

Wanted: Educated Workers

Brazil can only be competitive with an educated and productive labor force.



Claudio Accioli and Solange Monteiro, Rio de Janeiro

The unemployment rate may be low, but that is not the main problem with the Brazilian labor market. The shortage of labor may actually be a mismatch between the demand for skilled labor and the supply. And given the inadequacies of Brazilian education, even someone supposedly trained for a particular function cannot be very productive, so companies have to provide costly training for their workers or import labor.

Fabio Pina, economic adviser to Fecomercio, identified that supply-demand mismatch and finds it especially troublesome “now that the confidence indices of industry and the services sector show strong intentions to hire and invest.”

José Márcio Camargo, economist, Opus Asset Management, has an economic history perspective on what is happening in the labor market: “Early in 1990, with the opening of the economy, there was a great transformation in the productive structure of the country. Some areas were completely destroyed, but others grew rapidly, which created unemployment and difficulties in hiring professionals.” In the early 2000s, he says, to adjust,

the economy raised wages where the supply of labor was limited and lowered them where workers were being displaced by new technologies. Camargo cites as an example the metalworker profession, where the use of computer programs has created a revolution in production. Throughout this period, he says, there was a major rise in structural unemployment caused by inadequate labor supply for the vacancies available. However, as supply is becoming more consistent with demand, unemployment rates have fallen to today’s levels.

A second structural issue Camargo has identified has to do with the increase in formal employment as taxes have been reduced and simplified. Between 2003 and 2010 the number of formal workers in Brazil grew 39%, increasing the number of those formally employed to 10 million people and bringing the formally employed to a record 46% of workers in the six largest metropolitan areas. “These actions have generated increased demand for labor and therefore localized shortages in some sectors,” Camargo says.

The paradox

But today as some sectors compete heavily for the few skilled professionals available — Brazilians are still not well educated — those who have enough education to rise to the middle class show less interest in lower-skilled jobs.

Heavy construction illustrates this reality. After decades of suffering from lack of investment, construction and related industries are having to escalate their activities to deal with a soaring number of infrastructure projects. “Today, engineering firms

are knocking on university doors to hire graduates as trainees,” says José Alberto Salum, president, Union of Heavy Construction Industry of Minas Gerais (Sicepot_MG). But the sector is also having difficulties finding unskilled workers; Sicepot_MG members even seek them in other states, and “In partnership with National Service of Industrial Learning (Senai), we have developed training DVDs for the operation of machinery such as bulldozers to teach workers on building sites in rural areas who could not attend school,” Salum says.

Similarly, the Brazilian Association of Infrastructure and Basic Industries (ABDIB) in February signed an agreement with the Ministry of Labor to develop professional training to qualify 100,000 workers over the next four years. ABDIB Corporate Director of Education Fábio Aidar points out that “A survey done by the IBGE in 2010 shows that 70% of Brazilian workers have never spent a single day in a training program.”

Problems everywhere

In the oil sector, companies in the Program for

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Mobilization of National Oil and Natural Gas (Prominp), coordinated by the Ministry of Mines and Energy, list 185 categories of professionals they need; and demand is escalating. “Investments of [the state oil company] Petrobras have shot up from US\$5.8 billion in 2003 to the current US\$42.5 billion,” says José Renato Ferreira Almeida, Prominp executive coordinator.

Prominp’s budget to assist workers jumped from R\$22 million to train 78,000 people over the past four years to R\$55 million to train 212,000 professionals by 2014. Its courses range from basic training for welders and fitters to MBAs for engineers to specialize in such areas as safety, environment, and quality. But, Ferreira Almeida

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says, “We still need to find a role for companies to participate in training, since the necessary experience can only be acquired by working.”

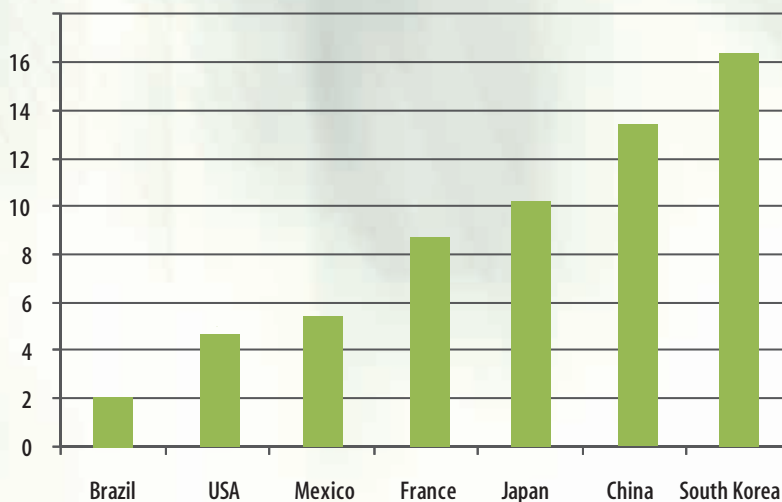
The overheating labor market means that some companies and sectors now have to deal with more selective workers. “Some people today prefer to make pastry rather than work in building,” says Sicepot president Salum. His organization is launching an advertising campaign on popular radio stations (among other media) to attract workers. “In five years, the salary of better-qualified workers has more than doubled,” Salum says. “Collective agreements and the value of the minimum wage have been a factor, but it still is a remarkable evolution.”

Lessons not yet learned

The gap between the quantity and the quality of education in Brazil raises a fundamental issue for any developed economy: productivity. “With the improvements in education, the productivity of Brazilian workers should be much better than it is. But ... what we are seeing is that the payroll cost per hour worked is growing far faster than productivity,” says IBRE/FGV economist Rodrigo Leandro de Moura. Camargo adds, “This is the consequence of an inequitable education system that generates less qualified professionals with lower

Brazil graduates fewer engineers than other emerging and developed countries.

(Engineering graduates per 10,000 inhabitants, 2007)



Sources: Institute for Studies in Industrial Development and OECD.



productivity even than in other emerging countries. The combination of high nominal wages, high employment rates, and low productivity generates inflationary pressure, which implies higher interest rates, reduced economic growth, and ultimately a fall in employment.” To illustrate this reality, Fecomercio data show that, although they represent 95% of all businesses and employ 60% of the industry workforce, small retail businesses contribute only 30% to GDP.

“The only possible way to resolve this issue safely and permanently is education,” Camargo says. “All other

attempts have failed. And I refer to elementary schools, not technical or trade training courses, which usually have a high cost and a low return. Because public resources are limited, if we invest in training adults, necessarily we end up investing less in educating children, which is much more important.” He compares Brazil with South Korea: “In the 1960s, Brazil had twice the per capita income of Korea, but Korea invested heavily in primary, secondary, and higher education, while we invested in physical capital. Today, our per capita income is one-third of Korea’s. We created an auto industry,

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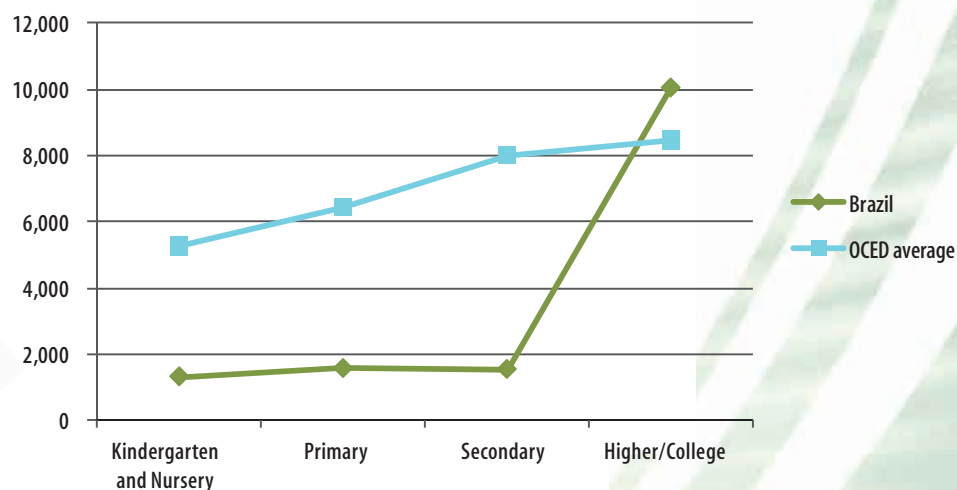
Renato da Fonseca

but their cars are better and more competitive.”

A National Confederation of Industry (CNI) survey of 1,616 companies earlier this year reinforces Camargo’s argument. It found that although most

Brazil spends more in higher education than basic education, leading to greater inequality of education opportunities for the poor.

(Annual spending in education per student in U.S. dollars, 2006)



Sources: CNI and OECD.

companies address shortages of skilled workers through internal training, 52% reported that the poor quality of basic education is a major problem for their training programs. A 2010 CNI study showed that although the percentage of children in primary schools rose from 87% to 98% between 1996 and 2008, only 50% were attending high school in 2008. It also found that 30 million young and adult Brazilians have not completed primary education.

“Failures in basic education are a serious issue. A person who has difficulty with logical reasoning has problems adapting to any activity,” says Renato da

Fonseca, executive manager of the CNI research unit. For Prominp’s Almeida, this was also a major training problem, so “three years ago, we began to coordinate with state governments and local schools for tutoring workers in Portuguese, mathematics, and logical reasoning.”

For CNI one reason basic education is failing is a distortion in how public resources are allocated. “Data from the Organization for Cooperation and Development (OECD) show that Brazilian public investment per student is six times greater in higher education than in basic education,” Fonseca says. CNI sees this as sustaining inequality in education be-

cause it benefits those who can afford to pay for quality primary education.

Fonseca would also like to see a better match in the technical education curriculum. “In 1980, we wanted all middle schools to become vocational schools and ended up creating a useless degree,” he says. “Today education is too general,” he goes on. “We have a cultural problem of valuing a college degree too much, yet we now have high demand for technical professionals who may even earn more than an engineer.” In the CNI survey, 94% of companies identified a shortage of operators in the production area and 82% complained about a shortage of tech-

The building industry reports a shortage of technical professionals and skilled workers.

(% of responses)

Management	56
Administration	63
Professionals (engineers, architects, etc.)	81
Technical workers (supervisors, foremen, etc.)	92
Workers (masons, carpenters, etc.)	94
Sales	48
Research and development (R&D)	46

Source: Survey of building industry, CNI, April 2010.

nicians; only 61% needed more engineers.

For this reason, Fecomercio's Pina says outright that educational policies must undergo a transformation as profound as the one occurring in the labor market: "We live in a time of transition comparable to what happened in 1930 with the change of the economic hub from coffee production to industry. Currently, the service sector dominates industry, representing about two-thirds of the economy. At some point public policy on education and vocational training will have to reflect this new reality. ... Think about the country you want in 10 years."

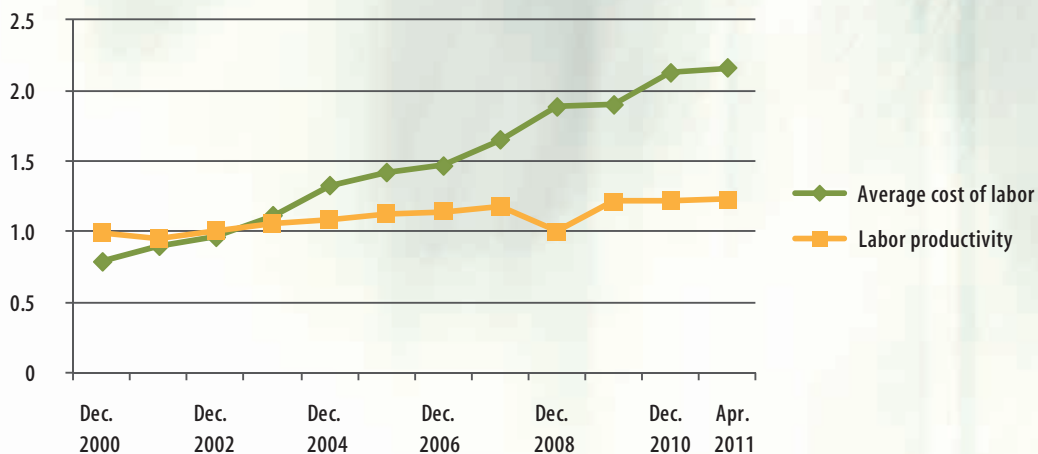
The good news is that the discussion on new directions in the labor market is already involving both employers and workers; it is not limited to interminable parliamentary initiatives. The Institute for Studies in Industrial Development (IEDI) has brought together companies that operate in the most critical sectors to discuss solutions. Rogério César de Souza, IEDI chief economist, explains that "We are living in a historic moment in the labor market that demands revision in sensitive points, [particularly] education. That means more than solving a short-term problem. Clearly, this is not a question of supply and demand in the traditional

sense but rather the basic education that ensures qualified human resources."

From the workers' point of view, Sergio Mendonça, Department of Statistics and Economic Studies economist, points out, "Never before have we had in Brazil, for example, roundtables like the ones the national sugar and alcohol industries and construction are organizing, bringing together companies, unions, and government to discuss challenges, including training of manpower and basic education. In the last decade, we celebrated the reduction of illiteracy but failed to discuss the quality of education." That discussion is now on the agenda. ■

Brazil's gap between labor cost and labor productivity is widening.

(Labor cost and productivity indexes in the industry)



Source: IBRE-FGV.