

A foretold catastrophe¹

Abstract

This paper proposes to describe the relations between the public pension erosion and the private pension growth in Brazil. In the first section, we grasp the general meaning of neoliberal reforms in the public system. We argue they've guaranteed – along with intense propaganda against the public system - the economic and ideological conditions without which private pension could not flourish. In the second section, we argue that, once established, the existence of large interests around the private pension reinforce contempt for the public system and make increasingly difficult any mobilization in its favor, particularly in the agenda of trade unions and federations. The coexistence of two types of pensions consolidates a commodification process and reinforces individualism and presents a dilemma for workers and their representatives.

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Introduction

A foretold catastrophe². Drainer³. Inevitable deficit⁴. Growing imbalance⁵. A hole that needs to be covered by the Treasury⁶. . One who arrives unwarned in Brazil and has the misfortune to read some of the main widelyread newspapers, will certainly suppose our public pension system is having a really hard time. Assuming that the reader is interested in these arid subjects, he will also find, periodically, the alarming news concerning our unstoppable deficit. Even the predictable oscillation of our simple repartition system⁷, broadcast on regular basis by the National Institute of Social Security, are fertile ground for a news flood on the evolution of this unacceptable scar in our public accounts. More than trying to see the glass half empty, we seem to be looking at a surreal sea where the waves only go backwards and the tide is always going out.

Obviously, this view does not appear exclusively in our printed media. Even those who are not interested in these topics will have the opportunity eventually to watch reports with the same content on the main TV news or find them on the internet portals accessed over the country. They will also see these theses repeatedly advocated in academia and other research institutions.

The bombardment of the public opinion with this kind of argument takes place for many years (we are already counting decades), since at least the overwhelming penetration of neoliberal values in our country, a fact attributed to the mandate of ex-president Fernando Collor de Mello (1990 - 1992). Since then, a greater or lesser degree, the neoliberal discourse on social security - and on all social spending - became also disseminated by the Brazilian government, through its representatives. The very communication between press and state institutions limits the debate about social policies to these

² *A catástrofe anunciada da Previdência* (Jornal da Tarde, 25/12/2006 - <http://bit.ly/glu2014-2006-12-25-jornal-da-tarde>).

³ *Reforma da Previdência é vital* (O Estado de São Paulo, 03/02/2014 - <http://bit.ly/glu2014-2014-02-03-estadao>).

⁴ *O aumento inevitável do déficit da Previdência* (O Estado de São Paulo, 07/11/2013 - <http://bit.ly/glu2014-2013-11-07-estadao>).

⁵ *Previdência fecha o cerco nas contas públicas* (O Globo, 23/01/2014 - <http://bit.ly/glu2014-2014-01-23-oglobo>).

⁶ *Gastos sociais do Governo tem estouro de R\$20 bilhões*(Folha de São Paulo, 07/11/2013 - <http://bit.ly/glu2014-2013-11-07-folha>).

⁷ Scheme in which the current benefits are paid by the cash flow generated by the contributions of the working population and other tributes.

terms⁸.

In the Brazilian pension system different pension schemes coexist. The system of higher coverage is the “general system”, public, universal, contributory and compulsory for all formal workers (RGPS). Secondly we have the specific regimes of public officials, managed independently by each of the bodies that comprise the Brazilian government at all levels and governed by its own statutes (RPPS). Thirdly, we have the complementary schemes, individual and voluntary, which work under the model of individual capitalization (RPC)⁹.

The arguments of this restricted debate focus on financial infeasibility of public systems. From this axis derive all sorts of analysis and recommendation. This thought has guided, throughout the decades of 1990 and 2000, a series of reforms in the social security legislation which flattened the public pension system. In parallel, the reforms have opened space for the growth of pension funds and other private pension plans, in many different forms.

This paper proposes to describe the interest relations between the public pension erosion and the private pension growth. In the first section, we argue that the neoliberal reforms of the public system guaranteed the economic and ideological conditions without which private pension could not flourish. In the second section, we argue that, once established, the existence of large interests around the private pension reinforce contempt for the public system and make increasingly difficult any mobilization in its favor, particularly from the unions, because of the way they relate to the theme¹⁰.

1. The public pension erosion is an economic and ideologic condition to the successful incentive to private pension

It is possible to find in the literature many efforts to understand the genesis and evolution of the Brazilian welfare state, its peculiarities comparing to the other countries' experiences and how social demands, dominant interests and

⁸ An example of this dialogue may be read in *Déficit da Previdência deve superar estimativas em 2013, admite ministro* (O Estado de São Paulo, 05/11/2013 - <http://bit.ly/glu2014-2013-11-05-estadao>).

⁹ Complementary pensions include pension funds (“closed” entities) and a large list of private pension plans offered by banks and other financial institutions.

¹⁰ This approach is widely inspired by the work of Professor Sara Granemann (2006).

political will were articulated throughout history. In Brazil, the movement for strengthening the institutional, financial and protection of a state committed to some social security elements emerged during the struggle for democratization, in the mid-1970s. This movement culminated in the 1988 Constitution which defined for the first time the guidelines for a universal and solidary social security, based on the right to health, welfare and social assistance for all Brazilian citizens (FAGNANI, 2008), although it has left behind some radical reforms such as agrarian, urban and fiscal.

In the first direct elections after the military dictatorship, the candidate who won drove Brazil definitely to the Washington Consensus. These elections were marked by the decisive influence of the media through the manipulation of the last campaign debate before the election day¹¹. These elections were not the result of mere chance, but reflected the time by which almost all Latin America was passing.

There are many actions that characterized the neoliberal Latin American governments in this historic moment, among which we may list privatization of state enterprises, foreign trade liberalization, financial opening and many attempts to downsize social spending. They all have in common the withdrawal of state involvement in economy, seeking efficiency criteria that could only be met by the private sector, according to the dominant thought. Social security occupied a considerable share in the government spending and then became a central target to these attacks.

Thus, since the early 1990s, social security was considered by the official discourse, an 'anachronism', and became the target of "counter-reforms" which aimed to suppress the achievements enshrined in the Constitution (FAGNANI 2005).

The most common justification to those reforms in public welfare, specifically the RGPS and RPPS, was - and still has been - the cash flow optimization in a strictly actuarial logic, expenditure reduction and revenue control. The "expenditures" in public pensions represent precisely the set of

¹¹ This episode is repeatedly reminded by Brazilian left wing, by obvious reasons. Besides, it's meaningful that a favorable advisory, production and edition to the candidate Fernando Collor de Mello have already been publicly admitted many times by the Rede Globo staff who produced the debate, including its very director, José Bonifácio de Oliveira Sobrinho.

social security benefits to which Brazilians are entitled, as agreed upon by the 1988 Constitution, and structured by subsequent laws. Modifying the budget for public security was a political decision that, regardless of allegedly technical arguments about its economic infeasibility, directly affected the citizenship of the contributors and beneficiaries of the Brazilian society.

Since 1988, several changes were made in legislation. The mapping and analysis of these changes has been registered for many researchers¹². The form and pace of the reforms clearly reflected the political - and electoral - context in each specific moment. The implementation strategy of new pension rules was mainly driven by the government popularity and congress composition. Provisory acts were written, constitutional directives were ignored, common laws were changed and, when the context allowed or required, amendments to the constitution were voted. Let us try to grasp the general direction of those changes. Among the measures adopted over this period, we highlight two blocks particularly relevant to our questions around private pension.

The first block of measures consisted in changing the rules for granting social security benefits. The direct effects of these changes are reducing the value of benefits and increasing working lifetime and contribution to the RGPS. Our hypothesis is that these changes led to its replacement or supplementation by retirement private plans. In this scope are: increases in contribution time; creation of the “pension factor”; reduction in the benefit ceiling, etc - among which the main example is the Constitutional Amendment (EC) no. 20, 1998.

The second block of measures were changes and cuts in the RPPS, enabled by Amendment No. 41 (2003). Its last chapter was seen very recently: the establishment of Funpresp, the new supplementary pension system of government servants (military and employees), whose own regimes were subjected to the rules of the General Regime.

Past few years from major pension reforms, we are able to attribute them a general sense. We would like to highlight four points.

We work more.

¹² Gentil (2006), Pinheiro (2004), Vianna (1998) e Fagnani (2005).

And we will work even more. Always on the grounds that Brazilian social security system is very generous when compared to other countries, the contribution time required to obtain retirement pension was increased. Moreover, the “pension factor” implementation penalizes those who contributed by the required time (30 years for women and 35 for men) but have not attained the age prescribed by the factor table. Brazilians can choose to contribute more, for 37 or 40 years, for example, or agree to retire with a reduced benefit. In practice they have chosen to accept the application of the factor. The average retirement age in 2012, was about 53¹³, exactly fulfilling the minimum contribution time for someone who started contributing at the age of 18.

The debate about the working lifetime has many dimensions. Considering the abysmal inequality of our labor market, in particular the informality, we can see that most workers get to work even before 18 years, probably without contributing. Access to an extend education time is still a privilege, especially the ability to attend college without working. Any international comparison between welfare parameters that takes into account only the life expectancy and not the lifetime devoted to work is absolutely irresponsible.

We can also add the fact that labor has been deeply extended and intensified in recent decades, due to the massive use of new technologies and new forms of organization. The productivity gains in recent years have been absolutely unevenly distributed¹⁴.

We contribute more.

Besides the obvious increase in the contribution time, as mentioned, the improvement of some labor market indicators in recent years has enabled the Social Security of urban workers to have had repeated surpluses, as already demonstrated by Gentil (2006) and corroborated by recent reports¹⁵. This fact just demonstrates that our tripartite contribution model is fulfilling the goal contained in its own design: responding positively to the dynamics of labor

¹³ *Idade média de aposentadoria do brasileiro dificilmente mudará nos próximos anos.* (InfoMoney, 20/10/2012 - <http://bit.ly/glu2014-2012-10-20-infomoney>).

¹⁴ This dimension of labor, its impact on working day debate, the work-related diseases and other elements has been discussed repeatedly by Marico Pochmann. A summary can be found in *Extensão e intensificação do trabalho* (Revista Forum, 29/05/2011 - <http://bit.ly/glu2014-2011-05-29-revistaforum>).

¹⁵ *RGPS: Setor urbano tem superávit de R\$12,9 bilhões no acumulado de janeiro a novembro deste ano* (Ministério da Previdência Social, 26/12/2013 - <http://bit.ly/glu2014-2013-12-26-mps>).

market, even serving as a mechanism for income redistribution and countercyclical factor in times of crisis. The criticisms generally prefer to ignore the fact that revenues constitutionally linked to social security are used for years to comply with the current expenditure budget¹⁶, as shown in Table 1, extracted from Gentil (2008).

Revenue	1995	1998	2002	2006
Contributions to Social Security	35.138	46.641	71.028	123.520
Cofins (Tribute on revenues)	14.669	17.664	50.913	92.475
CPMF (Tribute on financial operations)	0	8.113	20.265	32.090
CSLL (Tribute on profits)	5.615	6.542	12.507	28.116
Other revenues	556	529	1.062	1.410
PIS/PASEP	3.541	4.273	7.498	15.566
Total Revenue	59.519	83.762	163.273	292.177
Expenses				
Health	14.782	16.610	25.435	39.736
Pensions	36.332	56.156	89.380	168.009
Social Assistance	788	3.103	6.513	21.551
Voucher and Unemployment Insurance	3.629	4.459	7.062	11.927
Total Expenses	55.171	80.328	128.390	241.223
Revenue – Expenses	4.348	3.434	34.883	50.954
Revenue + DRU – Expenses	0	0	16.434	17.222

Source: Gentil(2008)

Table 2 shows the allocation of Federal Government direct expenses in 2013 where one can realize where do resources extracted from Social Security predominantly go.

Expenses	Annual Total (R\$ million)	%
Public Debt Service	718.822	49,0

¹⁶ We are not considering here the non-implementation of a Social Security Budget separate from the Fiscal Budget, as provided by the Federal Constitution. Furthermore, it was created (as part of the “Real Plan”) and periodically postponed the mechanism known as DRU (Detachment of Union Revenues) that allows the indiscriminate use of 20% of the taxes which have direct linkage with social spending. This relation can be seen in Table 1.

RGPS Benefits (A) (Aposentadorias, Pensões e outros)	356.648	24,3
Payroll	181.479	12,4
Other current expenses (except A)	130.249	8,9
Financial Investments	52.774	3,6
Total	1.468.052	100

Source: Transparency Portal (<http://www.portaltransparencia.gov.br>).
Elaborated by the author.

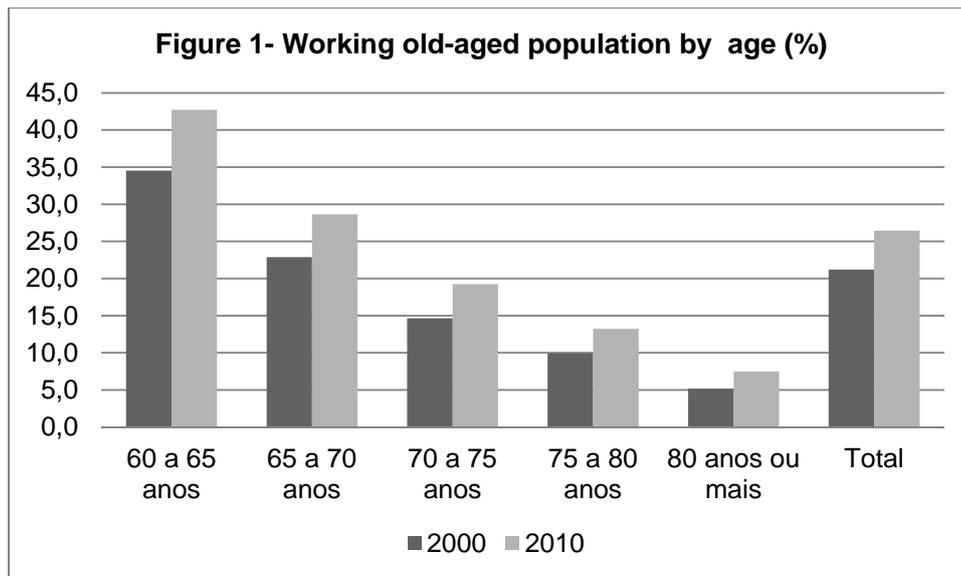
Brazil spends almost half of the fiscal budget on the payment of the public debt, which we will have the opportunity to discuss further.

We receive less benefits.

To avoid confusion: Social Security as a whole pays more benefits each year, responding to population growth and also the increasing number of retirees. Added to this is the entitlement in benefit range of rural workers, fisherfolk and other categories that have special access rules to the benefit that does not imply compliance with actuarial criteria¹⁷. However, the pension factor implementation has been accompanied over the past two decades by the benefit ceiling reduction due to inflation, and also in proportion to the minimum wage. The average values of pensions are becoming smaller. Whereas nearly 70% of pensioners receive the minimum wage and that the factor erodes the value of pensions - being almost negligible the share of beneficiaries receiving more than 3 minimum wages - it is occurring a benefit value flattening.

Paradoxically, due to the brutal framework of our labor market (considering only the level informality), retiring is still a great achievement for two reasons. Often, the minimum wage guaranteed by the INSS is a higher or equivalent income for the person who retires than the received during working lifetime. On the other hand, retirement remains as just an income complement to someone who is likely to continue in the labor market. The data in Figure 1 show the permanence in labor market of 60-year-old-or-more Brazilians is rising.

¹⁷ The myth of social security deficit also ignores the presence of such expenditures in the Social Security budget. We emphasize that, even considering the special categories of retirement, Social Security is surplus, observing the binding of revenue that makes up the Social Security Budget, shown in Table 1.



Source: Census (2000 and 2010) - IBGE.
Elaborated by the author.

The first reason shows the depth of our inequality (regional and intra-urban), even if considered only the income dimension. The second reason shows two absolute truths about the minimum wage: its importance and insufficiency. In a country where much of the economically active population has no access to formal employment, many individuals earn below the minimum wage throughout working lifetime. This fact means that even with the flattening of the pension, the benefit floor has a significant impact on household income for most of the population. However, the data still show the permanence of retirees in the labor market. One could argue that it is understandable that people remain in the labor market, as they are still able to perform their activities. However, this possibility should not, ideally, coexist with precarious and exhausting working conditions, like low salaries and high working hours, for example.

It is perfectly understandable in which context may arise statements like this:

"We're living longer, but the pension system is not prepared for it. If we live longer, the logical thing is to work more"¹⁸

One cannot ignore the simple logic of this statement. However, one can comprehend and radically reject it. Assuming that all value comes from human

¹⁸ Statement assigned to Ana Camarano, economist at the Institute of Applied Economic Research (IPEA) in *Brasil é jovem, mas tem aposentadoria de país velho* (Revista Exame, 27/03/2012 - <http://bit.ly/glu2014>- 2012-03-27-exam).

labor. Assuming that productive forces development allows us to feed, cloth, shelter and entertain many times the world's population. That a fundamental contradiction submits the job, the nature - and all dimensions of life, increasingly - to the necessity of accumulating wealth. That in the modern world, it is only allowed to work under these conditions. And that working under these conditions means living less.

Finally, within the narrow boundaries of the established order, assuming that the struggle to appropriate the results of this major development, productivity gains, benefits of science and technology and minimum working conditions, housing, food, education, health, leisure and so decent and so premature retirement as possible - is legitimate. And it's still little.

There is clearly a dispute about this theme. An unequal dispute¹⁹. We must reveal the lies, exaggerations and accounting maneuvers that appear in the most violent speeches against welfare, and purify the arguments from the arrogance and hate that has always characterized Brazilian patrimonial and authoritarian elite - in this moment entrenched at neoliberal thought, but always ready to transit to other arguments. These are the most visible layers of the ideology that wants to reduce, flatten, streamline and focus social spending in Brazil - and soon after appropriating these resources, through the various forms of welfare commodification or just mooching the public debt. The future points to a welfare model based on focalized conditional cash transfer programs, which Latin America, particularly Brazil, would be a wide laboratory²⁰.

However, there are certainly other ways through which these ideas reproduce, spread and reach the *status* of common sense. We argue that the neoliberal reforms of the pension system generated the economic and ideological conditions for the private pension growth. The exposure of workers to increasingly restricted retirement access conditions - when the salary allows - stimulate the need to secure themselves a higher income in old age. The new rules, especially the pension factor, increase disbelief in the solidary public system. At the same time, the assimilation of very strong propaganda that downgrade public pensions boosts workers early to pursue individual

¹⁹ It's always important to remember Brazil still struggles, hardly and slowly, to democratize media.

²⁰ Cf. Lavinás (2013).

alternatives where they are offered. What are these alternatives and their impacts in this dispute?

In the second part, we argue that the coexistence of both systems reinforces the contempt for public pensions and empties the struggle around it, particularly the role and strategy of unions.

2. Interests on private pension empty the struggle for public pension

Social protection, before being subject to public policy, is a concrete and inescapable problem that affects us all. Why not turn it into a business?

Workers necessarily will require some sort of assistance when they have to leave labor market. Eventually, those with better conditions even wish to retire early. From a strictly individual standpoint²¹, to accomplish this goal, each worker must put apart a small part of their income and save it for the future. The Brazilian scheme of distribution assigns the state the privilege to manage these savings. It obliges employers and the Treasury itself to complement these resources, with specific taxation.

Behold, within the wide range of phenomena we attribute to neoliberalism, welfare reform wins its space. The supplementary pension becomes a new horizon of accumulation. Fulfilling the process of *accumulation by dispossession*, proposed by David Harvey, reforms capitalized pensions. Access to retirement, constitutionally guaranteed by state law, is gradually commodified. Obtaining retirement pensions becomes a commodity, part of financial market. More than just a source of small and sprayed administrative revenue for banks, they represent a huge amount of resources to be incorporated into the expanded reproduction of capital.

The geographer David Harvey (2006), discusses the manifestation forms of neoliberalism. For him, the precise and wide identification of this phenomenon would allow left-wing movements to converge towards certain political demands based on strong and common assumptions. From the article in question, we

²¹ Family, traditionally considered part of social protection network, has also been mutating. In Brazil, monoparental family share rises each day, as well as the number of couples with no or few children.

would retain the relationship established between theory and neoliberal practice.

In theory, neoliberalism stands on a number of principles that should guide our social organization, the state role and that supposedly it would lead us to achieve better results in economic and social terms. Some inviolable principles are: private property, free enterprise, free operation of markets. The function of the state and laws is to ensure the environment so that this freedom can be exercised (military and police functions to maintain order, stability of the national currency, etc.), does not interfere with the economy functioning and encourage the creation of markets where they not exist, like social policies (education, health, pensions, etc.). In practice, neoliberalism manifests itself through the political and ideological supporters in governments, universities, parties, business councils, trade unions, media, schools and other institutions influence. In addition, since the 1970s, international relations were increasingly oriented to the spread of neoliberalism for all nations, through persuasion or coercion. This can be seen in the practice of institutions like the IMF and the WTO, for example.

Harvey describes us how neoliberalism became stronger after the crisis of the capitalism "golden age" that began in the postwar period. The 1970 is the landmark of accumulation crisis. That model accommodated so "uncomfortably" the conflict between capital and labor - the welfare state and the Bretton Woods - finally generated inflation and stagnation. Movements arose proposing new forms of organization. However, these new forms endangered the power of ruling classes and the capitalist order itself. Neoliberalism, then, represented an alternative to class power restoration and simultaneously economic growth recovery (or accumulation). But the years passed, Harvey says:

Neoliberalism has not proven good at revitalizing global capital accumulation but it has succeeded remarkably well in restoring class power. As a consequence, the theoretical utopianism of neoliberal argument has worked more as a system of justification and legitimation for whatever had to be done to restore class power. The principles of neoliberalism are quickly abandoned whenever they conflict with this class project." (p. 149)

As a rhetorical tool to justify itself, neoliberalism relies mainly on the idea

of meritocracy and competitiveness. Inequality is seen as natural and even desirable, as it encourages the individual resilience, entrepreneurship and innovation. As success, failures are seen as the result of individual effort, and therefore justified. Thus, a successful case is capable of legitimizing the system, provided that the other ninety-nine failures explained by individual and localized, non-structural and non-collective reasons.

Since neoliberalism has failed to fulfill the promise of generating positive economic and social outcomes, Harvey justifies its ideas' hegemony continuity by the need to maintain class power of dominant fractions of capital, both nationally and internationally. A large income/wealth redistribution system of income from the poorest to the richest. To accomplish this task, various forms of what he calls *accumulation by dispossession* are put into practice, a concept that refers and intends to expand the concept of primitive accumulation in Marx. Privatization, commoditization, land and city expropriation, right property changes on public assets, labor market deregulation, the suppression of any alternative life-production-consumption forms, etc. All these phenomena have in common the capture of the State, using its monopoly of violence, to legislate in favor of them and legitimizing, encouraging the private exploitation of all that can be absorbed by the market.

We still resort to the concepts of *commodification* - and *decommodification* - proposed by Esping-Andersen (1990). This author conducted a widespread and influential effort to understand the diversity of historical national conformations of *welfare state*. Despite the variety of criteria that can be used to classify each of the specific experiments - variety that shows the large number of works inspired by him - the author proposes the useful concept of *decommodification* status of the individuals:

If social rights are given the legal and practical status of property rights, if they are inviolable, and if they are granted on the basis of citizenship rather than performance, they will entail a decommodification of the status of individuals *vis-à-vis* the market. But the concept of social citizenship also involves social stratification: one's status as a citizen will compete with, or even replace, one's class position. The welfare state cannot be understood just in terms of the rights it grants. We must also take into account how state activities are interlocked with the market's and the family's role in social provision. These are

the three main principles that need to be fleshed out prior to any theoretical specification of the welfare state. (p. 21)

This is not to surrender to false dichotomies and divisions between state and market. From the beginning we assume that both were born and remain inextricably linked. Economic relations cannot be understood without consideration of political relations. It is about understanding citizenship and social rights as specific elements in the modern capitalist state. Thus, the concept of decommodification, ultimately, has a precise sense to measure the material reproduction degree of dependence of individuals on labor market and consumption of commodities.

Accordingly, pension systems only reach this goal partially, which limits the scope of our discussion. Mechanisms such as unemployment insurance, sickness benefits and retirement pension guarantee temporary or selective protection against the inability to remain in the labor market. However, they are cash transfers and do not affect and also *requires* the maintenance of those consumption forms. They are, therefore, adjustment mechanisms within the capitalist order.

The degree of commodification is also constrained by the need of prior contribution to access benefits. All rules that constrain access to retirement impose barriers to full decommodification citizenship status.

A relation may be established between the social expenditures extent and the balance of power between workers and employers in the labor market. The dispute over the minimum wage is perhaps the most striking example for this purpose.

However, the relation we want to establish is different. The private pension issues can be understood from the point of view of individuals, as a new form of welfare commodification, which relates to how every citizen should secure your retirement. Before, it was guaranteed and paid by the state through the tripartite contribution model, supplemented by specific taxes. Now, it is gradually more obtained through voluntary contracts with open or closed capitalizing individual plans.

There is no doubt that welfare commodification is desirable from neoliberal thinking. As we argued, the flooding of public opinion, through the dominant

media channels, reflects the interest of economic power that manifests within it. One must also consider the other institutions through which these values are reproduced and hit us, such as school, family, company and trade union, for example. However, we need to establish more precise determination links between the various elements that are part of this reality.

Regarding the specific pension reforms issue, one can realize many simultaneous and compatible interests. The attacks on public pensions can be interpreted from these interests. Let us see some.

If we consider the approach of Evilásio Salvador (2010), public fund resources are in permanent dispute. From the 1980s, the finance sphere hegemony reveals itself within the capitalist state through macroeconomic policy and more specifically in the form public debt is managed, capturing revenues from social security to private appropriation through debt service. Social security flattening releases a larger portion of the budget for other current expenditures, primarily for the payment of this account.

The discussion proposed by Professor Sara Granemann (2006) reveals another dimension of private pension, or pension funds. For the author, the private pension phenomenon is an incontestable manifestation of the "world of finance" and it is a privileged materialization form of interest capital. Thus, pension reforms would have been a fortunate "finding" in the capital dynamics (expression that names the first chapter of her thesis). Pension reforms could be understood from the objective to release social security cash flow resources - state's and employers' contributions, and especially worker's compulsory savings. These resources could then be mobilized for the financial market through various kinds of assets, and centralized by financial institutions.

This approach allows us to put in background the immediate revenue banks and insurers can obtain from the simple sale of private pension as a specific product. The high management and load fees are recognized as the major disadvantage of private pension plans in Brazil²². This fact relativises the importance of pension funds as a commodity *itself*. Like any other financial asset available to the small-scale investor, these plans fulfill the main role in feeding the financial market, reducing the cost of credit that sustains large-scale

²² 10 armadilhas dos fundos de previdência privada (Revista Exame, 06/08/2012 - <http://bit.ly/glu2014-2012-08-06-exame>).

vicious financial circle. Moreover, the smaller pension funds, which have fewer resources to maintain a proper management of its assets, may use higher institutions to outsource the management of assets. This linkage results in even greater centralization of capital under the command of less financial institutions. During periods of crisis, in which smaller funds have less ability to obtain the minimum expected profitability, often defined in its statutes, the process of centralization tends to increase.

A third approach is possible considering the impacts of pension reforms on the dynamics of labor market. In the same sense of the deep restructuring the working world is suffering, the attack on public pensions directly affects the conditions of material reproduction of individuals, as previously discussed. Considering the interest of employers, diminished or restricted rights and salary levels and, with respect to our problem, the imposition of stricter access rules to a decent pension would push up labor supply and decrease the bargaining power of employees face to employers. Moreover, in Brazil, the public pension is directly supported by tripartite contribution (state, employer and employee) on the payroll. Recently the exemption of employers' social security contributions from various sectors have been implemented, replacing it disproportionately by a tax on companies' turnover. The impacts of these changes have served to provide feedback arguments for the negative mentions on social security deficit in the media. Shorn in their recipes, it is not difficult to predict that in the future the pension system may be reformed again under the pretext that the deficit becomes increasingly high²³.

Unionism and pension reforms

Until now we mapped the interests around pension reforms from the point of view of capital, both as a resource available to institutions operating in the financial market, as for all sectors that employ formal labor intensively.

However, from the point of view of workers, how were these changes received?

²³ The exemption of the payroll is part of a broader plan whose goal is to restore the competitiveness of domestic industry. The official speech assumes as the main argument that the downsize in labor costs will result in an increase in formal employment. Cf. Ansiliero *et al* (2008).

Historically, the struggle for social security in Brazil was taken over by the unions and labor federations. The exclusion of informal workers from the pension universe focused more specific demands around the theme on the representative bodies of the formal private sector worker. Similarly, civil servants have made their struggle in a fragmented form by extending and strengthening their own corporative pension schemes. Even with the incorporation of new beneficiary contingents since 1988, there was no significant increase in militant demands for greater benefits or more favorable rules²⁴. The most vigorous demands by strengthening welfare manifested always in trade unions' and federations' agenda²⁵.

It is true that the agenda built during the period had a totally defensive and not necessarily purposeful bias. The abolition of the pension factor today remains on the agenda of major unions, who occasionally perform single or joint demonstrations. However, the President Luiz Inácio Lula da Silva veto in 2010 revealed the real difficulty in changing the course of reforms²⁶.

Another significant episode was the approval of Constitutional Amendment No. 41, 2003, which reformed the civil service retirement, applying to new hired workers the worse rules of the General Regime. In return, voluntary sponsored private pension was instituted, regulated in 2012 and already in operation. Specialists estimate that within 10 years the Funpresp - Foundation for Pension Funds of the Federal Civil Servants - new fund created, will be the largest pension fund in Latin America, surpassing 5 times equity of Previ, today the largest pension fund operating in Brazil. In 2003, when the amendment was passed, representatives of the Partido dos Trabalhadores (PT) and Central Única dos Trabalhadores (CUT) have spoken publicly in favor of reform. The central argument used was the standardization of the retirement

²⁴ Our hypothesis is that these new members, such as rural workers, besides considering the benefit a welcome novelty, has its benefits leveled to the minimum wage, which was never questioned. The recent appreciation of the minimum wage and the organizational difficulties of this population would explain why the main demands does not come from them.

²⁵ Some professional associations are engaged in this debate and struggle.

²⁶ In June 2010, the law that would have abolished the pension factor has been approved by the Congress and Senate, but was vetoed by the President. At that time there was a strong electoral pressure. The opposition itself - who have historically supported the neoliberal reforms of the pension - has voted in favor of the project, hoping to destabilize the government on the eve of elections. The convergence of interests and the sum of these pressures have made the president veto the abolition of the factor, although it has granted an inflation adjustment for retirees benefits.

conditions and benefits of public employees to the private sector employees. The correction of this "distortion", considered a "privilege" would ensure greater equity, and help "healing" the public accounts²⁷.

Despite our agreement or disagreement with this attitude in that moment, what we want to highlight is view changing of the trade union world (at least in its majority representation) on the topic of security. First, by not doing at that moment, more radical and complete consideration about the reform significance to Brazilian social security. In this sense, reproducing the superficial speech that generalizes the condition of public servants as privileged individuals. Secondly, providing as an alternative the implementation of a pension fund, supplementary, instead of transferring and incorporating these resources to the General Regime, strengthening it. Thus, aligning to the arguments within which shortening government spending is inherently desirable.

These are not isolated incidents, but symptoms of a broader process of unionist ideological transition, which was described by Jardim (2009). The author shows how the acceptance and encouragement of pension funds penetrates in the unionist speech - especially CUT and Força Sindical.

In its origins, the 1970s/1980s "new unionism" radically rejected pension funds and considered that unions who adhered to such benefit had betrayed themselves ideologically.

In the 1990s, the challenges posed by neoliberalism demanded changes in the strategies of union activity. Considering the approach proposed by Cardoso (2003, p. 61), "partial, localized and restricted" wins can be assigned to federations' actions in the early 1990s wins. The Sarney and Collor governments represented a period of institutional losses and representation downside.

CUT adopted at the time the decision to press from outside the institutions, opposing to any party or coalition alignment. The strategy was to hold public demonstrations, general strikes and land occupation, while carrying-out the task of organizing workers to win the elections for PT. In Itamar Franco's

²⁷ In addition to the express these opinions in the press, the debate on this reform was organized in a book by the former rector of the University of Brasilia (UNB), Lauro Morhy. These and other articles of researchers, academics, parliamentarians and other representatives can be found in Morhy (2003).

administration, tripartite sectorial chambers were created to discuss industrial policy. Despite of CUT internal differences, these spaces were chosen as relevant spaces for federation's strategy, constituting what the author calls "mesocorporativist institutionality". This experience allowed CUT to participate in the formulation of public policies clashing directly with Força Sindical, the State and employer's representatives. This required positioning "non-maximalist" demands, different from those that characterized the federation's action so far (agrarian reform, external default reprieve, end of IMF negotiation, etc.). For Cardoso, when Fernando Henrique Cardoso (FHC) was Ministry of Trasury - interrupted the activity of the chambers - the fact that CUT and PT claimed their return would be an indication that the strategy change was consolidated.

Força Sindical (FS) strategy focused at the time on two central axes of neoliberal policies proposed by the government. The "business unionism" acted to 1) advocate and support state enterprises privatization and 2) mobilize public opinion against civil servants. For the author, the support of these policies have dual purpose. Firstly, take advantages and conquer space in exchanges with the political system, expecting some reward for their loyalty (p. 66). Secondly, a core strategy of weakening the social basis of CUT. Cardoso argues that support for flexibilizing labor market was a "shot in the foot", since the instrumental strategy of "recognition and transit" in the political system, besides not matching the interests of the represented people (the workers), contributes to downsize its own social basis. So it was given a paradox in the FS discourse. On one hand, the harmful effects on working conditions and on indicators of employment caused by labor deregulation, as explained by Krein (2007), which undermined the social basis of both FS and CUT. Second, the argument that such reforms would lead to a more dynamic labor market, preventing the loss of jobs in the period observed. For Cardoso, this paradox could be explained by strictly political rewards pursued by FS leadership. For the author, there would have never been explicit linkage between FS and political parties, as there is between CUT and PT. This behavior would have been sustained only by pragmatism. Evidence of this would be the alliance with CUT in 1998, 1999 and

2000, both making opposition to FHC²⁸.

This moment also allowed CUT reorganizing itself after a period of "paralysis". Rising unemployment and hunger in the country led to the intensification of vindicatory activity in the second half of 1999, strikes of several categories, culminating in the March of 100 000 (August 26th) in Brasilia. The main reasons for the protest were, besides hunger and unemployment, neoliberal policies, widespread corruption and misguiding in relations with the IMF. After the demonstration, President FHC recognized the success of the journey and declared that "the message was heard." Cardoso states that, although benefiting from the protest phase, CUT was not able to offer alternatives to the neoliberal project and lost prominence in the opposition, due to competition from other forces that also identified themselves in a negative way: "we are against FHC"²⁹. In the author's view, the consolidation of democracy in Brazil opened institutional niches where professional and skilled political actors could act. In this scenario, there would be no place for the promotion of political identities CUT had played in the 1980s, especially considering the left-wing crisis worldwide and the general trend of depoliticization of the economy, state and dissociation between development and social mobilization as element to be considered in the formulation of economic policy.

The participation of federations in institutional spaces marked the transition to a new strategy. In this scenario - the early 1990s - Jardim (2009) identifies the emergence of the first initiatives of unionists' participation in existing pension funds and also to create new funds. The Bank Workers Union of São Paulo was responsible for holding events, seminars, debates that discussed the issue and formulated new theories that would guide the entry of union members in the "world" of finance capital. The author believes that the first steps were justified and motivated by a concern on transparency in the management of "workers' savings", in a context where there had been cases of corruption and bankruptcy involving companies and pension funds. The change

²⁸ This evidence could have been interpreted that way at the time (Cardoso writes in 2003). However, it cannot be generalized as an argument, since the CUT behavior after PT won the presidency cannot be definitely framed in these terms. No one would deny today that CUT and PT continue organically articulated.

²⁹ This "crisis of opposition" would worsen after PT won the presidency.

in strategy allowed the unions (and especially the CUT) to see the funds' boards as a possible area of union activity to obtain gains for workers. The participation of trade unionists in the funds, the contact with that environment and the amount of money (many times bigger than the individual remuneration of each) exercised a power of seduction over representatives (Jardim, 2009, p.151)³⁰. Gradually, the theme of the funds came in union agendas and started to be traded in lots of categories bargaining, causing a contradiction analogous to the different types of variable income implemented in the same period.

Also in the second FHC administration (1999-2002), that debate was registered in Brazilian Congress, led by former banking unionists, then PT deputies, notably Ricardo Berzoini and Luis Gushiken. The main points made were expansion of the pension fund market and allowance for unions to organize their own pension funds. This impulse would remain in the following years, under Lula, in the various attempts to articulate the largest Brazilian pension funds (Previ, Petros and FUNCEF³¹) with BNDES³², to leverage investments in strategic areas³³. A new chapter in the old Brazilian dilemma on long-term financing. Workers, or rather, representatives of a small number of workers, are now associates in the Brazilian "development" - and its contradictions.

Thus we arrive at a moment when the colours of pension funds are more than consolidated within Brazilian unions mast. Within federations which comprise greater regional and occupational diversity, this new paradigm may not be totally spread. At those unions whose basis is more fragmented or just more fragile, initiatives for pension fund implementation tend to benefit banks and insurers that offer individual plans or mutual funds on less advantageous rules, in a similar commodification process similar as the spread of individual health insurance. The occupations that actually have access to pension funds are those whose union is more organized and strong (in terms of budget). Currently, the number of active workers contributing to pension funds does not

³⁰ The seduction - or cooptation - not necessarily mean improper obtaining of individual benefits, but just the inclusion of these topics in the trade unions' agenda. Seduction was intensified in "sponsored" funds, i. e., when companies supplement each workers' contribution proportionally.

³¹ Major Brazilian pension funds, respectively, belong to the employees of Banco do Brasil, Petrobras and Caixa Economica Federal.

³² National Bank for Economic and Social Development.

³³ These relations are studied in more detail by Soria e Silva (2011).

reach 3% of the economically active population. Soria e Silva (.2011, p. 307-311) describes the typical socio-economic profile of an employee who has access to the private pension: white, male, average family income over R\$5800, high school and formal employee in the urban private sector in higher hierarchical functions.

Although the actual extent of this trend is extremely limited, it is undeniable that the naturalization of this belief within the unions expands every day. It manifests itself in various forms, from the most exaggerated pragmatism to the conviction that the funds represent a new and evolved form of mediation in the conflict between capital and labor. In Brazil, this ideology takes the form of an opposition between savage capitalism represented by "finance" and a "moralized" capitalism committed to the generation of employment and income. To ensure the balance tends towards the second, the role of the unions in the "environment" of finance would be - in their own point of view - desirable and indispensable (Jardim, 2009). The promotion of a more "social" capitalism also includes assimilation of the values and conduct proper of corporate governance, which consolidates the bonds of solidarity between workers on individual criteria to obtain benefits from the "virtuous" functioning of the economy.

The joint between workers benefits with various forms of labor exploitation and rentierism offered in Brazil has warranted at first very successful results for those who have the opportunity to venture into the great Brazilian pension funds. However, there is a growing displeasure among those who had access only to individual pension plans or small-scale funds.

If we consider the always imminent possibility of financial crisis in Brazil, given the degree of vulnerability and the possibilities of maintaining the recent growth cycle, the margins restrict within which the funds are a real alternative to the Brazilian pension. Anyway, this solution is not generalizable, since it depends on and reinforces perverse process of capital accumulation, whether in Brazil or abroad. In the best case, supplementary pension allows a small group of workers to earn a higher income at the expense of the value generated by all others' work. In the worst case, coexistence of a fragile private pension and a constantly attacked and restricted public pension compromise the ability of Brazilian workers appropriating the benefits of development - to ensure at least a shorter working lifetime and a decent oldness.

3. Conclusion

Exacerbation of neoliberal values, which also manifests itself in the pension theme, strengthens day-to-day contempt for social security, regulated by a collective contract of intergenerational and tripartite solidarity. The public system, despite that there is still resistance, seems doomed to flattening of the benefits and conditions of access. Moreover, it should keep within the "sacred" limits of public spending, at least the share of public funds left after the capture by the public debt service.

The erosion of public pension, combined with the intense propaganda against it, generated the economic and ideological conditions for the growth of experiences with private pension. The trade union movement, which historically led struggle for the public system, has also undergone a concept and strategy transition on the subject. Initially as a defensive conduct, then as an strategy to occupy available institutional spaces, and finally as a defense of pension funds as a real possibility to "moralize" capitalism and gain real benefits for the working class. This change of direction, in our view, undermines the struggle for strengthening a universal, public and enhanced pension system.

This reform and commodification process imposes workers pessimistic horizons in terms of lifetime devoted to work and the value of their retirement. The coexistence of two types of pension plans - which also appears on the agenda of the unions - reinforces individualism and presents a dilemma for workers and their representatives, between risk and solidarity.

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