

MACROECONOMIC IMPACT OF AGENCY WORK IN BRAZIL

INTRODUCTION

Agency work is a fundamental pillar for the dynamism and efficiency of the Brazilian labor market. This contractual modality, regulated by Federal Law No. 6,019/1974 and Decree No. 10,854/2021, enables companies to adapt to fluctuations in productive demand and offers workers opportunities for formal entry into the labor market. Its application is accompanied by legal safeguards that ensure labor rights, social protection, and legal certainty—making temporary employment a modern, flexible, and responsible solution to current labor market challenges.

In a country characterized by high levels of labor informality and structural challenges in generating formal employment, temporary employment agencies play a crucial role. They not only allow for responses to economic and sectoral fluctuations, but also serve as a bridge to permanent employment and as effective mechanisms for labor inclusion. Their impact goes beyond the microeconomic or individual level; their contribution extends to national macroeconomic indicators by boosting Gross Domestic Product (GDP), generating formal employment, reducing unemployment, and increasing tax revenues.

This report analyzes the macroeconomic impact of temporary employment agencies in Brazil, their contribution to the economy and labor market, their role in promoting formal employment, and their relevance in the context of post-pandemic economic recovery.

Contribution to Macroeconomic Indicators

In 2024, Brazil's Gross Domestic Product (GDP) reached BRL 11.7 trillion (approximately USD 2.34 trillion), representing a 3.4% growth compared to 2023. This growth was driven by the services sector (3.7%) and industry (3.3%), while the agricultural sector experienced a contraction of -3.2% due to adverse climate conditions.

During the first half of 2024, the temporary employment sector generated revenues exceeding BRL 3 billion (USD 512 million), with projections to surpass BRL 6 billion (USD 1.2 billion) by year-end. Temporary employment agencies directly represent approximately 0.06% of Brazil's GDP, although their indirect impact is significantly higher, as they are part of the services sector, which accounts for about 72.8% of national GDP.

While the sector's direct contribution may seem modest, its multiplier effect is considerable. These agencies enable various industries to operate more efficiently by providing specialized or rapidly deployable labor during demand peaks, ensuring business continuity and competitiveness.

Generation of Formal Employment

The unemployment rate in 2024 stood at 6.6%, the lowest level since the historical series began in 2012. Temporary work in Brazil has become a key tool for business flexibility and labor market inclusion. That same year, this employment model generated an average of 6,575 contracts per day, representing a 7.13% increase compared to the previous year.

Temporary employment agencies provide an efficient response to seasonal fluctuations, energize strategic sectors, and contribute to the formalization of labor in a context still marked by high informality, which affects 39% of the workforce.

Brazil reached record levels in its labor market in 2024. According to the Brazilian Institute of Geography and Statistics (IBGE), the number of employed people reached a historic high of 103.6 million during the August–October quarter. Meanwhile, the Ministry of Labor and Employment reported that by the end of December, the country had 47.7 million formal employment contracts—the highest figure in its history. Of this total, 2.4 million contracts were generated by private employment agencies, accounting for 5% of the country's formal employment.

These figures reflect a strong recovery in the Brazilian labor market, driven by sectors such as commerce and construction and supported by government policies focused on job creation. In this context, employment agencies have played a key role by adapting to market dynamics, absorbing labor during phases of economic recovery, and meeting seasonal demand in strategic sectors.

The services sector represents a significant share of Brazil's GDP. In 2018, this sector accounted for approximately 75.8% of the country's GDP. Temporary employment agencies, by supplying labor to various industries within the services sector, indirectly contribute to its productivity and efficiency, facilitating adaptation to changes in labor demand. This is particularly relevant in a country where the services sector is the main source of employment, given its dominant role in the national economy.

Pathways Toward Formal Employment

Temporary employment agencies represent an effective mechanism to promote labor formalization in Brazil, a country where informality remains a structural challenge. According to data from the Brazilian Institute of Geography and Statistics (IBGE), in 2023 the labor informality rate stood at 39.1%, which equates to approximately 39.2 million informal workers. This figure includes people without formal contracts in the private sector, self-employed workers without tax registration (CNPJ), and unpaid family workers.

By generating jobs with formal contracts, temporary employment agencies significantly contribute to reducing informality, enabling more people to access labor benefits and the social protection system.

Labor informality has multiple negative implications:

- Lack of access to social benefits such as healthcare, pensions, and leave.
- Greater economic vulnerability and precarious working conditions.
- Significant losses for the State in tax and social contribution revenues.

In this context, temporary employment agencies play a key role in reducing informality through various strategies:

- 1. Formal employment contracts:** Agencies directly employ workers under contracts regulated by Law No. 6,019/1974, which entails:
 - Registration in the Work and Social Security Card (CTPS).



- Payment of mandatory contributions such as INSS and FGTS.
- Coverage of rights such as vacation, leave, pension, and healthcare.

In this way, jobs that might otherwise be informal become formalized positions—particularly in sectors historically marked by high informality, such as general services, commerce, and logistics.

- 2. Entry point into formal employment:** For many individuals with no prior work experience or informal work histories, temporary jobs represent their first formal employment opportunity. Agencies thus serve as a bridge between the informal and formal economies, facilitating labor inclusion.
- 3. Labor mobility and reintegration:** In times of high turnover or economic crisis, these agencies allow for quicker reintegration into the formal workforce. They are also essential during seasonal demand peaks, when—absent formal hiring channels—informality tends to rise.

The job placement role of agencies has contributed in recent years to the growth of formal employment with rights. For example, in 2024 Brazil reached 47.7 million formal jobs—the highest figure ever recorded. While this increase cannot be attributed solely to employment agencies, they are an essential part of this dynamic. Moreover, many individuals who begin under temporary contracts are later permanently hired by client companies, thereby amplifying the positive impact in terms of **sustainable formalization**.

Sustainable formalization refers to the long-term integration of workers into the formal labor market, ensuring social protection, stability, and economic inclusion over time. It is characterized by:

- a. Permanence in formal employment:** Not just registering the worker temporarily, but ensuring that formalization is maintained even amidst market changes.
- b. Effective access to labor rights:** Including social security benefits (pensions, health, unemployment insurance), leave (vacation, parental), protection against unfair dismissal, minimum wage, and decent working conditions.
- c. Improved employability:** Through professional training, skills certification, and pathways to higher-quality jobs.
- d. Transition from informality:** Helping traditionally informal workers such as street vendors, self-employed individuals, or domestic workers to migrate into formal arrangements adapted to their realities.

- e. **Business sustainability:** For formalization to be viable, it must also be sustainable for employers. This requires:
- Reduced bureaucratic barriers.
 - Reasonable labor costs.
 - Concrete incentives for formal hiring.

When a temporary employment agency formally hires a worker, it offers:

- Immediate entry into the social security system.
- The opportunity to gain experience in the formal labor market.
- Access to processes that may lead to permanent employment.

If that worker is continuously assigned to different formal jobs or is eventually hired directly by a client company, they are engaging in a **sustainable formalization process**.

Tax Impact

Temporary staffing agencies (ESTs) play a fundamental role not only in generating formal employment but also in contributing to the fiscal sustainability of the Brazilian state. Operating within the legal framework established by Law No. 6,019/1974, these agencies serve as significant contributors to tax and social security revenues by formalizing millions of labor relationships that might otherwise remain in the informal sector.

In Brazil, the cost of formal labor includes several mandatory employer contributions that ESTs must pay on behalf of their temporary employees. These include:

- **INSS (National Institute of Social Security):** Employer contribution ranging from 20% to 28.8% of the payroll, depending on factors such as company type and occupational risk classification (RAT).
- **FGTS (Severance Indemnity Fund for Employees):** Monthly contribution of 8% of the employee's salary.
- **Contributions to the "Sistema S" (SESI, SENAI, SESC, SENAC, SEBRAE, etc.):** Typically between 4% and 6% of payroll.
- **Other parafiscal contributions:** Including Salary-Education, INCRA, among others.

Considering that temporary agencies employ between 1.5 and 2 million temporary workers annually in Brazil, their yearly contribution to the national treasury is significant. For example, assuming an average monthly salary of R\$ 2,000 (approx. USD 400) and an average contract duration of 3 months, the estimated tax impact would be:

- R\$ 2,000 × 3 months = **R\$ 6,000 (USD 1,200) per worker.**
- Average employer contributions ≈ 30% → **R\$ 1,800 (USD 360) per worker.**
- R\$ 1,800 × 1.5 million workers = **R\$ 2.7 billion/year (USD 540 million) in employer contributions alone.**

These figures do not include indirect taxes generated by increased consumption from formally employed workers (e.g., ICMS or ISS) or the additional family spending derived from greater income security, both of which have further positive fiscal impacts.

Moreover, by registering workers into the social security system, ESTs help reduce tax evasion and improve the traceability of labor relations. This has a multiplier effect on the tax base, contributing to the financing of essential public services such as healthcare, education, and social protection.

In summary, temporary staffing agencies not only boost Brazil's labor market but are also key contributors to national revenue, supporting economic formalization, the sustainability of the social security system, and the state's ability to invest in human development.

CONCLUSIONS

In a country like Brazil, where nearly four out of ten workers operate informally, the role of temporary employment agencies is both strategic and transformative. Their ability to offer labor contracts under existing legislation not only expands access to fundamental rights but also reinforces the sustainability of the social protection system and enhances labor market efficiency.

By implementing formal hiring mechanisms, temporary agencies serve as gateways into the formal economy for millions of individuals. Particularly in high-turnover or low-skilled sectors, these agencies enable historically excluded workers to access benefits such as social security, paid leave, pensions, and guaranteed wages. In doing so, they help reduce precarious employment and social inequality, fostering socioeconomic inclusion.

Beyond their immediate impact, temporary employment agencies play a significant role in promoting **sustainable formalization**—a process that not only records a worker’s formal status but supports their long-term inclusion, career development, and transition to higher-quality jobs. This benefits both workers and companies, which gain access to trained and formally experienced talent.

Strengthening formal employment also has important macroeconomic implications: it boosts tax collection, increases productivity, and contributes to institutional and social stability. In this context, temporary staffing agencies are key allies of the state, the private sector, and workers in the joint effort to build a fairer, more modern, and inclusive labor market.

To maximize this potential, it is essential to have:

- Appropriate regulatory frameworks.
- Incentives for formal hiring.
- Effective coordination among agencies, client companies, workers, and public institutions.

Only through such integrated efforts can a formalization strategy be consolidated that is lasting, equitable, and responsive to the evolving nature of work.

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