

Brazilian Companies Hire Under the Table to Avoid Paying Taxes and Benefits

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Most of the Brazil's legally constituted companies continue to agglomerate in major urban centers, but according to the Central Registry of Companies, 2003, released by the Brazilian Institute of Geography and Statistics (IBGE), many of them are moving to the interior or smaller capitals.

The motive is the saturation of markets in the large metropolitan areas, together with fiscal incentives offered by other regions.

The study shows that, between 1996 and 2003, the Southeast was the only region in which the percentage of established businesses declined (from 57% to 52.2% of the country's total).

São Paulo and Rio de Janeiro were responsible for the drop (3.2% and 1.9%, respectively). Minas Gerais and Espírito Santo, in the same region, increased their participation, but not enough to compensate for the losses suffered by Rio de Janeiro and São Paulo.

In the other regions the number of companies rose, with the Northeast showing the largest increase (1.8%).

In the opinion of the manager in charge of the Registry, Ana Rosa Ribeiro, this shift on the part of businesses confirms the saturation of the major urban centers and is associated with the drop in the percentage of workers with formal jobs.

"The drop in the share of the Southeast region reflects the decrease in the proportions of the country's formal employment represented by São Paulo (down from 36.5% to 33.7%) and Rio de Janeiro (down from 11.9% to 10.6%), which means that businesses in the major capitals are ceasing to hire employees with signed working papers in order to escape paying taxes and social benefits."

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