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THE NEW BRAZILIAN TRANSITION

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INTRODUCTION

This paper by Dr. Simón Schwartzman, Director of the Brazilian National Institute of Geography and Statistics (IBGE), was originally presented at the conference Governance and Social Development in Brazil held at the Woodrow Wilson Center on September 24, 1997. This conference was part of a series of events organized by the Latin American Program that centered on aspects of modern Brazil and the increasing complexity of that country's relations with the United States and the world, with the objective of raising Brazil's profile in the Washington policy community. The Brazil at the Wilson Center program has included events on the policies of the Cardoso Administration, US-Brazilian relations, and the challenges of democratic development and consolidation. Reports and papers from these meetings, as well as other papers from scholars of Brazil who have recently been Fellows or Guest Scholars of the Woodrow Wilson Center, are available upon request from the Latin American Program. These include: The Cardoso Administration at Midterm: Rapporteur's Report from the Conference, no. 228; Presidentialism in Brazil: The Impact of Strong Constitutional Powers, and Robust Federalism, by Scott Mainwaring, no. 225; A Turning Point in the Brazilian Debt Crisis: A Memoir, by Luiz Carlos Bresser Pereira, no. 222; and Managerial Public Administration: Structure and Strategy for a New State, by Luiz Carlos Bresser Pereira, no. 221.

THE NEW BRAZILIAN TRANSITION¹

Simon Schwartzman²

I. The Transition

Brazil is a country of rapid changes and big contrasts. For some, it still holds the image of a traditional and semi-colonial society, centered on extensive plantations and a large, poor and an uneducated peasantry. Part of that still exists, but over the last several decades Brazil has become a predominantly urban society, with millions moving from country to town, gathering in large metropolitan areas, gaining new opportunities and suffering the problems associated with urban overcrowding and untrammelled population growth. Until the seventies, its image used to be associated with that of a promising, if troubled, industrial powerhouse. In the eighties, as the economy stagnated and inflation took over, the social ills associated with income inequality, poverty, and urban violence came to the forefront. Now, in the nineties, a new picture is emerging. Inflation is under control, economic growth is picking up, and the opening of the economy to international competition is having profound effects in the organization of the productive sector and in the labor market. In contrast to the past, economic growth depends now on internal savings, and on the country's ability to attract and retain foreign investments. The changes in the economy coincide with long-term social and demographic processes that are altering the shape of the Brazilian

¹ Prepared for presentation at the symposium on the social question in Brazil, organized by the Woodrow Wilson International Center for Scholars, September 24, Washington, DC, 1997.

² President, Brazilian Institute for Geography and Statistics (IBGE). The ideas and concepts expressed in this paper are personal, and cannot be taken as representing the official views of IBGE or of the Brazilian government.

society. When combined, these two processes of social and economic change affect the country's public agenda, altering perceptions and defining new priorities.

Population Trends

The Brazilian population, 160 million in 1997, is changing dramatically in its form and structure. The main features of this transition are declining growth rates, growing urbanization and concentration, and increased participation of women in the labor market. Growth rates went from an all-high 2.99 yearly rate in 1950-1960 to an all-low rate of 1.38 in 1991-1996.

The long-term trends of this demographic change are depicted in graphics one, based on estimates made by IBGE's population specialists. Birth rates are expected to continue to decline until about 2030. As the population grows older, death rates will start to increase sharply, leading to a steady decline on growth rates, which can become negative around 2050. The country's population, still young, will continue to grow until around 2040, when it will begin to decline.

Urbanization, defined as the percentage of those living in municipal areas, changed from 44.67 percent in 1940 to 78.36 percent in 1996. Between 1980 and 1991 the urban population increased 38 percent; in the following five years, however, the rate of increase was only ten percent. The rural population is in steady decline, falling seven percent from 1980 to 1991, and another five percent between 1991 and 1996. The percentage of the population living in the country's ten largest metropolitan areas barely budged in the last five years, remaining stable at around 30 percent. These changes appear also in the data on internal migration: 3.1 million persons moved from one region to another in Brazil between 1986 and 1991, as compared to 2.6 million

between 1986 and 1991. Between 1986 and 1991, 917 thousand moved from the poor Northeast to the Southwest, the nation's wealthiest region, and 218 thousand returned, or moved in the opposite direction, a net addition of about 700 thousand people to the Southern region. The figures for the 1991-96 period were 835 and 262 thousand, a net addition of 573 thousand. The primary recipients of this migration are no longer the main cities, but the suburbs of the metropolitan areas and a new poles of development in some regions. Relatively unpopulated frontier regions, such as the North and the Center West, which experienced intensive growth in the sixties and seventies, have now joined the general pattern of slow growth (*Please see graphics two*).

The observed changes in fecundity rates are already affecting the country's age structure. Although the population is still young, the number of older people is gradually increasing, while the number of youngsters is not growing as rapidly as in the past. The percentage of youngsters less than 14 years of age in the population fell from 38.2 in 1980 to 31.6 in 1996, while the percentage of those with 65 and more went from 4.01 to 5.37. In the same period, the median age rose from 19.2 to 23.2 (*Please see graphics three*).

Changes in the Economy

The relationships between demographic and economic change are complex and hard to define, but the recent demographic changes in Brazil are clearly associated with the dramatic transformations its economy has undergone over recent decades. In essence, the Brazilian economy expanded very rapidly in the seventies, went through a period of stagnation in the "lost decade" of the eighties, and recovered some of its capacity to grow, albeit at a lower level, in the nineties. These changes in growth rates are expression of deep transformations in the economy. Until the seventies, growth was

fueled by expansion in the industry and services sectors, attendant upon an increasingly urban society. A growing tax base, first, cheap foreign loans, later, and inflation, at the end, provided the necessary capital for public investments that led the economy over those years. The crisis in the eighties can be attributed to problems associated with the expanding, unrestrained internal and external debts built up in the seventies and aggravated by changes in the international financial markets after 1979, and the growing inefficiencies of the Brazilian economy, insulated from international competition and fueled by inflation. Investment rates plunged dramatically since the early seventies, with a brief recovery after 1985 that was in fact associated with runaway inflation and led to further deterioration in the subsequent years. Per capita consumption in 1990 was similar to 1976, and industrial production in 1992 was 7.3 percent below the levels of 1980.³ (*Please see graphics four and five*).

The shrinkage of the industrial sector was not a simple correlation of economic recession, but reflected more profound, longer-term changes in the direction of a capital-intensive, more efficient and relatively smaller industrial sector. Industrial productivity rose sharply after 1990, going from a yearly growth rate of 0.3 percent in the period between 1985 and 1989 to about 8 percent between 1990 and 1994. The economy started to grow again in 1992-1993, not only because of the increase in industrial productivity, but also because of the new climate created by economic stabilization and the opening of the Brazilian economy to international markets (*Please see graphics six*).

Changes in the Labor Market

³ Silva, Antônio B. de Oliveira, Carlos von Doellinger, Cláudio M. Considera, Maria Helena Horta, Paulo Mansur Levy and Renato Villela, "Retrospectiva da Economia Brasileira", IPEA, *Perspectivas da Economia Brasileira 1994*, chapter 13-42, Rio de Janeiro, IPEA, 1993, 2 volumes

The existence of a large tertiary sector in the Brazilian economy is not a new phenomenon. It is a permanent feature related to the way the country was organized historically as a combination of a rural-based economy and large, urban, predominantly administrative centers. The share of the workforce in industrial activities never rose above 20 percent, with services, commerce and other activities absorbing most of the labor surplus created by rural migration and demographic expansion. In the nineties, the increasing efficiency of the industrial sector is clearly not creating more jobs; it is either destroying existing positions or transforming them into tertiary occupations⁴.

The term "tertiary" is notoriously too broad and general to allow for simple interpretations. It can refer to activities in leading, technologically intensive sectors such as communications, data processing, and mass-market retailing or to unsophisticated, low-paying personal services. It can include very stable jobs, such as those of public employees, and completely unstable and unregulated activities in the informal economy. It can be associated with extremely low wages or with above-average earnings. The renewed expansion of the services sector is not just a function of the development of new, modern, job-creating activities, but is in large part an accommodation of labor to a precarious and unstable job market. As in the past, most of the growth of employment in the services sector in the 1989-95 period took place in commercial activities (5.3 percent) followed by transportation (3.7 percent). The number of workers in "informal" activities, that is, without the legal entitlements associated with a regular job, is around 50 percent of the work force. Of those, some are self-employed and may earn more than others with regular jobs. In the Brazilian Southeast in 1995, 11 percent of the urban work force was self employed and earning more than

⁴ Kon, Anita, "Reestruturação produtiva e terceirização no Brasil", *Nova Economia* 7, 1, 1997, 149-178.

three minimum wages a month, while another 4.4 percent defined themselves as “employees” of some kind⁵. The average income of "self-employed" persons in the tertiary sector in 1995 was R\$463.00 a month, against an average of R\$410 for those with regular employment. There were about 8.3 million people in the first group, against 10.3 million in the second. Graphics seven shows the breakdown of formal and informal employment by sector of activity.

Open unemployment in Brazil is low according to the narrow definition adopted internationally and used by IBGE, but can be much larger if defined in broader terms. The narrow definition considers as "unemployed," or without occupation, those who are without any kind of work in the week before the survey, but who are actively looking for a job. Between five and six percent of the Brazilian active population are unemployed according to this definition at any point in time. The very absence of an extensive system of unemployment compensation explains why people do not remain unemployed for long. Another explanation is that young persons are staying in school longer, postponing their entrance into the economically active population. A broader definition of unemployment, including those with short-term, precarious, intermittent, or otherwise inadequate activities could yield a much larger figure⁶.

The New Roles of Women

Fecundity rates have dropped throughout the entire country, even in the rural areas and among the poorer segments of the population. The main explanations for this

⁵ Dedeca, Claudio S., Paulo E. A. Baltar, Eliane Rosandiski, “A questão da ocupação urbana no Brasil dos anos 90: uma reflexão a partir dos dados da PNAD”, *Nova Economia* 7, 1, 1997, 181-202.

⁶ The "Pesquisa de Emprego e Desemprego" (PED) conducted by Fundação SEADE in São Paulo and other metropolitan areas shows unemployment figures which are usually three times higher than those of IBGE.

dramatic change are the growing presence of women in the labor market and their increasing levels of education.

The need to earn a second or third salary in the household, the growing number of families headed by women, the growing scarcity of stable jobs in the industrial sector, and the social conditions of urban life are leading women to look for new sources of income and to limit the size of their families⁷. The share of women in the Brazilian labor market has grown from about 30 percent of the work force in 1981 to 35 percent in 1989, and 40 percent in 1995. Two-thirds of the women between 30 and 39 years of age were economically active in 1995, while sixty percent of Brazilian families had at least two working people contributing to the family budget⁸. Compared with men, women tend to work fewer hours per week, and their salaries are also lower, even in similar occupations and with equal levels of education. Almost 25 percent of the working women are domestic employees, most of them without a formal working contract. There are proportionally more women than men working without a formal salary, and more women working in the public sector. Women are more likely than men to work in the informal sector, and there are some signs that the employment patterns of women and men are converging: between 1992 and 1995 many men took jobs as domestic employees, while women sought to work independently, as employees or self-employed, or as employees in the informal job market (*Please see graphics eight and nine*).

⁷ Wajmann, Simone and Ignez Helena O. Perpétuo, "A redução do emprego formal e a participação feminina no mercado de trabalho brasileiro", *Nova Economia* (Belo Horizonte) 7, 1, 1997, 123-148.

⁸ Lima, Roberto Alves de, "Participação das mulheres casadas no mercado de trabalho: um estudo com base nos microdados das PNADs", *Nova Economia*, vol. 7,1, 1997, 203-234.

Changes in Education

Illiteracy, defined by less than one year of formal education or by the inability to read a simple text, is now restricted mostly to older people and persons living in the poor countryside. Functional literacy--people who did not complete the first four years of basic education, or are unable to understand what they read--is much more widespread. The younger generation is notably more educated than the old one, and young women are more educated than men, another indication of the significant push on the part of women to enter and position themselves in the modern job markets (*Please see graphics ten and eleven*).

The 1996 population enumeration, taken in September, asked whether the children were attending school, and found that about ten percent of those between seven and 14 years of age--about 2.6 million--were not. Coverage varied widely. For instance, São Paulo, Rio de Janeiro, and Rio Grande do Sul had 94 percent of these children in school, Ceará had 88 percent, Pernambuco 86 percent, Maranhão 84 percent, Alagoas 78 percent. This means that, in the Southern states, coverage was almost complete, if one considers the losses caused by second semester dropouts, traveling families, disabled children, and so forth. In the Northeast, and particularly in more rural states and rural areas, the lack of schools or access to them is still a serious problem.

Other findings of the 1996 population count were the continuing expansion of preschool, a very significant growth in enrollments for the 15-17 age bracket⁹, and the stagnation of higher education. The expansion of preschool reflects the entrance of

⁹ "De 1980 a 1991 a escolarização deste grupo passou de 48,8% a 55,3%, uma expansão de 6,5%; em 11 anos; em 1996 a escolarização deste grupo já havia atingido 66,8%, um aumento de 11,5 pontos percentuais em cinco anos". (IBGE, *Contagem Populacional, 1996*)

women in the labor market, but it is known also that children with preschool experience are better learners than those without it. The growing number of adolescents in school shows that the students tend now to remain longer in school, and this is likely to increase pressures for the expansion of higher education in the future (*Please see graphics twelve*).

II - The New Social Agenda

The new Brazilian transition requires the formulation and implementation of a new public social agenda. Some problems, such as poverty, illiteracy, poor education, and poor health, are old, but require a fresh understanding and new approaches. Others are new, created or intensified by the recent transformations in the country's demography and the economy. The need for quality education, improved health care, attention to the elderly, and a revised system of social security are included in this category. This new agenda is being shaped by many studies that are improving and revising our interpretation of these challenges. There is a growing awareness that Brazil's social problems cannot be left unattended. Governments at different levels, non-governmental organizations, and private institutions are putting forward several reform proposals and innovative programs for social improvement. Following is a discussion of the most prominent subjects under debate and the main policies being proposed to address the challenges of Brazil's social agenda.

Inequality

Brazil is notorious for having one of the highest rates of income inequality in the world. Information on income inequality is based on census and household surveys, which do not include data on personal assets. This means that the data on income inequality, which is focused on earnings and salary levels and which already shows enormous disparities, likely do not reflect the real differences between the "haves" and the "have nots," which are presumably much larger.

The distribution, correlating factors, and determinants of social inequality, poverty, and social discrimination in Brazil have been subject to many studies and

interpretations. The main conclusions are as follows.¹⁰ Income inequality is a long-term feature of Brazilian society, and has changed very little in the last several years. One indicator is the ratio of the income share of the richest 20 percent of the Brazilian population, as compared to that of the lowest 20 percent. The figure for Brazil is 21.2, which should be compared with South Africa (19.2), Venezuela (14.3) or Mexico (13.6).¹¹ The two main factors behind income inequality seem to be levels of education and age differences. Fifty percent or more of the variation in income can be explained by these two variables. Education is the key variable. The earnings of persons with higher education are on average ten or more times higher than of those with no education. The incomes of educated persons grow with their age and decline later, whereas the incomes of the uneducated only decrease with age¹² (*Please see graphics 13*).

Income inequality is not necessarily a consequence of people getting poorer, but of the increasing gap between those who benefit from socioeconomic mobility and those who are left behind. As the Brazilian economy expanded and the educational opportunities for the middle and high sectors increased after the 1970s, income inequality also increased. Inflation also increased inequality, while economic stabilization had a clear impact on its alleviation.¹³

¹⁰ See, for a synthesis, Barros, Ricardo Paes de e Rosane Mendonça, "Geração e Reprodução da Desigualdade de Renda no Brasil", em IPEA, *Perspectivas da Economia Brasileira, 1994*, Rio de Janeiro, IPEA, 1993, vol. 2, 471-490.

¹¹ The UNDP's *Human Development Report 1996*, table 17, p. 170, gives for Brazil the figure of 32.1 for this ratio, for the period "1981-1993"; it is not clear where the data comes from. Our figure is based on family incomes as reported in the 1995 National Household Survey (PNAD), which shows that the poorer 20 percent of the families held 2.89 percent of the income, while the highest 20 percent held to 61.23 percent; we excluded from the calculations 558 thousand families that reported no income, since it is unlikely that they do not have any kind of resource to survive (in fact, 34.1 percent of those families had color TV sets and 80 percent had private baths; those who did not are likely to live in rural areas).

¹² Ramos, Lauro, Eduardo Rios-Neto and Simone Wajnmann, "Perfis Etários, Posição na Ocupação e Desigualdade de Rendimentos no Brasil", *Nova Economia* 7,1, 1997, 11-42.

¹³ Sonia Rocha (*Renda e Pobreza: Os Impactos do Plano Real*. IPEA, Texto para Discussão no. 439, Dezembro de 1996) found that, between July of 1994 and January of 1996, the percentage of persons living below the poverty in Brazil's six largest metropolitan areas declined from 38 to 29 percent.

Poverty

Poverty, the inability of people to meet the minimal conditions for an acceptable quality of life, is also very high, although poverty measurements can vary widely. The 1996 *Human Development Report* reports 38 percent of the urban and 66 percent of the Brazilian rural population as living in poverty; the United Nations' Economic Commission for Latin America uses similar figures: 39 percent in the urban and 51 percent in the rural areas.¹⁴ One analyst gives a figure of about 36 percent of the Brazilian population as living below the "poverty line"¹⁵. The World Bank considers one dollar per person per day as the minimum threshold for poverty. According to this criterion, 8.4 percent of the Brazilian families are at that level or below; 25.2 percent receive two dollars a day or less, and 37.7 percent receive three or less (PNAD 1995). Whatever the figure, all agree that the poverty levels are high, and are a cause of national concern (*Please see graphics fourteen*).

The reasons for this level of poverty and the public alternatives for addressing the problem are areas of great controversy and political debate. A detailed empirical analysis shows that poverty is not related, as it is often assumed, to family size, and its association with low economic activity or unemployment is not very high. Poverty is explained, above all, by the low quality or productivity level of the available jobs, and the low qualities of the work force. Recent studies conclude that "policies geared to reduce the high levels of poverty in Brazil should concentrate on increasing the quality of the workforce (increases in the levels of education) and increasing the quality of the jobs created in the country (increases in the productivity of the standard worker)"¹⁶

¹⁴ CEPAL, *Panorama Social de América Latina - 1996*, Santiago, CEPAL, 1997.

¹⁵ Rocha, Sônia, "Pobreza metropolitana: balanço de uma década". *Perspectivas da Economia Brasileira - 1991*. Brasília, IPEA, 1991.

¹⁶ Ricardo Paes de Barros and José Márcio Camargo, "As causas da pobreza no Brasil", in João Paulo

This is an extremely tall order. Meanwhile, a traditional response to poverty has been public and private charity, which makes the poor grateful and allows the donors to feel good while it enhances their prestige and brings votes at election time. The tradition in Brazil has been for the First Lady to preside over a national system of public charity, a system that became so corrupt and inefficient that it was dismantled at the beginning of the Fernando Henrique Cardoso government. The current government, also with the help of the First Lady, is trying a different approach, using the personal prestige and charisma of public personalities to mobilize public and private action in behalf of the poor. Typical actions have been the distribution of food surplus and other resources to poorer municipalities, the mobilization of university students in big cities to help the poor in the countryside, encouraging the involvement of large state-owned corporations and institutions in community initiatives, and so forth. There is also a growing concern with questions of public health, food supply,¹⁷ and illiteracy. All the effort is currently placed on the mobilization and focusing of existing resources and institutions. The “Comunidade Solidária” program, for instance, does not have a large budget and is not creating a new bureaucracy and patronage system to replace the old one. The involvement of Brazilians with community work is still much lower than in many other countries. The benefits of this kind of action, no matter how scarce in relative terms, cannot be discounted. No matter how genuine and helpful, however, charity clearly cannot replace the need for long-term, well-structured state policies.

Income redistribution--taking from the rich and giving to the poor--is also a traditional response to the problems of poverty. Tax evasion in Brazil is assumed to be

dos Reis Velloso and Roberto Cavalcanti de Albuquerque, eds., *Modernidade e Pobreza*, Rio de Janeiro, Forum Nacional / Nobel, 1994, 81-112.

¹⁷ See “Segurança Alimentar e Nutricional no Brasil”, IPEA, *Cadernos Comunidade Solidária* 2, Nov, 1996.

high, and the reform of the tax system, one of the projects of the Cardoso government, has still not materialized. The government clearly needs to raise its revenues¹⁸, but it is doubtful that eventual gains in tax revenues would lead to significant improvement in the conditions of the poor, for two main reasons. First, the federal government's priority is to reduce public debt and to maintain the stability of the currency, and whatever additional income it gets will likely be used for that purpose. The argument that a stable and prosperous economy is the best instrument for poverty reduction seems difficult to refute. Second, the welfare system established in Brazil over the last several decades has provided more benefits to the middle sectors than to the poor, in areas such as education, social security,¹⁹ health care, and others. Given the current situation, an increase in social expenditures may increase rather than reduce social inequality. This does not mean that well-targeted programs of subsidies and income redistribution could not have positive effects. Some local experiments that aim to pay poor families for putting their children in school, for instance, seem to be very successful. But the best policies would be those that make sure that most of the current expenditures on health, education and social security go to the poor. This would mean, however, fewer subsidies to the middle and higher-income groups, given the current condition of limited economic growth. Because of this redistributionary aspect, reforms of the educational and social security systems meet with increasing opposition from these sectors, which are often organized in lobbies, political parties and trade unions.

¹⁸ The tax burden on the Brazilian economy is already about 33 percent of the product, and some analysts estimate that evasion is about 50 percent. If this is so, an improvement in tax collection should not lead to an increase on the tax burden, but could make the tax system more equitable.

¹⁹ "A Questão Previdenciária", in IPEA, *O Brasil na Virada do Milênio - Trajetória do Crescimento e Desafios do Desenvolvimento*, Brasília, 1997, vol. 2.

Health and Social Security

The situation of health care in Brazil is a good illustration of the inadequate use of social resources. On the positive side, the country's sanitary situation has been improving, life expectancy is increasing, and infant mortality rates are coming down. These improvements are largely due to improved water treatment, successful inoculation campaigns, increases in basic care, and the prevention of diarrhea and other infectious diseases. Infant mortality rates improved from 68.1 per thousand in 1980 to 49.7 in 1990, but regional differences are still large (26.7 in the South against 88.2 in the Northeast), showing that there is plenty of room for improvements in primary care. Most of the money, however, goes to hospital treatment, and hospital expenditures are clearly correlated with income, as shown on the graphic below (*Please see graphics 15*).

The richer the region, the more the government spends on health care for his citizens. One explanation for this paradox is that about two-thirds of the hospital expenditures go to private health care institutions, which are found predominantly in the urban centers in the Southern region. The Brazilian health care is based on the principle, enshrined in the 1988 Constitution, that everybody is entitled to free medical care. The consequence of this policy is that the more medical equipment there is available, the more it are used and supported with public money. In addition to the network of public hospitals administered by the health authorities at the federal, state and local levels, public universities play also a very important role in providing health care. However, public university care comes at a much higher cost per capita, presumably because at least to some degree it takes on the burden of more complex and terminal cases. This kind of public attention is more available, however, where the best public hospitals are found, which means again within the urban centers of the Southeast and Southern regions.

Brazil, characteristics of hospital expenditures, 1995.				
	Public hospitals	Private	University	Total
Expenditures (millions of reais)	4443	20020	7562	31924
Internships (thousands)	24659	87110	14691	126462
average duration (days)	64	65	71	68
cost per day	2815	3536	7154	3712
death rate	251	202	470	243
Source: IBGE, <i>Anuário Estatístico</i> , 1996.				

Health expenditures in Brazil are similar to those of most other Latin American countries in relation to the country's national product, but higher in per capita terms, second only to Argentina in 1990. According to the authors of a recent study, the problem of the health sector in Brazil is not so much the lack of resources, but the way they are spent.²⁰

The national social security system (mostly retirement benefits) is in still worse shape. This is the main item of social expenditure in the country, amounting to about

²⁰ With reference to the "unified health system" (SUS) established by the Brazilian constitution in 1988, the study states that "em que pese o esforço de se criar um sistema descentralizado de saúde com acesso universal, mantiveram-se os equívocos da administração passada no INAMPS que impedem, ainda hoje, um controle efetivo da execução dos serviços. Quando uma pessoa recebe um serviço de saúde, outra executa este serviço, e uma terceira paga pelo mesmo, não existem estímulos para que os serviços sejam sequer realizados, quanto mais prestados adequadamente". André César Médiç, Francisco Eduardo Barreto de Oliveira and Kaizô Iwakami Beltrão, "Universalização com Qualidade: uma proposta de reorganização do sistema de saúde no Brasil", in IPEA, *A Economia Brasileira em Perspectiva - 1996*, Rio de Janeiro, IPEA, vol. 1, 309-324.

eight percent of the gross national product (GNP) for the federal system alone (i.e. not including social security payments at the state or local levels). There were about 20 million persons, 12.5 percent of the population, receiving regular benefits of some kind in 1996. Of those, about 872 thousand retirees from the federal administration received almost US\$20,000 a year in average, compared to about US\$2,500 (around one minimum wage per month) for 16.6 million workers from the private sector. Besides the generous benefits, 31.1 percent of men and 60.3 percent of women in the federal system retired at the age of 55 or even younger (*Please see graphics sixteen*).²¹

Inequity between the public and private sectors, however, is not the most pressing problem. Retirement benefits are not paid from pension funds, but from current contributions from employers and employees, supplemented by resources from general revenues whenever necessary. In 1996 the federal government spent about 22.9 billion reais as salaries to its active employees, and 11.1 billion as retirement benefits, a fourfold increase in about ten years. For the INSS system the projection is that, due to the country's demographic changes, the level of contributions to social security funds will remain stable in forthcoming decades, while the expenditures will continue to grow unabated, requiring an additional 1.8 percent of the gross national product in 2005 and 6.5 percent in 2030. These increasing costs threaten to drain most of the savings that could be used to finance the development of the economy, and to frustrate efforts to improve the efficiency and efficacy of the civil service.²²

²¹ Francisco Eduardo Barreto de Oliviera, Kaizô Iwakami Beltrão and Mônica Guerra Ferreira, *Reforma da Previdência*, IPEA, Texto para Discussão n. 508, agosto de 1997.

²² Francisco Oliveira and others, p. 54.

Agrarian Reform

Another approach to income distribution is land reform. It is curious that recently the issue of agrarian reform has been revived and become so visible in press coverage and public attention, at a time when most of the social and economic problems in Brazil are obviously urban. The *Movimento dos Sem Terra* (Landless Movement) is a well organized political movement. Its current leaders seem to believe that a radical program of land distribution could bring the urban poor back to the countryside and create a prosperous and egalitarian economy based on small family farms. This, however, does not seem likely. There are no known successful experiences of bringing people back from cities to the countryside, and small family farms are often uneconomical and unable to survive without heavy and permanent subsidies or price protections.²³ Recent legislation introduced extremely high taxes on unproductive land, and the price of land has been falling dramatically.²⁴ The Brazilian government has intensified its program of land redistribution, despite indications from the available data that past settlements have not succeeded as self-sustaining agricultural establishments. A new program of credit loans is being put in place for small agricultural units, with the expectation that it will help to make these small farms more viable.²⁵

²³ Between 1985 and 1991, 94 thousand families were given access to land by the Brazilian government in 524 settlements. A survey on a sample of these establishments, in 1991, found that 22 percent of the original families had abandoned the settlements, while others did not show significant improvements in their life conditions. According to the study, "agrarian reform was able to create a sub-sector of commercial agricultural family encompassing about 45 thousand families, in a universe of about 100 thousand families settled so far" (FAO/PNUD-Ministério da Agricultura, *Principais Indicadores Sócio-Econômicos dos Assentamentos de Reforma Agrária (versão resumida do Relatório Final do Projeto BRA 87/022)*, Brasília, 1992, p. 16). The study lends support to the settlement program, showing its benefits for a significant part of the families, without, however, considering costs or alternatives.

²⁴ Improductive land has to pay 20 percent of the property's declared value each year, and this value will be used for eventual disappropriations for land redistributions. This new legislation is being first implemented at the end of 1997.

²⁵ Brasil, Presidência da República, *Reforma Agrária - Compromisso de Todos*, Brasília, 1997.

These and other measures may ease the transition of the Brazilian rural sector from a traditional to a modern economy. A more comprehensive picture of how Brazil stands in this regard will emerge as the data from the 1996 agricultural census become available to analysis. There are many signs that this transition is already well advanced. Besides the large plantations of soybeans, coffee, cotton, rice, beans, oranges, and other staples, as well as large cattle farms, the production of fruits, vegetables, small animals, and agricultural by-products--largely non-traditional, non-export products--is also growing, supporting a sizeable rural middle-class. Associations of small producers in large cooperatives, or as suppliers to large industries of chicken, milk products, or wine, is giving new reprieve to family agriculture. The concentration of land property in some areas has stimulated the migration of skilled farmers to other places--from Paraná to Bahia, for instance--creating new areas of modern agriculture, based on artificial irrigation and more sophisticated use of seeds and fertilizers.

Social Discrimination

The fight against social discrimination is another popular means to address poverty. Data from IBGE and other sources show that, according to most indicators, whites appear better off than non-whites, men better than women, people in the Southeast better than those living in the Northeast. The solution seems simple: end discrimination, give more resources to nonwhites, women and to people from the poorer regions.

The question of how much of the social differences among groups is due to discrimination or other factors has been discussed in Brazil for a long time. The traditional response, presented in the earlier sociological studies of the São Paulo group

(including Florestan Fernandes, Fernando Henrique Cardoso and Octávio Ianni), was that Brazil did not have a significant *race* question, but did have a very significant *class* problem, which was strongly correlated with race because of the condition of slavery that existed for blacks in Brazil until the end of the 19th century. This view was reinforced by the absence of legal discrimination and the lack of clear boundaries between racial groups (Brazil never had any kind of apartheid or "Jim Crow" type of legislation, as in South Africa or the United States). Recent empirical studies, however, have shown that "pretos" and "pardos"²⁶ have lower incomes than whites even for the same level of education, with similar differences occurring between men and women (although the income differences based on race and gender, in the magnitude of two or less, pale in comparison with the differences based on education, in the order of ten or higher). Part of the explanation is that women and non-whites are more likely to occupy less prestigious and less profitable positions at each level of education, but this is not all. The average monthly income for whites working in public service in 1995 was 1,252 reais, against 799 reais for blacks and 1,021 for "pardos"; the figures for men and women were 1,786 and 896; the average monthly income of medical doctors was 2,853 for men, 1,684 for women, 2,382 for whites, 1,703 for "pardos." These findings have lent support to the demands of black organizations for racial quotas in the universities and, more generally, to affirmative actions similar to those of the United States (*Please see graphics seventeen and eighteen.*).

Part of these differences may be continued consequences of past hindrances, part is probably related to age (women are typically younger than men in higher paying professions), and part may be the direct effect of job discrimination. Another factor that does not show in the statistics, but is likely to have a strong impact on these differences,

²⁶ These are the color denominations used in IBGE's surveys, as a proxy for race. The others are "branco" (white) and "amarelo" (yellow), which are further divided into native Indians and orientals.

is the culture and value systems of the different groups; differences, for instance, as to whether or not these groups invest in education and develop institutions for self-help and entrepreneurial activities. One piece of evidence, albeit indirect and ambiguous, of the role played by culture is the high achievement levels of those of East Asian ethnicity--mostly Japanese--who migrated to Brazil at the turn of the century under extreme conditions of poverty, lack of education and economic exploitation, but who are now entering by droves into higher education and well-paid employment.²⁷ To sum up, the establishment of greater equity requires activities on three fronts: the provision of equal opportunity, which means, basically, access to education; positive measures against discrimination; and the encouragement of the values of social identity and achievement among underprivileged groups.

Education

A consensus has formed that education is the crucial instrument not only for the reduction of unemployment, but also for improving job quality and social equity. Education reduces unemployment because it replaces unskilled labor, made redundant by automation and modern services, with skilled workers. It reduces inequality, because wage differentials based on education are a central feature of inequality. In the past, the policy agenda for education was to build schools, to fight illiteracy, and to pay higher salaries to the teachers. Now that most of the children are in school, teachers' salaries are not much below those of people with similar levels of education and workloads, and the new educational agenda is being put forward, which places more emphasis on questions of administration and content²⁸.

²⁷ Brazil is not different, in this regard, from the United States. See, for a summary of the role of culture in the economic achievements of America's different ethnic groups, Francis Fukuyama, *Trust*, 1995.

²⁸ See Guiomar Namó de Mello, *Cidadania e Competitividade - Desafios educacionais do terceiro milênio*,

For basic education, the main goal of the current agenda is to improve quality. Schools must increase student competency in basic skills, so that they are not trapped at low grade levels because of useless and wasteful repetitions. Improving the quality of basic education requires more autonomy for schools to handle administrative and educational matters, the involvement of parents and communities in school matters, educational standards and testing, a minimum floor for school expenditures per student and teacher, and improved teacher training and teaching materials. There have been improvements in all these areas in recent years, due to actions from federal and local government. One particularly effective set of measures, a product of the federal government, include the delivery of resources from the National Education Fund directly to schools; legislation ensuring that the legally mandated expenditures for education by states and municipalities are actually used for that purpose; and the development of a nationwide system of educational testing, the SAEB. There are also programs which address the contents of education, including the revision of the minimum curricula, an evaluation of school books, and the provision of equipment for schools to receive educational materials through television.

The central problems for secondary education are access and content. Three-fourths of funding for secondary education is provided by the states, and about one-fourth by private institutions, and getting more expensive. Even in the best schools, contents are bureaucratic, based on rote learning, and centered on the preparation of students for the entrance examinations for the universities. The new education legislation (the so-called “Lei de Diretrizes e Bases”) has opened the door for more flexibility, moving away from extensive and detailed curricula, which are now defined

in broad terms in the areas of language, social and physical sciences. There have been changes in professional education, to allow for vocational training both as an alternative to secondary education and as a means for short term, post-secondary specialization. There is very little so far in terms of increasing access and improving quality. A central problem related to quality is the difficulty of recruiting talented and motivated teachers. Not only are the salaries not attractive, but the best qualified persons usually prefer to work in universities or in a professional areas. While it is unlikely that teachers' salaries will become competitive in the near future, it may be possible to attract young graduates or graduate students for part-time teaching jobs or temporary careers. The existing requirements for teacher licencing, however, are still based on extensive and questionable pedagogical requirements, with the assumption that teaching will be a career for life.

Higher education should also be expanded, and the federal government is facing a serious problem in financing its universities. There are about 1.7 million students in higher education, including 8.3 percent of people between the ages of 18 and 24, an extremely low figure by international standard. However, about one-third of Brazilian students are above 24, bringing the enrollment/age ratio down to 5.4 percent. Two-thirds of the students are in private institutions, and most of the recent growth in higher education has been in state, public-owned, and free establishments. Given the budget constraints of most state administrations, it is not likely that this expansion will continue. The federal system, with about 400 thousand students, could absorb more students with the same level of expenditures,²⁹ but has no incentives nor the

²⁹ Federal expenditures per student is between 8 to 15 thousand dollars a year, the figure varying depending on whether one includes the cost of hospitals, retirement benefits, etc; ten thousand dollars a year seem to be a good approximation. See J. Schwartzman, "Brasil: Política de Educación Superior en la década del '90", in *Revista Paraguaya de Sociología* (número especial sobre "La Educación Universitaria en América Latina"), ano 33, vol. 97, Sept.- Dec, 1996). Whatever the figure, it is several times higher than any other country in the region, and the result is not always better.

institutional mechanisms to change. There are serious problems of equity, since entrance examinations screen out the poorer students from the free, public universities; and problems of quality, which have led to a controversial system of national exams for graduating students. Although Brazilian higher education is very diversified, there is strong resistance to vocational, short-term, and general education, college-type, post-secondary alternatives to the traditional professions.

Employment

Although the rates of open employment in Brazil are low, stable jobs are getting scarce, and revenues from temporary work or self-employment are uncertain at best. This situation is clearly associated with the restructuring of the economy in the context of increasing globalization, and it is possible to argue that there is nothing much to be done as long as the current model of economic organization is maintained.³⁰ The opposite view, held among others by the World Bank in one of its World Development Reports, is that economic growth cannot fail to generate jobs and better salaries, the only problem being the inefficiencies created by artificial barriers and institutional constraints.

Besides changing the current economic model, three types of policies can be implemented to get more and better jobs: improving the skills of the population, easing the costs of hiring labor in the private sector, and the creation of more jobs. The first policy, to provide better training and education, is not controversial, although education is clearly not enough to create good jobs without other changes. In addition

³⁰ This view is dominant in the special issue on "Flexibilidade, Empregabilidade e Direitos" of *São Paulo em Perspectiva* (vol. 11, 1, Jan-May, 1997), edited by the Fundação SEADE in São Paulo. For an opposite view, see José Pastore, *Encargos Sociais no Brasil e no Exterior - uma avaliação crítica*, Brasília, Edição SEADE, 1994.

to the improvement of basic education, working directly on professional training and the efficient recycling of workers is possible. The Brazilian government is currently investing in this kind of activity.³¹ The second policy is to allow for different kinds of job contracts. This is being proposed by the Ministry of Labor as a way to bring millions in from the shadows of the informal economy to the formal labor market, and to enable the formal sector to hire more people. These proposals are finding strong resistance from organized labor, and are still to be approved. The third policy, to generate new jobs, is limited by the budgetary restrictions and by the inefficiencies associated with this kind of policy. Still, the federal government is making investments in this direction.³²

Conclusion: the Two Social Agendas

This brief overview of the Brazilian transition and its impact on the country's social issues makes clear that there are in fact two social agendas to be worked out. The main agenda is to end poverty and inequality, and to provide quality education and proper work to millions of persons that so far have been left out from the benefits of modernization and economic growth. The other is to reform and redirect the current

³¹ "O Custo da volta ao trabalho", *Jornal do Brasil*, September 19, 1997. According to this article, "o governo deverá investir R\$ 320 milhões este ano no Plano Nacional de Formação Profissional (Planfor) na tentativa de trazer de volta ao mercado formal de trabalho parte dos 8.5 milhões de brasileiros que perdem o emprego a cada 12 meses no país, segundo dados do Ministério do Trabalho. Com estes recursos, serão atendidos 1.6 milhões de trabalhadores, 400 mil a mais do que no ano passado. 'A meta é treinar 8 milhões de trabalhadores até o final de 1999', disse o secretário do Ministério do Planejamento, José Paulo Silveira".

³² According to an official report, in 1996 "Foram aplicados nos programas PROEMPREGO (Programa de Expansão do Emprego e Melhora de Qualidade da Vida do Trabalhador) e PROGER (Programa de Geração de Emprego e Renda), do Ministério do Trabalho, R\$ 1.7 bilhão e R\$1,6 bilhão respectivamente. O PROEMPREGO visa à geração de empregos diretos e indiretos nos setores de saneamento ambiental, infra-estrutura turística, transporte coletivo urbano e revitalização de subsectores industriais. A meta do PROEMPREGO é a geração e manutenção de 2.7 milhões de empregos nos próximos anos. Com o PROGER, foram beneficiadas 292 mil pessoas em 1996. Além disto, foram utilizados mais de R\$ 260 milhões em ensino e qualificação profissional em benefício de 1.014 mil trabalhadores". Brasil, Presidência da República, *Dois anos de Mudanças*, Brasília, 1997, p. 34).

institutions and resource allocation mechanisms for social welfare and education, which have grown in the last several decades in response to the demands of a growing urban, middle class population, but have developed a tendency for social exclusion. In the best of possible worlds, it would be possible to keep and expand the benefits that were already given to the middle sectors (which are, after all, quite few) as well as to expand their coverage to the rest of the population--free education at all levels, stable jobs, free health care, early and generous retirement benefits, and so forth. The 1988 Constitution enshrined these benefits as citizen's rights, but failed to assure the resources to make them possible. Not only are the resources lacking, but this welfare system is very inefficient and inherently inequitable in many of its provisions. Unfortunately, the government cannot address the first agenda without affecting the vested interests of the second. The Brazilian political debate is already being shaped by the conflicting demands of these two agendas, and it is likely to become more so in the future.