

Chico Santos

A RECENT STUDY MOVES forward the debate about the shortage of skilled labor in the Brazilian economy and the immigrant labor option for solving the problem. The authors—economists Sergio Werlang, former director of the central bank and now professor at the Brazilian School of Economics and Finance (EPGE) of the Getulio Vargas Foundation, and Everton Santos and Marina Gontijo, both EPGE doctoral students[1]—estimated the effects that attracting a massive number of immigrants would have on Brazil's labor market and gross domestic product (GDP).

Considering Brazil's demographic trajectory, the debate on immigrant labor is urgent, but Fernando de Holanda Barbosa Filho, researcher at the Brazilian Institute of Economics (IBRE), doubts whether Brazil would be able to attract enough foreigners who have the professional profile the labor market requires.

In less than 30 years, the Brazilian population is projected to start declining. Government statistics agency IBGE estimates that starting in 2042, when the population (estimated today at 202 million) will reach 228 million, there will be fewer births than deaths. By 2060 there will be 10 million fewer Brazilians than in 2042. According to Ana Amélia Camarano, researcher at the Institute for Applied Economic Research (IPEA), both the total and the economically active population may decline even earlier, in 2035.

With the gradual decline in population growth, which was rising 2.99% a year in 1960 but dropped to 1.17% in 2000–10, a lower birth rate; and increased life expectancy, the Brazilian population is aging more rapidly, and Brazil will soon see the end of the "demographic dividend," when more people enter the labor market than leave the economically active population. According to IBGE, in 2000 Brazilians 14 years old and younger represented 30% of the population and Brazilians older than 60 years represented only 8%. In 2014, youths are 24% of the population and seniors 11%. IBGE forecasts that by 2028 there will be more elderly than youths.

An aging population and fewer young people entering the labor market is an issue that is worrying economists and demographers, because of the

[1] Sergio Werlang, Éverton Santos, and Marina Gontijo, "Equilibrium in the Labor Market in Brazil—Short-Term Effect of Immigration Policies." Rio de Janeiro: EPGE, FGV, 2014.

effects on not only Social Security but also on the labor market. Right now Brazil has full employment, with unemployment at 4.9% in September, according to IBGE, yet GDP growth is close to zero.

Harder to grow

"With the active population growing less and less because of low growth in the population as a whole, it will become more difficult for the economy to grow," Barbosa Filho says. He believes that given current demographic trends alternatives to raise economic growth will be difficult to put in place in the medium term; increasing fixed investment, for

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Foreigners in Brazil

2000 and 2010



Country	2000	2010
Portugal	213,202	137,972
Japan	70,932	49,058
Paraguay	28,821	39,251
Bolivia	20,387	38,815
Italy	55,031	37,165
Spain	43,603	30,735
Argentina	27,531	29,066
Uruguay	24,739	24,048
United States	13,947	23,512
China	10,301	19,396
Germany	19,555	16,241
Chile	17,131	15,432
Peru	10,813	15,019
Lebanon	16,090	12,336
France	8,381	9,559
South Korea	n.a.	8,577
Colombia	4,159	6,850
Angola	6,339	6,444
United Kingdom	4,034	4,947
Poland	7,458	3,482

Source: IBGE.

instance, is constrained by Brazil's low savings. Raising productivity also depends on long-term factors, such as raising education levels in Brazil. The domestic supply of labor could be enhanced by keeping older people in the labor market longer, or by stimulating female participation in the labor market, but that will also take time.

Attracting immigrants, who helped to solve similar problems in Canada and Australia, emerges as one possible alternative. Werlang, Santos, and Gontijo note that since solving part of the labor shortage by investing in education can only be done in the long term, and ask if in the short term a more open immigration policy could help without increasing Brazilian unemployment or reducing wages significantly. They found that the number of immigrants in Brazil is very low—only 0.3% of the population, according to the United Nations, compared to 20.7% in Canada, 14.3% in the U.S., and 13.8% in Spain.

In Brazil, the largest contingent of immigrants are those over 65, who constitute 1.2% of all residents of Brazil aged 65 or over. Gontijo suggests that they reflect the migrations caused by World War II, which ended in 1945. In other countries most immigrants are in the age groups most in demand in the labor market. Immigrants account for 29.8% of the population aged 35–39 years in Canada, 25.4% of that age group in the U.S., and 23.5% of residents aged 30–34 in Spain.

Using data from the Organization for Economic Cooperation and Development (OECD), the study found that in general immigrants are more educated than citizens. In Australia, 25.8% of immigrants have higher education compared with 20% of citizens. In Canada, 38% of immigrants and 31.5% of natives have more education. In Spain, the educated constitute 21.1% of immigrants and 18% of natives, in Mexico, 34.8% of immigrants and 12.8% of natives. In Brazil, data on immigrant education are not available, but only 8% of natives are that well educated.

How would immigration affect the labor market?

The study authors projected various scenarios. If immigrants have the same characteristics as the local population average and they all get jobs, unemployment would fall because immigrants are meeting the demand for labor, and wages would also fall because the labor supply increases. For example, if immigrants increase the working population by 0.5% (about 750,000 workers) average salaries would drop by 3.3%, unemployment would fall 0.03 percentage points, the employed population would grow by 0.93%, and GDP would grow by an additional 0.47%.

Alternatively, if immigrants have more education than the local population average, wages would fall less because demand for more skilled labor is high. In that case, with an annual increase of 0.5% in the working population, wages would fall by only 2.6%.

Gontijo stressed that the number of immigrants into Brazil today is negligible. The study did not discuss policies to attract immigrants. She suggested looking at Canadian and Australian immigration policies, which prioritize higher education. She also recognized that a massive arrival of immigrants could also bring negative externalities, such as worsening traffic in cities.

Brazil's immigration legislation should reduce red tape to increase transparency, speed up and reduce the costs of immigration processes, and ultimately encourage foreigners to come to Brazil.

Paulo Abrão

A limit on development

National Secretary of Justice Paulo Abrão believes that Brazil should enter the international competition for skilled labor; the first step in that direction would be to revise the Statute on Foreigners. "Current law is an obstacle to immigration as a development factor," Abrão said. He is one of 11 authors of a draft law submitted at the end of August to the Ministry of Justice to replace the current law. The draft has earned strong support from national and international bodies concerned with the rights of migrants.

Meanwhile, there are two other projects in the National Congress to change immigration law: Bill No. 5655/2009, authored by the Executive Branch, which since 2012 has been in the Committee on Foreign Relations and National Defense Chamber of Representatives, and Bill No. 288/2013, proposed by Senator Aloysio Nunes.

The expert draft on which Abrão worked proposes creation of a National Immigration Authority (ANM) under the president to centralize the immigration processes that today are scattered among the ministries of Justice, Labor, and Foreign Affairs.

Secretary Abrão believes that Brazil's immigration legislation should reduce red tape to increase transparency, speed up and reduce the costs of immigration processes, and ultimately encourage foreigners to come to Brazil. Also, it should grant work permits to immigrants seeking employment for specific terms of six months to a year. Today, immigrants can apply for work permits only if they already have a job offer.

IPEA's Camarano doubts a new immigration policy would attract foreign labor. "First," she argues, "the work force is aging in most of the world… . Soon there will no longer be workers to attract." She is also concerned about how mass immigration would affect Brazilian culture. In her opinion, Brazil should be seeking domestic alternatives to a smaller labor force. One might be incentives to keep the elderly in the labor market, since Brazilian law does not prevent those retired from continuing to work.

IBGE researcher Marden Campos also does not believe that large numbers of immigrants can be attracted to solve Brazil's labor shortage. Based on recent immigration history, he says, "I see no indication that this will happen." He points out that from 2005 to 2010 268,000 people entered Brazil, but 65.5% of them were returning Brazilians.

From 2000 to 2010, the immigrant and naturalized population shrank in both relative and absolute terms. As a proportion of total population it fell from 0.40% to 0.31%, and in absolute numbers from 683,800 to 592,600. Portuguese (the largest number), Italian, Japanese, and Spanish immigrants declined, and the numbers of U.S. citizens, Paraguayans, Argentines, and Bolivians increased.

Visa statistics from the National Immigration Council of the Ministry of Labor show that from 2011 to June 2014, 13,539 work permits were granted—12,270 permanent and 1,269 temporary. Of those, 9,000 were granted to Haitians, part of the diaspora caused by the earthquake that devastated their country in January 2010.



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