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Labor and Land Struggles in a Brazilian Steel Town

The Reorganization of Capital under Neo-Extractivism

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INTRODUCTION

When I started my fieldwork, in 2008, Brazil was the world's success story. In the midst of global recession, the country was growing at a rate of 8 percent, the real currency was getting stronger, and there was a self-proclaimed communist party in power led by an ex-metalworker from the poor northeast. But for more than three years now, Brazil's economy has receded, public debt and inflation are hiking, the value of the real is collapsing, and the country's investment status has been demoted to junk. The economic crisis sparked a political upheaval. In September 2016, President Rousseff was impeached, ending thirteen years of the Partido dos Trabalhadores (PT—Workers' Party) in government. The impeachment came after the investigation called "Car Wash" (Lava Jato) showed that top echelons of the PT, including the party treasury and the president of the lower house, were involved in a massive corruption scheme by Petrobras—Brazil's mighty state-run oil company, the fifth biggest oil producer in the world.

Soon after being elected president in 2003, Ignazio Lula da Silva, the former leader of the metalworkers' union, set up the massive program of poverty reduction, Bolsa Familia, which today reaches thirteen million families—one-quarter of the national population. As a result of the Bolsa Familia, the percentage of the population living below the poverty line decreased from 36 percent in 2003 to 23 percent in 2008. But in the second mandate, Lula cut welfare expenses and deregulated the labor market, which radically increased casualized work. The casualization of precarious sections of the working class went hand in hand with pro-labor policies, particularly the indexing of the minimum wage at inflation, plus GDP growth recorded two years previously. Seeing their nominal wages increase, wage earners turned to debt to finance their consumption. The radical austerity measures of Dilma put an end to Lula's pro-labor trend. Advised by Minister of Finance Joaquim Levy, a Chicago-trained economist, Rousseff radically cut social spending and credit, privatized state assets, and put together the proposal for *Lei 4330,* which, if approved, will radically deregulate Brazil's labor-relations system. According to Perry Anderson, the PT's sudden fall from grace is due to the electorate feeling "cheated" by Dilma suddenly embracing right-wing austerity policies.[1]

The cracks started to show in June 2013, when a small gathering against a rise in the cost of public transport in two weeks spread to four hundred cities and town, bringing millions of people in the streets and forcing president Rousseff to start a process of constitutional reform. The demonstrators opposed the violent relocations of favelas, increases in transport fares, the privatization of public utilities, and the proposed *Lei 4330* that the government had set in motion in preparation for the World Cup and Olympic Games. This demonstration was, according to Göran Therborn, a "movement of movements" and a cross-sectional coalition that challenged the Eurocentric model of socialism premised upon the assumption of the vanguard of the industrial working class.[2]

In this chapter I present an ethnography of the Companhia Siderúrgica do Brasil (CSB—Brazilian Steel Company), a multinational Brazilian steel company based in Volta Grande, a steel town in the state of Rio de Janeiro. The chapter shows a structural coupling between Brazil's neo-extractivist model—a mixture of financialization, labor deregulation, and extractivism—and the strategies of accumulation by dispossession by the CSB based on rent seeking, commodity export, and open conflict with the local community. Brazilian neo-extractivism is the consequence of the wider "internalization of imperialism"[3] by the Lula administration and the transformation of the Brazilian state from developer to financial investor.[4] In this chapter I show how the state-driven financialization of the economy impacts the shop floor in terms of labor deskilling and intensification and on working-class debt and conspicuous consumption. I particularly look at the impact of neo-etxractivism on three sections of the working class. In 2008, at the beginning of my fieldwork, most wage earners of the CSB considered themselves as middle-class "class C." Today, they struggle with unemployment, debts, and mortgage defaults. Another section of the working class, informal and tertiarized workers in the service and building industries, face a similarly harsh employer—the municipality of Volta Grande, which exploits their labor in the desperate attempt to develop a new economy, independent from the CSB and based on service and tourism. A third section of the working class, subcontractors and car workers, are faring better, thanks to their militant struggles against labor deregulation and their regional alliances with municipalities and local businesses. The trade union's factory-based struggles, the land activism of the civic coalition, and the legal and business activism of the new working class are different strategies of labor struggle happening at different state levels and reflecting historically and geographically diverse trajectories of capitalist development. Thus, this chapter witnesses the resilience of the Brazilian working class in the context of an epochal shift in national politics—that is, the collapse of the Workers' Party and of its model of state capitalism.

SUBCONTRACTORS ON STRIKE

In 2005 subcontracted maintenance workers led three major strikes that paralyzed the city of Volta Grande. They were striking against their employers and the steelmaker Companhia Siderúrgica do Brasil, which they held jointly responsible for their decreasing wages[5] and benefits;[6] inhuman working conditions, such as lack of air conditioning or fresh water; and stigmatization by direct workers. In that year, outsourced workers continued to lead strikes, slow-downs, and sabotages. In response, the CSB backsourced several maintenance jobs, starting a trend of re-internalization that continues today. The trajectory of subcontracted workers that I describe in this chapter goes against standard narratives of class struggle and flexible capitalism. In fact, the resurgence of working-class activism in Volta Grande came by the hands of outsourced workers, notoriously the weakest link of the labor movement. How did such a traditionally unskilled and politically fragmented section of the working class become the political vanguard of the labor movement, overshadowing even the leadership of the PT?

The CSB is the biggest steel complex in Latin America, located in Volta Grande, a steel town in the middle of a dilapidated coffee valley. The company was built in 1946 by the dictator Getúlio Vargas with American technology and money. It was the core of Vargas's developmental dream to turn Brazil into a modern industrialized country. As a state-owned enterprise, the CSB was under a mixed economy and run by generals, military personnel, and highly educated civil servants until 1992, when it was privatized. The new owner, a textile magnate from São Paulo with no experience in steel making, cut the workforce by two-thirds and turned the company into a conglomerate with diversified businesses including mining, logistics, and finance. Moreover, privatization turned the state into major stockholder of the CSB through direct and indirect shares controlled by public pension funds and the National Economic and Social Development Bank (Banco Nacional de Desenvolvimento Econômico e Social—BNDES). From the 85 thousand tons of crude steel produced in 1946, the plant currently produces 4.8 millions tons of crude steel and 4.7 tons of laminated steel. It employs 12,000 direct and 5,000 tertiarized workers. Overall, the CSB employs 22,000 direct workers and 17,000 subcontractors and is the largest fully integrated steel producer in Latin America. During the recent economic crisis, the company's profits continued to be driven by sales in crude steel fed by the government's Growth Acceleration Programs (Programa de Aceleração do Crescimento—PAC), which boosted the national construction and housing sectors. But a third of the company's profits came from its iron ore business, reflecting Brazil's extractivist model. After the impeachment of president Rousseff in 2016, PACs were suspended, and foreign carmakers fled the region, and China's economic slowdown, the main importer of CSB's iron ore, hit the company hard. Like many steelmakers in the Global South, the company is locked in a position of financial weakness and of "dependent development." Its low-value and highly polluting crude steel and tin plates production and commodity exports can hardly compete with the high-value special steel production for the automotive and aerospace sectors, dominated by EU and U.S. steelmakers. In addition to their more advanced technology, these steelmakers are backed by strong nation-states in terms of antidumping and labor deregulation.[7] Below I describe how labor law, a force emanating from Brazil's developmental state, blurs the boundaries between wage labor, subcontracting, and informal and cooperative labor and affects the workers' insurgent strategies and identities.

STATES OF LABOR

One way in which the Brazilian state has a major influence on the economy is through its labor legislation. The Labor Code (CLT) was created by the Vargas's Labor Ministry in 1943 and continues to be one of the most comprehensive labor legislations in the world. Among other things, the CLT establishes the right to a minimum wage, vacation, leave, professional training, housing, pensions, and child benefits, and it regulates trade-union affiliation, training, and education. The code made unionization de facto compulsory by establishing that only unionized workers were eligible for social benefits and nominated workers' representatives in charge of collecting trade union dues on behalf of the state. Compulsory union contribution is still in place. In the same year, Vargas's constitutional assembly created the Brazilian Workers Party (Partido Trabalhista Brasileiro—PTB), the biggest workers' party in Latin America. The CLT's generous social benefits were given based on the workers' affiliation to state-controlled trade unions and the PDT, rather than on their demands. Hence, sociologist De Castro Gomes describes the Estado Novo as an "occupational welfare state" where the working class gained political emancipation through concessions from above,[8] rather than from grassroots activism. Unlike her, French argues that the CLT empowered the working class by creating a new legal framework through which it articulated its struggles.[9] The metalworkers' union (SMSF) won the right to paid overtime and night shifts, and recreation and health and safety provisions[10] through legal challenges to the CSB and the Employer Federation rather than by top-down concessions. In Brazil, working-class formation diverges from the master narrative of working-class emancipation crafted on nineteenth-century England and based on the opposition between class struggles and identity struggles.[11] Unlike nineteen-century capitalist England, Brazil was traditionally a mixed economy based on a labor regime that mixed slavery and wage labor and where struggles for civic emancipation and struggles for economic redistribution always went hand in hand. Labor rights were heavily cut by president Fernando Henrique Cardoso, who was determined to break the power of trade unions, deregulate the labor market, and "put an end to the era of Vargas." When Lula da Silva was elected president, he passed Amendment 45 to extend the labor law to informal labor, which had peaked during Cardoso's presidency.

I have argued above that during the second mandate, Lula cut welfare expenses and deregulated the labor market. A full 94 percent of the jobs created during the Lula and Rousseff administrations are low income (1.5 times below the minimum wage)[12] and in non-industrial sectors, such as clerks, construction work, transport and general service;[13] 60 percent of these involve young people,[14] mainly women and ethnic minorities. So in the national context of decreasing levels of inequality, labor incomes are slowly converging toward a median just above the poverty line. This convergence creates political instability, because people on the same income level come from radically different backgrounds: upwardly mobile poor and downwardly mobile casualized workers. Moreover, low-income and casualized labor, as well as informal and unremunerated work, currently make up 38 percent of the labor market. But the Brazilian labor law is heavily focused on formal employment. Below I discuss how subcontracting blurs the labor forms of wage-work, informal work, and entrepreneurship—and in so doing, along with creating exploitation, it opens new forms of workers' resistance.

OUTSOURCING IN BRAZIL

Broadly speaking, there are two models of externalization of labor: subcontracting and outsourcing. *Subcontracting* refers to the practice of hiring an outside company or provider to perform specific parts of a business contract or project, and the work done by subcontractors is normally temporary. *Outsourcing* generally refers to processes that could be performed by a company's internal staff but which are contracted to outside providers working independently. For example, contracting an outside provider to manage internal technology. This model of externalization of non-core economic activities is normally associated with short-term cost-cutting, radical reorganizations (from vertical to horizontal structures) and changes in work relations (from wage contract to market exchange).

In Brazil the situation is complicated even more by the way labor informalization tends to blur with outsourcing and subcontracting. But, in fact, these are different economic practices. Informalization is a process of marginalization of laborers from the formal workforce, which, in Brazil, emerged with "dependent" industrialization from the 1940s onward. By contrast, subcontracting is a symmetrical transaction, and outsourcing is a form of precarization of the formal workforce—a more recent phenomenon concentrated in the service and IT sectors, mainly dominated by foreign corporations.

There are different kinds of outsourcing, entailing different degrees of vulnerability and precariousness. Contracts between workers and subcontractors can be permanent or temporary. Outsourced workers who are permanently employed experience a contradiction: while their contract with outsourced firms is permanent and stable, the contract between their employers and the main firm is temporary; it typically lasts between one and four years. Besides, the relationship between the main contractor and outsourced workers can be formal or informal. In Brazil, there are various forms of outsourcing: hiring autonomous workers for domestic work; subcontracting companies for supplying products, pieces, or machinery; subcontracting auxiliary and support services to specialized companies; subcontracting services within the central production area to autonomous professionals; and subcontracting to subcontractors (quarterization—*quarterização*) or cooperatives.

Subcontracting: Main contractor → subcontractor
Tertiarization: Main contractor → external company
Quarterization: Main contractor → external company → subcontractor

It must be stressed that, as yet, there is no law on subcontracting in Brazil. The main regulation on subcontracted work is Article 331 of the Labor Tribunal (now incorporated into the Labor Code), which establishes two principles. First, that the contract of outsourcing takes place between two employers (the contractor and the subcontractor) and not between employer and employee (the contractor and the subcontracted workers). Unlike direct workers, outsourced workers are not legally subordinated, and, hence, they are "juridical persons" with only civic rights. For instance, in case of their employers' bankruptcy, they have the right to their outstanding wages and pensions. Thus, subcontracting establishes a state of exception within labor law, which is active only within hierarchical relations. Secondly, the article establishes that the externalization of core ("end") activities is illegal, whereas it legalizes the externalization of marginal ("means") activities. This distinction between core and marginal activities, inherited from the corporate world, is easy to circumvent.[15] For instance, the CSB currently uses contract workers for the core maintenance operations of waste extraction, cleaning, and sealing the pig iron channels and the furnace—which were previously performed by internal workers—after the reclassification of those tasks as "not core." Article 331 had the merit to reduce the illegal and informal subcontracting of cleaners, maintenance workers and builders that spread in Brazil in the late 1980s. On the other hand, the legalization of outsourcing led to an intensification of tertiarization from the late 1990s onward.[16]

The issue of subcontracted work was one of the triggers of the public's moral outrage against Rousseff. Her proposed Law 4330, if passed, will allow firms to outsource their core activities and to operate without full-time and permanent workers. The model of the "ghost factory" adopted by some global carmakers in the region, where all core operations are outsourced, which I describe below, may become the norm. Outsourcing is a global phenomenon. It follows the flows of global finance and the patterns of commodity chains, overflowing the boundaries of nations and cultures. Yet the centrality of the legal system in Brazil and the rapidity through which it adapts to new capital reconfigurations and shapes new labor struggles is worth investigating.

OUTSOURCING IN THE CSB

This chapter focuses on outsourced maintenance workers with permanent contracts. These workers are based at the CSB, are formally registered (and hence, unlike informal workers, are covered by the Labor Law), and perform skilled tasks such as mechanical and electric repairs, welding, and refractory work. In this section, I show that the company embraced labor outsourcing during privatization in order to purge the militant and skilled workforce but that, as a consequence of the measure, the company became heavily dependent on outsourced labor. Thus, this section shows that in specific circumstances, outsourcing can increase the bargaining power of labor. Since the beginning, the CSB resorted to various forms of legal and illegal outsourcing, especially of cleaners and builders. In the late 1980s, when Brazil returned to democracy, the company started to extensively outsource maintenance workers into a separate unit (FEM), a subsidiary of the main company.

The privatization of the CSB totally restructured the company. First went the many unskilled builders, carpenters, and bricklayers, who had been employed during the recent expansion of the firm, also called "Plan D." Then, more than half of the maintenance workforce and engineers, the firm's most militant section, were outsourced and dispersed into several external, outsourced firms. This mass outsourcing was made possible by Article 311, which was approved only a few months after the CSB was privatized. Outsourcing of maintenance jobs took a pyramidal form. The CSB outsourced, via FEM, to a "smaller FEM"—*feinha.*[17] The *feinha,* in turn, outsourced to smaller subcontractors—a structure called *quinterização* (quinterization). The FEM maintained only the functions of supervision and cost accounting. The few maintenance workers who stayed in the FEM were deskilled and turned into line managers in charge of supervising a vast and often underqualified external workforce. For instance, in the coke oven, there were more than two hundred outsourced maintenance workers. Initially, outsourced workers lost all their labor rights and pensions and suffered a radical deterioration of their working condition and status. In 2002 the FEM was closed, and all maintenance operations were outsourced to two multinational firms—the Italian Comau and the Japanese Sankyu.

The CSB kept only the functions of supervision, marketing, distribution, and extraordinary maintenance, led by a small team of maintenance workers.

Subcontracted workers gained permanent positions, but their wages and working conditions worsened further. Permanent maintenance workers would describe outsourced workers as a "subrace," but, in fact, these very permanent workers were being deskilled by a managerial system, SIGMA, that standardized maintenance and embedded supervisory control into the line. This standardized maintenance system was extremely distressing for line operators. For instance, Nené, a mill operator, claimed, "This continuous attention to mechanical breakdowns is emotionally draining. Two years ago, the 'old guy' [the billet mill] broke down while I was in the control cabin. It was a traumatic experience. I felt guilty and anxious about the financial implications of my actions, about my own life, and about the future of the company. For long time I felt that my whole body was paralyzed too. . . . I lived in a state of suspension."

One of the effects of the financialization of the economy is that financial returns become more important than industrial profits in the strategic decisions of companies. The SIGMA system actualized the financial logic onto the shop floor by establishing a regime in which preventing depreciation (that is, of the value of assets) is more important than increasing productivity.

Besides, the state privatized the company right after it completed Plan D, which brought a new furnace and oxygen shop and two laminating mills on the shop floor, boosting the production capacity of the plant from one million tons to nearly five million tons. The workers remember Plan D as the company's golden age, which attracted skilled workers from all over Brazil and turned Volta Grande into a world-leading steel-making center. But they also remember that period as the dark era of privatization. Many "second-generation" workers, hired during the firm's expansion, were traumatized by witnessing the mass redundancies of colleagues, friends, and relatives. A big portion of the employees who had been made redundant, especially black and female labor, ended up in the informal and domestic labor market. Indeed, for many workers, it was difficult to understand what was really going on during privatization. The general feeling was that the firm was making new investments and expanding production capacity rather than cutting costs.

The SIGMA system had a catastrophic impact especially on the smelting shop (AF), where a third of the workforce was cut. Today, half of AF's seven hundred employees are subcontractors. In the AF, subcontractors have the harshest jobs, such as putting the molds on the furnace door or breaking the molds of slabs. But the working conditions and rights of permanent workers are often worse than those of the contractors. For instance, during the crisis of 2009, all the workers of the AF2 were immediately laid off for three months, and only some of them were reemployed when the crisis was over. For a long time, confusion reigned. Many permanent employees end up as contractors, and contractors were hired permanently. But on the whole, the company made a dramatic turnaround and from a net loss of US$749 million in 1990 went to a net profit of US$110 million in 1995. It was easy for workers to buy in to the management's narrative that these improvements were the result of labor cuts rather than of the investments that preceded them. Some workers' narratives reflect this cognitive dissonance between cuts and expansion. For instance, Bobo, a top manager, got his job at the CSB three days before the general strike of 1988. When the strike paralyzed the factory, all contracts were frozen, including his. Bobo was officially registered on the working card only one year into his job. A few years later, seeing the workforce being cut from twenty-two thousand to fourteen thousand during privatization was another life-changing event:

> Privatization came as a shock. Volta Grande entered in a state of collective hysteria. Initially I was worried too, but then the SIGMA system totally changed me. First, it made me appreciate the importance of money in my life—monetary losses of faulty set-ups, monetary gains of preventive operations, monetary cost of depreciation. Then, I had an epiphany: privatization had made employees more vulnerable as workers but more powerful as investors. I bought company shares and invested in the pension scheme. Now I think about myself in terms of ownership—ownership over my life—rather than in terms of my wage. The state and the company do not own me anymore, I am the sole responsible for my pensions, housing, and education. If this is capitalism, then, I am a capitalist.

Second-generation permanent workers like Bobo accepted privatization from a position of weakness and uncertainty. They were experiencing a historical transformation, comparable to some post-socialism transitions—from dictatorship to democracy and from mixed economy to capitalism, which they did not understand. They were in between classes and generations. Neither skilled and political connected like the older generation nor formally educated and pragmatic like the younger one; neither opposing capitalism, like the former, nor endorsing it, like the younger "wage hunters." During my fieldwork, I was always struck by their docility vis-à-vis the management and their lack of identification with their job, reflected in the way they talked about themselves as "passers-by" or a "fleeting workforce" and as *arigos* (migratory birds), even if they had permanent contracts.

In contrast to them, the tertiarized maintenance workers of the CSB have a strong occupational identity and are politically militant. From 2005, for three consecutive years, they confronted the CSB with strikes, slow-downs, sabotage, and absenteeism. Many of them were dismissed and blacklisted. In 2007 direct workers agreed to support the outsourced workers' demands for higher wages and better working conditions by halting the production line with them for one day. But at the last minute, they pulled out. As result of their activism, the contract workers' wages grew more rapidly than those of direct workers. In fact, the salary level established in collective agreements for outsourced workers became the benchmark for qualified direct workers too, which meant that they were on the same wage level of skilled engineers and technicians. Having won the right to have their collective negotiations jointly with those of direct workers, their company-related health and pensions plans, participation to profits, monthly food provisions, and salary levels were nearly in line with those of direct workers. Their health and safety standards and working environment improved radically. Moreover, maintenance workers were in high demand by the global carmakers and steel companies that had just moved to the region.

As for the China sunset workers described by Lee, the main "insurgent identity" of maintenance workers was their citizens' right to legal justice sustained by a recent change in labor law, which was achieved through the activism of left-wing judges and lawyers.[18] Going against the logic of Article 331, the new law established the principle of "subsidiary responsibility," which made the main contractors jointly responsible with their subcontractors on accidents and underpayment of wages and benefits to their employees. But, political and legal activism aside, outsourced maintenance workers won these important concessions because they were the only one left in the CSB who could run the company. When the SIGMA system was introduced, engineers and skilled maintenance workers were laid off, entirely wiping out the internal memory and knowledge of the technical system. The few internal engineers and maintenance workers left were turned into cost accountants and supervisors. But in order for the plant to run smoothly, the management needs experienced maintenance employees. The company is now dependent on those outsourced maintenance workers, often ex-CSB workers who have this knowledge. In fact, it continues to renew contracts with the same maintenance firms in the hope of winning the trust of its skilled ex-employees. Every day, gangs of subcontracted builders, mechanics, and electricians enter the shop floor, commending both respect and resentment from the direct workforce. Some small subcontractors have worked in the CSB for decades and are considered quasi-employees. Some are ex-CSB maintenance workers who set up their own business and now have higher remunerations and better working conditions that the internal workers. Both internal subcontractors and independent firms are expensive to monitor. So it is not surprising that in 2007 the CSB started a process of re-internalization (back-sourcing) of maintenance workers, as well of security and transportation workers, in the newly created General Maintenance Unit (GMU).[19] In 2010 the CSB back-sourced two-thirds of the maintenance workers previously employed by its main subcontractor, COMAU. Maintenance workers "changed their shirts back again." Direct workers cost about 150 percent to 200 percent more than outsourced workers, but they come with lower political risks. Outsourced workers are conscious of their power and knowledge vis-à-vis the company and can hit it hard through strikes, slowdowns, and absenteeism.

OTHER FORMS OF TERTIARIZATION

In the meantime, the global carmakers Peugeot and Volkswagen (VW) had moved to the region, lured by the tax exemptions, free land, and cheap labor offered by cash-stripped municipalities. These global carmakers work with a model of extreme outsourcing. The most extreme version is VW's "dream factory" in Resende, which is totally tertiarized. This so-called factory of the future pushes the Japanese lean model to its extremes. Unlike the traditional Japanese model, in which core activities are internalized, in the dream factory, all operations—both direct, such as production and assembly, and indirect, such as cleaning, transport, food, health service, data processing and logistics—are externalized to independent subcontractors operating in situ. The only core functions retained by VW are brand development and quality control. Essentially, the firm is like a merchant capitalist operating through a spatially concentrated putting-out network. The dream factory is both a market and a firm. But this extreme marketization is disguised by the fact that the subcontractors are under the same roof and share the same human resources management and VW overall—although with a fine-printed logo of their company on the front. As I mentioned earlier, this total subcontracting is against Article 331.

In 1996, when the factory opened, of a total of 1,500 workers, 1,300 were subcontracted. The situation was complicated further in 2007, when the German MAN-AG bought the factory and logistical operations were externalized to a separate firm located to the rear of the firm, adding a third level of subcontracting. The employer agreed that negotiations with all subcontractors (previously held separately) should be held in the same collective negotiations between the VW and the metalworkers' trade union (SMSF). But tertiarized ancillary workers (such as cleaners and transport workers, who represent more than half of the total workforce) and externalized logistical workers are not represented in factory councils (FC) or in collective negotiations. The "new class"[20] of car-workers is radically different from the steel workers. The majority of subcontracted car-workers are young, well educated, relatively well off, non-unionized, and loyal to their employer and their "brand"—with whom they develop trusting and long-term relationships. In 2012 50 percent of the factory's total workforce (6,000 workers) was subcontracted. For the VW management, brand management and quality control are the company's sole core businesses, and all the other activities, both direct and indirect, can be legally outsourced. Free from any legal obligation toward its workers, VW combines a tight taylorist labor regime and putting-out operations. The outsourced workers of the modular factory are of a different kind from the outsourced CSB workers. First, they are internally fragmented between ancillary workers—such as cleaners and transport workers—and direct workers. The former have a poor educational background, little experience of formal employment and political activism, and an instrumental attitude to work.[21] In spite of representing more than half of the total workforce of the factory, they are not represented in factory councils or in collective negotiations between VW and the SMSF, and they have a marginal status vis-à-vis the car workers.

Yes, in spite of their apolitical attitude, the car workers of Resende and Porto Real kept their real wages intact and avoided layoffs in a context of declining prices and profits in the industry[22] by entering in tripartite negotiations with municipalities and management[23] and reviving the early experiments of the PT in São Paulo. Car workers rescaled their action from the factory to the region and created solidarities with municipalities and workers in other industries, setting in motion a new process of class struggle. Unlike them, steelworkers focused on factory-based struggles[24] concerning wages, participation to the company's profits, and working conditions with the management and refused the cross-sectional regionalism of the car workers. This conflict between factory-based activism of steelworkers and the regional activism of car workers must be considered in relation to the ongoing tensions between the municipality and the company, an issue that I discuss in the next section.

FROM FACTORY STRUGGLES TO LAND STRUGGLES

Some studies of deindustrialized cities and rust-belt regions have argued that political decentralization, both regionalism and municipalism, may foster new forms of participatory democracy and cross-sectional alliances between the traditional working class and civic movements, including middle-class and employers' organizations. Some Brazilian scholars have used this framework in the context of deindustrialization of the ABC region of São Paulo.[25] Indeed, the cross-sectional alliances between municipalities, employers, civic movements, and trade unions against global carmakers in the industrial region of São Paulo were central engines for the raise of the PT to power. But the economic geography of Volta Grande does not match the classic profile of an industrial rust belt. The CSB is, at the same time, a global financial operator, with a globally dispersed production process; a Taylorist employer; and a powerful landowner. Historically in Brazil, industrialization coexisted with slavery and a rentier economy, and these are coming to the fore with deindustrialization. The CSB currently employs about 30.6 percent of the population, and jobs are concentrated in the service, commerce, and the public sectors.[26] Yet the company owns one-third of the municipal land and continues to control the local economy. Besides, 40 percent of the municipality's revenues come from the CSB in the form of urban rents, taxes, and environmental fines.[27] The municipality is entirely dependent on the industrial economy of the CSB, for it brings employment and income in the form of taxes, rents, and environmental fines. But in the rentier economy, the municipality and the CSB compete with each other over land, in what is described by local residents as a "mortal embrace" between the company and the town.

Indeed, the "land question" has a long history in Volta Grande. Even if the steel town was planned by the best Brazilian architects and the world's most renowned engineering company—the same that designed United Steel in the United States and Magnetigorsk in the Soviet Union—the city developed the same pattern of "predatory development" of most megalopolis in the South.[28] Since the early beginnings, the company housed only permanent workers, using most of its land for real estate speculation. In 1942 there were only 662 houses and three hotels, mostly for foreigner managers, and a total of 6,160 residents. Between 1941 and 1967, when the CSB's housing stock was privatized, the company maintained a residential deficit between 30 percent and 40 percent of its workforce. The company gave to its wage- workers two-bedroom family houses, membership to the Workers Club—a luxurious sport complex with an Olympic-sized swimming pool, three tennis courts, an Olympic-class gymnasium with a auditorium—a cinema, a hospital, and a child welfare center. The informal working class was excluded from these public provisions.

But a civic coalition developed around the municipality and led by the landed aristocracy opposed the company's monopoly over the land. In 1963 came the coalition's first success. The CSB was forced to pay seventy millions *cruzeiros* in back taxes to the municipality. In the 1970s, with the labor movement silenced by the military, a coalition of urban squatters[29] and grassroots Catholic organizations[30] led a "rights to the city" campaign, demanding the regularization of favelas, poor working-class neighborhoods, and the right to home ownership. This cross-sectional anti-dictatorship movement led to a renewal of the Brazilian labor movement famously described as "new unionism." According to Morel, this cross-sectional labor movement was facilitated by the existence of a capillary social infrastructure that the CSB had built in the city as a tool of labor control, but that, under the military, became autonomous and counter-hegemonic.[31] But privatization broke the labor movement. The company made mass redundancies and relocated the administrative departments and the central office away from the city. Its main hospital and school went under the municipality. But most of the land, as well as the leisure, cultural, and educational facilities in the city—remain under its control.[32] The focus of anti-corporate activism shifted from the plant to the land. In 1992 the PT-affiliated mayor expropriated the company from its unproductive land and forced it to pay environmental taxes in line with the new Program of Environmental Compensation (PAC). For first time in history, the company was charged R$60 million in environmental fees—a sum well above the municipality's yearly budget.[33] For the first time in history, the company was liable for land and service taxes like the any other private company.[34] The alliance between municipality and civic movements strengthened further with the establishment of a municipal body for participatory planning,[35] involving squatters, militant Catholic organizations, and women's and civic movements.

Besides, these municipal alliances extended into regional networks of social movements, trade unions, and businesses aiming at containing the power of the CSB and the global carmakers who had moved into the Sul Fluminense region. Well into the 2000s, these regional alliances were grassroots and focused on participatory planning and land redistribution. They were modeled on the cross-sectional coalitions with employers and civic movements led by the metalworkers union[36] in the ABC industrial region of São Paulo in the 1980s, which were now being displaced by the industrialization of the Sul Fluminense region. But these regional alliances slowly turned into business alliances between municipalities, new unions, and local entrepreneurs aimed at attracting foreign investors with cheap labor, as well as fiscal and environmental incentives and infrastructures. Cash-strapped municipalities waged ruthless "fiscal wars" against each other.[37] For instance, in 1996 the VW's dream factory in Resende was opened due to the generous gift—of credit and land—by the state of Rio de Janeiro. The *metalúrgicos* did not take part in these cross-sectional alliances. With their high wages and purchasing power, they kept themselves busy with conspicuous consumption of white goods, electronics, cars, and homes.[38] Ironically, at the apex of the global crisis, the working class of Volta Grande was officially ranked as "class C"—middle class. But in 2010, as the first signs of economic slowdown hit the country, local unemployment rose to 19 percent, and the steelworkers found themselves struggling with debt, unemployment, and house evictions. The company continues to lay off workers and to reclaim land from residents and the municipality through its army of private police and lawyers. The SMSF has tried to contain the most recent waves of mass redundancies. The municipality continues to seek foreign investors and campaigns against the CSB on environmental and fiscal issues in order to stay alive. In February 2016, the CSB was fined R$13 million (US$3.25 million) for failing to meet the conditions of an environmental and safety accord with the Rio de Janeiro state environmental agency to reduce air, water, and noise pollution, as well as safety risks at UPV.

BETWEEN TERTIARIZATION AND INFORMALIZATION

Privatization led to a peak in informal employment at both the national and local levels.[39] Under the PT, formal employment rose exponentially, but mainly in low-income jobs and for the female, black, and rural workers traditionally outside the formal working class.[40] These newly created low-income jobs border with the informal economy, which still makes up 40 percent of the GDP. The core of the Brazil's formal employment system is the *carteira de trabalho* (working card)—the official document containing people's employment history. Only workers with a *carteira* are entitled to pensions, social contributions, and trade-union affiliation. One obvious way to informalize wage labor is not to register the workers on the *carteira* or to register them after they have started to work for the company. It is not unusual for companies to register their employees many years after the starting date or just before they go burst. Workers lose their rights to social contributions and additional salaries for the period in which they are unregistered. Besides, in order to dodge taxes, companies keep nominal wages lower than real wages, asking their employees to declare minimum wage in exchange of a top-up in cash. Employees do not know that by doing so, they lose social contributions. It is not unusual for them to realize it only after retirement.

A third way to informalize the wage relation is to underpay overtime and hazardous work. It is also frequent for companies to outsource work to ghost companies or fake cooperatives, which they can shut down without notice, leaving the workers without wages and social contributions. At the lower end of the labor market, cleaners, domestic workers, builders, and garbage pickers work without working identification, sixteen hours per day, and on a daily salary of R$5. Domestic workers make up an astonishing 27 percent of the national population—nearly 7 million people[41]—and face the harshest working conditions. Four-fifths of these are undocumented and hence have no right to social contributions. The presence of maids, cleaners, nannies, chauffeurs, personal trainers, and security guards in the houses of the hyper-affluent families of Rio de Janeiro or São Paulo or the landowning families of the rural north is not as surprising as in the households of the steelworkers of Volta Grande. Most domestic workers are employed as day laborers *(diarista),* paid in cash at the end of the day. The jobs of builders and garbage pickers are the most informalized. Some garbage pickers set up cooperatives or small businesses and have stable contracts with municipalities, housing associations, or condominiums. But the majority barely survives. Several garbage cooperatives, in fact—small firms dressed up like cooperatives—sell to the municipality and recycling companies the garbage that they buy at a much lower price from informal garbage pickers.

The recent construction industry boom, sparked by federal housing and infrastructural programs, boosted the building sector, where 40 percent of the workforce is informal. The biggest employer of informal workers is the municipality, which regularly tenders to illegal subcontractors working with unregulated labor. After the CSB, the municipality is the biggest "labor offender" in the city and often appears in labor courts, charged with exploiting cleaners, builders, and garbage workers. In the 1980s and 1990s this section of the working class—made up of the unemployed, informal workers, rural squatters, and community leaders—led the "right to the city" struggle against the CSB that I described above. But today, conservative evangelical organizations and neighborhood associations belonging to the municipality have co-opted them through programs of grassroots evangelization, poverty reduction,[42] popular home ownership,[43] and cultural entrepreneurship.[44]

CONCLUSION

In this chapter I have presented an ethnography of a Brazilian steelmaking plant and framed the patterns of workers' protests and identity formation that I observed on the shop floor at the urban and regional levels with the aim of unveiling the broader dynamics of dependent development, land dispossession, and state accumulation. I have argued that there is a structural coupling between Brazil's dependency in the global economy and the strategies of accumulation by dispossession by the CSB based on rent seeking, commodity export, and open conflict with the local community. In Volta Grande, the rentierist logic of late capitalism described by Harvey[45] takes a conglomerate form, encompassing global logistics, mining, steelmaking, and local landownership. In this chapter I have shown how the state-driven financialization of the economy has impacts on the shop floor in terms of labor deskilling and intensification and of working-class debt and conspicuous consumption. In 2008 wage earners like Bobo thought about themselves as capitalists. Today, they struggle with unemployment, debts, and declining purchasing power. With a powerless metalworkers' union, it is conservative evangelical organizations and loose business-citizen platforms that increasingly take up the struggles of the *metalúrgicos.* Another section of the working class, the informal and tertiarized workers in the service and building industries, face a similarly harsh employer—the municipality of Volta Grande. A third section of the working class, subcontractors and car workers, are faring better, thanks to the newly established legal principle of subsidiary responsibility. Less formally politicized than the metalworkers, car workers, subcontractors, and a growing number of IT workers have experienced first-hand the extreme tertiarization practiced by foreign corporations. Their militant struggles against labor deregulation and regional alliances take the form of legal and civic recognition. Up until the recent crisis, three sections of the working class—impoverished wage earners, the upwardly mobile urban poor, and tertiarized workers—formed a magmatic and internally divided "center" oscillating between left and right and kept together by various programs of urban development, wage indexation, poverty reduction, home ownership, and cultural regeneration. Besides, reflecting the principle of decentralization embedded in the democratic constitution, regional coalitions between municipalities, grassroots movements, trade unions, and local industrialists sprung up in the 1990s against the state which under Cardoso was quickly embracing neoliberalism. Until Dilma's impeachment, the PT administration managed to control the regional block developed around Rio de Janeiro through its strong grip over the national economy. But with the current economic crisis, the populist consensus and the fragile architecture of the financial state—after all, still subsumed to global finance—is crumbling.

NOTES

1. Perry Anderson. "Crisis in Brazil," *London Review of Books,* April 21, 2016.

2. Göran Therborn, "Class in the 21st Century," *New Left Review* 78 (November/December 2012): 16.

3. See Francisco de Oliveira, "Lula in The Labyrinth," *New Left Review* 42 (November/December 2006): 5–22.

4. See Aldo Musacchio and Sergio Lazzarini, *Reinventing State Capitalism. Leviathan in Business, Brazil and Beyond* (Cambridge, MA: Harvard University Press, 2014), 89.

5. The CSB contracted on a "man-per-hour" basis.

6. In fact, the non-monetary component of their wages was nearly inexistent, which halved the cost of their labor.

7. U.S. labor costs are 23 percent lower than in Brazil, according to a recent study by Boston Consulting Group. See Harold L. Sirkin, Michael Zinser, and Justin Rose, "The Shifting Economics of Global Manufacturing: How Cost Competitiveness Is Changing Worldwide," Boston Consulting Group, August 19, 2014, www.bcg.com/en-us/publications/2014/lean-manufacturing-globalization-shifting-economics-global-manufacturing.aspx.

8. Angela De Castro Gomes, *A Invenção do Trabalhismo* (São Paulo: FGV Editora, 1989); and for a similar argument, see also Octavio Ianni, *O Colapso do Populismo no Brasil* (Rio de Janeiro: Civilização Brasileira, 1968).

9. John French, *Drowning in Laws: Labor Law and Brazilian Political Culture* (Chapel Hill: University of North Carolina Press, 2004).

10. See Regina Morel, "A ferro e fogo: construção e crise da 'família siderúrgica': o caso de Volta Grande (1941–1968)" (PhD diss., University of São Paulo, 1989).

11. Lee makes a similar case in her analysis of labor protest in contemporary China. Ching Kwan Lee, *Against the Law: Labor Protests in China's Rustbelt and Sunbelt* (Berkeley: University of California Press, 2007), 12.

12. The minimum wage is R$700 per month.

13. Marcio Ponchmann, *Nova Classe Média?* (São Paulo: Boitempo, 2012).

14. Between eighteen and twenty-four years.

15. In 2011 the High Court of Justice (TSJ—Tribunal Superior de Justica) organized a public symposium bringing together scholars, trade unions, and employers associations to definition tertiarization and the distinction between "goals" and "means."

16. Graça Druck, "Terceirização e precarização: o binômio anti-social em indústrias," in *A perda da razão social do trabalho: terceirização e precarização,* ed. Graça Druck and Franco Tânia, 97–120 (São Paulo: Boitempo, 2007).

17. *Feia* in Portuguese means "ugly," so *feinha* would translate roughly as "little ugly."

18. Lee, *Against the Law.*

19. The GMU was closed down in 2008 due to economic crisis (72).

20. Seventy percent of them are maximum thirty-four years old, and 60 percent are married, with children; 95 percent of them have a permanent job contract; 65 percent gain between three and five *salarios minimos* (the highest wage level in the region); and 69 percent own a home, 59 percent of whom have already paid off their mortgages. See Jose Ramalho and Marco Aurelio Santana, *Trabalho e Desenvolvimento Regional: Efeitos Sociais da Industria Automobilistica no Rio de Janeiro* (Rio de Janeiro: Mauad, 2006); and Marco Aurelio Santana, "Trabalhadores e política no Sul-fluminense: a experiência de Volta Grande nos anos 1980." in *Efeitos sociais da indústria automobilística no Rio de Janeiro,* ed. José Ricardo Ramalho and Marco Aurélio Santana (Rio de Janeiro: Mauad, 2006): 159–75.

21. See Sergio Pereira "Trajetórias Individuais e Ação Sindical no Pólo Industrial do Sul Fluminense" (MA diss., University of Rio de Janeiro, 2003).

22. Jose Ramalho, Iram Jacome Rodrigues, and Jefferson José da Coinceição, "Reestruturação industrial, sindicato e território: Alternativas políticas em momentos de crise na região do ABC em São Paulo, Brasil," *Revista Crítica de Ciências Sociais* 85 (2009): 147–67.

23. The institution is called the Sectoral Chamber of Automotive Industry.

24. Ramalho, Rodrigues, and da Coinceição, "Reestruturação industrial, sindicato e território," 147–67.

25. Jose Ramalho, "Novas conjunturas industriais e participação local em estratégias de desenvolvimento," *Dados* 48, no. 3 (2005): 147–78.

26. 50 percent of the residents are employed in commerce and service, and 10 percent in public administration.

27. The IPTU and environmental fines from the CSB constitute up to 70 percent of municipal income.

28. Mike Davis, *Planet of Slums* (London: Verso, 2006).

29. Movement of Urban Squatters (Movimento dos Posseiros Urbanos).

30. Workers priests, Base Ecclesiastic Communities (CEB) and Catholic Workers' Youth Organizations (JOC).

31. See Morel, "A ferro e fogo"; and Marco Aurelio Santana and Massimiliano Mollona, "Memórias and practicas dos movimentos sociais em Volta Grande," *Dados* 19 (2013): 125–48.

32. Namely, the ETPC, the workers' and employers' clubs and the Hotel Bela Vista.

33. US$50 million.

34. Respectively, IPPU and ISU.

35. Committee for Urban Planning (Conselho Municipal de Desenvolvimento Urbano—CMDU).

36. Led by Ingacio Lula Da Silva until the early 1990s.

37. Glauco Arbix, "Guerra Fiscal e Competição Intermunicipal por Novos Investimentos no Setor Automotivo Brasileiro," *Dados,* February 10, 2018, www.scielo.br/scielo.

38. The scheme My House My Life (Minha Casa Minha Vida—MCMV) expanded homeownership to low-income families through lease-to-own agreements in which the poorest families contribute as little as 5 percent of their monthly income.

39. At the national level, between 1991 and 1997, privatization led to a 30 percent reduction of waged employment and 10 percent increase of informal labor mainly among women and black workers. See DIEESE (2000) Departamento Intersindical de Estatística e Estudos Socioeconômicos.

40. Thirty percent of the total new jobs created since 2000. See Marcio Ponchman, *Nova Classe Média?* (São Paulo: Boitempo, 2012), 32.

41. Ibid., 32.

42. Bolsa Familia.

43. Minha Casa Minha Vida.

44. Programa Pontos de Cultura.

45. David Harvey, *Rebel Cities: From the Right to the City to the Urban Revolution* (London: Verso, 2012).