

**\*Productive Inclusion: Productivity, Entrepreneurship and Informality**

**Public Policies and References (In Portuguese) all \*\*\*see also returns to education**

**•Diagnosis**

- ☐ *Vozes da Nova Classe Média: Caderno 3 – SAE/PR: Abril 2013*  
<http://www.sae.gov.br/site/wp-content/uploads/3%C2%BA-Caderno-VCM-Vers%C3%A3o-Final-20130506.pdf>
- ☐ *22 Milhões Menores - Revista Conjuntura Econômica FGV: Agosto 2009*  
<http://cps.fgv.br/sites/cps.fgv.br/files/artigo/As%2022%20Milh%C3%B5es%20Menores.pdf>

**•Formalization: MEI and Supersimples**

- ☐ *Uma Análise Exploratória dos Efeitos da Política de Formalização dos Microempreendedores Individuais*  
Boletim Mercado de Trabalho nº 54 – IPEA: Fevereiro de 2013  
[http://www.ipea.gov.br/portal/images/stories/PDFs/mercadodetrabalho/bmt54\\_nt02\\_analise\\_exploratoria.pdf](http://www.ipea.gov.br/portal/images/stories/PDFs/mercadodetrabalho/bmt54_nt02_analise_exploratoria.pdf)
- ☐ *A Educação Profissional e a Corrida Trabalhista – Revista Conjuntura Econômica FGV: Junho 2010*  
Texto para Discussão 1939 – IPEA: Março 2014  
[http://www.ipea.gov.br/portal/images/stories/PDFs/TDs/td\\_1939.pdf](http://www.ipea.gov.br/portal/images/stories/PDFs/TDs/td_1939.pdf)

**• Professional Education:**

- *As Razões da Educação Profissional – CPS/FGV: Fevereiro 2012*  
[http://www.cps.fgv.br/cps/bd/senai\\_razoes/Senai\\_Neri\\_texto\\_TEXTOFim.pdf](http://www.cps.fgv.br/cps/bd/senai_razoes/Senai_Neri_texto_TEXTOFim.pdf)
- ☐ *A Educação Profissional e a Corrida Trabalhista – Revista Conjuntura Econômica FGV: Junho 2010*  
<http://cps.fgv.br/sites/cps.fgv.br/files/artigo/A%20educa%C3%A7%C3%A3o%20profissional%20e%20a%20corrida%20trabalhista.pdf>

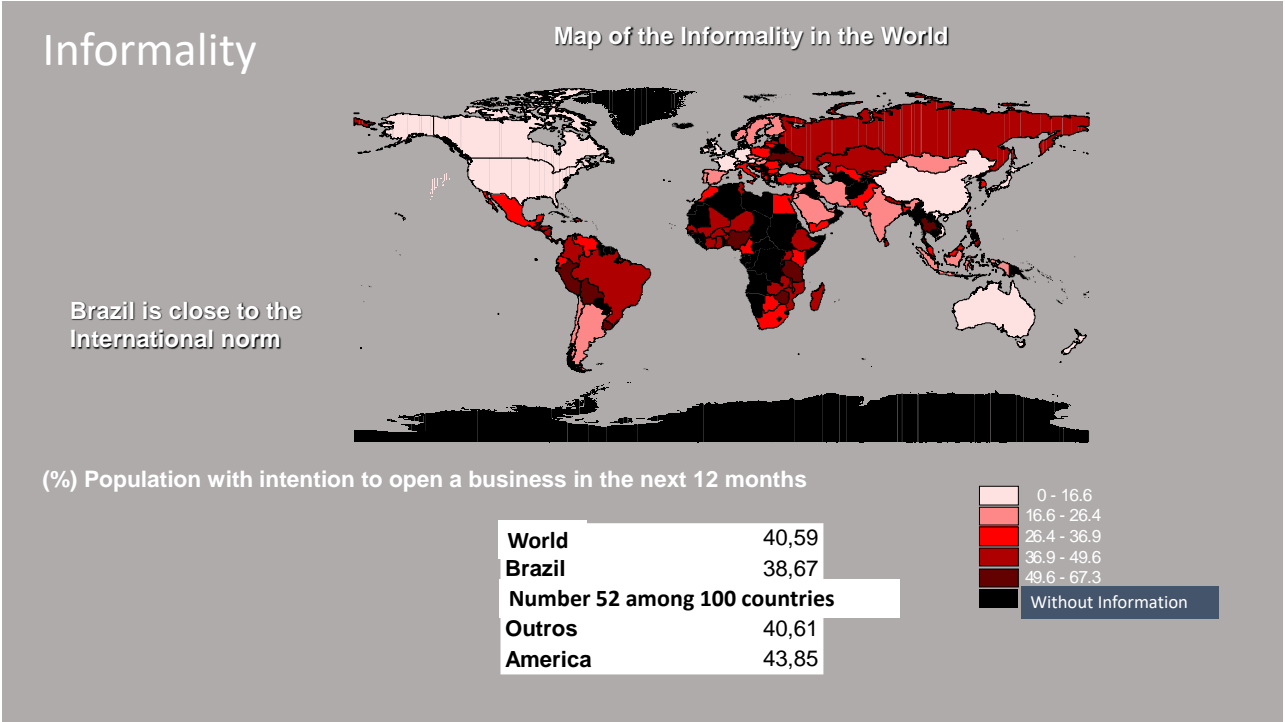
**• Microcredit:**

- Livro: NERI, Marcelo. *Microcrédito, o Mistério Nordeste e o Grameen brasileiro: Perfil e performance do CrediAmigo*. Rio de Janeiro: Editora FGV, 2008
- ☐ *Pagando a Promessa do Microcrédito – CPS/FGV: Julho 2009*  
<http://www.cps.fgv.br/cps/crediamigo3/>

**•Innovation**

- ☐ *Empreendedorismo e Inovação*  
[https://cps.fgv.br/sites/cps.fgv.br/files/artigo/sopla\\_2016.pdf](https://cps.fgv.br/sites/cps.fgv.br/files/artigo/sopla_2016.pdf)
- [http://www.compaso.com.br/docs/Inf\\_Neri\\_SAE\\_EmpreendedorismoInovacao.pdf](http://www.compaso.com.br/docs/Inf_Neri_SAE_EmpreendedorismoInovacao.pdf)

**Productive Inclusion -  
4 Complementary Lines:  
Connection with Education (returns)  
Shared Productivity and Innovation  
Small Firms and Informality  
Microcredit**



**Does it make sense to combine informal employees and the self-employed under the heading of the informal sector? Poverty wise it did but policy wise?**

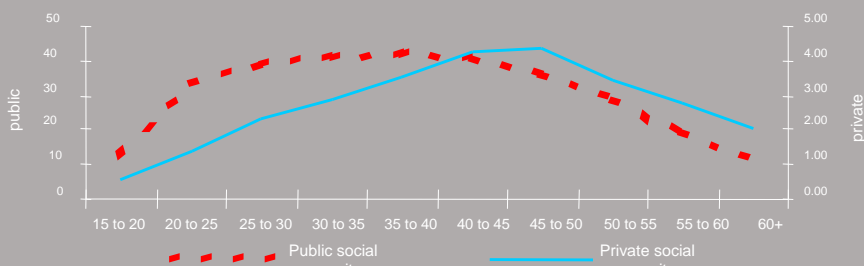
## Labor dissatisfaction by Working Class

Working Class	Looking after other job (%)	Would Like to work extra hours (%)
Public employee	4,1	6,2
Formal employee	5,1	6,3
Informal employee	<b>15,0</b>	<b>11,5</b>
Domestic employee	10,8	16,3
Self-Employed (Entrepreneur)	<b>11,4</b>	<b>15,1</b>
Employer	3,1	5,9
Employee without Wage	8,8	8,4
Total	8,0	9,6

Source: : PME/IBGE, 2002-2007

### Formality (Social Security wise and Financial Life)

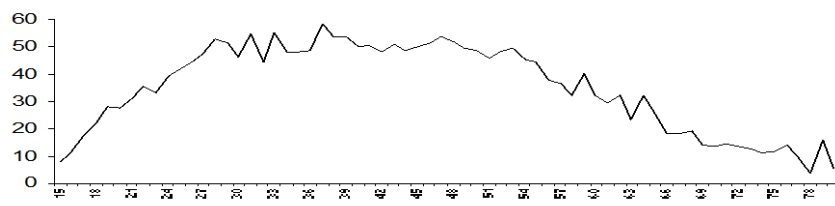
% that contribute to Social Security



Source: FGV Social based on the microdata from PNAD 2002 /IBGE

The peaks of formality and job satisfaction coincide

**Subjective: Are you satisfied with your job?  
(%) Yes by Age – Latin America Countries**



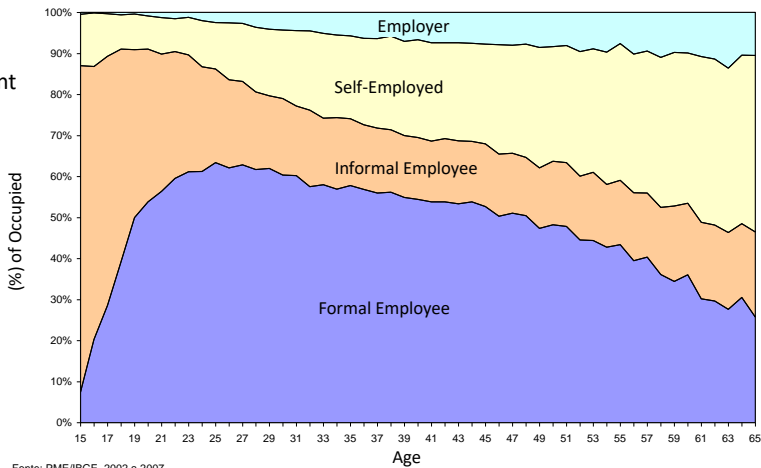
mcneri@fgv.br

Source: FGV Social from Gallup's World Poll microdata 2007

# % Micro entrepreneurs among the Occupied grows over the Life Cycle

Composição dos trabalhadores ocupados por posição na ocupação - Brasil Metropolitano

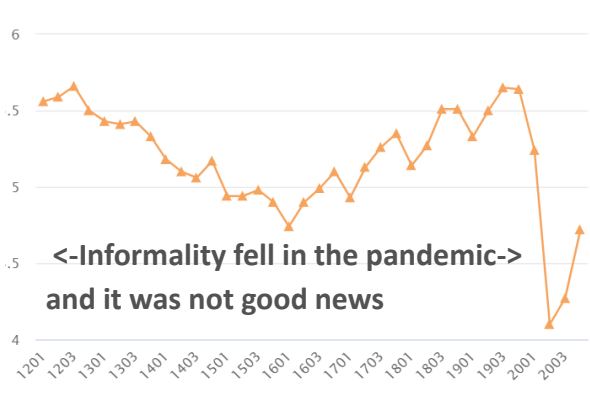
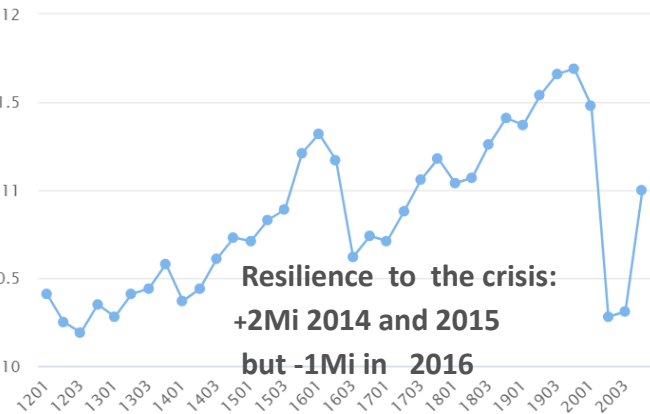
Youth typical working class are informal employees (and Unemployed). Self-Employment increases with age.



Source: Fonte: PME/IBGE, 2002 a 2007.

Is the traditional measure of informality sum of self-employed, informal employees and unpaid workers a good proxy?

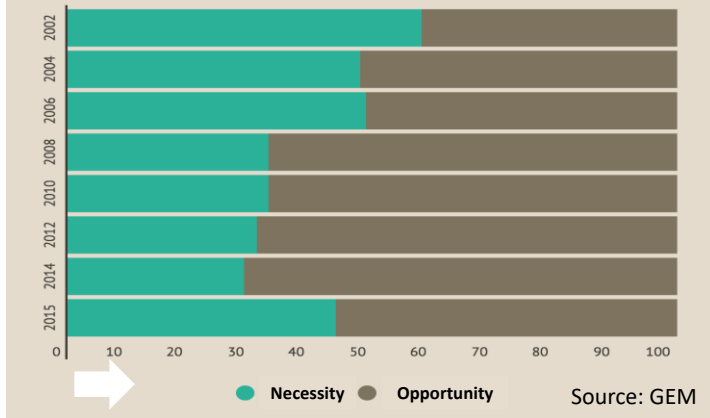
## The Crisis, the Cushion and the Floor: Participation in the Population (%) of Self Employed and Informal Employees



Following Barbosa and Velloso (IBRE) between 2014 and 2017 informality rise explains 46% of productivity fall (-3,6% total)

Source: FGV Social / CPS with PNADC/IBGE microdata

## Entrepreneurship in Brazil: Necessity x Opportunity



Contribution to poverty (PNAD)

← In the beginning around 1/3 of the poor were in families headed by self-employed. Much more ore than any working (or Not working) class

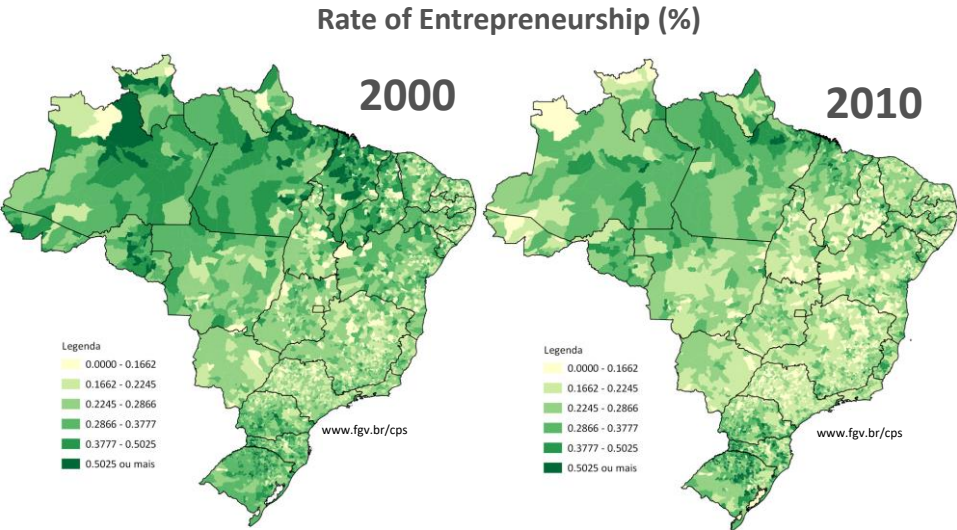
Is self-employment a proxy for entrepreneurship in developing countries?

Having your own business is the third biggest dream of the Brazilian, right behind buying a car and travelling around the country. The number of people that crave becoming their own boss is of 31%, almost double the percentage that wish to make a career on a company (16%). The research also reveals that, of each 100 Brazilians that start a business, 71 are motivated by a business opportunity, and not by necessity.

## Less Firms, Better Businesses?

**Part 1 Script:** Subsistence businesses exchanged for jobs within formal labor market and for better businesses with greater potential for accumulation and growth  
**Less Competitors, More Clients (up to 2014)**  
**What is the Current Crisis Impact?**

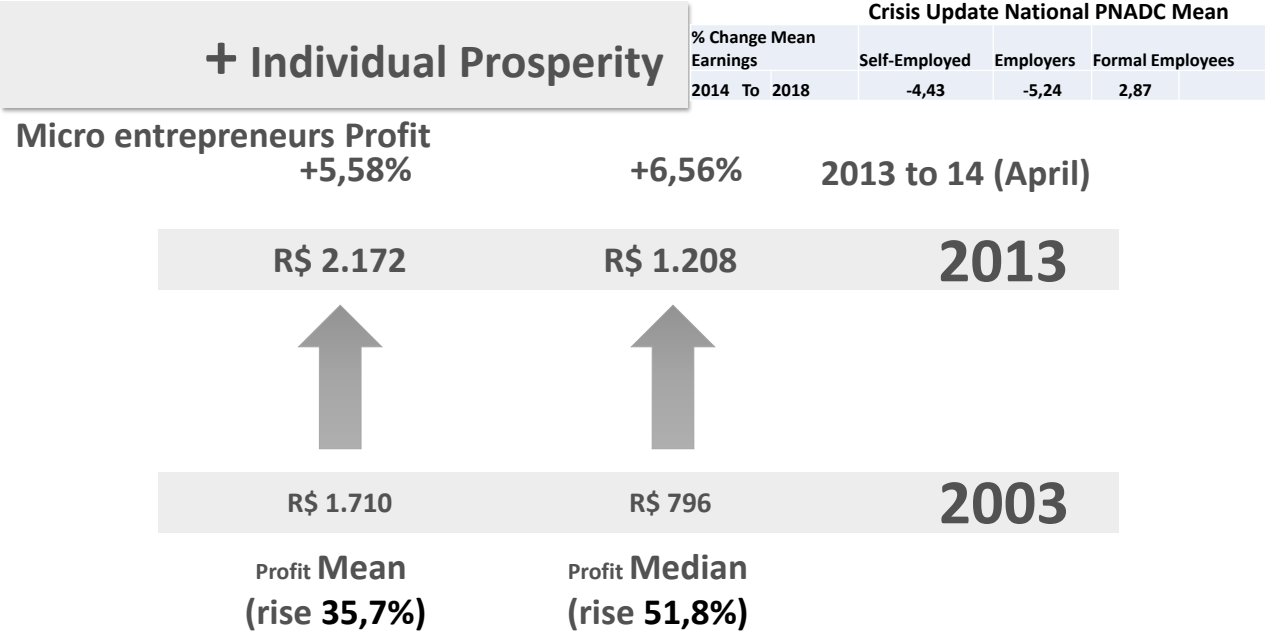
Quantity of Entrepreneurs



Rate was 26,29% in 2000 and 23,05% in 2010

Vide video-Extra: [http://www.compaso.com.br/midia/empreendedorismo\\_br.htm](http://www.compaso.com.br/midia/empreendedorismo_br.htm)

Source: CPS/FGV with CENSO/IBGE microdata



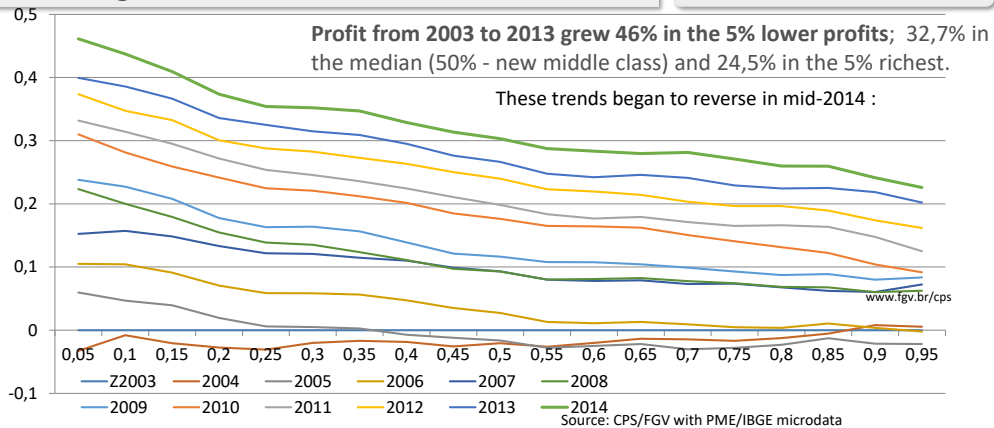
\*Values in Reais of 2013.

Source: FGV Social/CPS with PME/IBGE microdata

### Year Effect (2003 – april 2014)

Profit grew year by year, with greater strength in the lower classes

Where did profits increase more?  
At the base, middle or top of the business?



*Subsistence businesses were exchanged for formal jobs and for businesses with greater potential for growth.*

**Less Firms, Better Business:** The two biggest problems of microentrepreneurs: lack of demand and excess of competition.

**Incentives need to be incorporated to the birth of new businesses: startups**  
**The issue is less the size today but the growth potential in the future**

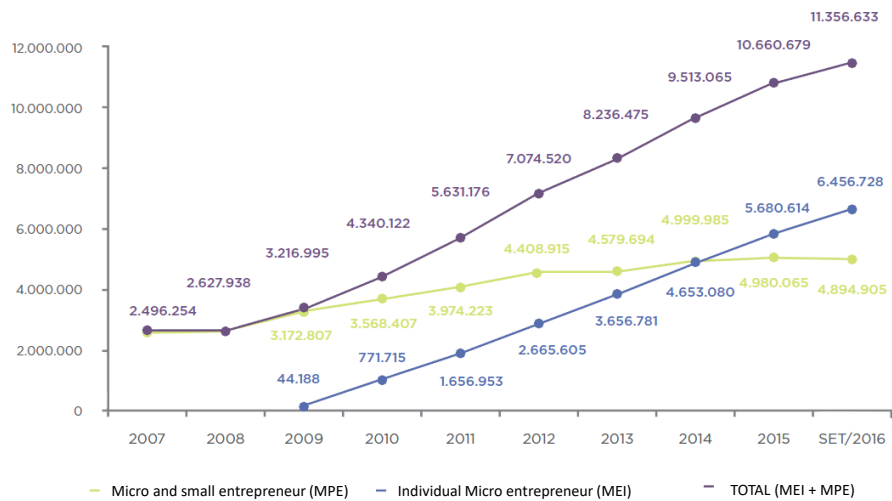
**Small is Beautiful?**  
**(or the young are?)**

## \*\*Formalization      Part 2: Possible impacts of MEI on Formality

### Information about the Law of Micro entrepreneurs (MEI)

- When implemented: since mid-2009
- **What is the benefit:** - cost and – bureaucracy for CNPJ within the *Simples Nacional* and **exempt from federal taxes** (Income Tax, PIS, Cofins, IPI e CSLL) and **Social Security** (5% of 1 minimum wage (were 11% before 2011))
- Who benefits: gross revenue up to R\$ 60 thousand per year and have at most one employee up to one minimum wage (also changed in 2011).
- What is the Objective: Formalize Micro entrepreneurs
- But what are the consequences for economic efficiency

GRÁFICO 1 FORMALIZAÇÃO DOS PEQUENOS NEGÓCIOS - BRASIL



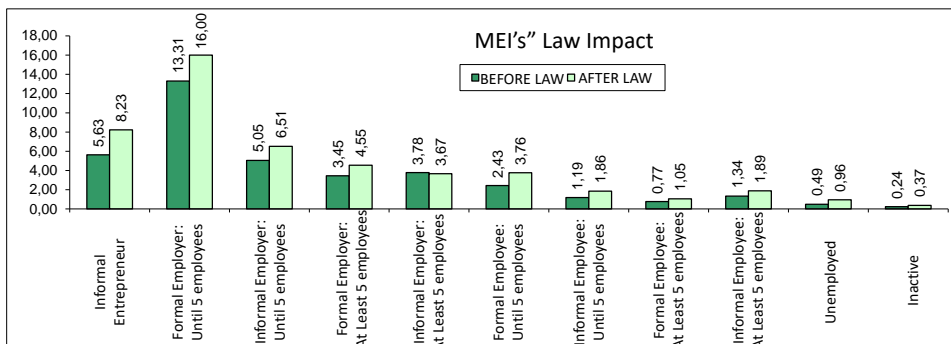
Fonte: Elaboração Sebrae, com dados da Receita Federal / Portal Estatísticas do Simples Nacional e Portal do Empreendedor

Correlation between the measures for formalization by CNPJ and Social Security: Package-Effect

	2009	2011
Self-Employed	0,303---→	0,421
Small Employer	0,398--→	0,487
Other Employers	0,224 =	0,216

The correlation between the measures for formalization as having or not CNPJ and whether or not to contribute to social security actually increased for all categories of entrepreneurs, but more markedly for individual entrepreneurs. This is suggestive that the *MEI* Law may have had an effect on the formalization of micro entrepreneurs.

## Transition Matrix – Where Did They Come From? % Became a Formal Entrepreneur In the Last 12 Months



**Formalization Effect** – Coming from self-employment themselves

**Entry Door Effect** – Coming from Unemployed and Inactive

**Scaling down Effect** – Coming from Employers (to get the fiscal benefits)

**Relative reduction in employees share Effect** – Coming from Formal or Informal employees

## Main Conclusions *Entrepreneurship and Informality* and Policy Suggestions:

- **Self-Employment: MEIs Impact:** Package-Effect (Social Security and *CNPJ*)
- MEIs Impacts: Formalization; Opportunities; Scale fall; Employees share fall
- Integrate MEI to the New Social Security Framework, Suit entrepreneurs cash flow
- Tax benefits for small firms & Informality may hinder revenue & productivity growth
- Embody incentives for *innovative startups-connect to growth potential not to size*
- During the boom we had a rise in formal employment (+Less firms, Better business)
- Recognize property rights to boost the wealth stock and access to credit of the poor most living in own houses. Radical markets Harberger tax proposal does that efficiently.
- **Employees** the effects of the minimum wage (and other labor rights ) on the informal.
- High labor turn-over hurts specific human capital accumulation.
- The role of labor subsidies (Abono Salarial) and Impacts of reforms on incentives
- **Key-Questions:** During crises is informality a key shock-absorber? Is self-employment a proxy for entrepreneurship? Does it make sense to combine different types of informality? Yes, poverty wise but not policy wise.