

**INDUSTRIALISTS, LABOR RELATIONS, AND
THE TRANSITION TO DEMOCRACY IN BRAZIL**

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ABSTRACT

This paper is a case study of Brazilian industrialists' attitudes towards changes in labor relations during the transition to democracy. It is based on extensive interviews with 155 industrial elites in Brazil during 1987-1988. It explores why business elites can and will tolerate democracy, even when it does not always act in their specific interests. It focuses on four key variables in the transition period: 1) the degree of radicalism in society; 2) the pace of change; 3) business elites' institutional channels; and 4) business elites' political strength.

RESUMEN

Este trabajo es un estudio sobre el caso de las actitudes de los industriales brasileños hacia los cambios en las relaciones laborales durante la transición a la democracia. Se basa en extensas entrevistas con 155 élites industriales en Brasil entre 1985-1988. Analiza por qué empresas élites pueden tolerar y toleran la democracia, incluso si no siempre responde a sus intereses específicos. El trabajo enfoca cuatro variables claves en el período de transición: 1) el grado de radicalización en la sociedad; 2) la pauta de cambio; 3) los canales institucionales de las firmas élites y; 4) la fuerza de las firmas élites.

INTRODUCTION

The theory of the bureaucratic-authoritarian state asserted that Brazilian industrialists' support for the 1964 coup was due, in part, to labor unrest and radicalism.¹ My research on Brazilian industrial elites confirmed that aspect of the theory: 23% of the 85 Brazilian industrialists I interviewed who had supported the coup stated that they had done so because of labor unrest and radicalism. Moreover, as the theory also stated, Brazilian industrialists benefited from the military regime implanted after the coup since, in addition to stimulating economic growth, it repressed wages and eliminated labor conflict.

Given industrialists' fear of radicalism, their past authoritarian tendencies, and the benefits they derived from authoritarian rule, scholars of the transition to democracy generally distrust industrialists' willingness to accept compromises and liberalizations—especially in labor relations—that accompany democratic openings. In the words of one scholarly approach to the transition to democracy:

Should the mobilization of regime opponents seem to go 'too far,' however, then authoritarian rule may again be judged to be indispensable, if unfortunate. Moreover, as was suggested by the study of the breakdown of democracy, an authoritarian inflection by a large part of the bourgeoisie is usually accompanied by another symptom of impending danger: the mobilization of middle sectors in favor of a coup that will bring 'order' to society.²

My research on Brazilian industrialists revealed that a large percentage of them felt that certain changes in labor relations during the New Republic government (1985-1989) had gone "too far." Yet, industrialists did not mount a movement to derail the transition. Instead, they accepted and adapted to those changes. They did so because of 1) their perceptions of labor radicalism and 2) the pace of change and their control over it.

METHODOLOGICAL NOTE

This research is based primarily on interviews with 155 industrial elites in São Paulo conducted during 1987-1988. The interview subjects were not randomly chosen. Instead, they consisted first of industrialists who had been outspoken on political issues or involved in political

¹ Guillermo O'Donnell, *Modernization and Bureaucratic-Authoritarianism* (Berkeley: University of California Press, 1973), pp.70-72.

² Guillermo O'Donnell and Philippe C. Schmitter, *Transitions from Authoritarian Rule: Tentative Conclusions about Uncertain Democracies* (Baltimore: Johns Hopkins University Press, 1986), p.27.

activities during the 1964-1988 period, and therefore were frequently cited in newspaper or magazine articles, business association archives, or secondary literature.

In order to interview the informal industrial leaders who were not necessarily in the public eye, I used a “snowball” technique. At the end of each interview, I asked industrialists to identify other industrialists whom they considered to be leaders within the industrial community. Even after compiling a list of interview subjects from the documentary research and the “snowball” method, I still lacked leaders in important industrial categories, primarily small and multinational enterprises. Facing this deficiency, I contacted several industrial associations representing these types of industries, and with their help identified the key leaders.

The final list of interview subjects was heterogeneous. It included industrialists of various ages and educational backgrounds; from diverse sectors of industry; the firmly entrenched as well as the new generation; those from both long-standing and newly established firms; the founders, heirs, and professional business executives of industries; and those from family- or individually-owned firms, as well as firms that were owned by institutions or widely held.

The interviews I conducted were extremely comprehensive. The average length of my interviews was two hours. (The shortest interview was completed in 45 minutes, and the longest lasted five hours.) The interview questionnaire I developed included closed-ended questions that referred primarily to the background of the industrialist and the firm. I also asked in-depth open-ended questions to allow industrialists to articulate their views without restriction.

The questionnaire explored industrialists’ individual attitudes on a broad range of issues. It consisted of five parts. In Part One, I asked industrialists to elaborate on changes in labor relations since 1978, i.e., what were the changes, what caused them, and how successfully had industrial organizations, as well as individual business leaders and firms, adapted to those changes? In Part Two, I explored their attitudes toward political and labor issues that were being debated at that time in the Constituent Assembly, trade unions, and business associations. These issues fell into the following categories: labor legislation; labor and business representation and participation in government decision-making; and conflict resolution. In Parts Three and Four, I asked industrialists about their personal backgrounds and information on the firm. In Part Five, I explored their political attitudes, including questions on ideology, support for the 1964 coup, and their evaluations of the military regime and the transition to democracy.

I promised industrialists anonymity in these responses, and in order to create the most trusting atmosphere I also did not record the interviews electronically. Instead, when industrialists’ responses were particularly interesting, I wrote them down verbatim. When I have included these

quotes in the text, I have tried to provide the reader with some information on the respondent, while concealing his or her identity.³

INDUSTRIALISTS' PERCEPTIONS OF LABOR RADICALISM

For some industrialists, the transition to democracy during the New Republic mirrored the problems industrialists had experienced with labor in the 1960s. For example, the director of a large textile firm stated, "Workers were threatening the country with leftist ideology [in 1964] and they are now too."⁴ The director of a very large Brazilian metalworking firm, stated that the Workers' Party (PT) and the labor federation associated with it (CUT) "are trying to destabilize the economic situation. They want a country run by workers...to be owners of production and politics."⁵ As in 1964, these industrialists viewed the increased capital-labor conflict, the legalization of left-wing political parties and labor unions, and the relaxation of controls over labor leader selection as exposing the nation to leftist subversion, which would undermine political, economic, and social stability.

However, this was a minority opinion among the industrialists I interviewed. Only 9% felt threatened by labor during the New Republic. Instead, industrialists generally believed that workers did not threaten them either because 1) a revolutionary left did not exist in the country or 2) it existed but did not appeal to workers.

The Revolutionary Left in Brazil

Many of the industrialists I interviewed stated that labor did not threaten them as it had in the 1960s because a radical left did not exist to organize and mobilize them. Indeed, only 10% of the industrialists I interviewed believed that the left posed any threat to industrialists' interests during the New Republic. Most industrialists believed that the left had learned a key lesson from the 20 years of military rule: that militancy was a self-destructive path. Thus, they abandoned their revolutionary views and instead adopted moderate, progressive positions that they promoted through existing political channels. Several industrialists believed that, rather than threatening the social order, the left provided viable alternatives for social improvement. A significant minority of industrialists even adopted the left's views themselves. Indeed, of the 143 industrialists I questioned with regard to ideology, 18% considered themselves on the left. Moreover, a minority

³ One industrialist, Paulo Ayres Filho, voluntarily gave me permission to quote him in the text.

⁴ Interview Number 102, 14 December 1987.

⁵ Interview Number 86, 20 November 1987.

of industrialists have supported the PT since its inception and have voted for its candidates in various elections.⁶

In addition to the experiences of the military regime, the industrialists I interviewed noted that a new international context had reduced the threat from the left in Brazil. Whereas in the 1960s the international symbols of the left were Fidel Castro, Ché Guevara, and the Cuban Revolution, in the 1980s they were perestroika, glasnost, and Lech Walesa—hardly symbols that threaten capitalists. Furthermore, socialist governments had been peacefully elected to office in Western Europe without undermining the capitalist order. Thus, the left no longer elicited the same fear among industrialists that it had in the 1960s.

In short, these industrialists believed that the fear of a revolutionary force among workers undermining the capitalist system was outdated. They believed that workers and the left in Brazil, as elsewhere, had learned to work within that system to achieve their demands.

The Appeal of the Left among Workers

Not all industrialists shared this view of the left. As I mentioned above, 10% continued to perceive a threat from the radical left in Brazil, and some even believed that this radical left had infiltrated the leadership of the labor movement. However, while these industrialists believed that a revolutionary left threatened the nation, they asserted that—for different reasons—it lacked appeal among workers. For example, industrialists argued that Brazilian workers were capitalists at heart and therefore invulnerable to leftist propaganda. The following excerpts from my interviews illustrate this point of view:

I don't think that workers are revolutionary; I think they are conservative and capitalist.⁷

A threat from workers is unlikely because they admire people with money. They dream of someday having it... They think things will change... They are dreamers.⁸

Brazilian workers...don't have any ideology. They all have petty bourgeois aspirations of having a little house, security. They do not think of class struggle. They think of someday being in a better situation.⁹

⁶ For information on the support for the PT among business elites, see *Folha de São Paulo*, 24 June 1987, p.4., 5 July 1987, p.6., and 19 June 1988, p.8. Some business elites voted for the PT in the 1988 mayoral elections “out of respect for its idealism and outrage over the blatant opportunism displayed by more conservative parties since civilian rule returned here [to Brazil] in 1985.” Alan Riding, “New Star Player in Brazil Politics,” *New York Times*, 23 November 1988, p.14. Some considered the PT “to be the most honest and idealistic of the groups seeking power.” Alan Riding, “A Mayor Bent on Inverting Priorities,” *New York Times*, 18 March 1989, p.4.

⁷ Interview with a director of a very large chemical company, Number 90, 23 November 1987.

⁸ Interview with a director of a small metalworking firm, Number 43, 29 September 1987.

The Brazilian people...adore the [political] center. They have free enterprise ideas in their blood. Everyone from the workers to the students (once they've graduated) wants to own their own little firm.¹⁰

Industrialists also asserted that Brazilian workers were too concerned with their immediate needs to undermine the political or economic system. As one industrialist from a large metalworking company stated: "When things get bad, the workers will only demand their basic survival needs...there is no risk of revolution."¹¹ Thus, these industrialists argued that the radical elements within the labor movement failed to mobilize workers. This perception was heightened with the economic crisis of the 1980s. The rank and file was reluctant to participate in general strikes to protest wage losses because they feared being discharged during a period of high unemployment. This created the impression of a demobilized work force. As one industrialist stated:

There is no threat from the workers. Thank God, since the wage differential could make things difficult in Brazil. I'm surprised that it doesn't happen and it is only due to the peaceful nature of workers.¹²

This industrialist's views of Brazilian workers' temperament was shared by many of his colleagues. Several industrialists asserted that revolution was anathema to the Brazilian worker's philosophy on life, which they described as striving to have fun and be happy. One industrialist from a small metalworking firm stated, "Communism would be really hard to implant here because it is not happy; it is tough."¹³

Given these views of workers' interests and attitudes, it is not surprising that most industrialists did not identify the workers in their firm with the left. When I asked 128 industrialists to identify the workers in their firm on a ten-point ideological scale, where "1" represented the extreme left and "10" represented the extreme right, I received the following responses: 32% placed workers on the left; 46% in the center; and 22% on the right. Only 1 industrialist placed the workers on position "1" (extreme left) and only 2 placed workers on position "2." In addition, 3 industrialists placed the workers on position "10" (extreme right). Therefore, an overwhelming majority of industrialists considered workers to be moderate. In other words, industrialists believed that workers had neither the interest nor the temperament to threaten the capitalist system in Brazil.

⁹ Interview with a director of a very large Brazilian firm, Number 57, 14 October 1987.

¹⁰ Interview with a president of a very large multinational firm, Number 87, 20 November 1987.

¹¹ Interview Number 45, 1 October 1987.

¹² Interview with a president of a large multinational corporation, Number 51, 6 October 1987.

¹³ Interview Number 43, 29 September 1987.

Industrialists' perceptions of Brazilian workers as politically moderate reduced some of their fears of changes in labor relations. They did not believe that the relaxation of controls would unleash a workers' revolution against capitalist ownership of production.

THE PACE OF CHANGE IN LABOR RELATIONS AND INDUSTRIALISTS' CONTROL OVER IT

Industrialists' fears were also allayed by the gradual pace of change in labor relations. The government continued to exert authoritarian controls over labor relations, while liberalizing others. The slow pace also enabled industrialists to gain experience and strength in controlling labor gains on both the firm and national level, which prepared them for the further withdrawal of authoritarian controls. Thus, even though not all of the controls that industrialists favored were retained, industrialists learned to adapt to these changes and use their resources to limit their negative impact on production and profit levels. To illustrate industrialists' ability to adapt to and control changes in labor relations, I will analyze their reactions to three specific changes: 1) negotiations with labor; 2) labor legislation; and 3) worker representation.

Negotiations with Labor

The transition to democracy brought gradual, but significant, changes in labor negotiations. During the military regime, collective bargaining was virtually nonexistent. Instead, the state determined nearly every aspect of capital-labor relations, including wages and the resolution of labor disputes.¹⁴ However, after the regime had announced its commitment to a political opening (beginning in 1974), it was more reluctant to intervene in labor disputes. For example, the regime did not intervene when strikes over wages and working conditions erupted in 1978. Therefore, in order to end the strikes and resume production, industrialists were forced to negotiate with workers on their own. However, the regime was not steadfast in its commitment to withdraw from capital-labor disputes. The regime intervened—often using extreme violence—in subsequent strikes in 1979 and in the 1980s,¹⁵ and industrialists generally applauded its attempts to restore law and order. At the same time, industrialists continued to negotiate directly with labor and without state intervention. Thus, a gradual change from

¹⁴ See Kenneth Paul Erickson, *The Brazilian Corporative State and Working-Class Politics* (Berkeley: University of California Press, 1977); Kenneth S. Mericle, "Conflict Regulation in the Brazilian Industrial Relations System," (Ph.D. dissertation, University of Wisconsin, 1974); and Kenneth S. Mericle, "Corporatist Control of the Working Class: Authoritarian Brazil Since 1964," in *Authoritarianism and Corporatism in Latin America*, pp.303-338, ed. James M. Malloy (Pittsburgh: University of Pittsburgh Press, 1977).

¹⁵ Maria Helena Moreira Alves, *State and Opposition in Military Brazil* (Austin: University of Texas Press, 1985).

government intervention to direct negotiations with workers accompanied the transition to democracy. A director of a medium-size Brazilian firm described this change:

Under the military regime, industrialists didn't have to change. The law protected them. The government repressed workers in a violent way. With the political change, the laws didn't change, but there was no longer unilateral action on the part of the government and employers. Repression was more difficult. And employers had to adapt.¹⁶

Direct negotiations without state intervention became the norm during the New Republic when Almir Pazzianotto, a labor lawyer who had defended the striking workers of 1978, became the Minister of Labor. He refused to intervene in capital-labor disputes. Instead, he argued that, "interventions prolong conflicts because they neither resolve the problem of the strike, weaken the demands of workers, nor resolve the owners' problems."¹⁷ He further argued that he would not apply the authoritarian law against strikers because, "the Ministry of Labor is no longer the praetorian guard of savage capitalism."¹⁸ Although industrialists were not satisfied with Pazzianotto's "hands-off" attitude, throughout the 1985-1989 period they engaged in systematic collective bargaining with the working class without the guarantee that the state would intervene if disputes erupted.

The employers' associations, particularly the Federation of Industries of São Paulo (Fiesp), adapted to this new form of labor relations by establishing a centralized system of collective bargaining. Fiesp organized firms into teams to negotiate with trade unions and selected labor relations experts to represent industrialists in these sessions. The most powerful negotiating team was the "Group of 14," which united the metal, mechanical, and electrical firms in São Paulo. Over half of the industrialists I interviewed (57%) endorsed this form of negotiations. They believed that Fiesp successfully united disparate firms,¹⁹ thereby protecting them from excessive wage demands. Two industrialists described this view of Fiesp's organizing strategy:

Employers started negotiating in their firms. These firms started to give up a lot—make a lot of concessions to labor—too many. Fiesp realized that this situation of negotiations was going to continue, and industrialists couldn't keep

¹⁶ Interview Number 39, 24 September 1987.

¹⁷ "Pazzianotto não irá Intervir em Sindicatos," *Jornal do Brasil*, 27 April 1985, p.18.

¹⁸ "Pazzianotto Repudia o Autoritarismo," *Jornal do Brasil*, 1 June 1985, p.7.

¹⁹ This view was expressed as early as 1978. Responding to the successful negotiation sessions at the end of 1978, Luís Eulálio de Bueno Vidigal Filho praised Fiesp's role and remarked that "the great secret of this agreement was that the members of the business community worked as one entity." An editor of *Gazeta Mercantil* stated that "Fiesp played a decisive role in the discussion and elaboration of a series of norms and joint action with management." Sinfavea, the association representing automobile manufacturers, also considered Fiesp's role crucial to the rapid resolution of the strike. For a discussion of these reactions of Fiesp's role in the second strike wave of 1978, see *Gazeta Mercantil*, 11-13 November 1978, p.3.

giving away so much. So Fiesp got tough. It tried to centralize negotiations to end firm-by-firm negotiations and put a brake on concessions.²⁰

Without the Group of 14 industry would be faced with a domino effect. Unions would get something from one industry and then go on to another, and eventually win all of their demands from all of the industries, and industries would have to give in to avoid a strike.²¹

However, despite Fiesp's attempts to build solidarity among employers in these bargaining sessions, industrialists often negotiated separately with the workers in their firm. Indeed, 46% of the industrialists I interviewed preferred direct firm-level negotiations without intervention from the state, the employers' association, and, at times even trade unions.²² These industrialists preferred firm-level bargaining for several reasons. Some believed that the labor relations experts conceded too much to labor. As one industrialist stated:

The labor relations experts give away too much because they have learned so much about labor and labor conditions—they're too sympathetic. Industrialists want to go back to the old days when they negotiated with labor because the experts give up too much.²³

Another group argued that Fiesp was too intransigent with regard to labor demands and therefore fomented rather than contained labor conflict. A director of a large multinational metalworking company described its frustration with Fiesp's role in labor relations:

We're under pressure from the Fiesp Mafia to keep from paying higher wages. We do pay better wages and provide better benefits, but we don't want that to get out, because the Fiesp Mafia will be after us.²⁴

Roberto Della Manna, the industrialist in charge of labor relations in Fiesp during much of the transition period, labeled the companies that negotiated separate—and higher—wage agreements “traitors,” and suggested that they withdraw from the Group of 14 and Fiesp instead of undermining the decisions taken by those organizations. Fiesp defended its “intransigence” on wage questions by arguing that it had to protect small firms. However, by 1980 even some small firms had begun making separate agreements with workers to avoid the intense and protracted strikes that they believed resulted from negotiating via the Group of 14.

Whether industrialists used Fiesp's employer teams or negotiated directly with the workers in their firms, they obtained experience in negotiations and acquired better bargaining skills, which increased their strength in these negotiating sessions. Thus, they discovered that

²⁰ Interview with a director of a very large multinational corporation, Number 10, 27 July 1987.

²¹ Interview with an executive of a very large metalworking company, Number 45, 11 October 1987.

²² The total adds up to more than 100% since some industrialists considered both systems acceptable.

²³ Interview with a director of a medium-size Brazilian company, Number 46, 1 October 1987.

²⁴ Interview Number 3, July 15, 1987.

they could protect the interests of their firms without resorting to the state. To determine whether industrialists accepted collective bargaining without state intervention, I asked them if they were satisfied with the changes in the labor relations system that accompanied the transition to democracy. Of the industrialists I interviewed, 60% stated that they were satisfied with them. In addition, despite the obvious benefits industrialists had gained from the regime's control over wages, the vast majority (81%) endorsed market mechanisms to determine wages, while only 17% believed that the government should set wages.²⁵ In other words, industrialists were increasingly confident in direct negotiations with labor.

In contrast to their opinion of the government's role in wage-setting, most industrialists supported government repression of labor conflict. In my interviews with industrialists, 65% endorsed the use of the armed forces to end labor disputes, specifically those that "endanger individuals," "destroy property," or otherwise "disrupt order," but also in the case of illegal strikes or pickets.²⁶ In other words, although industrialists had adapted to the new democratic situation, they did so without abandoning their authoritarian tendencies.²⁷

In short, as the regime gradually restricted its intervention in capital-labor relations, industrialists acquired skills to fill the vacuum left by the state. They became adroit in negotiations with workers. They organized negotiating teams with professionals in charge, or circumvented the employers association and negotiated directly within their firms. Regardless of their means of adapting, industrialists generally considered these direct negotiations successful. Perhaps as a result of this confidence in direct negotiations, they increasingly rejected government control over wages, a control that had benefited them during the military regime. However, they did not desire an end to all of the authoritarian controls that they had enjoyed during the military regime. Industrialists still endorsed protection by the armed forces in labor disputes. Yet when they did not receive that protection, they did not react by derailing the transition to democracy.

²⁵ Despite industrialists wishes to the contrary, the transitional governments of José Sarney and Fernando Collor de Melo (elected in 1989) continued to control wages.

²⁶ In addition to the 65% who supported intervention by the armed forces, 29% opposed, 5% did not respond, and 1% said they did not know the answer. Industrialists from both small and large firms favored the use of the armed forces, while those from medium size firms did not. The older generation of industrialists by and large supported the use of the armed forces, while the younger generation was equally divided on this question. Another interesting observation is that industrialists who considered workers to be on the left were least likely, those who considered workers to be in the center were more likely, and those who considered workers to be on the right were the most likely to support intervention.

²⁷ The Sarney government used repression and violence to contain certain labor disputes. However, this repression was primarily used in rural areas and public enterprises (e.g., the Itaipú Dam Project and the Volta Redonda steel plant). See Leigh A. Payne, "Working Class Strategies in the Transition to Democracy in Brazil," *Comparative Politics*, forthcoming.

Labor Legislation

Brazilian labor legislation during the military regime controlled nearly every aspect of the labor movement. Therefore, the election of a Constituent Assembly in 1986 to rewrite the Constitution offered the labor movement a means of reducing those controls. The labor movement also hoped to gain protection against rising levels of unemployment which it believed occurred in part due to employers' discharge practices and the lengthy work week.

Industrialists realized that they would have to mobilize to limit changes in labor relations in the new Constitution that might restrict their freedom to hire and fire at will and undermine their protection from labor unrest. Thus, they too became active in the elections of members of the Constituent Assembly.²⁸

Industrialists allegedly created a fund of \$600 million to elect approximately 300 representatives to the 559 member Constituent Assembly. Confirming the existence of such a fund, one leader of the business community remarked, "the economic power of the business community and its ability to influence will be used to a great extent to ensure the election of candidates committed to private enterprise."²⁹ At first glance, their efforts appeared to pay off, since industrialists won a significant number of seats: while manual workers comprised only 1% of the Assembly (6 seats), members of the business class comprised 38% (211 seats).³⁰ However, there were indications that industrialists' power in the Constituent Assembly was limited. For example, they had not won the 300 seats they had desired. In addition, the proportion of industrialists who were elected to office remained about the same as in past elections: 5% (30 seats).³¹ Moreover, the ideological composition of the Assembly was ambiguous. The center

²⁸ David Fleischer, "The Brazilian Congress: From Abertura to New Republic," in *Political Liberalization in Brazil: Dynamics, Dilemmas, and Future Prospects*, ed. Wayne A. Selcher (Boulder: Westview Press, 1986), p.114.

²⁹ Cesar Rogerio Valente, Federation of Commercial Associations, Rio Grande do Sul, quoted in *Latin American Regional Report/Brazil*, p.2.

³⁰ David Fleischer, "O Congresso Constituinte de 1987: Um Perfil Socio-Econômico e Político," mimeograph, Brasília, 31 March 1987, p.8. Fleischer also provides data compiled by Semprel (a business lobby organization) which determined that 45% of the members of the Constituent Assembly were "capitalists" (22% agrarian and 23% urban) and 12% were workers (2% rural and 10% urban). *Ibid.*, p.15. Leôncio Martins Rodrigues' survey of 487 members of the Constituent Assembly provided slightly different figures: 156 (32%) called themselves "members of the business community" and 15 (3%) called themselves "manual workers." Leôncio Martins Rodrigues, *Quem é Quem na Constituinte: Uma Análise Sócio-Política dos Partidos e Deputados* (São Paulo: OESP-Maltese, 1987), pp.79-80.

³¹ Compare Fleischer's figures for the Constituent Assembly in Fleischer, "O Congresso Constituinte de 1987" p.8, with the figures for the House of Deputies and Senate elections in 1979, 1981, and 1983 in Fleischer, "The Brazilian Congress," pp.124-129. Of those industrialists, 25 were "owners of capital" and were represented in the following political parties:

won a solid victory: 70.5% of the seats, compared to 19% for the right and 10.5% for the left.³² Finally, the individual who won the most votes in the Constituent Assembly (and, indeed, in the history of Brazilian congressional elections), was Luís Inácio “Lula” da Silva, the trade union leader who had led the massive 1978 strikes, and the head of the Workers’ Party (PT).

Given the ambiguous outcome of the elections, industrialists continued to press the Constituent Assembly to protect their interests. They organized an industrial lobby. Both Fiesp and the CNI (the National Confederation of Industries) had lobbyists in Brasília. In addition, representatives from these organizations also joined broad business lobbies such as UBE (Union of Brazilian Businesses), FNLI (National Front for Free Enterprise), and the Informal Business Forum.³³ In addition, the business community benefited from the emergence of a conservative block within the Constituent Assembly, called the *Centrão* (Broad Center). The *Centrão* claimed support from 291 (or 52%) of the 559 members of the Constituent Assembly. Industrialists’ principal concerns with regard to the Constitution were the labor movement’s proposals for 1) job security or tenure, 2) the unrestricted right to strike, and 3) reduced work hours.

Job Security

Industrialists allegedly developed a fund of \$35 million to defeat the job security measure. The UBE ran a televised campaign against job security.³⁴ The FNLI publicly identified the members of the Assembly who opposed the measure, thereby encouraging other members to

40% were in the center party PMDB, and 60% were in right wing parties (i.e., 36% were in PFL, 20% were in PDS and 4% were in PL).

³² This is the average of two reliable analyses of the Constituent Assembly: Semprel placed 12% of the Assembly on the left, 27% as “liberal-reformists,” 35% as “liberal-conservatives,” and 26% on the right; the *Folha de São Paulo* placed 9% on the left, 23% on the center-left, 32% in the center, 24% on the center right, and 12% on the right. Fleischer, “O Congresso Constituinte de 1987,” p.15.

³³ The UBE was formed in 1986, and by February 1987 had over 500 members, including 60 business federations and 200 private firms. The executive council included the presidents of the National Confederations of Industry, Commerce, Agriculture, and Transportation, and the National Federation of Banking. This group primarily concentrated on economic policy. Specifically, the UBE hoped to limit the role of the government in the economy, defend the laws of the marketplace, restore respect for free enterprise, and end restrictions on the development of new technology. The UBE also advocated certain broad social reforms: the social responsibility of private property; an end to abuses of economic power; workers’ rights; and income distribution. The Informal Business Forum was comprised of nearly the same business leaders as the UBE and advocated the same principles. However, it focused its lobbying efforts on the executive rather than Congress. The FNLI was formed in November 1987 to combat the proposed job security provision in the constitution. It was made up of many of the same groups that belonged to the UBE and the Informal Business Forum, but also included the far right rural landholders organization, the Rural Democratic Union (UDR).

³⁴ The television campaign had actors playing workers saying: “job security today is this: if you are a good worker, the firm will never let you leave.” The actors also displayed fear for their fictitious children’s future employment as a result of the job security measure. They stated, “this security proposal in the Constitution could hurt my son’s future job possibilities.”

follow suit by implicitly guaranteeing them generous financial support from businesses in future elections. Most importantly, the Centrão adopted an acceptable alternative to the job security measure: an indemnity clause that would allow employers to fire employees as long as they compensated them. The amount of compensation would depend on the number of years the employee had worked in the firm. This kind of indemnity was already part of Brazilian law and had not provided any protection for workers,³⁵ but the Centrão contended that the new level was four times the level industrialists had previously paid, and would therefore make arbitrary dismissals too costly for employers. This indemnity proposal eventually replaced the job security proposal in the Constitution.

Two crucial ingredients enabled industrialists to defeat the job security measure. First, consensus existed within the business community against the measure. In my interviews, not one industrialist accepted the measure. This consensus enabled the organizations to act together in defense of industrialists' interests. Second, a block within the Constituent Assembly—the Centrão—supported industrialists' position on this question and formulated and implemented an alternative to the measure. Left to their own devices, industrialists would not have agreed on an acceptable alternative. After all, only 37% of the industrialists I interviewed endorsed an indemnity clause.

The Unrestricted Right to Strike

Industrialists were nearly unanimously opposed to the unrestricted right to strike. Only 8% of those I interviewed supported it. Despite this overwhelming opposition, however, industrialists failed to defeat this measure.

Part of their failure resulted from a lack of consensus on an acceptable alternative to the unrestricted right to strike. For example, in my interviews 11% opposed any right to strike. Moreover, the 80% who accepted the right to strike with restrictions could not agree on what those restrictions should be. Some of these industrialists believed that certain forms of strike activity should be proscribed, such as solidarity or political strikes, strikes in essential or public enterprises, and strikes involving picket lines.³⁶ Some favored controls over trade unions' freedom to call strikes. They suggested regulations over strike declarations, such as prior and secret ballot vote by a majority of the membership of the trade union, prior negotiations with employers, and/or advance warning of strike activity. However, they could not reach any agreement on which of these regulations were necessary. While 9% advocated total freedom in

³⁵ Thomas E. Skidmore, *The Politics of Military Rule in Brazil, 1964-85*, (New York: Oxford University Press, 1988), pp.291-292.

³⁶ The explanation for such strong opposition to picket lines is that pickets have generally been violent in Brazil.

declaring strikes, 35% demanded all of the suggested regulations, and 56% accepted some, but not all, of them. This lack of consensus prevented industrialists from proposing a coherent alternative to the unrestricted right to strike. Moreover, unlike the job security measure, they did not have an advocate in the Constituent Assembly capable of posing an acceptable alternative.

The Reduced Work Week

Industrialists also proved incapable of defeating the proposal for a reduction in the work week. The labor movement had initially proposed a reduction from a 48 to a 40 hour week which met with vehement opposition from industrialists. Of those I interviewed, 79% opposed it and 21% accepted it. However, even when the Assembly struck a compromise and adopted a 44 hour week, industrialists opposed it. Only 19% considered it an acceptable level, while 81% believed that workers should work more than 44 hours. On average, the industrialists I interviewed believed that 47 hours was an acceptable maximum.

Industrialists' failure to defeat the 44 hour week resulted from a lack of consensus within the business community. As I noted above, a significant minority of the industrialists I interviewed accepted the reduction. In addition, many industrialists (including 60% of those I interviewed) had already accepted 44 or fewer hours per week in collective bargaining agreements. Moreover, key business elites publicly expressed their willingness to accept a 44 hour week. For example, Albano Franco, head of the CNI, stated that the 44 hour week might cause difficulties, but "in truth, firms are not going to close because of these changes."³⁷ In addition, the most "progressive" members of the business community announced that they could accept the 44 hour week, but not the job security measure.³⁸

Another impediment to industrialists' defeat of the reduced work week was their lack of support from within the Constituent Assembly. The *Centrão* disbanded shortly after the job security measure was defeated but before the work week proposal was debated. One analysis described the reasons for this dissolution as follows: some members left owing to ideological differences; others owing to the widespread corruption used by the block to win votes; and others because the bribes to win loyalty to the group were not high enough.³⁹ Whatever the exact reasons, the defections from the *Centrão* caused industrialists to lose an organized block to defend their interests in the Constituent Assembly and, therefore, the debate on the work week reduction proposal.

³⁷ Franco also mentioned that firms could accept other labor proposals, such as maternity leave for 120 days and double pay for overtime, but that the job security provision would destroy firms. "Empresários Pressionarão PMDB para Fixar Indenização para Demitidos," *Folha de São Paulo*, 4 November 1987, p. 8.

³⁸ They also stated that they could accept the 120 day maternity leave and agrarian reform.

³⁹ *Senhor*, 15 February 1988, pp.23-24.

Industrialists complained about these (and other) losses in the 1988 Constitution. For example, Fiesp stated that labor costs would increase by 30% with the constitutional measures, and many industrialists, concerned about these increased costs, hoped that the Constituent Assembly would fail to ratify the Constitution. One industrialist I interviewed expressed that hope. He stated, "the Constitution will not be passed. It is ridiculous."⁴⁰ Yet industrialists also recognized that, despite these setbacks, they still retained significant control over labor and labor relations. For example, industrialists warned that employers would compensate for the legislative changes by cutting back on their work force or simply not officially registering workers. As a result, these industrialists predicted that workers would actually end up with fewer, rather than more, jobs and rights.

In short, industrialists attempted to elect and influence decision-makers in the Constituent Assembly. However, they did not entirely succeed in defending their interests. While they defeated the job security measure, they could not defeat either the reduction in the work week or the unrestricted right to strike. Their efforts were limited by lack of support within the Constituent Assembly for industrialists' interests, and the lack of consensus within the business community on labor issues and alternatives to labor demands. Another impediment was the strength of industrialists' claims. Since many of the labor issues under debate in the Constituent Assembly had already been accepted by employers as a result of collective bargaining or the political opening (e.g., the right to strike and the reduced work week), their veto strength was greatly reduced. However, despite these setbacks, industrialists recognized that they continued to possess the means to protect themselves from changes in labor relations by laying off radical workers, reducing their work force, or ignoring the law and failing to register workers. Therefore, although industrialists were dissatisfied with many of the changes in labor legislation, they did not fear them.

Worker Representation

The labor movement also began to challenge authoritarian controls over the organization and representation of labor, in particular, 1) government control over trade unions and their leadership selection, 2) prohibition of multisector labor federations, and 3) the scarcity of plant-level representatives. Industrialists endorsed some of these changes, but rejected others. However, even when they failed to defeat changes that they found objectionable, they did not derail the transition to democracy, but rather discovered means of minimizing the impact of these changes on their production and profit levels.

⁴⁰ Interview with a president of a chemical company, Number 137, 3 June 1988.

Trade Unions

Not surprisingly, part of the labor movement vehemently defended the freedom and autonomy of trade unions.⁴¹ However, I was surprised to find that most of the industrialists I interviewed (61%) also supported a trade union autonomy and freedom measure for adoption in the new Constitution. While on the surface this position suggested that a progressive and democratic group of industrialists had emerged in Brazil, not all of these industrialists advocated the measure because it would create more representative trade unions with greater liberty to defend workers' rights consistent with the new democratic values in the country. Instead, many industrialists considered union autonomy and freedom a means by which industrialists could strengthen their power vis-à-vis unions, since plurality and competition would fragment the union movement. As one business leader succinctly stated, "the more they [the trade unions] fight amongst themselves, the weaker they are, and that benefits us."⁴² Another industrialist stated that union plurality was the only way to weaken the force of the union movement and end the "república sindicalista" (the union republic).⁴³ These industrialists also thought that union freedom and autonomy would enable employers to create and finance trade unions favorable to business interests, and thereby control the radicalization of the trade union movement.⁴⁴ Indeed, many had already engaged in this kind of action. Several industrialists I interviewed confirmed rumors that members of the business community had financed the election of conservative trade union leader Luís Antônio Medeiros to the presidency of the São Paulo Metalworkers Union, the largest trade union in Brazil. Medeiros had cofounded a strain of union conservatism, called "sindicato de resultados," or results-oriented unionism, which advocates unions dedicated exclusively to bread-and-butter issues, and the use of strikes only as a last resort after extensive negotiations. In other words, the industrialists who endorsed union autonomy and freedom did so for democratic, pragmatic, and reactionary reasons. Thus, while they proved more tolerant of the liberalization over trade unions, they also saw this liberalization as a means of reducing trade union power.

⁴¹ CUT endorsed trade union autonomy and freedom from state control. CGT, on the other hand, opposed it because it feared that the union movement, which had gained power due to its unity, would become fragmented with the adoption of union autonomy. It feared that Fiesp and other employer groups would have the power to finance their own unions, co-opt the union movement, and destroy trade union solidarity. CGT also worried that the government would revoke obligatory union dues, which would force unions to develop their own source of financing, thus requiring them to spend more time on preparing budgets and raising funds, rather than on union activities.

⁴² Interview with a director of a small metalworking company, Number 133, 1 June 1988.

⁴³ Interview with a director of a large textile industry, Number 117, 6 May 1988.

⁴⁴ Interview with a president of a large Brazilian firm, Number 146, 10 June 1988.

The final decision on union representation in the 1989 Constitution was highly ambiguous. It granted workers the freedom to form unions, but allowed only one union to represent workers in each sector in a given region. In other words, it struck a compromise between workers' freedom on the one hand, and competition and fragmentation on the other. Industrialists did not object to this compromise.

Labor Federations

The Constitution overturned the military regime's prohibition of multisector federations. Surprisingly, most of the industrialists I interviewed accepted this change. Indeed, 68% even stated that they believed labor federations had an important function to (listed in order of frequency mentioned): represent and defend the interests of workers; coordinate trade union activities; strengthen and unite the labor movement; and mobilize workers. Nonetheless, most of these industrialists were skeptical of the high degree of politicization in the industrial community. For example, 54% stated that partisanship prevented these federations from achieving their goals. On the other hand, partisanship also divided the federations. The CUT was allied with the PT, and the CGT was allied with the PCB and PC do B (the two Communist Parties in Brazil). And political factions surfaced even within the two broad labor federations, which prevented those federations from speaking with one voice. It is possible, therefore, that industrialists' tolerance of these federations stemmed from their perception that they, like the trade union movement as a whole, were not a threat owing to ideological fragmentation.

Plant-Level Representatives

While industrialists demonstrated acceptance of free and autonomous trade unions and the reemergence of multisector labor federations, they did not have the same tolerance toward the representation of workers within the firm. Although an increasing number of firms used direct, firm-level negotiations, almost all industrialists resisted plant-level representation of workers (called "comissões de fábrica," or plant committees).⁴⁵ In 1979 the Group of 14 refused to negotiate the issue of plant committees, which it deemed "inconvenient for the moment." When in 1980 additional firms adopted plant committees to reduce conflict,⁴⁶ they were criticized by their colleagues, one of whom called the action a means for opening up the way to "undesirable" union delegates.⁴⁷ When the São Paulo, Osasco, and Guarulhos metalworkers' union made plant committees one of their demands, Fiesp rejected the idea, stating that such a system

⁴⁵ Alves, *State and Opposition in Military Brazil*, p.200.

⁴⁶ Factory commissions already existed in Saab Scania (1977), Radio Frigor, Termomecânica, and Hevea. Volkswagen set up a commission in 1980, but it came under attack by unions for trying to undermine union strength by setting up a parallel union.

⁴⁷ "A Aposta da Volks" *Veja*, 17 October 1980, p.116.

required more investigation before implementation.⁴⁸ Industrialists stated at the time that they were not opposed in principle to such an arrangement, but felt that neither Brazilian workers or employers were experienced enough to adopt it.⁴⁹ By 1981 Fiesp appeared more conciliatory on this issue; it stated that it would begin suggesting to employers that they allow plant committees.⁵⁰ However, I found no evidence in the Fiesp archives of this kind of endorsement. Of the industrialists I interviewed, only 23% accepted the concept of plant committees, and only 10% allowed them in their firm.

Those who allowed plant committees tended to be from large, multinational, and metalworking firms. However, few of these executives were happy with such forms of representation. According to trade union leaders, whose opinions were verified by strike reports, industrialists systematically used illegal strikes as an excuse to discharge members of the plant committees, rather than promoting plant committees. This practice rendered them impotent.⁵¹ Several industrialists I interviewed (17%) defended their right to do so. They argued that one necessary criterion for discharging workers was their involvement in leftist or union politics in the firm. Therefore, as long as industrialists enjoyed the freedom to fire employees for these reasons, they continued to possess a weapon against the unwanted plant committees. Thus, few industrialists protested the measure in the 1988 Constitution that recognized the workers' right to form plant committees.

In short, despite significant reductions in control over the organization and representation of labor, industrialists did not fear the labor movement. Instead, they continued to enjoy certain protections from labor. The liberalization increased competition among trade unions and federations and their leaders, which reduced the power of these organizations. Employers' financial resources enabled them to influence union leadership. Finally, their freedom to discharge labor activists enabled them to rid themselves of any workers who seriously challenged their authority.

48 "Os Empresários Ameaçam Entrar no Páreo em 82" *Istoé*, 22 October 1980, p.17.

49 See "As Grandes Lições da Greve dos Metalúrgicos," *Exame*, 21 May 1980, pp.19-21 and "O Diálogo com os Metalúrgicos," *Gazeta Mercantil*, 21 May 1980.

50 "Empresário acha Fiesp Madura para Estimular Comissão de Trabalhador," *Jornal do Brasil*, 24 September 1981, p.8.

51 Interview with Jair Meneguelli, CUT headquarters, São Paulo, Brazil, 27 November 1978. Strike reports are found in the monthly Dieese *Boletim*.

CONCLUSION

My observations of the Brazilian case study of capital-labor relations during the transition to democracy indicate several reasons why business elites can and will tolerate democracy, even when it does not always act in their specific interests.

First, labor or other forms of radicalism do not necessarily accompany democracy or threaten industrialists. The degree of the threat of radicalism felt by industrialists depends on their perceptions of domestic and international contexts, as well as their relative strength vis-à-vis radical elements in society. In the Brazilian case, the elimination of the left by the military regime and the moderation of international leftist movements assuaged industrialists' fears. Even the fears of those who believed that a revolutionary left existed in Brazil were mollified by the realization that the labor movement lacked power.

Second, although democracies may bring unwanted changes, industrialists will acquire the means of offsetting the negative impact of those changes. The gradual transition to democracy in Brazil enabled industrialists to increase their bargaining and negotiating skills. In the process, they learned to resist workers' demands without relying on an authoritarian state. In addition, the gradual transition process meant that many industrialists had already adapted to changes in labor relations that were eventually adopted in the 1989 Constitution (e.g., the right to strike, the reduced work week, and multisector labor federations). In other words, industrialists can maintain control over changes as long as they occur gradually.

Third, although democracies may go "too far" in some areas, they may also provide industrialists with the means of protecting other interests. For example, the New Republic government provided business elites with new channels (i.e., elections and the lobby) to influence political outcomes. Although industrialists vehemently opposed the unrestricted right to strike and the reduction in the work week, they could not defeat those measures. On the other hand, Brazilian industrialists successfully used these new channels, and their substantial political resources, to defeat the job security measure. Without the job security measure, industrialists could discharge workers who led or engaged in strikes. Industrialists also possessed illegal means of protecting themselves (e.g., failing to register workers).

Finally, industrialists do not always possess the power to shape political regimes. As I observed in the Brazilian case, industrialists often lack political strength. They lack consensus on issues or alternatives. They also lack support from other social groups for their specific proposals. Thus, they are often forced to accept and adapt to the political system, since they lack the political strength to change it.