

The labor market in Brazil, 2001–2022

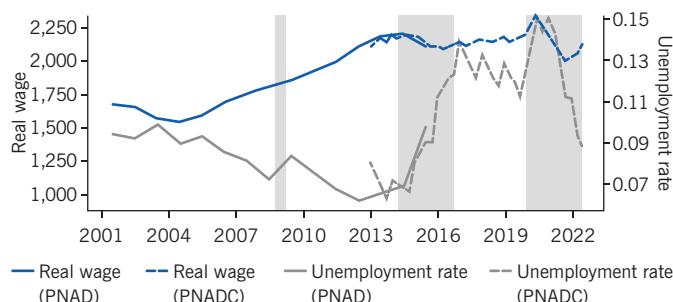
Brazil’s long-lasting recession has hurt the poor and has reversed inequality trends

Keywords: labor income, inequality, Brazil

ELEVATOR PITCH

In the first decade of the 21st century, the Brazilian economy experienced an important expansion followed by a significant decline in inequality. The minimum wage increased rapidly, reducing inequality with no negative effects on employment or formality. This resulted from economic growth and greater supply of skilled labor. However, from 2014–2021, real wages were stagnant, and unemployment rates surged. Inequality rose again, although only marginally. Some positive signs emerged in 2022, although it is still too early to know whether they mark a return to past trends or a recovery from the pandemic.

Average real wages and unemployment rates, 2001–2022



Note: Sample consists of labor force participants aged 16 to 64.
 Source: Author’s own compilation based on PNAD from 2001 to 2015 and PNADC from 2012/01 to 2022/03.
 Online at <https://www.ibge.gov.br/estatisticas/sociais/trabalho.html>

KEY FINDINGS

Pros

- + Unemployment rates are declining and are now lower than the pre-pandemic levels.
- + Real wages declined rapidly during the pandemic but are now recovering.
- + Average years of schooling continue to rise, following the trend of the past decades.
- + Returns to schooling continue to decline, contributing to reducing inequality.
- + Gender and racial earnings gaps have reduced substantially since 2001.

Cons

- The recession that started in 2014 caused real wages to stagnate.
- Although there has been a recovery in 2022, it is not yet clear whether it is a renewed upward trend or just the convergence towards pre-pandemic wage levels.
- The long period of inequality reduction in Brazil came to an end in 2014.
- It is possible that factors that allowed inequality to decline in the 2000’s will not be effective in the coming years.
- The share of formal labor workers reached a peak right before 2014 and is now declining.

AUTHOR’S MAIN MESSAGE

Inequality reduction in Brazil between 2001 and 2014 resulted from factors that allowed for pro-poor economic growth. These included increases in the real value of the minimum wage, a larger supply of skilled workers, and declining informality. After 2014, economic recession led to an increase in unemployment and informality that disproportionately hurt those at the bottom of the wage distribution. To spur economic growth in an inclusive manner, Brazil should implement reforms in its social protection and tax systems, aiming at enhancing efficiency without reducing coverage, as well as guaranteeing access to high-quality public education to every young Brazilian.