Accumulation Regimes, Labour Market and Inequality: The Brazilian Case in a Long-term Perspective

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Abstract
The aim of this paper is three-fold. First, we seek to delve into the main characteristics of accumulation regimes, labor market and inequality in Brazilian history, taking a long-term perspective and showing how these dimensions are mutually reinforcing. Secondly, in other to develop this analytical framework, two periods were chosen – 1940-1980 and 1980-2010 – which should not be considered as monolithic. Different accumulation regimes – even though not complete ones –; labor market trends and inequality patterns can be found in each of these periods. Thirdly, even though the paper is cut down in two different parts (one for each period and with a similar structure), it is our intention to grasp continuities and ruptures between them. If, on the one hand, the present is scrutinized through the lens of the past, it is our purpose also, by capturing the new aspects of Brazilian society in the first decade of the 20th century, to shed light on some possible avenues for the near future. Finally, this paper tries to combine description of the mains trends with an analytical approach to address how, in the different periods, the political and social context, intertwined with the macroeconomic dynamics and the larger international setting, brought about specific labor market configurations and social outcomes in Brazil.

Keywords: industrialisation, growth, labour market institutions, state policies, social mobility.

Annex 7
Accumulation Regimes, Labour Market and Inequality: The Brazilian Experience in the Long-Term

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Introduction

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Two points need to be stressed. The paper is still a preliminary one, as it requires bridges to be established among the findings for each period, in order to highlight the new trends, how they came about and which were the driving forces behind the fall of inequality in Brazil during the recent period. It should also allow for comparisons with the Indian case, as one of the tasks of the project is to dig into the patterns of inequality that arose due to particular political, social and economic structures, leading to distinct development trajectories in these two countries.

Finally, this paper tries to combine description of the mains trends with an analytical approach. That is, to address how, in the different periods, the political and social context, intertwined with the macroeconomic dynamics and the larger international setting, brought about specific labor market configurations and social outcomes in Brazil. These will be looked at in depth on paper D, when inequality in the labor market and its different dimensions – for the 1990s and the years 2000 – should be the main focus of the research.

1. Industrialization, Growth, and Inequality: Brazil from 1930 to1980

This first part of the text is divided into five topics. First we provide a broader picture of the political and social milestones that marked Brazil between 1930 and 1980, before providing an interpretation of the characteristics of the economic dynamic, building on an attempt at historical periodization. The third topic analyzes the key labor policies and institutional structure set in place in the country during this period. The fourth and fifth topics seek to develop how the combination of political context, economic dynamics, and labor-related institutions impacted on the structure and functioning of the labor market, as well as on social mobility and the income inequality profile.

1.1. The Political and Social Context from 1930 to 1980

Over this period, Brazil's historical trajectory had an inflection point. In order to understand this statement, we start with a brief review of what Brazil was before 1930. Next, we present the political changes that took place during this period, which do not have an inexorable logic, as they are agents and outcomes of broader social and economic processes. Our aim is to outline how the power structure has shifted and what role it plays in the creation of new public institutions and policies marked, to a great extent, by a high dose of state apparatus centralization. Finally, we return to the social dynamic that accompanies and influences these political transformations, yet does not necessarily set the results of the broader development trajectory.

Historical Background

For an understanding of contemporary Brazil, our point of departure should be that this "is the history of a colony that became a nation". The statement by historian Fernando Novais (2011) builds on the contribution by Caio Prado Jr. (1942), whose seminal work pointed to "the meaning of colonization" as the key to unveiling the past. The entire intellectual production by Caio Prado Jr., who founded a style of thought on the Brazilian historical experience, is in search of dialectic between the colony and the nation, which has to emerge therefrom, that is, has to overcome the former condition.

To Caio Prado Jr., the role of exporting agent to Europe, on the basis of a slave labor force predominantly on large plantations, would compromise the prospects of economic development with a minimum of productive and social diversification. Secondary variants would emerge: subsistence agriculture, a craft-based industry, and, foremost, political independence, even if this did not pose an immediate threat to the colonial system.

In short, to Caio Prado Jr., colonial Brazil was embedded in the broader capitalist system, building on its own economic and social institutions, which were equidistant from both the capitalist and feudal patterns. If slave labor was predominant and absorbing, standing out in most regions and economic activities, including in the cities, an increasingly more significant social group, not owning slaves and properties, composed of the so-called "poor free men", was coming to the fore. They performed complementary activities in the cities and rural areas, abiding by the tenets of an essentially patriarchal society that was controlled by a small elite of land and slave owners. Therefore, their freedom was just relative, as they did not act "freely" in a small-scale market, basically dependent on favors.

Thus, the slave system – construed as a colonial productive system founded on slavery and integrated into the world economy (Alencastro, 2000) – engenders a specific slavery-based society, where slaveholding defines one's position in the social hierarchy (Schwartz, 1995). A specific type of inequality emerges in this society, one that is not related to the functioning of a dynamic market where class positions are distributed on the basis of one's attributes. Indeed, it is about "a dual-structure social body" (Mattoso, 1990), with a variety of slave conditions and distinct spaces for poor free men to rise, varying from region to region.

Although Independence did not alter the key components of the colonial system, it brought with it new realities, and with them, structural transformations. Now there was an internalized State that set in motion a new flow of domestic income, boosted by the new English connection that would displace the Portuguese business community and invest heavily in, mostly, infrastructure.

In the words of Florestan Fernandes (1987), especially after 1850, when trade slave ceases and the cities start to generate part of the capital, a new interplay with the agricultural economy is being processed, while some investments are drained out of the slave circuit. That is, a change in the international setting, coupled with the gestation of a new elite at home (the former slaveholder becomes "master citizen", i.e., active in the political sphere), gave rise to a broad yet *satellized* array of market mechanisms. The outcome is ascending mobility restricted to privileged groups in the city and in some regions of the country with highly-valued agricultural commodities on the international market. This is the "transition to the age of national society", whose development, however, is neither spontaneous nor endogenous.

Economic dynamism– we are still not speaking of a self-reliant domestic market or of social interests over and beyond the landowning political elites –is not the outcome of a process of diversification of the previously existing productive system. This recycles itself– with a decisive role by the domestic actors – to fulfill a new linkage in the England-centered capitalist economy. The old does not destroy itself in order to generate the new, as underscored by Florestan (1987); instead, it adjusts itself to the new, which can be seen when an assessment is conducted of the various types of post-slavery labor relations that hinge on residual employment and on personal dependence as regards the landowners, who still held an excess of workers not fully expropriated yet.

The long period from 1850 to 1930 also ushers in a disruption of the country's regional equilibrium (Mello, 1999). The coffee-growing Center-South dynamism comes to lead the rise of a more robust industrial production, especially in São Paulo, where the political cards of the First Republic, the *Primeira República* (1889-1930), are dealt, while the Northeast sinks into a long period of lethargy, tied to generally low-priced products on the international market. Still, the country's federative organization succeeds in ensuring space for the various regional agrarian oligarchies to act.

In the synthesis by Gilberto Freyre (1996), we witness, as back as the second half of the nineteenth century, the urbanization and industrialization of the Brazilian life, prompting economist Celso Furtado (1974) to speak of a modernization of the consumption patterns of the urban and rural elites (which now seem to be blended), without significant transformations in the structure of production and in social relations, rife with traces of slavery, as Caio Prado Jr (1966) would insist.

The *Primeira República* period would not succeed in engendering a truly national system, but just in prompting the emergence of a "manufacturing-industrial empire concentrated in São Paulo" (Freyre, 2000), which sprawled to the federal capital, Rio de Janeiro. The rest of the country, in general, faced extreme dispersion characterized by very small factories in small villages, surrounded by a sea of farms.

For the sake of illustration, in 1900 Brazil had a population of 18 million inhabitants, 9.4 percent of whom lived in urban areas. Only four cities had more than 100,000 inhabitants: Rio de Janeiro, São Paulo, Salvador, and Recife (Santos, 2005).

Actually, more slightly toward the end of the Empire (1822-1889) and more sharply during the *Primeira República*, the same country unveils its various regional paces with their peculiar social times (Freyre, 2000). The figure of an "archipelago of regions" serves as a metaphor for this period of accommodation. Yet an accommodation that breeds all sorts of conflicts – social, political, cultural, and regional – nurtured during the first decades of the century, yet never tackled by a single unifying guideline. In the 1920s, these tensions begin to pop up everywhere only to culminate in the Revolution of 1930.

Political Life in Motion in Post-1930 Brazil

The notion of motion implies here a notion of interdependence, of minimal unity and coordination between regions and social segments. Before, inequalities could be traced to specific isolated spaces: countryside, city, and states of the federation. Now, increasingly a notion of disparities between regions or between social groups starts to emerge in a broader scale. This new context is characterized by the presence of a national State and a domestic market that are beginning to bring together new conflicting social interests, at times potentially converging.

If this motion can be viewed from various prisms, the notion of change and, more importantly, the potential to drive change is the hallmark of the period that is beginning in 1930. The country starts to look within (Gomes, 2013).

The 1920s had already been years of agitation – new cultural movements, army lieutenants rising up, growing regional dissensions, social turmoil, and a pervading feeling of frustration with the republican experience.

There is intense debate in the historical literature about the Revolution of 1930. A "revolution from the top", with segments of dissident oligarchies and diffuse support of new social groups: working class, industrialists, middle class sectors. Consensus converged to the strengthening of state power and the overcoming of the former oligarchic-liberal regime, which, however, would come back under several political disguises in the years that followed.

The process looks tortuous, subject to all kinds of comings and goings, inviting us to apprehend the continuities and discontinuities of the unfolding of history. The Provisional Government that seizes power in November 1930, with the rise of Getúlio Vargas, extends itself until the drafting of the Constitution of 1934, when the president remains in power after being elected by a Congress that had just been sworn in. The power coalition looked extremely heterogeneous, sheltering segments from the oligarchies and the “lieutenants” group, driven by a more centralizing and authoritarian inspiration. In 1937, a new coup seeks to keep Vargas in power and bring down Congress and political/partisan and autonomous civil society representative institutions. At this moment the basis of a State acting in the various spheres of collective life begins to be more emphatically erected.

According to Sônia Draibe (1985), at this moment a “national capitalist State” begins to structure itself. It does not arise from a power vacuum or from a hegemony crisis. On the contrary, it seeks to steer the entire set of political and social forces toward a certain development path for the country. However, over time it takes on distinct features driven by constantly-renewed compromises that depend on changes taking place at home and abroad. In a nutshell, a State that embeds in its new structures – institutes, councils, departments, and mixed-economy companies – the social interests, politicizing them and keeping them at bay, as it gained muscle in terms of regulatory and intervening power. Thus, there is a “political direction of the capitalist transformation process in Brazil”, notwithstanding the fact that, under this general determination, different projects tried to twist the changing historical reality according to their social basis and economic ideologies.

The Revolution of 1930 can claim such name because it represents a milestone between two eras, systems and regimes (Santas, 2006). A modern State – steadily equipped with a civil service recruited on merit, codified procedures and public institutions in the economic, social and cultural spheres – manages to establish itself at the periphery of the world-system at a juncture of international crisis, seeking to legitimize itself in several ways and, for that, getting support from various segments of the society. However, the oligarchic system has only been rooted out of its most visible features, for its representatives are now represented on a new basis, yet retaining much of the former period’s clientelism and patrimonialism.

In short, according to Wanderley Guilherme dos Santos (2006), this was a matter of facing all the crises of societies facing modernity, yet not sequentially, as is the experience of the developed countries. The challenges – integration, participation, redistribution crisis – were intertwined.

With the overthrow of Vargas in 1945, at the end of World War II, the country witnesses the first moment of its history as a country where liberal-democratic procedures are in place, with a nationwide, multi-partisan system, universal suffrage, competitive elections, alternation of power, and some freedom of organization afforded to the various social segments (Gomes, 2013). Several constraints must be underscored: exclusion of the illiterates’ right to vote, banning of the Brazilian Communist Party (PCB, from the Portuguese acronym), the corporatist trade union structure, and the reorganization of the elites, never evicted from the structure of power and with great influence on the political parties.

This new period (1946-1964) is characterized by the presence of nationalism and developmentalism, unifying guidelines of a project aiming to transform the country. Conceived of by intellectuals, by segments of the civilian and military bureaucracy, and by a society in the process of reorganizing, it brought the utopia of a country that was “more Brazilian, more just, and more socially modern” (Gomes, 2013). However, several projects were competing. Instead of the conventional wisdom based on which the dominated adhered to the project of the dominant groups, which is implicit in the biased concept of “populism” (Gomes, op. cit., pp. 31-35), there were power disparities within each of these groups that allowed for all sorts of alliances and oppositions in a rapidly-changing society.

Generically speaking, two great projects confronted each other (Ferreira, 2005), with non-negligible hues and differences. On one side, the “national-statist” project, which sought to advance the country’s industrialization by means of social reforms, yet without adopting an autarkic and anti-foreign capital posture. On the other, the “liberal-conservative” project, which unified segments of the oligarchies and portions of the entrepreneurs and of the middle classes and, though not against the industrializing drive, was somehow seeking to open up entries for foreign capital and to restrict state intervention to high risk activities.

If the second Vargas administration (1950-1954) creates the economic institutions – oil company Petrobrás, development bank BNDE, energy sector projects, and the first attempts at regional intervention, among many others– for the industrializing leap, the Juscelino Kubitschek (JK, as the president was nicknamed) administration (1956-1960) leverages them to “internationalize the domestic market” via transnational company investments, thus rendering even more complex the social and political dynamic. It is in the JK administration that the two contesting projects fight within the state machine, none of them exerting hegemony.

The coup of 1964 meant the partial victory of the second project in a context of heightened social conflict. By breaking up with the triad nationalism/development/social reforms, it set off other structural reforms that would boost the productive forces of capitalism on Brazilian soil, which, actually, distinguishes the authoritarian regime in Brazil – with a strong hand of the State in economic matters – from the experiences of many of the Southern Cone’s neighboring countries, which applied neoliberal economic reforms.

In a review by Campos & Simonsen (1974), the former the first minister of planning of the newly sworn-in government, a “reasonable degree of political stability” was achieved that would stimulate “the savings drive” and withhold “premature distributism”. Its outcomes were the return of the authoritarian State, with significant curtailing of political participation, crackdowns on social movements and even greater concentration of power, both political and economic, in the central government.

In parallel, the authoritarian State changes its bureaucracy – the technocrats, now subject to all kinds of clientelistic pressures – into a counter for interlocution with the political groups, the various recycled oligarchies, and the increasingly more diversified private sector. In this sense, the efficient practice of clientelism feeds on the more dynamic version of capitalism (Santos, 2006), not having to face a militant bureaucracy and the broader social interests left out of the political sphere anymore.

This setting changes once again during the Geisel administration (1974-1978), when, in the midst of an international crisis, begins a “slow, gradual, and safe” transition”, in the general’s own definition. Yet, this will not follow the pace set by the authoritarian government, insofar as new segments – from the working class and even from business, but also from several civil society organizations – begin to press for the return of democracy, re-introducing the debate around alternative development projects.

The Point of Departure and the Social Transformations

There are periods during which history picks up speed, and changes abound. In short, time starts to run faster. The past seems to have been left behind, while the future is just around the corner. In fact, the 1900s and the 1940s seem to have been made from the same matter. However, the following forty years ushered in a new dynamic in Brazilian history. 1980 seems quite distant from 1940,[1] which is still situated in the vicinity of 1900, when the country had barely come out of the Empire.

This perception has both a quantitative and qualitative dimension. The former can be proven in a simple way: the GDP per capita, which had doubled between 1900 and 1940, would nearly quintuple over the next forty years (IBGE, 2006).

In 1940, Brazil had little over 41 million people. Then, 26% of the population lived in urban areas, a universe of some 11 million inhabitants (Santos, 2005), equivalent to the population of the city of São Paulo by the end of the first decade of the 21st century. Data from the 1940 Census (IBGE, 1950), which after fifty years resumed computing the item race/color, show that the share of Brazilians blacks and mixed people amounted to 35.8% of total population against 63.4% of whites, with significant regional variations.

While this racial group's illiteracy rate, including the population aged 10 years old-plus, was 74%, whereas that of whites was 47%. There were 7.7 million illiterate blacks, a social segment that, alone, accounted for 27% of the population aged 10 years-plus. If we look at the top of the educational pyramid, in 1940 little over 100,000 people held a college degree – representing 0.6% of the population aged 20 or more. Of these "Doctors", 96% were whites and 91% were male, with 87% of the diplomas in the hands of white males.

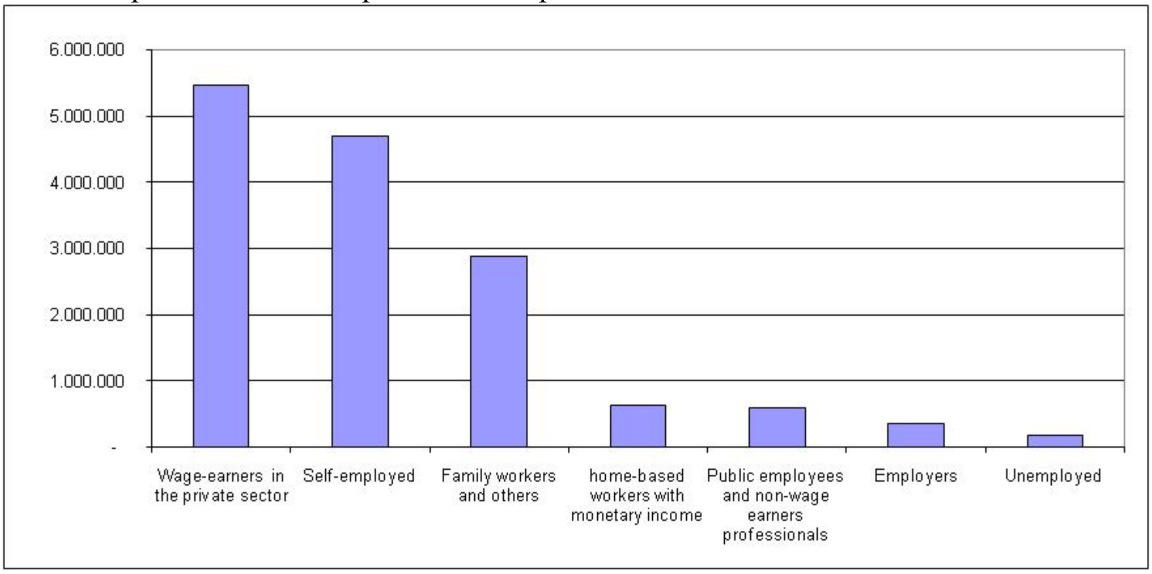
Building on a regrouping of the 1940 census data by means of a methodology developed for this research study (IBGE, 1950), it was possible to calculate the size of Brazil's labor force in 1940. Very briefly, some statements can be made about the point of departure of a society that would go through deep transformations over the four next decades.

Almost half of the working age population (WAP) of 29 million people was composed of those not in the labor market, the 'inactive'. Of an economically active population (EAP) of 14.8 million people, the majority (8.2 million) were linked to the "informal sector", characterized by a non-predominance of wage-based relations. Another 6 million people were made out of wage-earners in the private and public sectors, or liberal professionals.

The main occupational groups are presented below. In spite of the leadership of private sector salaried workers, these account only for 37% of the workforce (EAP) and 16% of the WAP. We cannot even speak of a labor market in Brazil in 1940. Self-employed, family, and domestic activities prevailed, largely concentrated in rural areas. Together with a significant share of the inactive, they would supply the contingents for the constitution of the workforce of a peculiar capitalist society as the period begins.

[1] The year 1940 is being taken as our point of departure because data for the 1930 Census is not available, as it was not carried out during the movement that led Getúlio Vargas to power.

Graph 1 – Main Occupational Groups in the Brazilian Labor Market – 1940



Source: 1940 Census/IBGE.

The inexistence of a nationwide labor market can be verified upon analysis of its most dynamic segment, the manufacturing salaried job segment. The factory workers of the manufacturing plants covered by the Industrial Census and employed in large-scale production companies – 670,000 in total – represented nearly half of the workers in the manufacturing industry, still quite artisanal, as gathered by the Demographic Census. In this more "organized" segment of the labor market, in 1940, São Paulo and the Rio de Janeiro (the country's capital at the time), accounted together for half of the jobs in the manufacturing industry (IBGE, 1948).

Therefore, of the total occupied population, only 1.4 million were in the manufacturing industry, amounting to 9.6% of the total. Another 23% – 3.4 million – was distributed in various services activities (retail, transportation and communications, public, social, personal services). The rest was performing agricultural activities, which occupied 64.5% of the labor force, and vegetable and mineral extraction activities.

When the 1940s begin, the Brazilian workforce still relied heavily on those who had led the process of territorial occupation – mainly located in the Northeast – that started in the early colonial days, though the economic and immigration boom the country witnessed during the coffee-growing period in the Southeast was already beginning to imprint its mark. Thus, the Southeast accounted for 45% of the EAP, against 35% of the northeastern region.

In spite of a universe of over 14 million workers occupied in economic activities ranging across the social spectrum, not even 10% had been incorporated into the new labor legislation, as it was still in the process of being consolidated. Those contributing to social security were 963,000 workers, while those affiliated with labor unions totaled 652,000 (IBGE, 1950).

From then on, a set of processes would cross each other – urbanization, domestic migrations, acceleration of demographic growth (due to high birth rates and a drop in mortality rates) and "regulated" and incomplete advance of the labor law – that would allow for the differentiated incorporation of vast and rising population segments into the labor market as it "nationalized" itself in segmented manner and presenting many regional features.

In the forty years that ensued, the country would change into a peculiar capitalist society, with new patterns of inequality laying roots, in the sense that overcoming these inequalities would require more than just conscious action by the State. In the meantime, new social groups would join the scene: a vocal working class, surrounded by a huge subproletariat in the metropolises; a salaried middle class with high schooling levels; several fractions of business-related classes; besides the appearance in the 1960s and 1970s of a modern agriculture with high capitalization levels, of a marginal peasantry, followed by a new social character, the *bóia-fria* [literally, cold grub], workers under an extremely precarious salaried regime.

A society in motion, shifting from one life configuration to another. From a rural society it was leaping into big city competition or the lawless world at the agricultural frontier. And motion, as well, between jobs, classes, and fractions of classes and between cities of all sizes (Cardoso & Novais, 1998). Industrialization and urbanization moving ahead together at different paces in the various spaces. At the end of this process, Brazil had combined social mobility with increased inequality, having become an urban, complex and differentiated society, plus creating new forms of social exclusion (Faria, 1986).

1.2. Accumulation Regimes, Growth, and Distribution in Brazil: an Attempt at Periodization

Before discussing the economic dynamic during the industrialization period in Brazil, a very brief review of the general categories operationalized by the "French regulation school" is necessary.

May it be noted that the purpose of this topic is not to apply a "model" for the Brazilian case. The advantage of this theoretical-methodological framework for our objective – understanding structures of accumulation and patterns of inequality in Brazil, their interdependences and shifts over time – is related to the main criticism it prompts: its voluntary indeterminacy. Nonetheless, as this is not about making predictions but, rather, of understanding processes, reflection about the industrialization in Brazil can gain in analytical capacity by drawing from the regulation school concepts for the various sub-periods that characterize the advance of capitalism in the country between 1930 and 1980. In addition to the regulation school, we have also built on the theoretical-methodological apparatus of the world-system approach, as well as on the contributions of "development economics", especially its historical-structuralist stream.[2]

Regulation-School Categories and their Application in Countries of the Capitalist Periphery

[2] For a review of and dialogue between these approaches, see section II in Paper B of the present project, "The transformation of economic and social structures in Brazil and India in the second half of the 20th century and its impacts on inequality patterns: Theoretical introduction and analytical framework", In *Labour Market Inequality in Brazil and India: Concepts and Methods, Working Paper n. 2. São Paulo: Cebrap; New Delhi, IHD.*

The so-called "French regulation school" builds on the assumption that there is no universal law for the reproduction of capitalist economies. The methodology of analysis developed by this school supposes the existence of distinct regimes of accumulation – with several implicit rationales – in time and space.[3]

In this conception, accumulation regimes are defined as a set of regularities that ensure a relatively coherent progression of the accumulation of capital, without losing sight of its inherent imbalances. The construction of "regimes of accumulation" builds on several macroeconomic variables that will make it possible to appraise the type of organization of production and its evolution; the time horizon for capital appreciation; the dynamic reproduction of diverse social groups and classes and their participation in the output; the composition of social demand; and coordination with other non-capitalist forms.

In accordance with the regulation typology, regimes of accumulation are the result of five institutional forms that provide the foundation for a corresponding mode of regulation, namely: monetary regime; the wage-labor relation; kind of competition; pattern of integration in the international economy; and the State form. It should be noted that the interaction between these institutional forms is derived from a set of institutionalized commitments – often not explicit – that spill out of the economic sphere, making it possible to incorporate the broader political and social configurations.

The mechanism of interaction between institutional forms arises from a process of mutual adaptation, generating peculiar modes of regulation in time and space. Though complementary, these institutional forms do not have the same relative importance. There is a hierarchical relation between them, which eventually lends particular features to each mode of regulation and regime of accumulation, which together may lead to a model of development, also endowed with unique characteristics.

This is not the case of focusing on the types of crisis advanced by the regulation school, but solely to point that regimes of accumulation and modes of regulation are not perennial. However, it is worth emphasizing that the various types of crisis studied by the regulation school point to capitalism's dynamic and contradictory nature from whatever the scale this historical and world system is analyzed.

The regulation school's seminal studies were focused on understanding the Fordist development model structured in the developed countries after the Second World War and which was to decline in the mid-1970s. In these studies, the role of wage labor relations eventually took on a decisive role, such that it would influence the other institutional forms.

The first assumption is that this methodological framework can be "applied" in other places and periods of capitalism. The recent debate on "varieties of capitalism", in vogue since the 1990s and which lends itself to applications in countries outside the perimeter of the dynamic center, results from a deepening of regulation premises. The adoption of these categories and of the regulation school method does not imply an option for methodological nationalism, since the very features of the capitalist world-economy, throughout its various junctures, depend on the complementarity or

[3] In this topic, we shall provide a free synthesis of citations from the methodological and theoretical framework, firstly drawing from Boyer (2009), one of its leading mentors; and from the review of its assumptions carried out by Bruno (2005), with the aim of adapting them to the understanding of the Brazilian case.

contradiction between the various regimes of accumulation – along with their respective modes of regulation – in the various social and economic spaces.

In the case of the capitalist semi-periphery, where Brazil is situated, regimes of accumulation and modes of regulation tend to function in a peculiar way. Some institutional forms acquire salience in relation to others and exhibit a behavior that differs from that of the developed countries. In many cases, the regimes of accumulation are found to be less long-lasting and to have more flexible, incomplete and/or fractured modes of regulation as a result of their need to accommodate to the changing international structure and setting. Thus, the condition of dependence comes to play a decisive role in the configuration of institutionalized commitments.

Not less importantly, the persisting subsistence production and the emergence in the cities of myriad informal activities, not guided by capitalist labor relations, configure a picture of structural heterogeneity that makes it difficult to fully apply – for the whole of the economy and society – regulation's systemic assumptions.

The Industrialization Process in Brazil: An Attempt at Periodization

We can situate the industrialization process in Brazil over a period spanning from 1930 to 1980. If any industrial capital had developed before, it had been limited to certain geographic spaces, as in the case of the rising prominence of the state of São Paulo in the last quarter of the 19th century, due to the development of the coffee-growing sector, which somehow stimulated the recently-born manufacturing industry, while at the same time outlined its limits. The economic policy gravitated around the coffee interests more specifically, sustaining its price by stockpiling, as the country had a monopolistic position. Therefore, until 1930 there had been industrial activity growth, yet no industrialization. This presupposes, to Tavares (1998), "a process of dominance of the industrial sector over the accumulation process", something which starts in the 1930s, in the aftermath of the international crisis, and is consolidated throughout the 1950s, with the creation of an industrial park characterized by inter- and intra-sectoral linkages, which potentially could ensure ever-increasing endogenous reproduction.

With the crisis of 1929 there was a shift of the dynamic axis of the Brazilian economy towards the domestic market. To Celso Furtado (1989), this means a disruption in relation to the former pattern, since now the industrial sector is leveraging the economy by using imports of equipment made possible by coffee revenues, notwithstanding its being sensitive to foreign exchange swings. It is still a country constrained by international fluctuations, yet it is shaping itself by building on the expansion of its domestic market. In this sense, it is worth recalling that during the recovery from the 1929 crisis, between 1933 and 1939, industrial output had grown at an average of 11.2% (Suzigan & Villela, 1973).

Still, Tavares (1998) notes that the interpretation of the import-substitution "model" is valid only for the 1930/1955 "constrained industrialization" period, in that investments aimed to meet the needs of domestic consumption in a context of strong foreign currency restriction. When heavy industrialization begins, during the 1956/1960 period, state and transnational investments leap ahead of the demand. Converging simultaneously, thus triggering chain effects, these investments bring about a significant rise in aggregate demand, which does not, however, stop constant realization crises from taking place.

Thus, over the 1930/1955 period one can notice a deep shift in the orientation of the Brazilian economy. Moreover, though quite concentrated in space, in São Paulo and in the Southeast, the horizon for capital appreciation and the recruited workforce itself were already "national". This was about, as formulated by Francisco de Oliveira (2003), destroying the old rules of the game to create institutional conditions and "social prices" – arbitrated by the State – with the aim of transforming industrial capital into the most profitable agent of the economy.

"Constrained industrialization" was demand-driven, mostly by the non-durable consumption goods sector, with the introduction of some intermediate products (industrial inputs). High profitability levels were ensured both by foreign protection and by the labor market structure, which was quite elastic in terms of job supply, in addition to labor regulation, which inhibited collective bargaining (for even when the average manufacturing wage rose above the minimum wage,[4] it failed to match productivity gains).

Some basic characteristics distinguish this period: very narrow technical foundations in the national private sector; a State whose financial power lacked the fiscal stringency required to leverage the accumulation horizon; and the unavailability of foreign companies to invest in Brazil at that moment. Thus, industrial capital "pushes through the less resistant lines", expanding the existing industry, with some diversification for capital goods, and/or also converting itself into commercial capital or appreciating in the real estate sector (Mello, 1990).

The regime of accumulation "works" because profit margins exhibit upwardly elasticity, with the private sector behaving, especially in the non-durables sector, as an oligopoly, yet in a context wherein neither the technical structure of capital nor the productivity of the workforce is sophisticated (Tavares, 1998). This is only made possible thanks to state stimulus, expressed as low cost intermediate goods (steel, for example), expanded infrastructure, measures designed to facilitate machine imports at a low exchange rate, the extension of subsidized credit by the Bank of Brazil, and containment of wage levels.

Inflation contributes to forced savings, though depressing some of the items of the salaried workers' consumption basket. However, total wage revenues grow by virtue of expanded demand. The fixation of the minimum wage prevents the cost of labor from rising, yet also provides fuel for demand. Cost and demand complement each other (Tavares, 1998), not prompting strong oppositions between wages and profits.

In the same sense, to Oliveira (2003), the corporatist structure of the labor movement and the establishment of the minimum wage, not only provide business with a calculation horizon, but also prevent a strong broadening of the wage structure. On the other hand, they activate the detachment of a hitherto latent reserve army, which now begins to flow into a labor market in the process of being structured.

For the period from 1920 to 1940, added value grows ahead of total wage revenues, indicating that the labor law, set forth in the 1930s, and the minimum wage had not prompted distributive pressures. Instead, they ensured a rise in labor and the rational use of the occupied workforce, yet without resorting to more intensive capital use (Vianna, 1989). This trend remained true for the following years, since the minimum wage would

[4] This occurred more significantly during the 1940s. See Baltar, P. & Dedecca, C. (1992). *Notas sobre o Mercado de Trabalho no Brasil durante a Industrialização Restringida*, In Cadernos do Cesit, Discussion Paper 12, 27-28.

lose purchasing power over the 1940s, which would only be recovered in the 1950s (Coriat & Saboia, 1988). If the modernization of traditional manufacturing industries that took place in the first half of the 1950s keeps the unit cost of labor low, it proves insufficient to enlarge its scope and just affects the levels of employment (Baltar & Dedecca, 1992).

In short, during the constrained industrialization period two institutional forms assume a strong hierarchal position in the accumulation regime. The international integration pattern changes because of the 1929 crisis and the World War II context, opening room for a structural change in the form represented by the State. The latter starts to intervene in the economic sphere through production (appearance of the first state-owned companies in the basic inputs sectors); the creation of an energy and transportation infrastructure; regulation of foreign holdings in the country (first, devaluation, next import licenses, and later on multiple exchange rates); credit expansion, with just a few medium- and long-term lines for the acquisition of machines; and the breeding of conditions for regulating labor such that these would not compromise accumulation and ensured conditions for social inclusion for some occupational segments directly linked to the transformation of a capitalist-driven urban and industrial economy.

On the other hand, this regime of accumulation was short-lived on account of the short-term capital-return horizon, of the social conflicts that emerged, especially in a context of increased political participation, and of foreign account imbalances. It could not extend itself over time; nor could it address the gridlocks created by the prevailing mode of regulation, unstable in nature.

The leap towards a new, more intensive regime of accumulation would happen during the 1956/1960 period, when the country entrenches the durable and capital goods sectors in its productive structure. This is not a sudden change, as it had been prepared in previous administrations, especially in the second Vargas administration, as highlighted in the previous topic.

It is worth noting that should the former regime of accumulation had failed, the heavy industry would not have arisen spontaneously from the non-durable consumer goods industry. Even so, the path inaugurated by constrained industrialization would provide the conditions for a new form of bond with the international capital. According to Tavares (1998), new foreign capital – especially in the form of foreign direct investments – only flowed in after the expansion cycle was already under way.

A strong “exogenous” structural component, derived from the reorganization of the world economy centralized in the United States, came into play in the second half of the 1950s and started to negatively affect exports of commodities by the Latin-American economies, compounded by “the internalization of the world market” by U.S. corporations. These started to occupy some fairly protected national economies, relying on the host country’s stimulus to implement their direct investments, thus ensuring the expansion of their productive capacity (Arrighi, 1996).

The National State, in turn, provided new mechanisms both in terms of planning and in mobilizing national and foreign savings. The increase in budget expenditures, even without a tax reform, the coming into operation of long-term credit development bank BNDE, foreign indebtedness, a significant inflow of direct investment, plus an industrial policy that organized the new productive chains, led by the transnational companies (Lessa, 1983), all these factors associated promoted new horizons for the accumulation of capital.

Nonetheless, if we analyze this transformation from the point of view of the social and political commitments, we realize it led to the "steady constitution of a peripheral capitalist economic and social formation" in Brazil (Pereira, 1971). The national-statist project gave in to the dependent development project, which broadened its alliances and got rid of the more reformist sectors.

Dependent development departed substantially from classic dependence. Brazil is seen, by Evans (1979), as the new *model*'s paradigmatic case. The role of the State proves to be strategic, including broadening the scope for the national bourgeoisie to act in face of the international capital accumulation structures, generating a "triple alliance", riddled with antagonism and cooperation. The national industrial bourgeoisie was not decimated. Instead, it was alive and active, yet largely incapable of setting the course of the accumulation process.

There is a consensus in the Brazilian literature regarding the change of accumulation regime implemented in the second half of the 1950s.[5] The way internationalization is processed changes. Now, mostly, it comes in the form of foreign direct investments in new industries such as automobile and durable goods in general, electric energy, and metal-mechanic materials, despite a worsening in the foreign current account. Investments now go much beyond demand, prompting inter-industrial linkages. A diverse oligopoly is structured in the new dynamic center of this economy, in which the leading companies, mostly TNCs, rely on a belt of supplying companies and distributors, generally national companies.

The Brazilian uniqueness lies in the fact that, as soon as the new regime of accumulation was set in place, during "Heavy Industrialization I", it suffers a cyclical crisis (1961-1963) caused by an excess of idle capacity. The fall in the investment rate is felt across the economy (Tavares, 1998). This ultimately happened because the demand structure had not changed, triggering over-accumulation. And this because increased productivity was not transferred proportionally either to prices – inflation is even higher– or to wages. The increase in the profit/wage ratio in oligopolistic and overcapitalized sectors, rather than generating new investments (and boosting potential for accumulation), sterilizes them (Tavares, 1998).

This diagnosis had already been made by economist Ignácio Rangel (1986) in 1963, when this author argued that the country's fast industrialization without an agrarian reform had produced capital excess, brought about by a low propensity to consume. This excess was not channeled, via financial system, so as to open up "greenfield" activities. At any rate, rather than scarcity of capital, this most peculiar underdeveloped economy "drowned" in capital excess (Oliveira, 2003). Meanwhile, the João Goulart administration (1961-1963), besides weathering the cyclical crisis in a context of inflation acceleration, has to deal with rising social conflicts. The groups aligned with the national-statist project demanded a rise in the purchasing power of wages, broadening of collective bargaining, and urban and agrarian reform.

[5] Though not using the term, some authors make reference to a shift in the accumulation pattern, yet not necessarily in the way advocated by the regulation school. However impressive the similarities with this approach, those are largely felt through elective affinities, for generally they precede it [regulation school] chronologically (Tavares, 1998; Cardoso de Mello, 1990; Lessa, 1983; Pereira, 1988; Oliveira, 2003). The last author mentions a "strengthening of accumulation" brought about by several factors among which are "differential growth velocities of wages and productivity", cushioning the disruption underscored by other authors. In relation to the JK administration, Oliveira characterizes it as a "period of acceleration of capitalistic accumulation".

The State form that once had allowed the leap forward (through credit management, interest rates, exchange rates, wages, and sectoral and infrastructure policies) started to resent an organization and planning capacity made obsolete and insufficient by the production structure it had erected. The sources of funding the government had mobilized had been depleted. The same "strong and centralized State" that had succeeded in setting up heavy industry was now "uncoordinated and weak" (Draibe, 1985) in face of a wide array of interests it no longer controlled. The social movements take to the streets. Companies with excess capacity defend their profit margins, while inflation and foreign imbalances are mounting. The political crisis is part of the blurred setting as regards investment decisions. The atmosphere of social tension is the other side of the absence of a corresponding mode of regulation.

Summarizing, if constrained industrialization had an extensive regime of accumulation, anchored on an unstable regulation model, Heavy Industrialization I introduced a new intensive accumulation regime, unable to immediately link itself to a regulation model that would render it minimally coherent.

The "solution" would come in the 1967/1980 period with an adjustment of the regulation model – keeping some of the previous premises plus adding some new ones – by bringing together intensive accumulation regime, strong State presence, new foreign capital (financial and productive), redefined internal financial and fiscal instruments, and a competitive, and even more flexible, wage regime. Income concentration, rather than a hindrance to development, becomes its springboard, in that as the system needs to broaden its boundaries, transforming the "sunken excess" in real accumulation. Each and every institution is called into action in order to increase profit rates (Oliveira, 2003). This is when what we are calling "Heavy Industrialization II" is made possible.

Over and beyond differences between accumulation regimes, as described above and summarized in Chart 1 below, we observe a relative stability, with occasional shifts, in the labor market's functioning and regulatory structure over the period analyzed.

Rather than adopting Fordist features, we find a "precocious, multiform, and paradoxical" codifying of the wage relation (Coriat & Saboia, 1988). This broad body of laws and institutions, rather than raising intensive capital use and substantively changing the composition of social demand by pressure of wage levels, ends up adapting to the expansion requirements of companies making use of differentiated labor regimes. This happens because they meet various demand profiles, while also exhibiting different productivity levels, thus paving the way for nonpayroll wage-earners and for a very heterogeneous "informal sector". Capital intensiveness rises in the more dynamic sectors, yet without generating institutionalized commitments capable of passing on productivity gains, as becomes evident during the military regime.

Therefore, "the attempt at Fordization came from the top but ended up resting on a simultaneously very unstable and narrow base", in the words of Coriat & Saboia (1988). From a similar prism, we may say that this was the establishment of a "wage relation [that is] highly competitive, segmented and permanently monitored by the State", even if this was marked by "curtailed and incomplete institutionality". (Bruno, 2005)

Thereby, the supporting role played by the wage labor relation – in that it is responsive to constraints imposed by other institutional forms – is a characteristic of the modes of regulation introduced in Brazil during this period. During the period when the regime of accumulation lasted longer and was most dynamic (1967-1980), a rise in the investment rate and an expansion in the durable goods sector – supported by State actions, by subsidizing capital and opening up new sectoral and regional frontiers – boosted aggregate demand due to high profitability rates in a context of declining labor income share.

In the Fordist development model, in force in the developed countries until the mid-1970s, the wage labor relation and the Welfare State changed the composition of social demand, especially that of the working class, demanding technological and institutional changes that broadened the horizon and scope of capital appreciation (Boyer, 1994). In Brazil, instead of this virtuous circle between productivity regime and demand regime, the second axis generated instability for the accumulation regime, temporarily solved with state incentives and a favorable international setting. The result is a profit-led accumulation regime that is accompanied by increased functional and personal income inequality.

Chart 1 – Accumulation Regimes and Modes of Regulation in Brazil from 1930 to 1980.

	Constrained industrialization (1930-1955)	**Heavy Industrialization I (1956-1963)**	**Heavy Industrialization II (1967-1980)**
Accumulation regime	Extensive	Intensive followed by over accumulation crisis	Intensive with increased profit and investment rates
Institutional Forms			
Type of Integration in the International Economy	Constant foreign imbalances offset by state actions	Sharp foreign imbalances and presence of TNCs in the capital and durable goods sectors producing for domestic market	Export fiscal incentives, mini-devaluations, foreign debt renegotiation, new capital flows (FDIs and bank loans)
Monetary/fiscal regime	State's fiscal limits and lack of mechanisms for channeling long-term savings. Bank of Brazil finances corporate cash flow and some long-term investments	Fiscal limits outmaneuvered by monetary expansion, BNDE-supplied long-term credit, and heavy foreign indebtedness	Fiscal and financial reforms leading to redistribution of tax burden, creation of government bonds' market, stimulus to stock market and appearance of new financial entities
Wage labor relations	Competitive, no collective bargaining, and broad informal sector	Competitive, increased minimum wage, more collective bargaining, yet falling behind productivity gains	Competitive, anti-union, wage depreciation till the mid-1970s, plus more flexible use of workforce

Competition regime	Oligopoly, little capital-intensive, national private companies	Oligopoly, differentiated in dynamic sectors and competitive in traditional sectors	Former oligopolistic structure expands to other sectors: mining, agriculture, construction, and urban services; and regions: Northeast, Center-West, and North in more capital-intensive activities
Role of the State	Responsible for upholding institutional forms above, handling fiscal and foreign imbalances, yet allowing high profit margins, despite low capital intensiveness	State increasingly loses capacity of arbitrating conflicts arising from the new economic structure, unable to launch, due to financial limitations, new investments projects or meet growing social demands	State increases actions in economic sphere, gains muscle in terms of fiscal and financial regime, takes advantage of the ongoing heavy flow of capital to the periphery, in addition to ensuring productivity and a wage gap
Mode of regulation	Unstable, dependent on joint action of the forms international integration and role of State, which implies subordinating the other forms	None	Aligned with the accumulation regime, yet subject to growing imbalances in all institutional forms
Income distribution profile	High income concentration; key factors, competitive wage relation and corporate model, protectionism on non-durable goods and subsidized imports of capital goods.	Greater income concentration due to failure in passing on productivity gains, especially of the new capital-intensive sectors, to prices and wages	Higher profit and investment rates, boosting productivity gains, in a context of wage containment, income concentration experiences new leap; new social groups experience significant mobility with higher income levels

Sources: Prepared by the authors, freely building on some suggestions and concepts by Bruno (2005)

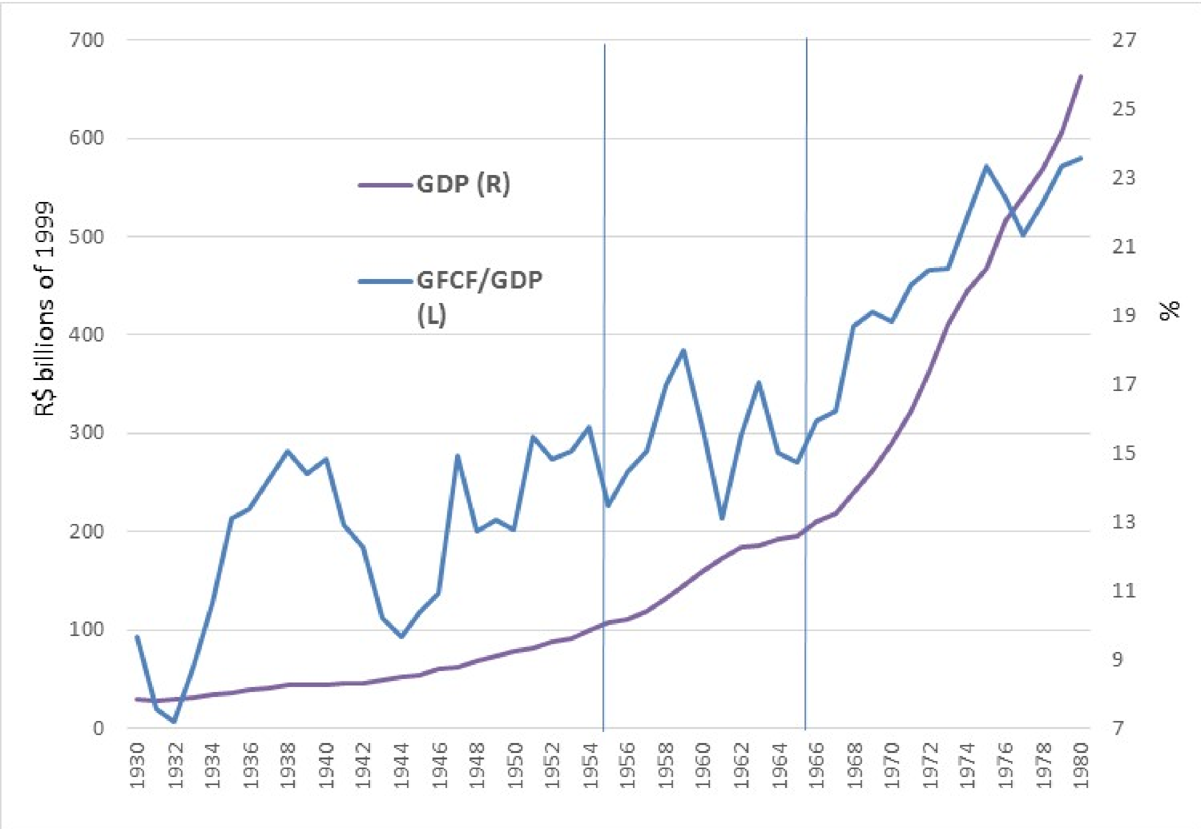
Constrained industrialization and Heavy Industrialization I and II: Macrostructural Indicators

Empirically, analysis of these phenomena can be improved by examining the evolution of some of the period's macroeconomic indicators, like those concerning an economy's sectoral distribution and its production and investments dynamics, foreign sector and wage levels.

Accordingly, Graph 2 allows us to visualize GDP performance and the investment rate for the period under analysis. As can be seen, gross fixed capital formation rises sharply in the early "constrained industrialization" period" (ranging from 7% to 15% of GDP between 1932 and 1938), going down during World War II, after which it starts to fluctuate at around 15% of GDP from the 1950s onwards. In the Heavy Industrialization I period, this indicator rose again during the Juscelino Kubitschek administration to nearly 19% of GDP. Lastly, during Heavy Industrialization II, gross fixed capital formation soared from 16% to 24% of GDP between 1966 and 1980, an expansion that was concentrated in the second half of the 1970s.

Regarding GDP performance, Graph 2 shows a steady growth over the three periods: the average annual growth rate, in real terms, was 5% p.a., 6% p.a., and 8% p.a. during, respectively, the "Constrained Industrialization", "Heavy Industrialization I" and "Heavy Industrialization II" periods.

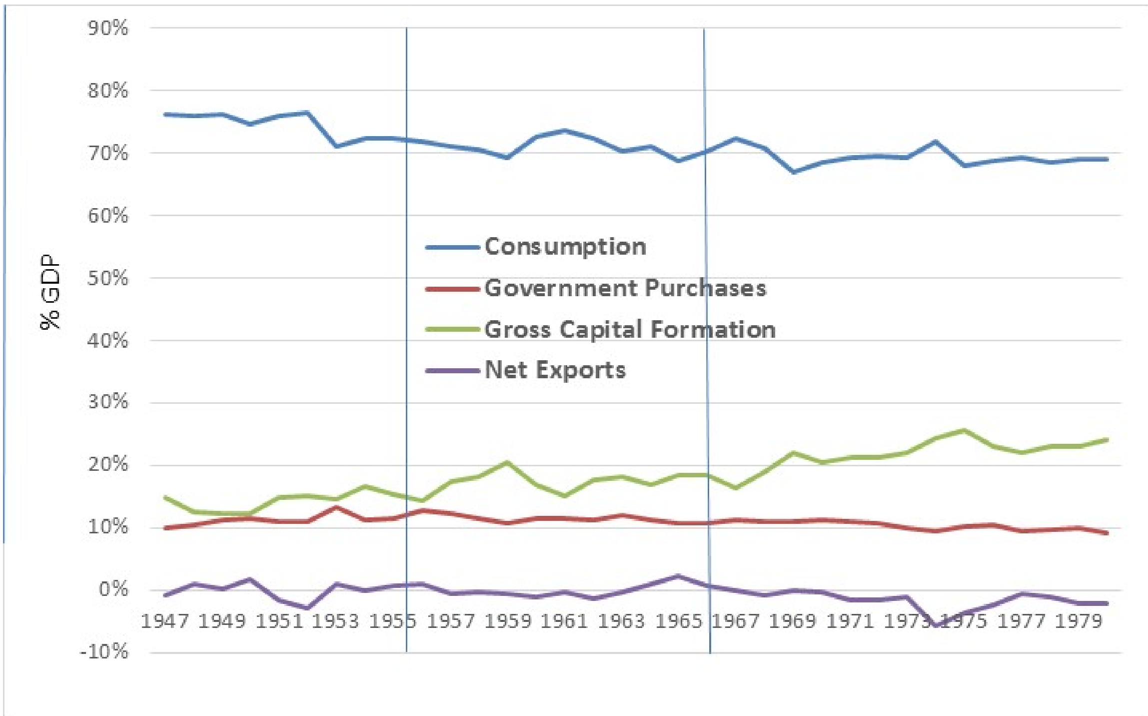
Graph 2 – GDP and investment rate, 1930-1980.



Source: IBGE. 20th Century Statistics

In parallel, although household consumption was the most impressive component of the demand over the period, its share in the GDP decreased from 76% to 69% between 1947 and 1980 (Graph 3). Conversely, the share of gross fixed capital formation increased sharply from 15% to 24% over the same period, with the "Heavy Industrialization II" period standing out, with 60% of the increase.

Graph 3 – Composition of aggregate demand (expenditure components), 1947-1980.

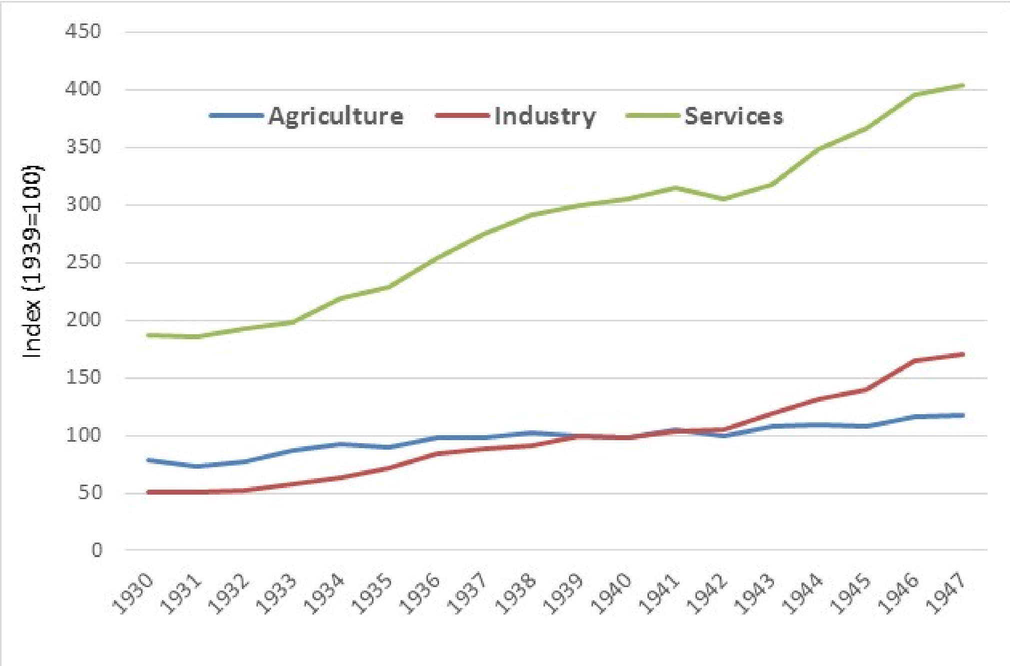


Source: IBGE. 20th Century Statistics.

In sectoral terms, graphs 4a and 4b show a significant increase in the industry's share of GDP between 1930 and 1947, as it can be noticed not only by higher growth of industry, but also of services, in relation to agriculture. After 1947, an even sharper growth of the industrial sector is observed, dramatically increasing its GDP share until 1980, while agriculture's share declines. Interestingly, the same decline happens with the services sector, in relative terms, during the Heavy Industrialization II, though it still accounted for over 50% of total value added.

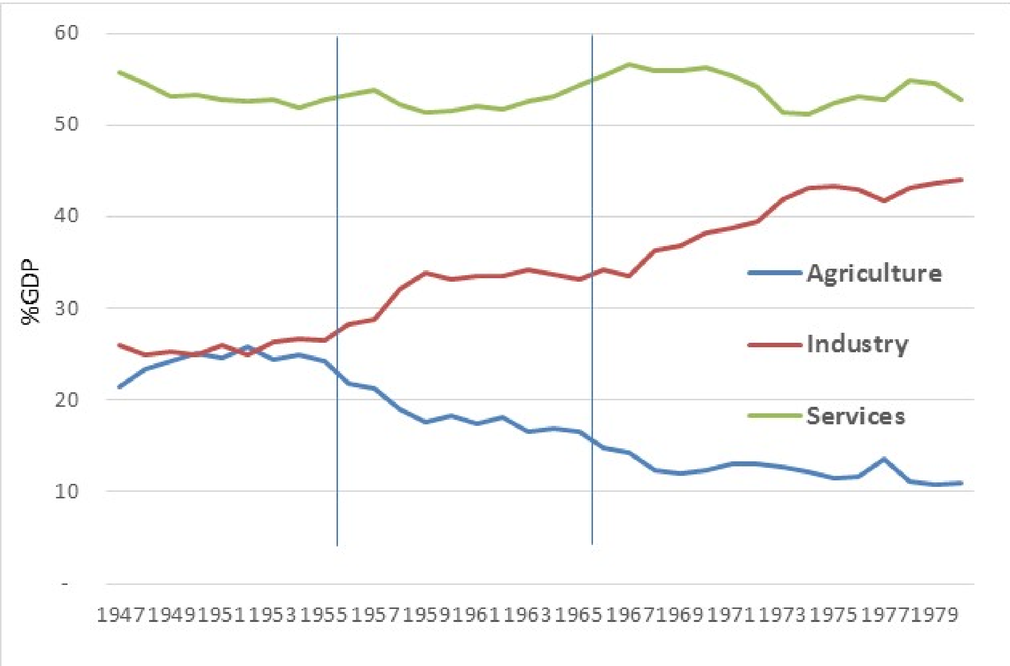
It should be noted that the data below do not make it possible to find intra-sectoral heterogeneity, especially in terms of productivity, We cannot say that the industry as a whole was modern; nor can we say that agriculture as a whole still exhibited low productivity, whereas the services sector combined high and low productivity segments across its broad spectrum of activities.

Graph 4a – GDP by Industry, Index 1939=100, 1939-1947.



Source: IBGE. 20th Century Statistics.

Graph 4b –GDP by Industry, % of GDP, 1947-1980.

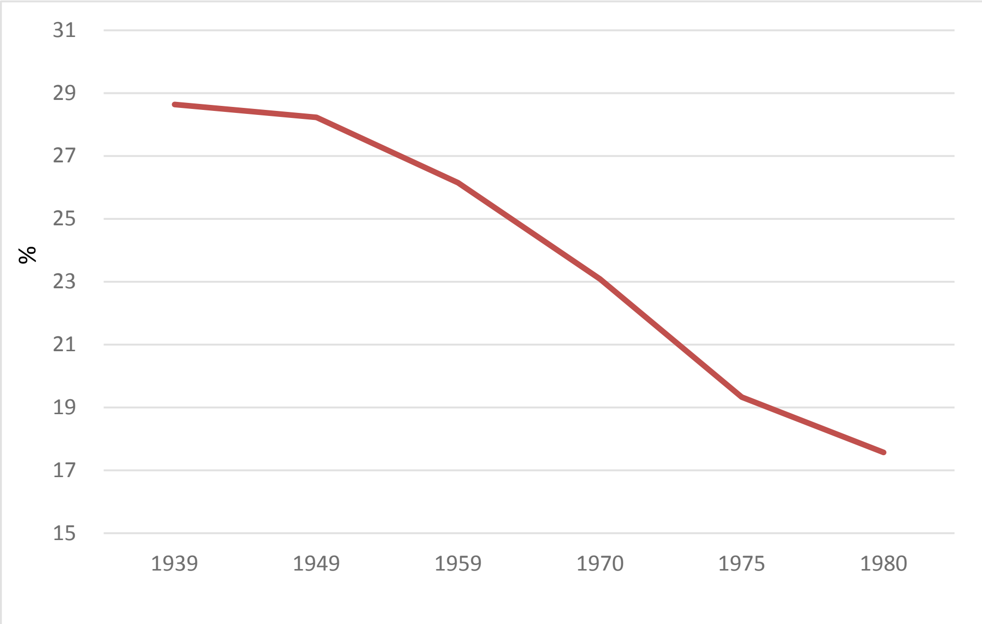


Source: IBGE. 20th Century Statistics.

This increase in the industry share of the Brazilian economy was mostly brought about by an expansion of the manufacturing industry: from 1947 to 1980, it grew from 20% to 34% of GDP (14 percentage points), while mineral extraction, construction, and utilities services also grew, yet at a slower pace.

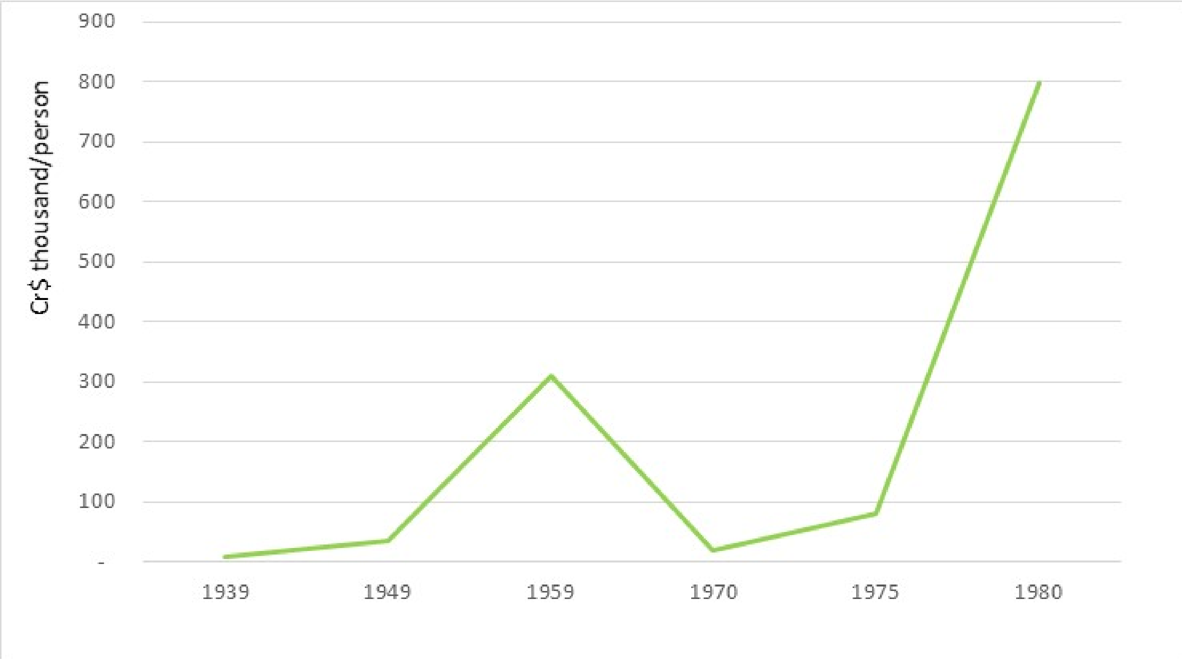
This growing importance of the manufacturing industry in the Brazilian economy was followed by a significant drop in the share of labor income in the manufacturing industry value added, nearly 40% from 1939 to 1980 (Graph 5), thus proving the secondary role of wages in the development of capitalism in Brazil, including at moments of higher investment and productivity (Graph 6).

Graph 5 – Share of wages in the manufacturing industry value added, in %, as at industrial census dates.



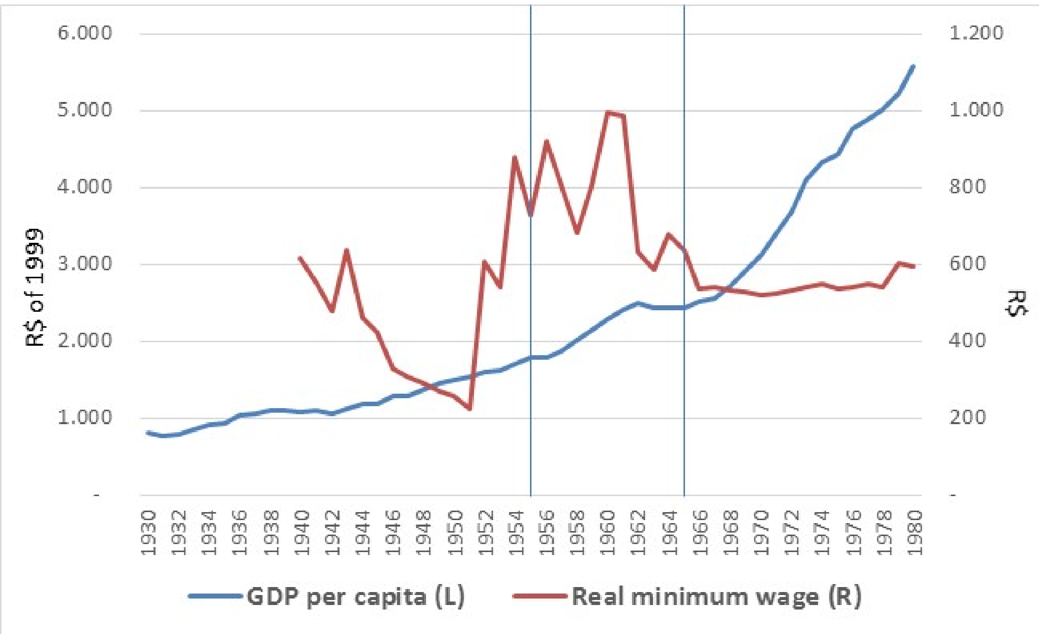
Source: Own calculations building on wage series paid to payroll staff in the manufacturing industry and on manufacturing industry value added at industrial census dates. The manufacturing industry value added series refers to the difference between the sales value of manufacturing industry output and the costs directly incurred in by production (raw material, components, energy, fuel, parts and accessories, maintenance and repair of machines and equipment) except payroll and labor-related charges. IBGE, 20th Century Statistics.

Graph 6 – Productivity in the manufacturing industry as at Industrial Census dates.



Source: Own calculation building on personnel occupied in industry and value of manufacturing industry output series as at Industrial Census dates. IBGE, 20th Century Statistics.

Graph 7 – GDP per capita and real minimum wage, 1930-1980.



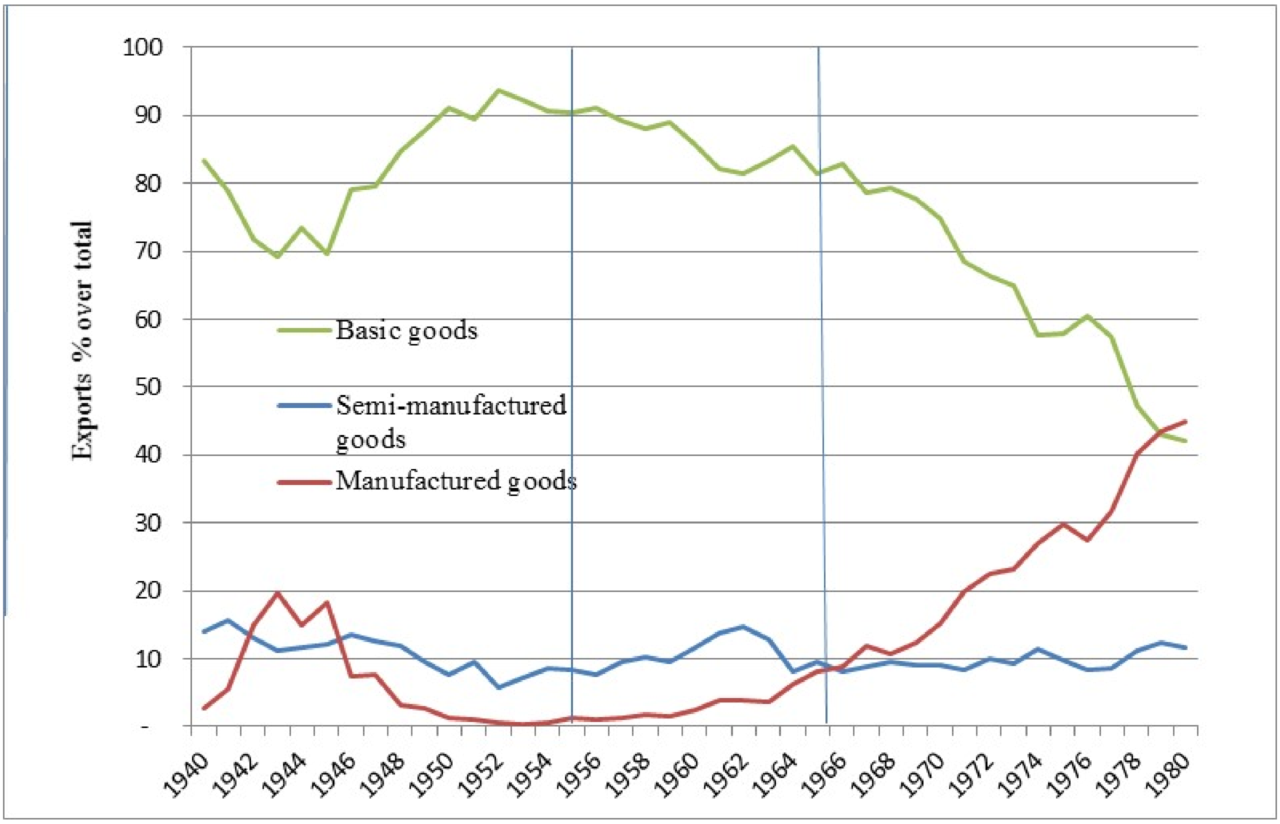
Source: IBGE, 20th Century Statistics.

Graph 7 illustrates the mismatch between GDP per capita growth – over 400% from 1940 to 1980 – and minimum wage purchasing power, stagnated at the extremities of the period. Despite increased real minimum wages in the 1950s and an expansion of average wages in the 1970s, the gap is clear between productivity and labor income for the whole of the Brazilian economy over the period.

As to the Brazilian economy's foreign pattern of integration in the international economy over the same period, there was a significant change in profile of the country's exports and imports. In particular, a highlight is the share of manufactured goods' exports in total manufactured goods, a trend that begins in Heavy Industrialization I and increases dramatically during Heavy Industrialization II (Graph 8). Conversely, exports of basic goods experienced a decline in relative terms.

From the import side, we can point out the evolution of fuel purchases, with two periods of strong increase: in the beginning of Heavy Industrialization I, corresponding to the JK period, and during "Heavy Industrialization II", when the fuel share in Brazil's total imports, especially of oil, hits 40% in 1980. It is worth pointing out, too, the rising import trend of industrial inputs across the period and a decline in all imports other than machines and equipment, inputs, and fuel.

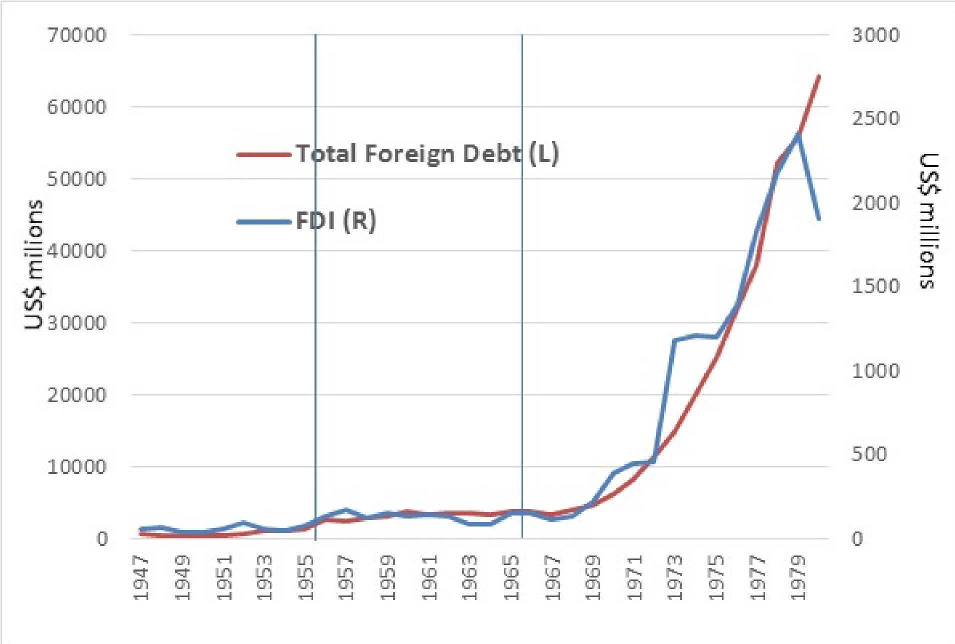
Graph 8 – Profile of Brazilian Exports, 1940-1980.



Source: Ministry of Development, Industry and Commerce (MDIC). *Projeto Aprendendo a Exportar: 200 Anos de Comércio Exterior Brasileiro* [Project Learning to Export. 200 years of Brazilian Foreign Trade]

Lastly, Graph 9 evidences a strong expansion of the foreign debt during Heavy Industrialization II, followed by a remarkable increase, in relative terms, of FDIs over the same period.

Graph 9 – Foreign Direct Investment and Foreign Debt, 1947-1980.



Source: Central Bank of Brazil (BCB). Time series.

Especially in the second half of the 1970s, in the midst of the international crisis, which caused sharp deterioration of the country's terms of exchange, the State once again plays a leading role, investing in capital goods, industrial inputs, and new sources of energy, reorienting the growth process beyond durable goods, and providing a new momentum for the national private sector. The aim is to instill dynamism into the domestic market towards capital- and technology-intensive industries (Castro & Pires de Souza, 2004).

This effort, notwithstanding its role in establishing the most diversified industrial park of the underdeveloped world at that time, brought with it rising foreign indebtedness, in addition to an inability to leave behind the country's financial and technological dependence on the durable goods' transnational corporations, as the foreign direct investment pattern throughout the decade shows.

According to Castro & Pires de Souza (2004), the country had actually gone through a "real industrial mutation". Still, the transformation of the technological base in developed countries in the 1980s would find Brazil immersed in foreign debt, which would lead to increasing obsolescence of the arduously built production structure, deepening the social and regional gaps accumulated over the process.

1.3. Importance of Labor Policies and Institutions (1940-1980)

In the present topic we seek to discuss the conditions that enabled the shaping of a Wage Labor Law in Brazil, highlighting its specific features, long-term shifts, and main limitations. At the end, we present this Law's impacts on income distribution, in addition to some changes brought about by the 1988 Constitution, which shall be more thoroughly analyzed in Part 2 ahead.

Workers are institutionally recognized as social actors in Brazil in the 1930s and 1940s.[6] This period, as stressed earlier, organizes the passage of an agro-exporting economic system to an urban-industrial society.

The word "organizes" in the first sentence was not without a purpose. The state machine was completely reconfigured, following a corporatist and authoritarian pattern, though with some of its features smoothed, especially in the 1946-1964 period.

On one side, a state bureaucratic apparatus was created, bringing together technical bodies run by an elite bureaucracy, joined, on the other, by new actors, segments of the bourgeoisie that, in advisory bodies and spheres, advise on or make decisions, submit and fight for their interests, yet always regulated by the State.[7] Workers did not take part in decision-making bodies, which resulted in a closed and exclusionary negotiation system, compounded by the absence of political parties (Diniz, 1999), at least until 1945.

According to the State organization adopted during the Vargas era, the worker was regarded as a privileged target that was to be protected and tutored by social policy. In order to access social rights and obtain recognition as a citizen, the worker had to be registered in one of the occupations established by law. This concept of citizenship based on occupational stratification rather than membership to a community or on the basis of a set of political values was designated by the literature as *regulated citizenship* (Santos, 1979).

The establishment by the Vargas State of a statute for the private sector's wage labor relations accomplished several goals over this period: it co-opted the workers' autonomous movement; lured the workforce to the economy's dynamic center; and incorporated and somewhat subordinated wage-earners in some sectors, especially the ones linked to the industrialization process run and promoted directly by the State.

An outstanding fact regarding the Labor Relations System in Brazil is the stability – with few changes in subsequent years– of both the conception and of the labor law consolidated in 1943. Changes were introduced, especially during the military government, in an attempt to render this institutional framework more flexible. Major amendments came with the 1988 Federal Constitution, especially in terms of social rights, now enlarged, yet without altering the basic contours, at least formally, of labor institutions.

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[6] Until 1930 the Brazilian State addressed labor market regulation sparsely, the same regarding other labor-related issues. However, some labor regulations stood out that inspired or became part of the body of social legislation in the following decades. Among the most important we may cite: Work Protection for Minors aged 12 to 18 years (1891); Services Delivery (1916); Work Accidents Law (1919); National Labor Council and the *Juntas de Conciliação* [Reconciliation Boards] (1923; 1932); Eloy Chaves Law (1923); Paid Vacations Law (1925), *Carteira de trabalho* [Work Card] (1932); and Minimum Wage (1940).

[7] Among the key bodies are the National Coffee Council (1931), later replaced by the National Coffee Department; Federal Foreign Trade Council (1934); Technical Council for Economics and Finances (1934); Federal Public Services Council (1936), later replaced by Public Service Administrative Department (1938); National Water and Electric Energy Council (1939); National Industrial and Commercial Council (1943), and the Economic Planning Commission (1944). The last two were particularly important for the debates on the more adequate development strategy for the country after World War II.

The Labor Statute

The Wage Labor Law was published on May 1st, 1943 (Decree-Law 5,452), almost at the end of the first Vargas administration (1930-1945). It is worth underscoring that, characteristically, the Vargas labor framework did not distinguish itself for the number or quality of the bills drafted, many of which had been internationally recognized as far back as 1919, although their implementation domestically was quite specific in scale and scope; rather, its distinctive feature was the inclusion of norms and procedures by a State under the aegis of a corporatist order.

The Brazilian labor code (CLT, from the Portuguese *Consolidação das Leis do Trabalho*), set the rules for capital and labor relations, as well as the requirements for public social security benefits, by means of compulsory affiliation to trade unions and industry associations according to the nature of each one's occupation. The symmetrical trade union structure shaped by the State was founded on the principle of union *unicity*.

Trade unions should symbolize the spirit of harmony between workers and employers. The duties of the representatives of capital and labor, convened in reconciliation and arbitration boards, were to solve conflicts, answer consultations on professional matters, and eventually extend rights and procedures to the whole of the working class.

The registering of workers, the trade union structure, plus the establishment of Labor Justice (1934), and the funding of the trade union and industry association apparatus by the State through a mandatory contribution by employees and employers (1937), composed the labor relations system designed by the Vargas State. Thus, the code defined the individual labor contract, collective bargaining, trade union structure, overall conditions for exercising an occupation, and the role of Labor Justice.

The individual labor contract should be registered in a working booklet (*carteira de trabalho e da previdência social*) issued by the Ministry of Labor, where the employer entered the employee's personal data, his/her occupation, working hours, and the wage. Should the employer fail to enter the worker's contract data in the *Carteira de Trabalho* or to comply with labor code clauses, the employee could file a petition claiming registration and pecuniary losses with Labor Justice.

Labor contracts include clauses internationally recognized by Labor Law – a nineteenth century construction in European countries that materialized in the early 20th century, when the basic social rights of workers were recognized by the League of Nations (1919), the International Labour Organization (1919), and the German experience with the Constitution of Weimar (1919) – plus the addition of some specificities created by the Vargas experience. Some of those we find worth highlighting are the minimum wage and wage floors by occupation; working hours, overtime, vacations, weekly rest, and respective pays; safety and health at the workplace; dismissal and stability after ten years' work for the same company; and protection of women and under-age children at work [8].

The union/association structure was set and regulated by the Ministry of Labor. A single union/association for a given territorial base – the smallest was the municipality – had to be registered with and get approval from the Ministry to be able to operate.[9] The Ministry set the number and trade union/trade association categories, symmetrically

[8] Titles I to IV of the Brazilian Labor Law (CLT), which has 510 articles.
[9] Title V of CLT.

defined – employees and employers– in compliance with, respectively, professional categories and associated economic activities. Direct-administration civil servants were not allowed to set up unions.

A minimum of five trade unions in the same professional category or in the same economic activity were authorized to establish a state-level federation. At least three federations were required for the establishment of a nationwide confederation. Finance was provided by one working day of every payroll worker – collected by the company itself and deducted from the payroll – and by a percentage ranging from 0.002 to 0.8% on the amount of capital filed with company association registry *Junta Comercial*. Allocation of funds collected was established at 60% for the trade union/employers' association, 15% for the federation, 5% for the confederation, and 20% for the Ministry of Labor. Compulsory affiliation could be complemented by voluntary and individual membership, further strengthening the union's/association's revenues.

Collective bargaining agreements and conventions[10] were legally binding and should be complied with by the totality of workers and employers as parties to the negotiation, represented by their respective unions/associations, even when these collectives had not associated on a voluntary basis. Agreements had no set minimum time limits, but could not be longer than two years. The law ruled void any clause going counter the government's economic or wage policy rules in force.

On the other hand, should the parties to a collective bargaining process fail to reach an agreement, the workers' union's demands, as well as the employers' justification for not accepting them, were referred to Labor Justice for settlement, where the Court handed down rulings and created jurisprudence. This institution was made up of, in rising hierarchical scale, Reconciliation Boards (*Juntas de Conciliação*), Regional Courts, and Supreme Federal Court. Representation in these bodies was tripartite, one judge and two class members, yet mostly were lawyers, bureaucrats, and former union leaders, many of them co-opted by the State.

The right to spontaneously strike was not in the law, only the right to *legal strike,* i.e., authorized by Labor Justice. Non-compliance with the law or with any institutional decision was punishable with fines, job suspension, dismissal, deportation from the country in the case of a foreign worker, loss of the right to run for one's professional category's representation, and even with trade union intervention and arrest of labor leaders.

Persistence and Changes

From 1946 to 1964, the labor statute in Brazil kept its basic contours unaltered. The union structure was still umbilically tied to the State over this period, although with the participation of groups associated with the Brazilian Communist Party (PCB) and other progressive groups. The new democratically-elected politicians, among which Vargas himself and others openly supported by him, stood for a political agenda of economic nationalist reforms, and had the support of the organized social movements, including trade unions. The military coup of March 1964 overthrew the elected government and

[10] The difference between collective bargaining agreement and convention is that the former is struck between one trade union and one employers' association, whereas the latter is signed by more than one employers' association. Convention decisions take precedence over agreements.

inaugurated a 25-year-long military dictatorship. This regime was marked by a conservative economic model that prioritized economic growth over redistributionist social projects. Soon after the coup, the new government started appointing trustees, *interventores*, to 'intervene', run the unions, and arresting opposition leaders.[11]

During the military regime four changes are worth highlighting. The clause providing for stability at work after ten years of stay in a single company was revoked in 1966. The government created a capitalization fund as alternative compensation for lack of stability – the *Fundo de Garantia por Tempo de Serviço* (1966), used to finance the Housing Financial System. The fund consisted of a deposit by the employer in an account under the worker's name of 8% of the wage paid in the previous month. The fund was adjusted on a quarterly basis to retain real value and yielded real annual interest of 3%. A worker's family could use this fund in case the account holder passed away; or the worker him/herself could withdraw the balance in case of dismissal without just cause, upon retirement, or to acquire his/her own house. In case of dismissal without just cause, the company was obliged to pay a fine worth 10% of the Fund's total deposits.[12]

Wage raises were pegged to values fixed by the government, a mechanism known as "wage indexation". This procedure was created in the context of a 1965 program designed to control inflation and was in force until 1974. Later on, wage indexation laws were recreated for distributive purposes from 1979 to 1984, and for the purposes of wage equivalence or real compensation during the five stabilization plans adopted in the 1980s.[13] The law applied only to private sector employees, while public employees were subject to criteria dictated by political convenience or budgetary constraints.

The third change is the establishment of the Rural Worker Law (1973) extending most of the clauses ruling urban salaried work contracts to rural salaried workers, as well as access to public Social Security.

The fourth change regards the regulation of the Strike Law. The law set forth that strikes could only be decided upon for economic reasons, never out of solidarity or for political reasons. Pickets were banned and civil servants could not strike. Penalties provided for in the law for union leaders or workers organizing or participating in non-legal strikes ranged from heavy fines in cash to six months' detention. Procedures to start a strike had to follow a ritual and could only happen with authorization from Labor Justice.[14] Only with the 1988 Constitution would the right to strike be recognized, its decision now incumbent upon the workers only, thus enabling stoppages in solidarity or for political reasons.

[11] These appointed trustees [*interventores*] remained for over a decade in the trade unions and came to coexist with former leaders, at times allying with them, eventually giving rise to the late 1970s labor movement, called "*novo sindicalismo*", i.e., new unionism, one of the driving forces behind the creation of the Workers Party (PT, from the Portuguese *Partido dos Trabalhadores*).

[12] The burden was raised to 40% in the 1980s and to 50% in the 1990s.

[13] *Cruzado* Plan (February 1986); *Bresser* Plan (June 1987); *Verão* Plan (January 1989); and *Collor* Plan (March 1990).

[14] The first step was the approval by a general assembly with a minimum quorum of 1/3 of the membership or 1/8 of members in companies with more than 5,000 employees, in a second call. Approval of a strike required a majority either by secret or voice vote. In case of approval, the union had to make the decision public and wait for five days, interregnum during which the bosses[14] could provide counter-arguments. After all these steps, Labor Justice might or might not recognize the strike as legal and the workers would receive for the days of stoppage.

Chart 2 below comprises the main Laws, Decrees, Decree-Laws, and Ordinances, drafted within the framework of the labor, union, and social security laws spanning from 1930 to 1980, and was subdivided into three periods: Vargas Era (1930-1945); Democratic Period (1945-1964); and Military Dictatorship (1964-1980).

The first section of Chart 2, corresponding to the Vargas Era, allows us to emphasize the volume and dimension of the labor relations regulatory system that was set in place in the country. As mentioned, the 1930s were marked by a strong lawmaking drive in every sphere we have addressed, the highlights being the creation of the Ministry of Labor, Industry and Commerce (MTIC), the Unionization Law, the Professional Work Card Law, Trade Union Tax Law, Minimum Wage Law, Industrial Workers' Retirement and Pensions Law, and lastly the Labor Law, the *Consolidação das Leis do Trabalho* (CLT), which in 1943 systematized this regulatory framework.

As from the second section of Chart 2 we can see a change in the nature of the transformations affecting the Wage Labor Law in Brazil. These shifts became conjuncture-bound, with the maintenance of the tutelage-based, authoritarian, and corporatist structure, while in parallel its normative surface was shaped by the correlation of political forces arising with each new term of office of the democratic period.

In the aftermath of World War II, there is a brief period of increased labor organization reflected, for example, in Decree-Law nr 8,740, responsible for amending CLT provisions allowing free labor structuring; the revocation of this Decree-law comes immediately, with the swearing in of President Dutra in 1946. Next, Law nr 1,667, cancelling the need for an ideological certificate for workers running for union boards, is emblematic for characterizing the second Vargas administration as a period of "rapprochement" between the State and the working class. This movement is further deepened in the first half of the 1960s with, for example, Ordinance nr 209-A, which legalizes rural trade unions. Thus, it is worth stressing, even with this striking alternance characteristic of the political conjuncture, the fundamental structure of the labor code was able to perpetuate itself until the 1964 coup, and even beyond that.

The last section in Chart 2 encompasses the largest part of the dictatorial period, showing, too, that reformulations having taken place in the realm of labor relations regulations corroborate the thesis above. Even though the CLT established itself throughout this period, the State's repressive guideline reflected upon the institutional spheres. The labor code would be marked by wage policy centralization, with constant measures designed to explicitly control wage raises; the union law went through a process of exacerbated union tutelage with, for example, the suspension of two commissions, the Union Tax Commission and the Technical Commission for Union Orientation, as well through a new regulation of union elections; lastly, the social security and pension legislation would be characterized by the establishment of workers' severance fund *Fundo de Garantia por Tempo de Serviço* (FTGS) and by social security system *Sistema Geral de Previdência Social*.

Chart 2 – Labor, Union, and Social Security Laws (1930-1980).

Vargas Era (1930-1945)		
Labor Legislation	**Union Legislation**	**Social Security Legislation**
Decree nr 9,433, of Nov 26, 1930 – Ministry of Labor, Industry and Commerce (MTIC).	Decree nr. 19,770, of March 19, 1931 – Unionization law; regulates unionization of employers working class	Decree nr 20,459 of Sept 30, 1931 – Sets forth payment to inactive workers by Retirement and Pensions Funds
Decree nr 19.482, of Dec 12, 1930 – Mandatory hiring of at least 2/3 of native Brazilians in every productive sector	Article IX of Decree nr 19,770 of 1931 – Official recognition of union affiliating two thirds of a given class/trade	Decree nr 20,465, of October 1, 1931 – Ratifies legislation on Retirement and Pension Funds; expansion of right to stability at work
Decree nr 21,175 of March 21, 1932 – Creation of the CTPS work card	Decree nr 21,761 of August 23, 1932 – Institution of collective bargaining conventions	Law nr 367 of Dec 31, 1936 – Creation of the Industrial Workers Retirement and Pensions Institute
Decree nr 22,132 of Nov 25, 1932 – Institution of Reconciliation and Judgment Boards	Decree nr 23,768, of Jan 18, 1934 – Limitation on the right to 15 days' annual vacations to workers affiliated with official unions	Decree-law nr 288 of Feb 23, 1938 – Creation of the State Services Social Security and Assistance Institute (*Instituto de Previdência e Assistência dos Serviços do Estado*).
Decree nr 423, of Nov 12, 1935 – Regulation of women's employment before and after birth delivery; women's and children's night shifts; sets minimum age for children employment at industrial workplaces	Decree nr 24,694 of July 12, 1934 – Reaffirms 1931 union law definitions; constrains the union right to plurality and autonomy as set forth in Article 120 of the 1934 Constitution	Decree-law nr 627, of Aug 18, 1938 – Reformulates requirements for admittance to retirement funds (IAPs and CAPs, from the Portuguese acronyms) and extends such provisions to the mining sector.
Law nr185, of Jan 14, 1936 – Creation of the Minimum Wage Commissions	Decree-law nr 1,402, of July 5, 1939 – New union rules and duties, like promoting credit/consumption cooperatives, legal assistance services for members, and reconciliation in disputes	Decree-law nr 1,468, of Aug 1, 1939 – Labor law oversight extended to include IAP inspectors

Vargas Era (1930-1945)		
Labor Legislation	**Union Legislation**	**Social Security Legislation**
Decree-law nr 1,237, of May 2, 1939 – Sets forth duties Labor Justice	Decree-law nr 2,377, of July 8, 1940 – Sets forth union tax	Decree-law nr 2,004, of February 7, 1940 – Authorizes unemployed member to keep contributing to pension fund/plan
Decree-law nr 2,162, May 1, 1940 – First minimum wage established, based on fundamental costs for reproduction of labor power	Decree-law nr 4,298, May 14, 1942 – Creates Union Tax Commission, regulating distribution and use of resources	Decree-law nr 2,474, August 5, 1940 – Interrupts payment of retirements other than disability to workers aged 60-under
Decree-law nr 5,452, May 1, 1943 – Establishes labor code *Consolidação das Leis do Trabalho* (CLT).	Decree-law nr 4,637, August 31, 1942 – Establishes unions as cooperating bodies in “civic, economic and military mobilization”	Decree-law nr 7,835, August 6, 1945 – Establishes that retirement benefits should not be lower than 70% of minimum wage and pensions not lower than 35% of minimum wage

Democratic Period (1945-1964)		
Labor Legislation	**Union Legislation**	**Social Security Legislation**
Decree-law nr 9,070, March 15, 1946 – Subjects collective bargaining agreements “to the discipline of collective interest” through previous agreement or ruling by Labor Justice	Decree-law nr 8,740, January 19, 1946 – Amends CLT provisions to allow unions to be structured across the country for the purposes of defense, study, or organization of professional and economic interests	Law nr 3,807, August 27, 1960 – Social Security Organic Law; defines new rules for the functioning of social security and standardization of benefits
Decree-law nr 9,797 September 9, 1946 – Amends measures introduced by CLT concerning Labor Justice	Decree-law nr 8,987A, February 15, 1946 – Revocation of provisions in Decree-law nr 8,740.	Law nr 4,090, July 13, 1962 – Christmas bonus rules
Law nr 3,826, November 23, 1960 – establishes parity between civilian workers and the military in port, maritime and rail sector	Decree nr 23,046, May 7, 1947 – Mandates union confederation CGTB and its state subsidiaries to cease activities; changes board members	Law nr. 4,266, October 3, 1963 – Creation of family-wage, paid to every worker on the basis of number of children, aged 14-under, calculated as a percentage of local minimum wage

Democratic Period (1945-1964)		
Labor Legislation	**Union Legislation**	**Social Security Legislation**
Law nr 4.214, March 2, 1963 – Creation of Rural Worker Statute; labor law partly extended to countryside; defines rules for rural labor unions; introduces rural social security	Law nr 1,667, September 1, 1952 – Extinction of ideological certificate for workers running for union boards; requirements upheld are declaration of nationality and minimum 2 years' work	
Decree nr 53,275, July 17, 1963 – Creation of the National Commission for Wage Policy (CNPS)	Ordinance nr 209-A, June 25, 1962 – Establishes rural unions	

Military Dictatorship (1964-1980)		
Labor Legislation	**Union Legislation**	**Social Security Legislation**
Decree nr 54,018, July 14, 1964 – Reorganization of National Commission for Wage Policy (CNPS)	Law 4,330, June 1, 1964 – Strikes approved by assembly of workers and required through a ten-day notice on the press are legalized	First Institutional Act. April 29, 1964 – Suspends constitutionally-mandated for-life and stability rights for one semester
Law nr 4,725, July 13, 1965 – Establishes single rule for minimum wage raises for all economic activities	Ordinance nr 666, August 5, 1964 – Allows *interventores*, government-appointed trustees, to remain in office up to 30 days before union elections	Second Institutional Act, October 27, 1965 – Abolishes stability, irremovability, and for-life legal rights when considered not in line with military regime guidelines
Decree-law nr 15, July 29, 1966 – Establishes single index for readjusting real average minimum wage, set monthly by State; Regional Labor Offices prohibited from filing contracts not complying with index	Law nr 4,589, December 12, 1964 – Suspends Union tax Commission and Technical Commission for Union Orientation	Law nr 4,923, December 23, 1965 – Creation of Unemployed Assistance Fund
Decree-law nr 229, February 28, 1967 – Labor Reform; increased control over union dynamic and Labor Justice; amends Title VI of CLT; establishes mandatory unionized workers' turnout for union	Ordinance nr 40, November 21, 1965 – Union elections regulated	Law nr 5,107, September 13, 1966 – Workers' compensation fund *Fundo de Garantia por Tempo de Serviço* (FGTS).

Military Dictatorship (1964-1980)		
Labor Legislation	**Union Legislation**	**Social Security Legislation**
elections; alters structure of Union Categorization Commission (*Comissão de Enquadramento Sindical*)		
Law nr 5,451, July 12, 1968 – Establishes wage policy as permanent duty of Executive branch	Decree-law nr 771, August 19, 1969 – Increases union terms of office from two to three years; alters union representation before federation and confederation councils	Decree-law nr 72, de 01/11/1966 – Defines a General Social Security System
Law nr 5,589, June 8, 1973 – Rural work new regulation	Ordinance nr 3.437, de 20/12/1974 – Details union elections process (call, registration, voting, vote count)	Law nr 6,386, December 9, 1976 – Expands use of union tax to other social dimensions
Law nr 6,708, October 30, 1979 – Defines six-monthly, three-tier wage raises based on consumer inflation rate INPC		

Source: Prepared by authors.

Income inequality in Brazil rose to a new level during the accelerated industrialization period, after the 1950s. Inequality would further worsen over the next decades and only starts improving in the late 20th century, but especially in the early 21st century.

The main cause for concentration during this lengthy period can be traced to some structural factors, namely, land and capital concentration, in the form of education, and tangible and financial assets, in addition to the appalling income gap separating the South/ Southeast regions from the other regions of the country.

Only more intensive, extensive, and continuous State intervention in the social and economic arenas that reached out to the popular classes – education, infrastructure, and low-income housing credit, besides social rights for those who were not covered by the labor law – could have mitigated income and access to public goods inequalities. This process, which began with the industrialization and gained momentum during the 1970s, would span over the 1980s unbridled inflation days. However, this redistributive State intervention would call for another class coalition in the power structure.

It is worth emphasizing that the labor law played an important role concerning social inclusion and recognition of citizenship; however, it would not suffice to reverse inequality in Brazil and may have even contributed to worsen it, insofar as its implementation proved limited and incomplete. In parallel, as the law proved more effective in the urban areas of the Southeast region, this further deepened regional inequality, as well as the gap between the city and the countryside.

Moreover, during the military regime inequality was compounded by the wage policy,[15] established by a law mandating that annual wage raises should be below the combined inflation rate/increased productivity benchmark, which further increased the wage gap between skilled and less skilled workers.

In the post-1979 period, however, as presented earlier, the wage policy changed substantially at a moment in which civil society was organizing itself more consistently against the dictatorship. Labor played a relevant role with its organization against the authoritarian regime, bringing an end to the official wage-indexing policy in force by means of protests and strikes.[16]

Hence, the government created new rules aimed at preventing union strikes. The main measures, against a backdrop of persisting and rising inflation, focused on six-monthly raises; readjustments on the basis of past accumulated inflation as measured by the national consumer price index (INPC); between 1979 and 1983, for the purpose of redistributing the wage mass, wage readjustment for those earning up to three minimum wages was 10% higher than inflation index INPC; at other moments, wage raises were

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[15] The wage policy in effect between 1968 and 1974 had the rhetorical aim of sustaining the real annual average wage and increasing wages on the basis of the average productivity of labor. Estimates were calculated on the basis of parameters related to past and expected inflation rates and the growth of the gross domestic product per capita. The law then established that wages should be raised on a yearly basis.

[16] In May 1978 the metalworkers union came up with a strategy designed to underscore the importance of direct negotiations between bosses and employees with regard to establishing wages: annual wage demands were submitted without an intended wage raise under the allegation that the negotiation was a farce, since the raise was previously set by the government. When Scania workers received their pay, they decided to go on a strike that spread to other factories in the region. In 1979, collective bargaining changed course entirely, with the active engagement of unions and employers.

incorporated to the stabilization plans under the guise of income policies or at below-inflation levels, in an attempt to rein in the inflationary process.

The Labor Code and its Meanings

Until the late 1980s, incorporation into the public social security system in Brazil was characterized by compulsory regulation of social rights, which were bound to the legal labor relation and varied according to the workers' economic activity and their contribution to the Social Security Institutes (IAPs, from the Portuguese *Institutos de Previdência Social*).

Labor wage relations, therefore, defined the type of contract and access to the security system. Thus, a regularly hired worker was entitled to sickness, disability, and old age insurances,[17] as well as access to health services and vocational training, and oftentimes, to housing programs, in addition to leisure and cultural services. About half of the economically active population – good part of the rural workers, as well as self-employed workers with no contract, domestic workers, and nonpayroll wage earners – was left out of social security, although able to resort to welfare health services mechanisms.

In the 1970s, rural workers are granted access to the social security system, the same happening in relation to domestic workers in the 1980s. More substantial changes would only take place with the 1988 Constitution, among which a universal health system stands out.

As we shall see ahead, the 1988 Constitution broadens, directly or indirectly, labor protection.[18] Among the themes addressed we point out rural and urban workers' rights, scope of trade union association, the right to strike, workers' and employers' participation in public collegiate bodies, and shop stewards in companies with over 200 employees.[19] The Charter also ratifies rights provided for in labor law *Consolidação das Leis Trabalhistas* and its amendments, and extends workers' protection including insurance to the non-voluntary unemployed worker; alternative pay raises (profit sharing, a vacation bonus amounting to a third of the worker's wage); reduction of working week to 44 hours; maternity leave increased to 120 days; the establishment of paternity leave; and granting of rights to domestic workers, thus closing the gap with the more fully protected workers.

Summarizing, the Brazilian labor relations' system set in place during the Vargas Era institutionalized and valued a broad corporatist bureaucracy of workers, employers and civil servants, despite the criticism the system drew during the periods of greater liberalization of the political system, as in the 1950s and 1960s, before the military dictatorship, and in its nadir, in the late 1970s and over the 1980s.

This system fulfilled the role of weakening the working class's bargaining power, either through trade union laws or through the granting of rights only to certain occupational sectors, thus leading to conflicting interests between the workers themselves, both between wage workers and between these and those not subject to typically capitalist labor relations.

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[17] Unemployment insurance is introduced only in 1986.
[18] In Chapter II, articles 6 through11, on Social Rights.
[19] http://www.planalto.gov.br/ccivil_03/constituicao, Consulted in January 2009.

Yet, this system arose and developed in a peculiar political context, adapting to, while also imprinting its mark on, a labor market in the process of being structured. Though many of its constituent elements are still in effect in Brazil today, even after the 1988 Constitution, its meanings tend to shift with the social and political dynamic and with the labor market's overall trends, as shall be discussed in Part 2 of the present text.

1.4. The Transformative Dynamic of the Labor Market

Brazil's labor market is the result of a long and difficult birth delivery. Its making, its dynamism in terms of increased labor demand and supply, coupled with the type and scope of its regulation, reflect the progress made by capitalist production relations – under various forms, yet never generalized – throughout the industrialization process.

Still, this progress could not have been taken for granted. Constituted as a slave society in the colonial period, passage to an urban and industrial society – by virtue of the dynamism promoted by the expansion of capitalism – is by no means automatic. There is a long road from the end of slave trade (1850), through Abolition (1888), to the process of transforming former slaves and poor free men in expropriated workers for the use of capital.

So much so that, until 1940, most of the potential labor force in the nation lived in rural areas, subject to various forms of substandard wage contracts, generally in combination with performance of subsistence production activities. The sign of change had begun in São Paulo with the expansion of coffee-growing boosted by large numbers of European immigrants in the late nineteenth century. Farm workers were quasi-salaried and changed jobs often even then, moving from farm to farm. Many would seek to climb the social ladder in the flourishing state capital, then living its first industrial outbreaks (Barbosa, 2008).

Post-1930 economic dynamism – coupled with the regulation of the labor force, at least for some occupations, and a greater supply of services in the cities – would cause the breaking away of a broad and latent reserve army of labor, built during the colonial and post-Abolition periods, given the rather small domestic market and land concentration (Barbosa, 1998). If the dynamic factor is on the labor demand side, that is, a broadened employment level, especially contractual employment, supply responds more than proportionately,[20] breaking the levees and flooding the labor market far beyond its immediate needs, as we shall see ahead.

In practice, the labor code set up by Vargas would become the "real object of desire of the masses dispossessed of resources and rights" (Cardoso, 2010). It widened the rural workers' horizon of expectations, yet it also opened up the possibility of the promise not being kept, given the very making of the labor market. This was a collective "failure", for those without rights were not further enfranchised due to a "conscious" omission of the State and the class coalition backing it. Nonetheless, it was interpreted as an individual failure by the "pre-citizens", the most vulnerable sectors of this transforming society, thus contributing to legitimize inequality.

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[20] However, part of the potential supply is hardly affected, either because it is under-occupied – "in the sense that it can work longer hours than it does" – or because it is considered inactive, even if available to join any given productive activity (Singer, 1971).

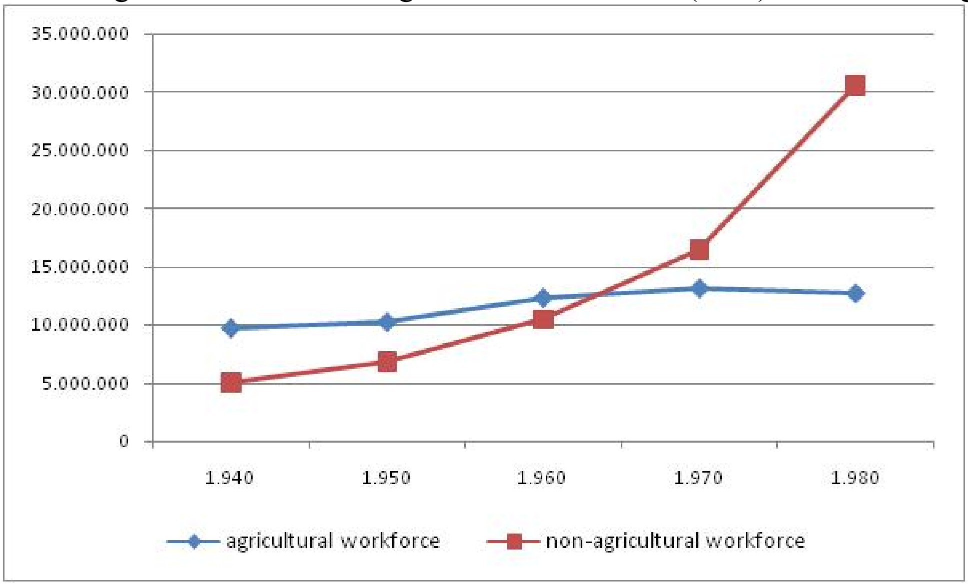
Data available for the 1940/1980 period only allow a division between agricultural and non-agricultural labor force (EAP). Moreover, the labor force (EAP) is underestimated because, in order to harmonize the censuses of these various years, it was calculated with the occupied population as a proxy.[21] In addition to failing to capture the unemployed,[22] many of those inactive were somehow linked to the labor market, which was also overlooked by the censuses.

With the use of the censuses from 1960 onwards and the 1976 National Household Sample Survey (PNAD, from the Portuguese *Pesquisa Nacional por Amostra de Domicílio*), we will attempt to approach a more realistic picture of the labor market, as illustrated by the graphs below.

The conjunction of demographic growth and regional migrations (rural-urban overall), in a setting of expanding job opportunities, leads to a strong growth of the non-agricultural PEA, especially after the 1960s, when it overtakes the agricultural EAP, which remains stable even in absolute terms. In contrast, the non-agricultural EAP expands sixfold, soaring from five to thirty million between 1940 and 1980 (Graph 10).

Moreover, the EAP composition itself as regards age – decreasing participation rate of younger groups due to an expanding school system and legal restrictions– and gender – increased female participation rate, especially in urban areas – reflects the broader structural changes arising from growth with accelerated urbanization (Cacciamali, 1988).

Graph 10 – Agricultural and Non-Agricultural Workforce (EAP) in Absolute Figures



Sources: Census data. IBGE, 20th Century Statistics

[21] Changes were introduced, especially, in the 1940 and 1950 Censuses, because in these two censuses a precise distinction between the economically active and inactive population was lacking. Paid domestic workers and the “unemployed” were considered inactive (IBGE, 2000). This realignment was carried out building on indications by Merrick & Graham (1981).

[22] Beginning in 1970, the concept of unemployment is reviewed and widened; still, it is strikingly low, under 3% of the EAP, both for the Census and the PNAD surveys (Merrick & Graham, 1981).

Graph 11 – Agricultural and Non-Agricultural Workforce (EAP), Annual Growth in % in Decades

Sources: Census data. IBGE, 20th Century Statistics

For the whole 1940/1980 period, non-agricultural EAP grows by 4.6 percent a year – over 6% a year in the 1970s – while the agricultural labor force rose by only 0.6% a year in the whole period (Graph 11). Of the 28 million new workers made available over this period, 90% were concentrated in urban areas, home mostly to the non-agricultural workforce.

A Dynamic and Peculiar Labor Market

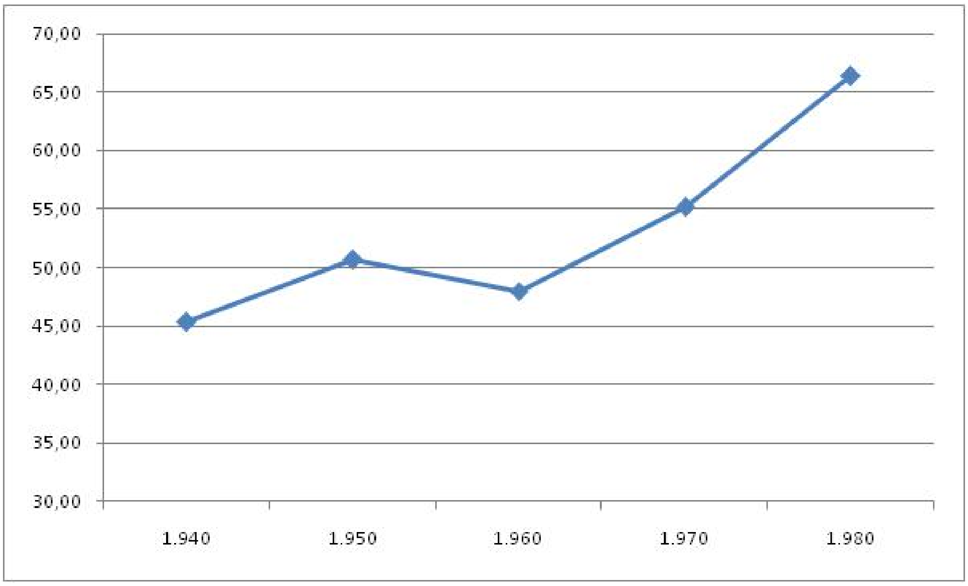
Wage workers – under contract or not – constitute the most dynamic element of the employment structure over the 1940/1980 period. They make up the labor force directly linked to the labor market proper.

Below we show which sectors and regions drove this labor market plus pointing linkages with other positions along the occupational spectrum, closer to what has been named "informal sector", generally comprising self-employed workers, non-paid household members and "others".[23] It is also worth stressing the breaking down of wage workers by schooling, sex, race/color and other relevant cleavages that structure a certain pattern of functioning of the labor market.

It can be noted, for example, that the share of wage-earners in total occupied population only grew more sharply after the 1960s. In effect, between 1960 and 1980, this share rises from 50% to 66% (Graph 12). The heavy industry-driven dynamism even comes to affect the agricultural and services sectors, towards more capital-intensive activities, bringing about a shift in labor relations.

[23] Merrick & Graham, 1981, pp. 293-294, suggest the inclusion of others in the "informal urban sector" for "analytical and policy-making purposes".

Graph 12 –Share of Wage-Earners in Total Occupied Population



Sources: Census data. IBGE, 20th Century Statistics

Table 1 below presents the differences of wage-earners' rates across economic activities. This rate grows steadily for the industrial sector over the period under study, reaching 90.3% in 1980, reflecting the fact that this sector was the main driver of the regime accumulation extant at the time. Nevertheless, in 1980 only 16.4% of total occupied workers were in the industrial sector. In agriculture, wage labor expands dramatically, yet is around 40% in 1980, while still accounting for 30% of the total occupied labor force. The services industry, on the other hand, holds 53.2% of all jobs in 1980. Despite a drop over the 1960/1980 period, wage labor for the services industry was much higher than that of the primary sector, reaching 74.8% in 1980 (Table 1).

Table 1 – Wage-Earners' Rate by Industry and Distribution of Occupied Workers by Economic Sectors

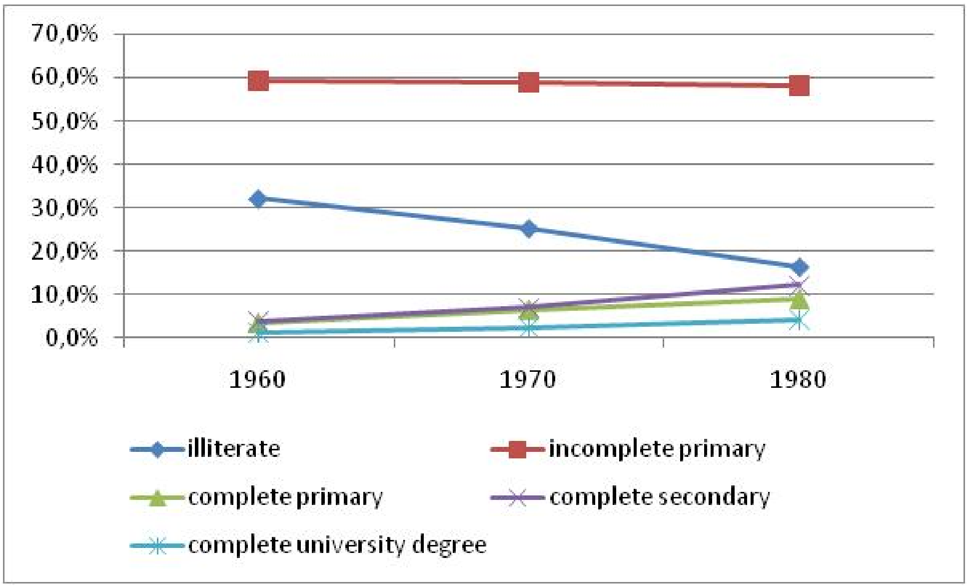
Share of Wage-Earners in Total Occupied Population	1960	1970	1980
Primary	25.9	26.4	39.6
Industry	86.6	88.7	90.3
Services	80.0	75.8	74.8
Occupied Workers Total Distribution	1960	1970	1980
Primary	59.0	45.0	30.4
Industry	9.5	10.9	16.4
Services	31.5	44.1	53.2

Source: Censuses Microdata, IBGE.

If we continue focusing on wage workers, those who, actually, make up the labor market, here including nonpayroll workers, who, therefore, have no access to social and labor rights, at least directly, we may notice other noteworthy factors.

Distribution of wage workers by schooling level shows a significant contingent, of some 60%, who did not finish primary school; in turn, a drop in the percentage of illiterate persons runs parallel to the expansion of the most educated sectors. Nonetheless, in 1980 only 16.5% of the occupied workers had finished secondary school, a percentage which had been 5% in 1960 (Graph 13).

Graph 13 – Distribution of Wage Workers by Level of Schooling



Source: Censuses Microdata, IBGE.

The vast majority of the wage workers are of the male sex – 83.2% in rural areas and 65.7% in urban areas, according to data in the 1980 Census. Between 1960 and 1980, however, women's share of total wage workers in urban areas grows from 26.4% to 34.3%. In the 1970s alone, four million of the new salaried jobs are occupied by women (60% of the total), albeit restricted to some occupations and economic activities.

The higher share of wage earners for women than for men can be explained by the fact that domestic employment is considered salaried labor, plus the fact that the rate of women occupied is low in comparison with that of the working age population (WAP).

In the case of black occupied workers (category that includes blacks and mixed), we find a wage workers' rate of 64% in 1980,[24] slightly lower than the 68.7% of whites (category that includes "yellows", those of Asian descent).

Behind these similar salaried employment rates, however, there are occupational segregation processes, besides differences concerning access to contract jobs and income levels, indicative of how race/color cleavages were redefined, thus prompting new social hierarchies in a peculiar capitalist society.

Furthermore, data for the year of 1980 show that, compounding the fact that 35% of the black workers were performing activities in the informal sector, the percentage of black employers (1%) was much lower in comparison with that of whites (3.7%).

[24] Variable race/color was not part of the 1960 and 1970 Censuses, thus preventing comparison with 1980 findings.

Table 2 – Absolute Numbers and Distribution of Occupied Workers by Country Regions in 1980.

	1980				
	Unpaid Workers	Wage-Earners	Employer	Self-employed	Informal Sector
North	181,582 10.2%	847,883 47.8%	25,257 1.4%	718,112 40.5%	899,694 51%
Northeast	1,137,033 10.5%	5,702,104 52.6%	151,896 1.4%	3,841,412 35.5%	4,978,445 46%
Southeast	546,709 2.8%	15,413,386 78.0%	613,214 3.1%	3,177,516 16.1%	3,724,225 19%
South	834,805 11.4%	4,499,421 61.6%	197,707 2.7%	1,773,049 24.3%	2,607,854 36%
Center-West*	103,917 4.0%	1,706,052 65.4%	81,691 3.1%	718,780 27.5%	822,697 32%
Total	2,804,046 6.6%	28,168,846 66.6%	1,069,765 2.5%	10,228,869 24.2%	13,032,915 31%

Source: Cenuses Microdata, IBGE. * Includes present state of Tocantins.
Note: informal sector includes unpaid and self-employed workers.

The expansion of wage labor also represents deep regional cleavages, as can be inferred from the table above. For the sake of comparison, in 1980 wage labor accounts for 78% in the Southeast, against 52.6% in the Northeast (Table 2), which shows its expansion is segmented not only across activities, but also spatially.

In contrast, participation of the informal sector, however declining in relative terms, is at about 31% for the whole country, with above primary-industry average ratios, basically agriculture, and close to the average of retail, construction, and personal services ratios. In 1980 Brazil there were some 13 million self-employed workers and/or workers making a living from domestic activities.

The dynamic of salaried employment proves transformative, in that it triggers a ripple effect across industries – with the exception of services, where it remains at high levels, yet varying across its various segments – for every schooling group, for men and women, blacks and whites, though higher for some than for others; and for all areas and regions, albeit more slowly in regions and areas with a lower income per capita.

Still, in itself it cannot unveil the new hierarchies bred by the labor market as regards dependence on access to payroll jobs, the level of income, and schooling, in addition to membership to certain occupational and/or professional groups. Furthermore, informal activities, in spite of a relative drop, expand in absolute terms, even in the 1970s, with several linkages with the typically capitalist sector, where the labor market proper is situated.

Occupational Structure in Brazil at End of Period

The use of another database, the 1976 PNAD, enables a review of the formation of the country's labor market and of its occupational structure at the end of the industrialization period.

In the first place, the joblessness rate is low, 2.6% for urban Brazil, which is, in all likelihood, underestimated, given the low participation rate,[25] at about 48%, and the presence of a high number of potential workers in a labor market still in transition, indicative of a latent, still untapped labor supply.

In rural Brazil, the participation rate is somewhat higher (56.1%) because of the greater presence of domestic work, yet unemployment, as expected, is practically null (0.6%). Farmland concentration in Brazil prompts an employment pattern that is itinerant, intermittent, and poorly paid, even in the country's most dynamic center. Less skilled agricultural workers mostly participate in the labor market without any employment contract or through fake labor cooperatives. These workers usually exchange temporary occupations in the same or different farming sector activity and/or between those and occupations in the urban labor market, mainly in construction work.

Brazil continues posting, in the 1970s, high growth levels, which translate into significant job creation, especially in urban areas, which concentrate 63% of the stockpile of labor in 1976. As a matter of fact, part of these agricultural workers – the so-called *bóias-frias* – begin to move to and live in the cities, as they have lost access to their plot of land, only to become the extreme type of precarious salaried work.

Despite the economic dynamism and the setting in place of a manufacturing industry and a capital-intensive services industry, even in urban Brazil the contingent of workers in the informal sector (unpaid + self-employed) reaches 20% of total occupied workers. Salaried payroll workers represent 54% of those occupied, as opposed to 26.5% of those without contracts.

In rural Brazil, where labor relations are deeply changed, we verify an increase in the salaried employment rate to 37%. Yet, about 2/3 of wage workers are out of the reach of the labor law. These are not, mostly, typical no-contract workers, but workers who 'accept" to trade part of their monetary income for own production on a piece of land belonging to the landowner. At the same time, 63% of the occupied rural workers are categorized as self-employed and unpaid, producing for their own livelihoods and also for the market. However, their low pay excludes them from the modern consumption standard.

In the greater São Paulo metropolitan region – which is arguably the most advanced center of this heterogeneous labor market– the picture is somewhat different (Table 3). Yet, even in this space, a fully-consolidated and regulated wage relation would not be accomplished. We note, for instance, that the informal sector makes up nearly 20% of the occupied workers, whereas nonpayroll workers account for 22.8%. That is, formal salaried employment accounts for only 58% of total occupied workers in a region that is at the forefront, in economic and social terms, of the country's capitalist development process.

[25] We point out that the reference age for Brazilian statistics to establish an individual's activities in the labor market is 10 years.

Table 3 – Distribution of Occupied Workers by Labor Market Position for Urban and Rural Areas and for São Paulo Metropolitan Region – 1976.

	Payroll Wage-Earners + Employers	Nonpayroll Wage-Earners	Informal Sector	Total
Rural Brazil	1,930,370 13.8%	3,207,947 22.9%	8,866,712 63.3%	14,005,029 100.0%
Urban Brazil	13,204,668 53.7%	6,505,447 26.5%	4,874,972 19.8%	24,585,087 100.0%
Brazil	15,134,428 38.6%	10,358,852 26.4%	13,742,010 35.0%	39,235,290 100.0%
São Paulo Metropolitan Region	2,671,086 58.0%	1,049.579 22;8%	881,450 19.2%	4,602,115 100.0%

Source: Microdata. PNAD 1976.

Wage workers' rates to total occupied population can also be estimated for sex and color/race attributes.[26] It is worth underscoring these rates are higher for women than for men and for blacks than for whites. This is due to the weight of unskilled work on service delivery activities – with an overwhelming presence of domestic workers, classified as salaried workers – and of the construction industry, where the participation of blacks is remarkable: 50% of all jobs in this sector, against a 40% share of this group in total occupied workers.

Therefore, the salaried employment rate should be analyzed with caution in countries like Brazil, where the wage relation is not sufficient to enable access to social and labor rights and where the concept of citizenship is closely associated with getting a formal job. Whereas this situation, defined as 'no contract', is characteristic of 1/3 of the women (the same ratio as for black people), in the case of men, and of whites, this participation falls to about 20% (Table 4).

Table 4 – Distribution of Occupied Workers in Urban Brazil by Type of Linkage with Labor Market, by Sex and Race/Color, 1976.

	Payroll Wage-Earners + Employers	Nonpayroll Wage-Earners	Informal Sector	Total
Women	3.689.111 46,1%	2.952.645 36,9%	1.352.714 16,9%	7.994.470 100,0%
Men	9.697.038 57,1%	3.556.250 20,9%	3.734.157 22,0%	16.987.445 100,0%
Blacks	4.170.248 45,9%	2.987.789 32,9%	1.934.886 21,3%	9.092.923 100,0%
Whites	9.131.429 58,0%	3.493.153 22,2%	3.118.498 19,8%	15.743.080 100,0%

Source: Data from 1976 household survey PNAD Microdata.

[26] Race/color data in the 1980 Census should be analyzed with caution, since a great number of answers were under the "not declared" heading.

It is worth stressing that women have a low participation rate, 29% in urban Brazil, indicative of their potential labor force, against 68.6% in the case of men.

The participation rate of black people in urban Brazil, according to the 1976 PNAD, was 48.4%, slightly above the 47.6% of whites. A significant difference between the two groups – in addition to the profile of the occupied workers mentioned above and the income levels as we shall see ahead– lies in the unemployment rate of 3.7% for the first group, the only one to present a significant level over the period.

In short, over the period analyzed, the labor market grew in size and volume, incorporating broad population segments, especially in urban areas, notably in the city of São Paulo. This incorporation was segmented in space and across social groups, with wide predominance of workers who had not finished primary school, that is, very low skilled.

Moreover, the more education was judged essential, the more the labor market dynamics pushed the low-income segment, including their children, out of school. It must be noted, however, that there were other factors behind this trend: a limited supply of secondary education, in-company skills-building programs, and/or places in the vocational system organized in the 1940s.

Therefore, the picture above points to a difficulty in locating a standard type of urban or rural worker in Brazil during the labor market consolidation period. What we found are various forms of use, organization, representation, and pay, in which, over and beyond urban/rural and regional differences, and across economic activities and levels of schooling, sex and color/race cleavages play a role, though these contrasts ought not to be overrated. Below we provide some examples of these work regimes for the sake of illustration, yet without the pretention of exhausting the extreme variability of social embedding.

There is, for instance. the white man who holds a working contract with the manufacturing and services industries, generally poorly educated and trained on the job, activities which also hire other social groups, blacks and women, though to a lesser extent.

Or the female domestic worker, generally working with no contract, and the black man working in precarious activities in a small or big company in the retail or construction industry or delivering services in the informal sector, where the presence of poor whites is not negligible.

Wage labor also makes headway in the countryside, often displacing the worker's place of residence to the cities, yet without preventing a significant segment from keeping bound to very low productivity agricultural activities.

Furthermore, a wide contingent of workers disguised as inactive – especially women, both in urban and rural areas – underpins this borderless labor market, always ready to live on the brute force of the more vulnerable sectors.

However, none of this prevents a tiny and growing salaried middle class, with high education and income levels, made up of white men, but also by some women, and to a lesser extent by blacks, from reaping the fruits of economic expansion with productive diversification.

1.5. Increase in Inequality and Structural Mobility

The capitalist development process, with its specific regimes of accumulation, established in the 1930s, coupled with persisting inequality in the distribution of power and land ownership, constitute some of the core historical/structural mechanisms behind the high, and rising, levels of income inequality in Brazil.

As emphasized throughout this chapter, the expansion of salaried employment, restricted and incomplete, whether due to limitations in enforcing the labor code to all occupational segments or to the broad segments in the informal sector, helped shape a setting of high social and economic inequality.

In the wake of the processes analyzed above – urbanization with intra-regional migrations and sharp increase in labor supply, especially in the manufacturing and services industries, in a context of rising, available, and not fully tapped labor supply –, the 1960s and 1970s can be synthetically characterized as a period of rapid inequality growth in a context of high social mobility.

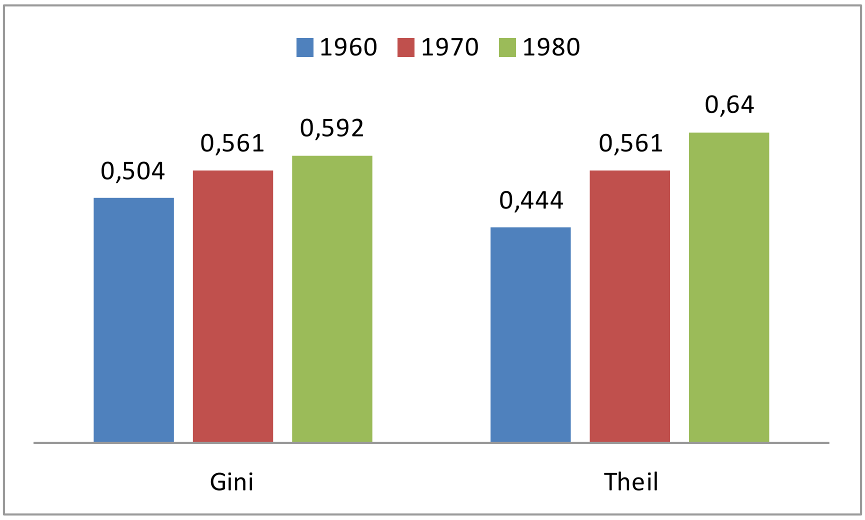
Yet, the capitalist development process marked by high and ever-increasing income inequality did not prevent (actually it contributed to it, to some extent) intense social mobility.

Mobility that, as we shall point out ahead, characterized itself foremost for the short distance to cover in the social hierarchy – that is, markedly driven by the industrialization and urbanization processes (and, consequently, by intense rural/urban migration), yet limited in breadth from the point of view of individuals with distinct socioeconomic origins trading social places.

Inequality Increases with the 1960s

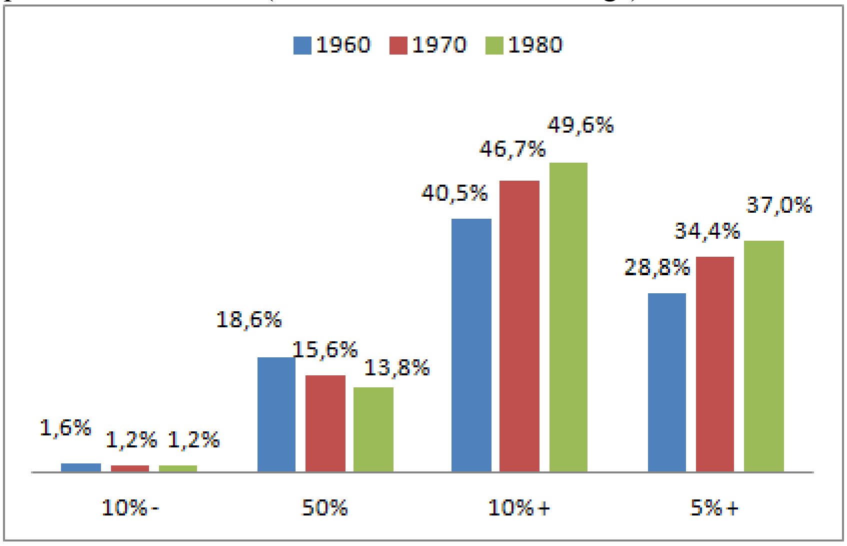
Especially from the 1960s on, when the first systematic empirical studies about the country's income inequality are carried out, Brazil experienced a considerable rise in inequality levels, with the Gini index rising from 0.504 to 0.561 from 1960 to 1970, and to 0.592 in 1980 (Graphs 14 and 15). A similar behavior is verified in the Theil index, which soared from 0.444 to 0.640 from 1960 to 1980. Moreover, a profound shift is verified with regard to income appropriation by strata: the poorest 50%, who in 1960 held 18.6% of the income, lost five percentage points over these twenty years. Conversely, the higher strata increase their appropriation: in 1980, the richest 10% concentrated half of the available income, while the richest 5% had nearly 40% of total income.

Graph 14 – Gini index (Positive individual earnings) Brazil, 1960-1980.



Source: Hoffman, 1991.

Graph 15 – Theil index (Positive individual earnings) Brazil, 1960-1980.

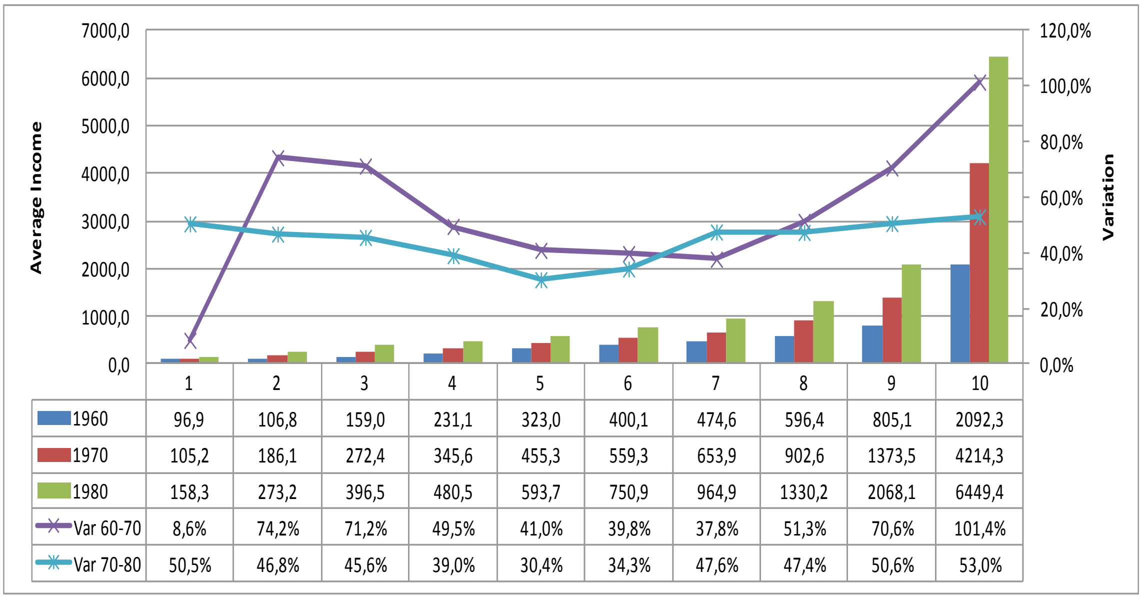


Source: Hoffman, 1991.

The high economic growth rates of the 1960s, but especially in the four last years of the decade, fell far short from reducing the social and economic gaps accumulated by the various income strata. The average real growth income of the richest 10% was above 100% in the first decade analyzed, whereas, with the exception of the second, third and ninth distribution deciles, no other group grew by more than 70% (Graph 16). It is also worth underscoring the low income growth of the medium strata (fourth to seventh deciles), evidencing that growth had been appropriated by the opposing extremities – but especially by the upper strata – of the distribution spectrum (Langoni, 1973; Fishlow, 1972).

In addition to the variations verified across decades, it is worth noting the gap between average incomes and the high level of income concentration in the richest 10 percent group. The ratio between the average income of the poorest 10% and the richest 10%, which was a high 21 times in 1960, reaches 40 times in 1970. This high income-concentration setting is corroborated by Table 5, which presents the percentage of available income appropriated in deciles. Over the 1960s, only two higher strata increased their share, whereas all the other groups experienced a decline. Additionally, it is worth stressing the fact that the higher decile increased its share of total income by 17.3% over the same period.

Graph 16 – Average income in deciles and variation in % over period; Brazil, 1960-1980.



Source: Bonelli & Sedlacek, 1988.

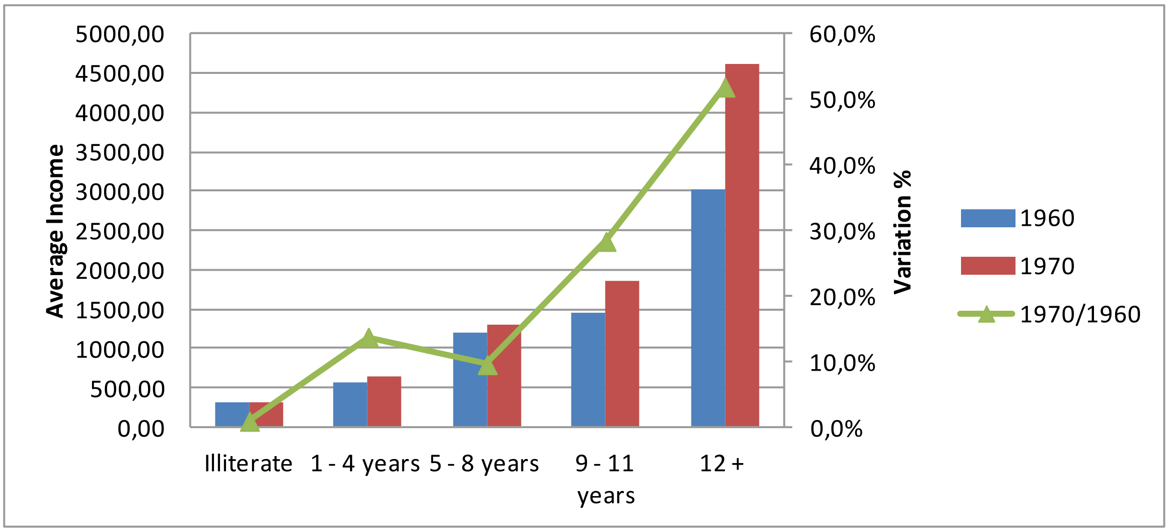
Table 5 – Income deciles relative share and percentage variation over the period; Brazil, 1960-1980.

Income deciles	1960	1970	1980	Var 60-70	Var 70-80
1 -	1,17	1,16	1,18	-0,9%	1,7%
2	2,32	2,05	2,03	-11,6%	-1,0%
3	3,42	3,00	2,95	-12,3%	-1,7%
4	4,65	3,81	3,57	-18,1%	-6,7%
5	6,15	5,02	4,41	-18,4%	-13,8%
6	7,66	6,17	5,58	-19,5%	-10,6%
7	9,41	7,21	7,17	-23,4%	-0,6%
8	10,85	9,95	9,88	-8,3%	-0,7%
9	14,69	15,15	15,36	3,1%	1,4%
10 +	39,60	46,47	47,89	17,3%	3,0%

Source: Bonelli & Sedlacek, 1988.

Income gap growth across educational strata tracked closely the rise in inequality. Graph 17, below, presents the average income by educational level in 1960 and 1970, as well as percentage change over the decade. The illiterate population had no real increase, the less educated (1–4 years' study) rose by only 10%, slightly above its immediately higher group (up to 8 years' schooling). Those who had gone to secondary school had an increase of nearly 30.0% in their income, while those who went to college increased their income by over 50%.

Graph 17 – Average income by educational stratum and 1960/1970 change.



Source: Langoni, 1973; (nominal values deflated for Brazilian reals (BRL) as at June 2012).

Faced with this picture, academic debate concentrated on interpretations concerning the causes for the growth in inequality. On one side, Langoni (1973) stated that schooling constituted the key explanatory factor to the higher dispersion of income over the period, arguing for an explanation firmly anchored on the theory of human capital: inequality had grown as a result of high economic growth over the decade in a context of imbalances between supply and demand of skilled (scarcity) and unskilled workers (excess).

According to the author, two points are crucial in explaining this upward movement. Firstly, a change in the educational structure of the economically active population, promoting the absorption by high income concentration sectors of a host of workers coming from low-income sectors.

Secondly, the author drew attention to technologically-driven labor market imbalances, purposefully inflating wages of a reduced and inelastic supply of a more schooled labor force. Similar explanations were developed by Senna (1976).

Other authors argued for institutional reasons that would account for the higher income inequality. Fishlow (1972), for example, argues that the rise in income inequality reflected, first of all, the failure of the fiscal and monetary policy of the military government, and especially the labor market intervention policy and the unions' lack of autonomy. This environment would have created the conditions for those better positioned in the occupational and educational structure to appropriate themselves disproportionately of the available income over the 1960s. Schooling, from this point of view, was doing nothing else but reproducing privilege for a reduced elite at the top of the hierarchy.

In a complementary explanation, Hoffman & Duarte (1972) and Hoffman (1973) point to economic policy, with lower-than-inflation raises of the minimum wage and wage floors, as the main cause for a rise in wage inequality. Moreover, other drivers, for instance, the elimination of the stability law (1966) – which prompted increased staff turnover, notably among the less skilled – and a crackdown on the unions, further shaped the institutional environment that prompted wage dispersion and increased the returns for the better educated.

Other authors seek part of the explanations in the organizational dynamic of the big company. Bacha (1975) resorts to the argument that the ruling classes of the large corporations had made gains that outweighed their marginal productiveness. Morley, Cacciamali and Barbosa (1976), in turn, contend that the expansion of the big organization drove the constitution of well-structured internal labor markets, which benefited those workers who managed to participate in them, leading to a broadened wage spectrum

Regardless of the various interpretations, the fact is that the 1960s witnessed an alarming rise in income inequality levels and an increase in wage returns for the better educated groups, situated at the top of the occupational hierarchy.

On the other hand, debate on what occurred in the 1970s changes altogether. Firstly because, in spite of a relative increase, inequality levels did not grow as in the previous decade (Graphs 14 and 15). Secondly, because the debate shifted its focus onto regional and sectoral explanations for income inequality.

Unlike the 1960s, when concentration had mainly grown in the urban labor force, the 1970s were marked by increased income inequality for primary industry workers, reflecting modernization and the arrival of new labor relations in the countryside. This aspect is associated with the very change in the spatial distribution of inequality. If in the previous decade the South and Southeast regions had driven the indicators' upward movement, in the 1970s the increase was led by the North, Northeast, and Center-West regions.

In the 1970s, the country continued to experience high GDP and urban employment growth rates, enabling less concentrated real income gains across strata. This is attested by the fact that all the distribution deciles had very similar real gains in terms of average income. Although the higher decile once again posted the highest average growth, the gaps in the 1970s are lower in comparison with the previous decade. With the exception of the fourth, fifth, and sixth deciles, all the others had real gains of 40% or 50%. Such behavior reflects a redistributive income growth trend favoring the lower strata from 1976 to 1980.

Over these years, the variation was 6.8% for the 30-percent lowest strata, 8.1% for the following 40-percent strata, and minus 4-percent for the top 10% (Bonelli & Sedlacek, 1988). This is mostly due to a setting of job expansion plus new legal provisions establishing wage indexing, thus ensuring higher gains for those at the base of the wage structure (Cacciamali, 2010).

Inequality Trends by Gender and Race from 1960 to 1980

The rise in income inequality verified over the period must also be analyzed from the perspective of how the different social groups were affected by this process.

As a society becomes more modern, it is expected that competition for the most advantageous positions – most often translated into individual's position in the labor market and subsequent pay – will not be characterized by a monopoly by a specific social group.

Moreover, it is widely known that modernization in dependent societies was far from being an anachronistic translation of the process seen in advanced-economy countries.

Actually, in dependent economies good part of the historically-built cleavages are recycled under new forms.

Here, we find it necessary to briefly address the two drivers that illustrate the dynamic and the way by which capitalist development over the period analyzed led to increased inequality in Brazil.

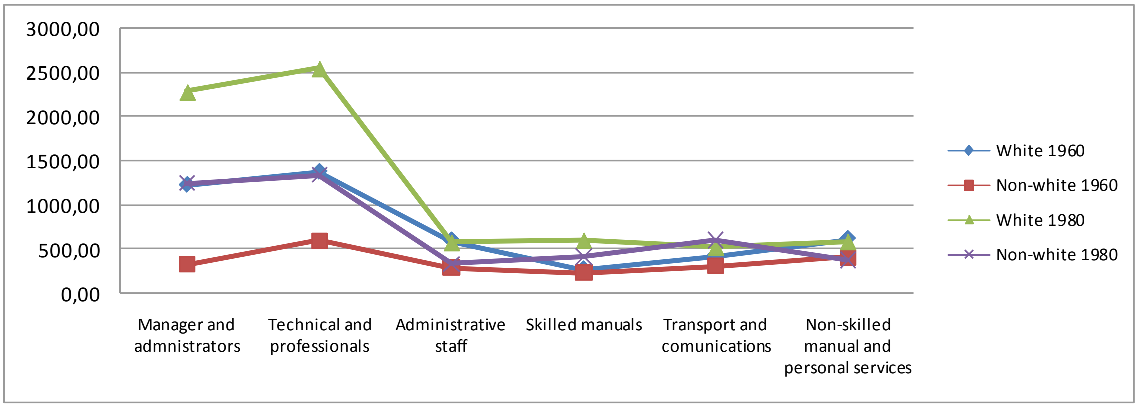
The first one regards the mark imprinted by slavery and perpetuated power relations between whites and blacks – notably tending to benefit the first group. The second regards differences between men and women in the labor market over the period. We underscore, above all, some aspects concerning the *outcome gap,* when we compare individuals in the labor market by sex and race.

Graph 18 shows wage differences across men and women from 1960 to 1980, controlling for race and occupational group. The results clearly show how the gaps grew in the higher occupational groups, especially for managerial positions and technical and professional groups. For whites in these two first groups, the gap rose by more than 85%. If in 1960 white men at the top of the occupational hierarchy earned, on average, approximately R$1,300.00 more than women, this gap rises to about R$2,300.00 in 1980.[27]For blacks, the gaps are the same, though, as should be expected, at lower levels.

On resuming the debate concerning the increase in inequality and its relation with educational credentials, we can suggest that, although it is true that the best educated benefited the most during this period, there was a profound change in the way income gains were appropriated in favor of men, in comparison with women, and of whites, in comparison with blacks.

On the other hand, with the exception of the "skilled manual" group, where the gap nearly doubled, little change took place in the middle and at the base of the occupational structure. This finding points to the maintenance of wage differentials by sex within the race groups and also within the occupational groups.

Graph 18 – Wage gap by sex, controlling for race and occupational group 1960-1980.



Source: Lovell, 1995.

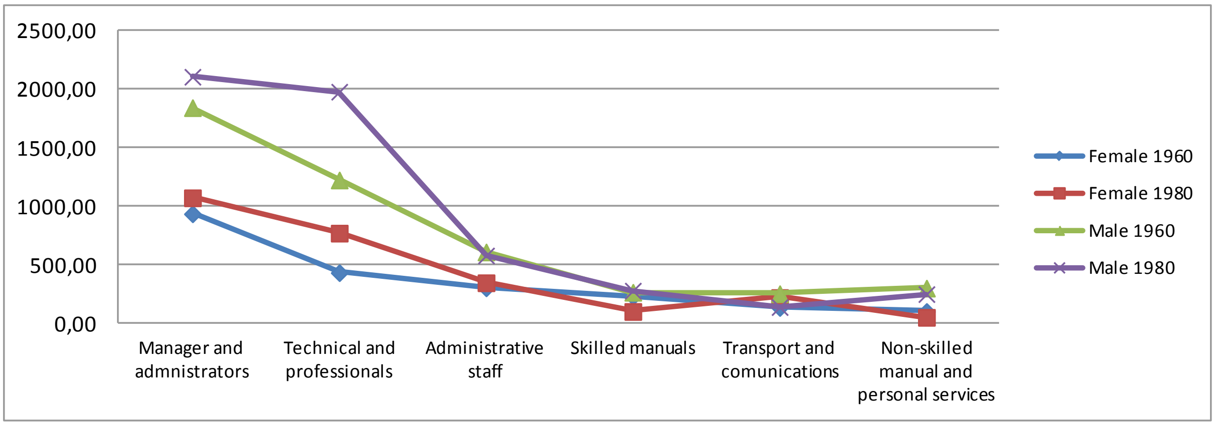
The picture for blacks and whites (Graph 19), in turn, also shifts at the top of the occupational hierarchy. Unlike what had happened between men and women, less visible changes can be observed from 1960 to 1980: differentials in the two upper

[27] Monetary values adjusted to June 2012.

occupational groups are not as striking, whereas in the intermediate and lower occupational groups what we see is a trend towards maintaining the inequality pattern.

Hence, whites have higher wages than blacks even if they are of the same sex and in similar occupations. The 1960s and 1970s not only saw the maintenance of this inequality driver, but also, in some cases, its worsening.

Graph 19 – Wage differential by race, controlled for sex and occupational group; 1960-1980.



Source: Lovell, 1995.

Lovell (1995) approaches sex- and race-related occupational discrimination by building on the probability of it affecting certain occupation groups. The author shows that, notwithstanding the fact that the greater effect found was that relative to schooling, that is, better educated people are more likely to be found in more prestigious occupations, and the fact that the overall rise in educational levels reduced the gap between men and women, racial inequality persisted in the gender groups. These trends were also expressed in the form of wage discrimination *within occupational* groups. Even when controlling for other dimensions, like schooling, professional background, and age, women and blacks earned significantly less than men and whites, respectively.

What this and other studies (Barros & Mendonça, 1995; Ribeiro, 2007) reveal is that, despite slight variations, income inequality by gender and race did not decrease over the period. Moreover, with regard to the first point, high fertility rates, associated with low participation rates in the labor market, constituted serious barriers for the effective commoditization of the female labor force, as well as for the prospects of equalization of conditions in relation to men.

With regard to race disparities, some authors set out to show that wage and occupational differentials did not arise only from educational achievement differentials or from class of origin reproduction (Hasenbalg, 1979; Silva, 2000).

Others, still focusing on the position held by blacks in the Brazilian society precisely in the post-1950 period, emphasized that the rapid industrialization process, urbanization, and the high flow of immigrants eventually led to the shaping of racially-stratified social classes. In this setting, prejudice would only be visible in (intra-class) horizontal relations, given that in vertical relations racial prejudice would confound itself with class prejudice, thus not making it possible to distinguish them (Bastide, 1971).

Lastly, Florestan Fernandes (1978) stressed that, although labor market stratification owed little to racial prejudice issues per se, slavery's historical legacy had ultimately led to the institutionalization of polarized social symbols and behavioral patterns as regards the race and color of the workers, which had a peculiar translation into power differentials in the concreteness of social relations.

Notwithstanding the interpretive lineages regarding each of these themes, the high income inequality setting by sex and race came to consolidate itself at a juncture when the Brazilian society was achieving high levels of social mobility. Accordingly, it was precisely this socioeconomic dynamic that contributed to further increase the differentials across social groups, since new positions in the social structure were created in abundance, providing some degree of upward mobility, especially at the base of the social pyramid. In short, this mobility pattern emerged as a consequence of (yet also contributed to) the tearing of the social tissue and to increasing inequality.

Structural Mobility as the Engine of Social Mobility

Throughout this topic, we have sought to describe and analyze how and why the decades analyzed characterized themselves by an increase in income inequality levels in Brazil. Moreover, we have stressed that this process was accompanied by increased social mobility.

It is worth highlighting that mobility and inequality are social phenomena that, though sometimes intertwined, have different dynamics. If the first one can be translated in gaps between social groups in terms of income, the second one concerns the position of individuals along the social structure at two different points in time, in intra or intergenerational terms. The latter, in particular, addresses the degree to which opportunities are distributed along the social hierarchy, such that, by observing different chances for different social groups, we are referring to a socially-structured process of inequality of opportunities: an individual's class of origin conditions the class of destination.

The position that individuals may come to assume in this hierarchy depends on a range of factors that condition the manner whereby resources are accessed and mobilized throughout a life cycle. Whether by possibilities of access to schooling, one of the most prestigious and socially-legitimated assets in the allocation of individuals in the social structure; by region of residence (especially that concerning the urban/rural cleavage for the Brazilian case); by housing conditions and conditions of access to public infrastructure systems; by resources available in the household, like influence network (social capital) and transmission of cultural capital (Bourdieu, 1986); or even by the presence of discrimination linked to aforementioned characteristics, like sex and race.

The way how these processes are interrelated and their empirical materialization surely depend on a series of factors that pervade the structuring of classes in the social space. However, their actual results from the point of view of social mobility will largely depend on the opportunities effectively existing within the occupational structure.

Hence, a line must be drawn between *structural mobility* and *circular mobility* processes. In the former, mobility occurs because of the availability of *new vacancies*. That is, for an individual to occupy a position that is higher than that of his/her class of origin, no one has had to leave that position, precisely because this is a new vacancy created in a given space of time. Whereas in the second form of mobility, for a person to occupy a higher position, someone must have come down (descending mobility) or, at least, left the market.

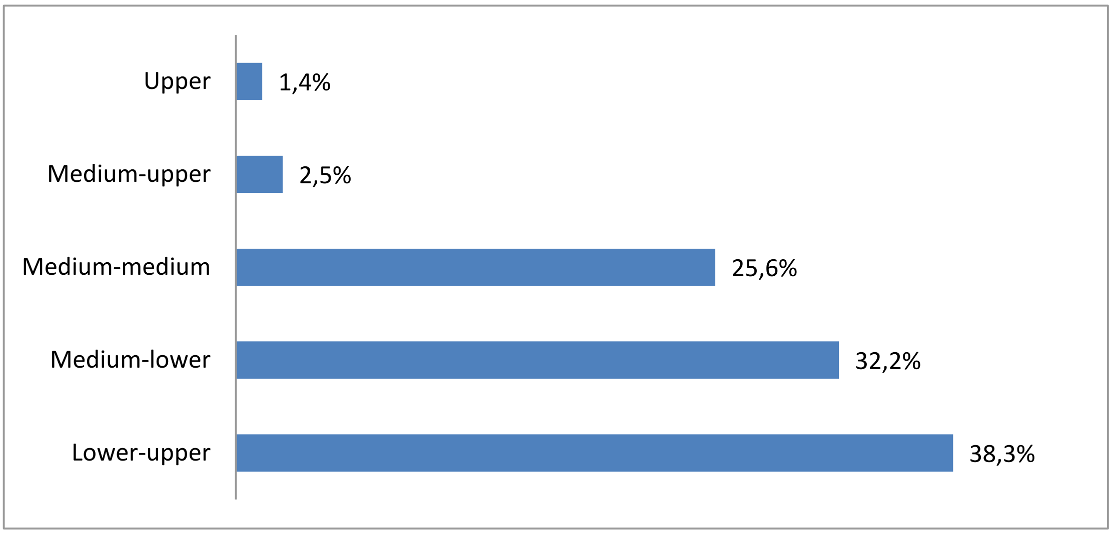
Such distinction is important because structural mobility was the process that most strongly marked the Brazilian society throughout good part of the twentieth century. Data by the 1973 National Household Sample Survey (PNAD), for example, show that 47.0% of the workers in that year occupied a higher position in the occupational structure than that occupied by their parents. Another 41.0% were in the same position (Pastore, 1979).[28] The total mobility rate – which also takes into account descending mobility – was 64.6% in 1973 and 71.8% in 1982 (Ribeiro, 2007). This last figure, specifically, means that almost ¾ of the Brazilian workers in the year of 1982 were in a different position from that occupied by their parents. Of these, 84.0% were in higher positions (ascending mobility).

Such a social mobility process finds in the very dynamics of the Brazilian production structure one of its main causes. Not by chance, of the children of agricultural workers who rose in the occupational scale, about 1/3 were in the "upper low" category in 1976, which to a great measure represents a change from the condition of rural poverty to a situation of urban poverty. Despite the short-distance rise, it must be noted that this rise is meaningful from the point of view of overcoming inequality of opportunities in the long term (especially for the next generations), insofar as urban areas provide considerably more opportunities of access to goods and services than the rural area, especially in terms of access to school and better job opportunities.

Another 38.0% of the children of rural workers who rose in the occupational ranking reached the lower-medium stratum, while 25.3% reached the medium-medium stratum. As can be clearly noted, few reached the more prestigious occupations: 2.5% and 1.5%, for the upper-medium and higher strata, respectively. That is, the occupational structure proved permeable to the mobility of those from the countryside only to a certain extent (Graph 20).

[28] These authors, pioneers in the studies of stratification and mobility in Brazil, made use of a classification with six occupational groups hierarchically organized as follows: i) Lower-low (agricultural workers); ii) Upper-low (unskilled urban occupations); iii) Lower-medium (low-skilled manual occupations); iv) Medium-medium (skilled manual occupations); v) Upper-medium (skilled manual occupations with decision-making power); vi) Upper (ruling classes).

Graph 20 – Occupational stratum of rural workers' children experiencing ascending mobility, 1973.



Source: Pastore &Valle Silva, 2001.

Short-term mobility, as can be inferred from the data above, was strongly associated with the rural/urban migration process. Still, it was not exclusive to this group. Also for those who already lived and worked in urban areas, few succeeded in achieving long-term ascending mobility.

Analysis of 1973 through 1982 data, i.e., data from cohorts of individuals who entered the labor market after 1930, Ribeiro (2007), shows that, in the first year analyzed, only 15.8% of total mobility was long term. In other words, the majority of the people moved from a very low stratum to the immediately higher stratum (Pastore & Valle Silva, 2001; Ribeiro, 2007).

Table 6 corroborates this point, besides presenting differences between men and women.[29] First, it is worth drawing attention to the way how the class of origin and the class of destination most accurately reflect changes in the production structure and the urbanization process. If over 70.0% of the parents of those who were in the labor market in 1973 were rural workers, among the children this percentage is below 40.0%. Moreover, it is widely known that, by reducing the base of the rural pyramid, the urban base widens: total manual workers, accounting for 13% in the previous generation, now is at 38.1%. At the same time, we observe a sharp rise in the middle and higher classes, though less intense than that observed in relation to the lower classes.

[29] Even though using a different occupational classification than that used by Pastore & Valle Silva (2001), Ribeiro eventually made very similar findings.

Table 6 – Intergenerational Mobility in Brazil by sex; 1973.

Brazil, 1973	Male		Female	
	Background class (Parents' class)	Class of destination (Sons class)	Background class (Parents' class)	Class of destination (Daughter's class)
Professionals and Administrators	4.3%	11,6%	4,3%	11,1%
Routine non-manual workers	2,0%	6,1%	2,1%	9,9%
Lower Proprietors	6,5%	7,4%	6,7%	28,0%
Skilled manual workers	6,6%	13,3%	5,7%	12,8%
Non-skilled manual workers	8,4%	24,8%	8,4%	28,0%
Rural workers	72,0%	36,7%	72,9%	35,4%
Total intergerational mobility	55,3%		57,5%	

Source: Ribeiro, 2012.

Thus, it has been demonstrated that the expansion of the top part of the pyramid – in particular due to new positions made available in the modern sector of the manufacturing industry and of the higher tertiary – benefited those better educated. Therefore, to a significant increase in poorly skilled, low wage workers at the base was added a relatively reduced range of good occupations at the top of the hierarchy, for an equally reduced more skilled spectrum of the labor supply.

Such combination, which materialized in a still poorly diversified occupational structure, yet diversifying fast, eventually sanctioned the income gaps. These, however, cannot only be accounted for labor market dynamics, but are driven by the economic policy and the regime of accumulation that, notwithstanding having broadened total labor-derived income, allowed capital-derived income to grow at a more than proportional rate.

Mobility and inequality were, so to speak, at the core of the transformation of the Brazilian social structure throughout the accelerated industrialization period. Their relation is complex, as underscored throughout the text. Mobility contributes to freeze (and even to justify) inequality in terms of class position, while it is at the same time one of its driving forces if we look at income differentials. Both are, in turn, the outcome and the structuring force of the regime of accumulation set up during the military regime, which would see its demise in the 1980s, at a time when inequality was steadily rising and social mobility was seriously constrained.

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2. From Economic Crisis to Growth Recovery in the Context of Consolidating Democratic Institutions: Brazil from 1980 to 2010

This second part of the text is divided into six topics. We start out by presenting, in rather schematic fashion, the main features of the deep political and social transformation process Brazil went through before and after the military regime. Based on an analysis of the period's macroeconomic indicators, we then proceed to outline the factors that led to the waning of the former development model, which was succeeded by either aborted or frustrated attempts at gestating new regimes of accumulation. In the third and fourth topics we review the changes processed both in the field of labor policies and institutions and in the realm of social policy broadly. The fifth topic sets out to assess the varying behavior of the labor market over this period, linking its dynamic to the structural elements developed in the previous topics. Finally, the sixth topic is centered on the impacts of these new economic, social, and political configurations on the behavior of poverty and inequality in contemporary Brazil.

2.1. Political and Social Context from 1980 to 2010

No sooner had President Ernesto Geisel (1974-1978) announced the "slow, gradual, and safe" political opening of the authoritarian regime than he would be surprised by an unanticipated defeat. In 1974, his party, ARENA, lost 16 of 22 Senate seats to the consented government opposition party, the MDB. Though still holding a majority of seats in Senate and in the Chamber of Deputies, this defeat would widen the horizon of expectations of the social and political opposition forces, which had until then engaged in action in different arenas.

The regime was not trying to "open up" to full democracy but, rather, to institutionalize the regime through a hegemonic official party, sanctioned by vote and shielded against internal crises – infighting between factions representing the military –and external crises– civil society pressure. (Napolitano, 2014, pp. 234-238, 257)

Although the opposition party's win had few concrete impacts in terms of power distribution, it resonated across the transforming society, unleashing new energies and uniting all the forces that were challenging the regime in the same camp. From the 1977 student movements to the awakening of the greater São Paulo ABC metalworkers, in the famous strikes of 1978 and 1979; through the defense of "democratic freedoms" by segments of national entrepreneurs; to the appearance of social movements of a new kind that claimed for improved living conditions and against all forms of discrimination, many of which were backed by the Church. The fact is that the political democratization agenda went hand in hand with the social democratization agenda, in the terms articulated by Luiz Werneck Vianna (2006, pp. 38-39).

Despite the ideological plurality that characterized these political and social forces, the quest for redemocratization would come to unite them at important junctures, such as in the 1978/1980 period or during the "Direct Elections Now!" campaign, which massively took to the streets in early 1984. Infighting among these social groups, however, did exist and arose after the Amnesty Law (1979) and the Political/Partisan Reform (1979), which made it possible to create new political parties but, most importantly, authorized direct gubernatorial elections, which were won by the MDB in many states of the federation (Napolitano, 2014, pp. 296-302).

This coalition in future would back up the institutionalization of political democracy as enshrined in the 1988 Constitution and in response to the social dynamics, breaking with the “bourgeois revolution from the top” that had characterized the country until then (Vianna, 2006, p.15). Still, as we shall see ahead, if one important battle had been won, the war would rage on over the following years, with many advances and retreats.

It is worth noting, however, the contradictory nature of the “democratic transition” in Brazil, a period spanning over the year of 1979 –when, besides the aforementioned laws, the military governments’ “institutional acts” are revoked, thus preventing the dictatorship from continuing to function as a regime of exception–and 1988, the year the Constitution was sanctioned (Reis, 2014, pp. 11-12).

Contradictory because the first civilian government, elected in 1985, would be incumbent upon José Sarney, a dissident ARENA leader who had left his party to be vice-president in a slate headed by PMDB presidential candidate, Tancredo Neves, who would die of health problems before being sworn in. The forces of tradition would remain in power – where they still are today, even though in different fashion – through six direct elections for president.

Over this period some of the impasses pointed out by Florestan Fernandes (1987, pp. 278-281) in the 1970s would become evident. With the consolidation of a deeply concentrating regime of accumulation – in terms of power, wealth, income and access to social policies – throughout the authoritarian regime, “the bourgeois power restored and recomposed itself”. Yet, symmetrically “the people also changed [their] structural and historical configuration”, while the factory workers’ movement assumed a new economic, political, and social weight in the Brazilian society. This new contradiction could engender, at least in theory, a capitalist development pattern capable of acquiring “some national and democratic facets”.

It is against this backdrop that we will attempt to address some of the dilemmas that developed in the 1980s until the crisis that culminated in the impeachment of President Fernando Collor, and afterwards, in the Fernando Henrique Cardoso (FHC) and Lula administrations, when there takes place a normalization of the functioning of the Brazilian democracy, regardless of these administration’s disparate guidelines.

1980: “Lost Decade” and “Won Decade”

The foreign debt crisis peaked in 1982 and rendered the previous development model unsustainable. The class consensus that had underpinned the authoritarian regime collapsed, rendering the blueprint that had guided the actions of the Brazilian State unfeasible. If the public sector had grown in terms of actions and functions, settling conflicts by “escaping forward”, now the pact was undone and the alliance became unstable. (Fiori, 1989)

Economic instability contributed to accelerate the transition, favoring the rise of progressive segments. Meanwhile, the social and popular movements, organized to some extent around the Workers Party (PT, from Portuguese *Partido dos Trabalhadores*), which was founded in 1980, together with national business and a broad spectrum of political forces, prepared new demands designed to redefine the future power pact that would thrive during the redemocratization. In the context of a State that was losing control over the economy and of no consensus on the roadmaps to development, the path to monetary stability would be closed until 1994, when, after a number of stabilization plans had failed, the Real Plan is launched.

Paradoxically, in the midst of economic turmoil, in 1986 the country elects a National Constituent Assembly that would approve the 1988 Constitution, named the "citizen Constitution" by the then President of the Chamber of Deputies, Ulysses Guimarães.

In fact, if we construe citizenship as a set of civil, political, and social rights to which a collectivity has access, the designation is accurate. The historical process begun in 1930 had inverted the sequence, as established in the developed countries, of citizenship rights by assigning precedence to social rights, even if these never reached out to the whole of society, given that those "included" (or "citizens") depended on their participation in the labor market to be eligible to social and economic rights guaranteed by the State (Carvalho, 2001, pp. 11-12, 61). Now social rights would significantly expand in scope and reach, regardless of position along the labor market ladder, and be placed on level footing with civil and political rights.

There was open room now for a deep transformation in the country's social and political structures. According to Wanderley Guilherme dos Santos (2007, p. 116-117), in legal terms there was "territorial universalization of the application of constitutional norms". The "community constitutionally covered" by rights had been significantly enlarged for Brazilian natives, and for residents in Brazil alike, whether having illegally entered the country or not.

Yet, "effective consumption of constitutional rights" would not be assured overnight. If society had fully embraced the associative and electoral arenas, institutional/legal institutions had lagged behind. Access to social, civil, and political rights, besides scarce for various segments of the population, would be distributed in a highly unequal fashion.

To further widen the gap between the real world and the world of the law, in the 1990s the discourse that would come to prevail was based on the argument that the Constitution had become a burden for raising competitiveness of the Brazilian economy. In a few words, the market could not afford to "pay for the new costs"; otherwise it would compromise the efficiency of the productive agents. Application of the new constitutional provisions would also be postponed on account of the broad power coalitions formed to guarantee governability and ensure a majority in Congress, in a context of extreme fragmentation of the interests gathered around the main political parties.

Normalization of Democracy with Economic and Social Changes: The FHC and Lula Administrations

It will be up to future historians to fill in the details on how much rupture and continuity there was in comparing the two presidents who governed Brazil between 1995 and 2010. Prominent leaders of the redemocratization process in the country, FHC and Lula played quite different roles after the conclusion of the democratic transition.

President FHC started his tenure backed by the success of the Real Plan, as felt in the ballot boxes, and in Congress and gubernatorial elections. He brought an agenda of reforms and the promise of a stable new economic model, one that was more open to the outside world, and more competitive. Thus, in place of the triple alliance between State, foreign capital, and national business that had characterized the country's industrialization, his new agenda, in accordance with the international setting's new development parameters, gravitated around economic liberalization, increased competitiveness, and a redefined State role, now no longer as producer, but as regulator and provider of social goods.

On the rhetorical level, he came to decree the "end of the Vargas Era", as it had purportedly exacerbated the role of the State and created powerful trade union corporations that opposed change. Hence, he suspended public monopoly on countless sectors, e.g. telecommunications, energy distribution, and oil, paving the way for foreign capital to enter in several activities formerly restricted to domestic capital, as well as further pushing forward with the privatizations. He reformed social security, yet did not succeed in significantly changing labor and union laws.

The goal was to establish a new pattern for the integration of Brazil in the global economy, a process that was momentarily interrupted by a string of international financial crises, but was resumed and stepped up after a dramatic devaluation of the currency in 1999.

The FHC administration's conception of State and governance introduced, among other government agencies, the figure of the regulatory agency, responsible for controlling and arbitrating private concessions of public utilities in infrastructure, and social services.

The drive to stabilize the economy and liberalize foreign trade and capital, however, lacked long-term planning, leaving the country hostage to the international setting, the performance of the Brazilian economy, and the moods of short-term capital.

Price stability reining in inflation, while introducing new social policy technologies, especially in the areas of health, basic education, and, less strongly, in the fight against poverty, and the maintenance of democratic institutionality, in spite of a conflicting relation with the social movements, characterized his administration.

The end of FHC's second term of government was characterized by low approval ratings, which made it possible for the great popular leadership of contemporary Brazil, Luís Inácio "Lula" da Silva, after three failed attempts, to become president of Brazil from 2003 to 2010.

Lula took office in a context of high expectations by the Brazilian population. In addition to his traditional constituency, he had managed to get the support of middle-class and business segments. His main challenge in the early days of his administration was to calm down the markets, wary of contract breaching and a radical shift in economic policy. By upholding the fundamentals of economic policy, as we shall describe ahead, the government, to the amazement of many analysts, raised the interest rate and the primary surplus target, promising for the coming future a "spectacle of growth".

Building on a broad spectrum of alliances, the Lula administration succeeded in making up a ministerial cabinet that brought together conservative groups and segments coming from the social movements. If his administration did not substantively alter the coordinates of the macroeconomic policy, it would benefit from the new setting of international expansion, with low foreign interest rates, a commodities' boom, and a wide supply of capital. Still, the robust performance of the domestic market was only made possible because of a range of innovative policies and economic programs, restoring the public sector's credit-extension capacity and the investment potential of state-owned companies, increasing the value of the minimum wage and further enlarging social transfers, in addition to starting a significant, yet insufficient, public works program, especially during his second term (2006-2010).

Unlike the FHC government, Lula reelected his successor and left power with approval ratings of about 80%. He had managed to keep the support of the working class and at the same time to look reliable to the productive sector, including big national and international financial segments. Additionally, he got the support of new social segments –especially of the more vulnerable workers–that would see their living conditions and consumption standards improve substantially during his tenure.

Nonetheless and in spite of the prompt response against the 2008 international crisis, the economy in the Dilma Rousseff administration started to grow at much lower levels than those observed during the Lula administration. Yet, the accomplishments in terms of labor market inclusion, reduced poverty and income inequality, in a context of effective democracy and inflation rates under control, were maintained. Still, they awakened societal frustrations and renewed the claim for better public services as the June 2013 demonstrations seem to indicate.

The recent interruption of the Lula administration's expansionary cycle, starting in 2011, seems to reflect economic policy limitations, lack of long-term planning, a new pattern of relations between the State and the private sector and, foremost, new channels to connect with a vibrant civil society that, nonetheless, is kept out of the leadership deals by the parties forming the government's power base.

As we shall develop further ahead, in this long period (2003-2013) features of a new mode of regulation were structured that, at best, allowed for the rise of an incomplete regime of accumulation, still dependent on greater coherence across institutional forms, plus new institutionalized social commitments, to be sustainable over time.

2.2. Weak Regimes of Accumulation: Macroeconomic Changes, Foreign Patterns of Integration and Distribution

As noted in Part 1 of the present text, in spite of the different configurations assumed by the Brazilian economy's regimes of accumulation during the 1930/1980 industrialization process, the wage labor relation was assigned a subordinate and adaptive role, molding itself to the dynamics of capital accumulation as driven by the other institutional forms. Even if the wage labor relation did mutate in form and complexity, its core remained unaltered: the decoupling between labor income and productivity, to the detriment of the former, with the difference appropriated by State and capital arguably acting as drivers of accumulation.

Moreover, that period's second regularity was the hierarchically higher position occupied by the new patterns of integration in the world economy and the new forms of State engagement. In spite of the various modes of interaction and features acquired, these institutional forms acted to influence the other forms, shaping unique regimes of accumulation and modes of regulation. Thus, the major developments taking place in the international arena from 1930 on and the growing space for State engagement as planner of investments and steward of the economy played a key role in transforming the Brazilian productive structure, eventually leading towards the construction of a complex and diversified industrial park.

Did these regularities remain valid for the three decades beginning in 1980? Can we speak of new regimes of accumulation, and corresponding modes of regulation, at a time of economic instability at home, especially in the 1980s, and deep transformation of capitalism on a global scale over the next two decades?

Building on analysis of the main macroeconomic variables, the present topic sets out to investigate to what extent the theoretical-methodological framework of the regulation school can contribute towards elucidating some of the trends of the period.

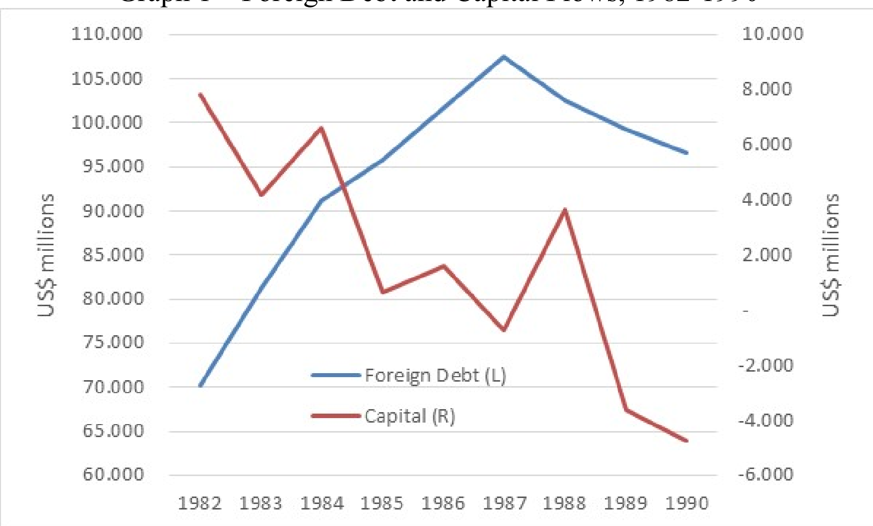
Analysis is focused on three periods: that of the instability of the 1980s, that of pro-stability reforms and foreign liberalization with low growth of the 1990s, and lastly, that of the expansionary cycle of the 2000s, whose continuity now seems to be constrained by structural factors.

The Crisis of the 1980s: Economic Instability and Waning of the Regime of Accumulation

In the 1990s the hike in international interest rates that accompanied the capital re-concentration process in the United States, the dynamic center of the capitalist world-economy, dealt a heavy blow to the developing countries and Latin America, and to the Brazilian economy, in particular. The US policy of concentrating international liquidity caused international trade to contract, including Brazilian exports. Furthermore, for a country that had significantly increased its foreign indebtedness in the 1970s, this meant a serious foreign solvency crisis.

The 1980s were characterized by spiraling foreign debt (almost US$ 40 billion between 1982 and the announcement of the 1987 moratorium), followed by an opposite movement in the flows of foreign capital (Graph 1).

Graph 1 – Foreign Debt and Capital Flows, 1982-1990



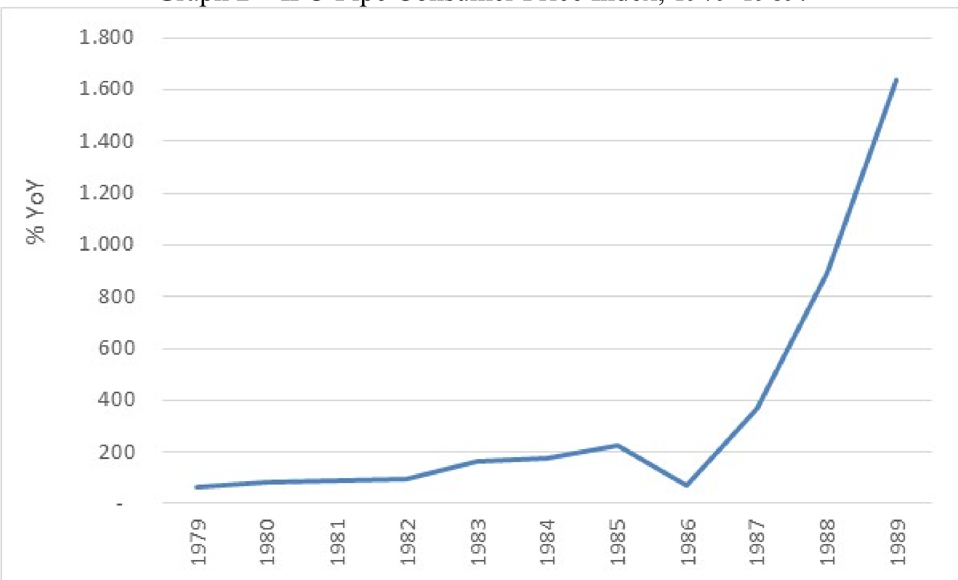
Source: IBGE. Note: The IBGE's "capital" series corresponds to the addition of net investments, financing, amortizations, medium- and long-term loans, short-term capital, and other forms of capital.

The continuity of the regime of accumulation and the economic dynamism of the Heavy Industrialization II period was, therefore, seriously constrained, if not jeopardized, by the fragility of the Brazilian economy vis-à-vis the international setting. The role of the State, as strategic agent in planning national development, was curtailed by foreign insolvency, a domestic financial crisis, higher inflation rates, and by the numerous economic hardships the country started to face.

Attempts to curb foreign imbalance only helped to worsen the overall picture of the Brazilian economy, as they compounded inflationary impact and economic instability. Thus, a currency devaluation intended to stimulate exports and, eventually, trade surpluses with a view to providing at least in part for the Brazilian economy's needs in terms of foreign financing ended up contributing to fuel inflation (Graph 2).

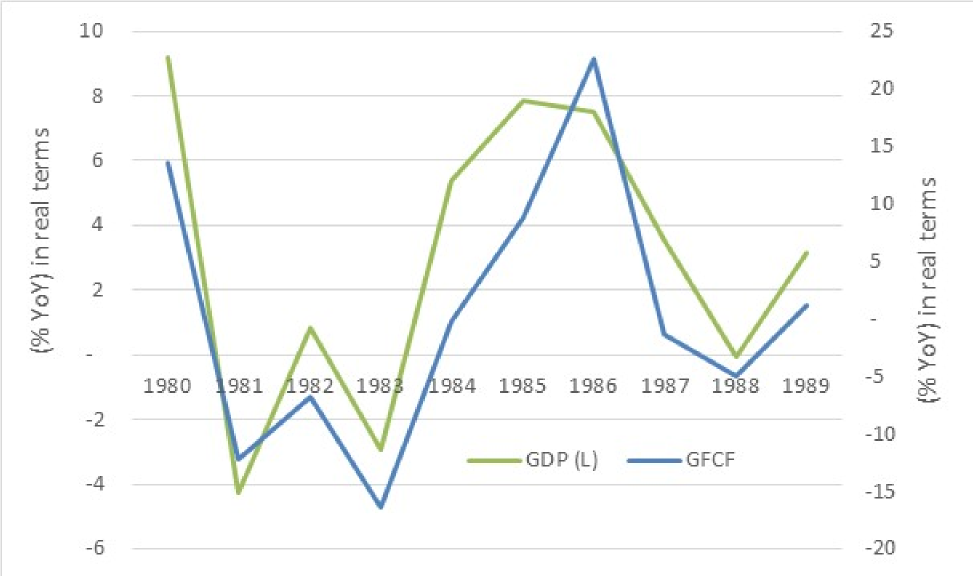
The several stabilization plans intended to control inflation broadened the economic instability setting. In the 1980s, GDP grew at an annual average of 3%, against 9% in the previous decade; however, economic growth over the decade was highly volatile and exhibited a relative magnitude for just a short period (Graph 3). Furthermore, from 1981 to 1983 Brazil went through its first typically-capitalist big economic recession, managing to achieve a positive growth rate in 1982 only because it was an election year. Additionally, gross fixed capital formation (GFCF) stagnated over the decade, notwithstanding sharp fluctuations, when compared with an annual average growth rate of 10% in the 1970s.

Graph 2 – IPC-Fipe Consumer Price Index, 1979-1989.



Source: Ipeadata.

Graph 3 – GDP and GFCF, 1979-1989



Source: Ipeadata.

Therefore, in the 1980s the foundations of the regime of accumulation prevailing during Heavy Industrialization II were seriously undermined by a change in the international setting and difficulties faced by the State to reorient investment and adjust the Brazilian economy without causing a drop in average productivity and compromising the ongoing capital accumulation dynamic.

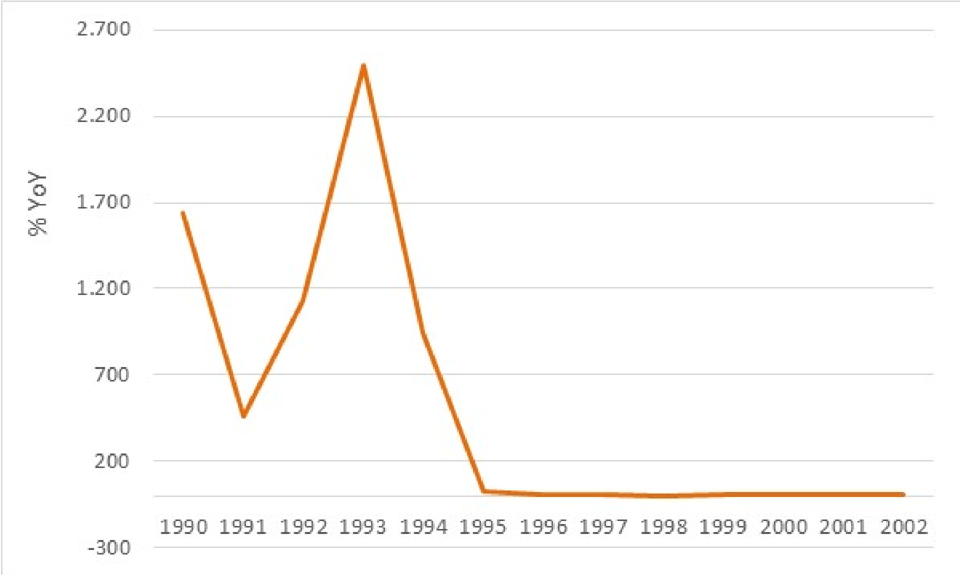
The type of integration in the international economy, one of the structural forms that make up a mode of regulation as we saw in the previous section, assumed greater relative importance in relation to the other forms, including by constraining the formerly dominating State form, which saw its engagement capacity decisively obstructed by a setting of foreign and inflationary imbalances.

Income concentration rose sharply, as companies adjusted their profit margins and took advantage of the high yields afforded by public bonds just as the State took up good part of the foreign debt the private sector had entered into; conversely, wage raises, given the high inflation levels, could not sustain the purchasing power of the portion of workers not linked to trade unions with greater bargaining power.

The Real Plan: Stability, Economic Liberalization, and Valuing of Capital in the Financial Sphere

It was only with the implementation of the Real Plan in 1994 that inflationary turmoil was solved (Graph 4). Together with the stabilization plan were introduced structural reforms aiming to establish a new growth model guided by the pursuit of productivity gains through the reorientation and reduction of the role of the State in the economy (the privatizations) and by trade and financial, liberalization, so as to render viable a new type of international integration for the Brazilian economy. At least that was what the Real Plan's policymakers were betting on (Franco, 1999).

Graph 4 – IPC-Fipe Consumer Price Index, 1990-2002

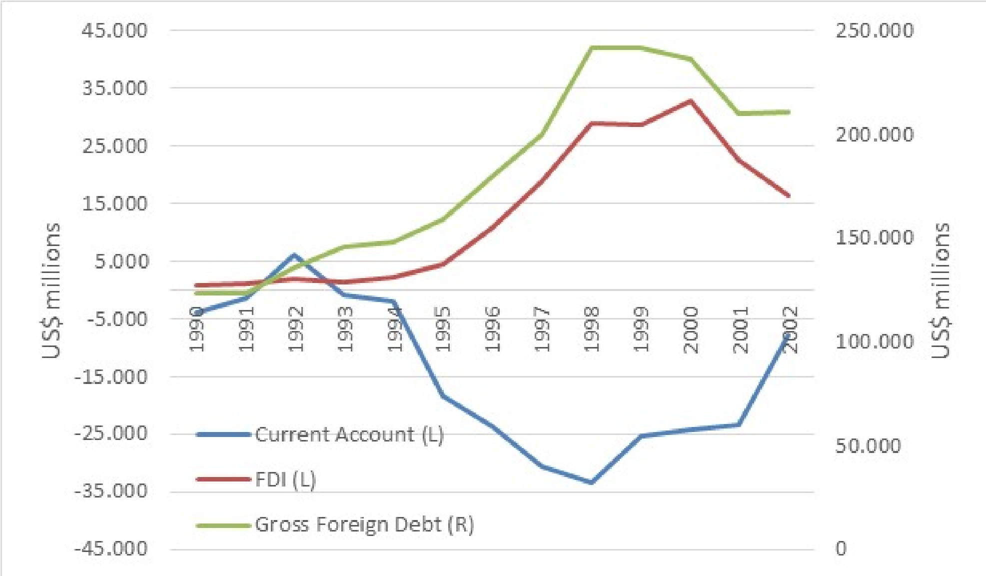


Source: Ipeadata.

The key tool for inflation control was the exchange rate, which pegged the Brazilian currency to the US dollar, causing it to appreciate, thus reducing the cost of imports. Its flip side appeared in the form of huge foreign trade and current account deficits. Hence, in an attempt to reduce pressure on the balance of payments, the interest rate was raised with a view to attracting foreign capital, with consequences in terms of a higher unemployment rate due to reduced demand and activity levels. Thus, the currency evaluation sought to increase the Brazilian economy's productivity and competitiveness levels, forcing exporters to be more competitive and stimulating imports of machines and equipment to "modernize" the industrial park and the country's other economic activities.

Starting in 1994, the current account balance becomes negative (Graph 5), charting a course of increasingly higher deficits. Meanwhile, there is also significant growth of foreign direct investments (FDIs), yet not in the proportion required to bring the current deficit into balance. In a context of high domestic interest rates and foreign capital availability, the Brazilian foreign debt expands once again, growing by almost US$ 120 billion from 1994 to 1999, nearly doubling its initial total.

Graph 5 – Current account, FDI and gross foreign debt, 1990-2002



Source: Central Bank of Brazil (BCB). Time series.

To understand these movements, one cannot lose sight of the new international context of the 1990s, marked by the phenomenon of international "financial expansion" (Arrighi, 1996). If on one hand this phenomenon flooded the capitalist world economy with abundant liquidity, on the other it also caused distress to countries in the periphery and semi-periphery, with increasingly more volatile capital flows. Eventually, financial liberalization proved to be a blessing and a curse: the same capital flows that helped solve the foreign deficit, were also quick to leave the country with every uptick in the international rates of return, with serious pressures on Brazilian foreign accounts.

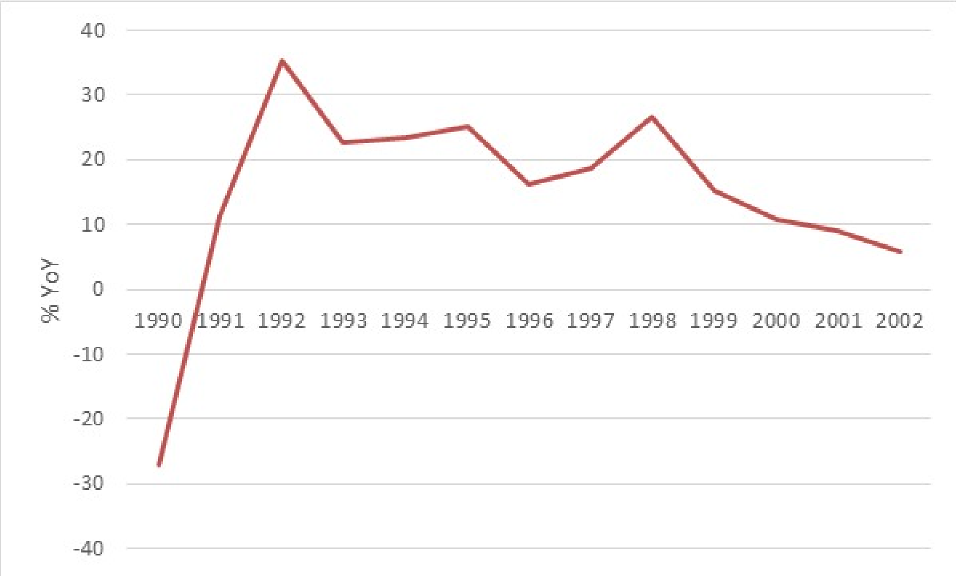
The acquisition of this new type of vulnerability was strongly felt with the eruption of the 1994 Mexican crisis, the 1997 Asian crisis, and the 1998 Russian crisis– with capital flight from emerging markets taking its toll on public accounts in the form of rising interest rates. These trends peaked in 1999, when speculative attacks forced the Brazilian real to be devaluated.

Therefore, it becomes evident that the Brazilian new pattern of integration in the world economy that had prevailed in the 1980s, by limiting the State's margin of maneuver, retained its relative importance in the 1990s, yet now imposing new constraints on the Brazilian economy. Economic liberalization in a context of financial expansion of the capitalist global economy ultimately increased the country's vulnerability to international speculative flows, which flooded the world markets in a glut of liquidity in search of greater yields. Moreover, it also made it easier for productive capital to enter the country in the form of foreign direct investment, attracted by the wave of State-sponsored privatizations, prompting the denationalization of segments of the Brazilian economy.

As in the 1980s, State action in the 1990s remained subdued, yet monetary policy was active in raising interest rates, such that, with the dollar peg, capital inflow allowed for inflation to stabilize at low levels, especially during the international crises. The role of the State was constrained by the monetary policy, causing public debt to expand in the aftermath of a hike in domestic interest rates. The privatizations and a higher tax burden were unable to alleviate this situation.

Graph 6 presents the average real interest rate over the period, evidencing that, from the implementation of the Real Plan until the 1999 crisis, it gravitated, on average, at about 22%, and only dropped after the adoption in 1999 of the economic policy “tripod” – inflation target, primary surpluses, and floating exchange. At that time interest rates were at about a still significant 10% p.a., still in real terms.

Graph 6 – Real interest rate, 1990-2002



Source: Author’s calculations based on the benchmark interest rate (SELIC) and the broad consumer price index (IPCA) series from Ipeadata.

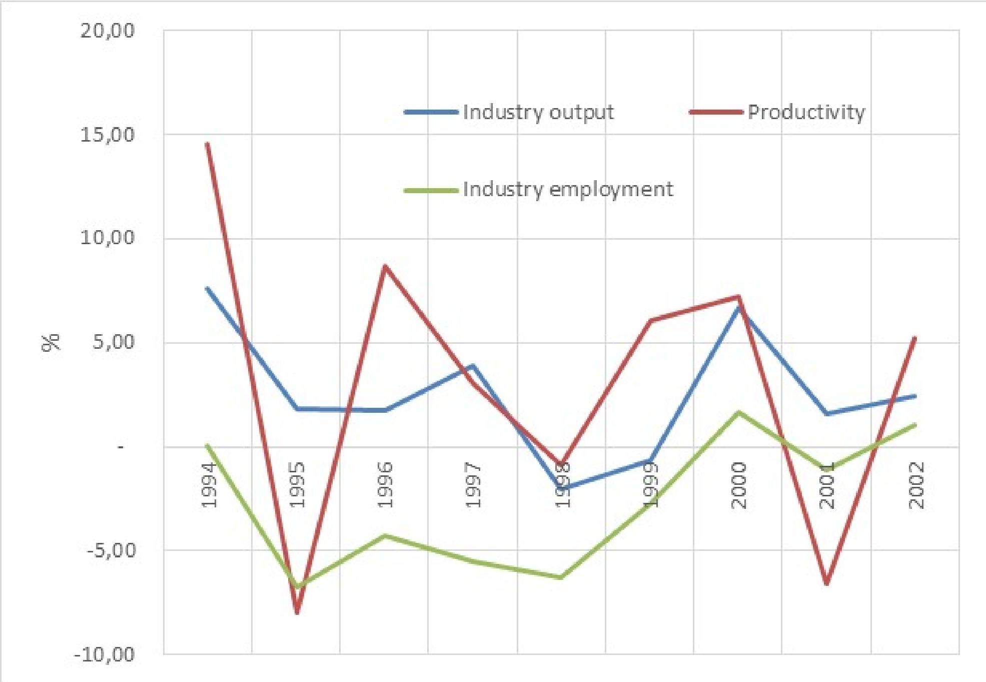
These high interest rates boosted capital accumulation in the financial sphere, especially with the high yields of the Brazilian, increasingly higher public debt bonds. While banks charged a high spread on corporate and household loans, income was gradually drained from the productive sector to the financial circuit.

The appreciated exchange rate, coupled with high domestic interest rates and the absence of consistent industrial and technological policy mechanisms, helped develop an unfavorable atmosphere for Brazilian business, which, faced with greater foreign competition, reacted by reducing product lines, importing capital goods, and outsourcing (Kupfer, 2005).

The denationalization of the productive park, capital appreciation in the financial sphere, and a quite vulnerable environment to foreign crises had negative impacts on the labor market. As we shall see, casualization and unemployment levels rose abruptly.

Graph 7 shows negative industrial labor expansion rates from 1994 to 1999, while industrial output and productivity grew on average by, respectively, 2% and 5% a year over the same period. In other words, productivity rose not through production diversification but, rather, through corporate retrenchment, with job reduction and new methods for organizing the labor process.

Graph 7 – Industry output, productivity and employment 1990-2002

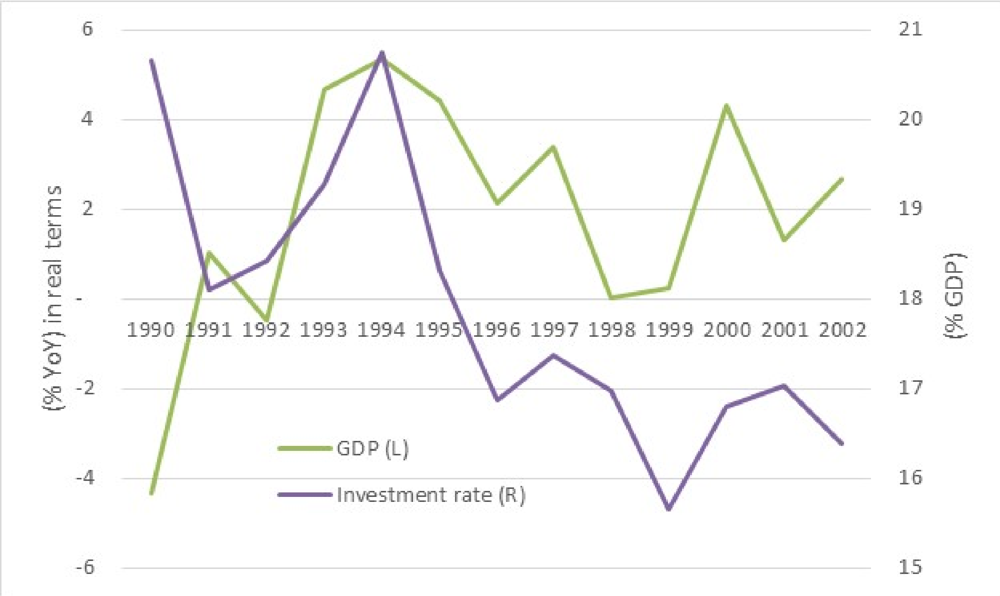


Source: IBGE. Note: Productivity series refers to manufacturing industry.

Over the 1994/2000 period, Brazil grew at lower-than-4% real annual rates (Graph 8), and in a very unstable fashion, evidencing the weakness of a profoundly unstable accumulation regime grappling with a negative outlook for the medium term because of extreme foreign vulnerability and the shift of capital appreciation from the productive to the financial sphere.

The same graph also shows that the investment rate declined over the period, with gross fixed capital formation falling from 20% to 15% of GDP, evidencing that the significant inflow of foreign direct investment failed to increase total investment rates, since FDIs targeted mostly the purchase of assets held by national companies, both state-owned and private. Thus, capital flowed in mostly to acquire existing public and private assets, not contributing for a substantial increase in production capacity.

Graph 8 – GDP and Investment Rate, 1990-2002



Source: Ipeadata.

With the crisis of 1999, the interest rate became the guardian of inflationary control, checking for any deviations from pre-established targets. Together with the inflation targets, the economic policy was now guided by a floating exchange rate and the attainment of high primary surpluses, with the aim of i) averting problems stemming from the fixed exchange rate and ii) reducing the public debt/GDP ratio, in what came to be known as the economic policy "tripod".

Therefore, the 1990s were characterized by the absence of a mode of regulation capable of solving the problems and constraints faced by the new accumulation regime, as this would be adjusted shortly after the attempt to set it in place. The international pattern of integration in the world economy, ruled by the financial sphere, retained its relative importance in relation to the other forms.

In this context, State action deliberately chose to scale up its subordinate role. This, however, did not mean a full retreat from the economy but, rather, selective action: Strong regarding monetary policy, increased tax burden, and stimulus to privatization and passive internationalization of the Brazilian economy; and weak regarding the lack of support to the productive sector and to the expansion of universal social policies in most areas.

The 2000s: A New Yet Incomplete Regime of Accumulation?

In the 2000s, though still aiming to appease the markets and uphold the above mentioned "tripod" of the economic policy, the government started to shift emphasis onto the domestic market, addressing the key role of the State as steward and planner of the economy while at the same time inaugurating a foreign policy aimed at bringing up a Brazilian voice in the main multilateral fora. However, if this new orientation is related to the Brazilian economy's role as semiperiphery of growing importance in the international setting, one capable of sustaining an endogenous dynamic of accumulation and setting new roads to development, it did so in limited fashion and without completely breaking with its strong international dependence ties.

During the first years of Lula administration, the economy was stagnant due to a sharp increase in interest rates as a result of the currency devaluation of 2002 and the need to acquire foreign credibility. That year unemployment hit an all-time high, compounded by a sharp drop in real average income. However, from 2003 on, not only did the economic policy "tripod" help appease markets, but also on the foreign front the U.S. economy had once again entered a new cycle of economic expansion and growth, with the Fed holding the interest rate at a very low level. The ensuing international boom prompted significant improvement to Brazil's foreign accounts: foreign debt was reduced, while exports, driven by higher commodity prices (but not only), more than tripled over the 2003/2008 period, dramatically increasing the country's international reserves.

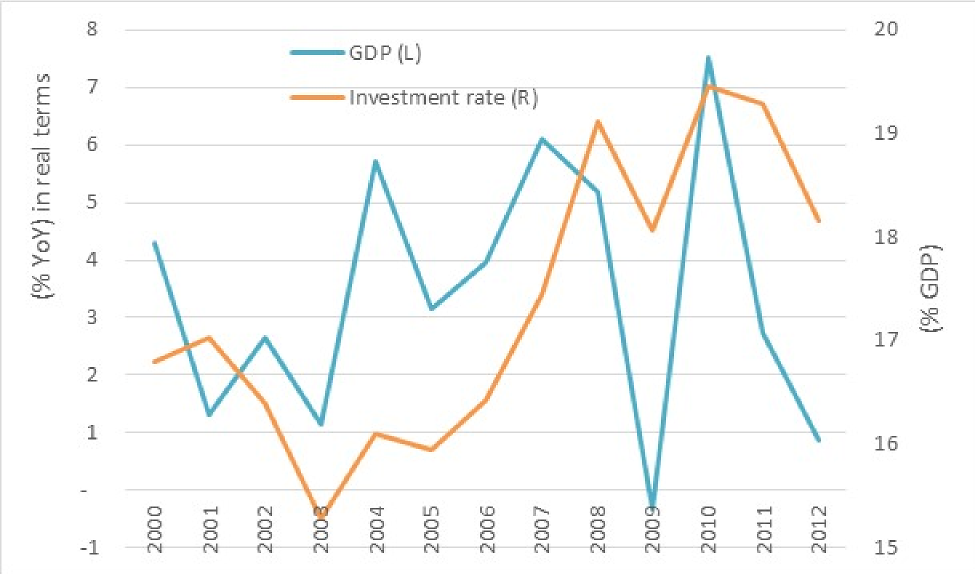
The foreign gross debt, which in 2000 was more than four times bigger than the country's total exports, was almost completely covered by total exports in 2008 (Graph 9).

Graph 9 – Gross Foreign Debt/Exports Ratio, 2000-2012

Source: Author's calculations based on gross foreign debt and exports time series by Central Bank of Brazil.

After nearly a quarter of a century of economic stagnation, Brazil resumed growth in 2004. The low GDP growth rates of the turn of the decade were soon at about 5% a year from 2004 to 2008 (Graph 10).

Graph 10 – GDP and Investment Rate, 2000-2012



Source: Ipeadata.

Over and beyond the more favorable 2003 to 2008 international setting, it is worth pointing out a critical shift in the role of the State as agent of economic transformation. Yet this time with a new profile, in that the State now not only focused on developing the infrastructure and increasing credit extension to the productive sector, but also focused on the social arena by providing both public investment and cash transfers.

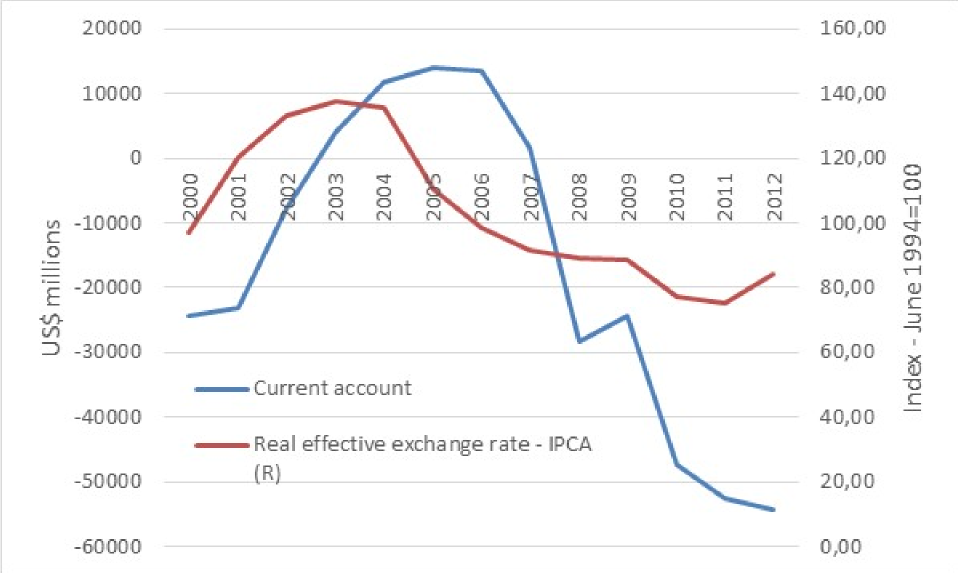
The State was once again planning spending on major public works, in addition to stimulating private investing, especially through development bank BNDES, which today holds a portfolio of investments that is higher than that of IDB and the World Bank added together, and also through the other public banks.

Thus, by gradually reducing the domestic interest rate and expanding credit, and public spending, the State created the conditions for the domestic market to grow. and new expectations for private investment in the Brazilian market. Meanwhile, companies started to face lower competitive pressure, allowing for import substitution of certain goods, notwithstanding a sharp appreciation of the foreign exchange rate from 2006 on.

From 2003 onwards, there is a dramatic rise in the investment rate, up from 15% to nearly 20% of GDP in 2009, despite a decline to 18% of GDP in 2012 (Graph 10), showing that consumption was not the sole driver of the expansionary economic cycle.

The Brazilian foreign account balance – foreign traded goods and services – over the same period (Graph 11) recovered after 2003, only to fall again during the 2008 crisis. Graph 11 also evidences how the rising appreciation of real effective exchange rate was responsible for the rising deficits in current account at the end of the period.

Graph 11 – Current account deficit and real effective exchange rate, 2000-2012



Source: Central Bank of Brazil (BCB). Time series. The annual real effective exchange rate index was calculated as the simple average of monthly indices.

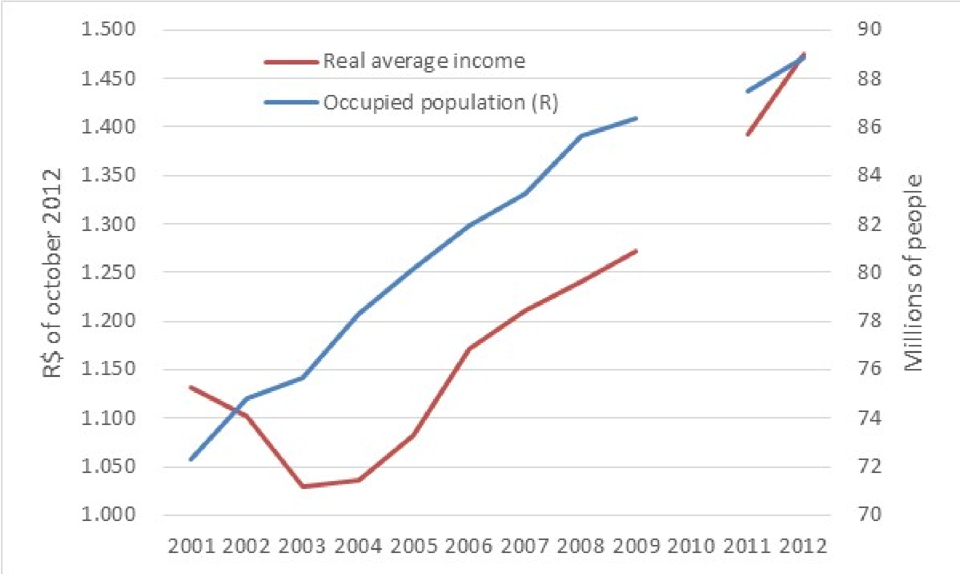
Strong expansion of foreign sales – driven by, yet not restricted to, commodities – was followed by domestic market activation. The interaction between these two forces further strengthened capital accumulation, with impacts on the level of employment and the wage mass.

State accounts also benefited from lower interest rates and higher tax collection. Fiscal balance was accomplished without the need to slash critical expenditure while maintenance of the primary surplus prevented nominal deficits from increasing. As a consequence, during the recent growth cycle, there was an almost continuous drop in the public debt-to-GDP ratio.

The combination of expanding exports, internal market, and public and private investments revived job-generation capacity, with employment expanding faster than the workforce. More importantly, formal employment grew even more dynamically, underscoring the labor market's greater potential for social inclusion. This is precisely the opposite trend seen over the 1990s.

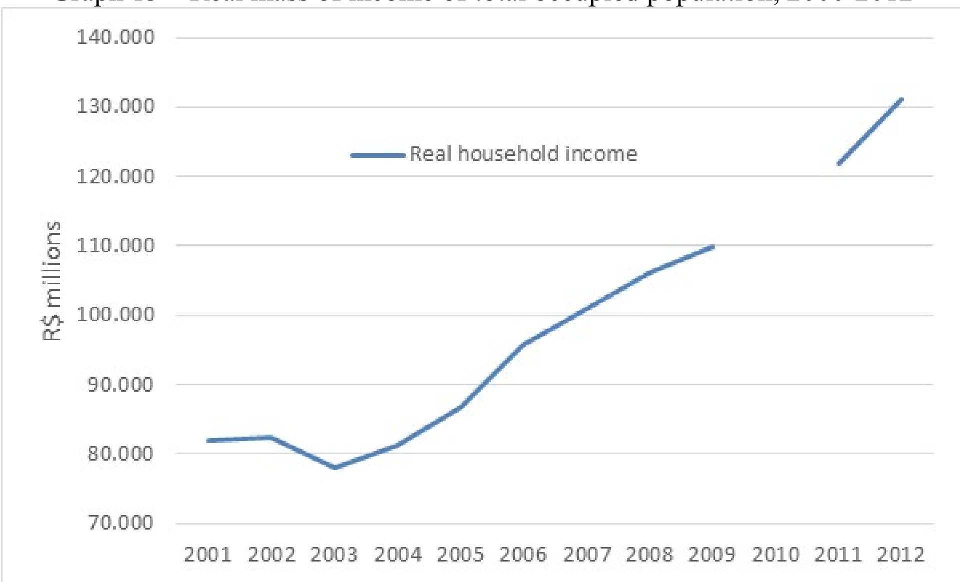
A strong growth in employment and real average income, particularly after 2003, impacted positively the real mass of revenues, whose expansion was of nearly 60% from 2001 and 2012 (Graphs 12 and 13). This trend cannot be understood without a sharp recovery of the minimum wage's purchasing power over the period.

Graph 12 – Total occupied population and real average income, 2000-2012



Source: Ipeadata.

Graph 13 – Real mass of income of total occupied population, 2000-2012



Source: Author's calculations based on occupied population and real average income series by Ipeadata.

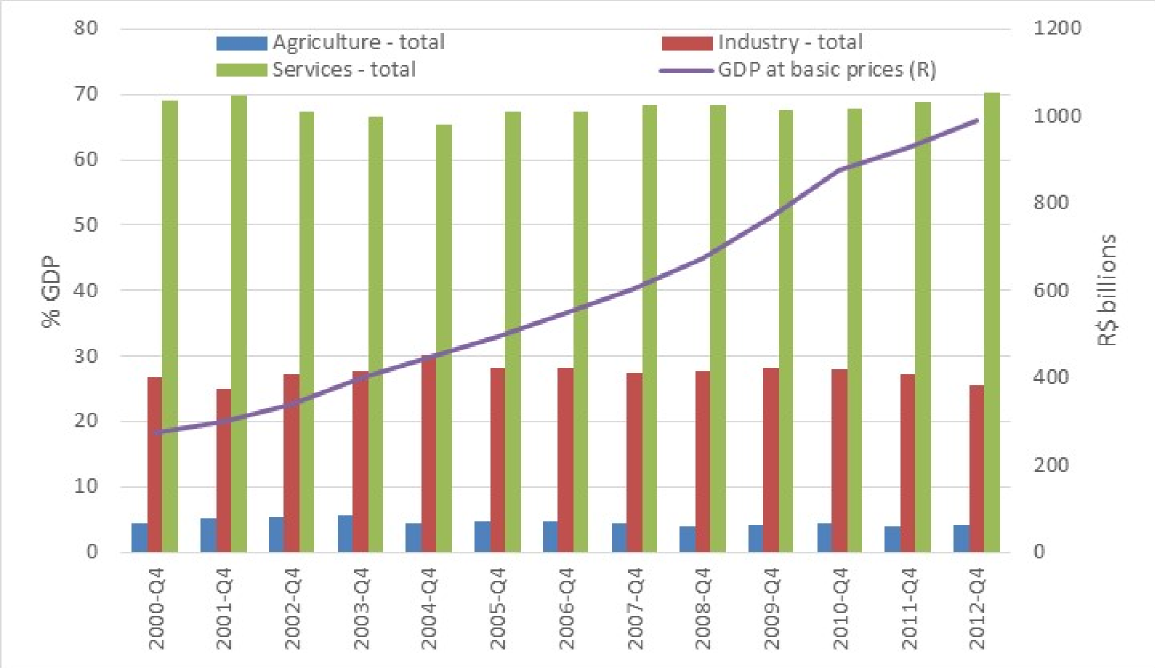
During the 2000s, there was ascending mobility, especially at the base of the social pyramid, due to a range of interrelated factors: increased employment, wage gains (not restricted to the minimum wage), and increased credit for low-income strata consumption and also for productive expansion, apart from the scaling-up of cash transfer social programs.

In terms of GDP composition (Graph 14), while the service sector increased its GDP share from 67% to 70% from 2003 to 2012, the farming/livestock and manufacturing industries each lost one percentage point in terms of GDP share over the same period.

From the demand side perspective (Graph 15), there was a relative growth in household consumption and government spending, respectively, from 59% and 22% in 2003 to

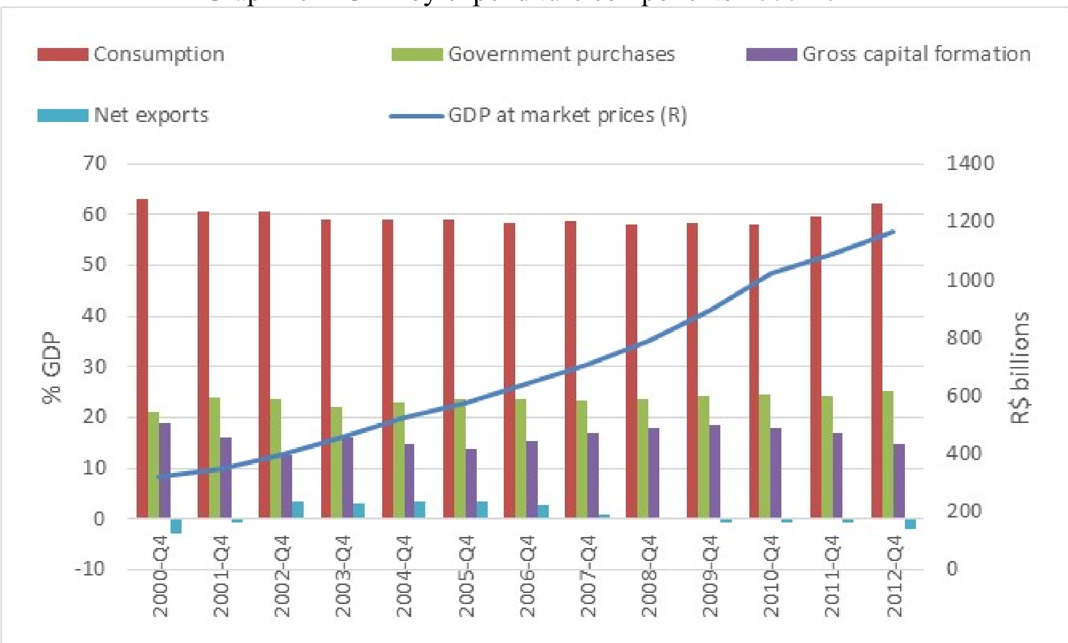
62% and 25% of GDP in 2012, whereas the share of foreign trade was down from 3% in 2003 to -2% of GDP in 2012 and the investment/GDP ratio remained relatively stable – from 16% to 15% – over the same period, even though it reached a peak in 2009.

Graph 14 – GDP by Economic Sectors 2000-2012



Source: IBGE. Sidra.

Graph 15 – GDP by expenditure components 2000-2012



Source: IBGE. Sidra.

In a nutshell, we may conclude that Brazil, before the 2008 international financial crisis, experienced reasonably dynamic economic growth, having even managed to alleviate the country’s extreme levels of social inequality.

The same graphs used to show the 2003/2008 indicators make it possible to see the effects of the 2008 global crisis on the Brazilian economy. In spite of the worsening of the trade balance, exports had a fairly positive performance, such that the foreign debt/export ratio was not significantly affected, signaling the quick recovery of countries like China and other emerging economies, which sustain world demand for Brazilian exports at least until 2010 (Graph 9).

However, foreign capital remittances (profits and interests) grew dramatically, while GDP and investment were affected by a severe slowdown in 2009, immediately recovering in 2010, yet slowing down in the following years (Graph 10).

In this regard, the Brazilian economy's foreign vulnerability remained latent, returning with the eruption of the 2008 crisis. However, this time its effects were cushioned both by the rising importance of the emerging economies, not so hard hit by the crisis as the developed economies, and by the greater dynamism acquired by the Brazilian domestic market as a consequence of the government support for investments and social expenditures. In this regard, it is worth noting that both employment and real average income were barely affected after the 2008 crisis. (Graphs 12 and 13)[30]

The dynamism of the domestic market did not mean the end to foreign imbalances and ancestral inequalities. In this respect, Tavares (2010) seeks to reinterpret Brazil's foreign vulnerability issue in light of the country's new economic dynamics, stating that Brazil was no longer facing the classic balance-of-payments problem thanks to the expansion of commodities and the reduction of foreign debt. Yet, this is no longer a matter of becoming industrialized; nor is the country going through a deindustrialization problem, since Brazil now has "an established manufacturing base". The problem now lies in the exchange rate policy and in the capacity to structure long-term industrial and technological policies that will raise productivity levels and make it possible to ensure that inequality continues to fall.

Therefore, the 2000s were characterized by a shift in the previous decades' prevailing trends, even if economic policy per se did not significantly change. Perhaps it is premature to say that a new mode of regulation was introduced, yet some changes are indeed remarkable. The wage labor relation no longer played a subordinate role; instead, now it even contributed for a positive macroeconomic performance, a novelty in terms of Brazil's track record. By the same token, if the country still lacks a Welfare State in the style of that in place in most developed countries, over this period it managed to consolidate a wide social protection safety net for the more vulnerable sectors. Lastly, the State was once again acting as a transforming agent of economic relations, and not just during the cyclical crisis. The active role played by public banks and state-owned companies is an example of this new social and political configuration.

These breakthroughs took place in a favorable international setting, with improved terms of exchange, while currency appreciation, though having kept inflation under control during the expansionary cycle, shifted the focus from domestic production to imports. This was particularly noticeable during the dynamic center's slowdown in the aftermath of the 2008 crisis. This situation has compromised the horizon for productive capital. Moreover, new investments now rely on concessions to the private sector in

[30] In this regard, it is worth highlighting the role of the counter-cyclical measures implemented by the national government to shore up production and consumption levels. Thus, the government increased the number of Unemployment Insurance payments, upheld minimum wage real increases, widened tax-collection deadlines, and reduced indirect tax rate on several goods and the income tax rate of the medium-income strata, among other measures.

infrastructure development. As these investments require high returns, the cogs that could set in motion a long-term accumulation regime are once again postponed. In other words, the changes effected in the mode of regulation were not sufficient to unleash a new accumulation regime.

Compounding the situation, the rise in interest rates that started in 2013, the higher current account deficit, as well as the pressure for a higher primary surplus in order to bring down inflation, is driving investments away and may jeopardize the dynamism of the labor market and the expansion of social spending, a prerequisite for income inequality to keep falling, as well as for improving living conditions and access to social services.

In short, the new institutional forms – the wage relation and the new form of State action through increased credit extension and public spending, including in the social area – have proved incapable of providing breadth to the regime of accumulation outlined in 2003, especially in face of a changing global context, when it squandered the domestic market's dynamism in order to foster a new cycle of investments and to promote the actual decoupling of the Brazilian economy from the US and European downturn.

2.3. How did Labor Policies and Institutions Change in Brazil from 1980 to 2010?

This topic intends to highlight the key changes in labor legislation over the last thirty years, focusing on three moments: the 1988 Constitution, the 1990s, and the 2000s. Our goal is to assess how these changes impacted the labor market, the broader social dynamic, and their impacts on inequality.

The 1988 Constitution changed the concept of citizenship and consolidated, broadened, and universalized social rights. Still, many of these changes require additional social policy regulations in areas such as labor, social security, health, assistance, and education.

It is worth noting that the 1988 Charter broke with the historical linkage, established in the 1930s, between social protection (retirement and health system) and urban payroll wage labor. After 1988, several types of protection were made available to groups not contributing to the public social security system, regardless of the kind of job, and even for those in a situation of inactivity.

Examples can be found in the health policy, which cut its ties with urban payroll wage labor and started to provide protection to every individual.

In the labor arena, the Constitution changed some individual labor rights after much struggling and compromising by trade unions, social movements, and other political actors, actively engaged at least since the late 1970s (Abramo, 1986; Keck, 1991; Maroni, 1982; Meneguello, 1989; Sader, 1988; Sandoval, 1994; Telles, 1984). The Constitution enshrined a body of rights that were scattered over the labor code and ascribed them the status of fundamental rights,[31] besides significantly broadening the objective and subjective scope of such rights, as can be seen in Chart1 below.

[31] The importance of transforming individual labor rights into fundamental (or human) rights, as enshrined in the 1988 Constitution, should not be underrated. After all, this phenomenon has several implications for fundamental rights, like their taking precedence over other conflicting rights (economic

Chart 1 –The 1988 Federal Constitution and Individual Labor Rights

Some constitutionally entrenched rights
Minimum wage
Wage floor
Christmas bonus
Hazardous/dangerous work premium
Overtime pay
Night shift premium pay
Duration of work week
Paid weekend
Paid vacations
Maternity leave
Job stability for worker performing union representation duties
Job stability for sick or injured in accident worker
Paid notice of contract termination
Unemployment insurance
Workers' severance/compensation fund (*Fundo de Garantia por Tempo de Serviço* – FGTS)
Fine on worker dismissal proportional to balance in FGTS severance fund account
Besides constitutionally entrenched, some rights broadened
Minimum wage, broadened concept
Maternity leave, increased to 120 days
Paid vacation, with addition of 1/3 of base wage
Paid overtime, plus 50% of wage rate
Work week, maximum of 44 hours
Notice, proportional to length of contract, 30 days minimum
Fine on FGTS, now at 40% of amount accumulated
Stability for pregnant worker
Protection against a range of work risks (labor-related disorders/diseases and accidents)
Some rights created
Paternity leave
Physically challenging work premium
Stability for workers charged with accident prevention

Source: Ipea, 2007.

Yet, based on articles set forth in the Constitution, the Employment Public Service incorporated the unemployment insurance and assisted credit programs, integrating them into the already existing programs for labor market intermediation and training.[32]

An important step was the ratification of the labor market policy as a State policy. By creating the Workers' Support Fund (FAT, from Portuguese *Fundo de Amparo ao Trabalhador*), the 1988 Constitution ensured a sizable and stable source of income to ensure unemployment insurance is paid, while funds in excess are channeled to Employment Public Service. The fund is managed by a tripartite board, with councils in every government sphere, yet the national tier holds power of decision.

By contrast and reiterating labor regulation's historical ambiguity, the 1988 Constitution failed to make progress as regards collective rights. Despite the suppression of the most

rights, for instance) or their being assigned the status of 'entrenched' clauses (only amendable if rights are to be further improved).

[32] The labor market intermediation program was established in 1976, and the unemployment insurance program in 1986. The S System, in turn, was established in the early 1940s, funded by a payroll-based tax rate, to provide vocational training and social assistance, in addition to the services provided by the State, organized by economic activity industry.

authoritarian features of the norms formerly in effect, basic traits were kept from the previous trade union structure (in unions, federations, confederations, etc.), as well as the system for prevention/resolution of labor-related conflicts (especially in the case of labor oversight and Labor Justice) (Boito Jr., 1991, 1994; Cardoso, Lage, 2007; Rodrigues, 1995; Ruiz, 2009). That is, somehow difficulties remained in moving individual labor rights from the strictly legal to the factual realm.

In the 1990s, in an attempt to introduce a new development model, guided by economic liberalization, privatization, and stimulus to foreign capital inflows, the government's agenda – backed by important segments of the productive sector – made it a priority to reduce labor costs and to create new labor contract modalities (Castro, Dedecca, 1998; Toledo, 1997).

In a context of a labor market with high unemployment and casual work rates, trade unions were increasingly on the defensive. The path chosen by the government was that of producing piecemeal infraconstitutional reforms throughout the 1990s (Ipea, 2007, 2009).

One of the arguments frequently used by the business community was that the period's low and unstable growth rates and insufficient labor demand could only be overcome with labor becoming more flexible, a designation that at the time was synonymous with losing social rights and reducing labor costs, triggering strong reactions from important sectors in the labor movement.

It is worth noting that different strategies and tactics were used to introduce these changes. At times, they were systematic and negotiated. An example thereof was the National Forum on Collective Agreement and Labor Relations, held during the Itamar Franco administration (1992-1994), which was focused on promoting more integrated and negotiated reforms. Still, there were moments when these initiatives were unilateral and one-only. That was the case of the addenda to the legislation under the governments of Fernando Collor (1990-1992) and Fernando Henrique Cardoso (1995-2002) (Cacciamali, 2003, 2004; Krein, 2007).

Though the initiatives sponsored by these two administrations were quite diverse, overall they tended to go against the public nature of labor regulation, allowing private rules to set several aspects of labor relations. Broadly speaking, these initiatives ultimately impacted the hiring, use, and pay of the labor force (that is, had an impact on individual labor rights) (Cacciamali, 2004; Cardoso, 1999; Krein, 2007). Chart 2 brings a summary of the overhaul of labor regulation over the period.

Chart 2 –Initiatives to Reform Labor Regulation in Brazil –1990s

Theme	Legal instrument	Legal provision
Labor Contract	Higher labor Court (TST) Summary 331/93	Permission to hire third-party labor for any intermediate, noncore business services, with companies only severally liable
	Law 8,949/94	Permission to hire workers through trade cooperatives, with no labor contract between members and cooperatives
	Ministry of Labor and Employment (MTE) Ordinance 865/95	Ban on labor oversight fines in case of discrepancy between laws and agreements (local/industry-wide collective bargaining agreements).
	Ministry of Labor and Employment (MTE) Ordinance 2/96	Broadening of temporary work use
	Decree 2,100/96	Federal government denounces ILO Convention 158 concerning termination of employment at the initiative of employer, which had been ratified a few months earlier.
	Law 9,468/97	Defines incentives for voluntary resignation by civil servants
	Law 9,601/98	Broadened use of fixed-term contracts, with reduction of labor costs for employers.
	Provisional measure 1,709/98	Broadening of part-time work (up to 25 weekly hours), with reduced labor costs for employers.
	Provisional measures 1,726/98 and 1,779/99	Suspension of labor contract, for 2 to 5 months, for training, with wage replaced with discretionary compensation and skills-building grant.
	Constitutional Amendment19/98	Permission to hire non-statutory civil servants; limits on civil servant expenditure.
	Ministry of Labor and Employment (MTE) Ordinance 1,964/99	Establishment of rural employers' consortium, allowing for workers to work for several employers simultaneously.
	Law 10,097/00	Establishment of youth apprenticeship contract.
Hours of work	Law 9,601/98	Compensation of overtime for periods exceeding one week ("hour bank").
	Law 10,101/00	Authorization for working in retail industry on Sundays provided local government approves.
Pay	Provisional measures 1,053/95 and 1,875-57/99	Ban on wage automatic readjustment clause regardless of price index used (wage deindexation).
	Provisional measure 1,906/97	Change in minimum wage raise calculation.
	Law 10,101/00	Profit-sharing scheme is regulated.

Theme	Legal instrument	Legal provision
Collective labor organization	Law 1,802/96	Change in norm regulating strikes (Law 7,783/89), banning them in a number of situations.
	Decree 2,066/96	Limitation on union organization in civil service and punishment to striking public employees.
	Provisional measure 1,620/98	Revocation of norm ensuring effectiveness of collective agreements until new norm is set in place (Law 8,534/92).
	Provisional measure 10/01	Hiring of substitutes in case of civil servants' strike, plus suspension of civil servants' pay.
Labor grievances	Law 9,307/96	Resort to private arbitration for individual labor grievance resolutions.
	Law 9,957/00	Establishment of Labor Justice fast-track rulings for grievances of up to 40 minimum wages.
	Law 9,958/00	Establishment of prior-to-conflicts reconciliation commission.
	Constitutional Amendment 24/99	Elimination of the so-called "class" representation before Labor Court.
	Constitutional Amendment 28/00	Reduced statute of limitation for rural workers claiming rights before Labor Court.

Source: Table based on Cacciamali, 2004; Ipea, 2009; Krein, 2007.

Of all these labor regulation overhaul initiatives in the 1990s, some have proved of minor importance in practice, while other initiatives were made effective. For instance, flexible labor rules such as increased temporary labor, fixed-term labor contracts, and part-time contracts had little impact on the market because of union resistance, however weakened labor was (Cacciamali & Brito, 2002). In turn, regulation on working hours and wages through the so-called "hour banks" and "profit-sharing schemes" had great impact, with scores of workers subject to these normative innovations (Krein, 2007).

During the 1990s, despite the liberalizing wave, some social rights provided for or enlarged by the 1988 Constitution were further strengthened, as were the cases of social security policies for non-contributing workers (cash transfers and rural retirement), social assistance (cash transfers in urban areas and solidarity economy projects), education (universal basic education, expansion of private universities), health (universal single system of health, increased sanitation services), and labor policies (unemployment insurance, microcredit, and additional State-run employment services). These interventions were accompanied by the setting in place of public funds linked to the social policies proposed. That is, they acquired the status of State policies, surpassing the condition of government policies, as was the case of the labor market policy, funded by FAT (Azeredo, 1998; Castro *et al.*, 2008; Jaccoud, 2005).

In the 2000s, new labor regulatory framework changes were also made effective. However, in this new economic, social, and political context, the overhaul of labor regulation, formerly based on the assessment that the labor market problems were caused by labor's inflexibility, lost momentum in public debate. This also happened because the Brazilian State had come to a different assessment of the labor market problems, which were now seen as resulting from the poor economic dynamism of the

1990s. (Baltar*et al*., 2010; Krein, Santos & Nunes, 2012) The main initiatives to overhaul labor legislation are presented in Chart 3, among which, the law establishing minimum wage raises stands out.

Chart 3 – Initiatives to overhaul labor regulation in Brazil –2000s

Theme	Legal instrument	Legal provision
Employment contract	Law 11,196/05	Permission to hire labor as single proprietorship companies delivering intellectual services, thus eliminating labor ties between parties.
	Law 11,442/07	Permission to hire labor in the form of single proprietorship companies delivering road cargo transportation services, thus eliminating labor ties between parties.
	Law 11,718/08	Permission to hire rural worker over a short period of time without employment contract.
	Law 11,788/08	Increased protection for worker with internship contract.
	Law 7,169/10	Establishes the Rural Employers' Consortium for the sole purpose of hiring rural labor and sharing it over time with several employers.
Hours of work	Law 11,603/07	Authorization for Sunday and holiday work in retail sector provided in keeping with collective bargaining agreement and local government norms.
Pay	Law 12,382/11	Minimum wage appreciation policy is ratified, after having been established through provisional laws since 2007.
Collective labor organization	Law 11,648/08	Trade union national centers formally recognized; assignation of part of compulsory union contribution to these centers.
	Law 12,690/2012	Regulates production and services industries' cooperatives, in an attempt to prevent labor intermediation.
Labor conflicts	Constitutional Amendment45/04	Broadened role of Labor Justice for labor conflict resolution purposes.

Source: Prepared by authors based on Baltar*et al.*, 2010; Ipea, 2009; Krein, Santos & Nunes, 2012.

The ongoing higher-than-inflation minimum wage increases led to significant raises in the wage floors of the majority of the trade unions' rank-and-file and had important effects on the regime of accumulation during the period. In particular, we underscore a narrowing of wage differentials that, along with low-income credit expansion – for consumers, households, and production – brought about a rise in mass consumption by incorporating a substantial share of the poor population to the market, mostly in Brazil's North and Northeastern regions.

From the perspective of labor, collective bargaining was strengthened by institutional recognition of the national union centers, which started to receive funding from the compulsory union tax.

Nevertheless, initiatives to reduce labor costs continued. For instance, the recognition of several informal/casualization practices related to the hiring of services with no labor contract, in addition to the authorization for retail workers to work on Saturdays and Sundays.

However, two positive aspects from the point of view of workers' protection would be included: formal recognition of the internship labor contract; and the ruling handed down by the Higher Labor Court against the unlawful hiring of wage labor by cooperatives.

Throughout the 1980s, 1990s, and 2000s, the labor regulation dynamic in Brazil was unsteady. At times it strengthened (when its public character came to the fore); at others, it weakened (when private regulation, as exercised unilaterally by the employers, rose in importance).

This pendular movement mirrored the variation in the interplay between the economy, politics and the labor market. In the 1990s, in face of the economic problems, the labor market declined, thus affecting labor regulation, which had already been eclipsed by the options the State had made then. In the 2000s, in contrast, with economic dynamism the labor market improved and opened room for further labor regulation.

Nonetheless, specifically in the realm of politics, it is worth stressing that, as the 1980s, 1990s, and 2000s went by, the Brazilian democracy was steadily consolidated. On one hand, this meant more actors participating in debates and deliberations regarding labor law – actors representative of labor, capital, and the State, with disparate positions. On the other, nothing seems to point to the end, in the medium-term, of the aforementioned fluctuating dynamic, which, at times, implied the strengthening of labor regulation, at others, its weakening.

In terms of challenges, several questions are still pending, among them the need to further strengthen collective bargaining, to include those workers who are still not covered by the labor and social security legal framework, and to structure an employment public service that is capable of interrelating unemployment insurance, job intermediation and skills-building/vocational programs. Finally, President Lula, who back in his days as unionist had so strongly opposed the union structure, was not able to pass a reform that would bring an end to union unicity, and subsequently, strengthen the workers' representativeness and bargaining power.

2.4. The role of Social Policies in contemporary Brazil

Social policies can be understood as State-led programs and actions that affect the social conditions of individuals and households for the purpose of improving the quality of life of the population. According to Castro (2012), the goals of social policies converge in two main streams, *social protection* and *social promotion.*

The first stream is underpinned by the notion of social security and encompasses actions catering to individuals, households, or social groups at risk or dependent, like children, the elderly, single mothers of poor families, the physically disabled who cannot lead an independent life (for instance, the accident disabled) and others. Social promotion, in turn, aims at equality of opportunity for vulnerable individuals and/or social groups.

To accomplish these goals, public policies are guided by three main types of actions: i) assurance of income; ii) supply of social goods and services; and iii) regulation. The first one is carried out by means of cash transfer programs, such as retirement payments, pensions, unemployment insurance, and poverty-alleviation programs (the *Bolsa Família* program, among others). With regard to the supply of social goods and services, education, health, sanitation, and housing policies are the key policies. Regulation, in turn, deals, above all, with norms on the behavior of private and public economic agents.

Social policies in Brazil started to grow in the last two decades, as reflected by the country's rising social spending/GDP ratio over time. While in 1990 social spending accounted for 17.6% of GDP, in 2009 this percentage rose to 27.1%, with a significant growth of social security spending, which rose from 9% to 14.1% of GDP[33].

Before this period, especially during the military regime, Brazil had a comprehensive social security system, which, as of 1973, included rural workers. This coverage, however, was insufficient.

The problem got worse in the 1980s, with the increase of informal/casual work and the worsening of education, health, housing, sanitation, and other services. At that time, social policies were centralized by the federal government, financially and administratively, while states and cities were the executing agents of policies formulated by the federal government (Medeiros, 1986).

With the new Constitution, both the concept and the implementation of social policies were deeply changed in Brazil, notably noncontributory universal education and health services, besides the recognition of social assistance as a social policy that is an integral part of the Social Security system, just as retirement/unemployment insurance and health.

Moreover, there was significant decentralization of public policymaking, such that local governments took on the management of public policies, either at their own initiative or by taking part in programs conceived by higher government spheres. The magnitude of the decentralization was such that, in 1997, city halls were responsible for managing 58% of the health services' supply and for managing 100% of the school meal program. (Arretche, 1999)

Therefore, social policies made strides in the country and significantly contributed for reducing both poverty and income inequality, as we shall detail ahead. Next, we present the main contours of some social policies over the recent period.

[33] According to ECLA data, public social spending is separated into four types: education, health, social security and assistance, and housing and others.

Social Security and Labor

In relation to the former system in effect, the 1988 Constitution changed the conceptual underpinning of the Brazilian social security system, no longer just labor-social protection, but a citizenship right. This conceptual rupture led to broader coverage and reach by the country's social security system. Thus, access was made easier for rural workers. Special legislation was enacted to include all of the rural sector's elderly – men aged 60 and women aged 55 – and disabled who prove to have worked in agricultural activities. (Zimmermann, 2007)

Equally relevant were the implementation of simplified tax regimes: *Simples Nacional, Super Simples* and the Individual Microentrepreneur (MEI, from the Portuguese *Microempreendedor Individual*) throughout the 1990s and 2000s.These measures aim at fostering the establishment of registered small businesses and, consequently, the creation of formal contract workers, through simplified, unified, and reduced tax payments based on gross revenues, rather than on payroll.

Lastly, in the labor arena it is worth highlighting those public programs designed to meet fundamental rights of labor, as the elimination of forced/compulsory labor, the eradication of child labor, and the fight against discrimination.

Health

The 1988 Constitution established a number of guidelines as regards public health policies, among which we should point out encompassing health into the concept of social security, together with retirement/unemployment insurance and social assistance (Article 193); recognition of the right to health as inherent to the citizens and as a State duty (Article 196); and the creation of the Single System of Health (SUS, from Portuguese *Sistema Único de Saúde*), with its goals, principles, organization, and forms of funding (Articles 198, 199, and 200).

The creation of the SUS is particularly important because it establishes a public network of health-related actions and services, principled on universal and equal access and on decentralized management. The creation of the universal health system is particularly relevant because, before the 1988 Constitution, health services supplied were restricted to the portion of the population associated with the formal labor market.

Notwithstanding the increase in supply, health faces several funding and management problems. Barros (2009) shows that public health spending grew a little with Constitutional Amendment 29/2000, rising from 2.9% to 3.5% of GDP. Still, it is significantly lower when compared with other countries. Accordingly, annual per capita health spending in Brazil was US$ 333 in 2005 (PPP in US dollars), against US$ 672 in Argentina, US$ 1,472 in Portugal, US$ 2,261 in England, and US$ 2,862 in the United States. This reflects on low pays for service deliverers and limited availability of skilled professionals for the public health system.

With regard to the management process, the most pressing problems are mostly found in health centers, where people management and purchases must comply with public sector rules, considered inadequate for health services. (Barros, 2009) The creation of the *Pacto pela Saúde* (Pact for Health) in 2006[34] and of the *Plano Mais Saúde* (More Health plan) in 2007 is an attempt to overcome this challenge by adopting a method that is both based on priorities and goals for the various government levels and adaptive to the diverse local realities, plus conditioning outlays to the accomplishment of goals.

Despite its current shortcomings and limitations, the SUS and these constitutional principles were responsible for allowing millions of Brazilians to have access to health services, besides a number of other positive outcomes for the Brazilian society. Worthy of note are broader access to and coverage of health services, with the reorganization of basic health services, access to specialized medium and high complexity medical procedures and the search for improved emergency medical services; the expansion of pharmaceutical assistance and access to medication; the reduction of child mortality; enhanced control of diseases, particularly the eradication of smallpox and polio; plus extending health services to the countryside, beyond the great urban centers. (Bravo, 2006)

Education

Before the 1988 Constitution, education in Brazil was governed by constitutional provisions of the former constitution, from 1967, and by two important laws, one addressing higher education [35]and the other primary and secondary education [36] (LDB, from the Portuguese *Lei de Diretrizes e Bases da Educação Nacional*) (Gusso, 1990). With the new Constitution, education was recognized as a citizen's right and as a State's duty. The new LDB[37]was approved in 1996 on the basis of constitutional provisions and amendments,[38]establishing the framework for the recent Brazilian education.

Among the main breakthroughs in education we can point out the concept of basic education, now comprising both primary and secondary education, the latter to become mandatory by 2016,[39]the guarantee of the right to education, including for those who had not attended school at the right age; the guarantee of the right to specialized services for people with special needs; and support to basic education by providing ancillary transportation, food, didactic material, and health assistance programs (Souza & Silva, 1997).

In the late 1990s, the federal government's main concern was secondary education, with the introduction in 1998 of a nationwide middle education examination, the ENEM (from the Portuguese *Exame Nacional do Ensino Médio*), and the overhaul of the secondary school curriculum in 1999. Devised to be a non-compulsory assessment of the quality of secondary school, the ENEM was reformulated in 2009 and is used today for admission to public federal universities.

[34] GM Ordinance 399/2006.
[35]Law 5,540/1968.
[36]Law 5,692/1971.
[37]Law 9,394/1996.
[38] The highlights are Constitutional Amendment 11/1996, which allowed foreign professionals to be hired to work in universities and guaranteed autonomy for research and development (R & D) institutions; and Constitutional Amendment 14/1996, which created the Fund for the Development of Fundamental Education and Teaching Appreciation (FUNDEF, from Portuguese *Fundo de Desenvolvimento do Ensino Fundamental e de Valorização do Magistério*).
[39]Approved by Constitutional Amendment 59/2009.

In 2007, the federal government's educational policy was systematized by the Education Development Plan (PDE, from the Portuguese *Plano de Desenvolvimento da Educação*), which brings together programs and actions by several ministries in an effort to fight poor performance in basic education and broaden access to non-mandatory educational levels. Moreover, school performance at every government level started to be tracked by a national indicator, the IDEB (from the Portuguese *Índice de Desenvolvimento da Educação Básica*), whose goal for 2022 is to reach 6 points, a score equivalent to that of OECD (Organization for Economic Cooperation and Development) member countries.

Having been overlooked by the Constitution, the higher education expansion model starts to be deepened in 1994 with significant participation of the private sector, as the government made it easier to start higher education institutions and courses. At the same time, state universities increased the number of places offered, while the Ministry of Education (MEC, from the Portuguese acronym) demanded the same from the Federal Higher Education Institutions (IFES), contingent upon their capacity. In addition to increasing the number of places, several public education institutions were created, mostly focused on technical and technological education, and in regions where the supply was insufficient, especially in states in the Northeast and North.

The importance of the private sector for expanding higher education continued during the Lula administration, which created the University for All Program (ProUni, from the Portuguese *Programa Universidade para Todos*) in 2004, providing full or partial scholarships in private higher education institutions for students coming from households with an income per capita of up to three minimum wages, with a selection process based on ENEM scores. Additionally, the 2007 Federal Universities Restructuring and Expansion Plans Support Program (Reuni, from the Portuguese *Programa de Apoio a Planos de Reestruturação e Expansão das Universidades Federais*) was successful in dramatically increasing access to and keeping students in higher education.

Furthermore, many public education institutions adhered to the quota system for disadvantaged social groups, like blacks, indigenous groups, and public school students, or implemented several screening and place filling procedures. These actions increased access to higher education, especially by the population that, under normal conditions, would have limited chance of entering and remaining in university. In 2007, 13% of the population aged 18 to 24 years attended higher education, a 160-percent increase in relation to 1988 figures. (Corbucci; Barreto; Castro; Chaves; Codes, 2009)

Education in Brazil made several other important breakthroughs, like near-universal primary education, illiteracy reduction, which fell from 22.9% in 1981 to 8.7% in 2012, and a rise in the adult population's average schooling from 3.8 years of study in 1981 to 7.6 years in 2012.[40]Yet, the challenges are still huge, especially concerning the quality of education and the age/grade gap (Ribeiro & Cacciamali, 2012).

Social Assistance

One of the most striking breakthroughs attained by the 1988 Constitution refers to the recognition of social assistance as a noncontributory public policy integrating the Social

[40] Both results can be seen at http://ipeadata.gov.br/.

Security system, laying the foundations for the creation of important cash transfer programs.

Brazil's national social assistance policy was regulated by the Social Assistance Organic Law (LOAS, from the Portuguese acronym) in 1990,[41]improved by the National Policy for Social Assistance (PNAS, from the Portuguese acronym) in 2004, and consolidated with the Basic Operational Norm (NOB, from the Portuguese acronym), which established the Single Social Assistance System (SUAS, from the Portuguese *Sistema Único da Assistência Social*) in 2005. The SUAS system establishes the foundations for social protection in the country, regulating forms of funding, besides providing the rules for fund allocation and instructions for the system's implementation.

Before the 1988 Constitution, the main social assistance program was the For-life Monthly Income (RMV, from the Portuguese *Renda Mensal Vitalícia*), a social security benefit created in 1974 to meet the needs of destitute elders over 70 years of age, and destitute disabled or work-incapacitated people. Very limited in scope, the RMV was replaced by the Continuous Cash Benefit Program (BPC, from the Portuguese *Benefício de Prestação Continuada*) in 1996, which is similar to the RMV Program, but whose monthly benefit is not contingent upon social security contribution. With the Elderly Statute,[42]the BPC age limit was reduced to 65 years, besides allowing more than one person in the same family to be eligible to this benefit (Cacciamali & Tatei, 2007).

Another key cash transfer program created in 1996 was the Program for the Eradication of Child Labor (PETI, from the Portuguese *Programa de Erradicação do Trabalho Infantil*), which aimed to get 7-to-15-year-olds out of dangerous, hard, unhealthy, and degrading work, besides providing them with incentives to remain in school. Later on, PETI actions were expanded through the Longer School Day Program (*Programa Jornada Ampliada*), with social, educational, and cultural activities conducted by NGOs.[43]

In 2001, the federal government consolidated city experiences addressing school dropout and child labor in the National Minimum Income Related to Education (Federal School Allowance).[44]This program provided aid to destitute households with children aged 6 to 15 years, provided they were enrolled in school and had 85%-plus attendance.

The School Allowance and the PETI, together with several other smaller programs, were combined in the Brazilian Social Network for Social Assistance, which presented coordination and social program overlapping problems (Kerstenetzky, 2012). Thus, the federal government created the Single Register File (CadÚnico, from the Portuguese *Cadastro Único*) in 2001, with the aim of recording socioeconomic information on poor households, with per capita income of up to half a minimum wage, to improve social spending efficiency.

The implementation of the *CadÚnico* single file was confusing on account of the difficult relation between government levels to manage the programs, a situation that

[41]Law 8,742/1990.

[42]Law 10,741/2003.

[43] The monthly benefit paid R$ 40 for each child employed in typically urban activities, or R$ 25 for each child employed in rural areas, without any limitation in the number of children/teenagers working. With Ordinance 666 of 2005, the PETI starts targeting only those households with a per capita income of over R$ 100.00, while poorer families should be covered by the Family Allowance Program. Moreover, the program broadens children eligibility by including all the population under 16 years of age in various working activities.

[44] Created by Law 10,291/2001 and regulated by decrees 3,823/2001 and 4,313/2002.

was only improved in 2003. That same year, the federal government brought together a number of federal cash transfer programs (School Allowance, Food Allowance, Cooking Gas Allowance, and Food Coupon) into a single program that was called the Family Allowance Program (PBF, from the Portuguese *Programa Bolsa Família*).[45]

The PBF is a cash transfer program for poor families that is contingent on their children's medical and nutritional checkups, enrolment in the educational system, class attendance of these households' children aged 7-15 years old, and participation in food education programs. The PBF has two eligibility thresholds, whose amounts are established and changed by decree yet, unlike the *CadÚnico*, are not pegged to the minimum wage. The first threshold characterizes extremely poor families (monthly per capita household income below US$ 29.26 in 2013), while the second refers to poor families (household income ranging from US$ 29.26 to US$ 58.52).

In early 2014, the PBF provided six types of benefits (Brasil, 2014) to distinct target audiences, such as extremely poor families, newborns, children, youths and pregnant mothers. Benefits range from US$ 13.38 and US$ 29.26, except the Caring Brazil Program (PBC, from the Portuguese *Programa Brasil Carinhoso*), which complements the income of extremely poor families so that they may rise above the extreme poverty threshold established by the program (US$ 29.26 per capita in 2013).

The PBF is the country's biggest cash transfer program, benefiting 14 million households in January 2014, which has, since 2011, been part of the "income assurance" axis of the Brazil Without Poverty Plan (PBSM, from the Portuguese *Plano Brasil Sem Miséria*), created with the purpose of eradicating extreme poverty. The other PBSM axes are focused on access to public services (basic sanitation, electric energy, health, and education) and productive inclusion through the enhancement of programs designed to generate job opportunities and income for the poor population.

The importance of cash transfer programs was extensively addressed by the specialized literature. For instance, studies by Ferro & Kassouf (2005), Cardoso & Souza (2004), and Cacciamali, Tatei & Ferreira-Batista (2010) concluded that cash transfer programs have had a positive effect on school attendance, but not on child labor. Pursuing another line of reasoning, Rocha (2004) found that the impact of cash transfers is inversely correlated with the cost of living, higher in areas where the cost of living is lower, rural areas for example, and lower in metropolitan regions.

A major part of the studies conducted in Brazil analyzes PBF impact on income inequality. Soares (2006); Soares, Medeiros & Osório (2006 and 2007); Hoffman (2006 and 2013); Barros, Carvalho & Franco (2007); Cacciamali & Camillo (2009), among others, found that cash transfer programs had significant impact – 17% to 30% – on the decline of poverty in Brazil, second only to the impact by labor-related income.

Access to Credit

Though not considered a social policy proper, it is worth noting the role of consumption- or production-targeting microcredit, as a social inclusion alternative, since it generates income opportunities for a portion of the population that would otherwise have no access to credit at all. This importance is highlighted by Costa

[45] Established by Provisional Measure 132, dated 20 October 2003, and regulated by Law 10,836/2004.

(2010), who notes that the poorest entrepreneurs assign greater value to access to credit than to the amount loaned itself.

Among the many such programs, we highlight the Job and Income Generation Program (Proger, from the Portuguese *Programa de Geração de Emprego e Renda*), geared to formally established micro and small businesses, cooperatives, associations, and liberals, among others; the National Production Oriented Microcredit Program (PNMPO, from the Portuguese *Programa Nacional de Microcrédito Produtivo Orientado*), for low-income micro-entrepreneurs; and the National Program for the Strengthening of Family Farming (Pronaf, from the Portuguese *Programa Nacional de Fortalecimento da Agricultura Familiar*), which funds family farmers and settles farmers on agrarian reform land

Neri (2008) analyzed the impact of microcredit in Brazil's poorest areas and found that microcredit borrowers had a "profit" 9.3% higher than those who did not take the credit. The impact is relatively big because this is an audience that usually has no access to the capital market. Other studies also point to the positive impacts these programs have on job and income generation. Passos & Costanzi (2002) estimated that microcredit for fixed capital accounted for the generation of 22,000 jobs over the 12 months following the loans; whereas Gräbner (2003) verified greater profitability for benefited businesses vis-à-vis businesses that had been funded by other sources of credit, in addition to job generation. Hence, the broadening of microcredit programs has proved to be a key tool in increasing participation of traditionally excluded social groups (Cardoso, Façanha & Marinho, 2002).

Strengthening Rural Families and Farmers

It's worth considering the programs aimed at strengthening the rural families beyond Pronaf, especially those located in the poorest rural areas. Created in 2003, the Harvest Guarantee program guarantees a minimum survival income for poorer farmers (monthly income below one and half minimum wage) who were hit by problems of drought or water excess. The importance of the program is verified by the increase in the budget, from US$ 84.7 thousands to US$ 508.5 thousands between 2003 and 2012. Also created in 2003, the Light for All program aims to bring free electricity to people from poorest rural areas. Currently the program is part of the PBSM and 3 million electrical connections have been made under the program between 2003 and 2012.

Finally there are the public procurement policies, such as the Food Acquisition Program (PAA, from the Portuguese *Programa de Aquisição de Alimentos*) and the School Feeding National Programme (PNAE, from the Portuguese *Programa Nacional de Alimentação Escolar*). Created in 2003 the PAA has two objectives: to promote social and economic inclusion in rural areas by supporting family farmers and to ensure access to food for people facing food insecurity. The program promotes the purchase of food from family farmers at compatible prices in the regional markets, which in turn are intended to supply entities of the social assistance, popular restaurants, community kitchens and directly to families in social vulnerability condition. The PNAE was implemented in 1955 to assist the growth and development of students through the provision of school meals and nutritional education actions, but since 2009, 30% of the program budget should be invested in the purchase of food from family farmers. In 2014 the program had a budget of US$ 1.48 billion and benefitted 43 million students.

Brazil's Social Policy: Significant, yet Insufficient, Breakthroughs

The promulgation of the 1988 Federal Constitution is a social policy milestone in Brazil. The definition of Social Security and the recognition of social rights and respective State duties led to substantive broadening of access to public services.

These actions have contributed to increase the number of the socially insured, especially in rural areas; secured universal right to health; and widened educational supply to the population as a whole, but particularly of secondary and higher education to the low medium strata. Moreover, social advancement/promotion was furthered through cash transfer programs, thus contributing to reduce poverty and the income gap, especially from the 2000s on (Soares, 2006).

However, notwithstanding these significant breakthroughs, important social reforms, like the land and trade union reforms, made little operational progress. Regarding the cash transfer programs, despite their being the federal government's most important social policy symbols, they suffer from poor monitoring, thus hampering coverage and, subsequently, efficiency, in addition to lacking consistent ancillary initiatives that may lead to less precarious social inclusion of beneficiaries.

Moreover, most social areas suffer from a chronic problem concerning societal participation in their management, while funding for the system's expansion requires a more satisfactory approach. These crucial challenges must be tackled in order to ensure a more consistent reduction of the country's inequalities.

2.5. The Behavior of the Brazilian Labor Market: 1980 to 2012

This topic seeks to address the main changes the Brazilian labor market went through over the 1980s, 1990s, and 2000s. We review the period's general trends before more thoroughly examining the more sensitive shifts affecting the labor force, especially its occupational composition and the evolution of labor income.

Herein labor market behavior is not construed as being isolated from the other realms of social and economic life. On the contrary, it interacts – responding and causing impacts – with macroeconomic imperatives, and with changes in the labor and social policy regulatory framework. In so doing, it plays a key role for shaping the main trends of poverty and inequality.

The Labor Market during the Lost Decade

The effect of the early 1980s crisis on the labor market was dramatic, with a strong decline in employment growth by an annual average of 1.3% from 1979 to 1988, below labor force growth, causing a rise in unemployment rates, and negatively impacting wages' purchasing power as the IPC consumer price index rose sharply.

This setting was partially offset by employment growth in services and government jobs, consolidating the outsourcing/subcontracting of the country's labor force. Growth in service-related jobs is accounted for the fact that service jobs are characteristically low productivity jobs that require a less skilled labor force, at least in some activities, thus making it easier to attract workers. Government-related employment, in turn, was the only sector to grow steadily, at a yearly rate of 5.6%.

Table1 – Proportion and average growth rate of employment and real wage for nonfarm wage-earners by economic activity sector. Brazil – 1979/1988.

	Employment ratio in 1988 (1979 = 100)	Average annual employment growth rate 1979/1988 (in %)	Real wage ratio in 1988 (1979 = 100)	Average annual real wage growth 1979/1988 (in %)
Brazil	**112.03**	**1.27**	**58.28**	**-6.52**
Mineral extraction	100.70	0.08	76.70	-3.26
Manufacturing	104.73	0.51	60.83	-6.02
Public utility	111.43	1.21	72.34	-3.57
Construction	62.48	-5.09	51.30	-8.01
Commerce	91.61	-0.97	49.91	-8.32
Services	112.09	1,28	56.57	-6,79
Government	162.99	5,58	59.58	-6.27

Obs.: INPC/IBGE-deflated.
Source: Cacciamali (1991), based on RAIS/MTE.

The rise in employment in services is also strongly related to an increase in non-registered wage labor, a form of hiring that came to be usual in the Brazilian labor market. Table 2 illustrates the readjustment of the labor market in the 1980s. In 1979 wage-earners accounted for 76% of total urban occupied laborers, with only 26.5% of these being non-registered. In 1988, by contrast, wage-earners' share was down to 74.6%, while the percentage of non-registered wage-earners rose to 28%. Moreover, non-registered wage-earners were occupied mostly in services and construction. Likewise, the ratio of those self-employed grew from 17.9% to 20.2% over the same period.

Table 2 – Distribution of non-agricultural active workers by occupational category. Brazil – 1979/1988 (in %)

Occupational category	1979	1988
Registered wage-earner	49.4	46.6
Non registered wage-earner	26.5	28.0
Self-employed	17.9	20.2
Employer	3.9	3.7
Unpaid	2.3	1.5
TOTAL	100	100

Source: Cacciamali (1991), based on PNAD/IBGE.

Labor income was deeply impacted by the economic recession and, foremost, by rising inflation. From 1979 to 1988, real average wage of non-registered wage-earner slumped by 42%, despite the wage-indexing mechanisms set in place, a reduction that was marginally higher among workers in Brazil's southeast region in comparison with the other regions.

From the perspective of economic activity, we note that wage losses were higher for workers in commerce, services, and construction. This picture, coupled with a drop in labor productivity, particularly in the secondary sector, reinforces the role of the workers' organizing power, given that in public utility services and the manufacturing industry, which have unions with stronger bargaining power, wage reduction was relatively lower.[46]

Disorganization and recovery of the Brazilian labor market

Although the 1980s negatively affected the labor market, by increasing urban unemployment and non-registered wage and informal labor, there were no significant changes in its basic structure, shaped during the fast growth years. The erosion of real average income would contribute to deteriorate the macroeconomic setting, besides worsening the workers' living conditions. Still, it is only with the recession of the early 1990s and price stability in a low-growth context with the opening of the Brazilian economy that we may speak of a disorganization of the Brazilian labor market. As we shall see ahead, open unemployment grew dramatically while formal labor was further reduced, with an increase in the participation of non-registered wage-earners and expanded informality.

The rise of low-productivity occupations is somewhat related with the growth of micro and small businesses in the commerce and construction sectors (Baltar, 2003), which exhibited low capitalization levels and failed to comply with several regulations, including labor and tax rules. These forms of organization of the production rose dramatically in the 1990s, prompting a significant increase in labor informality and casualization. This, in turn, brought about increased social exclusion, especially in the economic crises of the late 1990s, given that the greater portion of the workers linked to these small businesses hardly had any form of social protection (Dedecca, 2002). The rise in informality helped prevent unemployment rates from sharply increasing over the period (Coutinho, Baltar & Camargo, 1999). Furthermore, Valenzuela (1999) and Lavinas (1999) point to a growth in the proportion of vulnerable groups among the unemployed and in low-quality occupations,[47] such as women, youths, illiterate people, and blacks and mixed race.

The recovery of economic growth in the 2000s, even if at a level below that of the other developing countries, positively impacted the Brazilian labor market, reversed the trend toward labor market informality, and increased formal employment, including after the 2008/2009 financial crisis, though more slowly.

Moreover, the minimum wage appreciation policies, in place since 2005, and production and consumer credit expansion prompted a rise in the domestic consumer

[46] According to Cacciamali (1991), this finding provides evidence to support the hypothesis that the more oligopolistic sectors of the economy tend to accept their respective unions' demands and pass them on to the prices of goods. This would be done because there is little risk of losing domestic market share, given the high level of protection against foreign competition and the high level of income concentration.

[47] Vulnerable groups refers to those minority groups suffering both materially, and socially and psychologically, for various reasons, the effects of exclusion and /or access, participation in or unequal opportunity to goods, services, or activities available for the population.

market, further catalyzing job and income generation in the labor market (Cardoso, 2007). The expansion of income levels, however, was not restricted to registered wage-earner, who had the lowest real labor income increase from 1995 to 2012, together with employers. Over this period, non-registered wage-earner and the self-employed had the highest relative increase in labor income, helping bridge the income gap with registered wage-earners.

Lower unemployment was another feature of the decade, together with a drop in the participation of non-contract, unpaid, and self-employed workers. Yet, these trends exhibited differentiated features as we analyze gender, race, schooling and regional cleavages.

Despite the substantial improvement of job and income indicators, it is premature to say there was a restructuring of the labor market in terms of outweighing the exclusionary features it had been characterized by throughout its formation and consolidation process until the 1970s. Nothing seems to indicate that the country is in a "full employment" situation or that the weight of low-income occupations with no access to social security and basic labor rights, besides marked by extreme turnover and absence of unions with effective bargaining power, decreased sharply.

In the next sections we seek to present, in detailed fashion, some indicators on the evolution of the labor market in Brazil from 1992 to 2012.

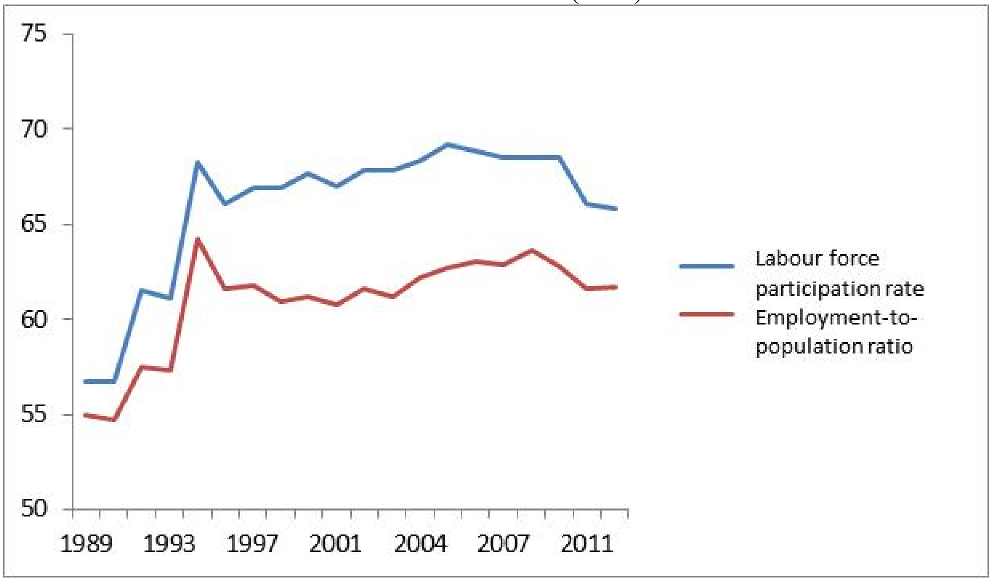
Evolution of the Brazilian workforce

In 2012 the working-age population in Brazil was149.3 million people,[48] 98.2 million of whom belonged to the economically active population (labor force) (Table A1).[49]The data emphasize that over this period the workforce grew faster than the overall population – in relation to 1989 there was a 45.0% growth of the working age population, while the workforce grew by 68.2%. Still, over the period we can observe some deviations in relation to this trend (Graph 16).

It is worth noting, however, that working age trends are related to the country's newly-inaugurated demographic transition, which resulted from a sharp fall in fertility rates and steady rise in life expectancy. As for the labor force, although it is also impacted by the demographic dimension, its evolution closely tracks the economy's and the labor market's overall behavior.

[48] Population aged 15-plus. In this study we used estimates from the National Household Sample Survey (PNAD, from the Portuguese acronym), excluding the northern region's rural population, except Tocantins state, for the purpose of harmonizing the data with pre-2004 PNAD data.
[49] Descriptive tables of the Brazilian labor market from 1992 to 2012 can be consulted in the Appendix.

Graph 16 – Labor force participation and employment rate.
Brazil. 1989-2012 (in %)



Source: Prepared by authors based on PNAD/IBGE microdata.

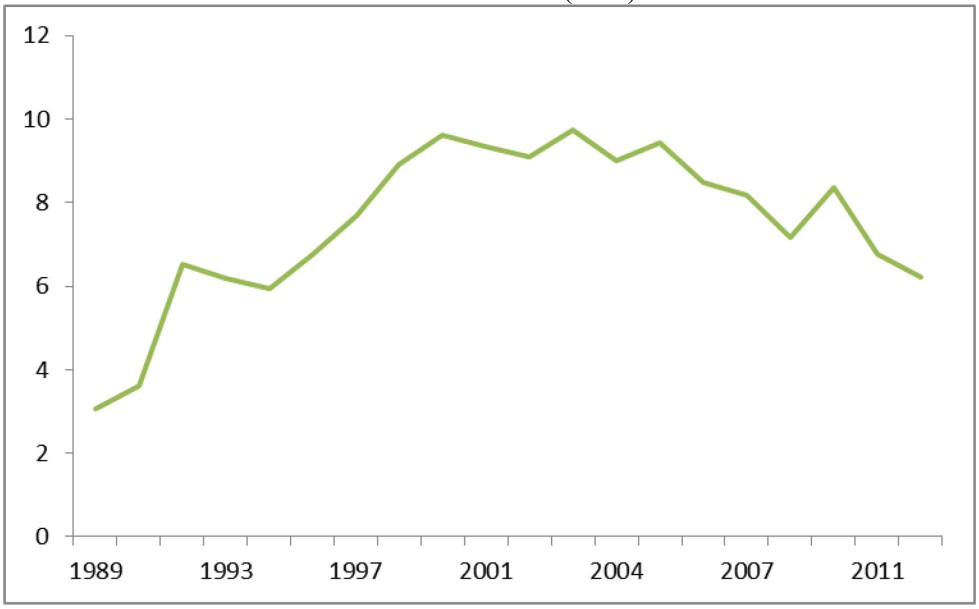
From 1989 to 1995, both rates grew significantly.[50] Yet, as the labor force participation rate outpaced the employment-to-population ratio, the outcomes in terms of higher unemployment were also significant. Over this period, total unemployment grew by 330%, affecting 4.2 million people at the end of this period.

In the 1995/2001 period, though at a slower pace if compared to the previous one, the labor force participation rate still grew faster than the employment-to-population ratio. This brought about a new rise in unemployment. In 2001, the unemployed were already 7.6 million in Brazil, in accordance with the survey's week-of-reference open-unemployment criterion (Table A1).

The year of 2002 marks the recovery of these indicators, which would last until the 2008/2009 crisis, and resume growth in 2012. The difference is that now the employment-to-population ratio is growing fast ahead the labor force participation rate, prompting a drop not only in the open unemployment rate, as we shall see ahead, but also in the number of unemployed workers, about 6 million people in 2012 (Table A1). Thus, the unemployment rate follows a growth trend throughout the 1990s and a declining trend starting in 2003, the year the unemployment rate reached 9.7%, the peak of open unemployment for the whole period. The economic crisis increased unemployment in 2009, though not significantly affecting the downward trend, which would resume in 2010 (Graph17). It is important to consider, however, that the negative effects on the unemployment rate were lessened by those individuals who leave the workforce in response to the negative prospects brought about by the crisis (Cacciamali & Tatei, 2010). These authors note that, differently from previous crises, the 2008/2009 economic recession prompted a significant rise in the inactivity rate, especially for the younger portion of the population and for more-skilled and better-paid workers.

[50] The participation rate is given by the PEA/PIA ratio, while the occupation rate is given by the occupied population/PIA ratio.

Graph 17 – Unemployment rate.
Brazil. 1989-2012 (in %)



Source: Prepared by authors based on PNAD/IBGE microdata.

These labor market trends show different configurations across Brazil's macro-regions (TableA2). Overall, we notice a more salient rise in the Southeast region's unemployment rates over the 1990/ 2001 period, where unemployment hit 11.4% in 2003, despite a widespread rise across Brazilian regions. During the 2000s unemployment leveled off across regions, even though the north and northeast regions experienced relatively lower decreases in unemployment, which prompted their respective rates to be above those of the southeast in 2012 (Table A2). However, what the overall aggregates do not show is the significant economic development of certain regional centers, especially those situated in regions traditionally exhibiting lower economic dynamism (Maciente, Pereira & Nascimento, 2014).

An important shift in the Brazilian labor market structure is related to the expansion of the educational system after 1988, which significantly increased the number of occupied workers in secondary, higher, technical, and technological education, prompting widespread growth in the country's labor force capabilities. Though insufficient as an indicator to attest to the skills of the labor force, next we examine the evolution of the average schooling of the Brazilian labor force (Table A3). Thus, while in 1992, 56% of the working age population only had incomplete primary education and only 3.7% had finished college, in 2012 these percentages are 30.8% and 10%, respectively. Complete secondary education, however, stands out, increasing from 10.3% to 30.5% of the working age population. The positive effects of increased schooling are underscored by high activity and occupation rates and low unemployment rates among individuals with complete higher education, whereas the illiterate population is in the opposite situation. Also noteworthy are the high unemployment rates of those individuals with primary and secondary education, indicating that demand for these workers did not keep pace with the workforce's educational level.

Another noteworthy shift is a rise in women's participation in the country's labor force, a trend that started in the mid-1980s. From 1989 to 2012, women's activity rate rose by 40.6%, whereas that of men rose by 2.9% (Table A4), with a similar growth trend for the occupation rate, respectively 3.9% and 1.3%. The impressive rise in women's participation in the labor market is followed, in turn, by an even higher growth in unemployment, such that in 2012 women's unemployment rate is nearly twice as high as that of men.

Lavinas (1999) points out the paradoxical evolution of women's participation in the workforce in the 1990s, as they significantly increase their participation in the workforce, yet see their chances of getting a job stagnate, a situation that is further compounded by their segmentation in essentially low-productivity services sectors, as reflected by lower pays in comparison with men. This trend did not significantly change even after the labor market recovery of the 2000s.

As regards color-of-skin cleavages, Cacciamali & Tatei (2012) underscore the black population's increasing share in the labor force throughout the 20th century. However, there are no significant differences as regards a person's color/race (Table A5). In fact, the magnitudes of the changes across activity, occupation, and inactivity indicators from1992 to 2012 are similar.

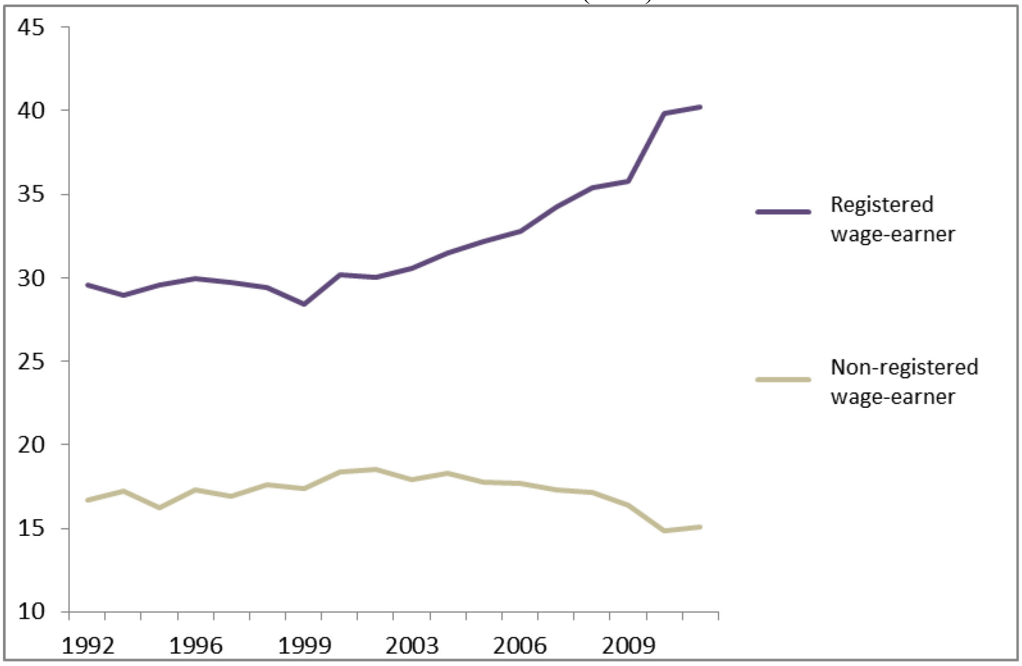
Nonetheless, blacks face tougher conditions in the labor market, as their occupation rates are lower than those of whites, though higher in terms of activity rates. This is reflected in substantially higher unemployment rates in comparison with whites. Moreover, just like with women, these data fail to reveal the different forms of participation of these groups in the labor market, groups that are usually in precarious occupations, with low potential for social mobility, and earning lower incomes. (Valenzuela, 1999)

Occupational composition in Brazil

In this section, we deepen the description of the Brazilian labor market by presenting the distribution and evolution of those occupied according to the occupational category and activity sector. In 2012 the occupied population totaled 92.1 million individuals, 40.2% of whom were private sector payroll wage-earners (Table A6). This figure is particularly relevant because the percentage of registered wage-earners was only 29.6% in 1992 and 28.4% in 1999 (Graph 18).

More importantly, while the number of private sector registered wage-earners remained practically constant over the 1992/1999 period, it nearly doubled from 1999 to 2012. Over this last period, the registered wage-earners accounted for ¾ of the total occupied workers' net growth (Table A6).

Graph 18 – Evolution of wage labor in private sector to total occupied population. Brazil. 1992-2012 (in %).



Source: Prepared by authors based on PNAD/IBGE microdata.

The rise in formal relations in the Brazilian labor market was also strengthened by a growth in public employment, which accounted for 7.1% of the total occupied population in 2012, the highest percentage since 1992. The rising proportion of these workers underscores the importance of the public administration as job generator. Still, it takes place at a different juncture than that observed in the 1980s, when the State acted to cushion the negative effects of the economy's readjustments. Now what can be perceived is an increase in the supply of public services in order to comply with mandatory public spending percentages, in health and education especially, set by the 1988 Constitution.

Conversely, the data also highlight the Brazilian labor market's disorganization over the 1990s, with a growth in the number of non-registered wage-earner, of self-employed workers, and of domestic services workers, a group that came to account for 48.9% of those occupied in 1992 (Table A6). The rise in formal labor in the 2000s helped reduce this ratio, which, albeit still high, fell steadily from 2002 on and reached its lowest level since 1992, at 42.3%, in 2012.

Equally relevant is a drop in the number of unpaid and own-consumption workers, indicating that an increasingly smaller number of people are plighted by the most precarious working conditions. Starting in 1992, 4.6 million individuals left the condition of unpaid worker, with the percentage of occupied people falling from 7.7% to 2.4% in 2012. By contrast, the number of own-consumption workers remained almost flat over the period, while their proportion fell from 4.6% to 3.7%. It is worth noting, moreover, that many of these workers were allocated in agricultural activities, thus resulting in a reduction in the number of those occupied in this sector (Table A7) from 16.4 million in 1992 to 12.2 million in 2012.

We can also see an important shift from manufacturing industry employment to commerce and services activities throughout the 1990s, such that from 1992 to 1999 there was a slowdown in manufacturing industry jobs. Conversely, from 2001 to 2012 the recovery of the manufacturing industry's economic dynamism prompted a 28.4 percent rise in total jobs, yet without prompting significant changes in the relative participation of this sector's employment (Table A7). This is due to a sharp growth in the number of those occupied in construction, commerce and public administration activities.[51]The case of commerce is particularly important because, in absolute terms, this sector contributed the most to generate jobs from 1995 and 2012, totaling 7.8 million jobs, or 30.5% of all new jobs over this period. Accordingly, in 2012 this sector only trailed behind the services sector as the country's main source of employment – 18.1% of total jobs in 2012.

The construction employment level was especially affected by the economic stagnation of the 1990s; yet, economic growth, coupled with the State's expanded role in the 2000s, contributed to raise the sector's production and employment levels. On the other hand, public administration was the only sector to steadily increase its relative participation, that is, the proportion of people working in any State-related activity increased marginally since the 1990s.

Lastly, it is interesting to notice the development of employment in the services sector, since throughout the 1990s it had been responsible for absorbing great part of the workers who had lost space in farm and manufacturing activities, accounting for 37.3% of total employment in 1999. In 2012, the services industry is still Brazil's top employer, regardless of a loss in its relative participation in the 2000s, accounting for 31% of total employment in 2012[52].

Evolution of labor income

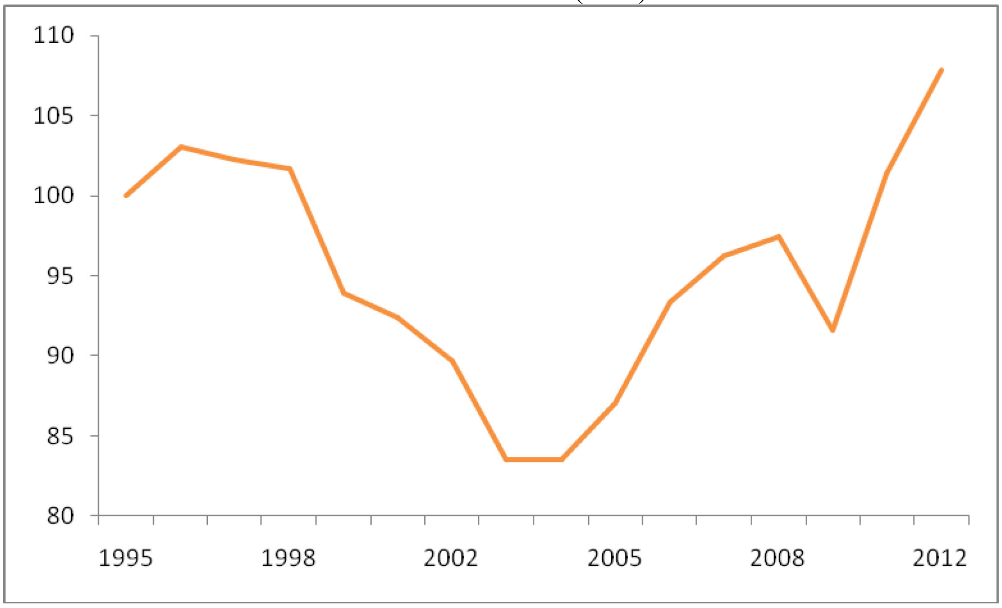
In addition to the evolution of employment and its composition, it is equally important to observe the behavior of real labor income (Graph 19). Just as with employment, its evolution can be broken down into three key moments.

The first one refers to its recovery in the aftermath of the 1994 Real Plan, when the decline and the reining-in of inflation had a positive impact on labor-related income, despite a small drop in the two following years due to the labor market's negative behavior. Starting in 1999, however, the currency devaluation and the economic slowdown usher in a period in which the workers' purchasing power is dramatically eroded. This decline in the workers' income goes on uninterruptedly until 2003, with labor's real income beginning a sharp upward movement in 2004, interrupted only in the year of the economic crisis. The rise in labor income goes in parallel with the labor market's rebound, which was helped by a favorable foreign setting, GDP growth, domestic market expansion, and the minimum wage appreciation policy. It is also worth highlighting that the average labor income continued to grow after the post-crisis period, even with low economic growth levels. Lastly, only in 2011, the average labor income would outpace, in real terms, the 1996 level.

[51] Corroborating the analysis, data from the Annual Social Information Report (RAIS, from the Portuguese *Relação Anual de Informações Sociais*) show that there was a net generation of 15.5 million jobs from 2000 to 2009. The top formal job-generating sectors were commerce, services and construction (DIEESE, 2012).

[52] This percentage rises to nearly 50% if we add public administration and the "Others" category, comprising mostly services industry workers.

Graph 19 – Evolution of real labor income (1995 = 100)
Brazil. 1995-2012 (in %)



Source: Prepared by authors based on PNAD/IBGE microdata

By breaking down labor income by occupational category we notice that, disregarding differences in magnitude, labor income evolution evolved at basically the same rate for the various forms of occupation (Table A8). Still, some aspects should be highlighted. With regard to the period during which labor income was sharply eroded (1999 to 2003), we notice that the employers, together with domestic employees, faced the most dramatic real income drops. Still, this drop in labor income over the period was not even worse thanks to the income of military personnel and public servants, the only groups to enjoy positive labor income in the second half of the 1990s, with income starting to decline only in 2001.

In the post-2003 period, there is widespread growth of labor income for all occupations, though at a faster pace again for employers, military staff and public employees. This group evidences the negative effects of both the 2008/2009 economic crisis and the ensuing economic stagnation, interrupting real labor income's upward trend for the majority of the occupational sectors.

As for the 2004/2008 period, it is worth emphasizing that the growth of the average income of non-registered wage-earners and self-employed workers outpaced that of registered wage-earners, leading to a reduction in relation to these workers. In 2012, however, registered wage-earners still earn an average income that is 53.6% higher than that of non-registered wage-earners and 7.7% higher than that of the self-employed workers (Table A8). It is also worth stressing that average income fails to capture critical income differentials across occupational categories.

Summary of the Recent Evolution of the Labor Market

The Brazilian labor market has gone through many changes over the past thirty years. From the economic adjustment of the 1980s, more importantly in the 1981 to 1983 crisis, which interrupted employment growth, eroded the purchasing power of wages, increased unemployment rates, and started the informality process in the labor market; going through the 1990s, when in addition to a further worsening of the employment rate, the occupational structure is deeply changed –with lower income and without social protection segments increasing their participation in the total occupied population –and strong erosion of labor income, especially after 1999; to the 2000s, when employment levels rise again, especially for the groups protected by labor and social security laws, with a drop in unemployment and a significant recovery of income levels, after 2004, mostly at the base of the occupied labor force, which led to a narrowing of the wage spectrum and even to reduced disparity between many social segments.

These various moments should be understood in light of the domestic and international economic dynamics, changes in labor legislation, the social actors' bargaining power, as well as of the more important role played by the State in fostering investment and in regulating markets and labor relations. The positive bottom line, however, cannot eclipse the challenges facing the country, especially at a moment when low growth rates will most likely prove incapable of repeating last decade's performance.

Moreover, the development of the Brazilian labor market is still constrained by the country's poor quality educational system, leading to scarcity of certain groups of more skilled workers. Considering that the demographic bonus tends to exert increasingly less pressure on the labor market in the coming years, this is still characterized by a significant pool of workers with low wages and income who lack social security contributions, representative unions, and labor rights, in addition to access to education and health services and to housing and credit, in the case of low-income microbusinesses, conditions which are far from those ensured to the salaried middle class, situated in the higher income distribution deciles.

2.6. The Fall of Poverty and Inequality from 1980 to 2010: Conjunctural or Structural?

Although poverty is a multidimensional phenomenon, currently its study has, to a large extent, limited its focus to an insufficiency-of-income approach, that is, to determining minimum values of household income that would be enough to provide for the people's elementary needs. In this section we will assess poverty and inequality as measured by income, while also attempting to move toward an approach that is focused on the expansion of capabilities, in the sense developed by Sen (2000).

As there is no official poverty line in Brazil, we have adopted the line of poverty set by Rocha (1997), who considers poverty as income insufficiency on the basis of information on the 'food basket' and the non-household consumption structure that is available in the Household Budget Survey (*Pesquisa de Orçamento Familiar* – POF, in Portuguese). Accordingly, poverty line estimates vary across regions, as local cost of living differences are computed.

In this analysis, we use the Gini coefficient, the main indicator in measuring income inequality levels, as represented by the Lorenz curve – which provides a graphic representation of a population's accumulated proportion vis-à-vis this population's accumulated income.[53]

[53] For the present study we use household per capita income to calculate Gini coefficient.

The results for the period analyzed show that poverty and income inequality were considerably reduced. The proportion of people living below the poverty line was 15.6% of total population at the end of period analyzed, whereas during the 1990s it had reached 41.2% of total population. To a large extent these gains were the result of the labor market's positive performance in the 2000s, but also of credit-extension policies targeting smaller companies and informal businesses, in addition to the cash transfer programs. The stabilization of inflation at low levels, since the Real Plan, which was maintained thereafter, also contributed for these trends.

Regarding the cash transfer programs, empirical evidence shows that these programs were effective in reaching out to the poorest families and, over time, in lifting a significant pool of people above the poverty line, notwithstanding the fact that its impacts on inequality reduction were less visible.

In the next sections, we seek to outline the joint evolution of poverty and inequality for the 1980s, 1990s, and 2000s.

Evolution of poverty and inequality in Brazil – the 1980s

As mentioned earlier, the 1980s were a period of economic stagnation in Brazil. Impact on absolute poverty varied over time, higher at the height of the 1981/1983 crisis and lower in relation to the early 1980s figures, though still at considerably high levels. By the end of the decade, 30% of the population was below the poverty line, 40% for those living in rural areas (Table 3).

Table 3 – Population and proportion of people in a situation of poverty. Brazil. 1980/1990

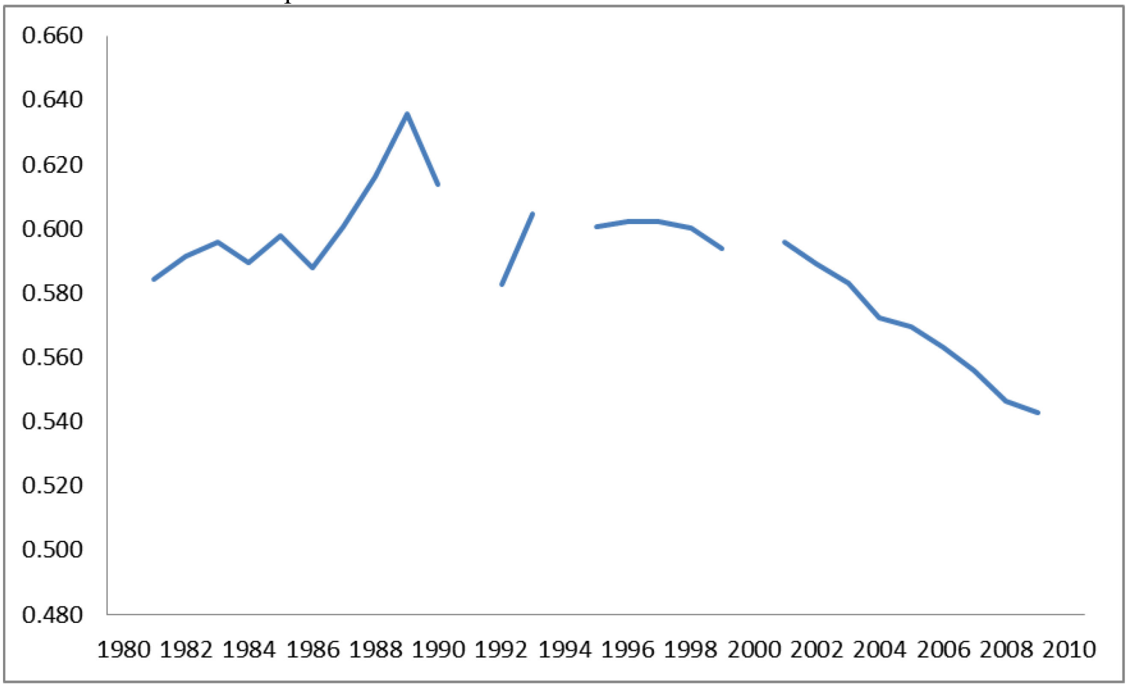
Area	1980	1981	1983	1985	1986	1987	1988	1989	1990
Metropolitan									
Population (thou)	9,069	10.829	15.123	14.014	10.051	10.565	10.286	11.925	12.261
Ratio (%)	27.2	29,5	38,4	33,5	23,4	26,1	25,3	28,5	28,9
Urban non metropolitan									
Population (thou)	14.830	15.596	19.883	17.269	11.874	15.085	16.903	17.347	17.483
Ratio (%)	32,7	31,9	38,5	31,3	21,0	25,3	27,4	27,2	26,8
Rural									
Population (thou)	17.398	14.629	16.185	14.833	9.922	11.610	11.988	11.666	12.227
Ratio (%)	45,6	44,2	48,7	42,7	28,4	36,7	37,9	37,2	39,3
Brazil									
Population (thou))	41.297	41.053	51.190	46.116	31.847	37.260	39.178	40.938	41.970
Ratio (%)	35,3	34,6	41,2	35,0	23,7	28,3	29,2	29,9	30,3

Source: Adapted from Rocha, 2003.

In short, the result of the decade is one of stagnation of absolute poverty levels. It is worth noting, too, that over this period there was a greater concentration of poverty in urban areas, especially in metropolitan regions, since the rural-urban migration processes had not been halted.

Concerning inequality, over the 1980s, the decrease in real average income was higher, the lower the level of income (Rocha, 2003; Barros & Mendonça, 1992). This high income inequality experienced little change from 1980 to 1985. With inflation running amok in the second half of the decade, inequality hit historical highs in Brazil (Graph 20).

Graph 20 – Evolution of Gini index. Brazil. 1980-2010



Source: IPEADATA. Prepared by authors.
*Data not available for1980, 1991, 1994, 2000 and 2010.

Evolution of Poverty and Inequality in Brazil – the 1990s

The 1990s were marked by the implementation of the Real Plan, in 1994, which resulted in price stabilizing at low levels. In this context, the socioeconomic conditions of the, especially low-income, population improved. From 1990 to 1995, the proportion of the country's poor fell from 44.2% to 33.2%, with 12.3 million people being lifted out of poverty.

Moreover, reduction of extreme poverty in Brazil was also significant from 1990 to 1995: 8.8 million people started to get earnings that exceeded the minimum necessary for their survival, representing a 7-percentage-point reduction in the number of destitute people over the same period.

Moreover, poverty alleviation was significant in rural areas, with minus 5.6 million poor people, so the relative participation of the rural poor fell, just as the number of poor people in urban areas dropped. It is worth noting that this would be the last decade in the history of the country with significant positive rural/urban migration balances

Yet, for the following period, from 1995 to 2001, when the negative effects of the labor market take their toll, there is a rise in the proportion of poor people both in urban and rural areas, though at lower levels than those of the beginning of the decade. This situation is more significant in the metropolitan areas, both in absolute and relative terms.

By the end of the period, in 2001, if the incidence of poverty was still higher in rural areas, poverty was concentrated in urban areas, which accounted for 82% and 73% of the poor and extreme poor, respectively.

Table 4 – Population and proportion in situation of poverty and extreme poverty*. 1990, 1993, 1995, and 2001

Area	Extreme poverty				Poverty			
	1990	1993	1995	2001	1990	1993	1995	2001
Metropolitan	4,187,613	5,314,616	3,228,490	4,183,439	16,824,560	19,764,482	14,101,763	18,517,207
Proportion (in %)	11.7	12.1	7.1	8.4	41.4	45.1	31.2	37.4
Urban non metropolitan	7,375,151	8,938,407	6,199,201	7,422,307	23,714,881	28,024,342	22,815,995	29,075,652
Proportion (in %)	13.5	12.9	8.5	8.1	40.0	40.4	31.2	31.7
Rural	10,857,351	8,608,607	5,927,177	4,355,192	19,145,783	14,803,818	12,135,679	10,662,148
Proportion (in %)	33.3	30.0	20.3	17.1	56.8	51.6	41.5	42.1
Total	22,420,115	22,861,630	15,354,868	15,960,938	59,685,224	62,592,642	49,053,437	58,255,007
Proportion (in %)	17.4	16.1	10,4	9.6	44,2	44.1	33.2	35.1

Source: Prepared by authors based on PNAD/IBGE microdata
* Poverty line set in accordance with methodology proposed by Rocha (1997).

In the early 1990s, inequality levels remained high. Inflation control accomplished with the 1994 Real Plan significantly improved the earnings of the lower strata; still, inequality remained high. What we saw in the second half of the 1990s was a slight reduction in income inequality. Two offsetting effects operated: from the positive side, the fall of inflation; from the negative, the behavior of labor income, which starts to decrease as early as 1996.

With modest results (Graph 20) with regard to income inequality reduction, the 1990s became a stage for experimentation with several types of social programs, many of which were carried out by insistence of and monitoring by multilateral agencies, like the World Bank. Thus, the 1990s enabled the setting of new social technologies that would be deepened in the following decade.

Evolution of Poverty and Inequality in Brazil – the 2000s

The effects of successive crises led to the stagnation of extreme poverty alleviation and of the proportion of poor and destitute people, a situation that went on until 2003. Thereafter poverty steadily declined, so that the proportion of poor people in the country reached 25.1% in 2007, which represented a universe of 45.5 million people. In relation to the more vulnerable population, the number of people below the extreme poverty line decreased by 6.4 million (Table 5), thus reducing the proportion of destitution to 5.8% of the total population.

From 2003 to 2007, the greatest reduction in the number of poor people took place in urban areas, where 7.1 million and 2.7 million people started to get earnings exceeding the poverty and extreme poverty lines, respectively. Corroborating the improved conditions of the poor urban population, the proportion of poor people fell by 10.6 and 9.7 percentage points in metropolitan and urban nonmetropolitan areas, respectively.

By contrast, both absolute and relative poverty in rural areas continued to fall. In 2007, 15.4% of the country's poor population came from rural areas, totaling 6.9 million people below the poverty line. In 2003, 2.9 million people were lifted out of poverty and 1.4 million out of destitution, significantly altering the proportion of the rural poor and destitute, with a reduction of, respectively, 12.5 and 5.9 percentage points.

Table 5 – Population and proportion in situation of poverty and extreme poverty.* Brazil. 2001, 2003, 2007, 2011

Area	Extreme poverty				Poverty			
	2001	2003	2007	2011	2001	2003	2007	2011
Metropolitan	4.183.439	5.065.399	2.839.117	1.833.701	18.517.207	21.128.931	16.252.576	10.263.242
Proportion (in %)	8,1	9,5	5,1	3,2	37,4	39,8	28,9	17,8
Urban non metropolitan	7.422.307	7.711.379	4.916.274	4.325.540	29.075.652	29.462.147	22.265.241	15.021.744
Proportion (in %)	8,0	8,4	4,9	4,0	31,7	32,1	22,4	13,8
Rural	4.355.192	4.165.077	2.749.337	2.337.510	10.662.148	9.951.254	6.994.607	4.507.369
Proportion (in %)	17,1	16,6	10,7	9,6	42,1	39,7	27,2	18,5
Total	15.960.938	16.941.855	10.504.728	8.496.751	58.255.007	60.542.332	45.512.424	29.792.355
Proportion (in %)	9,6	10,0	5,8	4,5	35,1	35,6	25,1	15,6

Source: Prepared by authors based on PNAD/IBGE microdata
* Poverty line set in accordance with methodology proposed by Rocha (1997).

Over 2003 and 2007, poverty reduction in metropolitan areas only offset poverty increase over the 1995/2001 period, yet was short of the absolute levels reached in 1995. In 2007, Brazil's metropolitan areas had 16.2 million people, a contingent that was higher than the poor population the country had at the beginning of the Real Plan. Still, in 2007 the proportion of poor people was the lowest since 1990, at 28.9%.

This process would be continued from 2007 to 2011. In this last year, Brazil would report 15.6% of poor and 4.5% of extreme poor, in line with the poverty line the country adopted. Rural areas continued to stand out for their higher incidence of poverty. Still, 85% of the poor were in urban areas.

The first years of the 21st century were also characterized by a significant reduction in income inequality (Table 6), especially after 2003. From 2003 to 2007, the rural areas had their greatest Gini coefficient drop, -6.6%. This reduction also took place in metropolitan and urban nonmetropolitan areas, -4.7% and -5.4%, respectively.

Though proceeding at a somewhat slower pace, income inequality reduction over the 2007/2011 period experienced a slight increase in rural Gini, 0.6%; yet, this was not enough to stop the country's indicator from falling by a further -4.4%. When we consider the 2001/2011 period, income inequality reduction is quite evident. The indicator shows a -10.5% drop for the country as a whole. Over this period, we observe that income inequality reduction was bigger in urban areas, which were favored by a more dynamic labor market that was incorporating the more formal segments as they benefited from the minimum wage rise.

Table 6 – Gini coefficient, by household per capita income. Brazil. 2001-2011

Area	2001	2003	2005	2007	2009	2011
Metropolitan	0.579	0.573	0.568	0.546	0.544	0.532
Urban nonmetropolitan	0.560	0.553	0.536	0.523	0.512	0.497
Rural	0.534	0.531	0.506	0.496	0.489	0.499
Total	0.588	0.577	0.565	0.550	0.537	0.526

Source: Prepared by authors based on PNAD/IBGE microdata

As mentioned throughout the text, from the 1990s on, and more substantively over the 2000s, new social policy practices were developed in Brazil, especially those linked with cash transfers. Thus, we shall analyze income inequality with the aim of gauging the magnitude of the impact of social policies on poverty and income inequality reduction.

Over the 2001/2011 period, labor income remained stable in urban areas (Table 7). This trend is evidence of the importance of the labor market as the country's main household source of income, a pattern observed by, among other studies, Soares *et al*. (2006), Barros, Carvalho & Franco (2007), Hoffman (2013). Moreover, we verify that the proportion of income from cash transfer programs is minute, despite its having expanded more than the other sources of income.

Table 7 – Participation of source of income in total household income (in %)

Source of income	Brazil	
	2001	2011
Labor	73.1	73
Public retirement and pensions	20.8	22.4
Continuous Cash Benefit Program	0	0.3
PBF*	0.1	0.4
Others	5.9	3.9
Total	100	100

Source: 2001 and 2010 PNAD/IBGE. * PBF and related programs.

Table 8 presents the concentration coefficient for each source of income in relation to total income, ranging from -1 to 1, where the closer it is to 1, the greater is the concentration of income in the richer stratum of the population, whereas negative values represent the pro-poor, progressive character of the source of income. Regarding the evolution of the Gini coefficient in the 2000s, we notice a widespread drop in the concentration coefficient for nearly all sources of income. The Continuous Cash Benefit program is the sole exception.

Table 8 – Concentration coefficient by source of income

Source of income	Brazil	
	2011	2011
Labor	0.59	0.545
Public retirement and pensions	0.59	0.517
Continuous Cash Benefit Programme	-0.216	-0.207
PBF *	-0.616	-0.796
Other	0.7	0.561

Source: 2001 and 2010 PNAD/IBGE. * PBF and related programs.

Table 9 presents an estimation of the weight of each one of these sources of income on Gini coefficient variation over the 2001/2011 period. Gini can be decomposed in two effects: i) the concentration effect (first column), which indicates changes in Gini stemming from changes in income concentration levels; and ii) the participation effect (second column), which captures the effect of changes on source of income in relation to total household income; while the third column is simply the addition of these two effects.

Table 9 – Contribution of source of income to inequality reduction.
2001 to 2011 (in %)

Source of income	Concentration effect	Participation effect	Total Effect
Labor	51.8	0	51.8
Public retirement and pensions	24.8	0.2	25
Continuous Cash Benefit Program	0	3.4	3.4
PBF *	0.7	6.2	6,9
Other	10.8	2.1	12.9
Total	88	12	100

Source: 2001 and 2010 PNAD/IBGE. * PBF and related programs.

Thus, we can notice that the reduction in income inequality was primarily brought about by changes in the concentration effect rather than changes in income participation. Labor income accounts for 51.8% of the falling Gini from 2001 and 2011, which reflects the importance of the labor market in bringing the indicator down, whereas the Family Allowance Program (PBF) and the Continuous Cash Benefit (BPC) program account for, respectively, 6.9% and 3.3%.

The role of cash transfer programs in reducing income inequality was significant, especially if we consider its meager participation in total household income, since labor and retirement/pension income levels of contribution to Gini reduction are similar to their participations in total household income. However, these programs seem to have contributed more to reduce poverty than to reduce inequality.

This analysis requires deepening so as to find out how the drop in inequality varied across country regions and social groups, replicating, alleviating, or widening income differentials by sex, race/color, and schooling level.

For the purpose of summarizing and answering this topic's question, we may say that Brazil succeeded in reducing poverty and inequality levels over a short period of time. Everything seems to indicate that these new levels have come to stay. Yet, we still need to know whether from now on significant changes will continue to occur or if we will only see conjunctural fluctuations around the levels reached.

It is also worth emphasizing that inequality reduction in other spheres, like access to social policies and rights, which have also made progress, has most likely advanced at a slower pace than income inequality, which poses challenges in achieving a more just society and in outweighing poverty as a multidimensional phenomenon.

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Appendix

Table A1 – Population by economic activity condition. Brazil. 1989-2012

Year	Legal working age population (PIA)	Workforce (PEA)	Occupied	Non-occupied
1989	103,021,657	58.425.446	56.629.723	1.795.723
1990	109,094,293	61.915.995	59.673.644	2.242.351
1992	113,722,084	69.969.210	65.395.491	4.573.719
1993	116,115,478	70.965.378	66.569.757	4.395.621
1995	103,332,076	70.538.694	66.339.346	4.199.348
1996	106,171.622	70.190.573	65.444.295	4.746.278
1997	108,017,737	72.327.607	66.773.919	5.553.688
1998	110,712,611	74.070.248	67.477.624	6.592.624
1999	113,072,489	76.497.398	69.143.254	7.354.144
2001	121,011,034	81.101.518	73.522.903	7.578.615
2002	125,015,053	84.800.022	77.075.803	7.724.219
2003	128,154,094	86.911.314	78.457.646	8.453.668
2004	130,596,408	89.286.631	81.245.164	8.041.467
2005	133,456,614	92.355.761	83.657.939	8.697.822
2006	136,502,216	94.007.440	86.042.321	7.965.119
2007	139,458,785	95.520.728	87.719.059	7.801.669
2008	141,031,850	96.613.883	89.693.920	6.919.963
2009	143,392,779	98.223.212	90.024.037	8.199.175
2011	147,248,895	97.253.539	90.675.098	6.578.441
2012	149,371,108	98.262.495	92.143.649	6.118.846

Source: Prepared by authors based on PNAD/IBGE microdata

Table A2 – Participation, employment, and unemployment rates, by geographic region. Brazil. 1989-2012.

Year	Labour force participation rate					Employment-to-population ratio					Unemployment rate				
	North	Northeast	Southeast	South	Center-West	North	Northeast	Southeast	South	Center-West	North	Northeast	Southeast	South	Center-West
1990	53.0	54.5	56.5	61.7	58.0	51.1	52.7	54.2	59.9	56.3	3.6	3.4	4.2	3.0	2.9
1992	58.8	61.3	59.4	67.4	64.9	54.2	57.5	55.0	64.3	60.9	7.9	6.2	7.5	4.6	6.1
1993	59.3	61.1	59.1	66.8	63.1	54.1	57.3	55.0	64.1	59.5	8.7	6.2	6.9	4.1	5.7
1995	67.9	68.1	66.2	73.8	70.4	62.3	64.5	61.9	70.2	66.1	8.3	5.4	6.5	4.8	6.1
1996	64.6	64.9	64.8	71.1	69.2	59.7	60.9	60.0	67.4	63.8	7.6	6.1	7.5	5.2	7.8
1997	66.3	67.0	64.9	71.9	70.0	59.9	62.4	59.2	67.4	65.1	9.7	6.7	8.7	6.3	7.1
1998	66.1	66.9	64.8	71.7	70.7	59.7	62.0	58.0	66.5	64.7	9.7	7.3	10.5	7.3	8.5
1999	66.7	67.8	65.6	72.5	70.5	59.2	62.2	58.3	66.8	64.0	11.2	8.2	11.0	7.8	9.3
2001	64.7	65.5	66.0	71.9	70.2	58.5	59.7	59.0	67.2	64.1	9.6	9.0	10.7	6.5	8.7
2002	66.7	66.4	66.9	72.6	70.0	60.2	60.8	59.7	68.0	64.4	9.9	8.4	10.7	6.3	8.1
2003	68.0	66.7	66.6	72.7	69.3	60.9	60.8	59.0	67.9	63.2	10.5	8.9	11.4	6.7	8.8
2004	67.7	67.3	67.1	73.0	71.0	61.8	61.2	60.1	68.8	65.3	8.7	9.1	10.4	5.7	8.0
2005	69.0	68.2	68.2	72.9	71.6	62.4	62.0	60.8	68.4	64.8	9.6	9.1	10.8	6.1	9.4
2006	66.7	67.5	68.4	72.9	70.4	61.2	61.8	61.9	68.6	64.6	8.2	8.4	9.5	6.0	8.2
2007	67.0	66.8	67.9	72.5	71.3	61.0	61.2	61.9	68.3	65.7	8.9	8.4	8.9	5.7	7.8
2008	67.4	67.0	68.0	71.6	71.7	62.3	61.9	62.8	68.1	66.5	7.6	7.6	7.7	4.9	7.3
2009	67.6	66.3	68.3	71.7	71.7	60.9	60.4	62.3	67.5	66.2	9.8	8.9	8.8	5.9	7.7
2011	65.4	62.9	66.5	69.3	69.2	60.0	57.9	61.8	66.4	65.2	8.3	7.9	7.0	4.3	5.8
2012	65.8	62.7	66.1	68.9	68.8	60.8	58.0	62.1	66.0	65.2	7.6	7.6	6.1	4.1	5.2

Source: Prepared by authors based on PNAD/IBGE microdata

Table A3 – Participation, employment, and unemployment rates, by level of schooling. Brazil. 1992-2012.

Year	Labour force participation rate					Employment-to-population ratio					Unemployment rate				
	Illit.	Primary Incomp.	Primary Comp.	Second. Complete	Higher Complete	Illit.	Primary Incomp.	Primary Comp.	Second Complete	Higher Comp.	Illit.	Primary Incomp.	Primary Comp.	Second. Complete	Higher Comp.
1992	57.8	56.9	67.4	77.5	86.5	55.8	53.0	60.8	71.9	84.4	3.4	7.0	9.9	7.3	2.5
1993	57.1	56.4	66.9	77.5	86.3	55.4	52.6	60.3	72.6	84.1	3.0	6.6	9.8	6.3	2.6
1995	59.4	67.3	67.3	77.6	86.4	57.6	63.2	60.8	73.0	84.3	3.2	6.1	9.6	5.9	2.4
1996	55.7	64.7	65.8	76.8	85.5	53.6	60.1	59.2	71.8	83.2	3.7	7.1	10.0	6.6	2.8
1997	56.6	65.3	66.2	77.7	86.2	54.3	60.2	58.5	71.5	83.4	4.1	7.9	11.6	8.0	3.2
1998	56.2	65.1	65.6	78.0	85.4	53.8	59.3	56.4	70.8	82.3	4.4	8.9	14.0	9.2	3.7
1999	56.8	65.8	66.7	77.7	84.9	54.1	59.7	56.8	69.4	81.3	4.8	9.3	14.8	10.7	4.2
2001	54.3	64.5	65.5	78.1	85.3	51.4	58.6	56.4	70.3	82.2	5.3	9.1	13.8	9.9	3.7
2002	54.0	64.9	66.0	78.8	85.9	51.6	59.4	56.9	70.6	82.8	4.6	8.4	13.8	10.4	3.6
2003	53.3	64.6	66.0	78.7	85.3	50.5	59.0	56.1	70.1	81.8	5.3	8.7	15.0	10.9	4.0
2004	52.7	64.9	66.7	79.3	84.6	50.2	59.8	57.6	71.1	81.6	4.8	8.0	13.6	10.3	3.6
2005	52.9	65.2	67.1	80.5	85.5	50.5	59.8	57.3	72.0	82.1	4.5	8.2	14.7	10.6	4.0
2006	51.3	64.4	66.5	79.9	85.2	49.2	59.8	57.8	72.2	82.0	4.2	7.2	13.1	9.7	3.8
2007	50.2	63.4	66.3	79.7	85.0	48.2	59.1	58.1	72.0	81.8	4.0	6.7	12.3	9.6	3.8
2008	50.6	62.9	65.3	79.8	85.1	48.4	59.4	58.3	73.1	81.9	4.4	5.6	10.7	8.4	3.7
2009	48.7	62.2	65.5	79.9	85.3	46.3	57.8	57.4	72.1	82.2	4.9	7.0	12.3	9.8	3.7
2011	47.5	58.3	62.5	77.6	84.0	45.2	55.0	56.4	71.6	81.2	4.7	5.7	9.7	7.7	3.4
2012	43.1	57.8	61.7	77.4	84.2	41.5	54.9	55.8	72.0	81.5	3.8	5.1	9.6	6.9	3.2

Source: Prepared by authors based on PNAD/IBGE microdata

Table A4 – Participation, employment, and unemployment rates, by sex. Brazil. 1989-2012.

Year	Labour force participation rate		Employment-to-population ratio		Unemployment rate	
	Men	Women	Men	Women	Men	Women
1989	75.5	39.0	73.2	37.8	3.1	3.0
1990	75.4	39.1	72.5	37.8	3.8	3.4
1992	76.6	47.2	72.4	43.4	5.6	8.0
1993	76.0	47.0	71.9	43.5	5.4	7.4
1995	84.0	53.6	79.8	49.7	5.1	7.2
1996	82.0	51.4	77.4	47.0	5.5	8.6
1997	82.4	52.6	77.3	47.4	6.2	9.8
1998	82.0	52.8	76.2	46.8	7.1	11.5
1999	82.0	54.4	75.5	47.8	7.8	12.1
2001	81.0	54.1	74.9	47.7	7.5	11.9
2002	81.1	55.6	75.2	49.2	7.3	11.5
2003	80.7	55.9	74.5	49.0	7.8	12.3
2004	81.0	56.9	75.4	50.2	6.9	11.8
2005	81.2	58.2	75.4	51.0	7.2	12.3
2006	80.8	58.0	75.6	51.6	6.4	11.1
2007	80.2	57.7	75.4	51.4	6.1	10.8
2008	80.3	57.6	76.1	52.1	5.2	9.6
2009	80.1	57.9	75.1	51.5	6.2	11.1
2011	78.1	55.0	74.3	50.0	4.9	9.2
2012	77.7	54.9	74.1	50.3	4.7	8.3

Source: Prepared by authors based on PNAD/IBGE microdata

Table A5 – Participation, employment, and unemployment rates, by color of skin. Brazil. 1989-2012.

Year	Labour force participation rate		Employment-to-population ratio		Unemployment rate	
	Whites	Blacks	Whites	Blacks	Whites	Blacks
1989	56.5	56.9	55.0	54.9	2.7	3.6
1990	56.4	57.2	54.5	54.9	3.4	4.0
1992	60.8	62.4	57.1	57.9	6.0	7.2
1993	60.5	61.9	57.1	57.6	5.6	6.9
1995	67.4	69.5	63.6	64.9	5.5	6.5
1996	65.2	67.4	61.1	62.4	6.3	7.4
1997	66.0	68.2	61.3	62.4	7.1	8.4
1998	65.8	68.3	60.3	61.7	8.4	9.6
1999	66.8	68.7	61.0	61.4	8.8	10.7
2001	66.5	67.7	61.0	60.5	8.2	10.7
2002	67.1	68.8	61.6	61.7	8.1	10.3
2003	67.2	68.6	61.3	61.2	8.8	10.8
2004	67.6	69.3	62.3	62.2	7.9	10.2
2005	68.4	70.0	62.8	62.5	8.2	10.7
2006	68.4	69.5	63.3	62.9	7.5	9.5
2007	67.9	69.2	63.0	62.9	7.2	9.1
2008	67.9	69.2	63.7	63.6	6.2	8.0
2009	67.8	69.3	62.9	62.8	7.2	9.4
2011	65.7	66.5	61.9	61.3	5.8	7.7
2012	65.4	66.2	62.0	61.4	5.2	7.2

Source: Prepared by authors based on PNAD/IBGE microdata

Table A6 – Distribution of occupied population, by occupational category. Brazil. 1992-2012.

Year	Registered wage-earner	Military	Statutory Public Employee	Non-registered wage-earner	Domestic Worker	Self-employed	Employer	Worker for own consumption	Nonpaid	Total
1992	19,360,003	257,743	3,714,329	10,889,131	4,356,000	14,195,583	2,406,741	3,366,634	6,849,327	65,395,491
1993	19,295,163	247,135	3,861,646	11,456,191	4,608,996	14,428,099	2,368,486	3,332,147	6,971,894	66,569,757
1995	19,604,828	282,605	4,344,777	10,740,564	4,871,957	15,556,322	2,732,131	3,074,722	5,117,218	66,325,124
1996	19,603,572	285,398	4,285,422	11,330,603	4,806,375	15,059,500	2,483,713	2,847,086	4,706,972	65,408,641
1997	19,828,863	299,232	4,199,961	11,312,281	5,052,310	15,609,970	2,793,135	2,939,268	4,731,695	66,766,715
1998	19,833,675	297,246	4,258,245	11,862,176	4,879,501	15,930,161	2,850,651	2,894,018	4,643,928	67,449,601
1999	19,632,891	282,595	4,450,354	12,007,359	5,202,029	16,485,812	2,921,263	3,056,836	5,094,982	69,134,121
2001	22,171,892	265,602	4,604,388	13,519,602	5,746,333	16,703,683	3,183,746	2,820,359	4,494,779	73,510,384
2002	23,163,173	214,372	4,828,624	14,295,304	5,987,599	17,440,481	3,351,412	3,083,969	4,702,246	77,067,180
2003	23,984,107	254,823	5,039,885	14,054,306	6,050,932	17,779,437	3,362,716	3,274,810	4,653,455	78,454,471
2004	25,559,148	261,616	5,267,877	14,878,639	6,318,534	17,901,917	3,430,470	3,101,325	4,523,775	81,243,301
2005	26,917,150	253,760	5,203,822	14,889,414	6,513,958	18,202,470	3,624,850	3,588,189	4,463,698	83,657,311
2006	28,213,789	269,306	5,589,129	15,243,340	6,624,373	18,296,453	3,935,726	3,709,731	4,158,510	86,040,357
2007	30,041,623	241,846	5,904,090	15,152,938	6,577,194	18,622,686	3,389,179	3,657,002	4,132,501	87,719,059
2008	31,727,180	261,671	6,100,703	15,380,183	6,494,882	18,147,864	4,098,118	3,834,967	3,648,352	89,693,920
2009	32,212,435	273,791	6,296,394	14,757,649	7,053,654	18,435,236	3,949,538	3,558,013	3,487,327	90,024,037
2011	36,100,298	219,922	6,407,888	13,488,283	6,542,548	18,909,523	3,151,470	3,455,611	2,399,555	90,675,098
2012	37,072,239	348,712	6,559,468	13,867,261	6,303,559	18,850,321	3,536,231	3,375,823	2,230,035	92,143,649

Source: Prepared by authors based on PNAD/IBGE microdata

Table A7 – Distribution of population occupied, by economic activity. Brazil. 1992-2012.

Year	Agricultural	Transformation Industry	Construction	Commerce	Services	Public Administration	Other	Total
1992	16,429,905	9,011,800	3,953,568	7,526,464	20,581,091	2,975,962	1,422,004	61,900,794
1993	16,242,724	9,240,191	4,228,881	8,024,596	20,981,812	3,027,859	1,371,685	63,117,748
1995	16,205,992	9,194,965	4,162,677	8,717,208	23,548,781	3,192,457	1,317,266	66,339,346
1996	15,107,158	8,995,482	4,278,670	8,770,074	23,830,720	3,173,785	1,288,406	65,444,295
1997	15,286,044	9,107,271	4,538,251	8,907,010	24,543,381	3,124,487	1,267,475	66,773,919
1998	14,817,057	8,956,616	4,935,563	9,112,270	25,171,942	3,190,485	1,293,691	67,477,624
1999	15,771,857	8,931,461	4,694,362	9,296,985	25,825,887	3,287,019	1,335,683	69,143,254
2001	14,607,959	10,102,659	4,936,274	10,592,102	28,962,077	3,663,680	1,342,040	74,206,791
2002	15,268,918	11,096,342	5,582,761	13,246,211	22,640,562	3,867,327	5,414,914	77,117,035
2003	15,656,860	11,363,648	5,190,778	13,905,973	22,654,808	3,986,291	5,675,337	78,433,695
2004	15,664,452	12,108,176	5,261,858	14,227,912	23,789,239	4,170,358	5,873,167	81,095,162
2005	15,895,174	12,463,168	5,536,148	15,050,518	24,212,086	4,230,535	6,052,958	83,440,587
2006	15,451,569	12,723,543	5,712,363	15,234,941	25,398,993	4,397,755	6,581,668	85,500,832
2007	14,818,494	13,343,444	5,953,223	15,772,161	25,836,139	4,433,242	6,738,899	86,895,602
2008	14,670,181	13,678,545	6,781,820	15,759,263	27,020,487	4,496,617	7,287,007	89,693,920
2009	14,278,586	13,371,564	6,802,294	16,134,597	27,421,799	4,712,937	7,302,260	90,024,037
2011	12,929,861	12,282,653	7,716,791	16,381,558	28,108,709	5,042,506	8,213,020	90,675,098
2012	12,238,370	12,971,369	8,155,996	16,582,933	28,690,787	5,142,422	8,361,772	92,143,649

Source: Prepared by authors based on PNAD/IBGE microdata

Table A8 – Labor income real evolution, by occupational category. Brazil. 1995-2012. (in BRL, 2012).

Year	Registered wage-earner	Military	Statutory Public Employee	Non-registered wage-earner	Domestic Worker	Self-employed	Employer	Total
1995	1,391.28	2,100.64	1,876.33	661.09	388.42	1,122.40	4,401.50	1,279.37
1996	1,397.51	2,208.67	1,871.12	706.99	413.21	1,244.98	4,673.79	1,318.64
1997	1,411.91	2,100.32	1,925.19	714.44	411.78	1,155.57	4,498.52	1,308.50
1998	1,424.53	2,280.65	1,971.51	734.24	411.15	1,107.88	4,325.33	1,300.62
1999	1,318.98	2,251.96	1,905.25	678.90	400.96	1,019.21	3,896.79	1,201.77
2001	1,272.22	2,328.19	1,951.13	709.38	399.28	1,003.78	3,785.22	1,182.47
2002	1,246.13	2,228.16	1,932.96	690.98	390.31	937.97	3,699.58	1,147.13
2003	1,156.28	1,920.03	1,777.44	625.66	370.98	880.94	3,440.92	1,068.03
2004	1,153.27	1,874.80	1,811.43	641.76	374.16	881.15	3,402.40	1,068.42
2005	1,191.73	1,864.10	1,914.77	683.67	393.20	892.80	3,512.42	1,113.25
2006	1,249.05	1,995.72	2,139.47	712.71	425.48	943.90	3,803.29	1,194.42
2007	1,271.11	2,098.51	2,188.74	749.36	445.91	1,062.18	3,803.90	1,231.41
2008	1,283.05	2,386.92	2,183.28	760.84	453.89	1,002.28	3,716.16	1,246.49
2009	1,314.04	2,558.97	2,284.94	801.21	479.92	1,013.21	3,725.83	1,172.38
2011	1,379.57	2,440.77	2,432.72	892.75	541.26	1,240.46	4,263.87	1,297.30
2012	1,434.44	2,518.45	2,447.21	933.76	588.53	1,331.42	4,523.37	1,379.61

Source: Prepared by authors based on PNAD/IBGE microdata