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Economic Growth, Employment and Labor Market Regulation in Brazil

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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

| Male | Female | Total |
|------|--------|-------|
| 1.75 | 2.19 | 1.94 |

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 turn over and low wage*