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Brazilian Congress Cuts Retirement, Labor-Protection Benefits

by LADB Staff

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The legislative agenda of Brazilian President Fernando Henrique Cardoso took a decided step forward in February, with approval of two key pieces of legislation. The Chamber of Deputies approved substantial reductions in retirement benefits, and the Senate voted to eliminate labor protections for civil service workers. The two pieces of legislation, which have been stalled for three years, must be approved in a second vote, expected in March, before going to the president. Both bills appeared dead because of widespread opposition. But last year's economic crisis in Asia battered Brazilian markets and turned the spotlight on the country's huge budget deficit (see other article in this edition). Since then, the government has pushed approval of the bills, hoping to convince investors that it can ward off further financial turbulence (see NotiSur, 11/29/97 and 01/30/98).

Opponents of the legislation also worked hard to defeat the measures. In early February, a fistfight erupted in the Chamber of Deputies between opponents of the bills and security guards. In the days preceding the votes, demonstrators, led by members of the labor organization Central Unica de Trabalhadores (CUT) and citizens' groups such as the Movimento dos Sem Terra (MST), marched in Sao Paulo, Brasilia, and other cities across the country. In Sao Paulo's automobile-manufacturing centers of Sao Bernardo do Campo and Diadema, military police in riot gear dispersed thousands of auto workers who had blocked a main highway.

Before the vote on Feb. 11, Congress was surrounded by nearly 4,000 angry demonstrators and more than 500 police, who used dogs to disperse the crowd. "This [legislation] in no way favors the worker," said Jose Fernandes Lopes, a worker at Volkswagen AG's local factory. "The worker is being forgotten." "If this passes, I'm going to have to work an extra nine years for the same benefits," said Andre Luis Rodrigues, who works for private Brazilian bank Banco Itau. Protesters said the bills were one sacrifice too many for a work force already facing rising unemployment. They also said the measure most affects the poor who generally begin working at an earlier age and also have a shorter life expectancy.

In an editorial in the daily O Globo, CUT president Vicente Paulo da Silva said instead of taking away rights of workers whose life expectancy is only 50 years in many areas of the country, the government should increase revenues by clamping down on tax evaders who cost the treasury US \$3.6 billion a year. Two legislative victories in two days Despite the opposition, the lower house approved the constitutional amendment on social security 346-151, with three abstentions. Cardoso said the bill would save US\$15 billion by 2006. "Last year 400,000 people retired...at an average age of 49 and some as young as 34," Cardoso said. "This is absurd. What country can afford to pay pensions to people at those ages?" The social security bill sets the minimum retirement age at 60 for men with 35 years of social security contributions and 55 for women with 30 years of contributions, and cuts benefits, matching them more closely to contributions.

Major opposition has come from public-sector employees who have been able to take early retirement with generous benefits. It was the second victory in two days for Cardoso. The day before, the Senate approved legislation to make it easier to lay off federal, state, and city workers whose salaries make up 60% of the government budget. It also set a ceiling on civil servants' pay. Most governors and mayors now spend about 80% of their revenue on salaries, leaving little for ailing hospitals and schools. "If this reform had not been approved, Brazil would have suffered a major blow to its credibility in the eyes of foreign investors," said Sen. Jose Roberto Arruda, the government's leader in Congress.

Cardoso has said that the reforms are essential to maintain economic stability and preserve the gains his policies have achieved. Passage is also seen as a boost to the president's re-election aims. "The reforms won't have a tremendous impact on the fiscal accounts over night but they will show investors that Brazil is on the right track," said Raul Velloso, a public accounts specialist. (Sources: BBC News, Inter Press Service, 02/11/98; Reuter, Spanish news service EFE, 02/10-12/98; The Miami Herald, 02/12/98; The New York Times, 02/13/98)

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