Recent Evolution of Employment and Unemployment: Metropolitan Regions and Interior

Growth in employment opportunities intensified as of 2004, particularly in the formal sector of the economy. In 2006, however, despite generation of more job openings, unemployment stabilized and even rose slightly. One of the reasons underlying this behavior is a more dynamic process of job generation outside the metropolitan regions covered by the Monthly Employment Survey (PME). An additional factor has been growth in the overall labor force as the improved job supply and higher real earnings have attracted back to the market people who had given up hope of finding a job or had accepted only very precarious employment conditions.

In recent months, the General File of the Employed and Unemployed Persons (Caged), elaborated by the Ministry of Labor and Employment (MTE), has indicated sharper growth in employment than IBGE’s Monthly Employment Survey (PME). For the most part, the discrepancy is a result of methodological differences between the two surveys, particularly with regard to their geographic scope and the segments analyzed. Based on the terms of Law 4,923, dated 12/23/1965, employers are obligated to maintain permanent files on workers hired and laid-off. The Caged data utilize these files in order to analyze the situation of persons employed in all parts of the country. PME data are obtained on the basis of interviews at households selected according to a probabilistic sampling process in six metropolitan regions – São Paulo, Rio de Janeiro, Belo Horizonte, Porto Alegre, Salvador and Recife – and have the objective of perceiving monthly labor market shifts, among other indicators, in both the formal and informal segments.

In recent years, the labor market has been more dynamic outside the country’s major metropolitan
regions, as demonstrated by Caged employment data. In January 2002, the major metropolitan regions – São Paulo, Rio de Janeiro, Belo Horizonte, Porto Alegre, Curitiba, Fortaleza, Recife, Salvador and Belém – held 42.8% of total formal employment positions in the country, dropping to 41.4% in July 2006. Of the 5.3 million formal job openings created during this period of time, only 35.1% were located in those regions.

Among the factors that explain the differences in dynamics between the metropolitan regions and other regions of the country, the most important are the performance of the crop/livestock sector, mainly in 2004, and the process of geographic deconcentration in the Brazilian industrial sector. According to Caged data, the two sectors jointly accounted for approximately 38.6% of new jobs generated outside the major metropolitan regions, while contributing just 14.4% of new employment openings in those regions.

With respect to the recent increase in unemployment, it is important to consider that this behavior reflects the trajectories of such variables as the Overall Labor Force (PEA) and the number of unemployed persons. When the number of new positions created is greater than the increase in the overall labor force, unemployment declines. However, this is not what has occurred in recent months. Figure 1 shows growth in the overall labor force and in the number of people holding jobs since 2004.

Growth in the overall labor force at a rate higher than the number of people holding jobs may be a result of structural factors, such as population growth or changes in labor market legislation, or situational factors, including entry of more people into the labor market for such reasons as the need to increase family income or simply in response to the possibility of higher earnings. Such a phenomenon results in reductions in hidden employment, with growth in open unemployment. The latter situation is typical of periods of cyclical recovery of economic activity.

Despite the possible impact of structural factors, recent behavior of the unemployment rate has been caused basically by situational factors, as suggested, for example, by 4.2% growth in overall real wages.
in 2005 and 6.2% in the first seven months of 2006, compared to the corresponding periods of the previous years.

This hypothesis is further strengthened by data drawn from the Employment and Unemployment Survey (PED) for the metropolitan region of São Paulo, elaborated by the State Data Analysis System Foundation (Seade), in collaboration with the Interunion Department of Statistics and Social-Economic Studies (Dieese). Figures 3 to 5 show that the reduction in hidden unemployment has impacted the overall labor force and, consequently, the proportion of unemployed persons and the rate of unemployment. PME statistics regarding the discouraged jobless population also point in this direction. In January 2003, people included in this grouping represented 0.3% of the overall labor force, dropping to 0.16% in July 2006. The same thing occurred in the metropolitan region of São Paulo, as this grouping dropped from 0.27% to 0.16% of the overall labor force.

Furthermore, it is important to stress the quality of the jobs created. According to the PME, the percentage of registered workers as a proportion of the overall working population moved from 45% in January 2003 to 46.4% in July 2006. The proportion of unregistered workers remained practically stable, while the proportion of the self-employed dropped.