

Growth with social inclusion and labour market in Brazil¹

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Abstract

The international commodities' boom that lasted a decade, improved the performance of economies such as that of Brazil and other South American countries that are exporters of commodities. Some of these countries were governed by alliances led by political parties committed to the workers' interests. These popular Governments increased the value of the minimum wage and strengthened social security, contributing to enhance the growth of lowest labor incomes.

The increase in the purchasing power of the lowest labour incomes was so intense that there was a decrease in inequality of labour incomes. In countries where income differences are too big a decrease in inequality is very significant, at times when the good performance of the economy leads to a significant increase in the average labour income.

The improvement in the socioeconomic situation of workers with lower income contributed to modify the operating conditions of the labour market. This article seeks to show these changes in the labor market, taking as reference the case of Brazil.

In Brazil, the workforce was characterized by the high proportion of young people and this fact is an important aspect of the existence of labour surplus and contributes to an extreme flexibility and high rate of exploitation that characterize this segment of the labour market.

The improvement in the socioeconomic condition of the low-income workers was accompanied by the postponement of the entry into the labour market of youth. This occurred at the same time as a decrease in the number of young people as a result of the demographic dynamics of the country, since the end of the '60s. Consequently, the proportion of adults in the workforce has grown significantly. This change in the age profile of this segment of the labour market has contributed to strengthening the effectiveness of the minimum wage increase policy, guaranteeing that this policy accompanies the growing formalization of contracts in this segment of the workforce.

Key words: *economic growth, labour market, income labour*

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1. Introduction

During the first decade of 21st century the international commodity boom improved the country's balance of payments, favouring the increase in economic activity. The exchange and interest rates were very high and the government didn't act to lower the interest rate so that the expansion of economic activity could develop the production that competes with other countries, such that the performance of the economy would become less dependent on the international situation.

The government has allowed the appreciation of the national currency, helping to reduce inflation and conducted a successful policy of raising lower labour incomes which was accompanied by a large increase in employment and in average labour income alongside a reduction in income differences. GDP grew significantly with low inflation, but this growth was accompanied by a disproportionate increase in imports of manufactured goods.

The consumption increase had an important role in economic growth and increased employment and labour income, especially in low-paying occupations, allowing thousands of Brazilians to participate in the consumer market. The access to credit, the increase in the minimum wage and the social policy based on cash transfers reinforced the consumption growth.

The global crisis affected Brazil in late 2008, stopping the growth of the economy and the government's initial response to the crisis avoided a more significant drop in economic activity, but it did not succeed in redefining the direction of the economy and GDP growth is slowing. Labour market indicators continued to improve, despite the slowdown of GDP growth (reduction in the unemployment rate and increase in income work) because there has been a change in the growth and composition of the labour force, due to the demographic dynamics and, especially, to the entry delay in economic activity of youth. In this scenario the objective of this paper is to analyse the labour market performance in the period between 2004 and 2013, taking into account age and sex, based on data from the National Household Sample Survey (PNAD).

This article is divided into three parts, besides this introduction. In the second part, we present an overview of the performance of the Brazilian economy since 2004. The third part analyses the evolution of the labour market between 2004 and 2013, highlighting

changes in employment and unemployment, employment status, agricultural and non-agricultural activities, non-agricultural activity sectors and labour income according to age and sex. Finally, the main conclusions are summarized.

2. Overview

One of the pillars of neoliberal reform was the development of the financial market in the country, and with this aim the entry and exit of capital and its application in domestic financial assets was facilitated. The development of the domestic financial market and its integration with the international financial market contributed to lower inflation, but created difficulties for State action in favour of the development of the production of goods and services and the improvement of the social situation of the population (Baltar, 2010; Baltar et. al., 2010).

Nevertheless, a favourable international situation in foreign trade since 2003, alongside successive mandates from governments committed to the interests of the workers, were fundamental in the reinvigoration of the labour market, as a result of the greater dynamism of the Brazilian economy. Initially, due to the strong increase in exports, the GDP growth accelerated with the increase in consumption, favoured by employment generation and labour income increase, but also by the expansion of credit. Households got into debt, anticipating the consumption increase, with the expectation of paying the debt with the future increase of family income. Export and consumption induced investments that in the boom of the growth, in 2007 and 2008, became the main component of effective demand in the determination of that growth (Baltar, 2014b).

Macroeconomic policy, however, continued to be defined in terms of controlling inflation and in a compatible way with the development of domestic financial assets, through the entrance of foreign investments in that market. This orientation of macroeconomic policy didn't allow a better use of the favourable international situation, in terms of the development of production for the domestic market and for export, resulting in a GDP growth with significant imports of manufactured goods, especially those of high technology (Cardim de Carvalho and Ferrari Filho, 2007; Paulani, 2007; Arestis, Paula, and Ferrari Filho, 2007).

The monetary policy maintained the interest rate at a very high level, helping to driving the exchange rate to a very low level, in a favourable international situation. In this favourable situation, high interest rates and low exchange rate helped to lower inflation and to encourage more economic activity, mainly through the increase in consumption. The increase in the minimum wage and the social policy based on cash transfers reinforced the consumption growth (Barbosa et al., 2012).

The appreciated national currency caused by greatest economic activity induce investments in the production that do not compete with those of other countries or those in which the country has natural or previously built comparative advantages. Investments to create comparative advantages did not happen, because the products of these activities could be imported at very low prices (Baltar, 2014b).

Then, the investment was significant, but helped to consolidate activities in which Brazil has natural or previously developed comparative advantages. The GDP growth, therefore, became very dependent on international demand for those products in which the country has advantages to compete.

A better use of the favourable international situation presupposed a more vigorous public action. It would be necessary to prevent the appreciation of the domestic currency that favoured financial development, but damaged the long-term trend of the development of production of goods and services. For the stabilization of the exchange rate for the development of production was needed to go beyond the accumulation of international reserves, with the State interfering in the inflow of capital and the development of the domestic financial market, as well as imposing a temporary tax on commodity exports (Baltar, 2014a).

A lower level of interest rates would reinforce the economic activity and, together with the stabilization of the exchange rate at a more reasonable level, would make many profitable investments in activities that require the creation of comparative advantage. Moreover, a lower interest payment would reduce the fiscal cost of maintaining international reserves and more resources would be available for the State to act more effectively in the articulation of autonomous investments in economic and social infrastructure and developing the competitiveness of domestic production. These public resources would be strengthened by the provisional tax on commodity exports, benefited not only by high international prices, but also by the exchange rate policy.

This economic growth would lead to a completely different relationship between the productive and financial sectors and of both with the State. The lower level of interest rates, without capital outflow, would require more public control of financial asset markets, capital inflows and the exchange of currencies. These public controls would be against the interests in the free development of the national finances, many of them also engaged in producing goods and services.

The strategy of the PT government was not against the interests linked to the free development of the financial market. The government allowed the currency to appreciate and forced the increase in the minimum wage. This affected not only the lowest levels of pay, but also the minimum amount of social security benefits that the Constitution of 1988 linked to the minimum wage. In addition, the government created the Family Cash Transfer for those who cannot participate in the revitalization of the labour market. Finally, it was more lenient with the trade union movement, legalizing and providing public funds for the national central organizations of workers. There was then a significant increase in employment and labour income, especially among the lower wages group and a considerable increase in family income.

The consumption boom that lasted almost a decade changed the socioeconomic level of the population. The onset of the global crisis, that hit Brazil in the last quarter of 2008, had little effect on the expansion of consumption because the government had resources to react and prevent the credit crunch and stagnation of the economy, giving continuity and even reinforcing the minimum wage increase and social policies. The intensification of international competition and the uncertainty with regards the consequences of the crisis, however, has hindered attempts to continue the growth of GDP, preventing the slowdown in consumption, so as to maintain the good result of the labour market.

The global crisis requires a change in the course of the Brazilian economy to preserve the labour market (Baltar, 2014a). Changes in the economic direction require autonomous investments, that is, investments not linked to the prior evolution of the economy. The autonomous investments have increased very little and the decline in consumption has decreased the GDP growth. Moreover, after the beginning of the global crisis the evolution of terms of trade was, not longer, favourable to Brazil. Before the global crisis the terms of trade were favourable and helped to absorb the increase in relative prices of goods and services that do not compete with other countries, without increasing inflation. This non-tradable production was responsible for job creation and

the expansion of this non-tradable production requires an increase in the purchasing power of the population, through wages adjustments greater than inflation. In the new scenario, the government has prevented a further increase in inflation, delaying the readjustments of public tariffs, but this delay is contradictory to the expansion of autonomous investment, especially in infrastructure.

The central challenge is to change the relationship between the productive and financial sectors and between them and the State. The magnitude of these difficulties suggests that autonomous investment in economic and social infrastructure and in the development of the competitiveness of domestic manufacturing output will be relatively slow and will limit the intensity of GDP growth. Productivity, however, will increase more significant than in the recent past, and it is possible to predict a decrease in the rate of employment growth. One of the main issues for the debate about the continuity of progress in the socioeconomic status of the population is what this reduction in the employment growth will mean in terms of the performance of the labour market. Important elements for the examination of this subject are provided by an analysis of what happened in the labour market throughout the first decade of the 2000s.

3. Labour Market in the first decade of 21st century

3.1. Employment

The GDP growth was faster in the middle of this decade, reaching 6% annually, before the global crisis affected Brazil in the last quarter of 2008 and has been decreasing amid the unfolding global crisis. Comparing 2013 with 2004, the GDP grew 3.5% per year and employment in the overall economy expanded by 1.4% per year.

The expansion of job opportunities was relatively modest, with small GDP growth and elasticity of employment normal (0.4 and an average increase of GDP per person employed of 2.1% per year). This modest growth of the employed population, however, was accompanied by substantial improvement in the labour market indicators. Table 1 shows the indicators of the labour market in each of these two years.

Table 1. Labour Market Indicators according sex and age. Brazil, 2004 and 2013

Sex and age	Activity rate		Unemployment rate		Employment rate	
	2004	2013	2004	2013	2004	2013
Men (less 30)	62.7	56.2	11.3	9.6	55.6	50.8
Women (less 30)	46.3	43.4	19.4	15.6	57.3	36.6
Men (30 +)	82.2	79.1	3.9	2.8	79,0	76.9
Women (30 +)	55.6	53.9	6.8	5.3	51.8	51,0
Men	73.2	70.1	6.8	5,0	68.2	66.6
Women	51.6	50.1	11.7	8.5	45.6	45.8
Total	62,0	59.7	8.9	6.5	56.5	55.8

Source: IBGE: PNADs 2004 and 2013

Note: Activity rate: EAP/working age population; Unemployment rate: unemployed/working age population; employment rate: employed/working age population.

The unemployment rate in 2013 was lower than that of 2004, but the participation rate in the economic activity was also lower. Between the years mentioned, there was a decrease in the proportion of population who have a job in the economic activity. In other words, the growth of the economy has expanded the labour force (employed population) at a more intense rate than the growth of the economically active population - EAP (employed and unemployed). However the growth rate of the population employed was less than the growth of population in active ages.

The reduction in the participation rate of the population in economic activity was, therefore, very important in decreasing the unemployment rate. This is evident in a hypothetical situation that simulates what would happen to the unemployment rate in case the reduction observed in the employment rate occurred without a reduction in the activity rate. Given these assumptions, the unemployment rate would increase from 8.9% to 10% rather than decrease to 6.5%.

Labour market performance was, nevertheless, an important component of growth with social inclusion that occurred in Brazil in 2004-2013. In particular, the intense growth of salaried jobs with formalized contract according to the laws of work and an increase in the level of work income, with reduction in income differences between workers, stood out. To fully understand this labour market performance it is necessary to take into account exactly what happened in the midst of a reduction in the unemployment rate and in the participation rate in economic activity.

Changes in the labour market in a context of economic growth with social inclusion may be better understood if the sex and the age of the people who participate in the economic activity are considered.

Comparing men to women, it is possible to check the simultaneous decreases in the participation and unemployment rates that occurred in both cases, but the decrease in employment rate occurred only among men. The intensity of the decrease in the unemployment rate was similar, but the fall in activity rate was greater in the case of men. The hypothetical situation simulates what would happen to the unemployment rate in case the variation observed in the employment rate occurred without a reduction in the activity rate. This simulation shows that unemployment rate decreased only in the case of men. Given these assumptions, the unemployment rate would increase from 6.8% to 8.6% in the case of men and would decrease from 11.7% to 11.2% in the case of women.

Taking into account the age of the people, it turns out that the decrease in employment rate was higher in the case of men under 30 years of age. The decrease in the participation rate was widespread, but the intensity of the fall was much greater in the case of men under 30.

In Brazil, men under 20 years old have a greater participation in economic activity than in other Latin American countries, but this participation has been decreasing progressively since the '90s, in parallel with the increase in the schooling of this portion of the population. The development of the Brazilian economy during the industrialization of the country (before 1980) occurred with a high activity rate of young male population in economic activity. In the 70's, about three-quarters of the male population aged 15 to 19 years participated in economic activity and the main activity sectors of the economy had a significant portion of the workforce at this age. Currently a postponement of entry into the labour market is taking place, with particular intensity affecting the participation rate of young men. The simultaneity of the lower participation rate and the existence of fewer people aged 10 to 30 years in 2013 than in 2004 as well as a higher level of salaried employment, significantly modified the employment status² of young and adults, males (table 2) and females (table 3).

² The employment status (or occupational position) makes a distinction between employment and self-employment. Employment can be formal employment (establishment employees or paid domestic workers, both with job contract; member of the armed forces and civil servants) and informal

Table 2. Share of men (less than 30 and 30 and more years old) according employment status. Brazil, 2004 and 2013

Employment Status	Men (less 30)		Men (30 +)		Men	
	2004	2013	2004	2013	2004	2013
Formal employment	38.4	53.2	38.7	45.5	38.5	47.8
Informal employment	30.5	25.1	15.9	13.2	21.4	16.8
Domestic worker	0.8	0.5	1,0	1,0	0.9	0.9
Own account worker	13.3	12,0	33.7	29.9	26.1	24.5
Employers	1.6	1.4	7.4	6.1	5.2	4.7
Unpaid workers (*)	15.4	7.7	3.3	4.3	7.9	5.3
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: IBGE: PNADs 2004 and 2013

Note: (*) Includes production for own consumption and construction for own use.

The economically active male population under 30 years old in 2013 was 11.8% less than in 2004, but the number of establishment employees of this age was 2% higher. This was possible because the sum of unemployed and those employed with another employment status in 2013 was 33.6% lower than in 2004. That is, fewer men under 30 years of age are facing economic activity in 2013 than in 2004, but 71% of male EAP have salaried establishment employment that carry out economic activity, while in 2004 this proportion was 61%. In addition, 68% of establishment young employees have formal employment in 2013, and this proportion was 56% in 2004. Besides, in 2013 the number of young people facing economic activity is less, but a larger fraction of these young EAP had formal employment in 2013 (48%) than in 2004 (34%).

Among male adults the proportion of those who have formal employment also increased between 2004 and 2013. Throughout this period many young formal employees were able to continue in this kind of job when they became adults. On the other hand, a smaller fraction than was customary in the past was expelled from the labour market, being obliged to set up their own business. As a result, the proportion of male adults who are employers or self-employed decreased from 41% to 36%, but the absolute number of those employers and self-employed in 2013 was 9.7% higher than in 2004. The stock of adults who have their own business has not diminished, but the increase in

employment (establishment employees or paid domestic workers, both without job contract). Self-employment refers to employers, own accounted workers, non-remunerated and subsistence production.

the number of adults who have salaried jobs in establishment was much higher (In 2013 was 35% higher than in 2004).

The greater dynamism of the salaried labour market due to the highest growth of the economy, is manifested in the expansion of the number of young people with this kind of work, reducing the proportion of young unemployed or with another occupational position, mainly unpaid work for another family member who has his own business, as well as in greater permanence of people in establishment jobs when they become adult, without reducing the stock of adults who have a business of their own. A decrease in the growth rate of salaried employment simultaneously reduces the salaried employment of young people and intensifies the expulsion from the labour market of young people who become adults, forcing them to establish a business on their own.

These two movements were even clearer in the case of women, because the salaried establishment employment growth was far more intense than in the case of men (40% and 21%, respectively). Juvenile female establishment employment expanded 24 percent, far more than the 2% observed in juvenile male establishment employment. The female EAP under 30 years in 2013 was lower than that in 2004 and the female establishment employees increased simultaneously to the reduction in the number of unemployed women, paid domestic and unpaid female workers that are, proportionately, much larger than the juvenile male occupation. Given that more young women are engaging into establishment employment and continue in that type of work, a significant increase in the number of adults with establishment employment occurs (50% in the case of adult women and 35% in the case of adult men).

Table 3. Share of women (less than 30 and 30 and more years old) according employment status. Brazil, 2004 and 2013

Employment Status	Women (less 30)		Women (30 +)		Women	
	2004	2013	2004	2013	2004	2013
Formal employment	35.5	54.6	33.8	43.1	34.4	46.4
Informal employment	21.2	19.5	10,0	8.9	13.9	12,0
Domestic worker	17.5	9.2	16.8	16.8	17.1	14.6
Own account worker	9.7	8.7	19.9	18,0	16.3	15.3
Employers	1.1	0.9	3.3	3.2	2.5	2.5
Unpaid workers (*)	15	7.1	16.2	10	15.8	0.2
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: IBGE: PNADs 2004 and 2013

Note: (*) Includes production for own consumption and construction for own use.

The intensive establishment employment for young people and adults of both sexes occurred with formalization of employment. The level of formal women's jobs increased from 63% to 74% in the case of young people and from 77% to 83% in the case of adults, while among men the formalization of establishment jobs increased from 56% to 68% in the case of young people and from 71% to 78% in the case of adults. In the case of women, the greater formalization of jobs in establishments is related to the fact that women with a lower economic condition are mostly engaged in paid domestic work, and not in establishment employment. This situation has been changing in the case of young women who are entering into establishment employment rather than paid domestic work. Nonetheless, adult women remained in paid domestic jobs (Leone, 2010). Similarly to adults who have their own business, the stock of adult domestic workers will decrease slowly if the establishment employment continues to increase sharply, allowing the insertion of young people in this type of employment and keeping them employed when they become adults.

These modifications have taken place in the midst of important changes in the composition of employment by activity sector. Table 4 shows that the main change in the sectorial composition of employment between 2004 and 2013 reflects the decrease of 22.5% in the number of persons who work in the agricultural sector (including animal husbandry, vegetable extraction and fishing). At the same time, the set of all other activities has expanded the number of absorbed persons by 23%. As a result, the agricultural sector's participation in the occupation of people decreased from 21.2% to 14.5%, and thus, this sector ceases to be the main source of occupation of Brazilians.

Table 4. Share of EAP according agricultural and non-agricultural activities, total variation, annual growth rate and proportion of women. Brazil, 2004 and 2013

Activity			Variation		% Women	
	2004	2013	Total	Annual rate	2004	2013
Agricultural	21,2	14,5	-22,5	-2,8	32,0	29,8
Non-agricultural	78,8	85,5	23,0	2,3	44,4	44,7
Total	100,0	100,0	13,4	1,4	41,8	42,5

Source: IBGE: PNADs 2004 and 2013

The strong reduction of agricultural sector contrasts with the intense expansion of agribusiness which, however, is responsible for a relatively small portion of the occupations of the agricultural sector. Table 5 shows the changes of the types of work that occurred with the reduction in agricultural occupation. Salaried employment in the

agricultural sector declined 18% between 2004 and 2013. The decrease in non-formal employment (without job contract) was particularly significant, since the formalization level of agricultural employment increased from 31.6% to 40.5% in this period. The agricultural formal employment was 5.2% higher in 2013 than in 2004. The expansion of agribusiness may have contributed to the enlargement of formal employment, but the major harvest mechanization of important portion of agribusiness accounted for a significant reduction in informal employment (without job contract) in the agricultural sector (28.6%).

Table 5. Share of agricultural workers according employment status. Brazil, 2004 e 2013

Employment Status	2004	% Women	2013	% Women
Employees with job contract	8.7	12.2	11.8	13.1
Employees without job contract	18.8	11.2	17.3	9.7
Employers	3.1	7.7	1.9	7.5
Own accounted workers	26.2	12.5	28.3	14.2
Unpaid workers	24.1	50.8	10.4	56.9
Family workers	19.1	68.2	30.3	54.4
Total	100.0	32.0	100.0	29.8

Source: IBGE: PNADs 2004 and 2013

The importance of small family production in the agricultural sector is manifested in the high participation of the set of workers absorbed by self-employment, non-remunerated and subsistence workers who remained in 69% of agricultural jobs. There were, however, significant changes in the composition of these three types of workers, notably the reduction in the weight of non-remunerated work and the increase of subsistence work. The number of people involved in agricultural production for their own consumption increased by 23% between 2004 and 2013. These changes in the agricultural occupational profile are related to the impact of social policies, not only the one focused specifically on the development of family production, but mainly the policy focused on rural retirement. The 1988 Federal Constitution guaranteed the retirement for all rural workers, regardless of contribution to the social security system that has motivated intense unionization of rural workers and the Family Cash Transfer has improved the situation of poor families.

Table 6 shows changes in the occupational profile for the whole non-agricultural activity. The employment growth in establishments that perform these activities was particularly intense. The group constituted of establishment employment in non-agricultural activities was 32.8 percent higher in 2013 than in 2004, an annual growth rate of 3.2%. The number of people in other types of work (not establishment employment) had a much lower growth, even in the paid domestic work that in 2013, had roughly the same number of people observed in 2004. The establishment employment participation in the total of persons employed in the non-agricultural activities increased from 62.5% to 67.5% and the level of jobs formalization also increased from 71% to 80%.

Table 6. Share of non-agricultural workers according employment status. Brazil, 2004 e 2013

Employment Status	2004	% Women	2013	% Women
Formal employment	44.4	40.4	53.2	42.9
Informal employment	18.1	37.6	14.3	39.7
Domestic worker	9.7	93.3	7.8	92.6
Own account worker	4.4	29.2	4.1	30.4
Employers	20.9	37.2	19.3	35.9
Unpaid workers	2.4	64.1	1.2	67.2
Family workers	0.1	13,0	0.1	10.4
Total	100.0	44.4	100.0	44.7

Source: IBGE: PNADs 2004 and 2013

The intense expansion of establishment work in non-agricultural activities was responsible for the greater absorption of young people by salaried employment, reducing the number of young unemployed and also of young people in unpaid work and paid domestic work. The expansion of establishment work in non-agricultural activities also helped people remain in this kind of work when they become adults, cushioning the expansion in the number of adult persons dedicated to their own businesses, especially in the case of men and paid domestic workers, notably in the case of women, above all those with lower socio economic conditions.

Finally, table 7 shows the changes in the sectorial composition of the non-agricultural labour force. The appreciation of the national currency harmed the domestic production which competes with that of other countries. Nevertheless, the employment in the manufacturing industry expanded due to both the consumption and investment increases

between 2004 and 2008. The global crisis, however, slowed down consumption and investment, besides intensifying the international competition, reflecting unfavourably in the Brazilian manufacturing production. The manufacturing exports stopped increasing and the manufacturing imports increased strongly, provoking a huge foreign trade deficit in manufactured goods. As a result, the employment in the manufacturing industry has been shrinking, and in 2013, was only 3.8% higher than in 2004.

The employment in the manufacturing industry decreased from 17.5% to 14.8% in the total of non-agricultural labour force. Domestic service also had a significant decrease in the non-agricultural labour force. Employment increases strongly in other industrial activities (mining, electricity, water and gas), trade and repair and other social services, community and personal activities, but the considerable increases in the total employment in non-agricultural activities diminished the participation in these sectors. The substantial growth in employment outside agriculture was explained by construction, accommodation and food, transportation and communication, other activities (finance, real estate and business support activities), but also public administration, education, health and social services that broadened the share in the total non-agricultural occupation.

Table 7. Share of workers according activity sectors. Brazil, 2004 and 2013

Activity Sectors	2004	% Women	2013	% Women
Other industries	1.0	11.1	0.9	12.8
Manufacturing	17.5	37.2	14.8	37.3
Construction	8,0	2.5	10.7	3.2
Trade	21.9	38.3	20.8	41.7
Hotels and Restaurants	4.5	49.8	5.4	57,0
Transport and Communication	5.8	11.9	6.5	12.8
Public Administration	6.3	37.3	6.5	40,0
Education and Health	11.1	77.4	12.0	76.5
Domestic Services	9.7	93.3	7.8	92.6
Other Services	5.2	58.5	4.6	63.5
Other Activities	8.9	36.1	10.0	42.1
Total Non-agricultural	100.0	44.4	100.0	44.7

Source: IBGE: PNADs 2004 and 2013

Non-agricultural sectors that increased employment do not compete with production of other countries. The sectors that compete with production of other countries were

affected by the appreciation of the national currency. However in all sectors, except in other services (community services and personal services) the proportion of establishment employees increased in the total occupation as did the level of formalization of contracts in establishment employment (Table 8). These increases in the proportion of jobs with employment contract occurred mainly in sectors that do not compete with the production of other countries. In these sectors the proportion of establishment employment and the formalization of employment contracts are both smaller.

Table 8. Establishment employment in employment according activity sectors and formalization level. Brazil, 2004 and 2013

Activity Sectors	Employment/Occupation		Formal employment	
	2004	2013	2013	2013
Other industries	91.3	95.8	85.5	90.6
Manufacturing	75.5	78.3	78.1	86.6
Construction	50.3	54.1	45.5	64.0
Trade	54.9	64.6	64.8	77.0
Hotels and Restaurants	54.1	62.7	57.1	67.8
Transport and Communication	65.7	72.2	74.7	82.5
Public Administration	100.0	100.0	79.0	78.0
Education and Health	90.6	92.3	78.5	80.8
Other Services	57.7	50.2	45.2	58.4
Other Activities	75.1	79.5	77.5	86.2
Total Non-agricultural	62.5	67.5	71.0	78.8

Source: IBGE: PNADs 2004 and 2013

The increases in the proportion of establishment employment in the occupation of persons and the level of formalization contracts of establishment employments reflect the expansion of a more structured corporate production that occurred in all sectors of activity, but mainly in the non-agricultural sectors that do not compete with the production of other countries. In these sectors the weight of more structured corporate production is smaller. The increase in the relative price of the products of these sectors that do not compete with other countries, taking place without the rising inflation that undermined the purchasing power of the population (a phenomenon that was part of the process of national currency appreciation), contributed to the consolidation of corporate production in these sectors, raising establishment employment and the level of formalization of employment contracts.

3.2. Labour Income

The annual average inflation was 5.3% between 2004 and 2013 (much lower than the 8.8% recorded between 1998 and 2004) and the purchasing power of the average labour income increased 43.3% or 4.1% per year during this period. The reduction in the unemployment rate, along with lower inflation, led to an intense increase in labour income, despite the modest expansion of occupational opportunities. This significant increase in the labour average income occurred alongside a decrease in workers' income differences and consequently the Gini Index decreased from 0.50 to 0.55 in the period.

The intense increase in average income was the main factor for the sharp increase of total labour income, 67% in nine years or 5.9% per year, far greater than the increase in GDP in the period (3.5% per year), indicating that the labour participation in the national income increased.

Table 9 shows the evolution of labour income by status of employment. Establishment employees were the only category with a significant increase in the number of people, but, that employment status had the smallest increase of average income, even though, very intense, 3.9% per year. The participation of establishment employees in total labour income increased from 62.4% in 2004 to 65.8% in 2013. However, the paid domestic worker was the employment status with the highest increase in the average income, but the number of people with paid domestic work in 2013 was 1.7% lower than in 2004. The average income of domestic workers was a little less than the value of minimum wage and purchasing power increased between 2004 and 2013, that was exactly equal to the increase in the value of the minimum wage, discounting the inflation (5.7% per year). The other two employment status categories (employers and own accounted workers) decreased their participation in the total labour income and, in both cases, this decrease was due to the small increase in the number of people in these categories of employment status.

Table 9. Average income, workers with positive income and total income from work by employment status. Brazil 2004 and 2013.

Employment status	Average Income			Workers with Positive Income			Total Income		
	2004	2013	Growth rate	2004	2013	Growth rate	2004	2013	Growth rate
Employees	100.1	98.4	3.9	62.3	66.9	2.5	62.4	65.8	6.5
Domestic workers	35.0	40.4	5.7	8.7	7.3	-0.2	3.0	3.0	5.5
Employer	320.0	316.8	4.0	4.5	3.9	0.1	14.5	12.3	4.0
Own accounted	82.0	86.4	4.7	24.5	21.9	0.5	20.1	18.9	5.2
Total	100.0	100.0	4.1	100.0	100.0	1.7	100.0	100.0	5.9

Source: IBGE: PNADs 2004 and 2013

The intense establishment employment growth allowed the absorption of young people to increase in that employment status but, additionally, higher proportions of those young people were remained in these jobs when they became adults. Thus, a higher proportion of young people start economic activity in establishment employment and not so much in unpaid work or in remunerated domestic work and a lower proportion of adults are expelled from the establishment employment and forced to set up their own business.

For this reason, the aging of the workforce (reduction of the proportion of young people and increasing the proportion of adults), arising from the changes in age structure of the population and of the recent changes in the rates of participation in economic activity, especially important in the case of male youth population, is much less pronounced among employees of establishments than in other employment status with positive income.

The changes in the age structure of the workforce are very different in accordance with employment status and have implications in the increase of their respective average incomes, contributing to a lower increase in the average income of the establishment employees than the increase of income averages of other employment status, especially the own-account work. The decrease of the adult population that is expelled from establishment employment tends to gradually increase the proportion of workers who choose and are able to set up their own business. As a result, the number of own-account workers increases much less than establishment employees and the expansion of average income of own-account workers is much higher than establishment employment.

The increase of establishment employment provoked changes in the occupational profile of men and women, but the changes were far more pronounced in the case of women. Among men the proportion of those occupied, with positive income, who have establishment employment, increased from 65.5% to 68.7% between 2004 and 2013, as a result of the decrease in the proportions of own-account workers (28% to 25.7%) and employers (5.6 percent to 4.7 percent). In the case of women, the proportion of establishment employees rose from 57.5% to 64.4%, as a result not only of the reduction in the proportion of own-account workers (19.2% to 16.6%) and employers (2.9% to 2.7%), but mainly due to the fall in the proportion of paid domestic workers (20.4% to 16.3 percent). Due to the low level of income of remunerated domestic work, compared to establishment employment, the average income of occupied women has increased more than that of men (4.6% and 4.0% per year, respectively), elevating the relationship between these averages, from 69.7% to 73.3% in 2013 (Table 10).

Table 10. Employment and women's earning compare to men's

Employment status	Women (%)		Women Income compare to men		Women Income in Total Income (%)	
	2004	2013	2004	2013	2004	2013
Employees	36.6	40.1	89.3	87.4	34.0	37.0
Domestic workers	93.3	92.8	71.1	72.5	91.1	90.3
Employer	25.6	28.8	72.5	72.8	20.0	22.8
Own accounted workers	31.0	31.7	65.1	69.0	22.6	24.2
Total	39.7	41.7	69.7	73.2	31.4	34.4

Source: IBGE: PNADs 2004 and 2013

The relationship between the average incomes of men and occupied women varies greatly by employment status, being greatest in establishment employment and less in own-account work. In the cases of remunerated domestic workers and of employer the average income of women is about 72% of the average income of men and this relationship has changed little between 2004 and 2013. Women increased in all employment status categories, with the exception of paid domestic work, but the relative remuneration of women decreased among establishment employees and increased among the own-account workers, reducing the differences in employment status. Nevertheless, the effect of women increased presence among establishment

employees and among employers provoked the highest increases in the proportion of total income appropriated by women in these two employment status.

The labour income differences are greater among men and decreased both among men and among women during this period. The increase in average income was greater among women, but the decrease in the Gini index was similar (0.55 to 0.50 in the case of men and 0.53 to 0.48 in the case of women). The biggest increases in female presence in better remunerated employment status (employers and establishment employees) and the relative increase of the average income of women in the worst remunerated employment status (paid domestic work and own-account work) contributed to the reduction of the difference in average income between men and women in the period 2004-2013.

Conclusion

Increased establishment employment in non-agricultural activities (32.9% in 9 years or 3.2% per year) was the best manifestation of the reactivation of the labour market in Brazil and favoured by the international commodities boom from 2004 onwards. The sectors of construction, trade and repair, hotels and restaurants, transportation and communications, education, health and social services and other activities (finance, real estate and business support) which already had 65.2% share of establishment employment in non-agricultural activities, grew 46% or 4.3% per year in 2004, and accounted for 87.2% of all establishment employment in non-agricultural activities in the period.

These sectors do not compete with the production of other countries and were favoured by the appreciation of national currency that helped to raise the relative price of the products of these sectors, keeping the inflation rate low. A strong employment growth of businesses, with low inflation, helped to expand the purchasing power of work income, both in job creation and in other occupational status categories. As a result of the strong expansion of the total work income the increased consumption was significant and the response from domestic production was intense in the case of products that do not compete with the production of other countries or products in which Brazil has natural comparative advantages or had been fostered.

In response to increasing domestic production with the demand increase, the investment was intense. Besides, there was a more solid business structuring that led to a major increase of establishment employment and to an expansion of the formalization level of employment contracts. The expansion of formal employment occurred mainly in industrial activities (that must be carried out close to the natural resources or market buyer), construction, trade, accommodation and food, transportation and communication, education, health, social services, finance and real estate and business support.

The reinvigoration of the labour market occurred at a time of change in the Brazilian population's participation in the economic activity. Since the '90s the schooling of the young population has increased and the participation in economic activity has decreased, postponing their entry in the labour market. At the same time, due to the reduction of population growth that has taken place since the end of the '60s, the decrease in youth population reinforces the decrease in the active population under 30 years of age.

The growth of EAP is still intense because the population which goes into economic activity is significant in relation to the population who left the economic activity, but in the active population the proportion of young people decreases and the proportion of adult increases. This has important implications for the dynamics of the labour market.

Young people are absorbed mainly by establishment employment, paid domestic work and unpaid work in the business of another family member. During the '90s, the negative impact of trade and financial liberalization on the labour market made it hard to absorb young people in formal establishment employment. The narrowing of the labour market occurred simultaneously with an increase in schooling of the young population. The beginning of the postponement of the entry into economic activity occurred with an increase in the youth unemployment rate and an increase in the proportion of young people engaged in paid domestic work and unpaid work in the business of other family members.

The reactivation of the labour market in the first decade of this century did not interrupt the advance of entry into economic activity, but the rate of youth unemployment decreases and the proportion of young people engaged in paid domestic work and unpaid work in the business family. At the same time, the reactivation of the labour market has decreased the expulsion of adult establishment employment, reducing the

expansion rhythm of people with their own business, working alone or with unpaid help from family members or hiring few employees.

The reduction in the expansion rhythm of own-account workers and employers as well as the absolute reduction of unpaid work and the strong expansion of establishment employment of with formal employment contract signal the advance of corporate structuring of economic activity.

The labour market, then, not only reactivated itself, but began an advance in terms of restructuring, with a better definition of entering and leaving age and the conditions to specify the different status in the labour market, despite the strength of opposing forces, stemming from flexibilization of the employment relations, in contemporary capitalism. The reduction in the expulsion rhythm of adults from the labour market has implications which favour the position of workers vis-à-vis their employers, in the definition of the characteristics of the job, including reducing the very high turnover in Brazil. This, however, depends on the continuation of establishment employment growth and on the State action favouring the workers' organization.

The continuity of establishment employment growth is critical to a better structuring of the purchase and sale of the work force. Participation rates and youth unemployment are still high, as well as the proportion of young people working without work contract, in paid domestic work and unpaid work. The reduction of these depends on the growth of formal establishment employment as well as on allowing the continuity or entry into formal establishment employment of young people when they become adults.

The current challenge is to maintain establishment employment growth after the end of commodities boom with the fierce competition in manufactured goods production, in the course of the global crisis that has been affecting the Brazilian economy since the end of 2008. At the beginning of the Dilma's Government, in 2011, an attempt was made to reduce the level of interest rates and control the capital input and the foreign exchange market to have a controlled currency devaluation, but public and private investment was not enough to maintain the GDP growth and to reduce the foreign trade deficit in manufactured goods, essential to expanding infrastructure and to improving the competitiveness of domestic production of manufactured goods.

Consumption is decelerating and investment has decreased, causing a reduction in the growth rate of the GDP. Inflation increased as a consequence of not undertaking

investments in infrastructure and in the development of manufactured goods that would avoid an increase in the trade deficit and compensate the downturn of improvement in terms of trade. The public finances have worsened with the slowdown of GDP and the public effort to maintain economic activity and inflation increased, intensifying the opposition to the Government's effort to maintain both GDP growth through an increase in investment rate and the socioeconomic advancement recently achieved by the population.

The measures taken by the Government, at the beginning of the Dilma's second term, show the intensity of the opposing forces to the public effort to maintain growth with social inclusion in Brazil and the labour market already shows the effects of stagnation with the beginning of the rise of the unemployment rate and the reduction in the increase rate of average income from work. The prospects for the immediate future are worsening labour market indicators, particularly if a significant decrease in the level of GDP occurs something that has not occurred in the country since the 90s' recession, when the inflation was extremely high and external debt crisis caused the currency to collapse.

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