THE ECONOMICS OF RACE, CLASS AND GENDER IN BRAZIL

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This study analyzes the relationship between economic development and racial discrimination in Brazil. A standard and intuitively appealing measure of discrimination are wage differences among equally qualified individuals. A pathbreaking study of this kind in Brazil was that of Nelson do Valle Silva (1978). An important conclusion emerged from Silva's study: Afro-Brazilian men are consistently "much less efficient" than whites in transmitting their achieved socioeconomic status into earnings. Using the 1960 Brazilian demographic census, Silva demonstrated that the average income for white men was twice that of nonwhites, and a third of that difference could be attributed to labor market discrimination. These findings were consistent with the results of more recent analyses based on a sample of the 1976 PNAD (Silva 1985) and 1980 demographic census (Lovell 1989, forthcoming).

Analysts of wage discrimination in Brazil have focused on differentials between white and Afro-Brazilian men. Absent is any measure of the manner and extent to which racial wage inequality has varied by gender over time. This study extends previous work on racial wage inequality by testing the hypothesis that the profound social, economic and demographic change[1] that has taken place in Brazil since 1960 has had different effects on the wages of white and Afro-Brazilian men and women. Using 1960 and 1980 census data I estimate wage differences between Afro-Brazilian and white women and men. The results address several questions: *How have the socioeconomic and demographic profiles of working men and women changed over this twenty year period? Does labor market discrimination exist, and if so, does it vary by gender, region,*

occupation and sector of the economy? and, Has the structure of social change and economic growth Brazil experienced between 1960 and 1980 increased or reduced economic inequalities by gender and race?

My preliminary findings indicate that women and men of both racial groups experienced absolute gains in education and more favorable occupational and regional representation over this twenty-year period. Yet, the wage gap between women and men, black and white persisted. Most interestingly, over time and with economic development, wage discrimination appears to be increasing.

PERSPECTIVES ON RACE IN BRAZIL

The extent to which race relations in Brazil have been similar to (or different from) race relations in the United States has been the subject of much scholarly attention. The importance of the matter lies in the implications for understanding the contemporary situation of nonwhites[2] in Brazil and for explaining their social position within the development context. Specifically, there are two schools of thought concerning the racial situation in Brazil over the past century. Neither view denies the presence of prejudice nor disputes the fact that most nonwhites are poorer than are whites. Yet, each view has a different explanation for why it is that far more blacks and mulattoes are likely to be found at the bottom of the socioeconomic order.

On one side of the argument are those who contend that the question of racial inequality in Brazil can be summed up by the so-called "class over racism" argument. The reasoning draws its

inspiration from the observation that, in a developing country like Brazil, most of the people, both black and white, are poor. This observation combined with the apparently benign character of race relations, and the fact that, socially speaking, nonwhites seemed to be subject to less prejudice the richer they became, led a number of scholars (Harris 1964, Wagley 1969; Azevedo 1953) to conclude that what prejudice exists appears to be based on class distinctions rather than racial characteristics. If nonwhites are looked down upon by middle and upper classes (i.e., prejudice), it is because they are poor and uneducated, not because they are nonwhite.

From this argument, it followed that once Afro-Brazilians achieved education and higher levels of income, they would find no barriers to social mobility. The argument was consistent with the official ideology, adopted by politicians and taught in the public schools, which holds there is virtually no "racial problem" in Brazil (van den Berghe 1967). Indeed, it was also consistent with one of the most salient features of Brazil's race relations that distinguished the country from the United States--namely, that in North America the slightest evidence of black ancestry was sufficient to label one black; whereas in Brazil the categories seemed to be far more fluid.

The issue is hardly trivial. At stake here is the very explanation of nonwhite inequality in Brazil. If the class over racism hypothesis is correct, the implications are clear. Once Afro-Brazilians acquire "human capital" they will have equal

opportunity for social advancement, and their social reception in the higher circles guaranteed. Moreover, if nonwhites are poor today, the reason can be traced to the legacy of slavery, and the different starting point of whites and blacks at the moment of Abolition. In this view, racial inequality is a vestige of the past, destined to be overcome by the forces of modern capitalism. As such, racial inequality is attributed to compositional differences (say, unequal education) that distinguish the various groups.

On the opposite side of this debate, is the growing body of research that substantiates the significance of racial discrimination in contemporary Brazil. This view, drawn from the "Sao Paulo" school[3] argues that racial inequality, is not a legacy from the past. Instead, discrimination is a characteristic feature of contemporary Brazil. Pioneering empirical research on this perspective are works by Carlos Hasenbalg (1979; 1985) and Nelson do Valle Silva (1978, 1985; Hasenbalg and Silva 1987, 1991).

ANALYSIS AND FINDINGS

Data. The empirical analysis relies on sample data from the 1960 and 1980 demographic censuses.[4] From this data I constructed files by occupation and geographic region in which both white and Afro-Brazilian women and men aged 18-64 were employed. The individual level data made it possible to estimate mean socioeconomic and demographic characteristics of the urban workforce. Regression

equations predicting wages by race and gender were then estimated in order to arrive at indicators of labor market discrimination.

Background characteristics of the workforce. Socioeconomic and demographic wage-related characteristics of gainfully employed urban Afro-Brazilian and white workers aged 18-64 are compared in Tables 1 and 2. The ratios in columns 3 and 6 demonstrate significant gains over two decades for both whites and Afro-Brazilian women and men in wages, education, and in occupational and regional distribution. In many cases the gains for Afro-Brazilians were greater than those for whites. Looking at years of schooling (Table 1, column 6), for example, we find that Afro-Brazilian women increased their representation in the highest education category 7.3 times, compared to an increase of 2.53 for whites. For men (Table 2), there was a four-fold increase among Afro-Brazilians in the 5-8 year schooling category (column 6), compared to an increase of 1.6 for whites. Similarly, by 1980 Afro-Brazilian women and men had increased their representation in the dynamic Southeast industrial regions and in white collar employment at a greater rate than whites.

---Tables 1 and 2 About Here---

Yet, despite such gains, the disparity between the two racial groups remained virtually unchanged. By 1980, Afro-Brazilian women and men continued to be concentrated in the lowest wage, educational and occupational categories. Again, looking at years of schooling, this gap is reflected in that fact that 48 per cent

despite narrowing, the wage gap persisted. In contrast, even though wages for both Afro-Brazilian and white men increased by a little more than one and one half times (Table 4, column 3), the black-white gap remained constant. In both 1960 and 1980 the average monthly salary of white males was 1.7 times greater than that of Afro-Brazilian males. Disaggregating the analysis by occupation, industry and region, the same pattern holds true: absolute wage gains by race and gender. Yet, the racial wage differential has persisted.

----Tables 2 and 3 About Here----

Measuring Wage-Discrimination. To analyze this black-white wage gap separately for women and men, I applied a technique commonly used in economics to decompose differences between groups via regression equations. The first step was to estimate separate wage-regression equations for each group.[5] A set of individual-level variables, traditionally employed in models of earnings, were chosen for the analysis: job experience, years of schooling, region, occupation and migrant and marital status. Results from these equations served as input into a decomposition model. This technique partitions the earnings difference between two groups into three parts: discrimination; composition; and interaction. The decomposition model[6] is:

$$(Y^h - Y^l) = \underset{(a)}{[(a^h - a^l) + \Sigma X^l (b^h - B^l)]} + \underset{(b)}{\Sigma b^l (X^h - X^l)} + \underset{(c)}{\Sigma (b^h - b^l)\ (X^h - X^l)}$$

Part (A), DISCRIMINATION, is the amount due to the difference between the intercept of the white's and nonwhite's equations, plus the difference in coefficients. The substantive interpretation is how much of the income gap results from group membership and how much results from differential returns on human resources. In other words, how much of the wage differential is a result of being black and paid less than an equally qualified white worker.

The second component (B), COMPOSITION, represents the amount of the wage-gap that is due to differences in human resources--such as different levels of education or job experience. It estimates the amount by which nonwhites' average income is depressed because of human capital deficits. Part (C) is the interaction effect which represents the combination of both differential returns and means.

The ability to separate the effect of unequal composition (term B) from discrimination (term A) has obvious policy implications. For example, it may be that Afro-Brazilians generally have less education and work in lower paying jobs than do whites, and that these disadvantages contribute to their lower income. If the wage-gap were simply a reflection of socio-economic or class differences, then we would find that 100 per cent of the wage-gap could be accounted for by term (B). From a policy standpoint, the implication would be that the income difference could be eliminated by enabling Afro-Brazilians to attain the same human-capital characteristics as whites.

On the other hand, it may be that Afro-Brazilians receive lower wages for doing the same type and amount of work. That is, Afro-Brazilians are unable to convert their individual characteristics into earnings at the same rate as whites. This is what is referred to as wage discrimination. If the wage-gap were due entirely to labor market discrimination, we would find that term (A) would account for 100 per cent of that differential. If the policy goals are to increase the returns to nonwhites to match those of whites, then one could advocate equal pay for equal work.

Decomposing the wage-gap for women in 1960 and 1980 we find the following (Table 5): In 1960, -12 per cent of the gap between white and Afro-Brazilian women was a result of discrimination, indicating that Afro-Brazilian women received greater returns for individual characteristics than white women. Forty per cent of the white/nonwhite wage gap was due to compositional differences. Clearly, human-capital deficits, accounted for the largest proportion of the wage-gap in 1960. However, by 1980, the relationship changed. That proportion due to discrimination quadrupled, 16 per cent of the wage-gap was due to unequal pay, only 35 per cent was due to compositional differences.

Table 6 presents the wage decomposition results for men. The results suggest that men experienced more labor market discrimination than women.[7] In 1960, 17 percent of the wage gap was a result of discrimination, while 48 percent was due to compositional differences. Just as for women, human-capital deficits in 1960 accounted for the largest proportion of the gap.

However, twenty years later the proportion due to discrimination nearly doubled, 32 percent of the wage gap was due to unequal pay, only 34 percent to compositional differences. Disaggregating by occupational (panel B) and regional (panel C) labor markets, the same patterns held. Twenty years of rapid economic growth brought Afro-Brazilian women and men increased wage discrimination.

----Tables 3 and 4 About Here----

Figures 1 and 2 graphically summarize the changes over this 20 year period. Afro-Brazilian women and men achieved absolute gains in human resources (reflected by the downward slope of the middle line which represents compositional differences). Yet despite these gains, Afro-Brazilians were increasingly rewarded at a lower rate than their white counterparts (reflected in the upward slope of bottom line which represents labor market discrimination).

----Figures 1 and 2 About Here----

SUMMARY AND CONCLUSION

The findings of this study suggest that policies oriented to increase factors such as education among Afro-Brazilians will not, in and of themselves, eliminate wage differentials. Rather, the prospects for racial equality in wages in Brazil seem to be contingent on two factors: equal pay for equal work plus increased access to specific resources such as education and higher paying occupations.

This conclusion is significant for two reasons. The first reason has to do with the debate over the relevance of race in Brazil. Many people still maintain that race is not a problem in Brazil. After all in a society without a clear color line, how could discrimination on the basis of skin color be possible?. The notion of racial equality, or racial democracy, in Brazil has long been and continues to be part of the national identity.

Furthermore, much of the debate in the field of race relations in Brazil turns on competing assumptions regarding the relationship between color, class and discrimination. The "class over race" perspective, consistent with the human capital approach in the U.S., holds that unequal treatment that appears to be based on race is actually the result of class distinctions. That is, the real factor determining one's life chances is socioeconomic position rather than skin color. The alternative perspective acknowledges the importance of socioeconomic background, but holds that race itself exerts an independent effect on a person's access to education, income and welfare. Findings presented here clearly support the latter perspective. Black and white women and men of equal standing received unequal wages.

The second reason that these findings are significant has to do with the relationship between development theory and racial inequality. Researchers from such diverse traditions as modernization theory, marxism and neoclassical economics predicted that racial, ethnic and gender inequalities would disappear with economic development. Yet, despite twenty years of unprecedented

economic growth and social change in Brazil, the gap between women and men, black and white persisted. The results of this study suggest that the cost of development in Brazil was increased racial discrimination.

ENDNOTES

1. See Wood and Carvalho (1988).

2. The term "nonwhite" and "Afro-Brazilian" includes both blacks and mulattoes.

3. This school of thought grew out of the work of Florestan Fernandes (1969, 1989), Fernando Henrique Cardoso and Octavio Ianni.

4. Although census data on race require certain precautions, independent analyses have verified their validity in this regard (Oliveria, Porcaro and Costa 1981; Wood 1990).

5. Two unreported preliminary steps led to the separate wage analysis by race and labor market. The first was to estimate earnings models that included race as a dummy independent variable. The results showed than the race coefficients were both statistically significant and negative for all labor markets indicating, that controlling for human capital, the earnings for nonwhite workers were lower than those for whites.

   To test whether the equations for whites and nonwhites differed significantly from one another, the second step was to estimate interaction models for each labor market that introduced multiplicative terms for the race variable with each independent variable. The results showed significant interactions between race and several independent variables. In addition, results of general F-tests rejected the null hypothesis that a pooled model should be fitted.

   The conclusion from these tests is that the relationship between wages and the predictors of wages differ for each racial group. Specifically what this means is that increases in experience, education, employment in higher salaried occupations, and being a migrant and married yield higher wage returns to whites than to African Brazilians. Simply put, this means that nonwhites earn less for performing the same jobs as similarly qualified whites.

6. I chose this decomposition model for both substantive and methodological reasons. First, the model identifies three components that are most appropriate for the questions addressed in this study. Second, following the recommendation of Jones and Kelley (1984), the "discrimination" component includes only intercepts and slopes. A parallel model adopted by Blinder (1973), instead, adds the "interaction" term to

"discrimination." This procedure, in practice, inflates that proportion of the wage gap attributed to discrimination. The model I use is therefore the most conservative measure of discrimination.

7. This may be due to the fact that Afro-Brazilian women experience "double jeopardy." Their wages are reduced by gender as well as race.

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Table 1
Means of Selected Background Characteristics by Color,
Female Workers 18-64 Years of Age,
Urban Brazil, 1960/80

Indicator	White			Nonwhite		
	1960 (1)	1980 (2)	1980/1960 (3)	1960 (4)	1980 (5)	1980/1960 (6)
Wage*	6,872	10,758	1.57	2,745	5,683	2.07
Experience	19.89	17.42	.88	22.29	20.11	.90
Schooling						
0	.15	.06	.48	.43	.17	.40
1-4	.49	.28	.57	.50	.43	.86
5-8	.17	.18	1.06	.04	.18	4.5
9+	.19	.48	2.53	.03	.22	7.3
Region						
NE	.17	.11	.65	.39	.32	.82
SE	.83	.89	1.07	.61	.68	1.11
Occupation						
White Collar	.49	.59	1.20	.12	.29	2.42
Blue Collar	.51	.41	.80	.88	.71	.81
Migrant	.54	.27	.50	.55	.32	.58
Marital	.28	.39	1.39	.15	.33	2.20
N=	9,574	20,228		5,783	12,422	

* In constant 1980 Cruzeiros
Source: 1960, 1980 Brazilian Censuses

Table 2
Means of Selected Background Characteristics by Color,
Male Workers 18-64 Years of Age,
Urban Brazil, 1960/80

	White			Nonwhite		
Indicator	1960 (1)	1980 (2)	1980/1960 (3)	1960 (4)	1980 (5)	1980/1960 (6)
Wage*	11,350	18,210	1.6	6,503	10,221	1.6
Experience	.24	.21	0.9	.25	.22	0.9
Schooling						
0	.10	.07	0.7	.27	.17	0.6
1-4	.66	.41	0.6	.67	.51	0.8
5-8	.13	.21	1.6	.05	.20	4.0
9-11	.07	.18	2.6	.01	.09	9.0
12+	.04	.13	3.3	.00	.03	
Region						
NE	.10	.07	0.7	.38	.28	0.7
SE	.72	.67	0.9	.54	.57	1.1
S	.17	.22	1.3	.05	.07	1.4
CW	.01	.04	4.0	.03	.08	2.7
Occupation						
Man/Adm	.03	.10	3.3	.00	.03	
Prof/Tech	.09	.14	1.6	.04	.06	1.5
Clerical	.23	.15	0.7	.09	.09	1.0
Blue Collar	.65	.61	0.9	.87	.82	0.9
Migrant	.56	.31	0.6	.54	.36	0.7
Marital	.67	.65	0.9	.64	.66	1.0
N=	30,289	46,599		10,372	24,579	

* In constant 1980 Cruzeiros

Source: 1960, 1980 Brazilian Censuses

Table 3

Average Monthly Wage* by Color and Selected Indicators,
Female Workers 18-64 Years of Age,
Urban Brazil, 1960/80

	1960 (1)	1980 (2)	1980/1960 (3)
A. TOTAL			
White	6,872	10,758	1.57
Nonwhite	2,745	5,683	2.07
White/Nonwhite	2.50	1.89	
B. OCCUPATION			
White Collar			
White	9,996	14,480	1.45
Nonwhite	6,280	9,061	1.44
White/Nonwhite	1.59	1.60	
Blue Collar			
White	3,841	5,437	1.42
Nonwhite	2,266	4,327	1.91
White/Nonwhite	1.70	1.26	
C. REGION			
Northeast			
White	4,147	9,000	2.17
Nonwhite	1,981	5,219	2.63
White/Nonwhite	2.09	1.72	
Southeast			
White	7,423	10,986	1.48
Nonwhite	3,232	5,904	1.83
White/Nonwhite	2.30	1.86	

*In Constant 1980 Cruzeiros
Source: 1960, 1980 Brazilian Censuses

Table 4. Average Monthly Wage* by Color and Selected Indicators, Male Workers 18-64 Years of Age, Urban Brazil, 1960/80

	1960 (1)	1980 (2)	1980/1960 (3)
A. TOTAL			
Wh	11350	18210	1.60
Nw	6503	10221	1.57
Wh/Nw	1.75	1.78	1.02
B. OCCUPATION			
White Collar			
Wh	17517	29224	1.67
Nw	10200	16718	1.64
Wh/Nw	1.54	1.75	1.13
Blue Collar			
Wh	8099	11360	1.40
Nw	5970	8748	1.47
Wh/Nw	1.36	1.30	0.96
C. INDUSTRY			
1) Transformative Industries			
Wh	10499	17601	1.68
Nw	6121	10088	1.65
Wh/Nw	1.72	1.74	1.01
a) Modern			
Wh	12617	21825	1.73
Nw	7513	13221	1.76
Wh/Nw	1.68	1.65	0.98
b) Traditional			
Wh	8977	15357	1.71
Nw	5391	8757	1.62
Wh/Nw	1.67	1.75	1.05

Table 4 (con't)

	1960 (1)	1980 (2)	1980/1960 (3)
2) Service Industries			
Wh	12255	18800	1.53
Nw	7089	10364	1.46
Wh/Nw	1.73	1.81	1.05
a) Producer			
Wh	17074	27122	1.59
Nw	10883	14846	1.36
Wh/Nw	1.57	1.83	1.16
b) Social			
Wh	17489	23741	1.36
Nw	9123	11680	1.28
Wh/Nw	1.92	2.03	1.06
c) Distributive			
Wh	10803	15657	1.45
Nw	7037	9923	1.41
Wh/Nw	1.54	1.58	1.02
d) Personal			
Wh	8604	10782	1.25
Nw	5767	7569	1.31
Wh/Nw	1.49	1.42	0.96
D. REGION			
1) Northeast			
Wh	9214	16710	1.81
Nw	4633	9012	1.95
Wh/Nw	1.99	1.85	0.93
2) Southeast			
Wh	12133	19626	1.62
Nw	7815	10954	1.40
Wh/Nw	1.55	1.79	1.16

* In constant 1980 Cruzeiros
Source: 1960, 1980 Brazilian Censuses

Table 5

Decomposition of White/Non-white Wage-Gap*,
Female Workers 18-64 Years of Age,
Urban Brazil, 1960/80

	1960		1980		(4)/(2)
	$Cz (1)	% (2)	$Cz (3)	% (4)	(5)
A. TOTAL					
Wage Gap	4128	100	5075	100	
Market Dis.		-12		16	4.00
Composition		40		35	.88
Interaction		72		50	.69
B. OCCUPATION					
White Collar					
Wage Gap	3716	100	5419	100	
Market Dis.		8		55	6.88
Composition		65		22	.34
Interaction		27		22	.81
Blue Collar					
Wage Gap	1775	100	1110	100	
Market Dis.		35		48	1.37
Composition		26		30	1.15
Interaction		39		22	.56
C. REGION					
Northeast					
Wage Gap	2166	100	3781	100	
Market Dis.		16		41	2.56
Composition		33		24	.73
Interaction		51		35	.69
Southeast					
Wage Gap	4191	100	5082	100	
Market Dis.		16		48	3.00
Composition		37		15	.41
Interaction		47		37	.79

*Sources: 1960, 1980 Brazilian Censuses

Table 6. Decomposition of White/Non-white Wage-Gap, Male Workers 18-64 Years of Age, Brazil, 1960/1980

	1960		1980		
	$Cz (1)	% (2)	$Cz (3)	% (4)	(4)/(2) (5)
A. TOTAL					
Wage Gap	4,847	100	7,990	100	
Market Dis.		17		32	1.88
Composition		48		34	.71
Interaction		35		34	.97
B. OCCUPATION					
White Collar					
Wage gap	7,317	100	12,506	100	
Market Dis.		44		49	1.11
Composition		38		23	.61
Interaction		18		28	.74
Blue Collar					
Wage Gap	2,129	100	2,613	100	
Market Dis.		17		43	2.53
Composition		59		34	.58
Interaction		24		23	.96
C. INDUSTRY					
TRANSFORMATIVE					
Wage Gap	4,378	100	7,513	100	
Market Dis.		10		34	3.40
Composition		53		31	.58
Interaction		37		35	.95
Modern Transformative					
Wage Gap	5,104	100	8,604	100	
Market Dis.		27		37	1.37
Composition		51		33	.65
Interaction		22		30	1.36
Traditional Transformative					
Wage Gap	3,587	100	6,599	100	
Market Dis.		6		40	7.67
Composition		55		25	.45
Interaction		39		35	.90

TABLE 6 (continued)

		1960		1980		
		$Cz (1)	% (2)	$Cz (3)	% (4)	(4)/(2) (5)
SERVICE						
	Wage Gap	5,167	100	8,437	100	
	Market Dis.		18		37	2.06
	Composition		48		28	.58
	Interaction		34		35	1.03
Producers Services						
	Wage Gap	6,191	100	12,277	100	
	Market Dis.		45		45	1.00
	Composition		31		29	.94
	Interaction		25		26	1.04
Social Services						
	Wage Gap	8,366	100	12,061	100	
	Market Dis.		16		16	1.00
	Composition		47		32	.68
	Interaction		37		52	1.41
Distributive Services						
	Wage Gap	3,766	100	5,734	100	
	Market Dis.		20		47	2.35
	Composition		50		25	.50
	Interaction		30		28	.93
Personal Services						
	Wage Gap	2,837	100	3,212	100	
	Market Dis.		9		47	5.22
	Composition		52		28	.54
	Interaction		39		25	.64
D. REGION						
Northeast						
	Wage Gap	4,581	100	7,698	100	
	Market Dis.		24		25	1.04
	Composition		28		32	1.14
	Interaction		48		43	.90
Southeast						
	Wage Gap	4,318	100	8672	100	
	Market Dis.		44		46	1.05
	Composition		31		22	.71
	Interaction		25		32	1.28

*

In constant 1980 Cruzeiros
Source: 1960, 1980 Brazilian Censuses

Fig.1 Decomposition of Wh/Afro-Bz
Wage Gap, Urban Women, Brazil 1960-1980

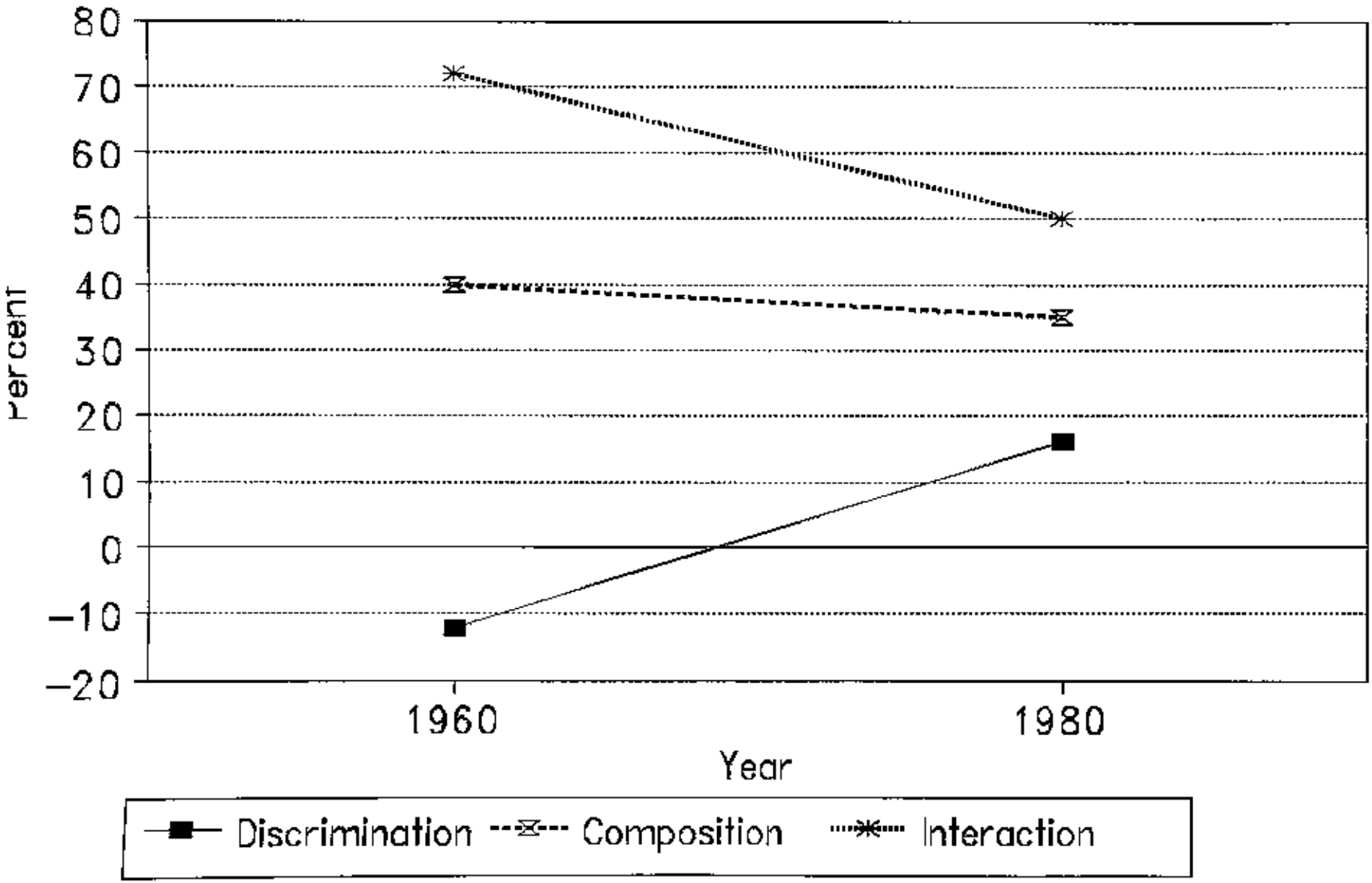

Fig. 2 Decomposition of Wh/Afro-Bz
Wage Gap, Urban Men, Brazil 1960-1980