

The Americas

Brazil's battered job market faces new foe: Coronavirus



Aerial view of the Ford Motor Company's factory in Sao Bernardo do Campo, in the greater Sao Paulo area, Brazil, Thursday, March 12, 2020. Ford is ending local production of the sort of vehicles produced at plant and announced in September it would sell it to a distributor of Hyundai and Chery vehicles. (Andre Penner/Associated Press)

By **Mauricio Savarese and David Biller** | AP

March 16, 2020 at 3:43 p.m. GMT-3



SAO BERNARDO DO CAMPO, Brazil — At Ford Motor Company's shuttered factory in Sao Bernardo do Campo, a cradle of Brazil's car industry, only a handful of bored-looking staffers remain in its few administrative offices. Within the gates, outsourced workers dismantle cables and wires that will be sent for storage.

Hope for new factory jobs was already in short supply in this part of metropolitan Sao Paulo. Now it's growing smaller by the day amid the coronavirus outbreak, which is expected to inflict more damage on a country struggling to deliver quality employment three full years after the end of a devastating recession. Other industries have also stumbled, especially outside Sao Paulo.

In recent months, Brazil seemed closer to a recovery. The forecast was for firmer growth, and industry verged on optimistic as newly elected President Jair Bolsonaro vowed business-friendly policies.

Ford, which is ending local production of the sort of vehicles produced at Sao Bernardo do Campo, announced in September it would sell the 52-year-old plant to a distributor of Hyundai and Chery vehicles.

"When I heard there was a buyer, I was so happy!" said Débora da Silva, 44, who drove trucks at the facility and earned about \$13,000 a year. "I feared I would be paid less upon my return, but at least it would be a proper job."

In January, the distributor backed out, saying it had decided invest elsewhere in Brazil. Ford said in a statement it remains committed to finding a buyer and that it will relocate administrative staff.

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Rekindled optimism was dashed. And now, thousands of former Ford employees feel the same despair as the almost 12 million jobless Brazilians. The nation's unemployment rate averaged almost 12% in 2019, the least in three years, but not far from its 2017 peak. Including those who have jobs but work insufficient hours, the percentage doubles.

For decades, factory jobs were among the best opportunities for Brazilians without a university degree, ensuring vacation time, retirement accounts and labor protections like sick leave. The main reason joblessness ticked downward is because millions of Brazilians resigned themselves to informal labor, which lacks benefits and means lower pay.

Marcos Ferrari may soon do the same. He worked on Ford's assembly line for 25 years. From installing mirrors to testing cars, he did it all. And he thought he had a job for life, but now spends his days sending out resumes to former competitors. So far, not even a nibble.

"No one hires people like me anymore. That's why I thought of opening an auto parts business with my severance. I don't have much else to turn to," said Ferrari, 47, sitting on his sofa beside his 4-year-old son. "Now I'm even more worried because of the coronavirus stopping everything. No jobs and no income seems to be the future for us workers."

Bárbara Castro, a labor sociology professor at Campinas University, says steady jobs like those lost at Ford may be gone for good in the region of Sao Bernardo do Campo, which also has many chemical and auto parts industries that depend on carmakers to thrive. People like Ferrari are more and more resorting to gigs, like driving Ubers and delivering food.

"The problem is that the more industrial jobs go to that part of the economy, the cheaper labor becomes in that sector, too, and the harder it will be for everyone to make a decent living," Castro said in an interview. "Brazil is losing good jobs that generate income and later pay people's retirements. And there seems to be no plan to tackle that."

Bolsonaro's administration in November proposed a program to attack informality, at least among young people, as a means to reduce odds of a lost generation. A tax cut would aim to encourage employers to hire those who haven't had a job before and are often drawn into low-paying informal labor. Congress has until March 20 to ratify it.

Brazil's government on Monday announced it will allow companies and families to renegotiate as much as \$645 billion in debt to help them cope with effects of the outbreak. Some economists have begun calling for stimulus, despite limited fiscal space.

Market economists have long argued that the surge of informal jobs would herald the arrival of formal work. Albeit overdue, that finally appeared to take shape in 2019. Income inequality in the fourth quarter improved year-on-year for the first time since 2015, according to **Marcelo Neri, director of the social policy center at the Getúlio Vargas Institute**, a university and think tank. Brazil created the most formal jobs since 2013, and economists forecast growth above 2% in 2020.

But the rosier outlooks started looking shaky even before the new coronavirus burst onto the scene. Banks have slashed their predictions, and even Economy Minister Paulo Guedes conceded the worst-case scenario is a fourth straight year of growth around 1%.

"It's a very serious public health problem, but we have the capacity and escape velocity to maintain our lift-off," Guedes told reporters in Brasilia on March 12.

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Brazil remains bitterly polarized after a multi-year corruption probe that temporarily jailed former President Luiz Inácio Lula da Silva, a leftist who rose to prominence leading the metalworker union's strikes in Sao Bernardo do Campo in the late 1970s, during the military dictatorship. He held rallies at Ford's factory and, from prison last year, sent a message to Ford workers to fight the plant's closure by pressuring the government.

Bolsonaro, Lula's nemesis on the far-right, has been a critic of unions. He said in his Jan. 2018 inaugural address he would unify Brazil, but there's been virtually nothing in the way of olive branches – in either direction.

The coronavirus only adds to that cocktail of ambiguity. As production of hand sanitizer at a factory outside Sao Paulo soared four-fold in February from the same month last year, Brazilian carmakers' production plunged 20%. Automakers canceled their annual car show in Sao Paulo, the largest in Latin America, because of high costs to take part. Had sales been strong, they probably still would've had to call it off because of the virus outbreak.

Da Silva, the former truck driver at Ford, has lived with her mother since she was laid off and is considering becoming a ride-share app driver so she can keep up with her \$150 monthly healthcare payments. She had planned to cancel her plan until she developed coronavirus-like symptoms.

Her test came back negative, but she has been in and out of the hospital three times with severe flu. Her severance is dwindling and she recognizes that landing a formal job, with benefits like healthcare, is suddenly even more remote.

"We have no hope of getting our factory back and we have this virus coming. This flu I have isn't coronavirus, but it makes me fear no one will hire as long as this uncertainty goes on," she said. "Now we're worse off than when we lost our jobs."

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