

Brazilian president ends Lula's pro-Workers minimum wage policy



Brasilia, April 17 (RHC)-- Brazilian President Jair Bolsonaro proposed to suppress former President Luis Inacio Lula Da Silva's re-distributive policy whereby minimum wages should have annual increases above inflation. The decision was taken at the draft Budgetary Guidelines Law (LDO) presented in Brasilia.

Currently, the Brazilian minimum wage is \$256 USD. If Bolsonaro's proposal is approved, however, minimum wages will be \$278 in 2021 and \$288 in 2022. In any case, the minimum wage will not have an increase in its real purchasing power but only a "correction," which will take into account only the inflation rate as measured by the National Consumer Price Index (INPC).

For Vagner Freitas, president of the Unified Workers' Central (CUT), Bolsonaro's decision is a policy in favor of businessmen, as it was predicted to happen given that the far-right president said "it is difficult to be a boss in Brazil."

"So far all the government's measures mean a squeeze on wages and social

security," Freitas said and added that Bolsonaro is doing the "same thing done by right-wing presidents before him, that is, taking food out of the workers' mouth."

The Minimum Wage Valorization Policy, which was proposed by the CUT and implemented by former President Lula in 2004, established wage increases by taking into account, on the one hand, how much the Brazilian Gross Domestic Product (GDP) increased during the previous two years; and, on the other hand, how inflation behaved in the preceding year.

This CUT-Lula model, which lost its legal validity on January 1st, guaranteed that Brazilian minimum wages could have a real increase whenever there was positive economic growth.

Currently, there are 48 million Brazilians receiving minimum wages. Of this total, there are 23.3 million beneficiaries of social security; 12.2 million formal employees; 8.6 million freelancers and 3.8 million domestic workers, according to the Inter-Union Department of Statistics and Socioeconomic Studies, as reported by Folha de Sao Paulo.

Given that the minimum wage serves as a parameter for payment related to pensions, welfare and labor benefits, it is estimated that Lula's minimum wage policy benefited about 70 million retirees.

Ana Luiza Matos de Oliveira, a Ph.D. in Economic Development, argues that the Brazilian economic growth during the 2000s was stimulated by increases in the citizens' incomes, re-distributive policies such as Bolsa Familia, and minimum wage readjustments.

"It is an error to think that the economy benefits from depressing the poorest's wages and incomes," she told Folha do Sao Paulo outlet and added that "the income of the poor warms the economy."

The Bolsonaro's LDO proposal will be analyzed by the National Congress' Budget Commission, in which amendments could be presented. After passing through the screening of deputies and senators, the text should be sanctioned by President Bolsonaro until July 17.

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