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Statistical Update



International
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Office

BRAZIL: DESPITE SLOWDOWN IN ECONOMIC GROWTH, LABOUR MARKET PROVES TO BE RESILIENT

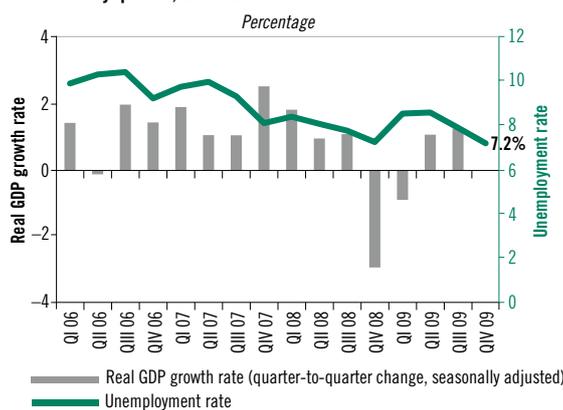
Real economic growth slowed in 2009, and unemployment rate increases were modest

- GDP growth contracted by 2.9 per cent in the fourth quarter of 2008, resulting in a net loss of 634,000 formal jobs, compared with a net gain of 10,400 formal jobs in the same quarter a year earlier.
- During the first three quarters of 2009, GDP growth rose slightly on average (0.5 per cent) and the unemployment rate rose modestly, by 0.3 percentage points compared with the same period a year earlier.
- However, by the fourth quarter of 2009, the unemployment rate had fallen to 7.2 per cent, 0.1 percentage point lower than a year earlier.

Stimulus package includes business loans at low interest rates and expansion of unemployment insurance for laid-off workers

- The Brazilian stimulus package reached US\$20 billion in 2009 and was mainly targeted at infrastructure investment (41 per cent) and tax cuts (35 per cent). Specific components included:
 - US\$6.47 billion to support the agricultural sector, including US\$150 million for family agriculture using resources from the Workers' Protection Fund (*Fundo de Amparo ao Trabalhador*);
 - treasury loan to the National Bank for Economic and Social Development (*O Banco Nacional de Desenvolvimento Econômico e Social*) in addition to existing funds for business loans at very low interest rates;
 - expansion of investments under the "Growth Acceleration Programme" (*Programa de Aceleração do Crescimento*) and extension of expenditures under the *Bolsa Família* Programme;
 - expansion of unemployment insurance for workers laid-off as of December 2008, particularly for sectors of the economy that had experienced higher numbers of layoffs than in the preceding months. This expansion also benefited workers dismissed in January 2009 by firms spacially affected by the crisis.
 - maintenance of minimum wage adjustments.

Figure 1. Unemployment rate and real GDP growth rate, by quarter, 2006–2009

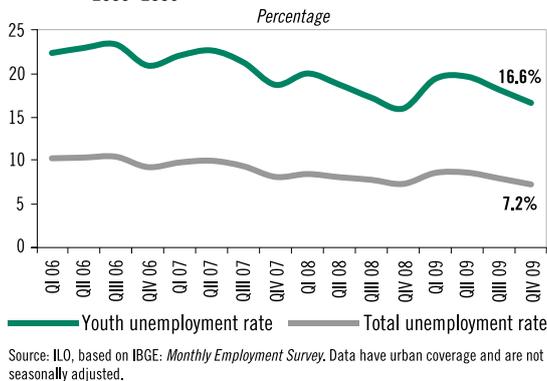


Source: ILO, based on official country information from the Brazil Institute of Geography and Statistics (IBGE). Unemployment rates cover six major metropolitan regions.

The youth unemployment rate increased more than that of the total population during 2009

- Unemployment affected young Brazilians to a greater extent than the total population, as the youth unemployment rate is about 2.3 times higher. This reflects less developed jobs skills and work experience among young people.
- Following a period of steady decline, the youth unemployment rate rose 0.5 percentage points to 18.5 per cent average in 2009 while the total unemployment rate rose 0.2 percentage points to 8.1 per cent average in 2009.

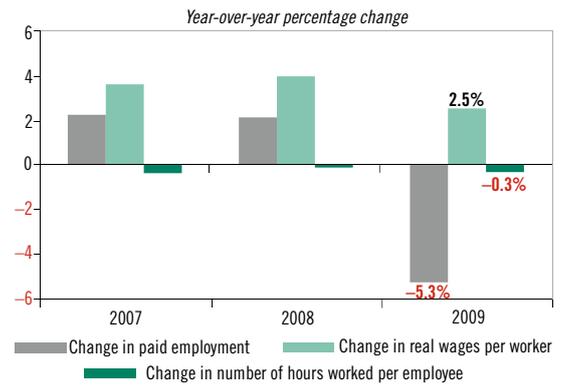
Figure 2. Total and youth unemployment rates, by quarter, 2006–2009



Manufacturing sector has experienced the largest employment decline

- By sector, the largest decrease in employment occurred in manufacturing due to a sharp fall in industrial production (12.5 per cent), mainly in export-oriented industries.
- Paid employment in the sector declined 5.3 per cent in 2009 while working hours contracted slightly (0.3 per cent) and real wages rose 2.5 per cent.

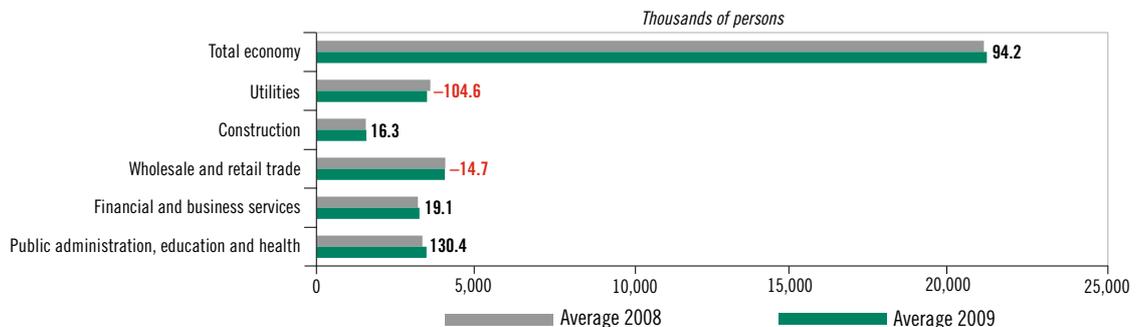
Figure 3. Manufacturing sector: Change in paid employment, average real wages and hours worked, 2007–2009



Aside from manufacturing, few economic sectors have recorded job losses

- At the total economy level, over 94,000 jobs were created during the first three quarters of 2009 compared to the same period in 2008. Employment growth by sector was highest in public administration, education and health (130,400 jobs created), followed by financial and business services (19,100) and construction (16,300). In addition to job losses in manufacturing, net job losses totalled 104,600 in utilities and 14,700 in wholesale and retail trade.
- In the third quarter of 2009, employment continued to decline in utilities (2.4 per cent) and wholesale and retail trade (0.16 per cent), albeit at a slower pace. Conversely, job growth continued to expand in public administration, education and health over the same period.

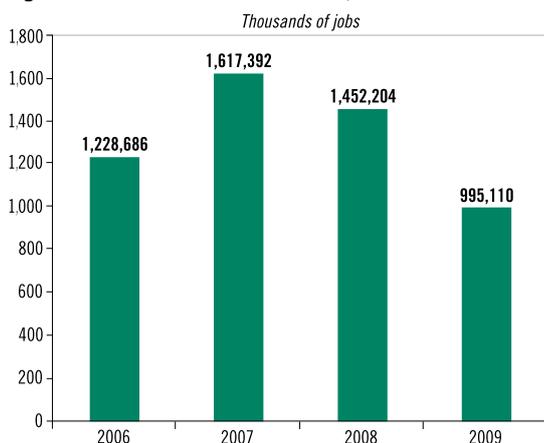
Figure 4. Average employment by economic activity, level and change. Average of first three quarters of 2009 and the same period in 2008



The pace of job creation in the formal sector slowed in 2009

- In the formal sector, job creation reached a level of just over 995,000 in 2009, thus declining from its recent peak of 1.6 million in 2007 due to the crisis.
- Nonetheless, the level remains healthy in historical terms and reflects the impact of the stimulus. In January 2010, formal employment grew by 181,000 jobs, 27 per cent higher than January 2008.

Figure 5. Job creation in the formal sector, 2006–2009

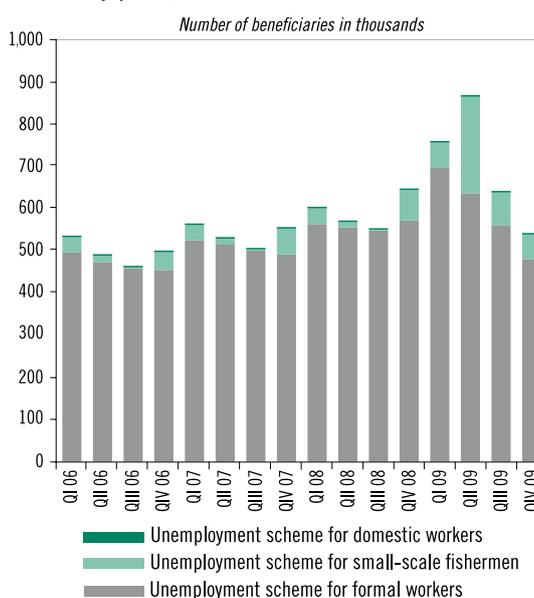


Source: Brazilian Ministry of Labour and Employment, *Cadastro Geral de Empregados e Desempregados* (CAGED).

The number of unemployment insurance beneficiaries increased in the first half of 2009

- The unemployment insurance benefit schemes in Brazil consist of five types defined by worker groups: formal workers (who comprise the largest share of beneficiaries), small-scale fishermen, domestic workers (the smallest group), rescued workers (rescued from forced labour) and workers in bourse-qualification (who are in a training programme offered by the employer).
- Unemployment insurance claims among formal workers rose from a recent low of nearly 459,000 in the third quarter of 2006 to a peak of almost 698,000 in the first quarter of 2009.
- Including unemployment insurance beneficiaries for small-scale fishermen, the peak was reached in the second quarter of 2009, as claims among this group jumped to 231,000; the total number of beneficiaries in this quarter was thus about 867,000.
- The total number of unemployment insurance beneficiaries subsequently declined to 541,000 in the fourth quarter of 2009 as the unemployment rate fell in the second half of the year.

Figure 6. Brazil unemployment schemes¹ beneficiaries, by quarter, 2006–2009



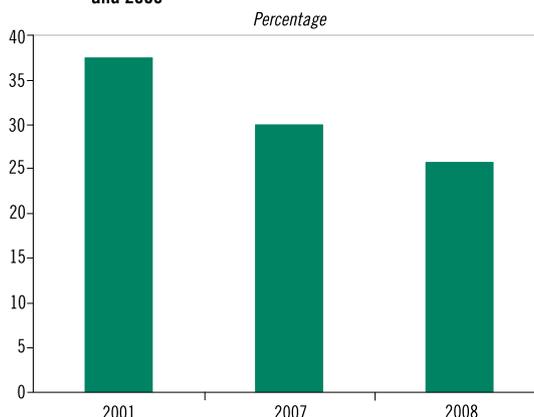
Source: ILO, based on official administrative records from the Brazilian Ministry of Labour and Employment.

¹ Includes beneficiaries from the three unemployment schemes respectively for formal workers, fishermen and domestic workers.

Structural imbalances remain but have been improving

- Income inequality, as measured by the gini coefficient, has declined steadily since 2001 but it rose slightly in 2008 to 0.594.
- The incidence of poverty in the population declined from 30 per cent in 2007 to 25.8 per cent in 2008.

Figure 7. Incidence of poverty in the population, 2001, 2007 and 2008



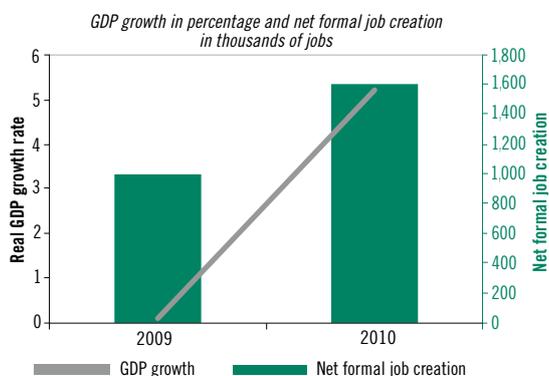
Source: ILO, based on information from UN Economic Commission for Latin America and the Caribbean.

Improvement in economic growth and unemployment rate declines expected in 2010

- With a positive current account balance and relatively low debt-to-GDP ratio, Brazil was better prepared for the crisis than in the past and the economic slowdown resulted in only a modest increase in unemployment.
- The economic outlook in 2010 is favourable as real GDP growth is projected to increase from 0.1 per cent in 2009 to 5.2 per cent in 2010, close to pre-crisis levels.
- Moreover, a decline in unemployment is expected and net formal job creation is expected to increase by over 600,000 to 1.6 million in 2010.

- The combination of expansionary monetary policies and proactive fiscal policies, as well as the strength of the internal market, seems to be contributing to a steady economic recovery from the slowdown. For instance, industrial output, productivity and retail sales, particularly in automobiles, improved significantly in early 2009. However, those improvements have not been fully translated into jobs in this subsector nor across other manufacturing industries.
- Returning job creation in the formal sector to pre-crisis levels will be an important challenge in the near term. Decent work deficits persist and will also remain top policy challenges. Policymakers should continue to focus on poor populations and seek to ensure that recent gains in income inequality are not reversed with the crisis.
- While the domestic market has grown considerably over the past five years, the challenge remains to incorporate a large segment of the population – the one-quarter that lives on less than US\$75 per month – into more productive and remunerative activities in the labour market.

Figure 8. Real GDP growth rate and formal job creation, 2009–2010



Source: Brazilian Ministry of Labour and Employment, CAGED and Ministry of Finance.