The Escalation of Inequality:
How did the Brazilian crisis impact income distribution and poverty?

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Overview:

1 - Introduction
2 – The Inequality Climb
   Growth by Income Groups (50%- poorest, 1%+ richest, per deciles, etc)
3 – Mean and Social Welfare (Levels and Growth)
4 - Individual Income from Work – Horizontal Inequality and Labor Ingredients
   • Who lost the most? (youth, illiterates, black people, etc)
   • Why did get worse? (unemployment, participation, work journey, level and returns of education)
   • Why did the inequality get worse? (unemployment, participation.....)
5 – Poverty and Income from All Sources (Electoral Cycles, The Beginning of the Crisis, Projections)

Appendix: Monitoring the Income Distribution (The Missing Link and Robustness Analysis)
Inequality - Evolution of the Gini Index

Source: FGV Social/CPS from quarterly PNAD microdata/IBGE.

OBS: Per Capita Household Habitual Income from Work – All Individuals

Inequality - Evolution of the Gini Index – 4-Quarters Moving Average

Fonte: FGV Social/CPS from quarterly PNAD microdata/IBGE.

OBS: Per Capita Household Habitual Income from Work – All Individuals
### Inequality - Gini Index Change compared to same Quarter previous Year

Source: FGV Social/CPS from quarterly PNAD microdata/IBGE

OBS: Per Capital Household Habitual Income from Work – All Individuals

### Mean per capita Earnings Growth by Income Group 2014.T4 to 2019.T2

Source: FGV Social/CPS from quarterly PNAD microdata/IBGE.
Mean per capita Earnings Growth by Deciles 2014.T4 to 2019.T2

Growth, Equity and Social Welfare – Annual Growth Rates

Source: FGV Social/CPS from quarterly PNAD microdata/IBGE.

The concepts refers to the per capita household income from habitual work. We provide in the appendix a robustness analysis of these results against other database variants and concept used as:

i) usual and effective income, we defend the former for its lower volatility and by maintaining the continuity of the Traditional PNAD series; ii) quarterly and annual PNAD collection;
iii) total population and that between 15 and 60 years old; iv) with and without excluding outliers in the series, now incorporated into IBGE in the database.
Mean per capita Earnings Evolution – R$

Source: FGV Social/CPS from quarterly PNAD microdata/IBGE.
OBS: Per Capita Household Habitual Income from Work – All Individuals

Mean per capita Earnings Evolution – 4-Quarters Moving Average – R$

Source: FGV Social/CPS from quarterly PNAD microdata/IBGE.
OBS: Per Capita Household Habitual Income from Work – All Individuals
Source: FGV Social/CPS from quarterly PNADC microdata/IBGE.
OBS: Per Capita Household Habitual Income from Work – All Individuals
Individual Earnings Growth Rate Traditionally Excluded Groups from 2014.T4 to 2019.T2

<table>
<thead>
<tr>
<th>Group</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>2.22%</td>
</tr>
<tr>
<td>Men</td>
<td>-7.16%</td>
</tr>
<tr>
<td>Women</td>
<td>-8.35%</td>
</tr>
<tr>
<td>Black</td>
<td>-4.18%</td>
</tr>
<tr>
<td>Brown</td>
<td>-4.18%</td>
</tr>
<tr>
<td>Young – 20 to 24 years</td>
<td>-8.35%</td>
</tr>
<tr>
<td>Illiterates</td>
<td>-7.55%</td>
</tr>
<tr>
<td>North Region</td>
<td>-7.55%</td>
</tr>
<tr>
<td>Northeast Region</td>
<td>-5.62%</td>
</tr>
<tr>
<td>Capitals</td>
<td>-3.71%</td>
</tr>
</tbody>
</table>

Source: FGV Social/CPS from quarterly PNADC microdata/IBGE.
OBS: Individual Habitual Income from Work – Working Age Population


Income from all Jobs = Working Hour-Salary (Positive Income) for Years of Study x Hours Worked x PEA Occupancy Rate x Labor Market Participation Rate

Source: FGV Social/CPS from quarterly PNADC microdata/IBGE - 15 to 59 years of age
OBS: Individual Habitual Income from Work – Working Age Population

Source: FGV Social/CPS from quarterly PNADC microdata/IBGE - 15 to 59 years of age

Change in Inequality 1% + / 50% - Decomposition of Individual Earnings Growth Rates by Classic Labor Ingredients - per Capita Income Groups ratios from 2014.T4 to 2019.T2

Source: FGV Social/CPS from quarterly PNADC microdata/IBGE. OBS: individual income by per Capita income bands all from work
Change in Inequality 1% + / 50% - - Decomposition of Individual Earnings Growth Rates by Classic Labor Ingredients - stacked intermediate per Capita Income Groups ratios from 2014.T4 to 2019.T2

Change in Inequality 10% + / 50% - - Decomposition of Individual Earnings Growth Rates by Classic Labor Ingredients - per Capita Income Groups ratios from 2014.T4 to 2019.T2 stacked intermediate bands

Source: FGV Social/CPS from quarterly PNADC microdata/IBGE. OBS: individual income by per Capita income bands all from work
Poverty in Brazil – Proportion of Poor % - Harmonized Series

Source: FGV Social/CPS from PNAD, quarterly PNADC and annual PNADC microdata/IBGE. FGV Social poverty line, whose value in 2018 August corresponds to 233 reais month per person.

Poverty and Elections in Brazil – Proportion of Poor % - Harmonized Series

Source: FGV Social/CPS from PNAD, quarterly PNADC and annual PNADC microdata/IBGE. FGV Social poverty line, whose value in 2018 August corresponds to 233 reais month per person.
The present chart shows the trajectory of Poverty Indicators over the past 25 years. This information was disseminated, firsthand, through FGV Social.

Total Individual Income Growth Rate 2014 to 2015 – Begin of the Crisis

- Total: -7.04%
- Men: -7.81%
- Women: -5.98%
- Young 15 to 19: -20.51%
- Young 20 to 24: -12.49%
- Boss: -7.46%
- Spouse: -7.08%
- Son: -6.85%
- Uneducated: -6.08%
- Northeast: -7.21%
- Capitals: -8.38%
- Metropolitan Suburbs: -9.86%
- Field: -6.64%

Source: FGV Social/CPS from quarterly PNAD microdata/IBGE
Inequality – Gini and Concentration Index

Source: FGV Social/CPS from PNAD microdata/IBGE

Inequality - Gini Index

Source: FGV Social/CPS from PME/IBGE per Capita Household Income from Work 15 to 60 years
Robustness Analysis

Quarterly PNADC: Per Capita Income from Usual Work – Gini Index

Average Income

Social Welfare

Chart 8: Quarterly PNADC: Per Capita Income from Usual Work (without outliers)

Chart 9: Quarterly PNADC: Per Capita Income from Usual Work – * All Ages

Source: IBGE Social based on Quarterly Continuous PNAD microdata/IBGE

- 15 to 59 years *

Robustness Analysis

Gini Index

Quarterly PNADC: Per Capita Income from Usual Work

Average Income

Social Welfare

Chart 11: Annual PNADC: Per Capita Income from Usual Work

Chart 12: Annual PNADC: Per Capita Income from Effective Labor

Source: IBGE Social based on Quarterly Continuous PNAD microdata/IBGE

- 15 to 59 years
Visit the research site at https://cps.fgv.br/en/inequality

The Escalation of Inequality - What was the impact of the crisis on income distribution and poverty?
September 2019

About the research:
This paper evaluates the changes in inequality in the last 7 years, their relationship with growth, some of their close determinants and joint consequences for social welfare and inequality.

I The escalation of inequality - What was the impact of the crisis on income distribution and poverty?

II TEXT
Executive Summary
Texto completo

II SLIDES
Slide “The Escalation of Inequality”

II MEDIA
| Global inequality (Folha de S. Paulo):
| Brazil’s surge into the global income concentration
| Brazil may take 15 years to return to the poverty levels of 2014
| Gini coefficient (Lisboa, UK) - “Global Inequality - Brazil”

II RELATED RESEARCHES
- See other FGV Social research on crisis and perceptions of Brazilians:

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