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**EMPLOYMENT CREATION AND WORKERS SUPPORT
PROGRAMS: AN OVERVIEW OF BRAZILIAN AND AMERICAN
EXPERIENCES.**

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PRESENTATION

This paper was presented at the conclusion of the sixteen-weeks course of the Minerva Program, conducted as a partnership between the Institute of Brazilian Issues and the George Washington University.

The subject studied - employment systems - is related to my occupation, as I am a Labor Auditor and I also represent the Ministry of Labor at the State of Maranhao Board of Labor.

The purpose of this study is to describe and evaluate the framework of programs designed to create jobs in Brazil and in The United States. In this sense, the focus of the analysis is basically the programs' formulations.

As a source of research were taken documents released by governmental agencies, evaluations reports and interviews with technical personnel involved with the implementation of the selected programs.

It was not my intention to make a comparison among the programs of the two countries, because they have economic and social conditions that do not allow comparisons. However, despite the differences, it is possible to learn from another country's experience and to make analysis that may be useful for policymakers.

Considering the emphasis on the designs of the programs, the aspects analyzed are related to their objectives, institutional arrangement, coverage, financing conditions, criteria of eligibility and patterns of management. Although the central analysis is concerned with features of formulation, data about the programs' implementation, as its financial resources and number of beneficiaries, are presented.

Evaluation about the programs' performances certainly would require another study with a different approach.

The introduction shows the general context of economic and social transformations that have been affecting the labor market of advanced and developing countries for the last thirty years. Singularities about Brazil and the United States are not addressed.

The second topic - Employment Policies - is based upon the theory about policies and programs that have been implemented by advanced and developing countries to diminish the harm caused by the increasing unemployment rates. Thus, its purpose is to present an outlook of current policies addressed to the labor market in order to stimulate the creation of jobs and to provide assistance to unemployed workers.

These policies are classified in accordance with their concepts and objectives as they have been presented by theory. The American and the Brazilian labor markets are not particularly analyzed.

The third topic - Brazilian Employment System - is a study about policies focusing on the labor market that have been developed in the country since the 90's. This topic emphasizes the establishment of the Worker' Support Fund (FAT), in 1990, and its effects on the Unemployment Insurance Program as well as the other programs implemented under FAT - Employment and Income Generation Programs, Professional Education National Plan (PLANFOR/PNQ), Labor Market Information System (SINE), and the most recent one, the First Work for Youth. The analysis is assuming that these programs are compounding the Brazilian Employment System, as it has been considered by researchers and experts in the field, despite the fact that there is not this specific

concept in terms of legislation *strictu sensu*.

The fourth topic - The United States Employment System - is a presentation of four programs developed in the United States designed to provide support for displaced workers - through an array of different devices - and increase the employment level of targeted groups. Programs analyzed are: Welfare-to-Work and Work Opportunity Tax Credit; Trade Adjustment Assistance; programs established under the Workforce Investment Act - WIA, specifically One-Stop Career Center and Training Programs; and the Unemployment Insurance Program.

Regardless of the differences between economic and social development patterns of both countries, two factors must be pointed out about main distinctions when discussing their Employment Systems: 1) in the United States, unlike Brazil, there are a variety of employment-programs established by state and local levels. In Brazil, state and local initiatives toward the development of policies addressed to the labor market are not very significant; 2) the diversity of programs in the United States is much bigger than that found in the Brazilian system.

Considering the second aspect, this paper is actually making an analysis of the Brazilian Employment System, but it does not bring a complete outlook about programs implemented in the United States.

The fifth topic - Final Considerations - This topic points out features regarded as relevant in terms of those programs' designs as well as points out aspects that could be improved to the achievement of better levels of effectiveness.

1 - INTRODUCTION

During the 1970's, transformations of the technological base, reorganization of workforce's management patterns and the consolidation of the globalization process - with the increasing flux of money and goods around the world - were all factors that converged to set a new scenario for the labor market.

The capital managed to overcome the tendency of decreasing profits that had been reinforced in the late seventies by focusing on the development of a new technological paradigm that has been increasing the disassociation between the production growth and the utilization of human labor, in order to obtain higher rates of productivity.¹

For society, the harmful output of this socioeconomic structure is the reconfiguration of the labor market, with the emergence of different types of labor relations that have been resulting in greater vulnerability for workers as well as in the occurrence of the long-lasting unemployment.²

These transformations that have been affecting the labor market cause different consequences for each national economy, depending mostly on its capacity to maintain economic growth and thus keeping pace with the working-age population and on its position in the world economy, related to conditions in trade and in attracting

¹ Economics reasons and political environment that have been affecting the conformation of the contemporary labor market, its tendency and features, in advanced and developing countries, is extensively analyzed by Jorge Mattoso, in "A Desordem do Trabalho". Sao Paulo, Brazil. Ed. Scritta, 1995. and Jose Luiz Fiori, in "Polarizacao e Crescimento". Rio de Janeiro, Brazil. Ed. Vozes, 2001.

² Robert Castel analyzing this process explain that "Labor is more than just the physical work performed. And so conversely, we must understand that non-work is also more than just unemployment, which is small thing to demonstrate. Indeed perhaps the most disturbing aspect of the current situation is the rebirth of 'worker without work', such as Hannan Arendt described: those who are literally supernumeraries in society, or 'the useless of the world.'" In Castel R., From Manual Workers to Wage Labor:

international capital³.

In the context of undesirable unemployment rates - despite economic growth - advanced and developing countries have been implementing an array of policies to face the lack of employment and to protect displaced workers, thus establishing an public employment system.

As it is described by Azeredo e Ramos⁴ “from the crisis irrupted in the 70’s, the developed countries governments (regardless of their ideology position) began to operate, totally, or in parts, devices to assist the mass of unemployed workers and to reduce the excess in the work supply. The public labor system that flourished in the majority of these national states mixed passive policies with active policies”.

Transformation of the Social Question. Transaction Publisher. 2003.p.368

³ The employment rate of a country has direct relation to its level of investment and consumption, both private and public. In such context, increments of productivity, political and institutional environments and population growth are also factors that affect the employment level.

⁴ Azeredo, B e Ramos, C.A. Politicas Publicas de Emprego: Experiencias e Desafios. In: Planejamento e Politicas Pubicas, .12,jun-dez., Rio de Janeiro:IPEA,1995.p.95

2. EMPLOYMENT POLICIES

The literature classifies the policies addressed to the labor market in two groups: active and passive. This classification is made in accordance with their conception and purposes.

Passive policies comprehend programs with a compensating trait. The unemployment insurance benefit and all programs destined to promote assistance to unemployed workers are the most classical example of such policies. Also included in this definition are those devices related to the age-conformation of the labor market, meaning incentives for earlier retirement and incentives for spending more time in formal education. Reduction of the working-hours through legislation is also one of the possible alternatives in this field.⁵

In accordance with the changes in the labor market, the unemployment insurance, in general, has suffered some modifications in order to cover a greater number of workers. Some countries have added factors such as the age of the unemployed, his/her potential of reinsertion in the labor market and also the number of dependents in order to establish the eligibility and to determine amount and duration of this benefit.

The variety of this kind of policies also includes the creation of jobs through the direct action of governments, both in the administrative and operational fields, such as building and expansion of infrastructure or in development of public services - mainly

⁵ Between 1970 and 1980 the expenditures with the unemployment insurance, as percentage of national's GDP, presented these rates of increasing: from 0,4% to 1,12 in Germany, from 0,44% to 2,6% in Belgian, from 0,42% to 3,03% in Denmark, from 0,14% to 2,02% in Spain, from 0,32% to 1,46% in France, and from 0,47% to 0,94% in England. In United States this percentage remained unchanged as 0,5% of the GDP. Azeredo, Beatriz. *Políticas Públicas de Emprego: A Experiência Brasileira*. ABET, Sao Paulo, 1998. p.17.

in the social sector. Measures to incentive the geographical mobility of the labor force is another alternative of labor policy included in this group.

Active policies are strongly based upon three instruments: credit facilities, labor marker information systems - matching search and offer of jobs - and occupational training programs.

Another alternative of active policy is the reduction in taxes and in social insurance rates to stimulate the hiring of targeted groups, usually those harshly affected by unemployment, like elder workers displaced, unskilled or semi-skilled workers, young people looking for their first jobs and disabled workers.

Programs designed to provide credit facilities to small businesses, workers' cooperatives and self-employed people addresses their difficulties to obtain financial resources through the traditional credit system. Thus, they represent a policy designed to support the entrepreneur capacity, promoting the self-maintenance of the beneficiaries and the improvement in their income levels. When properly developed - in terms of financing and coverage - and accompanied by managerial and technical support, these policies may play a significant role in the creation of jobs.⁶

Training policies must be seen according to their potential and limits. In this sense, a research conducted by the Organization for Economic Cooperation and Development (OECD) in 1993, points out their limits: "There is not strong evidences that allow the conclusion that always and in every case, the training programs are effective to diminish the vulnerability toward the risk of unemployment and to increase the wages

⁶ The Inter American Development Bank (IDB) is the pioneer institution in the development of programs with such design.

paid to the beneficiaries.”⁷

Assessment made by Kapstein⁸ leads to the same conclusion: "The microeconomics politics, such the extension of the formal education and training, are important to provide the qualification to permit the unemployed work to reinsert in the market labor or to find a better job. Although these policies have fewer value if the economy is not creating good jobs” .

Although training programs have limits in affecting, by itself, the employment level, it is an adequate policy to respond to innovations in managements and in technology and to increase workers’ mobility between sectors and occupation, in the context of more frequent long-lasting unemployment. Such changes tends to require a higher level of general and specific education, thereby increasing the demand for more highly qualified workers over those with lower qualification.

The consolidation of a labor market information system to promote the exchange of labor, where the supply and the demand for jobs may be identified and matched is a relevant mechanism to reduce the frictional unemployment, because it can reduce the difficulties of workers and employers to find each other in a market that is into a greater complexity.

This kind of policy also may represent a key indicator of the skills and abilities that are being demanded by employers, therefore, showing tendencies presented by the labor market and leading to better focused occupational training programs.

Evaluations of the international experience about policies oriented to

⁷ In: Azeredo, B. Políticas Publicas de Emprego: A Experenia Brasileira, Associacao Brasileira de Estudos do Trabalho - ABET, Sao Paulo, 1998. p.38.

⁸ Kapstein, E.B. Os Trabalhadores e a Economia Mundial. Foreign Affairs, ed. Brasileira Gazeta Mercantil, Sao Paulo, 1996, p. 3.

diminish the harmful impacts of the unemployment, demonstrate that a fundamental factor in such systems is the integration among different programs leading to the improvement of their effectiveness.

Each country develops employment systems in different shapes, combining old and new programs and trying new strategies to cope with the issue. As much as we can see, it does not seem that this process will be over; on the contrary, it seems to be a way with no return inside these societies, because it has become a powerful social demand.

3. EMPLOYMENT PROGRAMS IN BRASIL

The striving growth of the Brazilian economy until the seventies, although ineffective in promoting income distribution in more equal levels, allowed the absorption of the increasing urban labor force that was than intensified through the migration of workers from poor regions toward the industrialized areas of the country, in the southeast.

Despite the maintenance of low unemployment rates until the end of the 70's, the development of the labor market in Brazil did not address critical issues such as the deficient qualification of the workforce and the presence of high levels of informality.

During the eighties, the sharp reduction of the Brazilian economy's growth rate enormously aggravated the vulnerability of workers, who were confronted with increasing levels of unemployment. In such context, the unemployment become an issue that was addressed by the establishment of the Unemployment Insurance Program (UIP) in 1986.

This program and the Labor Market Information System (SINE) were, then, the only policies directly focused on the labor market. In 1990, with the institution of the Workers' Support Fund (FAT), the country began to develop a public employment system with different programs designed to provide assistance to displaced workers and to promote the creation of jobs and the generation of income.

Preceding the analysis of the Brazilian Employment System, it is appropriate to present a brief description of the country's labor market as well as its economic performance.

The Brazilian economically active population (EAP) amounted to 86.0 million people in 2002. The rate between the EAP and the total working age population (WAP) was 61.3%.⁹ The number of people employed was 78.0 million and the unemployment rate was 9.2%. The formal employment represented between 42% to 46% of the total employment.¹⁰

The Brazilian economy grew over the last seven years at an average rate of 2.4% per year. The fluctuation over these years, however, has been significant: the country experienced high rates of growth in 1995 and 2000, of 4.2% and 4.4%, respectively, and low rates of 0.1% and 0.8% in 1998 and 1999.

3.1 WORKERS SUPPORT FUND (FAT)

The Workers Support Fund (FAT) was created by the law 7.998/90, which was enacted to regulate article 239 in the Constitution of 1988. Its purposes are to provide financial resources to the Unemployment Insurance Program and to support private and governmental projects designed to promote economic and social development. The fund is maintained by federal taxes levied on business gross revenue per year, at a rate of 0.65%. These taxes are the PIS/PASEP contributions. Workers do not contribute, direct or indirectly, to the financing of FAT.

FAT is under the responsibility of the Ministry of Employment and Labor (MTE) and its direct management is conducted by a board formed by equal participation

⁹ This data is provided by the Brazilian Institute of Geography and Statistics (IBGE), collected through The National Survey by Household Sampling (PNAD) 2001.

¹⁰ IBGE includes in the EAP all workers who are 10 years or more. The WAP is the total population with 10 or more years old.

of employees, employers and government members, the FAT National Board - CODEFAT. This National Board has twelve members, four from the federal government – representatives of the Ministry of Labor, Ministry of Social Security, Ministry of Agricultural and Banco Nacional de Desenvolvimento Economico e Social (BNDES). Also, there are four members from labor federations and equal number of members representatives of businesses associations.

Among the CODEFAT's most important functions are the design of programs related to the creation of jobs and to the assistance of unemployed workers; allocation and monitoring of FAT's resources; and evaluations of its social impacts.

Resources obtained through PIS/PASEP contributions are allocated in such way: at least 20% are transferred to the National Treasury and 40% is available to the Banco Nacional de Desenvolvimento Economico e Social (BNDES), to be used in projects of economic development carried by private and public sectors, as well as financing exports programs. After these transferences, the remaining resources are shifted to FAT. The financing of the Unemployment Insurance Program must be provided by this fund and the CODEFAT decides on the amount of resources available for other programs.

The law 7.998/90 established that FAT's resources should support not only the payment of unemployment insurance benefits, but could also finance other policies related to occupational training and job-searching activities of eligible workers.

In 1994, the law 8.900/94 determined the extension of coverage and activities developed using FAT's resources. This law allowed the implementation of programs to support not only beneficiaries of unemployment insurance, but also extended

to workers overall, without considering eligibility requirements related to that benefit.

The establishment of FAT resulted in a significant improvement of the Brazilian institutional arrangement toward employment policies. First, because the Unemployment Insurance Program is not under discretionary government power anymore; its financing is properly determined by federal legislation. Second, FAT actually has been used to finance employment programs, representing a stable and significant source of resources available to support these policies. Third, programs implemented under FAT can reach workers overall, with no eligibility conditions. Fourth, its pattern of management, through CODEFAT, state and local boards, allows the participation of both sectors, labor and capital, in equal conditions. In fact, it is only after FAT's creation that an employment system became actually feasible in Brazil.

Table 01 depicts the resources obtained through PIS/PASEP taxes, the resources allocated into FAT and the expenditures with the payment of Unemployment Insurance.

Table 01: PIS/PASEP contributions, FAT's Resources and Expenditures with Unemployment Insurance. (In R\$ Million).

Period	PIS/PASEP contributions	FAT's resources	UI expenditures
1998	13.208,9	9.686,7	7.541,0
1999	16.144,5	10.244,4	6.642,9
2000	14.125,0	11.962,0	6.039,9
2001	14.973,9	11.979,1	6.714,3
2002	14.966,5	11.973,2	7.006,5

Source: Ministerio do Planejamento. Anexo das Metas Fiscais. Brazil. 2003.
Prices of December/2002.

3.2 UNEMPLOYMENT INSURANCE PROGRAM

Assistance to unemployed workers, as an obligation of the State, appeared for the first time in the Brazilian legislation through the Constitution of 1946. However, despite the fact that unemployment insurance was explicitly declared as a social right in the Constitution of 1967, it became a national policy only in 1986, almost twenty years later¹¹.

FAT was decisive in consolidating the Unemployment Insurance Program as a high-impact policy. Between the period of its creation - in 1986 - until 1990, there was no specific source of financing and the program was not properly publicized. These factors limited the program's performance during that period.

The Brazilian Employment Insurance Program is completely structured under federal legislation, which determines all aspects related to its implementation, such as eligibility, coverage, financing, amount and duration of the benefit. Its purpose is to provide income for workers during a certain period between jobs.

The requirements that entitle workers to receive unemployment insurance are to be formally employed during the last six months, in each period of sixteen months and to be unemployed through no fault of their own. Also, they cannot be receiving another pension from the social security system. Both urban and rural workers are equally eligible.

Domestic employees became potential beneficiaries only in 2001, and are

¹¹ As Azeredo points out, between the period from 1975 to 1985, while the economic crises had been aggravated, the number of projects of laws related to the Unemployment Insurance was increasing. Only in 1983, 9 projects of law were presented in the Congress. In Azeredo, Beatriz. *Políticas Públicas de Emprego*. ABET. Sao Paulo, 1998. p. 64.

in a special situation because their claim is under employers' discretion, even when they are formally covered by the Social Security System.¹²

Self-employed people are eligible to apply for benefits in the case where they can prove their formal inclusion into the Social Security System, with regular contributions for the minimum of fifteen months in the last twenty four. In such situation, despite the fact that legislation determines that self-employed people are potentially covered, the benefit does not effectively reach them, since the absence of contributions to the Social Security System is not taken as a lack of labor or income.

In 2002, the law 10.608 determined the eligibility of workers found in condition of "slavery"- meaning the absence mobility caused by coercion.

Although the Brazilian's legislation intends to cover workers overall - exempting only the civil servants, who have their own Social Security System and the discretion concerned with domestic employees - the program does not properly achieve this objective. The reason for this is because it covers only workers in the formal labor market.

Formality in the labor market means that employers are complying with the Social Security legislation and with the Labor legislation¹³. This requirement that the labor relation must be formal results in a relatively restricted coverage of the unemployment insurance in Brazil.

The magnitude of the informality is, in fact, the most grave aspect of the Brazilian labor market considering its effects over the maintenance of a large number of workers who can not claim for labor and social security benefits, including pension for

¹² In this case, the employer has the discretion to contribute to the FGTS system.

¹³ Social Security Legislation is composed by Federal Laws n. 1.212/91 and 1.213/91, which dispose about

retirement or labor-incapacity. According to data provided by the Brazilian Institute of Geography and Statistics (IBGE), the percentage of workers and self-employed people that were not covered by the Social Security System, in 2002, was equal to 54.8%. This rate of informality is a little lower than the average presented during the 90', when the highest level was 57.2 in 1993, and the smallest was 56.0, in 1998¹⁴. Also, this situation tends to characterize exactly those workers with lower levels of education and wages.

The Unemployment Insurance is paid monthly, for the minimum period of three months and the maximum of five months, regarding the last-employment duration. Its amount varies from one to two monthly minimum wages and is related to the level of the last-employment wages.

CODEFAT's Resolution 200, from November/98, created a special program promoting the connection among unemployment insurance and occupational training while providing temporary relief for employers facing difficulties. The appliance for this program must be foreseen by collective agreements, with unions' participation.

Workers from such companies may have their labor relations temporarily suspended. During this period, they can claim the payments which they would be entitled to if they were dismissed and the employer must offer them a training course. This measure avoids the definitive braking of the labor relation - at least for the training period -, enables workers to be trained and also gives the companies some room to maneuver when passing through a difficult period.

Data provided by the Brazilian Ministry of Employment and Labor reports that between 1990 and 1994, on average, 3.500.000 workers, per year, received

its financing and benefices. The basic Labor legislation is the CLT enacted in 1943.

¹⁴ IBGE/PNAD 2002.

unemployment insurance, from 1995 to 2002, this number increased to 4.500.000.¹⁵

3.3 LABOR MARKET INFORMATION SYSTEM(SINE)

The Labor Market Information System (SINE) was established by the decree 76.403/75. It is under the responsibility of the Ministry Employment and Labor and is implemented by state agencies as a partnership between federal and state governments.

The main purpose of SINE is to provide current and systematized labor market information for workers and employers, promoting the matching of offers and demands for jobs - placement services. Hence, an efficient labor market information system may have significant impacts in the reduction of frictional unemployment.

This type of program must be strongly integrated with others, particularly unemployment insurance and occupational training activities, in order to achieve a better performance. The connection with unemployment insurance is important because it may diminish the period between jobs, resulting in better levels of efficiency for the expenditures with that benefit.

The link between the labor market information system and occupational training leads to the establishment of programs focused on the demand for jobs, thus improving the performances of both programs.

FAT intends to promote integration among these programs, since it disposes that the appliance for the unemployment insurance should be done preferable at SINE's state centers. Also, FAT determines that training programs must be provided

¹⁵ Ministerio do Trabalho e Emprego. DES/MTE. Brazil. 2003.

according to information provided by this system. However, this is not enforced by law, because application for unemployment insurance may be done without workers registry in the SINE's centers.

. An evaluation of the overall performance of this agencies reports low results in achieving the goals proposed. The reasons found for such results are related to the insufficient number of SINE's centers, to the inadequacy of their physical structure and to the fact that the personnel are not properly qualified to manage labor market information.¹⁶

Another factor that is certainly contributing to this undesirable performance presented by SINE, is the feeble participation of businesses sectors in its activities. Actually, employers' active involvement with the program is critical to the provision of essential data on what skills are demanded, what jobs are available, what career fields are expanding and in the identification of occupational trainings that meets the market needs. In fact, if SINE is not considered as significant and reliable for employers, it can not make the effective connection between offers and demand for labor. This lack of employers' involvement results in SINE not being taken also as important for unemployed workers when searching for a job.

Improvements of this system require, initially, governments' measures to provide adequate conditions for these centers - in terms of physical structure and expansion - and to enable the proper qualification of the personnel responsible for the program. This first step should be followed by strengthening the links with businesses sectors to meet their current and projected needs.

3.4 EMPLOYMENT AND INCOME GENERATION PROGRAMS.

In the context of the Brazilian Employment Public System, CODEFAT established an array of programs to support credit facilities for individuals who can not access the traditional credit system, including businesses and self-employed people in the informal market. These programs are The Employment and Income Generation Program (PROGER), The Rural PROGER and the Familiar Agricultural Strengthen Program (PRONAF).

They are not a subsidized-credit programs - exempting the PRONAF - but the loans usually present easier conditions in terms of application, stated period, incumbencies and collaterals, when compared with those in the conventional credit market. The programs are maintained basically with resources provided by FAT, through banks in which the Federal Government is the biggest stockholder: Banco do Brasil (BB), Caixa Economica Federal (CEF), Banco do Nordeste (BNB) and Banco Nacional de Desenvolvimento Economico e Social - (BNDES). FAT's resources are remunerated, by the banks, according to the Long Term Interest Rate (TJLP).

Each one of these financial institutions must present a report specifying credit services and depicting operational conditions to be approved by CODEFAT. The loan's risks are totally taken by the responsible banks.

The Employment and Income Generation Program (PROGER) was created by CODEFAT Resolution 59, in March 1994. It was designed to assist small businesses, workers' cooperatives and to provide resources to improve self-employment, promoting

¹⁶ In Azeredo, Beatriz. *Políticas Públicas de Emprego. A Experiência Brasileira*. ABET. São Paulo. 1998.

the creation of jobs and the increase of beneficiaries' income levels.

CODEFAT enacted Resolution 231, in December 1999, creating FUNPROGER, as a fund to provide collateral to loans made under PROGER. This Fund intends to extend PROGER's coverage by making easier to access its credit facilities, especially to small businesses.

FUNPROGER may guarantee coverage up to 80% of the loans made by the urban sector which can apply to PROGER. It is financed by a cost of 0.1% multiplied for the number of months in which the debt will be charged. This amount is added to the principal value of the loan and must be paid under its same conditions.

In 1995, increasing the alternatives for credit provision, CODEFAT established the Rural PROGER and the Familiar Agricultural Strengthen Program (PRONAF). Rural PROGER was created to support credit facilities for micro and small rural producers, individually or collectively associated as cooperatives.

The conditions for loans are defined exclusively by the banks. There are different alternatives of financing ceilings, mercy periods and collaterals required, according to each institution and program. In general, for PROGER and Rural PROGER, incumbencies are TJLP and a spread that varies from 2% to 6% per year. Financing provided by these programs may be used either for capital of turn or for fixed investment.

The Agricultural Strengthen Program (PRONAF) was implemented to support sustainable development for familiar agriculturists, aiming for the increase and the diversification of the production, which result in growth of income levels. This is a program with significant impact in terms of income distribution, since its credit rates are

strongly subsidized by the federal government.

In general, the parameters that guide PRONAF's operations are: loans for capital of turn that pay fixed interest rates varying from 1.15% to 4% per year, a stated period up to two years, and discounts over the principal given in the last payment or in case of advanced payment. Credit for fixed investment pay interest rates of 1.15% per year; have mercy periods that varies from three to five years, a stated period up to ten years and a discount of 40% over the principal given in the case of advanced liquidation of the debt.¹⁷

The difference between incumbencies levied on loans, by the banks, and the final interest rate paid by the borrowers are totally subsidized by the National Treasury.¹⁸

To apply for this program, the producer has to be entitled by a certification provided by agencies of the Ministry for Agrarian Development, meeting requests concerned with patterns of production - familiar workers and size of the land occupied - and revenue levels. In order to assure better appliance conditions, many local governments have been establishing local funds to provide mutual collaterals for producers.

The importance of this subsidized-credit programs is evident since 20.6% of the total occupied-population is in the agricultural sector and around 11.5% work in

¹⁷ Data provided by the Central Bank of Brazil. November 2003.

¹⁸ Banks charge Interest rate equal to TJLP and spread for administrative costs. The Long Term Interest Rate (TJLP) is defined as the basic cost of financing granted by the National Bank for Social and Economic Development (BNDES). The TJLP is set periodically by the Brazilian Central Bank in accordance with the norms established by the National Monetary Council. For the period between October to December 2003, the TJLP is 11,0% per year.

familiar-based agricultural activities.¹⁹

Another program created by the Federal Government to be financed by FAT's resources is the Employment Expansion and Improvement in Workers' Living Program - PROTRABRALHO. It has the same objective of stimulating the creation of income and jobs. This program is developed by the Banco Nacional de Desenvolvimento Economico e Social (BNDES) and addresses for both, private and public sectors. Specifically, this program was designed to support the development of projects of infrastructure, health, education and mass transport. PROTRABALHO may be also used for private investments in exports and to improve the competitiveness of Brazilian companies.

CODEFAT determines that all these programs must be accompanied by managerial and technical assistance. Their implementation also requires the establishment of state and locals employment boards, matching the model presented by the National Board, meaning equal participation of representatives from government agencies, labor unions and businesses' associations.

The management of public policies including non governmental representatives is a relatively new process in Brazil. This pattern of administration was implemented by the Constitution of 1988 in such crucial areas as health, education and social security. Hence, these representatives from social sectors are just gradually improving their effective participation inside those state and local boards.

In the case of PROGER and Rural PROGER, although CODEFAT determines that the banks must present a report describing the allocation of resources to state and local employment boards, this request has not been effectively complied. Thus,

¹⁹ IBGE/PNAD 2002.

state and local boards are not involved with the process of selecting the beneficiaries. The absence of state and local employment boards in the development of these programs may be affecting the achievement of the program objectives, since that the loans are provided without considering their potential impacts over the creation of jobs and increase of income level, but are related to financial and technical assessment only.

Credit provision, by itself, does not improve the chances of business maintenance and income. improvement of the borrowers, principally when related to individuals with low levels of education. Thus, an effective support in terms of technical and managerial assistance is critical for the achievement of the goals proposed. This is another main reason to integrate these programs with the whole employment system, especially with training programs which should be established to promote the development of skills and abilities related to the efficient utilization of the financial resources obtained through the FAT's loans.

Table 02 indicates the amount of resources and the number of operations made under these programs for the period 1998-2002.

Table 02: PROGER, Rural PROGER and PRONAF resources and number of operations.

PROGRAM	NUMBER OF OPERATIONS	RESOURCES APLIED R\$ (1,00) *	AVERAGE VALUE OF OPERATIONS R\$(1,00).
URBAN PROGER	498.438	3.512.744.150,44	7.047,50
RURAL PROGER	180.670	1.760.958.225,0	9.746,82
PRONAF	2.966.325	7.704.373.662,32	2.597,28
PROEMPREGO	4.237	9.141.255.648,70	2.157.483,04

Source: Ministerio do Planejamento. Anexo das Metas Fiscais. Brazil. 2003. Prices of December/2002.

3. 5 PROFESSIONAL EDUCATION NATIONAL PLANS (PLANFOR /PNQ)

Professional Education is not a new issue in Brazil. It originated in the 1940's with the formation of the "S System", financed by taxes levied on payrolls. However, before the establishment of the Professional Education National Plan (PLANOR), there was not a national policy for professional education in the country. The institutions involved with this subject were aiming for isolated goals and covering very specific groups, according to their own interests.

In this context, the Ministry of Employment and Labor relates that before the PLANFOR, professional education was an issue driven by a variety of agents settled in six groups, as follows ²⁰:

- 1) the federal, state and municipal net of technical education, which has more than 12.500 centers. This system is responsible for the maintenance of 120 schools and receives around one hundred thousand students per year under the coordination of the Ministry of Education;
- 2) the "S - System" which includes centers for professional education related to specific economic sectors: industrial - SENAI/SESI, commercial - SENAC/SESC, agricultural - SENAR and transport - SENAT/SEST. These entities are financed in part by employers contributions levied over the payrolls and they also raise funds by charging the services provided;
- 3) private and public universities that provide technical education;
- 4) centers for professional education maintained by unions;
- 5) non Governmental institutions, which focus the poorest people. The estimative is that

there is around 2000 such organizations in the country;

6) private schools and centers located mostly in the urban area.

The Professional Education National Plan (PLANFOR) was formulated by the federal government in 1995, and introduced in 1996, in the context of the active policies of the Public Employment System implemented by FAT. More than a mass occupational training program, PLANFOR was designed principally as a strategy for integrating, strengthening and/or restructuring the national occupational training capacity, to boost competitiveness and to promote equality of opportunity on the labor market.²¹

The relevance of programs designed to promote professional education stems from their impacts on social inclusion and also due their effects on the improvement of national competitiveness, thus stimulating and attracting productive investments. These are critical objectives to be accomplished in a country like Brazil considering its disparities in terms of income distribution and the necessity of reaching better levels of productivity.²²

This paper will present the national policy for professional educational as it was initially conceived and implemented during its first seven years - from 1996 until 2002 - and its alterations in 2003, due to assessment about its performance made by the federal government.

PLANFOR may be recognized as the first national policy formulated and implemented with the explicit objective of structuring and systematizing a pool of institutions and concepts toward the development of professional education in the

²⁰ Leite. E.M. Educacao Profissional: Construindo Uma Nova Institucionalidade. Brazil.1996. (mimeo).

²¹ CODEFAT Resolution 126. October 1996.

²² According to data provided by IBGE, 25.5% of the total occupied-population has three or less years in

country.

As the Employment and Income Generation Programs, PLANFOR is also an active policy focusing on the labor market financed by FAT. The Ministry of Employment and Labor is responsible for the national coordination of the program. It was implemented as a partnership between federal and state governments. State Secretaries of Labor and state employment boards formulate “State Plans of Qualification (SPQ)”, establishing the courses according to their specific demands in terms of occupational training.

Unlike what has been happening with employment and income generation programs, state employment boards have effectively more control over the process that takes place inside PLANFOR. This situation is related to PLANFOR’s implementation, since training courses are planned by both state secretaries of labor and state employment boards. Furthermore, states councils have the power to approve SPQs. However, the other programs have had their clientele chosen exclusively by the banks, which actually put them in charge of the whole process.

PLANFOR’s legislation determines that it should be implemented by two groups of activities: one related to the program’s central objective, meaning occupational training courses; and a second group of activities addressed to its permanent evaluation, in order to achieve better levels of performance. This demand for institutional evaluation represented an innovation in terms of Brazilian public policies’ design. These activities have been carried out, principally, by institutions such federal universities.

Each state must submit to the Ministry of Employment and Labor at least two projects of occupational training, indicating one program connected with the

beneficiaries of unemployment insurance, in order to provide their access to training or retraining; and another one focusing on self-employed people and micro entrepreneurs, mainly PROGER's beneficiaries.

Certainly this CODEFAT's determination intended to achieve integration among PLANFOR and other policies related to labor market, toward the construction of a Public Employment System in Brazil, through the integration of programs financed by FAT's resources. However, this demand has not been accomplished in such terms. In this sense, there is no legal obligation for the beneficiaries of insurance unemployment to be registered in SINE's centers. This requirement could be an important source of information to be used in the establishment of occupational training by state secretaries of labor and employment boards.

Regarding the link between the beneficiaries of PROGER and PLANFOR, state and local employment boards have no participation in the development of PROGER. Moreover, the banks do not report the necessary information to connect these programs. This context results in fragmentation of public policies addressing the labor market and certainly diminishes the effectiveness of the whole system, since PROGER beneficiaries are not contemplated with the adequate training, which should be provided by PLANFOR.

Occupational training available through PLANFOR is grouped in three categories, according to the nature of the qualification intended: general skills, specific skills and managing skills. Actually, depending on the level of the formal basic education it is worthless to provide any training in specific abilities without enforcing basic formal learning. Again the integration of policies is the central issue. Improvement in levels of

general skills, including reading, writing and basic skills in calculating, should be connected with policies conducted by the Ministry of Education which is responsible for this subject and has the knowledge and experience to address such aims.

Coordination between Formal and Professional education should be also sought in terms of courses' uniformity across the country and Ministry of Education could play an important role in the process of defining minimums parameters for the development of basic skills and the methodology and contents of specific trainings. The development of PLANFOR's evaluation is conducted, in most states, by groups of professors and researchers from public universities. Thus, this may represent a canal for the flux of knowledge between these fields.

Data about PLANFOR's performance depicts that "from 1995 until 2001 the program reached 15,3 millions of workers starting with 153 thousands in 1995 and getting close to 4 millions workers in 2001. Meanwhile, the average duration of the trainings was reduced from 150 hours to 60 hours."²³ In 2002, the resources initially allocated to the PLANFOR amounted R\$ 302 million, but budget's constraint allowed only R\$ 153 million for that year. For 2003, the federal budget has allocated R\$ 186 million for the program. Table 03 shows PLANOR's expenditures for the period 1988-2002 and indicates the tendency of decreasing resources available for this policy.

Table 3: PLANFOR's resources.

PERIOD	RESOURCES (In R\$ Million)
1998	731,9
1999	589,9
2000	632,9
2001	658,8
2002	184,5

Source: Ministerio do Planejamento. Anexo das Metas Fiscais. Brazil. 2003.
Values of December/2002

In July 2003, CODEFAT, through Resolution 333, established changes in the national policy of professional education and created the National Plan for Qualification - PNQ. The financing and coordination of PNQ remain the same as it has been in PLANFOR. This new program implementation is also coordinated by the Ministry of Employment and Labor, through partnership with state secretaries of labor and state employment boards.

A PNQ guideline relates that PLANFOR needed to be altered after a “whole bunch of denounces became public by the press and after the ‘Tribunal de Contas da Uniao (TCU)²⁴ proposed some mechanisms in order to provide an enforcement in the program control.’ A flagrantly low quality of the courses, in general, and their small levels of effectiveness also contributed for the creation of this new program”²⁵

The legislation that creates PNQ pointed out “the limitations, gaps and incoherencies presented by PLANOR, accordingly to officials and non officials evaluations made during its development, as follows:

²³ Ministerio do Trabalho e Emprego. Plano Nacional de Qualificacao. Brasilia. 2003. p.18.

²⁴ This institution corresponds to the American General Accounting Officer.

- 1) low integration between the Public Policy of Professional Education and other policies addressed to the labor market, such as Unemployment Insurance, Labor Market Information System (SINE) and 'Popular Credit';
- 2) lack of integration between the Policy of Education and the Policy of Professional Education;
- 3) weakness shown by state and local employment boards to act like effective canals of social participation in the process of elaboration, monitoring and conduction of the Public Policy of Professional Education;
- 4) small institutionalization of the Professional Education Policy, since the Ministry of Employment and Labor only defines its general rules and financing ;
- 5) emphasis in short-extension courses, related to development of specific abilities, reducing the actions toward the education in more extensive terms;
- 6) fragility and deficiencies presented by the system of planning, monitoring and evaluation of PLANFOR.

Considering PNQ's guidelines, this program is established under the following parameters:

- 1) in the political field, professional education is recognized as a right within the policy of sustainable development of the country;
- 2) in the ethical field, federal government emphasizes its efforts in providing more transparency to allocation of public resources by the adoption of TCU's recommendations;
- 3) in the conceptual dimension, the idea of integrated education prevails over the concept of education focusing on specific abilities;

²⁵ Ministerio do Trabalho e Emprego. Plano Nacional de Qualificacao. PNQ. Brasilia. 2003. p.17-18

- 4) in the pedagogic dimension, the goal is to avoid short- period courses, combining training with formal basic education, and creation of pedagogic projects related to the systematization of successful experiences;
- 5) in the institutional field, strategic connection between policy of professional education and other policies related to labor market;
- 6) In the operational dimension, NPQ intends to strengthen the activities of planning and evaluation.

Although PNQ's formulation, in conceptual terms, brings improvements when compared with its predecessor PLANFOR, which must be comprehended as an evolution within the professional education policy; how these changes will be effectively implemented remains vague²⁶, since the program has just been created and will be implemented only in 2004.

Nevertheless, three aspects are relevant and could be better developed. First, the integration of policies, which is, in fact, an essential issue, still is waiting for the creation of a legal instruments to be accomplished. Hence, beneficiaries of unemployment insurance do not have to be registered in SINE's centers. This could be the first step to reach this workers and find out their needs in terms of professional training. Second, Resolution 333 and PNQ's guidelines do not mention PROGER, Rural PROGER or PRONAF, only "programs of popular credit", in general terms. Thus remains the question: which programs are those? And, more specifically, how to connect them? Actually, remaining PROGER's implementation in the pattern that it is now, integration between both programs could be accomplished only if the banks were submitted to some type of monitoring by state and local employment boards. Third,

²⁶ Codefat Resolution 333 establishes parameters that must be used in definition of courses' costs and

there is not a sign of effective coordination with the national policy of education. In this sense, a start could be the Ministry of Education defining pedagogic projects and didactic material to be used throughout the country in the development of basic education under PNQ. Fourth, relate to pedagogic aspect of courses. Although Resolution 333 determines that training can not have less than 200 hours of duration, the document also says that “at least 75% of its activities must be developed as courses, which can not be inferior than 40 hours, and 25% as actions including seminars, workshops, and others, which must be at least 16 hours²⁷. Hence, it leaves the quality subject not well addressed, since courses, in its *strictum sense*, may last only 40 hours.

Actually, better levels of program performance would be achieved only by effective modifications through legal and institutional arrangements. Otherwise, it will be a rhetorically issue only. In this sense, the first pace toward this policy improvements, should be the tendency’s reversion of decreasing financial resources available for it.

3.6 FIRST WORK FOR YOUTH PROGRAM

In October 2003, the federal government established the First Work for Youth Program through law 10.748/03. It has two objectives: to increase work opportunities for low income youth and to promote social inclusion of the beneficiaries.

The program intends to cover a population’s group that presents one of the highest unemployment rate, focusing on the social and economic conditions of the

extension.

²⁷ CODEFAT Resolution 333, July 2003. Article 3, paragraph 10.

beneficiaries. Hence, its potential clientele is composed by unemployed young people with ages varying from 16 to 24 years old. In addition to the age, there are other eligibility requirements as follows: this must be his/her first job, at least in the formal market; he/she must prove be studying regularly; and the beneficiary also must belong to a family which monthly per capita income is inferior or equal to half minimum wage. These people must apply for the program at SINE's centers.

The First Work is financed by FAT resources and its development is supervised by CODEFAT. The Ministry of Employment and Labor is responsible for this program implementation which presents the following procedure: employers receive a determined amount of financial resource for each employee hired in those terms. The amount is classified as economic subvention and consists in six allotments equal to R\$ 200 for employers who have a gross revenue per year inferior or equal to R\$ 1.200.000 - micro business - and six allotments equal to R\$ 100 for employers with gross revenue per year above R\$ 1.200.000. These amounts will be altered in January, 2004 in order to maintain its real value.

The law that establishes this program does not determine a fixed parameter inside FAT's budget or Ministry's of Labor budget to finance it. The legislation mentions that Ministry of Labor will provide the economic subvention considering its financial availability.

The numbers of young workers that may be hired for each employer is related with the current stock of employees: until 04 employees, one young worker can be hired; from 05 to 10 workers, 02 young workers can be hired, and above this number, employers can hire until 20% of the total amount of the current number of workers.

In programs with such design, it is important to establish devices to prevent worker's replacement. In another words, employers may be using public resources to subsidize their working power without effectively being creating new jobs. In order to avoid this situation the programs' legislation determines that the employer only will be contemplated with the economic subvention in such case that the numbers of current workers remains the same and the total number of workers is added by these new young workers. This legal determination is correct in predicting such possibility and its enforcement is under the responsibility of the Ministry of Labor through its service of Labor Inspection.

4. EMPLOYMENT PROGRAMS IN THE UNITED STATES

The Workforce Investment Act (WIA), enacted in 1998, established the framework of programs addressed to the development of the American workforce and to the creation of jobs. It is under the responsibility of the Department of Labor (DOL), coordinated by the Employment and Training Administration (ETA) and is implemented through states and local boards. WIA provides resources and determines the integration among a variety of programs and services for businesses and job-seekers through centers named “One-Stop Career”.

This topic analyzes the general context of WIA, emphasizing some of the programs that are available through this fund, especially, Adults Training Programs and One-Stop Career Center, Welfare-to-work Programs and Trade Adjustment Assistance. The other program presented here is the Unemployment Compensation Program, that is implemented through a partnership between federal and state governments. Similarly to the precedent topic, the case of Brazil’s programs, this section also starts showing an outlook of the American labor market.

According to data provided by the Bureau of Labor Statistics, the current American labor force amounts to 146.7 million people. The participation rate, meaning the proportion of the population that is 16 years of age and older and is in the labor force related to the total population is equivalent to 66.1%. The total of employed people is around 137.7 million and the unemployment rate is 6%.²⁸

Although this unemployed rate is on the average of those presented by most advanced countries and is not a discrepancy in terms of the tendency shown by the

American labor market, its reduction has been settled as a main proposal by the federal government²⁹.

For the fiscal year of 2003, the budgetary resources of the Employment and Training Administration total \$10.770.674.000 dollars³⁰.

4.1 WORK OPPORTUNITY TAX CREDIT PROGRAM

The Work Opportunity Tax Credit Program (WOTC) was created in 1996 and The Welfare to Work Tax Credit was established by the Tax Payer Relief Act of 1997.

These programs are designed to assist individuals from certain groups who consistently have had a particularly high unemployment rate. Their strategy is to reduce the tax burden on participating employers in order to stimulate the hiring of a targeted group of workers. Thus, these programs' objective is to reduce the gap between the unemployment rate of their clientele and the average rate presented by other groups in the labor force.

The Welfare to Work Tax Credit (WtWTC) is more focused in terms of its beneficiaries' social conditions, since its goal is to promote the hiring of workers who have been receiving long-term welfare assistance. Its benefits, in terms of credit concessions for employers, are also more favorable.

²⁸ U.S. Bureau of Labor Statistics. Website www.bls.gov. November, 19. 2003.

²⁹ The unemployment rate in the United States, in the last ten years, has been remaining between 3% to 6%, according to data provided by the Bureau of Labor Statistics., series LNS 14000000. This objective is explicitly announced in the Economic Report of the President 2003, which says: " Yet the pace of expansion has not been satisfactory; there are still too many Americans looking for jobs. We will not be satisfied until every part of our economy is vigorous and every person who wants a job can find one."

The Departments of Treasury and Labor share administrative responsibility for both programs. The Treasury Department administers the tax provision of the credit and the Department of Labor, through the Employment and Training Administration - ETA, has the authority to award grants to state for administration of the eligibility and certification provisions.

The target clientele under the WOTC program includes nine groups which is composed as follows:

- 1) long-term family assistance recipient - member of family that received Temporary Assistance for Needy Families (TANF) for at least 18 consecutive months ending on hiring date;
- 2) other family Assistance Recipient - member of family that received Temporary assistance for Needy families for any 9-months period of the 18 months ending on hiring date;
- 3) veteran - veteran and member of family that received Food Stamps for at least a 3-month period during the 12 months ending on date of hire;
- 4) 18-24 year-old Food Stamp Recipient;
- 5) 18-24 year-old who lives in zones federally designated as Empowerment Zones, Enterprise Communities or Renewal Communities;
- 6) 16-17 year-old resident in those zones federally designated as Empowerment Zones, Enterprise Communities or Renewal Communities;
- 7) vocational Rehabilitation Referral - disabled person who completed or is completing rehabilitative services approved by state certified agency of U.S. Department of Veteran's Affairs;

³⁰ U.S. Department of Labor/2003.

8) ex-felon - individual convicted of felony and member of low-income family, hired within one year after he or she was so convicted or was released from prison;

9) Qualified Supplemental Security Income Recipient - any individual who received SSI benefit under the Social Security Act for any month during the 60 days ending on date of hire;

10) New York Liberty Zone Business Employee - included after the damages of September 11, 2001 terrorist attack, this group applies only to employers who were located in the New York Liberty Zone or those employers who had to move to somewhere within the city after that destruction.

Application for these programs can be initiated both the job seeker or by the employer. In the first case, the jobseeker comes to a local employment office or to a participating agency to perform a job search or in response to a positive recruitment. The agencies will check the applicant's eligibility and if he/she fits in one of the targeted groups he/she receives a Conditional Certificate to be used in the job search.

Local agencies serving targeted groups, as part of their regular function, may participate in the eligibility process by issuing Conditional Certification. Formal agreements between the State Workforce Agencies and other entities are required in order to issue Conditional Certifications. These entities may include, but are not limited to Local Welfare, One Stop Career Center, Native American and Farmer Workers Agencies, Food Stamp Program Agencies.

Any employer can apply to hire workers under the WOTC and WtWTC and there is no limit for the quantity of workers that can be hired under those programs. When employers begin the process, they must verify the eligibility of the job seeker and

collect available documentation to demonstrate it. Employers must claim and receive certification from their State Workforce Agency assuring that their new hire is included into the targeted groups. The process of application is simple, since employers only have to complete two forms issued by DOL.

The tax credit for hiring all WOTC target groups is up to \$2,400 for each new worker hired and is calculated in such terms: 40% of qualified first-year wages for those workers employed for 400 or more hours and 25% for those workers employed at least 120 hours. The maximum amount of wages to which these credits can be applied must not exceed \$6,000 of first-year wages, per worker, for all target groups. In the case of qualified Summer Youth, wages are capped at \$3,000.

Tax credit for hiring WtWTC' target group is as much as \$8,500 for each worker: 35% of qualified wages for the first year of employment and 50% of qualified wages for the second year of employment. In this case, qualified wages are capped at \$10,000 per year and workers must have been employed at least 400 hours or 180 days.

In order to prevent the misuse of programs benefits some conditions must be observed: 1) employers can not claim for wages paid for relatives; 2) claim can not be done in the case the person hired had already worked for the employer when she/he was not a member of a target group; 3) occurring breaks in employment, caused either by employers or employees, the tax credits can be claimed only for the one-year period beginning on the employment start date; 4) successors employers may claim tax credit related to one specifically worker only to the extension of completing one year-period from the date the worker was hired.

Although programs designs contemplate these mechanisms to avoid frauds

or misuse, one condition that is not predicted is the possibility of employers replacing current workers with members of targeted groups. In other words, the effectiveness of these programs could be improved by limitation of their use only in situations where the stock of workers is increasing. This lack of requirement may have undesired effects which are particularly relevant when related to jobs that do not require skilled workers and in situations where the turnover cost are not significant. In such context, these programs may be used to hire vulnerable people by displacing current workers that are not in a very different socioeconomic condition than those in the targeted group.

4.2 TRADE ADJUSTMENT ASSISTANCE PROGRAM

Trade Adjustment Assistance (TAA) is a program created under the Trade Act of 1974. Its general objective is to provide financial support, training and health insurance benefits for workers adversely affected by a decrease in the production or sale levels of goods due to an increase in American imports. The Trade Adjustment Assistance Reform Act of 2002, enacted in August 2002, amended the Trade Adjustment Assistance to extend eligibility to workers in firms impacted by transference of production to certain foreign countries and also to cover a group of workers indirectly affected, meaning the “secondary workers”.

TAA was compounded, initially, by a mix of training facilities and income support, the Trade Readjustment Allowance. Eligible workers may also apply for allowances to support the procedures of job-searching and job-relocation.

The Trade Adjustment Assistance Reform Act of 2002 provided also the

inclusion of two new programs under the general concept of TAA: the Alternative Trade Adjustment Assistance (ATAA), which focuses workers who are 50 years and older, and the Health Coverage Tax Credit, to subsidize expenditures with private health insurance made by eligible workers.

TAA's benefits can be claimed when there is a significant number or proportion of workers dismissed - or threatened of dismissal - regarding to one individual firm or subdivision. The term "significant number or proportion of workers" is defined as follows: at least 3 workers in a total of 50 and a minimum of 5% for companies with over 50 workers.³¹

Specifically, the reduction in employers' levels of production or sales must be related to one of these two conditions: First, increasing imports of articles directly competitive with the company's production or sales. Thus this process has contributed to workers lay off or threat of lay off and to the decline in the sales or production of such firms or subdivision. Second, there has been a shift in production by such worker's firm or subdivision to a foreign country. In this case, the country to which the worker's firm has shifted production must be a party to a free trade agreement with the United States or the country must be a beneficiary of the Andean Trade Preference Act, or the African Growth and Opportunity Act, or the Caribbean Basin Economic Recovery Act.

This group of workers is called the primary group, since they are directly affected by a reduction in production or sales levels. Besides that, the program also focuses on the secondary group of workers which are those indirectly affected by this change.

In this case, workers that have become separated or are threatened to become

separated are those employed by firms which are suppliers or downstream producers to a firm that have received eligibility certification and such supply or production is related to the article that was the basis for certification. The worker's firm must be responsible for at least 20% of the production or sales of the firm directly affected. The term "downstream" means a firm that performs additional value process for a firm or subdivision, including a firm that operates in final assembly or finishing, directly for another firm or subdivision that were the basis for certification under those condition described for the primary group connected with imports or shifts in production to Canada or Mexico. Workers from the agricultural sector are included among the potential beneficiaries.

Application for these benefits may be done for a group of at least three workers, for a union representative, a Company official, for the One Stop operator or for a State Dislocated Worker Unit, understood as any official agency that deals with unemployed workers. This procedure must be done for both the Department of Labor and the State Coordinator where the dislocated workers plant is located and consists in two forms containing data about the company and production or sales modifications.

ETA follows three steps to assess eligibility of primary workers, as follows:

- 1) checking and evaluating data provided by the company, depicting sales, production and employment; product description, information about company's imports and shifts in production; list of major declining customer indicating contact for information;
- 2) interviewing the company's customer to obtain data about purchases of competitive products from foreign countries; purchases of competitive products from other domestic sources;
- 3) verifying aggregate trade data indicating increase in the United States imports

³¹ Data provided by the Employment and Training Administration (ETA)

and decrease in domestic production, sources provided by government reports and Trade Associations.

After completing this procedure, when workers are regarded as eligible, ETA will provide a Trade Readjustment Allowance. This is a weekly income support available for 78 weeks after the worker has exhausted the receipt of unemployment insurance benefit and if he/she is enrolled in full time training, properly approved by ETA. In the case that workers need remedial or basic education the benefit is extended for more 26 weeks.

Training under TAA may include: 1) any training program approved by ETA; 2) Employed-based training, comprehending on-the-job training and customized training. In the first case - employed-base training - employers are reimbursed of not more than 50% of the participant's wage rate. Customized training is defined as those designed to meet special requirements of an employer or group of employers and conducted with a commitment to hire the worker upon a successful completion of the training. In such situation, employers have to pay at least 50% of training's costs.

The amount of Trade Readjustment Allowance is, in general, the same as the unemployment insurance.

Job Search Allowance, under the Trade Adjustment Assistance Program, is a financial benefit that must not exceed \$1.250 to reimburse workers for job-search expenses within the United States. This benefit may be granted by ETA when a worker can not reasonable be expected to secure suitable employment in the commuting area where he/she resides.

Relocation Allowance, similarly to the Job Search Allowance, is a

financial benefit up to a maximum payment of \$1,250 to reimburse worker for expenses of relocation within the United States. The Department of Labor may grant Relocation Allowance in situations which the worker can not reasonably be expected to secure suitable employment in the commuting area in which he/she resides and has obtained suitable employment affording a reasonable expectation of long-term duration in the area which he/she wants to relocate.

Alternative Trade Adjustment Assistance (ATAA) is a program that provides income support for workers with 50 years of age and older who have been laid off for the same reasons as those required to apply to TAA. In addition, these workers must be reemployed in a different and full time job within 26 weeks after the separation from the adversely affected employment and can not earn more than \$50,000 per year in this new job. This benefit consists in an income support to cover 50% of the difference between the wages received from reemployment and the wages obtained at the time of dismissal and can not exceed \$10,000 during the two-year of eligibility period.

The Health Coverage Tax Credit is a benefit that can be applied by workers eligible to claim for ATAA or for TAA. This benefice consists in a tax credit of 65% of the premium paid for qualified private health insurance. The credit may be claimed even when workers do not owe federal income tax. This program is effectively available since August 2003.

Finally, the Trade Adjustment Assistance, as it was depicted, is composed by a range of different programs designed to support workers affected by the common reason of being adversely impacted by increase in imports or shifts in production. However, workers must meet individual eligibility requirements under each

benefit, since they all have different constraints.

The Trade Act of 2002 extended TAA until September 30, 2007 and authorized a budget of \$ 220 million, per year, for expenditures with training and \$6,2 million for Job Search and Relocation Allowances costs. ETA processes between 3 to 4 thousands petitions a year and the current number of active participants in all activities under TAA is 55.000.³²

4.3 THE WORKFORCE INVESTMENT ACT

The Workforce Investment Act of 1998 (WIA), enacted in August, 1998, provided a new legislative and institutional framework for the American Workforce Investment System, superseding the Job Partnership Act. The WIA also contains the Educational and Family Literacy Act and the Rehabilitation Act Amendment of 1998.

The WIA's guideline, released by ETA, relates its general proposal: "the Workforce Investment Act is intended to be a comprehensive workforce investment system, customer-focused, to help Americans access the tools they need to manage their careers through information and high quality services, and to help U.S. companies find skilled workers. Its goal is to increase employment, retention, and earnings of participants, and doing so, improve the quality of workforce to sustain economic growth, enhance productive and competitiveness and reduce welfare dependency".³³

Principles embodying WIA are identified as follows: 1)Streamlining services. WIA is designed to promote better integration of activities and entities involved

³² Data provided by the U.S. Department of Labor - Employment and Training Administration.

³³ Federal Register. Vol. 65, No.156. Department of Labor/Employment and Training Administration.

with assistance for workers and businesses. Programs and providers are coordinated and thus connecting services and information to guarantee a coherent and rational system. Assistance is available in three different levels, starting with basic core services which may be strengthened through intensive and training programs;

2)Empowering individuals in several ways. Eligible adults may receive financial support to use as Individual Training Account (ITA) at qualified institutions. These ITA's can be used to supplement other training sources available or to pay for all the costs of training. Individuals may obtain great levels of information and guidance through a system of consumer reports providing key information about the performances of training and education providers;

3)Universal access. Any individual have access to the One-Stop system and to core employment-related services. Information about job vacancies, career options, student financial aid, relevant employment trends and instructions on how to conduct a job search, write a resume, or interview with an employer;

4)Increasing accountability. WIA identifies basic indicators of performance that each state and local entities managing the Workforce Investment System must meet, otherwise they will suffer sanctions. However, State and local entities exceeding the performance levels can receive incentive funds. Training providers and theirs programs also have to demonstrate successful performance to remain qualified. Participants get the opportunity to make training choices based on programs' outcomes through data promptly available;

5)Strong role for local workforce investment boards and the private sector. Business-led boards acting as "boards of directors", emphasizing economic development and oversight of the workforce system at local level. The involvement of businesses an labor

associations in the whole system is regarded as critical, since they will provide information, leadership, and play an active role in ensuring that the system prepares people for current and future jobs;

6)State and local flexibility. Under the WIA, significant flexibility in terms of defining activity's characteristics and resources allocation is offered to governors and local officials to allow the development of a system tailored to meet specific regional needs;

7)Improvement of youth programs. These programs must focus the connection between academic and occupational learning. Youth living in poverty areas are considered a targeted group to which opportunities must be addressed.³⁴

Considering the purpose of this study, two aspects of WIA will be analyzed since they represent design innovations that may lead for better effectiveness. First, the strategic connection of all programs and entities in just one center, represented by the One-Stop Center; and second, the Individual Training Account (ITA), because it enables the choice among a variety of training institutions and programs.

Actually, integration among different employment-programs and entities in one unique delivery service center is not a new strategy, many states and local areas in the United States have already been implementing programs unifying a range of services and government entities working side by side to rationalize resources and efforts. Hence, WIA ratifies this pattern of program formulation and development, determining that it must be available throughout the country. Furthermore, DOL also considers that the big challenge is precisely the effective coordination among such a variety of activities and institutions that should move beyond current configurations and specific interests in

³⁴ U.S. Department of Labor. Federal Register. Vol. 65. No. 156. August 2000.

order to build a unified workforce system³⁵. WIA requires coordination among all programs under the responsibility of DOL as well as other workforce investment programs administered by the Department of Education, the Department of Health and Human Services and the Department of House and Urban Development.

The State Workforce Investment, which provides funds under WIA, is implemented by states and local boards, composed of those institutions' representatives and members from businesses sector and from labor organizations. The chairperson in both state and local boards is a representative of the business sector.

The local workforce investment areas are designated by governors, regarding features of local labor market and training institutions available within this geographic zone. WIA establishes that there is an automatic designation for requirements claiming local workforce investment when made by a local government area comprehending a population of at least 600.000 or in rural areas that concentrate employment programs. In order to improve the efficiency of resource spending and activity development, two or more states may determine a common labor market area or economic region.

To receive WIA's funds, local boards must submit a five-year plan to governors, including the identification of current and expected opportunities of jobs as well as the skills required to obtain such opportunities. Each local area established under WIA must have, at least, One-Stop Center providing programs and services carried out by the partners. Currently, there are 1.954 comprehensive One-Stop centers and 1.614 affiliate One-Stop Centers.³⁶

Among the required partners that must joint the One-Stop center are the

³⁵ U.S. Department of Labor. Federal Register. Vol. 65. No. 156. P. 49296. 2000.

³⁶ Data provided by the Employment and Training Administration, in October 2003.

Welfare-to-Work, Trade Adjustment Assistance and Unemployment Insurance programs. Educational and training programs for specified groups, as Youth, Native American, Migrants and seasonal farm workers are also explicitly identified to compose the range of activities and benefices that must be available at the One-Stop Center. In local areas where these national programs are not present, WIA recommends that state and local boards should make arrangements to provide, for those customers groups, services available through the One-Stop center. This process may occurs by offering orientations about eligibility criteria and application.

The One-Stop operator is not necessarily a government institution and it may be selected among a variety of entities as follows: 1)postsecondary educational institution; 2)state or local employment agency; 3)private, nonprofit organization, including the community-based; 4) private for-profit entity; 5)another interested organization. This operator may be designated through a competitive process or under agreement between local board and a consortium of entities that must include, at least, three required partners.

Agreement between local board and One-Stop operator must specify the operator role. This role may range between coordinating services providers within the center, to being the primary provider of services within the center or, yet, to coordinating activities throughout the One-Stop system.

Services under One-Stop centers must be customer-focused, meaning that they may be strengthened according to specifics characteristics or difficulties shown by individuals. In such context, WIA determines that these services must be offered in three levels, with different approaches and a variety of activities presenting an increasing

degree of support. These three levels are: core, intensive and training services.

Core services are universally accessible for everyone interested in getting them. They are the first step in terms of orientation and procedures that must be available in order to support individuals looking for a job or for improvement in his/her career. These activities should comprehend the following: 1)initial assessment of skills and abilities presented by the customer and, consequently, orientation about available services; 2)verification of eligibility to receive all services available in the centers; 3)job search and placement assistance; 4)provision of employment statistics information, including accurate information relating to local, regional and national labor market, containing job vacancy listing as well as the skills demanded; 5)orientation about application for unemployment insurance or other programs that are not funded under WIA.

Considering its framework, the personnel's qualifications as well as the integration among entities are essential strategies to accomplish WIA's proposal. The achievement of the goals stated are directly related to knowledge that the personnel must have about the whole workforce system, in order to disclose all opportunities available through partners institutions and their programs.

Intensive Services are available for individuals that have received at least one Core Services, such as an initial assessment or job search assistance, and regarding his/she difficulties to obtain a job through that primary assistance, the One-Stop operator determines that there is a need of more reinforced assistance. Adults that are employed can also receive Intensive or Training Service to obtain or retain employment that leads to self-sufficiency, meaning the minimum income level determined annually by DOL.

These services may be provided directly by a One-Stop operator or through contracts with service providers, which may include public, private and non-profit organizations, when properly approved by local boards. This possibility of using another entities to provide Intensive Service is relevant as long as they represent more specialized assistance that may not be available within the One-Stop structure. Intensive Services may include the following activities:

- 1)comprehensive and specialized assessment of the skills levels and services needs of workers, including in-depth interviewing and evaluation to identify employment barriers;
- 2)development of an individual employment plan, understood as an “ongoing strategy” jointly developed by the participant and the case manager;
- 3)group counseling;
- 4)individual counseling, including case management of individuals seeking for training services;
- 5)short-term prevocational services, comprehending development of learning, communication and interviewing skills, personal and professional conducts, in order to prepare individuals for getting unsubsidized training or employment.

To get into a training program under WIA, individuals, employed or unemployed, must have received at least one Intensive Service, and, after that, a One-Stop operator will make an assessment about his/her need to pass through a training service. It is also necessary that funds for training are available for that specific fiscal year and only in the case that there is not another source of grant, such Welfare-to-Work, State funded training funds, Trade Adjustment Assistance or funds provided by the Federal Pell Grants.

WIA determines that when funds for training are limited, eligibility of employed workers to participate in training programs should emphasize those individuals who are already receiving public assistance, such as those under the Welfare-to-Work Program.

This assessment made by the One-Stop operator implies that eligibility for participating in training is a discretionary process, since this indication is not made under objectively stated criteria. In addition, WIA does not determine the percentage of resources that should be located to Core, Intensive or Training Services at each One-Stop Center. This decision is made by governors and local boards. Although these limits may be a constraint, they do not undermine altogether the concept of customer-choice that characterizes WIA.

When considered as eligible by the One-Stop operator, individuals access training services through Individual Training Account (ITA). This ITA allows the beneficiaries to choose and purchase training programs from any eligible training provider in the area. ITA's may also be used to complement the training cost, when another source of funds is available.

The qualification of training institutions is under the responsibility of governors and local boards, which must set criteria for eligibility as well as establish minimum levels of performance for all providers remain subsequently eligible. This period of initial eligibility, when WIA was enacted, was for the maximum of eighteen months and after that the institution's performances have to be evaluated. Training providers must submit applications to local boards in the area in which they want to supply services and these applications have to depict each program of training that is

offered.

WIA determines that governors must designate a state agency to assist in this process of development and maintenance of a list of eligible providers and training programs. This agency should also be responsible for checking performances levels, verifying veracity of information and for taking appropriate enforcement actions against institutions that intentionally violate the requirements or release inaccurate information. In this process of performance levels evaluation, WIA determines that peculiarities related to economic, geographic and demographic conditions as well as characteristics of the population served have to be considered.

According to its principle of customer-choice, WIA requires the creation of a Report System, including a range of data about outcomes presented for each training provider and general information about training programs available, its costs and durations and employments and wage information. These Report System must be widely accessible through the One-Stop Center.

WIA also establishes that income support may be provided for unemployed workers enrolled in training activities and who are not receiving unemployment insurance. The amount of this benefit is decided by local boards and must not exceed the applicable weekly level of unemployment insurance.

Another program established under WIA is the Youth Program, focusing on low income individuals between 14 and 21 years old. This program is a required partner of One-Stop centers. At least 30% of all Youth Funds should be applied in providing activities for out-of-school youth, meaning an individual “who is no longer attending any school and who has not received a secondary school diploma or is

recognized equivalent.”³⁷

The Youth Program must contain each of these following activities:

1)study skills training, and instruction leading to secondary school; 2)alternative summer employment opportunities, directly linked with academic and occupational learning; 3)paid and unpaid work, including internships; 4)occupational skills training; 5)supportive services. Funds from WIA may be used to pay wages and benefits for work experiences in private and public sectors.

4.4 UNEMPLOYMENT INSURANCE

The Unemployment Insurance Program (UIP) was created by the Social Security Act of 1935, as a mechanism to provide income support to individuals out of work, for period between jobs.

This Program is developed through a federal-state partnership, based upon federal legislation, which establishes its framework and it is complemented by state laws. A particularity of UI within the programs developed under the American Social Security System is that it is completely financed by employers taxes, both federal and state. Currently, exceptions are the states of Alaska, New Jersey and Pennsylvania which also require employee’s contributions.

The Social Security Act - SSA and the Federal Unemployment Tax Act - FUTA, set the general framework and rules that states must comply in order to receive federal funds. The federal government, through ETA, monitors state performances and provide technical assistance.

³⁷ U.S. Department of Labor. Federal Register Vol. 65, n. 156. p. 49412. August 2000. Washington, D.C.

The Federal Unemployment Tax Act (FUTA) applies to employers who employ one or more employees in at least 20 weeks in the current or preceding year or who pay wages of \$1,500 or more during any calendar quarter of the current or preceding year. Also included are large employers of agricultural sector and some employment in domestic services.

Although greatly influenced by federal law, each state is free to determine the employers who are submitted to its laws and the workers who are eligible to receive the benefit. The only exception is the federal determination that states must provide coverage for employees of nonprofit organizations, services performed by Native Americans, and employees of state and local governments, even in the case such employment is exempt from FUTA.

UIP is financed by a federal tax levied on employers at a rate of 6.2% on wages up to \$7,000 for year, paid to each employee. Federal legislation, however, provides a credit against federal tax liability up to 5.4% to employers who pay state taxes timely under an approved state UI program. This credit is allowed regardless of the amount of tax paid to states by employers. Consequently, in states meeting specified requirements, employers pay no more than 0.8% as a federal tax, or a maximum of \$56 per covered employee.

There are some requirements that must be complied by state laws in order to enable them to receive federal funds, as follows: 1) compensation must be paid through public employment offices or others approved agencies; 2) all the money collected by state trust fund must be used to pay benefits, to refund amounts erroneously paid, or for others specified activities; 3) benefit can not be denied to anyone who refuses to accept

work because the job is vacant as the direct result of a labor dispute, or because the wages, hours, or conditions of work are substandard, or if, as a condition of employment, the individual would have to join a company union; 4) unemployment compensation is not payable in two successive benefit-years to an individual who has not worked after the beginning of the first benefit year; 5) payments can not be denied to anyone solely because he/she is taking part in an approved training program; 6) compensation is not payable for foreigners workers, unless in the case of authorized work.

Otherwise, there are no federal standards for benefits in terms of qualifying requirements, benefits amounts, or duration of the payments. The states have developed different formulas for establishing the framework of the UI program. In such context, all states demand that a claimant must have earned a specific amount of wages or must have worked a certain number of weeks, or must have met a combination of wage and time-worked within a base period to qualify for the benefit. In general, the purpose under these conditions of eligibility is to restrict the coverage to workers who are genuinely attached to the labor force.

The federal legislation does not determine that UI receivers should be registered in replacement agencies, such One-Stop centers. In this sense, only some states have this kind of requirement connected with the payment of the benefit.

All states finance UI program through contributions from employers based on the wages of their covered workers. These taxes are deposited by states to their account in the Federal Treasury, and are withdrawn as needed for the payment of benefits.

Each state has a system of different rates which are used to define

employer's contributions. Currently, there are four distinct systems, usually identified as: 1) reserve ratio; 2) benefit-ratio; 3) benefit-wage-ratio; and 4) payroll- decline formula.

Moreover, each state designs its own UI program, defining benefit structure - such as eligibility/disqualification conditions, amount and period of payments - and the state tax structure to finance the program.

As a result of the many variables in state taxable wages bases and rates, benefits formulas and economic conditions, tax rate differs greatly from one state to another, and among individual employers within a state. DOL estimates that the average state rate for 2002 is 0.5% of total wages, ranging from a high of 1.3% in Alaska to a low of 0.1% in Virginia.³⁸

In the case where state funds are not sufficient to pay expected benefits claims during a certain period of time, the governor may request a loan from DOL. In order to assure that a state has an outstanding loan balance on January 1 for two consecutive years, the full amount of the loan must be repaid before November of the second year, or the federal tax on employers in that state will be increased for that year and further increased for each subsequent year that the loan has not been repaid.

State laws usually tend to cover employment or employers subject to the federal law and may cover some types of employment that are exempted to contribute to the FUTA, as small employers of agricultural sector and domestic services.

Initially, most states paid benefits for a maximum of 13 to 16 weeks. Currently, these periods are, in general, up to 26 weeks. In periods of very high and rising unemployment in some states, benefits may be extended for additional 13 weeks. These

³⁸ Data provided by the Department of Labor. Employment and Training Administration. Office of Workforce Security. Division of Legislation. Washington, D.C. 2003.

cases are financed by states and federal taxes in shared bases. In periods of national recession, when all states are impacted by high levels of unemployment, programs federally-financed have been adopted, providing supplemental benefits. There were two programs such that in the 70's, one during the 80's, one during the 90's, and the most recent, The Temporary Unemployment Compensation Act of 2002, effective from March 2002 through May 2003.

Most states measure unemployment in terms of calendar weeks. Under all state laws a weekly benefit amount varies with the worker's past wages within certain minimum and maximum amounts. The period of past wages used and the formulas for calculating benefits vary greatly among states. The lowest weekly amount is paid by the state of Hawaii, equal to \$5, and the highest is paid by the state of Oregon, equal to \$96. In terms of benefits' duration, the states of Massachusetts and Washington are responsible for the most extended period that is equal to 30 weeks.

For the year of 2003, the program's estimated activity is shown below³⁹:

- Number of workers covered ----- 128.2 million;
- Number of beneficiaries: ----- 10.5 million;
- Subject employers-----7.0 million;
- Benefits paid: -----\$53.2 billion;
- Administrative Costs ----- \$ 4.0 billion;
- Payroll taxes (FUTA) ----- \$ 6.8 billion;
- Payroll taxes - State ----- \$ 27.3 billion.

³⁹ Department of Labor. Employment and Training Administration. Office of Workforce Security. Division

5. FINAL CONSIDERATIONS

The analysis of the Brazilian's employment system discloses some aspects that must be pointed out as relevant for improvement of the programs' design concerning better levels of effectiveness:

- Unemployment Insurance Program: the legal framework that regulates this program constrains its coverage to only those workers included in the formal labor market. Thus, about 50% of the labor force does not have any income support in the case of unemployment nor have access to benefits from the Social Security System. One important advance that has been occurring to diminish the harm caused by this distortion is current project related to the restructuring of the Social Security System in the Brazil. This project determines the establishment, by future law, of a special system to provide a benefit equivalent to the minimum wage to "low income workers" with no criteria of eligibility concerning their inclusion in the formal labor market or contributions to the Social Security System⁴⁰.

- Labor Market Information System (SINE): this system have not been presenting a desirable performance. Measures that could be taken to improve its development include: in the legal framework, legislation establishing that workers receiving unemployment insurance should be registered in SINE's centers. This could enable the system to obtain current and reliable information about labor market trends to address other employment-policies, in particular, training programs. In the institutional

of Legislation. Washington D.C. 2003.

⁴⁰ Article 12 of this project of law determines: " Law will establish a special social security system to provide a benefit equivalent to one minimum wage for low income workers, exempting benefits for retirement " Source: Brazilian House of Representatives. September, 2003.

field, federal and state governments should extend the net of centers and provide them with more adequate conditions in terms of qualified personnel as well as physical installations. Finally, both levels of governments could, also, make efforts to achieve a more active participation of business sectors in this system, since this connection is fundamental for the availability of current and expected information about jobs' demand.

- Labor and Income Generation Programs (PROGER), (Rural PROGER), PRONAF, PROTRABALHO - these programs are essential to the employment system as long as they represent a significant and stable source of credit facilities for groups that, otherwise, could not open or maintain their businesses or self-employment. However, their effectiveness could be improved by CODEFAT's legislation obliging a stronger connection between credits provided and their direct results in terms of jobs' creation. In such a case, banks would demand data about workers formally hired as a result of loans obtained through these programs. This kind of systematized information could enable policymakers to assess the programs' real impacts in the labor market. Their integration with local and state employment boards also should be reinforced since could result in better levels of social control over the allocation of public resources.

- Professional Education Plans - (PLANFOR/PNQ) - training programs can be effective in promoting employment as long as they are strongly driven by labor market demands and thus enable workers' mobility between sectors and occupations. This new PNQ, which replaces PLANFOR, attempts to improve both social control and training quality. However, its modifications are presented in vague terms and it is not possible, yet, to verify any real changes.

Actually, inverting the tendency of decreasing resources available for the

development of training programs should be the primary issue addressed to assure improvement in their performance. In addition to that, institutional connection between the Ministry of Employment and Labor and the Ministry of Education should be sought, as well as between state and local employment boards and SINE's centers to the establishment of training activities better focused on market tendencies.

- First Work for Youth Program - this is a program that can present a significant impact in terms of providing better opportunities for poor youth to access the formal labor market and to obtain an initial professional experience. A positive aspect of this program's design is its control over the current stock of workers intending to avoid their replacement by youth hired in such program's favorable conditions. However, the program's coverage is uncertain because its financing is not properly established by legislation, but depends on the availability of resources under discretionary government's power.

In the case of employment programs in the United States, some considerations about their designs are:

- Work Opportunity Tax Credit Programs (WOTC and WtWTC) - these programs focus on the reduction of unemployment levels of vulnerable social groups who are dependent on welfare benefits. They are well formulated in terms of targeted coverage, uncomplicated appliance and extensive benefits for employers who are participants. But their effectiveness could be improved through the introduction of a legal device to assure that they have not been used exclusively to enable replacement of workers, since they are likely to concentrate on occupations that do not require high levels of skills.

- Trade Adjustment Assistance (TAA) - this program presents an adequate design to confront the changes that are affecting the American labor market, mainly caused by international trade. It focus exactly those workers who are being adversely impacted by the current pattern of international competitiveness, providing income support and occupational training to promote mobility between jobs and functions.

- One-Stop Career Center and Adults Training Programs under Workforce Investment Act (WIA) - three aspects related to these programs must be pointed out when considering their potential positive effects on performance improvement of programs related to labor market. First, in the case of One-stops centers, its legal framework determining strategic integration among programs and entities. In fact, there is a consensus among experts of this subject about the crucial role played by activities' connection. Despite the fact that this arrangement's implementation is not a trivial task, its legal requirement is the first step for the consolidation of an employment system. Another innovation presented in Stop-centers is the establishment of services - core, intensive, and training - emphasizing individuals' needs and supports' strengthening. Third, WIA, through Individual Training Account (ITA), allows individuals' choice among a variety of training and provider's institutions and it also provides reports informing training outcomes.

- Unemployment Insurance - although flexibility that characterizes this program, federal legislation could stimulate the adoption, by the states, of mechanisms to link the benefits' payment with the worker's registration in replacement agencies, such as the One-Stop centers.

The design of a program is only the first aspect that must be considered in the assessment of its performance. A program can be regarded as well designed when its stated strategies related to legal framework, sources of financing, coverage, eligibility and implementation conditions are adequately formulated to accomplish the proposed objectives.

In this sense, among all design features, the most important factors affecting the performance of a program may be related to its financing conditions and criteria of eligibility. Source and amount of funds, adequately established by legislation, as well as eligibility criteria objectively defined are the best alternative to prevent discretionary implementation by governments. Moreover, these are essential aspects related to the political priority that is actually given to programs.

Nevertheless, a proper formulation is necessary, but is not sufficient, to assure program effectiveness. Political and institutional environment and personnel qualifications are also essential factors affecting program development and results.

These final considerations are concerned with formulation, regardless of deviations that may occur in programs implementation caused by factors that can not be predicted in their design, such as those mentioned above.

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