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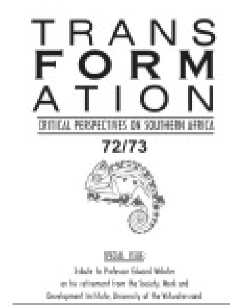

Article

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In the early 1990s, as South Africa entered the lengthy negotiations that finally led to the country's first democratic elections in 1994, it became almost commonplace to compare South Africa with Brazil – another middle-income country and regional power, also moving slowly out of authoritarian rule toward democracy. Like South Africa, Brazilian society was marked by stark inequalities: the country's tiny elite controlled most of the wealth, and most Brazilians – especially those with darker skins – lived in poverty, with little hope of upward mobility.

Through the late twentieth century, Brazil consistently ranked as one of the world's most unequal societies. Using a standard measure of income inequality, the Gini coefficient, Brazil was one of the world's most unequal societies in the world in 1989, with a Gini coefficient of 0.634. Between 2001 and 2006, however, Brazil's Gini coefficient dropped precipitously, falling to 0.526 in 2009 (Margolis 2009). In Brazil, incomes have risen across the board, but the incomes of the poorest Brazilians have risen much faster than those of the country's wealthy. In contrast to most of the world under globalisation – and in sharp contrast to South Africa, where inequality has at best stayed steady, and possibly risen slightly, over the same period, with a Gini coefficient of 0.66 in 2009 (Presidency 2009) – Brazil's poorest households now receive a greater share of the country's income than they have ever had.

What explains Brazil's unusual trajectory? In the 20 years since both Brazil and South Africa, separately but simultaneously, began to move away from their authoritarian pasts, both countries have experienced what Webster and Adler (1999) termed a 'double transition': democratisation coincided with economic restructuring as new elected governments navigated their countries' integration into a competitive international economy. In both countries, democracy brought unexpected challenges for the organised labour movements once central to both anti-authoritarian opposition movements. Just as industrial workers gained full citizenship – able to participate, now, in normal political processes and ordinary patterns of collective bargaining – major industries in both countries were restructured in ways that ironically undermined organised labour's strength, as industrial workers found themselves retrenched, and their unions struggling to retain jobs.

Figure 1

Source: FGV and David Samuels, 2004

In *Grounding Globalisation* (2008), Webster, Lambert and Bezuidenhout examined strategies used by organised labour in Australia and South Korea to respond to challenges like these, pointing to strategies ranging from support for innovative managerial strategies on the global playing field, to efforts to support new labour internationalism. Focusing on the appliance industries in all three countries, they looked to industry-specific efforts to support workers whose livelihoods have depended on those industries for the past 30 years, asking how states and corporations might sustain jobs and communities in industries suddenly facing intense global competition.

In South Africa, these questions clearly resonate: restructuring has undoubtedly contributed to the country's persistently high unemployment, and 15 years after South Africa's first democratic elections South Africa's unions find themselves caught between trying to protect the jobs and wages of current members while still trying to speak on behalf of the working South Africans who have either lost their jobs because of restructuring, or who never had industrial jobs at all. With communities around now-shuttered factories left with few options beyond 'survival strategies' and social grants, COSATU's support for Zuma in the presidential elections has often sounded almost desperate, emphasising personalities and pro-poor rhetoric rather than insisting on explicit policy debates within the ruling coalition.

But should labour limit its strategies to efforts to strengthen industrial production and exports? Does Brazil's experience with globalisation offer an alternative approach, one that focuses on state action to improve the living conditions of the very poor, rather than efforts to sustain specific industries facing the cold winds of globalisation? The lessons to be drawn from Brazil are still up for discussion. In one recent debate about what Brazil's experiences might teach South Africa, while some analysts emphasised Brazil's successful shift in industrial strategy, others attributed Brazil's apparent reductions in poverty levels to 'conditional cash transfers', or payments to the country's poor (Pressly 2009). In this paper, I suggest both these claims hold some water. In addition to sustaining economic growth rates and improving national oversight of the private sector, the national government has vastly expanded conditional cash-transfer programmes aimed at the country's poorest households. However, it is important to recognise that these payments to the poor have been carried out in the context of a broader, rights-based approach to social protection. For the past decade or more, Brazil's government has improved its ability to collect taxes and regulate industries, enforcing basic labour laws, raising the minimum wage, and increased social protections for all Brazilians – strengthening a sense of citizenship and inclusion. After describing these programmes, I will return to consider what lessons, if any, Brazil's experiences might have for other middle-income countries.

Brazil's 'pro-poor' growth

First, the data. Over the past decade, during Lula's two terms in office, Brazil's growth rates have been matched by surprising reductions in inequality. 'Almost by stealth' one analyst wrote, 'Brazil seems to be experiencing a pro-poor spurt of growth': real incomes of the poor have risen sharply, and there has been a sharp reduction in absolute poverty (Trebat 2007).

Between 2001 and 2006, the poorest 10 per cent of Brazil's population experienced a 57 per cent per cent growth in real income. As Lula moved into his second term as president, the upward trend in incomes for poor Brazilians was unmistakeable: in 2006, the incomes of the poorest 50 per cent of Brazil's population grew at an annual rate of close to 12 per cent – much faster than the 7 per cent real rise in household incomes across all income brackets that year (Trebat 2009). While these measures focus on income, not wealth, the impact on the country's poorest households is indisputable.

Since 2002, Brazil's growth has been marked by both a decline in the number of families living in poverty (FGV cited in Samuels, forthcoming), and a marked decline in inequality overall. In 1992, as Brazil entered its neoliberal phase, about 35 per cent of Brazil's households were estimated to be living in absolute poverty, earning less than about US$50 per month. Under Cardoso's administration, families living in poverty dropped to about 28 per cent, where it hovered through the next decade; after Lula came to power in 2003, however, the percentage of households living in poverty dropped by 19.2 per cent in three years, leaving about 22 per cent of Brazilian families living in absolute poverty (*Economist* April 14, 2007, Hall 2008:809).

Figure 2

Source: FGV, reprinted in the Economist, 4/14/07

These changes have a racial dimension, as well. While Brazil's racial stratification has been nowhere near as rigid as South Africa's was under apartheid, there is no doubt that these improvements in the incomes of poor Brazilians have a specific impact on the Afro-Brazilian population. As Beghin (2008:2) notes:

> Poverty in Brazil has a color and a location: it is black, urban, and concentrated in the northeast region. Two-thirds of all the poor are black, 70 per cent of the total population living in poverty (38 million people) are city dwellers and 51 per cent (27 million) live in the northeast region.

Brazilian commentators rarely note the racial implications of the country's recent trends – perhaps because Brazilian society has always been uncomfortable with overt discussions of racial difference, perhaps in order to avoid the kinds of controversies currently swirling around Brazil's new affirmative action programmes in university admissions. But given Brazil's patterns of racial stratification, the rising incomes of the poorest households certainly mean that the lives of poor Afro-Brazilians are improving.

This is not to say, of course, that Brazil has suddenly become an egalitarian country. Brazil's richest 1 per cent – about two million people out of a population of about 187 million – still take in about 13 per cent of the country's income, about the same amount as the income that goes to 50 per cent of the country's people. Inequality in wealth is perhaps even more stark: the largest 10 per cent of properties cover some 78 per cent of the country's agricultural land. But something important is happening with inequality in Brazil: incomes of the poor have risen faster than the national average, changing long-standing patterns of income inequality.

What explains these pro-poor trends, and are they sustainable? What lessons might Brazil's experiences hold for other middle-income developing countries?

Moderate growth and pragmatic politics

Before turning to Brazil's pro-poor strategies, it is important to acknowledge two important structural shifts that occurred during the past decade. First, Brazil has experienced steady, moderate growth over the past decades, with marked expansion of the country's agro-export industry. The early 1990s were a tough period. In Brazil, as in South Africa, democratisation coincided with new pressures to remove the state from the economy and open up to international investors; the government removed the tariffs which had long protected local industries from international competition, and sold off the state-owned enterprises that had been central to the country's rapid industrialisation in the 1970s.

As in South Africa, the impact of globalisation and economic restructuring on the industrial working class – previously the heart of the industrial union constituency of the Workers' Party, or *Partido dos Trabalhadores* (PT) – was brutal. Between 1988 and 1998, some 600,000 industrial workers and financial sector workers lost their jobs, undermining the unions at the core of Brazil's 'new unionism' – and leaving the PT's labour allies struggling to defend their members' immediate interests (Samuels 2004).

Nevertheless, by the late 1990s it was clear that Brazil had been reasonably successful in negotiating the transition from state-led industrialisation to a more open economy: between 1995 and 2007 Brazil experienced steady growth rates, nearly tripling of the value of agricultural exports (OECD 2007:44) along with increased industrial exports. Some of this income growth merely replaced income lost during the early period of restructuring, but by the time Lula took office in 2003 Brazil seemed to have successfully negotiated its new relationship to the global economy.

Much of the credit for Brazil's steady growth rates goes to former president Fernando Henrique Cardoso, whose central concern during a stint as finance minister and later during his two terms as president of Brazil was to replace chronic hyperinflation with macroeconomic stability. But Cardoso also strengthened the Brazilian state's hand in relation to private capital in ways that almost certainly gave the next presidential administration more room for manoeuvre. Cardoso generally accepted that a changing global economy meant Brazil could no longer protect or subsidise domestic industries as it had in the past, but he also he created new state lending agencies to provide investment capital to Brazilian companies, to sustain local capital even as the economy opened up to global investors. Under Cardoso, Brazil created a new national development fund, which today controls more funds than the Interamerican Development Bank.

The fund's support for local and joint business ventures may help explain not only Brazil's steady, if moderate, growth rates, but also perhaps the willingness of Brazil's private sector to live with increased tax enforcement and fiscalisation. Cardoso put a great deal of emphasis on improving Brazil's ability to collect taxes that were owed to the central state – an important change in a country long notorious for its failure to collect taxes from the wealthy (Lieberman 2003). A steady rise in Brazilian tax revenues – from an average of about 16per cent of GDP in the early 1980s to about 21 per cent of GDP in 2000 (Lora 2007:197), with a further steady rise from 2000 to the present – has certainly strengthened the government's hand.

Clearly, moderate economic growth under Cardoso left Brazil on a reasonably solid footing despite a downturn in the early 2000s. Indeed, if the Workers' Party's Lula had not reassured the International Monetary Fund, and Brazil's nervous middle class, that the Workers' Party would continue to emphasise the kind of economic stability and international integration the country had experienced under Cardoso, most observers believe he would not have won the 2002 presidential election.

Lula kept his promises: once elected, Lula's macroeconomic policies aimed for stability and moderate growth, much like those of his more centrist predecessor. Although conservative economic voices continue to insist that the country would grow even faster if it reformed its complicated tax rules or relaxed its labour laws even further, most business observers – and some leftists – view Brazil's current regime as far more business-friendly than might have been expected given the party's militant leftwing history (eg *Economist* 2009). The economy has continued to grow, and unemployment rates declined steadily through the first seven years of Lula's presidency, reaching 6.8 in December 2008 before it started to rise again as the global downturn spread in 2009 (Brooks 2009).

Obviously, Brazil's economy is more diverse than South Africa's, and less resource-dependent, and its relationship to the global economy is very different. Moreover, Brazil's more nuanced racial dynamics and sense of national identity may help keep capital at home. Business leaders have certainly complained, but they have not moved their holding companies to London (like Anglo) or Milwaukee (like SAB). Brazil's private sector has also benefited from Brazil's economic dominance of the Mercosur region of South America, perhaps creating another incentive for complying with new government regulatory pressures.

The Workers' Party in power: progressive pragmatism

But even if the democratic Brazilian state appears to have been successful in strengthening regulation over and support for the private sector, that success, by itself, does not explain why and how Lula's government had been so persistent – and so successful – in addressing the needs of the poor? For this, some analysts have focused on the relationship between the state, the Workers' Party, and social movements – specifically, at the changing character of the party, of social movement activism, and at the way activists view their interaction with the state. If in South Africa the ANC's ascent into government left many social movements leaderless, in Brazil the progressive wing of the Catholic Church has continued to provide a kind of glue holding social movements together and offering a social vision that survived the end of the Cold War. Perhaps aided by the Workers' Party's efforts to create new participatory sites of policy debate – from urban 'popular budgeting' to new participatory sites for allocating water in dry regions of the country – Brazilian activists have learned to view the state as a site of struggle (Abers and Keck 2009).

But it is also true that the Workers' Party itself changed over the decade before it took national power. The Workers' Party activists who took office after 2003 had clearly learned a great deal from their experiences in local office during the 1990s, adopting a pragmatic approach, learning to implement progressive change without raising conservative hackles. In government, Lula has been far more pragmatic than the fiery rhetoric his party had used a decade earlier had led anyone to expect, a stance which reflects real shifts within his Workers' Party. By the time Lula won the presidency, the Workers' Party's internal dynamics had changed from the union-based militant movement that had marked its early years. The party's activist core had become far more pragmatic and more concerned about sustaining business confidence than it might have been during earlier periods when, for example, party leaders mistakenly dismissed Cardoso's anti-inflationary programmes as irrelevant to industrial workers who lived from pay cheque to pay cheque.

The new pragmatism was not simply an electioneering ploy: these internal party changes reflected changes in Brazil's economy and the party's membership. During the neoliberal restructuring processes of the early 1990s, formerly militant industrial unions found themselves putting their energy into negotiating in industry-wide and sectoral forums, in what one labour sociologist calls 'conflictual cooperation' with employers – focusing on saving members' jobs rather than re-designing society. Outside those sectoral forums, the tenor of labour debates shifted away from factory-based militancy: through the 1990s, while the number of industrial workers declined, the labour movement added new members in the public sector, especially in health and education. Brazil's union density has been steady at just above 20 per cent of the formally-employed workforce, but the labour movement began to represent a somewhat different constituency (Santana and Braga 2009). Not coincidentally, this shift parallels changes in South Africa's union membership in the same period, with growing percentages of COSATU's membership coming from the public sector.

But the Workers' Party had also changed through party activists' experiences in city and state government during the 1980s and 1990s. By 2004, some 10,000 PT activists were serving in municipal councils and governorships across Brazil – which meant that many members of the party's core were increasingly concerned with sustaining government revenues and local economies, rather than disrupting them (Samuels 2004). Without formally abandoning the party's goals, internal debates within the party had moderated well before Lula took the presidency, as activists 'increasingly come to view critical engagement with formal processes of representative democracy as a complementary means for furthering goals of empowerment' (Alvarez cited in Samuels 2004).

Especially since anyone elected on a PT slate, or hired to work as new staffers for PT legislators, is required to donate a share of their salaries to the party coffers, elected representatives and their staff have a strong voice in internal discussions. The experiences of governing apparently led many activists to seek pragmatic solutions to everyday urban problems, rather than take broader ideological stances. In internal party debates, even the formerly dogmatic left accepted this shift: in the 1999 national meeting, even the members of the famously rigid Trotskyite Socialist Democracy faction supported a moderate platform, recognising that that the party's 'leaders now have the responsibility to govern' at both municipal and state levels (cited in Samuels 2004).

The party's shift toward pragmatism does not appear to have eroded party supporters' unusually strong identification with the party leadership – especially with Lula himself, who commands remarkable loyalty as a symbolic figure who rose from a humble background as an ordinary metalworker to the presidency. Some 25 per cent of Brazilians continue to identify as strong supporters of the party – an astounding figure in a country where supporters, like politicians, are often said to 'change parties as often as their shirts'. No party in Brazil's history has ever been able to rely on such strong partisan support, an identification that is both ideological and personal. But Lula's personal approval rate is even more astounding, running around 84 per cent; as the *Economist* (March 5, 2009) remarked, the former worker remains 'freakishly popular' – especially in the face of increasingly centralised internal decision-making, and despite recurrent corruption scandals within the party's parliamentary caucus, which supporters apparently excuse as an inevitable part of Brazil's complex political institutions (Zucco 2008).

Social spending and means-tested cash-transfer programmes

So, what explains the steep decline in poverty and inequality under Lula's government? If the Workers' Party has continued Cardoso's emphasis on sustaining business confidence and supporting Brazil's private sector, how and why has the Workers' Party been so successful in raising the incomes of the country's poorest households?

Some long-term trends during the 1990s certainly helped lay a basis for Brazil's decline in inequality. Cardoso's administration addressed Brazil's decades-long hyper-inflation, which had consistently undermined incomes for Brazilians who depended on wages rather than wealth; but there were also some significant shifts in inequality during Cardoso's administration. Secular declines in average returns to schooling; a decline in absolute inter-racial inequality (which may reflect changing returns to education); and a convergence between household incomes in rural and urban areas, which may reflect migration to cities as well as increased rural incomes (Ferreira, Leite and Litchfield 2006) all contributed to reduced inequality, and perhaps laid the basis for the remarkable improvements under Lula.

But there is widespread agreement that the single most important factor in changing Brazilian inequality is the Workers' Party government's massive infusion of funds through means-tested cash transfer programmes. Since Lula's inauguration as president in 2003, the PT has massively invested in pro-poor policies, and programmes which have raised the incomes of poor Brazilians. Building on a handful of moderate welfare programmes instituted during the Cardoso administration, the Workers' Party has significantly increased these programmes' reach and the amounts involved – to such an extent that study after study has concluded that these means-tested cash transfer programmes explain a significant portion of the reduction in inequality under Lula's presidency (eg Hall 2008, Kakwani et al 2006, Zucco 2008).

In the late 1990s, Cardoso's government instituted a set of means-tested payments for poor households, including, most famously, a programme that offered poor families a small cash payment if their children attended regularly. Other programmes subsidised food and gas for poor households. After Lula's election, PT-affiliated government bureaucrats expanded these programmes, unifying them first under the banner *Fome Zero*, or 'Zero

Hunger', and later relabelled *Bolsa Familia*, or 'Family Grant'. Throughout, the programmes were described as efforts to provide small amounts to the country's poorest families, for basic needs – education, health, gasoline and basic foodstuffs.

As Anthony Hall points out, conditional cash transfers along these lines have become increasingly popular with international policy makers during the past decade:

> [This approach is] designed to attack long-term poverty by making payments conditional upon school attendance and participation in health care, boosting effective demand and thus strengthening human capital in an expression of joint responsibility between government and families. By focusing on children and women, the expectation is that such measures go well beyond offering relief and can attack the inter-generational transmission of poverty by promoting synergies between education, health and other sectors. They are seen as a more cost-effective means of reaching the poor directly through efficient targeting while minimizing resource wastage. (Hall 2008:800)

In line with this approach, *Bolsa Familia* is means-tested, targeting the 'very poor', with household incomes up to about US$36 a month, and the 'poor', with incomes up to about $73 per month. The maximum stipend for a family is about US$104 (with a few additional benefits available from other, separately-administered programmes). Cash payments – which include subsidies for buying food and gas cylinders for cooking stoves – are made conditional on proof of regular school attendance by school-age children, vaccinations, regular clinic visits, and other activities including attending nutrition or vocational training courses.

Brazil's *Bolsa Familia* received firm international endorsement early in Lula's tenure as president: in 2004, the World Bank approved a US$ 572 million loan to support the programme, including funding for cash transfers as well as technical assistance; later the same year, the Inter-American Development Bank approved a loan of US$ 1 billion for the programme, with a promise of up to twice as much depending on progress – commitments that added up to about a quarter of the programme's funding in Lula's first administration (Hall 2008:806).

The programmes' expansion and an infusion of cash after Lula's elections have undeniably altered the character of government support for Brazil's poor. Between 2003 and 2006, the central government nearly doubled its annual budget for cash-transfer programmes, increasing its expenditures from R$3.36 billion in 2004 to R$6.39 billion (Fenwick 2009). Overall, spending on conditional cash transfer programmes rose from less than one per cent of the total social spending in 2001 to 2.9 per cent in 2006.

Even this larger figure, it should be noted, made up only a small part of social spending. Pensions, which are discussed in more detail below, amount to over 80 per cent of Brazil's total social spending, and tend to be far more regressive than means-tested social programmes. Cash transfers amounted to only about one-half of one per cent of total GDP in 2005 (Hall 2008:801) – a figure far smaller than most discussions of the programmes' impact might lead outsiders to believe.

The Workers' Party has generally presented these programmes in universalistic terms, emphasising their contribution to citizens' education, health and welfare rather than describing them as cash transfers, but there is no denying that these relatively small sums have had significant impact on the incomes of poor families. By 2006, it was estimated that *Bolsa Familia* provided immediate cash resources to 99.9 per cent of eligible households – those whose monthly per capita income was less than R$120 per month – reaching about 11.1 million vulnerable families, perhaps as much as 20 per cent of the country's total population. The program gave each family included in the program an average payment of R$61 per month, increasing their income by about 50 per cent (Fenwick 2009:1145).

Given Brazil's long history of clientelism and patronage networks, it is easy for observers to be somewhat cynical about the political motivations underlying *Bolsa Familia*: do these relatively small payments to poor households simply tie those voters to the party in power, recreating clientelism? Data suggesting that the beneficiaries of *Bolsa Familia* tend to display strong political support for Lula could, in Hall's words, make the programme 'a relatively inexpensive yet highly effective mechanism for capturing votes' (Hall 2008:814). Other observers, however, emphasise the difference between older forms of clientelism and the new cash-transfer government programmes. *Bolsa Familia* and similar programmes, Zucco (2009) argues,

> …depart from traditional forms of clientelism in a fundamentally important way: eligibility for inclusion in the programme is universal, incorporating all those who fall within certain objective and measurable criteria. This breaks the 'exchange' relation that is the very essence of clientalism. Cash handouts from these programmes are not dependent on personal ties between voters and politicians, and cannot be withheld

> or cancelled because of the beneficiary's electoral behavior. (Zucco 2008:45)

As Fenwick (2009:126) put it, the universalism built into the new cash-transfer programmes reflects 'a new rights-based approach to social protection', in which citizens have been promised a direct and overt claim on government resources – a far cry from the more manipulative patron-client relationships that traditionally kept Brazil's poor from challenging those in power. Even sceptics accept the general conclusion: building on Cardoso's legacy of macroeconomic stability and moderate growth rates, the PT has managed to create surprisingly strong social protection programmes in a country that has never had a real safety net for the poor.

Rights-based social protection

In focusing entirely on growth rates and conditional cash transfers, however, discussions of Brazil's remarkable success in reducing poverty often overlook a third component to Brazil's pro-poor strategy. In addition to providing a minimum income to the country's poorest households, Brazil's 'new rights-based approach to social protection' involves strengthening citizenship rights at work and in retirement pensions – rights that have helped change the dynamics of power at work and perhaps also in politics.

First, and perhaps most importantly, the government has nearly doubled the minimum wage since 2003, a trend that is of real consequences to poor and rural workers. In Brazil, most casual wages are calculated in terms of multiples of the minimum wage, so raising the minimum wage clearly expands poor Brazilians' purchasing power (Samuels 2008). For workers in rural areas, especially those in the expanding agro-export sectors, this doubling has been especially important: the minimum wage is often seen as the ceiling, rather than the floor, of wages in poor rural areas, and the increase in the official level has almost certainly helped reduce poverty by raising prevalent wages in the last decade (Ferreira et al 206:24-25).

The rise in the minimum wage helps poor Brazilians who are not working, as well. For most of Brazil's history, pension systems were linked to work in the formal sector, where workers' rights came through their registration at the Ministry of Labour. That approach excluded many, if not most, rural Brazilian workers, who often lack the paperwork needed to register as a citizen-worker. Since Brazil first instituted a social security system for 'registered' workers, Brazilian employers have avoided registering workers, to avoid paying the additional social welfare obligations that accompany formal registration.

But in 1988, in a little-noticed shift, Brazil's new democratic constitution expanded pension benefits to all workers, and mandated universal coverage. In 1993, new legislation created a wholly non-contributory pension system for low-income elderly people and the disabled, using the minimum wage as a floor for pension benefits.

Today, about 90 per cent of Brazil's elderly receive government pensions – one of the highest pension coverage rates in the world – and that pension is calculated in terms of the minimum wage. Thus, the increase in the minimum wage by the Workers' Party administration had an immediate impact on pension benefits. In 2006, Brazilian government expenditures on pensions dwarfed spending on conditional cash transfer programmes, reaching 11.6 per cent of GDP (Caetano 2009).

Increases in the minimum wage have also improved incomes for current workers, especially since the Workers' Party began to strengthen enforcement of labour laws. Brazil has a long history of passing laws 'for the English to see', with little attempt at ensuring compliance (Fry 1982) , but over the past decade or so, again, often building on initiatives begun under the Cardoso government, the PT has invested heavily in increased labour law enforcement, significantly expanding the reach and budget of the Ministry of Labour.

Internationally, perhaps the most widely publicised component of this expansion has been the work of the special government task force on slavery and unpaid labour. First created under Cardoso in 1995, by 2002, the task force was focusing on the tens of thousands of Brazilians, mainly in rural areas, who work without pay, often illiterate workers who have been recruited onto farms under false pretences, often trapped in debt peonage. Between 1995 and 2003, more than 5,000 enslaved workers were freed (Rohter 2003).

One of Lula's first acts after his inauguration as president in 2003 was to dramatically strengthen the anti-slavery program. The Ministry of Labour announced it would hire and train another 650 new inspectors, with good salaries and new authority; soon, it created a special 'mobile inspection group', bringing labour inspectors, federal police, and prosecutors together. Further, the government has greatly strengthened penalties for employers caught underpaying their workers. Despite congressional failure to pass of a bill that would allow the government to confiscate lands and businesses of those caught with underpaid or unpaid workers, the PT introduced other new penalties, insisting that employers caught with unpaid workers must pay their former workers all back wages and taxes, and threatening to cut off offending employers from any future government loans, subsidies or tax benefits (Bica 2009).

The results have been impressive. In 2003, the agency freed 5,223 workers, releasing as many people in one year as had been freed in the previous seven years. In each subsequent year, between four and six thousand workers have been freed, mainly on the large farms and businesses that dominate Brazil's agro-export sector. Nevertheless, the Minister of Labour has promised that efforts will be stepped up even further, since another 25,000 Brazilians are still estimated to be working under conditions the ministry considers to be a form of slavery (Bica 2009). Almost certainly, this beefed-up enforcement pattern has created new pressures on employers to improve the treatment of their lowest-paid workers, certainly creating upward pressure on wages in the lowest-paid segments of Brazil's labour market.

Enhanced enforcement of basic labour law goes far beyond the anti-slavery task force. Since 2003, Brazil's labour ministry has been energetically involved in strengthening labour law, from regulating the conditions of contract workers in *blocos do carnival*, enforcing health and safety laws in the iron ore mines and fireworks factories of Minas Gerais, and making sure that auto-parts factories near Sao Paulo comply with legal requirements.

In a country where employers could once expect that their dealings with their workers would never be scrutinised, there seems to have been a sea-change in attitudes toward labour law enforcement. While there is certainly variation in the inspectorate's effectiveness, Roberto Pires (2008) suggests that labour violations are taken far more seriously in all industries than they once were: employers who violate labour laws may still be able to evade sanctions, but there is at least some sense, now, that government inspectors might seek to protect citizens at work.

Perhaps these trends help explain another surprising piece of data from Brazil: until the most recent downturn, Brazil has experienced a steady and significant increase in formal-sector employment since Lula's election (*Economist* March 5, 2009). Since 'formal' sector employment, by definition, is more likely to be regulated than informal sector work, it seems likely that these figures reflect a growing tendency by Brazilian employers to comply with basic labour rules.

In Brazil, this shift is crucial in terms of improving employees' lives outside of work as well: formal sector employment in Brazil involves legal obligations for employers, including paying taxes as well as contributions to social security, health and pension funds. A rising tendency to register workers implies at least the possibility that those workers will be better able to access the social security programmes that have long been linked to formal sector work, including both unemployment insurance and pensions.

Lessons for South Africa?

What lessons do Brazil's experiences offer other middle income developing countries? Does its success in beginning to alleviate poverty reflect simply its recent success in finding a new growth strategy, a kind of twenty-first century trickle-down as newly expanding industries and agricultural exports offer new jobs and new incomes to the country's poor?

While steady growth has obviously been important, it seems clear that the decline in inequality in Brazil reflects more than just the happy fallout from a decade of steady growth. Improved tax collection has helped pay for new social programmes, which have targeted poorer households, providing modest incomes to the country's poor.

Many discussions have emphasised Brazil's conditional cash-transfer programmes, couched in the language of universal rights, and emphasising education, food, and other basic needs for all Brazilians. As I have tried to suggest, however, these programmes have been offered within the context of other government efforts to raise the floor under poor households, through a doubled minimum wage, greatly expanded pension programmes, and strengthened enforcement of basic labour laws. Far less vulnerable to shifts in the political winds than cash transfer programmes, the Workers' Party's efforts to strengthen citizenship rights and social protections deserve more attention than they often receive in international discussions.

Obviously, South Africa faces issues that Brazil might not: the legacies of apartheid's racialised inequality, combined with an economy which is heavily resource-dependent, and which remains painfully vulnerable to capital flight, demand more than strategies which raise the incomes of poor households. Nevertheless, it seems worth pondering the question: does Brazil's example offer an alternative strategy for labour in the face of globalisation, somewhere in-between the 'social pacts' that have so often left organised labour grasping at straws, and the international solidarity that has been so hard to build in practice? By increasing payments to the country's poor and vulnerable while also creating a floor under the wages of the country's workers, Brazil's government seems to have managed simultaneously to sustain growth rates while reducing inequality – a feat that deserves attention in a world where too often, these two goals are seen as incompatible.

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