



World of Work 2009

Snapshot of Brazil



International
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Labour Studies

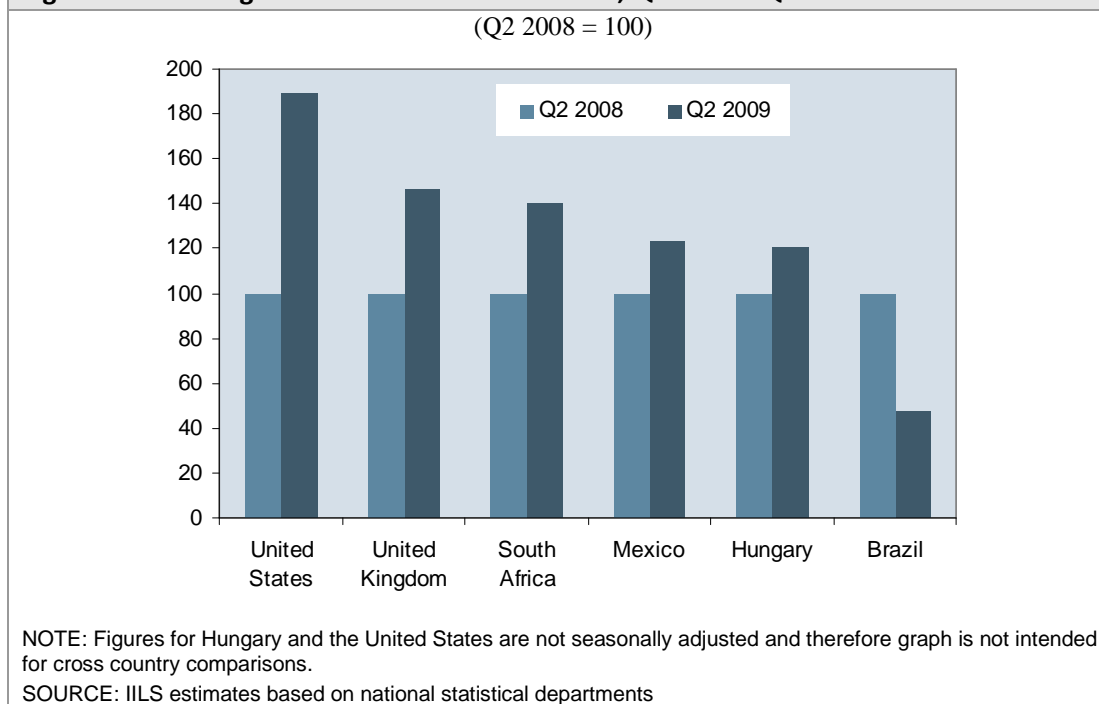
The global financial crisis led to a sharp, but relatively short-lived recession and employment contraction for Brazil

- The economy contracted by -3.4 and -1.0 per cent in Q4 2008 and Q1 2009 respectively, with positive growth of 1.9 per cent returning by the second quarter of 2009.¹
- The labour market contracted by 2.2 per cent in Q1 2009, but employment growth returned to positive territory – although not to pre-crisis levels – in May 2009.
- The number of employed workers in the six major metropolitan areas has increased by nearly 400,000 from January to September 2009. This is reflected in the declining unemployment rate, which fell between March 2009 and September 2009.

What are the prospects for an employment recovery to pre-crisis levels?

- Current trends indicate that in emerging and developing economies, employment is not likely to rebound to pre-crisis levels until near the end of 2010. Brazil however, is likely to have a swifter recovery. Regarding the employment rate, given the substantial increases expected in those entering the working-age population, its recovery does not seem viable until much later.
- As a consequence of the pervasive effects of the crisis on the labour market, signs of discouragement affected Brazil, as discouraged workers increased 14 per cent from Q4 2008 to Q1 2009. However, Brazil is one of the few economies that has managed to reverse this trend due to policies to encourage labour market recovery (figure 1).

Figure 1. Discouraged workers in select countries, Q2 2008 – Q2 2009



¹ The Central Bank of Brazil.

How has the government mitigated the crisis impact?

The Government provided an integrated counter-cyclical policy package, which leveraged existing policy measures to strengthen growth and job creation...

- Brazil's total stimulus package, which amounted to around 1 to 1.5 per cent of GDP was combined with the existing Growth Acceleration Program of 2007, which has a large public investment component, especially for infrastructure.
- The Government also provided assistance to build 1 million houses (400,000 for low-income families and 600,000 for middle-class families) under the programme *Minha Casa Minha Vida*.

...while also maintaining household income and supporting domestic private consumption

- The minimum wage was increased 6 per cent in real terms, which indirectly increased the income of about 40 per cent of workers.
- Unemployment insurance was extended to cover workers who were particularly affected by the crisis, and the existing targeted conditional cash transfers delivered via the *Bolsa Familia* programme were strengthened.
- Well-targeted tax incentives were provided for the purchase of automobiles and other durables – which aided struggling sectors such as construction and the automobile industry.

More could be done to strengthen social protection for the unemployed

- In Brazil, around 93 per cent of the unemployed do not receive unemployment benefits, compared to less than 55 per cent in the developed world.
- In addition, in Latin America less than 40 per cent of countries have provisions in place for informal sector workers, and two-thirds of countries have social security provisions pertaining to self-employed workers.

Policy challenges

- Further declines in the unemployment rate are likely, but as a result of low enrolment rates in secondary and tertiary education (with 7.3 years of average schooling²) skills shortages may persist. The challenge for the government remains one of phasing out the stimulus package, without slowing the growth and employment impetus.
- Looking forward, the employment challenge associated with the goal of cutting CO₂ emissions is significant as workers will have to move to different jobs, firms or sectors. In Brazil, China and India for example, it is estimated that employment in high carbon intensive sectors account for about 33 per cent of total jobs, compared to 57 per cent in advanced economies. However, the move to a low-carbon economy also presents major employment opportunities, by opening new markets, and by stimulating eco-innovation and investment in more efficient production techniques.

World of Work 2009: The Global Jobs Crisis and Beyond is available at (www.ilo.org/INST). For further comment, journalists are invited to contact Naren Prasad (tel +41 22 799 6843; email prasadn@ilo.org) or Raymond Torres (tel: +41 22 799 7908; email: torresr@ilo.org), Director of the ILO's International Institute for Labour Studies.

² As of 2007.