The evolution of precariousness in Brazil and Mexico: measurement issues and empirical results

Authors:

In Latin American, there is a growing discussion on the extent of deteriorating working conditions considered to be "the new normal", in part motivated by the deteriorating conditions of work in many countries (Vejar, 2017). Nevertheless, job insecurity, lack of social protection and a diminishing quality of jobs have been examined or theorized since the late 1980s by Latin-American sociologist and economists (see for example the pioneering work of (Galín & Novick, 1990; Novick, 1987)).

In this text we will first, discuss briefly the evolution of the idea of precarious employment. Based on the discussion of the first section, we propose an index to measure precariousness in two Latin American countries: Brazil and Mexico. We will use the idea that the expansion (or contraction) of precarious work depends on the existence of a circular causation (in other words a double feedback mechanism): on the one hand, the persistence of precarious work leads to increasing inequality, for one of the main characteristics of the former is the payment of low wages; on the other hand, increasing wage inequality negatively affects labour bargaining power, facilitating the imposition of precarious work relations upon the workforce. We find that Brazil and Mexico took different paths in the period regarding this double feedback mechanism.

As a means of capturing the action of institutional and historical forces that impact standard labour relations we will use an index to measure precariousness for waged workers. We will use the principal component analysis (PCA) in order to construct a precariousness index. The PCA is a statistical technique that distributes the variation of a multivariate dataset across components, allowing to explain the variability of the observed data through a reduced number of linear combinations. As a variable reduction technique, it reduces the set of variables into components, each one of them explaining an amount of the variability of the data in decreasing order.

Such technique is important because it links to our hypothesis of labour precariousness as a multidimensional process, that is, all variables should be considered simultaneously in order to get a grasp of the concept. Since PCA compresses the variables altogether into a single "number", it conforms to the multidimensionality of the concept as previously stated.

To construct the index, we use data from the: National Survey of Occupation and Employment (*Encuesta Nacional de Ocupación y Empleo*, ENOE) for Mexico between 2005 and 2015; National Household Sample Survey (*Pesquisa Nacional por Amostra de Domicílios*, PNAD) and Annual Social Information Report (*Relação Anual de Informações Sociais*, RAIS) for Brazil between 2005 and 2014. We restrict the notion of precarious work to salaried work to define a precariousness index constructed from the following characteristics: absence of a permanent contract, the absence of contribution to social security, income less than two minimum wages, working hours less than 15 or greater than 48 hours per week. These variables are all correlated among themselves.

From the data, we are able see that Brazil and Mexico took conspicuously different paths. On the one hand, the upward trend of the Brazilian states labour precariousness indices indicates that the country has experienced an overall decreasing of precariousness in its regional labour markets. On the other hand, Mexico went through the opposite situation: there were a deepening of the precariousness throughout Mexican states as we measured it.