

## **"Liberalization, Restructuring and Corporatism: The Role of the S System"**

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### **Introduction<sup>1</sup>**

The Brazilian corporatist system of interest representation is portrayed, for good or bad, as highly fragmented. Those who extol its fragmentation argue that recent reforms, i.e. the 1988 Constitution, have loosened state control over the formation of syndicates. As interest groups freely emerge, the Brazilian system is becoming more decentralized and pluralist and less dependent upon the state for its existence (Almeida). Others, who condemn fragmentation, argue that the corporatist system disperses interests and therefore inhibits competent policymaking. The recent experiment with Câmaras Setoriais is one example of how the proliferation of interests inhibited coherent macroeconomic policymaking (Diniz:1997).<sup>2</sup> Regardless of whether observers celebrate or condemn it, they agree that interest representation in Brazil is fragmented.

Corporatist business organizations in Brazil, as elsewhere, have wide-ranging and formal roles in the formulation and implementation of public policy (Schmitter and Streeck:1985;Bell:27). The corporatist system of interest representation in Brazil was created during the Vargas era in the 1930s and 1940s and the syndicates, the official trade associations which constitute the base of the corporatist pyramid, were legally required to participate in collective bargaining and have typically helped to formulate industrial policies and other legislation.

Although the syndical, or lowest level of representation has traditionally played important roles in Brazil, we argue that recent changes in productive practices

and the services that firms can receive from quasi-public institutions, serviços autônomos, tied to the official corporatist system could end up linking and fortifying, rather than weakening the institutions.

Important changes in the less-studied serviços autônomos that are governed by the higher reaches of the corporatist system rather than the syndicates, could provide a model for revitalizing the system of interest representation in Brazil.

Two of the principle serviços autônomos (hereafter serviços) that we examine here -- SEBRAE, the Brazilian Support Service to Micro and Small Enterprises and SENAI, the National Industrial Training Service, clearly demonstrate modernizing tendencies: Both are making explicit effort to devise new programs to meet their clients' needs in the less protected economy; both aim to wean themselves from dependence on compulsory taxes and increase their revenue-generating base; and both organizations are increasingly submitting themselves to continual evaluation and benchmarking. Finally, because both are federative and multi-sectoral organizations with major umbrella interest groups as members of their board of directors, we argue that they are well structured to diffuse these lessons throughout the economy and polity.

SEBRAE, the Brazilian Support Service to Micro and Small Enterprises, is a national organization with state level offices. As a serviço, its programs must support national development policies (Atos). Simultaneously, but in an uncoordinated manner, various state-level SEBRAE offices began devising programs that helped small suppliers become more productive and more politically savvy. As the national SEBRAE office learned of these initiatives, it supported efforts to make these regional programs into national ones.

The non-sectoral and federalist nature of the institution will permit that this innovative program and others will be widely diffused.

In a similar manner, SENAI, the National Service of Industrial Training, another parastatal enterprise is also reformulating itself. Its traditional role of teaching minors, usually the children of industrial workers employed in large firms, is diminishing. In its place, SENAI is creating new types of training courses as well as devising a gamut of consulting services that span not only worker and training issues, its traditional area of expertise, but also technical issues, factory layout, and others that traditionally have been carried out by private consultants.

It devises these programs with an aim to generating revenues and diminishing its dependence on compulsory taxes.

Like SEBRAE, SENAI has explicit organizational procedures where the national office studies, evaluates, and diffuses experiences from state-level offices or specialized institutes dedicated to specific sectors.

We will be also examining the changes of a third and different serviço, the Serviço Social da Indústria (Industry Social Service, SESI), a social serviço aimed at providing social services and welfare to workers, in a complimentary way to the support provided to entrepreneurs and firms by the technical services of the corporatist system.

In fact, each economic sector (manufacturing, commerce and agriculture) had and still has in its national and regional corporatist organizations a technical **and** a social serviço, as twin sons serving the organization general aims. This institutional conglomerate, expanded to include nowadays corporatist organization and services of the transportation sector (and SEBRAE) form what we call "S-System" (Indústria e Produtividade, n. 315).

This apparatus for social policy was part of the typical socio-political incorporation of workers in Brazil's industrialization, based on their "occupational identity", forming what Wanderley Guilherme dos Santos (1979) has appropriately labeled "regulated citizenship". According to Santos, Brazil's socio, economic and political modernization since the 1930s formed a concept of citizenship involving different rights and benefits to different groups of workers, not to mention that some groups were kept excluded for very long, as domestic servants and rural workers (Santos, 1979).

By looking at SESI, we will therefore be investigating to what extent the challenges from liberalization and democratization affected the different services of the corporatist system, as a way to get a more comprehensive picture of the changes of these organizations.

Surprisingly enough, SESI is also undergoing significant changes along the general guidelines of SENAI's restructuring, up to the point that its traditional client, the worker, has been replaced by the worker, according to the firms needs in their new globalized environment.

More importantly, SESI is assuming one of the previous tasks of the technical service, the elementary education of workers, in a clear "division of labor" of the support available through the corporatist institutions. SESI is becoming the sole responsible for elementary education, whereas SENAI is deepening its role as provider of selected, specialized support.

The first part of this article will examine the actions of sectoral corporatist groups and their diminishing roles in influencing production and market practices since the lowering of tariffs. The second part will address new efforts by the serviços to help firms face the competition

stemming from opening markets, in particular, SEBRAE and SENAI. It will also present and analyze some of the changes of SESI. In the conclusions, we will argue that these efforts could contribute to the cohesion and revitalization, through the reforms of the S-System, rather than the decline of corporatist organizations.

### **Corporatism in transition**

Interest representation in Brazil has traditionally been fragmented. In the late 1930s and 1940s, the state began the process of institutionalizing labor and business organizations with procedures that segmented the groups according to region and sector. In exchange for the exclusive right to represent their members, *unicidade sindical*, the corporatist trade associations helped devise and implement public policies. Firms and labor were organized in syndicates according to sector and region (municipality, state). The syndicates, in turn, were members of state-level federations and these, in turn, were members of national confederations. The fragmented nature at the syndicate-level was designed, in part, to discourage class-based collective action (Costa). Despite the hierarchical structure of peak organizations, the syndical-level and sometimes state-level (federations) of the system were important and often a more effective interlocutor than the peak ones. Moreover, the laws enacted by Vargas explicitly forbade the organization of umbrella, encompassing organizations by capitalists and workers.

Syndicates in Brazil have traditionally been involved in formulating and implementing a wide gamut of public policies, but their work on price control legislation was one of their most important member services with various impacts on firms' competitiveness.

Syndicates helped the government devise the very

cumbersome price control legislation that was implanted in the 1960s. Furthermore, to facilitate the process of decision-making, they regularly collected data from their members and compiled them as a service to the national price control boards that were then able to take quicker actions (Lima and Abranches). As the controls became more pervasive and onerous, some syndicates helped their members create cartels as a means of buffering the impact of regulated prices (Lee:n.d.;Addis: 1999).

In some cases, it discouraged investment and innovation. In other cases, it permitted firms that exported to exact higher prices on their domestic goods, generate a surplus that could be invested in export related activities, and charge lower prices on their exported ones (Addis:1999). Regardless of the impact, the price control programs became de facto industrial policies that sought to organize domestic competition. Although the intent was to tame inflation, for better or worse, the policies had a decisive and enduring impact on industrial development.

With the opening of markets in the early 1990s, the cartels were weakened and in some cases dismembered. Firms required their suppliers in Brazil to match international prices or forego supplying. Because their clients were able to import, suppliers' cartels were undermined or even eliminated.<sup>3</sup> Therefore, the role of the syndicates correspondingly changed. In the past they dedicated many resources to organizing campaigns and efforts to gain advantage, or at least limit losses from price controls. Now they turned their energies to improving information, market analysis, and lobbying for their members.

Interestingly, over a period of a few years, the discussions surrounding price controls, export and industrial policies evolved into a new forum, Câmaras

Setoriais, which for the first time accorded a central role to labor unions, as well as the firms and government officials involved in a sector (Diniz:1997:143-151; Martin:1997; Arbix:1996; Martin:1996; Cardoso and Comin:1995). Most studies of these fora examine the Câmara for the Automotive sector. The private sector participants included Anfavea/Sinfavea, Abimaq/Sindimaq, Abinee, Abrave, Abifa, Abipeças/Sindipeças.<sup>4</sup> The government side included the National Secretary and Adjunct-Secretary of the Economy, the executive secretary of the Ministry of Industry, Commerce, and Tourism; and the Executive Secretary of the Ministry of Science and Technology. On the workers' side, members of the principal central unions participated: CUT, CGT and Força Sindical (Diniz:157-8). The Câmaras, in March of 1992 and then again in February of 1993, negotiated agreements to restart growth in the sector and to create a new industrial policy to address the new market conditions. In exchange for lower taxes on vehicles, firms agreed to lower prices and increase investments, maintain employment levels, and pursue long-term modernization and restructuring of the sector (Diniz:1997:159). Ultimately, agreements were reached in the shipbuilding, toys, cosmetics, and auto sectors, although the latter were the most visible and widely studied (Diniz:159).

In terms of industrial policy, however, the Câmaras were notably less successful. The last agreement in the auto sector was reached in 1993 and after that the government raised taxes and the firms, prices. Furthermore, the new institutional arrangements were unable to devise long-term support plans to help firms adjust to increased competition. The automotive regime, the new agreement that is essentially the industrial policy for the sector, was negotiated outside of the Câmaras, and one author argues

that it provides effective disprotection for auto parts firms which provide the bulk of employment in the motor vehicle sector (Bêde).<sup>5</sup> While the sectorally-based syndicates continue to lobby and negotiate labor agreements, with the opening of markets, their role in industrial policy seems to have diminished.

### **The Serviços**

The serviços autônomos are semi-public, multi-sectoral entities. While their legal status is that of private entities, they are funded by federally-mandated taxes on payrolls, run by multi-sectoral industry associations, and their programs reflect national development goals. There are serviços for many areas of the economy: industry, agriculture, small firms, commerce and transportation. Some are charged with improving performance in the economy; others with addressing the social needs of workers, including medical and dental services. The three serviços under study here -- SEBRAE, the Brazilian Support Service for Micro and Small Enterprises SENAI, the National Service for Industrial Training and SESI, the Industry Social Service - are among the most important.<sup>6</sup> While SEBRAE's origins were somewhat different from the others', it eventually acquired the same legal status.

In the new climate of democratization and sharp economic competition, the serviços are under attack: Firms are downsizing, which shrinks payrolls and therefore the serviços' revenue base; industrialists decry excessive taxation and the poor returns for their contributions; and the current political and economic climate is increasingly hostile to compulsory contributions as industrialists seek more democratic and representative organizations and cut costs in an effort to survive increasing international competition.



### **The SEBRAE system**

The current SEBRAE system is semi-public and federative, but began as a state organ. In the 1960s, the Brazilian government began creating and strengthening access to credit for MPMEs (Micro, Small, and Medium Enterprises).

The MPMEs, however, were often administratively incapable of taking advantage of the new sources of funds. The Brazilian Support Center for Small and Medium Firms (CEBRAE with "C") was created in 1972 to meet these needs.<sup>7</sup> Its board of directors included government and private entities.

CEBRAE offered consulting services and training in finance, technical areas, accounting, credit for financing fixed and working capital needs. It also created subcontracting exchanges (bolsas de subcontratação) where government and other large firms disclosed their future procurement orders; sponsored fairs for small suppliers where they could meet potential clients and incipient exporters could get orientation; and supported programs to creating purchasing and other types of cooperatives (Coelho:18-22). To improve delivery of these and other services, CEBRAE created state-level organs called Centers of Administrative Assistance (CEAGs). The members of these organs were state-level development banks, state-level business associations,<sup>8</sup> universities, and other institutions. CEBRAE, in addition to providing support to the CEAGs, became a national lobby for MPMEs. In conjunction with other business associations, it was successful in lobbying for a constitutional amendment that permits more lenient fiscal and credit treatment for MPMEs (Coelho:23-29).

Although CEBRAE was the only federal organization exclusively dedicated to supporting MPMEs, budget cuts and the democratic euphoria sweeping the country put its existence in check. Thanks to astute lobbying, in 1990,

SEBRAE, the Brazilian Support Service for Micro and Small Businesses was created to substitute for the extinct CEBRAE. Similar to the past, a national-level institution, SEBRAE/NA, became an umbrella organization for state-level SEBRAEs, which were denominated by the initials of the their respective states, i.e. SEBRAE/RJ is the organization of the state of Rio de Janeiro. Unlike the previous system, the new one became a serviço autônomo and is funded by a tax of 0.3 percent of the value of the payroll of all firms (Coelho:30-31;Atos:Lei No. 8154, Dec. 28, 1990).

SEBRAE's board of directors includes private sector and government representatives (Decreto No. 99.570, Oct. 9, 1990). The private sector members include: Associação Brasileira do Centro de Apoio às Pequenas e Médias Empresas (Brazilian Association of Support Centers for Small and Medium Enterprises -ABACE); Associação Brasileira de Instituições Financeiras de Desenvolvimento (Brazilian Association of Financial Institutions for Development (ABDE); Associação Nacional de Pesquisa e Desenvolvimento das Empresas Industriais (National Association of Research and Development of Industrial Enterprises (ANPEI); Associação Nacional das Entidades Promotoras de Empreendimentos de Tecnologias Avançadas (National Association of Advanced Technological Enterprise Promoters - ANPROTEC); Confederação das Associações Comerciais do Brasil (Confederation of Commercial Associations of Brazil (CACB); Confederação Nacional da Agricultura (National Confederation of Agriculture - CNA); Confederação Nacional do Comércio (National Confederation of Commerce - CNC); Nacional da Indústria (National Confederation of Industry - CNI). The government representatives include: the Secretaria Nacional de Economia do Ministério da Economia, Fazenda e Planejamento (National Secretary of

the Economy of the Ministry of the Economy, Treasury, and Planning); Banco de Brasil S.A. (Bank of Brazil S.A.); Banco Nacional de Desenvolvimento Econômico e Social (National Bank for Economic and Social Development - BNDES); the Caixa Econômica Federal (Federal Savings Bank); and Financiadora de Estudos e Projectos (Financer of Studies and Projects - FINEP).

The state-level board of directors is similar, although some argue that they are more directly in tune with business needs.<sup>9</sup> In Rio de Janeiro, the most active board members are the Federação das Indústrias do Estado do Rio de Janeiro (Federation of Industries of the State of Rio de Janeiro - FIRJAN), the Federação do Comércio Varejista do Estado de Rio de Janeiro (Federation of Retail Commerce in State of Rio de Janeiro - FCVRJ), the Federação das Associações Comerciais, Industriais e Agro-Pastorais do Estado do Rio de Janeiro (Federation of Commercial, Industrial, Agro-Pastoral Associations of Rio de Janeiro (FACIARJ), the Associação Comercial do Estado do Rio de Janeiro (Commercial Association of Rio de Janeiro - ACRJ), the Sociedade Nacional de Agricultura (National Agriculture Society - SNA), and the Federação Fluminense Fluminense Pequenas e Médias Empresas (Fluminense Federation of Micro, Small and Medium Businesses -FLUPEME).<sup>10</sup> The members of the Board of Directors throughout the SEBRAE system participate in deciding which programs will be adopted, maintained, or cut (Interview with Pinto).

SEBRAE's mission is to "plan, coordinate and orient technical programs, projects and activities to support micro and small businesses, in conformity with national development policies, particularly those relating to industrial, commercial and technological areas" (Decreto No. 99.570, Oct. 9, 1990).

SEBRAE has various types of programs in different economic sectors - Administration (to continually improve MSEs organization and efforts); Education (to inculcate an entrepreneurial culture within Brazilian society); Business (trade fairs and other similar efforts to help MPEs find new clients); Information (SEBRAE efforts to improve the transmission of information); Financing (make available more credit to MPEs); Public Policy (lobbying); and International Actions (international fairs and seminars). This section focuses on Education programs and their products.

Most of the SEBRAE education programs and products are geared to introducing and bringing in actual or potential small businesspeople to the SEBRAE system.<sup>11</sup> This includes strategies to encourage entrepreneurship and to encourage the entrepreneurially-minded to create new firms. Other products, however, are geared to meeting the needs of already existing firms. These products aim to teach firms to more objectively analyze their problems and possible solutions. Virtually all SEBRAE products encourage instructors and consultants to gear clients to other SEBRAE products, i.e. Supplier Capacitation Program will orient clients to programs that subsidize consultants who address specific problems (PATME or EMPRETEC) as well as other SEBRAE technology-oriented, environment, informatics products, to name a few.

SEBRAE Counters (Balcões SEBRAE) are geared to introducing actual and potential small businesspeople to the SEBRAE system. They are information counters spread throughout each state (some are even mobile).<sup>12</sup> They offer information on SEBRAE's diverse products ranging from short manuals on how to open different kinds of businesses, i.e. an ice cream shop, a garment factory, a sandal factory; to courses on labor laws, calculating prices, total quality;

and labor laws, to name a few. This program is by the most visible of all programs and was one of the principle sources of information about the over 43,800 courses, seminars, and lectures given by the SEBRAE system in 1997.<sup>13</sup>

Project IDEAL (Institute for the Development of Entrepreneurial and Administrative Leaders) is a more sophisticated system for generating new SEBRAE clients and more importantly, eventual leaders. It is part of SEBRAE's efforts to continually renew itself. The program aims to identify and develop business leaders in the micro and small business sectors, cooperatives, and NGOs in commerce, services, industry and agriculture. It also seeks to develop leaders for associations, syndicates and other entities that represent businesses, aiming to constitute, in the medium and long term a new social and political force able to effectively contribute to the reorganization and development of society, thereby accelerating the process of renovating Brazilian elites (Direcionamento Estratégico: 37).<sup>14</sup> As of 1997, the program had been carried out in 190 cities with 365 classes and almost 8,000 participants (Relatório:9). In a recent graduation ceremony of one group, the students' representative clearly stated that the ideal course had given him and his colleagues "a consciousness of citizenship" ( ).

The Program for Employment and Income (Programa de Emprego e Renda - PRODER) is geared to addressing issues of regional inequalities. It is targeted at the poorest municipalities and aims to generate income locally by stimulating the creation of small business and eventually creating a self-sustained public agency for local development (over a period of four years). It is carried out in conjunction with a variety of local and national agencies and programs and in 1997, PRODER programs were

running in 827 municipalities. Embedded in the program is an attempt empower municipalities to take their futures in their hands. Despite its lofty goals, we have been told that "everything vanishes" after SEBRAE's departure (Interview with PRODER official, date).

Consistent with its decentralized structure, state-level SEBRAEs also develop new programs. PROSSEGUIR (literally, "to continue") is a program developed within SEBRAE/RJ to help employees in large firms that are downsizing who were laid off or chose early retirement. It helps them discover if they have a vocation to become an entrepreneur, consultant, or other type of small business profession. The program is also geared to creating new SEBRAE clients.

SEBRAE has a variety of programs geared to transforming MPES into efficient and dynamic firms. Products such as Total Quality, D'OHLO (teacher firms to implant system that maintain Order, Hygiene, Cleanliness, and Organization), and others teach firms to improve their quality and productivity. Various state-level SEBRAEs (principally Rio de Janeiro and Rio Grande do Sul) with the financial and logistical support of SEBRAE/NA jointly designed a program to teach suppliers how to improve quality and productivity by decentralizing decisionmaking, that is empowerment. The Supplier Capacitation Program has an innovative format that leverages the respective strength of large client firms, groups of their micro and small suppliers, and SEBRAE to change the culture and operating procedures of small suppliers. In a year-long program that combines the off-the-shelf SEBRAE products mentioned above, with on-site and individualized consulting, the major objective is to change the culture of the small supplier and instill in it practices that, above all, lead to the implantation of total

quality and systems for continual improvement. Teaching the small firm owner to decentralize decisionmaking and take into account the input of employees is one of the major principles of the process. The results in terms of productivity and quality have been very impressive: MPEs have posted impressive productivity increases, typically around 20 percent, but at times surpassing 50 percent. MPEs achieved significant reductions in costs, on average 8%; rework fell, on average, by 10%, and defects in production fell, on average, by 15%; Sales increased appreciably, on average by 14% (Source: SEBRAE Training Documentation). In addition, MPEs felt more confident and able to dialogue with their large firm counterparts (Interviews with program graduates, 1998 and 1999). Nationally, over 800 firms have participated in this type of program (Supplier Capacitation Program Transparencies:1999). While many of the small firms maintain the advances they made over the course of the program, many lose momentum after its ends. The program needs to devise methods that encourage firms to maintain their hard-won gains.

### **The SENAI system**

SENAI, the National Service of Industrial Training, is the training but also educational and technical assistance branch of the peak corporatist organization of Brazil's manufacturing industry, the National Confederation of Industry (CNI). Like SEBRAE, is transforming itself.

Its mission statement, adopted in November 1995, is based on very broadly conceived objectives: Contributing to the strengthening of industry and the full and sustainable development of the country, promoting education for work and citizenship, technical and technological assistance, the production and dissemination of information and the adaptation, generation, and diffusion of technology (SENAI,

1996).

This new statement stresses helping workers to become full-fledged citizens who are conscious of both their rights and responsibilities. It also represents a break with past statements which stressed simply imparting technical knowledge (see for example **SENAI: Aprendizagem, Qualificação, Treinamento**; Bologna, n.d.; Lopes:1992; Novaes:1982) and conceptualized workers as simply execute discrete tasks rather than taking initiative (Interview with Sergio Alcântara).

The fresh mission was part of a slow process of change of SENAI during the 90s that took a speedier pace at that point. After an initial effort in 1993, SENAI presented in 1996 a long term strategic plan for the period 1996-2010, built from different scenarios, with clear impacts for the organization in each situation forecasted (SENAI, 1997).

Assuming the heterogeneity of Brazil's industrial base and the challenges from globalization, SENAI designed a very flexible role for itself, adding consulting and tailor-made services for its clients, e.g., the companies from the manufacturing industry.

SENAI made it also clear that this transformation involved an "internal" challenge of "changing the administrative model of centralized and paternalistic, to an entrepreneurial, flexible and dynamic one" (p. 12), and we could perhaps add that this feeling was captured during the interviews we conducted in various occasions and departments of the institution.

The external background chosen for designing the organization "strategic options" was a transition from a situation of "Instability and Crisis" to one of "Integrative Stability" in 2010, going through a scenario of "Excludent Stability".



Among all these organizational definitions, the "strategic orientation" should be emphasized here. In the short and medium term, SENAI should be increasingly "oriented towards the market", emphasizing quality and differentiation of its services, and considering as well the process of productive restructuring; it should also build a more professional administration and enhance its partnerships (p. 26). In the long term, SENAI activities are scheduled to be framed considering the "consolidation and expansion of the market" and SENAI own "integration, self-reliance and competitiveness" (p.26).

In 1997, SENAI took the time to adapt its general plan to the country different socio-economic regions, resulting in five regional plans in which "productive chains" were selected according to their local economic potential (SENAI, 1998).

Like SEBRAE, SENAI consists of a national department, SENAI-DN, which formulates the general guidelines for SENAI operations; evaluates whether goals are being met; identifies, evaluates, and diffuses regional programs nationally; and administers finances. State-level SENAIs execute these programs in schools which are either sectorally, i.e. for naval construction or garment production, or functionally organized courses and schools, i.e. as soldering, and metalworking.

The state-level SENAIs are quite autonomous and able to create programs that address their specific needs, i.e. the SENAI in Rio Grande do Sul runs a leather technology center because shoe production is an important economic activity in the region. State-level SENAI programs are constantly monitored and studied by the National Department as well as the other schools with the explicit objective of learning from and adapting successful programs.

In descending order of size and importance the schools are categorized as Technological Centers, i.e. of metalworking skills, soldering, textiles, food; Professional Training Centers which may or may not be dedicated to a particular sector or technology; Professional Training Agencies which generally offer a variety of courses; and mobile units which travel and offer specific short-term courses (Interviews).

The Technological Centers, a SENAI strategy that has evolved over the past decade, are very sophisticated training centers that teach students state of the art production. As important, however, these Centers offer a variety of other services to firms. For example, the Centro de Tecnologia da Indústria Química e Têxtil (Technology Center for the Chemical and Textile Industry - CETIQT), which atypically is run by the national SENAI and not a regional one, offers firms assistance with optic lab services (color matching) and organizes an annual fashion show which helps firms program the material and skills that they will need in the coming fashion seasons. A few years ago it began collecting productivity data for textile production based on questionnaires sent out to firms to help them benchmark and evaluate themselves. Interestingly, and consistent with the concern to improve service, CETIQT is participating in national competitions among all the Technological Centers (the most sophisticated schools) to qualify for bronze, silver, or gold medals. Much of qualifying grades depends on surveys that are filled out immediately after consumers consult the centers. In other words, the Technological Centers are using techniques that private-sector firms use to measure and benchmark their effectiveness.

Professional schools, that originally formed the

backbone of SENAI, are also being remodeled under the same orientation that emphasizes flexible and quality services for the client (firms) needs. They have been suggestively renamed "Model Centers for Professional Education (CEMEPs)" and they are also been evaluated by a similar medal program established for the CENATECs.

As a result, enrollments in apprenticeship training,<sup>15</sup> the original and principal SENAI mission, have dropped while those for specialized courses for adults have increased. From 1992 to 1996, enrollment in the apprenticeship programs (for minors) dropped almost 7 percent. Those in Qualification (complementary professional and industrial education for teenagers in high school), Habilitation (full professional/industrial education at the secondary educational level), and Training courses increased respectively 3, 8, and 17 percent. Those for tecnólogos (technicians) also experienced overall growth (SENAI:1997)

As a matter of fact, consistent with its broad reforms, SENAI has moved into college-level education, and has opened two courses at its units: a course of Engineering of the Textile Industry at CETIQT and one on Printing Technology at a CEMEP in São Paulo (1997: 32)

Creating sophisticated technology and training centers are two of SENAI's high-end strategies, but perhaps the most important one is the creation of online computer link aimed at connecting these and all other resources from SENAI to made them available at any point where SENAI's services are provided, the so-called National Network of Technology. At the head of this initiative is SENAI's International Center for Work Training and Transfer of Technology (CIET).

In fact, the entire SENAI system is redefining itself at all levels. In a recent reorganization, SENAI-RJ created a Directorate of Market Relations to stress the need to meet

firms (clients') needs (Interviews with Alcântara). This department, like others throughout the SENAI system, states that it must organize itself in business units (profit centers) and develop revenue-generating activities which may ultimately have little to do with the traditional mission of educating workers. SENAI-RJ dispatches technicians to help firms confront a variety of problems, for example, setting up numerically-controlled machine-tools as well as many consulting. The personnel in the market relations section claim that the revenues that SENAI garners from taxes should be channeled to the apprenticeship training program, SENAI's traditional mission. They argue, however, that new services should be self-supporting, including the regional schools that currently pass on any revenues they generate to the SENAI system (Interview with Alcântara). Personnel from CETIQT, the chemical and textile technology center linked to the DN rather than a state-level SENAI also proclaim that "SENAI is now a firm" (Interview with Simas). SENAI's service activities seem to be definitively incorporated into the institution that they begun to be part of its official report issued each year.

Learning is a constant and deliberate activity of the SENAI system.<sup>16</sup> The DN visits regional SENAI's twice a year with the intention of identifying successful projects that can be adapted nationally. For example, a SENAI-RJ program, LOGOS, which teaches workers about their rights and responsibilities as citizens and teaches them to take initiative on the shop floor may be turned into a national program. SENAI-SP went along the same lines and produced a similar program named PETRA (SENAI, 1993: 25). In fact, these two regional SENAI departments are the most advanced ones in reforming the model of professional training (1997: 29).

The DN publishes a monthly newsletter where it publicizes successful regional programs. The It also has runs a "strategic" project competition for which regional SENAI's compete -- a project on health is one example that was adopted nationally (Interview with Alcantara).

The head of SENAI, the national director, is appointed by the president of the National Confederation of Industry (CNI), the peak association for industrialists. The president of the CNI is the chair of the board of directors that oversees SENAI. The board includes one representative from each of the state-level SENAI's as well a representative from the federal Ministries of Labor and Education (SENAI-DN:1997). There are no representatives from labor unions. At the state level, the board of directors is appointed by the president of the respective federation, i.e. Federation of Industrialists of the State of São Paulo or Rio de Janeiro. While the major umbrella business groups are part of the SENAI board of directors, many decry the organization's lack of accountability (Laufer:1997).

#### **The social side: SESI**

SESI was founded in São Paulo after the end of World war II, in 1946, by the same entrepreneurs who created SENAI with the specific goal of assuring "social peace" within Brazil's nascent working class.

This original aim was developed through the establishment of an encompassing welfare net for the worker, extensive to his/her family, with a clear underlying purpose of socializing them in the values of capitalism, of "free market society" (Trevisan, 1979; Weinstein, 1996).

To this extent, SESI became in charge of a variety of services and activities in the areas of health care, education, culture and leisure that were carried out in facilities such as sports clubs, vacation centers, physician

and dental offices, daycare centers, industrial restaurants, stadiums, cultural centers, built throughout the country along the years.

In 1999, SESI had covered with one or more of its services or activities, 1860 municipalities of Brazil's 5000 (SESI, 1999). Its physical structure counted with 2512 fixed units and 478 mobile ones, in which there are almost 6000 class rooms, 136 theaters/movie theaters and auditoriums, 1339 dental offices, 598 doctors offices, along with other facilities as gymnasiums, swimming pools (SESI, 1999).

This wide but unevenly distributed coverage has been credited to SESI's efforts to build partnerships with city administrations, foundations, enterprises, associations, initiatives constantly heralded as an unique opening of this service organization to its environment in order to efficiently attain its goals (SESI, 1994, 1995, 1999).

Needless to say, SESI has the same organizational structure of other services of the S-System, with a National Department (Departamento Nacional, or SESI-DN), affiliated to the National Confederation of Industry, as the headquarters of the institution, supervising the state offices named (Departamentos Regionais, SESI-SP, SESI-RJ, etc.), under control of the multi-sector federation of industries of each of Brazil's 27 states (SP, RJ, etc.). These state offices interact among themselves and with the headquarters in the same way of SENAI's, and they practically have the same degree of autonomy from the organization headquarters (Interview, 1999).

The socializing role has actually been the *raison d'être* of SESI for decades after the World War II, and this role was positively evaluated by its mentors, the entrepreneurs, in many occasions. In 1960, for example, one of SESI directors explicitly acknowledged that SESI had

prevented the emergence of class tensions in Brazil's industrialization, as many had anticipated (Trevisan, 1979:165).

Since the 1990s, responding to the challenges from liberalization and democratization, SESI got into an incremental process of modernization, which reached its turning point with the formulation of its first "long term" plan, a three year plan from 1993 to 1995 (SESI, Plano Plurianual Nacional, 1993; SESI, 1992, 1994, 1995). On that occasion, SESI committed itself to "become an institution more and more efficient, through the introduction of concepts of quality and productivity", in its physical structure, human resources and administrative philosophy (SESI, 1994), very much alike we have found in the changes of other serviços. This plan was followed by a second and a third, just released, now covering a time span of five years (2000-2004), consolidating SESI's engagement in a full modernization drive (SESI, Plano Estratégico do Sistema SESI, 2000).

In any case, SESI also recognized some internal obstacles to this transformation by acknowledging that there regional/state branches "resistant to modernization" (SESI, 1994), not to mention difficulties in collecting its revenues. Unsurprisingly enough, SESI also opened itself to selling its services and to getting alternate sources of resources, under the same justification of SEBRAE's and SENAI's: a constant reduction of its revenues from compulsory taxes collected by entrepreneurs.

Along this new path, its administration is therefore being reformed and its activities restructured, for example, with significant investment in distance and multimedia education, with a the creation of its own "university" as think-tank department for the institution and as teaching

school of its own cadres, with a new comprehensive concept of health and well being far beyond the sole concern with occupational health, among other new initiatives.

SESI is deeply committed to provide elementary education to the largest number of illiterate and semi-illiterate adult workers, numbering approximately 16 million nowadays, putting Brazil in a secondary position in the world. SESI plans to have 6 million students in its schools by the year 2004.

The average 4 years of education of Brazil's working force is another limitation for the country industry, and SESI also intends to increase this level (SESI, Plano Estratégico, 2000; Industria e Produtividade, 315).

These modifications were mirrored in its mission statements, but it is worthy noting how this has changed: while it adapted its mission to the country new times of economic internationalization and democratization, it also changed the organization focus from the worker, his/her family, to the firm, in a significant shift from its traditional orientation.

In 1993, for example, in the opening of a three-year plan in 1993, its mission still stated that its main goals were "The social promotion - through the development of actions aimed at increasing the level of *welfare of its clientele* (e.g., workers) and at stimulating the practice of citizenship (by workers) - the convergence of interests of the productive agents and the expansion of the industrial productivity" (SESI, Plano Plurianual Nacional, 1993).<sup>17</sup>

In the current strategic plan (2000-2004), however, its mission reads as to "Contribute to the strengthening of the industry and the exercise of its social responsibility, delivering integrated services of education, health and leisure toward the improvement of the quality of life of the



wor and to sustainable development (SESI, Plano Estratégico, 2000). Whereas the concern with social peace through welfare was kept, this new focus expressed a deeper commitment to the firms needs - and not to the workers - under the assumption that the firms are undergoing important transformations to which the services (including welfare for the working force) provided should be adapted (SESI, 1996).<sup>18</sup>

In sum all these substantives and adjectives changes indicate that SESI is becoming deeply immersed in the same orientation followed by SEBRAE and SENAI, possibly reinforcing - through reforms - their mother/parent organizations, the corporatist institutions.

But this is not the whole story, as these changes have already been taken a step further in the case of the welfare and technical serviços of manufacturing industry (SESI, SENAI, respectively). The high corporatist echelons are implementing a division of labor between the two in the states in the educational area, by which SESI will be in charge of elementary education (of literate and illiterate, of his/her children) and SENAI will be solely responsible for more specialized training (besides consulting, applied research, etc.), echoing a provision of public and private goods to the industry knowledge needs (Interview, 2000).

More importantly, this differentiation is complemented by an "integration" between them, through which these serviços merge in one sole system, under the model of a "butterfly" each being a wing but also suggesting that none of them will loose its specificity, and certainly reducing their operational costs, a goal explicitly sought with this initiative (Interviews, 1999, 2000).

## **Conclusions**

Brazil has a tradition of quasi-public, non-sectoral serviços autônomos which are linked to the traditional

corporatist system. They are largely governed by the upper reaches of the traditional corporatist system, the federations and confederations. The serviços are being confronted with a unique opportunity. As price controls disappeared and imports are liberated, corporatist trade syndicates are no longer able to help the member firms coordinate cartels and control their markets. Although this paper has focused on the serviços and the assistance they can offer firms and workers, the traditional corporatist syndicates are not standing still. They, like the economy in general, are adapting to meet their members' evolving needs. Sindipeças, the National Syndicate of Auto Parts Producers, for example, is on the road to attaining ISO 9000 certification to ascertain that it can guarantee consistent quality in the services that it gives its member. The main difference, however, is that the syndicates' abilities to encourage and support their members' efforts to create cartels, a de facto industrial policy from the 1960s to the opening of market in the 1990s, has diminished.

The serviços autônomos have not been subjected to the same scrutiny as the traditional interest associations, yet during the period of heightened competition due to the market opening, they are offering innovative services that can help them not only survive, but also flourish under new economic conditions. Many of these serviços, like the firm they assist, are redefining themselves and becoming more customer- and profit-oriented. SENAI, SESI and SEBRAE are two clear examples of these tendencies. As companies downsize, payrolls diminish and so does the guaranteed income that these serviços enjoyed. In current economic climate and anti-government climates, firms are reluctant to pay taxes. The serviços must find new activities for which they can generate revenues and ensure their survival by

becoming indispensable to their clients.

Recent SEBRAE, SENAI and SESI programs are examples of efforts to devise and evaluate services that clients need while simultaneously generating new revenues. In both cases, the serviços seek to deliver new types of services in innovative manners. SEBRAE works closely with large firms to help small suppliers. SENAI is diminishing the importance of its traditional mission of training sons (some daughters) of workers and developing expertise in high-technology a broad gamut of consultancy services for firms and is handing this to SESI. All of them serviços have devised innovative manners of measuring and evaluating their effectiveness: The SEBRAE/RJ program has devised a system that has, elsewhere, been called "learning by monitoring (Sabel:1994)" while the SENAI technology centers compete for olympic medals where points are awarded according to client satisfaction. Both serviços are charging clients for these new services in an effort to decrease their dependency on compulsory taxes levied on firms.

Brazil's corporatist system of interest representation is fragmented. This paper has documented some of the changes and efforts underway in the serviços that have the potential to articulate the different groups and systematically promote learning among them. While much more research needs to be done to understand the links between the traditional corporatist structures of interest representation (syndicates, federations, confederations) and the changing serviços, we hypothesize that the more customer-oriented the serviços become, the more the upper reaches of the corporatist system will become strengthened and the more responsive the entire system will be to all its clients. Given the federative nature of the serviços, the lessons of successful restructuring and productivity programs can be

widely diffused. Not only do the multisectoral serviços share information among their different departments, regions, and states, but they must continually present and justify their activities to the board members which include multiple federations and confederations. These in turn may be able to improve their lobbying and policymaking strategies as they are strategically placed to recognize common elements in what are apparently individual cases of restructuring assistance. Corporatism will be revitalized despite its fragmented nature.

Finally, we believe that some of the innovative programs and possibly the links between interest groups and the serviços hold valuable lessons for economies of other nations. Elements of SEBRAE's Supplier Capacitation Program, for example, its manuals on implementing continual improvement have evolved in give-and-take exchanges with the International Labour Office in Geneva (Interview with Regazzi). Likewise, SENAI's CETIQT has agreements and personnel exchanges with UNIDO. Many of their activities may provide models for government-private sector cooperative efforts that are emerging worldwide and carry out many of the same functions as the serviços. Although the peculiar institutions of Brazilian corporatism persist, its lessons are becoming increasingly relevant to other contexts.

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## INTERVIEWS

### SENAI

Elaine Pinto Cesário Melo; Librarian; Núcleo Especializado de Informação Tecnológica de Confecção; CETIQT, Rio de Janeiro, June 11, 1997

José Maria Simas de Miranda; Technical Studies Sector; CETIQT, Rio de Janeiro, June 11, 1997

Zalda Costa Gueiros; Coordinator, Núcleo Especializado de Informação Tecnológica de Confecção; CETIQT, Rio de Janeiro, June 11, 1997

Anonymous, Former Assistant to the Presidency, Rio de Janeiro, November 11, 1999

Anonymous, Technical Assistant, São Paulo, June 12, 2000  
Levi Cirqueira Santos; Director, Centro de Formação  
Profesional de Resende, Rio de Janeiro, April 10, 1997  
Sérgio Campos de Alcântara; Manager, Research Nucleus, Rio  
de Janeiro, May 23, 1997

SEBRAE

Araguacy Affonso Rego, Director of Research, December 3,  
1997, Brasília.

Mauro Motta Durante, President, December 3, 1998, Brasília.

Mario Cesar Pinto; Coordinator of Quality, Productivity and  
Energy June 13, 1997

Jorge C. Fernández Rincón; Director, ITC, a private  
consulting firm; Coordinator of SCP February 24, 1997

José Antonio Cardoso Pereira; Cooperativa de Desenvolvimento  
Empresarial Ltda,

a private consulting cooperative; Instructor - SCP programs,  
April 9, 1997

Renato Dias Regazzi; Productivity Coordination, February 14,  
1997

Caren Addis observed a SCP program from April-June 1997



## ENDNOTES

<sup>1</sup> This research is part of the project, "Brazil in Transition: An Assessment at the End of the XXth Century," financed by the Support Program For Nuclei of Excellence (PRONEX). The project is based at the Center for Research and Documentation of Contemporary Brazilian History (CPDOC) of the Getúlio Vargas Foundation and the Graduate Program of Anthropology and Political Science of the Federal Fluminense University (UFF) is a participating institution.

2. Fragmentation does not only occur at the sectoral level. Diniz (199) argues the fluorescence of business-sponsored think tanks and political movements during the late 1980s also splintered business representation.

3. Cartels still persist in products which are specific to the Brazilian market or products that have long import lead times or where imports may be too risky.

4. These entities include the official syndicate as well as the parallel private association. When the corporatist system was set up, business won the right to create parallel private associations that were not regulated. For example, while elections in the official syndicates had to follow certain procedures and fundraising was highly regulated. Associations could elect their members in unregulated elections (?) and had a much broader gamut of fundraising possibilities at their disposal. In almost all cases, however, the association piggy-backed on and worked closely with the syndicate. Furthermore, having an association did not necessarily mean that the members had better lobbying at their disposal. The entities that participated in the auto sector Camara include:

Anfavea/Sinfavea --the National Association/Syndicate  
of Motor Vehicle Producers

Abimaq/Sindimaq, --the Brazilian Association/Syndicate  
of Machinery Producers

Abinee, -- the National Association of Electronics  
Producers

Abrave -- the Brazilian Association of Vehicle  
Dealers

Abifa -- the National Association of Foundries

Abipeças/Sindipecas -- the National  
Association/Syndicate of  
Vehicle Parts Producers.

5. Both Bedê and Martin (1997) suggests that although the Câmaras disbanded, their impact might have been more lasting.

<sup>6</sup> Other *serviços* include SESI, Industrial Social Service; SENAC, the National Service for Commerce; and SESC, Social Service for Commerce. Weinstein, in her book on SENAI and SESI, emphasizes the curious nature of the organizations:

..[I]t is crucial to stress, again, the unusual status of SENAI and SESI as organizations created by the state but funded by industry and controlled by industrialist associations. Elsewhere, such educational and social welfare programs have operated under the aegis of the state, have emerged from a collaborative effort among government, industry, and labor, or have been the responsibility of individual firms. In Brazil, by contrast, a particular segment of the industrial bourgeoisie, a self-styled "vanguard" of that class, assumed control of programs they considered vital for industrial progress and social peace, minimizing the role of the state and utterly excluding organized labor (Weinstein:333).

7. CEBRAE was created by the Secretary of Planning and General Coordination and had as founding organizations the National Bank for Economic Development (BNDE), Financer of Studies and Projects (FINEP), and Brazilian Association of Development Banks (ABDE). In 1976, the Institute of Economic and Social Planning became a member of the institutions that supported CEBRAE (Coelho:17).

Nylen recounts that initially it was almost an appendage of the business loan division of the BNDE and helped SMBs get information and apply for loans (Nylen:135-36). After 1974, the agency become more assistentialist -- providing other types of services to educate and support MPMEs as well as additional lines of credit, but it was top-down in the sense that it decided what MPMEs needed and had little dialogue with them (Nylen:126-7:ftnote 73).

8. Brazil had a corporatist system of interest representation and federations were the peak of a pyramid of state-regulated interest groups and industry associations.

9. Interview with Lucio Abreu, April 4, 1997. For an overall description of SEBRAE programs, the organization's structure, a superficial statistical description of the number of firms it has helped, and a balance sheet, see "O que e o Sebrae" (n.d.). GET BALANCE SHEET INFO.

10. Other other members, which are not as active in the management of SEBRAE are the Industrial Center of Rio de Janeiro (CIRJ), the Secretary of the State of Industry, Commerce, and Tourism (SEICT), the State BANKk of Rio de Janeiro S/A (BANERJ), the State SEcretary of Science and Technology, the Brazilian Support Service to Micro and Small Firms (SEBRAE), the Technological Network of Rio de Janeiro, and the Bio-Rio Foundation (SEBRAE-RJ and Interview with Mario Pinto).

<sup>11</sup> We are not discussing SEBRAE's national and international business programs (trade fairs); institutional articulation (geared to finding partners to jointly sponsor events, programs, and products; programs geared to generating credit for MPESand lobbying all of which are a major part of SEBRAE's activities.

<sup>12</sup> In SEBRAE/RJ, a sophisticated toll-free telephone system also meets the same needs.

<sup>13</sup> Of all the Balcão questions, 26% were about training; 18% about legalizing firms, 18% about cretid, 13% were institutional (?), 10% about business opportunities, 8% about trade fairs sponserred by SEBRAE, and 7% about law and taxes (numbers may not add up to 100% due to rounding) (Relatório:5).

Almost 62% of the courses were on administration. Almost 20% were about quality; 7% about Finances, 4% about informatics, 4% about marketing and the remaining about legal issues, planning and budget, organization and methods, and international commerce (Relatório:5).

<sup>14</sup> "The basic idea of the IDEAL Project ... is the development of the universe of small business, enlarging its range of action through the permanent updating of its leaders, in face of the unnumerable changes that have taken place in the socio-economic and politco-institutional environment" Antonio Carlos Ned, gerente nacional do PI (Interview?..)

15. SENAI was set up to ensure that Brazil would always have the requisite number of well-trained industrial workers. At times large firms were required to sponsor a certain number of pupils in SENAI training courses (Weinstein:1996).

16. There are complaints that regional directors can be stubborn and hoard resources rather than lending technicians or opening spaces for students outside its particular area.

<sup>17</sup> Even in 1997, SESI was keeping the worker as its client, as it stated in the annual report of the previous year: "In the current scenario, in which the globalization of the economy, the formation of new technological patterns and the expansion of competitiveness are inevitable, the human being makes the difference. Acknowledging these thoughts, SESI has always invested in the improvement of the quality of life of the industrial workers, his/her dependents and of the community, enhancing the value of the worker in order to stimulate the growth of productivity and the consequent development of the Brazilian industry" (SESI, 1997: 5).

<sup>18</sup> "The industrial sector typically requires a worker more qualified and integrated into the productive process. In face of these needs, SESI emphasizes Education and Health to minimize some obstacles faced by the competitiveness of the national industry" (SESI, 1996).