

THE REAL BRAZIL: THE INEQUALITY BEHIND THE STATISTICS

POVERTY

Executive summary

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16 million

The number of people who still live in abject poverty - equivalent to the population of the Netherlands.

An economic upsurge in recent years has pushed Brazil, the largest country in the southern hemisphere, into the ranks of the world's richest nations. With its gross domestic product standing at more than US\$2.5tn by the end of 2011, it now has the sixth-largest economy in the world.¹

Trade liberalisation, a strong manufacturing base and vast natural resource wealth have kept in check inflation, which just a few years ago stood as high as 1,000 per cent, and a once-crippling foreign debt has been tamed.²

With employment up and the introduction of social reforms, including primary school education for all, a minimum wage, state pensions, and a welfare programme that includes cash transfers to the poorest, the population of around 190 million has, in the eyes of many, never had it so good.

Academics and the development community have been quick to praise the changes, introduced by former President Luiz Inácio (Lula) da Silva, a one-time union official who held office between 2003 and 2010, with his successor Dilma Rousseff carrying on the work.

The British tabloid press, too, was quick to acknowledge the achievements, albeit in a back-handed manner, when it realised that although Brazil's GDP was now some US\$42bn higher than that of the UK, the South American giant still received aid – even if the sums were relatively small.

'It's nuts! Britain is STILL giving aid to Brazil – even though it's richer than we are,' howled one headline, above a general tirade against the UK government's pledge to commit 0.7 per cent of gross national income to overseas aid.³

Both the plaudits and the criticism, however, are based on a misconception, for the growth of newly emerging economies such as Brazil masks an unpalatable reality: progress and growing wealth do not automatically improve the plight of the poorest.

Just 30 years ago, most of the poorest people in the world – those living on less than US\$1.25 a day – were found in poor countries. Today, some 75 per cent of those who are most in need live in countries enjoying middle-income status.⁴

Brazil is no exception. Despite the boom, it remains among the top 10 countries in the world for income inequality, and has within its borders some 16 million people – equivalent to the population of the Netherlands – living in abject poverty.⁵ More than twice that number, 21.4 per cent of the population, fall below the World Bank's national poverty line.⁶

New research commissioned by Christian Aid starkly reveals how increased average incomes, combined with improved access to social services, have reduced extreme poverty – but failed to challenge the structural inequalities that divide Brazilian society.

In findings that can be applied globally, the report makes clear that the pursuit of growth can all too easily exacerbate, rather than reduce, inequality. Growth must go hand in hand with active measures to address structural factors that will otherwise continue to consign millions to hunger and other hardships.

And while income transfers to the poor may alleviate hardship, they do not address inequality, or help people's aspirations for a better future.

The research, carried out by CEBRAP (the Brazilian Centre for Analysis and Planning),

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based in São Paulo, working together with a number of other Christian Aid partners, is published in a new report, *The Real Brazil: the Inequality behind the Statistics*.

In analysing the disaggregated social and economic indicators for urban and rural areas, as well as different social groups, and divisions according to gender, race/colour, academic qualifications and age groups, the report shows that while inequality may have fallen statistically, a huge gulf still separates the haves from the have-nots in Brazilian society, with rural areas particularly badly off.

Entrenched fundamental differences in the power that individuals and groups are able to exercise over their own lives and prospects have far-reaching implications for life expectancy, the chances of receiving a decent education, and access to secure employment and the benefits that brings.

It is not only income levels that explain these disparities in Brazil. CEBRAP’s research shows that inequality also plays its part. We already know from previous research that in countries with high per capita incomes, inequality is responsible for much of the difference apparent in a range of health and social outcomes.⁷ This report shows that the same is true in a major middle-income country too.

The most important advances in Brazil in recent years have been the acceleration of economic activity and job creation, and social policies that help distribute income directly to the poor – notably through the *Bolsa Família* (Family Allowance) which gives aid to the poorest families provided they have their children vaccinated and send them to school.

Through boosting incomes, there has been a boom in the sale of durable and non-durable

consumer goods, which in turn has helped push up production levels and create jobs in industry and the services sector. The disaggregated data from the country’s National Household Survey Study, however, reveals some telling trends.

The fall in income inequality attributed by many to the cash transfer programmes in areas where unemployment is high, such as the northeast, was actually more pronounced in areas with a higher per capita income. In other words, the fall should be attributed to the provision of salaries and pension plans indexed to the minimum wage for people already in secure employment. While cash transfers were found to reduce absolute poverty in the poorest regions, they didn’t address inequality or contribute to a lasting transformation of the lives of the poor.

This trend was apparent country-wide with inequality falling most in the wealthiest states. ‘The greater the regional and local inequality, the lower the possibility of escaping inequality through traditional mechanisms – income transfer and generation of formal employment,’ the report warns.

In fact, CEBRAP’s research found that 90 per cent of the jobs established in the formal sector were at the lower end of the income scale.

And although industrial productivity had grown steadily, workers’ average earnings had not kept pace, meaning that industrial capital is pocketing the lion’s share of the gains, suggesting reductions in income inequality will be extremely limited in the long term.

Difference in incomes is not the only manifestation of inequality, the report adds. Wide disparities also exist in access to services such as health and education, with systematic impacts on life expectancy and literacy, for example.

14%

The percentage of women employed as maids, while many others are restricted to 'typically female' occupations such as nurses, secretaries and carers.

The data shows that a high proportion of poor 10- to 14-year-old boys try to combine studying with work as child labourers, while a large proportion of poor teenage girls, among whom there is a high fertility rate, combine 'not studying with economic inactivity'.

On the question of race, the report is damning. 'Inequality of opportunities and access ends up outlining a picture where black people have less schooling, occupy worse jobs, have fewer possibilities of social mobility and live in regions with worse infrastructure.

'Many leaders, economists and social scientists supposed that the modernisation and industrialisation of Brazilian society would bring the elimination of those inequalities... Recent history shows that did not happen.'

Only three in ten of the poorest 20 per cent of people in the country were white, while they made up seven in ten of the richest 20 per cent.

Among the Quilombola, the descendants of slaves who escaped the country's extensive sugar cane plantations, the proportion of malnourished children up to the age of five is 76.1 per cent higher than among the population as a whole, and 44.6 per cent higher than among the rural population.

Gender inequality, meanwhile, is rampant in the workplace. Some 14 per cent of all women in employment are maids, while many others are restricted to 'typically female' occupations such as nurses, secretaries and carers.

When they engage in the same occupations as men, inequalities are also apparent in the form of lower salaries and 'more restrictive job prospects'.

The report adds that 'school and the mechanism for formal education are also sources for reproducing inequalities. Access to school alone does not guarantee that the results will be the same for all social groups'.

'Great inequality exists between the quality of the systems of basic state and private education, with significant disadvantages for the former,' it says.

This explains in part why in 2009 more than three out of four of the poorest 20 per cent of children failed to complete even primary education. Barely one in 200 students from the same group completed higher education.

On health, meanwhile, life expectancy for those in poverty is much lower than for the rich, with very few of the former reaching their mid-70s.

The report blames the inequalities that continue to flourish in Brazil on the country's past. Initially a collection of enormous sugar plantations and coffee estates worked over three centuries by some 4 million slaves shipped over from Africa, economic power was concentrated in the hands of a few rich landowners.

Economic development in the 20th century still favoured the elite, with the industrial and mercantile magnates that emerged intimately connected to those holding economic power in rural areas.

Although both a working class and a middle class did emerge, they were not large enough to transform the state into a salaried society where universally agreed terms of employment were enjoyed.

35,000

The number of young people who die each year from firearms in Brazil.

Instead, huge numbers of socially excluded people – comprising the self-employed, domestic servants and unpaid workers – flowed into the cities until by 2009 they accounted for 40 per cent of the economically active population.

Part of the reason for this was that industrialisation in urban areas ‘was largely combined with repression of organised movements of urban workers and by barriers to the creation of rural trade unions’. A series of dictatorships also protected the wealthy.

Although democracy in Brazil is now well established, ‘the privileges of the richest group have been left untouched, and no strategy has been implemented aimed at fostering the expansion of sectors that are more productive and employ more intensive use of technology, which generate more and better jobs as well as improved tax receipts’, the report states.

The implication is that successive governments have sought to use the benefits of growth to ameliorate extreme poverty, without confronting the more politically charged factors underlying inequality such as the regressive tax system and the highly unequal distribution of land.

According to the report: ‘The government appears to be advancing along the path... of least resistance.’

In recent years, thanks to the growth of agribusiness, there has in fact been an increase in the concentration of property in the hands of landowners, with some 84.8 per cent of the total value of production concentrated in only 8.1 per cent of all agricultural establishments, leaving nearly 4 million agricultural establishments unable to achieve a monthly income greater than twice the minimum wage.

Government data shows that the poorest households pay almost half of their income in taxation, while the richest households pay barely a quarter of theirs.⁸

A further factor exacerbating inequality, according to another Christian Aid partner quoted in the report, INESC, is tax dodging by the rich and by multinationals, which means that approximately nine per cent of GDP leaves the country illegally and therefore cannot be used to fund health, education and other public policies.

Christian Aid believes that inequality is *the* major challenge to development efforts. It should form the core of the post-2015 successor to the millennium development goals, and be a major focus of aid spending by donor countries and multilateral institutions like the World Bank.

Inequality in Brazil dates back to the birth of the nation. While highlighting the problems that still exist despite President Lula’s legacy, the report’s message is fundamentally optimistic.

For tackling inequality is not a zero-sum game – in other words, improving the plight of the poorest does not automatically lead to others becoming worse off.

Instead, progressive measures to address the structural causes of inequality will deliver benefits to all, by reversing the enormous health and social damage being done. For instance, in a country where some 35,000 young people die each year from firearms, reducing violent crime would be in everyone’s interest.

Reductions in the numbers of people living in extreme income poverty should indeed be celebrated; but only as a complement, not an alternative, to the structural reforms to tackle inequality that will ultimately benefit the whole country.

ENDNOTES

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3 'It's nuts! Britain is STILL giving aid to Brazil – even though it's richer than we are. Millions handed over in development aid in recent years', *Daily Mail*, 29 December 2011, dailymail.co.uk/news/article-2079628/Britain-STILL-giving-foreign-aid-Brazil-richer-are.html#ixzz1iKe48HSC

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5 *The Real Brazil: the Inequality behind the Statistics*, Christian Aid, 2012.

6 <http://data.worldbank.org/country/brazil>

7 Richard Wilkinson and Kate Pickett, *The Spirit Level: Why Equality is Better for Everyone*, 2009.

8 See Chart 1 – Tax Burden on the Total Income of Families: 2004 (as a % of Monthly Family Income) on p19 of CDES, 2010, 'Inequity Indicators of the National Tax System', Observation Report n°2, available

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