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**BRAZILIAN SOCIAL POLICY:  
OUTCOMES AND DILEMMAS**

**Milko Matijascic**

**DISCUSSION PAPER**





## **BRAZILIAN SOCIAL POLICY: OUTCOMES AND DILEMMAS**

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## ABSTRACT

Since redemocratization in 1985, Brazil's system of social protection became more focused on the neediest while at the same time emphasizing universal access, especially focusing education and healthcare. In a traditional context of severe inequality, the sub-national units of government played a greater role in reaching the broader population with diverse social policies. Yet, Brazil's social protection model favors cash transfers over social services, and reduces inequalities in the context of a highly unequal labor market. Strategies based on cash transfers policies appear to have reached their limits, because they are not the most effective way to promote equality and generate opportunities, when compared to the outcomes obtained by social service policies provision. Furthermore, while much progress toward reducing inequality has been achieved, benefits and services continue to fall short of what might be considered a welfare state. Poor administrative procedures, institutional problems and reduced efficiency are definitely major challenges to overcome in the Brazilian social policy scene.

**Keywords:** social policy; development; public policies; Brazil.

## SINOPSE

Desde a redemocratização, em 1985, o sistema brasileiro de proteção social tornou-se mais focado nos mais necessitados, ao mesmo tempo em que enfatizava o acesso universal com destaque para a educação e a saúde. Em um contexto de desigualdade severa, as unidades subnacionais de governo tiveram um papel importante em atingir a cobertura mais ampla das políticas sociais. No entanto, o modelo de proteção social do Brasil favorece transferências monetárias em detrimento a serviços sociais, com menor potencial de redução das desigualdades no contexto de um mercado de trabalho altamente heterogêneo. Estratégias baseadas em políticas de transferência de renda parecem ter atingido seus limites, porque não são a maneira mais eficaz de promover a equidade e gerar oportunidades, quando comparadas aos resultados obtidos pela provisão de políticas de serviço social. Além disso, embora tenha sido alcançado muito progresso em direção à redução da desigualdade, os benefícios e serviços continuam aquém do que pode ser considerado um estado de bem-estar social. Procedimentos administrativos deficientes, problemas institucionais e uma eficiência reduzida são definitivamente grandes desafios a serem superados no cenário da política social brasileira.

**Palavras-chave:** política social; desenvolvimento; políticas públicas; Brasil.





## 1 INTRODUCTION

A major share of the tax burden in Western countries fund social policies. Brazilian social policies present a similar scenario. The same is true for Brazil, where the distribution of income and wealth, and social policies themselves, are a central issue of the national policy agenda. Brazilian State policies usually do not reduce inequalities, since tax collection is regressive and the distribution of those resources do not represent a priority. (Matijascic, 2015).

The purpose is to describe the main public social policies, namely, pensions, healthcare, education and social assistance,<sup>1</sup> with a view to measuring coverage, quality and highlighting its basic policy dilemmas.

The period selected begins with the promulgation of the Federal Constitution (FC) in 1988 and covers the re-democratization social agenda. There was an economic crisis during much of this period, resulting in high levels of unemployment and an increasing number of workers involved in irregular occupations. The budget deficit increased during the crisis. The cost of the public debt has always represented a high share of the Brazilian state's expenditures. Hence, the debate on constitutional reforms is always on the agenda as a way of overcoming the dilemmas of public finances, seeking to reduce the financial costs of social policies.

In this analysis of Brazilian social policy, we first look at the evolution of coverage, which has improved, and policy performance, which has been less encouraging. The second part focuses on the reform debate, namely, the limitations imposed by the labor market, funding, demography and institutional contradictions.

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1. Social Order established by the Federal Constitution of 1988 is composed of the following chapters: Health, Social Security, Social Assistance, Education, Culture and Sports, Science and Technology, Social Communication, Environment, Family, Children, Adolescents and the Elderly, and Indigenous populations. This broad range of policies surpasses, according to international definitions, the content of social policies. Hence, Health, Social Security, Social Assistance and Education were chosen to compose analyze public policies.

## 2 EVOLUTION, INSTITUTIONAL, COVERAGE AND PERFORMANCE

The first part focuses on the most essential aspects of evolution of Brazilian social policies namely, social security, healthcare, education and social assistance. There are four sections: social policies and the 1988 Federal Constitution, institutional initiatives from 1989 until 2016, Institutional reforms in Brazilian social policies since 2016 and, social policies coverage and performance. This part presents the path and main dilemmas of Brazilian social agenda in order to discuss the challenges according to the public debate in the second part.

### 2.1 Social policies and the 1988 Constitution

The accentuated stratification of social policy coverage since the 1930s was the most criticized aspects by those who supported the return of democracy after 1964 (Matijascic and Kay, 2015). The 1988 FC rolled back many of these features, while other remained intact. The new FC:

- removed both gender-based and urban-rural differences among pension rules;
- determined that social security protection for public servants within any sphere of government should have a single pension regime;<sup>2</sup>
- introduced universalized health coverage, reaffirming the trend since late 1970's of delinking social rights from pensions contributions;
- consolidated financing and institutional responsibilities for central, regional and local spheres of government; and
- established social assistance and rural pensions equal to the minimum wage.<sup>3</sup>

By introducing new regulations, there would be a sharp increase in social spending. In order to deal with this challenge, the FC created innovative rules involving tax legislation. Funding social policies represents a major challenge, since less than 20 per cent of workers

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2. In 1977, it was established that a share of the public servants, that is, those who worked in typical State careers had an exclusive pension regime, while the others were insured in the ordinary pension system, focused on private initiative workers. FC in 1988 determined that this differentiation of regimens for public servants should be unified. The central government, regional governments and major municipalities adopted their own pension schemes, offering higher replacement rates rate. 3. Those benefits were delinked from ordinary contributive pensions, and reduced the minimum age for eligibility from 70 years old to 67 in 1997 and 65 in 2003.

retire after contributing regularly for 30 or 35 years based on payroll taxes for the public pension system<sup>4</sup> (Matijascic and Kay, 2014). Financing arrangements established in the 1988 FC intended to compensate for workers' differing contribution capacity by stimulating income distribution. The system for funding social welfare, which includes health, social assistance, and social security as defined by the FC reflects this mix of contribution-based and universal benefits. The FC introduced an exclusive budget for social welfare with exclusive financing sources<sup>5</sup> The sources of financing are:

- contributions from employees based on payroll taxes;
- contributions from employers based on payroll taxes;
- contributions from self-employed workers;
- contributions from special insurance (rural, fishing and mining family economies based on revenue from sales);
- contributions for financing social welfare (COFINS – Companies' monthly revenues);
- contribution based on firms' net profits (CSLL – Companies' net profit); and income from lotteries.

The 1988 FC led to major changes in the health sector, including ending the segregation of coverage for contributors to pension funds from the rest of the population. The Unique Health System (Sistema Único de Saúde – SUS hereafter) incorporated public and private health sectors under a single legal framework.

Brazil's military governments (1964-85) favored centralized action with respect to public policy at the federal level. Re-democratization, beginning in 1985 was associated with decentralization toward sub-national governments. The diverse infra-constitutional legislation for health, social assistance, education, culture that were articulated and coordinated at the national level, further defined at the regional level where responsibilities were allocated according to available resources, and carried out at the local level by intergovernmental bipartite and tripartite commissions, where politicians social organizations and technocrats planned, negotiated, and implemented social policies. All those policy decisions had to be decided by consensus.

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4. Women who contribute for 30 years and men who contribute for 35 years can receive a pension at any age.

5. The constitutional reform of 1994 allowed the administration to reallocate 20 per cent of revenue to other areas of the budget. At the present time, the reallocation may reach 30 percent of the revenues.

## 2.2 Social policies institutional basic initiatives from 1989 until 2016

The 1988 FC provoked an intense reform process in federal legislation. There are two characteristics to highlight: the increase in tax collection in order to meet fiscal obligations; and expanding social protection for the very poor families. Box 1 presents the main changes for cash transfers policies, including pension and social assistance.

### BOX 1

#### Evolution of pensions and social assistance legislation between 1989 and 2018

Year	Legislation
1989	Created contribution over liquid profits – CSLL
1990	Approve RPP (special) pensions for all public sector employees
1991	Approve new financing and benefit laws
1993	End transfer of payroll tax resources for health
1993	Create financial transactions tax to finance health (the CPMF, extinct in 2007)
1994	Constitutional revision authorizes transfer of 20 percent social welfare funds to fiscal issues
1995	Organic law of social assistance consolidated
1996	Creation of SIMPLES – special tax regime for small and medium size businesses
1998	Approval of Constitutional Amendment 20 (Pension Reform)
1999	Created Social Security Factor (notional defined accounts)
2003	Approval of Constitutional Amendment 41 (civil servant pensions)
2003	Age for receiving old-age benefit through LOAS law lowered to 65 from 67
2005	Social Security revenue collection transferred to the National Treasury
2005	Creation of PREVIC - State Agency for regulating company pension funds
2007	Creation of SUPERSIMPLES – enhances the SIMPLES
2011	Creation contributions for wife's nonintegrated to the labor market
2013	Creation of FUNPRESP - pension fund for Federal State employees
2013	Establishes new eligibility rules for workers with incapacity
2015	Establishes new legislation for survivor pensions
2015	Creates new eligibility rules for length of contribution benefits (95/85 formula)
2016	Extinguishes Social Insurance Ministry

Source: Anuário Estatístico de Previdência Social (AEPS).

Between 1989 and 2014 we observe three distinct periods and issues in debates in Brazil's National Congress:

- 1) From 1989 until 1995, legislation was concentrated on the complementary laws required by the 1988 FC.
- 2) From 1995 until 2003 the focus was on constitutional reforms to support the Real Plan (1994) and stabilize public finances.

- 3) From 2004 until 2016 initiatives were characterized by adjustments in legislation and other administrative measures vis-à-vis fiscal adjustment, and in many cases by efforts to increase the number of contributors to social security.

The minimum income-type programs, such as *Bolsa-Família* (Programa Bolsa-Família – PBF hereafter) was an important innovation. This type of program was introduced in a few municipalities after 1995, and later became a federal program. Significantly, these programs represented a direct link between the federal and municipal governments concerning funding. Minimum income programs were created during Cardoso administration (1995-2002), being heavily expanded under Lula da Silva (2003-10) and Rousseff (2011-16) Administrations to benefit 13.6 million families (26.5 per cent of all families in Brazil in 2014).

Multiple and diverse healthcare initiatives contributed to the achievement of universal coverage. Among them are the following:

- 1990 – Law 8,080 regulates health care actions;
- 1991 – Program of Community Agents for Health Assistance;
- 1996 – National Family Health Care Program;
- 1999 – generic medicine program with tax incentives;
- 2000 – Constitutional Amendment 29 fixes minimum expenditure on health for municipalities, states and central government;
- 2001 – NOAS, mandatory creation of regional plans (involving multiple municipalities) for health care infrastructure and the creation of consortiums;
- 2004 – Popular Pharmacy Program; and
- 2006 – creation of managerial contracts with municipalities and between them and local providers.

By 1991, the SUS had already resulted in progress of moving toward preventive care from restrict curative care, a policy consistent with the rationale that preventive care improves outcomes and reduce costs. Next, the Family Health Program (*Programa de Saúde da Família* – PSF) focuses on family health needs in local communities and promote hygiene, prevention, and nutrition. In 2016, the program absorbed 26.2 per cent of federal health spending – up from 3.2 per cent in 1992.

In 2013, “More Doctors Program” (*Programa Mais Médicos*) was created to extend public healthcare to remote and underserved municipalities. The program exempted doctors from certain licensing requirements and allowed for contracting physicians from abroad. The program became very popular and expanded rapidly, involving 14,100 physicians in August 2017.

The constitution also introduced many educational policy initiatives. The most important one set 25% of states and municipal budgets and 18% of Federal budgets for education. This set a precedent for other sectors, especially health, to advocate or adopt similar measures. Other education initiatives included:

- 1996 – Constitutional Amendment 14, creating FUNDEF (Fundo de Manutenção e Desenvolvimento do Ensino Fundamental e de Valorização do Magistério);
- 1996 – Law 9,394, LDB (Lei de Diretrizes e Bases) establishing new guidelines;
- 2001 – Law 10,260, FIES (Fundo de Financiamento Estudantil – Student Financing Fund);
- 2005 – Law 11,096, PROUNI (Programa Universidade para Todos – Tertiary Education for All Program);
- 2006 – Law 11,274 increases from eight to nine the number of years of elementary education;
- 2007 – Law 11,494, creating FUNDEB (Fundo de Manutenção e Desenvolvimento do Ensino Básico e de Valorização do Magistério); and
- 2014 – Law 13,005, PNE (Plano Nacional de Educação – National Education Plan).

FUNDEF establishes minimum spending conditions by sphere of government, destining at least 60% of those resources to salaries and promoting teaching profession. The new legislation reinforces these commitments and strengthens the evaluation effort to improve the quality of education. Subsequently, in 2007, it maintained the previous efforts of FUNDEF, extending its scope to basic education, which includes preschool, primary, and secondary education. Efforts to increase funding for tertiary education were intensified after 2000 and, in parallel, the number of public universities and vacancies and courses in their field was appreciably increased. Vocational education was treated in a similar way. The concern with attendance and the quality of education culminate with the entry into force of the PNE.

### 2.3 Social policies institutional reforms since 2016

After the impeachment of President Dilma Rousseff, Vice President Michel Temer took her place. Social policies began to undergo deep changes embodied by constitutional reforms. A public spending ceiling was established by Constitutional Amendment 95 of December 2016, which included these measures:

- the expenditure ceiling will correspond to the limit of the previous year spending corrected by the inflation index;
- the impact on health and education would only be valid after 2017;
- the constitutional transfers to states and municipalities are excluded from the new rules; including financial support for basic education, elections, and the capitalization expenses among non-state-owned companies; and
- as of the tenth year of the expiration of the spending limit, the President of the Republic may issue a bill to Congress to change the current calculation basis.

The second major reform focused on high school education. The need for reform was considered almost consensual, but it was criticized for being carried out without a broad national debate. The reform (Law 13,415 of February 2017) affects the following aspects:

- flexibility of the curriculum: 60% of the curriculum will be composed of compulsory subjects and 40% will be optional;
- students will have to choose one of five areas of specialization (language; mathematics; science; applied social sciences or vocational training);
- the workload will gradually increase from 800 hours per year to 1,400 hours; and
- schools are no longer obliged to offer arts and physical education classes. English language study remains compulsory, and schools have the option of offering a second language; and, students may be exempted from some content.

Pension reform was embodied in a Constitutional Amendment proposal (PEC 287) of December 2016 (later modified in April 2017 by the Special Commission on Pension Reform):

- 1) In the first proposal for initial reform, the government suggested 25 years as the minimum contribution time, with a requirement of 49 years of contribution to receive the full benefit. The current version provides a floor of 15 years of contribution in the private sector.



- 2) Workers are required to contribute for 15 years but will have to reach the age of 65 for men and 62 for women.
- 3) Public servants would have to contribute for 25 years, beyond reaching the minimum age.
- 4) For the BPC concession, the initial project provided for a minimum age of 68 years, but in the current proposal, this was eliminated.
- 5) In rural retirement, minimum age of 60 for men and 57 for women.
- 6) The project proposes planned pension rules where the beneficiaries can accumulate retirement and pension benefits worth up to the value of two minimum salaries.

PEC 287/16 represents a severe parametric reform because it reduces the differences in benefit plans of public servants and private sector workers.<sup>6</sup> The changes in the negotiations in the Chamber of Deputies should reduce the fiscal impact, as the government points out, but they would still be positive in terms of results until 2025, according to the discourse adopted in the dialogue with capital market players (Folha de S Paulo, 4/20/2017).

The attempt to reform social security in Brazil was abandoned by the federal government on February 2018 after the military were ordered to take care of the security problems in Rio de Janeiro. Under such circumstances, the FC does not allow the approval of Constitutional Amendments. Postponing the pension reform was inevitable, since the reform is very unpopular.<sup>7</sup>

Social security reform represents a challenge because markets are demanding a reduction in public spending in order to reduce the public deficit and free up more resources for public investment in order to spur economic growth. Social security reform will be a top priority for the new president's agenda, since without it the rating agencies will maintain a negative outlook, making it very difficult to improve the investment climate in Brazil.

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6. Matijascic and Kay (2006) presented the definition of parametric and paradigmatic (or structural) reform.

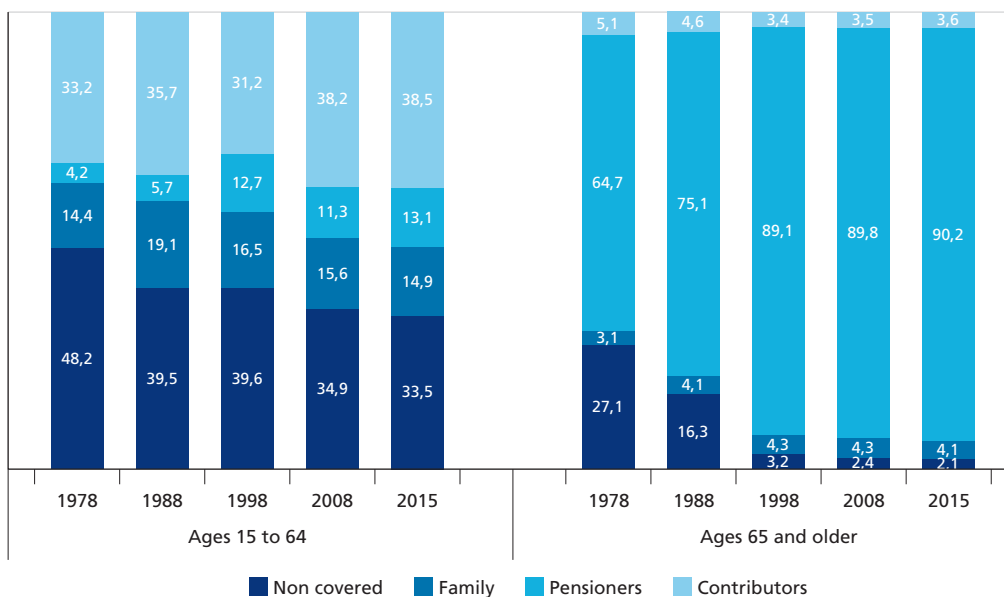
7. To compensate, the federal government intends to reinforce its support for a set of 15 projects, which are already being discussed in the National Congress involving issues such as the autonomy of the Central Bank, reinforcement of regulatory agencies, state companies' recovery and the privatization of ELETROBRAS. Passage was not likely to happen given the 2018 election campaigns.

The justifications for the adoption of PEC 287/16 were based on fiscal and demographic concerns and with a view to breaking the gap between rules for private and public sector workers. The criticisms of PEC 287/16 are focused on the questioning of the proposed parameters and their potential inadequacy in relation to living conditions in Brazil. The arguments of the debate and its limits will be described in the next sections. While the efforts to approve PEC 287 have been unsuccessful, their content and the process of negotiations and debates influenced debate over the reform agenda, and it is therefore important to highlight the details.

## 2.4 Social policy coverage and performance: achievements and challenges

The 1988 FC led to an expansion in social policy coverage, including cash transfers and social services, since eligibility rules to benefits were enlarged and healthcare coverage became universal and legally independent from the need to contribute to pensions based on payroll taxes. With respect to cash transfers, including pensions and social assistance transfers for the elderly and disabled from poor families, the results by age cohort are presented in graph 1.

GRAPH 1  
Pension and BPC owners' coverage in Brazil, according to age  
(In %)



Source: PNAD (1978-2015).

Old-age and survivorship coverage is high in Brazil. According to graph 1, only 2.1 per cent of those 65 and older had no coverage in 2015. Among the working-age population, however, coverage gaps are high and persistent. The number of contributors has grown modestly, such as the number of pensioners. It should be emphasized that all contributors, pensioners and BPC beneficiaries, are included in these figures. However, unemployment benefits and Bolsa-Família are excluded.

Among the elderly, the percentage of the uncovered population has fallen. There has been growth in the number of families with incomes less than one-quarter of the minimum wage per capita, a condition that is necessary to access BPC pensions for the elderly who have contributed little or nothing to social security. This, along with the crises of the 1980s and 1990s that reduced contribution densities, and the requirement of 15 years of contributions to access old-age benefits, explain the decline in coverage among the working-age years (Matijascic and Kay, 2013).

Table 1 presents selected data on health coverage. The data are national and do not reflect regional and local disparities.

TABLE 1  
Selected health coverage indicators in Brazil

Selected indicators	1998	2003	2008	2012
Medical consultations per capita	2.2	2.4	2.6	2.8
Hospitalizations (%)	7.2	6.6	5.6	5.7
Births in hospitals (%)	96.4	96.6	97.7	98.1
Coverage private plan (%)	24.5	24.6	25.9	26.1
Physicians per 1,000 inhabitants	1.3	1.5	1.8	1.9
Municipalities with family care program (%)	20.3	80.7	94.1	97.5
Teams for family care program	4,945	19,068	29,300	42,279
Beds per 1,000 inhabitants	3.0	2.7	2.3	2.4
Beds for SUS per 1,000 inhabitants	0.9	0.8	0.8	0.8

Source: DATASUS for selected years.<sup>8</sup>

Usually, the more sophisticated medical procedures are concentrated in the private sector and are largely unavailable to the 75 percent of the population not covered by private health plans. For example, based on OECD data (OECD, 2013), there is an incidence of

8. *Indicadores e dados básicos: Brasil – 2012*. Available at: <<http://tabnet.datasus.gov.br/cgi/ibd2012/matriz.htm>>.

44.3 tomography machines for one million insured in the private sector, below only to Japan and Australia among the OECD countries. Considering the incidence of all health equipment, Brazil results represent 15.8, similar to those of Germany and Finland, and the OECD's average. However, considering SUS figures results are superior only to Mexico among OECD countries. Figures involving magnetic resonance equipment are similar. Heterogeneity in Brazil does not only fall along urban and rural populations or large and small municipalities, but also by household income.

The challenge for the Brazilian health care system is to expand the infrastructure and the availability of quality and efficient services to reduce inequalities and improve human development. Some key indicators reflecting the availability of public agencies include, according to Matijascic, Guerra and Aldrin (2011):

- 19.3 per cent of municipalities (1,266) have PAT offices (Programa de Alimentação ao Trabalhadora - a government nutrition program for lower-income workers);
- 18.6 per cent of municipalities have National Institute of Social Insurance (*Instituto Nacional do Seguro Social* – INSS) offices;
- 1,733 or 31.1 per cent of municipalities do not offer social assistance referral services;
- 1,875 or 33.7 per cent of municipalities do not have hospitals with inpatient facilities;
- 1,867 or 33.6 per cent of municipalities lack emergency rooms.

With respect to primary care, a survey of hospitals in 18 states and 56 municipalities, TCU (2014) found that:

- 66 percent had difficulty attracting health professionals.
- 65 percent did not have sufficient funds to pay for PSF (Primary Family Health) program costs.
- 52 percent had difficulties managing specialized care.
- 52 percent lacked basic medical supplies.

When compared to countries at similar socioeconomic levels of development, Brazil's life expectancy deserves attention (table 2). While life expectancy at birth is improving, quality of life is an issue when aging presents problems, as demonstrated by indicators of healthy life expectancy.

TABLE 2  
Life expectancy and healthy life expectancy at birth in select countries (2016)

Countries	Total at birth (years)		Healthy at birth (years)		Losses of healthy life (%)	
	Men	Women	Men	Women	Men	Women
Argentina	75.3	79.1	65.9	70.7	12.5	10.6
Brazil	75.3	77.9	63.4	68.7	15.8	11.8
China	75.1	76.5	68.0	69.3	9.5	9.4
India	72.5	73.3	58.7	59.9	19.0	18.3
Mexico	76.2	78.0	65.8	69.6	13.6	10.8
Russian Federation	72.4	76.7	59.1	67.5	18.4	12.0

Source: WHO (2018).<sup>9</sup>

Among countries listed in table 2, Brazil presents a high proportion of unhealthy years per inhabitant, meaning that Brazilians spend many years in poor health. Countries with limited per capita income, such as Mexico, China or Argentina, present similar outcomes. However, 2016 results are better when compared to those published previously for 2008 as showed by Matijascic and Kay (2013, 2014).

When the analysis focuses on education as a public policy, coverage of the young population cohorts has grown very sharply, as shown in table 3.

TABLE 3  
Brazilian school attendance according to the age cohort in selected years  
(In %)

Cohort	Gross enrollment				Without age series gap			
	1992	2001	2011	2015	1992	2001	2011	2015
0 to 3	0.0	10.6	20.8	25.6	n.a	n.a	n.a	n.a
4 and 5	21.0	55.0	77.4	84.3	73.9	85.1	91.9	93.3
6 to 14	84.2	95.3	98.2	98.6	18.2	36.9	51.6	56.9
15 to 17	59.7	81.1	83.7	85.0	4.6	8.9	14.6	17.8
18 to 24	22.6	34.0	28.9	30.7	73.9	85.1	91.9	93.3
25 to 29	5.8	12.3	11.2	11.4	n.a	n.a	n.a	n.a

Source: PNAD microdata.

According to table 3, there was significant improvement in school attendance between 1992 and 2015, especially after the age of 15. It represents one of the most important effects since the 1988 FC. It is worth noting that this is a gross rate, that is, it

9. Available at: <<http://apps.who.int/gho/data/node.wrapper.imr?x-id=65>>.

encompasses all students who are attending school. When comparing microdata results gross enrollment and age series lags, it is possible to observe that in 1992 only 88% of the students in elementary school were enrolled without age-grade lag. Between 15 and 17 years old, in high school, results were equivalent to 31% and between 18 and 24 years of age in higher education only 20%. In 2015, these results were equivalent to 95%, 67% and 58%, respectively. Although the evolution has been positive, school dropout and grade repetition remain high, generating a high grade-age gap.

Student performance as gauged by the Program for International Student Assessment (PISA) provides an international comparative indicator about the quality of student learning. According to the PISA (2013), in the most recent mathematics test, 67.1 per cent of Brazilian students are low performers (down from 75.2 per cent in 2003), while 1.1 per cent were top performers. The OECD average for low performers was 23.1 percent, and for high performance 12.3 percent.

In spite of all the existing limitations, we can compare Brazilian students PISA performance to students in other countries (table 4).

TABLE 4  
Distribution of students by level of scoring in Pisa, for selected countries (2015)

Countries	Sciences			Reading			Mathematics		
	Until 2	2 to 5	5 and 6	Until 2	2 to 5	5 and 6	Until 2	2 to 5	5 and 6
Chile	34.8	63.9	1.2	28.4	69.4	2.3	49.4	49.3	1.4
Colombia	49.0	50.6	0.3	42.8	56.2	1.0	66.3	33.4	0.3
S. Korea	14.4	75.0	10.6	13.7	73.7	12.7	15.5	63.6	20.9
United States	20.3	71.2	8.5	19.0	71.4	9.6	29.4	64.7	5.9
Finland	11.5	74.2	14.3	11.1	75.2	13.7	13.6	74.8	11.7
Mexico	47.8	52.1	0.1	41.7	57.9	0.3	56.6	43.0	0.3
Brazil	56.6	42.7	0.7	51.0	47.6	1.4	70.3	28.9	0.9

Sources: OECD *apud* INEP (2016).

When comparing a sample of selected countries in table 4, Brazil has the worst results, with the highest proportion of grades below 2. When comparing Brazilian performance with those of all participating countries in PISA, they are not the worst, but are among the lowest performing since its beginning. Brazil's performance resembles that of neighboring countries, many of which are undeveloped. The territorial dimension and social heterogeneity largely explain this result. Performance of the United States of America is lower

than other Western Countries with a smaller territorial dimension and social inequality, such as Finland and South Korea, which suggests that the existence of a vast territory with a large population may reduce results. PISA is not restricted to the results of the tests and has data about answers to detailed questionnaires to verify the teaching situation in several countries. Table 5 presents some relevant data on frequency and grade repetition.

TABLE 5  
Percentage of students who reported tardiness, absences in the two weeks prior to the exam, and repetition in teaching cycles in selected countries (2015)

Countries	Delays or absences in the last 15 days			Grade repeating students		
	Delays	Missed specific classes	Missed an entire day	Primary	Lower secondary	Upper secondary
Chile	14.4	4.0	2.2	14.5	6.8	7.5
Colombia	6.8	7.0	6.4	23.0	30.6	2.6
S. Korea	3.4	0.7	0.5	4.3	4.1	3.0
United States	5.9	7.1	6.3	8.9	3.2	1.3
Finland	6.9	10.1	9.5	2.6	0.7	0.0
Mexico	7.4	3.8	3.8	12.2	4.2	0.6
<b>Brazil</b>	<b>6.5</b>	<b>9.9</b>	<b>10.0</b>	<b>20.3</b>	<b>20.1</b>	<b>6.5</b>

Sources: OECD, *apud* INEP (2016).

When analyzing table 5 data, Brazil, according to students reports, did not lead the rankings with respect to tardiness. However, when it comes to absence from a specific class or for the whole day, Brazil's results are the worst. In terms of absence from a specific class, Brazilian students had high results, but were surpassed by the Finns. There is no information on whether other school activities are responsible for such misconduct. Table 5 also looks at the repetition in the different education cycles, according to the information provided by the students who participated in PISA in 2015. In this respect, Brazil has higher rates than most countries. Only Colombia, in elementary school, and Chile, in high school, have worse results than those in Brazil. While other middle-income countries such as Mexico and Chile had similar scores, 30 per cent of students in Southeast Asia were high performers. In Brazil, results varied, and were far below average in poor states as Maranhão and Alagoas.

The 1988 FC was essential for determining the path of social policies. Its results highlight a significant increase in social security, health and education coverage, as well as a significant increase in the scope of welfare. However, results involving quality and

performance are controversial. In addition, the specificities of an undeveloped country have important implications for funding and institutional issues. Demography also requires attention. However, the most important concerns the labor market, whose characteristics are essential in terms of its implications for social policies in Brazil.

### **3 LABOR MARKETS, FUNDING, DEMOGRAPHY AND INSTITUTIONAL CHALLENGES**

The second part analyses the major challenges involving the main social policies, namely, education, healthcare, pensions and social assistance. There are four sections: fiscal challenges, labor market challenges for social policies, a note on demography, and, finally, managerial and institutional challenges.

#### **3.1 Fiscal challenges and social policies**

Brazilian debate over social policy since the 1990s involves two distinct groups. The first group, involving market friendly actors have a dominant presence in the media, is very critical of the policy begun after the 1988 FC. They propose:

- adopting stricter pension benefit plans, imposing a minimum age for retirement and symmetrical rules for gender equality, urban and rural workers, and private sector and public servants schemes;
- adopting the use of state-funded vouchers for social services provided by social organizations, focusing on education and, to a lesser extent, healthcare or welfare services; and
- increasing the participation of the private sector, reinforcing the role of pension funds, healthcare plans and private schools and day-care centers associated with multiple social assistance policies.

Since the 1990s, there has been strong criticism of the 1988 FC since it loosened retirement eligibility rules for rural workers and women, and created social assistance benefits for the elderly and disabled members of families with low per capita income. There is also a sharp critique of universal healthcare. Criticism focused on education policies are less vigorous, although there is mistrust of its efficiency and efficacy.



Currently, the most critical issue emphasized by the reform advocates involves the high level of social spending and its impact on increasing public deficits. They argue that public finance solvency may become unviable, reducing public investment and economic growth.

Advocates of current Brazilian social policies, including left parties and labor movement leaders, strongly support the policies of the 1988 FC. According to them, the Social Welfare Budget presented a surplus until 2015, and its current deficit is moderate, despite the terrible conditions imposed by the economic crisis since the end of 2014. Finally, there is a lot of resistance from the *status quo* advocates to increase the participation of the private sector in the social arena. They believe that market logic can undermine services by paying lower benefits or providing lower quality services. The Chilean experience represents a negative reference, as does the US experience involving the so-called “charter schools”.

This debate over social welfare funding has persisted since the 1990s. Table 6 shows the surpluses in the overall social welfare budget contrasted with benefits in the INSS pension program.

TABLE 6  
Social welfare budget surpluses and pension budget deficits as a percentage of GDP

Budget	2007	2008	2009	2010	2011	2012	2013	2014	2015
Social Welfare Surplus	2.6	2.1	1.0	1.4	1.7	1.8	1.5	1.0	0.2
INSS pension deficit	(1.7)	(1.2)	(1.3)	(1.1)	(0.8)	(0.9)	(1.0)	(1.0)	(1.5)

Sources: Ministry of Finance (2017); ANFIP and DIEESE (2017).

In Brazil, there are distinct perspectives on these two budgets. Advocates of Constitutional reforms of current social policies stress the fact that the INSS, which is funded by payroll taxes, is in deficit. However, the budget also funds social assistance benefits (BPC) and administrative costs, resulting in deficits (that have risen in recent years due to economic crisis) listed in table 6 among the critics of the reform proposal, the logic established by the FC in 1988 considers the Social Welfare Budget revenues and deducts expenses with health, social assistance and pension policies. This approach led to surpluses through 2014, which had fallen after new fiscal commitments granted since 2009, and with the emergence of the severe economic crisis since 2014.

The current debate involves misleading assumptions about Brazil's problems. Critics of reform are correct when they emphasize the Social Welfare Budget. Articles 194 and 195 of the FC corroborates those assumptions. This approach is essential, since Brazilian workers have heterogeneous working life cycles, representing three distinctive groups: those who contribute regularly, those who work intermittently throughout their careers and those who contribute little or nothing. This situation has existed since the 1930's and there is no way that contributors, representing a minority of the working age population, can sustain all pensioners. It is impossible to adopt rigorous eligibility rules for those who contributed intermittently. It is worth mentioning that this phenomenon exists, with different intensities, among all Latin America countries.<sup>10</sup>

On the other hand, the existence of a surplus in the Social Welfare Budget does not imply that there are no problems. Expenses are high due to unfavorable criteria in setting up a benefit plan that allows anyone to receive pensions and continue working. Industrialized countries, as Gordon (1988) pointed out, do not adopt the same procedure. Pension systems respond to the specific needs of labor markets, as noted by Esping-Andersen and Myles (2007). Many countries encourage early retirement during a crisis as a way to reduce the negative impacts on unemployment. Current reform proposals eliminate the unjustifiable accumulation of regular pensions and survivor pensions, although it does not provide early pensions, and that reduces problems for workers who are incapable of finding employment at older ages.

Thus far, we have analyzed social policy with respect to coverage, universalization, and reform proposals. The legacies from the past of stratification of services according to income or occupation, the separation of public and private provision, and low per capita income impede Brazil, from achieving a set of policies comparable to those of a western country's welfare state.

There are other issues that restrict the promotion of equity and welfare. The most important is that the system of social policy that prioritizes cash transfers over social services, which receive fewer resources, are loosely regulated, and are often provided by the private sector. As Esping-Andersen and Myles (2007) argue, this strategy is less effective at reducing inequality and dependency with respect to markets than is the case with providing universal access to effective social services.

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10. The debate on the financial situation of social security and social policies is complex and requires benchmarking to verify whether the expenditure and its adequacy according to international parameters. For further details, see Matijascic and Kay (2008; 2014).

Table 7 illustrates the evolution of social protection expenditures in Brazil.

TABLE 7  
Public social protection expenditures as a share of the GDP (per cent)

Public social protection policy	1995	2000	2005	2010	2015
Social assistance pensions (BPC)	0.4	0.4	0.4	0.6	0.8
Private-sector pensions	5.7	5.9	6.3	6.0	6.4
State employee pensions	4.0	4.9	4.4	4.3	4.4
Unemployment insurance	0.3	0.4	0.5	0.8	0.9
Bolsa Familia	–	0.1	0.3	0.4	0.5
Health	2.9	2.9	3.3	4.2	3.9
Education	3.8	4.7	4.5	5.9	6.0

Source: Brazilian Ministry of Planning.

As table 7 shows, expenditures focused on the lowest income sectors of the population have accelerated since 1995, including social assistance pensions, unemployment insurance, *Programa Bolsa Família*, and health. Pensions for public and private-sector workers have not grown similarly in relation to GDP, while education has increased significantly. It is notable that cash transfers dominate, suggesting a pattern of social protection that presents problems, as discussed in the next sections.

Comparing Brazil with other countries, including countries with cultural similarities like Portugal or Mexico as well as countries with different social welfare models (according to Esping-Andersen and Myles, 2007), is revealing (table 8).

TABLE 8  
Public social expenditures  
(As a % of GDP)

Benefit	Italy		Mexico		Portugal		Sweden		USA		Brazil	
	1995	2013	1995	2013	1995	2013	1995	2013	1995	2013	1995	2013
Old age	10.7	13.7	0.6	1.5	6.4	12.9	9.9	9.6	5.4	6.3	4.6	5.3
Survivor	2.6	2.6	0.2	0.0	1.3	1.9	0.7	0.4	1.0	0.7	2.2	3.4
Disability	1.8	1.7	0.1	0.1	2.5	1.9	5.1	4.3	1.2	1.4	1.1	1.7
Family	0.6	1.4	0.1	0.4	1.0	1.2	3.7	3.6	0.6	0.7	0.5	1.1
Health	5.1	6.8	2.2	2.8	4.0	6.1	6.2	6.6	6.2	8.0	2.9	4.0
Education	6.9	5.9	3.8	5.3	4.7	5.8	6.5	7.7	4.9	4.9	3.8	5.9

Sources: OECD, 1995-2013 (available at: <[www.oecd.org/els/social/expenditure](http://www.oecd.org/els/social/expenditure)>), and the Brazilian Ministry of Planning.

Brazil usually spends less than the other countries, with the exception of Mexico. The exception is survivorship insurance, where it spends far more than the other countries listed in table 8. Social spending in Brazil is largely public, consisting most of with cash transfer programs like old age, survivorship, disability, and family allowances. Spending on social services like education and health as a percentage of GDP are generally lower than is the case in other countries, but in these two sectors there is significant private spending amounting to 4.7 per cent and 2.2 per cent of GDP respectively. Low levels of public spending and quality issues help explain the sizable private provision, especially in health care. When private and public spending are combined, health and education approach the public averages in other countries.

By focusing on the indicators related to funding in Brazil, there is a very intense debate, but it can be quite erroneous when the focus shifts towards local peculiarities. On the one hand, it is not possible to expect that the contributions on payroll taxes can fund all pension benefits, considering the reduced density of contributions. The adoption of the Social Welfare Budget, as mandated by the 1988 FC, is unavoidable. However, the fact that this budget presented a surplus in the years preceding the current economic crisis does not mean that there are no further problems. There are many inconsistencies related to benefit plans. Problems involving the labor market, demographic profile and institutional problems are analyzed in the following sections.

### **3.2 Brazilian labor market challenges for social policies**

In Brazil and Latin American countries, the path to industrialization occurred during the oligopoly stage, representing a different historical process when compared to the western countries. This scenario reflects the precariousness of labor market occupations and this issue is crucial to understand the fragility of most diagnoses involving social policy. Table 9 presents the profile of the contribution level involving retirement profile in different countries.

**TABLE 9**  
**Percent of pension contributors of the active age population and from the profile of benefits paid for the old age population in selected countries (2012)**

Countries	Pension contributors from age 15 until 64	Profile of pensioners (65 years and older)		
		Total	Contributors	Social assistance
Brazil	31.4	86.3	50.0	36.3
India	7.4	24.1	9.9	14.2
China	46.4	74.4	32.2	42.1
Argentina	35.7	90.7	63.6	27.1
Mexico	25.1	25.2	3.0	22.2
United States	78.5	92.5	87.6	4.9
Germany	59.9	100.0	...	...
Italy	58.2	81.1	75.1	6.0
Sweden	92.8	100.0	52.0	48.0

Source: ILO (2015).

Table 9 shows that the proportion of contributors in underdeveloped countries has a much lower level when compared to western ones. The precariousness of their labor markets explains this. This situation reflects the profile of the beneficiaries, strongly reducing their numbers, as in India or Mexico, requiring a very high volume of social assistance benefits unrelated to contributions, as occurs in Brazil, Argentina or China. In those three countries, unlike the previous two, there was an explicit commitment to protect the elderly, regardless of their ability to contribute. It is worth noting that the use of non-contributory pensions is also important in Sweden. In Germany, the whole population is entitled to a floor benefit without requiring a compulsory contribution.

A large proportion of the Economically Active Population (EAP) are non-contributors for pensions in Brazil since they have precarious occupation, such as domestic jobs and self-employment that usually do not respect social rights. If they were included among contributors, the dependency ratio could sharply raise (table 10).

TABLE 10  
Proportion of non-salaried and self-employed workers as a percentage of the total workforce in selected countries and years

Countries	Non-salaried (includes self-employed)			Self-employed		
	2010	2013	2021	2010	2013	2021
Argentina	23.7	23.7	23.3	18.4	19.2	19.2
Mexico	33.4	33.0	31.7	22.4	22.8	22.4
Brazil	29.2	28.1	29.6	21.8	21.6	22.4
India	38.0	35.5	32.9	28.4	27.7	28.2
China	81.8	81.0	76.4	64.0	65.0	66.4
Italy	25.3	24.8	23.8	17.0	16.5	16.2
Germany	11.6	11.2	10.4	6.1	6.0	5.6
Sweden	11.0	10.6	9.8	6.8	6.6	6.3
United States	10.5	10.0	9.3	6.7	6.3	6.0

Source: ILO stat.

According to table 10, the occupational profile in Brazil, Mexico and Argentina is different from the United States, Germany or Sweden. Among these Western Countries, Italy presents the worst situation. This is significant, since Italy faces major problems with pension policies. Although salaried contracts are the referential occupation everywhere, their share is much lower in Latin American countries and its counterpart is a high proportion of self-employed workers. According to Gillion et al. (2000), this type of occupation profile of neighboring countries, or India represents a challenge to insert workers as regular contributors to pension systems. The International Labor Office (ILO) projections for the near future do not predict any changes.

Among the salaried population, the importance domestic and rural workers usually generates precariousness, reducing the number of pension contributors (table 11).

TABLE 11  
Domestic and rural employment as a proportion of the total workforce in countries selected by sex

Countries	Domestic employees		Rural workers
	Year	Total	2014
Argentina	2006	7.9	0.6
Mexico	2008	4.2	13.4
Brazil	2009	7.8	15.3
India	2005	1.0	36.7
China	2008	1.8	42.2

(Continues)

(Continued)

Countries	Domestic employees		Rural workers
	Year	Total	2014
Italy	2009	0.5	3.7
Germany	2007	0.0	1.5
Sweden	2008	0.5	2.0

Sources: ILO (2013) and FAO (2015).

According to table 11, Argentina, Brazil and Mexico are the leaders of domestic employment occupations. In India, with a much lower per capita income, this level is unimportant. Conversely, the high proportion of rural workers in relation to the workforce represents an additional problem to raise the number of contributors. Countries with such profiles tend to have smaller densities of contribution, as pointed out by Gillion et al. (2000).

Another important aspect that greatly reduces the number of pension contributors is unemployment. This aspect is of great importance in the midst of the crisis. Occupational profile and unemployment strongly affect the density of contributions. In Brazil, it is possible to observe that the density of contributions is low and the number of regular contributor has always been limited (table 12).

**TABLE 12**  
**Density of contribution and proportion of pensioners in relation to the population aged 10 to 59 years in Brazil in selected years**

Indicators	1995	2003	2008	2013	2014	2015
Density of contribution of individuals (months)	8.3	8.6	8.8	9.1	9.1	9.2
Insured (percent)	64.4	59.2	63.2	66.4	67.3	65.0

Sources: AEPS and PNAD/IBGE (microdata).

Considering Brazilian data, the proportion of pension contributors has always fluctuated from 60 to 70% of the population aged between 10 and 59 years. From 30 to 40% of Brazilians adults usually are non-contributors for the pension system. This situation has deteriorated during the economic crisis in 2015. On the other hand, the average number of months of contribution is limited, ranging from 8.3 to 9.2 months per year. It means that of the total number contributors to INSS reveals a high job turnover. Finally, the insistence on using the time of contribution and the reduced effectiveness of public monitoring to enforce social rights generates serious problems, reducing the collection capacity of Social Security and the financial stability of workers' families when a temporary or permanent loss of work capacity occurs.

In short, there are major problems affecting social security and social policies related to the labor market, characterized by precariousness. This phenomenon is essential for explaining issues related to funding and the aging agenda discussed below.

### 3.3 Note on demography and social policy in the Brazilian scenario

The debate on aging represents an agenda that involves a lot of misunderstanding. Constitutional Amendment proposal 287 (pension reform) acknowledges that aging is the central issue that justifies reform. The argument is that the relation between contributors and beneficiaries is reduced, proving that the pension system is unviable.

Such arguments require caution. According to Whiteford (2006), demographic dependence on a society does not involve only the elderly. Children and young people at school age, the unemployed and those with total or partial loss of work capacity are also dependent of the working population. Table 13 shows the dependency ratio of the elderly and the total population in selected countries.

TABLE 13  
Percent of old-age and total dependency ratio on the population aged 15-64 in selected years and countries

Countries	Old-age dependency (65 years old and more)					Total dependency (0 to 15 and 65 years old and more)				
	1950	1980	2010	2040	2070	1950	1980	2010	2040	2070
China	7,4	8,7	11,3	36,9	54,3	63,2	68,5	38,2	58,5	79,6
Portugal	11,0	18,3	26,8	51,9	64,2	57,7	59,5	49,4	55,5	73,3
Germany	14,5	23,7	30,8	56,1	52,7	49,0	51,7	51,2	81,1	82,0
Argentina	6,4	13,1	16,4	24,1	39,8	53,2	62,6	54,9	53,3	67,1
Brazil	5,4	6,9	10,4	26,6	51,7	80,3	72,4	48,0	50,6	76,7

Source: United Nations Population Fund (UNFPA).

Table 13 shows that the total dependency ratio in Brazil was higher in 1950, when the country was very young, and fell over time because of the demographic bonus. However, this bonus was a burden because of relatively poor economic performance as it did not have similar results as the Western Countries in terms of employment during the post-war years.

Considering the whole population, the demographic dependency ratio, which associates the young and the elderly does not present a negative trend because the situation in 2040 will be similar to that of 2010 and the result of 2070 will be similar to



1950. Even in an international scenario, the Brazilian situation is not particularly bad. The number of older people is growing fast, requiring a lot of attention, but advocating that the labor market cannot overcome this challenge requires a much closer analysis.

Whitefoord's (2006) central argument is essential for analyzing Brazil. There is a large active age population that is not integrated into the economically active population (table 14).

TABLE 14  
Percent of population inactivity rate between 25 and 64 years old compared to the total age cohort in selected years and countries

Countries	1995	2005	2015	2025
Argentina	26.3	19.3	18.5	17.3
Mexico	31.6	27.8	24.7	23.9
Brazil	21.2	18.4	18.5	17.3
India	29.1	27.8	33.5	32.7
China	8.3	10.8	11.9	11.7
Italy	28.0	22.6	22.9	22.2
Germany	16.8	13.5	12.4	11.7
Sweden	10.5	10.5	9.2	8.6
United States	16.4	17.1	18.8	18.1

Source: ILO stat.

Table 14 shows that Brazilian inactive populations is larger than China, Germany and Sweden. This situation occurs in part because Brazilian social policies have a limited supply of social services to support very young children, the elderly, and people with health problems. There is a relatively high probability of women leaving the workforce to serve as caregivers. On the other hand, the Brazilian situation is better than Mexico, India and Italy, and comparable to Argentina and the United States, which also have fewer public social services while offering more high quality (and often expensive) private services. The availability of social services to take care of dependent populations is important for increasing occupation levels and the number of regular contributors to social security.

The relation between contributors and beneficiaries was always limited in Brazil, which mean that the aging population problem is different from that in Western European countries. Brazil's economy has a relatively precarious labor market, and population growth's counterpart was high levels of informality, with individuals not contributing

to social security. Even during periods of higher economic growth, between 2004 and 2013, the problem persisted, although the proportion of non-contributors to social security declined significantly.

The Brazilian aging agenda involves the reduction of unemployment, informality and better-targeted policies to improve living conditions. Introducing partial disability benefits – which do not currently exist - is also very important. A more cohesive action of social policies is essential to deal with aging challenges.

Aging presents greater challenges for healthcare rather than pensions. Elder care is far more complex when compared to the care of young people and adults. Diseases among the elderly tend to be chronic or require costly interventions. In this sense, the potential reduction of costs of education associated with an ageing society tend to be far outweighed by higher health expenditures. Greater attention to living and working conditions is essential for workers to reach old age in better shape.

### **3.4 Brazilian social policies: managerial and institutional challenges**

The social policy debate reflects irreconcilable views. One perspective rejects reforms and supports the legislation introduced with the 1988 FC. They fail to consider the impact of demography (an aging population) nor the impact of technological change on the labor force. On the other hand, the second group support paradigmatic or structural reforms for social policies based on market friendly solutions (Matijascic and Kay, 2006). Their assumptions do not always consider the harsh working and living conditions of the poor.

The divergence is more acute with social security policies. Reform supporters seek stricter eligibility rules, arguing that rural workers and women should have the same eligibility criteria as urban male workers, with equivalent minimum retirement ages and length of contribution equivalent to 25 years. These rules would have a severe impact because reduced densities of contribution affect these vulnerable groups, and more than 90 percent of them will not have contributed for 25 years upon reaching age 65. Older workers who postpone retirement will find it more difficult to find jobs than would be the case for younger workers. It is important to keep in mind that the Brazilian government has never made a concerted effort to crack down on informality and force firms to respect labor laws.

Workers have resisted equalizing the retirement age for men and women despite the fact that women live longer. However, most women are obliged to accept informal employment, with maternity contributing to lower density of contributions. It is important to create new registration methods in order to calculate rural workers' contributions. While rural beneficiaries represent about a third of the total, they only made up 16 percent of the population in 2016, suggesting high levels of free riding.

It is important to note that no one wishes to prevent pensioners from both working in the labor market and collecting pensions. However, this measure could reduce pension expenditures, since many pensioners would prefer to keep a job and earn a higher income. On the other hand, those who preferred to retire would free up jobs in the labor market. For example, Brazilian unemployment in September 2018 affected more than thirteen million workers. If pensioners freed four million jobs, unemployment would affect nine million workers, a better result. It is worth mentioning that six million retirees and pensioners continue to work in the labor market.

In the social services field, such as education and healthcare, other issues need attention. There is a lot of inefficiency involving management of social services in Brazil. Public health services waste resources. Brazilian media constantly reports the existence of highly complex medical equipment that is not operational because of incomplete installation. Purchasing expired drugs is common. At other times there are shortages of medicine, with serious consequences for patients with tumors or chronic disease.

Education is universal but the quality varies. In large municipalities, there is heterogeneity with public schools in better neighborhoods outperforming schools in poor neighborhoods, which might lack air conditioning, computers, libraries, A/V or internet.

According to Codes and Araújo (2017), the difference in the performance of primary schools is closely related to the commitment of municipal education secretariats to interact with schools and their communities. The outcomes are greatly improved when educational policies are complemented with strategic action plans. When visiting three units of the federation, in Piauí, everything depends extensively on the municipalities, while Ceará with better performance, the State shows a strong interaction with municipalities, supporting them very closely and helping to improve performance. In Brasilia, the performance is lower than expected, since high levels of resources are available and the performance of the national index involving basic education (IDEB – Índice de Desenvolvimento da Educação Básica) is poor. Usually, the location associated with lower levels of violence in the schools represents an attractive area for better teachers.

A major issue in Brazilian social policies is the institutional fragmentation between several ministries, regulatory agencies and state companies or contracted providers. This institutional fragmentation is deepened by the existence of three spheres of government, that is, federal, state (regional) and municipal (local). It creates immense problems for implementing policies. Some examples below may clarify the problem.

- 1) Sickness and disability pension benefit programs are mismanaged, with long waiting times for insured persons. In a large number of cases, pension medical personnel cannot request more examinations, requiring new consultations in the health system, slowing the process and raising its costs. It is worth asking why public health physicians cannot authorize eligibility, being subject to close monitoring in order to avoid fraud.
- 2) In the educational system, the largest resources are located at the regional level, followed by the central level. Fiscal transfers, especially from the federal level can be delayed for several months. The effectiveness of public policy initiatives are seriously compromised by the lack of efficiency, making it difficult to overcome problems related to the quality of education, since PISA results are systematically poor.

There are many examples of mismanagement and structural problems. There is a tendency to introduce legislation to prevent problems, while monitoring is very precarious. In addition, supervision does not integrate the different areas of government. Consequently, the system is inefficient in detecting problems and costly for companies that need to deal with a large number of institutions, raising administrative costs.

## **4 CONCLUSIONS**

Brazilian social policies play a central role among citizens, accounting for the largest share of public spending. Their importance is undeniable, since levels of coverage are high and they reach almost all of those who need protection. The number of older people who are not covered by pension or social assistance benefits, and the number of children without access to school is reduced. Among healthcare social assistance policies, coverage and scope are at record highs. Brazil's 1988 FC explains these achievements. Currently, the central problem lies in the quality of social services policies as shown by healthcare and educational indicators. Coverage is high, but far more efforts are needed to improve the quality of social policies. Specific care for vulnerable groups represent an open arena.

Benefit plans contain serious problems, since the better-off groups have generous rights. Retirement before age of 60 and the possibility to earn occupational income after retiring makes no sense, especially when unemployment is growing. The public health and education challenges are serious, since their quality is poor. With education, effective learning represents a key problem, as revealed by PISA. Many administrative procedures require modernization, since classroom and school environments are precarious.

One of the major problems with respect to social security expenditures is the precariousness of social services in Brazil. The need to use out of pocket resources to deal with the vulnerabilities of the public services and contractual limitations of private health plans are key to understanding the battle to maintain higher replacement rates for pensions. The lack of specific social services to support the aged and vulnerable populations makes it difficult to adopt reforms, since the population rejects losses, without compensation mechanisms such as faster access to medical specialists and public better policies to distribute medicine.

Most reform proposals do not take into account the precariousness of local labor market conditions. Demographic debate also reveals similar problems. It is incorrect to state that demography, per se, can generate the unfeasibility of social security. Even in periods of so-called demographic bonus, the number of non-contributors was immense. Unemployment, informality in labor relations and the lack of respect for social rights have always reduced the number of individual contributors. Whenever the conditions for resuming economic growth reappear, it would be possible to create jobs, reducing unemployment and informality. Nevertheless, reforms are needed even if economic growth resumes, since benefit plans are too generous and poor management effectively affects the quality of social policies.

It is incorrect to state that Social Welfare Budget resolves financial issues. The existence of potential surpluses stimulates inefficiencies, reducing the potential of its use for other public policies, which could positively affect economic and social welfare. On the other hand, using strict actuarial assumptions for every individual is unfeasible within such a labor market. Vulnerability is the key characteristic of the Brazilian society and those workers cannot be abandoned when they get old, since the State's has not adopted a more vigorous approach to supervising social rights and labor relations. In other words, social policies will have to adapt to the labor market situation.

Since regular national and regional statistics were adopted in Brazil, the situation is characterized by high levels of informality, associated with the precariousness of labor relations. Financing via general taxes is unavoidable. When social policies are efficient and focused on well-being by protecting the most vulnerable groups, they represent an important support for the economy. This scenario may create a foothold to stabilize income throughout the life cycle. This is a fundamental issue, since Brazilians more than ever intend to promote sustainable development.

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