

# The Rural Social Insurance Programme

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# 4

## Brazil

### Summary

- The Brazilian rural social insurance model is formally contributory. Yet, owing to the particularities of rural activity, contribution rules are not the traditional rules applicable to the urban system, thereby requiring a high level of subsidy.
- The model targets workers engaged in activities particular to the agrarian sector regardless of whether they live in rural or urban areas.
- The insured persons under this regime are salaried workers, producers who are physical persons and specially insured persons (family agricultural workers).

### Financing

- For specially insured individuals, the amount of contributions collected is based on the commercialization of their production (2.1 per cent). This does not prevent them from contributing on a voluntary basis and as an individual contributor in order to obtain benefits higher than the minimum.
- The rural producer who is a physical person contributes on the basis of commercialized product (2.1 per cent corresponding to the employer's quota) and on the basis of income declared as an individual contributor (the personal quota). The value of this income will always be at least equal to the minimum wage and the contribution will be 11 per cent.
- Like the urban worker, the salaried rural worker contributes 8 per cent, 9 per cent or 10 per cent of his/her monthly income.
- The rural producer who is a legal person contributes 2.6 per cent of the value of the product commercialized.

### Benefits

- Benefits have a minimum value of one official minimum wage.
- Retirement due to contribution time, old-age pension, disability pension, illness aid, maternity salary, accident aid, survivor's pension and reclusion aid.
- Old-age pensions at 60 years of age if male and 55 if female, given 15 years of rural work (for the specially insured) or 15 years of contributions (for rural producers who are physical persons and for salaried rural workers).

### Specially insured family agricultural workers

- A person who falls in the category of "specially insured" must be a physical person who inhabits a rural estate or a neighbouring urban or rural agglomerate. He or she must work individually or in a family economy regime and may eventually be able to enlist

### Summary (cont'd.)

the help of third parties for mutual cooperation reasons so long as: (a) he/she is a producer – a property owner, property user-owner, inhabitant, partner or sharecropper,<sup>1</sup> bailee or rural renter – who exploits agriculture within four fiscal modules, or is a latex gatherer or other vegetal extractor who makes these activities his/her main means of earning a living; (b) is an artisanal fisherperson or person employed in a similar activity who makes fishing his/her usual profession and means of earning a living; (c) is the spouse or child under 16 years of age (or child-equivalent) of the insured person as defined in (a) and (b) above and can provide proof of working with his or her respective family.

- With the introduction of the “specially insured” concept in 1992, the Rural Social Insurance system began guaranteeing universal access to it by both male and female rural workers under the regime for the specially insured.
- Rural workers under a family economy regime have been guaranteed the same treatment as that given to urban workers. With the exception of retirement due to contribution time, rural workers have access to the same benefits: old-age, disability and survivor’s pensions as well as a maternity salary, and accident, sickness and reclusion aid.
- In practice, social insurance rights have been extended to a particular group of workers regardless of their capacity to contribute to social security.

The differentiated treatment has resulted in a significant expansion of social protection among agricultural workers. In 2008, insurance coverage among agricultural workers reached 79.8 per cent while it was 65.9 per cent among workers employed in other economic sectors.

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## INTRODUCTION

Brazil’s Rural Social Insurance (Previdência Social Rural), which was expanded and consolidated by the 1988 Federal Constitution, had a slow and gradual evo-

lution before it finally established itself as a true guarantor of protection for rural workers. These workers are subject to much greater social insecurity than urban workers, who have always had at least some bargaining power through their class organizations.

<sup>1</sup>*meio outorgados* or *sharecropper*: a small-scale farmer whose land is not his/her property. There is usually an informal agreement between the land owner and the farmer so that part of the production is exchanged for the right to occupy and use the land, equipment, seeds and facilities.

Previdência Social Rural is formally a contributory programme. Yet, owing to the particularities of rural activity, it has contributory rules that are different from the traditional rules of the urban scheme, which entails a high degree of public subsidy. The model is geared towards workers who carry out activities particular to the agricultural sector regardless of whether they reside in rural or urban areas. Under this regime, the insured include salaried workers and individuals who are producers as well as individuals in the special insurance category (family agricultural workers<sup>2</sup>).

Each insured individual receives benefits specific to the contributory rules that apply to him or her. In the case of individuals under the category of "specially insured persons", contributions are collected on the basis of the value of their commercialized production. This, however, does not prevent them from being able to contribute voluntarily as individual contributors so as to obtain benefits above the minimum level. Rural producers who are physical persons<sup>3</sup> contribute to social security based on the value of their commercialized production – corresponding to the employer's quota. Through the individual's quota, they also contribute based on the income declared, which will always be at least equivalent to the official minimum wage. Salaried rural employees

contribute on the basis of their monthly wages, in the same manner that urban employees do, whereas employers' contributions are a percentage of the value of commercialized production.

The concept of "specially insured persons" was introduced into legislation in 1991 with the intent of offering special treatment to a portion of rural workers who are involved in family economy regimes, thus extending social protection to the family as a whole. The pensions of people insured under this category are strongly tied to certain months of the year and to the type of agricultural product grown. Furthermore, the selling price of their products usually suffers oscillations due to the bargaining power of buyers (generally large food suppliers) and to the presence of intermediaries that also receive a portion of profits at negotiations. Given this unstable financial flux, specially insured persons have very low incomes; therefore, the additional resources necessary for the full functioning of the regime must be guaranteed by the State.

This social insurance model, which is contributory yet heavily subsidized by the State, was responsible for the payout of 7.9 million pensions amounting to R\$45.5 billion in 2009. In the same year, the contributions collected totalled only R\$4.6 billion, which resulted in the State

<sup>2</sup>These are family agricultural workers or artisan fisherpeople whose primary activity is agriculture/fishing and who make use of the labour of family members in this undertaking. When they do hire labour, they do so punctually and on a small scale (for no more than 120 workdays per year). The property on which these types of workers carry out their activities cannot be larger than four rural modules (units that vary depending on the region in Brazil).

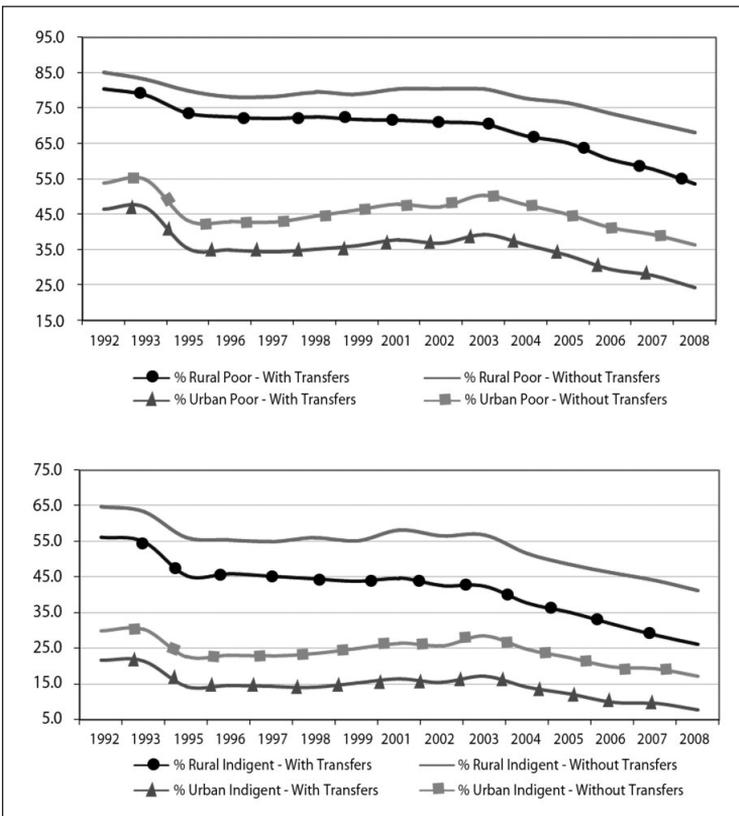
<sup>3</sup>Rural producers, who are physical (as opposed to legal) persons, are those who are self-employed and use a property area larger than four rural modules. They may or may not use labour from third parties. Rural producers are also considered to be those who are self-employed and use fewer than four modules of property but who hire the labour of third parties in quantities that are not permitted under the category of "specially insured persons".

needing to finance R\$40.9 billion – 1.3 per cent of GDP.

The social gains are already evident since they have been enabling elderly agricultural workers to have a dignified life. Moreover, the monthly pensions paid out by the social insurance system represent an impetus for increased activity in the service, goods and other sectors, especially for smaller and poorer towns.<sup>1</sup>

Data from the National Household Sample Survey (Pesquisa Nacional por Amostra de Domicílio, PNAD) show that social welfare benefits are directly respon-

sible for the reduction in poverty and indigence<sup>4</sup> in rural areas. Using the survey, it is possible to establish a comparison of the evolution of the poverty and indigence rates with and without the effect of social transfers in rural areas since 1992 (graph 1). It can be observed that under both circumstances, there is a reduction in the rates since 2001 and a tendency for the two curves to diverge. In 1992, the difference between the poor and indigent in rural areas who received transfers and those who did not was 4.5 and 8.6 percentage points, respectively. In 2001, that difference rose to 8.9 and 13.5 percentage



**Graph 1** | Percentage of the population that is poor or indigent in rural and urban areas, with and without social transfers, 1992-2008.\*

\* Not including rural areas in the northern region, except Tocantins.

Source: National Household Sample Survey (PNAD)/Brazilian Institute of Geography and Statistics (IBGE), 2008. Preparation: Secretary of Social Security Policies (SPS), Ministry of Social Security (MPS).

<sup>4</sup>Individuals considered to be poor are those whose income is inferior to one half of the minimum wage while individuals considered to be indigent are those whose income is below one quarter of the minimum wage.

points, and, by 2008, it had reached 14.6 and 15.1 percentage points, respectively.

By 2008, 53.5 per cent of the rural population was still poor but this figure would have jumped to 68.1 per cent if there had been no social insurance transfers. In absolute terms, this represents a reduction of 4 million people. Similarly, 26.1 per cent of the rural population was indigent in 2008, but without social transfers, this percentage would have been 41.3 per cent, indicating a reduction of 4.1 million people.

Recognition that *Previdência Social Brasileira* (Brazilian Social Insurance) (urban and rural) contributes strongly to the reduction of poverty, especially among the elderly, is growing. This becomes more apparent in rural areas, given that pensions are the main sources of income for many rural families. As such, family structures themselves have undergone significant alterations: pensioners have acquired a better standard of living and they have gone from fulfilling the role of “dependant” to that of “provider” within their family.<sup>ii</sup>

## BRAZIL, SOCIAL SECURITY AND THE SOCIAL PROTECTION FLOOR

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Brazilian Social Insurance (*Previdência Social*), including Rural Social Insurance (*Previdência Social Rural*), is anchored in

the concept of social security. This concept was defined by the 1988 Federal Constitution as a coordinated group of actions initiated by the State and by society and destined to ensure rights relative to health, welfare and social assistance.

The 1988 Federal Constitution defines the “social protection” concept broadly, giving it several elements of a universal social protection floor – contributory and non-contributory benefits for the support of children, for the elderly, for adults without the capacity to work and for the unemployed, as well as implementing the Universal Health Care System (*Sistema Único de Saúde, SUS*) and thereby recognizing the right to universal health care. As such, this concept of social security joins the recent global initiative proposed by the United Nations in 2009. In response to the effects of the global economic crisis, the Initiative seeks to implement a social protection floor comprising four basic guarantees: access to basic health care for all; economic security for children; assistance for the unemployed and the poor; and economic security for the elderly and the disabled.

Brazil has significant income transfer programmes such as the *Bolsa Família* programme, which targets children. In 2009, *Bolsa Família* had a budget of R\$12.5 billion and benefited 12.4 million families. Brazil also offers the Benefit for the Elderly and Disabled in Poverty<sup>5</sup> or Continuous Cash Benefit (*Benefício de Prestação Continuada (BPC)*), regulated by

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<sup>5</sup>Means-tested benefits addressed to very poor older people, as well as disabled people (in this case, irrespective of age), whose per capita income falls below the threshold of one fourth of the minimum wage.

the Organic Law of Social Assistance, LOAS). In 2009, this programme spent R\$17.6 billion on 3.2 million benefits. Finally, the Previdência Social (Social Insurance) system includes the Previdência Rural Social (Rural Social Insurance) system, which transfers income, especially through its treatment of the category of “specially insured persons”.

Given the size of Brazil and the complexity of each of these areas of activity, different ministries are in charge of the implementation of the programmes: the Ministry of Social Development and Fight against Hunger (Ministério de Desenvolvimento Social e Combate à Fome, MDS) is responsible for cash-transfer programmes such as Bolsa Família; MDS, along with the Ministry of Social Insurance (Ministério da Previdência Social, MPS), is in charge of the Benefit for the Elderly and Disabled in Poverty (BPC);<sup>6</sup> the MPS also oversees the Social Insurance system (Previdência Social); and the Ministry of Health (Ministério da Saúde, MS) implements health care as a universal right.

Although social policies are implemented by distinct ministries, they remain under the single command of the President of the Republic, who meets periodically with ministries involved in social affairs in order to evaluate the programmes. There is frequent communication between the ministries but, in truth, there is no forum for technical coordination nor a management application

accessible to all ministries involved in social security that would provide more agility in the taking of decisions. Perhaps this is precisely the element (still) absent from the Brazilian social protection floor (SPF) model: institutional space for the coordination of programmes that belong to the SPF.

## CONTEXT

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Brazil is located in eastern Latin America and has an area of 8,547,403.50 km<sup>2</sup>. For administrative purposes, the country is divided into 26 States, one Federal District and 5,564 municipalities. The 1988 Federal Constitution establishes citizens' rights and obligations as well as the organization of the Brazilian State. There are three established powers: the executive, the legislative and the judiciary. The President functions as Head of State and Government and has a four-year term with the possibility of a one-term renewal.

The country has a population of approximately 193 million (IBGE 2008 estimate), 80 per cent of whom live in urban areas. The rural population is relatively small, which facilitated the widespread implementation of rural social insurance. The latest (2008) IBGE demographic projection indicates that the population's rate of growth is dropping and that life expectancy is increasing, which points to a rapid ageing of the population by 2050.

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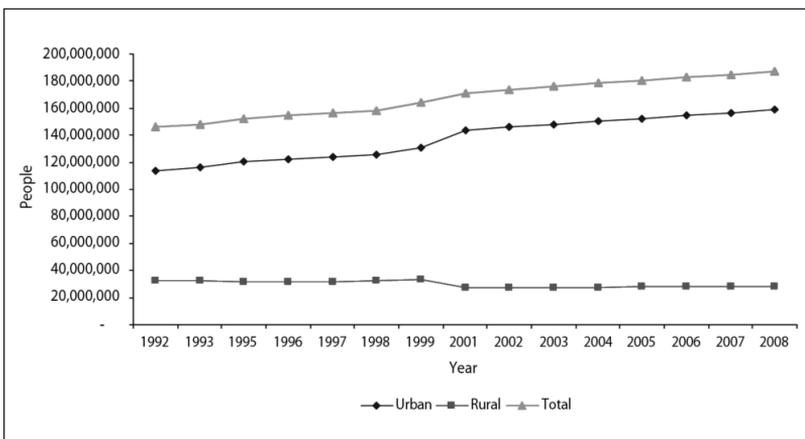
<sup>6</sup>The Ministry of Social Insurance (MPS) is responsible for operating payments and concession, but the Ministry of Social Development and Fight against Hunger (MDS) is in charge of its rules, decisions about its budget and management.

Previdência Social (Social Insurance) does not use the concept of “geographic residence” to determine whom it insures among rural inhabitants. For the purposes of the programme, rural workers are defined by their occupation, which must be particular to the rural setting regardless of where the activity is performed. As such, one can find urban inhabitants who are insured as rural workers and vice versa.

Brazil’s rural population has been waning since 1940 while its urban population continues to grow. The 1970 census was the first to indicate that the urban population had exceeded the rural population. Since then, the gap between the two has continued to widen, which indicates that the country is undergoing a rapid process of urbanization. In 2008, the urban population was 159.1 million, 39.8 per cent larger than it was in 1992. The rural population, on the other hand, was 27.8 million, dropping 13.5 per cent between 1992 and 2008 (graph 2). This

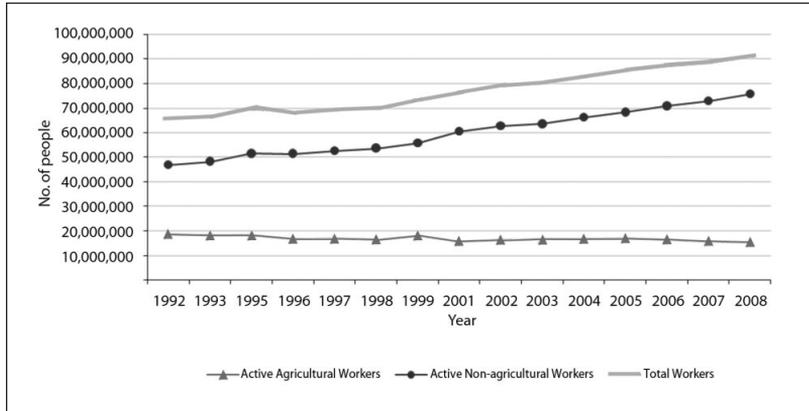
trend should continue in the coming years. Nonetheless, Brazil has and will continue to have a significant number of families working in small-scale farming, which demonstrates that rural social insurance will continue to play a relevant role in Brazilian social protection.

According to the Ministry of Labour and Employment (Ministério do Trabalho e Emprego, MTE),<sup>iii</sup> the formal labour market in Brazil has been expanding and has had a direct impact on the development of social protection. Between 1995 and 2008, employment grew by 65.5 per cent, with significant results after 2003; the following five years would register an employment growth rate of 33.6 per cent. In 1995, the formal labour market in Brazil had about 23.8 million formal jobs. The total rose to 28.7 million in 2002 and reached 39.4 million in 2008. Thus, for the 1995-2008 period, 68 per cent of the jobs were created between 2002 and 2008.



**Graph 2 |**  
Size of urban and rural populations, 1992-2008.

Source: National Household Sample Survey (PNAD), Brazilian Institute of Geography and Statistics (IBGE), 2008. Preparation: Secretary of Social Security Policies (SPS), Ministry of Social Insurance (MPS).



**Graph 3 |** Working population, by sector of employment (agricultural/non-agricultural), 1992-2008.

Source: National Household Sample Survey (PNAD), Brazilian Institute of Geography and Statistics (IBGE), 2008. Preparation: Secretary of Social Security Policies (SPS)/Ministry of Social Insurance (MPS).

Brazil has officially adopted an ample<sup>7</sup> indicator for determining the level of social protection among the employed. The insured employed population between 16 and 59 years of age includes: contributors (active and insured individuals under the General Social Insurance Scheme (Regime Geral de Previdência Social, RGPS) as well as active and insured individuals under the regimes particular to military and civil servants); individuals belonging to the category of specially insured family farmers; and non-contributors who receive some continuous welfare or assistance benefit. In sum, the insured active population encompasses (a) those individuals who either contribute to some public welfare regime or are part of the “specially insured” category, or (b) those who, despite not contributing and not being “specially insured”, are already beneficiar-

ies of the Social Insurance or Social Assistance system.

It is important to highlight that the indicators of social insurance protection include both insurance benefits and assistance benefits paid as pensions to disabled individuals of any age who are unable to work and to the elderly (age 65 or older) whose income is classified as low (family income per capita lower than one fourth of the official minimum wage).

According to data from the 2008 National Household Sample Survey (PNAD), 63.4 per cent of the employed population (between 15 and 59 years of age) was socially protected in 1998. With a tendency to decline, this proportion dropped to 61.7 per cent in 2002. From 2003 onwards, however, the opposite trend began manifesting itself and the proportion reached 65.9 per cent in 2008.

<sup>7</sup>The National Household Sample Survey (PNAD) cannot accurately determine whether the interviewee is receiving a continuous assistance benefit or a social welfare benefit. This is owing to the fact that even the insured person often cannot distinguish between the two benefits, given that the assistance benefit is distributed by the social welfare agencies despite being paid by the Ministry of Social Development and Fight against Hunger (MDS).

**Table 1** | Social insurance protection of the elderly,\* 2008.

Category	Men	Women	Total
Retired	6,950,143	5,306,168	<b>12,256,311</b>
Pensioners	126,099	2,237,270	<b>2,363,369</b>
Retired and pensioners	220,707	1,397,096	<b>1,617,803</b>
Contributors but non-beneficiaries	678,869	273,703	<b>952,572</b>
<b>Total protected (a)</b>	<b>7,975,818</b>	<b>9,214,237</b>	<b>17,190,055</b>
Inhabitants (b)	9,214,542	11,824,542	<b>21,039,084</b>
<b>Coverage (%) ((a)/(b))</b>	<b>86.6</b>	<b>77.9</b>	<b>81.7</b>

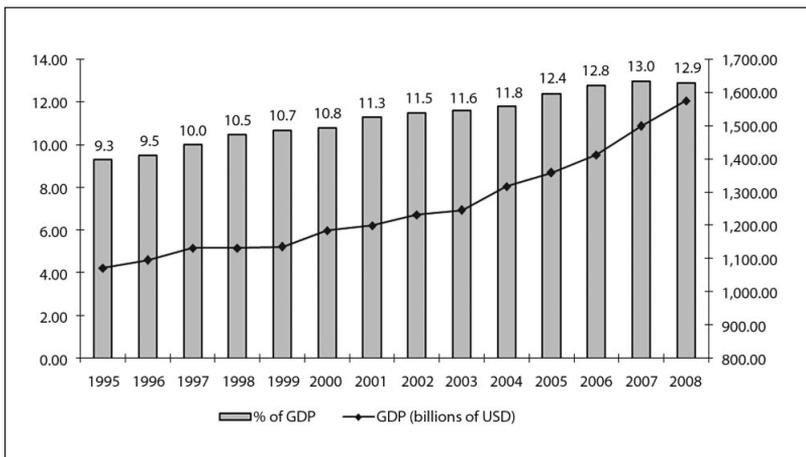
\* The elderly comprise men and women who are 60 years of age and older.

Source: National Household Sample Survey (PNAD), Brazilian Institute of Geography and Statistics (IBGE), 2008.  
Preparation: Secretary of Social Security Policies (SPS), Ministry of Social Insurance (MPS).

Previdência Social (Social Insurance) went from paying 19.5 million benefits in December 2000 to paying 27 million in December 2009 – an increase of 38.5 per cent. PNAD 2008 shows that, among the elderly population (above 59 years of age), social protection covered 81.7 per cent of the population (table 1), with the level steady since 1995, when it covered 80.1 per

cent of the elderly.

It is important to highlight that federal expenditure on social security in Brazil (including social insurance and social assistance) has been on the rise. As a percentage of GDP, social security expenditure increased from 9.3 per cent in 1995 to 12.9 per cent in 2009 (graph 4).



**Graph 4** | Federal social security expenditure, as a percentage of GDP and in billions of US\$, 1995-2008.

Source: Institute of Applied Economic Research (IPEA). Preparation: Secretary of Social Security Policies (SPS), Ministry of Social Insurance (MPS).

## EVOLUTION OF RURAL SOCIAL INSURANCE (PREVIDÊNCIA SOCIAL RURAL)

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The law that is considered to be an initial marker of Brazil's social protection, the Eloy Chaves Law, was passed in 1923 and included only some categories of workers. By the 1950s, almost all urban workers had been included, which was not the case for rural workers. Among the various reasons given for the exclusion of rural workers from effective social protection, the main reason was, according to Schwarzer,<sup>iv</sup> that they "did not represent a pressure group with sufficient capacity for political articulation and vocalization such that the populist-paternalist State would see it as a social group needing to be integrated and co-opted through the significant expansion of social programs' coverage".

The first attempt at formally including rural workers in the Previdência Social (Social Insurance) system took place in 1945 with the creation of the Institute of Social Services and the move to combine all the already-existing welfare institutions. However, this attempt at universalizing social welfare was not implemented owing to an insufficient budget. From then on, new efforts at extending social security to rural populations were made in 1955 with the creation of the Rural Social Service. This programme, which was financed by urban industrial companies, was destined to assist rural populations.

The effective inclusion of the rural

worker in insurance legislation took place in 1963 with the approval of the Rural Worker's Statute and the creation of the Fund for Social Insurance and Assistance to Rural Workers (Fundo de Assistência e Previdência do Trabalhador Rural, FUNRURAL). The FUNRURAL was financed by a contribution that the producer (or, given prior agreement, the buyer) paid based on the value of the first commercialization of rural products. It offered disability, old-age, survivor, maternity and sickness benefits as well as funeral assistance and medical care. Yet there was still a failure to implement rural social insurance at that time. This failure appears to have been tied to the programme's source of funding, which was based on the commercialization of rural products and which did not provide a sufficient financial base for the programme's execution, making taxation and the collection of contributions unsustainable.

In 1967, the Rural Worker's Statute was reformulated and the recently created National Institute of Social Insurance (Instituto Nacional de Previdência Social, INPS) was given charge of the entire financing structure of the FUNRURAL. The programme's benefits were limited to medical and social services and all cash benefits were suppressed. In addition, the contribution system, which was still based on the first commercialization of rural products, underwent some alteration. The contribution became the responsibility of the buyer rather than of the producer unless the latter processed the transformation of the actual product. Later, in 1969, the Basic Social Insurance

Plan (Plano Básico da Previdência Social) was created. It was meant to re-establish an array of monetary benefits but was not implemented because of a lack of financing regulation.

In 1971, the FUNRURAL became effectively operationalized through the creation of the Assistance Programme for Rural Workers (Programa de Assistência ao Trabalhador Rural, PRÓ-RURAL). Its financing structure is based on a buyer's contribution of 2 per cent of the commercialized value of rural products and on a complementary contribution from urban companies equal to 2.4 per cent of their payments to employees. The benefits provided were both unrelated and related to occupational accidents. In the case of benefits unrelated to an accident, the value given was equal to 50 per cent of the minimum wage and covered old-age pensions (at 65 years of age), disability pensions and survivor's pensions. In the case of benefits related to an accident, the value distributed rose to 75 per cent of the minimum wage and covered disability and occupational illness benefits. It is important to note that, despite the breakthroughs made by the FUNRURAL, the programme had a rather limited scope. It focused only on male family heads – its beneficiaries – and immediately excluded women from accessing old-age pensions unless they lived alone.

According to Schwarzer (2000) in his citation of Malloy (1976),<sup>v</sup> PRÓ-RURAL represented a double break with the Bismarckian model's principles of contributory social insurance – the same principles that have characterized the

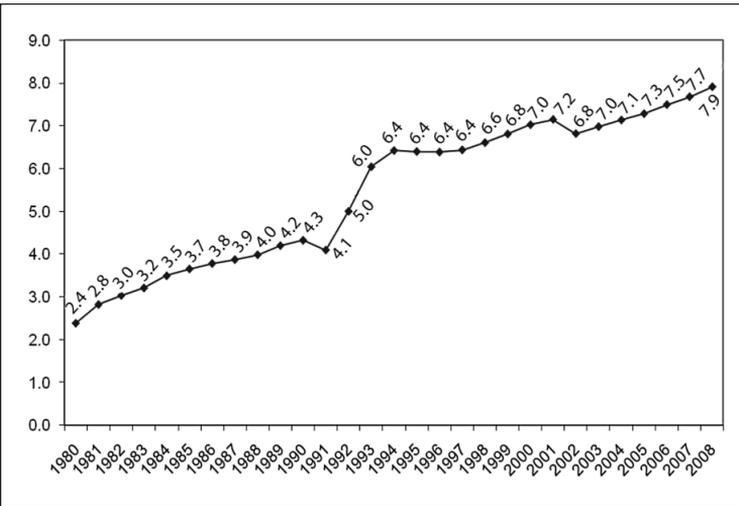
history of social security in Latin America during the twentieth century. There was a break with the notions that, first, a contribution must correspond to a benefit, and, second, that the resulting benefit should be based on the insured person's previous income pattern. Another differentiating element is that the programme introduces a redistribution of income from urban to rural areas. Through the contribution of urban companies to the financing of PRÓ-RURAL, there is a redistribution that counterbalances, at least partially, the rural-to-urban subsidy implicit in the urban system, where the employers' portion of social security contributions is reflected in the prices of goods that are also consumed in rural areas.

With the introduction of the 1988 Constitution, Previdência Social Rural (Rural Social Insurance) underwent profound modifications, which brought significant improvements for rural workers. Social protection was considerably extended by granting spouses the right to a pension regardless of whether or not their partner was a social insurance recipient. For male agricultural workers, the age of eligibility for old-age pensions dropped from 65 to 60 years. For female agricultural workers, the eligibility age was established at 55, a reduction of five years when compared to urban workers, for whom the eligibility age is 65 and 60 for men and women, respectively. The minimum amount received by rural pensioners was fixed at one minimum wage, which corresponds to the social insurance floor foreseen by the Federal Constitution. This pension amount can

nonetheless be higher for the rural salaried worker, who contributes based on his or her income, or for the voluntary contributor, who contributes on the basis of the value he or she declares.

This entire extension of rights was only established through Laws 8.212 and 8.213 in 1991 (Leis de Custeio e de Benefícios da Previdência Social), implementation of which began in 1992. These laws engendered a profound conceptual change in Previdência Social Rural (Rural Social Insurance). The new legislation

has been conducive to a great evolution in the granting of new rural benefits since 1992. In that year, the number of benefits distributed reached 5 million, and already in 1994, the benefits numbered 6.4 million. The historical rise continued, reaching 7.2 million benefits in 2001. In 2002, there was a drop in the observed number due to the replacement of the concept of "ongoing benefits" with the concept of "active benefits"<sup>8</sup> but the upward trend resumed and 2008 ended with 7.9 million active benefits (graph 5).



**Graph 5 |** Evolution of the quantity of ongoing/active rural benefits, 1980-2008\* (in millions).

\*Data gathered in December of each year.

Source: Social Security Statistical yearbook.

Preparation: Secretary of Social Security Policies (SPS), Ministry of Social Insurance (MPS).

Thus, as of 1992, Previdência Social Rural (Rural Social Insurance) was effectively established in Brazil, granting universal access to its benefits to rural workers of both sexes who fit under the

"specially insured" category. Agricultural workers as well as their families are included in the programme under a category for the specially insured provided that they fulfil<sup>9</sup> the following criteria:

<sup>8</sup>The concept of "active benefits" no longer took into account "suspended benefits", which engendered the drop observed in the year 2002.

<sup>9</sup>The criteria were modified by Law 11.718/2008. A clearer description of the specially insured person and the establishment of a maximum size for his/her rural property were introduced.

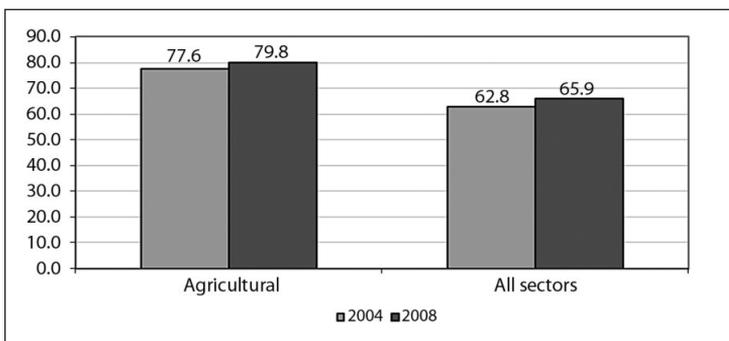
- He/she must be a physical person who inhabits a rural estate or a neighbouring urban or rural agglomerate. He/she must work individually or in a family economy regime and may eventually be able to enlist the help of third parties for mutual cooperation reasons so long as:

- (a) he/she is a producer – a property owner, property user-owner, inhabitant, partner or share-cropper, bailee or rural renter – who exploits agriculture within four fiscal modules or is a latex gatherer or other vegetal extractor who makes these activities his/her main means of earning a living;
- (b) he/she is an artisanal fisherperson or person employed in a similar activity who makes fishing his/her usual profession and means of earning a living;
- (c) he/she is the spouse or under-16 child (or child-equivalent) of the insured person as defined in (a)

and (b) and can provide proof of working with his/her respective family.

Rural workers, including those who work under a family economy regime, have been guaranteed the same treatment as that given to urban workers. With the exception of retirement due to contribution time to social security, rural workers have access to the same benefits: old-age, disability and survivor's pensions as well as a maternity salary and accident, sickness and reclusion aid. In practice, rights have been extended to a particular group of workers regardless of their capacity to contribute to social security. This has, without a doubt, resulted in an expansion of social protection for agricultural workers. According to National Household Sample Survey (PNAD) data for 2008, welfare coverage was almost 80 per cent in the agricultural sector while it was 66 per cent in other economic sectors (graph 6).

As for the financing of rural social protection, one must keep in mind that it is a contributory system whose basis of contribution is distinct from that of urban



**Graph 6** | Expansion of social protection for workers, by economic sector of activity, 2004 and 2008 (as a percentage).

Source: Preparation by General Coordination of Social Security Studies (Coordenação-Geral de Estudos Previdenciários, CGEP)/General Regime of Social Security (Departamento de Regime Geral de Previdência Social, DRGPS)/Secretary of Social Security Policies (SPS)/Ministry of Social Insurance (Ministério da Previdência Social, MPS) from PNAD 2004 and 2008 micro data, on workers ages 16 to 59, including those in the northern rural areas.

social protection. In the case of the specially insured, contributions are made based solely on the commercialization of products (2.1 per cent), which takes the place of the individual's quota. In the case of rural employers, legal and physical persons contribute 2.1 per cent and 2.6 per cent, respectively, of their owner's quota of commercialization. This form of financing does not imply that the specially insured person has restricted rights when it comes to accessing benefits. All that is needed to ensure rural workers' access to old-age pensions, at least at the minimum-wage level, is proof that rural activity was undertaken for a minimum of 15 years. This is a period equivalent to the minimum number of years during which the urban insured must contribute to be eligible for an old-age pension.

In June 2008, social insurance legislation was updated by Law 11.718, with the intention of facilitating the recognition of rights in rural areas. Broadly speaking, the Law: (a) detailed the concept of the "specially insured", specifying conditions for being included in this category; (b) expanded the concept of a "family group"; (c) allowed the specially insured person to undertake a remunerated occupation during off-seasons or between crop seasons without losing the status of "specially insured"; (d) authorized the short-term hiring of rural salaried workers; and (e) determined that in registering the specially insured person, family groups must be treated as a unit and information must be collected on the estate where the agricultural activity is undertaken.

**Table 2** | Evolution of net social insurance revenue, social insurance expenditure and the social insurance balance, for urban and rural clients, 2007-2009 (in R\$ millions). – National Consumer Price Index (INPC)

Year	Clients	Total Contributions (a)	Insurance Benefits (b)	Result (a – b)
2007	Urban	154,498	168,804	-14,306
	Rural	4,819	41,515	-36,696
	<b>Total</b>	<b>159,317</b>	<b>210,319</b>	<b>-51,002</b>
2008	Urban	168,611	170,108	-1,497
	Rural	5,298	42,518	-37,220
	<b>Total</b>	<b>173,909</b>	<b>212,626</b>	<b>-38,717</b>
2009	Urban	179,946	182,680	-2,734
	Rural	4,632	45,512	-40,880
	<b>Total</b>	<b>184,578</b>	<b>228,192</b>	<b>-43,614</b>

Source: National Social Security Institute (Instituto Nacional de Seguro Social, INSS) cash flow, adjusted by the Management Information System for the Collection of the Brazilian Internal Revenue Service (*Sistema de Informações Gerenciais da Arrecadação da RFB*).

Preparation: Secretary of Social Security Policies (SPS), Ministry of Social Insurance (MPS).

With respect to salaried rural workers, a special emphasis was placed on the formalization of their activity, given that these types of workers are frequently hired temporarily without any form of contract and are thus exposed to all kinds of risk. Law 11.718/2008 simplified the hiring of rural workers for small-scale activities. It ceased requiring that the rural employer and physical person hire rural workers for at least two months and began allowing the small-scale producer to use salaried manual labour for up to 120 workdays per year without losing his/her insurance status. For the hired (salaried) rural worker, many of whom are temporary (known in Brazil as “bóias-frias”, or cold grub), the Law established special conditions for determining the number of contributions required in order to gain access to non-contributory benefits. These conditions demand that a multiplier be used in the following manner: from 2011 to 2015, each month of attested employment will be multiplied by three but will not surpass 12 months. From 2016 to 2020, the duration of attested employment will be counted as double.

## **DIFFICULTIES ENCOUNTERED IN THE RURAL SOCIAL INSURANCE MODEL AND MEASURES TAKEN TO OVERCOME THEM**

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In the course of recent years, Previdência Social Rural (Rural Social Insurance) has begun to show some need for operational or legal adjustments that are important or

indispensable for its future sustainability. The main need relates to the difficulty in determining who is a specially insured person (family agricultural worker) for lack of a specific set of records such as those that already exist for urban workers. This derives from the fact that the right to benefits is not necessarily based on the direct collection of contributions. As a result, it is very rare for workers to present themselves at State agencies for the purpose of identifying themselves as specially insured persons; this usually happens only when they need to claim an actual benefit.

To minimize this difficulty, in 2006 the Ministry of Social Insurance (MPS) created a working group tasked with proposing a record-keeping system for this type of insured person. The lack of specific documentation for these individuals actually hinders the recognition of the rights of insured persons, given that it makes the benefit provider uncertain of their eligibility. The paper presented by the Working Group proposed the creation of a special declaration form for the specially insured, which could be included with a mandatory declaration form that already exists and that would require periodic updating. The record-keeping system would need to have a way to tie the individual to his/her family, to keep a historical record of the individual as a specially insured person as well as of his/her family's activity, and to identify the sale of produced goods to a legal person.

To help to implement the Working Group's proposals, the MPS and the

National Social Security Institute (Instituto Nacional de Seguro Social, INSS) drew up various technical cooperation agreements with government entities and bodies that have a direct or indirect relationship with specially insured persons. The goal was to identify these individuals and to determine the nature of their activity. The agreements were meant to give legal coherence and robustness to records by promoting the cross-referencing of information between several public bodies, among which: the Ministry of Agrarian Development, the Ministry of Environment, the Ministry of Defence, the Ministry of Justice, the Ministry of Finance, the National Foundation of the Indian, and the Special Secretariat for Policies Promoting Racial Equality. The Enterprise for Technology and Information on Social Insurance (Empresa de Tecnologia e Informações da Previdência Social, DATAPREV) is in charge of the full development of the record-keeping tool for specially insured persons. The tool is then tested and ratified by the National Social Security Institute.

Another difficulty encountered concerns the control over the collection of rural contributions. Despite being, by nature, significantly inferior to the amount necessary to pay benefits, these contributions are still the object of a high level of fraud. Law 8.212 of 1992 introduced the legal mechanism of subrogation, which is the transference of the obligation to pay the contribution from a given contributor to another. This is an option only for the specially insured per-

son, given the economic insecurity of this category and the great fragmentation characterizing small-scale rural production in Brazil. The category of "specially insured person" does not justify investing in a fiscal structure tailored to this sector.

It so happens that Law 8.540 of 1992 extended the option of subrogation to rural producers who are physical persons. Giving these producers the same treatment as that given to specially insured persons is a move that does not seem to match the goal of the original legislation because specially insured individuals have a significantly lower production volume and face many more difficulties in selling their production than do rural producers. It should be highlighted, however, that even though this programme includes rural producers, it is seen by many as a breakthrough. This is thanks to the fact that the programme facilitates taxation, which now becomes concentrated in the group of rural production buyers – a cohort much smaller in number than the group of specially insured individuals and rural producers who are physical persons.

Measures under way that should reduce the detected problems include: the establishment of a set of records for the identification of the specially insured (family agricultural workers), the expansion of the "family group" concept, the identification and association of the family with the size-limited rural estate for the purpose of fitting individuals in the "specially insured" category, and the possibility for the specially insured to perform an activity during off-season or between crop seasons without the loss of specially-

insured-person status. These measures should ensure that the actions of the insurance-benefit provider are more precise and they should make it easier to recognize the potential beneficiary's rights, reduce fraud and exercise greater control over the payment of benefits.

In 2007, the Ministry of Social Welfare created the National Forum for Social Insurance (Fórum Nacional de Previdência Social, FNPS), with the objective of organizing and structuring discussions between representatives of various societal groups on social insurance and its medium- and long-term sustainability. In what pertains to Previdência Social Rural (Rural Social Insurance), the FNPS recognized the strategic importance of the social insurance policy targeting rural workers and declared that:

- The different criteria for contribution and for gaining access to insurance benefits used for the special, rural insured person should be kept;
- Given the particularities of rural activity, public policies targeting rural workers and measuring their impact on urban-rural inequalities should be retained. In addition, the FNPS called on the National Social Insurance Council (Conselho Nacional de Previdência Social) and the National Social Security Council (Conselho Nacional de Seguridade Social) to carry out studies and periodic evaluations of the working conditions and demographics

of rural labour, testing the possibility of converging the eligibility age of urban and of rural workers for retirement pensions;

- It also recommended the creation of mechanisms that would promote and facilitate the formalization of work contracts involving salaried rural workers, particularly those who work in short-term activities; and
- Finally, given that in rural areas there is a predominance of seasonal work during off-season, the FNPS advised that contributory and/or non-contributory mechanisms should be instituted so as to allow salaried rural workers to count the entire 12 months of each year towards welfare benefits.<sup>vi</sup>

## FINAL CONSIDERATIONS AND FUTURE CHALLENGES

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Brazil's Previdência Social Rural (Rural Social Insurance) plays an important role as an integral element of a basic social protection floor targeting workers with little or no contributory capacity. Its monthly expenditure has greatly improved the lives of these workers, namely, the elderly, and has contributed to the economic development of Brazilian municipalities, as several recent studies have found. The programme is being brought up to date. It is implementing a set of records for the identification of the specially insured and their families, which should provide the social insur-

ance system with a more detailed understanding of its rural insured individuals. It should also compel faster recognition of legal rights based on an individual's records – such as is already being provided for urban clients. With the purpose of extending its coverage, Previdência Social (Social Insurance) is now targeting field workers, who have been identified as extremely vulnerable actors in labour relations, given the almost consistently temporary nature of their activities.

The recognition that Previdência Social Rural (Rural Social Insurance) is an important social protection tool makes the need to guarantee its sustainability for future generations increasingly evident. The path towards the future is already being trod. It entails a better knowledge of the rural worker and of his/her productive activity and a focus on those workers who are most insecure, whether they are small-scale land-owners or salaried workers. Another aspect that should be strengthened for Previdência Social (Social Insurance) as a whole is the extension of social-protection education programmes and their inclusion in Brazil's educational curriculum. The goal here is to create citizens who are knowledgeable about the importance of social protection for their lives and for society as a whole.

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<sup>i</sup> Costanzi, E. and Barbosa, R., "Previdência Social e Redistribuição de Renda Intermunicipal", *Informe de Previdência Social*, vol. 21, No. 4, April 2009.

<sup>ii</sup> Camarano, A. Brazilian population ageing: Differences in well-being between rural and urban areas. Paper presented at United Nations Research Institute on Social Development meeting on ageing, development and social protection, Madrid, April 2002.

<sup>iii</sup> Data from the *Annual Social Information Report (Relação Anual de Informações Sociais, RAIS)*.

<sup>iv</sup> Schwarzer, Helmut (2000). Impactos socioeconômicos do Sistema de aposentadorias rurais no Brasil — Evidências empíricas de um estudo de caso no estado do Pará. Brasília: IPEA, Texto para discussão nº 729/Junho de 2000, p. 7 (available at: [http://www.ipea.gov.br/portal/index.php?option=com\\_content&view=article&id=3998:td-729-impactos-socioeconomicos-do-sistema-de-aposentadorias-rurais-no-brasil-evidencias-empiricas-de-um-estudo-de-caso-no-estado-do-para&catid=170:presidencia&Itemid=2](http://www.ipea.gov.br/portal/index.php?option=com_content&view=article&id=3998:td-729-impactos-socioeconomicos-do-sistema-de-aposentadorias-rurais-no-brasil-evidencias-empiricas-de-um-estudo-de-caso-no-estado-do-para&catid=170:presidencia&Itemid=2)).

<sup>v</sup> *Idem*, p. 10.

<sup>vi</sup> Fórum Nacional de Previdência Social, Summary of activities undertaken (Síntese das atividades desenvolvidas). Final document produced 31/10/2007 (available at: [http://www.mps.gov.br/arquivos/office/4\\_081010-120045-048.pdf](http://www.mps.gov.br/arquivos/office/4_081010-120045-048.pdf)).