

Possibilities and Limitations of the Expansion of Social Protection through Classic Contributory Schemes: Notes on the Social Security Inclusion of the Poor Working Population

by Leonardo José Rolim Guimarães, Secretary of Social Security Policies; Rogério Nagamine Costanzi, Director of the Department of the General Social Security Regime and Graziela Ansiliero, Public Policy and Government Management Specialist

Brazil has been making significant advances in its social protection system in the last 10 years. These advances result from improvements made possible through the contributory pillar, such as social security, through non-contributory pillars, and through the coordination of contributory and non-contributory policies. Specifically with regard to social security, there has been a significant increase in the social security coverage of the population (Figure).

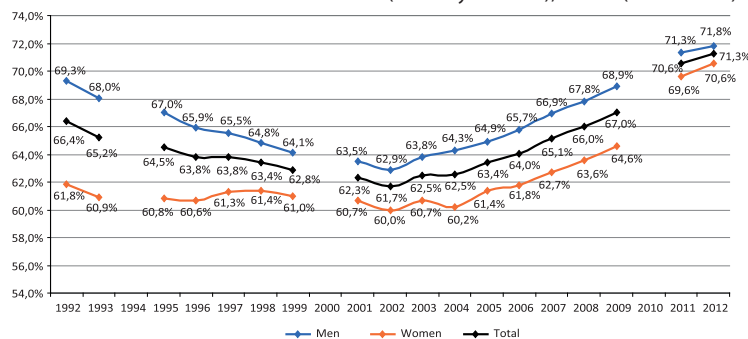
Although these advances have not been homogeneous, as they seem to have reached different levels of intensity in different segments, it can be said that virtually all categories of workers benefit from improved access to labour and social security rights. The most significant improvements seen in social security indicators resulted from the combination of a generalised increase in the number of people employed in the formal sector coupled with social security inclusion measures aimed at groups with traditionally low levels of coverage, particularly self-employed workers—for example, the social security ‘simplified plan’ and Microempreendedor Individual (MEI—individual micro-entrepreneur).

The improvement in the protection of the working population has affected all groups—male and female, urban and rural areas, metropolitan and non-metropolitan areas—reaching workers in various niches of economic activity, including agricultural activities, which is usually characterised by precarious work conditions and a historical and persistent lack of protection. Differences in coverage by gender, region and type of activity (agricultural and non-agricultural) have reduced. These positive results reflect the good economic dynamics experienced by the country—at least for most of the last decade—and the good performance of the labour market: lower unemployment, expansion of the formal labour market, increased real wages and income and better income distribution from a regional perspective.

Data from administrative records also lend credence to the diagnosis that social security coverage has been expanded. According to data from the Ministério da Previdência Social (MPS—Ministry of Social Security), the number of individuals who have made at least one annual contribution to the Regime Geral de Previdência Social (RGPS—General Social Security Regime) grew from about 39.85 million in 2003 to 67.1 million in 2012—an increase of 27.3 million people (or 68.5 per cent). In terms of average annual growth, the peak was about 6 per cent a year—in absolute figures, about 3 million additional contributors a year between 2003 and 2012. This pronounced increase is linked to significant levels of formal job creation during the period, as well as the increasing number of contributors among self-employed workers.

Despite this progress in the process of expanding social security coverage, nearly 30 per cent of the working population remain uncovered by social security. Another point to be considered is that as the level of protection of the working population grows, subsequent steps tend to become more complex than previous ones: those who are last in line for inclusion are prone to be the most vulnerable in an already fragile and heterogeneous environment.

Evolution in Social Security Protection of the Working Population (16–59 years old), Brazil (1992–2012)



Source: Created based on PNAD/IBGE microdata (1992–2012).

As such, the search for these citizens—often dispersed in a labour market still marked by labour and social security informality—is a challenge. In fact, in countries such as those in Latin America—where a significant proportion of the population earns a low income and, therefore, has a limited capacity to contribute—the advancement of social protection must necessarily involve the coordination of contributory, semi-contributory and non-contributory policies, as well as measures to reduce the precariousness of the labour market.

This makes it easier to understand the main justification for the scope of social security inclusion initiatives undertaken by the federal government, particularly in the last decade, which differ from the RGPS’s contributory rationale, as their ties between contributions and benefits are much weaker. The **semi-contributory** nature of such initiatives derives from the prevalent socio-economic profile observed in the unprotected working population—individuals who often do not have money to pay traditional social security contributions in addition to paying for the subsistence of their own families.

There are, however, limitations to the strategy of expanding social coverage through contributions, since a part of the working population, largely composed of adults in chronic poverty, are not able to contribute (despite subsidies), and the RGPS faces limitations in expanding coverage, to ensure actuarial soundness. The path ahead must necessarily include improved coordination between contributory (or semi-contributory) social protection and social assistance policies, so as to reach those who—temporarily or permanently—do not have the means to fund their own livelihoods or those of their families.

Reference:

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