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EVIDENCE IN LABOR MARKET POLICIES AND
IMPLICATIONS FOR BRAZIL:

BUSINESS TRAINING



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JOI BRAZIL

**EVIDENCE IN LABOR MARKET POLICIES AND
IMPLICATIONS FOR BRAZIL:**

BUSINESS TRAINING

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INTRODUCTION

Entrepreneurs can create and grow businesses that provide employment and income not only for themselves, but also for other people.

Furthermore, entrepreneurship can stimulate market changes by reallocating resources to meet emerging demands, which can contribute to innovation and economic growth ([GEM, 2022](#))

However, several factors may represent obstacles to entrepreneurial success, such as scarce public infrastructure, the lack of maturity in the financial market, the lack of skilled labor, limited information and the structure of competition ([Anos-Casero and Udomsaph, 2009](#), [Jensen and Miller, 2018](#))¹. A particularly important barrier is the low adoption of efficient management practices, which can constrain business performance in terms of sales, profits, and productivity ([McKenzie and Woodruff, 2015](#), [Bloom and Van Reenen, 2007](#)).

This barrier tends to be particularly relevant in the Brazilian context. Evidence indicates that the proportion of poorly managed firms in Brazil is much higher than in the United States and other high-income countries ([Bloom, 2010](#)). Furthermore, Brazilian entrepreneurs also tend to overestimate their business management capabilities in comparison to other countries ([Cirera and Maloney, 2017](#)).

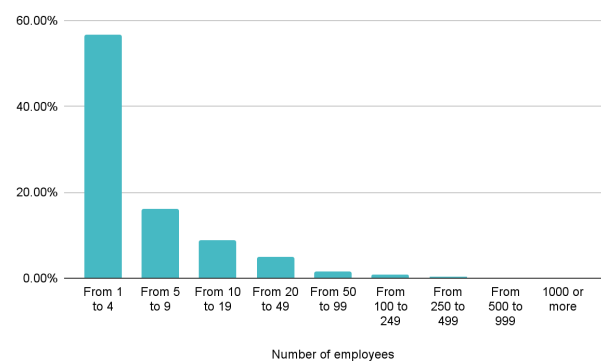
Given this scenario, business training emerges as a tool to overcome this obstacle to growth. It can provide entrepreneurs with the skills and knowledge necessary to effectively manage their businesses, focusing on topics such as strategic

planning, financial management, marketing, leadership, innovation, and soft skills that are essential to the performance and sustainability of companies in the market.

Business training can be especially important for micro, small, and medium-sized companies (MSMEs), which generally have lower productivity than large companies and face higher constraints in managerial capacity ([OECD, 2021](#), [Hsieh and Klenow, 2014](#)).

MSMEs play a fundamental role in generating jobs in low- and middle-income countries, especially in Latin America and the Caribbean (LAC) ([ILO, 2019](#)). In Brazil, companies with up to four employees represented 56.7 percent of the total number of enterprises with at least one active employee in the country in 2021, as shown in Figure 1. Furthermore, approximately 13.2 million individuals worked as individual microentrepreneurs (MEIs) in that same year, representing 69.7 percent of the total number of companies and corresponding to 19.2 percent of the total number of formally employed people in the country ([IBGE, 2023](#)).

Figure 1 - Proportion of companies with at least one active employee by establishment size



Source: RAIS 2021. Does not consider firms with no employees (RAIS Negativa).

¹ To learn more about the role of the credit market, see the publication Evidence on labor market policies and implications for Brazil: Microcredit.

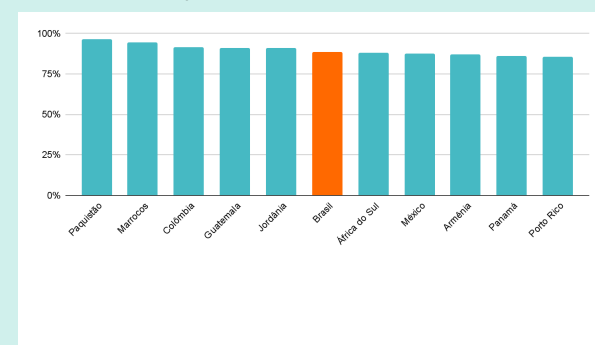
However, although training programs for entrepreneurs often have improved management practices, impact evaluations have found that these practices have not always resulted in greater sales, profits, or job creation ([J-PAL, 2023](#)). Therefore, this publication will investigate what features collaborate with the success of the most promising business training programs. Most programs included in this brief are focused on medium and small companies, due to their importance in Brazil. This publication complements earlier works released by J-PAL and the IDB, including [J-PAL \(2023\)](#), [IDB \(2021\)](#), and [IDB \(2023\)](#)

DRIVERS OF ENTREPRENEURSHIP

Entrepreneurship is often portrayed as a catalyst for innovation and economic development. However, high entrepreneurship rates in low-income countries can be also motivated by the lack of opportunities when salaried employment is unavailable.

In a survey carried out among individuals starting or running new businesses in Brazil in 2019, around 89 percent of respondents reported that their motivation was the need to maintain themselves financially due to the scarcity of jobs. This represents the sixth highest percentage among the countries in which the research was carried out, more than which is observed in high-income countries like the United States and Germany, and even LAC countries, such as Chile, Ecuador, Panama, and Mexico ([GEM, 2022](#)).

Figure 2 - Agreement with the motivation "to earn a living because jobs are scarce" for opening a new business (% of beginning entrepreneurs)



Source: GEM Adult Population Survey 2019.

Furthermore, companies sometimes use entrepreneurship as a way to overcome labor and tax legislation, reducing the benefits offered to employees in a phenomenon known as "pejotização" ([IPEA, 2017](#), [Alvarez, 2023](#)).

Therefore, when designing strategies to promote entrepreneurship, it is crucial to consider the socioeconomic reality that drives most entrepreneurs, especially in contexts where job scarcity is a significant challenge.

PROMISING FEATURES OF ENTREPRENEURSHIP TRAINING PROGRAMS

In this section, we address promising features found in randomized evaluations of entrepreneurship training programs conducted around the world.



Adapting curricula to the needs of participants

The impacts of entrepreneurship training programs may vary according to the adherence of the curricula to the student's needs. In **South Africa**, researchers evaluated the impact of two interventions among small business owners: one focused on marketing training and the other on financial skills training. Both interventions improved business profitability. However, less experienced entrepreneurs benefited more from marketing training because they focused on strategies aimed at expanding sales, boosting investments in inventory and resources, and growing their workforce. In contrast, established entrepreneurs benefited more from the accounting skills taught in the finance training ([Anderson et al., 2018](#)).



Simplifying the content taught

Business training curricula may be too broad or packed with content that is not relevant to the entrepreneur. Thus, simplifying it – by teaching rule-of-thumb principles or delivering the most important information through instant messaging – can help participants better absorb the core course content ([Drexler et al., 2014](#)). In partnership with microfinance institutions in **India** and the **Philippines**, researchers evaluated the impact of sending participants weekly audio messages for twenty weeks on how to better manage a business. They found

that after the program, participants improved their business practices^{2,3} ([Cole et al., 2024](#)).

Furthermore, there is some evidence that complementing simplified business training programs with other components can increase their effectiveness. An evaluation in **Mozambique** tested the complementarity between simplified training and access to a savings account with strong incentives to save⁴. The researchers found that when these interventions were offered alone, they did not lead to improvements in profits. However, when combined, company profitability increased ([Batista et al., 2021](#)).



Stimulating the entrepreneurial mindset

Traditional training programs typically focus on the technical skills of business managers. However, the success of entrepreneurship can also depend on personal aspirations and the ability to deal with risks. Using insights from psychology, some studies have evaluated the effects of promoting training that seeks to develop an entrepreneurial mentality, characterized by proactivity and a vision of the future. For example, an evaluation in **Togo** found that a psychology-based program that focused on the entrepreneurial mindset increased firms' profits and outperformed

² Business practices include calculating profits, keeping business and credit records, separating business and household cash, talking to consumers to check out needs, introducing new products, and others.

³ Data was not conclusive on business outcomes, such as profits or sales.

⁴ Specifically, the account provided high financial reward proportional to savings in the first three months.

traditional training on technical skills ([Campos et al. 2017](#)).



Providing personalized service

Some individuals who receive training may have difficulty implementing changes in their businesses. Providing personalized support services can be one way to overcome this barrier. In **Chile**, researchers found that incorporating a personalized support session into a traditional training program—where a teaching assistant provided guidance on how to apply course concepts in real-world practice—led to an increase in participants' income one year after the intervention ([Lafortune et al., 2018](#)). In **Uganda**, researchers evaluated the impact of complementing financial training with personalized feedback on the financial results of the participants' businesses. They found that those who received the feedback performed better on a standardized business performance index compared to those who only received the training⁵ ([Grohmann et al., 2022](#)).

CONSULTING FOR LARGE COMPANIES

Consultancies can offer a customized approach and intensive support that can be adapted to specific challenges. However, many evaluations focused on large companies due to the high cost of this type of intervention, among other factors.

An evaluation carried out with large companies in the textile sector of **India** showed that

offering a consultancy service for five months increased firms' productivity and induced the opening of new production plants ([Bloom et al., 2014](#)). A reassessment showed that firms that received the consultancy were still adopting better management practices nine years later compared to the control group ([Bloom et al., 2020](#)).

Seeking to test cheaper alternatives, researchers in **Colombia** evaluated the effects of individualized consultancy compared to group consultancy, due to the significantly lower costs. They found that group consulting is at least as effective as individual consulting, at one-third the cost, and has a stronger impact on firm employment growth. However, the effects were generally smaller and more uncertain compared to those of individualized consulting in other studies ([Iacovone et al., 2022](#)).

ENTREPRENEURIAL EDUCATION FOR YOUTH

Entrepreneurship training for youth has gained increasing attention in the literature. This is partly because entrepreneurship can be an alternative to youth unemployment, which can reach high levels in low and middle-income countries like Brazil.

An evaluation in **Rwanda** examined the short-term effects of training high school students on how to develop an entrepreneurial mindset. The researchers found that the program induced students to participate more actively in their school's business club, to improve their business practices, and to discuss their business ideas with other young people and family members ([Lafortune et al., 2024](#)).

⁵ Business performance was measured through an index of several outcomes, such as investment, savings, profits, and credit.

Furthermore, an evaluation in **Uganda** tested the medium-term impacts (3.5 years) of a program aimed at entrepreneurial education for high school students. The program taught both technical skills like marketing and finance and socio-emotional skills like emotional regulation, persuasion, and negotiation. The researchers found that participants were more likely to start enterprises and more successful in ensuring business sustainability relative to students in a comparison group. The program also resulted in increased profits and business capital investments ([Chioda et al., 2021](#)).

Another study in **Rwanda** evaluated an entrepreneurship education initiative for secondary school students and found that it increased entrepreneurial activities among participants one year after the program's conclusion. However, this positive effect faded after three years and participants' employment rate declined relative to the comparison group, accompanied by a reduction in income and profits by certain metrics. Negative effects were concentrated among those less likely to become entrepreneurs before the program and had been induced into entrepreneurship after the intervention. The authors suggest that the program stimulated students with lower business capacity into entrepreneurship, steering some participants away from their comparative advantage ([Blimpo and Pugatch, 2023](#)). The results suggest that if programs are ineffective in delivering broad impacts, then carefully selecting participants for business training programs could help avoid unintended negative consequences.

Therefore, despite some promising short-term results, more research in this field is needed to provide a more robust understanding of the long-term impacts of these interventions and of

how to identify and counterbalance their potential negative effects.

GENDER-SPECIFIC BARRIERS

In Latin America, companies led by women tend to be smaller than those led by men in terms of number of employees, sales, costs, and capital. Also, they tend to be less profitable ([Bruhn, 2009](#)). Female entrepreneurs usually have fewer years of education than men and spend less time on their businesses as well. Additionally, women in low-income countries were roughly half as likely as men to report making business investments, and they had the lowest investment rates compared to women from other income-level nations ([GEM, 2022](#)).

Training programs designed to meet women's practical needs can help improve the results of women-led businesses. In **Kenya**, one evaluation sought to identify the effects of a business training program with a gender perspective. The course lasted five days and taught women about the development of business ideas, marketing, production, finance, and soft skills for managing people, organizations, and business networks. Also, the program discussed the influence of cultural constraints on shaping women's roles in business, the division of household responsibilities, and strategies for networking with other women. The researchers found that the training increased the sustainability, profitability, and growth of women-owned companies and that these impacts were greater in the long term. Moreover, the researchers found that the improvements in business outcomes did not come from lowering sales from competing companies, but rather from

market growth in general ([McKenzie and Puerto, 2021](#)).

Furthermore, women may benefit more from programs that teach content in a simplified way - for example, through rule-of-thumb classes. This may be explained by the fact that women entrepreneurs often face more time constraints or are less educated than their male counterparts, especially in low-income countries ([GEM, 2022](#)). In **Ecuador**, a study showed that women spent significantly more time on household tasks and the care of children and the elderly than men. In this context, financial training based on simplified rules of thumb increased daily business profits and sales and was particularly effective for female entrepreneurs. The researchers argue that this was primarily due to women applying the principles more often than their male counterparts ([Arráiz et al., 2019](#)). An evaluation in **Mozambique** also found that female entrepreneurs benefited from simplified business management training, with a special emphasis on separating household and business accounts, when this was offered along with access to a bank account with a high incentive to save. In particular, there was an increase in profits for female-owned businesses twelve months after the program ([Batista et al., 2021](#)).

Evidence also has shown that women may face specific barriers to attending business training programs. For example, women in low-income countries are less likely to know an entrepreneur, which can hinder the exchange of knowledge, diminish motivation, and lower aspirations ([GEM, 2022](#)). In **India**, researchers offered a randomly selected group of customers from the country's largest women's bank two days of business counseling; a random subset of this group was invited to attend the event with a

friend. Women who were trained with a friend were more likely to have taken out business loans, were less likely to be housewives, and reported greater business activity and higher household incomes, with stronger impacts among women subject to social norms that restrict female mobility ([Field et al., 2016](#)).

Women also tend to have more negative perceptions about their entrepreneurial capabilities and the hardships of entrepreneurship in general ([GEM, 2022](#)). In **Ethiopia**, researchers found that an entrepreneurial mentality training program exclusively for women increased participants' firm profits ([Alibhai et al., 2019](#)). The program was most effective when the trainers were entrepreneurs themselves, which may indicate that they had a better understanding of the specific challenges of entrepreneurship.

Finally, evaluations indicate that offering training alone may not be sufficient to improve business outcomes in some contexts. In **Sri Lanka**, an evaluation measured the impact of combining business training with a cash transfer for women with severe financial constraints. The results indicate that business training alone was not enough to generate business growth. However, profits increased in the short term when business training and cash transfers were provided together, though this positive effect diminished over time ([de Mel et al., 2014](#)).

EVIDENCE FROM LATIN AMERICA AND THE CARIBBEAN

Several business training programs have already been developed and evaluated in LAC.

In **Brazil**, the Micro and Small Business Support Service (Sebrae) is a private, non-profit entity that promotes support for entrepreneurs. A randomized evaluation sought to verify whether providing more information about management practices could lead companies to seek guidance through Sebrae and improve their business practices. The researchers found that receiving an information leaflet increased demand for guidance in the short term, but that this effect dissipated over longer periods. The predominant reason cited for not seeking advice was time constraints, suggesting that limited time in small businesses may hinder the pursuit of business advice and practice improvement. The intervention also did not affect business practices or performance results, which may indicate the need for deeper engagements to aid in entrepreneurship ([Bruhn and Piza, 2022](#)).

Furthermore, an evaluation in **Brazil** tested the effects of supplementing business training programs with micro-incentives. For three months, participants of the training were given tasks, deadlines, and small payments to undertake information recording and marketing activities. The researcher found that business training alone did not have a significant effect, but when offered together with micro-incentives, it substantially increased the adoption of the encouraged practices in the short term, which reflected in higher firm survival and investment over four months ([de Oliveira, 2022](#)).

Researchers in **Peru** have also evaluated the effect of adding business training to a group lending program for microentrepreneurs. The results showed little or no evidence of changes in firm revenue or job creation, but there was an improvement in business knowledge and an increase in the client retention rate for

microfinance institutions ([Karlan and Valdivia, 2011](#)).

In **Mexico**, a study focused on small and medium-sized companies found that access to a year of management consultancy services for four hours a week had a positive impact on total factor productivity and return on assets. Additionally, researchers found that owners experienced an increase in "entrepreneurial spirit," as measured by an index of self-confidence and goal-setting ability. The program also increased the number of employees and payroll of participating companies, even five years after the program. The researchers concluded that the specific management practices that improved as a result of the consultancy varied, the most common being marketing, financial accounting, and long-term business planning ([Bruhn et al., 2018](#)).

Lastly, researchers in the **Dominican Republic** measured the effectiveness of two financial training programs for microentrepreneurs: a standard accounting training and a simplified training based on financial rules of thumb. Rule-of-thumb training led to significant improvements in companies' financial practices and reporting quality. Furthermore, rule-of-thumb training was more effective for microentrepreneurs with lower financial skills or poor initial financial practices, indicating that simplifying training increased program effectiveness for less qualified individuals ([Drexler et al., 2014](#)). In **Ecuador**, a study found similar results, and demonstrated that simplified training, in addition to encouraging better management practices, was effective in increasing sales and profits ([Arráiz et al., 2019](#)).

IMPROVING PROGRAMS THROUGH EVALUATIONS IN CHILE

Between 2013 and 2014, J-PAL researchers worked in collaboration with the Chilean non-profit organization Simón de Cirene to evaluate how to make training programs for microentrepreneurs more effective. In addition to conventional classroom training, researchers evaluated the inclusion of two innovative components. The first consisted of a motivational talk by a former student talking about how he implemented the knowledge acquired in the course into his business. The second component consisted of personalized assistance on how to use the strategies used in the course ([Lafortune et al., 2018](#)).

The researchers found that both interventions improved the income of microentrepreneurs, but the effects differed by entrepreneur type. Individualized assistance had greater impacts on the ones with more experience and higher educational levels. In contrast, motivational speaking had greater impacts on those with newer businesses and less experience, regardless of participants' level of formal education.

Based on these results, Simón de Cirene incorporated motivational lectures into all of its classes, as this intervention demonstrated a better cost-benefit ratio than individualized technical assistance ([J-PAL, 2019](#)). Furthermore, this evaluation can benefit other similar programs by providing insights on how to maximize the use of available resources.

FINAL REMARKS

One of Brazil's biggest challenges in the coming years is fostering the growth of entrepreneurs, especially small businesses. The evidence

suggests that some promising features can help improve future interventions.

Adapting the courses to the needs and skill levels of the participants

It is important that the training content has direct application to the participants' businesses and is delivered in a way that aligns with their prior knowledge. Small entrepreneurs often combine their business activities with other tasks and may not have time to absorb complex and difficult-to-apply lessons. Additionally, their most urgent needs can vary, ranging from finance to marketing, for example.

Stimulating the entrepreneurial mindset

Business activity involves several risks and can expose entrepreneurs to challenging situations. Therefore, they must be prepared not only to deal with the technical issues related to business management but also with the complexities related to personal and interpersonal skills. Training that includes content on self-initiative, leadership, resilience, and self-overcoming appears promising to help entrepreneurs deal with the challenges of entrepreneurial activity.

Providing personalized services

Business training can be more effective when the content is tailored to participants' needs and combined with personalized feedback. Consulting services for large companies have also had positive results. However, the high cost of providing these services makes it prohibitive to smaller firms ([IPA, 2023](#)). Early evidence on group consultancy suggests it could be a cost-effective alternative, but further research on how to make consultancy services more

affordable while maintaining quality would be a valuable addition.

Investing in other forms of support

Entrepreneurs face several barriers to success in addition to lacking relevant skills, such as limited access to finance. Initiatives that provide broader support to entrepreneurs by combining business training with other programs are worth exploring in further impact evaluations. Moreover, policymakers must recognize that many entrepreneurs start businesses out of necessity, rather than out of aspiration. Therefore, we need careful consideration to determine which policies are most beneficial for this group.

THE IMPORTANCE OF IMPACT EVALUATIONS

Randomized evaluations are a powerful tool for identifying the impact of a program or policy and can provide reflections on the reasons behind the impact of an intervention. These insights can help practitioners and decision-makers looking to improve their program design and use their resources efficiently. J-PAL's Jobs and Opportunity Initiative (JOI) Brazil was created in 2021 to expand the body of evidence on solutions to Brazil's labor market challenges by supporting randomized evaluations. If your company, organization, or government agency is implementing a labor market-related intervention and would like to explore the opportunity to collaborate with researchers to assess your intervention accurately, please contact us at jo-br@povertyactionlab.org.

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Using the most recent rigorous evidence in the literature, this publication consolidates the main reflections on the topic of microcredit, indicating paths for the promotion of quality jobs in Brazil. We hope that this study has contributed to this discussion, and we welcome new efforts aimed at expanding the frontiers of knowledge. We invite readers to explore the other publications of this series, such as the study on job training or job search assistance.

JOI Brazil is a J-PAL initiative whose objectives are to strengthen innovative actions, foster rigorous research, qualify the debate about the Brazilian labor market, and disseminate knowledge to governments, civil society, companies, and foundations in the country. We seek to promote a policy-making culture informed by evidence. We would like to thank our partners - Arymax Foundation, B3 Social, Tide Setubal Foundation, Potencia Ventures, the Inter-American Development Bank, and Insper - for their support in fostering rigorous research in Brazil. We would also like to thank Claudio Ferraz, Michael Hou, Natalie Valent and David Kaplan for the valuable feedback that allowed us to improve this article. We extend our thanks to all who put effort into making this publication possible.

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