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## **Asset-based welfare in Brazil**

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### **Abstract**

The idea of asset-based welfare (ABW) has been widely discussed since the 1990s. This paper presents a policy developed in Brazil in the 1960s that could also be perceived as an ABW policy. The *Fundo de Garantia do Tempo de Serviço* (FGTS) is a compulsory savings scheme, managed by the state and financed through monthly deposits made by employers on behalf of their employees. The FGTS resembles a personalized public pension, but the balance of an individual FGTS account can also be used to facilitate access to homeownership. We do not argue that this is an inclusionary and redistributive policy, but we do argue that the FGTS acts as a facilitator of asset-building for those included in the formal labour market. Contrary to ABW practices in the Global North, in Brazil, the introduction of ABW policies represents the expansion rather than the retrenchment or readjustment of the welfare state.

Keywords: asset-based welfare, Brazil, homeownership, pension funds, social security, welfare policies

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## Asset-based welfare in Brazil

### 1. Introduction

Since the late 1990s the idea of “asset-based welfare” (ABW) has been discussed, primarily in Anglophone countries (e.g. Conley & Gifford, 2006; Sherraden, 2003; Yates & Bradbury, 2010), but also elsewhere in Europe as well as in East Asia (e.g. De Decker & Dewilde, 2010; Groves, Murie, & Watson, 2007; Hirayama, 2010; Mandič, 2010; Montgomerie & Büdenbender, 2014; Norris, 2017; Richard Ronald & Doling, 2012). The idea behind ABW is grounded on the reallocation of social responsibilities, from the state towards its citizens: people should become more conscious and more active in creating and maintaining wealth throughout their lives (Conley & Gifford, 2006; Doling & Ronald, 2010). Such policies are typically advocated in the face of austerity, with ABW being presented as the solution to a fiscal squeeze and skyrocketing social expenditures.

ABW often implies “housing asset-based welfare” or “property-based welfare”, with the role of the state shifting from providing social housing or subsidies for different housing tenures, into promoting homeownership as an effective “pension in stone” or “quasi old-age insurance”, by reducing housing expenses after retirement (Castles, 1998; Kemeny, 1981; Ronald & Dewilde, 2017). The rise of ABW discourses and practices fits within the idea of a “great risk shift” (Hacker, 2008) from collective social insurance through the state to welfare self-provision mediated by financial markets; from seeing moderate housing debt as a necessity to enable homeownership, to seeing soaring housing debt as an alternative to income growth (Crouch, 2009; Fernandez & Aalbers, 2016).

Our intention here is not to provide an overview of the debate in the Global North and East Asia or a critique of ABW proposals, but rather to discuss an example of an actually existing ABW in the Global South. We argue that the Brazilian compulsory savings’ account system, the *Fundo de Garantia do Tempo de Serviço* (FGTS), developed in the 1960s, could be considered an attempt to promote ABW ideology and practices. Like the East Asian welfare states discussed by (Ronald & Doling, 2012), Brazil also has a high owner-occupancy rate and ABW developed from an existing homeownership ideology, rather than from the retrenchment or readjustment of a strong welfare state, like in the UK. Our contribution to the ABW literature is therefore threefold: first, we expand the literature to the Global South; second, we provide a case study of a country where an ABW policy has been the *de facto* housing policy for roughly half a century; and finally, in the virtual absence of housing policies in Brazil, we are able to study the meaning and impact of ABW, independent from the intervening and mitigating effects of other housing policies.

The main goal of Brazil’s FGTS model was to implement a compulsory savings account for all workers in the formal labour market. Employers deposit 8% of the employees’ wages into a savings account that employees can cash out upon retirement. However, one of the exceptions is to use one’s current FGTS funds to make a down-payment on a house or to pay off a significant part of a mortgage loan. Most Brazilians tend to use

their personal FGTS account to acquire a house roughly halfway their working lives and collect the remaining balance once they retire. Brazil's FGTS is somewhat similar to Singapore's Central Provident Fund, as both are state-managed, mandatory savings accounts that can be used as a replacement income for pensioners as well as for the purchase of a house. Furthermore, the Housing Development Board of Singapore and the two consecutive managing organizations of the FGTS in Brazil (to be discussed in detail in section 3) also supply mortgage finance and influence the construction of housing by private companies (Chua, 1997; McCarthy, Mitchell, & Piggott, 2002; Ronald & Doling, 2012).

Due to the lack of general data regarding the housing sector in the country in the first decades of the 20<sup>th</sup> century, it becomes difficult to demonstrate the shift towards a homeowner society. However, the socio-cultural understanding that homeownership was already perceived as a sign of social ascension, stability and "civility" is something highlighted in studies attempting to understand the Brazilian housing sector (Azevedo & Andrade, 2011; Medeiros, 2001). Yet, based on the little historical data available, we know that during the 1920s approximately 90% of the inhabitants of São Paulo, at that time the second largest city, were tenants (Bonduki, 1994). Currently, 73% of Brazilians are homeowners (IBGE, 2010), but since these numbers are self-reported this figure is probably inflated, as it may include households who legally speaking do not own their houses, e.g. because they do not hold title to the land (Rolnik, 2012).

There is a sizable informal housing market that includes, but is not limited to, properties in the favelas. The national census began to investigate these spaces, labelled "subnormal agglomerations", in its 1991 survey. According to the most recent survey, 6% of the country's population resides in such areas (IBGE, 2011). But rather than focussing on these *informal* settlements, this paper deals with the flow of money from pensions' savings, exclusively fuelled by the *formal* labour market, into the *formal* housing market.

In the next section, we will present the contours of the Brazilian welfare state. In the subsequent section, we first introduce the FGTS and then, discuss the three phases of its management. In the final section, we discuss to what extent the FGTS can be considered an ABW strategy. We argue that in Brazil, contrary to the Global North, ABW was not introduced as a form of state retrenchment or welfare readjustment.<sup>c</sup> Rather, as the state expanding, not only its role in welfare provision, but also in the provision of housing finance, sanitation, infrastructure and more recently also land development. Although compulsory, the FGTS savings scheme embodies the ideology and practice of ABW in the way it prioritizes individual wealth/welfare management over income redistribution; also, how it enables and promotes workers to exchange savings for not only replacement income but also for housing and stocks in select publicly-traded companies.

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<sup>c</sup> Lennartz (2017) makes a useful distinction between welfare retrenchment, readjustment, expansion and protectionism, suggesting that the increased reliance on private actors and self-management is often discussed in terms of welfare retrenchment, but is, in fact, often a form of welfare readjustment.

The analysis of the FGTS primarily relies on reports produced by the Brazilian government. Studies conducted by academics attempting to explore the different perspectives, repercussions and possible future developments for this model are also fundamental in order to comprehend the complexities of this system. A methodological challenge is the lack of information from non-governmental bodies (Diehl & Trennepohl, 2011). As expected, such reports tend to highlight only the positive aspects of the fund, disguising problems and instabilities within the system. Furthermore, there are no data on social characteristics, such as gender or race, of those covered by FGTS. Interviews were conducted with representatives from Caixa, FGTS' current manager. Due to Caixa and FGTS's key positions in the housing sector, we could also rely on interviews conducted for related work on urban development projects in Brazil (Mosciaro & Pereira, 2017; Mosciaro, Pereira, & Aalbers, forthcoming).

## **2. The Brazilian Welfare State**

In this section, we will discuss how a series of social reforms have shaped housing policies and the welfare state in Brazil. The first social benefits were introduced in the mid-20<sup>th</sup> century, but in contrast to western-democratic societies in Brazil social and political citizenship did not co-evolve (Pedrosa, 1991). To the contrary, social assistance programmes were mostly introduced in times of political repression, for example under the Vargas dictatorship (1937-1945) and the military dictatorship (1964-1985), similar to the development of the welfare state in Southern Europe under dictatorial regimes (Di Felicianonio & Aalbers, 2017). ABW in Brazil not only operated outside of policies defined as housing policies, it also operated in the near absence of any housing and welfare policies.

President Getúlio Vargas, affectively known as the "father of the poor", introduced many changes in the relation between state and society. Under the umbrella of the state, he assembled different pressure groups, as a way to vertically control opposition groups ((Malloy, 1976). One of the tools introduced to promote social stability was the creation of pension funds, the *Institutos de Aposentadoria e Pensões* (IAP). Different pension schemes were developed at the time, every occupation would have its own representation and levels of protection. Each group would have its own pension laws and benefits, and its bargaining power depended on their political, social and economic influence. The first pension schemes only covered the urban working classes as it was considered that they could no longer simply rely on the archaic structures of family solidarity and religious ties. Rural workers were only included in the system in 1943, with the introduction of the *Consolidation of Workers' Law* (CLT).

The CLT consolidated and homogenized labour laws across the country. It was the first-time workers were protected and the market regulated according to federal legal standards. One section of the CLT introduced the so-called "stability model". This was an attempt to protect workers from unfair layoffs. If an employee had worked for the same company for more than ten years they could no longer be dismissed, except for "extreme situations". As workers previously had very few rights this was considered a major improvement and assured the right of employment for a select group; but it also

resulted in the massive dismissal of employees before the ten-year mark was reached. Furthermore, even at the time, there was already the idea that stable employment was insufficient if people were still unable to acquire property (Conselho Curador do FGTS, 2009a).

Some authors have argued that the CLT was inspired by Mussolini's *Carta del Lavoro*, which fits the larger picture of Vargas' admiration for the Italian leader and the model of Italian corporatism he introduced (Balbinot, 2010; Romita, 2013). Like in Italy, "In Argentina and Brazil the first legislation was passed by conservative elites in their efforts to build up and control the labour movement to labour militancy and late corporatist regimes used social security programs to reinforce control over social movements" (Huber, 1996, p. 152). This strategy of providing social benefits for the masses was once again applied after the 1964 military coup. In a different context and under different economic circumstances the goal was still to discourage social resistance in exchange for some minimal social benefits and rights.

Significant changes only took place under the authoritarian regime of the 1960s that sought to weaken organized labour (Huber, 1996). The previously segmented pension systems were merged into one single national institution. In order to soften the transition into a dictatorial regime the state created the *Fundo de Garantia do Tempo de Serviço* (FGTS), a public fund that would assure monetary compensation for the years worked. The FGTS supports homeownership for workers inside the formal labour market and thereby became the main pillar of a Brazilian-style ABW. The idea behind FGTS homeownership support was that indebted workers would be more likely to stay on the "right path" and not get into trouble, risking losing their jobs and houses, thereby becoming "an ally of the order", as a Minister of Planning during the military period stated (cited in Fix, 2011)

During the first years after the military came to power there was an unprecedented economic boom, also known as the "Brazilian Miracle" (1968-1973). During these years, the main ideal was the belief that the cake needed to grow first, and only afterward it could be divided. This mentality illustrates the perpetuation of an elitist unequal society. Even though social benefits were extended to all workers within the formal sector, the amounts of social security as well as the quality of services decreased.

The issue of labour market in/formality is crucial to understand one of the most excluding features of the national welfare system (Pedrosa, 1991). Until today, most of the social benefits (pensions, unemployment benefits, maternity leave, etc.) are only granted to workers that are within the formal labour market. Considering the high level of informality in the Brazilian labour market, a large part of the population is excluded from social benefits, thereby underscoring the relevance of the formal labour market as well as reinforcing class divides (Huber, 1996) and tempting Santos (1979) to speak of this regime as one of "regulated citizenship". Over time the number of employees in the formal labour market<sup>d</sup>—and therefore within the welfare system—has increased,

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<sup>d</sup> The OECD (2011) considers Schneider et al.,'s (2010) ranking of the informal sector the only one that allows a comparison across a wide range of countries. According to Schneider et al.

although it is hard to say exactly to what extent since measures of in/formality are far from standardized (Corseuil, Reis, & Brito, 2015). According to one common method, employed in national surveys, the share of workers without a formal contract, decreased from 21.6% in 2003 to 16.5% in 2013 (IPEA, 2014), which also raises the potential number of households that can use their pension savings to make a down-payment to acquire a house.

During the early 20<sup>th</sup> century Brazil's cities grew rapidly. From 1940-1960, for example, the country's population grew from 41 million to 70 million, and the urbanization rate jumped from 31% to 45% (Holz, 2008). There was no housing policy in place to deal with the growing demand for urban housing. Those left out of the formal housing, primarily the poor, looked for informal arrangements. Although these were typically deemed illegal, the government provided no alternative. As a consequence, informal settlements were consolidated in peripheral areas and hilltops that were of little to no interest to the state or real estate sector. Again, there are parallels here with the construction of informal housing under the dictatorial regimes of Southern Europe (Di Feliciano and Aalbers, 2017).

A study conducted by the Institute for International Social Research in the 1960s identified that workers aspired to become homeowners, in part because homeownership represented social ascension (Medeiros, 2010) and in part because there were little or no stable alternatives in the rental market. The military dictatorship mobilized the ideology and provision of homeownership to gather support, arguing that not only socialism could solve social issues. Initially, the twin institutions BNH and FGTS had the ambitious goal of tackling the housing issue of the neediest. However, many of them were unable to keep-up with their monthly payments and FGTS decided to adapt its housing financing program by bringing new people in, people that would be able to pay their monthly debts (Royer, 2014).

During the 1980s high inflation rates corroded the population's purchasing power. As a result, the provision of new mortgage loans halted: while in 1980 366,808 units were financed through BNH/FGTS, in 1985 this number had dropped to 25,005 units and in 1993 to a mere 4,256. The situation only began to change in the late 1990s when economic stability was reached and the overall macroeconomic scenario began to change. In the 2000s the housing financing system was restructured, primarily benefitting the middle and upper-middle classes. In addition, after decades of almost inexistent national social housing programs, the *Minha Casa Minha Vida* (My House, My Life) program was created to construct 1.7 million housing units. Over 700,000 were delivered by 2015 (Portal Brasil, 2015). An extensive discussion of this program is beyond the goals of this article, but we should mention that this social housing program, like other housing programs such as the BNH, are criticized for reducing housing policy to an economic policy rather than one of shelter (Fix, 2011; Rolnik, 2015; Sanfelici, 2013).

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Brazil's informal sector in 2006 represented 39.6% of the country's economy. In China, the rate was 12.8%, in India 22.3%, in Chile 19.6%, in Argentina 24.1%, in Peru 56.4% and in Bolivia, 66.0%.

### **3. Fundo de Garantia do Tempo de Serviço (FGTS) – compulsory savings system**

In the mid-1960s only 15% of the Brazilian workers were protected under the “stability model” of the CLT (Conselho Curador do FGTS, 2009a). In 1966 the FGTS was created to increase the number of beneficiaries significantly (Conselho Curador do FGTS, 2009a), thereby “replacing stability for a nominal monetary reserve under the employee’s name, which he would be able to take from company to company” (Campos cited in Diehl & Trennepohl, 2011, p. 67). When the FGTS was introduced, workers were legally free to choose whether to transfer to the FGTS or to stay within the old stability model. It is, however, not clear if workers were pressured by their employers to transfer to the new system. Diehl and Trennepohl (2011) argue that most companies would make their new employees join FGTS in order to hire them. By the late 1970s more than 70% of all workers had already joined the new model (Huber, 1996).

The goal of the FGTS was to create a fund in which all employees could rely on when they reached a delicate moment in their lives (retirement, illness, unexpected death) rather than only supplying a minimal pension. The principle behind the FGTS was that a savings account would be created in the name of the employee by all employers. Employers are expected to make monthly deposits, equivalent to 8% of the worker’s salary, into the FGTS. This mandatory deposit was introduced at the same time as other taxes and contributions were removed, in order to assure that neither employers nor employees would face higher monthly expenses or lower wages (Caixa, 2009a). For the employer, it created a system that facilitated letting employees go at any stage of their careers. For employees, it created a savings account that they could rely on in case of: unfair dismissal; investing in a commercial, industrial or rural activity; acquisition of a house; personal or family emergency; wedding reasons (only for women); death of the worker (savings paid out to the family). “The intention was to substitute the stability arrangement, a fictitious patrimony, by a real patrimony, materialized in a bank account attached to a governmental agency” (Conselho Curador do FGTS, 2009a, p. 23).

#### **3.1. Banco Nacional de Habitação – the first manager**

After the Military coup of 1964 a series of new institutions were created, or reformulated, in order to develop and execute projects that would legitimize and bring popular support to the new government. Amongst these institutions was the *Banco Nacional da Habitação* (BNH), FGTS’s first manager. The goal of this bank was to develop the country’s first effective housing programme. All FGTS deposits were transferred into the BNH, which enabled the BNH to direct adequate housing finance into the *Sistema Financeiro da Habitação* (SFH), the housing finance system created to facilitate access to homeownership through what were effectively subsidized mortgages.<sup>e</sup> The alliance between FGTS and BNH created a self-financing structure.

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<sup>e</sup> Mortgages obtained through SFH must comply with some requirements, but it also has benefits: maximum value for the real estate; monthly payments can only compromise up to 30%

Because of the cheap money obtained through FGTS and savings account deposits, BNH was able to guarantee lower interest rates than the private banking sector. In practice, the fund works as a private capitalization fund created for each formal worker and managed by the federal government. As in other countries, long-term mortgage finance was developed by and through a range of state institutions rather than by the private sector. Indirectly, the state had effectively created the preconditions for credit to flow into the construction sector (Fix, 2011).

After the realization that the BNH/FGTS pair assured a constant flow of compulsory contributions, it seemed possible to expand beyond the housing sector. Also, experts came to realize that just building houses was not enough; it was necessary to provide adequate infrastructure and sanitation as well (Azevedo & Andrade, 2011) as local governments typically were unequipped and underfunded to do so. In the 1960s only 50% of the population had access to drinking water and 25% to sewage (Bier, Paulani, & Messenberg, 1988). Roughly 60% of the investments are still in the housing sector, but sanitation and infrastructure receive 30% and 10%, respectively (Conselho Curador do FGTS, 2009c). The BNH developed the centralized Sanitation Financing System (SFS). Even though compromising a smaller portion of FGTS's budget than housing, the provision of sanitation and infrastructure is perceived as a collectively enjoyed benefit. Furthermore, these sectors provide a considerable amount of jobs in the formal sector, thereby generating more FGTS contributions.

A fundamental compromise in FGTS's ability to be more efficient was the lack of a concentrated system in order to receive the deposits. At first, employers were free to open the savings account in their worker's name in any of the 76 affiliated private banks (Conselho Curador do FGTS, 2009b). It also took up to 72 days for the deposits to be transferred from the affiliated banks to the BNH, which was quite profitable to the affiliated private banks but inefficient for the system at large. Nonetheless, it would take more than two decades until this situation was addressed.

By the mid-1980s the FGTS had been successful in expanding to ever-more workers; but the BNH was rather unsuccessful in managing the funds and, most importantly, in providing houses for the neediest. According to Azevedo & Andrade (2011) 65% of the FGTS budget was targeted at middle and upper class citizens, while those earning up to three times the minimum wage, represent more than 80% of the population<sup>f</sup>, only received some 10% of the funds. The managerial approach taken by BNH was also often criticized for emphasizing macroeconomic goals over providing shelter to those in need (Medeiros, 2010). The BNH was hit twice by the economic and political crisis of the 1970s. On the one hand, the economic crisis increased delinquencies and reduced the population's income and expenditures. On the other, the policies supported by the BNH were perceived as deeply rooted in the dictatorial regime that should be disassembled (Royer, 2014). In 1986, 22 years after its establishment, BNH was dismantled. The end of the BNH should be viewed as a penalty imposed on the former

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of the family's income; the mortgage holder can only have one mortgage; the person can use her/his FGTS funds for the down-payment; interest rates, at the time of writing, are 12% per year.

<sup>f</sup> Source: <http://www.censo2010.ibge.gov.br/sinopse/index.php?dados=P21&uf=00> (accessed 22 December 2016).

military government rather than as a consequence of the bank's practices (Medeiros, 2010). BNH's functions were divided and given to different governmental institutions; *Caixa Econômica Federal* (Caixa) became the new manager of the FGTS.

### **3.2. Caixa Econômica Federal – the centralization**

Caixa Econômica Federal, founded in 1861, is one of the key federal institutions and banks in Brazil and deserves a paper of its own (see Conselho Curador do FGTS, 2009a, 2009b, 2009c, 2009d; Silveira et al., 2013); here, we will only focus on Caixa's role as manager of the FGTS. Caixa claims to be a financial institution focused on the poorest of society and was the first bank to receive deposits from slaves that were saving to buy their freedom. Since then, Caixa developed an image of the promoter of social ascension and inclusion. The myth of the social bank was fully realized during the Vargas dictatorship, when Caixa assumed other functions, such as: mortgage financing, monopoly over pawn activities, and so on (Silveira, et al., 2013). Hardly tainted by its association with the dictatorship, Caixa's functions were further expanded by the government of president Juscelino Kubitschek (1956-1961) as it became responsible for the payments to and collecting deposits from the *candangos*, the workers that moved to the middle-of-nowhere to build the new capital, Brasilia. A few years later, with the reconfiguration implemented by the Military government, Caixa officially became a unified federal bank. Today, Caixa is the biggest actor in the real estate sector in Brazil, granting around 70% of all residential real estate loans.

In the late 1980s and 1990s Brazil underwent profound transformations, as it transitioned from a dictatorship into a democratic state. In 1988, a new Constitution was developed and according to it, the FGTS model would become compulsory for all workers. The stability model was officially terminated. Both urban and rural workers were included, but self-employed workers and housekeepers were excluded initially<sup>g</sup>; while public employees and military personnel are still covered by the old stability model. The possibilities to withdraw from one's personal FGTS account remained almost the same since the 1960s<sup>h</sup>:

- Unfair dismissal
- Termination of a temporary contract
- Termination of the contract due to total extinction of the company; suppression of their activities; any closure of their establishments, branches or agencies; individual employer's death or the annulment of the employment contract
- Termination of the contract by mutual culpability or force majeure
- Retirement
- In the case of personal, urgent and serious need, due to natural disasters caused by rains and floods that have hit the area of residence of the worker when the emergency or public calamity state is stated, by order of Federal government
- Worker's death

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<sup>g</sup> Today they can also contribute and be part of FGTS.

<sup>h</sup> Source: <http://www.fgts.gov.br/perguntas/trabalhador/pergunta07.asp> (accessed 10 March 2016).

- When the account holder is 70 years old
- When the employee or their dependent is HIV positive
- When the employee or their dependent is stricken with cancer or a range of other medical conditions
- When the employee or their dependent is in terminal stage, because of serious illness
- When the account receives no deposit for three consecutive years
- When the worker remains outside the FGTS system for three uninterrupted years
- For repayment, settlement of outstanding balance and payment of the benefits acquired in a real estate consortium
- For the purchase of a house or repayment of private residential debt.

Together with the inclusion of all formally employed people in the model, there was also the need to concentrate the management and the deposits in one institution, in order to assure more efficiency and transparency for the implementation and administration of FGTS. Private banks were skeptical that Caixa was up to this task, but also lamented the loss of income. In the new structure, private banks only had 48 hours, rather than three weeks, to transfer the deposits to Caixa; and from this point on, they were only paid for providing a service and no longer profiting for temporarily administering deposits (Conselho Curador do FGTS, 2009d). Although the 1966 law foresaw the creation an FGTS Council that guarantees the interest of all parties—state, employees and employers—it was only created when the funds were transferred from BNH to Caixa. The Council is directed by the Minister of Labour and composed of twelve representatives from the government, six from the workers and six from the employers (FGTS, 2016). The Council acts as the administrative board of the FGTS and defines its strategies and norms, and supervises Caixa’s executions of its decisions.

### **3.3. The recent FGTS**

After the centralization of all accounts in Caixa, a more mature and professionalized *Sistema Financeiro Nacional* (SFN) emerged in the 1990s (Silveira et al., 2013), which pushed FGTS to adapt and diversify its investments in order to provide more secure and profitable solutions for its contributors. In 1997, it is decided that personal FGTS accounts no longer can be used only for real estate investment, but up to 50% also can be invested in stocks of two specific companies: the partly state-owned oil company Petrobras and the mining corporation Vale do Rio Doce that was privatized in 1997 (and is currently simply known as Vale). The idea was to market stocks in these firms as so-called “low-denomination shares”, i.e. widely-held stock. Incentives were given in order to attract FGTS investors. Petrobras and Vale’s stocks were sold at a discount of, respectively, 20% and 5%. This new strategy shows the FGTS Council’s attempt to modernize and diversify investments for its contributors, introducing the idea that there is more than real estate out there.

This is one of the many re-organization strategies that have taken place in order to make the fund more dynamic and profitable. Since the 1990s FGTS has also diversified its own investment strategies. Housing, infrastructure and sanitation are still the main investment classes, but financial innovations are being introduced in its investment practices. FGTS has become a major player in land and real estate development, as exemplified by the Porto Maravilha project in the city of Rio de Janeiro. FGTS is the owner of most of the land as well as all of the transferable development rights of the 5 million square meters of planned real estate (Pereira & Mosciaro, 2015). Managers of the “FII Porto Maravilha”, a Real Estate Investment Trust (REIT), see this sort of investment as a safe way to generate revenues for the FGTS, without abandoning the three traditional investment pillars of the FGTS.

Since the 2000s the FGTS has realized positive net revenues. In 2015 the revenue was R\$14.4 billion (approximately €4 billion); the deposits R\$113.5 billion (€32 billion) and the withdrawals R\$99.1 billion (€28 billion) (FGTS, 2015). In terms of number of withdrawals made, over 70% were related to unfair dismissal or retirement and over 5% for housing, the third biggest category. In cash terms, 13% was withdrawn for housing purposes, including acquisition, renovations and paying off housing loans. The number of houses financed through FGTS increased from 246,482 in 2003 to 477,743 in 2011 (Noronha, 2013). As mentioned, a broader set of data and the availability of a wider range of sources would very much contribute to a broader understanding of this system. The presence of the FGTS model in different age groups, races, genders and spatial distribution would enrich our understanding of the effects and penetration of this public policy. This would allow a more comprehensive understanding of the groups that benefit from this policy and also provide insights into how to promote a more inclusive FGTS.

#### **4. Discussion and Conclusion**

The Brazilian compulsory pension savings system FGTS and the housing financing system that were developed since the 1960s could be viewed as actually existing asset-based welfare *avant la lettre*. The discourses regarding the FGTS are also supportive of this assessment: “It is a right of the Brazilian workers with the aim of creating a reserve, that can be withdrawn in many circumstances” (FGTS, 2015, p. 1); “The FGTS funds constitute a savings pool made from the monthly contributions paid by employers” (Diehl and Trennepohl, 2011, p. 66).

Brazilian-style ABW challenges our conceptions of what ABW means and how it is related to welfare policies and the state practices more widely defined. In Brazil, however, asset-based welfare is not characteristic of welfare retrenchment or welfare readjustment. The state has full control of the fund, its deposits, investments, withdrawals, interest rates and so on. Contrary to the development in the Global North, the FGTS was not designed to reduce citizens’ dependence on the state; rather, the FGTS *is* the Brazilian way of welfare and housing expansion. Before the FGTS, or without the FGTS, there would be very little publicly provided welfare or housing in Brazil, which is why ABW in Brazil is not seen as something that *replaces* state welfare

but the very *embodiment* of state welfare. Often, the FGTS is perceived as a victory of the workers (Conselho Curador do FGTS, 2009d, 2009c) although it was originally introduced under the military dictatorship. Like in Southern Europe (Di Felicianantonio and Aalbers, 2017), the promotion of homeownership in Brazil was initially used to create stability and “buy” support from the middle classes after the introduction of a fascist dictatorship. Whereas many institutions did not survive subsequent regimes changes, the ideology and promotion of homeownership was continued in the post-fascist period and lives on in contemporary Brazil.

In the Global North, ABW policies may be associated with the withdrawal of the state, but in Brazil the state has not only introduced the FGTS as a *de facto* welfare and housing policy, it has also mobilized FGTS deposits to further expand the role of the state, not only in housing finance but also in sanitation and infrastructure. Although it resembles Singapore’s take on ABW, the FGTS is a unique blend of a pension fund, an insurance company, a savings bank, a building society, a land developer and a social security provider. Like in Singapore, ABW in Brazil is very much a state project, not only because of the deep involvement of state actors at every step of the process but also because the FGTS is used for state building and expansion.

Whereas ABW in the Global North could be characterized as individual asset-based *wealth* in order to replace public welfare or in addition to more austere public welfare policies, ABW in Brazil is a *welfare policy* largely in absence of general public welfare, yet only benefiting those within or retired from the formal labour market. Like forms of ABW elsewhere, the FGTS in Brazil rejects utilitarian arguments for redistribution, i.e. the FGTS is *not* a mechanism for making the poor better off. In fact, the FGTS model contributed to increasing social inequalities, as it was neither able to provide for those totally outside the formal labour market, nor to households on low and moderate incomes. On these grounds, we cannot recommend the roll-out of Brazilian-style ABW to other countries in the Global South or North.

Yet, although problematic in its lack of full inclusion and redistribution, to those who are included in the regime—and this number has only increased as the Brazil’s labour market is increasingly formalized—the FGTS does offer some level of security in case of retirement, illness or unemployment. The ease with which the built up of pension rights or social security can be exchanged for a down-payment on a house shows what a real asset-based *welfare* rather than merely an asset-based *wealth* policy could look like. Within this system, homeownership is defined as a secure rather than a wobbly pillar of welfare, a cornerstone of welfare, to paraphrase Malpass (2008). It also appears that the population fully trusts and recognizes the FGTS as the main path towards homeownership. In the FGTS’s own survey, for what it’s worth, 95.9% of the respondents answered 8-10 out of 10 to the question “How would you rate the importance of FGTS in buying your home?” (Superintendência Nacional do FGTS, 2014). In the virtual absence of housing and welfare policies, the FGTS is like an oasis in an otherwise dry desert, a desert that has slowly become a little more accessible but remains inaccessible to large parts of the population.

Of course, that does not imply that Brazilian-style ABW takes away the disadvantages associated with ABW in the Global North (e.g. Doling and Ronald, 2010). The inclusion

in the ABW system is still selective, investments in property volatile and risky (especially at the individual level), and the benefits heavily skewed in terms of class, gender, race and location. Furthermore, as there are no so-called “reversed mortgages” in Brazil, most homeowners are not in the position to take equity out of their property if they would need it for income replacement/replenishment or to pay for health bills. Indeed, ABW in Brazil may help a large but select group of households to become homeowners and lessen their housing expenses at an older age, it does not in itself provide other forms of welfare as pension savings can be exchanged for a property down-payment but not vice versa.

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