Investment and Labour in the global crisis:
Faceless capital and the challenges to trade unions in Brazil

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"The effect on workers of private equity is also clear: it is basically a business model that is antagonistic to labour." (ITUC, 2007)

Introduction

The current global crisis offers an outstanding opportunity to observe the inner tensions in the changing relations among states, capital and labour that reveal the recomposition of the capitalist accumulation pattern based on arrangements promoted by the redefinition of the role of the state. The contemporary debates have revealed that capital mobility, integration, desterritorialization and labour flexibilization denote new conditions for the dynamics of production, circulation and consumption.[2] A global market of capital requires the desterritorialization of wealth that supports capital mobility and guarantees the financial integration. The integration that supports the concentration of wealth requires new guidelines in the national spheres and generates a situation that could be understood as a financialisation of social relations. The axle of financialization has been the determination of social activities through financial circuits.

The capital without *locus* tends to create conditions that make possible its reproduction. The market deregulation, as well as the internationalization, fosters capital flows based on the creation of financial innovations that have been expanded by a social group that has been consolidated through wealth management. Financial operators´ decisions has increasingly involved *"….investment and trade not only in real assets, such as debt and equity, but also in market expectations and risks in the form of a plethora of derivative products such as so-called options, futures and swaps*" (ITUC, 2007:12). The financial instability is reinforced by the expansion of the de- regulated global finance. In this setting, the institutional investors, in the management of "financial savings", enhanced portfolio diversification to take advantage of profit opportunities as fast as possible.

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[2] See Lasch (1995); Offe (1989 and 1991); Belluzzo (1997); Boltanski and Chiapello (1999); Chesnais (1998); Kumar (2005); Philips (2006).

On the other hand, the labour flexibilization in contemporary capitalism represented changing labor organizing principles that favor the requirements of financial accumulation: flexible production; redefinition of tasks and kinds of control, job rotation and suppression of skilled workers. As a result, new trends in collective demands and wage contractual relations have been increasingly spread and revealed the deep transformations in the existence conditions of the working class.

In this setting, private equity fund managers have privileged "rationalization" strategies where labour is the main focus of cost saving measures. The fund managers´ expectations on returns and exit strategies have increased the challenges to protections negotiated by trade unions through collective bargaining. The impacts of private equity buyout investments on labour markets have been raising growing concern since private equity funds have been responsible for employment standards of tens of millions of workers. Considering this scenario, the cooperation among many Global Union Federations has revealed joint efforts and activities to address regulatory reforms to face the major "invisible" transnational employers.

In the global crisis, Brazil continued to attract investors and private equity fund managers that are looking to emerging market finance for opportunities of returns. Taking into account the concern and proposals of the Global Unions, it is relevant to enhance an analysis on the perspectives of the organized labour in Brazil. This article is aimed to foster a greater understanding of the labour and trade unions challenges as a result of the expansion of private equity funds in Brazil. Section 1 considers the role of fund managers and the impacts of their investment and management strategies on labour conditions. Section 2 discusses the trade unions challenges in relation to the faceless capital.

1. Fund managers, investment and labour

In the contemporary global scenario, the relations between private equity funds, portfolio companies and workers turned out to consolidate new social actors: the fund managers. Modern society and culture have been shaped by the new social configuration of owners of capital and managers. During the decline of Great Britain and the ascendancy of the American empire, Thorstein Veblen´s contribution represented an effort to understand the social behavior in a market economy. Veblen pointed out to the incongruence between the interests of managers, the community at large and the survival of the firm as an institution (Veblen, 2008) on behalf of the spread of the pecuniary culture. Nowadays, the private equity firms tend to reaffirm the pecuniary motive in a social and economic setting where managers select investments and are under pressure to produce results quickly. It is in this way that the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers´ Association summarized the short-term perspective:

> *"Private equity firms buy a company as a financial asset with the potential to generate an instant cash flow to the new owners in the short term. Huge returns are generated through aggressive restructuring to cut costs and by financial reengineering based on large quantities of debt"* (IUF, 2007:10)

Fund managers´ services include fund raising, financial statement analysis, company selection, restructuring implementation and ongoing monitoring of investments.[3] In reality, it can be observed that fund managers centralize endowments from financial institutions, institutional investors - also pension funds- and high net worth individuals, among others, in order to assume key-role in acquisitions of high profit potential. The investors have been attracted by fund managers that not only offer incentives of high short-term profits but also add the seductive "irresponsibility" toward the portfolio companies.

This arrangement denotes the possibility of thinking about the movement of a capital that turned out to be faceless. In relation to the questions: Where does capital reproduction happen to be? How does capital reproduce itself? Who is benefiting from the capital reproduction process?, the answers rely on the fund managers´ actions that attract the owners of capital to specific business. The fund managers assume full responsibility on the business and, thus, they have autonomy to implement any kind of restructuring strategy. Capital reproduction turns out to benefit the investors´ return that is extracted on behalf of the whole set of alternatives at disposal of the fund manager to maximize profits in the fastest way. As a result, the changing working conditions include, among others features, "*increased outsourcing & casualization to cut costs, sell-offs & closures regardless of productivity & profitability; deteriorating working conditions; diminished employment security" (*IUF, 2007:17). This setting enhances the lack of respect toward workers that have been facing the challenge to defend the rights conquered through decades.

These manifestations have been particularly present in private equity leveraged buyout deals.[4] Considering the American and UK experiences, for example, after the takeovers, the

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[3] Fund managers practices have been studied by Morgenstien et alii (2004), Weidig and Mathonet (2004); Klier et alii (2009); Pappas et alli (2009); Peterman and Lai (2009); Scholes et alii (2009).

[4] Private equity investments range from leveraged buy-outs to venture capital for start-ups and other types of seed capital. The buy-out investment aims to acquire a company at a low price, keep it for some time, and then sell it a

portfolio companies generally escape stock market regulations and accumulate high levels of debt to an extent that jeopardizes long-run productive investment and employment. While uncertainty and financial markets affect portfolio alternatives and preferences, the private equity funds´ selection of companies depends on expectations about short-run cash flows, mainly anticipated dividends and fees. The fast and innovative ways of "extracting" value is described in the 2007 ITUC Report:

" *In their effort to make a return on their investment in the least possible time, private equity managers are always finding new ways of extracting more value rapidly from the companies they take over. While continuing their ownership of the companies, they frequently take up new loans to pay out dividends to themselves, sometimes the size of their original investment. And they engage in other dubious acts to cash in on their new ownership, like charging the companies they own large consultancy fees, or in other cases lending out money to their companies at interests well above market rates. At the same time, the buy-out managers often challenge competition laws by conspiring in so-called club deals and undertaking insider trading".* (ITUC, 2007:20)

In this scenario, fund managers´ (general partner) actions could also be conditioned by the present and potential capital structure of the company, the potential for operational change, the existence of management incentives, besides exit options. Private equity funds receive a return on their investment in companies through: an initial public offering (IPO) on the stock market; a sale of the company, often to another fund; a merger; or even through dividends paid out by recapitalization. The real target is to sell the companies up to ten years later after the acquisition:

"*However, the long-term profitability and value are not the main aim of the buy-out and the firm behind it: that is the returns that can be generated for the fund during the years that it holds the company. A company might therefore very well, as will be shown, become less profitable than when it was acquired, and be sold at a lower price, and still be a good investment for the fund and the firm behind it."* (ITUC, 2007:17)

These considerations emphasize the relevance to highlight the business model of private equity funds, particularly in buyout deals, as this kind of investment has been growing in Brazil. The expansion of the private equity industry[5] in Brazil has involved many sectors, such as real state, agri-business, food, education, among others. The selection of the portfolio companies have been influenced by market share, potential market growth and profits, potential for

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higher price than was paid for it. At present, venture capital accounts for 5-10 percent of private equity investments worldwide. The performance has been heterogeneous among them (Kaplan and Schoar, 2003).

[5] In Brazil, the private equity industry include a) private equity funds that acquire companies in the phases of restructuring, consolidation and/or expansion and b) venture capital funds for start-ups and other types of seed capital. The portfolio companies can be traded publicly. The private equity funds have been more relevant in terms of fundraising and number of deals.

restructuring, among others factors, in a business environment of market consolidation and capital mobility.

After 2008, investors´ liquidity preference increased in the international setting and put pressure on the consolidation of the private equity industry toward greater concentration at the global space. Alternatively, many transactions had difficulties to guarantee the required levels of funds and debt for deals as a result of the credit squeeze and the volatility of asset valuation in a recessive scenario. As a result, following the downturn caused by the international financial crisis, private equity fundraising and investment fell in 2009, particularly in the United States and Europe. Among the BRICS, the participation of fund managers in Brazil have been growing steadily in terms of fundraising and capital invested between 2000 and 2008. The evolution of fundraising in 2009 reveal the restrictions that global crisis placed on the fund managers´ actions.

Table 1 -Private Equity Funds in the BRICS: fundraising and investments, 2001-2009, US$ millions

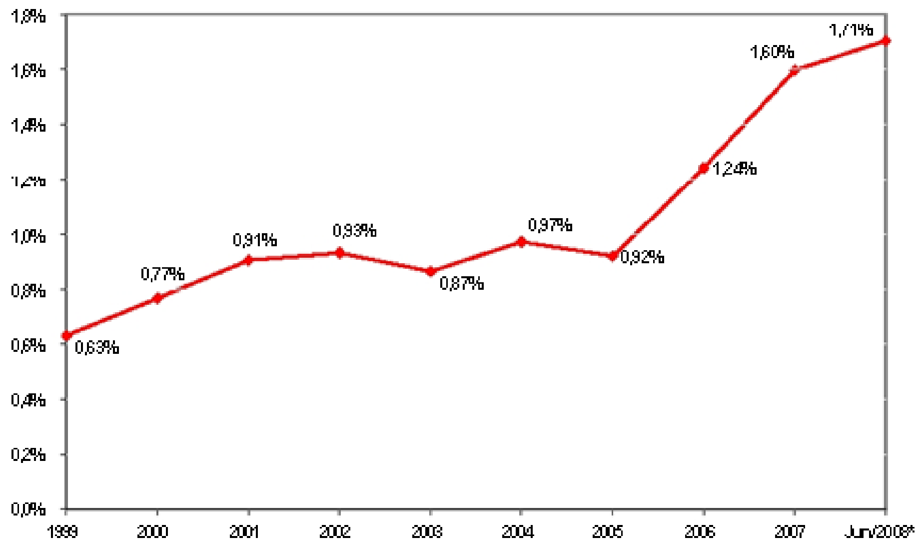
Country	2001	2002	2003	2004	2005	2006	2007	2008	2009
Fundraising									
China	152	105	213	311	2,243	4,279	3,890	14,461	6,671
India	259	142	236	706	2,741	2,884	4,569	7,710	3,999
Brazil	**323**	**270**	**230**	**480**	**158**	**2,098**	**2,510**	**3,589**	**401**
Russia/CIS	375	100	175	200	1,254	222	1,790	890	456
Investment									
China	1,575	126	1,667	1,389	2,991	8,200	9,458	8,994	6,288
India	320	40	456	1,272	1,377	5,687	9,905	7,483	4,011
Brazil	**281**	**261**	**321**	**120**	**474**	**1,342**	**5,285**	**3,020**	**989**
Russia	77	127	113	240	240	402	805	2,647	217

Source: Emerging Markets Private Equity Association, 2010 (April)
Note: Chinese state-backed Industrial Investment Funds (IIFs) excluded form totals, including Tianjin Shipping IFF, Shangai Financial IFF and Military IFF.

Between 2005 and 2008, US$ 9 millions of capital invested in Brazil were under the management of 52 private equity firms that have initiated their activities in 2005 while US$ 12 millions were managed by 26 private equity firms that started their activities between 1981 and 2004 (GVcepe, 2008). Considering the number of fund managers operating in Brazil mostly of them are domestic. Nevertheless, the foreign fund managers have been outstanding in the volume of capital invested. Considering the Brazilian experience, internalization seems to be an important feature of the fund managers´ profile.

The capital invested in the private equity industry has been growing in the last decade and it represented, in 2008, 1.7% of the GDP, and the portfolio companies increased from 306 corporations in 2004 to 482 in June 2008 (Figure 1).[6] Considering the evolution of the capital invested, it is worth to notice that foreign investors have been enlarging their participation between 2003 and 2006 when they were responsible for 66% of the total capital invested. In June 2008, the participation of foreign investors fell to 57% (US$15.2 billions) in a context where private equity firms have been trying to promote the diversification of the types of investors (GVcepe, 2008). It has been relevant the increasing participation of pension funds in the private equity investments since 2000.

Figure 1 - Private equity in Brazil: capital invested in relation to GDP, 1999-2008, in %



Note: Include private equity and venture capital deals

Source: GVcepe (2008)

Taking into account the number of investments, Information Technology and Electronics continued to be one of the main sectors in 2008, although there has been a reduction in their relative participation since 2004. The four top sectors with highest increase in the number of investments, between 2004 and 2008, have been: civil construction, energy, communication & media and education (Table 2). Among these investments, between January 2005 and June 2008,

[6] The income tax incentives affected the decisions of investors and private equity firms. For more details see http://www.abvcap.com.br/UpLoad/Arquivo/Sobre%20o%20setor.pdf

3% of the total number was related to private equity buyouts while 9% corresponded to private equity- later stage and 35% to private equity-expansion.[7]

Table 2- Private Equity Funds in Brazil: number of investments, by sectors, 2004 to 2008

Sectors	**2004**	**In %**	**2008**	**In %**	**Rate of growth 2004 to 2008**
Information Technology and Electronics	92	30%	108	22%	17%
Industrial Products and Services	41	13%	63	13%	54%
Civil Construction	9	3%	60	12%	567%
Comunication & Media	7	2%	32	7%	357%
Energy	7	2%	29	6%	314%
Agribusiness	9	3%	21	4%	133%
Financial Services	10	3%	20	4%	100%
Biotechnology	10	3%	19	4%	90%
Retail	21	7%	19	4%	-10%
Food & Beverage	12	4%	17	4%	42%
Medicine & Costemics	8	3%	15	3%	88%
Telecom	28	9%	13	3%	-54%
Transport	11	4%	13	3%	18%
Logistics / Distribution	7	2%	12	2%	71%
Education	3	1%	9	2%	200%
Others	31	10%	31	6%	0%
Total	306	100%	481	100%	57%

Note: The data include private equity and venture capital investments. Between January 2005 and June 2008, 3% of the total number of investments was related to private equity buyouts, while 9% corresponded to private equity- later stage and 35% to private equity-expansion.
Source: Gvcepe, 2008

After the acquisition, the implementation of the business model centered on "rationalisation" has strong effects on social conditions. Many studies have mainly reported the effects of restructuring actions on the levels of efficiency, employment and investment in specific countries.[8] Nevertheless, the nexus between the financialization of management practices of private equity funds and labour have been less explored (Jacoby, 2008) in spite of the increasing role of private equity funds as employers. Rossman and Greenfield (2006:60) pointed out:

"[*i*]*f private equity funds were recognized as TNCs (given their extensive control over manufacturing and service companies globally) and included in UNCTAD's top 100 non-financial TNCs, they would easily displace the top ten corporations. General Electric, ranked*

[7] The GPcepe 2008 Report classifies the private equity investments in private equity buyout (acquisition of control of companies in later stage of development); private equity expansion (capitalization of companies with growth potential); private equity later stage (investment in companies with stable and positive cash flows)
[8] The impacts of management buyout on efficiency and employment have been also studied by Harris et alli (2005), Jensen (2007), Cressy et alii,(2007), Davis et alli (2008), Shapiro and Pam (2008).

first in UNCTAD's list, controls less foreign assets and employs fewer workers overseas than either Blackstone, Carlyle Group or Texas Pacific Group."

In this framework, Global Unions have reported that private equity firms, mainly buyouts, have been threatening employment, working conditions and workers´ rights on behalf of their financial strategies (IUF, 2007). In fact, in the United States and many European countries, the social impacts of fund managers´ actions have been based on profit targets aimed to increase short-term cash- flows while has increased the workers´ exploitation. Beyond the "rationalization" strategies, the social conflicts and tensions are strengthened as restructuring actions reshape the control on workers and foster turnover, outsourcing and casual work.

Under the fund managers´ pressure, the portfolio companies turn out to be subordinated to economic efficiency targets that shape labour relations overwhelmed by longer working hours, job destruction, turnover and outsourcing. Workforce displacement and lost of rights are also part of the spectrum of management alternatives aimed to cost reduction. Montgomerie (2008) gives outstanding examples of the changing working conditions in Germany and the UK. The author found that labour is the main focus of cost saving measures, first through longer working hours, then the abolition of holidays pay and finally through the reduction in the workforce and workers´ displacement.

After the 1990s, Brazil has implemented actions in order to attract international finance and to achieve a competitive redefinition in the new international division of labour. Financial liberalization has also been supported with expectations that it would enhance more investment flows, economic growth and employment. The neoliberal agenda redefined the operation of the economy, inducing macroeconomic policies and regulation of markets under new parameters and mechanisms. In order to adequate the national structures to the modernization process, economic, institutional and political reforms have been implemented following the multilateral agenda required to promote international integration. In this settlement, labour precariousness and flexibilization have been connected to the process of eliminating restrictions so as to accomplish the workforce homogeneization in the global order. Until 2004, the economic environment of high real interest rates supported by low inflation targets restricted domestic demand and employment creation. In this context, the search for economic efficiency involved the adoption of cost reducing strategies, among others: job reduction; outsourcing; technological and organizational innovations; changing labour normative patterns. These changes have resulted in the diversification of labour contracts and informality. After 2004, new credit and minimum wage policies, besides income transfers, have fostered consumption and investment, while the recovery of formal employment rates has also been stimulated by government policies towards formal employment.

The immediate impacts of the 2008 global crisis turned out to be softened by countercyclical policies in Brazil. The response to the social and economic outcomes was the reorganization of public credit policies in a context where private banks reduced the rate of credit growth and put pressure on interest rates. The objective of macroeconomic management was to maintain the stability in a conjucture characterized by liquidity constrains.[9] Central Bank actions, aimed to face the exchange rate volatility, were supported by the huge amount of international reserves. The credit strategy was centered on the expansion of domestic credit flows by the operations of public banks. In this conjuncture, it was outstanding the role of Banco do Brasil and Caixa Econômica Federal in supporting credit flows to households while the Brazilian development bank BNDES (National Bank of Economic and Social Development) implemented a financial and industrial policy towards investment growth. As a result, the credit flows turned out to enhance the recovery of aggregate demand and the actions of the state were aimed to preserve monetary stability. Almost one year later, a restrictive monetary policy was adopted to reduce to rhythm of economic growth and dampen inflationary pressures.

In this scenario, the sectors of infrastructure and civil construction, besides energy and natural resources, have been defined as priority in the government agenda on behalf of social demands and their articulation within economic growth. The maintenance of credit policies and income levels has favored the expansion of the sector of consumption goods and services. Thus, these sectors have created expectations that attract fund managers of private equity firms on behalf of their high profit potential (Table 3).

Table 3 -Private Equity Funds in Brazil: number of investments and capital invested, by sectors, 2009

Sectors	**Number of investments**	**Capital invested (US$ millions)**
Services	2	171
Industrial and Manufacturing	3	n/a
Infrastructure	4	112
Energy and natural resources	4	232
Consumer	3	291
Banking & Financial Services	3	187
Media & Telecom	1	n/a

Source: EMPEA

[9] See Blanchard (2010) for a discussion on the challenges to macroeconomic policies in order to promote stability as result of the lessons learned in the global financial crisis. Monetary and financial polices are required in order to support stability.

In Brazil, fund managers´ restructuring actions have been focused on financial management unification, planning and control; growth based on new plants, stores (also franchising), new products and diversification; consolidation of new business lines (Table 4).

Table 4 – Private Equity Funds in Brazil: fund managers, companies and restructuring actions, 2009-2010

Fund Manager	**Company/sector**	**Restructuring actions**
Advent International*	Kroton Educacional- publicly-traded company /Education services & Training	New pedagogical model in post-secondary courses; financial management unification aimed to planning and control.
Axxon Group *	Mundo Verde/ Consumer/franchising of natural and organic food	Rapid growth based on: new stores in 2010; 345 stores in five years (franchising); internationalization (Europe and USA); new products.
Standard Bank Private Equity *	Casa do Pão de Queijo/ Restaurants	Growth based on new stores (franchising); new products and diversification.
Paladin Reality Partners*	Inpar- publicly-traded company / Real State	Capitalization plan for future growth/new projects.
Rio Bravo Investimentos**	Multdia/Food and Beverage	Financial management unification aimed to planning and control; capitalization plan for future growth/new projects.
Companhia de Participações **	Pisani/ Industrials and Molded fiber glass	Growth based on higher production, 2 new plants until 2011.
AG Angra **	Georadar/ supply services to companies in the energy sector	Capitalization for growth and diversification.
Green Capital Investments*	Ultracargo/ Logistics	Creation/consolidation of a new business line.
TPG Capital*	Azul/ Aviation	Capitalization for growth.

Notes: * global private equity firm; ** domestic private equity firm.

Sources: www.kroton.com.br/ri; www.axxongroup.com.br; www.lavca.org; www.alacrastore.com; www.crp.com.br; www.webtranspo.com.br . Elaborated by the authors.

Fund managers have defined new parameters to corporate management and profits as their actions based on "general responsibility" express the power to affect investment flows and employment. The increasing presence of fund managers and their business model, mainly in buyouts, could deepen some trends that are currently observed in the Brazilian labour market. These trends have contributed not only to the redefinition of the labour contracts but also to privilege direct negotiations. The social impacts of the "rationalization" strategies on the working conditions and the workers´ rights denote examples of lack of compliance of labour contracts (Kroton, Gedoradar, Azul); doubts about social protection (guaranteed pension schemes) and missing documents of students and professors (Kroton); outsourcing (Inpar); lack of compliance of workers´ rights, low earnings and deleterious living conditions in areas of seismic research (Georadar). [10]

In Brazil, fund managers are spreading a business model where the target is to trade the companies up to ten years. The 2008 CVcepe Report shows that in Brazil, between 2004 and 2008, the number of exit deals in Information Technology and Electronics corresponded to 29% of the total, followed by the deals in Transport and Logistics/Distribution (19%), Medicine& Esthetics (10%) and Civil Construction (6%), many of them favored by high liquidity in the Brazilian stock market. Between January 2005 and June 2008, among the number of private equity exit deals, 11% were related to private equity buyout, while 40% corresponded to private equity- later stage and private equity-expansion. Table 5 presents a sampling of exit deals in 2009 and 2010.

Table 5 - Sampling of Private Equity Recent Exists in Brazil, 2009-2010.

Fund manager	**Company**	**Sector**	**Exit type**
Advent International	CETIP	Banking & Financial Services	IPO
Axxon Group	Mills	Engineering & Construction	IPO/Share sale
Gavea Investimentos	Allianse Shopping Centers	Consumer	IPO
GP Investiments	BR Malls	Consumer	Share sale
Decisão Gestão de Fundos (DGF)	DHC Outsourcing	Information Technology	Strategic sale
Great Hill Partners	BuscaPé	Information Technology	Strategic sale
Pátria Investimentos	Casa do Pão de Queijo	Restaurants	Secondary sale

Source: Emerging Markets Private Equity Association, 2010

The challenges to working conditions in the recently traded companies reinforce the impacts of the fund managers on social life in Brazil. The working conditions denote precariousness of labour relations that foster lack of compliance of labour contracts, accumulation of tasks, besides informal employment.

[10] For more details see http://www.jusbrasil.com.br/noticias/2018011/professores-e-alunos-fazem-denuncias-contra-universidade-suesc; http://revista.construcaomercado.com.br/negocios-incorporacao-construcao/28/artigo122058-1.asp; http://www.diap.org.br/index.php/agencia-diap/5157-reducao-da-jornada-manobra-regimental-impede-votacao-do-projeto-no-trabalho;http://www.conlutas.org.br/site1/arquivos_up/bolpetro.pdf; http://www.aeronautas.org.br/informes/325-sna-convoca-reuniao-com-azul-linhas-aereas-para-expor-reivindicacoes; http://www.pstu.org.br/movimento_materia.asp?id=7692&ida=0

2. Faceless capital and trade unions

The underlying investment and employment patterns must be apprehended in a context where new institutional arrangements have been shaped among state, capital and labour because the new practices have reinforced "short-termism" in American and European business. This scenario present challenges:

"In relation to investment, financialisation is linked to deregulatory reforms of the investment chains, creating so-called dis-intermediation between owners of capital and the final destination of their investment. While once regulated and organized around private banks, insurance companies, cooperatives and public institutions, the investment chains of financial markets today function as a myriad of different types of institutions, transactions, services and producs." (ITUC, 2007:12).

The 2007 ITUC Report emphasizes that private equity funds operate in a policy and regulatory vacuum. As many American and European workers have experienced, the financial mechanisms at the core of the private equity business model adds significant pressures on workers and trade unions. In fact, the organizing and bargaining power has been faced with the emergence of private equity funds as major transnational employers while national laws do not recognize the investors as employers (IUF, 2007).

Global Unions have been mobilizing efforts against the business model of the private equity funds that poses risks not only to the sustainability of long productive investment and employment in domestic markets but also to the stability of the international financial system. For example, the affiliates of the International Metalworkers' Federation have developed and increasingly used counterstrategies through collective bargaining to defend employment and working conditions, maintain pensions and secure investments, and to influence conditions of potential leveraged buyouts (Blum, 2008). The International Metalworkers' Federation affiliates are mobilizing to fight against the deregulation of capital markets that support the expansion of private equity firms, hedge funds and other financial interests.

Global Unions has been defending that the re-regulation agenda could promote long-term productive investment growth, employment creation based on the decent work agenda, employment security and protection of trade unions´ rights (IUF, 2007). To achieve this attempt, the workers´ rights should ensure: collective bargaining, information, consultation and representation within their workplaces; trade union representatives should be informed about the capitalization and debt structure of the buy-out deals and who the ultimate investors are;

additional protection of governments for workers affected by private equity takeovers, such as the step to uphold the employer responsibility of private equity firms (ITUC, 2007).

In addition, regulatory reforms should address transparency to guarantee full access to audited financial accounts disclosing, particularly**:** characteristics of debt contracts (total amount, types and maturities, rates and schedules), restrictions on assuming more debt and the identities of the lenders/holders of the debt securities if they are not publicly traded [11]; analysis of earnings (debt to earnings ratios, dividends to earnings ratios; special dividends financed through additional debt, fees; business plan guidelines (exit strategy, plans for selloffs/closures, management of cash flows, financial assets; investments in plants, equipment and research; labour conditions strategies (employment methods, training, pension funds/retirement benefits and negotiations with unions).

Regulatory reforms should also enhance changes in tax regulation to cover private equity regimes so that tax systems are not biased toward short-term investor behavior. Considering this proposal, some countries have already either proposed tax legislation to curb the negative tax effects of the activities of private equity funds (e.g. Denmark) or announced that they would investigate the effect on their tax systems of such activities (Tate, 2007).

The regulatory proposal agenda includes the revision of corporate governance frameworks to include unlisted companies. Such regulation could include the following: measures to discourage short-termism; greater transparency and public reporting requirements; more supervision by public authorities; limits to debt; changes in taxation of capital gains; and enforcement of the private equity funds with respect to all relevant employer obligations (ITUC, 2007).

Among the suggestions, it is also important to address regulations changes to enhance financial stability across sectors and internationally. This proposal reveals a strong concern about the risks that private equity funds, mainly buyouts, poses to the stability of the international financial system and the sustainable growth of national economies. This attempt has included joint efforts and activities with the International Union of Food, Agricultural, Hotel Restaurant, Catering, Tobacco and Allied Workers´ Association (IUF) and Union Network International (UNI), as well as cooperation with Trade Union Advisory Committee (TUAC) and the International Trade Union Confederation (ITUC), and International Metalworkers' Federation, among others. Besides, there is a strong concern that the private equity model

[11] Mainly in LOB (leverage buyouts), since the LBO model used by "private equity" in USA and Europe introduces into the restructuring mix a high-risk combination of leveraged debt financing with a short-term intent to resell the business in order to get extraordinary returns.

poses risks to the stability of the international financial system and the sustainability of national economies (Tate, 2007).[12]

The challenges to workers and unions under financialization foster the support for universal demands of political nature:

"Codes of conduct and other voluntary arrangements are incapable of providing sufficient self- regulation. Only government action can curb the external impact and the outright exploitation of these investment activities."(ITUC, 2007)

The recent general trends of the Brazilian trade unions´ actions have been characterized by adaptive resistance strategies that favor economic issues. It is worth to remember that the Brazilian trade unions´ movement suffered an interruption in the military dictatorship period, coming back with force in the 1980s stimulated by the process of redemocratization. Since then, a "new" unionism was structured and central unions have been created. The new unionism faced the inflationary crisis and the workers concentrated the defense of their positions on the negotiation of economic issues. In the following decade, the institutional transformations that corresponded to neoliberalism enhanced the adoption of a defensive agenda by the trade unions that revealed the challenges to face the new employment and working conditions (Gonçalves, Krein and Madi, 2006). After the 1990s, the companies have been trying to limit the unions´ power in a context where the implementation of cost and efficiency strategies has affected working conditions and workers´ rights beyond the legal framework of collective contracts. The adoption of economic criteria to guide collective negotiations has threatened the trade unions´ cohesion and favored the emergence of group of interests with specific demands.[13]

The neoliberal trend has increased social risks, modified human relations and spread in daily actions a feeling of incapacity of transformation. This movement restrained the workers´ capacity of organization around universal demands. The increasing participation of Brazilian pension funds in private equity investments, as the result of portfolio diversification, have arisen a concern of social nature beyond the workers´ specific demands (Figure 2). [14] In the recent conjecture where private equity capital investments represent almost 1.7% of the Brazilian

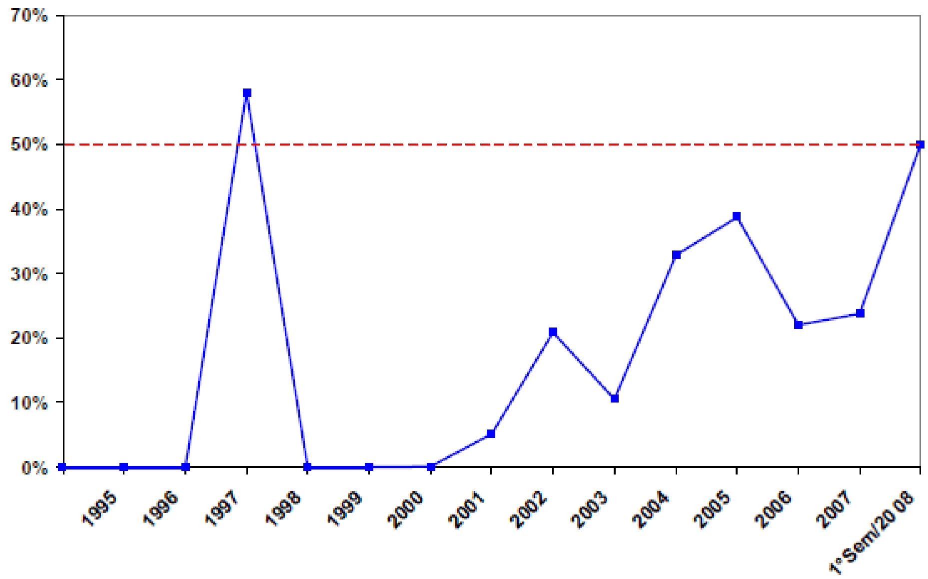
[12] As a matter of fact, trade unions are working with OECD Ministers and G8 leaders, to promote a regulatory taskforce on private equity including the OECD, the International Monetary Fund, the Financial Stability Forum, relevant United Nations agencies, and the ILO.

[13] The current trend is mainly centered on demands that could make possible the appropriation of the wealth produced by workers.

[14] One year after the crisis, the National Monetary Council – CMN- modified the regulatory framework of pension funds in order to favor portfolio diversification At present, pension funds in Brazil are able to invest up to 20% of the total assets in private equity funds (National Monetary Council – CMN, Resolution 792, September 2009).

GDP, the participation of domestic pension funds achieved 24% of the total in June 2008 (GVcepe, 2008).[15]

Figure 2- Private equity investments in Brazil: participation of pension funds, 1995-2008



Note: The data is related to US$ 18.1 billions invested by 112 private equity firms. The evolution between 1996 and 1998 reveals the participation of pension funds in privatization deals.
Source: GVcepe, 2008.

The funds of the workers have recently invested in private equity funds that aim to acquire companies in sectors socially relevant and articulated to economic growth. Nevertheless, the concern relies on the relation between pension funds - while investors - and private equity fund managers. The Global Unions have reported the challenges to pension funds´ investments in private equity buyout deals since it seems “silly” to move into a form of investment where not only the expected returns has been overstated but also the fee structure and the allocation of risk turn out to favor the fund managers (ITUC, 2007).

3. Final considerations

The 2008 global crisis has revealed the narrow connections between national states and financial capital. Besides, the crisis highlighted the impacts of financialisation in business models where new employment and working conditions express the paradox between the so called competitive growth and the promotion of long-run social needs. Thus, the contradictions

[15] The main pensions funds are Previ, Funcef, Petros, Valia that are respectively related to the following companies Banco do Brasil, Caixa Econômica Federal, Petrobras, Vale.

between the financial hipertrophy and the expectations of society - citizenship, labour and income - denoted the tensions in the relations among state, capital and society overwhelmed by homogenization and resistance in labour markets (Madi and Gonçalves, 2007). Under the pressure of the private equity business model, the challenges to trade unions in Brazil could open up new perspectives in organized labour both economic and political.

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