

Outsourcing: The future of labor in Brazil

With the passing of bill (PL) 4302/1998, outsourcing was approved for all corporate activities in Brazil. This closed the circle of labor relation precarization in Brazil. Since being accepted for ancillary activities in 1993, pursuant to TST (Superior Labor Court) Statement 363, outsourcing has become the clearest form of labor law relaxation. With the enactment of PL 4302/1998, it will now be accepted not only for ancillary activities, but also for core ones. The easing of wage employment in Brazil has deepened in an unprecedented manner.

In 2017, outsourcing is expected to exceed a third of the formal labor market. With the new outsourcing act (Act No. 13,429), signed into law by President Michel Temer on March 31, 2017, the percentage of outsourced workers is likely to rise and may reach two-thirds of the formal labor market in the coming years.

The question is: Based on the accumulated research that has been done on the impact of outsourcing in the labor world, can we predict what labor is going to look like in the 2020s?

1. It is likely that informal work ties will increase in Brazil. Outsourcing contributes to the persistence of informality. The outsourcing process based on cost reductions strengthens more heterogeneous labor relations, including self-employed work without social protection and the hiring of workers who are not on the rolls to ensure competitiveness to survive on the market.

2. The formal labor market's wage mass is likely to drop, given that *wage compensation* for outsourced workers is 27.1 percent lower than the salaries of workers on the rolls.

3. The work day will increase. Insofar as contracted *work days* are concerned, outsourced employees work 3 hours more per week, that without considering overtime or bank hours worked.

4. Time on the job and labor turnover on the formal labor market will probably drop. *Time on the job* reveals a greater difference between direct employees and outsourced ones. While time on the job averages 5.8 years for direct workers, for outsourced ones it is 2.6 years. This is due to the *high turnover rate among outsourced workers* – 44.9 percent, against 22 percent among direct hires. This has several consequences for outsourced workers, who alternate periods of work and periods of unemployment, rendering them incapable of organizing and planning their lives, including personal projects such as vocational training. It also impacts the Worker Support Fund (FAT), since this high turnover rate pushes the cost of unemployment compensation up.

5. Outsourcing causes *existential damage*, to the extent that the labor relations in which outsourced workers are inserted subject the employees

to excessive working hours, causing physical and psychological damage, keeping them from enjoying their right to leisure and social life.

6. The service sector is likely to increase in the Brazilian economy. There was a major and growing concentration of outsourced workers in the service sector over the 2000s, up to 2016. It is worthy of note that although predominantly performing tasks in other industries (such as industrial or trade, for example), companies seek to classify their activities in the service sector, given their nature as service providers, disregarding their core activity, thus ensuring, as one of the benefits of this, lower wages than, for example, those paid in the industrial sector, which had a drop of four percentage points its number of outsourced workers, a figure not reflected in the number of workers who continue performing activities at the industrial units.

7. Outsourcing is expected to grow in companies hiring more than 100 employees, demystifying the arguments claiming that the outsourced workers' low wages are actually due to their being allocated to small businesses that cannot afford to pay higher wages. In fact, in 2011, 53.4 percent of the outsourced workers worked at companies with more than 100 employees, against 56.1 percent of direct workers, very similar percentages.

8. Schooling among outsourced workers is likely to increase. They say outsourced workers are paid less because they are less educated. In fact, outsourced workers do have lower educational levels, but there is not a giant gap in this: 61.1 percent of the workers in typically outsourced sectors have high school or college educations, while among workers of typically contracting sectors this stands at 75.7 percent. With the spread of outsourcing to all company activities, workers with college educations may form the framework of the new outsourced sectors in the companies' core activities.

9. With increased outsourcing, job dissatisfaction will probably go up, considering that outsourcing drives corrosion in the relationship between workers and their professional activities, which becomes increasingly diluted, causing their identification with the work to be sidelined, hindering the forming of work character. Outsourcing companies have computerized databases that allow them to move workers from one job or company to another without their establishing any business or sociability relation with the place where they undertake their activities. Workers are simply pushed from one activity cocoon to another, gradually losing all interest in the environment where they actually do their jobs. Their bond is only with the rental company reference file. This undermines their identification with their professional categories and their own union representation.

10. Occupational illnesses and work accidents are likely to grow in Brazil. More outsourced employees die from work-related accidents than

direct hires in at least three sectors of the Brazilian economy: Electricity, oil, and construction.

11. Slavelike labor will likely increase (e.g., 90 percent of the top 40 rescue operations in Brazil in the last 4 years were related to outsourced workers).

12. Outsourcing will boost the plundering of labor rights and benefits and push corruption in public affairs in the country. When a large company (public and private) outsources its activities to companies and individuals, costs for society go up – not only because of dispossession of rights and employment benefits, impoverishing workers and reinforcing the concentration of wealth in the country; and, with public fund embezzlement, fraud in public tenders, tax evasion, corruption outbreaks, increased labor and social security demands, among other costs, such as the largely disseminated competition, but with losses in service and product quality.

13. Outsourcing will increase the cleavage in the formal work world, with a growth in the ‘second class citizen’ figure, who lives with a sword of Damocles, at the mercy of the blows of companies that close from one day to the next and do not pay severance pay to their employees and because of the workers’ long, strenuous work days. Outsourced companies are home to the most vulnerable populations on the labor market: Women, blacks, young people, migrants, and immigrants. This ‘shelter’ has no social character, but it is precisely because these workers are in worse positions, and for a lack of choice, that they submit themselves to doing these jobs.

Giovanni Alves

Full Professor at Universidade Estadual Paulista Júlio de Mesquita Filho (Unesp) Campus of Marília, São Paulo, Brazil. <giovanni.alves@uol.com.br>