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# Organized Labor in Brazil

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A Research Paper



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This paper has been prepared by
Office of African and Latin American Analysis.
Comments and queries are welcome and may be
addressed to the Chief, South American Division,
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This paper has been coordinated with the
Directorate of Operations and the National
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# Organized Labor in Brazil

## Overview

*Information available as of 30 August 1982 was used in this report.*

For years Brazilian labor was co-opted politically by the government. Specific measures and corporatist policies to ensure that it would not provide a rallying point for dissidence kept it a relatively safe vassal of the state. The military regime that came to power in 1964, moreover, only reinforced the corporatist labor tradition of predecessor civilian governments.

Beginning in 1978, however, the broader process of *abertura* (or Brazilian political liberalization) and the gradual erosion of the corporatist framework of labor relations led to changes in the way the central government dealt with labor. As a result, there was a return to high levels of strikes and the emergence of some independent labor leaders who had the capacity to mobilize worker protest. Thus:

- Workers in 1979-80 struck successfully in record numbers for higher wages and better working conditions and demonstrated their capacity to pressure government and business.
- Unions, particularly those belonging to key economic sectors in urban areas, took concrete actions to influence government policies and to promote labor unity.
- Labor last year convened the first Conference of the Working Classes to plan the formation of a single labor confederation, a move the regime consistently has opposed and considers illegal.

As the crucial November elections approach, labor is poised to play its most direct role in the political process in almost two decades. A new grassroots workers' party, led by a charismatic former union chief, is actively seeking to forge a labor constituency with the help of influential elements within the Catholic Church. Other newly formed political parties also are wooing labor and claiming to represent its interests.

Labor, in spite of its longer term potential to emerge as a force of national influence, still faces important challenges such as:

- The legacy of Brazil's corporatist labor tradition.
- Lack of labor unity, broadly based leadership, and common political ground.
- The regime's sensitivity to the potential political activism of workers.
- Rank-and-file concern that open pursuit of a political role could jeopardize recent gains.

Because of these challenges, we do not expect that organized labor will make any substantial inroads into the political process in 1982-83. Still, the experience of greater activity in the political process will probably build

confidence and establish precedents for a wider role in future years, achievements that could have substantial importance should *abertura* bring even more opportunities for cooperation with other sectors of society.

Irrespective of how labor's role evolves in the short and long term, we expect that there will be a generally higher incidence of strikes in this decade than in the 1964-78 period. The government probably will remain more tolerant of strikes if they emphasize legitimate bread-and-butter issues and avoid political ones, and labor therefore will not be as reluctant to strike as in the past. Labor fractiousness in any particular year will tend to be driven by the conditions of the economy.

As opportunities permit, labor will continue to broaden its role by becoming more representative of workers, organizing itself more effectively, entering the political arena on labor-related issues, and developing a more effective dialogue with management.

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**Preface**

This research paper, [redacted] is the most recent contribution to a series of building-block papers that examines factors influencing political stability in Brazil. We believe the future direction and role of Brazil's evolving labor movement are key factors in assessing the prospects for political stability in Brazil. Labor is, however, only one of several elements that are likely to affect the course of Brazil's development.

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# Organized Labor in Brazil

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## Introduction

After a long period of relative dormancy, Brazil's fledgling labor movement is slowly broadening its political role, a development largely a result of the government's gradual liberalization policies. As the crucial November elections approach—every level of elective office will be contested and the results will influence the presidential succession in 1985—labor is poised to play its most direct political role in two decades. At the same time, the traditional corporatist relations between labor, business, and government are eroding, and less paternalistic ones are evolving. The political effects of these complex and interrelated changes are beginning to appear, but labor still has to contend with constraints on its political role and on its ability to change the structure of labor relations.

The US labor attache believes that the next several years may be crucial in determining the longer term shape and direction of the Brazilian labor movement. To evaluate that view, this paper examines the increased activism of labor and labor's relations with various sectors of society—the state, business, the church, political parties, and the radical left. In so doing, it assesses the prospects for labor as a factor for political change in the context of the upcoming elections and the longer term process of political liberalization.

## Labor and the State

Authoritarian military rule and a long tradition of state domination of labor through a corporatist system has precluded labor's emergence as a unified political force capable of challenging the regime. The virtual exclusion of labor from the political process since 1964, in fact, resulted from deliberate government actions. Unable to act autonomously as a pressure group or to influence government policies substantially, Brazilian labor failed to evolve significantly in social or political terms until recently.

Since President Ernesto Geisel (1974-79) initiated a modest liberalization program, however, Brazil has undergone a significant evolution toward a more open and responsive political system. We believe President Joao Figueiredo, inaugurated in March 1979, has reinforced this process and improved the prospects for a civilian successor when he steps down in early 1985. Specific actions undertaken by Figueiredo to promote liberalization include: a broad amnesty for political prisoners and exiles; a new law permitting more political parties; relaxation of restrictions on media, student and labor activities; and the first popular gubernatorial elections—slated for November—since 1965.

Labor has been a chief beneficiary of the government's gradual liberalization policies. Since 1978 labor has been increasingly active in criticizing government policies, promoting its economic and political interests, cooperating with other sectors of society, and questioning the corporatist model of labor relations. Labor's relations with the state, however, remain the predominant factor shaping the movement's role in society and determining its future direction.

### The Geisel Government

The US Embassy and most observers agree that an illegal strike in May 1978 by Sao Paulo metalworkers—regarded as Brazil's best organized and most militant—initiated a period of new activism by organized labor. For the first time since 1964, a segment of the labor movement successfully challenged the government in support of wage demands and obtained for itself a settlement substantially exceeding the official index. Government and management accepted negotiated settlements and did not attempt to enforce the antistrike provisions of the labor code. Similar strikes took place in 1978, mainly in the metallurgical industry of Sao Paulo, and were settled on the same basis.

***Brazilian Labor Organization and Characteristics***

*Great diversity exists within organized labor, both geographically and by sector. The movement includes a minority of modern-minded industrial workers whose outlook often contrasts sharply with that of the majority of workers who are still tied to traditional values. The industrial workers, who are employed by large multinationals, state entities, and modern national firms, are concentrated in about 300 unions mainly in southeast Brazil. They are vocal, well organized, and politically conscious, but not representative of labor as a whole.*

*Of Brazil's 23 states, several contain a disproportionate number of labor unions and union members. Sao Paulo and Rio de Janeiro, for example, together contain more than half of Brazil's nonagricultural union workers, while Rio Grande do Sul, Parana, and Ceara contain more than one-third of union workers in agriculture. Almost half of Brazil's urban unions are located in three states—Sao Paulo, Rio Grande do Sul, Rio de Janeiro—and a similar percentage of rural unions are situated in five states.*

*Brazil's labor development has thus been shaped by regional influences. The Sao Paulo area, which accounts for about half of national industrial output and employment, is the hub of the labor movement. The Sao Paulo unions, moreover, are sufficiently large and well organized to provide its leaders with an independent base; they are likely to continue playing the definitive role in labor development. The Rio de Janeiro area, perhaps because of an economic base of commerce and tourism, is least militant and exhibits the greatest conformity to the labor structure outlined by the labor code.*

*Labor relations in the south, which comprises the states of Santa Catarina, Parana, and Rio Grande do Sul, are characterized by a high level of labor awareness and relatively sophisticated unions. The Rio Grande do Sul area, moreover, reflects the region's greater European tradition and demography. By contrast, unions in northeast Brazil generally operate within the corporatist structure, with rural, agricultural workers outnumbering those in urban areas.*

*The majority of workers do not belong to unions. As of 1979 total union membership was almost 9 million, or roughly one-fifth of the approximately 44 million in the labor force. Nationwide population in 1980 was estimated at 119 million. Of the 9 million union rank and file, however, less than half pay union dues in addition to the mandatory tax collected by the government.*

*More than twice as many persons work in nonagricultural occupations as those in agriculture. The number of union members in agriculture, however, is about equal to the number in all the nonagricultural sectors combined. The number of women making up the labor force has increased steadily since 1950 and now stands at almost 30 percent, but the number of female union workers represents only about 12 percent of the labor force and 16 percent of total union membership.*

*The labor code created three hierarchical levels of organization. The "sindicato" or union local usually represents a specific sector (for example, metallurgical, transport) in one or more counties. It provides social welfare services and deals with workplace grievances. The federation generally is composed of at least five "sindicatos" in the same state. Confederations are national bodies and are composed of at least three federations. The latter two organizations deal mainly with political and administrative matters and usually have close contact with Labor Ministry officials.*

*As of 1979, the government recognized 4,247 unions, 141 federations, and 8 confederations. Despite this organization, however, labor is relatively undisciplined and difficult to mobilize on a broad scale. Only the National Confederation of Agricultural Workers has real control over its membership although agricultural workers traditionally have been less politically aware and militant than their counterparts.*

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The Geisel government responded in a measured way by issuing a decree in August 1978 recognizing that certain legal prohibitions on strikes were ineffective and unrealistic. Although the decree continued to ban walkouts in particular sectors—public utilities and health services—it recognized the legitimacy of strikes. The Geisel government later made clear it would tolerate strikes as long as they were:

- Limited to nonessential sectors.
- Nonviolent.
- Focused on bread-and-butter objectives.
- Nonpolitical and nonideological.
- Not seeking the support of unions in unrelated sectors.

The fact that the 1978 strikes and almost all subsequent ones adhered to the criteria established by Brasilia almost certainly influenced the government's moderate stance and helped labor's cause. Even so, for a regime that had routinely and harshly stifled worker protest, the toleration of strikes represented a significant change.

**The Figueiredo Government**

In the past three years, organized labor has challenged Brasilia to a degree unprecedented since 1964. Moreover, as a result of the government's evolving liberalization measures and the relaxation of controls on labor activities, labor in general has been increasingly aggressive and vocal in defending its economic interests. Despite the challenge, Brasilia has generally responded with moderation. Indeed, government spokesmen frequently have cited labor activism as an inevitable and positive result of a more open political system.

President Figueiredo, the fifth retired general to rule Brazil since 1964, faced a major strike upon taking office in early 1979. Two days before his inauguration, the metalworkers' unions in Sao Paulo went on strike after failing to negotiate a new contract. The strike lasted 15 days and involved 250,000 workers in 500 plants.

Labor Minister Murillo Macedo eventually intervened with the striking unions, replacing their chiefs by invoking the labor code. The government nevertheless permitted the deposed leaders to continue negotiating for the unions, and a compromise was finally achieved after a government-imposed cooling-off period. Brasilia later allowed the union chiefs to reassume their posts, however, reinforcing labor's belief that strikes could be used as a bargaining tool.

Figueiredo's first year in office witnessed more labor activism—131 strikes in just the first two months and 430 for the year—than at any time since 1964. On May Day, for example, rallies were held in major cities for the first time since the military takeover, drawing 130,000 attendees in Sao Paulo alone. For the most part, the strikes—almost invariably over economic issues—were settled without significant public inconvenience and in many cases on terms decidedly favoring labor. Brasilia approved settlements in excess of the inflation rate because salaries had been held down over the years.

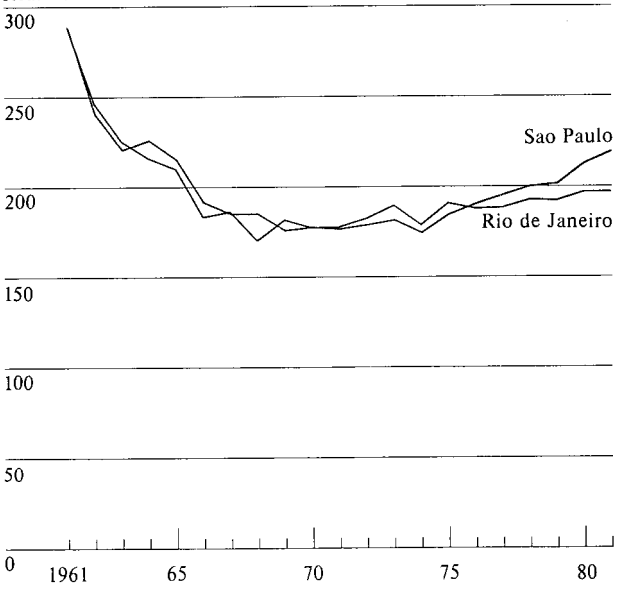
***New Wage Law.*** The Figueiredo government's strategy in the face of the wave of strikes of 1979 was a mixture of pragmatism and some genuine sympathy—far from the heavyhandedness of the past. This attitude was reflected in the new national wage legislation promulgated by Brasilia in November 1979, which was designed to:

- Bring labor peace through higher salaries.
- Favor the lowest paid workers.
- Undercut the position of union chiefs in wage negotiations.

The wage law, still in force, grants automatic twice-yearly increases based on a government inflation index; under the old legislation, wages were adjusted annually. The lowest paid workers now receive raises slightly above the rate of inflation, while the best paid workers are granted increases slightly below the inflation rate. In addition, workers are permitted to negotiate directly with management for further increases based on productivity.

The new wage policy has contributed to a remarkable reduction of strikes and labor agitation. Major strikes, for example, fell from 430 in 1979 to 190 in 1980 and only 20 last year according to the unions' statistical bureau. Rising unemployment later in 1981, particularly in the industrial sector, also acted as a deterrent

**Figure 1**
**Real Minimum Wage Trends in Sao Paulo and Rio de Janeiro**




[a]Deflated by the cost of living index of the respective cities.

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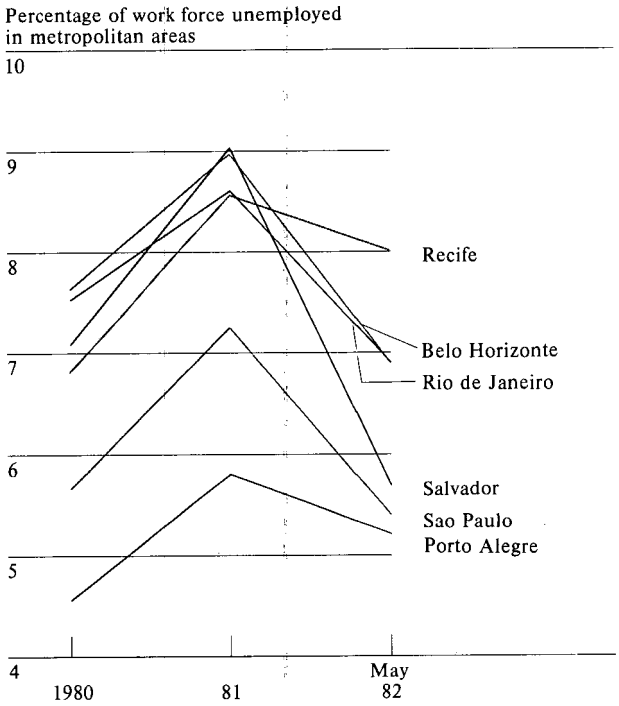
**Figure 2**
**Unemployment**

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to strikes, but we believe the government's wage policy was the first factor to have an impact.

Aspects of the wage policy, however, have been a source of continuing controversy between Planning Minister Antonio Delfim Netto and some industrialists on one side, and Labor Minister Macedo on the other. Delfim Netto and his supporters claim the law is inflationary and imprecise regarding increases in productivity, and have sought to modify it. The Labor Minister, on the other hand, has vigorously—and so far successfully—defended the policy as socially just and politically wise. Although President Figueiredo has thus far sided with the Labor Ministry, pressures from certain business sectors and the Planning Ministry are building against parts of the wage policy and we believe modifications are possible after the elections in November.

***The 1980 Metalworkers' Strike.*** Despite its beneficial effect in significantly reducing the number of strikes, the wage law did not prevent one of Brazil's most controversial and well-publicized strikes—a six-week walkout by over 200,000 Sao Paulo metalworkers in the spring of 1980 that was actively supported by the church. The strike amply demonstrated the potential of organized labor in important sectors to confront management and the government and to heighten tensions to a dangerous level. But it also demonstrated Brasilia's firm opposition to what it regarded as politically motivated labor activism and its determination to confront the challenge.

The metalworkers, mostly from Sao Paulo's industrial suburbs, walked off the job demanding a 15-percent wage increase beyond the scheduled automatic adjustment. Management, with the concurrence of Brasilia, offered 5 percent. Led by Brazil's most prominent labor figure, Sao Bernardo union chief Luis Inacio da Silva (better known as "Lula"), the metalworkers held huge rallies and marches almost daily to pressure management and the government to give in.

Lula's role in the wage negotiations complicated the situation. He was removed by the government from his post in 1979 for leading the 15-day strike but was permitted later to reassume the presidency of his union. In 1980, however, statements of some workers indicated an underlying question about whether he was acting in their interests when he excessively dragged out the negotiations. Many media observers and labor leaders believe Lula overplayed his hand by holding out for unreasonable terms to enhance his political image. (He was then in the midst of organizing a Worker's Party (PT) and utilized the publicity to gain national exposure.)

Following unsuccessful mediation efforts and a regional labor court decision pronouncing the strike illegal, Brasilia arrested Lula and other union leaders and permanently removed them from their posts. Under the National Security Law, they were tried and convicted for inciting workers to strike, but remained free until the conviction was successfully appealed. Although labor's political activity, which rose in 1978-79 with the emergence of Lula, diminished noticeably in the aftermath of his displacement, events of the past year have again rekindled labor's political involvement.

***Conference of the Working Classes.*** The level of union activism and rhetoric reached a new high in August 1981, when more than 5,000 worker-delegates attended the first Conference of the Working Classes (CONCLAT). The meeting was organized to forge labor unity, to bring union concerns to Brasilia's attention, and to lay the groundwork for establishing a single national labor confederation (CUT). Although the conference failed to foster unity—it actually underscored divisions—it nevertheless demonstrated that diverse union leaders with conflicting interests want to work for common goals.

The conference leveled the standard charges at Brasilia, protested unemployment and the cost of living, called for reforms in agrarian and social security programs, and demanded job security. Most of the discussion, however, focused on the advisability of calling a national strike and how to proceed with the establishment of CUT.[1] After much debate, CONCLAT agreed to designate 1 October 1981 a "national day of protest" and to simultaneously deliver a list of labor demands to Brasilia, with a response requested by 16 November.

The "national day of protest" failed to produce significant demonstrations. Although 5,000 persons gathered in Sao Paulo and staged a peaceful rally, gatherings in other cities were disappointing. The efforts of Lula and other labor leaders, moreover, to personally present demands to acting President Aureliano Chaves were unsuccessful. As a result, labor leaders met on 16 November to consider a general strike, but instead decided to debate the question further and to prepare for CONCLAT II, originally scheduled for August 1982.

The low-key, almost restrained nature of the November meeting in our view reflected rank-and-file fears of the effects of the recession that has gripped Brazil since 1981. Although many workers remained dissatisfied with working conditions, wages, and general government policies, the primary goal of the rank and file in the face of massive layoffs and high unemployment was—and remains—job retention.

[1] A variety of published accounts make clear that CONCLAT brought into the open divergences within labor on these and other issues. The unions affiliated with Lula and his PT, which are supported by the Catholic Church, favored the independence of unions and were cautious about a general strike. The president of the Confederation of Agricultural Workers, Jose Francisco da Silva, and the president of the Sao Paulo Metalworkers Federation, Joaquim dos Santos Andrade, led the forces which supported the unification of unions and a general strike. Although moderate voices dominated CONCLAT, radical elements were present in force and worked energetically to influence the conference. Groups such as the Brazilian Communist Party (PCB), the Communist Party of Brazil (PC do B), and the October 8 Revolutionary Movement (MR-8), supported da Silva and Andrade to diminish Lula's influence. The government, believing that the Lula-church alliance posed greater dangers, ironically took a number of steps that helped bolster the radical forces.

***The Importance of CONCLAT II.*** Labor leaders have continued their factional debates and political infighting while preparing for CONCLAT II. Thus, the president of the Sao Paulo Electrical Workers Federation, Antonio Magri, proposed in January that the conference be postponed until 1983 to avoid election year politics. He also disagreed with the creation of a single confederation, favored by most CONCLAT leaders, and with the method for selecting delegates established at the first conference.

Magri's positions- -sparked protests from union chiefs active in CONCLAT. His proposals, according to the Consulate in Sao Paulo, were aimed at diminishing the influence of divergent groups—Lula's Workers' Party forces and supporters of the Brazilian Communist Party—that might otherwise increase their influence at CONCLAT II.

Magri's position, however, apparently has gained support since January. Labor leaders in July voted to postpone CONCLAT II until 1983, citing the possibility that partisan politics prior to the elections and lack of grass-roots organization might complicate the conference. They were slated to meet in September 1982 to assess the situation and to set a date in 1983 for a new conference.

We believe the success or failure of CONCLAT II will depend on the extent to which rank-and-file sentiment—and the economy—has changed and on the outcome of ongoing factional disputes. Considering the fundamental ideological, regional, and sectoral differences between labor groups, however, the prospects for unity—at least at the next conference—do not appear promising. Brasilia's few public statements reflect a wariness of CONCLAT, in particular its efforts to create a single confederation, but it probably will permit preparations for a second conference to proceed in the hope that divisions once again will overcome efforts to forge unity, instead prolonging the existing disarray. We believe that the government, if it feels labor has increased its political involvement to unacceptable levels, could nevertheless curtail some of CONCLAT's activities.

We concur with the US Embassy's labor attache, who believes that a loose confederation of independent unions is likely to emerge from the next CONCLAT conference. He further believes that Lula probably will be elected the titular head of the new confederation, which would act as a central spokesman and lobbying agent for labor, facilitate interunion communication, and serve as the focus for uniting the labor vote in pursuit of political objectives.

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**Labor and Society**

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Although organized labor's relationship with government still is the dominant factor determining its political role, its interaction with other sectors—business, the church, newly formed political parties, the increasingly visible radical left—are having a greater impact on its development than in the recent past. Significant cooperation with the church and Lula's Workers' Party is already taking place and is likely to continue. The prospects for labor cooperation with the radical left are less promising, but labor's relations with business probably will be characterized by greater accommodation.

**Business**

We—and the US Consulate at Sao Paulo—believe that labor's relations with business, particularly in the industrial sector, are broadening in a variety of ways. The conditional acceptability of strikes as a bargaining tool has given unions leverage with management that formerly did not exist. Business, moreover, has recognized that some change is necessary to accommodate the transformations that several decades of rapid economic growth have brought to the workplace. The explicit government changes in wage policies have also put management on notice that it no longer is insulated from dealing directly with labor; consequently it has been more willing to engage in collective bargaining on issues not within the government's purview.

The new leadership of the Federation of Industries of the State of Sao Paulo (FIESP), elected in late 1980, symbolizes management's interest in promoting a new

***Problems of Labor Leadership***

*We believe the rise to prominence of Lula in the late 1970s, using the support of 300,000 Sao Paulo metalworkers, was the most significant labor development since the military takeover. The "Lula phenomenon" demonstrated that labor was not as docile as many observers believed and showed that, with revitalized leadership, the movement did have potential as a political force.*

*Nonetheless, despite some signs that a new generation of leaders unbeholden to the government is emerging, most labor chiefs still are conservative in outlook, are linked to the government, and tend to support it. The top posts in labor confederations and smaller regional federations, with some exceptions, are filled with people generally responsive to Brasilia—in some cases placed there by the Labor Ministry. Although labor leaders periodically question the paternalistic nature of labor relations, they work within the system and are unable or unwilling to articulate viable alternatives.*

*The labor movement continues to suffer from leadership problems that are unlikely to be resolved in the near term. As CONCLAT I demonstrated, union chiefs are beset by deep personal and ideological divisions that are played upon by Brasilia and that hinder efforts to collaborate for common goals. Labor leaders, moreover, occasionally appear out of touch with the rank and file by advocating positions that unions will not support.*

*With the exception of Lula, who now is more a politician than a labor leader, no union chief possesses significant national stature or the requisite charisma to acquire it. Union chiefs such as Joaquim dos Santos Andrade, Antonio Magri, and Jose Francisco da Silva have only a limited following beyond their immediate areas. Since Lula's removal from union office and involvement in politics, moreover, his image among labor has become somewhat tarnished. As president of a large union, he could routinely fill a stadium with 50,000 workers; but as president of the Workers' Party, he has engendered the opposition of many former supporters, while having to compete with established politicians for a labor constituency.*

*New York Times ©*

*Workers' Party president Luis Inacio da Silva ("Lula")*

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*Consequently, he is having mixed success so far, even in the Sao Paulo region, in attempting to convert his labor base into an effective political organization. This suggests that the attainment of labor leadership does not easily translate into a political following.*

*We believe it will be difficult in the short term for the "Lula phenomenon" to repeat itself. While in part a spontaneous development, his emergence also was the result of an ideal confluence of factors. It is unlikely that similar circumstances will arise and produce like results, but other factors conceivably could create a climate leading to the emergence of a new Lula over time.*

*Although Lula's departure from the formal union scene has created something of a leadership gap within labor that may undermine in the short term the movement's potential for political influence, it is not likely to represent a severe obstacle in the long run. In a climate of continuing political liberalization, we believe the newly formed political parties are likely—albeit in an uncoordinated manner—to increasingly respond to and articulate labor concerns. The leadership function thus should become a less critical factor within labor than when the movement was virtually excluded from the political arena.*



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relationship with labor.[2] FIESP, long accused by labor of being a government rubberstamp under its old leadership, is now more aggressive and frequently questions and criticizes Brasilia's policies. Although its political influence is still limited, it has taken the lead in demonstrating new attitudes toward labor, is more sensitive to the intricacies of the bargaining process, and is less likely to let disputes result in strikes. Following its lead, the business community is more willing to negotiate outside the formal legal structures of the government and labor courts that in the past overwhelmingly favored management.

According to various union chiefs, labor remains wary of business leadership, largely because it is concerned about possible duplicity. There is probably merit in this caution, since in contrast to its privately expressed general support of some labor goals, for example, we know from press sources that FIESP has conducted a fierce public campaign to modify the salary law. The massive layoffs during late 1981 in Sao Paulo, viewed by labor as excessive and inopportune (some came just before Christmas), also rankled the unions and even drew criticism from government officials.

Moreover, the more flexible approach to labor-management relations has not been uniformly applied by the business community. Brazil's business sector, like many others in the world, is characterized by dichotomy in terms of practices. On the one hand, state entities, modern national firms, and some multinationals have been highly innovative in improving relations with labor. On the other hand, traditional family firms and smaller commercial companies have continued to rely on the government as an intermediary with labor. One reason for this latter pattern, [redacted] is that labor costs are a larger percentage of overall production expenditures for smaller firms.

The prominence of multinationals, representing over 20 percent of Brazil's business sector, has made them important in setting the tone for labor-management relations, especially in the Sao Paulo industrial belt.

[2] Considered Brazil's most important industrial lobby, FIESP unites 109 employer associations and acts as a limited political agent for major firms. Its location in the industrial heartland has brought members into close contact—and often conflict—with the largest and most militant unions.

According to the American Embassy, US firms, experienced in labor management relations, generally have responded in a measured way, neither making gratuitous concessions to labor nor refusing to negotiate. A number of German companies, however, have periodically adopted a hard line by refusing to negotiate with labor and expecting government intervention.[3]

In a climate of continued economic austerity—a real possibility in view of the continued pressures arising from Brazil's international payments problems—we believe there will be greater accommodation between labor and business. As both sectors feel the brunt of Brasilia's economic policies, moreover, the prospects for joint political pressure on issues of common concern will probably increase. Even in a climate of relative prosperity, labor (for economic reasons) and business (to ensure labor peace) also will probably draw closer as the government reduces its role in labor-management relations. The traditional adversarial relations between labor and business and labor's continued wariness, however, would pose obstacles to the emergence of a consistent and effective political coalition.

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**The Catholic Church**

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most segments of labor consider the church an important ally, welcome its backing, and use its support to strengthen their position. The church's close identification with labor stems mostly from a coincidence of views on economic and social issues. For example, the church long has supported labor's contention that the cost of Brazil's "economic miracle" was disproportionately borne by the workers. 25X1 It not only supports labor's grievances and efforts to prod the regime to reform outdated labor laws, but champions increased union participation in the political process.

[3] In a surprise move, perhaps to counteract this image, Volkswagen—Brazil's largest private employer—has established elected workers commissions to represent its work force. Although the commissions are still in a trial period and have met with considerable skepticism from unions, the initiative, nevertheless, may signal a new approach by German firms in Brazil.

The Sao Paulo archdiocese, under the leadership of Paulo Cardinal Evaristo Arns, has been in the forefront of church support for labor. During the 1980 metalworkers' strike, the local church backed demands for higher wages, greater benefits, and more political freedom. It also sponsored marches and rallies, helped distribute food to strikers, and permitted unions to use church facilities when the government closed union offices. The church's assistance enabled the metalworkers to prolong the strike and contributed to the most serious deterioration in church-state relations in a decade.

The church's most controversial initiative, however, has been the use of its so-called base communities, that is, grass-roots activist groups, to promote Lula's Workers' Party. Cardinal Arns has been the most active in this area; although not all churchmen support his position, we believe most think it is consistent with the church's role. The base communities, which reportedly number 80,000 with about 3 million members throughout Brazil, vary greatly in their degree of political involvement and support for labor. They are significant because they represent potential vehicles which the PT can use to project its appeal beyond its labor base and forge a new political coalition. Statements by government spokesmen indicate Brasilia is extremely wary and critical of the church's involvement with the PT.

The church's association with labor and its involvement with the PT are not accepted by all segments of labor— These labor chiefs, which included a former supporter of Lula, charged that the church has excessive influence over the PT, a development that they say could invite a political backlash or government countermeasures that would affect labor negatively. Lula's rivals, moreover, resent that he has taken advantage of the church's backing to further his ambitions and enhance the political base of the PT. As the church's involvement with the PT continues, especially in an election year, its role is likely to become even more controversial.

We nevertheless concur with the US Embassy's assessment that the church is likely to continue its vocal support of labor and will defend labor's interests when difficulties with the government arise. Although Lula disavows Brasilia's charges of an ideological connection between the PT and the church, his party probably will continue to receive and discreetly seek the continued strong support of most church leaders.

**Political Parties**

As a result of the regime's party reform in 1979, five new groupings have emerged—all seeking labor's allegiance to varying degrees. Despite the parties' efforts to woo labor, there has been little evident readiness by the rank and file to identify with a specific party. To be sure, Lula's PT commands significant labor support in Sao Paulo and other urban areas, but press reporting also reflects substantial backing for the Brazilian Democratic Movement Party (PMDB), the largest and strongest opposition grouping. Leonel Brizola's Democratic Workers' Party (PDT) also could win significant labor votes, particularly in Rio Grande do Sul and Rio de Janeiro, his former political strongholds. Even the government's Social Democratic Party (PDS) probably will receive sizable labor support in rural areas and in the northeastern part of the country, mainly because of its extensive organization, patronage, and the appeal of certain candidates. 25X1

For the foreseeable future, we believe it is improbable that labor can find the common political ground to 25X1
vote in a bloc. Indeed, the regime-imposed party reform is likely to diffuse rather than coalesce labor's electoral potential. Politicians from all parties, many with legitimate labor credentials, are now vying for the same constituency, yet no individual or party can command a majority of the labor vote. 25X1

The PT nevertheless stands out in several respects as a potential focus of labor's political activity. It is the only grouping supported by the church, and its leadership is composed primarily of former labor activists with little political experience or firm ideological convictions. Although Lula insists that the PT is a grass-roots party—the only true one in Brazil—it was his charisma and the reputation he acquired as a labor leader that were instrumental in the founding of the party. Of the three smaller parties, we believe the PT

stands the best chance to survive Brasilia's electoral machinations and fulfill the legal criteria to remain a party based on its grass-roots support. The US Embassy, moreover, believes the PT has perhaps the most significant political potential of all Brazil's political parties.

Although Lula has ambitiously declared his candidacy for the governorship of Sao Paulo, he is realistic about his political future and the PT's prospects. [redacted] his foremost goals are to consolidate the party as a distinct political force in Sao Paulo, to broaden its base, and to strengthen its national organization. He realizes that this will take time and he probably does not expect the party to do well initially. In our opinion, if the PT were to win substantially more than 15 percent of the Sao Paulo vote in November's elections, this would represent a major political surprise.

To broaden the PT's appeal beyond its currently espoused democratic-socialist philosophy, Lula is seeking to transcend his urban labor base. In so doing, the political orientation of the PT and of labor could diverge because their interests, while closely linked, are not identical. Labor could be more susceptible to radical influence if the PT were to shift slowly to the political center, but the PT itself would be likely to become a more viable party with greater prospects for growth in a political environment still dominated and closely watched by Brasilia. Much will depend on Lula personally, and on how skillfully he can operate in an evolving political setting.

**Radical Left**

The radical left is composed of the Communist Party of Brazil (PC do B), the October 8 Revolutionary Movement (MR-8), the Socialist Convergence (CS), and a scattering of other smaller, less significant groups. Other than sharing a general goal of infiltration and control of key unions, it does not appear unified behind a particular strategy or tactic, nor has it been successful in generating rank-and-file support for its ideology.

Radical left involvement with labor remains mostly clandestine [redacted] and is concentrated in the Bank Workers, Agricultural Workers, Communications Workers' Confederations, and Lula's PT. The orthodox Brazilian Communist Party (PCB), mostly because of leadership changes and its campaign to attain legalization, has advocated less militant positions and cooperation with moderate union forces. Its orientation could change, however, if it fails to achieve legalization and its militant wing gains ascendancy in the party.

The left in general and the radical left in particular has played a minor role in labor affairs since 1964. Until the late 1970s, both were virtually excluded from union activity; most members had been jailed, killed, sent into exile, or forced underground. The government's amnesty in 1979, however, freed all political prisoners and permitted exiles to return. Since then, leftist activists have been more outspoken and aggressive in union affairs. The moderates, however, have successfully kept the radical left on the periphery. The widespread strikes of 1978-79 and all major labor developments have taken place without the radical left's instigation. 25X1

Moderate labor forces, particularly the leaderships, are vulnerable in several respects to the radical left. Many leaders are open to charges that they have been ineffective in defending workers' interests and that they obtained their positions through the government; indeed, only a minority have risked their careers by strongly promoting workers' goals. The return of the exiles, moreover, has facilitated infiltration of the unions by the left and has also brought back many former labor and political leaders—some now considered moderate—who are questioning the framework of labor relations.

**Prospects**

We believe the legacy of Brazil's corporatist labor tradition, lack of labor unity and common political ground, and a leadership gap are major factors that complicate labor's emergence as a cohesive political force in the near term. Other factors include important regional and socioeconomic differences among workers and unions, and the prevalent labor fear that openly pursuing a political role could jeopardize gains already achieved. 25X1

***Transnational Organizations***

*The Brazilian Government has relaxed somewhat its traditionally negative attitude toward the affiliation and participation of labor organizations with international groups. Three Brazilian confederations are members of the Regional Interamerican Labor Organization (ORIT) and the International Confederation of Free Trade Unions (ICFTU). The International Labor Organization (ILO), moreover, has expanded its activities dramatically in the past two years and its proposed assistance for fiscal 1982 reportedly amounts to $4.35 million. The Brasilia ILO office claims that Brazil is the organization's first priority in Latin America and that its current level of financial support will likely increase.*

*The Venezuela-based Latin American Labor Center (CLAT) and a number of West German foundations also have increased their activities with Brazilian labor. CLAT receives significant financing from the West German Konrad Adenauer Foundation (KAS)—reportedly $1.7 million annually—and it tends to promote an anti-American line. The principal West German groups active with Brazilian labor include, in addition to KAS, the Friedrich Ebert Foundation (FES) and the Friedrich Naumann Foundation (FNS).*

*The activities of extrahemispheric organizations in Brazil are modest but growing. The US labor attache reports that the directors of the FES and KAS perceive a vacuum with respect to external assistance for Brazilian labor development and they expect to fill it. The attache believes foreign organizations are apt to become an increasingly important element in Brazilian labor development, one the attache believes should be taken into account.*

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In our opinion, labor faces an uphill battle to overcome these formidable obstacles. Brasilia still retains the power to meet labor's challenges, exploit its weaknesses, and keep it under control by selectively enforcing the corporative framework that has historically ensured state control. The current shape of the political system the government is fashioning, moreover, presents additional short-term obstacles because it diffuses rather than coalesces labor's potential for political influence.

Labor's current quiescence on the strike front probably will end either if austerity proves too severe or economic growth is resumed. In particular, the type of changes in the salary law proposed by the Planning Ministry will be negatively received by workers and could provoke strikes. On the other hand, a resumption of economic growth and a reduction in unemployment also could lead to strikes, since unions have in the recent past been more likely to strike under these circumstances.

In a climate of political liberalization, Brasilia probably will respond adroitly, sometimes sympathetically, to its perception of labor's legitimate economic grievances. In some instances, the government may even move swiftly to preempt issues of particular interest to labor in order to enhance its political image. Brasilia will remain sensitive, however, to union activities that it believes have a political end or seek the support of other groups, and probably would react strongly—as in the 1980 metalworkers' strike—to such activity.

Labor and business probably will make additional progress toward accommodation despite a traditional adversarial relationship. Many business leaders realize that labor-management relations are undergoing evolution and appear receptive to giving labor wider participation in wage negotiations. Labor, on the other hand, realizes that business no longer is necessarily aligned with Brasilia and probably will be

***An Alternative Scenario: Key Conditions for More Rapid Growth in Labor's Political Power***

***Future of Military Rule***
*A significant expansion of political liberalization and a corresponding diminution in the direct exercise of power by the military could accelerate labor's political emergence.*

***State of Labor Unity***
*Greater unity—for example, the establishment of a single workers' confederation, if permitted by Brasilia—would enhance labor's potential for political and economic influence.*

***Labor Cooperation With Other Sectors***
*Increased cooperation with the church and other groups could enhance labor's potential as a force for social and political change, particularly if several groups joined to advocate or oppose particular issues.*

***Status of Corporative Framework***
*A quicker erosion of the corporative framework of labor-management relations would reduce Brasilia's ability to control labor, provide workers with greater political latitude, and permit workers and employers to bypass the government in wage negotiations.*

***Workers' Party Showing in November Elections***
*If the Workers' Party received substantially more than 15 percent of the vote in the state of Sao Paulo and 10 percent or more of the nationwide vote, this would represent a major political surprise and could act as a catalyst for increased political activity by labor.*

***Performance of the Economy***
*High levels of economic growth could increase the likelihood of strikes. By the same token, little or no growth, while initially a deterrent to strike activity, could—if sustained—provoke labor unrest.*

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inclined to cooperate in certain instances for mutual interests. Important obstacles remain, however, to the emergence of a consistent and effective political coalition.

The church's involvement with labor is taking place primarily through Lula's PT. We believe its role is likely to become increasingly partisan and controversial, especially in an election year, and a majority of labor eventually may consider the church a liability rather than an asset. Significant elements within the church nevertheless are determined to increase the political awareness of labor and to cooperate with the PT, developments that will pose continuing challenges for Brasilia.

Although the radical left remains a long-range threat, it is unlikely to be reckless in pursuing its labor-related goals and challenging Brasilia. The experience of 1964 still is vivid in its memory, and it understands that the regime—despite its espousal of liberalization—has limits of tolerance. It has thus grown more mature and realistic about what it can accomplish. The rank and file, moreover, is extremely wary of the radical left not only on ideological grounds, but because it fears government reprisals.

We concur with the US labor attache's assessment that the stage is being set for a resurgence of organized labor as a national force. The next several years

are likely to be crucial, moreover, in determining the form of Brazil's labor relations as the roles of labor, government, and business are gradually redefined. Although the government will retain effective power in this sphere, labor will broaden its role by becoming more representative of workers; organizing itself more effectively; entering the political arena on labor-related issues; and developing a more effective relationship with management.

Beyond three to five years, labor could acquire significant autonomy from the state and play a more unified and direct role in the political process. If the formal institutions and channels governing labor's relations with government continue to erode and less paternalistic ones evolve, this development will be strengthened. For the foreseeable future, however, we do not believe that the fragmented labor movement will emerge as a vanguard force for socioeconomic change nor will it play the key political role that movements in other countries historically have played.

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## Appendix A

## Development of Brazilian Labor

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The US Embassy in Brasilia believes labor's emergence in the past four years from a long period of dormancy is a product of several developments, mainly the military government's so-called political opening, and its recognition of workers' right to strike under certain conditions. The emergence of several labor leaders who have not been co-opted by the government, as well as labor's widely shared belief that it has borne a disproportionate share of costs of economic development, also have been factors. Finally, both government and business have recognized that some change is necessary to accommodate the transformations that several decades of rapid economic growth have brought to the workplace.

For more than four decades, however, labor's role in society has been defined and circumscribed by a corporatist system characterized by legalistic labor code and a high degree of state intervention. This system, which originated with the first government of President Getulio Vargas (1930-45), has remained essentially intact over the years even though major economic and political shifts have taken place. The most salient results of the corporatist tradition have been the preclusion of an autonomous labor movement and the almost total state domination of labor-management relations.

Vargas, who came to power extraconstitutionally in the wake of an era of discredited republican government, feared the effects of class struggle on industrialization. His administration attacked the individualistic tenets of liberalism and instituted an authoritarian but rhetorically populist form of corporatism. The state, using three basic institutions—the union, labor courts, and the social security system—undertook to manage—that is, curb, channel, or utilize—worker protest and to be the sole arbiter between capital and labor. The very structure of labor relations thus served to give labor a government-sponsored identity and hindered the development of workers' political and class consciousness.

The legislation passed during the 1930s defining the corporate system was embodied in the Consolidated Labor Laws of 1943. This rigid code, which basically remains in force today, prescribes the structure of union organization and scope of labor's economic and political activities. A hierarchy of associations representing workers and employers was created according to both functional sector and geographic region. The state controls the system with a permanent bureaucracy which collects union funds by imposing a yearly tax on workers equal to one day's pay, whether or not they belong to the union. Only state-recognized unions receive a share of the tax, and the government, moreover, can call on the labor courts to deal severely with unions that attempt to work outside the system.

Brasilia's control of the major source of union funding gives it considerable leverage over labor—

The majority of unions depend on the union tax to function and are required by law to spend most of it on specified social services such as medical and dental assistance. This requirement has made workers not only expect these services, but has also channeled union activities into nonpolitical areas. The administrative and financial tasks of providing social services, in fact, occupy the greater part of unions' energies. Other labor activities traditionally have been limited to providing legal representation for unions and ensuring that employers comply with the law.

Successive governments, regardless of political persuasion, have upheld the corporatist framework of labor relations. Although this system has checked the autonomous political action of labor, the government's own use of labor for political ends prior to the 1964 military takeover was common. Vargas, for example, created the Brazilian Labor Party to capture the urban working-class vote after he was deposed in 1945 and as a result regained the presidency through popular elections in 1950. His protege, Joao Goulart,

became president in 1961 and sought to bolster his position by manipulating labor—not always successfully. Goulart's inept political and economic performance contributed to rampant labor strife, which in part led the military, with broad middle class support, to overthrow him in 1964.

The technocrats who formulated post-1964 policy were committed to rapid growth and the attainment of world power status for Brazil. They implemented policies—removal of job guarantees after 10 years of service, reduction of social security, forced payroll deductions, false indexing of salaries—which affected labor negatively and initiated a steady decline in real wages. Labor was kept quiescent until 1978 by the security apparatus and few strikes could take place because the labor code was strictly enforced. As a result, the rank and file and many younger labor leaders remain strongly opposed to the military government and most of the policies it undertakes.

The experience of 1964 and its aftermath—many unions were placed under direct state control and hundreds of radical leaders jailed—left indelible impressions on labor, especially among the rank and file. In our view, labor today appears more mature and realistic regarding what it can accomplish and less responsive to political or ideological arguments than in the early 1960s. It understands, moreover, the diminishing returns that eventually would result from excessive or unjustified labor pressures on the government and the dubiousness of such a strategy in view of Brasilia's moderation in recent years.

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# Appendix B

## Key Statistics

**Figure 3**
**Sectorial Share GDP, 1979**

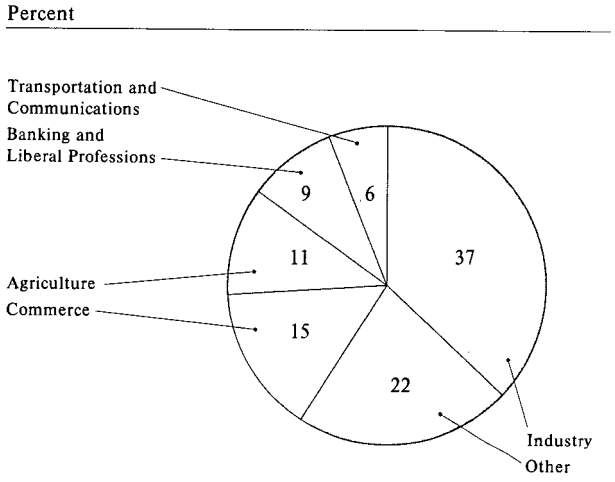


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**Table 1**
**Brazil: Labor Force and Union Membership** [a]

| | Labor Force, 1981 | | Union Members, 1979 | |
|---|---|---|---|---|
| | Number (*thousands*) | Percent | Number (*thousands*) | Percent of Labor Force |
| **Total** | **43,797** | | **8,840** | **20** |
| Men | 31,753 | 73 | 7,438 | 23 |
| Women | 12,044 | 27 | 1,402 | 12 |
| Agricultural | 13,139 | 30 | 4,568 | 35 |
| Nonagricultural | 30,658 | 70 | 4,271 | 14 |
| Secondary sector | 10,686 | 24 | 2,509 | 23 |
| Processing | 6,876 | 16 | NA | NA |
| Construction | 3,153 | 7 | NA | NA |
| Other | 657 | 1 | NA | NA |
| Tertiary sector | 14,891 | 34 | 1,912 | 13 |
| Commerce | 4,117 | 9 | 869 | 21 |
| Services | 7,095 | 16 | NA | NA |
| Transportation/communication | 1,840 | 4 | 567 | 31 |
| Public administration | 1,840 | 4 | NA | NA |
| Other | 5,081 | 12 | NA | NA |

[a] Because of rounding, components may not add to the totals shown.

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**Table 2**
**Union Organizations, 1979**

| | Urban | Rural | Total |
|---|---|---|---|
| Confederations | 7 | 1 | 8 |
| Federations | 120 | 21 | 141 |
| Unions | 2,087 | 2,160 | 4,247 |

**Table 3**
**Urban Unions in Selected States, 1979**

| | Total | Percent Total | Ranking |
|---|---|---|---|
| Brazil | 2,087 | | |
| Sao Paulo | 420 | 20 | 1 |
| Rio Grande do Sul | 277 | 13 | 2 |
| Rio de Janeiro | 212 | 10 | 3 |
| Minas Gerais | 198 | 10 | 4 |
| Parana | 123 | 6 | 5 |

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**Table 4**
**Rural Unions in Selected States, 1979**

| | Total | Percent Total | Ranking |
|---|---|---|---|
| Brazil | 2,160 | | |
| Minas Gerais | 249 | 12 | 1 |
| Rio Grande do Sul | 236 | 11 | 2 |
| Santa Catarina | 192 | 9 | 3 |
| Parana | 171 | 8 | 4 |
| Sao Paulo | 152 | 7 | 5 |

**Table 6**
**Agricultural Union Membership in Selected States, 1979**

| | Total (*thousands*) | Percent Total | Ranking |
|---|---|---|---|
| Brazil | 4,568 | | |
| Rio Grande do Sul | 574 | 13 | 1 |
| Parana | 506 | 11 | 2 |
| Ceara | 468 | 10 | 3 |
| Sao Paulo | 373 | 8 | 4 |
| Minas Gerais | 363 | 8 | 5 |

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**Table 5**
**Nonagricultural Union Membership in Selected States by Sector, 1979** [a]

| | Total (*thousands*) | Percent | Industry | Commerce | Transportation | Banking | Communi-cations | Education |
|---|---|---|---|---|---|---|---|---|
| Brazil | 4,271 | | 2,507 | 869 | 465 | 243 | 102 | 85 |
| Sao Paulo | 1,437 | 34 | 981 | 200 | 121 | 74 | 30 | 32 |
| Rio de Janeiro | 847 | 20 | 341 | 246 | 162 | 43 | 26 | 29 |
| Rio Grande do Sul | 344 | 8 | 235 | 64 | 9 | 25 | 8 | 4 |
| Minas Gerais | 325 | 8 | 214 | 46 | 27 | 21 | 13 | 4 |
| Pernambuco | 192 | 4 | 84 | 69 | 23 | 12 | 3 | 1 |

[a] Because of rounding, components may not add to the totals shown.

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