

STRUCTURAL UNEMPLOYMENT IN BRAZIL IN THE NEOLIBERAL ERA

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Abstract: The Brazilian economy is historically characterized by an unequal economic and social structure. Over the years, given this economic and social structure, the Brazilian economy developed without solving its main problems. This has created barriers to both stable economic growth and improvements in the living conditions of the population. Even though the industrial sector between 1930 and 1970 increased its investment, growth and output rates, reinforcing its structure and proportion in the gross domestic product, unemployment and income inequality have remained as structural characteristics of the Brazilian economy. The crisis in the 1980s and the neoliberal policies in the 1990s strengthened these problems, especially through the increase in the unemployment rate and in the informal sector, and with the deregulation of the labor laws. The Brazilian government only started to pay attention to those problems from the Lula government onwards, implementing public policies to promote improvements in the labor market. However, high unemployment rates, low wages and income inequality still remain as structural problems in the Brazilian economy. Based on these aspects, the article will analyze structural unemployment in Brazil over the last ten years, pointing out and trying to understand the problems and trends. The discussion developed by Karl Marx in *Capital* concerning the relative surplus population and the reserve army will be the theoretical approach on which that analysis will be based.

Key words: structural unemployment; relative surplus population; neoliberalism; labor policies

Introduction

The Brazilian economy has, since its formation, structural characteristics that resulted in income inequality and poverty that eventually became intrinsic

problems to its economic and social structure. Historically characterized by structural heterogeneity and by structural unemployment, which are the results of the uneven development of its productive sectors and also the inability to include in the labor market all of the labor force of the economically active population, the Brazilian economy came to be challenged principally by those problems that, in different moments of its history, were intensified by the results of international crisis, by the inability of the government to solve them or by the implementation of policies that, even promising to overcome those problems, did little more than exacerbate them.

If the crisis of the 1980s interrupted the process of industrial development that took place in the Brazilian economy during the period 1930–70, which transformed its economic and social structure but did not solve its longstanding problems, the neoliberal policies and globalization process in the 1990s led the economy to a situation with low inflation, but also with external vulnerability, dependency on international capital, imbalance in the balance sheet and financial fragility. Based on those conditions, it was clearly difficult to solve the problems concerning the labor market—which in fact was modified into a system characterized by flexibility of labor relations and low wages, making the work conditions of the labor class even more precarious. That was the condition of the Brazilian economy at the beginning of 2000, when unemployment, poverty and income inequality were again considered to be the main problems faced by the government.

Based on that framework, the main aim of this article is to discuss, from the Marxist approach regarding structural unemployment, the transformations in the economy and the labor market, pointing out the advances and retreats which resulted from the economic policies that had been implemented over the last ten years. To build that discussion, the article is divided into four sections. In the first section, the debate concerning the structural unemployment in the Brazilian economy is presented, with a view to trying to understand it as a problem that came on the one hand from the development of the capitalist mode of production in the periphery, and on the other hand from historical problems in the origin of the labor market, resulting in the emergence of an industrial reserve army. In the second section, the set of neoliberal policies that have been implemented in Brazil since 1990 are presented, these being relevant to understanding the transformations in the Brazilian economy over those years. The third section analyzes the indicators concerning the Brazilian economy and labor relations in the last ten years, and identifies the way in which the economic policies, somehow, were built to solve the problems of the labor market, in a context of precarious labor conditions. In the last section the final comments are presented.

Relative Surplus Population and Structural Unemployment

The capitalist mode of production, in the process of reproduction of capital, and as a result of that process, produces a surplus of labor which, dialectically, cannot be inserted in the productive sectors of the economy, but is constantly available for the needs of the reproduction of capital. Karl Marx, in *Capital*, showed the trend in the capitalist system of the emergence and expansion of the industrial reserve army, as a consequence of the reproduction of capital—or, in other words, as a consequence of the mechanism which allows capital to reproduce itself. Taking into account that capitalism is a dialectical system that creates, in its own reproductive process, the conditions that lead to crisis, as well as the mechanisms that bring about the conditions to solve that crisis, the emergence of a surplus population, or the emergence of an industrial reserve army, would be the result of the cyclical process of rise and crisis in the system.

Explaining the composition of capital in the productive process, Marx understands the idea of *capital* in terms of a double meaning, expressed in the concepts of *technical composition of capital* and *organic composition of capital*. The first meaning expresses the division of capital into *means of production* and *living labor force*. The second meaning expresses the ratio in which capital is divided into value of means of production—*constant capital*—and value of the labor force—*organic capital*. Such compositions, which remained constant in the early stages of the capitalist mode of production—so that any new capital investment is reversed in hiring a labor force in the same proportion, creating a trend of expansion of jobs and, consequently, the lifting of the wages—tend to become modified as capital reproduces itself.

The idea introduced by Marx is based on the logic that, as the capitalist system develops and becomes more modern, using technologies and more advanced production methods, the organic composition of capital is modified, leading to a relative process of decline in the variable part of capital in relation to total capital. In other words, with the progress of accumulation and concentration of capital that accompanies the development of the capitalist mode of production, which leads to the increase in labor productivity,¹ an increasingly smaller proportion of workers would be aggregated in the production process, in relation to increased proportions of constant capital. Considering that the population growth rate results in the inclusion of population groups within the set of population able to work—the economically active population—the trend of rising productivity as the capitalist system develops, brings within the same process another trend, concerning the reduction of workers included into the productive process—which means reducing the ratio of variable capital and constant capital—and in consequence, to the emergence of the industrial reserve army. So the *relative*

surplus population, understood as part of the labor force that is not employed, but which is permanently at the disposal of capital and therefore submits to extremely precarious ways of work and living in insecure and degrading conditions, is a result of the cyclical and contradictory movement of capital: cyclical because it extends to every stage of development of capitalist forces, and contradictory because it is only through the exploitation of labor that capital can reproduce itself—in other words, only living labor can produce surplus value. Thus, the existence of a relative surplus population is a relevant condition for the next stages of reproduction of capital, since the existence of an increasingly large population not only creates a permanent availability of labor to be brought into operation each time there is an improvement in the investments, but also pushes down wages, modifying the organic composition in favor of capital appreciation.

Attention needs to be drawn to the point that, since the existence of a relative surplus population is, at the same time, both a consequence of and an engine that drives the process of capital reproduction, it is something “natural” in the capitalist mode of production. This means that the emergence of an unemployed, underemployed or self-employed labor army—as Marx showed in the three forms of relative surplus population²—is a necessary condition for the reproduction of capital, conditioning the existence of a population constantly at the disposal of capital, or creating pressure for the working class to undergo increasingly precarious conditions of work in favor of capital appreciation.

In the case of peripheral countries in Latin America, the way in which the capitalist mode of production developed itself in the region eventually influenced the emergence of an economic structure characterized by structural heterogeneity. Participating in international trade, at first, in international trade as producers of primary goods and therefore assuming a subordinated position concerning their degree of economic independence, these countries underwent a process of deterioration of terms of trade which determined, due to the exchange of products with different aggregated values, the cash transfer from peripheral countries to core countries.³ In Latin American countries, the process of industrialization was built to meet the needs of a specific and limited demand, which prevented an expansion in the economy of sectors accompanied and driven by demand. That process, while concentrating its forces in certain sectors and only promoting their modernization, and not in all of the economic sectors, resulted in building an economy where different sectors had different degrees of productivity, technological advancement and growth. Thus, from the differences in productivity between these sectors came structural heterogeneity—characterized by the coexistence of different economic sectors within the same economy, with high productivity gaps, which limited the capacity to foster the deployment of the productive structure of each country.

The existence of a productivity gap between economic sectors brings some impact on labor relations. That is because the industrial sector—the modern sector of the economy—due to its high productivity, creates jobs with high wages, which differ when compared to the wages of lower productivity sectors. On another hand, the primary goods sector—the main sector of these economies, and characterized by low productivity—as a consequence of its features, generates jobs with low wages. Attention needs to be drawn to the fact that, considering the productivity differentials between sectors and their limitations for the generation of jobs, peripheral capitalist economies are unable to generate employment for the entire population available for work—in the case of the industrial sector, due to their low participation in economic output, and in the case of the primary sector, for its low rate of productivity. Thus, as a result of the existence of structural heterogeneity, there is a situation for peripheral countries in which the jobs generated are insufficient for the class available for work, in other words, a situation of structural unemployment.

In this sense, structural unemployment in the Latin American periphery is structured from a dual process: on the one hand, as a result of its own deployment of the capitalist system, when the reproduction of capital on a large scale creates the conditions for the emergence of surplus labor, which remains as a permanent provision for the needs of capital; on the other hand, as a result of the existence of structural heterogeneity, which limits the ability to generate employment in peripheral economies. As a result of that process, there is a part of the labor force that, taking into account the limitations of peripheral countries to expand employment, not only finds it difficult to find a job, but also submits itself to forms of precarious and degrading jobs, elements which consolidate structural unemployment in the periphery. It is in this way—from the interconnections and convergences between the emergence of a relative surplus population and the limitations for the generation of jobs—that labor relations are organized in peripheral countries.

Specifically concerning the Brazilian case, the emergence of the labor market occurred from a combination of a series of historical facts. As pointed out by Dedecca (2005), three aspects should be considered in the analysis of such a process. The first aspect concerns the movement of transition from slave to free labor, which helps to explain the abundance of available labor force at the time of the onset of industrialization. From a legal standpoint, the Land Law that existed in Brazil established the existence of private ownership of land from a regulation that recognized the system of land grants; the other land designated by the state to private ownership. These regulations prevented the possession of land by the free black population, which created pressures for them to subordinate themselves to work in the plantation sector—a problem that is intensified by the legal guarantee

given to the landowner to break the contract of employment unilaterally. Thus, the mode of regulation of private ownership of land prevented the free access of workers, being the root of the agrarian problem in Brazil. Besides, the government did not implement a public policy to allow the black people to get a position in the labor market. The second aspect refers to the migration policy adopted with the advent of the Republic in 1889. The intense expansion of coffee plantations in São Paulo has imposed the need for a migration policy to meet the demand for labor. However, instead of opting for a relocation of the population from the North and Northeast regions, and amidst a process of decay in its main economic activities, the Brazilian government opted for a policy of external migration funded by central government. Thus was established an agreement that allowed the assembly of the Brazilian labor market without the use of the available labor force.⁴ The third aspect concerns the beginning of the industrialization process and the crisis in the coffee sector, which started at the time of an integration of economic activities with the labor market. Thus, in 1930, began an intense rural-urban migration, with mobilization of workers from the North and Northeast to the Southeast. However, at that moment, the Southeast region had structured its free labor market and had no ability to absorb properly the available workforce. Even considering the ability to generate employment in the industrial and service sectors, it was impossible to absorb the workforce, so industrialization was consolidated with a recurrent high availability of labor.⁵

Taking those aspects together, it is possible to recognize that labor relations in Brazil were structured with a deficient infrastructure, unable to absorb all the available workforce, and at the same time it generated a series of precarious jobs. If the 1970s had an economic growth that could provide signals for a possible surmounting of those shortcomings, the crisis of the 1980s—on withdrawal of foreign credit which had made possible the rapid growth of the Brazilian economy during the previous decade, especially in the industrial sector—came to override all of these possibilities. It is from these determinants that labor relations in Brazil are characterized by structural unemployment. Thus, the intrinsic limitations of the Brazilian peripheral economy to generate enough jobs for the entire supply of available labor eventually result in a combination of relative surplus population, insecure employment and wage gaps, elements that combine in an upward spiral making labor relations increasingly precarious—whether in terms of job creation which cannot guarantee minimum working conditions for the working class, in terms of pressure on the reduction of labor remuneration, in terms of mechanisms that enhance and extend the workday, or in terms of the growing appreciation of capital at the expense of labor exploitation. The result of that characteristic, then, is the consolidation of an economic structure oriented to expanded capital appreciation from the extension and intensification of the overexploitation of labor.

In summary, it is apparent that from this perspective, the factors that determine the structure of labor relations in peripheral economies, and specifically in Brazil, are based upon the combination of two elements. On the one hand, the emergence of a relative surplus population that, far from being a proper element to peripheral capitalist economies, is the result of a booster mechanism in the process of expanded reproduction of capital, originating with the deployment of the capitalist system of production. Thus, the formation of a relative surplus population and, consequently, the industrial reserve army, fit as an element that conditions and strengthens the mechanisms that lead to the reproduction of capital, in particular because of its reflection in the modification of the organic composition of capital. The existence of a population deprived of employment or framed in precarious forms of employment or self-employment is the expression of the existence of a system based upon the expansion of exploitation of labor—considering the pressures that the relative surplus population creates on the value and the form of work. On the other hand, the sectoral productivity gaps of peripheral economies, structured from the subordination of domestic production conditions to the international economy and industries built to meet a previously existing demand, have created limitations on the generation of jobs and, consequently, the absorption of a workforce that, unable to remain linked to agricultural activities, swelled the army reserve in urban areas. So the economic structure is consolidated without creating the necessary conditions for a combination of economic development, job creation and a reduction of social inequalities feasible for the Brazilian economy, while creating conditions for the superexploitation of the workforce to become a viable reality.

It is in these terms that the Brazilian labor conditions are characterized by structural unemployment, understanding it as the combination of the existence of a reserve army of labor—not only marked by the existence of unemployment, but also by the existence of precarious employment—and the conditions that, because of the precariousness of labor relations, combine the elements driving the workforce superexploitation. Keeping this debate in mind as fundamental to the understanding of labor relations in the Brazilian economy, the article will now analyze how the implementation of neoliberal policies in the 1990s broadened the base of the precariousness of work, and how such conditions underwent significant changes from year 2000.

The Neoliberal Policies in Brazil

In the period from the 1930s until the 1970s, Brazil went through an intense process of industrialization, which allowed the consolidation of a relatively advanced industrial sector. During this period, Brazil was no longer characterized

as a typical agricultural country, presenting high growth rates and a strong process of urbanization, which changed working conditions. However, this process did not happen without barriers, and accumulated a number of factors that potentially could reverse it into crisis.

In the late 1970s, the international crisis interrupted the period of industrialization which gathered on the basis of external indebtedness. With the end of international loans, a period of economic crisis began, marked by low growth, high unemployment and inflation. The chaotic situation of the economy during the 1980s made clear that the financing conditions of the developmental state had reached the end of expansion possibilities, and therefore, left exposed the limitations and weaknesses of the model that was structured to serve as a basis for developing the country. It was in this context that emerged a set of liberal policies which, embodied in the Washington Consensus, raised neoliberalism to the status of a globally hegemonic ideology.

In Brazil, although they had been implemented since the Fernando Collor de Melo government, neoliberal policies only reached all areas of economy and society under the government of Fernando Henrique Cardoso, following an ideological discourse that took advantage of the return to democracy and the heavy criticism of the inefficiency of the public sector as a way to get popular support for driving clearly orthodox economic policy. Thus, the discourse was oriented to show neoliberal policies as fundamental not only to modernize the country's industrial plant and its appropriateness to the new conditions of international competition, but also for the promotion of monetary stability, which devalued salaries of the working class and was responsible for much of the economic and social imbalances.

Neoliberal policies were comprised primarily of trade liberalization, financial deregulation and the redefining of the role of the state, especially from the accomplishment of the privatization of state enterprises. With regard to trade liberalization, performed with a combination of overvalued exchange rates and the elimination of import lists, the direct effects were the creation of incentives for the expansion of imports and imbalances in the balance sheet. Later, the difficulties faced by domestic industry in competing with imported products led to the dismantling of parts of the Brazilian industry. The result, therefore, was the closing of factories and the dismissal of many workers, while the market was flooded with foreign products. With regard to financial deregulation, the Brazilian government implemented several mechanisms that facilitated access to external resources, which theoretically should have come to Brazil to finance productive investment and deficits in the balance sheet.

But those funds were intended for the spectrum of financial valuation, given the high interest rates prevailing in the Brazilian economy. When the subject was

not only speculative, these capitals were intended for mergers and acquisitions, having little impact with regard to the expansion of production and job creation. On the other hand, the high interest rates were necessary for the functioning of the exchange rate anchor, a key element in the realization of the Real Plan and the maintenance of monetary stability. Finally, privatizations were carried out in a completely disordered manner, with companies being sold below their market value and with no maintenance of strategic sectors under the command of the government, so that almost all state-owned companies were freely delivered to the private sector. Following this process, the state reduced its role as an active agent in the economy, reducing their investments and eliminating many public jobs.

The imposition by the international agencies—especially the International Monetary Fund and World Bank—of extremely tight monetary, fiscal and exchange rate policies, with the purpose of monitoring the government accounts, achieving balance and, finally, returning to good levels of growth, led the Brazilian economy immediately into a situation of indebtedness, which led to an even more perverse problem that presented itself in early 1990. Although the Real Plan had been agreed to obtain monetary stabilization, the elements necessary for its implementation created other problems that outweighed its positive results. Thus, the maintenance of high interest rates, in order to attract international capital, extended the Brazilian foreign debt, which was offset by the creation of public debt as a way of financing the indebtedness. Those securities which were sold domestically to finance the current account deficit of the country, were also paid by high interest rates, so that the mechanism found for the payment of debts drove instead to their growth. Besides those results, the neoliberal paradigm has brought considerable impact on working conditions, especially in terms of flexibility and deregulation of labor relations.

The flexibilization of labor relations was linked with the productive restructuring plan, and it was based on the idea that the Fordist/Taylorist methods of production no longer fit the new needs of capital. Considering the Brazilian case, the debt crisis in the early 1980s imposed the need to change the orientation of national production, which began to turn increasingly to strengthen the export sector and the adjustment of industry to promote the new conditions of international competitiveness. It is from those needs that the restructuring process began, with the gradual shift from Taylorism/Fordism to Toyotism. However, the gradual implementation of new elements of flexible production demanded that labor relations also be modified to meet the new demands of the production complex that began to consolidate. Thereafter, each worker, before allocated to a specific function, had to be multifunctional, specializing and performing different functions. On the other hand, this flexibilization was also composed by an element of reducing labor rights which, in the case of Brazil, was established from the implementation of an

economic policy that had as one of its roots the suppression of those rights, using the justification that this suppression was essential to recover employment and wages levels.

Accordingly, the flexibilization of labor relations should be analyzed from two perspectives that help explain the increasing precariousness of labor in Brazil. On the one hand, the restructuring process, from the intensification of the replacement of men by machines and the adoption of microelectronic technology, considerably reduced jobs. This reduction led to two effects. First, those who remained employed were subjected to more intense work, as this would occupy a larger quantity of working functions to replace the workers that lost their jobs. Secondly, those who lost their jobs went on to compose the army of unemployed, which put pressure on employees to submit to low wages, placed not only under this outside pressure, but also because of the threat of new layoffs. On the other hand, the modification of labor regulation brought about mechanisms of hiring that ensured less security for workers and therefore subjected them not only to very precarious conditions of work, but also to unstable and vulnerable conditions regarding the workplace.

In summary, it is important to point out that the groups that were part of the government from the 1990s had a conservative political orientation, their main goal being the deregulation of economic relations, defining policies to follow the recommendations of international organizations and, because of that, being opposed to any kind of universalist social policy. For that reason, there is a clear link between the economic policies implemented since Collor and the employment performance in Brazil, both in terms of destruction of jobs and the types of jobs that were being generated.

So considering the reduction of jobs and setting up a framework of precariousness, as a result of the adoption of new techniques and strategies for flexibilization, cost rationalization and restructuring of production, it is clear that the direct effect of the implementation of these mechanisms of the Toyotist system necessarily leads to an expansion of labor exploitation. The workers began to enter into a context in which there is no alternative except to intensify their work, since they are being constantly pressured by the threat of unemployment. Those factors, in an environment characterized by the reduction of labor rights, consequently led workers to undergo the most intense forms of work, which extend the exploitation of these workers.

These are the general effects of neoliberal policies on the Brazilian economy and labor relations. From the macroeconomic perspective, there was an increase in dependence and external vulnerability. From the perspective of labor relations, there was an expansion of unemployment, a reduction in wages and an increasing pressure on workers. Even considering the reduction of inflation and the better adaptation of the Brazilian economy to the new international context, the internal

conditions of labor relations were not favorable. Considering the impact on working conditions in the 1990s, the next section analyzes the changes that have taken place in the economy and working conditions from the 2000s.

The Brazilian Economy and Labor Conditions in the 2000s

During the 1990s, a set of conservative policies drawn from neoliberal ideology was implemented in the Brazilian economy. Setting up the flexibilization and deregulation of labor relations as one of its main objectives, a series of degrading impacts on working conditions was inevitable. That was how the implementation of neoliberal policies imposed a set of transformations in the productive structure, which inevitably changed the framework of working conditions in Brazil.

If the restructuring process enabled the modernization of production and increased labor productivity, then on the other hand there was the destruction of jobs—a movement that, in a context of growth of the economically active population, has created new pressures on workers, leading to uncontrolled expansion of forms of precarious work. The minimum wage rose only modestly—a fact that leads to the conclusion that there was no gain in terms of earnings, even with the fall in inflation and the recovery of the purchasing power of wages. Thus, the 1990s was not conducive to improving the conditions of the working class, despite the reversal in the relative degree of instability and crisis of the previous decade.

The late 1990s was a period of crisis in the Brazilian economy. The low level of economic growth and rising inflation expressed the fragility of the set of policies implemented since the beginning of the decade, and had as its central objective an economic structural adjustment. The financial crisis in other peripheral regions has changed the route of the flows of financial capital that left to go to those regions and went to seek safer forms of recovery. Brazil, as a peripheral economy whose economic policy was totally dependent on international capital flows, was at a crossroads, where the only solution would be to change the direction of economic policy. The first impact of this movement was the adoption of a floating exchange rate, ending the period of a semi-fixed exchange rate that had lasted throughout the decade.

Since the adoption of a floating exchange rate, a new apparatus of macroeconomic policy has been used to maintain the stability of inflation. Since then a policy of inflation targeting has been adopted, aiming to determine the levels of inflation that the economy could achieve for some time. In order to further those policies and maintain the attraction of capital, the government maintained both primary surplus and high interest rate policies. The result of the adoption of a floating exchange rate was the devaluation of the currency, which had a significant impact on the functioning of the economy: first, there was high public debt, since a significant

portion of the debt was indexed to the exchange rate and was used as protection for investment, and secondly, devaluation again brought the problem of inflation, both because of the significant increase in the cost of domestic production and because of the rising prices of public services. Even though the goal of currency devaluation was to enable greater exports and provide better conditions for domestic producers to compete with imported products, its combination with high interest rates and government spending restraint resulted in the maintenance of a low level economic activity, just to avoid an acceleration of inflation. And, similarly, the high interest rates led to a growth in public debt greater than the growth of GDP.

That was the condition of the economy at the end of Fernando Henrique Cardoso's government. Although the main set of macroeconomic policies was maintained during the Lula government—such as floating exchange rate, inflation targets and the primary surplus—some important changes were implemented, particularly regarding social policies.

In 2004, a new cycle of expansion of international financial flows allowed both the compensation of the decline in current account balance and the accumulation of international reserves, a situation that resulted in Real appreciation. Because of currency appreciation, the inflation rates decreased and GDP growth increased, causing positive impacts on consumption and investment. This growth was boosted by rising incomes, which were largely benefited by the expansion of consumer credit. Thus, the combination of GDP growth, lower inflation, increasing international reserves and decreasing public debt has created a favorable environment for investment and favorable expectations regarding the advancement of the Brazilian economy. It is in this context that the Brazilian economy achieved a 6.5 percent GDP growth rate per year, in response to increased investment in productive capacity and state investment in infrastructure. Despite the more favorable economic conditions, Brazilian industry was still in a crisis situation, with low growth rates. Industrial output continued its slow growth, which resulted in the reduction of its share in GDP. Since the 1980s, the share of industrial output in GDP has fallen from 34 percent to 16 percent. The investment rate had even risen since the beginning of the Lula government, but still remained at low levels with Gross Fixed Capital Formation ranging between 14 percent and 18 percent of GDP. Even though the process of economic liberalization has intensified imports and exports, industry suffered major losses in the supply chain, which created difficulties for a more intense growth of the sector. So the complicated situation of the industrial sector continued into the current decade, even in a context where the state has taken over the investments in infrastructure, the economy had stronger signs of stabilization and both the consumption and investment aggregates had positive growth rates.

According to Baltar et al. (2010), from 2006, with the start of President Lula's second term, the government took a different position regarding economic growth, whilst maintaining the same macroeconomic policy pattern. One of the signs of change in the attitude of the government was its refusal of a fiscal adjustment to promote the expansion of nominal surplus, taking into account the increase of GDP at that moment. The government chose to launch the Plano de Aceleração do Crescimento (PAC), aimed especially at the recovery of public investment and the raising of the social security budget, as well as the policy to increase the minimum wage. Another sign of the change in government policy was the capitalization of the Banco Nacional de Desenvolvimento Econômico e Social and the enhancement of its role regarding the formation of national business groups and supporting the investment of government-owned corporations.

From that brief presentation of the Brazilian macroeconomic framework in the 2000s, it is possible to identify on the one hand, the maintenance of some policies adopted after 1999 and, on the other hand, a movement of slow recovery of the economy, which is expressed in the growth of a set of variables—such as the investment rate, GDP, consumption and employment—and that is an indication of the resumption of state investments, although industry has only presented a weak recovery. Keeping the conditions of the Brazilian economy in mind, the article now moves forward to analyze the behavior of the variables concerning the labor market.⁶

Although the economy showed some positive growth rates during the period, in 2008 unemployment reached 7.1 percent, and 31.2 percent of the economically active population were self-employed, unpaid workers, workers in agricultural production for own consumption and in the construction of own-homes, and employers. So wage employment did not cover more than 62 percent of the economically active population, of which 33.7 percent were unregistered employed and 10.9 percent were domestic workers. Analyzing by age, the reduction of unemployment was more severe among adults and the elderly, while youth unemployment (age range 15–24 years) stood at a high even considering the decrease in their participation in the economically active population. These data show that even with the effects of the recovery of economic growth, unemployment in Brazil has still reached a higher number of the economically active population and, as in the previous decade, has decreased especially because of the expansion of self-employment and unpaid domestic work, which can be considered as unstable types of job.

With regard to the population of active age (PIA) and the economically active population (PEA), PIA had a very significant growth rate in the range of the population above 55 years (4.7 percent), also having growth in the range between 25 and 54 years (2.3 percent). Moreover, the level of population between 15 and

24 reduced its participation in the PIA by 0.9 percent. PEA showed similar trends, with stronger growth in the range above 55 years (5.4 percent), an increase in the range between 25 and 54 years (2.5 percent), and a decrease in the range between 15 to 24 years (1.2 percent). Anyway, it is important to mention that, even though in absolute terms, PIA has made a more significant growth than PEA, in relative terms the changes were similar, which points to a relative reduction of pressures on the labor market, especially when compared to the level of these variables in the 1990s. That result is confirmed by a substantial increase in the number of employed persons who, in absolute terms, rose from 65 million to 86 million people. Analyzing the absorption of PEA by status in employment, it can be verified that from 2004 to 2008, there was growth in formal employment and domestic employment, and a decrease in the types of informal employment, self-employment and unpaid employment. Thus, there was not just a reduction of pressure on the labor market, but there were important changes in terms of occupational structure.

The shift in the participation rate and the occupancy rate⁷ also point to the same effect. Even though maintained at high levels, the participation rate has not suffered major changes during the period 2004–08. Its small increase is explained largely by the increased participation of women in adulthood, whereas the participation of men decreased from 81.2 percent to 80.5 percent, while participation of women increased from 57 percent to 57.6 percent. Anyway, considering the whole period, the participation rate remained constant in the range of 59 percent, which can be explained by the tradeoff between the increasing number of women and the reduction in the number of young people between 15 and 19 years. The employed population showed a positive trend over the period, which was higher than the expansion of PEA. Thus, the occupancy rate showed a slight increase from 89 percent in 2004 to 92 percent in 2009, which can be considered as an indicator of employment growth, as the occupancy rate expresses the demand for labor.

Positive results can also be observed with regard to formal employment. As noted in the previous section, working conditions since the 1990s have been characterized by a growth in informal employment, in large part because of the deregulation of labor laws. However, since 2004, this trend has suffered a downturn. Considering the so-called formal wage employment, which considers the employees who are hired within the Consolidation of Labor Laws and the Statute of Civil Servants, its level increased from 44 percent in 2004 to 47 percent in 2007 of total employed people. The share of formal employment in the total economically active population of 15 or more years of age increased from 34.3 percent in 2004 to 39.1 percent in 2008. Formal domestic employment has remained at the same level, while informal domestic employment, self-employment and unpaid employment decreased respectively from 5.2 percent to 4.9 percent, 20.3

percent to 19.0 percent and 5.4 percent to 4.0 percent. Thus, the combination of economic growth and the expansion of the enforcement of labor relations resulted in a reduction of informality, reversing the dominant trend in the 1990s.

With regard to labor income, the combination of economic recovery, lower inflation and minimum wage increase allowed the recovery of the purchasing power of workers, reversing a declining trend that had been established since 1997, due to rising inflation and the economic crisis, especially after the adoption of a floating exchange rate. Analyzing the real minimum wage, it is possible to see its positive growth since 2003, from R\$380 to R\$523 in 2010, with minor fluctuations during the period. Even with a recovery since 1994, its value in real terms has gained momentum since 2005 when the government undertook to implement a systematic policy of real appreciation of the minimum wage. It was in this way that the recovery in purchasing power noticed between 2003 and 2008 exceeded inflation, providing real gains in the order of 38.3 percent. Clearly, the reduction of inflation and the resumption of economic growth since 2003 have created an environment more conducive to various groups of professionals to obtain increases over inflation. Thus, the purchasing power of the minimum wage between 2003 and 2008 had increased 31.4 percent.

The recovery of total labor income from 2004 to 2007 had more effect on the recovery of income than the average increase in employment; in addition the recovery of average income was more intense in those sectors where the average income of labor was lower than the average income of the economy—which, by the fact that a substantial portion of workers in these middle-income sectors of work are paid at least minimum wage, points to the importance of the consolidation of a systematic policy of raising the minimum wage as a way to recover labor incomes. Anyway, it is important to draw attention to the loss of purchasing power of average income workers in the 1990s which was so strong that the recovery observed in 2000 was just enough to regain the levels prevailing in 1998. So it is possible to discover that, due to the policy of raising the minimum wage and the expansion of formal jobs, the increase in average income of workers had a stronger impact on the worst jobs, contributing to important changes in the composition of the mass of total labor income, especially for the reduction in income inequality. So, considering that the sectors and types of occupations with lower income are also those that form a smaller proportion of formal employment and total employment, it is still possible to see differences in socioeconomic status among workers, which makes it clear that the heterogeneity of the sectors is still a large problem in the Brazilian economy.

To summarize, the shifts in economic policy since 2003 have seen positive effects not only on the recovery of economic growth and GDP, but also on labor relations, in quantitative terms—creating new employment opportunities—

and in qualitative terms—regarding to the type of jobs that were created. There was a decrease in informal employment, self-employment and unpaid work in the occupational structure, which made possible an increase in the formal jobs. The share of workers hired without labor rights in the occupational structure decreased from 27 percent in 2004 to 25.4 percent in 2007, and the proportion of self-employed decreased from 29 percent to 27.6 percent in the same period. At the same time, there was a significant growth in formal wage employment as a result of the combination of increasing the number of formal jobs generated for each percentage of GDP growth and the trend to formalize employment contracts. So, that movement represented a major reversal of economic trends since the 1990s, which advanced along the implementation of neoliberal policies. As a result, it is possible to see that slightly more than half of employed people still do not have wage employment in accordance with labor laws in Brazil.

Finally, before concluding the discussion, some consideration should be given to the working conditions after the financial crisis of 2008. During the crisis, the Brazilian government implemented a series of counter-cyclical measures, among which stand out the reduction of the basic interest rate, the relaxation of reserve requirements of banks, using international reserves to finance exports, the creation of programs in the construction of affordable housing, reductions of income tax for the middle class and the use of public banks to ensure the fulfillment of the demand for credit, including financial institutions weakened by the crisis. Even with all the action undertaken, it was impossible that there were no negative impacts on the Brazilian economy, especially if the dependence on external capital flows is taken into account, even in a context of expansion of international reserves. Overall, according to Baltar (2010), the fall in GDP was 3.6 percent in the last three quarters of 2008 compared with the previous quarter and, as the economy was growing at an annual rate of 7.8 percent (when comparing the third quarters of 2007 and 2008), there was a deceleration of economic activity equivalent to 6.5 percent of GDP in the last quarter of 2008. In the first three months of 2009, GDP decreased 1.4 percent over the previous quarter.

Regarding working conditions, employment in manufacturing decreased 6 percent and employment in building decreased 4.7 percent from September 2008 to February 2009. In commerce and services, employment levels remained the same. Considering all economic sectors, employment hired under employment laws decreased 2.3 percent. The slowdown in GDP growth was also accompanied by a fall in the participation rate, which was 56.4 percent in June 2009, almost one percentage point below the level a year earlier. In turn, the unemployment rate, which had reached 9.8 percent in September 2008, rose to 10.4 percent in June 2009. As the degree of acceleration is considered high for the period, here is one more element to reinforce the effects of economic slowdown on the labor market.

Finally, there were no significant changes regarding the degree of formalization of jobs, which remained at the same level as in 2008.

Thus, it is clear that throughout the 2000s, there have been important advances concerning the recovery of Brazilian economic growth, expressed not only in recovery of investment and growth in the level of production and consumption, but also concerning the stabilization of macroeconomic conditions, notably compared to the 1990s. Following that trend, working conditions also showed relative improvement, with reduction of unemployment, improvement in labor income and expansion of the formalization of jobs. The question that arises is whether such improvements can be assumed as trends for the advancement of peripheral capitalism in Brazil—pointing to a possible resolution of the issue of structural unemployment—or is it just a set of results that come from a more favorable macroeconomic environment?

Final Thoughts

The article aimed to analyze the working conditions in Brazil during the 2000s, based on a Marxist interpretation concerning structural unemployment, and understanding this as an expression of the existence of a relative surplus population in peripheral economies. The argument that guided the discussion was that, even with strong impacts on the structure of labor relations resulting from the implementation of neoliberal policies, economic policy during the last 15 years assumed the problems concerning labor relations as central issues to be solved by the government, which is essential in a moment of recovery in economic growth, investment and consumption.

That argument is confirmed by the analysis of indicators concerning the labor market. In the 2000s, especially under the Lula government, working conditions took an opposite trend when compared with conditions in the 1990s. The combination of recovery of public investment, increased consumption, decreasing inflation and GDP growth have created an environment conducive to reducing both inflation and informality. The PEA and PIA showed upward trends, but the growth in the number of jobs allowed a maintaining of the same level in the participation rate and an increase in occupancy rate. The minimum wage had a significant real growth, allowing the resumption of the purchasing power of workers, at a moment when the federal government launched efforts to increase labor regulation.

However, the issue that should be highlighted is whether or not these trends in the 2000s show a possible resolution to problems of structural unemployment. From the theoretical perspective taken in this article, structural unemployment, as an expression of the existence of a relative surplus population and an industrial reserve army, had established and consolidated itself as a problem of the Brazilian

economy—in other words, it has been fundamental for the reproduction of peripheral capitalism, since it is a mechanism that drives the increase in the organic composition of capital and, consequently, the differential growth between capital and labor. So the working conditions and their expression in maintaining high unemployment and informality, in the relaxation of labor regulation, in the emergence of alternative forms of remuneration and in the construction of mechanisms that increase the intensification of work as the extension of working hours—remains as a mechanism that originates and reproduces the capital.

So, when we consider structural unemployment as a distinctive element of labor relations in the Brazilian economy, we are pointing to the existence of structural mechanisms that, from the intensification of work in different ways, allow the reproduction of capital. Thus, those shifts observed over the last decade, although they are extremely important in terms of the reversal of the trend to more precarious employment observed in the 1990s, are just cyclical and the result of more favorable macroeconomic conditions and an economic policy aimed at social improvements, with no solid elements to score them as modifications of an economic and social structure that has been historically characterized by intense exploitation of the working class.

Notes

1. Labor productivity expresses the relative volume of means of production that a worker, during a given labor time and with the same intensity of labor, transforms in a product.
2. Assuming that every worker is part of the relative surplus population during the time that is partially or entirely unoccupied, Marx presents three ways in which the relative surplus population can express itself. The first form—the *floating form*—aggregates the set of workers who are attracted to and repelled by the modern industry, and therefore, are permanently available to the capital. The second form—the *latent form*—is composed of all persons who, working in the fields, are about to move to the urban or manufacturing proletariat as a result of internalization of the capitalist mode of production in agriculture. The third form—the *stagnant form*—is part of the active army of workers, but with completely irregular occupation. In addition to these three forms, Marx also considers *pauperism*, which is the sediment of overpopulation on that, leaving aside the lumpen-proletariat itself, is composed for people able to work, the orphans and destitute children—who are candidates for industrial reserve army—and the degraded, ragged and unfit for work (Marx 1974).
3. The debate concerning the deteriorating terms of trade was developed by Raul Prebisch, within the structuralist theoretical framework of the Economic Commission for Latin America and the Caribbean (ECLAC). The Marxist theory of dependency, developed by Ruy Mauro Marini and Theotônio dos Santos, was also dedicated to that topic, especially from the connections established between core-periphery trade and income transfer resulting from this process, which hatched forms of workforce superexploitation in peripheral capitalism. For a more detailed discussion about the deteriorating terms of trade, income transfers and workforce superexploitation, see Bielschowsky (2000), Marini (2000) and Santos (2000).
4. According to Dedecca (2005), it is possible to find three components that explain the choice of a migration policy rather than a political mobilization of the available workforce in the North and Northeast to meet the demand for manpower in São Paulo. The first component points out that the difficulty of mobilizing the population is in the interests of landowners in the formation of the

National State, since the mobilization of the population to São Paulo could accelerate the decline of landlordism in the Northeast. The second component states that the São Paulo coffee growers saw that mobilization as a way for the landowners of the Northeast to transfer to São Paulo the depreciation of capital, since the slave labor force could be considered as a type of capital. Finally, the third component associates the encouragement of immigration as a way to oppose the formation of a labor market for the black population in the Southeast.

5. Another aspect that must be considered is the model of regulation of the labor market, which was consolidated in Brazil in the 1940s. At that time, an extensive regulation of labor relations was established, with the imposition of the minimum wage, the social protection system and the Consolidation of Labor Laws (CLT). Apparently beneficial to the working class, this model of regulation favored the repression and political manipulation by Getúlio Vargas' government, especially because the political model of regulation occurred with a reproduction of a labor market with low social protection—at the end of the industrialization period 1930–80, half of the employed population had no access to the social protection system. These elements ensured the reproduction of a poorly institutionalized labor market, marked by the presence of employment contracts established informally.
6. Analysis of the conditions of work comprises the period from 2003 to 2008. That period was chosen because it goes from the beginning of Lula's first term until the financial crisis, which brought a number of specific features with significant impacts on the economy. At the end of the section, some considerations are made about the effects of the crisis of 2008. The data analyzed is given in the Annex.
7. The participation rate is defined as the ratio of the economically active population (employed and unemployed) and population of active age, and can be taken as an indicator of labor supply in the economy. The occupancy rate is defined by the ratio between the employed and economically active population, which reflects the demand for labor in the economy.

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Annexe

Population of active age (PIA) and economically active population (PEA)

<i>Year</i>	<i>PIA</i>	<i>PEA</i>
1995	120,600,205	70,055,469
1996	123,377,657	69,583,474
1997	125,081,924	71,634,612
1998	127,732,727	73,284,362
1999	133,172,799	77,243,166
2001	138,962,241	80,400,976
2002	141,831,382	83,079,896
2003	144,585,745	84,684,123
2004	146,930,667	86,985,753
2005	149,839,640	89,529,881
2006	152,811,425	90,549,690
2007	155,454,625	91,757,699
2008	158,209,812	93,325,283
2009	160,438,234	95,380,939

Source: Instituto de Pesquisa Econômica e Aplicada – www.ipeadata.gov.br

Occupancy rate and participation rate (in percentages)

<i>Year</i>	<i>Occupancy rate</i>	<i>Participation rate</i>
1995	93.3355	58.1059
1996	92.4065	56.4194
1997	91.5433	57.2866
1998	90.2509	57.3924
1999	89.5627	58.0217
2001	89.9533	57.8653
2002	90.1396	58.5815
2003	89.5293	58.5775
2004	90.2841	59.2069
2005	89.8021	59.7547
2006	90.7798	59.2559
2007	91.0785	59.0254
2008	92.2155	58.9883
2009	90.9454	59.45025

Source: Instituto de Pesquisa Econômica e Aplicada – www.ipeadata.gov.br

Unemployment rate (in percentages)

<i>Year</i>	<i>Unemployment</i>
1995	6.66449
1996	7.59345
1997	8.45666
1998	9.74913
1999	10.4373
2001	10.0467
2002	9.86039
2003	10.4707
2004	9.71593
2005	10.1979
2006	9.2202
2007	8.92149
2008	7.78448
2009	9.054567

Source: Instituto de Pesquisa Econômica e Aplicada – www.ipeadata.gov.br

Minimum wage: nominal, real and necessary (in Reais)

<i>Year</i>	<i>Nominal</i>	<i>Real</i>	<i>Necessary</i>
1994	64.79	258.2661	590.33
1995	70.00	208.8963	812.78
1996	100.00	252.4229	775.26
1997	112.00	261.2805	863.71
1998	120.00	268.863	916.30
1999	130.00	280.3943	878.24
2000	150.00	308.8755	973.84
2001	180.00	343.8816	1,092.97
2002	200.00	348.7868	1,143.29
2003	240.00	350.6432	1,557.55
2004	240.00	332.0383	1,386.47
2005	260.00	337.4096	1,538.64
2006	350.00	439.5418	1,536.96
2007	380.00	461.3471	1,672.56
2008	415.00	475.7651	1,918.12
2009	465.00	503.7399	1,972.64

Source: Departamento Intersindical de Estatística e Estudos Socioeconômicos – www.dieese.org.br

Average real income of wage laborers, for metropolitan areas (in Reais)

<i>Year</i>	<i>Belo Horizonte</i>	<i>Distrito Federal</i>	<i>Porto Alegre</i>	<i>Recife</i>	<i>Salvador</i>	<i>São Paulo</i>
1998	1,164	2,112	1,297	1,082	1,167	1,845
1999	1,124	2,143	1,278	1,045	1,080	1,768
2000	1,094	1,991	1,260	1,004	1,066	1,650
2001	1,099	2,014	1,247	1,009	1,047	1,531
2002	1,101	1,985	1,223	977	1,047	1,416
2003	997	1,749	1,130	823	961	1,349
2004	1,025	1,759	1,145	789	1,000	1,366
2005	999	1,774	1,145	785	1,000	1,374
2006	1,119	1,846	1,153	838	993	1,374
2007	1,150	1,962	1,181	857	1,012	1,364
2008	1,220	2,075	1,195	871	1,108	1,357
2009	1,274	2,148	1,221	882	1,111	1,351

Source: Departamento Intersindical de Estatística e Estudos Socioeconômicos – www.dieese.org.br

Average real income of occupied laborers, for metropolitan areas (in Reais)

<i>Year</i>	<i>Belo Horizonte</i>	<i>Distrito Federal</i>	<i>Porto Alegre</i>	<i>Recife</i>	<i>Salvador</i>	<i>São Paulo</i>
1998	1,137	1,883	1,318	972	1,039	1,829
1999	1,073	1,915	1,275	921	965	1,727
2000	1,052	1,805	1,278	905	964	1,621
2001	1,054	1,812	1,235	893	949	1,478
2002	1,060	1,766	1,220	866	943	1,356
2003	965	1,549	1,111	716	846	1,269
2004	954	1,527	1,108	689	866	1,287
2005	942	1,544	1,122	685	872	1,283
2006	1,065	1,592	1,131	738	871	1,298
2007	1,108	1,683	1,160	750	909	1,295
2008	1,191	1,805	1,188	774	994	1,296
2009	1,260	1,873	1,227	767	1,003	1,296

Source: Departamento Intersindical de Estatística e Estudos Socioeconômicos – www.dieese.org.br

Average income of laborers (in Reais)

<i>Year</i>	<i>Average income</i>
1995	996.733
1996	1,042.271
1997	1,031.174
1998	1,025.076
1999	944.9061
2001	952.1213
2002	926.3743
2003	865.3055
2004	870.3823
2005	909.8556
2006	983.2571
2007	1,016.661
2008	1,041.965
2009	1,068.388

Source: Instituto de Pesquisa Econômica e Aplicada – www.ipeadata.gov.br

Income inequality

<i>Year</i>	<i>Gini Index</i>	<i>Theil Index</i>	<i>Income ratio of 10% richest people and 40% poorest people</i>
1995	0.600507	0.733099	23.96257
1996	0.602054	0.731551	24.52694
1997	0.602092	0.737628	24.47676
1998	0.600155	0.734127	23.91811
1999	0.593974	0.711095	22.94718
2001	0.596082	0.726734	23.33939
2002	0.589267	0.71041	22.20043
2003	0.583034	0.685593	21.42331
2004	0.572372	0.665141	19.91083
2005	0.569438	0.659454	19.54874
2006	0.562936	0.64365	18.70402
2007	0.556043	0.624368	18.12045
2008	0.547563	0.608315	17.13419
2009	0.542751	0.597406	16.67166

Source: Instituto de Pesquisa Econômica e Aplicada – www.ipeadata.gov.br

Poverty (number of people)

<i>Year</i>	<i>Poor people</i>	<i>Extremely poor people</i>
1995	51,784,426	22,430,610
1996	51,800,588	23,320,367
1997	53,449,663	23,676,733
1998	52,070,300	22,255,804
1999	56,183,285	23,954,701
2001	58,488,902	25,406,163
2002	58,215,330	23,668,868
2003	61,385,933	26,069,035
2004	59,541,909	23,325,610
2005	55,476,712	20,674,228
2006	48,526,810	17,133,160
2007	44,204,094	15,777,557
2008	41,460,919	13,888,662
2009	39,631,550	13,474,983

Source: Instituto de Pesquisa Econômica e Aplicada – www.ipeadata.gov.br