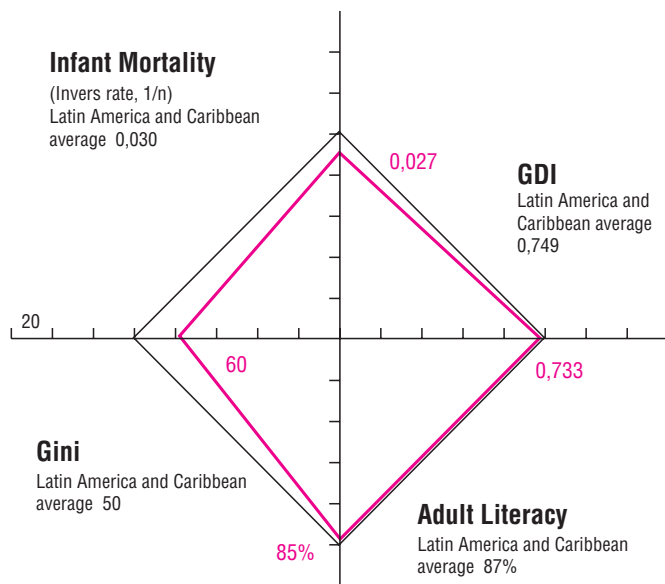


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The Equity Diamond: National values in terracotta compared to regional ones in blue.
Source: **Infant mortality:** UNICEF, *The State of the World's Children, 1998*, **Adult literacy:** UNICEF, *The State of the World's Children, 1998*, **GDI** (Gender Development index): UNDP, *Human Development Report 1998*, **GINI:** World Bank, *World Development indicators 1998*. (The regional average for this indicator was calculated by *Social Watch*).

The worst fears springing from the exchange crisis in early 1999 did not come true. Brazil weathered the storm far better than the Asian countries, which suffered ruptures and social unrest. In Asia, the external crisis contaminated domestic economies with surprising violence because of their fragile banking systems. Brazil had its banking crisis back in 1995, when, after the Mexican crisis, the government raised interest rates and eliminated credit. The Brazilian banking

ECONOMIC ADJUSTMENT AND SOCIAL DISADJUSTMENT

crisis led to a government programme of support for banks and to the internationalisation of the system. In this way, the 1999 crisis encountered a Brazilian economy with stronger banks and the worst was avoided. Are we, then, ready to get back on track for development? Did surviving the crisis allow us to face our enormous social debt, accumulated over so many years? Can we at least begin to do this now?

FINANCIAL STRANGLING AND THE SOCIAL DEVELOPMENT IMPASSE¹

Unfortunately, the answer to these questions is as or more uncertain than it was before the exchange crisis of 1998–99 and perspectives are, to some degree, less promising than in the past.

The return to «normality» during 1999 was only possible because the International Monetary Fund (IMF) «rescued» the Brazilian economy by coordinating the preparation of a package of external financial aid. These loans came attached to conditions that forced the country, among other things, to reduce the state's role in the economy, open internal markets to foreign investors, make the labour force more «flexible» (reduce or eliminate labour and union rights) and terminate mechanisms that «penalise» investors.

Is it possible to grow again under these conditions? In the short term, yes. It is almost certain that the Brazilian economy will demonstrate growth in 2000. Market economies like Brazil's operate in cycles: periods of growth are followed by periods of recession, no matter what governments do. But this is not a sustainable situation and does not imply that the profile of extreme inequity, which is the main characteristic of Brazilian society, is about to change.

¹ This first part is a summary of the texts written by F.J. Cardin de Carvalho for Ibase, as part of the project: Alternatives to Structural Readjustment, developed jointly by Ibase, Rede Brasil, D. Gap and SAPRIN. These texts can be found at the web site: www.ibase.br

The IMF agreement and the political option chosen by the federal government before the collapse and subsequent need for «rescuing» favoured the break-up of mechanisms that supported the development of the post-war Brazilian economy, such as the «industrial policy.» The goal is the «liberalisation» of the market, which obviously favours corporations and especially banks and other financial institutions, whose actions had been delimited until recently by the obligation to respect, at least to some degree, established social rights. In the case of Brazil, these rights began to be destroyed before basic social and economic citizens' rights were consolidated.

The cost of the agreement with the IMF was demonstrated in 1999. Guaranteed payment of the public debt, expressed in explosive terms, was placed above any other obligation of the state. As long as the rules imposed in 1999 are kept in place, the balance of Brazil's fiscal accounts (to maintain confidence of international investors) shall always come before «superfluous» expenditures, that is to say, investment in the social area.

In 1998 and 1999, Brazilian society felt the power of international capital as external investors imposed a veto on any social policy that went beyond the symbolic. The federal government was left with only rituals and speeches. The resources drawn from Brazilian society by the government had another destination: the accounts of banks and financial institutions. This is the «model» society that Brazil purchased by falling quietly into rank, unquestioningly, without precaution, in the process of globalisation. We have just paid the first instalment.

EMPLOYMENT AND INCOME²

An analysis of the relationship among social inequity, de-industrialisation and unemployment in the Brazilian edition of *Social Watch* shows that the main cause of unemployment is a reduction in the level of industrial activity. Monetary inflation, combined with the opening of markets and a policy of high interest rates, caused the dismantling of important branches of industrial production. The labour market also suffered the negative consequences of a process of rationalisation by corporations whose main objective is to increase profits by lowering labour costs.

In 1998 and 1999, the level of unemployment, measured by the Brazilian Geographical and Statistical Institute (IBGE), registered record levels, reaching upwards of eight per cent of the EAP (Economically Active Population) in some months.³ Furthermore, the average index of annual unemployment measured by DIEESE/SEADE⁴ for the greater Sao Paulo area indicated a rate of 16.6%

of the EAP in January of 1998, one of the highest in the last two decades. In 1999, that same rate reached a record of 19.3% for the year, and, compared with earlier years, the rate in December 1999 was the highest since 1985.

Astronomical interest rates had a devastating effect on the productive structure. The result was a transfer of the earnings of salaried workers and the productive sector to the financial sector, in particular through speculation. «*The recessive government readjustment in the last two years is directly reflected in the level of employment, in working conditions, and in the quality of life of the population in general. The decrease in production in the primary as well as in the secondary sectors not only produced job instability in Brazil, forcing a great number of workers into the informal sector, but also promoted very high rates of unemployment and the shrinking of income among workers of all areas.*»⁵

Besides all this, there has been a loss in the quality of available jobs, for «*Brazilians are losing industrial jobs, which generally pay better and absorb higher qualified workers, leaving openings only in the tertiary sector, which is usually marked by a greater vulnerability and, therefore, with a greater degree of risk and instability, as in the cases of security services and commerce.*»⁶ When evaluating the impact of this situation on the income and quality of life of families living in poverty, one must also consider the increase in prices and the impact of an accumulated inflation of approximately nine per cent yearly. The estimated indexes vary between 8.43% of the Consumers' Prices National Index (INPC) and 9.57% of the Cost of Life Index (ICV), according to DIEESE.

FISCAL PACKAGE AND SOCIAL CUTS

The fundamental contradiction between economic policy and the possibility of fulfilling the Copenhagen commitments on social policy reached its highest point in 1999. The goals of the fiscal adjustment with the IMF were fulfilled to a large degree (and in some cases surpassed) with the country reaching a primary surplus greater than the one agreed upon with the IMF. This effort to accomplish what the government, creditors and the IMF call a «fiscal recuperation», meant budget cutbacks in 1999 that resulted in the demise of 25 out of 31 trade union-financed programmes focusing on the low-income population. Even the surviving six had fewer resources in 1999 than in 1998.

In 1998, resources assigned by the ministries were reduced by 10%. In absolute values, the highest cutbacks affected health

² This and the following section are based on texts by Guido Mantega: «The Economic Crisis, Employment and Salary», in Observatorio da Cidadania, N. 3, IBASE, 1999, Rio de Janeiro, and «Factors and Recent Evolution of Inequities in Brazil,» in Observatorio da Cidadania, N. 2, IBASE, 1998, Rio de Janeiro.

³ Up to now the average annual unemployment indexes of IBGE were always under 6%.

⁴ Union Department of Statistics and Socio-economic Studies and State Foundation System.

⁵ Cfr. MANTEGA, Guido, *op.cit., passim*.

⁶ COHN, Amelia. «Poverty, Exclusion and Social Fragmentation After the World Conferences», in Observatorio da Cidadania, N. 3 IBASE, 1999, Rio de Janeiro.

care, followed by transportation, planning, social security and education. In 1999, the social area lost R\$ 2.04 billion (USD 1.13 billion), which represents 23.7% of the total. Programmes such as the fight against poverty, support for needy children, senior citizens, the disabled, the eradication of child labour, and land reform, were all affected. With the brutal sacrifice of the most vulnerable sectors of the population who are the recipients of these policies, the country freed itself from the chains of financial creditors, even though the primary surplus obtained (R\$ 30 billion/USD 16.6 billion according to September 1999 data) was absorbed by the payment of R\$ 85 billion/USD 47.2 billion in interests, considering only the federal debt.

The *Brazilian Social Watch Report* evaluates the situation of poverty, exclusion and social fragmentation after the world conferences and repeats the conclusions of past reports: «*The social situation of Brazilians (is) profoundly marked by one of the highest rates of social inequity in the world and by an absurd level of concentration of wealth.*»⁷

During the second semester of 1999, a Special Mixed Commission of the National Congress was created to study the structural and contextual causes of social inequity and to present solutions. According to the Commission's Poverty Report, «*the results (of the investigation), besides revealing a very high degree of inequity, show that these inequities have not been attenuated in recent times. On the contrary, they remain very stable, for the degree of inequity today is practically the same as it was twenty years ago (III). The most important conclusion we may extract from this data is that inequity in Brazil is a persistent characteristic of our social reality. Economic growth and social policies, which in theory should have a redistributive quality, have not been able to alter this picture in the least.*»

POVERTY AND WORK: GENDER AND RACE⁸

In Brazil, inequality of income and opportunity between men and women are perversely combined with an elevated degree of inequality among women themselves. Numbers from 1990 indicate that non-poor women (30%) earned more than 90% of female income, with a clearly larger rate of poverty among black women and women living in rural areas. Furthermore, since the 1980s, the number of female heads of household has grown (25% according to PNAD⁹ 1997).

Analysis of women's situation in the labour market reveals a rise in the female activity index seeking, which in 1998 reached 57%, and a stabilisation in the female participation index (44% for the decade). At the same time, there has been a reduction in the male participation index, which fell from 80% to 73% between

1991 and 1999. This explains the greater number of women in the EAP (Economically Active Population). In reality, this is just a proportional increment. There is also a tendency toward greater occupational mobility.

From 1992 to 1999, female unemployment increased and practically half of female workers remained in the informal sector. In 1995, domestic workers represented 19% of the female EAP (50 million women, of which 56% are black). Despite new tendencies, a high level of occupational segregation persists (women doing «women's work»). This segregation, which is associated to other discriminatory practices, explains the salary difference between men and women. The difference is, on average, around 40% but climbs to 57% between white men and black women heads of household. This inequality cannot be attributed entirely to educational differences.

In the document «Strategies of Equality», adopted by the Brazilian government in 1996, some priorities for reduction of female poverty were indicated. Two proposals give priority to women heads of household: the granting of loans for employment incentives and home purchases. The document also includes the creation of production and service cooperatives and the training of rural women for obtaining loans. For young and teenage women—especially those in situations of sexual exploitation—professional training alternatives are being planned.

There are also three programmes for work and income with a potential impact on the quality and conditions of women's life: the Employment and Income Generation Programme (PROGER–1994), the National Programme for the Strengthening of Family Agriculture (PROBAF–1996) and the Professional Qualification Programme (PLANFOR)–1996). Only PLANFOR contains the welfare of women as a specific priority. The Work Group for the Elimination of Occupational and Labour Discrimination should also be mentioned.

The numbers that demonstrate the impact of these programmes show some positive results. In the case of PROGER, for example, 32% of the people who benefited are women and female participation in the jobs generated by the programme is high (42% out of 280,000 jobs). In the qualification programmes offered by PLANFOR, the percentage of women participating surpassed the initial established goal (49% of the participants). The work of PRONAF is less promising because 93% of the participants are men. It must be noted that consistent evaluations were not made of the programmes listed as giving priority to reduction of poverty among women.

Despite some positive results, the most relevant fact in the context of this analysis—given the Brazilian patterns of inequity (of income, gender and racial groups) and the negative effects of restructuring of production—is the restricted scale of these initiatives in terms of resources invested and number of women involved. The inclusion of the gender perspective in all programmes

⁷ Cfr. COHN Amelia, *op. cit.*, *passim*.

⁸ This section was elaborated from information collected by the Articulation of Brazilian Women for an evaluation of the implementation of the Action Platform of Beijing, more specifically the document «Brief Analytic Panorama of Women in the areas of Work, Income and Social Security» produced by Wania Sant' Anna.

⁹ National Household Survey.

remains weak. Permanent evaluation mechanisms are needed to keep track of how much these investments truly reach the women who need them most. Above all, the non-existence of a consistent policy for the reduction of inequity and poverty compromises the effectiveness of these programmes. This is a recurrent situation for the whole of social policies in Brazil, including those that focus on fulfilment of the Copenhagen commitments.

Five years after Beijing, much work remains to fulfil commitments made to promote the full and equal economic participation of women and to reduce the levels of female poverty taking into account income levels and other dimensions of exclusion. Therefore, as Amelia Cohn¹⁰ warned, Brazil faces the

same structural restrictions five years after Beijing and Copenhagen that are responsible for the serious conditions of poverty and inequity that still persist. In this context, the social policies erected to combat poverty are equivalent to «castles built on the sea.»

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¹⁰ Cfr. Amelia Cohn, *op.cit.*, *passim*.