

TEXTO PARA DISCUSSÃO

Nº 233

'NEW UNIONISM' AND THE RELATION
BETWEEN CAPITAL, LABOUR AND THE
STATE IN BRAZIL

Edward J. Amadeo
and
José Márcio Camargo

'New Unionism' and the Relation between
Capital, Labour and the State in Brazil¹

Revised September 1989

Edward J. Amadeo
and
José Márcio Camargo

Department of Economics
Pontifícia Universidade Católica
do Rio de Janeiro (PUC-RJ)
Rua Marques de São Vicente, 225
Rio de Janeiro Brazil

¹ We are grateful to Robert Boyer, Alan Lipietz and Stephen Marglin for their comments, and most specially to Juliet Schor for her suggestions.

Resumo:

Neste trabalho examinamos as mudanças nas relações entre capital, trabalho e o Estado no Brasil. Ao nível micro, oferecemos algumas evidências sobre as péssimas condições de trabalho; ao nível macro, da distribuição desigual dos frutos do progresso entre diferentes segmentos dos mercados de trabalho e bens. Vemos a situação presente como uma caracterizada pela indefinição, ainda que hajam sinais de mudança para um sistema menos excludente.

Abstract:

In this paper we look at the changes in the relation between capital, labour, and the State in Brazil. At the micro level, we provide evidences of bad working conditions; and at the macro level, of the unequal distribution of the fruits of progress between different segments of the labour and goods markets. We see the current situation as one characterized by a stalemate between capital and labour. The future looks uncertain but there are signs of change in the direction of a less excludent system.

'New Unionism' and the Relation between Capital, Labour and the State in Brazil

1. Introduction

Until 1980, Brazil was one of the most dynamic and fastest growing economies in the world. Between 1955 and 1985, the average rate of growth of industrial output was close to 7% a year. In 1950, agriculture was responsible for 60% of total employment, while in 1980, the share of agriculture in employment had declined to 29% of the labour force. In the same period, the industrial sector increased its participation from 9,4% to 17,2% of total employment. This important change in the structure of employment was accompanied by equally drastic changes in the relations between capital and labour in the country. This paper analyses the evolution of these relations in Brazil, the causes of their changes in the last ten years, and the prospects for the future.

First of all, the rapid growth of the economy and its structural transformation generated a very heterogeneous labour market. Workers in the new industrial sectors are organized into strong unions, while in traditional sectors, service (except banking) and commerce, a large share of employees work on a non-signed contract basis and are not organized. The nature of labour relations varies with the economic sector and the geographical region. On the average, half of the workers are employed on a non-signed contract basis and 25% is self-employed. In the industrial sector, however, about 80% of the workers have a signed contract

job. We discuss the heterogeneity of the labour force in section 2 of the paper.

In Brazil, capital-Labour relations were, until 1988, regulated by a set of laws approved during the thirties and unified into a labour code named the Consolidação das Leis do Trabalho (CLT). It was a comprehensive set of rules regulating almost every aspect of the wage relation. Social as well as individual rights were contemplated. Being approved during the Vargas dictatorship, the code had quite an authoritarian and paternalistic character, and had as one of its main characteristics the notion that conflicts between capital and labour in the work place should be avoided, and that the control of workers' organizations by the State was an important instrument to reduce labour militancy. Paternalistic institutions and authoritarian rules, combined with the idea that conflicts should be sent as fast as possible to the Labour Courts left almost no room for direct negotiations. We discuss the institutional settings of the labour market up until the 1980's and the means through which the State tried to avoid conflict between capital and labour in section 3.

The change in the structure of production and employment and the democratization process which started in 1975, generated drastic changes in the relation between capital, labour and the State in Brazil. Using modern technology and Taylorized methods of production and labour processes, the growth of the seventies gave rise to a rapid increase in labour productivity. The growth in productivity was not accompanied by a corresponding increase in real wages nor an increase in social benefits to labour. As a result, the share of labour in output declined over the 1960's and early 1970's leading to workers' discontent. In the late 1970's

and early 1980's workers' dissatisfaction exploded on quite violent strikes. This process, which we explore in section 4, can be taken as a turning point in capital-labour relations in Brazil.

After the labour turmoil of the late seventies, the structure of unions organization changed dramatically showing a tendency to centralization at the national level. Two national unions were created (CUT and CGT), although the law forbided the existence of such organizations. Even before the appearance of the central unions, a Workers Party (PT) linked to the most combative union leaders, was created and turned into an important channel through which the unions took their demands to the Parliament.

Until 1988, when the new Constitution was approved, the old Labour Code did not suffer any major revision. As unions became more organized, and the law did not favour direct bargaining between capital and labour, it became more and more difficult to avoid confrontation. Unions considered the Code too authoritarian, and the most strong and organized ones simply did not respect it. In many instances, not even the Ministry of Labour followed the Code. A truly institutional vaccum was created thus generating a period of strong confrontation between capital and labour.

The new Constitution, approved in October 1988, liberalized the relations between capital and labour, legalized the right to strike, and forbided State intervention in unions. This was an important step towards the democratization of the capital-labour relation in the country, but there are many problems still to be solved. We examine the emergence of the "new unionism" in Brazil in section 5.

In the early 1980's Brazil went over a process of adjustment to the external debt crisis. This meant a drastic

reduction of employment and real wages, and in the bargaining power of unions. They reestablished their power in 1984/5 with the recovery of the economy and the end of the militar regime. The growth of the strongest unions' capacity to struggle for better wages and the decentralized structure of wage bargaining are at the root of two important phenomena of the 1980's in Brazil. On the one hand, the distributive conflict between organized labour and capital led to a high degree of industrial conflict and the acceleration of inflation. On the other, a redistribution of income from the less organized segments of the society (both employers and workers in the competitive and less organized segments of the economy) to the more organized sectors (unionized labour and oligopolist enterprises). We elaborate on these phenomena in section 6.

In the last section we draw a few conclusions from the analysis and discuss the prospects for the relation between capital, labour and the State in Brazil. We conclude that the current crisis of this fundamental relation results from the rapid economic growth and transformation of the production structure, the conflict between different segments of the society due to the unequal distribution of income, the reemergence of the union movement with a radically new structure and the democratization process. It is hard to provide a causality relation between these aspects, and, indeed, they are quite interrelated. But we do think that the new organization of the union movement, in particular the tendency towards centralization, is the critical aspect of the current process of transformation of the Brazilian society, and in particular, the relation between capital, labour and the State.

As for the prospects, although there are some indications that the Brazilian society will follow a route towards a less

'excludent system', two basic obstacles still exist. On the one hand, employers in Brazil have been quite resistant to changes, and might be able to block the growth of labour participation. On the other hand, there is a huge number of workers whose relation with capital does not have a legal status, and it will take some time before they become part of the organized segment of the labour force.

2. The Structural Heterogeneity of the Brazilian Labour Market

The Brazilian labour market is quite heterogeneous. Strong and organized unions co-exist with a large percentage of workers who do not have a signed contract and have no union representation at all. The heterogeneity of the labour market has a sectoral as well as a regional dimension. In the sectoral dimension, table 1 shows that although 72.4% of the workers in the industrial sector had a signed contract in 1986, in agriculture this percentage was only 6,9% and in services 21.9%. On the other hand, self-employment which represents only 6.6% of the employment in industry, reaches 33.2% in services and agriculture.

Table 1
Composition of the Labour Force by Sector
Brazil, 1986

sector	Signed contract	Non-signed contract	self-employ	without remuneration	employer
Agriculture	6,9	33,2	33,2	25,2	3,5
Industry	72,4	15,9	6,6	1,3	3,8
Construction	39,3	27,9	29,6	0,7	2,5
Commerce	42,5	16,3	30,9	3,5	6,8
Services	21,9	40,7	33,2	1,5	2,7
Transport & Communication	60,2	11,9	25,1	0,7	2,1
Public Adm.	52,5	47,0	0,3	-	0,2
Total	38,2	27,9	22,9	7,6	3,4

Source: Sabóia (1988)

The heterogeneity is also important in the regional dimension. In São Paulo, the most industrialized region of the country, 82.6% and 25.5% of the workers employed in the industrial

and in the agriculture sectors, respectively, had a signed contract job in 1986. In the Northeast, the least industrialized region, the corresponding numbers were 41.7% and 3.3%. On the other hand, non-signed contract jobs were much more important in the Northeast than in São Paulo (tables 2 and 3).

Table 2
Composition of the Labour Force by Sector
São Paulo, 1986

sector	Signed contract	Non-signed contract	self-employ	without remuneration	employer
Agriculture	25,5	36,0	13,9	18,9	5,7
Industry	82,6	11,6	1,5	0,7	3,6
Construction	42,0	22,5	30,8	0,5	4,2
Commerce	47,7	16,7	24,0	2,6	9,0
Services	28,1	36,5	30,7	1,3	3,4
Transport & Communication	68,2	8,7	19,2	1,1	2,8
Public Adm.	42,0	57,9	-	-	0,1
Total	54,8	23,5	14,7	2,6	4,4

Source: Sabóia (1988)

Table 3
Composition of the Labour Force by Sector
Northeast, 1986

sector	Signed contract	Non-signed contract	self-employ	without remuneration	employer
Agriculture	3,3	33,0	38,5	23,1	2,1
Industry	41,7	27,9	23,2	3,9	3,3
Construction	32,4	37,6	28,2	0,6	1,2
Commerce	25,1	17,6	48,4	5,4	3,5
Services	12,0	46,3	37,6	2,2	1,9
Transport & Communication	42,9	19,4	35,3	1,0	1,4
Public Adm.	59,7	39,6	0,5	-	0,2
Total	21,8	32,5	32,2	11,4	2,1

Source: Sabóia (1988)

If we take the evolution of the different segments of the labour market between 1979 and 1984, a very interesting picture appears. The rate of open unemployment and the percentage of workers employed on a non-signed contract basis increase during the recession (1981/1983) and decline in 1984, while the share of self-employment is basically constant over this period. Refer to table 4. Thus, during recessions, not only the rate of unemployment but also the share of non-signed contract workers in the labour force play the role of adjustment variables. This is so basically because in Brazil there is no unemployment benefit programmes, which implies that if a worker is fired he must find a job in the non-signed segment of the market. The job he finds there will usually require a smaller degree of qualification and will pay much less for his labour.

However, the effect of changes in the level of activity on the share of self-employment is quite small implying that the segmentation between waged workers and self-employed workers is a structural phenomenon. Indeed, there are evidences that the share of self-employment in total employment in Brazil in the last 3 to 4 decades is relatively stable.

Table 4
The Distribution of Employed Workers by Occupations
Non-agricultural activities
Brazil, 1979/1984

Occupation	1979	1981	1982	1983	1984
Signed contract	53.2	50.0	49.1	45.5	47.6
Non-signed	23.2	24.9	25.2	29.5	26.9
Self-employed	17.9	19.5	20.2	19.8	20.3
Non-paid	2.1	1.9	2.3	2.1	1.9
Employers	3.8	3.0	3.2	3.1	3.3

Source: Sabóia (1988)

The heterogeneity of the labour force is quite important to understand the recent developments in the relations between capital, labour and the State. In this sense, a further and crucial distinction must be made between unionized and non-unionized workers. Unions are important in those sectors where the signed contract jobs are dominant (industry, banking and government) and not as important in those sectors where the non-signed contract and self-employment jobs dominate (services, construction and commerce). Also, unions in the most industrialized regions are stronger than in the less industrialized regions. Finally unionized workers, who are in general more qualified are usually laid off rather than fired during recessions, tend to become unemployed rather than accept a non-signed contract job; the opposite happening to non-unionized workers.

Most of the unionized workers are in the dynamic industrial sectors which also correspond to the tradables sectors. Non-unionized workers as well as workers without a signed contract and self-employed workers are in the traditional and non-tradable sectors. As we shall note in section 5, most of the strikes between 1979 and 1985 occurred in the industrial sectors implying that workers in these sectors are more active and mobilized.

This interaction between the labour and goods market, together with the introduction of unionization as another dimension in the segmentation of the labour market, has important implications for the analysis of the economic and social changes which took place in the last ten to fifteen years. During this period, the government has persistently promoted exports. If we associate changes in relative prices in favour of the tradables

sectors with a reduction of the wage:exchange rate ratio, and we recognize that workers in the signed contract/unionized segment are able to resist reductions in their real wages better than other workers, then it seems clear that the non-unionized workers of the non-tradables sectors suffered most the costs of the policies pursued by the government. \²

² Indeed, we shall note in section 6 that both the profit margins and the purchasing power of wages in relation to productivity gains in the industrial sectors in the state of São Paulo grew almost continually between 1975 and 1988.

3. The Production System and the Rules of Coordination

In the following analysis of the capital-labour relations in Brazil we consider two sets of elements. On the one hand, the set of rules which determine the structure of unions organizations and of collective bargaining to which we refer as the 'rules of (macroeconomic) coordination' of the economic system. On the other, the 'system of production' which relates to the technology used, the control over the labour process, and ultimately affects the productivity of labour.

3.1. The Rules of coordination

The regulation of the relations between capital and labour in the Brazilian economy up to 1988 was in large part determined by a set of laws approved during the thirties and consolidated into a general Labour Code known as the Consolidation of the Labour Laws (CLT) in 1943. At that time, Brazil was basically an agrarian economy with a small but growing industrial sector. The law was approved by an authoritarian civilian government (the Getúlio Vargas dictatorship) and was an adaptation of the Italian Labour Code of the time. The structure of the Code had a 'state corporatist' character in that it regulated almost all aspects of the capital-labour relations both in the individual and social levels. \³

³ In an interesting analysis of the labour market institutions in Latin America, Collier and Collier (1979) note that in the region "governments have commonly sought to exercise control over labor movements and that within this context of control, the concept of corporatism captures an important aspect of the network of hierarchical relationships through which labor organizations come to be dependent and penetrated by the state". They use the distinction between state corporatism and societal corporatism due to Schmitter. In the latter, which they associate with the Latin American case, the state creates institutional structures in order to control certain groups which then become dependent on the state. Societal corporatism refers to systems the legitimacy of the state itself depends on the support of independent social

The Code defined an union structure based on occupational lines and on a geographical basis. The set of occupational unions in a state defined a Federation and a set of Federations defined a Confederation for each sector (industry, commerce, banking and agriculture) at the national level. This was the highest level of centralization allowed by the Code. There was no Central Union at the national level. There was a similar structure on the employers side.

Each union, to acquire juridical existence and the right to represent workers on collective bargaining, had to be approved directly by the Ministry of Labour. After approval, the union had the monopoly of representation of the respective occupation at the city level. A financial contribution by workers was compulsory, independent of union affiliation. The results of the negotiations between unions and employers were extended to all workers, regardless of membership.

The total revenue of the contributions collected by the State was shared between the union itself, the Federations, the Confederations and the Ministry of Labour. A law regulated the use of this fund and the control over its use by the unions was a responsibility of the Ministry of Labour. It could be used for assistencial objectives, but not for other objectives, like financing a strike or unemployment benefit fund for instance.

The Ministry of Labour could intervene in the unions for administrative or political reasons. It could depose the board of directors, nominate a new board, call new elections, regulate and control the electoral process.

groups. For another view of the development of the labour institutions in Latin america, see Banuri and Amadeo (1989).

There was a system of Labour Courts composed by labour lawyers, one worker and one employer representative. At the Federal level, the members were named by the President and approved by the Federal Senate. The Labour Courts had jurisdiction over the social and individual rights of the workers.

Collective bargains were conducted between labour unions and employers representatives at the occupational and city level. If the negotiations were made through an employer association, the agreement was called a 'convention'. If an individual employer signed an agreement with an union, it was called an 'agreement'. Each occupation had a different date for collective negotiation, legally once an year. Agreements, once reached, had to be approved by the Ministry of Labour. If approved, it acquired the force of law. The law stipulated that any agreement should be in line with the economic policy followed by the government.

If an agreement was not possible at any time one of the parts could unilaterally call a 'dissídio', and the dispute would be sent to the Labour Court at the state level. The sentence at this level could be appealed to the Superior Labour Court and a suspensive effect on the state Court decision was obtained by the claimant. While this suspensive effect was in force the previous labour contract continued in effect. The Superior Labour Court decision was final.

Another important characteristic of the Brazilian labour code was its paternalistic character regarding the individual rights of workers. A large number of regulations dealing with working conditions and pay was part of the Code. Maximum hours of work time, maximum over-time work, minimum payment for extra-time work, minimum wages clauses, rules of job security, etc. On the

other hand, there was no provision for workers representation at the plant level. The protection of individual rights was a function of the State and not of the unions.

The main objectives of this institutional framework was to create a fragmented collective bargaining process and a decentralized union structure, to avoid confrontation between capital and labour, and to reduce to a minimum workers representation and influence at the plant level. The non-existence of provisions for workers representation at the firm level and the pre-emption of the workers demands regarding individual rights was important instruments to reduce unions influence at the work place. As most of the individual rights were given to the workers by the law, the existence of representation at the work place was considered by most labour lawyers unnecessary and the action of the unions tended to be directed to the State.

The result of this institutional structure was to create a union movement very much controlled by and dependent on the State, involved with national politics but without any important links with the day to day problems of the workers. The plant was considered a "domain of the employers, whose limits of action were only determined by the Labour Justice" (Rodrigues, 1972, pg. 134). If workers were unhappy they should go to the Courts. The demands for workers representation at the plant level were considered by labour lawyers as 'absurd demands' from the point of view of the law (from a labour lawyer quoted in Castro, 1988, pg. 92).

This system was quite effective until 1964, when the military coup reduced its paternalistic character and reinforced the authoritarian aspects of the Code. The coup was preceded by an increase on union militancy incentivated by the previous

government links with the official union structure. The first years of military rule was characterized by persecution and enjainment of labour leaders and the closing of more militant unions (see Souza & Lamounier). At the same time, three laws were approved which changed in important ways the capital-labour relation in the country.

The first was a very restrictive strike law approved in 1964 (Law 1330). Strikes had to be approved by secret ballot by more than 50% of the workers in a formal convention and a previous notification to the employer was required. Political and solidarity strikes were forbidden. A strike could be declared illegal by the Labour Courts and if the workers did not return to work, the Labour Ministry could intervene in the union and its leaders could be jailed. Strikes were also strictly forbidden in a large number of sectors of the economy considered 'essencial'. This law practically rendered any attempt to strike impossible.

The second, was a substantial reduction of the costs to dismiss workers. Finally, the introduction of a wage adjustment law. These were important changes since they increased the degree of discretion of employers to contract and dismiss workers, reduced even further unions militancy and, given the authoritarian climate, increased the capacity of the government to coordinate the process of wage formation in the economy thus essentially rendering collective bargains irrelevant and creating the conditions for the imposition of an incomes policy which was one of the causes for the tremendous concentration of the distribution of income in the 1960's and early 1970's.

Before we turn to the effects of these institutional changes on capital-labour relations, something should be said

about the development of the structure of production and the labour process.

3.2. The Structure of Production and the Labour Process

In the last three decades the Brazilian industrial sector went through very deep structural changes. Industrial output grew on the average 6.7% between 1955 and 1985. However, the following aggregates grew faster than the average rate: the durable consumption goods sectors (automobiles, electric appliances, etc.) had an average rate of growth of 12.6% a year, industrial inputs (metalurgy, metal-mechanics, cement, etc.) 8.4% a year, and the capital goods sectors (machines and industrial equipments) 9.4% a year. In the same period the average rate of growth of non-durable consumer goods (food processing, textiles, etc.) was less than 4% a year (Table 5). ⁴

⁴ This pattern of growth has a counterpart in the distribution of income which has deteriorated since the early 1960's.

Table 5

Average Rates of Growth of Industrial Output by Sectors
Brazil - 1955/1985

%

years	Industrial sector				
	consumption goods		industrial	capital	industry
	durables	non-durables	inputs	goods	
1955/1962	23.9	6.6	12.1	26.4	9.8
1962/1967	4.1	0.0	5.9	- 2.6	2.6
1967/1973	26.6	4.9	13.4	18.0	12.7
1973/1980	9.3	4.4	8.3	7.4	7.5
1980/1983	- 8.1	- 1.3	- 4.5	-17.3	- 6.2
1983/1985	3.3	4.9	8.7	13.8	6.7

Source: IBGE and FGV

This structural change was a result of different growth strategies followed by the Brazilian governments in the period. The first important wave of growth of the modern and capital-intensive industrial sectors was a result of an aggressive import substitution strategy between 1955 and 1964. During this period, the automotive and appliances industries as well as the capital goods industries were installed in the country. The finance for these projects were mainly based on direct foreign investment of multinational enterprises.

The second wave (1967/1973) was associated with changes in the industrial development strategy in two directions. First, with a sharp concentration in the distribution of income which resulted in an average rate of growth of 26% in the demand for durable consumption goods and luxury goods. Second, with the replacement of the import substitution process by an export-oriented strategy based on incentives to the industrial sector. Foreign direct investment as well as indebtedness were the main sources of finance. During this period the durable consumption goods industries were consolidated in the Brazilian industrial structure.

Finally, beginning in 1975, an ambitious import substitution program of capital goods and industrial inputs was implemented by the Brazilian government, through direct state investment and subsidized credit from the government to the private sector. The program was mainly financed by foreign indebtedness. This process is seen as the 'last phase' of the import substitution strategy, and is an important factor for the attainment of commercial surpluses of the order of US 18 billion a year since 1984.

A common aspect of the three phases was the use of foreign technology directly through multinational investments or indirectly through licensing from these firms. Given the amount of resources available for R&D investment and the capital intensive technology used in these sectors, the technological basis was mainly imported from outside and quite similar to that used in the industrialized countries. Another common aspect refers to the pattern of income distribution compatible with the development strategies followed in the different phases. They all required a

redistribution of income from the low income groups to high income groups and profits.

As we would expect, the change in the industrial structure towards more capital intensive sectors, and based on imported technologies, implied an important change in the dominant labour process. Taylorized methods of production, division of labour, separation of conception and execution, regulation of the rithm of work through assembly lines, and gradual substitution of machines for men became important elements of the work process in the Brazilian industry. In what follows we provide a few evidences based on quotes from industry workers of the adoption of Taylorized methods of production in Brazil. \⁵

Says an operator of an assembly line of the Fiat automotive industry:

the most important element of the automotive industry is the conveyor, called the assembly line. The worker stays on a given position, he is fixed and it is the conveyor that moves the cars. It is the same with the production of engines... The rithm is controled by the company, in acordance with its needs... There are hundreds of assembly lines in the factory. The worker must adapt himself to this (quoted in Le Ven, 1988, pg. 539).

The testimony of other workers point out that the rithm of production is determined by the foreman who receives orders from the production manager:

The velocity of the assembly line is [determined] according to what production department demands. There is a maximum and a minimum velocity, but it is the foreman who determines the rithm of work (quoted in Le Ven, 1988, pg. 540. Translated by the authors).

⁵ The following quotes were translated by the authors.

The rhythm of work is imposed by the machine. It is inhumane. The worker adapts himself to the machine to the point of being able to control it as if it was a part of his brain" (an assembly line worker quoted by Le Ven, 1988, pg. 547).

The separation between conception and execution is also an important characteristic of the work process. The production process is :

organized in such a way that (the worker) receives everything finished. It is the FIAT standard, it is the FIAT technology and program, developed and decided in Italy. The company sends people to Italy but I do not know for what reason since everything arrives here ready to be used... The car is produced here, but the project comes from abroad (words of a qualified worker quoted in Le Ven, 1988, pg. 551).

Another worker refers to the policy in his company according to which

the idea is to divide the workers, to create an atmosphere of rivalry between workers with different functions. To maintain the worker uninformed about the technology being used ... It gives no chance for a worker to learn more than one type of job (a worker quoted in Le Ven, 1988, pg. 550. Translated by the authors).

In general, firms invest very little in human capital. The degree of qualification of the labour force is very low in Brazil, except in the case of very specialized workers. In two automobile firms surveyed in São Paulo in the late seventies, 70% of the workers were classified as non-qualified or semi-qualified. In 15 toolsmiths surveyed, 10 workers were already trained when they were hired, 3 were trained in a technical school and 2 were trained in night courses without the firms support (Humphrey,

1980, pg.14). As noted by a worker at Fiat, "what (the workers) know here ... (they) learned by (them)selves. Nothing was taught to them" (a workers quoted in Le Ven, 1988, pg. 550).

Because the costs for dismissing a worker in Brazil are practically none, many companies use the turnover of workers, especially the less qualified ones, in order to reduce their costs. Firms do not have incentives to invest in the qualification of their employees. Indeed, in face of the high rates of turnover observed, one is led to conclude that it is more economical to fire a trained worker and hire another one with less experience than to try to increase the productivity of workers by providing them with greater qualification. Table 7 shows the number of new admissions and dismissals in the first semester of 1977, in the automotive industry.

Table 7
Labour Turn-over in the Automotive Industry
January/June, 1977

Firm	n. of workers	admissions	%	dismissals	%	net change
Chrysler	3,777	426	11.3	531	14.0	- 2.8
FNM	3,377	1,003	23.0	631	14.4	8.5
FIAT	5,326	2,614	49.1	871	16.4	32.7
Ford	231	1,315	5.7	3,603	15.6	- 9.9
G.M.	19,795	454	2.3	3,552	17.9	-15.7
Mercedez Benz	16,460	3,314	20.0	2,558	15.5	4.6
Volkswagen	39,057	2,141	5.5	3,698	9.5	4.0
Auto industry	117,900	12,456	10.6	16,226	13.8	- 3.2

Source: SINE, quoted in Humphrey, 1980, pg.16.

As can be seen in the table, the percentage of admissions and dismissals in proportion to total employment during the first semester of 1977 was quite high. For the industry as a whole, 10.6% of the workers were admitted and 13.8% were dismissed in six months. As noted by workers of Ford Motor Company and Scania, quoted by Abramo (1986),

Every last wednesday of the month, Ford fired workers. It was a great calamity... Everybody talked about that. It was terrible. Folks only woke up to the question of turnover when the union started to talk about it (p. 106).

Friday was marked by the expectation of the relief of the week-end, and mainly because the worker was certain that he would not be fired. He knew that he would have another weekend payed by the company and was going rest. He would be tortured again only on the next wednesday or thursday... The turn-over was very high (p. 105).

In the case of the Brazilian economy, differently from most OECD countries, the adoption of Taylorist methods of production was not accompanied by a significant increase in job security. High rate of turn-over still is a characteristic of the

modern and more capital intensive sectors, as well as that of the traditional sector of the industry.

4. Taylorism without the 'Fordist compromise'

Capital-labour relation in some OECD countries after World War II was characterized by what came to be called the 'Fordist compromise'. According to this compromise, Taylorist technology and organization of the working process resulted in fast productivity growth and high employment stability. The growth in productivity was shared by wages and profits in such fashion that consumption expenditure became as important as investment demand in keeping high levels of aggregate demand and employment. The improvement of working conditions was another important element of the compromise. 'Connective bargaining', on the other hand, reduced wage differentials and created a sense of solidarity amongst workers. The social compromise also comprised a gradual increase of the social wage, that is, the generalized access to social services (such as health, education, social security, etc.) (see Boyer in this volume).

This compromise was, at least in part, a result of unions activism both at the macro level and at the work place, and (social) democratic governments. In Brazil, the combination of Taylorist technologies, lack of union activism at the work place and a very authoritarian government led to a perverse system. A system in which we have the worst aspects of Taylorism and no social compromise between capital and labour. The final result is the predominance of very poor working conditions at the firm level, total control of the production process by employers and a very unequal distribution of the benefits from productivity growth. This was certainly one of the main causes the explosion of union activism and the breakdown of the system of production in Brazil in the last ten years.

As an example of the poor working conditions, we look at the number of on the job accidents which increased sharply during the period 1969/1975 -- the years of the Brazilian 'economic miracle'. The number of registered on the job accidents by the Brazilian social security institute (INPS) increased from 1,059,296 in 1969 to 1,797,000 in 1974 -- an increase of 70%. This represented an increase from 14.6% to 22.8% in the percentage of workers who suffered on the job accidents in relation to the total number of workers insured by the institute.

Table 8
On the Job Accidents
Brazil - 1969/1974

years	on the job accidents total numbers	as percent of insured workers
1969	1,059,296	14.6
1970	1,220,111	16.7
1971	1,330,523	17.6
1972	1,504,723	19.4
1973	1,800,000	22.8
1974	1,797,000	-

Source: INPS. In Abramo, 1986, pg. 78.

Discipline, extra-time, an exhausting rithm of work and rigid control of the labour process characterized the conditions of work even in the most dynamic sectors of industry. In what follows, we provide a few quotations of workers expressing their feelings about the working conditions they had to face: \⁶

⁶ The quotes are taken from a study of the labour movement in Brazil after 1978 (Abramo, 1986). The quotes are by workers of large companies like Volkswagen, Perkins Motor Company, Ford, Scania, etc.

It was common for a worker to work 160 hours a month besides his normal work time. This meant a 14 working hour journey a day. If we compute the time needed to go to work and go back home, it represented 16 to 17 hours a day. It was not too different from the time of slavery. (p. 93)

The extra-time work was always an element of oppression in the firm. In my sector there was a black-board where the department head used to write down the names of the workers [who were selected to work on] saturday and sunday. And if the person for any reason could not come a situation of disconffort and pressure was created. (p. 96)

The firms ... are employing workers like slaves, ofending their dignity and destroying their physical and mental health. In fact, they are genuine factories of mad people, suppliers of patients to the INPS [the social security system]... They seem to have lost the notion of what is an human being. (pg. 153)

You should see (the workers) anguish, when on friday the department head comes and asks (them) to work on saturday and sunday. If (the worker) could not come (the head) would ask why not. No one accepts when (the worker) says that he needs a rest, or needs to stay with his family. Then (he) has to look for thousands of excuses. I think the weekend rest is an human righth. If (the worker) becomes exhausted and has to go to the INPS, when (he) comes back, they fire him..." (p. 154)

The system is militar, with hierarchy and everything else. It is ruled by a colonel and a lieutenant. It is absolutely repressive. In the factory exit, the worker is humiliated and examined as if he was a dangerous delinquent. If he protests he is threatened and his number is written down by the security officer. All his belongings are examined" (taken from Le Ven, 1988, pg. 560).

In Brazil, the turn-over of workers has been used as an important element for reducing costs. But more important than that, it is extensively used as an instrument to control the labour force. Until today union leaders complain that employers threaten the workers with dismissals during strikes or movements in the shop floor. Only where the labour movement is stronger, workers have a certain degree of job security. In general,

however, there is nothing which really prevents firms from dismissing workers either for economic or political reasons. The following testimony of a worker quoted by Abramo (1986, p. 49) is an evidence of the use made of the turn-over of workers:

There was a feeling of insecurity and, more than that, injustice, mainly when they demanded extra-time work from the workers... The insecurity regarding the next wave of dismissals helped to maintain the discipline. The turn-over of labour force is one of the most ruthless aspects of the automobile industry management...

If conditions at the work place were bad, the situation at the macro level was not better. The introduction of Taylorist methods of production resulted in a sharp increase in labour productivity in the industrial sector (Table 9).

Since 1964, a wage policy determines the adjustment of money wages all over the country. In the last ten years, the policy has been losing its effectiveness but up until 1978-9 wages were centrally determined by the government. In the 1960's and early 1970's the wage adjustment formula had as its main characteristic the determination of wages based on the estimated rate of inflation. Although the explicit objective of the wage adjustment policy was to maintain the share of labour in total income, it was in fact used as an anti-inflationary instrument.⁷ The official nominal wage adjustment was always below the actual rate of inflation since the future rate of inflation was recurrently under-estimated. As noted by Simonsen (1983, p. 118-9), an important policymaker during the militar regime,

⁷ Explicitly, the objective of "the wage policy is to maintain the share of workers on the benefits from growth", quoted from the 1965 government economic plan (PAEG).

From 1965 through 1979 the wage law imposed a binding constraint on collective bargains, leaving no degree of freedom to employers to negotiate the wage adjustment or increases in real wages. Indeed, the wage policy became an incomes policy device because both productivity gains and the expected rate of inflation were decreed by the government leaving no room for collective bargaining or strikes.

The fast productivity growth and the reduction of real wages resulted in a declining share of wages in net national income. In 1970, wages represented 40.73% of net income, and in 1975, this share had declined to 36.55% (Census data, FIBGE).

The deterioration in the functional distribution of income was accompanied by a worsening of the personal distribution of income in the '70's and 80's. In table 9 we look at the ratio of the average real income of different income brackets to the average income of the first three deciles. We note that there was a considerable concentration of income, with the ratios increasing from 1960 to 1970 to 1976, with the exception of the second group (from the fourth to the seventh deciles). The average income of the tenth decile was 17 times the income of the three first deciles; in 1976 this ratio was 26, thus increasing more than 50%.

Table 9
The Personal Distribution of Income
(Ratio of average income of selected deciles
to average income of first three deciles)
Brazil, 1960-76

	1960	1970	1976
1st - 3rd deciles	1.00	1.00	1.00
4th - 7th deciles	2.49	2.69	2.51
8th - 10th deciles	9.59	11.54	12.89
10th decile	17.24	22.47	26.00

Source: Bonelli and Sedlacek (1989)

The reduction in the share of wages in national income and the worsening in the distribution of income was also followed by a reduction in the percentage of government expenditures with social security and health. In 1970, government expenditures with these services represented 8.21% of total output. In 1974, this percentage had declined to 6.08% (Table 10).

Table 10
Social Security and Health Expenditures
as percent of GDP
Brazil, 1970/1975

year	%
1970	8.21
1971	7.07
1972	7.31
1973	6.68
1974	6.08
1975	6.72

Source: National Accounts

Thus, from the workers point of view, although the economy was growing very fast, economic and social conditions were

deteriorating. The feeling of social injustice was an important source of dissatisfaction of the labour force. There are many manifestations of this discomfort, but the wave of strikes in 1978 and 1979 is certainly the most vivid one. As early as September 1971, the newspaper Tribuna Metalurgica, published by the metallurgy workers union in São Bernardo (the centre of of the labour movement in Brazil) wrote:

we have to concientize ourselves of our responsibilities as workers. We have to make ourselves present in the national scenario... and demand our share in the fruits of progress ...

Then in 1972 the newspaper calls for the recognition of the role of workers in the process of accumulation:

The social peace will be possible when the bosses recognize our dignity as workers and do not pay a vile price for our labour power.

Although the unions were completely repressed, there were democratic and progressive forces fighting in the political arena. In 1974, a national election for the Federal Senate and for the Federal Chamber of Representatives resulted in a overwhelming victory of the opposition, anti-military, party. It won in all but one state in the country. Dissatisfaction with the militar regime was mounting and the government decided to start a move towards the democratization of the political process. The plans were to slowly retire from politics and return the country to a civilian government, but without losing control of the process.

The democratization process and the feeling of social injustice described above, gave rise to a new union movement in

the most developed regions of the country. Independent union leaders, not linked to the official union structure, became the focus of very high rates of labour militancy. The 'new unionism', characterized by close links to the workers at the firms' level and a very activist posture in relation to government policies in collective bargaining originated in São Paulo in the late '70's.

In 1978, after more than a decade of 'industrial peace', a huge strike movement exploded in the industrial belt of São Paulo. In May of 1978, an estimated number of 100.000 workers crossed their arms in São Paulo, Santo André, Osasco, Guarulhos, São Caetano and São Bernardo. This represented about 50% of the total number of industrial workers in this region (Abramo, 1986, pg. 232). The movement continued for 3 months. Taken by surprise by the violence of the movement, the employers tried to avoid confrontation through the maneuver of sending workers demands to the Labour Justice refusing to negotiate. This time, the tactic was not enough and the strike continued until they conceded most of the unions demands. The victory of this first attempt at confrontation was the spark to the development of a new union structure. The intensity of the strike movement increased sharply. An important structural change was occurring in the capital-labour relation in the Brazilian economy.

5. The 'new unionism' of the eighties

Contrary to the old fragmentation of the union structure, absence of representation at the work place, lack of attention to the day to day problems of the workers on the shop floor and dependence in relation to the state, the new union structure moved very rapidly towards a more centralized union organization, decentralization of the collective bargaining, the creation of workers councils at the firm level and complete independence of the state.

After the success of the 1978 strike, the movement followed two opposite but complementary routes. On the one hand, as it spreaded to other regions of the country, the necessity to organize the activities of the movement generated a demand for more centralization of the union structure. Union leaders also perceived that if they wanted to effectively improve workers conditions and increase political power, the CLT would have to be changed drastically. This demanded an investment in Parliamentary politics to change the existing institutions and approve laws which could facilitate workers organization.

The other route was to increase the level of organization at the plant level, creating councils and concentrating collective bargaining in the firm. This strategy had as its main objective, besides being closer to the workers problems, to force employers to negotiate with unions, instead of going directly to the Labour Justice. This meant a descentralization of collective bargaining in relation to what existed before 1978.

In a survey of workers leaders in São Paulo in 1981, 72% of the interviewed considered the organization at the plant level

an important instrument to increase unions strength. 61% considered changes in the law to legalize the existence of a strike fund and 76% considered changes in the strike law, others important aspects to attain this objective (CEDEC, 1981, quoted in Castro, 1988, pg. 121).

The first move in the direction of more centralization of the unions organization was the creation of a Central Union, at the national level, the Central Unica dos Trabalhadores (CUT). This was followed by the creation of another central, the Confederação Geral dos Trabalhadores (CGT), linked to a different political group. The objective was to unify labour demands, assist affiliated unions on the process of collective bargaining, and form new labour leaders. Some specific demands of the CUT are a multi-annual collective labour contract with national coverture, with minimum wage adjustment clauses, better working conditions and simultaneity of collective bargaining for all workers.

Even before the creation of the CUT a political party was also created, the Party of the Workers (PT), intimately linked to the labour movement. Candidates for parliamentary and executive elections all over the country were presented by this party. Since the beginning, it was composed by different groups, a minority representing the extreme left, and most of the party affiliates linked to the CUT and to the left of the Catholic Church. Instead of the dependency to the state which characterized the labour movement until 1975, the new unionism linked itself to the parliamentary process.

This link between unions and the party transformed most of the demands of the CUT into important political issues in the Parliament. The rapid growth of the CUT in the labour movement and

that of the PT in the political dimension generated an impressive process of union centralization and increasing political importance of labour qua social group in the Brazilian society. The change to a civilian government in 1985 reinforced this process.

The increasing importance of the labour movement and its close link to the parliamentary process became quite clear during the debates over the new Brazilian Constitution, voted in 1987/1988. Although the PT elected only a small minority of representatives, capital-labour relation and the workers rights turned out to be one of the most important issues in the discussions. Many suggestions were presented by the PT and after a huge public dispute with the employers representatives, where the traditional arguments about increasing rigidities in the labour market, instability of the economic process and effects of the increase in labour costs on employment and inflation were raised, a large part of the workers demands were approved.

The main changes in the institutions affecting capital-labour relations are the complete freedom to organize unions, the complete autonomy from the government, and the almost unrestricted right to strike. These are now inscribed in the Constitution as rights of the workers. After the promulgation of the new Constitution, the old labour Code became practically irrelevant, although a part of it was maintained, like the compulsory contribution and the monopoly of representation. It should be noted that on these aspects of the capital-labour relation the two central unions could not reach an agreement.

The creation of workers councils at plant level, the greater importance given in bargaining to the day to day problems

of the workers and decentralization of the collective bargaining was also very important. The decentralization of collective bargaining can be inferred by the comparison of the number of conventions (the result of a negotiation between an union and an employer organization) in relation to the number of accords (the result of a negotiation between an union and one individual employer). In 1982, the number of conventions signed, was 42% higher than the number of accords. In 1985, the number of accords was three times that of conventions (see Castro, 1988, pg.139). In São Paulo, the accords represented 42% of the total in 1979, 66% in 1983 and 77% in 1987 (J. Pastore and H. Zylberstajn, 1988, pg. 113). Thus, in 1987, 77% of all negotiations in the industrial sector of São Paulo were already done at the firm level.

Workers organization at the firm level through the shop steward and workers councils were also implemented by the unions. Data on the number of these institutions in Brazil is not easy to get, but some indications can be shown. In 1981, in a research conducted by a research institute in São Paulo, the CEDEC, 31% of the workers interviewed said there was workers councils in their occupation. From these, 53% were introduced by the unions initiative and 23% by the workers directly. 60% of the workers interviewed said the workers councils maintained contact with the occupational union. Finally, 35% of the workers said the objective of the workers councils were to deal with questions specifically related to the firm. As for shop stewards, 30% said they existed in their occupation and 60% of them were indicated directly by the workers in the firm. Given that the research was conducted in 1981, the numbers are quite expressive.

The firms tried to avoid the growth of the unions activity at the firm level in many ways. In the same research,

43.0% of the workers interviewed said the firms did not contract workers affiliated to unions, 43.0% said the most active workers in their firms were dismissed and 42.0% said the use of turn-over of the workers was a way to avoid workers activity at the firm level. Items like the constant surveillance in the plant, prohibition to circulate unions newspapers, denunciation of activists to the police were appointed by more than 40% of the workers as means commonly utilized by firms to reduce workers militancy (see Castro, 1988. pg. 125-136).

In an analysis of a sample of conventions and accords registered in the Ministry of Labour office in São Paulo, Castro also found a sharp increase in the number of demands for the creation of workers councils and shop stewards after 1982, as well as for more protection for the members of these institutions against the employers discretion. This increase was particularly important in 1984 and 1985, the last year the research covered (Castro, 1988, pg.134-148).

The above description shows that important changes are occurring in the relation between capital, labour and the state in Brazil. These changes had many consequences on the behaviour of the economic process -- an issue that we will take in the next section.

6. The Crisis of the Eighties: conflict, indexation and wage dispersion

The eighties in Brazil were characterized by a progressive increase in the degree of conflict between the most important social groups, in particular organized labour and capital, as well as a gradual process of disorganization of the economic system. As a result, the country will enter the '90's immersed in a social and economic crisis. In the present section we discuss the origins and developments of the process which culminated in the current situation.

After a decade of authoritarian militar governments, a process of political distension started in the second half of the '70's. As in other countries, the transition to democracy in Brazil was marked by an increase in popular mobilization which resulted from a system based on the economic and political exclusion of the popular masses. The transition in Brazil was very gradual and slow, and it took almost a decade before a civiliamn government was elected. Hirshman, commenting on the political opening process in Brazil, refers to the social tensions which generally show up during transitions to democracy:

When a civilian, democratic government first comes into power after a long period of repressive military rule, it is normal for various, newly active groups of the reborn civil society -- particularly the long-repressed trade unions -- to stake substantial claims for higher incomes... New inflationary and balance-of-payments pressures are of course likely to result from the granting of such demands... (1986, p. 39)

An indication of the dissatisfaction of workers with their standard of life and the degree of distributive conflict is the increase in the strike activity between 1978 and 1986. It can be

noted in table 11 that during this period the number of strikes grows continuously with the exception of 1980 and 1982. It increases significantly in 1979, 1983 and 1986. It is also clear that the most active groups are the industrial workers and the middle class wage earners. In the first group, the workers of the most organized segment -- those of the metallurgy industry -- were responsible for 34% of the strikes. Also, 74% of the strikes between 1978 and 1986 took place in the Southwest of the country where the most active and organized unions are based.

Table 11
Number of Strikes

	1978	1979	1980	1981	1982	1983	1984	1985	1986
Industrial workers	84 (72)	77 (31)	43 (29)	41 (27)	73 (50)	189 (54)	317 (64)	246 (39)	534 (53)
Middle class workers	8 (7)	55 (22)	43 (29)	48 (3)	31 (21)	85 (24)	84 (17)	211 (34)	237 (23)
Housing industry	8 (7)	20 (8)	19 (13)	7 (5)	4 (3)	10 (4)	18 (4)	23 (5)	45 (5)
Others	5 (4)	44 (18)	18 (12)	34 (22)	11 (8)	16 (5)	11 (2)	14 (2)	1 (1)
	118 (100)	246 (100)	144 (100)	150 (100)	144 (100)	347 (100)	492 (100)	619 (100)	1004 (100)

Source: NEPP/Unicamp reproduced from Tavares de Almeida (1988)

Over the last three years union militancy has spread out over the country. The movement started in the industrial sectors of São Paulo and gradually other sectors of the labour force got organized and started to demand wage adjustments and better working conditions. In 1984, the strikes of metallurgical workers in São Paulo accounted for almost 40% of the total number of strikes in Brazil. In the following years this percentage was 15% (1985), 30% (1986), 10% (1987) and 5% (1988) ⁸. The growth of the union movement over the country is part of the strategy of the most active central union (CUT).

As a response to the mobilization of the labour movement, the government was led to alter the wage policy many times since the mid-seventies. Two alterations in the policy deserve consideration. First the gradual reduction of the adjustment period of money wages which went from one year to six months in 1979, and since then has been falling until it got to one month in 1988-9. The progressive indexation of wages through the wage policy can be seen as a response of the government to reduce the degree of dissatisfaction of workers, and thus the degree of conflict. However, with the acceleration of the rate of inflation, the reduction of the adjustment period is never sufficient to protect the purchasing power of wages. As a result, the degree of conflict has been growing in the last few years.

The second change is an attempt to mitigate the acceleration of inflation by reducing the degree of indexation of higher wages. Between 1979 and 1985 the rate of adjustment of wages in the lower end of the distribution was higher than the

⁸ See La Rocque (1989).

past rate of inflation, whereas the rate of adjustment for higher wages was smaller than inflation. This was the way found by the government to undermine the capacity of the most organized unions to get wage increases above the inflation rate or even in line with it. However, these unions, whose workers' wages were higher than the average and hence would have had the purchasing power of their incomes reduced with the policy, were usually able to negotiate with their employers adjustments above the ones determined by the policy.

In sum, the political distension and transition into a democracy, the reemergence of labour activism (and the centralization of the movement), and the progressive indexation of wages seem to be central elements to understand the relation between conflict, inflation and the distribution of income in the eighties. The combination of these elements are at the root of the process of acceleration of the rate of inflation, and the increase in wage dispersion which is reflected in a deterioration of the relation between the wages of the less organized groups to the wages of the more organized ones. Hence, we note a tendency towards a deepening of the economic dualization of the labour market in the last decade.

When we associate the above elements with the acceleration of inflation, it should be clear that the progressive indexation of wages and the rise of labour activism are not the only factors affecting prices. In fact, they may be seen as a response to the acceleration of inflation. The attempts to change relative prices in favour of tradables through devaluations of the domestic currency and the resistance of the unions to reductions in real wages are central to explain changes in the rate of inflation in

the first half of the decade. On the other hand, an important part is played by the behaviour of firms in fixing prices, and the effect of growing uncertainty over this decision. \⁹

The acceleration of inflation in the last decade can be seen as the result of an attempt of the different social groups to protect the purchasing power of their incomes. We shall note that the capacity of the groups within the labour force and employers to resist reductions in their incomes differ significantly. In figure 1, where the trajectory of the monthly rate of inflation is depicted, there are five points of inflection corresponding to

- the first semester of 1979 after an attempt to increase the domestic price of energy;

- the second semester of 1983 after a maxi-devaluation of the domestic currency;

- the second semester of 1985, one year after the economy started recovering from a long recession, the level of union activism increased and firms were anticipating a price freeze;

- the first semester of 1987 after one year of price freeze;

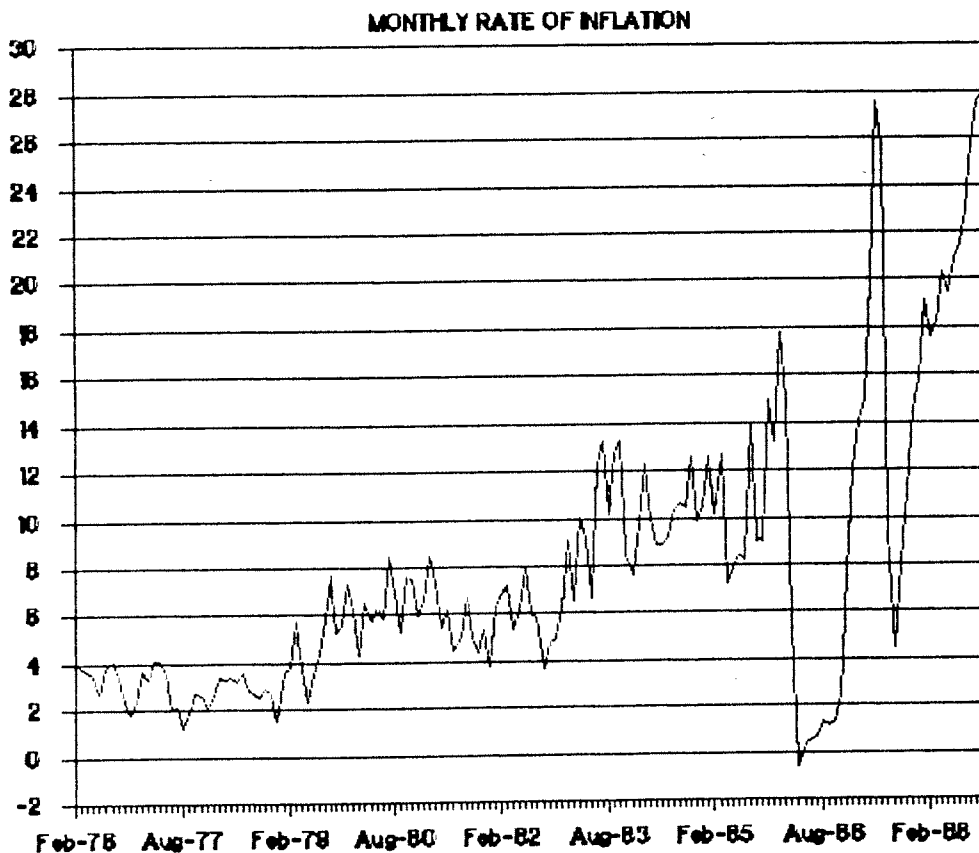
- the first semester of 1988, after six months of price freeze.

⁹ See Amadeo and Camargo (1989a) for a formal analysis of the inflationary process and stabilization policies in Brazil.

During these ten years, the functional distribution of income, and the distribution of the wage mass in particular, changed dramatically. These changes resulted from a combination of different economic policies and the heterogeneity of the labour force (in terms of the degree of organization of the different segments) and of the capitalists (in terms of the capacity to mark-up costs of firms in different sectors of the economy).

In figures 2 and 3 which refer to data for the industrial sector in Brazil we look at the movement of (i) the productivity of labour, (ii) the real wage, (iii) the product wage, (iv) the wage share in industry, and (v) the ratio of the real wage to the productivity of labour. Then in figures 4 and 5, we look at these same figure for the industrial sector in São Paulo. ¹⁰

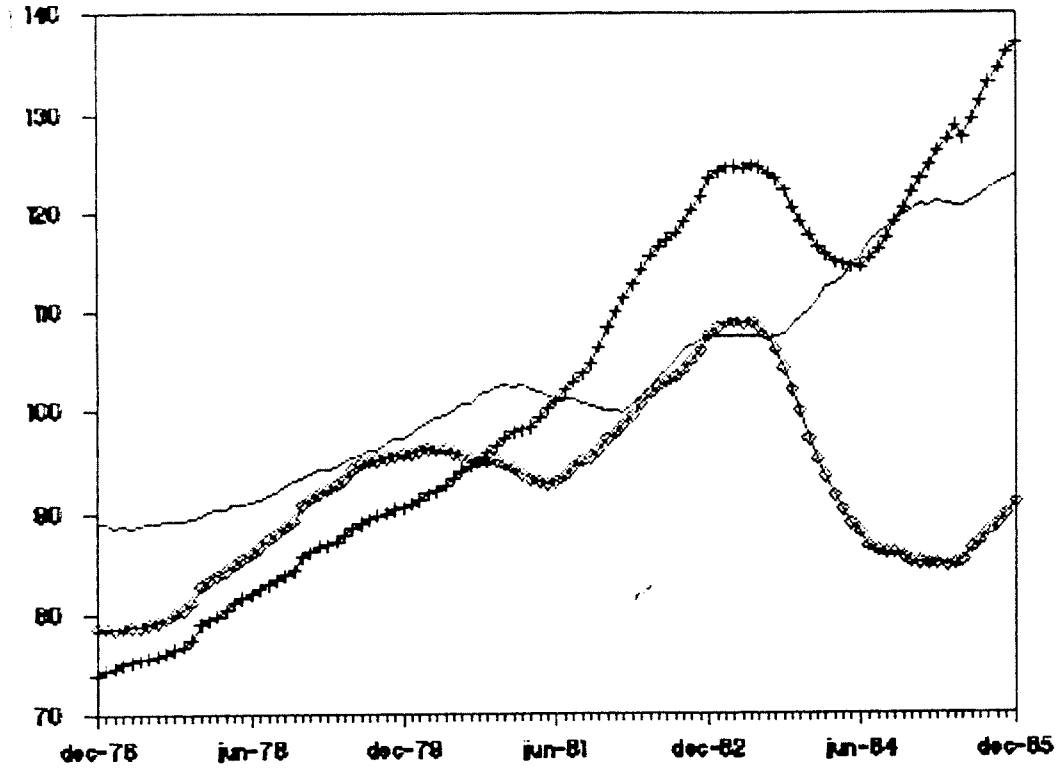
Figure 1



¹⁰ We define:

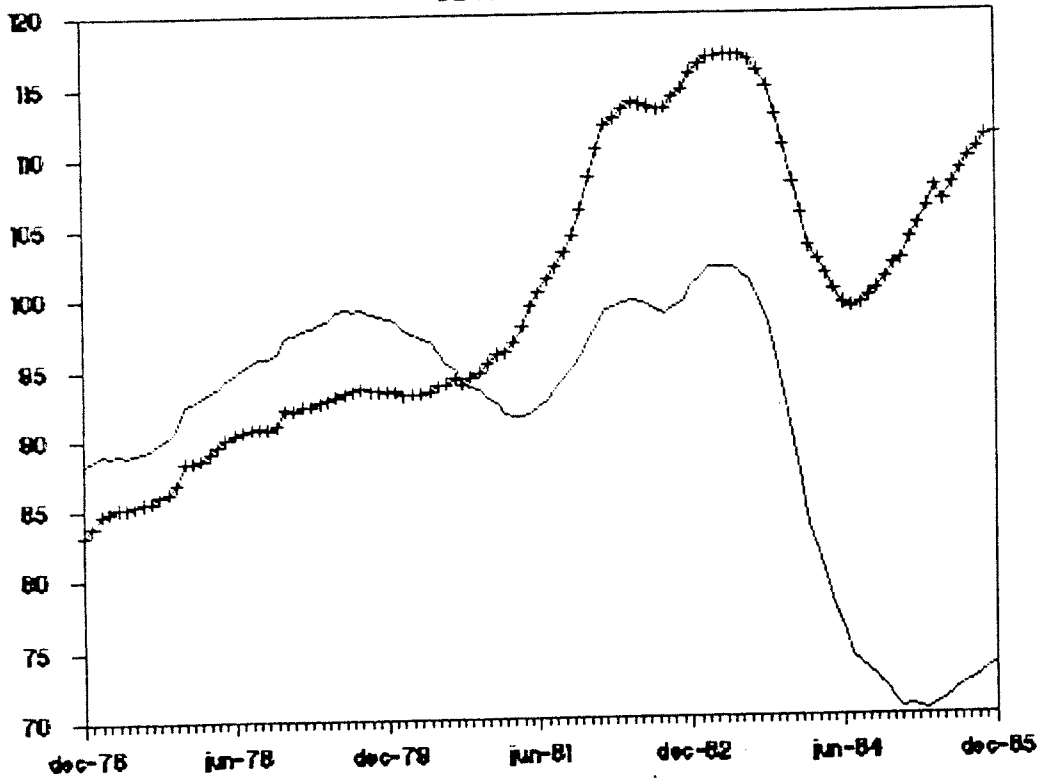
- productivity of labour as the ratio $x = X:N$ where X is the level of output and N the level of employment;
- real wage as the ratio $r = W:CPI$ where W stands for money wage and CPI for consumer price index;
- product wage as the ratio $w = W:WPI$ where WPI stands for wholesale price index; and
- wage share as the ratio $w:x$.

Figure 2
INDUSTRY-BRAZIL



— PRODUCTIVITY + REAL WAGE ◇ PRODUCT WAGE

Figure 3
INDUSTRY-BRAZIL



— WAGE SHARE + R.WAGE/PRODUCTIVITY

Figure 4

Industry, São Paulo

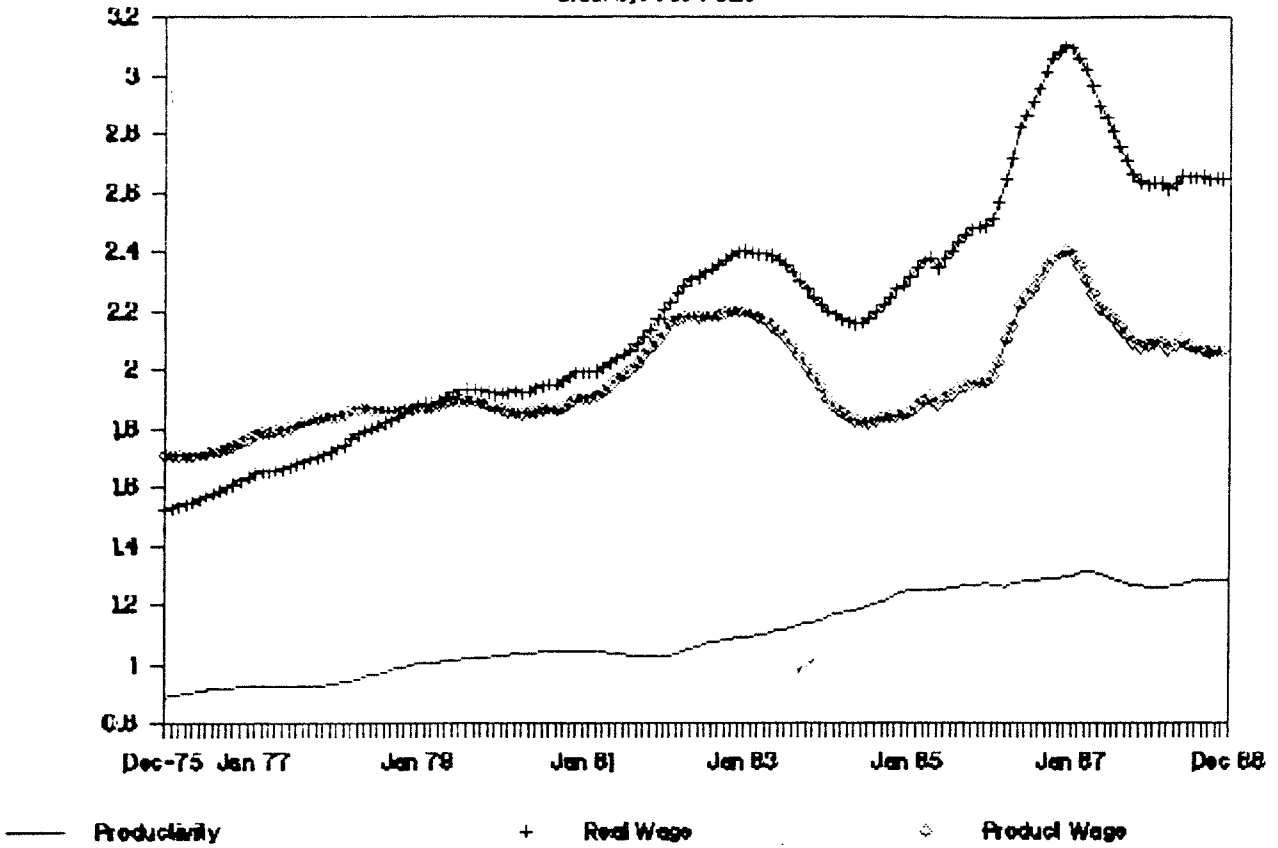
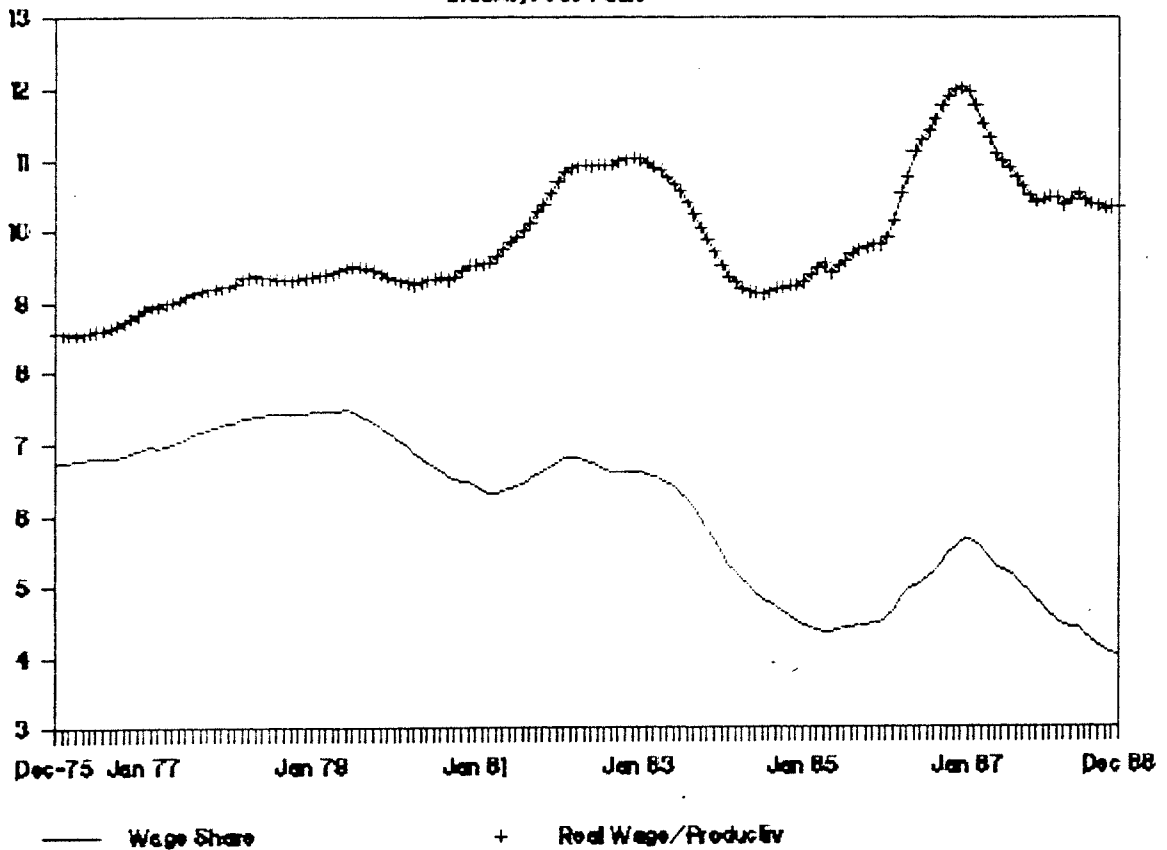


Figure 5

Industry, São Paulo



The first point worth noting is that productivity (as measured by the relation between output and employment) grows continuously over the period. Between 1976 and mid-1979 the product wage grows faster than labour productivity implying an increase in the share of labour in industrial output. Then, over 1980, the product wage and the share of wages fall due to the first maxi devaluation of the cruzeiro and the acceleration of inflation. The real wage grows from 1976 to 1980 which implies that the wage in the industrial sector is growing faster than the price index of the consumption basket.

In 1981 and 1982, despite a strong recession, the real wage and product wage grow. However, after the second maxi devaluation of the currency early in 1983, and after two years of growing unemployment, they fall, and only start recovering in mid-1984.

In São Paulo the share of wages in industry falls almost continuously from March 1979 to August 1985 (for six years). In the industrial sector for Brazil as a whole, it recovers in 1981 and 1982, but then plunges, falling more than 30% in 1983.

What is certainly very interesting to note in these figures is that whereas the product wage has a volatile behaviour over the period and the share of wages in industrial output falls (continuously in São Paulo and abruptly in Brazil in 1983), the real wage grows almost continuously over the whole period. The reason for this is that the prices of the non-industrial sectors (agriculture, commerce, services) are growing slower than wages in the industrial sector.

There are clear indications of changes in the distribution of income between agents in the industrial and agents in the non-

industrial sectors. As we can be seen in table 12, the wages paid in the non-industrial sectors fall over the period in relation to the average wage paid in industry (data for Brazil). This may be taken as an indication that there is a redistribution of the wage mass from workers in the agriculture, services and commerce sectors to workers in the industrial sector.

Table 12
Relative wages
(wage of sector over average wage in industry)

Sectors	1980	1981	1982	1983	1984	1985	1986
GENERAL INDUSTRY	1.00	1.00	1.00	1.00	1.00	1.00	1.00
non-metal minerals	0.78	0.78	0.78	0.78	0.76	0.82	0.77
metallurgy	1.22	1.23	1.24	1.23	1.21	1.22	1.24
mechanics	1.31	1.31	1.31	1.32	1.30	1.31	1.37
electrical material	1.31	1.33	1.34	1.37	1.40	1.38	1.35
transport material	1.46	1.49	1.57	1.62	1.67	1.65	1.59
wood	0.52	0.51	0.51	0.51	0.49	0.48	0.45
furniture	0.61	0.61	0.60	0.58	0.57	0.57	0.59
paper	1.07	1.06	1.10	1.11	1.12	1.14	1.17
chemical	1.92	1.92	1.99	2.03	2.04	2.05	2.00
plastic material	0.27	0.92	0.94	0.90	0.90	0.90	0.86
textile	0.75	0.76	0.76	0.76	0.77	0.78	0.81
clothing	0.52	0.52	0.51	0.50	0.50	0.48	0.51
food stuff	0.69	0.70	0.69	0.70	0.69	0.67	0.67
editorial	1.07	1.06	1.05	1.03	0.95	1.01	1.05
PUBLIC UTILITIES	1.78	1.79	1.80	1.77	1.69	1.72	1.96
HOUSING	0.79	0.77	0.76	0.74	0.73	0.71	0.77
COMMERCE	0.71	0.69	0.68	0.66	0.65	0.66	0.66
SERVICES OF :	1.20	1.16	1.15	1.13	1.06	1.06	1.06
transportation	0.99	1.00	0.99	0.98	0.94	0.94	0.93
communication	1.33	1.35	1.34	1.43	1.33	1.41	1.44
housing and food	0.47	0.46	0.45	0.44	0.43	0.41	0.44
personal	0.76	0.73	0.72	0.70	0.65	0.64	0.68
commercial	1.01	0.97	1.03	0.92	0.90	0.86	0.89

Table 13
Relative Prices-Brazil
CPI components/MPI
(Base 1977=100)

	FOODSTUFF	HOUSING	TRANSPORT	CLOTHING	HEALTH	PERSONAL SERVICES	EDUCATION
1977	100.00	100.00	100.00	100.00	100.00	100.00	100.00
1978	101.50	101.15	102.04	106.14	96.56	99.88	104.81
1979	100.70	103.43	98.09	108.83	92.58	98.11	102.74
1980	93.38	100.77	83.90	118.93	81.18	90.03	89.94
1981	83.98	91.24	72.13	124.20	68.99	83.81	78.87
1982	79.25	83.24	66.44	121.28	64.78	85.19	80.60
1983	76.71	82.79	61.01	118.88	59.42	80.63	79.87
1984	69.44	83.86	48.53	108.12	45.67	70.22	67.44
1985	58.99	71.48	38.69	100.45	45.04	59.82	57.35
1986	57.95	75.69	34.58	90.41	53.88	59.02	54.51

We note that the relative wages of workers in the electrical materials, transport materials, paper, chemical and textile industries were above the average in 1980 and grew relatively to the average wage paid in industry over the succeeding years. The wages of workers in the furniture, plastic materials, clothing, and editorial industries were below the average and suffered a relative reduction. The same is true although the tendency is considerably stronger for wages in the public utilities, construction, commerce and services sectors. Hence there is a tendency for an increase in wage dispersion in the economy.

We come to the same conclusion if we look at the relation between the average wage paid in the industrial sector (data for São Paulo) and the institutional minimum wage. The latter can be seen as a proxy for the wage paid to workers in the lower bound of the distribution of wages in the economy. As seen in figure 6, the relation increases continuously over the period, growing on the whole 68% in 12 years.

Figure 6

Avt. wage (S.Paulo) / Minimun wage

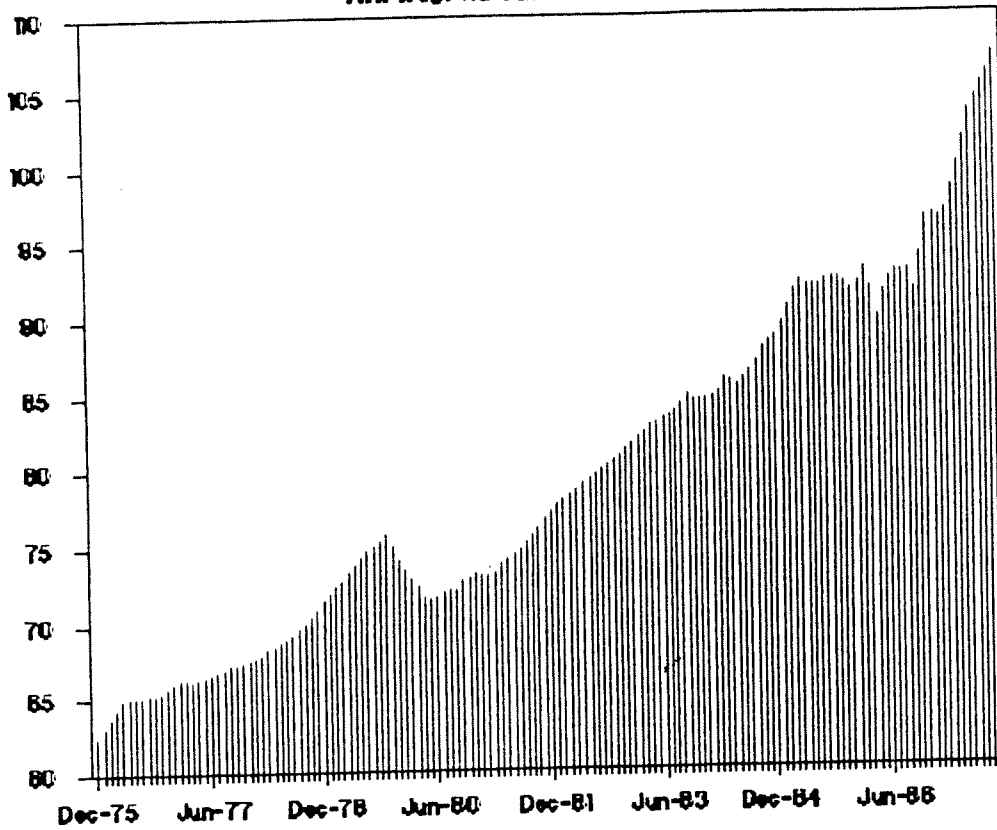
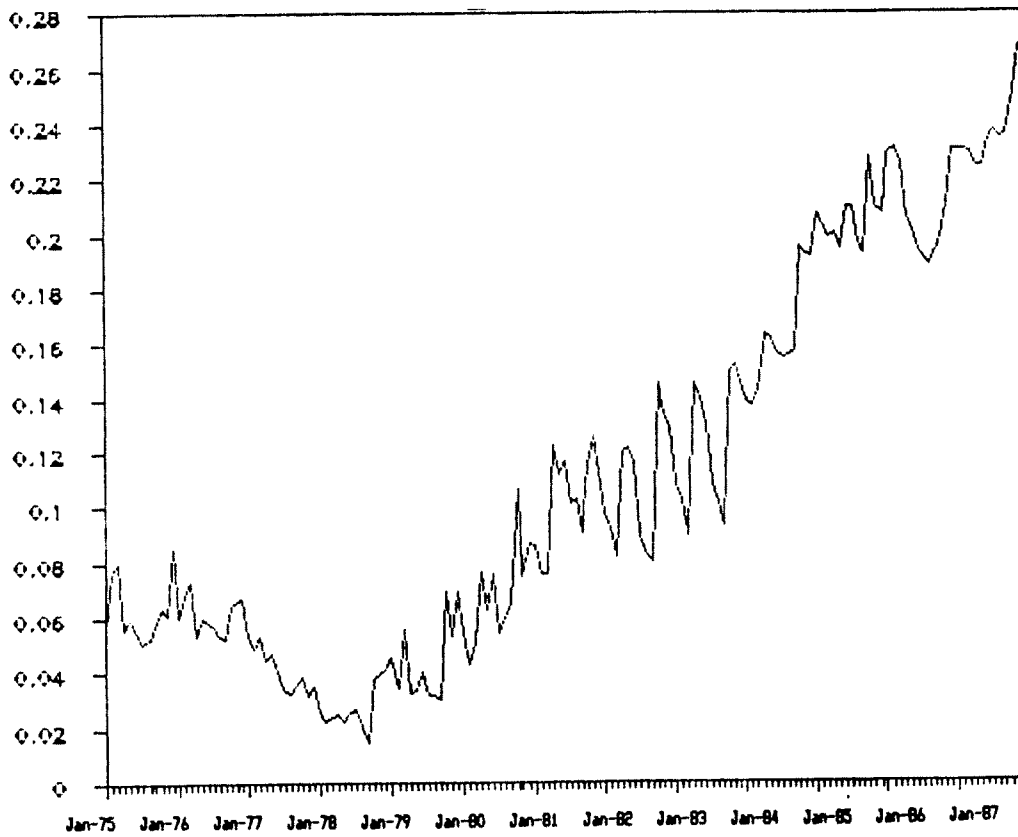


Figure 7
Coefficient of variation
(wages, S. Paulo)



Wage dispersion as measured by the coefficient of variance of wages paid in the industrial sector (data for São Paulo) also confirms the conclusion that the distribution of wages became more unequal during the last years. In figure 7 the coefficient of variance grows continuously between 1978 and 1987.

Not only the relative wages paid to workers outside the industrial sector fall, but also the relation between the components of the consumer price index ¹¹ and the average industrial price index fall continuously over the period. Refer to table 13. As an example, in ten years, the relation between the consumer price of foodstuff and the industrial price index falls 40%.

In 1986 these tendencies change dramatically. Both wages and prices in the non-industrial sectors grow relatively to wages and prices in the industrial sectors, respectively. This was the result of a price freeze imposed by one year during the Cruzado Plan. ¹² Since 1986, two other plans based on price freezes were launched but the results in terms of stabilization have been disastrous. These plans resulted in a further disorganization of the economic relations, and an increase in the degree of distributive conflict. The data available for São Paulo indicates that in the industry the product wage and the share of wages have been falling continuously, whereas the real wage fell in 1987 and stabilized in 1988.

We conclude from this analysis that the relation between capital, labour and the State is immersed in a deep crisis. The

¹¹ Foodstuff, clothing, personal services, health and shelter.

¹² See Amadeo and Camargo (1989b) for an analysis of the Cruzado Plan in Brazil, and especially the changes in the distribution of income and relative prices.

acceleration of inflation, the increase in wage dispersion and the recurrent changes in the distribution of income between profits and wages (as illustrated by the ups and downs in the share of wages in the industry) are reflections of the crisis.

The reemergence of labour activism in certain sectors of the industry is certainly an important aspect to understand the development of the last ten years. The resistance of capitalists to accept the new reality, and their attempt to block the progress of labour is at the root of the conflict. Weak actors both amongst capital and labour have been suffering with losses in their share of income.

7. Concluding Remarks

We started this analysis by showing that the Brazilian labour market is quite heterogeneous. There is a modern segment where workers are unionized, and other sectors in which the capital-labour relation may or may not have a legal status. We noted that the State through the Ministry of Labour and the Labour Justice played a paternalistic role, and that the labour code induced a very corporatist structure. We argued that even in the modern sectors the conditions of work are quite bad and workers rights are almost nonexistent: job security is absolutely absent and labour turnover is very high, workers' representation at the firms' level is prohibited, the rhythm of work is exhausting and there is rigid control of the labour process.

At the macro level, we noted that nothing like a 'Fordist compromise' can be identified in Brazil -- not even in the most modern sectors. Real wages do grow occasionally in certain sectors but the share of wages in industry (even in São Paulo) is extremely low, and has fallen over the '80's. The structural transformations which took place in the last three decades gave rise to an industrial labour force. A sense of injustice on the part of these workers with the distribution of the fruits of progress has led to the formation of a strong union movement which has been demanding changes in the conservative labour relations as prescribed in the labour laws.

The 'new unionism' of the eighties has changed the face of the relation between capital, labour and the State. The movement has grown quite fast over the last ten years, and what is really new in terms of the union structure in Brazil: it has strong ties with the workers in the factories and it is, on the other hand,

very centralized at the national level. Their demands for better working conditions, and rights such as job security and workers' representation in the firms has found very strong opposition on the employers' part. The strongest unions have been able to succeed in most of their demands. However there is still a long way to go before the majority of the workers could have the same rights.

In those sectors where workers maintain a legal relation with their employers the central unions (especially CUT) have been able to mobilize workers. In recent years, the distributive conflict between organized labour and capital can be seen as a positive-sum game which gains have been shared by the two groups. But the conflict between organized and non-organized segments of society is a zero-sum game in which the latter group has been loosing.

The centralization of the union structure and the creation of a very active Workers' Party may extend to all workers with a legal status the benefits of the stronger unions. Hence, we are led to believe that the deepening of the wage dispersion in the last years will give place to a more equalitarian distribution of the wage mass. On the other hand, there are indications that the growth of the movement at the national level will force employers to share productivity gains with workers, and maybe even lead to a redistribution of income in favour of wages.

The optimism of the last paragraph should not be exaggerated. On the one hand, employers in Brazil have been quite resistant to changes, and so far they have been able to partially block the growth of the labour movement. On the other hand, there is a huge number of workers whose relation with capital does not

have a legal status. It will take some time before they can become part of the legal system and part of the organized segment of the labour force.

8. References:

- Abramo, L. 1986. O Resgate da Dignidade, M. A. dissertation, USP, São Paulo.
- Amadeo, E. & Banuri, T. 1989. "Policy, Governance, and the Management of Conflict" forthcoming in T. Banuri (ed.) No Panacea: The Limits of Economic Liberalization (provisional title), Oxford, Oxford University Press.
- Amadeo, E. J. & Camargo, J. M. 1989a. "A structuralist model of inflation and stabilization", mimeo, WIDER/UNU, Helsinki.
- Amadeo, E. J. & Camargo, J. M. 1989b. "Market structure, relative prices and income distribution an analysis of heterodox shock experiments", mimeo, WIDER/UNU, Helsinki.
- Amadeo, E. J. & Camargo, J. M. 1989c. "Choque e Concerto", forthcoming in Dados.
- Amadeo, E. J. & Camargo, J. M. 1989d. "Política salarial e negociações: perspectivas para o futuro", mimeo, OIT/Ministério do Trabalho.
- Bacha, E. & Taylor, L. 1978. "Brazilian income distribution in the 60's: facts, model results, and the controversy", Journal of Development Studies.
- Banuri, T. and Amadeo, E. 1989. "Worlds within the Third World: labour market institutions in Asia and Latin America", forthcoming in T. Banuri (ed.) No Panacea: The Limits of Economic Liberalization (provisional title), Oxford, Oxford University Press.
- Bonelli, R. e Sedlacek, G. L. 1989. "Distribuição de renda: evolução no último quarto de século", em G. Sedlacek e R. Paes de Barros (1989).
- Bontempo, H. C. 1987. "Transferências externas e financiamento do governo", Pesquisa e Planejamento Econômico.
- Boyer, R. (ed.) 1986. La Flexibilidad del Trabajo en Europa, Ministerio del Trabajo y seguridad Social, Madrid.
- Cardoso, E. & Reis, E. 1986. "Deficits, Dívidas e Inflação no Brasil", Pesquisa e Planejamento Econômico.
- Castro, A. B. & Pires, F. E. 1985 A Economia brasileira em marcha forçada, rio de Janeiro, Paz e Terra.
- Camargo, J. M. 1980. "A nova política salarial, distribuição de renda e inflação", Pesquisa e Planejamento Econômico.
- Camargo, J. M. 1981. " "A nova política salarial, distribuição de renda e inflação -- uma réplica", Pesquisa e Planejamento Econômico.

- Camargo, J. M. 1989. "Informalização e renda no mercado de trabalho", em G. Sedlacek e R. Paes de Barros (eds.) (1989).
- Castro, M. 1988. Participação ou Controle: o dilema da atuação operária nos locais de trabalho, IPE, São Paulo.
- Collier, R. and Collier, D. 1979. "Inducements versus Constraints: disaggregating 'corporatism'", The American Political Science review, vol. 73, n. 4.
- Jatobá, J. 1989. "A dimensão regional da pobreza urbana e os mercados de trabalho: o caso brasileiro, 1970-83" em G. Sedlacek e R. Paes de Barros (eds.) (1989).
- Hirshman, A. 1986. "The political economy of Latin American development: seven exercises in retrospect", paper for the XIII International Congress of the Latin American studies Association, Boston, October, 1986.
- Hoffman, R. 1989. "Evolução da distribuição da renda no Brasil, entre pessoas e entre famílias, 1979-86" em G. Sedlacek e R. Paes de Barros (eds.) (1989).
- Humphrey, J. 1988. "Gênero e Processo de Trabalho", Anais do Seminário sobre Padrões Tecnológicos e Políticas de Gestão, USP, São Paulo.
- Langoni, G. 1973. Distribuição de Renda e desenvolvimento econômico no Brasil, Rio de Janeiro: Expressão e Cultura.
- La Rocque, E. de 1989 Sindicalismo Brasileiro, Undergraduate monograph.
- Le Ven, M. 1988. "Padrões Tecnológicos e Formas de Uso e Controlada Força de Trabalho", em Anais do Seminário sobre Padrões Tecnológicos e Políticas de Gestão, USP, São Paulo.
- Pastore, J., Zilberstajn, H. e Pagotto, C. 1983. Mudança social e pobreza no Brasil, 1970-1980, São Paulo: FIPE/USP.
- Reisen, H. & Trotsenburg, A. 1988. "Developing countries debt: the budgetary and transfer problem", OECD.
- Sedlacek, G. e Paes de Barros, R. 1989. Mercado de trabalho e distribuição de renda: uma coletânea, Rio de Janeiro: IPEA.
- Sabóia, J. 1988. "Dualismo ou Integração do mercado de trabalho?", Texto para Discussão, UFRJ.
- Simonsen, M. H. 1983. "Indexation: current theory and the Brazilian experience" in Inflation, debt and indexation, R. Dornbush e M. H. Simonsen, Cambridge: MIT Press.
- Souza, A. & Lamounier, B. 1981. "Governo e sindicatos no Brasil: a perspectiva dos anos 80", Dados

Werneck, R. 1986. "Poupança estatal, dívida externa e crise financeira do estado", Pesquisa e Planejamento Econômico.

Werneck, R. 1987. "Public sector adjustment to external shocks and domestic pressures in Brazil", Discussion Paper, PUC/RJ.

190. Modiano, E.M.; "The Two Cruzados: The Brazilian Stabilization Programs of February 1986 & June 1987".
191. Abreu, M. de P.; "Indicadores Sociais Revisitados: Paradigmas Internacionais e Brasileiros".
192. Abreu, M. de P.; "British Investment in Brazil: The Relevant Century, 1850-1950".
193. Abreu, M. de P.; "Brazil as a Creditor: Sterling Balances, 1940-1952".
194. Abreu, M. de P.; "On the Memory of Bankers: Brazilian Foreign Debt, 1824-1943".
195. Fritsch, W. e G.H.B. Franco; "Investimento Direto: Tendências Globais e Perspectivas para o Brasil".
196. Werneck, R.L.F.; "Uma Contribuição à Redefinição dos Objetivos e das Formas de Controle das Empresas Estatais no Brasil".
197. Bacha, E.L.; "Capturing the Discount: Towards a Debt Facility at the Bank and the Fund".
198. Bacha, E.L.; "Latin America's Debt Crisis and Structural Adjustment: The Role of the World Bank".
199. Bacha, E.L.; "Latin America's Economic Stagnation: Domestic and External Factors".
200. Moraes, P.B.; "A Condução da Política Monetária durante o Plano Cruzado".
201. Franco, G.H.B.; "O Balanço de Pagamentos do Brasil: 1870-1896: Novas Estimativas".
202. Carneiro, D.D. e R.L.F. Werneck; "External Debt, Economic Growth and Fiscal Adjustment".
203. Fritsch, W. e G.H.B. Franco; "Brazilian External Adjustment in the 1990s: The Role of Foreign Direct Investment".
204. Moraes, P.B.; "Inflação e o Número de Intermediários Financeiros".
205. Franco, G.H.B. e E.J. Amadeo; "'Finance', Poupança e Investimento: Nem Keynes nem Robertson".
206. Fritsch, W. e G.H.B. Franco; "Foreign Direct Investment and Patterns of Industrialization and Trade in Developing Countries: Notes with Reference to the Brazilian Experience".
207. Amadeo, E.J. e A.K. Dutt; "Keynes's Dichotomy and Wage-Rigidity Keynesianism: A Puzzle in Keynesian Thought".
208. Fritsch, W.; "The New Minilateralism and Developing Countries".
209. Resende, A.L., "Da Inflação Crônica à Hiperinflação: Observações Sobre o Quadro Atual".
210. Amadeo, E.J., "Crescimento e Distribuição: um Modelo Estilizado da Riqueza das Nações".

211. Amadeo, E.J., "Equilíbrio Macroeconômico e Modelos Bi-Setoriais".
212. Amadeo, E.J. e Camargo, J.M., "A Structuralist Analysis of Inflation and Stabilization".
213. Amadeo, E.J. e Camargo, J.M., "Market Structure, Relative Prices and Income Distribution".
214. Amadeo, E.J. e Camargo, J.M., "Choque e Concerto".
215. Banuri, T. e Amadeo, E.J. "Worlds Within the Third World: Labour Market Institutions in Asia and Latin America".
216. Amadeo, E.J. e Banuri, T. "Policy, Governance, and the Management of Conflict".
-
217. Amadeo, E.J. e Camargo, J.M., "Política Salarial e Negociações: Perspectivas para o Futuro".
218. Werneck, R.L.F., "Ajuste Fiscal e Dispendios Não-Financeiros do Setor Público".
219. Fritsch, W. e Franco, G.H.B., "Key Issues on Industrial Promotion: the Current Brazilian Debate".
220. Amadeo, E.J. e Camargo, J.M., "Economic crisis, impact and response: the case of Brazil".
221. Bacha, E.L., "A three-GAP model of foreign transfers and the GDP growth rate in developing countries".
222. Bacha, E.L., "Debt Crisis, Net Transfers, and the GDP Growth Rate of the Developing Countries".
223. Werneck, R.L., "Aspectos Macroeconômicos da Privatização no Brasil".
224. Bacha, E.L., "The Brady Speech and the Debt Facility: An Evaluation of Policy Alternatives for Latin America".
225. Amadeo, E.J. e Camargo, J.M., "Criação de Empregos Produtivos no Brasil: Processo e Ajuste Recente e Perspectivas para o Futuro".
226. Carneiro, D.D. e Werneck, R.L.F., "Brazil: Growth Exercises for the Nineties".
227. Bacha, E.L., "Alguns Princípios para a Reforma do Sistema Financeiro Nacional".
228. Amadeo, E. Joaquim e José M. Camargo, "Desafios da Centralização Sindical: Uma Agenda para os Anos 90".
229. Fritsch, W. e G.H.B. Franco, "Quest for Efficient Industrialization in a Technologically Dependent Economy: the current brazilian debate".
230. Fritsch, W. e G.H.B. Franco, "Trade Policy, MNCs and the Evolving Pattern of Brazilian Trade, 1970-85".
231. Amadeo, E., "Desemprego: Teorias e Evidências sobre a Experiência Recente na OECD".
232. Amadeo, E. e J.M. Camargo, "Brazilian Labour Market in an Era of Adjustment".