

## **THE DEGRADATION OF WORK IN THE GLOBAL ECONOMY: LOW INCOME WOMEN AND THE PRECARIOUS LABOR MARKET IN SÃO PAULO, BRAZIL**

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### **Summary**

With unprecedented global competition, pressure from labor, and the stress of its contradictions expressed through rampant inflation, profits were squeezed and businesses went in search of leaner production processes in São Paulo as well as around the world. The firms could have focused on improving product quality, investing in new technology, and building better relationships with their workers, but instead the multinationals and nationals left for cheaper production sites, engaged in subcontracting, lowered wages, and hired part-time workers. This paper focuses on the “precarization” of the labor market in São Paulo, Brazil and particularly examines the rise in outsourced workers. The “precarization” of the labor market signifies a degradation in the quality of work within both the informal and formal sectors. It entails the rise in employment that is unstable, poorly remunerated, and often without signed worker’s cards. Five principal questions are addressed: how is the labor situation different in the 1990s and why; why has the precarization of the labor market particularly had a severe impact upon low-income women’s participation in the labor market; what are some of the forms that the outsourcing of production and commerce have taken; what is the relationship between work in the informal sector and precarization of the entire labor market; and how has the precarization of the labor market affected the position and strategies of unions in São Paulo? Examining Gonzalez de la Rocha’s argument that the household economic model to explain survival strategies of households in Mexico needs to be changed from a “resources of poverty model” explaining the use of multiple income strategies to a “poverty of resources

model” depicting rising unemployment and precarious labor, the article questions the sustainability of this similar kind of urban labor market for São Paulo.

## 1. Introduction

Maria, the owner of a grocery store in the squatter settlement, told the present author, "The majority (of my neighbors) worked in firms, and were laid off and now are doing whatever business they can, selling clothing, hotdogs, and working as maids by day...It's very sad to see these things." [1 - see Author's Notes].

A union activist for the clothing union exclaimed, "With this issue of globalization, our area was one of the one's that suffered most, because the market opened...Either they close, tertiarize, or go to the Northeast...Some firms let a worker go and hire him informally as an outsourced worker... and thus he loses all the rights that had been won."

Yet, a factory manager of a screw industry near Favela Sul responded, "Yes, we laid off 8% of our workers in the last 6 months, because...with this international crisis...we started to have problems with sales...When we can utilize the people, we are utilizing (them), but we are trying to avoid squeezing, squeezing, squeezing ourselves dry because otherwise we will have problems..." (*All translations are the author's.*)

He continued that the real reason that over 14% of their workers are on three month temporary contracts with fewer benefits is that it is a lot cheaper. An investment banker sitting in New York but working with Brazil exclaimed "the party is over", when the author asked him to respond to the complaints of her informants in the slums that their lives are deteriorating with the Plano Real, the stabilization plan put into effect in 1994.

This article focuses on the growing precarious nature of employment for low-income women workers in São Paulo, Brazil. The precarization of the labor market signifies a degradation in the quality of work within both the so-called informal and formal sectors. It entails the rise in employment that is unstable, poorly remunerated, and often without signed worker's cards. Three principal questions will be addressed: How is the labor situation different in the 1990s and why; what are some of the forms that the outsourcing of production has taken; and what are some of the strategies adopted by trade unions to deal with these changes in the labor market?

The field data for this article were gathered during research in 1996, 1998, and a shorter follow-up visit of two weeks in January 2000 and conducted primarily in three communities in the Metropolitan Region of São Paulo including two squatter settlements. In addition to interviewing low-income women in these communities, the author interviewed immigrant Bolivian sweatshop workers and owners, street vendors, managers in industries operating close to the communities, union activists, local and national government officials, and investment bankers working in New York. It is the voices of different actors, particularly women workers, that is missing in much of the scholarship on economic globalization and the city.

São Paulo has gone through a period of late industrialization, but is currently going

through a similar type of industrial restructuring and tertiarization of production that many global cities in advanced industrial countries experienced and continue to experience. The similar economic patterns include the loss of industries, large-scale unemployment at least in the early stages, the casualization of work relations and the transformation of old industrial sites into centers of advanced services. In 1999 industry, however, still employed 19.6% of the employed population in the Metropolitan Region of São Paulo. Instead of focusing on improving product quality, investing in new technology, and building better relationships with their workers, many multinationals and national corporations have either decided to leave for cheaper production sites in other parts of Brazil with weaker unions and environmental controls and larger tax incentives or have engaged in subcontracting, lowering wages and benefits through illegally hiring their workers, and hiring temporary workers. The intensive use of outsourcing by firms of all kinds and failure to register workers has been represented as an inevitable part of market rationality. In the current global economic regime of open economies, global accumulation relies heavily on the work of women, both waged and non-waged.

The recent rise in precarious work in São Paulo is linked in many direct and indirect ways to economic globalization. Although it is difficult to trace direct causality, there is sufficient evidence that the opening of markets, increase in foreign trade and investment, and increasing global competition do produce a certain kind of unstable labor market. The links between these more general global dynamics and the growing precariousness of the labor market include the link between rising unemployment from plant closings and global competition and the link between global competition putting downward pressure on prices and thereby creating the perceived need and justification by firms to reduce production costs and thus precariously employ workers such as in sweatshops. The difficulties in defining direct causality between economic globalization and a more precarious labor market, however, lie in four areas of inquiry: the need to question the shift from Fordism to Global Fordism and Post-Fordism seen as part of economic globalization; the variety of forms of flexibility of production; the nature of change in the labor market, really new or cyclical change; and how global forces are being resisted and transformed or embraced by national and local forces and actors. As Beauregard contends, actors may simultaneously have interests at multiple spatial scales.

Although in São Paulo there had been precarious work before the 1980s even during the height of institutional control over production, the author would argue that the development of more salaried or waged work without signed working cards and self-employment is less characteristic of classical capitalism than of advanced capitalism. As Castells and Portes (1989:13) argue, “An old form in a new setting is, in fact, new, since all social relationships can only be defined in their specific historical context.” The author would also argue that precarization is not just an effect of advanced capitalism, but an integral part of it.

As Gonzalez de la Rocha argues, there is a need for a new model to replace the resources of poverty model which was applicable from the 1940s to the 1980s, when households used a combination of survival strategies including a diversity of incomes, some of which came from wage labor. The new model she proposes for the 1990s for

Mexico, but that is applicable also for Brazil, is the poverty of resources model, which depicts the “exclusion” of most workers from the capitalist system through an unsustainable combination of unemployment and precarious employment. However, the term “exclusion” may be misleading because while there is also a deterioration of employment opportunities in Brazil, the economic system “includes” unskilled workers within a process of capital expansion that is even more exploitative and where the existing survival strategies are no longer possible.

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#### Author's Notes

1. The names of all informants have been changed to ensure anonymity.
2. I decided to use the unemployment statistics from the Pesquisa de Emprego e Desemprego (Study of Employment and Unemployment - PED) of Seade/Dieese (State Foundation for Statistical Analysis and Union Department of Statistics and Socio-Economic Studies), because I think they more adequately represent the unemployment situation. Unlike the IBGE (Instituto Brasileiro de Geografia e Estadísticas) statistics, the Seade/Dieese PED surveys 3000 different households per month in the Greater São Paulo region consisting of 38 municipalities. Each of the unemployment rates for a month actually represents the aggregate of two months before. The total rate represents both hidden and open unemployment. Other differences between the IBGE and SEADE statistics is age. Seade and IBGE count those of 10 and 15 years of age respectively.
3. It is sometimes unclear in the statistics if or where homeworkers are included. As Chen, Sebstad, and O'Connell argue, since homeworkers are unlikely to be included in the list of employees of the formal firms for which they work, they are also often excluded from the more informal categories of self-employment. However, in the Seade statistics, there are many different other places they could place themselves, e.g. as un-registered salaried workers.
4. Industrial development began in the early 1920s in Brazil and took place primarily in the Metropolitan area of São Paulo with State investment in energy, transportation, and basic material industries in order to attract transnational capital. Foreign capital was introduced in the 1950s. Until the 1950s Brazil's economy was based on the production of traditional industrial products such as textiles and foodstuffs. The production of consumer durables, such as automobiles, intermediate goods such as steel and papers, and capital goods such as machinery and equipment, followed.

5. Although Chen, Sebstad, and O'Connell claim that home-based work is an important source of employment throughout the world, the studies they site primarily refer to micro-enterprises out of the home, and their research does not indicate whether there has been an increase. The studies cited show however that one-third to as much as two-thirds of the clothing industry workers in certain countries are homeworkers. See Martha Chen, Jennefer Sebstad and Lesley O'Connell, "Counting the Invisible Workforce: The Case of Homebased Workers," in *World Development*, Vol. 27, No. 3, 1999, pp. 603-610.

6. In Mexico City in the early 1980s, there also were many types of homework from assembling plastic flowers, packing sweets and sunflower seeds, assembling staples and pens, and also assembling of plastic bags. Due to the lack of studies on homework except for in the garment industry in São Paulo it is not clear if the variation in homework was also present in the early 1980s. My informants indicated that this kind of work was at least new for them and in their communities. The industries indicated that the amount of subcontracting they are involved in has increased and the labor union leader as indicated below sees a huge decrease in registered workers, but not a decrease in the amount produced. The sample of homeworkers interviewed was small in the communities studied because there were not that many homeworkers in the communities at the time of the study. Some of my informants in the communities commented that this was due to location not being near the factories that did outsource, but the study showed that it was probably more to do with the fact that factories of every type were simply closing since more women in those communities had been involved in homework.

7. I follow the terminology presented by Chen, Sebstad, and O'Connell (1999) who use the term homeworkers to refer specifically to dependent subcontract workers or "outworkers" and homebased workers to refer to both dependent and independent own account workers. Homework is then a subset of homebased work which is not the same as unpaid housework or unpaid subsistence production. See Martha Chen, Jennefer Sebstad and Lesley O'Connell, "Counting the Invisible Workforce: The Case of Homebased Workers," pp. 605 and 609.

8. The reason that there was a decline in garment homework in the communities I studied is perhaps because they were not located near the large clothing firms. Proximity had a large role to play as to who became involved in which kind of homework.

9. The information on the Bolivian sweatshop workers was primarily came from Sidney Antônio da Silva and his contacts in the Bolivian community including worker's themselves at a football game, Bolivian owners of workshops and clothing stores, and members of the Sociedad Asistencia Brasileira/Boliviano (Brazilian/Bolivian Society of Social Assistance). Da Silva is a priest in the Congregation of Missionaries of São Carlos (Scalabrinianos), part of the Pastoral dos Latino-Americanos. He is also director of the Center of Migration Studies and he has done research on the Bolivian migrants in São Paulo for both his master's studies and his PhD at the Dept. of Anthropology at the University of São Paulo.

### **Biographical Sketch**

**Simone Buechler** is an assistant professor/faculty fellow in the Metropolitan Studies Program at New York University. Her research interests include: globalization and cities, labor market restructuring, women and economic restructuring, Brazil, social movements, squatter settlements, and urban planning. She has conducted extensive research on low-income women and urban labor market restructuring in São Paulo, Brazil. She received a Ph.D. in May 2002 from the Urban Planning Department at Columbia University, a Master's degree in Regional Planning from Cornell University, and a B.A. from Brown University. She was a consultant for the National Academy of Sciences on the informal sector in São Paulo. Her publications include the articles, "Sweating it in the Brazilian Garment Industry: Bolivian Workers and Global Economic Forces in São Paulo" in *Latin American Perspectives*, forthcoming in 2004; "Daring to Dream: Social Actors Fighting for Labor Rights" in *New Approaches to Social Reform in Brazil*, Bildner Center, CUNY, forthcoming; "The Degradation of Work in the Global Economy: Low Income Women and the Precarious Labor Market in São Paulo, Brazil" in Saskia Sassen and Peter Marcotullio (eds). *Global Sustainable Development, Encyclopedia of Life Support Systems*, UNESCO, forthcoming; "The Growth of the Informal Sector in São Paulo, Brazil" in *Selected Papers of the Panel on Urban Population Dynamics*, forthcoming on website in 2003, National Academy of Science; and "Financing Small-scale Enterprises in Bolivia" co-authored with Hans, Judith-Maria, and Stephanie Buechler in *The Third Wave of Modernization in Latin America* edited by Lynn Phillips, Jaguar Books on

Latin America No. 16. Wilmington: Scholarly Resources Inc. 1998. Before returning to get her Ph.D. she worked at the United Nations Development Fund for Women (UNIFEM).

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