

FULL EMPLOYMENT IN DEVELOPING COUNTRIES: LESSONS FROM BRAZIL

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THE ROAD TO FULL EMPLOYMENT IN THE BOOM YEARS

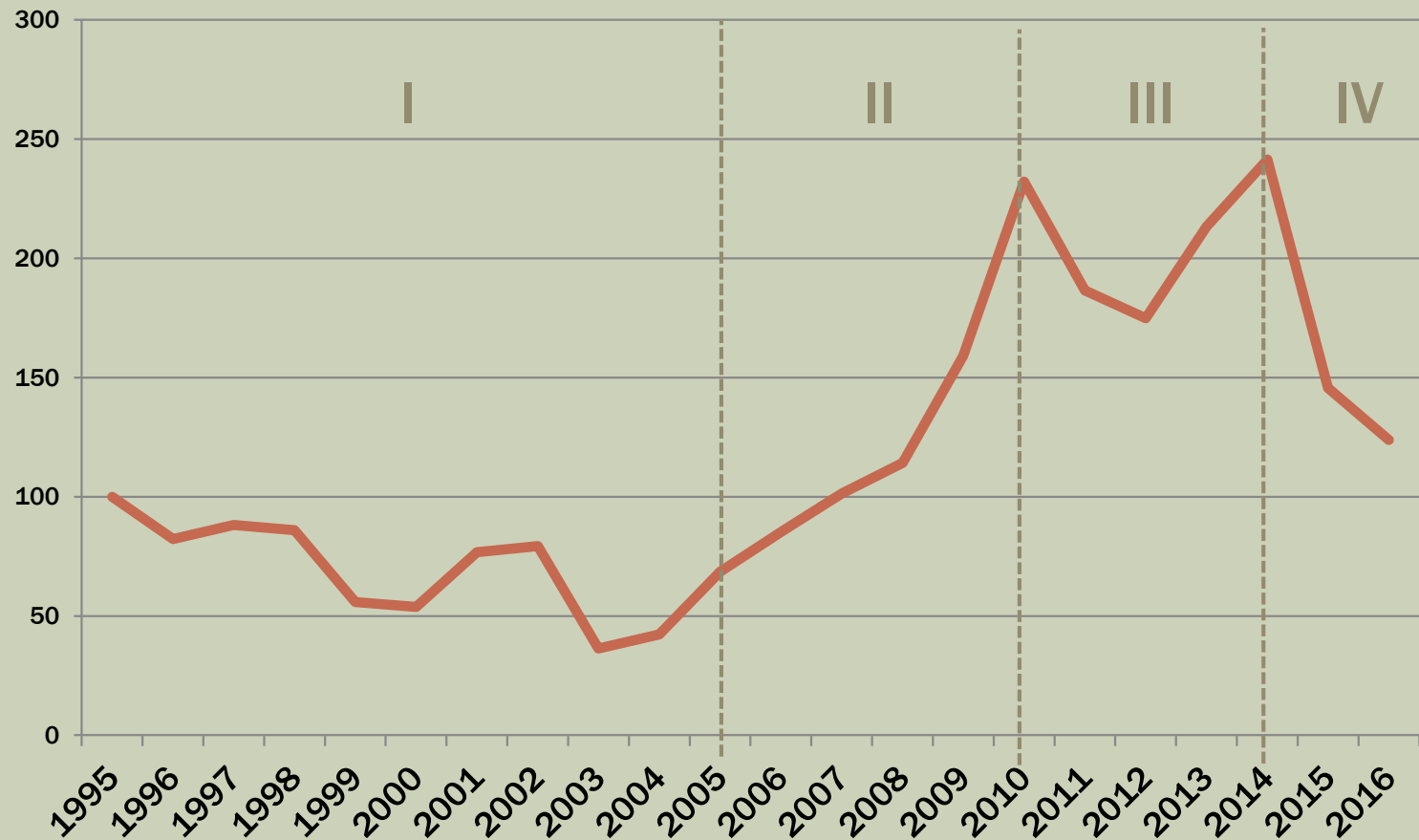
- Favorable external conditions
- Redistributive policies:
 - *Bolsa Família*: 3.6 in 2004 to 12.8 million families in 2010, leading to a 10-31% reduction in the Gini index (Soares et al, 2010; Hoffman, 2006, 2013)
 - Minimum wage: real gains of 5.9% per year, leading to a 68.6% reduction in the Gini index for wages (Komatsu,2013).
- Access to household credit: from 14% of GDP in 2002 to 24,7% of GDP in 2016.
- Public investment: real expansion of 27,6% per year in 2006-2010.
- Growth of services / construction sectors and endogenous reduction in wage inequality.

COMMODITY PRICES (2005=100)



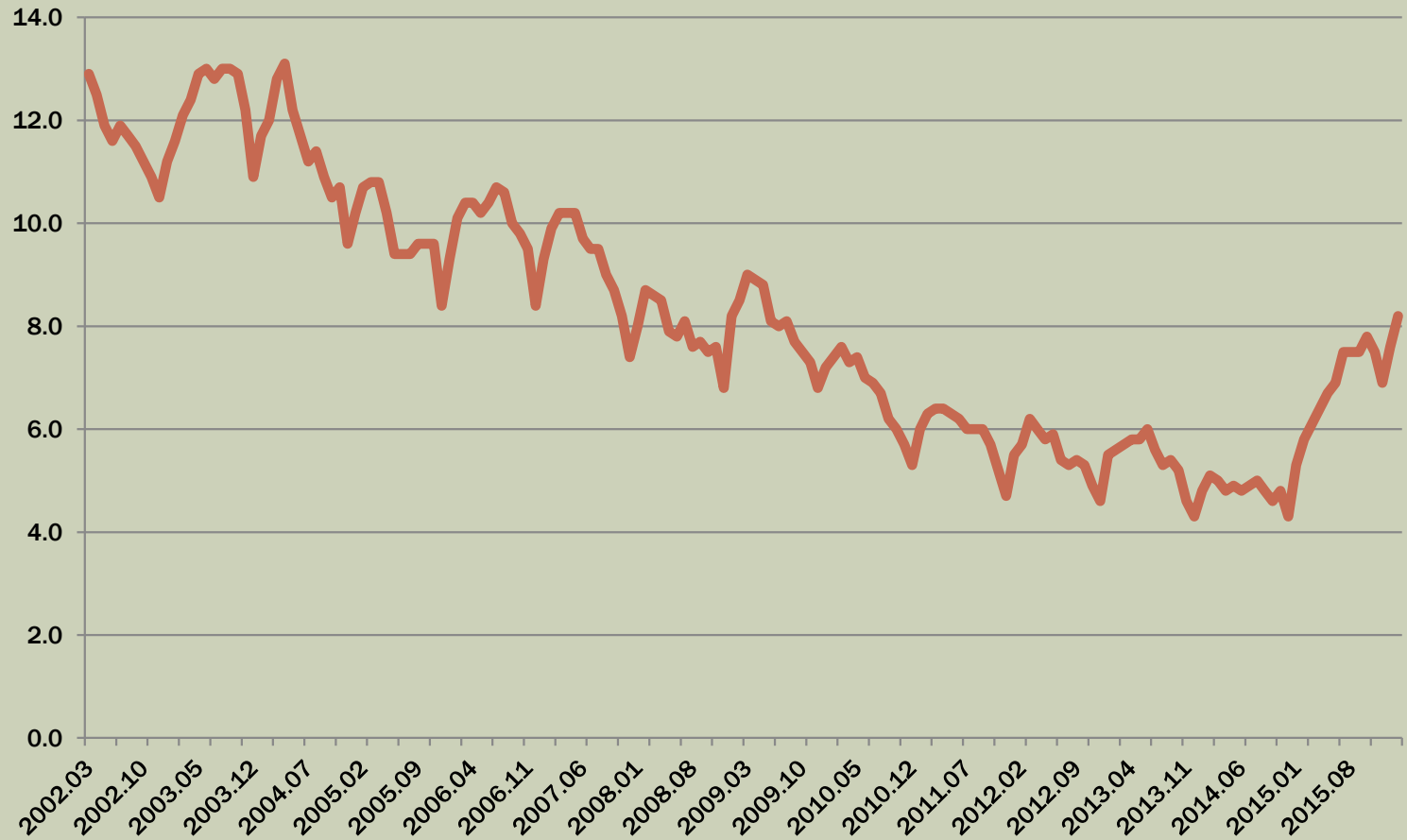
Source: IMF Primary Commodity Index

FEDERAL INVESTMENT (1995=100)



Source: Instituição Fiscal Independente (IFI)

LOW UNEMPLOYMENT



Source: PME/IBGE – 6 metropolitan areas

HIGH FORMALIZATION



Source: PNAD/IBGE

WAGE SHARE AND INEQUALITY



Source: IPEA; PME/PNAD/IBGE

LIMITS AND CHALLENGES

- Services inflation and the exchange rate anchor
- Productive structure, external imbalances and reliance on commodities
- The top of the income distribution and the squeezed middle
- Pro-cyclical fiscal policy

A QUICK REVERSAL

- Failed attempt to boost competitiveness through cost-based measures (2011-14):
 - tax cuts,
 - exchange rate depreciation,
 - control in energy tariffs.
- Austerity and labor market flexibilization (since 2015-16):
 - Rise in inequality is 50% faster than its reduction in the 2000s; 6,3 millions entered poverty
 - Precariousness: 75% of total job creation was informal
 - Unemployment: from 6.5 to 13 million people

A FEW LESSONS

Redistribution and public investment works

... but need to be combined with **supply-side policies**

- industrial policy: mission-oriented approach?
- education