



WAGES DEVELOPMENTS AND MINIMUM WAGE IN BRAZIL

Hélio Zylberstajn
University of são Paulo

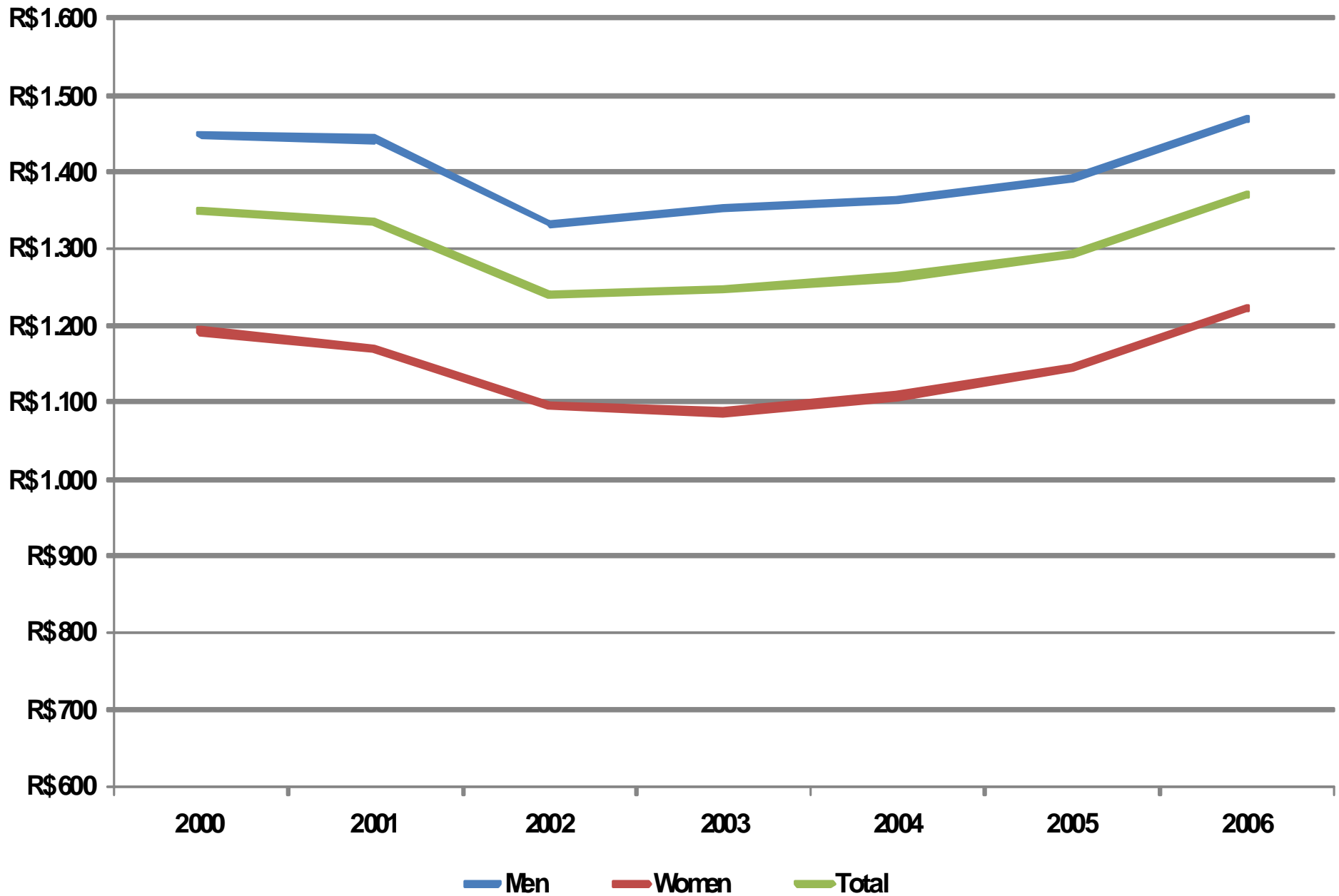


Table 1: Labor force and occupational position (2007)

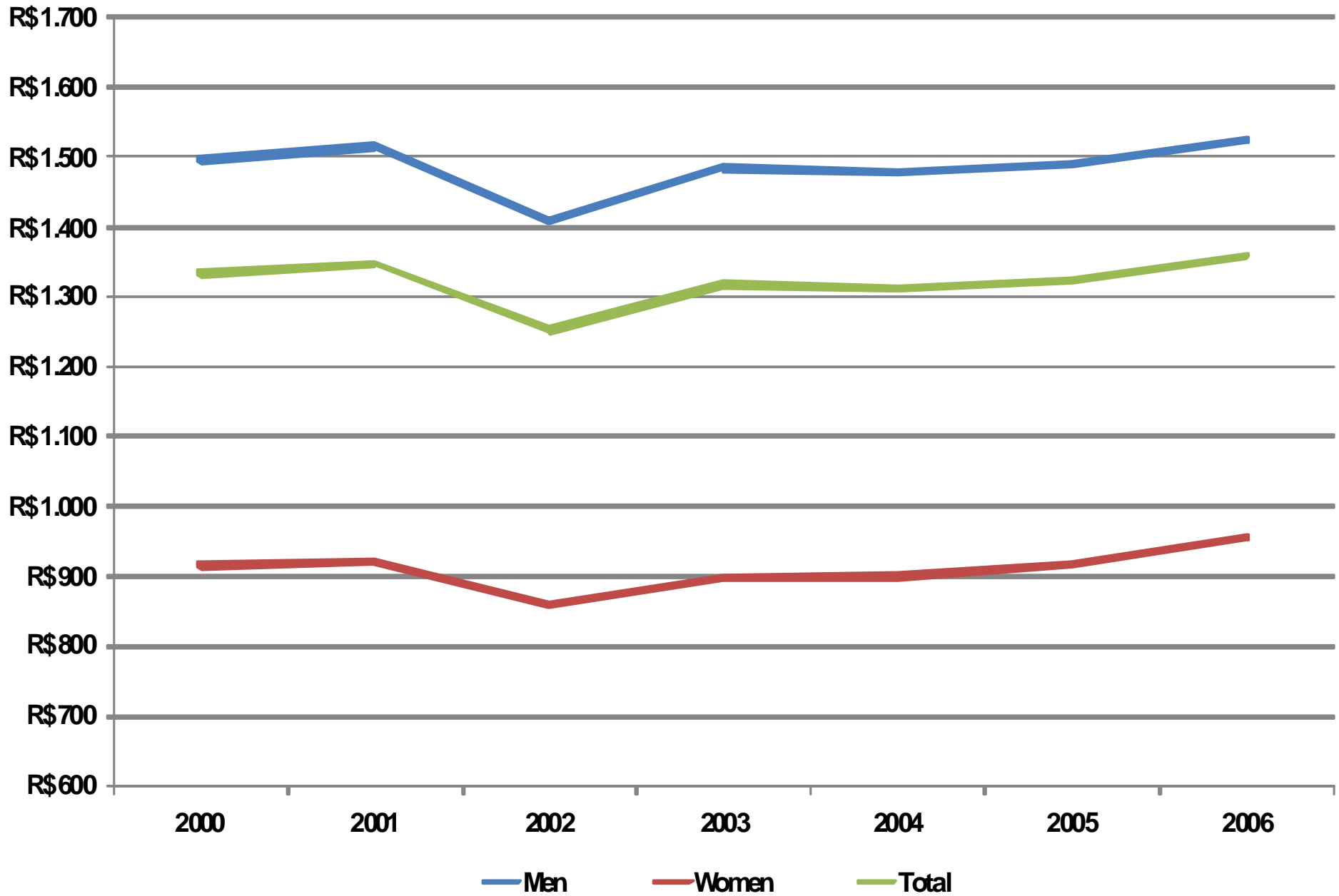
Occupational position	Number of workers (x1,000)			Percentage		
	Total	Men	Women	Total	Men	Women
Formal wage earners	30189	19365	10825	34,8%	38,1%	30,1%
Military and Civil Servants	6198	2671	3527	7,1%	5,3%	9,8%
Self employed	19213	12962	6251	22,1%	25,5%	17,4%
Informal wage earners	15697	10527	5170	18,1%	20,7%	14,4%
Domestic workers	6732	418	6313	7,8%	0,8%	17,6%
Non paid workers	5311	2342	2969	6,1%	4,6%	8,3%
Employers	3411	2508	904	3,9%	4,9%	2,5%
Total	86750	50 92	35958	100,0%	100,0%	100,0%

Source: PNAD/IBGE (Annual National Household Survey)

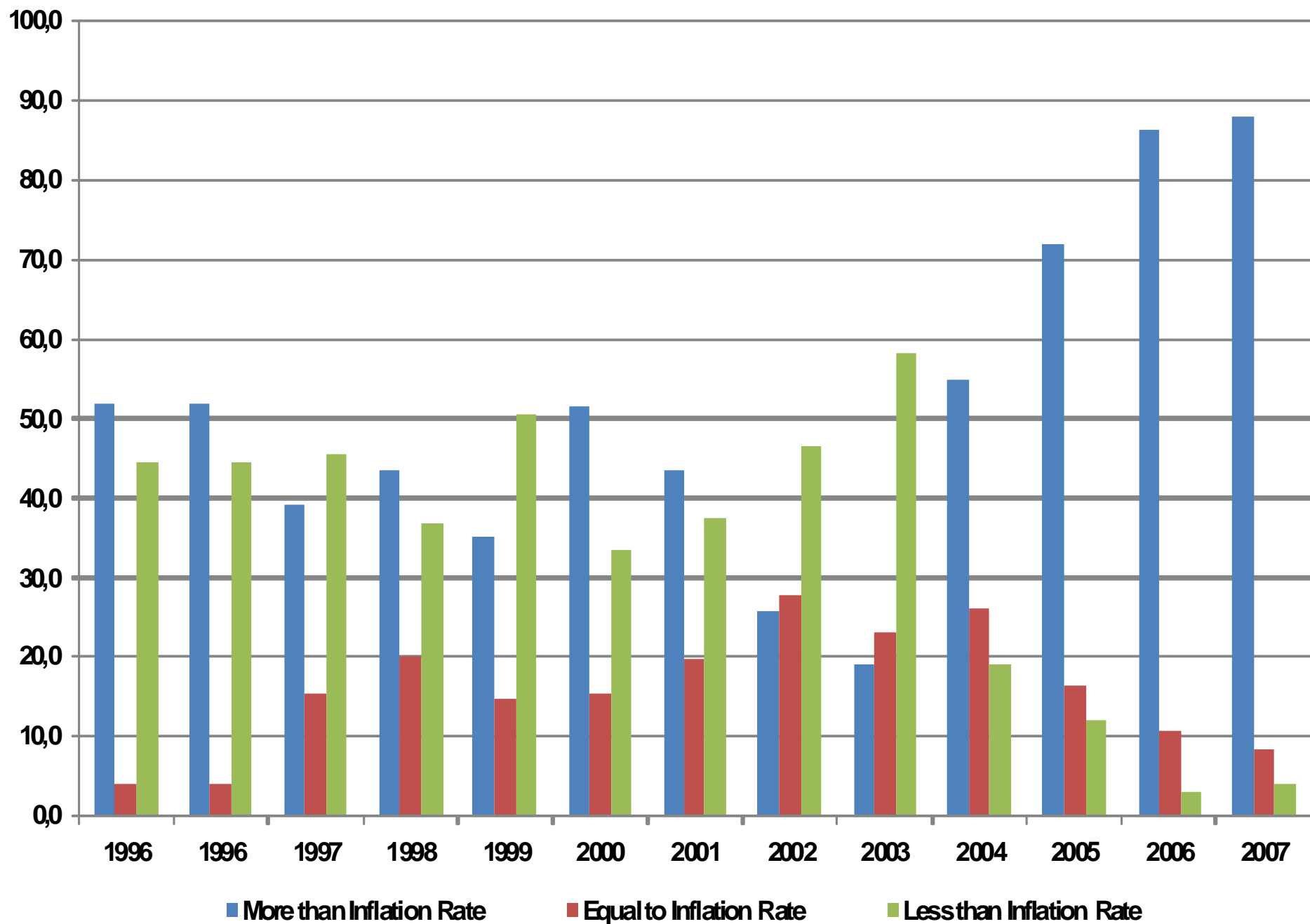
**Graphic 1: Real average wages - Total (Formal sector)
Brazil (2000/2006)**



**Graphic 2: Real average wages - Manufacturing (Formal sector)
Brazil (2000/2006)**



Graphic 3: Collectively negotiated wage adjustments - Brazil, 1996/2006



Graphic 4: Wage adjustments, Inflation rate and GDP growth - Brazil, 2003/2007

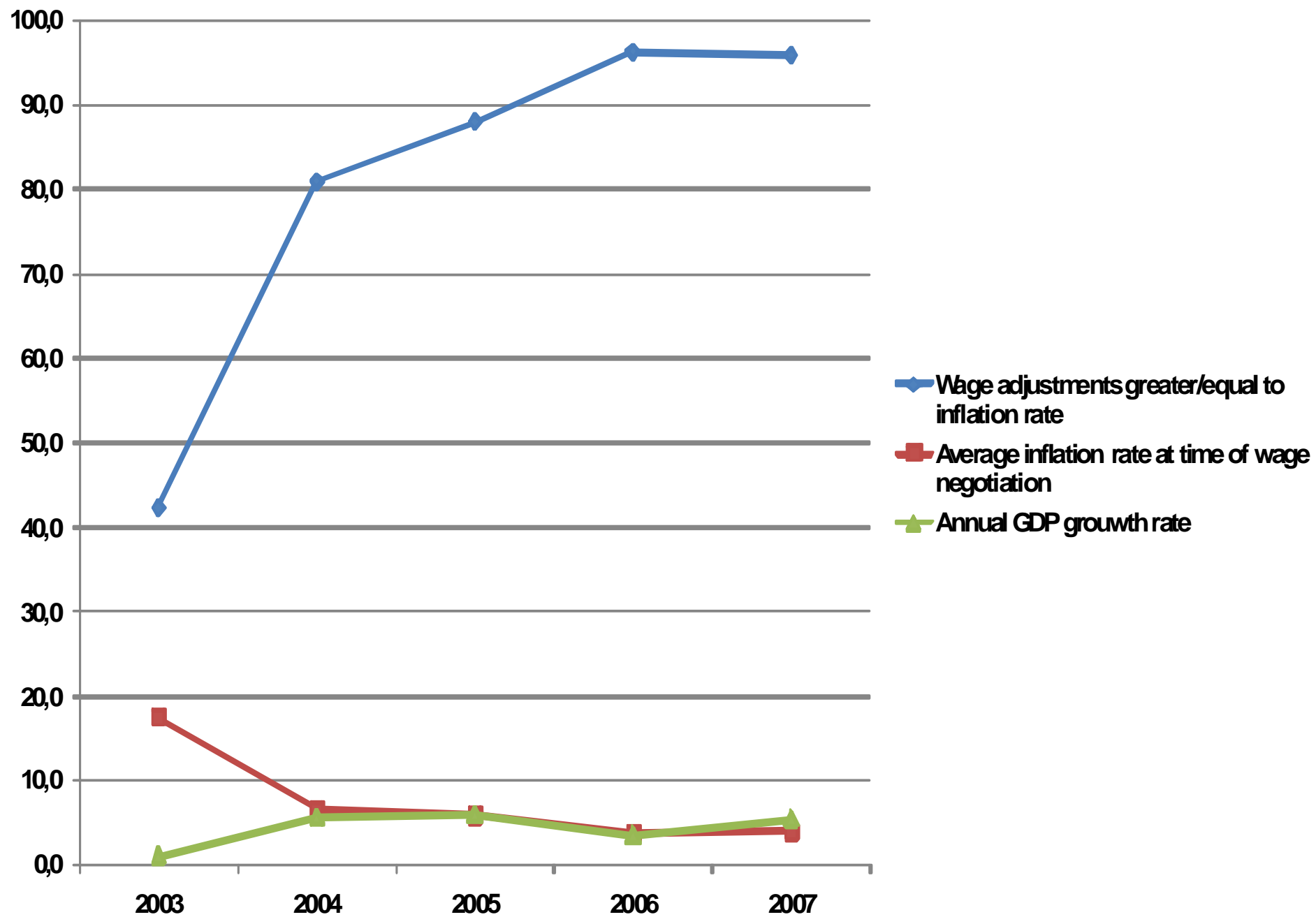


Table 6: Payroll taxes in Brazil

Item	Amount	Index 1*	Index 2**
Base pay	100,0	100,0	
Social Security worker's contribution	11,0	89,0	100,0
Social Security firm's contribution	20,0	120,0	134,8
Workers compensation firm's contribution	2,0	122,0	137,1
Training system (firm's contribution)	2,5	124,5	139,9
Education fund (firm's contribution)	2,5	127,0	142,7
Small/micro firms fund (firm's contribution)	0,6	127,6	143,4
Land reform tax (firm's contribution)	0,2	127,8	143,6
Length-of-service fund (firm's contribution)	8,0	135,8	152,6

Source: Authors computations. *For Index 1, 100 = base pay. **For Index 2, 100 = available pay (89 in Index 1)

Table 8: Income groups and real average labor income (1997-2007)
Expressed in September 2007 values

Groups	1997	1998	1999	2001	2002	2003	2004	2005	2006	2007
up to 10	99	105	98	94	90	83	86	91	97	110
- 20	212	218	209	210	212	199	204	218	237	263
- 30	256	263	257	283	282	285	292	323	358	379
- 40	353	358	343	342	336	325	330	348	386	408
- 50	458	465	442	438	425	400	416	436	462	490
- 60	584	580	549	543	535	498	508	528	565	595
- 70	757	751	708	686	659	624	625	658	702	746
- 80	1044	1025	960	925	906	838	846	876	934	972
- 90	1633	1605	1495	1444	1402	1298	1297	1324	1432	1490
- 100	4727	4666	4266	4245	4138	3764	3701	3885	4141	4149
- 100	6718	6 650	6047	6 070	5883	5380	5261	5567	5902	5891
- 100	13375	13284	11645	12252	11580	10581	10508	11287	11936	11834

Source: IBGE (Brazilian Institute of Geography and Statistics)

Table 9: Gini coefficient – Labor income (1997-2007)

Year	Gini Coefficient
1997	0,580
1998	0,575
1999	0,567
2001	0,566
2002	0,563
2003	0,554
2004	0,547
2005	0,544
2006	0,541
2007	0,528

Source: IBGE

Table 9: Schooling of formal workers in Brazil (2003-2006)

Schooling (number of years)	1995	2006
Zero	3,1%	0,7%
1 to 10	63,5%	44,8%
11	18,5%	35,3%
12 +	14,9%	19,2%
Total	100,0%	100,0%
	29.543.974	35.127.944

Source: RAIS/MTE (Annual Social Information List/Dept. of Labor and Employment)

Graphic 6: Minimum Wage in Brazil - 1994/2008

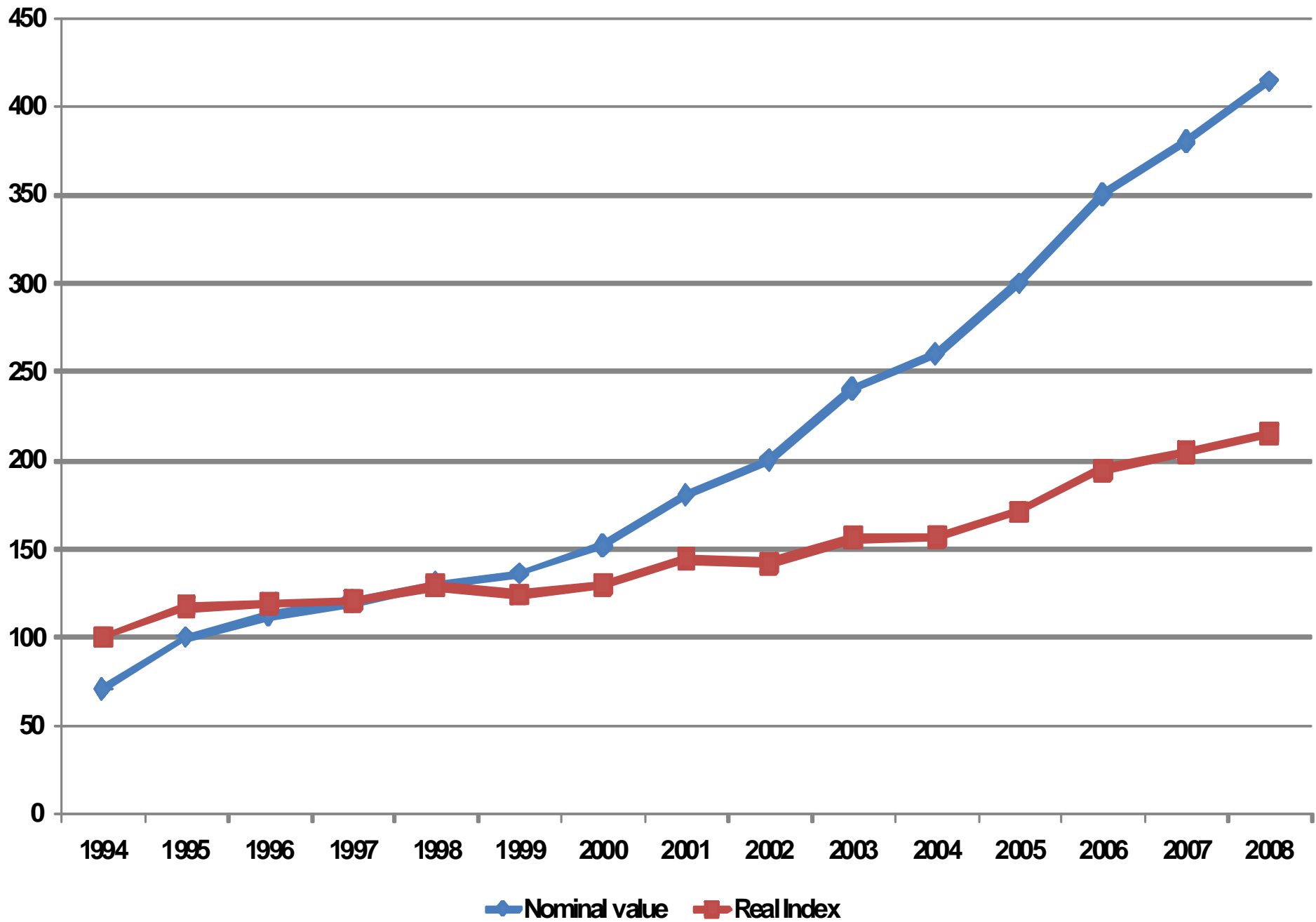


Table 11: Workers making up to one minimum wage in Brazil – 1995/2005

Year	Less than 1 MW	Equal to 1 MW	Up to 1 MW
1995	14,8	12,2	31,0
1996	15,0	8,4	23,4
1997	15,3	10,3	25,6
1998	16,4	8,8	25,2
1999	17,5	6,9	24,4
2001	19,3	9,0	28,3
2002	19,3	12,5	31,8
2003	21,7	10,8	32,5
2004	21,8	10,3	32,1
2005	20,9	14,6	35,5

Source: IBGE/PNAD, in Giambiagi and Franco, 2007

Table 12: Negotiated wage floors in Brazil - 2007

	Cases	Percentage	Accumulated Percentage
1 MW	22	3,4%	3,4%
1,01 to 1,50 MW	477	73,8%	77,2%
1,51 to 2,00 MW	94	14,6%	91,8%
2,01 to 2,50 MW	23	3,6%	95,4%
2,51 to 3,00 MW	15	2,3%	97,7%
More than 3 MW	15	2,3%	100,0%
Total	646	100,0%	

Legal basis for variable pay in Brazil

- (a) Right to collective negotiate a program of gain- or profit-sharing;
- (b) Gain may be measured 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.