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# Labour conflict in Argentina and Brazil: challenging an alliance?

*Luis Campos and Bruno Dobrusin*

## **I**ntrouduction

During the last decade, Latin America, especially the countries of the Southern Cone, has witnessed a change in socioeconomic policies, as a consequence of elections that brought left and centre-left political forces into office. The changes in government politics were a result of the profound crisis that arose after more than two decades of neoliberal policies that left the majority of the population in a position of marginalization and poverty. This essay analyzes the government policies of Argentina and Brazil during the last decade, with a focus on recent increases in labour conflicts. After a period of economic bonanza and political conditions oriented towards social dialogue, the stage has moved towards one of increasing tensions, as measured in the numbers of strikes that increased in both countries from 2011 onwards. This paper does not look at these governments in all their aspects and periods of government, but focuses on the transition that began in 2011 as a consequence of the international economic crisis and also due to internal disputes regarding macroeconomic and socioeconomic policies, many of which remain unresolved.

In the last decade, both Argentina and Brazil witnessed significant socioeconomic improvements, based on the revitalization of internal markets as well as on improvements of the terms of trade – a positive trend throughout Latin America during the 2000s.<sup>1</sup> The redistributive bonanza in the terms of trade was supported by an inward redistributive policy, based on welfare policies and a strengthening of labour markets by increasing real wages and enhancing labour market institutions.

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<sup>1</sup> CEPAL. *La hora de la igualdad: brechas por cerrar, caminos por abrir*. Santiago de Chile: CEPAL, 2010.

This model of economic development has been defined in different ways,<sup>2</sup> mainly depending on how the overall performance of the governments is evaluated, especially in terms of challenging the neoliberal agenda. There are several common features among the governments in Brazil and Argentina elected in the last decade, a central one being the return of the state as a central player in organizing the main economic and social policies.<sup>3</sup> Even though the reinforcement of the state has challenged a fundamental neoliberal paradigm – the need for state to retreat from the economy – some of the main developmental characteristics of the economy have remained untouched: the export of primary commodities as the main source of income and the increasing dominance of financial capital in the overall economy.<sup>4</sup> This combination of redistributive policies, such as *Bolsa Família* in Brazil and the *Asignación Universal por Hijo* in Argentina, and the model of economic growth – characterized by its dependence on the export of primary commodities to the world market – has been coined the “commodities consensus”.<sup>5</sup> The consensus requires measures of redistribution in order to overcome the contradictions emerging with extractive industries, especially in terms of their environmental impact, their territorial dislocation and the control of the process gained by transnational corporations.<sup>6</sup>

In line with Armando Boito’s analysis, this paper categorizes the governments of Argentina and Brazil as neo-developmental. A neo-developmental model reinforces wealth redistribution targeted towards consumption through increases in minimum wages, the implementation of vast social programs and the expansion of credit. At the same time, it reinforces the development of the large bourgeoisie, both industrial and

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<sup>2</sup> For further readings regarding the debate on left-wing Latin American governments and different definitions see SADER, Emir. *Posneoliberalismo en América Latina*. Buenos Aires: CLACSO-CTA, 2008; LEVITSKY, Steven and ROBERTS, Kenneth. *The resurgence of the Latin American left*. Baltimore: John Hopkins University Press, 2011; PETRAS, James and VELTMEYER, Henry. *The New Extractivism. A Post-Neoliberal Development Model or Imperialism of the 21<sup>st</sup> Century?* London: Zed Books. 2014.

<sup>3</sup> THWAITES REY, Mabel (ed). *El Estado en América Latina: continuidades y rupturas*. Buenos Aires: CLACSO- Editorial Arcis. 2012.

<sup>4</sup> KATZ, Claudio. “Manifestaciones de la Crisis en América Latina y las paradojas del Neodesarrollismo argentino”. *Caderno CRH*. Vol.26, n. 67, 2013, pp. 49-64.

<sup>5</sup> A term originally coined by the Argentine political magazine *Revista Crisis*, later expanded by SVAMPA, Maristella. “Consenso de los Commodities y lenguajes de valoración en América Latina”. *Nueva Sociedad*. n. 244, 2013, pp. 30-46.

<sup>6</sup> *Ibid.*

extractivist, with the central aim of generating economic growth.<sup>7</sup> At the center of this process is the state, creating an alliance between a local – internal – bourgeoisie, organized labour and even the subaltern classes. The “neo” element is based on a reconsideration of the developmentalist strategies of the 1970s, in which the strengthening of internal markets and the creation of “local industries” played an important role in producing high levels of economic growth. The neo-developmental model, however, produces lower economic growth than the classic models, giving less relevance to the internal market and local industry, accepting the international division of labour and redistributing income at a slower pace. In the neo-developmental model, growth strategies are dominated by a fraction of the bourgeoisie that is not necessarily “nationalist”, rather one that is closely tied to the multinational corporations.<sup>8</sup> The neo-developmental strategy is in fact based on the “commodities consensus” outlined by Svampa, since a central element in economic policy is the capacity to export primary commodities to global markets.

This model of neo-developmentalism, including the class alliances that it involved, relied heavily on the international boom of commodities and on the capacity to generate economic growth. From 2011 onwards, both these pillars – high commodity prices at the world level and national economic growth – began to decline, leading to major conflicts in the class compromises that the model entailed. The lower economic growth, adding to political fatigue – both countries were under administrations with nearly a decade in office – contributed to changing the pattern of labour-state relations from one of overall cooperation towards one of increasing conflicts both locally and nationally. This essay focuses precisely on these growing conflicts and analyzes them as a consequence of the limitations of the development strategy previously outlined.

The first section of this paper presents a brief synthesis of the periods governed by the *Partido dos Trabalhadores* (Workers’ Party, PT) in Brazil from 2003 onwards, and the *Frente para la Victoria* (Victory Front) in Argentina starting in 2003. In the first section, we include economic and labour market information that allows us to establish government-labour relations in the period. The second section deals with the main aspects of

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<sup>7</sup> BOITO JR., Armando. *As bases políticas do neodesenvolvimentismo*. Paper presented at the 2012 Forum Economico da FGV/São Paulo, 2012. Available via [<http://eesp.fgv.br/sites/eesp.fgv.br/files/file/Painel%20%20-%20Novo%20Desenv%20BR%20-%20Boito%20-%20Bases%20Pol%20Neodesenv%20-%20PAPER.pdf>]

<sup>8</sup> Ibid., p. 6.

labour conflicts in both countries during the last decade, highlighting the last three years in particular. Finally, in the conclusion, the paper provides a comparative analytical look at both processes and the challenges ahead for labour organizations.

## 2. The centre-left governments in the Southern Cone

### 2.1. *The Kirchner era*

In order to understand the socioeconomic conditions experienced at the moment in Argentina, it is necessary to examine the breakdown of the convertibility regime – the Argentine peso pegged to the US dollar – which took place at the end of 2001 and produced a profound economic crisis. At the time, the devaluation of the local currency, joined by the decreasing cost of labour and the high number of idle industries, allowed for the implementation of economic policies that put the country on the path to growth after a four-year recession, reviving internal markets. This was coupled with a booming commodity export (led by soybeans), which has continued – in terms of trade – to this day.

After the high point of the crisis in December 2001, the local currency was devalued by more than 60 per cent, the medium real wage fell 24 per cent in 2002 compared with the previous year (and 34 per cent compared with 1994),<sup>9</sup> and unemployment and underemployment soared to over 20 per cent. At the same time, the utilization of installed capacity in the industrial sector in 2002 was below 60 per cent. This availability of unused labour and industrial capacity at a substantially lower cost than before the crisis allowed Argentina's economy to recover in late 2002 with the help of a new cycle of rising international prices of primary products. This improved the terms of trade almost 20 per cent between 2001 and 2004.

As a consequence of this process, Argentina witnessed an annual economic growth rate of 9 per cent between 2003 and 2007, becoming the backbone of the political consolidation of Nestor Kirchner's administration. The economic recovery went along with significant changes in the labour market, which was reorganized after the critical years of the socioeconomic crisis. During these four years, unemployment fell from 20 per cent to 8 per cent, real salaries grew by 21 per cent and informality decreased from 49 to

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<sup>9</sup> GRAÑA, Juan and KENNEDY, Damián. "Salario real, costo laboral y productividad argentina, 1947-2006. Análisis de la información y metodología de estimación". *Documento de Trabajo n° 12*. CEPED – Facultad de Ciencias Económicas. 2008.

39 per cent. On top of this, these years also witnessed the strengthening of historic tools for labour market regulation, such as collective bargaining and the minimum wage council. The minimum wage increased by 82 per cent in real terms during that four-year period, having remained flat during the 1990s, and real average wages jumped more than 20 per cent in the same period.<sup>10</sup>

From 2007 onwards, the Argentine economy began to face major obstacles that continue to this day and have been a main source of conflict. The growth levels of the post-convertibility decade were drastically reduced in 2008-2009, increased again in 2010-2011 and diminished once more in 2012-2014. In this sense, the last available data indicates that by 2014 the GDP was 4.2 per cent higher than in 2011, while the GDP in the manufacturing sector had decreased by 2.7 per cent during the same period.

It is worth noting that the obstacles which the Argentine economy is facing today emerge in a context in which the terms of trade are at a historic high. In fact, the relationship between export and import products was 63.5 per cent higher in 2011-2014 than the average registered for the 1990s.

The noteworthy drop in economic growth during the last two years was accompanied by an increasing inflation rate, which has continued to rise since 2009, reaching its highest annual rate in 2014 at 36.5 per cent. The persistent increases in inflation impeded a major recovery of salaries, which only in 2011 reached the pre-economic crisis levels, even though real economic growth had been much higher during that time. As presented later on in this paper, the increases in inflation levels had an immediate impact on labour conflicts, which were increasingly directed towards obtaining nominal increases that could maintain workers' purchasing power.

These major difficulties expressed above also had an impact on the labour market. In effect, the unemployment rate in the second semester of 2014 was around 7.5 per cent, one of the highest values since 2010. At the same time, the rate of economic activity and employment also witnessed a pronounced drop, reaching the lowest levels of the last decade.<sup>11</sup>

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<sup>10</sup> For a detailed analysis of labour markets during the last decade and its relation to the neoliberal period, see CAMPOS, Luis; GONZÁLEZ, Mariana and SACAVANI, Marcela. "El mercado de trabajo en los distintos patrones de crecimiento". *Realidad Económica*. Issue. 253, 2010, Buenos Aires.

<sup>11</sup> The rate of employment in the second trimester of 2014 was 41.4 per cent, the lowest since 2005. At the same time, the economic activity rate was 44.8 per cent, the lowest since the last methodological changes in 2003.

**Chart 1: Selected macroeconomic variables in Argentina 2005 – 2013**

	GDP growth rate	Manufacturing	Inflation	Real wage (2001 = 100)	Terms of trade (2004 = 100)
2005	9.23%	9.29%	9.6%	89.2	97.0
2006	8.38%	9.77%	10.3%	95.4	101.3
2007	7.97%	8.08%	18.3%	97.3	107.4
2008	3.07%	3.22%	27.1%	93.7	120.7
2009	0,05%	(-1.56%)	14.6%	97.7	121.5
2010	9.45%	11.39%	23.1%	97.2	125.8
2011	8.39%	11.44%	23.4%	100.6	139.3
2012	0.80%	(-1.59%)	23.9%	103.0	144.7
2013	2.89%	0.26%	25.4%	102.7	135.1
2014	0.46%	(-1.34%)	36.5%	98.8	131.6

Source: Authors' own calculation using data from National Institute of Statistics and Census (INDEC). From 2007 to 2014, the inflation rate is provided by the provincial institutes of statistics due to conflicts with the national data.

In short, the existence of increasing tensions in the labour market, combined with persistently high inflation, constitute the backbone over which labour conflicts have been developing in recent years, which will be analyzed in the next section.

## 2.2 Brazil, from Lula to Dilma

The government of Lula da Silva represented a significant change in Brazil's socioeconomic conditions, in particular in the area of labour

rights.<sup>13</sup> Firmly supported by the trade union movement and the largest workers' confederation in the country, the *Central Única dos Trabalhadores* (CUT), Lula arrived in office in 2003 – elected in October 2002 – with a personal history of leadership as a metal workers' union leader and therefore a promising candidate for the labour movement in Brazil. The Lula administrations can actually be divided in two phases, the first one (2003-2005) being more fiscally conservative; and the second one (2005-2010) characterised by major changes in socioeconomic policy and labour market regulation.<sup>14</sup> Towards the end of the first four-year term and more pronounced in the second, the government shifted away from orthodox macroeconomic policies towards more heterodox forms, which included the implementation of vast social programs and the strengthening of labour market institutions (including trade union regulation). Towards the end of the first term in office and following the corruption scandals of the *mensalão*,<sup>15</sup> there was a considerable rupture between the policies of the former Cardoso administration and Lula's novel heterodox approach. This change in policy was significant in creating a mass of followers and consolidating the popular vote for the PT, especially in the poorest regions of the North-East.<sup>16</sup>

Among the most relevant policies produced under Lula were those focused on macroeconomic issues as well as a specific set of policies directed towards the strengthening of the institutional arrangements of trade unions, especially as these were recognized as fundamental actors in the development process.<sup>17</sup> The improvements in macroeconomic terms were tightly related to the revalorization of the minimum wage, the constant drop in unemployment levels, the reinforcement of collective bargaining, the expansion of direct cash transfer programs (mainly the Family Fund, *Bolsa Família*) and the growth in formal employment.<sup>18</sup> These policies are essential in explaining two elements that became a characteristic of the time:

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<sup>13</sup> KREIN, José; DOS SANTOS, Anselmo and TARDELLI, Bartira. "Trabalho No Governo Lula: Avanços E Contradições". *Revista Abet*. Vol. 10, n. 2, 2011, pp. 30-55.

<sup>14</sup> SAAD-FILHO, Alfredo. "Mass Protests under 'Left Neoliberalism': Brazil, June-July 2013". *Critical Sociology*. Vol. 39, n. 5, 2013, pp. 657-669.

<sup>15</sup> A scheme devised to buy votes in parliament by the *Partido dos Trabalhadores* to get support from allied parties for government policies.

<sup>16</sup> Andre Singer traces to this move the origins of "lulism" as a political force beyond PT. See SINGER, Andre. *Os Sentidos do Lulismo. Reforma gradual e pacto conservador*. São Paulo: Companhia das Letras, 2012.

<sup>17</sup> KREIN, José; DOS SANTOS, Anselmo and TARDELLI, Bartira. "Trabalho No Governo Lula: Avanços e Contradições". Op. Cit.

<sup>18</sup> BALTAR et al. "Moving towards decent work. Labour in the Lula government: reflections on recent Brazilian experience". *GLU Working Paper*, n. 9, 2010.

the increased confidence and strengthening of trade unions<sup>19</sup> and a common alliance between major union confederations in support of the government, which included participation in the Council for Economic and Social Development.<sup>20</sup>

These policies contributed to significant improvements in the overall socioeconomic situation of the country. However, there was a specific emphasis placed on the role of the minimum wage that was fundamental in achieving these improvements, starting with pressure exerted by the trade union movement. In a concerted effort of the major labour confederations in 2004, the government promoted a policy of “valorization of the minimum wage”, in which the level of the minimum wage was adjusted according to a combination of inflation levels and GDP growth. This equation increased the minimum wage beyond the average wages, from 260 Real in 2004 to 724 in 2014, implying an increase in real terms of 67.5 per cent. However, when looking at the curve, the largest increase occurred between 2004 and 2010, with a brief stagnation in 2010-2011 and then a boost from 2012 onwards.<sup>21</sup>

Increasing the minimum wage consistently has pushed social security benefits up since a constitutional arrangement sets the basis for these in national minimum wage levels. This was supplemented by an increase in formal employment in 2004-2011, which grew by 38 per cent, leading to a sharp decrease in informality.<sup>22</sup> Similarly, unemployment levels fell from 12.4 per cent in 2003 to 6.7 per cent in 2010.<sup>23</sup> Average wages during the same period increased by 29.3 per cent in real terms,<sup>24</sup> and were joined by

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<sup>19</sup> See GALVÃO, Andréia; BOITO, Armando and MARCELINO, Paula. “Brasil: O movimento sindical e popular na década de dois mil”. In: MODONESI, Massimo and REBÓN, Julian (eds.) *Una década en movimiento. Luchas populares en América Latina en el amanecer del siglo XXI*. Buenos Aires: CLACSO, 2010, pp. 153-182.

<sup>20</sup> Created under Lula, the *Conselho para o Desenvolvimento Econômico e Social* (CDES) was a consultative platform between civil society and the executive branch, integrated by the major confederations in the country (CUT, *Força Sindical*, UGT, CTB, NCST). Outside of this council and in firm opposition to the PT governments remained two splits from CUT, the CSP-CONLUTAS and *Intersindical*. These alliances begin to shift towards the end of Dilma’s first term, with *Força Sindical* taking a more confrontational stance against the government.

<sup>21</sup> DIEESE. “A política de valorização do Salário Mínimo: persistir para melhorar”. *Nota Técnica*. n. 136. 2014.

<sup>22</sup> KREIN, José; DOS SANTOS, Anselmo and MORETTO, Amilton. “Trabalho no Brasil: evolução recente e desafios”. *Revista Paranaense de Desenvolvimento*. Vol. 34, n.124, 2013, pp. 27-53.

<sup>23</sup> Ibid.

<sup>24</sup> Ibid.

an intense pace of economic growth, averaging 3.5 per cent in 2003-2006, and 4.5 per cent in 2007-2010.<sup>25</sup>

**Chart 2: GDP, unemployment and minimum wage in Brazil 2004-2011 and 2012-2013**

	2004-2011	2012-2013
GDP growth rate (average)	3.9	1.7
Unemployment rate (average)	8.1	5.5
Minimum wage (annual rate)	5.4	5.1

Source: Author's own calculation using data from ECLAC, IBGE and DIEESE.

By the end of Lula's presidency in 2010, Brazil had witnessed overall economic growth during both terms (2003-2007 and 2007-2011), a revitalization of state regulation of labour relations and an improvement in socioeconomic conditions for the majority of workers, resulting in lower poverty levels, (partial) wealth redistribution and increases in wages and formal employment. When Dilma Rousseff of the PT was elected president, the relationship with the trade union movement became more strained and macroeconomic challenges began to surface. The multi-class compromise that had existed during the two previous PT mandates began to crumble in view of changing economic conditions. This in turn led to changes in the dynamic of relationships between the national government and the trade unions and also within the trade unions themselves, including a higher number of labour conflicts both locally and nationally, bringing unresolved issues to the forefront – issues that had been “side-tracked” to a degree under Lula through overall economic improvement. Some of these issues included so-called “second generation demands” like better public services – a crucial demand during the June 2013 rebellion – and others had to do with the overall management of macroeconomic policy, in particular demands that targeted the economic and political power of financial capital and its role in determining the overall policy through an indirect control of

<sup>25</sup> KREIN, José and DOS SANTOS, Anselmo. “La formalización del trabajo en Brasil. El crecimiento económico y los efectos de las políticas laborales”. *Nueva Sociedad*. n. 239, 2012, pp. 90-101.

Brazil's Central Bank.<sup>26</sup> The increasing conflict between the government and the labour movement at different levels is the central focus of the following section.

### 3. Recent labour conflicts

#### 3.1 Labour conflicts in Argentina

The reappearance of traditional labour conflicts and their relation with political disputes has been one of the most important changes in the system of labour relations during the last decade in Argentina. After the 2001 crisis, in a context of deep economic and political changes, industrial action, particularly collective bargaining and labour conflicts, became the norm for workers and unions once again.<sup>27</sup>

However, the pattern of labour conflicts did not evolve in a linear fashion during the last decade. First, the trade unions faced an accumulation process in which their own strategies matched the objectives of the national government. The latter needed to build up political legitimacy, not only because of the small amount of votes president Néstor Kirchner had obtained in the 2003 presidential election, but also because of the need to strengthen the state apparatus in itself and increase its acceptance among Argentine society after the 2001 crisis.

In order to restore state legitimacy, Néstor Kirchner's presidency implemented a broad set of measures. One central dimension of that strategy was to intervene in the labour market, whose figures, particularly wages and

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<sup>26</sup> An interesting debate around the challenges for Dilma, centered on macroeconomic issues, is presented by MORAIS, Lecio and SAAD-FILHO, Alfredo. "Neo-Developmentalism and the challenges of Economic Policy-Making under Dilma Rousseff". *Critical Sociology*. Vol. 38, n. 6, 2012, pp. 789-798. One of the relevant arguments is that the growth created during the previous administrations was fragile, and in order to consolidate that path there needed to be a rupture with neoliberal policies that were still present. The resolution of this dilemma during Dilma's tenure consisted in maintaining those structural constraints instead of pushing the neo-developmental agenda further.

<sup>27</sup> While beyond the scope of this article, it is possible to identify some substantial changes in union activity compared to the 1990s, when collective bargaining lost weight as a tool for regulating labour relations and social conflict was related to claims for jobs and based on territory (instead of industry based). It should certainly not be concluded that the working class had no role in such conflicts. Rather there was a change in the main content of the demands (from jobs, rejection of state policies, access to public services, and working conditions in the public sector, to wage increases and working conditions in the private sector) and methodology of action (from social conflicts with wider alliances between trade unions and other social organizations, to traditional industrial actions).

employment, were at an historic low by 2002.<sup>28</sup> Indeed, employment and real wage recovery became a shared objective for both the national government and the trade unions, since both were based on an increase in the number of workers and the level of real wages. Plus, this strategy was tacitly accepted by fractions of capital which due to their size and productivity levels could only operate locally, as it was a necessary condition for resuming the path of economic growth after the recession that had lasted from 1998 to 2002.

This confluence of interests could only be sustained in the short term. The resurgence of inflation in late 2006 began to demonstrate these limits, which were reflected in new challenges for unions that had undeniable impacts on collective bargaining and union unrest. This is the starting point for this analysis.

According to the total number of conflicts surveyed by the Ministry of Labour, it is possible to identify a period of a gradual increase of labour conflicts between 2006 and 2011, while from 2012 that increase showed a significant jump.<sup>29</sup> Indeed, from 2006 to 2011, labour conflicts increased by 22.4 per cent (from 785 to 961 conflicts). This increase was repeated in just one year: in 2012, it jumped by about 26.6 per cent to reach a total of 1,217 conflicts. This number remained steady in 2013, and jumped again in 2014.<sup>30</sup>

This increase in labour disputes occurred in both the public and private sectors. At the state level, the upsurge of labour conflict amounted to an increase of 26.3 per cent between 2006 and 2011 and of 41.1 per cent

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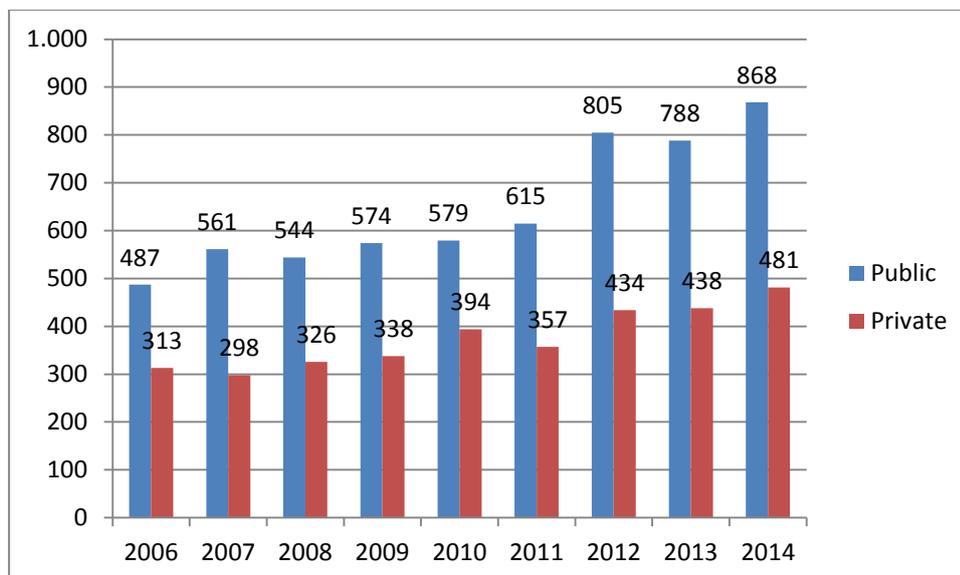
<sup>28</sup> This process was coupled by the implementation of measures that had been part of social organizations' agenda against neoliberal policies during the 1990s. Among them may be mentioned the changes in the Supreme Court of Justice of the Nation, supporting trials against those responsible for human rights violations during the military dictatorship, and a change in international politics that strengthened links with governments of countries in the region.

<sup>29</sup> The series on labour unrest developed by the Ministry of Labour can be found at [[www.trabajo.gov.ar](http://www.trabajo.gov.ar)]. For a description of the methodology and scope see PALOMINO, Héctor. "Un nuevo indicador del Ministerio de Trabajo, Empleo y Seguridad Social. Los conflictos laborales en la Argentina 2006-2007". *Serie Estudios*. n. 7, 2007. Available at [[www.trabajo.gov.ar](http://www.trabajo.gov.ar)]

<sup>30</sup> Notably, according to the Ministry of Labour, the increase in the total number of strikes in the private sector did not correspond with an increase in the number of strikers and of working days lost due to strikes. In this regard, less intensive strikes became more widespread. They were linked to increasing conflicts at the enterprise level, which jumped from 60 per cent of the conflicts in 2006 to 70 per cent in 2013. In contrast, the numbers for 2014 of strikers and working days lost in the public sector were the highest since 2006.

between 2011 and 2014.<sup>31</sup> Meanwhile, in the private sector the increase was 14.1 per cent and 34.7 per cent respectively.

**Graph 1: Labour conflicts in Argentina 2006 – 2014**



Source: Authors' own calculation with data from the Ministry of Labour.

The information gathered by the Ministry of Labour is focused on strikes, which excludes other forms of labour unrest. In this regard, the reports from the Social Rights Observatory<sup>32</sup> of the *Central de Trabajadores de la Argentina* (Argentine Workers' Confederation) include these other forms of labour unrest, and in principle, allow for similar conclusions. In this perspective, we observe that the number of conflicts in the private sector increased significantly in 2011 (a 25 per cent increase compared to the 2007-2010 annual average).

As for union demands, it is important to point out some milestones that, over the recent years, point to qualitative changes. Indeed, labour conflicts in the early years of the last decade were fundamentally linked to economic

<sup>31</sup> For a detailed analysis of labour conflicts during 2006 and 2010, see BARRERA INSUA, Federico. "Conflictos salariales y organización sindical en la Argentina post-convertibilidad". *Programa de Investigación sobre el Movimiento de la Sociedad Argentina, Documentos y Comunicaciones 2011-12*. 2012. Available at [[www.pimsa.secyt.gov.ar](http://www.pimsa.secyt.gov.ar)]

<sup>32</sup> For detailed analysis, visit the Observatory's website at [[www.obderechosocial.org.ar](http://www.obderechosocial.org.ar)]

demands, mainly wage claims, channelled by the unions at the industrial level.<sup>33</sup>

The rise in inflation rates, which has consistently been above 25 per cent per year since 2007 (except 2009), boosted labour conflicts and forced trade unions to claim nominal increases around that rate. In turn, this had an impact on secondary income redistribution policies, particularly on family allowances and the income tax paid by higher-income earners (approximately 10 per cent of all workers). Thus, claims to balance inflation and demands to modify the mechanisms for a redistribution of resources gained presence in the demands put forward by trade unions.

Moreover, the labour market in Argentina has been exposed to growing constraints since late 2006, not only due to rising inflation and its impact on the evolution of real wages, but also as a consequence of labour force adjustments made by employers. In fact, the pace of job creation in the private sector declined considerably since late 2008. There was an increase in dismissals and suspensions in some sectors such as textiles, wood, metal and construction (see Chart 4). These changes in the labour market caused conflicts linked to the defence of jobs, mainly at the level of the workplace.

**Chart 3: Formal employment in manufacturing, Argentina 2008 – 2014**

	2008	2014	2008 – 2014
Manufacturing	1.187.423	1.213.709	2.21%
Food, beverages and tobacco	324.645	341.204	5.10%
Textile	153.319	146.658	-4.34%
Wood	117.917	109.675	-6.99%
Oil and chemical	168.834	178.541	5.75%
Metal	136.803	134.252	-1.87%
Transport equipment	82.021	88.381	7.75%

<sup>33</sup> OBSERVATORIO DEL DERECHO SOCIAL DE LA CTA. “Relaciones laborales 2013. Caída del salario real y crecimiento del conflicto en el sector público”. Annual Report 2013. 2014. Available at [[www.obderechosocial.org.ar](http://www.obderechosocial.org.ar)]

Capital goods	119.325	129.703	8.70%
Other industries	84.559	85.297	0.87%
Construction	414.249	418.898	1.12%

Source: Author's own calculation with data from SIPA.

The information presented here shows that over the last decade, developments in the labour market and labour unrest were far from presenting a uniform path. On the contrary, it is possible to register three stages. First, between 2003 and 2007 (particularly after the December 2001 crisis), the alliance between the *Frente para la Victoria* government (FPV) and the vast majority of trade unions was based on a process that included employment growth and labour conflicts focused on increases in real wages. Among the circumstances that helped create a temporary alliance between the government, the trade unions and the employers were the low prices of production (of both capital and labour), the weakness of the political system and its need for re-legitimation. The resurgence of inflation in late 2006 was among the first signs of tensions in this process, and this tendency accelerated substantially after the international crisis that began in late 2008 and early 2009.

The second phase was a period of greater turbulence and accumulation of stress which extended until 2011/2012, when the labour market exhibited serious difficulties in continuing to reduce the level of unemployment. Trade union disputes began to contain a defensive component, either to address the impact of inflation on real wages, or to keep jobs. Tensions related to the labour market were supplemented, during this period, with the reappearance of political conflicts between the national government and the country's biggest trade union, *Confederación General del Trabajo* (General Workers Confederation, CGT). An open conflict emerged on the occasion of the presidential and parliamentary elections of 2011, during which the union's demands for higher positions of political power were ignored completely by the ruling party. The alliance of the government with the then leader of the CGT, Hugo Moyano, broke in the following year after the Ministry of Labour intervened in the process of renewal of the CGT leadership.<sup>34</sup>

<sup>34</sup> ESPER, Mariel. "De los conflictos laborales a las huelgas generales. Algunos apuntes para pensar su dinámica 2002-2012 en Argentina. Socio. Avances en el estudio de la relación entre sindicalismo y kirchnerismo". *Sociohistórica*, n. 33, 2014.

Finally, the third phase was characterized by heightening tensions as a consequence of economic stagnation that coexisted with high inflation. As noted above (see Chart 1), the growth of Argentina's economy had stopped in 2012, real wages dropped, and inflation stood at its highest levels since 2002. At the same time, the international context made greater difficulties than in previous years, even though the terms of trade were still favourable by historical standards. These difficulties in the economic sphere, particularly in the labour market, were accompanied by the disruption of the alliance between an important part of the trade unions and the government, causing an increase in labour disputes recorded in the years 2011-2012. It included the resurgence of general strikes as a tool for trade union action after more than a decade.<sup>35</sup>

Thus, labour conflicts in recent years have combined economic claims (mainly regarding wages and working conditions) with political claims (particularly related to tax and income policies) and, more recently, with the defence of jobs.<sup>36</sup> In turn, there was a quantum leap in the conflict cycle from November 2012 onwards, when two factions of the CGT and the *Central de Trabajadores de la Argentina* (CTA) convened for the first general strike in a decade, which was then replicated in April and August 2014 and later in March and May 2015.

### *3.2. Increasing labour conflicts in Brazil*

Similar to the events witnessed in Argentina – and throughout the continent – Brazil has experienced a drop in economic growth since 2011, mainly due to the international economic crisis and the drop in the prices of export commodities. In 2010, the last year under Lula, growth reached a stunning 7.5 per cent, and in 2011 there was a drastic fall to 2.7 per cent,<sup>37</sup> initiating a period of consistently low or negative growth. With this trajectory, Brazil can be included in the group of countries in the region that witnessed slow growth in comparison with the previous decade,<sup>38</sup> mainly as a consequence of the changing conditions for its exports in the international markets and the limitations that the model of social compromise had reached. As

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<sup>35</sup> Ibid.

<sup>36</sup> The complaints brought to the state included changes to the regulation of the system of family allowances and income tax. Additionally, the unions also protested against a law passed by the Parliament in order to reform the reparations' system against occupational diseases and accidents.

<sup>37</sup> DIEESE. "Balanço das greves em 2010-2011". *Estudos e pesquisas*. N. 63. 2012.

<sup>38</sup> CEPAL. "Balance preliminar de las economías de América Latina y el Caribe". Brasil. Santiago: CEPAL. 2013.

outlined earlier, in order to move forward with the neo-developmental agenda, Brazil would have needed further redistribution by addressing the financial markets and the tributary structure<sup>39</sup> in depth. The popularity of Dilma Rousseff entered into a crisis during her first term and the class compromise that had prevailed during Lula began to unravel.<sup>40</sup>

The flattening of economic growth, coupled with an increasing level of inflation – though not as drastic as in Argentina<sup>41</sup> – led the Dilma administration to cap fiscal spending, especially during 2011 and 2012.<sup>42</sup> The contraction in current expenses was taken as a precautionary measure in the context of a worsening international economic crisis and a preoccupation with the increasing levels of inflation.<sup>43</sup> Conservative fiscal policy had already been an element of dispute during the first period of Lula's presidency, mainly in the transition between the Cardoso and PT administrations (between 2003 and 2005). It now returned as a cause for conflict within the PT and between the party and some of its main allies.

The condition of low economic growth and budget restrictions during 2011 and 2012 specifically affected the public sector<sup>44</sup> and led to increasing labour conflicts greater than in previous years.<sup>45</sup> However, it is also worth noting that from 2011 onwards the number of strikes increased significantly in comparison with the preceding years. In 2010, the number of strikes was 446, while in 2011, it grew to more than 500.<sup>46</sup> In 2012, it reached over 800,<sup>47</sup> with a rising trend in the following years.<sup>48</sup> This increase implies an

<sup>39</sup> On the financial constraints, see MORAIS, Lecio and SAAD-FILHO, Alfredo. "Neo-Developmentalism and the challenges of Economic Policy-Making under Dilma Rousseff". Op. Cit. and SAAD-FILHO, Alfredo. "Mass Protests under 'Left Neoliberalism': Brazil, June-July 2013". Op. Cit. for the changes that led to the June rebellions, including the panic fueled by the main media around rising inflation rates.

<sup>40</sup> This was especially clear with the main economic players, including the Industrial Federation of Sao Paulo and other relevant players that had been part of the equation.

<sup>41</sup> CEPAL. "Balance preliminar de las economías de América Latina y el Caribe". Op. Cit. Inflation levels were lower in Brazil and kept under control by the government. However, there was a massive campaign by media and major corporations to tighten fiscal spending and increase interest rates in order to control inflation.

<sup>42</sup> BASTOS, Pedro. "A economia política do novo-desenvolvimento e do social desenvolvimento". *Economia e Sociedade*. Vol.21, 2012, pp. 779-810; DIEESE. Balanço das greves em 2010-2011. *Estudos e pesquisas*. n.63, 2012.

<sup>43</sup> BASTOS, Pedro. "A economia política do novo-desenvolvimento e do social desenvolvimento". Op. Cit.

<sup>44</sup> GALVÃO, Andreia. "The Brazilian Labour Movement under PT Governments". Op. Cit.

<sup>45</sup> DIEESE. "Balanço das greves 2012". Op. Cit.; BOITO JR., Armando and MARCELINO, Paula. "O sindicalismo deixou a crise para tras? Um novo ciclo de greves na década de 2000". *Caderno CRH*. Vol.23, n.59, 2010, pp. 323-338.

<sup>46</sup> DIEESE. "Balanço das greves em 2010-2011". Op. Cit.

<sup>47</sup> DIEESE. "Balanço das greves em 2012". Op. Cit.

exponential jump from the average, especially when compared to the average during the earlier PT governments (as noted in Graph 2). It appears that this trend will continue to grow given that the economic situation is looking dim in the near future. Even then, it is relevant to note that the increasing conflicts have not yet reached the levels of the “strike wave” of the late 1980s and early 1990s,<sup>49</sup> when the union movement was in its most vigorous stage. Nor has the current stage witnessed the same level of general strikes, called upon by the confederations, as during the “strike wave”.

**Chart 4: Labour conflicts in Brazil, strikes by sector**

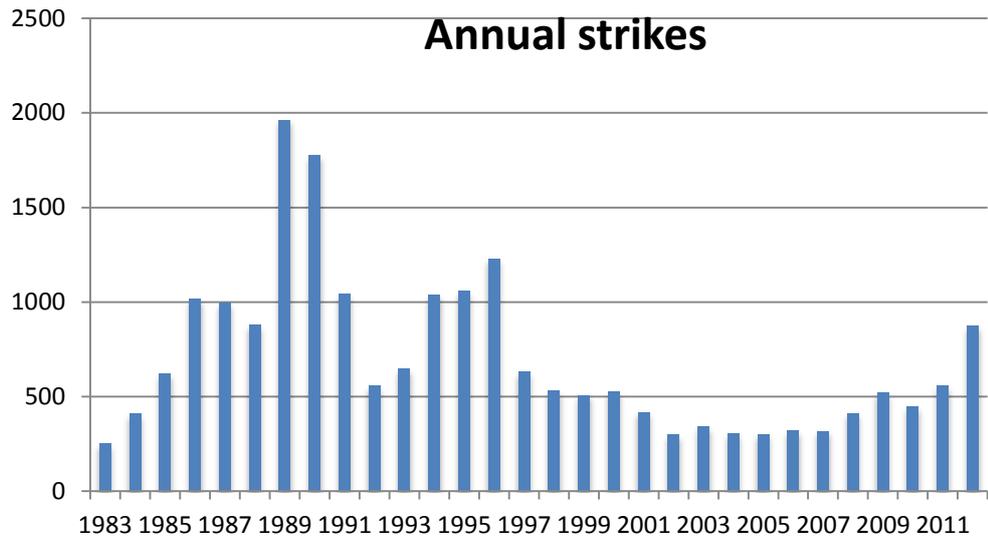
Sector	2011(%)	2012 (%)
Public	325 (58.7)	409 (46.8)
Private	227 (41.0)	461 (52.8)
Both	2 (0.4)	3 (0.3)
Total	554 (100)	873 (100)

Source: DIEESE 2013

**Graphic 2: Annual number of strikes in Brazil, 1983-2012**

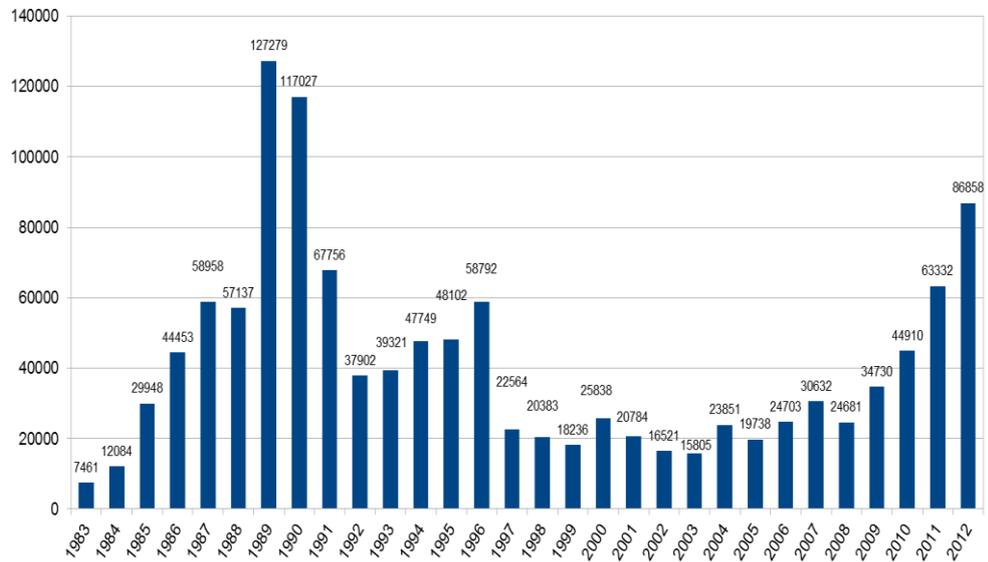
<sup>48</sup> Although DIEESE has not published the official results on the number of strikes for 2013-2014, informal conversations with researchers at the institute notified that the number of strikes would be well over 1000 for 2013.

<sup>49</sup> BOITO JR., Armando and MARCELINO, Paula. “O sindicalismo deixou a crise para tras? Um novo ciclo de greves na década de 2000”. Op. Cit.



Source: DIEESE 2013

**Graphic 3: Annual work hours lost due to strikes in Brazil, 1983-2012**



Source: DIEESE 2013.

Several studies have underlined the specific characteristics of recent conflicts in Brazil, outlining two main noteworthy issues. Firstly, the nature of the demands of the strikes has shifted from predominantly offensive to defensive ones. In other words, there has been a shift from demands that imply new rights and benefits beyond those already negotiated to struggles aimed at defending already established rights and benefits and focusing largely on updating wage levels. Even though strikes actually have a component of both types of demands, the latest conflicts have increasingly focused on the latter type. As indicated in Chart 5, this shift is demonstrated when we take into consideration a sample of the strikes in the largest public sector union, the state employees, and the largest union in the private sector, the metalworkers. In both conflicts, the number of defensive demands increased from 2011 to 2012, while the offensive ones diminished significantly.

**Chart 5: Strikes in Brazil (2011 and 2012) by content, sector (focus on industry for the private sector and employees for the public sector)**

	2011		2012	
	Public (employees)	Private (industry)	Public (employees)	Private (industry)
Offensive	81.8	83.2	64.2	67.0
Defensive	66.2	42.0	74.5	61.2

Source: Author's own calculation with data from DIEESE.

The second relevant aspect of the recent rise in strikes in Brazil (see Graph 2) was the growing importance of the private sector in those activities. It became the sector with the largest number of strikes during 2012 while the public sector remained the largest in terms of number of participants and duration of the protests. If strikes in the public sector were mainly a response to the fiscal adjustments of governments at the federal, state and local levels during 2011, the increases in private sector strikes during 2012, and the predominance of defensive demands in them, were a clear sign of the economic slowdown that has continued over the last three years. These strikes also indicate the changing dynamics in the models of negotiation between the trade unions, the state and employers. In sharp contrast to the

case of Argentina, where real wages have only matched inflation for the last rounds of negotiations, two processes have been taking place in the case of Brazil in the period of intense conflicts. On the one hand, unemployment levels continued to drop, reaching nearly five per cent during 2014,<sup>50</sup> which allowed unions to strengthen their bargaining position during negotiations with employers. On the other hand, and perhaps as a result of this last aspect, most wage negotiations have produced increases beyond the inflation rate, with an average of three per cent above inflation during 2013<sup>51</sup> and a similar level during the first semester of 2014.<sup>52</sup> This indicates that labour conflicts, even in the case of a dominance of defensive demands, did not imply cuts in real wages, marking a clear difference to the Argentine case.

As outlined earlier in the paper, the capacity to generate economic growth was a fundamental basis for the success of the PT governments and the maintenance of the class compromises that held it together. The absence of that growth led to three significant and interconnected processes: lower investment rates and strained economic operations on behalf of the private sector; a greater number of conflicts between workers and employers; and a fracture in the political alliance between PT and the conservative parties<sup>53</sup> that had remained relatively loyal to Dilma Rousseff until then. The labour conflicts outlined in this section demonstrate that growing discomfort with the economic situation in Brazil has yet to target the national government in the form of general strike.<sup>54</sup> The predominance of defensive demands is also an indicator that the situation is changing. The wage hikes satisfied a specific aspect of those demands, but as the situation worsens, issues such

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<sup>50</sup> DIEESE. “Balanço das negociações dos reajustes salariais do 1º semestre de 2014”. *Estudos e pesquisas*. n. 73, 2014.

<sup>51</sup> Ibid.

<sup>52</sup> Ibid.

<sup>53</sup> This refers to a group of parties that participated in the governing alliance, mainly the *Partido do Movimento Democrático Brasileiro* (PMDB) which has been a governing ally to PT and before that to the government of the Cardoso administrations.

<sup>54</sup> This paper was finished in early 2015, before the rising conflicts of late March, April and June in Brazil when several confederations, including CUT, mobilized against the new outsourcing law and the conservative economic policy of the government. There have been mass strikes in some sectors like construction – especially in the large infrastructural projects related to the Growth Acceleration Program –, the transport sector in Rio de Janeiro and the banking sector. A significant level of strikes did take place in the construction sectors (also in projects related to the World Cup of 2014), but these conflicts never reached the level of a general strike and remained constrained to those specific sectors. Similarly, the transport workers’ strike in Rio de Janeiro had some relevance to national policies, but it was mainly directed at the municipality and at the union leadership itself.

as layoffs and suspensions in the manufacturing sector will become more common.

#### 4. Final remarks

The analysis presented throughout this paper indicates a significant change in labour conflicts – measured by the number of strikes – beginning with the slowdown in economic growth in Argentina and Brazil during the period 2012-2014. Both governing parties, the FPV in Argentina and the PT in Brazil, were eager to improve labour relations and constrain labour conflict during the largest part of their terms in reaction to the deep economic crises produced by the previous, neoliberal administrations. The article has defined this as part of a social compromise between a section of the organized working class, unorganized informal workers and a significant sector of the bourgeoisie. These alliances were not formally arranged and depended on three basic premises: first, and most relevant to our understanding, the continuation of economic growth; second, leadership on behalf of the executive government that could manage the negotiations between the sectors; third, a narrative of opposition to neoliberalism. These three pillars began to disentangle between 2012 and 2014 for a variety of reasons, some of which were outlined throughout this paper. These include changes in the international markets – as a consequence of the global economic crisis –, new leaderships with a different relationship to labour movements, and the usual fatigue of governments in office for more than a decade. The combination of these factors makes it more difficult to challenge, as was previously done, the dilemma between neo-developmentalism and neoliberalism.

The focus of this paper has been on the correlation between these changing dynamics and increases in labour conflicts in both countries over the last three years. Even though the level of conflicts is higher in Argentina than in Brazil – following a historical trend – there was a clear quantitative increase during 2012 for both countries. In the case of Argentina, in just one year conflicts increased by over 26 per cent, while in Brazil the same year witnessed a 63 per cent increase in strikes. Differences between both countries remain, indicated by the distinct responses of the union confederations in each country to a similar situation. In Brazil, the majority of the trade union confederations remains in negotiations with the PT

government,<sup>55</sup> even while protesting against certain aspects of the administrations' policies. In Argentina, the significant increase in strike activity went along with changes in the government-confederation relationships, and a significant section of the CGT – led by the truck workers' union leader Hugo Moyano – broke the alliance with the FPV. The context of low unemployment and strengthened labour unions is a relevant factor that has made unions more comfortable with strike action. Particularly important is the fact that even during the worst years of the recent economic crisis (2009-2010), unemployment was kept at low levels, allowing for an increase in strike activity. In a way, the economic process that the labour movement was facing had also provided the conditions for that contestation to take place.

It is also worth mentioning how the differences in local and regional strike conflicts were built into national mobilizations in the form of general strikes. In Brazil, general strikes are unusual and the confederations have resorted to “national days of mobilization” to express discontent. In Argentina, general strikes have remained a common tool for trade union action to this day. If we look at a medium-term period (1979-2002), Brazil experienced seven general strikes, against 39 in that same period in Argentina.<sup>56</sup> This period is not included in this paper, but presents a useful comparison in historical terms about the tendencies in each of the labour movements. If we look at the period analyzed in this paper, from 2012 to 2014 Argentina had three general strikes (November 2012, April 2014 and August 2014) while Brazil had one (July 2013), which was initiated after the massive mobilizations that took the country by surprise in June of that year. The reference to general strikes is meant to provide a comparative perspective of how trade union conflict at the local level is channelled nationally. Even though the increase in conflicts was higher in Brazil, it was in Argentina where the centralization of protest in the form of general strikes took place. In Brazil, the call for a strike in July 2013 had more to do with a late response to social unrest than to specific labour demands. Moreover, it is also remarkable that general strikes in both countries took

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<sup>55</sup> The main split within the implicit alliance of the major confederations regarding the government took place during the national elections of 2014, when a significant section, but not all, of *Força Sindical* sided with the opposition candidate Aécio Neves and began more openly criticizing the administration of Dilma Rousseff. As mentioned earlier, other unions like *Conlutas* and *Intersindical* remained in opposition to PT throughout the decade, but they represent a small minority of the overall number of unionized workers.

<sup>56</sup> CANGUSSU DE SOUZA, Davisson. “Movimiento operario e sindical no Brasil e na Argentina: apontamentos para uma análise comparativa”. *PIMSA, Documento de Trabajo*. n.70, 2010.

place in non-electoral years, which implies demands beyond specific political-electoral intentions.

Despite the differences between each country, the commonality of rising labour conflicts between 2012 and 2014 can be interpreted as a sign of changing times in the alliances that had been built in both Argentina and Brazil between the centre-left governments and a majority of the labour movement. These alliances reached a limit once the model of neo-developmentalism was faced with serious contradictions and limitations especially in terms of the class compromise that sustained it. As Alfredo Saad-Filho has asserted,<sup>57</sup> the continuation of a model of economic growth and redistribution in the current international context would have required enforcing the neo-developmental agenda, especially in terms of regulation and taxation of the main economic groups that had benefited throughout the decade. Whether due to the correlation of forces at the times of crisis or due to the lack of muscle or interest on behalf of the governments to push the agenda further, the reality is that the strain on labour relations did take place and began to place workers and their organizations at odds with those governments that were only just recently supported. Ongoing events in both countries show that these contradictions and the following confrontations are only increasing.

This essay presented a panorama of labour relations and conflict in Argentina and Brazil in recent years. The realities in these countries are not analogous, just as the years of trade union “bonanza” during the Lula administration and Nestor Kirchner’s government were not alike either. The increasing strike activity during governments that had produced pro-labour policies took place in a context of economic slowdown and is a symbol of state-labour relations becoming more conflictual. In any case, the growing conflicts show that even though state-labour relations can be positive, there are persistent difficulties with generating processes that, given the current structure of production, can guarantee the basis for stable economic growth and a continuous improvement in workers’ conditions. How this dilemma is addressed will determine the future of the labour movement and the national governments.

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<sup>57</sup> SAAD-FILHO, Alfredo. “Mass Protests under ‘Left Neoliberalism’: Brazil, June-July 2013”. Op. Cit.