Back to the Country of the Future:

Forecasts, European Crisis and the New Middle Class in Brazil (with special reference to women)

Coordination: Marcelo Neri

Executive Summary: Outline

- Chronicle of a New Foretold Crisis
  - New Year, New Crisis? (The W of the Question)
  - After the Crisis (a Tsunamy or a ripple?)
  - Is the Brazilian Inequality in its lowest historical level?

- The Future of the Brazilian New Middle Class
  - Measures of Polarization and Conceptualization of the Middle Class
  - Class Scenarios for 2014
  - The Great Decade (2004 to 2014)

- Life Satisfaction Expectation
  - The Country of the Future
  - The Collective of Brazilian

- Are Women more Optimistic than Men?
  - Female´s Future Felicity: The Biggest in the World
  - The Future of Women (Women of the Future)

FGV cps
Centro de Políticas Sociais

| Versão em Português

| Complete Research

Summary

| Slides

Visualization Print

| Simulator

Future Happiness and Gender

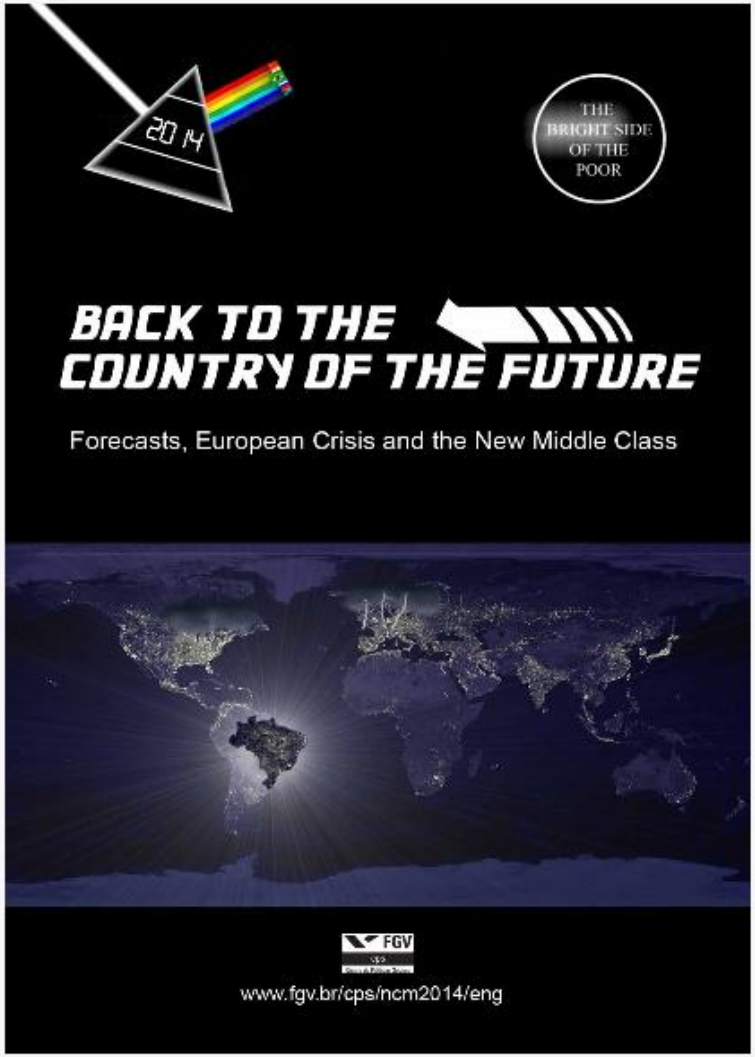
|Video 1 - Interview with Marcelo Neri
|Interview - Text

|Video 2 - New Middle Class Forecast
(Brazil-Turkey Meeting at FGV)

|Social Networks

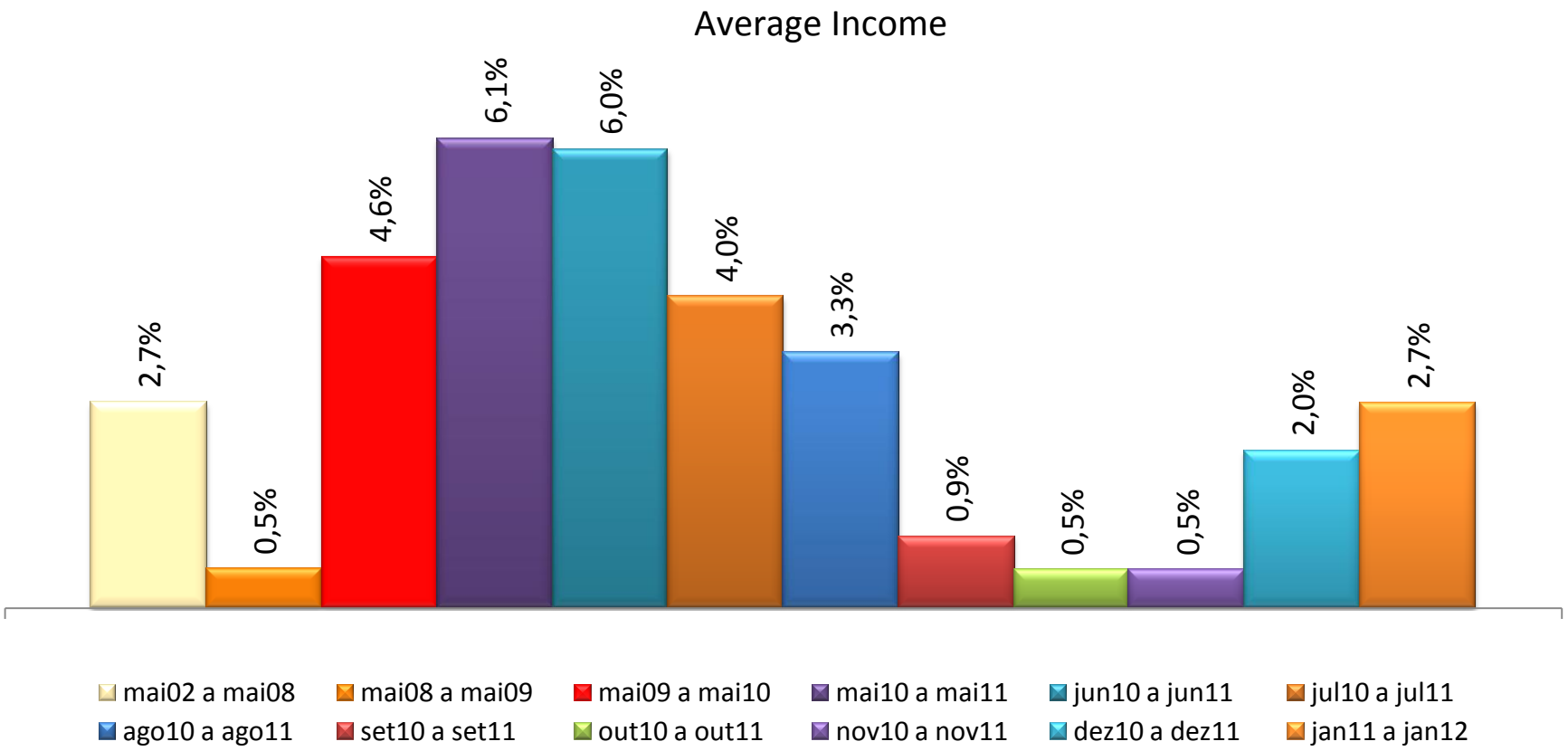
|Contact: cps@fgv.br +55 21 3799-6887

|Past researches on the new middle class:



www.fgv.br/cps/ncm2014/eng

Per Capita Income Changes over previous 12 Month

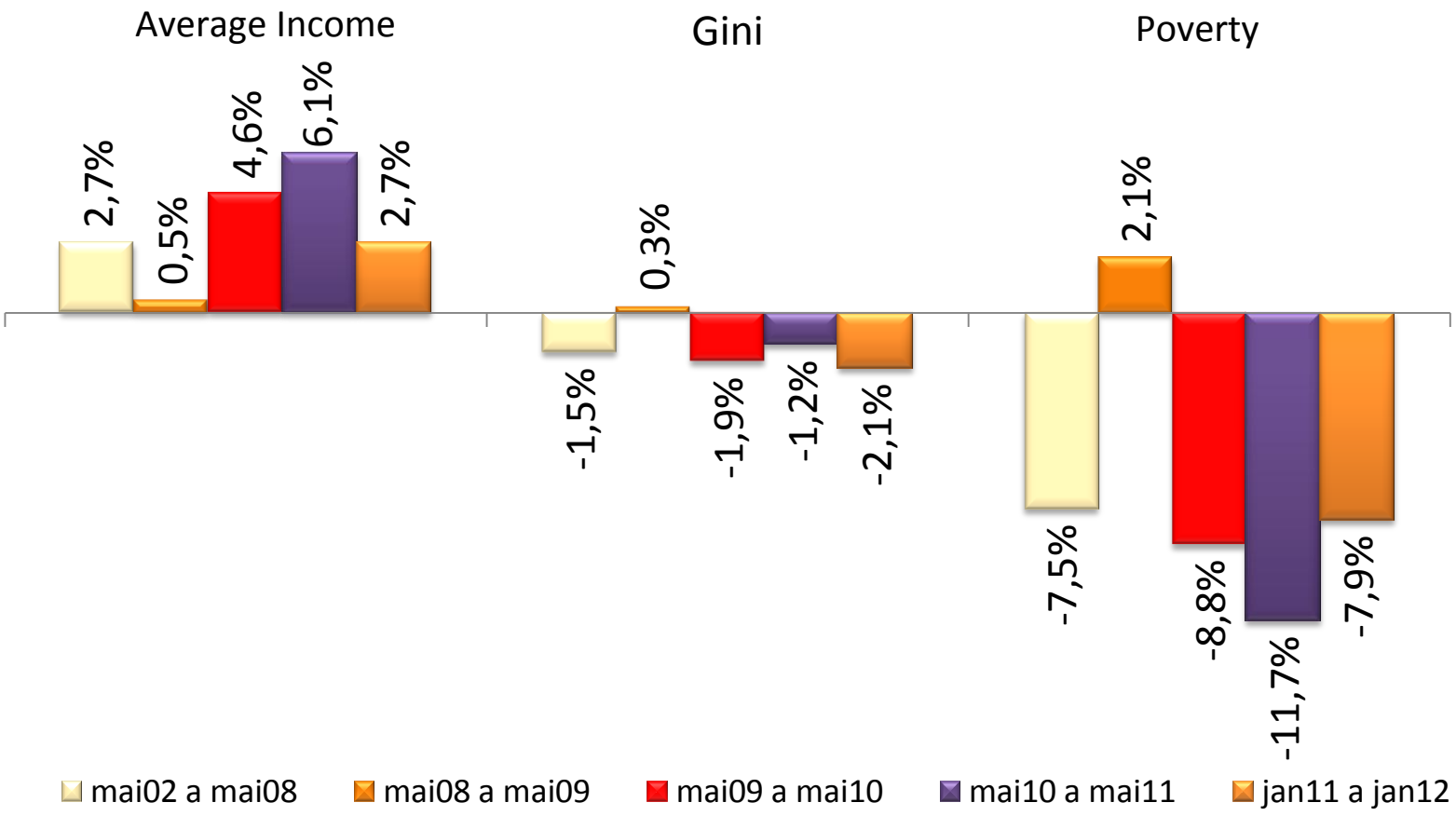


All the major inflections of the income distribution over the last 20 years were antecipated by PME www.fgv.br/cps/debatesocial

Growth slows in the end of the year: post-new crisis but also high initial basis in 2010 due to presidential election bussiness cycle and to the resumption from the previous crisis. Growth accelerates again from October onwards until al least January 2012

Source: CPS/FGV from the PME/IBGE microdata

Recent Evolution



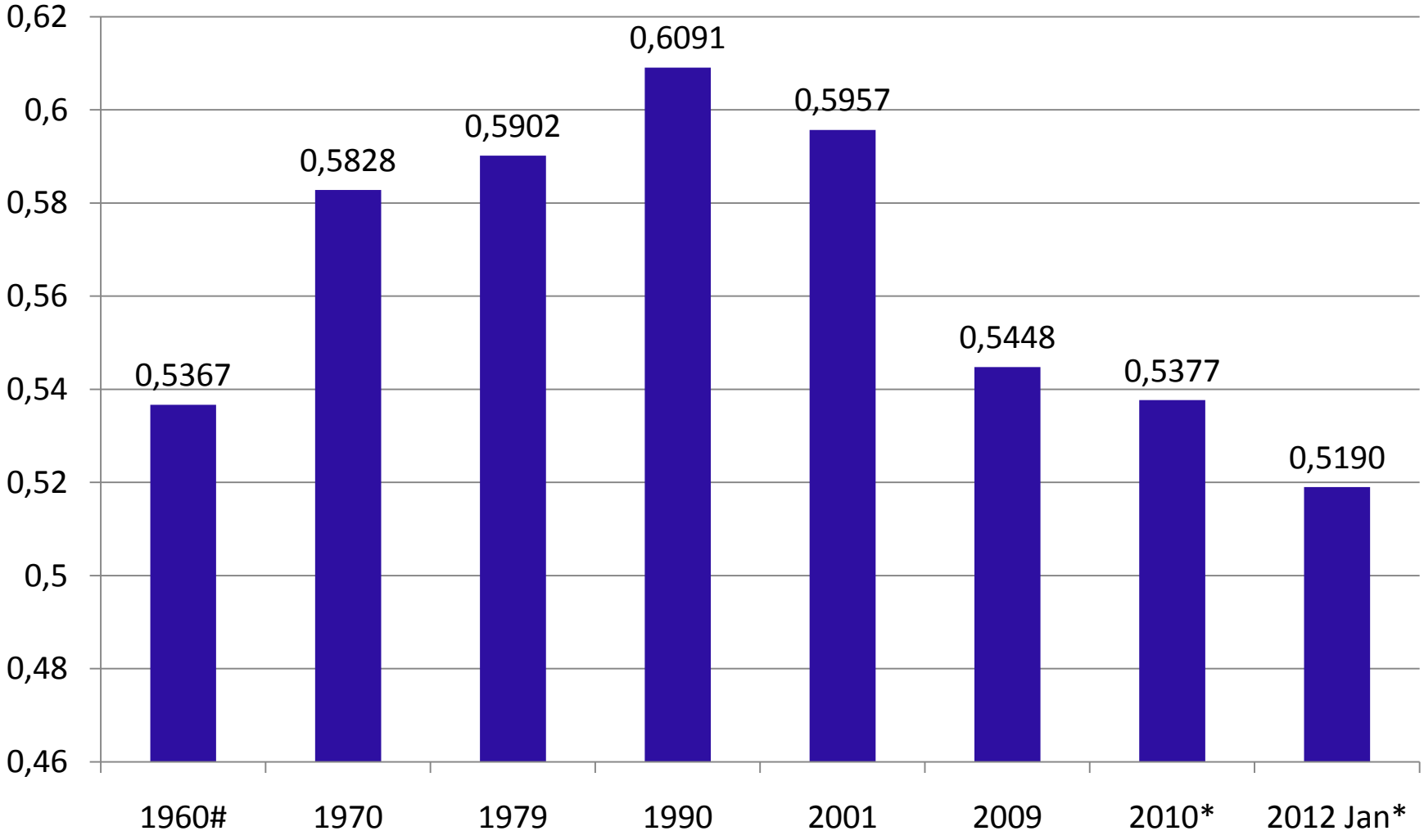
The combination of Growth and inequality fall lead to a fall in poverty.

Source: CPS/FGV from the PME/IBGE microdata

Chronicle of the Crisis (until January 2012)

- The european crisis hasn't reached the pocket of the Brazilians at least not those in the basis of the distribution.
- Growth of per capita household income of 2,7% in 12 meses, matching with the growth from 2002-08 and superior to the 0% produced in 2009 as a result of the 2008 crisis and the -4,57% from the Asian+ Russian crisis (end of 1990s).
- In 12 months ended in January 2012 poverty falls 7,9%, three times faster than the UN Millenium Goal.
- In the 12 months ended in January 2012 the Gini falls at a 2,1%, rate almost 50% faster than the one from the first years of the last decade, which became known as the period of the fall of inequality,.

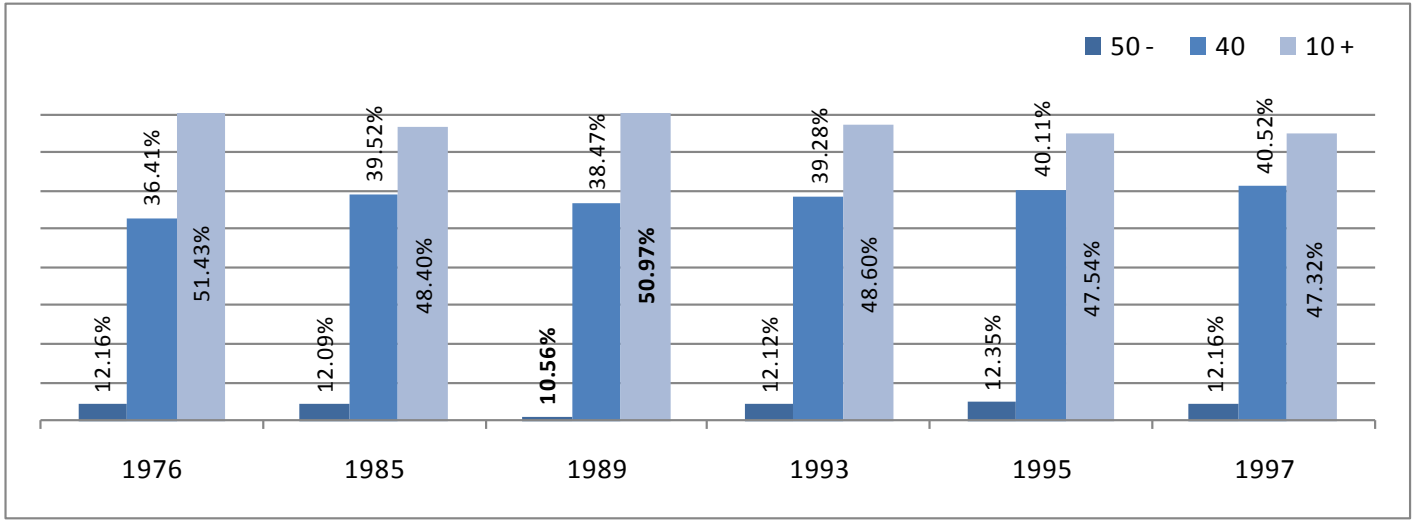
Long-term Vision – The Minimum of Brazilian Inequality

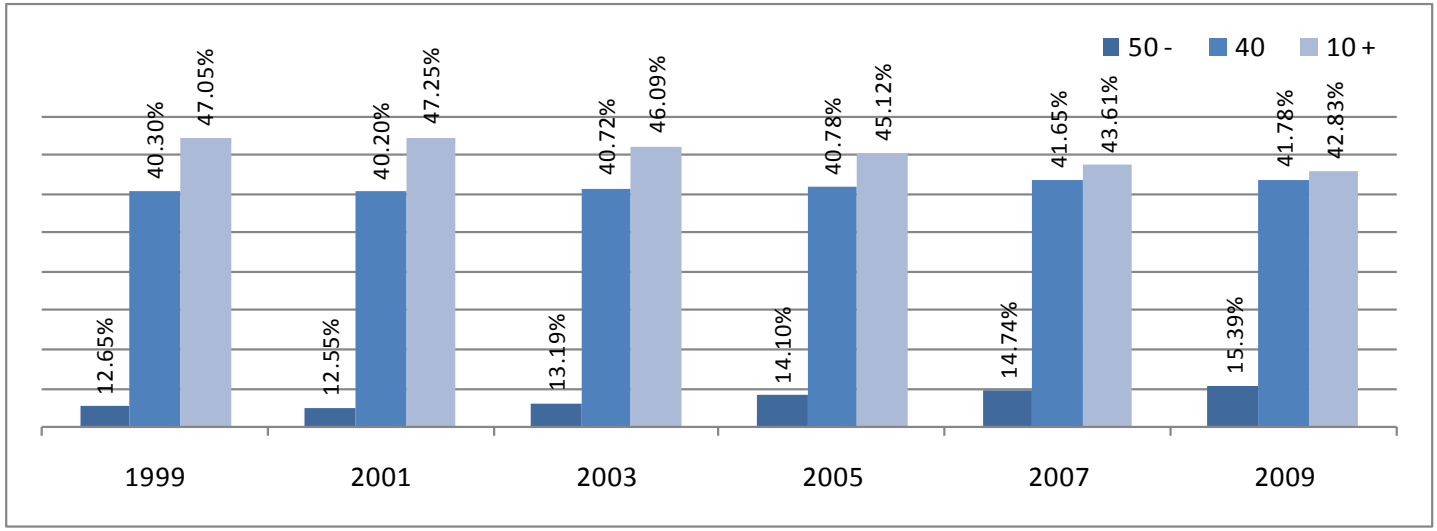


The Brazilian Gini falls from 0.596 in 2001 to 0.519 in Janeiro 2012, almost 3.3% lower than its minimal historical level since 1960.

Source: CPS/FGV from microdata the PNAD (September), PME e Censo / IBGE e Langoni 1973.
obs: PNAD adjusted by # Census e *PME.

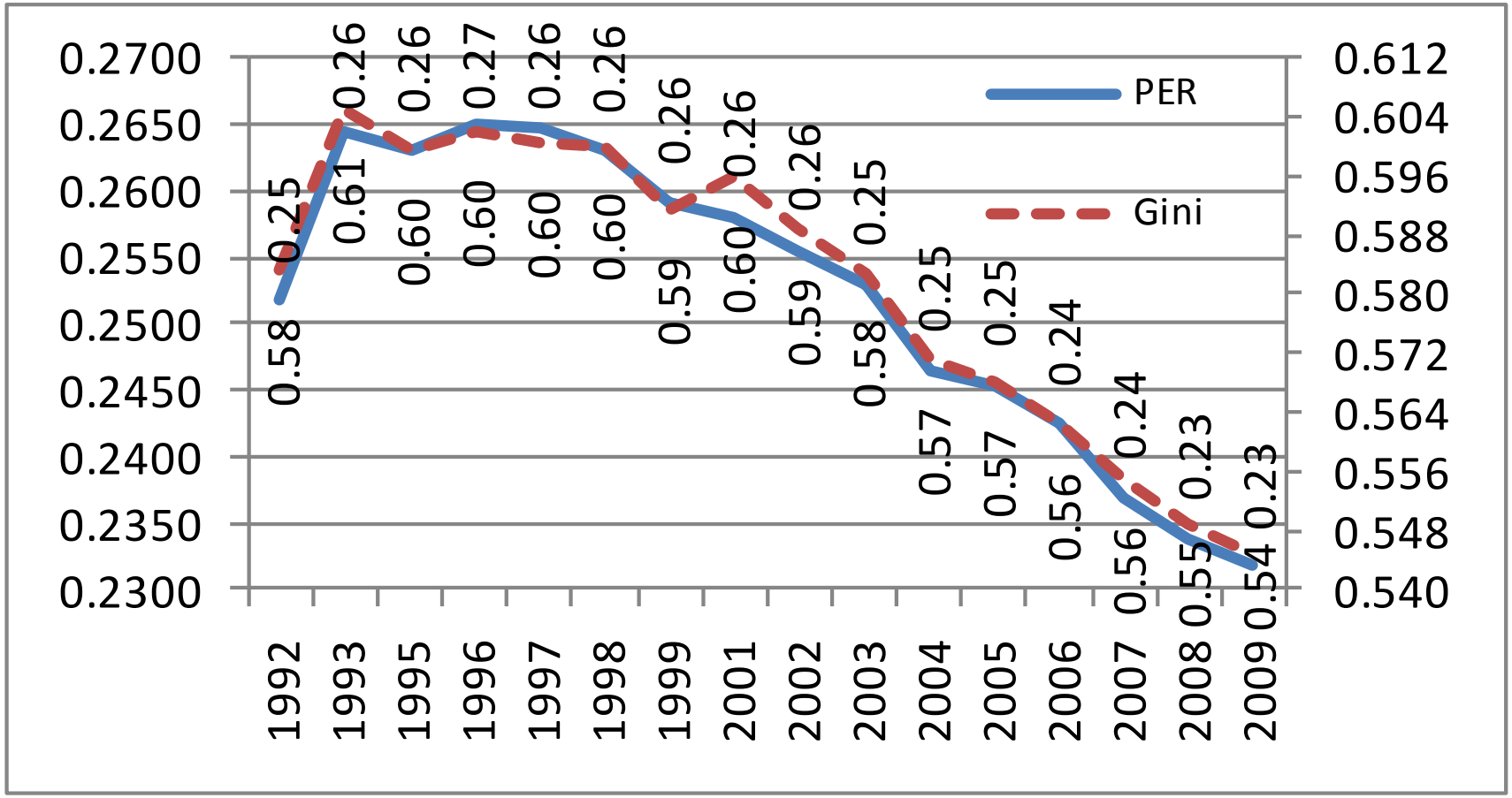
Evolution of Different Income Groups (50%-, 40% e 10%+) Share in Income





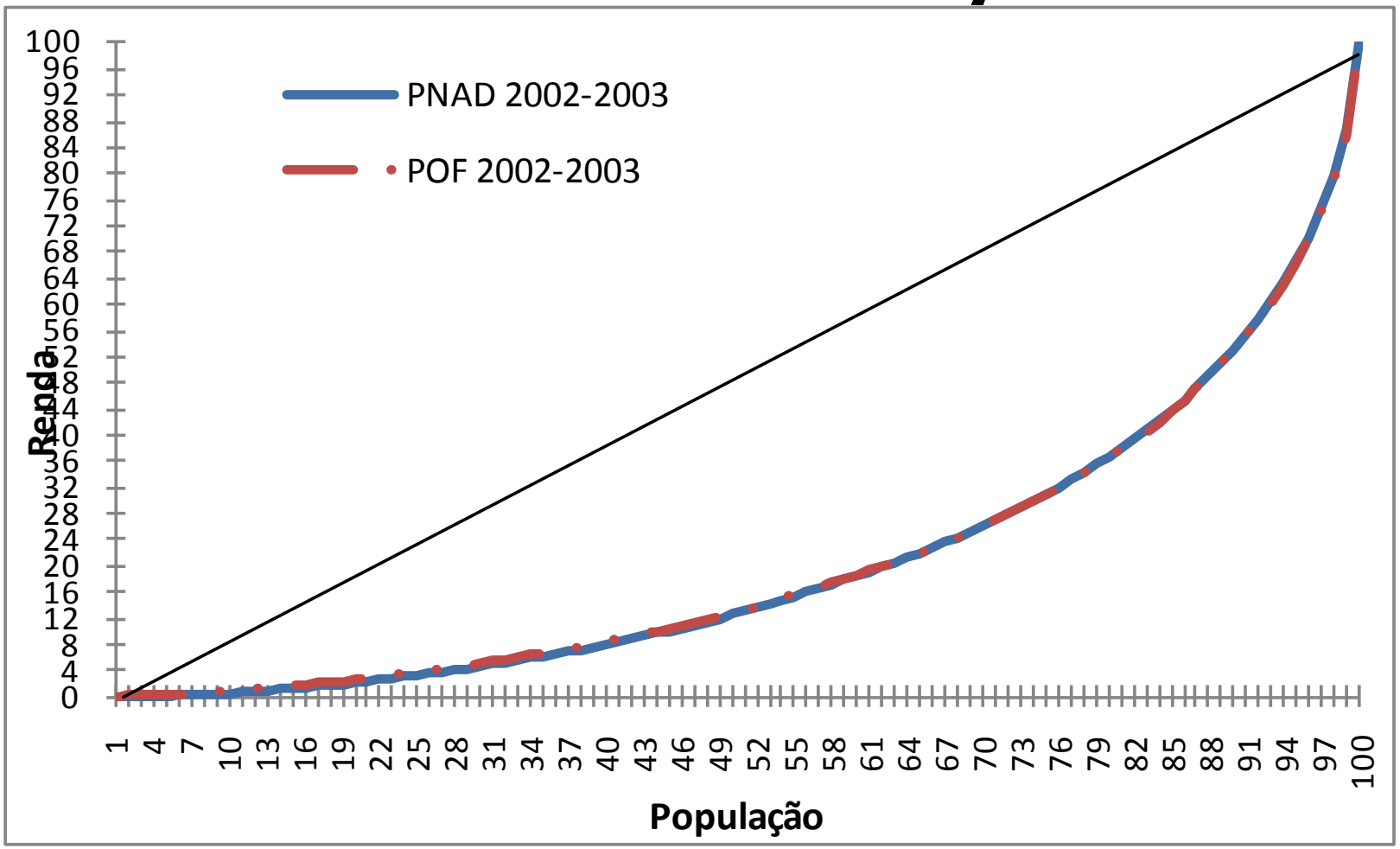
Source: CPS/FGV from the PNAD/IBGE microdata

Polarization and Inequality: Parallels



Source: CPS/FGV from the PNAD/IBGE microdata

Inequality in Per Capita Familiar Income POF and PNAD are Very Similar



As the difference resumes into the means and our classes were defined by the relative distribution, we just need to multiply the values of the PNAD by the POF factor, mantaining the same proportions in each class.

Source: CPS/FGV from the PNAD/IBGE microdata

Measures of Polarization and Conceptualization of Middle Class

- The EGR strategy generates brackets of income classes of the income distribution observed in practice. The brackets chosen were the ones which better distinguish the 3 groups in a sense that they select the lowest possible differences inside them and on the other hand maximize the differences between groups. We initially calculated the brackets of income for the case of 3 segments (AB, C e DE) .
- We made an adjustment in the brackets of classes by the POF, which is the most complete in capturing different income sources, but without changing the percentages themselves.

Classes and Total Household Income (calculated by per capita terms)

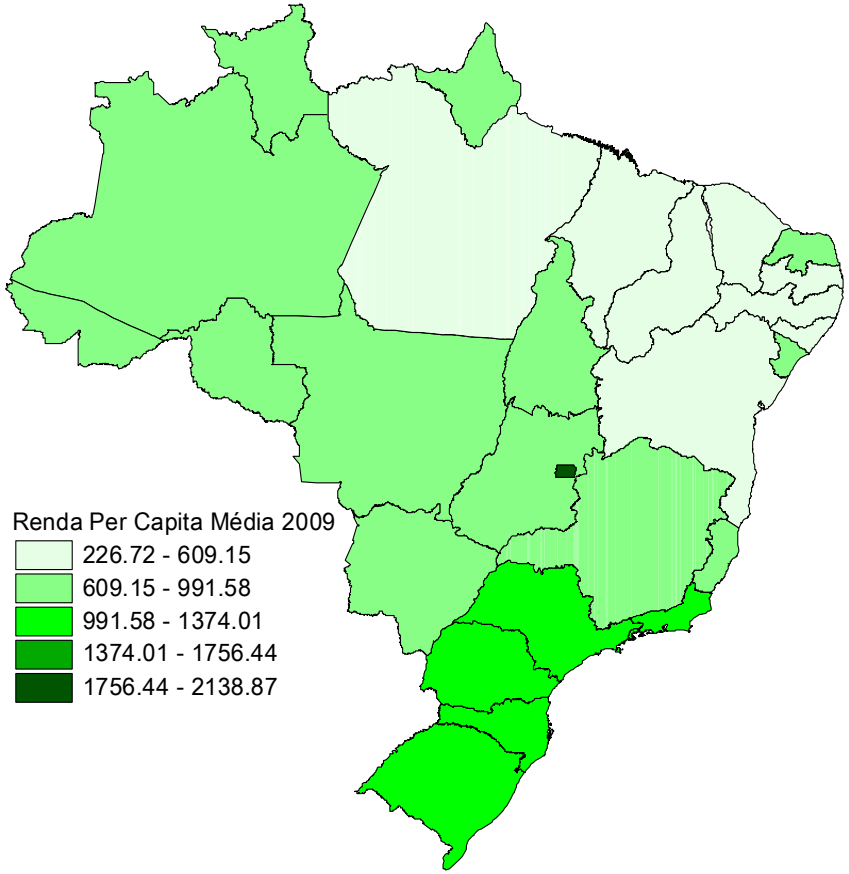
Definition of Economic Classes

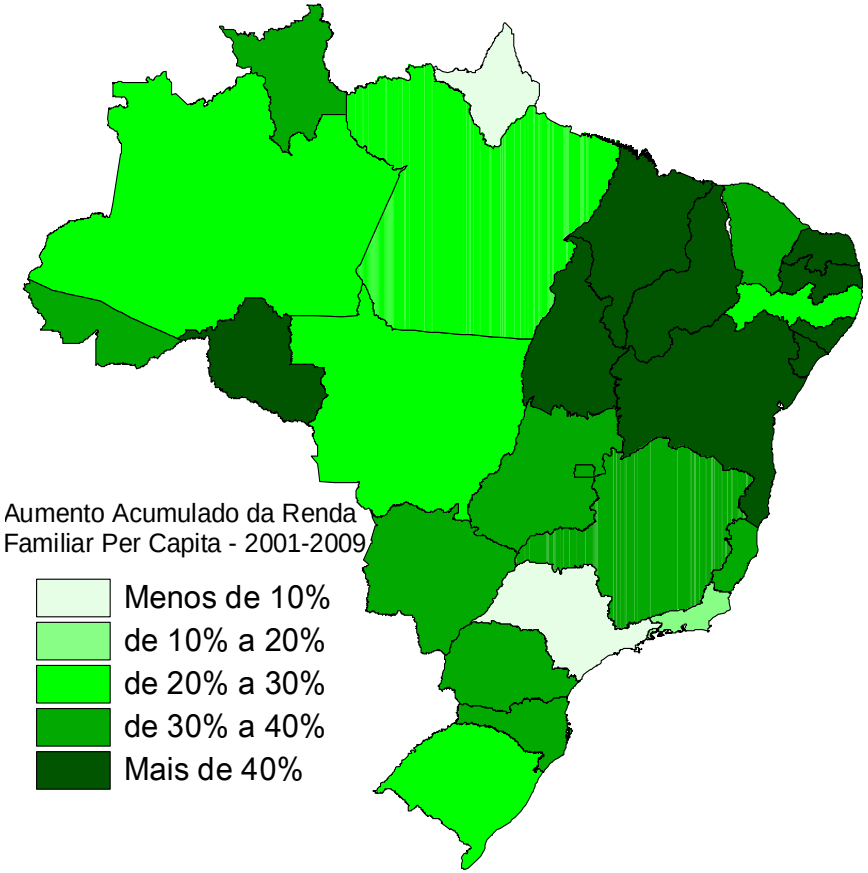
	Limits	
	Inferior	Superior
Class E	0	1085
Class D	1085	1734
Class C	1734	7475
Class B	7475	9745
Class A	9745	

*Adjusted by POF
**Updated to July 2011 Prices

Source: CPS/FGV from the PNAD/IBGE microdata

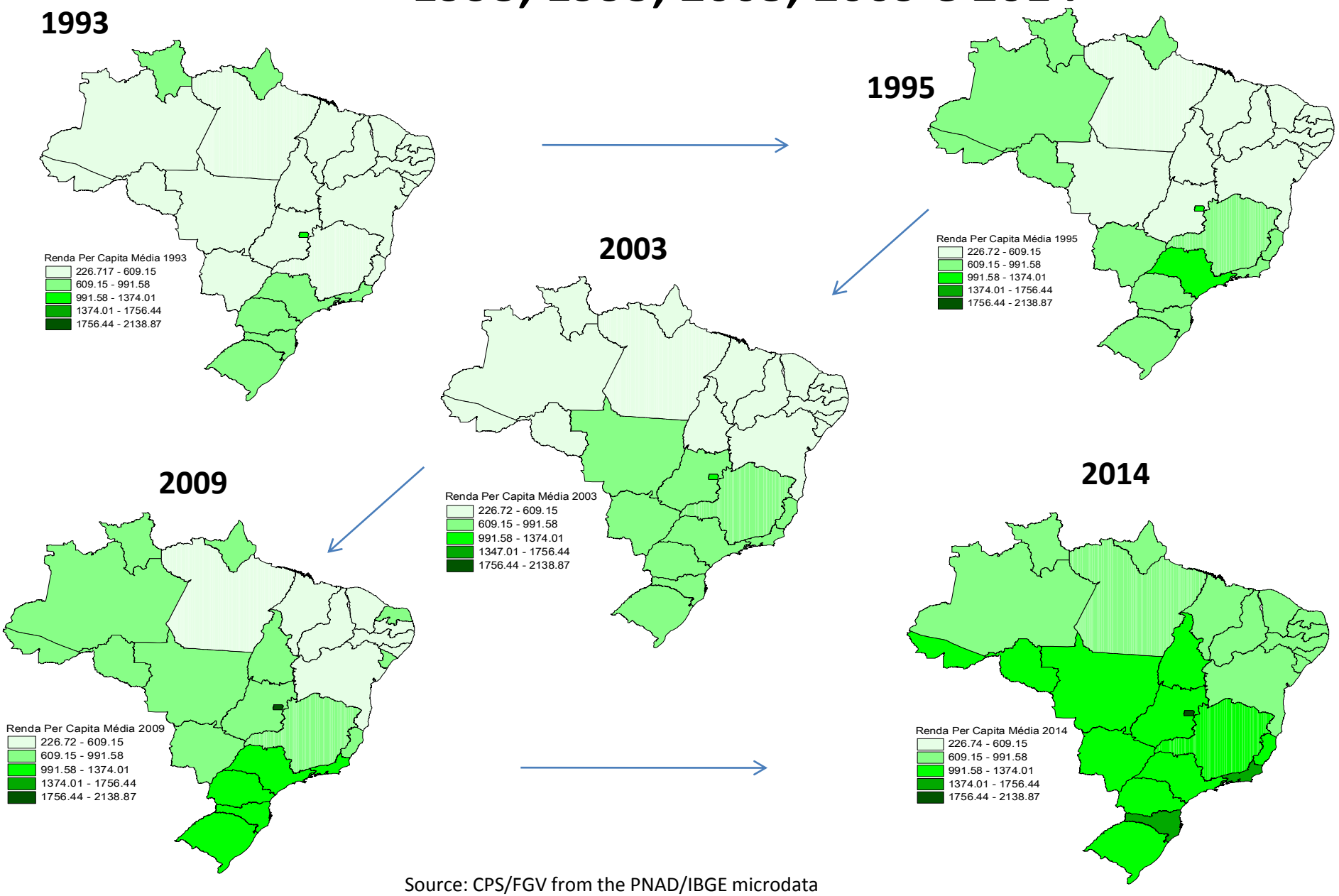
Classes Scenarios until 2014
Per Capita Familiar Income (R$) by State of the Federation
Income Levels in 2009 Income Variation 2001 a 2009





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

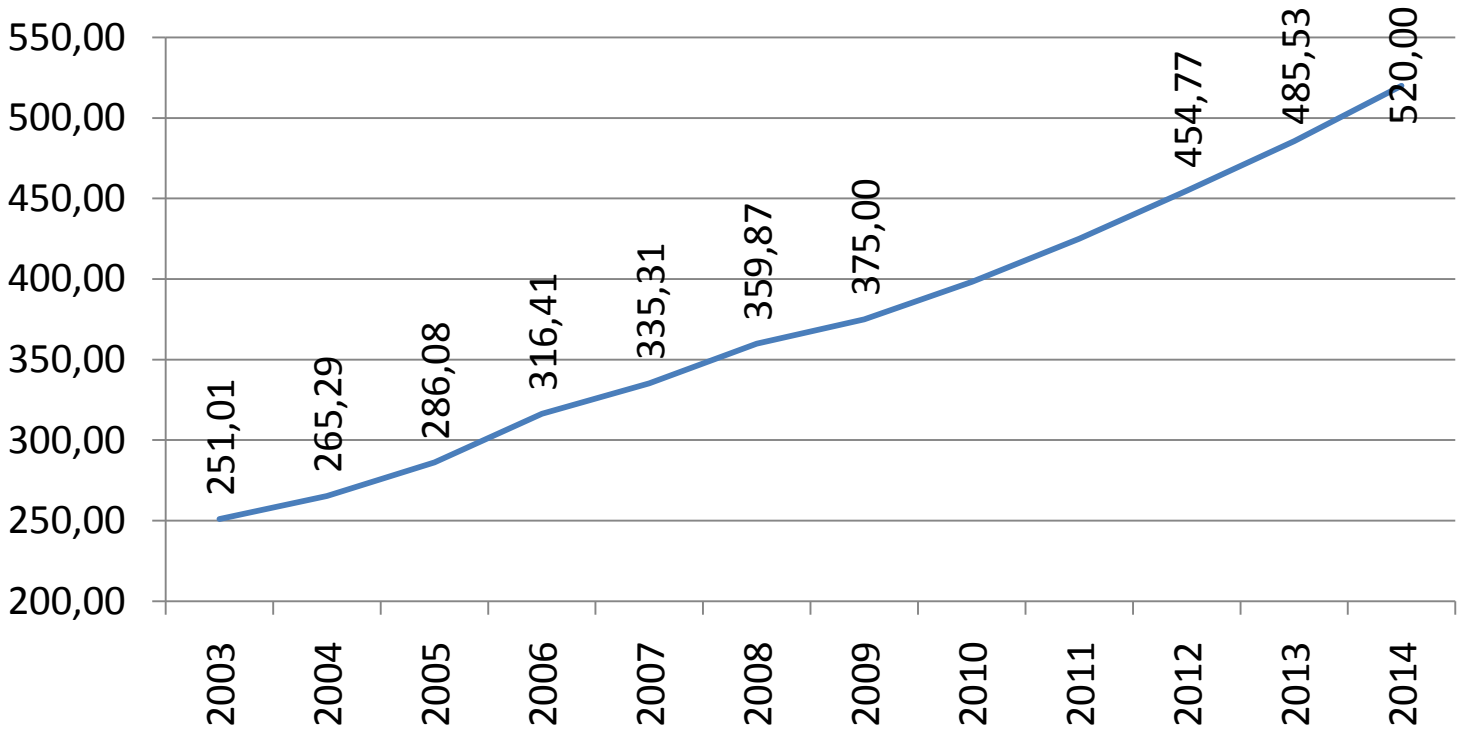
Evolution of the Mean Per Capita Household Income by UFs 1993, 1995, 2003, 2009 e 2014



Source: CPS/FGV from the PNAD/IBGE microdata

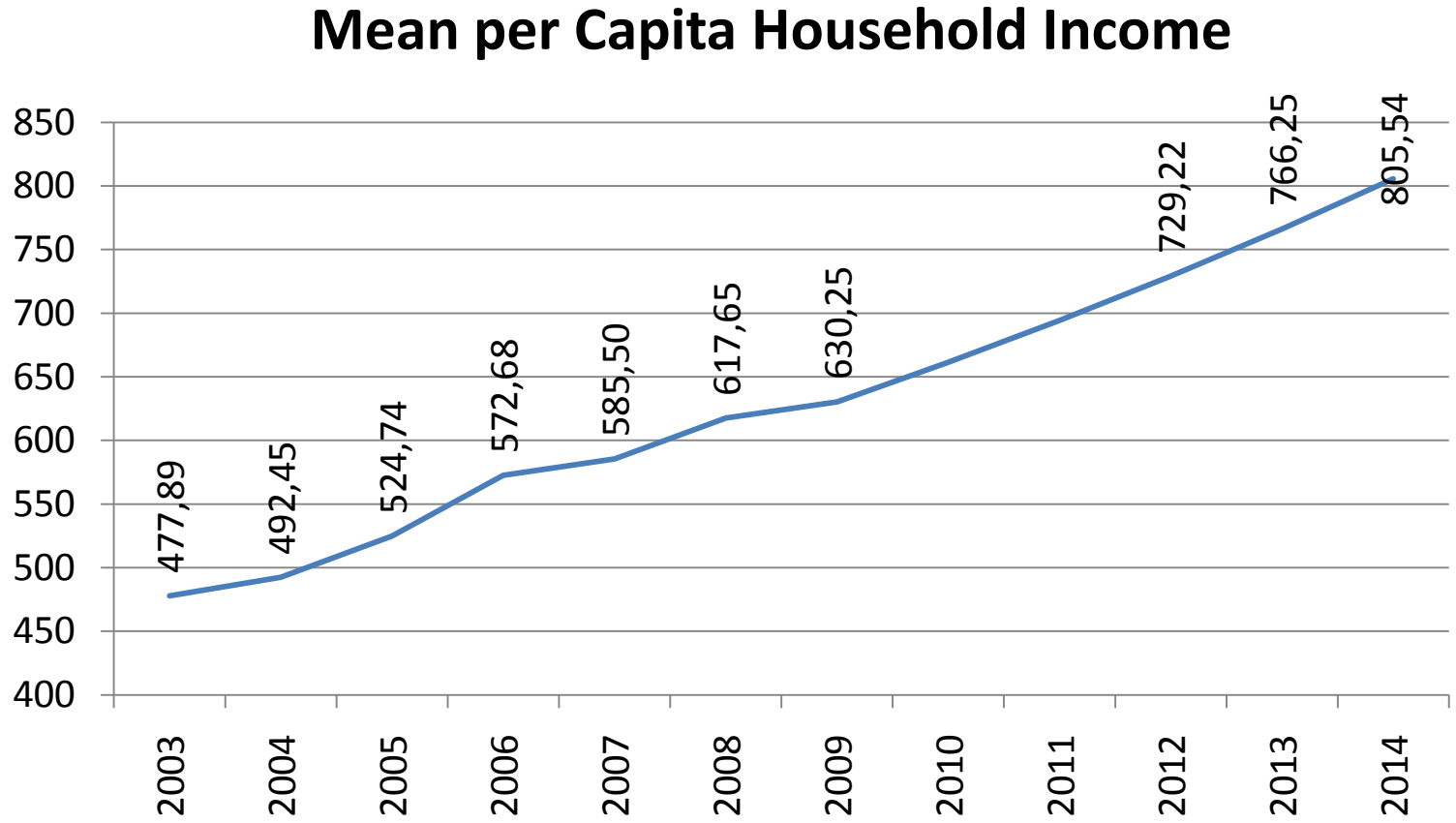
Future Scenarios

Median Per Capita Household Income



Source: CPS/FGV from the PNAD/IBGE microdata

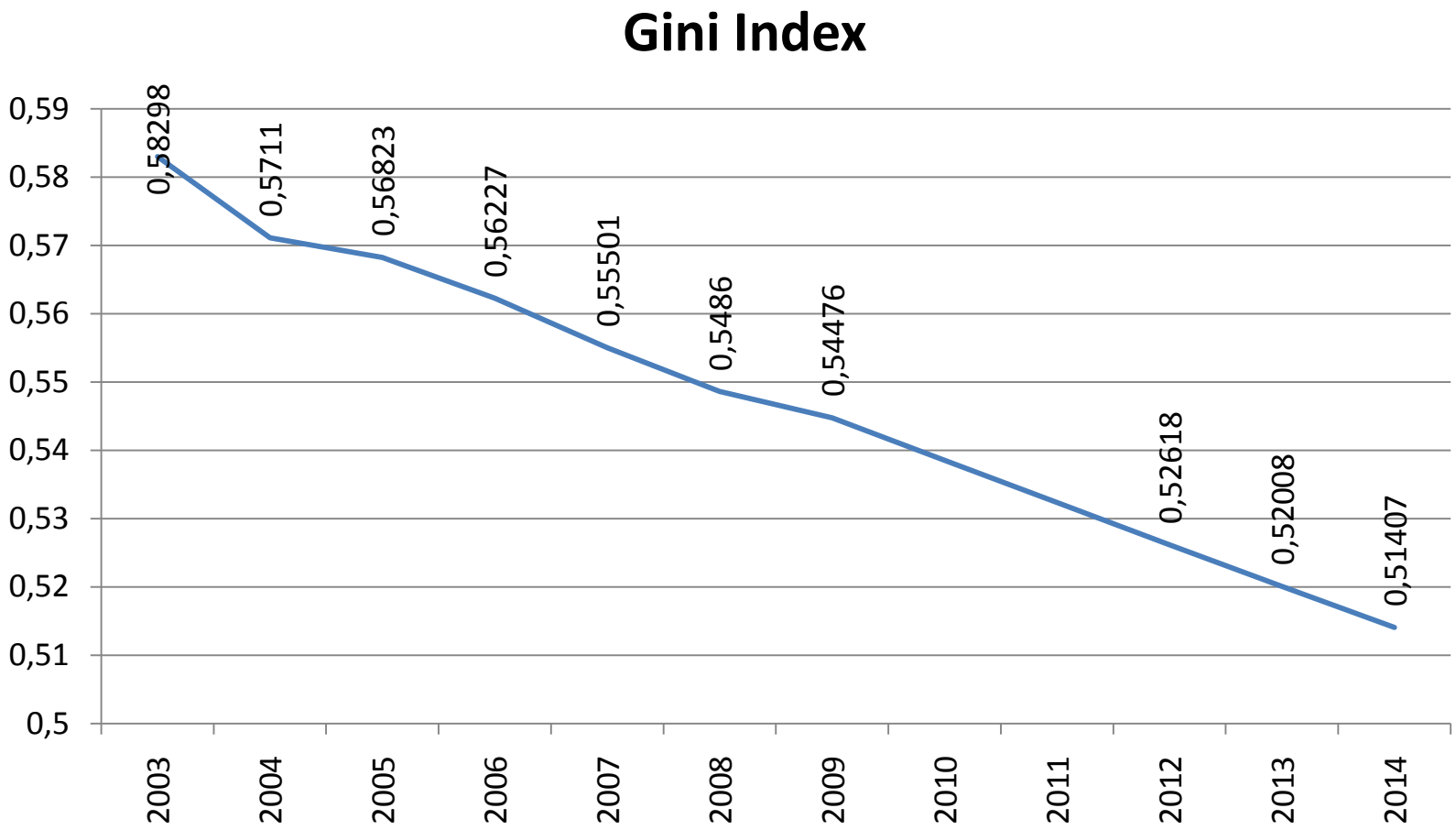
Future Scenarios



Looking to the future is also to review expectations over time. We superestimated the mean income growth in our forecasts but underestimate the inequality component In a way that the two errors cancel each other reasonably well, resulting in the fact that the ascendent trajectories of the upper classes are mantained. It increases the relative weight of the inequality effect versus pure income effects in the distributional change observed.

Source: CPS/FGV from the PNAD/IBGE microdata

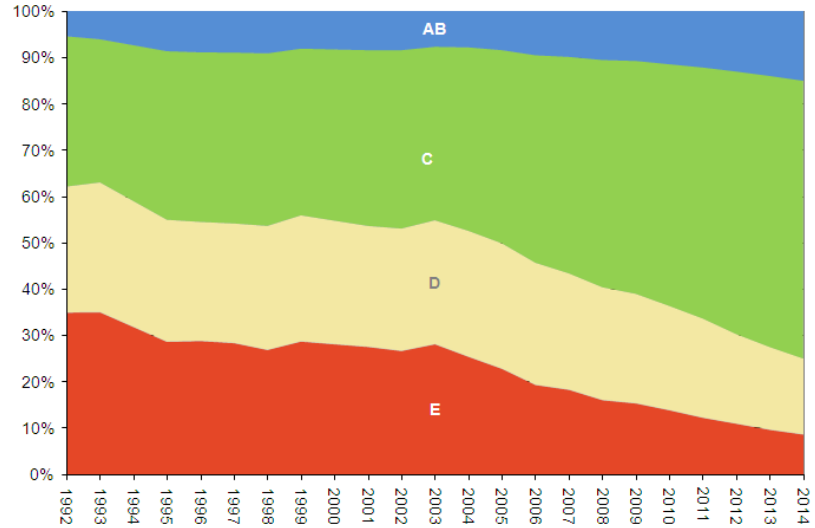
Future Scenarios - Inequality



Source: CPS/FGV from the PNAD/IBGE microdata

Prospective Classes Scenarios

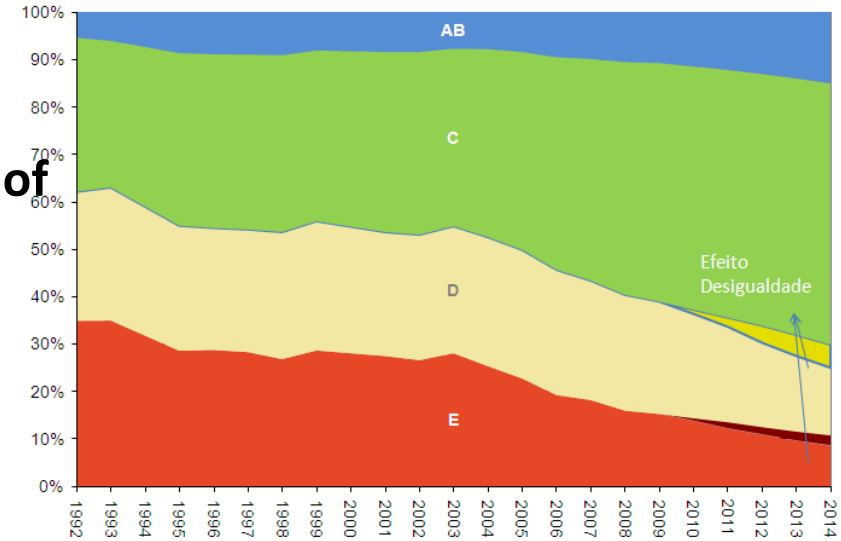
Class Composition 1992 to 2014*



The inequality impact: scenarios of the same growth with inequality falling
X no fall (that menas, just growth):
The proportion of the classe C population in 2014 :
60,1% with inequality falling
X 56,4% with pure growth.

The inequality-effect considers the differences of Growth between states and the ones within each state (a separate model for each)

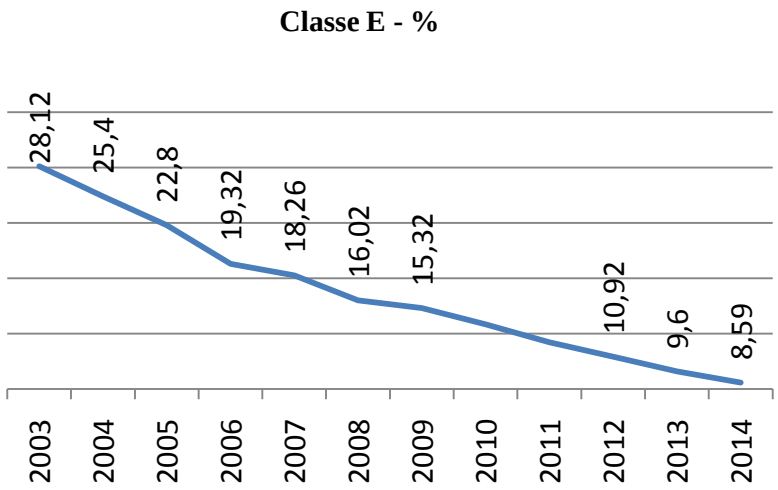
Class Composition 1992 to 2014*
Assessing Inequality Impact

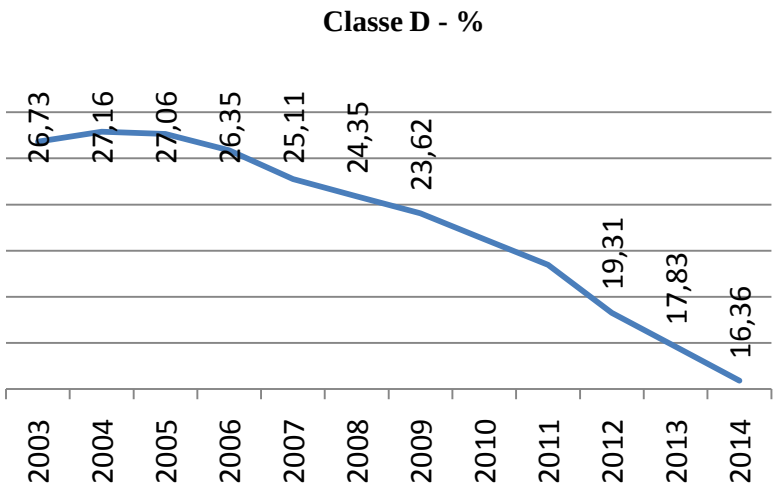


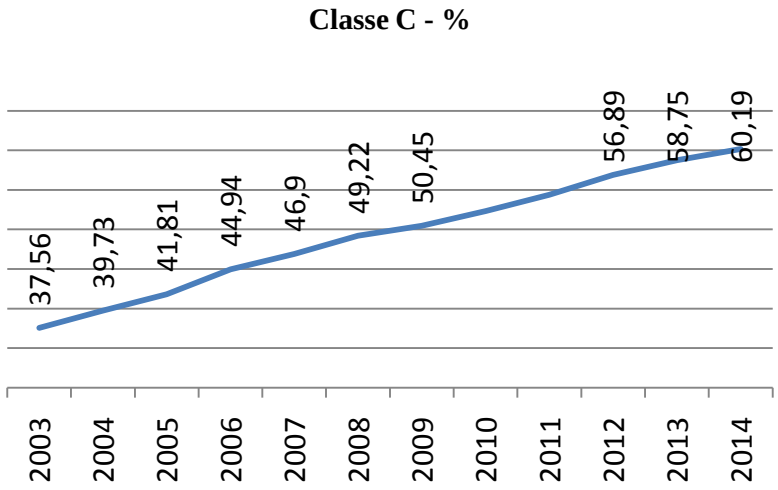
*class growth forecasted onwards 2010 to 2014 – with inequality reduction
** class growth forecasted onwards 2010 to 2014 – with and withouti nequality reduction

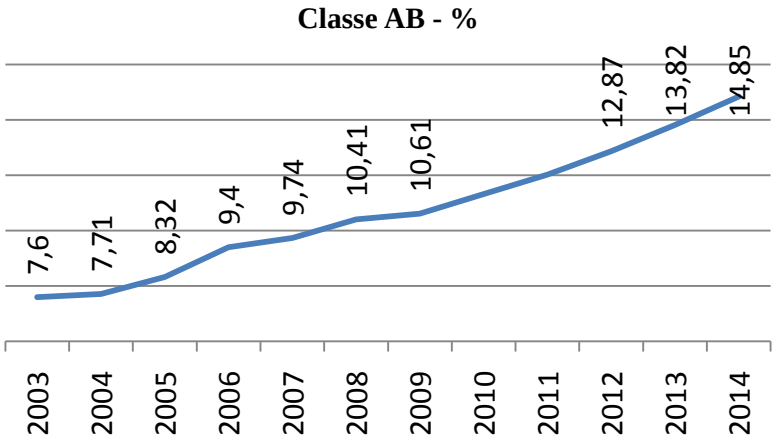
Source: CPS/FGV from the PNAD/IBGE microdata

Forecasts to 2014 (with inequality-effect and growth effect combined) – Economic Classes





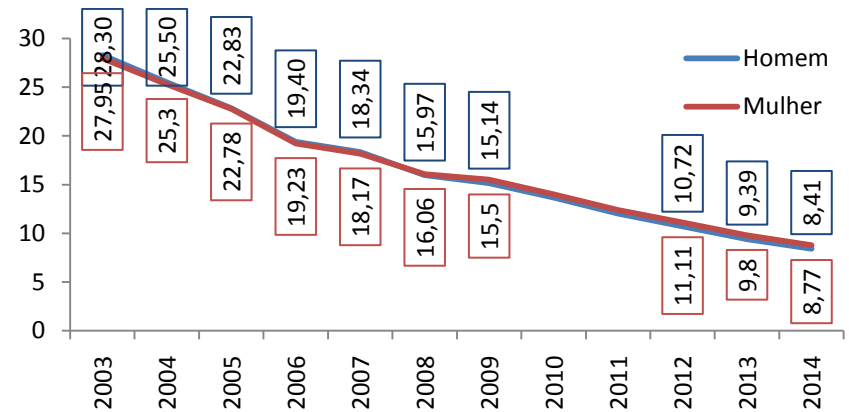




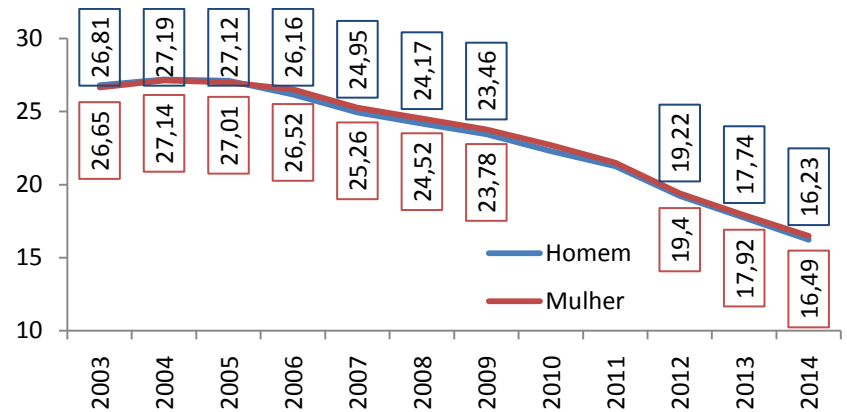
Source: CPS/FGV from the PNAD/IBGE microdata

Future Scenarios of Classes opened by gender

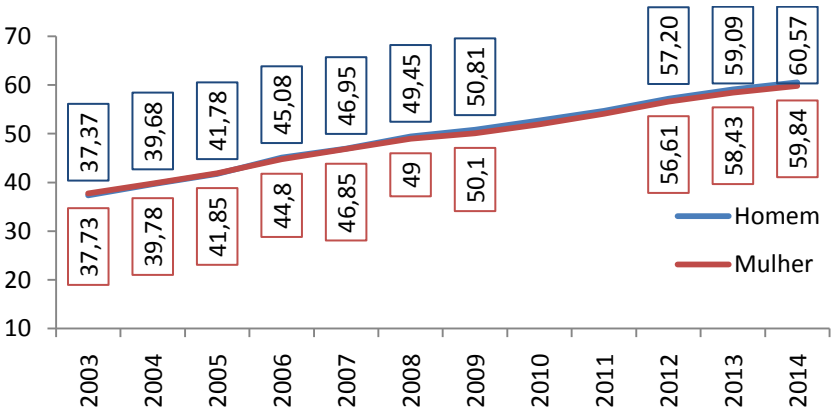
Classe E



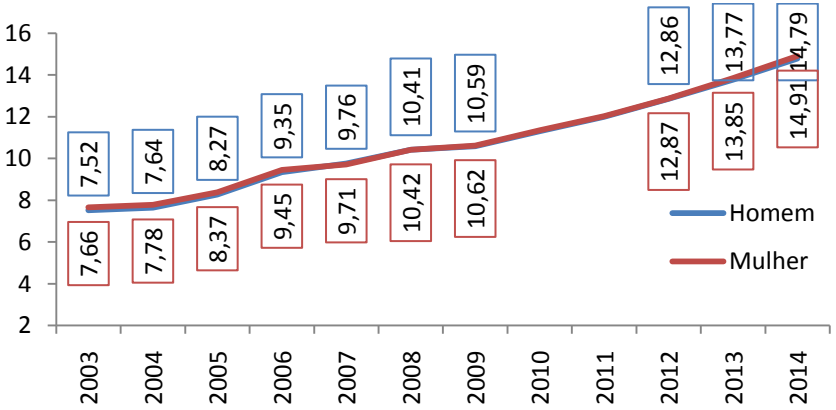
Classe D



Classe C



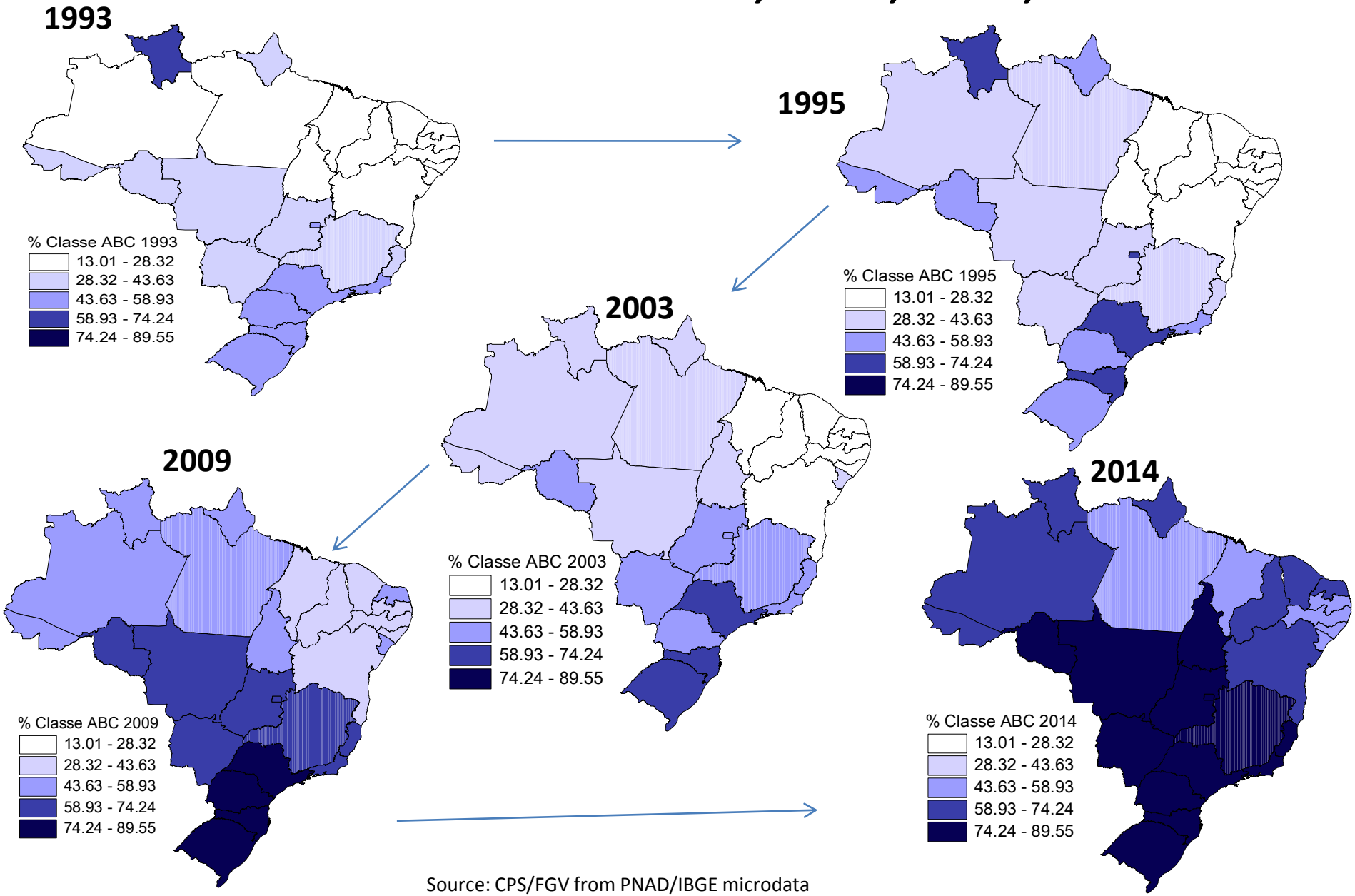
Classe AB



As an economic class is a household concept there is no difference between men and women, that's why individual concepts such as education, income and happiness are more relevant in terms of gender .

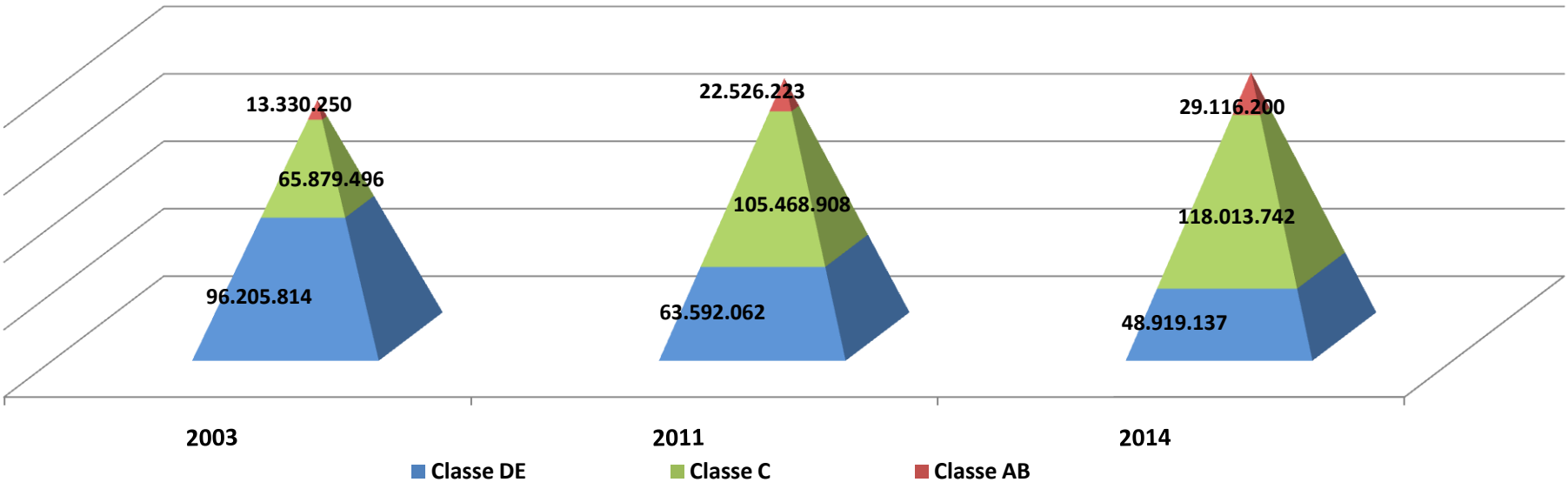
Source: CPS/FGV from the PNAD/IBGE microdata

Evolution of the Population Share of Class ABC between Brazilian States 1993, 1995, 2003, 2009 e 2014



Source: CPS/FGV from PNAD/IBGE microdata

Populational Pyramid and Economic Classes 2003, 2011 e 2014



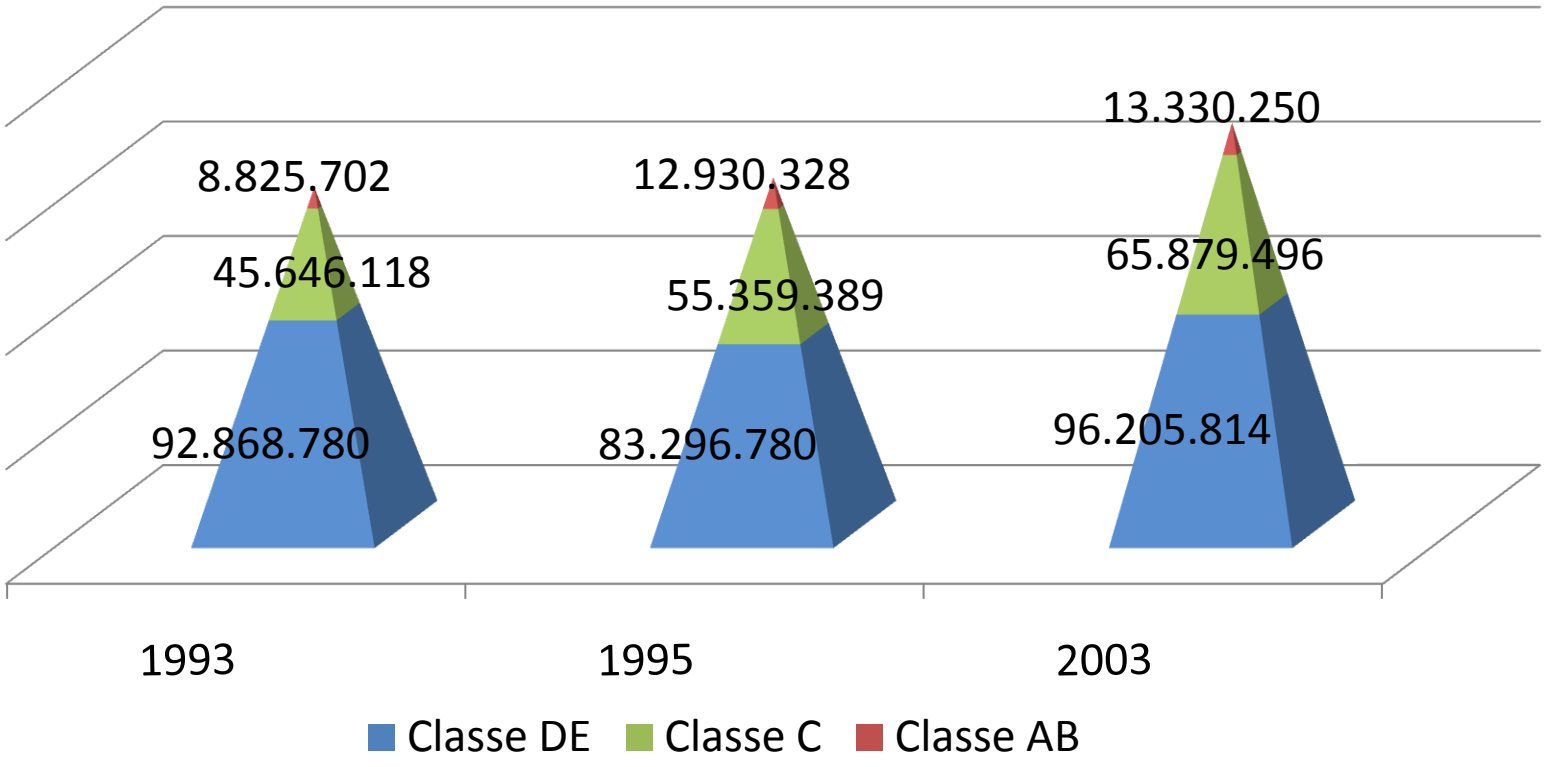
In the 2003-14 period, 52,1 million people will join class C and another 15,7 million on classes AB. A total of 67,8 million, bigger than the UK population.
Remarkably, given the contraction of consumer markets in developed countries.

Time changes: Class C: + 40 million people in 2003-11 and + 13 million in 2012-14.
Classes AB: + 9,2 million people from 2003 to 2011 and + 7,7 million from 2012 to 2014.

AB population will grow proportionally more than C: 29,3% and 11,9%, respectively.
We'll talk more and more about New Class AB in the future as we did up to now with respect to the so called New Class C.

Source: CPS/FGV from PNAD/IBGE microdata

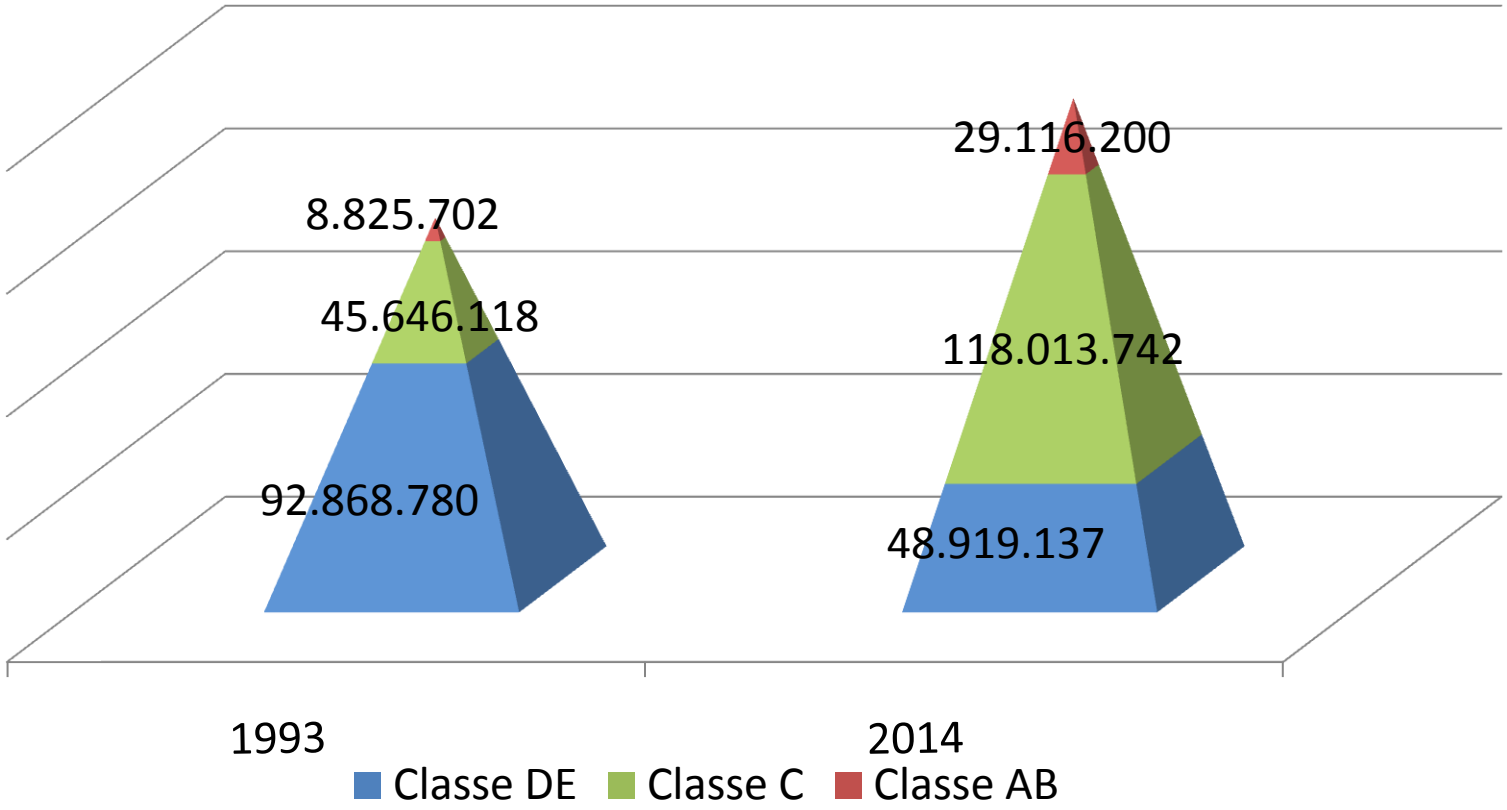
Populational Pyramid and Economic Classes 1993, 1995 e 2003



From the changes in 1993-2003 period, a big one was between 1993 and 1995, originated by the Real Plan boom occured after July 1994.

Source: CPS/FGV from PNAD/IBGE microdata

Populational Pyramid and Economic Classes 1993 e 2014

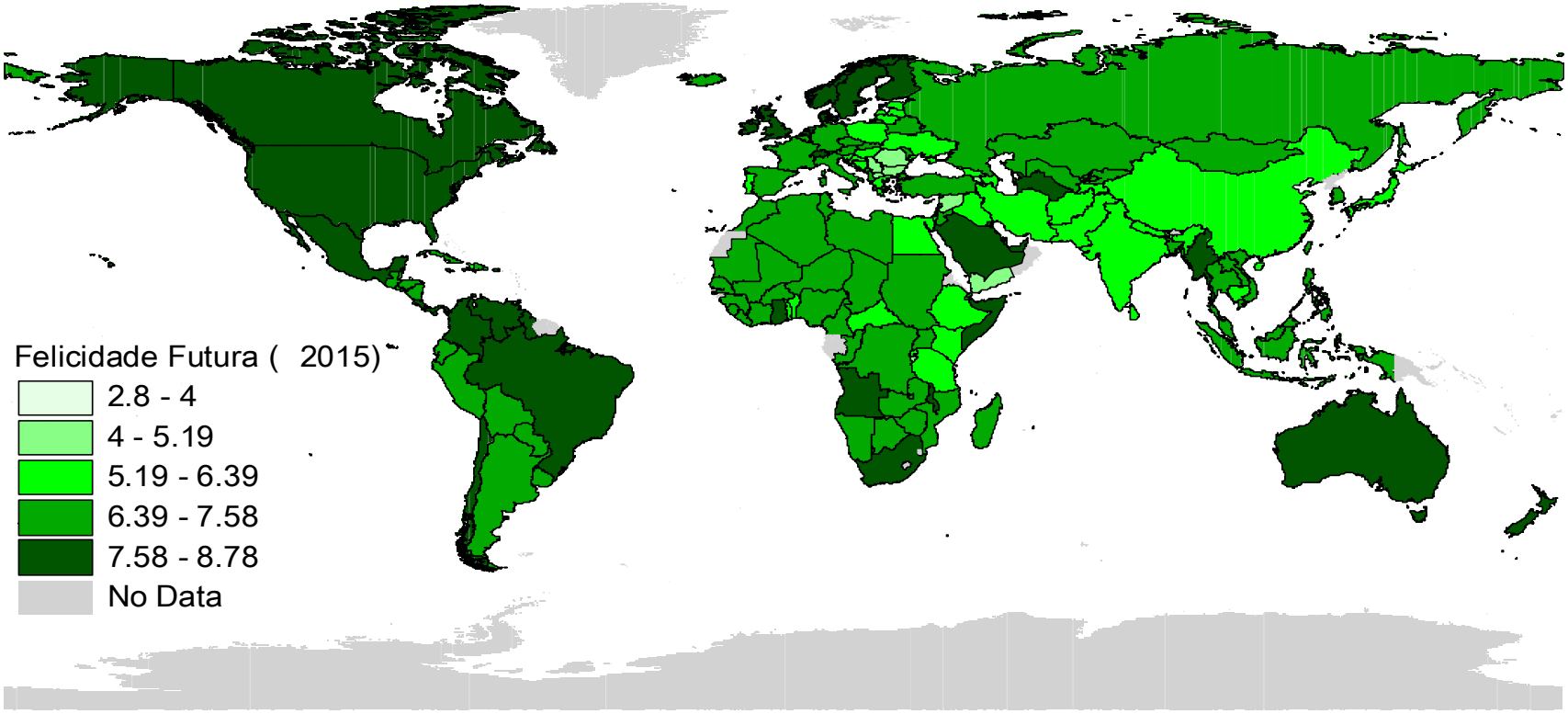


Changes in forecasted classes between 1993 and 2014 indicates 21 million people migrating to the classes AB and 83 million to the class C.

These actually configure remarkable decades after the so called Brazilian lost 1980's and beginning of 1990s.

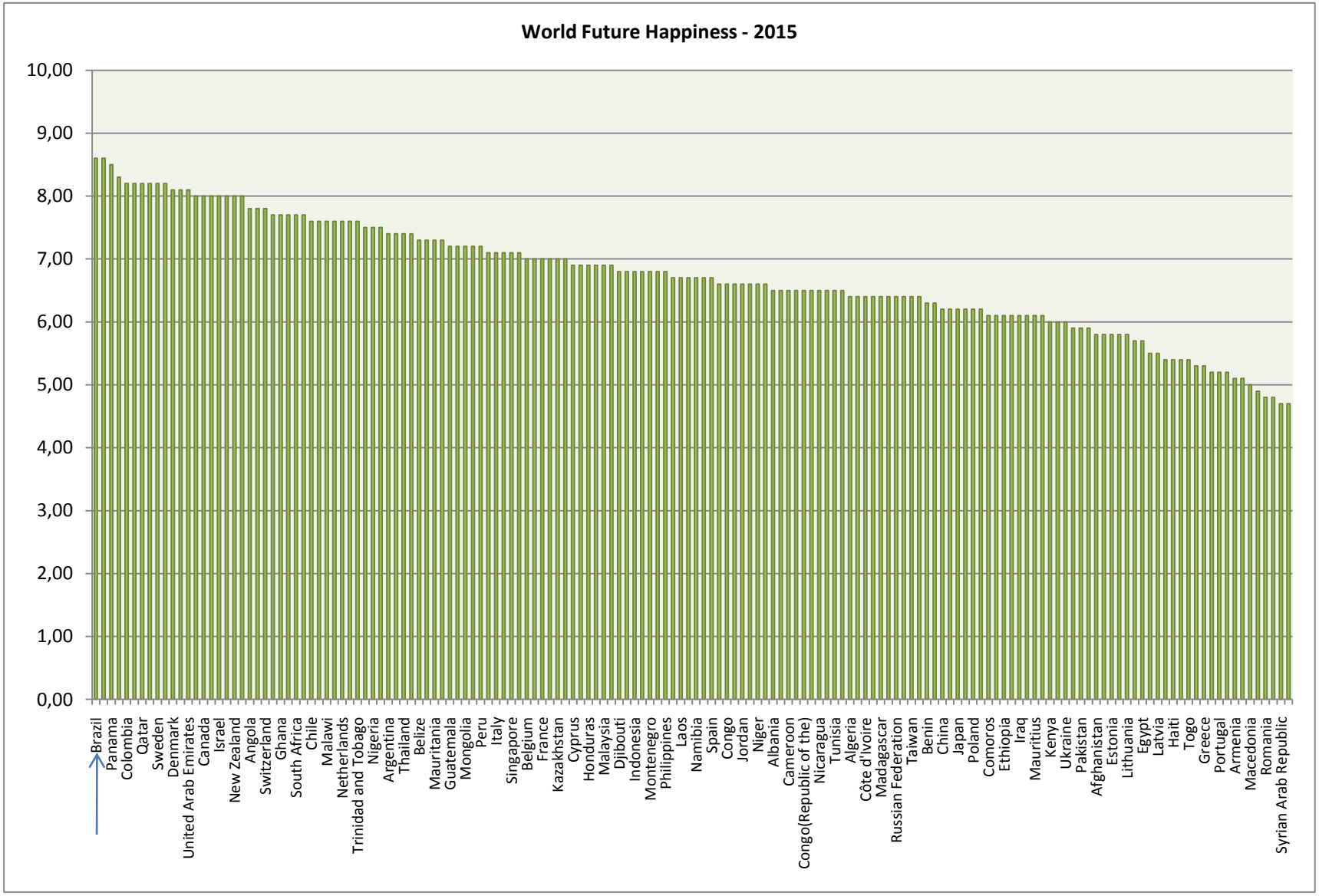
Source: CPS/FGV from PNAD/IBGE microdata

Future Happiness (Life Satisfaction in Five Years) - 2015



Source: Center for Social Policies – CPS/FGV from Gallup World Poll

Brazil is the world champion of Future Happiness in 2015 (actually four-times champion in the 4 CPS/FGV Researches on the topic)



Source: Center for Social Policies – CPS/FGV from Gallup World Poll

Future Felicity Index (FFI) World Rank – 2015
BRICS, PIIGS & BIGs

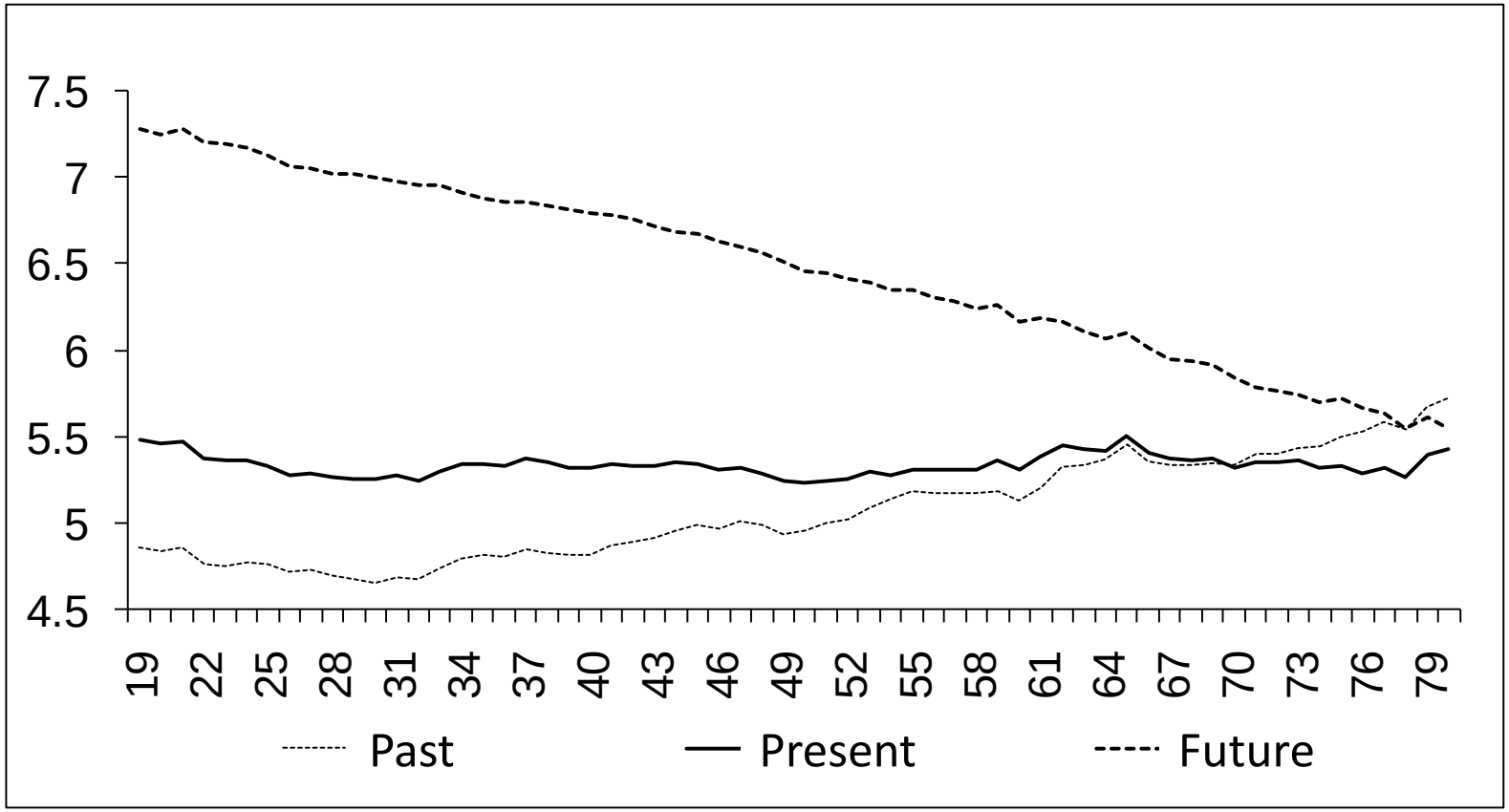
	IFF	Rank		IFF	Rank
Brazil	**8.6**	**1**	Mali	6.6	86
Costa Rica	8.2	6	Congo	6.5	91
Denmark	8.1	11	Turkey	6.5	96
Ireland	8.0	*16*	Morocco	6.4	101
Switzerland	7.8	21	*Russian Federation*	*6.4*	*105*
U. Kingdom	7.7	26	Senegal	6.4	106
South Africa	*7.7*	*27*	*China*	*6.2*	*111*
Netherlands	7.6	31	Slovenia	6.2	116
Austria	7.5	36	*India*	*6.1*	*119*
Argentina	7.4	41	Iraq	6.1	121
Uruguay	7.3	46	Sri Lanka	6.0	126
Peru	7.2	51	Estonia	5.8	131
Italy	*7.1*	*56*	Egypt	5.7	136
France	7.0	61	Haiti	5.4	141
Germany	*7.0*	*62*	*Greece*	*5.3*	*145*
Honduras	6.9	66	*Portugal*	*5.2*	*146*
Indonesia	6.8	71	Macedonia	5.0	151
Bangladesh	6.7	76	**Syrian Arab Republic**	**4.7**	**156**
Spain	*6.7*	*81*			

Source: Center for Social Policies – CPS/FGV from Gallup World Poll

Future Felicity Index (FFI)

- FFI allows us to reconcile two qualifications awarded to Brazil: country of the future and young country (because the future happiness falls with age see next slide)
- The “Brasileiro, Profissão Esperança” (Brazilian, Profession Hope) is also the spirit of the new middle class, that life will improve.
- The expectation of the nation is almost two points lower than the sum of happiness of each brazilian. The problem is more from Brazil than from each Brazilian.
- How can each Brazilian expect so much for his/her life and at the same time give a grade so low to the life of all? The grade of all can’t overcome the nation mean grade.
- The Brazilian major problems were not (or are) individual, but collective: inequality, inflation, informality, violence, lack of democracy, corruption etc. We can evolve a lot as a society.

Life Satisfaction with respect to different moments & Life Cycle (Age)



Source: Center for Social Policies – CPS/FGV from Gallup World Poll microdata

Who is expect higher happiness: males or females?

In the World:

- Women report greater happiness than men**: in the future (6.74 women X 6.69 men)**, in the present (5.35 women X 5.31 men) and in the past (4.94 from women against 4.92 from men).

- **Single women are happier than married ones?** Data indicates that **single women** show mean future happiness of **7.28 against 6.68 of married ones**.On the other hand, unmarried women show lower levels of happiness (separated 6.57 and divorced 6.46). In the widows case, the means are lower: 5.6.

- **Women with children under 15 years of age report greater life satisfaction** expectation (7.02) than those who don't (6.73).

- However, there is a particular age effect happening on people's future happiness. The younger the person, more future happiness, which could explain the fact that unmarried are more optimistic than widows for example.

After all, who is expects higher happiness: married women or single ones?

In the World:

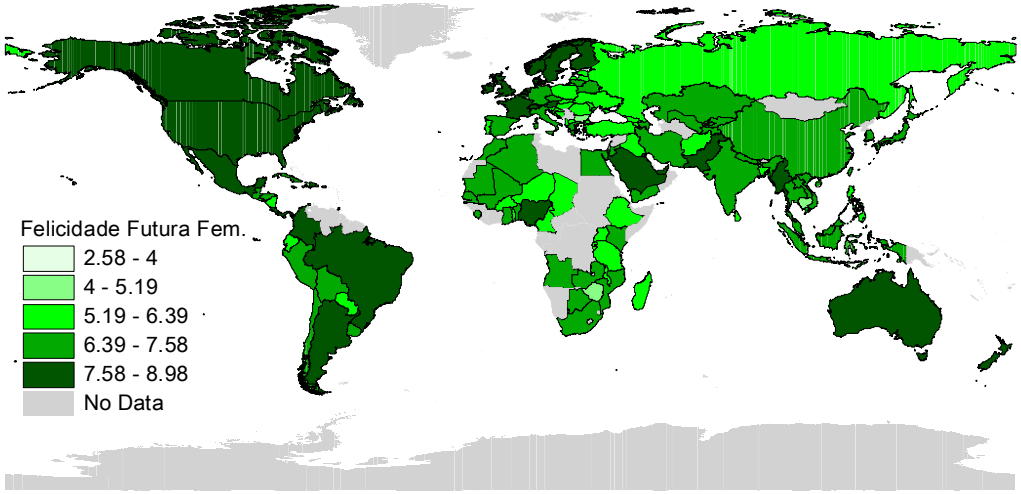
- **Comparing women** at the same age bracket **(25 to 29 years)**. Data indicates that **single women have a mean future happiness of 7.4, against 7 from married**. The "mismatched" show lower levels of happiness (both separated and divorced have 6.6). In the widows case, the means are even lower 5.4.

- There is evidence that **future happiness of those that stay unmarried falls** more as age increases. For example, at the 50 to 54 years bracket it falls to 6.2, against 6.4 of married, reversing positions.

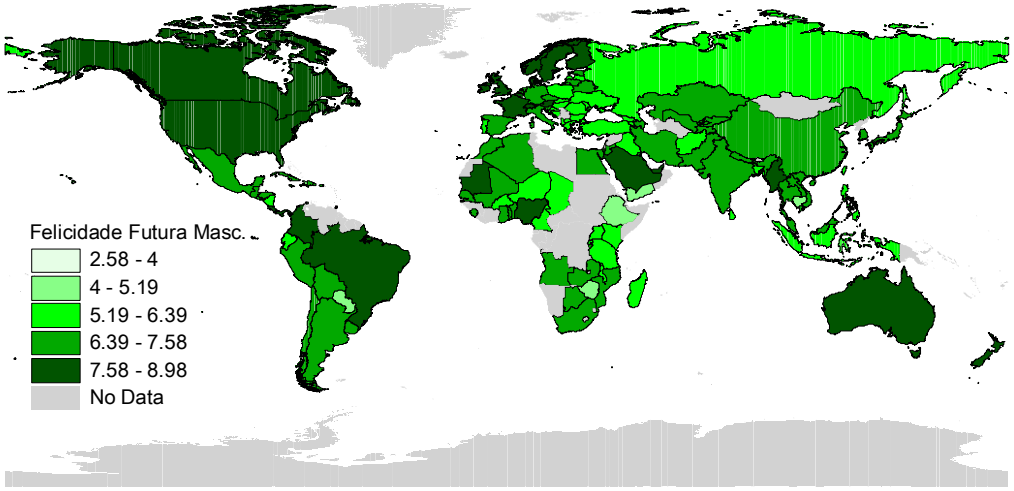
- In order to compare with a llok on statistical significance, we ran a multinomial ordered logit model that informs us that taking females with the same age, number of minor children, living at the same country etc (all statistically different between themselves) **happiness expectation is in descending order** (**unmarried, married, consensual unions, separated, divorced and widow.**

Gender, Geography and Future Happiness (2011), Life Satisfaction in 5 Years, by gender

Females



Males



Source: Center for Social Policies – CPS/FGV from Gallup World Poll microdata

IFF 2011 Women x Men

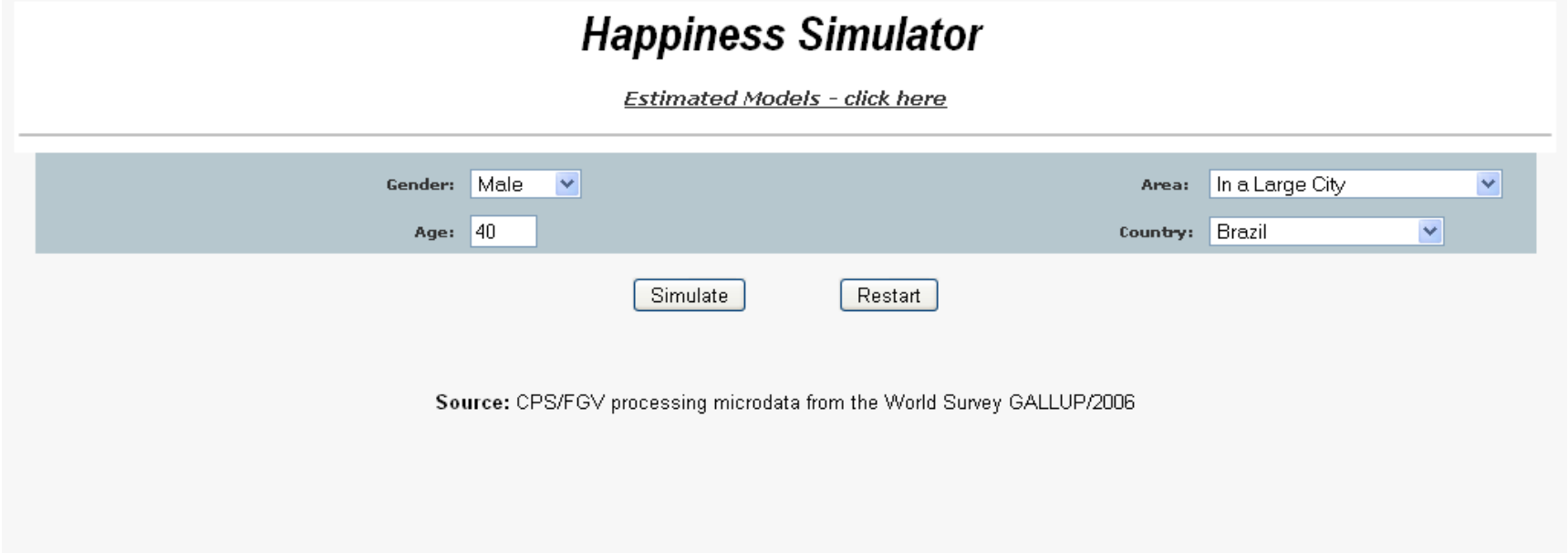
	Females IFF	Females Rank	Males IFF	Males Rank	Difference IFF	Difference Rank
Mundo	6.74	-	6.69	-	0.05	-
Americas	7.22	-	7.1	-	0.12	-
brazil	8.98	1	8.56	1	0.42	0
denmark	8.51	3	8.52	2	-0.01	1
ireland	8.42	4	8.23	5	0.19	-1
switzerland	7.96	18	7.67	24	0.29	-6
united kingdom	7.89	22	7.68	23	0.21	-1
argentina	7.82	23	7.5	29	0.32	-6
costa rica	7.78	24	7.86	17	-0.08	7
austria	7.76	25	7.63	25	0.13	0
france	7.73	26	7.72	21	0.01	5
netherlands	7.67	29	7.44	34	0.23	-5
egypt	7.32	43	6.71	69	0.61	-26
spain	7.28	45	7.43	36	-0.15	9
italy	7.28	44	6.94	54	0.34	-10
morocco	7.27	46	6.95	53	0.32	-7
senegal	7.21	47	7.01	50	0.2	-3
honduras	7.17	51	7.25	43	-0.08	8
mali	7.13	52	7.46	31	-0.33	21
uruguay	7.12	53	7.08	48	0.04	5
south africa	6.87	61	6.8	63	0.07	-2
greece	6.81	62	6.2	92	0.61	-30
india	6.76	64	6.87	57	-0.11	7
germany	6.67	71	6.91	56	-0.24	15
peru	6.62	75	6.68	71	-0.06	4
china	6.61	76	6.44	85	0.17	-9
indonesia	6.57	79	6.23	91	0.34	-12
sri lanka	6.32	89	6.31	87	0.01	2
turkey	6.26	92	5.44	122	0.82	-30
bangladesh	6.16	94	5.85	109	0.31	-15
estonia	6.37	88	6.47	83	-0.1	5
russia	6.1	101	6.3	88	-0.2	13
slovenia	5.89	104	6.47	84	-0.58	20
portugal	5.68	113	6.02	102	-0.34	11
macedonia	5.48	123	5.5	121	-0.02	2
iraq	5.46	124	5.4	124	0.06	0
haiti	5.01	130	5.18	127	-0.17	3
zimbabwe	4.04	132	4.03	132	0.01	0

Source: Center for Social Policies – CPS/FGV from Gallup World Poll microdata

Who is happier?: Brazilian females or males?

- The Brazilian **women are happier than men in the future (8.98 her against 8.56 his)** and in the present(6.73 her against 6.54 his).
- An statistical model which shows that **no country has future happiness levels** (with and without statistical controls (age, etc)) **higher than that found in Brazil.**
- No other country reveals **future happiness** gender **differences more favorable to females than Brazil.**
- Concluding: **Brazil is not only the world champion in future happiness on female and male leagues, but also with respect to differences between genders, with women on top.**

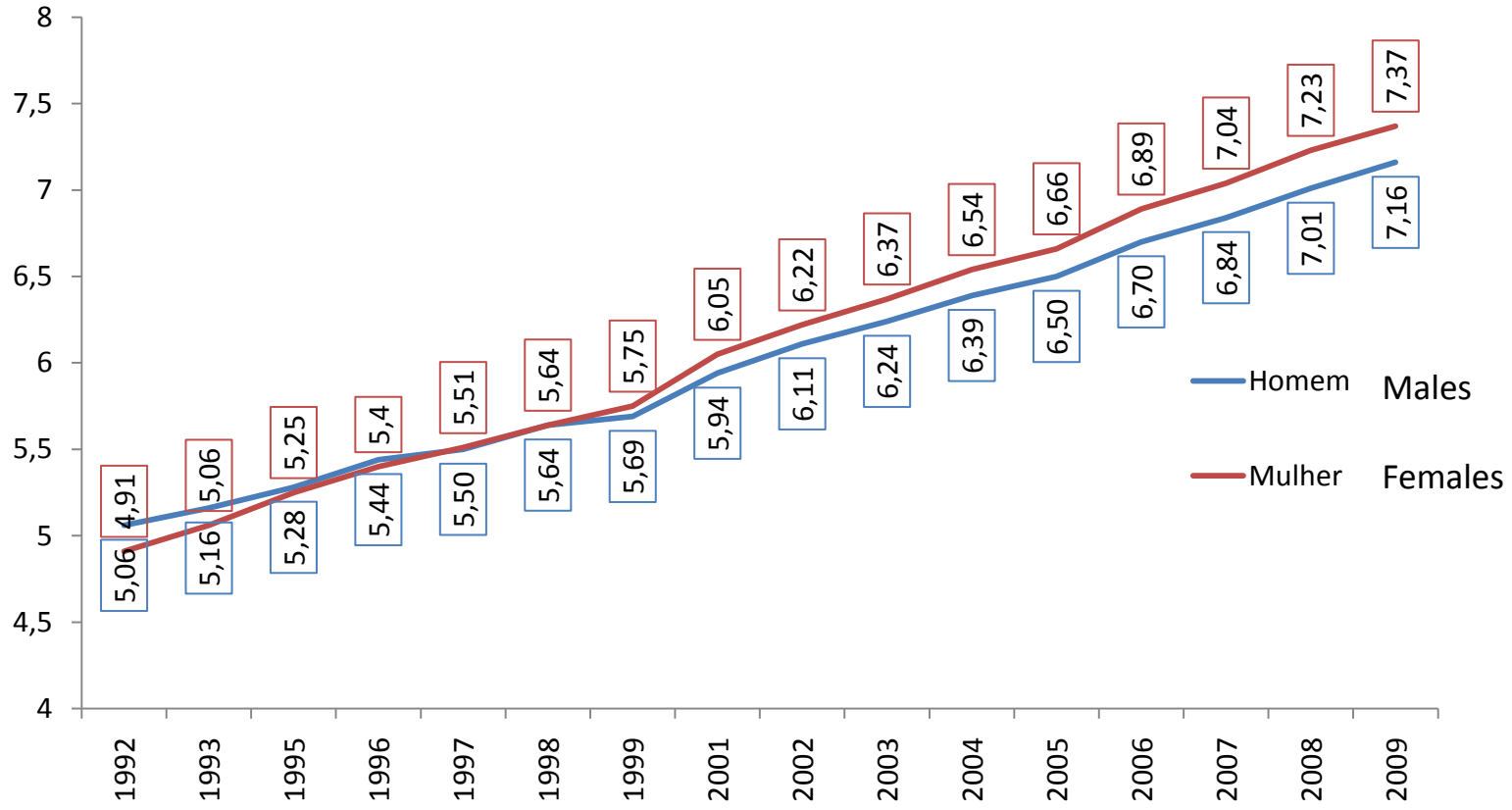
Future Happiness Simulator



http://www.fgv.br/cps/bd/ncm2014/IndiceFelicidade_eng/index.htm

Source: Center for Social Policies – CPS/FGV from Gallup World Poll microdata

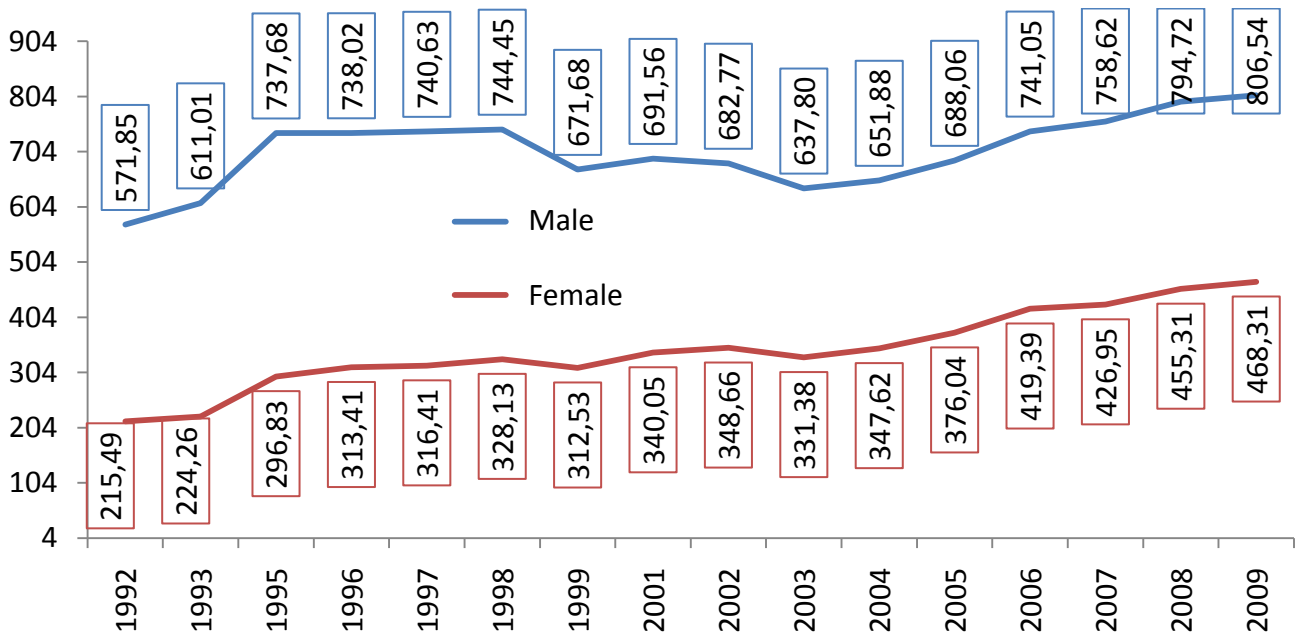
Why women are happier than men in Brazil? Mean Schooling – age over 25 years:



There was a reversion in adult population schooling by gender: was 5,1 in 1992 (his), against 4,91 (her) and passes to 7,2 (his) against 7,4 (her) in 2009. 1996 was the year females overtook males

Source: CPS/FGV from PNAD/IBGE microdata

Mean Individual Income:: Income

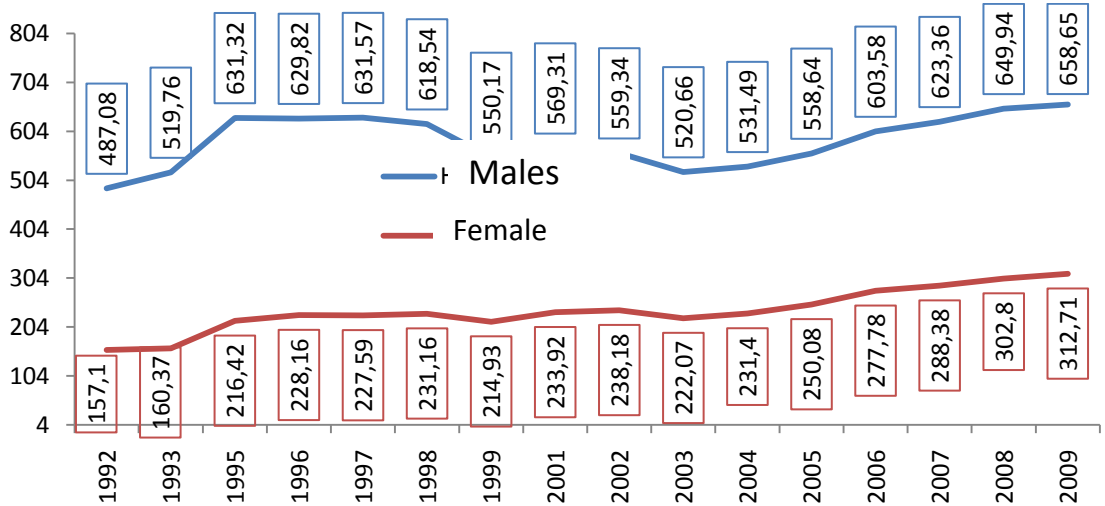


There was a reduction in the income differential between men and women. It was 62% in 1992, and it is 42% in 2009.

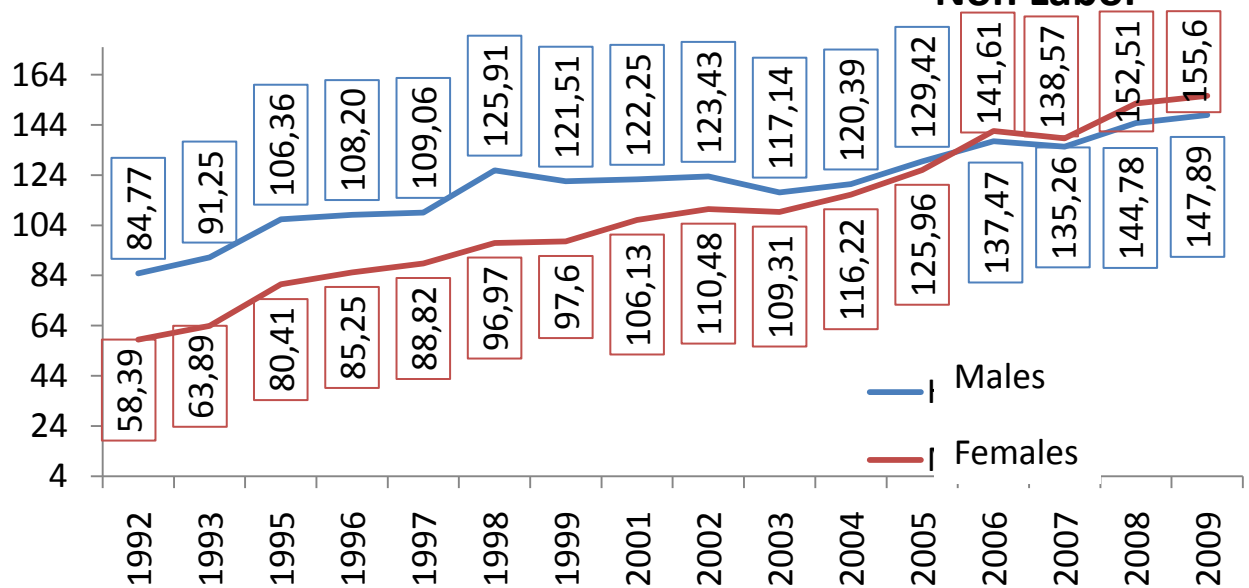
Source: CPS/FGV from PNAD/IBGE microdata

Other Income Sources (Individual)

Labor



Non Labor



1996 was the year females overtook males in other income sources Bolsa Familia, Retirement benefits

Source: CPS/FGV from PNAD/IBGE microdata

Income Variation

	2001	2009	*Var*
Mean Individual Income			
Male	691.56	806.54	16.63%
Female	340.05	468.31	37.72%
Labor Income			
Male	569.31	658.65	15.69%
Female	233.92	312.71	33.68%
Income from Other Sources			
Male	122.25	147.89	20.97%
Female	106.13	155.6	46.61%

Source: CPS/FGV from PNAD/IBGE microdata

Labor Income Decomposition

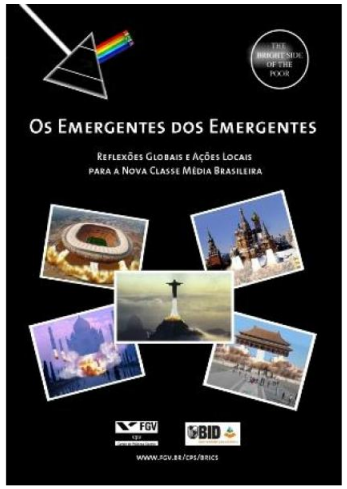
15 a 60 years – Total							
Gender							
Category	Year	Income from all Labors	Hour-Wage (Positive Income) by Years of Schooling x	Years of Schooling x	Worked Hours x	EAP Occupation Rate x	Participation Rate on Labor Market
Man	2011	1264,88	3,98	9,74	44,02	0,91	0,81
	2003	647,88	2,51	8,61	44,96	0,82	0,81
	Accumulated Growth Rate(%)	95,23%	58,57%	13,12%	-2,09%	10,98%	0%
Woman	2011	693,6	3,06	10,45	39,97	0,88	0,62
	2003	314,65	1,89	9,3	39,75	0,76	0,59
	Accumulated Growth Rate(%)	120,44%	61,9%	12,37%	0,55%	15,79%	5,08%

In the 2003-11 period, the labor income differential falls because of the wage-effect, but mainly because of the greater “effort to labor” (working journey, occupation and labor participation)

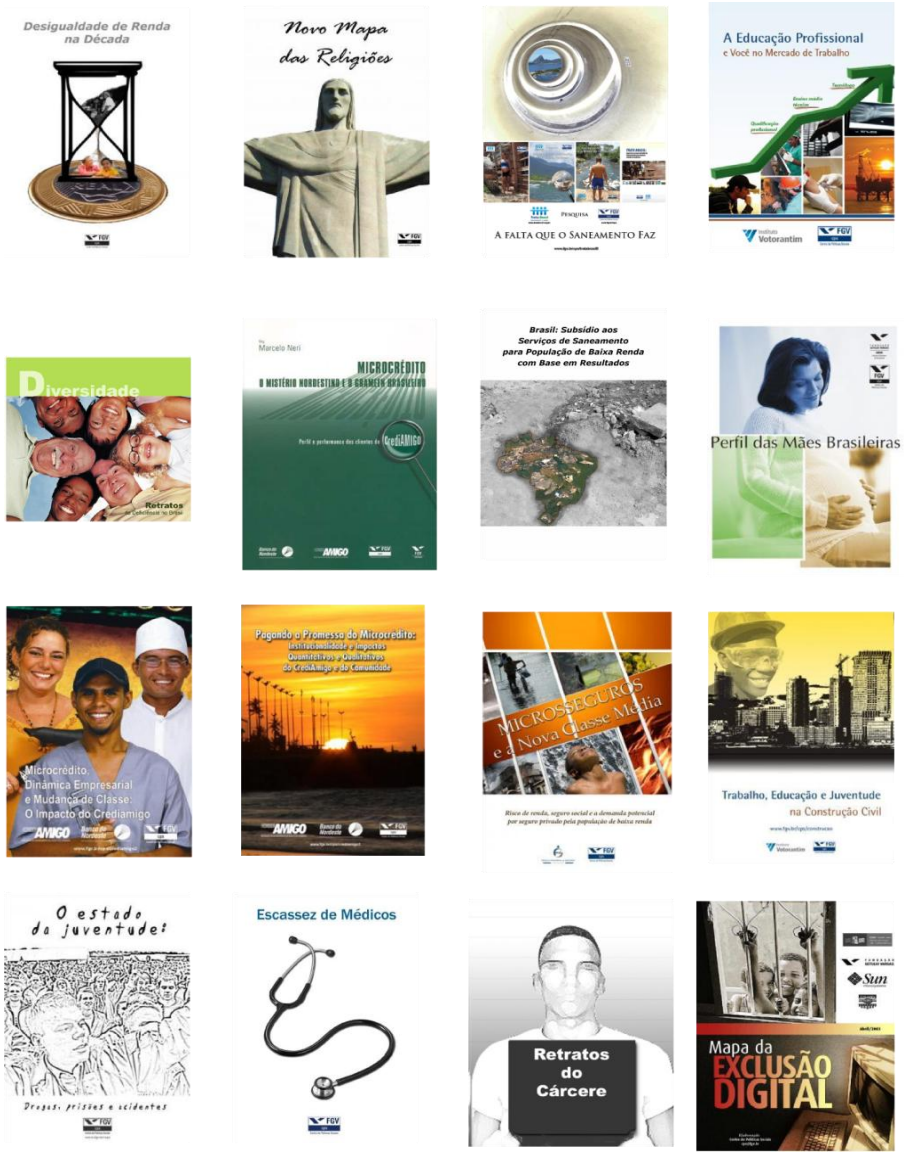
Source: CPS/FGV from PME/IBGE microdata

Learn more about the Center for Social Policies researches at www.fgv.br/cps

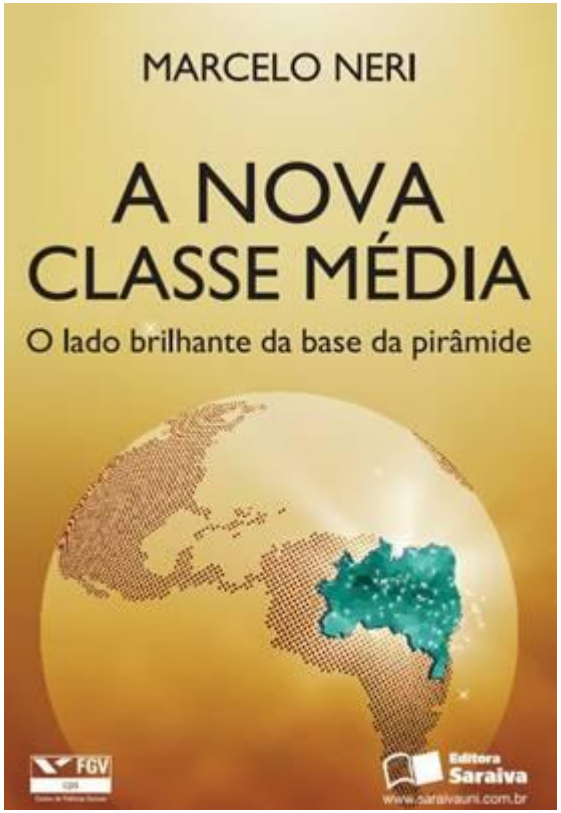
New Middle Class



www.fgv.br/cps/brics



Marcelo Neri releases the book published by Editora Saraiva



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