

The Informal Economy in Brazil

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BACKGROUND

Home to the third largest city and the seventh largest economy in the world, Brazil is a country on the rise. Despite recent political unrest and an economic setback in 2015, the nation has continued to grow and evolve.

However...

It appears that even with the country experiencing economic prosperity, the income inequality gap in Brazil continues to widen.

In response to being purposely excluded from the formal workforce in Brazil via a wide array of means, poor, low-skilled workers created their own informal economy.

INCOME INEQUALITY

Income Inequality is defined as the uneven distribution of income, including wages, salaries, dividends, among a population [1]. Technically, Brazil's GNI per Capita is \$10,080 USD; however, more than 8.9 million Brazilian citizens live below the international poverty line [2].

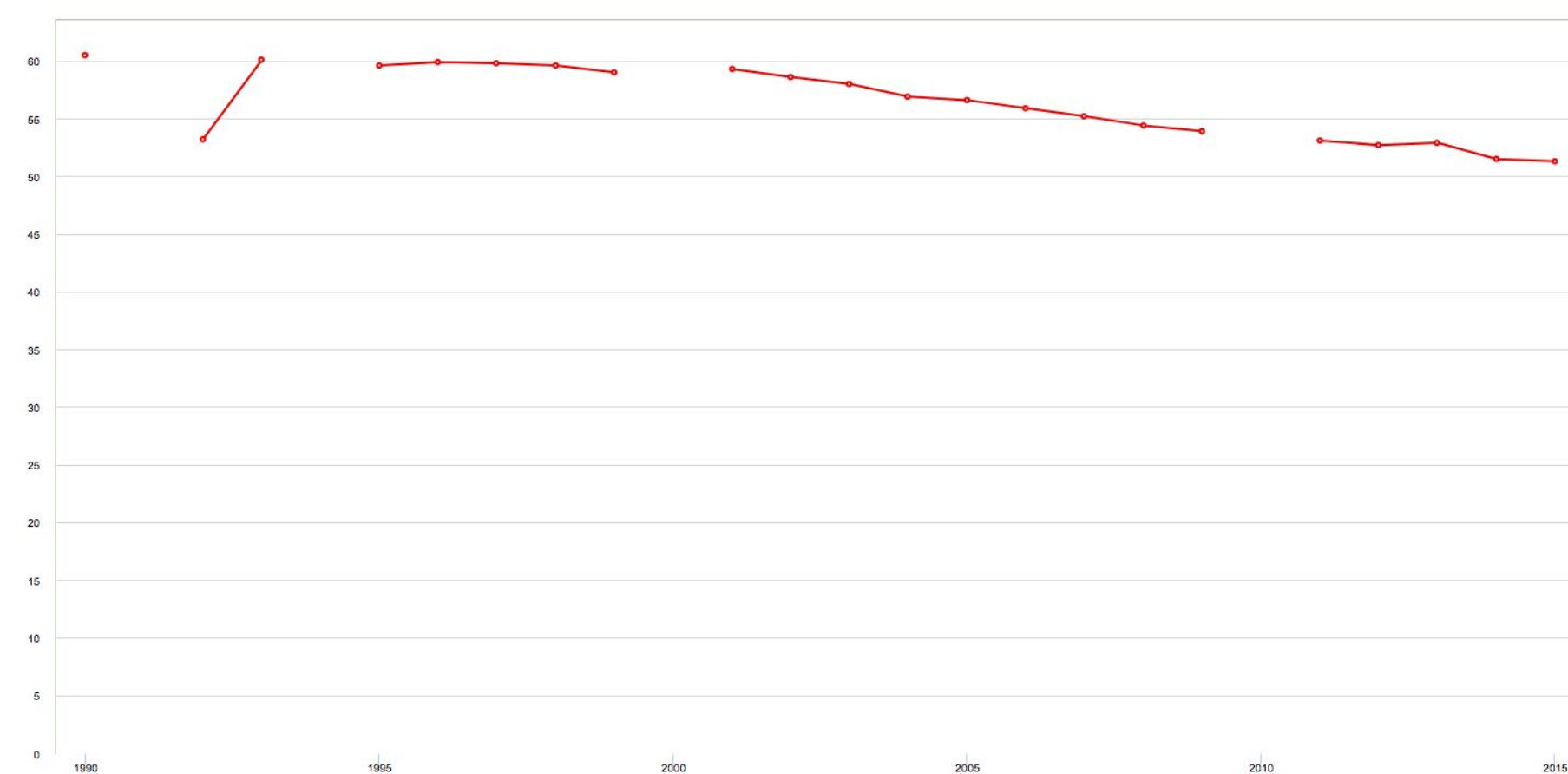


Figure 1: World Bank, Poverty and Equality [1]

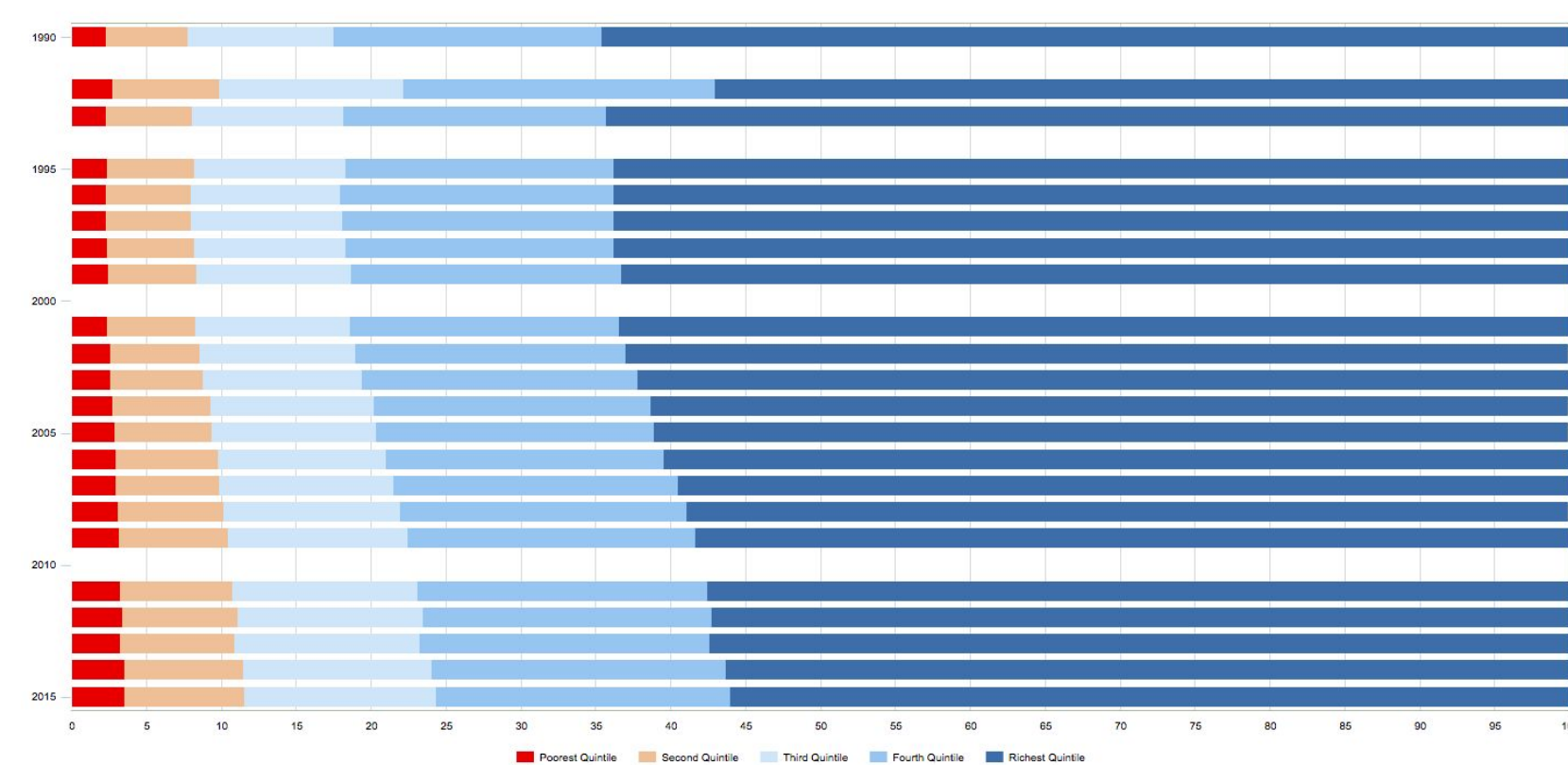


Figure 2: World Bank, Poverty and Equality [1]

PRE-DEPARTURE RESEARCH

After uncovering Brazil's ever-growing income inequality, I was startled to learn that over the past fifteen years, there has been a substantial reduction in the number of Brazilian citizens falling below the international poverty line, dropping from 24.2 million people in 2001 to 8.9 million people by the end of 2015.

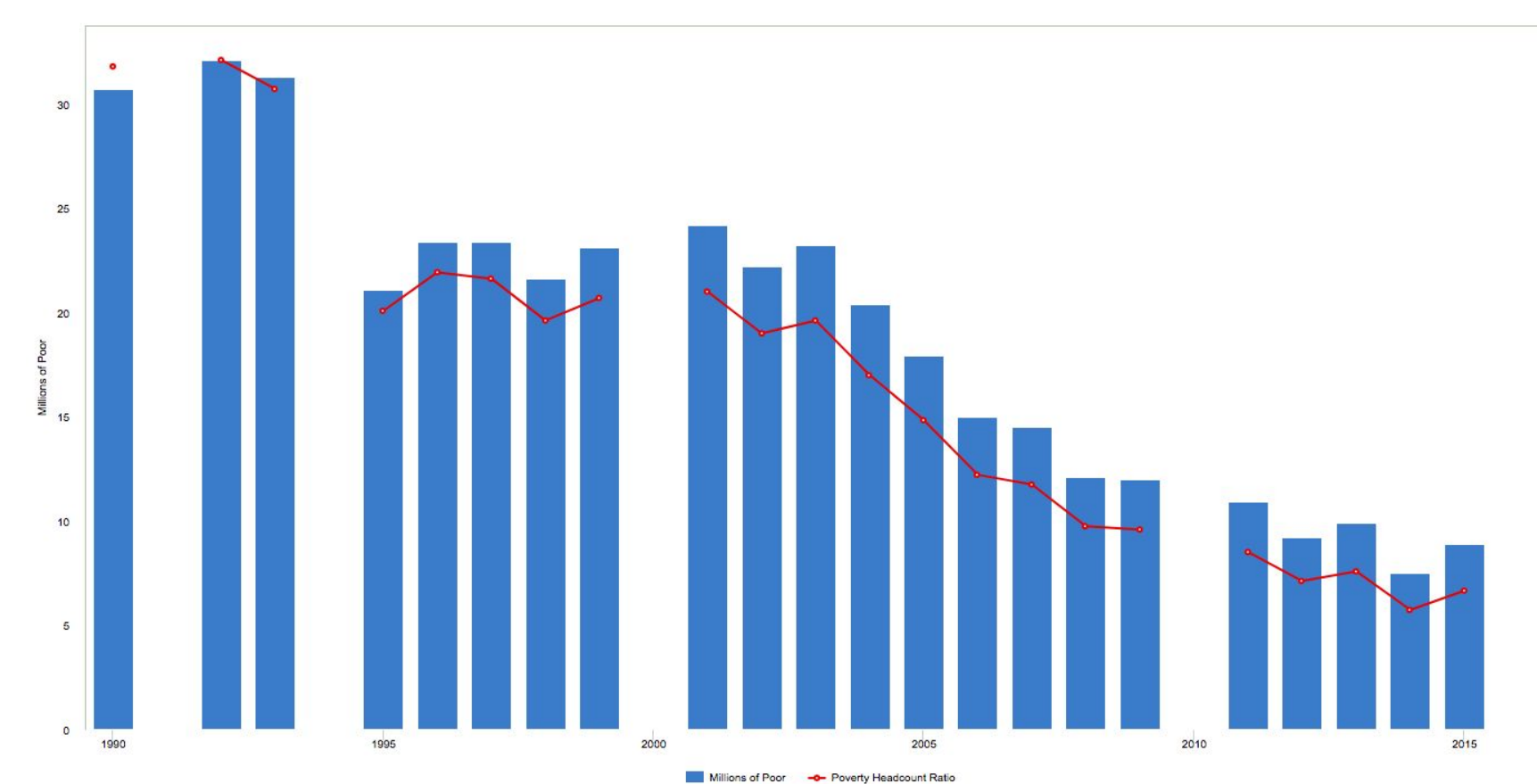


Figure 3: World Bank, Poverty and Equality [1]

This rapid economic development was shocking to see, especially during the 2008-2011 World financial crisis. This caused me to pose the question of whether or not Brazil was affected by the global crisis. However, after further research, I discovered that Brazil's economy was greatly affected by the crisis and their GDP shrank by 4.5 percent between 2008 and 2009 [3].

Despite this economic downturn, citizens have been able to move further and further away from the national poverty line. After doing a little more research, I learned that the economic crisis has shrunk the nation's formal economy, causing citizens to shift into the informal economy.

According to the Women in Informal Employment: Globalizing and Organizing, the informal economy is defined as "the diversified set of economic activities, enterprises, jobs, and workers that are not regulated or protected by the state. The concept originally applied to self-employment in small unregistered enterprises [4].

One of the most popular examples of non-regulated economic activities in Brazil would have to be its markets. I will keep this in mind during my time in Brazil.



IN-COUNTRY OBSERVATIONS

São Paulo

As the largest and one of the wealthiest cities in Brazil, São Paulo has attracted a lot of businesses, especially tech startups, and tourists. This combination brings a lot of money into São Paulo, thus making it a great location for informal economies, their customers, and their vendors.



Walking down the streets of São Paulo, we saw a lot of vendors setting up tables in high-traffic areas and selling food and handmade wares. There was no brick-and-mortar storefront which provided them with mobility; there were no regulations which allowed them to negotiate prices and make deals. Overall, the setup was convenient for both parties.

Rio de Janeiro

Between the 2016 Olympics, 2014 World Cup, and its famous beaches, Rio de Janeiro is the epitome of a tourist attraction. This heavy influx of tourism combined with the recent state budget crisis has created the perfect conditions for an informal economy.



Arpoador, Rio de Janeiro, RJ (2018) taken by Mecca Muhammad

There is a metro stop located in downtown Rio de Janeiro called "Urugaiana" and it, as well as the five-mile radius surrounding it, has been converted into a market where local vendors can sell anything ranging from jewelry, fried snacks, or even knock-off soccer jerseys. This was probably one of the best examples we were able to see of a cohesive, well-functioning informal economy in Brazil.

CONCLUSIONS

In conclusion, the non-traditional, non-regulated economic activities, like the small-scale booths in the streets of São Paulo to the large-scale markets in the metro stops of Rio de Janeiro, have empowered the lowest socioeconomic strata of Brazil and have provided them with a means to escape extreme poverty.

These citizens have found a way to circumvent the national economic crisis and create their own means of income. In 2014, it was reported that the informal economy in Brazil was valued at R\$826 billion, approximately 16 percent of Brazil's GDP that year [5].

The informal economy will not end Brazil's economic crisis. That can only be achieved through legislation and government initiatives. However, for the time being, the informal economy will continue to grow and support many Brazilian citizens.

PREDICTIONS

I predict that as Brazil continues to experience setbacks in government spending and dramatic political change, its citizens will lose faith in the traditional workforce and will continue to rely on alternative means of income and thus expand the informal economy in Brazil.

I also anticipate the growth of the informal economy providing women in Brazil with a lot more autonomy. The traditional roles assigned to women like cooking and sewing are now lucrative businesses in these informal economies.

WORKS CITED

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- [4] "About the Informal Economy." WIEGO, www.wiego.org/informal-economy/about-informal-economy.
- [5] Forte, Jay. "Informal Economy in Brazil Worth R\$826 Billion in 2014." *The Rio Times*, 2015, riotimesonline.com/brazil-news/rio-business/brazils-informal-economy-was-worth-r826-billion-in-2014/.