

# PERSPECTIVES

## Invited article

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## THE FUTURE OF WORK IN BRAZIL: LOOKING AFTER INSTITUTIONS

### INTRODUCTION

Any reflection on the future must address the passage of time. Therefore, the most important conditions of the present must be minimally delimited to speculate and project probable scenarios. However, understanding what is most relevant at present is an arduous task. The public and private management world is struggling with this issue, attempting to anticipate the possible scenarios and shape the future through planning.

Despite the technology available for data processing, the search for predictability or for reducing uncertainty remains a task comparable to the feat of Sisyphus rolling the boulder up the hill. When we suppose that the search is complete by the arrival of the future, we realize that the present continues to be full of doubts. In that moment, our boulder rolls down the slope again.

Just as Sisyphus endeavors to roll the boulder up the hill, we constantly reflect about the future. This article uses Gazi Islam's work, which also included in this issue and section of *RAE*, to share similar concerns presented there. The author observes the international scenario and indicates three arenas where significant struggles will take place in the future of work - limits, solidarity, and the gains derived from work. He also suggests implications regarding the space and time of the positioning of work; the arrangement of work in production and society; and the economic *status* of work. This study reflects on the future of work in Brazil based on an aspect common and transversal to the three arenas indicated by Islam (2020)— the importance of public policies, and ultimately, of the institutions of regulation and support available to work in the country.

From the perspective of public policies and international labor institutions, privileged spaces such as those of the International Labor Organization (ILO) have been primarily aimed at highlighting the old and new tensions resulting from the progress of economy on a global scale. In this context, with a comprehensive scope, the ILO's decent work agenda has been propagated for over 20 years seeking to promote access to labor markets, equal opportunities, and social dialogue as a way to enable these objectives (International Labor Organization, 2019). In Brazil, the issues raised by global competition and technological transition have led to the establishment of national innovation policies, which are aimed at promoting the development of compatible human capital, and reaching the world of work in countries such as Germany, United States, and China (Arbix, Salerno, Zancul, Amaral, & Lins, 2017).

In addition to the basic questions presented by Islam, the discussion on the future of work in Brazil currently encompasses extremely challenging conditions for public policies and their institutions.

**WILSON APARECIDO COSTA  
DE AMORIM<sup>1</sup>**

wamorim@usp.br

0000-0002-0983-1447

<sup>1</sup> Universidade de São Paulo, Faculdade de Economia, Administração, Contabilidade e Atuária, São Paulo, SP, Brazil

The first aspect includes the effects of the prolonged economic crisis that affected the Brazilian labor market from mid-2014 to early 2020. This period has witnessed both an increase in unemployment, underemployment, informal work, and the reinforcement of several inequalities. The second phenomenon, which is related to this crisis, and in general, to the insertion of the Brazilian economy into the global market, is the acceleration of technological transition that clearly affects both the top and bottom levels of the occupational structure of the labor market. Among these effects are the increase in the number of formal self-employed workers (such as business service providers) and particularly informal workers. The third important element is the definitive entry of the country into a labor environment prioritizing the flexibilization of hiring methods, with the approval and implementation of the November 2017 Labor Reform. These elements comprise tens of millions of people who constituted the unprotected labor supply in Brazil, which is being consolidated as of 2014. In other words, the elements of the present and/or the recent past are the drivers of an obscure and bleak future for work.

In this article, I propose that the reflection on the future of work in Brazil should be based on the evolution of institutions of work in the country in its most general sense, considering them as conditioning factors. This approach is justified by the recent dwindling of institutional spaces, where the support for work in Brazil is discussed, and the risk it poses to the national sustainable development.

## LABOR MARKET IN BRAZIL: INCOMPLETE INSTITUTIONALITY

Although an exhaustive explanation of the labor market in Brazil is not essential, it is important to present at least three of its aspects: formation, characteristics of regulation, and evolution until mid-2010.

The formation of a labor market is closely related to the structure and behavior of a country's economy and society. The constitution of the labor market in Brazil was a late phenomenon compared to developed countries due to slavery.

The Brazilian labor market began to be established as such at the beginning of the 20th century, with the intensification of urbanization in areas such as the city of São Paulo. In that period, the first movements of industrialization focused on domestic consumption emerged, mainly in São Paulo. At that time, a growing contingent of immigrants arrived, initially to work in the coffee-growing sector; however, they were soon redirected to employment in the cities.

The abolition of slave labor in 1888 had ongoing effects on the labor market. The liberation occurred without any compensatory policy or support for those who, becoming formally free men, needed to seek their livelihood. The former slaves and their descendants, regardless of their poor qualification, were integrated into the structural conditions of a nascent labor market. The combination of demand for workers in the industry and the growing supply of work force has gradually shaped an urban wage labor market in the country (Barbosa, 2008). Moreover, the attraction exerted by these urban centers extended to other regions of the country and created a dynamic movement of people from the interiors and other regions to the capitals and the Southeast.

From the 1930s onwards, the intensification of urban wage earning was accompanied by the emergence of labor legislation. The Consolidation of Labor Laws (CLT) resulted from the progressive elaboration of legal norms from 1936, which granted workers several rights when companies hired them.

This legislation imposed strong state control over union action on the functioning and funding of entities representing workers and entrepreneurs. It emerged in an authoritarian period (Estado Novo - new state), even before the trade union movement became a relevant actor to the point of taking its demands to public debate and state decision forums (Gremaud, Saes, & Toneto, 1997).

The CLT institutionally inaugurates the Brazilian social protection structure to workers in a unique moment for Brazil, not too distant from the emergence of concern with the issue of labor in global terms, represented by the creation of the ILO in 1919. The structure of CLT prioritizes the protection of urban employment and is characterized, over time, by its low effectiveness in practice (Dedecca, 2005).

North (1991) defined institutions as the rules of the game and CLT - like an institution - ruled the labor interfering in the Brazilian political and social-economic environment. In its own way, Brazilian labor legislation has become a stable structure, conditioning the movements of labor actors and reducing their uncertainties. Under its influence, the most favorable conditions for hiring urban labor in industrialized regions have permanently attracted workers from poorer and/or rural regions for decades. With these institutional conditions, the Brazilian labor market has engendered a permanent excess of labor supply.

A labor market based on regional inequality and heterogeneity in terms of workers' qualifications, income, and quality of employment has been consolidated over years. Although the dynamism in the generation of jobs has been a strong characteristic of the Brazilian labor market, this market

has always been marked by great informality, i.e., hiring workers without authorizing their work record booklet nor fully complying with workers' rights (Pochmann, 2010). As this informality increased because companies moved away from the main employer, the industry, the heterogeneity also proved to be sectoral (Inter-Union Department of Statistics and Socioeconomic Studies [Departamento Intersindical de Estatística e Estudos Socioeconômicos] [DIEESE], 2012).

The robust economic development experienced by the country in the post-war period ensued in a disparity with social development, since no effective social policy proposed redistributive mechanisms. The limited institutionality of the Brazilian labor market has resulted in unemployment with complex characteristics, given the existence of underemployment and/or informal occupation in the country (Dedecca, 2005). Unemployment insurance, a classic instrument of public policies aimed at the labor market, was created only in 1986 in Brazil, with subsequent integration into the set of social rights established by the Constitution in 1988.

Although the labor market in Brazil has expanded vigorously since the post-war period, it has experienced crises in the early 1980s that were associated with the contingencies of the national economy. At this stage, for the first time, there was significant growth in unemployment and a reduction in the dynamism observed in previous decades with increased job creation. In the 1990s, a combination of elements raised the level of unemployment in the country to levels previously unknown. The first half of the decade was marked by a hyperinflationary environment, and the effects of the abrupt opening of the national economy, which occurred at the very beginning of President Fernando Collor's administration, were remarkable. Trade liberalization has disrupted entire productive chains, until then protected by the market reserve that characterized the Brazilian development model. The unemployment rate almost doubled, and the average real income of employees decreased by about 20% at the beginning of the decade (DIEESE, 2001).

In 1994, Real Plan introduced new economic conditions in the country by decreasing inflation, relying on the de-indexation of the economy, higher interest rates, and overvaluation. The minor economic growth of the period did not positively influence the labor market.

In that decade, the diagnosis made by the government after 1994 was that the Brazilian labor market was guided by a rigidity incompatible with the improved insertion of the national economy into the globalization agenda. Consequently, a view of public policy aimed at making the labor market more flexible has started to prevail. The end of wage policies and the establishment

of legislation in profit sharing and working hours in the form of time banks were measures taken to make hiring more flexible (Dedecca, 2005). Despite the loss of bargaining power caused by high unemployment, the unions achieved some veto power on the advancement of further measures for making the hiring of labor more flexible (Almeida, 1998).

Since the mid-2000s, the Brazilian labor market has followed the growth trajectory of the economy and shown dynamism through increased job creation and reduction of informality. The pressure for more flexibility in the hiring of labor was sidelined during the PT governments. In this period, due to the consecutive favorable performance of the economy, there was an increase in the volume of wage earners in the private sector. Trade unions occupied a prominent place in labor relations, and strikes were once again part of the labor scenario (Amorim, 2015; Cardoso, 2014). Although informal work declined, it continued to be a structural feature of the country.

## CHANGE IN THE INSTITUTIONAL LABOR ENVIRONMENT IN BRAZIL

By the end of 2014, this positive cycle for the Brazilian labor market was interrupted by an economic crisis and political uncertainty in the country. Dilma Rousseff's impeachment in 2016 radically changed the play of forces in the political arena. In general terms, the unions have lost space in the new government, and in conjunction with the political and economic factors resulting from the recession, their veto power in national debates has virtually faded. This situation has lasted until the Labor Reform was processed, approved, and entered into force between the end of 2016 and 2017 (November 2017).

Note that it is not a question about whether it is necessary to change the CLT. At an international level, labor reforms have been common in developed or developing countries, highlighting adjustments made worldwide in search of more competitiveness and responses to the conditions of globalization (Adascalitei & Morano, 2015; Philips & Eamets, 2007).

Moreover, in Brazil, since the end of the dictatorship in the 1980s, public debate has been important on several occasions for promoting changes and updates in the long and complex legislation that, since 1943, regulated the hiring of labor, union life, and the action of the Labor Justice. On various occasions when these changes were attempted, the path proposed was some form of tripartite understanding, such as in the National Labor Forums of 1993, 2003/2004 (Amorim, 2007), or even in the attempt to reach consensus on a national agenda for decent

work in 2012 (Ministry of Employment and Labour [Ministério do Emprego e Trabalho] [MTE], 2011). On these occasions, in addition to the consensus on the need for change in labor legislation, in one way or another, there was a tie or a double veto by the parties involved when they were addressing the changes in trade union organization or labor rights. The changes have always been marginal due to the strong positioning of all parties.

In 2017, the parties involved reached a consensus. With the active participation of the employers' confederations (National Confederation of Industry [Confederação Nacional da Indústria] [CNI], 2017; MTE, Federation of Commerce of the State of São Paulo [Federação do Comércio do Estado de São Paulo] [Fecomércio], 2017) and the support of the Labor Justice Summit at that time, the Labor Reform was proposed and approved in the parliament, without a chance for resistance. Flexibility and cost reduction were prioritized for hiring labor. Over 100 amendments were made in the CLT to create new methods of flexible hiring, withdraw official financing from unions, shrink the reach of Labor Justice and emphasize individual hiring (DIEESE, 2017; Krein, 2018).

Until then, the institutionality of incomplete protection, which, although tolerating informality, still regulated the rights of a core labor market, was mitigated. The understanding that a labor relationship takes place between potentially equal actors, as in a common commercial relationship, has come to prevail in law.

The sudden loss of financing practically immobilized the workers' unions. Arguably, the continuity of recession did not allow for an effective test of the adoption of more flexible methods of hiring (e.g., intermittent, temporary work) by companies. However, the level of hiring rights was reduced in the new modalities, and the first workers were hired. In terms of Labor Justice, a strong legal uncertainty still exists regarding many aspects of the approved legislation. These elements are linked to the virtually one-sided manner in which the new legislation has been drafted, with no room for raising doubt and legal gray areas.

At the public level, the arguments in favor of reform were that more flexible hiring would reduce bureaucracy and the costs of hiring. Greater job generation was also indicated as an expected result. Based on the economic knowledge available, this is unlikely because of its microeconomic approach. Nonetheless, within this principle, on the margins of the legislation, there is a never ending pressure for flexibility still seeking ways to mark down the hiring of labor by reducing labor charges, in a liberal and market-oriented vision.

In this environment, work agenda is no longer a priority. A clear example of the loss of priority of work was the extinction of the Ministry of Labor in 2019 and its accommodation in the

secretariat of the Ministry of Economy, which in practice meant the end of a more active or visible orientation of the government toward the promotion of work. One of the consequences was the recent mobilization of people working for food delivery or transportation apps in Brazil, which has generated more regulatory pressure within states and municipalities than the federal government. This can certainly generate confusion in a country with the territorial dimensions of Brazil.

Similar to a steamroller, the Labor Reform took place without counterpoint from other actors, leading to an unknown institutional environment in Brazil. The loss of priority of work in the national public debate has become one of the major existing obstacles to the visualization of a more promising future for work in the country.

## PANDEMIC: SHOCK AND LEARNING

By the beginning of 2020, the weak timid reaction of the Brazilian economy to the prolonged crisis experienced since 2014 had not yet produced significant effects on the labor market. In total, the labor supply was formed by 106 million people. Among the employed, 11.6 million were informal wage earners, 4.9 million were formal self-employed workers, and 19.3 million were informal self-employed workers (Brazilian Institute of Geography and Statistics [Instituto Brasileiro de Geografia e Estatística] [IBGE], 2020). In other words, besides a large volume of unemployed workers, there are still almost 31 million informal workers that do not have labor rights, confirming the structural trait of Brazil.

The arrival of the pandemic in February 2020 has economic and structural effects that are not yet fully measurable, but are certainly devastating. It generated anguish by drastically shrinking the planning horizon of economic, social, and individual actors in the labor market, and turned into reality the unimaginable deterioration of an already serious situation. In weeks, at least two important movements were observed. The employed population decreased by 8.9 million people, and simultaneously, another 8.9 million people have lost their jobs.

With the paralysis of the economy, the pandemic has resulted in the precariousness of labor and social institutions. In addition to the formal wage earners who lost their jobs and pursued unemployment insurance, tens of millions have lost their jobs and income overnight and have no one to turn for survival.

The gravity of the situation has led the government to perform emergency actions to maintain income and employment for the unemployed, self-employed, and employed. Among employees, the possibility of job retention and wage reduction

combined with access to unemployment insurance resources has emerged, as well as the negotiation of terms in collective and individual agreements (according to the salary received) (DIEESE, 2020a).

The inexistence or inadequacy of the records of the State and the little preparation clearly indicated the inadequacy of institutionality to handle this situation. And, remembering its liberal economic orientation, it is possible to affirm that the govern was in fact forced to adopt this kind of public policy to deal with the emergency clearly indicated the inadequacy of institutionality to handle this situation. In a short period, it was discovered that in addition to the contingent of unemployed, underemployed, and informal workers, and informal workers, there exists an unidentified population without the social security number or/ and unknown identity for state public policies.

It can be argued that, due to the unpredictability of the situation created by the pandemic, it would be difficult for any state to respond in a timely manner to the emerging social demand. However, for reflection purposes, the pandemic in Brazil dramatically concentrated, in weeks, to a labor market scenario, which was already known since 2014, in an almost natural way, without any special preparation or plan proposed by the governments of the period.

Even with a strong liberal orientation, the government found itself obliged to set up structures and policies to attack the risk of social disintegration due to hunger and poverty. In other words, in the face of critical circumstances, societies defend themselves through institutions and propose public policies to defend them from the excessive rigors that markedly market views, and therefore contrary to intervention, intend to impose (Polanyi, 2012).

The emergency measures were accepted in the private environment with the emergence of collective agreements regulating the situation in metallurgical, commercial, and transport categories (DIEESE, 2020b). Moreover, several independent companies announced initiatives to secure jobs at the beginning of the pandemic. The delay and difficulty of access to emergency relief, in turn, demonstrated the inefficiencies in the effective implementation of these policies. The continuity and its proportion within the public budget have become a point of apprehension in the government's economic; however, they are already included on the political debate. Representative democracies, even in their imperfections, reject and avoid collective hunger (Sen, 2010). In its own way, Brazil has attempted the same.

Amid the harshness imposed by the pandemic, this is perhaps one of the main lessons learned about the Brazilian

labor market. It is necessary to reinstate it in the center of national priorities and take advantage of the moment to reshape its institutionality.

## FUTURE OF WORK IN BRAZIL: NEED FOR AN AGENDA

The pandemic has illustrated the urgent need for a comprehensive agenda for work in Brazil that is connected to the conditions for modernizing the economy soon. From this perspective, it is assumed that if the pre-Labor Reform situation was not ideal, neither is the situation now.

The ILO's concerns regarding the future of labor around the world is also noteworthy. The entity proposes the establishment of a human-centered work agenda based on investments in three pillars: people skills, labor institutions, and decent and sustainable work (ILO, 2019). This is focused on recommendations for the labor institutions. For the ILO, the possibilities of sustainable socio-economic development are conditioned by the search for a decent standard of work, to be defined nationally, but based on social dialogue, regulation, and the search for compliance with the current rules for hiring to formalize work, reducing poverty and inequality.

Considering the Brazilian case, throughout the historical trajectory thus far, the issue of informality remains a problem yet to be addressed. In the last 40 years, the only period in which informality decreased was when the economic growth was significant (2003-2014), a phenomenon still unlikely in the coming years. However, it was revealed that the growing contingent of self-employed workers is also dependent on the progress of the economy, and consequently, on the disposable income of companies and families.

With regard to the issue of informality, it is necessary to guarantee the effectiveness of labor legislation for wage earners, even though regulation has become more flexible and less demanding.

It is also clear that the growth in the volume of service providers requires the establishment of a regulation that considers the inherent instability of the activity while encompassing the commercial nature that also seems to characterize this activity. The possibility of these workers being disguised employees is not small; however, given the new legislation, it is inevitable to go beyond their characterization as employees and consider their specificities. Thus, if for the prevalent wage-earning work, informality meant the non-fulfillment of labor rights and charges; in the case of the self-employed, this issue results in tax evasion



or tax fraud. This generates another set of challenges with general effects, including social security.

Another important aspect of labor institutions is the need to take a step forward by considering labor rights as social rights to the self-employed and informal workers. Thus, coverage or rights currently associated with the employee (e.g. maternity allowance, social security, accidents at work, and professional qualification) must also reach self-employed and informal workers. Such an extension would contribute to the reduction of inequalities within the Brazilian labor market if this measure is applied now and/or in the future.

According to Commons (1931), institutions are formed over time as a collective action aimed at controlling, liberating, and expanding the lives of individuals. The author opposed the narrower view of the liberal economy that labor is a commodity to be traded freely in the markets. After all, work is not dissociated from workers. He considered that labor institutions were aimed at the stability of the labor market through the regulated interaction between its actors and the resulting greater progress.

Therefore, aligning with the ILO's proposals, it is worth considering social dialogue as a component of labor institutions in the Brazil of the future. After all these years, this appears true particularly in the Brazilian case. Social dialogue can help in the creative search for alternatives for the fair regulation of the labor market, and help overcome and improve the difficult situation of the recent years. In short, it would be useful in building a future with less uncertainty.

Until then, without rest, Sisyphus will continue to roll the boulder up the hill in the years ahead.

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Wilson Aparecido Costa de Amorim

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## AUTHOR' CONTRIBUTION

The author declare that they participated in all stages of development of the manuscript. From the conceptualization and theoretical-methodological approach, the theoretical review (literature survey), and finally, writing and final review the article.