



## Chapter 18

# The PAE and the Self Employment Program in Brazil

## *"More than a Job: A Future"*

by *Walter Barelli*<sup>1</sup>

When the world changes, most of its structures change and are transformed with it. Having arrived at the end of the millennium, a vast process of change is underway in the world of work. Enterprises pass through a slimming process, dumping workers and cadres at all levels. Getting a job does bring with it any reassurance for anyone that it will last for life. And those who get a good job are far and in between. That is *the* tragedy of our century. An entirely novel social vocabulary has come into use which classifies a major part of the population as *'the Excluded'* which is clearly reflected in steeply rising unemployment rates in almost all the countries in the world. Part of this unemployment is said to be structural, ie part of the 'normal' cycle of ebb and flow (growth and recession) in the national economy. This is the obverse side of the structural development driven by rapid modernization of the technology which results in the overnight

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disappearance of a multiplicity of functions in the job market. The State of Sao Paulo, the most industrialized in the country, has managed to rapidly adapt to the ever recurring recessions in the world economy. However, the country pays a high price for its modernization drive. So much so that in the sole Metropolitan area of São Paulo alone, 750,000 jobs have disappeared in the industrial sector.

While in charge of employment policy as minister of Labor in São Paulo, I went in search of solutions for this enormous problem: the non-existence of jobs for all those who capable and willing to work. In the course of this search I came across an FAO/UNO program which has proven to be very effective and successful in the countries of Central America and in the towns which I was able to personally visit to investigate the possibilities to apply the method, such as Joao Pessoa (State of Paraíba) and Cuiabá (Mato Grosso). The meetings I held with the experts who are working with the method and the contacts I had with all those familiar with the different activities of the program have confirmed me in the conviction to be in the presence of something at the same time very simple and new and which at the same time has proven to be efficient in terms of solving the unemployment problem.

The PAE program starts off with the capacitation of a number of 'Economic Development Experts' (TDE's). It is they who, together with the Investment Project Assistants (API's) will pinpoint those activities which look promising for setting up (a) business(es) capable of generating jobs and income in the community. Once those opportunities are identified, the TDE's and API's evaluate the potential for implanting related Enterprises in the community and the accompaniment of the small entrepreneurs. The TDE's have also the responsibility for the training of the so-called API's (Project Assistants). The main, massive capacitation event used for the capacitation of the TDE's themselves is called the 'Course' OW. The entire program takes always place in the heart of the community, and almost always uses local teams. Only in case such teams do not materialize or are insufficient are they supplied by other units belonging to the wider PAE structure.

In a second instance, the Program uses the 'Field' OW which directly engages the local community. The Field OW capacitates those who have expressed an interest, always the local unemployed. It allows them to capacitate themselves in the running of their own enterprises. The core principle in action here is that people *are capable* of managing their own businesses collectively or individually. For this they receive, on top of the course in professional development, information about the theory of organization. In actual fact, while learning both theory and *practice-while-doing*, they are already in the process of setting up their own enterprises. The proper function of the 'Field' OW is

helping them to learn how to manage those enterprises. The entire plan for the practical implementation of the PAE program was built on this theory. The process took off with the signing of the 'Terms for Technical Cooperation' with the UN Agency FAO, in July 1996, and with the earmarking of slightly more than \$1 million for that specific purpose, soon to be followed by the getting together of the team in charge of organizing the Field Workshops. A core team was assembled by recruiting persons with TDE potential from the local labor market in São Paulo<sup>2</sup>

2 Thus, the first Course OW was installed in the region of Franco da Rocha where the poverty rate is very high indeed. During this Course OW, 31 TDE's and 493 API's were formed. The TDS's then went on to set up their own Enterprise Evaluation Enterprise (the IDESE - Institute for Socio-Economic Development) and the IATDE (Membership Institute of the Economic Development Experts). Those two enterprises were very important for the Secretariat for Employment I was then leading because in the later expansion of our activities it was those two institutions which delivered the specialists who were needed to direct the numerous OW's which would be laid on. In 1997 two more Course OW's were run. One in the coastal region of Valle de Ribera which comprises 23 towns in the coastal part of the State of Sao Paulo, and where people also are extremely poor. During this event 45 TDE's and 958 API's were formed. The other Course Workshop (Course OW) was laid on in the region of Pontal del Rio Paranapenema, in the extreme western part of the State, and, as in the previous case, in situations where extreme levels of poverty were the rule. This was possible thanks to the intense collaboration of the MST, which provided its members with full land settlement services. In terms of numbers: 34 towns were covered by this initiative, 96 TDEs and 1,448 API's were formed.

There were therefore a total of three Course OWs during which altogether 172 TDE's and 2,899 API's were formed. Especially the 172 TDEs were very important, since, without them, it would not have been possible to set up the different 'Field' OW's. Each Field OW needs an average of 5 TDEs who run an average of 5 OW's. Parallel to this, the PAE developed several Enterprise Field Workshops, in which the TDE's equally played a crucial role, in particular in the case of self-managing Enterprises. For example, an OW was offered to the Cooperative members of a stocking factory which had been closed down by its owner. The OW came to the rescue here by capacitating all the factory's workers, because what they were most painfully lacking were management

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<sup>2</sup> This first, elementary team consisted of the TDE's Eliseu Lira, Clovis Albano, Nilsa Maria Rodrigues, Marcio Magalhaes, and the executive secretaries Vera Lusía Bagnolesy and Marilene Carvalho. The team was led by Dirceu Huertas

skills. Today the management of the factory is done professionally by the workers themselves.

In the last two years we have established 20 Field OW's providing capacitation to 4,999 persons in professions as varied as: culinary crafts, electricity, domestic skills, bricklaying, confectionary, furniture making, silkscreen printing, bread making, tailoring and sewing, cabinetmaking, furniture manufacture, hairdressing, manicuring, car mechanics etc. Of the 170 enterprises generated thanks to the Workshops, seven are of the Development Expert type, 27 are family enterprises, 94 are membership and cooperative enterprises, 16 autonomous and 26 micro enterprises. It is important to point out that the Secretariat for Employment of the PAE was instrumental in bringing the OW to the different municipalities in a total of 80 cities, always in league with the local mayors. This cooperation almost always consists predominantly of the lending of equipment needed for the courses, the provision of meeting places, a house for the specialists to stay in, transport and food supplies for the Program. Not to rely on the cooperation of the local administration would be tantamount to not cooperating with the community itself.

Until now the total sum expended by PAE on the programs is \$3.12 million. One problem which has been observed in the course of running the PAE Program is the difficulty the entrepreneurs, ie the owners of the newly-created Enterprises, experience in running their businesses, because of lack of advice, notwithstanding the training they received during the OW. In order to detect and accompany Enterprises in difficulty, the Secretary of Labour has set up a special team. This team has the special mission to make technical visits and give guidance of whatever kind the new entrepreneur may need; For example, in the case of an enterprise experiencing problems with securing Credit, the specialist will provide the correct information such as where and how to obtain it. Often the difficulties are in the area of marketing, management, quality or the setting of correct prices.

In order to attend to the needs of the micro entrepreneurs, be they formal or informal, the State Government, through its Secretary for Employment and Labour Relations, has put in place a 'People's Bank' (*Banco do Povo*) for the disbursement of small loans valued at between 200 and 5000 reals (in those days the brazilian real was still more or less at parity with the American dollar). What is particular about this Bank is that it has no other functions but that of providing loans. The agents of the People's Bank's go and visit the communities in search of clients, as people in the poor communities are not in the habit of passing the front door of a traditional Bank. It is precisely in order to overcome this typical social behavior that the Bank is brought to the people. If that were not done, the main beneficiaries of the People's Bank would certainly be the

Middle Class, and not the poor. This was the reason why the first People's Bank units were set up in those regions where the Course OW's had taken place, ie in the region of Pontal del Paranapanema (town of President Prudente) and Vale do Ribeira (town of Registration). Another delicate question for the entrepreneurs is that of the marketing of their products. To tell the truth, after having made provisions for capacitation and credit, that is a question with which the Secretariat for Labor is still fighting to find a solution to. We are in the process of motivating the different entrepreneurs to set up a program around the flow of goods and products, relying on the know-how of the professionals in fields such as sales, marketing, legislation, quality requirements etc. .

In some cases the Secretariat for Labor has contributed in helping to set up Shops or Stalls in public spaces, such as at the Metro or Bus stations, clubs etc. Without the slightest doubt, this is a matter which needs urgent and serious study because without it, the new enterprises cannot reach their full potential. As yet another means of communication with the TDE's and/or the Enterprises, PAE edits periodically a bulletin called '*PAE News*'. This bulletin is fundamental in keeping the ideals of the program alive. It has, moreover, generated the writing of numerous letters with commentaries and allowed the provision of information on solutions that their peers in the business have devised.

Within a timespan of 2 1/2 years we thus have been able to set up a program in more than 80 towns of the State of Sao Paulo. The multiplier effect of this massive capacitation is one of the key virtues of the Program in which 8,500 persons were so far involved, be it in the preparation of popular projects or in the enterprises which continue to expand in number. And so, self-employment has already become a reality for many families. People's Enterprises are becoming known increasingly as generators of income in various municipalities. Those who are involved with the PAE program acquire new perspectives and become propagators of Organization and Change in the barrio or town in which they live. From '*Excluded*' (negative qualification) they have become *promoters of Income and Jobs*. In the fitting terms of Governor Mario Covas, they have become '*ambassadors of new work opportunities*'.



SAO PAULO CITY

## PAE BRAZIL Projecto Auto Emprego Self Employment Program São Paulo 1996-1998



WALTER BARELLI

- **June 1996:** contract signed between the Government of the State of São Paulo (Minister Walter Barelli) and FAO Fund. (Total expended: \$3.12m)
- **1996:** first **Course O.W.** in the town of Franco da Rocha: **31 TDE's – 493 API's** during a Course O.W. These first TDE's ran **CENTRE O.W.'s**
- **1997: 2 more COURSE O.W.s:**

<b>1. Ribeira:</b>	<b>45 TDE's</b>	<b>958 API's</b>
<b>2. Paranapanema:</b>	<b>96 TDE's</b>	<b>1,448 API's</b>
- **1997-8: 20 FIELD O.W.'s - 5,000 persons capacitated**  
**170 Enterprises in 80 cities - "People's Banks" created**
- **At the end of the program (1998), 8,000+ people were capacitated or otherwise involved**

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