Rescuing the minimum wage as a tool for development in Brazil

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No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable. It is but equity, besides, that they who feed, cloath and lodge the whole body of the people, should have such a share of the produce of their own labour as to be themselves tolerably well fed, cloathed and lodged.

Adam Smith, *The Wealth Of Nations*, 1776, Book I, Chapter VIII, paragraph 36

The International Labour Organization (ILO) defines the minimum wage (MW) as the salary which constitutes the floor of the wage structure; its objective is to protect workers who occupy the lowest position in wage distribution (ILO, 2008, p. 34). According to international standards, the MW is analogous to the lowest monetary value which may be paid to workers in a region and a point in time, either through existing acts or through collective bargaining. In some countries it is determined by law, while in others it is determined through tripartite dialogue (by means of a negotiation including workers’ representatives, employers and the government), or through collective agreements (with negotiations between workers and employers).

The minimum wage is generally related to a survival standard which is considered basic in a given society, and has the purpose of safeguarding the income and living conditions of workers who are considered to be the most vulnerable in the labour market and that of their families. This means the insertion of a moral or ethical dimension in price formation (through the introduction of a limit which is inferior to the price given to labour force), based on political criteria for establishing the value of labour and the reasonable living conditions in some societies (Medeiros, 2005).

The minimum wage has a 70-year history in Brazil. In the course of its long and eventful life, it went through different stages in attempts to achieve different political and economic objectives, being at times increased or reduced. In the most recent period, however, trade union centrals have mobilized their members again in order to get a MW value that will be more in keeping with the constitutional precept and, as a consequence, the government finally established a MW valorization process, with explicit rules, as a tool of their socioeconomic policy.

Public debate about the revitalization of basic wages in the country has been reignited by the recent raise of the MW (January 2012), which saw the rate increase by 7.5 per cent over the inflation rate, and its impact on public finance, especially on social welfare. Some segments of the population have resisted this increase because of the pressure it exerts on families who hire housekeepers and on company expenditures. But as the problem of income inequality remains severe in Brazil, it becomes critical to maintain the revitalization of the MW and to discuss the role of that process in the cultural development of the country.
Since 1995, the MW has been adjusted approximately every 12 months.\textsuperscript{1} From 2004 to 2010, at the end of each year the trade union centrals have waged national campaigns around topics of relevance to the Brazilian working population. Among other achievements, at the initial stages of joint annual campaigns, the centrals attained agreed raises, which had a greater impact on the MW. In December 2007, Lula da Silva’s government agreed to an explicit and more permanent policy of valorization of the MW. This meant that adjustments and raises of the MW would no longer be negotiated according to historical circumstances and that a longer-term norm was established for the valorization of the MW. For the 2008–15 period, it has been agreed that adjustments would be based on the price inflation incurred since the previous adjustment and on the real variation of the GDP during the past year (based on the last month of the year). In addition, since 2010, the month for the implementation of the raise has been January. This policy, which was negotiated between the government and the trade union centrals, intends to increase the value of the MW until 2023. The current act that rules the process (Act No. 12.382/2011), proposed by the executive power at the beginning of Dilma Rousseff’s government, makes explicit the convention governing the raise until January 2015, though in a more general sense it crystallizes what had been agreed in the previous period. Thus, the act or a new mechanism to increase the value of the MW will have to be discussed, negotiated and revised at the end of Rousseff’s term of office.

The purpose of raising the MW every year is that of fighting inequality and poverty, but also that of stimulating economic growth through increasing income. By making the process of MW real growth foreseeable (through explicit rules and a long-term view), this policy makes it possible for employers and for the various administrative levels of the public sector to plan ahead and even to make the necessary investments related to the increase of the consumption power and demands for infrastructure, which greatly energizes growth. The norms governing raises also serve as a reference for macroeconomic policies. Raising MW value, combined with the establishment and extension of welfare policies, has contributed to reducing inequality and combating poverty in Brazil. Similarly, the valorization of MW, the widening of coverage and of the value of welfare assistance, the growth of consumer credit and of regularized employment – with a decrease in unemployment – resulted in the widening of the home consumer market. This has helped to overcome the impact of the 2008 financial crisis, first mitigating the contraction of economic activity, and later boosting economic growth.

\textsuperscript{1} See in figure 1 on what months the MW was adjusted and raised on the first day of the month as from 1995.
Brazil’s minimum wage: A bit of history

The MW was established by law in Brazil in 1934, and the act was enforced in 1940, during the presidency of Getúlio Vargas. The Federal Constitution of 1934, which corresponds to the “democratic phase” of Vargas’ government, established the MW as a way of “satisfying, considering regional conditions, the worker’s regular needs” (according to the first paragraph in article 121). However, the MW was not enforced until 1940, during the authoritarian phase of Vargas’ government. Before that, Act No. 185 and decree-law No. 399 – passed in 1936 and 1938, respectively — specified what types of expenses the MW was supposed to cater for (food, housing, clothing, hygiene and transportation).

Art. 2 – By minimum wage it is understood the minimum remuneration owed to an adult worker, with no sex distinction, for an ordinary day’s work, which is enough to satisfy, at a specific time and region in the country, his or her regular needs in terms of food, housing, clothing, hygiene and transportation. (Brazil, 1938)

Those legal instruments also created the “MW Commissions”, which were mandated to determine the value of the MW for the different regions of the country. Decree-law n° 399/1938 established the existence of joint Commissions which were to be formed by workers and employers and by a chair designated by presidential decree. The value of the MW for a region would be proposed to the government by each Commission, and would result from an analysis that took into account the cost of the vital needs listed in the Constitution, the economic circumstances and the wages paid in the region at the time. The final value which the Commission proposed to the President of the Republic would be published in the Official Journal and would be enforced 60 days after publication. It is possible to see, then, that the introduction of the MW in Brazil meant the participation of the social actors, though always under state control.

On 1 May 1940, decree-law No. 2162 instituted the MW in Brazil; it set 14 different values for the 50 national regions, to be enforced as of 1 July 1940. The MW had, then, the following characteristics:

• regionalization of the country;
• satisfaction of workers’ needs (not mentioning their families’);
• food, housing, clothing, hygiene and transportation as the basic needs to be satisfied;

2. From 1937 to 1945 President Getúlio Vargas was the head of a dictatorial government, due to the introduction of a new Constitution which legitimized emergency powers in that period.
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• MW per day of work; and
• the adult qualification requirement.

1943 saw the publication of a legal instrument which organized, in a single text, all the labour legislation which had been passed in Brazil until then: the so-called Consolidation of Labour Laws (CLL), which includes a chapter titled “About the minimum wage.” Article 76 in the CLL ratifies the concept of MW presented in the Decree-Law No. 399/1938 but goes further, enlarging coverage to rural workers.

Though the law explicitly states that rural workers are entitled to a MW, it was not until 1963, through the Rural Worker Statute (Act n° 4314, 2 March 1963), that the MW was progressively extended to rural areas in the country. Perhaps it is no coincidence that the gradual extension of the MW among rural workers coincided with its loss of real value during the period that followed the 1964 military coup d’état.

The criterion of tending to a worker’s basic needs has thus been present in the Brazilian concept of MW since its origin, in the 1934 Constitution and its regulations, though those initial laws disregarded family needs. The 1946 Constitution considered that the MW also has to cater for the expenses of the worker’s family, a principle which was reasserted by subsequent constitutions. The 1988 Brazilian Constitution, currently in force, explicitly includes in its legal text a more thorough expense structure:

Article 7. The following are rights of urban and rural workers, among others that aim to improve their social conditions:

(...)

IV – nationally unified minimum wage, established by law, capable of satisfying their basic living needs and those of their families with housing, food, education, health, leisure, clothing, hygiene, transportation and social security, with periodical adjustments to maintain its purchasing power, it being forbidden to use it as an index for any purpose; (Government of Brazil, 1988)

As for the procedures to determine MW value, “Minimum Wage Commissions” were active from the late 1930s, until the beginning of the 1964 Military Government in Brazil. It is worth noting that the 1943 Consolidation of Labour Laws is still in force, though other constitutions have been passed since then. Some articles were introduced and others modified or repealed, several of which referred to the Commissions. The termination of the Commissions as soon as the military political cycle started (a cycle which continued until 1985) signals the importance given by military authorities to the process of silencing social dialogue (to use the present-day expression) and to the “strict control” of the MW as an economic, political and social strategy.

Regarding the different MW values in Brazil, there were 14 different regional values in 1940, then 38 in 1963 and only five in 1974 and three in
1982. Finally, in May 1984 the MW came to have the same value throughout the country, though the Constitution which was then in force determined it had to be adapted to the living conditions of each region. This implies that, in 1984, the MW was de facto unified for the whole country, though not by law; the situation would change with the adoption of the current Constitution in 1988.

Under the current Constitution, the MW value is to be fixed by the legislative power, i.e. the National Congress, once it has been established by law. Nevertheless, once this Constitution came into force, the executive power started to legislate through a legal instrument called “provisional measure”, which in theory should only be used in exceptional or emergency cases. In this way, the MW value was established through successive provisional measures. Since the adoption of the new Constitution, Parliament has proposed only two laws to determine the MW value, one in 19893 and another one in 1992 (Silva, 2009, p. 126).

The 1988 Federal Constitution also stated that the MW would be the basis for pension benefits (second paragraph, art. 201) and of welfare benefits for the elderly and the disabled who cannot support themselves or have no family to cater for their needs (fifth item, art. 2034). Note that in the second item of art. 194 the 1988 Constitution had already established the equivalence between the welfare benefits in urban and rural communities. In other words, the Constitution unified the basic pension and welfare benefits for urban and rural workers, making them coincide with the MW. Also, through Art. 7, which deals with workers’ right to a MW, the Constitution guarantees the right to unemployment insurance, which is also based on the MW (Act No. 7998/1990).

Therefore, apart from establishing the basic salary within the income range in Brazil, the MW plays a central role in the country’s public policies. The fact that the MW determines the floor for pension, welfare and unemployment insurance benefits probably derives from a view of the MW as the minimum necessary value to tend to a family’s vital needs. Its power as a referent also makes of it a spotlight, a beacon to fix retribution values in the formal sector of Brazilian economy, which is quite an expressive sector in the national labour market. Its incidence on social policies and on the labour market bestows on the MW great power to make an impact on poverty and

3. The first adjustment to the MW after the creation of the 1988 Constitution derived from this law, whose bill was presented in February 1989. This means that from the very beginning Parliament tried to exercise its power.

4. The Continuous Cash Benefit Programme (Beneficio de Prestación Continuada, BPC) is oriented towards two specific sectors of the population: people with disabilities which hinder an autonomous working life, and people who are 65 or older, on condition — for both groups — that they have no other means or family that can support them; this condition is determined by a per capita monthly family income inferior to one quarter of the MW (Act No. 8.742, 1993).
inequality, and to stimulate economic activity by raising the purchase power of the lowest-income sectors in the country.

In September 2009, approximately 28 million people were paid exactly the MW in Brazil, including active workers, retired or unemployed workers or very poor individuals, who received the Continuous Cash Benefit Programme (BPC in Portuguese) from social welfare (see table 1). Throughout that period, there were 17.9 million welfare beneficiaries who were given the value of the MW. Of those, 14.5 depended on social security, 3.4 million depended on social welfare (BPC or LOAS) and other benefits which may soon be removed. In September 2011, out of 25 million pension benefits, 61 per cent amounted to the value of the MW. Ninety-eight per cent of all beneficiaries in rural areas received a pension equivalent to the MW as compared to 42 per cent in urban sectors (MPS, 2011). Similarly, a great number of people received a MW as unemployment insurance: 530,000 or 32.2 per cent of all beneficiaries in September 2009, according to data provided by the Ministry of Labour and Employment.

Table 1. Estimates of beneficiaries of social welfare and of unemployment insurance, and of active workers earning exactly the equivalent of the minimum wage (September 2009)

<table>
<thead>
<tr>
<th>Type</th>
<th>(thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social pension beneficiaries¹</td>
<td>14 477</td>
</tr>
<tr>
<td>Welfare assistance beneficiaries²</td>
<td>3 411</td>
</tr>
<tr>
<td>Formal employees</td>
<td>4 409</td>
</tr>
<tr>
<td>Informal employees</td>
<td>2 138</td>
</tr>
<tr>
<td>Civil servants and military</td>
<td>739</td>
</tr>
<tr>
<td>Self-employed workers</td>
<td>859</td>
</tr>
<tr>
<td>Domestic workers</td>
<td>1 443</td>
</tr>
<tr>
<td>Employers</td>
<td>65</td>
</tr>
<tr>
<td>Unemployment insurance beneficiaries</td>
<td>530</td>
</tr>
<tr>
<td>Total</td>
<td>28 071</td>
</tr>
</tbody>
</table>

¹. Included here are those who receive benefits from the General Programme for Social Pensions and from National Pension Programmes. ². Calculated on the basis of those who receive welfare benefits (LOAS) and a life monthly welfare income (benefit which is being removed).

The values considered here correspond to September 2009 because the National Household Sample Survey (PNAD-IBGE), on which the data corresponding to the different categories of employed workers are based, considers September as its reference month.


5. Table 1 may present a double count, since a retired worker who gets a MW as pension benefit may be working again and be earning also a MW as a formal or informal worker.

6. LOAS, Lei Orgânica da Assistência Social – Organic Law of Social Assistance is the legal Brazilian structure defining social rights, which includes, in the case of the most poor, income support programmes.
The recent evolution of the minimum wage

Since its beginnings in Brazil, the MW went through different phases in terms of its real valuation. The periods during which it lost purchasing power or, alternatively, gained in terms of purchasing power, testify to the priorities in socioeconomic policy and to the effects of the more general economic context. Some authors (e.g. Silva, 2009) distinguish between cycles which are properly political and others which are more strictly economic, and maintain that politics, more than economics, explains fluctuations in the value of the MW, as the real value of the MW dropped during many economically favorable circumstances.

In its different phases, the purchasing power of the MW was the result of whether the MW was viewed as a mechanism to raise workers’ purchasing power and to widen and consolidate the domestic market or, on the contrary, as a means to control basic wages in the national economy. In addition, its real value depends on the evolution of inflation, combined with the frequency in wage adjustments and raises. On some occasions in the past, these factors were reinforced, for example, in circumstances of accelerated inflation and, among the political and economic measures taken to stabilize the government, wage controls were instituted (especially controls over the MW) as a means of containing demand and/or production costs and, supposedly, combating price upswings.

In the most recent period, i.e. as from the mid-1990s, the MW has experienced a positive evolution in Brazil (see figure 1). Considering the MW value after its first adjustment following the creation of the new Brazilian currency, the real (R$70.00 in September 1994) and its value in January 2012 (estimated at R$622.60), it is now 789.4 per cent higher. This percentage greatly surpasses the estimated growth of consumer price indices over that period of about 270.7 per cent according to the INPC-IBGE (National Consumer Price Index, from the Brazilian Geography and Statistics Institute) or 275.1 per cent according to the ICV-DIEESE (Cost of Living Index, from DIEESE, the Inter-Union Department of Statistics and Socio-Economic Studies) for the poorest third of the population. Such a difference between the nominal variation in the MW and inflation resulted in a significant rise in purchasing power. On the basis of the September 1994 value, the evolution of real MW on each adjustment date since then shows important and precise rising moments in 1995 and 2001 and a process of slow growth as from 2004, with a slight fall in January 2011.

However, when considered over a longer period, this recent rise in the MW is shown to be relative. Figure 2 shows the real MW evolution for the city of Sao Paulo, which, when the MW was created in 1940, was the second highest in the country, only inferior to that of the Federal District of Rio de Janeiro (the value of the MW value was only unified on a national basis in the eighties). Even though the evolution of the reference value for another region
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would show a completely different trajectory, that of the city of Sao Paulo is representative as it has been one of the regions with the highest incidence of MW since its introduction. On the basis of the MW value in Sao Paulo, the 1995 national average (as well as those in 1994 and 1996) was at 25 per cent of its initial value. This is to say that the growth in purchasing power of the MW since 1995 constitutes a gradual recovery from the depths of its real original value. In October 2011, the real MW amounted to 44 per cent of its value in July 1940.

It has to be acknowledged that it may be controversial to consider real values over such a long historical period (almost 70 years) marked by many inflation outbreaks, some of which were serious. Criticism could be levied against methodological aspects, against the reliable measurement of the price
upswing rhythm, or against the extent to which it is reasonable to try to update values corresponding to such a long period, considering changes in consumption patterns. However, more direct indicators, such as the past and current correspondence between the value of the MW and the price of highly consumed food items (such as rice, beans, etc.), still show a significant deterioration in the level of real MW (DIEESE, 2010). In any event, figure 2 illustrates the low minimum wage levels by the mid-1990s and the subsequent increase in real value.

The recent process of real MW value increase took place in association with a reduction of income inequality in the country, whether from the point of view of distribution of labour income or of household per capita income (figure 3).

The process of improving the real value of the MW, begun in 1995 and accelerated from 2004, has been acknowledged as a mechanism which reduces the dispersion of the wage range (see, for instance, Dias, 2008; and Firpo and Reis, 2007). Besides, the valorization of the MW has coincided with union struggles for the establishment and rise of wage floors in the states and of the categories to raise the basic wages of Brazilian economy (DIEESE, 2010). It is worth remembering that, starting in 2003, the increase in the

7. Complementary Act No. 103, 2000, created the possibility for each Unit of the Federation (states and the Federal District) to determine the wage floor for professional categories which do not have floors defined by instruments of collective bargaining. In October 2011, five states have floors which were defined by state acts: Rio de Janeiro, Rio Grande do Sul, Paraná, São Paulo and Santa Catarina (in order of the creation of the floors in the states). The three references of “basic salaries” in force in Brazil, i.e. the MW, the state floors and the category floors (established by collective bargaining or agreements), have been combined to stimulate the increase of the lowest salaries being paid in the country. See DIEESE (2010).
MW purchasing power has taken place at the same time as the reduction in unemployment rates and the expansion of formal employment, which also contributes to a decrease in inequality.

Analysing a longer period through the comparison of similar processes in other countries, it is verified that the degree of concentration of income in Brazil is diminishing at a (relatively) rapid pace (Soares, 2008). In a complex way and in combination with other factors (as the improvement of the coverage and of the value in welfare benefits, including the Bolsa família programme), the rise in the real value of the MW has triggered, specifically, a reduction of income inequality, and in general, of income concentration (Saboia, 2007). As the MW establishes the floor for pension benefits and for the Continuous Cash Benefit Programme (BPC) of social welfare, the power of the MW to promote equity is enhanced, reaching far beyond the labour market.

The functions of the minimum wage in Brazil

The main function of the MW is to protect workers who are at the bottom of the wage hierarchy in a specific region or country. That is its raison d’être. But this function is not its only function in the economy and the society of a country. Considering the Brazilian experience, various other functions can be identified.

Protection for the “losers in the wage negotiation”

In Brazil the MW aims mainly to protect the groups of workers who are most vulnerable in the labour market. A study carried out by a technical expert of the Institute of Advanced Economic Research (IPEA), concludes, after analysing the effect of the MW by workers’ characteristics, that

(...) the effect of the minimum wage is greater among women, (...) undeclared workers, workers who live in the Northeast, spouses and sons or daughters, uneducated people (0–3 years of schooling), youngsters, rural workers, domestic workers, black people and people in the first three tenth of household per capita income (especially the second and the third one). In other words, the minimum wage has a greater impact precisely among those workers whose inclusion in the labour market is made more fragile. The figures suggest that many individuals are working and that their jobs, therefore, have not been damaged by the minimum wage. But their returns are high because of its existence, and thus it seems to be an efficient instrument for the protection of those workers who are the losers in wage negotiations. (Soares, 2002, p. 12)
An instrument to combat poverty

Because it protects the income and the living conditions of the most vulnerable workers and their families, the MW constitutes an instrument to combat poverty. The MW (as the remuneration floor of hired labour) is obviously not enough and therefore cannot protect from poverty unemployed workers who have no access to unemployment insurance, or those who work outside capitalist forms of work (like those who work for their own consumption or for no remuneration), or those who are not covered by the institution of the MW (like self-employed workers). To guarantee the minimum standards for a decent life, workers who are not covered by the MW and their families need other instruments and measures, whether welfare policies, market supervision or policies for the labour market (such as unemployment insurance, work incentives or qualification grants).

An instrument to face wage inequality according to personal characteristics

As it protects the most vulnerable workers in the labour market, the MW reaches especially workers who are over-represented among them. For that reason, it has an important role in fostering income equality between men and women, considering that women carry out low-paid tasks and that they are mostly employed as domestic labourers. The MW has the same effect on black workers of both sexes.

Reference for wages paid to workers entering the labour market

The MW also works as a point of reference to estimate the wage to be earned by somebody who is entering the labour market, and therefore has a great effect on young people. Besides, the floors for the different categories, which are established through collective bargaining, frequently equal the value of the MW, which is a sign of its influence on the determination of the initial salary in some categories.

Reference for the lower salaries and for income in general

The evolution of the MW also fulfils three major functions in the definition of low-pay workers’ income: (a) the beacon effect, which consists in the association of the remuneration of less qualified workers, even of those who
are undeclared, to the evolution of the MW (Souza and Baltar, 1979); (b) a spillover effect, which corresponds to the automatic adjustment of salaries situated between the old and the new MW value; and (c) a numerary effect, which holds when the MW is formally or informally related to remunerations which are higher than the MW. It has to be highlighted that the beacon effect seems to bear a more intense and direct impact on undeclared workers’ earnings than on self-employed workers’ earnings (Dias, 2008), which does not amount to saying that the MW does not work for self-employed workers as an indicator of the minimum income they could obtain if they came to be employed.

Organizer of the remuneration scale

The MW organizes the remuneration scale in the labour market because it advocates paying the same wages for similar functions associated to basic occupations. Apart from bringing about income equality to the base of the wage scale, the MW guides the building of a remuneration hierarchy according to an occupations structure. As a consequence of its functions in relation to equality (at the base) and hierarchy (of the structure), the MW constitutes an instrument capable of bringing about the narrowing (or, alternatively, the widening) of wage distribution. In other words, low real MW values are associated to a rise in wage dispersion, whereas higher MW values are associated to lower wage dispersion (Hoffman, 1978; Bacha, 1978). In this way, though income inequality is not restricted to inequality in labour earnings and is greatly determined by the concentration of generated profit in the hands of the capitalist, a rise in the MW tends to contribute to an improvement in the country’s income distribution, as long as it pushes the wage structure upwards.

An inhibitor to staff turnover

One of the consequences of the contribution of the MW to the levelling of basic salaries is that it discourages the rotation of workers. Because of low costs of hiring and training new workers, less qualified labourers are more subjected to rotation, which is understood here as a company policy consisting of firing workers to hire others for the same position. Employers often intend, by those means, to substitute a worker who gets a higher salary with one who gets a

8. These two articles are part of a great 1970 theoretical (and political) debate about the causes of the worsening in the distribution of income in the country starting in the 1960s; they point out that the combination of a low minimum wage and the growing power of social layers which were associated to the administration of the great companies resulted in a widening of the wage disparity, with the subsequent deterioration of income distribution.
lower one. For that reason, raising the basic salary, which is generally earned by less qualified workers, brings closer together the incomes of those who already have a job and of their possible substitutes, discouraging staff turnaround.

Promotion of regional equality and dynamism

Considering the differences among the different regions in the country, the MW contributes to equality. The basic salary valorization process stimulates the economic circuit in areas where a great number of workers depend on the MW (as income for their work, or as pension or welfare income transfer).

Introduction of a floor for social security benefits

As the Constitution dictates that the MW has to amount to the minimum value necessary for the survival of a family, the MW constitutes an important reference at the moment of determining the value of benefits in the Brazilian social security system. The Constitution establishes that the MW should be the floor for pension and welfare benefits. The value of the Bolsa família programme benefits, however, is not related to the MW value.9

Stimulation of the home consumer market and of socio-economic development

The MW may also be seen as a macroeconomic policy tool, though in Brazilian history since the mid-1960s it has been used to the disadvantage of low-pay workers and of a more civilized social project. Due to its impact on the mass and structure of remunerations in the country, the MW was used in different historical moments, especially at times when inflation was fought by means of reducing the demand, as an instrument to limit workers’ purchasing power in the home consumer market. It has been frequently argued that raising the MW brings about higher inflation, but as reported by the ILO, if variations in the MW can affect inflation, their impact tends to be modest, and the fear that MW raises may trigger a generalized increase in prices is often exaggerated (ILO, 2008, p. 50).

This belief in the control of the MW as a means of restraining inflation and of the political measures based on it resulted in a significant reduction in the MW purchasing power along history; at specific moments, this belief also exacerbated (or, in other contexts, contributed to the persistence

9. The Bolsa família programme is a welfare government programme (i.e. it is not state policy) which combats extreme poverty via conditional income transfers.
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(…) wage and income equality in Brazil. Analysing its historical trajectory until the first years of the twenty-first century, Dedéca (2005, p. 199), asserts that “(…) maintaining an undervalued MW has made it possible to validate a productive scheme based on low salaries and on low worker productivity."
Medeiros (2005) proposes, however, that against the usual historical practice in Brazil, the MW could be used as an instrument that opened a way out of the trap of an economy based on low wages, as shown in certain historical moments (like the second half of the fifties).

In the case of Brazil, the recent trajectory of MW value recovery did not bring about inflation; neither did it breed unemployment or undeclared or illegal hiring. On the contrary, unemployment fell, formal employment grew, inflation remained stable in the past years and the concentration of income has started to decrease progressively and noticeably.

In 2008, the dynamism of the home consumer market played a very important role at the moment of fighting the severe effects of the international financial crisis in Brazil. The MW policy, combined with income transfer programs, an accessible credit system and an improvement in the labour market (through the reduction of unemployment and an increase in standard and regular employment), had already started to foster growth in consumption. During the most severe phase of the international crisis, when it struck serious blows on Brazilian economy, the government found fertile ground to stimulate consumption, which was achieved by means of tax cuts and credit expansion. The MW policy contributed to the strengthening of the home consumer market, which in turn proved central to overcoming the harmful effects of the international crisis on Brazilian economy.

Conclusion

Some who are critical of the MW and its valorization process in Brazil argue that this instrument is not the most efficient one in combating poverty, since it does not reach the poorest people (see, for example, Giambiagi y Franco, 2007). Despite its role in Brazilian social policies, the MW must be seen as part of a set of institutions which regulate the market and the working conditions of employed workers in a certain country or region. Labour market institutions can be understood as scaffolding components of rules, practices and policies (written or unwritten, formal or informal) which influence working conditions and the functioning of the labour market (Berg, Kucera, 2008; ILO, 2008, p. 33). Among other things, these determine working hours, working conditions, ages at which the working life starts and finishes, hiring and termination conditions, the right to unionize, collective bargaining, striking, conflict resolution (including the possibility of state intervention) and remuneration (which, apart form the MW, includes the payment of bonuses and of indirect benefits).
The gradual rise in the MW level, which started in 1995 and was briefly interrupted in 2011, has lasted over 15 years now. As a result of this process, there has been a significant real increase in the MW, of about 80 per cent if we compare the average 2011 MW with that of 1995. In the light of this, many analysts have been warning about the possibility of setting limits to that process. Medeiros (2005, p. 15) summarizes the ideas of those who are against the use of MW in three arguments: “(...) it is counterproductive, because it results in unemployment; it is inefficient, because it discourages productivity; it is ineffective as an income distribution policy”. The same author questions each of these arguments. To assert that the MW brings about more unemployment entails not acknowledging its dynamic effect on income and consumption; lower salaries could place Brazilian society and economy in a low-productivity trap; the MW protects the weakest workers in wage bargaining, and its increase pushes the lower salaries up and improves income distribution.

Increases in the MW in the past few years and agreements about a more permanent MW valorization have been without a doubt a great achievement of Brazilian trade unions’ action. The rise in the MW has had positive effects by reducing social inequality, lowering poverty levels, improving the life of the elderly, stimulating the home consumer market as well as reducing regional inequalities. However, the rise in the value of the MW demands that its effects on the labour market and on public, social pensions and welfare expenditures be monitored so as to make the continuation of this process viable through guaranteed and adequate funding sources. To propose and to make possible another socio-economic scheme in the country makes it necessary to:

(...) propose a minimum wage policy as part of a national development project, of an economy that will be able to compete internationally because it is based on a vigorous home consumption market, on a wide labour market which demands workforce and which has a development strategy capable of putting growth at the service of the fight against inequality. (Lucio, 2005, p. 178)

The MW means, above all, the introduction of a moral consideration in price formation. It reflects the value that a specific society attributes to work, and is based on ethical criteria of justice and equality. In the case of Brazil, a country which is extraordinarily unequal, the struggle against all forms of iniquity should be prioritized. Unlike income concentration levers, such as monetary policies and persistently high interest rates, the MW and its increase do not contradict other measures (such as welfare programs, especially the Bolsa família programme) as powerful means to promote income dispersion. On the contrary, a decent MW is an instrument which, combined with others, contributes to the achievement of justice in the country. Brazilian
society, therefore, has to undertake the effort to make possible the continuity of the MW valorization process, and accompany it with an improvement of other already existing policies and with the introduction of new measures to combat inequality in the country.

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