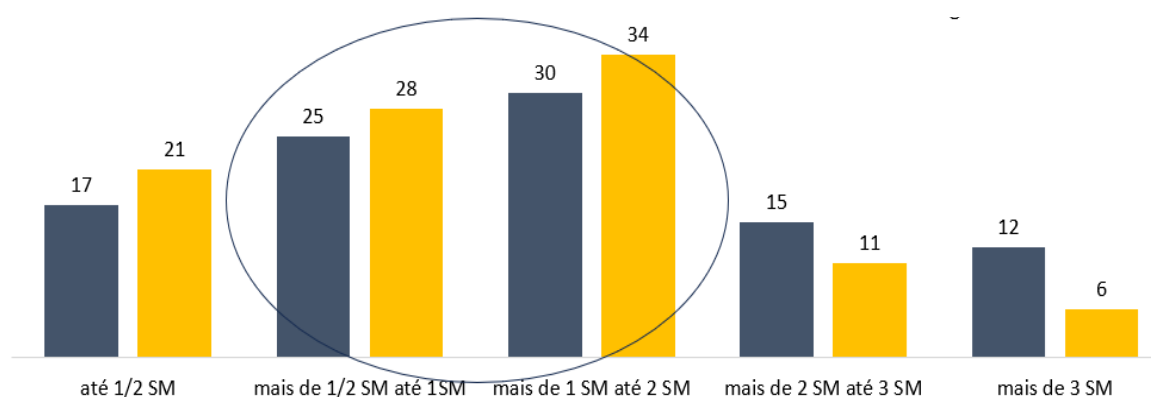
- 55% of them do it for 6 or 7 days a week, on average. Similar shares, in the Southeast (54%) and Northeast (54%)
- 48% work at least 8 hours a day. 51% in the Southeast and 36% in the Northeast

- 55% receive between ½ Minimum Wage (R\$ 600,00) and 2 Minimum Wages (R\$2.640,00) per month.

**For delivery personnel who work for app companies**

- 54% of them do it for 6 or 7 days a week, on average. 50% in the Southeast Region and 60% in the Northeast Region
- 44% work at least 8 hours a day. 44% in the Southeast Region and 45% in the Northeast
- 62% receive between ½ Minimum Wage (R\$ 600,00) and 2 Minimum Wages (R\$2.640,00) per month. 62% in the Southeast region and 68% in the Northeast.

**Average payment of Drivers and Delivery Man that work for enterprises that uses digital plataform, in number of minimum salary. Brazil. 2023**



Fonte: Sondagem M TE, 14 a 21/08/2023

These results are important to support more conciliatory negotiations to workers' rights, regardless of the type of employment, and mainly to support the expansion of their inclusion in the security system, which they need and which should be at least partly under the responsibility of transnational companies which work with applications.

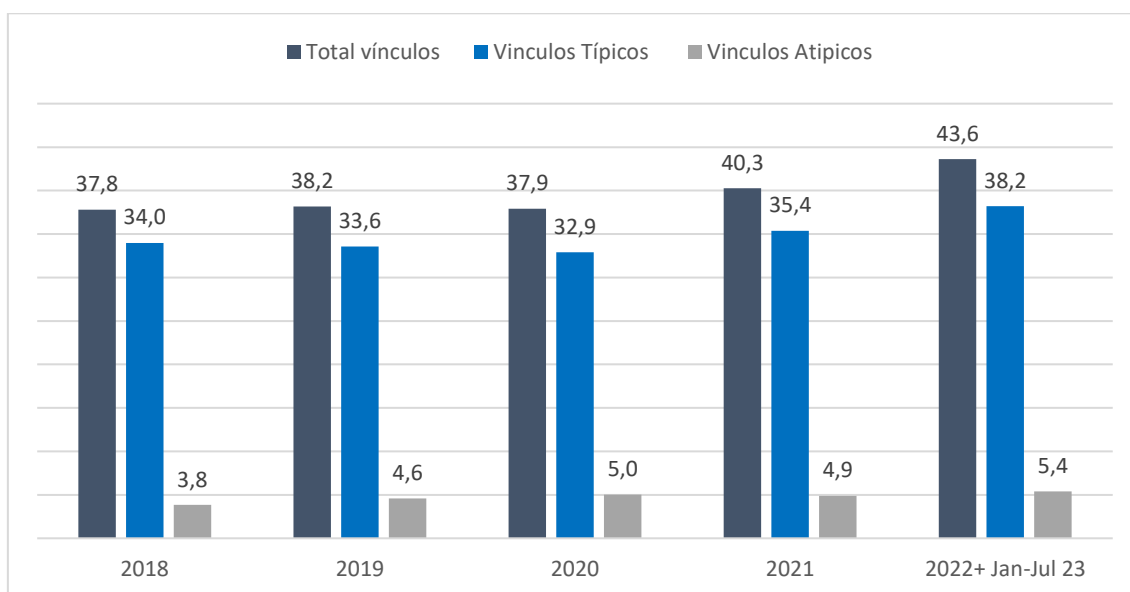
**3.3 – Challenge of growth in atypical forms of formal salaried work**

According to the International Labor Organization (OIT), atypical salary-paid work arrangements include forms of occupation that do not fit into conventional employment contracts. In the Brazilian context, the conventional work arrangement is represented by employment contracts ruled by the Consolidation of Labor Laws (CLT), when the requirements for characterizing the employment relationship exist, namely, service provided by an individual, non-replaceable person, non-eventuality, subordination, and onerousness. Furthermore, the typical arrangement is characterized by a contract for an indefinite period and full time (often, 40 or 44 hours per week).

Even among formal jobs, the increase in atypical contracts often generates consequences similar to those generated by informal occupations. These types of contracts can be a stopgap for high unemployment rates and, in some cases, a step for workers to access

better quality jobs. On the other hand, atypical forms of formal salary-paid work can create a special group in the labour market in which, at one side, there are employees with full-time and indefinite-term contracts, higher salaries and better working conditions; and, at the other side, there are workers with fixed-term contracts or reduced working hours. This last group is more subject to precarious working conditions and greater job instability when compared to typical employees.

### Evolution of Formal Employment, according to type of employment, Brazil, 2018 to 2023



Source M T E. e-Social. New Caged.

### 3.4 WORKING WITH SHORT JOURNEY

In Brazil, there are basically two forms of employment contracts in which the working hours are reduced: part-time and intermittent. The CLT defines part-time work as follows:

Art. 58-A. Part-time work is considered to be work whose duration does not exceed thirty hours per week, without the possibility of additional weekly hours, or even work whose duration does not exceed twenty-six hours per week, with the possibility of an increase of up to six additional hours per week.

Part-time work can be a choice for employees, especially for those people who need to combine work with other tasks, such as study, family care or domestic work. On the other hand, employers can abuse this type of contract, failing to offer full-time job vacancies to certain groups of people, such as young people and women. Part-time work can be a strategy for employers to reduce costs by offering lower hourly wages and more precarious working conditions. Additionally, companies tend to offer less training for part-time workers, which can represent a difficulty in arising these professionals.

The part-time regime for people with a high level of qualification becomes more expensive for the employer, compared to workers with lower levels of qualification. This means

that part-time jobs are occupied predominantly by workers from the latter group, that is, those with lower levels of formal education.

Act 13.467/2017, which instituted the “labour reform” in Brazil, introduced a type of work that had previously not existed in the country: the **intermittent employment** contract. This Act amends the CLT, creating the possibility of an individual contract for the provision of intermittent work, which is defined as one in which “the provision of services, with subordination, is not continuous, occurring with alternating periods of service provision and inactivity, determined in hours, days or months, regardless of the employee’s and employer’s type of activity”. In this arrangement, therefore, the worker is summoned according to the employer's demand.

With the objective declared by legislators of being a strategy to reduce informality and unemployment in the country, intermittent work appears to be ineffective in generating income, as there is no guarantee of minimum remuneration, and the worker may be left without receive any amount in the months in which he/she does not carry out services. As a consequence, if the salary received during the month does not reach the minimum wage, the worker is responsible for completing their social security contributions up to the minimum amount, if they want to maintain their social security benefits and count their period of service towards retirement.

Low remuneration values in intermittent contracts, due to reduced working hours, can also lead the worker to seek to enter into several contracts of this type, with the risk of long working hours or short breaks between shifts. Additionally, vacation periods relating to the different contracts may not coincide, which, in practice, would mean that the worker would always remain at the disposal of an employer, not being able to actually enjoy consecutive days of vacation.

Intermittent work is the formal type of employment that most resembles informality, not only due to the issues already mentioned, but also due to the low propensity of employers to invest in training, safety, and adequate working conditions for their employees. Intermittent employees may also feel discriminated, as they do not participate in the company's routine and have different conditions in comparison to other employees with typical contracts.

Since the creation of the intermittent employment contract, there has been a growing tendency for employment under this type of arrangement. In 2017, the year of the labour reform, there were 7.367 contracts for intermittent work, rising to 243.554 in 2021. Regarding the total number of contracts, intermittent work contracts increased from 0,02% to 0,61% in this period.

Between 2002 and 2021, the number of workers formalized under part-time employment contracts in Brazil, i.e., with a weekly journey of 30 hours or less, went from 1.263.830 to 3.394.683. Part-time workers represented 5,66% of total CLT employment contracts in 2002 and raised to 8,43% in 2021. Therefore, there is a considerable increase in this type of work regime, even when it is analysed proportionally to the total number of CLT employees. Among the atypical formal salaried work arrangements, part-time employment is the most significant in terms of number of contracts. Mainly since 2019, the year of the second “labour reform”, there has been a significant increase in this type of employment in Brazil in relation to the total number of jobs. Therefore, the analysis of the reduction in unemployment rates must consider the increase in part-time employment.

### 3.5 CLOSED CONTRACT LINKS (DETERMINED TERM)

Fixed-term contracts are mostly used in Brazil as experience contracts. Employers can use the experience contract, for up to 90 days, to assess whether the employee fits the company's expectations for that vacancy. This type of contract can only be extended once, as long as it respects the maximum period of 90 days.

Most of the administrative records of fixed-term contracts refer to experience contracts. It is difficult to process this data, as many employers do not inform the updating of the contract from a fixed term to an indefinite term.

The experience contract, however, is not the only type of fixed-term employment contract. Article 443, §2°, of CLT states two other possibilities: in the case of a service whose essence or transitory characteristics justifies the term predetermination, or business activities of a transitory type.

In addition to these criteria, Act 9.601/1998 authorizes collective labour conventions and agreements to establish a fixed-term employment contract in any activity carried out by the company or establishment, **for hirings that represent an increase in the number of employees**. This Act enacts limits for hiring for a fixed period. What can be inferred from the Act is that it is yet another palliative for unemployment, since fixed-term hiring cannot be intended to replace indefinite-term contracts, and since companies can only add job vacancies.

There is yet another important form of contracting for a fixed term: **professional learning** contracts. Professional learning is a program for professional qualification and entry into the job market, focused in young people aged 14 to 24. The Federal Constitution exceptionally allows young people aged 14 and 15 to work just if they do as apprentices. Companies must employ and enrol in courses offered by national apprenticeship services a number of apprentices between 5% and 15% of the existing workers in each establishment whose functions require professional training.

The program generates, however, the risk of carrying out activities prohibited for youngsters aged less than 18 under the formal umbrella of the apprenticeship contract. This risk becomes even more relevant for youngsters aged 14 and 15. The Labour Inspection has an important role in mitigating this risk and is responsible for preventing any exploitative practices of apprentices by employers.

Additionally, the contribution rate to the Time Service Guarantee Fund (FGTS) to be collected by the employer is 2% for apprentices, while for ordinary employees it is 8%.

Although many companies fail to comply with the obligation to hire apprentices, there has been a significant increase in the number of youngsters employed through the professional apprenticeship program. In 2002, there were only 13.709, while in 2019 the mark of 476.003 professional apprenticeships was reached. The pandemics resulted in a reduction of more than 100.000 jobs in 2020, but in 2021 there was a resumption in the hiring of apprentices, reaching 457.279 jobs, close to the maximum recorded in the historical series, in 2019.

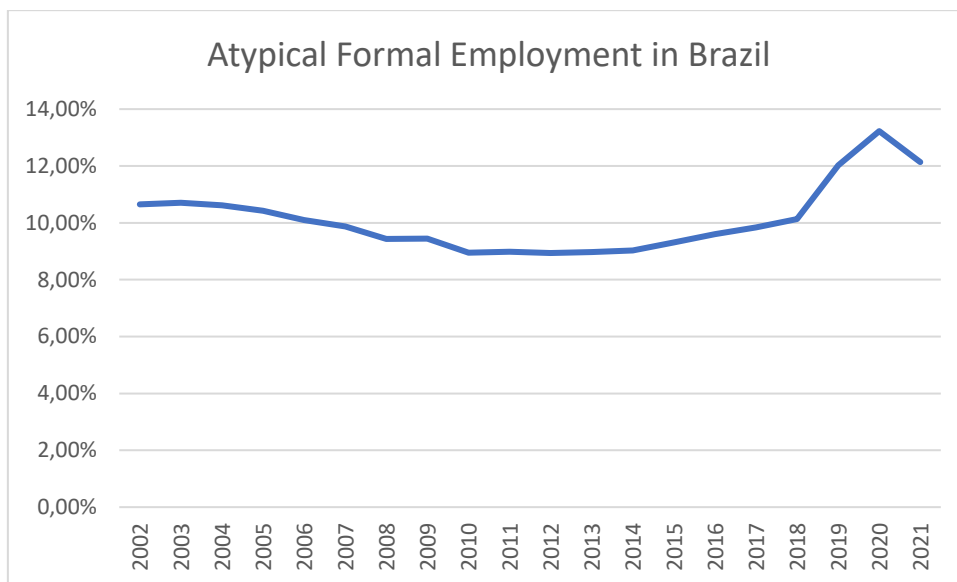
Another type of closed contract allowed by Brazilian labour legislation is **temporary work**, defined as the work provided by an individual **hired by a temporary work company** that

makes them available to a company providing services, to meet the need for temporary replacement of permanent personnel, or according to complementary demand for services. Therefore, this is what the ILO calls triangular employment, since the relationship is between a worker, a temporary employment company and a company receiving the services.

Temporary employees may, in many situations, be subject to lower salaries, lower levels of social security, and also have more difficulties to organize themselves in unions or other forms of representation. Temporary employment contracts in Brazil have been less frequent in recent years, especially in proportion to the total number of formal employment contracts. In 2002, this type of work accounted for 1,18% of total employment, falling to just 0,46% in 2021.

Closed contract relationships do not generate the right to unemployment insurance for workers, since the term of the contract is already known. Therefore, this type of contract creates insecurity for workers, who may be left without income if they do not find work at the end of the contract term.

Lastly, there are employers who have special conditions. They are considered natural persons who have been equated to legal entities and for this reason they can hire formal employees, apparently without any type of limitation. This situation is not new from a legal point of view, but it has shown significant innovation in the recent period, especially after the 2018 labour reform. As shown by the graph below, it jumped from 9% to 13% of atypical jobs between 2015 and 2020. These forms of employment are particularly associated with jobs in short-term agricultural activities.



The analysis of these new forms of formal hiring, which tend to involve short-term employment, leads to a necessity of attention to be directed to the consequences of these formats for guaranteeing the social protection of these workers, both with regard to the difficulties of access to unemployment insurance, as with regard to the difficulties in making contributions to the social security system.

## Final considerations

Throughout the 20th century, Brazil saw a process of extending social protection that was extremely focused on around 1/3 of the working population capable of entering formal wage employment relationships. This situation began to be reviewed especially after the Citizen Constitution of 1988, which sought to extend labor, social security, welfare and public health rights to the entire Brazilian population, in addition to promoting better employment and income generation practices.

In the beginning of the 21st century, there is a significant expansion process in formal employment, with 40% of employees included in formal employment, guaranteed paid weekly rest, annual holidays, differentiated payment for overtime, in addition to contributory access to benefits assistance – sickness benefit, maternity and paternity license, among others – in addition to, in a significant part of cases during periods of economic stability, maintaining work and contributions that led to retirement based on contribution time. For this group, the contribution to PIS (Social Integration Program/PASEP (Training of Public Heritage) also guarantees access to the salary bonus for those who have salaries up to two minimum wages and who can access unemployment insurance.

Even though there are important advances, the reality of this specific group is not devoid of challenges, among which the high turnover rate and the considerable reductions in contributions to the social security system achieved by the most labor-intensive productive segments stand out.

The situation is more serious for workers included in informal employment, generally hired by smaller companies or performing domestic services. Inspection and implementation of qualification policies are fundamental actions to prevent situations initially considered temporary from crystallizing, restricting participation in the informal circuit of the economy, with little access to entry into the most dynamic sectors.

It is clear that the country still has a very high participation of self-employed workers in the workforce. It is necessary to differentiate and direct public policies between those workers who are carrying out survival strategies, without specific knowledge about production processes, service provision or market insertion, and those situations in which entrepreneurship and the solidarity economy can be effective strategies for achieving of economic sustainability with social protection. In the 21st century, the country has advanced, with 1/3 of self-employed workers having achieved the formalization of their enterprises, but economic instability remains a challenge for the continuity of already established businesses and for the expansion of this formalization rate.

An aggravated threat in more recent years, following the 2017 labor reform, was the expansion of the possibility of outsourcing not only auxiliary activities, but also those at the core of the business, which has been expanding the presence of “bogus self-employment,” or “hiring free of labor rights,” in which workers are contracted like companies but have relationships that are very close, if not identical, to those of the salary bond, as a strategy to reduce their contributions to the security system and increase production profits.

All of these elements pose important challenges for social protection in Brazil, as there are increasing limitations on different fronts:

- a. The 2022 Demographic Census, even in its preliminary data, confirmed that there is a decrease in births and an accelerated increase in the population aged 60 and over;
- b. The demographic bonus, a moment in which the population of working age increases, has been little used – we have 37 million young people who do not study or work, which represents around 39% of young people aged 16 to 24 in the country.
- c. Although it has been a possibly guarantee of good social security coverage for the elderly, it is estimated that at least 90% of them have income guaranteed by contributory social security or non-contributory benefits (rural retirement and BPC -Continuous Benefit of Social Assistance), there are increasing signs that income demands greater contribution.
- d. There is a growing group of people who are adults and who have no contribution to either public or private pensions, believing that they can do better, using patrimonial methods of guaranteeing the future through properties and rents, which can have consequences for sustainability of the public system.
- e. There is strong resistance on the part of companies to give up on payroll exemptions. If the experience of transnational service companies through applications is a milestone, as some analysts believe, they will be able to fulfill their dream of operating without labor costs or without having to pay taxes in the different countries in which they operate.
- f. Faced with this reality, it is necessary to innovate in resource collection systems to guarantee social protection, including the construction of proposals that redistribute the burden from more labor-intensive companies to less labor-intensive companies.
- g. There are many doubts on the part of representatives of the legislature and the judiciary about how to proceed, even if the imposition that occurred in the last labor reform, which substantially increased the cost of seeking rights on the part of workers in situations of disrespect for collective labor agreements, is reversible.
- h. The dismantling of the single healthcare system showed the cost in terms of lives that pandemics, like Covid 19, can inflict on the population, notably the poor.
- i. Misinformation has greatly increased the number of people who have doubts about medical procedures, and with the advent of Artificial Intelligence, they accept medical practices that are unacceptable by any civilizational standard.
- j. The pandemic showed the fragility of the situation of income generation and access to food, water, electricity and communication services. And, after the most serious moment, essential workers, who worked tirelessly to guarantee the continuity of the production of goods and services, are once again forgotten, receiving no special attention or care from their employers (who once again say that there is no skilled labor in adequate supply).
- k. In this sense, it is necessary to reconcile emergency solutions with sustainable proposals capable of promoting economic development and the generation of quality jobs.

All these elements pervade the debate on social protection systems in our countries and require great imagination from all of us, to find new ways of carrying out social pacts that guarantee the advancement of our societies towards a universal system of social protection, overcoming old challenges brought about due to our historical compliance, and the new challenges of technologies that sometimes are appropriate by a group and are not at the service of society. This new reality imposes on the whole world a new set of fight for wrights, social protection and for democratic states!

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