Economic Growth, Employment and Labor Market Regulation in Brazil

Paulo Baltar & José Dari Krein & Eugênia T Leone
State University of Campinas Brazil
Introduction

- Global economic growth and demand for energy, raw material and food
  - High GDP growth rate in Brazil between 2004 and 2008

- Crisis: Brazil sustain GDP growth rate
  - Increase formal employment
### Changes in the labour market

**Brazil 2004 - 2008**

The EAP still grows, especially the feminine EAP.

**Annual growth rate of EAP (15 +) 2004-2008**

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<th>Male</th>
<th>Female</th>
<th>Total</th>
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<td></td>
<td>1.75</td>
<td>2.19</td>
<td>1.94</td>
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*Source: PNADs - IBGE*
Current economic situation in Brazil

- **Performance of labour market: 1993-1997 x 2004-2008**

  - 1993-1997: GDP growth rate was 4% and no effect on formal employment

- **Brazilian economy structural change**

  - National currency
  - Public debt
  - Inflation

- **New State position: more regulation**

  - Impact on employment formalization
Role of public institutions in the formalization of jobs

- Institutions:
  - Labor courts and unions;
  - Public System of the Federal Government;
  - Ministry of Labor and Employment and Public Work Ministry.
Labor Court

- Recognition of the relationship of employment is characterized when the employment relationship is disguise (false co-operatives, outsourcing, autonomous working class etc)

- Accountability of contractors of subcontractors (or contractors) for the payment of debts labor
Ministry of Labor and Employment

- Improve collection system;
- Reating mobile groups to combat child labor and slave labor;
- Prioritization of the formalization of contracts against the high disrespect for labor rights.
The Public Labour Ministry

- The institution with the task of defending society
- Monitor compliance with the law, especially the collective representation
Minimum Wage

- Minimum Wage Increased since 1995
  - Nowadays the minimum wage is the double of the 1995
- For this increase was important:
  - The rise of the minimum wage when the inflation increased in 1992 and 2002
  - And after 2004 when inflation decreased
The resumption of GDP growth began with exports and was later consolidated by the increase in consumption and investments.

- Both GDP growth and employment and the decrease in inflation made possible the increase in wages.
- The perspective of increase in employment and wages made families to get more debts for consumption.
- The increase in consumption and in exports stimulated investments.
The minimum wage is important for two reasons:

- For formal workers: the purchasing power of minimum wages increased more than the average wages of formal employment, reducing the wages differences in Brazil that usually are very high.

- For security benefits: the minimum wages is the minimum value social security benefits favoring the poor without work (mainly aging and disabled people).
Besides

- Lower income families: increases in minimum wage and formal employment allowed them to access credit for consumption.

- Growth based on durable goods consumption: increased imports of parts of these products and capital goods.
  - imports allowed decreasing inflation
  - imports worsened the creation of jobs with higher wages

- Inflation control: important for GDP growth
  - National currency appreciation
  - Deficit in current account
  - Importance of exports
Exports

- China’s demand for energy, raw material and food: important for Brazilian’s exports
- Low economic growth in developed countries
  - China transfer manufactured exports from developed to developing countries
  - problem for the Brazilian economy
Manufacturing production

- manufacturing production: high wage employment
- how to produce manufacturing products when it is possible to import them with cheaper prices
Brazilian economy financing

- **Manufacturing production development:**
  - change Brazilian financing
  - inflation control

- **Brazilian financing:**
  - foreign direct investments, international loans and foreign asset investment
  - public banks: long term loan
  - other financial institutions: short term investments
- Public debt services affected investments in infrastructure

- Public Bank cannot attend all the demand for long term investment

- Capital movement: relationship between interest rate and exchange rate that negatively affects manufacturing production
Conclusions

- Brazilian economic financing and inflation control: most important challenge to sustain higher economic growth
- Higher economic growth: more employment opportunities and labor formalization

However

- EAP: self-employment; unemployment and unregistered employment
- Formal employment: high turnover and low wage