

DEPRESSION AND INEQUALITY IN THE BRAZILIAN LABOR MARKET

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Inequality in labor earnings in Brazil declined between 1996 and 2014. In 2016, the trend was reverted and inequality began to rise steadily. Behind this reversal in trends was a deep depression that started in 2014, with its worst point around 2016. Since then Brazil has shown little signs of reasonable recovery (until now, 2019).

The impacts on the labor market were severe. Unemployment skyrocketed to 13% and earnings contracted. For workers, the post-crisis scenario is of a long stagnation. For the poorest workers, including the unemployed, earnings are still in recession. Unemployment is still at the same levels of the worst period of the crisis. Informality and hidden unemployment (discouragement) are increasing.

Are there any signs of recovery? Maybe yes, but not for the poor. There have been signs of a limited recovery since 2016. However, the recovery thus far has benefited only those with higher incomes, thereby increasing inequality. To make things worse, the recovery among richer workers is related to an increase in incomes with high fluctuation, not regular salaries[i]. This is potentially a serious issue, as it may reduce the stability in consumption necessary to revert a macroeconomic depression.

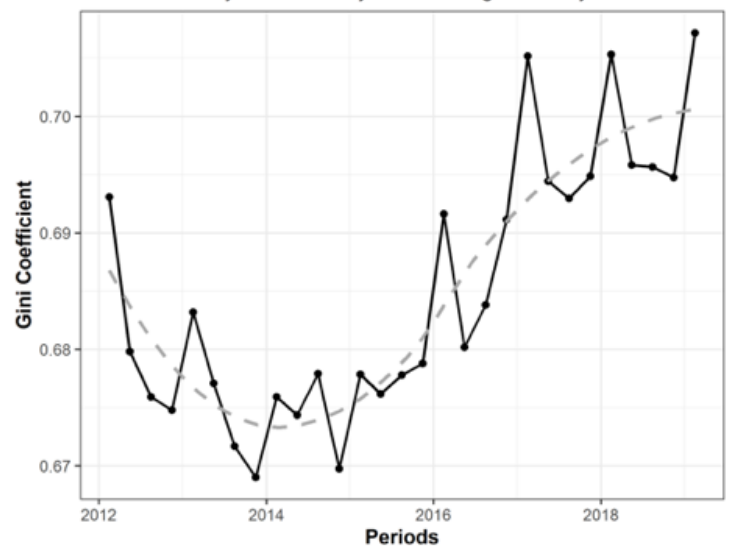
Currently, inequality in labor earnings in Brazil has two characteristics, both the opposite of what had been observed in the previous two decades: first, unemployment has become an important source of inequality; second, the earnings of those more well-off have grown faster than those of the poor.

The depression did not uniformly lower all incomes. Low-skilled workers were hit harder by the depression and the impact was so severe that, for the first time in decades, the returns to education rose, reflecting a relative devaluation of primary and secondary schooling.

All of this was accompanied by a sectoral change in the economy, marked by deindustrialization. Employment and income in manufacturing and construction receded abruptly in 2016 and are still in decline. Occupation increased in sectors in which the State provision of public services acted as a protection against reduced demand, such as health, education and social assistance. In the midst of a fiscal crisis,

and the decision of the Bolsonaro government to respond with austerity, it is unlikely that the public sector activities will be capable of being a buffer for much longer.

Earnings inequality, Brazil (2012-2019)
Effective monthly income of all jobs. Adults aged 18-65 years-old.



Source: IBGE - PNAD Continua (2012/Q1 - 2019/Q1)

This is an unprecedented crisis that will leave deep scars in the Brazilian economy. For two-thirds of workers, the economy is stagnated, with no signs of recovery. The poor are being left behind for the first time in two decades, in a depression that has already lasted more than three years.

Notes

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[i] Part of this is a methodological artifact. There was a change in the 2015 methodology that made the survey more effective in reporting eventual and seasonal incomes.

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