

AGRICULTURAL LABOR LEGISLATION AND POVERTY IN BRAZIL: A TRANSACTION COSTS APPROACH - II¹

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ABSTRACT: *The Brazilian agricultural sector has played a strategic role in contributing to an adequate domestic supply of food and raw materials and to a fast growth in exports. However, agricultural production has been increasingly fueled by capital-and skilled-labor-intensive technologies, leading to a slow absorption of non-qualified labor, which is the economy's abundant factor. This paper proposes an explanation for this inadequate feature of our agricultural development, by arguing that this agricultural growth pattern started in the 1960s and resulted from agricultural labor, land and credit policies instituted in that decade. It is shown that, even though adopted with the avowed purpose of benefiting the poor, they have actually backfired by resulting in increased poverty and inequality in Brazil. In particular, the paper focuses on agricultural labor policies and, though pointing out the negative role played by "labor surcharges", especially in family farming, it places more emphasis on the "transaction costs" associated to these policies. In fact, it proposes that these "transaction costs" may even be more instrumental than "labor surcharges" in explaining the problems faced by the agricultural labor market in Brazil. The paper ends by proposing a change in the legislation pertaining to the agricultural labor and land markets, so that freer contracts may be signed among the several parties involved. It also defends a sharp reduction of rural credit subsidies, as well as a change in legislation (including the Federal Constitution), that impedes small farmers' access to the private financial system.*

Key-words: *agricultural labor legislation, agricultural credit policy, agricultural mechanization.*

LEGISLAÇÃO SOBRE TRABALHO AGRÍCOLA E POBREZA NO BRASIL: UMA ABORDAGEM DOS CUSTOS DE TRANSAÇÃO

RESUMO: *O setor agrícola brasileiro tem desempenhado um papel estratégico ao contribuir para uma adequada oferta de alimentos e de matéria-primas e para um crescimento rápido das exportações. Entretanto, a produção agrícola tem se baseado, crescentemente, em tecnologias intensivas em capital e em trabalho qualificado, com fraca absorção de mão-de-obra não-qualificada, que é o fator abundante na economia. Este trabalho propõe uma explicação para esse padrão inadequado ao crescimento agrícola brasileiro, argumentando que esse padrão tecnológico começou na década de 1960, e foi resultado das políticas trabalhistas, fundiárias e de crédito agrícola instituídas naquela década. Mostra-se que essas políticas, embora adotadas com o objetivo explícito de beneficiar o pobre, na realidade atingiram resultados opostos, contribuindo para o aumento da pobreza e da desigualdade no Brasil. O artigo focaliza, especialmente, a política trabalhista agrícola e, embora admitindo a importância dos "encargos trabalhistas", especialmente sobre a agricultura familiar, dá mais ênfase aos "custos de transação" decorrentes dessas políticas. O artigo propõe, na realidade, que esses "custos de transação" devem ser mais importantes do que os "encargos trabalhistas" para a explicação dos problemas de pobreza e desigualdade associados ao processo de desenvolvimento agrícola. O trabalho termina propondo uma mudança drástica na legislação pertinente aos dos mercados de trabalho e de terra, de tal maneira que os contratos entre as várias partes nesses mercados possam ser assinados de uma maneira muito mais livre do que atualmente. O trabalho também propõe uma redução drástica no subsídio ao crédito rural, assim como uma mudança na legislação (inclusive na própria Constituição Federal), que impede que o pequeno agricultor possa ter acesso ao sistema financeiro privado.*

Palavras-chave: *legislação trabalhista agrícola, crédito agrícola, mecanização agrícola.*

JEL Classification: J43, Q14, Q15.

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1 - INTRODUCTION

The agricultural sector has played a strategic role in the current phase of Brazilian economy due to its capacity to adequately contribute to both domestic food and raw material supply and exports growth. However, agricultural production has been increasingly characterized by capital-and skilled labor-intensive technology, as well as by rising production scale in several sectors.

In view of the magnitude of the problems of poverty and inequality in Brazil, the possibility that the agricultural sector can change its current growth pattern, in a way more consistent with improved distribution patterns, must be explored. This would require a technological change aimed at absorbing more the type of labor today considered as less qualified in the economy as a whole, but that could acquire, at a relatively low cost, the required qualification for this new pattern of agricultural technology.

It is worth noting that, as shown by Alves; Mantovani; Oliveira (2005), the current agricultural technological pattern has led to significant absorption of labor power, both in rural and urban worlds, but predominantly of skilled labor, which is scarce in Brazil. Ferreira Filho (2005) also showed such absorption of qualified labor in the agricultural sector, especially in most dynamic regions. The technological change sought in this paper, however, would address the increased absorption of *non-qualified* labor, which is abundant in our economy.

This new contribution of agriculture would seem feasible, in principle, due to the greater flexibility of technological choices in the agricultural sector, as shown by the diversity of agricultural technological patterns that exist in the world. This worldwide diversity in technological patterns has led, incidentally, to the agricultural development theory known as the "induced technological change (ITC) model", by Hayami and Ruttan (1985). According to this theory, agricultural technology adopted by several countries is actually very diverse because the relative factor prices in these countries are also very diverse.

In contrast, the qualification required for this labor-intensive agriculture - called here *agriculture-specific qualification* -, is simpler, capable of being formed at a much smaller cost than that of the required qualification for the industrial sector and, also, for the modern agricultural sector itself.⁴ Furthermore, as an eventual agricultural employment growth would favor the growth of rural areas and small towns, this would contribute to a lessening of the social problems presently faced by metropolitan areas, which are the main destination of the workers that migrate from the agricultural sector.

Note that the labor force migrating from the agricultural sector to other economic sectors, generally in the urban world, ultimately loses this condition of qualified labor (in the restricted sense here adopted), to suddenly become unqualified labor *tout court* - a fact which undoubtedly contributes, in a disproportionate way, to poverty and inequality growth in Brazil.

It would be interesting, therefore, to better understand the reasons that have led the agricultural sector in Brazil to adopt the present technological pattern, since this knowledge is necessary for the proposal of measures that guarantee not only that agriculture keeps growing, as currently, but also that it becomes capable of absorbing more labor, specially the kind that is abundant in Brazil, that is, of low qualification.

In this respect, it should be noted that there is an intense controversy about the causes of the concentrated pattern of agricultural development in Brazil. One current of thought blames our historical formation, and in particular the landownership concentration, whose determining role would have been strengthened, in the more recent period, by the subsidized agricultural credit policy, instituted in the 1960s.

A second current sees this agricultural development pattern as a "technological imperative",

⁴*Agriculture-specific qualifications* are intended to mean here those such as: knowledge of the agricultural calendar, physical capacity and the skills necessary for manual cane cutting, coffee "harvesting", handling of the "hoe" and the "sickle", animal handling, etc.

in view of the fact that small-scale production would not be feasible in agriculture, and that there would not be an agricultural technology capable of absorbing labor in necessary way in Brazil. Therefore, the Brazilian agricultural technological pattern and the growing predominance of large-scale agriculture would be somewhat "natural", and any attempt at interfering in this agricultural growth process would imply an economic efficiency loss.

This paper seeks not only to criticize these two lines of thought, but also to propose an alternative explanation. Contrary to authors that seek to find in our remote past the justification for our present-day problems, this paper will argue that the present situation was created by a transformation process initiated in the 1960s, and to a large extent conditioned by agricultural labor, land and credit policies, all of which instituted, not by chance, in that decade. It will be argued that although these public policies - in particular those on agricultural labor and land - were adopted with the avowed purpose of benefiting the poor, they actually had opposite results, thereby having since contributed to poverty and inequality increase in Brazil.

On the other hand, the critique of the current that postulates a technological determinism will be based on *mainstream* economic theory itself, which is supposedly the groundwork of this argument. It will be argued that the technological pattern prevailing today was the result of choices that had as basis relative factor prices, but prices that, instead of reflecting the "natural" factor endowments, were "distorted" as a result of the heretofore mentioned public policies. In other words, as an effect of these policies, private labor cost (labor cost from the employer's point of view) became much greater than labor's social cost (the wage effectively received by workers), while capital private cost (the capital cost from farmer's point of view) became much lower than its true social cost, given by the economy's capital marginal productivity. The current technology choice was, therefore, conditioned - not to say *determined* - by these distorted relative factor prices. In addition, new technology was also created or

"induced", according to Hayami and Ruttan's (1985) model, by this increase in the price of labor relative to the price of capital.

Now, to the extent that one accepts that the present technological pattern originates in a technical choice result conditioned by relative factor prices, it can be inferred, then, that an eventual change in these relative factor prices could lead to a new agricultural development pattern, with a type of technology much less intensive in the use of capital and more intensive in cheaper labor, endowed with (or being capable of being endowed with) the agriculture-specific qualification. The agricultural sector would add to its present contributions yet another one, perhaps even more important: the creation of jobs, which would eventually lead to reducing poverty and inequality in Brazil.

In this specific paper, however, we will limit ourselves to labor policy analysis⁵. In addition to this Introduction, this paper includes other 6 sections. The next section points out the problems that arise in the agricultural labor market in Brazil due to agriculture seasonality as well as to labor market legislation. It posits that these labor market problems affect negatively more small farmers.

Section 3 deepens the discussion of the seasonal agricultural labor market characteristics, taking as basis a fieldwork conducted on the sugar cane industry in São Paulo. Thanks to this case study, which included several interviews with the major agents involved, it became possible to better understand the role of the *empreiteiro* in Brazilian agriculture, how this agent arises and what kind of functions he actually performs. It is shown that this *empreiteiro* plays the same role as the "labor contractor" in the United States. While pointing out the similarities, Section 3 also stresses the differences between this economic agent in these two countries, due to the fact that agricultural labor market legislation in Brazil is much more interventionist, leading to much higher contracting and firing costs, particularly for short periods of time.

⁵For an analysis of the two other policies mentioned above, see Rezende (2006).

Section 4 expands the analysis of this *empreiteiro*, by discussing in detail the legislation that has served as the basis for declaring the *empreiteiro's* activity illegal in Brazil. According to this legislation, the *empreiteiro* cannot be the *direct* contractor of labor, an attribute unique to farmers.

Section 5 proposes a theoretical framework that allows a thorough investigation of the issues raised in this paper. It presents the standard labor market analysis of the "tax wedge" created by labor laws. This "wedge" is formed by the difference between total labor cost to the employer and the worker's take-home pay. Informality in labor market, according to this literature, would arise because in this way the cost of labor to the employer would be lower, while the net wage received by the worker would be higher. This section extends this standard labor market analysis, proposing that, in this extreme case of labor market informality, the analysis should also consider a new kind of costs - the "transaction costs" -, derived from the illegality of the situation. Finally, this section also explains how differently the labor laws affect the agricultural and the non-agricultural sectors in Brazil.

Section 6 also uses the transaction costs approach in order to criticize the widespread belief on the existence of "slave labor" in Brazilian agriculture. It is proposed that some restriction to the worker's movement, once it is taken to farms, may actually take place, especially in some remote areas of Brazil. This fact would be ultimately caused, however, by our labor legislation itself, and not by the *latifundio*, as it is usually believed.

Section 7, finally, presents a summary and the main conclusions of the paper.

2 - AGRICULTURAL LABOR LEGISLATION AND ITS NEGATIVE IMPACTS ON FAMILY FARMING IN BRAZIL

As a consequence of the seasonality that typifies agricultural production, the agricultural wage labor market is to a large extent temporary, which

gives rise to the following problems: a) low labor force qualification, since there is no incentive, both from employers and workers' standpoint, to invest in labor qualification, due to the high turnover; and b) uncertainty in respect to labor supply, sometimes as an information problem, since workers often live in distant regions. This last problem is particularly serious in continental countries like Brazil and the United States⁶.

It should be noted that this seasonal labor market is also very inadequate from the *principal* family workers' point of view, since it offers work only in some epochs of the year, and even so in an uncertain manner⁷. However, that which is disadvantageous to one type of worker becomes an advantage to another. And that is the case of family farmers from poor rural areas in Brazil -seen, for example, in Northern Minas Gerais state and the Brazilian Northeast -, since this seasonal labor market offers an alternative work that is *complementary* to their own agricultural production. This employment alternative is especially relevant in view of the fact that the gain derived by wage workers does not bear the same risk as that of self-employed workers.

Note that the seasonal labor market can be very important for *secondary* family workers, too. Thus, since this temporary agricultural labor market is an income source for social groups living in absolute poverty, it is very important to prevent this market from disappearing.

This seasonal agricultural labor market presents these same problems all over the world. As a consequence, an international literature arose that sought to attribute the family farming competitive advantage, in the developed countries, to the fact that family farming is less dependent on this agricultural

⁶Just to have an idea of the importance of this issue in the United States, see Emerson (1984).

⁷Rezende (1985, p. 58-60) noted, in effect, that *volante* workers (literally, "moving workers") who left farms in the late 1960s and early 1970s to live at cities outskirts, but still deriving most of their income from agricultural work, were composed, basically, of women, children and the elderly; the principal family workers tried to avoid this form of agricultural employment due to its seasonality.

labor market, since it is endowed with a labor self-supply⁸. Besides, the limited endowment of this labor self-supply does not prevent this production form from reaching the optimal production scale, due to its facilitated access to credit, which allows mechanization, especially in the planting and harvesting activities. Family farming is also, in general, more capable of diversifying its activities - reducing, therefore, seasonal labor requirement peaks -, without mentioning the lower supervision cost, a problem generally considered more important in agriculture than in industry.

Contrary to what has happened in the developed countries, however, family farming in Brazil ended up being more adversely affected by agricultural wage labor market peculiarities. This is due, in part, not only to higher contracting costs of labor in Brazil - a consequence of our labor legislation, as it will be seen later -, but, especially, to the fact that family farming in Brazil has not had, as a rule, access to credit and, consequently, to mechanization.

In order to understand why family farming has been affected in such a particularly adverse form by our labor policy, it suffices to consider that the obedience to labor legislation imposes relevant fixed costs to employers, such as the following ones (only to give some examples): a) to keep themselves informed about the legislation, or to hire an accountant for this purpose; b) to have to go to the bank and open individual accounts to regularize the employees' situation with the National Social Security Institute (INSS), and go back other times to make monthly deposits to the INSS; c) to maintain up-to-date registers for each employee, even if some of them have worked only a few days; d) to take the employees to the city in order to find a physician entitled to make an entrance examination and, afterwards, another one at their dismissal time.

In addition to spending time and money in order to fulfill labor legislation requirements - at an

obvious cost for his productive activity - family farmers also have to fulfill a series of requirements relative to their workers' security, as described in detail in Teixeira; Barletta; Lemes (1997)⁹.

It is these administrative costs, to a large extent invariant with the size of the labor force - being, therefore, fixed -, that end up making that labor unit cost not only becomes high, but also much higher for the temporary worker than for the permanent worker, and, within the employers group, higher for small farmers than for larger ones. Small farmers, too, in the case of being fined for not obeying labor laws, can reach the point of losing their farm due to arbitrary fines imposed by the Labor Court. This "labor risk", of course, must also be considered a fixed cost, whose amount and probability of occurrence vary from farmer to farmer. What is certain, however, is that this must affect more small rather than large farmers.

While bearing a higher cost for hired labor, family farming in Brazil, contrary to what happened in most capitalist countries, could not adopt mechanization due to restriction to credit access. Note that this restriction is higher precisely in the case of investment credit, that is, the credit required for the agricultural machinery and equipment acquisition. Family farming in Brazil thus loses competitiveness *vis-à-vis* the capitalist agriculture for two reasons: first, for having to face a higher cost for hired workers; and second, for not being able to overcome, through mechanization, the restrictions and uncertainty that temporary wage labor imposes in the phases of planting and harvesting.

The reasons accounting for the lack of access to credit by family farmers in Brazil are discussed in greater length in Rezende (2006). These have to do not only with the well-known problems related to the precariousness of access to land by these producers,

⁸According to Sanders; Ruttan (1978, p. 283), "Obtaining and using seasonal labor is much more difficult for the large than for the small farm unit because the latter is better able to rely on family labor". Mann; Dickinson (1978) also stress this advantage of family farming *vis-à-vis* capitalist agriculture.

⁹In an article entitled "A CLT no Meio Rural [The labor and social security laws in the rural milieu]", published by O Estado de S. Paulo newspaper, São Paulo, July 25, 2006, p. B2, Professor José Pastore points out that the labor legislation "makes employers' life hell", due to the stringent (and expensive) requirements of job security.

but also with the restriction that Federal Constitution imposes on the cession of small farmers' land as collateral in financial transactions. This restriction hits even those farmers who have supposedly solved their access-to-land problem, namely, the agrarian reform beneficiaries. As a matter of fact, the Brazilian Federal Constitution imposes that these agrarian reform beneficiaries do not receive a property title, but only a title of *dominium* or "concession of use", non-negotiable for ten years. In any case, in view of the limitation imposed upon the use of this titled land as collateral in financial transactions, these beneficiaries end up losing their interest in acquiring such property title, insofar as, in that case, they would lose a series of benefits that the government keeps providing *ad eternum* to these agrarian reform beneficiaries. These farmers, consequently, never become truly independent farmers, or the "homesteaders" so much dreamed about by creators of the Land Statute in the early 1960s.

3 - SEASONALITY IN AGRICULTURE AND THE ROLE OF THE *EMPREITEIRO*: an analysis based on a case study of the sugar cane industry in the State of São Paulo, Brazil

Due to communication difficulties between the two sides of this temporary labor market, there arose the figure of the intermediary or middle man, better known as "*empreiteiro*", who normally detains information on both sides and facilitates the operation of the labor market¹⁰. Actually, this *empreiteiro* plays the same role as the "labor contractor", object of Vandeman; Sadoulet; De Janvry's (1991) analysis, in their Californian agricultural labor market study.

As a matter of fact, direct contracting of seasonal agricultural workers by individual farmers is a particularly difficult task in Brazil, especially in view of the fact that many workers are seasonal migrants

from distant regions. Since they cannot bear the trip's costs (including initial expenditures in the place of destiny) plus the advances left with their families, the costs of their contracting are very high, especially if borne entirely by a single farmer. In addition to high contracting costs, this seasonal agricultural labor market also presents serious selection problems, which become even more so in Brazil due to our high costs of hiring and firing a worker, especially when considering short periods of time (three to four months).

This problem is being solved, in Brazil and elsewhere, through contracting intermediaries to perform the needed task (cane cutting, for instance) with a labor force directly hired by them, and using their own machinery and everything else that is necessary to perform the operation. This intermediary also performs the labor supervisor function, a crucial problem in agriculture. In this respect, it should be pointed out that the adoption of the piece-rate pay system for workers (i.e., pay per cane cut amount) aims to reduce supervision costs, since it stimulates workers to work harder and without supervision¹¹. In this way, all the problems related to the selection and supervision of labor are borne by the intermediary, of course at a price previously set with the farmer.¹² Therefore, there are two markets at work: the labor market, involving workers and intermediaries, and the *empreitada* market, involving farmers and *empreiteiros*. Considering well-known problems related to labor selection and supervision in agriculture, one can appreciate how important the role played by this intermediary is, relieving the farmer from having to deal with all these problems.

It is interesting to note that the American "labor contractor" performs the same role as the Brazilian *empreiteiro*; indeed, according to Glover (1984, p. 259), the "labor contractor" in the United

¹⁰A detailed characterization of this kind of intermediary was first presented in Terci et al. (2005), and has benefited afterwards from field works, as reported in Kreter (2007) and Guedes (2006 a).

¹¹Note that this piece-rate payment system also leads to the choice of younger, stronger males, who tend to live in poorer, rural areas, such as the Jequitinhonha Valley, in Northern Minas Gerais state.

¹²For a detailed discussion of the way this price of sugar-cane cutting paid by the sugar mill to the *empreiteiro* is formed, see Kreter (2007).

States “relieves the grower of many burdens. [He] recruits and transports and supervises workers in the field. He also instructs workers. He keeps records and pays workers and payroll taxes. Often, he provides workers with food and lodging. He supplies drinking water and field toilets and may supply some implements of harvesting such as gloves, ladders, or clippers. He also is obligated to carry insurance. He may extend credit to workers or help them with personal problems.”

Of course, the American labor contractor is able to do all that thanks to a parallel contract with the grower, fixing, now, *his* payment for each task performed. By the way, it shows that associating this intermediary to the figure of a mere *broker*, as proposed by Okun (1981, p. 63) and adopted by Williamson (1985, p. 245), is totally inadequate.

According to Vandeman; Sadoulet; De Janvry’s (1991), in their analysis of the American case, it would be the ability of this intermediary to spread the labor contracting fixed costs over many farmers and to relieve farmers from these difficult problems of selection and labor supervision that would explain their prevalence in the Californian seasonal labor market; these factors may also be the main cause of the prevalence of this kind of intermediaries in most other countries. In the case of Brazil, however, there is an additional reason for the prevalence of this *empreiteiro*’s activity: it is the high costs of hiring and firing workers in Brazil, especially when dealing with short periods. Indeed, our labor legislation raises dramatically these labor costs for the employer, especially in a situation like the one considered here, in which the worker would have to be hired and then fired over a short period, by several farmers, in succession.¹³ The reduction in labor costs associated to a single contracting of the worker by the *empreiteiro* surely explains the important role played by this agent in Brazilian agriculture, despite the repression it suffers from the Labor Court, to be seen in the next section.

However, in addition to labor costs lowering, yet other reasons account for the *empreiteiro*’s presence

in this seasonal agricultural labor market. In fact, this agent does not limit himself to labor intermediation (in which case he would be a mere “broker”), since, if he did, all difficulties involved in selection and supervision of workers’ labor activity would end up being borne by the farmer alone. And that would involve much uncertainty, i.e., the farmer would not have enough information on the worker, since the latter was chosen by the *empreiteiro* alone. It is only natural, then, that the contract between *empreiteiro* and farmer extends itself to harvesting and to crop transporting, for instance, so that the farmer, at a charge, is able to transfer to the *empreiteiro* the responsibility for selecting and supervising workers. In this way, the *empreiteiro* ends up performing a much broader function than a mere labor intermediation.

By the way, it is precisely these high costs of hiring and firing a single worker, in succession, for short periods, that, as pointed out by Lemes (2005, Chapter 4), led to the creation in Brazil of the “employers’ condominiums”, which became very popular in some areas of the state of Paraná.¹⁴ In such a “condominium”, farmers form an association (the “condominium”) that becomes the sole responsible for the contracting of labor, which would then be allocated to work to each farmer forming this “condominium”. The whole process would be repeated in the next year if the worker performs well. This system, therefore, would have the advantage of providing some form of stability of employment for the worker, with all the positive consequences.

It is evident that this kind of legal solution requires that the region’s agricultural activities be diversified along the year, so that the worker is demanded throughout it; in addition, the worker should be allocated in such a way that all farmers’ needs are adequately - and timely - met. Not surprisingly, these “employers’ condominiums” have prospered only in communities with closer social ties, as shown by Lemes (2005).

¹³This was the situation discussed in Rezende; Tafner (2006).

¹⁴On these “employers’ condominiums”, see also Zylbersztajn (2000 and 2003) and Dornelas et al. (2001). See also MTE (2000).

The above mentioned difficulties in coordinating worker's activities under this "employers' condominium" are especially severe in sugar cane areas, since this crop has to be harvested in very precise dates, and the social integration among growers is much weaker. It is not surprising, therefore, that such "employers' condominiums" did not succeed in any of these sugar cane areas. Instead, the solution was the strengthening of the *empreiteiro* system, coupled with a close coordination by every sugar mill, so that each plot of cane contracted to be delivered to the mill could be harvested in the proper time¹⁵.

4 - THE ILLEGALITY OF THE AGRICULTURAL EMPREITEIRO IN BRAZIL

In a clear contradiction with the social and economic importance of *empreiteiro*'s activity in Brazil, the existing labor legislation considers the *empreiteiro*'s direct contracting of agricultural labor illegal. Such illegality has for basis the so-called "Statement n° 331", of December of 1993, enacted by the Superior Labor Court, seen below:

I - The contracting of workers by an interposed firm is illegal, the link having to be established directly with the service taker, except in the case of temporary labor (Law n° 6.019, of 2/1/1974).

II - The irregular contracting of workers, by means of interposed firm, does not create employment link with the organs of Public Administration (article 37, II, of the Federal Constitution).

III - It does not create employment link with the service taker the contracting of security services (Law 7.201, of June 20, 1983), of maintenance and cleaning, as well as the specialized services, linked to intermediary activities of the services taker, as soon as there is not the personality and direct subordination.

IV - The default in the labor obligations on the part of the employer implies the subsidiary responsibility of the services taker regarding these obligations, as soon as the service taker has been part of the procedural relationship

and also forms part of the judicial executive title."

What this "Statement" means is that a worker cannot be contracted by a firm (the "interposed firm"), that fulfills a task - like cane cutting - for another firm (a farm, for instance), except in specific cases, listed in item III above. This, of course, includes the *empreiteiro*'s activity.

Note that this "Statement" opens an exception for "temporary labor", what could be taken as benefiting seasonal agricultural labor. However, this is not the case, apparently for two reasons: *a)* the legislation restricts the contracting of "temporary labor" to the urban world; and *b)* even in the case of temporary labor, the activities of the "interposed firm" could not be extended to "atividades-fim", such as cane cutting, for instance, but only to intermediary (secondary) activities, such as cleaning and security¹⁶.

This prohibition of the *empreiteiro*'s activity in agriculture has been proven completely absurd specially when one considers that this implies, for instance, that machinery rental - a very important activity in Brazilian agriculture, especially relevant to small farmers - is also considered illegal, since the workers involved (such as the tractor driver) are usually contracted by the machinery owner.

This legal recourse used to prohibit the *empreiteiro*'s activity in Brazilian agriculture has actually been the result of a long-standing resistance against the development of this kind of activity in Brazilian agriculture. In the particular case of the *empreiteiro*, the prevailing view is that this kind of intermediary, pejoratively called *gato* (cat in Portuguese), is a mere fake, an artifice created by the *latifúndio* in order to elude the Labor Laws. However, as shown by the field research underlying this paper's analysis, the *empreiteiro*'s activity goes much beyond mere "intermediation of labor"; it is, instead, a kind of intermediation of *activities* or *tasks*, i.e., parts or stages of the process of production. This kind of intermediation, by the way, is a phenomenon that became very frequent in the urban sectors of the

¹⁵The coordination of the *empreiteiro*'s activities among growers is described in detail in Kreter (2007).

¹⁶On these legal requirements, see Lemes (2005, p. 42).

Brazilian economy after the opening-up of the economy in the decade of the 1990s, but which has always existed in the Brazilian agriculture. It just takes different shapes in industry and in agriculture. In the industry, such an intermediation of tasks (the so-called outsourcing or third-partying) usually takes place outside the firm, while in agriculture the “tasks” occur *within* the farm, giving the impression that the activity is actually commanded by the farmer himself.

Arguing that the *empreiteiro* is just another form of “cat”, at the (hidden) service of the *latifundio*, is akin to admitting that farmers can, in fact, directly contract the labor force that they need and take on all the responsibilities that today are assumed by the *empreiteiro*. This is simply untrue, especially in a continental country like Brazil. Thus, if the intermediary is a mere “cat”, a “fake”, it is a fake created not by the farmer, but by all those that strive to punish this activity - labeling it illegal, notwithstanding all positive social and economic roles that can be derived from it.

Finally, it is worth noting that the restriction imposed on *empreiteiro*'s activity affects much less larger farmers, such as those running sugar mills, than smaller farmers, for obvious reasons. But even large farmers, however, use the *empreiteiro*, as shown in the field research underlying this paper.

5 - LABOR LEGISLATION AND ITS DIFFERENT IMPACTS ON AGRICULTURAL AND NON-AGRICULTURAL SECTORS IN BRAZIL: an application of transaction costs analysis

One way of synthesizing the analysis so far presented is by saying that the agricultural labor policy instituted in the 1960s introduced a distortion in the agricultural labor market. Labor suddenly became very dear to employers, although, from the worker's point of view, wages were kept low, or may even have fallen. This caused a great divergence (a “wedge”) between the labor social cost (the wage received by the worker) and the private labor cost (the

labor cost to the employer).

It is interesting to note that standard analyses of urban labor markets usually work with the concept of wedge, to the point of estimating the magnitude of the difference between the cost of labor for the employer and the income actually accruing to the worker. Since this difference is usually due to taxation on labor, this wedge is commonly called a “fiscal wedge”, as can be seen in Ulyssea and Reis (2006), for instance. Reis and Ulyssea (2005) present a synthesis of the literature on this and other issues related to urban labor markets in Brazil.¹⁷

An issue closely related to the creation of this “fiscal wedge” by the labor laws is that of the informal labor market. This informality would lead both to a reduction in the labor cost to the employer - since labor laws would not be complied with - and an increase in the wage received by the worker. Therefore, this informality would represent a kind of pact between the firm and the worker, each side expecting to gain from it.

However, this literature does not consider that such informal labor market implies a risk for the firm, in view of the fact that the worker might just remain some time receiving an income greater than he would earn were not for the informality, and then denounce the firm to Labor Court, being able, therefore, to earn an extra income. Ulyssea and Reis (2006, p. 8), for instance, are explicit in limiting their analysis to “a model with two sectors (formal and informal), in which the only institutional aspect that differentiates both is the tax that is imposed on labor.”

Such analysis seems to implicitly admit that, in this informal labor market, the “wedge” between the labor cost to the firm and the income received by the worker would become zero. But such a conclusion is wrong. The underlying analysis is not taking into account transaction costs that the firm now faces,

¹⁷See also, in this respect, the article by Amadeo E. entitled “A lógica da reforma trabalhista. [The logic of labor reform]”, published in the newspaper *Valor*, São Paulo, December 4, 2005, p. A15. The author also presents, in a very simple and clear manner, a basic analysis of how the labor market adjusts to impositions of “labor laws”, creating this “wedge” between the two sides of the labor market.

associated, among other things, to a possible opportunistic behavior on the part of the worker, while denouncing the firm to the Labor Court. Therefore, informality in labor market cannot be defined as a situation in which, in contrast to the formal labor market, the wedge between the labor cost to the employer and the income appropriated by the worker would be zero, since the firm has now to consider the transaction costs associated to the illegality of the situation¹⁸.

This basic labor market theory explains better the components of this wedge that the agricultural labor laws created, in Brazil, between the wage received by the rural worker and the cost of such a labor to the farmer. Firstly, the administrative cost incurred by the farmer in order to satisfy all requirements of the Brazilian Labor Legislation (CLT) must be pointed out; as already noted here, the unit value of this administrative cost is higher to smaller farmers and also includes the income loss associated to a farmer's trips to the closest town.

The labor legislation creates additional difficulties to the functioning of this market - for instance, by considering illegal the intermediary's activity and thereby posing great risks to both farmers and workers. It is worth having in mind that among these risks, in the case of Brazil, there has been, more recently, the moral damage implicit in the charge of relying on "slave labor", with all the possible implications¹⁹, and also truly absurd fines, such as the R\$1 million (about US\$450,000) recently imposed on a farmer by a judge in São Félix do Araguaia, state of

Mato Grosso²⁰. These are risks, of course, that constitute "transaction costs", representing labor costs to employers, but being far from being appropriated by the worker.

It must be emphasized that all these costs borne by the productive sector, but not appropriated by the worker, eventually work as if they were taxes on labor, but without generating income for the government. In order to better clarify this proposition, we present figure 1, which extends the usual tax incidence analysis to the analysis of the temporary agricultural labor market in Brazil.

As shown in figure 1, a labor tax would move to the left the labor demand curve, since after the tax there is a distinction between gross and net wage, the decision in respect to the labor supply having to do, now, with net wage, not with gross wage. This taxation results in a decrease in the number of worked hours from G to F, the net wage of the worker falling from GB to CF, while the labor cost to the employer rises from GB to AF. The State revenue is EACD, and the loss of economic surplus, or the "deadweight loss", is the ABC triangle.

In the case of temporary agricultural labor market in Brazil, however, several labor cost components - like the increased transaction costs incurred due to the illegality of the *empreiteiro* - imply that the labor demand curve moves to the left, as in figure 1, but, contrary to what happens in the labor tax case, the surplus loss corresponds to the entire EABCD trapezium area, that is, the deadweight loss also includes, now, the EACD rectangle.

This analysis is also relevant to compare agricultural and urban labor markets. Certainly, the "wedge" AC separating, in Figure 1, labor cost and wage received by the worker, is greater in an agricultural labor market than in an urban labor market, since several components such as those arising from the intermediary's illegality - are specific

¹⁸The importance of "transaction costs" in the feasibility of agricultural markets - of factors of production as well as products - has been increasingly recognized in the recent literature; on this see Allen; Lueck (2002) and Richman; Macher (2006). See also Zylberstajn (2005); Coe; Barry (2004). For a detailed account of Oliver Williamson's analysis of the labor market, based on transaction costs theory, see Guedes (2006b).

¹⁹According to Moraes (2004), in a speech in the Federal Senate, Brazilian Senator João Ribeiro (PFL-TO) informed that farmer João Rosa, a friend of his, had committed suicide after a depression caused by the accusation for the crime of "slave labor" on his farm. However strange it may seem, this suicide should be considered a form of "transaction cost", and the risk run by the farmer should be included in the "wedge" being discussed here, as a transaction cost.

²⁰Information given by Agência Estado on Jan. 10, 2007, in the article "Multado em R\$1 million ruralista do Mato Grosso por trabalho escravo [Ruralist fined one million dollars for slave labor in Mato Grosso]. For an online access to this information, see: <<http://br.noticias.yahoo.com/s/10012007/25/manchetes-multador-1-mi-ruralista-mt-trabalho-escravo.html>>.

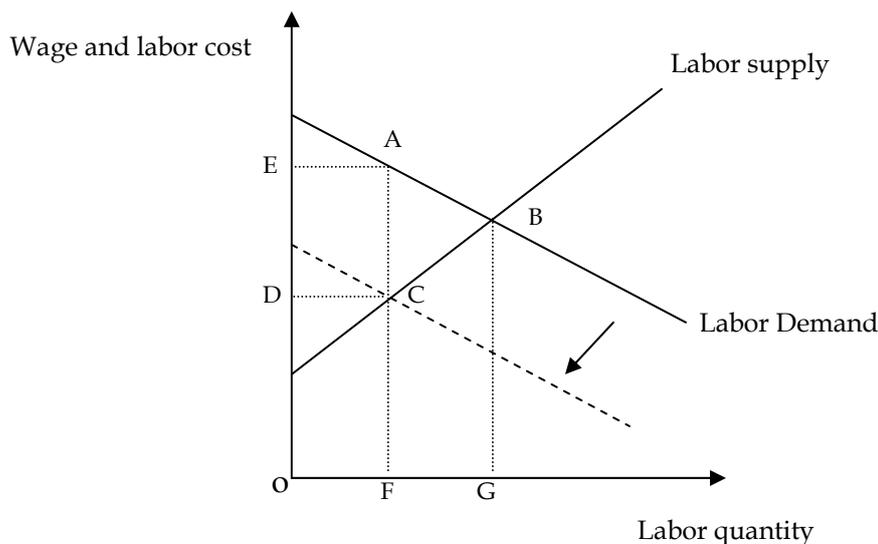


Figure 1 - Impact of the Labor Policy on the Wage and the Agricultural Labor Cost.

to the agricultural labor market. Both the agricultural and the urban labor markets bear the labor taxes properly speaking, i.e., the employer's contribution to the INSS, the deposit in the FGTS account of the employee, etc. However, while in the urban world these taxes may be appropriated by the worker, even if only in the future²¹, in the seasonal agricultural labor market these charges are much less appropriable by a worker, due to the intermittence of his presence in this market and uncertainty regarding the future²². For this reason, these taxes, which tremendously increase the employer's costs, may have no meaning to the agricultural worker, even in

²¹According to Haddad (2005), in an analysis focusing on urban world, these labor surcharges make effective labor cost be greater than "basic wage", but represent advantages for the worker, even if appropriable only in the future (in terms of figure 1, the area ACDE would eventually accrue to workers, in the future.) In contrast, Pastore (2005) argues that only workers from large corporations are capable of appropriating these surcharges, since only these corporations can actually transfer these costs to the prices of their products. Incidentally, this argument support Pastore's explanation of the great informality that prevails in urban labor markets in Brazil.

²²A newspaper story entitled "Migrantes dominam plantações do Centro-Sul [*Migrants dominate in center-southern plantations*]", published by *Valor Econômico* in December 21, 2005, p. A12, depicts typical cane cutters in São Paulo as migrants who manage to remain five to eight years in the activity, a period which was longer in the past: 15 to 20 years.

the future. This leads agricultural and urban workers to perceive these "rights" in distinctly different manners, the former becoming much more willing to give them up in exchange for immediate higher wages.

It is easy to understand, therefore, why informality in this seasonal agricultural labor market is much more widespread than in urban labor markets. To a greater extent than in the urban world, informality in agriculture reduces labor costs to employers while increasing net wages earned by workers. However, as this system becomes generalized, it turns out unfeasible for an employer to hire labor in this market, to pay the ruling wages and at the same time comply with labor legislation requirements. This higher degree of informality in temporary agricultural labor market makes it easy for labor and Justice inspectors to find informality situations, in many cases exaggerating and quickly cataloguing them as "slave labor" or as "slave-labor conditions"²³.

²³Note that this mechanism of equilibrium in the labor market, turning informality attractive for both sides of the market, is usually ignored by most analysts, who, then, see informality as something negative from the point of view of the employee. Balsadi (2007), for instance, built an "Index of Quality of Employment" (IQE) in agriculture, in which informality enters with a negative sign.

It must be admitted, however, that nothing prevents these seasonal rural workers from adopting an opportunistic behavior, such as denouncing their employers to the labor court, thereby benefiting from both the higher income linked with labor market informality and the fines imposed by the labor court. Incidentally, this may be relevant to explain the problem of "slave labor" in Brazilian agriculture, as discussed in the next section.

It is worth stressing, however, that this higher informality in agriculture is probably restricted to the seasonal labor market. The permanent labor market, instead, has to face another problem, perhaps more serious, of high supervision costs. For this reason, the satisfaction of all of workers "labor rights" - first and foremost, the signing of the labor card [*carteira do trabalho*], due to its symbolism - may be seen as a way to save on supervision costs, through stimulating the worker to do his best with little supervision. The case of the milking worker (*retireiro*), that has to work since early morning hours, preferably without supervising, also illustrates the argument.

It deserves to be pointed out, also, that the labor supply curve in this market tends to be very unstable, moving right and left in accordance with the situation in urban labor markets. Rezende (1985), for instance, showed that the growth of Brazilian economy from 1968 on made the temporary labor supply curve in agriculture move left, with a consequent increase in daily workers' wages. *En passant*, this contraction in the supply of temporary labor in the agricultural labor market, with a consequent increase in the wage, contributed to the rise in agricultural mechanization that occurred throughout the 1970s.

6 - DOES SLAVE LABOR ACTUALLY EXIST IN BRAZILIAN AGRICULTURE? another application of transaction costs analysis

The official illegality of the *empreiteiro's* performance makes investments in this activity very risky. This, by its turn, cannot but raise this activity's

required rate of return, which is accomplished by the provision to labor, by the *empreiteiro*, of precarious lodging, transportation, and even of food conditions. This result would also reflect worker's preferences, to the extent that the alternative of not reducing these expenses would be to reduce the net income received by the worker and which he sends home every month (or takes with him when he goes back home).

The *empreiteiro's* activity illegality also prevents contracts from being signed among all parties involved, which raises transaction costs and constrains the development of the labor market. In addition, since the farmer ends up being the sole responsible for all the costs imposed by an eventual intervention by Labor inspectors, the *empreiteiro* - especially in the most distant regions of the country - does not have to worry about the fulfillment of the most elementary requirements of labor laws. Actually, it may be assumed that there is a kind of "adverse selection" of these intermediaries, with the predominance of persons more accustomed to the use of force, for instance. After all, since their economic activities are considered illegal, they cannot but use violence, if necessary, in order to recover the investment they make in the workers' transportation and in cash advance for the maintenance of families left behind.

In particular, in these remote regions, these intermediaries face the problem of assuring themselves that workers fulfill their commitment with them, so that, after being financed for their trip and for all other expenses on their way to the place of work, they do not act in an opportunistic way, fleeing from the farm. Such a strategy by a worker would aim to bring back with him the Labor agents, so that the *empreiteiro* and the farmer - but especially the latter, the only imputable by law -, could be caught in several irregularities, easily found given the prevailing labor laws. The workers main purpose in this action, however, would seem to be not so much to elude the payment of the debt previously contracted with the intermediary, but rather to pocket the "fine" of several thousand

“reais”, usually imposed by the Labor inspector on the landowner and in favor of the worker, on the accusation of “slave labor” practice²⁴.

Note that this kind of opportunistic worker behavior is being very stimulated by the level of priority the government ascribed to these inspections, whose numbers have grown very fast in the last years, leading, as consequence, to a great increase in the number of workers that were “liberated”²⁵. This includes the installation of several telephone numbers throughout the Northern states, in order to facilitate the accusations by the presumed “slaves”. The government action has also facilitated the massive presence of the national and international press during these inspections²⁶.

²⁴On the subject of “slave labor” see Barretto (2004) and Germani (2004). In addition to the fine - completely arbitrary - the landowner accused of “slave labor” has his name included in a “dirty list”, which is public (posted on the Internet web site of the Ministry of Labor); the government has managed to make banks not to lend to these farmers. In addition, as Barretto (2004) explains, there is a Constitutional Amendment in Congress proposing that farmers accused of “slave labor” should have their property *expropriated for the purpose of agrarian reform*.

²⁵In an article entitled “Struggle for Freedom”, the magazine *Desafios do Desenvolvimento* (Year 4, n. 31, p. 6, Feb. 2007), informs us that the number of these inspections rose from 19 to 85, between 1999 and 2006, while the number of workers “liberated” rose from 725 to 4,348 in the same period. On the other hand, according to an interview given by Laís Abramo (director of ILO in Brazil), to the article entitled “Trabalho escravo sem punição [Unpunished slave labor]”, in *O Globo*, Rio de Janeiro, Sept. 21, 2006, p. 29, a total of R\$7.4 million was paid to “slave labor” in 2005, while in 1999 the payment was null.

²⁶For the coverage of the international press, see, for instance, the article “Forest Slaves” published in the *Sunday Times* of March 9, 2006. According to this article, Brazil is not only destroying the Amazon, but it is also recreating slavery in the Western Hemisphere! According to this famous newspaper, “[The workers] had been recruited by the “cats”, employees of rich farmers in the Amazon region”. In the same vein, the *Globo On Line* of March 9, 2007 informs us that “The Guardian”, the famous London newspaper, perhaps to celebrate President Bush’s visit to Brazil, published an article on that same day entitled “Slaves Sustain the ‘Boom’ of Ethanol in Brazil”. However, the national press is not far behind; for instance, the *Jornal do Brasil* of April 28, 2006 uses the title “Bóia-fria em êxodo rumo à escravidão [“Cold meal” workers in exodus toward Slavery]”, and, on reading the story, we find that it is just an interview with a seasonal worker traveling from the Northeast to São Paulo in order to work and be able to support

It is not unlikely that, under these conditions, *empreiteiros* and farmers try to restrict workers’ mobility once they enter the farm. This control of workers’ movements would aim to prevent these workers from leaving the farm and bringing back with them Labor inspectors to a *flagrante delicto* situation, i.e., that agents are able to invade the farm and reach the places where supposed “slaves” are kept. This would allow these agents, duly accompanied by the Federal Police and many other people - including the national and the international press -, to enact the heavy fines to be borne by the landowner and in favor of the workers, first and foremost of the worker that has denounced the landowner and his “cat”.

This problem of “slave labor” has attracted much interest not only from the Brazilian government [see, for instance, *Ministério do Desenvolvimento Agrário/INCRA* (2005)], but also from international organizations [see, for instance, *International Labor Organization* (OIT, 2005)]. Not a single word has been said, however, about the underlying basic cause of the problem, i.e., the Brazilian agricultural labor legislation itself. Instead, all analyses blame the *latifundio*, and the solution is often seen in the expropriation, without any kind of compensation, of the so-called *latifundio’s* land.

Note that it is also very common to impute on both the *empreiteiro* and the farmer the charge, less dramatic, of reducing the worker to a situation “analogous to the slave condition”, or “degrading”. This would have to do with the precarious conditions of lodging and food that are provided for the worker, especially considering the standards imposed by labor laws. The problem with this “softer” accusation of slavery is that it ignores that these precarious conditions also reflect a worker’s decision, since, as pointed out before, increased expenses by the *empreiteiro* on working conditions and provision of food would imply a fall in the wage workers take home at the end of a journey.

On the other hand, researchers associated to

his wife and children! What this has to do with “slavery”, only the newspaper can tell us.

the ILO office in Brazil have preferred to use the expression “forced labor” instead of “slave labor” (a social and economic condition rooted in the juridical status of the worker, which obviously no longer exists in Brazil or in the rest of the world). According to the ILO, “forced labor” would exist in Brazilian agriculture not because the endless requirements of the labor laws are not met, but because the worker would have his mobility constrained, mostly due to worker indebtedness²⁷.

While it is true that in the past there have been, including in Brazil, several cases of “debt serfdom”, it has to be noted that one distinctive feature of all cases was the fact that the need for labor was of a permanent character²⁸. In present-day Brazil, however, we are dealing with a *seasonal* labor market, there having been no reason why the farmer or the *empregado* should be interested in keeping this labor force on the farm after the work is performed, especially in view of the fact that most tasks require just a few months or even just a few days. In such conditions, the farmer is certainly much more concerned with problems of selection and of supervision of the labor force, for the reasons explained before in this paper. Under these conditions, more than trying to “enslave” the worker, it makes more sense for the *empregado* and for the farmer to be concerned with the formation of *teams* of

²⁷On this ILO vision, see the interview of ILO’s office director in Brazil, Laís Abramo, to the newspaper *Folha Dirigida* of May 1, 2007, p. 29. In a speech in a Seminar on Slave Labor in São Paulo, attended by one of the authors of this paper, another ILO researcher, Patrícia Audi, was emphatic in stating that “forced labor” has nothing to do with the workers’ lodging conditions, feeding etc, but with the restriction to their mobility, what she attributes to indebtedness. For an explanation of what international organizations like ILO understand by all these expressions - “slave labor”, “forced labor”, “infantile labor”, “debt serfdom”, etc, see Cacciamali; Azevedo (2003).

²⁸Several cases of “debt serfdom” (also known as “debt peonage” or “indenture labor”) are subject of an historical analysis in Rezende (1976, chapter 2). For Furtado’s analysis of the cases of “Senator Vergueiro’s sharecroppers”, as well as the episode about rubber expansion in the Amazon, see also Furtado (2007). Note, however, that Furtado also points out that it was precisely due to indebtedness that the first families came from England to occupy the Northern colonies of the American continent, giving rise to what today is known as the United States of America.

selected workers, good workers and, above all, workers willing to come back all years ahead, since in this way the agricultural activity itself would become less risky and then sustain itself over the years.

7 - SUMMARY AND CONCLUSIONS

This paper sought to contribute to the analysis of the factors responsible for the predominance, in Brazilian agriculture, of a technological pattern characterized by large-scale production and high degree of mechanization²⁹.

Family farming could have been expected to grow at a much faster rate in Brazil, on the basis of the free market forces themselves. This would have been due to the agricultural labor market peculiar characteristics, which hinder the development of capitalist agriculture, as recognized by the ample international literature on the subject. The inexistence of scale economies in agriculture would strengthen the predominance of family farm³⁰. However, as argued in this paper and elsewhere [Rezende (2006)], this potential for family farm growth was hindered in Brazil, due to the following reasons:

- a) Lack of access to credit *vis-à-vis* medium and the large farmers. This difficulty in credit access is usually attributed to small farmers’ precarious land access, but, as suggested in this paper, this lack of access to credit has been more likely due to the action of the government itself, in its pretension to protect small producers, both through constitutional norms - as in the prohibition of mortgages of the land owned by this type of farmer - as well as through the Judiciary’s action in its attempt to make “social justice”;
- b) Very high cost of temporary agricultural labor,

²⁹Note that land tenure policies begun in 1964, with the Land Statute, are also responsible for the poverty problem in Brazil, but, as pointed out before, these could not be discussed here, for reasons of space. The same could be said with respect to the agricultural credit policy. As mentioned in the Introduction, the role of these other policies is discussed in Rezende (2006).

³⁰For a critique of the belief in the existence of economies of scale in agriculture, see Binswanger; Elgin (1989), Abramovay (1992) and Veiga (1991, p. 175-203).

especially to small producers; and, finally,
c) Suppression of the land rental markets, thereby eliminating the opportunities for social and economic ascension on the part of salaried workers and small farmers.

It is interesting to emphasize the hypothesis above that weak access to credit by family farmers, in Brazil, is less dependent upon precarious access to the land and more upon the excessive protection that the State seeks to provide to this farmer, in his relationship to the financial market. In effect, if this is true, then it follows that this farmer must not valorize the property title itself. The correct policy should be, then, to “unprotect” this small farmer, eliminating the Constitutional norm and the supposed protection by the Judiciary. Note that, here, there is a full analogy with the policy of protecting small producers against “exploitation” in the rental and sharecropping land markets.

With respect to permanent skilled wage labor, it was explained here that this type of labor benefited more from the public policies adopted, since the demand for skilled labor increased with the introduction of mechanized techniques. The impact of the Brazilian labor legislation on this kind of labor force, in terms of increase in cost, is much smaller when compared with its impact on the temporary labor force. Were not for the labor market policy, there would have been much less absorption of this qualified labor, but, on the other hand, there would have been greater use of temporary labor, specially the seasonal migrant, which would have benefited the regions of origin of this labor force. This would have resulted in a greater spatial homogeneity in Brazil, with consequent reduction in rural poverty.

While pointing out the negative role played by labor taxes also in agriculture, the paper gave more emphasis, however, to the “transaction costs” that these policies created in the agricultural labor market. In fact, it was proposed that these transaction costs may be causing more damage in the agricultural labor market than the “labor taxes”. This would be due to the increase in the several forms of risks that this labor legislation is creating to all agents of this agricultural

labor market, due to the impossibility of contracts among all these agents, let alone their enforcement, due to the illegality of the *empreiteiro*.

As argued in this paper, it is the inadequate institutional setting that creates several forms of transaction costs in the Brazilian agricultural labor market, first and foremost due to the stimulus to opportunistic behaviors by all the agents involved. These transaction costs are borne, ultimately, partly by the farmer and partly by the worker. Whereas farmers have had the option to adopt mechanized techniques, workers have no alternative but to seek employment elsewhere - i.e., in the urban labor markets.

The main conclusion of this paper is that changing Brazil's current pattern of agricultural development requires not only changing the legislations related to the agricultural labor and land markets, but also providing small farmers with a greater feasibility of accessing credit and reducing rural credit subsidies.³¹

It is interesting to note, *en passant*, that this problem of access to credit for small farmers became serious, in part, due to the greater imperative of labor saving techniques arising from the labor market policy. Were not for this agricultural labor policy, the access to credit would not have become so crucial in agriculture, insofar as this sector would not be forced to adopt technology intensive in capital and saver of labor of an agriculture-specific qualification. Thus, there would have been a faster development of family farm, together with a greater absorption of wage labor, both temporary and permanent.

Finally, it should be admitted that some main conclusions of this paper were based just on the fieldwork conducted in São Paulo state's sugar cane regions. It is advisable, therefore, to extend this fieldwork to other regions. Further, it should also be acknowledged that fieldwork, formerly an important

³¹Note that this was also the general policy proposal by Binswanger; Elgin (1989, p.15), when they said that “the governments should abolish perverse laws that restrict the renting of land as well as the labor markets, so that people become freer to rent their lands and to make a more intense use of labor”.

research tool among social scientists in Brazil, has been virtually abandoned in favor of the use of secondary data - first and foremost, from the National Household Survey, known as PNAD, managed by IBGE (Brazilian Census Bureau). Definitely, however, as shown by the experience of field research that supported this paper, no progress in the agricultural labor market analysis can be achieved only with recourse to PNAD data. This is so for the simple reason that PNAD grossly underestimates the number of seasonal agricultural workers in Brazil, especially in regions where this form of employment of labor most expanded, like the São Paulo sugar cane regions. The reason for this underestimation is that these workers do not form "domiciles" in their destination regions, but only in the regions they left behind. Due to this basic PNAD data inadequacy, it will be necessary, in the continuation of this project, to critically review the several studies that have been conducted on agricultural labor market and poverty (not only rural) in Brazil. Questioning the validity of former research on agricultural labor market in Brazil may also lead to propositions of reform regarding PNAD's procedures, so that this data source may prove more instrumental for analyzing Brazil's agricultural labor market.

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