

GENERAL DEVELOPMENTS IN INDUSTRIAL RELATIONS IN BRAZIL – 2008

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ECONOMIC BACKGROUND

UNTIL 2 MONTHS AGO...

- GDP GROWTH - 2nd QUARTER2008 X 2nd QUARTER2007: 6.1%
- NEW OIL FIELDS ALMOST EVERY WEEK (PRE SALT, DEEP IN ATLANTIC OCEAN)
- 150 TO 200 THOWSAND NEW FORMAL JOBS EVERY MONTH, SINCE 2006
- SUGAR CANE ALCHOOOL, SIY BEAN BIO-DIESEL, EXPORTS, GROWTH, ETC

AFTER LEHMAN BROTHERS...

- OCT/08 CONSUMERS CONFIDENCE INDEX DROPS 15% TO LOWEST LEVEL SINCE OCT/02
- UNEMPLOYMENT RATE STOPS REDUCTION TREND (7.5%, OCT/08)
- EMPLOYMENT CREATION - OCTOBER/08: JUST 60 THOWSAND
- PREDICTED GDP GROWTH IN 2009: 2.5 TO 3.0%

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POLITICAL BACKGROUND

LULA: POLLS SHOW 70% OF APPROVAL (INCOME TRANSFERS, MINIMUM WAGE, ECONOMIC GROWTH, IDENTIFICATION/CARISMA)

RECENT MUNICIPAL ELECTIONS (OCT/NOV): LULA DID NOT ELECT MAYORS IN SOME OF THE MORE IMPORTANT CITIES. PARCIAL FAILURE.

MESSAGE: LULA'S POPULARITY IS NOT TRANSFERIBLE (HIS CANDIDATE, DILMA ROUSSEF, HAS ONE-DIGIT RESULTS IN POLLS).

POLITICAL CHANGE IN 2010 ELECTIONS? (WILL ALSO DEPEND ON THE ECONOMY)

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COLLECTIVE BARGAINING IN 2008

- 96% OF AGREEMENTS: WAGE ADJUSTMENTS EQUAL/GREATER THAN INFLATION RATE
- ISSUES: WORKING CONDITIONS, HOURS, OUSOURCED LABOR, BENEFITS, GAIN- AND PROFIT SHARING
- PREFERED UNION STRATEGY: HORIZONTAL RATHER THAN VERTICAL
- (EVEN THOUGH CB COVERS ALL WORKERS)

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LEGISLATIVE DEVELOPMENTS IN 2008

- CENTRAL UNION BODIES RECOGNITION AND FUNDING: COLLUSION?
- REORGANIZATION OF UNIONS UNDER CENTRAL ORGANIZATIONS (FIVE): ALL EXCEPT FAR LEFT
- ISSUES: COMPULSORY CONTRIBUTION? STATE COLLECTION OF CONTRIBUTION? SINGLE UNIONS?
- WITH LULA, BACK TO THE 1930'S? DISAPPOINTMENT.

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LEGISLATIVE DEVELOPMENTS IN 2008

- ILO CONVENTION 158: THE ISSUE OF FIRING WITH NO CAUSE
- LABOR OUTSOURCING: MANAGEMENT AND UNION AMBIGUITY
 - MANAGEMENT EFFICIENCY X LOWERING COSTS
 - UNIONS: PROTECTING WORKERS X REVENUES PROTECTION
- WORKING TIME REDUCTION: AMMENDMENT TO CONSTITUTION
- ILO CONVENTION 151: AMMENDMENT TO CONSTITUTION

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ROLE OF SOCIAL PARTNERS

- FIRST LULA ADMINISTRATION: NATIONAL LABOR FORUM, TRIPARTITE, ATTEMPT TO AGREE ON UNION REFORM
- TODAY: UNIONS ON THE OFFENSIVE, MANAGEMENT REACTIVE AND COUNTER LOBBYING

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INDUSTRIAL ACTION

- ABOUT 300 STRIKES EVERY YEAR (2000 IN EARLY 1990'S)
- MAIN/MOST STRIKES IN THE PUBLIC SECTOR
- GROWING ECONOMIC ACTIVITY: MORE CONFLICTS IN THE PRIVATE SECTOR (BANKING, SECURITIES, METALWORKERS)

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OTHER RELEVANT ISSUES

- WORKERS OCCUPATIONAL SAFETY AND HEALTH: EXPERIENCE BASED RATE (INJURIES) AND OCUPATIONAL NEXUS (OCCUPATIONAL DISEASES)
- TAX REFORM/SOCIAL SECURITY REFORM: UNIONS POSITION VERY DEFENSIVE. MANAGEMENT POSITION MORE OPEN.

Legal basis for variable pay in Brazil

- (a) Right to collective negotiate a program of gain- or profit-sharing;
- (b) Gain may be measured either on economic or non economic results (productivity, quality improvement, or reduction in absenteeism rates, for example);
- (d) Gains may be defined on individual-, group- and/or firm basis;
- (e) Gain- or profit sharing bonuses are not considered as compensation (the principle of acquired rights does not apply);
- (f) Bonuses are not taxable as payroll, and legally established benefits do not apply;
- (g) Unions have to be represented in the negotiation of the program.