

# Reducing the youth unemployment in Brazil: a practical approach

- Rodrigo Martins Soares<sup>1</sup>

## EXECUTIVE SUMMARY

The aim of this brief is to propose solutions for improving the Public Employment Services, as well as reforming the apprenticeship programme, in order for Brazil to effectively reduce the rate of youth unemployment.

These two policies are, for the moment, dysfunctional in our country.

It is necessary to improve the Brazilian Public Employment Service with the advanced ITC, to increase the employability rate and obtain data on market needs.

It is also crucial to reform the apprenticeship system by removing the obligation of quota hiring, which has produced unsatisfactory results, to focus on the provision of education that effectively increases productivity in the country.

These two measures, if implemented, will constitute an important step forward in reducing the high level of youth unemployment in Brazil.

## ACKNOWLEDGEMENTS

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## KEYWORDS

Youth unemployment, Apprenticeship system, Brazil

## Introduction

Youth unemployment is one of the biggest challenges facing Brazil. Recent data shows that one out of four young people is unemployed. As a result of searching for jobs over many years, young people in Brazil get discouraged and are considered as long-term unemployed.

The table below shows that after 2014, a period during which Brazil experienced a severe recession, the number of unemployed young people increased exponentially.

The young people, for the most part, have occupied lower-skilled jobs and the rates show that the turnover between them is high. It occurs, however, that the vacancies they occupy have not been replaced by other young people, but partially disappeared. For example, in 2017 45.3% of these vacancies ceased to exist.

There is an urgent need, therefore, to increase the productivity of these young people and facilitate their entry into the labor market.

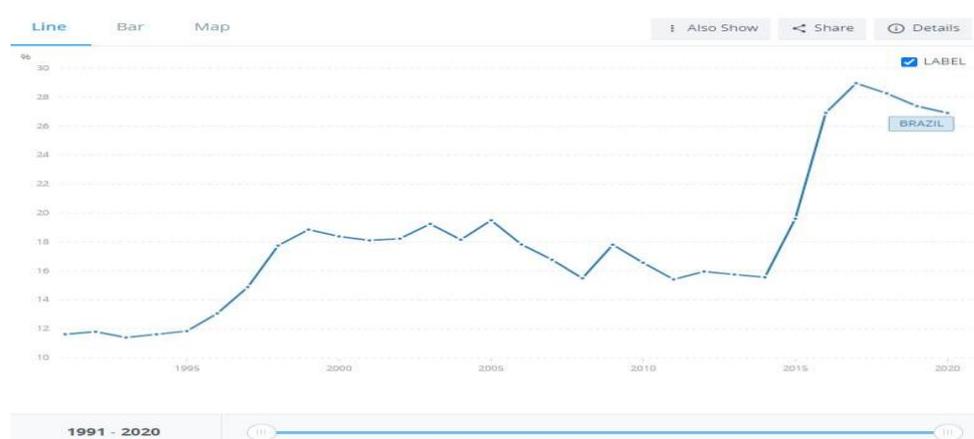
There are several ways to combat youth unemployment. However, this policy brief adopts a practical approach aimed at improving policies already in place in Brazil, specifically the Public Employment Service and Apprenticeship. If improved, they can reduce the difference between the average unemployment rate in the population and the unemployment percentage among young people, thus avoiding a long-term and chronic problem.

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**\*The policy brief is based on the ILO's training on Evidence-Based Policy Making for Decent Work, which was organized by the Research Department from 1 Oct – 30 November 2020.\***

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**Graphic 1:** Unemployment, youth total (% of total labor force ages 15-24) (modeled ILO estimate)



Source : <https://data.worldbank.org/indicator/SL.UEM.1524.ZS?locations=BR>

## Background

The Public Employment Service is crucial in reducing youth unemployment (ILO 2020). It is because this type of public service can be used widely with current technology to facilitate the meeting of vacancies and candidates.

This service can provide workers with data such as job matching, unemployment insurance, training, wages and other information. It can provide career advice and recommend courses to help job seekers improve their skills. ICT can also be used in improving efficiency, effectiveness and coverage/coordination with other service providers.

In Brazil, the Public Employment System (known as SINE), is still far behind the technological development recommended by the ILO. The current SINE system is directly linked to the unemployment insurance program and the uptake of job seekers occurs mainly when there is a demand for unemployment insurance.

The database from SINE was only made available in 2019 to employers and private agencies. But until then all intermediation gone through SINE, which is managed in its operational part through agreements with States and Municipalities. The IPEA document 2 clearly indicates the problem and the intention to modernize SINE using advanced ICT. This outdated structure of the Public Employment Service in Brazil, which addresses less than 4% of the work contracts, impairs the precise diagnosis of the type of vacancy available and the type of qualification that candidates need to have.

The ILO<sup>1</sup> indicates that there are varied ways of transitioning from education to employment, but a High-Quality vocational education and training (VET) better prepares young people for the labor market and its challenges.

According to ILO's conclusions:

"National training systems should offer upskilling to help young workers at risk of being replaced by machines or automated processes. Combining training with on-the-job learning has proven to be successful in both developed and developing countries (Dema, Díaz an Chacaltana, 2015). "

The OECD<sup>3</sup>, for its part, sees Apprenticeship as an essential tool for reducing youth unemployment and believes that in countries where such system is well developed, it has been possible to offer high-skilled jobs to young apprentices.

Thus, a well-designed VET employment system that brings together the interests of employees and employers can be one of the tools by which countries can narrow the unemployment gap between young people and older workers.

## Methodology

This policy brief is mainly based on several reports mentioned in the references, together with the statistics provided by the ILO and the IPEA. The background of the paper was further enforced through a qualitative analysis based on past experiences.

## Policy process

Brazil has this apprenticeship program in place since 2000, when the Law Nº 10.097 significantly altered apprenticeships in the country. Many studies and evaluations have been done. It is found that the Apprenticeship program in Brazil presents serious problems. The hiring of apprentices is mandatory, and large and medium establishments must have between 5 and 15% of their staff as apprentices. It is up to employers to enroll these workers in theoretical courses and offer the practical part in their establishments.

According to an IPEA<sup>4</sup> study, in 2013 only 42.7 percent of the establishments regularly met the quota of apprentices; the study also identified that relevant part of the growth in the number of apprentices in the last ten years (in 2003 was 3,4 percent) was due to the inspection of work. As for the result of the program, there is an improvement in hiring for an indefinite period, as well as reduction in turnover and salary increase.

However, it has not increased the overall ability of apprentices to be hired. The program doesn't seem to increase the experience needed for the market. The study doesn't have a conclusion for the reasons why that happens but consider as a possible cause the grown expectation of these workers after the apprenticeship: they prefer to wait for better opportunities or be back to the educational system.

In addition, those who work as apprentices are not necessarily hired by the company. The study suggests that the existence of quotas imposes on the employer the need to hire other apprentices at the end of the training, to continue fulfilling the quota. This phenomenon establishes from the beginning the low intention to count on the apprentice definitively. In addition, the legal obligation can also impose the employer the hiring of a young employee without the desired profile.

Therefore, the apprenticeship policy does not serve its purpose in Brazil, at least in its current form. The mandatory status of apprenticeships does not translate into higher productivity or experience gained for the apprentice. Furthermore, the program fails to provide the opportunity of a permanent contract, highlighting the inadequacies in its implementation.

## Policy recommendations

Based on the above discussions on youth unemployment and how public employment services and apprenticeship programmes can be used to tackle it, this brief proposes three recommendations:

**a) The quality of the Public Employment Service needs to be improved.**

Brazil can no longer wait for an efficient database that increases the employability of workers, indicating the sectors in which it is necessary to improve qualifications to increase productivity.

To do that, the SINE must have a new design with the updating of its digital platforms, incorporating artificial intelligence and machine learning techniques. With this new design, it will be possible to provide individualized assistance to the worker, verify their deficiencies and offer the training which is required by the market.

#### **b) End the mandatory quotas in the Apprenticeship system.**

This decades old quota system has never been revised. It is an unusual model, which does not meet modern apprenticeship trends. The employer only meets the quota by offering the lowest possible course, while the employee takes little advantage of the training. So, a new law of learning is needed. By this law, the quota system would be extinguished, and the apprenticeship would be applied according to market needs.

It is clear that such a change has a political cost, so it is necessary to consider a payroll exemption system as a way to transition from a quota program to a new one, where the focus would be on providing quality qualification.

#### **c) Improving the apprenticeship.**

Once amended, the new law must establish a public apprenticeship system based on the needs of the market. In other words, the demand for qualification is what should direct public resources towards the provision of theoretical courses.

In this new design, learning must be advantageous for employers and employees, and not a burden as in the previous model. It is recommended that the new design should be built on a sectoral tripartite committee.

The improvements outlined for SINE may help to identify sectors in which there is a lack of qualification, in order to address real issues for the employers, workers and the job market in general.

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