



Job Market in the Legal Amazon

A comparative analysis between the Brazilian Amazon and the rest of the country

AMAZÔNIA
2030 

NOVEMBER 2020

About Amazon 2030

The **Amazon 2030** project is a Brazilian research initiative with the purpose of developing an action plan for the Brazilian Amazon. Our objective is to achieve conditions for a higher standard of economical and human development in the region, and to achieve a sustainable use of natural resources by 2030.

Contact

Media Contact

O Mundo que Queremos

amazonia2030@omundoquequeremos.com.br

Amazon 2030 Contact

contato@amazonia2030.org.br

Research Contact

Gustavo Gonzaga

gonzaga@econ.puc-rio.org



Authors

Flávia Alfenas

Pontifical Catholic University of Rio de Janeiro (PUC-Rio)

Francisco Cavalcanti

Pontifical Catholic University of Rio de Janeiro (PUC-Rio)

Gustavo Gonzaga

Pontifical Catholic University of Rio de Janeiro (PUC-Rio)

Aknowledgements

This work is financed by Instituto Clima e Sociedade (ICS).

We are grateful for the excellent research assistance from Bruno Duarte, Pietro Lucchesi, and João Francisco Miller. The work benefited from comments and suggestions from Beto Veríssimo, Juliano Assunção, Paulo Barreto, Arthur Bragança and other participants in the virtual meetings of the Amazon 2030 project, whom we also thank. Finally, we thank Clarice Spitz-Goutorbe for her thorough review and editing of the text, as well as Giovanna de Miranda for her review and coordination, and Nina Vieira for the formatting and design of the text. The remaining errors are our responsibility.

Keywords

Legal Amazon, job market

Executive Summary

Although it is a basic element of a region's economic and social growth, an analysis of the job market in the Legal Amazon¹ is largely missing from the academic discourse. This is an unjustifiable absence, since entry into the job market is a key part of anchoring proposals for economic growth that generate more employment and income and reduce inequality. There is evidence that deforestation and forest degradation have not contributed to creating positive employment and income conditions in the region. Indeed, there are significant gaps in the Amazon compared to the rest of the country.

This study is part of the [Amazon 2030](#)² project and attempts to fill the void by providing an unprecedented assessment of the job market in the Legal Amazon between 2012 and 2020. To that end, it offers an analysis of various indicators in the working world and how they have changed in recent years, including as a result of the Coronavirus pandemic.

Based on data from the National Household Sample Survey (*Pesquisa Nacional por Amostra de Domicílios – PNAD Contínua*), a project of the Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística – IBGE*), this study aims to bring visibility to the people of the Legal Amazon, who until very recently were not suitably represented in official statistics. When the study was launched in 2012, it was a considerable step forward for scholars in the field, because it allowed the inclusion of more households in the rural north due to the uniformity of the sample, and also made it possible for a monitoring panel to follow individuals over time. This is a valuable untapped resource for understanding the challenges the region faces.

Young people: risks and opportunities

The Legal Amazon presents indicators of employment and income that are generally more unstable than those in the rest of the country, and which reveal a market that is especially

¹ The Legal Amazon is defined as the total area of the states of Northern Brazil (Rondônia, Acre, Amazonas, Roraima, Pará, Amapá and Tocantins), along with the entire state of Mato Grosso in the Center-West of the country, and parts of the western section of the state of Maranhão in Northeastern Brazil. Throughout this report, the terms “Legal Amazon,” “Amazon region” and “Amazon” are used interchangeably. In this study, we have chosen not to make comparisons with other specific parts of the country. All comparisons are in relation to the rest of Brazil as a whole.

² The Amazon 2030 project (AMZ 2030) is an initiative by Brazilian researchers to develop an action plan for the Brazilian Amazon. Our goal is for the region to reach a higher level of economic and human development and to achieve the sustainable use of its natural resources by 2030.

hostile to young workers between the ages of 18 and 29. However, it would be an oversimplification to consider only the difficulties.

The job market in the Legal Amazon also offers opportunities. The region will benefit from a demographic surplus for longer than the rest of the country since it has experienced a delayed demographic transition due to a more gradual drop in fertility. There is currently a lower than usual percentage of people classified as economically dependent (retirees and children), and a higher percentage of people between the ages of 15 and 64, who are potentially productive. The lower number of dependents means a surplus of productive, tax-paying members of the workforce, along with an increase in savings capacity and capital accumulation in the economy, which could signal an opportunity for economic growth, reduced poverty and increased social wellbeing. But in order to take advantage of the demographic surplus, the job market in the Amazon must be attractive, especially to young people.

It goes without saying that young people typically face greater difficulty than the average worker to enter the job market and establish themselves, due to their limited experience. However, young people in the Legal Amazon face vastly more difficult obstacles than the average young Brazilian.

This study reveals that the current employment landscape in the region is quite challenging for young people. With a relatively young workforce compared to the rest of Brazil, in 2019, 57% of 18-24 year-olds and 40% of 25-29 year-olds were unemployed. For the latter age group, the rate of employment was two percentage points lower than in the rest of Brazil.

Figure A. Employment rate and workforce participation rate according to the Annual Survey of Industry (PIA) (%), by age group, for the Legal Amazon and the rest of Brazil, 2019



Source: data from the Brazilian Institute of Geography and Statistics (IBGE)

According to the study, the primary explanation for the differences between regions is the workforce participation rate, which is also very low in the Legal Amazon. For example, 58% of 18-24 year-olds in the region participated in the workforce, compared to 71% in the rest of the country – a difference of 13 percentage points. And among 25-29 year-olds, who in theory should already represent a significant share of the workforce, the participation rate was 71% in the Amazon and 82% in the rest of the country.

An analysis of changes to this indicator shows that the gap widened during the economic recession of 2015-2016. In Brazil as a whole, the workforce participation rate of young adults aged 25 to 29 grew from 80% in 2012 to 82% in the first trimester of 2020. But in the Legal Amazon, it went in the opposite direction, falling from 74% in 2012 to 71% in 2020.

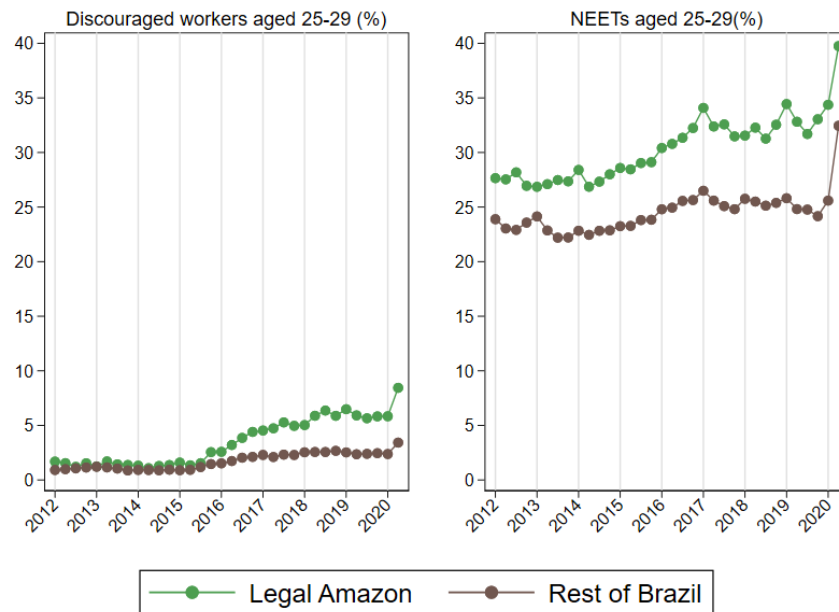
There was also a difference in each area's ability to absorb shocks. At the beginning of the pandemic (in the second trimester of 2020), workforce participation of 25-29 year-olds declined in the rest of the country, yet remained at higher levels than the historical series in the Legal Amazon (74%), where workforce participation fell to 64% over the same period.

The lower workforce participation rate in the Legal Amazon shows that many people were out of the labor force, or in other words, were jobless and not attempting to find work. In many cases this was due to worker discouragement – when people give up looking for a job because they believe they will not find one.

Between 2012 and 2015, the percentage of young discouraged workers between the ages of 25 and 29 differed by only about 2% from region to region, but beginning with the economic crisis of 2015-2016, that percentage began to differ more widely. In the second trimester of 2020, under the effect of the Coronavirus pandemic, the proportion of discouraged workers in this age group grew to 8% in the Legal Amazon, more than double the rate in the rest of Brazil (3%). This is an adverse effect of the sluggish job market and could have long-term repercussions for young people who do not find work due to a lack of opportunity at the beginning of their careers.

The NEETs (young people who are neither employed nor in school or training, representing a clear loss to productivity) made up 40% of 25-29 year-olds in the Amazon in the second trimester of 2020, a much higher number than in the rest of the country (31%).

Figure B. Rates of discouraged workers and NEETs among 25-29 year-olds, Legal Amazon and the rest of Brazil, 2012-2020



Source: data from the Brazilian Institute of Geography and Statistics (IBGE)

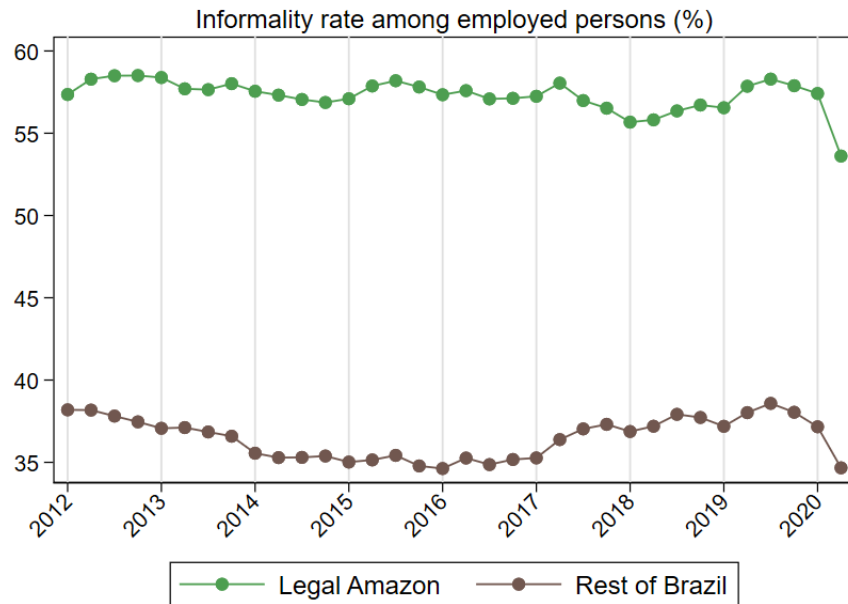
The insecurity revealed by countless indicators relating to young workers in the Legal Amazon cannot be attributed to seasonal factors or to reasons that are simply intrinsic to this age group. On the contrary, these indicators are linked to the region’s broadly unfavorable labor market which offers few opportunities.

Informality: a prominent feature of the job market in the Legal Amazon

The Amazon’s problems with institutional weakness are widely known – notably in the areas of land conflict, illegal exploitation of natural resources, and deforestation. These issues are reflected in the prominence of the informal sector in the job market, which is a significant factor in the lack of opportunities for young people and adults. The informality rate in the Amazon is nearly 20 percentage points higher than in the rest of Brazil. In 2019, more than half (58%) of the people employed in the region were not formally employed or were working independently without contributing to social security. In the rest of Brazil, that number was 38%. Between 2012 and 2020, the percentage of workers who were formally employed fluctuated only slightly in the Legal Amazon, from 23% to 25%.

Another consequence of informality is decreased income. Wages are much lower in the Legal Amazon than in the rest of Brazil. Specifically, in 2019, average household per capita income in the Amazon was 654 Brazilian reals, nearly 40% less than in the rest of the country, where it was 1074 Brazilian reals.

Figure C. Informality rate among the employed (%), Legal Amazon and the rest of Brazil, 2012-2020



Source: data from the Brazilian Institute of Geography and Statistics (IBGE)

Legal Amazon: more dependent on cash transfers

The study shows that in this context of vulnerability, the public sector makes a significant contribution to the income of workers in the Legal Amazon. Households at various income levels in the region were much more dependent on cash transfer programs than those in the rest of the country. In all, 10% of households in the Legal Amazon were receiving aid from social programs, compared to 6% for the rest of Brazil.

Among the poorest 20% of households, the share of income from social and aid programs averaged 35%, compared to 15% for the rest of the country, a difference of 20 percentage points.

This state of dependency was also observed in the most affluent households. Among the most affluent 20% of households, the percentage of income from the salaries of civil servants and military personnel averaged 35% in 2019. That number was much lower in the rest of the country (23%).

Unsurprisingly, the proportion of poor households is also much higher in the Legal Amazon than in the rest of Brazil: 15% of households in the region have an average household per capita income below 178 Brazilian reals, compared to 6% in the rest of the country.

Legal Amazon: an unstable job market

Finally, the study shows that in addition to income and employment, the climate of the job market in the Amazon is more unstable and filled with risks than in the rest of the country. For example, in the Legal Amazon, workers are more likely to lose their jobs or have a lower-quality job from one trimester to the next. The likelihood of transitioning from formal employment in the private sector in a given trimester to informal employment in the following trimester hovered around 13% during the period of the study. This was considerably higher than the percentage in the rest of the country (8%).

More specifically, between 2012 and 2020, the probability that formally-employed workers would find themselves jobless – either unemployed or out of the work force – averaged 7.7% in the Amazon, compared to 5.8% in the rest of the country. And the probability that a worker in the formal economy would go on to have a job in the informal sector in the following trimester was 7.5% in the Legal Amazon, compared to 4.3% in the rest of Brazil.

Thus an analysis of the structure of the job market in the Legal Amazon reveals a highly unfavorable scenario which not only imposes a high current economic and social cost on the population as a whole and on young people in particular, but could also jeopardize the growth of the region for decades. The demographic surplus will be wasted if it is not accompanied by workforce training and economic growth that fosters new jobs, especially for young people. Brazil can make the most of the opportunities presented by the demographic transition only through strategic policy action with an approach geared toward young workers.

www.amazonia2030.org.br

