Abstract

The construction industry plays an important role in the economy of developing countries such as Brazil. Given that it generates a substantial number of jobs the industry is also of major social importance. A 2007 survey revealed however that 71% of the people engaged in construction in Brazil are informal workers. This percentage is only surpassed by those employed in farming and agriculture (90%), personal services (79%) and as domestic servants (72%). Job informality presupposes among other things a lack of adequate protection in terms of social welfare benefits, retirement pensions and paid holidays as well as exposing workers to precarious health and safety conditions. This paper discusses whether a need exists to bring the informal labour in the construction industry into the mainstream economy and explores the possibility of introducing and implementing more proactive public policies in this respect. The paper is divided into two main sections: (i) a description of informal working in the construction sector in Brazil in qualitative and quantitative terms; and (ii) a discussion on the impact of a number of government programs and other initiatives which seek to contribute to reducing the scale of informality in Brazil.

Keywords: Informality, construction industry, labour, Brazil
1. Construction and informality

The construction industry plays an important role in the economy of developing countries such as Brazil. Given that it generates a substantial number of jobs this industry is also of major social importance. However the existent labour informality impacts in a negative way this construction sector because it is considered as one of the main obstacles of the improvement of its quality, the increase of its productivity and the introduction of technological innovations.

The change in this situation is fundamental to the sustainable development process of the country and this paper discusses whether a need exists to bring the informal labour sector in the construction industry into the mainstream economy and explores the possibility of introducing and implementing more proactive public policies in this respect.

It is believed that as the Brazilian situation is quite similar to other developing and emergent countries this paper could contribute to understand aspects of the informality and discuss some initiatives to reduce them.

According to the 2007 Annual Construction Industry Survey (PAIC), conducted by the Brazilian Institute of Geography and Statistics (IBGE), the Brazilian construction sector is composed of 110,000 firms and 1.8 million workers (IBGE, 2007a). This universe consists predominantly of small firms, with 71.9% of them employing between one and four workers and 20.6% of them employing between 5 and 29 workers. According to the National Economic Activities Register (CNAE), the construction sector comprises three main divisions subdivided into nine groups, as follows (IBGE, 2007b):

- Buildings construction, with 51% of the firms involved in constructing buildings and real estate developments;
- Infrastructure development, with 14% of construction firms engaged in building roads, railways, urban civic and structural works as well as electricity, telecommunications, water, sewage and pipeline and other infrastructure works;
- Specialist building services involving 35% of the firms in demolition, site preparation, electric, hydraulic and other installations, finishing and other specialised building services.

According to the IBGE (2007c) Central Business Register, 2.65% of all Brazilian companies in 2007 were construction firms and according to the National Household Sample Survey (PNAD) carried out by IBGE in 2007, the construction sector in Brazil employs 6,107,000 workers, accounting for 6.73% of the country's total workforce of 90,786,000, out of an estimated population of around 184 million (IBGE, 2007d). Given that the people identified by the PAIC as working in the construction area were formal workers, the difference between the PNAD and PAIC figures (4,295,000) means that 70.3% of the total are effectively so-called informal workers.
Informality in the present article is understood as argued by Cacciamali (2000), by two different categories of workers: unregistered wage-earners and self-employed workers.

It is important to highlight the heterogeneous nature of the ‘self-employed’ category of workers, which includes workers engaged in an array of different activities who access employment opportunities in a variety of different ways and, among them, manifest a very substantial degree of economic inequality. In the specific case of the construction sector, autonomous, self-employed workers undertake a variety of tasks particularly in the area focused on small buildings and improvement/repair works. "In general, this class of workers remains outside the formal jobs market, dealing directly with consumers/property owners and possessing no properly formalised employment arrangement or link with these consumers. It follows that the social contributions by these workers would need to be made directly to the State in order to ensure that they have access to sickness and length of service/length of contribution retirement benefits, as well as proper accident insurance (DIESE, 2006)".

Based on microdata obtained from the PNAD series, Kon (2002) describes the profile of self-employed workers according to their types of occupations: liberal professionals; others working in a management capacity; qualified workers, semi-qualified and unqualified workers.

Hirata and Machado (2007) attempt to classify different types of work with the aim of narrowing down, at least theoretically, the commonly accepted occupational categories within this group of self-employed workers. According to these authors, one formal sector and three informal sectors can be identified:

- 1st category: employers, wage earners possessing a CTPS (regular official personal work document - carteira de trabalho - issued by MTE, the Ministry of Labour, and signed/updated by the employer), and groups of self-employed workers who are specifically qualified (liberal professionals);
- 2nd category: domestic service;
- 3rd category: self-employed workers with no specific qualifications and working for ‘small’ employers;
- 4th category: all workers without an up to date CTPS, employed in any type of firm.

In the study undertaken by FGV Projetos (2006), informal construction firms are engaged in three main branches of activity. These activities are normally classified as building or ‘finishing’ works which can be categorised either by the end-purpose of the works or by the person or persons contracting such services:

- Works involving maintenance and repairs to buildings wholly carried out on existing properties;
- Construction and repair/rehabilitation of buildings which includes "self-help building". The latter involves contracting autonomous workers who are in general self-employed bricklayers (pedreiros) or small informal developers building residential properties for sale;

- Other informal works which include a further category of self-help building (undertaken by families themselves) and building or repair works subcontracted by formal construction firms. Normally the latter involves outsourcing to informal labour.

According to Kuhn (2007) "the smaller the building in terms of square metres the less likelihood of the existence of formal registration of workers in terms of contractual linkages".

It is not however possible, on the basis of available research, to distinguish the different types of self-employed professionals working in civil construction. The Monthly Employment Survey (PME), conducted by IBGE in six major metropolitan regions did however succeed in identifying (in March 2008) groups of pedreiros working on a self-employed basis (IBGE, 2008). These represented 15.9% of the total of self-employed workers (in other words a fairly high percentage).

To analyse informality in the civil construction sector in Brazil it is used as parameters the data produced by the PNAD survey and a selection of data from the PME, both undertaken by IBGE.

An analysis of the PNAD data for 2007 reveals that of all the people working in the construction sector only 32.57% contributed to the social protection system run by the Pensions and Social Security and Institute. According to the IBGE Synthesis of Indicators, the three largest categories of workers in percentage terms which fail to pay social protection contributions consist of people working in those occupations which "traditionally employ the largest numbers of self-employed workers" - agriculture (84.58%), domestic service (69.55%) and construction (67.43%). (IBGE, 2007e).

A survey conducted by Farrel (2004) reveals quite similar figures: 71% of the labour force in Brazil's construction industry is informal, a number only exceeded by people working informally in farming and agriculture (90%), the personal services sector (79%) and in domestic service (72%). This survey used the non-payment of social security contributions as an measure of informality.

If we consider as informal workers those employees without signed work papers plus self-employed workers, the total of informal workers in the construction sector amounts to 4,123,000. In other words, 67.5% of all the people working in the construction industry in Brazil are ‘informal’ workers, although some of these could well be actually working in or for formal firms. Although our calculation methodology is different, these figures nevertheless come close to those presented above.

The PME for 2008 shows that among the self-employed workers, those working as pedreiros and salespersons predominate, given their majority involvement in activities related to the construction industry (17.4%) and commerce (28%).
In March 2008, again according to the PME survey, 4.1 million self-employed workers were active in the six metropolitan regions surveyed (Belo Horizonte, Porto Alegre, Recife, Rio de Janeiro, Salvador and São Paulo), of which 1.6 million were employed in the construction sector. Of these, 15.9% were self-employed pedreiros.

Almost all the pedreiros in the above cities were men (99.6%), mainly in the age range from 35 to 49 years. With regard to race or colour, the vast majority of workers were either black or mestizo and, as far as educational levels were concerned, 63.5% of those self-employed in the construction sector had failed to finish primary school education.

With regard to pensions and social security contributions, the survey revealed that 9.4% of the self-employed workers contributed (i.e. 90.6% did not).

Different authors have argued that in general both casual and informal employment is "to a great extent unstable, badly paid, lacking career prospects, socially undervalued and involving people with few or no social rights" (AZEVEDO, 2009). Azevedo has drawn attention to the fact that "the consequences of the different types of contractual arrangements for labour in the construction sector vary greatly depending on the skills possessed by the professionals themselves" but that even among adequately remunerated qualified workers "being able to gain access to the benefits provided under Brazilian Labour legislation is an important aspect and makes a significant difference in their standard of living”.

The participants at the first meeting of CIB Task Group 29 (now Work Commission 107), Construction in Developing Countries held in Tanzania in 1998 summarized all the above concepts by defining the informal sector of the construction industry as: “unregulated and unprotected individuals and enterprises engaged in economic activities in construction, including the supply of labor and production of building materials and components for both the formal construction sector and directly in response to client needs” (WELLS, 2007).

2. Policies on reduction of informality in construction

Federal public policies seeking to reduce informality can be grouped under three main headings (MTE, 2002; OLÍMPIA, ROLIM, 2000): (a) policies targeted at increasing the number of jobs, at generating income and at re-employing workers who have lost their jobs due to structural changes; (b) policies designed to enforce compliance with legislation and ensure that arrangements between employer and employee are formalised; and (c) measures aimed at bringing labour legislation up to date.

With regard to the policies for increasing the number of jobs, enhancing income generation and bringing back into the employment market workers who have lost their jobs because of structural changes, a programme known as Credit for the Development and Generation of Employment and Income, is aimed at “encouraging the social and economic development of the country through the democratisation of productive credit for generating jobs, work and income”. The target public for this
program consists of micro and small enterprises, workers’ associations and co-operatives, liberal professionals, small entrepreneurs, firms working in priority sectors determined by government development policies, in local manufacturing initiatives or in labour-intensive sectors. One of the initiatives pursued under this programme was Credit for Promoting Civil Construction (MTE, 2009).

Another program is known as the Social and Professional Qualification Programme which aims to "promote social and professional upgrading, provide initial and ongoing training and undertake a series of integrated actions aimed at providing professional guidance and certification in tandem with insertion of individuals into the world of work, actions to improve educational levels and socio-economic and environmental development initiatives, as part of the effort to construct a national public professional training system involving initiatives by the public authorities to bolster employment, working conditions and workers' incomes”. The latter has as its target both males and female workers, the unemployed and those at risk of losing their jobs, with emphasis on the most vulnerable sectors of the population (MTE, 2009). This program encompasses three different initiatives: (i) the Territorial Qualification Plans (PlanTeQs) involving states and municipalities with over 300,000 inhabitants; (ii) the Special Qualification Projects (ProEsQs); and, finally, (iii) the Sectoral Qualification Plans (PlanSeQs), focused on social actors in a specific area of the country.

As foreseen by IPEA (2006) some, albeit slow, progress can already be detected in the context of the national system, where tentative discussions have begun to take place focused on increasing the scope and application of public employment and income policies: "The credit, labour force recruitment, professional qualification enhancement programs (jobs and income generation programmes) have been widely accepted by workers who have no contractual or other links with the formal job market”.

As for the policies designed to enforce compliance with current legislation and to formalise current informal contractual arrangements, Simão (2009), in her study on the impact of the surveillance and enforcement of labour laws between 1999 and 2007 on labour formalisation in Brazil, concluded that the efforts of the MTE, Ministry of Labour, had produced a number of positive effects on employment generation, leading to a significant increase in the number of registered workers both in absolute and relative terms. According to this author "the steps taken to ensure compliance with the rules has generated an increase in formal jobs of approximately 11.3% in agriculture, 7.4% in the construction sector, 5.9% in industry, 4.6% in the commercial sector and 4.25% in the services sector", and, significantly, "the results show that closer inspection has produced more substantial outcomes in the agricultural and construction sectors, both of which have been traditionally more vulnerable to precarious contractual arrangements”.

With regard to the measures for modernising Brazil's labour legislation, Pastore (2000) states that in terms of increased formalisation of employer-employee contracts, Brazil has taken two significant steps which have resulted in firms saving 19% on the usual costs involved in contracting formal labour: the Simples contract and the Time-bound contract.

Other measures that have been adopted include the introduction of a simple dispute resolution device, *Mesa de Entendimento*, whereby the employer is committed to solving possible problems arising from
non-compliance with the rules, as well as with Law No. 9,958/2000 establishing the Prior Conciliation Commission (Simão, 2009).

With a view to further promoting formality in the labour market and enhancing its attractions for different categories of professionals, including those working in the construction sector such as electricians, plumbers, painters etc, Complementary Law No. 128 of 2008 (Individual Microentrepreneurs) is designed to facilitate the legalisation of self-employed workers with a turnover of up to US$ 21,200 per annum, by introducing a monthly payment by these of US$ 34 to the National Social Security Institute (INSS), of the Tax on Goods Circulation and Services Provision (ICMS) and of the Tax on Services (ISS) when these are due. In return, such people are exempted from all other taxes and contributions and, furthermore, they are given rightful access to a series of legally established benefits including a CNPJ number (National Cadastre of Legal Firms) and authorisation to issue regular invoices, Notas Fiscais.

Other authors present wider systemic suggestions for combating informality, which are shared by the International Labour Organisation in its publication Cities at Work. The latter argues that reducing informality calls for efforts on several fronts simultaneously, focused on local and sectorial issues which need addressing under an all-encompassing joint strategy (ILO, 2004). Néri (2005) points out that surveys have shown that one of the main problems faced by small builders is the shortage of clients. This is one of the reasons, he claims, why introducing supply policies such as microcredit, technical assistance and training leaves much to be desired, given that the market is too small to absorb the products and services on offer in this sector. Néri goes on to argue that the main requirement is therefore for policies targeted at increasing demand. The same author (in 2007), examining the profile of informality vis-à-vis the social protection area, proposes two types of measures for reducing informality: firstly, by making structural modifications to the personal contributions incentives system by modifying the relevant legislation; and, secondly, by introducing a series of operational initiatives (publicity, media exposure, mobile information/consultation units etc).

Finally, Kunh (2007), in his study of informal labour relations in the construction sector in the municipality of Cascavel, seeks to identify on the basis of his survey of developers, construction companies, property owners and workers, exactly who is responsible for reducing or combating informality in the sector. According to the interviewers, this responsibility falls primarily to the public federal, state and municipal authorities and secondly to the workers' trade unions or associations. Moreover, according to the interviewees, intermediate responsibility should be shouldered by the Ministry of Labour, developers, unions/labour associations, professionals and technical staff working in the construction sector and also by the workers themselves. In the final analysis, changes in the situation are seen to be (according to this sample) fundamentally the responsibility of society as a whole, with much depending on the approach and performance of individual firms.

Kunh’s survey revealed that according to the workers themselves the trade unions should draw more attention to the advantages and benefits of formal employment, as well as to the risk of work accidents. Meanwhile, the developers suggested that different government bodies should act to prevent informality by reducing taxes and other charges (leading to overall cost reductions), insisting on better professional qualifications and ensuring that all building companies, developers and related
practitioners should place a greater value on the formal registration of their workers. The construction firms suggested that the government should change the pertinent laws and reduce taxes, that construction professionals should take action to combat informality and that the workers’ trade unions should do more on their part. The commissioning owners believe that the workers’ trade unions should devote more effort to assisting, representing and defending the cause of employees, that the government should insist on compliance with the law and work towards reducing the tax burden, that the Ministry of Labour should inspect civil works more thoroughly and that the engineers and technical staff signing off projects and attendant documentation should also regularly visit and inspect works on site.

3. Conclusions

The construction industry in Brazil, particularly the home building segment, has experienced promising growth in recent years. Investment in the housing sector will, according to some forecasts, be boosted from the current US$ 97.2 billion to US$ 262.7 billion by 2030 (Ernst & Young, 2008).

Ensuring that growth in this sector occurs in a sustainable and wholesome manner, a number of issues need to be resolved or at least addressed regarding urban policies, the provision of appropriate infrastructure, improvements in the management capacities of public and private institutions, as well as questions related to the labour force at all different levels - from engineers to common labourers.

One of the concrete contributions made by the International Labour Organisation has been the Action Plan for the Construction Sector in Brazil based on a participatory process involving government, employers and workers alike (ILO, 2005).

Three main lines of action were suggested in this document with a view to improving the guidelines related to "decent working conditions": (a) health and safety at work; (b) formalisation of informal labour and generation of employment; and (c) professional training. One of the steps recommended for formalising informal labour was to institutionalise the Home Builder and Small Specialised Building Firms. Another was to provide support for institutions engaged in developing production activities in a cooperative framework, testing a method for generating employment and formalising informal labour on the basis of ‘community contracts’.

It is clear from the above that combating informality is a key step in the direction of promoting a "decent working conditions" agenda based on four strategic pillars: (a) to bolster employment opportunities for salaried and self-employed workers; (b) to ensure social protection for workers; (c) to respect the fundamental rights and principles of workers; and (d) to engage in social dialogue. This is an important agenda for a modern world where a billion people suffer from unemployment and underemployment and where the masses of poor people and the gap between rich and poor continue to grow.

Wells (2007) argues that labour force informality in the construction sector is only one of the informality-related aspects of the sector. Other problems to be tackled include the informality
practiced by and within the construction companies themselves, informality in the organisation of construction processes and informality with regard to the end-products of this process. All these aspects are obviously interrelated, but it is vital to explore each of them in order to be in a position to take the best action possible to ensure that the construction sector can genuinely contribute towards the country’s sustainable development.

The Brazilian government's present posture with regard to the construction sector is to provide incentives for development by financing public sanitation and other infrastructure works and by facilitating the supply of housing credit. Despite these efforts we believe that reducing and combating informality in the construction sector as a whole, and especially with regards to the labour force, is essential, while at the same time opportunities need to be generated aimed at improving the professional qualifications and skills of the many workers involved in this important sector of the economy.

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