

Where Are the Jobs that Take People Out of Poverty in Brazil?

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In Brazil's urban areas, job opportunities determine economic mobility and poverty. But not every job provides enough earnings to take families out of poverty. Jobs for poor workers are scarce in the formal sector. To improve their income, the poor resort to informal, unregistered jobs that are highly vulnerable. The contribution of informal jobs to poverty reduction should not be neglected.

In Brazil's metropolitan areas, about 70 per cent of those who are poor in a given month remain in poverty the following month. About 53 per cent of them are still in poverty after 12 months. These rates are slightly lower than those in developed countries. In the United States and the United Kingdom, for example, about 60 per cent of low-income groups remain in the same circumstance after a year. This suggests that Brazil's metropolitan labour markets have been more effective in promoting income mobility for poor workers. (Using Brazil's Monthly Employment Survey of 2004, we define poverty by per capita income in relation to the relative poverty line of 60 per cent of median income).

The links between job conditions and income mobility have not been adequately examined in many Latin American countries, including Brazil. To fill this gap we classify workers aged 18 to 60 into three groups. The first comprises formal sector workers (registered employees, employers, public servants and registered professionals). The second consists of informal sector workers (self-employed or non-registered employees). In the third group are the unemployed—those without a job but searching for one, according to the definition of the International Labour Organisation (ILO). Then, noting the initial labour condition, we identify the percentage of people who have moved from poverty to non-poverty.

As regards upward mobility, 3 per cent of poor workers in the informal sector move out of poverty the following month. For formal sector workers the rate is only 1 per cent, and thus poor workers in the formal sector are less likely to escape poverty. Additionally, about 85 per cent of informal workers who move out of poverty continue working in the informal sector and only 11 per cent move to a formal job (see the table). Hence these workers can escape poverty while remaining in the informal sector.

The unemployed move out of poverty at a higher rate of about 6 per cent. Some 51 per cent of them find work and thus improve their income. The most interesting result is that only 14 per cent of the unemployed experience upward mobility as a result of finding formal employment. This suggests that the formal sector has not helped people to escape poverty as much as the informal sector. Informal jobs account for 37 per cent of the upward mobility experienced by the unemployed. The upward mobility of the other

Workers Moving In and Out of Poverty in Brazilian Metropolitan Areas, 2004 (%)

Initial condition	Moving out of poverty	Condition the following month			
		Informal	Formal	Unemployed	Inactive
Informal	3	85	11	1	2
Formal	1	9	91	0	0
Unemployed	6	37	14	32	17

Initial condition	Falling into poverty	Condition the following month			
		Informal	Formal	Unemployed	Inactive
Informal	4	58	4	16	22
Formal	2	9	61	12	19
Unemployed	3	3	2	60	35

Source: authors' calculation based on the Brazilian Monthly Employment Survey, 2004.

half might be explained by the entry of other household members into the labour market—the “additional worker effect”.

Downward mobility figures show that 3 per cent of the unemployed and 4 per cent of informal workers who were not poor became poor after a month. For workers in the formal sector, the monthly rate of entry into poverty is only 2 per cent. Informal sector workers, therefore, are the most likely to fall into poverty because they may lack social protection during economic downturns.

Independently of their initial condition, about 60 per cent of the poor who fall into poverty retain the same labour status. That is, workers stay in their initial sector and the unemployed remain unemployed. But the percentage of workers who enter poverty because of unemployment is higher in the informal sector (16 per cent) than in the formal sector (12 per cent).

In conclusion, job opportunities are crucial to reducing urban poverty. Obviously, the formal sector provides the best conditions for workers, but in Brazil the poor have very limited access to this sector. Informality has been an alternative means of promoting upward mobility under low-income conditions, despite its greater vulnerability.

An effective policy should focus on creating formal jobs. This can be done by improving workers' skills and making formal employment more attractive. Expanding credit for small businesses would also help. Better safety nets that protect both formal and informal workers might be an effective policy alternative in the short run.

Reference:

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