

Labour Market Tendencies in India and Brazil

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“Understanding Inequality in Brazil and India”

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Structure

Addressing Inequality in the Labor Market

Informal sector

Real Wages and Wage Differentials

Gini coefficient

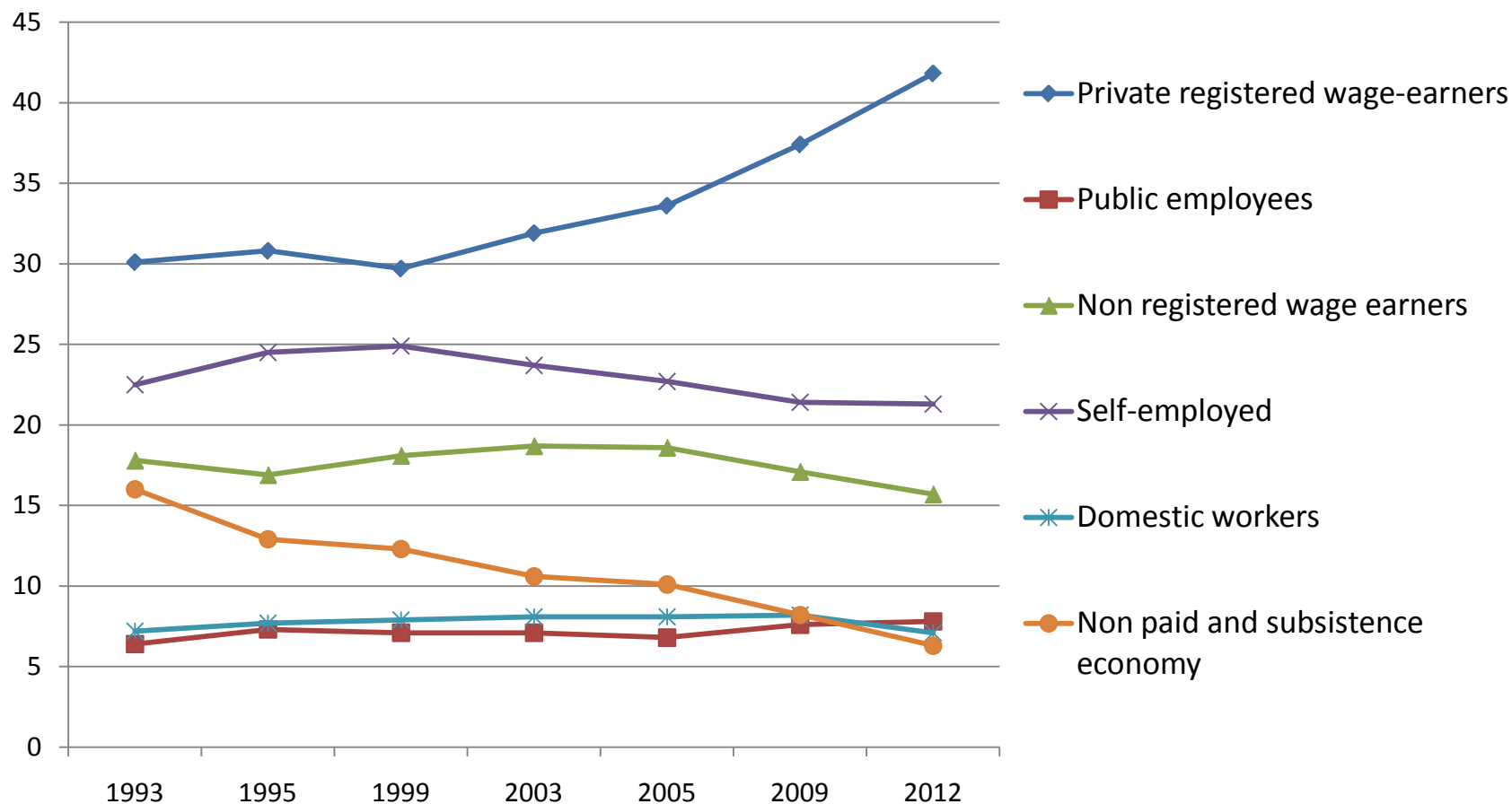
Summing up and

Perspectives

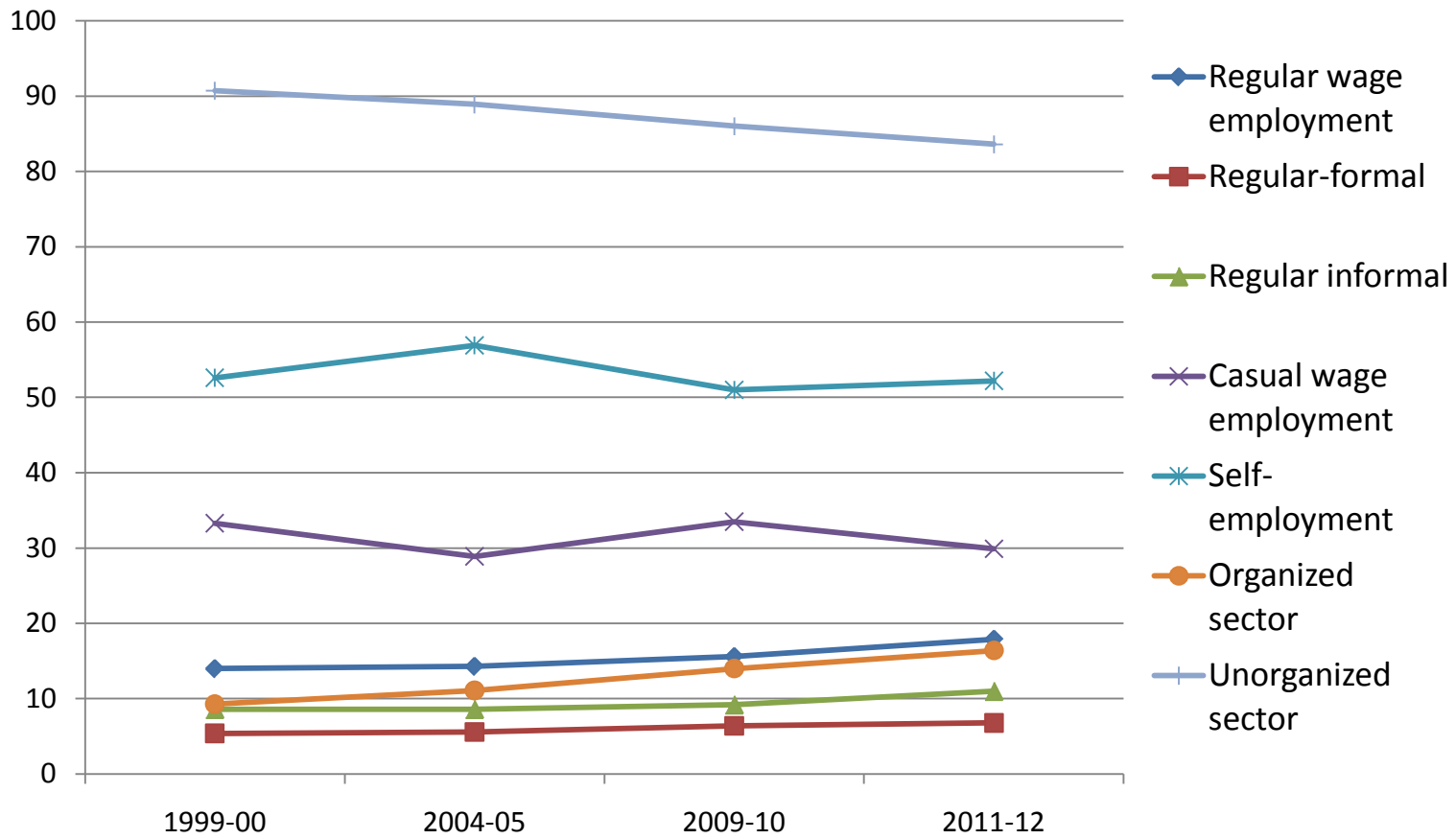
The approach to the informal sector

- The approach to the informal sector is different in the two countries, in Brazil it is linkage to several categories of status of work: unregistered workers, self employees-micro entrepreneurs, domestic servants and unpaid workers; in India the association is with the unorganized sector.

Brazilian Labour Market Structure by Work Status



Indian Labour Market Structure by Work Status



Informal sector in Brazil and India

- In India 83.6% of jobs are in the unorganized sector; In Brazil the formal sector is responsible for almost 50% of jobs. But the tendency is the same, in the two countries the formal/organized sector has increased, although in Brazil the formal sector raised faster. Note that self-employment in India has decreased, and that Brazil has presented the same tendency concerning self employment, unregistered workers and specially unpaid workers.

Unemployment rates

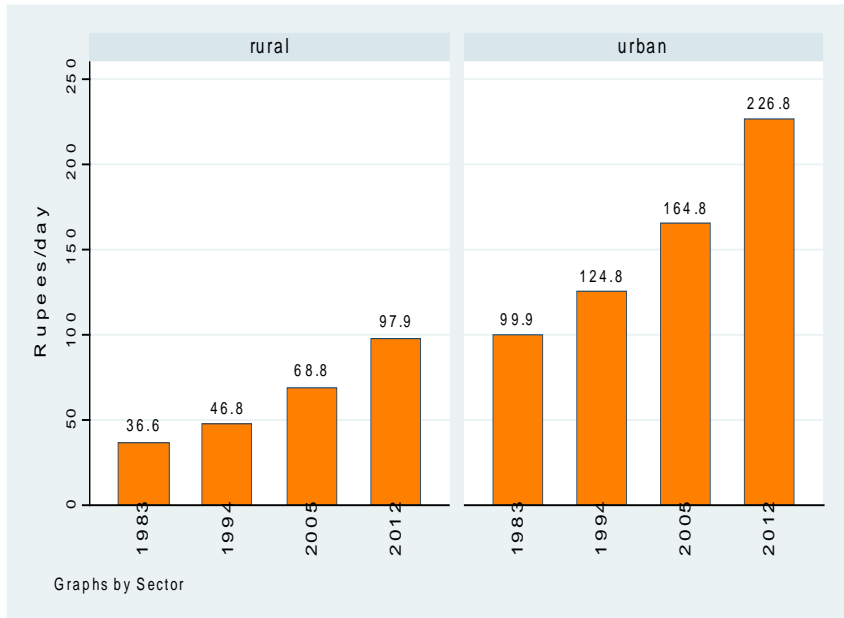
<i>Year</i>	<i>UPSS</i>	<i>CDS</i>
1972-73	1.61	8.35
1983	1.90	8.28
1993-94	1.90	6.03
2004-05	2.33	8.34
2011-12	2.20	5.60

India

<i>Year</i>	<i>Total</i>	<i>Rural</i>	<i>Urban</i>
1983*	4.9	1.1	6.4
1989*	3.0	1.0	3.7
1993	6.2	1.5	7.7
1995	6.1	1.6	7.5
1999	9.6	3.0	11.6
2003	9.7	2.5	11.2
2005	9.3	2.8	10.8
2009	8.3	3.2	9.3
2012	6.2	2.9	6.8

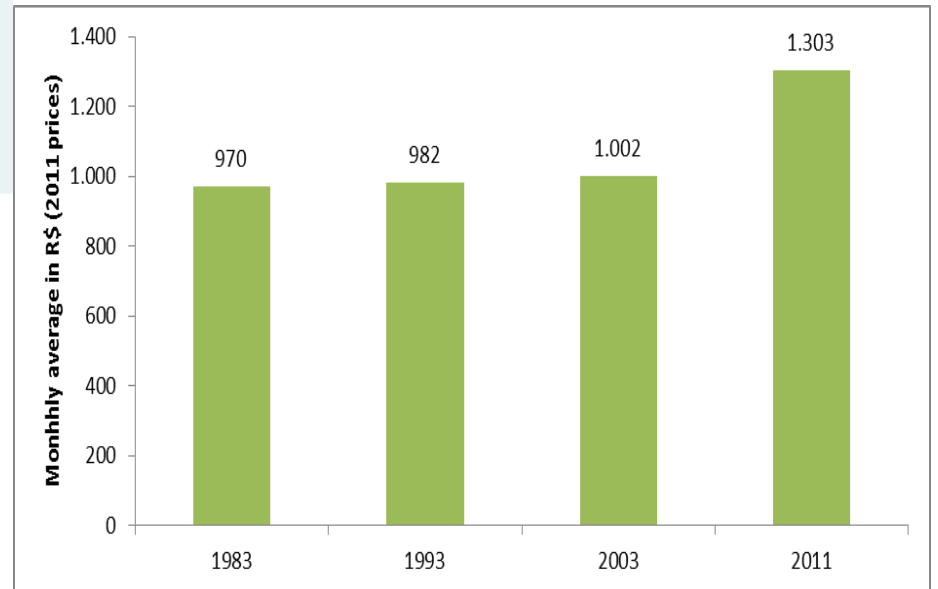
Brazil

Real Wages



Real wages in India

Labour income in Brazil



Brazilian and Indian Labour Market Structure

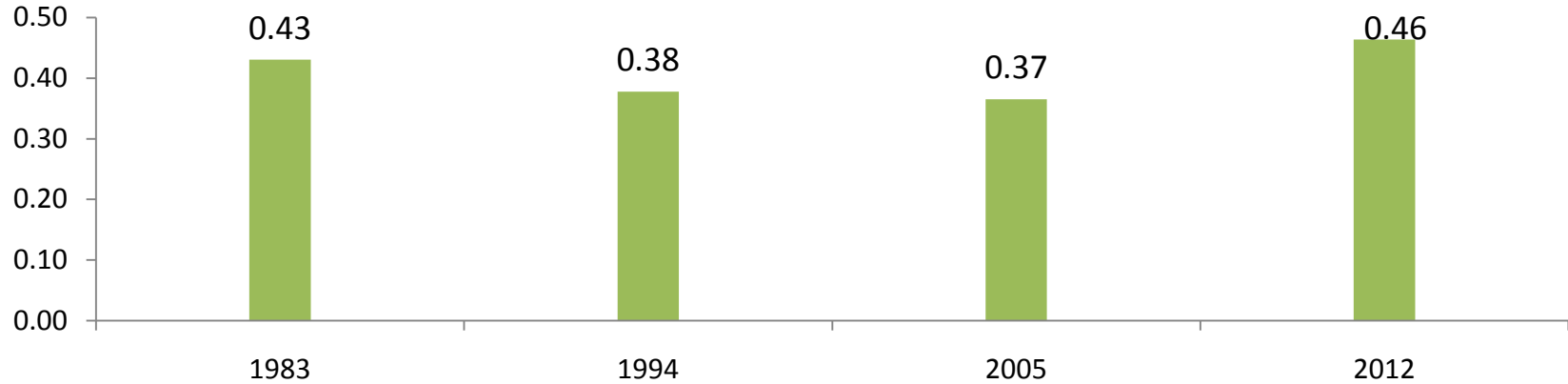
- In Brazil, the differential of average wages has fallen dramatically across the main groups of the labor force, f.e., between sectors, regions, registered and unregistered wage workers, between skilled and unskilled, also the premium to higher education decreased relatively to high school wages, and across gender and white and non white.
- Statistically this is the main cause for the inequality decrease in the Brazilian LM, measured by the ratio 10/10, the Gini coefficient or the Theil coefficient.
- This is not the case of India.

Ratio of wages in Brazil: registered to non-registered wage earners



Wage ratio in India: regular to casual workers

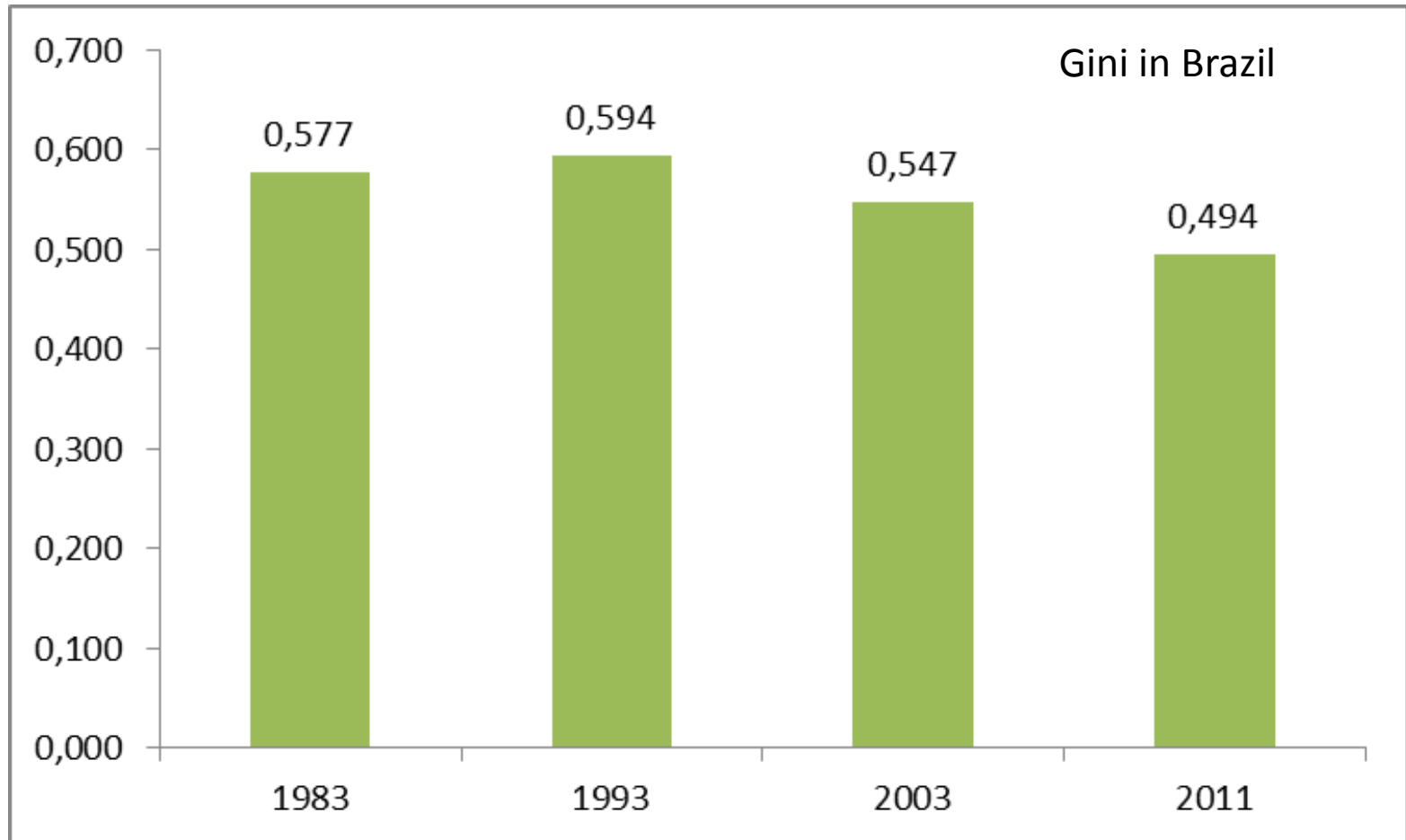
Rural



Urban

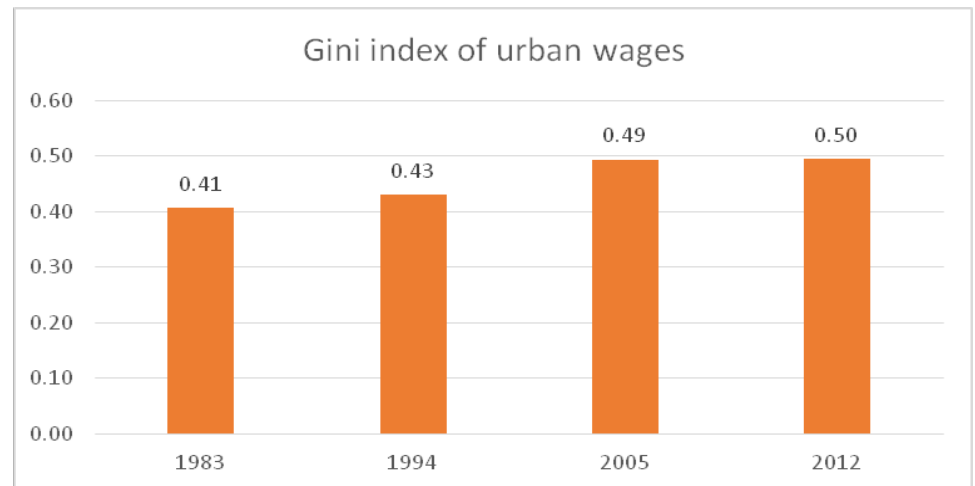
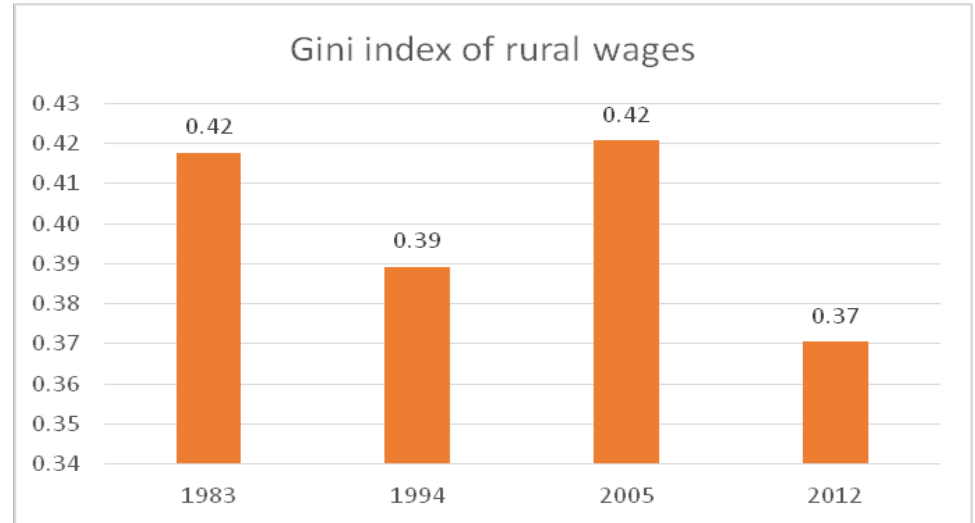
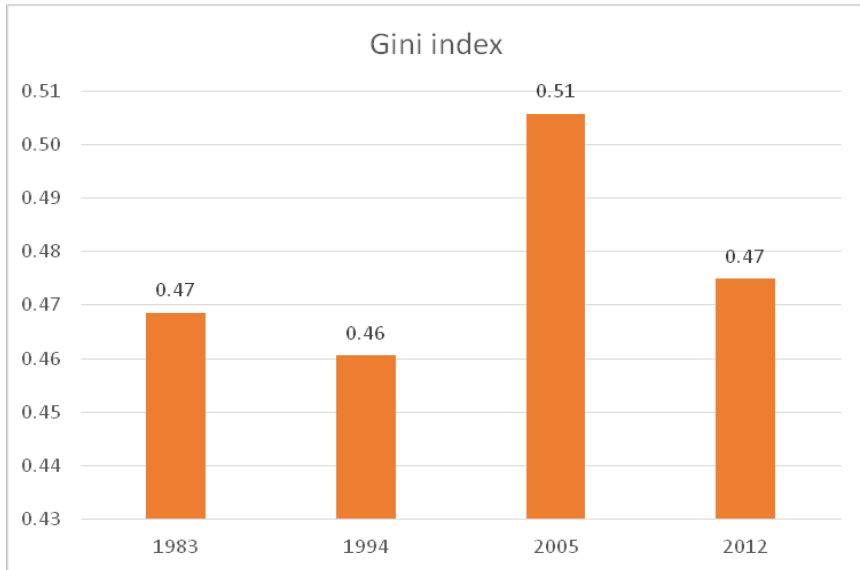


Brazil Labor income Gini



India Wages Gini

Gini in India



Different tendencies

- Brazil presented one unique tendency, the systematic decrease of wage gaps across many important factor;
- In India there is no common tendency. Urban inequality raises, considering the ratio between wages of regular and casual workers, as well as the ratio between wages of higher educated workers and high school workers. Although across few factors inequality fell: in rural areas and gender.

Summing up

- The structure of the labour market at the end of the 2000s is quite different in Brazil and India, as well as the outcomes on labor income inequality. In Brazil almost 50% are wage workers in the formal sector and 16% are unregistered or informal wage workers in the formal and informal sectors. In contrast India has 6.8% of regular workers and 16.4% in the organized sector.
- The economy has grown much more in India than in Brazil, but Brazil proportionally has created more formal jobs for unskilled wage workers, and has successfully enforced minimum wage.
- In Brazil wage differences has declined in all the important categories of the labor market reducing inequality, but wage differences has not decrease systematically in India.

Institutions, inequality and growth regime

- What are the causes?
- In Brazil there are several complementary factors: market labor expansion in a scenario of low rate of economic growth; more credit to enterprises – big and small; increase of enrollment in higher education; labour institutions – labour legislation, labour courts and minimum wage ; social assistance institutions - income cash transfers for elderly, disabled and rural workers non contributors – guarantee by the Federal constitution – and cash transfers for poor.
- The lack of formalization in India limits tackling inequality through economic or labour policy in order to reduce labour market inequalities; India needs more effective labour market institutions coupled with social policies. In Brazil several public programs increase wage reservation, as income transfers programs or minimum wages empowering workers in collective and individual bargain.

Perspectives

- Brazil presented a demographic dividend from the late 1990s to 2015; thus at the present moment Brazil follows the pattern of the last stage of demographic transition, and older demographic structure, toward a society with 30% of the population beyond 60 years old in the mid of this century.
- India will present a demographic dividend almost to 2050. It is an advantage for India economic development in this century, if education and productivity increase simultaneously.

Perspectives

- In the long run, India scenario could be considered positive: demographic dividend, high rate of savings and high productivity, factors that create the economic base for the increasing labor market policies, social programs and the social security system.
- In Brazil, on the other hand, it is need to increase investment and productivity. It is the challenge to keep the raise in jobs and to finance labour and social policies.

- Obrigada and Namaste