Education, Labor and Income Distribution in Brazil

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www.oecd.org/els/social/inequality/emergingeconomies

Decades Metaphor

1960s e 70s – Growth
1980s – Redemocratization
1990s – Stabilization (& Kids in school)
2000s - Income Inequality Fall (& Formal jobs)
2010s? – Quality of Education (Access of the Poor to Markets and not just the other way around)
<table>
<thead>
<tr>
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<th>First Years of Primary Schools</th>
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<tbody>
<tr>
<td></td>
<td>2005</td>
</tr>
<tr>
<td>TOTAL</td>
<td>3,8</td>
</tr>
<tr>
<td>Public</td>
<td>3,6</td>
</tr>
<tr>
<td>Private</td>
<td>5,9</td>
</tr>
</tbody>
</table>

Source: Saeb 2005 and School Census 2005 - INEP/MEC

Accumulated Variation of Average Income by income deciles - Brazil (2008/2001)

Fonte: CPS/FGV a partir dos microdados da PNAD/IBGE

72.45% 55.50% 50.76% 45.39% 40.52% 37.46% 31.65% 25.74% 19.18% 11.37%
Inequality: Gini Index Per capita income
About to reach its lowest recorded level in Brazil

Sources: CPS/FGV based on PNAD, PME and Censo/IBGE and Langoni 1973

Per Capita Earnings - Mean & Inequality Annual Variation - Pre, During and Post Crisis

Sources: CPS/FGV based on PME/IBGE
Labor income explains alone:
¾ of change in mean per capita earnings
2/3 of Gini reduction
Education expansion is central here.

Gross Contribution to Income Inequality (in percentages)

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<tr>
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<tbody>
<tr>
<td>Gender</td>
<td>0.0020</td>
<td>0.0002</td>
<td>0.0305</td>
<td>0.0122</td>
</tr>
<tr>
<td>Age</td>
<td>8.3227</td>
<td>7.0210</td>
<td>4.6073</td>
<td>4.1649</td>
</tr>
<tr>
<td>Education</td>
<td>25.0497</td>
<td>31.3089</td>
<td>29.0560</td>
<td>33.3025</td>
</tr>
<tr>
<td>Ethnicity</td>
<td>7.8616</td>
<td>10.3042</td>
<td>7.0688</td>
<td>9.4793</td>
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<tr>
<td>Migration</td>
<td>2.5821</td>
<td>2.3392</td>
<td>2.0506</td>
<td>2.0636</td>
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<tr>
<td>Geography</td>
<td>18.1450</td>
<td>21.1074</td>
<td>20.6631</td>
<td>23.1793</td>
</tr>
</tbody>
</table>

Source: CPS/FGV based on PNAD microdata.
Demand Policies

Paradox

SCHOOL EVASION IS 2.7% from 7 to 14 years of age. But goes up to 17.8% from 15 to 17 years

• Private Premium to schooling is 15% for each additional year.
• But why teenagers evade schools?

Source: CPS/FGV based on PNAD 2006 Supplement/IBGE
Key-Points:

Role of Demand Policies
Role of Subjective questions
Role of Quality of Education Targets
(80% ≠ explained by family background)
Role of CCTs 2.0

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