AN ECONOMIC ANALYSIS OF UNEMPLOYMENT IN BRAZIL

Marcelo Weishaupt Proni
(Unicamp-Brasil)

1. Introduction

The international financial crisis, which became clear in its full dimension after September of 2008, had considerably negative impacts on developed and developing countries, affecting consumption, production and the labor market (OECD, 2009; ILO, 2009). When focusing specifically on the labor market, the expected main impacts facing such a profound crisis were: a significant increase in unemployment, a reduction of medium wages, a deteriorating social protection and a worsening of working conditions[1].

This article seeks to focus on the most acute problem affecting workers: Unemployment. Departing from the assumption that the level of unemployment is the result of various factors: the economy's pace of expansion and contraction and the labor market's mode of functioning (which influences the bigger or smaller amount of jobs created) have especial importance. But the coverage of the national social protection system and the characteristics of unemployment security (which allow the worker to remain a larger or shorter time in a situation of unemployment) must be mentioned as well. Constituting a complex question – which involves demographic, economic, social and political circumstances – it is normal that unemployment appears in different intensity in every country.

In the case of Brazil, there was no significant increase in the unemployment rate during the period in which the Brazilian economy was in recession (last trimester of 2008 and the first trimester of 2009). It is estimated that 7.7 million people were unemployed in September 2008, when the international crisis emerged, which corresponded to 7.9% of the Brazilian workforce. A year later, unemployment numbers had returned to the same baseline that they had before the crisis. Nevertheless, the problem of job scarcity is worse than it appears, since the number of workers who are in a precarious and unstable occupation or who work without receiving remuneration is not small, as will be seen later.

The article's objective is to analyze the evolution of unemployment in Brazil after the outspreading of the international financial crisis, trying to open the discussion about the factors that explain why the crisis did not provoke a considerable increase of unemployment. It will be particularly highlighted that the federal government's policies prevented a worse impact on the Brazilian labor market and allowed the unemployment rate to continue declining (as it was happening in the period before the crisis). Beyond that, the intention is to clarify why a section of the unemployed do not appear in the official statistics, constituting what in Brazil is called the "hidden unemployment".

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1 Unemployment is only the tip of the iceberg of labor market distress. Recently, the ILO's *Global Employment Trends 2010* estimated a potential increase in vulnerable employment by up to 110 million individuals between 2008 and 2009. As a result, around 1.5 billion workers (half of the world's workers) were estimated to be in vulnerable employment in 2009.

2. Unemployment: a worldwide problem, but with national features

In the end of 2007, the ILO estimated that nearly 180 million people around the world were unemployed. In October of 2008, induced by the global crisis, the ILO projected a growth of unemployed of nearly 20 million people. Later on, in January 2009, a more pessimistic projection based on three different scenarios about the global economic performance of that year indicated that worldwide unemployment could enlarge by 50 million people (ILO, 2009). Recently, the ILO (2010) disclosed an estimate that the number of unemployed people had already passed the number of 210 million people, indicating that the economic crisis pushed, altogether, more than 30 million people into unemployment.

The international crisis' impact on the level of economic activity was distinct in every country. In analogous form, the impact on the labor market was also distinct. As can be seen in table 1, some national economies merely slowed down their pace of growth, while others entered in a period of profound recession. The result in terms of unemployment was also different, making it possible to check that groups of countries exist, where the social consequences of the crisis were worse.

Table 1
Differing impact of the crisis on real GDP (in per cent) and unemployment rate in percentage points (pp). Selected countries, 2009.

Conditions	**Decrease in unemployment rate**	**Slight to moderate increase in unemployment rate** (from 0 to 1.5 pp)	**Strong increase in unemployment rate** (from 1.51 to 3.0 pp)	**Very strong increase in unemployment rate** (more than 3.0 pp)
Slower but positive GDP growth	Algeria, Indonesia, Morocco, Uruguay	Argentina, Australia, China, Israel, Korea, Poland, Saudi Arabia	Colombia, Viet Nam	
Moderate GDP shock (from -2.5% to 0%)	Republic of Macedonia	Brazil, France, Norway, South Africa, Switzerland, Thailand	Chile, Costa Rica, Greece, New Zealand	United States
Strong GDP shock (-2.5% to -4.99%)		Austria, Belgium, Netherlands, Venezuela	Canada, Portugal, Sweden, Turkey, United Kingdom	Spain
Very strong GDP shock (-5.0% and less)	Montenegro	Bulgaria, Germany, Italy, Japan, México	Denmark, Finland, Hungary, Russian Federation, Slovenia	Estonia, Iceland, Ireland, Lithuania, Romania, Ukraine

Source: ILO, Department of Statistics, based on LABORSTA, IMF and UNDESA, 2010. *Apud* ILO (2010b), Table 1.1.

In table 2 the evolution of the unemployment rate in the last years of the decade in selected countries can be observed. In the USA, Spain and Ireland for example, unemployment more than doubled between 2007 and 2009. On the other hand, there are countries where the unemployment rate rose only very little, between 2008 and 2009, which is the case in Germany and South Korea.

This difference in the evolution of unemployment provoked debates about the most appropriate policies to confront the problem. It is also possible to note that there are countries (like Korea, Japan and Mexico) where unemployment has been historically low, while there are others where unemployment is structurally high (South Africa is a good example).

Table 2
Unemployment rates (% of labor force).
Selected countries: 2007, 2008, 2009.

Country	2007	2008	2009
Australia	4.4	4.2	5.6
Brazil	9.3	7.9	8.1
Canada	6.0	6.1	8.3
Chile	7.1	7.8	10.8
Colombia	10.9	11.4	12.0
France	8.0	7.4	9.1
Germany	8.7	7.5	7.7
Hong Kong, China	4.0	3.6	5.2
Ireland	4.6	6.1	11.8
Israel	7.3	6.1	7.6
Italy	5.9	6.7	7.8
Japan	3.9	4.0	5.1
Korea	3.3	3.2	3.7
Mexico	3.7	4.0	5.5
Netherlands	4.5	3.9	4.9
Portugal	8.0	7.6	9.5
Russian Federation	6.1	6.4	8.4
Spain	8.3	11.3	18.0
South Africa	23.0	22.9	23.9
Sweden	6.0	6.2	8.3
Turkey	10.3	11.0	14.1
United Kingdom	5.3	5.7	7.6
United States	4.6	5.8	9.3

Source: OECD STAT. ILO LABORSTA.

In the majority of the developed countries, recovery of economic growth rates was slow. That is why unemployment continues to be high or is declining slowly (table 3). It is interesting to note that the USA, where the system of work relations is quite flexible, the unemployment rate remains on a very high level, having reached its peak in January of 2010 and thus matching the unemployment rate detected in France, where the work relations are more regulated and the unemployment security is more generous.

In contrast to the majority of developed countries, the case of Germany deserves attention. The unemployment rate was declining gradually in the years before the recent crisis and, as table 3 indicates, this tendency was just interrupted momentarily by the crisis. In this way, the unemployment rate in Germany is already smaller than the one of Sweden and could become smaller than the one of the United Kingdom. Another observation: an unemployment rate above 7% in Germany probably represents a less serious social problem than an unemployment rate above 5% in Japan.

Table 3
Differing impact of the crisis on unemployment rate in percentage points (pp).
Selected developed countries, from jan/2007 to jun/2010.

Country / Year	Months											
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**
Canada												
2007	6.7	6.5	6.5	6.3	6.1	5.6	6.2	6.4	5.5	5.3	5.6	5.6
2008	6.3	6.1	6.4	6.3	6.2	5.6	6.3	6.5	5.7	5.6	6.2	6.3
2009	7.8	8.3	8.8	8.5	8.7	8.1	8.9	9.0	7.6	7.6	8.0	7.8
2010	8.7	8.5	8.8	8.4	8.3	7.4						
France												
2007	9.3	9.2	8.8	8.4	8.1	7.8	8.0	8.4	8.2	8.2	8.1	7.9
2008	8.0	7.8	7.6	7.5	7.4	7.2	7.3	7.8	7.8	8.1	8.4	8.5
2009	9.1	9.3	9.4	9.3	9.3	8.9	9.0	9.6	9.6	10.0	10.2	10.1
2010	10.4	10.2	9.9	9.6	9.5	9.3						
Germany												
2007	9.2	9.3	9.0	8.5	8.3	8.1	8.3	8.3	8.0	7.6	7.9	8.1
2008	8.0	8.0	7.9	7.8	7.1	7.6	7.3	7.1	6.5	6.3	6.7	7.3
2009	7.5	8.1	7.8	7.7	7.4	7.5	7.6	7.7	7.3	7.0	7.1	7.2
2010	7.9	8.0	7.5	7.1	6.8	6.6						
Japan												
2007	4.0	4.1	4.2	4.0	3.8	3.6	3.5	3.7	4.0	4.0	3.7	3.5
2008	3.9	4.1	4.1	4.1	4.0	3.9	3.8	4.1	4.1	3.8	3.9	4.0
2009	4.1	4.6	5.1	5.0	5.2	5.2	5.4	5.4	5.5	5.2	5.0	4.8
2010	4.9	5.0	5.3	5.4	5.2	-						
Spain												
2007	8.5	8.5	8.4	8.1	7.9	7.9	7.8	8.1	8.2	8.4	8.6	8.8
2008	9.4	9.7	9.8	10.2	10.4	10.7	10.8	11.3	11.9	12.9	13.9	14.9
2009	16.4	17.5	18.2	18.2	18.0	17.7	17.6	17.9	18.3	18.6	18.8	19.1
2010	19.7	20.1	20.3	20.2	19.9	19.5						
Sweden												
2007	7.0	6.4	7.0	6.5	6.1	7.9	5.5	5.3	5.6	5.7	5.2	5.6
2008	6.4	6.1	6.3	6.1	6.0	8.3	5.8	5.2	5.9	5.8	6.3	6.4
2009	7.3	8.0	8.3	8.3	9.0	9.8	7.9	8.0	8.3	8.1	8.0	8.6
2010	9.4	9.3	9.1	9.8	8.8	-						
United Kingdom												
2007	5.5	5.6	5.4	5.2	5.2	5.3	5.5	5.5	5.4	5.2	4.9	4.9
2008	5.0	5.2	5.2	5.0	5.2	5.5	5.9	6.1	6.1	6.2	6.1	6.3
2009	6.7	7.2	7.3	7.4	7.6	7.9	8.0	8.0	8.0	7.8	7.5	7.4
2010	7.9	8.1	7.9	7.7	-	-						
United States												
2007	5.0	4.9	4.5	4.3	4.3	4.7	4.9	4.6	4.5	4.4	4.5	4.8
2008	5.4	5.2	5.2	4.8	5.2	5.7	6.0	6.1	6.0	6.1	6.5	7.1
2009	8.5	8.9	9.0	8.6	9.1	9.7	9.7	9.6	9.5	9.5	9.4	9.7
2010	10.6	10.4	10.2	9.5	9.3	9.6						

Source: ILO. LABORSTA.

On the other hand, among developing countries there are whose economies were seriously affected by the crisis and those that are recovering from it rapidly. Accordingly, the impacts of the crisis on the unemployment rate can also be very different among these countries (table 4). The strong economic growth and the capacity to create jobs in China (Hong Kong) for example permits the suggestion that the economy of that country was operating in a situation of "full employment", during the first semester of 2008. The international crisis affected many exporting companies, causing the unemployment rate in Hong Kong to raise until the midst of 2009, when it reached 5.8%, declining thereafter. In the beginning of 2010, the unemployment rate still had not returned to the level of 2008, despite the Chinese government having adopted several measures to sustain a high rhythm of economic growth.

Table 4
Differing impact of the crisis on unemployment rate in percentage points (pp).
Selected developing countries, from feb/2007 to feb/2010.

Country		Months			
	Year	February	May	August	November
Brazil					
	2007	9.9	10.1	9.5	8.2
	2008	8.7	7.9	7.6	7.6
	2009	8.5	8.8	8.1	7.4
	2010	7.4			
Colombia					
	2007	12.9	11.2	10.9	9.8
	2008	12.1	11.1	11.4	10.5
	2009	12.9	11.7	12.2	11.3
	2010	13.0			
Hong Kong, China					
	2007	4.2	4.3	4.3	3.2
	2008	3.3	3.3	3.6	3.8
	2009	5.1	5.5	5.6	4.7
	2010	4.4			
Mexico					
	2007	4.0	3.4	3.9	3.5
	2008	3.9	3.5	4.2	4.3
	2009	5.1	5.2	6.2	5.3
	2010	7.8			
South Africa					
	2007	-	-	-	-
	2008	23.5	23.1	23.2	21.9
	2009	23.3	23.6	24.5	24.3
	2010	25.2			

Source: ILO. LABORSTA.

In Latin America – where the labor market generally is characterized by presenting a high percentage of informal occupations – there are countries where unemployment has been relatively high (Colombia) and countries where unemployment has been historically low

(Mexico). According to table 4, the negative effect of the economic crisis on the unemployment rate was bigger in Mexico than in Colombia. In the case of Brazil, it is interesting to observe, that in 2009, the unemployment rate was lower than in 2007 showing a very different tendency from the majority of Latin-American countries.

Table 4 illustrates as well the critical situation of the labor market in South Africa. Despite the preparations to receive the soccer World Cup, the unemployment rate in this country reached a peak of 25% in the beginning of 2010.

3. General recommendations to confront the problem

Can the economic crisis lead to a redefinition of governmental policies and labor strategies? In 2009, the Group of Twenty (G-20) agreed on the importance of building an employment-oriented framework for future economic growth. In the face of the jobs crisis, G-20 governments reached a consensus that a jobless recovery is not acceptable. At the 2009 Pittsburgh Summit, the leaders of the G-20 nations declared that they could not rest until the global economy is restored to full health and hard working families the world over can find decent jobs. They assured to implement recovery plans that support decent work, help preserve employment, prioritize job growth, and to continue to provide income, social protection, and training for the unemployed.

In general, the projections on future remain still uncertain. The Organization for Economic Co-operation and Development, in the *Employment Outlook 2010* editorial, explains the movement from deep recession to fragile recovery and discusses how labor market policies can help promote a quick return to work. In synthesis, its opinion is that (OECD, 2010, p. 12-13):

> At the time when unemployment is still high and many workers are concerned about the stability of their jobs, it is particularly difficult to call for structural labour market reforms, particularly those concerning labour regulations. But in a number of countries, these reforms should be an integral part of a comprehensive strategy to promote the creation of more, but also more productive, jobs. Evidence presented in this volume suggests that partial reforms of employment protection over the past two decades that sought to promote labour market adaptability by easing regulations on *temporary* contracts, while leaving in place stringent restrictions on permanent contracts, have indeed increased overall labour mobility. However, these reforms did not necessarily promote a more efficient allocation of workers towards more productive and rewarding jobs. At the same time, workers holding temporary contracts have borne the brunt of job losses in most countries during the recent recession, as firms have adjusted to the sudden decline in demand by simply not renewing their contracts. In other words, the dualism created by these asymmetric reforms of employment protection in some countries even in good times was exacerbated during the crisis as job losses were concentrated on the already disadvantaged workers on precarious jobs, many of whom were youth.
>
> As the recovery gathers pace, it is essential to create the right incentives for firms to hire more workers. Beyond temporary hiring subsidies and efforts to foster the employability of jobseekers, this could involve a rebalancing of employment protection between temporary and permanent contracts. Doing so would allow temporary jobs to function better as stepping stones into permanent jobs, rather than as traps. However, such a strategy would imply that, over time, labour mobility will increase among permanent workers and some will possibly experience income losses not only during their search for another job, but even at re-employment. Thus, the re-balancing of employment protection should be introduced as part

> of a comprehensive package that also provides adequate unemployment benefits, with strictly enforced work-availability conditions and a well-designed activation package.

On the other hand, according to the International Monetary Fund (2010), the unemployment responses have been markedly different across advanced economies because of differences in output declines, labor market institutions, and factors such as financial stress and house price busts. Moreover, in many countries problems are larger than the headline unemployment rate statistics show because many individuals are underemployed or have dropped out of the labor force. In this setting, a major concern is the potential for temporary joblessness to turn into long-term unemployment and to lower potential output growth. The *World Economic Outlook 2010* suggests that to limit damage to the labor market, macroeconomic policies need to be appropriately supportive of the recovery where possible. At the same time, policies need to foster wage flexibility and provide adequate support for the jobless. The recommendations of this influent institution are very clear (IMF, 2010, p. 30-31):

> Therefore, one legacy of the Great Recession will likely be persistently high unemployment rates in several advanced economies. Because high unemployment can quickly become a structural problem, this could lead to serious political and social challenges. (…) This chapter discusses some labor market policy measures that go beyond generally encouraging wage flexibility and improving labor market institutions. In recessions, short-time work programs, such as those implemented in Germany, can be beneficial in stabilizing employment and thus help employers avoid unnecessary firing, hiring, and retraining costs. These programs can also counter wage deflation pressures in a severe recession. The challenge during the recovery period is to exit from such programs. (…) In sum, the depth and duration of the Great Recession in several advanced economies has created a need for some structural adjustments to their labor markets. The task for policymakers is to ensure that this adjustment occurs as smoothly as possible and to minimize the long-term economic and social consequences of persistent high unemployment.

The ILO's position concerning the necessary policies to get out of the crisis is much broader. After promoting “a global jobs pact” based on its general principles, the ILO has analyzed measures that were adopted by the G-20 countries. This occurred to assist in the elaboration of solutions based on the concrete experiences of countries with very different characteristics. Major difficulties are composed by the maintenance of fiscal deficits (ILO, 2010c, p. 4):

> Countries continue to adapt employment measures and introduce new ones. Available information suggests that more advanced G20 countries expect to maintain or even expand spending on labour market policy measures in 2010. However, the policy emphasis is changing somewhat as labour market conditions evolve and many such countries face several constraints in their public finances. Indeed the extraordinary fiscal stimulus in many G20 countries has contributed to a significant deterioration in public finances as evidenced by ballooning public sector deficits and public debt/GDP ratios. This is creating pressures for such countries to put in place credible medium-term fiscal consolidation processes, while balancing this against the need not to withdraw the stimulus too soon before the recovery takes firm roots.

Beyond this, the ILO report allows to draw the conclusion that it is not possible to define a role model. The possibilities for action are different from country to country, especially because of the different economic situations, but also due to political and social circumstances. Therefore, the recommendations should respect the limits and possibilities of each country (ILO, 2010c, p. 17):

> This document argues that accelerating a job-rich recovery remains today a compelling objective in G20 countries and indeed worldwide. This is underscored by the scale of the employment challenge facing all G20 countries, quantity and quality wise, whilst acknowledging the impact of the measures taken to date. Accelerating job-rich recovery is an objective that can be met. It requires a combination of well-coordinated macro-economic policies together with employment, labour market, skills and social protection policies.

So, the economic crisis can lead to a redefinition of governmental policies and labor strategies, but there are different visions about the direction that this process would follow. In Brazil, the change is closer of the ILO recommendations.

4. The Brazilian labor market before the economic crisis

Before analyzing the recent evolution of unemployment in Brazil it is necessary to explain that, in the preceding 5 years period before the economic recession (October 2008 to March 2009), the labor market showed a progressive improvement, in contrast to the 1990-2002 period[2]. In this section, a brief presentation of some aspects that show this improvement shall be outlined and an idea about the dimension of the principal problems related to the lack of jobs shall be given.

The first year of the Lula government was marked by a confidence crisis and a speculation crisis, which strongly affected the productive sectors and aggravated the chronic problems of the labor market. Unemployment increased all over the country and, in particular, in the major metropolises. Industrial employment reached its lowest level. Jobs created in the service sector were of low quality. On the other hand, informality increased ever more, while the average income from work proceeded on a sequence of decline.

After 2004, a strong economic recovery started, initiated by the growth of raw material exportation. In the following years, expansion of consumption (stimulated by the increased supply of credits, by the gradual elevation of the minimum wage and inflation control) consolidated a phase of significant growth of the economy, which had very positive impacts on the labor market (BALTAR *et al.,* 2010; BALTAR, 2010).

According to table 5, the active work force in Brazil grew by almost 10 million people between 2003 and 2008. There was a significant reduction in the number of unemployment (from 9.4 to 7.7 millions) and a significant increase of remunerated employees (70 to 81 million). On the other side, only a small reduction in the number of employees without monetary remuneration occurred (from 7.6 to 7.2 million)[3].

Considering only remunerated employees, there was a very significant increase in the number of formal employees (7.8 millions), who have a registered labor contract, and of public sector

2 For a brief overview of the tendencies of the Brazilian labor market between 1978 and 2002, see Justesen (2008). And for an analysis of the Brazilian labor market in the period 1992-2004, see Ernst (2008).

3 In 2008, among the workers without remuneration, around 3,8 millions were employed in self-sustaining production or housing constructing for own use, while another 3,5 million were employed in non-remunerated jobs (the majority in agricultural activities).

employees (1 million), between 2003 and 2008. Nevertheless, there was an increase in the number of informal employees (1.3 million), of small employers (740 thousand), of domestic service employees (460 thousand), and also of self-employed or own account (360 thousand). And the high percentage of workers working independently or submitted to an inadequate working relation remained. In 2008, informal workers corresponded to 18% of this set and domestic service workers without registration were 6%. Despite the fact that the proportion of free-lance workers was reduced, they still corresponded to 22%.

Table 5
Brazilian labor market, 2003 and 2008.

Occupational Framework	2003		2008		2008-2003	
	(1,000)	(%)	(1,000)	(%)	(1,000)	(%)
Labor force (16 years and over)	86,968	100.0	96,749	100.0	9,781	11.2
Unemployed persons	9,351	10.8	7,718	8.0	-1,633	-17.5
Occupied persons	77,617	89.2	89,031	92.0	11,414	14.7
Workers producing for own use and unpaid workers	7,579	8.7	7,237	7.5	-342	-4.5
Persons working - with earnings	70,039	100.0	81,794	100.0	11,756	16.8
Public employee	5,294	7.6	6,363	7.8	1,069	20.2
Formal employee	23,896	34.1	31,727	38.8	7,831	32.8
Informal employee	13,787	19.7	15,080	18.4	1,294	9.4
Domestic worker	5,970	8.6	6,428	7.9	458	7.7
Self-employed or own account	17,736	25.3	18,099	22.1	363	2.0
Employer	3,356	4.8	4,098	5.0	742	22.1

Source: IBGE – Nationwide Home-based Survey Representative (PNAD).

Therefore, evidence exists that informal work and precarious jobs were reduced slowly and that the labor market was showing great dynamism in the creation of legally protected jobs. Nevertheless it is important to stress that various problems that preoccupied the government authorities remained. When other work relations that are shaped by the lack of remunerated work are summed to the unemployed, there were 14 million workers (15.5% of the workforce) in a very precarious occupational situation. Moreover, those occupational conditions which are clearly considered unsatisfactory because of their remuneration below the minimum wage must be mentioned (16.4 million people, 17% of the workforce), such as the vulnerable situations which are due to lacking contribution to a social security institute (11.6 million people, 12% of the workforce). Considering these three types of precarious occupation, there were in total nearly 43 million Brazilian workers (44.5% of the economically active population) that had no access to decent work in 2008[4].

When the international economic crisis became fully apparent in September 2008, nobody knew for sure what would be the impact on the Brazilian economy, how long the depression would last and when the Brazilian economic agents would recover their trust. In the same way, nobody could know what would be the extent of the crisis' negative impact on the labor market in Brazil. In the next section, the trajectory of the unemployment rate will be examined, which allows us to understand how the crisis was overcome rapidly in the country.

4 The growth of the number of unemployed and of workers under very precarious conditions took place in Brazil during the decade of 1990 and in the beginning of the years 2000 (ANTUNES; POCHMANN, 2008).

5. Recent evolution of unemployment in Brazil

In Brazil, the measurement of unemployment is conducted monthly only in the major metropolitan regions. As can be observed in table 6, at the beginning of the Lula government, unemployment was a serious problem, but since then a significant reduction in the unemployment rate of the country has taken place. In 2003, a year marked by moderate economic recession, the metropolitan unemployment rate was above 12% but in the following years the Brazilian economy entered in a period of expansion, causing the unemployment rate to retreat to levels of 10% in 2005 and 8% in 2008. Also it is possible to understand that there are significant differences among the Brazilian metropolitan areas: unemployment affects a bigger proportion of workers in the northeast metropolitan regions (Salvador and Recife) and a smaller percentage of the workforce in the southern metropolitan regions (Porto Alegre and Curitiba). In the metropolitan region of São Paulo, the most populated and industrialized region, the most extensive unemployment rate reduction in this economic growth period was registered (from 14.1% to 8.4%).

Table 6
Unemployment rate in percentage points (pp).
Brazil: metropolitan areas, 2003-2009.

Year	Recife	Salvador	Belo Horizonte	Rio de Janeiro	São Paulo	Porto Alegre	Curitiba	Total
2003	13,8	16,7	10,8	9,2	14,1	9,5	8,9	12,3
2004	12,7	16,0	10,6	9,0	12,6	8,6	8,1	11,5
2005	13,2	15,5	8,8	7,7	10,2	7,4	7,4	9,8
2006	14,6	13,7	8,5	7,9	10,5	8,0	6,9	10,0
2007	12,0	13,7	7,6	7,2	10,1	7,3	6,2	9,3
2008	9,3	11,5	6,5	6,8	8,4	5,9	5,4	7,9
2009	9,9	11,3	6,4	6,1	9,2	5,6	5,4	8,1

Source: IBGE – Monthly Employment Survey (PME); Ipardes – PME.

The international economic crisis interrupted the expansive trajectory of the Brazilian economy: a strong deceleration in the last trimester of 2008 and a recession in the first semester of 2009 took place (see *Global Employment Trends* – Box 6). As the level of economic activity affected the industrial employment very negatively since the end of 2008, the majority of analysts estimated that unemployment could retreat to the baseline of 2003. Nevertheless, the impact of the economic crisis on the national labor market was much smaller than expected and provoked a moderate increase of unemployment only during the first trimester of 2009. In the most important metropolis together, the unemployment rate increased from 6.8% in December 2008 to 9.0% in March 2009. In the second semester, the Brazilian economy entered a period of recovery. Despite the GDP not having increased in 2009 (between January and December, variation of -0.2%), a net generation of jobs happened in various branches of activity[5].

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5 The yearly Annual Report of Social Information (RAIS) of the Ministry for Labor and Employment indicates that 1,766 million formal jobs have been created in Brazil in 2009. The sectors which mostly contributed to the creation of formal jobs were the service sector (654 thousand) public administration (454 thousand), commerce (369 thousand) and civil construction (218 thousand). There are no data available on the expansion of non-registered employment and of jobs without monetary remuneration in 2009.

ILO - Global Employment Trends, January 2010

Box 6 (p. 31)
Economic crisis and labour markets in Brazil

Before the onset of the economic crisis in Brazil in September 2008, economic growth had been robust, averaging 4.4 per cent annually in real terms during the 2004-07 period and 6.4 per cent for the first three quarters of 2008. Moreover, there was an important recovery of wage levels and an expansion in employment, particularly formal employment. Unemployment fell from 9.0 per cent in 2004 to 7.7 per cent in 2008 and the percentage of workers contributing to the social security system surpassed 50 per cent in 2007, reaching 52.1 per cent in 2008.

Nevertheless, the international crisis halted economic growth and had an immediate and sharp impact on employment. Year-over-year GDP growth in the fourth quarter of 2008 decreased to 1.3 per cent and there was a net job loss of 634,000 formal jobs in the quarter, compared with a net gain of 10,400 formal jobs in the fourth quarter of 2007. As a result of the recession, the unemployment rate in the six major metropolitan areas surveyed in the Monthly Employment Survey (PME) increased from 7.3 per cent in fourth quarter of 2008 to 8.6 per cent in the first and second quarters of 2009.

However, by the third quarter of 2009, economic growth had resumed and the unemployment rate in the six major metropolitan areas had returned to near pre-crisis levels (7.9 per cent in 2009Q3 compared with 7.8 per cent in 2008Q3). Moreover, administrative records of formal employment creation show that there has been net job growth since February 2009 and since April 2009 in the industrial sector, which is the sector that was hardest hit by the recession. Between January and October 2009, 1.2 million formal jobs had been added, representing again of 3.6 per cent over the 2008 employment stock. Household employment data from the PME survey also demonstrate positive job growth, and in October 2009 the unemployment rate of 7.5 per cent was equivalent to the rate for October 2008.

It is normal that monthly variations of unemployment occur, as can be ascertained in graph 1. December uses to be the month of the year with least unemployment, being followed by an increase in the unemployment rate in the first trimester of the following year. The increase in unemployment as seen in the beginning of 2009 was more intense than the one registered in the beginning of 2008, but the unemployment rate in March 2009 (9.0%) was only a little superior to the one from March 2008 (8.6%) and inferior to March 2007 (10.1%). And, the lowest level in a decade for a March was reached in 2010 (7.6%). It is also important to accent that the unemployment rate in the metropolitan regions was 7.5% in October 2008, to which level it returned in October 2009 and probably will be below this level in October 2010. In other words, as the crisis never deepened and was rapidly overcome, a clear diminishing tendency of the unemployment rate in a context of optimistic expectations concerning the growth perspectives of the Brazilian economy prevails.

Graph 1
Unemployment rate in percentage points (pp).
Brazil: metropolitan areas, from July 2007 to June 2010.

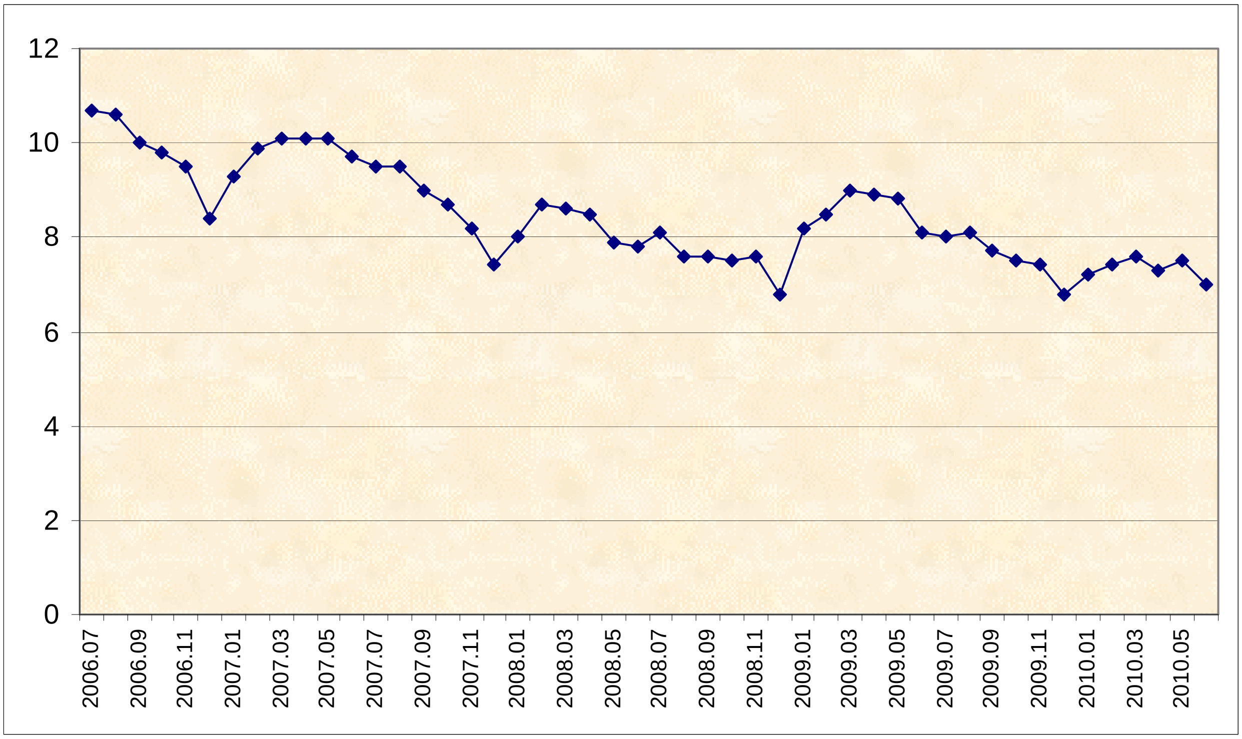

Table 7
The recent reduction of the unemployment rate in percentage points (pp).
Brazil: metropolitan areas, from Mart 2009 to Mart 2010.

Year / Month	Recife	Salvador	Belo Horizonte	Rio de Janeiro	São Paulo	Porto Alegre	Curitiba	Total
2009 Mar	10.4	11.9	6.6	6.9	10.5	6.4	6.3	9.0
Apr	10.6	12.4	6.8	6.8	10.2	6.2	6.1	8.9
May	10.5	12.1	6.7	6.6	10.2	6.1	5.5	8.8
Jun	10.2	11.2	6.9	6.3	9.0	5.6	5.2	8.1
Jul	10.2	11.4	6.1	6.3	8.9	5.8	5.6	8.0
Aug	10.9	11.4	7.5	5.6	9.1	5.4	5,7	8.1
Sep	10.5	10.9	6.4	5.5	8.7	5.4	5.0	7.7
Oct	9.5	10.4	6.1	5.6	8.6	5.1	4.9	7.5
Nov	9.5	11.1	5.9	5.5	8.1	5.3	4.5	7.4
Dec	8.4	10.7	5.1	5.4	7.5	4.3	3.8	6.8
2010 Jan	8.6	11.9	6.1	5.4	8.0	4.3	5.4	7.2
Feb	8.8	11.0	6.5	5.6	8.1	5.1	5.6	7.4
Mar	8.1	11.3	6.3	6.4	8.2	5.9	5.5	7.6
Apr	9.1	11.2	5.8	5.9	7.7	5.4	5.0	7.3
May	9.7	12.0	5.8	6.3	7.8	5.0	5.2	7.5
Jun	8.6	12.0	5.1	5.8	7.4	4.7	4.8	7.0

Source: IBGE – Monthly Employment Survey (PME); Ipardes – PME.

In table 7 the recent reduction of the unemployment rate in the metropolises is highlighted. Comparing June 2009 with June 2010, the rate declined significantly in Recife, São Paulo and Belo Horizonte, a little less in Rio de Janeiro, Porto Alegre and Curitiba. The exception continues to be Salvador, where unemployment rate remains high: 12%. In any case it can be shown, while observing the total of metropolises, that unemployment is in decline (7.0% is the lowest rate for a June in the whole decade).

Table 8
The hidden unemployment rate in percentage points (pp).
Brazil: metropolitan areas, 2003-2009.

Year	Recife	Salvador	Belo Horizonte	São Paulo	Porto Alegre	Brasília
2003	9.3	11.0	7.5	7.2	5.6	8.2
2006	7.9	8.8	4.2	5.6	4.1	7.4
2008	7.6	8.2	2.4	4.2	2.0	5.8
2009	7.7	7.5	2.3	3.8	1.7	5.3

Source: DIEESE – Employment and Unemployment Survey (PED).

It must be clarified that many unemployed do not appear in the official statistics in Brazil, for two reasons: 1) because in the week of reference for the survey they participated in precarious and sporadic work, despite having searched for a regular job; or 2) because they did not search for a job in the last twelve months and were considered inactive, despite being willing to work if they had the opportunity. These two situations constitute the "hidden unemployment". The first can be justified by the limits of coverage by the unemployment security program, since a considerable part of the workforce does not have a formalized work contract or works as a free-lancer. The second situation is associated with a long-term unemployment and with the dejection caused by the worker's frustration of not being able to return into the labor market.

The measurement of hidden unemployment is conducted in six Brazilian metropolitan regions, through a household survey (Dieese-PED). As can be observed in table 8, in 2003, a percentage of workers which could be considered as unemployed, according to this criterion, had reached increased levels, especially in the metropolitan regions of the northeast (Salvador and Recife), where informality has a larger share of the labor market. In 2008, the hidden unemployment rates were reduced in all analyzed metropolis, indicating a general improvement in the possibilities of insertion into the labor market. And, in 2009 the hidden unemployment rates remained stable or continued to reduce, depending on the metropolitan area, confirming that the crisis was overcome without major traumas for the Brazilian labor market. In any case, it is important to reaffirm that the problem of metropolitan unemployment in Brazil is worse than indicated in table 6, affecting a larger number of workers.

Another relevant aspect that is worth mentioning concerns the inequality in the risk of becoming unemployed. In Brazil, young workers find it much harder to obtain a job. The crisis did not however worsen the problem of juvenile unemployment in a significant way[6]. According to the IBGE, the unemployment rate of youth between 15 and 17 years dropped from 38.2% in 2003 to 28.8% in 2008 and maintained at 28.7% in 2009; the rate of young people aged between 18 and 24 years dropped from 23.4% to 16.6% and increased to 17.3%; the rate of the adult population between 25 and 49 years dropped from 9.4% to 6.3% and in the following years remained at

6 This is a government preoccupation in many countries: "The economic crisis is reflected in the largest ever cohort of unemployed youth. Since the onset of the economic crisis, between 2007 and 2009, youth unemployment increased by 7.8 million at the global level (1.1 million in 2007/08 and 6.6 million in 2008/09)." ILO, *Global Employment Trends for Youth*, p. 4.

6.6%; and among the workers with 50 or more years, the rate fell from 5.3% to 2.8% and remained at 3.0%. It should also be added that in the first trimester of 2010, unemployed younger than 18 years represented 7.3% of all unemployed, those aged between 18 and 24 years were 35.3%, adults between 25 and 49 years were 50.0% and those with age equal or older than 50 years were 7.4% of the total unemployment in metropolises.

Finally, it is also worth remarking that the economic crisis did not increase the percentage in long-term unemployment. In 2003, the percentage of those unemployed for a year or more corresponded to 23.4% of the total; in 2008, this percentage had been reduced to 19.0%; and in 2009 it corresponded to 15.7% of the unemployed in Brazilian metropolises.

6. Conclusion

After analyzing the recent evolution of unemployment in Brazil, several reasons can be pointed at that explain why the crisis did not lead to a pronounced elevation of the unemployment rate. In the first place it must be stated that the Brazilian economy was less vulnerable against a collapse of the US financial system. The big national banks suffered no substantial losses. The central bank possessed a high share of foreign currency, avoiding a threat of crisis in Brazilian balance of payments. And the Brazilian government was obtaining primary surpluses in the federal union's budget, what allowed the reduction of public debt. This also gave them a margin of maneuver in the face of the market turbulences.

In second place, the Lula government acted in the right manner, avoiding a deepened recession[7]. The central bank reduced the interest rate and took measures to defend the banking system from a liquidity crisis. On their part, the public banks fulfilled an important role in the supply of credits to companies and consumers. On the other hand, the Ministry of Finance reduced taxing in some economic branches (especially on the sale of cars and household appliances). An economic recovery program (PAC) was announced with the focus on infrastructure works. The housing program “Minha Casa, Minha Vida” was launched, aiming at the construction of popular houses and causing growth in the civil construction industry. Beyond that, the policy of real minimum wage increase was maintained (increase above the inflation rate in January 2009). This helped to maintain family income stable during a moment of crescent unemployment. Measures were adopted to give incentives to small businesses and micro-entrepreneurs. Programs providing income transfer to the poorest were maintained, what helped to sustain the commerce in small municipalities. This series of policies made the economic opinion leaders gain confidence in a fast recovery of the economy.

In the third place should be mentioned the industrial policy by the national economic and social development bank (BNDES). The BNDES is a public bank oriented to finance investments and to stimulate a modernization of the productive sector. During the crisis, it launched the “Program of Sustaining Investment” and broadened its credit lines for exporting companies. The BNDES expanded its actions, opening new lines of finance for small and medium companies. It also stimulated the merger of large Brazilian business groups. The resources injected by the BNDES into the Brazilian economy reached nearly US$ 70 billion in 2009. The petroleum discoveries by

7 Some analysts belief that the recession could have been avoided if the government had responded faster and more daring to the international economic crisis.

Petrobrás also contributed to sustain industrial investment, which reinforced the optimistic perspectives about the Brazilian economy trajectory in the next years.

Accordingly it were these diverse policies of the federal government that avoided a more serious impact on the Brazilian labor market and caused the unemployment rate to maintain a downward trend. Programs designed to protect workers (the expanded unemployment insurance for example) were certainly important during the short period of economic recession. But more important were the measures oriented towards the sustained supply of credit and to recover the growth trajectory of the Brazilian economy.

In contrast to many developed countries, Brazil did not adopt policies of subsidizing companies to reduce temporarily the workday of employees to guarantee the continuity of their employment[8]. The success of policies aiming at the labor market was due to the aggregation of federal government's policies that included a fast recovery of the Brazilian economy. Without doubt, many governments would like to obtain similar results with their policies[9].

Nevertheless it remains to remember that the Brazilian labor market displays serious chronic problems and that the reduction in unemployment is only one of the Brazilian government's preoccupations. The changes in direction need much more time to produce more satisfactory results. In this finality it is fundamental for the nation state to continue promoting conditions for a sustained trajectory of economic growth and, at the same time, to be more prone in the adoption of policies that help to improve the income distribution.

Concluding: If the international economic crisis was seen as a sign for the need of changing the current institutional configuration that regulates the economic relations, it does not suffice to propose reforms in the labor laws to prevent that the labor market becomes a producer of high concentration of income or wide social inequalities, especially in developing countries. As Frank Hoffer (2010) suggested, it is necessary not to miss the opportunities the recent crisis opened for a change in the nations' economic and social development model. And this is exactly what can happen in the next years in Brazil. This is the challenge for the next government.

8 Several countries extended eligibility, duration or generosity of short-time work schemes during the recent recession. For full details, see OECD (2010).

9 The G-20 recommendations are (ILO, 2010c): 1) accelerate job creation to ensure a sustained recovery and future growth; 2) strengthen social protection systems and promote inclusive active labor market policies; 3) place employment and poverty alleviation at the center of national and global economic strategies; and 4) prepare our workforces for future challenges and opportunities. Only the last recommendation doesn’t have still correspondence with the recent Brazilian experience.

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