Current Challenges to Workers and Unions in Brazil

Roberto Véras de Oliveira | Social Science, Federal University of Paraíba, Brazil

Brazil is currently suffering economic stagnation and a political crisis. The economic growth that buoyed Brazil through most of the 2000s has stalled, and the ruling Workers' Party, which through three presidential terms led Brazil toward relatively worker- and union-friendly policies, is under fierce political attack. These circumstances make it an apt time to evaluate the challenges currently faced by workers and their unions in Brazil. This Brief undertakes that evaluation by placing the current situation in a longer historical context.

Historical Characteristics of Brazilian Society

Social inequality became one of the structural conditions of the Brazilian society. Despite important shifts brought about by industrialization, which gained momentum from 1930's forward, the changes that followed were not able to overcome entrenched inequalities. Instead, it was carried out based on this legacy. According to Santos, beginning in the 1930's the country has adopted a mode of regulation of the capital accumulation process which he called "regulated citizenship (cidadania regulada), founded not on political values, but on the basis of an occupational stratification system. Brazilian society became basically segmented between "citizen" (those with officially recognized occupations) and "pre-citizen" (with non-recognized occupations). Three main institutions were basic to this model: the regulation of professions, the legal work contract, and the officially controlled unions.

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Comparing the Brazilian with the European and American cases, the country's industrialization took place late, wage work only took root in part of the economy, and the incorporation of social protection mechanisms was restricted and under kept state control. This arrangement was established in correlation with a profound social segmentation (implying social gaps among classes, genders, ethnicities / races, generations, regions of origin and others).

The second boost to industrialization, which occurred in the 1950's, after the phase of "import substitution", was based on three pillars: national private capital, state capital, and multinational capital, with dominance of latter. A growing social gap resulted between a dynamic pole, integrated into the world economy and endowed with some social protection mechanisms ("peripheral Fordism", according to French sociologist Alain Lipietz5), and the rest of the economy, involving a heterogeneous range of production and work models, which was kept in a dependent relationship with the dynamic pole, and in precarious social conditions.

The promise of the "New Unionism"6

The rise of a working class concentrated in large companies—especially automotive multinational—in the ABC industrial region surrounding São Paulo7, enjoying a wage premium, triggered a debate about whether this was an "aristocracy of labor", based on a sort of business unionism. Rodrigues8 and Almeida9 supported this thesis. Humphrey10 was one of the first who disagreed, recognizing in those segments a vigorous political potential. The strikes that erupted in the late 1970s in this region reinforced this assessment.

The impact of those workers and popular struggles on Brazilian society changed the terms of political debate. Moisés11, supporting Weffort's12 criticism of the "populist unionism" which existed before the 1964 military coup, noted that the new movements succeeded in articulating autonomous social and political demands, in contrast with previous experience.

With creation of organizations such as the Workers' Party (Partido dos Trabalhadores), the Single Confederation of Workers (Central Única dos Trabalhadores - CUT), the Landless Rural Workers' Movement (Movimento dos Trabalhadores Rurais Sem Terra - MST), among others, the bases of so called democratic and popular field was established. So groups coming from segments as different as metal workers, bank, oil, urban services, education, telecommunications, civil construction, trade, transport, public services, landless, small farmers, self-employed, household employees, and unemployed, among others, gained a common and independent political perspective. The Brazilian working class, and especially the segments that in this context emerged as an independent political

7 Core of Brazilian automotive industry. It comprises seven cities of São Paulo State: Diadema, Mauá, Ribeirão Pires, Rio Grande da Serra, Santo André, São Bernardo do Campo and São Caetano do Sul.
force, increasingly recognized and confronted the constitutive segmentation of the Brazilian working class as a central political challenge.

**The 1990’s: hard years**

The neoliberal wave arrived in Brazil in the early 1990s with the Collor Government. Brazil’s insertion in the globalization era was accelerated, and intensified the restructuring of production, which put the economy in line with the new capitalist dynamics of flexible accumulation\(^{13}\). In terms of its implications for the workers, one of the most important changes resulted from the extensive use of outsourcing by companies\(^{14}\). In this context, the defense of the "deregulation" of labor relations gained strength, with government and business support.

During the two governments of Cardoso (1995-1998 and 1999-2002), deregulation of the labor market was intensified, favored by the frame of unemployment and the weakening of unions. Thus, the privatization program advanced, despite union resistance (especially from CUT), reaching sectors of strategic importance for the economy and for unionism (steel, telecommunications, banking, energy, etc.).

The most active unions (linked to CUT) were put in a defensive position, in contrast to their performance in the 1980’s. Several factors contributed to this: liberalization policies and privatization of the economy; rising unemployment; the anti-union and anti-labor governmental position; and competition from the competing (and more conservative) Union Force (Força Sindical) federation\(^{15}\), among others.

Throughout that process the trade unions linked to CUT underwent major changes, with the idea of citizenship becoming more central. It was then that the term "citizen unionism" arose. In this context trade union strategies placed greater importance on: defense of jobs, social rights and democracy against the neoliberal policies; the diversification of the trade union agenda (with gender issues, ethnicity/race, vocational training, environment issues, occupational health, etc.); greater institutional participation; and initiatives dubbed the "solidarity economy", involving diverse forms of organization, including cooperativism.

**The Lula Era and the paradoxes of unionism**

Lula’s election raised high expectations. A program focused on the defense of the social demands, production, development and the rescue of the national project signaled a counterpoint to neoliberalism. However, the government was always under pressure from conflicting interests, emphasizing variously: social demands, derived from the unequal character of Brazilian society; business owners’ demands for defense of production in the face of the financialization of the economy; the demands of the financial market, seeking to submit the country to its logic; the pressures of the so-called “physiological” political groups\(^{16}\).

Even though under such limitations and contradictions, the government was able to carry out a development program, especially during Lula’s second term (2007-2010) and Roussef’s first term (2011-2014). The major evidence of the new discourse of development in the Federal Government has been the so-called Programa de Aceleração do Crescimento [Growth Acceleration Plan - PAC], launched in 2007. Lula administration began to assimilate the key developmental idea of the state as the inducer of economic growth, while putting an emphasis on generation of employment and

\(^{13}\) In the sense of Harvey (1992), The condition of postmodernity. Cambridge: Blackwell.


\(^{16}\) As politicians without a political program are known in Brazil.
income and integrating this with the government’s macroeconomic goals. The objective was to increase the productivity of businesses, stimulate private investment, create jobs and income and reduce regional inequalities, mainly through investments in infrastructure. From state enterprises and private companies, the main investments were concentrated in the sectors of energy, transportation, housing, sanitation, and water, in addition to public policies with social impacts. In 2010, the PAC 2 was launched, redefining, but predominantly reinforcing, the structural axes of the first edition.

The upturn in social and economic indicators, which from 2004 on began to reveal steadily positive tendencies, may be credited to both the new economic dynamics and to the new political conditions that allowed for a new stage of salary levels and union negotiations and demands. Krein et al. posit that during the Lula era it is necessary to emphasize that “[both] public policy and the struggles and achievements of the labor movement were decisive to bring improvements to the labor market in Brazil”. However, particularly within the CUT with its historical links with the PT, an ambivalent strategy prevailed which reinforced a situation already present in the 1990’s: the CUT’s loss of political leadership on the national stage, while it remained present and influential.

On the other hand, the government negotiated with the union confederations about conferring its official recognition, with right to receive federal grants. That measure had as a collateral consequence the fragmentation of the organizational structure of the Brazilian union movement. Despite this, some convergence in the trade union agenda during that period was maintained, especially in institutional negotiations and in the struggle for a minimum wage appreciation policy. The minimum wage has been increasing since 2005, contributing to more favorable conditions for workers.

However, improvements in the labor market (from 2003 to 2014) had a contradictory coexistence with continuous pressure toward labor relations flexibilization.

The outsourcing issue: a key trade union challenge
According to Faria, outsourcing has gained momentum in Brazil from early 1990’s onward, aiming mainly lower labor costs. A study by CUT / DIEESE estimates that "outsourced workers make up 26.8% of the formal labor market, totaling 12.7 million employed persons"; on average they receive a

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21 Along with CUT and Força Sindical (which remain the two most important), a dozen union confederations currently exist in the country. See: Galvão, Andréia (2014), “The Brazilian Labor Movement under PT Governments”. Latin American Perspectives, v. 41, p. 184-199.


salary 24.7% lower than that of directly hired workers; are submitted to working hours 7.5% higher\textsuperscript{25}; and submitted also to a job turnover 53.5% higher. The study argues outsourcing has as its most perverse faces: labor law violations; greater health hazards; lower wages and benefits; more discrimination and prejudice; more difficulty for union action; and damages to public services.

To date, Brazil does not have specific legislation regulating outsourcing. For almost 40 years, that topic has been a subject of dispute among the Executive, Legislative, and Judicial branches of governments, with advances and retreats. The main currently existing regulatory instrument is a measure of the Superior Labor Court (TST), of 1993, known as Sumula 331, allowing outsourcing in "support activities." Despite the legitimation of such practices implied by the decision, that measure is the only legal protection of workers against advancing outsourcing\textsuperscript{26}.

The CUT’s action strategy remained oriented, between 1990 and 2003, basically to contestation of outsourcing. With the advancement of that process, the unions started to also take up the issue through collective bargaining. However, Krein and Teixeira\textsuperscript{27}, evaluating collective bargaining carried out between 1998 and 2013, concluded that the regulatory gains on outsourcing were insignificant.

In April 2015, in a context of political crisis at the start of the Rousseff’s second term, the bill named PL 4330/2004 was given a first round of approval in the Chamber of Deputies, aiming to authorize the outsourcing in "core activities". This action triggered a strong wave of protests on social networks and on the streets, with central participation of trade unions\textsuperscript{28}. Nevertheless the project was approved and it is currently being examined by the Senate.

The current dispute around outsourcing regulation will probably have important influence on the outcome of the current political crisis and its implications for the world of work in the country. Trade unionism has been challenged to have a central role in that dispute.

**Work agenda and trade unions’ role in different contexts**

A comparative analysis of the recent historical contexts may be useful for a better assessment about what is basically at stake currently in Brazilian society, especially in terms of work issues. Each context considered here has had implications for different trends in the social dynamics of work and trade unions' role.

*From the Collor Government to the second Cardoso term:*
In this context, labor flexibilization advanced thanks to the confluence of at least three mutually reinforcing factors:

Big companies felt encouraged and / or pressured to lead a restructuring of production with outsourcing serving as its major axis. Allied to this, they sought to act together with the government and the media, aiming to legitimize their demands.

Governments acted in favor of labor flexibilization and precarization (with important support from other institutional powers and the media), through: incentives for a certain pattern of restructuring; reforms in labor laws aiming at the deregulation of the labor market; an agenda of privatization and state reform, with damage to public services and public workers; anti-union attitudes and the

\textsuperscript{25}Overtime pay is not included.


\textsuperscript{28}Especially the CUT. It should be noted that the Força Sindical took a position in favor of the project approval.
criminalization of social movements; and macroeconomic policies divorced from employment targets.

The degradation of labor market indicators and of working conditions in general, resulting from the above conditions all together, produced an extremely unfavorable environment for workers and for trade union action.

Trade unions remained mostly with a defensive strategy, as an attitude of resistance. They needed to deal with an adverse economic scenario, hostile governments, precarization and anti-union corporate practices, and an unfavorable political environment, in addition to the historical problems of trade unionism in Brazil. Although unionism remained the main arena and channel for workers' demands, through both collective bargaining and broader policy action, unions on average underperformed by comparison with the previous period.

*Lula’s second term and Rousseff’s first term:*
When compared with the previous context, this context brought indicators favorable to workers, but outsourcing and flexibility processes went ahead, though not at the same pace or with the same components.

The federal government acted under limits and ambivalences in labor issues and social protection. They kept off the agenda the labor reform demanded by businesses; adopted an economic stimulus policies to reactivate the economy and to create jobs; developed social policies focusing on income transfers and on increasing the minimum wage; developed public spaces for social negotiation; and incorporated trade unionists in important governmental functions. But, on the other hand, they adopted some measures advancing labor market flexibilization (and in addition, government actions favorable to the prospect of social rights and citizenship encountered resistance in segments from the governing coalition, in the other sectors of institutional power, and in the media).

Employment indicators reacted positively: unemployment fell, formal employment grew, the average income of workers rose, the results of collective bargaining improved, all favoring unions' performance, in terms both of collective bargaining and of its broader political action.

Companies continued implementing outsourcing and flexibilization processes (and continued pressing for a favorable regulation), however they become more cautious in view of the changes on the political environment and the partial recovery of the bargaining power of unions and workers.

Unionism was favored by the improvement of the overall framework of the labor market, as well as in terms of its influence on governmental measures (with an emphasis on the CUT). Thus its effectiveness increased, but it did not recover the political role that it had won in the 1980’s.

*The beginning of Rousseff’s second term:*
The current Government is clearly weakened, with conservative forces growing. Amid many contradictions and intense pressure, they have not had the same ability to influence the public agenda as compared to the previous context. The Rousseff administration’s initial decision, with emergence of a serious crisis, to seek support from the market and from political coalitions with the "physiological" factions, moved the government's core program away from the workers' demands and its representative organizations, especially trade unionism.

Business leaders, taking advantage of the favorable political environment, have increased pressure for their preferred rules regarding outsourcing and labor flexibilization, choosing the approval of PL 4330 as a priority. Given the current situation of economic instability, they have felt encouraged to accelerate the practical implementation of a process that even the previous context had not managed to stifle.
With the growing political and economic crisis and the fiscal adjustment measures implemented by the Government, employment indicators have begun to show clear signs of deterioration, which will severely affect workers' gains and the conditions of trade union action.

Thus, our hypothesis is that the current context will overload unions, which have been under pressure to reverse recent economic and political losses. In contrast with the previous context, they no longer can count on either government measures favoring the employment worker incomes of the worker, or a favorable economic framework for employment and union bargaining, or a certain caution of the business sector. At the same time, we conclude that trade unions must lead an agenda of workers' demands, or both workers and unions will be at risk of suffering serious damage in face of the growth of the conservative wave. We don’t see in the present scenario another social actor who could play this role in Brazil.

But this will require confronting the historical and current problems reflected in their own organizational and political condition. In particular, it will require trade unions to push toward a broader representation of the working classes in the country, working to overcome the historical legacy of segmentation. It remains to be seen how possible this self-reinvention will prove.