



**Workshop on**  
*Development, Labour and Inequality: The Brazilian and Indian Experiences*

Thursday, 21st August 2014, at CEBRAP in São Paulo

**Report of the Workshop**

The workshop was conducted as planned in the programme, with only the addition of a brief opening session. Below there is a summary of the comments made by the outside participants in each panel, as well as the debate held between them, the speakers and the audience.

**Opening and introduction**

Maria Cristina Cacciamali welcomed everyone and explained the purpose of the workshop. As the research is at an intermediate stage, it is important to share the results and have comments on the work already done. Alexandre de Freitas Barbosa defined the workshop as an informal meeting, where all contributions are valuable. He explained that originally two separate studies were made, one for Brazil and another for India, and that the paper presented for discussion resulted from the integration and comparison between the two individual studies. He also stressed that one objective of the paper is to develop policy reviews and recommendations for addressing inequality in both countries. Finally, he mentioned the fact that the project tries to integrate different methodological tools: macro historical and institutional perspectives and micro quantitative approaches with policy reviews and social dialogues. Gerry Rodgers remembered that the research resulted from both parties working together as a team, which is not so common, as the majority of the so-called comparative studies tend to focus separately on each individual country and then, at the end, contrast the main findings for each of them.



**Panel 1: *Accumulation regimes, macroeconomic outcomes and inequality, 1940-2010***

- PowerPoint presentation from professors Alexandre de Freitas Barbosa and Gerry Rodgers.

- Comments from Marcos da Costa Lima.

Professor Lima evaluated the document as very strong and well established in terms of data, showing very clearly the overall trends in Brazil and India. However, he missed more analytical comments on the processes. For example, there are three very important elements in the text – growth regimes, macroeconomic outcomes and inequality – but he missed a more profound analysis on the interaction between them.

According to him, the paper gives a good idea of the State's role in both countries. However, he missed a more accurate idea of the political moments in each country, proposing a more detailed explanation on each country's political periods. He suggested adding a political timeline for Brazil and another for India.

He also asked the reasons behind the periodization presented in the paper, recommending more explanations on why and how each period was defined. Professor Lima felt that it focused excessively on economic issues and scarcely on political matters.

Professor Lima suggested adding maps to help the reader. For example, regional maps showing the regional distribution of inequality in each country (inequality in Brazil is focused on the Northern and Northeastern areas, as in India it is spread all over the country), or the regional distribution of population.

He asked for more details and data on land reform. What is the rural model in India nowadays? What is the land concentration in Brazil?



Professor Lima noted that there was no homogeneity on currency values – some data refer to Brazilian real, other to Indian rupees, and another to U.S. dollars. He recommended using only one measure.

The document also does not touch on the environmental side effects of the development process in both countries, which is very important nowadays because it confronts the idea of development as solely economic.

He asked if the issue of vocational training is addressed in the research. Which are the State policies for education in the economy's primary, secondary and tertiary sectors?

He suggested showing in the text the basic ideas of each government "plan", like the ones launched in Brazil (during Vargas, JK and Geisel governments) and Indian five-year Plans, as a basis for comparison.

**- General discussion:**

Rafael Osorio suggested that, on the conversion between Brazilian Reals, Indian rupees and U.S. dollars, the exchange rate should not be used. A PPP measure would be the best solution. He missed more analysis on population, society and culture, pointing that many of the developments stressed on the document resulted from the State action. However, in fact, there were also determined by demographic changes, cultural issues and social participation. He also addressed the fact that what is sometimes called "poor quality jobs" was responsible for the inequality reduction in the recent period in Brazil.

Anne Posthuma missed more analysis on the dynamics of productivity.

Gerry Rodgers said that is important to differentiate two things: first, what we did not address on this paper, but it is developed on national Paper Cs and should be incorporated in the joint Paper C; and second, what we did not think at all. It's the problem of seeing the forest or seeing the trees in it. We tried to capture the overall forces, and how they interact. But then, we couldn't see the trees. The difficulty is to find a balance. Paper D tries to have a perspective from the trees.



***Panel 2: Labour institutions, employment and social policies (with particular attention to the period 1980-2010)***

- PowerPoint presentation from Maria Cristina Cacciamali, Nandita Gupta and Taniya Chakrabarty.

- Comments from Anne Posthuma:

Concerning the structure of the paper, she noticed that there are many strands of arguments in the document, many different stories within the project. If by one hand it makes the project more challenging, by another it needs to be broken out more, organized and detailed in sections. She proposes separating the text in sections, each focused on one issue, but without losing what unifies each section with another (the core).

She pointed out the need to clarify the periods: what were the criteria that determined when one period begins and finishes for both countries? Another challenge is that within each broad period, there are many segments of change inside them. Also, how to reconcile the periods between the two countries? She suggested focusing on time series, not on data for particular years.

When the parallels between both countries are addressed, she suggested adding patterns and policies of integration to the global economy. In terms of divergences, she recommended highlighting labor market policies, policies on education and its efficiency, policies for developing technical skills and formal employment and the role of social movements and trade unions.

In her regard, the paper suggests that the labor laws were not sufficient to address inequality and then launched the following question: what if they were not intended to address inequality?



She missed a similar table for Brazil like the one made for India on the Status of Employment divided by sex over time and proposed to separate the discussion on social policies from the one on education policies.

As a general comment, she said that the theoretical framework put forth in the project allows for establishing the connection between growth regimes and inclusive growth, wondering whether the research group would be willing to accept this theoretical and empirical challenge. She also asked how the experience of reducing inequality in Brazil could – in case, it can - be replicated in India.

- Comments from Kjeld Jakobsen:

He started asking himself some crucial questions. What is more important for unions, collective bargaining or political action? What is the role of trade unions nowadays?

Looking from the Brazilian perspective, trade unions were not established to address inequality, but to fight for benefits for their workers. Mainly, in Brazil, after the 1940s, they acted to raise the minimum wage. Collective bargaining only began to become important in Brazil in the 1960s. This happened because in some sectors and segments of the labor force, they felt they could get more than the minimum wage, which was undervalued at the time. Actually, the collective bargaining that gave birth to the “new trade unionism” started mostly in TNCs.

He said that the trade union system in Brazil hardly changed after the 1980s. Labour Courts still have a role and the union tax was maintained. Lula government tried to change the system in its first term but what it did was to legalize the central trade unions. The present system may not work for organized workers, sufficiently organized, but may be important for workers that would not have otherwise means to negotiate with employers.

Interestingly, he said that despite the labour market performance and the fact that most of the unions support the present government, he feels that unions are weaker now than in the 1980s. The unionization has not changed in a period of high growth in formal jobs. Especially for workers in the services, construction and in the informal sector the level of unionization is



very low due to the turnover rate, probably leading to higher inequality. As a consequence, there is a need for new strategies for trade union organization

- General discussion:

To Rafael Osorio, the paper presented the affirmative actions taken in Brazil and India. But what's behind them? Social movements were very important for affirmative actions in Brazil, as many of them were not ignited from government initiatives, but from social pressures. And in India, how was it? Did people organize in social movements to pressure for changes like in Brazil? About "bolsa familia", it should be presented, how it worked and its efficiency. The previous debate on universal X targeting policies now is outdated.

Nandita Gupta answered that in 1979, a Commission was created in order to address the issue of affirmative action for lower castes in India. She mentioned the role of the other backward castes (OBCs), who bargained to be included in the policies. A cap of 50% was established on job reservations in the public sector and university access for the lower castes in India.

Everyone agreed that social policies and education should be treated separately.

On the trade unions, Jakobsen made some contrasts between trade union systems in Brazil and India, showing the importance of the launch of a new trade union movement in India, in order to be less dominated by partisan affiliation. Organization at the shop floor is fundamental in order to bring new issues to the political agenda. Taniya Chakrabarty commented that she agreed with Anne Posthuma about the basic structure of labour laws which might not be intended to reduce inequality in the first place. She pointed out that the Industrial Disputes Act in India under its basic clauses restricts the scope for unions to go on strike, although unions are legally not denied of this right. Drawing a parallel, with Brazil, Taniya added that one of the reasons behind the failure of unions in India to include the contract workers is due to the difference in approach towards the temporary and contract workers – where regular workers



are suspicious of contract workers and tend to avoid including them as part of their collective bargaining negotiations.

### ***Panel 3: Labour Market Inequality: Some Trends and Analysis***

- PowerPoint presentation from Fabio Tatei, Vidhya Soundararajan and Ian Prates

- Comments from Rafael Osorio:

He started answering a question posed by Alexandre Barbosa on the issue of middle class in Brazil and how it has been addressed in the political debate. He said that Marcelo Neri's definition of middle class is not a sociological one, but one attempting to capture the evolution over time of different income strata.

He then made some methodological points. According to him, a comparison of expenditure inequality across two countries is important, rather than labor income or wages, because expenditure levels better reflect living standards.

Secondly, he suggested using Lorenz curve and stochastic dominance methods (first order and second order) to start looking at inequality. Moreover, to him, Theil-L index or  $GE(0)$  is better than Theil's T or  $GE(1)$  because drawing counterfactuals is hard with  $GE(1)$ .

For within and between decomposition, he suggested a multi level analysis. For example, consider decomposition of wages for rural women across social groups. To use regressions to do counterfactual exercises may be worthwhile, although he admitted that counterfactual are not always realistic.

At the end, Osorio mentioned that the focus of paper D is inequality while the focus of paper C is growth regimes. There needs to be more synergy between the two. In order to do that, population welfare should be considered. There is also a need to address poverty and its specific dynamics in both countries.



- General discussion:

There was an extensive discussion on whether between-differences from the decompositions, really indicate discrimination or whether it is because the groups under question have different levels of access to education and opportunities. A multi level analysis might help address this to the extent that we can get specific about the groups we focus on.

Murillo Marschner mentioned quality differences in terms of education in Brazil. The differences are not only between the groups. What are differences in terms of composition? - he asked. For instance, effect of education on race is the opposite for sex in Brazil, as women have better education than men but are still discriminated.

According to Rafael Osorio, multiple analysis and counter factual exercises are important. By analyzing race and region we see that 1/3<sup>rd</sup> of racial discrimination is due to regional differences – which is also due to difference in levels of education

The main factor of racial inequality in Brazil is difference in education – gender differences are more related to decomposition effect than to composition effect – women have better educational levels but not jobs.

Finally, once we move towards equality – the inequality measures disappear and some non-observable variables make all the difference. These form the residual factors – like access to jobs through social networks – which cannot be measured by wages.

#### ***Panel 4: Gender Inequality and Regional Inequality***

- PowerPoint presentation from Janine Rodgers and Gerry Rodgers

- Comments from Edgard Rodriguez:

Rodriguez started asking how much both these factors – gender and regional disparities - are contributing to inequality. What is its relative importance?





In his regard, groupings of state are very helpful. Regional angle in gender discrimination will be important as these groups can in fact be viewed as separate entities. So there are 5 states in India and 5 in Brazil – because there is so much heterogeneity between them

Relevance of family workers in India shows a striking difference between Brazil and India, which helps in giving policy conclusions

Interesting example: Bangladesh has been able to convert women low-quality jobs to its advantage through investment.

It is worth analyzing labour force participation rates by age, linked to policy of day-care, which has been better developed in Brazil than India.

There is a need to look at growth-poverty-inequality dynamics more closely. The “five different countries” within Brazil and India would be a good point of departure for comparison.

Finally, migration can be seen as a mechanism for equalization, taking into account that Kerala is an exception in India.

- General discussion:

Rafael Osorio:

In Brazil, day care has had an impact on women’s employment. A lot of investment is being made. Thus, the labour force participation rate will change only if we measure women with children between 0-6 years. Richer women are putting their children in school. So for poor women having children is a hindrance to participation in the labour market

Women have larger wage gap with higher levels of education. It is a matter of career choices as they choose low paying jobs. However, how can policies alter career choices for women?

Marcos Costa Lima:

Need of different sets of policies for different regions, despite the convergence in per capita income levels in Brazil.



Alexandre Barbosa:

He agrees with Professor Lima by saying that actually poverty and inequality have fallen less markedly in Brazil for the poorest regions because of the different labour market dynamics and of disequalizing effects of higher growth in these areas. He pointed out as well that migration in Brazil is playing a totally different role than it did in the past, when the country's situation was closer to the one India faces today.

Anne Posthuma:

Brazil has witnessed the unfolding of women's participation in domestic workers. Yet, the Act on Domestic Workers brought about lots of interesting choices. Anecdotal evidence suggests that families prefer paid crèches than domestic day-care, so less women are finding domestic workers as occupational choice

Migration as a mechanism for equalization: India has witnessed some equalization for casual workers, but there is also high inequality in the skills market, so these short term equalization trends can be part of a long-run disequilibrium.