*Main Productive Inclusion Question

Why Brazil has remained behind in terms of labor productivity?

Meso – Productivity in Brazil

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>5,7%</td>
<td>2,2%</td>
<td>6,1%</td>
<td>5,3%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>-2,0%</td>
<td>0,1%</td>
<td>0,5%</td>
<td>-0,6%</td>
</tr>
<tr>
<td>Services</td>
<td>-0,7%</td>
<td>0,0%</td>
<td>2,2%</td>
<td>0,9%</td>
</tr>
<tr>
<td>Total</td>
<td>0,1%</td>
<td>0,4%</td>
<td>2,7%</td>
<td>1,1%</td>
</tr>
</tbody>
</table>

Source: FGV IBRE

Brazil: Farm of the World
Also Mining

Following Barbosa and Velloso (IBRE) between 2014 and 2017 informality rise explains 46% of productivity fall (-3,6% total)
**Main Obstacles to Innovation**

- Lack of finance
- High innovation costs
- Lack of qualified personnel
- Lack of info, an technology
- Organizational rigidity
- High economic risks
- Lack of Information on markets
- Limited cooperation with other firms
- Difficulties to adapt to standards
- Weak customer interest
- Inadequate technical services

Source: PINTEC 2011 (Braz).

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*Productive Inclusion: Channels of Impact from Shared Productivity Policies*

- **INCOME TRANSFERS**
  - INVESTING IN PEOPLE
  - WORKER'S INCOME
  - LABOR MOBILITY
  - BUSINESS ENVIRONMENT
  - BROADER INITIAL IMPULSE

- **CAPITAL MOBILITY**
  - LEVERAGE EXISTING OPPORTUNITIES
  - PRODUCTIVE CREDIT

- **COMPENSATION TO CONSUMERS**
  - SHARE PRODUCTIVITY
  - FAMILY BUDGET
  - LOCATION

- **PRICES OF GOODS AND SERVICES**
  - BUSINESS ENVIRONMENT
  - TAXES Basic Goods

- **DIRECT EFFECT**
  - SIMPLIFY Closure of Firms; Number JP Unified

**SUBSIDY TO FORMAL EMPLOYMENT**
- Turnover; from FAT to FIT
- MEI, Simples or Start Ups

**SPECIFIC Certification; Vocational Training**
- GENERAL Attraction of Talents
**Compensation vs Productivity**

**Is there a gap?**

**Labor Productivity and Labor Compensation**

PNAD real income grew 2 percentage points above GDP. (same phenomena). In China was the opposite

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**Prosperity**

**GDP Implicit Deflator × CPI Deflator (INPC)**

Real differences are explained by the use of different deflators, in nominal terms mean growth rates are similar. Same story in 2013.

In the US was the opposite

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Source: FGV Social from PNAD/IBGE microdata and National Accounts/IBGE
How much did it grow?

Nominal Labor Income National Accounts
X Nominal Labor Income PNAD

Real Per Capita 2003 = 100

Source: FGV Social from PNAD/IBGE microdata and National Accounts/IBGE

Growth Gaps Between 2003 and 2013

<table>
<thead>
<tr>
<th>In Real Terms</th>
<th>Annual Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gap (HH Income per capita (PNAD) - GDP)</td>
<td>1.9%</td>
</tr>
<tr>
<td>Gap Labor Cost (PNAD) - Labor Productivity (GDP per Worker)</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

What explains the 2nd Gap?

<table>
<thead>
<tr>
<th>Contribution to GAP</th>
<th>Nominal GAP PNAD/GDP</th>
<th>Temporal Adjustment</th>
<th>CPI/Implicit Deflator (ID) Private Consumption (C)</th>
<th>ID Private Consumption (C)/ID Domestic Demand (C+G+I)</th>
<th>ID Domestic Demand (C+G+I)/ID Total Demand (C+G+I+X-M)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>18</td>
<td>0</td>
<td>41</td>
<td>24</td>
<td>17</td>
</tr>
</tbody>
</table>

Nota: Renda deflacionada com IPCA; PIB com deflator implícito de PIB.
Source: Pesquisa Nacional por Amostra de Domicílios (PNAD/IBGE); Sistema de Contas Nacionais (SCN/IBGE)