

URBAN AND LANDSCAPE PERSPECTIVES



Simone Judith Buechler

Labor in a Globalizing City

Economic Restructuring
in São Paulo, Brazil



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To my mother

*Who fought for social justice and was
my greatest mentor*

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Glossary of Terms and Abbreviations

ABCD	The ABCD or ABC region consists of the municipalities of Santo André, São Bernardo do Campo, São Caetano de Sul, Mauá, Ribeirão Pires, Rio Grande da Serra, and Diadema.
CDHU	Company for Housing and Urban Development – Companhia de Desenvolvimento de Habitação e Urbanismo
CGT	General Confederation of Workers
CIESP	Center of Industries of the State of São Paulo
COHAB	Municipal Housing Company – Companhia de Habitação
CUT	National Labor Federation – Central Unica dos Trabalhadores
DIEESE	Inter-union Department of Statistics and Socio-Economic Studies – Departamento Intersindical de Estatísticas e Estudos Socioeconômicos
FAT	Fund for the Support of the Worker (Fundo de Amparo ao Trabalhador)
<i>Favela</i>	Squatter settlement
FIESP	Industrial Foundation of the State of São Paulo
HABI	Low-Income Housing Authority (MSP)
IBGE	Brazil's national statistical institute – Instituto Brasileiro de Geografia e Estatísticas
IaDB	Inter-American Development Bank
ICEM	International Federation of Chemical, Energy, Mine and General Worker's Unions
ICFTU	International Congress of Free Trade Unions
ILO	International Labor Office (United Nations)
INCRA	National Institute of Colonization and Agrarian Reform – Instituto Nacional de Colonização e Reforma Agraria
MERCOSUL	Southern Common Market – Mercado Comum do Sul
MNCs	Multinational corporations
MSP	Municipality of São Paulo
MRSP	Metropolitan Region of São Paulo
NGO	Nongovernmental organization

NICs	Newly industrialized countries
PED	Study of Employment and Unemployment conducted by Seade and Dieese – (Pesquisa de Emprego e Desemprego)
PNAD	National Study of Households (Pesquisa Nacional de Amostras Domicilios)
PROGER	Program to Generate Employment and Income – Federal Government
PROVER	Shantytowns’ Program for Verticalization in the Municipality of São Paulo (also known as Cingapura)
PT	Worker’s Party – Partido dos Trabalhadores
Seade	State Foundation for Statistical Analysis – Fundação Sistema Estadual de Análise de Dados
Sebrae	National Service for Helping Micro and Small Enterprises – Serviço Brasileiro de Apoio às Micro e Pequenas Empresas
SEHAB	Department of Housing and Urban Development (MSP)
S system	A group of federal governmental organizations providing professional training and information to different economic sectors. Organizations include Sebrae, SENAI (National Service for Industrial Professional Education – Serviço Nacional de Aprendizagem Industrial), and SENAC (National Service for Professional Education in Commerce, Services, and Tourism – Serviço Nacional de Aprendizagem Comercial)
TNCs	Transnational corporations
WTO	World Trade Organization

Chapter 1

Introduction

Abstract The introductory chapter lays out the framework, the major arguments and issues to be explored, and the research methodology. Through the story of Maria, a grocery store owner in a favela, the reader begins to understand the complexity of the links between the local and the global and the impacts of global economic change. I bring forth my major arguments that the precarization of the current labor market is not just a continuation of the past and that low-income women are not excluded from the global economy, but form an integral part of the restructuring process. The general aim of the book is explained stating that following Sassen's work on global cities, the aim is to discover the material conditions, production sites, and place boundedness that form an integral part of globalization. São Paulo is introduced as a globalizing city that will be used as the case study to show these processes. The book is positioned in terms of a variety of theoretical debates concerning globalization and labor, the "informal sector," and women and development.

In 1998, during my second visit to São Paulo, Brazil to engage in research on the effects of neoliberal policies and economic globalization on labor, in general, and low-income female breadwinners, in particular, the research participants from various economic classes and positions eagerly voiced their alarm about the deteriorating economic situation, whose dramatic acceleration was palpable even in the year and a half interval since my first visit. "Maria," the owner of a grocery store in the squatter settlement I have named "Favela Sul," remarked, "The majority [of my neighbors] worked in factories and were laid off and are now engaging in whatever business they can, selling clothing, hotdogs, and working as maids by day . . . It's very sad to see these things. Oh my!"¹ A union activist for a clothing union commented on this same trend, "With this issue of globalization, our area was one of those that suffered most, because the market opened . . . They close, tertiarize, or

¹ The names of the research participants and the communities studied have been changed to ensure anonymity.

go to the Northeast [of Brazil] . . . Some firms let a worker go and hire him informally as an outsourced worker . . . and thus he loses all his hard-won rights.” A factory manager of the screw factory “Drills and More” located near Favela Sul confirmed these observations: “Yes, we laid off eight percent of our workers in the last six months, because . . . with this international crisis . . . we started to have problems with sales . . . When we can utilize the people, we do, but we are trying to avoid squeezing, squeezing, squeezing ourselves dry, because otherwise we will have problems.”² Questioned further, he had to admit, though, that the real reason that more than 14 % of the factory’s employees were on 3-month temporary contracts with fewer benefits was that it was cheaper to hire temporary workers.

My multi-sited research revealed even more perspectives on the impact of economic globalization on labor in other interlinked locales. While there was plenty of disagreement among the local research participants about the appropriateness or inevitability of the measures they were taking to face the unemployment crisis between 1996 and 2003, the focus period of this book, from incurring debt at Maria’s store to firing workers and reducing labor costs by relying on temporary contracts, all agreed that they were suffering unnecessarily, and could not see any silver lining in their travails. In contrast, the perceptions of the research participants in the national government and in the banking community in New York as well as many other national and global actors and economists were very different. They argued that the crisis was due to misguided economic policies of the past that demanded drastic neoliberal reforms. The response of one of the top officials at the Ministry of Labor in Brasilia³ to my question concerning the new short-term or temporary workers’ contracts, which offered less stability and fewer benefits than the regular contracts and which were initiated by his Ministry, was the following: “We are aware that flexibilization can lead to a worsening of labor standards. We don’t want that to happen, but we need to introduce new labor contracts to make the system more flexible. And, as you know, with globalization, if the system is too rigid, it is not able to adjust to change, affecting international competitiveness.” A New York investment banker who deals with Brazil put it more bluntly when I asked him to respond to the research participants’ complaints that their lives were deteriorating because of the rise in unemployment after the implementation of the *Real Plan*, the stabilization plan that was put into effect at the end of 1993. He answered, “The party is over.”

As these comments illustrate, workers, union activists, industrial managers, government officials and investment bankers have divergent perceptions and positions on the unemployment crisis and economic globalization, but these positions all help illustrate the seeming paradox that São Paulo is a rising globalizing city with a complex financial and service sector and a highly technological

²All translations from the Portuguese are mine.

³The interview was conducted in English and the quotes from the top official in the Ministry of Labor are therefore original quotes rather than translated ones. Given that English is not his first language there were a few misuses of words and grammatical errors. I have only made corrections when the meaning was severely compromised.

manufacturing sector, but at the same time was also characterized by a growing sector of microenterprises, degradation of work with fewer benefits, decreasing salaries, little legal protection, and widening income disparities. These perceptions depend on various and sometimes contradictory factors including the position of the actors vis-à-vis other actors at the local, national, and global scales. Yet, actors may simultaneously have interests that correspond to more than one spatial scale.⁴ Hearing the voices of a variety of social actors placed at different spaces and scales is crucial since the manner in which each social actor perceives the process of economic globalization and his/her relationship to it shapes what action they will take and therefore the impact economic globalization will have on them and those that are less and more powerful. Their particular vantage point is therefore important especially since people act upon their perceptions of “reality.” Although this book focuses more on the voices and perceptions of low-income women workers as they are often not heard, the other perceptions and voices of those we just heard above – union activists, factory managers, ministers of labor, and investment bankers based in New York – will also be found in this book because their actions greatly impact how economic globalization actually plays out in a city like São Paulo, shaping the living and working conditions of low-income women in the favelas and neighborhoods in the periphery.

1.1 The Voice, Work, and Life of Maria in Favela Sul

The first voice we heard was that of Maria who owned a grocery store right around the corner from the screw factory in Favela Sul, from which we heard another voice, that of the factory manager. Maria’s position in the favela permitted her to gain a good sense of many of the ramifications of the economic crisis, since many women living in the favela came to buy at her store and told her about their lives, including stories of losing or being exploited at their jobs, and dealing with their sometimes violent, drunk and/or depressed unemployed husbands. Although Maria was not directly impacted by the crisis in that both she and her husband had not lost a factory job, her example clearly shows the different kinds of impacts of economic globalization. In between sales at the store in 1996, 1998 and 2000, Maria spoke to me as she worked nonstop during the day and well into the evening.

Favela Sul, where Maria lived and worked, is located in the southeastern part of the Municipality of São Paulo. Already in existence in 1960, Favela Sul is the oldest and smallest of the three communities I studied. By 1994 it housed at least 325 families, and by 2003, some 600 families lived there in both houses and apartments. The low-income apartment buildings – called Cingapura because they

⁴For example, as will be discussed further in this chapter and in Chap. 3, an industrial manager lives and works at multiple scales, the local in terms of hiring women in the favelas and national in terms of dealing with industrial policies, and has to deal with global financial institutions and the global economic market.

were purported to be modeled after housing developments in Singapore – were constructed by the municipal government in 1997, partially to hide the favela from international visitors attending the car races on the surrounding tracks. However, these apartments were insufficient to house most of the favela’s inhabitants, who continue to live in huts behind the buildings. The car racetrack makes the noise level unbearable at times. Community organization and action are part of Favela Sul’s history, with one strong leader, whom I call “Sister Isabela,” and a number of active community members determined to bring about change. Sister Isabela has lived in the favela for over 30 years, organizing the community, pushing the government to pay for projects, and working to improve the community’s infrastructure and social situation. The community association employs many of the inhabitants. It has hired women in its day-care and youth centers and men as stonemasons, painters, and drivers for the association. However, the association had failed during the unemployment crisis in its attempts to partner with international companies to create jobs especially for their youth. And the bag factory it had established to provide its inhabitants with employment ultimately succumbed to the onslaught of competition from the cheap Asian imports entering Brazil.

Although the community has improved in terms of housing and infrastructure, because of the high unemployment, the economic situation of many of its members worsened in the 1990s. Many of the industries that employed favela residents, including a bicycle factory, a diaper factory, metallurgy plants and a fruit and vegetable cleaning plant, as well as Caterpillar and Avon plants, either closed, moved from the area, or cut back the numbers of employees. In contrast, smaller, unregistered, and often evanescent factories, such as small clandestine print shops producing everything from calendars, small books, and clothing tags sprang up near the community and hired homeworkers from Favela Sul.

Drills and More is located right outside the cement walls that surround the lower end of Favela Sul. It produces primarily drill bits and machine tools, like those for making screw threads. Since its inception in 1954, the company has had a complicated history. It started out as a Brazilian company, then joined a Swedish company in order to “modernize,” and eventually became part of a larger Swedish holding company, only to merge with an English company. It was ultimately bought by another Swedish holding company. By 1993, it had become the first firm producing cutting tools in the Americas to receive the ISO 90001 certificate, an international document certifying that a business has applied quality standards to their operations.⁵ Its clients include approximately 1,500 national distributors, 300 national industries and 300 international distributors and industries. The firm also sells specialized

⁵The ISO 9001 is a quality standard developed by the International Organization for Standardization who does not directly do the audits, but provides the guidelines. The auditors from third-party certification bodies perform the audits examining how businesses have applied quality standards to their operation. The system is designed to help organizations ensure that they meet the needs of customers and other stakeholders while meeting statutory and regulatory requirements related to the product. For example, the business is evaluated on its formal statement from management on its quality policy and how the business dealt with past problems and will deal with potential future problems and whether it keeps records of these decisions and monitors their effectiveness.

nonstandard tools for car assembly plants such as Fiat and Volkswagen. It exports to many affiliates in other countries, and it imports and sells products for other plants within the same holding company. But recently, Drills and More has struggled to compete with Chinese imports. Drills and More is linked to the global market in many ways, and these global links have made the firm increasingly vulnerable to global economic fluctuations that were not as prevalent during the years when the Brazilian economy was more closed. Although the firm is part of a global company, they have had to continue producing tools and parts for less mechanized factories and have published their own marketing material, along with that of the entire holding company, in order to fit better into the cultural environment of Brazil.

Some companies have learned the hard way that conforming to all the standards, marketing strategies, products, and employment patterns of their global parent company rarely works. Even though Drills and More had made adjustments to the global model in order to better market in Brazil, the opening of the Brazilian markets in order to join the global economy in the 1990s forced Drills and More to lay off many employees. According to its managers, this was due to increasing global competition. But Maria, witnessing the layoffs from her neighboring grocery store, believes the company was merely trying to save money and increase profits. "Every year they lay off people in order to employ others and pay lower salaries," she told me.

Maria opened her grocery store around the corner from Drills and More in 1996, right before I arrived at the favela for the first time. She was primarily selling chickens and a few other grocery items then, but by 1998 she was stocking over 150 items, including cleaning supplies, fruits and vegetables, as well as the chickens, which were delivered three times a week by a wholesale vendor from a farm to the south of São Paulo. She ran the store with the help of her husband, "Eduardo," and her children, although since 1998 there was always one other paid worker, with an extra worker during the first 3 months after Maria's daughter was born. Eduardo had been working primarily for the day-care center as a driver, but by 1998 he was working almost exclusively for their store, thus fulfilling his dream of freeing himself of all ties to employers and of having his own business. Maria and Eduardo's situation was, therefore, different from that of most microentrepreneurs in the favela who had lost their jobs in factories and had no choice but to open up a small business in order to survive. Originally, Eduardo purchased and transported food for the day-care center as well as for the grocery store using the day-care center's truck. However, by 1998, Maria and Eduardo had bought their own truck to transport the produce and other goods for the store. He still purchased food for the day-care center, but did not get paid for this service. However, Sister Isabela bought all the chickens for the day-care and youth centers from the store, and therefore indirectly was paying him for his help. The paid worker did most of the more onerous work of preparing the chickens for sale and cleaning the store.

By 1998, Maria had an 11-month-old daughter and two sons, ages 8 and 13. (She did not plan on having anymore, explaining that three children were a lot; she had her tubes tied.) Both the older son and, to a lesser extent, the younger, were working in the store. When I first interviewed Maria in 1996, the eldest was sick

with a kidney ailment, forcing the family to incur major expenditures for medicines, but by 1998 he appeared to have fully recovered and was now one of the main employees in the morning. Maria told me that they paid him a salary as an incentive for him to be serious. He was allowed to do what he wanted with the money. Their 8-year-old son helped a little by stocking the shelves. Maria argued, “It would be great if all the adolescents had a chance to work so that they would not get into drugs and be on the streets.” Their older son had time to go play ball occasionally. However, he was often tired when he came home from school after having had to work in the morning and therefore, as Maria proudly proclaimed, stayed out of trouble.

The unemployment crisis from 1996 to 2003 made running a business difficult in the favelas. Many customers, more than 100, only paid Maria every 15 days or every month. Sometimes she had to be persistent in order to get paid, often having to go to the customers’ parents after having little success in getting the money directly from her customers.⁶ However, there were always some who were able to avoid her and became indebted to her. One customer had just sneaked away from her apartment one night, but Maria tracked her down. Another customer, a maid, had to take day jobs instead of longer-term positions, because the middle-class families that would hire her had also been affected by the unemployment crisis and had cut back on expenses. One day, when this woman arrived at her job, after a long and expensive commute, she was told to return another day because the housewife did not have the money to pay her. Maria said to me in disgust, “. . . that day is lost . . . I have many customers who buy baby diapers and vegetables in the morning and tell me they will pay me for it later, but they arrive [at their jobs] and they [are told by the employers that they] don’t have the money and [the employers] let them go. I think that is really egotistical . . . That is really unjust . . . I think it is better to work per month and earn less.” With this in mind, Maria paid a woman to clean, iron and take care of her daughter the equivalent of US\$250 a month, explaining that if paid by the month instead of by the day, the woman would have a steady income.

Maria had a wealth of information about how the unemployment crisis was affecting families in the neighborhood, as many were her customers. She also heard from the vendors who sold clothes and other items door-to-door. One of these vendors came from the interior of the State of São Paulo, where she had moved after she lost a good factory job. She had been building herself a small house there, and now was making a living selling clothes she bought wholesale in the center of São Paulo, as well as working as a maid. Maria shook her head as she said, “Many women are doing many things in order to survive, right? My God. How one has to put one’s nose to the grindstone!”

Maria and her family also had to work hard, for long hours. The store was open every day from 7 a.m. until 8:30 p.m., except on Sundays, when they attempted to close at 2 p.m. in order to sit down for a Sunday dinner as a family. However, Maria

⁶Unlike in the United States where going to the parents when grown children do not pay their bills would not be seen as acceptable, in a small low-income Brazilian neighborhood, this practice is considered acceptable especially since Maria’s both commercial and personal network includes the families of her customers.

lamented that this was rarely possible. The only days the store was not open were Christmas, New Year's Day, and Easter, which were often also the only days that Maria's family could have dinner together. On Saturdays, the chickens were delivered at 5 a.m., forcing Eduardo to rise early to receive them.

Maria was doing quite well economically compared to many other microentrepreneurs in the favela, but monthly profits from her store were unstable. She complained that some weeks the profits were equivalent to US\$200 to US\$300, but other weeks brought no extra money into their household, because they had had to buy a lot of merchandise. Her yearly profits were difficult to assess. As was the case with many small businesses, the household expenses and the store expenses were not completely separated. For example, when she had to take care of her newborn baby, they had to pay an additional person to work in the store. However, when Maria began to work again in the store after the baby was a few months old, they had to pay for someone to take care of the child. In addition, the household's food and cleaning supplies came from the store. Clearly Maria did not separate these costs out. She told me that when she had to pay so many employees – three, when she had had the baby – they did not make any profit. Operating a store in a squatter settlement brought additional hardships. The fact that the city had not given the land title to Maria and Eduardo – or, for that matter, to any of the other favela residents – made it very difficult to obtain credit. They needed the equivalent of an additional US\$3,000 to buy a van, even after piecing together the money they had saved during the 8 years they worked at the day-care center. In strategizing how they would be able to obtain credit, they decided to buy a phone line in order to be able to show that the house was theirs. The more traditional route – using the electricity and water bills as proof of ownership – did not work because, even after many attempts, they had been unable to pay them. When they attempted to pay for electricity, they were told that they didn't owe anything, even though they had never made a payment. The expensive phone line finally convinced the bank of their creditworthiness.

The lack of documents for their land and house inhibited many inhabitants in the community from making physical improvements to their houses and stores. As Maria explained, many of the inhabitants consoled each other by reassuring their neighbors that bulldozers would not come in and wipe out the whole favela and destroy their homes, persuading some people to construct bigger houses even though they did not have titles. But Maria was unwilling to assume such risks. She said sadly that although they had running water in their house, they still did not even dare to tile the walls because the house could still be expropriated and demolished.

By January 2000, although the business was still going fairly well, Maria and her family had decided to move near the Iguaçu Falls, in southern Brazil, to start a farm. Eduardo was planning to work in a cooperative raising a special breed of pigs for market. Their decision was unusual. A few of the families living in Favela Sul had returned to the countryside or to smaller Brazilian cities, but the majority remained struggling to outlive the severe economic crisis between 1996 and 2003 in Brazil.

The example of Maria illuminates many aspects of local/global linkages and the impact of economic globalization depicted in this book. The situation with her store and the stories of the economic lives of her customers illuminate the effects of

increased economic instability due to a number of local, national and international economic and political factors including local and international competition and to the lack of payment by her customers. The community association struggled to employ and educate their youth and to provide women with work in a community-built factory but it failed due to international competition. And the strong international links, the closing of, and the increased economic vulnerability of nearby factories clearly illustrate some of the reasons for increased unemployment and precarious labor conditions. Maria's story shows how different kinds of workers, even those not directly affected by factory layoffs or outsourcing, were affected by the crisis. The effect of the crisis on these workers, including their loss of earning power and economic uncertainty, directly impinged on Maria's sales and affected her own economic strategies. Although one might argue that Maria was facing the age-old problems of *favelados*, favela inhabitants, living and running a store in a favela, such as lack of access to credit and customers that do not pay, in reality these problems took on a higher degree of severity as unemployment, outsourcing, and international and local market competition escalated.

Maria's specific life history as well as the stories of other women living in São Paulo found in subsequent chapters of this book, the specific examples of factories, and the details of the communities researched allow us to understand this period of economic transformation in São Paulo, a globalizing city with deteriorating labor conditions, and to understand economic globalization since these stories impact global economic processes, as well as being impacted by them. Some social theorists and economists may argue that these details of social phenomena are trivial, yet as Dennis H. Wrong (2005:97), a critical sociologist, aptly argues, "it is the 'details' in all their particularity and apparent contingency that puzzle us and call for explanation as to how they came to constitute sufficient conditions for the occurrence of significant [transformations]." ⁷ These details are crucial for "resolving the existential quandaries of everyday life or the critical collective choices presented by specific historical situations" (Wrong 2005:30). This book paints the picture of a world of complexity and plurality, rather than assuming a world of simplicity and uniformity.

1.2 Globalization, Neoliberalism, and the Unemployment Crisis of 1996–2003

Maria and her customers were trying to survive the unemployment crisis between 1996 and 2003 – the focus of this book, a crisis created, in part, by the uncompromising adoption of the neoliberal economic model and the associated opening of the Brazilian markets in 1993. In the late 1990s and the early 2000s, the Metropolitan

⁷I wish to thank my colleague and friend, Rachel Harvey, for bringing to my attention Wrong's book and discussing with me how she was developing her own argument about the importance of particularities in her case studies concerning economic globalization.

Region of São Paulo's (MRSP)⁸ economy was undergoing a type of restructuring that many global cities in advanced industrial countries had experienced in the past and that many globalizing cities, those cities that may not be at the top of the global hierarchy but are greatly affected by and involved in the process of globalization, are currently experiencing. This type of neoliberal economic restructuring led to a pattern that includes the decline of the industrial sector and growth of the service sector; large-scale unemployment, at least in the early stages of transformation; and the weakening of organized labor, with the casualization of labor relations including the increase in temporary work contracts. Neoliberal economic restructuring began with the then Economic Minister Fernando Henrique Cardoso's *Real Plan* and, surprisingly, continued into the first term of the Worker's Party President Lula.⁹

The neoliberal model called for outward-oriented policies, encouraging full integration into the global market by liberalizing trade, crucial for economic globalization. International financial institutions and governments such as the US government encouraged the adoption of the neoliberal economic model, using the argument that many countries using the industrial policy of import substitution from the 1950s to the 1980s failed to develop strong domestic economies. That strategy was predicated on the theory that restricting imports and promoting consumption of local goods to protect national industries would enable them to become stronger and better able to compete. In contrast, the new theory, often called the Washington Consensus, was based on the premise that integration into global markets could only occur by reducing and eliminating tariffs and quotas, removing barriers to foreign investment, severely reducing fiscal deficits, privatizing nationalized corporations, decontrolling prices, forfeiting subsidies, and decontrolling exchange rates and interest rates (Lewellen 2002:16–18). As Serra et al. (2008:6) strongly argue,

⁸I will use either the acronym MRSP or just São Paulo to refer to the Metropolitan Region of São Paulo in this book. The 39 municipalities of the Metropolitan Region of São Paulo (MRSP) include the municipalities in the industrial ABCD region: Santo André, São Bernardo do Campo, São Caetano de Sul, Mauá, Ribeirão Pires, Rio Grande da Serra, and Diadema. The Municipality of São Paulo is the largest municipality in the MRSP. When I am referring only to the Municipality of São Paulo, I will indicate this by using the full name. I conducted research in both the Municipality of São Paulo and in Diadema.

⁹Several factors forced President Lula da Silva to continue with neo-liberalism including the lack of market confidence after the elections leading to the downgrading of Brazilian bonds and foreign-debt certificates abroad, encouraging the recall of short-term loans and commercial credit lines by foreign bank, and the alarming devaluation of the *real* because of the Central Bank's loss of control over the open market. Before the election, on June 22, 2002, Lula issued a 'Letter to the Brazilian people' stating his government would respect contracts including the servicing of domestic and foreign debt and the IMF neoliberal economic program. The neoliberal coalition demanded and received institutional guarantees of the continuity of neoliberalism, including an independent Central Bank and a new IMF agreement. Already after the defeat of Lula in the 1989 elections, the Worker's Party decided to shift its policies to become more of a mainstream political party (Morais and Saad-Filho 2005:9–10). Although many Brazilians expected change after Lula's election, he did not have the mandate for radical change. However, already in President Lula's second term, he combined neoliberal policies with neo-developmental policies, particularly adding in the state as an important player.

“the Washington Consensus was a consensus for liberalization and globalization rather than a consensus for equitable growth and sustainable development.”

Before addressing the specifics of São Paulo’s neoliberal economic trajectory and examining the link between neoliberalism, globalization, and the unemployment crisis at greater length, it will be useful to begin to detail how I use the concept of economic globalization. The term “globalization” remains hazy in much of the literature in the social sciences and humanities. In part this is because of the attempt to treat “globalization” as a single unified phenomenon, rather than as “a syndrome of processes and activities” (Mittelman 2000:4). I will simply use the term “economic globalization” to refer to the intensification of international exchange and the multiplication and intensification of links among national economies, resulting in accelerated flows of goods, services, and capital, as well as changes in power structures. However, globalization is not only a structural process but also a political ideology, one that glorifies the efficiency of markets (McMichael 2003). Globalization is a process and a project with human agents or actors at all scales; it is often directed by transnational corporations, international development and financial institutions such as the World Bank, the World Trade Organization (WTO), and the International Monetary Fund (IMF), as well as investment bankers and investors, powerful country governments such as the US government, and national elites in governments and business in developing countries. The globalization process includes a spatial reorganization of production with parts of one product made in several places; decisions about marketing and logos made in corporate headquarters in different countries from where the product is actually produced; and rural to urban, South to South, and South to North migration to places of production. The complex webs of producers, buyers and sellers require mediating transnational actors who live and work in globalizing cities such as São Paulo.¹⁰ At the same time, economic globalization is a process that is resisted by a number of actors, including workers. Four main related historical factors lead Brazil to adopt neoliberal policies: Brazil’s severe debt crisis resulting in a further need to access external finance and the perception that the previous inward economic orientation under the import-substitution industrialization model had partially led to this crisis; increasing global capital flows and Brazil’s economic technocrats’ arguments that the adoption of neoliberal policies was needed to increase Brazil’s trade and inward investment; the failure of previous heterodox stabilization plans from 1986 to 1992 to stop high inflation; and the desire by certain elites to hand over certain industries to foreign capital.¹¹

¹⁰As Mittelman (2000) argues, part of the globalization syndrome and process is the global division of labor and power (GDLP), the new regionalism, and resistance politics. According to Mittelman (2000:4), GDLP is the “anatomy of the global political economy [with its] parts [that] are a spatial reorganization of production among world regions, large-scale flows of migration among and within them, complex webs of networks that connect production processes and buyers and sellers, and the emergence of transnational cultural structures that mediate among these processes.”

¹¹There were other reasons for the adoption of neoliberal economics in Brazil that were different than in other developed countries such as Great Britain and the United States. As Deák and Schiffer (2007:100) aptly contend, Brazil never entered into the intensive stage of development with a strong welfare state and social democracy. In these aforementioned countries, the neoliberal model

Brazil's severe debt crisis forced Brazil to adopt a severe International Monetary Fund program in 1983 leading to the adoption of more neoliberal economic policies. The foreign debt rose from US\$6.4 billion in 1963 to nearly US\$54 billion in 1980 reaching US\$118 billion by 1992 (46 % was held by parastatal companies) (Galano III 1994:326). Brazil's foreign debt was particularly high for both internal and external reasons including the use of an economic development model espoused by the military government with the aim of relying less on exportation of primary goods and pursuing economic growth by facilitating production of manufactured goods for domestic and foreign markets; the external oil shocks of 1972 and 1979 with Brazil's oil bill doubling, necessitating even more borrowing; and the 1981 rise in international interest rates leading to the dramatic increase in Brazil's balance of payments problem.¹² The Brazilian military government encouraged the growth of public companies leading to a growth in numbers of public companies from 180 in 1964, when the military first took control, to 646 public companies in 1985 when they left (Galano III 1994:327). It had also changed banking laws so that Brazilian state and private firms could borrow directly but with state guarantees. These state companies then largely relied on foreign commercial bank loans to finance industrial modernization and needed infrastructure.¹³ With the 1982 Mexican loan default and the resulting international commercial bank freeze in lending, Brazil had to turn to the International Monetary Fund which instituted a rigid austerity program with conditionality requirements which were deemed necessary for Brazil to get its economic house in order, partially to show the commercial banking community that it would make good on its foreign-debt obligations.¹⁴ The IMF and Brazil agreed to several credit tranche purchases, portions of the overall loan,¹⁵ between 1983 and 1985 only when Brazil agreed to the following austerity measures based on neoliberal economic principles: continued devaluation of their currency; massive cuts in domestic spending; freezing of all wages; reducing most of government subsidized credit; and curbing state industries' foreign borrowing. The austerity program did enable Brazil to meet its interest payments on the debt, but at the high cost of

had been a reaction against the welfare state, but although Brazil followed the same path of privatization and concentration of capital and income as other countries that had already adopted the neoliberal economic model, Brazil's adoption of the neoliberal economic model also became "a new cover for old *entreguismo*- the handing over of key branches [of industry] to foreign capital" with globalization used to justify and present as unavoidable the opening of the internal market to outside competition (Deák and Schiffer 2007:100).

¹²With OPEC pouring hundreds of billions of dollars in new oil revenue into safe European and US banks, these banks then lent to Brazil at initially cheap interest rates encouraging them to borrow even further. These commercial loans had no conditionality attached (Galano III 1994:328).

¹³Foreign direct investment was seen as leading to too much foreign control leading to greater borrowing of capital by firms (Galano III 1994:326).

¹⁴The IMF approval therefore also became the prerequisite for a country to be eligible for more loans from commercial banks of developed countries (Galano III 1994:339).

¹⁵At the start of an IMF loan, the borrowing nation must demonstrate that reasonable efforts have been taken to overcome its economic problems. If this requirement is met, the country will receive the first credit tranche of the loan, usually 25 % of its total value. The later series of credit tranches will have various conditions, each of which the borrower must satisfy before receiving the next portion of funding.

economic decline and increasing inflation.¹⁶ The 1980s became known as the “lost decade,” with its problems spilling over into the 1990s (Hudson 1997 and Galano III 1994:329 and 338–340).

With the debt crisis, the neoliberal economic ideas of economic technocrats began to be heard by the Brazilian government. Technocrats, technical economic experts involved with government policies either working within the government or as consultants, contended that opportunities for private investment were thwarted by the import-substitution model (1950s to 1980s). These technocrats often came from attending economics and business schools of US universities. This economic crisis encouraged the Brazilian government to pay more attention to economic technocrats who strongly suggested a major change in economic policies from the heterodox stabilization plans of the 1980s.

During the 1980s, alongside the debt crisis, Brazil suffered from a period of high inflation with several heterodox plans to try to curtail inflation.¹⁷ The inflation rate had reached 40 % per month by the end of the 1980s (E. Cardoso 1991:1). To address the high inflation in the beginning of 1986, Brazil undertook an initial stabilization plan, the *Cruzado Plan*, which still made compromises to gain support from labor and still worked within the import substitution model. The Cruzado Plan attempted to end inflation through a general price freeze, a wage readjustment and freeze, readjustment and freeze on rents and mortgage payments, a ban on indexation, and a freeze on the exchange rate. Although the immediate results of the Plan were positive, by the end of 1986, inflation accelerated again, and there was a return to indexation. The Bresser Plan (1987) and the Summer Plan (1989) followed, both also trying to deal with inflation, but none of them tackled the public sector disequilibrium and they both failed to stop the increasing inflation (Hudson 1997).

Although the process of trade liberalization, an integral component of neoliberal economic policies, started in 1988, it only became more intense after 1990. Before 1990, the Brazilian government cut excessive and unnecessary levels of tariffs that were higher than the difference between the world price and the domestic price. After 1990, special regimes for imports, except for the Manaus Duty Free Zone and the computer industry, were eliminated. After January 1995, tariffs were eliminated for intermediate goods and decreased to 2 % for consumption goods anticipating the MERCOSUL Common Tariff.¹⁸ However, there was also a reintroduction of some nontariff barriers after 1995, such as previous authorization needed for some imports and increased bureaucratic red tape (Soares 2005:11–12).

Partially as a reaction to the failed heterodox stabilization plans, in 1993, the neoliberal economic model was formally instituted in Brazil with the *Real Plan*

¹⁶There was a four percent decline in GDP, a 211 percent rise in inflation, and a 12 percent decline in employment already by the end of 1983 (Galano III 1994:340).

¹⁷Inflation accelerated as a result of a variety of factors including the exchange-rate devaluations of the IMF austerity program, an escalating public deficit, and an increasing indexation of financial balances, wages, and other values for inflation (Hudson 1997).

¹⁸The Southern Common Market, MERCOSUL, is a regional trade bloc comprised of Brazil, Argentina, Paraguay, and Uruguay, as well as, more recently, Venezuela and Bolivia.

(*Plano Real*) – a drastic stabilization plan put into effect by President Itamar Franco and his Finance Minister Fernando Henrique Cardoso following textbook neoliberal recipes and furthering the trade liberalization policies. It was only after the *Real* Plan that Brazil felt the full impact of neo-liberal economics. It entailed deep cuts in federal spending and privatization of government owned industries, increased taxes by 5 %, and further opened the Brazilian market to outside competition. These measures were followed by the introduction, in March 1994, of a new noncirculating monetary unit, the URV (real value unit), tied to the US dollar. In July 1994, the former currency, the *cruzeiro real*, was converted into the *real*. The *Real* Plan eschewed all compromises – an increase in the minimum wage, for example.¹⁹ The legitimacy of the neoliberal economic model was supported by the achievement of the *Real* Plan for macroeconomic stability and the curtailing of inflation. The International Monetary Fund, however, had not approved the *Real* Plan because it did not think it would lead to stability because of the insufficiencies of the fiscal adjustments and therefore had not supported it with a lending program (Barnes et al. 2003:119).²⁰ However, in November 1998 Brazil received a US\$41.5 billion 3-year rescue package from the IMF and in return would have to carry out a combination of spending and tax cuts equal to US\$84 billion in the 3 years. The deal included privatization of some state public utilities companies (electrical, gas, and water) and some state banks. The federal government’s Letter of Intent argued that it “would minimize budget on social expenditure programs that benefit the poor, while striving to improve their targeting and cost effectiveness” (Rohter 1998 and Government of Brazil 1998). In March 1999 the IMF revised the loan agreement with more stringent conditions when Brazil ended controls that kept the value of the currency artificially high against the dollar the demands for the level of the budget surplus. Many jobs were lost as a result of these agreements especially in the public sector, but also in the banking system.

The period from 1996 to 2003, directly following the implementation of the *Real* Plan and the adoption of the neoliberal economic model, saw an acceleration of flows of capital in and out of Brazil, especially São Paulo, at a rate never seen. The 1990s showed extraordinary growth in the percentage share of foreign capital in Brazilian industry (36 % in 1991 to 54 % in 1999), with an even higher percentage increase particularly in the machinery and high-tech industries (60–87 %) (Deák and Schiffer 2007:101).

An integral component of the neoliberal economic model, and as mentioned the 1998 IMF package, was the privatization of Brazilian government-owned

¹⁹For more details on both the *Cruzado* and the *Real* Plans, see, for example, Chaffee, Wilber Albert (1998) *Desenvolvimento: Politics and Economy in Brazil*; Mercadante, Aloizo. (1997) “Plano Real e neoliberalismo tardio” in *O Brasil pos-Real: A Política Económica em debate*. Eds. Aloizo Mercadante et al.; Werner Baer (2008) *The Brazilian Economy: Growth and Development*. 8th edition; and Bresser-Pereira 1990.

²⁰Brazil was seeking another IMF program in the context of a debt restructuring deal with international banks. The IMF entered into what turned into an informal monitoring agreement with staff visits to Brazil, seen by some as just face-saving measures (Barnes et al. 2003:119).

industries, or in other words the transfer of government-owned firms to private ones with the private investment in and purchasing of public companies by private investors. This resulted in a huge increase in the inflow of foreign direct investment (FDI) from US\$1.294 billion in 1993 to US\$32.779 billion in 2000, with the sharpest yearly increase, a jump of 53.2 % (US\$18.745 billion to US\$28,718 billion), occurring between 1997 and 1998 (Ministry of Foreign Affairs, Denmark 2008). For several reasons, this inflow did not translate into an increase in employment nor in an improvement of the quality of life of workers, particularly not in São Paulo. These reasons included that:

- Investments went into rationalizing production and into the creation of a modern communication network.
- Existing firms, both state and private, taken over by multi-nationals, often also relocated, since local ties were no longer meaningful and so decisions were based on profitability alone.
- Investment flowed into areas of cheap labor farther inland such as the interior of the State of São Paulo and the northeastern region of Brazil.
- Funds received by the state from privatization went into modernizing São Paulo's core in order to attract multinational headquarters rather than into a more general investment in infrastructure that would have benefitted the entire population or targeted poor neighborhoods with pressing needs.

The increase in foreign direct investment was largely because of the privatization process, but also included buying of Brazilian firms such as the Brazilian chocolate factory I studied and greater foreign investment in multinational metallurgy and electronic firms already located in the Metropolitan Region of São Paulo, two of which were studied, all discussed in Chap. 3. Forty percent of the FDI was tied to the privatization process and the remainder was primarily connected with bank takeovers and expansion and modernization of production facilities instigated by investment liberalization and the development of MERCOSUL, the Southern Common Market (Amann and Baer 2002:949).²¹ Thus, far from contributing to employment, the inflows of large amounts of capital led to massive unemployment.

At the same time, FDI outflows also contributed to the impoverishment of people in the favelas of São Paulo. These outflows from Brazil (investment by firms headquartered in Brazil flowing to other countries) increased substantially from 1997 to 2002 with approximately US\$1.7 billion in 1997 and US\$2.482 billion in 2002 (Banco Central do Brasil in UNCTAD, *World Investment Report*, 1999,

²¹Although FDI decreased to US\$16.566 billion in 2002 as economic instability grew, FDI substantially increased following the unemployment crisis ending in 2003 reaching US\$18.782 billion by 2006 and an estimated US\$34.6 billion by 2007, when Brazil was the fifth largest recipient of foreign direct investment in the world (Ministry of Foreign Affairs, Denmark 2008). By 2010, foreign direct investment had reached US\$49 billion, its highest level since FDI was recorded. In 2011, FDI was US\$67 billion (Leonel and Coppola 2012). By the end of July 2012, FDI to Brazil had already reached US\$38.1 billion with reports showing that the second half brought in substantial FDI as well (Malinowski and Colitt 2012).

2003 and 2007).²² Another type of monetary outflow was the foreign debt servicing and the deficit on services (e.g. US\$75 billion in 2001 and again in 2002, or 11–12 % of the Brazilian GDP) (Deák and Schiffer 2007:101). Both types of outflows contributed to the growth in unemployment, the first, because of the resulting decrease in available capital for investment in local firms and the second because it limited funds for public development.

Much of these inward and outward flows traveled through the Metropolitan Region of São Paulo. In the 1990s and the beginning of the 2000s São Paulo not only continued to be a major economic center for Brazil, but half of the top 20 multinational corporations had established regional headquarters in São Paulo and the majority of the Brazilian-based multinational firms had also established their main headquarters there. Yet, it is not only the businessmen and women working in these headquarters that are a part of economic globalization, but it is also the workers living in the favelas of São Paulo as some, for example, clean the headquarters of the multinational buildings and the houses of the CEOs and others provide cheaper goods and services to these janitors and maids and underpaid and exploited industrial workers. The industrial workers compete with cheaper industrial workers in other countries where these firms invest, and some of the same factory workers scramble and accept even lower salaries in order to get the scarce jobs that more highly mechanized multinational industries sometimes bring, or to get the outsourced, nonunionized, badly remunerated employment that multinational corporations also provide.

In order to attract foreign investment and keep globally connected businesses and elites the municipal government of São Paulo felt it needed to fund infrastructure including bridges, wider roads, and fiber optic cables for the business areas and the elite residential neighborhoods. However, these expenditures came at a time when expenditures were still desperately needed for basic services in the poorer neighborhoods and at a time when municipal funds in São Paulo had been diminishing since they largely came from the state and were based on the state value-added tax (dependent in part on industrial production). In 1992 Brazil signed an International Monetary Fund Letter of Agreement stating that any government spending would be considered deficit spending further curtailing spending on basic needs and important growth related infrastructure (Deák and Schiffer 2007:103). In addition to additional expenditures related to globalize São Paulo, this decline in funds occurred at a time of decentralization when municipal governments were expected to take on

²²In 1998 outward FDI had climbed up to as high as US\$2.7 billion but decreased to US\$2.282 billion in 2000 (Banco Central do Brasil in UNCTAD, *World Investment Report*, 1999, 2003, and 2007: www.unctad.org/wir). By 2006 Brazil had already become the third largest outward investor in terms of outward FDI stock among the developing countries after Hong Kong and Singapore. The top twenty Brazilian-based multinational corporations make up over half of the outward FDI. Only four out of the 18 top multinationals had already established foreign affiliates between 1990 and 1996, but five additional ones had established such affiliates in the decade between 1997 and 2007. Although the level of investment is concentrated in a relatively small number of Brazilian firms, more small and medium Brazilian enterprises are becoming multinationals (Columbia Program on International Investment (CPII) and Fundação Dom Cabral 2007). Much of the outward flows are going to tax havens to avoid regulations and taxes (Abreu Campanario et al. 2012:1).

more of the financial responsibility for services, part of the neoliberal economic model, and when there was growing poverty due to increased unemployment and underemployment and therefore need for more social expenditures (Rodrigues-Pose et al. 2001). The increase in interest rates after the *Real Plan* was also a heavy burden for many municipalities.²³ Although the level and quality of investment in infrastructure had been low in Brazil and specifically in São Paulo, during the 1990s there was a sharp decrease in investment. For example, the construction of the metro system was halted after two decades of very slow progress of on average only 2 km yearly. By 1990 it was only composed of two and half lines even though the population of the São Paulo agglomeration had already reached 16 million. The richer inhabitants had their cars and the very wealthy had their helicopters, but the poorer inhabitants continued to have to take buses often stuck in the increasing number of traffic jams during the 1990s.

São Paulo's labor greatly suffered from neoliberal economic restructuring and the adoption of an outward-oriented economic policy leading to high levels of unemployment in key industrial sectors. São Paulo's neoliberal labor market was radically restructured in order to lower wage costs, achieve a more flexible labor market in terms of hiring and firing workers, and lower employers' nonwage costs such as benefits and taxes through short-term contracts, outsourcing, and employing unregistered workers. Exacerbated by the growth of the economically active population, especially of women,²⁴ the unemployment rate soared during the time period of this study, 1996–2003, growing from 13.2 % in 1995 to 19.9 % in 2003.²⁵

²³ Lenders required high interest rates in order to protect themselves from a potential depreciation after the introduction of the *Real Plan* (Hudson 1997).

²⁴ By 1999, the rates of economic participation (as employed or unemployed) had increased especially for women for the fifth consecutive year in the MRSP, reaching 52% with the rate for men remaining stable at 73.4%. This increase in women's participation only ended in 2004, with an actual decrease in participation from 55.4 % in 2006 to 55.1 % in 2007 (Seade/Dieese PED, Especial Mulheres, March 2008).

²⁵ I have decided to use the employment and unemployment statistics from the Pesquisa de Emprego e Desemprego (Study of Employment and Unemployment – PED) of Seade/Dieese (State Foundation for Statistical Analysis and Inter-union Department of Statistics and Socio-Economic Studies), because I think they more adequately represent the employment and unemployment situation. Unlike the IBGE (Instituto Brasileiro de Geografia e Estatísticas) statistics, the Seade/Dieese PED surveys 3,000 different households per month in the Metropolitan Region of São Paulo, which consists of 39 municipalities. Each of the unemployment rates for a month actually represents the aggregate of two months before and the actual month. The total rate represents both hidden and open unemployment. Another difference between the IBGE and Seade statistics is the age range. Seade and IBGE count those with 10 years and 15 years of age, respectively.

With the exception of 2000, unemployment in the MRSP increased every year between 1985, when statistics were first gathered, and 2003, but the growth rate increased during the period of this study, 1995–2003. For example, the average annual rate of open and hidden unemployment increased from 18.2 % in 1998 to 19.3 % in 1999 and 19.9 % in 2003 in the Metropolitan Region of São Paulo (MRSP). (See [Appendix](#) for a chart with definitions used in Seade/Dieese statistics.) The rate had gone down to 19 % in 2002 but then increased again in 2003 in part due to a larger increase in the economically active population than the numbers of new jobs generated. The numbers of unemployed increased from 1.585 million in 1998 to 1.944 million people in 2003. The percentage increase from 1998 to 2003 (22.6 %) far exceeded the percentage increase in the economically active population (12.16 %); however, the absolute increase in numbers of economically

The rate of women's unemployment in the MRSP was higher than men's throughout the economic crisis between 1996 and 2003 (17.2 % for women and 13.5 % for men in 1996, 21.1 % for women and 16.1 % for men in 1998, and its highest for both genders – 23.1 % for women and 17.2 % for men in 2003) (Seade/Dieese Study of Employment and Unemployment 1996–2004). This can be partially attributed to a decline in economically active men and an increase in economically active women between 1992 and 2004. Another factor is that women were more likely than men to take temporary and less-stable jobs, or jobs that are more subject to seasonal demand; domestic work, in particular, is inherently more uncertain (Lavinias in Castro and Valle 1998:16–20). As middle-class women also lost their more stable employment and/or were forced to join the workforce due to the instability of their husbands' jobs or their deteriorating salaries, they cut back on domestic help even though they might have needed it even more if they were working more outside the house.²⁶ Domestic workers were more likely to be hired by the day, rather than on a full-time basis with monthly salaries. In addition, the percentage of households headed by women increased from 22.4 % in 1998 to 27.4 % in 2007 (Seade/Dieese 2007. "O Emprego Domestico" *Mulheres e Trabalho*).²⁷

Although industrial employment has remained important in the Metropolitan Region of São Paulo, there was a dramatic decline between 1985 and 2003 in both

active people was far greater (an increase of 1.059 million people versus an increase of 359,000 unemployed). From 1998 to 1999 hidden unemployment in the MRSP, those involved in sporadic or unremunerated work while still searching for more stable work or discouraged workers, increased at a greater rate than did open unemployment, but both rates increased. Open unemployment in general increased from 11.7 % to 12.1 % and hidden unemployment from 6.5 % to 7.2 % from 1998 to 1999. However, from 2002 to 2003, for example, open unemployment increased at a faster rate than hidden unemployment, 7.4 % versus 4.5 %. However, the numbers of discouraged workers increased at almost the same rate as the open unemployed, 6.8 %. In both time periods, 1998 to 1999 and 2002 to 2003, there was an increase in the number of jobs available, but the number of jobs had not kept up with the increase in the economically active population. More workers became self-employed or unregistered salaried workers and thus entered into a growing informal sector (Seade/Dieese PED). The ABCD region, located in the Metropolitan Region of São Paulo and consisting of the municipalities of Santo André, São Bernardo do Campo, São Caetano de Sul, Mauá, Ribeirão Pires, Rio Grande da Serra and Diadema, had an unemployment rate of 19.1 % in 2002, compared to a similar rate of 19 % in the MRSP in 2002. (Seade/Dieese 1998 figures represent statistics from February to December; statistics temporarily stopped being disaggregated for the ABCD region in 2002) (Seade/Dieese PED).

²⁶Middle- and upper-class women in Brazil tend to have domestic help even when they are not working outside of the home.

²⁷The unemployment rate for women has always been considerable higher than for men, although male unemployment has increased proportionally higher than that of women during the economic crisis studied (e.g., an increase of 6.3 percent for men versus 4.1 percent for women between December 1997 and 1998). Even with the decrease of unemployment since 2003, women's unemployment has decreased less than that of men. The percentage of women among the unemployed has increased even after the economic crisis ended in 2003, only decreasing vis-a-vis men in 2009 probably due to the impact of the global economic crisis on certain more male dominated industries. Like in the whole Metropolitan Region of São Paulo, women's unemployment in the industrial ABCD region was significantly higher with 23.3 % versus 15.9 % for men in 2002 and 23.6 % in 1998 versus 17.5 % for men in 1998 (Seade/Dieese 1998 figures represent statistics from February to December) (Seade/Dieese PED).

the overall numbers of employed in the industrial sector and the percentage of the economically active population involved in this sector, showing that it was not just the increase in overall unemployment that made the industrial sector shrink, but of those that were still employed, fewer were in the industrial sector.²⁸ From 1985 to 2003, a period when the population of economically active individuals increased by 39.64% in the MRSP (or by over 3.87 million people), the number of workers employed in the industrial sector decreased by 22.55 % (by 338,916 people) (Seade\ Dieese 1985–2003 Study of Employment and Unemployment).²⁹ Firms increasingly curtailed investment or closed firms in the MRSP allegedly due to increasing external competition from the opening of the market to outside goods after over 40 years of import-substitution industrialization policies, which had protected them from such competition. This decrease is significant, because of the relatively strong metallurgy and other industrial based unions that helped provide good benefits and higher salaries for their workers.

In addition to the drop in industrial employment, the type of workers that were still employed in industry changed. Industries were employing more workers without registering them and thus not providing them with the hard-fought worker's benefits. Stemming from the labor legislation from the Vargas regime, the Consolidation of Labor Laws (*Consolidação das Leis do Trabalho – CLT*), in Brazil, registered workers – those having a signed worker's card – are guaranteed access to unemployment insurance; unemployment benefits according to their time of service; a minimum wage; a 13th-month bonus; an 8-hour workday; annual vacation; 1-month advance notice in case of dismissal; risk reduction in the form of hygiene norms, better security, and healthy work conditions; accident insurance; pension benefits; and recognition of conventions and collective accords. Registered workers also have legal protection against arbitrary dismissal and salary reductions. Some government officials and economists have blamed the Brazilian rigid labor legislation, the Consolidation of Labor Laws, for the need to informalize production.³⁰ Yet, as French (2004:8 and 32) argues, the labor laws were developed to aid capitalist

²⁸ Part of this decline in the industrial sector, however, is due to the increased level of outsourcing of services such as accounting, cleaning, and food services, which is statistically often difficult to calculate completely because those working in the outsourced agencies might be counted in the service sector instead of the industrial sector.

²⁹ The percentage of all workers who were working in the industrial sector had fallen especially dramatically from 1985/1986 to 1997/1998 both in the Municipality of São Paulo (30.7 to 18.4 %) and in the ABCD industrial region (48 to 29.5 %). This represents an overall 40 % decrease in the percentage of those employed in the industrial sector in the Municipality of São Paulo and 38.5 % decrease in the ABCD region. At the end of the years of my study, from 2002 to 2003, the percentage of industrial workers had again dropped from 16.20 % to 15.38 %. However, the actual number of workers involved in industrial employment increased between 2000 and 2006 (except in 2003), but the percentage of all workers employed in the industrial sector even in 2007 still did not come close to the percentages in 1995 or 1996 (21.44 % and 19.18 % respectively) and was far below those in 1988.

³⁰ See French (2004) for an informative discussion of the history of the debates about the possible reasons the state developed this strong labor legislation, the level of state control and manipulation of workers with this legislation, and the success of state action in shaping working-class life and politics.

development by resolving social problems, did not threaten private enterprise or employer authority, and were both imaginary and real for both the government officials who drafted them and the workers who tried and been at times successful in using the laws to gain real rights.

Following a similar trend as other sectors, the percentage of industrial workers in the Metropolitan Region of São Paulo who were unregistered salaried workers and self-employed workers working either for themselves or for firms increased substantially, from 19.64 % in 1995 to 29.54 % in 2003.³¹ As was the case in other sectors, much of this increase in informal employment in the industrial sector was due to an increase in the number of unregistered salaried workers for firms of six or more employees (Seade/Dieese, Study of Employment and Unemployment 1995–2003).³² Many of the industrial firms that stayed in São Paulo engaged in subcontracting, lowering wages and benefits through hiring their workers illegally (e.g., not registering the workers), and hiring temporary workers.

The intensive use of outsourcing by firms of all kinds, and the failure to register workers, was considered by some economists, government officials, bankers, and many firm owners as an inevitable part of market rationality. But government officials at all levels were concerned about the effect of this informalization on tax revenues and on their political image in terms of their elite constituents that wanted São Paulo to be seen as a modern city that was a good place to invest and spoke about the need to change labor legislation. Trade unions were worried about the representation in terms of losing potential and former members and about the growing pressure from global competition to reduce member salaries and benefits. The perceived and/or actual global competition provided business with an excuse to demand changes in labor legislation to decrease the cost of employing workers, leading at least to the beginning of the dismantling of worker's rights. Urban designers and planners were focusing on the chaos on the streets from the growing number

³¹The overall percentage of unregistered and self-employed workers in all sectors in these same years, 1985 to 2003, increased from 24.7 % to 33.5 % in the MRSP (Seade/Dieese 1985–2003 Study of Employment and Unemployment).

³²The industrial sector became much more precarious in all the municipalities in the Metropolitan Region of São Paulo including the Municipality of São Paulo, the largest of the municipalities and where two of my research sites are located. Within the industrial sector in just the Municipality of São Paulo the percentage of unregistered salaried workers and self-employed working for themselves and for firms almost doubled in the 10 years between 1988 and 1998, the period of the greatest increase. (As mentioned earlier, trade liberalization started in 1988 but only gained pace after 1990.) Including all sectors, the “informal sector” grew from approximately 33 % of the employed population in 1988 to 42 % in 1998 (and almost 50 % if we include all domestic workers). This trend continued from 1998 to 2003. As in the MRSP, this increase in the Municipality of São Paulo was primarily in unregistered salaried workers for larger firms of six or more employees, which went up by almost 45 % between 1988 and 1998. From 1996 to 1999 the percentage of unregistered workers who worked for firms in all sectors with six or more employees continued to increase, going from 46.8 % in 1996 to 51.8 % in 1999. However, it then decreased in 2000 and 2001 but then increased again in 2002, 2003, and 2005. Although decreasing by 2007 to 52.9 %, the percentage of the unregistered salaried workers working for larger firms of six or more employees had still not decreased to even 1999 levels (51.8 %) (Seade/Dieese Study of Employment and Unemployment 1988–2007).

of street vendors and the resulting negative light this may cast on a “global city.” Store owners and retailers were becoming more alarmed as they faced growing competition from street vendors selling right outside their doors.

1.3 The Importance of Studying the Brazilian Unemployment Crisis of 1996–2003 for Understanding the Present

This book focuses on the past, the period between 1996 and 2003. At present, female unemployment is no longer climbing. Instead, by the end of 2010, newspaper headlines all over the world enviously proclaimed how well the Brazilian economy was doing with a GDP growth of 7.5 %. As a result, the unemployment rate had fallen to 5.3 % by the end of 2012 despite the global economic crisis. Although economic growth has subsequently reached a plateau, with a growth of only .9 % for 2012, some economists, government officials, and international investors and businessmen are still predicting further growth and greater equality in 2013 and beyond (Romero 2012 and AFP April 27, 2013). According to the International Monetary Fund projections, it will expand 3.0 % in 2013 and 4.0 % in 2014 (AFP “Brazil IPO fever signals confidence in economy” April 27, 2013).

Why, then, should this book focus on a period of labor decline in terms of working conditions and job availability? There are three interrelated reasons why a focus on this period of labor degradation and unemployment in Brazil remains important. First, many government officials from a variety of different countries and global financial actors are currently using and expect to continue to use the same kind of neo-liberal economic development model even though, once again with the latest global economic crisis, it has proven to be detrimental to many workers. Second, the case of São Paulo illuminates what kinds of labor conditions are very likely to persist because of the continued use of the neoliberal economic model in both Brazil and other countries. And third, if current Labor Party President Rousseff’s political and economic policies, which have added neo-developmental economic policies, heterodox development model policies linking a strong state with the private sector, to the classic neoliberal economic model, manage to substantially improve the employment conditions for the increasing numbers of Brazilians living in favelas, the conditions during the period studied will provide a valuable baseline from which to test the new policies and perhaps result in a more socially just model for economic development to be used not just in Brazil but also in other countries.

Current proposals for action by economic policymakers remain virtually the same as those they proposed during the unemployment crisis. Almost a decade after the end of the unemployment crisis in Brazil and a few years after the beginning of the current global economic crisis, the downside of the neoliberal economic model and economic globalization is now apparent to many workers in Brazil and elsewhere. Yet, there are many exhortations to stay the neoliberal course with maybe some tinkering here and there such as providing more education to make workers

more mobile. The headline of *The Economist* on the eve of the 2007 World Economic Forum in Davos, Switzerland, the year known as the start of the current global economic crisis, read, “Rich Man, Poor Man: The Winners and Losers from Globalization.” The magazine warned the conveners not to interfere with globalization, because it was the very miracle that was generating so much wealth.

The Economist need not have worried that the usual economic policies supporting economic globalization would be discredited; globalization was encouraged as usual at the Forum, with the Federal Chancellor of Germany, Angela Merkel, proclaiming, “Globalization offers people everywhere great opportunities for enhanced freedom and prosperity . . .” (World Economic Forum. www.weforum.org. Viewed January 31, 2007).

These sentiments encouraging the use of the neoliberal model and economic globalization continued in the 2008 World Economic Forum, even after the US dollar declined and the credit markets stumbled with the beginning of the latest global economic crisis. One of the sessions, entitled “A Business Manifesto for Globalization” gathered business leaders such as Ian E. L. Davis, worldwide managing director for McKinsey & Company in the United Kingdom, who argued that globalization has been a good force but is generally unpopular only because politicians and business have done a bad job selling it. The solution, he said, was to “explain what they and globalization have done for people in terms of jobs, taxes and lower prices.”

Yet, there were also countervailing voices about the benefits of globalization and the neoliberal model: Nobel Prize winning economist Joseph E. Stiglitz responded that some developing countries may have gained more than they lost, “but that doesn’t mean that individuals as a whole are better off.” He pointed out that “the winners of globalization could compensate the losers, but there is nothing to say whether they *would* compensate losers.” Indeed, even some business leaders have acknowledged publicly that there have been people who have been excluded. However, far from using this insight to propose compensatory measures, these leaders suggested that the excluded individuals should be *used*, since continued exclusion of those at the bottom was bad practice from a business perspective. Patrick Cescau, group chief executive officer for Unilever, indicated that it would be beneficial for business to focus on those excluded from globalization – the four billion people at the bottom of the pyramid – because “There’s a fortune to be made at the bottom of the pyramid” (World Economic Forum. www.weforum.org. Viewed May 5, 2008).

The prescriptions and criticisms by mainstream economists and business leaders specifically for and of Brazil continue to fit the usual neoliberal economic model of development. There has been much interest in the Brazilian economy by economists, the press, and business both because of the lack of substantial growth in 2011 and 2012 after the substantial growth in GDP in 2010 and because of the quite dramatic steps taken by President Dilma Rousseff in tackling “the cost of doing business in Brazil” including her proposals to cut payroll taxes and electricity costs, and provide better infrastructure. For example, after arguing that President Rousseff must halt the increase in public spending, the last line of a leader article in *The Economist* on August 2012 read, “Restoring growth and the competitiveness of Brazilian business by beating back the greedy Leviathan [i.e., Government] in

Brasilia is the best way . . . to ensure that Brazil's economy does not continue to reproduce the faults of a century ago."³³

Today, labor conditions in many countries that have adopted the neoliberal economic model are still very similar to those found during the unemployment crisis of 1996–2003 in Brazil. This type of economic model discourages labor regulations or at least enforcement of existing regulations, but encourages tax abatements to attract foreign companies and outsourcing through temporary employment agencies, home-based work, day labor, and sweatshops. The examples of precarious labor conditions are numerous. Day laborers and clothing sweatshop workers in the United States continue to be exploited with no guarantees to even receive any pay for their work and certainly no job security (Theodore et al. 2006). At the Ishwardi Export Processing Zone in Bangladesh workers in August 2012 were dodging tear gas and rubber bullets as police officers tried to squelch unrest when they tried to fight a cut in wages resulting from double-digit inflation (Yardley. NY Times August 24, 2012).³⁴ Having a deeper understanding of the effects of these economic processes in São Paulo will help shed light on the current effects in other countries.

In Brazil itself, although labor conditions are improving slightly in terms of a greater percentage of registered jobs, a higher minimum wage, and more access to credit for microenterprises, the employment of largely undocumented Bolivian workers in clothing sweatshops continues. It also remains to be thoroughly studied how the growth in GDP and the distribution of income, according to national statistics on equality measures, is impacting the labor and living conditions of favela inhabitants in São Paulo.³⁵ What is already clear, is that the number of favela inhabitants has doubled in Brazil from 2000 to 2010. Seven of those years were supposed to be years of relative growth and prosperity (IBGE Census 2010). The challenges for Brazil are still very much apparent as exemplified by Brazilians taking to the streets, in June and September 2013, initially to protest rising transportation costs and the building of expensive stadiums for the World Cup and the Olympics and then to generally protest inequality and the lack of decent healthcare and educational opportunities. At a special session on Brazil at the World Economic Forum in January 2011, Moisés Naím, senior associate at the Carnegie Endowment for International Peace, exclaimed:

Those of us who have been coming to Davos for many years remember in 1999, when we had a session about Brazil, essentially explaining the debacle that was going to happen and the very, very difficult, challenging situation in which Brazil was under . . . Brazil has come a long way since then, and it's easy now to list Brazil's achievements, forgetting what were some of the horrible initial conditions in terms of macroeconomic instability and all sorts of

³³“A moment of truth for Dilma.” *Economist*. August 18, 2012. pp. 11–12.

³⁴Wages were already as little as \$50 a month, which does not even cover the cost of one of the knit sweaters they stitch for the European markets. Global retailers like Walmart and Target operate sourcing offices in Dhaka, and clothing brands like Gap and H&M are churned out by Bangladeshi factories. Bangladesh has the cheapest labor in the world guaranteed by a high-level government committee and ranking officers from the military, the police, and intelligence who would like to continue an “investment-friendly” environment for foreign and domestic investors (Yardley. NY Times August 24, 2012).

³⁵My field research starting in April 2013 begins to address this question through a closer examination of both the statistics and through oral histories of the *favela* inhabitants I have been interviewing since 1996.

problems, many of which continue to exist, but the progress has been undoubtedly short of miraculous . . . Brazil has managed to lower their inequality. It still continues to be one of the most unequal, socially unequal countries in the world, but the trend is moving down towards less inequality . . . Brazil, however, continues to be challenged (<http://www.weforum.org/s?s=Brazil+2011>; viewed June 14, 2011).

Furthermore, historically the Brazilian economy has undergone oscillating economic cycles of growth and decline. We therefore cannot presume that there will not be another economic downturn that may again result in the growth of unemployment and precarious labor conditions.

The current Brazilian economic policies and the addition of the neo-developmental policies during President Lula da Silva's second term and President Rousseff's first term to the neoliberal economic model may turn out to be a model for development worthy of emulation by other countries to bring improvements for workers (Morais and Saad-Filho 2012).³⁶ Yet, it still remains to be seen if the employment conditions will significantly improve along with increased economic growth using President Dilma Rousseff's plans using both the neo-developmental and the neoliberal economic models. President Rousseff announced several times in her speech for the National Independence Day on September 7, 2012 that stability, growth, and inclusion with more income distribution were needed for development (www2.planalto.gov.br). To achieve this, President Rousseff believes in both a strong market and a strong state. President Rousseff (in Glick et al. 2012:69) said, "If you think the market alone was able to lift 70 million people out of poverty,³⁷ I mean, you're wrong." Brazilian billionaires such as Eike Batista are betting on Rousseff even though she is proposing tax trimming and increased social spending which could be dangerous for Brazil's fiscal situation (Glick et al. 2012).³⁸ Yet,

³⁶ Since the second term of the Worker's Party President Lula da Silva, neo-developmentalism has been combined with conventional orthodoxy, or neoliberalism introduced by President Cardoso after the crisis of the *real* in early 1999. Old developmentalism and import substitution, seen as failures, were based on extensive state intervention and protective tariffs providing a shelter for domestic producers who then did not introduce new technologies and thus led to a slower productivity growth. According to a former Brazilian finance minister, Bresser-Pereira, the real difference with a neo-developmental approach is that both the state and the private sector are to be involved in economic development, working together to implement a national development strategy. In addition, neo-developmentalism highlights domestic savings and investment and innovation, rather than just foreign investment. Even though the neoliberal and the neo-developmental models are at odds with each other, used in parallel in Brazil, they have produced economic growth despite the global economic crisis starting at the end of 2007, a healthier job market, and more equity (Morais and Saad-Filho 2012).

³⁷ In the same speech for the National Independence Day, President Rousseff exclaimed that 40 million were moved out of poverty (www2.planalto.gov.br).

³⁸ Eike Batista was the 7th wealthiest person in the world, making his fortune in mining and oil exploration. He is currently a chairman of the Brazilian conglomerate EBC group which has five companies involved in oil and gas, energy, logistics, mining, and offshore services and equipment. As the May 26, 2012, issue of *The Economist* argues, his success was due to "his vision and boldness-but he has also mastered the skill of developing and building on connections within government." He donates money strategically such as \$12 million toward Rio's bid for the Olympics but also millions for the police in Rio's *favelas* ("The Salesman of Brazil: Eike Batista," *The Economist* May 26, 2012:64). However as of 2013 Eike Batista is no longer a billionaire having to sell a lot of his shares with the worth of the EBC group dramatically declining to a tiny fraction of what it was.

Rousseff's plan is to have private companies bid for infrastructural projects, but operate under stringent state control to ensure quality, eliminate monopolies, and minimize cost. She wants to focus on small enterprises as well as large since they are the ones that employ two out of three workers in the private sector with São Paulo alone being home to 1.8 million small-business owners (Glick et al. 2012:66). Although certainly in part adhering to a neoliberal economic model, Rousseff is trying a development model with heavy involvement of both the state and the private sector. If this model of development is maintained and improves the labor conditions for a large percentage of low-income Brazilians, knowledge of the labor conditions and the economic processes that led to them during the previous downturn in the economy will prove invaluable in order to further examine what kinds of policies and alterations to the neoliberal economic model are necessary to bring improvements for workers.

1.4 The Study of the Global at the Local Level

This book focuses on the micro level – specifically, squatter settlements, households, and low-income women workers. My general aim is to examine the production sites and other specific spaces that form an integral part of globalization. My ultimate goal is to show that studying the global requires a focus on the local, not merely as the lowest rung in a nested hierarchy of scale, as older models tend to do, but as a space where global, national and local policies are enacted and influence each other and an important sphere where economic globalization takes place (Sassen 1991, 2007). To understand globalization, we must study it at the local level, examining how real people have been impacted but also how these real people have influenced global processes.

I therefore privilege micro or empirical observations over macro and theoretical levels of analysis on which most literature on globalization and labor market restructuring focuses.³⁹ I bring in the voices of many actors, most of whom work and live in a specific place, São Paulo, suggesting that specific histories play a large part in how the more macro tendencies play themselves out. In particular, I analyze the lives, opinions, and plans of women and their households in poor neighborhoods, the fears of street vendors and sweatshop workers, the frustrations and excitement of industrial managers, and the concern of those in nongovernmental, governmental, and financial organizations.

³⁹More macro accounts include, for example, Manuel Castells' *The Rise of the Network Society* (Cambridge US: Blackwell Publishers, 1996); David Harvey, *The Condition of Postmodernity* (Oxford: Blackwell Publishers, 1990); and Michael Storper and Allen J. Scott's article, "Work organisation and local labour markets in an era of flexible production," in *International Labour Review*, Vol. 129, No.5 (1990). However, Sassen's (1991) earlier work on global cities, Benería and Roldán's (1987) work on homeworkers, Ross and Trachte (1990) on global capital, and Short and Kim's (1999) work on globalization and cities already use empirical research to develop and support theory and realize the contradictions in the existence of concentrations of capital in global cities and the conditions of working-class residents.

1.4.1 *Differential Impacts on Low-Income Women*

Various actors' voices, then, are heard in this book, but the focus is on low-income women workers, whose voices are rarely heard. With the surge in numbers of workers without benefits, many Brazilian labor economists, as well as entrepreneurs concerned about the image of the city and their businesses, have placed a new focus on the growing informalization of labor.⁴⁰ However, gender has rarely been a component of these studies.⁴¹ I focus on women because economic globalization and the economic crisis have had a different impact on women. In São Paulo, women experienced a major change in labor force participation – a higher rate of unemployment – and a larger role in sustaining their households. Gender discrimination has influenced women's economic opportunities and the constraints they face. It is one of the reasons for their high unemployment rates, as well as for the fact that work has become particularly precarious for them.

Far from being excluded from the global economy, low-income women form an integral part of global economic restructuring. The accounts of the women I interviewed reveal that their roles hardly constitute a throwback to obsolete economic strategies, such as sweatshop production, resulting in their exclusion from the global economy, as is frequently contended. In fact, the precarious labor conditions and the livelihood strategies of low-income women in the squatter settlements of São Paulo are the direct outcome of the precarious labor conditions engendered through new

⁴⁰Brazilian scholars such as Cacciamali (1983, 1989, 1998, 2000), Dedecca and Baltar (1997), Dedecca (2002), Saboia (1989), Lavinias and Nabuco (1995), Singer (2000), Pochmann (2000) and Menezes Filho et al. (2004) have addressed the heterogeneity in the type of informal activities, the causes for the growth of the informal sector, the dynamic nature and significance of the sector, the characteristics of workers in the informal sector, and salary differential between informal and formal sectors. Cacciamali was one of the earliest scholars studying São Paulo's informal sector, conducting her research in the late 1970s and the early 1980s. Although there have not been many ethnographic studies conducted in São Paulo, there has been extensive research by Brazilians on the informal sector in other parts of Brazil. These include the studies by the following scholars: Cavalcanti and Duarte (1980), Alice Rangel de Paiva Abreu (1986), Jose Reginaldo Prandi (1978), Saboia (1989), and Lavinias and Nabuco (1995). The Brazilian Institute of Geography and Statistics (Instituto Brasileiro de Geografia e Estatística, IBGE) has conducted extensive statistical studies of metropolitan regions including São Paulo in *Economia Informal Urbana 1997 and 2003* (IBGE 1999, 2006). The 2003 IBGE Informal Economy Study was conducted with the National Service for Helping Micro and Small Enterprises (Sebrae). Other studies on the informal sector in São Paulo, particularly street vendors, have been conducted by businesses worried about the image of street vendors on the sidewalks and the impact on their business. A workshop on street vendors was held in May 1994 by the Associação Viva o Centro, an organization sponsored by the Bank of Boston and other businesses who had decided to stay in the old center, and was attended by various participants, ranging from urban planners to businesses, to discuss the "problem" of street vendors. In addition, businesses have been conducting expensive studies on the informal sector in order to better reach the poor with their products.

⁴¹Bruschini and Ridenti (1994) are two of the few scholars who have focused upon women in the informal sector in São Paulo. There have been studies by, for example, Pitanguy and Barsted (1985) that have examined women theoretically and the informal economy in Brazil and many studies by Brazilian scholars such as Abreu (1986), Abreu and Sorj (1994), and Saffioti (1981) on women garment workers both within and outside of factories but with a focus on Rio de Janeiro.

types of interactions between local, national, and global forces that are inherent in global capitalism. Women are included in global economic processes that have led to increasingly exploitative labor relations. High rates of unemployment are the result of these same global processes.

I argue that economic globalization, the economic crisis of the late 1990s and the early years of the new millennium, and industrial restructuring have led to the increasingly precarious nature of employment for low-income women workers in São Paulo. This “precarization” of the labor market in both industry and commerce entails the degradation of the quality of work both within the so-called informal and formal sectors, with the rise in employment that is unstable, poorly remunerated, and often without signed workers’ cards.⁴²

The low-income women I studied are incorporated into the global economic system in various ways. While they may not be directly involved in the new securities markets or in the search for new ways to optimize production and lower production costs, they act as ambulant vendors servicing a population of former factory workers who have lost their jobs because capital has moved to Asian countries where labor is cheaper, or they form part of the growing group of temporary workers who service a more flexible and insecure job market with “just-in-time” industrial production.⁴³

The period between 1996 and 2003, when I conducted the bulk of the fieldwork, happened to be the major years during which the process of informalization and precarization of the labor market rapidly unfolded, allowing me to observe the process as it was happening. During that period, the numbers of “informal” bars, grocery stores, drug stores, “boutiques,” video arcades and snack bars increased exponentially in the favelas I studied. On the streets, women and men were pushing carts filled with all sorts of products, from Danone yogurt to brooms. Inside the homes, women performed work outsourced by nearby factories, putting handles on plastic bags, and inserting metal springs into tubes. Many of these commercial and production activities were new, opened by community members who lost their factory jobs, while, paradoxically, multinational companies such as Avon and Danone found new markets in these same neighborhoods. Beyond work in the small informal businesses, the squatters serviced, cleaned and guarded the buildings that house the industries of the global economy.

Brazil is an interesting site to examine the issues concerning the crises of survival and the flexibilization of the labor market for women. Already in the late

⁴²The word “precarization” has only recently entered common English language usage, but *precarização* has been used extensively in Brazilian Portuguese. It signifies that the increasingly unstable, uncertain and unpredictable nature of labor is a process. In Brazil, all workers are legally supposed to have a worker’s card which states the employer, type of work, and date started.

⁴³Traditionally manufacturers have estimated demand for their products into the future and then have attempted to smooth out production to meet that forecasted demand. Managers at Toyota decided that an entirely new approach, called just-in-time (JIT) was needed. The JIT process has now been adopted around the world by companies who now purchase materials and produce units only as needed to meet actual customer demand. In the just-in-time manufacturing system, inventories are reduced to the minimum and in some cases are zero. (“Just in Time (JIT) Manufacturing and Inventory Control System.” Accounting for Management).

1970s and 1980s, in part because of an earlier economic crisis, Brazilian women increasingly entered the workforce as both factory workers and homeworkers.⁴⁴ By altering the organization of production and increasing the adoption of flexible production systems, trade liberalization tends to divide the labor market even further. Highly skilled workers are needed, but so are unskilled unregistered workers, a group in which women are often concentrated (Standing 1999 and Benería 2000). In addition, as the wages for male workers, even in large factories, fall below a level sufficient to support a family, more women have been driven into the labor force, and those already in the labor force have been called upon to carry more of the burden of the rising cost of living for their households (Fernandez Kelly and Sassen 1995). Women have entered the labor market during a time of decreased opportunities in the so-called formal labor market and therefore are often forced to rely on informalized and low-wage employment (Standing 1999; Benería 2000; Charmes 1998). As Carr et al. (2000) point out, there is “an overlap between being a woman, working in the informal sector, and being poor.” For those hiring workers, the gendered division of labor facilitates the search for cheaper labor, which is one of the driving forces of economic globalization. My focus on low-income women’s work in São Paulo sheds light on often-neglected issues such as a labor market primarily geared toward non-export production, as well as growing female unemployment, women’s economic strategies to survive, and the impact of policies and programs on women.

1.4.2 Local Sources of Power

While local sources of power pale in comparison to the global powers, we still need to question the inevitability attributed to economic globalization and its impact on human conditions. Historically in Brazil and other countries powerful entities such as national governments have been toppled by local actors. Therefore, one of the major foci of my research was to investigate the present role of the social actors who had been engaging in a successful struggle against the military government in the 1970s and 1980s. I also studied the local coalitions of actors and local programs that aimed to improve the plight of the workers. However, the rhetoric of economic globalization has been disempowering to many local actors. During the unemployment crisis, it was used as an excuse for inaction by governments. Governments working at all levels argued that the situation was imposed from above by international actors and was beyond their control. No one on the ground was seen as responsible.

Nevertheless, although the global system has constrained people’s responses to globalization, it has not completely determined them. There are resisters to globalization at all scales. Since globalization inhabits and is shaped by actions at all

⁴⁴For studies on contract pieceworkers in Brazil in the 1980s, see Abreu (1986), Teixeira et al. (1981), and Spindel (1983), and on factory workers, see Humphrey (1984, 1985) and Saffioti (1981, 1984). There are very few studies on women vendors and on women’s homework as self-employed workers in São Paulo (Bruschini 1994).

scales, global, national, regional and local, there are a variety of different actors that shape the global. These actors reside in concrete national and local spaces. Therefore, we might argue that the global is endogenous to the national (and to local communities) and therefore there are spaces for action and resistance (Sassen 2005:155). Yet, for those at the so-called bottom, globalization often signifies a change in livelihood and a loss of control, with power shifting upwards away from the nation-state (e.g. to international governing bodies such as the World Trade Organization and multinational corporations) even further away from neighborhood leaders (Mittelman 2000:6). Especially in the media and in government circles, this shift has become a justification for inaction. A more processual conceptualization of the loci of globalization belies such facile conclusions. The global system, made up of concrete actors such as multinational corporate CEOs and directors of international institutions such as the International Monetary Fund, operates in conjunction with local actors and within a physical and social environment, and is influenced by local economic and social history. Far from responding passively to globalization, people have protested, adapted, accommodated, and made alliances (Lewellen 2002:26). Much of this protest has happened in cities. As Brenner et al. (2012:1–2) aptly argue, “capitalist cities have long served as spaces for envisioning, and indeed mobilizing towards, alternatives to capitalism itself, its associated process of profit-driven urbanization, and its relentless commodification and re-commodification of urban spaces.”

Another concern is whether radical transformation is needed to change labor conditions or whether local actors and coalitions, like the ones discussed in this book, who are largely working within the system and involved in smaller actions, have at least some chance in improving precarious labor conditions. Are there possibilities within capitalism for alternatives? And if so, where will these alternatives come from? During the unemployment crisis, actions taken by individual workers, community organizations, and municipal governments were primarily reactive in São Paulo, reduced to trying to ameliorate the worst impacts of globalization and work within the system, but could they ever become transformative? I will argue that change is likely to come from coalitions made up of civil society and the private and public sectors in São Paulo. Many coalitions were set up during the unemployment crisis to find a way to work within the given global economic system, but try to find ways to incorporate social and environmental justice.

1.5 Conceptual Models

Making sense of the conditions, strategies and trends I observed in São Paulo required adopting an approach that goes beyond neoclassical economic models of change and focuses more on processes. Traditional neoclassical economic models that remain prevalent in the economic literature view change as consisting of the

replacement of a particular set of characteristics with another set of characteristics. The persistence of earlier sets is then attributed to cultural lag and/or to divergent dynamics operating at different scales, e.g., the local, the regional, the national, and the global, or parts of the economy. I argue that, while such dichotomies/segmentations may have some heuristic value, they tend to hide rather than reveal process.

Specifically, the case of São Paulo encourages a rethinking of four bodies of overlapping literature concerning economic globalization – labor market restructuring, global cities, the “informal” sector (both in modernization theory and in the political economy literature), and women and development – all stemming from both neoclassical and neoliberal economic thought as well as political economic theory.⁴⁵ Neoclassical economic and modernization theories postulate a global economy characterized by a complete break with the past. They predict a formalization of labor and the inability of the “traditional” or “informal” sector and the “modern” or “formal” sector to coexist. Furthermore, they envisage an economy in which women are emancipated as they enter the workforce in larger numbers. In contrast, I found these predictions to be less and less valid in cities such as São Paulo. I question the use of static dyads or dichotomies often found in the globalization literature: informal versus formal, global versus local actors (or global versus non-global), and Fordism versus post-Fordism. Although not questioning a particular dyad found in the gender and globalization literature, a body of literature that already questioned the earlier women and development literature with its emancipatory assumptions and focused, instead, on the exploitation of women when they are brought into the economy, I contribute a detailed empirical study of the detrimental effects of global market restructuring on low-income women’s work, and focus on a labor market geared toward non-export production, rarely the subject of this literature. I also analyze a situation where the opening of markets has been a major factor in growing female unemployment. In this book, I therefore deconstruct as well as build upon these theories and begin to construct a new way of understanding the global, low-income, urban labor phenomena.

1.5.1 Questioning the Informal/Formal Sector Dyad

The concept of “dual economies,” and specifically informal and formal sectors, continues to be part of the dialogue about “Third World” economies. The terms, informal and formal economic spheres or sectors, are conventionally used to make categorical distinctions between economic activities in terms of regulation and size. The conventional usage of the terms often implies an intrinsic superiority of larger, more capitalized firms as more legitimate, modern, and economically sound (HC and JM Buechlers 1992:14–15) (see Chap. 5). Yet, an integral part of, and

⁴⁵This book also builds upon many other bodies of literature including literature on social movements and change, more technical industrial restructuring literature, and applied literature produced by practitioner organizations.

result of, economic globalization is economic informalization, with, for example, so-called formal large firms outsourcing to smaller firms. The interaction among global, national, and local dynamics has created the conditions for the rise in unemployment and informalization. Although precarious and “informal” employment has existed in São Paulo since the nineteenth century, both its persistence and its surge despite strong labor legislation in the 1980s and especially in the 1990s may be unprecedented. Writing about this increase in informalization in spite of strong labor legislation, Castells and Portes (1989:13) argued, “An old form in a new setting is, in fact, new, since all social relationships can only be defined in their specific historical context.” Although it is difficult to trace causality, it is safe to argue that the opening of markets and increasing global competition indirectly and directly produce certain conditions that have favored the “informalization” of the labor market.⁴⁶ Even though, among other factors, a lack of national industrial policy, previous import-substitution policies, low institutional quality, high level of inequality, labor regulations, and lack of education certainly played a role, global dynamics in the form of global competition were key in this process.⁴⁷ Global competition and concomitant national competition exerted downward pressure on prices, creating the need for firms to reduce production costs and thus precariously employ workers in venues such as sweatshops. They also led multinational, national, and local firms to search for new markets, resulting in the rise of informally hired vendors who sell products in their own poorer communities. Especially in the case of São Paulo, it is important to examine the growth of “downgraded manufacturing” in conjunction with the rise of unemployment, since the increasing competition for jobs of any sort allowed employers to exploit labor. Unemployment and decreasing purchasing power increased the demand for cheaper goods but also the level of risk for vendors as the number of customers who failed to pay grew. To complete the cycle, as goods drop in price and become more affordable, consumption increases, and so does the demand for cheap labor in the form of unregistered vendors in neighborhoods in the periphery – although often not at the same rate as the need for employment as still more registered jobs are lost. Although informalization and unemployment in Brazil are to some extent connected with an economic crisis, high levels of unemployment have persisted – as they have in many Latin American countries – even during years of economic recovery. Precarious employment has become an integral part of the labor market (McMichael 1999; Benería 2000). Therefore, informalization is not just an effect of global capitalism but one of its main tenets.

The informalization of labor under global capitalism renders the separation of the “informal” and “formal” sectors as discrete entities problematic. This book

⁴⁶As Mittleman (2000:16) cautions, as social researchers one has to be careful not to “duck the difficult matter of causality . . . , so if one is to delve beneath appearances, it is imperative to draw some arrows between cause and effect.”

⁴⁷See Chong and Gradstein (2007) for an interesting analysis of the link between low institutional quality and high inequality with a large informal sector and see Friedman et al. (2000) for a discussion of the link between high levels of bureaucracy, greater corruption, and a weaker legal environment and the informal sector in 69 countries.

focuses on the *processes* of informalization since formalization and informalization are dynamic, often reversible processes that, at various times, have affected firms of various sizes and positioned workers in different ways. The “precarious economy” includes many kinds of workers, ranging from outsourced workers laboring in their homes or in sweatshops, to street vendors and owners of stores in favelas, who have to compete with the many other stores opened by factory workers who have lost their jobs. The Seade statistics for São Paulo, for example, distinguish between self-employed for the public and self-employed for firms, with most of both being unregistered workers. However, since the informal/formal dichotomy is firmly entrenched in the literature and has become the basis for economic statistics, I have found it impossible to eliminate its use altogether in this book. When I use it, it will be with the caveat that the use of the dichotomy introduces major distortions into the discussion. For example, some supposedly defining features of “the formal sector” – such as government regulation – characterize some firms classified in this sector in name only, and conversely, activities such as street vending, which are invariably classified as informal, may actually be highly regulated. I therefore address the internal dynamics of activities that have always been predominantly considered informal, as well as the process of informalization into which once highly formalized enterprises have entered, and the links between more formal and predominantly informal activities.

Many once highly formalized enterprises in the commercial sector were also increasingly hiring unregistered workers, and industries, in addition to using unregistered workers in production were also using unregistered workers to sell their goods. For example, *sacoleiras*, door-to-door sellers, were used by garment factories to sell clothing, and jewelry shop owners were selling jewelry to street vendors to resell in other areas of the city. I use oral histories of entrepreneurs to understand these intricate dynamics and the process by which workers become involved in outsourced production as well as ancillary economic activities such as selling clothing made in factories door-to-door or jewelry purchased from shop owners on the street.

1.5.2 The Fluidity of Multiple Spatial Scales

My research has also shown the importance of investigating the interdependence of economic behavior occurring at different scales as opposed to the common practice of treating each level or spatial scale separately. (In the literature on spatial scale, scale is used both as a metaphor of a series of steps or levels and as a synonym for level.) I use the term “scale” to mean an operational level and the level of action.⁴⁸ As Beauregard (1995) contends, actors may simultaneously have interests at multiple spatial scales, and their activities may spread out over different geographical fields. For example, an

⁴⁸The use of level and scale often as synonyms is confusing, since one might imagine scale to be a series of levels or a ladder and not necessarily concentric boxes as is often meant. See, for example, Brenner (2001) and Mamadouh et al. (2004) for rich discussions on the various uses of the concept of scale.

industrial manager I interviewed works at the local scale outsourcing to home-based workers, but his main client is Avon, a multinational concern; he orders parts from all around the world, and he worries about the IMF loans to Brazil because of their impact on national interest rates. Once we recognize that actors may operate at the same time on numerous scales, then we have to abandon both the assumption of nesting (the local within the regional within the national, and the national within the global, whereby the global is higher and thus dominant) and the rigid categorization of actors in terms of spatial reach (Beauregard 1995).

Recent shifts in the distribution of functions at different spatial scales have further contributed to the need for models that focus on the fluidity of the interaction between and interpenetration of these different levels. These shifts also point to the fact that further distinctions may be necessary. The global economy has brought with it a shift of functions of the nation-state both to the supranational level (e.g., to international organizations such as the World Trade Organization and multinational corporations) and to subnational levels such as municipal governments. Actors at both levels should therefore be gaining power. However, these shifts have also further added to the complexities of locality, necessitating a deconstruction of the local into at least three organizational levels: the individual low-income worker, community associations, and municipal governments. An examination of the interaction of these levels among themselves and with the national and supranational levels shows that, for various reasons, the shift of power from the state to municipalities has rarely improved the ability of individual workers and community associations to confront the degradation of their livelihoods.⁴⁹

The fluidity between different levels also results from the fact that municipal governments and national governments are often made up of similar elites. These elites respond to international political and ideological pressures but also often support the global neoliberal agenda in their own self-interest. We cannot assume that because they are local they know the needs of their constituents or that, if they do, they will act in the latter's interest. Therefore, an examination of the diverse actors and organizations of different social classes within the local is important in an analysis of local empowerment.

The literature has tended to focus on how local actors enter the global arena, most notably through nongovernmental organizations (NGOs) (e.g., Sassen 2004). In contrast, my focus is on local actors working at the local level to address global patterns that affect their local conditions, particularly the level and quality of employment. Individual communities can be viewed neither as bounded, as microcosms (Leeds 1994), nor as completely overpowered by the global without any ability to determine their own destiny or to shape the global. I contend that we need to pay more attention to individual workers and communities because these make visible the specific effects of economic globalization and the neoliberal model. It is also workers and communities that enact and carry out both reactive and proactive economic actions that can influence how global processes play out at the local level.

⁴⁹ See Buechler (2007) for a longer version of this argument.

Only by truly understanding the “global shaping,” or in other words the local influences on the global forces and its ultimate impacts, will there be possibilities for transformation.

1.5.3 Problematizing the Fordist/Post-Fordist Dichotomy and Debates

The Fordist/post-Fordist dichotomy is equally problematic for here too modes of production lie on a continuum. Contrary to prevailing assumptions, the Fordist model (i.e., a focus on integrated mass production as opposed to more specialized and flexible production) was never all embracing to begin with and where it was prevalent, it has in practice never been entirely supplanted. As Williams et al. (1997) claim, many British industries never used assembly lines (actually only 31 % of plants used assembly lines in a sample of British industries and only half of those were mechanically paced). Since 1945 most European car factories outsourced components equal to half the cost of the finished car and thus were not integrated plants. Similarly, there was never a true Fordist or “Global Fordist” model operating in Brazil nor in other late industrialized countries. Therefore, it is not possible to argue that there was a total shift from one model to another. In addition, neither is the shift from mass production to flexible production ever complete, nor can flexible production be seen as a uniform production process.

In sum, in Brazil change has taken the form of adaptations to industrial processes, rather than of a clear trajectory away from a certain kind of production pattern and toward another. I will return to this issue in Chap. 3. My aim in this book, then, is to highlight the complexities in the labor market situation and to focus on detail and process, rather than present the restructuring of São Paulo’s labor market as a quantum leap from one system to another.

1.6 Studying Cities to Understand Economic Globalization

Why, however, is it important to focus on cities in general and on large metropolises, such as São Paulo, in particular, when examining global economic transformation and labor? Beginning in the 1980s, urban theorists such as the sociologist Manuel Castells (1996) and the geographer David Harvey (1989, 1990) linked urbanization processes to global economic forces. They argued that global capitalism entails the disaggregation of stages of production across national boundaries and an accelerated mobility of capital. This, they believe, leads to an expansion of investor choice with respect to the physical location of business activity that gives capital increased bargaining power in its relations with labor and, indirectly, in matters of state policy. This increased capital mobility has left some cities with vast unemployment because of deindustrialization and has greatly decreased the power

of labor, and some of the same cities with a growing service sector forced to rely on more precarious employment.⁵⁰ In order to study cities and their labor markets, as Castells (1996) and Sassen (1991, 1996) contend, urban researchers therefore must investigate cities in a new way, by examining the different realities brought on by the interaction of local, national, and global forces. The study of urbanization, as Harvey (1989:6–7) forcefully argues, is not only the study of “a legal, political entity or of a physical artifact, [but] should be concerned with processes of capital circulation; the shifting flows of labor power, commodities, and capital; [and] the spatial organization of production and the transformation of time-space relations.”

The perception that state functions are rearticulated downward with globalization has created a further incentive for scholars (e.g., Keating 2001; Sassen 1991; Scott 2001; Storper and Salais 1997) and policymakers to renew their interest in examining the role of place as a factor of production. Already by the turn of the millennium, localities were being represented in the social scientific literature as the arenas where “the apparent opposites of enterprise and community, of efficiency and welfare, of economic means and local ends” might be reconciled (Brenner and Theodore 2002b:341). Focusing on Western European and North American cities, Brenner and Theodore (2002a:349) argued that “cities have become strategically crucial geographical arenas in which a variety of neoliberal initiatives – along with closely intertwined strategies of crisis displacement and crisis management – have been articulated.” Yet they expressed doubt as to whether the local really serves as a site of empowerment.

Globalization has a particularly significant impact on large metropolises, because they have strong links to global trends (Sassen 1991, 1996, 2007; Friedmann and Wolff 1982; Friedmann 1986, 1995; Knox and Taylor 1995).⁵¹ Global city theorists such as Saskia Sassen (1991, 1994a) and John Friedmann and Goetz Wolff (1982) have argued that only a relatively small number of cities act as control points in the spatial organization, articulation of production and markets, and concentration of international capital. A focus on such cities allows us to see the multiplicity of economies and work cultures in which the global economy is embedded; to recover the concrete, localized processes through which globalization exists; to map the strategic places where globalization operates and to show how places are bound to each other; to uncover noncorporate components of economic globalization; and to recover a broad range of types of firms, workers, work cultures, and residential milieu never recognized as being part of globalization processes. However, perhaps because of the argument that cities outside of core countries play a relatively minor role in the global economy, studies of urban consequences of globalization have focused primarily on world cities in core countries such as New York, Tokyo,

⁵⁰The work of Manuel Castells (1996); John Friedmann (1986, 1995); Saskia Sassen (1991, 1994a, 1996); David Simon (1995); Edward Soja (1989); Janet Abu-Lughod (1999); David Harvey (1990, 2000); Kowarick and Campanario (1986); Santos et al. (1993); and Ross and Trachte (1990) on world city theory and global capitalism provided insight for my research.

⁵¹This is not to argue that globalization does not have an impact on rural areas or on smaller cities.

and London. Over time, in these cities there has been a considerable growth in the service sector, particularly in finance and communications, and shrinkage of manufacturing.⁵² The purpose of my study was to gain an understanding of what was happening to the labor markets in globalizing cities that continue to have an important and large industrial sector, but like New York, London and Tokyo are also tied to the global economy by finance and communications.

The focus on *globalizing* cities, cities not at the top of the global hierarchy, but highly involved in global economic processes, is relatively new. Since the end of the twentieth century, a group of urban scholars has realized the importance of analyzing these cities to understand the multifaceted processes of urban globalization and both the similarities and the differences with cities recognized as being at the top of the global hierarchy (Marcuse and Van Kempen 2000; Brenner and Keil 2006; Gugler 2004). São Paulo is both a megacity and a globalizing city that, thanks to its growing financial and communications sectors, has – unlike cities in many other developing countries – fully participated in *accelerated globalization*, the period of globalization starting in the 1970s with ever-increasing flows of capital, labor and goods (Mittelman's 2000:19).⁵³ As a result, São Paulo has many of the characteristics that have been attributed to “global cities,” such as having at least regional headquarters for multinational corporations and international financial institutions, international communication, a growing service sector, migrant labor, rapid inflow and outflow of international capital, and ties to other global cities.⁵⁴ I prefer to use

⁵²Especially since the end of the 1990s, there has been more research on world cities in developing countries such as the World Cities in Poor Countries project sponsored by the National Academy's Committee on Population; Short and Kim (1999) on cities in a global economy with a case study on Seoul; Kowarick and Companario (1986) on São Paulo; de Souza et al. eds. (1999) on São Paulo; Leite (1997) on industry and globalization in São Paulo; Ward (1996) on Mexico City; Keeling (1996) on Buenos Aires; and other literature on megacities. The volumes more specifically on cities and globalization include *The Global Cities Reader* edited by Neil Brenner and Roger Keil (2006) with a focus on global cities in the North, but with a section including an article of mine on globalizing cities in the South; *Globalizing Cities: A New Spatial Order* edited by Peter Marcuse and Ronald van Kempen (2000) focusing on the spatial order within cities; *World Cities Beyond the West*, edited by Josef Gugler (2004), which also focuses on globalizing cities but more on the impact of the state and of popular movements with an article on São Paulo examining historically the New Labor Movement; and *Global Networks, Linked Cities* edited by Saskia Sassen, focusing on cross-border flows. Sassen's (2007) edited collection, *Deciphering the Global: Its Scales, Spaces and Subjects*, employs ethnographies to examine the messier, more complex ground of the local where global trends are negotiated. It expands the analytical terrain of the global providing new methodologies and frameworks for the study of globalization.

⁵³Brazil is considered a newly industrial country (NIC) where international capital was very much a part of the industrialization process in the first half of the twentieth century. However, with São Paulo's growing financial and communications sectors, it has been very involved in the period of *accelerated globalization*, unlike the position of many other developing countries.

⁵⁴In a 2008 study ranking cities in terms of six variables ranging from legal and political framework to ease of doing business, financial flows, and knowledge creation and information flows, a team that included Peter Taylor and Saskia Sassen ranked São Paulo fourth in terms of the volume of commercial real estate and number eight in terms of commodity ties contracts but number 54 in terms of quality of life and 60 in terms of ease of starting a business.

the phrase “globalizing city” for São Paulo in order to focus on globalization as a process with many dimensions. In contrast, the term “global city” has been used more narrowly to focus on a city’s placement in a hierarchy defined primarily by certain types of financial and service firm networks.⁵⁵ This book focuses on the effects of the rapid development of such global linkages, which, in turn, influence the labor market. Through an examination of the linkages, we can begin to understand how a city like São Paulo can have both the characteristics of an “underdeveloped” city as well as that of a highly developed city.⁵⁶

The worldwide concern over megacities, cities with a population of 10 million or more, has grown with the numbers of megacities in Latin America and the world increasing (by 2010 there were four megacities in Latin America alone and 21 in the world, and by 2025 there are expected to be 29). The problems of poverty, crime, housing, the natural environment, and labor in these cities at times seem insurmountable (United Nations Department of Economic and Social Affairs 2010). With approximately 17.9 million inhabitants in 2003, the urban agglomeration of São Paulo was the fourth most populated metropolitan region in the world, after Tokyo, Mexico City, and New York City (United Nations Department of Economic and

⁵⁵São Paulo has been labeled by some global city theorists as a global city of the second order (Friedmann 1986), a Beta global city (Taylor 2004), a city with global city functions or in the midrange of the global hierarchy (Sassen 2002), a world city beyond the West (Gugler 2004), or an emerging global city (Olds and Yeung 2004). While examining the case of São Paulo, using a methodology focused on linkages, Taylor (2004) who founded the Globalization and World Cities Research Network (GaWC) contended that São Paulo is in the second class of the world city rankings and calculated that there was an 82 % chance that São Paulo would have a branch of a London-based advertising firm and 79 % chance that São Paulo would have a branch of a London-located global financial or banking firm. A city in the second class of world cities must be a global service center for at least three of the four service sectors and must be a prime or major center in at least two sectors. By 2007 GaWC had placed São Paulo 14th and 15th in the list of world cities taking into account the location of multinational productive services to firms (GaWC). Schiffer (1998) contends, however, that São Paulo cannot be considered a global city because the finance industry has not taken the place of the automobile industry that has remained strong since its inception in the 1950s. Although they argue that there is a concentration of service firms of all sorts attesting to a deepening integration into the network of global cities, São Paulo is not the headquarters of multinationals. Only Brazilian national firms who do business in other MERCOSUL (Southern Common Market) countries have their headquarters there. None of these firms are among the top transnational corporations. Furthermore, Schiffer (1998) maintains that it will be difficult for the city to attain global status even in the medium and long term because of the pollution, traffic, violence, and lack of infrastructure. These arguments were also supported by Wall Street investment bankers and federal government officials I interviewed.

⁵⁶World city theorists such as Saskia Sassen (1991, 1994a) and John Friedmann and Goetz Wolff (1982) have argued that only a relatively small number of cities act as control points in the spatial organization, articulation of production and markets, and concentration of international capital. These theorists have begun to link the increasing importance of the “informal” sector with the macro-level economic changes, arguing that the self-employed and microentrepreneurs are an integral part of all “global cities” and that the sector has grown rather than declined in significance, as predicted by earlier modernization models (Sassen 1994a, b).

Social Affairs, Population Division, 2003).⁵⁷ The same source estimates that the population of the urban agglomeration of São Paulo increased to 20.262 million by 2010, making it the third largest urban agglomeration in the world after Tokyo and Delhi. However, the Municipality of São Paulo alone, with a population of 10,009,000 by 2010, was the second largest city after Seoul, Korea (citymayors.com).⁵⁸ By 2006, the land area of the Municipality of São Paulo encompassed an area of 1,968 square kilometers, making it only the 30th largest urban area according to land area (resulting in a population density of 9,000 per square kilometer and ranked 25th among the densest cities) (citymayors.com).⁵⁹ Standing on top of a tall building in the center of São Paulo, the edges of the city are not in sight. However, very much in sight are the tall hypermodern “intelligent” office buildings housing company headquarters and the fortified mansions and luxury apartment complexes.⁶⁰ Only a bit further out are the hundreds of squatter settlements and low-income, crowded, residential communities in the periphery, interspersed with small factories and service shops.

The enormous size and social and spatial polarization of São Paulo became increasingly apparent as I traveled daily by bus from my apartment, situated right next to a McDonalds housed in an old mansion on Avenida Paulista, an area that since the late 1950s has been home to company headquarters, banks, and smart shops. The bus first passed large, guarded houses with beautifully landscaped gardens. It then entered an area of small and large factories, some still in operation, but others recently closed and dilapidated as production shifted to provincial towns

⁵⁷The United Nations uses the unit of the “urban agglomeration” or “urbanized area” since it is recognized officially for census usage by a number of countries. It is a continuous area of high population density centered by a large municipality or urban community, but often is not constrained to follow administrative boundaries. However, the ranking and the population of these agglomerations or urban areas vary significantly depending upon the source. For example, for the same year, 2003, the citymayors.com list has São Paulo as 10th with a population of 10 million, and citypopulations.de has São Paulo 5th with a population of 20.2 million. As Forstall et al. (2004:37–38) argue, there are large variations in the ranking and population estimates that stem largely from the differences in concepts and definitions and not from bad census counts or a lack of basic information. The building blocks vary. The use of urban agglomeration is useful on the one hand because it shows the true extent of the city, but often there is a limited range of statistical data because censuses often follow administrative lines. In addition, from year to year censuses often redefine these areas.

⁵⁸By 2011, the city mayors had estimated that the population of the Metropolitan Region of São Paulo was 19.89 million and the 6th largest metropolitan region. However, urban agglomeration and metropolitan region is not necessarily the same land area (citymayors.com).

⁵⁹The city mayors predicted that by 2020 the urban area of São Paulo would rise in population rank of the urban agglomerations from 10th in 2006 to 6th place reaching a population of 21.57 million. The population density of the Municipality of São Paulo of 9,000 per sq/km is not as high as some of the Asian cities such as Mumbai, with 29,650 people per square kilometer, and Shanghai, with 13,400, but is higher than three of the cities that are more populated, Tokyo (4,750 per sq/km), New York (2,050 per sq/km), and Mexico City (8,400 per sq/km) (http://citymayors.com/statistics/urban_2020_1.html).

⁶⁰Already by 1991, high-rise apartment blocks were being built at rates twice as fast as low-density detached housing (Deák 2001:1). Between 1984 and 1999 over 300 new commercial buildings were built along the Pinheiros River in Faria Lima in the southwest (Cymbalista and Santoro 2005:135).

with cheaper labor, or to lower-wage countries. It finally arrived at my research sites, in the periphery, with dirt roads and makeshift homes, some actually shipping containers transformed into quite elaborate living quarters.

These contrasts do not result from the fact that São Paulo's periphery is excluded from globalization, but from the precarization of labor. The real estate sector only focuses on the glamorous images of global cities for the sake of making profits and to legitimate the channeling of public funds in already well-served business and residential districts (Jacobi 2005). This book will look at how the lack of basic services and infrastructure for low-income neighborhoods and the growth of favelas are a part of industrialization and contemporary accelerated globalization (from the 1970s until today).

1.7 Ethnography and the Extended Case-Study Method in the Context of Economic Transformation

The methods I employed in my field research on labor market restructuring were predicated on my aim to document the involvement in and the impact of global economic processes on a variety of different social actors, but especially low-income women in São Paulo, Brazil.⁶¹ The period of time that I happened to conduct the field research turned out to be a moment of extraordinary economic change. I realized that traditional methods of either simply examining statistics on employment or limiting interviews to a single favela were going to be insufficient. The statistics might have given some indications about *what* was happening to labor, but certainly not *why*. By interviewing women in one favela and not industrial managers, government officials, or union activists, I would have understood the impacts of economic globalization on a certain community and group of women, but not the underlying reasons for those impacts, how widespread those impacts were, the various perceptions of economic globalization, nor the complexity of how economic globalization takes place on the ground. I therefore decided to employ an extended case-study method in my research, using both qualitative and quantitative investigations: urban ethnography and secondary data analysis.⁶² The use of many different qualitative and quantitative sources of information obtained over a period of time from 1996 to 2013 permitted a more holistic study of complex economic and labor processes.

⁶¹I provide great detail on my research methodology in this section. As a professor of research methods I have tried hard to find qualitative and quantitative studies to assign where the author has included an in-depth description of research methods and data collection processes. This has not been easy. It has therefore encouraged me to write a longer section describing my research methods and fieldwork. However, for those of you who are not that interested in these issues, please proceed to the next section, "Plan of Book."

⁶²It is especially important for scholars of global research to understand the different kinds of methods that allow for an understanding of the complexity of global social change.

I employed both inductive and deductive methods. I came to the field with the hypothesis that economic globalization had harmed at least some factory workers, based on my reading of previous ethnographic and theoretical studies, but I also tried to not let this hypothesis close my eyes and ears to the explanations and conclusions that came from the various social actors at different economic and spatial scales that I was interviewing and observing and the various statistics I was analyzing. I wanted to examine how the economic processes that were taking place at that juncture in São Paulo's history were being understood and acted upon by the social actors themselves. Using the extended case-study method allowed me to incorporate the wider global and local political and economic contexts (Burawoy 1998).

This book focuses on a certain kind of culture – the culture of the labor market and of petty merchants and low-income laborers with or without formal contracts and benefits – and attempts to reflect the research participants' perspectives. I pay close attention to both past and present contexts. The field data were gathered primarily in 1996 and 1998, and more briefly in 2000, 2003, 2009, and 2013 mostly in three communities in Greater São Paulo: two squatter settlements and a peripheral neighborhood on watershed land, with a control sample of women living outside these sites. The first of these communities, which I shall call “Jardim Sudoeste,” is a neighborhood in the southwestern outskirts of the Municipality of São Paulo; the second, Favela Sul, is a squatter settlement in the southeast of the Municipality of São Paulo; and the third, “Favela Leste,” is a squatter settlement in the autonomous eastern industrial municipality of Diadema, which is part of the Metropolitan Region of São Paulo.⁶³ These communities, described in detail in Chap. 4, were chosen because of their wide range of economic activities, their involvement in popular movements, their relationships to former municipal administrations or NGOs, and/or their location near industry.

Visiting these far-flung communities entailed considerable travel, but even my long trips, often using at least two modes of transportation, provided me with great insight into the complex economic situation of the inhabitants of these communities, and especially the great variations in wealth and opportunities among inhabitants within and outside the communities. I have a particularly vivid memory of the day when, after spending hours in a rain-drenched wood hut interviewing one of the main research participants, I took a bus for the long ride home passing many squatter settlements. It was not long before the bus became snarled in a traffic jam and we stopped in front of a clinic that offered music therapy. The cost of one therapy session would have been enough to repair that leaky roof. My weeks were filled with similar contradictions, as I hurried home from a squatter settlement to attend a gala of a marketing firm in a ritzy club or a barbecue at a birthday party in a country estate with a garage that housed a collection of 20 vintage automobiles – a garage big enough to fit several families under a roof that definitely did not leak. Access to both of these worlds provided me with insight into inequality and

⁶³As mentioned in a footnote earlier, the names of the communities have been changed to preserve the anonymity of the research participants.

economic globalization. It also made me aware that the inhabitants of these seemingly different worlds did share common concerns, among them the weakening economy that affected people of all social classes and the increasing urban violence that resulted from labor market instability.⁶⁴

To conduct my research, I employed a multi-instrument ethnographic approach, which included participant observation; individual, household, and group interviews; and, in two of the communities, a survey. In all communities, I used a snowball sampling technique, modified by stratified sampling to take account of various kinds of salaried workers and self-employed workers including street vendors, door-to-door vendors, and small shop owners. In addition, I interviewed women outside the three communities as a control, including women in Diadema taking literacy classes given by the Metallurgy Union for unemployed workers, and women in other squatter settlements in the Municipality of São Paulo. All of these women were of a similar socioeconomic class as those in the three communities studied.

My fieldwork began in the summer of 1996, when I conducted 37 interviews in households and with street vendors, and visited nine organizations. I undertook the bulk of my research in 1998, when I interviewed many more microentrepreneurs and union activists than in 1996, as well as followed up on many of my 1996 interviews in order to obtain more in-depth data and to examine the changes they had made in their economic strategies, and the failures and successes of those strategies. The sample and control sample in 1998 included 132 household and individual interviews, eight group interviews (with two to fifteen women workers in each group; one group consisted of street vendors in the center of the city), and nine interviews with individual street vendors selling outside Favela Leste and in the center of town.⁶⁵ Two surveys of 74 additional families were conducted in two of the communities. The purpose of the survey was to increase the size of my sample in order to better judge whether my snowball stratified sample had succeeded in

⁶⁴ Being able to experience these vast differences in wealth and opportunities did not have a negative impact on my research, but rather a positive one. I was placed in a special category of an interesting foreign student and then professor and with the aid of assistants and contacts was allowed to enter into households of all social classes and conduct interviews.

⁶⁵ Fifty-six household and individual interviews and one group interview were conducted in Favela Sul, 51 household and individual interviews and two group interviews in Favela Leste, and 19 household and individual interviews in Jardim Sudoeste. I conducted fewer interviews in Jardim Sudoeste due in part to the long commute from the center of São Paulo where I lived, approximately 2 hours each way. In addition, since I had interviewed households in 1996, the follow-up interviews were in more depth and therefore longer. The control sample consisted of four group interviews and six household interviews in other similar communities. Some of the households were interviewed more than once in the beginning and the end of 1998 in order to get a sense of change within the household's economic activities within a year. Some of the research participants were also interviewed in 1996 during my preliminary research and again in 2000 and 2003, allowing me to follow some households for the whole period focused in this book. Phone conversations and e-mail contact have allowed me to continue to be in contact with some of the main research participants and I returned in 2009 and 2013 interviewing many of the same women. Regarding the surveys, 24 families were surveyed in Favela Leste and 50 in Jardim Sudoeste, to make up for the smaller number of interviews conducted in those communities, and because of their relatively larger size compared to Favela Sul.

capturing the labor situation of the community.⁶⁶ In addition, I interviewed immigrant Bolivian sweatshop workers and owners working in Brás, another commercial neighborhood just to the east of the historic center that was originally made up of mostly Italian immigrants, but then in the 1940s was primarily inhabited by immigrants from the northeastern Brazil and became the locus of the clothing sweatshops. I also interviewed managers in industries operating close to the communities and held meetings with researchers and practitioners at universities, research institutes, unions, NGOs, and government departments, including advisors to the president of Brazil and officials at the Ministry of Labor. In 1999, I conducted three interviews in New York City with Wall Street bankers working with Brazil. The interviews outside the communities allowed me to understand the larger context and the position and role of other actors. In January 2000 and August 2003, I engaged in follow-up interviews with approximately 15 households in all three of the communities studied as well as labor union activists, officials of the Agency for Economic Development, factory managers, and labor scholars. Finally, in 2009 and 2013, I again engaged in follow-up interviews with approximately 15 households in the three communities studied as well as with community and human rights activists and the Secretary of Economic Development for the Municipality of Diadema. This book, however, focuses on the years of the economic crisis between 1996 and 2003.

The complexity of economic survival strategies within a household requires fine-grained qualitative research. I focused on personal and family history; work history; current economic activities; links and networks with other sectors and within the same sector, such as source of merchandise, contracts, and clientele; competition; household and enterprise income and financing (and changes with the Real Plan and MERCOSUL by getting the research participants to reflect on the past); taxes and licenses; the division of labor by gender and decision-making in the household; participation in grassroots movements and labor unions; and finally policy demands and community planning. The interviews were open ended with a questionnaire used only as a guide for issues to be covered.

At each site I had an assistant, an unemployed female resident, to help me set up interviews. I found my assistants through previous contacts with individuals who had worked in city government, popular movement leaders, and NGOs working in the

⁶⁶The survey questions were refined for the second survey conducted in Jardim Sudoeste because of additional information I wished to obtain there and because of the difference in age from the first community surveyed, which was much younger. I also modified certain questions used in the first survey that turned out to be confusing. The survey questions were kept relatively simple and were derived from my in-depth knowledge of the community after having conducting extensive interviews. A limitation of these particular surveys was the fact that my assistants, who conducted the surveys, lived in the same communities, making some of their neighbors reluctant to give them information on their household income, the lack of experience of those conducting the surveys, and, most important of all, the complexity of the labor situation made it virtually impossible to get at the whole picture by means of a short survey. However, there was also an advantage to having surveyors from the communities because although some might have been reluctant to give them information, more would have been reluctant had they not be known to them. They also knew when best to reach their neighbors and how to explain the survey in a language that was not confusing to their neighbors.

community. My assistants greatly aided my *entrée* into the communities, providing me with more in-depth life histories, with information about the community and its households, and with opportunities for visits by neighbors, which stimulated discussions on the history, politics, and unemployment situation of the community. Sometimes, my assistants also provided me with refuge from the street violence of drug gangs. The observations I made in each house visited, as well as during community events, enabled me to further develop my interview questions.

I did not live in the communities I studied because of the danger involved due to drug gang activities and theft. However, I often spent whole days (and some evenings) in the communities and participated in funerals, weddings, soccer games, religious ceremonies, and community meetings. Spending entire days with families allowed me to observe the kinds of activities that take place within their households. Using feminist research methodologies during the formal interviews, I tried to create as nonhierarchical an interviewer-interviewee relationship as possible.⁶⁷ In addition to taping and transcribing all the interviews, I often took further notes at night on what I had seen during the day (Pelto and Pelto 1978:69). The close relationship with the research participants allowed me to obtain information about their sideline economic activities, their hopes and fears about the unemployment crisis, as well as a more nuanced perception of their lives, because I also saw the joy in their lives as we watched and joked together about the World Cup soccer matches and played with their children. This kind of research allowed me to become as much of an insider as my status in terms of nationality, class, and education permitted.

Interviews with street vendors – which were facilitated by the Union of Workers in the Informal Economy – allowed me to discuss the economic crisis with workers of approximately the same social status as those in the communities, but living in other areas of São Paulo. In addition, these interviews provided a good insight into the dynamics of a city that is trying to become more “modern” looking and thus discriminates against the street vendors who are accused of crowding the streets and creating unfair competition with the more established merchants.

Interviews with industrial managers and other middle-class professionals added yet another perspective on the economic crisis. A portion of the sample of middle-class professionals came from my contacts with a language school where I conducted mock job interviews to help the students with their English language skills.⁶⁸ These interviews were difficult because these research participants were more wary of being interviewed. However, they were important in showing that the negative impact of the economic crisis was not confined to the poor, and underlined the need on the part of this professional group of workers to develop new skills, including language and computer skills, in order to

⁶⁷I tried to encourage dialogue rather than engaging only in question-answer sessions by, for example, sharing with women day-care workers my own experiences working in a day-care center, in micro-credit programs with women, etc.

⁶⁸The mock job interviews helped the students, but they also knew that I was conducting research and would use their interviews for data.

find employment in the new economy. Falling, as they do, outside the main focus on the working class in this book, relatively little attention will be paid to the interviews with these middle-class professionals.

Interviews with Bolivian sweatshop workers allowed me to explore the issue of migration which is very much a part of economic crises and globalization. They were facilitated by a priest who was also the director of the Center for Migration and the Pastoral Center for Latin American Immigrants and the *Assistencia Social Boliviana-Brasileira*, an association of professional Bolivians who are trying to help the Bolivian sweatshop workers who continue to be exploited in São Paulo. Conducting these interviews was the most difficult part of my research given the clandestine nature of their work and the limited free time of these workers. My interest in this immigrant labor group came from personal ties to Bolivia and because their plight became an issue picked up by the Brazilian media in 1998.

The study also involved meetings with NGOs, unions, and government officials to find out the types of programs that had been established to deal with the unemployment situation and the problems they have encountered in implementing these programs. The NGOs worked on policy issues and had projects in the favelas I studied. The union activists were part of two labor centrals, the National Labor Federation (CUT) and Força Sindical. The government officials worked at the municipal and federal levels.

Finally, I collected statistics from various sources including the Foundation for Statistical Analysis (*Fundação Sistema Estadual de Análise de Dados – Seade*); the Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística – IBGE*), a federal statistical office; the Inter-union Department of Statistics and Socio-Economic Studies (*Departamento Intersindical de Estatísticas e Estudos Socioeconômicos – DIEESE*); the left-leaning National Labor Federation (*Central Única dos Trabalhadores – CUT*); and the São Paulo Metro. In addition, I consulted secondary sources at several universities and research institutions and discussed related research projects with academics and officials at research institutions, especially the University of São Paulo. Unlike in many other cities and countries, the databases are detailed and extensive providing me with a wealth of statistical information.

In this mixed-methods study, qualitative and quantitative approaches complement one another. My qualitative interviews allowed me to understand some of the trends I was finding in the employment statistics. The employment statistics directed what questions I should address in the interviews and allowed me to assess whether my relatively small sample was representative. The principal reason for the use of both methods, however, was the sheer size of São Paulo's population. The choice to study three communities as well as two other groups of workers, sweatshop workers and street vendors, also broadened the scope of the qualitative research. The analysis of the statistics available on unemployment and employment (primarily the Seade/Dieese Study of Employment and Unemployment) allowed me to confirm that the patterns that emerged from my own interviews were characteristic of the entire Metropolitan Region of São Paulo. As Sassen contends (2007:4), the use of ethnography expands "the analytic terrain for understanding global processes."

An ethnographers' role is to study others in their space and time providing the ethnographer with "a privileged insight into the lived experience of globalization" (Burawoy 2000:4).

1.8 Plan of Book

Chapter 2 brings in the voices of different groups of actors on the unemployment crisis and global economic restructuring – workers, community association leaders, union leaders, industrial managers, local government officials, Brazilian middle class and elite, national government officials, and Wall Street bankers. Intended to set the stage for the deeper analysis that follows in subsequent chapters, Chap. 2 offers, unedited, the research participants' perceptions of the extent of the unemployment crisis as well as the perceived reasons for the crisis. From the outset, the chapter brings to bear human agency to the process of global economic change and shows how perceptions of the situation have a great impact on how actors will act. After a brief examination of Brazilian industrial history and women's role in that history, Chap. 3 provides a detailed analysis of six industrial plants – all near the communities I studied – where I interviewed industrial managers. It focuses on the variety of forms of industrial production and "flexibilization" in São Paulo, particularly on "internal" flexibilization within industry, such as relocation and layoffs, technological change, educational demands, and the use of temporary workers. Chapter 4 introduces the specific communities I studied – which I've called *Favelas Leste* and *Sul* and *Jardim Sudoeste* – and their inhabitants, providing a visual background and an overview of the employment situation. Here I examine the extent to which community politics and organization, age of the community, and location of the community play a part in the employment situation of the inhabitants of the communities, thereby acting as intervening variables between globalization and unemployment. Chapter 5 focuses on "external" flexibilization,⁶⁹ or in other words, the use of more external labor. In São Paulo the numbers of unregistered salaried workers and self-employed workers for firms grew significantly. The chapter provides an ethnographic examination of outsourcing to sweatshops, home-based workers, and vendors for a firm. Specifically, I explore Korean-owned garment sweatshops; the world of the women who put together clothing tags for graphic companies that, in turn, work for multinational companies such as Levi's Jeans; and the lives of the vendors for national and international cosmetic companies. The ethnographic details allow for a closer examination of the linkages between informal and formal sectors and documents how global, national, and local forces come together to create an exploitative labor market, especially for low-income women. Chapter 6 examines another kind of work in the "informal sector," self-employment

⁶⁹External flexibilization includes organizational flexibilization, more turnover of firms, more use of subcontracting and production "chains" and a tendency to contract out the employment function, and numerical flexibilization, more use of external labor, such as contract workers, outworkers, homeworkers, agency labor, temporary workers, and teleworkers (Van Eyck 2003:4).

with a focus on petty commerce. Chapter 7 concentrates on an analysis of the types of actors that have been and could again be involved in bringing about social change and their actual and potential strategies to deal with the degradation of labor that is partially a result of economic globalization. Specifically, I focus on the past, present, and possible new roles of the Catholic Church and the Pentecostal churches; the community actions of Favelas Sul and Leste and Jardim Sudoeste; the strategies and goals of various types of NGOs such as labor unions and the Pastoral of the Catholic Church; and municipal and federal governmental policies and programs to deal with the increasing level of unemployment and precarious nature of employment. This chapter questions whether the development of cooperatives is an alternative to the neoliberal capitalist model of development. The chapter offers two case studies of coalitions of public and private actors working together, the Regional Chamber of the ABC Region, the industrial region of the Metropolitan Region of São Paulo and the attached Agency for Economic Development, and the Ethos Institute. I discuss issues such as the role of the state, regional governance, citizen participation, the possibility of working within the global economic system to increase social justice, private/public partnerships, and corporate responsibility, and whether we should dare to dream about alternative development models that provide for decent jobs and wages.

Appendix

Chart I: General definitions used in Seade/Dieese statistics on employment and unemployment

Principal concepts/terms	Definitions
Working age population	Persons 10 years of age or more
Economically active population (PEA)	Employed and unemployed
Total unemployment	Open and hidden unemployment
Open unemployment	Persons who have looked for work in the last 30 days and did not work in the last 7 days before the interview
Hidden Unemployment – precarious work	People who at the same time that they are looking for work either in the last 30 days or within the last year are involved in discontinuous and irregular remunerated economic activities or are involved in non-remunerated work for their relatives
Hidden unemployment – discouraged workers	Individuals who are discouraged by the labor market conditions or because of other circumstances and interrupt their search, even though they still would like to work
Employed	People who partake in remunerated work regularly; people who partake in irregular work, but are not looking to change jobs; and unpaid workers who are helping their relatives or who are remunerated in-kind and are not looking for employment. Excludes people who very exceptionally have worked in something in the last 7 days
Types of employed	Salaries, self-employed, employers, domestic workers, family workers, and self-employed university-educated professionals

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Photo 1.1 Avenida Paulista



Photo 1.2 Favela Leste

Chapter 2

The Spectrum of Voices in the São Paulo Economy

Abstract This chapter brings in the voices of different groups of actors on the unemployment crisis and global economic restructuring – workers, community association leaders, union leaders, industrial managers, local government officials, Brazilian middle class and elite, national government officials, and Wall Street bankers. Intended to set the stage for the deeper analysis that follows in subsequent chapters, I present the unedited voices of different groups of actors and thus the different perceptions on the extent of the unemployment crisis as well as the perceived reasons for the crisis. From the outset it brings to bear human agency to the process of global economic change and shows how perceptions of the situation have a great impact on how actors will act.

Today they are crushing us . . . The boss is squeezing many of the employees because many people are unemployed. I am suffering a lot in my work. Do you know why? I am persisting because I have a small son. One is forced to tolerate a certain degree of humiliation. I am going through humiliation on top of humiliation and staying quiet. It is the truth. It is because I need [the job]. It is not that I do not have skills. I know how to do many things. (Maria José, participant in the education program of the Metallurgy Union)

The different actors linked to São Paulo's labor market often had conflicting but also sometimes surprisingly similar views on economic globalization, unemployment, the increasingly precarious nature of the labor market, and the causes of the unemployment crisis in São Paulo. Their perspectives depended on their socioeconomic class and position within the labor structure but also on their alliances to political parties and union confederations. In this chapter, I will allow the workers,¹

¹The use of the term “workers” might be misleading since some were unemployed or would not be considered “workers” in a Marxian sense of directly working for others because they were self-employed and owners of microbusinesses. I would argue, however, that they should still be called workers because even if they said they were unemployed, they actually were involved in one or more economic activities. In addition, many had worked in “formal” jobs. Others were selling for larger firms, working for a middle-class family cleaning and taking care of their children, or working in construction.

trade union activists, industrial managers, middle-class professionals, government officials, and Wall Street investment bankers to present their opinions and analyses of economic globalization and the unemployment crisis. I will reserve detailed interpretation on my part for later chapters.² What emerges from my interviews are the conflicting ideas, held by economic and political actors, about how São Paulo will be able to participate in the global economy in a way that will benefit each one of them. This chapter is an experiment in multi-vocality. The quotes are intended to show the complexity of the impact of globalization on particular actors in Brazil, their perceptions of the situation, and the concepts they employ to describe them. I believe that how people understand and experience reality is indicative of how they will act. In the case of government, industrial managers, and Wall Street bankers, an examination of the actual language of the different actors can lead to a better understanding of the arguments they use to justify their actions as well as how they influence the perceptions of workers. In the case of the workers, we may be able to better understand both their reasons for despair and their lack of action, in the case of the unions, how they think they need to change. Methodologically this approach is very different from research that starts with set hypotheses and tries to prove them. I start with listening to what various actors are telling me, reserving the analysis of the interviews, complemented by the statistics I gathered, for subsequent chapters. I am not denying, however, that through my interview questions I may have influenced the direction of the conversations to a certain degree. The various voices reappear in all the chapters.

2.1 Globalization

“Globalization” was a common word tossed around in the media and among all the actors interviewed. When the inhabitants of the squatter settlements were not blaming the government for causing the unemployment, they blamed globalization, a disembodied evil force. Many other actors, such as government officials at all levels, industrial managers, and even labor union activists, have blamed the nebulously defined force of globalization in order to justify their actions. While “globalization” serves as a convenient scapegoat, their fixation was not without justification. Each of these actors has had to respond to the global economic changes taking place and more specifically to greater international competition. Each of these actors did have a concept of what economic globalization is and how it has been impacting their work and lives.

²The quotes have not been indented and single-spaced because of the desire not to separate them from my voice, which is present only to clarify and direct the discussion. I recognize that in choosing the quotes and in how I organized this chapter, I have influenced the discussion. As both qualitative and quantitative researchers, we do have an impact upon the data presented even when we try to be objective and let our research participants speak for themselves as I try to do here. The names of the interviewees and their institutions have been changed or suppressed by using their position or describing the type of actor, in order to maintain anonymity except when I had been explicitly given permission to use their name as in the case of Eduardo Cabrera at Merrill Lynch.

The industrial managers interviewed had conflicting views on “economic globalization” and the extent that markets could or should be “globalized.” The human resources director of an electrical plant, a subsidiary of a large multinational corporation based in the United States, offered this: “Globalization means that the systems today are even more similar to those in the entire world, so [if] I need switching units to control machinery, I can go search for [them] in Germany, [and] I do not necessarily need to buy [them] in Brazil. We, ourselves, are buying a new machine . . . that will go into operation in the beginning of the year and this machine was bought in Germany. I sent one of my technicians to Germany to learn how to operate it before it even was sent to Brazil. This is occurring all over the world. We have suppliers in the United States, in Germany, and in various other countries, because today things are standardized.” Many of the managers shared the view that the new global economy signified that products could be bought and sold anywhere in the world – although not necessarily marketed in the same way. The marketing manager of the multinational screw industry Drills and More explained: “It is clear that each market has a different face – its own particularity. In Italy [where there is another Drills and More subsidiary], they have a way of doing communication. Here in Brazil, the client is different, . . . but we have to be careful to always present our logo in the same way, in order to show the strength of the group, so that people will be able to identify us, ‘Oh, you are the same Drills and More that also supplies us from Italy.’ So we need to maintain the same quality level of communication, but we have a lot of latitude in the way we communicate. This is correct . . . because there are firms that suffer a lot [from total homogenization]. Some things are specific to a given country, such as rules that have to be followed, and the market here . . ., right? Sometimes, they have set strategies. I worked for an English firm. They brought a ready marketing strategy of theirs and it did not work here . . . An agency from another country does not know the culture of the country and does not know the peculiarities of the market. So, it is complicated . . . Many businesses had to suffer when readymade strategies were brought over [here], but I think that will be reversed again and their [marketing strategies] will go back to being local. Because this ‘globalization’ costs and is not working. Every locality has its particularities, its characteristics. It does not work to want to globalize everything, right? So, one day, in the future, who knows, we all might be speaking the same language, but I think that will be difficult . . . There have been cases where a business brings over a product that was successful in Germany, for example. They try to bring the exact same [product] to Brazil and it doesn’t sell and they do not understand. But how was it that it was successful there? They do not see that it had a color that here in Brazil is shocking and there is great. Here it is not acceptable. The Brazilian is not adapting to that kind of product . . . There are many cases like that. I think that one has to globalize what is globalizable, right? [We can globalize] what is acceptable and the rest must be kept to maintain a sense of locality and respect for the characteristics of each country. If not, it will not work . . . There still are a lot of manual male drill bits around, so we need to continue to produce them in order to attend to our market, because the industries are modernizing slowly. Some [are modernizing] very rapidly and others more slowly, [such as the] small backyard industries. We have to

meet the needs of all types of consumers with the potential to buy.” For this industrial manager and others I interviewed, “globalization” signified fluidity between national markets as well as growing homogeneity of products and perhaps also of marketing strategies. However, industrial managers are also questioning to what extent globalization will be effective.

There is agreement among all the actors that “globalization” is ubiquitous in the sense that it is affecting all the sectors of the economy. After a discussion about the automobile assembly plants that were laying off workers, a union activist in one of the metallurgy unions exclaimed, “I think that this modernization [stemming] from globalization is all over. It is touching all areas. Nobody says that they are not being touched.”

For decades, government officials at all levels, trade unions, and industrial managers have been debating the optimal degree of openness for Brazil’s trade and the use of imported technology to modernize production processes, all while workers are being laid off at a steady pace. As mentioned in the introductory chapter, the Real Plan contained policies for opening Brazil’s economy significantly and for curtailing inflation. Trade unionists are torn about the issue of protectionism. One activist for a clothing union connected to the left-leaning National Labor Confederation (CUT) claimed that the apparel sector, which also includes shoes, leather, and textiles, was “one of the branches most hurt, within CUT . . . because the market opened, and we have a lot of imports. But here to there [in terms of exports, there is] nothing . . . Before we had around 700,000 to 800,000 workers . . . Today we do not reach even 300,000.” A labor union activist at Força Sindical, a more conservative national confederation of unions, was quite critical of the neoliberal model but basically had accepted that labor was going to have to work within it. Discussing the more flexible labor policies that the federal government was putting into place in order “to get Brazil ready to compete globally,” the labor union activist at Força Sindical contended that the situation was “bad with them [the federal measures], but worse without them, because this is what we are living . . . We are not isolated. We are part of an economy [that is] highly industrial [and] globalized. We are unfortunately not the only ones living through this. This is in reality the result of a model. Right? It is called productive restructuring, industrial conversion, adjustment measures . . . These are measures that are happening, with a few minor differences, worldwide, starting with the European countries, passing through Asia and arriving in the Americas. [It is] a model that privileges speculative capital, easy money, rather than applied funds for production [or] money applied to really developing the economies of countries. It therefore leaves us totally vulnerable. This capital is not subject to any controls. It can flee . . . leaving countries bankrupt, like what happened to Mexico [and] Asia . . . It is impossible [to counter] because we are dependent upon international capital, upon foreign capital, here in this country so, unfortunately, we are at its mercy. This is one side. On the other hand, we are in favor of such measures as the modernization of the relationship between capital and labor . . . We are the eighth [largest] economy in the world, and we have labor relations that are highly backwards.” This union activist seemed both fatalistic and hopeful that changing labor relations would allow Brazil to continue being a

productive economy. When I told an investment banker on Wall Street working with Brazil what some of the trade unionists had told me about Brazil losing employment and industries because of globalization and the opening of the market, he responded, “The markets should be open with few limitations. Certain industries cannot compete. But they [the Brazilian government] can’t just protect them.”³

While for the industrial workers interviewed the opening of the market with the Real Plan often meant unemployment, for the vendors it often meant access to cheaper goods that they then could sell at a higher volume for a low markup to the unemployed or underemployed. Many of the inhabitants of the *favelas* associated the Real Plan primarily with the end of inflation. They could now buy goods on credit more easily and thus have the chance to buy television sets, stereos, and kitchen appliances. When I asked if their lives had improved or had become worse with the Real Plan, one woman who worked as a cleaner and cook for a day-care center responded, “It improved a little bit. [It] improved, because if you continued to have such high inflation [like we had before the Real Plan stopped it], I think it would not have been possible to build [my] house. So, it improved, although inflation is still getting higher every day. It is getting higher, but not as high. Let’s see until when [the relatively still low inflation] will remain.” Another woman who works in a day-care center started by Sister Isabela in *Favela Sul* responded to the same question, saying: “Analyzing it well, many people say that the Real has made things cheaper, but R\$1 is R\$1. Whatever amount it is worth, if the person would analyze what the money was before, you pay double of what you would have paid. Nevertheless, it is better, because now it is not going up so much. If only they [the people] would think more, poor things, the people who do not know how to deal with this, . . . [they would realize that in general real] salaries are decreasing [because things cost more], and many are cutting the number of employees, [and then using this as a threat] in order to decrease the salaries of others. I do not think that it, [the Plano Real,] helped much. There is also a lot of unemployment.” Some other workers I talked to did realize that employers were using the threat of unemployment as a tool to lower salaries.

2.2 The Unemployment Crisis

Unemployment was of great concern to all the actors interviewed. The workers often complained that everyone they knew seemed to be unemployed and that they, themselves, had often gone on job searches that turned out to be futile because of

³Although not a large part of my fieldwork, the opinions of the Wall Street bankers I interviewed in New York are important as these investors had significant power to influence how economic globalization was impacting favela inhabitants, the direction and language of international and national policies encouraging the opening of the market and labor flexibility, and the perception of national and local actors including government officials and workers on what was inevitable about globalization and what Brazil needed to do to continue receiving foreign capital.

their age but often because firms were closing or laying off employees. The workers argued that the present crisis was worse than earlier ones, such as the one in the early 1980s known as the debt crisis. Some industrial managers claimed that they had to lay off workers in order to survive. A few of the firms had temporarily stopped contracting out to smaller firms in order to protect their own workers until the crisis subsided. The unions were rapidly losing members.

When I asked Márcia, a homemaker for the cosmetic packaging firm “EPC,” whether she and her friends had been affected by changes in the 3 years since the opening of the labor market, she responded, “[T]here have been changes for the worse. All opportunities for work have been closed. Brazil is finished. Everyone is unemployed. Look at my brother-in-law, father of a family, with four children living in one room because he is unemployed. The wife is working, cleaning, in order to earn R\$200. How is he going to pay rent of R\$250? [So now,] they live in the basement in the back of my house . . . Before he was working in a firm that installed carpets . . . Generally, if there are five people in a family, four are unemployed. I have noticed that it’s happening everywhere . . . My sister-in-law was working and now she cannot even leave [the house to look for a job], because it costs money and is of no use. Two of the girls were working [before]. Those daughters of my sister-in-law already finished high school, and they have taken computer courses, [but] they are not able to find anything! They don’t even go out [to search for jobs] anymore, [and] only spend what they have.”

“Electronics,” a multinational corporation involved in electrical machinery, did try to prevent layoffs. The human resources manager, André, told me, “With the fall in demand both here in the internal market and in exporting, the tertiary workers that were contracted here are practically out of work, because . . . I am using my own personnel inside to do what [work] I was outsourcing . . .” Right before the fall in demand, Electronics had been outsourcing most of its assembly work to workers working outside of the firm.

In discussing the high unemployment rate in São Paulo, a union activist in the Metallurgy Confederation told me, “It is natural that [unemployment] would be a problem in São Paulo because there is a concentration of industries in São Paulo. Outside of São Paulo, there are [only a] few industries. The great majority of other states live from other sectors of the economy, such as agriculture, but not São Paulo. São Paulo, especially in the ABC [region], is basically industrial . . . We feel it a lot because the ABC [region] is our major industrial pole. So we are hit hard. To give you an idea, we had 150,000 members and today we have 80,000; so there are 70,000 workers somewhere out there. It is something, if you visualize the closing of enterprises in São Paulo and you compare this with the situation of the city in the United States that the whole world talks about -- Detroit [which lost a lot of its industries in an earlier period and had high unemployment as a result]. The whole world talks about the ABC region as having a bit of that reality. The difference is that we do not think that it is irreversible, like they say. We think that it is possible to make good use of the national industry, and we are fighting for that. It is true that [unemployment] has been having this effect on São Paulo because it is an industrial area, but we are also looking at the contrast between the Metropolitan Region of São

Paulo and the interior of São Paulo. What is happening? Industries are leaving the MRSP and they are going to the interior of the state with property or privileges that they do not have here. A businessman [will say], 'I am going to a city in the interior where I will be exempt from taxes for 100 years; the municipality will build a factory for me and also will provide a 20-year loan for the machinery . . .' If he can, he will go with a new factory, with the new technology, with the new workers and with lower salaries, and the ability to avoid paying taxes . . . Do you think that the businessman will stay here?!" Thus, this union activist was hopeful about employment possibilities in the future and for the state as a whole, although distressed about the severity of the current employment situation in the metropolitan region.

A middle-class public servant working for the Ministry of Health depicted the unemployment crisis as a spiral: "If there is no employment, commerce will not be able to survive and this results in shops closing followed by the closing of more industries, because if the stores close, the industries will suffer, resulting in more unemployment. It starts with industry, then commerce, then the consumer and finally the family."

The unemployment crisis was seen as a new phenomenon by the workers, in contrast not only with times of ample employment but also with earlier unemployment crises in São Paulo. The workers spoke nostalgically of the days when there was employment and they could leave badly paid jobs or abusive bosses. In a group interview, one woman, Neide, who was part of an education program of the Metallurgy Union that provided unemployed workers the equivalent of a primary school education said, "When we were here in 1979, it was good, right?" Another woman in the same program, Maria José, answered, "It was good, because it was like this: You worked in a firm and then you found another [job] that paid a bit more. You left that one and entered another one without any problems. . ." And Neide continued for her, ". . . without staying unemployed . . . Even if you were unemployed, the next day, you would already be employed . . . There was employment before, . . . today there is not." Maria José agreed, "It was. It was good. That time, in 1979, I remember that I went out to search for employment. I saw three or four employers the first day. I did the test and I looked at what would pay more. Then I chose. If it did not work out in that one, I just went to another." Another female participant of the program, Nelba, joined in the conversation and voiced her agreement: "I also entered into a firm in 1979 and stayed 10 years and today . . . you do not stay a year, that is, if you enter [at all]. These days everything is contracted [out]. It is by contract through an agency – two months, three and goodbye! You have to leave." Maria José added, "And today they are crushing us . . . The boss is squeezing many of the employees, because many people are unemployed. I am suffering a lot in my work. Do you know why? I am persisting because I have a small son. One is forced to tolerate a certain degree of humiliation. I am going through humiliation on top of humiliation and staying quiet. It is the truth. It is because I need [the job]. It is not that I do not have skills. I know how to do many things. But it is so bad that if one goes out to sell clothes, one does not sell any longer and when one does sell, then one is not paid. They do not have money to pay. If you make snacks [then people do not pay you]. [I know], because I already lived doing that. I made snacks to sell outside.

I've had a bar. I've done many things. I've worked eight years as a self-employed worker, but today it is impossible . . . The other day, my boss said she would slap the employees in the face." This worker seemed to be willing to take on more precarious work and be self-employed but ended up suffering the humiliation of having to work for someone else who mistreated her.

When I spoke with the president of the union of garment workers of São Paulo and Osasco about Maria José's story, her response was: "It is true. It is difficult. There is unemployment. There is change. But if she lowers her head and accepts everything in the way that she is accepting it, she will return to being a slave. And before, black people like myself were slaves. Today, the slaves are all those who depend upon employment."

Most of the actors were preoccupied about the kinds of skills and characteristics that were essential – or disadvantageous – in obtaining or retaining jobs and about the contacts that were necessary, but they had different perspectives. Workers complained of ageism and the fact that the skills they had never seemed to be enough. The municipal officials working as head hunters in job banks also complained about ageism and the skills demanded by employers. When I asked a doll vendor whether she had looked for other factory jobs after the firm where she had been working closed, she said, "No, I am not looking much. I sent out many resumes, but employment here in Brazil is very difficult, particularly if you are older than 30. In the beginning, you do not have experience. Afterwards, you can't obtain [a job]; you have a lot of baggage. But I will turn 37." When I commented that she was still young, she responded, "For me, I am! But in the heads of the businessmen, . . . it is absurd, but they think differently. I do not know what happens [or] what they think . . . I think today I am very much better than I was 20 years ago. So, I spent a period of time without looking and I went out to sell a few things on the streets. But the income did not even cover my costs. It did not bring an [adequate] return. It was not the kind of salary that I had had. I had to substantially lower the standard of living I was used to. I am resolved to stay here." By "here," she was referring to a shopping mall that had been created by the municipality, solely for street vendors, around the time of the interview. The mall, at that point, had very few clients; it eventually closed.

Men also had problems with age discrimination, but some realized that discrimination was rampant because of growing international competition and the overall scarcity of jobs. One of the male leaders of the association of *Favela Leste*, José, told me, "In 1992, I was [looking for a job]. But in 1992, the crisis had already started. There was already this unemployment crisis. It was already bad . . . And then there was an age problem, as well. That ISO 9000, [international certification system], also appeared. So, from the ISO 9000 on, things started to get a bit ugly. The competition makes for disputes for openings in a firm. For every two or three openings, 50 [people] appear at the door of the factory. And all are well qualified. If you do not fit the mold, [it is] very difficult." Age, however, was not the only obstacle workers faced. Lúcia, who had moved to Diadema to escape an abusive husband and during our first interview, in July 1998, was helping her brother run a butcher shop in *Favela Leste*, described the problem of getting a job in the following

words: “[I]f you know somebody who is a manager, a foreman, a director, a supervisor . . . there, inside, you enter with ease, but if you don’t know anybody, they ask for a thousand and one [skills]. They put a thousand and one obstacles [in your way]. [They ask] if you have a high school education, if you can speak other languages, if you know computers, if you . . . They put a thousand and one obstacles for you to enter. If you know someone and have those qualifications in your hand, you enter easily, but if you do not, you simply get a no [for an answer] and return home You have to have an eighth grade education even to do cleaning Who does not know how to clean a house?!”

Middle-class educated professionals also were having problems finding jobs and had to have contacts and meet stringent qualification requirements. When asked whether it was difficult to find work in the area of human resources, a human resources director for a multinational company producing electrical machinery responded, “The market is low in all areas One has to be very well qualified and well connected, because principally in this area of human resources, the people know each other well. One has to have contacts.”

The director of the job bank for Diadema (SINE), a service for both employers and workers, described the qualifications that firms presently expect from a worker: “We have many people who come to work as auxiliary workers in production, to be general assistants. The people that come do not have any qualifications. However, what do the enterprises want today? [Applicants] have to have a formal education, because even if they hire someone as a cleaner and to sweep the floor, when someone is absent, they could put that person at the computer. The firm wants a person that has various capabilities so that when he is inside, he can be used for other functions. [This is called] multifunctionality.” Therefore, the prospects of most persons that come are limited, because they don’t know how to write well [T]hat is the first problem, the lack of formal education”

The director of the job bank elaborated upon other problems that workers face, confirming what many of the workers had argued. For example, on ageism, “After thirty and a few years, they have no use for you. Sometimes you see people here who are sixty and over, but with a lot of energy that would surpass any youth. They are more responsible, . . . but the firms do not see it that way. If he is young, [they say he] lacks experience [If he] has a clean worker’s card and never worked, it is a problem. Now, if he has experience, but left for a while, and already is older, they [also] do not pick him. If the person is unregistered for two to three years, the firm also does not want the person, because he has been outside the labor market for a long time At present, we don’t have the means to fight this. What we can do is to sensitize some firms because of the good relationships we sometimes have with the firms [We can say] ‘listen, this person is very good’ . . . , but we rarely succeed. Mostly, we do not have the mechanisms to combat the problem”

The unemployment crisis has had negative effects on many workers and families in the squatter settlements, but it has also affected the middle class through the increase in the amount of crime including drug smuggling and related homicide, theft, and kidnapping. A female dentist who had conducted a dental project with children in a poor community said that when she was working there in 1996 and 1997,

“There was a wave of unemployment, which was very high. Now it’s even worse, so the people feel it and what happens is that they do not have employment and they see that drugs are easy to get and are a marvelous source of income . . . The violence is absurd, . . . but it is not only in the *favela* that we see violence, [it is among] all the social classes . . . I have come to believe that things will indeed not improve.”

The crisis has also affected the way Wall Street looks at Brazil as a large market. When I asked an investment banker in New York whether Wall Street was concerned about unemployment in Brazil and whether it affected investment in the country, he responded, “It is a concern. It is part of the other issues. It reduces demand. It increases the social problems. However, it is not the only concern. Other factors such as education and working conditions [contribute as well], but they are long term issues.”

2.3 The Increasingly Precarious Nature of Employment

Not only had there been a decrease in employment, but the employment available had become more precarious, as companies turned to temporary workers and to outsourcing of services and production and begun offering fewer benefits to their full-time employees. Women were often found in the more precarious jobs. Economists, investment bankers, and government officials often argue that improving Brazil’s competitive advantage will require Brazil to have a more flexible labor market. Among the changes they call for are labor regulations that permit temporary contracts and lower the cost of mandatory social benefits. However, would this result in even lower wages and, more generally, in an even more precarious labor market for workers?

An activist for one of the garment unions connected with the left-leaning CUT described the situation for women workers: “The garment sector is basically female. Our sector had around 68/70 [percent] women and when you work with this high a proportion, it is a sector that suffers a lot, because of the question of discrimination against female workers – discrimination in salaries, discrimination in schedules, discrimination in production. So, it is a sector that suffered from the layoffs. Today, we have various problems. We still have the requirement that women take a pregnancy test. We have a test for sterilization that the women have to present . . . They are the first ones to get on the list of workers being laid off . . . We have some industries, that are . . . taking advantage of this unemployment situation, and stick it to the women [especially] and men . . . And we have firms [again, that are primarily employing women] that are doubling [the hours to] 12 hours. At present these persons, without any options, have to work 12 hours a day in some places. When you have a discussion with the workers, they are very clear. [They say,] ‘What am I going to do? If I don’t work the 12 hours here, I will not be able to stay here to work the 8 hours that I know I am entitled to.’ And so we in the labor movement are in a big bind.” Another activist working on gender issues at the labor confederation

Força Sindical agreed and added, “So, the women are in the precarious jobs. They work at home [as outsourced homeworkers], [and have] two or three jobs [outside of the home]. Sometimes they work in a building and clean and in addition, [they work] in another place [such as] a bar . . . Women are entering [the labor market], but always in the more precarious areas, without any social rights, and what is worse, they will work for the rest of their lives, but will not have any rights to a pension, to healthcare, to health insurance. The Brazilian State will not cover these people.”

Many of the female workers were forced to take temporary jobs or seek employment in outsourced firms. A female worker for a cosmetic packaging firm told me, “Now what they do is they admit [workers] for three months of experience, and then they don’t continue them after this probationary period. This happens a lot . . . Within these three months, they do not have any rights, therefore the interest [on the part of the employer] to fire the workers within this period . . .” The situation is also precarious for men. When asked whether many of his colleagues at the factory were laid off at the same time he was, José in *Favela Leste* responded, “They laid off almost everybody. There is a lot of job rotation, because the firm lays off their employees and works with outsourced workers . . . When production is high for two or three months, they pick out some outsourced workers and put them inside the firm; when the job is done, they send them away . . . Instead of hiring their own workers, they go to an agency, and contract that agency. The agency chooses and sends the workers to the firm where they work 90 days.”

It was difficult for the labor union activists to witness the dwindling of long-term contracts as well as their own loss of members because of the outsourcing of services and production. An activist for one of the garment unions said, “Some firms let go an employee and work with him as an outsourced worker. This way the employee does not have the right to the 13th month bonus, the guarantee fund;⁴ that is, ultimately, all the rights that had been won . . . So, what do they do? The clothing firms, those of the shoe sector, leather sector . . . rent a shed, send the machinery and outsource there. And there the machine operators don’t have the same rights they had in the factories . . . Or they let a seamstress go, or a cutter and they go and produce in their own homes, thereby losing all of their rights.” An activist for one of the chemical unions connected to CUT also contended that there was a lot of outsourcing, but did not think it was a new phenomenon. When asked what services were outsourced, she replied, “As a matter of fact in this sector it [outsourcing to other firms] already surged in the decade of the 1960s. The ‘tertiarization’ in our chemical sector was only aggravated by this process of industrial restructuring.⁵ But almost all the big firms already had cleaning, restaurant and security services from the outside.

⁴The guarantee fund (Worker’s Capitalization Fund – FGTS) is an unemployment or forced savings fund.

⁵The word “tertiarization” is a direct translation of the Portuguese word. It means outsourcing of both services and production to a tertiary firm, a firm outside of the main industrial plant, which either produces outside or provides employees who work inside the plant.

And today they have some office services that they hire out.” When asked if they did this because it was cheaper, she said, “Oh yes. The management denies it, but if we would really examine it, they are cheaper because the firm pays X amount to the other firm and that’s it. The other firm has to do all the administration, execution, and ensure the quality for the other firm. Therefore it economizes a lot, principally at the level of taxes . . . The contracted worker earns less and generally he [the employer] is unfair [because he does not provide] health insurance that the others have. Even the presents that the firms give [to their employees], Christmas baskets – those little things, are not the same. They make distinctions between employees. Along with the bad pay comes a lack of respect.” There was a sense of despair and nostalgia in both of their voices as they saw all the hard-fought rights by their unions being lost.

The managers at *Bom Chocolate*, a chocolate factory owned by a multinational, insisted that they had not been interested in the new, less rigid contracts. “I want to make one thing very clear: We are using agencies because we are at a technical stalemate. We don’t want to earn money on the backs of the workers. Furthermore, we are passing on all the benefits given to our regular employees to the temporary workers. Simply because it is a large volume of people we need. We would need to mobilize many people to contract these people, and so in reality, [we] gain by leaving the hiring to the agency.” Taking a somewhat defensive attitude, the industrial managers explained that they used the new, more flexible systems to survive.

Homeworkers, who seemed to be growing in numbers, often had even fewer rights than temporary workers hired through agencies. When asked whether there were many unregistered workers like herself, Márcia, who puts together lipstick holders for a cosmetic packaging company, said, “There are many people in this kind of work. There are two other girls over there [down the street] that do it. My sister-in-law also does this here. My nephew is unemployed. My niece is unemployed and they were paying R\$250 in rent. It is lucky that one of them works, but she earns only R\$450, poor thing.” When asked whether life was better for her family in 1998 than 3 years earlier, another homemaker, Lucilia, replied, “three years ago things were better because I was working in a factory and my daughter worked as a maid. My other girls were also maids. It was much better. And now with the Real [Plan] there is only my husband, right? Only he has a stable job. In other words, I think things have gotten worse.” The homeworkers did not celebrate the fact that they had this kind of economic activity and argued that life was better before with other types of more stable economic activities. The human resources director of the cosmetic packaging plant justified their decision to use more homeworkers by arguing, “In order not to be in that [situation] of contracting and firing, contracting and firing, we use the system of tertiarization [homeworkers].”

An activist in the chemical union explained, “One of the old fights that we had was with Avon. Worldwide, Avon has an army of women who work for them in their houses. But in addition to Avon, there is infinity of firms, such as ‘Pura’ and other small firms that do this. And the small ones that do not have a name in the market, also outsource their products to be ticketed, packaged in the house . . . Often [the workers] do not know of the existence of the union. A woman receives a quantity of

lipsticks to ticket, goes to pick up the product, brings it to her house and later brings [it back] and does not have contact with anybody, not even with the workers in the factory.” The president of the garment union of São Paulo and Osasco’s comment was more succinct, “In reality, the firm is gaining because the worker is losing.”

In an interview with a top official at the Ministry of Labor in Brasília,⁶ I told him that there seemed to be general agreement among the workers and union activists I interviewed that more flexibility, in the labor laws and with hiring practices of employers, was necessary but that flexibility often comes at the cost of the workers who are hired without health insurance or other benefits. The official responded, “As a matter of fact, our concern is to lower general labor costs, without taking away workers’ rights. If we compare the Brazilian statutory system with that of the U.S., the Brazilian system, at least [on paper,] is much more contorted and complex.” He was aware that flexibilization might worsen labor standards and did not want that to happen, but argued for the need to make the system more flexible in order to be internationally competitive. He continued that the Brazilian system needed to be able to withstand external shocks by being able to let go workers more easily. He therefore justified the introduction of new short-term contract legislation that allowed a firm to more easily contract workers for shorter periods of time when they needed more workers with fewer costs such as a high-benefit package. He claimed that the new legislation creating the new type of short-term contracts did provide real contracts. The greatest difference with new short-term contracts for the worker is the lack of job security, substantially reduced severance pay, and no unemployment insurance. Under the standard law employers pay eight percent of the employees’ salary (including overtime, paid vacation, and 13th month bonus) into a closed bank account in the name of the employee. This account may only be drawn upon when the employee leaves, buys a house, becomes gravely ill, or retires or upon his or her death. Law 5107/66 instituted the Unemployment Guarantee Fund (FGTS), as a welfare mechanism, and in May 1988 it became compulsory. In the new legislation the amount the employer pays into the Guarantee Fund was reduced to two percent of the employee’s salary. Another reduction with the new short-term contracts indirectly hurting the worker was the reduction by 50 % in the contributions to Senai (National Service for Industrial Professional Education – Serviço Nacional de Aprendizagem Industrial) and Senac (National Service for Professional Education in Commerce, Services and Tourism – Serviço Nacional de Aprendizagem Comercial); both institutions are part of what is known as the S system, a system of federal governmental institutions that were set up to provide training and research in various economic sectors. In addition, in the standard contracts if the employee is not responsible for his being laid off, the employer is fined 40 % of the employee’s salary. The official argued, “This makes the cost of hiring and firing very high and

⁶The interview was conducted in English and the quotes from the top official in the Ministry of Labor are therefore not translated, as are the other quotes. Given that English is not his first language, there are a few misuses and grammatical errors. Only when the meaning has been severely compromised have I changed anything. When I have added words, I have placed them in brackets.

does not encourage hiring. So we want to reduce the non-wage labor costs . . .” The legislation stated that the new temporary labor contracts could only be used when the total level of employment increases and the average number of employees was higher than the previous 6 months. I asked what were the ramifications for someone whose short-term contract ends and cannot find work. Would they get the 4-month unemployment insurance, which subsequently had been lengthened during the crisis? He replied, “He has no unemployment insurance. This type of short term labor contract was in existence under the original labor codes, but the firm was not allowed to hire this kind of labor unless [there was] some kind of accident [and they needed to fill a position temporarily], . . . [or] for labor that was not essential for the core operations: to paint a wall, construction . . . It was a two-year contract. What has changed is that the firm can hire this guy as part of the essential production process. It remains that he cannot be hired for over two years. If the guy is rehired, then his contract is changed from short term to long term and then all social contributions rise and all the non-wage costs rise to the standard level, which is quite high.” Unlike some of the union activists, the official did not believe in holding on to the old system.

2.4 Causes of Unemployment

Although some of the actors blamed “globalization” for the unemployment crisis, as the quotations earlier in this chapter demonstrated, many also blamed the government, especially for the high interest rates. The Brazilian government used high interest rates to stabilize inflation which was rampant in the 1980s ranging from 100 % to 3,000 % per year. High interest rates lowered inflationary pressures. In the years examined closely in this book, the annualized SELIC (Special System of Clearance and Custody rate, overnight lending rate, or prime rates) interest rates ranged from a low of 17.86 % (based on July rates) in 2002 to 44.95 % earlier in 1999 (using March 1999 rates) (Banco Central do Brasil 2011). Up to 2000 the SELIC rate did correspond to levels of inflation; however, after this it has been less clear why the rate continues to be high. However, the wide bank intermediation spread – between the prime rate and the lending rate – increases the negative impacts on businesses.⁷ According to the World Bank in the case of Brazil, this spread is closely related to the level of the SELIC in a multiplicative (or proportional) way.

⁷There are many hypotheses posed by the World Bank as to the reasons for the high level of the Brazilian SELIC. They include that the high rates stem from debt and fiscal risks, a bad equilibrium from a high risk of debt default that requires the interest rate to incorporate default risk, and jurisdictional uncertainty placing emphasis on institutional factors such as “the risk of sovereign actions that can change the value of financial contracts (through surprise inflation, asset confiscation, directed lending schemes, etc.) as well as weaknesses in creditor rights affecting public-to-private and private-to-private contracts” (World Bank 2006:26). Although they acknowledge that none of the hypotheses can be totally rejected, their study shows more clearly that the perceived default risk is a strong reason for the high interest rates.

It is not mainly due to microeconomic factors impacting the costs and risks at the level of financial intermediaries or borrowers (World Bank 2006:17–18). The exact impact of the high interest rates on the Brazilian economy and, in particular, for this study, on the small and medium firms and therefore employment is not completely clear. However, many economists and firms argued that the economic growth and firm's growth had been negatively affected. It seemed to have hit those sectors that relied more on short-term financing. An Investment Climate Assessment (ICA) survey for Brazil showed that firms of all sizes ranked high interest rates as the principal reason for not applying for a loan. The same survey showed that the cost of finance is ranked as the second main constraint to growth for Brazilian firms. Micro and small firms are charged higher interest rates on overdraft (around 5 % per month) compared to medium and large firms (3 % and 4 %, respectively, per month). Micro and small firms often were going to informal lenders for loans which was, in some cases, even more costly (World Bank 2006:74–76).

A government official from the Municipality of Diadema argued, "Interest rates are a problem. A microentrepreneur needs subsidized credit in order to maintain himself [and] to modernize in view of the competition from outside. But he does not receive any. So, the people suffer and unemployment is high." A Wall Street banker focused more on his large investors and therefore disagreed, "Interest rates are really not the problem. They still are high, but [they are] not the main problem." This Wall Street banker was more concerned about how Brazil's rating in the world economy could affect his investors' decision to bring their money to Brazil; the cost of internal financing was secondary, he said, especially given that MNCs are able to obtain loans in other countries and therefore do not care about internal interest rates.

Other actors attributed the crisis to political will, corruption, and fiscal problems which some attributed to government policies and lack of government funds to improve the ability of firms to grow. As a top official at the Ministry of Labor said, "Unemployment is a very complex problem and has many causes. It is not an issue that you can face and have immediate results overnight. It takes time for the unemployment rate to go down because with the rising unemployment you have factors such as the opening of trade and the effects of the fiscal and monetary adjustment of last November [1997]. We have privatizations and public debts of the municipal, state, and federal governments: a whole set of causes that might lead to the rise of the unemployment rate."

José, an unemployed factory worker and one of the leaders of a community association in *Favela Leste* in Diadema, might have responded to the official at the Ministry of Labor as he did to me, "What is killing Brazil is the politician. They don't have the will. Their business is only to massacre the poor. The salaries here are too low. They do not give the right to people to study and do not give any rights . . . And why does the Brazilian not fight? Do you know why? The poor do not vote for the poor. They say that the poor will get rich, will rob, and I don't know what. So, their business is to vote for the rich. The rich do not do anything for the poor. When election time approaches, they come here over television and promise the world and beyond. They go into the *favelas*, kiss the little black kids, [and] things like that . . . The camera shows them and they say that they will help the poor . . . Brazilians

need to learn how to vote. We will see now, because it looks like things are improving, because now we have the Landless Movement. Here, we have all sorts of movements for everything.”

The owner of a grocery store in the same community as José, who also had earlier been let go from a factory, continued with a critique of the government. “There is only one thing wrong with this country. It is that we do not have governance, understand? We just have robbers that enter just to steal. If we had an honest government, the best place in the world would not be France, would not be Japan, [and] would not be Mexico, [it would be Brazil] . . . There is no law. Law here is only for those who have a lot . . . So we remain a worthless country. The United States, Mexico, Japan, Paraguay, Uruguay and Argentina, . . . all these places ship us merchandise that we don’t need. Because our country has everything – gold, metal, silver, diamonds, . . . everything, and there they do not have anything . . . What I want to say is that our country is rich, but it only has thieves.” Antonia, a day-care center owner in *Jardim Sudoeste*, said, “Honestly, not just for myself, but for many others, the politician is very discredited. I feel like I have no father or mother.”

The unemployed workers were not alone in pointing to the government as the culprit of the economic crises or in clamoring for political reform. Some actors on Wall Street did so, too. In 1999, when I commented that many scholars, politicians, and social activists believed that with globalization national governments have lost their power vis-a-vis extra-sovereign bodies, one investment banker, Eduardo Cabrera, who was the manager of the Latin American Equity Strategy unit at Merrill Lynch, said, “When I was working with General Electric, I was working more at the country level, I realized that government is very important. Government screws up and the currency devalues.” He gave the example of Mexico. “Companies moved out even with NAFTA . . . There are boom/bust cycles driven by globalization. But I think government can influence those depths of the down-leg [down swing]. Looking from the perspective of another down leg in the year 2000, from 1982 to ’89, economies were already in shambles. The down-legs are less long now, lasting a few years . . . In Latin America, it is the government that is reducing the down legs. The issue is what works, not what is right or wrong. In the U.S., it is more the companies that run the economy. When there are elections in Latin America, the government decides to change the interest rate etc. With global changes, liquidity decreases, necessitating cuts in budgets and reforms, but what really needs to happen is political reform.”

Union activists, factory owners, and industrial managers also criticized the government, but other specific problems were brought into the dialogue, including issues of interest rates, gender, opening of the market, value of the Real, high taxes, infrastructure and technology, and education. A union activist for Força Sindical told me, “With this policy of high interest rates, without investments, and with capital leaving at will [a crisis] is certain . . . The truth is that we [women] are providing for our own needs, because women will take any job available, right?”

The owner of a small screw factory in Diadema explained why he thought there was such an unemployment crisis. “Today, they are saying that the unemployment

is structural. I do not think it is structural. I think that when you say that unemployment is structural you are really saying that industry is modernizing and that what is happening to the work force [is an inevitable part of modernization]. I don't think this is the case for Brazil. From the little I know, I think unemployment here is a function of the economy itself. It is not a function of the modernization of industry. This is what is happening. Here we had 10 employees. And then the market shrank. What can you do? The only way you can continue to maintain yourself is by reducing your labor force. Say you produce six million screws per month with 10 employees. Then demand falls to three million. It won't work and you will not be able to continue. You will start to let people go. You will start to reduce your costs. What is the immediate cost? The workforce! Nothing is possible. In my opinion, unemployment in this country is a function of the political economy. I think that when the government started the Real Plan, that tied [the Real] to a currency that was equal to the dollar, the currency became overvalued [and] one of the consequences was the economic problems. What they intended, namely that there would be an injection of a large amount of capital here, the growth of external capital, did in fact occur. But with the first crisis, this all turned." The owner of the small screw company continued the discussion with the issue of the opening of the market, adding that because Brazilian entrepreneurs are not yet up to par with the rest of the world in terms of technology, it was not fair. "But now, it is not right to open the doors of the country and leave it like it is, to leave the guys in the lurch by selling the things here [from abroad] for half of the price. Not even our machine industry [has been unaffected by these cheap imports]. This is absurd. You know, the government blames everything on the incompetence of the businessman. They say that the entrepreneur has to be more daring. Before, the large firms dominated the small ones. Today, the quick dominate the slow. [The state of our industries] is still precarious. So, one can't open the economy the way they are doing. I think they had to open it to show [the Brazilian entrepreneurs] that they are outside of reality, but at the same time you cannot allow this kind of competition. [The government] is not being loyal [to national industry]. Let's take a shirt, for example: a person can buy [an imported] shirt for three *reais*. Here you cannot buy a [nationally produced] dishcloth for three *reais*! It is absurd! Absurd!"⁸

An activist for the Union of Informal Workers agreed that the opening of the markets was problematic. "It is all a question of policy itself, of creating a policy that generates employment within the country. Fernando Henrique [Cardoso] needs to lower the [value of the] Real and stop letting so many people get totally wiped out. In your country there is no lack of jobs, and why? [Obviously stated before the unemployment crisis in the United States starting in 2008.] We are importing from there [the U.S.]. Imagine a country like Brazil, where you throw a piece of grain on the ground and it grows. You have to import milk . . . You are importing coconuts. Brazil imports coconuts! It is a shame . . . It is putting an end to the workforce here and generating it abroad. This is what I don't understand." When I mentioned trying

⁸ *Reais* is the plural of the Brazilian *real*, the name of the Brazilian currency. In 1998 when the business owner made these remarks, three *reais* was approximately equivalent to US\$3 dollars.

unsuccessfully to find toys made in Brazil for my niece, she replied, “You won’t find them. It is incredible. What revolts me the most with this opening is that [President] Fernando Henrique signed [an agreement] with those other countries [the European Union]. And that story about food, of importing rice, beans . . . is absurd! Here we have an endless supply of land. This issue of agrarian reform! My God, you would diminish the number of unemployed and the hunger we still have here. But the higher up government officials do not see this. How can they miss it? I feel particularly revolted about that.”

In contrast, most actors felt positively about MERCOSUL, the Southern Common Market, since, at least until the collapse of the Argentinian economy, from 1999 to 2002, Brazil tended to export a lot to the other countries in the bloc. However, some research participants partly blamed the declining labor standards on MERCOSUL because some of the member countries, such as Paraguay, have lower salaries and draw jobs away from Brazil by attracting businesses and put downward pressure on Brazilian salaries. However, a Wall Street investment banker discounted such criticisms. He exclaimed, “MERCOSUL did not have any effect on unemployment. It just expanded the market. Paraguay and Uruguay are not really producers. The goods from Paraguay are mostly illegal . . . Brazil needs to control its borders. That’s all. Argentina also has high wages, like Brazil, and they are producers.”

There was a concern among many of the actors that the taxes were too high, placing Brazilian industry at a competitive disadvantage and thereby pushing up unemployment. The manager of the human resources department of an American-based multinational corporation producing electrical machinery in Brazil said, “The taxes in Brazil are very high and overburden the firms. We cannot export taxes. Taxes can only be levied in your own country, and so what happens is that with fiscal incentives many firms from other states are starting to migrate to Minas Gerais, the Northeast, the interior of São Paulo, and Paraná.” He added that one of the reasons that it was cheaper for firms in the interior of the State of São Paulo was that although there was the high state tax, there was not the high city tax levied by the various municipalities in the Metropolitan Region of São Paulo. A government official at the Municipality of Diadema agreed that taxes were a problem: “The car from Brazil, when it is finished, is the most expensive in the world, because taxes alone amount to 50 percent.”

Both the lack of technology and the adoption of high technology were seen by some of the actors as causes of the unemployment crisis. I asked an activist from a metallurgy union why auto parts were being imported from countries where salaries were higher, whether those parts were not more expensive to produce abroad, and whether it wouldn’t be better for Brazil to get the technology to produce them. He replied: “You are exactly right, because here in Brazil, they always raise the issue of salaries and the bosses here say that it is salaries that raise the price of the product. We know that is not the truth, because the total cost of the part involves more than salaries. The salaries in those other countries are high. The problem is the relationship between productivity and quality, which is the issue of the lack of technology in Brazil. Brazil is completely dependent upon those countries with respect to technology and machinery. The bulk of the machines that we have here were imported

from England, machines that were obsolete already when we bought them. [England had newer technology when they sold the machines to Brazil.] I, myself, work with mechanics. I know that we still do many things by hand. There are a few firms that have robots that produce tools and things like that . . . We have the technology of cavemen . . . So, a piece that we do here costs three times more. Our productivity is low . . . So, salaries are just an excuse. They don't have a direct bearing on the issue." Another investment banker on Wall Street agreed: "Salaries are not a constraint . . . [The lack of] infrastructure is the major constraint and taxes are too high."

An activist for the union of informal sector workers named new technology along with the government's neglect in training Brazilians for technical jobs as major factors contributing to the unemployment crisis. "I think that the government knew [what would happen] with the automation of things, such as banks. I worked for a long time in a bank. I remember that there was a time when I killed myself working, and when I left the bank in 1996 there was already no longer a need for as many employees because of automation. I think the government knew that. [The government] watched from the outside, accompanying the evolution of everything from outside. Therefore [the government] should have had a plan. They should have been looking for a way out before the crisis came. Now, it came and it is too late. For example, Força Sindical has a Solidarity Center [a job bank] where they have 6,000 vacancies and they do not have people qualified to fill them. They have jobs, but no qualified people. I don't know whether it is true, because that union has a deal with the government and therefore does not fight for the rights of the worker . . ."

When I asked an activist for the chemical union why the government was not using more resources for education, she responded, "There was never any investment in education in this country. When will the Brazilian government do something, . . . to resolve this problem of education? The people are not prepared for the global market . . . As a matter of fact, the public policies of education and health are dreadful indeed. The fact is that there is neither political will, nor interest. I think that [if there were] an educated population and a qualified workforce . . . these people would have a lot more of a [sense of] citizenship, and be in a better position to demand their rights, and to sell their work. But this is not in the interest of the businessmen, nor the politicians."

2.5 Conclusion

The various opinions presented here show that simplistic dichotomies do not explain the complexity of the Brazilian situation. A more nuanced picture is needed. All the actors agree that Brazil is part of a world system, but they do not agree that workers inevitably have to give up job security for Brazil to participate fully in the world economy. Although to different degrees, all of the actors were pessimistic. They generally regarded the unemployment crisis of 1996–2003 as different from other crises that have marred Brazilian economic history. This difference, they believed, resulted from the further opening of the market and the high tax and interest rates

that put Brazilian industries at a disadvantage with global competitors. Informalization was seen as an integral part of the process of industrial restructuring and globalization but one that was impoverishing many workers. The industrialization in the twentieth century resulted in the growth of a formal sector with labor regulations, unions, and social protection, but especially in the period between 1996 and 2003, Brazil saw a breakdown of this formal economic system.

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Photo 2.1 Antonia – a former day care center owner and current hardware distributor

Chapter 3

Six Industrial Case Studies: Internal and External Flexibilization and Technological Change

Abstract After a brief examination of Brazilian industrial history and women's role in that history, this chapter provides detailed analysis of six industrial plants – all near the communities I studied – where I interviewed industrial managers. The industries examined include a chocolate factory owned by a multinational, a multinational subsidiary of an electronics firm making products such as elevator control boards, a drill bits industry that was part of a multinational conglomerate, a small local screw factory, a cosmetics firm, and a cosmetics packaging firm that makes products for large multinational cosmetics companies. This chapter focuses on the variety of forms of industrial production and “flexibilization” in São Paulo with a focus on “internal” flexibilization within industry such as relocation and layoffs, technological change, educational demands, and the use of temporary workers. I examine eight issues for each industry: the global links, competition and the effects of trade liberalization, overall effects of the economic crisis, relocation, restructuring of technical production processes including the use of Japanese production methods, employment, training and education, and salaries and benefits.

Although the [Brazilian] industries hardly buy from China, the firms present a threat as soon as the distributor knows the price of the Chinese or Indian producer, who have much lower prices since they have a very cheap workforce – sometimes slave labor and everything – and who have had to pay very little in taxes. So, sometimes it is difficult to compete with them when a person gives a quote and has other prices. It sometimes seems cheaper to import when he [the Brazilian importer] does not take into account quality and convenience . . . It is logical that this upsets the market. We are obliged to revise our prices, reduce our costs, and try to optimize our production. (Marketing Manager of Drill Bits and More)

The situation of low-income women in the labor market in São Paulo has been strongly influenced by the strengths and weaknesses of the industrial sector, the sector that has suffered the most in terms of employment as a result of economic restructuring and changing global production patterns. Between 1985 and 2003, there was a dramatic decline in both the numbers of people employed in the industrial sector and the percentage of economically active individuals involved in this sector. Global,

national, and local actors and policies come together to create, work within, and restructure the industrial sector. After an examination of the history of the Brazilian industrial sector and its restructuring and of women's role in that history, this chapter provides detailed analyses of six industrial plants near the communities I studied. The chapter concentrates on the various forms of industrial production and particularly forms of internal "flexibilization" in São Paulo, such as relocation and layoffs, technological change, educational demands, and the use of temporary workers. (Later, in Chap. 5, I address external flexibilization and outsourcing.) I examine eight issues for each industry: the global links, competition and the effects of trade liberalization, overall effects of the economic crisis, relocation, restructuring of technical production processes, employment, training and education, and salaries and benefits.

The six firms on which I focus all employed women from the three communities I studied. Through them, my aim is to provide a close examination of the changes in São Paulo's industrial sector from the perspective of industrial managers and to study the connections between these changes and both global economic restructuring and the labor market for low-income women. Industrial managers need to take into account local, regional, national, and global factors in their decisions and work with actors at all scales, since the industrial development of the region has depended both on foreign capital and ownership and on the efforts of the national government. This chapter will therefore demonstrate how the global, national, and local sociopolitical and economic environments and historical context affect the way in which an industrial production model manifests itself.

3.1 São Paulo's Industrial History

The manner in which the industrial process has unfolded in São Paulo has in part been determined by São Paulo's historical role in Brazil and in the global economy. Since 1554, São Paulo has acted as an important center: first, as a Jesuit mission for early settlers and Indians; then as a center for the packing, distribution, and export of coffee; a center of local factory production by mainly immigrant groups; a center for Brazilian textile production; and finally as one of the most important industrial centers in Latin America, especially for automobiles but also for many other products.

Throughout its history, the Metropolitan Region of São Paulo has seen the implementation and then the reversal of liberal trade policies, strong connections with foreign capital, shortages of foreign currency, economic crises, inflation, and failed stability plans. The region's economy has been plagued by boom and bust cycles, such as the one caused by the rise and fall of coffee plantations. Coffee became so profitable in the second half of the nineteenth century that it encouraged the development of an elite class that resulted from the intermarriage of European immigrant industrial families with the established ruling class families who owned plantations and divided their time residing in their plantations and in the city (Alves 1999:4). In the 1890s and the beginning of the 1900s, the local textile production supplanted England as the main source for textiles for the Brazilian market. The garment and food industries also expanded, as did artisan

production of metallurgical products. Within the primary-export model, there was the development of both traditional industries such as food, beverages, garments, and furniture, as well as more artisanal forms of production in textiles, for example (Tavares in Humphrey 1987:15). With the Great Depression (1929–1939) came the collapse in US demand for Brazil's major export, coffee. Financial and labor resources were shifted to industry, which was then protected from foreign competition by government import restrictions. Already before the decline of the coffee industry, beginning in the 1920s, São Paulo became the main industrial producer in Brazil, and by the 1940s the state had built up the largest agglomeration of manufacturing capacity in Latin America (Dean 1969:13). Until the 1930s, however, industrial development was largely unplanned; then the government of Getúlio Vargas (1930–1945 and 1951–1954) actively promoted industrial development, building relations between the state and industrial employers.¹ President Juscelino Kubitschek (1956–1961) continued actively promoting industrial development inviting foreign capital and focusing on rapid industrialization and modernization of energy and transport. Manufacturing grew by 62 % between 1957 and 1961, and the consumer durables industries grew very rapidly as well.² However, this drive for industrial and economic development brought inflation, which along with national security fears, resulted in a coup d'état that led to military governments from 1964 to 1985 (Baer 1995).

The military regime's economic policy focus was on economic growth through the facilitation of industrial production of manufactured goods such as consumer durable goods for both domestic and foreign markets. The military regime therefore attempted to modernize Brazil's industrial base and build infrastructure through investing billions of dollars in state-owned industrial corporations in the following sectors: energy, transportation, steel, telecommunications, and mining. However, in order to make these investments, they needed foreign capital and to buy sophisticated technology so the Brazilian government allowed these state companies to directly borrow from international banks with state guarantees. Within the first 5 years of the military government (from 1968 to 1973), Brazil's so-called economic miracle occurred. Similar to the 1950s, this period saw the rapid expansion of the consumer durable goods sector, especially the production of passenger cars and electrical appliances, while traditional industries contracted (Baer 1995).

¹ The CLT system, the Consolidation of Labor Laws, also originated under Getúlio Vargas. Some have argued that the two major Vargas policies, the stress on capitalist industrialization and an advanced program of social reform for the urban working people, were conflicting. Yet as many others have contended, the CLT has been more of a corporatist consensus with repressive and centralized union laws setting the limits and potential of the working class. As French (2004:8) argues, "the state both bestowed labor rights and benefits, however uncertain, but was also a force for the repression of worker rights and the denial of the effective enjoyment of those benefits." The labor laws were never meant to be real but "became "real" in Brazilian workplaces only to the extent that workers struggled to make the law as imaginary ideal into a practical future reality (French 2004:8).

² The State provided public infrastructure and was highly involved in some sectors of heavy industry. The labor market was also state controlled, with wages negotiated through a national system of labor regulations with special tribunals set up to deal with specific labor demands (Alves 1999; Torres and Marques 1998).

During the 1970s industry continued to grow while Brazil became more indebted to international commercial banks. This growing foreign debt was partially due to the continuation of investment in the industrial sector but also to the increase in oil prices. Two international oil crises surfaced during this decade (1974 and 1979), causing Brazil's oil bill to double leading to much greater borrowing in order to be able to import the same amount of oil as before 1973. Brazil's terms of trade changed with the cost of importing oil. Government industrial policy also was altered in 1974 with the oil crisis, leading to a considerable expansion of heavy industry and emphasis on the raw material industries. Brazil continued to invest in infrastructure and use an import industrial substitution model, trying to prevent imports of goods considered to be superfluous (Baer 1995:47–89; Barbosa 1994). During this time external debt grew considerably (from US\$6.1 billion in 1973 to 40.2 billion US dollars in 1979), but the industrial sector continued to grow with a growth in industrial employment of 6.3 % per annum in the 1970s (Humphrey 1987:19).³ From 1950 to 1980, employment in the manufacturing industry in Brazil increased from 1 million to almost 4 million workers (Humphrey 1987:17).

Brazil's industrial growth slowed considerably in the 1980s. With the end of Brazil's ability to easily borrow from international banks, after Mexico's announcement in August 1982 of its inability to pay its interest payments, and the institution of the IMF austerity program in order to gain access to IMF financial assistance, Brazil's state industries were forced to try to stop spending and borrowing by state industries. As mentioned in the Introduction, after the introduction of IMF policies, GDP dropped considerably and inflation rose dramatically especially starting in 1987. The 1980s are known as the "lost decade" with several stabilization plans put into effect that failed to control inflation and considerably diminished economic growth. Although GDP had been higher in Brazil than most countries in the 1960s and 1970s, it was less high in the 1980s with the Brazilian growth rate at 1.4 % per annum with the rest of the world having a growth rate of 3.4 % per annum (UNCTAD 1999). The industrial sector was considerably impacted by the beginning of neoliberal economic policies with both the IMF austerity policies beginning in 1983 and the *Real Plan* in 1994 opening Brazilian markets to international competition after import-substitution policies had largely insulated Brazilian industry from such competition.

Industrial employment both decreased and became more precarious in the 20 years between 1985 and 2005. In both the Municipality of São Paulo (MSP) and in the ABCD industrial region, the percentage of workers in the industrial sector took an especially dramatic fall from 1985/1986 to 1997/1998, respectively, from 30.75 % to 18.4 % and from 48 % to 29.5%. This represents an overall 40 % decrease in employment in the industrial sector in the MSP and a 38.5 % decrease in the ABCD region.⁴ After a short period of employment stability between 2000 and 2002, the

³From 1950 to 1980 the proportion of the economically active population who worked in industrial activities rose from 14 % to 25 % (Humphrey 1987:20).

⁴From 1985 to 2003 the number of workers in the industrial sector decreased by 22.55 % (by 338,916), a period when the population of the economically active increased by 39.64 % (over 3.87 million) (Seade/Dieese Study of Employment and Unemployment 1985–2003).

percentage of industrial workers dropped again from 16.20 % in 2002 to 15.38 % in 2003 (Seade/Dieese Study of Employment and Unemployment 1985–2003).

A major transformation in labor relations associated with neoliberalism – the informalization of industry – began in 1996. The industrial sector became much more “informal” in all the municipalities in the Metropolitan Region of São Paulo including the Municipality of São Paulo. Within the industrial sector in the Municipality of São Paulo, the percentage of unregistered salaried workers and self-employed working for themselves and for firms almost doubled between 1988 and 1998. As in the MRSP, this increase was primarily in unregistered salaried workers for firms of six or more employees, increasing by almost 45 % between 1988 and 1998 (Seade/Dieese, Study of Employment and Unemployment 1988–1998).

3.1.1 Female Employment in Industry

Since the late 1800s, the percentage of the industrial workers who are women in Brazil has fluctuated but primarily decreased. It is not clear if there is a direct correlation between economic downturns and employment crises and the decrease in the participation of women in industry. It seems that the situation is much more complex in that other factors, such as the introduction of technology, foreign capital, and/or the availability of other employment in the service and commerce sectors, may be just as important determinants of employment levels, in general, and female employment, in particular, or more so.

Historically women's industrial involvement in Brazil has largely centered around the textile and garment industries. During the 1920s through 1940s, the majority of industrial workers were employed in the Brazilian textile industry with the majority of these textile workers being female (65.1 % were women in 1920). By 1940 the textile industry was employing over one-third of all industrial labor in São Paulo. However, already by 1940 the percentage of women workers within the textile industry had decreased substantially from 96.2 % in 1872 to 51.2 % in 1940 (Saffioti 1981:21 and 29). Regarding women's garment employment, there was also a sharp decline in the percentage of garment workers who were women. In 1872 women represented 84.9 % of the garment workers, declining to 69.7 % in 1920 and to 32.4 % in 1940 (Saffioti 1981:21–23). At the same time the metalworking and chemical industries were also developing rapidly and in those industries, men predominated in the workforce, exacerbating the gender imbalance in the industrial sector even further (Humphrey 1987:16). However, after 1950, the situation improved for women garment workers with the percentage of women actually increasing to 50.2 % of the workers making garments, shoes, and other textile goods in 1970, but with a much smaller percentage of the workers in the shoe industry that were women (14.7 %) and a much higher percentage of the seamstresses, embroiders, menders, and tailors (88.2 %) that were women (Saffioti 1981:28).

The percentage of women workers in the textile industry, however, declined more rapidly after 1950, as artisanal and traditional enterprises were transformed by

the introduction of new technology. In the two decades between 1950 and 1970, approximately one quarter of the women employed in the sector were dismissed, while the number of men increased by 60 % (Saffioti 1981:30).⁵ In addition to the shift to more male employment within the textile industry, other industries started to employ more workers relative to the textile industry. As industrial employment rose by 260 % from 1950 to 1980, textile industry employment only rose by 12 % (Humphrey 1987:24). This decline in women's textile employment occurred during a period of industrial growth under Juscelino Kubitschek. What is clear is that women's loss of employment in the textile industry was correlated with the introduction of technology.

The decline in the percentage of industrial workers that were women continued in the 1980s and 1990s. While the percentage of both men and women employed in the industrial sector decreased between 1985/1986 and 1997/1998, women's participation decreased even more substantially in both the Municipality of São Paulo (43 % decrease for women and 37.5 % for men) and the ABCD region (46 % for women versus 32.6 % for men) (Seade/Dieese Study of Employment and Unemployment 1985–1998).

The decline in women's industrial employment in the textile industry but increase in the percentage of garment workers that were women was illustrated in Saffioti's (1981) detailed study in 1977 of one textile and one textile and apparel plant in São Paulo. One was a large automated plant – financed largely with foreign capital but also many Brazilian stockholders – with 867 employees, among them 214 (24.68 %) women. The other was a small more “manual” textile and apparel plant with 53 employees, 30 (56.6 %) of whom were women. They produce knitted fabric and cut and used the fabric to make clothes. In this smaller plant, there was no outsourced work that year because mild weather led to a reduction of seasonal demand. In the larger, mechanized textile plant, men had displaced many of the women workers because men were regarded as more adept at operating the more sophisticated machines; the remaining women were under 18 years of age. Saffioti's study showed the beginning of what became a trend: women losing their jobs as factories automate with the increasing inflows of foreign capital.

Although the percentage of female textile and apparel workers remained fairly stable from the 1980s to the 1990s, they represented a smaller percentage of the female workforce.⁶ At that time, the number of jobs particularly in the textile industry

⁵The share of textile workers who were female declined gradually from 56.4 % in 1950 to 49.1 % in 1960 and 47.8 % in 1970. This includes those who worked at home. Of the women workers in 1977, about 15 % worked in their homes (IBGE in Saffioti 1981: 29).

⁶The percentage of the female labor force in the textile and apparel industries decreased from 11.5% of all women workers in 1985/1986 to 5.2 % in 1997/1998 in the MSP. The percentage of textile and apparel workers who were women increased slightly in the Municipality of São Paulo from 63.8 % in 1985/1986 to 64.5 % in 1995/1996 but then decreased slightly to 63.6 % in 1997/1998 (Seade/Dieese Study of Employment and Unemployment 1998). The employment in the textile and apparel industries are reported together and not disaggregated in Seade/Dieese's Study of Employment and Unemployment in the MSP.

declined with outsourcing and automation, and more women who had been in the textile industry then became involved in domestic work, low tertiary jobs, or shifted into the apparel industry, which was less subject to technological innovations. The president of the garment union for the Municipality of São Paulo and Osasco claimed that 92 % of their affiliates were women. In her opinion, the decline in statistics for her sector had more to do with the decline in formal work and the rise in “female” work in clandestine workshops and in homes. Large factories had reduced the number of workers on paper substantially but actually had just outsourced much of their production. The union president argued that, since output had actually increased, the number of workers affiliated with the industry's unions in all of Brazil should have been 160,000 instead of 83,000. After 1996 female industrial workers also lost their jobs at a higher rate than men in other industrial sectors such as the metallurgical sector but only slightly more than men with both genders affected by the industrial decline in the metallurgical sector. Women, however, had never been the majority of workers in these other sectors such as the metallurgy sector where they were 20.2 % of the workers in 1995/1996 and 18.5 % in 1997/1998 (Seade/Dieese Study of Employment and Unemployment 1995/1996 to 1997/1998).⁷

The question remains whether, in the crisis of the late 1990s and beginning of the new millennium, women were involved in even more precarious industrial work than before. In examining women's increased entry into industrial work, Saffioti (1981) and Souza-Lobo (1991) argued that, compared to more artisanal work, especially in the more mechanized industries, industrial work had already become more precarious in the 1970s. In that period, one of the reasons why female industrial employment increased was the desire by industry to lower salaries. At the same time, there was a rise in Taylorized, assembly line type, production processes, signifying a rise in more routine work. The efforts on the part of manufacturers to decrease production costs had already led to a reduction in the number of workers to a bare minimum and to a strategy of dismissals and rehiring to decrease the power of unions. Hiring women, considered more “docile” than men, was intended to serve the same purpose. Unions soon began to realize the importance of including more women members in the struggle for better conditions, since their depressed salaries and bad working conditions affected the standards for all workers. What was new for São Paulo's industrial sector during the period that is the focus of this study, the years between 1996 and 2003, was the degree and rapidity with which industrial employment declined and the loss of industries to the interior of the state and other areas of Brazil, all processes in which global industrial restructuring played a dominant role.

⁷There are more women workers in certain sectors within the metal-mechanical sector than in others. For example, in Brazil, approximately 70 % of the workers in the electrical sub-sector are women, especially in the free trade zone in Manaus. Women make up 13–15 % of the members of the Brazilian Metallurgy Union connected with CUT (CUT Metallurgy union leader in the MSP).

3.2 Global Industrial Processes and Restructuring in São Paulo: An Overview

São Paulo's industrial sector has experienced a partial shift in the "mode of development" – a term used by Castells to connote how surplus profits are determined – from mass production to flexible production (Castells 1989; Scott and Storper 1986; Standing 1989, 1999; Piore and Sabel 1984).⁸ Following the global trend, part of São Paulo's industrial sector has followed the industrial paradigm that includes demand-oriented production instead of mass production, a focus on "core competence" in firms, and a replacement of the Taylorist "one best way" with a constant search for improvement based on workers' knowledge (Leite 1997:2).

The underlying features of the current paradigm comprise "the appropriation by capital of a significantly higher share of surplus"; a "change in the pattern of state intervention" to free markets; and the "accelerated internationalization of all economic processes" in order to increase profitability (Castells 1989:23–26). Not all production has followed this path; mass production processes have not been completely abandoned, but they have been altered. Although this chapter will not focus on this issue, it is important to realize that since there was never a true Fordist or "Global Fordist" model operating in Brazil and other late-industrialized countries (and possibly not in developed countries, either), it is not possible to argue that there was a total shift from one model to another.⁹ The shift from mass production to flexible production is neither complete, nor is flexible production uniform. The OECD (Munck 1999:6) lists five forms that the flexibility of labor has taken:

1. External numerical flexibility – employers decide how many employees they want at any given time.
2. Externalization – employers use various forms of subcontracting or putting out of work.
3. Internal numerical flexibility – working hours and shifts, etc., are decided according to employers' needs.

⁸As Marcuse (2002) contends, Castells' distinction between the "mode of development" and the "mode of production" is parallel to the classic Marxist distinction between the "forces of production" and "relations of production," but Marx is not cited.

⁹See Karel Williams et al. "The End of Mass Production." A Review of *The Second Industrial Divide. Economy and Society*. Vol. 16 No. 3, August 1997 for a lively debate as to whether there really was a Fordist model in early industrialized countries. They claim that actually only 31 % of plants in a sample of British industries used assembly lines and only half of those were mechanically paced. Since 1945 most European car factories bought out components equal to half the cost of the finished car and thus were not integrated plants. See Alice H. Amsden. "Third World Industrialization: 'Global Fordism' or a New Model." in *New Left Review*. vol. 182, pp. 5–32, 1990, for an important critique of Lipietz's notion of "global Fordism," where Amsden argues that late industrialization is a new paradigm with different operations of the market mechanism and the role of the state. It is not just an extension of advanced-country capitalism or mass production processes.

4. Functional flexibility – job assignment and rotation are decided according to employers' needs.
5. Wage flexibility – wages are adjusted according to “performance” and productivity.

Flexibility may be attained externally through social divisions of labor and the fragmentation of the production process into multiple units and, within firms, through the use of equipment and machinery that can be programmed to perform a variety of different tasks or craft labor processes.

It is also necessary, however, to question the novelty of “flexibilization” in the labor market and in production. As Gavin Smith (2002) contends, present day concepts are often based upon questionable notions of what labor was like in the past and in part on statistics gathered without taking adequate account of domestic and outsourced work. He argues that “flexibility” is not new in that many industrial workers were also involved in multiple activities in the 1800s. The rise and fall of formality must be examined as a curve on a graph going from low levels of formality (high flexibility) in the beginning of the industrial period in the early twentieth century and peaking in the early 1970s with a downturn to lower levels of formality since the 1970s (although increasing in the past few years again in Brazil) (Bromley 1994). A highly formalized labor market with regulations, set working hours, and minimum salaries was not the norm in much of the last century.

The variable nature of production processes in São Paulo is related, in part, to the region's vast variety of industrial products, the sizes of industries, and the different tiers of production. Many firms are not automated, never used a Fordist model of production, and are not directly linked to global markets but were affected by the economic crisis of the 1990s and early new millennium in Brazil and by the opening of markets. However, many other national firms have been bought by multinational corporations, use foreign investment in joint ventures, or have changed from a Taylorist production model to a flexible one with outsourcing and just-in-time production. Unlike developed countries that saw underconsumption (i.e., lack of demand) as the major stumbling block to economic growth, an assumption of the Fordist model that relies on increasing demand as critical for growth, the problem in countries like Brazil has been raising productivity and creating international competitiveness.¹⁰ Most of the firms where I conducted interviews were concerned primarily with national interest rates, competition, and the national market. They varied in terms of automation and the amount of outsourcing, but almost all had adopted a just-in-time production process.

The process that is most prominent in São Paulo is the restructuring of Fordist mass production through automation, subcontracting, and new employment relations.¹¹ This is a strategy that uses both internal and external flexibilization techniques such

¹⁰See Amsden (1990).

¹¹In many other cities and countries, the process has primarily been the rise of three main flexible industrial groupings: high technology manufacturing, revitalized design-intensive craft industries, and financial producer services.

as polyvalent¹² and subcontracting strategies, which can be found in industries with small- and medium-sized batch production using sophisticated (frequently computerized) equipment.¹³ However, although Brazilian industry may be heading in the direction of “technology-intensive flexible specialization,” the majority of industries do not fall into this category. At present, Brazil does not meet the requirement of having enough skilled workers with a certain level of education. Industry in Brazil still primarily falls within what Storper and Scott (1990) call “labor-intensive flexible specialisation.” This strategy is also based on internal (polyvalent skill development) and external flexibility but includes high turnover and home-based work. These industries require a rather low capital investment and a workforce with a mix of skilled craft workers and unskilled production workers. The low-skilled workers earn relatively little, often below the legal minimum, and face a high degree of instability. “De-skilled service production” can also be found in Brazil and is used, for example, by large corporations in high-volume food preparation. Work is “Taylorized,” (i.e., rationalized to the extreme), part-time, temporary, and either without or with few fringe benefits. These labor practices have permitted a resurgence of patriarchal practices and have made it easier to exploit the labor power of women by either hiring them on a part-time basis without benefits or as homeworkers after they had been working full time.¹⁴ As Standing (1989, 1999) has argued, the “feminization” of labor has taken place in many countries, signifying both a rise in female labor force participation and a “feminization” of many jobs, a restructuring of the labor market as a whole toward the type of employment and labor force participation patterns associated with women.

In a study of a car assembly plant in a municipality in greater São Paulo, Leite (1997) found that flexibility strategies included subcontracting¹⁵ and polyvalence through the principles of versatility among workers, training workers in various tasks through courses, and job rotation. Unlike the men, women continued to carry out manual labor and received only short behavioral courses. The plant, therefore, used various flexible strategies, but many of the workers were not getting any of the benefits and were often not trained in new technology; instead, they were used as cheap labor.

As part of their flexible production strategies, São Paulo’s industries have increasingly adopted a variety of Japanese production methods. As Humphrey (1994:330–331) argues, although there is no single standard Japanese approach to manufacturing and there are variations in implementation, three general principles guide manufacturing practice. They are an emphasis on the time taken to introduce new products and to respond to client orders, improvement of production flow with

¹² Polyvalence signifies a system that focuses on versatility, whereby workers were trained in various tasks through courses and job rotation.

¹³ In Northeast-Central Italy “technology-intensive flexibilization” is the most common form and was often seen as the wave of the future by scholars such as Piore and Sabel (1984). The Agency for Economic Development of the ABC region has been trying to learn from this region (see Chap. 7).

¹⁴ This process of “global feminization through flexible labor” started in the 1980s, a decade of labor deregulation. See Standing (1989).

¹⁵ They had exclusive contracts only with big-volume suppliers that actually produced subsystems.

a focus on distance between market and production site and time spent in the factory, and continual improvement and experimentation at the shop floor. These improvements are achieved through greater integration of different parts of the productive process, including multitasking or flexible deployment of labor; quality control by the operator; changing maintenance procedures, where workers may be expected to keep the machine clean, lubricated, etc.; decentralizing maintenance functions, which are attached to particular production areas; and improvement groups. The Japanese system is thought of as a polyvalent system with work in groups, involvement of workers and management, and the development of workers trust and sense of responsibility for the job. Participation and democracy are seen as the important characteristics of these managerial practices, and management remains close to the process (Humphrey 1994:332–3).

At first glance it does not seem that Brazil would be fertile ground for the changes involved in this type of production because of the high degree of management control over labor prevalent in the country and the authoritarian attitudes within capital-labor relations established in the 1970s under the military government. Indeed, the first wave of Japanese experimentation in Brazil in the early 1980s was a failure. Although some aspects of quality circles were introduced, they never directly involved production workers to any great extent (Humphrey 1994).¹⁶ In the beginning of the 1990s, the opening of the market forced more innovation, and firms had to deal with issues of productivity and quality. Firms started to move toward more horizontal integration with outsourcing of production (Gorender 1997).

Numerous studies confirmed this trend toward the adoption of elements of Japanese practices or Toyotism, a flexible industrial production model.¹⁷ The Institute of Applied Economic Research (IPEA) survey of industries adopting Japanese industrial practices showed that, overall, there were major changes in the nature of work and employment relations (Humphrey 1994: 338–339). It documented the use of manufacturing cells, reorganization of layouts including the division of plants into “mini-factories,” the development of “customer relations” between different sections of the factory, *kanban*,¹⁸ flexibility of labor and polyvalence. Some factories also

¹⁶There was a superficial adoption in the 1980s of the Japanese model at the same time that paternalistic and despotic Brazilian business administrations continued, a recession began, and inflation spiraled. Stock was hoarded as a protection against market frustrations, and therefore just-in-time production was not introduced (Humphrey 1994).

¹⁷Toyotism is a production model based on flexibility and where demand determines production. It is seen as the opposite of Fordism or assembly line production. Its implementation implies changes in work organization and work relations relying on the workers physical force and capability but also on their creativity and intelligence. Some would argue that the flexibility demanded by the model is in the interest of capital (Hespanhol Bernardo and Sato 2010:353).

For some studies that focus on the use of the Japanese production model in Brazilian firms, see a description of a study of seven leading firms in Rio Grande do Sul by Lima 1989, an Institute of Applied Economic Research (IPEA) survey in Fleury and Humphrey 1993, and the study of workers at two Japanese automobile manufacturers in the interior of the state of São Paulo in Hespanhol Bernardo and Leny Sato 2010.

¹⁸“Kanban” is a scheduling system used for lean and just-in-time production helping to determine what to produce, when to produce it, and how much to produce.

introduced quality circles, multitasking, and operator responsibility for quality, and provided training. However, these changes were limited to larger firms and those more tied to the global market.

The positive impacts of these changes on workers in the plants that did adopt some of the Japanese techniques in Brazil included an increase in training and education, stability of employment, and better treatment of workers by lower-level management. Stability of employment was seen as important because of the need to protect the firm's investment in training and keeping confidence and cooperation within the labor force. The IPEA survey also showed that supervisors were being more cautious about imposing changes by first getting the opinion of workers. However, this trend remained the exception. In the 1980s, worker strikes were used as a pretext to get rid of leaders and those deemed not to be performing their work adequately. During economic crises, firms stopped overtime, cut the workweek, and forced workers to take their annual holidays early, when business was slow (Humphrey 1994:336–37).

Other features of the Japanese model, such as Statistical Process Control (SPC), could not be readily introduced. SPC is a widely used quality control technique in industrialized countries, based on detecting quality problems as they arise in the course of production, rather than at the end of the production line, but not involving changes in the labor process itself or really in the whole organization of production.¹⁹ As Posthuma (1994) argues, the first obstacle to SPC was the workers' fear of registering a poor result. Worker resistance to Japanese methods, such as SPC, can also be attributed to the fact that the methods may intensify work and create a new form of subordination of labor to capital (Humphrey 1994:329; Hespanhol Bernardo and Sato 2010:353). Labor relations in Brazil were less authoritarian in the late 1990s and early 2000s than in the 1970s, but the extent to which Japanese models resulted or will in the future result in palpable improvements in working conditions is not clear, since even in Japan the system can be oppressive and controlling (Kaplinksy 1991). Leite (in Humphrey 1994:340) also warns that the extent to which Japanese methods were introduced and the effects of these methods upon different sizes of firms and labor relations are very variable.

As will be discussed below, Japanese production methods were in evidence in the six firms I examined, but they were in their initial stages, and it seemed unlikely that these techniques would be fully implemented. Even the automobile sector in Japan has not fully adopted Toyotism. Nissan, for example, has put more emphasis on technology.

Although the restructuring of global industrial processes has affected São Paulo's industry, economic measures taken at the national level in the beginning of the

¹⁹For a much more detailed description and analysis of the use of Japanese methods in Brazil in the 1990s, see John Humphrey (1994), "Japanese methods and the changing position of Direct production workers: Evidence from Brazil;" Anne Caroline Posthuma, (1994), "Japanese Production Techniques in Brazilian Automobile Components Firms," in *Global Japanization?* Edited by Tony Elger and Chris Smith. pp. 327–377; and for the 2000s, see Hespanhol Bernardo, Marcia and Leny Sato (2010), "Toyotism in Brazil: The Contrast Between Discourse and Practice and the Consequences for Workers Health." *New Solutions*. Vol. 20/3 2010:349–367.

1990s have also had a considerable impact. They include the abrupt reduction in import taxes on many products;²⁰ the deregulation of specific financial and industrial sectors (stock market, commercial and investment banks, and industries); the implementation of the *Real Plan* in July 1994;²¹ the privatization of state-owned heavy industry and of telecommunications; and the reorganization of the state structure (Schiffer 1998b:5–6).²² Despite these measures, production decreased. The decrease in production can be attributed to the opening of the markets and the resulting international competition and also to the economic instability of the 1980s. Other factors that have contributed to the decrease in São Paulo's industrial production include the diversion of the flow of investment to more natural-resource intensive sectors and periods of high inflation (including an inflation of more than 1,000 % a year in 1989) (Seade 1995; Torres and Marques 1998). Instead of adopting more advanced technology, the survival strategy of industries in São Paulo during the economic crisis of 1996–2003, a period also of increasing competition, was to downsize and/or relocate, leading to the depletion of the existing production capacity (Schiffer 1998b:9).²³ In turn, the failure to adopt more advanced technology, as a strategy to compete and survive the crisis, was, in part, related to the high interest rates used to support the currency.

The movement of factories out of São Paulo, primarily to the interior of the state but also to other regions of Brazil and to Asian countries, has been attributed to local, national, and international factors. They include the labor conflicts in the 1970s and strong unions in the MRSP, national industrial decentralization policies, and the tax incentives offered by other municipalities in the competition for foreign capital (Schiffer 1998b:10).²⁴ Production expenses are an important consideration for foreign capital that can invest in factories around the world. There

²⁰For example, the duty on cars was lowered at first from 100 % to 30 % but then was increased to 70 % in less than a year because of the extreme negative impact on national production. The auto part manufacturers did not fare as well, with a reduction of import taxes to 2 %. Most national firms either shut down, laid off workers, or opened themselves up to foreign capital (Schiffer 1998b:5). The average international trade tariff was 32 % in 1989 and 14 % in 1995 (Presidencia da República in Torres and Marques 1998:20).

²¹Interest rates increased leading to speculative investments by both national and foreign capital at the expense of productive investment (Schiffer 1998b:5).

²²In order to stabilize the national currency and thus decrease the inflation rate, foreign reserves needed to be enhanced since foreign reserves underpinned the dollar parity anchor. Therefore, a high interest rate was established on foreign financial investment profit. The deregulation of specific financial sectors also allowed for the inflow of foreign capital under privileged taxation. The deregulation particularly affected stock market rules and financial investment opportunities (Schiffer 1998b:5).

²³This decision either affects the productive capacity in the short run, a few years, when the strategy was to downsize because a firm can then keep the existing machinery, but does not invest in the latest technology or if the decision is to relocate it affects the capacity for many years as new industries eventually may take over the space building new plants. It seems rare that the relocated industry comes back.

²⁴Municipal governments see foreign direct investment as the main job creator, so they have begun to negotiate directly with foreign companies (Schiffer 1998b:10).

are other international factors related to globalization. For example, the higher level of competition from imports induces firms to reduce costs further and to try to curtail strong labor unions that attempt to restrict the outsourcing of production and resist the reduction of salaries and benefits. Municipalities, within and outside of the State of São Paulo, have competed to attract new factories through direct incentives, such as expanding infrastructure and offering financing, land, and municipal tax waivers. The concessions to private companies have been so extreme that cities were at risk of suffering major shortfalls in revenue for several years with no guarantee of future returns.

Such municipal incentives have played a major role in the exodus of industries to the interior of the State of São Paulo. The decrease in the value of industrial production in the MRSP was accompanied by growth in many cities in the State of São Paulo, including Campinas, São Jose dos Campos, Santos, Jundiaí, and Sorocaba. In 1970, the Metropolitan Region of São Paulo produced 43.4 % of the national industrial output, with the interior of the State of São Paulo producing 14.8 %. By 1990 the MRSP's share of the national industrial output shrank to 26.3 %, while that of the interior of the State of São Paulo increased to 23 % and that of the State of Minas Gerais and the Southern Region of Brazil rose from 6.5 % in 1970 to 8.8 % in 1990 and from 12 % to 17.4 %, respectively (IBGE Industrial Census and Negri and Pacheco in Torres and Marques 1998:6). These trends continued during the period of the study. According to Seade's Economic Activity Survey – PAEP (2002), the Metropolitan Region of São Paulo lost industry to the interior of the state, producing 60.4 % of the added industrial value in 1996 and only 52.6 % by 2001. São Jose dos Campos, the city to the east of the MRSP, increased its share from 6.5 % to 11 %, while Campinas increased its share from 16.1 % to 19.6 %. Although some of the industrial plants have moved out of the Metropolitan Region, the company headquarters have tended to remain; managerial and low-wage positions are lost but not CEO positions. During the 1990s the most advanced technology manufacturers remained highly concentrated in the city of São Paulo (78.7 % of the State of São Paulo's manufacturers in 1997/1998) (São Paulo Economic Activity Survey – PAEP in Schiffer 2002:216).

Yet, regional factors also positively influenced São Paulo's industry, especially the development of the Southern Common Market (MERCOSUL), a regional trade block that comprises Brazil, Argentina, Paraguay, and Uruguay and, since 1996, Chile and Bolivia. A 4-year transitional period ended at the end of December 1994, during which time 90 % of the tariff and nontariff barriers were removed between these countries. (There is also a common external tariff for goods coming from nations outside the bloc.) By 1997, Brazil also had a solid majority – 377 out of 500 – of the largest companies by stockholder's equity in MERCOSUL countries (Schiffer 1998b:13). Brazil leads the other countries in terms of GDP and GNP per capita and on import and export of goods outside the bloc. Given the continuing primacy of the Metropolitan Region of São Paulo in industrial production, national and regional headquarters of companies, and as the center for financial and services, São Paulo has become the de facto center of MERCOSUL. The interplay between different global and national factors ultimately influenced the industrial sector. In Brazil, for

example, the *Real Plan*, the national stabilization plan designed by technocrats trained in the United States, that was able to finally curtail inflation, facilitated the ability of Brazilian consumers to buy industrial products. However, the *Real Plan* was based on a neoliberal economic model, pushed by the United States and Britain and international organizations such as the IMF and the World Bank, that called for the opening of Brazilian markets to foreign competition, initially hurting Brazilian industries. Before the *Real Plan*, an IMF plan in the 1980s had already demanded that Brazil follow the neoliberal economic model and encouraged Brazil to curb state industries' foreign borrowing because Brazil had incurred large debt because of the national desire to quickly industrialize and the increasingly expensive international oil because of deliberately curtailed OPEC production (Also see Chap. 1).

3.3 Six Industrial Case Studies: Internal and External Flexibilization and Technological Change

The issues described above, corresponding to all levels of economic integration, are manifested in one way or the other in the six firms I studied. For many of these firms, there were new and closer contacts with the world economic system; they were going through processes of restructuring, and they were affected by the further easing of the trade barriers. For them, both positive and negative changes occurred during the latest economic crisis and the period of economic globalization.

At the end of 1998, I conducted nine interviews with personnel working in the six manufacturing firms, all in the Metropolitan Region of São Paulo. I also conducted follow-up interviews in January 2000 and August 2003 in one of the firms. In August 2003 I conducted an interview with another large multinational automobile firm – which I will name “Auto” – in order to augment my findings. However, I will only bring “Auto” as an example when directly relevant. The people I interviewed included an industry owner, directors and personnel in human resources and marketing departments, an engineer, a director of quality control, and a director of a “social action” department.²⁵ These firms produced a wide range of goods including chocolate, screws, drill bits, other tools, machinery parts, electric distribution equipment, cosmetic packaging, and cosmetics. They were chosen because they employed residents of the three communities in my study and/or because they were situated near those communities. Even when the working-class research participants themselves had never worked in the firms, the firms often came up in my

²⁵Although a sample size of six factories and the additional firm interviewed in 2003 cannot be representative of all industries, the interviews offered a sense of the appreciation of the economic crisis and industrial restructuring from a vantage point different from those of the other research participants. They provided insight into the difficulties that industries were facing and how they were trying to deal with the economic crisis. All but the interview with the head of the social action department of Pura occurred at the factory site.

interviews with them as employers of others in the community.²⁶ Three of the firms were originally owned by Brazilians but by 1998 had been acquired by multinational corporations; the other three, the smallest in the set, had always been in Brazilian hands. The additional firm studied in 2003 had never been under exclusive Brazilian ownership. Four of the firms primarily acted as first-tier suppliers producing for other firms. They covered the range of sizes from a small firm of six employees to a medium-sized plant of 270 workers and a large factory of over 3,200 employees, including the temporary workers.

3.3.1 Overview of the Six Firms Studied

“Electronics”²⁷ in Diadema had been in various foreign hands and in 1998 belonged to the electrical division of a large American corporation that also had plants in the Municipality of São Paulo and other municipalities in Brazil. By that time, the operating group was a \$2 billion global supplier of power distributing equipment and industrial control and automation products, with factories in 28 other countries including Argentina, Venezuela, and Mexico in Latin America. In Brazil, it had factories in Porto Alegre (producing electrical measurement devices), Rio de Janeiro (producing dashboards, brakes, and a residential line of products), and São Paulo (producing dashboards and brakes and a more industrial line of products). Their Brazilian factories employed a total of 850 workers. At the end of 1998, the plant I visited in Diadema had 270 workers. Its products included elevator control boards, traffic signals, sirens, alarms, and pushbutton controls for machines.

In contrast, with only six employees, “Parafusos,” a screw factory also located in Diadema, was at the lower end of the industrial spectrum in terms of the number of employees and capital and, unlike “Electronics,” was not directly linked to international markets or companies. “Eduardo,” the owner, had started the factory in 1989 with a partner and very little capital. Parafusos, like Electronics, was a first-tier supplier, usually working without contracts and guarantees of orders from any one industry. It produced screws primarily for the electronics industry (video, television, etc.) and telephone industry (telephone boxes, connection units, etc.) in the MRSP. Eduardo had one large Brazilian client, a manufacturer of television sets to whom he sold 30–40 % of his production; he sold the rest to several other small producers. Santa Catarina, a state to the South, was the firm’s only other market.

²⁶ It was not possible to find out exactly how many community members worked in particular firms. I did not do a survey of all of the inhabitants in the communities. In addition, the firms did not have all of the workers’ real addresses since there are no formal addresses in the *favelas* and workers often hide where they live from their employers. As mentioned in Chap. 2, some of the employers are afraid of hiring workers from *favelas* because of the perceived threat of theft from other *favela* residents because they might be able to either steal the key or the code to enter. The firms also often did not admit to me that their workers lived in *favelas*.

²⁷ All of the names of the firms are pseudonyms to protect the anonymity of the firms.

“EPC,” a producer of cosmetic packaging and cases, was founded in the late 1950s. The original owner, who was of Jewish descent, had located it in the formerly Jewish part of São Paulo, *Bom Retiro*, but 25 years later, when more space was needed, the plant was moved to the southwest peripheral region of São Paulo.²⁸ In 1998, it was located near Jardim Sudoeste and employed many workers from that community. EPC had 186 employees working in the plant and many more working in their homes.²⁹ The firm worked as an outsourced supplier for many multinationals, with plants both in and outside of Brazil, and small and large national cosmetic firms operating in Brazil.

“Bom Chocolate,” a chocolate factory, was originally owned by a Brazilian family. In 1996, as a result of a feud among family members, the factory was sold to a very large American-based multinational corporation known for its production of cigarettes (but in Brazil, better known for other products, including powdered drinks, sauces, coffee, and sweets). The multinational firm continued to produce the same chocolates but started packaging them into a new collection composed of the chocolate factory’s most popular products and added a white chocolate version to one of Bom Chocolate’s most popular cookies. Bom Chocolate had three factories. In 1998, the plant I visited had 2,000 permanent workers and 1,200 seasonal workers who prepared specialized items for Easter and Christmas. Although the factory I visited was not located near Jardim Sudoeste, some of the workers came from the community. The other two were smaller, with one of them having only 500 workers.

“Drill Bits and More” produced primarily drill bits and other types of tools, including thread cutters. It was located right outside the cement walls marking the south side of Favela Sul. The company had a complicated history. It was established in 1954 as a Brazilian company. In 1970, it allied with a Swedish company because the Brazilian company hoped a foreign partner would help them modernize. It changed its name to “FSK” in 1987. In 1990, FSK became a part of a newly created Swedish holding group, “TTC.” In February 1993, the name was changed again to “FSK-Drill Bits and More” after it merged with an English company, “Drill Bits and More,” another part of the same Swedish holding company that also made drill bits. In March of the same year, it received the ISO 90001 certificate, an international document certifying a certain level of quality. The firm was the first in the Americas producing cutting tools that received the certificate. Later, in May 1993, another Swedish group bought the whole holding company, “TTC,” so in 1995, the firm’s name changed once again to simply “Drill Bits and More.” The firm’s clients include approximately 1,500 national distributors, 300 large industrial clients, and 300 international distributors and industries. The firm also sells specialized tools when industries, such as car assembly plants like Fiat and Volkswagen, need nonstandard machine tools.

²⁸By 2009 it had moved away.

²⁹The industrial manager did not know how many employees were working in their homes because they outsourced work to small firms who, in turn, outsourced to homeworkers who sometimes outsourced some of their work to neighbors and other family members. (See Chap. 5 for more information on their practice of outsourcing.)

“Pura,” a Brazilian cosmetic factory featuring natural products had its distribution plant in Santo Amaro, near two of my research sites, but its manufacturing plant was located in *Itapecerica da Serra*, a neighboring municipality.³⁰ Although it was established 40 years ago, it changed its name in 1989. Its products, sold through a catalogue and by over 220,000 door-to-door vendors in Brazil alone, range from shampoo and creams to makeup. Women in all of the communities I studied sold Pura cosmetics, but none of them worked in the factory itself.

3.3.2 *Global Links*

All of the firms where I conducted interviews were directly or indirectly enmeshed in the global economy through export and import trade; foreign ownership and/or links with international owners, investors, and competitors; sales to multinationals in Brazil; and/or international certification. Five of the six firms exported their products to other countries, but for all of the firms, the internal market was the most important. All of the firms imported machinery and/or supplies, and all of the industrial managers interviewed felt the need to change their production practices in order to compete globally.

The Brazilian branch of Electronics worked closely with its parent company in the United States. The firm’s principal market is domestic, although it also exported about 35 % of its production to England, the United States, and other Latin American countries. When asked why the factories in the United States did not produce certain products themselves – the pushbutton controls, for example – the manager’s response was that, even with the cost of transportation, it was still cheaper to produce them in the Diadema branch. In the United States, the factories produced more sophisticated parts for computer-operated automated machines and computer systems for automated plants. The machines used in Diadema came from all over the world including Brazil, Germany, Britain, and the United States. The engineer added, “Our manuals, designs, correspondence, e-mails, technical specifications, as well as those of our suppliers, are all in English because I also have suppliers from the outside.”

EPC exported to the United States and Canada but primarily sold to multinational corporations like Avon and Revlon, which have plants in Brazil that produce primarily for the Brazilian market. EPC also imported goods, such as makeup brushes, from Korea and China. Attending a trade fair in the United States, the managers found out that many of their Korean suppliers actually bought the products from China. Therefore, EPC decided to cut down their costs by buying directly from China, while keeping a watchful eye on quality.

The linkage of Bom Chocolate to the global economy depended primarily on its owner, a large American-based multinational firm that in June 2000 had bought

³⁰I only interviewed the head of the social action department of Pura. The interview took place at the site of one of their social projects, a clothing cooperative, in Jardim Sudoeste. This interview concentrated on their social programs and not on industrial restructuring and therefore provided less information on many of the issues discussed in the other industrial interviews. I decided to include “Pura” because of its retail system, which employs women in the *favelas*.

another huge food corporation in Brazil. Bom Chocolate sold mostly to clients within Brazil but also to Argentina, a MERCOSUL partner. The firm dealt directly with registered distributors and large supermarkets, which in turn resold to street vendors and small, informal shops. Bom Chocolate had bought cacao solely from Brazilian producers, but when the cacao plants became infested by a fungus, *Crinipellis Perniciosa* (or the witch), the firm was forced to import some of their raw material.

Drill Bits and More was linked to the global market in many ways, including through its competition with Chinese industries, the acquisition of ISO 90001 international certification, its integration into two different Swedish holding companies, and its merger with an English company.³¹ It exports to many affiliates in other countries including the United States and England, as well as directly to Boeing in the United States, and to firms in other Latin American countries, Taiwan, and Japan. It also imports and sells products for other factories within the same holding group, such as high technology tools from a plant in Italy. Finally, the company sends representatives to training seminars all around the world.

The marketing manager at Drill Bits and More contended that it was not that easy to “globalize” all of the firm’s products and marketing strategies because foreign companies often did not understand the differences in markets and culture, especially in the area of marketing. She explained that Europe had a different level of production because industries had extremely modern machines. Brazilian firms were only slowly modernizing, and therefore, many of the tools made elsewhere did not serve the Brazilian market. Many of the drill bits produced by Drill Bits and More were for manual machines, so it imported bits for more sophisticated machinery for clients who need them. Its holding company had, to some degree, standardized the marketing practices of all its companies, which meant that Drill Bits and More in Brazil had to use its image standards and the logo, but the Brazilian company had kept some of its marketing techniques and its own specific advertising materials. The global links of Drill Bits and More had made the firm increasingly vulnerable to global economic fluctuations that had not been as prevalent during the earlier years of a closed economy.

3.3.3 Competition and the Opening of Markets

With the opening of the Brazilian market starting in 1993, the level of internal and external competition increased for most of the firms I studied. The intensity of competition depended on the need for their products or in their ability to produce specialized products geared to the needs of Brazilian firms, something their foreign counterparts did not tend to do. It also depended on the type and quality of their

³¹The auditors belong to an American company who judge how the firm stocks, produces, and markets. The marketing manager of Drill Bits and More claimed that a Japanese company demanded the ISO 9000 certification before buying their products. The significance of the ISO 9000 series of certifications stems from the early stages in the growth of exporting, when Brazilian companies were exporting goods without controlling for quality, leading to the bad reputation of Brazilian goods (Fleury 1997:363).

products, the level of outreach and numbers of markets reached by the firm. The increasing competition, especially from Asian firms, led to numerous strategies by both the domestically and foreign-owned firms to maintain their level of sales and profits. These strategies included trying to differentiate the Brazilian products through higher quality, customization, and delivery time and lowering prices through cutting profits, waste, and expenditures, especially on labor (by freezing salaries, outsourcing to homeworkers or smaller firms, and hiring temporary workers). For the difficulties they faced in competing globally, the industrial managers blamed outdated technology; the inefficiency of the government, which led to high tax rates; and in the case of the smaller firms, the high cost of exporting (because of the need for national and international representatives and for advertising). They also complained about volatile capital. Electronics found itself competing with Korean manufacturers, who were able to produce similar products rapidly and cheaply. The human resources manager said, “We had to differentiate [our product from theirs] because our price was not the cheapest in the market What we preach is that we produce better quality goods, so we then needed to really differentiate our quality – [products with zero defects], type of workforce, and rapid and on-time delivery.” He also explained that the faster the delivery, the faster his firm received the payments, which meant faster capital and profit turnover. The engineering manager added that what had made his firm competitive was its ability to gear its products to the needs of clients.

The manager of Electronics explained that with the *Real Plan* and the opening of the market, the increase in the number of competitors had not been significant and that their principal competitors remained the same. A number of potential competitors produced electrical items for Christmas, but Electronics had never been involved in this market. He said that even with MERCOSUL, which made it easier for products to flow from Argentina and Uruguay, for example, to Brazil, Electronics did not gain more competition than its rivals because when the market opened for Electronics with trade barriers taken away with MERCOSUL, it also opened for its rivals, such as Siemens and Schneider, both of which had factories in Argentina, a MERCOSUL country.³²

Eduardo, the owner of the small screw factory Parafusos, primarily blamed the Brazilian government for the difficulties Brazilian firms faced when they competed in the global market. He contended that the opening of the country’s market “opened up eyes that the world is ahead. It was interesting, but on the other hand, you opened up competition with the Asiatic tigers, and for us here, this means bankruptcy for Brazilian industry. We cannot compete on an even footing, and why? Because of the culture of the Brazilian government officials I think the Brazilian politicians are not good administrators It is impossible to be a good administrator when you spend more than you collect – make excess social security payments [and] a lot of [other] things that encourage money to leave. And so what happens? This forces an increase in taxes. They have to take from those who produce, those who manufacture, those who buy, in order to maintain this inefficient administrative machine. So,

³²The manager maintained that growing competition had a worse impact on the food and drink industry, which had to lower prices and content itself with a lower percentage in profits.

politics enters the equation. I think the Brazilian chaos is a lot more political than industrial [or] economic and then, logically, while this mentality persists, they [the government officials] have to rob us in order to cover up the inefficiencies of the government. That is the ‘Brazilian Cost’ [*O Custo Brasil*].³³ The Brazilian cost is the largest on the planet.”³⁴ Eduardo added that another problem was the “volatility of capital, which can be withdrawn when they [the foreign investors] want and however they want, leaving the people to watch the ships [go out to sea]. All this directly affects us here, especially the small enterprises More than 70 percent of the Brazilian workforce works in small and medium enterprises. In Diadema, for example, there are no large firms . . .” Although Eduardo wanted to buy Brazilian machines for his factory, he found that the Chinese were making exactly the same machine for \$15,000 instead of \$60,000. In fact, the machine made in China produced screws a bit faster than its Brazilian counterpart. Eduardo’s firm is also in direct competition with Chinese screw factories because of their lower prices. As was the case with Electronics, Eduardo also said that the reasons he still had clients were the quality of his goods and the fact that he could produce smaller batches and do it more quickly for his small-scale Brazilian clients.

In contrast, EPC benefited from the opening of the markets because it provided access to the cheapest sources of plastic. Although the company did buy some plastic from Bahia, a state in northeastern Brazilian, it purchased most of the plastic from other countries such as China, Korea, Mexico, and Germany. However, EPC was also facing competition from firms in Korea that were entering the Brazilian market.

Marketing personnel from Drill Bits and More argued that when Brazilian President Collor (1990–1992) opened the market, cheaper products, often of poorer quality, entered Brazil, especially from China. “Before FSK [now called Drill Bits and More] was the leader. They had almost no competitors They were practically the ruler of the market. All of a sudden, they opened the market and other firms, other factories, [and] other products started to come in.” When asked if Drill Bits and More lost many of their clients and whether their sales substantially decreased with the opening of the market, the marketing manager replied, “what I can say is that, before, FSK was extremely prosperous in the area of tools. They did not have any problems related to costs or the market. Everything was calm. It was a stable factory that profited, and afterwards, this was not the case. Afterwards, other competitors started to appear everywhere So, FSK stopped being in that stable position and had to adjust various aspects [of production, administration, and labor].” In contrast, the marketing manager had only good words to say about MERCOSUL because the company’s exports had increased as a result of it. Drill Bits and More had found it easy to export to the countries in MERCOSUL because the

³³“O Custo Brasil” or the direct translation, “The Brazilian Cost,” is a phrase used frequently by many Brazilians including workers, industrial managers, government officials, and academics to refer to the high level of taxes and other payments to the government, which they feel are killing industry and the economy.

³⁴As in Chap. 2, I have not indented and single-spaced long quotes from the research participants, since I want their voices to be an integral part of this book.

industries in those countries had not faced the same internal competition and therefore did not improve their production processes. The industries that existed in the other MERCOSUL countries were often from the same holding company as Drill Bits and More but still actually imported from the Brazilian branch.

In sum, the opening of the market to outside competition had various consequences. Some firms had to lower their prices and cut costs in order to compete, but some also benefited from the cheaper imports of raw materials. Some hoped that the quality of their products would be able to sustain their competitive edge, others were glad to take advantage of the larger market.

3.3.4 Effects of the Economic Crisis

In addition to the opening of the markets, the world economic crisis and the related internal Brazilian economic crisis of the 1990s and the early 2000s affected sales and created the perceived need for industrial change in São Paulo. The close linkages between the different national economies became very apparent during this time. The manager at Electronics argued, “What is affecting the sales is the world crisis . . . Many enterprises are closing, going under, with many enterprises suffering capital loss. These problems that started in Russia are now spreading throughout the world.”³⁵ In 1998, with decreasing exports, Electronics discontinued outsourcing and temporarily produced everything within the plant in order to avoid laying off employees, since the managers thought that the situation would improve based on previous cyclical, seasonal patterns. They were also hopeful because both England and the United States, Electronics’ leading foreign clients, were not facing a crisis. However, Electronics saw slower sales within Brazil. This was due, according to the human resources manager, to high interest rates, which reduced private investment. Government cuts in civil construction – infrastructural development projects such

³⁵The Russian financial crisis hit in August 1998, set off by the Asian financial crisis, which had started a year before. Russia was heavily dependent upon the export of raw materials such as petroleum, natural gas, metals, and timber, increasing its vulnerability to the volatility of world prices. Its financial meltdown was fueled by declining productivity, an artificially high fixed exchange rate, and a chronic fiscal deficit in part due to the huge economic cost of the first war in Chechnya. At first the Russian government refused to let the ruble float, which forced Russia to spend its foreign reserves to keep up the ruble’s value. Miners were not paid and went on strike on May 1998. On August 13, 1998, the Russian stock, bond, and currency markets collapsed as a result of investor fears that the government would devalue the ruble and default on domestic debt, both of which happened 4 days later, with the government declaring a moratorium on payment to foreign creditors. Inflation skyrocketed, reaching 84 % in 1998; the middle class lost a lot of their money in bank shutdowns; and shop shelves were empty as citizens started hoarding; all of which encouraged mass street demonstrations on October 7, 1998. A political crisis was taking place at the same time. However, the Russian crisis was relatively short lived as oil prices substantially increased in 1999 and 2000 and the prices of imported goods allowed the national food industries to prosper. In addition, the impact of the decline in the monetary system on many producers was not that great because Russia’s economy had been operating to a large extent on a system of barter and other non-monetary instruments of exchange (Chiodo and Owyand 2002).

as bridges, schools, and municipal buildings – the manager said, also resulted in slower sales since Electronics sold products for the distribution of electrical energy used in civil construction, such as circuit breakers and panel boards.

The economic crisis also affected Bom Chocolate's sales but for a different reason: its product was not a staple. As unemployment increased, families were buying only the bare food necessities. Chocolate consumption, therefore, was decreasing except at Easter, when consumption actually increased from the previous year. (A large chocolate Easter egg on the table was very important for the families I interviewed in the favelas. If at all possible, a family would put together all resources to buy at least one.) Bom Chocolate, despite more internal competition, still had the biggest share of the chocolate market at the time of the interview.

In November 1998, the human resources manager of Drill Bits and More explained that the firm would try to increase sales by investing more in marketing, improving the quality of its products and training more of its workers, "Because if we succumb to the crisis, it is a vicious circle. If we do not invest we do not sell. With the quality of our products, we are looking to continue leading, in order not to lose the market . . . The car assembly plants are abstaining from making purchases . . . [actually] the industries in general. They are ceasing to buy from the distributor because they are not selling, and so they need to fire workers, to reduce their production. Then fewer tools are needed, so fewer are bought from the distributors that buy from us. So, there will be a juggling act to try to survive this crisis in a healthy way." Also, like Electronics, Drill Bits and More planned to outsource less of its production and to produce more internally. In the previous 6 months, the firm had had to decrease the number of workers by 8 %. After the devaluation of the currency and the decision to let the currency float in 1999, Drill Bits and More laid off another 10 % of the permanent workers and sales decreased by 30 %. A wide array of business costs, including imported raw materials and machinery, and monthly food staple baskets for the employees had become more expensive.

Again, not all firms were negatively affected by the crisis. EPC did not work with loans so it remained unaffected by the high interest rates that the Brazilian government imposed as a tool to avoid inflation. Instead of loans, after an initial down payment of 30 %, the firm could pay for its machinery in installments over the period of a year. Unlike the case of EPC, the manager explained that high indebtedness was hurting his competitors, especially since the return on investments takes a long time. He contended that although it would take a long while for EPC to see the return on their investment of \$250,000 in a robot, at least they did not have to pay the high interest rates.

3.3.5 Relocation

Relocation to cheaper cities was another strategy used by the firms to deal with the economic crisis. As mentioned earlier, a significant number of industries had moved from the Metropolitan Region of São Paulo to the interior of the state or elsewhere in Brazil and beyond, resulting in unemployment for some workers and increased

fears about job security for others. As a result, many workers began accepting lower salaries and temporary contracts. The industrial managers I interviewed gave a variety of reasons for the relocations: the strength of unions, the lack of land to expand, high taxes, competition, and incentives given by other municipalities in terms of land and taxes. However, the six firms I studied had many reasons to stay, at least for the moment: the quality of workers in the MRSP, the proximity to technological experts, rapid and low cost freight, and the location of clients, as well as the costs involved in laying off workers (the compensation payments demanded by the labor laws) and the difficulty of moving a whole factory with or without the workers.

Eduardo, the owner of the small screw factory, agreed with the manager from Electronics that the reasons that industries were moving had to do with the unions as well as with the high taxes and the incentives given, even to small industries by other municipalities. He said the powerful unions did not realize that the owners were going through difficult times, too. André, the human resources manager for Electronics, explained, “Here in the ABC [also known as the ABCD] region, we are linked to the Metallurgy Union of ABC, which is very strong and is one of the strongest entities in the country. Because of this union action and the rising prices of buildings in the area [because of competition for land with the increase in service industries,] it started to be very expensive to stay . . . ”³⁶

The managers I interviewed in Drill Bits and More and EPC, on the other hand, claimed that they had very good relations with the union. The human resource director of Drill Bits and More told me, “[The union leaders] have to do their work since their client is inside [the factory], so we let them do their work. We also like that they respect our conditions, because many times we tell them that we don’t have the ability to meet their demands or whatever requests they bring to us, because we really can’t meet them. Our firm doesn’t profit from these situations. Our firm profits from what it sells – what it produces . . . We are very transparent.”

The reason that the human resource manager of Electronics gave for the plant not moving out of the MRSP was that workers in certain areas of production needed a high level of education, it was expensive to lay off workers, and the location of the market was in São Paulo. For example, while the production of pushbutton controls did not require a highly educated workforce, the production of control panels and special controls did. André, the manager, said, “At the same time that enterprises are in this region, they are opening up factories in other regions, without necessarily removing the existing factory from the MRSP. You cannot make [the move] all at once, because it is very expensive to lay off [workers] . . .” He added, “The market is here so we need to be close to the market.” Seventy percent of the company’s clients were located in the State of São Paulo, so if Electronics left the state, freight costs would be higher. Although some of the major car companies, such as Volkswagen, General Motors, and Renault, have built new plants in other cities in Brazil, André claimed that Electronics’ business had not been affected, since about

³⁶The human resources manager for Electronics continued, “What is interesting is that the region was developed [for industry] and now is turning to service production. Today, there are excellent universities here in the ABC region and services are improving. We have a lot of investment in hotels, parks, and cinemas, because we needed to have something to substitute [for the industries that are leaving].”

40 % of the Brazilian market was still in the Greater Metropolitan Region of São Paulo, and 50 % or more of Electronics' clients were in this region.

When I asked the human resources director of Bom Chocolate why she thought the company kept the factory in the center of the Municipality of São Paulo, she responded that it was difficult to move with over 3,000 employees, including the temporary ones, and with all the machinery, especially since the new owners had only bought the plant 2 years earlier. It was her opinion in 1998 that the new owners were not thinking of moving, since they were investing so much in this particular plant. However, it turned out that she was wrong. Bom Chocolate did relocate a few years later, with some of the former workers telling me that they thought it was because the company could find cheaper labor elsewhere.³⁷

Drill Bits and More has 34,000 square meters of land in São Paulo, of which the company was utilizing 20,000 square meters. The human resources director explained that they would have to stay put a bit longer despite the incentives outside of São Paulo, due to the size of the investments they had already made. The firm could not easily sell the land to another factory because it was located in a watershed area where land use was legally restricted. The site could only be converted to a shopping center or parking lot, and therefore, the land would not be that valuable if they sold it. As of 2013, Drill Bits and More remained in the same location. (The plant had been allowed to stay because managers were doing their best to keep the waste from leaking into the water reservoir and were aiming to receive an international certificate for their environmental efforts.)

Although in 1998 relocation was not seen as a real possibility for any of the firms where I conducted interviews, it was already not certain whether some of them might move, especially if the education of the workers improved in other areas of Brazil. (Three out of the five industries, manufacturing in the MRSP, indeed, ended up leaving a few years after the 1998 interviews.)

3.3.6 Restructuring of Production Processes

All six firms I studied restructured their production processes to remain competitive and to be more flexible in a volatile, open market. However, the details of their production processes and the level and manner of restructuring varied considerably. Restructuring processes included the introduction of robots, polyvalent working styles (multitasking according to need), quality control systems, automated computer-driven machinery, and faster delivery mechanisms, as well as outsourcing more production and changing management strategies.

³⁷As of 2011 Bom Chocolate's products were being produced in Curitiba, in an industrial complex that opened in 2003 and in two locations in the interior of the State of São Paulo. In 2011, it opened up a green factory of 25,000 sq. meters in the northeast of Brazil, in Pernambuco, producing two of the same products it had produced in the Municipality of São Paulo and directly employing 600 workers in a city of 120,000 inhabitants. It received 20,000 curriculum vitas for the positions. The company received fiscal incentives to open up its sixth factory in Brazil, including 300,000 sq. meters of land and access roads.

Electronics instituted a polyvalent system to produce short-run, small-scale, diverse, and customized electronic products, requiring the workers to be involved in various types of processes and assembly. The engineering manager said the reason for the polyvalent production system was that the workers “need to adapt” since it is necessary for the workers to perform different types of tasks every hour and produce diverse types of products depending upon the contracts that came in. The company was also introducing a type of total quality control system, called Statistic Process Control, required for ISO 9000, the international certificate.

The greatest change for EPC in 1998 was the installation of Austrian, German, and American robots entirely programmed by computers to move parts from one machine to another. The director said that the robots dealt with risky operations, saved time, and increased productivity. The robots sped production by 10 sec a minute, and one could perform the work two people used to do. EPC did not use the system of polyvalency, so each employee still had his or her specific task. However, the firm instituted a more rigid quality control system called the Military Standard, an international table that establishes how many products have to be examined in order to catch defects.

Following its acquisition by the large transnational conglomerate, Bom Chocolate attempted to make many changes in industrial processes, technology, and management in order to increase production, but change was slow and incomplete. The marketing manager thought that the company could increase their total production because, in comparison to other countries, Brazilians actually eat a small amount of chocolate and thus there was room for consumption to increase. (One of the practical problems of increasing consumption and production was that Easter, a time when most Brazilians eat chocolate, falls in the late summer/early fall and so the chocolate melts.) Technological changes did take place, such as when it introduced a line of white chocolate cookies, the firm used a more mechanized production line. Yet, the company also kept the old line in production. In addition, 2 years after the multinational takeover, polyvalent processes, for example, were still not yet in use.

After the American-based multinational bought the plant, managerial changes and a worker “empowerment” program were more quickly put into place in Bom Chocolate than changes in industrial processes and technology. According to the personnel director, women had been more open to change, to listening, and improving. She thought women were more flexible because they have had to be since they were young and had to deal with family members’ wishes. All employees were shown the film *Bagdad café* – which depicted how workers should behave in a team – in order to stimulate a dialogue about involvement in the plant and the improvement of production methods. Employees began to use the names of the film’s characters to describe what to do and not to do. For example, “do not be ‘a Brenda,’” referred to a character who is very impatient. Empowerment of workers is part of what has been called Japanese production methodologies. However, like Humphrey (1994:329–30), I also wondered what aspects of Japanese management would be more prevalent in Bom Chocolate and generally in Brazil – participation or control, coercion or consent – or whether both aspects would be evident at the same time.

In the 1990s, Drill Bits and More invested in a lot of machinery, but the plant did not yet use robots. It did use a system of polyvalent production. When I interviewed the two directors again in January 2000, the factory had bought even more automated machines, with each taking the place of three to four workers. In 1998, when asked why they were using more automated machinery, the human resources director responded, “. . . [T]oday, we have succeeded in using one machine for two or three operations. So he [the worker] goes and presses the button and does three operations . . . [The worker works] in other areas or stays idle . . . Today, for example, many small firms are closing. It is impossible! They have to close because they have not kept up with progress. They did not keep up with the technological changes. They left aside the question of computerization . . . So, they are waking up late to the possibilities.” Firms such as Drill Bits and More were very worried about more competition with the opening of the market and therefore emphatically emphasized that they had to keep up with new technology and management strategies. When I asked why smaller firms were not concerned enough to make sure they were not left behind, he responded, “Well, the principal reason is complacency. They think that it will not happen to them. The other problem is the investment that you need, because here in Brazil, for example, the taxes are very high . . .”³⁸

Another competitive production strategy to increase profits (and some would say just to survive) was to outsource more production to enterprises of five or fewer employees. When sales were slow, the level of outsourcing could be curtailed. I return to this issue in Chap. 5.

3.3.7 *Employment*

The complexly intermeshed processes of economic globalization, economic crises, increased competition, relocation, and technological and organizational restructuring have led to labor market restructuring. These processes have encouraged most of the firms I studied to lay off permanent workers and employ more temporary ones. The firms demonstrated no clear trend as to whether women or men were more likely to lose their jobs.

Electronics had already faced a fall in sales in the first part of 1998, but that year had not had to lay off workers as of November 24, 1998, when I conducted the interview. However, the company had steadily reduced the number of workers almost every year for the past five. In 1993, Electronics had almost 400 workers, but by 1998, the number had decreased to 270. Electronics had approximately the same number of men and women employees, but women were the majority on the factory floor and on the assembly lines. The ages of the women workers varied

³⁸The Drill Bits and More manager continued, “it is totally different when you get a salary of R\$1,000 in Brazil and US\$1,000 in the United States. Here in Brazil at the end of the month, it is R\$1,000 for the employee and R\$1,000 for the government, and in the US it is \$1,000 for the employee and \$120 for the government.”

from 20 to 50 years old, but most were around 30. According to the firm, the reduction in numbers of workers in the previous years was primarily due to automation, which allowed the factory to produce more rapidly and compete against cheaper Korean products. In 1993, it took 6 days to deliver a pushbutton; by 1998, with the new technology and processes, it took only 3 days. In 1998, 94–95 % of the pieces were delivered on time versus 70–80 % 5 years earlier. Electronics did not have robots but used computer automation. Although the factory was still gradually automating more of the production process, managers were trying to keep as many workers as possible by buying less from other outsourced firms and producing within the factory. But the managers said they had too many workers, given the reduction in sales. Before 1998, during production peaks, the firm used temporary employment agencies to hire workers on 3-month contracts. However, even then, most of the new employees were hired directly by the company, by word of mouth.

“Angela” used to work for Electronics but had been laid off at the very beginning of the opening of the Brazilian market under President Collor (1990–1992).³⁹ For a few years she had been able to go from factory job to factory job without long periods of unemployment. That ended with the beginning of the economic crisis of 1996; for 2 years, she had been unable to find another factory job and had tried to support herself selling lingerie, with little success. However, in 1998, she took advantage of Programa Integrar, a 1-year program run by the Metallurgy Union in Diadema to help people obtain an elementary school degree.

Smaller firms like Eduardo’s screw factory also had to lay off workers. In 1998, a decrease in demand forced Eduardo to reduce his factory’s workforce from ten to six workers. The owner blamed the economic situation rather than technology.

EPC is the only firm where I conducted interviews that actually increased the number of workers in the 2 years before the end of 1998. In 1996, EPC had 120 employees, but by October 30, 1998, 186 were working inside the plant. This expansion was due to an increase in sales, especially to Avon, but also to other smaller cosmetic companies. During the 1998 Christmas season, EPC hired extra employees on 3-month temporary contracts, a step that allowed the employer to avoid paying benefits such as the guarantee fund and the government social security taxes. In the past, the existing employees had worked overtime, receiving extra pay, and no new employees had been contracted. According to the industrial manager, products manufactured on overtime were often defective. EPC had already hired 20 more

³⁹Angela, the former Electronics worker, started working at the age of 16 in a glove factory where she stayed for one and a half years before starting to assemble components for the factory now called Electronics. She was laid off during the time of President Collor (between 1990 and 1992) when, she said, the firm fired almost everybody and “sent everybody to the gutter.” She remained unemployed for 3–4 months but then started to work in another factory supplying Volkswagen and Ford with car upholstery. She then worked for another company, which soon moved to the interior of São Paulo. At the time of the interview, she had been “unemployed” for 2 years, with the exception of a 2-month stint for a temporary agency 6 months earlier. To make a bit of money, she had been selling lingerie but did not consider that a “job.” Many people failed to pay and she went into debt, which encouraged her to stop after 3 or 4 months.

workers on temporary contracts through an employment agency by the end of October 1998 and was planning to hire 12 more temporarily. EPC had all ages of workers at the plant; some employees had been with the company for over 30 years. Many more women than men worked in and outside the factory. The manager was not able to specify why this was the case but just said that this was the tendency in the cosmetic industry and gave the example of Avon using only women in the assembly lines, in the decoration unit, and in the office. Men worked at heavier tasks and in the maintenance of the machines. However, the gender composition was more mixed in quality control, where there were two men and three women. According to the manager interviewed, the director did not want relatives of the employees working in the plant because she did not want a concentration of workers from any one family. "She wanted to distribute the income because the majority is from the neighborhood."

Since the foreign takeover, the number of workers at Bom Chocolate remained stable at approximately 3,200, including 1,200 temporary ones. Bom Chocolate human resource managers claimed that although they advertised for workers from 25 to 40 years old, they also hired both younger and older employees. As in the other cases, permanent workers were hired by word of mouth. Because of the seasonal nature of the production, with Easter and Christmas as peak sales times, the company relied heavily on temporary workers. For security reasons, women workers at Bom Chocolate were not allowed to work the night shift. However, during other shifts they made up about 40 % of the personnel. Both men and women were contracted for the temporary work. (I saw more women wrapping the Easter eggs.) However, the managers informed me that they hired more men than women because they have a lot of heavy work. Women were not allowed to carry heavy boxes or work with heavy dough. Men also worked in the refrigerated rooms where chocolate is formed. However, women had important jobs too, such as checking the machines.

As of December 1998, Bom Chocolate did not have any temporary workers under the new labor legislation enacted in 1998 that allowed for temporary contracts with fewer benefits. However, they had hired approximately 400 people through employment agencies and another 800 temporary workers under an older law designed to cover workers on vacation or maternity leave or in times of a sudden increase in demand.⁴⁰

Marcia's⁴¹ daughter, Diana, who was 23 years old in 1998 and lives in Jardim Sudoeste, worked without benefits for 4 months for Bom Chocolate, but the factory let her and all the other temporary workers go after they produced enough eggs for Easter. Diana had been studying computers and had worked inside EPC for 1 year and 3 months, under a contract that provided full benefits. By 1998

⁴⁰The 1998 law for temporary workers reduced the benefits employers had to pay in terms of the guarantee fund and also cut back payments to third parties such as the S system, the governmental centers for training and technical assistance (also see Chap. 5).

⁴¹Márcia, a homemaker for the cosmetic packaging firm "EPC," spoke in Chap. 2 about the loss of the opportunities for work.

Marcia and Diana were putting together lipstick holders as homeworkers for EPC. Diana had become very discouraged and did not feel like going out to find work, claiming that she would not find a job anyway. Her case illustrates the instability of temporary industrial work and provides an example of how workers go in and out of employment with different degrees of “formality,” especially in terms of duration and benefits.

Drill Bits and More, the drill and tool multinational firm, employed 420 permanent and 60 temporary workers at the end of 1998. Eight percent of all workers were laid off in the second half of that year because of problems with sales. In the previous 10 years, but especially in the last five, Drill Bits and More had already been laying off workers, cutting back from a high of 1,300 in 1993. According to the marketing manager, the number of employees had decreased because of the substitution of workers by machinery, which reduced costs. More men than women worked in Drill Bits and More in 1998, but the balance between male and female workers was gradually shifting; as recently as 10 years before, all the workers had been male. In 1998, there were 80 women employed by the plant (still less than 20 % of the workforce). They were working in many areas including administration, production, operating machinery, planning, and quality control. The human resource director said that women were not excluded from any part of production. He felt that women were better employees since they were more dedicated, talked less, and were more interested in what they were doing. “Men converse a lot, will ask for loans, [and] will talk out there [pointing to the outside courtyard] with a friend. Women don’t work like that. [A female worker] is very correct, [and] much more dedicated to her tasks. Don’t you agree?” When asked why they then did not employ more women than men, he answered, “I will tell you that it is a question of culture. In Brazil, as in other areas of the world, firms started to work with men, with women entering the market more slowly. The women started entering [our firm] . . . and today we have 80 women on all levels. But this is a lot for us, because in the past we only worked with men.”

In the last 10 years, the numbers of women had indeed grown at Drill Bits and More. The company relied heavily on temporary workers, many of whom were women. Over 14 % of the workers were on temporary contracts with fewer benefits.⁴² The human resource director explained the use of temporary workers: “The cost is less, a lot less, a lot less, . . . because the firm that provides the temporary worker, works under specific legislation for temporary workers.” The temporary agency covered 23 % of the benefits and the taxes paid on workers’ salaries. However, such contracts were supposed to be used to cover permanent workers who were on vacation or to fill a sudden increase in demand. When asked whether the use of temporary workers was efficient, considering they would have to be trained, he responded that to a certain extent it was, because he used them in packaging, which was simple work. Many of the temporary employees had been unemployed for 7–18 months. He claimed that the qualified worker did not suffer from the unemployment crisis.

⁴²In November 1998, the company had 60 temporary workers.

Some of the industrial managers were worried about how the implementation of the International Monetary Fund (IMF) rescue package negotiated between Brazil and the IMF in November of 1998 would affect the employment situation. The \$41.5 billion package was aimed at avoiding a collapse similar to that of the Russian and many of the Asian economies starting with Thailand. It applied pressure on Brazil to reduce spending and ease overall public debt to below 46.5 % of the gross domestic product.⁴³ In 1998, the human resource director of Drill Bits and More commented, "I believe that the next two years will be like the past two years . . . very difficult, because he [Brazilian President Cardoso] will need to shape the future and he must resolve many of the problems that he was not able to resolve in the first phase of his government . . . So, I am telling you that in the next 2 years there will be a recession, a major recession, [and] lots of unemployment."⁴⁴ It doesn't work just to say that they will resolve the problem of employment in Brazil. It is very difficult. You open the newspaper and a construction company went bankrupt, closed, and let its workforce go. When you look at the statistics on unemployment, you will see an unqualified labor force . . . So, I ask you, will it continue? Of course it will. I don't have any doubts about it. We need to export our products. The way [to do this is to] have qualified people making quality goods and earning a good salary, [and then] you will have the condition to absorb [the work force] and start entering this part of the market (i.e., the export market) . . . It takes a larger investment in our professionals to export, [but] this is very advantageous [for the company in the long run]."

When I conducted a follow-up interview at Drill Bits and More in January 2000, there had been many changes in Brazil since 1998, including the devaluation of the currency and an even worse unemployment crisis. The same managers I had interviewed in 1998 informed me that 10 % of the permanent employees had been laid off in the previous year because of a 30 % fall in sales and the increased use of automated machinery. (My own calculations show that there was actually a 12 % decrease in permanent employees.) A new law allowed workers to form cooperatives more easily, although 20 members were necessary, and decreased the taxes and benefits the cooperative needed to pay. Employing workers who have joined as a cooperative costs a firm 70 % less.⁴⁵ Many of these cooperatives, as discussed in more detail in Chap. 7, were simply small outsourced firms where there was in reality an owner and the members did not share all the profits equally. Cooperative workers at Drill Bits and More had replaced all of the 60 temporary workers and 20

⁴³As mentioned in the Introduction, on March 8, 1999, the Brazilian government and the IMF announced a revised loan agreement with more stringent conditions, following Brazil's decision in January to end controls that kept the value of the currency artificially high against the dollar. The result had been a nearly 40 % decrease in the currency's exchange value in the first month. The IMF agreement called for Brazil to increase its budget surplus to 3.1 % of GDP compared to the 2.6 % agreed upon in the November 1998 accord.

⁴⁴And the manager was right, unemployment skyrocketed and there was a decline in growth (see Introduction).

⁴⁵The additional costs for the employer beyond the worker's salary (benefits and taxes) to hire a temporary worker is about 65–75 % of the salary, but the additional costs for a cooperative worker is about 33 % of the salary.

of the permanent workers. Including the 80 cooperative workers, the company had 450 workers in January 2000, 30 fewer cooperative and permanent workers than at the end of 1998 (a 6.25 % decrease in both types of workers). The managers maintained that in order to survive, they were trying to increase the quality of their products and also cut labor costs. The members of a cooperative worked in the factory, but they were not seen as directly linked to the factory. The human resources director thought that more factories would be using this system. Even the union center called *Força Sindical* was pushing this idea.⁴⁶ In January 2000, Drill Bits and More was using these types of workers for services only. These cooperative workers were treated as though they were self-employed; they were not entitled to food tickets, but the workers and employers did pay into the social security system, the Instituto Nacional da Previdência Social (National Institute of Social Security – INPS), so they will receive the same social security benefits when they retire. Cooperative workers tended to have to work even longer hours than permanent or temporary registered workers. Drill Bits and More did not have to train the workers because most of them received training from *Força Sindical*.

The workers who lost their jobs at Drill Bits and More between 1996 and 2000 included not only the temporary workers and those who had legally retired but continued to work off the books but young permanent workers. These men and women struggled to get other factory jobs but found mainly sporadic employment. For example, Nora's husband, "João," from Favela Sul, lost his job from Drill Bits and More in 1996, soon after they were married.⁴⁷ They went out to find work, but could not find anything for months. Since then, João had worked sporadically as a stonemason for Sister Isabela, who had been fixing up the day-care center with government funding, but he had not been able to find another factory job. At the time of the interview in 1998, Nora had been working for 14 months in the same municipal day-care center, set up by Sister Isabela in the favela. At the end of the month she took home R\$291 (approximately US\$291) and he earned approximately R\$500 doing temporary work. João had only been earning R\$300 at Drill Bits and More. He therefore was earning more than he had at the factory job, but that job had initially brought more stability. The perception of factory work as more stable than self-employment was still present, although with the unemployment crisis this was often an illusion.⁴⁸

⁴⁶The Brazilian cities of Rio de Janeiro, Belo Horizonte in the State of Minas Gerais, and Porto Alegre already had many cooperatives.

⁴⁷Nora and her husband were originally from Rondonia, a very poor state in the Amazonian region of Brazil. Finding work on their farm very difficult, João decided to move to São Paulo when he married. They had a baby and both of their mothers were staying with them.

⁴⁸It is beyond the scope of this book to answer the question of whether the economic crisis per se, manifested in falling sales and growing global competition, or the adoption of new technology and Japanese models of production were the main causes of the unemployment crisis. Both factors are linked to economic globalization. Japan had a very low unemployment rate in the 20 years before the 1997 Asian crisis, even during the 4 years of recession beginning in 1991. (Japan went through both a real estate and stock market crisis with the bursting of the real estate and stock bubble of 1986–1991, starting slowly in 1991 with stock prices hitting a low in 2003, stabilizing for a while and then declining further in the 2008 global economic crisis.) Although Japan's official

3.3.8 *Training and Education*

The level of education attained was one of the crucial factors in worker's ability to maintain or find another industrial job, especially since the more automated firms were now searching for more qualified workers. Although a high percentage of the existing workers in the industries I studied did not even have a primary school education, unlike before, the same firms were no longer hiring new workers without at least that level. Firms were training more of their current workers in the factory and encouraging them to get at least a primary education and to learn English. The new skills or qualities that firms were searching for when hiring new workers included foreign languages, flexibility, creativity, and management. In 1974, Braverman (1998) argued that there was a tendency toward "dequalification"⁴⁹ of workers, with Taylorization and assembly line work, and a degradation of work. As Gorender (1997:318) wrote, although Japanese models of production with polyvalent methods, computer-controlled equipment, and statistical process controls demand more qualification and more participation in the objectives of the firm, the majority of workers including higher qualified ones in "modern" plants were not participating more in terms of decision-making, even in the country where the model was developed – Japan. Even in Japan, the permanent employees in industry only constitute 30 % of the total, and the majority of workers are temporary, with lower salaries and in functions requiring fewer qualifications. Some authors argue that this is because "Toyotism" only really entails an intensification of work and the elimination of unproductive time without radically altering the essence of Fordism (Castro 1993 in Gorender 1997:318).

Although the level of education of the workers at the majority of the firms in my sample was quite low, it was improving, or at least the firms were thinking of requiring a higher level of education for the employees. The percentage of illiterate registered and unregistered workers in the Municipality of São Paulo (MSP) employed in the private sector decreased from 4.6 % in 1985/1986 to 3 % in 1997–1998 and from 3.6 % in the ABCD region in 1985/1986 to 2.4 % in 1997/1998. The percentage of workers in the private sector who had not finished elementary school, however, was still quite high in 1997/1998 (35.8 % and 35 % in the MSP and the ABCD region,

unemployment was 3.5% before 1996, other estimates were double that amount but still relatively low compared to other countries whose unemployment often tripled with the transition from more Fordist production models to more flexible production and electronic automation. With the use of more information technology and automation and Japanese organizational methods, the amount of structural unemployment increased in Brazil as well other countries (Gorender 1997:321). However, the relatively low unemployment rate in Japan before the Asian crisis of 1997 may signify either that the Japanese were not extensively using the production methods and technology they have become known for or that those methods and technology are not the principal cause of unemployment in countries such as Brazil. Rather, a country's position in the global market might be a more important factor in unemployment, along with the level of education to make productive use of the technologies.

⁴⁹For Braverman (1998) dequalification signifies the requirement of fewer skills, whereas he argues that before the workers were really self-employed entrepreneurs that had been hired and given contracts.

respectively) but had fallen dramatically from 51.5 % to 54.6 %, respectively, in the MSP and the ABCD region in 1985/1986 (Seade 1985–1998).⁵⁰ Men tended to have lower levels of education than women in both the MSP and the ABCD region.⁵¹ Although there was a decrease in the percentage of both male and female workers who had not completed elementary school, the percentage had decreased more dramatically for women.⁵² Five or six years earlier, according to the director of human resources of Electronics, the company hired workers that did not know how to read or write. In 1998, everyone had a minimum of an eighth-grade education, and some were attending high-school classes or classes in programs that included both high-school and technical education. Female and male workers at Electronics had about the same level of education. The human resources director of Electronics claimed that, beyond education, women had better skills in manual assembly since they had more delicate hands and could concentrate more than men. Eduardo's employees at the small screw factory all had a high-school education. In EPC, only the workers who prepared the machines needed education, the other operators just needed to know how to read and write, even though they also underwent training in the factory. EPC did tend to choose the more educated workers when looking through the resumes that came in, but candidates were considered if they were at least literate. At Bom Chocolate, the level of education of many of the workers was also very low, especially in the case of the temporary workers, who usually did not even have a primary school education. On the other hand, while there were still some employees who only had an elementary school education in 1998, many of Drill Bits and More's workers had a high-school degree.

Most of the firms in my sample sought more qualified workers even though they had not completely adopted new production models. More skills were desired, such as English, ability to innovate, and computer competence. English language skills were necessary for those who needed to read manuals in English in order to run the new computer-driven machinery. For Electronics, the cost of the labor force was gradually rising as the company dismissed workers with a lower educational level and looked for workers who were able to understand the concepts behind the production process and not just how to assemble the product. The search for more qualified employees was forcing workers with more specialized responsibilities to take graduate-level courses and for the firms to provide courses in management. All new employees in the marketing and sales department were required to have

⁵⁰I am providing the statistics both for the Municipality of São Paulo and for the ABCD region because EPC, Bom Chocolate, Pura, and Drill Bits and More are located in the Municipality and Electronics and Parafusos are in the ABCD region.

⁵¹In 1997/1998, 72.4 % and 80.3 % of the illiterate workers in the private sector in the MSP and the ABCD region, respectively, were men, as were almost 74 % and 76.1 % of the workers in the private sector in the MSP and the ABCD region, respectively, who had not completed elementary school were men. The proportion became more equal only among those who had finished high school (50.7 % in MSP and 55.5 % in the ABCD region were male workers).

⁵²The percentage of all women workers in the private sector in the MSP who had not completed elementary school decreased from 43.1 % in 1985–1986 to 25.2 % in 1997/1998, while the corresponding decrease for male workers was from 55.6 % to 42.1 %. (The situation for the ABCD region was similar.)

command of the English language and good computer skills. These employees tended not to be favela residents. English was also required in other areas beyond sales since, for example, some of the suppliers were North American.

The director of the human resource department at Drill Bits and More argued that they were requiring more and more qualifications because, “want it or not, we live in a globalized world today, where everyone is responsible for everything and they need to learn everything at work through observation. Today, I need a secretary who can make a Xerox copy, plan a meeting, prepare a room and serve as a serving maid if I need one. She needs to serve water to our visitors, understand? We are looking for professionals with a broad vision and who have the ability to grow.” He asserted that the need for qualifications had increased substantially and that their workers needed a high-school education in order to undergo further training on the job and the knowledge of English to read manuals. The ability to understand higher mathematics was also important, he said.

The majority of the workers that Drill Bits and More had hired recently did not come with the desired skills. Therefore, ten trainers, educated by the company in Germany and England, offered on-the-job training. They provided English classes in the firm to those who lived near the factory (which in this case was the majority of workers) and paid those who lived far away to take classes closer to their homes. Workers whom they planned to send to take courses in other countries were especially well trained in English.

The human resource director at Bom Chocolate told me that, except in the case of positions such as the maintenance of machinery, where workers’ safety was crucial, they normally did not require new hires to have experience because they would be trained once they started. The parent company provided many courses and lectures to their employees. As mentioned above, Bom Chocolate started a program called “Empowerment” after it was acquired by the American multinational and now looked for new characteristics in their employees. “[The parent company] really wants, . . . [the workers to] bring ideas, [to be] innovative, [and] really believe in their work, because today one obtains technical know-how by taking classes, . . . but personal characteristics . . . are a more complicated matter. A person has to want to do it him or herself, right? It is not the same as acquiring technical skills. That is the profile [of the workers] that [our parent company] works with now . . . They are people that go [for it], want to do things, have ideas and go to execute them, searching for results.”

The American-based parent company of Bom Chocolate also granted 120 fellowships to its employees to complete at least their primary school education. In addition to these fellowships, which did not cover the majority of workers who needed them, it offered a variety of in-house courses, including more specialized ones on the installation of automated machinery, as well as on cleanliness and behavior. Although there was a desire on the part of the workers to continue with secondary school, the firm decided to first concentrate on the primary school equivalent, since that was the new requirement for workers. Sadly, because of the unemployment crisis, they were seeing people with a college education applying for production jobs starting at R\$390 or approximately US\$390 a month at the time of the interview.

When asked about the need for computer and English language skills, the director of human resources at Bom Chocolate said that the employees did not need those skills for most positions since the factory was still a bit “artisanal” or manually oriented. Approximately six workers were needed to perform more complex tasks with computers, while the others performed very simple manual operations. Even though the plant had an American manager who did not know Portuguese, only the workers he managed directly had to communicate with him in English.

Uneducated workers were not the only ones who often needed to upgrade their skills. Even middle class workers were having problems with unemployment and needed additional training. But if companies had once provided that training for them, employees were now being asked to finance it themselves. When the human resources director at Electronics had attended classes for a graduate degree years ago, all his classmates had jobs and their firms (mostly multinationals) were sponsoring their studies. The whole course cost about R\$15,000 for a year, which was considered very expensive by Brazilian standards. He also said that he attended seminars in the United States along with other managers. When asked what other qualifications were needed, particularly in the area of human resources, the director responded, “It is fundamental to have the capacity to adapt to human situations. One needs to have the capacity to . . . confront new challenges . . . People who are insecure or who are very conservative won’t do . . . I think that people must have the capacity to accept risks.”

One of the problems for the industries was that the government did not put many resources into education. When the human resources director at Drill Bits and More was asked whether he thought that President Cardoso would put more funds into education because of the 1998 IMF package, he answered, “I will tell you that there will be [more money put into education], but that will be in the long run and that is not what should happen, because we need it immediately. He needs to invest right now for him to reap. He needs to plant the seedlings now in order for him to reap the fruit ahead. If he does not do this, he will have problems. The Brazilian politicians prefer people not to study. For [the politicians] it is easier . . ., to manipulate the masses. If you choose a person with a high level of knowledge, he will already have his own ideas. [He will] start to talk back. He will already say that it is not correct. He won’t take sandals, bicycles, or clothes in return for a [political] vote. He will already have his own life, but when [a person is] illiterate, it is difficult for them to lead. Excuse me for speaking like this, but we see what is happening and how it is happening, right?”⁵³

⁵³ In October 2012, the new mayor of São Paulo that was elected, Haddad, was the former Education Minister under President Lula. He said that one of his top priorities, when he starts his term in January, will be education. Following his win, Haddad said he would break through the “wall of shame that separates the rich city from the poor city.” From 2009 to 2013, Gilberto Kassab, from the Democratas party, a center-right party, had been the mayor and had not had the same goals. President Rouseff also has prioritized education. However, the situation still in 2013 remained dire in terms of education for the majority of Brazilians. Haddad promised to make advances in education and the woeful public transportation system for the poor.

In January 2000, the human resources director of Drill Bits and More reiterated that in the future the employees would need many new skills. He said the labor force was still not qualified. The average age of the workers was 18, which he considered quite old since at that age they were unlikely to go back to school unless absolutely necessary. On both the factory floor and in the administration, some people had higher degrees. The human resources director thought that with the arrival of new equipment, within 6 years, only people who were engineers or technicians would be working at Drill Bits and More. By January 2000, everybody had at least a primary school education, but not all had high-school degrees. All the secretaries were high-school graduates, and many even had university degrees or at least some university education. The basic requirements for secretaries included computer knowledge and languages. In contrast, only the leaders on the factory floor had computer knowledge. Many of the workers on the factory floor were still afraid of the computers. The human resources manager believed that within the next 5 years, they would have many more computers running the equipment. He predicted that they would need even fewer employees on the factory floor because one worker would be able to run two or three machines.

The low-income women I interviewed in Favelas Sul and Leste and Jardim Sudoeste and in the union sponsored unemployment program, Programa Integrar, were often excluded from the formal labor market because of their lack of education. Even if they did have a high-school education, other barriers such as the lack of language and computer skills, contacts, experience, and age and class discrimination still prevented many from getting formal employment. “Elza,” a participant in Programa Integrar, told me, “[Especially] if you don’t know anybody, they put a thousand and one difficulties in your way. [They want to know] if you have high school, if you know how to speak other languages, [and] whether you know computers If you had all these qualifications in hand, you could enter [the factory – get a job] easily, but if you don’t, you simply don’t get anywhere and have to return to your home.” The education of the research participants varied only slightly. Few women had a high-school education, and only a handful in each community had more than that. The majority of the research participants, regardless of their status – industrial workers, street vendors, door-to-door vendors, seamstresses, or beauty salon owners – had less than a sixth-grade education, and many had only gone to elementary school for 3 years.

3.3.9 Salaries and Benefits

Although the educational requirements of workers had increased in the firms where I conducted interviews, salaries often had not. In addition, the wage gap between industrial workers with different levels of education increased between 1996 and 2003 even though real salaries had decreased for all workers. Relative to the cost of living in São Paulo, the salaries of the workers were low in all of the firms in my sample. Given the growing number of temporary workers, benefits such as food

baskets and health insurance were often absent. In all the firms studied, there was a large discrepancy in income between the assistants and workers with low educational levels on the factory floor on the one hand and the higher educated more advanced workers on the other. For example, salaries in Bom Chocolate ranged from R\$390 a month for less educated workers to R\$2,000 a month for more educated employees; EPC paid R\$1 per 1,000 lipstick holders for the homeworkers, who were mostly women with little education, and it paid monthly salaries of R\$300 to factory floor workers. Quality control inspectors with higher levels of education earned R\$1,300 a month.⁵⁴ During the 1996–2003 economic crisis, Seade's Study of Employment and Unemployment for the MRSP showed that there was a significant difference in salaries between workers in all sectors who never finished elementary school and those who had finished a university or higher educational degree beyond high school. The latter were usually working at the managerial level or above in industries.⁵⁵ In 1996, workers in the MRSP who had finished university or attained a professional degree earned 366 % more than those who had not finished elementary school. By 2003 this difference increased to 415 %, as lower educated workers' salaries decreased more than those of workers who had finished a university or professional degree beyond high school. The wage gap between those with more than an elementary school education, with a high-school education, like those at Drill Bits and More, and those with a university education also increased between 1998 and 2003 but was not as great a wage gap as with even less educated workers. However, it still was not insignificant, with those with a university degree earning 149 % more than those workers with a high-school degree in 1998 and earning 187 % more in 2003 (Seade 2009 PED 1996–2003).⁵⁶

By July 1999, industrial workers had lost everything they had initially gained in terms of salaries from the *Plano Real*. The average salary of an industrial worker in

⁵⁴The gross salary for an assistant with usually little education at Bom Chocolate was R\$390, including payments for health insurance, transportation, and meals. If a worker did not miss a single day of work in the month, he or she earned an extra R\$25 (or about the equivalent of US\$22) equivalent to a food basket. On the other hand, a supervisor with computer knowledge could earn R\$2,000, a level attained by some 15 people. In terms of benefits, the factory floor workers did not receive a food basket, but the administrative workers had the right to lunch tickets. Yet the other factory floor workers only had to pay an equivalent of about \$.20 for the lunch they ate at the factory. The salaries of workers at EPC ranged from R\$300 to R\$700 and R\$1,300 for more qualified and higher educated quality control inspectors. EPC charged Avon R\$.30 for each lipstick holder but paid only R\$1 per 1,000 holders to the homeworkers for their labor in putting the holders together; EPC avoided paying all taxes and benefits for the worker. Avon sold the lipsticks for R\$2.80 in Brazil.

⁵⁵This category in the Seade PED statistics is called *Superior Completo* and refers to many different kinds of educational and professional degrees conferred after high school and obtained from a university, technical institution, or private institution that provides a professional diploma or certificate.

⁵⁶The monthly average salaries (using *Real* values of November 2009) for 1996, 1998, and 2003 were R\$1,073, R\$1,001, and R\$696, respectively; for workers with a high-school education and some incomplete higher education, it was R\$2,261, R\$2,039, and R\$1,251, respectively; for those with a higher educational or professional degree after high school, it was R\$5,003, R\$5,075, and R\$3,588, respectively (Seade PED 1985–2009). The exchange rate in November 2009 was R\$1 to US\$.567 (x-rates.com).

the Metropolitan Region of São Paulo declined from R\$960 in July 1994 to R\$883 in July 1999, according to DIEESE statistics. The numbers of unregistered workers in the sector had in part influenced this decrease. However, in the same period the salaries of registered industrial workers also declined from R\$891 to R\$887.⁵⁷ The income of the majority of industrial and nonindustrial workers in the communities I studied ranged from R\$300 to R\$600 with more of the women earning at the lower range and more of the men at the higher end.⁵⁸ At Electronics, the maximum salary was 44 times the minimum salary (R\$130 at that point) or R\$5,720 a month and R\$74,360 per year because of the 13th month bonus given to registered workers in Brazil. Yet, trainees earned the minimum salary plus benefits. A mechanical worker who had taken a course with Senai (a quasi-governmental training institute) and had a high-school education earned a much lower salary than the maximum salary, approximately R\$600. Although the managers were expected to have a higher level of education and at least 10 years experience, they were also earning about 10 % less in 1999 than they were in 1994. The human resources manager that I spoke with had a university degree in administration and a graduate degree in business, a degree that was not quite considered a master's in business administration (MBA) in Brazil. Electronics provided food baskets, medical insurance, life insurance, and lunch in a cafeteria, for which workers paid 1 % of their salary.

Many of the industrial managers claimed that the additional cost of hiring a worker was financially difficult. The manager of the human resources department in Electronics contended that an employee earning a salary of R\$1,000 paid R\$250 in taxes, but the business paid R\$1000 in benefits including INPS (social security), the Guarantee Fund (unemployment insurance), and accident insurance.⁵⁹ The manager complained, "We say that here in Brazil, the boss pays high wages and the employee receives very little." Eduardo's screw factory employees, all trained technicians, earned approximately R\$1,000 a month. However, Eduardo said that with all the benefits and payments to the government, the amount he had to pay per employee was R\$1,800. In Drill Bits and More, the salaries started at R\$1.78 an hour for a simple assistant, but every 3 months there was an evaluation and a possible increase. Employees in the administration and marketing areas with 1 or 2 years' experience

⁵⁷The much higher managerial salaries and salaries of the larger factories such as Mercedes Benz also influenced the average salary. On July 30, 1999, the exchange rate between the Brazilian *Real* and the US dollar was 1.79 to 1.

⁵⁸In December 1998 the exchange rate between the Brazilian *Real* and the US dollar was 1.2 to 1. In the months preceding this, it ranged from 1.1 to 1.2. It was only in January 1999 that there was a significant devaluation of the currency, almost cutting the value by half. For the same month, DIEESE, the inter-labor department of statistics and socioeconomic studies, announced that in order to sustain a worker and his family, a minimum salary of R\$857.66 would be necessary. The food basket for one adult worker per month was R\$102.09 in São Paulo in December 1998. The food basket contains beef (6 kg), milk (7.5 l), beans (4.5 kg), rice (3 kg), flour (1.5 kg), potatoes (6kg), tomatoes (9 kg), bread (6 kg), coffee (600 kg), bananas (90 bananas), sugar (3 kg), soy oil (750 g), and butter (750 g) (DIEESE 1999).

⁵⁹The ICMS, or the tax for the circulation of merchandise, was about 16 % in the State of São Paulo but depended upon the product. Taxes on telephone service could be up to 25 %.

and the knowledge of foreign languages, computer skills, and a university degree were paid between R\$1,000 and R\$1,800. Apprentices hired for 12 months were paid a lot less. All of the workers received food tickets equivalent to a monthly 45-kg food basket and private health insurance. According to the human resources director, salaries had increased at Drill Bits and More because unions demanded an increase every year. Yet, when I asked an employee living in Favela Sul whether the working conditions at the firm had improved or had become worse since she had been hired 10 years earlier, she responded, “Every day it is worse . . . the conditions, . . . the salary was always low and when the cruzado came, it stopped [increasing] . . . For what we do, I think our salaries are very low. Our, the operators, salaries are very low [indeed].” She said she took home around R\$380.00 a month after all the deductions for social security, food, union, and guild taxes. She said the lowest paid workers were the operators of the more automated machines, who were mostly women. The mechanical regulators, who were men, earned a bit more than R\$1,000 a month.

Many entrepreneurs in São Paulo blamed the high cost of labor in Brazil for the Brazilian industry’s inability to compete in the global economy. However, a study by the World Bank showed that a reduction in social benefits – food basket, unemployment insurance . . . – would hardly lower the final cost of Brazilian industrial products. In addition, even with higher labor costs than Asian countries, foreign companies were still continuing to increase their investments in new plants in Brazil (in Gorender 1997:332–34). This leads to the conclusion that the deteriorating position of Brazilian workers was not an inevitable result of global competition but of the rising income inequalities in Brazil and elsewhere.

3.4 Real Change?

Many of the companies in my sample had already been connected to the world economic system, whether it be through their owners, like Electronics and Drill Bits and More since 1970; their foreign sales and their sales to multinationals in Brazil, as in the case of EPC; or through imports of machinery, like Drill Bits and More. However, for many, there were now additional and tighter connections with the world economic system. All of the firms saw the rising need to compete against foreign imports and to buy cheaper machinery and supplies from abroad. The industries I studied showed the varied impact of the economic crisis of 1996–2003 and of the ongoing economic globalization. For Bom Chocolate, the changes included a new foreign owner and a more open and less hierarchical worker/manager relationship, while for Electronics, globalization meant the ability to buy parts, machines, and materials from all over the world. The owner of the small screw factory experienced economic globalization as he bought cheaper machines from Asia, while for Pura, economic globalization had signified new markets. Similarly for EPC, globalization resulted in additional business because of greater demand by multinationals working in Brazil and elsewhere for cheaper cosmetics packaging. In yet another instance, at Drill Bits and More, globalization encouraged the use of new technology. However,

during this period the negative impact of the economic crisis and economic globalization perhaps outweighed the positive in terms of sales and employment. For the firms I studied, as well as for other firms in São Paulo, the negative impact of these two interlinked phenomena meant a decline in sales leading to the perceived need to lay off workers and thus to growing unemployment; to the inability to compete with foreign firms in terms of prices, leading to relocation to other parts of Brazil (or to bankruptcy); and to a perceived need to exploit workers further by decreasing salaries and benefits or by outsourcing more production to smaller firms and homeworkers.

In spite of the general trend in industry toward more flexible production methods, many firms have not completely dropped mass production. The historical process of production has not followed a straight path from mass to flexible production. Elements of both systems appear together in multiple contexts.

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Photo 3.1 Factory – Diadema

Chapter 4

The History, Politics, and Economies of Three Communities and Their Inhabitants

Abstract This chapter introduces the specific communities I studied – which I have called “Favela Leste,” “Favela Sul,” and “Jardim Sudoeste” (pseudonyms for two squatter settlements and one neighborhood in the periphery of São Paulo) – and their inhabitants, providing a visual background and an overview of the employment situation. Here I examine the extent to which community politics and organization, age of the community, and/or location of the community play a part in the employment situation of the inhabitants of the communities, thereby acting as intervening variables between globalization and unemployment. I conclude that the economic crisis has greatly influenced the effect of these variables on employment. The work history of one woman from each community is highlighted, allowing the reader to better understand the links between a woman living in a favela, the economic crisis, and economic globalization.

This favela here is looked at negatively. If you say outside that you live here, wow, you know, the impression is that they cannot even come inside here, but it isn't like that. If someone dies, is killed, it is because there is something going on with them, but they don't come and disturb anybody just [like that] . . . There used to be a lot of violence. It certainly existed. I, for example, had a lot of fear . . . but most cases were among outlaws, never between an outlaw and a father of a family . . . (Rosa, former community association leader and resident of Favela Leste and self-employed hairstylist)¹

Have the location, age, politics, and organization of the three communities studied played a part in the employment situation of their inhabitants and acted as influential factors in the relationship between economic globalization and unemployment? Are there similarities in the underlying reasons for why economic globalization has negatively affected employment and urbanization in São Paulo's favelas? In addition to

¹Soon after Rosa told me this, a “father of a family” was killed in the neighborhood. He had just been laid off, and drug gang outlaws killed him in order to get the cash he was carrying from his unemployment fund. As we'll see below, Rosa eventually moved away from the favela to escape the violence.

introducing three of the neighborhoods located near the industries discussed in the previous chapter and where some of the workers of these industries lived, this chapter will address these spatial and political questions. Two of these communities, which I have named Favela Sul and Favela Leste, are squatter settlements or, in Portuguese, *favelas*. The third, Jardim Sudoeste, has two squatter settlements within the community, but much of the land was originally bought from real estate speculators, so many residents either own or rent the homes in which they live.²

Until the 1970s and 1980s, many social scientists including the scholars of the Chicago School were examining neighborhoods as bounded units (e.g., McKenzie et al. 1967). However, at this juncture, a few anthropologists, such as Leeds (1994) and H. Buechler (1980), began to argue that social scientists must go beyond the neighborhood as the unit of analysis, since networks and ritual life, as well as employment, extend beyond neighborhood borders. And scholars such as Burawoy (2000) and Brecher and Costello (1994) were arguing in the 1990s, albeit in different ways, that there are strong interlinkages between economic globalization and local communities.³ Yet, have social scientists gone too far in the last decades by focusing too much on the outside and neglecting the spatialization of economic phenomena? Beginning in the 1990s, researchers did begin to focus on the importance of recapturing place (i.e., Orum and Chen 2003; Massey 1991; Smith 2001). By studying the agency of the local as well as the regional, national, and transnational actors (Smith 2001:49) and by documenting the manifestations of globalization in physical settings, we can begin to ground globalization research and grasp the true complexities of global economic and political dynamics. These different actors spoke in Chapter Two. This chapter focuses on the local space of the communities in which the workers live and engage in politics; it provides background information on the communities studied and explores the role of place. Specifically, this chapter deals with the interaction between the neoliberal economy, an employment market that is both decreasing in size and becoming more precarious, and the processes of urbanization, including the growth and organization of squatter settlements. For each community the following issues will be discussed: my relationship to the community, description of its location, land tenure and infrastructural history, community organization, and employment. One individual in each of the communities studied is profiled in order to provide an example of how these processes and their impacts on space and the economy influence the lives of the inhabitants.

Although São Paulo is considered to be the most important and wealthiest city in Brazil, by 2000 approximately one-third of its population lived in substandard settlements (Budds and Teixeira 2005:89). Nearly 20 % of the territory of the Municipality of São Paulo was occupied by irregular settlements distributed over more than 3,000 land allotments, plots of land subdivided into individual lots. These irregular settlements housed nearly three million inhabitants, one-third of

² Again, the names of the research participants and the communities studied have been changed to ensure anonymity.

³ Burawoy (2000) essentially is arguing for a new kind of ethnography, a global ethnography, which uses the extended case-study methodology to study the mutual shaping of local struggles and global forces. Brecher and Costello's (1994) book is a more activist-oriented book in that it examines the impact of economic globalization, but also what people can do about it.

whom lived in watershed protection areas, also called reservoir basins. Irregular settlements include slums or tenements (rooms rented out to many people who share bathrooms and a kitchen; these are primarily in the center of town) and squatter settlements or *favelas* (made up of houses that have been built on land that was, at least originally, not paid for; subsequently, some of these original settlers sold the land they had appropriated, even though they had no title to it). Another type of settlement was created by real estate speculators who bought watershed land, subdivided it illegally (beyond the residential limits set by the government for this type of property), and then sold it without ever actually transferring the title to the land. In 1991, 900,000 or 9 % of the population of the Municipality of São Paulo lived in favelas. By 2000, the municipality had almost 1,600 registered favelas (UN Habitat 2010:17) with 1.2 million residents (11 % of the city's population) (IaDB 1996:10–11).⁴ Only in 2001, when Marta Suplicy, of the Worker's Party, was elected mayor, did the city's master plan change, with an emphasis on improving both quantity and quality of low-income housing and a recognition of the value of "autoconstruction."⁵ By 2007 a data system was developed that allowed for the monitoring of social, structural, and geographical indicators and made it possible to prioritize areas for intervention (UN Habitat 2010: Special feature 17).

Industrialization and urbanization in Brazil are highly linked. From the 1960s to 1980s, the government initiated an import substitution program that systematically favored industrial corporations over workers⁶ and large-scale over small-scale farming in the concomitant opening of the Amazon Basin. This reduced the attractiveness of small-scale farming in the expanding frontier and encouraged more rural-to-urban migration, which increased the supply of urban workers. This process led to an alarming decrease in the real income of workers, in spite of the exponential increase in industrial employment. Government agencies at all levels were slow to respond to the needs of the large number of rural-to-urban migrants, resulting in increasingly precarious living conditions. These two phenomena, the simultaneous decrease in real wages and increase in precarious living conditions, were called by Kowarick (1985) as "urban spoliation." This double-pronged process led to massive labor strikes and social movements at the end of the 1970s, which finally forced the state

⁴Overall, favela density also slightly increased from 1991 to 2000, from 360 to 380 inhabitants per hectare (IaDB 1996:10–11). Statistics for the percentage of favela residents vary considerably. According to UN Habitat (2010:16), the percentage of favela residents had jumped from one percent of the population of São Paulo in 1970 to 20 % by the early 1990s, as a result of economic recession, inflation, and wage decline.

⁵For further discussion on low-income housing policy in São Paulo, see Budds and Teixeira (2005). Autoconstruction is a term used to describe the homes built by the favela inhabitants themselves, often as part of projects through which the government offers materials and technical advice.

⁶Between World War II and 1987, there were four different industrial periods: The postwar period, until 1962, brought intense import substitution and the growth of consumer goods and basic industries; 1962–1967 was a time of industrial stagnation with adverse macroeconomic conditions; 1968–1973 saw rapid industrial expansion and modernization; and 1974–1985 was a period of import substitution of basic inputs and capital goods and the expansion of exports of manufactured goods (Baer 1995; Chaffee 1998).

to begin to provide basic infrastructure in the favelas and to begin to regularize the legal status of the emerging squatter settlements. However, urban spoliation continued into the neoliberal era, in this instance compounded by the flight of industrial jobs to areas, both within and outside Brazil, with even lower wages.

Many factors, beyond rural-to-urban migration, contributed to urban spoliation. Specifically, in the case of São Paulo, the Brazilian city where much of the nation's industrialization took place, Caldeira (1996) argues that these factors included the remodeling of the downtown area and the creation of new roads to reach the periphery, the substitution of the trolley system by a bus system, the condemnation of poor people's residences on the basis of sanitary considerations, the discouragement of the construction of rental units through rent control,⁷ and the insistence on the moral value of home ownership. All this, Caldeira (1996) suggests, radically changed the configuration of the city and the way it expressed social segregation. In addition, the city's concession of special rights to real estate developers to replace illegally occupied buildings in the slums in central São Paulo with high-rise apartments – in return for payments into a fund destined for social housing – effectively removed the poor from up-and-coming areas of the city and pushed them out to the periphery. Only small fractions of these payments were actually used for the intended purpose, and what little social housing was built was expensive and of poor quality (Cymbalista and Santoro 2005:132–133). The Economic Research Institute Foundation of the University of São Paulo (Fundação Instituto de Pesquisa Economica da Universidade de São Paulo – FIPE) also contends that one of the most important reasons for the growth of the favelas was the rent control law. In addition, FIPE cites the high urban development standards (creating, e.g., minimum lot sizes which low-income families could not afford) and the shortage of finance resources for low-income housing (FIPE in IaDB 1996:11). The center-periphery pattern, with the poor in the favelas in the outskirts and the high- and middle-income population in the center, dominated the urbanization of São Paulo from 1940 to 1980. It was consolidated at the same time that modern heavy industries replaced the traditional textile and food manufacturers, and the city became the industrial center of the country. With this new industrialization came a flood of migrants from the Northeast of Brazil who needed housing. Land speculators then began buying and subdividing large tracts of land at the city's periphery. The speculators would sell the outer plots first, wait until the municipal government provided the infrastructure – usually after pressure by neighborhood associations – and then would sell the plots nearer to the center of the city, which now had better infrastructure, at a higher price. In addition, squatters would invade much of the land speculators did not sell.

The difference between legal ownership and squatting was not necessarily clear-cut. Landowners often sold land that could not be legally developed – because it was located in protected reservoir basins – to land speculators or directly to settlers. At times, the ownership of the invaded land was already disputed, which facilitated invasion but also slowed down regularization. This process could occur over several

⁷The Lei do Inquilinato kept rents frozen at December 1941 rates until 1964, leading to insufficient rental spaces and forcing workers into the periphery.

generations, with children being forced by rising land values to seek housing in cheaper, more peripheral areas. As Cymbalista and Santoro (2005: 130–131) note:

Those areas with little or no infrastructure are cheaper (than those with infrastructure), but residents are exposed to an extremely perverse dynamic: after struggling for the installment of infrastructure, often achieved through client/patron relationships with politicians or public authorities, real estate prices skyrocket and force people to relocate even farther from the city centre.

I was made painfully cognizant of the implications of this dynamic when I foolishly accompanied the young daughter of my research assistant in Favela Sul – itself located more than an hour by bus from the center of the city – on a visit to her 16-year-old sister, who had recently moved to a new settlement with her boyfriend. Unaware of what the venture would entail, we stepped on a bus after a late start. An hour and a half later, we finally reached the closest bus stop to the settlement and embarked on a long walk. Close to dusk, we miraculously encountered a woman from Favela Sul who was delivering supplies by truck to a youth center. Eager to avoid having to wander in the dark in unfamiliar surroundings, we cut our visit to a few minutes and accepted a ride back to Favela Sul. For many of the inhabitants of the new settlement, commuting to the center where most service and construction jobs are to be found meant a daily journey of more than 5 hours!⁸

4.1 Jardim Sudoeste

My bus trip from the center of the Municipality of São Paulo, where I lived, to Jardim Sudoeste took almost 2 hours, with a transfer at the very chaotic but lively Santo Amaro bus terminal.⁹ First, we would pass luxurious middle-class amenities and services, such as a music therapy clinic, and then we would see a scattering of car repair shops and miles and miles of poorly constructed houses rising on the steep hillsides (Photo 4.1). The only indication that I was finally reaching my destination was the appearance of a bit more greenery and a barbecue restaurant that catered to the visitors of the reservoir near the favela. Jardim Sudoeste is one of the last neighborhoods still within the southwest region of the Municipality of São Paulo. As I headed to the research participants' houses, I first passed a lively scene with a bar, shoe repair shop, butcher, and poultry and grocery stores (Photo 4.2). The street leading into the community was paved, but there were dangerously deep potholes and an occasional remnant of a very uneven sidewalk. The houses were unfinished, most built of grey cement cinder blocks or orange hollow bricks. Only a few were whitewashed. Almost always, I was greeted with joy by the research participants' daughters, whom I have seen grow up to be bright lively young women.

⁸The great expansion of the metro system in recent years has finally shortened this commute.

⁹By 2013 I was able to take four different metro trains from the center but still had to take a bus for the last 45 min to get to Jardim Sudoeste, still taking 1 1/2 h.



Photo 4.1 Jardim Sudoeste 2003



Photo 4.2 Jardim Sudoeste – Main street 2003

My relationship with this neighborhood started during my years with the United Nations International Fund for Agricultural Development (IFAD) in Rome and with the United Nations Development Fund for Women (UNIFEM), when my work focused on women and microcredit. I was introduced to Jardim Sudoeste through *Centro de Apoio aos Pequenos Empreendimentos* (Center to Help Small Enterprises – CEAPE),¹⁰ a microcredit organization affiliated with Accion International¹¹

¹⁰See Chap. 7 for more information on CEAPE, the microcredit organization.

¹¹ Accion International is an NGO and a network of microcredit organizations operating around the world. They support individual microcredit organizations by providing a credit methodology of group lending (although this depends on the country), training and workshops, and a loan fund that the local organizations can use as collateral to get their own funds for lending from within the country they are operating. I worked closely with an affiliate in La Paz, Bolivia, and then with Accion International when working with UNIFEM and Women's World Banking. With this

that was lending to microentrepreneurs in the community. The first person I interviewed in São Paulo was the owner of a day-care center who received micro-loans in 1996. This meeting was invaluable, as it led to years of close contact with several remarkable women entrepreneurs in Jardim Sudoeste.

Jardim Sudoeste is located in the Jardim Angela district – which many in the media during the late 1990s called the most dangerous neighborhood in the world. Jardim Angela itself is located in the M’Boi Mirim sub-municipal ward, which has 272 favelas, the greatest number of favelas in all of São Paulo’s wards.¹² Today, however, primarily through community, but also municipal governmental efforts, Jardim Angela has experienced a reduction in murders, assaults, and robberies.¹³ Jardim Sudoeste, the oldest community I studied, was created around 1968. Sixty percent of the 50 households I surveyed in 1998 had members who had lived in the community for more than 15 years. The majority of the inhabitants were immigrants from other parts of Brazil; the 34 % who said they were born in São Paulo were likely second-generation Paulistanos. The immigrants had come from many different states in Brazil, including Bahia, Pernambuco, Ceará, Paraíba, Alagoas, Piauí, Minas Gerais, and Paraná. They had moved to São Paulo in the mid-1980s (Photo 4.1).

4.1.1 Land Tenure and Infrastructural History

Jardim Sudoeste is one of the many communities on the periphery of São Paulo that had been built on reservoir basins by land speculators hoping to profit from the increase in the immigrant population. Only two invaded sections of the neighborhood – both built on municipal land, one of them near a creek that flows to the Guarapiranga reservoir – can properly be called squatter settlements (Photos 4.3 and 4.4).¹⁴ Originally, one wealthy woman owned a major portion of the land. The inhabitants paid the speculators and original owner in installments over a period of 7 years. Because the subdivision of the reservoir basin was illegal – there is a limit to the number of people who can legally live on this type of land – most of the households do not hold title to the land. By 2013 the former owner still held title to the larger plots of land. Through the years, the inhabitants slowly built more substantial houses, and many of the older homes had inside and outside finishings. Favela residents generally assumed that drug traffickers had built the better houses. In contrast, the

connection I was able to gain contact with Accion International’s affiliate, CEAPE, in São Paulo who lent to microentrepreneurs in Jardim Sudoeste.

¹² According to 2007 SEHAB statistics using the IBGE 2000 census, 4,006 housing units or 27.89 % of the housing units in M’Boi Mirim were located in favelas. In 2007, 27.22 % of the units were not linked to a sewerage network (Nossa São Paulo 2009 indicators.pdf).

¹³ Although, 2007 municipal statistics still showed that the sub-municipal ward, M’Boi Mirim, has the highest rate of homicides of males 15–29 years old, with 71 per 100,000 male youth killed.

¹⁴ More than one million people live in the Guarapiranga region. The Guarapiranga reservoir supplies water to 20 % of the population of the Metropolitan Region of São Paulo.



Photo 4.3 Jardim Sudoeste – favela section

newer houses – built on invaded municipal land near the Guarapiranga reservoir – are wood shacks. Because they feared they could lose their house at any time, the squatters did not invest money in them. Although a project was underway by 2001 in neighboring communities, in part funded by the World Bank, to relocate thousands of families living in houses that endangered the sanitary conditions of the reservoir, people from Jardim Sudoeste never got moved to the new housing projects (even though the research participants believed they were supposed to be part of the project).¹⁵ The older inhabitants who bought their land and who paid for electricity and water were not pleased with the squatters who had not paid for the land and did not pay for electricity or water. The squatters tap into the existing sources of electricity and water, forcing the older inhabitants to also pay for their services. The older

¹⁵ Programa Guarapiranga was launched in 1996 but was paralyzed for five years. However, by 2005 the program, which was now called Programa Mananciais (Reservoir Basin Program), was expanded beyond the area around the Guarapiranga reservoir to also address the area around the Billings Reservoir. The program, funded by the World Bank and the Municipality of São Paulo, included the construction of water and sewerage systems, waste collection, creation of community centers and recreational areas, and the removal of huts and their inhabitants to other more suitable locations (in terms of the cleanliness of the reservoirs and safety). Between 2005 and 2008, more than 46,808 families benefited from the urbanization projects under this program (Prefeitura de São Paulo – Habitação (SEHAB) 2011). Although there is environmental legislation and a specific law of water-source protection (by-law 9866/97) limiting urban expansion around major lakes, reservoirs, and forest remnants, the population in the one-kilometer buffer zone around the two major reservoirs of Guarapiranga and Billings grew from 554,000 in 1991 to 881,000 in 2000, or a rate of 4.3 % a year (Torres et al. 2007:221). In 2013 there was talk that indeed the squatters would be moved and given alternative housing.

Photo 4.4 Jardim Sudoeste – house in favela section



inhabitants also could not charge as much for room rentals because the squatters provided the idea to would-be renters of a cheaper housing alternative.

4.1.2 Community Organization

Jardim Sudoeste is not well organized, falling far behind the other two communities I studied.¹⁶ Most of the organizations that had been present in the neighborhood were no longer operating and/or were not strong. For example, the Society of Friends of the Neighborhood (SAB), an organization intended to act as mediator between the population and public institutions, did have a chapter in the community but failed to have any great significance on most of the population. The SABs were seen as focusing on the middle class, which produced most of the SAB leaders. As was the case with other SAB chapters in other communities, the members of the

¹⁶ A more detailed account of community organization and efforts in the neighborhoods and in São Paulo in general, the Society of Friends of the Neighborhood (SAB), and Christian Base Communities (CEBs) can be found in Chapter Seven.

SAB in Jardim Sudoeste were often men who did not focus on family issues, such as the need for day-care centers. The few women involved were seen by local women as just cleaning up after the men (Alvarez 1990:86). In 1998, in Jardim Sudoeste, the society was involved in passing out milk from the state, but the research participants told me they were not doing much else. Christian Base Communities (CEBs) were formed in the early 1970s in Brazil and had been active in Jardim Sudoeste, but as in the rest of Brazil, the CEB was no longer operative with the number of CEBs and their strength substantially diminishing in Brazil by the late 1990s.

The only real evidence of an effort to generate employment in Jardim Sudoeste was a clothing cooperative set up in 1998 by an NGO called CENPEC – for Centro de Estudos e Pesquisas em Educação, Cultura e Ação Comunitária (Center of Studies and Research in Education, Culture, and Community Action). The cooperative, which brought together women from Jardim Sudoeste and a neighboring community, had virtually closed by 2003. The cooperative had kept the machines and space donated by Pura, the company described in the previous chapter, and still did some sewing, but in order to survive economically, the president had to take another sewing job in a small firm located in a wealthy neighborhood. The previously mentioned microcredit organization, CEAPE, left Jardim Sudoeste in 1996. As André, one inhabitant who tried to organize the community, argued, “Contrary to what I always dreamed, always imagined, they [the community members] don’t unite and fight for some objective When they have something to eat, they eat and forget about others.”

4.1.3 *Unemployment and Employment*

The relative maturity of Jardim Sudoeste had significance for the economic situation of its inhabitants, given that most built their houses before the economic crisis of the 1990s and therefore did not have major expenses during the crisis. Jardim Sudoeste’s residents, having lived in São Paulo longer, tended to have more contacts than later arrivals, as well as a better understanding of the labor market and the strategies for looking for jobs. As Telles (1992:109) argued, more recent migrants of rural origin lacked the familiarity with the urban labor market and therefore were more likely to end up in informal jobs.

The unemployment rate in Jardim Sudoeste was not as high as in Favela Leste, but higher than that of Favela Sul. In my 1998 survey, 60 % of the households reported having one or more unemployed members, 33 % reported two or more unemployed members, and 16 % reported three or more unemployed members.¹⁷ These numbers are slightly skewed: some of the women who labeled themselves

¹⁷By 2006, three years after the supposed end of the unemployment crisis, M’Boi Mirim’s 16–29-year-olds still had an unemployment rate of 20.62 %, the fourth highest among the sub-municipal wards. Also in 2006, the average monthly income was R\$772 compared to R\$1,262 for the whole Municipality of São Paulo.

unemployed had actually left the labor market to take care of children, get married, or because they were pregnant.¹⁸ Factoring that in, the proportion of households with one unemployed member would be 43 %. Thirty-three percent of the unemployed women had been laid off from factories. The other women who were laid off had held a variety of jobs, including working in a cafeteria, school, or store or as an administrative assistant, maid, or nurse. Over 75 % of the unemployed women had been laid off between 2 and 3 years earlier (between 1995 and 1996) after the Real Plan and during the first few years of the unemployment crisis. More women than men were truly unemployed, and men were unemployed for shorter periods. Sixty percent of the unemployed men had been unemployed for less than 1 year. The men represented in the survey were laid off from a range of occupations. They had been workers in a metallurgy firm, security guards, construction assistants, and drivers. Some of the men in the households surveyed were unemployed because of the closure of a nearby firm that dealt in construction material. When I returned in August 2003, two relatively nearby factories (both discussed in the previous chapter) had closed – the chocolate factory, Bom Chocolate, and the cosmetic packaging factory, EPC – where inhabitants of Jardim Sudoeste, especially women, had worked.¹⁹ This had led to even more unemployment for women since EPC had also hired homeworkers from the community.

Women and men who still enjoyed registered work tended to have very traditional jobs in terms of gender.²⁰ Twenty-six percent of the registered male workers in the 1998 household survey were security guards, while only 13 % were still working in factories. Others were working as construction assistants, salesmen, and drivers and in cafeterias or the postal service. The qualitative interviews confirmed these findings. The interviews also showed that very few men moved when their firms relocated to the interior of the State of São Paulo. The women in the 1998 household survey, on the other hand, were working as secretaries and administrative assistants or receptionists, vendors, laboratory assistants, cleaners or nurses in a hospital, cooks, and cleaners for a cleaning firm. Only one was working in a metallurgy factory. Again, the qualitative interviews I conducted confirmed these findings but also showed that some women were involved in what were considered more male-oriented occupations, such as washing buses (Photo 4.5).

Gender differences also prevailed in the types of unregistered work done by men and women, but there was no real difference in the employment rate: 54 % of the employed women were unregistered workers and so were approximately one-half of

¹⁸ As was the case for Favela Leste, it was not always clear if they stopped working when they were pregnant because they wanted to or whether they were fired. Of the nine women that quit their jobs, three said it was because they had married, four women said they needed to take care of their children or were pregnant, and one quit because of a decrease in salary. Two of the women had never worked outside of the home, but both considered themselves to be unemployed.

¹⁹ As mentioned in the previous chapter, EPC moved to the interior of the State of São Paulo, approximately 38 k away, in July 2001. It was not clear when Bom Chocolate moved, as was mentioned in the previous chapter, but by August 2003, they were closed.

²⁰ In Brazil, all workers are supposed to have cards certifying that the employer has registered them and is paying all the taxes and entitlements to the federal government.



Photo 4.5 Jardim Sudoeste residents

the employed men. Unregistered female workers were involved in self-employment (19 % of them had small businesses) and as maids (the majority), caregivers for children, vendors, dressmakers, and unskilled office assistants.²¹ Fifty-seven percent of the unregistered female workers were involved in services and 43 % in commerce. Of the 10 enterprises started by the women in the survey, 50 % failed within the first few years. Unregistered male workers often worked for others – as gas station attendants, vendors of water filters, van drivers, stonemasons hired by day, workers in tool shops, car mechanics, and assistants in an assembly plant.

The number of inhabitants with small commercial and service enterprises exploded between 1996 and 2003 (Photo 4.6). Every time I returned, there were new small businesses in the neighborhood. Enterprises closed and opened. There were more male business owners in 1998 because of the number of bars, which were primarily (but not solely) owned and operated by men. Hair and nail salons, stationery stores, and day-care centers were primarily owned by women.

Younger men in the community also engaged in another business – the sale of drugs, mostly cocaine powder and crack cocaine. While the extent of these activities were difficult to ascertain, it was clear that drugs were being sold in the schools and on the streets. Everyone said lawlessness was the result of drugs and perhaps also of the apocalyptic belief that the end of the world would soon come with the new millennium.²² One of the research participants partially attributed

²¹Domestic servants are separated in the statistics for São Paulo but really could be considered to be either self-employed or unregistered salaried workers if they work as monthly maids. During the years of the study, most domestic workers were unregistered.

²²I did not find this belief that the world was coming to the end as prevalent in the other communities I was studying, nor among middle- and upper-class Brazilians, but in Jardim Sudoeste it was very strong.

Photo 4.6 Jardim Sudoeste – stove repair shop



the increase in robberies and assaults between 1996 and 1998 to drug dealers from nearby communities. However, fearing retribution, no one dared to say anything to the authorities.

The combination of a higher percentage of registered workers, more established enterprises, an older population, and more security in terms of land ownership could be the reason for the higher reported household income in Jardim Sudoeste compared to the other two communities I studied.²³ In Favela Leste, 76 % of those surveyed said their monthly household income was R\$300 (approximately US\$300 at that time) or less. In the case of Jardim Sudoeste, only 20 % claimed to have a household income of R\$300 or lower, 66 % reported to have a monthly household income of R\$300 or more, and 14 % did not answer the question. Twenty-two percent of those declaring to have a household income of over R\$300 claimed to have a household income over R\$800.

Many of the research participants did not truly believe that the end was near, but they thought that the “bad” people did. If the end was near, then there could be no true repercussions for illegal activity, so according to the research participants, these criminals thought they could do anything they wished.

²³The responses to the survey question on income, however, are suspect. In *Favela Leste*, the inhabitants were worried that when the land was finally sold to them, they would have to pay more if their household income was higher. In *Jardim Sudoeste*, the women often did not know how much their husbands were making, or they simply did not want to say, possibly because of fear of having to pay taxes or because the surveyors were from the community.

Accompanying high unemployment and poverty was domestic violence, directed at both children and women. Antonia, one of the research participants, who became acquainted with many family situations through a day-care center she owned and through her community organizing, contended that women might come home exhausted from work – and sometimes after having been sexually exploited in their workplace – and would take it out on their children, spanking them and “going over the line.” She explained that some men abused their wives when they drank to overcome the frustration of being unemployed and unable to provide financially for their families. Children who saw their fathers hitting their mothers might become abusive themselves. Antonia told the story of a brother and sister who attended her day-care center. The brother usually treated the sister almost “as though she was his girlfriend, protecting her.” However, after the boy witnessed his father hitting his mother on the head with a gun, he started to hit his sister. That same day, Antonia moved the abused woman and the children away from the abusive husband and to a safer space.

4.1.3.1 Life History of Antonia, a Day-Care Center Owner

Antonia; her husband, André; and their three children formed one of the households with an income of over R\$800, mainly because of Antonia’s hard work as a day-care center owner but also because André was a public sector employee. Antonia was perhaps not the average woman. She was particularly intelligent (although had little formal education like their peers), energetic, and ambitious who tried everything to support her family and help her community, even starting a community center which provided adult literacy classes and tried to mobilize her neighbors. However, the economic crisis took away the ability of many of the parents of her day-care children to pay her and she needed to stop both endeavors. Her story shows the impact of the economic crisis on women’s work and their struggles to overcome them.

Antonia was one of the recipients of a CEAPE loan and was the first woman I interviewed for my study in 1996. I continued to interview her in 1998, 2000, 2003, 2009, and 2013.²⁴ Antonia is from São Paulo and lived for over 17 years in Jardim Sudoeste. In 2002 she moved to the adjoining community, where many of her family members live. However, she went to Jardim Sudoeste every day since she still had a house there, which she rented, and a small cleaning supply stand that she had started for her daughter to run in 2003.

Since the age of twelve, Antonia has been involved in many economic activities – washing dishes; working as a maid; working in a supermarket, candy shop, and bakery; selling clothes on consignment; cooking food for workers; assembling in a factory; teaching in a municipal day-care center; and, finally, running her own day-care center. For many years, she ran a day-care center out of her house, until she became disillusioned – many clients were not paying her – and decided to look out

²⁴ She was also the first woman who contacted me by e-mail much to my surprise back in 1999 when it was not common for women living in the communities I studied to be able to use the Internet or have access to it. Since 2003, however, it has become much more common, but it is primarily the younger generation that occasionally write me an e-mail.

for herself and her family a bit more. By 2003, Antonia was planning a new business growing plants, flowers, and vegetables in the plot of land owned by her family across the street from her house (the land was within the reservoir basin, so building on it was forbidden). However, the venture failed and she ended up with a huge debt. She complained that her family had not given her adequate support.

André, who had a high-school education, had started out as an office boy but then worked with computers at the State Botanical Garden and since 1998 had been working for São Paulo State's social services referral center, *Poupa Tempo*. Having been retrained, he earned more than was typical for a person with his education. However, the couple's financial situation had been rocky, primarily from debts that Antonia blamed on her husband's propensity to go crazy buying gadgets in dollar stores. In 2003, the couple's oldest boy, who was 17 at the time, was expecting to be a father soon. However, he was still going to school and did not have a job.²⁵ Also that year, the couple divorced. Antonia was not bitter about the divorce, having done much soul searching before making the decision. She is an introspective woman who analyzes her life and that of others, searching for answers to questions about religion, communal life, relationships, poverty, and politics.

4.2 Favela Sul

On the way from the center of São Paulo to Favela Sul, the bus first passed fancy new shopping malls and then factories on the side of the wide road that leads south to the city's outskirts. Thousands of low-income houses and a scattering of low-income apartment buildings appeared next on the horizon. Favela Sul is quite

²⁵I was able to follow Antonia and her family from 1996 to 2013. She divorced her husband partially because she felt he had not been supportive in her business ventures and seemed to blame him for the bank debt she incurred with her garden project. (She is a strong woman who I think felt overshadowed by him.) After the divorce, he found another woman, which Antonia was not bitter about. She had two different boyfriends in 2009 and 2013, but they did not live with her. Her youngest daughter, who lived with the father, became pregnant and had a child. Antonia blamed André for not controlling her; however, she was actually relieved in some ways because she felt that her daughter would settle down. She also very much liked the daughter's partner's family, who took her daughter into their home while she was pregnant. The son, meanwhile, continued to have more children with other women but found a job, finished high school, and is living with his last girlfriend and their children. Her eldest daughter initially followed in her father's footsteps and was working with the same municipal social program organization but then became a nun, gaining the possibility to visit Italy. Her eldest daughter both helped her financially and emotionally after the separation. In 2009, André began working for the same organization in the port city of Santos, returning to São Paulo on the weekends. By then, Antonia was selling plumbing parts (small pipes and connectors for the construction of houses) out of a car lent to her by the distribution company. She also used the car to sell other items on the side, and for her personal needs, which she was not supposed to do. She had to pay for the gas herself and sometimes found herself without money for it. (The car stalled once when she was picking me up to bring me to her house.) By 2013 she was able to buy her own used car to sell independently, since she only used to get a commission and not all the profits from the plumbing company.



Photo 4.7 Favela Sul – overview 2003

far east of Jardim Sudoeste, near a racetrack popular with tourists and Paulistanos. The closest bus stop to the favela was on a very busy road, and the sound of race cars speeding around the tracks added to the general noise emanating from the buses, trucks, passenger cars, and constant construction projects. Crossing the busy highway to get to Favela Sul – without a traffic light until 2003 – I would climb down steep steps into a community bursting with every type of housing: low-income public housing apartments, attached two story houses constructed out of unfinished cement blocks, and wooden huts pieced together with scrap material (Photos 4.7 and 4.8). Containers overflowed with garbage – again, inadequate for the size of the population. Incongruously, the delicious smell of bread suddenly wafted from the community bakery, and a joyful scene presented itself: little children playing outside a simple, nicely kept day-care center. Competing with the drone of the race cars was the hammering and drilling from self-help housing projects and repair work in the community buildings. Favela Sul had already experienced many economic and political crises, and once again, in the late 1990s and early 2000s, it was struggling to overcome the economic crisis of the last decade.

I was introduced to *Favela* Sul in June 1996 by a colleague who had worked there as an urban planner when Luiza Erundina of the Worker’s Party was the mayor. It was the first favela I entered in São Paulo. When I returned in 1998, I interviewed the same women I had interviewed 2 years earlier and chose one of them, Sara (who was unemployed, as was her husband), to be my assistant. She helped me interview members of other households in the favela; when she was busy, her daughter, then 12, took her place.

Favela Sul is located in the southern part of the Municipality of São Paulo. It has been inhabited since 1960 and by 2000 was one of 77 squatter settlements in the district of Cidade Dutra and one of 221 squatter settlements of Capela do Socorro,



Photo 4.8 Favela Sul – overview 2013

a sub-municipal ward 18 km from the center of the city (Cadastro de favelas de SEHAB and HABITSAMPA, Base Cartografica Digital das favelas do Município de São Paulo, 2002).²⁶ The number of houses in Favela Sul increased from 40 in 1978 to 325 in 1994 (Censo de Favelas, HABI – MSP – São Paulo Low-Income Housing Authority, 1989; HABI Appraisal Report, 1992; and Projeto Cingapura-HABI, 1994 in Bezzeira 1995:183). As of 2013, 32 shacks remained on the portion of land that was still considered to be a favela. Using aerial photographs and counting these houses along with the apartments in the Cingapura project (19 apartment buildings) and 74 self-help houses built on regularized land, a very rough estimate would put the population at 3,330. This would be, very roughly, a 70 % increase in population since 1994. The size of the households varied but (from my own estimate) each household tended to have six or more members, often including older mothers, sisters and brothers, and cousins. While many of the women had come from extremely large families – some with as many as 33 siblings – the younger couples usually had two or three children; at least some took steps to avoid additional pregnancies. The residents of the favela were primarily migrants from many different Brazilian states including Rondonia, Bahia, Paraná, Paraíba, Minas de Gerais, and Alagoas. Compared to the other two communities studied, Favela Sul seemed to have a larger group of migrants from Alagoas and from Minas de Gerais.

²⁶Cidade Dutra is one of the three districts in the sub-municipal ward of Capela do Socorro which has the third highest number of favelas of all the sub-municipal wards in the Municipality of São Paulo with, as mentioned earlier, M^oBoi Mirim, where Jardim Sudoeste is located, having the highest.

The number of years that the inhabitants had lived in the community varied considerably; some had been there since the community's founding and others had moved in after 1997. Many seemed to have arrived in the 1980s, which corresponds to the surge in population found in the census. The majority of adult household members had less than an eighth-grade education. Many women said they had to start working at 10 or 12 years of age as live-in maids.

4.2.1 The History of Housing and Infrastructure

Favela Sul has been embroiled in a variety of political, environmental, and economic quagmires. It was an example of "urban spoliation" as its workers were exploited by both multinational corporations and municipal governments, which failed to provide for basic infrastructure without huge efforts by community leaders. Given its location within the reservoir basin, the favela also represents the metropolitan region's failure to resettle millions of inhabitants who had to build homes on this and similar lands because the municipal government was busy creating infrastructure for its elites and the MNCs. Yet, it is also an example of a favela where, with lots of struggle, at least some more decent housing was built.

Under the aegis of Luiza Erundina, the mayor of the Municipality of São Paulo from 1989 to 1992, some residents were able to build their own homes with financing from the São Paulo Metropolitan Housing Company (Companhia de Habitação – COHAB). This municipal-based institution operates within the Municipal Secretariat of Housing and Urban Development (SEHAB) and is often funded through federal, state, and municipal grants. Its housing program, called *mutirão* (joint effort) in Portuguese, is a self-help system (Photo 4.9). Each family that receives a house in the development puts in a certain number of hours of work each week until all the houses are finished. The families receive technical assistance but do all the work themselves. These houses are sturdily built out of cement blocks, using construction materials paid by the municipality. A key player in the initial years of this effort was an Italian nun whom I will call Sister Isabela and who was determined to bring about change for the community and took the lead in organizing the *mutirão* effort. (I will discuss her work in Favela Sul later in this chapter.) But despite the community's effort, by 1994, about 20 % of the inhabitants were still living in wooden shacks as they waited to get into this housing project. In 2009, according to Sister Isabela, 23 more houses were needed. The self-help building program continued under subsequent mayors both in and outside of the Worker's Party, but with differences in the level of technical assistance and free construction materials provided.²⁷

²⁷By 2009, Favela Sul was no longer participating in the *mutirão* system because Sister Isabela, after three heart attacks, felt unable to organize the program (buying the materials with the municipal funds, getting the technical assistance, etc.), so Favela Sul began using a contractor. It was unclear

Photo 4.9 Favela Sul –
Mutirão houses



In addition to the self-help housing program, between 1994 and 1997, the PROVER²⁸ program built between 125 and 150 apartments. This project, patterned after similar housing developments in Singapore, was known as the Cingapura project. The apartments were built with funds from the Inter-American Development Bank and the municipal government of São Paulo.²⁹ In the apartment construction project, some of the original squatter homes were destroyed, but a large segment of the favela remained after the last buildings were constructed in 1997.³⁰ The new apartments were strategically located to hide the slum from the international visitors

who actually paid for this additional cost; but it seems like it still is funded by the municipal government, but the project had slowed down by 2009 in terms of number of houses built. In 2011 Sister Isabela passed away, a true tragedy for the community. By 2013, for the remaining 32 families living in wood huts, the government had finally agreed to allow the community to build smaller houses on a small piece of land that was available even though it was on watershed land.

²⁸ PROVER stands for the Programa de Verticalização de Favelas/Programa de Melhoria de Favelas no Município de São Paulo or Shantytowns' Program for Verticalization.

²⁹ The municipal offices involved with housing are SEHAB – The Municipal Secretariat of Housing and Urban Development and HABI – the Low-Income Housing Authority.

³⁰ The Inter-American Development Bank (IaDB) and the MSP's Secretariat of Housing and Urban Development (SEHAB) were involved in Phase 2 and 4 of the PROVER program. By 2001 13,456 units had been built. The program originated in 1993, but IaDB approved the project only in July 1996 and provided US\$150 million in funding between 1997 and 2004, during which time 8,364 apartments were built, most (7,952) being two-bedroom apartments. The program has a variety of different names, but Cingapura and PROVER are the two consistent names given for



Photo 4.10 Favela Sul – Cingapura apartments

coming to the racetrack just beyond the favela (Photo 4.10). To be eligible for an apartment in the complex, a household initially had to have a monthly income of R\$200, even when the original house had been destroyed to make way for the new buildings. While some liked the idea of living in an apartment “like the rich” and enjoyed the better circulation of air that the apartments offered, many others were not happy with their new homes. They said they felt isolated. Neighbors could not get in to visit without a key because the intercom units were rarely working. (The buildings had been built so cheaply that by 1998 they were already falling apart.)³¹ They complained that they could not run businesses from their homes, even when their apartments were on the ground floors. Some, especially the unemployed, found it difficult to pay the monthly rent of R\$54 and maintenance fee of R\$15, which was the equivalent of half the minimum wage at the time.³² In 1998, 70 % were unable to pay the full fee, although as of June 2009, no one had been evicted. One of the tasks that Sister Isabela had taken upon herself was to talk to the residents to make sure that they paid if they could. She said that their apartment buildings are the only ones that are not in debt to the municipal government. Cingapura was the only low-income housing initiative of Mayor Paulo Maluf (1992–1996) and the next mayor, Celso Pitta (1996–2000). The apartment buildings were built to comply with Maluf’s campaign promises but were only built in visible,

this type of small apartment buildings. While IaDB was funding it, PROVER also included the regularization of land.

³¹ In 2009, the buildings had been repainted, the sewerage had been fixed a bit (though it still had problems when it was not maintained), carports were being constructed, and a few trees were being planted in back of the apartments. It was ironic that while not all of the favela’s inhabitants had adequate housing, cars were going to be protected from the sun, rain, and hail. And still, most of the intercom systems were broken or nonexistent. By 2013, the buildings again looked dilapidated, but a tiny playground had sprung up next to the buildings.

³² The cost of such housing was particularly high because the project, initiated by the administration of Mayor Paulo Maluf, had been entrusted to “large building companies which traditionally benefitted from major public contracts” (Cymbalista and Santoro 2005:40).

perimeter areas of squatter settlements. By 2005, SEHAB had decided to discontinue the program, although it was completing some work in progress and had renegotiated with IaDB in order to do some upgrading, provide public facilities and social assistance, and designate some commercial units in the apartment blocks (Budds and Teixeira 2005:95 and 104).

The community's infrastructure had a similarly checkered history. In the early 1980s, state companies partially provided water and electricity, which later spread illegally to new households. Residents began the "urbanization" of the favela on their own, using a mutual aid or self-help system to build roads and stairways. They channeled the creek and built open sewerage canals that they later replaced with abandoned pipes they picked up from the roadside. Eventually the Low-Income Housing Authority (HABI), under the Municipality of São Paulo's Department of Housing and Urban Development (SEHAB), contracted a private builder to put in a better sewerage system. The project entailed the destruction of the community-built road, but after years Sister Isabela managed to pressure the municipal government to redo the road as well. The inadequacy of even the municipal infrastructure projects became apparent after the Cingapura project was completed. The sewerage system built under the Erundina administration (1989–1992) could not handle the sewerage coming from the apartment houses and was running into the rest of the community.

4.2.2 Community Organization

The story of community organization and action that allowed for the housing and infrastructure project in Favela Sul is a story of one strong leader, Sister Isabela, and a story of the determination of community members who helped her bring about change. But it is also, particularly, a story of municipal politics and of global economic change. Although the nun said she started off being one of those "mothers who did everything," she later worked to teach the community members to do things for themselves. She proudly recalled the day she arrived at city hall to demand that they fix a road that had been destroyed when putting in sewerage pipes, only to find other community members were already there to demand the same thing. While Sister Isabela was fighting the municipality to improve the favela, global forces were affecting changes as well. Global economic change directly affected the community's bag factory, for example, which could no longer compete against cheap imports, but also, as mentioned earlier, greatly affected the level of unemployment of many of the former factory workers living in the favela.

Favela Sul is different from the other two communities studied because of the impact of Sister Isabela, who began pushing the municipal government to pay for projects as soon as she arrived in the late 1970s. "In reality, this favela was invaded by me," she liked to say. According to Sister Isabela, four types of people lived in the favela when she moved in: "normal families, a group of robbers, a group of prostitutes, and a group of rapists." She immediately began a campaign to improve

hygiene by enlisting the men to remove mounds of garbage and clear the brush. In addition to demanding that the government pay for infrastructure projects and coordinating community self-help efforts, she initiated a number of other projects, including youth centers in both Favela Sul and elsewhere. In 1998, in Favela Sul alone, about 900 children were helped by her programs. For example, in 1982, Sister Isabela founded a day-care center that, until she obtained municipal funding in 1987, she financed by going door-to-door asking for money.³³ The center allowed women to provide another income for the household by working outside of the home. The youth center in Favela Sul and another center closeby also frequented by Favela Sul youth included professional courses in basic office skills, typing, computers, horticulture (including cultivation using earthworms from California), and sports. Some of the young people also started a cooperative bakery. In addition, Favela Sul's community association, led by Sister Isabela, worked with the Landless Movement to help some landless obtain land in the countryside. The association helped sell the beans produced by these new settlers through a cooperative to 52 communities in São Paulo and informed community members about the Landless Movement and the lack of agrarian reform policies, constituting a fascinating link between urban and rural social movements.

Municipal and state politics have greatly influenced the results of the community projects and the level of community action, because change depended on who was in office. The mayor of the Municipality of São Paulo and the São Paulo state government determined the funding for the self-help housing projects, street paving, and the day-care centers but also the level of popular participation. The two mayors who provided the most assistance to the favela, Luiza Erundina (1989–1992) and Marta Suplicy (2001–2004), were both part of the Worker's Party. For example, they provided money to build more self-help houses in the favela, to enlarge the day-care center, and to continue the youth center and other projects initiated by Sister Isabela. A computer center, Telecentro, funded by the state government of São Paulo and run by the municipal government of São Paulo, was inaugurated in January 2003. It offered basic computer classes and, eventually, classes on digital art, web search, community and environment, spreadsheet editing, and text editing. The classes were open to anyone older than 11, and a few of the children I met were very excited to turn 11 just to be able to take classes and use the computers.³⁴ A few

³³ At first the mothers needed to be employed to enroll their children in the day-care and youth centers, but by 1998 this had already changed because some of the children, especially those of unemployed parents, would go hungry without their involvement in the centers, which provided food. In 1998, for 100 children in the youth center in *Favela Sul*, the community only received R\$7,400 a month (approximately US\$6,435 in April 1998) from the municipal government to pay for the employees, food, and maintenance. The nun had also started a day-care center outside the *favela* for 103 children who were carriers of HIV or children of parents who were carriers. Another of Sister Isabela's many other family projects included an ice cream and stationery store, started in 1998. It sold cheaper goods and the small profits were used for the youth center.

³⁴ Telecentro was operating in hundreds of neighborhoods in the Municipality of São Paulo. In 2011 the center in Favela Sul was reported to have 4,562 registered users, of which 57 % were female, 13 % had an incomplete high-school education, and 18 % were between 11 and 16 years

of the residents also benefited from the minimum income program, under Mayor Marta Suplicy, whereby the city would augment their salaries to the minimum income if they kept their children in school. However, without real institutional and structural changes, the process of participation remained chaotic and subject to the whims of whoever happened to hold the mayor's position.

4.2.3 *Industry and Employment*

Although the community had improved in terms of housing and infrastructure by 1998, the economic situation of many residents had not, given the high unemployment. Many of the industries that employed residents of Favela Sul, including a bicycle factory, a diaper factory, metallurgy plants, Caterpillar, Avon, and a fruit and vegetable cleaning plant, had either closed, changed location, or cut back the numbers of employees. In contrast, smaller unregistered factories, such as a small graphics factory that hired homeworkers living in Favela Sul, had sprung up near the community, but as we shall see later, these ventures were often evanescent. The community association attempted, without much success, to secure employment for youth by entering into partnerships with factories owned by corporations such as Xerox and Avon.

The community association employed and professionally trained many of the residents. At one point, it had a small bag factory, but it could not compete with the cheap Asian imports coming into Brazil, a clear example of how communities were directly impacted by the opening of markets. Fifty-two people, primarily women, were employed in the day-care and the youth centers in 2000. Men were employed as stonemasons, painters, and drivers for the association. Men were also employed by households involved in the self-help housing project in the late 1990s when household members could not do the work themselves.

In 1996 and in 1998 approximately one-half of the households interviewed had at least one unemployed member.³⁵ In addition, many more households had members who had lost their factory jobs and now were involved in unregistered temporary work or self-employment. Each year between 1996 and 2000, the situation seems to have gotten worse for some of the families interviewed and even finding sideline economic activities became increasingly difficult. If the children in the

of age. In 2008 the municipal government of São Paulo started a training center for the Telecentro staff, who then started new courses. They included those mentioned in the text as well as others focused on the labor market, such as interviewing skills, c.v. development, telemarketing, e-mail, blogging, and marketing skills. In addition to the computer center, the Movement for Youth and Adult Literacy (MOVA), a program of the municipal government of São Paulo to combat illiteracy, operated out of the community (Prefeitura Municipal de São Paulo – São Paulo Mais Jovem 2013).

³⁵ Unlike in the other two communities studied, no survey was conducted in 1998 or 2003 in *Favela Sul* because I did not have an assistant that had the capability of helping me to conduct one. The statistics were therefore generated from the qualitative interviews. The unemployment rate was in constant flux as household members lost and gained jobs. By January 2000, the situation had not improved, although as some had lost jobs, others had gotten temporary jobs.



Photo 4.11 Favela Sul residents

household were old enough to work, then the household often had more than one person unemployed. Those employed often were informally employed with the men working as construction assistants (some for the community) and the women as daily maids. Women were more likely not to be formally employed, but if they had formal jobs, they were primarily in the community day-care center or youth center. Many of the women had held different jobs during their lifetimes, including working in restaurants, in homes as live-in maids, in petty commerce, and in factories. The number of households that engaged in petty commerce increased even between 1996 and 1998. However, in 2003 I was happily surprised to find that despite the still terrible job market, some women in the neighborhood had landed jobs in small factories or working for the community or as maids; one girl had been hired as a receptionist for a real estate firm nearby (Photo 4.11).

4.2.3.1 The Life History of “Josefa,” a Homeworker

“Josefa,” 28, worked at home in Favela Sul preparing tags for beauty products, clothing, and lingerie. When I interviewed her, on April 27, 1998, she had been married for 4 years and had a 15-month-old daughter. She did not plan to have more children because of her financial situation. With only an eighth-grade education, but with hopes to go back to school when her child was older, Josefa struggled to earn a living.

Josefa had been working for 3 months as a homeworker. She earned on average R\$2 per thousand tags (and less if the tags only had to be folded and not tied). She was able to do some 1000 to 1,500 tags a day – tying, folding, and gluing them – depending upon her housework and the tag type. When her sister came to help her,

they could produce 2,500 tags. She estimated that she worked more than 8 hours a day. Therefore, if Josefa worked 5 days a week by herself, she earned on average R\$10 a week or R\$40 a month (the equivalent of approximately US\$35).³⁶

Josefa was actually on the fourth rung of a production chain that began with the principal clients, multinationals such as Levi Strauss and Pierre Cardin. The multinationals hired graphic companies to produce clothing tags, and they in turn outsourced part of the production to a woman, Cica, who lived in a low-income neighborhood (not a favela) next to Favela Sul. Cica then outsourced part of the production to women like Josefa in Favela Sul. Cica did some of the work herself and usually employed around fifteen women to do the rest. She then kept a cut of the proceeds for her work retrieving the tags and string from the factory, counting the tags, putting them together, and returning them to the factory.

Josefa had worked for 4 years in the packaging department of a nearby factory that produced diapers, primarily for hospitals. She was let go at the end of 1997 when the factory cut back both employees and salaries. The firm had financial problems, but it had also introduced more machinery into its production, which decreased the number of employees it needed. (The machinery also caused many more accidents.) Before working in the factory, Josefa had worked as a maid, an “office boy,” a seamstress at a garment workshop, and a waitress.

Since they were married, Josefa’s husband had been engaged in various activities, all of which were short term – acting as a painter’s assistant or laying floors, for example. However, by 1998, many of these temporary jobs had dried up. Some days he could make R\$50, but he often only had work 2 or 3 days a week.

When I returned again in 2000, most graphic companies had started using machines to do the work that Josefa had been doing, and the particular graphic company that Cica had been working for had closed. In 2003, I was told that Josefa had left the favela in 2001 and had moved to the interior of the state, where her husband had found work.

4.3 Favela Leste

From Jabaquara, the nearest metro station to Favela Sul, an efficiently run, modern, clean bus – a type of Bus Rapid Transit System (BRT) or a bus with designated lanes and bus stops in the middle of the streets – made the 20-min trip to Favela Leste, in the industrial ABC region of the Metropolitan Region of São Paulo (MRSP). Unlike Jardim Sudoeste and Favela Sul, Favela Leste is located in the Municipality of Diadema, one of the 39 municipalities of the MRSP. Diadema is well situated, near the trolley bus that links it to the neighboring Municipality of São Paulo, and flanked by two highways that extend from the coast to the Municipality of São Paulo. Just a mile or so beyond the Jabaquara metro station, and after passing by a large modern fast food hamburger restaurant, the bus began skirting miles of

³⁶The exchange rate on April 27, 1998, was 1.15 reais to US \$1.



Photo 4.12 Favela Leste – section two 2003

favelas crammed with wooden huts and cheap motels with signs for hourly stays. Near the station in downtown Diadema, the road was lined with stores full of groceries and clothing, all with goods spilling out onto the streets. The bus continued past various factories, including one for Mercedes Benz, until it reached a stop at the bottom of the hill that leads to Favela Leste. Factory workers gathered on the sidewalks taking their breaks; street vendors sold snacks and lottery tickets; and factories, both open and shut, lined one side of the street across from one of the older sections of Favela Leste. Each year the stores and services in the favela seemed to become more plentiful and elaborate, with fancier signs and a greater variety of goods. Section two of the favela, where most of the research participants lived, had been much improved by 2003. By 2009 the streets were paved with blacktop and everything looked much newer and developed (Photos 4.12 and 4.13). It was also only in 2009, as I walked into the favela on a bright sunny day with the bustle of daily life around me, that I clearly saw young men with huge two-way radios on almost every corner, talking with evident urgency as I walked by, obviously alerting the others of my presence. The favela had always been known for its drug activity, but the presence of these young men made it clear who was now in control.³⁷

Favela Leste was built on valuable land in a prime industrial area. However, the land had been largely uninhabited jungle when most of it was invaded, in 1994 and again in 1998. Only the municipal bus garage was in place, along with a few houses on a small plot of land at the bottom of a hill that had been invaded many years earlier. The invaders took advantage of the legal limbo resulting from a dispute

³⁷However, by 2013, these young men were not evident. When I asked where they were, my research participants told me that they were still around, but they had to stop being so obvious because of the police. The organized crime group known as PCC (*Primeiro Comando da Capital*) worked inside this community, as they did in many other communities.



Photo 4.13 Favela Leste – section two 2013

between the municipal government and the owner of the land, described below under History of Land Invasions. By August 2003, Favela Leste had four sections. Between 2,500 and 3,000 families (approximately 10,000 people) lived in sections one through three, on lots averaging six by eight meters. Already by 1998, section two, established in April 1994 and the section where most of the interviews for this study were held, had approximately 600 families, and the oldest section, established in 1990, had around 1,000 families. The fourth and newest section was invaded in January 1998; by July of that year, approximately 600 families were living there, on smaller lots. With its makeshift sewerage system, lack of a road, winding pathways, and many more wood shacks, this section was much less developed than the other sections, even by 2013 (Photo 4.14). The majority of all the favela inhabitants were from the Northeast, with a high concentration from State of Bahia. According to the research participants, 40 % of the families in section two were headed by women.

4.3.1 History of Land Invasions, Housing, and Infrastructure

Favela Leste has a complicated settlement history. By 1993 the municipal government had constructed a bus garage on the land and had started building a road to serve a planned apartment complex for 500 families. The municipal government

Photo 4.14 Favelinha in Favela Leste with health care worker



claimed ownership based on the fact that the original Japanese/Brazilian owner, the CEO of the Brazilian affiliate of a US soft drink company, owed back taxes. The owner refused to pay the taxes, first claiming that the government had taken his land to build the garage and then arguing that it was illegally building a road through his property. The owner took the government to court.

By some estimates, less than half of Favela Leste's inhabitants between 1996 and 2003 had been part of the group that settled there in 1994, when the largest invasion took place. Many of the 1994 "invaders" promptly sold the plots they had appropriated. They were land speculators who either never lived in the settlement or who only lived there for a short time and then moved on. This was not unusual. Shrewd low-income Brazilians who were either living in other favelas or in other peripheral areas of São Paulo sometimes invaded land just for the purposes of making a profit by selling it immediately afterwards. José, a member of the Favela Leste association, claimed that many people, after selling their property for between R\$5,000 and R\$6,000, approximately US\$5,000 to US\$6,000 at the time of the interview, went back to the Northeast of Brazil, eager to work on the land again and to have more space. He added that some of his friends then returned once they had spent all of their money and another of the many droughts took place in the Northeast. The more recent migrants to São Paulo, however, remember the hardships in the countryside and are less likely to return home.

In the second section of Favela Leste (where I focused much of my research), the original inhabitants who had stayed tended to be living in cement block houses that

they had built themselves or by neighbors they had hired; some were in the process of building more substantial, two- or even three-story homes. By 2003, the newer inhabitants were also constructing better houses and therefore very few wood huts remained in the second section. However, services and facilities continued to be inadequate. Garbage pickup was limited to the road, where the collection bins were much too small for the community and thus always overflowing. Although this changed since then, by 2003 Favela Leste still had no day-care centers, and while such facilities did exist in nearby neighborhoods, they gave preference to people living in their neighborhoods and existed inside some firms but were specifically for their employees. There was still much need for improvement.

Both the invasion of 1994 and the preparation of the land after the invasion were highly organized. The initial settlers of the second and third sections started a neighborhood association immediately upon arrival. The association quickly organized the size and location of each lot and determined the locations of the roads, and then started working on the water, sewerage, and electrical system. The association representing the first three sections of the favela forms a part of a community movement, Movement of the Inhabitants (Movimento dos Moradores). Each Diadema region has its own branch of the movement. The movement of the eastern region is linked to the Worker's Party, whereas the strong movements of the western region are linked to the Marxist Worker's Party. (Political differences have caused divisions within the movement.) The Movimento dos Moradores is part of an international organization called the Center of Popular Movements (Central do Movimento Popular), which in 1998 started to work more closely with the Landless Movement (Movimento de Sem Terra). Unfortunately the very strong and progressive leader of the eastern region died in 1998, weakening the movement, according to some of the research participants.³⁸

While the municipal government apparently did not know about the actual invasion of the favela ahead of time, it helped Favela Leste's association clandestinely from the very beginning, sending in technical experts and also paying for some of the material to build houses and infrastructure. The government also hired a contractor to work on a sewerage network that took 2 years to complete. The settlers provided the labor. In the beginning, the inhabitants of sections two and three helped themselves illegally to water and electricity. After 3 years, the municipal government finally signed the agreement with the electric company and electrical lines were installed. Approximately three and a half years later, water lines were finally installed in the whole community.

³⁸ I had gotten to know the leader well and had just met with him over pizza a few hours before he had died. He had introduced me to my main assistant in Favela Leste and to the favela. I therefore attended an all-day funeral where people were in deep grief over his untimely death as he was in his 30s. People were particularly relieved to hear that he had died of medical reasons, probably heart problems and had not been murdered, although that was what was immediately presumed. He had not allied himself with the drug leaders. The fourth section of the favela was presumed to be run by drug leaders, and he refused to work with them. The day of his funeral was one of the most difficult days emotionally for me during my fieldwork as I worried about his young family and for the low-income neighborhoods who had lost a strong advocate for their needs.



Photo 4.15 Favela Leste – Favelinha in section 4

Section four had a separate association that was not part of the Movimento dos Moradores because of a conflict with the inhabitants of the other part of the favela, who had wanted that land for schools and a day-care center and who suspected the members of section four’s community association were involved in selling drugs. The municipal government did not initially help the section four settlers as it did those of sections one through three. By 2003, 5 years after the invasion of section four, its inhabitants still relied on illegal hookups to obtain water and electricity and had a makeshift sewerage system. By 2009, however, most of this part of the favela had been “urbanized,” although there was still an area with shacks and sewerage spilling out onto the narrow walkways. The research participants claimed that the government had had the money to “urbanize” this area by 2009. Yet, by April 2013 this area still largely existed, but some of the houses were being cleared away and the inhabitants were waiting to move into the still not completely finished apartment buildings down the street or into small houses that were to be built on the existing plot of land where the huts were still located (Photos 4.15 and 4.16).

Eventually, the inhabitants of all the sections were able to buy the land, except for the back part of the newest section four, which as of April 2013 had not been “urbanized.”³⁹ By 2003, the municipal government and the favela association were able to negotiate a deal with the original owners’ son, whereby the inhabitants would pay for their plots of land in monthly installments, dependent upon the size

³⁹In 2013 the wood huts are being destroyed in order to build small more substantial houses with some of the inhabitants also going to yet unfinished apartments located at the end of the community. There will still not be enough housing for the 96 families living in this part of the community, called the “favelinha.”



Photo 4.16 Favela Leste – section four – the beginning of the demolition of the favelinha 2013

of the lots.⁴⁰ This made the land and houses much more valuable, so there was much more selling off of the property. In addition, some inhabitants had to move because they were unable to pay.

4.3.2 Unemployment and Employment

The unemployment crisis of the 1990s and early 2000s, combined with declining real salaries, forced lower-income workers and the unemployed to move to favelas and deeply affected their standard of living. Eighteen of the twenty-four households (75 %) in the survey conducted in July 1998 in section two of Favela Leste claimed to have at least one unemployed member of the family, with nine of these eighteen families (50 %) having two to four people unemployed.⁴¹ More women were

⁴⁰The favela association first asked all of the inhabitants to put R\$100 into an account to show to the owner that the community members had money to pay for the land. However, the inhabitants had been skeptical and some refused until they received the deed saying how much their land would cost.

⁴¹These numbers represent self-defined unemployment and do not necessarily correspond to the formal definitions used in Brazilian statistics.



Photo 4.17 Favela Leste residents

unemployed than men, but some of these women had quit working to take care of a child and then found it difficult to reenter the job market. Others were involved in small, often temporary, erratic economic activities, called *bicos* in Portuguese, but still considered themselves to be unemployed.⁴² Although the unemployed men had primarily worked in factories, others had worked in security and construction.

Almost 50 % of the men in the survey who were involved in some kind of economic activity were registered workers primarily in factories (almost 75 % of the registered workers), but the other 50 % of the economically active men were unregistered, including those who owned small businesses, including bars, plumbing services, butcher shops, and grocery stores. Other unregistered workers were a driver and deliveryman, a construction assistant, a stonemason, and a street vendor. Two-thirds of the unregistered male workers were involved in economic activities that should not be considered self-employment; for example, they worked as construction assistants for self-employed builders. Among the economically active women, one-third were registered workers and two-thirds were not. The registered women worked as maids, saleswomen in stores, cash register attendants at supermarkets, or office janitors. The unregistered women workers were taking care of neighbors' children, selling Avon products or food, working in the family bar, doing manicures, or selling clothes from door to door. The women's unregistered work tended to be self-employment. However, they often sold products for one or two firms, and thus, they could be considered to be "self-employed for a firm" in the statistics (Photo 4.17).

⁴²If the number of women who claimed to be unemployed, but had either quit their jobs to take care of children or never worked outside the home, was subtracted from the number of self-declared unemployed, the percentage of households that had one or more unemployed members would decrease from 75 % to 58 %, still a very high percentage.

Many industries, all foreign owned, were located near the favela. They included Kronos, a factory that produced compressors for other factories; Cougar, an electronic-equipment factory; Powfer, a factory that made metal barrels from scrap; Cutler and Hammer, a manufacturer of electronics; Wickbold, a bakery; and Finatex, a textiles manufacturer. Many of these factories were lined up on a street facing the favela. Only the latter three factories employed workers from Favela Leste in 1998.

Many houses doubled as businesses, from little grocery stores, butcher shops and drug stores, to hardware stores and snack bars. Signs outside the houses announced, “We sell ice cream,” “Cleaning supplies for sale,” or “We do nails,” “We cut hair,” and “Cosmetics for sale.” Residents engaged in these commercial and productive activities as they became unemployed, many after 1998. Between 2000 and 2003, the informal shops became larger and fancier; some were run by outsiders who rented the space. Around that time, a drug chain store opened for business on the road on the edge of the favela. The number and level of development of stores depended on the age of the section of the favela in which they were located.

4.3.2.1 Selling Drugs and Associated Violence

Among the main concerns of Favela Leste were the drug gangs and associated violence. Unfortunately, one of the economic activities primarily performed by young men, but also by women, was the selling of drugs, an enterprise that once entered into, was nearly impossible to leave and stay alive. Those who were not directly involved in drugs tried to stay out of the way as best they could, but ultimately the entire community was affected. During our first interview, on May 27, 1998, Rosa claimed that the main vice of the favela’s children was smoking cigarettes and that only some adolescents were already involved in drugs. She insisted that the drug problem was limited to the new part of the favela. She felt that there was no need to be afraid in the favela at any hour of the night. “This favela here is looked at negatively,” she told me. “If you say outside that you live here, wow, you know, the impression is that they cannot even come inside here, but it isn’t like that. If someone dies, is killed, it is because there is something going on with them, but they don’t come and disturb anybody just [like that] . . . They think it is very dangerous, [and] that nobody can come in because they will die, but it is not like that . . . There used to be a lot of violence. It certainly existed. I, for example, had a lot of fear, . . . but most cases were among outlaws, never between an outlaw and a father of a family.”

Not 2 months later, though, on July 9, 1998, a 17-year-old girl, the mother of a 2-year-old child, was murdered in Favela Leste. She had been acting as an intermediary, buying drugs wholesale and selling them in the community. Apparently, she had taken a buyer’s money for drugs and had failed to deliver them. Rumor had it that three more young women and two more young men would be shot.⁴³

⁴³The residents regularly and quietly talked about lists of people who were to be killed by the drug traffickers. I became aware that one of the research participants was on such a death list. He, apparently, was involved in drug trafficking; his wife was pregnant with their third child. I was very torn as to

On July 20, 1998, a man, “Renato”, who was not involved in drug traffic was shot to death at 7:30 p.m. on a major dirt road where children had just been playing before the rain had started. Renato was the head of a family and had just lost his job, so he had received his severance payment in cash. At the time of the shooting, he had part of this money (R\$600) on him. That same night, another member of the community – someone supposedly involved in drugs – had been shot elsewhere in the favela. The incidents were believed to be the result of a gang of 38 drug dealers who, having escaped from jail, were trying to gain control of the favela where most had lived and operated before going to prison. They wanted to show who was boss by killing off their competitors. One of Renato’s murderers was to be killed himself by other drug traffickers 5 days later, in a shoot-out on the favela’s main street that killed three other men. The night of the shoot-out, the police fired into the favela, serving little purpose but to scare women and children. It took the police 11 hours to respond to the murder of the young woman killed and 2 hours to respond to Renato’s murder. When they came, according to my assistant, they “kicked the body as though he [Renato] was a dog and assumed he was a drug seller, but he wasn’t.”

Renato was first shot in a neighborhood bar that had opened for the first time that evening. Fearing more violence, the owners shut the bar down, losing a lot of the capital they had just invested.⁴⁴ From then on, the entire community began boarding up windows and closing businesses earlier at night. Fear was written on everyone’s faces. The blood still on the street the morning after the shooting made the neighbors’ vivid descriptions of what had happened all the more graphic.⁴⁵ The murder of Renato, who was well known in the community, also triggered memories of other murders, often of family members. The violence continued every few weeks. In December 1998, when I returned to say my farewells after a 10-month research period, another person had been shot to death, and the street stand of one of the research participants had been robbed. Along with many others, the cousin of one of the victims put his house up for sale, but nobody wanted to live in the favela. Rosa, my first assistant in Favela Leste, who had moved out of town to escape the violence, was having a hard time renting her house. She had been counting on that money to survive as both she and her husband continued to be unemployed. The stress of the murders brought people to fear for the future of their

whether I should warn him. Other informants urged me not to, saying he probably knew from others already anyway. They were concerned I might get shot, either by him, for knowing about his drug involvement, or by other gang members. Eleven years later, he was still alive.

⁴⁴ When I visited the community in January 2000, the bar was still closed, but it had reopened by May 2001.

⁴⁵ It was incidents like these that forced me to try to leave the communities I was studying by the time it got dark outside. My colleagues and friends living outside the favelas would joke that I was Cinderella having to leave at a certain time, but in my case it was much earlier than midnight and I did not have a chariot waiting for me to take me away. I, however, could leave, whereas most of the favela residents had to stay, with nowhere else they could afford.

Photo 4.18 “Rosa” from Favela Leste now living in interior of the State of São Paulo



children and to give up dreams of opening businesses in the community. Others turned to alcohol.⁴⁶

4.3.2.2 The Life History of Rosa, the Multitasker

Rosa is from the Vitória, Espírito Santo, which is north of the State of São Paulo, between the states of Minas Gerais and Bahia (Photo 4.18). Her mother is from the Pataxó tribe, an indigenous tribe, like many others in Brazil, that continues to have to fight for its land and whose members try to earn a living partially from making and selling handicrafts. Rosa’s mother lives near a reservation in Bahia. Her father died when she was 11. After Rosa moved to Diadema, she worked for 7 years in a clothing and shoe store. Subsequently, she worked in two beauty salons, one fancy, the other

⁴⁶The situation had not gotten better when I returned in January 2000. Right before I arrived, my assistant’s husband had been shot to death as he drove a taxi, and a man had killed his wife after their separation. There were even more gangs operating in the favela. My assistant, who still lived in Favela Leste, estimated that between 10 and 15 persons had been killed in the previous year. Yet, she assured me, “Things are quiet now [and added] for fifteen whole days.” However, the street vendor who had been constantly robbed had figured out who was doing it and threatened him. The thefts stopped. Rosa had finally been able to sell her house for the equivalent of R\$10,000 instead of the R\$15,000 she had hoped to get. She received R\$4,000 in cash and a used car, which she could not drive legally because she could not afford the R\$350 to get a license.

less so. She was never registered and stopped working in salons when she helped start Favela Leste. Rosa's husband was laid off in 1997 from an auto-part factory. The factory had been computerized and thus employed fewer workers; in addition, those it did hire had to have computer skills. After he was laid off, he began working as a helper on a truck but only once a week on average. Rosa contended that she had to support her husband and family. Therefore, in 1998, she became involved in various sideline activities, including occasionally cutting her neighbors' hair – three to five haircuts a week – charging R\$5 per haircut. She also did manicures. When asked whether she was looking for work in beauty salons, she said she was not, because she could not afford to pay someone to look after her children, adding that her husband refused to do it himself, even though his main occupation was running the bar in front of their house on weekends. The competition had also gotten greater in the hairstyling business, since many of the newly unemployed had taken courses to go into the business. Rosa was also involved in carving wood placards, selling yogurt, and being the local branch for an illegal lottery system called the “animal game,” or *Jogo do Bicho*, and for another instant-winning card game. This entailed both selling tickets herself, acting as the intermediary between other sellers and the owners of the games, and distributing any winning prizes.⁴⁷

Rosa found it very difficult to calculate her monthly household income and expenditures because of the variation in both income and expenditures from week to week and month to month. For example, although Rosa was supposed to earn \$50 a month for the animal lottery game, she often did not get paid on time. On average, the monthly household income was R\$430, which was significantly lower than the R\$1,300 monthly income they had when her husband was working for the factory. Rosa's household expenditures amounted to a total of R\$70 for electricity, water, and school transportation, and thus, they only had R\$360 a month left to spend on transportation, food, clothing, and all incidentals like soap and toothpaste. Living in São Paulo was often as expensive as living in cities in the United States. In July 1998, with the violence getting worse in the favela, Rosa and her family decided to move to Estiva Gerbi, a small municipality of slightly less than 10,000 inhabitants in the interior of the State of São Paulo, where her in-laws had an extra, vacant, although a bit dilapidated, house. Rosa hoped to make some money renting her house in the favela, and her husband thought he could get work with his brother-in-law. Rosa's in-laws, who have nine children, then ages 2 to 26, had moved to Estiva Gerbi 7 years earlier. The majority of the inhabitants of Estiva Gerbi work in agriculture, getting picked up by truck early in the morning to go into the field. The town, which I had the chance to visit several times, also has a few factories, including a ceramics factory owned by the Gerbi family, a charcoal factory owned by a Gerbi, and a chemical plant where Rosa's father-in-law worked. It took over a year for her husband to find a factory job, and his new salary represented a reduction from his São Paulo income. Rosa tried a few economic activities, including working in the field, making charcoal in a factory, selling clothes from São Paulo, and cutting

⁴⁷ Although focusing on the game in Rio de Janeiro, Chazkel (2011) provides a detailed history of the animal lottery game (*Jogo do Bicho*).

neighbors' hair, but none of these worked out. However, with free housing and, finally, her husband's new job, they could survive. Rosa gave birth to their fourth child a few years after leaving the favela.⁴⁸

Rosa's situation in Favela Leste had not been that different from that of many women in the neighborhood. However, she was a bit more entrepreneurial. She was capable of engaging in many economic activities, an ability that may have been the result of her eighth-grade education. When her husband lost his job, it was Rosa who basically enabled the family to survive. In addition to her many ventures, she also ran the household.

4.4 Analysis and Comparison of the Communities

Although the history, land tenure system, level of community organization, size, and location of the three communities I studied were quite different, similar economic problems prevailed in their households. A neighborhood survey I conducted in 1998 revealed that 50 % of the households in Favela Sul had one or more unemployed members; that proportion rose to 60 % in Jardim Sudoeste and to 75 % in Favela Leste. Variables that one might presume would influence the level and type of employment, such as location nearer to factories and age of community, did not have as much impact as they had had before the economic crisis that was spurred, in part, by economic globalization. We presume that proximity to the highest number of industries would be indicative of higher levels of employment. Favela Leste then should have had the lowest level of unemployment, followed by Favela Sul and with Jardim Sudoeste with the highest level. However, this was not the case. We presume that the older the community and therefore the more experienced the workers, more stable residents and the tighter networks would be indicative of higher levels of employment. Jardim Sudoeste should have had the least unemployment, followed by Favela Sul and then Favela Leste. Again, this was not the case, although Favela Leste did have the highest level of unemployment and was the youngest community.

The number and proximity of industries was more important before and after the economic crisis of the 1990s and early 2000s in determining the level and type of employment available to the residents of the communities studied. However, given the numbers of workers laid off by industry, by the late 1990s, location was not as

⁴⁸In 2009 Rosa's husband was again unemployed, but her eldest daughter was now working in a factory nearby. She was cutting hair in the front of a new house they were renting. By 2013, after a bad economic year of unemployment for all of the household members and a major car accident hurting her daughter. Rosa's husband had a job again, as a bus driver, receiving a lower pay than his factory work had paid. Rosa was selling handicrafts from the Pataxó Indians in the nearby larger city of Campinas. The house was bigger and in better condition than her parent-in-law's old house where they originally had been living when they moved. Life was very different in this small town with many visitors dropping by to see the American visiting. Some of the neighbors and Rosa had relatives who had migrated to the United States.

strongly associated with job availability. This might be because, during the crisis, industries were closing in all areas of the Metropolitan Region of São Paulo, leaving workers living nearby without employment. The research participants, including the favela inhabitants as well as the union leaders, also said that factories sometimes preferred workers who did not live too close by because of the threat of theft by other family and community members. With more robberies in general because of the level of unemployment during the economic crisis, the factories felt even more threatened. (For example, according to the research participants in Favela Leste, the industries across the street were not hiring the inhabitants of the favela in 1998, with more starting to only in 2003.)

The number of plant closings between 2000 and 2003 seems to have affected Jardim Sudoeste the most because relatively few industries were located near the community, and so there were no other factories to turn to for jobs when the few nearby factories closed. Two of the factories that had closed near Jardim Sudoeste were two of the factories I had studied in 1998 – a chocolate factory, Bom Chocolate, bought by Phillip Morris, and a cosmetic packaging plant, EPC.⁴⁹ These two factories had been employing residents of Jardim Sudoeste both inside the factory and outside as homeworkers (although the latter only in the case of EPC). The research participants in Jardim Sudoeste said that by 2009 there were no opportunities for homework. Beyond the lack of other nearby industrial opportunities mentioned above, many Jardim Sudoeste workers had commuted long distances to work in factories or as maids in family homes and offices nearer the center of the city but had lost those jobs as well since these families and offices were also affected by the economic crisis causing a ripple effect in the employment situation.

If proximity to industries had been the only variable, Favela Sul would have had the second highest unemployment rate after Favela Leste, but it had by far the lowest unemployment rate even though the industries that were close by were also laying off workers, not hiring homeworkers, or closing completely. Favela Sul's source for homework had dried up even by 2003, but not many inhabitants had been involved. Part of the reason for their lowest unemployment rate came from the high level of community organization which provided jobs to women and men in the day-care and youth centers and as construction workers in the autoconstruction house program.

In contrast to Favela Sul and Jardim Sudoeste, by 2003, Favela Leste had appeared to have even more opportunities for homework, including putting metal springs together, sorting garlic, and stenciling words on pens. However, other

⁴⁹The quality control manager of the cosmetic packaging plant told me in 1998 they had no plans to leave even though others were leaving. The incentives to stay included the fact that they had a large piece of land for possible expansion, that they got along well with the union that represented their workers, and that most of their clients were located in São Paulo. Because they had moved I was unable to follow-up with them, but the reason given by managers in other factories was that labor was a lot cheaper farther away from the metropolitan area. Since this was the factory that had been employing many female workers in their homes, paying R\$1 (equivalent to approximately US\$1 in 1998) per 1,000 lipstick holders assembled, it is difficult to imagine that labor costs would have played a major role in the decision to move.

activities, such as putting handles on plastic bags, had ended as they had become automated. Location and proximity to industry therefore remained important for the community members to obtain homework, which is outsourced to nearby communities, and for possibilities for commerce especially when street vending was allowed in front of the industries catering to the industrial workers. The opportunities for homework however did not compensate for the decline in other kinds of employment. The women surveyed also often did not count this type of work in their answer to the question whether they were unemployed, skewing the results.

The age of the community, which tends to coincide with the overall age of the workers, did play a role in the quality of life attained in terms of housing, sewerage, and water partially because it took the communities many years to fight the municipal government to provide the basic services and it took many years to renovate their houses with better material. Employment stability was another matter. Many workers who had been employed for many years in the same firm (i.e., those who may have migrated to the favelas at least 10 years before) had also lost their jobs. Part of the reason was increasing age discrimination. A human resources manager of a large automobile manufacturer told me that they were trying to replace employees older than 35 because those workers did not have computer skills, which were needed for the automated machines. Trying to train older workers, he said, was futile because of their low level of education. By 2003, 85 % of the employees in this factory had a high-school degree, even though the minimum requirement for any job in the plant was an eighth-grade education. The men I talked to in Favela Leste in August 2003 complained about the increase in the official retirement age. Some people who started to work at 14 could retire at 40, but proposed changes in the labor laws concerning retirement would make that impossible, they said. Yet the men said workers 35 years or older could no longer work for the multinationals; even jobs in smaller firms were getting more and more difficult.

However, age discrimination was not always the most important factor in relation to employment levels. The two older communities, Jardim Sudoeste and, especially, Favela Sul, had less unemployment than Favela Leste, where the workers were younger, even though, given the prevalent age discrimination, the opposite might be expected. This may have been because the workers in the older communities, even though tending to be older and therefore suffered from age discrimination, tended to have more contacts, which sometimes helped reduce the time between jobs, both for older job seekers and their working-age offspring. Contacts have always been important for employment but had become even more important with the tightening of the labor market. The high concentration of people who migrated from the same regions in Brazil was the basis for networks that provided contacts for jobs and a financial support group. All of the human resources managers told me that, except for higher level managerial and engineering positions where they advertise in special newsletters or use head hunters, the only way they recruited new employees was by asking their present employees to bring job candidates forward. The lines for the job would have been kilometers long if they had advertised, they said.

The high level of organization in Favela Leste and Favela Sul resulted in vast improvements in infrastructure and housing, but it played less of a role in helping workers to find and keep employment. Even in Favela Sul, where Sister Isabela and the others working in the association wrote letters of recommendation and filled out job applications for community members, only a few benefited, because jobs were scarce. However, as mentioned, the Favela Sul day-care and youth centers run by the neighborhood association employed 52 women in 1998 and 2000, as well as men for maintenance of the buildings and new construction. Men were also employed by households involved in the self-help housing project in the late 1990s, when household members could not do the work themselves.

Josefa, Rosa, Antonia, and their families used different strategies to survive the economic crisis of the 1990s and early 2000s and to overcome the lack of opportunities that had held them back since childhood. Josefa, whose husband had only occasional construction work, took on homework, laboring long hours putting strings through clothing tags to make up for the loss of her factory job. Similarly, Rosa, whose husband also worked only occasionally, engaged in multiple economic activities. Both Rosa and Josefa ultimately moved to the interior of the State of São Paulo, hoping for better job opportunities, since many industries were moving there. Antonia also tried many occupations before establishing a day-care business, which she ultimately closed, but her husband benefited from a stable government job and later a promotion. Unfortunately, they were burdened with high debts. Rosa and Antonia had in common a vision for the community in which they lived. However, the hope died for Rosa when the violence resurfaced. The hope also died for Antonia, who finally decided to focus more on herself and her family.

In conclusion, the economic crisis, in part stimulated by economic globalization, made the interrelationships between variables such as location, age and organization of the community, and employment level more complex. Community organizations had less ability to create internal jobs and to help people get jobs outside the community. As industries closed, workers had to go further away from the community where they lived in search of work. The age of the community and time of migration of community members seems to have influenced the number of contacts and networks available to gain employment but only resulted in slightly better employment opportunities.

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Photo 4.19 Jardim Sudoeste

Chapter 5

Outsourcing Production and Commerce: A Close Examination of Unregistered Salaried Workers, Sweatshop Workers, Homeworkers, and Ambulant Vendors for Firms

Abstract This chapter focuses on “external” flexibilization, the growth of unregistered salaried and self-employed workers for a firm. Through an ethnographic examination of outsourcing to sweatshops, homeworkers, and vendors for a firm, the chapter allows the reader to understand the links between the informal and formal sectors. The chapter explores Korean- and Bolivian-owned garment sweatshops, women putting together clothing tags for graphic companies who in turn work for multinational companies such as Levi Jeans, and vendors for national and international cosmetic companies. The ethnographic details allow for a closer examination of the linkages between the sectors and how global, national, and local forces come together to create an exploitative labor market especially for low-income women.

The clothing firms, those of the shoe sector, leather sector . . . rent a shed, send the machinery and outsource there. And there the machine operators don't have the same rights they had in the factories . . . Or they let a seamstress go, or a cutter and they go and produce in their own homes, thereby losing all of their rights. (An activist for one of the garment unions)

As in many other cities in developed and developing countries, in the 1980s and 1990s, São Paulo experienced a resurgence of sweatshops, homeworkers,¹ and unregistered salaried work with workers working directly within or for outside firms and offices.² As a result of this “casualization,” or “informalization,” of the labor market, an increasing percentage of workers ceased to benefit from the labor laws established

¹ Like Chen et al. (1999), I will use the term homeworkers to refer to dependent subcontract workers, often called outworkers. Home-based workers refer both to dependent subcontract workers and to independent own-account workers.

² For cities other than São Paulo, see, for example, Sassen (1989, 1994) and Ross and Trachte (1990) for New York City, Park (1999) for Los Angeles, Benería and Roldán (1987) for Mexico City, and Standing (1999) generally on the flexibilization of labor globally. In some countries such as in Uruguay, this process had occurred already in the 1970s (Fortuna and Prates 1989). This chapter will not address teleworkers, who are an important and growing group of home-based workers, because the focus of my study is on low-income women, although this type of homework was growing in São Paulo.

by the 1943 Consolidation of Labor Laws (*Consolidação das Leis do Trabalho – CLT*) and the 1988 Brazilian Constitution.³ As exemplified by the case studies presented in Chap. 3, industrial production in the 1990s and the early 2000s was increasingly based on internal and external flexibilization. As discussed in the Introduction and Chap. 2, flexibilization was largely a result of trade liberalization, although some scholars, government officials, and business owners argue that it had more to do with the rigidity of Brazilian labor laws and the costs associated with these laws. However, these two reasons are related in that the opening of the market, which led to more competition, made the costs associated with the labor laws more problematic.⁴ As the ILO (2002) has recognized, flexible production, firms using internal and external flexibilization in production strategies, has given rise to specific kinds of workers, such as sweatshop and homeworkers, industrial outworkers, and casual, temporary, and part-time workers. The flexibilization of production processes and the labor market in general often leads to less formal labor relationships (i.e., no contracts or registration and few or no benefits) that can then result in more precarious working situations.

The always-murky distinction between the formal and informal sectors has become even more blurred with outsourcing and tertiarization, so this book will refer to these processes as “informalization” of labor (which offers a more accurate framing of the situation than thinking of employment simply leaving the “formal” sector and going to the “informal” sector).⁵ The complexity of labor relations does not permit simplistic divisions and dualistic concepts, but forces us to examine the relationships between workers and employers in the overall restructuring of production more closely. As Sassen (2000:94) writes, unlike the concept of an “informal sector” whose relational properties and changing empirical boundaries pose methodological problems, the term “informalization” describes “a process whose particular empirical content varies but whose analytical meaning remains fairly constant.” This process often includes the gradual (or not so gradual) loss of benefits such as social security, health insurance, a basket of food staples, and job security. In some advanced industrial countries, outsourced workers are covered by labor and social security legislation,

³In addition, in 1966, Law 5107/66 established the Unemployment Guarantee Fund (FGTS). The FGTS system required employers to deposit 8 % (8.5 % since September 2001) of each employee’s formal monthly wage into an account managed by a state bank on behalf of the employee. There has been much debate about the CLT, the reason it has lasted, its origins, and its significance. French (2004:8) argues that “in the end, the labor laws became ‘real’ in Brazilian workplaces only to the extent that workers struggled to make the law as imaginary ideal into a practicing future reality.”

⁴For an interesting debate between those arguing that the links between informality in Brazil are stronger with trade liberalization and those arguing that they are stronger with the labor laws in the 1988 Constitution, see Berg (2010), Bosch et al. (2007), and Kucera and Roncolato (2008).

⁵The term “informal economy” first surfaced in the Third World (Hart 1973 in Bromley and Gerry 1979). It was used to account for the unaccounted sector in national statistics and later for livelihood strategies or means to supplement income earned within the formal wage economy. The scholars that originally questioned the dichotomy of the formal and informal sectors include Benería and Roldán (1987), H. Buechler (1992), and Bromley and Gerry (1979). I could be criticized for occasionally still using the term “informal sector.” Again, I use it sparingly and as a shorthand primarily for unregistered salaried employment, petty commerce and production, and self-employment for a firm.

even though their level of pay might be lower and the legislation may not be adequately enforced. However, in developing countries legislation often does not cover this group of workers. Brazilian legislation does not adequately address the labor rights of the women I studied, who lived in the squatter settlements and worked long hours in their homes – putting together lipstick holders, for example, or selling cosmetics door-to-door for large corporations for small commissions.

In São Paulo, during the 1990s and early 2000s, there has been an increase in precariously employed workers including temporary workers, unregistered industrial workers in downgraded manufacturing, ambulant vendors for firms, and sweatshop workers. An increasing number of temporary workers were hired by factories or offices for the probationary period of 3 months, which meant they would receive no benefits. During these years, as unemployment grew and the demand for any type of job increased, downgraded manufacturing (manufacturing of cheaper goods with unregistered labor and less sophisticated technology) also grew due to the availability of cheap labor and the demand for cheaper goods. The loss in purchasing power among unemployed workers also led to an increase in the demand for cheaper goods, in the competition among vendors for firms,⁶ and in the numbers of clients who failed to pay. Not only do Brazilians increasingly work for unregistered firms, but especially immigrants – particularly Bolivian migrants to São Paulo – worked (and continue to work) in clandestine garment sweatshops often previously owned by Koreans but increasingly owned by other Bolivians. The rise of sweatshops, homework, and unregistered work in general became an integral part of the global capitalist process that *relies* on a certain kind of flexibilization for profit maximization and therefore is not merely an *effect* of this process. Rather than constituting a byproduct of the opening of the market, informalization must be considered as an integral part of global industrial restructuring.

In São Paulo, as in many other industrial cities around the world, sweatshops and homeworkers were widespread in the beginning of the twentieth century. In São Paulo, however, they had largely disappeared until they returned with the economic changes of the early 1990s. The coexistence of these forms of production with high technological production represented a new development. The informalization process created firms that had some resemblance to preindustrial small firm structure but were fundamentally a new phenomenon because of their dependence on large-scale capital. As Sassen (2000:93) writes:

[W]hile today's sweatshops may look similar to sweatshops of one hundred years ago, the fact that health and labor code regulations have been implemented since then, makes sweatshops today a different form of organizing the labor/employer relation than the sweatshops of a century ago when no such regulations existed and when the vast majority of manufacturing took place in such shops.

Since the 1943 Consolidation of Labor Laws (CLT) and the 1988 Constitution, Brazil has had strong labor laws and a seemingly comprehensive regulatory system. As mentioned in the Introduction, in Brazil, registered workers are guaranteed

⁶The term “vendors for firms” is used to describe vendors who sell products door-to-door for firms such as Avon.

access to unemployment insurance; unemployment benefits according to their time of service; a minimum wage; a 13th-month bonus; an 8-hour workday; annual vacation; 1-month advance notice in case of dismissal; risk reduction in the form of hygiene norms, better security, and healthy work conditions; accident insurance; pension benefits; and recognition of conventions and collective accords. Registered workers also have legal protection against arbitrary dismissal and salary reductions. Although employers often do not fully comply with these laws, the employer's signature on the worker's card does mean a measure of protection for the worker.

Employers often manipulated the rules during the period I studied: In the first three "trial" months, employers did not legally have to sign their employees' working cards, so they often rotated jobs, in part to avoid paying benefits. As a result, many workers remained in a "trial period" for extended periods of time. In addition, the amount of time that workers were staying in their jobs as unregistered salaried workers increased in the 1990s, which meant that some employers were not even trying to hide the fact that they were not registering some of their workers. The growth in the numbers of unregistered workers in firms with more than five employees again raises substantial doubts about the validity of the formal/informal dichotomy. Many of the registered enterprises were not complying with the labor laws at all. Some firms were discounting the social security tax, the guarantee fund, and the union tax from their employees' salaries, but were not passing these funds on to the government (interview with Eunice Cabal, president of the Garment Union of the Municipality of São Paulo and Osasco).⁷

The process of informalization of production, the development of downgraded manufacturing, along with the rise of the service sector in Brazil in the 1990s, was similar to that of other advanced market economies and was accompanied by a trend toward social inequality, inequality in the profit-making capacities of firms, and a rise in migration from poorer, neighboring countries. The decline in the centrality of mass production, or production in larger firms with registered workers and no outsourcing, led to the crumbling of the institutional framework that helped enforce the labor laws (Sassen 2000:96). Both global competition and market deregulation led to a "low road to development" and precarious employment (Benería 2000:11). Women were particularly affected by the increasingly precarious nature of the labor market because their work had been viewed, often incorrectly, as supplementary, giving employers an excuse for providing more sporadic (temporary work) and lower-paid work to women.

In this chapter, I examine both what the ILO (2002) and others have called "disguised wage workers" in production chains, and also vendors for firms, who are

⁷As mentioned earlier, in this chapter and in the Introduction a guarantee fund is a fund that both the employer and the registered employee pay into while the employee is at the firm; it is required by the labor laws found in the Brazilian Constitution. Once the employee leaves, he or she is entitled to the funds; sometimes employees will have their bosses fire them and rehire them in order to have access to the fund. In addition, employees may take the money out to buy or fix up a house, as long as the house is on legally acquired land, which prevents squatters from using the money for this purpose.

disguised wage workers in commodity chains. The addition of vendors for firms is important to demonstrate that the same kind of tactics for production used by industries is also used in the commercial sector by many of the same firms who employ disguised workers in the production chains. In other words, in addition to outsourcing of production, commerce or marketing was also outsourced. This chapter will focus on unregistered salaried workers for firms (i.e., sweatshop workers) and self-employed workers for firms (homeworkers and ambulant vendors for firms), while Chap. 6 will focus on petty commerce, production, and service provision, called “self-employment for the public” in the Brazilian statistics (those who do not work for firms, but have their own commercial and productive unit with many clients). (See Chart 5.1 below for a description of the definitions used by Seade/Dieese statistics for status in employment.) The chapter will provide an in-depth examination of the garment industry and the primarily Korean-owned garment sweatshops that employ Bolivian workers, as well as the work and lives of homeworkers in the communities I studied, some of whom were ambulant vendors of cosmetics. The chapter will also briefly discuss workers for tertiarized service firms and cooperatives.

Often the terms “flexibilization,” “informalization,” and “precarization” are used interchangeably or at least as though the processes were intricately linked. Scholars such as Dedecca and Baltar (1997) have often used the word “informalization” and “precarization” interchangeably, implying that work in the informal sector is always unstable, not well remunerated, and worse than work in the formal sector. However, this is not always true. “Precarization” of labor simply refers to the growth in precarious work, unstable and/or without benefits, whether it is for formal firms (such as work in sweatshops or in the home), within firms (as unregistered workers or vendors), or as petty producers and street vendors. These phenomena are often linked in the sense that the flexibilization of production processes often leads to less formal labor relationships (i.e., no contracts or registration and few or no benefits) and thus informalization, which can then lead to more precarious working situations. Unregistered and self-employed labor was no longer limited to low-skill jobs and included highly skilled workers including accountants and engineers. In addition, real wages and benefits of many registered workers also deteriorated during the 1990s and early 2000s.

The emphasis on illegality by scholars theorizing about the informal sector such as Alejandro Portes et al. (1989) and Hernando De Soto (1989, 2000) is also problematic. Small scale and illegality are often erroneously equated (H. Buechler 1992:4). Scholars such as Portes et al. (1989) and De Soto (1989, 2000) ignore the fact that one part of an economic activity may be regulated and another part of the same economic activity may be unregulated and that the same type of activity may be regulated for one firm and not for another.⁸ The emphasis on illegality also entails a reification of legality and a simplistic notion of the workings of state bureaucracy. It “entails holding the nature of the state’s involvement in economic activities constant,

⁸Some examples of this complex reality are unregulated workers employed by firms that pay taxes on profits, but do not give benefits to these workers, and retired workers who receive pensions while continuing to do work as unregistered workers for the firms from which they retired.

Chart 5.1 General definitions used by Seade/Dieese statistics for status in employment regarding wage workers and self-employed for a firm

Status in employment	Definition
Salaried and wage workers with signed worker's card (registered salaried workers)	This refers to workers who receive a salary that is normally fixed with or without commission and who have an established schedule. In Brazil, registered workers have worker's cards, which, when signed by the employer, entitle them to many benefits as specified in the 1988 Constitution and include protection against arbitrary dismissal or dismissal without just cause; unemployment insurance; access to an unemployment fund dependent upon the time of service; minimum salary; protection from salary reductions; 13th-month bonus; 8-hour work days; annual vacation; 1-month advance notice in case of dismissal; risk reduction by hygiene norms, security, and health; accident insurance; pension; and recognition of conventions and collective accords. If they are hired by an employment agency, they should have their card signed after 3 months by the firm. The new temporary contracts are shorter and entitle them to fewer benefits, but their worker's card should also be signed
Salaried and wage workers without signed worker's cards (unregistered salaried workers)	These workers include those in their trial period (the first few months of employment) and those working beyond the trial period whose employers never sign their working card, depriving them of their rights specified in the 1988 Labor Laws
Salaried workers who work for the public sector	These workers do not fit into the general salaried-employee category, work for the government, and have other documentation
Self-employed workers who work for a firm	Individuals who are self-employed but work exclusively for a determined firm or person, do not have a contractually fixed work day, and do not work under the direct control of the firm, but have the freedom to organize their own work schedule. This category also includes workers who get paid a piece rate. Persons who are involved in very technical services and have a university degree are included in the category of professional self-employed with university degree and usually are put into the category of "other" in the statistical tables

disregarding the actual variability of the functions and, more importantly, the functioning of governmental bureaucracies" (H. Buechler 1992:5).

Some of this so-called informality was actually promoted by new laws that decreased the responsibility of the employer for the employee. For example, as early as 1974, a law was enacted in Brazil that instituted 3-month work contracts renewable for another 3 months, which allowed the payment of fewer benefits. In theory, such contracts are offered only by temporary work agencies for the temporary substitution of regular workers on vacation or in times of increased production needs. In practice, they were often abused by firms that constantly hired

temporary workers. After negotiations with workers and entrepreneurs in the metallurgy sector of the State of São Paulo in 1996, new work contracts for a “determined period of time” were approved by Congress in January 1998 as a temporary measure. This constituted the first real erosion in the legal protection to which workers had been entitled since the 1930s. Although reducing costs only by about 10 %, the new contracts, like the 3-month contracts, enabled employers to forgo prior dismissal notices and thereby respond rapidly to seasonal variations in sales. Enterprises were theoretically only permitted to use such temporary contracts to open new positions and not as a substitute for permanent ones. The contracts were renewable for a maximum of 2 years. They allowed a 75 % reduction in the contribution by the employer to the guarantee fund and a 50 % reduction in the contribution for education for the workers, INCRA (Instituto Nacional de Colonização e Reforma Agrária – National Institute of Colonization and Agrarian Reform), and the S system (a governmental system of organizations involved in specialized professional training and information services to different economic sectors). Yet, there still were measures that protected the workers, such as paid rest time and higher overtime pay rates, both of which were questioned by business owners.

Very few firms had taken advantage of these new work contracts by the end of 1998. Part of the reason for this was that the contracts could only be used to hire workers in excess of the average number of workers the firm had employed in the previous 6 months. Given the downturn in production and the economy, firms were not hiring new workers. Therefore, by the end of 1998, a new law was passed, allowing the proportional reduction of salaries and benefits for employees who work under 25 hours a week.

Although some of the workers worked under these more flexible contracts, most of the registered workers did not. The majority of registered workers were therefore still under traditional contracts falling under the 1943 Consolidation of Labor Laws and the 1988 Brazilian Constitution. However, what had changed is that some of them no longer received all of the benefits to which they were entitled.⁹ It is questionable whether a registered worker who pays her or his contribution for social benefits, but does not receive them because the firm does not forward it to the state, is more “formal” than an unregistered worker who also receives no benefits. There were other illegal actions taken by employers during this time. For example, the female registered workers I interviewed said that employers forced them to take pregnancy tests and many women were fired when they came back from their guaranteed

⁹I am not suggesting that every worker received the benefits they were entitled to before the crisis, because this certainly was not the case. The research participants just claimed that they thought this practice had escalated with the crisis because the employers thought they could more easily get away with it because of the high unemployment making workers scared to lose their jobs. In addition, it is difficult to know how many did not receive all of the benefits to which they were entitled especially since those workers who still had worker’s cards did not want to jeopardize their employment to answer any kind of systematic survey of workers. Since most of the research participants were not registered workers, my sample did not warrant making any kind of estimate of the percentage of workers who were not receiving all of the benefits to which they were entitled.

maternity leaves. Yet, it was still worthwhile, especially for women, to be permanent registered workers since, for example, they were the only ones that are entitled to extra pay to cover day-care costs. Registered workers were also guaranteed a state pension upon retirement, allowing them to at least be able to eat when they got old. It was also more difficult to get fired, especially during a time when employers were looking for easy ways to decrease their labor force until the economy improved.

5.1 Measuring the Process of Informalization: Data Sets, Growth, and Characteristics

Unlike in most cities in developed and developing countries, measuring the numbers of disguised wage workers in the Metropolitan Region of São Paulo and in its largest municipality, the Municipality of São Paulo, is possible thanks to the extensive gathering of employment statistics by two major statistical organizations. The measurements of the informal economy used in this chapter and the next resulted from several very detailed household surveys conducted by the Brazilian Institute of Geography and Statistics (Instituto Brasileiro de Geografia e Estatísticas – IBGE), the federal statistical office, and by São Paulo’s State Foundation for Statistical Analysis (Fundação Sistema Estadual de Análise de Dados – Seade).¹⁰ (See [Appendix A](#) for a description of the studies on the “informal economy” that have used the information from the IBGE and Seade/Dieese household surveys and the definitions of the informal sector used.) IBGE conducts three major household surveys: the National Household Survey (Pesquisa Nacional por Amostra de Domicílios – PNAD),¹¹ the Monthly Study of Employment (Pesquisa Mensal de Emprego – PME), and surveys conducted especially for its informal sector study. Seade conducts two household surveys: the Study of Employment and Unemployment (Pesquisa de Emprego e Desemprego – PED) and the Living Conditions Study (Pesquisa da Condições de Vida – PCV). The PED is also conducted by the Inter-union Department of Statistics and Socio-economic Studies (Departamento Intersindical de Estatísticas e Estudos Socioeconômicos – DIEESE) and captures all kinds of informal sector workers, including unregistered workers for firms with six or more employees.¹² Among other data, the PCV determines the number of households that have no family member in the informal sector, and the number of those that do, and looks at the differences between these two

¹⁰I am indebted to Paula Montagner formerly at Seade for access to her tables, presented at the seminar “Map of Informality in the City of São Paulo” organized by CUT in August 1999, and to Sandra Brandão formerly at Seade for the disaggregation of many more statistics.

¹¹The IBGE study, the PNAD, does not disaggregate the data by municipality, which makes it impossible for municipal governments to benefit from the information.

¹²The PED has been conducted since 1984 in 3,000 households per month and covers the 39 municipalities of the Greater Metropolitan Region of São Paulo. The survey captures gender, age, education, race, earnings, and hours worked.

groups in terms of income, housing, and utilization of health services.¹³ Both IBGE and Seade use size and legality in their definitions of the informal sector.¹⁴ The IBGE considers the “informal firm” to be an urban economic unit owned by self-employed workers or employers with up to five employees. A crucial omission from this definition is all the unregistered salaried workers hired by firms with over five employees, who constitute such a large part of the reality of the labor market in São Paulo.

The studies using the Seade/Dieese PED (Study on Employment and Unemployment) focus on workers and individuals rather than firms. In 1998, the project team of the Map of Informal Labor Study and the larger team consisting of the National Labor Confederation (Central Única dos Trabalhadores – CUT),¹⁵ DIEESE, Seade, and the AFL/CIO (American Federation of Labor) that had an office in São Paulo adopted an expanded definition of the informal sector.¹⁶ This expanded definition includes an examination of the employment arrangements, not only of enterprises that are not legally regulated but also of employment relationships that are not legally regulated or protected. As Chen (2006:76) argues, this “new definition of the informal economy focuses on the nature of employment in addition to the characteristics of enterprises.” In 2002, after much discussion, the ILO dramatically expanded its definition of the informal sector. The 2002 definition is much closer to the one used in the Map of Informal Labor Study and by the author. The ILO (2002) definition of the informal sector now includes several different kinds of own-account workers, such as street vendors, paid domestic workers, and homeworkers, as well as workers in sweatshops who are “disguised wage workers” in production chains. The ILO (2002:7) argues that the one characteristic these

¹³The PCV was created in the late 1980s and was supposed to take place every 4 years but has been less frequent. The last one was conducted in 2006, 8 years after the previous survey in 1998. While each of these studies provides interesting insights, they refer to different data sets based on different questions and different statistical universes – alternatively the Municipality of São Paulo and the Metropolitan Region of São Paulo – and are therefore not entirely comparable. I will alert the reader as to which data set and universe the information refers. When the tables and text state the Municipality of São Paulo as the universe, they refer to those living in the Municipality of São Paulo. There may be workers who are also working in the municipality but live outside of it. There is another universe that refers to those workers who live and/or work in the Municipality of São Paulo. The third universe consists of those workers that live in the Metropolitan Region of São Paulo but may work outside of it. I use two data sets for the MRSP, IBGE and Seade/Dieese PED.

¹⁴The institutions and researchers in question have decided to employ the old 1993 ILO definition – a more legalistic definition than that initially proposed by Sethuraman, resulting from the 15th Conference on Labor Statistics – but adapt it to the new realities of São Paulo and Brazil as a whole, which, in the case of Seade, signifies including salaried unregistered workers in larger firms with more than five employees (see [Appendix A](#) for the ILO definitions).

¹⁵CUT is a confederation of unions with leanings to the left of the political spectrum.

¹⁶This study followed the general recommendations of many scholars and practitioners including the members of the global research policy network Women in Informal Employment: Globalizing and Organizing (WIEGO) working with the ILO. Well aware of the fact that larger firms hire unregistered workers who cannot then be represented by the union, the unions are eager to document this phenomenon.

groups share is that they are “not recognized or protected under the legal and regulatory frameworks and are characterized by a high degree of vulnerability.” Although the analysis of this quantitative data begins to show the process of informalization, it still does not communicate exactly how informalization takes place on the ground and in workers’ lives.

5.1.1 Growth in Unregistered Salaried Workers for Larger Firms and in Self-Employed for Firms

The most dramatic increase in “informal” workers was in unregistered salaried workers for larger firms of six or more employees, which grew by almost 45 % between 1988 and 1998 in the MSP (and by 67 % between 1990 and 1999 in the Metropolitan Region of Sao Paulo) (Seade/Dieese, Study of Employment and Unemployment 1988–1998).¹⁷ The number of unregistered workers in firms with five or fewer employees grew by 33 % in the Municipality of São Paulo from 1988 to 1998 (see Tables 5.1 and 5.2). In the Municipality of São Paulo, 8.4 % of the employed were unregistered salaried workers in 1988; by 1998, that percentage had jumped to 11.8 %, an increase of almost 41 % (see Table 5.2 for percentages and Table 5.1 for absolute numbers). This upward trend slowed and during a few of the years between 1998 and 2003, the percentage slightly decreased.¹⁸ During this same time, the absolute number and percentage of registered salaried workers for firms with six or more employees fell.¹⁹

¹⁷Because of the existing statistics on informality and the years when there were significant changes, this chapter will concentrate on both the period between 1988 and 1998, the 10-year period with the most dramatic changes in terms of informalization in the MSP and between 1990 and 1999 for the MRSP, but also include later statistics to show any changes. From the late 1980s to the end of the 1990s in the Municipality of São Paulo, the percentage of workers in activities that can be considered “informal” continuously rose, while the percentage of workers in the “formal” sector fell dramatically from 53.7 % in 1988 to 42.8 % in 1998. In the universe of individuals living in the Municipality of São Paulo, the expansion of the informal sector can be seen in the increase from 1988 to 1998 of all types of informal sector activities. According to the 1998 Study on Living Conditions of Seade, 51.7 % of families in the Municipality of São Paulo have at least one member working in the informal sector. Most (34.2 %) had only one working in the informal sector, but 13.8 % had two members (Martins and Dobrowski 2000b:45).

¹⁸The percentage of unregistered workers in firms with six or more employees continued to increase from 46.8 % in 1996 to 51.8 % in 1999. It decreased slightly from 2000 to 2001, but then increased again in 2002, 2003, and 2005. The percentage then began decreasing again in 2007, with 52.9 % (still not even to 1999 levels, with 51.8 %) (Seade/Dieese PED 1996–2012).

¹⁹Similar trends can be seen in the Metropolitan Region of São Paulo, which includes the ABCD industrial region (Seade/Dieese PED). The concentration of industry in the ABC region does not change the trend of the informalization of the labor force. Workers have also complained to me that even if they were registered, the description of their jobs is incorrect so that their employers can pay them less without risking a confrontation with the union.

Table 5.1 Estimates of working age population and employed population according to employment status and firm size in the Municipality of São Paulo in 1988 (1)–1998

	In 1,000s		Variation	Percent change
	1988	1998		
Working age population	7,456	8,130	674	9.04
Actively employed (2)	4,224	4,207	-17	-0.41
<i>Enterprise with five or fewer employees</i>	1,034	1,276	241	23.33
Salaried/private sector	237	276	39	16.61
Registered	113	111	-2	-1.67
Unregistered	124	165	41	33.27
Self-employed works for a firm	104	167	63	61.02
<i>Enterprise with six or more employees (2)</i>				
Salaried/private sector				
Registered	2,072	1,595	-477	-23.04
Unregistered	230	333	104	45.11
Self-employed works for a firm	146	169	23	15.96

Source: SEP Seade/Dieese. Study of Employment and Unemployment. Table taken from Montagner (1999) but adapted and translated

(1) Statistics from February to December

(2) Includes those who did not declare or answer about the size of the firm

Table 5.2 Distribution of the workforce by employment status and firm size in the Municipality of São Paulo in 1988 (1)–1998 – in percentages

Employment status	1988				1998			
	Total	Size of firm			Total	Size of firm		
		Five or less employees	Six or more employees	Don't know		Five or less employees	Six or more employees	Don't know
Employed (2)	100.0				100.0			
Salaried/private sector	60.1	5.6	43.6	10.8	52.4	6.6	39.1	6.7
Registered	51.7	2.7	39.9	9.1	40.5	2.6	33.0	4.9
Unregistered	8.4	2.9	3.7	1.7	11.8	3.9	6.2	1.8
Self-employed works for a firm	5.9	2.5	1.8	1.7	8.0	4.0	2.8	1.2

Source: Seade/Dieese. Study of Employment and Unemployment – PED – in Montagner (1999)

(1) Statistics from February to December

(2) Includes those who have not declared or answered questions about the size of the enterprise for which they work

In examining three variables – status in employment (unregistered salaried workers), size of firm, and sector of activity – the data for the employed that live and/or work in the MSP showed that unregistered salaried workers were more heavily located in different economic sectors dependent upon the size of the firm in which they were employed. A large percentage of the unregistered salaried workers employed in larger firms with more than five employees were found in the industrial

sector (25.3 %) and were less likely to be located in the commerce sector (15.5 %). On the other hand a larger percentage of the unregistered salaried workers employed in smaller firms with five or fewer employees were likely to be located in the commerce sector (31.5 %), and a smaller percentage of these workers employed in smaller firms were located in the industrial sector (14.6 %). Approximately the same percentage of unregistered salaried workers employed in larger firms (51.6 % versus 52.1 % employed in smaller firms) was located in the service sector (see [Appendix B](#)). Although some of these differences can be explained by the overall percentage of workers in larger firms in the industrial sector, for example, the general pattern of precarization in the industrial sector during this time period explains the increase in the percentage of unregistered salaried workers in larger industrial firms.

The number of self-employed workers for firms also increased from 1988 to 1998. As mentioned, “self-employed workers for a firm” are self-employed individuals who work exclusively for determined firms or persons as a subcontracted or outsourced worker. They do not have a fixed work day, do not work under the direct control of the firm, and generally have more freedom to organize their own work than an employee working within the confines of a factory. This category includes workers who engage in piece work or ambulant vendors selling for only one firm. In the Municipality of São Paulo, there was a 61 % increase from 1988 to 1998 in the number of self-employed individuals working for a firm (104,000 or 5.9 % of the employed population in 1988 to 167,000 or 8 % in 1998).²⁰ In both 1988 and 1998 in the MSP, there was a higher percentage of self-employed working for smaller firms with five or fewer employees than for larger firms (2.5 % in firms with five or less employees and 1.8 % in firms of six or more employees in 1988 and 4 % and 2.8 %, respectively, in 1998 [Table 5.2]).²¹ However, these statistics might be slightly misleading since, as my interviews show, homeworkers and sweatshop workers often worked directly for smaller firms or for family enterprises that produced for larger firms. These self-employed workers therefore were indirectly working for

²⁰These statistics are highly questionable because it is not easy to obtain this kind of information. As my qualitative interviews showed, those working sporadically or consistently but as daily workers for firms, as, for example, a stonemason for a construction firm, may call themselves unemployed and may not even mention this activity. Those selling cosmetics or other items door-to-door for one or two firms might also not consider themselves as employed since they lost their salaried job. Many low-income workers need to sell or produce things on the side to earn extra money. They would not consider themselves as self-employed working for a firm even if they were making more money in this activity than in their salaried job. There are all sorts of reasons why individuals might consider themselves unemployed. Someone still receiving unemployment benefits might not want to admit to being employed in other economic activities. A worker might have had a registered salaried job for a long time and be in a situation of having to make a living but still be looking for another job. Such a worker would be considered to be unemployed in the hidden unemployment category if working sporadically at other jobs but still searching for a job within the previous year.

²¹There had also been a steady increase in self-employed for firms between 1990 and 1998 in the Metropolitan Region of São Paulo, from 345,000 in 1990 to 547,000 in 1998, or a 59 % increase (Seade/Dieese PED 1990–1998).

larger firms but were contracted by intermediary smaller firms. Self-employed workers for firms were concentrated in the service sector (56.8 %), followed by the commerce sector (21.2 %) and the industrial sector (18.3 %) (see [Appendix B](#)).²²

5.1.2 *Characteristics of Unregistered Salaried Workers and Self-Employed for a Firm: Gender, Age, Race, Immigration, and Educational Level*

Although unregistered salaried workers generally have similar gender, racial, and age characteristics as the employed population as a whole (primarily men, white, and between the age of 18 and 39 years old), the composition of this labor group changed slightly between 1988 and 1998, with a higher percentage of the total number of unregistered salaried workers being female, older, and with more education (see [Table 5.3](#)). In 1998, a higher percentage of unregistered salaried workers in the Municipality of São Paulo were women (35 %, up from 32 % in 1988; see [Table 5.3](#)). In the MSP, unregistered salaried workers in firms with up to five

Table 5.3 Characteristics of unregistered salaried workers of Municipality of São Paulo in 1988–1998 in percentages

Attributes	1988	1998
<i>Total</i>	100.0	100.0
<i>Sex</i>		
Men	68.0	65.0
Women	32.0	35.0
<i>Age</i>		
10–14 year	8.4	(1)–
15–17 year	18.2	11.0
18–24 year	29.0	33.5
25–39 year	26.6	33.6
40 year or more	17.8	19.6
<i>Educational level</i>		
Illiterate	6.7	3.2
Elementary school incomplete	66.3	42.7
Elementary, high school incomplete	15.9	23.4
High school, university incomplete	8.7	22.5
University	(1)–	8.3

Source: SEP. Seade/Dieese PED. Disaggregated by Montagner (1999)

(1) Sample does not allow for disaggregation of data

²²Again, these numbers might be a bit misleading. A higher percentage of higher-educated professionals who are providing service work might declare this as their primary work (in comparison to homeworkers producing in their homes). Everything from accounting to word processing and various consultancies might be considered self-employed for a firm.

Table 5.4 Distribution of female and male employed workers by status in employment/Municipality of São Paulo (1998) in percentages

Employment status	Total	Male	Female
Salaried in firms with five or fewer employees	6.4	6.7	6.0
Registered	2.6	2.6	2.7
Unregistered	3.8	4.1	3.3
Salaried unregistered workers in firms with more than five employees	8.1	9.3	6.4
Self-employed	17.7	20.9	13.3
Self-employed for firms	7.9	9.3	5.9
Total labor force	100.0	100.0	100.0

Source: Seade/Dieese PED (1998)

employees made up 3.3 % of the total female labor force compared to 4.1 % of the total male labor force, and unregistered salaried workers in firms with more than five employees made up 6.4 % of the total female labor force versus 9.3 % of the total male total labor force (see Table 5.4). In my interviews in 1999, I found that women were slowly beginning to get jobs again in the formal sector as either unregistered or registered salaried workers but that the men were not and were still in the informal sector, some running the family bar or store or working as masons, construction helpers, or in repair. Already in 2003 there were more registered female and male workers in the communities I studied.²³

From 1988 to 1998, in the Municipality of São Paulo, there was also a substantial decrease in the percentage of unregistered salaried workers between the ages of 15 and 17 (from 18.2 % to 11.0 %) but a large percentage increase in workers older than 25, especially among those between the ages of 25 and 39 (from 26.6 % to 33.6 %) but also among those in the 40-plus age group (from 17.8 to 19.6 %) (see Table 5.3) (Seade/Dieese Study on Employment and Unemployment 1988–1998). The decrease in the percentage of younger workers was partially due to the fact that adolescents were staying longer in school because of the job market situation. The rise in the percentage of unregistered salaried workers in the 40-plus age group might partially represent retired workers who continued to work for the same firm but as unregistered workers, so that they could collect their pension and social security while also earning a salary. These workers tended then to earn less money than when they were registered but agreed to this lower salary because they were also earning social security from the government.

The educational level of unregistered salaried workers in the Municipality of São Paulo, although still low, increased substantially between 1988 and 1998 (see Table 5.3). The number of unregistered salaried workers with a university degree

²³In the period since 2003, there has been a significant increase in the percentage of registered workers as the economy has improved. In the ABC region the percentage of workers without worker's cards in the private sector went down from 12.8 % in 2002/2003 to 8.8 % on 2011/2012. If we compare one of the worst years of the unemployment crisis, 1998, with 2011, we see a 65.5 % increase in numbers of registered workers when there was an overall increase of 40.5 % more workers in the ABC region (Seade/Dieese PED 2012).

Table 5.5 Distribution of unregistered salaried workers and self-employed workers for firms that live or work in the Municipality of São Paulo by race 1998

Status in employment	In percentages		
	Total	White	Non-white
Salaried in firms with 5 or fewer employees	100	65	35
Registered	100	68.3	31.7
Unregistered	100	62.8	37.2
Salaried unregistered workers for firms with more than five employees	100	66.6	33.4
Self-employed	100	65.9	34.1
For firms	100	68.1	31.9
Total labor force	100	67	33

Source: Seade/Dieese PED, CUT/AFL/CIO report

was too small to be even calculated in 1998 but had reached 8.3 % of those who live in the MSP. The percentage of unregistered salaried workers that had completed elementary school increased from 15.9 % in 1988 to 23.4 % in 1998 (Seade/Dieese PED 1988–1998).

Significant racial differences were not evident among unregistered salaried workers or self-employed for firms (see Table 5.5). The majority of unregistered salaried workers in firms with more than five employees were whites in 1998 (66.6 %), the same percentage as that of whites in the total labor force (67 %).²⁴ Among the unregistered salaried workers in firm with five or fewer employees, there was not a significantly higher percentage of non-white workers (37.2 %) than in the total labor force (33 %). Among the self-employed for firms, there was only a slightly lower percentage of non-whites (31.9 %) than in the total labor force (33 %) (Seade/Dieese Study on Employment and Unemployment 1998).

Unregistered workers tend to be much poorer than registered workers, earning on average half of what registered workers earn. The average income of all unregistered salaried workers and self-employed workers for firms tended to be lower than registered workers in smaller firms, and the income of unregistered versus registered salaried workers in larger firms was also lower. Among unregistered salaried workers living in the MSP in 1998, those working for firms with more than five employees on average earned R\$509 a month, whereas registered workers

²⁴In the Seade and Dieese PED statistics, “nonwhite” includes both black, of African descent, and brown (*parda*), racially mixed people, and “white” includes both white and “yellow,” of Asiatic descent. The PED surveyor is the one who determines the race of the respondent, unlike in the Brazilian national census whereby the respondent provides this information according to her or his self-definition. “Parda” includes children of different races (*mestiços*) including of white and black (*mulatos*), black and Indian (*cafuzos*), and Indian and white (*mamelucos* or *caboclos*) or children of one black parent and one parent of another color or race or an indigenous person. The majority of those in the nonwhite category in 2000 were of brown (81.2 %), and in the white category, most were considered white (97.1 %) with only 2.9 % having an Asiatic background (Seade 2001).

earned on average R\$1107. However, on average, self-employed workers for firms tended to earn more than unregistered salaried workers for smaller and larger firms. In firms of six or more employees, the difference between registered salaried workers in the private sector and self-employed workers for firms was negligible in 1998 (R\$1,064 vs. R\$1,070 for registered workers). The average salary of self-employed workers for firms had been actually higher than that of registered workers in 1988 (R\$1,182 vs. R\$1,107 for registered workers)²⁵ (see Table 5.6). This is most probably due to the self-employment category including very highly paid self-employed specialists.²⁶ Larger firms tend to outsource low-skilled services to smaller firms, for example, and may not have as many self-employed low-skilled individuals working for them as smaller firms do.

During the economic crisis of the 1990s and early 2000s, the salaries of many types of workers decreased. However, from 1988 to 1998 in the Municipality of São Paulo, salaries did not decrease for unregistered salaried workers, especially those who worked for larger firms. In fact, there was a 39 % increase. This probably reflects the “informalization” of even better quality jobs, such as technical jobs, that are well-paid even when they become more “informal.” The sharpest decrease (9 %) in salaries from 1988 to 1998 was for the self-employed for a firm. In the three communities I studied, with growing competition for jobs selling, servicing, or producing for a firm, wages decreased, both because the wages were often paid as commissions and because firms could pay less and still get the number of workers they needed. There was a 60 % increase in the number of self-employed workers for firms in the Municipality of São Paulo during this same time period, 1988–1998. In the three communities, this type of worker was typically involved in selling yogurt, cosmetics, clothes, and other goods. As unemployment increased, demand for these goods dropped. From 1988 to 1998, although salaries decreased by 3.34 % for registered salaried workers in firms of six or more employees in the Municipality of São Paulo, there was an even greater fall in the earnings of the self-employed for a firm (9 %). And despite the 50 % increase in the salaries of unregistered salaried workers for firms of six or more employees (to an average of R\$764 a month), the average salaries of these workers did not come near the

²⁵DIEESE, the inter-union’s statistical unit, calculated that the minimum salary to maintain a worker and her or his family with two children (eating the equivalent amount of one adult) including food, shelter, education, transportation, clothing, health, leisure, and insurance was R\$892.44 in August 1999 (or 6.6 times the official minimum salary of R\$136). The monthly basic food basket costs R\$106.23 in the same month in São Paulo. This included 6 kg of meat, 7.5 l of milk, 4.5 kg of beans, and 3 kg of rice plus flour, potatoes, tomatoes, bread, and coffee. These rates are based on the Cost of Living Inflation Index with the base date of August 1999. The commercial average exchange rate to buy dollars was 1.878 in August 1999.

²⁶The variation in income among the low- and high-skilled self-employed for firms can be seen in the statistics showing both the mean and the average income, which for those who lived and worked in the MSP was an average of R\$897 but a mean of R\$515 (Seade/Dieese PED 1998). The difference between the average (R\$397) and the mean (R\$315) salaries of unregistered salaried workers for firms of five or fewer employees was not as great, for example.

Table 5.6 Average real (1) earnings per month of employed by status of employment and size of enterprise where they work

Municipality of São Paulo	In reais per month/values in reais of June 1999 (4)									
	1988 (2)					1998				
	Size of enterprise					Size of enterprise				
Status in employment	Total	Up to five employees	Six or more employees	Don't know	Total	Up to five employees	Six or more employees	Don't know	Percent decrease of total	
Salariated/private sector	951	465	1,059	668	915	470	1,023	649	4 %	
Registered	1,027	583	1,107	709	1,002	585	1,070	689	2 %	
Unregistered	436	349	509	-(3)	608	389	764	-(3)	-39 %	
Self-employed for a firm	971	1,036	1,182	594	886	836	1,064	-(3)	9 %	
Self-employed for the public	679	679	-	-	652	652	-	-	4 %	
With fixed place or equipment	658	658	-	-	622	622	-	-	5 %	
With automotive equipment	-(3)	-(3)	-	-	-(3)	-(3)	-	-	-	
Without equipment or fixed place	614	614	-	-	564	564	-	-	8 %	
Employers	2,332	1,909	-(3)	-(3)	2,567	1,972	3,609	-(3)	-10 %	
Family workers	-	-	-	-	-	-	-	-	-	
Other	-(3)	-(3)	-(3)	-(3)	-(3)	-(3)	-(3)	-(3)	-	

Source: Seade/Dieese PED in Montagner 1999

(1) Inflation index: ICV of DIEESE

(2) Stats from February to December

(3) The sample does not allow for the disaggregation by this category

(4) The exchange rate on June 30, 1999 was 1.77 reais to US\$1

monthly salary of registered workers for the same size firm (who earned an average of R\$1,070) (see Table 5.6).

These workers will continue to have a lower income when they are older and delay their ability to retire because the majority did not pay into social security during this period. In 1998 the vast majority of unregistered salaried workers for smaller firms living and/or working in the MSP (96.4 %), of unregistered salaried workers working for larger firms (89.9 %), and of self-employed for firms (75.7 %) did not contribute to social security (Jakobsen et al. 2000: Table 19 p. 58). When unregistered workers interviewed for the Map of Informal Labor Study were asked why they were not paying into social security, they said they had not had the financial means to pay themselves (43 %), had been sloppy (6 %), or did not know (37 %). Half of the informal sector workers said they would have to work in their old age, 13 % said they either did not know how they would manage financially or did not think about the subject, 20 % said they would depend on social security, and only 11 % said they had savings (Martins and Dombrowski 2000b:40–51).

According to the Study of Employment and Unemployment of Seade/Dieese, registered and unregistered salaried workers work approximately the same amount of time (on average 44 hours), but unregistered salaried workers are paid less (see Table 5.6 for salaries). My qualitative interviews showed that it was very difficult for some individuals who were self-employed for a firm, specifically homeworkers, to calculate how many hours a week they worked. The number of hours depended on the season, how many other activities they were involved in, or whether a relative or offspring was around to help. Self-employed workers who sold goods for firms had extremely variable hours, depending on their own available time, how many clients they had on a given week, and the arrival of the delivery truck.

In my qualitative study of the three communities, I found that the most significant difference between registered and unregistered workers was that registered workers were entitled to unemployment benefits if they lost their jobs. Unregistered workers were excluded from both the unemployment fund (the guarantee fund – a type of forced savings plan paid into by both employee and employer during the time of formal employment and given as a lump sum when you lose your job) and unemployment insurance (monthly unemployment benefit payments). Unemployed registered workers often used the unemployment fund paid out in a lump sum to start a small informal enterprise and the monthly unemployment benefit payments to keep the family going while they were either looking for another job or getting a business started. Neither of these strategies was possible for unemployed unregistered workers. Unemployed unregistered workers rarely had any savings to keep the family going. If registered workers were involved in an accident on or off the job, they would be paid until they could work again. Self-employed or unregistered workers had no such safety net. In addition, divorced women whose former husbands were unregistered often did not get any kind of support for their children because their legal avenues to demand alimony or child payments were limited. The former husband

and/or father of your children could argue that he was unemployed when he really was an unregistered worker. In contrast, alimony could automatically be deducted from the formal salary of a registered worker.

Perhaps one of the biggest problems unregistered workers faced was the lack of health insurance. In the CUT study they found that the majority (50.2 %) of the families with at least one member working in the informal sector did not have any kind of health insurance (a family was considered to have health insurance even if only one person had insurance). However, 34.3 % of families who only had registered workers also lacked health insurance or a health plan since there are plenty of ways that employers avoided providing health insurance to their registered workers (Seade – Study of Living Conditions – PCV 1998 in Jakobsen et al. 2000:61). Many of the research participants spoke about having to go to the public health clinics or state hospitals for any kind of medical problem, but these facilities were often overcrowded and many of the research participants felt that they received bad medical services. If they could afford to buy medical insurance, they often did in order to be able to go to private doctors and hospitals. Many families wished for at least one member to be a registered worker so that the family might have access to private health insurance. However, 4 years after I started the study in 1996, it had become much more common for registered jobs not to include health insurance. The “informalization” process could be seen in the elimination of many of the benefits previously provided by formal jobs.

5.1.3 Sectors of Economic Activity

A large percentage of the unregistered salaried workers (46.3 % in 1988 and 52.3 % in 1998) and of self-employed workers (55.6 % in 1988 and 61.4 % in 1998) both in smaller and larger firms and living in MSP continued to be in the service sector, but a large, although declining, percentage remained in the industrial sector (also see [Appendix B](#) for those that live and/or work in the MSP).²⁷ This followed the overall employment trends with employment leaving the industrial sector and going to commerce and services. However, within the industrial sector, there have also been shifts with the percentage of unregistered and self-employed workers increasing. Although the percentage of workers employed in the industrial sector and living in the Municipality of São Paulo decreased by almost 39 % from 1988 to 1998, the numbers of unregistered workers still working within industry actually increased by 12.7 %. The percentage of industrial workers who were unregistered increased

²⁷The majority of the unregistered salaried workers in larger firms that live and/or work in the Municipality of São Paulo was in the service sector (51.6 %), but 25.3 % were in industry, 15.5 % in commerce, and 6.6 % in civil construction ([Appendix B](#)).

from 8 % in 1988 to 14.8 % in 1998.²⁸ The percentage of self-employed workers for a firm slightly increased from 6.1 % of the industrial workers in 1988 to 8.2 % in 1998, while during the same years the percentage of the total number of workers in industry decreased from 29.1 to 17.8 % (see [Appendix C](#) and [Appendix D](#)). The more substantial increase in unregistered salaried workers and the less significant increase in self-employed for a firm represented a new trend toward the use of unregistered workers in industrial production. However, all sectors of the workforce were undergoing “informalization.”

5.1.3.1 The Garment Industry: A Case Study

The garment industry saw a deterioration of working conditions particularly since 1980, with an increased use of outsourcing to sweatshops and homeworkers in São Paulo. This global trend primarily affected women workers. The garment industry has been viewed as one of the “backward” sectors of the economy because it takes advantage of the supply of cheap immigrant labor to staff its sweatshops. In actuality, migrants have also taken advantage of the opportunities that this less regulated labor market has to offer. Scholars such as Sassen (1988), Fernandez-Kelly (1983), and Portes and Walton (1981) have challenged the view that growth of the informal economy in developed and newly industrialized nations is the result of immigration from poorer countries, arguing that immigrants do not create the “backward” sectors of the economy. Adding foreign investment as an explanatory variable and analyzing many other characteristics of the international system, these scholars conclude that the kind of industrial restructuring that has resulted from economic globalization coincides with existing poverty and also creates it, promoting a situation that induces migration (Sassen 1988:4). In the case of the garment industry, the industry locates in and thrives where there is already a ready-made workforce of low-income workers who are willing to work in bad conditions with low pay. Migrants tend to locate in places where they will find work easily and where they have networks already in place to get them jobs.

²⁸ [Appendices C](#) and [D](#) provide more detailed statistics also for the Municipality of São Paulo, showing the breakdown by sector and by status in employment. They disaggregate the statistics further for unregistered salaried workers depending on size of firm. These tables confirm the same trend toward more informality in each sector. Although there was an increase of 21.1 % in the number of workers in the service sector, there was a 58 % increase in the numbers of unregistered salaried workers within this sector and only a 12.63 % increase in the number of registered salaried workers. (The percentage of all service workers that are unregistered increased from 8.7 % to 11.4 %.) The overall increase in service sector jobs was primarily in producer services, largely because this was the area where there was the most tertiarization of production with industry outsourcing cleaning, food services, accounting, and packaging. In the industrial sector there was a decrease in the percentage of salaried workers with worker’s cards from 79.2 % in 1988 to 65.2 % in 1998. All types of self-employed workers also increased in the industrial sector. In the commercial sector the percentage of salaried registered workers decreased from 49.1 % to 39 % of those employed in this sector, while the percentage of unregistered salaried workers increased from 10.9 % to 14.3 %. The self-employed workers for a firm increased from 9.3 % to 10 %.

The garment industry in Brazil made use of migrant labor, notably from Bolivia, but the industry employed native Brazilian workers as well. The Brazilian garment workers have often engaged in homework, which has been traditionally used in the garment industry. According to the president of one of the unions of garment workers,²⁹ the number of homeworkers increased substantially in the late 1990s. Referring to the large difference between the total number of workers and the number of registered workers, she exclaimed, “Where are the rest? [They are producing] in the manner I told you [working as outsourced workers]. And they are not only the Bolivian [sweatshop workers]. They [also are homeworkers that work for] large enterprises, let me make that clear, with a manager or courier carrying the sewing machine to their homes, for them to work in that way . . . [T]hat already exists on the world level, internationally, globally.” The same union leader spoke of a firm that had 600 workers in 1995 that continued to produce the same amount with only 40 workers in 1998. “They just cut the pieces and have women in their houses sew the garments,”³⁰ she said. “The firm is gaining, because in reality the worker is not gaining,” she added, calculating that about half of this outsourced production is to informal workshops and half of it is to homeworkers. Even the companies that produce famous brands of clothing outsourced. The major garment manufacturers had employed from 800 to 1,000 workers each in 1996 and 2 years later employed around 200. In these cases the few workers who remained registered and unionized actually saw an increase in their salaries, from an average of R\$380 in 1996 to R\$430 in December 1998.

Both the large and small firms, but particularly the larger clothing firms, outsourced most of their production to smaller unregistered firms and to homeworkers. Some of the larger ones ceased to operate on paper but in fact reopened as several unregistered small workshops. Although the exact number of sweatshops in São Paulo during this period cannot be determined, according to many union officials I talked to, the number increased between 1996 and 1998.

The garment factory owners, as well as many other industrialists, argued that they could not compete with imports, especially cheap Asian ones, if they paid all of the legally required benefits. T-shirts from China and Taiwan were sold for as little as the equivalent of one US dollar on the streets of São Paulo. The factory owners’ attribution of the growing “informalization” to the high costs of social benefits can be questioned. The cost of registering workers appeared to vary depending on the person making the calculations. The director of DIEESE (Departamento Intersindical de Estatísticas e Estudos Socioeconômicos – Inter-union Department of Statistics and Socio-economic Studies) argued that the costs only amounted to an additional 25 %, whereas the negotiator for Sindimaq (the union association of firms that produce machines and equipment) said that it paid 102 % of salaries in

²⁹As is the case of the women I interviewed in the favelas, I have primarily kept the names of the union leaders anonymous.

³⁰The reason there was a decline in garment homework during the period studied, 1996–2003, in the communities I studied is that 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.

benefits – money that did not go to the workers but to government funds and other ends. Finally, according to calculations by both DIEESE and Marcio Pochmann, an economist at the University of Campinas, on a hypothetical salary of R\$100 a month, the employer would expend a total of R\$153.93 (between salary and payments to the government) (DIEESE 1998). In part, the difference in calculations stems from varying definitions. DIEESE counted vacations, the annual bonus (13th month and 1/3 of vacation days), and the Guarantee Fund or Worker's Capitalization Fund (FGTS) as part of a worker's direct salary. A worker with a salary of R\$100 would therefore really receive R\$123.04. Indirect payments on behalf of the worker would add up to only R\$30.89 on the monthly salary of R\$111.11 which consisted of the worker's full direct salary with vacations and annual bonus but without the eventual payment of the guarantee fund, which, if it were included, again would be R\$123.04. These indirect payments (the R\$30.89) would provide for social security, accident insurance, educational services (*salário educação*), INCRA (Instituto Nacional de Colonização e Reforma Agrária – National Institute of Colonization and Agrarian Reform), and the S system.³¹ Thus, the social benefits paid to the government are 30.89 % of the contracted salary but actually only 25.1 % of a worker's total compensation (DIEESE 1998).³²

In order to save the R\$53.93 per R\$100 in workers' salaries and therefore be better able to compete and profit, firms began subcontracting more of their production to smaller firms, for which it would be easier to hire unregistered workers, and to homeworkers. Of the two types of subcontracting (which are not necessarily mutually exclusive), subcontracting in order to reach higher levels of quality and productivity and externalizing production as a mechanism to reduce costs, the latter was more prevalent in Brazil (Abreu and Sorj 1994:64 and Delgado 1993:112). As mentioned in Chap. 3, the subcontracting of production in São Paulo was not like that of Northeast-Central Italy, where a system of flexible specialization has been developed with workshops involved in design-intensive or craft-based industries producing primarily fashion products (Storper and Salais 1997:149). Although some more technical work was also subcontracted to smaller firms, the São Paulo model was

³¹The S system includes Sesi (Serviço Social da Indústria – Industrial Worker's Assistance Service), Sesc (Serviço Social do Comércio – Social Services for Commerce), Senai (Serviço Nacional de Aprendizagem Industrial – National Labor Training System for Industry), Senac (Serviço Nacional de Aprendizagem Comercial – National Labor Training System for Commerce), and Sebrae (Serviço Brasileiro de Apoio às Micro e Pequenas Empresas – National Service for Helping Micro and Small Enterprises).

³²As mentioned, there was a lot of discussion among academics, government officials, industrialists, and employers of all types and union activists about whether the high costs of registering a worker contributed significantly to the lack of competitiveness of Brazilian industry and thus to the unemployment crisis. However, when the economists examined countries such as Germany, the costs of their social benefits, and their ability, for example, to export auto parts, the economists began to question the validity of this claim, linking the high labor costs to lack of competitiveness. Technology and quality control are then seen as more of the problem. These issues are beyond the scope of this book but can be found in, for example, Posthuma (1994), Leite (2000), Pochmann (1997), Luis dos Santos and Pochmann (1999), and Amadeo et al. (1995).

more like the apparel sweatshops in New York and the subcontracting practices in Mexico City, with relatively low-skilled work being outsourced (Sassen 1987 and Benería and Roldán 1987). Tertiariation in São Paulo often entailed subcontracting to smaller firms that either were not unionized (since they were not registered) or were in different sectors with weaker unions (especially in the case of the relatively strong metallurgy union) or to homeworkers. The garment industry followed a similar pattern as Avon. Avon subcontracted part of its cosmetic packaging production to local firms. However, at least one of these smaller firms outsourced some of its production to family firms that in turn outsourced to women in their homes. Avon also used unregistered women in poorer communities to sell its products from door to door. Although much of the tertiarization in the industrial sector occurred in the area of services, including those to firms involved in the preparation of food, cleaning, day care, and security, for the purposes of this chapter, I will focus on the process of subcontracting production to garment sweatshops and homeworkers and then on the informal commercialization of cosmetics in the neighborhoods.

Korean and Bolivian Sweatshops

In São Paulo, Bolivians often lived and worked as undocumented and unregistered workers in garment sweatshops, sewing together clothes from precut material.³³ These sweatshops, located primarily in the MSP neighborhoods of Brás, Pará, and Bom Retiro, were largely owned by Koreans until the early 2000s and more recently by Bolivians, but the garments continue to be sold almost exclusively to Korean retailers.³⁴ The statistics often do not include these workers because of the fear to

³³For a more extensive analysis and a detailed description of the migration of Koreans and Bolivians to São Paulo and the rise of garment sweatshops, see Simone Buechler (2004). Contact with Sidney Antonio da Silva, the priest who started a branch of the Pastoral dos Latino-Americanos and directed a Center on Migration out of his church, engages in anthropological research, and conducts research on Bolivians in São Paulo, was crucial for all the contacts I had with the Bolivian community, since the sweatshops were very well hidden and the workers and owners were understandably very suspicious, as many of them were in Brazil illegally and either owned or worked for unregistered workshops. The employees also worked long hours and had very little opportunity to give interviews. Some of the interviews were conducted under poor conditions, such as at soccer games, after and before late-night meetings, fiestas, and church, but some interviews at least with the priest and the directors of organizations and the unions were conducted in relatively quiet venues, such as their offices. Even with the priest as a contact, some of the Bolivian owners of the sweatshops failed to show up for scheduled interviews and then avoided my phone calls. While I did succeed in interviewing a Bolivian store and factory owner, workshop owners, a few garment workers, union activists, and presidents of associations working with Bolivians, the difficulty in conducting such research and the fact that I only met da Silva at the end of my year-long fieldwork in Brazil limited the number of interviews that I was able to conduct. I also rely on the written work of and interviews with da Silva. (His book has a marvelous title, *Costurando Sonhos – Sewing Dreams*.)

³⁴Since 1998 some Bolivians have settled in other parts of the MRSP including to peripheral neighborhoods in the northeast, northwest, and southeast areas of the MSP and to Guarulhos, Cajamar, and the ABCD region. This decentralization is due both to fear of labor inspectors and cost. The sweatshops remain very much part of garment production in São Paulo.

speak on the part of undocumented Bolivian workers or being missed by surveyors because of the clandestine nature of the workshops.³⁵

Bolivian migration to São Paulo started in 1956 but intensified in the beginning of the 1980s and reached an apex in the 1990s. The more recent group of migrants primarily worked in the garment workshops although some of the women were employed as domestic servants. The almost 50 % increase in the number of Bolivians entering Brazil from 1984 to 1985 occurred at the same time as the Bolivian mining sector crisis, with the price of tin falling drastically, closing many mines and creating high unemployment and the implementation of International Monetary Fund economic reforms with the debt crisis creating even higher levels of poverty in Bolivia. On the other hand, in Brazil, the Cruzado Plan, a stabilization plan, had just been implemented, and although only for a short period, it stimulated economic growth. After the 1994 Plano Real, the stabilization plan that initially boosted production, the continuing economic crisis in Bolivia, and the initiation of the Southern Common Market (MERCOSUL), Bolivians continued to move to Brazil (da Silva 1997:55). According to the 2000 MERCOSUL Census, a large portion of the Bolivians in Brazil resided in the Municipality of São Paulo (38 %) and 44 % in the Metropolitan Region of São Paulo (in Bermudes 2012:37). By 1992, the Bolivian Foundation estimated that there were around 100,000 Bolivians in São Paulo. In 2004, the Pastoral dos Imigrantes put the figure at 80,000, both documented and undocumented immigrants, in São Paulo (da Silva 2005:16). In 2011, after the amnesties of 1988, 1998, and 2009, the estimates of the number of undocumented Bolivians in São Paulo still ranged from 10,000 (Ministry of Work and Employment) to 50,000 (Bolivian Consulate in Brazil) to 70,000 (Pastoral dos Imigrantes) (in Bermudes 2012:41).³⁶ Since the 1980s until 2009, Brazil has had four amnesty programs allowing immigrants to apply for a 2-year temporary resident visa, allowing them to work and access to health and education services. Within these 2 years they have to apply for permanent residency by showing self-sufficiency and a clean criminal record. They cannot be out of the country for more than 90 consecutive days within this 2-year period. Only 10 years after receiving permanent residency are immigrants eligible for naturalization to be Brazilian.

Not all of the Bolivians sweatshop workers sought amnesty (especially in 1998) because of the cost involved and the fear of revealing their home addresses, since these were the same addresses as the sweatshops. Although the fee was only R\$20 per person, a family of six may not have had enough savings to register. Many of the Bolivian workshop owners encouraged their workers to comply and told me that

³⁵These workers might have been too scared to declare their work to the surveyors or perhaps they lived and worked in the same hidden workshop, which the surveyors going door-to-door would not find or be allowed to enter even if they did find them.

³⁶Seventy percent of those who sought amnesty in 1998 were Bolivians, with the majority having lived in the city since 1990 as “underemployed.” The rest were mainly Koreans and Chinese (Schivartche 1998:3.7). Approximately 17,000 Bolivians applied and received amnesty in 2009, with 16,300 of these living in the State of São Paulo. The 2009 amnesty law (Law 11.961) established that any immigrant who had entered the country by February 1, 2009, would be able to receive a 2-year visa and then to apply for permanent residency (Repórter Brasil 2010 in Bermudes 2012:31).

they did plan to register their workers after they were documented and therefore legally residing in the country. Whether, or how often, this actually occurred remains unclear. If owners did register all their workers, their labor costs would have increased by about 54 % to cover at least the minimum wage and all the direct and indirect workers benefits at the time of the 1998 amnesty, which would have made competing with cheap Asian imports more difficult. In conversations in January 2000 and in June 2009, priests at the Pastoral dos Imigrantes told me that not all of the Bolivians had legalized their immigration status and the working situation had not changed substantially. Since there were very few jobs available even for Brazilians, there were few other opportunities for Bolivians, so they were forced to remain unregistered and receive very low salaries. Yet, the rise in unregistered Brazilian salaried and self-employed workers made the situation of Brazilian workers in the clothing and other industries not so different from that of the Bolivians. Many Brazilians were not getting paid on time – or ever – for the work they were doing in clandestine garment workshops and as homeworkers. However, since they were not beholden to the factory owners for the cost of a trip into Brazil or for lodging and food, the exploitation of the Brazilian workers seemed to be slightly less severe.

Most of the Bolivian migrants to Brazil had moved from the countryside to the major urban areas in Bolivia before crossing over to Brazil. They came primarily from La Paz, but also from other parts of Bolivia, such as Potosí and Cochabamba. According to da Silva (1997:89), many of them concealed their origin, claiming to be from the cities in order to hide their stigmatizing indigenous origin. The majority of the migrants were not garment workers in Bolivia, but worked in a range of occupations, from shoemakers to cabinet makers and even engineers. The women, in particular, were often very young. Their major route was through Santa Cruz in Bolivia to the Brazilian border at Corumbá, crossing by bus with a tourist visa that allowed them to stay for 3 months at a time, with the possibility for renewal for another 3 months every year for 5 years. However, it was also possible to take a taxi or walk over the border without a visa. According to a couple interviewed by da Silva, the Brazilian police did not detain the Bolivians who did not have visas. One man said that since his wife was the color of Brazilians, they were not asked for their visas. Another woman said that she dressed like a Brazilian and crossed at night when there were fewer police (da Silva 1997:86–87).³⁷ Some of the Bolivians also came from Argentina after the opening of the Brazilian market and stabilization in 1994. A few of these migrants had been in Brazil before and then had left only to return again. The motives given for migration were primarily to find work and better opportunities and, among the younger migrants, to become economically independent and plan their own future without interference from their families (da Silva 1997:90). Most of the workers arrived with verbal contracts obtained when the

³⁷There are other places to enter Brazil, such as Cuiabá or Rondonia, without control points. In 1995, when there was a sharp increase in Bolivians arriving as “tourists,” the Brazilian government started to require each tourist to have US\$500. “Entrepreneurs” took advantage and would lend the money, charging US\$50 for the service once the “tourist” reached the other side (Da Silva 1997:88).

workshop owners went on recruiting trips to Bolivia. However, some Bolivians in São Paulo worked as day laborers, going to a central plaza early in the morning to be recruited to work for the day. The Bolivians often lived, worked, and ate together in houses rented by the factory owner, primarily in the neighborhoods in the center of the Municipality of São Paulo, traditionally known as the Jewish, Italian, and Spanish neighborhoods. However, with the increasing cost of rents and the danger of being caught, some workshops have sprung up in the outskirts of the city and other municipalities.

Bolivian garment sweatshop workers labored often from 8 a.m. to midnight during the week and half a day on Saturdays, often earning only a little more than the minimum wage but receiving lodging, which Brazilian workers in other clandestine workshops did not receive. Many workshops closed down during slow times, such as January and February, after Christmas and New Years. They specialized in blazers, which required more sophisticated sewing, and on women's clothes but also produced baby clothes and men's clothes such as shirts, jackets, and Bermuda shorts. These clothes were sold to the lower middle class, primarily in stores in downtown São Paulo but also in stores all over Brazil. Originally, Bolivian sweatshop workers were mostly men, but the numbers of women began increasing in the mid-1990s. I was provided different information by different research participants about the salaries of the workers. The president of one of the main garment unions claimed that Bolivian workers did not receive any money after the costs of rent, water, electricity, and food were discounted from their salaries. Other said that after an initial apprenticeship, when the workers were paid a fixed salary that ranged from R\$70 to R\$140 a month, they began earning per piece. In 1997, the salaries ranged from R\$200 to R\$500 in the months of high production. The salaries were also dependent upon the kinds of machines they used. Some workers cut the cloth and others made the pleats, earning up to R\$800. Others, however, earned as little as R\$30 to R\$50 and, as the union leader said, sometimes nothing at all. Some Bolivian domestic servants in São Paulo were known to earn no more than their keep. In some cases, the Pastoral dos Migrantes and the Bolivian Consulate have intervened (da Silva 1997:134–135). The union leader explained that the passports of the Bolivian garment workers were locked in drawers, making the workers into virtual prisoners. She told me that one day she went into a sweatshop owned by a Bolivian with officials from the Ministry of Labor, Public Ministry, and the Federal police. In this case, a Korean storeowner paid the Bolivian owner a little more than one real per piece, while the owner paid only 10–30 cents per piece to the workers. She said to me, “[I]t is one exploiting the other. It is a prison, understand? And these people live in a house . . . and there they eat, and there they sleep. There is a place where the food is locked up and so is your passport. It is guarded . . . It is a lie that they can leave . . . It isn't the truth. They are locked up. Why? Because if I [as a worker] wanted to question the Bolivian, who is the owner, [he would say] ‘you are illegal’ . . . and the fear does not let these people resist.” She explained how the beds were right next to the machines, which were right next to the food. The workshops were often dirty since they were in operation for such long hours that there was little time to do anything else. They were often in damp old houses in need of repair. There were instances of sexual assault, since men and women sometimes slept in the same room

on benches or bunk beds. The food was often insufficient and different from what the Bolivian workers were used to eating – often rice and eggs and rarely any meat. On weekends, if they could afford to, the workers ate out in an inexpensive place near the plaza that they frequent (da Silva 1997:129–130).

The Bolivians often faced health-related issues. Some developed respiratory problems from breathing cloth particles. Others developed problems with their eyes, kidneys, and backs. They did not dare to ask for medical treatment even though everyone was eligible for treatment in public clinics, irrespective of their nationality. They often did not speak Portuguese, were afraid of being caught, and did not trust the quality of the services. Instead, they relied on home remedies.

In the 1990s, the Bolivians mostly worked directly or indirectly for Koreans who had their own enterprises and/or stores but also for Chinese, other Bolivians, and Brazilians. By 2000, Bolivians had become the owners of the workshops, as it became more difficult for the Koreans to run them illegally. A few Bolivians had very small stores that sold the clothes sewn by their compatriots, but the Korean wholesale vendors and retailers control the retail market (managing through extreme pressure to close down most of the Bolivian retail stores) and also acted as intermediaries reselling to larger stores such as Mappin, a discount department store. The president of one Bolivian association working with the garment workers said that to reach the department store market, the Bolivian-owned workshops would need to use quality control techniques and develop better marketing skills. One Bolivian I interviewed owned, with his wife, a store and a small factory, where he claimed he hired mostly Brazilians to cut the cloth and outsourced the rest of the production to his compatriots working in the sweatshops. Some of the Bolivian workers managed to save enough to open up their own workshops after a few years and continued hiring their compatriots. By working very hard for 1 year, he and his wife had been able to save US\$ 5–6,000 to buy five machines and pay the rent deposit for a house. In 1998, after 20 years of working, they had a workshop with 20 workers.

Bolivian workers were not necessarily passive victims of the labor process, since there was an exchange of information about the working conditions in Brazil. However, in that exchange of information, the positive aspects of the migration were often emphasized, such as the greater number of opportunities in São Paulo and the favorable exchange rate, said to make working in Brazil comparable to working in Argentina, which the Bolivians considered a high-paying country. In the 1980s and 1990s Brazil was painted as the land of carnival and soccer, and São Paulo as highly developed. Factory owners promised Bolivians salaries of R\$500 a month, as well as food and a place to stay. Yet, when the workers arrived in São Paulo, they were often initially paid only R\$100 a month. They frequently owed the owners the money for the trip, which they were required to pay back gradually (or immediately if they tried to change jobs). After the workers paid off the debt of the trip, the provision of food and lodging continued the dependent relationship (da Silva 1997:119–121).

The connection between the South Korean migrants involved in the Brazilian garment industry and the Bolivian migrants to São Paulo is interesting and largely unexplored. Koreans started immigrating in significant numbers to Brazil in the 1960s, primarily because their country was recovering from war and economic crises and

was politically unstable. By the late 1960s and especially in the 1970s and 1980s, their route to Brazil began including stops in Bolivia and Paraguay, because of the difficulties of immigrating directly to Brazil.³⁸ Hans and Judith-Maria Buechler (1992:66) contend that the Koreans became the most specialized foreign entrepreneurs in Bolivia and were almost exclusively engaged in clothing and textiles. In Brazil, after running out of clothes imported from Korea to sell, the Koreans started manufacturing them. First, they hired their own, recently arrived compatriots, who could be paid low wages. They then started to hire Bolivians, some of whom they contracted through contacts they had in Bolivia (Paes Manso 1998:32). According to one Korean-Brazilian informant whose relatives owned garment workshops in São Paulo, although the Koreans successfully broke into the garment industry, many did not own their factories' buildings and had to lease them at high rates.³⁹ Addressing the bad press Koreans have received concerning their perceived aggressive nature in the garment industry, my informant argued that with the high rents and a bad economy, the Korean workshop owners were just trying to survive.⁴⁰ By 1989, 90 % of Korean immigrants in São Paulo were involved indirectly or directly in the garment industry (Brazilian Association of Koreans in Choi 1991:211).⁴¹

³⁸On March 20, 1962, the Korean government put into effect a new Emigration Law encouraging group emigration to Latin America, including Brazil, Argentina, Paraguay, and Bolivia, and the use of work contracts for West Germany (Choi 1991:23). Unlike the Japanese migrants to Brazil, the immigrants were not subsidized by their government (Choi 1991:III, 4–5). Brazil recruited Korean farmers to settle and develop virgin lands, and the Korean government promoted this migration through group emigration policies and programs. However, the agricultural group settlement failed and the Koreans left the rural areas for the large cities. Some Koreans had bought land before leaving their country, only to find it nonexistent or uncultivable upon their arrival in Brazil. By 1974, the Brazilian military government had formally blocked the immigration of Koreans, forcing the Korean government to stop issuing passports for Brazil by May 1977. In addition, in 1975, the Korean government amended its Emigration Law, whereby persons worth more than \$100,000 were not allowed to leave. Immigration brokers, however, continued to encourage migration to Brazil, promising profits of \$200,000 to \$300,000 in two or three months once the Koreans reached Brazil.

³⁹Each group of immigrants seemed to blame the earlier groups for being exploitative. Some Bolivians saw both the Koreans and the earlier sweatshop owners, the Lebanese, as exploitative. The Koreans saw the Jews, often the owners of the buildings housing the sweatshops, as exploitative in their rents. In many ways this simply built upon existing stereotypes but also allowed the Koreans to blame the Jews for having to exploit the Bolivians, because they were having to pay so much in rent.

⁴⁰The second wave of Korean immigrants, mostly illegal, made up the majority of the garment workshop and store owners in the 1980s and 1990s. Some of these migrants brought capital and often had been involved with the garment industry in Korea (Choi 1991:III and 98). The garment industry was seen as a sector where profits could be made in a short period of time.

⁴¹By 1989 50 % of the Koreans were involved in the wholesale of clothes, 15 % were retail sellers of clothes, 20 % were clothing producers, and 5 % were involved as intermediaries selling clothing to wholesale or retail stores. Only .1 % were still involved in agriculture, 1 % were professional such as lawyers and doctors, and 8.9 % had other professions (Brazilian Association of Koreans in Choi 1991:211). Some clothing producers also became joint owners of a shopping center where they could then sell their goods, especially since rents for stores in Bom Retiro had gotten so high (Paes Manso 1998:32). Many heads of families were involved in all of the related activities, such as designing, cutting, bringing the cloth to the workshops, packing, and selling the pieces.

Like the Bolivian garment workers who came after them, the undocumented Korean workers put in long hours sewing garments, eating as they worked, and suffering health problems as a result of their hard but sedentary work. They worked for businessmen who paid them miserably and threatened them with prison, since they were undocumented, if they left the workshop. Families of five people were reported to have lived and worked in one room in São Paulo. Parents were afraid of sending their children to public schools and only went outside in the evenings to shop for food. The undocumented Koreans feared anyone in a uniform, walked around with bribery money in case it became necessary, and did anything not to be deported, often to Paraguay (and not to Korea most likely because of the expense). According to Choi (1991), a Korean-Brazilian graduate student conducting research on the Korean garment industry, the Korean workers, often owners by the time of the study, did not claim to her that they had been exploited. They said they were working hard to be able to accumulate capital and open their own businesses as soon as they became legal residents.

In 1993, *Veja*, a popular Brazilian magazine, and *O Estado de São Paulo* reported that there were 2,500 Korean commercial establishments in São Paulo, of which 90 % were garment workshops, responsible for the production of a minimum of seven million pieces per month. The pieces sold for an average price of US\$5, representing a movement of US\$30 million per month. These firms hired 70,000 workers (Masiero 1999). By 1998, Koreans produced one of every three articles of clothing sold in Brazil. Although not considered of great quality, the low prices – often half of the price of clothing sold in shopping centers (considered in São Paulo to be more exclusive and expensive places to buy one’s clothes) – were attractive to shop owners, who bought truckloads of clothing to sell in stores all over Brazil (Paes Manso 1998:32). Koreans gradually pushed the Jews and Arabs out of their stores in the Bom Retiro area by reducing their prices by as much as 40 % through cheap labor, eliminating wholesalers and not using designers for their products (instead, they copied designs they photographed in store windows in Paris, London, Milan, and New York or found in foreign fashion magazines [Paes Manso 1998:32]).⁴² The Koreans initially made way for Bolivian workshop owners when the market was opened to foreign imports, primarily from Asia, and the competition toughened. Bolivian owners became the norm when it became legally problematic for the Koreans to run these clandestine sweatshops with the Office of Labor in the Municipality of São Paulo, unions, and municipal police all trying to curtail these illegal operations starting in 1998 (interviews in 1998, 2000, and 2003 with Pochmann, Secretary of Labor, labor union leaders, and leaders of the Pastoral dos Imigrantes of the Catholic Church). Koreans began moving into other activities,

⁴²In the 1960s and 1970s, the Korean textile industry was also booming, suggesting that the Koreans had brought some of these skills with them, which then contributed to the success of the Koreans in the Brazilian garment and textile industries. Although Japanese, Jews, Arabs, and Armenians were also involved in the industry, they tended not to be direct competition for the Koreans since they were in other areas. The Japanese were involved more in the selling of clothing for infants and the Jews more in textiles (Choi 1991:104–105).

such as tourist agencies and grocery stores (Choi 1991:211). Others migrated to the United States to open garment workshops in Los Angeles, often hiring Mexican workers (Park 1999:669).⁴³

Beyond the bad economic situation in Bolivia, corruption of immigration officials, and the desire for very cheap labor, there are a number of reasons why Bolivians continued to migrate to Brazil during economic crises. First, even when there were unemployment crises and many Brazilians had lost their better, registered jobs, many were not yet taking jobs much beneath them. Second, it would be difficult for unemployed Brazilians to enter into the Bolivian networks. Third, Bolivians, especially from the Altiplano, were considered to be hard workers who could endure great hardship because of the adverse conditions in which they grew up. Lastly, Bolivians were less likely to object to the harsh working conditions if they were in the country illegally, and even after some Bolivian garment workers legalized their status, they did not object because the situation was worse in Bolivia. They also felt beholden to the owners who paid for their trip, gave them a job, and fed and housed them (interview with Sidney Antonio da Silva, Pastoral dos Imigrantes 1998 and 2000).

5.2 Homeworkers

Homework, as defined by the International Labor Organization, involves a worker in the home and an employer or intermediary, a place of work located away from the space directly controlled by the employer, and a form of payment that is usually per piece. The employer usually establishes the quality level and furnishes the raw materials. In most cases, the worker owns the machinery (Abreu 1993). Homeworkers⁴⁴ in São Paulo in the late 1990s and early 2000s faced many of the same conditions that the sweatshop workers endured. They worked and lived in the same place, often in cramped quarters; were obliged to work long hours to meet the deadlines imposed on them; and were paid a low piece rate.

⁴³According to Kyeyoung Park (1999:669), some Korean-Brazilian garment sweatshop owners have since moved to Los Angeles, using Mexican and El Salvadoran workers, and from there some have moved to the Caribbean and other places that have lower taxes. Korean-Brazilians have been quite successful in the US garment industry. Many continue to have ties with Brazil. These Korean migrants often stayed 15–23 years in Brazil before relocating to the United States. However, most of the first-wave Korean immigrants to South America in the 1960s and 1970s (about 100,000) have remained there and have often fared better than those who migrated to the United States. Some of those who migrated eventually returned to Brazil. The ones who migrated from Brazil often had established family networks elsewhere (Park 1999).

⁴⁴I am following the terminology presented by Chen et al. (1999:605 and 609) who use the term homeworkers to refer specifically to dependent subcontracted workers or “outworkers” and home-based workers to refer to both dependent and independent “own-account” or self-employed workers. Homework is a subset of home-based work. Home-based work does not refer to unpaid housework or unpaid subsistence production.

The number of home-based workers in Brazil was estimated to have grown from approximately 2.14 million in 1991 to 2.7 million in 1995, constituting between 5 % and 5.2 % of the nonagricultural labor force. Most homeworkers lived in cities (Charmes in Benería 2000:14). Home-based workers accounted for 8.1 % of urban workers in 1995, and most were women (78.5 %, compared to 21.5 % men) (Lavinás et al. 1998:22). In the same period, from 1991 to 1995, the percentage of home-based workers who were women in all of Brazil grew from 57 % to 79 % (Charmes in Benería 2000:14).⁴⁵ Although I did not find this to be the case in the communities I studied, statistics show that the women who worked at home tended to be involved in the garment industry. The 1995 PNAD survey, for example, found that in all of Brazil, the occupation for 33.7 % of female homeworkers was sewing, and for 7.5 %, embroidery. Only 1.2 % of male homeworkers were involved in sewing, with the largest group involved in self-employed retail (29.6 %) (Lavinás et al. 1998:22). Non-white women were overrepresented among home-based workers (16.4 % of them worked at home, compared to 8.1 % of the working population). They also tended to be less educated than the average worker in nonagricultural activities, were paid less, and were older (PNAD in Lavinás et al. 1998:21–22).

The interconnections between the formal and informal and the global and the local can clearly be seen in the case of the homeworkers I studied, who worked, for example, directly for local graphic companies producing clothing tags for the multinational corporation Levi's. The interconnections can also be seen in the attitude of municipal tax and labor regulation officials who mainly looked the other way as vans of production materials for the tags were brought to the squatter settlements. Municipal and federal funds had also encouraged multinational firms like Levi's to move to São Paulo to produce cheaper jeans in order to compete with jeans produced in China. Unemployed industrial female workers took in the exploitative homework in order to support their families after many factories, incapable of competing with Asian imports, had to close. The link between the global and the local can also be seen in the need for cheaper goods resulting from the growing inequality. This growing social inequality stems from the growing inequality in the profit-making capabilities that are present in a city with a new advanced service complex geared to the world market which is characterized by very high profit capability (Sassen 2000:108–109).

Although homework is not a new phenomenon in the industrial process – it was first seen during the European industrial revolution and was quite common by the early 1900s in Brazil – the resurgence of homework as a way to compete in the global market led to the precarization of labor, especially for women, at a time when a more regulated labor market already existed. As mentioned above, by 1995 in Brazil, 2.7 million women were doing homework for extremely exploitative salaries without benefits or union and government protection of any kind. Homework is a

⁴⁵ Similar statistics were unavailable to me for just São Paulo. The accuracy of these statistics is highly questionable given the difficulties of collecting such data and the variability of the different statistical studies conducted in the different cities in Brazil.

clear example of how an activity associated with the “informal sector” is directly linked to the formal sector. Saving on the costs of energy, equipment, space, and benefits associated with registering workers and locating them in one physical plant and avoiding conflicts with unions were the principal motives for outsourcing to homeworkers. However, I would argue that, in addition, the type of production required by large firms and by the market, known as just-in-time production, also made increased flexibility more desirable for the firms. Homework allowed firms to stop paying their workers during times of decreased sales when fewer workers were needed. The cost of decreased sales was passed on to the producers at the lower levels of the production chain and ultimately often to homeworkers.

Benería and Roldán (1987:68–69) studied the differences and similarities between industrial homework in Mexico City in the early 1980s and the European putting-out system, a system of outsourcing production to workers in their homes or in workshops, prominent in the seventeenth and eighteenth centuries.⁴⁶ Their conclusions also apply to São Paulo in the late 1990s. The similarities, they said, include “concentration within the household, the employment of predominantly female labor, and the conditions under which the work takes place (for example, the role of jobbers – intermediaries – and the predominance of piece wages).” The differences include the fact that in Europe the putting-out system was controlled by commercial capital, while in Mexico it was controlled by industrial capital; the accumulation process of commercial capital in Europe aided the development of national industrial capital, instead of contributing to the accumulation of both national and multinational capital as it did in Mexico; and the putting-out system engaged independent producers, who, in the beginning at least, owned the means of production. Although most countries do not have statistics that include homework, surveys and micro-studies in the clothing industry in various countries suggest that homework has again become an important source of employment in many developing countries.⁴⁷

In Favelas Sul and Leste and Jardim Sudoeste, there seems to have been more industrial homework in the early 1990s, especially in terms of dressmaking, but since the Brazilian clothing industry declined by the mid-1990s, this particular type of homework had been curtailed. However, new forms were surfacing. Women were employed as unregistered homeworkers by formal firms to thread strings through clothing tags, put together calendars, make school uniforms, sew cloth bags together, assemble parts of lipstick holders, paste handles on shopping bags, or tear off

⁴⁶The putting-out system is also called the workshop and the domestic system. The work is contracted by a central agent to workers in their homes or in workshops. It was often used in cloth production in Europe but also the production of ironware such as pins, pots, and pans. It existed already in the fifteenth century but became most prominent by the seventeenth and eighteenth centuries. It remained prominent until the industrial revolution in the nineteenth century in Europe and also the United States.

⁴⁷Although Chen et al. (1999) claim that home-based work is an important source of employment throughout the world, the studies they cite refer primarily to microenterprises that operate out of the home, and their research does not indicate whether or not there has been an increase. However, the studies cited do show that between one third and as much as two thirds of the clothing industry workers in certain countries are homeworkers.

superfluous pieces from the plastic covers of car safety belts.⁴⁸ The homework in all three communities had in common low earnings per piece (or per thousand); instability, since workers often did not know when they would have work or had too much work; and the ineligibility for disability pay, a pension, or health insurance. In order to earn any money at all, they had to self-exploit, often working many more hours than a factory job would have entailed. The factories did not have to employ the women on the days or months when sales were slow, transferring the insecurities of the market to the workers, who only earned money when sales were high.

The subcontracting production chains usually consisted of at least three layers, with a larger firm subcontracting to a smaller firm that in turn either subcontracted work directly either to homeworkers or to a family firm that subcontracted to homeworkers. (In the communities studied there were few cases of *direct articulation* in the production chains, whereby a regular firm farmed out production to informal settings without using intermediaries [Benería and Roldán 1987:35]. This type of chain was sometimes used in commerce but was unusual even there.) The subcontracted smaller firm, usually illegal, was directly involved in both production and outsourcing to homeworkers. The level of precarization often depended on where a worker was located in the production chain, since the farther away a worker was from the “formal” firm, the more likely it was that there were no formal relationships, not even invoices that were often the only form of “contracts” between the second level, the outsourced smaller firm, and the “formal” firm (Abramo and Leite 1998:13). The majority of the homeworkers I interviewed were married women living in households with more than one source of income, for the income from homework alone would not have been sufficient to support a family. The payments they received were low, as Prugl and Tinker (1997:1476–1477) argue, because their situation as housewives made it easier to pay them less. Women were able to increase their earnings by involving other family members in the work.

In one study conducted in 1978 and 1979, Abreu and Sorj (1994) compared female garment workers in three types of situations in Rio de Janeiro – in a large clothing factory, in a small workshop that primarily outsourced to homeworkers, and as homeworkers for small firms – and found that the homeworkers tended to be older

⁴⁸In Mexico City in the early 1980s, there also were a large variety of types of homework from assembling plastic flowers, packing sweets and sunflower seeds, and assembling staples, pens, and plastic bags. Because of the lack of studies on homework, except for the garment industry, at this time in São Paulo, it is not clear if the variation in homework was also present in the early 1980s. The research participants indicated that this kind of work was at least new for them and their communities. The industries indicated that the amount of subcontracting they were involved in had increased, and as indicated above, the labor union leader for the garment industry saw a huge decrease by 1998 in the number of registered workers, but not 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 the research participants commented that this was because of location, since they were not near the factories who engaged in outsourcing, but the study showed that since more women in those communities had been involved in homework before, it probably had more to do with the simple fact that factories of every type were also completely closing.

and more experienced and earned more but worked longer hours than women in the large factory. Contrary to prevalent suppositions, they found that homeworkers' work was neither simple nor automatic, but more delicate, diversified, and often demanded a higher level of skill than regular factory work. Their main argument was that autonomy is a relative concept and that homeworkers often have to work long hours and maintain a punctual rhythm regardless of family obligations. The relationship with the supervisor is very important in every situation, since it might mean more and/or better work and more flexibility. Income is highly unstable and costs such as light, electricity, and maintaining their machines were rarely calculated. What is particularly interesting about this study is that similar outsourcing phenomena were already in evidence at the end of the 1970s, belying the union activists' argument that the surge in this kind of flexible production was completely new.⁴⁹

"Lucilia" lived in *Favela Sul*, was in her late 40s, and was involved in various kinds of work out of her home. Before moving to São Paulo in 1977, she sewed for a factory in Paraná. However, after arriving in São Paulo, she engaged primarily in registered work as a cook or as an assistant in factory kitchens, her brother-in-law's luncheonette, and a day-care center and twice as a machine operator for plastics industries. Then she started to work for Nawt's Life, a Brazilian cosmetics company, selling cosmetics out of her home and going from community to community doing presentations. She made as much as a 45 % commission before the economic crisis, she said. But when I interviewed her in November 1998, she had left the cosmetic company because her clients were failing to pay her. She had also recently stopped working with an intermediary who distributed clothing tags to several women in the community, because she felt she was not earning enough money. In November, Lucilia was only working directly for three graphic companies out of her home, threading strings through clothing tags and putting together calendars, earning about R\$12 (at that time approximately equivalent to US\$10) per day. The graphic companies were also outsourced smaller firms but operated out of industrial buildings. Although it was not entirely clear, these companies seemed to be "informal" as they did not have signs outside their doors and closed after a few years. However, since three or four persons (primarily a daughter and nieces but sometimes also a sister and another daughter) were also participating, her immediate family had a joint income of about R\$30 a day. Occasionally she would also go to one of these factories to help put together books. The income was unstable because

⁴⁹Other authors who have examined women's homework for factories in Brazil are Spindel (1983), Teixeira et al. (1981), Silva (1979), Prandi (1978), Matos (1991) in Bruschini and Ridenti (1994), Cacciamali (1983), Woortman (1984), and Ruas (1993), who does not focus on women per se. Spindel (1983) has analyzed the relationship between the external worker to the industry, as well as the effect of this type of occupation on women's daily life. Teixeira et al. (1981) looked at how the homeworkers are marginalized by the political and union organizations. Ruas (1993) examines the shoe industry in Rio Grande do Sul and argues that the recuperation of subcontracting is because of the crisis in the Fordist system and the desire for selective and different goods; it is advantageous for the enterprise because of the level of flexibility and the lower cost in equipment and labor.

it depended upon the amount of work brought in. Rising unemployment affects commerce, which in turn affects the need for clothing tags. Lucilia said that there had been plenty of work in April, but by November the tag work was slowing down, while calendar orders continued to be high because the end of the year was especially good for the production of calendars. She said that although factory work and registered work was more desirable, she did not think that she would go back to work within firms because they did not take women over 30 years of age. Lucilia thought life was better before the Real Plan.⁵⁰

Although homework was seen as exploitative by the workers, many of the women considered themselves fortunate to have at least some income. When I interviewed “Marcia” in *Jardim Sudoeste*, she was working in her home, putting lipstick holders together and getting paid to take care of another woman’s child (who worked directly for the same factory). Her own earning power was making it possible for her to buy cosmetics for herself that she would not have been able to afford otherwise: She had just spent R\$100 on cream to make herself look younger. She was able to do this because she was not accountable to her husband for the amount of money she had earned herself and because her husband had had a stable job for 25 years working in a private school distributing and ordering supplies. (In contrast, her neighbor, whose husband had been frequently unemployed and was at that point working for a small faltering metallurgy firm that was cutting the worker’s benefits, was unable to buy anything for herself.) Marcia and her two daughters could make as much as R\$15 a day putting elevators into lipstick holders. To finish the work – about 15,000 pieces a day – they sometimes worked until midnight. But work was very unsteady. Previously, Marcia had worked outside the house, first in a restaurant for 9 years, then cleaning houses, and then taking care of her sister’s house and young kids while her sister worked outside the home. Although Marcia said she would have liked a job working in a factory, she was never able to get one.

A manager of a cosmetic packaging company that outsourced part of its production to women like Marcia and who was also one of the subcontractors for Avon described the practice of outsourcing as “their social role.” He pointed to the squatter settlements near the factory and said, “Half of those women there are putting together lipsticks.” He explained that they outsourced the assembling of the lipstick holders because demand fluctuated substantially. “We have one month like now at the end of the year when I have to produce four million lipstick holders, but in January I have to produce 200,000, so it fluctuates a lot. Let’s say that today I have 200 workers and in January 100 workers, so in order not to be in the position of having to contract and fire, contract and fire, we keep the system of tertiarization.”⁵¹

⁵⁰ By January 2000, “Lucilia” had to stop all of her homework because she had to take care of a sick relative. She was able to do this only because her husband still had his job.

⁵¹ In Brazil “tertiarization” is used to refer not only to outsourcing of services but also to outsourcing of production.

This firm outsourced to three or four small firms that then “quarterized” by farming out production to other families. During my tour of the factory, I was told that the higher-end lipstick holders were still put together in the factory to maintain quality control, whereas the production of the cheaper holders was outsourced. From the homeworkers, I learned that they only earned R\$1 per 1,000 units. This firm is considered by the communities to be one of the better firms because the basic salary of an employed registered worker is R\$300 a month.⁵²

In part because of the instability of the employment, but also in order to search for better employment opportunities, many subcontracted workers did not remain with one firm or in one type of work for long. They went in and out of the so-called informal sector (although less so between 1996 and 2003 because of the severity of the economic crisis and the difficulty in getting a registered job), as well as in and out of homework, in order to engage in other kinds of unregistered economic activities. In October 1998, “Sara,” my main informant, who lived in *Favela Sul*, started to work in a workshop producing leather and cloth bags after being unemployed for more than a year. She had worked in the small community cooperative producing bags; it had closed because of growing competition from cheap Asian imports. Between jobs, Sara had engaged in a variety of economic activities including making and selling her own bags in the open markets, working as a seamstress for her neighbors, sewing bags in her home for a factory, and selling hotdogs outside her home. However, as her husband and all her grown children were unemployed for many months, she found the need to have a steadier job, so she was delighted when she finally found a position in a small firm. (Her husband had been forced to switch from construction to working as a security guard for a diaper factory, but after 4 months the factory also closed, resulting in another long period of unemployment.) However, the bag workshop where Sara was employed was not registered, the owner claiming that since he had just started, he needed time to get the firm on a sound footing before he could register the workers. The firm received already cut pieces of cloth and leather that its employees sewed together. By the end of December 1998, Sara had worked for 3 months but she had only been paid less than half of what she had been promised. They always paid late. She did not think the factory would survive very much longer, and it did not.

5.3 The Informalization of Commerce

The informalization of work was used to cut labor costs not only in the production process but also in the retail trade. Employing women to sell cosmetics, lingerie and other clothing, yogurt, and other household items door-to-door or out of

⁵²This wage is considered decent by some community members even though landowners were charging a monthly rent of R\$150 for a room with access to a kitchen and a bathroom in the nearby squatter settlement in the outskirts of the city.

vendors' homes both cut the labor costs in the sales arena and opened new markets in peripheral communities. The vendors, primarily women, were forced to take the risk that their clients might order goods and then not purchase them. They worked on commission and could not work as registered salaried workers, which would have provided them with a more stable income with benefits. The firms claimed that they assumed the higher risk, that of theft from the delivery trucks that took the merchandise to the workers. Many of the clothes vendors bought their goods from distributors, and when they had enough capital, they bought in larger quantities directly from the factories. In most cases, this type of commerce became more precarious for the vendors in the 1990s and 2000s. Among the reasons are the decreasing purchasing capacity of their unemployed neighbors (their potential clients); the increase in competition, because as unemployment from the "formal" sector grew, more people turned to this kind of economic activity (e.g., 30 women were selling one type of yogurt door-to-door in one of the neighborhoods I studied); the decreasing capacity to assume the risk of late or delinquent payments; and the lack of capital, which made it impossible for them to buy goods in bulk.

Four national and international brands of cosmetics were sold by women in the peripheral neighborhoods that I studied. The women went door-to-door giving demonstrations and earned a 20–50 % commission, depending on the company and on whether they also acted as intermediaries between the firm and other vendors. Many of the vendors interviewed said that their sales had decreased with the economic crisis and that more clients were unable to pay what they had already ordered. That was the case for Lucilia, mentioned above, who had to stop selling Nawt's Life cosmetics because her clients were not paying her. When the economy was stronger and people had money, she had done well. She claimed that she had earned from R\$3,500 to R\$4,000 a month – the products sold at prices between R\$7 and R\$33 – although she said she had to do at least two demonstrations every afternoon. She sometimes got back home at 9:30 or 10 p.m., since she also went to other municipalities in Greater São Paulo. An official from "Pura," the company discussed in Chap. 3 that only sold through door-to-door neighborhood vendors, said that the "consultants" or neighborhood vendors really act as buyers who then resell the product and have the liberty to set their own prices, but are not registered employees of the firm. She argued that this retail strategy aimed to ensure a more personal relationship with clients. She failed to mention that it was cheaper than having registered employees as salespeople and that the company's risk was reduced when there was a default on payments. Although "Clara," a cosmetic seller for many companies, said that life was getting difficult for the women in her community, *Jardim Sudoeste*, she argued that she was actually able to sell more cosmetics in 1998 than before the economic crisis, since more women were having to work outside the home and therefore could spend their own money more readily on goods for themselves (Photo 5.1).

Photo 5.1 Selling cosmetics in the favelas



5.4 The Employment Growth in Temporary Agencies and Tertiary Service Firms

The use of temporary agencies and tertiary service firms was common in São Paulo during the 1990s and early 2000s as it was in many cities in advanced industrial countries.⁵³ As mentioned in Chap. 3, the percentage of industrial workers who were women decreased during this time, partially because of the tertiarization of services (such as food preparation for workers, cleaning, and secretarial services) where women predominate and which are not included within the industrial employment statistics, but under the service sector. The use of these temporary agencies and of temporary workers increased substantially in São Paulo as companies attempted to cut down on labor costs by adopting the just-in-time production process, hiring workers only when an order came in, and using tertiarized service firms.⁵⁴ As Sassen

⁵³An important distinction made by Benería (2000:9) is that although the percentage of workers in unstable work is increasing in both high-income and low-income countries, the difference lies in the “formalization” of that work. In high-income countries, a larger proportion takes place through legal channels such as temporary agencies. Although São Paulo also had such temporary employment agencies, the majority of this type of work was usually completely unregistered.

⁵⁴Accurate statistics were not available to me on the number of temporary agencies operating in São Paulo.

(2000:104) contends, there was a restructuring of labor demand in many firms, as they employed either highly specialized and educated workers or basically unskilled workers for clerical, service, industrial service, or production jobs. As a result, the need for firms to provide on-the-job training for employees and to hire and promote full-time, year-round workers with “intermediate skills” was reduced. With more flexible labor conditions, there was a rise in temporary employment agencies that dealt with the demand and supply of workers in a growing range of skills and occupations (Sassen 2000:104). The organization of the service sector contributed to a bipolar labor market with room for a few workers in information- and knowledge-intensive areas and the rest in low technological positions, including jobs as janitors, cleaners, and food preparation workers. Within industries in São Paulo, there was also the need for machinists with computer skills and engineers with language skills, as well as workers for packaging and assembling.

As mentioned in Chap. 3, one factory studied, *Drills and More*, which produced screws, had 60 temporary workers out of a total of 420 employees. The manager of the human resources department told me that instead of maintaining a large, qualified workforce, they hired temporary workers when production increased. As was the case for many industrial managers, this manager exaggerated the cost of directly employing a worker and said to me: “The cost is less, much, much less There is special legislation for temporary workers, so, for example, while we as a firm have to pay 71 % of the salary in taxes, the temporary agency pays only 23 % – a 50 % difference. It is a very big difference” He continued that it was more efficient to hire temporary workers, even though they had to be trained. However, he used temporary workers primarily in the packaging area, which entailed simple work that required little training. As mentioned, the law intended for these temporary contracts to be used only to hire workers to cover employees on vacation or who were sick or because of a sudden increase in demand. Firms were required by law to hire the worker permanently after the 3 months if they wanted to keep them on, but instead, they often let temporary workers go and hired new workers through temporary agencies. The human resource director of one firm told me that they used the temporary agency because if they were to put out a job notice themselves, they would get thousands of applications, which they would not have the capability of processing.

“Maria Geralda,” who had been working for a tertiary cleaning firm, lived in *Favela Leste* with two young children and her husband, who worked in an auto-part firm that produced for General Motors. She came from the State of Minas Gerais, where her parents cultivated a plot of land that did not produce enough to support their large family. At the age of 11, she left with her sister, having never had a chance to attend school. In São Paulo, Maria Geralda worked as a live-in maid; after she got married at the age of 16, she continued working as a maid, but no longer lived in the house of her employers. She worked for various families, always seeking employment that would pay a bit better, something that she said was possible at that time. Her sister eventually returned home, arguing that it was easier to secure employment in Minas, where some of the factories had moved, than it was in São Paulo. At the time of the first interview on May 29, 1998, Maria Geralda had recently

been let go from a firm that provided cleaning services to municipal institutions. She had been working as a cleaner in a municipal garage, making R\$200 a month, although she only took home R\$160. She received a small monthly food basket of oil, beans, sugar, coffee, rice, and noodles, which she said was not sufficient to feed her whole family, especially since her husband did not receive one (he at least was granted health insurance). This cleaning firm primarily hired workers for 3 months and then laid them off in order to avoid paying the benefits. Maria Geralda had been able to stay for 6 months before she was laid off.

Another woman also living in *Favela Leste*, “Adriana,” had been working for a cleaning firm for 3 months at the time of our first interview. Earlier on, she had worked in metallurgy and textile firms as a machinist and as a weaver but had been laid off after she complained that she was not receiving the higher salary that she was due for working the night shift. She had been earning R\$280 in the last metallurgy firm but, after being unemployed for 3 years, had to settle for the minimum wage of R\$120 and the monthly food basket at the cleaning firm. She knew that the company that hired the cleaning firm for which she worked paid R\$400 per month for every worker. When asked why she thought that the company did not just hire her directly, she offered that it was probably because, by using an intermediary, the company could skirt union salary regulations as well as avoid paying the costs of laying workers off. A few months after the interview, she quit the cleaning job because they wanted to transfer her to a location farther away, and transportation would be too costly, given her very low salary. In 1998, Adriana told me stories about the mistreatment of women by these tertiary cleaning firms. She mentioned a woman who became pregnant after having worked for more than a year and was refused the rights given to pregnant women by the Constitution, as well as the money from the guarantee fund when she had to leave the firm. One year after our first interview, in January 2000, Adriana was working for a firm that produced everything from plastic pipes and toys to plastic parts of washing machines. Her salary was back up to R\$280 with health insurance. The cases of these women employed by tertiary service firms, who are integral to the flexibilization of production process, depict the precarious nature of this type of work in terms of the low salaries, unstable work, and denial of legal rights.

As mentioned in the employment section of Chap. 3, some firms turned to using cooperative workers. This type of tertiary firm was even cheaper because of the legislation for cooperative workers. The human resources manager of Drills and More, who began engaging cooperatives for the firm’s restaurant services, argued that this reduced costs by 70 % since hiring cooperative workers relieved Drills and More from having to pay benefits and taxes. Not only did cooperative workers receive lower benefits, they also tended to work longer hours because they did not fall under the same union and labor regulations. It should be noted that these workers were often not part of real cooperatives – profits were not shared equally among members. Instead, they worked for small firms that had registered themselves as cooperatives to reduce their costs, thereby enabling them to charge less to their clients (see Chap. 3).

5.5 The Disempowerment of Unions

Outsourcing of workers, temporary contracts dividing workers into those who were more permanent and those who were temporary with no benefits, and the unemployment crisis all have disempowered labor unions, resulting in an even more precarious labor market. Unions had to agree to weaker accords and avoid bringing certain actions against employers in order to prevent dismissal of workers. They also had to think of more innovative agreements to keep workers employed. In 1998 – and for the first time since 1990 – there was a 20 % reduction in the number of actions brought against employers by individual workers in the Regional Labor Tribunal in São Paulo. The president of the tribunal at the time attributed this to employees’ fear of not being able to find a new job and to the fact that fewer workers were registered.⁵⁵ A new kind of relationship developed between worker representatives and the management and owners of the firms. For example, in December 1997, Volkswagen reached an agreement that exchanged the prospective dismissal of 10,000 workers for a 20 % reduction in the length of the workday and the salaries of workers. Rodrigues (1997:129) argues that this type of accord meant that workers were agreeing to drop certain previously untouchable rights, such as base salaries, and to accept the lowering of certain benefits but that, on the other hand, it signified an agreement by the firm to discuss planning strategies, investment policies, etc., with worker representatives.

The garment unions were particularly affected by the precarization of work. A study by DIEESE showed that although there had been approximately 160,000 workers in the clothing industry in São Paulo in 1998, only 83,000 of them were registered. Of the latter, 70 % worked in small enterprises. Although the number of unionized workers had decreased from 95,000 in 1996 to 83,000 in 1998, there had been an increase of 7 % in the number of units produced. Large firms were subcontracting to smaller firms or to women in their homes whose salaries could be reduced at will and who received no benefits since they didn’t have a venue to protest. Some also were “closing” and opening as unregistered smaller workshops. The president of the garment union was very upset with the number of unregistered workers in her category and the exploitation of both Brazilians and foreign workers, especially Bolivians. She argued that these processes were undermining the rights of all workers. She said:

I’m not against anybody coming from whatever country . . . Now it is not just, to come from outside to exploit my people here inside. That I won’t permit. The owner of the enterprise keeps saying to the others that he is afraid [that they will be caught since they are unregistered and then will have to close] . . . and then they become afraid . . . One can see the dread stamped on the faces of these people [because they think] the union wants to destroy them. The union does not want to destroy them. The union cannot permit that they can be illegal, destroying the workers here. I am certain that there is space for everyone, if it is done correctly, and it is this for which we are working.

A representative of another clothing union connected with the labor confederation of CUT – whose members were located outside of the Municipality of São Paulo but within the Metropolitan Region of São Paulo – commented that many of the

⁵⁵ *Folha de São Paulo*, 17 October (1998), p. 3.2

registered workers were being forced to work 12 hours a day, and if they refused, they would lose their jobs. She felt that the union had to find a way out, but a way that was in consonance with the workers, so that they would not be harmed. She claimed that in 1994 there had been 40,000–45,000 workers in the shoe industry, but by 1998 there were only between 15,000 and 20,000. The shoe factories either closed, outsourced production, or moved to the Northeast of Brazil.

Not only were the unions unable to represent the unregistered workers, but as more and more workers were hired on other than full contracts (under the new temporary contracts or as outsourced workers), the relationship between the workers began to disintegrate, generating second-class workers within the factory or production system and creating more problems for the unions. The tertiarized workers often had inferior contracts and less capacity to mobilize, organize, and unionize (Bresciani 1997:91).

5.6 Conclusion

Contemporary global capitalism encourages the informalization of production and commerce. The boundaries between the formal and informal economic activities have become blurred with the use of house-to-house retail vendors, unregistered temporary workers, sweatshop workers, and homeworkers. The realization that informal relations of production and the resulting precarious nature of the labor market are integral parts of the production system should lead social scientists to the search for new economic models of development that take into account the multitude of economic forms. The realization of the interconnections and the impacts and the development of new economic development models based on these realities are crucial for social change as these economic forms have exacerbated the social divisions within São Paulo. Women were particularly affected by the growth of downgraded manufacturing and the informalization of distribution, since they tended to be the poorly paid outsourced workers, ambulant vendors, and tertiary service workers.

Global economic processes and forces intersected with national and local ones creating an economic environment that encouraged the proliferation of sweatshop workers, homeworkers, ambulant vendors for firms, and temporary and tertiary service workers. Bolivians migrated to Brazil during the time of economic reforms in Bolivia that were, in part, dictated by structural adjustment policies imposed by the International Monetary Fund. They came at a time of national reforms in Brazil – the stabilization currency plan, the Cruzado Plan – that led to a short period of growth. At the same time, the Brazilians wished to penetrate further into the global economy by producing cheaper goods and attracting foreign capital. The rise in homeworkers resulted from a new, more flexible production process spurred by the need to compete against cheaper imports that flooded the Brazilian market after the opening of the economy and from the unemployment crisis, which encouraged workers, particularly women, to find any kind of employment to support their families. The unemployment crisis discussed in earlier chapters was caused by local, national, and global forces. The increase in ambulant vendors for firms represents the constant

search, by multinational and national corporations, for new markets, such as low-income communities, and, again, is a consequence of the need for women to work as their husbands lost their jobs. Temporary and tertiary service workers became an integral part of the flexible production process in Brazil, where national labor laws encourage short-term contracts and where the continued strength of unions in some sectors influences firms to outsource service and production work to firms in sectors with weaker unions.

There are alternative economic forms and production chains that would allow for a more even distribution of profits and less segmentation of the workforce in terms of gender and class. These chains might continue to have a large subcontracting component but could result in more stable relationships, with negotiation, technical assistance, and training of workers. However, it is only through an analysis of the labor market and its precarization that we may be able to discover alternative forms.

Appendix A: IBGE and CUT/DIEESE/Seade Studies, Data Sets, and Definitions on Informal Sector Workers

The data sets that include informal sector workers include data from IBGE (Brazilian Institute of Geography and Statistics), Seade (SP State Foundation for Statistical Analysis), and a study using the Seade statistics by a team of officials linked with CUT, the National Labor Confederation. The IBGE has completed two studies of the informal urban economy, with household and individual surveys in many states and metropolitan regional areas, entitled *Informal Urban Economy (Economia Informal Urbana 1997 and 2003)*. The unit of study is the economic unit of production and not the individual. The definition used by the IBGE study combines the idea of size and organization. The IBGE defines the informal sector as consisting of those nonagricultural units that produce goods and services with the principal objective of generating employment and income for the people involved but excludes units involved only in the production and services for self-consumption. The units of the informal sector are characterized by production on a small scale and low level of organization and little or no separation between capital and labor. However, in contrast to the ILO, IBGE does not consider the absence of regulation to be a useful criterion, since there are various types of registration, but defines informality more in terms of the mode of organization and functioning of the economic unit. For statistical operations, the “informal firm” is considered to be an urban economic unit owned by self-employed workers or employers with up to five employees. The informal firm can be the primary or secondary activity of the owner. However, in the IBGE study a number of groups have been excluded, such as homeless people (because they have by definition no residence), those connected to strictly illegal activities, and domestic workers (because they are the subject of a separate study, the National Study by Sample of Households [Pesquisa Nacional por Amostra de Domicílios – PNAD]). Incorporated businesses and those that show high sales receipts in their annual declaration of income tax and employers with a high level of education and high level of organization are excluded from the informal sector

category even if they have five or fewer employees. The universe used in the study is the inhabitants of the Metropolitan Region of São Paulo. The first questionnaire was directed at households in order to identify the number of inhabitants and the work situation of individuals ages 10 and older in order to then find the owners of informal economic units. Individuals who were employers of up to five employees or self-employed were then interviewed using another survey.

The definition used by the IBGE is directly taken from the recommendations of the 15th Conference of Labor Statistics. In the Resolution concerning statistics of employment in the informal sector, adopted by this conference, the informal sector is defined as:

a group of production units which . . . form part of the household sector as household enterprises or, equivalently, unincorporated enterprises owned by households . . . [that] are distinguished from corporations or quasi-corporations on the basis of the legal organization of the units and the type of accounts kept for them. Household enterprises are units engaged in the production of goods and or services which are not constituted as separate legal entities independently of the households or household members that own them, and for which no complete set of accounts are available which would permit a clear distinction of the production activities of the enterprises from the other activities of their owners and the identification of any flows of incomes and capital between the enterprises and the owners. (ILO, KLM:1999)

In 1997, the ILO clarified its 1993 definition stating that the “[T]he informal sector has to be defined in terms of characteristics of the production units [enterprises] in which the activities take place, rather than in terms of the characteristics of the persons involved or of their jobs. Accordingly, the population employed in the informal sector was defined as comprising all persons who, during a given reference period, were employed in at least one production unit of the informal sector, irrespective of their status of employment and whether it is their main or secondary job Persons exclusively employed in production units outside the informal sector are excluded, no matter how precarious their employment situation may be. Thus the concept of persons employed in the informal sector is not identical with the concept of persons employed in the informal employment relationship” (Hussmans in Cacciamali 1999). This definition then changed in 2002, but not that of IBGE.

Another study was conducted by the National Labor Confederation (Central Única dos Trabalhadores – CUT), a confederation of unions with leanings to the left of the political spectrum; the Inter-union Department of Statistics and Socio-economic Studies (Departamento Intersindical de Estatísticas e Estudos Socioeconômicos – DIEESE); and the State Foundation for Statistical Analysis (Fundação Sistema Estadual de Análise de Dados – Seade) and was funded by the AFL/CIO (American Federation of Labor) which has an office in São Paulo called the Solidarity Center. This study used statistics from Seade. The CUT study includes the following categories of workers in the informal sector: registered and unregistered salaried and wage workers in firms with up to five employees, all employers of firms up to five employees, owners of family businesses, self-employed workers, family workers, domestic workers, and unregistered wage or salaried workers in firms of more than five employees. Technicians, lawyers, doctors, and other professionals with university degrees and earning a higher salary are not placed into the general category of self-employed but are considered to be professional self-employed with a university degree, a category

that is usually included under “other” in the statistical tables. However, if they are employers with five or fewer employees, they are considered part of the informal sector. This, of course, skews the income level of this group but also is questionable in terms of the other criteria of organization and legality, since these firms might indeed (although not necessarily) be paying taxes and be legally registered. The CUT study examines and uses the statistical universe consisting of the workers and inhabitants within the Municipality of São Paulo. The workers include those who live in the Metropolitan Region of São Paulo but work in the Municipality of São Paulo. This study used the data collected by the Study on Employment and Unemployment (Pesquisa de Emprego e Desemprego – PED). This is a household survey conducted since 1984 by Seade and DIEESE of 3,000 households per month and covers the 39 municipalities of the Greater Metropolitan Region of São Paulo. This study was initiated in order to capture more of the reality of the labor market in São Paulo, which is unstructured, has a high worker turnover rate, and has many workers without worker’s cards and who are self-employed. It is for this reason that it is possible to use this survey to analyze the dimension and characteristics of those we might consider part of the informal sector. With the growing numbers of workers who are not represented by the union because of their status, further threatening the work of those represented by the union, CUT decided to examine more closely the “informalization” of the labor market and to conduct a study using both available statistics and a more qualitative study with 59 interviews.

CUT held a seminar in August 1999 entitled the “Map of Informality in the City of São Paulo.” For this seminar, material was prepared by Paula Montagner at Seade, who used the Municipality of São Paulo as her unit of study and statistical universe. In addition, Seade provided me with separate data for the Metropolitan Region of São Paulo.

Appendix B: Distribution of Employed That Live and/or Work in MSP by Sector of Activity 1998

Status in employment	Total	Industry	Civil construction	Commerce	Services
Salaried workers in firm of ≤5 employees	100	13.6	<2>	31.3	53.6
Registered	100	12.1	<2>	31.2	55.9
Unregistered	100	14.6	<2>	31.5	52.1
Salaried unregistered workers in firms >5 employees	100	25.3	6.6	15.5	51.6
Self-employed	100	10.5	1.7	22.7	64.1
Self-employed for a firm	100	18.3	<2>	21.2	56.8
Total employed	100	18.1	2.7	16.7	53.4

Source: PED in AFL/CIO 2000

(1) Includes salaried workers and employers that did not report size

<2> The sample does not allow for this kind of disaggregation

Appendix C: Distribution of Employed According to Sector of Activity and Status of Employment by Size of Firm Municipality of São Paulo 1988 (1)–1998

Status of employment	1988 (1)				1998			
	Size of firm				Size of firm			
	Total	5 or fewer employees	6 or more employees	Don't know	Total	5 or fewer employees	6 or more employees	Don't know
<i>Employed (2)</i>	100.0				100.0			
<i>Employed in industry (2)</i>	29.1				17.8			
Salaried/private sector	25.4	0.8	20.9	3.7	14.3	0.9	12.0	1.4
Registered	23.1	0.4	19.4	3.3	11.6	0.3	10.3	1.0
Unregistered	2.3	0.4	1.5	0.4	2.6	0.6	1.7	0.3
Self-employed works for a firm	1.8	0.4	0.7	0.7	1.5	0.4	0.7	0.4
<i>Employed in commerce (2)</i>	14.9				17.0			
Salaried/private sector	9.0	1.6	5.7	1.6	9.0	2.0	5.9	1.1
Registered	7.3	0.9	5.1	1.3	6.6	0.8	5.0	0.8
Unregistered	1.6	0.8	0.6	-(4)	2.4	1.2	0.9	-(4)
Self-employed works for a firm	1.4	0.6	0.4	0.3	1.7	0.8	0.6	-(4)
<i>Employed in services (2) (3)</i>	44.5				54.1			
Salaried/private sector	22.3	3.0	14.9	4.5	27.0	3.5	19.7	3.8
Registered	18.4	1.4	13.3	3.7	20.8	1.5	16.5	2.8
Unregistered	3.9	1.6	1.5	0.8	6.2	2.1	3.2	1.0
Self-employed works for a firm	2.4	1.2	0.7	0.5	4.6	2.7	1.4	0.5
<i>Employed in producer services (2)</i>	21.4				29.6			
Salaried/private sector	13.0	2.0	8.1	3.0	16.8	2.4	11.7	2.7
Registered	10.5	0.9	7.1	2.4	12.6	1.0	9.6	2.0
Unregistered	2.5	1.0	0.9	0.5	4.1	1.4	2.1	0.7
Self-employed works for a firm	1.7	0.9	0.4	0.4	3.2	2.0	0.9	0.3

<i>Employed in consumer services (2)</i>	5.4					7.2			
Salaried/private sector	2.5	0.6	1.4	0.5	3.4	0.8	2.2	0.4	
Registered	1.7	0.3	1.0	0.4	2.1	-(4)	1.6	-(4)	
Unregistered	0.8	0.3	0.4	-(4)	1.3	0.6	0.6	-(4)	
Self-employed works for a firm	0.3	-(4)	-(4)	-(4)	0.6	0.4	-(4)	-(4)	
<i>Employed in social services (2)</i>	6.4				8.5				
Salaried/private sector	2.9	0.3	2.1	0.5	3.8	0.3	3.0	0.5	
Registered	2.5	-(4)	1.9	0.5	3.2	-(4)	2.6	0.4	
Unregistered	0.4	-(4)	-(4)	-(4)	0.6	-(4)	0.4	-(4)	
Self-employed works for a firm	0.4	-(4)	-(4)	-(4)	0.7	0.3	-(4)	-(4)	

Source: SEP, Seade/Dieese. Study of Employment and Unemployment – PED

(1) Statistics from February to December

(2) Includes those who have not declared or answered about the size of the firm for which they work

(3) Includes public and credit services

(4) Sample does not allow for disaggregation

Appendix D: Distribution of Employed by Sector of Activity and According to Status of Employment and Size of Enterprise Municipality of São Paulo 1988 (1)–1998

Status of employment	Percentages						
	1988 (1)			1998			
	Size of firm		Don't know	Size of firm			Don't know
Total	5 or fewer employees	6 or more employees		Total	5 or fewer employees	6 or more employees	
<i>Employed in industry (2)</i>	100.0						100.0
Salaried/private sector	87.2	2.8	71.7	12.7	5.1	67.2	7.6
Registered	79.2	1.4	66.7	11.2	1.8	57.6	5.8
Unregistered	8.0	1.4	5.0	1.5	3.4	9.6	1.8
Self-employed works for a firm	6.1	1.5	2.3	2.3	2.4	3.8	2.0
<i>Employed in commerce (2)</i>	100.0						100.0
Salaried/private sector	60.1	11.0	38.3	10.7	11.9	35.0	6.4
Registered	49.1	5.9	34.4	8.8	4.8	29.6	4.6
Unregistered	10.9	5.2	3.9	-(4)	7.0	5.4	-(4)
Self-employed works for a firm	9.3	4.3	2.8	2.3	4.6	3.7	-(4)
<i>Employed in services (2) (3)</i>	100.0						100.0
Salaried/private sector	50.1	6.7	33.4	10.1	6.6	36.4	7.0
Registered	41.4	3.1	30.0	8.3	2.7	30.5	5.3
Unregistered	8.7	3.6	3.4	1.7	3.8	5.9	1.8
Self-employed works for a firm	5.5	2.8	1.5	1.2	5.0	2.5	0.9
<i>Employed in producer services (2)</i>	100.0						100.0
Salaried/private sector	60.7	9.2	37.7	13.9	8.2	39.6	9.0

Registered	49.0	4.3	33.4	11.4	42.8	3.5	32.6	6.7
Unregistered	11.7	4.9	4.3	2.5	14.0	4.6	7.0	2.3
Self-employed works for a firm	7.8	4.4	1.7	1.7	10.8	6.8	3.0	1.0
<i>Employed in consumer services (2)</i>	100.0				100.0			
Salaried/private sector	46.7	11.7	25.8	9.3	47.2	11.0	30.7	5.4
Registered	31.2	5.3	19.3	6.6	29.6	-(4)	22.6	-(4)
Unregistered	15.5	6.4	6.5	-(4)	17.6	7.8	8.2	-(4)
Self-employed works for a firm	5.7	-(4)	-(4)	-(4)	8.2	5.0	-(4)	-(4)
<i>Employed in social services (2)</i>	100.0				100.0			
Salaried/private sector	45.8	5.4	32.3	8.2	45.1	3.9	35.4	5.8
Registered	39.1	-(4)	29.6	7.2	38.0	-(4)	31.1	4.5
Unregistered	6.7	-(4)	-(4)	-(4)	7.1	-(4)	4.3	-(4)
Self-employed works for a firm	6.0	-(4)	-(4)	-(4)	8.2	3.7	-(4)	-(4)

Source: Seade/Diecse. Study of Employment and Unemployment – PED

- (1) Statistics from February to December
- (2) Includes those who have not declared or answered about the size of the firm for which they work
- (3) Includes public and credit services
- (4) The sample does not allow for the disaggregation of this category

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Photo 5.2 Outsourcing of commerce in Favela Sul

Chapter 6

The Increasingly Precarious Nature of Self-Employment

Abstract This chapter examines self-employment with a focus on petty commerce. I depict the massive growth in the numbers of small businesses and street vendors at the end of the 1990s and the beginning of the new millennium. I argue that although in the 1980s petty commerce and production might have been an alternative to registered salaried work and a solution to the unemployment crisis because it was more viable, in the years of the unemployment crisis of 1996 until 2003 it became more precarious because of the absence of at least one salaried household member to be able to buy raw materials and goods in bulk and have access to health insurance, the lack of paying clients and growing competition.

This is our employment . . . and they are taking away the last option that permitted us to live. Where [else] will I, a person who is almost 60 years old, find work? (Claudia, a street vendor)¹

Located in a country with almost US\$27 billion foreign direct investment inflows and home to 23 foreign commercial banks, São Paulo in 1998 was bustling with street vendors, gypsy minivans, and unregistered stonemasons construction of yet more buildings. The scene was not unlike one that might be found in downtown Manhattan (Schiffer 2002:217; UNCTAD 1999).² The trip from Avenida Paulista, in the center of the Municipality of São Paulo, to *Favela Leste* in Diadema, in the heart of the ABC industrial region, took the traveler through seemingly diametrically opposed landscapes. Avenida Paulista, one of the city's principal banking centers, was home to tall office buildings and communication towers, while in Diadema, there were large factories owned by multinational corporations, but most of the

¹ Claudia is a street vendor who was moved to an area where she could not sell resulting in the inability to buy medicine for her sick husband.

² These numbers have mostly increased in the years since 1998, one of the most difficult years of the economic crisis. The number of headquarters of the largest 40 commercial foreign banks has increased to 36 and foreign direct investment has climbed to US\$45,058 million in 2008 with a drop to 25,949 million in 2009 but a 87 % increase to U.S.\$48,462 million in 2010 and US\$65,272 million in 2012 (Schiffer 2002; ECLAC 2011, 2013).

streets were filled with vendors and lined with wooden huts with signs advertising grooming services and detergent for sale. However, closer examination revealed that the dissonance was more apparent than real: the economic activities in the two areas were related, both intrinsic to the dominant form of labor market restructuring. Although the so-called informal activities constituted survival strategies, the workers who engaged in them were not excluded from the overall economy but formed an integral part of it, albeit in an often exploitative manner that resulted in, but was also caused by an extremely unequal society.

To visit *Favela Leste* in Diadema from the Municipality of São Paulo, one rode a modern metro and trolleybus system carrying businessmen back and forth from the international investment banks and regional corporation headquarters on Avenida Paulista to the multinational corporation's plants in the ABC region. Quite abruptly, the bus penetrated areas of deeper and deeper poverty, passing one slum after another before reaching downtown Diadema. Thanks to the efforts of mayors from the Worker's Party, downtown Diadema had been much improved in terms of modern infrastructure but was also booming with street vendors in the 1990s and the beginning of the new millennium.

The route from the bus stop toward the *favela* was filled with all sorts of factories, devoted to metallurgy, textile manufacturing, and food processing, among other enterprises. A few still bustled with activity, but some of them were shuttered, and many had cut back on the number of workers they employed. New technology, the transfer of some of the production to areas with lower wages, and the drop in sales as a result of the economic crisis had led to reductions in personnel (see Chap. 3). The street vendors who set up their stalls in front of the factories sold everything from food and cigarettes to illegal lottery tickets and trinkets from Asia. Theirs was not an easy lot. One vendor had her merchandise stolen several times at gunpoint; others complained about the lack of business. The first time I interviewed them, in 1998, their numbers were few, four or five depending on the day, and competition was not half as great as it was in the center of Diadema. However, by 2000 their numbers had tripled. And by 2003, a new policy had wiped the streets clean of street vendors, although they gradually started to reappear, clandestinely. As mentioned in Chap. 4, many new little stores and bars popped up in front of the *favela* houses, and many houses displayed signs advertising all sorts of products and services inside. Ambulant vendors roamed the neighborhood selling brooms, yogurt, lottery tickets, clothes, and cosmetics.

The statistics for the municipality and the MRSP for the years between 1988 and 1998 (Seade statistics) and between 1997 and 2003 (IBGE statistics) confirm a rapid increase in the number of the self-employed in petty commerce and in the provision of informal services, as well as in the number of owners of small informal firms. I have explained the statistical limitations when examining self-employment in the [Appendix](#). This growth is not just because of the lack of available salaried employment but because of the demand for cheaper goods and services from a population whose salaries have decreased from either

underemployment, downgraded manufacturing such as sweatshops or homework, or a more precarious situation for microenterprises as competition increases and clients become more indebted. This chapter explores this phenomenon and the linkages between the increasingly precarious nature of self-employment, the economic crisis, and global economic restructuring.³

6.1 Growth in Self-Employed for the Public

In the Seade/Dieese PED statistics, a self-employed worker who deals directly with consumers/clients is classified as “self-employed for the public.” This category is further divided into three sub-categories, “with fixed location and/or equipment,” “with motorized vehicle,” and “without fixed location or equipment” (see Chart 6.1 below). The IBGE statistics focus on “informal” economic units. The majority of small firms (those with five or fewer employees) in the MRSP are “informal” (not incorporated nor showing a real profit in their annual declaration

Chart. 6.1 Self-employed for the public

	Self-employed individual who deals directly with the consumer primarily in commerce and services
Self-employed for the public	
Self-employed for the public with a fixed location and/or equipment	A sub-category of above includes individuals who operate in a fixed place such as a little store, a permanent stand, a workshop
Self-employed for the public with motorized vehicle	Another sub-category includes individuals that use a motorized vehicle of any type or a boat for the work. Usually refers to the large numbers of taxi drivers and illegal van/small bus operators or those who sell out of their trucks or cars
Self-employed for the public without fixed location or equipment	Another sub-category includes individuals who have no fixed location not even a vending stand or home but go door-to-door selling or providing nontechnical services that do not require equipment

Source: Seade/Dieese PED

³Due to the focus on self-employment, this chapter does not focus on unregistered workers and unpaid/family workers for small enterprises. However, the numbers of workers grew in these categories as the number of small enterprises grew. The IBGE 1997 statistics showed that for the Metropolitan Region of São Paulo there were not many more registered and unregistered workers (93,725 and 134,732, respectively, with a total of 228,457) in small firms than there were employees (156,682) and far fewer than self-employed (925,062) possibly signifying that those small firms that do have employees often have one or two employees and that many of these small enterprises are only operated by the owners. There is variation in terms of the percentage of paid and unpaid workers in small enterprises in different activities. For example, only 2 % were not remunerated in the transportation sector, whereas almost 6 % were unpaid workers in commerce and 12 % were unpaid in hospitality and food services (IBGE 1997 Table 33: p. 294).

of income, in contrast with small businesses with characteristics such as high receipts, high level of formalization, and organized structure) and do not have paid or unpaid employees.⁴

The numbers of self-employed for the public increased considerably, especially in the years between 1988 and 1998 in all three of the universes studied.⁵ IBGE statistics show a 26 % increase in the self-employed in the 6 years after 1997 at the same time that there was only an 8.4 % increase in the numbers of employed in the Metropolitan Region of São Paulo (MRSP) (IBGE 1999, 2005).⁶ Seade/Dieese statistics show that in the Municipality of São Paulo (MSP), the largest and the wealthiest municipality in the MRSP, there was a growth of over 29 % in the category of self-employed workers for the public between 1988 and 1998, from 416,000 or 9.8 % of the workers to 536,000 or 12.7 % of the workers. At the same time, there was a .40 % overall decrease in the numbers of actively employed workers (see Tables 6.1 and 6.2)⁷ (Seade/Dieese Study of Employment and Unemployment 1998). The highest percentage increase was in the number of self-employed who work for the public without a fixed location or equipment (a 65 % increase, although still making up only 4.4 % of the employed population in 1998) followed by those self-employed with a motorized vehicle – primarily informal taxi and bus services (a 62.5 %

⁴IBGE has completed separate surveys in 1997 and 2003 and published them in reports titled, *Informal Urban Economy (Economía Informal Urbana)*, in order to study these kinds of firms with household and individual surveys taking place in many states and metropolitan regions, including the MRSP. The unit of study is the economic unit of production and not the individual. The definition used by the IBGE study combines the idea of size and organization. The first questionnaire was directed at households in order to identify the number of inhabitants and the work situation of those with 10 or more years of age in order to then find the owners of informal economic units. These individuals who were employers of up to five employees and self-employed were then interviewed using another survey. The surveys focus on many different issues such as microcredit, types of financing to start their business, and attendance of professional courses. The 2003 IBGE Informal Economy Study was conducted with the National Service for Helping Micro and Small Enterprises (Sebrae – Serviço Brasileiro de Apoio às Micro e Pequenas Empresas) (IBGE, *Economia Informal Urbana 1997 and 2003*, Rio de Janeiro, 1999, 2005).

⁵The previous chapter discussed in greater length the universes, the statistical studies, and the institutions. Simply to reiterate, the three universes are the Municipality of São Paulo referring to those living in the Municipality of São Paulo, working in the municipality or outside of it; workers who live and/or work in the Municipality of São Paulo; and third, those workers that live in the Metropolitan Region of São Paulo. Two different databases are used for the MRSP – IBGE's Urban Informal Economy for 1997 and 2003 and Seade/Dieese's PED for all other years.

⁶Of the 992,549 (out of a total 1,005,337 small firms) that were considered informal in 1997 in the MRSP, the majority (866,000) were operated by one self-employed person with or without a partner but with no paid or unpaid employees. The second IBGE informal urban economy surveys showed that by 2003 there was a total of 1,232,992 microenterprises in the MRSP, with 1,088,391 self-employed and 144,601 employers of firms with five or fewer employees (IBGE 1999, Tables 6.1 and 6.2, 2005, Table 6.1).

⁷The Municipality of São Paulo had a population of over 10.43 million people in 2000 and 10.99 million in 2008 and a GDP of R\$ 282.852 billion in 2006 (approximately US\$ 132,533 billion). For the population of workers who live or work in the Municipality of São Paulo in 1998, the self-employed for the public represented 9.9 % signifying that those who do not live in the MSP but work in it also come to work independently.

Table 6.1 Estimates of working-age population and employed population by employment status in the Municipality of São Paulo in 1988 (1)–1998

(Figures in 1,000s)

Employment status	1988	1998	Variation (2)	% change
Working-age population	7,456	8,130	674	9.04
Actively employed	4,224	4,207	-17	-0.40
Self-employed who work for the public	416	536	121	29.09
With a fixed location and/or equipment	270	298	27	10
With motorized vehicle	32	52	20	62.5
Without fixed location or equipment	113	187	74	65.49

Source: Seade/Dieese. Study of Employment and Unemployment – PED

(1) Statistics from February to December 1988

(2) The variation is based on non-rounded data and then rounded to the nearest 1,000s

Table 6.2 Distribution of the workforce by employment status and firm size in the Municipality of São Paulo in 1988 (1)–1998

(in percentages)

Employment status	1988				1998			
	Total	5 or less employees	6 or more employees	Don't know	Total	5 or less employees	6 or more employees	Don't know
Employed (2)	100.0				100.0			
Self-employed who work for the public	9.8	9.8	–	–	12.7	12.7	–	–
With a fixed location and/or equipment	6.4	6.4	–	–	7.1	7.1	–	–
With motorized vehicle	0.7	0.7	–	–	1.2	1.2	–	–
Without fixed location or equipment	2.7	2.7	–	–	4.4	4.4	–	–
Employers	4.7	2.9	1.5	–(3)	6.2	3.8	2.3	–(3)
Family workers	1.4	1.3	–(3)	–(3)	1.9	1.7	–(3)	–(3)

Source: Seade/Dieese. Study of Employment and Unemployment – PED

(1) Statistics from February to December

(2) Includes those who have not declared or answered about the size of the firm they work for

(3) The sample does not allow for disaggregation

increase, although still only constituting 1.2 % of the employed population [Tables 6.1 and 6.2].⁸ The percentage increase of self-employed for the public in the MRSP was greater than that for the MSP alone from 1989 to 1998. The number increased by over 42 % (from 10 % to 13 % of the employed population), with a

⁸According to professional statisticians at Seade, the relative estimates are more accurate than the absolute number of self-employed workers. The statistics show that there were 298,000 individuals in the category of self-employed with a fixed location. However, since 19.3 % of the inhabitants of São Paulo lived in squatter settlements by 1993, with perhaps at least one bar per 200 people with each squatter settlement also having hair salons, grocery stores, bread vendors, carpenters, stone masons etc., this number may well undercount the number of self-employed.

23 % increase in self-employed with fixed space and equipment (6.4 to 7.1 % of the employed population), an almost 70 % increase in the numbers of self-employed with motorized vehicle (from 0.7 % to 1.1 %) and a 68 % increase in the numbers of self-employed without fixed space or equipment (from 3 % to 4.6 % of the employed population). The high percentage increase in the MRSP from 1997 to 2003 might reflect the great decline in the numbers of industrial jobs in the ABCD region and high unemployment. For example, the ABCD region had an unemployment rate of 18.2 % in 1997/1998 compared to 15.9 % in the MSP (Seade/Dieese PED).⁹ IBGE and Seade statistics reveal that the growth in self-employed for the MRSP and MSP continued until at least 2003, although fluctuating between 1999 and 2004 (IBGE 1999, 2005; Seade PED 1997, 2003, and 2007). (For these and more detailed IBGE statistics, see Table 6.3 under the section: The Self-Employed and Globalization.) However, the growth did not compensate for the decrease in registered and public sector workers and the increase in the economically active population.¹⁰

The growth in the percentage of self-employed has been significant for women. Until 2000, the growth rate paralleled the overall growth of female employment, but between 2000 and 2007, it showed a marked shift toward female self-employment, which was almost double the growth rate in overall female employment during that period.¹¹

While the trend away from registered salaried work toward self-employment is evident from the statistics, the statistics probably understate it. Both the female and male self-employed may be undercounted because some of these workers may have been included in the category of the “hidden unemployed” instead. Engaged, as they are, in irregularly paid and/or sporadic work, they would also fit the “precarious work” sub-category of the hidden unemployment classification. The hidden unemployment statistics include workers doing some kind of unstable, precarious work at

⁹The ABC statistics were disaggregated for me by statisticians at SEADE but were only available to me for 1990/1991 and 1997/1998 and not for 1989 nor for 1998.

¹⁰Even with the growth in employment in the informal sector, the open and hidden unemployment rate for the MRSP had been increasing until 2003 when the unemployment rate was 19.9 % and improved since with 14.8 % by 2007. There was, for example, a decrease of 7,000 registered and public sector workers from 2001 to 2002 and at the same time an increase of 200,000 in the economically active population. However, the number of self-employed only increased by 49,000 people, and the numbers of domestic servants increased by 19,000 with the other informal sector categories only increasing slightly (Seade/Dieese, PED 2006, Table 8).

¹¹The percentage of the self-employed in the MRSP that are women has continued to grow from 31.6 % in 1985 and 33.8 % in 1996 to 34.3 % in 2000 and 38.3 % in 2007. The percentage increase between 1996 and 2000 was .5 % for female self-employed, 1.2 % for female registered salaried workers, and .9 % for all employed who were women. The percentage increase between 2000 and 2007 was 4 % for female self-employed, 2.4 % for registered workers who were women, and 2.3 % for all employed who were women (Seade/Dieese PED 1985–2007).

Table 6.3 Owners of enterprises in the informal sector by sex and by motive to start own business in the Metropolitan Region of São Paulo in 1997 and 2003

	1997		2003		1997		2003		1997		2003	
	Total	% of total	Total	% of total	Men	% of total	Men	% of total	Women	% of total	Women	% of total
Principal motive to start own business												
Total	1,080,438	100	1,207,324	100	704,542	100	803,177	100	375,896	100	404,147	100
Couldn't find work	310,013	28.7	454,394	37.64	222,953	31.7	329,647	41.04	87,060	23.2	124,747	30.87
Opportunity for partnership	29,762	2.75	15,664	1.30	17,721	2.52	12,812	1.60	12,041	3.2	2,852	0.71
Flexible schedule	24,678	2.28	27,117	2.25	7,850	1.11	9,321	1.16	16,828	4.48	17,796	4.40
Independence	200,889	18.6	143,265	11.87	139,294	19.8	103,397	12.87	61,595	16.4	39,868	9.86
Family tradition	72,525	6.71	58,912	4.88	57,277	8.13	42,622	5.31	15,248	4.06	16,290	4.03
Complement family income	170,462	15.8	181,037	14.99	69,986	9.93	63,678	7.93	100,476	26.7	117,359	29.04
Experience in the area	93,011	8.61	99,375	8.23	75,399	10.7	81,529	10.15	17,613	4.69	17,846	4.42
Promising business	67,745	6.27	95,493	7.91	44,746	6.35	72,547	9.03	22,999	6.12	22,946	5.68
Is secondary work	31,504	2.92	35,915	2.97	23,072	3.27	27,954	3.48	8,433	2.24	7,961	1.97
Other motive	77,597	7.18	92,471	7.66	43,994	6.24	57,782	7.19	33,603	8.94	34,689	8.58
No answer	2,251	0.21	3,680	10.25	2,251	0.32	1,889	0.24			1,791	0.44

Sources: IBGE (1999, 2005) *Economia Informal Urbana 1997 and 2003*

the same time they are looking for permanent employment.¹² During the first few years of the unemployment crisis, from 1997 to 1999, hidden unemployment increased at a greater rate than did open unemployment, but both rates increased. While falling in 2000, hidden unemployment increased again from 2001 until 2005 (PED 2007 annual Table 20).¹³ The percentage of men in this category increased at a faster rate than that of women, possibly because there are more temporary jobs in construction, where men predominate.¹⁴ Workers with precarious employment made up the highest percentage of the hidden unemployment category. Precarious employment, as it is defined here, tends to be seasonal, with the highest rate of hidden unemployment occurring in June, July, and August (winter in São Paulo) and the lowest in January, February, and March. The more recent migrants to São Paulo (those who have resided in São Paulo for less than 10 years) are more likely to be involved in precarious work while looking for permanent employment.

My own field research showed a growth in self-employed and small informal businesses similar to what the Seade and IBGE statistics for the Municipality of São Paulo and the Metropolitan Region of São Paulo indicate. Since 1996, the number of small informal enterprises has proliferated in the three communities I studied. As workers – especially low-income women or wives of unemployed men – lost their jobs in factories, they opened bars, bazaars, and grocery stores and provided services such as hair cutting, day care, catering, and dressmaking out of their homes. For a population of approximately 3,500 families (some 12,400 people) in all four sections, *Favela Leste* in 1998 had approximately 63 bars (some only sold drinks, others also offered food items).¹⁵ It boasted 9 beauty salons, 13 nail salons, at least 5 vendors of prepared foods, 8 grocery stores, 5 butcher shops, 8 hardware/construction supply stores, and 3 fruit and vegetable stores. Other enterprises included discount product stores, video rental places, restaurants, cake makers, tire repair and mechanic shops, television and other electronics stores, a liquor store, stationery

¹²There are two kinds of hidden unemployment calculated by the Seade/Dieese Employment and Unemployment Study: (1) workers in precarious work or those who have irregular paid work or are unpaid relatives, who are still searching to change their work in the last 30 days or in the last year, and (2) discouraged workers, who do not have work but have not searched for work in the last thirty days because they are discouraged by the market or other circumstances but have been searching for work in the last 12 months. These statistics include people who have engaged sporadically in some kind of work in the previous 7 days.

¹³Open unemployment increased from 11.7 % in 1998 to 12.1 % in 1999 and hidden unemployment from 6.5 % 1998 to 7.2 % in 1999 in the MRSP. Subsequently, in the MRSP this rate fell to 6.6 % in 2000 increasing again to 7.1 % in 2004 until 2005 when it started to decrease again to 6.4 % in 2006 and 4.7 % in 2007 (Seade/Dieese PED 2007 annual Table 20).

¹⁴The rate of women who were involved in precarious employment under the hidden unemployment statistical category increased from 2.2 % in 1985/1986 to 3.2 % in 1997/1998 in the MSP and from 2.3 % to 3.3 % in the ABCD region, and for men from 2.3 % to 4.7 % in the MSP and 2.4 % to 5.7 % in the ABCD region in the same years (Seade/Dieese PED).

¹⁵Given the difficulties in counting the number of enterprises in the new section that did not have streets yet and only winding paths, the count only happened in the three older parts of the squatter settlement and in the street side of the new section. There were a few more along the paths, but not many.

shops, clothing shops, ice-cream vendors, a candy shop, lottery places, and cleaning supply vendors. The majority of these enterprises had opened since the beginning of the economic crisis in 1996.¹⁶ The funds for starting these microenterprises primarily came from severance pay packages and the “Fundo de Garantia” – a government mandated unemployment insurance fund to which all employers of registered workers contribute – which could be tapped when one more family member became unemployed.¹⁷ As discussed briefly in Chap. 4, according to my survey of the second section of *Favela Leste*, approximately one third of the unregistered male workers were self-employed, involved in such activities as plumbing, masonry and street vending, or owning bars or butcher and grocery shops. (Fifty percent of the employed men were unregistered workers.) Among the women, the majority was self-employed either for the public or for a firm. The unregistered, economically active women were babysitting, retailing Avon products, hawking food, working in the family bar, doing manicures, or selling clothes door-to-door. The most frequently opened commercial establishments for both women and men were bars and bars-cum-grocery stores. Friends often opened competing establishments, but few let this destroy their relationship.

In *Favela Sul* in 1996, there were only two grocery stores, both of which had just opened, and two bars. In 1998, I counted seven grocery stores and bars selling food, one bakery, three hot dog stands, one store for ice cream and school supplies, and one that sold used clothing and ice cream.¹⁸ As mentioned in Chap. 4, by 2011, *Favela Sul* had approximately 3,330 households. There was less self-employment in this community than in the others I studied, partly because many women were employed by the publicly funded day care and youth centers but also because many more women still seemed to be working as weekly and daily maids, probably due to the *favela*'s greater proximity to more prosperous neighborhoods. The men tended to work as unregistered stonemasons, while some had their own businesses, such as barber shops/hair salons (outside the community), metalwork shops, and bars, or were self-employed as painters and construction workers. Self-employed women sold hot dogs, tended grocery stores, ran hair salons, and sold cosmetics and other items out of catalogues for various companies.

¹⁶I did not start my research in Favela Leste until 1998, so I do not have a completely accurate account as to the growth in the numbers of enterprises. It is therefore from my interviews that I have gotten a sense about this growth in enterprises. Except for the newly invaded area that was invaded in the years of the economic crisis discussed in this book where the enterprises opened soon afterwards, the majority of the enterprises were not started immediately after the individuals responsible for them arrived in the squatter settlement. Therefore the growth in the number of enterprises was fairly fresh in people's minds.

¹⁷As mentioned in Chap. 2 and more briefly in Chap. 5, the Guarantee Fund is a fund where the employers pay 8 % of the employee's salary (including overtime, paid vacation, and 13th-month bonus) into a closed bank account in the name of the employee. This account may only be drawn upon when the employee leaves, to buy a house, becomes gravely ill, retires, or upon his or her death.

¹⁸I did not conduct a formal survey in *Favela Sul*. The number of inhabitants in the *favela* did not increase from 1996 to 1998, according to community leaders.

Photo 6.1 Bazaar – Jardim Sudoeste 2003



In *Jardim Sudoeste*, the number of inhabitants who had small enterprises had also exploded from 1996 to 2000 without a large increase in population. Enterprises opened and closed. In 1998, there was everything from fruit and vegetable stores (4), gift and stationary bazaars (2), and bars (46), to more service-oriented enterprises such as shoe repair shops (3), hair salons (14), and day-care centers (10) (Photos 6.1, 6.2, and 6.3). Although many of the owners of these enterprises had engaged in similar activities previously, men and women who had recently lost their jobs in larger, registered firms opened the majority of these businesses. More than 80 % of the unregistered female workers in the survey conducted in *Jardim Sudoeste* were self-employed or domestic workers. The self-employed were primarily caregivers for children, vendors, or dressmakers. On the other hand, unregistered male workers often were employed by others, for example, as gas station attendants and construction workers. Only 28 % of the male unregistered workers were truly self-employed, some as store or bar owners, stonemasons, or painters. (Also see Chap. 4.)

6.2 The Self-Employed, Microenterprises, and Globalization

The growth of self-employment in an industrial and globalizing city such as São Paulo is representative of the processes that characterize economic globalization. As Cacciamali (1983:608) has argued, the composition and role of microenterprises



Photo 6.2 Bazaar – Jardim Sudoeste 2013



Photo 6.3 Bazaar Store owner – Jardim Sudoeste

are a function of the prevailing pattern of expansion and capital reproduction and therefore constantly change. The growing inequality in earnings, a result of the type of capitalist development promoted in São Paulo, stimulated the development of petty commerce and service provision in the squatter settlements and on the streets in the center of the city. The consumption and service needs of the low-income population whose income decreased during the crisis were being met through the self-employed and microenterprises. During the 1990s and beginning of the 2000s,

this low-income population, which demanded cheaper goods and services, was either underemployed because of growing global competition or were still employed but engaged themselves in self-employment in petty commerce or cheap service provision in the squatter settlements, in an increasing number of low-paying service jobs to take care of the office buildings and the needs of the global elites or in the low-paying jobs in the downgraded manufacturing sector as sweatshop workers or home-based workers discussed in the previous chapter.¹⁹ Self-employment and microentrepreneurship is, therefore, not just a survival strategy for the workers involved but crucial for low-income communities whose members demand cheaper goods and services as their employment situation deteriorates. Microenterprises, therefore, sustain a global system that has promoted increasing income polarization. The demand for more informally distributed, produced, or serviced goods is both internal to low-income communities and generated externally by firms outside the communities that wish to increase their clientele and distribute their goods more cheaply in order to increase their profits. The demand for this type of good also stems from the inadequate provision of services and goods from other larger, more capitalized firms, either because of excessively high prices or inaccessibility (Sassen 2000). These firms in the low-end service sector and the downgraded manufacturing sector often provide such low-paying jobs that, in order to survive, their workers require access to cheap goods and services. The larger firms, which allegedly supply the bulk of employment, are therefore supported by microenterprises that provide even cheaper goods and services in the outlying communities, the only places in which workers for the larger firms can afford to live. (In countries such as Brazil and the United States, governments and economists tend to argue that larger firms need to be supported because they provide the bulk of the employment opportunities, but recent statistics have shown that in many countries small enterprises tend to be employing more workers.) In order to earn higher profits, the larger, more capitalized firms paying low and unstable wages rely on, but seldom provide, everything from community food stores that will allow clients to pay at the end of the month to cheaper services ranging from hair salons and manicurists to transportation. Two of the communities I studied did not have a single store a few years before 1998, and their inhabitants had to shop in commercial areas closer to the center. Since 1998, *favela* residents have been patronizing newly established local stores, which allow them to buy on credit and eliminate the cost of transportation, even though their prices are not always cheaper. However, this process, too, can be reversible. In the case of *Favela Sul*, this occurred in 2003 when a large chain built a supermarket across the street. Given that credit was also readily available at this supermarket and that prices were cheaper due to the supermarket's ability to buy in bulk, the smaller

¹⁹Unregistered small firms and workers produced fewer customized short-run luxury goods for the global elites in São Paulo than in urban economies in advanced industrial countries discussed by Sassen (2000). However, global elites in São Paulo also do shop at small boutiques that carry less mass produced clothing items and more exclusive items, have specialized carpenters and stonemasons redecorate their kitchens and bathrooms, and consume fine food dishes produced by labor-intensive methods.

grocery stores in the *favela* did not fare well. One family closed theirs that was not doing well and moved back home to Northeast Brazil.²⁰

“Informalization” can, however, also be seen as a process that runs counter to globalization and as counter-hegemonic.²¹ The economic activities of microenterprises could be regarded as direct reactions against advanced capitalism or as completely outside the formal system. There are two situations in which one might conclude that informal economic activities are counter-hegemonic and parallel to the formal system: (1) when the microentrepreneur’s decision to become involved with informal rather than formal activities is a reaction against the formal system or the result of a desire for more freedom and (2) when the self-employed have extensive links, primarily within the informal sector. These situations were far more prevalent in 1996, before the economic crisis reduced the options for microentrepreneurs. For example, a handful of the research participants were deliberately opting not to continue working in more formally organized firms. One woman who had a degree in accounting became fed up with the cheating she saw in the accounting jobs she had in formal firms. She therefore decided to take a break and help her mother run a small grocery store in her neighborhood. She said that although she would earn more as an accountant, a field where work is not difficult to get, the greater freedom she now enjoyed more than made up for her lower income. In the case of the owners of a grocery store in *Favela Sul* discussed in the Introduction, Maria’s husband, Eduardo, wanted to be completely free of all ties to employers. By 1998, he was only working in the family store, using his own truck to transport the produce and other merchandise for the shop. As of January 2000, although the business was still going very well, Eduardo and his family had decided to move near the Iguacu Falls to do something even less hegemonic, to start a cooperative farm raising a special breed of pigs.

Women in the service sector also left their more formal jobs to go into business on their own. In 1996, two women quit their registered jobs in a community day-care center to focus on their own day-care facility in another squatter settlement I more briefly studied, *Favela Vermelha*. Even though they were earning less money as independent entrepreneurs, they wanted to be their own bosses; however, by 1998, their business had failed. Another woman who operated a hair salon in *Favela Sul* in 1996 had previously worked in somebody else’s salon but decided to set off on her own. She was able to make more money in her own salon, but this was not the only factor that motivated her: She also wanted to have the freedom of owning a business. (She later closed the salon down, after joining an evangelical church that thought that women should not cut their hair, because it was not God’s will.)

²⁰ However, many in the community argued that the move was not necessarily because of competition but because their young daughter had gotten pregnant and the family wanted to get her away from the community. There was even a rumor that the mother was practicing a type of witchcraft in order for her daughter to lose the child. It was uncommon for families to move back to the Northeast of Brazil.

²¹ For the general concept of counter hegemony, used here, see, for example, Scott (1985) and Comaroff and Comaroff (1991).

In 1996, all of these microentrepreneurs would have had a chance to find registered salaried work but chose not to do so. These cases seemed to be exceptions. I interviewed many people involved in petty commerce and informal production and services who complained that working for others was exploitative and restricting. However, had they been able to, they would have preferred to continue working for formal firms, because of the stability they offered.

There were significant gender differences in the principal reasons given for becoming self-employed or starting a microenterprise. In IBGE's 1997 study of the MRSP, the major reason given by men was the inability to find other employment (32 %). Yet, the second most important reason was the desire for independence (20 %). In contrast, the reason women gave was the desire to complement family income (27 %), but a significantly lower percentage than men gave the reason that they weren't able to find other employment (23 %). Nevertheless, a relatively large percentage of women, although again a lower percentage than men, said the reason was a desire for greater independence (16 %). (See Table 6.3 under Sect. 6.1.)

Had the same question been asked just 1 year later, in 1998, the percentage of those who said they started a business because they could not find work would likely have been higher, since the option of finding registered work was often no longer available. As discussed earlier and confirmed in the IBGE study, the option of finding registered work was particularly difficult for those over 40 years old, and therefore workers in this age group needed to find alternative employment. The IBGE statistics for 2003 showed that 51 % of the self-employed and employers of up to five employees were between 40 and 59. The same held true for men and women, with 53 % of the women and 50 % of the men located in this employment and age category (IBGE 2005).²²

Between 1997 and 2003, the percentage of both male and female microentrepreneurs who said that their primary reason for starting an informal business was the inability to find work increased from 28.69 % to 37.64 % (i.e., almost by 9 %). Fewer women and men said that the principal motive was that they wanted to be independent (a drop of 16.4 % to 9.86 % of the women and of 19.8 % to 12.87 % of the men). (See Table 6.3 under Sect. 6.1.) Through my interviews, I learned that many things played a role in a person's decision to start a business but as the statistics also showed that the loss of a registered or unregistered job by either the microentrepreneur or his or her partner was often the initial reason.

Subsequently, after the initial motive of employment loss, the new entrepreneurs I interviewed would convince themselves that they wanted to be more independent, needed to complement the household income, needed to look for a more promising business opportunity, or wanted to use another personal skill. Therefore the percentage of workers that initiated a microenterprise or became self-employed because they had lost their jobs and could not find work was probably quite a lot higher than the statistics indicate. Both these statistics shown in Table 6.3 and my interviews concerning the motives for starting a microenterprise show that although establishing

²²Seade - Dieese's PED for the MSP showed similar results for 1998 when 48.7 % of the self-employed were 40 years or older.

microenterprises or becoming self-employed perhaps represented to some a means of escaping the constraints of the hegemonic “formal” firms, by 2003 it was much more difficult to make the counter-hegemonic argument than it had been earlier on.

The other claim adduced to support the argument that “informalization” may be counter-hegemonic – namely, that the self-employed and microenterprises maintain more extensive links among themselves than they do with more capitalized firms – encourages further exploration of the internal workings and interlinkages among this group of economic actors. While the growth in self-employed and microenterprises is clearly linked closely to the crises and changes affecting more formalized firms and the self-employed and microenterprises often had strong connections with more formal firms, my research also showed that the links among more informal actors and with the low-income communities where they are located were indeed extensive. The clients of the microbusinesses were primarily the low-income population in the peripheral neighborhoods. The vendors might buy their goods from other “informal” workers, including *laranjas* – intermediaries who buy goods in Paraguay and smuggle them into Brazil – and from other street vendors in the center of town. (The goods from Paraguay are often assembled in clandestine small factories in Paraguay [Schemo: NY Times March 15, 1998].)²³ Sophisticated networks are developed among the small-scale producers and vendors. For example, the network of informal work for the street vendors includes storage (those who informally rent spaces in their buildings to the street vendors during the night), carrying the goods to and from the storage spaces, going to Paraguay to buy and smuggle the goods back into Brazil, working in the warehouse from which the goods from Paraguay are sold if they are not sold directly to the street vendor, babysitting for children while their mother is working, and acting as guards to watch the goods both during the night and day. Also part of the network are the intermediaries between city hall and the street vendors, who try to ensure that the street vendors don’t get kicked off the street and who hire the guards. Such networks may be associated with migration. For example, the street vendors who crowded one part of Rua 25 de Março, a street in the center of the Municipality of São Paulo, all came from the same community in Belem do Pará and helped each other set up stalls.

Yet there are also many links between the microentrepreneurs and the “formal” firms, beyond the reduction and precarization of employment that has forced more

²³The goods from Paraguay are primarily from the border city, Ciudad del Este, which straddles the Brazilian and Argentinean sides of the famous Iguazú Falls and from which a large black market operates. In 1998, ninety percent of what was sold from this city was counterfeit products. In some cases the parts arrive from the Far East and are assembled in clandestine plants, some upstairs from the retail shops in this city. The goods leave for other Latin American countries such as Brazil, sidestepping the Asian quotas and tariffs. The goods include everything from computers, electronics, cigarettes, watches, and brand textiles. In 2007 a decision was made to construct a steel and concrete wall to try to control the amount of smuggling, and in 2010 it was reported that a drone had been flying over the border for a year trying to control the smuggling of not just merchandise but drugs and arms. In 2006, US\$77 million of merchandise had already been confiscated by Brazilian officials (“Brazil patrols Paraguay border with UAV to control drugs and arms contraband.” *Merco Press*. July 23, 2010; “Brazil builds wall to stop smuggling from Paraguay.” March 16, 2007. *mercopress.com* and Schemo NYTimes March 15, 1998).

workers to become microentrepreneurs and created a need for cheaper goods. The goods that the vendors sell often come from national and multinational firms. And, the street vendors do not only sell goods to the low-income population but also to businessmen and other people from higher socio-economic strata. Any worker passing by street vendors but especially managers of industries who lost their jobs as industries closed, left, or downsized by outsourcing are likely to buy cheaper goods from street vendors.

Both arguments supporting the counter-hegemonic nature of self-employment, then, are problematic. Even those microentrepreneurs who chose to be involved in petty commerce because they sought to become independent are still part of and intertwined with – indeed, integral to – the global economic system. I would argue that, although these microentrepreneurs were in a small way fighting an economic system that exploited them, they were not creating an alternative economic system, since their enterprises were needed to sustain the existing one. These microentrepreneurs are also not necessarily involved in any kind of larger social movement against the hegemonic capitalist economy. (Although counter-hegemonic actions need not necessarily entail actively fighting against the system.)

Furthermore, the existence of strong internal links does not obviate the existence of external links to multinational companies. As mentioned, the self-employed often provide cheaper goods and services to those laid off from the larger companies or to those who work as cleaners and in other low-level service work for those companies. As my research has shown, a unitary conceptualization of hegemony (the global capitalist system) is problematic and arises from the separation of ideology and behavior and, as J. M. and H. Buechler (1997:1) argue, the “oversimplification and privileging of ideology underlying the concept of hegemony, leading, in turn, to the neglect of the complex interplay between them [ideology and behavior], which, in practice, obviates uniformity.” The “informal sector” is therefore part of an economic system that is not uniform and where ideology and practice rarely come together in a neat package.

6.3 Demographic Characteristics of Self-Employed and Owners of Informal Firms

Not only is the hegemonic economic system as a whole heterogeneous and complex, but the variations among the self-employed and microentrepreneurs and their enterprises are equally evident. The attempt to view microenterprises and the self-employed as constituting a uniform economic sector becomes even less valid with a deeper examination of the characteristics of these economic actors.

Gender, race, extent of education, and age all play a role but do not completely determine whether a worker is more likely to be self-employed. Self-employed workers in the Municipality of São Paulo are more likely to be white, less educated, middle aged, longer-term residents of the municipality, and male. Many of the

nondominant characteristics of workers in the employed population as a whole were only slightly overrepresented among the self-employed. For example, although non-whites represented 33 % of the employed population, they represented 35.8 % of the self-employed for the public. As was the case of the unregistered salaried workers, in 1998 a significantly higher percentage of self-employed in the MSP versus than those in the entire employed population (48.1 % of the self-employed versus 37.5 %) had not finished primary school, but a less significantly higher percentage were illiterate (5 % of the self-employed versus 3.6 % of the whole employed population) (Seade/Dieese Study of Employment and Unemployment 1998). Between 1994 and 2000, the average level of education of the self-employed slowly increased (including completion of elementary school and either completion or some middle school), although the largest group was still made up of workers who had not finished elementary school (Seade/Dieese Study of Employment and Unemployment 2007). The research participants complained that as soon as they had one degree, they needed another degree to get a formal job (the older generation often came from Northeast Brazil, with very little education).

The unemployment crisis did not significantly affect the age of self-employed workers. In terms of age, the owners of small firms in the MRSP tended to be between 25 and 59 years old, a pattern that held stable between 1997 (85 %) and 2003 (87 %) (IBGE 1999, 2005). Seade\Dieese PED statistics showed that the percentage of self-employed in the MRSP who were 40 years old or above had started increasing by 1992, indicating that age discrimination in registered jobs may have already begun before the opening of the market and the employment crisis. As unemployment in registered jobs increased during one of the worst parts of the crisis, from 1998 to 1999, other age groups were also affected, and therefore the percentage of self-employed who were 25–39 years old also increased. However, before, during, and after the unemployment crisis, workers who were 40 years or older constituted a considerable percentage of the self-employed (reaching 56.7 % in 2008 and only declining slightly to 55.7 by 2009 but already constituting 45.2 % before the crisis in 1995 and 47.6 % in 1998 during the crisis) (Seade/Dieese PED 1992–2009).

Women constituted a smaller percentage of the self-employed workers than they did of the employed population as a whole, representing, for example, approximately 32.5 % of the self-employed for the public in 1998 in the MRSP but 41.5 % of the employed population as a whole. This was partially a result of domestic workers falling into a separate category in the employment statistics, even though a majority of these workers were actually self-employed. The vast majority of domestic servants who were hired to work by the day were not registered. In 1998, they constituted 24.7 % of the domestic servants. In addition, another 41.7 % of the domestic servants worked by the month but were still unregistered, signifying that 66.4 % of domestic servants were actually either self-employed or unregistered salaried workers. In 1998, women constituted 95.9 % of the domestic workers (Seade/Dieese Study of Employment and Unemployment 1998). The percentages of women employed in this type of work stayed quite similar throughout the 1990s and the first 5 years of the

new millennium, at 18.8 % of employed women in the MSP in 1997/1998 and 16 % in the industrial ABCD region.²⁴ Although their statements are not strongly supported by the statistics, the research participants insisted that the numbers of maids hired to do day work had increased during the second half of the 1990s as middle-class families were unable to pay for full-time maids to work every day and be paid monthly, a development that made domestic work also more precarious. However, even with the exclusion of domestic workers in the self-employed statistical category, the percentage of self-employed female workers steadily increased between 1988 (32.5 %) and 2005 (38.2 %) in the MRSP; after a slight dip in 2006, it increased again in 2007 (to 38.3 %). The MRSP offers a slightly different trend in the percentage of microenterprises owned by women, which dipped from 35 % in 1997 to 33 % in 2003 (IBGE 1999, 2005, Table 32).²⁵ In part the lower percentage of women than men in the self-employment for the public category may be due to the fact that, in contrast with most other South American countries, in Brazil men tend to be the vendors in the open markets. This is only gradually changing now.²⁶

The self-employed women I interviewed argued that there were benefits to their status as self-employed workers. They could earn money while still being able to watch their children and thus save on childcare expenses, they said. Also, their husbands sometimes preferred them to be involved in this kind of work, since that meant that they could more easily stay at home and therefore not appear to be really working, which some husbands still considered shameful. They could also continue to do all of the housework. However, some of the self-employed women regretted not having had the opportunity to study, which they thought would have given them a better chance of getting “real” work, preferably as secretaries, nurses, or even machinists in factories, occupations that were regarded as more prestigious. One woman who owned a bar in *Favela Leste*,

²⁴This remained virtually the same even after the unemployment crisis ended. For example, still by 2005 18.3 % of all employed women in the MRSP and an even higher percentage of black women (26.9 % 2005/2006) were domestic workers (Seade, *Mulher e Trabalho* 2007). What has changed is the much stronger law supporting minimum wages and benefits for monthly domestic workers. This book does not focus on domestic workers because of the excellent literature on domestic workers both in São Paulo, Brazil, and around the world (For examples, see Seade, *Mulher e Trabalho* 2007; Bruschini and Ridenti 1994; Bruschini and Ridenti 1998; ILO 2004 on domestic workers in Brazil and Ehrenreich and Hochschild eds. (2003) and Romero (2002) primarily on domestic immigrant workers around the world.)

²⁵Although using a different database, the Seade/Dieese PED, the percentage of employed women that were business owners increased by 102.9 % from 1989 to 2001 (1.9 % in 1989 to 2.9 % in 2001). During the same time frame, the percentage of male business owners only grew by 21.1 %.

²⁶The percentage of self-employed workers for the public who were women and lived and/or worked in the MSP increased from 32.5 % in 1985/1986 to 37.5 % in 1996/1997. This was primarily because of the increase in women who had fixed installations (i.e., women with small stores or with a fixed place selling in an outside market or on the street). Of the female workers that lived and/or worked in the MSP in 1998, 7.5 % were self-employed for the public compared to 11.6 % of the employed male workers. Four percent of the female employed workers were owners of small firms of up to five employees compared to 6.7 % of the male workers (Seade/Dieese Study of Employment and Unemployment in Martins and Dombrowski 2000).

however, said she was happy not to continue to be exploited. In her previous job, even though she had been operating a sewing machine, her employer had given her the job title of “ironer” on her worker’s card, and thus she had earned much less than what she was entitled.

Self-employed women and men were impacted by both economic restructuring and changing policies in different ways and had different options in terms of the type of economic activity they could start. In my follow-up qualitative interviews in January 2000, I found that by 1999, a few of the self-employed women had been slowly finding jobs in the formal sector, either as unregistered or registered salaried workers, but the men were not. They were continuing to run a family bar or store or working as self-employed masons, construction helpers, or repairmen. (However, as mentioned, this was not the overall trend in the MRSP.) Women’s choices for self-employment were curtailed for a variety of reasons. For example, the expulsion of vendors from the streets (which will be discussed below) made it more difficult for women to stay in the sales business. Men would carry their merchandise from one place to another to avoid the police, but women found that harder to do. Gender norms also influenced women’s choices. In São Paulo, although a more progressive city in terms of gender relations than some others in Brazil, it was still more difficult for a woman to be self-employed because this often involves being on the streets. In addition, men had learned more skills – technical repair, for example – in the firms where they had worked, and they could use them to open their own businesses.

Self-employed women also faced other types of difficulties. It is still more dangerous for women to be out on the streets at night. One woman who owned and operated a bar alone because her partner had been killed said women forbade their husbands to go to her bar. In addition, most women have not learned how to drive, so they cannot take up the more lucrative occupations for the self-employed, such as taxi or van drivers.²⁷ In short, the need and ability to become self-employed, and the type of self-employment, is determined by a variety of factors and not only to the type of overall economic restructuring that is taking place both globally and in Brazil.

6.4 Characteristics of Microenterprises, Economic Sectors, Legality, and Resources

Do certain economic sectors lend themselves to more informalization than others? Does the growth of certain sectors lead to their informalization? Or has there been a trend toward more informalization within every sector? I will address these questions through an examination of the “informal” firms themselves – the sectors in which these enterprises are located, their legal constitution, and the capital used to start and grow them. Here, too, a number of factors beyond the restructuring of the larger,

²⁷By 2013, however, many more women owned and were driving, for example, school vans. Gender norms were definitely changing.

more capitalized firms play a role. Contrary to the popular perception that the self-employed and “informal” enterprises are primarily located in commerce, for São Paulo, both IBGE and Seade/Dieese statistics showed that they tended to be concentrated in the service sector. This became increasingly the case for the self-employed from 1996 until 2000, with a slight decline since then (see Table 6.5). 1998 statistics show that of the self-employed working for the public and living and/or working in the MSP, 69.8 % were in the service sector, 24 % were in commerce, and 4.3 % were in the industrial sector (see Table 6.4).²⁸ According to IBGE statistics for the MRSP, that includes the industrial ABC region, only 10 % of the self-employed and firms with five or fewer employees operated within the industrial sector in 1997, increasing to 13 % in 2003 (IBGE 1999, 2005; *Informal Urban Economy 1997 and 2003*). For the MSP, Seade’s statistics only showed a very slight increase from 1996 to 2003 in the percentage of self-employed both for firms and the public in the industrial sector (12–13.6 %) (see Table 6.5). This small increase, if accurate, is most likely due to outsourcing of production to smaller firms, which in turn were also more likely to outsource to self-employed workers for a firm. The low percentage of self-employed and small informal enterprises in the industrial sector in both the IBGE and Seade statistics and my own research show that little production occurs at the informal level, especially among the self-employed for the public. In other Latin American cities, for example, in La Paz, Bolivia, there is much more artisan and small-scale industrial production than in São Paulo. Crafting wrought iron gates and manufacturing of rubber flip-flop sandals were the only “self-employed activities for the public” in the area of industrial production in the three communities I studied. In addition, some four to five seamstresses in each community produced clothing for the community, but some of their work of mending and altering clothes could be considered to lie within the service sector. Small-scale entrepreneurs contend that they are unable to compete with large-scale manufacturers and especially with imports from Asia (not to mention the large offerings of used clothing from the United States

²⁸ The 1997 IBGE statistics for the MRSP show that 52 % of the informal sector enterprises operated within the service sector with the majority in repair, personal, household, and recreation (radio and television are included in the latter category). Twenty-one percent operated within the commercial sector. Unfortunately the data for the same 2003 informal sector study is not organized in the same way making comparisons for most of the categories of sectors of activity impossible. For example, repairs were put with commerce in 2003 but with personal household and Leisure service in 1997. Although not comparable with 1997, the service sector encompassed only 39 % percent of the informal enterprises in 2003, with the industrial sector increasing by over 3 % and civil construction virtually staying the same, 16 %. It seems this was primarily to do with repairs being taken out of the personal and leisure service category but also to a slight degree to do with some service work taking place in other sectors such as industry. As mentioned in Chap. 5, Appendix A the IBGE study does not consider the absence of regulation as a useful criterion, concentrating instead on the mode of organization, function of the economic unit, and size. The statistical operation of the definition then is that an informal firm is an urban economic unit owned by self-employed workers or employers with up to five employees. Homeless individuals are not included neither are those connected to strictly illegal activities, domestic workers because they are covered in another study, nor incorporated businesses and those that show high sales receipts on their tax declarations and/or employers with high levels of education and high level of organization.

Table 6.4 Distribution of employed who live and/or work in MSP by sector of activity – 1998 (in percentages)

Status in employment	Total	Industry	Civil construction	Commerce	Services	Domestic services
Salaried workers in firm of <=5 employees	100	13.6	<2>	31.3	53.6	
Registered	100	12.1	<2>	31.2	55.9	
Unregistered	100	14.6	<2>	31.5	52.1	
Salaried unregistered workers in firms > 5 employees	100	25.3	6.6	15.5	51.6	
Employer with <=5 employees, owner of family business	100	11.6	<2>	38	49.6	
Employer with <= 5 employees	100	13	<2>	28.9	56.9	
Owner of family business	100	<2>	<2>	48.8	40.9	
Self-employed	100	10.5	1.7	22.7	64.1	
Work for the public	100	4.3	<2>	24	69.8	
Work for a firm	100	18.3	<2>	21.2	56.8	
Domestic workers	100					100
Family workers	100	<2>	<2>	48.5	40.6	
Subtotal	100	11.6	1.9	21.3	46.6	17.9
Employed not represented above (1)	100	24.2	3.5	12.5	59.7	
Total employed	100	18.1	2.7	16.7	53.4	8.6

Source: Seade/Dieese Study of Employment and Unemployment in Jakobsen et al. eds 2000: Table 20, p 58

(1) Includes salaried workers and employers who did not report the size of their firm

<2> The sample does not allow for this kind of disaggregation

and Europe). Production was occurring, as mentioned in the previous chapter, by outsourced homeworkers for firms, falling under the category of self-employed for a firm. The majority of the self-employed women I interviewed were in commerce, selling either from their own little stores or house-to-house, in services, cutting hair, doing manicures, and caregiving, or working as domestic worker – this last, a line of employment that, as mentioned earlier, falls outside the self-employed category in the statistics. Men make up most of the workers in the “informal” transportation services, and are self-employed construction workers, and run bars.

Perhaps unsurprisingly, the 1997 and 2003 IBGE study showed that the majority of small firms considered to be a part of the informal sector in the MRSP have no municipal or state license of any kind, are not affiliated with a union or other association, and are not legally constituted in any way (see Table 6.6). Nevertheless, between 1997 and 2003, a major change occurred, and a substantial number of employers of microenterprises in 2003 were incorporated or made their enterprises into cooperatives. This is most likely due to the cooperative laws established in

Table 6.5 Distribution of self-employed in private sector according to sector of activity

Municipality of São Paulo					
1985–2007 (in percentages)					
Years	Self-employed				
	Total	Industry	Commerce	Services	Others
1985	100.0	14.0	27.8	54.8	3.5
1986	100.0	15.0	28.5	51.9	4.6
1987	100.0	14.3	29.1	52.3	4.3
1988	100.0	14.4	25.2	55.6	4.8
1989	100.0	15.6	26.9	52.8	4.8
1990	100.0	13.6	30.2	51.4	4.8
1991	100.0	12.8	28.3	55.7	3.2
1992	100.0	13.1	28.4	54.3	4.2
1993	100.0	12.8	27.0	56.7	3.5
1994	100.0	12.9	27.5	56.3	3.3
1995	100.0	12.2	27.9	56.5	3.4
1996	100.0	12.0	27.2	57.6	3.2
1997	100.0	10.8	26.0	60.1	3.1
1998	100.0	10.5	25.7	61.4	2.3
1999	100.0	12.6	23.2	62.4	1.8
2000	100.0	12.0	22.9	62.9	2.3
2001	100.0	12.0	23.3	61.4	3.2
2002	100.0	12.8	22.5	61.2	3.5
2003	100.0	13.6	22.6	61.0	2.9
2004	100.0	13.3	22.9	61.4	2.4
2005	100.0	13.9	22.1	61.5	2.5
2006	100.0	13.3	22.0	62.2	2.5
2007	100.0	11.2	22.9	63.5	2.4

Source: Seade/Dieese Study of Employment and Unemployment

1994, which began to be actively promoted by many governmental and nongovernmental entities in 1998.²⁹ However, the fact that a firm has no formal legal association does not necessarily mean that it is not paying any sort of taxes. The extent to which a firm is “legal” is, as mentioned in Chap. 5, difficult to determine. Many of the enterprises, which are often considered to be part of the informal sector because of their size or organization, might be partially legal. For example, they may possess some kind of license (as did 33 % of the self-employed in 1997 and 21 % in 2003 and 65.5 % of the employers of so-called informal microenterprises in 1997 and 54.26 % in 2003) or pay taxes to municipal tax collectors who make the rounds of outside markets or pay import duties when they import raw materials (IBGE 1999,

²⁹Already on December 9, 1994, a new law was passed (Law #8949) that regulated the possibility of contracting workers through cooperatives. Twenty people are needed. Cooperatives pay less in taxes.

Table 6.6 Owners of informal enterprises by type of informal worker and indicators of formalization in the Metropolitan Region of São Paulo in 1997 and 2003

Indicators of formalization	Type of informal worker											
	Total 1997	% of Total	Total 2003	% of Total	Self-employed 1997	% of self-employed	Self-Employed 2003	% of self-employed	Employer 1997	% of employers	Employers 2003	% of employers
<i>Total</i>	992,549	100.00	1,207,324	100.00	861,549	100.00	1,075,391	100.00	131,000	100.00	131,933	100.00
<i>Municipal or state license</i>												
Have	370,631	37.34	297,471	30.70	284,829	33.06	225,880	21.00	85,802	65.50	71,591	54.26
Don't have	621,204	62.59	850,290	51.45	576,006	66.86	814,052	75.70	45,198	34.50	36,237	27.47
No response	714	0.07	59,564	4.93	714	0.08	35,459	3.30			24,105	18.27
<i>Affiliation with union or association</i>												
Affiliated	168,796	17.01	169,481	14.04	126,691	14.71	118,015	10.97	42,105	32.14	51,466	39.01
Not affiliated	795,395	80.14	1,036,147	85.82	712,514	82.70	955,679	88.87	82,880	63.27	80,468	60.99
No response	28,359	2.86	1,696	0.14	22,344	2.59	1,696	0.15	6,014	4.59	—	—
<i>Type of legal constitution</i>												
Individual firm	64,123	6.46	46,266	3.83	43,274	5.02	28,538	2.65	20,849	15.92	17,728	13.44
Incorporated firm or cooperative	65,002	6.55	123,973	10.27	30,304	3.52	67,357	6.26	34,698	26.49	56,616	42.91
Doesn't have	863,424	86.99	1,029,655	85.28	787,971	91.46	974,087	90.58	75,453	57.60	55,568	42.12
No response			7,430	0.62			5,409	0.50			2,021	1.53

Source: IBGE, *Economia Informal Urbana*, 1999 and 2005

2005).³⁰ Street vending is often highly regulated. Street vendors do have to pay certain kinds of municipal taxes even though regulations are inconsistent. In addition, almost 27 % of the self-employed workers and employers of small firms in 2003 were contributing individually into the federal, state, or municipal social security system. Self-employed workers were less likely, than employers, to pay into the social security system (23 %) (IBGE 2005).³¹

The reasons for not obtaining a municipal or state license, affiliating with a union, or gaining a type of legal constitution are numerous but include cost, lack of information, inability to join a union if not a registered worker, and bureaucratic red tape. Often, however, it is also linked to legal status of the land on which the enterprise stands. When I asked Rosa, one of the research participants in *Favela Leste*, whether she was paying any taxes on the income she received from the bar in front of her house, she responded that none of the stores or bars in the squatter settlement could be registered or pay taxes, because they are physically located on illegally occupied land. Although this may fit into the argument of Hernando De Soto (2000) regarding the importance of legalizing land, most of the small-enterprise owners in the areas I studied would be unable to keep their businesses in operation if they had to pay all the taxes. And they would probably not be able to gain access to credit even if they did have clear title to the business, given the small size of their enterprises and the competition from their neighbors' businesses, not to mention the fact that the economic situation of their clientele gave them little hope of being able to enlarge because they could not afford many items or services and often bought on credit often owing the enterprise's owner money. De Soto's argument of the multiple effects of legalization does not adequately address issues of power and class: Barriers imposed through formalization requirements are but one of the many ways in which elites maintain an unequal system in order to continue to reap disproportionate benefits.

Many of the self-employed and microentrepreneurs were able to start their businesses either because the businesses did not require much capital (34 % in the 1997 IBGE survey, increasing to 41 % in the 2003 IBGE survey) or because they had received severance payments from jobs in the formal sector (14 % in 1997 decreasing to 12 % in 2003).³² In 2003, women were much less likely than men to say that

³⁰The substantial drop in percentages of self-employed and employers of small firms that had municipal or state licenses is significant, showing an increase in informalization. (See Table 6.6 in text.) Major changes in licensing regulations had not occurred.

³¹Only 5 % were paying into a private retirement plan (IBGE 2005. *Economía Informal Urbana*, 2003).

³²The decrease in use of severance pay may be due to the worker's previous unemployed or unregistered employment position resulting in the lack of severance pay for those starting a new business. More of the recent small firm owners may have been in the informal sector before. However, IBGE statistics for 2003 show that 80 % had been employed workers before becoming small firm owners and only 20 % had been self-employed (15 %) or employers (5 %), with little gender differentiation. Unfortunately, the same survey conducted in 1997 did not gather the same detailed information so cannot be used for comparison (IBGE 2005 Table 43 and IBGE 1999 Table 43, p. 166).

they did not need capital (36 % of the women versus 43 % of the men) (IBGE 1999: Table 38, p. 163 and IBGE 2005: Table 32). My research showed that this was in part due to gender stereotypes, with men encouraged to do more manual labor such as painting and carpentry services and women encouraged to open up commercial establishments. In addition, women were much less able to use severance pay to open up their enterprises (6.9 % women versus 14.6 % men). Yet, both men and women had been working before opening their own enterprise (96 % in 1997 and 79.26 % in 2003 of male owners of microenterprises and 80 % in 1997 and 81.3 % in 2003 of women) (IBGE 1999 Table 43, p. 166 and IBGE 2005 Table 47). Therefore, the likely reason for the gender difference in the use of severance pay to start a business is that women tended to work as unregistered workers before they became self-employed or microentrepreneurs. As mentioned above, many of the research participants who had had registered jobs with benefits used their severance pay to open up bars or grocery stores or buy vans or taxis. My female informants who did not have this resource started very small enterprises in the hope of expanding later or became involved in businesses that did not require any initial capital. For example, one informant, Rosa, discussed in Chap. 4 was never able to open her own beauty shop after having worked in other salons as an unregistered worker because she could not afford to buy the equipment, so she sold lottery tickets and occasionally did manicures and cut her friends' hair. Microentrepreneurs also used other personal resources, such as loans from relatives or friends, their partner's capital, or an inheritance. Women were twice as likely as men to receive loans from relatives or friends (13 % of the women versus 6 % of the men) (IBGE 1999: Table 38, p. 163 and IBGE 2005: Table 32). Women in the communities studied spent more time building social networks with family and friends and perhaps were more trusted not to waste the money on things such as alcohol.

Capital is not readily available in the form of loans from banks or other financial organizations. A very small percentage of microentrepreneurs (5.8 % in 1997 and 5.27 % in 2003) used credit in the 3 months preceding the two IBGE surveys.³³ In 1997, the use of credit was more likely to occur in the area of transportation services (14 % of the informal microentrepreneurs involved in this economic activity) and technical services (9.6 %) than in other activities; in 2003, it was also more likely to occur in transportation, storage, and communication (16.24 %) than in other activities (IBGE 1999: Table 25, p. 153 and IBGE 2005, Table 24).³⁴ In addition, in 2003 the vast majority (95 %) of the self-employed and informal microentrepreneurs did not receive any kind of technical or financial assistance (IBGE 2005, Table 31). Some of the research participants said they would have liked to be able to get credit to buy larger quantities from factories for retail sales, for example, but were unable

³³In 2003 self-employed were even less likely to use credit than employers of firms with less than five employees (4.39 % of self-employed and 12.38 % of the employers) (IBGE 2005, Table 24).

³⁴Categories had changed slightly between the two surveys so comparison between the 2 years was difficult. For example, the category of transportation had been expanded in the 2003 survey to include storage and communication. Communication services were under "other services" in the 1997 survey.

to do so. A few informants in *Jardim Sudoeste*, as mentioned in Chap. 4, had received loans in 1996 from an NGO for everything from establishing a bar and a day-care center to making snacks and cakes and buying and reselling clothes. Although occasionally the loans were not used directly for what they had been intended, they often indirectly helped the businesses and the families' well-being. The day-care center owner, Antonia, discussed in Chap. 4, used much of a loan she received to pay off moneylenders who had been charging her exorbitant rates, but this helped her to have the resources to continue operating the day-care center. The business finally ended when too many parents were unable to pay her as they became unemployed. With the end of CEAPE's (an NGO) microcredit program and the beginning of the national credit program, PROGER, most microentrepreneurs and workers without traditional collateral were unable to gain access to credit (see Chap. 7). "Paula," a self-employed caterer, would have liked to buy a bigger stove, which she needed in order to prepare larger amounts of baked and other goods. However, when the credit program ended, she was unable to grow her business because she had nowhere else to turn. Her husband, a metal worker, was also self-employed and did not have much capital to lend her. At the time, she was helping to support her son, the son's partner, and their baby and therefore was not able to save any of the small salary she received as a public day-care teacher. "Sandra" also would have liked another loan after receiving several from CEAPE to buy clothes in bulk from a factory outside of São Paulo, but even though she had gone several times to a bank that ran, PROGER, a governmental program for loans for small entrepreneurs, she contended that she was "unable to even get noticed" as she tried to make an appointment to discuss a loan but had told them where she lived. However, most of the research participants said that they did not want credit to enlarge their businesses, because given the economic crisis, they did not have enough clients to support growth. Competition had increased substantially as many of their neighbors opened similar businesses, and therefore they would not have been able to pay back loans of any size.

Access to capital has often influenced the growth in certain types of self-employment. In both 1988 and 1998, the percentage of the self-employed with a fixed location and/or equipment was the highest among all the types of self-employment for the public (65 % in 1988 and 55 % in 1998), but the overall increase in numbers of workers in this category between 1988 and 1998 was the lowest, with only a 10 % increase. In contrast, the self-employed without a fixed location or equipment, requiring less capital, increased by 65 %. The substantial increase in self-employed without a fixed location both in the communities studied and overall in the Municipality of São Paulo was partially related to the increase in the numbers of ambulant vendors and day laborers working in construction. Between 1988 and 1998, the number of self-employed who owned motorized vehicles also increased substantially by 63 % (Seade/Dieese PED) (see Table 6.1), a growth partially related to the increase in unregistered passenger vans or *perueiros*, which came about in response to the privatization of the local bus service resulting in the likelihood that some communities had no service at all because the private bus companies were less likely than the municipal government to service communities that were

further away from the center of town because of the cost. Although, unlike other types of self-employment without equipment or a fixed location, this type requires capital, credit is easier to obtain for vehicles.

6.5 The Precarization of Self-Employment

The rise in self-employment was partially a result of the increasingly precarious nature of salaried employment in large firms, but self-employment and ownership of small firms have also, in turn, grown more precarious. This is not only due to the lack of financial and legal support or to the interconnection with “formal” firms that are trying to compete against cheaper imports and to increase their profits. Small firms that are perhaps only indirectly linked to “formal firms” – i.e., those engaged in petty commerce on the street and in local stores and in the informal production of both goods and services – had also become more precarious because of the unemployment of salaried workers that has led to the lack of regular salaries coming into the household to support the enterprise. They were also suffering from the inability of clients to pay and from the growing competition among workers in the neighborhoods and streets. In both the 1997 and 2003 IBGE surveys, the principal difficulty listed by the self-employed and by employers of small firms was the lack of clients (37 %, increasing to 42 % of the self-employed, and 29 %, increasing to 36 % of the employers gave this as their principal problem). The second most common difficulty was high competition (21 %, increasing to 22 % in 2003 for the self-employed, and 26 % for employers in both years the survey was conducted). This was followed by the lack of their own capital in 1997 and small profit margins in 2003 (IBGE 1999: Table 30, p. 157 and IBGE 2005 Table 28). In 1998, Lúcia owned a grocery store in *Favela Sul* that she had started 3 years earlier. Discussing the growing competition, she said, “That’s another [store] there. That house has one on the bottom floor. Before, there was only me here . . . now, there are a lot. But it is like I said, everyone in the world wants to earn at your side, right? . . . The majority of the things I sell, the others have, too.”

Although the analysis of the interviews conducted in 1996 and the follow-ups in 1998, 2000, and 2003 showed that the major change, especially between 1996 and 1998, was the increase in unemployment of female and male workers with signed worker’s cards, it also revealed the increasingly precarious situation of the self-employed and of the owners of small firms. Of the ten follow-up interviews of women microentrepreneurs or women who had husbands who were microentrepreneurs, first interviewed in 1996, four were better off in 1998 because a family member had found formal work or because they had been able to enlarge their microenterprises. However, five of the women were worse off because they had been laid off from formal work, lacked credit for the enterprises they had started, or were suffering from the increase in competition; one had gone through bankruptcy because of a robbery in her husband’s bar. The situation of the tenth couple remained

the same – the husband was still unemployed and ran a bar outside of their house while she continued to work as a badly paid teacher. The research participants' strategies show that work situations were in constant flux, with members of the family going in and out of formal salaried work and commerce as one improves and another deteriorates. The increase in theft, bad debts, competition, and the despair about ever again entering the formal labor market were recurrent themes in all the interviews, as was the blurring of the line between the so-called formal and informal sectors by household members who went back and forth between the two. The volatility of most occupations during economic crises increased the likelihood of dire poverty in the communities studied.

Self-employment is not only linked to unemployment directly, i.e., when the self-employed worker or his or her spouse has been laid off; it is also impacted by unemployed clients. One woman I interviewed from the Programa Integrar in Diadema, a union program designed to help unemployed workers finish elementary school, wanted to open a salon. At the time she was doing manicures and pedicures and a bit of hairdressing in her home. Her plan was to gradually save and take a minicourse on Saturdays. She said, "I am not scared [to start a salon]. I already started things before, without having money, . . . without any money." She began to describe the little store she had built in front of her brother's house, all on credit. She stocked cleaning supplies, but she would also wake up early to cook little snacks and chocolates to sell as well. After a year, when her brother wanted the space for himself, she moved in front of her mother's house and, again with store credit, fixed up a place for herself, this time a bar, and later another space next to it to sell cleaning supplies. Soon, she started a restaurant to serve lunch to the workers from an adjacent factory. However, when the factory closed and her clients became unemployed, she lost most of her business. For a while, she continued to make a barbecue on weekends, but as more and more people became unemployed and stopped paying her, she began to become more and more indebted. She told me that she had an 8-month-old baby who often cried out of hunger because she had no time or energy to feed him. She would go to bed at 2 a.m. because she had to make the snacks for the next day. With debts mounting and the number of hours she had to put in to survive becoming untenable, she decided to stop. She then opened a video game parlor, again buying on credit. However, even though it was doing quite well, she did not like to just sit selling tokens for the video machines. At the time of the interview, she was thinking of opening a beauty salon. She was not a person to give up.

The necessity for self-exploitation and exploitation of family members also contributes to the precarious nature of self-employment. The following example of these practices also depicts the use of severance pay to start a business, the growing local competition, and the links with the global market economy. "Diana" had opened a store with her husband in 1994 in *Favela Leste*, on land she bought from her brother. Gradually, the couple fixed up both the store and the house, leaving most of the downstairs for the store, except for the kitchen in the back. The money came from the 3 months of unemployment insurance that her husband received

when he was laid off from his job changing truck and trailer tires. They did not take out a loan for fear that they would never be able to pay it back.

Diana and her husband sold everything from bread and eggs, the most popular offerings, to a range of goods including tomato, soy, and other sauces; condensed milk; noodles; guava paste; sugar; some fruits and vegetables; liquor; and toys. They bought some goods from wholesalers in the neighboring municipality and from ambulant vendors and purchased the toys in the section of São Paulo called Parque Dom Pedro and Rua 23 de Marco, where goods from Asia, which often come as contraband from Paraguay, are sold wholesale. They mostly had to pay in cash, but for certain products, such as the liquor, they sometimes could delay payment for 7 days. Diana's grocery store was the first in the *favela*, but by 1998 there were four on the same street. When asked whether she thought they would make more profit this year than last, she answered, "I don't think so. Look, . . . there is a lot of commerce, there is too much commerce. So there is a lot of competition. Business is bad here." One of the biggest problems they had, she said, was that their clients did not pay. They said that they had lost R\$7,000 (at the time equivalent to approximately US\$7,000) in this way. They did not own a car and therefore had to rely on the service of another resident who owned a truck. In lieu of payment, he received free food from the store. They saved money by turning off the refrigerators at night if it was a cold night. The profits from Diana's grocery store varied from day to day and season to season. The markup depended on the product but often amounted to around 70 %. The monthly electricity costs for both their dwelling and the store amounted to R\$40–\$50 (equivalent to US\$40–\$50 at the time of the interview) and R\$20 (US\$20) for water. She told me, "There are 15-day periods that we make a bit [of money], but months that we earn hardly anything." Her husband, on the other hand, who did more of the accounting, claimed that they made a profit of about R\$600 to R\$1,000 (US\$600 to US\$1,000) a month. Considering the fact that two of them were working, her husband's work experience, and the hours worked, this did not amount to much. Nevertheless, during the good months, they could earn more with their store than if they had been working at low-level jobs in small firms.

Diana is from Pernambuco, where she owned a house, but her financial situation was very bad. While she claimed that, unlike in 1986 when she left for São Paulo, it was no longer worthwhile to migrate to the city, she felt returning home would not make sense either, because there was no future in Pernambuco. "Those who are here, stay here, but those who are there also stay there." She commented that, had she had the option, she would have stayed there. Yet, upon arriving in São Paulo in 1986, her husband found a job right away in a transportation company. Her brother had already been working at this company. At first she did not work, but in 1993 her aunt found her a job in a cleaning firm that had been contracted by an auto-part firm, but she only worked there for 9 months. She decided to leave because her son was acting up. (Rumor had it that her son was involved in drugs.) She would have preferred to be fired, because then she would have been able to collect unemployment insurance. Her husband had never wanted her to work outside of the home.

Although both Diana and her husband liked running their own business, they had to work long hours 7 days a week, opening the store at 6 a.m. when the fresh bread came in and often remaining until 9 or 9:30 p.m. Diana told me, “I take care of what is ours. It is different, no? We get up early, but it belongs to us. It is different to leave early and take a bus, risking one’s life out there . . . I think commerce is better [than working in a firm], look . . . everyone needs to eat. If the location is good, you will be able to sell . . . The money from a firm is only certain that day, [but not for tomorrow] . . .” They said that they paid taxes on the goods they bought but not on their earnings. The store was on undocumented land. At the time of the interview, they only had one son who was 14 years old, but she was pregnant.

Others were less optimistic about self-employment because of their clients’ inability to pay. Ana, who had been laid off by “Electronics,” the industry that produced electronic panels discussed in Chap. 3, and lived in *Favela Leste*, peddled lingerie and costume jewelry door-to-door in 1998. “Right now, I think that there are 10 people who still haven’t paid me,” she complained. “They were supposed to pay on the 5th, but now it is almost the 20th and still they have not paid me. It’s like I haven’t sold, if I don’t receive . . .” Her husband still had a job in the auto-part factory, which made it easier for her to work without benefits and enabled her to continue her business even when she was not paid on time. However, throughout the time she was self-employed, distant relatives continued to look for work for her in the factories where they worked. When I returned in, January 2000, she had just started to work for a plastics factory in order to have a more stable income.

Many service-oriented microenterprises were also affected by the employment crisis. Take the case of Cida’s mother, Lucilia (Cida, a resident of *Favela Leste* and my second assistant in that neighborhood, was originally mentioned in Chap. 5). She would have liked to earn a living taking care of children, but demand for her services depended on women finding more secure and permanent employment.³⁵ Many women told her they could not find jobs or at least not jobs that would pay enough to justify employing a baby-sitter. One woman who had opened a hair salon 3 months before the 1998 interview said that she was charging R\$7 for a haircut. Normally, she would have charged separately for washing, cutting, and drying, but she believed that she could no longer do so because, with the high unemployment rate, her clients would not be able to afford her services. She said that she often had to accept less money for a haircut giving the example of two women who had come in the day before the interview and said they could only pay R\$2.50 and R\$3.50; she had accepted their offer because she could not afford to lose any clients.

These cases of petty commerce and service provision show how the problems that microentrepreneurs in the *favelas* face are linked to the unemployment crisis and the restructuring of the labor market. On the one hand, the clients’ unemployed status and/or unstable or low income left them unable to pay their debts, to pay more for the services, or to pay for the services at all. On the other hand, newly

³⁵ She ended up moving back to the Northeast of Brazil where her pension was able to cover much more.

Table 6.7 Months in same economic activity of self-employed in the Municipality of São Paulo in 1988 and 1998

	Months in job	
	1988	1998
Average (in months)	63	57
Up to 6 months (%)	28.6	34.1
From 6 to 24 months (%)	23.5	23.0
More than 24 months (%)	47.9	42.9

Source: Seade/Dieese. Study of Employment and Unemployment (1988, 1998)

unemployed workers were forced to open similar businesses, thereby increasing competition. The survival of the self-employed and microentrepreneurs, then, is very much dependent upon the situation of registered workers and larger firms. Although petty commerce and small-scale service provision may still bring in a higher family income than working for others, more than one family member is usually involved, and the long hours required to earn a living entail considerable self-exploitation. Many of the vendors opened stores because of their inability to find other more “formal” work, but they also sometimes argued that self-employment was actually more stable than the formal labor market.

The precarious nature of self-employment was also manifested in a decrease in the average duration that the self-employed remained in the same economic activity: from 63 months in 1988 to 57 months in 1998 [with an increase in the number of those staying in the same activity for less than 6 months (29–34 %) – see Table 6.7]. Nevertheless, the average number of months in an economic activity was considerably longer for the self-employed than for the unregistered salaried workers, who often worked in precarious firms that closed or laid off workers when business was slow.³⁶

The short duration of many self-employed workers in any one economic activity was clear also from my interviews. As mentioned earlier in this chapter, the research participants’ and their family members’ employment situation and microentrepreneurial activities were constantly in flux. Starting up a business was often associated with the loss of an industry job by a family member. The following three examples from the research participants show clearly this trend and also show the variety of different industries that have laid off workers, as well as the variety of different kinds of small enterprises started as a result of their unemployment. The husband of one school teacher, who I also had referred to earlier in the chapter, had lost his job in the aluminum industry – in a factory that manufactured truck parts – 7 months before our interview. The factory let 50 workers go, keeping only 30. Subsequently,

³⁶ Even with the decrease in duration by 1998, many more self-employed than unregistered workers stayed in the activity for more than 24 months (42.9 % of self-employed vs. 18.9 % of unregistered workers). For the population of workers who live and/or work in the MSP, the average length of stay is highest for employers of small firms (100 months) followed by self-employed for the public (Martins and Dombrowski. 2000).

the couple opened a little store in front of their house and began to sell liquor and staples such as bread and milk. In another *favela*, a seamstress, Carolina, opened a used-clothing store after her son lost his job with a cable TV company. She had been sewing for a small workshop that received short-term contracts to sew garments cut in factories, but the workshop closed temporarily, and when it reopened, it offered a more informal working arrangement. Carolina opened the store with her teenage daughter, who herself had been laid off from two jobs: a metal factory that moved away and a hotel where she had done the laundry. Carolina explained that she would earn more working in a factory, but at 39 she was considered too old. Even women as young as 28 and even 25 are considered too old, she said. “Paula,” another informant living in *Jardim Sudoeste*, referred to earlier, decided to start yet another type of small business than the other informants mentioned, a catering business making salty snacks and cakes for special events, when her husband was laid off from a metal industry and was forced to take up odd jobs. Like the seamstress she, too, was attempting to supplement her salary – from a job she still held and had started 14 years earlier in a municipal day-care center.

The precarious nature of self-employment can also be seen in the low income these workers eke out. The average monthly income of the self-employed for the public living in the MSP in 1998 was R\$635 (US\$338.13), while the median was R\$422 (US\$224.71). This was lower than the salaries of the self-employed for firms, who have an average income of R\$897 (US\$477.64) and a median of R\$515 (US\$274.23) (Seade/Dieese PED in Jakobsen et al. 2000).³⁷ The income was very low for a city with a high cost of living and much lower than the minimum salary estimated by DIEESE to be adequate for a family.³⁸ The average income of all types of self-employed workers decreased between 1988 and 1998. This was due, at least in part, to the abovementioned increased competition and decreased disposable income of their clients.³⁹

³⁷ The much lower median for both self-employed for the public and for firms signifies that a small number of individuals were pushing up the average. Neither category includes the most highly educated and those with very high earnings but includes individuals with more technical skills who could use them to earn substantially more than others in the same category. These rates are based on the Cost of Living Inflation Index with the base date of Aug. 1999. The commercial average exchange rate to buy dollars was 1.878 in August 1999.

³⁸ As mentioned in Chap. 5, DIEESE calculated that the minimum salary to maintain a worker and her or his family including food, shelter, education, transportation, clothing, health, leisure, and insurance was R\$892.44 in August 1999.

³⁹ Compared to the self-employed without equipment or a fixed place in the MSP who earned an average of R\$614, in 1988, and R\$564, in 1998, the self-employed for the public with a fixed location or with substantial equipment earned more per month both in 1988 (R\$658) and in 1998 (R\$622) but showed a decrease in earnings of 5 % and 8 %, respectively (in Reais of August 1999). At least this was not as much of a decrease as the 39 % decrease suffered by the unregistered workers. The average monthly income of all self-employed in the MRSP, however, increased more recently after the unemployment crisis by 4.3 % between 2006 and 2007 increasing from R\$795 to R\$829 (in reais of November 2007) (Seade/Dieese PED).

6.5.1 From the Resources of Poverty to the Poverty of Resources Economic Model

Self-employment also became more precarious in the 1990s and the first years of the new millennium because of an increase in the number of households where all members were self-employed and nobody earned a stable income. As occurred in Mexico (González de la Rocha 1997), there was in Brazil an erosion of low-income workers' ability to find wage employment, as well as an erosion in "their capacity to participate in 'alternative' occupations and self-provisioning activities in a kind of perverse process of cumulative disadvantages." González de la Rocha (1997) called for a new model to replace the "resources of poverty" model that was applicable from the 1940s to the 1980s, when households used such survival strategies as combining wage labor with other sources of income. During this earlier time period, some household members in São Paulo were involved in wage labor, but the household economies also relied on other sources of income, including petty commodity production and petty trade. Women were particularly involved in the latter. As was the case in the urban households in Mexico discussed by González (1997), low-income households in São Paulo relied on at least one person gaining wages in the formal labor market. This seemed to be the case as late as 1996, as I began my field work, when each family at least attempted to have one person in a "formal" job. In addition to providing a steady income, this job allowed them to receive the basket of basic food items that had been negotiated as an integral part of compensation by some of the unions and to gain access to health insurance. The steady income could then be used to support other activities, such as buying the raw materials or wholesale goods in bulk or supporting the enterprise until clients were able to pay. Between 1940 and 1980, workers increasingly shifted into salaried employment. While the economically active population in Brazil increased 2.6 % a year, registered salaried employment increased by 6.2 % annually, and unemployment, self-employment, and unregistered salaried work decreased (IBGE in Pochmann 1997:8). In the 1980s, with the economic crisis and the adoption of structural adjustment programs, many workers shifted back to unregistered salaried work and self-employment. Already between 1980 and 1991, of 100 salaried jobs generated, 99 did not provide working papers (Pochmann 1997:13). Women entered the labor force at a faster rate to sustain deteriorating family incomes. Although women and men collaborated within households for the survival of their families, resources were often distributed unevenly among female and male members. Lower incomes and the reduction of social services also increased the domestic chores of women who could not afford to pay for outside help. The crisis was therefore "privatized" with governments leaving the households to deal with declining incomes and fewer public services (Benería 1992).

However, again just as González de la Rocha (1997) argued for Mexico, the "resources of poverty" model only applied in Brazil when there were opportunities to work either in waged formal or informal activities or in self-employment. For the 1990s, she proposed a new model, the "poverty of resources" model, which depicts the "exclusion" of most workers from the capitalist system as a result of an alarming

combination of unemployment and precarious employment. In the case of Brazil (and many other countries), the term “exclusion” may be misleading, because while employment opportunities in Brazil deteriorated, the economic system still “included” unskilled workers within a process of capital expansion that was even more exploitative. Nonetheless, the “poverty of resources” model is important as it shows that the multiple survival strategies, self-employment, and reliance on social networks could not be sustained because they required the continued presence of at least one wage worker. With wage work as one of the pillars of the household economy, unemployment and the threat of it led to a further level of precarization as workers were forced to agree to worse and worse working conditions.

The lack of steady salaried employment, in turn, contributed to the precarization of the occupations in petty commerce and production because the steady income from a wage earner is necessary to provide the startup capital and the continued support of the enterprise when needed. As mentioned earlier, the initial capital for microenterprises and commerce sometimes came from private resources but very frequently from the “Fundo de Garantia” or unemployment insurance fund. However, after this money ran out, there often was little money to “grow” the enterprise and to support it during times of low sales. “Izabel,” who ran a store and bar, told me that she was unable to buy merchandise because her husband had not been able to earn much lately in construction and because so many customers owed her money. She was, therefore, unable to make a real profit. “Sara” was unable to buy material to make the bags that she sold in the market because her husband was unemployed. During this time, the family was living off the money she brought in from various small activities, and she was therefore unable to divert any of her earnings into the enterprise, even to keep it going.

Only a few fortunate individuals whose entry capital was significantly higher than average were able to escape such dilemmas. “Marilda,” who led a union for street vendors in 1998, was able to amass sufficient savings during the period in which she had a well-paying formal job to launch a substantial independent enterprise. She had worked in a bank but lost her job in 1996 when much of the bank work was automated. However, with the money she had saved, she started a little clothing firm with four machines and gradually was able to buy 15 more.

6.5.2 The Precarization of Street Vending

At the height of the employment crisis, the most common type of petty commerce became street vending, an activity open to new and old immigrants to the city, those with a handicap or ailment, old and young unemployed workers, retired workers who could not live on their retirement benefits, or those who needed to complement a low wage, such as teachers (Photo 6.4). The estimates of how many street vendors existed in the Municipality of São Paulo in 1998 ranged from 20,000 (mayor’s office) to 70,000 (the Union of Workers in the Informal Sector).⁴⁰ As late as 1996,

⁴⁰The numbers continued to rise and by 2001 reached around 73,000 (Seade/Dieese PED in Pamplona 2002).



Photo 6.4 Street vendors in downtown São Paulo

street vending could be a fairly lucrative activity for many of the street vendors (compared to cleaning houses or working for a small factory) and even sometimes offered social mobility. In 1996, one street vendor told me that she was often able to sell R\$200 a day worth of toys, watches, and tapes imported from Paraguay, making a 10–30 % profit after deducting such costs as paying a person to go to Paraguay to obtain the goods, storing the merchandise, erecting and disassembling the stand, and the street vendor association fee. However, in 1998, with increasing competition and the new policy to rid certain areas of the city of street vendors, it had become a more precarious occupation with some street vendors placed in special government designated spaces in the city telling me that they were not selling anything and having to buy or rent expensive stalls.

The last economic crisis of the 1990s and early new millennium, however, also led to the emergence of a new type of more capitalized street vendors who used their severance pay and guarantee fund to buy and resell expensive and sophisticated products. Sandoval (2000) has called these street vendors the *neo-camelos* or new street vendors. They do not sell homemade food items, cheap trinkets, or candy but invest in small electric appliances, computer accessories, toys, leather goods, tools, and clothing. They often set up their stalls in front of, or on the same street as, stores selling similar items, in order to attract the same clientele. When the storeowners fought against them, they mobilized, resulting in a dramatic increase in confrontations and demonstrations (see Chap. 7).

In 1998, a new São Paulo measure came into being aimed to rid the streets of vendors. Initially, the street vendors were asked to be off certain designated streets in the center of the city and Brás by July 23, but the mayor decided to extend the deadline until the end of the year. (The mayor's office claimed that 7,000 vendors would have to move, but the street vendors union estimated that, on those designated streets, there were about 10,000 vendors.) To enforce the measure, the Civil Metropolitan

Guard would stake their posts at 11 p.m. and then prevent the street vendors from returning early in the morning. Celso Pitta, the mayor during this time, claimed that he wanted to “return the streets and plazas to the city” (*Folha de SP*, July 23, 1998, pp. 3–13 and interview with director of the Union of Workers in the Informal Economy – *Sindicato dos Trabalhadores da Economia Informal*). The Bank of Boston and other businesses in the old center of the city had fought against the street vendors, arguing that they wanted to “modernize” the area and make it a safer and nicer place. They even funded an organization called *Viva Centro*,⁴¹ which devoted one of its conferences to the issue of the street vendors. As the director of the Union of Workers in the Informal Sector explained to me, “There was one street vendor right next to the other, and therefore there was a need for reform and organization. This much I accept. Now the form that it was done, to take away everyone from one day to another [is another matter]. There are people who [now] don’t have a place to live. Here in the city, we have many members who don’t have the means to pay the rent.” One member of the union, “Cica,” added, “There are some who are going hungry.” Cica, who is blind, had been selling clothes in the center for 15 years. At the time, she was a single mother of a 12-year-old child and lived with her mother. In July, when they kicked everyone off her street, she began selling socks, which she would carry in a box tied around her shoulders so as not to require a fixed site. Unlike the clothes she had sold, which were delivered to her directly from the factory, she bought these socks from a store in the center of town, which, in turn, bought primarily contraband goods from Paraguay. In the few months that she sold the socks, her monthly earnings dropped to about R\$200 (equivalent to US\$172.41 at the time), working 6 days a week and 8 hours a day. By December 1998, she had stopped peddling altogether. In many ways, her case could also be considered an example of the precarization of “formal” work. Cica was paying taxes. In 1997, she paid R\$400 to the city for a license for permission and use of the streets that she could pay in three installments, as well as a one-time merchandise fee of R\$92. She was, therefore, connected to the formal economy, not just through the taxes she paid but also through the factory that used her as way to sell its products cheaply and later through an established store in the center of town that paid taxes (but bought contraband goods).

The government’s solution to the problem of the street vendors was to set up designated areas called *camelódromos* or *bolsões* in vacant city squares and to create the *Popcenter*, a shopping mall for street vendors. The women interviewed in one designated area in Brás ranged widely in age, number of years of street vending, and type of goods they sold, but they had one important thing in common: They were all unable to survive in this new area, where hardly anyone came to buy. They complained that it was difficult for their best clients, the *sacoleiras* – the women who bought from them to resell the goods door-to-door in the peripheral neighborhoods and nearby small towns to come into the area, because it was a crowded triangle. There was no space for the buses used by the street vendors to transport themselves and the products purchased in the countryside or Paraguay. In addition, although there were security guards, the buyers were scared to lose their money to

⁴¹ Relatively recently the Bank of Boston left the center of town.

thieves who found it easy to hide in the warren of stalls. “I gave out cards, and she [pointing to another fellow street vendor] did so too with the street number, with the telephone and everything. We gave them to be distributed, but only a few [clients] come . . .” Door-to-door vendors liked to buy from them because they could buy small quantities, rather than the bulk amounts required by the wholesale stores on the Rua de 25 de Março. One vendor, Claudia, lamented the high competition resulting from so many vendors in one area and the lack of clients, “I am selling for less than the distributor is selling to me, in order to cover the money that I owe. So you see what kind of situation the poor are in here. You can imagine with this high unemployment in all of Brazil, in the world. This is our employment . . . and they are taking away our last option that permitted us to live. Where [else] will I, a person who is almost 60 years old, find work?” Claudia, whose husband was very sick, cried as she told me how she pretended she had forgotten to buy his medicine when, in reality, she did not want to tell him she did not have the money to buy it. The rest of her family was unemployed, so she could not ask them for help.⁴²

The street vendors’ sales had decreased substantially in the last 2 months after their move, and their costs had increased in both the *camelódromos* and the *Popcenter*. A vendor who had been making R\$800 to R\$900 (US\$689.655 to US\$775.86) a month in her previous location was only making R\$1 a day at the time of our interview. The total cost for night storage, a porter, and taxes was R\$130 (US\$112) per month. They were paying R\$43 to R\$48 (US\$37–\$41.38) a month in taxes. Vendors were also concerned that they would all be forced to buy stands that could be closed at night, which could cost anywhere from R\$1,000 to R\$1,200 (US\$862–\$1,034.48), as well as to pay from R\$130 to R\$150 (US\$112–\$129.31) a month in taxes, almost triple the amount in taxes they had paid before.⁴³ The man selling the new stands said that people were not buying the stands, and those who had bought them on an installment plan were not making the payments. Some of the street vendors were also wary of investing too much in the location because there were rumors that they would be moved again to make way for a new bus terminal. The freedom that street vending had provided had also been taken away. Even though they were not selling anything, they had to show up every day in order not to lose their spaces. The vendors in the “shopping center” were fined when they

⁴²Heartbroken after she told me her story I pretended to pull her aside for her to show me her merchandise but instead gave her the money to buy her husband the medicine. I sensed that she was a proud person and I did not want her colleagues to see her having to accept money. She cried, calling me an angel that had come down from the sky to help her in her hour of need and told me that she would repay me as soon as she could giving me her card. This was one of the many days that I arrived home to my apartment on Avenida Paulista, the center of global finance in São Paulo, asking myself about social justice and crying about the lives of the research participants hoping that one day there would be some justice in this world. And I wondered whether I would someday be able to help more than listening, giving them a voice, and in this case giving a few reais to help get some medicine. How was she going to be able to afford the medicine next month and feed herself?

⁴³I used the exchange rate of 1.16 reais per US\$1 for July 1998 because I conducted the interviews in that month.

closed early or if they did not show up for work. The vendors blamed the start of their problems on a Lebanese man who arrived in Brazil, bought many stores in the area, and started an association of storeowners to force the vendors off the streets. One street vendor told me, “[This has happened] because he [the Lebanese man] has a lot of money and he gave money to the municipal government. He buys what he wants to buy. Pitta [the mayor of the Municipality of São Paulo at that time] himself was elected with the money and he promised if he was elected that he would tear us off all the streets.”

After I conducted these interviews, in November 1998, the street vendors who had been selling in the designated area in Brás went on a hunger strike to demand to be allowed to sell on the streets of Brás again. They promised to be spaced 10 m apart and to decrease the number of stands from 504 to 300 in this neighborhood. The hunger strike, which involved one of the three unions of street vendors (actually linked to one of the more conservative union federations, Força Sindical), involved 37 street vendors in the beginning, 16 of whom persisted for 10 days. The hunger strike ended so that the vendors “could better negotiate with the mayor,” but it did not result in any agreement. The mayor argued that if the city made an exception, the other 5,000 street vendors who remained in the designated areas (bolsões) would also go on a hunger strike. The reasons for moving the street vendors went beyond aesthetics, he said; the move would also reduce violence (*Folha de SP*. December 7, 1998. p. 4 and *Folha de SP*. December 13, 1998. pp. 3–10). When the mayor was asked whether the situation with the street vendors worried him, especially the hunger strike, he answered, “I and the municipal government are returning to the social [issues]. The worry about unemployment, and with it, the exclusion and the absence of citizenship is great. But the difficulties imposed by the whole situation do not justify abandoning the city and installing chaos and a mess” (*Folha de São Paulo*. December 13, 1998. pp. 3–10). Soon after, the vendors returned to the streets, although no formal agreement was ever reached. The research participants told me that some were selling their goods out of their cars, which they could close whenever an official walked by. Others were selling on streets where the storeowners allegedly had not paid bribes, and the officials, therefore, had looked the other way (Schivartche 1998 *Folha de São Paulo*, Dec 8, 1998: 3.7). When I returned in January 2000, the *camelódromo* was no longer in operation. However, government actions against the occupation of public spaces by street vendors continue until today. For example, between 2005 and 2008, the sub-mayoral office of Mooca cleared street vendors out of public spaces, in Brás, Pari, Belém, and Mooca. The vendors had continued to try to sell out of the cars (“Prefeito realça retomada do espaço público” *Balanço da subprefeitura da Mooca* 2008). Government campaigns against selling pirated goods on the streets have been also ongoing.

One of the vendors in Largo de Concordia, located in Brás in the center of the Municipality of São Paulo, responded to the complaint that street vendors made the city ugly: “Everyone has stands and it isn’t a problem. It is just an excuse . . . What

about the poor children . . . that you pass sleeping on the sidewalk with everything [they own] at their side . . . Does none of this make the city ugly? Is only the street vendor ugly?"

The harassment of street vendors because they are seen as nuisances and not "modern"; the limitations on their business hours and locations; and the prohibition of vending in the center and other areas of the city – these are not recent phenomena. Since the 1700s, when women in São Paulo used black slaves to sell the food they cooked, there have been controversies between the municipality, the store owners, and the street vendors. In 1726, vendors were already restricted to certain localities and accused of dirtying the streets and causing illness. By the end of the eighteenth century, street vendors had overcome the limitations imposed on them by the municipality and just about anything could be bought on the streets. However, established storeowners in the beginning of the nineteenth century were able to get the municipality to prohibit vendors from selling certain staples, such as manioc flour, corn, and beans. The street vendors also protested then. In 1857, they refused to sell in Largo São Bento, in the center of MSP, where they had been relegated, because of the limited number of customers in that area. Vendors also disobeyed the restrictions regarding the hours when they could sell. The vendors catered to low-income customers, especially when they started selling manufactured goods from family enterprises and factories in the beginning of the twentieth century. Since the last decades of the nineteenth century, dramatic increases in the number of vendors have taken place during times of job scarcity, such as in the last decades of the 1800s, when too many Italian immigrants arrived to work on the coffee plantations, and in the early 1970s, during the economic crisis that developed at the end of the "Brazilian economic miracle" (Filho 1989). It is estimated that the number of vendors grew from 20,000 between 1972 and 1973, to 40,000 in 1974 (Sindicato dos Ambulantes in Filho 1989:36). The number of street vendors, along with the conflicts with storeowners, increased again with the economic recession of the early 1980s. The solutions continue to be the same: setting up commissions to deal with the situation; setting up separate spaces to concentrate the vendors, often in locations rarely frequented by consumers; curtailing the number of licenses; increasing the fines for noncompliance of location, hour, and product regulations; confiscating, especially pirated merchandise; and simply using violence to get street vendors off the streets, especially in the center of town. Yet, there have been mayors, such as Adhemar de Barros and Luiza Erundina, who have been supportive of the vendors (Filho 1989). Barros created 1,300 more stalls for handicapped street vendors in the center at the end of the 1950s. And, according to one street vendor interviewed in 1996, right before the mayoral elections between Luiza Erundina, who had been mayor before between 1989 and 1993, and Celso Pitta, chosen by Mayor Maluf to succeed him, Erundina was "better (*boazinha*), because she had compassion for the people." I would therefore argue that the recent precarization of the work of the street vendors forms part of a cycle. When unemployment is particularly high in other occupations, the number of street vendors increases, and the measures against them take on a greater severity.

6.6 Conclusion

Still by the end of the employment crisis of 1996–2003, self-employed workers faced an uncertain future. In 1997, 36 % of the self-employed and owners of small informal firms in the IBGE survey had plans to enlarge their enterprise and only 10 % had plans to abandon their activity and look for other employment, while 8 % wanted to do something else and also continue working independently. The performance of the informal firms in the preceding 12 months had not been too promising though, with 5 % showing growth either in numbers of workers or productive capacity, 32 % having reduced their activities, and 50 % remaining the same (IBGE 1999, Tables 27 and 28). By 2003, the performance of self-employed workers and owners of small informal firm had deteriorated further, with only 3 % growing in either the number of workers or their productive capacity, 41 % having to reduce their activities, and only 38 % remaining the same. Although the percentage of workers wishing to enlarge their enterprises held steady between 1997 and 2003, at 31 %, those wishing to abandon their enterprise and look for other employment more than doubled (to 21 % from 10 %). About 10 % wanted to move to another activity but continue working independently (IBGE 2005: Tables 25 and 30).⁴⁴ The interviews I conducted between 1996 and 2003 showed that the activities of the self-employed were constantly changing in terms of products offered, size of the enterprise or activity, and even their ability to remain open. The movements were a function of a very volatile time, as many household members were being laid off, with only some members finding registered salaried work and some starting small entrepreneurial activities. Clearly apparent was the determination of these workers in times of crisis, always searching for new ways of earning money and looking for a niche in crowded commercial and service sectors. They constantly found new sources of secondhand equipment and new factories that sold even cheaper wholesale goods.

The trends in the type of self-employment were toward a deterioration in workers' situations: The most precarious forms of self-employment experienced the most rapid growth. For example, the largest increase among the self-employed from 1988 to 1998 in the MSP was among those who did not have a fixed location or equipment (65 %). This increase took place at a time when the working-age population grew by 9 %, but the employed population remained constant.

Although in the 1980s petty commerce and production may still have offered a viable alternative to registered salaried work and a solution to the unemployment crisis, between 1996 and 2003 these activities became more precarious. Woortman (1984), who was one of the first scholars to examine family labor in Brazil, argued for the 1980s that work in the “informal sector” was not only an alternative to unemployment but also to “formal” employment, could frequently even entail an increase in social status, and therefore was sometimes chosen over work in the “formal”

⁴⁴The growth by 2003 in the numbers of those self-employed wishing to look for salaried employment might also be a reflection of the sense that the economy had improved.

sector. However, work as a registered salaried worker became very difficult to obtain in the latter part of the 1990s, especially if the job seeker did not have a high level of education and was over 30 years old or non-white. An individual, therefore, did not always have that choice. “Formalizing” all of these workers and firms, as some practitioners such as De Soto (2000) have argued for, would not begin to address the complex issues involved: the growing competition, the lack of credit, and the lack of technical and even elementary school-level education of their owners. Rather, the solutions must invoke change in the nature of global capitalism that has come to rely on these kinds of economic activities to produce and sell cheaper goods to an unemployed or low-income population, thereby exacerbating rather than decreasing disparities in income distribution.

Appendix

Statistical Limitations

The nature of the available statistical evidence on self-employment in São Paulo requires a continuation of the discussion of the categories employed in the statistics. In the Introduction, I began my argument that attempts to subsume economic activities into discrete categories by the size of economic units and their legal status runs the danger of obfuscating rather than revealing economic processes. In Chap. 5, I showed that the aim of separating the economy into discrete sectors may have induced statisticians from Brazil’s national statistical institute (Instituto Brasileiro de Geografia e Estatísticas – IBGE) to exclude unregistered workers employed in firms with more than five workers from their definition of the “informal sector,” thereby missing the fluid and often reversible patterns of formalization and informalization that characterize the global economy. Among other things, their statistics underplay the precarization of work in larger, more capitalized firms. Similar potential sources of distortion and confusion are also evident in the categories of small firms and their workers in what IBGE defines as the “informal sector.” A study by the National Labor Confederation (Central Única dos Trabalhadores – CUT) entitled “Map of Informal Sector Study” used Seade/Dieese PED statistics to examine workers that live and/or work in the MSP and included the following categories of owners and workers in small firms as part of the informal sector:

- Registered and unregistered salaried and wage workers in firms with up to five employees
- All employers of firms with up to five employees
- Owners of family businesses
- Self-employed workers
- Family workers
- Domestic workers
- “Other”

Technicians, lawyers, doctors, and other professionals with university degrees and earning a higher salary are not considered in the general category of self-employed and are usually placed under “other” in the statistical tables. However, if they are employers with five or fewer employees, they are considered part of the informal sector. This, of course, skews the income level of this group but also is questionable in terms of the other criteria of organization and legality, since these firms may or may not be paying taxes and be registered. In contrast, the IBGE statistics and its report on the “informal sector” do not include agricultural units nor firms with employers with a high level of education and high level of organization in their informal sector category, even if they have five or fewer employees. The CUT study, using Seade statistics, does recognize the heterogeneity of this particular group of microenterprise owners. Qualitative case studies in the CUT study show that most workers in this group of owners have an average of 11 years of schooling, with 32.6 % having completed high school or some college and 31.1 % having completed higher education (university); only 20.8 % had not finished elementary school. Owners in this group earn three times the median salary of the other informal sector workers and 63.7 % contribute to social security (Martins and Dombrowski 2000:31). The IBGE study does show that the vast majority of self-employed and employers of five or fewer employees do not have any type of license, affiliation with a union or association, or any kind of legal constitution (Martins and Dombrowski 2000; Instituto de Estudos do Trabalho e Sociedade (IETS) 2006; IBGE 2005; Seade/Dieese PED 1996–2003). Such statistical calculations make it difficult to establish patterns of precarization of employment, e.g., to determine whether professionals and small (but once highly formalized) retail outlets are resorting to the same practices of informalization I found in larger firms. An additional problem is the fact that Seade and IGBE researchers may have found it difficult to differentiate between unemployed and underemployed workers. Their statistics probably included many of my informants in the “hidden unemployed” rather than the “employed” category, but these research participants were mainly working sporadically as self-employed workers or as dependent workers for small informal firms. When I asked who was unemployed in the household, the research participants often said that they were unemployed. However, when I asked what kind of *bicos* (a common Brazilian Portuguese word for sideline activities) they were involved in, they would tell me about their small enterprises or their sporadic economic activities as manicurists, hairdressers, vendors, or daily maids if they were women or as drivers, construction workers, or painters if they were men. In reality, they were self-employed or working as dependent workers in small enterprises but did not consider their activities as employment, either because they had once been involved in the formal firms (e.g., as factory workers or vendors in a shop); were still looking for more stable, registered work; and/or worked very sporadically and brought in very little money.

For example, returning to the story of Rosa in *Favela Leste*, who first appears in Chap. 4: She and her husband would have been classified in the hidden unemployment category in the statistics, when, in actuality, they were self-employed or employed in a microenterprise. He was working sporadically as a driver’s helper, while Rosa was engaged in various *bicos* that changed constantly, from selling

yogurt and cutting hair to selling lottery tickets. When I asked her whether her *bicos* could sustain a family, she replied, “It is difficult, because with a *bico*, sometimes you earn only a minimal amount for the day, but still, it helps. However, one cannot maintain a family with *bicos*.” Given the uncertainties among both workers and employers about who could be defined as employed, I did not attempt to record the number of workers employed by microentrepreneurs in the surveys I undertook. I have tried to mitigate these statistical limitations through the use of more qualitative techniques, showing the dynamics within microenterprises and between microenterprises and larger, more capitalized firms.

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Photo 6.5 Store with goods from the Northeast – Jardim Sudoeste

Chapter 7

“Destiny Is Not Set in Stone”: Social Actors, Cooperatives, and Local Coalition Building

Abstract This Chapter concentrates on an analysis of the types of actors that have been and could again be involved in bringing about social change. The chapter first provides an overview of the history of social movements and union activities in São Paulo and the types of programs and policies being implemented between 1996 and 2003 to deal with the unemployment crisis. In the chapter I examine the Municipalities of São Paulo and Diadema governed by Worker’s Party mayors. I explore the link of national and local politics with labor as an additional dimension to the story of labor market restructuring. I then examine several coalitions, focusing on the Regional Chamber of the ABC Region and its development arm, the Agency for Economic Development, composed of a group of trade union activists, workers, businessmen, and government strategizing together to change the regional economy and social problems. These case studies provide a starting point for a discussion of several issues including the role of the state, regional governance, citizen participation, the possibility of working within the global economic system while increasing social justice, as well as private/public partnerships. Like Brecher and Costello (*Global village or global pillage*. South End Press, Boston, 1994) in their analogy of the Lilliputians, I contend that solutions cannot be found through the actions of a single group of actors, but with coalitions of actors working at all levels.

Cost what it may, we won’t give up, because it isn’t right that we hear about a mate who lives in a favela working in the way you told me and not getting her salary . . . She is not a vagabond. She works, raises her kids, takes care of her house, and lives in bad conditions. Therefore she has the right to citizenship and a dignified life. Maybe that is being an idealist, but if I am not idealistic, if I do not have the will to persist in the things that I believe in, then it is better that I leave, right? (President of the Union of Seamstresses, Municipality of São Paulo and Osasco)

In the wake of economic globalization, the TINA syndrome – “there is no alternative” – developed among political officials, industrial managers, workers, and even academic scholars. This syndrome has persisted during the continuing global

financial crisis starting in 2007.¹ With the TINA syndrome comes the despairing notion that as capital flows at lightning speed from one country to another, there are no concrete forces, no powerful nation-states, and no one responsible, especially for the economy. Social movements historically have demanded economic change from local or national governments. Yet, some activists and scholars now feel that governments are no longer the dominant economic forces and instead see entities such as multinational corporations, investors, and international economic institutions such as the World Trade Organization as having taken over economic power. When Polanyi (1957) studied the self-regulated market economies that developed in the early nineteenth century, he concluded that they were not the natural outcome of the spreading of markets, but were socially constructed, requiring continuous, centrally organized, and controlled interventionism (Benería 1999:63). A similar phenomenon has been in place since the 1970s and especially the 1990s in Brazil. Municipal governments offer tax abatements and improvements in infrastructure for multinational corporations (MNCs), regional governments implement new competitive economic plans, nation-states enact deregulation schemes in financial goods and labor markets (even as financial markets crash), and there are international interventions by organizations such as the World Trade Organization, the World Bank, and the International Monetary Fund. In turn, coalitions of social actors, in São Paulo, in Brazil, and around the world, strategize for different economic schemes and political frameworks; fight against and work with governments, corporations, and international organizations; and sometimes succeed in getting different policies and development plans implemented. There is a healthy global exchange of ideas. For example, unions work in global coalitions to help prevent multinationals from going into countries where there is cheaper labor and no controls, and nonprofit organizations transfer ideas, such as microcredit, from developing cities to huge “developed” urban centers such as New York City.

Even though the rhetoric of globalization has been very disempowering, cities are not totally helpless. As Harvey (2000:31) and Sassen (2000) argue, there are many interstitial spaces in which “all sorts of liberatory and emancipatory possibilities can flourish.” Although Harvey (2000:8) is partially correct in proposing that those with power and privilege are often just running away from problems, leaving the cities or retreating into gated communities – unlike their nineteenth-century forebears of the industrial era, who led a massive movement of reform – I do think that during the crisis of the 1990s and 2000s, there were actors in São Paulo who were attempting to at least alter the way that the neoliberal model of economic development was enacted. They were beginning to push for a new model of development in which the “goal is to place economic activity at the service of human or people-centered development and not the other way around; or to reach an era when productivity/efficiency is achieved not for its own sake but as a way to increase collective well-being” (Benería 1999:77). One of the main questions continues to be

¹“There is no alternative” was actually a phrase taken from a speech by Margaret Thatcher, who was trying to explain why the world needed to go full force in adopting a neoliberal and global economy.

whether radical transformation is needed for labor conditions, such as those discussed in this book, to be substantially improved. It is true that major changes are needed, but instead of a revolution, gradual changes could be brought about by short-term actions that chisel away at the neoliberal capitalist system. Harvey (2000:91) suggests that capitalism can actually be a revolutionary mode of production in and of itself because it “contains, often unknowingly in its midst, the possibility of ‘growing’ alternatives within the interstices of itself.” As even corporate actors, such as CEOs of large multinational corporations, would argue, there is no singular path to reach the goal of profit. Therefore, the basic repertoire of competition and cooperation can be organized differently.² As humans – like other species such as the bees with which Karl Marx and David Harvey have been so intrigued – we can modify our environment for our own good, and we have the ability to “alter and adapt our forms of social organization” and accumulate knowledge to guide us in future action (Harvey 2000:93). As Kowarick and Campanario (1994:58) write,

[D]estiny is not written in stone. It depends on the capacity for struggle of diverse social and political forces that confront one another in the Brazilian arena . . . Without doubt, greater São Paulo will be the setting for evolving confrontations, with consequences of strategic importance for millions of people.

The purpose of this chapter is to examine the social actors in São Paulo, who were involved in fighting for change, particularly at the time of the economic crisis of the 1990s and early 2000s, both inside and outside of the communities studied. The chapter will also analyze the strategies these actors were employing or could use to deal with the degradation of labor. It will assess the role of religious institutions, state and regional governance, citizen participation, the possibility of working within the global economic system to increase social justice, and private/public partnerships. Specifically, this chapter will focus on the past, present, and possible new roles of the Catholic Church and the Pentecostal churches; the community actions of Favelas Sul and Leste and Jardim Sudoeste; and the strategies and goals of various types of NGOs, such as labor unions and the Pastoral of the Catholic Church. In doing so, it will review municipal and federal governmental policies and programs, including the development of cooperatives to deal with the increasing level of unemployment and the precarious nature of employment; and it will consider the coalitions of public and private actors with specific reference to the Regional Chamber of the ABC Region, the Ethos Institute, and the Our São Paulo Network. The more general questions posed and answered in this chapter are the following: Who are the local actors who have or could have embraced, resisted, or transformed the global forces that created the precarious labor market discussed in the previous chapters? How have these actors worked cooperatively? And what has been or could be the role of government vis-a-vis external forces (such as multinational corporations) and internal forces (such as private national corporations) that are in a position to determine the development trajectory?

²As Harvey (2000:97) points out, the balance between competition and cooperation can be – and has been – altered throughout history, for example, through state regulation.

7.1 Social Movements in São Paulo from the 1960s to 1980s: Where Are These Actors Now?

In São Paulo, there is a rich history of social movements and social struggles for economic, political, and social rights. Yet, by the 1990s, many of the actors involved in these struggles had become less active. Could these same actors once again mount the struggle for social and economic justice? And what conditions might have been necessary for these movements to flourish once again? I agree with Drogus (1999) that the actors involved in the neighborhood movements and the Catholic Base organizations (CEBs) in the late 1970s and early 1980s, many of them women, could have again played a crucial role in developing a stronger civil society if new alliances had been built. The actors had fought with the labor unions to ultimately topple the military government and in the Cost of Living Movement and the Movement for Day Care.³ Although those major movements had wound down before the unemployment crisis of the late 1990s, at least some of the actors, or “popular subjects,” were contributing and could continue to contribute to the creation of a stronger civil society during the economic crisis of the late 1990s and early 2000s and beyond (Levine 1993 in Ireland 2001). These actors had set up the infrastructure for democracy which created the base for the struggle for an alternative more equitable economic and political system (Drogus 1999 and Ireland 2001).

Many of the social movements in São Paulo in the 1970s and 1980s made a connection between the exploitation of workers in the workplace and their atrocious living conditions. The Brazilian sociologist Lucio Kowarick called it “urban spoliation”: “the sum total of the extortions that result from the non-existence or precariousness of collective consumer goods and services which – together with access to land and housing – are considered socially necessary in relation to working class subsistence levels” (Kowarick 1994:39). Capital accumulation, as well as impoverishment, is related to “urban spoliation” not only because the “spoliated” inhabitants are also exploited workers but also because “it is the very dynamics of the creation and appropriation of wealth that gives rise to these two faces of the same coin” (Kowarick 1985:79). The exploitative methods that fuel capital accumulation

³The Movement for the Cost of Living (MCV) was born in São Paulo in 1973 as the price of food, transportation, and healthcare dramatically increased with high inflation. The MCV launched a nationwide petition drive in 1978 against the rising cost of living. Although the direct gains of the movement were not significant, the movement encouraged a range of different strategies such as petitions and organized theater groups and thousands of women. The movement was important in causing the decline of the military government and the emergence of a more democratic government in São Paulo (Singer 1981:98–100; Alvarez 1990:98–99). The Movement for Day Care, initiated in 1973, followed a similar strategy to the early Cost of Living Movement. Women conducted surveys among neighborhood residents to gather information on their needs of child-care. There were two fronts for the struggle: one local (that already existed) of demands for day care from the state and the other one to change the work legislation and introduce a mandatory requirement to set up day care in the actual units of production, the factories. By 1983, 196 day-care centers had been built and maintained (light, water, taxes, etc.) by the municipal government (Gohn 1991:157–159).

are not limited to capital-labor relations. The partnership between corporations and the government guarantees the urban infrastructure and services required for the rapid circulation of capital and denies to labor collective consumption goods, such as a sewerage system and water (Kowarick 1985:79 and Kowarick and Campanario 1986:168).

São Paulo's neighborhood movements from the 1950s to the 1980s had two phases: the first came with the formation of the Societies for the Friends of the Neighborhood (*Sociedades de Amigos do Bairro* – SABs) in the 1950s; the second arrived with the Catholic Base Communities (*Comunidades Eclesiais de Base* – CEBs) in the beginning of the 1970s, when the neighborhoods in the periphery developed. CEBs are small, freely forming associations of ordinary Catholics who meet on a regular basis to deepen their knowledge about the Gospel, reflect upon community needs, and seek adequate solutions to those needs. Although often viewed as communities of the poor, there were actually many middle-class CEBs in São Paulo.⁴ The composition of the SABs was heterogeneous; they were made up primarily of worker families but also included members of the “small bourgeoisie” (merchants, owners of bars, offices, etc.) who assumed leadership roles in the organization. They were interested in getting urban services in order to raise the value of their property and therefore tried to work closely with the government authorities. When it became clear that the needs of the poorer residents were not being considered by the SABs, the CEBs surfaced to fill the gap. CEBs supported communal living with Christian values of equality and solidarity. They blamed capitalism for the poverty of the people and argued that the government was neglecting the needs of the peripheral neighborhoods (Singer 1981:90–91). The focus of the Catholic Church on the poor followed Vatican II and the conferences of Latin American bishops in Medellín, Colombia, and Puebla, Mexico.

CEBs became active during the military regime, and, unlike in the SABs, women made up the majority of the participants, given their traditionally greater involvement in institutional Catholicism. The Catholic Church was one of the few spaces in which social movements could operate after the 1964 military coup, and it summoned women to engage in community activism. This ended up providing a rationale for women to go against the patriarchal norms that would have made such activism inappropriate for them in the past (Alvarez 1990:67–8). These new activists organized neighborhood soup kitchens, community health and consumption collectives, and slum dwellers' associations, primarily in poor urban neighborhoods. As of 1982, Brazil had between 60,000 and 80,000 CEB groups with a membership of two to three million (Hewitt 1987:142). Could a movement such as the CEBs be mobilized again to change a precarious labor situation, or does a movement for contemporary social and economic change require new social actors given the forces shaping globalization?

⁴In a study conducted of 11 middle-class CEBs and 11 low-income CEBs in the archdiocese of São Paulo in 1984, Hewitt (1987) found no real differences, although the lower class was less likely to be engaged in charity work and more likely to be engaged in community projects. He was surprised to find so few involved in consciousness raising.

Since the social activism of the 1950s to the 1980s, there have been many changes especially in Brazil's economy, but also in the strength and beliefs of the Catholic Church in Brazil that affect the labor unions and the Catholic Base Communities, respectively. The labor unions, for their part, are no longer able to strike as easily to demand better working conditions, for fear that the firms will simply leave for other countries where unions are weaker, salaries lower, and regulations fewer. The Catholic Church has largely abandoned liberation theology and is experiencing extreme competition from the Pentecostal Church.

Although we need to examine the CEBs for the space and the potential leaders they created, it is also important not to romanticize their image as cells of grassroots democracy (Hewitt 1987). As Burdick (1992:172) noted, the image of CEBs as powerful political mobilizers might have been slightly overdrawn, since their members constituted a small portion of the Catholic population – less than 5 % in 1986 – and many Brazilians had already gone to Pentecostalism and to the Assembly of God in particular. The CEBs also did not adequately deal with problems within the home. Its members were expected to become involved in extra-domestic issues. In addition, participation in the CEBs required time, which was difficult for many people who had many jobs and/or long work hours (Burdick 1992:172–9). Racial discrimination was also an issue. CEB members were holders of diverse ideological views, and many more were involved in charity work than in the consciousness-raising efforts for which they became known. Even though many members were women, they participated as a simple extension of their traditional female roles, so CEBs were not progressive on women's issues.

By the beginning of the 1990s, the numbers and level of activity of the CEBs had declined substantially in Brazil's cities, though not in rural areas. The landless movement, MST, that had been originally started by, but no longer is directly linked to, the pastoral land commission (Comissão Pastoral da Terra) with the help of the CEBs remains very visible and has not only continued to invade land but also has training centers for leaders of urban and rural social movements.⁵ The decline of the CEBs, however, did not result from the fact that the problems they focused on – poverty, unemployment, lack of services, etc. – disappeared. As Drogus (1999:36) exclaimed, “For the poor organized in CEBs, civilian rule has not proved much of a step toward a promised land. For them, democratic Brazil is still no land of milk and honey.” The decline resulted, in part, from the Church's withdrawal of much of its support, even though there was a continuing core of liberationist bishops and

⁵After Vatican II and the adoption of the social reform doctrine of liberation theology, the Catholic Church became very supportive of the rural poor and used the organization of the CEBs to help organize them. The Catholic Church became the institutional host of the landless movement. Within the CEBs, the landless poor met regularly to discuss their problems, develop leadership skills, and find solutions. Under the auspices and guidance of the Church, the movement began to engage in sustained collective action. From July 1982 to December 1983, the Catholic Land Pastoral then sponsored different landless groups to discuss forming a national social movement. However, the delegates decided to organize a meeting independently, which took place in January 1984. Partially as a result of the training of the leaders by the Church, the decision was made to be independent of the Catholic Church since they now had strong leaders (Sinek 2007:13–17).

clergy.⁶ When Drogus (1999:37) interviewed key CEB women activists in 1986 and 1990, many said they had to diminish or suspend their commitment to the CEBs because they had to return to, or increase, their wage work either when their husbands became unemployed⁷ or when they were affected by cuts in social services. The research participants agreed that they had little time for CEB activities by 1996. In addition, the increase in violence and drugs in the 1990s did not act as a catalyst for organizing. Finally, since the basic needs such as electricity, water, and schools had largely been met in many neighborhoods by the 1990s, looking for work appeared to be a more rational course of action than organizing for community improvements. People found it difficult to organize around unemployment. However, the women leaders who had been involved in the CEBs still could play a crucial role in developing a stronger civil society, since many of them had been very young as CEB activists. The revitalization of social movements may require the development of new alliances, possibly with other groups in the Catholic Church, evangelical churches, and feminist groups (Drogus 1999; Drogus and Stewart-Gambino 2005).

Although the CEBs were in decline in terms of activism, they were not completely dead during the period I studied. The Ninth Inter-Ecclesiastical Meeting of the CEBs in 1997 had 2,359 participants, primarily women, and it was documented that 70,000 CEBs remained active throughout Brazil at the time (Junqueira in Drogus 1999:39). In a survey conducted in 1994, half of the CEBs located in the urban periphery reported that they continued to participate in organizations, movements, and struggles for better living conditions (Valle and Pitta 1994, in Drogus 1999:39). Even after they lost the support from the bishop of São Paulo, women in the southern periphery of São Paulo were struggling to keep the groups alive and working on issues of labor, housing, and day care. These women dealt with the decline in the CEBs and their own deteriorating economic situations in various ways, such as taking paid positions in church organizations such as the *Pastoral Operaria* (Workers' Pastoral), the Worker's Party, and nonprofit organizations. They also started the Women's Association of the Eastern Zone (AMZOL), turning to a middle-class women's organization, Rede Mulher, for support. The two themes that could successfully mobilize poor communities – violence and neoliberalism – were identified at the Inter-Ecclesiastical Meeting of 1997, although it was recognized that many people supported some of the neoliberal reforms, so that rallying people around this issue might be challenging (Drogus 1999:42–44). In my interviews of community members, these two issues were identified as important and seen as connected with the unemployment crisis.

In Brazil during the 1990s, ecumenical alliances were important since the estimated two million CEB members were outnumbered by the more than 13 million evangelical Protestants. By 1994, in the city of São Paulo, only 0.8 % of the people

⁶The progressive wing of the Roman Catholic Church was already weakened substantially under the Brazilian military dictatorship (1964–1985) (Levine 1999:1723).

⁷A survey showed that CEB members were more likely to be working than people with other religious affiliations (Pierucci and Prandi 1995 in Drogus 1999:38).

in one survey declared themselves to be CEB members, while 11.3 % declared themselves to be Pentecostals.⁸ Some Pentecostals who were already involved in social movements often had relatives who were members of different churches, increasing the possible chance of interchurch collaboration (Burdick 1992; Ireland 1999). However, there is much debate as to whether the growth of Pentecostal religions in Brazil stymied popular participation and action. Scholars such as Prandi (1996) and many of the research participants thought that evangelical churches did not promote protest and action because they are very individualistic in nature and instead promoted the idea that only individuals could bring improvements to their lives. Individuals must help themselves for personal salvation and not necessarily join others to fight for improvements or for social reform. One of the research participants, who had gone to different churches to find one that she believed in, thought that the evangelical churches really blamed individuals rather than the society for their poverty. However, other scholars, such as Cleary and Stewart-Gambino (in Ireland 1999:2) and Ireland (1999), argue that some forms of Pentecostalism can provide skills and values conducive to more active citizenship. Many Pentecostal churches continue the patron-client relationships that have historically been characteristic of Latin America's authoritarian regimes (Gaskill 1997 in Ireland 1999:3); however, it may be that Pentecostalism, along with Catholicism and African spiritualist religions, produces "popular subjects" (Levine)⁹ and "civil associations" (Putnam 2000) that can enrich "civic community" (Putnam 2000). These "civic communities" provide the best chances for social action in the face of rapidly changing economic and political conditions (Ireland 1999).

In São Paulo in the 1990s and early 2000s, the success of social actors to mobilize, gain funding, improve living conditions, and have a voice in politics was dependent upon many external factors, including municipal elections, availability of funding (often from international NGOs), and levels of crime and unemployment. The high level of violence affected social action as people were scared of attending meetings and/or had lost hope in their neighborhoods as they saw it overrun by drug gangs and robbers. It was often difficult to sustain mobilization, in large part because unemployment forced an increasing proportion of women to find employment. In Brazil, rapid globalization limited the ability of all religious groups to promote social justice (Ireland 1999:17). Nevertheless, the base communities, parts of the Catholic Church and the Pentecostals, attempted to expand public space and popular control over that space by taking collective action against poverty and building supportive networks. However, as Ireland (1999:17) aptly contended about Brazil, "There is no news of people's power in any of this; but there are signs that out of the minority streams in the popular religions come resistance and alternatives to the pure global market tendency." In fact, if one examines the range of associations and other civil institutions that came out of religious institutions and the chain of effects they occasioned, then the amount of social

⁸ Since 1994, the number of Pentecostals has increased.

⁹ According to Levine (in Ireland, 1999:4), popular subjects are "A set of confident, articulate, and capable men and women, from hitherto silent, unorganized, and dispirited populations."

action in this period, compared to the worker's movements in the 1980s, does not seem inconsequential. These organizations helped set up the infrastructure for democracy, which then could serve as the base for the struggle for an alternative, more equitable economic and political system (Drogus 1999; Ireland 2001).

7.2 Social Action During the Unemployment Crisis

Actions were taken in São Paulo during the unemployment crisis of the 1990s and early 2000s by various actors and coalitions of actors, including individual workers and households, community associations, community leaders, nongovernmental entities such as unions and churches, and local, regional, and national governments. As discussed in the previous chapter, individuals and households were starting their own small businesses instead of working for others who might exploit them, although there was also a precarization of self-employment. The communities I studied, for example, worked with municipal governments to start cooperatives and clinics that employed residents. Unions were creating educational programs and changing their strategies to keep their members employed. Religious institutions were engaging in multiple actions as well. For example, the Pastoral dos Latino Americanos, out of the Catholic Church, worked with the garment unions and organizations and various Bolivian/Brazilian associations to try to help the Bolivian sweatshop workers through organizing them, legalizing their work, providing services, and negotiating with the owners of retail stores (who were mostly Koreans), to exact better prices for the garments the Bolivians made. However, it was the coalitions of these actors that were the most innovative and most likely to change the situation for the inhabitants and workers of São Paulo.

Community leaders and members of Favelas Sul and Leste and Jardim Sudoeste made some attempts to deal with the unemployment crisis, but they seemed weak and largely ineffective. Chapter 4 has provided the history of the communities and their focus on infrastructure and legal titles. The following section examines more closely how these communities dealt with employment, demonstrating that even those with high levels of organization were able to do little about employment and the path that their city – much less their country and the world – took in terms of the prevailing economic model.

Favela Sul's community organization, under the energetic leadership of Sister Isabela, was the strongest of the three communities, but it lost strength as a result of global neoliberal reform. The outcomes of community projects and the level of community action were impacted by global economic change but also by municipal and state politics, because change in Favela Sul, as in many other communities, was subject to who was in the mayoral office. The mayor of the Municipality of São Paulo and the São Paulo State government determined the funding for the self-help housing project, for street paving, and for day-care centers. The mayor also affected the level of popular participation, as some municipal administrations, such as the administration of Worker's Party Mayor Erundina (1989–1993), worked more

closely with the communities starting, for example, the self-help housing program.¹⁰ The Favela Sul's community association, unlike those in the other communities, was also directly involved in the area of employment. It formed partnerships with factories owned by corporations such as Xerox and Avon to grow youth employment. The association also trained workers on how to find and interview for employment and directly employed at least 52 people in its day-care and youth centers and more people in a small bag factory that eventually failed with competition from more cheap Asian imports. Sister Isabela and other association members wrote letters of recommendation and filled out job applications for community members, but because jobs were scarce, only a few benefited.

Jardim Sudoeste had by far the least community action, despite the strong efforts of Antonia, the former day-care teacher, and her ex-husband, André, to improve the lives of their neighbors through adult literacy classes, youth recreation activities, and a community center in their home. Both Antonia and André became very disillusioned. During the time of my research from 1996 to 2003, the only real evidence of a community effort geared directly to generate employment in Jardim Sudoeste was a clothing cooperative set up by an NGO. A microcredit NGO also operated in the community between 1996 and 1998. The reasons for the lack of strong community action taking place in Jardim Sudoeste might have been the size of the neighborhood, that it was not a favela and already had basic services and therefore the inhabitants saw less need to fight for change, and that Antonia and her husband did not have the leadership skills or the religious authority of Sister Isabela. For Antonia and André the reason was much more serious. André argued that the poor did not get together to fight for their rights. "They don't have the education for that," he said. "Low-income Brazilians are . . . very badly informed. They are people who did not have an opportunity to study about the politics of the country and are accustomed to suffering, to being exploited." Antonia especially thought that evangelical churches were to blame for the passivity on the part of the poor, because the philosophy of these churches was that each individual should help her or himself and did not promote collective action. However, in many ways contradictory, the leaders of these churches also basically said that if God chose to do so, he would provide a job and better life, therefore giving the poor the sense that it was useless to try.

Due to *Favela Leste's* division into separate sections with different histories and organizations, the level and type of community action varied by section, but all of the projects of the sections' associations were primarily focused on physical infrastructure and land tenure issues. As in Favela Sul, the strength of a local leader was crucial. The leaders of sections two and three of Favela Leste changed frequently, with the leaders in the beginning of the invasion particularly strong and very much connected to the Movement of the Inhabitants of Eastern Diadema and then the next leaders not

¹⁰Under the Worker's Party mayor, Marta Suplicy (who was in office until 2005), funds were made available to continue with the building of the community association's self-help housing program, enlarge the community association's day-care center, continue the youth center, and start a computer center (Telecentro) for adults and children older than 11.

as organized and male chauvinist in that they had kicked out the two women leaders, but then did not get as much accomplished. As mentioned in Chap. 4, in the beginning the leaders of sections two and three of Favela Leste had ensured that each plot of land was a particular size and allowed for roads to run through the favela and had created a temporary sewerage and water system. The leaders of section four were strong in the sense of demanding infrastructure from the municipal government, but they were not well organized so that roads could not initially run through the section. They were connected to drug gangs and therefore not associated with the same movement whose leader did not condone such activity. However, none of the associations in Favela Leste were able to substantially help the inhabitants obtain employment. However, the municipal government, working with the favela association of section two and three, set up a recycling cooperative and a health clinic that employed favela residents. While community leaders thought they could pressure the municipal governments for basic amenities, they felt powerless in terms of the employment situation.

Community organization also played a part in the illegal employment provided by drug trafficking. Favela Sul seemed to have fewer people involved in drug sales, with Sister Isabela providing the youth with other activities, education, and a place to go when not in school. She informed me that she simply did not allow such activities to take place in the community. However, Favela Leste had two highly organized associations, and as mentioned, at least in section four, the newest part, the leaders themselves were involved in selling drugs.

In general, the community association leaders did not see the municipal government as being able to do much in terms of employment. One of the reasons for this lack of faith was that government at all levels had used economic globalization as an excuse for inaction, giving rise to the image of the “absent state” (Roberts and Portes 2006:61).¹¹ Did the arrival and increase in power of institutions such as the World Trade Organization and the International Monetary Fund, which are more distant and do not share the tasks of public coordination and maintaining order, lead to the further loss of power at the local level?¹² At least for the community organizations I studied, the answer is yes. Even though some of them had links to global institutions, these links seemed to give them less, not more, power. Although Favela Leste had power over Kronos, a multinational company, in the sense that the favela residents invaded and remained on the land Kronos rented, the residents were unable to stop the company from eventually destroying their makeshift houses.¹³ Favela Sul’s community associa-

¹¹ Although beyond the scope of this chapter, it is important to mention that NGOs have often taken an important intermediary role between grassroots organizations and governments and sometimes work at the global scale (Roberts and Portes 2006). NGOs are more likely to be run by upper-class actors with more access to power.

¹² One might however argue that organizations such as the WTO and IMF do perhaps have to maintain global order and global coordination and therefore are not that different from nation-states.

¹³ As mentioned in Chap. 4, a few families who invaded the land used metal containers as homes. Kronos had been renting the land from the same Japanese-Brazilian ex-Coca Cola CEO that owned the rest of the land of the other sections of the favela. The ex-CEO of Coca Cola had failed to pay taxes, and thus the municipal government had confiscated land for its own use and did not exactly

tion, on other hand, had links with the Inter-American Development Bank, which in part funded Cingapura, the apartment project in the neighborhood, but had no power to control the type of housing provided or the economic policies it employed.¹⁴ For many years, the community association also had links with municipal and state governments, as it fought them to get funding for projects and infrastructure, with gradual success. When it tried to establish links with national and international companies to create jobs, especially for their youth, the association failed. It also failed when it tried to compete in the global economy through its unsuccessful bag factory. The residents of Jardim Sudoeste had links with local politicians mostly when the politicians came to ask for their votes. They had links with multinational corporations, directly or indirectly, as they worked for a firm related to Avon and a chocolate factory owned by a large multinational. However, they could do little to prevent either industry from moving to areas with weaker unions and cheaper taxes.

7.2.1 Strategies and Actions by NGOs: Unions, Pastoral, and Other Nonprofit Organizations

All types of NGOs were active in São Paulo in the 1990s and early 2000s, and they often had to alter their strategies and goals to deal with the increasing level of unemployment and the precarious nature of employment. However, very seldom did they try to change global, national, or local policies.

7.2.1.1 Association of Monte Azul

The Association of Monte Azul, a nonprofit favela association, appeared frequently in the newspapers because it supported a large number of social programs and provided weekly tours of its projects. The association was started by a German woman after a child from Favela Monte Azul, located near the school where she worked, went begging at her door one day. The woman started fund-raising in Germany to launch projects in the favela, which then spread to two other *favelas* (one of them the community Horizonte Azul, where CEMPEC set up the garment cooperative, discussed below). The Favela Monte Azul Association used the Waldorf pedagogy, anthroposophy, and the ideals of self-education.¹⁵

help him when his land was invaded. However, after many years of negotiations, in 2003, the inhabitants of section two of Favela Leste began to pay for the land.

¹⁴The apartments did not allow them to operate small stores or other businesses, discouraged social interaction as one had to have a key to get into the separate buildings, and did not allow for additions as did small houses.

¹⁵Anthroposophy focuses on the development of faculties of perceptive imagination and objective spiritual perception but uses the natural sciences and the scientific method to investigate the physical world.

During the unemployment crisis of the 1990s and early 2000s, the Favela Monte Azul Association started many cooperatives, including a wood-making shop, a bakery, a recycled stationery workshop, and a weaving workshop, as well as a health clinic, 7 day-care centers, and a youth center. In another nearby *favela*, the same association ran a recycled furniture workshop, a dental clinic, and a library and offered courses in electrical engineering and computers. The wood-making shop trained adolescent boys for 2 years while they continued to go to school for half a day. The shop primarily produced toys and furniture and became self-sustainable, with many of the former pupils opening their own workshops. The apprentices earned about R\$140 (approximately the same in US dollars – US\$140 in June 1996) per month in 1996 and could sell the objects they made; the professionals (of which there were eight in 1996) earned about R\$360, depending upon how much they could produce. The stationery operation offered its apprentices (17- and 18-year-olds) a year-long course in which they could learn to make stationary cards out of recycled paper. The boys earned very little during this time. The items from these workshops were sold in a store in the *favela*.

The cooperatives, apprenticeships, and day-care and youth centers were funded from both public and private sources. Sixty-three percent of the funding for the day-care centers and projects came from the municipal government and was primarily used to pay for food and teachers' salaries. The rest of the money came from an institute in the State of Rio Grande do Sul called *Amparo ao Menor Carente* (Protection of Poor Youth) that received its funding primarily from a German Lutheran nonprofit organization; from Abrinq, a philanthropic business association started by a Brazilian toy manufacturer; and from individuals inside and outside of Brazil. The director of the favela's association argued that the philanthropic foundations created by various firms and banks in Brazil were important but also said that their projects had a certain capitalistic bent to them and that it was dangerous to think that the government could retreat from any social programs and rely on the private sector to take over. By 1998 the combination of public and private funding made it possible to employ 110 people from the Monte Azul community in the various cooperatives, workshops, and day-care centers. That same year, the director of the association claimed that as a result of these endeavors, the community's youth were no longer involved in drugs. Both the level of employment and the elimination of drug activity were significant at a time when employment was scarce and drug activity a real problem for favela inhabitants in São Paulo.

7.2.1.2 Labor Unions

Unlike the organizations that worked directly in the low-income communities, the labor unions in São Paulo were highly tied to the government and worked within and outside the factories to curtail unemployment. They also attempted to maintain a steady level of workers' salaries and benefits, to provide for retraining of the unemployed, and to lobby for governmental policies that would help their particular sectors. As a result of the flexibilization and outsourcing of production during the

late 1990s and early 2000s, the level of union participation, especially of workers entering the labor force, and the goals and structure of trade unions changed from the 1970s and 1980s (Pochmann 2008:88).¹⁶ Generally, the unions were forced to focus less on improving working conditions and salaries than on preserving jobs, which led to a new relationship between capital and labor (not always amicable), whereby the union worked more within the company negotiating with individual employers (Rodrigues 1997, Riethof 2004). Unions also made all sorts of efforts to retrain, empower, and provide assistance to unemployed workers; to provide unregistered workers with some rights, so that their members would be protected from cheaper labor competition; and to restructure the union system to strengthen it and separate it further from the state.

Programa Integrar, run by the Metallurgy Union and the National Labor Confederation (Central Única dos Trabalhadores – CUT), was an innovative national adult vocational education program for workers and labor union leaders but also for the unemployed. It incorporated citizen empowerment and also aimed to create employment primarily through worker cooperatives. In addition, Programa Integrar focused, as Brazilian popular movements traditionally did, on education and pedagogy, using the method of Paulo Freire, which put emphasis on raising political awareness of neoliberalism and on political action (Buena Fischer and Hannah 2002:97, Querubin 2008, and interviews with leaders and students of Programa Integrar in Diadema in 1998). Launched in 1995 and partially funded by public money, Programa Integrar tried to overcome political manipulation and lack of citizen control stemming from the corporatist era, especially given that the unions were an intrinsic part of the corporatist state (Buena Fischer and Hannah 2002:95). It contradicted traditional notions of education, focused on the individual, with the best students co-opted into higher social circles. The program aimed to unite education and social action. It combined the instruments of mathematics, reading, writing, and computers with a practical understanding of social issues – the transformation of the labor market, management and planning, health, citizenship, and social exclusion. Unlike many other projects, Programa Integrar was counter-hegemonic in that it trained its students to be critical of government, economic policies especially related to globalization but also provided them with the concrete skills they needed to work and survive within the existing system (Querubin 2008).¹⁷ The particular program I visited was in Diadema in the ABC

¹⁶Between 1995 and 1998, the rate of union participation by workers entering the labor force was so low that when 2.8 million new workers came into the labor market, there was only an increase of 227, 400 new union members nationally, or 8 out of 100 new workers. However, this changed after 1999 with an increase to 31 out of 100 new workers becoming unionized (Pochmann 2008:88). See Pochmann (2008) for much more detail as to who was and was not becoming unionized with breakdowns by sectors, age, level of income, years of schooling, and whether an outsourced worker. See Sandoval (2000) for statistics on the declining number of strikes in Brazil during the time of this study.

¹⁷Programa Integrar still continues in various cities in Brazil as of the end of 2012, but in addition there are many federal programs that have learned from Programa Integrar (see <http://www.integrar.org.br>).

region where strong unionism flourished especially in the metallurgy sector and where President Lula da Silva's political life began as a union leader. Diadema has also often had Worker's Party mayors.

7.2.1.3 NGOs Fighting for the Rights of Bolivian Sweatshop Workers

A variety of nongovernmental entities tried to help the Bolivian sweatshop workers discussed in Chap. 5. Their strategies ranged from legal help for documentation and fair compensation to assistance with housing and healthcare and fighting for educational reform in order provide schooling for the workers' children.¹⁸ These organizations also made an effort to inform potential immigrants in Bolivia about the real labor conditions in the garment sweatshops via a joint project that included the Bolivian/Brazilian Society for Social Assistance. The associations also wanted to organize and train workers already in Brazil who had taken advantage of the immigration amnesties so they could become more independent. The Center for Brazilian/Bolivian Social Community Assistance was started in October 1999 to attend to the health and legal needs of self-employed Bolivians. Since the majority of them were unregistered self-employed workers, they often did not get paid what they were owed. However, the Bolivian workers' main source of support came from the Catholic Church, via the Pastoral dos Imigrantes Latinoamericanos (Pastoral Center for Latin American Immigrants), originally started in 1887 to help Italian immigrants. The Pastoral Center hired a Bolivian lawyer and did effective advocacy work for the Bolivians in the areas of education, health, housing, family violence, communication through radio, cultural development, and legal justice. For example, when the children had difficulties going to school, the Pastoral Center sent a lawyer to the Ministry of Justice in Brasilia to try to change an old law that kept noncitizens out of public schools. And they sent a letter to the schools threatening to take legal action if they did not allow their children to enroll, arguing that the Brazilian Constitution mandates that all children have an education.

The Pastoral Center for Latin American Immigrants also tried to help in the area of health. As mentioned in Chap. 4 in the 1990s, tuberculosis had resurfaced as a major illness. The Pastoral Center worked with municipal clinics that took care of the Bolivians and provided for home visits. While municipal workers attempted to

¹⁸Since 2009 Bolivian immigrants have the right to live and work in Brazil through the Decree 6.964/09 which pertains to nationals of countries belonging to MERCOSUL, Bolivia, Chile, Colombia, and Peru and their dependents and allows them to first apply for a temporary residency of two years and then transform it into a permanent visa. They are given all rights as Brazilians, except for voting rights (Itamaraty (2013). However, it seems that not all of the Bolivian garment workers have chosen to become legal. In January 2013 a State of São Paulo law (law no. 14.946) was put into effect to make any kind of "slave" labor punishable by not allowing the firm to be part of the ICMS system (the tax on the operations relative to the circulation of merchandise and service provision of interstate and intermunicipal transportation and communication) and therefore not be able to give out official receipts (Legislative Assembly of the State of São Paulo 2013).

educate sweatshop owners about the disease and the importance of cleanliness and good nutrition, the Pastoral Center offered courses for the health providers on how to be culturally sensitive. Some of the information on these services was passed on through a radio station, run by Bolivians, that broadcast in Spanish and the indigenous languages, Quechua and Aymara. When necessary, the Pastoral Center went to the police station to help the Bolivians by translating from Portuguese to Spanish.¹⁹ The Pastoral Center also provided shelter and legal advice for women subject to spousal abuse and employed social workers to work on family and drug problems. It has a house with room for 120 people, which it made available to those who had lost their jobs and therefore their housing (most Bolivians lived where they worked, either in the garment sweatshops or as domestic servants). Another goal of the Pastoral Center was to help keep the immigrants' culture alive by encouraging various cultural activities including large fiestas with bands imported from Bolivia to play music for the dancing.²⁰

7.2.2 Municipal and Federal Programs Implemented to Deal with Unemployment Crisis

In the 1990s and early 2000s, different municipalities in the Metropolitan Region of São Paulo, often under Worker's Party mayors, implemented a variety of innovative municipal policies and programs to deal with the unemployment crisis and its effects on the region's inhabitants. Sub-municipal offices were created in the Municipality of São Paulo's periphery to primarily administer microcredit programs and clinics but also try to address issues of violence. For example, under Worker's Party Mayor Marta Suplicy (2001–2004), the Municipality of São Paulo started a microcredit program operated under the sub-municipal offices using the solidarity group methodology, where the group acts as the loan guarantor for each individual group member. The program, titled the Popular Solidarity Credit Program (Credito Popular Solidario) – *São Paulo Confia* – then continued under the next mayors, José Serra (2005–2006) and Gilberto Kassab (2006–2013). Its thirteenth center was created in the Interlagos region in January 2009. An evaluation of the program's first 5 years revealed that its impact had been significant, doubling the incomes of microentrepreneurs in 2 years (Prestes Monzoni Neto 2006).

¹⁹After spending a few days in prison, the Bolivian sweatshop owner usually just has had to sign that he will leave Brazil, but the federal police has not had the money to send them back and the owners usually just move the workshop and where they live. According to one of the priests working with the Bolivians, the policemen know that they are just working and not really involved in crime, although Brazilians often blame most of the crime committed by immigrants on the Bolivians since there is discrimination and there are many Bolivian immigrants.

²⁰See Sidney A. da Silva (2005) for further discussion of the cultural practices of Bolivian immigrants in Brazil.

Various municipal government employment programs were also launched in Diadema, another municipality in the Metropolitan Region of São Paulo and the site of Favela Leste, including a job bank (where the municipality tried to match workers with employers); professional training for garbage collectors, street vendors, and other microentrepreneurs; and a cosmetics-industrial zone or cluster with marketing fairs, access to credit, technical assistance, and export plans.

Even though the municipalities of Diadema and São Paulo put in place many employment programs, the majority of the residents of the communities I studied did not think they were having an effect on their employment situation. In 2003, 70 % of the inhabitants I surveyed in Favela Leste, in Diadema, did not think that the mayor, José de Filippi Júnior, was helping them. Only 10 % could cite an employment program for apprenticeships that had helped the community (their community was one of the first chosen to be part of the program). Sixty percent of the participants in the small survey I conducted in Jardim Sudoeste in the Municipality of São Paulo did not think that Mayor Marta Suplicy was doing anything to help them, but those who did say she had helped the community mentioned the employment-related programs.²¹ Even though many of those I surveyed blamed economic globalization – a nebulous international force – for their lack of employment, they still looked to their municipal governments for help.

Especially during the 1990s, Brazil's federal government did not engage in significant projects to solve the unemployment crisis and the degradation of labor, but it did have a few. The federal government started the credit program for microentrepreneurs, PROGER (Program to Generate Employment and Income), with the involvement of an international NGO network, Accion International, and their Brazilian affiliate *Centro de Apoio aos Pequenos Empreendimentos* (Center to Help Small Enterprises – CEAPE). CEAPE, as mentioned above, provided some of the research participants with loans in 1996. However, unlike CEAPE, PROGER required collateral and therefore these loans rarely reached the poor. Some of the research participants, who tried to gain access to them, were denied the loans because they did not have two houses or a new car to use as collateral, as required. They were repeatedly told to come back with more documentation, and they said that they were intimidated by the formal atmosphere of the bank, Banco do Brazil. Loans were primarily given to professionals to start firms, not to informal microenterprises. Since women were even more likely than men to run unregistered microenterprises, they were the least likely to obtain these loans (Lavinás 1999:183). The problems with micro-credit programs in São Paulo have been numerous, due to competition among microenterprises, the high interest rates, and the lack of experience of NGOs, banks, and the government.

²¹ They mentioned the minimum income program (if children stay in school, parents receive money), the “Start over again program” (for retraining older workers), “Grant-Work” (45 % of minimum wage is paid to 16–20-year-olds to continue school), and paying women to sew school uniforms in their homes. According to the statistics gathered by the municipal government, in 2001 and 2002, almost 300,000 families, a small percentage of those in need, benefited from the municipality's social development programs.

Requalification and basic education programs were also addressed at the national governmental levels. The aim of Planfor (the National Plan for the Qualification of the Worker – Plano Nacional de Qualificação do Trabalhador), created in 1996, was to increase the professional capacity and level of employability of the most vulnerable workers. The National Council of the Rights of Women was involved in the design of the program and focused on women heads of households. In 1996, women constituted almost half of the 1,018,000 workers trained under Planfor, the workers mostly in the informal sector. As Lavinias (1999:185) contended, there was a high percentage of women in the program because women faced greater difficulties in the labor market and therefore enrolled in the classes. The heavy involvement by women was not the result of specific efforts by the program to recruit them.²²

In 2003, many argued that Brazilian President Luiz Inácio Lula da Silva (2003–2010), founder of the Worker’s Party (Partido dos Trabalhadores – PT) and a former labor union leader, could be doing much more. The Worker’s Party under Lula da Silva, like other left-of-center parties in Latin America, offered a solid critique of the failures of economic neoliberalism but proposed few sound policy initiatives and failed to implement an alternative economic model. Instead of radical reforms, Lula da Silva’s time in office brought only slight alterations to the existing political institutions and the free-market economic model (Panizza 2005:716). However, beyond setting up a National Secretary of Solidarity Economy (to be discussed below), Lula da Silva’s government did introduce a few progressive initiatives focusing on labor. For example, in 2003 the federal government drafted an Agenda for Development by creating the Economic and Social Development Council (CDES), which included unions, businesses, and social and religious leaders, intellectuals, and civil activists. Though it was not a perfect representation of Brazilian society, CDES was a “mosaic like the social, ethnic, economic and regional diversity” found in Brazil (Ribeiro Costa 2009). As Ribeiro Costa (2009) argues, the importance of the CDES lies in the fact that it focuses on a combination of economic and social development rarely seen in Brazil and that for the first time civil society was called to discuss publicly with the government a project for the nation. The language of the Agenda stressed the desire for a country with opportunities for all and not an unequal society with a lack of cohesion and social solidarity, extreme inequalities, unsustainable divisions, the absence of economic and technological dynamism, and external dependence. The Agenda called for the adoption of equity as the criterion for any decision by public officials or any government action and also for the creation of

²²The State of São Paulo’s government had some of the most innovative labor programs including one that looked at the skills most needed in the market and tailored classes to train people in those skills. However, the classes, especially those for women, focused on women’s traditional employment, domestic services. At the time, many of the income-generating/labor programs that involved women focused on women’s traditional employment and tended not to be sustainable. The Secretary of Employment also launched a program to link larger firms to self-employed microentrepreneurs to help in marketing and other technical assistance.

incentives for private initiatives to do the same. The methodology for evaluation was created by IPEA²³ (an economic research institute), DIEESE (a statistical and research unit of the unions), and IBGE (the federal statistical office). A Social Observatory on Equity was set up to evaluate equality in the country. The Agenda specifically called for several changes, including a substantial increase in the average level of education, full employment, a reduction of the salary difference between men and women and whites and blacks, an increase in the minimum salary to make it compatible with that established by the federal Constitution, formalization of contracts for salaried work, and the institution of programs and goals to rapidly reduce unemployment, decrease costs for micro- and small businesses, and increase inclusion of self-employed in the social security system (Economic and Social Development Council 2005). This national agenda had success, especially in terms of increasing the number of registered jobs and decreasing unemployment, increasing the minimum salary, and bringing down slightly the level of inequality. It is unclear, however, whether all this has primarily been the result of the general growth of the economy after the years covered in this book or the outcome of policies and government efforts.

Although the rhetoric of the Worker's Party administration indicated attention to the employment problems and although a few new programs were put in place, the labor contracts instituted in the 1990s remained in place in the 2000s and contributed to the precarization of the work. These contracts were severely criticized by some of the labor unions.²⁴ The argument for the contracts had been that flexibilization contributed to the generation of employment. However, this has been questioned by many scholars who point out that Brazil's labor costs were lower than those in many other countries, that the conditions for competitiveness should not be dependent upon low salaries or on the reduction of benefits, and that the flexibilization of labor relations is not effective in reversing the trend toward the informalization of labor relations, in reducing the high level of unemployment, and much less in raising salaries or improving the living conditions of workers. And as Amadeo and Camargo (1999) add, even with Brazil's rigid labor regulations, the Brazilian labor market was already flexible, with high levels of labor turnover and mobility between formal and informal segments of the market.²⁵

²³ IPEA stands for O Instituto de Pesquisa Econômica Aplicada – the Institute of Applied Economic Research – a federal governmental research institute linked to the Secretary of Strategic Concerns of the Brazilian President's office.

²⁴ Continuing under President Lula da Silva, there was an attempt to change worker regulations and benefits to decrease employer costs and “increase flexibility,” but these failed for various political reasons.

²⁵ See Amadeo et al. (1995) for a very good description of Brazilian labor legislation. See Luis dos Santos and Pochmann (1999) for a detailed account of the debate. And see Amadeo and Camargo (1999) for a discussion on the level of flexibility of the Brazilian labor market and the argument that labor market regulations are not an impediment to employment creation.

7.2.3 Cooperatives

The development of cooperatives was an employment-generating strategy used by NGOs and corporate philanthropists but also municipal governments in the MRSP and the federal government. In the late 1990s the idea of cooperatives was not new in and of itself, but it was new for many of the government entities and NGOs in São Paulo. Real cooperatives with shared profits and decision-making were, however, often not the type of cooperatives that the larger private sector firms employed. The cooperatives used by firms such as “Drill Bits and More” were really small outsourced firms that provided cheaper labor. The workers in these “cooperatives” received none of the benefits that regular employees received, while the large firms benefited from the cheaper taxes that these cooperatives paid for their workers. In the 1990s, the municipal government of Diadema, where Favela Leste is located, set up or helped launch traditional cooperatives, including one to train and organize women in construction, and cooperatives of recyclers, seamstresses, domestic servants, taxi drivers, and street vendors. The municipality also started a cooperative of women to sort garbage for recycling purposes. Marcio Pochmann, the Secretary of Development, Labor, and Solidarity for the Municipality of São Paulo under Mayor Marta Suplicy (2001–2005), was an initial critic of cooperatives because he believed they offered fewer labor benefits. But he nevertheless set up the Program of Solidarity Opportunity, a cooperative project that first included courses on citizenship, self-esteem, solidarity building, and technical and management skills, and then offered actual help with setting up a cooperative. In the first phase, the program encountered difficulties because many of the participating adults either did not have sufficient entrepreneurial knowledge, were illiterate or nearly illiterate, or were in the cooperative only because they had been part of a previous welfare program. After these matters were addressed, the results improved (Schwengber 2003).²⁶

The federal government also demonstrated an increased interest in cooperatives and a solidarity economy.²⁷ The Economic and Social Development Council (CDES), for example, began discussing laws that could promote Brazilian cooperatives. In June 2003, President Lula da Silva launched the National Secretary of Solidarity Economy (SENAES) within the Brazilian Labor Ministry, which was

²⁶The Program of Solidarity Opportunity seems to have ended after the PT left the mayoral office at the end of 2005 with no real evaluation of the program.

²⁷A “solidarity economy” is a concept that has been around for hundreds of years. However, there has been a revival in countries such as Brazil. Even in the United States, a network that came out of the US Social Forum in 2007 is trying to promote it domestically. It constitutes an alternative development framework with the following principles: solidarity, mutualism, cooperation, and equity. It recognizes the primacy of social welfare over profits and the unfettered rule of the market, sustainability, and social and economic democracy. Examples of a solidarity economy include cooperatives, social businesses, social investment funds, worker-controlled pension funds, fair trade, solidarity finance, cohousing, community-supported agriculture, ecological production, participatory budgeting, and collective kitchens (US Solidarity Economy Network – <http://www.populareconomics.org>).

headed by Paul Singer, an academic and son of a prominent economist in São Paulo. With the formation of this unit came more access to financial services, infrastructure, and marketing strategies,²⁸ as well as workshops and seminars on a variety of issues related to cooperativism.

Government was not the only promoter of the cooperative movement; universities, NGOs, corporate philanthropists, and community associations also became involved. Encouraged by various nonprofit associations, Bolivian sweatshop workers began setting up cooperatives, particularly among family members. One of the most prominent private universities and institutes focusing on economics in São Paulo, Fundação Getúlio Vargas, started an extension program (A Incubadora Tecnológica de Cooperativas Populares) in 2001 to provide training in setting up cooperatives, “integrating research, teaching, and extension to find practical solutions to reduce poverty and social exclusion” (www.itcpfgv.org.br). Cáritas Brasil, a Catholic NGO, began sponsoring cooperatives, mostly in Northeast Brazil, in 1981, when the National Conference of Bishops of Brazil encouraged them through its Solidarity Funds. According to Paul Singer, the head of SENAES, described above, Cáritas Brasil has been one of the main leaders in encouraging the federal government’s cooperative program.²⁹ Corporate philanthropic foundations also encouraged the establishment of cooperatives. In 1998, Pura, the cosmetics firm discussed in Chap. 3, decided to fund a garment cooperative as one of its corporate philanthropic programs in the southern periphery of São Paulo. The cooperative, named Coopec, was actually set up then by the Center for the Study and Research on Education, Culture, and Community Action (Centro de Estudos e Pesquisas em Educação, Cultura e Ação Comunitária – CEMPEC), an NGO. Headquartered in Jardim Horizonte Azul (next to Jardim Sudoeste), Coopec received R\$36,000 from Pura to buy equipment and material and pay the first months’ rent. Some activists argued that Pura was receiving much more than it had invested by using the program as a marketing tool. Although the women in the cooperative were not even able to pay themselves the minimum salary in the first year, Coopec’s financial situation improved and was

²⁸The National Secretary of Economic Solidarity developed a program for the years 2012 to 2015 entitled the Program for Regional Development, Sustainable Land, and Economic Solidarity. The goal was to implement a regional action plan to deal with employment and income generation utilizing more actors at the regional level for development in a sustainable way. New forms of worker organization had developed by the end of the twentieth century in terms of worker collectives, family firms, or self-employed associations. The types of cooperatives will continue to include everything from popular cooperatives, businesses recovered by former employees of bankrupt companies, farmers’ associations, informal groups, and networks of cooperation, working in various productive sectors, family farming and agroecology, solid waste collection, including cooking oil, solidarity finance organizations, and fair trade. The goal is to “boost socio-economic processes in the context of local or regional sustainable development, promoting social cohesion, the preservation of cultural diversity and the environment.” <http://portal.mte.gov.br/ecosolidaria/apresentacao-4.htm>

²⁹For more information on the Solidarity Funds and the role of the Caritas in Brazil, see Andrade Bertucci, Ademar e Roberto Marinho Alves da Silva (Eds.) *20 anos de Economia Popular Solidária Trajetória da Cáritas Brasileira dos PACs à EPS. 1st edition.* Cáritas Brasileira. Brasília, May 2003.

ultimately able to obtain the documents to transform itself into a real cooperative. Coopec had contracts for school uniforms from a school and for promotional T-shirts and cloth bags from the cosmetic company itself. Coopec received the market price for all the items, although the price was very low as a result of the competition from cheap Chinese imports. One of the coordinators of the project at CEMPEC argued that beyond the monetary benefits, the members of these cooperatives were now organized and therefore more likely to fight for the right to be involved in public decisions about the neighborhood they lived in. The cooperative building had become also a community center where the women discussed their problems and realized that together they might be able to make a difference by fighting together for infrastructure and day-care centers for their community. Unlike many of the cooperatives discussed in Chap. 3, which were established by entrepreneurs merely to pay fewer social benefits and lower taxes, this was a real cooperative. Its leader lived in Jardim Sudoeste, had been a seamstress for many years, and really believed in the idea of a cooperative but struggled to keep it going. The cooperative was fairly healthy in January 2000, but by 2003 it had virtually closed.³⁰

Although starting cooperatives was empowering for many, it was not always an easy thing to do in São Paulo. There were problems finding an enterprise that could support 20 people – which was required by law in Brazil (a government effort to prevent anyone from simply claiming to be a cooperative to receive tax breaks). Global and local competition also made it difficult for cooperatives to succeed, and according to Coopec members, the increase in individualism made it hard for people to work collectively. In addition, many regular enterprises were calling themselves cooperatives, when they were really owned by individuals who were gaining large profits as a result of the benefits that cooperatives received under Brazilian labor laws. Some of the programs to develop cooperatives or collective initiatives also lacked a vision to confront inequality between men and women and trained women in traditional professions for which they already had expertise, such as how to be a nanny, maid, cook, or manicurist. In these cooperatives, wages (shares in the profits) were often lower than the minimum salary. Employees often had extended workdays or were engaged in temporary work and lacked workers' rights, which led to more precarious working conditions (Luis dos Santos and Pochmann 1999:283). Yet, after some struggle, some cooperatives managed to support women for a few years, including Coopec.

The question remains whether cooperatives, backed by many donors, unions, governments, community associations and NGOs, are an alternative to the neoliberal capitalist model of development. With the crisis induced by the hegemonic model, the solidarity and popular economic model of cooperatives and associations grew in Brazil. As Schwengber (2003:140) contended, cooperatives configured themselves as social resistance movements and as public spaces for constructing

³⁰The other cooperative members had kept the machines and space and did some sewing even after the leader had left. The leader was financially unable to keep it going, partially because of her separation from her husband, and eventually took a job with a small firm involved in clothing alterations and repair for wealthy clientele.

and establishing other economic and social relations that could lead to inclusion and just, sustainable, and communal development. Some of these were established by the workers' themselves, and others were developed by either local governments or nonprofit organizations. But in the aftermath of the global economic crisis that began in 2007, whether the solidarity economy movement will continue to be promoted and grow is an open question.

7.2.4 Coalitions

Although individual public and private initiatives such as I have just described can be effective, the most innovative and potentially most fundamental changes took place in São Paulo when municipal and state governments worked closely with civil society. Here I will discuss two examples of coalitions in São Paulo (controversial in some respects in terms of real impact): the ABC Regional Chamber (Camara Regional do Grande ABC) (from now on referred to as the Regional Chamber) and its development arm, the Agency for Economic Development of the ABC Region (Agência de Desenvolvimento Econômico do Grande ABC) (from now on referred to as the Agency for Economic Development), and the Ethos Institute (Instituto Ethos). I will also mention briefly a third one, launched after the time period discussed in this book, Our São Paulo (Nossa São Paulo). However, the focus will be on the Regional Chamber and Agency for Economic Development as I conducted field interviews with their leaders and, at the time, they were the most established of the three examples.

7.2.4.1 Working Within But Adding a Touch of Social and Environmental Justice: The Case of the ABC Regional Chamber and the Agency for Economic Development

Often, individual municipal actions failed to empower the local industries which competed against one another, thus reducing their economic potential within the global economy. The municipalities in the ABCD region decided, therefore, to work together and strategize as to how best to compete for foreign and national industries. Realizing the need to work together, the municipal governments set up the ABC Regional Chamber and the Agency for Economic Development of the ABC Region made up of municipal and state government officials, unions, businessmen, and civil society to work on plans in the areas of infrastructure, employment generation and training, environmental sustainability, and social justice – everything from road and metro construction to water recycling. They found their niche in the global economy, developing industrial clusters modeled after existing ones in Italy, and lobbied for governmental industrial policy change. As mentioned in earlier chapters, the ABCD region became the first industrial pole in the country in the 1950s, with investment in consumer durable goods and especially automobiles. It attracted

auto-part producers and a petrochemical pole and benefited from the Brazilian import substitution policies. This metropolitan regional institution was part of a second wave of “glocalization” strategies and crisis management promoting interlocal cooperation and regional economic development (Brenner 2003:318). The regional scale vis-à-vis the national scale gained a new significance. As individual municipal and community responses became more difficult and less effective, local community leaders and governmental officials started dealing with their economic problems more through strategic partnerships aimed at regional revitalization, through the integration of traditionally fragmented and highly sectoral strategies, and through local capacity building (Rodríguez-Pose et al. 2001). Starting in the late 1990s, workers, community organizations, and municipal governments in the ABC region of São Paulo strategized together to gain benefits from the global economy instead of becoming its victim. Although the development of the ABC Regional Chamber and Agency for Economic Development was a municipal strategy to facilitate competition within the global economy, the Regional Chamber also stressed social equality and environmental protection, not integral components to the neoliberal economic model. These municipal governments working with civil society (as well as other levels of government) therefore tried to alter the economic model even while working within the existing system.

The Regional Chamber of the ABC region, created by the State of São Paulo government in 1997, joined the Intermunicipal Consortium of seven mayors established in 1990 and the Citizens’ Forum established in 1995. It was initially made up of 64 institutions (and by 2011 had approximately 100 institutions), such as commercial and industrial associations, unions, professional groups, and environmental organizations (Melo 2001 in Coimbra de Souza 2003:46). The Regional Chamber also involved the governor of the State of São Paulo, state secretaries working with the region, presidents of the Chambers of the Councilmen, and federal and state legislators representing the region. The Regional Chamber had no legal power but was a forum for negotiation and establishing accords to deal with regional issues of sustainable development. It therefore was more a forum for discussion, and its decisions were more protocols of intention than legal obligations (Coimbra de Souza 2003:51).³¹ One of the major considerations was the preservation and generation of quality employment, not the usual goal of development at all costs (Daniel 1997). However, the Regional Chamber focuses on eight specific areas including infrastructure; economic development; urban development and environmental management; health, education, culture, and sports; assistance, social inclusion, and human rights; and public security. Each of these areas consists of working groups made up of public administrators and technical experts. It was within these working groups that a lot of the work of planning and project implementation took place. Leite (2000:133–135) points to another particularly innovative characteristic of the Regional Chamber. It focused on the internal capac-

³¹ However, in February 2010, the Intermunicipal Consortium, part of the Chamber, did become a legal entity, a “Public Consortium,” enabling them to carry out regional projects instead of just suggesting them (using the Federal Law no. 11.107 of 2005).

ity for development instead of looking, for example, at external capital investment. It ultimately hoped to create a regional model with a development plan comparable to those established in the Lombardy, Emilia-Romagna, and Marché regions in Italy. Their initial plan included setting up a “technopole” that concentrated on the production of advanced technological items, a network of small and medium enterprises to complement the large global industries, and a dynamic tertiary sector linked to the productive sector, with internal links between tourism, leisure, entertainment, and culture (Leite 2000:156). The Regional Chamber was created on the premise that it could work within the global economy but improve the opportunities for the region and for all of its citizens. The business community was very involved, although the level of participation has fluctuated. To increase business participation, the groups were divided into sectors coordinated by the Citizens’ Forum. The automobile sector was largely absent; its members argued that they were more impacted by decisions on the international and macroeconomic level.

One of the first actions taken by the Regional Chamber was to hold an international seminar to study the experiences of Detroit, Galicia, Leipzig, Rotterdam, and CEPAL (the Economic Commission for Latin America). However, the Regional Chamber realized that it would need to create its own model (Coimbra de Souza 2003:53–56). Other early initiatives were a regional plan for professional education, an adult and children’s literacy campaign, a regional program to help poor children, and a regional policy of selected incentives to maintain industries and attract new ones and to equalize industrial taxes among the municipalities. One of the first major achievements of the Regional Chamber was planning and facilitating the construction of regional catchment infrastructure to deal with the flooding problems.

In October 1998 the Regional Chamber created the Agency for Economic Development to promote sustainable regional economic development as a nongovernmental entity that solicits outside funds. It was placed in charge of regional marketing to attract new investment, provide information on economic processes, and stimulate technological innovation and the development of small- and medium-sized enterprises. Modeled after an agency in the industrial region of Lombardy on the principle of private/public partnership, one of its two top directors came from the private sector and the second from the public sector. Like the Regional Chamber, the Agency for Economic Development focused on the internal capacity for development instead of looking only at external capital investment. The seven municipal governments of the São Paulo region make up 49 % of its membership, and the rest is made up of the commercial and industrial associations (ACTs), four industrial centers of the State of São Paulo (CIESPs); Sebrae-SP (the São Paulo Service for Helping Micro and Small Enterprises – Serviço de Apoio às Micro e Pequenas Empresas de São Paulo); the chemical, metallurgy, garment, and civil construction unions; eight universities; and the petrochemical firms situated in the region. Each group paid a monthly fee to run the Agency for Economic Development, but the project funds came from national and international entities. Again, the automobile firms did not join. The Agency for Economic Development used a participatory model of governance, providing an example of how different agents – who do not

necessarily share the same interests – can discuss, elaborate, and put forth practical collective actions based on mutual cooperation.

Although in its first 4 years the Agency for Economic Development primarily focused on research, for which it was criticized especially by the private sector, the Agency for Economic Development also developed and executed many plans, including road, rail, and metro construction projects, and work to enlarge the port of Santos, which enabled the Volkswagen plant to get the contract to build a new Volkswagen model. The Agency for Economic Development also offered professional training and training for cooperatives and microenterprises and lobbied for governmental financial and industrial policy change. Additionally, the Agency for Economic Development set up several enterprise incubators – one of which I had a chance to visit – in former factories or warehouses housing start-up enterprises that provided technical assistance and training in marketing skills.

In August 2003, the Agency for Economic Development developed a strategic plan with an emphasis on employment and professional planning, working in part with the National Program for Training. Among the initiatives were efforts to promote export by offering information, workshops and courses for small and medium enterprises;³² the creation of an industrial cluster (APL) to train and stimulate the growth of micro, small, and medium enterprises in the auto part, tool, and plastic sectors;³³ and the formation of three associations under the APL to attract more firms and develop activities that would specifically help each of the sectors.³⁴ In January 2005, the Agency for Economic Development signed an accord between the University Center of FEI (Inaciana Educational Foundation) and the APL, with the help of IPEI (the Institute of Industrial Research and Studies), in order to utilize the universities in the area of research and development. In February 2006, it inaugurated a Center for Metal-Mechanic Services, a partnership with Sebrae, the Meccano Center of Italy (in the Italian Region of Marche), and the IDB with the objective of providing technical assistance and technology to small enterprises in this sector. By 2008, it had started a project with the firms in the petrochemical pole to reuse their water and enlarge the industrial pole, a project that created 14,000

³²Exporters learn the economic and geographical characteristics of 42 countries (principal products imported and exported, commercial partners, and economic development of the region). In 2004 the industries of the ABC region exported US\$4.17 billion in goods and imported US\$2.5 billion, representing an increase of 30 % and 32 %, respectively, in relation to 2003 (Agency of Economic Development, ABC region 2005).

³³In 2003 the enterprises that participated in the APL earned close to R\$136 million and employed 1,742 people. Already in 2004, earnings reached R\$184 million with 2,100 employees. Yet, the literature on transferring the industrial cluster model to developing countries shows many difficulties due in part to the lack of history of working together and/or organizational issues (Rabellotti 1995; McCormick 1999).

³⁴The following associations were created: ASSOFAP-ABC (Association of Auto-part Manufacturers), Assofer (Association of Toolmakers), and Atplas-ABC (Association of Plastic Goods Producers). They have websites that provide information on markets and how to price goods and contact information of those who might be interested in buying from Brazil.

jobs. The Center for Metal-Mechanic Services provides technical assistance in management, quality control, and technology, in order for the enterprises to modernize their processes, products, and services; introduces international quality standards; develops a culture of innovation; and strengthens the ties between the different components of this complex industrial chain. For the first phase, the investment was US\$1.7 million.³⁵

After 2006, under the administration of President Lula da Silva, a former factory worker and São Paulo union leader, the region received special attention. For example, taxes on automobiles were cut for a period of time in a successful effort to increase demand and jump-start the metallurgy industry. The year 2007 brought a new global financial crisis, which particularly hurt credit-dependent sectors such as the automotive, machinery, and equipment industries and civil construction. In response, the Agency for Economic Development held several events to determine how to deal with emerging issues such as access to credit, the need to encourage exports, and, especially, mitigating the effects of unemployment.

The Regional Chamber and Agency for Economic Development, despite some stumbling blocks, such as tensions between municipalities and slowing momentum after one of its leaders died,³⁶ are instances of metropolitan governance reform at a time when the basic roles of Fordist-Keynesian national states have changed with some functions upscaled going to supranational institutions (such as the World Trade Organization and the International Monetary Fund) and downscaled to regional governmental entities, leading to a more multitiered political system (Leite 2000; Daniel 1997; Brenner 2003:307). With globalization there has been a significant reordering of political organization of space with major international business arrangements such as the Organisation for Economic Co-operation and Development (OECD), the World Bank, and multinational blocs such as the European Union and MERCOSUL. There has also been a resurgence of region-based forms of economic and political institutional arrangements, such as the Regional Chamber and Agency for Economic Development (Scott et al. 2001:12–13). Given the strength of the supranational institutions, some of the traditional avenues for intervention, such as the nation-state, used by civil society and municipal governments, therefore have been weakened. Yet, these supranational arrangements have often been promoted by the state, and as Sassen (1996) argues, these institutional changes have not meant the total decline of national state power. In addition, the extent of the state original power to have considerable control capital in an earlier era may be overestimated (Panitch 1994:63).

³⁵The main contributors included the private sector (US\$120,000), IDB Multilateral Fund for Investment (US\$480,000), and Sebrae (US\$800,000).

³⁶It is not completely clear whether the murder (still unknown whether it was political or for money because his car was stolen) of one of the main founders, the mayor of Santo Andre, decreased the momentum of the Chamber or whether the Chamber needed to consolidate the projects it had already begun and not add as many new ones in the past few years.

The case of the Regional Chamber and Agency for Economic Development illustrates important issues. Does the rescaling of state space (and this particular kind of regional governance, action, and coalition building) encourage participation and empower previously disempowered social actors? Does it foster a type of economic development that leads to greater social justice? In the Regional Chamber and the Agency for Economic Development, coalitions of actors from multiple localities within a geographical setting came together to work collectively toward common ends. The governors were from different political parties and the actors within civil society had diverse interests. As Scott (2001:6) argues, “The local level has become a renewed focus of persistent calls for more radical practices of democratic participation and representation, as ever-widening circles of urban society demand a greater voice in decision-making.” The collaboration among the actors in the Regional Chamber goes beyond the working groups, which were expected to obtain public feedback on the preliminary agreements as well as to reach unanimous consent among its members. The Regional Chamber’s participatory model of governance provides an example of how agents that do not necessarily share the same interests or have competitive interests are capable of discussing, elaborating, and putting forth practical collective actions based on mutual cooperation. The model provides new avenues of participation.³⁷ However, accountability could be questioned, given that the leadership is not directly elected by the people. Its actual success in really bringing to fruition real change and substantial improvements for people’s lives and livelihoods was questioned by some administrators of both the Consortium and the Agency. In 2009, reflecting on the level of success of the two institutions, I was told that it was foreigners that tended to look more highly at these institutions perhaps seeing more success than those highly involved in the institutions. One administrator was particularly disappointed that although the Agency had many projects, the impact of these projects was not as significant as it should have been.

7.2.4.2 The Ethos Institute: A Private Sector Initiative

Although the Regional Chamber and Agency for Economic Development were initiated and largely run by public actors, private actors in São Paulo also tried to organize in order to influence public policies and improve the labor, social, and environmental situations. In 1998, during the height of the unemployment crisis, Oded Grajew,³⁸ the founder of the Abrinq Foundation for the Rights of the Child³⁹

³⁷As Henton (2001:391) points out, “governance” “is more than government. At the city-region level, it involves citizens, businesses, nonprofit organizations, and educators as well as government working in various ways to set directions, solve problems, and take action in the region.”

³⁸As a graduate in engineering from the University of São Paulo in 1972, Grajew started *Grow Jogos e Brinquedos*, an educational toy company.

³⁹The Abrinq Foundation was established in 1990 to help protect children’s rights by eliminating child labor throughout the production chain. Today it has more than 2,500 corporate members.

and one of the instigators of the World Social Forum,⁴⁰ founded the Ethos Institute for Business and Corporate Social Responsibility (Instituto Ethos). His goal was to promote corporate social responsibility (CSR) and ethical and environmental standards shared by companies, workers, clients, suppliers, stockholders, government, and communities.⁴¹ Grajew argued that even the best companies only invested .01 % of their income in philanthropy, and therefore it was crucial that they shoulder their full social responsibility. The Institute started with 11 members, grew to 800 by 2004, and had 1,492 members by January 2012, with corporate members representing approximately 35 % of the Brazilian gross national product and employing almost two million workers. The members include enterprises of all sizes, from many economic sectors, and consist of multinational, national, and local firms—Avon, DuPont, Walmart, Volkswagen, and Banco Itaú, among them. The Institute also works in partnership with a diverse group of organizations worldwide.⁴² Grajew compares the Ethos Institute to the Foundation Center in the United States for companies interested not just in philanthropy but in how they can change their own actions such as treatment of workers and the natural environment (Grajew 2008). The nonprofit organization provides firms with information and with opportunities to exchange experiences and develops tools that help enterprises analyze their management practices and meet ethical standards. Its mission is to amplify the movement of social corporate responsibility and deepen the practices of CSR. The Ethos Institute has also tried to influence the markets and its most important actors in terms of creating a favorable environment for CSR practices. For example, it has developed criteria for socially responsible investment pension funds. It has also encouraged the creation of government policies to foster CSR and improve legal landmarks, promoting CSR in the public sector and universalizing successful experiences (Instituto Ethos 2008).

⁴⁰Grajew believes that the perspective of the World Economic Forum held in Davos, Switzerland, is narrow, focusing as it does on an economic model that is built on consumption and based on the rules of the financial market. Therefore he, along with six other people including leaders of the Catholic Church, the Landless Workers' Movement, and other human rights nonprofit organizations, developed the idea of the World Social Forum. It was imagined that this forum would be used to discuss an alternative model for globalization, one that would focus on social issues and view the economy as a tool for social development. The first of the forums took place in January 2001 in the southern Brazilian city of Porto Alegre with over 60,000 people from 120 countries. The World Social Forum also had the backing of Bernard Cassen, editor of *Le Monde Diplomatique* and president of ATTAC (Association for the Taxation of Financial Transactions for the Aid of Citizens), and support from the Ford Foundation. In addition, since 2006, Grajew has been a member of the Consultative Council of the United Nations Global Compact, which mobilizes international business in the areas of human rights, labor relations, and the environment. He has brought 211 Brazilian companies to the UN's Global Compact (Grajew, lecture, September 8, 2008).

⁴¹The World Business Council for Sustainable Development (2013) defines CSR as “the continuing commitment by businesses to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large.”

⁴²The partnership organizations include the United Nations Global Compact (GC), Forum Empresa in Latin America, Business for Social Responsibility (BSR), Rockefeller Foundation, Harvard University, International Finance Corporation in the United States, and AccountAbility and SustainAbility in the United Kingdom.

The cosmetic company discussed in Chap. 3, “Pura” was a member of the Ethos Institute. It attempted to sustainably use natural products collected from poor indigenous communities and from the Amazon rainforest. The company considered that responsible practices were a part of its everyday operations, from production to business relationships (Casanova and Dumas 2009:5–6). In addition to encouraging more companies to join the movement for more corporate social responsibility, the Ethos Institute pushed for research and training on corporate social responsibility, taking into consideration the whole production chain. In 2004, it launched UniEthos, a sister entity that focuses on corporate training and providing support for universities, research, and case studies.

How effective are corporate philanthropic initiatives such as the Ethos Institute in bringing about fairer labor practices and social justice? Although a complete examination of CSR internationally and within Brazil is beyond the realm of this book, some words of caution are warranted as we explore the range of actions of the social actors that tried to deal with the conditions in São Paulo during the unemployment crisis of the late 1990s and early 2000s. First, the numbers, by the end of the crisis in 2004, 801 firms were associates of the Ethos Institute, out of more than four million companies operating in Brazil, according to the IBGE. Only .02 % of the firms were part of the movement, although according to the Ethos Institute, more than half of the firms in Brazil had adopted some sort of social policies (Casanova and Dumas 2009:4–5). Second, corporate social responsibility was still very much associated with philanthropy, which is not related to the core business of profit-making (Peinado-Vara 2004:1). The companies involved in more than philanthropy were often more concerned with environmental sustainability than with providing fair salaries, benefits, and better working conditions for their workers. The excuse was that the companies needed to pay lower salaries in order to compete. After the economic crisis ended in 2004, salaries increased and more workers became registered. There is, therefore, hope that general economic growth can bring about improvement in social and environmental sustainability, but given the economic history of Brazil, there will be other economic downturns. Will organizations such as the Ethos Institute succeed in persuading their associates to maintain better salaries and working conditions and sounder environmental practices in future crises?

7.2.4.3 Our São Paulo Network

New coalitions were launched after 2003, as the dire urban and social conditions did not vanish as soon as the unemployment statistics started to show improvement. Therefore, in May 2007, Grajew launched Our São Paulo Movement (Movimento Nossa São Paulo), renamed Our São Paulo Network (Rede Nossa São Paulo) in October 2010,⁴³ made up of thousands of citizens and more than 700 private and public institutions. The movement, modeled after one in Bogota, calls for solutions to

⁴³The reason for the change in name was to better acknowledge that although the different members had common overall objectives, they covered a wide social field with differences due to region, foci, etc. (Rede Nossa São Paulo 2012).

make the megacity of São Paulo more livable.⁴⁴ Grajew argued that governments have a lot of money and power, but often do not have medium- or long-term plans and often are not transparent. He proposed that civil society needs to step in to change the political process as it did when it helped get rid of Brazil's military regime. The network is made up of working groups focusing on 15 themes, including municipal budgets, science and technology, business, education, employment and income, and the environment. Nossa São Paulo focuses on four main areas – the organization of subdistrict data and exemplary initiatives, monitoring of the progress of these indicators and the activities of the municipal government, citizen education designed to promote a sense of belonging to the city.⁴⁵ The projects and actions have included a campaign for the use of cleaner diesel; a commitment to organize and gather social, economic, and environmental indicators annually for each of the sub-municipal districts; and many conferences to discuss economic and social justice in the city. One of the main achievements of the movement has been the passing of Amendment #30 to the Organic Law of the City of São Paulo in February 2008, which forces all incoming mayors to present a list of their goals, objectives, and strategic actions within 90 days of taking office and to hold a public debate about these plans. After 6 months, they must make the performance indicators public.⁴⁶ The criteria include environmentally, socially, and economically sustainable development, social inclusion, and the improvement of the urban quality of life (Oded Grajew, lecture, September 8, 2008, Brazil and Ford Foundation, and Nossa São Paulo 2008–2012). In August 2011, the Sustainable São Paulo Institute, the legal organization of Nossa São Paulo, and the Executive Secretariat of Our São Paulo Network also became the leaders of the Sustainable Cities Program, a joint initiative with the Ethos Institute and the Brazilian Network for Just and Sustainable Cities (Rede Social Brasileira por Cidades Justas e Sustentáveis). This program had the objective of awareness building, mobilizing, and offering tools so that Brazilian cities can develop in an economically, socially, and environmentally sustainable way. The program involved citizens, social organizations, businesses, and governments and offered political candidates an urban sustainability agenda with national and international case studies. It also offered the electorate information on how to choose a candidate with such an agenda. It asked candidates to offer goals and worked with them to achieve those goals if they were elected by providing ideas and popular support for programs and projects (Nossa São Paulo 2012).

⁴⁴Alan Gilbert (2009) spoke positively about Bogota, noting that he thought he would be the last person to do this, but the city has been transformed in terms of services and infrastructure. However, he argued that municipal governments had not been able to do anything about unemployment, which has not been the case in Brazil. What is interesting is that he did not seem to mention the movement, but gave sole credit to the municipal governments who primarily followed neoliberal economic policies (Alan Gilbert's keynote address, Gainesville, Florida, January 30, 2009).

⁴⁵Several cities subsequently have been encouraged to start similar movements, including Rio de Janeiro and Belo Horizonte.

⁴⁶They have placed a journalist in the municipal congress to follow and keep transparent the actions and decisions of the municipal government officials.

7.2.4.4 Evaluating the Coalitions

The success or potential success of these coalitions is difficult to determine, partially because of the lack of long-term and in-depth evaluation but also because they have hardly worked in a vacuum. Changes in macroeconomic conditions have also affected the lives of low-income Paulistanos. In the ABC region, for example, the unemployment rate decreased from 18.2 % in 1997/1998 to 11.2 % in June 2012, but this was a period of general economic growth in Brazil, even at a time when many countries' economies were collapsing. This makes it difficult to credit the decrease in unemployment to the efforts of the Regional Chamber and Agency for Economic Development, although the argument could be made that they played at least a small part in the region's general economic growth.⁴⁷ An evaluation of corporate social responsibility conducted by the Institute of the Brazilian Association of Managers of Sales and Marketing (Associação dos Dirigentes de Vendas e Marketing do Brasil – ADVB) in 2008 suggests the success of the Ethos Institute. In 2008, the association concluded that the members of the Ethos Institute were adhering to social practices with “intelligent strategies and establishing a real partnership with society.” Yet the survey did not elucidate how the quality of employment had improved in the member firms or whether they were ensuring that the outsourced firms were adhering to any kind of principles. The survey focused almost exclusively on social programs instead of on the treatment of workers, and yet the percentage of the profits directed to these social programs remained unclear. And between 2007 and 2008, some areas seemed to be getting worse; for example, the percentage of firms that integrated socially responsible actions into their strategic vision went down (Instituto ADVB de Responsabilidade Socioambiental – IRES 2008). By 2012, Nossa São Paulo had not had a real chance to make a significant impact on labor conditions, but its annual reviews showed that important legislation passed regarding transparency of mayoral actions (Amendment #30) (Nossa São Paulo 2012).

In many ways, the Regional Chamber and Nossa São Paulo were similar in that they tried to bring together private and public institutions, gather information, and propose concrete government actions. However, the Regional Chamber also started the Agency for Economic Development, which could act independently of governments, and made the ABC Consortium a legal entity that could take action without having to rely on governments. The Nossa São Paulo Network functioned at the

⁴⁷There have been some fluctuations in the unemployment rate due to the global economic downturn starting at the end of 2007 which did result in increases in unemployment in the ABC region from, for example, 10.7 % in January to 12.3 % in February 2009 and from 10.7 % in June 2011 to 11.2 % in June 2012. The general improvement in unemployment despite the global financial crisis has been at a time of general economic growth in Brazil (5.6 % growth in GDP in 2008 but a decrease to 2.7 % in 2011 and only a 0.9 % GDP growth in 2012, although officials were predicting that the growth will climb) (“Brazil: A Moment of truth for Dilma,” *Economist*, pp. 11–12, August 18, 2012; “Brazil’s Economy: Facing headwinds, Dilma changes course,” *Economist*, August 18, 2012; and “Brazil’s Economy: Wrong Numbers,” *Economist*, pp. 38 January 19–25, 2013).

sub-municipal level, whereas the Regional Chamber and Agency for Economic Development worked regionally and took collaborative action for all seven municipalities involved. The ABC entities also focused on the macroeconomic context affecting all of the municipalities, the opening of the market, the difficulties in competing internationally, and the environmental problems affecting the whole region.

The Regional Chamber and the Agency for Economic Development, like the metropolitan institutions in Western Europe analyzed by scholars such as Neil Brenner (2003), focused on promoting regional growth in the context of perceived competition for mobile capital investment. They also espoused cooperation within the urban region as a means to engage in territorial competition against other urban regions at national and global scales and supported values of negotiation, partnership, and flexibility (Brenner 2003:303). The Regional Chamber and the Agency for Economic Development enabled the localities to merge resources to set up programs in the area of research, technical assistance and education, and infrastructural development in order to strengthen the region as a whole. Regional collaboration can prevent industries from moving from one municipality to another to find the cheapest labor and avoid environmental regulations (Savitch and Kantor 2003:1019). Like other regional reform initiatives, the ABC regional institutions came as a response to a potentially destructive effort by municipalities to steal industries away from one another. They did not, however, address the problem of industries leaving the region altogether. Particularly in the 1990s, the Brazilian national governments tried to erode the Keynesian welfare institutional settlement, an economic model which supported better pay for the workers so they could buy the goods they make and a social welfare system that took care of the unemployed so that they could continue to participate economically. The interim policies of the new regional efforts therefore tried to work within this new settlement, the neoliberal economic model, but also fight that tendency, in the long run. It seems that the efforts of regional entities like the Regional Chamber and Agency for Economic Development leave individual regions better equipped to compete in the global economy and to become more socially just and environmentally sound regions. I agree with scholars such as Aguilar et al. (2003), who propose that regional institutions tend to be more flexible and adaptable to rapid change and are places to look for sources of alternative agency that could possibly lead to greater social justice. As David Harvey (1989:153) argues, “local government boundaries do not necessarily coincide with the fluid zones of urban labour and commodity markets or infrastructural formation Local jurisdictions frequently divide rather than unify the urban region.” Public administration poses one of the principal problems of megacities, as the population spreads into neighboring administrative areas. The need for more metropolitan regional governance is becoming ever more important: as over the next two decades, the United Nations expects the world’s urban population to grow by 195,000 a day (*Economist* October 27–Nov. 2, 2012:Special Report 4). As Richardson (1993) argues, effective megacity management is much more critical for controlling urban problems such as pollution, crime, poverty, and lack of housing, than megacity size. Megacity management refers to the coordination of macro-, sectoral, and megacity policies and strategies to deal with urban social and infrastructural problems.

Although the ABC municipalities have worked together, the problem remained, as late as 2012, that the Regional Chamber and Agency for Economic Development only included 7 of the 38 municipalities in the Metropolitan Region of São Paulo.⁴⁸ Some Brazilian scholars and planners have blamed the lack of other examples of regional governance in Brazil on the Brazilian federal system mandated by the 1988 Constitution, which distributed power between the levels of government, and left municipalities largely financially responsible for their own problems, thereby fostering competition rather than collaboration.

All three coalitions, however, were elite-initiated efforts at building social justice. Although there is an attempt to include participants from all social classes, the vast majority of the favela inhabitants are not involved in these coalitions. Instead the favela inhabitants are involved in smaller self-help projects that come about more because a favela leader has taken the initiative to improve the community's situation. These self-help efforts, however, have not greatly influenced public policies or corporate action and do not seem to be an integral part of the action plans of the coalitions.

An examination of the three different coalitions, the Regional Chamber and Agency for Economic Development, the Ethos Institute, and Nossa São Paulo, also brings to the fore the issue of the expectation of governments and the role of civil society in creating change. It is a question, of course, that has concerned the urban planning movement and the academy for decades.⁴⁹ One may argue that the type of governance and public-private partnerships espoused by all three institutions simply relieves local governments of their responsibilities and takes away power from the public. I would argue, instead, that they have encouraged local cooperation to deal with new problems. In some ways, the Regional Chamber and the Nossa São Paulo Network have given more power to municipal governments in that they have drawn disparate groups into a dialogue about how to engage in development that will benefit all. These metropolitan reform initiatives advanced “destatization insofar as they generally entail the establishment of new forms of public-private partnership, coordination and governance in the implementation of major regional policies,” but in other ways they are agents of meta-governance (Brenner 2003:311). They maintain regulatory coordination over nongovernmental entities, partially through public-private partnerships. This allows them to constrain non-state actors by pull-

⁴⁸The Metropolitan Region of São Paulo may therefore have similar problems to Buenos Aires where even though some of its municipalities are at least joining together to jointly supply services, it is not reducing the existing fragmentation of city relationships. However, unlike Buenos Aires, economic development is not run by private developers in the ABC region, but by both the private and public sectors including community members and nongovernmental organizations, fostering greater equity.

⁴⁹The question of the role of government and civil society is very much part of a discussion at the national level in the United States with the election of US President Obama, a former community organizer, who ran both of his presidential election campaigns and his presidency using those organizing skills and relying on grassroots movements to help him promote change.

ing them into a state-dominated regional institutional framework (Brenner 2003:310–312).⁵⁰

A strong civil society has been and continues to be a way to influence the direction of the nation-state, but it could also be a way to influence such global institutions as the World Trade Organization and the World Bank. Wallerstein (in Panitch 1994:62) contends that the world bourgeoisie has always organized itself in relation to the world economy but the proletarian forces have been more nationalistic. He argues that “the new global order” has escaped the control of the nation-state at least to some degree and therefore key groups and organizations need to work transnationally and fight for transnational bills of social, economic, and civil rights. However, this argument assumes that the Left’s mode of practice, for example, the national labor unions and the nonprofit organizations such as the ones discussed above, was adequate for the nation-state and should just now be internationalized (Panitch 1994:62). De Tocqueville (in Putnam 2000) argued that civic organizations such as neighborhood associations and church groups were essential for democracy and necessary to check the dictatorial powers of the state and to promote equality among the citizenry. “Neo-Tocquevillians,” such as Robert Putnam (1993, 2000), continue this argument. The building of strong civil societies has been adopted by institutions such as the World Bank and the Ford Foundation, and by many scholars, as the appropriate vehicle for strengthening human rights, promoting good governance and economic prosperity, and delivering public services (Chalmers et al. 1997 and Putnam, Diamond, Stepan, and World Bank in Encarnación, 1999:6).⁵¹ However, civil institutions should not be expected to take over all support services that governments have previously provided. However, at least coalitions such as the Regional Chamber and Agency for Economic Development, Nossa São Paulo, and the Ethos Institute create a forum in which public and private actors come together to deal with social and economic problems in a more equitable manner.

⁵⁰To be sure, cases like Glasgow, where an umbrella tier of regional government was set up that soon began to fuel suburban development and cater to the private sector (Savitch and Kantor 2003:1021), warn us to be wary. Similarly, there are other cases, such as Houston, where regionalism led to the development of the outer areas with scant attention to the inner city. However, in other cases such as regions in France and Italy, such partnerships were more conducive to democratize development and/or provide more equitable development among the localities (Savitch and Kantor 2003:1022).

⁵¹There is a large body of theoretical and empirical literature on the benefits and potential and actual role of civil society. Although a few scholars such as Encarnación (1999) argue that the strong civil society in Brazil has not consolidated democracy and that with the absence of political institutionalization an expansive civil society can hinder this consolidation. Space does not permit me to enter into this debate, but I do contend that civil society is important for altering the given economic system.

7.3 Conclusion

In their book, *Global Village or Global Pillage*, Brecher and Costello (1994) describe a Lilliputian strategy where tiny local actors capture the huge Gulliver, globalization, by tying him down with hundreds of threads while he sleeps.⁵² The threads and actors operate at all levels. People can use modest sources of power and combine them with sources of power in other movements and locations (Brecher and Costello 1994). The global cannot operate without the local. Most global actors are not born global; they initially work outward from the local (Beauregard 1995). Like Brecher and Costello (1994) in their analogy of the Lilliputians, I contend that it will not be one actor, but coalitions of actors working at all levels, that will at least alter, if not completely replace, the neoliberal economic model of development.⁵³ The relevant actors in this struggle for a new society are organized social groups based in the local community and coalitions of public and private actors working in the region or municipal level, as well as larger, more inclusive movements not bounded by territorial limits. These actors, as Harvey (2000:88–89) has argued, are the architects and planners, who, although embedded in spatiotemporal practices and certainly not completely free agents, do have the will to create and imagine. Those who study these actors, social movement researchers and theorists, have been called utopian. I would argue that so are those who said development would bring about the end of poverty in the 1940s and 1950s and those who in the 1980s, 1990s, and early 2000s preached ad nauseam that “stabilization packages” would be a way out of that economic crisis. As Escobar (1992:81) contends, “Who knows? Perhaps those who stick to conventional paradigms, known by now to be fruitless and futile, are truly more romantic than those who dare to dream and imagine what has not yet been thought.” Or as Unger (in Harvey 2000:62) proposed, “Society is made and imagined, [so it can be] remade and reimagined.”

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⁵²“Gulliver,” in this case, however, is hardly sleeping, therefore making the job of the Lilliputians much harder!

⁵³Given that, even with another major failure of the neoliberal economic model (the global economic crisis that started in 2007), most of the powerful actors, ranging from the US and European governments to the World Bank and the International Monetary Fund, have continued to follow the exact same economic principles as though they had not contributed to the crisis, a real change in the economic model seems even less likely.

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Photo 7.1 Favela Sul – Its Catholic Church with a dynamic leader

Chapter 8

Conclusion

Abstract The examination of the inter-scalar relationships and the day-to-day realities of economic globalization in São Paulo reveals that much of the literature dealing with economic globalization and the labor market, the “informal” sector, and women and development basically offer theories of exclusion. This concluding chapter offers a discussion on the author’s argument that the inhabitants of the three communities she studied, as well as the street vendors of São Paulo and the Bolivian sweatshop workers she has discussed in the book, are not excluded from the global economic system. However, she argues that they *are* largely excluded from the profits and wealth that they produce for the owners of capital and the global economy. This chapter also builds upon the work of Janice Perlman on Rio de Janeiro comparing and contrasting the theories of marginality and exclusion. The chapter ends by arguing that the role of women in the economy needs to be analyzed along three inclusion/exclusion continua: specifically the *use* of women workers to gain more profits and the exclusion of women from the profits but also the exclusion of women in the discussion about economic globalization.

Since macroprocesses take shape through the particular activities of individual people, macrotheory should likewise be grounded in the particular (Abu-Lughod 1990 and other feminist critics in Freeman 2001 and Wrong 2005). Yet, both globalization theory and world-system theory often do not ground the overarching economic, political, and social structures and trends that shape the interrelationships within and across cities. Conversely, feminist theory and ethnography tend to be concerned with microprocesses and relationships through a focus on individuals or specific cultures. Misra (2000) argues that, rather than trying to integrate one into the other, there should be a dialogue between the two approaches. Such a dialogue is critical, but so is the methodological and theoretical integration of the two approaches. The local particulars need to be situated in the broader political economic context of the global economy, and vice versa, through an examination of the relationships between and across the analytical levels of the individual, the household, the community, the city, the nation, and the global.

The examination of the inter-scalar relationships and the day-to-day realities of economic globalization in São Paulo reveals that much of the literature dealing with economic globalization and the labor market, the “informal” sector, and women and development basically offer theories of exclusion. The economic globalization literature makes a categorical distinction between groups included in global economic processes (i.e., international bankers and businessmen and women) and those excluded from them (i.e., street vendors and other “informal” sector workers). The literature on the informal sector focuses on economic actors that are seen as isolated from the formal economy. Similarly, the literature on women and development highlights the exclusion of women and women’s labor from development projects and programs and from the benefits of economic globalization, even from economic statistics. My own thesis has been that neither São Paulo, a city in a newly industrialized country (NIC), nor the so-called informal sector and the low-income women who live there (and in similar cities) are situated outside of the global economic system.

São Paulo’s labor market is very much a part of the global economic restructuring process, and its informalization is an integral part of global economic and industrial restructuring. Women’s work – whether as housewives, homeworkers for firms, sweatshop workers, street vendors, owners of small shops, or service providers in the squatter settlements – is also a part of the global economic system. Women are included, albeit in a very exploitative manner – all forms of “inclusion” are not necessarily “good.” Women’s work is essential to the activities of those who have always been considered part of the system, such as the multinational corporations and the larger national firms. Similarly, storeowners and service providers in the *favelas* might be considered to be outside of the system, but often they have lost their formal jobs only temporarily and may eventually reenter the more formal workforce. In the meantime, they are providing cheaper or more convenient services to exploited or unemployed workers. In sum, the global capitalist system relies on them to support the workers who receive low salaries, who are often not registered and denied benefits, and who work sporadically in a new, flexible system that follows a just-in-time style of production.

My argument is that the inhabitants of the three communities I studied, as well as the street vendors of São Paulo and the Bolivian sweatshop workers I have discussed in this book, are not excluded from the global economic system. However, they *are* largely excluded from the profits and wealth that they produce for the owners of capital and the global economy. Scholars such as Paul Singer (1999), a well-known Brazilian political economist, use the term “social exclusion” to refer to poverty, discrimination, and exclusion from the formal sector. I would agree that unregistered workers – either employed by a firm or self-employed – are excluded from the benefits of the formal labor system.

During the 1996–2003 unemployment crisis, it was particularly inappropriate to conceive the economy of São Paulo as consisting of two separate sectors. Labor markets are a continuum, and often registered workers in São Paulo were being denied many of the benefits to which they were legally entitled. Different levels of formality could be found in both the so-called informal and formal

sectors, and wherever the workers were on this continuum, they were an integral part of the global economic system.

Caldeira (2001) uses the concept of exclusion to refer primarily to spatial exclusion. The exploitative system that generates the perceived need for high security measures because of increasing levels of violence and crime perpetuates a pattern of fortified enclaves and spatial residential segregation. Yet the security guards, maids, janitors, carpenters, painters, and nannies – the workers who make it possible to maintain a city’s buildings and households and who may be socially “segregated” – form an integral part of these enclaves and thus are not entirely excluded from them. And spatial exclusion is not limited to wealthy neighborhoods. Gates and fences were being built around houses in poor neighborhoods and even in *favelas* as high unemployment was increasing the likelihood of thieves from low-income communities robbing houses in neighboring low-income communities.¹

The workers in the communities I studied are included in the global economy by means of such neoliberal devices as flexibilization, informalization, and precarization. Although the industrial sector declined in São Paulo, it remained quite strong. Many industries outsourced to smaller unregistered firms or homeworkers and/or moved. The managers of the six firms I analyzed in Chap. 3, all strongly linked to the global economy, did not view their industries as involved in the exclusion of workers, but perceived outsourcing as a means to include more workers in the production process. With the flexibilization of industrial production, sweatshop workers and homeworkers became an integral part of the industrial process. They are included in an exploitative system, making it possible for firms to increase profits, to be more competitive, and, ultimately, to supply low-income workers with cheaper goods.

However, along with the creation of outsourced workers, industrial restructuring resulted in higher levels of both hidden and open unemployment in São Paulo during the economic crisis. Now, more and more workers remained outside the labor market for longer periods. Were they excluded from the global economic system? Through my ethnographic research, which followed some of the same households from 1996 to 2013, the fluid employment situation for the inhabitants of the squatter settlements became apparent. Women, in particular, were constantly trying new economic activities, often going in and out of registered employment. At the same time, the economic situation during the unemployment crisis from 1996 to 2003 made it more difficult for them to find jobs with benefits, such as participation in the social security system. The numbers of workers who were truly unemployed, unable to continue sideline economic activities and find registered or unregistered work, had increased. These workers may be considered excluded. Even then, however, inclusion and exclusion should not be considered as fixed states. During the unemployment crisis years, sometimes the trajectory of these workers was a downward spiral to more and more precarious employment within the system before becoming truly unemployed.

¹ Caldeira (2001) argued that the reason for these gates in low-income communities was to express higher social class than their neighbors. However, it may also be for security because many of the research participants had been robbed by hoodlums from neighboring communities.

As such, they became what Marx termed the “reserve army of labor.” Moving out of this “reserve” now usually meant only a slight upward trajectory to very precarious employment. Some workers, particularly among those in their 1950s, were cast out of registered work altogether because of age discrimination, which forced younger household members to take on more exploitative economic activities to compensate for the lost wages of the older workers. These older, “excluded” workers, however, continued to fulfill supportive activities.

In many ways, Perlman’s (1976) critique of theories of marginality as they were used in the case of the squatter settlements in Rio de Janeiro anticipates my critique of theories of exclusion. She contended that among the inhabitants in the *favelas*, there was an active associational life; high trust and unity; less crime than reported; integration with the rest of the city in terms of marketing, work, and fun; contact with new ideas and middle-class values; direct contact with others in the city, the media, and city institutions; contribution of the inhabitants to the economy through consumption; and a contribution to the economy in terms of domestic services for the middle class, building maintenance, street cleaning, car washing, and security. Perlman (1976:181) wrote, “The favelados, then, are not marginal to the national economy; they are integrated into it on terms detrimental to them.” As do the theories of marginality, the theories of exclusion depict a clear separation between different groups of people and between formal and informal economic sectors. However, there are also dissimilarities between the theories of marginality and exclusion and, hence, between my “myth of exclusion” argument and the “myth of marginality” thesis of Perlman.² Unlike the theories of marginality, the theories of exclusion look at the larger social and economic system instead of just individual characteristics. Social and economic theories tend to be cyclical with some based on ingrained stereotypes and prejudice. Just as neoliberalism follows many of the liberal economic ideas of free trade and small government, the concepts of exclusion follow many of the ideas of marginality, except that the context has changed from that of the community or nation-state to that of the global economy.

The term marginality was first used in the 1920s on the individual psychological level. For Park, a marginal man lived on the edges of two cultures and societies that never completely interpenetrated and fused (Park 1928 in Perlman 1976:98). Yet, the concept of the marginal man was different in the 1920s and 1930s from the concept of marginality of the 1950s, 1960s, and 1970s. Park saw the marginal man as the hope for civilization and progress. In the 1930s, Stonequist (in Perlman 1976:100) argued that the marginal individual passes through three steps: introduction to two cultures, crisis, and adjustment. In the last stage, there can be assimilation, revolutionary action, or isolation. In the 1950s, Merton (in Perlman 1976:101) built upon the idea of inclusion and exclusion, defining the marginal man as someone who is aspiring to, but is ineligible for, membership in society.

²Although, as Portes (1977) and others argued, Perlman’s study of the 1960s failed to acknowledge theories of poverty that already had critiqued the culture of poverty, I would argue that Perlman’s critique of marginalization was crucial for the reexamination of the contribution of low-income workers to the urban economy.

Analysts of Latin American urbanization first used the term marginal to refer to the squatter settlements on the outskirts of the city. Soon, the people living in those communities were considered “marginal,” with rural “non-modern” characteristics. The concept of the “culture of poverty,” anticipated by Oscar Lewis, can be considered a theory of marginality.³ According to the theory of marginality, situations of deprivation perpetuate certain personality traits, even in subsequent generations, through the socialization process (Perlman 1976:114). The concept of marginality in Latin America was pervasive in the 1960s and 1970s, appearing in various political, social, and scholarly discourses and programs. As Perlman (2010:152) more recently argued, although the term “marginality” was less frequently used in academic and activist circles in the 1980s, after various critiques, including hers, “less toxic,” but nevertheless related, concepts emerged again in the 1990s, now under the new guise of “exclusion,” including the concepts of social exclusion, inequality, injustice, and spatial segregation.

The new term “excluded” has less of a derogatory meaning especially in Portuguese where “marginal,” at least to the research participants living in the favelas, usually meant someone associated with crime and violence.⁴ In many ways, the theories of marginality blamed the poor for their condition, masking the unwillingness of the more powerful to share their privilege (i.e., taking more than their fair share). In contrast, what I categorize as theories of exclusion – theories on economic globalization, on the “informal sector,” and on women and development – have posited that the capitalist system, the formal sector, or the patriarchal society is to blame for the exclusion of the poor in general, of workers in the informal sector, and/or of women. Nevertheless, while they stop short of blaming the low-income workers living in the squatter settlements, the policies and programs that are built upon these theories of exclusion often concentrate on the characteristics of individuals, such as their education, as the reason for their exclusion, rather than on any kind of real critique of the system. Alternatively, they may call for very narrow tinkering with bureaucratic rules. For example, De Soto (2000) argues that all the poor require in order to be able to participate in the capitalist system is title to the land they occupy and a way to legalize their businesses. He does not examine how the elites within the system strive to prevent such changes because they do not view broader equality as being in their best interest. Agency, therefore, often continues to be missing from these theories.

In 2001, Perlman reinterviewed many favela residents she had interviewed in the 1960s as well as their children and grandchildren. Perlman (2010:150) came to the conclusion that “To my disappointment, but not my surprise . . . the ideology of marginality, with its moralistic, victim-blaming narrative, has persisted in

³This is a concept that in some ways breaks away from blaming the poor, but it also ignores who is involved in marginalizing the poor.

⁴The focus group interviews by Narayan-Parker and Petesch (2002:Box 2, p. 379) in Brazilian favelas in São Paulo, Recife, and Itabuna also revealed that people living in the favelas see *marginais* (marginals) as “others,” those people “having no scruples, being thieves, murderers and drug addicts, trying for the easy life by harming others.”

the face of blatantly contradictory evidence.” This ideology, she argues, has led to continued discrimination based on place of residence. She contends that there are many reasons for the reemergence of the concept of marginality, including that it justifies inequality, provides a scapegoat for societal problems, and allows some to feel superior. The notion of marginality, she adds, often shapes the self-image of the favela residents, so that they blame themselves, and it divides low-income people, preventing them from unifying against the real reasons for their situation (Perlman 2010:150).

Low-income workers in São Paulo, like the favela residents of Rio de Janeiro Perlman studied, are also not marginal to the global economy, but are increasingly being excluded from the benefits and profits of formal labor and the global capitalist system as well as from social services and protection. Although low-income workers in São Paulo are also discriminated against because of their place of residence, I focused more on the type of economic restructuring that forced favela residents into precarious work.

In addition to Perlman’s reasons for the renewed use of the marginality/exclusion model by social scientists, I would add that the use of neoliberal and rational economic models is conducive to such dichotomies and is a result of the lack of academic theorizing about the meaning of exclusion. In the early years of gender and development studies, women began to be seen as negatively incorporated into development processes, but not as excluded from development (Kabeer 2000:11). Yet, today, for example, in seminars on women and globalization at academic conferences, the word exclusion is constantly used but rarely discussed. Academics and activists are again employing an all-embracing, simplistic dichotomy. Just as there was a need to reexamine other economic dichotomies such as realizing that economic activities fall on a continuum between informal and formal, there is a need to reexamine the categories of inclusion and exclusion. Exclusion of workers from the global economy should be examined in terms of both exclusion from the profits and exclusion as workers. Exclusion and inclusion from profits in the global economy fall on a continuum. This would place a focus on the precarious terms on which low-income workers have been included. The direction that the labor market took during Brazil’s 1996–2003 economic crisis eroded the major labor rights that had been won by unions and other social movements. Outsourcing to homeworkers and to sweatshops signified a further reduction of rights and increasing levels of inequality. These workers were therefore even more excluded from the profits. On this inclusion/exclusion continuum, low-income workers in São Paulo were experiencing less inclusion. On the other hand, I am arguing that all workers are being used by the system to increase profits.

The concept of workers’ inclusion in the global economy, as exploited workers with a decreasing share of the profits, becomes even more complex as we examine the linkages between low-income workers and the global economy. In the preceding chapters, I wrote about homeworkers who put together lipstick holders for a Brazilian cosmetic packaging plant that supplies Avon, a multinational corporation; about a chocolate factory, now owned by a multinational, which adopted Japanese production processes; and about Bolivian sweatshop workers employed by Korean

and Bolivian sweatshop owners who are trying to compete with cheap imports from China. These are all examples of low-income worker inclusion within the global economic system.

The role of women in the economy should also be seen as part of three inclusion/exclusion continua: specifically the *use* of women workers to gain more profits and the exclusion of women from the profits but also the exclusion of women in the discussion about economic globalization. Over a decade ago, Fernandez-Kelly and Wolf (2001) contended – and this remains true today – that women’s voices are heard infrequently in studies on globalization, especially when economists discuss neoliberalism and free trade. Today, I would argue that women’s voices are also not heard when we discuss the financial markets and especially when we discuss industrial restructuring processes – including outsourcing, cutting labor costs, and lean production methods – and the curtailment of public spending for social services. Economic globalization has had various effects on women depending on class, previous position within the labor force, and position of their country and even their city within the global economy. In São Paulo, where women were already involved in factory work and where factories primarily produce for national consumption, globalization did not provide new opportunities for women in maquila-type factories. Rather, new opportunities were limited to homework.

Women should not be seen as excluded from global restructuring, but it would be equally erroneous to view them only in their role as reproducers of the labor force and as exploited workers upon which global production depends. They are also agents of change who struggle within and alongside trade unions and social movements for better working conditions and urban services. Women use survival strategies that take advantage of the opportunities (although often exploitative) that a more flexible labor market provides (in the case of the favelas I studied, this included anything from selling Avon cosmetics products door-to-door to putting strings through clothing tags for Levi’s).

Notions of economic inclusion and exclusion are intimately related to how cities and countries address the problems of inequality, precarious labor, and economic development. Countries, at all levels of development and all over the world, are facing pressure by global financial institutions and governments of wealthier countries to further economic growth by increasing trade, reducing public spending on social welfare, and curtailing labor rights, ultimately leading to more inequality.⁵ France, for example, was labeled “the time-bomb at the heart of Europe,” partially because of its high public spending, high taxes on the wealthy, extensive labor market regulations, and the “inflexibility” of the labor market.⁶ And the Brazilian economy, with

⁵Like Brazil in the 1990s and early 2000s, at the end of 2012, countries ranging from Greece, Spain, France, and the United States to Egypt and Iran were also struggling with high levels of unemployment and poverty rates.

⁶A lit fuse jutting out of French bread wrapped in ribbons with the colors of the French flag adorned the cover of the November 17th–23rd, 2012, edition of the *Economist* with the headline reading “The time-bomb at the heart of Europe.” The headline of the 14-page special report on France read, “So much to do, so little time.” Even though inequality in France is lower today than it was in the mid-1980s (a rarity today for most countries) with most people enjoying high

healthy growth rates⁷ (as high as 7.5 % in 2010) and decreasing levels of inequality,⁸ is both cheered and criticized as the worry of how they will pay for decreasing inequality (social programs and higher wages) as growth slows and the real value of minimum wages rises (as it already has by more than 50 % in real terms since 2003) (World Bank 2012; Birdsall et al. 2011; Focus “Brazil.” *The Economist* online, Nov 1, 2011).

Even though global economic institutions are pushing for economic policies that increase inequality, they are also showing concern over the high levels of inequality all over the world because of what these levels can do to economic growth. The International Monetary Fund, the Asian Development Bank, and various government representatives and businessmen at the World Economic Forum at Davos in January 2012 all agreed that the world is becoming more unequal and that these disparities are dangerous. High levels of inequality, they warn, can slow growth, be inefficient, and prevent those who are talented but poor and excluded from receiving the needed education to contribute to the economy. They add that high inequality can lead to growing resentment, which often results in “growth-destroying populist policies” (World Bank 2012 and Special Report: World Economy – for richer for poorer *The Economist* October 13th–19th 2012). It remains to be seen whether these global economic institutions and businessmen will act upon their worries that growing inequality is not beneficial for economic growth and actually change their actions.

As argued in Chap. 7, there is no singular path to reach the goals of profit and growth with equality and stable employment. In order to imagine the different routes to these goals, we need to view economic globalization in new ways. We need to debundle the concept of globalization and understand its complexities, and we need to view it as a fragile and vulnerable process that social movements of all sizes, local governments, and planners can chisel and form (Freeman 2001).⁹ In Chap. 7, I wrote about the extraordinary number of actors that work at every level, with creativity and energy, within and outside of São Paulo, on behalf of

living standards and France is the fifth-biggest economy, the sixth-biggest exporter, and the fourth-biggest recipient of foreign direct investment, the French government – particularly President Holland – is chastised by the *Economist* as not reforming, spending too much, highly taxing the wealthy, and slow to reform its labor market, pension, and social security and welfare systems. The worry is that France is losing its competitiveness. Part of the solution espoused in the article is to make the labor market more flexible with more part time contracts and curbs to the freedom of fired workers to sue in the courts (Special Report France. *Economist*. November 17th–23rd 2012: pp. 1–14).

⁷Although the growth rate slowed down considerably to 2.7 % in 2011 and to an estimated 1 % in 2012, it is expected to possibly increase to 3 % in 2013 during years when many countries’ economies are hardly growing (Focus “Brazil.” *The Economist* online. Nov 1, 2011 and “Brazil’s Economy: Wrong Numbers,” *Economist*. January 19, 2013. p 38).

⁸Inequality rates reached a fifty-year low Gini coefficient of 0.519 by 2011 (Focus “Brazil.” *The Economist* online. Nov 1, 2011.)

⁹Often problematic male language is employed to discuss economic globalization such as globalization “penetrating” most countries, MNCs as tapping “virgin” markets, and global forces as the most powerful forces able to overpower local forces.

people-centered development, worker's rights, and less inequality. As Escobar (1992:81) argues, we need to "dare to dream and imagine what has not yet been thought." Destiny is not written in stone.

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