

## BRAZIL

# Labor's Love Lost?

By Wendy Muse Sinek



Brazilian workers march for an increase in the minimum wage.

Labor organizations appear to be at a crossroads in Latin America. During the 20<sup>th</sup> century, many countries adopted an economic strategy of import-substitution industrialization (ISI), which forged positive relationships between labor-based parties and unions. Parties seeking electoral support from workers would promote benefits for labor within the political arena, and trade unions would use their organizational strength to deliver votes. In this way, labor-based political parties and trade unions were the primary intermediaries between citizens and the state.

However, a sharp turn towards market-based or neoliberal economic reform during the 1980s and 1990s strained these links. Leftist parties have reduced capacity to make programmatic appeals along class lines, and workers are increasingly atomized and located in the informal sector. How have unions responded to this changed economic climate? What policy successes have they been able to achieve, and what challenges do unions face?

Kjeld Jakobsen addressed these questions with respect to Brazil's main labor union, the Central Unica dos Trabalhadores (CUT). Given his current position as

International Secretary for the municipality of São Paulo and his 12 years as a member of the CUT Executive, Jakobsen was able to provide rich insights into the challenges that the Brazilian trade union movement currently faces.

Jakobsen began by noting that although leftist governments have recently been elected to office across the Latin American continent, neoliberal economic policies remain firmly in place. In many respects, leftist governments have not made major changes to economic policy primarily because it is not clear in which direction change should be made. Within Brazil, market-based policies have brought concrete benefits in some areas and have fallen short in others. Over the past four years, exports and real wages increased, 1.3 million jobs were created in the formal labor sector and inflation was kept firmly under control. However, interest rates remained high, and while GDP grew an average of 2–3 percent per year, this represents fairly sluggish economic performance relative to other Latin American countries, let alone China. As a result, there is little consensus regarding the direction of future economic policy.

Moreover, having the Workers' Party (PT) in power

at the executive level does not automatically translate into labor friendly reforms. President Luiz Inácio Lula da Silva's roots in the labor movement have made him personally sympathetic to the movement's goals, yet the realities of governing at the national level ensure that no one interest group can monopolize policymaking. In addition, recent political scandals have crippled the Brazilian government's ability to enact policy change of any kind. From 2004, when illegal funding of political campaigns was first detected, through the 2006 presidential elections, it was nearly impossible for the Brazilian parliament to enact major legislation.

The trade union movement has also faced significant challenges in terms of influencing economic and social policy. During the 1990s, over 3 million industrial sector jobs were lost. Today, almost 50 percent of Brazilian workers labor in the informal sector. As unions lost members, their political influence was diminished. However, Jakobsen argued that these challenges have not substantially weakened labor's effectiveness as a political actor. Rivalries among trade unions within Brazil have largely subsided, as evidenced by the fact that all national labor confederations supported Lula's candidacy during the second round of presidential elections. While differences among trade unions certainly exist, they do not stand in the way of labor acting as a unified political force.

Organizing workers in the informal sector of the economy is a more pressing challenge and one that trade unions across Latin America are struggling to confront. Jakobsen suggested that one possible solution might be to focus on the vertical chain of production; in other words, to hold multinational "parent" companies responsible for the labor rights violations of their subcontractors. In this way, organized labor can use its influence to improve conditions for nonunionized informal contract workers.

Despite these challenges and despite a sluggish first term with respect to labor law reform, Jakobsen remained optimistic that change is possible. Lula gained 62 percent of the vote in the second round, and the PT gained more state offices than ever before. There appears to be little doubt that Lula has a legitimate mandate from the majority, and he has recently declared that he will govern on behalf of all, but with particular emphasis on the needs of the poorest.

Some issues to watch, according to Jakobsen, are negotiations over the minimum wage as well as efforts to bring labor law in line with conventions laid out in international treaties. A coalition of trade unions has proposed a formula for increasing the minimum wage annually (adding the yearly inflation rate to a percentage of GDP growth.) The intention is for the minimum wage to attain sufficient value so that workers at the bottom of the

income scale can still earn enough to meet their basic needs. As details of the various proposals unfold, negotiations surrounding the minimum wage are likely to be among the most contentious of Lula's second term.

Additionally, one casualty of the stagnant legislative environment was the labor law reform that gave employers the advantage in labor-management disputes. At present, if employees decide to strike, business owners can unilaterally appeal to national labor courts to resolve the dispute. This is in violation of Convention 98 laid out by the International Labor Organization, to which Brazil is a signatory. The convention states that a third party, such as national labor courts, can only resolve the dispute if both management and labor agree to such mediation. A proposal to bring Brazilian labor law in accordance with the ILO treaty has been introduced into the legislature, and Jakobsen believes that it will be acted upon during 2007.

Jakobsen closed his talk by discussing various issues that are currently under debate within Brazil's trade union movement. One important concern is the direction that the economic model should take. While some sectors of the economy prefer to emphasize Brazil's comparative advantage in exporting commodities, others want to ensure that the country's capacity for industrial production remains strong. Similarly, most within the union movement agree that ISI is unsustainable at the national level. However, a version of ISI at the continental level — among select Latin American countries — may be one way to achieve regional economic integration while retaining equitable economic growth. On a broader level, Brazilian union members are particularly concerned about achieving a stronger, more consolidated democracy. Economic reforms, while important, are limited in their ability to achieve social justice. Brazil's trade unions are therefore equally invested in achieving political reform, especially in passing initiatives focused on combating corruption and expanding popular democratic participation. As political reform advances hand-in-hand with economic policy, Jakobsen is confident that Brazil's social profile will be the beneficiary.

**Kjeld Jakobsen's lecture was held at CLAS on February 8, 2007. Jakobsen was a member of the Central Unica dos Trabalhadores Executive for 12 years. Currently, he is the International Secretary of the municipality of São Paulo.**

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