

## Lula Raises Minimum Wage by 13%. Opposition in Brazil Wants More.

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The leader of the PCdoB (Partido Comunista do Brasil - Brazil's Communist Party) in the House, representative Renildo Calheiros from the northeaster state of Pernambuco, calls the new minimum wage of 350 reais (US\$ 156), effective in April, a "conquest for the Brazilian worker."

Calheiros adds that it is exactly what is needed for the working class: "The security of real gains in wages." He points out that raising the minimum wage from 300 reais (US\$ 134) to 350 reais is a real increase of 13%.

According to the union-linked socio-economic studies organization, Dieese, the real increase is exactly 12.07%, adding that it calculates inflation between May 1, 2005 (when the last minimum wage increase occurred) and March 31 of this year, at 4.1%.

The announcement of the new minimum wage, along with an adjustment of income tax brackets of 8%, met with a mixed reaction. The government praised it, the opposition criticized it. The PFL Party, for example, argued that the minimum could easily be raised to 375 reais.

Some economists lament the link between the minimum wage and social security (INSS) benefits in Brazil because any increase in the minimum wage increases the problematic INSS deficit.

According to Brazil's Labor Ministry, the readjustment is the biggest real salary increase in 10 years. In 1995, the Fernando Henrique Cardoso administration raised the minimum to 100 reais.

The government says that the salary increase will benefit around 40 million active and retired workers, contributing US\$ 6.7 billion to the 2006 salary mass.

As for the budget, the government admits the new minimum wage will cost US\$ 2.94 billion (6.6 billion reais), but a spokesman said the shortfall is only US\$ 311,94 million (700 million reais) and will be taken care of without any problems.

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