

Lula Sends New Minimum Wage Bill to Brazilian Congress

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In a formal ceremony today, Brazilian ministers Jaques Wagner, the head of the Secretariat for Institutional Relations, and Luiz Marinho, of Labor, will deliver the new minimum wage bill to the president of the Senate, Renan Calheiros.

The handover means that the government officially intends to raise the minimum wage on April 1st, from 300 reais to 350 reais. The bill also contains clauses adjusting income tax brackets by 8%.

The bill must be approved by Congress before Brazilian President Luiz Inácio Lula da Silva can sign it into law.

Lula announced in January his intention of raising Brazil's monthly minimum wage from its current level of US\$ 133.69 (300 reais) to US\$ 155.97 (350 reais) as of April.

The minimum wage is usually readjusted on May 1, the date that Labor Day is commemorated in Brazil. The decision to move the raise to April was the result of negotiations with the workers' central unions, which were demanding that it be implemented on January 1 of each year.

The leader of the Communist Party of Brazil in the Chamber of Deputies, deputy Renildo Calheiros (from Pernambuco state), called the new minimum wage a "conquest for the Brazilian worker."

Calheiros added that it is exactly what is needed for the working class: "The security of real gains in wages." He pointed out that raising the minimum wage from 300 reais to 350 reais is a real increase of 13%, when you consider inflation.

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 MW increase occurred) and March 31 of this year, at 4.1%.

The announcement of the new MW, along with an adjustment of income tax brackets of 8%, met with a mixed reaction. The government praised it, the opposition criticized it.

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

As for the budget, the government admits the new MW will cost US\$ 2,94 billion, but spokesmen say the shortfall is only US\$ 311,94 million and will be taken care of without any problems.

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