

LABOR MARKET

Let's get down to work

Thais Thimoteo

IN THE LAST few years, the labor market has been overheated. The monthly Employment Survey (PME) of the Brazilian Institute of Geography and Statistics (IBGE) in October 2012 recorded unemployment at 5.4% of total working population in the six main metropolitan areas (Recife, Salvador, Belo Horizonte, Rio de Janeiro, São Paulo and Porto Alegre)—the lowest unemployment rate since 2002, despite slow GDP growth. Eight years ago, the economically active population (PEA) had 2.8 million unemployed. Today, the number has dropped to just 1.3 million.

Not only do Brazilians today find it easier to get a job to support their families, but income also has been rising: between October 2004 and October 2012 the average real wage increased 30%, from US\$682 to US\$886. The reason for the good news essentially, according to Fernando de Holanda Barbosa Filho, an IBRE researcher, is that the economy has been doing very well especially since the first term of former President Lula “Economic activity explains 70% of the fall in unemployment and education 30%. When the economy is growing consistently, it

reassures employers that, despite high labor costs, they can hire more to meet demand for their product,” says Barbosa Filho.

But it was not always so. Brazilian workers began to have important rights guaranteed by the Labor Code Laws as early as 1943. However, the problem today, as before, another IBRE researcher, Leandro

Rodrigo de Moura, points out, is the rigidity of the labor laws and the high cost of laying off workers, which makes hiring extremely costly to the company. “It forces companies to opt for outsourcing services or hire the worker without a contract,” de Moura says.

The government has lowered the payroll tax for some economic sectors of

the economy, especially industry, but Barbosa Filho is skeptical about other changes to make labor laws more flexible: “I support reforms of the labor code; however, I do not believe that reform will occur With unemployment very low, it will be difficult to pass these proposals since there is nothing with which to pressure the government.”

INFORMALITY

The buoyant job market has brought in workers without formal contracts.



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“Informal work declined from 43% of the total employed population in 2002 to 32% in 2011. The addition of 22 million people, who were educated between 2001 and 2011, according to National Household Sample Survey (PNAD), accounts for 64% of this decline,” says Barbosa Filho. Moura explains that part of the decline of informal work is related to a reduction in outsourcing: “When there was trade liberalization, companies began to outsource their services because of the high cost of labor and periods of crisis. Now we are going through a process of retention of skilled labor (with the fall in unemployment) and employers are taking the opportunity to hire those without contract or outsourced.”

However, this absorption of labor does not occur in the same proportions in all regions of the country. Even though there was improvement in the North and Northeast, 50% of the total employed population is outside the formal economy. In the Southeast, 25% of workers are informal. “There are two Brazils,” Barbosa Filho says.

It is true that most workers prefer to have a formal contract, the guarantee of a salary every month, and the benefits of labor

rights. But there is a specific group that has to strive further to achieve that. It is that portion that has not finished high school, although they have studied about nine years. They are the ones who are halfway through education, and yet they have an important role in the labor market. Among this group the unemployment rate is 14%, the highest of all. “They have a hard time finding jobs. Unemployment only starts to fall when they complete high school [8%]. At the college level, unemployment is almost nonexistent,” Barbosa Filho says.

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**FERNANDO DE HOLANDA
BARBOSA FILHO**

WORK-SHY

But if there are some who run after work, there are others who do not. A survey by the Institute of Social and Political Studies at the State University of Rio de Janeiro (UERJ) found that 5.3 million young people

between 15 and 25 fit that profile. The challenge for the government is great, because “The truth is we do not know why someone quits study and work, as the labor market is overheated. They may be discouraged; they may despair,” says Barbosa Filho. The increase in household income may also have caused some young people to quit work. 