
Sancroft

NHS Supply Chain Country Profile: Brazil

May 2016

Brazil – Labour Standards and Ethical Trade Profile



Population	200,269,200 ¹
Main Religion	Roman Catholic (64.6%)
Minimum working age	16 years old ^{2*34}
Minimum wage (per hour per month)	R\$4.00 Per Hour ⁵ US\$1.12 Per Hour R\$880.00 Per Month [†] US\$245.95 Per Month
Maximum working hours	8 hours per day, 44 hours per week ⁶
Working week	Monday to Friday ⁷
Main exports	Primary products (iron ore, crude petroleum etc.) (48.7%), manufactured products and semi manufactured products (cars and vehicle parts etc.) (48.5%) ⁸

* The Constitution and Labour code set out the hazardous activities from which children under the age of 18 are prohibited. Children 14 years of age and older are permitted to undertake apprenticeships

[†] An increase in minimum wage was announced in January 2016

Context

Politics

In October 2014, following the country's closest election in 25 years, Dilma Rousseff was re-elected as president of Brazil. She committed to work on social inclusion, reinvigorate the economy, control inflation, and invest in infrastructure, education, health, public transportation and public security. Her victory meant that the Workers' Party (*Partido dos Trabalhadores*, or PT) had held power continually since 2002.

The party has however been subjected to growing criticism, particularly over allegations of widespread corruption and over-spending on mega-sporting events such as the FIFA World Cup and up and coming Olympic games. It has also been mired by a scandal at state energy firm Petrobras. At the end of 2015 and into early 2016, millions of Brazilians took to the streets to participate in anti-government rallies. This protracted political crisis came to a head in May 2016 when Michel Temer of the centrist PMDB party took over as president, following the Senate's decision to open an impeachment trial against Dilma Rousseff⁹. Formally, Rousseff faces charges of manipulating fiscal accounts and breaking Brazil's fiscal responsibility laws. Analysts anticipate that Mr Temer will pursue business-friendly policies as he seeks to restore investor confidence in Brazil's battered economy. Though his initial majority in Congress will facilitate the enactment of fiscal reforms, retaining support in the long term is forecast to be more complicated. Criticism has already been levied at Temer's all male and white cabinet, and their preparedness to represent Brazil's ethnically diverse population¹⁰.

Economics

Characterised by large and well-developed agricultural, mining, manufacturing, and service sectors, and a rapidly expanding middle class, Brazil's economy outweighs that of all its South American neighbours. A member of the BRIC[†], until 2010, Brazil had one of the world's fastest growing major economies, with its economic reforms giving the country new international recognition and influence¹¹. Brazil is however currently experiencing a deep economic recession alongside a political crisis¹². In May 2016 it was reported that its economy had shrunk for the fifth consecutive quarter¹³.

The 2000's commodities boom, caused by increased demand from emerging markets, has very much expired. The bust has witnessed the price of many of Brazil's main exports (iron ore, soya beans and, most recently, oil) fall significantly. This has been accompanied by a deterioration of investor sentiment and very high rates of inflation. In 2015 Brazil's economic analysts cut their annual growth forecasts from 2.5% to 0.8%. Forecasts for 2016 are equally as negative, with some analysts projecting that by the end of 2016 Brazil's economy may be 8% smaller than it was in the first quarter of 2014 (which is when it last saw growth) and GDP per person could be down by a fifth since its peak in 2010¹⁴. Alongside political and economic challenges, Brazil has been experiencing its worst drought in 40 years which could force water rationing in the industrial South East and negatively impact agricultural production.

Macro-economic and structural reforms, as well as improvements in productivity and competitiveness, are needed if Brazil is to recover¹⁵.

Demographics

Brazil's population growth rate is 0.8% and falling following a rapid fertility decline since the 1960s. Whilst Brazil currently has a favourable age structure, with a large working age population, this is anticipated to shift in 2025 when the labour force will shrink and the proportion of elderly dependents will increase¹⁶. The proportion of the population aged 60 years and over is expected to double from 11% in 2012 to 22% in 2025¹⁷. Like many emerging economies, Brazil's rate of demographic

[†] BRIC is a grouping acronym that refers to the countries of **B**razil, **R**ussia, **I**ndia and **C**hina, which are all deemed to be at a similar stage of newly advanced economic development.

transition has been far quicker than that of developed nations. It therefore has a lesser window to capitalise upon the demographic dividend of a large labour force and prepare for the challenge of an ageing population.

Population distribution in Brazil is very uneven. The majority of Brazilians live within 300 kilometers of the coast, while the interior in the Amazon Basin is almost empty. The vast majority of industry is located in the South and South East of the country. Population distribution is reflected in extreme regional differences in social indicators such as health, infant mortality and nutrition. The richer South and Southeast regions enjoy much better indicators than the North and Northeast¹⁸.

Labour Market Profile

The Brazilian labour force is estimated to be 109 842 906¹⁹. Brazil has a steadily growing female labour force participation rate that reached 59% in 2015. Male labour force participation rate has remained fairly constant over the last 20 years and in 2015 was measured at 81% in 2015²⁰.

The country's recession has sparked concern over growing rates of unemployment; in March 2016 it was announced that the number of jobless Brazilians had risen by almost three million people since 2015.²¹

Industry Summary:

Labour Force Occupation (2012) ²²	
Services	71%
Agriculture	15.7%
Industry	13.3%

The service sector in Brazil contributes most to the country's GDP, as well as occupying most of its labour force. Though it employs the least amount of people, industry is an important element of Brazil's economy²³.

Brazil's diverse industries range from automobiles, steel and petrochemicals to computers, aircraft, textiles and consumer durables. Brazilian and multinational businesses operating in Brazil have invested heavily in new equipment and technology, a large proportion of which has been purchased from U.S. firms.²⁴

Medical Technologies

A study by the World Health Organisation looking at emerging economies (2010) stated that Brazil was the second largest producer of medical technologies (behind China)²⁵. Brazil is generally perceived as having considerable growth potential with regards to medical devices. At present however, it is mainly dependent upon the importation of devices. Companies which manufacture medical devices are in the main confined to Sao Paulo²⁶.

In April 2013 the government launched a series of programmes to strengthen Brazil's domestic medical industry and promote the development and the production of new equipment, medical services, and technologies; these include Profarma III and Inova Saúde⁵.

⁵ More information on Profarma III and Inova Saude available at: http://www.bndes.gov.br/SiteBNDES/bndes/bndes_en/Institucional/Press/Noticias/2013/20130411_profarma.html

Key Risk Areas

Companies sourcing from Brazil will need to be aware that there is a risk of labour rights abuse within their supply chain. No global supply chain will be categorically free of issue and purchasing companies have a responsibility to ensure that they are doing all they can to mitigate the risk of occurrence within their scope of business and, where an issue is discovered, take steps towards remediation. The below outlines the key risk areas pertinent to Brazil and the areas in which a company sourcing from Brazil may want to be particularly vigilant.

Forced Labour

Brazilian law defines *trabalho escravo*, or slave labour, as forced labour, extreme labour or labour performed in degrading work conditions²⁷. Some Brazilian men, and to a lesser extent women and children, are subjected to slave labour in rural areas, including in ranching, agriculture, charcoal production, logging, and mining. Exploitation of workers is sometimes linked to environmental damage and deforestation, particularly in the Amazon region. In recent years, the geographical focus of this exploitation has transitioned from rural areas to inner cities; 2013, for example, saw more people being freed from slave-like conditions in urban centres than the countryside. Slavery is increasingly documented in urban areas in sectors like construction, manufacturing and in hospitality. Women and children from Brazil and elsewhere are frequently exploited in domestic servitude, it is estimated 250,000 children are employed as domestic workers in Brazil. Brazil's economic growth has also attracted unskilled migrant workers from surrounding countries such as Bolivia, Paraguay and Haiti. These migrants are especially vulnerable to forced labour and/or debt bondage. The 2014 Football World Cup and Summer Olympics 2016 have attracted a number of migrants who have come to Brazil to work in textile factories or large-scale construction projects.

The coordinator of the National Campaign to Combat Slave Labour (linked to the Public Ministry of Labour) estimated that there were between 20,000 and 50,000 labourers working in 'conditions analogous to slavery' at any given time during 2011. A Ministry of Labour and Employment (MTE) report (2012) documented removing 2,428 labourers from 'conditions analogous to slavery' in 164 unannounced inspections of 331 properties²⁸. Since 2003, the government has rescued 44,483 workers from what it calls conditions analogous to slavery, though the exact numbers of slaves is unknown²⁹. It is worth noting that the national figures with respect to slavery are significantly lower than the estimate made by the Global Slavery Index (2014)³⁰ which predicted that 155,300 people in Brazil were involved in modern slavery³¹.

Brazil has been praised by the UN for its success in tackling the issue of slave labour. Its approach has included a progressive business engagement response, in particular through policies on supply chain transparency. Many companies are taking proactive steps to address slavery in their supply chain by uniting under the National Pact for the Eradication of Slave Labour, which at the end of 2013 had been signed by 380 corporations, accounting for 30% of Brazil's gross national product³². Members of the Pact use the government's bi-annual *lista suja* or 'dirty list' as a tool to help identify suppliers with evidence of slavery in their supply chains. 16 companies identified on the *lista suja* are not eligible for financial credit and face economic and legal sanctions. The register currently has 609 corporations and individuals listed^{**}. Whilst good progress has been made, efforts against forced labour are often hindered by failure to impose effective penalties, the remoteness of the areas where the crimes typically occur, a lack of awareness of rights and delays in judicial procedure.

Trafficking

According to a report published by the United States Department of State in 2014, Brazil is a source and destination country for men, women, and children subjected to sex trafficking and forced labour. Internally there are high rates of child prostitution reported in north and north easterly regions. Brazil is currently considered to be a 'tier 2' country in the US Government's Trafficking in Persons

^{**} The full *lista suja* or 'dirty list' is available at: <http://reporterbrasil.org.br/listasuja/resultado.php>

Report. This means that whilst they do not fully comply with the minimum standards of the Trafficking Victims Protection Act, and though they are making significant efforts to bring themselves into compliance with these standards, the absolute number of trafficking victims remains high³³.

Child labour

In 2014, the 2012–2013 National Household Survey results indicated that there were 486,000 child labourers (ages 5 to 17) in Brazil³⁴. This figure represented a 15 percent reduction in child labour, providing the lowest estimate of child labour in Brazil's history. Child labour still represents a challenge however, and these estimates are generally considered conservative as the government has not conducted in-depth research on hard-to-reach populations, such as children engaged in domestic work, drug trafficking, commercial sexual exploitation, or labour in indigenous communities. While there are no overall statistics available, the commercial sexual exploitation of children is a large problem throughout Brazil, especially in tourist areas in the cities of Fortaleza, Manaus, Rio de Janeiro, and in the favelas of Rio de Janeiro. The majority of children in Brazil are employed in agriculture (56.4%), followed by services (33.7%) and industry (9.9%).

In 2014, Brazil was recognised as making significant advancements in efforts to eliminate the worst forms of child labour. The Government created mobile inspection units to coordinate child labour law enforcement efforts between regional Ministry of Labour and other local inspectors. Law 12.978 was signed, specifying penalties in the Penal Code for the commercial sexual exploitation of children. Inspectors carried out inspections targeting child labour in 165 commercial establishments in the state of Bahia during Brazil's Carnival season in February, and in many tourist sites during the World Cup in June 2014. The National Education Plan was also signed. However, there remain gaps in Brazil's approach and the capacity of its inspection force is still limited. International organisations moreover are requesting that Brazil, in addition to policy-making, demonstrate what they are doing in practice, for instance through making publically available the number of cases of forced/child labour they find, as well as the number of prosecutions brought against those implicated³⁵.

Corruption

Corruption in Brazil, particularly among senior government officials, is pervasive. Indeed Brazil is one of the few countries whose performance has worsened between the 2012 and 2015 Corruption Perception Index, with its score dropping to 38/100 compared to 43/100. Most recently, Brazil has been rocked by the Petrobras scandal, in which politicians are reported to have taken illegal payments in exchange for awarding public contracts.³⁶

Governance

National Legislation

The main source of employment law in Brazil is the 'Consolidation of Labour Laws' known as the 'Labour Code'. The Labour Code was enacted in 1 May 1943 and has been subject to many changes, amendments and adaptations since, including amendments provided by the Federal Constitution enacted on 5 October 1988. Relevant employment relations in Brazil are regulated by the following sources:

Law 4.090/1962 – regulates the payment of the 13th salary^{††}

Law 6.019/1974 – regulates hiring of temporary workers

Law 7.783/1989 – regulates workers' right to strikes

Law 8.036/1990 – regulates the Severance Fund to be paid to terminated workers

Law 9.029/1995 – prohibits discrimination in the work place

^{††} The 13th salary is a gratification equivalent to a month salary and paid in two instalments in November and December.

In Brazil, labour inspection falls within the competence of the Ministry of Labour and Employment, which is responsible for undertaking inspection activities that are implemented by its decentralised branches. The Federal Labour Inspection System in Brazil currently has 2,997 Labour Inspectors with the competence to operate throughout the national territory, in the urban, rural, port and waterway realms, covering all enterprises, establishments and work places, public and private, professional and non-profit institutions.

Some analysts have shown concern that there may well be detrimental changes in Brazil's labour laws under the leadership of Michel Temer, and his promise of reform to jump-start the Brazilian economy³⁷³⁸.

International Trade Union Confederation (ITUC) Rights Index

The ITUC Rights Index uses a methodology that considers the standards of fundamental rights at work, in particular the right to freedom of association, the right to collective bargaining and the right to strike³⁹. Using this methodology, countries are ranked on a scale of 1-5, with a high score suggesting a government is failing to guarantee these rights. Brazil received a rank of 3.

International Standards

Brazil has a total of 96 ratified ILO conventions; of the 8 fundamental conventions, 7 have been ratified⁴⁰. To date, the one fundamental convention that Brazil has yet to ratify is the Freedom of Association and Protection of the Rights to Organise. The main reason for this is Brazil's Federal Constitution currently prohibits the creation of more than one trade union representing an economic category in a territorial area⁴¹.

Other Useful Resources

Further information is available on the following websites:

- ILO Labour Law Database
http://www.ilo.org/dyn/natlex/natlex_browse.country?p_lang=en&p_country=BRA
- Transparency International Corruptions Perception Index
<http://www.transparency.org/country/#BRA>
- US State Department Database on Forced and Child Labour per product
<http://www.dol.gov/ilab/reports/child-labour/list-of-goods/>

¹http://www.ilo.org/ilostat/faces/home/statisticaldata/ContryProfileId?_afzLoop=1132686302448749#%40%3F_afzLoop%D1132686302448749%26_adf.ctrl-state%3D3x11aesa_185

² International Labour Office – Brazil Child Labour Data Country Briefing

³ <https://www.dol.gov/sites/default/files/documents/ilab/reports/child-labour/findings/2014TDA/brazil.pdf>

⁴ <http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm#wrapper>

⁵ <http://riotimesonline.com/brazil-news/rio-business/brazils-government-raises-monthly-minimum-wage-to-r880/>

⁶ http://www.bakermckenzie.com/files/Uploads/Documents/Global%20Employment/BK_LA_LabourRights_14.pdf

⁷ https://en.wikipedia.org/wiki/Workweek_and_weekend

⁸ <http://country.eiu.com/article.aspx?articleid=204176204&Country=Brazil&topic=Summary&subtopic=Fact+sheet>

⁹ <http://country.eiu.com/article.aspx?articleid=1574214541&Country=Brazil&topic=Politics>

¹⁰ <http://www.theguardian.com/world/2016/may/13/brazil-dilma-rousseff-impeachment-michel-temer-cabinet>

¹¹ <http://en.wikipedia.org/wiki/Brazil>

¹² <http://www.worldbank.org/en/country/brazil/overview>

¹³ <http://www.bbc.co.uk/news/business-36425427>

¹⁴ <http://www.economist.com/news/briefing/21684778-former-star-emerging-world-faces-lost-decade-irredeemable>

¹⁵ <http://www.worldbank.org/en/country/brazil/overview>

¹⁶ <https://www.cia.gov/library/publications/the-world-factbook/geos/br.html>

¹⁷ digitalresearch.eiu.com/healthyaging/pdf/EIU_Pfizer_BRAZIL.pdf

¹⁸ <http://www.worldbank.org/en/country/brazil/overview>

¹⁹ <http://data.worldbank.org/indicator/SL.TLF.TOTL.IN>

²⁰ <http://data.worldbank.org/indicator/SL.TLF.CACT.MA.ZS/countries>

²¹ <http://www.reuters.com/article/brazil-economy-unemployment-idUSL2N16WoKZ>

²² <https://www.cia.gov/library/publications/the-world-factbook/geos/id.html>

²³ <https://www.cia.gov/library/publications/the-world-factbook/geos/br.html>

²⁴ http://en.wikipedia.org/wiki/Industry_in_Brazil#Brazilian_industrial_sector

²⁵ <http://thebrazilbusiness.com/article/brazilian-medical-industry-overview>

²⁶ <http://thebrazilbusiness.com/article/brazilian-medical-industry-overview>

²⁷ <http://www.state.gov/documents/organization/245365.pdf>

²⁸ <http://www.state.gov/documents/organization/220636.pdf>

²⁹ <http://projects.aljazeera.com/2015/07/slavery-brazil/>

³⁰ http://d3mj66ag90b5fy.cloudfront.net/wp-content/uploads/2014/11/Global_Slavery_Index_2014_final_lowres.pdf

³¹ <http://www.globalslaveryindex.org/country/brazil/>

³² <http://uk.businessinsider.com/how-brazil-shames-companies-that-enslave-people-2014-11?r=US&IR=T>

³³ <http://www.state.gov/documents/organization/245365.pdf>

³⁴ <https://www.dol.gov/agencies/ilab/resources/reports/child-labor/brazil>

³⁵ <https://www.dol.gov/sites/default/files/documents/ilab/reports/child-labour/findings/2014TDA/brazil.pdf>

³⁶ <http://www.transparency.org/cpi2015#results-table>

³⁷ <http://www.680news.com/2016/05/13/brazils-suspended-leader-vows-fight-as-fill-in-urges-unity/>

³⁸ <https://next.ft.com/content/f455154c-1697-11e6-b197-a4af20d5575e>

³⁹ http://www.ituc-csi.org/IMG/pdf/survey_ra_2014_eng_v2.pdf

⁴⁰ http://www.ilo.org/dyn/normlex/en/f?p=1000:11200:0::NO:11200:P11200_COUNTRY_ID:102571

⁴¹ <http://www.mondaq.com/x/54604/employee+rights+labour+relations/The+Impact+Of+ILOS+Conventions+Regarding+Freedom+Of+Association+In+Brazil>