

Research Report:

Social Programs and Social Security in  
Brazil:  
Main Features

Francisco Galiza

May, 2009

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# Contents

<b>1</b>	<b>Introduction .....</b>	<b>7</b>
<b>2</b>	<b>Existing Programs.....</b>	<b>9</b>
<b>2.1)</b>	<b>Bolsa Família Program</b>	
	a) Background history	
	b) Eligibility	
	c) Amounts	
	d) Diverse	
<b>2.2)</b>	<b>Unemployment Benefit</b>	
<b>2.3)</b>	<b>Social Insurance</b>	
	a) Introduction	
	b) Retirement	
	Special	
	Through Age	
	Through Disability	
	Through Time of Contribution	
	c) Allowances	
	Accident	
	Illness	
	Incarceration	
	d) Bereavement Benefits	
	e) Family Allowance	
	f) Maternity Allowance	
	g) Social Security – Benefits from the Continuing Provision of Social Security (BCP)	
	h) Waiting Period	
	i) <i>SUS - Sistema Único de Saúde</i> (Health Public Service)	
	j) Workers Compensation Insurance	
<b>2.4)</b>	<b>Programa Nacional de Fortalecimento da Agricultura Familiar – PRONAF (National Program for Strengthening Family Agriculture)</b>	

## **2.5) Complementary Programs**

- a) Literate Brazil Program
- b) ProJovem Program
- c) Project for Promotion of Local Development and Solidarity Economy (PPDLES)
- d) Pronaf – Special Lines
- e) Microcredit Program in Northeast
- f) National Biodiesel Program
- g) Light for All Program

## **2.6) Programa de Erradicação do Trabalho Infantil - Peti (Program for the Eradication of Child Labor)**

## **2.7) ProUni – University for All Program**

## **2.8) Citizenship Territories Program**

## **2.9) Minimum Wage**

## **3 Related Insurance Products ..... 43**

### **3.1) Open Private Pension Fund**

### **3.2) Health Insurance**

### **3.3) Personal Insurances**

## **4 Conclusions ..... 48**

## **Annex 1 – Basic Legislation..... 50**

## **Annex 2 – Single Database ..... 52**

## **Research – Acknowledgements ..... 53**

# 1

## *Introduction*

The aim of this study is to analyze the social programs and social security in Brazil, examining their main aspects (eg, the financial volume involved, the quantity of people who benefit from them, etc.). Then, to evaluate insurances, offered here by the private sector, which supposedly have some similarities with some products offered in the public sector. Next, a comparison of these two markets will be made. Theoretically, some basic characteristics would have to be present for a governmental program to be considered social security:

- Existence of risk transference and the possibility of managing it.
- Being restricted to the affected populations.
- Financial support through specific taxes or premiums.

Table 1 offers some examples of U.S. social security programs, with some of their main features.

**Table 1** – Examples –Social Security – United States (continuation)

<b>Programs</b>	<b>Commentaries</b>
<i>Retirement Insurance Benefit (RIB) ou Old-age Insurance Benefit</i>	<ul style="list-style-type: none"><li>• Retirement paid by the federal government, depending on age and contributions made to the fund.</li><li>• The worker must be fully integrated with the social security program.</li><li>• The employee must be 62 years old to get full retirement.</li></ul>
<i>Social Security Disability Insurance (SSDI)</i>	<ul style="list-style-type: none"><li>• Federal Program of benefit payments to disabled people.</li><li>• Also known as Disability Insurance Benefits (DIB).</li><li>• Pre-conditions: unable to work. This condition should be expected to last for 1 year, the worker must be less than 65 years old, and must have worked at least 5 years in the last 10 years.</li></ul>
<i>Unemployment Benefits</i>	<ul style="list-style-type: none"><li>• Unemployment Benefit Program.</li><li>• In many states, the maximum period to receive the benefit is from 6 to 7 months.</li></ul>
<i>Temporary Assistance for Needy Families (TAND)</i>	<ul style="list-style-type: none"><li>• Informally known as Welfare.</li><li>• The program is to provide assistance to poor families with children.</li><li>• In 2007, 4 million people received this benefit.</li><li>• The maximum amount of time to receive the benefit (per person) has been five years.</li></ul>
<i>Health Insurance for Aged and Disabled (Medicare)</i>	<ul style="list-style-type: none"><li>• Health insurance program is usually offered to people over 65 years of age.</li></ul>
<i>Grants to States for</i>	<ul style="list-style-type: none"><li>• Health insurance program for people of low income.</li></ul>

<i>Medical Assistance Programs (Medicaid)</i>	<ul style="list-style-type: none"> <li>• Poverty is a major factor, but not the only one. It is estimated that 60% of poor Americans are not covered by this plan.</li> </ul>
<i>State Children's Health Insurance Program (CHIP)</i>	<ul style="list-style-type: none"> <li>• Health insurance program that protects families with children.</li> <li>• It reaches low-income families, but not sufficiently for the Medicaid program.</li> </ul>
<i>Supplemental Security Income (SSI)</i>	<ul style="list-style-type: none"> <li>• Program to supplement income designed for the elderly or disabled.</li> <li>• The individual limit is US\$ 2 thousand per month.</li> </ul>

Now, however, in our study, when we examine the social programs in Brazil, we will have broader criteria, including in the text benefits that do not fit perfectly with the definition given above. The reason for this option is that over the last years, there has been a great increase of this type of program in the country. Thus, we do not want to miss the opportunity to attempt a general approach as regards the national situation in relation to this aspect.

Below, the analyzed products.



# 2

## *Existing Programs*

### **2.1) Bolsa Família Program**

#### ***a) History***

The conception for the Bolsa Família Program (BFP) emerged in the 80's, when a more intense debate began in Brazil for the creation of mechanisms to assist the poor and destitute families.

According to the site of the federal government's BFP (<http://www.mds.gov.br/bolsafamilia>), "up until then, the granting of benefits and assistance was made punctually and in an indirect way, usually with the distribution of basic baskets (monthly food supply) mainly in deprived areas of north and northeast regions, sometimes followed by accusations of corruption because of centralized purchasing in Brasilia, and the diversion of goods due to lack of logistical control. "

The Brazilian sociologist and human rights activist, Herbert José de Sousa, Betinho, made an important contribution at this very early stage. In political terms, another inspiring source was the Bolsa Escola Program (Scholarship Program). It was created initially in the city of Campinas (SP) in 1994 and then in the Federal District in 1995.

In the Fernando Henrique Cardoso's government (1995-1998) and (1998-2002), there were several social programs throughout the country, tied to various ministries. At that time, the so-called programs of income distribution were effectively implemented in the country, some in partnership with several NGOs such as Comunidade Solidária, managed by the then First Lady and sociologist Ruth Cardoso. All these programs were grouped in the so-called social protection network with national scope.

One of the merits of the BFP was the unification and expansion of these social programs into a single social program, with centralized administration and registration at the Ministry of Social Development and Fight against Hunger, which, according to the World Bank, facilitated its administrative and supervisory efficiency.

From 2004 onwards, the BFP emerged in the federal sphere through the reform and merging of several income transference programs, already in existence: *Bolsa Escola* (Scholarship), *Auxílio Gás* (Gas Aid), *Bolsa Alimentação* (Food Expenses Grants), *Programa de Erradicação do Trabalho Infantil – PETI*

(Program for the Eradication of Child Labor), *Agente Jovem* (young Agent), and *Programa Cartão Alimentar - Fome Zero* (Food Expenses Card Program – Hunger zero).

### ***b) Conditions for Participation***

In essence, the BFP is characterized as a program of direct transfer of income following some conditions. This program benefits families in state of poverty (with per capita income ranging from R\$ 69.01 to R\$ 137.00) and those in state of extreme poverty status (with monthly per capita income of up to R\$ 69.00). In 2008, 11 million families have benefited from the program, totaling almost R\$ 11 billion.

Before, however, those interested have to register with the Single Database for Social Programs (CadÚnico). In general, and in addition to BFP, the Federal Government uses the Single Database to identify potential beneficiaries of its social programs. Besides, this database is also used to grant exemption from registration fees in public exams conducted within the federal scope. Similarly, several states and cities already use this database to identify the target-public for their programs.

In the BFP, the family income is calculated from the total sum of money that everyone in the house receives monthly (in the form of wages and pensions), and this value is divided by the number of people living in the house, thereby obtaining the per capita income of the family.

In Table 2, the information available in the Single Database

**Table 2** – Information in the Single Database

<b>Description</b>
<ul style="list-style-type: none"><li>• Characteristics of the household (number of rooms, etc.).</li><li>• Family composition (number of people, characteristics, etc.).</li><li>• Identification and documentation of each component of the family.</li><li>• School qualifications of the components of the family.</li><li>• Professional qualifications and situation within the labor market.</li><li>• Family expenses (rent, transportation, food, and other).</li></ul>

In Table 3, the conditions for participation.

**Table 3** –Conditions for participation in the BFP

<b>Conditions</b>	<b>Description</b>
Education	<ul style="list-style-type: none"> <li>• Minimum required school attendance of 85% for children and adolescents between 6 and 15 years old and of 75% for adolescents between 16 and 17 years old.</li> </ul>
Health	<ul style="list-style-type: none"> <li>• Monitoring of immunization record, growth and development for children less than 7 years old; and prenatal care for pregnant women and monitoring of mothers in the age group between 14 to 44 years old.</li> </ul>
Social Security	<ul style="list-style-type: none"> <li>• Minimum frequency of 85% of hours destined for socio-educational services for children and adolescents of up to 15 years of age who are at risk or who have been taken out of child labor.</li> </ul>

### ***c) Amounts***

The paid amounts depend on the number of children, on their age, or on the family situation (poor or extremely poor).

In essence, the program consists of three types of benefits, as shown in Table 4.

**Table 4** – Types of Benefits – Bolsa Familia Program

<b>Types</b>	<b>Description</b>
Basic Benefit	<ul style="list-style-type: none"> <li>• Amount of R\$ 62.00 paid to families classified as extremely poor, even if they do not have children, teenagers or young adults.</li> </ul>
Variable Benefit	<ul style="list-style-type: none"> <li>• Amount of R\$ 20.00 paid to poor families, provided that all children and adolescents are 15 years old or under. Each family can receive up to three variable benefits.</li> </ul>
Variable Benefit Linked to Adolescent (BVJ)	<ul style="list-style-type: none"> <li>• Amount of R\$ 30.00 paid to all families who have teenagers of 16 or 17 years old, attending school. Each family may receive up to two variable benefits linked to adolescents.</li> </ul>

In total, the amounts paid by BFP range from R\$ 20.00 to R\$ 182.00.

#### ***d) Diverse***

The underlying law of the BFP is the Law 10836, of January 2004, with its origin in the *Medida Provisória* (Provisional Amendment) 132, of October 2003.

Other projects were added over the years surrounding the BFP. These projects were called complementary programs. The purpose of these actions is to complement and strengthen the effects caused by the conditional transfer of income. There is the expectation that the BFP will help to combat the inequality structure and promote social inclusion.

For example, the Literate Brazil Project (*Projeto Brasil Alfabetizado*), the Pro Youth (Pró Jovem), the National Biodiesel Program (Programa Nacional Biodiesel), the Light for All Program (Programa Luz para Todos), etc.

These projects will be discussed individually throughout this study.

## 2.2) Unemployment Benefit

In Brazil, the Law 7998/90 regulated the Unemployment Benefit Program, the Wage allowance, establishing the *Fundo de Amparo ao Trabalhador – FAT* (Fund for the Support of Workers).

In Table 5, some characteristics of this benefit offered to the citizen.

**Table 5 – Main Features – Unemployment Benefit**

<b>Characteristics</b>	<b>Description</b>
Target-public	<ul style="list-style-type: none"> <li>• Employees discharged without just cause.</li> <li>• Those whose contract of employment was suspended because of participation in qualification course or program offered by the employer.</li> <li>• Professional fishermen during the period in which fishing is prohibited due to procreation of the species.</li> <li>• Workers rescued from a condition analogous to slavery.</li> </ul>
Requirements	<ul style="list-style-type: none"> <li>• The formal employee is entitled to 3 to 5 portions of the benefit, in each 16-month period.</li> <li>• The number of portions refers to the number of worked months in the past 36 months preceding the discharge date.</li> </ul>
Amounts	<ul style="list-style-type: none"> <li>• To determine the value of the formal employee's portions, the average wage of the last three months prior to the discharge date is considered.</li> <li>• The amount ranges from R\$ 465.00 to R\$ 870.01, depending on the employee's salary level.</li> </ul>

Within the current landscape of the Brazilian economy, there have been, as a monthly average, 600 thousand applicants for this benefit. The monthly average cost of the unemployment benefit is R\$ 1.5 billion.

## 2.3) Social Security

### *a) Introduction*

The social security in Brazil is legally substantiated by two key parameters: the law 8212/1991 and the Federal Constitution.

**"Art 3.** The Social Security is to provide the necessary means of living for its beneficiaries, who, due to disability, age, involuntary unemployment, family responsibilities and incarceration or death were no longer able to provide for themselves or for others. "

#### **Law 8.212/1991 – Art. 3<sup>rd</sup>**

**"Art 194.** The social security is an integrated set of actions from public authorities and society, to ensure the rights to health, welfare and social assistance.

**Sole Paragraph.** It is the competence of the public authority, under the law, to organize social security based on the following objectives:

- I - universality of coverage and care;
- II - uniformity and equivalence of benefits and services to urban and rural populations;
- III - selectivity and distributiveness in the provision of benefits and services;
- IV - irreducibility of the value of the benefits;
- V - equity in the form of participation in the costs;
- VI - diversity of the funding base;
- VII - democratic and decentralized character of administrative management, with community participation, especially of workers, entrepreneurs and retirees."

#### **Federal Constitution of 1988 - Art.194 - altered by Constitutional Amendment 20, of 1998**

Considering the scope, it is not surprising the variety of services offered, which can be divided as follows:

- Retirement (Special, through age, through disability, through time of contribution).
- Aid (accident, disease, incarceration).
- Pension by death.
- Family Allowance.
- Maternity-Allowance.
- Social Welfare (for the elderly and the disabled).

These projects for benefits are described below. Currently, estimates indicate that the basic social welfare spending is around 7% of GDP. 15 years ago, this number was approximately 5%. There are estimations that maintaining the current rate of aging, this number could reach 11% of GDP in 2050. In 2008, we had approximately R\$ 200 billion / year (or US\$ 100 billion / year) in expenses. For 2009 the forecast is of R\$ 220 billion / year. Some expenses could be mentioned from this total. For example, the sickness allowance reached almost R\$ 20 billion per year, spending on special pensions is of R\$ 10 billion per year.

## ***b) Retirement***

There are four different types of retirement.

### *Special*

Table 6 shows the main details.

**Table 6** – Main characteristics - Special Retirement

<b>Characteristics</b>	<b>Description</b>
Who can benefit from it?	<ul style="list-style-type: none"><li>• Benefit to the insured who has worked in conditions harmful to health or to physical integrity.</li><li>• To be eligible for special retirement, the employee must prove, in addition to the amount of time he worked, actual exposure to physical or biological agents, or association with harmful agents for the period required to grant the benefit (15, 20 or 25 years).</li></ul>
How much does it represent for each beneficiary?	<ul style="list-style-type: none"><li>• The value of the special pension corresponds to 100% of the benefit-salary</li><li>• Benefit salary (up until November 28, 1999): 80% higher wages for contribution, inflation adjusted, since July 1994.</li><li>• Benefit salary (from November 29, 1999): The benefit-salary will be an average of 80% of the highest wages of contribution from the entire contributory period.</li></ul>

To be entitled to this benefit, the registered worker from July 1991 onwards must show at least 180 monthly contributions. Those registered by that date must use a sliding scale for this purpose.



## Through Age

Table 7 shows the main details.

**Table 7** – Main Characteristics– Retirement through Age

<b>Characteristics</b>	<b>Description</b>
Who can benefit from it?	<ul style="list-style-type: none"><li>• The urban male workers are entitled to the benefit from the age of 65 years and females from the age of 60.</li><li>• Rural workers may request retirement through age with five years less: from 60 years old for men, and from 55 years old for women.</li></ul>
How much does it represent for each beneficiary?	<ul style="list-style-type: none"><li>• It corresponds to 70% of the benefit-salary, plus 1% for each group of 12 monthly contributions of up to 100% of the benefit-salary. The benefit will not be less than a minimum wage.</li><li>• Benefit-salary (until November 28, 1999): an average of 80% of the highest salary contributions, inflation adjusted, since July 1994.</li><li>• Benefit-salary (from November 29, 1999): an average of 80% of the highest salary contributions of the entire contributory period. It is optional to implement the pension factor.<ul style="list-style-type: none"><li>• It will be a minimum wage for rural workers (special insured, employee and individual taxpayer). If the special insured contributed by his own will, his benefit will be calculated as in the other cases.</li></ul></li></ul>

To apply for the benefit, urban workers registered with the Social Security from July 25, 1991 must demonstrate 180 monthly contributions. The rural ones have to prove with documents, 180 months of work in the field.

Urban insured registered before July 24, 1991 must show the number of contributions required according to the year when the conditions to apply for the benefit were implemented, as specified in the table.

Rural workers, affiliated before 24 July 1991, will have to show evidence of their work in the field with the same number of months, as in the table. Moreover, the insured must be performing a rural activity on the application entry date or on the date on which he accomplished all the conditions required for the benefit, i.e., minimum age and waiting period.

### *Through Disability*

Table 8 shows the main details.

**Table 8** – Main Characteristics – Retirement through Disability

<b>Characteristics</b>	<b>Description</b>
Who can benefit from it?	<ul style="list-style-type: none"><li>• Benefit granted to workers who, due to illness or accident, are considered unable to exercise their activities or other type of service that provides a living.</li><li>• To be entitled to benefit, the employee must contribute to Social Security for at least 12 months in case of illness. If it is due to accident, the waiting period is not required but he must be registered with the Social Security.</li></ul>
How much does it represent for each beneficiary?	<ul style="list-style-type: none"><li>• The pension through disability corresponds to 100% of the benefit-salary if the worker is not claiming sickness allowance.</li><li>• Benefit-salary (up until November 28, 1999): average of 80% of the highest salary contribution, inflation adjusted, since July 1994.</li><li>• Benefit-salary (from November 29, 1999): average of 80% of the highest salary contributions of the entire contributory period. It is optional to implement the pension factor.</li><li>• The special insured (rural worker) is entitled to a minimum wage, if he did not contribute voluntarily.</li><li>• If the employee needs permanent assistance of another person, attested by medical expertise examination, the pension value will be increased by 25% from the date of his request.</li></ul>

He, who in the act of affiliating to the Social Security, already has a disease or injury that generates the benefit, is not entitled to retirement through disability, unless the disability results in worsening of the previous condition.

Those who receive a pension through disability have to go through medical expertise examination each two years, otherwise, the benefit is suspended. The pension payment ceases when the insured recovers the ability and returns back to work.

### *Through Time of Contribution*

Table 9 shows the main details

**Table 9 – Main Characteristics– Pension through Time of Contribution**

<b>Characteristics</b>	<b>Description</b>
Who can benefit from it?	<ul style="list-style-type: none"> <li>• Can be full or proportional.</li> <li>• In full retirement, the employee (male) must show evidence of at least 35 years of contribution while working women will need 30 years.</li> <li>• In proportional retirement, the worker has to combine two conditions: time of contribution and the minimum retirement age.</li> <li>• Men may request proportional retirement at 53 years of age and 30 years of contribution (plus an additional of 40% for the remaining time before completing 30 years of contribution in December 16, 1998).</li> <li>• Women have the right to proportional retirement at 48 years of age and 25 of years of contribution (plus an additional of 40% for the remaining time before completing 30 years of contribution in December 16, 1998).</li> <li>• The employee, however, must meet a minimum period of contribution to the Social Security system. The workers registered as from July 25, 1991 should have at least 180 monthly contributions. Members before that date must follow the progressive scale.</li> </ul>
How much does it represent for each beneficiary?	<ul style="list-style-type: none"> <li>• Full pension will be 100% of the benefit-salary. For proportional retirement, 70% of benefit-salary, plus 5% for each full year of contribution after the minimum required time.</li> <li>• The benefit-salary of workers registered by November 28, 1999 corresponds to an average of 80% of the highest contribution salaries, inflation adjusted from July 1994.</li> <li>• For workers registered after 29 November 1999, the benefit-salary will be an average of 80% of the highest contribution salaries throughout the contributory period.</li> </ul>

In both cases, the pension factor will be applied.

The pension factor is applied to calculate the pensions through time of contribution and through age, the latter being optional. Its goal is to equalize the contribution of the insured to the benefit value. It is based on four factors: rate of contribution, worker's age, time of contribution to the Social Security, and life expectancy of the insured (following table from IBGE).

### ***c) Allowances***

There are 3 types of allowances (accident, sickness or incarceration) in the sphere of welfare, which are detailed below.

#### *Accident*

**Table 10** shows the main details.

**Table 10** – Main Characteristics – Allowance– Accident

<b>Characteristics</b>	<b>Description</b>
Who can benefit from it?	<ul style="list-style-type: none"><li>• Benefit paid to a worker who suffers an accident and presents subsequent symptoms that reduces his ability to work. It is granted to the insured who received sickness-allowance. The employee under contract, the self-employed worker and the special insured are entitled to the accident-allowance benefit.</li><li>• The granting of the accident-allowance does not require a minimum period of contribution.</li><li>• The accident-allowance, having a character of compensation, can be combined with other benefits paid by the Social Security except for retirement.</li><li>• The benefit ceases when the employee is retiring.</li></ul>
How much does it represent for each beneficiary?	<ul style="list-style-type: none"><li>• The benefit corresponds to 50% of the benefit-salary that originated the sickness-allowance, inflation adjusted up until the month preceding the beginning of the accident-allowance.</li></ul>

## Sickness

**Table 11** – Main Characteristics – Sickness– Allowance

Characteristics	Description
Who can benefit from it?	<ul style="list-style-type: none"> <li>• Benefit granted to the insured unable to work, for more than 15 consecutive days, due to sickness or accident.</li> <li>• For officially registered workers, the employer pays the first 15 days, and Social Security pays from the 16th day onwards after leaving the workplace.</li> <li>• In the case of individual registered workers (entrepreneurs, liberal professionals, the self-employed, among others), the Social Security pays the entire period of sickness or accident (provided that the employee has requested the benefit).</li> <li>• To be entitled to the benefit, the employee must have contributed to the Social Security for at least 12 months. With some types of sickness, it is not necessary to meet the waiting period.</li> <li>• The sickness allowance ceases when the insured recovers the ability and returns to work or when the benefit becomes a retirement through disability.</li> </ul>
How much does it represent for each beneficiary?	<ul style="list-style-type: none"> <li>• It corresponds to 91% of the benefit-salary.</li> <li>• The special insured (rural worker) is entitled to a minimum wage, if he did not contribute voluntarily.</li> <li>• The benefit-salary for workers registered by November 28, 1999 corresponds to an average of 80% of the highest contribution salaries, inflation adjusted from July 1994.</li> <li>• For workers registered after 29 November 1999, the benefit-salary will be an average of the 80% of the highest contribution salaries throughout the contributory period.</li> </ul>

In both cases, the pension factor will be applied.

## *Incarceration*

Table 12 shows the main details.

**Table 12** – Main Characteristics – Incarceration – Allowance

<b>Characteristics</b>	<b>Description</b>
Who can benefit from it?	<ul style="list-style-type: none"><li>• The dependents of the insured who is arrested for any reason are entitled to receive the incarceration-allowance throughout the period of incarceration. The benefit will be paid if the employee is not receiving salary from the company, sickness-allowance, retirement, or an allowance for remaining in service.</li><li>• There is no minimum period of contribution. As from February 1, 2009, the insured's dependents will be entitled to it if the insured's benefit-salary is equal to or less than R \$ 752.12.</li><li>• The incarceration-allowance ceases under the following conditions: with the insured's death and, if so, the allowance will be converted into a pension through death; in case of escape, parole, transfer to hostel prison or revocation of the sentence, when the insured's dependent is 21 years old or is emancipated; with the end of the disability or the dependent's death.</li></ul>
How much does it represent for each beneficiary?	<ul style="list-style-type: none"><li>• The value of the incarceration-allowance is an average of 80% of the highest salaries, as long as the last salary does not exceed the value of R\$ 710.08.</li></ul>

#### ***d) Bereavement Allowance***

Table 13 shows the main characteristics.

**Table 13** – Main Characteristics – Bereavement allowance

<b>Characteristics</b>	<b>Description</b>
Who can benefit from it?	<ul style="list-style-type: none"> <li>• Benefit paid to the worker's family when he is deceased.</li> <li>• There is no minimum period of contribution, but it is necessary for the death to occur while the worker was an insured.</li> <li>• If death occurs after the worker is no longer an insured, his dependents will be entitled to a pension if the employee has fulfilled, until the day of his/her death, the requirements for retirement under the rules of social security.</li> <li>• The benefit ceases when the pensioner dies, or when the insured's offspring or siblings complete 21 years of age or when the insured recovers his ability to work (in the case of a pensioner with a disability).</li> </ul>
How much does it represent for each beneficiary?	<ul style="list-style-type: none"> <li>• It corresponds to 100% of the pension that the insured received on the day of his/her death or that he/she would be entitled to had he/she retired through disability.</li> <li>• If the employee has more than one dependent, the bereavement allowance will be divided equally among all of them. When a dependent loses his right to the benefit, his share will be divided between the others.</li> <li>• The bereavement allowance left by rural workers is equivalent to the minimum wage.</li> </ul>

### e) Family-Allowance

Table 14 shows the main characteristics.

**Table 14** – Main Characteristics – Family-Wage

<b>Characteristics</b>	<b>Description</b>
Who can benefit from it?	<p>Benefits paid to employees with monthly salary of up to R\$ 752.12 to assist in the upkeep of children of up to 14 years of age or disabled children of any age.</p> <ul style="list-style-type: none"><li>• Stepchildren and fostered children who do not have sufficient assets to cover their living are considered in equal terms as though they were the insured's children.</li><li>• Both employees under contract and occasional workers are entitled to family-allowance.</li><li>• Domestic employees, individual registered workers, the special insured and the voluntary insured are not entitled to family-allowance.</li></ul>
How much does it represent for each beneficiary?	<ul style="list-style-type: none"><li>• From February 2009, the value of the family-allowance is R\$ 25.66, per child up to 14 years of age or for the disabled ones of any age, for those who earn up to R\$ 500.40.</li><li>• For the employee who receives between R\$ 500.40 and R\$ 752.12, the value of the family-allowance per child of up to 14 years of age or for those disabled of any age, is R\$ 18.08.</li></ul>



**f) Maternity-Allowance**

Table 15 shows the main characteristics.

**Table 15** – Main Characteristics –Maternity-Allowance

Characteristics	Description
Who can benefit from it?	<ul style="list-style-type: none"> <li>• Women workers contributing to Social Security are entitled to maternity-allowance in 120-day period that they stay away from the workplace due to childbirth.</li> <li>• The benefit is also extended to mothers who adopt children, to a maximum of 120 days, depending on the age of the child.</li> <li>• There is no requirement for a minimum period of contribution from employed women, domestic workers and the occasional worker as long as they show evidence of their condition at the time they stop working or at childbirth.</li> <li>• The voluntary and individual registered worker must have paid at least ten contributions to be entitled the benefit.</li> <li>• The special insured will receive the maternity-allowance if she shows evidence of at least ten months of rural work.</li> </ul>
How much does it represent for each beneficiary?	<p>For the insured employee:</p> <ul style="list-style-type: none"> <li>• Those in receipt of a fixed salary, will receive the full value of the monthly remuneration.</li> <li>• Those with a variable salary, will receive the equivalent to an average of the six precedent months salaries.</li> <li>• Those who receive more than the salary limit established by the Minister of the Federal Supreme Court will be entitled the maternity-allowance limited to this maximum.</li> </ul>

***g) Social Assistance - Benefit of Continuing Provision of Welfare (BCP)***

Table 16 shows the main characteristics.

**Table 16** – Main Characteristics – BCP

<b>Characteristics</b>	<b>Description</b>
Who can benefit from it?	<ul style="list-style-type: none"> <li>• The worker with disabilities must show evidence to the fact that the family's monthly income per capita is less than ¼ of the minimum wage, and should also be assessed if his disability is a handicap as far as living and work are concerned.</li> <li>• The elderly must show evidence to the fact that he is 65 years old or older, that he does not receive any kind of pension, and that the family's monthly income per capita is less than ¼ of the current minimum wage.</li> </ul>
How much does it represent for each beneficiary?	<ul style="list-style-type: none"> <li>• The benefit of continuing provision is the guarantee of one (1) minimum monthly wage to the handicapped worker and to the elderly who are 70 (seventy) years of age or more, and who can prove that they do not have the means to provide for their own maintenance nor to have it provided by their family.</li> </ul>

### ***h) Waiting Period***

In table 17, a summary of the main existing waiting time in the social security programs is shown as reference.

As we have already seen, this waiting time varies depending on the benefit requested.

**Table17** – Waiting Time – Social Security

Benefit	Waiting Time
• Maternity allowance	12 monthly contributions.
• Retirement through disability	12 monthly contributions.
• Retirement through age	180 contributions.
• Special retirement	180 contributions.
• Retirement through time of contribution	180 contributions.
• Accident-allowance	no waiting period.
• Family-Allowance	no waiting period.
• Retirement through death	no waiting period
• Incarceration-allowance	no waiting period
• Sickness-allowance	10 months of actual exercise of rural activity, even if without continuity for the special insured. No waiting period for employees, occasional workers and domestic employees. 10 monthly contributions (individual insured and voluntary insured).

### ***i) SUS - Sistema Único de Saúde (Unified Health System)***

The National Unified Health System had its principles laid down in the Organic Law of Health, from 1990, based on Article 198 of the Federal Constitution of 1988. Below, table 18 presents these basic principles.

**Table 18** – SUS – Ideological Principles

<b>Principles</b>	<b>Definition</b>
Universality	<ul style="list-style-type: none"><li>• "Health is a right for all citizens" according to the Federal Constitution. Naturally, it is understood that the State has the obligation to provide healthcare considering that it is impossible to make everyone healthy by force of law.</li></ul>
Integrity	<ul style="list-style-type: none"><li>• Healthcare includes both the preventive and curative means; both the individual and the collective.</li><li>• The health needs of individuals (or groups) should be taken into consideration even if they are not equal to those of the majority.</li></ul>
Equity	<ul style="list-style-type: none"><li>• Everyone must have equal opportunities to use the health system.</li></ul>

The SUS is available in three levels (national, state and municipal), each with its own command and with its own tasks. In general, municipalities have had an increasingly important role in providing and managing health services: the fund transfers have been evaluated individually i.e. based on its population and the type of services offered and not on the number of attendances.

Currently, the SUS budget is R\$ 48 billion (2008), R\$ 41 billion in 2007, i.e., approximately 1.7% of the GDP. Many specialists in the field of health say that due to the country's size, this number should be 4 times this amount, a difficult challenge, at least in the short term. It is estimated that the SUS provides healthcare for 75% of the population.

In essence, SUS is organized so as to anticipate health problems or try to solve them as soon as possible and as close as possible to the population. The Family Health Program is the basis on which the SUS operates. In this program, regions of the city are divided into areas that cover about 4,500 people; all residents are registered and their health records are gathered. Then, a team (doctors, nurses, nursing auxiliaries, etc.) is allocated for each area.

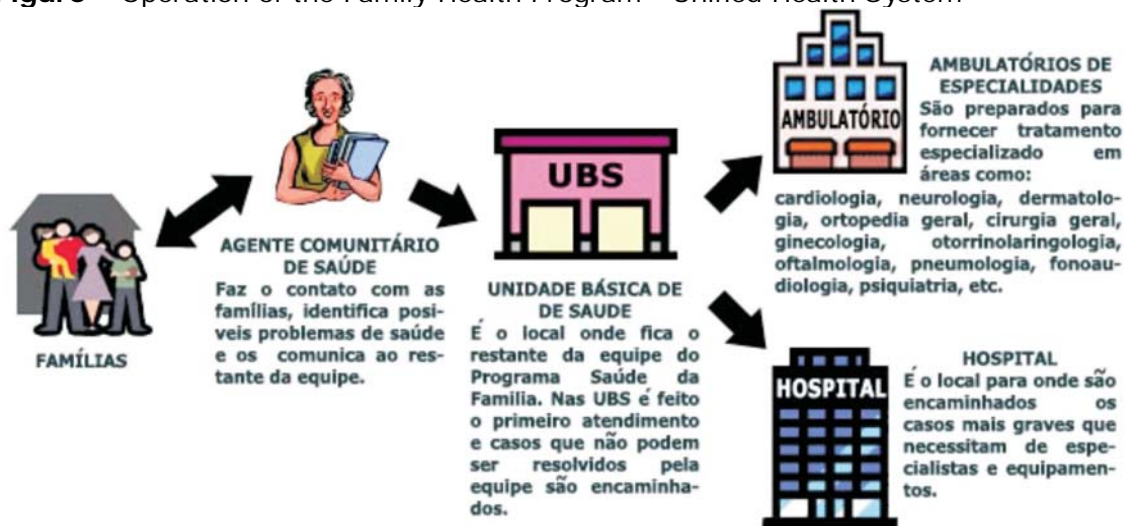
In this structure, a key figure to organize and facilitate the access of the population to the health services is the Community Health Agent. At first, he is responsible for registering the population, raising information about who and where the possible patients are in the area where he works, always being aware of cases that require more attention such as pregnant women, the elderly, the chronically ill, etc.. After the registration is done, the agent continues to visit those families on a regular basis, and when he identifies an illness, he informs

other professionals of the team and schedule consultations, which are held in the Basic Health Unit. In special cases, such as elderly people at risk of abandonment or patients with difficulty in walking, the rest of the team (the nursing auxiliary, nurse and doctor) may go to the patient's house.

Most of the problems identified by the agents are seen to at the Basic Health Units, and the team tries to solve the simplest cases there, or refer them to specialized outpatient clinics. Cases of serious illnesses that require equipment and specialized doctors are referred to hospitals.

In the chart below, there is a simplified diagram of the structure of the Unified Health System (SUS).

**Figure** – Operation of the Family Health Program - Unified Health System



#### FAMILIES

#### COMMUNITY HEALTH AGENT

He makes contact with families, identifies possible health problems and notifies them to the rest of the team.

#### BASIC HEALTH UNITY - UBS

It is the place where the rest of the team of the Family Health Program is located. The first assistance is given at the UBS and cases that cannot be solved by the team are referred to other clinics.

#### SPECIALIZED OUTPATIENT CLINICS

They are prepared to provide specialized treatment in areas such as cardiology, neurology, dermatology, general orthopedics, general surgery, gynecology, ear, nose and throat specialties, ophthalmology, pulmonology, speech therapy, psychiatry, etc.

Source: FAPESP - Fundo de Amparo a Pesquisa do Estado de São Paulo (Fund for Research Support of the State of São Paulo).

## ***j) Workers Compensation Insurance***

In theory, accidents at work are those that occur in the exercise of work-related activities for the company causing physical injury or functional disturbance that may result in death, or in loss or reduction, permanent or temporary, of physical or mental capacity of the worker.

Table 19 presents some possible examples.

**Table 19** – Definition – Workers Compensation Insurance

<b>Types</b>	<b>Definition</b>
• Typical Accident	• That one resulting from the characteristic of the professional activity that the individual exercises.
• Commuting Accident	• The accident that occurs between the residence of the worker and the workplace, and vice versa.
• Profession or work-related illness	• Illness that is produced or triggered by the exercise of a particular function, characteristic of a specific job.

In Brazil, approximately 80% to 85% of workplace accidents can be classified as typical. Brazil has had, on average, 600 thousand workers compensation per year.

Operationally, when workers compensation accidents occur, a notification has to be made to the Social Security using a specific form (*CAT, Comunicação de Acidentes de Trabalho* - Workers Compensation Accident Report).

As for the Workers Compensation Insurance, it is a public insurance system by which the worker receives benefits in the event of sickness, accident, or in case of death when they occurred during the exercise of work or on the route from house to work and vice versa.

The company pays the first 15 days of absence from work, and after that, the Ministry of Welfare pays his salary.

Once this period is through, the worker will receive the sickness allowance. The granting of this benefit does not require that the employee should have a minimum period of contribution, and it ceases when the worker recovers the ability and returns to work, or when the patient applies for retirement through disability, making a change of benefits.

If the employee presents a permanent injury, the accident allowance is then granted to the employee. This benefit has an indemnity character and can be

combined with other benefits, except for retirement. When the employee is retiring, the benefit ceases. The payment of the accident allowance is initiated once the sickness allowance ceases to be provided, and its value is equivalent to 50% of the salary used in calculating the sickness allowance, adjusted until the month preceding the beginning of the payment of the accident allowance.

Historically, the rates range from 1% to 3% from the companies' part, depending on the line of business. These values are calculated on the payroll. Since 2003, FAP (Prevention Accident Factor) became the indicator. This number, from 0.5 to 2.0, should be multiplied by the rate. In other words, in practice, the rate can vary from 0.5% to 6.0%.

## 2.4) Programa Nacional de Fortalecimento da Agricultura Familiar – PRONAF (National Program for the Strengthening of Family Agriculture)

Created in 1995, initially only as a line of credit for financial support, the National Program for the Strengthening of Family Agriculture has gone through great changes, expanding their instruments of action.

Currently, its goal is to finance agricultural and non-agricultural activities performed through the direct use of the rural producer's workforce and his family, being understood by non-agricultural activities services related to rural tourism, production of handicrafts, family agribusiness and other services in rural areas, which are compatible with the nature of rural operations and with the better employment of family labor-force.

In this program, approximately 60% of operations reach the groups with the lowest income, obtaining a low rate of default (around 2.5%). In recent analysis, there was an increase in resources allocated to PRONAF. Nowadays, in quantitative terms, approximately R\$ 13 billion per year are destined to the program, with nearly 2 million of contracts made.

Table 20 presents some characteristics of this program.

**Table 20** – Some characteristics - PRONAF

Description	Details
<ul style="list-style-type: none"> <li>• Some pre-conditions for farmers</li> </ul>	<ul style="list-style-type: none"> <li>• To live in or near the property.</li> <li>• Not to possess, for any purposes, area larger than four tax modules, measured according to the current legislation.</li> <li>• To yield at least 70% of family income from agricultural and non-agricultural activities in the smallholding.</li> <li>• To have family work as the predominant activity in the smallholding.</li> <li>• To have between R\$ 5 thousand and R\$ 110 thousand as the family gross annual income.</li> </ul>
<ul style="list-style-type: none"> <li>• Lines of Credit</li> </ul>	<ul style="list-style-type: none"> <li>• Conventional.</li> <li>• Agribusiness.</li> <li>• Women.</li> <li>• Agro-ecology.</li> <li>• Eco.</li> <li>• More Food.</li> <li>• Reconstruction and Revitalization.</li> </ul>
<ul style="list-style-type: none"> <li>• Examples (Conventional PRONAF)</li> </ul>	<ul style="list-style-type: none"> <li>• Amount fully financed, from R\$ 7 thousand to R\$ 36 thousand.</li> <li>• Interest rate varies between 1% per year (R\$ 7 mil) and 5% per year (R\$ 36 thousand).</li> <li>• Deadline for payment of up to 10 years with waiting period of up to 5 years.</li> </ul>



## 2.5) Complementary Programs

Complementary programs are regular actions, offered by governments (in the three spheres of power) and by civil society, aimed at developing the capacities of registered families in the CadÚnico, especially the BFP's beneficiaries, helping them to overcome the situation of poverty and social vulnerability in which they find themselves.

Next, more details about them.

### ***a) Literate Brazil Program***

The Literate Brazil Program was created in 2003 to promote access to education as a right for all citizens, at any time in life.

In essence, the program provide training for literacy teacher, and has, as its main objective to teach literacy to citizens aged 15 or older, who had no opportunity, or were excluded from school, before learning to read and write.

This project is present throughout the national territory, giving priority to nearly 4 thousand districts that have illiteracy rate equal to or greater than 25%. 90% of this total is located in the Northeastern region.

Some characteristics of this project are presented below, in Table 21.

**Table 21** – Characteristics – Literate Brazil Project

<b>Description</b>	<b>Details</b>
• For whom it is intended	• People over 15 years of age. • Primarily, indigenous communities, rural communities, traditional fishermen and other fishermen, parents of beneficiaries of the Program for the Eradication of Child Labor (PETI), people with special educational needs, prison population and young people who are undergoing socio-educational training.
• Scholarships for the literacy teacher	• From R\$ 250 to R\$ 500 per month, depending on the type of work and quantity of classes.

In 2008, about 2 million students benefited from this project, with a planned investment of nearly R\$ 400 million.

### ***b) ProJovem (Pro-Youth) Program***

Initiated in 2005, the National Program for Youth Inclusion (PROJOVEM) was created to address the high rates of school dropouts and unemployed amongst the youth registered in Brazil.

Table 22 presents some characteristics of this project.

**Table 22** – Characteristics –ProJovem Project

<b>Description</b>	<b>Details</b>
<ul style="list-style-type: none"> <li>• For whom it is intended</li> </ul>	<ul style="list-style-type: none"> <li>• It is intended for young people from families with a monthly income of up to the minimum wage. The priority public of the project is composed of young people aged between 15 and 29 years of age.</li> </ul>
<ul style="list-style-type: none"> <li>• Existing Programs</li> </ul>	<ul style="list-style-type: none"> <li>• Adolescent PROJOVEM, which aims at inclusion, re-inclusion, and permanence of the young in the educational system. It consists in the restructuring of the Young Agent Program (<i>Programa Agente Jovem</i>) and it is aimed at young people from 15 to 17 years of age.</li> <li>• Urban PROJOVEM, which aims at promoting professional qualification. It is a reformulation of PROJOVEM - National Program for Youth Inclusion.</li> <li>• Rural PROJOVEM, which seeks to strengthen and expand access and permanence of young family farmers in the educational system, promoting the upgrading of educational standards, skills and professional capability.</li> <li>• PROJOVEM Worker, which unifies the programs Social Consortium of Youth (<i>Consórcio Social da Juventude</i>), Citizenship for Youth (<i>Juventude Cidadã</i>) and Factory School (<i>Escola de Fábrica</i>), and aims at preparing young people for the work market and for alternative occupations to generate income.</li> </ul>

For example, in the case of PROJOVEM Urban Program, the young person is required to undertake 2.000 hours (1.560 hours of obligatory presence) over 18 months. The following courses were offered: Food, Construction and Repair, Metal Mechanics, Telematics and Tourism. The young person enrolled in the program receives a benefit of R\$ 100 monthly during the period of the course, if he/she meets the goals and has a minimum frequency of 75% class attendance.

***c) Projeto de Promoção do Desenvolvimento Local e Economia Solidária – PPDLES (Project for Promotion of Local Development and Solidarity Economy)***

Initiated in 2006, the Project for Promotion of Local Development and Solidarity Economy has as its main objective the promotion of actions to encourage and support solidarity-based local development, through Agents of Solidarity Development (ASD) for the generation of employment and income, supporting the organization of solidarity and collective entrepreneurships.

The ASDs are players selected by the community to act, especially, in the identification and articulation of local economic potentials.

Its priority public is the beneficiaries of the Bolsa Família Program. The PPDLES is operated by the University of Brasília (UnB) whilst having the participation of other bodies of the federal government.

Since 2006, the Project supported 687 ventures, located in 199 cities, with participation of over 40 thousand workers.

#### ***d) Pronaf –Special Lines***

Founded in 2000, the Pronaf Group B is a productive line of microcredit designed to finance investments for agricultural and non-agricultural activities in rural areas. The program was created to combat poverty in rural areas, as they are destined to farmers with a gross annual family income of up to R\$ 5 thousand to finance any income-generating activities.

The loan may reach R\$ 1.5 thousand per transaction, with interest of 0.5% per year, and if the debt is paid on the due date, a 25% bonus on the main transaction will be granted. The payment can be done after a year and an additional year is given to settle the transaction. R\$ 4 thousand Reais can be made available through Pronaf Group B, with the same discount for on time payments. If it is above R\$ 4 thousand, the family can still have access to the line, but without the 25% discount. There are three official federal public banks working with Pronaf Group B: Banco do Nordeste, Banco do Brasil and Banco da Amazônia.

There is the option of Pronaf Group C credit line to families who have increased their income, which gives possibility to get resources of up to R\$ 5 thousand for costs and R\$ 6 thousand for investments, also with discounts for on time payments.

#### ***e) Microcredit Program in the Northeast***

Banco do Nordeste (BNB) develops a series of products intended for low-income consumers. In the agricultural area, both products of Pronaf type (called Family Agriculture) as Pronaf group B (called Agroamigo) have already been commented in the previous item. Besides this product, there is a special funding for urban activities, called Crediamigo.

The study of 2006 observed that this product accounted for 60% of microcredit in the country and the 2<sup>nd</sup> largest in Latin America. In this period, 61% of customers were below the poverty line.

These small businesses, customers of this product, mostly informal, have high levels of growth throughout the country, particularly in the Northeastern region, especially in urban centers. Whereas the access to the banking system of this layer of the population is difficult due to the low operational level, the size of business and the quality or lack of guarantees, the product fills a gap in this particular deficiency. Statistical surveys show that, for those who operate with this product, the rate of life improvement is considerably high.

In 2008, there were 1.009 million of other loans, with a disbursement of R\$ 1,087 million. Since 2001, the disbursed amount has reached nearly R\$ 5 billion.

Table 23 presents more details of this segment. In the case of solidarity loans, the guarantee is collective.

**Table 23** –Crediamigo Products – Banco BNB – Low Income – 2008

<b>Description</b>	<b>Details</b>
<ul style="list-style-type: none"> <li>• Solidarity-based popular turnover</li> </ul>	<ul style="list-style-type: none"> <li>• It represents 28% of loans.</li> <li>• Resources for the purchase of raw materials and / or goods.</li> <li>• Loans from R\$ 100 to R\$ 1 thousand.</li> <li>• Loan for groups from 3 to 10 people.</li> <li>• Interest rate of 1.32% per month + TAC- Taxa de Abertura de Crédito (Rate for Credit Opening).</li> <li>• Term period of 12 months.</li> </ul>
<ul style="list-style-type: none"> <li>• Solidarity-based turnover</li> </ul>	<ul style="list-style-type: none"> <li>• It represents 46% of loans.</li> <li>• Resources for the purchase of raw materials and / or goods.</li> <li>• Loans for amounts over R\$ 1 thousand that can be renewed and increased to R\$ 10 thousand.</li> <li>• Loans for groups from 3 to 10 people.</li> <li>• Interest rate ranging from 2% to 3% per month + TAC - Taxa de Abertura de Crédito (Rate for Credit Opening).</li> <li>• Term period of up to 9 months.</li> </ul>
<ul style="list-style-type: none"> <li>• Individual turnover</li> </ul>	<ul style="list-style-type: none"> <li>• It represents 7% of the loans.</li> <li>• Resources for the purchase of raw materials and / or goods.</li> <li>• Loans for amounts of R\$ 300 to R\$ 10 thousand.</li> <li>• Interest rate ranging from 2% to 3% per month + TAC - Taxa de Abertura de Crédito (Rate for Credit Opening)</li> <li>• Term period of up to 9 months.</li> </ul>
<ul style="list-style-type: none"> <li>• Fixed Investment</li> </ul>	<ul style="list-style-type: none"> <li>• It represents 15% of loans.</li> <li>• Resources for the purchase of machinery / equipment and / or infra-structure improvement in the business.</li> <li>• Loans for amounts of R\$ 300 to R\$ 5 thousand.</li> <li>• Effective interest rate of 2.95% per month + TAC - Taxa de Abertura de Crédito (Rate for Credit Opening)</li> <li>• Term period up to 36 months (no waiting period).</li> </ul>
<ul style="list-style-type: none"> <li>• Community</li> </ul>	<ul style="list-style-type: none"> <li>• It represents 4% of the loans.</li> <li>• Resources for the purchase of raw materials and / or goods.</li> <li>• Loans of R\$ 100.00 up to R\$ 1 thousand.</li> <li>• Loan for groups from 15 to 30 people.</li> <li>• Interest rate of 1.32% per month + TAC - Taxa de Abertura de Crédito (Rate for Credit Opening)</li> <li>• Term period of up to 12 months.</li> </ul>

### ***f) National Biodiesel Program***

The National Biodiesel Program has as its goal the socioeconomic structuring of farmers who are beneficiaries of the PRONAF Group B (those with a lower-income).

These farmers receive technical assistance, credit and training to facilitate their insertion in the production arrangements of the biodiesel chain in order to supply processing power plants. This action brings about an increase in the income of households, strengthening the production centers of oil, especially in the Brazilian Northeast.

Currently, the available resources help out more than 200 thousand families of farmers who have contracts for selling raw material to the biodiesel production plants.

With the compulsory sale of biodiesel as from the year 2008, the consumption of that fuel could reach 820 million liters per year. In this scenario, the companies that won the bidding process of Petrobrás are committed to buying at least 50% of the castor production from family farmers.

This fuel will win the Social Fuel Seal, within the insertion of the humblest farmer in this important production chain.

### ***g) Light for All Program (Programa Luz para Todos)***

Created in 2003, the Light for All Program aims at bringing electricity to 10 million people in rural areas by 2008. The installation of electricity in the homes is free and includes the installation of three points of light and two sockets in each residence.

The project prioritizes families receiving the Bolsa Familia Program, based on the information of CadÚnico. Up until the year 2008, 9.5 million had received this benefit. Throughout the project, the planned investment is of R\$ 13 billion.

## **2.6) Program for the Eradication of Child Labor (Programa de Erradicação do Trabalho Infantil - Peti)**

Created in 1996, this program aims at removing children and adolescents between 7 and 15 years old from child labor considered hazardous – the work that puts at risk their health and safety.

The Peti grants monthly scholarships - which reaches R\$ 40 - for the child or adolescent attending school. Moreover, it promotes cultural, sports, arts and leisure activities, in complementary periods.

In order to receive the benefit, families have to make the following commitments:

- Remove all children / adolescents from labor and exploitation activities.
- Minimum Frequency of children and adolescents in regular educational activities and socio-educational services, during the period complementary to the school hours, following the minimum percentage of 85% (eighty-five) of the monthly hours required.
- Monitoring of growth, vaccination and development of children, as well as food and nutrition surveillance of children below seven years of age.

In 2008, 875 thousand children and adolescents benefited from this program, with an estimated investment of R\$ 368 million.

## **2.7) University for All Program (Programa Universidade para Todos - ProUni)**

Established in 2004, the University for All Program aims at facilitating the access of young people with a low-income background into higher education through the granting of full or partial scholarships.

The institutions need to join the program and receive in return, exemption of some taxes (it is estimated that the exemption adds up to R\$ 100 or R\$ 150 million per year). The selection criteria are the results of students in the National Secondary Education Examination (ENEM) and their socioeconomic profile.

In order to participate in the program, students must have finished secondary school after attending public schools or private schools as long as they received full scholarship. The maximum family per capita income must be of up to three minimum wages.

For students with full scholarships, the program offers the benefit of R\$ 300 (called Residence Scholarship), awarded to students enrolled in courses with mandatory frequency of at least 6 (six) semesters in duration with attendance hours greater than or equal to 6 (six) daily hours of classes.

In the 1<sup>st</sup> semester of 2009, the program offered 156 thousand scholarships (96 thousand full scholarships and 60 thousand partial ones) in total.



## 2.8) Citizenship Territories Program (Programa Territórios da Cidadania)

Launched in 2008, the Citizenship Territories Program is a package of 181 government programs for rural areas, involving 15 separate Ministries. Many of these programs, already cited above (eg, Bolsa Familia), belong to this group.

In all, there is an estimate of R\$ 23.5 billion allocated for this venture, encompassing almost one thousand districts and up to 24 million people. In 2008, it benefited 60 territories (defined as areas of low development). In 2009, there will be 120 countrywide.

The objective is to promote economic development and universal basic programs of citizenship through a sustainable development strategy.

By its multi ministerial design, the Citizenship Territories Program is different from other social projects because it is not limited to specific problems with targeted actions.

It combines transversal actions in order to accommodate different dimensions and problem sources that have to be faced.

Table 24 separates the projects by type

**Table 24** – Group of Projects – Citizenship Territories

Group of Projects	Examples
<ul style="list-style-type: none"> <li>• Law and Social Development</li> </ul>	<ul style="list-style-type: none"> <li>• Bolsa Família, benefits for the elderly, benefits for disabled people.</li> </ul>
<ul style="list-style-type: none"> <li>• Sustainable Organization of Production</li> </ul>	<ul style="list-style-type: none"> <li>• Growing Northeast Program (from BNB), Pronaf Credit.</li> </ul>
<ul style="list-style-type: none"> <li>• Health, Sanitation and Access to Water</li> </ul>	<ul style="list-style-type: none"> <li>• Revitalization of the San Francisco and Parnaíba Rivers, and expansion of access to health care and vaccines to the territories.</li> </ul>
<ul style="list-style-type: none"> <li>• Education and Culture</li> </ul>	<ul style="list-style-type: none"> <li>• Construction of schools and increase of technical training for school staff.</li> </ul>
<ul style="list-style-type: none"> <li>• Infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>• Provision of credit to families of settlers, Light for All Program.</li> </ul>
<ul style="list-style-type: none"> <li>• Support for Business Management</li> </ul>	<ul style="list-style-type: none"> <li>• Training of development agents and support for the management of territories.</li> </ul>
<ul style="list-style-type: none"> <li>• Actions related to Land Distribution</li> </ul>	<ul style="list-style-type: none"> <li>• National Program for Land Credit and land acquisition for rural settlement.</li> </ul>

## 2.9) Minimum Wage

A project elaborated by the federal government in 2007, which is still ongoing in the House of Representatives, establishes a permanent policy of readjustment of the minimum wage until 2023. The project foresees that the adjustment of the minimum wage should be based on annual changes of National Index of Prices to Consumers (*Índice Nacional de Preços ao Consumidor - INPC*), plus the percentage of the Gross Domestic Product (GDP) growth of the previous two years.

In recent years, the current governmental administration has tried to make the policy of the minimum wage more efficient.

However, there is a concern about formalizing this procedure for the future. Hence, the necessity of the law, states the government.

Table 25 shows the minimum wage values in recent years, compared to the inflation rate.

**Table 25** – Minimum Wage (R\$) and Inflation

Years	Minimum Wage	Range % Minimum Wage	% Inflation IPCA
2004	260,00	-	-
2005	300,00	15,4%	8,5%
2006	350,00	16,7%	6,1%
2007	380,00	8,6%	3,6%
2008	415,00	9,2%	5,2%
2009	465,00	12,0%	6,2%
2010	510,44	9,8%	4,0%

Criteria:

a) The minimum wage value in 2010 corresponds to the value inserted in the Law of Budgetary Directives (*Lei das Diretrizes Orçamentárias - LDO*).

b) As the value of the minimum wage is informed to the population at the beginning of each year, the inflation rate from the previous year is part of the calculation. For example, the value for 2010 (4.0%) corresponds to the estimated value for 2009.

As we can see from the numbers, in all recent years, the minimum wage has been higher than inflation rates. This indicator is an important fact as an element in the governmental social policies.

# 3

## ***Related Insurance Products***

In the area of private insurance, some products have some similarities to certain benefits offered by the public sphere.

Accordingly, the objective of this chapter is to present the characteristics of these products.

### **3.1) Open Private Pension Funds**

The products of open private pension fund in Brazil can be divided into 3 types: the VGBL (Life Generator of Free Benefit), the PGBL (Generator Plan of Free Benefit) and the Traditional Plan.

On average, the VGBL corresponds to 75%, the PGBL to 25% and the Traditional Plan to 10%.

In all the plans, there are some common characteristics, as mentioned below:

#### **a) Guarantee of Remuneration**

Only the Traditional Plan provides guarantee of remuneration. Today, this is the plan being sold the least, which explains its smaller presence in the market.

#### **b) Collected fees**

In all the plans, there is collection of fees, which vary according to volume and time of applications. The administration fee is the charged value for the management of financial resources. It is generally calculated on the amount of the investment. On average, from 1.5% to 2.0% (annual values).

Next, the purchase fees which cover brokerage and administrative costs of the insurance companies. On average, it is 3% over the deposits.

#### **c) Tax Differences**

When comparing the VGBL with the PGBL, the main difference is the possibility to deduct deposits from the Income Tax basis in the latter, which adds up to 12% of Gross Annual Income. This value is deferred until the redemption of the pension plan. In VGBL, this advantage is not possible. Thus, in the redemption of life insurance, the taxation occurs only on profitability, as the levying of new

taxes on indemnity (that, actuarially, can be interpreted as the result of the sum of the premiums) would be considered a double taxation.

**d) Other Tax Changes**

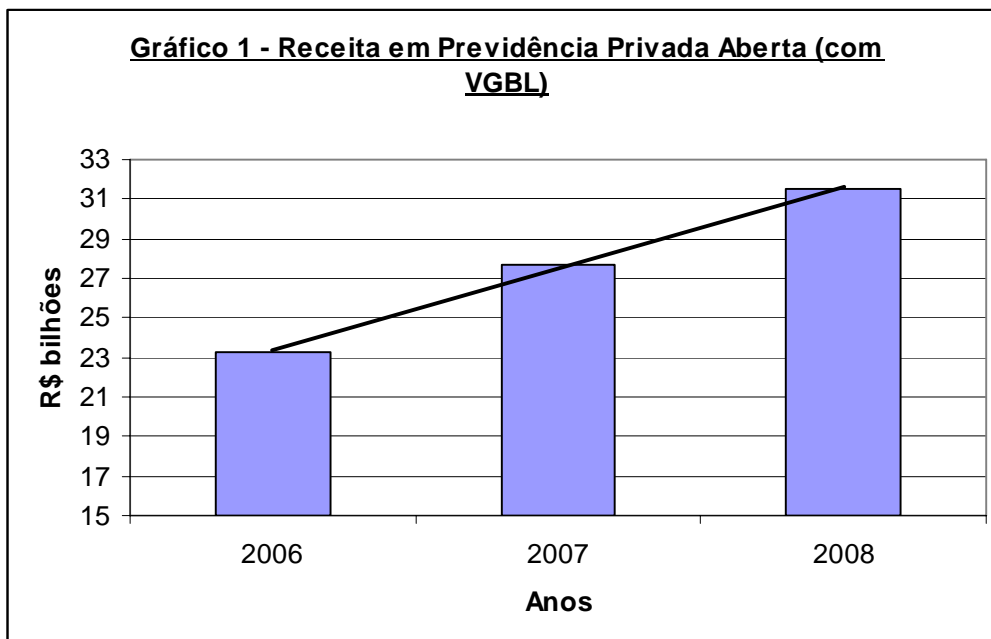
In 2005, the government changed the rules for taxation of pension plans. Now, there are two options. In the regressive regime, the greater the withdrawing period, the lower is the rate. On the other hand, in the progressive regime, the taxation will be on the withdrawn amount.

In practical terms, for the investor wishing to invest long term, the regressive regime is the most indicated. As for those who contribute with a short-term vision, with the expectation to withdraw in unforeseen dates or for participants who are close to the end of the plan, the progressive regime is the most recommended.

In 2008, the private pension plans segment (also considering the VGBL) made almost R\$ 32 billion Reais.

In Figure 1, the evolution of the segment is shown. We can observe the favorable trajectory throughout the period.

**Figure 1** – Open Private Pension Funds Revenue (with VGBL included)



### 3.2) Health Insurance

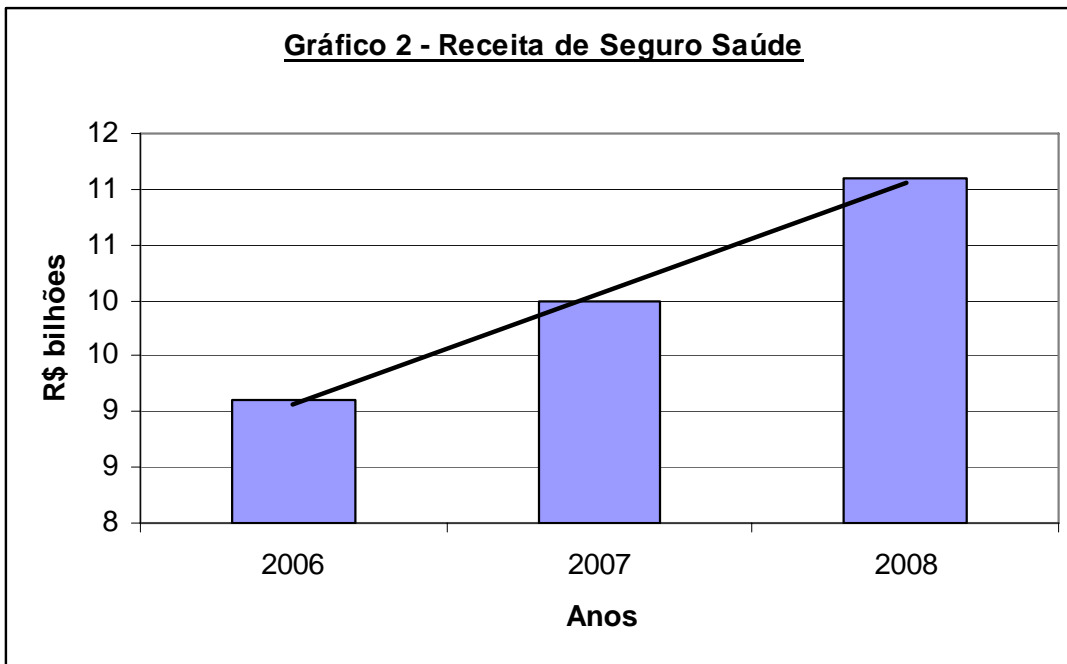
Conceptually, the goal of the health insurance is to reimburse expenses for surgery, clinical examinations, treatments and medical consultations and hospital stays paid by the insured.

According to official statistics, in 2007, the health sector (insurers, health plans, cooperatives, etc.) made approximately R\$ 51 billion.

The health insurance in Brazil in 2008 only, made R\$ 11 billion.

Although this segment has been developing in recent years (see graph 2), its evolution has been uneven.

**Figure 2** – Health Insurance Revenue



(Billion x Year)

On one hand, the segment of corporate health insurance, which is of great interest for insurers, is a profitable segment. On the other hand, the sector of individual health insurance presents low rates of growth. Companies from this segment have lost interest due to the existing illegal uncertainties, among other reasons.

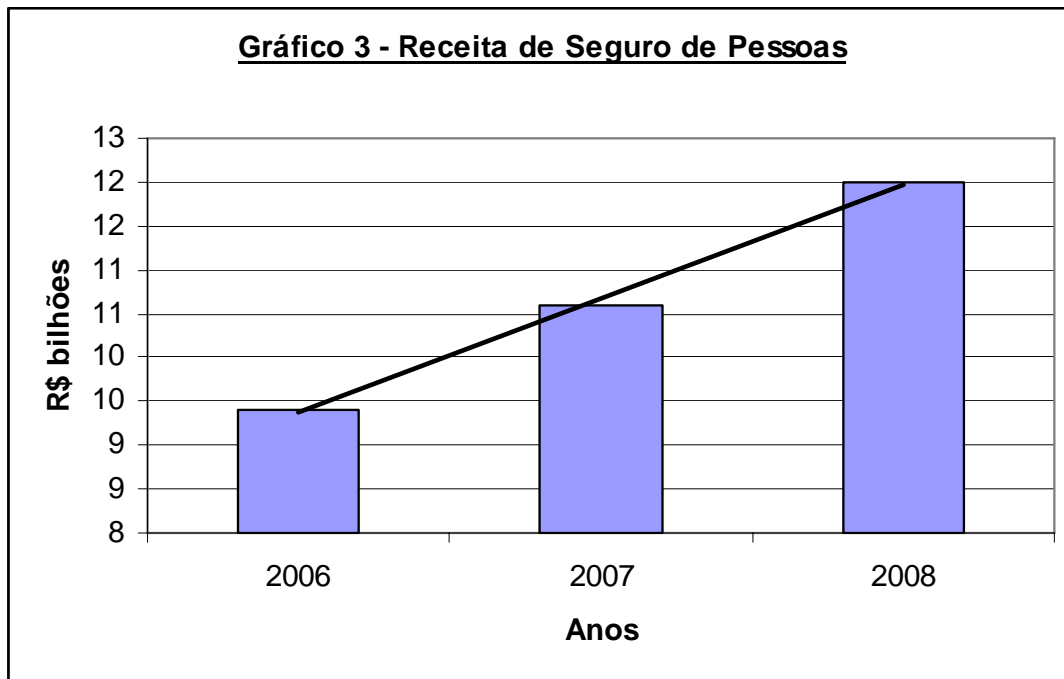
In principle, this scenario remains the same.

### 3.3) Personal Insurance

According to official existing classification, various branches of insurance may be included in the segment of personal insurance. In 2008, there was a turnover of R\$12 billion.

In Figure 3, the evolution of the revenue in this segment over the years. As we can see, the numbers are positive.

**Figure 3** – Personal Insurance Revenue



(Billion x Year)

Next, the definitions of the main businesses are presented in Table 26.

**Table 26 – Personal Insurance – Profile of the Revenue– 2008**

<b>Insurance</b>	<b>Definition</b>
Life	<ul style="list-style-type: none"> <li>• Life insurance is divided into two types: individual and group.</li> <li>• In the first case, the figures take into account various specific aspects of the insured.</li> <li>• In the second case, several people, under an agreement, provide a better purchasing condition and, consequently, a lower premium value that is paid by individual policyholders. In this case, the defining elements are the profiles of the whole population involved</li> </ul>
Credit Life	<ul style="list-style-type: none"> <li>• The Credit Life Insurance aims at paying the insured's installments or the debtor balance settlement of goods or financing plans purchased by the insured, in case of death, permanent disability, temporary disability and unemployment.</li> <li>• This insurance has become a financial protection for companies that sell on credit, and for the insured, who becomes free from liability in case of accident.</li> </ul>
Personal Accidents	<ul style="list-style-type: none"> <li>• Insurance for a specific accident and perfect determined. It may provide coverage for accidental death, permanent, total or partial disability due to accident, or related medical expenses.</li> </ul>

Table 27 presents the Revenue Market Share. The first one is life insurance.

**Table 27 – Revenue Proportion – Personal Insurance – 2008**

<b>Insurance</b>	<b>Proportion</b>
Life	59%
Credit Life	19%
Personal Accidents	18%
Other	4%
Total	100%

# 4

## *Conclusions*

The main objective of this study was to analyze the governmental social programs.

After this analysis, the following aspects can be highlighted:

1) In recent years, this segment has grown a lot in the country. At least, two reasons were decisive:

a) The launching of new government benefits, such as the Bolsa Família Program and all other programs, such as Light for All, Biodiesel, etc. It seems that these policies will probably continue regardless of future governments.

b) The real gain policy based on the minimum wage readjustment. One aspect to reinforce this policy is the fact that there is already, political determination to include this gain in the law, which would make this fact not a government policy, but a State one.

The practical consequence of these facts is that, given the current scenario, it is expected that the income distribution indicators in the country continue to improve in the medium term.

2) Against this backdrop, there are two possible consequences for the insurance private sector.

a) First, of course, to continue with the development of new products that seek to attract this promising consumer market. In addition, even be inspired by some successful experiences in the financial area, taking their products as references.

For instance, the Crediamigo Program of the Banco do Nordeste. The development of microinsurance is in this same line. Studies show that this type of product may attract in the medium term up to 40 million consumers.

b) A second aspect involves political and institutional aspects of the segment. Here, it is recommended to try, at least in the long term, to participate or co-participate in some of the products already offered by the public sector. It is important to remember that the expected revenues of these products in the public sector are increasing, which is an additional stimulus.



Table 28 provides a comparison of the scale of values.

**Table 28** – Comparison: Government × Private Sector

<b>Products</b>	<b>Government</b>	<b>Private Sector</b>
Personal + Social Security/Open Pension Fund Private	<ul style="list-style-type: none"> <li>• Budget of Social Security in 2008: R\$ 220 billion.</li> <li>• Unemployment Benefit Cost: R\$ 1.5 billion.</li> </ul>	<ul style="list-style-type: none"> <li>• Open Private Pension Fund revenue in 2008 = R\$ 52 billion.</li> <li>• Personal Insurance revenue: R\$ 11 billion</li> </ul>
Health	<ul style="list-style-type: none"> <li>• SUS, Budget of R\$ 48 billion.</li> </ul>	<ul style="list-style-type: none"> <li>• Health Insurance, Revenue 2008: R\$ 11 billion.</li> <li>• All the health sector under ANS supervision: R\$ 51 billion.</li> </ul>
Workers Compensation Insurance	<ul style="list-style-type: none"> <li>• 600 thousand injuries through accident (claims) per year.</li> </ul>	<ul style="list-style-type: none"> <li>• It does not exist.</li> </ul>

I.e., as we can see, the differences are relevant.

# ***Annex 1***

## ***Basic Legislation***

The legislation relating to government social programs is quite broad. Next, as a guide, some of the most important basic laws:

- 1) **Law 6.367, of October 19, 1976** – It refers to the Workers Compensation insurance under the INPS supervision and stipulates other provisions.
- 2) **Law 7.998, of January 11, 1990** – It regulates the unemployment benefit program, the wage allowance, establishes the Fundo de Amparo ao Trabalhador - FAT (Worker Support Fund), among other provisions.
- 3) **Law 8.019, of April 11, 1990** – It amends the law of the Fundo de Amparo ao Trabalhador - FAT (Worker Support Fund), among other provisions.
- 4) **Law 8.080, of September 19, 1990** – It refers to the conditions for the promotion, protection and restoration of health, the organization and operation of the corresponding services, and provides other measures. It is called the Organic Law of Health (*Lei Orgânica de Saúde*).
- 5) **Law 8.142, of December 28, 1990** – It refers to the community participation in the management of the Unified Health System (SUS), and the intergovernmental transfers of financial resources in the health area, and provides other measures.
- 6) **Law 8.212, of July 24, 1991** – It refers to the organization of Social Security, creates the Cost Plan, among other provisions.
- 7) **Law 8.213, of July 24, 1991** – It refers to the Social Security Benefits Plan and provides other measures.
- 8) **Law 8.742, of December 7, 1993** – It refers to the Social Security organization and provides other measures.
- 9) **Law 8.900, of June 30, 1994** – It refers to the unemployment benefit, amends provision of Law 7998 of 11 January, 1990, and gives other provisions.
- 10) **Law 9.608, of February 18, 1998** – It refers to the voluntary service and provides other measures.
- 11) **Ministry Order (Portaria) 2.917, of September 12, 2000** – It refers to the Directives and Standards for the Eradication of Child Labor Program (*Programa de Erradicação do Trabalho Infantil PETI*).

12) **Decree 3.877, of July 24, 2001** – It refers to the Single Database for Social Programs of the Federal Government.

13) **Law 10.438, of April 26, 2002** – It refers to the expansion of emergency electric energy supply, extraordinary tariff composition, creates the Incentive to Alternative Sources of Energy Program (ProInfa), the Energy Development Account (CDE), and refers to the public service of power supply.

14) **Law 10.666, of May 8, 2003** – It refers to the granting of special retirement to cooperated individuals in work cooperatives or in production work and provides other measures.

15) **Law 10.779, of November 25, 2003** – It refers to the granting of unemployment benefits to the professional fisherman, who performs the fishing activity in an artisanal way, during the closure period.

16) **Law 10.836, of June 9, 2004** – It creates the Bolsa Família Program and provides other measures.

17) **Law 10.880, of June 9, 2004** – It creates the National Program for Support to the School Transportation - PNATE and the Program for Support to Teaching Systems for Education of Young and Adults Citizens, refers to the transfer of financial resources of the Literate Brazil Program and changes the article 4 of Law 9424, of December 24, 1996, among other provisions.

18) **Law 11.053, of December 29, 2004** – It refers to the taxation of benefits related to social security, among other provisions.

19) **Law 11.096, of January 13, 2005** – It creates the University for All Program – PROUNI, regulates entities operation.

20) **Law 11.097, of January 13, 2005** – It refers to the introduction of biodiesel in the Brazilian energy matrix.

21) **Law 11.129, of June 30, 2005** – It creates the National Program for the Youth Inclusion - PROJOVEM, creates the National Council of Youth - CNJ and the National Secretariat of Youth.

22) **Law 11.326, of July 24, 2006** – It establishes directives for the formulation of the Family Agriculture National Policy and Rural Family Ventures.

23) **Law 11.692, of June 11, 2008** – It refers to the National Program for the Youth Inclusion - PROJOVEM, established through Law 11,129, of 30 June, 2005; amends the Law 10836, of January 9, 2004; repeals provisions of the Laws 9608, of February 18, 1998, 10748 of 22 October, 2003, 10940 of 27 August 2004, 11129, June 30, 2005, and 11,180 of 23 September, 2005; and provides other measures.

# ***Annex 2***

## ***Single Database***

*Source: Ministry of Social Development and Fight against Hunger*

The single database for Social Programs (CadÚnico), works as an instrument of socioeconomic identification and characterization of Brazilian low-income families. It is used, necessarily, for the selection of beneficiaries and for integration of social programs from the federal government.

Families with monthly income of up to half a minimum wage per person, R\$ 207.50 (two hundred, seven Reais and fifty cents) must be registered. Households with income higher than this figure could be included in CadÚnico, provided its inclusion is linked to the selection or the monitoring of social programs implemented by the Federal Government, states or municipalities.

The CadÚnico consists of its database, tools, procedures and electronic systems, and municipal, state and federal governments can use its information base to obtain the socioeconomic diagnosis of the registered families. Thus, the CadÚnico enables the analysis of the key needs of registered families and assists the government in the formulation and management of policies aimed at that segment of the population.

The family registration is implemented by the municipalities through the collection of data from low-income households in a specific form designed for this purpose.

The Single Database Operator Agent – CLERK – processes the entries, and is responsible for assigning to each person of the registered family a number of social identification (NIS) which is unique, personal and non-transferable.

Through NIS, the Single Database operators may find registered people, update data in the database, check the status of the benefit, if any, and manage benefits.

The main information of the registered families is:

- Characteristics of the household (number of rooms, type of construction, water treatment, sewage and waste disposal);
- family composition (number of members, presence of pregnant women, of elderly people, nursing mothers, handicapped members);
- Identification and civil documentation of every member of the family;
- School qualification of family members;
- Professional qualifications and situation within the labor market;
- Income; and
- family expenses (rent, transportation, food and other).

# ***Research – Acknowledgements***

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