



Gig Economy, Austerity and “Uberization” of Labor in Brazil (2014 – 2019)

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Abstract: This article aims to understand the exponential growth of the “Uberization” of labor in Brazil by analyzing the economic crisis and the austerity program that started in 2014. The emergence of the gig economy and the “Uberization” of labor is a global trend, and Brazil has experienced the exponential growth of these types of labor relations in recent years. Millions of Brazilian workers now rely exclusively on digital platforms for their income, without any labor protections. We argue that Marx’s *Capital* provides a rigorous starting point for understanding this process and its consequences for workers. However, it is only possible to understand the current rise of this process in light of Brazil’s economic crisis and the austerity program that responded to it. The attacks on labor by capital in response to the profitability crisis penalized the working class and prompted the rapid growth of the “Uberization” of labor in Brazil, providing an alternative form of capital accumulation.

Keywords: Gig Economy; Austerity; Uberization of labor.

Resumo: O objetivo do presente artigo é compreender o crescimento exponencial da Uberização do trabalho no Brasil ao analisar a crise econômica e o programa de austeridade colocado em prática a partir de 2014. A emergência da gig economy e a Uberização do trabalho é uma tendência global e o Brasil tem experimentado um crescimento exponencial desse tipo de relações de trabalho nos anos recentes. Milhões de trabalhadores brasileiros agora obtêm sua renda exclusivamente de plataformas digitais sem direitos trabalhistas. Argumentamos que *O Capital* de Marx um rigoroso ponto de partida para compreender esse processo e suas consequências para os trabalhadores. Entretanto, só é possível entender o atual crescimento desse processo ao considerar a crise econômica e, como resposta a ela, o programa de austeridade. A ofensiva do capital sobre o trabalho como resposta à crise de lucratividade penalizou a classe trabalhadora proporcionando o rápido crescimento da Uberização do trabalho no Brasil e uma alternativa para acumulação de capital.

Palavras-chave: Gig Economy. Austeridade. Uberização do trabalho.

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Introduction

In the past decade we have seen the emergence of a very peculiar synthesis between Information and Communication Technologies (ICT) and decentralized, part-time and on-demand labor relations (DE ESTEFANO, 2016; JOHNSTON; LAND-KAZLAUSKAS, 2019; BLOOMER, 2019). This phenomenon has been characterized as the *gig economy*, and these specific labor relations as *Uberization*. Although the latter term cites a specific company (Uber), it refers to the overarching arrangements of this kind of work (FONTES, 2017).

The expansion of this phenomenon in the world has gotten faster. Over the past decade, we have seen on-demand, part-time, and precarious jobs without basic workers' rights multiply in different sectors of the global economy. However, it is through digital platforms that connect producers and consumers that the growth of this phenomenon has been most visible (FONTES, 2017). The gig economy generated more than US\$250 billion in gross revenue in 2019 and the expectation is to reach more than US\$450 billion in 2023. The main contributors to this figure are the US, Brazil, France and the United Kingdom (MASTERCARD; KAISER ASSOCIATES, 2019).

The expansion (though not the genesis) of the *Uberization* of labor is closely related to the recent capitalist economic crisis (neoliberal accumulation pattern). The offensive of capital over labor during this crisis period opened up the possibility of the phenomenon's expansion as a result of the explosion of unemployment and the destruction of basic social safety nets. In an environment of crisis and lack of opportunities, with formal jobs becoming more and more scarce, workers have no choice but to integrate into this process of *Uberization*. *There is no alternative* but being a gig worker to survive.

This is a worldwide trend and can be seen in many countries. The Brazilian case is no different. In less than a decade, we saw rapid growth of this phenomenon across the nation. Today, according to IBGE and Instituto Locomotiva, more than 5 million Brazilian workers derive their main source of income from digital platforms like Uber and at least 17 million get some occasional income from digital platforms. Although the Brazilian labor market has always included a significant number of workers with informal employment, we argue that the Brazilian crisis, the austerity program, and the offensive of capital against labor initiated in 2014 favored the considerable expansion of the *Uberization* of labor.

The majority of the literature on this issue tries to understand this process as something relatively independent from the accumulation of capital, avoiding a more critical reading; and some of the literature is even quite apologetic (RINEHART; GITIS, 2015; ISTRATE; HARRIS, 2017; JOHNSTON; LAND-KAZLAUSKAS, 2019; MASTERCARD; KAISER ASSOCIATES, 2019). But in our view, there are a lack of studies based on a critical theoretical framework. To fill the absence of critical perspectives on the issue, we are going to focus our analysis on the tradition of the critique of political economy. The rigorous categorical and theoretical framework

provided by the Marxist perspective can give us the tools to understand the big picture in this trend.

To do this, first we are going to lay out some of the characteristics of the gig economy and *Uberization* in the current literature. In addition, we will discuss how Marx (1976) already identified something very close to the main features and consequences of *Uberization* when he determined that piece wages are the most adequate form of wages for the capitalist economy. *Uberization* involves the combination of new technologies and forms of property, but remains in essence the same exploitative relationship between capital and labor.

After that, we explain the rise of the *Uberization* of labor in Brazil by analyzing the economic crisis and the austerity program that began in 2014. Our argument is not that the economic crisis and the austerity program are the genesis of this process, but that they can explain its exponential growth during this period. Those links are described, together with some comments about the recent accumulation process in Brazil, in an attempt to fill the gaps in studies on this subject.

The remainder of the paper is organized into two sections, and then followed by our conclusions. After the introductory section, we explore the general characteristics of the gig economy and the *Uberization* of labor. In the next section, borrowing from the tradition of the critique of political economy, we seek to understand the rapid expansion of *Uberization* by analyzing the economic crisis and the results of the austerity program for workers and for capitalists in Brazil.

1 The Gig Economy and Labor

The current online gig economy is nothing more than a business model characterized by the part-time and temporary employment of the workforce in technology-influenced sectors. From the workers' standpoint, these jobs are mostly based on temporary and freelance contracts, with workers subject to different modalities: part-time, self-employed, on demand, temp agencies, etc. (RINEHART; GITIS, 2015; JOHNSTON; LAND-KAZLAUSKAS, 2019).

The current online gig economy represents the maturation of the process of economic globalization and technological development. Starting in the 1970s, we can see the transition from the metal-mechanical-chemical productive paradigm to microelectronics and telecommunications (PEREZ, 2002). Maturation, therefore, refers to this long process of technological development of Information and Communication Technologies (ICT) that will lead to the online business models and forms of labor exploitation under contemporary capitalism.

We can identify at least three major characteristics of this business model. The first concerns the form of the work. Unlike the standard job in which a worker receives a fixed wage, in the gig economy the salary depends exclusively of the number of tasks or projects performed (gigs). The second refers to the form of consumption. Consumers can access a huge variety of options for goods and services through digital platforms.

Finally, the third characteristic concerns the way in which the intermediary company connects producers and consumers via digital platforms (ISTRATE; HARRIS, 2017; BLOOMER, 2019).

Accordingly, the three pillars of the gig economy are the digital platform companies, the gig workers, and the final consumers. From the perspective of digital platform companies, these companies have been the driving force behind the expansion of this phenomenon. These companies facilitate transactions between consumers and producers via digital platforms, make work more flexible, provide online payment options (which charges significant fees), and provide online profiles that include the reputations of producers and consumers (ISTRATE; HARRIS, 2017).

These central characteristics of this type of work have been referred to as *Uberization* (FONTES, 2017). Although Uber is just one among many companies, it has grown exponentially worldwide over the years. Therefore, when speaking about the *Uberization* of labor, we are merely reaffirming a general trend in the accumulation of capital and subordination of labor.

The rapid growth of the gig economy is a global trend, and we can see the sudden rise of this type of work worldwide (JOHNSTON; LAND-KAZLAUSKAS, 2019). In 2018, the gig economy generated revenue of US\$204 billion worldwide; by 2019, this number had grown to more than US\$250 billion, and the expectation is that it continues to grow, reaching more than US\$450 billion in 2023. Within these figures, the transportation sector corresponds to 58% of total gross revenue. The countries leading this movement are the US, Brazil, France, and the United Kingdom, in that order. However, emerging markets such as India and Indonesia are seeing very rapid growth in the gig economy (MASTERCARD; KAISER ASSOCIATES, 2019). Emerging markets saw a 30% increase in the use of gig work on digital platforms (FORBES, 2019).

Looking at the US specifically, the share of workers laboring under the gig conditions specified above jumped from 10.1% in 2005 to 15.8% in 2015. Between 2005 and 2015, the number of self-employed workers increased by 19% in the US (ISTRATE; HARRIS, 2017). Furthermore, pay for these kinds of jobs is very low. For example, in the US some jobs on digital platforms pay \$2 an hour, or less than one-third the country's average minimum wage (ILO, 2018). As we will see, due to gig wages the workday has been extended to more than 10 hours a day in order for workers to earn enough to survive.

In the United Kingdom, *Uberization* has doubled in three years, with 4.7 million gig workers in 2019 - a number that is expected to increase in the coming years. As digital platforms proliferate, 1 of 10 workers in the UK are currently employed in the gig economy (PARTINGTON, 2019).

According to Bloom (2019), the number of workers in gig economy-based jobs doubled in the European Union between 2000 and 2014, making this type of labor relationship the fastest growing kind of employment. In South Africa, there are at least 30,000 gig

workers, split into two groups: taxi drivers and delivery workers. And these numbers are increasing very quickly worldwide.

Under this form of capital accumulation, a company owns only some of the means of production necessary to perform that company's main activities. The online platform is the place where the intermediary activities are carried out and delivered. Because of that, the companies have full control over how they manage and combine the means of production with the workforce needed to serve the consumer market, without ever requiring the company to formally employ those intermediaries (FONTES, 2017).

Thus, for companies like Uber, once their platform is up and running, the costs of maintaining that platform are insignificant, and do not vary directly with the amount *transportation services* sold by their precarious *employees* through the app. On the other hand, these companies can disappear overnight if all their users, instead of using their platform, use a competing platform or (in an unlikely but quite feasible scenario) even a state-owned platform that does not charge fees from workers.

Under these conditions there is a strong interrelationship between "[...] the most concentrated forms of property, which enables them to economically control the process [...], [and] control the extraction, the capture of surplus value and its circulation back to property"¹ (FONTES, 2017, p. 56). The financing of these big gig economy platforms is closely linked to the high returns these companies provide to investors. That is, "[...] it ties in closely with investors who, [holding] monumental amounts of money, need to turn them into capital, that is, invest them in value extraction processes" (FONTES, 2017, p. 56).

Because the workers are the ones who own most of the means of production, all the repair and improvement costs and depreciation are shouldered by the workers themselves. If we use Uber as an example, we can see that the automobile (as a means of production) is owned by the worker or, in some cases, rented by the worker. Therefore, in addition to the fees charged by digital platforms, accounting for around 20% to 25% of their revenue, workers bear all the extra costs for maintaining their own means of production, such as fuel, repairs, fixing flats, etc. In other words, according to Fontes (2017), "[...] [the] company moves away from concrete life and makes a point of ignoring workers' living conditions, ensuring a near-zero cost for machinery, raw materials (fuel, repairs, fleet renewal) and the workforce itself" (FONTES, 2017, p. 57). The company only has to pay for the platform's maintenance and the structure needed to sustain it.

On the other hand, the intensification of capital's command over labor becomes more evident. The control of the labor process is absolutely centralized and labor costs are reduced. At first glance, the digital platform's role in connecting producers directly to consumers seems to provide greater autonomy to workers. However, producers and consumers must be registered with the platforms and be subjected to the decisions imposed by algorithms. Control over labor becomes impersonal and happens in real time (FONTES, 2017).

¹ All quotes were translated by the authors.

In *Capital*, Marx (1976) already identified in piece wages something very similar to the consequences of what we can see in the current gig economy. In the chapter on piece wages in Volume I of *Capital*, Marx explained how this type of work was not altogether new, and in fact coexisted with other forms of payment. That is, “[...] both forms of wages exist side by side, at the same time” (MARX, 1976, p. 692). What needs to be understood, however, is that the form of wages, be it by piece (gig) or by time, “[...] in no way alters their essential nature” (MARX, 1976, p. 693).

Similarities to the digital-platform business model can be found in his description of this form of wages. In piece wages, “[...] [t]he quality of the labor is here controlled by the work itself, which must be of good average quality if the piece-price is to be paid in full [...]” (MARX, 1976, p. 694) – and this also applies to services provided, such as deliveries and transportation. Depending on a consumer’s evaluation, therefore, the goods produced or services offered in the gig economy may be subject to a series of penalties that can lead to discounts or even, in the case of digital platforms, workers being blocked from the platform for a certain period of time. That is, this form of wage can “[...] become, from this point of view, the most fruitful source of reductions in wages, and of frauds committed by the capitalists” (MARX, 1976, p. 694).

The intensity and length of the workday are controlled by the workers themselves, who want to increase their daily earnings and intensify their own exploitation to the maximum. As Marx argues (1976), “[...] [s]ince the quality and intensity of the work are here controlled by the very form of the wage, superintendence of labor becomes to a great extent superfluous, [...]” (MARX, 1976, p. 695) and as a result this form of wages (piece-wage) became a better “[...] hierarchically organized system of exploitation and oppression” (MARX, 1976, p. 695).

Parallel to this, there is an expansion of the capitalist segments that seek to monetize these activities. As shown by Marx (1976), these kinds of capitalist arrangements “[...] make it easier for parasites to interpose themselves between the capitalist and the wage-laborer” (MARX, 1976, p. 695). A clear example of this today can be seen in Uber, with a range of intermediaries looking to rent cars (means of production) to gig workers, creating an additional layer between the company and the worker.

As a result of the salary being based on piece or gigs, “[...] it is naturally in the personal interest of the worker that he should strain his labor-power as intensely as possible; this in turn enables the capitalist to raise the normal degree of intensity of labor more easily” (MARX, 1976, p. 695). More than that, “[...] lengthening of the working day is now in the personal interest of the worker, since with it his daily or weekly wages rise” (MARX, 1976, p. 696).

According to Marx, and here again we can see the analogy to the gig economy, this labor relationship also provides comforting illusions for workers who, in a competitive struggle among themselves, believe that they have greater freedom, autonomy and independence. But in reality, they are just as much in a constant struggle to survive. In his words, “[...] the wider scope that piece-wages give to individuality tends to develop both that individuality, and with it the worker’s sense of liberty, independence and

self-control, and also the competition of workers with each other" (MARX, 1976, p. 697).

Despite all these specificities, Marx argues that in essence there is no difference between hourly wages and piece wages. They appear to be different, but in essence are two aspects of the same salary regime. In addition to the consequences of piece-wages, which is favorable to capital, Marx (1976) tells us that this kind of wage regime was in fact a good fit for this mode of production: "From what has been shown so far, it is apparent that the piece-wage is the form of wage most appropriate to the capitalist mode of production" (MARX, 1976, p. 697-698).

In essence, however, there is no distinction in salary regimes, be they piece-wage, gig, or other form of wages. However, nowadays these features are much more intensified. First, as we stated above, the property is much more concentrated in monopolistic trans-national tech companies² (FONTES, 2017). Contemporary technological development based on ICT provides the basis for the generalization and amplification of piece wages – indeed, only with this stage of technological development is it possible to generalize and amplify this kind of wage form, because algorithms in the platform allow for greater control over the labor process: the technology brings together a search engine and payment platform with "[...] a locator, which ensures the worker's dependence [on the technology], because they need the credit card and the locator tracks all their movements once the cell phone is activated (main connection)" (FONTES, 2017, p. 56).

The piece-wage regime was based on outsourcing work to subcontractors. Now, although workers appear to have more autonomy and independence in the labor process when compared to other forms of wages, in reality they have much less control. The combination of this form of piece wage and the decentralization made possible by new technologies provide capital with greater indirect control over the labor process than in the past. The subordination of labor is incessant. That is, the real subordination of labor, a characteristic that marks capitalist production, as Marx (1976) pointed out, now appears in the form of algorithms and digital platforms – the product of a machine whose logic is not mechanical but cybernetic: an automaton machine, which learns and needs to be fed (PRADO, 2005).

What is behind the growth of this process in contemporary capitalism is the close relationship between financial capital and the platforms. The neoliberal regime of capital accumulation is based on the hegemony and dominance of financial logic in resource allocation (SAAD FILHO, 2015; LAPAVITSAS, 2013). "[I]n essence it expresses the control of interest-bearing capital [...] over the allocation of social resources and social reproduction more generally, through different forms of fictitious capital" (SAAD-FILHO, 2015, p. 65). From the point of view of capital, the stock market provides short-term revenues. That explains why these companies (such as Uber) can operate with huge operational losses. Thanks to the support of financial capital in

² Something already identified by Marx (1976, Chapter 25) as a tendency of capitalism in the form of centralization of capital.

search of value extraction, companies like Uber can post big losses without ceasing to exist³.

Prado (2005) argues that the technological development of contemporary capitalism, mainly in the form of expanding ICT, made possible the rise of companies that do not produce commodities, like they did in the past. Instead, they can profit from their monopolistic power in the market and the rights to use their capital. The company “[...] does not directly produce and sell goods in the ordinary way; it commercializes the right of access to its patents, copyrights, brands, projects and production processes, etc.” (PRADO, 2005, p. 108-109). That is, the logic of finance is incorporated into the companies. “Here we have another way of subordinating productive capital - as an insurmountable moment in the valorization process - to the logic of financial capital” (PRADO, 2005, p. 109).

That’s because the company does not sell the commodity (the platform), but only “[...] transfer[s] the right to use it [...]” (PRADO, 2005, p. 107) for a period. So, these platforms “[...] become commodities borrowed as capital” (PRADO, 2005, p. 108). In the Marxian framework, any amount of a commodity or money can possibly become capital, and thus become interest-bearing capital. According to Marx, “[...] [w]hat allows any commodity or sum of money to become interest-bearing capital is because it is, above all, a sum of value. The characteristic of being a sum of value assures its transformation into loanable capital”⁴ (TEIXEIRA; ROTTA, 2012, p. 17).

The main assets of these big tech companies are the rights to use their property in the form of loanable capital. The company in this case is “[...] wholly a rentier [and] able to obtain interest, dividends, monopoly rent, as well as speculative income, from its financial assets, among which are also potentially productive assets” (PRADO, 2005, p. 109). This clearly seems to apply to digital platforms. As we stated above, the extraction of value on these platforms is automatic: the company retains part of the worker’s compensation directly through the platform – a form of interest, since the digital platform company loaned the right to use its capital (platform) – by charging a fixed fee of between 20% and 25% in most cases.

The digital platforms seem to be a form of interest-bearing capital. The digital platform is the big tech monopoly that intermediates the transactions between producers, consumers and gig workers, lending the right to use its capital. They do not produce profit from production, but the company “[...] is an income-raising enterprise par excellence, that is, a *rent seeker* firm” (PRADO, 2005, p. 109).

³ <https://www.reuters.com/article/us-uber-results/uber-sees-profit-by-end-of-2020-but-still-expects-full-year-loss-idUSKBN2002UQ>.

⁴ It’s important to note that Teixeira and Rotta (2012), although following Prado (2005) in some aspects, diverge in their conclusion about the appropriation of value in these cases, arguing that the basis of such appropriation is a kind of rent-bearing capital. In this study we follow Prado (2005), arguing that it is more appropriate to characterize digital-platform companies as a form of interest-bearing capital (commodities borrowed as capital).

2 Crisis, austerity and *uberization* of labor in Brazil

To understand the expansion of *Uberization* of labor in Brazil we must first discuss the factors that led to its expansion that go beyond mere technological development. We argue that the Brazilian economic crisis and the imposition of an austerity program starting in 2014 – which continues to the present day – is one of the main causes of the great expansion of precarious, part-time work without rights or safeguards on digital platforms. It is important to note that in underdeveloped countries like Brazil, the labor market was always marked by informality. Our aim is only to connect the consequences of the crisis and austerity to the expansion of the *Uberization* of labor.

Between 2003 and 2013, Brazil's economy grew faster than the average of the previous two decades. During this period, Brazil grew on average 3.5% a year, and this was accompanied by an improvement in formal employment, income distribution and poverty reduction (SAAD-FILHO, 2019). However, starting in 2011 it became evident that this accumulation cycle had been exhausted, leading to a shrinking of Brazilian GDP in 2014, a decline that was accentuated in 2015 and 2016 (cumulative drop of 6.9%), and a much greater drop in investments, falling 28% between 2014 and 2018 (PINTO *et al.*, 2019).

Faced with this crisis, all the small advances made between 2003 and 2013 were quickly reverted. Brazil's social indicators suffered a dramatic deterioration, especially in employment (PINTO *et al.*, 2019). Whereas unemployment had been falling during the period of relatively high economic growth, reaching 6.5% at the end of 2014, at the beginning of 2019 unemployment had climbed to 12.7% (see Graph 3). We must understand the fiscal adjustments carried out during this crisis period as exclusively directed at penalizing labor in the struggle between capital and labor.

According to Pinto *et al.* (2016), the PT (Workers Party) administration that came to power under Lula was guided by a broad coalition between some factions of the ruling classes and the working class in an attempt to expand support for the new government. For Filgueiras (2019), the Workers Party was able to govern by forming a bloc composed of some sectors of the ruling class – who supported socially liberal policies during a favorable economic period – allied with unions and social movements.

The international scenario (mainly China and the commodities boom) and some slight changes in economic policy supported Brazilian economic growth from 2003 to 2013, allowing a very particular combination of gains in terms of capital accumulation as well as in labor and social benefits. Thus, the favorable external scenario, the expansive cycle of accumulation, and the softening of the class struggle momentarily eased the contradictions in the capitalist system.

During this period, for example, the Brazilian minimum wage (in US dollars) went from \$74.67 in 2003 to \$308.09 at the end of 2014, peaking at \$326.35 in 2011 (DIEESE). Thus, as Pinto *et al.* (2019) argue, even during the downturn, between 2011 and 2014, the real increase in the minimum wage reached 11%.

Similarly, private sector profit rates had reached a very high level by 2010 (see Table 1). However, with the slowdown in the global economy after 2011 (mainly China) as a result of the great recession of 2008, the situation in the periphery of the economic system, including Brazil, had worsened with the drop in demand and in commodity prices. According to Pinto *et al.* (2019), this phenomenon “[...] negatively affected income, the balance of payments, foreign exchange and investments, especially those in the capital-intensive commodity industries (oil and gas, steel, pulp and paper, mining, etc.)” (PINTO *et al.*, 2019, p. 9).

In order to artificially revert the drop in the Brazilian economy’s profitability and try to maintain employment levels, during Dilma Rousseff’s (PT) first term (2010-2014) she maintained Lula’s characteristic class conciliation, with some changes in economic policy – emphasizing private investment through tax incentives and by reducing the interest rate in 2012, along with “[...] currency devaluation; extension of tax exemptions for industrial entrepreneurs; reduction of electricity tariffs and price of oil products; decrease in public spending and investments” (PINTO *et al.*, 2019, p. 8). However, these mechanisms did not have the desired effect, and the slowdown intensified as the international scenario deteriorated. Furthermore, despite government incentives, the private sector reduced investments during this time of uncertainty and collapsing demand that went hand in hand with limitations imposed by high levels of debt (MARQUETTI, HOFF AND MIEBACH, 2019).

As can be seen in Table 1, the main sectors of the Brazilian economy (except the financial sector) saw profit margins fall after 2011, even with tax incentives in place to stimulate private investment.

Table 1 - Return on equity (%) (2007 - 2014).

	2007-2010	2011-2014
500 largest non-bank companies	10.1	5.3
Banking and Finance Sector	20.7	21.5
6 largest construction companies	15.9	10.6
Automakers	64.4	32.0
6 biggest foods and drinks	11.6	14.9
Oil, Gas & Refining (Petrobras)	18.4	21.1
6 largest steel mills	4.0	1.5

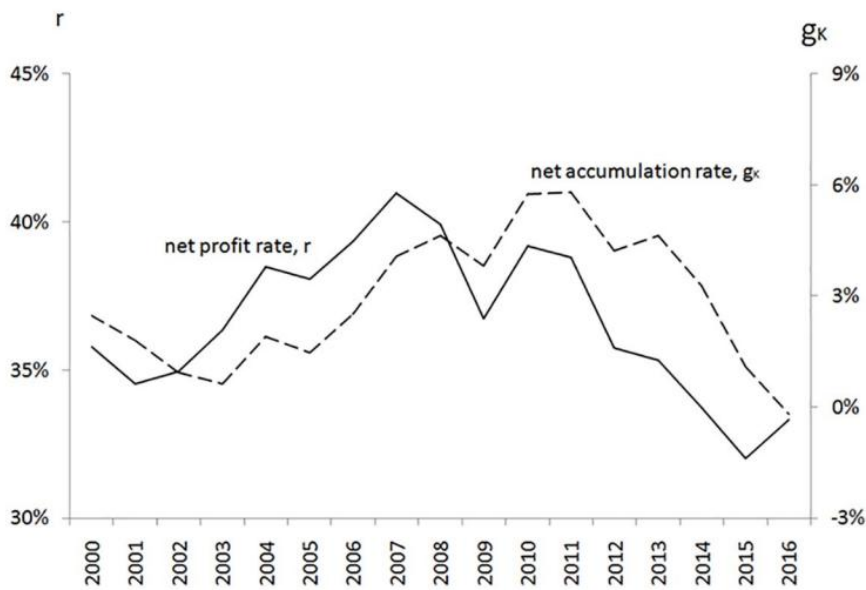
Source: Pinto *et al.* (2019) with modifications.

Thus, while in the period prior to 2010 it was possible to reconcile real wage gains with high profits due to a very favorable international scenario, during the crisis this became unsustainable from the standpoint of capital. With the international crisis and

the slowdown in the Brazilian accumulation cycle, the cross-class coalition that had been formed in 2003 became unsustainable. The intensification of the conflict over the appropriation of income by capital and labor intensified, and the ruling classes, using their social power, pressed for the resolution of the conflict by reducing labor costs and public spending through an austerity program (PINTO, *et al.*, 2019).

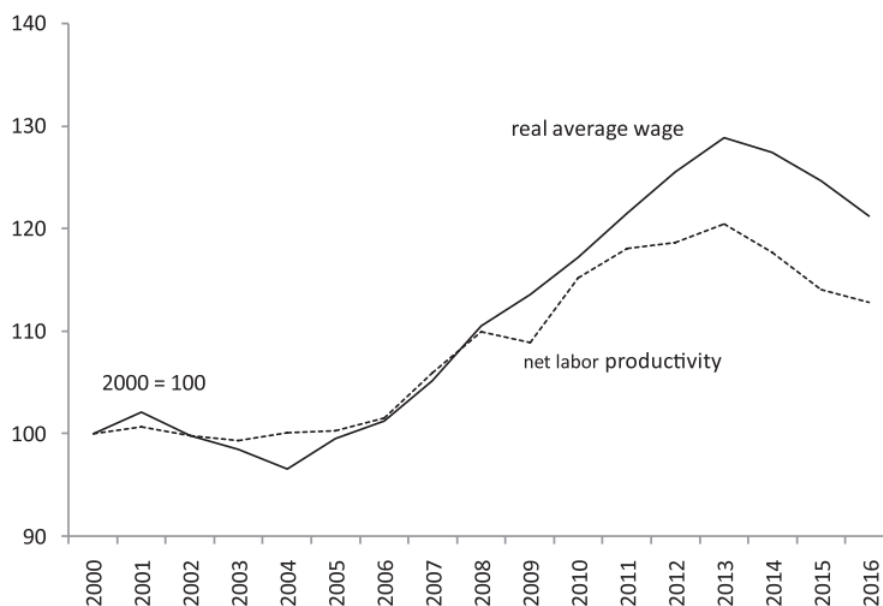
In Graph 1 and 2 we can clearly see this by comparing the fall in profitability and the growth of real wages in the Brazilian economy. The pressure on profitability caused by the growth of real wages during a slowdown in the economic cycle that started in 2011 forced the capitalist class to advocate for an austerity program.

Graph 1 - Net profit rate and capital accumulation, 2000 – 2016



Source: Marquetti, Hoff and Miebach (2019).

Graph 2 - Real average wage and net labor productivity, 2000 – 2016.



Source: Marquetti, Hoff and Miebach (2019).

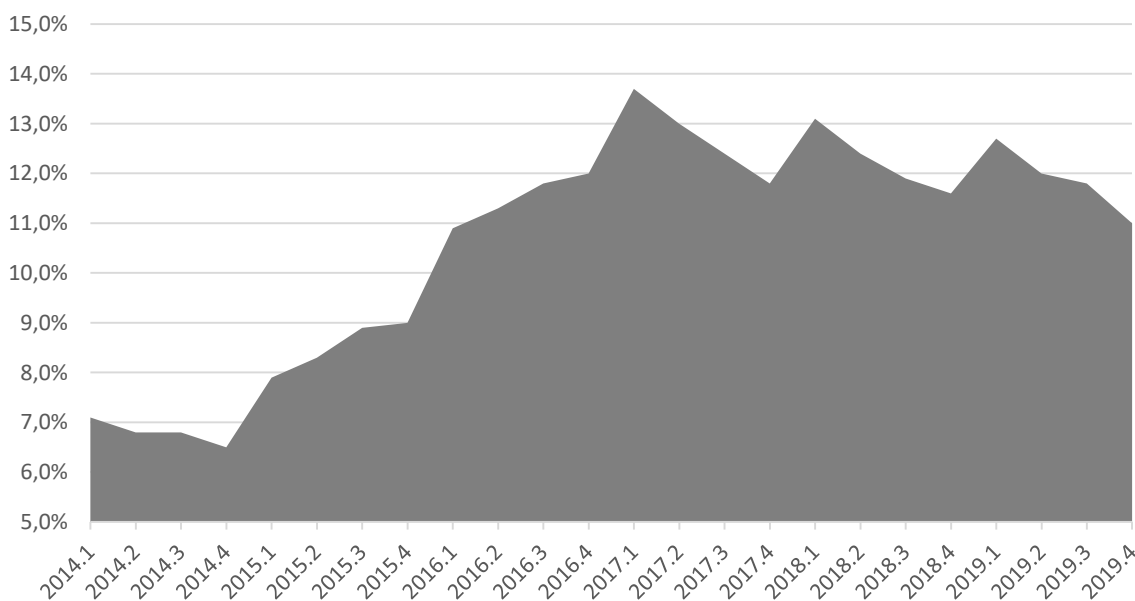
This process of capital putting pressure on labor during economic slowdowns is not new. As Marx (1985) pointed out as early as 1865, during periods of slowing economic growth, capitalists apply pressure, through their social power, to decrease wages and eliminate social benefits. If the workers are not organized, this occurs easily. That is what happened in Brazil.

It was as a result of this intensification of the conflict between capital and labor - with profit margins declining during the economic slowdown and pressured by the real increase in wages - that President Dilma Rousseff put an austerity program in place. In 2014, even before the beginning of Rousseff's second term, economic policies suffered a setback, moving toward economic orthodoxy through austerity, fiscal adjustments, and a push for labor and pension reforms⁵ (PINTO, *et al.*, 2019).

The immediate result of the implementation of this austerity program - with an increase in the benchmark Selic interest rate from 10.9% a year in 2014 to 13.5% a year in 2015, cutbacks in public spending, suspension of public works projects, and reductions in investment - was the decline in average workers' real income between 2015 and 2016. More specifically, real wages dropped 4.9% in the construction sector, 9.1% in domestic services, and 7.1% in agriculture and livestock (PINTO *et al.*, 2019).

As a result, unemployment started to rise. As we can see in Graph 3, following the reelection of Dilma Rousseff and the application of the austerity program, unemployment went from 6.5% at the end of 2014 to 11.3% in the second half of 2016 (when Rousseff was impeached). This boom in unemployment was further accentuated by the intensification of orthodox economic policies under Michel Temer's presidency, peaking at 13.7% (14.2 million people) in the first half of 2017.

Graph 3 - unemployment rate in Brazil



Source: authors' elaboration from IBGE data.

⁵Although Dilma Rousseff had advocated for heterodox countercyclical economic policies in her 2014 reelection campaign, after winning the election Rousseff put orthodox austerity measures in place.

Unemployment is disciplining. It forces workers to accept precarious jobs without rights and for lower wages. And that is the ultimate goal of austerity as a solution for the distributive conflict between capital and labor.

According to Marquetti, Hoff and Miebach (2019), the austerity program was not sufficient to reverse the economic slowdown, and profit rates in the Brazilian economy continued to fall. For this reason, the coalition that Lula had put together in 2003 was soon put in check by the ruling classes. The need to make more adjustments in favor of capital drove support for the parliamentary coup, which materialized in the form of impeachment, as the order of the day. This would speed up and intensify the austerity program in favor of capital (DURIGUETTO; DEMIER, 2017).

The austerity program that began under Dilma Rousseff's government became permanent when Temer became president in 2016, due to the approval of a Constitutional Amendment (EC 95) prohibiting the government from increasing real spending on education, health, security, social benefits and investments during a period of 20 years.

According to Dweck, Silveira and Rossi (2018), this new fiscal rule established permanent austerity in Brazil that makes it impossible for real government spending to increase. Because of population growth, this means that “[...] no real growth in total Federal Government spending will result in a reduction in public spending relative to GDP and per capita” (DWECK; SILVEIRA; ROSSI, 2018, p. 48). “Under the proposed rule, public spending will not keep pace with income growth or population growth in a country whose per capita spending is still very low” (DWECK; SILVEIRA; ROSSI, 2018, p. 48). The result is that millions of Brazilian workers will be denied access to basic public services. Moreover, this fiscal constraint prevents the country from getting out of its current recession.

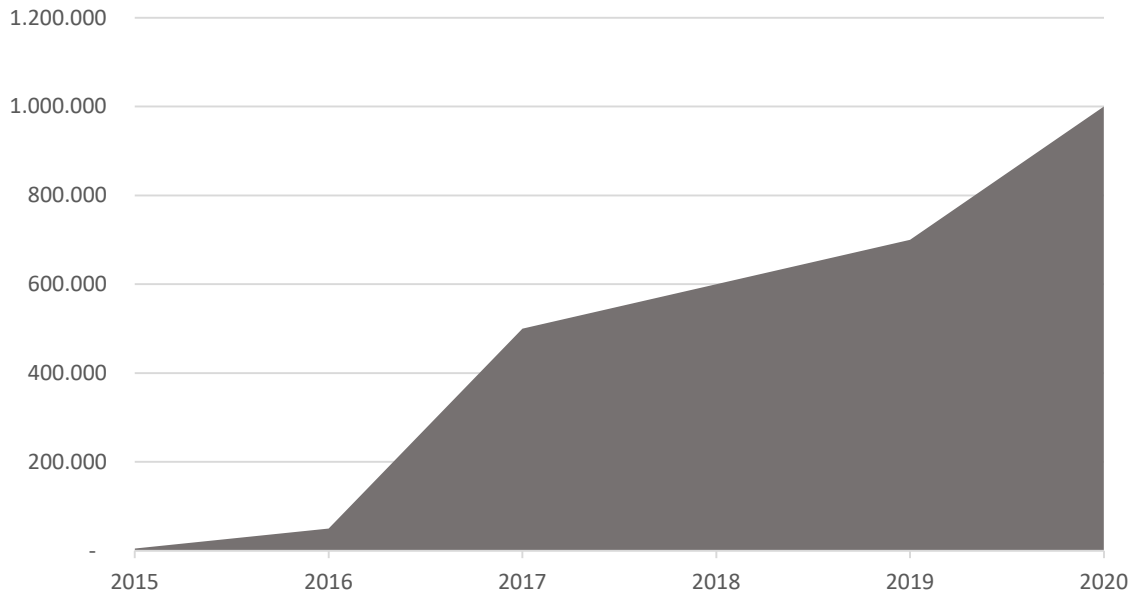
Another important factor in the increase in the precariousness of work and *Uberization* in Brazil was the labor reform package approved by Michel Temer's government in 2017. Espousing neoliberal rhetoric, this reform sought to bring about the *modernization* of labor relations, serving as an important step towards job creation. The concrete reality, however, demonstrated that the purpose of the reform was to increase capital's war on labor during the crisis period, resulting in increased precariousness of work, loss of social rights, reduction of wages, expansion of part-time and temporary work modalities, and the weakening of workers' organizations (KLEIN; GIMENEZ; SANTOS, 2018; AMARAL, 2018).

These key events are crucial to understanding the explosion in the number of gig workers. The Brazilian ruling class is on a crusade against labor. By looking at the bigger picture it becomes possible to understand the exponential growth of the *Uberization* of labor in Brazil. The permanent austerity program, the explosion of unemployment, and unpopular reforms are key to understanding it.

Uber, the biggest gig economy company in the world, arrived in Brazil in 2014 and grew exponentially *pari passu* with the fiscal adjustments and neoliberal reforms. As

we can see in Graph 4, in 2015 the company had only 5,000 drivers registered in the country. In 2016, with the intensification of the fiscal adjustment and rising unemployment, the company grew tenfold, reaching 50,000 registered drivers. In 2017 (permanent austerity), the number of drivers reached half a million. By the third quarter of 2019, the company claimed to have more than 600,000 registered drivers, who had made more than 26 billion trips since the app's arrival in the country. As of August 2020, the company claimed that it had one million "partners," including drivers and delivery workers (UBER, 2020).

Graph 4 – UBER drivers/delivery partners in Brazil



Source: authors' elaboration from Uber data.

In addition to Uber, there are a number of other digital platforms in Brazil that serve as the main source of income for millions of Brazilian workers. In the transportation industry, the main companies are 99 Taxi and Cabify. According to Agência Brasil (CRUZ, 2019), there are 1.1 million people working through transportation apps. In the food delivery sector, the main companies are iFood, Rappi and Uber Eats.

Taken together, these digital platforms are currently the leading employers in Brazil. Due to unemployment and fiscal adjustments, as of mid-2019 these transport and delivery apps had 5.5 million registered workers. Four million people relied on this type of job as their main source of income, and at least 17 million Brazilians workers regularly use some digital platform as a way to supplement their income (GAVRAS, 2019). From drivers and delivery services to engineers and lawyers, the *Uberization* of labor is not restricted to any level of education.

The most emblematic cases, however, are the delivery services hired through digital platforms such as Rappi, iFood and Uber Eats. In Sao Paulo alone, these workers, called 'Bikeboys,' number roughly 30,000 people between 18 and 27 years of age. Due to a lack of other opportunities or formal employment, making bike deliveries while using a digital platform is the only source of income available. The workday in this modality

lasts, on average, 12 hours a day, 7 days a week. Because the wage is dependent on the number of deliveries made, the longer the work day, the higher the daily or weekly income. On average, the monthly salary that corresponds to this extensive work schedule is R\$936.00. That is, even after working 12 hours a day, 'Bikeboys' do not earn the national minimum wage of R\$998.00 (BIKEBOYS, 2019), a month – about \$180 with the exchange rate at R\$5.5 to the dollar.

Uberization means informal and precarious part-time, on-demand jobs that lack social rights, with longer hours and lack of security for workers. The permanent austerity program was fundamental in this shift. According to the IBGE, 41.6% of the working population in Brazil had informal labor relations with their employers in the third quarter of 2019. That is, a record 39 million Brazilians work informally, (DESEMPREGO..., 2019; MOREIRA; HERMANSON, 2019) a large majority of them in part-time and on-demand activities, i.e., gig workers. This is already the reality in the Brazilian labor market. This is the ultimate goal of the fiscal adjustment: decrease wages,⁶ destroy labor rights, intensify working hours and remove any security for workers. And that was the basis for the exponential growth of *Uberization* of labor in Brazil.

For the capital accumulation process, this labor relationship guarantees the maximum profitability during a period when the neoliberal pattern of accumulation has been exhausted. And as we stated above, Marx had already identified that piece-wage (gig) was the *ideal* form of wages from the point of view of capital. The exponential growth of *Uberization* guarantees a perfect source of extraordinary profit for financial capital, and that is why this tendency is increasing worldwide.

It is precisely during periods of the low phase of accumulation of capital that this phenomenon can be a profitable alternative. From education to medical care, many economic sectors are now trying to incorporate many features of *Uberization*. Although it is not possible to see this process as a lever for a new phase of expansion of accumulation of capital as a whole, this process guarantees a profitable alternative during uncertain periods of crisis. Gig economy companies are doing very well in Brazil and in the world, even as many sectors are still immersed in crisis.

Conclusions

The aim of this paper was to synthesize the connection between the economic crisis, austerity, and the expansion of *Uberization* of labor in Brazil, allowing us to see that these three variables go hand in hand. Therefore, the expansion of the gig economy and its accompanying labor relations is closely related to the application of an austerity program in Brazil in response to the crisis of accumulation faced during this period.

Although informality and precariousness characterize the way labor has been exploited in underdeveloped economies, a new feature in the process of *Uberization* is that

⁶ For example, with the offensive over labor, for the first time since 2009, Brazilian industry gained competitiveness due to falling wages. Within a decade, there was a 16.1% drop in the cost of labor in industry. That is, a salary reduction (RODRIGUES; RODRIGUES, 2019).

precarious jobs are now subordinated to digital platforms and financial capital. The expansion of the gig economy is a global trend, but it is not possible to explain this phenomenon in terms of technological development alone. During periods of economic crisis, when capital goes on the offensive against labor, that we can seriously analyze the totality of this process.

The permanent austerity program that was put into practice in Brazil produced unemployment, insecurity, and instability, making possible the rapid expansion of the *Uberization* of labor. As we have shown, this trend seems to not be slowing, but instead to be intensifying. Since there is no likelihood of the austerity program being reversed anytime soon, we will see the exponential expansion of gig economy labor relations along with all its consequences, such as the loss of social and labor rights. The imperative of capital to overcome the barriers of accumulation will intensify the precariousness of labor, with *Uberization* serving as a general tendency in many segments to overcome this low phase of capital accumulation.

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