

C. A labour market analysis of Brazil based on KILM and national data¹

1. Introduction

The *Key Indicators of the Labour Market* (KILM) can serve as a tool for monitoring and assessing labour markets, and uncovering historical trends. For instance, changes in the employment shares of the three broad economic sectors (agriculture, industry and services), available in table 4a, over time provide insight into the structural change that economies undergo and the development patterns that are emerging. Monthly or quarterly indicators can also be used to examine trends, in particular in relation to the business cycle. For example, during the recent economic crisis, the evolution of the unemployment rates and labour force participation rates in most developed economies were tracked and reported on a monthly or quarterly basis.² Correlations between the movements in economic indicators such as GDP growth and labour market indicators provided insights into the social impacts of the crisis.

This section is intended to demonstrate how key labour market indicators can be used to generate a comprehensive analysis of a country's labour market, using Brazil as an example.³ Indicators are used from the KILM

database⁴ and supplemented with national sources⁵ (Instituto Brasileiro de Geografia e Estatística (IBGE) – Pesquisa Nacional por Amostra de Domicílios (PNAD)), in particular the indicators presented in Brazil's Decent Work Country Profile (DWCP).⁶ Each of these sources has advantages and limitations: indicators that are part of the KILM database allow for comparability across countries; however, it is this data comparability requirement that often limits the level of detail (or data disaggregation) available, or leads to the exclusion of indicators that are specific and highly relevant to the country in question. Data from national sources can provide access to a greater degree of data disaggregation and cross-tabulations on a broader set of country-specific decent work indicators than are housed in the KILM. Using indicators from both sources therefore allows both an in-depth analysis and cross-country comparisons.

Brazil is known for being one of the world's emerging economic powers, part of the four “BRICS” countries.⁷ It is also recognized for having one of the world's highest income inequality levels. The last two

¹ This section was prepared by Souleima El Achkar Hilal with guidance from Theo Sparreboom of the ILO Employment Trends Team.

² See, for example, the ILO Department of Statistics' “Short term indicators of the labour market” at http://laborsta.ilo.org/sti/sti_E.html.

³ Previous editions of the KILM (4th and 5th) included an Appendix, “Using the KILM for labour market analysis in a country – an example”, with the same objective in mind. This section serves as an update and expansion of that text, which had analysed the indicators collectively with regard to Chile.

⁴ The version of the KILM used for this analysis was the ILO: *Key Indicators of the Labour Market, 6th Edition* (Geneva, 2009) [henceforth, “KILM 6th Edition”]. As a result, the indicator and table numbering do not correspond perfectly to those of this KILM 7th Edition. See “Guide to understanding the KILM” for an explanation of the changes between the two editions.

⁵ Most of the information in the KILM database has been assembled from international repositories, which in turn depend on information from national sources. In the case of Brazil, the PNAD is the ultimate source of information for much of the KILM database as well.

⁶ ILO: *Decent Work Country Profile Brazil* (Geneva and Brasilia, 2009) [henceforth, “DWCP Brazil, 2009”].

⁷ BRICS countries include Brazil, Russia, India, China as well as South Africa which was officially invited to join the group in 2010.

decades were shaped by significant socio-economic transitions, driven by major macroeconomic reforms, a number of economic and financial crises (regional and global), deeper integration into the world economy with increased trade and investment and the spread of new technology. Specifically, the early 1990s were a period of high inflation in Brazil, which lasted, despite several stabilization attempts, until 1995. Several financial and economic crises occurred at the regional and global levels which had some impact on Brazil's economy, namely that of Mexico (1995), the Asian crisis (1997), Russia (1998), Argentina (2001) and finally the 2008 Great Recession. Brazil had its own macroeconomic crisis in 1999, which, in turn, spilled over to neighbouring countries. In the aftermath of its crisis, Brazil implemented several macroeconomic policy reforms and expanded its social programmes. These reforms and policies set the stage for higher economic growth rates in the 2000s.⁸

How have the economic changes over time in Brazil been reflected in the labour market situation? Has economic growth been accompanied by employment growth? Has there been a rise in productivity or in the quality of jobs created? Have income inequality and working poverty increased or decreased? These are among the questions that will be investigated in this section.

2. Labour force participation, employment and growth

The first indicator analysed is the labour force participation rate (KILM 1), which represents the share of working-age population that is actively engaged in the labour market by either being employed or looking for work, i.e. labour supply. There are a number of factors determining labour force participation,

⁸ M. Côrtes Neri: "The decade of falling income inequality and formal employment generation in Brazil", in *Tackling Inequalities in Brazil, China, India and South Africa: The Role of Labour Market and Social Policies* (Paris, OECD, 2010).

such as employment opportunities, demographic structure, education levels, and the level of economic development (per capita income), among others. Much insight into a country's labour market and social dynamics can be obtained from a close examination of labour force participation patterns.

Rising employment opportunities in Brazil over the last decade have helped to increase labour force participation. Indeed, Brazil's labour force participation rate (LFPR) increased from 68.3 per cent in 1999 to 70.7 per cent in 2009 (table C1). The increase was mainly driven by women: the female labour force participation increased by 5.3 percentage points during this period, while the male labour force participation rate decreased by half a percentage point.

Using data from the National Household Sample Survey (PNAD), further details can be uncovered. In particular, we find that the male LFPR of Brazilian 16 to 64 year olds declined by 3.5 percentage points between 1992 and 2007, while that of women increased by 7.3 percentage points over the same period (figure C1).⁹ Moreover, the LFPR of black people increased by only 0.7 percentage point between 1992 and 2007, while that of white people increased by 3.0 percentage points, which has resulted in the reversal of the small labour force participation gap between the two groups.¹⁰

The rural-urban labour force participation gap also narrowed over this period, with a 2.2 percentage point decrease in the LFPR in rural areas and a 3.5 percentage point increase in the LFPR in urban areas. In rural areas, labour force participation is typically higher than in urban areas while unemployment tends to be

⁹ One of the differences between the LFPRs presented in the DWCP Brazil, 2009 and those in the KILM is the age applied to the definition of the working-age population (ages 16-64 years in the former and ages 15 years and above in the latter).

¹⁰ The "black" category includes people who identified themselves as black, coloured or indigenous in the PNAD, while the "white" category refers to people who self-identify as white or Asiatic.

lower, which reflects both the large share of own-account workers and contributing family

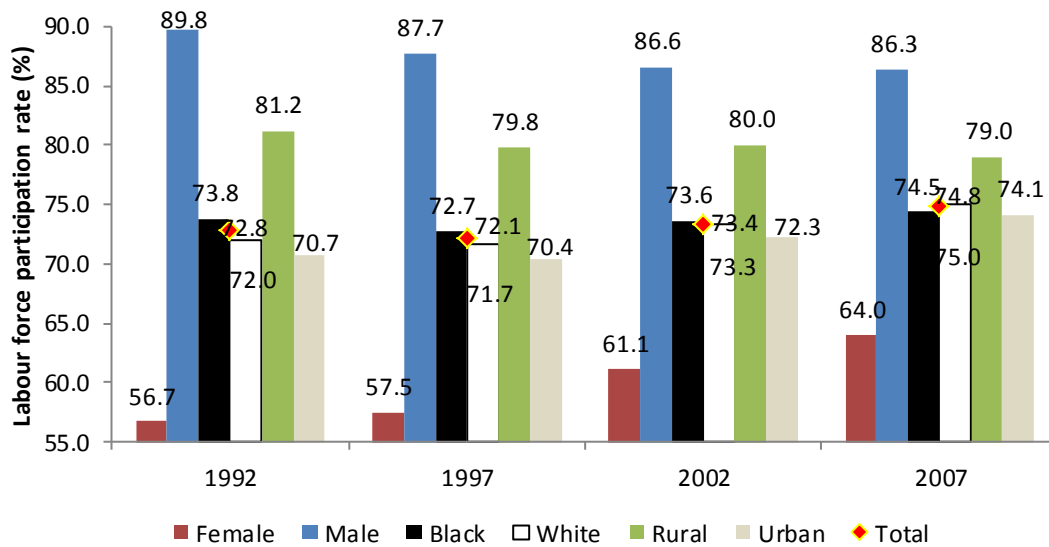
workers in the agricultural sector and the more limited access to education outside of main

Table C1. Working-age population, labour force and labour force participation rate, by sex, 1999 and 2009

	Female			Male			Total		
	1999	2009	Change 1999-2009	1999	2009	Change 1999-2009	1999	2009	Change 1999-2009
Working-age population (15+) ('000)	61,371	73,693	12,321	58,598	69,805	11,207	119,969	143,498	23,529
Labour force (15+) ('000)	33,619	44,326	10,706	48,306	57,181	8,875	81,925	101,506	19,582
LFPR (% , or percentage points change)	54.8	60.1	5.3	82.4	81.9	-0.5	68.3	70.7	2.4

Source: KILM 6th Edition, table 1a.

Figure C1. Labour force participation rates, by sex, race and urban/rural, 1992, 1997, 2002 and 2007



Source: DWCP Brazil, 2009, table 1.

urban areas, which forces people into participation earlier in their lives.

The decline in labour force participation of Brazilian men is likely to be explained by better access to affordable education as the country developed. As a consequence, more young men postponed their entry into the labour market in order to pursue their studies. Indeed, the most significant drops in labour force participation are observed among the male youth (15-24 years) and male young adults (25-34 years) (table C2).

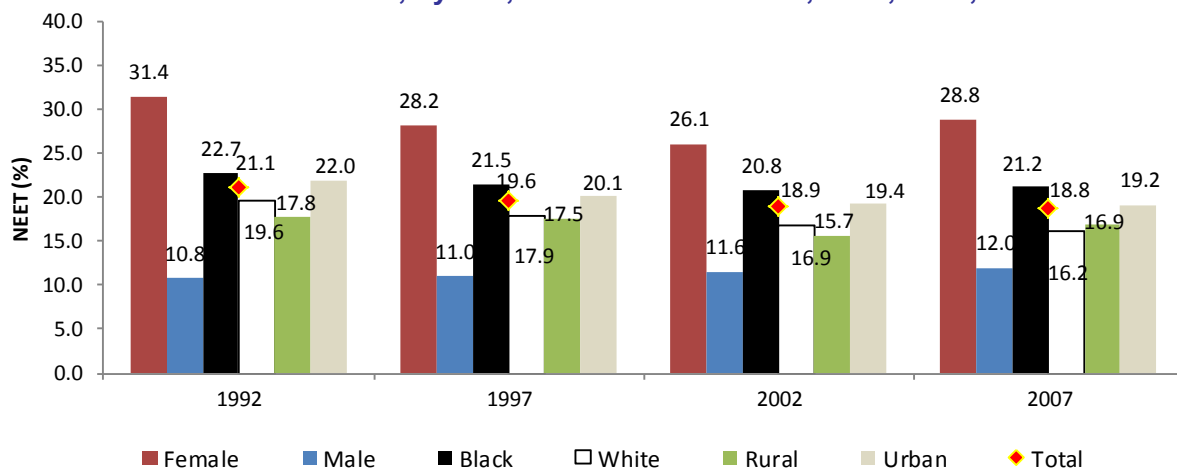
Table C2. Labour force participation rate, sex and age group, 1999 and 2009

	1999			2009			Change 1999-2000 (percentage point)		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
15-24	52.1	75.2	63.7	55.6	72.0	63.9	3.5	-3.2	0.2
25-34	67.1	95.5	81.1	74.1	94.0	84.0	7.0	-1.5	2.9
35-54	63.9	92.4	77.8	70.1	92.1	80.7	6.2	-0.3	2.9
55-64	36.1	69.9	52.0	42.4	72.7	56.7	6.3	2.8	4.7
65+	13.1	37.2	23.8	22.7	45.0	32.4	9.6	7.8	8.6
15+	54.8	82.4	68.3	60.1	81.9	70.7	5.3	-0.5	2.4

Source: KILM 6th Edition, table 1a.

If the pursuit of education is an explanation for the decrease in youth labour force participation among men then one would expect to see the number of young men who are neither employed nor in education (NEET) decrease over the years. However, whereas the share of young women that were not in education and not employed decreased between 1992 and 2007, the share of young men in this situation increased from 10.8 per cent to 12.0 per cent over the same period (figure C2). The share of young people who are neither in education nor in employment declined for black and white people alike, and in both rural and urban areas. However, the

decline seems to be driven mainly by women within these groups. The fact that the decrease in LFPR for young men was not coupled by a decrease in the male NEET share implies an increase in the share of young men who are not building up their skills and improving their employability. These young men may have dropped out of school and, unable to find employment, become discouraged and exited the labour market. It is important to note, however, that the category NEET also includes the unemployed, so one should also look to see if rising unemployment among young men is partly responsible for the stubbornness of the NEET category.

Figure C2. Percentage of young people (aged 15-24 years) neither in employment nor in education, by sex, race and urban/rural, 1992, 1997, 2002 and 2007

Source: DWCP Brazil, 2009, table 1.

Increased labour force participation among women in all age groups may reflect, in

addition to improved economic opportunities, a shift in lifestyle or the lowering of social barriers to female participation in the labour

market. However, Brazil's DWCP emphasizes that the increase in female labour force participation has not been accompanied by a redefinition of gender roles in terms of domestic responsibilities; as a result, women are working "double shifts". Furthermore, despite the narrowing of the labour force participation gap, only 60.1 per cent of working-age women in Brazil actively participated in the labour market in 2009, compared to 81.9 per cent for men (table C1).

Brazil's labour force participation rate at 70.7 per cent in 2009 was higher than the world average (64.7 per cent), the regional average (65.4 per cent in Latin America and the Caribbean) and the average for the sub-region (67.2 per cent in South America).¹¹ This is true for the total labour force participation, and also for each of the two sexes.

Labour force growth is primarily determined by the growth in working-age population, such that even if the LFPR remained constant, an increase in the working-age population would result in an increase in the labour force. Between 1999 and 2009, Brazil's working-age population increased by nearly 24 million, and its labour force increased by nearly 20 million (table C1), or by approximately 2 million people a year. Despite the strong increase in participation, Brazil's employment-to-population ratio (EPR, KILM 2) increased from 60.0 per cent in 1998, to 63.9 per cent in 2008 (table C3), indicating that net employment creation in Brazil over this period has been faster than the increase in working-age population.

From the sex-disaggregated data, one can see that the increase in employment-to-population ratio was largely driven by an increase in employment among women: The proportion of employed adult women increased by 9.3 percentage points between 1998 and 2008, compared to 0.3 percentage

point decrease for adult men. In contrast, there was a particularly striking drop in the employment-to-population ratio for young men (3.0 percentage points).

PNAD data showed a decrease in the EPR among men and persons living in rural areas, and an increase in EPR for women and urban residents. As a result, both the gender and the rural-urban gap have narrowed between 1992 and 2007 (figure C3). In contrast, the EPR of black people declined by 0.9 percentage point, while that of white people increased by 1.7 percentage points, causing a reversal of the EPR gap between black and white people. This suggests that white people have benefited relatively more than black people from increased employment opportunities in the country.

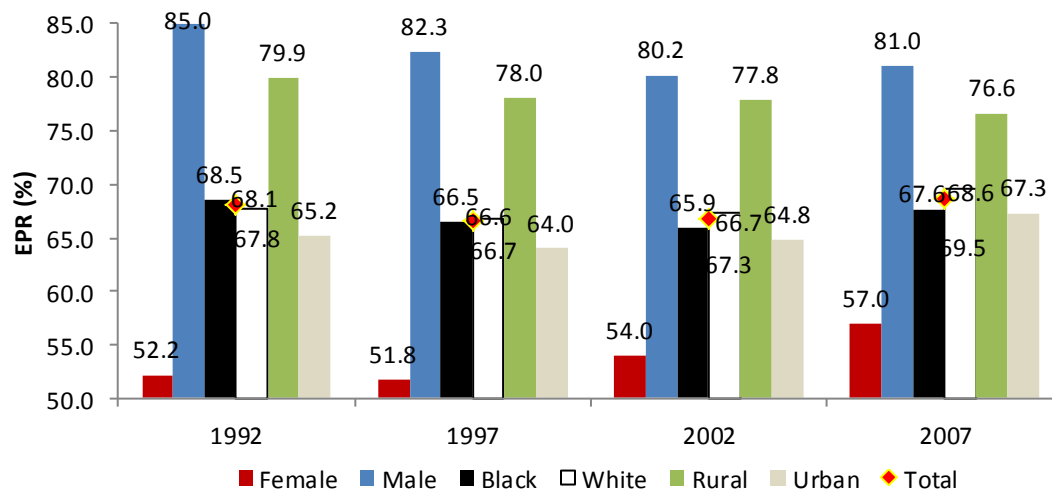
It is important to note that a decline in the employment-to-population ratio does not necessarily imply a decrease in employment, but rather that employment creation fell short of population growth. In Brazil, the decrease in the male employment-to-population ratio occurred despite a net increase of 8.8 million employed workers between 1998 and 2008 (table C3). Young men, however, experienced both a drop in the EPR and in net employment.

¹¹ Weighted averages calculated from KILM 6th Edition, table 1a. South America includes Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, French Guiana, Paraguay, Peru, Uruguay and Venezuela.

Table C3. Employment-to-population ratio, by sex and age group, 1998 and 2008

		1998			2008			Change 1998-2008 (‘000 or percentage point)		
		Youth (15-24)	Adult (25+)	Total (15+)	Youth (15-24)	Adult (25+)	Total (15+)	Youth (15-24)	Adult (25+)	Total (15+)
Female	Population (‘000)	16,678	44,180	60,857	16,984	57,152	74,136	306	12,973	13,279
	Employed (‘000)	6,626	20,502	27,128	7,247	31,861	39,108	622	11,359	11,981
	EPR (%)	39.7	46.4	44.6	42.7	55.7	52.8	2.9	9.3	8.2
Male	Population (‘000)	16,817	41,122	57,939	17,391	52,461	69,852	574	11,339	11,913
	Employed (‘000)	10,974	33,150	44,124	10,835	42,110	52,945	-139	8,960	8,821
	EPR (%)	65.3	80.6	76.2	62.3	80.3	75.8	-3.0	-0.3	-0.4
Total	Population (‘000)	33,494	85,302	118,796	34,374	109,614	143,988	880	24,311	25,192
	Employed (‘000)	17,599	53,652	71,252	18,082	73,972	92,054	483	20,319	20,802
	EPR (%)	52.5	62.9	60.0	52.6	67.5	63.9	0.1	4.6	4.0

Source: KILM 6th Edition, table 2a.

Figure C3. Employment-to-population ratio, by sex, race and urban/rural, 1992, 1997, 2002 and 2007

Source: DWCP Brazil, 2009, table 1.

3. The structure of employment

If there has been significant employment creation in Brazil, and if women in particular seem to have benefited from new opportunities, it is important to consider whether the new jobs represent “decent work”, meaning they involve good working conditions and are covered by labour legislation and social protection mechanisms. Several complementary indicators – all of which are included in the KILM – provide valuable insight in this regard: the distribution of employment by sector and by status, the share of employment in the informal sector, wage indices, labour productivity and working poverty.

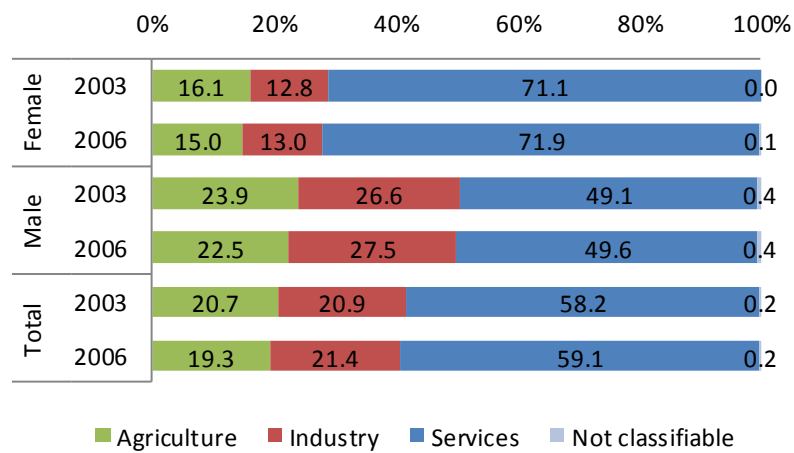
Figure C4 shows the employment by sector indicator (KILM table 4a) for two years only: 2003 and 2006, which was the latest year for which data were available for this indicator (in the KILM 6th Edition) at the time of writing.¹² The figure shows that employment in agriculture accounted for 20.7 per cent of Brazil’s employment in 2003, and fell to 19.3 per cent in 2006. For both women and men, the share of employment in industry and services increased at the expense of employment in agriculture.

¹² The KILM 7th Edition had data through 2010 as of October 2011.

Brazil has not experienced fast pace structural change in recent years, as did some of the other BRICS countries that are at earlier stages of development, as reflected by lower per capita GDP levels. For instance, unlike China and India which had their agriculture

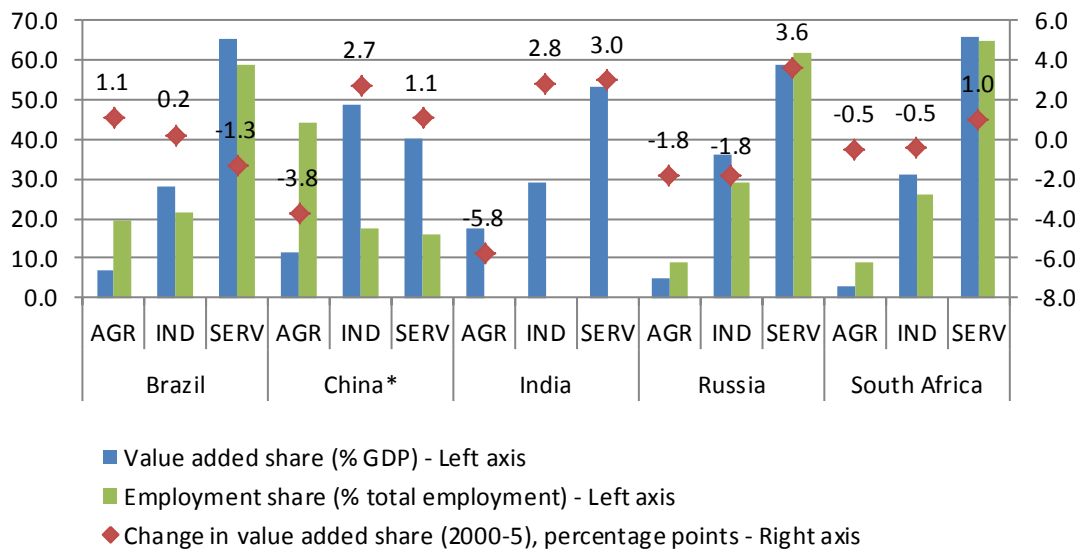
sector value added decline by 3.8 and 5.8 percentage points respectively between 2000 and 2005, Brazil's agriculture value added increased slightly (by 1.1 percentage point) over the same period (figure C5).

Figure C4. Distribution of employment by broad, by sex, 2003 and 2006



Source: KILM 6th Edition, table 4a.

Figure C5. Sectoral value added (2008) and employment by sector (latest year) in BRICS countries, % of GDP



* China: sector was not adequately defined for 22 per cent of employment

Sources: KILM 6th Edition, table 4a, and OECD.StatExtracts database.

The service sector is pre-dominantly employing female workers (over 70 per cent, see figure C4). This may be a cause for concern as the services sector in developing

countries usually includes a number of industries with a large share of own-account workers, and therefore a large proportion of vulnerable workers. Figures C6a and C6b

illustrate Brazil's employment distribution at the more detailed industry level for women and men in 2006, respectively. 16.1 per cent of employed women were in the wholesale and retail trade sector, a sector that tends to house a large share of own-account workers, and another 16.7 per cent were engaged in domestic work (private households with employed persons). Other industry groups within the services sector accounted for some

40 per cent of female workers, including education (10.0 per cent), health and social work (6.3 per cent) and other community and social and personal services activities (5.9 per cent). Manufacturing accounted for nearly all of the female employment in the industry sector, and 12.3 per cent of overall female employment. Finally, agriculture accounted for 14.9 per cent of female employment.

Figure C6a. Distribution of female employment by 1-digit sector, 2006

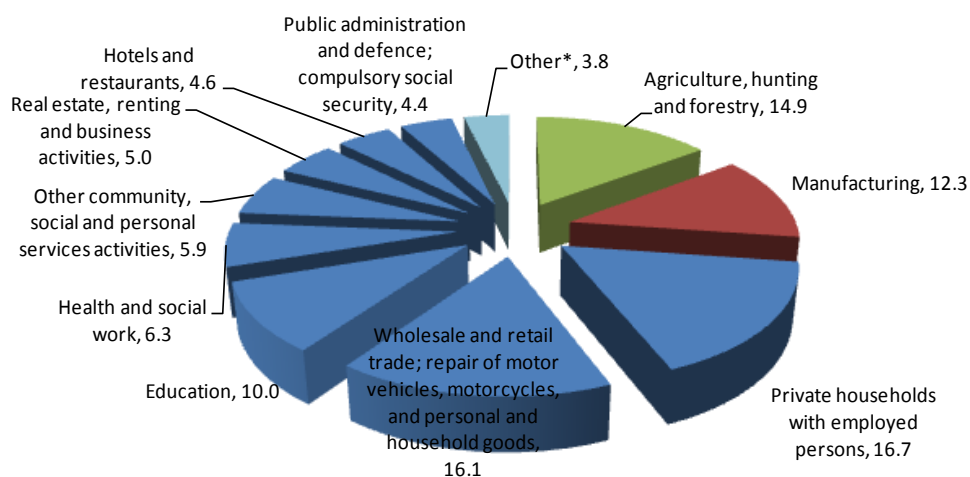
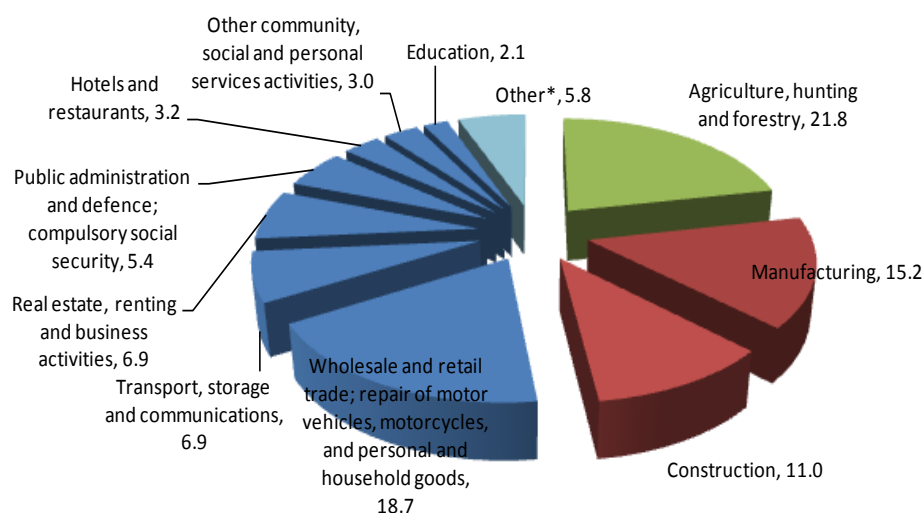


Figure C6a. Distribution of male employment by 1-digit sector, 2006



*Includes: Fishing; Mining and quarrying; Electricity, gas and water supply; Construction; Transport, storage and communications; Financial intermediation; Extra-territorial organizations and bodies; and Not classifiable by economic activity
Source: KILM 6th Edition, table 4b (ISIC Revision 3).

The employment distribution for men differed from that of women, with a larger share of workers in the industry sector (15.2 per cent in manufacturing and 11.0 per cent in

construction), in agriculture (2.8 per cent), and a smaller share of workers in services. The wholesale and retail trade industry sector (18.7 per cent) accounted for the largest share of

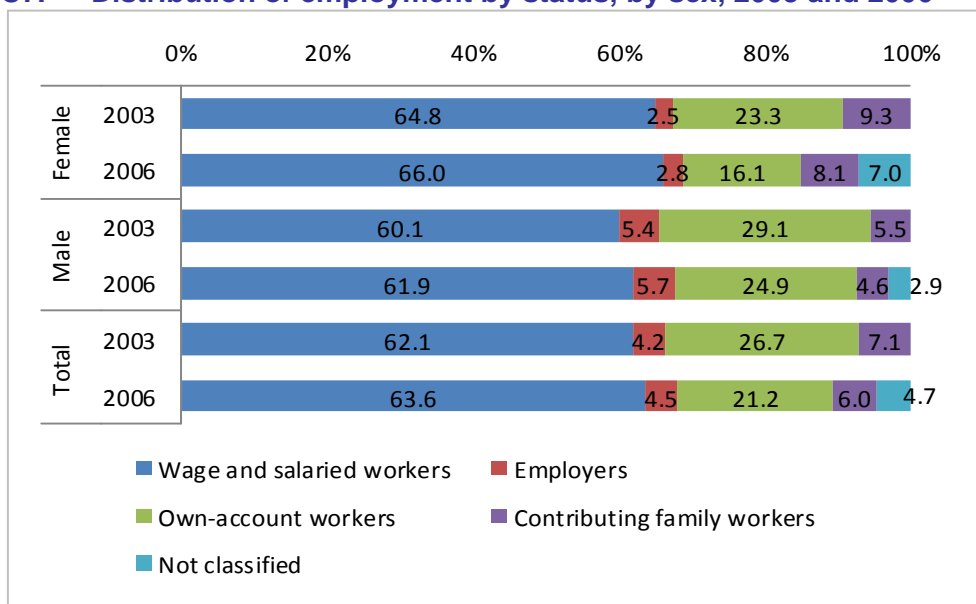
employment in services for men, followed by transport, storage and communications (6.9 per cent) and real estate, renting and business activities (6.9 per cent). This labour market segmentation by sex is similar to that observed in many countries around the world and helps explain why employment creation has been more significant for women than men in Brazil: Growth has been most significant in the sectors that employ a larger share of women, namely in services, as opposed to the industrial sectors that employ mainly men (manufacturing and construction).

An indicator that is strongly related to the employment by sector indicator is the distribution of employment by status (KILM table 3), broken down into wage and salaried workers (employees), self-employed – employers, own-account workers and contributing family workers – and those not classifiable and presented, as a percentage of total employment. The vulnerable employment

rate is calculated from this indicator. Vulnerable workers are defined as own account workers and contributing family workers; both tend to work under informal arrangements, at low productivity, low pay jobs, and often lack elements associated with decent work, such as adequate social security and social dialogue. Conversely, employers and employees are considered less-vulnerable and more likely to benefit from decent work conditions.

In Brazil, the share of wage and salaried workers and employers increased between 2003 and 2006, while the share of own-account workers and contributing family workers decreased for both sexes. Figure C7 shows that even if the share of workers not classifiable by status (4.7 per cent) consisted entirely of vulnerable workers, the vulnerable employment rate (share in total employment) would have still decreased during this period.

Figure C7. Distribution of employment by status, by sex, 2003 and 2006



Source: KILM 6th Edition, table 3.

The labour market trends illustrated by the employment-by-status indicator are consistent with those revealed by the sectoral employment indicator. The decline in the share of own-account and contributing family workers is partly attributable to a decrease in

employment in agriculture. The increase in employment in services does not seem to have led to a significant increase in own-account work.

In 2006, 27.3 per cent of workers in Brazil were in vulnerable employment (table C4). The vulnerable employment rate was higher for men (29.5 per cent) than for women (24.2 per cent). Furthermore, the male share in vulnerable employment was 62.3 per cent, slightly greater than the share in overall employment (57.5 per cent). Looking at the sub-categories of vulnerable employment, Brazil conforms to a common trend of most

countries in the world, whereby contributing family work is firmly the domain of women while men are engaged mostly in own-account work. Regardless, there has been a decrease in both categories of vulnerable employment for both men and women in Brazil, which is a positive sign that some progress towards achieving decent work objectives has been made.

Table C4. Vulnerable employment, by sex, 2006

	Employed ('000)	Vulnerable workers ('000)	Vulnerable employment rate (%)	Share in total vulnerable employment (%)
Female	37,918	9,176	24.2	37.7
Male	51,400	15,163	29.5	62.3
Total	89,318	24,339	27.3	100.0

Source: KILM 6th Edition, table 3.

A related labour market concept which is commonly used in the context of developing countries is that of employment in the informal sector (KILM 7).¹³ There are a number of definitions for the informal sector and data coverage is often limited geographically, making comparisons across countries, and often within countries across time, problematic. For Brazil, 2001 was the latest available data point for the indicator, based on a national definition for employment in the informal sector as “employment in small or micro-enterprises”. The measure covers urban areas only.¹⁴ The data series suggests an increase in informal sector employment during the 1990s. In 2001, 46.6 per cent of Brazil’s workers – and more than half of female workers – were employed in the informal

sector in small and micro-enterprises (table C5). This represents a 5 percentage point increase from 1990.

Data from national sources (PNAD) also reveal an increase in employment in the informal economy during the 1990s, based on a definition of informal employment that encompasses wage workers without a signed labour card (*carteira assinada*) and self-employed workers (employers or own-account workers) who do not contribute to the social security system.¹⁵ Specifically, the share of informal workers increased in urban areas, among both black and white people and among men; only for women and rural residents did the share of informal workers remain unchanged or decrease slightly between 1992 and 1999 (figure C8a).

¹³ Employment in the informal sector differs from informal employment mainly because of the observation unit used. With the former concept, the observation unit is the production unit (e.g. the micro-enterprise where the person is employed) whereas the latter refers to the job unit (the type of work arrangement that the person has, regardless of the production unit where s/he is employed). For more information, please refer to the manuscript for KILM 8.

¹⁴ Note that nearly 85 per cent of Brazil’s population was living in urban areas in 2005, compared to approximately 60 per cent in South Africa, 40 per cent in China, and 30 per cent in India (The World Bank, *World Development Indicators*, Washington, D.C., 2009).

The trend of rising job informality was reversed in the 2000s, however; informal employment, according to the national definition, peaked at 56.1 per cent of total employment in 1999 and subsequently decreased to 50.5 per cent in 2007 (figure C8b). The trend is supported by the decline in own-account work observed in more recent years, as discussed above. Indicators such as labour productivity and working poverty,

¹⁵ International Institute for Labour Studies: “Brazil: An Innovative Income-led Strategy”, *Studies on Growth with Equity*, Geneva, ILO, 2011.

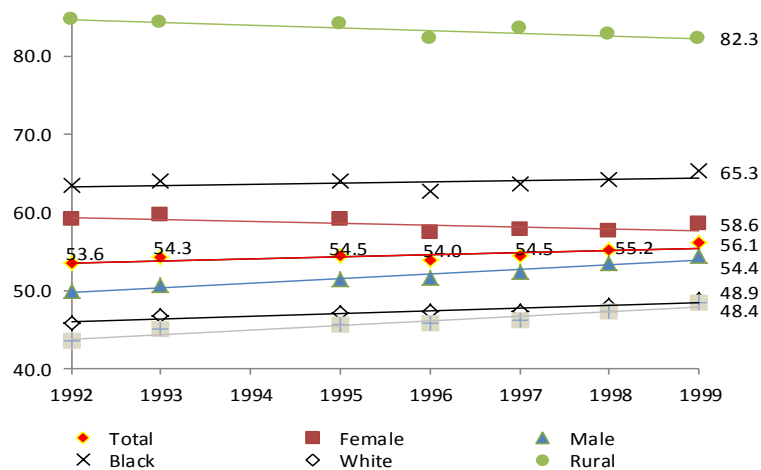
discussed later, will provide additional insight in this regard.

Table C5. Employment in the informal sector, by sex

		Employed ('000)	Employed in informal sector ('000)	Informal sector employment rate (%)	Share in total informal sector employment (%)
1990	Female	19,124	9,371	49.0	47.0
	Male	28,434	10,549	37.1	53.0
	Total	47,541	19,920	41.9	100.0
2001	Female	25,749	13,261	51.5	47.7
	Male	33,934	14,524	42.8	52.3
	Total	59,623	27,784	46.6	100.0

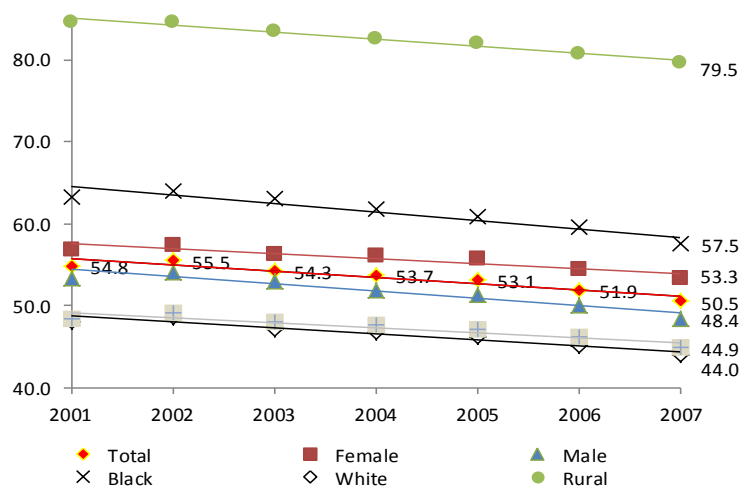
Source: KILM 6th Edition, table 7.

Figure C8a. Share of informal employment (national definition) in total employment, by sex, race and urban/rural, 1992-99



Source: DWCP Brazil, 2009, table 1.

Figure C8b. Share of employment in the informal sector, by sex, race and urban/rural, 2001-07



Source: DWCP Brazil, 2009, table 1.

Although informal sector employment in Brazil decreased among all sub-groups of the

population between 2001 and 2007, important discrepancies between the categories remain.

In 2007, nearly 58 per cent of black people were engaged in the informal sector, compared to 44 per cent of white workers; and more than 53 per cent of working women were in the informal sector, compared to 48 per cent of

working men (figure C8b). Nearly 80 per cent of workers in rural areas were in the informal economy in 2007, compared to approximately 45 per cent of workers in urban areas.

4. Unemployment

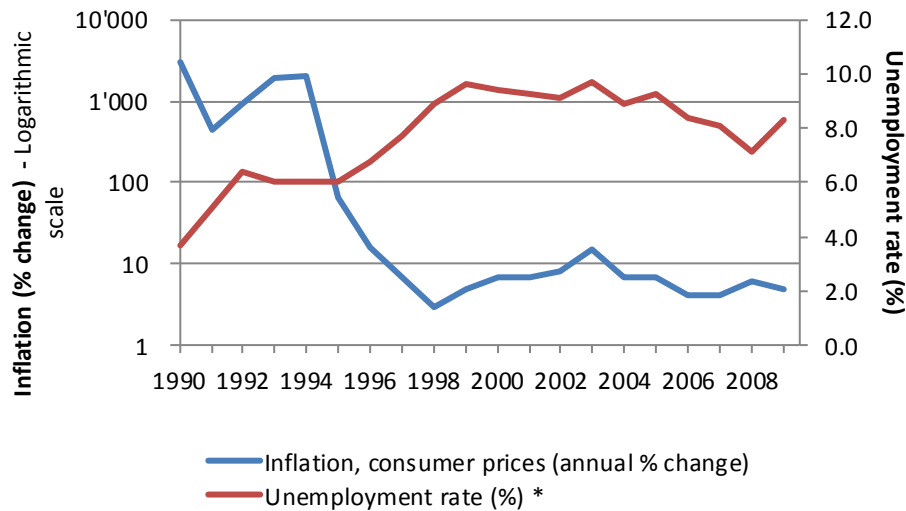
In many developing countries, where social safety nets such as unemployment insurance are limited, and wages are low, unemployment is not always the main labour market issue, as few people can 'afford' not to work at all. In line with this argument, the unemployment rate in Brazil, where social protection has been on the policy agenda for many years, can be expected to be somewhat higher than in most developing countries. Is unemployment an important labour market challenge for Brazil? What are the patterns in terms of unemployment by sex, age and educational attainment?

The unemployment rate (KILM 8) is the most commonly quoted labour market indicator for the supply of labour that is not being utilised. According to the international definition, the unemployment rate is the proportion of people who are not employed but are available and actively looking for work in the total labour force. Unemployment usually has both structural and cyclical components. The structural component changes slowly over time, as a result of gradual shifts in demography, industrial structure, urbanization and labour market institutions, for instance. The cyclical component responds rapidly to changes in the business cycle and economic conditions. As a result, the unemployment rate is a highly political indicator. It is regularly monitored and reported in the media.

Although lowering the unemployment rate is often a policy objective, the measures taken in order to do so are sometimes debated, since some of them can lead to inflationary pressures. Indeed, it is often argued that there

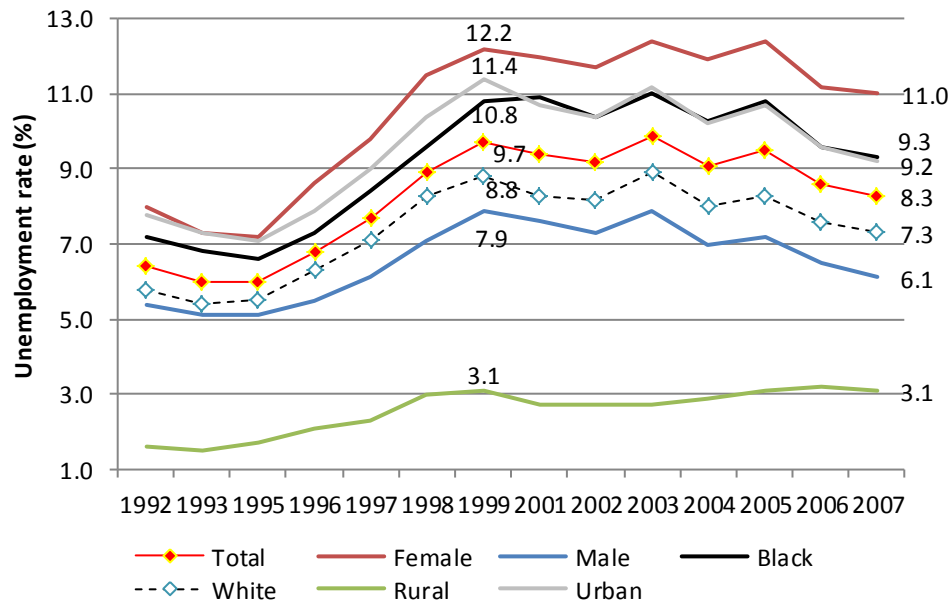
is a trade-off between inflation and unemployment. In Brazil's case, the early 1990s were marked by very high inflation, which lasted despite several attempts at stabilization until 1995. Between 1995 and 1998, inflation fell but unemployment was on the rise (figure C9). The unemployment rate remained high until 2003. Since then both inflation and unemployment have followed an overall declining trend in Brazil. The gradual decrease in the unemployment rate was interrupted by the global economic crisis in 2009, but it returned to its pre-crisis trend shortly thereafter (see box C1 at the end of part 4).

Brazil's overall unemployment rate declined from 9.7 per cent in 1999 to 8.3 per cent in 2007 (figure C10). Rates fell for both sexes, both races (black and white) and for urban residents. Only in rural areas did unemployment remain nearly constant at a lower rate of 3.1 per cent.

Figure C9. Unemployment and inflation rate, 1999-2008

* The unemployment rate before 2003 excludes the rural population of Rondônia, Acre, Amazonas, Roraima, Pará and Amapá.

Sources: KILM 6th Edition, table 8a and The World Bank, *World Development Indicators 2009*.

Figure C10. Unemployment rate, by sex, race and urban/rural, 1992-2007

Source: DWCP Brazil, 2009, table 1.

Female unemployment rates remain higher than male unemployment rates in Brazil. This is the case in many countries, and for many possible reasons, including that women exit and re-enter the labour force more frequently due to family considerations; women are “crowded” into fewer occupations and face more competition in finding a job; and women may be disadvantaged due to

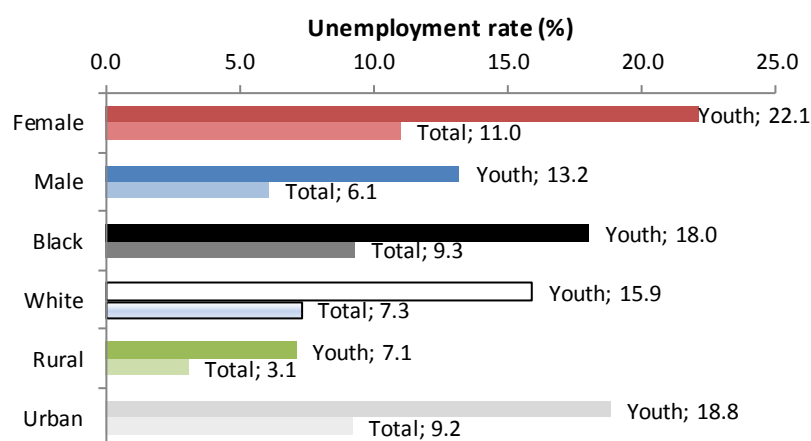
gender inequalities outside the labour market, for instance in terms of access to education and training. Gender roles in terms of domestic responsibilities may also be important, as the unequal distribution of these responsibilities can limit the time available for job search by women compared to men.

Figure C11 reveals high rates of youth unemployment. That youth unemployment

rates are higher than adult rates is also not unusual. There can be several explanations for this, including that young people enter and exit the labour market more frequently as they move between school enrolment, employment and unemployment; young people are more

likely to change jobs until they find one that is most suitable to them; and of course, youth tend to be less well-protected against dismissal than older workers with more professional experience and longer tenure.

Figure C11. Youth and total unemployment rate, by sex, race and urban/rural, 2007



Source: *Decent Work Country Profile Brazil* (Geneva and Brasilia, ILO, 2009), table 1.

High unemployment rates represent one dimension of the youth unemployment issue, a policy concern in many countries. Youth unemployment can have important consequences in terms of reduced long-term employability, as difficulties in finding employment at an early

career-stage can lead to a setback in terms of future career development. In addition to the youth unemployment rate, three related indicators, presented in table C6, are used to measure other dimensions of youth unemployment (KILM 10).

Table C6. Youth unemployment statistics, by sex, 2003, 2008 and 2009

		2003	2008	2009	Change 2003-08 (percentage points)	Change 2008-09 (percentage points)
Female	Youth unemployment rate (%)	24.5	20.5	23.1	-4.0	2.6
	Youth to adult unemployment rate ratio	2.9	3.1	2.9	0.2	-0.2
	Youth share in unemployment (%)	48.0	44.6	42.9	-3.4	-1.7
	Unemployed youth as a share of youth population (%)	12.9	11.1	12.3	-1.8	1.2
Male	Youth unemployment rate (%)	15.1	11.9	13.9	-3.2	2.0
	Youth to adult unemployment rate ratio	2.8	3.7	3.5	0.9	-0.2
	Youth share in unemployment (%)	49.0	51.2	48.7	2.2	-2.5
	Unemployed youth as a share of youth population (%)	11	8.5	9.9	-2.5	1.4
Total	Youth unemployment rate (%)	19.0	15.5	17.8	-3.5	2.3
	Youth to adult unemployment rate ratio	2.9	3.2	3.1	0.3	-0.1
	Youth share in unemployment (%)	48.4	47.2	45.3	-1.2	-1.9
	Unemployed youth as a share of youth population (%)	11.9	9.8	11.2	-2.1	1.4

Source: KILM 6th Edition, table 9.

The second of these indicators, the youth-to-adult unemployment rate ratio, which has increased from 2.9 in 2003 to 3.2 in 2008, reveals that youth remain at a major disadvantage compared to adults in finding employment. In 2008, female youth were more than 3 times as likely as female adults to be unemployed, while male youth were almost 4 times as likely as male adults to be unemployed. The unemployment situation has worsened for young men in particular (an increase of 0.9 in the youth-to-adult unemployment rate ratio between 2003 and 2008). This is potentially one of the reasons for the observed decrease in labour force participation for young men (table C2), discussed at the beginning of the section. Difficulties finding employment would discourage young men from being economically active, and may give them further incentive to remain in school and postpone their labour market entry.

A third indicator, the youth share in total employment reveals an interesting pattern: while the share of young women in total female unemployment has decreased, the share of young men in total male unemployment increased between 2003 and 2008. This reflects the fact that while the decline in unemployment was faster for female youth than for female adults (average annual drop of 3.6 per cent in female youth unemployment compared to 1.0 per cent for female adults), the decline in unemployment was slower for male youth (5.1 per cent average annual drop) than for male adults (6.7 per cent average annual drop) (table C7). Finally, the fourth indicator shows progress over this period with respect to the youth unemployment situation: the unemployed youth as a share of the youth population decreased for both males and females.

Table C7. Average annual change in unemployment and labour force, by sex and age group, 2003-08 and 2008-09

		2003-08			2008-09		
		Youth (15-24)	Adult (25+)	Total (15+)	Youth (15-24)	Adult (25+)	Total (15+)
Female	Unemployed	-3.6	-1.0	-2.2	13.4	21.4	17.8
	Labour force	-0.1	3.7	2.8	0.5	3.0	2.5
Male	Unemployed	-5.1	-6.7	-5.9	14.1	26.0	20.0
	Labour force	-0.4	2.9	2.1	-2.3	2.0	1.1
Total	Unemployed	-4.3	-3.4	-3.8	13.8	23.1	18.7
	Labour force	-0.3	3.3	2.4	-1.1	2.5	1.7

Source: KILM 6th Edition, table 9.

Box C1. The labour market impact of the Great Recession in Brazil

The Brazilian economy has been affected by numerous economic crises over the last two decades. The latest of which, the so-called Great Recession that began in 2007, was transmitted through three main channels: (i) a fall in the value of exports due to both the decline in external demand and commodity prices; (ii) a credit crunch that cut off external credit lines and resulted in portfolio investment outflows; and (iii) a domestic credit crunch and decline in domestic demand.¹ The availability of annual unemployment and labour force data for 2009 allows us some insight regarding the crisis impact on Brazil's labour market. However, a more detailed and thorough analysis can be done using monthly and quarterly data.

As a result of the crisis, Brazil's unemployment rate increased by 1.2 percentage points to 8.3 per cent in 2009, as the country's GDP growth rate plummeted from 5.1 per cent in 2008 to -0.2 per cent in 2009. The female unemployment rate increased by 1.4 percentage points and the male unemployment rate by 1.0 percentage point between 2008 and 2009 (figure C12). The crisis has affected youth in Brazil, as both the youth unemployment rate and the unemployed youth share of the youth population increased in 2009. The impact was not disproportionate compared to the impact on adults, however, as demonstrated by a drop in youth-to-adult unemployment rate ratio, and a drop in the youth share in total unemployment (table C6).

Figure C12. Unemployment ('000) and unemployment rate, by sex and age group, 2008-09



Source: KILM 6th Edition table 9.

The labour force continued to grow in 2009, although at a slower pace than the average annual rate of the previous years (table C7). The slower labour force growth in 2009 can be due to several factors, including the so-called “discouraged worker effect” whereby laid-off workers drop out of the labour force, and would-be entrants postpone their labour market entry by remaining longer in school given the limited available employment opportunities. The latter explanation in particular is supported by the 2.3 per cent decrease in the young male labour force. A potentially offsetting effect of the crisis would be that economically inactive spouses and family members of workers who lost their jobs may enter the labour force in order to compensate for the lower household income. This effect is difficult to establish, because the increase in labour force is lower than the recent annual average.

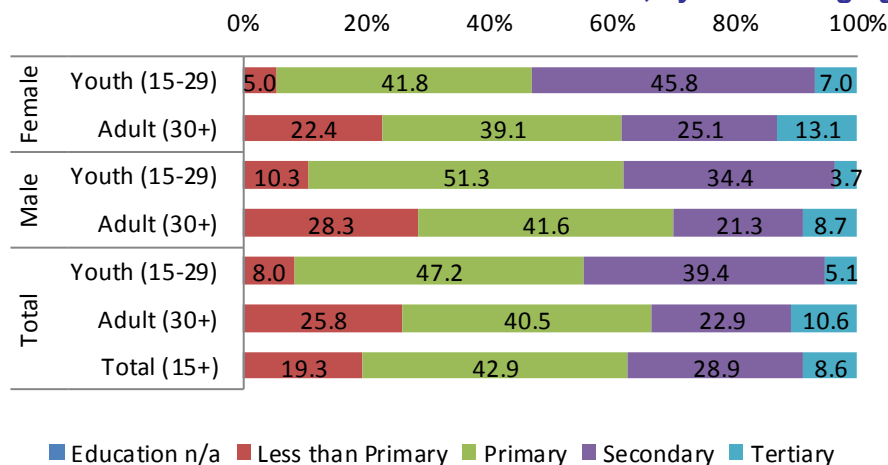
Using monthly data from the IBGE, several ILO publications demonstrate that Brazil's labour market recovered rapidly from this recent crisis. Unlike many other countries, its labour market recovered faster than its output, with employment growth resuming as early as February 2009.² The unemployment rate for six metropolitan areas had returned to its pre-crisis levels by the last quarter of 2009, and was lower than its pre-crisis levels by September 2010.³ Brazil's success in mitigating the crisis impact and achieving a rapid recovery are attributable to both initial conditions (well-designed and effective pre-crisis macroeconomic and social policy) and adequate policy responses to the crisis (restoring the flow of credit, stimulating domestic demand in key employment sectors, expanding social protection measures).

5. Educational attainment of the labour force

The latest available data on the labour force distribution by educational attainment (KILM 14) for Brazil are for 2006, although certain rural areas are not covered (see notes, figure C13). That year, the largest share of Brazil's labour force (43 per cent) had completed primary education, nearly 29 per cent had completed secondary education, and almost 9 per cent had completed tertiary

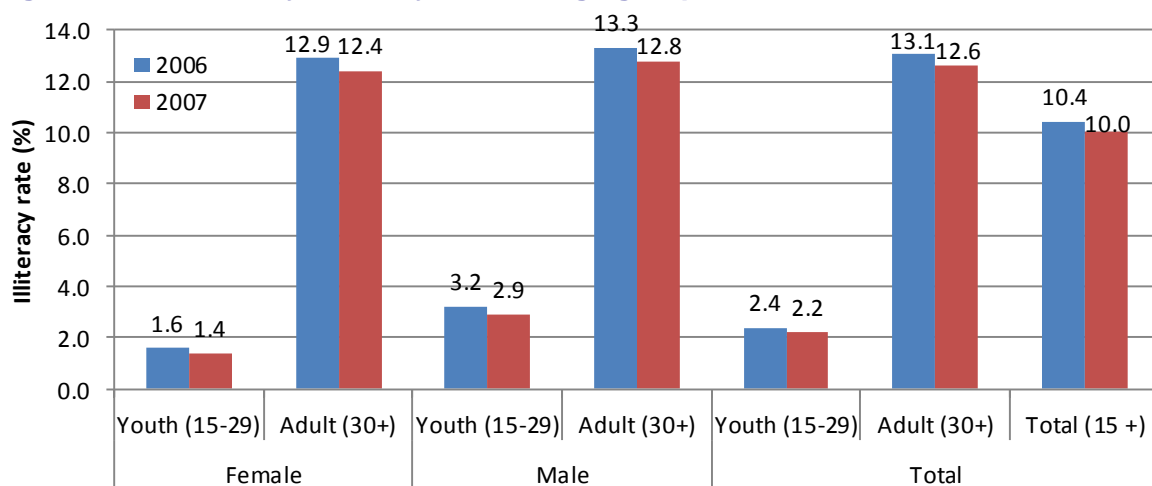
education. Nearly 20 per cent of the labour force, or one out five workers, had less than a primary school education. This latter share was lower among youth (8 per cent of the labour force) than adults (26 per cent), reflecting a positive trend in terms of improved educational attainment over time (younger generations being better educated).

Figure C13. Educational distribution of the labour force, by sex and age group, 2006



Note: Excludes the rural population of Rondônia, Acre, Amazonas, Roraima, Pará and Amapá.
Source: KILM 6th Edition, table 14a.

Figure C14. Illiteracy rates, by sex and age group, 2006-07



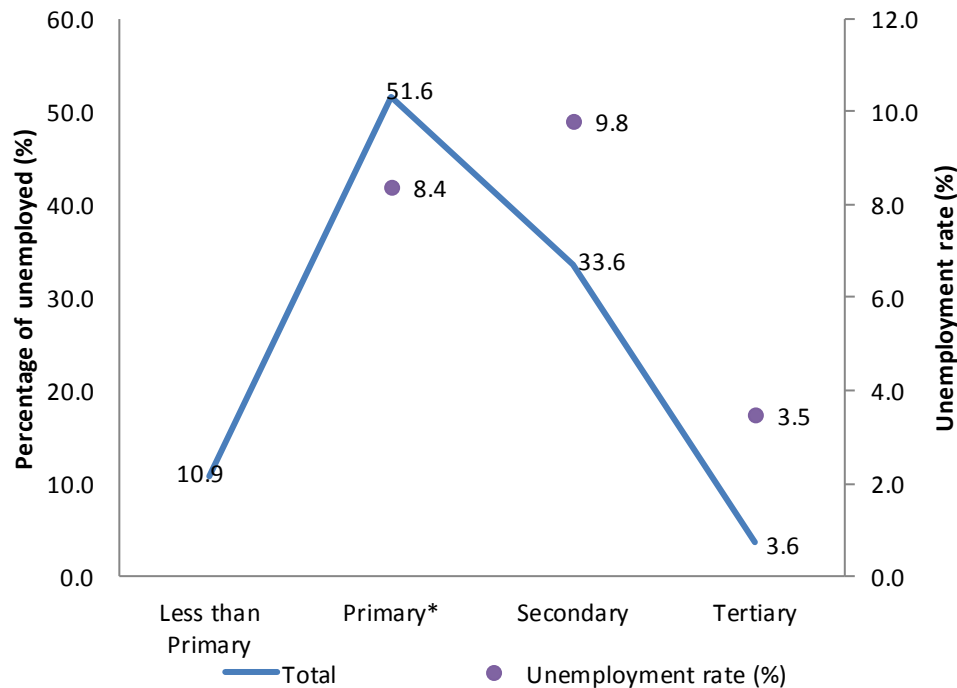
Source: KILM 6th Edition, table 14b.

This trend is also supported by the illiteracy rates. Figure C14 shows that illiteracy rates are declining in Brazil, for both youth and adults and both sexes. Indeed, a major achievement for Brazil was the provision of universal primary education in the late 1990s.¹⁶ The illiteracy rate of the working age population fell from 10.4 per cent in 2006 to 10.0 per cent in 2007.

How does educational attainment affect the chance of being employed or unemployed for men and women in Brazil? Unemployment by educational attainment (KILM 11) is measured along two dimensions: the distribution of unemployed persons by level of educational attainment, and the unemployment rate at each level of educational attainment. The distribution of the unemployed alone is not sufficient to confirm that unemployment is inversely correlated with skills level in Brazil, because this distribution could be a reflection of the labour force's educational attainment distribution. Indeed, there is similarity between the two distributions, such as a high share of those with primary education, but there are differences as well. Figure C15 shows that the unemployment rate is highest for persons with secondary school education (9.8 per cent), followed by persons with primary school education or less (8.4 per cent). This is not unusual, because persons with a secondary school degree may be less willing than those with lower educational attainment to take up any form of employment that becomes available. The lowest unemployment rate is at the tertiary education level (3.6 per cent), indicating little surplus labour for high skilled occupations. To the extent that there is always some level of unemployment ("frictional" unemployment or people "in between jobs"), the low unemployed rate at the tertiary level could even point to a shortage of highly skilled workers.

¹⁶ M. Côrtes Neri: *op. cit.*

Figure C15. Unemployment by level of educational attainment, distribution and rates, 2006



* Unemployment rate for primary level includes primary and less than primary.

Source: KILM 6th Edition, tables 11a and 11b.

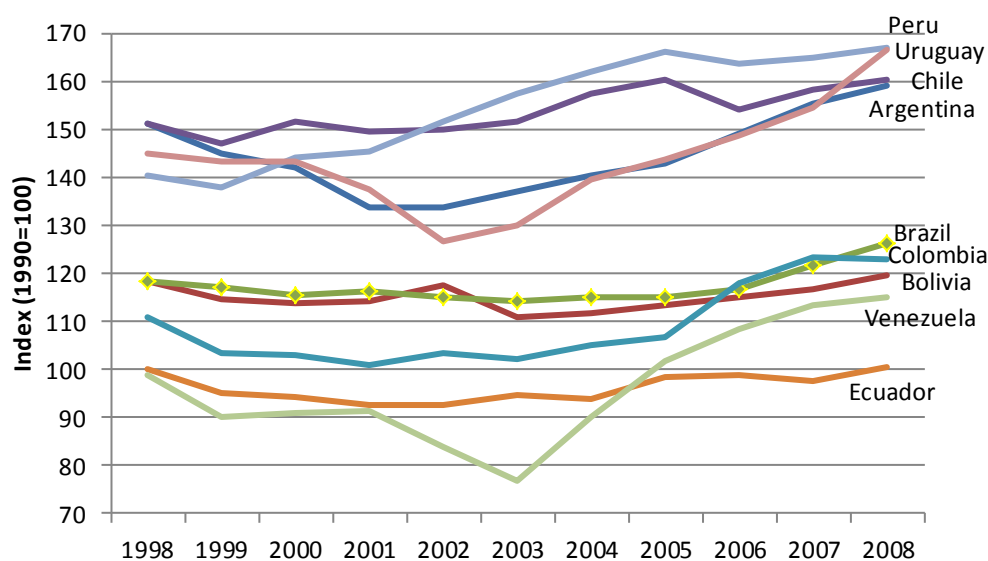
6. Labour productivity and wages

A highly skilled workforce is an important policy objective in and of itself, but also because the labour force's skills level positively correlates with the economy's aggregate productivity. Labour productivity (KILM 18), calculated as output per unit of labour input (persons employed or hours worked), is a key measure of economic performance and efficiency. It is determined by several factors, including the skills and capacities of the workforce ("human capital"), available equipment and machinery (physical capital), technology, institutional and organizational structures.

Labour productivity growth is crucial to improve living standards in the long run, through higher real wages or reduced working hours for the same or higher remuneration. Figure C16 illustrates productivity growth over the 1998-2008 period for selected South

American countries through an index of labour productivity measured as GDP per person engaged for each economy relative to their corresponding 1990 levels. A noticeable feature of the figure is that productivity growth for most South American economies dropped between 1998 and 2002/2003, following the 1999 crisis in Brazil, which spilled over to other countries in the region. With the exception of Chile and Peru, South American economies had a negative average change in labour productivity between 1998 and 2003 (table C8). The most important drops in productivity occurred in the economies that experienced the largest contractions, namely Argentina, Uruguay and Venezuela. A significant growth recovery during the following years led to high productivity growth rates for these countries. Brazil's economy did not experience a negative economic growth rate during the period 1998-2003, but average growth was slow (1.9 per cent) and productivity declined by 0.7 per cent annually.

Figure C16. Index of labour productivity (GDP per person engaged), selected South American countries, 1998-2008 (base year 1990)



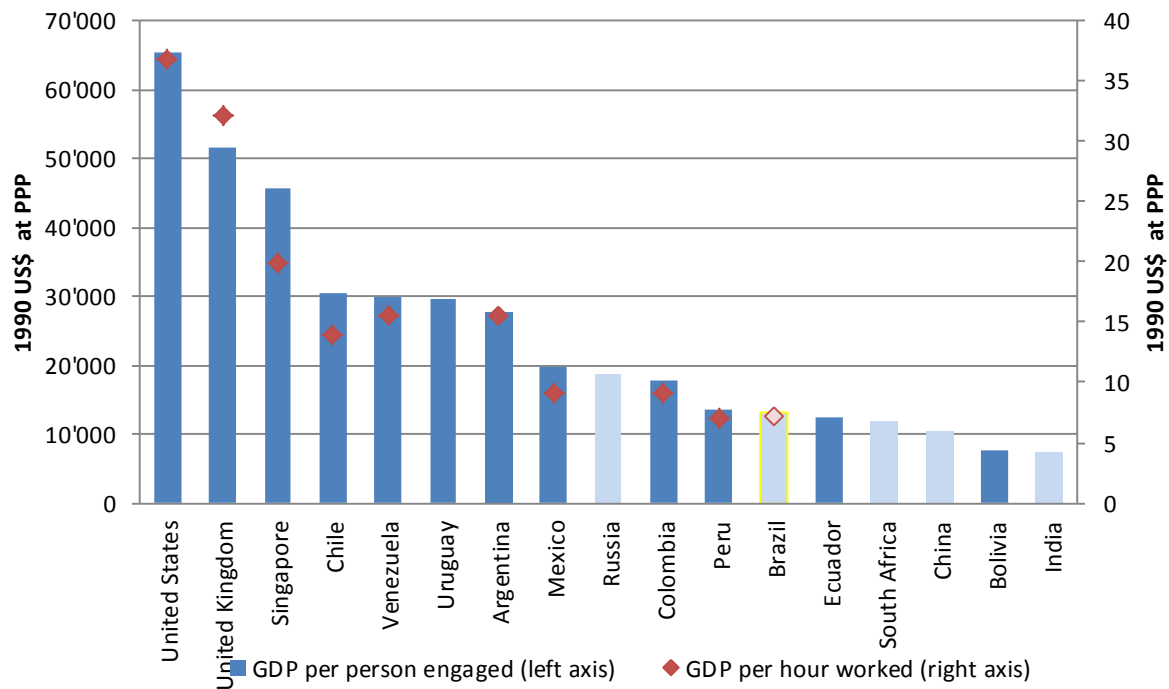
Source: KILM 6th Edition, table 18.

Table C8. Labour productivity levels and growth for selected South American countries, 1998-2008

	Average annual real GDP growth rate (%)			Average annual labour productivity growth rate (%)		
	1998-2003	2003-08	1998-2008	1998-2003	2003-08	1998-2008
Argentina	-2.3	8.4	2.9	-1.9	3.0	0.5
Bolivia	2.0	4.8	3.4	-1.2	1.5	0.1
Brazil	1.9	4.8	3.4	-0.7	2.0	0.6
Chile	2.7	4.9	3.8	0.0	1.2	0.6
Colombia	1.5	5.4	3.5	-1.6	3.8	1.1
Ecuador	2.0	5.7	3.8	-1.1	1.2	0.0
Peru	2.6	7.6	5.1	2.3	1.2	1.7
Uruguay	-2.6	6.3	1.8	-2.1	5.1	1.4
Venezuela	-3.3	10.2	3.3	-5.0	8.4	1.5

Sources: KILM 6th Edition, table 18, and IMF, World Economic Outlook Database, October 2010.

Although Brazil's average productivity growth rate over the 1998-2008 period was comparable to that of Argentina and Chile, the productivity level of the latter South American countries remained more than twice that of Brazil in 2008 (figure C17). A higher productivity growth rate is needed for Brazil to bridge the gap between its productivity level and that of its regional neighbours. Brazil's productivity level was the second highest among the BRICS countries in 2008, but it continued to lag significantly behind developed economies.

Figure C17. Labour productivity, selected countries, 2008 (in 1990 US\$ at PPP)

Source: KILM 6th Edition, table 18.

In addition to more decent working conditions (higher “employment quality”) in terms of a reduction in hours of work for the same remuneration, higher labour productivity is also associated with higher real wages. Real wages, which provide a measure of the workers purchasing power, are an important determinant of their living standards. If labour productivity growth has been slow in Brazil, what has become of real wages?

Unfortunately, wage data for the entire economy are difficult to obtain, but some wage and labour cost indicators are often available, namely those pertaining to the manufacturing sector. The first such indicator that we look at is manufacturing wage indices (KILM 15). Specifically, the nominal wage index for a specific year is obtained by dividing the wage level for that year by the wage level of the base year. The real wage index for a specific year is then obtained by dividing the nominal wage index for that year by the consumer price index (CPI). The CPI, which measures the average change in the price of a fixed basket of goods and services

over time, is a widely used measure of inflation.

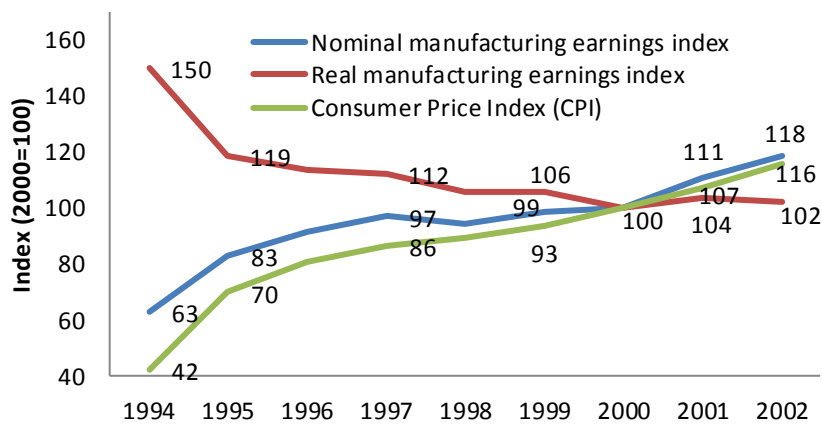
Figure C18a tracks Brazil’s real and nominal manufacturing wage indices, and the CPI used in obtaining the real wage index. Brazil’s real wages in manufacturing have generally declined over the 1994–2002 period. This negative trend indicates that the increase in nominal wages in the sector has not kept up with the increase in price level, such that workers’ purchasing power has declined. Although manufacturing jobs represented only 12 per cent of female employment and 15 per cent of male employment in 2006, these wage and salaried jobs are considered non-vulnerable by analysts and are generally expected to provide decent working conditions and remuneration. Moreover, manufacturing wages have declined for both men and women, such that the wage gap between the two sexes remained more or less stable (figure C18b). Specifically, the male-to-female manufacturing wage ratio was 1.8 in 1994, and had only dropped to 1.6 in 2002.

To get further insight into the purchasing power of workers, we can take a look at a complementary indicator, occupational wage and earning indices (KILM 16). While data on occupational wages are not available for Brazil, there are some data on occupational earnings, which consist of wages, but also other types of remuneration such as overtime pay and bonuses.

Figure C19 illustrates the real earnings index for a number of occupations (when

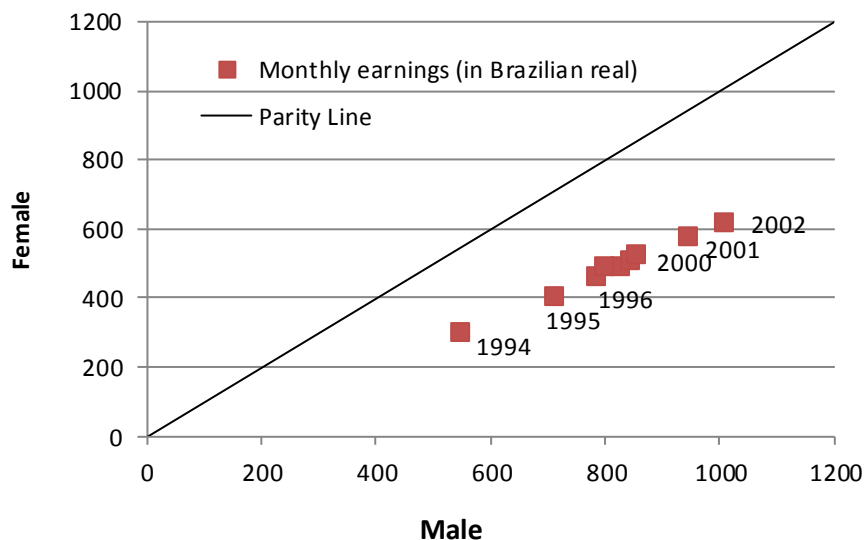
available) for the 1999-2006 period. The index is calculated in a similar way as the manufacturing wage indices (using nominal earnings index and CPI). At least one occupation that is specific to each broad economic sector is represented: field crop farm worker (agriculture), garments cutter (industry) and first-level education teacher and professional nurse (services). The latter two occupations are also likely to be public sector occupations, while most other occupations are mainly private sector occupations.

Figure C18a. Real and nominal manufacturing earnings indices and CPI, 1994-2002 (base year 2000)



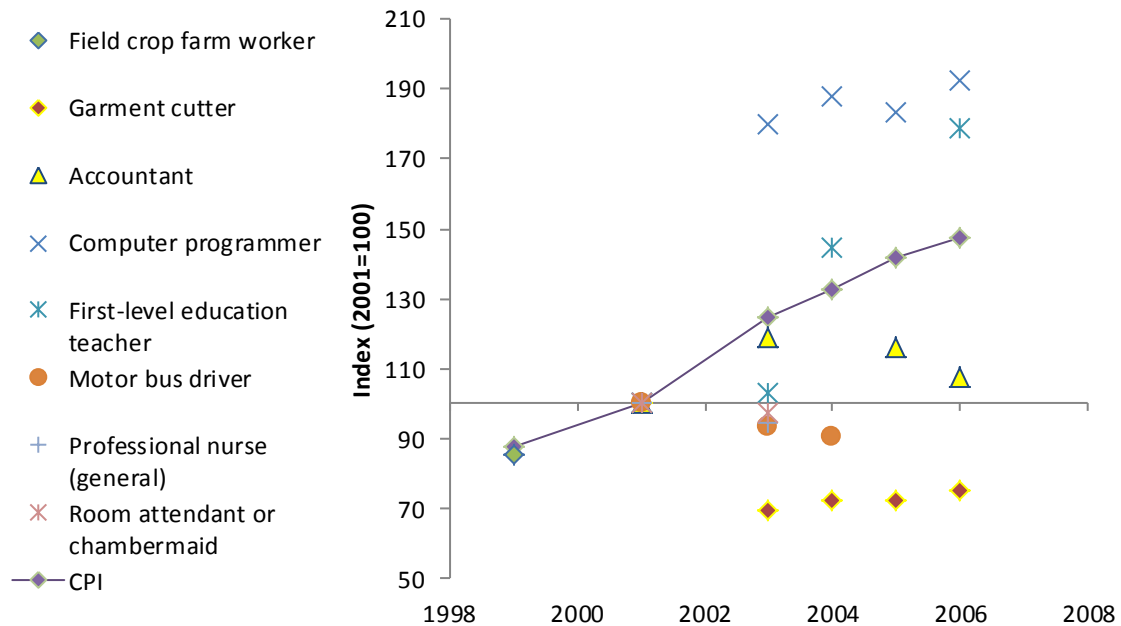
Source: KILM 6th Edition, table 15.

Figure C18b. Earnings per month in manufacturing, by sex, 1994-2002



Source: KILM 6th Edition, table 15.

Figure C19. Real earnings indices for selected occupations, 1999-2006 (base year 2001)



Source: KILM 6th Edition, table 16b.

Among the occupations for which data are available, the higher skilled occupations (computer programmer, first-level education teacher and accountant, all of which require a university degree) are the ones that had higher real earnings during the 2003-06 period, relative to the 2001 levels. Trends in real earnings for these occupations differed, however; real earnings increased consistently for first-level education teachers, remained more or less constant for computer programmers, and generally declined for accountants. Real earnings of garments cutters dropped significantly between 2001 and 2003, increased slowly thereafter, but remained well below the 2001 level in 2006. The significant drop in real earnings of garments workers reflects lower manufacturing sector productivity, and is consistent with a downwards trend in the overall real manufacturing wage index (figure C18a).

In addition to lowering wages and the purchasing power of employees, lower manufacturing sector productivity implies low competitiveness and higher unit labour costs

for employers (KILM 17). The average hourly compensation cost includes both direct pay to employees (gross earnings) and indirect benefits that accrue to them such as employers' contributions to social security schemes, pension plans, insurance schemes, etc., often referred to as "non-wage benefits", or, in terms of employer expenditures, as "non-wage labour costs".¹⁷

Figure C20 presents an index representing the manufacturing hourly compensation costs relative to the United States, for selected countries in 2008. Brazil's hourly

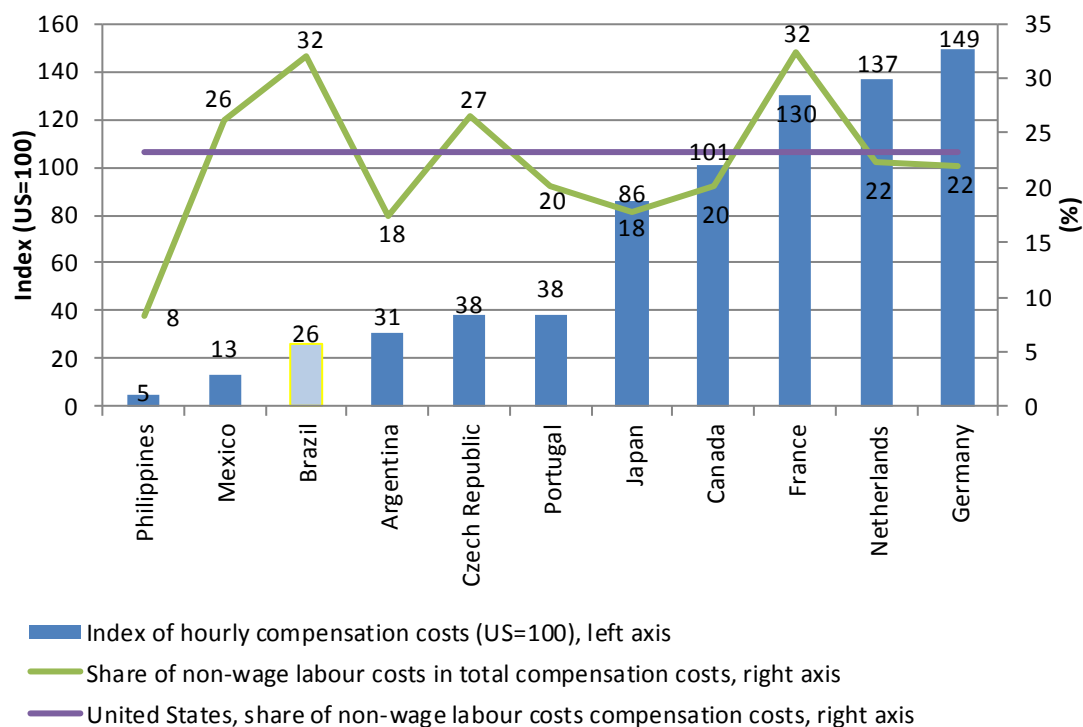
¹⁷ In Brazil, specifically, the cost of labour can be decomposed into four elements: the basic contractual wage (60 per cent), mandatory benefits including annual bonus and vacations (23 per cent), contributions to the official training system, to finance an institution which assists small enterprises and to finance workers' assistance service (2 per cent), and finally, contributions to the federal social security system and an on-the-job accident insurance scheme that is mandatory and proportional to the payroll (approximately 15 per cent), see M. Côrtes Neri, *op. cit.*

compensation costs were low compared to developed economies, but higher than other developing economies such as Mexico and the Philippines. If differences in product range and product quality are limited, the latter two countries would therefore have a relatively more competitive manufacturing sector. However, the relatively higher compensation costs in manufacturing in Brazil may be partly attributable to a larger share of high-tech products (due to a significant aeronautics and aerospace market) than in Mexico or in the Philippines.

Another indicator presented in figure C20 is the non-wage labour costs share in total compensation costs. In 2008, non-wage labour costs represented 32 per cent of compensation costs in Brazil's manufacturing sector, a share

that was equalled by France only, and higher than all other economies featured in the figure. It is important to note that the non-wage labour costs share also depends on the financing structure that exists for social security programmes; the higher the contribution of employers to the programmes, the higher the labour cost share will be. In other words, because the share excludes the government financed programmes (e.g. through general taxation), it is not a measure of the country's overall social protection coverage. Nevertheless, a high share of non-wage labour costs ensures that employees have certain benefits, and may reflect the existence of collective bargaining and social dialogue mechanisms.

Figure C20. Relative hourly compensation costs (US = 100) and non-wage labour cost share in compensation costs (%) for manufacturing employees in selected countries, 2008



Source: KILM 6th Edition, table 17a.

7. Poverty, working poverty and inequality

Have economic growth, employment creation and productivity gains, and social programmes ultimately led to a reduction in poverty levels in Brazil? And what has become of the country's notoriously high income inequality? We now turn to the last, but not least important, indicator: poverty, working poverty, and income distribution (KILM 20).

There are two international poverty lines used in monitoring progress with respect to poverty reduction, namely the US\$1.25 a day and the US\$2 a day, adjusted for purchasing power parity (PPP). The first poverty line is used to monitor the Millennium Development Goal (MDG) of poverty reduction, and the population living below this line is considered to be living in "extreme poverty", while the population living below the US\$2 a day line is said to be living in "poverty". The related concept of working poverty refers to the share of persons who are employed, yet live with

other members of their households under the US\$1.25 and 2 a day poverty lines. The working poverty rate is therefore calculated as the share of workers living (with their families) under the poverty line, divided by total employment.

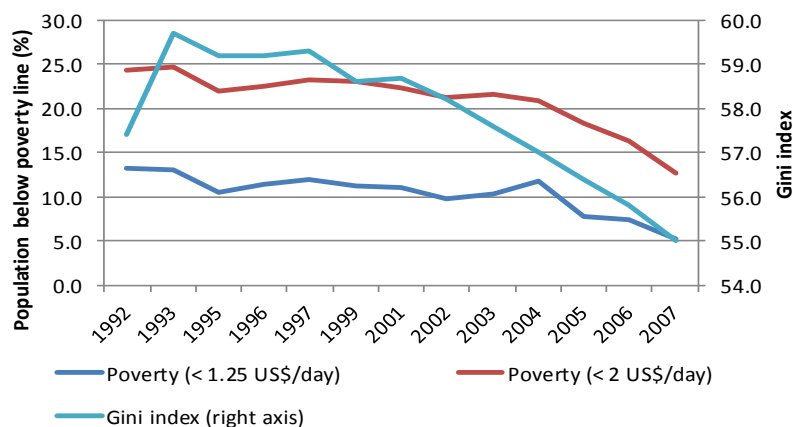
Although the share of the poor in the total population has been slowly declining in Brazil since the early 1990s, and the absolute number of persons living in extreme poverty also decreased, the number of persons living below the US\$2 a day line continued to grow until the early 2000s. Indeed, despite an average annual decrease of 0.3 percentage points, an average of 113,000 persons were joining the ranks of the poor every year between 1997 and 2003 (table C9). During this period, inflation had been controlled, and several social programmes had been developed in the aftermath of the 1999 crisis, such as Bolsa Escola, Bolsa Alimentação and Vale Gás. These policies, implemented during the last years of the Cardoso administration, were subsequently consolidated under one programme, the Bolsa Família, during the Lula administration.

Table C9. Poverty and inequality, levels, rates and change, 1992-2007

		Working poverty				Average annual change			
		1992	1997	2003	2007	1992-1997	1997-2003	2003-07	1992-2007
< US\$1.25 a day	'000s	20,546	19,998	18,880	9,886	-110	-224	-2,248	-711
	(%)	13.3	12	10.4	5.2	-0.3	-0.3	-1.3	-0.5
< US\$2 a day	'000s	37,694	38,829	39,394	24,145	227	113	-3,812	-903
	(%)	24.4	23.3	21.7	12.7	-0.2	-0.3	-2.3	-0.8
Gini index		57.4	59.3	57.6	55.0	0.4	-0.3	-0.6	-0.2

Source: KILM 6th Edition, tables 20a and A.

Figure C21. Poverty, working poverty and inequality, 1992-2007



Source: KILM 6th Edition, table 20a.

Table C10. Working poverty, by sex and age group, 2007

	US\$1.25 a day			US\$2 a day		
	Female	Male	Total	Female	Male	Total
15+	2.7	2.7	2.7	7.0	7.9	7.5
15-24	3.3	3.6	3.5	7.9	9.4	8.8
25+	2.6	2.5	2.5	6.7	7.5	7.2

Source: KILM 6th Edition, table 20b.

Figure C21 shows that the share of poor and extremely poor persons decreased sharply after 2003. Consequently, Brazil has succeeded in achieving MDG target 1A, halving the share of population living under the US\$1.25 a day poverty line, well ahead of the deadline of 2015. Between 2003 and 2007, the number of persons living under the US\$1.25 a day poverty line declined on average by 2.2 million every year, and by 3.8 million a year at the US\$2 a day level (table C9).

Table C10 shows working poverty rates at the US\$1.25 a day and US\$2 a day levels by sex and age-group. Like in many countries, working poverty rates are higher for youth than for adult workers.¹⁸ More remarkably is that working poverty rates are higher for men than for women at the US\$2 a day level, but these rates appear consistent with the differentials in vulnerable employment rates by sex that were highlighted in part 3 above.

In the post-2003 period, the Bolsa Família program coverage was expanded from 6.5 million beneficiaries at the end of 2004, to 11 million families (nearly 25 per cent of the population) by 2006. There is evidence that these policies, which “combine speed and targeting in reaching short-run income outcomes, with conditionalities to reinforce human capital accumulation” have been successful in pulling millions of people out of poverty.¹⁹

Other social policies that have undoubtedly played a role in reducing poverty and working poverty since the late 1990s,

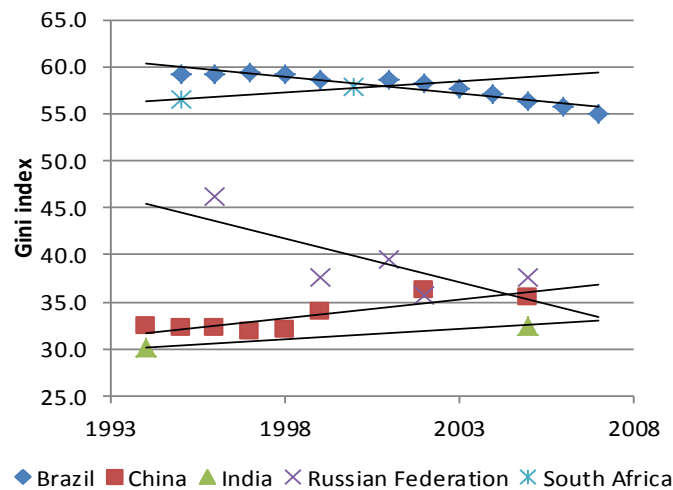
include the reduction of the minimum age for entitlement to the old-age pension system, higher real adjustments to the social security payments floor, and a minimum wage increase, particularly after 2003. Overall, federal social security expenditure has been on the rise in Brazil, going from 6.9 per cent of GDP in 1995 to 9.4 per cent of GDP in 2005. The share of workers that contribute to social security has also increased from 46.8 per cent in 2002 to 52.7 per cent in 2007.²⁰ In addition to the important role that social policy has played, the decline in poverty and working poverty rates between 1992 and 2007 suggest that a larger share of the jobs created were “higher quality” jobs, likely to be in the formal sector.

The poverty reduction that occurred in Brazil over the last decade was accompanied by a reduction in inequality, as measured by the Gini index. The Gini index, a widely used measure of inequality, measures the extent to which a country’s income distribution diverges from a perfectly equal distribution. Inequality in Brazil worsened between 1992 and 1997, as reflected by the Gini index increasing from 57.4 to 59.3. After 1997, however, inequality showed a declining trend, falling particularly rapidly after 2001 (figure C22) and reaching a low of 55.0 in 2007. Brazil is the only BRICS country besides Russia where growth has been accompanied by a decline in inequality since the early 1990s.

¹⁸ See ILO: *Global Employment Trends for Youth: Special issue on the impact of the global economic crisis on youth, August 2010* (Geneva, 2010).

¹⁹ M. Côrtes Neri, op. cit.

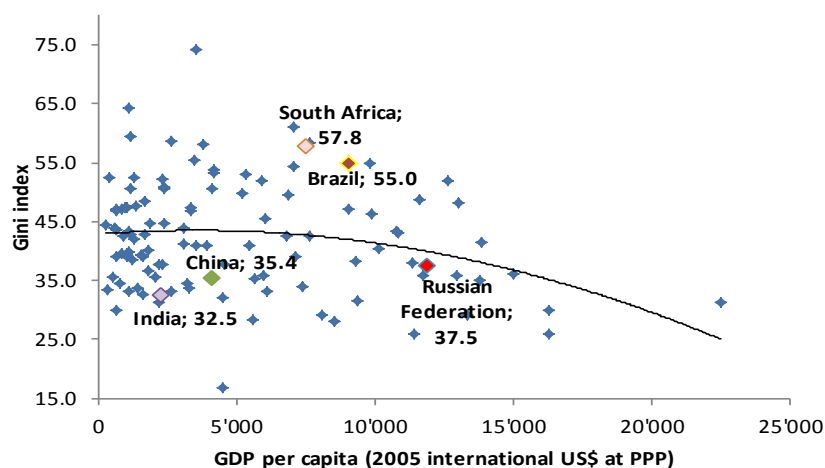
²⁰ DWCP Brazil, 2009, table 9.

Figure C22. Inequality in the BRICS (Gini index, 1993-2007)

Source: KILM 6th Edition, table 20a.

Despite the significant progress, inequality in Brazil remains high. Figure C23 plots the Gini index of all developing countries for which data are available (latest year) against their per capita GDP, measured in constant 2005 international dollars. The figure shows that Brazil still has one of the highest levels of inequality in the world, and that both Brazil and South Africa have considerably higher levels of inequality than the other BRICS countries. Explanations for the high inequality levels in Brazil have been the subject of much debate, and have included factors such as access to land and capital, labour market

discrimination, the impact of inflation and economic cycles, educational differentials and informal employment. Although the reduction in the share of workers in the informal sector should lead to lower inequality, this may be partly offset by an increase in the earnings gap between formal and informal sector workers. In Brazil, the expansion of social programmes, including conditional cash transfer programmes such as Bolsa Família, has undoubtedly played a role in reducing inequality, though to a lesser extent than in reducing poverty.

Figure C23. Gini index and GDP per capita (2005 international US\$ at PPP), available for developing countries, latest year

Sources: KILM 6th Edition, table 20a and The World Bank, *World Development Indicators*, 2009.

8. Conclusions

This section consisted of a detailed analysis of Brazil's labour market situation, trends and developments since the early 1990s. We found that the 1990s were marked by several macroeconomic challenges (high inflation, a currency crisis and volatile economic growth), which impacted on labour market outcomes. Specifically, unemployment increased, as did the number of working poor and income inequality. In the aftermath of the 1999 crisis, however, macroeconomic indicators improved and a number of social policies were implemented that set Brazil on its way to sustained economic growth, employment creation, and a reduction in poverty and inequality.

The most recent economic crisis caused a setback in terms of economic and labour market outcomes, but Brazil's recovery has been rapid. With an estimated GDP growth rate of 7.5 per cent in 2010,²¹ Brazil has been leading the global economic recovery, alongside other emerging economies. Although labour market recovery often lags behind the recovery of GDP growth following economic crises, monthly data suggest that in Brazil's case, labour market recovery has been even faster than economic recovery, with employment growth resuming as early as February 2009. Adequate economic and social policy responses to the crisis in Brazil helped mitigate its labour market impacts.

Women have made substantial progress on the labour market front in Brazil, seizing a good share of newly created jobs. Women have been largely responsible for the increase in labour force participation and the increase in employment-to-population ratio in the country. Although a majority of women are employed in the services sector, the share of wage and salaried employment in total female employment has increased, while the share of own-account workers in total female employment has decreased. This suggests that

women are increasingly taking on less vulnerable and more decent employment.

Despite significant progress at the national level during the 2000s, there remain important differences with respect to some key labour market indicators across different groups of Brazilian society. For instance, black people remain disadvantaged in terms of access to decent employment opportunities, as reflected by both a higher unemployment rate and higher informal employment rate. Informal employment also remains more widespread in rural areas.

Young men emerged from our analysis as a group to be monitored and perhaps targeted by employment policy. If young men are foregoing employment to remain in school, then a decline in their labour force participation is not alarming, and may even be desirable. However, if they are dropping out of the labour force because of a difficulty in finding employment, then this is more problematic. In such a case, specific policy measures to promote youth employment would be needed, including policies to address a skills mismatch between labour supply and labour demand for instance.

²¹ IMF: *World Economic Outlook* (Washington, D.C., April 2011).