

Brazil

Growing and uplifting the poor

For the left, it is Venezuela's achievements that ring out. But another country in Latin America, Brazil has also been making steady progress in uplifting the lives of the poor. **Gay Seidman** investigates how President Lula's Workers' Party (PT) has achieved some impressive improvements.

In 2003, when the Workers' Party Lula da Silva was first inaugurated as president of Brazil, unionists around the world celebrated. But during Lula's first years in office, leftists criticised his apparent bowing to global pressures. Even members of his own party believed that in order to win the election, the party leadership had abandoned its proud past as a militant voice for workers and their families, and they feared that little had changed for Brazil's poor.

But as Lula heads into the final years of his two-term presidency, his critics' tone has shifted. Under the Workers' Party (PT), inequality in Brazil, once as high as inequality in South Africa, has been significantly reduced.

Until the recent global downturn, Lula's government managed to sustain moderate growth rates, and government policies have ensured that the real incomes of Brazil's poor have risen faster than those of the country's wealthier households. In 2006, the incomes of the poorest 50% of Brazilians grew at a rate of 12%, double the national average of about 7%.

Absolute poverty has been especially affected by government policies. Over the six years Lula has been in office, the number of households with incomes below Brazil's poverty line has been

significantly reduced compared to the presidency of Lula's predecessor, FH Cardoso. Between 2001 and 2006 under Lula's government, incomes of the poorest 10% of Brazilians rose by a total of about 57% – about eight times the national average for the same period.

NEW PRAGMATISM

These pro-poor shifts have not involved challenges to international business pressures. Lula's government has been careful to maintain rather moderate macro-economic policies and economic stability, to avoid frightening investors.

Conservative economic voices continue to insist that the country would grow even faster if it reformed its complicated tax rules or relaxed its labour laws even further. But most business observers and some leftists view Brazil's current regime as far more business-friendly than they might have expected given the party's history.

In general, the PT has maintained the previous government's business friendly stance, supporting investors with government-backed loans, and encouraging continued expansion in the agro-export sector.

Many critics accused Lula of bowing to international pressures by sustaining the neo-liberal



Ricardo Stickert

Lula da Silva

policies that had tamed Brazil's galloping inflation during the 1990s when it went through a difficult period of adjustment to a competitive global economy. But more sympathetic observers suggest that Lula's economic moderation reflects a new pragmatism among party activists, based on their experiences as elected officials in the last two decades as local party branches took power at the state and city level.

By 2004, some 10 000 PT activists were serving in municipal councils and governorships across Brazil. Elected PT activists, and those hired to work as staff members for PT legislators, were required to donate



The PT has strengthened workers' rights in formerly neglected rural areas.

a share of their salaries to the party coffers. These experiences of governing at the local level apparently led many PT activists to seek pragmatic solutions to everyday urban problems, rather than stick with the broader ideological stances that once dominated party debates.

SOCIAL PROTECTION PROGRAMMES

With this new pragmatism, how has the PT addressed poverty?

First, the PT has massively invested in programmes aimed at helping the poorest Brazilians. This it has often done by expanding the budget of programmes created under previous administrations, often presented in non-controversial terms like increasing education for all Brazil's children, or providing health care.

Perhaps the most famous of these programmes has been the Bolsa Familia, or Family Stipend. In the late 1990s, Cardoso's government instituted means-tested payments for poor households, including, mostly famously, a programme that offered poor families a small cash payment if their children attended

school regularly. Other programmes subsidised food and gas for poor households.

Finally, Brazil has expanded health care for its citizens, including free antiretroviral medicines for anyone found to be HIV-positive. Many health experts argue that this programme has helped the country control the spread of AIDS, by encouraging AIDS patients to get testing and counselling as well as treatment.

Since Lula's election, Brazil's government has greatly expanded these programmes, unifying them and increasing the budgets for programmes that are especially important for improving the lives of the country's poorest citizens.

Between 2003 and 2006, the central government nearly doubled its annual budget for cash-transfer programmes, to R\$6.39 billion. The impact on poverty has been dramatic.

By 2006, it was estimated that Bolsa Familia provided immediate cash resources to 99.9% of households whose monthly per capita income was less than R\$120 per month, giving each family an average

payment of R\$61 per month.

With relatively little fanfare, the PT has created surprisingly strong social protection programmes in a country that has never had a real safety net for its many poor families.

EXPANDING & ENFORCING RIGHTS

A second leg to the PT's 'pro-poor' strategy has been its emphasis on government enforcement of citizens' basic rights. As one observer puts it, since 2003, poverty alleviation programmes have been accompanied by "a new rights-based approach to social protection which has fortified a direct relationship between citizens and the government."

The PT has actively sought to strengthen workers' rights, especially for Brazil's poorest workers, through raising the minimum wage and then through ensuring that legal minimums are actually paid. This has applied equally to the kind of poor and illiterate workers in rural areas who in the past have been firmly neglected by the country's central government.

Lula's government has nearly doubled the legal minimum wage, a trend that is of real consequences to poor and rural workers. Raising the minimum wage clearly expands poor Brazilians' purchasing power, since most wages are calculated in multiples of the minimum wage.

Equally important, the PT has invested government resources into strengthening labour law enforcement, significantly expanding the reach and budget of the Ministry of Labour.

The most widely publicised component of this has been the work of a special government task force on slavery and unpaid labour, which focuses on the tens of thousands of Brazilians, mainly in rural areas, who work without pay, often trapped in debt peonage.

It was first created under Cardoso in 1995, and then the anti-slavery

task force was dramatically strengthened after Lula's inauguration. The Ministry of Labour announced it would hire and train another 650 new inspectors, with good salaries and new authority.

Soon, it created a special 'mobile inspection group', bringing labour inspectors, federal police, and prosecutors together. It also strengthened penalties, requiring employers caught with unpaid workers to pay their former workers all back wages and taxes, and threatening to cut off offending employers from future government loans, subsidies or tax benefits.

The results have been impressive. In 2003, the agency freed 5 223 workers, as many as had been freed in the previous seven years. In each year since, between 4 000 and 6 000 workers have been freed, mainly on the large farms and businesses that dominate Brazil's agro-export sector.

The Minister of Labour has promised that efforts will be stepped up this year, since another 25 000 Brazilians are still estimated to be working under conditions the ministry considers to be a form of slavery.

This beefed-up enforcement pattern has created real pressure on employers to improve the treatment of their lowest-paid workers and it has almost certainly created an upward pressure on wages in the lowest-paid segments of Brazil's labour market.

In addition, Brazil's Labour Ministry has been increasingly attentive to labour violations across the country, from iron ore mines and fireworks factories in Minas Gerais, to auto-parts factories near Sao Paulo.

In a country where employers could once expect that their dealings with their workers would never be scrutinised, there seems to have been a sea-change. While there is certainly variation in the inspectorate's effectiveness, employers who violate labour laws can expect to face real sanctions.

Perhaps these trends help explain another surprising piece of data from Brazil: under Lula's presidency, Brazil has experienced a steady increase in formal-sector employment.

There is a growing tendency for employers' to comply with basic labour rules, since 'formal' sector employment is by definition more likely to be regulated than informal

sector work. But perhaps even more importantly, in terms of inequality and poverty-reduction, formal sector employment in Brazil involves legal obligations for employers, including taxes, plus contributions to social security, health and pension funds. This means that increased enforcement of workplace rules further strengthens the safety net protecting poor workers and their families.

CONCLUSION

Though these trends seem clear, Brazilians are left with important questions. Will these programmes persist after Lula's presidency, which reaches its constitutional limit in 2010? Will the next government show the same commitment to funding cash transfers and enforcing social protections? Will the new discoveries of petroleum off Brazil's coast change the government's focus?

For outsiders, however, a different set of questions jump out. How has Brazil managed to simultaneously sustain economic growth while increasing the share of income for poor households? Could a country like South Africa follow a similar strategy, by expanding social welfare payments and enforcing labour laws?

There are obvious differences between the two countries. Not least is the Brazilian government's tighter controls over capital movement, and the South African economy's greater dependence on mineral exports, but the recent data from Brazil cries out for further investigation and discussion. LB

Gay Seidman is professor of Sociology at the University of Wisconsin-Madison. This is an edited version of a paper presented at a symposium on the retirement of Professor Eddie Webster at the University of the Witwatersrand in July 2009.

Proportion of Brazilians below the poverty line

