2019 Social Assessment

Has Brazilian inequality peaked?
What about the growth of both mean income and social welfare?

New data disclosed by FGV Social using labor microdata from PNADC/IBGE

Marcelo Neri

Annual Levels of Mean Income, Equity (Gini) and Social Welfare

In the last year, inequality of labor earnings reached its highest level in the decade. Its average growth was 0.17%, the lowest rate recorded since 2015, thus suggesting a stability trend. The mean per capita income grew for the third year in a row (1.6% in per capita terms, or 2.4% in total in 2019), and combined with the abovementioned stop on inequality growth, resulted in an increase in social welfare (1.32%), the best performance since the beginning of the economic recession in 2014.

Source: FGV Social from PNADC/IBGE microdata per Capita Habitual Labor Earnings
Mean Income, Equity (Gini) and Social Welfare Annual Growth Rates
(in relation to the previous year)

Mean Income, Equity (Gini) and Social Welfare - Annual Growth Rates
(in relation to the same period in the previous year)

Gini type of SWF: FGV Social from PNADC/IBGE microdata per Capita Habitual Labor Earnings.
The **Gini Index** observed its first reduction in the 4th quarter of 2019 (-0.12%), consequently ending a trajectory of 18 trimesters in a row of growing inequality of labor earnings.

According to the Director of FGV Social – Marcelo Neri. “The increase in income inequality has been losing steam, growing at a slower pace. The result obtained in the last quarter of 2019 represented the first fall in the inequality series (...) in addition, per capita labor earnings are growing, not as fast as a year ago, but the combination of both news is positive”.

**Variation in Labor Earnings Inequality**: the end of the trajectory of 18 quarters in a row of growth in the Gini (losing steam since the third quarter of 2018)

Source: FGV Social / CPS using PNADC / IBGE microdata
OBS: Per capita Habitual Household Income – All Individuals
The mean confidence interval that we estimated by bootstrap using PNAD microdata from 1992 to 2013 was 0.596%
For the first time since the beginning of the economic recession, four out of the five variables that affect mean income and its distribution are positive: (i) working hours; (ii) unemployment; (iii) schooling; (iv) participation in the labor market. The 5th variable, hourly-wage by years of study of the worker, fell by 1.58% in 2019 in comparison with 2018. According to Marcelo Neri: “Schooling and participation (the search for a job) never stopped to grow, even during the crisis. On the other hand, unemployment has started to fall, despite still at a high level, and the working hours have been increasing, which means that people are working more. The only problem is the wage variable, which continued to fall, thus negatively impacting economic growth and inequality.”
Individual Income from Labor - Total (%)

Annual Variation from 2014 to 2019

Individuals with low education, the youth and Brazilians living in the North and Northeast regions were the main losers of the economic crisis initiated in 2014.

In 2019, on the other hand, mean income grew 2% and there was a reversion in the losses of the groups historically excluded in Brazilian society, except for individuals with low education – a fact that corroborates the importance of education.

Source FGV Social from PNAD e PNADC/IBGE microdata