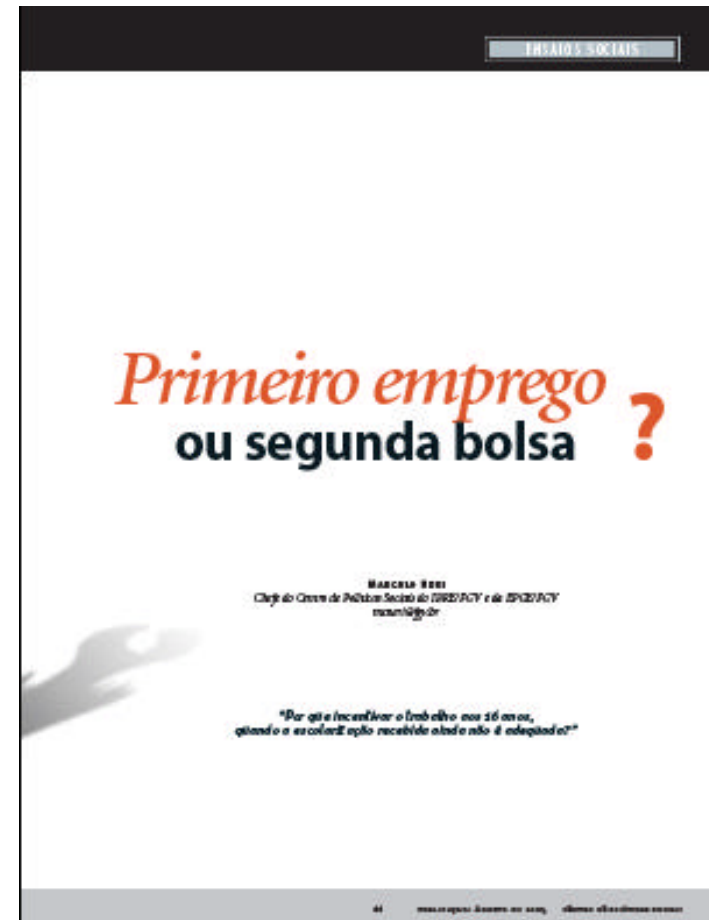


Translation of “*Primeiro Emprego ou Segunda Bolsa?*”

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First Employment or Second Aid?

Marcelo C. Neri

“Why motivate employment at the age of sixteen, when the schooling received is still not appropriate?”

Last week, the program First Employment was launched. The intention is honorable, since unemployment and other related themes mainly connected to youngsters, such as violence, are in need of specific policies. Now the question is whether there would be better paths to reach the north of juvenile social inclusion. In particular, we defend less the emphasis on subsidies given to firms for the hiring of youngsters. We support the continuity in the education of these youngsters through income transfers conditioned to school attendance. The proposal may be understood as a second Bolsa-escola, or alternatively, as an amplification of Bolsa-escola's eligibility to the age group of sixteen to twenty years of age.

Initially, we explore a more general scenario of the determinants close to the Brazilian inequality. The decompositions of the Theil-T index—calculated over the population of working age in the 2000 Census—function as a compass in a sea of inequalities. The age variable explains 11% of individual income inequity, which is smaller than the variable for years of schooling, which explains—on its own—39% of inequality, greater than any other variable in the Census. The concept of income from all sources, has the property of synthesizing beyond primary and secondary sources originating from labor, a series of other effects acting upon the level of individual welfare such as unemployment, informality, and state income transfer programs, among others. When we shift from individual variables to per capita family variables, we incorporate aside from these factors, the process of socializing these income sources in the heart of the households.

An important conceptual question is whether we consider a youngster in isolation, or if we take into account the family's function as the basic cell of social capital, redistributing income among its members. The level of income per capita of the group located between 16 and 24 years of age covered in the First Employment program corresponds to 293 Reais against the population's 325 Reais, a differential of 9.8% versus a differential of 54% of individual income. Repeating the decomposition exercise at the family level per capita:

the differential of explanatory power regarding inequality among the age and education variables increases even further: age explains 2.3% of inequality against 42.1% of education. The lessons we take from these exercises are that the impact of age in income depends crucially on whether we analyze from an individual or family level. Meanwhile, the high importance of investment in education to fight Brazilian income inequality is independent of the level of analysis used.

An alternative to the subsidy given capital for the hiring of youngsters predetermined by First Employment would be to concede a direct incentive for them to continue their education. The advantages of the second aid are many. In the past few months, we observed an increase in the labor supply of members secondary to the households, which the First Employment program simply increases. The creation of the second aid would decrease, instead of increase, the pressure exerted by youngsters about the existing work places. One of First Employment's adverse effects is to produce the substitution of youngsters' employment for household heads, the main supplier of household income. This substitution effect was well captured by a poster carried by a Frenchman in protest, which according to André Urani stated: "Dad, I got a job, yours."¹

Another advantage of a second aid is the greater social control over high schools, which would be the program's object. Academic performance may also be evaluated through secondary education exams, already practiced, contrasting with the difficulty in monitoring private firms. A solution used in many countries is to create a legal wage floor lower than the minimum wage for youngsters (sub-minimum). This way, firms could hire youngsters at a smaller cost. This type of procedure seems desirable if the subsidy is granted directly to youngsters, and not as a fiscal renouncement to the respective employer firms.

The main advantage of the second aid is that the young would make an improved investment in his/her future. There are few investments more profitable to a Brazilian between the ages of sixteen and twenty than following his/her education. The specific human capital accumulated from the experiences of a first job is temporary. Complementarily, it is difficult to imagine the reasons leading to a discontinuity in the state's behavior regarding work at the age of fifteen. Until fifteen years old, employment is

¹ The restriction imposed to firms participating in the program First Employment of not firing the non-young simply delays the substitution by the Young.

prohibited by law and fought by PETI. Why then, should we suddenly motivate work at sixteen, when the average levels of academic delay and quality of the education received are insufficient? The young should, at least, be able to opt between subsidy given capital to demand his labor, and that provided as a consequence of his continuity with his studies.

Notes:

- 1- Another alternative to the first employment, which has been discussed by various authors, is the concession of a subsidy to cover relative costs to the first minimum wage of formal employees, independent of age. As all poor older than 67 are entitled to LOAS—a pension of one minimum wage—the incentive of low-income workers to formalize themselves is low. The proposal of subsidizing all workers would make the decision of contributing to the social security more compatible in terms of incentives with the acting constitutional laws. As a suggestion, the necessary resources would be financed with social security contributions additional in other segments. It seems desirable that the contribution upon the system's payroll list be exchanged by a contribution upon the value added on by firms. The benefit would be to reduce the disincentive to the hiring of formal jobs, without a substitution effect among generations.

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