

Pension reform: the fatal blow to Brazilian social security

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IN A RECENT INTERVIEW, RAGHURAM RAJAN, THE FORMER CHIEF ECONOMIST of the reputable International Monetary Fund (IMF), declared that “capitalism is under serious threat” because it has “stopped providing the masses, and when that happens, the masses rebel against capitalism”¹; adding that it may happen sooner than we think. For the economist, governments can no longer ignore social inequality in their economic policies.

In that same direction, France’s Finance Minister Bruno Le Maire, of Emmanuel Macron’s conservative government, which faces strong opposition from the Yellow Jackets movement, has declared that capitalism can collapse if global inequality continues to rise, suggesting a minimum corporate tax to restrict the power of multinational corporations. For the minister, either capitalism ‘reinvents’ itself, or it will not survive the increase of inequalities around the world².

While the statements are primarily concerned with the risks to capitalism rather than with inequality, it is clear that the recognition of global measures must be taken. The advance of financialisation over national resources at the global level has increased the concentration of income, using the suffocation of democratic politics as a legitimate field of intermediation of the conflicts arising from the structural conditions of capitalism. The growth of conservative and far-right nationalist governments associated with the criminalization of social democratic or center-left governments are consequences of this new stage of capitalism.

Streeck³ talks about the current incompatibility between capitalism and democracy, which would have actually prospered for very little time, that is, in the glorious 30 years of the post-World War II period. Even in agreement with the thesis, it must be emphasized that if the set of elements that sustained the golden years have disappeared or become fragile, democratic experience, in the sense of political participation and access to social rights, is capable of creating social roots and values which can be rescued in defense of restricted social rights.

The greatest and most perennial experience of social democratization of capitalism is the public pension system. Although created by conservative and authoritarian regimes with the aim of securing the basic precepts of capitalist accumulation, guaranteeing the extensive reproduction of the labor force, these systems grew and were perfected by the intense participation of the organized working class and became the pillar of social rights. In this sense, the reforms carried out in the pension systems have the objective of concentrating the resources of the national States, on the basis of the allegedly necessary fiscal adjustments, but also aim to restrict and suppress the powerful bond of social solidarity that pension systems have generated in Western societies.

In Brazil, an unprecedented association between the far-right and economic liberalism took office in January 2019. Under the presidency of Jair Bolsonaro, a conservative agenda

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is supported by liberal proposals in the economic field, whose main objective is the social security reform. The Brazilian social security system is the most solid and recognized institution in the vast field of social rights. The experience of social security and its contradictions derived much from the social apparatus we have today. The Unified Health System (SUS) and its principles were largely constructed from the critique of the experience of linking medical care to social security; just as social assistance derived from the critique of the experience of the Brazilian Legion of Assistance (LBA) and other assistance practices.

The Federal Constitution of 1988 created the unprecedented chapter of the social order that aims at welfare and social justice; and in it, social security, as an organizing concept of social protection, which includes health, social pension, and social assistance. Since then, many changes, already studied in the literature, have been made in that structure, unfortunately more restrictive than inclusive. In the case of pension, reforms have been undertaken in all governments since the Constitution, but the proposal made by the Jair Bolsonaro administration is the broadest, since it profoundly and radically changes what has been built since the 1930s. It is also the most unfair with Brazilians and the one that most increases the risk to the most vulnerable groups of women and the elderly.

Minister Paulo Guedes' reform is presented through the Constitutional Amendment Proposal 06/2019 (PEC-06/2019)⁴. In the explanatory memorandum, the reform is justified as necessary to ensure sustainability for present and future generations, ensuring greater equity. Based on those arguments, it proposes a series of changes for access to social security benefits: increase of time of contribution and age, reduction of pensions, restriction on rural retirement and on Continuous Benefit Provision (BPC). On the other hand, it proposes a total restructuring of social security that ends with the system of sharing / solidarity and creates a system – of capitalization –, thus exposing the central interest of the group in government.

Given the extension of the proposal, we point out, based on the analyzes of the study group 'Futures of Social Protection', coordinated by Professor Sonia Fleury, from the Center for Strategic Studies of the Oswaldo Cruz Foundation (Fiocruz)⁵, some aspects that need to be widely discussed and understood:

(1) The lack of discussion of the reform with society. Despite the claim to defend workers' interests, trade union centrals were not incorporated into the process of elaborating the proposal, an unprecedented fact in all governments since the re-democratization.

(2) The sustainability argument. Questioned by experts who prove the absence of deficit considering the constitutional premises of the social security budget, the withdrawal of funds from social security through the Decoupling of Union's Revenue (DRU) and the widespread evasion and exemption of taxes and contributions granted to companies. Solutions to these three aspects could improve the 'cash register' of social security without major changes. The government had a net impact of about R\$ 1 trillion in revenue with the reform, but did not present the calculation base that generated such value, which raises mistrust concerning the real gain for the public accounts. Likewise, there is no guarantee that the revenue obtained from the reform will be used for the benefit of the population, in investments in health, education, security, and infrastructure, as the explanatory memorandum of the proposal states. With the expenditure ceiling approved by the Temer administration and already in course (Constitutional Amendment 95), the limits on expenses are already established, which makes the argument empty and unsustainable. In this sense, as the economist Ricardo Moreira affirms, the reform would actually be a fiscal adjustment.

(3) Regarding the benefits and criteria of concession, contrary to what its proponents affirm, the reform does not end the privileges and generate equity; in other Rather, it does not alter the admittedly more privileged sector, the military, which is the object of a separate proposal, elaborated with the participation of the corporation, linked to a career plan with salary increases, but which maintain inequalities between hierarchical levels and between national and state forces (military police and firefighters), in favor of the former. Civil servants had already been included in the ceiling of the general regime since the 2003 reform of the Lula government, which ended parity and integrality and instituted the contribution to public servant funds. There are, in fact, in that sector, problems of inequity and deficit, but which could be reduced with the enforcement of the national salary ceiling.

(4) The reform is more radical and perverse with private sector workers, rural workers, women, and the poor. The new criteria of contribution time and minimum age are extremely hard considering the regional inequalities of life expectancy. The project considers the life expectancy of 76 years for Brazilians, when it is known that it can be much smaller in poorer regions and in the population with worse life conditions, either in rural areas or in the outskirts of big cities. The requirement of a 20-year contribution for rural retirement, besides the minimum age of 60 years for men and women, prevents those workers, especially women, from retiring.

(5) The irregularity and informality of work will restrict the retirement by contribution of the urban population. The reform disregards recent surveys of the results of the labor reform, which show that the formalization of labor did not increase, as it had been proclaimed. The impacts of unsafe, low-waged, and irregular work will reduce pension contributions, increase the sickening of workers and the consequent demand for disease aid. That demand will be suppressed by Provisional Measure No. 871⁶, which seeks to combat fraud through financial incentives to medical experts and technicians of the National Social Security Institute (INSS) to tighten the controls on benefits.

(6) Attention is drawn to the changes in the BPC, which serves elderly people over 65 and people with disabilities with per capita family income up to a quarter of the minimum wage. This non-contributory benefit has a high impact on the living conditions of the segments it serves and has been the target of changes, since it is a minimum wage, considered a 'high' value for the poor. The reform proposes a general benefit at age 60 in the amount of R\$ 400.00; and the payment of a minimum wage would only occur at age 70. As people with disabilities must undergo a rigorous process of medical and social evaluation by the INSS, and considering the principles of the aforementioned Measure 871, it is assumed that access will be even more difficult. It is important to note that many are children and young people with severe disabilities who are fully dependent on care, usually given by mothers, who leave the labor market to care for their children. They will not be able to retire, and their children run the risk of running out of BPC.

(7) The change to the capitalization regime alters the structure of the current social security system, since it is still very unclear in the reform. The Constitutional Amendment Project indicates that it will be a "notional account" (virtual) type of regime – "capitalization in a defined contribution regime, admitting the system of notional accounts"⁴ – but does not clearly define what it is. According to the explanatory memorandum, the regime is purely

capitalized both for the general regime and for public servants, with the creation of a universal basic floor of one minimum wage. Capitalization schemes generally have high transition costs, which the proposal does not spell out how and with which resources would be covered.

The capitalization regime was first adopted in Chile by the Pinochet dictatorship, generating numerous problems. This is because the accounts are individual, kept only by the workers themselves (without employers' participation), managed by private institutions. The retiree receives proportionally to what he contributes and for the time that his individual account allows. Without the solidarity mechanism of contributions from society as a whole, with high administration costs and the uncertainty of the value of the benefit, the Chilean experience was negative. The values of pensions were drastically reduced, sometimes interrupting the benefit, widening poverty among the elderly. For Chilean economist Andras Uthoff⁷, "capitalization has transformed middle-class adults into poor seniors", and has not brought benefits to society, since about 40% of the resources of the workers' fund are invested abroad. The characteristics of income, work, and employment in Brazil, in addition to our very high inequality, are not at all promising for such a regime.

In view of so many uncertainties, measures that aggravate living conditions and without guarantees of general benefits for the population, the reform proposed by the government faces strong resistance in society. For the health condition of Brazilians, the harm is obvious, with risks of worsening the living conditions of the elderly and beneficiaries of the pension, women in particular.

To conclude, we return to the principles of the Health Reform defended by the Brazilian Center for Health Studies (Cebes), in which it is understood that health must be part of a broad system of social protection that is comprehensive, democratic, and participatory. The social security reform we want is one that broadens rights, cuts off real privileges, and guarantees dignity for all Brazilians. Not this one!

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