

Job market: increase in employment will be accompanied by an expansion in the participation rate

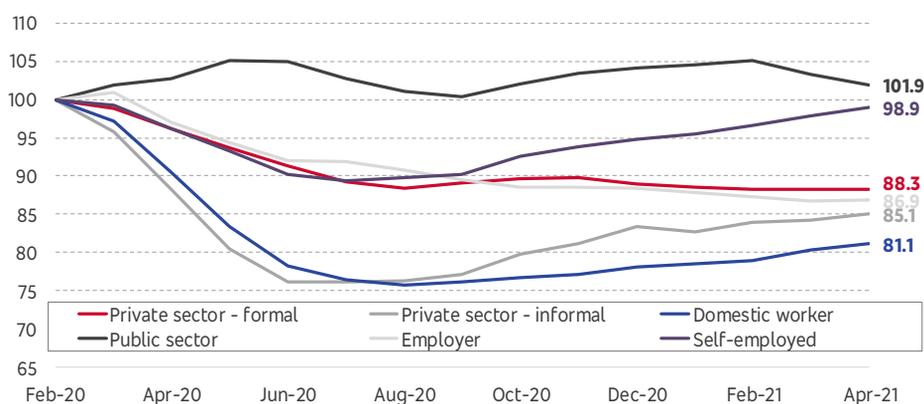
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The economy’s resilience limited the negative impacts of the worsening pandemic on the job market in the transition from the first to the second quarter. The employed population grew in March and April occurred despite the increase in mobility restrictions during the period. The most recent data released by the IBGE refers to April and indicated an unemployment rate of 14.7%, which is 2.8 p.p. above the beginning of the pandemic, discounting seasonal effects. The advancing immunization of the population and the additional gains in mobility will continue to boost the job market in the coming months, especially on the informal side, linked to the services sector.

April records indicate 2 million less informal workers¹ than in the pre-pandemic period, in the seasonally adjusted series. This means that more than 3.3 million informal workers have returned to the labor market since August 2020. In other words, more than half of the drop in this contingent since the beginning of the pandemic has been recovered. In addition, the “self-employed” category is 1.1% below the February 2020 level (Chart 1). In addition to the greater flexibility of this type of employment, it should also be considered that part of the workers may have migrated from other categories to this one, especially those who fall into the category of private workers without a formal contract, more closely related to the service sector, which has yet to return to its full operating capacity.

Chart 1: Employment by main job category

100 = Feb./20



Source: IBGE, Bradesco

The number of discouraged workers remains high, which can still be explained by the risk of the pandemic and idleness in some sectors. By the end of June, about a third of the Brazilian population had received at least one dose of the Covid-19 vaccine. Currently, state government schedules suggest that the entire adult population will be at least partially immunized by September. This leads us to expect an increase in the participation rate in the second half of the year, given the greater degree of flexibility on mobility restrictions.

¹ Here we consider the openings of the Continuous PNAD for private sector workers without a formal contract and self-employed.

² International experience shows that the participation rate has been recovering quite gradually in the most advanced countries during the reopening. For more details, see the Depec Highlight published on 6/30/21.

Chart 2: Unemployed population

Ratio between the potential workforce and the population outside the workforce



Source: IBGE, Bradesco

However, it is important to emphasize that the unemployment rate should gradually drop throughout the rest of the year. Improved job creation should be partially offset by the advance of the workforce. That is, as the unemployment rate is the ratio between the unemployed population and the economically active population, for the rate to fall, it is necessary that the growth of the employed population exceeds the increase in the population in the workforce.

Chart 3: Recovery of the employed population

Trends compatible with the 4Q20 pace and that of the last six months



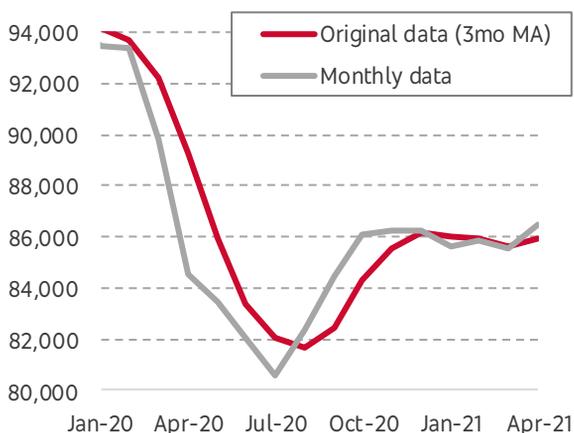
Source: IBGE, Bradesco

Occupation may recover completely in March 2022, if the growth of the employed population in the coming months occurs at the same pace observed in the fourth quarter of last year (Chart 3, gray line). At the end of last year, mobility in Brazil had reached the highest levels since the beginning of the pandemic, reflecting greater control over the spread of the virus, which allowed for consecutive rounds of flexibilization on social distancing measures. At the present time, it is possible that these mobility levels will be reached again, since recent indicators show a positive transition of economic activity between the second and third quarters. In June, in addition to rising business confidence, the number of new Covid-19 cases dropped 30% in the last week of the month.

Thus, we expect the employed population to return to pre-pandemic levels by mid-2022. However, the Continuous PNAD may not fully capture the current dynamics of the economy for two methodological reasons. The first is that the survey discloses results in moving quarters, which ends up smoothing out monthly fluctuations. In this case, monitoring the monthly series is an alternative to visualize the actual stage of employment recovery (Charts 4 and 5). The second is that interviews have been conducted by phone due to the pandemic, which ended up reducing the number of respondents, with impacts on sampling and results, especially regarding formal employment³.

Chart 4: Employed population

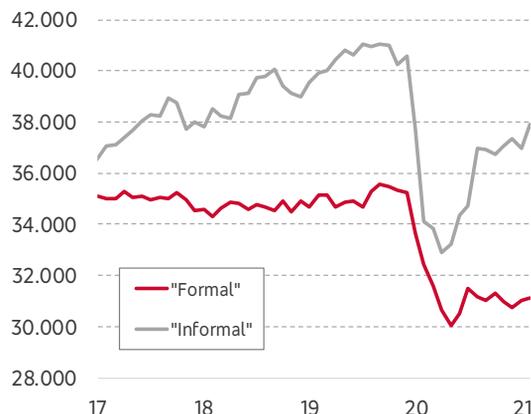
In thousands of people, original and monthly data



Source: Caged, Brazilian Ministry of Economy, Bradesco

Chart 5: Employed Population (monthly data)

Formal and informal, in thousands of people*



* "Employer" and "Public" categories not considered.

Source: Brazilian Ministry of Economy, Bradesco

The divergence between formal employment data from the Continuous PNAD and Caged illustrates this point (Chart 8). According to IBGE data, the total number of workers with a formal employment contract decreased from 29.9 million in the quarter ended in December 2020 to 29.6 million in the quarter ended in April 2021, that is, a net closing of approximately 300,000 vacancies. Between January and April this year, data compiled by the Caged pointed to a net creation of 952,700 formal jobs. It is true that the Caged underwent methodological changes at the beginning of last year and that the methodologies of the two indicators are different. However, the recovery pace of economic activity suggests that the situation of the formal labor market is closer to that presented by the Caged⁴.

Chart 6: Difference between CAGED balance (3-month average) and PNADC formal employment

Seasonally adjusted data



Source: IBGE, Brazilian Ministry of the Economy, Bradesco

¹ In the report released on 3/18/21, the IPEA sought to quantify the interference of the drop in the number of interviews in the results of the Continuous PNAD.

⁴ This was the topic of the Depec Highlight published on 3/24/21.

In summary, the outlook for the job market is positive, given the expectation of advances in vaccination and a greater degree of openness in the economy for the second half of the year. However, the unemployment rate will continue on a gradual downward trend, reflecting the growth in employment, but limited by the advance of the workforce. In addition, for methodological reasons, the Continuous PNAD may take some time to convey the actual situation of the job market, especially the formal side.

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