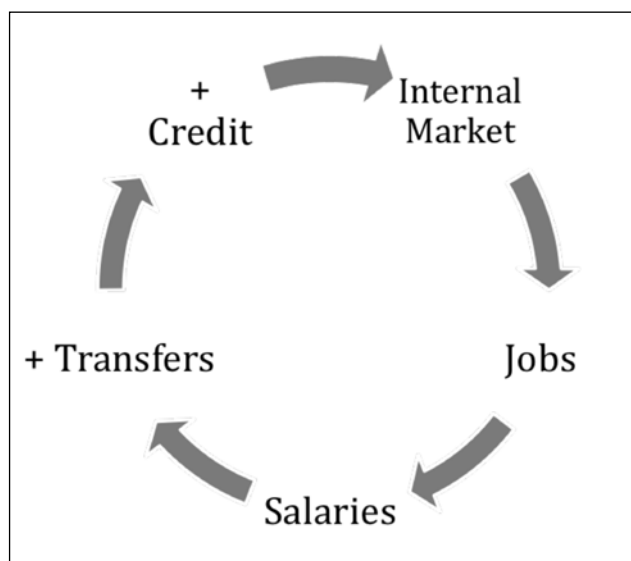


Economic transformation in Brazil

The economic transformation brought by former Brazilian president Lula da Silva's policies has caught the imagination of many. However, the achievements came out of hard work and were not smooth sailing, says **Giorgio Romano** who spoke at a roundtable on comparing Brazil and South Africa that was organised by the Chris Hani Institute in Johannesburg, writes **Elijah Chiwota**.

The Lula model is based on economic policies that stimulate a cycle as shown below.



According to Romano, professor at Universidade Federal do ABC, the Lula model was built between 2003 and 2006, when the Brazilian government moved away from orthodox macro-economic policies that focused mainly on the markets and profits, and replaced them with heterodox policies that dealt with transforming government institutions and how they operated.

Economic policies from 2007 to 2010 emphasised fiscal and monetary stimulation to accelerate economic growth

and this led to an increase in social transfers and stronger real increases in minimum wages. Romano says between 2003 to 2006 minimum wages increased by 19% followed by 31% during the period 2007 to 2010.

This period was succeeded by 'the reinvention of a development state' from 2006 to 2011. Says Romano: 'From 2011 to 2012 the policies focused on fixing interest and exchange rates so as to promote development. However, the results of these policies will only be seen when the economic performance for 2012 is analysed.'

To avoid bad international ratings, the first Lula administration opted not to confront markets. Rather, it focused on fixing the macro-economy in such a way that it would be able to sustain the expansion of social policies (Bolsa Familia). This increased minimum wages and the expansion of credit.

'Therefore, it can be seen that economic policies from 2003 to 2006 were aimed at reducing the public debt and increasing the gross domestic product (GDP). The government also wanted to increase the value of its external account by increasing its trade balance and foreign direct investment. External reserves grew from US\$55-billion in 2005 to US\$378-billion in 2012', says Romano adding that the government also wanted to pay its debt of US\$23,3-billion to the International Monetary Fund.

During this transformation the state played a central role by introducing strategic investments and industrial policies that supported its programmes. The following tables show some of the changes that took place in the Brazilian economy.



Giorgio Romano speaking at the Chris Hani Institute roundtable in Johannesburg.

New developmentalism

Annual variations	1995-1998	1999-2002	2003-2006	2007-2010
Increase GDP	2,5%	2,1%	3,5%	4,4%
Investment	4,3%	-2%	4,5%	8,6%
Public Investment	2,21%	1,6%	1,52%	2,56
Credit/GDP	30,3%	25,4%	25,4%	40% (2010: 49%)
Inflation (IPCA)	9,7%	8,8%	6,4%	4,8%
Job creation (formal contract)	-296.000	454.000	1.163.000	1.466.000
Real increase in minimum wage (total for period)	17%	15%	19%	31%

Unemployment/job creation and GDP

Year	Unemployment	Jobs created	GDP	GDP/capita
2003	12,3%	861.014	1,1%	-0,2%
2004	11,4%	1.862.649	5,7%	4,3%
2005	9,8%	1.831.041	3,2%	1,9%
2006	9,9%	1.916.632	4%	2,7%
2007	9,3%	2.452.181	6,1%	4,9%
2008	7,8%	1.834.136	5,2%	4,1%
2009	8,1%	1.765.980	-0,6%	-1,6%
2010	6,7%	2.860.809	7,5%	6,5%
2011	6%	1,566,000	2,7%	1,7%
2012	5,5%	1,300,000	1%	nd

Precarious development model

William Matiaia



Lula's development model is built on cheap and unskilled labour and workers' consumption, writes **Ruy Braga** (left).

TRANSFORMATION: 1980 TO 1990

How can one explain this change in strategy by one of the biggest and most important leftist political parties in Latin America? In fact, the victorious election of the former steel operator as president of the republic was the climax of decades of profound transformation, both of the capital accumulation regime, and of regulatory processes in Brazil.

To comment briefly, despite having achieved relative success for approximately one and a half decades, the authoritarian regime saw themselves trapped in flagrant crisis at the end of the 1970s. With the redemocratisation of the country, the attempt to replace democracy with neo-populist regulations supported by a 'social pact' with the new trade unionism proved impossible.

However, the electoral victory of Fernando Collor, in 1989, meant the transition to a neo-liberal agenda. From then onwards, the regime of accumulation became subject to continuous structural adjustments (outsourcing, privatisation, financialisation), which eventually led to post-Fordism in the country.

Despite the improvement of regulatory processes led by Lula's bureaucracy, this accumulation regime was easily consolidated in the decade commencing in 2000.

From a critical sociological perspective, we can safely state that the most influential study of post-Fordism in Brazil was that of sociologist Francisco de Oliveira.

NEW SOCIAL CLASS

In his study, after revisiting the United Nations Economic Commission for Latin America's (CEPAL) theory on the underdevelopment of Brazil, Oliveira put forth his famous hypothesis on the emergence of a 'new social class' in the country. This class is based on the links between the highest echelon of complementary social security fund managers and the trade union elite that sat on the boards of directors of the same funds.

According to Francisco de Oliveira: at the moment when the 'intellectual and moral direction' of Brazil's society seemed to move in favour of the lower classes, having elected Lula's trade unionist bureaucracy (2002) to lead the state, the bourgeoisie revealed itself more robust than ever.

Oliveira called this strange 'transformist' phenomenon in which the 'underdog' seemed to be leading the state according to a programme devised by the 'upper classes' an 'inverted hegemony'. This meant that the political, intellectual and moral victories of the 'underdog'

As could have been expected, the presidential election of the most important trade union leader in Brazilian history, Luiz Inácio Lula da Silva, as well as his rise to federal power as leader of the Partido dos Trabalhadores (PT) (Worker's Party), attracted world-wide attention, particularly of those interested in the country's history and evolution.

However, the hope that the new government would distance itself from neo-liberal policies adopted by previous governments immediately gave way to scepticism.

This was caused by the new government's decisions to uphold the central bank's operational autonomy and to maintain very high percentages of basic interest rates.

Furthermore, government maintained the existing inflationary target policy as well as fluctuating exchange rates. Reforms increased the number of years that civil servants contributed to the state pension fund and also reduced their benefits. This left many who had placed their hopes for change in a PT government somewhat perplexed.

were strengthening the exploitation present in labour relations, in favour of the 'upper classes'.

Almost immediately after Lula's victory in 2002, PT's government solidified and amplified the income distribution programme known as 'Bolsa Família', changing the social fight against poverty into a problem of public policy management. For Oliveira, Lula da Silva's government trivialised poverty by changing it into an administrative issue.

ELECTORAL RE-ALIGNMENT

Reacting to Oliveira's provocations, André Singer defended that the 'Bolsa Família' programme had in fact ensured the adherence of the most impoverished sectors of Brazil's lower classes to PT's plans.

According to Singer, as from May 2005, that is, during the 'Mensalão' (monthly bribes paid to congressmen) period, Lula's government lost significant numbers of supporters, which it had managed to gain in 2002 in middle-income urban centres, to the opposition.

However, attracted by federal public policies, the most impoverished sectors of Brazilian voters, who had traditionally distanced themselves from Lula da Silva, became more attracted to his government, and in a movement known in political science as 'electoral re-alignment' they decided to re-elect Lula in 2006.

CONSUMER DESIRES OF POOR WORKERS

According to André Singer, by satisfying the consumer desires of millions of poor and excluded workers through his federal public policies, 'Lulism' was pleasing Brazil's 'subproletariat' (those workers who earn up to 1.5 minimum wage), thus legitimising PT's conversion to financial orthodoxy.

So, Lula da Silva, as leader of a stagnated and impoverished mass, had managed to create a new social force, which had the potential to become progressive.

Where Oliveira saw the risks of a widespread depoliticisation of the lower classes by Lula's hegemony, Singer identified a type of 'escape for the struggling classes' implemented top-down by a 'son born of the entrails of the North Eastern sub-proletariat'.

To summarise, Brazil's sub-proletariat was satisfied with the gradual improvement of their material conditions, as made possible by Lula da Silva's two terms in office.

LULIST HEGEMONY

In our opinion, both Oliveira and Singer have unravelled distinct aspects, albeit complementary ones, of today's 'lulist hegemony'. Oliveira emphasised the absorption of social movements, particularly of the trade unionist movements, into the state's apparatus and into pension funds. While Singer focused on the seductive electoral effect of the success of wealth distribution public policies that have ensured the visible deconcentration of income among those who depend on the fruits of their labour.

Furthermore, the extension of the 'Bolsa Família' programme together with real increases in the minimum wage and access to mass credit have interacted with economic growth, thus strengthening the formalisation of Brazil's labour market (in 2010, 54.7% of all service agreements were protected by labour law) to the point of surpassing the historical peak of formal work attained in the second half of the 1980s.

However, of those 2.1-million new jobs created each year, about 2 million (94%) provide workers with a salary which is only 1.5 times the minimum wage (US\$500 per month in 2013).

It is obvious that these workers are unable to save. In other words, all the money that entered the base of the remuneration pyramid during the last decade was immediately converted into mass consumption.

This new consumption pattern does not rest on the laurels of

productivity made possible by national industrialisation. The truth of the matter is that for the last decade Brazilian enterprises have not seen any real gains in productivity.

The new consumption pattern rests mainly on economies of scale ensured by a few economic sectors that largely employ unskilled workers: banking, mining, oil, agro-industry and civil construction. The economy has grown at the cost of a deteriorating processing industry (contributing 27.8% to GDP in 1994, and only contributing 14.5% to GDP in 2010).

POST-FORDIST LABOUR DYNAMICS

Until the middle of the 1990s, the country's job creation drive focused on creating jobs which were remunerated three to five times the minimum wage, with industry contributing 40% of new jobs.

Then, between 1994 and 2010, labour dynamics changed, focusing primarily on the services sector: 70% of new jobs were to be found in this sector.

Therefore, the mass of unemployed workers created between 1994 and 2002 was reabsorbed by the services sector but in underpaid positions (where they earned 1.5 times the minimum wage). This meant that the portion of workers in this salary bracket increased to 60% of all jobs in the country.

However, the minimum wage increase to above the inflation rate simply translated into a toughening of conditions of employment for the commodity known as the labour force.

In the decade of 2000, the country's worker turnover increased by 9% (from 34% in 2001 to 39% in 2010) with a marked presence of workers at the bottom of the remuneration pyramid: for those earning between 0.5 and 1.5 times the minimum wage, the turnover rate increased to 86% in 2009 - that is, an increase of 42% as compared to 1999.

To make matters worse, between 1996 and 2010 the outsourcing rate increased by 13% per year.

In addition, there was a flagrant feminisation of the labour force as women filled 60% of the vacancies created during the decade of 2000. There was also an increase in the mass of salaried young, non-white workers (70% of vacancies) and in workers who had completed their secondary schooling (85% of vacancies).

Interestingly enough, despite all this transformation in the market, the largest Brazilian occupational group comprising 7.2-million workers, i.e. the domestic workers group, only registered a slight decrease in casual workers, falling from 75% in 1999 to 73% in 2009.

Besides the resilience of casual domestic work, another fact requires attention: the ageing of this labour force. In fact, between 1999 and 2009, the largest age group advanced from the 20-30 to the 40-50 year category.

SAO PAULO'S CALL CENTRES

The ageing of the labour force leads us to another story: attracted by innumerable formal work vacancies in the services sector in the 2000s, daughters of domestic workers were employed in the telemarketing sector in their thousands.

In fact, this was the sector that employed the largest number of non-white women and casual youth during the last decade, thereby guaranteeing them access to social rights, a technical skill and allowing them to finish their studies at night universities.

However, the toughening of targets, the routine nature of the work, the despotism of operational coordinators or managers, the low wages, the companies' total neglect of ergonomics and workplace temperatures, lead to illness and lack of interest in the work.

Therefore, at some stage, the dissatisfied teleoperator stops 'bringing results', which leads

to dismissal and substitution by another, who is subjected to the same cycle.

After all, the accumulation of experience in the call centre industry and the permanent mobilisation of labour have resulted in workers who are critical towards their employers.

Despite the difficulties imposed by the telemarketing sector on collective bargaining, there has been a progressive increase in unionist activities since 2008, especially.

Although trade unions in the sector have acted as a complementary front to the federal policy, we have nonetheless witnessed the frequent occurrence of strikes in São Paulo's call centre industry from 2008 to 2011.

LIMITED CONCESSIONS

After all, although recent expansion in credit access and increases in mass consumption have had positive effects on the president's popularity, such factors no longer impress journalists and economic researchers. However, the negative consequences of the post-Fordist development model have not been considered by Lulist analysts. In reality, a close analysis reveals the limited nature of concessions made to workers by the post-Fordist development model.

After all, the very policy that federal government has undertaken since 2006, with a view to increasing the minimum wage above the inflation rate, serves to illustrate the precariousness of the remunerated working class in the country. For the purposes of comparison, it is important to note that the Dieese calculates that the decent minimum wage, which would allow workers to cover basic household expenses such as food, housing, health, education, clothing, transport and leisure, as provided for in the Federal Constitution, should be US\$1,300.00 (September 2012). However, the current (2013) minimum wage is US\$340.

To sum up, the current post-Fordist accumulation regime has crystallised into a despotic one, causing general dissatisfaction among the lower classes. Meanwhile Lulist resolution of conflicts with workers is showing signs of fatigue.

It is sufficient to remind ourselves of the widespread interruptions, strikes and worker demonstrations that occurred between March 2011 and May 2012 in the civil construction sector, causing mayhem in many of the projects being carried out under the Federal Government's Accelerated Growth Programme (PAC).

CONCLUSION

By accompanying the creation of a post-Fordist precariat in São Paulo's teleservices sector we have come to a good understanding of both sides of the current development model: access to social rights, but at the cost of low wages and precarious working conditions.

Actually, the combination of economic growth with federal government public policies broadened the base of the Brazilian 'wage pyramid'.

However, the current accumulation process in Brazil is based on the financial industry, mining, oil, agribusiness and civil construction. All these sectors pay low wages, imposing harsh working conditions to workers.

The relationship between the 'lulism' (lulist regulation) and a despotic regime of accumulation is getting more and more problematic, revealing the limits of a model of development based on cheap and unskilled labour. ■

Ruy Braga is author of A politica do precariado: do populismo a hegemonia lulista. This article is based on a presentation he made at the roundtable comparing Brazil and South Africa organised by the Chris Hani Institute in Johannesburg on 7 February 2013.