

The labor market in Brazil, 2001–2015

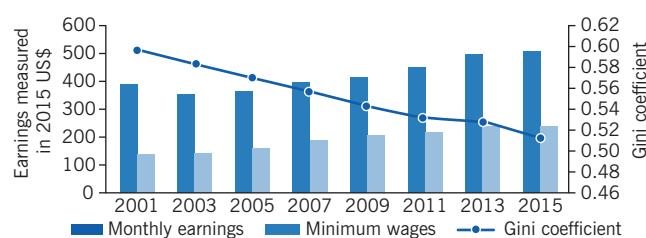
An ongoing crisis threatens Brazil’s recent increased earnings and its decreased inequality and gender and ethnic gaps

Keywords: labor income, Gini, Brazil

ELEVATOR PITCH

From 2001 to 2015, Brazil experienced a profound reduction in income inequality. The commodities boom and some institutional changes in the early 2000s kick-started the Brazilian labor market, increasing the quantity of formal jobs and earnings, especially for the poorest workers. Significant increases in average schooling and the real minimum wage helped reduce ethnic, gender, and regional earnings gaps, though all remain rather high. However, since 2014 a major fiscal crisis has negatively affected GDP and the labor market, seriously threatening these achievements.

Monthly earnings and inequality in Brazil (workers aged 16–64)



Note: Gini is a measure of inequality: 0 = “perfect equality”; 1 = “complete inequality.” Military and public sector workers are excluded.

Source: Authors’ own compilation based on PNAD data. Online at: <http://www.ibge.gov.br/home/estatistica/populacao/trabalhoerendimento/pnad2014/microdados.shtm>

KEY FINDINGS

Pros

- + Unemployment fell and more formal jobs were created, even with a 92% increase in the real minimum wage.
- + Average schooling years for private sector workers increased, whereas returns to schooling fell in the same period, contributing to declining inequality.
- + Gender and ethnic earnings gaps decreased substantially.
- + Employment protected by formal contracts increased both in quantity and in share of total employment.

Cons

- Since 2015, the unemployment rate has jumped from 7.5% to 14%.
- While real increases in the minimum wage helped reduce inequality during the boom period of the 2000s, since the start of the crisis period in 2014, they have contributed to increasing inequality.
- Gender and ethnic earnings gaps remain high, at 41% and 15%, respectively.
- In 2015, only 46% of employees in the private sector were protected by formal contracts.

AUTHOR’S MAIN MESSAGE

The Brazilian labor market experienced a host of positive developments between 2001 and 2015. Inequality fell, as average schooling levels, labor earnings, and formal contract hiring substantially increased. Despite this period of progress, which is now threatened by an ongoing fiscal crisis, the Brazilian labor market has much to improve upon, particularly with respect to informality and the gender and ethnic earnings gaps. Key policy initiatives for the future should include improving the quality of education, reducing the administrative burden of hiring formal workers, and further opening the country to international trade.