

## TC Document

### I. Basic Information for TC

▪ Country/Region:	BRAZIL
▪ TC Name:	Strategies for labor market recovery in Brazil
▪ TC Number:	BR-T1482
▪ Team Leader/Members:	Gouvea Gomes, Livia (SCL/LMK) Team Leader; Cecilia Siccha (SCL/LMK); Celeste Marzo, Cristina (LEG/SGO); De Freitas Severino, Ligia (CSC/CBR); Garcia Valero, Andrea Carolina (SCL/LMK); Gonzalez Herrera, Beatriz Maria (SCL/LMK); Miranda Antonio, Kelly (SCL/LMK); Morrison, Judith Anne (SCL/GDI); Valente Lins, Paula (CSC/CBR); Villela De Toledo Estevanato, Leise (VPC/FMP); Zimmermann, Beatrice Aline (SPD/SDV)
▪ Taxonomy:	Research and Dissemination
▪ Operation Supported by the TC:	.
▪ Date of TC Abstract authorization:	12 Apr 2021.
▪ Beneficiary:	Federative Republic of Brazil, the States and Municipalities of Brazil.
▪ Executing Agency and contact name:	Inter-American Development Bank (Component 1) and INSPER (Component 2 & 3)
▪ Donors providing funding:	OC Strategic Development Program for Social Development(SOC)
▪ IDB Funding Requested:	US\$200,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	36 Months
▪ Required start date:	
▪ Types of consultants:	Individual Consultants and Consulting Firms
▪ Prepared by Unit:	SCL/LMK-Labor Markets
▪ Unit of Disbursement Responsibility:	CSC/CBR-Country Office Brazil
▪ TC included in Country Strategy (y/n):	Yes
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Gender equality; Productivity and innovation; Social inclusion and equality

### II. Objectives and Justification of the TC

2.1 This Technical Cooperation (TC) objective is to support the recovery of the labor market in Brazil, generating evidence for the design of innovative and efficient labor policies. Strategies to recovery the labor market are more than ever fundamental in Brazil: already with structural challenges, the country faced an economic crisis started in 2016 and the COVID-19 crises interrupted the slow recovery. Nowadays, Brazilian labor markets suffers with high unemployment and informality rates, low participation rate, specially between women and young people, and a sort of statistics shows fragilities in terms of skills and labor productivity<sup>1</sup>. If, on the one hand, the COVID19 crisis increased the challenges, it brings the topic of employment to the center of the debate, creating an opportunity for generation of innovative solutions, for old and new

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<sup>1</sup> Described in the next sections.



issues. Taking advantage of this opportunity to encourage and strengthen good projects and accompany their implementation with a robust impact assessment makes room for creating future efficient policies for the entire region. To this end, this TC will support: (i) the mapping of innovative initiatives with local policymakers in Brazil; (ii) the selection of the best initiatives and their consolidation in structured projects, by incubation process; and (iii) the implementation of the selected projects, accompanied by a robust assessment, via pilots and randomized controlled trials (RCTs). The focus will be on local governments (states and municipalities), but also with potential participation and articulations with the federal government. Below, we detail the scenario of the Brazilian labor market and justify how this TC can contribute to overcoming its challenges.

- 2.2 The Brazilian labor market is characterized by a series of weaknesses that negatively affect its workforce's well-being and the country's economic development. The country lives with high rates of unemployment and informality. According to the IBGE, the unemployment rate was 14.7% in the first quarter of 2021, a record for the historical series that started in 2012. That is nearly 15 million unemployed people, and this accounts for only a small part of the difficult scenario since a very substantial contingent of people left the labor force. The participation rate, which averaged 62% in 2019, reached the historical minimum level of 55.1% in the third quarter of 2020. This means that 9.8 million Brazilians left the labor market; that is, they were neither employed nor were looking for jobs. Even more strikingly, it is possible to observe that the effects were much more intense for certain groups. The participation rate of women reached a minimum of 45.8%, a level much lower than that of men (65.7%) in the third quarter of 2020<sup>2</sup>. For the younger people, who were in schools and universities and needed to transition to the world of work, the scenario was also substantially negative. A survey shows that only 15% of young people leaving university could find jobs in their areas of knowledge and training, whereas before 2020, this proportion was 27%<sup>3</sup>. Also, the informality rate reached 39.6% of workers, continuing its upward trajectory started in 2020<sup>4</sup> and labor productivity growth in Brazil has been deficient in recent decades<sup>5</sup>. To reverse this situation, it is necessary to seek solutions to the causes of all these factors, which include both structural and conjunctural aspects.
- 2.3 Many of the challenges described above concern structural aspects of the Brazilian economy, and public policies have already sought to reverse this scenario. In the last few decades, the average level of education in Brazil has increased considerably. For example, in 1981, a Brazilian adult<sup>6</sup> had an average of 3.8 years of education. In 2014, this number was much higher: Brazilians had an average of 7.8 years of education<sup>7</sup>. However, these tendencies did not translate in greater productivity for workers, that in fact was stable between 1980's and 2010's<sup>8</sup>. Among other factors, this demonstrates a mismatch between what is learned in the school environment and what the productive sector demands technical and socioemotional skills. Finding ways to close this gap is a primordial need. Regarding high informality, the increase in recent

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<sup>2</sup> Pnad Contínua Trimestral - IBGE Sidra.

<sup>3</sup> [Valor Econômico \(April 2021\)](#).

<sup>4</sup> [Pnad Contínua - IBGE](#).

<sup>5</sup> Labor productivity was stable between 1980's and 2010's.

<sup>6</sup> 25 years old or older..

<sup>7</sup> Instituto de Pesquisa Econômica Aplicada (IPEA), in IPEADATA.

<sup>8</sup> [Sustaining Employment and Wage Gains in Brazil \(Figure 1.9\) - World Bank](#).



quarters is, in fact, related to the COVID-19 crisis. Still, it is important to note that the level of informality in Brazil and LAC countries have never reached desirable standards, such as in more developed countries. Informality is closely linked to the costs associated with formal work, and in this sense, it should be noted that Brazil underwent a labor reform towards greater flexibility in 2017. Despite the reform, informality continued with a strong presence in the labor market. It cannot be said that 2017's reform has not reduced informality, as robust impact assessments (with a counterfactual analysis) are needed. However, it is notable that the country needs additional strategies for formalization.

- 2.4 In addition to the structural weaknesses described above, the labor market suffered from the adverse effects of the economic crisis as of 2016, and COVID19 crisis in 2020. After having relative low unemployment rates until 2014 (on average 7.1% between 2012 and 2014), Brazil had an economic crisis that brought the unemployment rate to the level of 13.7% in the first quarter of 2017. Vulnerable groups faced even greater challenges: the unemployment rate among young people in the same period was 28.8%; 24.2% of people with incomplete high school and 15.8% of women were unemployed<sup>9</sup>. Conjectural weaknesses of the Brazilian labor market can become long-term problems. For example, interruptions in women's careers may negatively impact their labor market performance in the future. Likewise, the evidence points out that the transition period from the world of school to the world of work is decisive for the long-term performance of individuals in their careers and graduating in a recession may imparts scarring effects on earnings for up to ten years<sup>10</sup>.
- 2.5 The challenging scenario for workers in Brazil requires effective and innovative policies, and the objective of this TC is to create evidence for the design of such policies. Although several studies indicate favorable paths to the labor market, there are at least three reasons to justify the need for additional evidence: (i) many studies are based on different contexts in Brazil and LAC<sup>11</sup>; (ii) the crisis at COVID19 brought a series of questions, such as how to deal with remote work, and with the reversal of the trend towards an increase in the female participation rate; and (iii) the challenges of the future of work and automation have also been accelerated by the pandemic and will need answers more urgently than previously imagined. In short, the scenario is challenging, but it also creates a fertile environment for innovative solutions. Ideas and innovation are already taking place in localities in Brazil, in an uncoordinated way and without rigorous evaluation. Taking advantage of this opportunity to encourage and strengthen good projects and accompany their implementation with a robust impact assessment makes room for creating future efficient policies for the entire region. To this end, this TC will support: (i) the mapping of innovative initiatives with local policymakers in Brazil; (ii) the selection of the best initiatives and their consolidation in structured projects, by incubation process; and (iii) the implementation of the selected projects, accompanied by a robust assessment, via pilots and RCT.
- 2.6 In a country of continental dimensions such as Brazil, it is necessary to develop an analytical technology to understand the local labor markets to enable the mapping and

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<sup>9</sup> [Pnad Contínua Trimestral - IBGE.](#)

<sup>10</sup> [Voxeu: The scarring effects of downturns on young workers.](#)

<sup>11</sup> For example, the region may benefit from evidence in employment protection policies and on the job training.



selection of robust initiatives. Component 1 will address this issue, creating an easily accessible local data panel serving the IDB and public managers. The implementation of projects (incubation, pilots, and RCTs) will be addressed by Component 2, where the IDB will finance consultancies to support projects implemented through Jobs Opportunities Initiative Brazil (JOI Brazil), launched in 2021 by the Abdul Latif Jameel Poverty Action Lab (JPAL). In component 3, the IDB will finance administration and management costs of the Jobs Opportunities Initiative Brazil (JOI Brazil). The actions and products of each component will be described in more detail in Section III - Description of Activities and Outputs. As a whole, the TC has as a final goal the creation of empirical evidence and impact evaluation to promote efficient labor policies in Brazil.

- 2.7 The execution of the TC will have research institutions as key partners. In particular, J-PAL will be a central partner at all stages by creating the JOI-BRASIL strategy. This strategy has the same objectives as TC and will bring together several partners from civil society, academia, strategic sectors for employment, and managers of public employment policy. The strategy's focus will be on solutions related to skilling and upskilling, work of the future, labor intermediation, and will have the themes of gender and diversity across the board. J-PAL has extensive experience and reputation in incubating projects and conducting RCTs, so that partnership will also strengthen the IDB's capacity in these types of actions. As the legal representative of JPAL in Brazil, INSPER will be the executor of part of the TC (see section IV).
- 2.8 **Strategic Alignment.** The proposed TC is consistent with the Update to the Institutional Strategy (UIS) 2020-2023 (AB-3190-2) and is strategically aligned with the development challenge of: (i) social inclusion and equality by improving students' employability and productive capacity; and (ii) productivity and innovation, in the area of human capital development. The TC is also in tune with the Strategic Ordinary Capital (SOC) objective (GN-2819-1) which looks to: (i) enhance the relevance, quality, and volume of Bank lending in support of the social sector, since it opens space to find scalable and operative solutions to the challenges of the labor market; and (ii) support IDB and clients to foster social inclusion, gender equality, and diversity through projects and programs, since diversity and inclusion of vulnerable groups will be a guideline in the selection of initiatives. It is also in line with the LMK Sector Framework (GN-2741-12) which has at goals that: (i) the region's citizens have more, and more equitable, opportunities to access formal jobs with better wage expectations; and (ii) workers are more productive and, consequently, obtain higher wages and more stable employment. The TC is also aligned with GDI Sector Framework (GN-2800-7) in terms of addressing the challenge of expand women's economic opportunities by increasing female labor force participation, closing income and gender gaps between men and women, and improving women's access to more productive and better-paid jobs and occupations. The proposed activities are congruent with the country strategy for Brazil 2019-2022 (GN-2973), which seeks to reduce social and opportunity inequality by increasing public policies' efficiency, improving the management and quality of spending and infrastructure in the education and health sectors. The TC is aligned with the IDB Group Corporate Results Framework, 2020-2023, through beneficiaries of employment support initiatives indicator.
- 2.9 **Complementarity with other initiatives.** The TC is supplementary to IDB's work to prepare students with the skills needed to thrive in a constantly changing labor market



(IDB-TN-1328), which has guided IDB's work on TVET projects (ATN/OC17398DR, ATN/OC-15890-CH, 4798/OC-BL). Especially, it complements the programs on the importance of a strong cooperation between learning institutions and the private sector to identify and update the skills required by employers (4692/OC-DR, 3787/OC-BH, 2739/OC-BA, 3547/OC-PE, 4645/OC-JA) as well as those supporting curricular transformations to ensure these skill needs are formally incorporated in the education system (3539/OC-CH; 4555/OC-PE). In addition, the TC is aligned with existing interventions in the areas of employment and High School in Brazil (2933/OC-BR, 2992/OC-BR; ATN/OC-14492-BR, ATN/JO-14326-BR, ATN/TV-18513-BR and ATN/TV-18514-BR). The TC has complementarity with the recently approved Loan 5092/OC-BR, which support income transfer and formal job maintenance programs, and the TC that supports the evaluation of these policies (ATN/OC-18390-BR). Finally, TC also complementarity other strategies to strengthen labor intermediation (ATN/OC-17125-BR) and the creation of evidence of public policies in Brazil (ATN/OC-15821-BR).

### **III. Description of activities/components and budget**

3.1 This TC will finance the following components:

3.2 **Component I - Local diagnostics:** This component will finance consultancy services. The outputs of this component will be: (1) a panel with data at the municipality and the states' level, available to all the public; and (2) a report analyzing the data on this portal, finding challenges, and proposing recommendations. Brazil is a country of continental dimensions, and there are typically relevant heterogeneities between its locations concerning the labor market. To propose appropriate solutions, it is necessary to create local diagnostics and map interesting intervention opportunities. This is made possible through the intelligent use of the country's rich administrative records. The data panel will help map challenges and opportunities for solutions at the local level, essential for Component 2. It will also be a public good to support policy managers in understanding the local scenario and decision making and the IDB in future projects. The data needed to build local statistics are, in general, publicly accessible, as they do not require identified information at the individual level. If there is a need for special authorizations, we can count on the Labor Observatory of the Ministry of Economy of Brazil, with which the IDB already has a history of collaboration and trust. Activities will be coordinated with the IDB's Digital Cluster /Datalake team.

3.3 **Component II - Strategic support in the design and implementation of solutions:** This component will finance consultancy services to support projects implemented through JOI Brazil. TC resources will support the design and implementation of innovative solutions through incubation process and pilots coordinated with local governments. There will be two project incubation cycles per year, and their results will be known in a short period of time (about 3 months). For pilots, there will also be two selection cycles per year, and about one year of implementation. It is expected to know its results within a year. Considering these timelines, the resources of this technical cooperation will be concentrated on projects from the cycles of the initial years (2021 and 2022). However, the close participation of the IDB team in the incubation and pilots, as well as the evidence for innovative solutions will come from all JOI-Brazil projects. Projects will focus on the skills gap, work of the future, and employment intermediation, considering gender cross-cutting aspects. Thus, the target population is the working-age population in general. Depending on the selected



proposals, specific populations can be potential direct beneficiaries: young people looking for their first job, informal or formal unemployed workers, workers in need of qualification, women who need to reintegrate into the workforce, etc. The outputs of this component will be incubation workshops, seminars, supervisions reports, pilot interventions designed, and strategies designed with a gender and diversity perspective. The supervision reports will include the main results of the impact evaluations of projects developed in partnership with governments and local entities, that can serve as inputs to design of new public policies in Brazil and in LAC. These projects may be of three types: exploratory grants, pilots, and Randomized Controlled Trials (RCTs). The IDB will technically participate in all stages, partially financing all selected projects, which will also have resources from other private sector institutions.

- 3.4 **Component III - Project administration and institutional strengthening:** Project administration, financial execution, monitoring of project activities, auditing. In component III, the IDB will finance other costs and expenses related to the execution of technical cooperation. The costs are linked to the management and administration of the TC. The output of this component will be annual reports published.

#### Indicative Budget

Activity	Description	IDB/Fund Funding		Total Funding
		IDB Executing	INSPER Executing	
Component I	Local diagnostics	\$ 40,000.00	\$ 0.00	\$ 40,000.00
Component II	Strategic support in the design and implementation of solutions	\$ 0.00	\$140,000.00	\$ 140,000.00
Component III	Project administration	\$ 0.00	\$ 20,000.00	\$ 20,000.00
<b>Total</b>		<b>\$ 40,000.00</b>	<b>\$ 160,000.00</b>	<b>\$ 200,000.00</b>

- 3.5 The TC has a total budget of US\$200,000, to be funded through the SOC. No local counterpart resources are contemplated. The execution and disbursement period are 3 years.

#### IV. Executing agency and execution structure

- 4.1 The executing agency of the Component 1 of this TC will be the IDB, Social Sector, Labor Markets Division (SCL/LMK). The executing agency of the Component 2 and 3 of this TC will be INSPER. This TC has the no objection of the *Secretaria Especial de Comércio Exterior e Assuntos Internacionais – Ministério da Economia do Brasil* (Ofício SEI Nº 77618/2021/ME). The IDB will be an executing agency due to larger experience accumulated on projects that are like this TC, which will allow the



achievement of expected results. Furthermore, the IDB provides an independent and transparent execution of studies and assessments developed in this TC INSPER will be the executor of component 2 and 3, as an executor in Brazil of all strategies with J-PAL. INSPER is a research institution with a high reputation and credibility in socio-economic development. Preparation and execution will be done in close collaboration with all Social Sector, considering all the potential gained in intersectoral work, especially considering aspects of gender and education.

- 4.2 INSPER is a private, non-profit foundation, and will use its systems for procurement, financial management and reporting, project management, and monitoring and evaluation of the project effectiveness in what relates to Component 2 and 3 of the TC. A training regarding IDBs financial procedures will be scheduled after the approval of the TC and before starting the execution of Component 2 and 3 of the TC. The IDB will maintain a close and constant dialogue with INSPER through all stages of execution, connecting with local and federal labor policy managers, and coordinating activities, terms of reference and acceptance of deliverables.
- 4.3 The active role of the Bank in this TC may have positive externalities for other countries in the region, as part of the efforts to support the countries in the post-pandemic employment recovery. The strategy will have a technical working group, which will evaluate the proposals received. The IDB may appoint two experts to form this group, with J-PAL and INSPER specialists. Design, coordination and supervision of this TC and its disbursement will be tasked to the IDB's Labor Market (SCL/LMK). Disbursement will be tasked to the Brazil Country Office (CSC/CBR). The TC disbursement and execution period will be 36 months.
- 4.4 **Procurement.** Activities to be executed under Components 1 of this TC have been included in the Procurement Plan 1 (see Annex IV) and will be contracted by the Bank in accordance with Bank policies as follows: (a) AM-650 for Individual Consultants; (b) GN-2765-4 and Guidelines OP-1155-4 for Consulting Firms for services of an intellectual nature; and (c) GN-2303-28 for logistics and other related services. Activities to be executed under Component 2 and 3 of this TC have been included in the Procurement Plan 2 (see Annex IV) and, considering that INSPER is a private sector entity, procurement will be made using INSPER ' procedures according to appendix IV of the Policies for the Procurement of Goods and Works financed by the IDB (GN-2349-15) and appendix IV of the Policies for the Selection and Contracting of Consultants financed by the IDB (GN-2350-15), both of May 2019. INSPER has experience in the execution of similar projects to the one targeted by this TC, so the risks are considered low from the point of view of procurement and financial management. As a result, it is expected that the procurement supervision modality will be ex post.
- 4.5 **Financial Management.** The project team has determined that an external audit of the TC will not be required, due to the funding amount, the low level of risk, and the nature and complexity of the TC. To supervise the financial management of Component 2 and 3, INSPER will present to the Bank semi-annual unaudited financial reports regarding Component 2 and 3, within 60 (sixty) days after the end of each financial year. The last of these financial statements will be presented by the Executing Agency to the Bank within 60 (sixty) days following the date of the last disbursement.



- 4.6 **Monitoring and Evaluation.** INSPER shall present semi-annual reports to the Bank, within 30 (thirty) days following the end of each calendar semester, which shall include, in relation to Component 2 and 3 and among other aspects, a description of the progress of execution, an update on implementation and financial status, and updated disbursement projections. Additionally, INSPER shall collaborate with the Bank in the preparation of the TC result evaluation.
- 4.7 **Intellectual property.** The intellectual property rights of the products derived from this TC shall be owned by the Bank. In any case, INSPER will be allowed to take advantage of the products financed by this TC for non-commercial purposes, under the terms of Section AM-331 of the Bank's Administrative Manual (Procedures for the Publication of Knowledge Products).

## **V. Major issues**

- 5.1 The risks in executing the TC and achieving its objectives are: (i) Unforeseen events related to the COVID-19 crisis concerning the implementation of actions. For example, which hinder face-to-face; and (ii) Unforeseen events about the strategy for employment at J-PAL in Brazil, JOI Brazil. This is a new strategy, which may eventually encounter difficulties in mapping initiatives to be implemented and evaluated. To mitigate first risk, we will be attentive to the scenario to safely ensure all actions' implementation, and whenever possible explore digital channels. Regarding the second risk, we will be monitoring the evolution of the JOI Brazil, but it is important to note that the strategy was officially launched in May 2021. The project team will work in close collaboration with the JOI-Brazil team, to ensure an effective mapping of the challenges and opportunities in Brazil.

## **VI. Exceptions to Bank policy**

- 6.1 None.

## **VII. Environmental and Social Strategy**

- 7.1 Classification C – Due to this project's nature, it is estimated that this TC will not have a considerable negative environmental or social impact. (SPF-SSF).

### **Required Annexes:**

[Request from the Client - BR-T1482](#)

[Results Matrix - BR-T1482](#)

[Terms of Reference - BR-T1482](#)

[Procurement Plan - BR-T1482](#)