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THE LABOR MARKET IN BRAZIL AFTER THE 90's FINANCIAL CRISIS

Paula Montagner

The evolution of the Brazilian economy during the 90's can be considered quite adverse, not only because it did not achieve the intended sustainable growth, but also due to the deterioration of the conditions of work and income generation for the population. In fact, there was an increase of the GDP – Gross Domestic Product – concentrated during the period of 1993-1997, which was preceded by a period of strong recession and followed by a period in which growth rates were relatively incipient or null (see Table 1). As a result of the alternating periods of stagnation and growth in the activity level, deep changes occurred in the production network and in the job-creation capacity of the Brazilian economy, along with an increase in open unemployment, a virtually unknown phenomenon in the previous decades, and the inability to incorporate a significant part of the population into the new urban consumption patterns.

TABLE **1**
Average annual growth of GDP – Percentage of national investiments of GNP, Brazil
(1990-2003)

Year	Anual variations of GDP	% of investments
1990	-4,7	
1991	0,1	
1992	-1,1	
1993	4,5	
1994	5,8	
1995	3,9	
1996	3,1	20,3
1997	3,3	20,4
1998	0,1	19,8
1999	0,8	18,1
2000	4,4	18,9
2001	1,4	19,2
2002*	1,5	
2003*	0,5	

Sorce: Brazilian Institute of National Statistics and Geography – IBGE.
Note: * = Forecast.

Since the opening of the economy promoted in the early 90's, the exposure of the economy to the new financial and technological standard indicated that the Brazilian production structure would be deeply affected, forcing companies operating in the country to carry out drastic adjustments to their productive and organizational processes. Among the most relevant aspects, the fast dissemination of information technology and telematics can be highlighted, together with new organizational methodologies and the outsourcing of activities not belonging to the core business, which reduced the need for labor and space used in production. The increasing import volume contributed to aggravate the situation, not only because inputs produced according to new technological standards had no match in domestic companies, but also because of the competition of consumer goods, often leading to domestic product dumping.

Since the main goal of the companies was to supply the potentially large domestic market, and to only marginally supply the foreign market, their activity level was limited to their capacity to adjust to new production standards – cutting costs and prices, and offering customized products in order to meet the population's new demands – and to their conditions of access to credit. In fact, this would have been a model to increase jobs and income if it had been financed by cheap credit to producers and consumers. As this situation did not materialize, new jobs were not generated and the existing potential market did not translate into an increased demand for work force. With that, companies sought to increase their efficiency by means of reducing costs, either by eliminating job positions or contracting at lower costs.

Another aspect that deserves mention is the role played by the privatization of major state-owned companies in the energy, telecommunications, financial and banking sectors, in addition to mineral production and exploitation, which contributed to attract foreign investments, specially in the period of 1994-1997, supported by finance clean-up programs promoted by the state, in which the Banco Nacional de Desenvolvimento Econômico e Social – BNDES played a major role.

The context was one of seeking elements to provide more competitiveness to domestic companies and of freeing the Government from having to provide for activities in the infrastructure sector, for which it had no resources. Within this context, major negative elements regarding the conditions of job and income generation in Brazil can be outlined.

Concerning the Brazilian labor market, it should be pointed out that, while until the 90's there were no major difficulties in increasing the number of employed people, this was due to a strong process of labor turnover –

whether voluntary, due to individual or family subjective needs, or involuntary, as a result of unjustified dismissal, in order for companies to avoid wage increases. Different from other countries, the Brazilian labor market was never characterized by long standing permanence of workers in the same job, although this was an aim and a possibility ensured by jobs in the civil service and by formal work contracts at the large industrial companies.

During the 90's, the large industrial companies were the ones more rapidly adjusting to the new production standard, outsourcing activities and introducing new organizational and communication standards. As a result, a significant share of the formally registered jobs was eliminated, and this was only partly counterbalanced by the generation of new unregistered, informal jobs in small-sized companies in the trade and service sectors.

The loss of jobs in the large companies, which characterized the first half of the 90's, represented more than the loss of wages, of Social Security rights and of union representation which guaranteed better space for negotiation, all well-known to Brazilian workers. From then on, periods of unemployment became not only more recurrent – whether as a result of the seasonality related to new types of jobs found in the trade and services sector, or of the drop in the economic cycle – but much more extensive. While before the 80's it was relatively easily to change jobs, the period in-between jobs increased to an average of around 3 months, at least in the Metropolitan Region of São Paulo, where much of the Brazilian industry is concentrated. In the same Region, since the mid-90's, this period began to increase, averaging almost twelve months since 1999 (Table 2). However, by the end of the 90's, this was a common situation not only in São Paulo, but also in other metropolitan areas where monthly information is available (Recife, Salvador, Belo Horizonte, Porto Alegre and Rio de Janeiro).

Moreover, the combination of a new technical-organizational standard and a lower number of jobs offered lead to stricter selection criteria. Job posts demanded a higher level of education, a longer period of proven work experience, even in an informal employment relationship, paying lower wages and offering less benefits (Table 4) and longer working hours. It is important to point out that an unregistered employment relationship involves an average of six months work and pays around 60% of the average wage earned by a registered worker in the Metropolitan Region of São Paulo, where there is a much wider range of jobs being offered in the private sector. Yet, in other regions of Brazil, these differences are less evident, making jobs in the civil service more attractive due to the stability and regularity of payments offered.

TABLE 2
Average extension of job search period proportion of long duration unemployment metropolitan areas
(1989-2002)

Metropolitan areas	Years	Average extension of job search	% of unemployed in search of a job for more than 12 months
Belo Horizonte	1996	7	12,0
	1998	9	15,2
	2002	13	29,9
Porto Alegre	1993	6	7,9
	1998	10	18,0
	2002	10	21,3
Salvador	1997	8	14,7
	1998	10	19,5
	2002	13	30,0
São Paulo	1989	4	2,9
	1998	8	14,1
	2002	12	24,1

Source: Agreement SEADE / DIEESE, MTE/ FAT and Regional Agreements. PED – Employment and Unemployment Survey

Even if theoretically facilitated by the demands for outsourcing activities in large companies, the opening of new enterprises did not increase job generation capacity, mainly due to high vulnerability to economic cycles. During the period of economic growth between 1994 and 1997, many former employees opened their own small businesses, being relatively successful during the period when there was an increase of the population's purchasing power (Chart 1), due to the process of inflation control and to the overvaluation of the domestic currency against foreign currencies. Because of the well-known limitations of small businesses in the development of business tools and access to credit and new technologies, important incentives were created, although they were not enough to sustain these enterprises, especially as from 1998.

TABLE 3
Employees, by status in employment, Brazil
(1992-2001)

Status	Absolute numbers			Percentage			Annual of growth
employment	1992	1997	2001	1992	1997	2001	2001/1997
Total	65.147 570	69.331.507	75.458 172	100,0	100,0	100,0	1,6
Employees	34.101.952	36.145.066	40.932.487	52,3	52,1	54,2	2,3
Formal registred Contract	19 301 483	19.876.193	22.179.855	29,6	28,7	29,4	2,1
Public service without registred	3.957.926	4.499.193	4.869 990	6,1	6,5	6,5	1,5
Contract	10 822 054	11.765.874	13.876.942	16,6	17,0	18,4	3,0
Domestic service	4.340.718	5 241 864	5.891.227	6,7	7,6	7,8	2,2
Formal registred contract	757.868	1.190 165		1,2	1,7		
Without registred contract	3.577 987	4 050 508		5,5	5,8		
Self-employed workers	14.135.591	15 740 345	16.832 995	21,7	22,7	22,3	1,3
Employers	2 399.348	2.794.804	3.186.746	3,7	4,0	4,2	2,5
Family production and construction	3.353.450	3.168.955	3.030.065	5,1	4,6	4,0	-0,9
Contributing family workers	6.816.511	6.230 435	5.584 228	10,5	9,0	7,4	-2,3

Source IBGE Foundation. National Sample Household Survey.

1. Includes those that did not inform employment status.

TABLE 4

Employed workers contributing to social security, by industry, Brazil

(1992-2001)

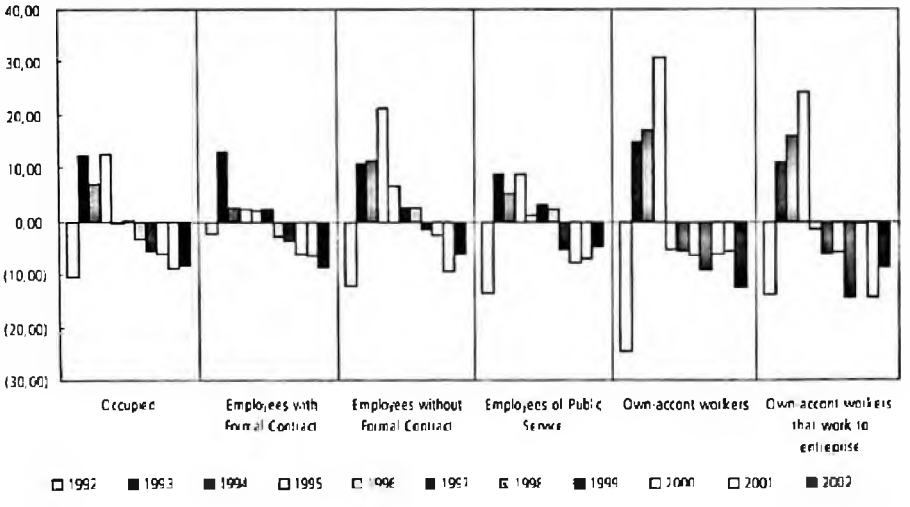
Industry	Social security absolute number	Contributor % of total employed workers
Total	31.017.271	43,3
Agriculture, Hunting, Forestry and Fishing	1.724.710	9,9
Secondary Insdutries	7.604.463	55,1
Manufacturing and Mining	5.685.046	68,7
Construction	1.307.000	27,6
Eletricity,Gas and Water	612.417	78,2
Tertiary Industries	21.688 098	53,6
Wholesale and Retail Trade	4.522 483	47,0
Services	17.165.615	55,6
Business and Personal Services	4.724.050	34,1
Auxiliary Services	1.688 778	60,7
Transport, Storage and Communication	1 697.799	60,3
Social Service	5.500.000	81,2
Public Administration	2.692.250	81,2
Other Services	862.738	64,2

Source: IBGE Foundation National Sample Household Survey

CHART 1

Variation of annual incomes of employes and self-employed workers, metropolitan area of São Paulo

(1992-2002)



Source: SEP – SEAD – DIEESE Agreement.

Thus, less jobs in the industrial sector were offered in the Brazilian job structure (from 28.8% in 1989 to around 20% in 2001), and the role of the service sector was expanded in areas such as retailing, education, health and public administration, as well as domestic services. Regarding the types of employment relationship, the formal civil service and private jobs have dropped, with an increase of informal jobs in companies and in household services, and, to a lesser extent, among autonomous workers. There was also a change in the employee profile according to age, gender and education.

However, there was an important pattern to be considered regarding the employees' capacity to accumulate adequate practical work experience. Most of them cannot, during their transition between jobs, keep the same characteristics they had in their previous job. In the case of the Metropolitan Region of São Paulo, only 20% of employees worked in the same company during the 90's; and among those who changed jobs at least once, 43% changed positions, activity sector, type of employment relationship, etc.; and among those who changed jobs at least twice, this same situation persisted for approximately 33% of them.

TABLE 5
Percentage of employees that changed jobsby type of change, metropolitan area of São Paulo
(2001)

Characteristics of the change	Number of job changes	
	One	At least two
Total	100,0	100,0
Same industry, occupation and status of employment, but change of job	13,1	15,4
Same occupation and status of employment, but change of industry	6,0	7,4
Same industry and status of employment, but change of occupation	4,4	4,3
Same status of employment, but change of occupation and industry	17,2	16,9
Same industry and occupation, but change of status of employment	7,5	9,3
Same occupation, but change of industry and status of employment	6,4	7,2
Same industry, but change of occupation and status of employment	4,4	3,9
Change of industry, occupation and status of employment	40,9	35,6

Source: SEP – SEADE – DIEESE Agreement. Employment and Unemployment – PED.

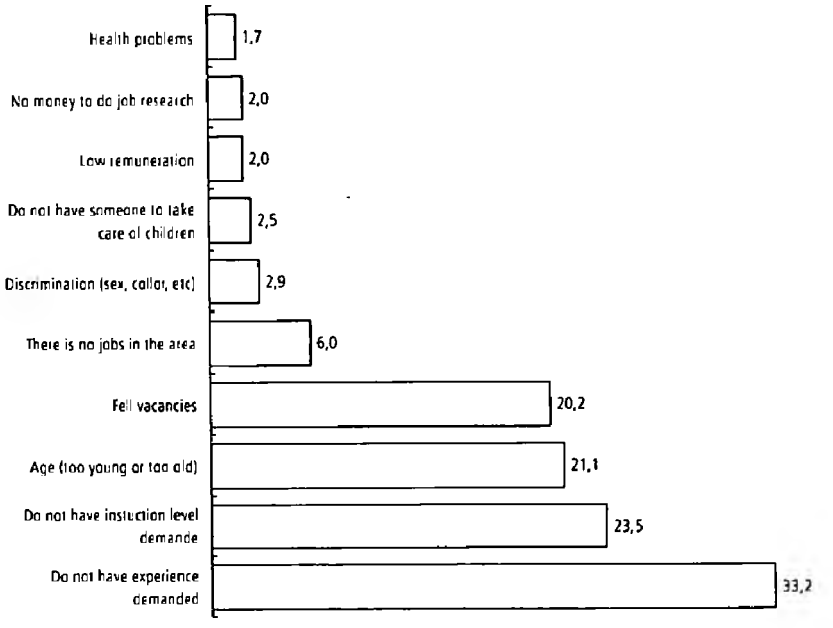
Contrary to general belief in the beginning of the 90's, the disadvantage of young people searching for a job is evident in that period. At first, their absence in the labor market might have been understood as voluntary permanence in school, their entry into the work market being delayed until they finished schooling. This broke an important pattern that characterized

the Brazilian labor market, where young people finished their education and worked at the same time, even if in low-wage jobs. However, in the following years, it was observed that young people who had finished junior high school, had less chances of finding a job. Certainly the debate about work among young people deserves some special attention, since several studies highlight the differentiated situation of this group regarding its commitment to the world of work, taking into account their adaptation needs. In addition, it is evident that the lack of practical work experience is one of the main disadvantages for youngsters looking for a job. Such situation used to be alleviated by the existence of activities that allowed them to explore their adaptation and learning abilities, but these activities became less available, even when considering extensions of activities traditionally regarded as young people's first jobs, such as in food services.

CHART 2

Percentage unemployed and Inactive with problems to find a job by type of dificculty, metropolitan area of São Paulo

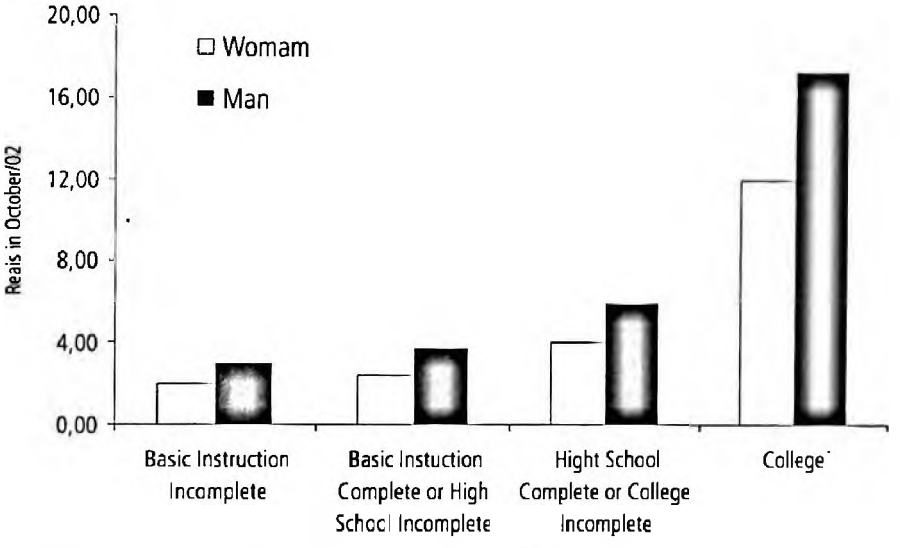
(2001)



Soirce: SEP – SEADE – DIEESE Agreement. Employment and Unemployment – PED.

Another important aspect is the increase of the share of women taking part in the labor market. As an employee, this situation was favored by the increase of the number of traditionally female jobs, in areas such as education, health,, care and household services. Although more educated, women workers earn lower wages, and, in comparison to men, few of them are engaged in formal registered employment relationships (Chart 3). However, women's unemployment is a relatively new situation, when compared to the previous decades, when most women shifted from occupation to inactivity, generally without experiencing the unemployment situation that was usual among young and adult men.

CHART 3
Average salary of men and women, by education level, metropolitan region of São Paulo
(2002)



Source SEP – SEADE – DIEESE Agreement.

Undoubtedly, new arrangements in family strategies in order to help balance the family income allowed women to enter the labor market. Family income resumed growth between 1994-97, but started to decrease since then, due to the limited number of jobs created and their characteristics.

Several aspects can explain this, among them, the fact that in households headed by men, their contribution decreased, increasing the need for other family members to start working. Surely, this is an important explanation for

the opportunity of entry and permanence of women in the labor market, even taking into account those who have young children, who tend to be discriminated, because they cannot count on an extensive network of crèches or full-time schools. It is worth mentioning that the more variable the family income, the more people are needed to maintain the same consumer pattern. For example, in the RSMP, among families whose income is earned exclusively by informal activities, the percentage of families supported by only one person declined from 74% in 1990 to 67% in 2002. In the same period, in the Metropolitan Region of São Paulo, there was an increase from 13% to 19% in earnings derived from eventual jobs, unregistered work, autonomous work, micro-businesses where the owner failed to contribute to the Social Security system, unregistered domestic work or unregistered work contracted per day. It is relevant that the total income mass of the region is virtually the same observed in 1992, even with the incorporation of more than one million new workers into the work force. (Table 6)

TABLE 6
Distribution of family income, by source of income, metropolitan region of São Paulo
(1990-2002)

Types of family, by source of income defined by status of employment	1990	1994	1998	2002
Total family income	100,0	100,0	100,0	100,0
Formal income	78,5	75,5	70,9	70,0
Social security	8,3	9,4	11,4	14,3
Employees with formal registred contract	63,4	57,4	49,0	47,1
Employers contributing to social security	6,5	8,3	9,5	7,5
Domestic servants with formal registred contract	0,3	0,4	0,9	1,1
Informal income	21,5	24,6	29,1	29,9
Occasional job done by unemployed or inactive person	3,2	3,8	4,2	3,9
Self-employed workers	13,3	14,9	18,4	19,3
Small employers	3,9	5,0	5,0	5,1
Domestic servants without registred contract	0,8	0,9	1,5	1,6

Source: SEP – SEADE – DIEESE Agreement. Employment and Unemployment Survey – PED

It is also important to highlight the role of other kinds of earnings in the composition of family incomes, especially earnings derived from retirement. Several authors have been studying the role of retirement income as an element of income distribution, and even in a region such as the Metropolitan Region of São Paulo, where its role is not very relevant, this type of income rose from slightly over 8% to more than 14% of the family income.

Because of the heterogeneities intrinsic to Brazilian society, it is important to mention a few regional, ethnic and educational aspects that distinguish Brazilian families.

In the Southern and Southeastern regions of Brazil, with a concentration of 15% and 44% of the population respectively, there is a predominantly white population, the family income is around R$ 1,000, families are smaller and headed by a man (75%), with a higher level of education (24% and 22%, respectively, completed at least 11 years of education). While in other Brazilian regions: North (5% of the population) Northeast (29% of the total population) and Midwest (7% of the population), there is a predominantly negro and mulato population (71%, 70% and 52%, respectively), families are bigger, headed by women (30%, 27% and 26%, respectively), with a larger number of family heads having a lower level of education. The situation is even more noticeable in the Northeastern Region of Brazil, where 56% of people had no more than three years of education, representing a situation of functional illiteracy, that is, people are not able to read and write, even though they have been to school and are considered literate.

CONCLUSION

The crisis at the end of the 90's worsened a few of the most adverse traits of the process of decline of the access and permanence in the Brazilian labor market. Among the most significant aspects, the following are highlighted:

- Increase of all types of unemployment – increase of open unemployment (whose official average for the six metropolitan regions reaches 13% of the economically active population), but also of "hidden" unemployment – with impacts not only in the Metropolitan regions but also in the medium and small-sized cities.
- Increase of unregistered work – wage earners with no formal contract and autonomous workers – and, in the case of micro-companies, of contracts under special legislation establishing lower taxes. It is worth noting that this resort cannot be employed in all activity sectors, which might be an important incentive for more formal labor relations in strategic segments that include small and micro-companies.
- Among employed workers, it was found that 40% who changed jobs once between 1994 and 2001, and about 1/3 of those who changed jobs at least twice, altered virtually all aspects of their

employment. This type of increasingly recurrent situation fails to acknowledge previous experience and hinders the organization of professional training policies that would allow higher specialization, therefore higher salaries.

- It should be kept in mind that professional qualification programs provided by the government between 1995 and 2002 cost approximately US$ 27 million to prepare almost 15 million workers for basic activities that were to be integrated into the school curriculum (computer skills and general business knowledge).
- Larger participation of women, mainly in open unemployment, cause problems to the family design, and issues related to sex and ethnic discrimination, reducing the chances of equal opportunities.
- More family members working caused new problems, posing new educational and social demands, so that working women can work and be sure their children are at school.
- The corrosion of purchasing power that took place in the second semester of 2002 and first semester of 2003 brought about more severe impacts than those already indicated, resulting from the reduction of jobs in large companies and the growth of unregistered jobs.

Consequently, the most vulnerable segments of the population, i.e. youths, women and older adults, faced the worst obstacles in entering the labor market in the 90's, particularly in the period after 1998. This has lead to a series of social programs being tried, including those designed to allow initial job experience for youths, minimum income programs and training programs for unemployed adults over 40 years of age.

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