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INEQUALITIES IN BRAZIL

THE DIVIDE THAT UNITES US



OXFAM
Brasil

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FOREWORD

We need to talk about inequalities. The world's eight richest people own the same wealth as the poorest half of the population. At the same time, more than 700 million people live on less than US\$ 1.90 a day.

The situation is even worse in Brazil: just six people have as much money as the 100 million poorest Brazilians. And that's not all: the richest 5% earn the same income as the other 95%. In Brazil, it would take 19 years for a worker earning a minimum wage to get what a super-rich earns in just one month.

In such context of extreme inequality Oxfam Brasil is launching its report "Inequalities in Brazil: the Divide that Unites Us." The purpose of the publication is to spark a necessary and urgent public debate on reducing inequalities in Brazilian society with the aim of building a fairer country.

Holding such a debate in modern times is particularly important not only because of the extreme and ethically unacceptable levels of inequality that turn us into a society where one part of the population is worth more than another, but also due to the recent and worrying setbacks in rights that have not been seen since Brazil returned to democracy.

After the 1988 Constitution was enacted, Brazil began to undertake comprehensive efforts to reduce inequalities. Both earnings and essential services have become more equitably distributed throughout society, especially because of improvements in the living standards of the poorest groups of the population and based on gradual consolidation of inclusive public policies. On the other hand, the extreme concentration of income and wealth at the top of the social pyramid remains unchanged.

Looking at the last two decades, the reasons behind the inequalities prevailing in Brazil are evident. There is little doubt about what did not work: Brazil's regressive tax system places an excessive burden on the poorest and on the middle class by imposing heavy indirect taxes and by lowering the progressivity of income tax rates for the

rich. Race and gender discrimination has proved to be a perverse mechanism that hinders the inclusion of blacks and women, manifesting itself in everyday forms of violence – including those perpetrated by the State – and always keeping this segment of society at the lowest end of income, wealth and service distribution. Add to this a political system that lacks democratic spirit, concentrates power and is highly prone to corruption.

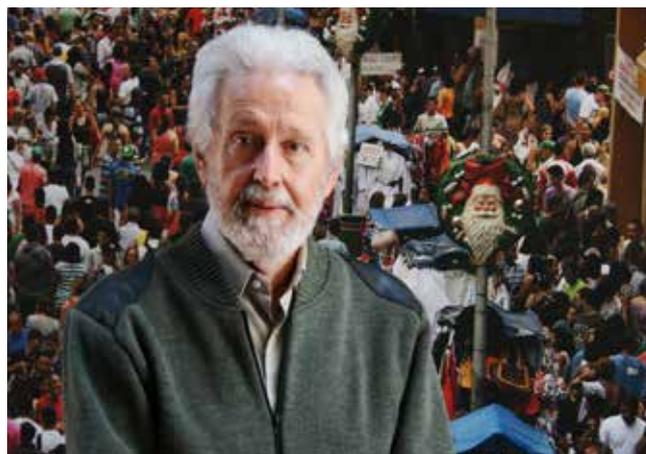
On the other hand, we know what does work: the extended reach of public policies, notably social policies, has played a key role in reducing poverty and in directly or indirectly increasing household income, particularly benefiting people in the lowest income strata. Educational gains have had a major impact on reducing wage gaps, thereby reducing overall income inequality – even though huge challenges remain. Expanding the coverage of essential services to the poor has significantly improved the living standards of Brazilians, albeit a substantial portion of the population still has no access to water or basic sanitation. Finally, the policy of real minimum wage increases, coupled with the increasing labor market formalization and the decline in unemployment, have been key in reducing income inequality.

These are some of the topics raised in this report. By addressing these issues, it is not the intention of Oxfam Brasil to close the debate, but rather to contribute to their dissemination, as it believes we cannot continue as we are. Tackling inequalities is a prerequisite for a country characterized as a democratic state under the rule of law and founded, among others, on the principles of citizenship and human dignity, as provided for in Article 1 of the Brazilian Constitution.

We invite you to join this conversation. The inequalities between rich and poor, black and white, woman and man are not just the concern of a few, but rather everyone's problem. This is the divide that unites us.



Katia Maia
Executive Director



Oded Grajew
President of the Board



Photo: Apu Gomes // Oxfam Brasil

INTRODUCTION

// I. **INEQUALITY IN THE WORLD**

Today, the richest 1% of the world's population owns as much wealth as the other 99%, and just eight billionaires own as much as the poorest half of the planet's people¹. Meanwhile, poverty² rule the lives of more than 700 million people worldwide. This is an extreme situation.

Inequality and poverty are not inevitable. They are rather the outcome of unfair political options reflecting an unequal distribution of power in societies. Changes to that reality require new political choices that must be reiterated over time and sustained by a society with equal access to democracy.

After decades of quite successful work fighting poverty, we have learned a valuable lesson: it is not possible to eradicate poverty in the world without drastically reducing levels of inequality. Extreme inequality hinders the state's and society's capacity to redistribute income. It also raises barriers to social mobility and excludes whole segments of the population from the economy.

From 1990 to 2013, nearly a billion people were lifted from poverty³, i.e., they began to earn more than US\$ 1.90 per day – a widely-used (and not at all ambitious) criteria. Another 200 million people could have had the same good fortune if, during the same period, the average growth of income for the poorest had been greater than the average growth of income for the richest⁴, thereby reducing the distance from the bottom to the top of the social pyramid.

In September 2015, countries gathered at the United Nation's 70th General Assembly adopted a new development agenda for 2030 – the Sustainable Development Goals (SDGs) –including a commitment to eradicate poverty in the world. One major step forward, compared to the Millennium Development Goals (MDGs), was a goal (SDG 10⁵) to reduce economic inequalities through measures that would make economies more inclusive by 2030. Achieving that goal will demand tremendous practical ambition and political commitment.

The World Bank forecasts that even if the average annual income of the world's poorest 40% grows 2% faster than the overall average from 2010 to 2030, the world will still have some 260 million people living below the poverty line⁶. Therein lies our challenge for the next decade: bringing the poorest to gain greater shares of economic growth, reducing the gulf that divides societies and undermines democracies around the world.

“IT IS NOT POSSIBLE TO ERADICATE POVERTY IN THE WORLD WITHOUT DRASTICALLY REDUCING LEVELS OF INEQUALITY.”

// II. BRAZIL AT THE CROSSROADS

Over recent decades, Brazil reduced inequalities “from the bottom up.” From 1988 (when we adopted our Constitution) to 2015, the share of our population below the poverty line⁷ fell from 37% to less than 10%⁸. Over the past 15 years, Brazil pulled more than 28 million people out of poverty⁹, while its lopsided income distribution remained unchanged¹⁰.

The Gini coefficient¹¹ for Brazilians’ income (which measures a population’s income distribution on a scale from 0 to 1, with 1 being the most unequal) has fallen 16% – from 0.616 to 0.515¹² – since 1988. At the same time, the availability of essential services also expanded significantly¹³, particularly with the universalization of access to primary (“fundamental”) schooling.

Factors contributing to this evolution include economic stability and low inflation¹⁴, real growth of the minimum wage and greater formalization in the labor market¹⁵ and the growth of social spending on education and on direct income transfer programs¹⁶.

Structural challenges to the improvement of Brazil’s income and wealth distribution still include the adoption of fairer taxation policies, greater quality for public services, less concentration of land tenure and greater inclusion in education of adolescents and university-age youth, especially young blacks.

The present context works against such progress. The fiscal crisis that broke out in 2014 and 2015¹⁷ has created a political setting for radical changes. They were inaugurated by the president elected in 2014 and have intensified since the post-impeachment government took over in 2016. Profound reforms tabled over the past 16 months fly in the face of Constitutional precepts and threaten to undo our social welfare state, in a period of economic crisis. This is happening with no input from the population¹⁸, which mistrusts the State but still relies on the public sector to meet its basic needs¹⁹. The State is clearly and quickly withdrawing from the redistribution of resources in our society, opening the way for a new cycle

of growing inequalities.

Oxfam Brasil believes it is urgent for us to overcome this situation. With one of the world’s most unequal income distributions, Brazil has more than 16 million people living below the poverty line²⁰. This may get even worse, as the World Bank projects that another 3.6 million people may join the ranks of the poor by the end of 2017²¹. Our past progress, therefore, has not been consolidated.

This report hopes to further public discussion on inequalities in Brazil and allows us to visualize solutions to the crisis that do more than just incorporate people at the base of the social pyramid, to achieve a better distribution of future economic growth, so the poor come out with bigger “pieces of the pie” than do the rich. It is imperative that we maintain our historical course towards reducing inequalities.

“**BRAZIL IS ONE OF THE WORST COUNTRIES IN THE WORLD REGARDING INEQUALITIES. OVER 16 MILLION PEOPLE LIVE BELOW THE POVERTY LINE.**”

IS THERE AN “ACCEPTABLE” INEQUALITY?



Equality is a central value in our Society. Brazil’s Constitution adopted in 1988 begins by assuring that our country’s fundamental objectives are to build a free, just society with solidarity; to eradicate poverty and exclusion and reduce social and regional inequalities; and to promote the well-being of all, without prejudice as to origin, race, sex, color, age or any other forms of discrimination.

An egalitarian society not only provides equal opportunities to its citizens but also works to make the population’s living conditions less unequal. As we read in SDG 10, it is fundamental that we “ensure equal opportunity and reduce inequalities of outcome.”

Oxfam Brasil believes that merit must be valued, but profound imbalances in our society keep merit from being deployed fairly. Despite Brazil’s progress in reducing inequalities, an extreme situation also keeps most resources and opportunities in the hands of the few, including political resources that limit or even block social mobility.

This situation is unjust and harmful for society as a whole. It works against individual and collective rights, and the rights of vulnerable social segments. It hurts the middle class, weakens our economy and our democracy and provides fertile ground for the outbreak of violence.

While it is hard to define what “acceptable” inequalities might be, the truth is that extreme inequality – which blocks human dignity, access to rights and social mobility – is undeniably unacceptable.



Photo: Tuca Vieira // Oxfam Brasil

1. **THE STATE OF INEQUALITIES IN BRAZIL**

Brazil is one of the world's most unequal countries. Our inequality indicators are like different lenses to view the same problem: the hierarchical distance between social groups. Our notable progress deserves credit, but still falls short of our constitutional rights.

Fighting inequalities is an end in itself. Brazil's social and economic differences are unacceptable from any angle and are antagonistic with the ideals of equality and solidarity that underlie our Federal Constitution. Yet there is more at stake when the subject is inequalities.

Reducing inequalities allows greater access to basic rights. In Brazil, lower inequality of people's incomes means more widespread access to essential services like water and health care²², lower infant mortality rates and longer life expectancies at birth²³. Fighting inequalities is also the road to a less violent society²⁴, since social exclusion is directly related to greater violence, in both urban²⁵ and rural²⁶ areas. Finally, the health of a democracy depends on social equality: the greater the inequality and undue influence of elites in policy making, the less people believe in democracy's ability to improve their living conditions and the less they believe in democracy at all.

For this publication, Oxfam Brasil selected several indicators that have been present in public debate on the matter in Brazil: **income**, **wealth** and the supply of **essential services**. We will discuss them through the filters of race, gender and regional specificities, showing how different social groups and territories suffer from injustice.

// 1.1. A BRIEF HISTORY

From 1976 to 2015, the Gini coefficient for income improved from 0.623 to 0.515²⁷. During the same period, poverty declined from 35% to less than 10%, less than a third of its prevalence 40 years earlier²⁸. The supply of essential services expanded, as the Gini coefficient for access to water fell from 0.6 to 0.2; for sewer collection from 0.7 to less than 0.5; and for access to electric power from 0.5 to less than 0.1²⁹. This is doubtless a historical trend towards less inequality.

Yet that trend has not been uniform. Income concentration increased during the military dictatorship and fell shortly after democratization³⁰. Access to essential services expanded during the 1970s and until the mid-1980s and then slowed until the late 1990s, after which it has once again expanded³¹.

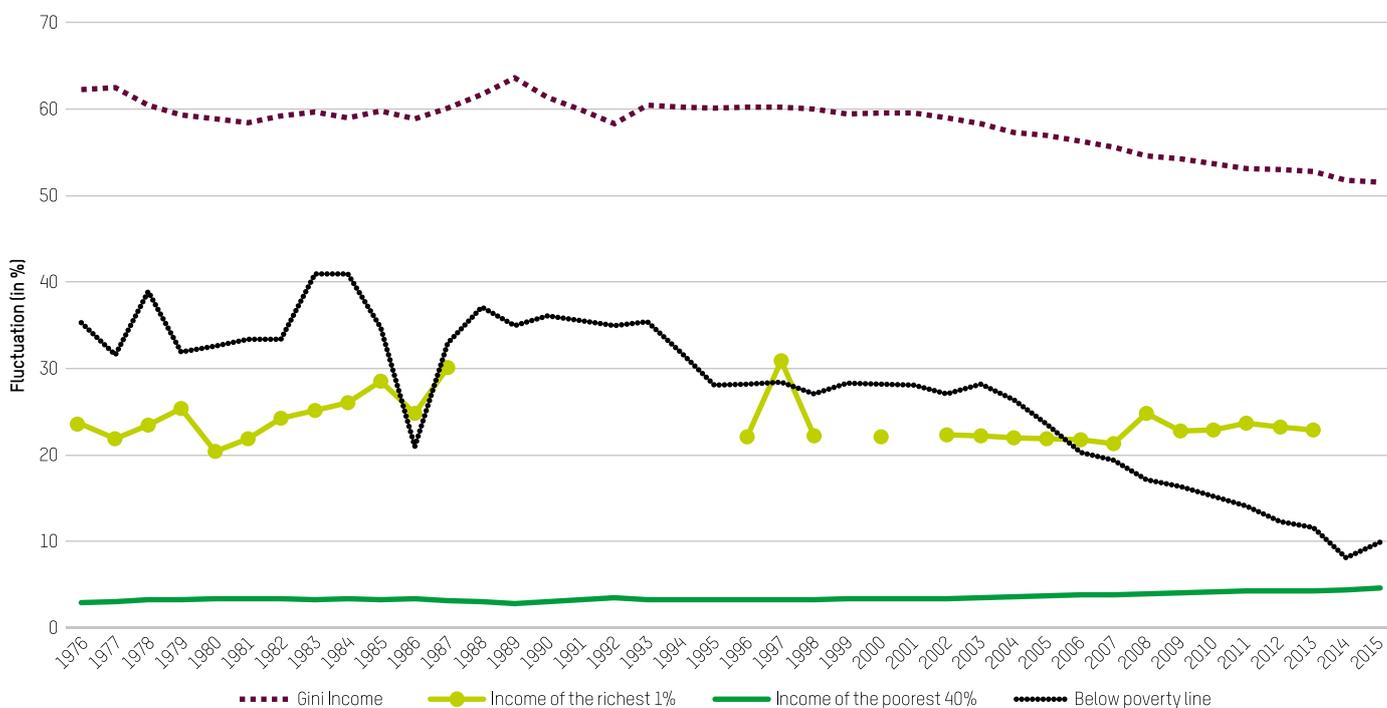
Several structural changes explaining these long-term shifts include economic growth, demographic changes and migration³², the inclusion of women in the labor market³³, federal policies that moved resources into basic infrastructure³⁴ and the transition from dictatorship to democracy. Decisive factors favoring gains in income and access to essential services were the constitutional assurance of budget allocations, the stabilization of the economy in the 1990s³⁵, an inclusive minimum-wage policy since the turn of the century³⁶ and several social policies whose most symbolic achievement was Brazil's removal from the UN Hunger Map, in 2015³⁷.

Democratization culminated in the 1988 Constitution, which enshrined the fundamental rights to which Brazilian society aspired. Its article 3, subsection III provides that: *"The fundamental objectives of the Federative Republic of Brazil are: [...] to eradicate poverty and exclusion and to reduce social and regional inequalities"*³⁸.

“
THE FUNDAMENTAL OBJECTIVES OF THE FEDERATIVE REPUBLIC OF BRAZIL ARE: [...] TO ERADICATE POVERTY AND EXCLUSION AND TO REDUCE SOCIAL AND REGIONAL INEQUALITIES³⁸.
”

// **GRAPH 1.**

Brazil – Inequalities measured by Gini indices for total income, the share of households below the poverty line, the share of national income received by the poorest 40% and by the richest 1%, 1976-2015



Sources: Ipeadata 2014; UNDP 2017; Souza, P. H. 2016.

The Constitution was the starting point for multi-dimensional changes in recognizing both the problem and the need to overcome Brazil’s inequalities. A few years later, an overall tendency towards less income inequality and poverty had set in, as we see in **Graph 1**. While noteworthy, that outcome is only the beginning of a very long process.

Considering the pace of income inequality reduction since 1988, Oxfam Brasil’s projection is that it will take another 35 years to get to where Uruguay is today, and 75 years to be at the current level of the UK³⁹.

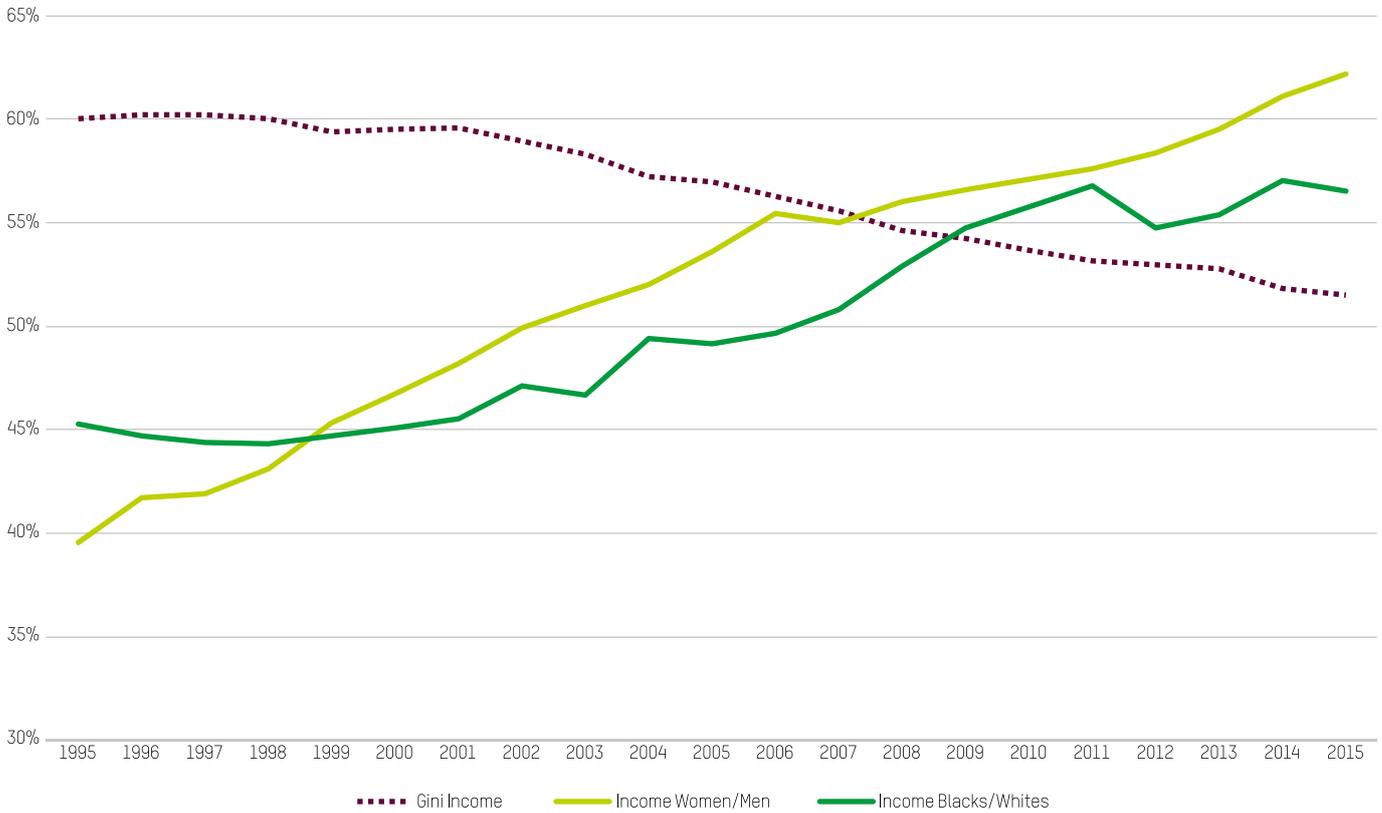
Raising the income of the poorest has not been enough to bring a drastic reduction in Brazil’s inequalities, due to huge asymmetries in the appropriation of total economic growth. A recent survey shows that from 2001 to 2015 the richest 10% appropriated 61% of economic growth,

while the poorest 50% took no more than 18%⁴⁰. Meanwhile, the share of income concentrated in the hands of the richest 1% stood firm and even grew, from 22% to 25%⁴¹.

As we focus further in, we can see the persistence of historic inequalities between men and women and, above all, between blacks and whites. **Graph 2** shows that, despite a greater proximity between the respective groups, women still earn 62% of what men earn, and blacks earn only 57% of what whites earn. In this latter case, the line goes horizontal after 2011, meaning the reduction of racial inequality as measured by income has stagnated.

// **GRAPH 2.**

Brazil – Evolution of Gini for total income, the share of women’s total income compared to men’s and the share of blacks’ total income compared to whites’, 1995-2015



“Sources: Ipeadata 2014; UNDP 2017; Ipea/ Retratos da Desigualdade 2017

This time series reveals long-standing forces behind income concentration and the fragility of our experience in reducing inequalities, with no structural policies to reduce the distance between Brazil’s rich and poor.



// 1.2. **EXTREME INEQUALITY IN BRAZIL TODAY**

At the beginning of 2017, the joint wealth of the country's six richest billionaires was equivalent to that of the poorest half of the population⁴². We also began the year with more than 16 million people living below the poverty line⁴³. Among all countries that produce such data, Brazil has the highest concentration in the richest 1%⁴⁴, as well as the third worst Gini coefficient for Latin America and the Caribbean (behind Colombia and Honduras⁴⁵). According to the latest Human Development Report by the United Nations Development Program (UNDP), Brazil is the world's tenth most unequal country, in a ranking of over 140 countries⁴⁶. Inequality is extreme here.

1.2.1. INEQUALITY CONSIDERING INCOME, SEX, RACE AND REGIONS

Regarding **income**, the richest 1% of the population on the average earns more than 25% of the nation's entire income, while the richest 5% take home as much as the other 95%⁴⁷. A minimum-wage earner⁴⁸ takes four years to earn what the richest 1% make, on the average, in a month⁴⁹. It would take them 19 years of work to make the average monthly income of the richest 0.1%⁵⁰. This huge concentration arises from an apex with very high incomes, but mostly from an enormous bottom that earns very little.

The vast majority of Brazilians' average per capita income is no more than a monthly minimum wage. In constant values for 2015 (year of the most recent official household survey, the PNAD), six out of ten people's average per capita household income is below R\$ 792 per month⁵¹. Overall, the per capita income of 80% of Brazil's population (165 million men and women⁵²) is less than twice the official monthly minimum wage⁵³.

**“A MINIMUM-WAGE
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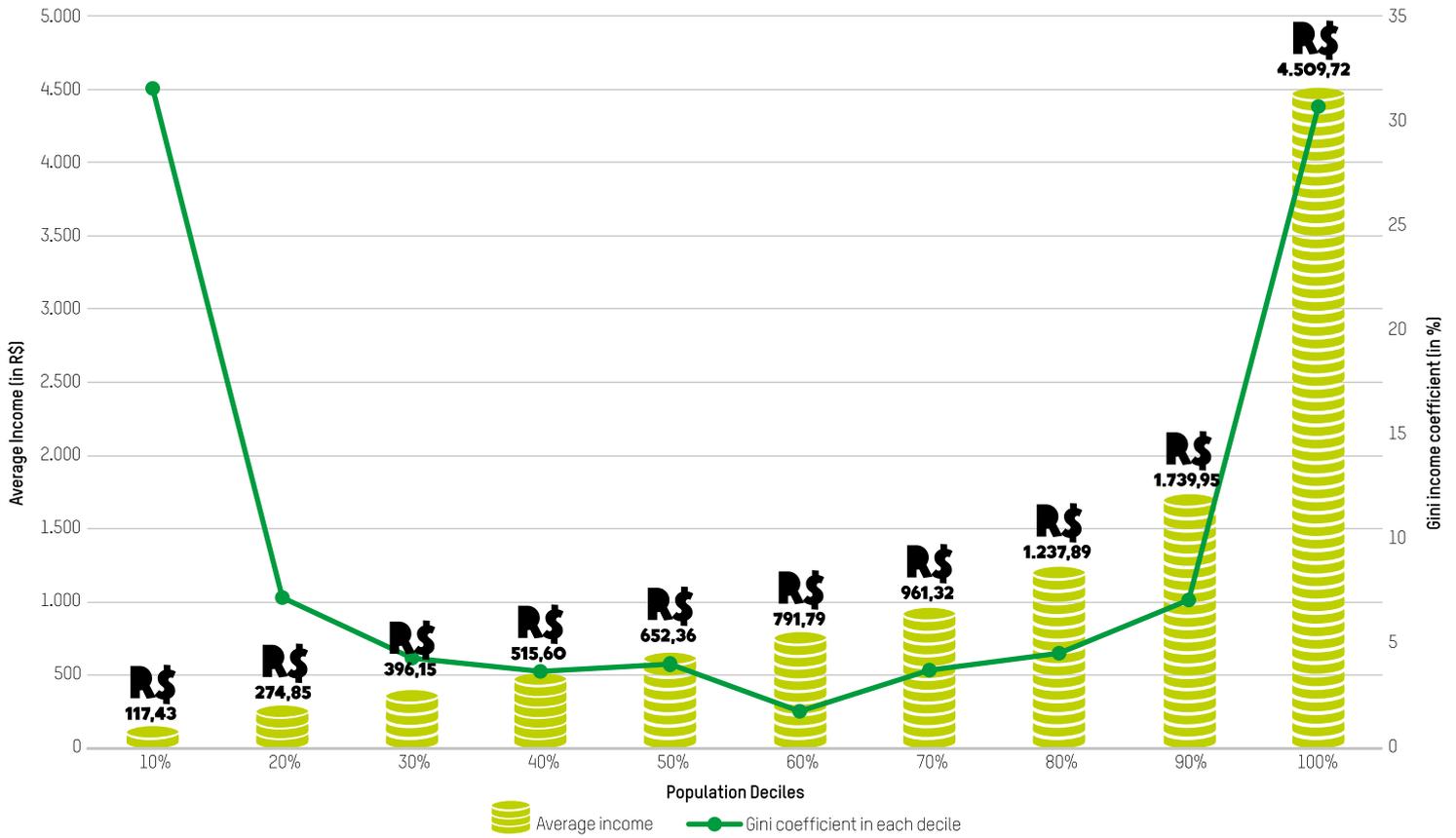
At the other end, a small fraction of the population has relative high income. Brazil's richest 10% have average per capita household incomes of R\$ 4,510.00⁵⁴, and the richest 1% makes more than R\$ 40.000 per month, average⁵⁵.

**THE RICHEST
5% OF THE
BRAZILIAN
POPULATION
TAKE HOME AS
MUCH INCOME
AS THE OTHER
95%.**



// **GRAPH 3.**

Brazil – Average per capital household income per decile and Gini indices within each decile (in R\$), 2015



Source: IBGE/PNAD 2015

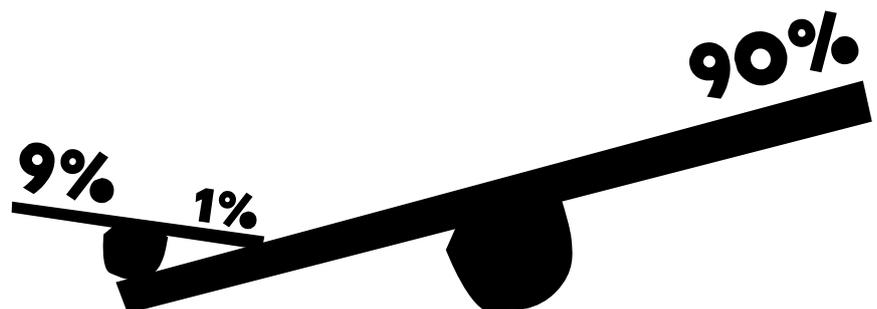
Graph 3 shows that, compared to the other 90%, the 10% at the top of income earners in Brazil could easily be classified as “rich.” Considering the average revenue for each decile, they make almost three times as much as those in the ninth decile, seven times more than Brazilians in the fifth decile and 38 times more than the income of the poorest 10% of all Brazilians. Moreover, a closer look at average income concentration *within* the highest decile shows tremendous inequality even amongst the rich themselves.

This is because the Gini coefficient for the richest 10% in **Graph 3** is 30.7%, much higher than the next eight deciles where it is no greater than 7.2%⁵⁶, and only matched by the inequality within the first and poorest decile, which includes all the very and extremely poor.

Distribution based on income tax declarations shows the richest decile is made up of Brazilians with individual incomes worth three to 320 times the minimum wage⁵⁷, a segment too broad and heterogenous to be monolithically classified as “rich.” There are major socio-economic differences within this decile and not all of them would play the same role in reducing inequalities.

The overwhelming majority (90%) of the top 10% declare they earn between 3 to 20 times the minimum wage (R\$ 2,364 to R\$ 15,760 per month). They take home half of the top 10% population’s total declared income, most of it taxable, as we will see in **Part 2** of this report.

The “cream of the cream” within this top decile, however, includes Brazilians whose average – mostly tax-exempt – income is about R\$ 190,000 per month, over 42 times the average for the entire top income decile identified by the National Sample Survey of Domiciles (PNAD). Some individuals declare incomes over R\$ 400,000 per month, nearly 90 times the average for the country’s richest 10%, based on per capita household data. There is also a huge distance, therefore, between the rich and the very rich.



INEQUALITY NUMBERS AND DATA SOURCES

The official data used to calculate income concentration is from the PNAD household survey, produced yearly (with a few exceptions) since 1976 by the Brazilian Geography and Statistics Institute (IBGE). Currently using a nationwide sample of 150,000 households, the PNAD gathers data including the Brazilian population's per capita household income. There is also an ongoing version, with monthly and quarterly surveys on wage income, which leaves out other sources of revenue.

Household surveys (as is the case in other countries as well) tend to underestimate the income of the richest, by either omission or forgetfulness in answers by higher-income households. Therefore, tax data tends to be more reliable to measure the income of the richest, since it has detailed information on all income sources declared by individuals.

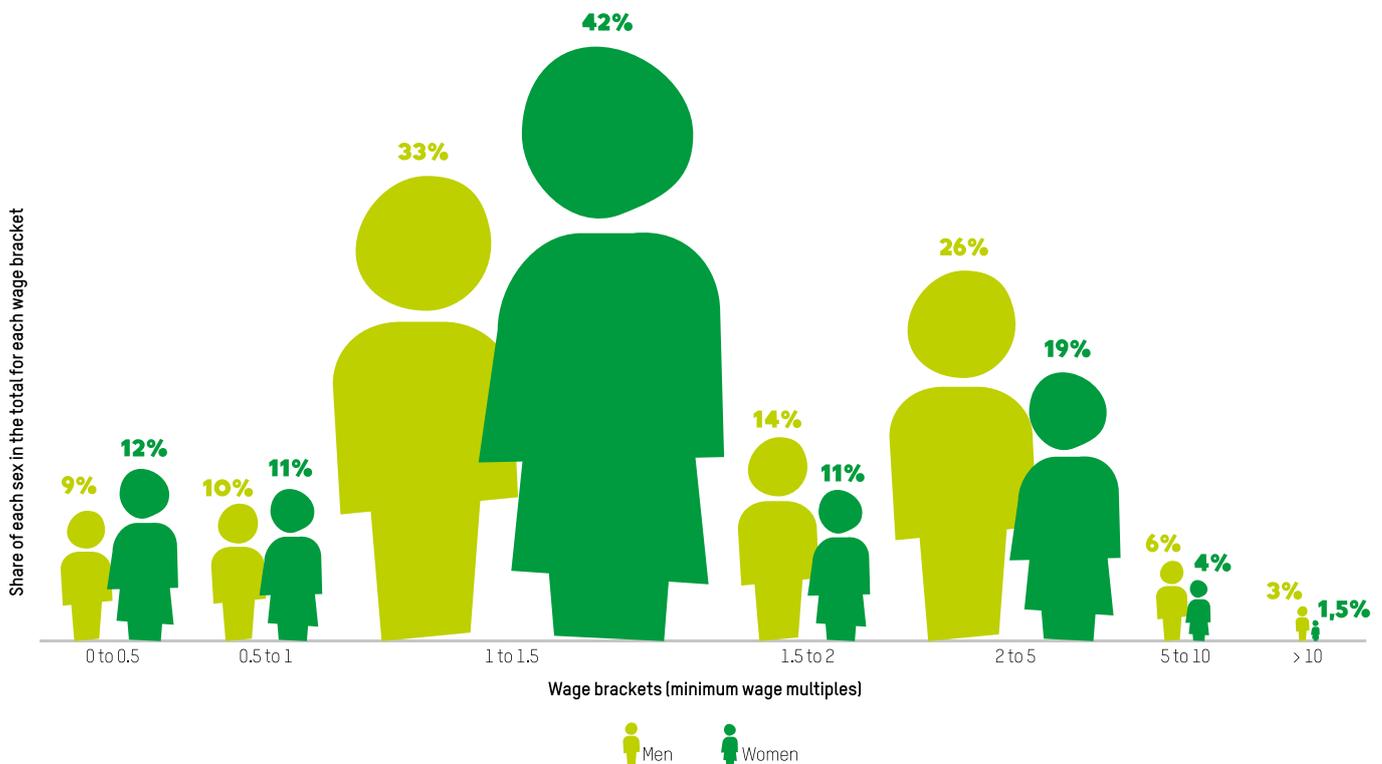
The Brazilian Federal Revenue authority (SRF) released aggregate data from individual income tax declarations (DIRPF forms) in 2015, retroactive to 2007 (for income earned in 2006). There are also limits to analyzing the DIRPF information, however, since the data is highly aggregated into brackets, many variables cannot be cross-analyzed and a large part of the highest revenues are not declared. Even so, it is a major step towards transparency.

Based on this SRF data, several researchers have reassessed the extent of recent reductions in inequalities. Contrary to the outcome of studies using PNAD data alone, the Gini coefficient calculated using these DIRPF figures for the upper income segment shows that income inequality remained stable from 2006 to 2012⁵⁸, with the impressive concentration of income at the very top of the social pyramid holding stable since the turn of the century⁵⁹.

A comparison of men’s and women’s earnings shows progress in recent decades (**Graph 2**). We came out of a situation where women earned 40% of men’s income, up to a 62% share in 20 years⁶⁰, mainly due to the entry of women into the paid labor market⁶¹. Today, the difference is still unacceptable, with men’s monthly incomes averaging R\$ 1,508 in 2015⁶², and women taking home R\$ 938⁶³. If the pace of the past two decades holds, Oxfam Brasil calculates that women will only achieve income equality in 2047⁶⁴.

Considering wage earnings along, there are more women in the wage bracket from 0 to 1.5 times the minimum wage, and their share diminishes in the subsequent brackets. As we observe in **Graph 4**, 65% of women earn up to 1.5 times the minimum wage, as opposed to 52% of the men, and there are two men for every woman in the income bracket above ten times the minimum wage⁶⁵.

// GRAPH 4.
Brazil – Distribution of men and women per wage bracket, 2015



Source: IBGE/PNAD Ongoing Survey, 4th quarter 2016

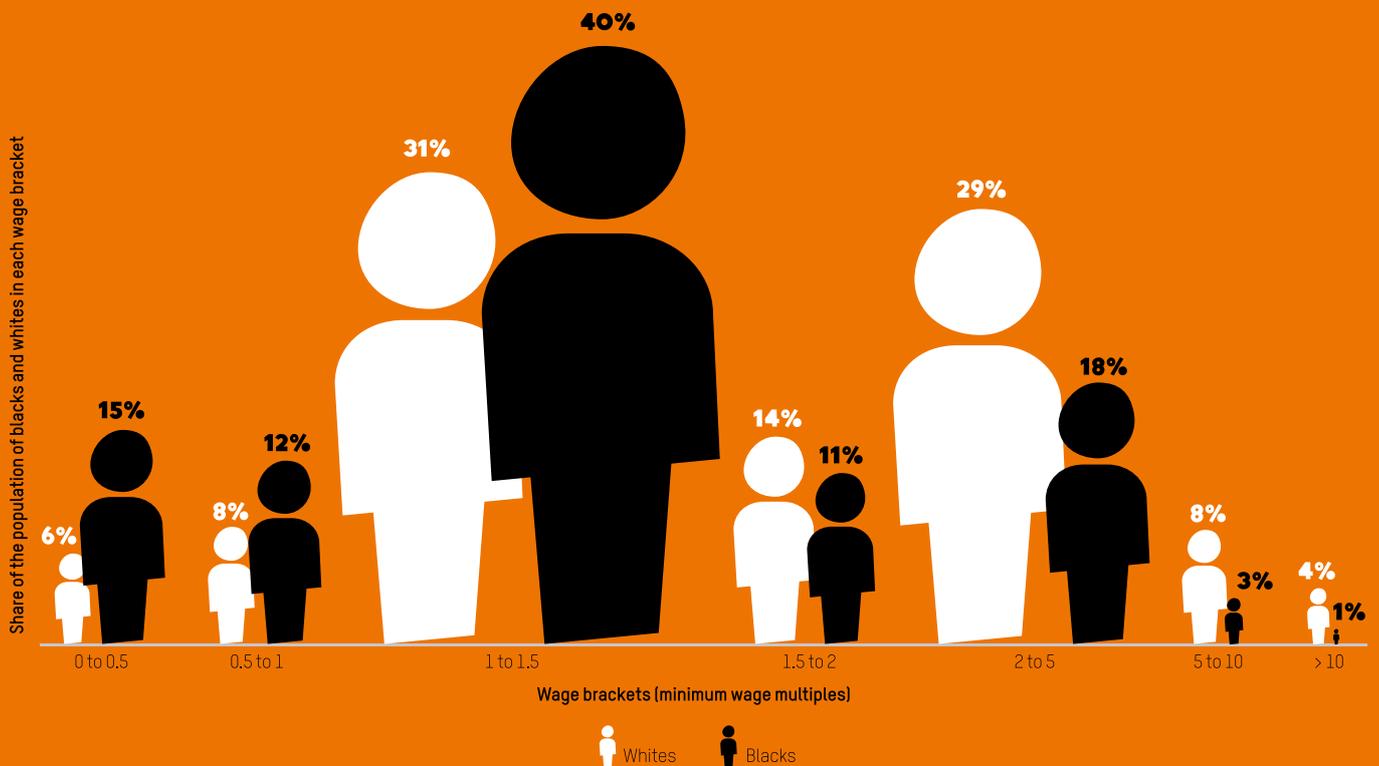
Note: rounded numbers.



The differences between men and women are less serious than racial differences affecting the black population⁶⁶. Using the same data, 67% of black Brazilians (as opposed to 46% of the whites)⁶⁷ are in the bracket earning less than 1.5 times the minimum wage. About 80% of black people earn less than twice the minimum wage. As we saw with women, black people's shares diminish in each of the wage brackets above 1.5 times the minimum wage, and for each black earning over ten times the minimum wage, there are four whites.

// GRAPH 5.

Brazil – Distribution of blacks and whites per wage bracket (in minimum wage multiples)



⁶⁶Source: IBGE/PNAD Ongoing Survey, 4th quarter 2016

Note: rounded numbers.

In the total of all brackets, in 2015 whites on the average earned twice the income of blacks: R\$ 1,589 compared to R\$ 898 per month⁶⁸. In 20 years, black people's income went from 45% of the value of white people's income, to only 57%. If the pace of progress by black people over the past two decades holds, they will only achieve income equality with whites, on the average, in 2089⁶⁹.

Regional income disparities come to bear in addition to race and gender. The highest incomes are concentrated in municipalities of Brazil's south and southeastern regions. The most recent (2010) Census data shows the States of São Paulo, Rio de Janeiro, Paraná, Santa Catarina and Rio Grande do Sul with average monthly per capita incomes above R\$ 2,000, with as much as R\$ 2,245 in Rio Grande do Sul and R\$ 2,447 in São Paulo⁷⁰.

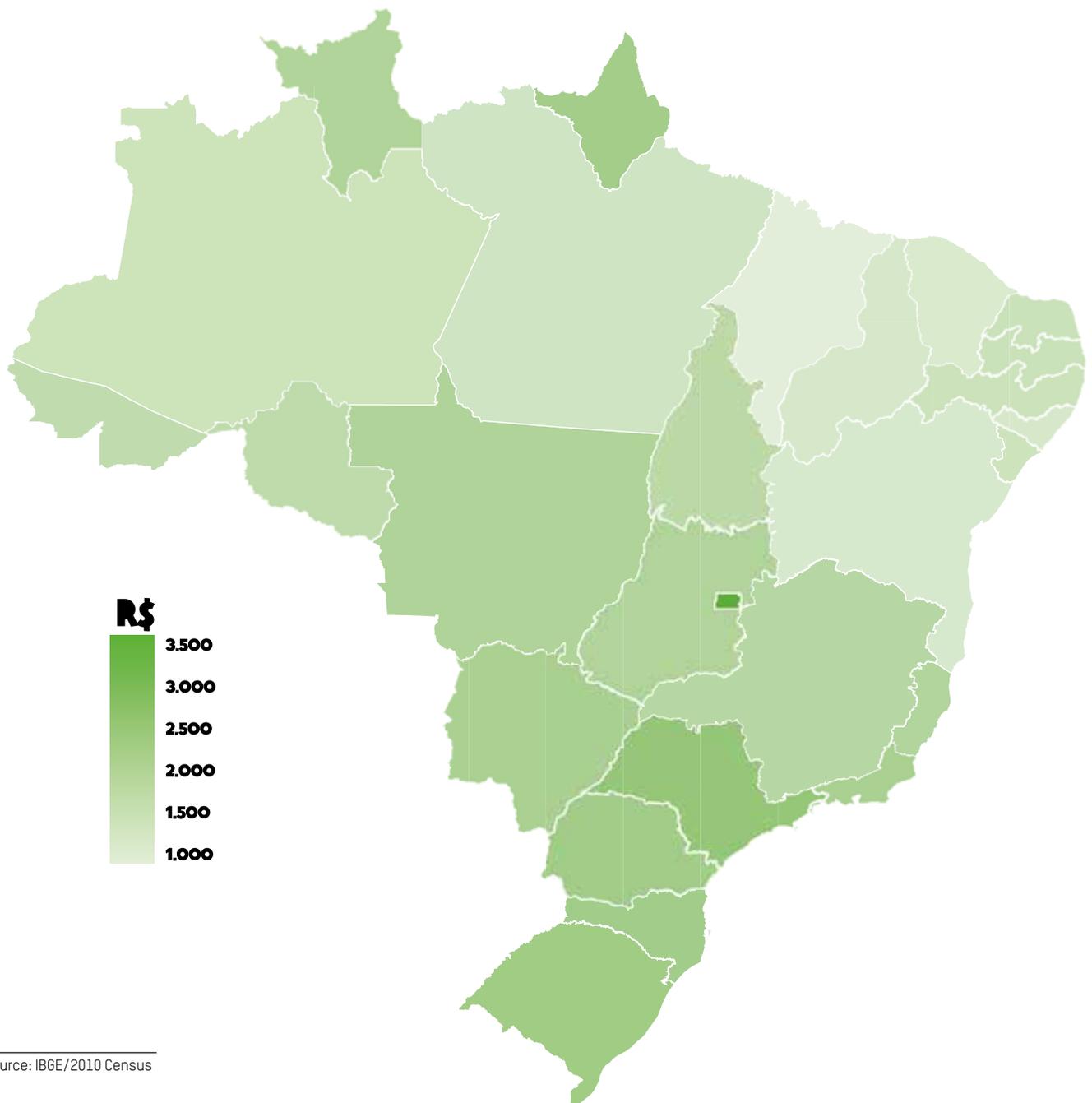
The Center-West region has relatively high average incomes, ranging from R\$ 1,920 in Goiás to R\$ 2,071 in Mato Grosso do Sul⁷¹. In this region, we also find the noteworthy exception of the Federal District, with by far the country's highest average per capita income: R\$ 3,620.21⁷²

The North and Northeast are home to most low-income Brazilians. Except for Amapá and Roraima, all the other 14 States in these regions had average monthly wages below R\$ 1,700⁷³. A person living in Maranhão, on the average, earns 40% of someone in São Paulo and only 27% of a Brazilian living in the Federal District⁷⁴.

“IF THE PACE OF PROGRESS BY BLACK PEOPLE OVER THE PAST TWO DECADES HOLDS, THEY WILL ONLY ACHIEVE INCOME EQUALITY WITH WHITES IN 2089.”

MAP 1.

Brazil – Average monthly per capita income, by State, 2010



Source: IBGE/2010 Census

The Gini coefficient for municipal per capita Gross Domestic Product (GDP) declined (i.e. improved) over the past 40 years, from 0.494 to 0.403, with a significant redistribution of income between Brazilian regions⁷⁵. As we shall see, this fact relates directly to other kinds of inequalities, such as the supply of essential services and of urban infrastructure.



1.2.2. INEQUALITY OF WEALTH

In Brazil, the inequality of **wealth** – material goods like real estate or land, and financial goods like investments and stock – is even greater than the country’s income inequality. The richest 1% own 48% of all the nation’s wealth, and the richest 10% own 74%⁷⁶. Meanwhile, 50% of Brazil’s population owns 3% of the country’s total wealth⁷⁷.

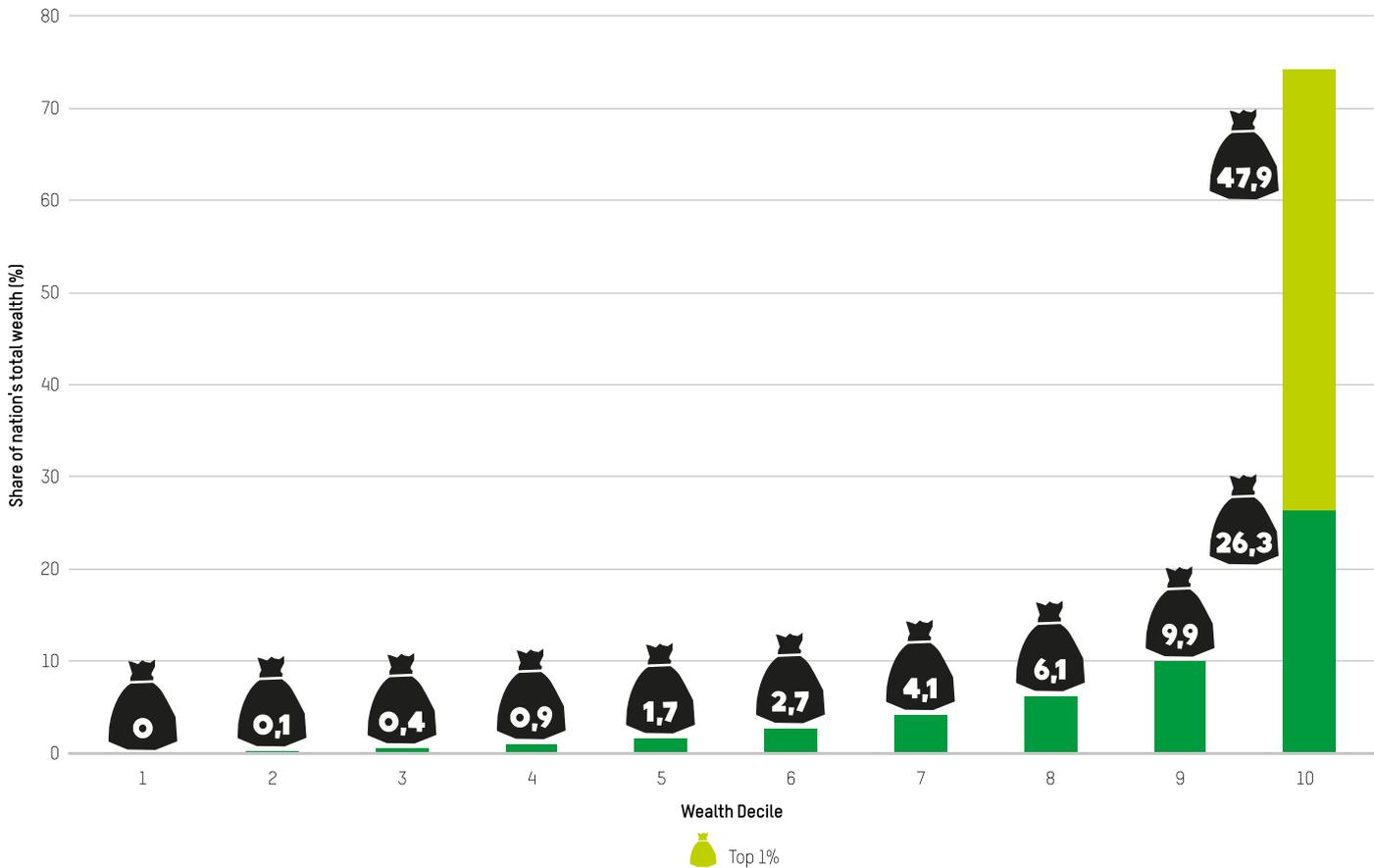
Today, six Brazilians own just as much as the poorest half of the population, over 100 million people⁷⁸. If they were to spend R\$ 1 million every day, those six billionaires together would take, in average, 36 years to exhaust their assets⁷⁹.

From 2000 to 2016, the number of Brazilian billionaires leapt from about ten to 31⁸⁰. Together, their joint assets are equivalent to US\$ 135 billion⁸¹ (R\$ 424,5 billion⁸²). Their fortunes are not all the fruit of their own labor, since 52% of them (16)⁸³ inherited their parents’ wealth. Of course, there is merit in working to maintain and expand a family legacy. Yet the figures expose our system’s inability to deconcentrate wealth, something that more progressive tax systems, as in members of the Organization for Economic Cooperation and Development (OECD), have helped achieve elsewhere.



// **GRAPH 6.**

Brazil – Distribution of wealth in Brazil, in deciles of wealth (%), 2016



Source: Credit Suisse 2016.

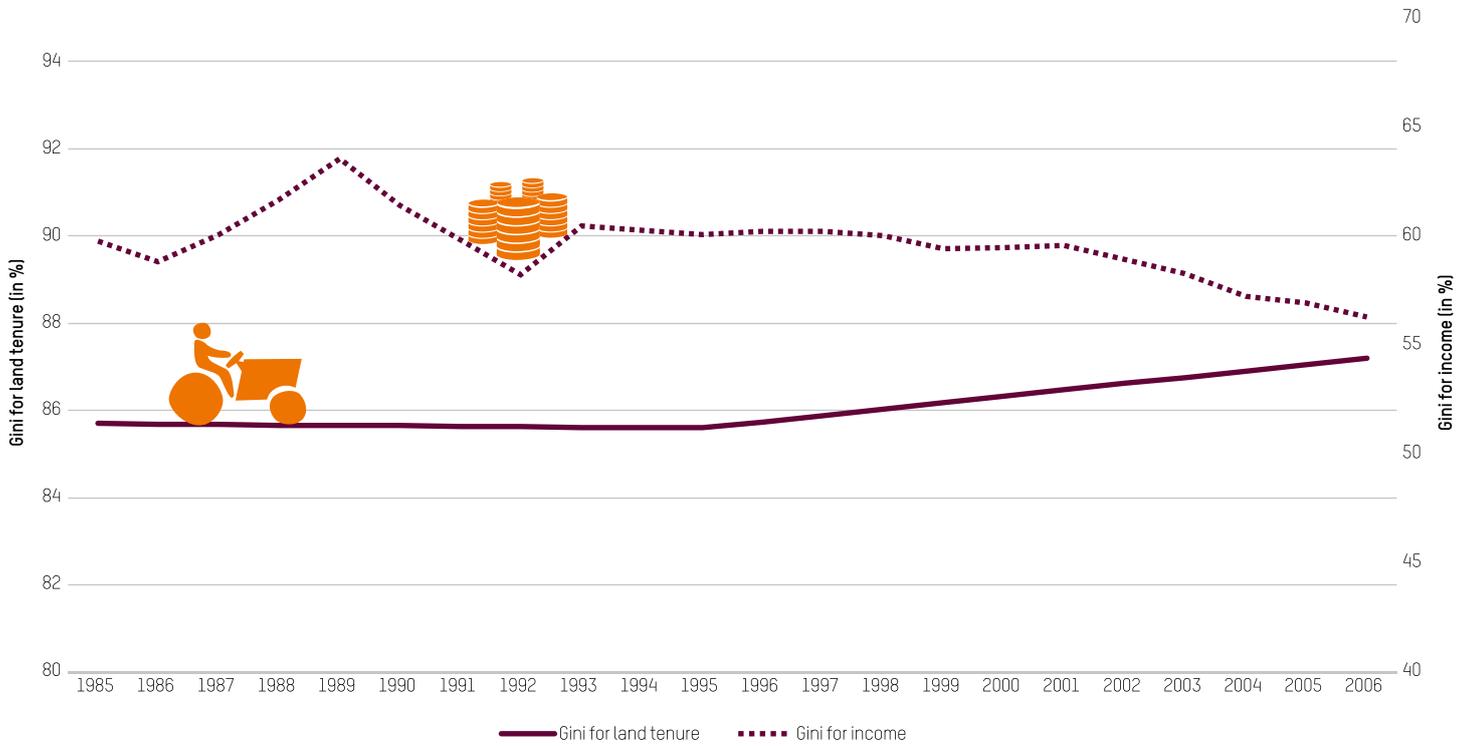
In Brazil, one cannot discuss wealth without focusing on “non-financial” assets. 68% of the population’s total wealth is made up of non-financial assets such as land, buildings and other goods⁸⁴. This share is not unlike that seen in other countries of Latin America and the Caribbean, where an average of 71% of assets are non-financial⁸⁵.

The unequal distribution of farm land in Brazil has also gotten worse over time. The Gini coefficient for land distribution in Brazil rose from 0.857 in 1985 to 0.872 in 2006⁸⁶ (when the most recent Agricultural Census was done). Today, large farms (>100 hectares) account for less than 15% of the total number, but cover half of all

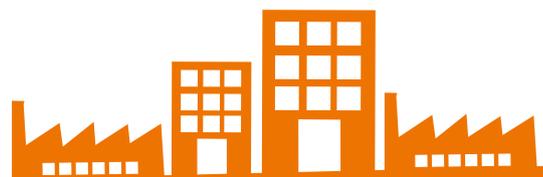
privately-owned farm land in Brazil⁸⁷. **Graph 7** makes clear the increase in concentration of land-holding from 1995-2006, which can be explained by the fall in the share of small farms.

According to recent estimates for 2016, small farms⁸⁸ (having less than 4 “fiscal modules,” an area that varies from one region to another⁸⁹) occupied 25% of private land. The other 75% is occupied by medium and large properties with more than 4 fiscal modules⁹⁰. In Brazil, there is no upper limit on the size of a land holding, and some ranches have over 150,000 hectares, the size of the city of São Paulo.

// GRAPH 7.
Brazil – Evolution of income and land tenure inequalities, 1985–2006



Sources: IBGE/Censos Agropecuários 1985, 1995 e 2006; Ipeadata 2014; UNDP 2017.



Urban real estate concentration follows the same pattern. In the municipality of São Paulo, 1% of owners (22,400 people) own 25% of all the city’s registered properties, which amounts to 45% of the value of all municipal real estate – R\$ 749 billion⁹¹. With these real estate holdings alone, their urban property is worth an average of R\$ 34 million per person, or about 600 times the national average for per capita assets⁹².



1.2.3. INEQUALITY IN THE SUPPLY OF ESSENTIAL SERVICES

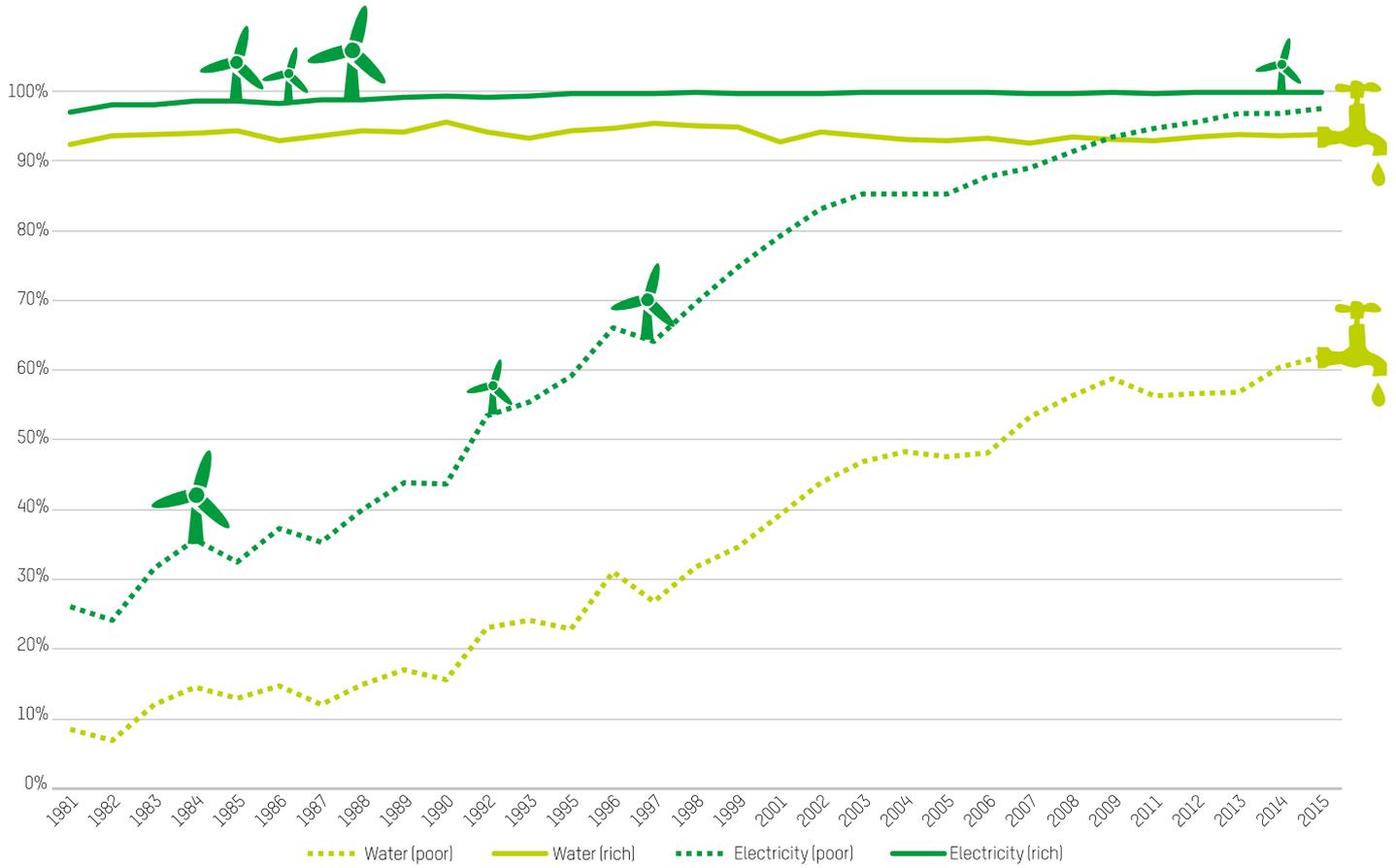
Inequalities in income and wealth come along with an unfair distribution of **essential services**. A family's living conditions, in addition to their income and wealth, depend on access to electricity, running water, sewage collection and other essential components of housing infrastructure. Their availability has a direct impact on a family's education, health and even their income, and is broadly related to other inequalities as well.

Brazil has greatly expanded these services in recent decades. Electric power, for example, has been universalized throughout the country, and running water is widely available⁹³. Yet the coverage of essential services correlates strongly with income, which makes access very unequal.

Data for 2015 show that, of the richest 5%, 94% have running water, while this share falls to 62% for the poorest 5%. Sewage collection is available for 80% of the richest 5%; but only to 25% of the poorest 5%. The major exception is electricity, which has expanded tremendously in recent decades, especially among the poorest, as we see in **Graph 8**.

// GRAPH 8.

Brazil – Access to essential services for the richest and the poorest 5%, 1981-2015



Source: ARRETCHÉ, M. 2015. – Centro de Estudos da Metr pole (CEM)



In addition to greater coverage of essential services in cities, urbanization made this expansion more feasible as it concentrated the population, lowering the cost of providing them. Brazil’s urbanization also “transported” regional inequalities into the municipalities, as we shall see in the next section.

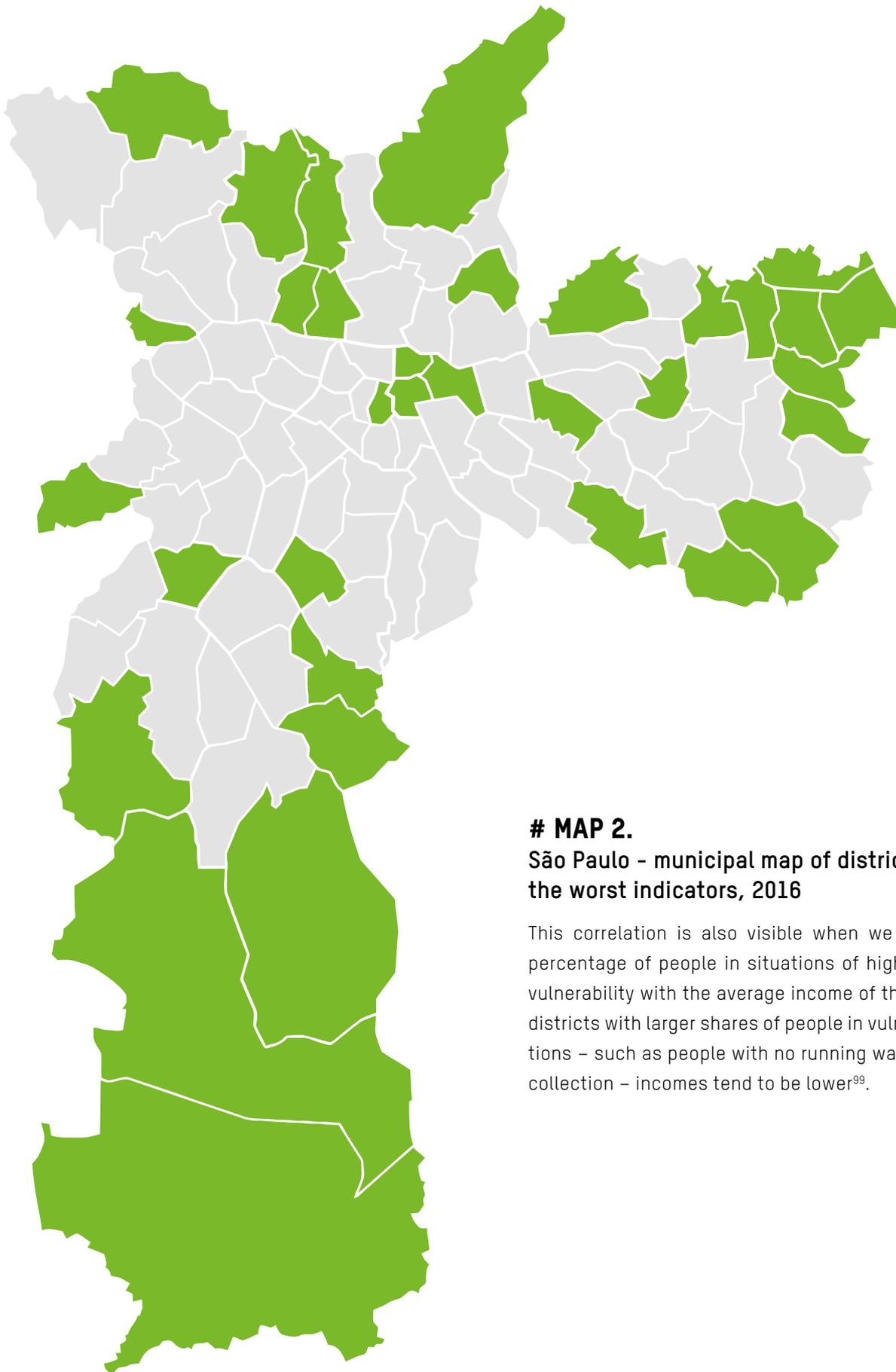


1.2.4. URBAN INEQUALITIES: THE CASE OF SÃO PAULO

Over the past 40 years, Brazil has undergone an intense expansion of its urban centers, with a reduction of its relative rural population. In 1970, 55% of Brazilians lived in cities, and 84% in 2010⁹⁴. Several urban centers took in a mass of rural migrants, mostly from the Northeast but also from the interior of Minas Gerais and other rural areas.

São Paulo, Brazil's largest city, now has 12 million inhabitants⁹⁵, i.e., 6% of Brazil's entire population in a single municipality⁹⁶. It is also a clear example of how accelerated urbanization has produced spatial inequalities inside municipalities.

According to the **Inequality Map** produced by the **Rede Nossa São Paulo** (a non-governmental organization that monitors policies in the city of São Paulo)⁹⁷, of the city's 96 districts, 34 are consistently in the "caboose" of indicators for health, education, housing and income. These are the districts with the city's lowest average incomes, and they are home to 4.7 million people⁹⁸, about 40% of the total municipal population.

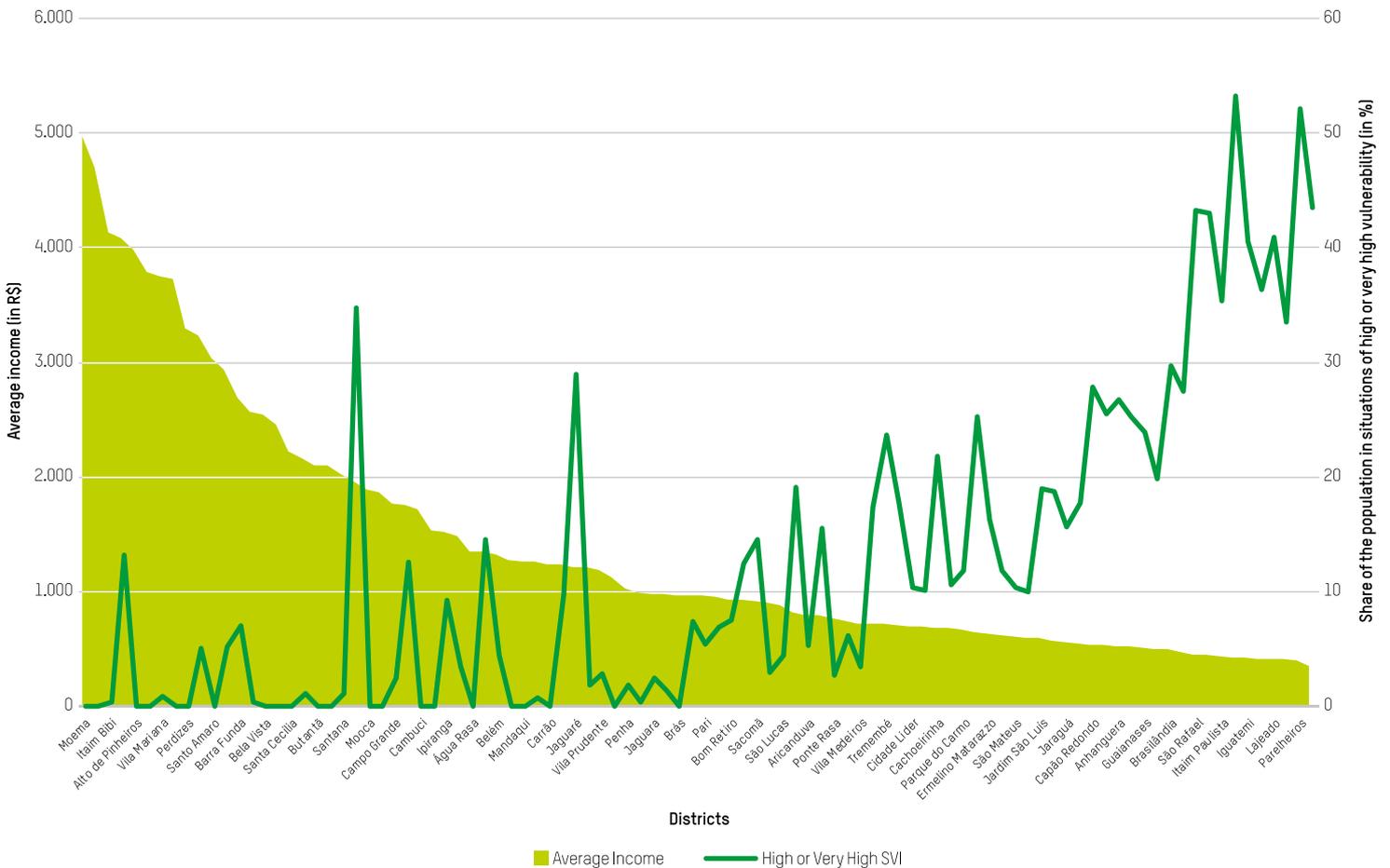


MAP 2.
São Paulo - municipal map of districts with the worst indicators, 2016

This correlation is also visible when we compare the percentage of people in situations of high or very high vulnerability with the average income of their district. In districts with larger shares of people in vulnerable situations – such as people with no running water or sewage collection – incomes tend to be lower⁹⁹.

// GRAPH 9.

São Paulo: Relation between income and social vulnerability in 96 districts, 2010



Source: Fundação Seade 2010

In the Marsilac district, which exemplifies the extreme inequalities found in a single municipality, 43% of the population lived in highly vulnerable situations and their per capita monthly income was R\$ 347¹⁰⁰, the lowest in São Paulo, according to 2010 census data. In Moema, where per capita monthly income was R\$ 4,967, the highest in São Paulo, there was no one at all in a highly vulnerable situation.

More recent data shows that, in Cidade Tiradentes district, a neighborhood on the outskirts of São Paulo, the average age of death is 54, which is 25 years less than in the district of Pinheiros, where it is 79. This figure summarizes how inequalities are manifest and always take a high toll on the bottom of Brazil's social pyramid.

**THE DIFFERENCE
OF THE
AVERAGE LIFE
EXPECTATION
AMONG SÃO
PAULO DISTRICTS
REACHES UP TO
25 YEARS.**

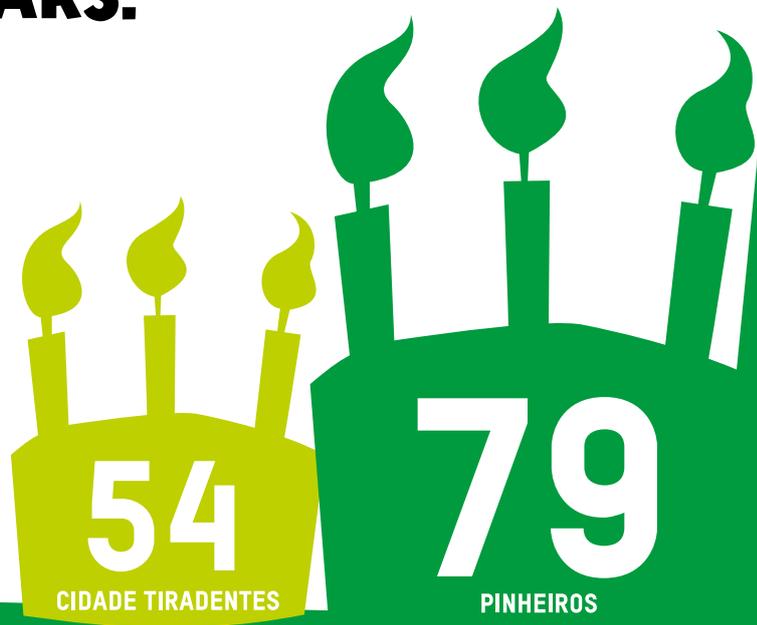


Photo: Apu Gomes // Oxfam Brasil



2. **ON AND OFF COURSE TOWARDS LESS INEQUALITY**

Social inequalities are not inevitable. Rather they have been caused by the action or inaction of governments and companies over history, to benefit a few, powerful individuals. Fighting them will also require long-lasting policies carried out by successive governments, as well as structural changes in the social distribution of income and wealth.

Many different factors have led to the extreme inequalities we see in Brazil. Our history of nearly four centuries of slavery and our long colonial past left deep divides between regions, poor and rich, blacks and whites, women and men. That distance was how we organized our society, our economy and our state, reducing their ability to redistribute. In other words, it is not only our economy that benefits the few, but also our state and our social organization that perpetuate inequalities.

Despite progress in recent decades, policies targeting poverty and inequalities are still frail. Most of the wealth Brazil produces is captured by a few, even during periods of full employment¹⁰¹. Since 2015, poverty has once again grown, after a nearly ten-year cycle of constant decline¹⁰². This situation can only get worse in the present context of radical reforms that abolish rights, along with extreme budget cuts approved with no public input.

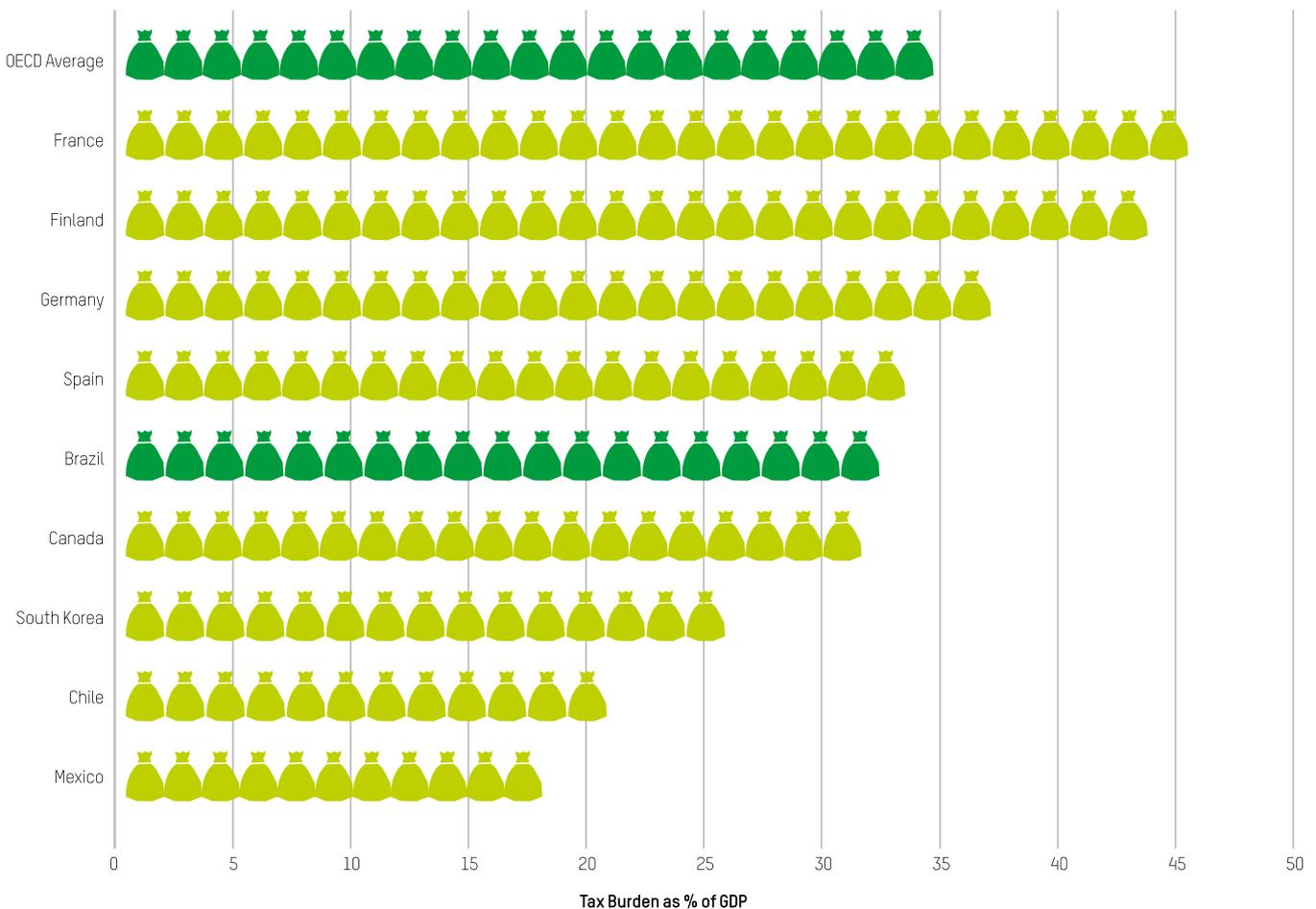
Overcoming inequalities depends on changing how the state collects and distributes revenue, how it cares for people and how it prepares tomorrow's citizens. In this section, we will discuss policies that distribute or concentrate income, wealth and services, and which keep us on or off a course towards less inequality.

// 2.1. A SUPER-RICH FRIENDLY TAX SYSTEM

Our tax system reinforces inequalities¹⁰³. The overall impact of taxation in Brazil is to intensify¹⁰⁴, or at least to maintain¹⁰⁵, income concentration. This situation has already been dealt with in most developed countries (where taxation does, in fact, distribute wealth) and is still a structural barrier to reducing inequalities in Brazil.

While our tax burden is about 33% of the GDP – on a par with members of the Organization for Economic Cooperation and Development (OECD)¹⁰⁶, as we see in **Graph 10** – it is poorly distributed, whereby the poorest and the middle class pay more taxes, proportionately, than do people with very high incomes.

// **GRAPH 10.**
Tax burden: Brazil versus OECD and Latin American countries, 2015



Source: OECD 2015¹⁰⁷

There are at least four reasons for that imbalance: no progressive impact on high-income tax brackets, poor distribution of the burden between direct and indirect taxes, low tax rates on property and tax avoidance and evasion.

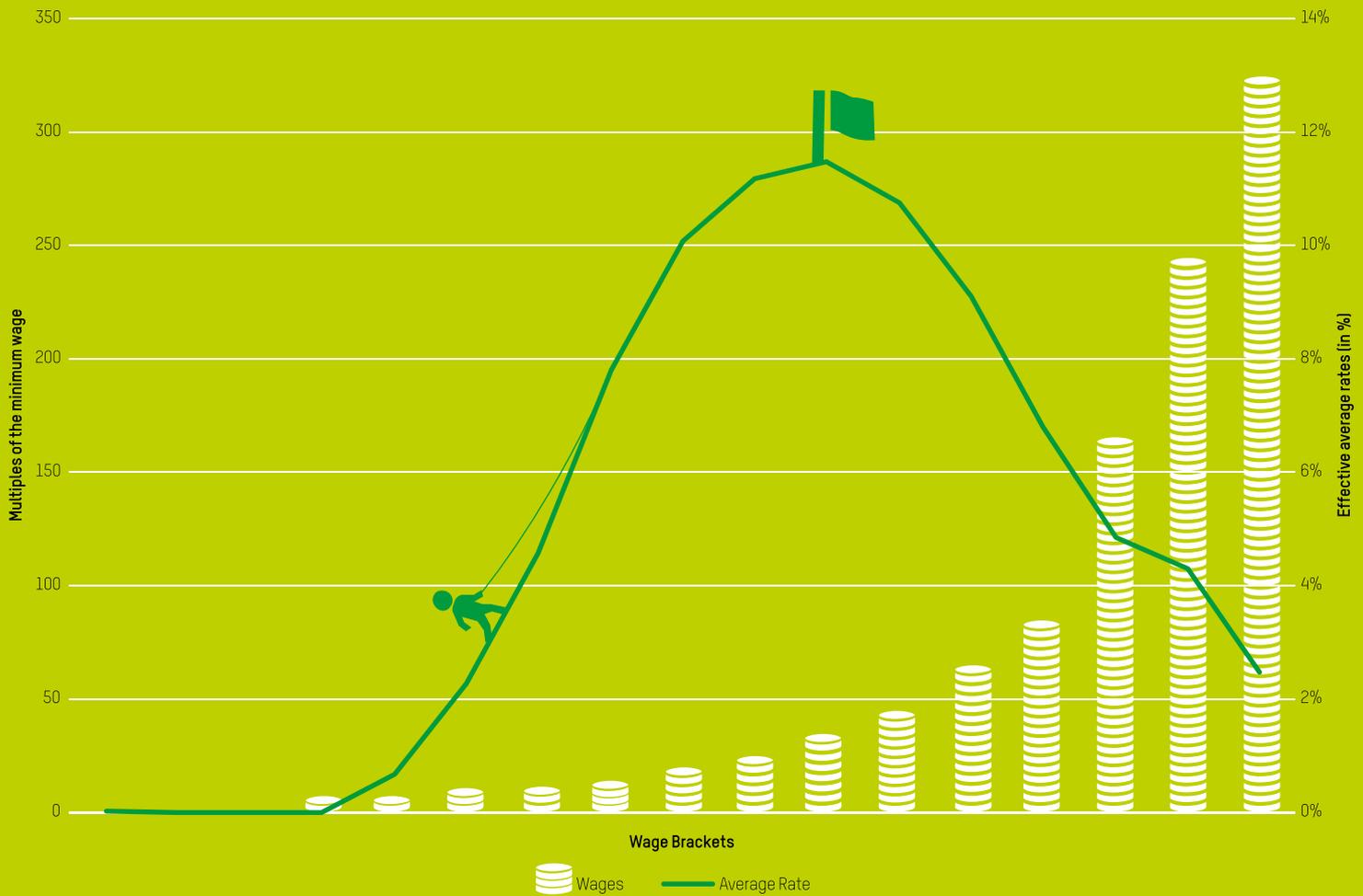
2.1.1. THE SUPER-RICH PAY LESS INCOME TAX

Fair income tax systems rest on a simple logic: those who have more pay more; those who have less pay less; those who have very little pay nothing. In Brazil's income tax system, that rationale does not apply to the top of the pyramid.

The effective tax rate (i.e. after discounts, deductions and exemptions) paid by people earning 320 times the minimum monthly wage (MW) is about the same as that paid by those who earn 5 times the minimum wage, and only a quarter of the rate paid by people earning from

14-40 times the minimum wage, as we see in **Graph 11**. Effective rates climb progressively up to the 20-40 MW income bracket and then drop dramatically, precisely for the country's richest income segment. That drop-off is caused by two distortions related to income tax: a tax exemption for income from profits and dividends and the ceiling rate on the Personal Income Tax (IRPF).

// GRAPH 11.
Brazil – Effective Income Tax rates for wage brackets, 2015



Source: SRF/Grandes números das DIRPF 2015

Profits and dividends are precisely the “wages” of the super-rich. Since 1966, company owners and stockholders no longer pay any taxes on the dividends they make from the distribution of their company’s profits. This exemption only exists in two countries among OECD and partners: Brazil and Estonia¹⁰⁸. It benefits precisely the richest people in the country, whose main source of revenue is profits and dividends.

Federal Revenue data from 2016 shows that people with monthly revenue higher than 80 times the minimum wage (R\$ 63,040¹⁰⁹) enjoy a 66% average tax exemption, and up to 70% for revenue above 320 times the monthly minimum wage¹¹⁰ (R\$ 252,160). On the other hand, the exemption for the middle class (considering the 3-20 MW bracket, R\$ 2,364 to R\$ 15,760) is 17%, and drops to 9% for people who earn 1-3 times the monthly minimum wage¹¹¹ (R\$ 788 to R\$ 2,364). In short, lower-income and middle-class wage earners pay proportionally much more income tax than do the super-rich.

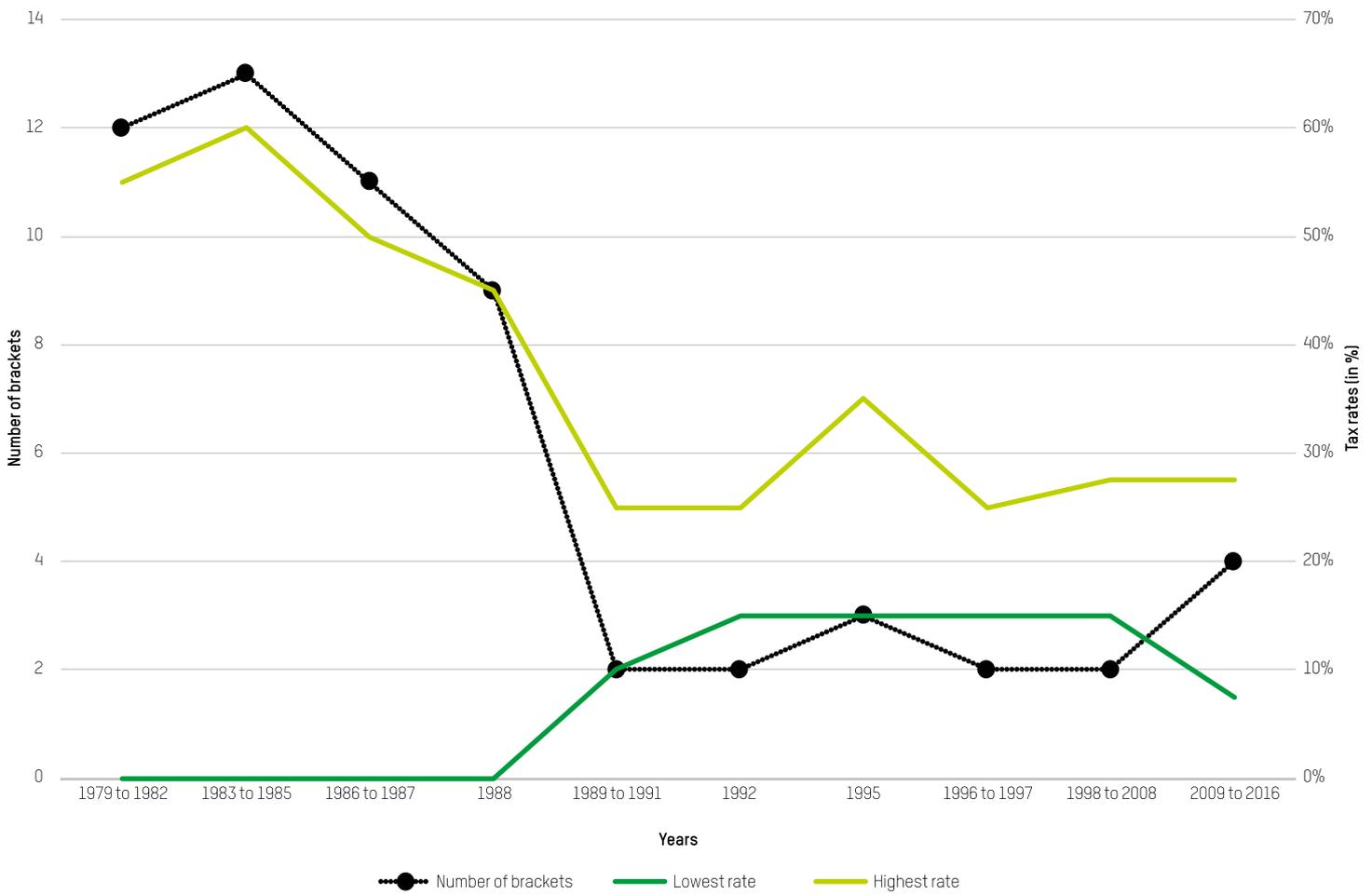
In addition to that exemption on profits and dividends, high wages in general are not heavily taxed. Today, there are four Personal Income Tax (IRPF) brackets, for which the rates rise along with the taxpayer’s income: 7.5%, 15%, 22.5% and 27.5%. **Graph 12** shows that Brazil once had as many as 13 different rates, and the super-rich paid more taxes.

The absence of higher rates for those who earn much more than the highest wage bracket (R\$ 4,664.68) makes the income tax less progressive. Considering the data for income brackets used in the SRF report, the tax rate is 27.5% for people who earn six times the monthly minimum wage and also for those who earn 320 times that figure¹¹². This regressiveness is all the worse considering that there has not been any adjustment in the rates associates to each nominal wage bracket over the last 20 years.¹¹³.

**ONLY TWO
AMONG OECD
AND PARTNER
COUNTRIES OFFER
FULL TAX EXEMPTION
ON DISTRIBUTION
OF DIVIDENDS:
BRAZIL AND
ESTONIA.**

// GRAPH 12.

Brazil – Number of brackets, lowest and highest rates, 1979-2016



Source: SRF 1979-2016

2.1.2. DISTRIBUTION OF THE BURDEN BETWEEN DIRECT AND INDIRECT TAXES

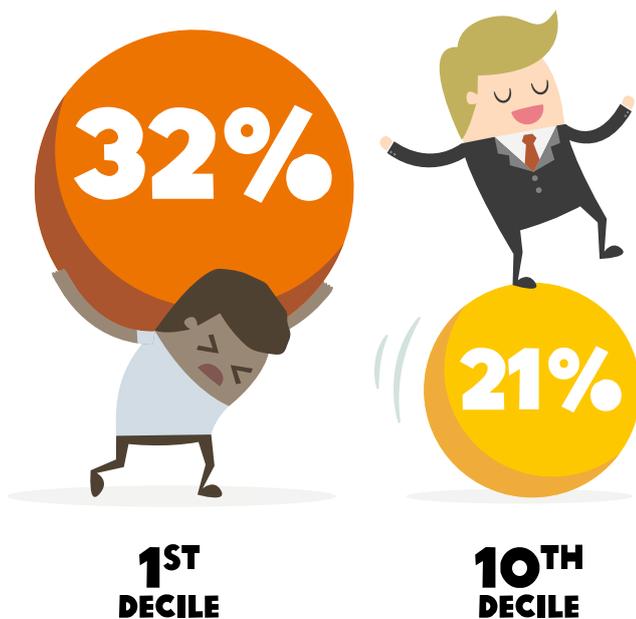
Tax injustice is also expressed in the share of direct taxes paid by individuals, such as income taxes (IRPF) and the Urban Building and Territorial Tax (IPTU), compared to those paid for products and services (like taxes levied on fuels or food products).

A little over half (53%) of Brazil's fiscal revenues come from taxes on consumption¹¹⁴, which are levied on items such as food, medicines, clothing, transportation, rent, etc. This weighs heavier on the poor, who spend most of their income on such items. Income taxes are fairer, but only account for 25% of total revenue¹¹⁵.

As a result, the tax burden takes a greater share of lower incomes. The poorest 10% of Brazilians spend 32% of their income on taxes (28% of which are indirect¹¹⁶, on products and services). Meanwhile, the richest 10% spend only 21% of their income on taxes, including 10% in indirect taxes¹¹⁷.

This difference penalizes blacks and women disproportionately, compared to white men, since three out every four Brazilians in the poorest decile¹¹⁸ – which pays most taxes – are black, and over half are women. Meanwhile, within the richest decile, which pays relatively fewer taxes, two out of three are whites, and men¹¹⁹.

In a fair income structure, taxation should help redistribute rather than concentrate income. In Brazil, the opposite is the case. Our tax system penalizes the poor and helps the rich accumulate more income and, thereby, wealth, another relatively tax-free territory.



Source: Inesc 2015

2.1.3. LOW TAXATION ON PROPERTY

Property taxes account for 4.5% of all tax revenues¹²⁰, compared to over 10% in OECD countries¹²¹ like the USA and Canada. In the UK, they account for 12.5%¹²². The inheritance tax, for example, contributes some 0.6% of total fiscal revenue, nation-wide, due to low rates which are often not even charged. In São Paulo, the inheritance tax rate is 4%. In the UK, 40%¹²³.

Moreover, several kinds of property are not even taxed. Owners of jets, helicopters, yachts and motorboats pay no tax at all for their property, while land vehicles must pay the Automobile Property Tax (IPVA)¹²⁴. Although stipulated by the 1988 Federal Constitution, the Tax on Large Fortunes (IGF) has never been implemented.

Although Brazil has 300 million hectares of productive farmland¹²⁵, 35% of the nation's entire territory, revenues from the Rural Territorial Tax (ITR) only bring in 0.06% of the Brazilian state's tax revenue¹²⁶. On the other hand, a large volume of subsidies is paid out to land owners, in an extremely concentrated fashion. Only 9% of farms receive 70% off all public funding earmarked for farm production¹²⁷.



2.1.4. TAX EVASION, AVOIDANCE AND EXEMPTIONS

Besides the lopsided aspects of the tax system, many taxes are simply not paid at all. This is due both to (legal) tax avoidance and to (illegal) tax evasion¹²⁸.

Brazil's mining industry, for example, makes legal use of methods to reduce companies' taxable income, thus reducing public revenues by as much as 23% of what they were supposed to pay¹²⁹. Studies by the National Union of Treasury Attorneys (SINPROFAZ) have found that Brazil could collect more taxes, without increasing tax rates, if it eliminated tax evasion. Their most conservative estimate for the value of evaded revenues is around R\$ 275 billion, for 2016¹³⁰.

The state also foregoes collecting a huge amount of revenue in order to provide economic incentives through tax cuts or, as they are officially called, tax expenditures. These exceptions, which have become the rule in recent years, cost R\$ 271 billion in 2016¹³¹.

**IN 2016,
BRAZIL GAVE
AWAY R\$ 271
BILLION IN TAX
EXEMPTIONS
TO COMPANIES.**

BRAZIL'S FOREGONE REVENUES

The 2014 fiscal crisis opened the way for debates on reducing the public debt that prioritized cut backs, including spending on social programs. Little attention, however, has gone to revising the country's tax system, to increase revenues by correcting features that are prejudicial to the middle class and the poor, but beneficial to the super-rich.

One such distortion is the tax exemption for profits and dividends, established in June 1995. This means that profits distributed to individuals were made exempt from the IRPF personal income tax, by eliminating the Withholding Tax on Income from distributed dividends. Another distortion is the IRPF exemption for overseas remittances of profits and dividends.

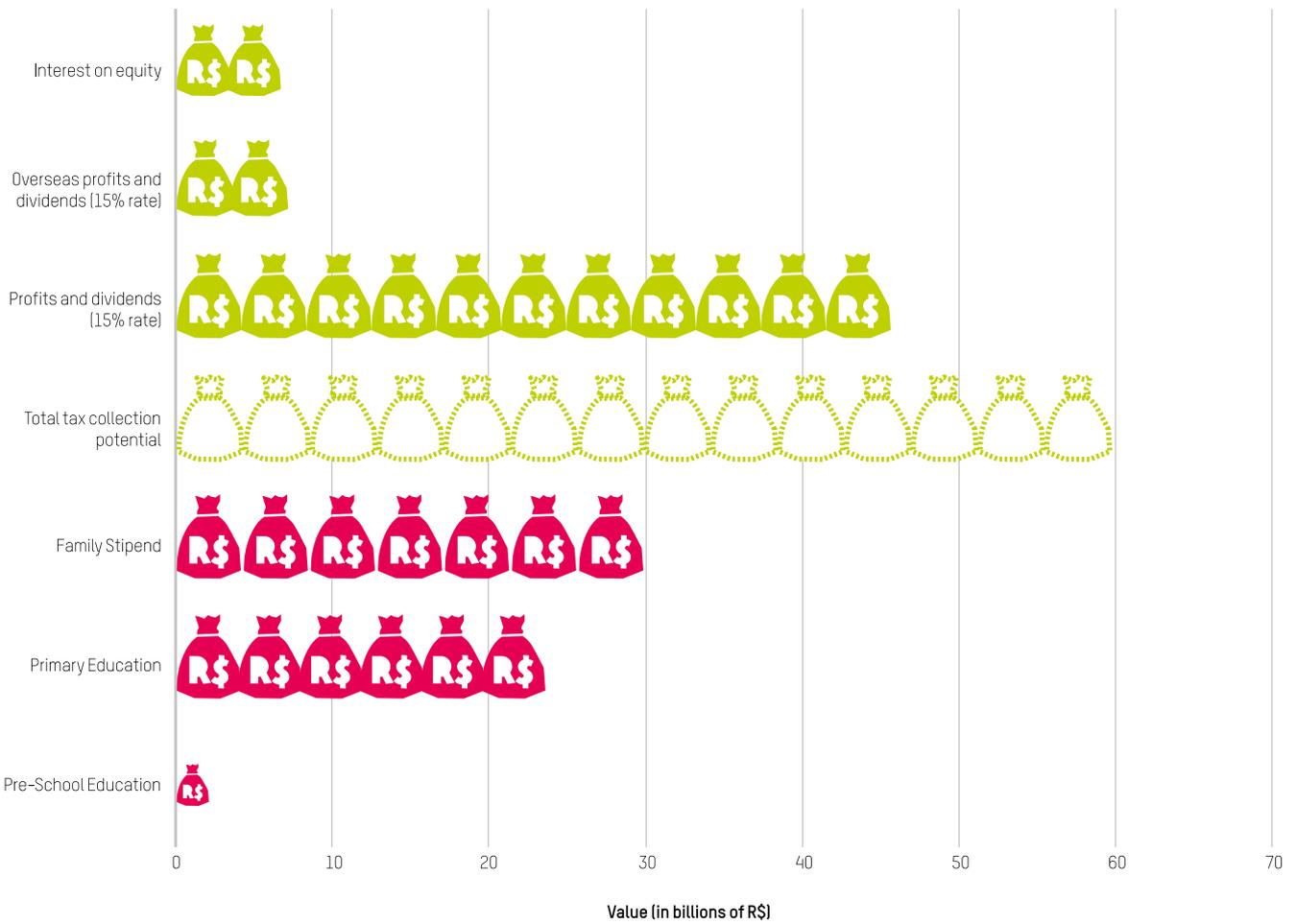
Another such problem is the institution of "interest on equity" since December 1995. This occurs when a company borrows funds from its shareholders or partners for normal activities, and pays them interest before paying its own Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL). This cuts the company's taxable income and thereby reduces tax collection through a technical accounting loophole. In practice, companies reduce the taxable base used to calculate the IRPJ and CSLL taxes they owe and create yet another channel to distribute profits and dividends.

The correction of such loopholes does not require a constitutional amendment and would increase potential federal revenue by an estimated R\$ 60 billion per year¹³², twice what the government spends on the Programa Bolsa Família (Family Stipend Program), three times the federal budget for primary education and 60 times more than what is spent today on pre-school education (**Graph 13**).

Adding up these loopholes, along with tax evasion and so-called "tributary expenses," Brazil forfeited revenues of R\$ 600 billion in 2016¹³³, almost four times the social security deficit calculated by the standing government¹³⁴.

// GRAPH 13.

Brazil – Tax collection potential from changes to the tax system, compared to 2017 federal budget allocations for Bolsa Família, Primary Education and Pre-School Education.



Sources: Central Bank of Brazil (Bacen) 2017, Getúlio Vargas Foundation (FGV) 2017, Federal Revenue Secretariat (SRF) 2017, SigaBrasil 2017

// 2.2. **THE WEIGHT OF SOCIAL SPENDING TO FIGHT INEQUALITIES**

Income inequalities are sensitive to social spending¹³⁵. Public investments have a direct impact on the incomes and lives of the very poor and have reduced inequalities in many countries¹³⁶. Brazil's Federal Constitution is coherent with this purpose, when its Article 6 defines social rights as: "Education, health, food, work, housing, transportation, leisure, public safety, social security, protection of motherhood and childhood, and assistance to the destitute."¹³⁷

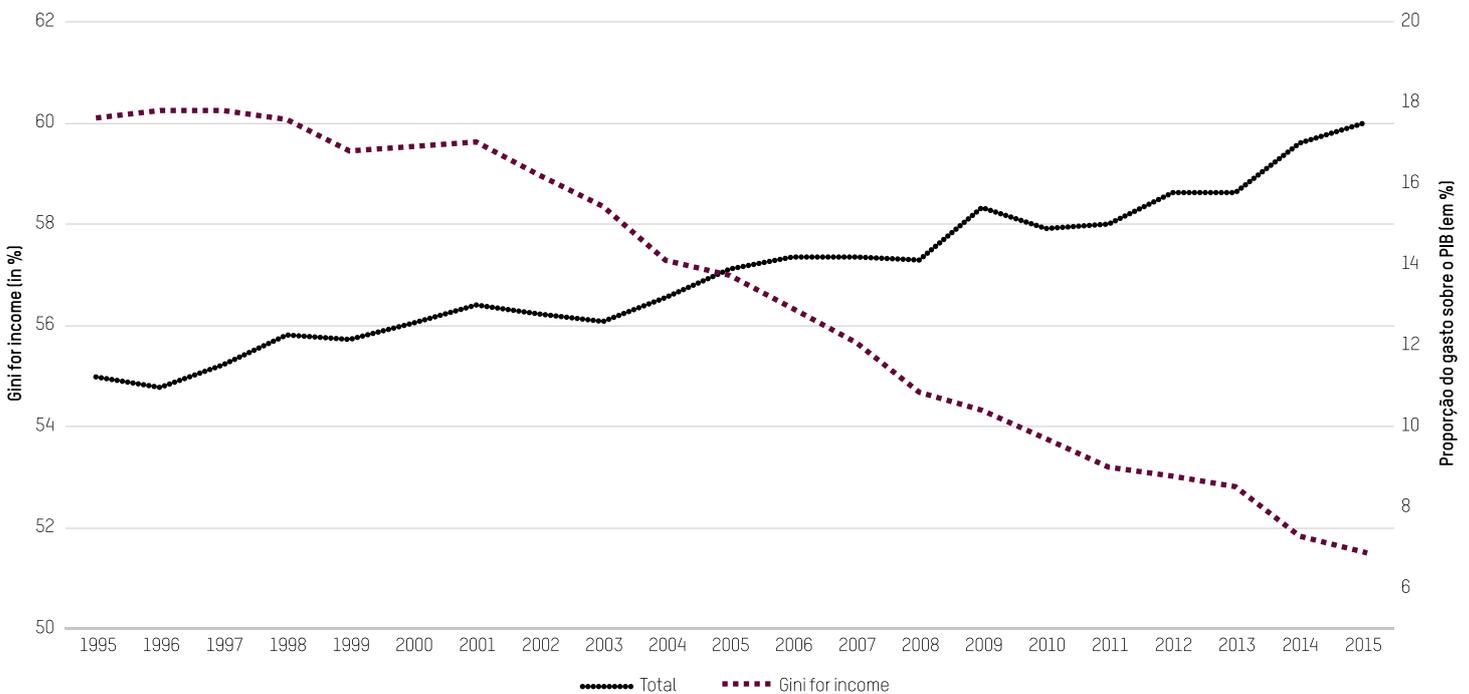
Social spending has indeed played a fundamental role in reducing inequalities in Brazil. First, it distributes resources directly, particularly through social welfare and social security distribution policies. It provides essential services and expands chances for social mobility, particularly through spending on public health and education. All those social expenses directly or indirectly increase the incomes of the poorest families and account for a major share of the drop in the Gini coefficient in the first decade of this century¹³⁸. These policies have been key to building a more just society.

2.2.1. THE GROWTH OF SOCIAL SPENDING IN RECENT DECADES

In 2015, considering the federal budget alone, Brazil disbursed 17.5% of its GDP (Graph 14) on social spending¹³⁹, and the percentage climbs to over 26% when we include States and municipalities as well¹⁴⁰. This is a relatively high share, compared to other developing countries.

That percentage has gradually grown, particularly in the past 15 years, for a real growth of over 170% since 1995¹⁴¹. Argentina, Colombia and Costa Rica are the only other Latin American countries spending that much on social programs¹⁴². Compared to the rest of the world, however, Brazil lags well behind developed countries like the US and Australia, and even farther behind benchmark countries like Sweden or Denmark¹⁴³.

// GRAPH 14. Brazil – Federal social spending and Gini for income, 1995–2015



Source: National Treasure (STN) 2016; IPEA/Ipeadata 2014; UNDP 2017.

2.2.2. SOCIAL SECURITY AND SOCIAL WELFARE

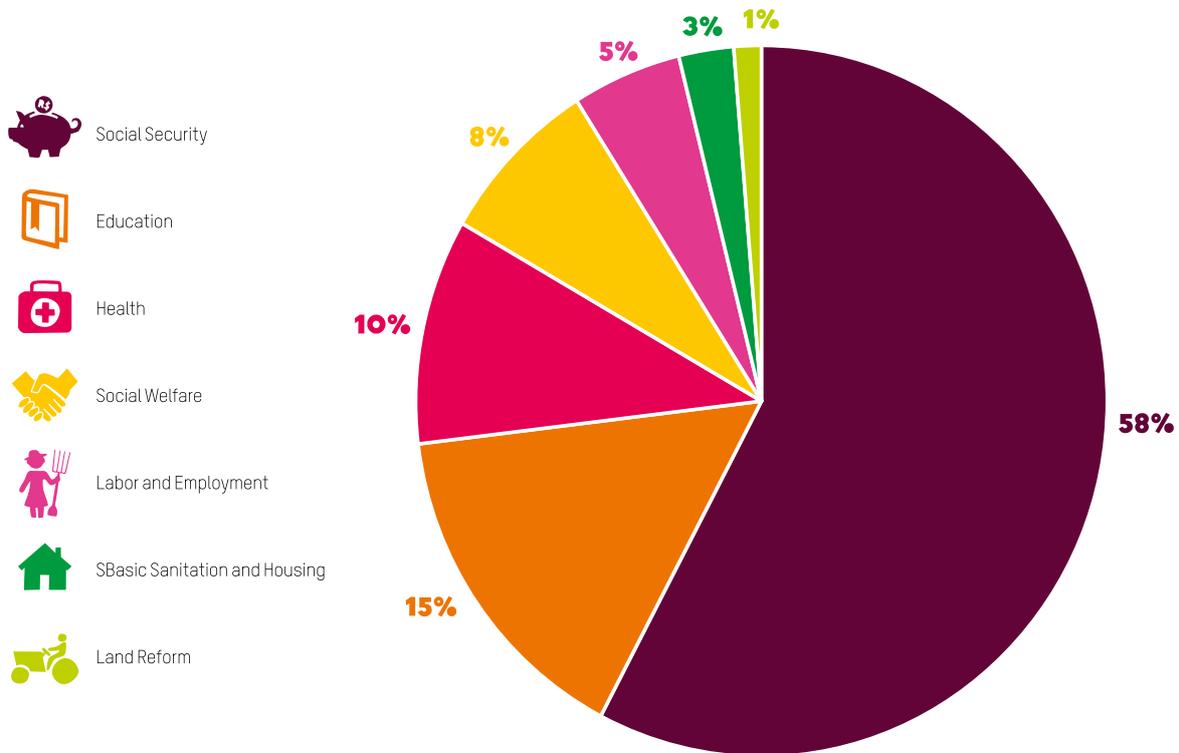
Social security and social welfare spending account for R\$ 6.60 out of each R\$ 10 spent on social policies. Of the total, 58% go to social security, 15% to education, 10% to health, 8% to social welfare (including the Programa Bolsa Família) and the rest is spread out to labor and employment policies, basic sanitation, housing, land reform and family-farming programs¹⁴⁴, as we see in **Graph 15**.

Social security’s share in total social spending has risen over recent years¹⁴⁵. Today, disbursements by the General Social Security Regime (RGPS), for clients of the Na-

tional Social Security Institute (INSS), and by the Proper Social Security Regime (RPPS), for public employees, add up to 9% of the Brazilian GDP.

It is estimated that social security increases family income¹⁴⁶. This is because the RGPS system is highly progressive and benefits the majority of urban and rural Brazilians. There are imbalances, however, in the RPPS system, which end up concentrating social security disbursements in a few hands, making its redistributive impact either negative¹⁴⁷ or, at the very best, limited¹⁴⁸.

// GRAPH 15.
Brazil – Line-item breakdown of social spending in 2015



Source: National Treasury (STN) 2016

Even so, social security spending has tended to become more progressive over the years¹⁴⁹, with a significant impact on reducing inequalities. Changes to this social policy must make it even more progressive and recognize its importance for family incomes and for the economy as a whole, with no regression in this sense.

Social welfare programs are highly progressive, but have been more effective against poverty than against inequalities. The Programa Bolsa Família (Family Stipend Program), for example, gained significance over the past 15 years, both in coverage and in its progressive impact, since 80% of the disbursements are paid to the poorest 40% of the population¹⁵⁰. It accounts for some 20% of the income of the country's poorest 10%¹⁵¹, and is thus vital for reducing poverty in Brazil.

It currently costs 0.5% of the GDP, very low compared to other programs. Since the benefits paid to each family are relatively low, however, it should not be viewed as a solution for the reduction of Brazil's income inequalities.

2.2.3. HEALTH AND EDUCATION

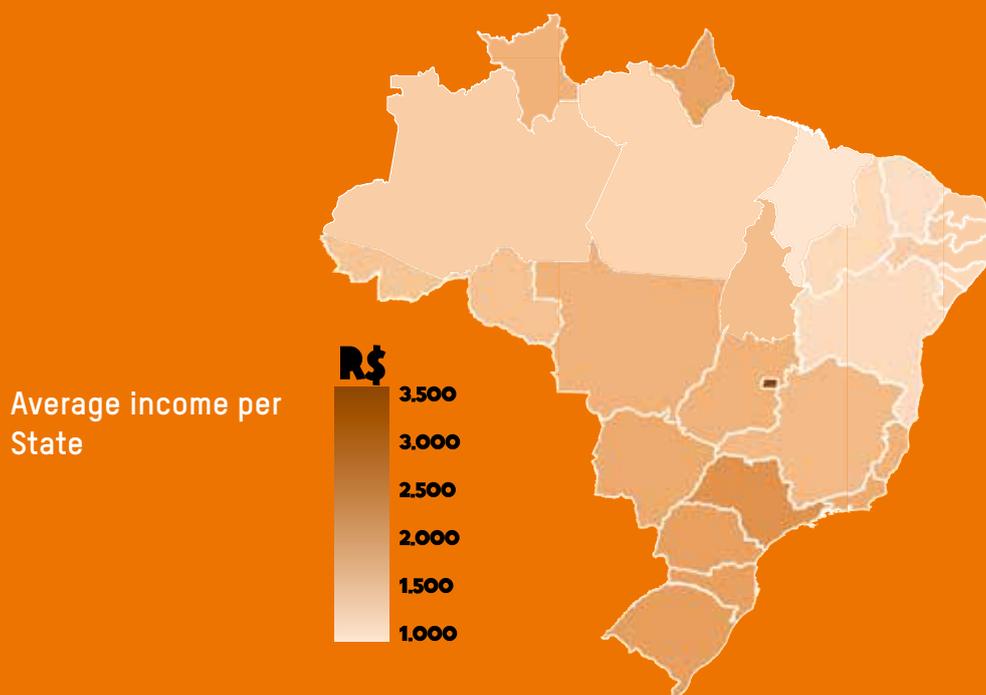
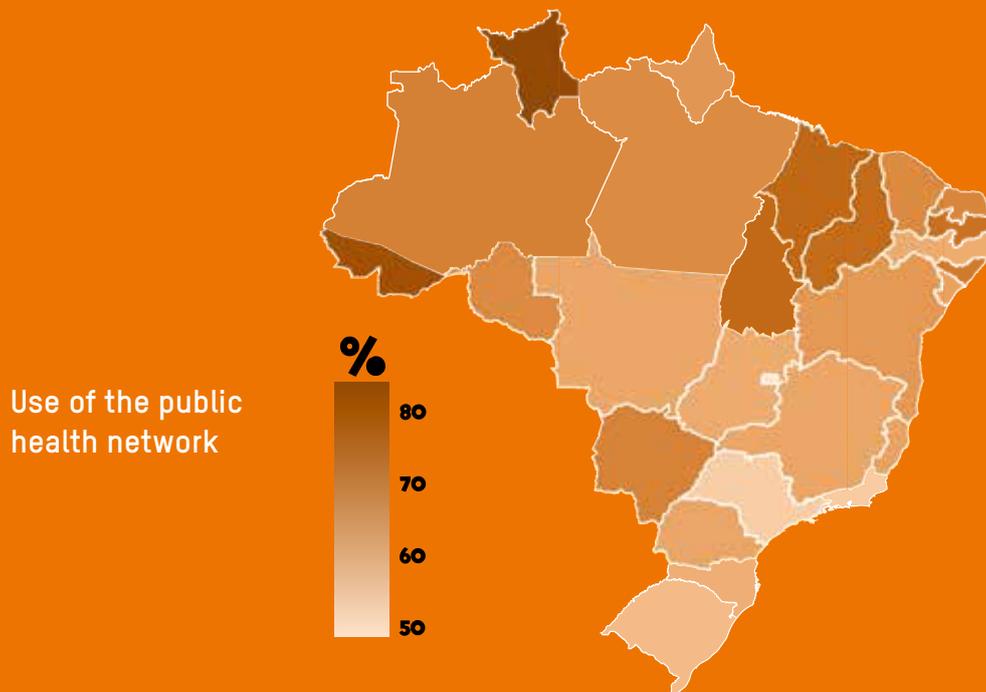
Federal spending on health is vital for reducing families' private expenses and is the only budget item to remain stable over time, at 1.6% of the GDP in 2015¹⁵². Adding in State and municipal public-sector spending on health, the total grew from 3.8% of GDP in 2000 to 5.1% in 2015¹⁵³. These disbursements have fundamental effects for lower-income Brazilians – although they are still not enough to provide universal health care for all – and they are distributed progressively through the whole society¹⁵⁴.

Map 3, on the relationship between States with lower average incomes and the use of public-health services in each state, shows that spending on public health has a significant impact on health care for low-income families. In the North and Northeast, for example, where incomes are particularly low, access to public health is higher. The Federal District (Brasília), on the other hand, has the country's highest average income and the least use of public health.



MAP 3.

Brazil – Maps with the coverage of public health and income distribution, by State, 2013-2015



Women and blacks make the greatest use of the public health system. Women make about 60% more visits than men¹⁵⁵ to hospitals, health clinics, vaccination posts and other public health services. That percentage is 84% in the Federal District. About 75% of people declaring themselves as black use public health services, compared to a 50% share of white people¹⁵⁶.

Regarding education, federal spending in this field grew as a percentage of the GDP, especially after 2000¹⁵⁷, up to 2.4% of GDP in 2015 (and 5.6% of all public-sector disbursements¹⁵⁸). The budgets for primary (“fundamental”) and secondary school (“middle”) education grew faster than the rest, increasing the number of class rooms and the progressiveness of public spending on education in Brazil¹⁵⁹.

On the other hand, average monthly public spending is higher for higher income brackets¹⁶⁰, limiting its ability to reduce inequalities. According to data from the Applied Economic Research Institute (IPEA), based on the latest Family Budget Survey (POF) done by the IBGE, the ratio between spending for the richest 20% and the poorest 40% was 2.8 in 2008, and has been close to 3 since 2000¹⁶¹.

In terms of inequalities, for every two steps forward we take with progressive investments in primary and secondary schooling, we take a step back with the regressiveness of investments in higher education¹⁶². This is because of higher rates of schooling for people with higher incomes, as well as lower access by low-income earners to public universities, a distortion that racial and social quotas have been helping to correct.

THE SPENDING CEILING AMENDMENT AND INCOME INEQUALITY

In December 2016, Constitutional Amendment 95/2016 was issued, creating a “New Fiscal Regime” that institutes what has been called a “spending ceiling.” The amendment freezes all federal spending for 20 years, with any increase limited to the previous year’s inflation.

That drastic and unprecedented measure limits the expansion of social spending for 20 years, making it impossible to implement the Plano Nacional de Educação (National Education Plan - PNE) or to expand the Sistema Único de Saúde (Unified Health System - SUS), social welfare programs or any other policies needed to fight poverty and inequalities in Brazil. This comes precisely at a time when Brazil’s population is growing and aging more, and in the middle of a serious economic crisis.

Social spending, when done with justice, redistributes income, wealth and essential services. Direct income transfer policies such as the BPC (for the elderly and disabled) and the Bolsa Família reduce poverty, while spending on public health and education reduce expenses for low-income families, relieve family budgets and reduce inequalities¹⁶³. Social spending also promotes economic growth, as it raises the buying power of low- and middle-income families¹⁶⁴.

Limits on social spending mean limits on the reduction of inequalities. Oxfam Brasil believes that the Spending Ceiling Amendment is one of the worst setbacks seen in Brazil since the new Constitution, and a major leap backwards in the guarantee of rights.

// 2.3. **EDUCATION: A TOUGH DOOR TO OPEN FOR BLACKS AND THE POOR**

Education is crucial for fighting inequalities¹⁶⁵. It is no coincidence that Brazil's historic progress in education came with a reduction in income inequalities, mainly by raising the incomes of the poorest¹⁶⁶. Yet there are still major disparities in education that generate and reinforce other inequalities.

Brazilians study an average of 7.8 years in schools, lower than other Latin American averages like Chile and Argentina (9.9 years), Costa Rica (8.7) or Mexico 8.6¹⁶⁷. It is even farther behind averages in developed countries like England (13.3), the U.S. (13.2) and France (11.6)¹⁶⁸.

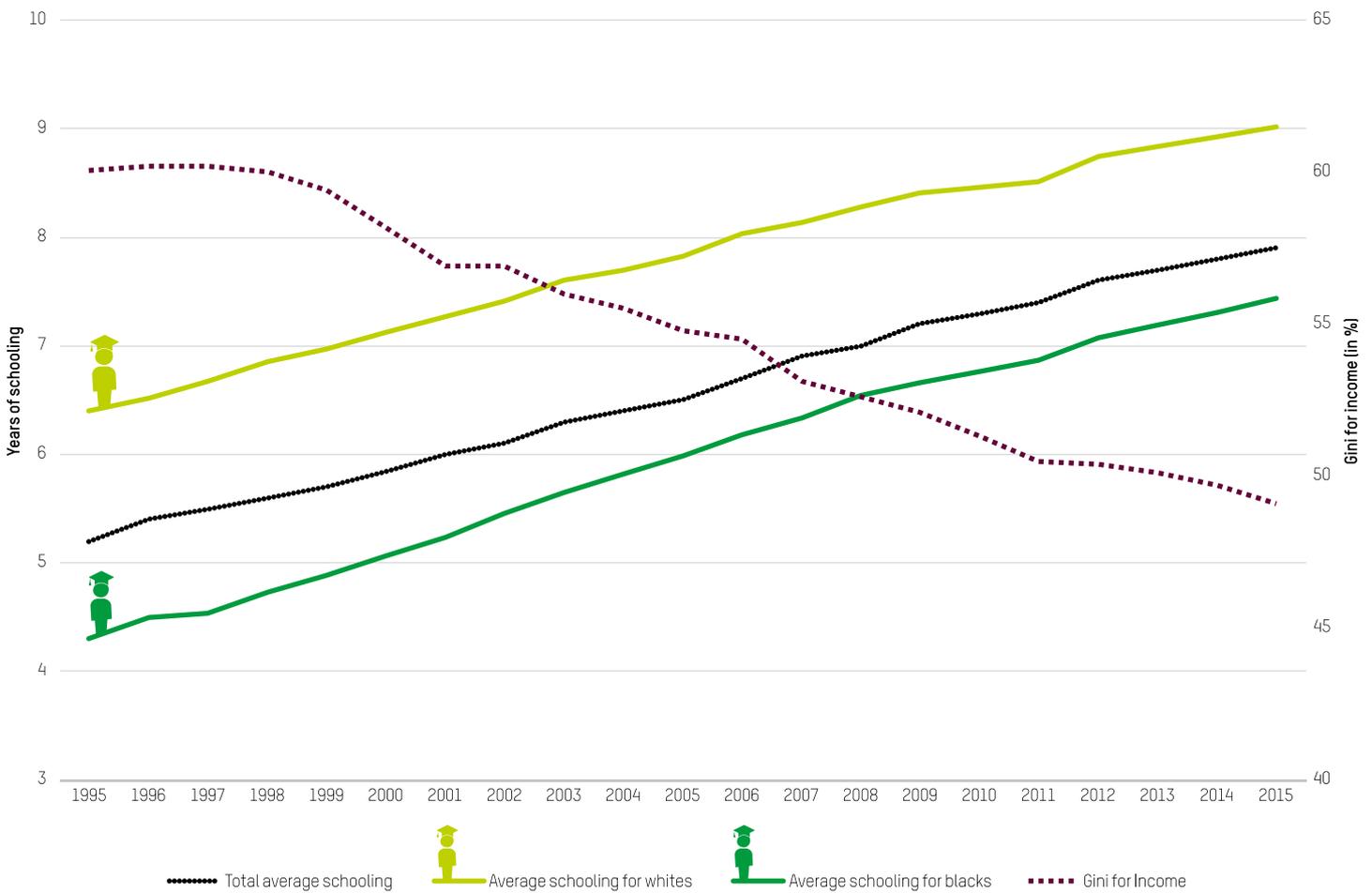
Overall, black and poor youth are the most affected by educational barriers. Problems such as the low number of years at school, dropout rates and difficult access to universities are more important for these groups who remain at the bottom of Brazil's income pyramid.

2.3.1. PRIMARY SCHOOL DROP-OUT RATES

Many students are still excluded from schools, especially from pre-school, the final years of primary school and secondary schools. According to the latest PNAD household survey, 75% of children under the age of 4 are not in daycare or schools. The primary school conclusion rate was 76%, but only 59% for secondary school¹⁶⁹. In other words, four out of every ten young people from 15 to 19 years old do not graduate from secondary school. Another side of this coin, the school dropout rate¹⁷⁰, is higher for secondary school (6.8%) and in the final four years of primary school (3.2%) than for the first five years of primary school (1%). These figures are not the same for blacks and whites, for the poor and the rich or for rural and urban residents.

Despite the rising overall average during recent decades, the distance between the schooling of blacks and of whites is shrinking very slowly. In 1995, whites on the average studied 6.7 years in school, while the average for blacks was 4.5¹⁷¹. Twenty years later, the average for whites is 9, and 7.4 for blacks¹⁷².

// GRAPH 16.
Brazil – Schooling and Gini for income, 1995-2015



Sources: IPEA/Ipeadata 2014; UNDP 2017, Ipea/Retratos da Desigualdade de Raça e Gênero 2017

At the end of 2016, 18% of the black population had no schooling at all, and only 12% of whites had no schooling¹⁷³. 37% of blacks had incomplete primary schooling, but only 32% of whites¹⁷⁴. For secondary schooling, 7% of blacks and 6% of whites had begun but not graduated from secondary school¹⁷⁵.

2.3.2. THE QUALITY OF EDUCATION

In addition to being included in schools, less inequality depends on students having higher quality teaching. Brazil is in 59th place in reading and 65th in mathematics for 70 countries evaluated by the OECD's Program for International Student Assessment (PISA)¹⁷⁶. Good teachers and quality teaching resources are distributed unequally in society.

In 2011, the probability of a white upper-class ("class A") student in the last (9th) year of primary school having teachers with university degrees was nearly 100%, but only 80% for poor (class "E") black students¹⁷⁷. For teachers in the 5th year of primary school, the probability was about 95% for upper-class white, and less than 30% for poor blacks¹⁷⁸.

In this context, students applying for public universities compete in extremely unequal conditions. Drop-out rates and the low quality of primary and secondary teaching affect those who belong to lower income brackets, especially blacks, and put them at a clear disadvantage in access to higher education.

2.3.3. LOW ACCESS TO HIGHER EDUCATION IS EVEN LOWER FOR BLACKS THAN WHITES

Only 34.6% of youth from 18-24 are enrolled in higher education and only 18% actually graduate¹⁷⁹. This is only half of the average rate for the OECD as a whole (36%). Compared to specific countries, it is much lower than developed countries like Japan and Australia (44%) and even lags behind developing countries like Turkey (31%) and China (22%)¹⁸⁰.

The racial factor also reveals stark inequalities in access to higher education in Brazil. In 2010, only a quarter of graduates in Brazil were black¹⁸¹. Moreover, university courses for high-income professions are the fiefdom of whites. The chances of a black student getting a diploma in engineering are half those of a white student, and a fifth in dentistry¹⁸².



// 2.4. RACIAL AND GENDER DISCRIMINATION

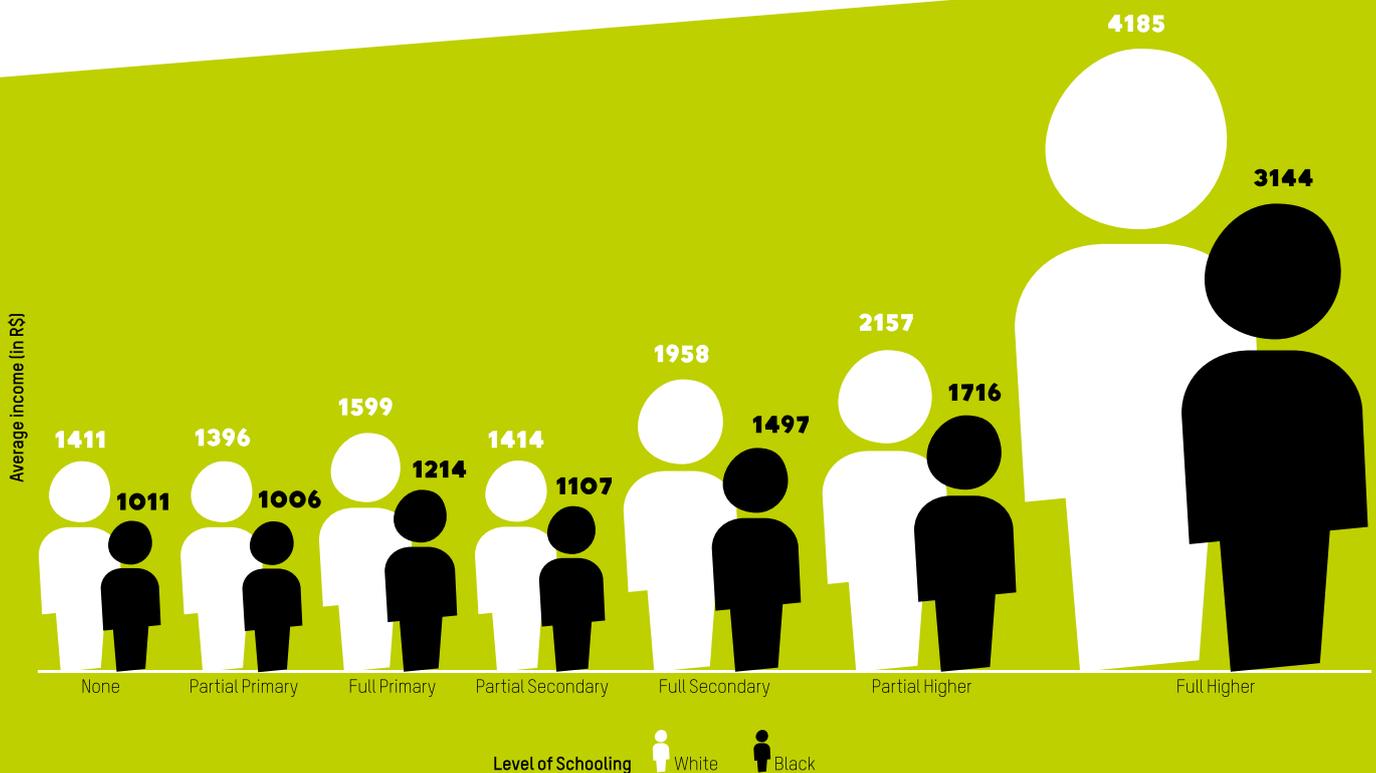
Recent decades have seen a reduction in the difference in relative incomes for people with distinct levels of schooling, the so-called “wage premium.” The difference in wages between people having completed primary school and those who had not was 17% in 2010 (compared to 33% in 1980), and the wage premium for those with secondary school degrees compared to the rest was 37% in 2010 (60% in 1980¹⁸³). This progressive leveling out of wages comes from the greater number of Brazilians in school and has a beneficial impact on reducing inequalities¹⁸⁴.

The wage premium for higher education had a relative increase in the past 40 years¹⁸⁵, but has been falling somewhat in the past 15¹⁸⁶. Today, those with higher educa-

tion degrees earn 2.5 times more than those with only secondary school diplomas, a much greater difference than the average for the OECD as a whole, at 1.6¹⁸⁷. That difference intensifies income inequality among Brazilians, and even more so for women and blacks, who have historically earned less, whatever their level of schooling.

Blacks with more schooling do not earn as much as whites (Graph 17). For blacks with secondary school diplomas, the average monthly income is R\$ 1,497, only 76% of the average for whites (R\$ 1,958)¹⁸⁸ with the same level of schooling. Blacks with degrees in higher education earn only 75% as much as whites with university diplomas: R\$ 3,144 and R\$ 4,185 on the average, respectively¹⁸⁹.

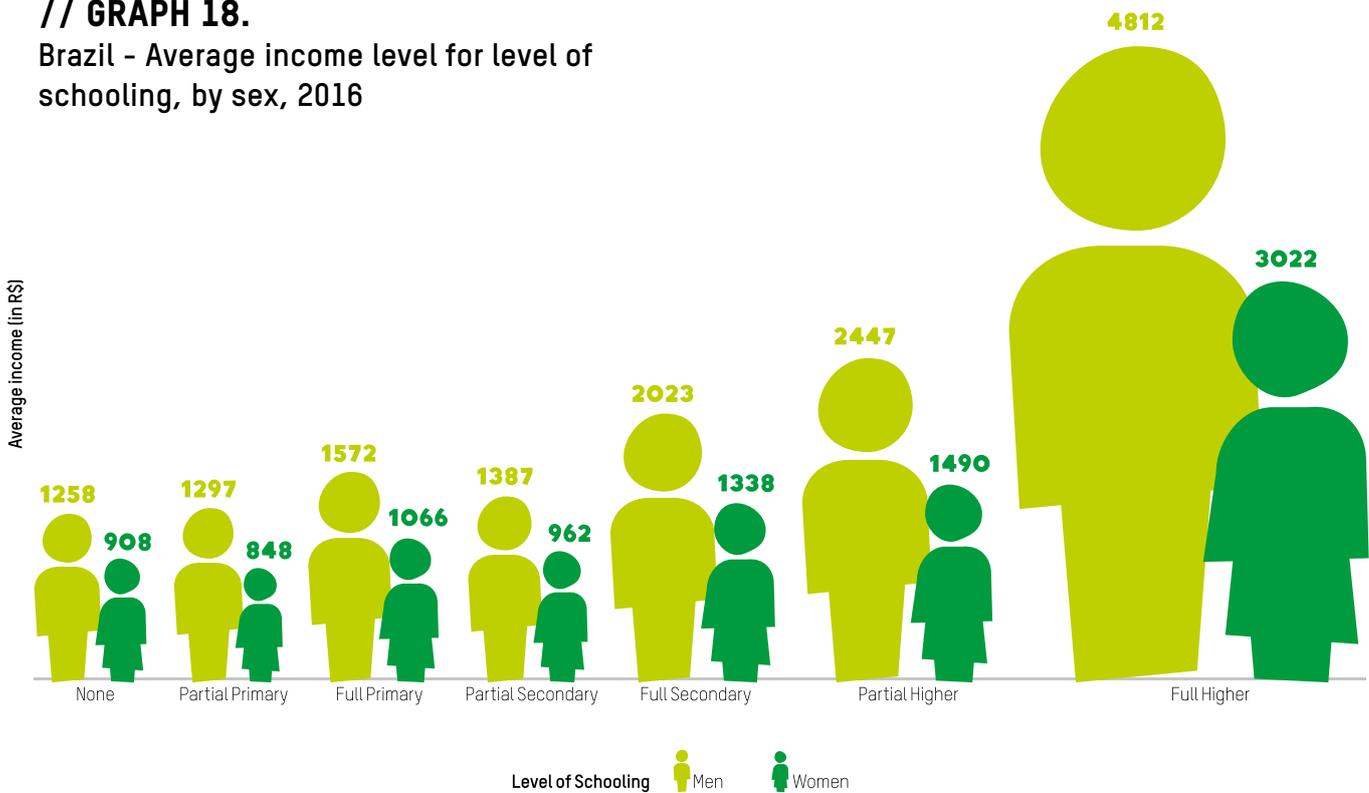
// GRAPH 17.
Brazil – Average income level for level of schooling, by race, 2016



Source: IBGE/Ongoing PNAD (4th quarter, 2016)

Although women on the average have more years of schooling than men (8.4 vs 8, respectively), schooling-level wage differences between the two are even more striking (Graph 18). Women with partial secondary schooling, on the average, earn R\$ 1,338 per month, or 66% as much as men with the same schooling (R\$ 2,023¹⁹⁰). Women with university degrees, meanwhile, earn R\$ 3,022 on the average, only 63% of the income for men with the same degrees (R\$ 4,812¹⁹¹).

// GRAPH 18.
Brazil - Average income level for level of schooling, by sex, 2016



¹⁹⁰Source: IBGE/Ongoing PNAD (4th quarter, 2016)

Discrimination against blacks and women is not limited to their schooling, but also affects their professions¹⁹². Blacks and women are concentrated in lower-paying professions and tend to earn less than whites and men, even in those careers.

A black physician, on the average, earns 88% as much as a white physician¹⁹³. In the case of less well-paid professions with a large share of blacks, like religion services, they still earn only 83% as much as whites with the same schooling and profession¹⁹⁴.

The differences for women, once again, are even more striking. Female physicians earn, on the average, 64% as much as male physicians, and women economists make 61% of what their male colleagues earn, on the average¹⁹⁵. Even in professions with lower pay and a high percentage of female professionals, such as literature bachelor, women on the average earn 80% as much as men¹⁹⁶.



// 2.5. THE LABOR MARKET AND ITS WEIGHT IN INCOME DISTRIBUTION

There is much evidence pointing to the labor market as the main factor for recent reductions in income inequality in Brazil¹⁹⁷. A sharp decline in unemployment, along with the increasing formalization of labor and the real rise in the minimum wage substantially increased income for the base of the pyramid¹⁹⁸. This lifted a broad social grouping out of poverty or near poverty to better living conditions¹⁹⁹ (although still far from the upper middle class at the “bottom” of the richest 10%).

2.5.1. RISING INCOME, FALLING EMPLOYMENT AND FORMALIZATION

In the 1990s, except for a notable peak immediately after the 1994 Plano Real (monetary reform), real per capita income continued its downward evolution. At the same time, unemployment rates continued to rise and the improvement of the Gini coefficient stagnated, as we see in **Graph 19**.

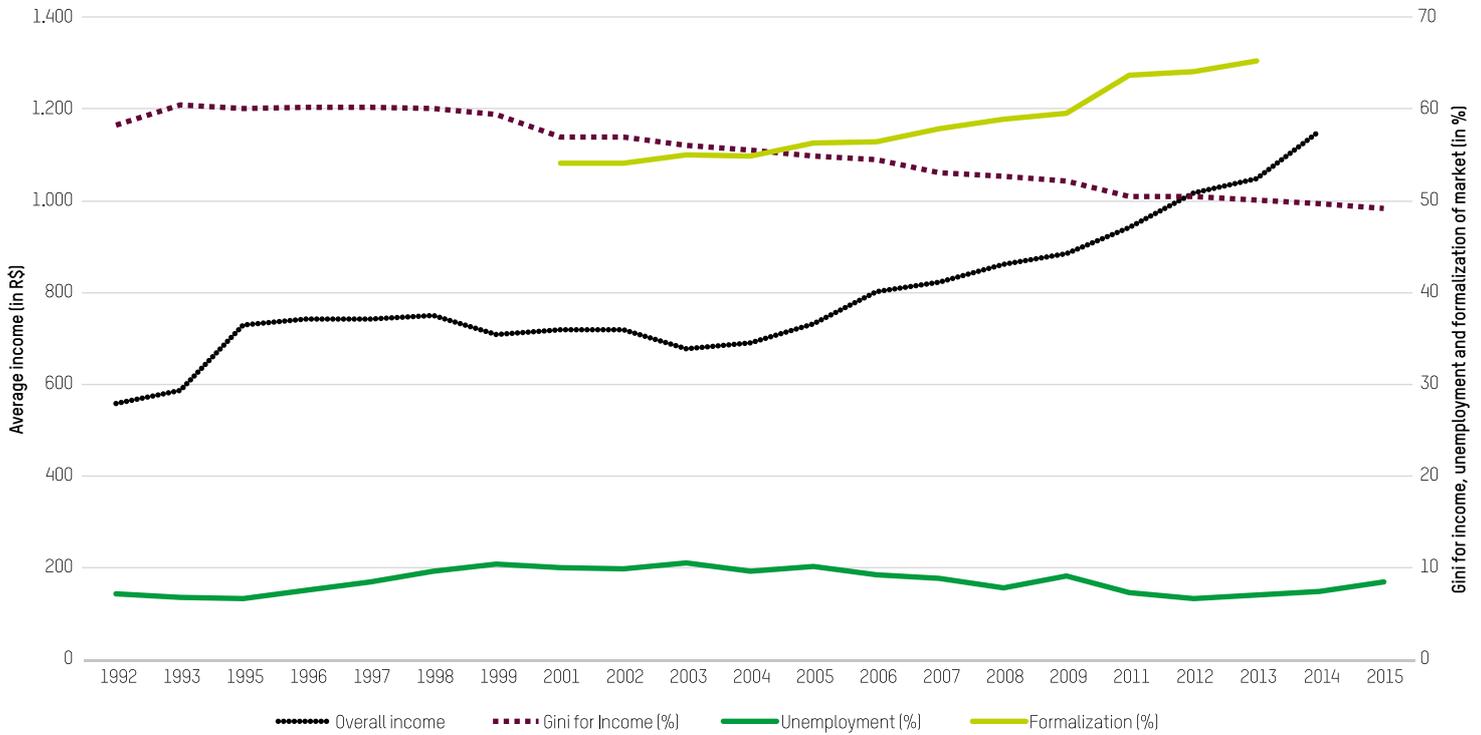
That changed at the turn of the century, with a substantial rise in income and a continuous fall in unemployment, along with an expansion of formal labor relations. Formalization means higher average income, since employees with working papers tend to earn more than those without as well as gaining access to benefits limited to the formal labor market (paid vacation, Christmas bonus, retirement plan, pension, time off for illness, etc.). In 2015, when formal workers earned R\$ 2,195 per month, on the average, informal workers earned about half that, R\$ 1,174²⁰⁰.

One tacit aspect of the gains portrayed by **Graph 19**, with roots back into the past two decades, is the growing inclusion of women in the labor market. From 1991 to 2010, the share of women seeking employment grew from 35% to 53%²⁰¹. Only 17% were looking for work in 1960, meaning that this is a relatively recent, and still incomplete, historical trend.

Most of the other 47% of the women, those not included in the Economically Active Population (EAP), share a specific profile. They are working-age women, their average schooling is higher than that of inactive men, they have children and they are married²⁰². These are features of a deeply patriarchal society, which burdens women with most of the (unpaid) reproductive labor. Herein lies one of Brazil’s greatest barriers to a severe reduction in gender inequalities.

// **GRAPH 19.**

Brazil – Average income, Gini for income, unemployment and formalization of labor relations, 1992-2015



Sources: Ipea/Ipeadata 2014, UNDP 2017.

Note: Time-series data for income is indexed to the month of October 2014.

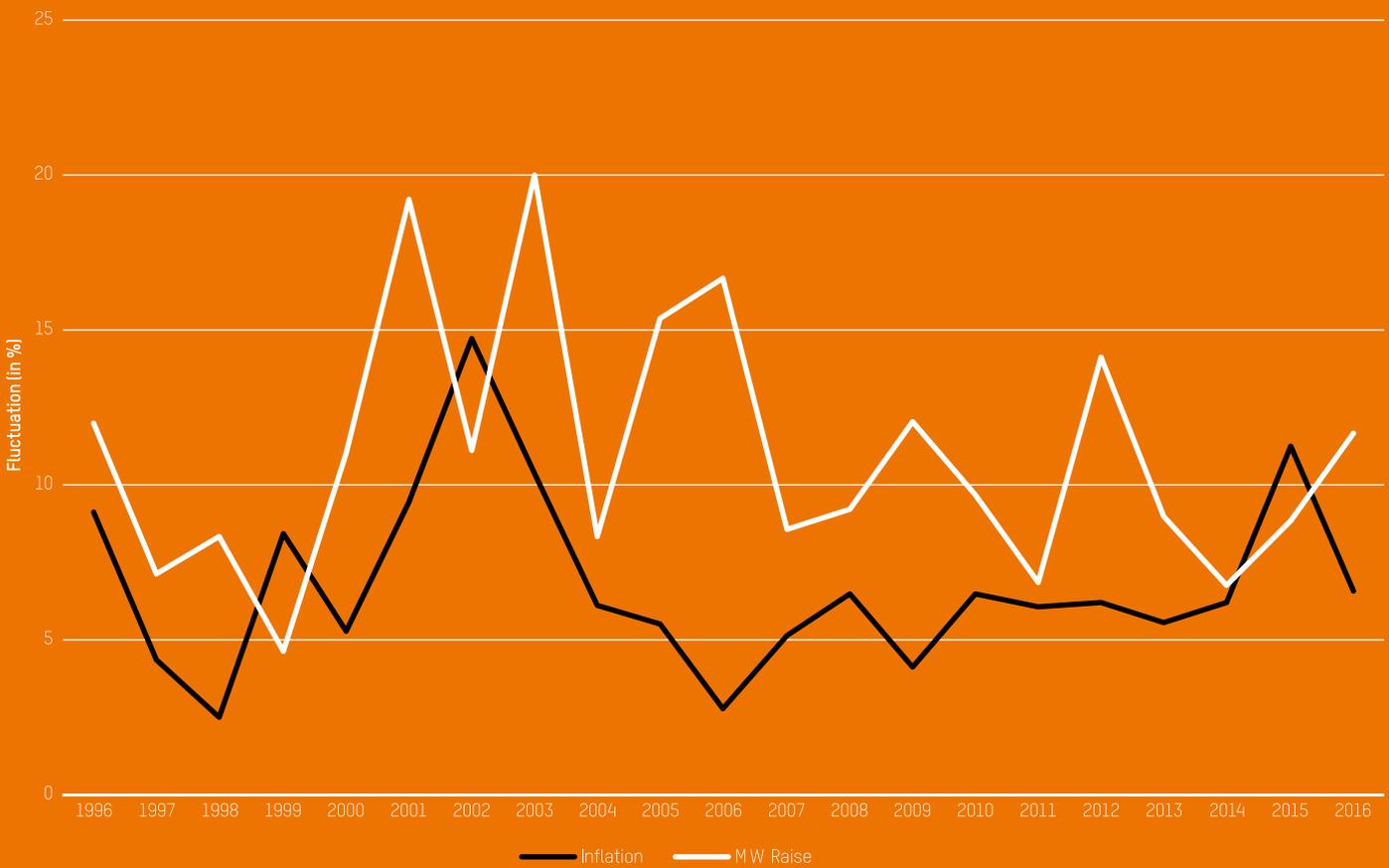
2.5.2. MINIMUM WAGE

Most of the gains in income come from a policy that increased the real value of the minimum wage by nearly 80% from 2002-2016. According to the UNDP, Brazil’s wage policies had twice the impact of income-transfer programs in reducing inequalities²⁰³.

We see in **Graph 20** the disconnection between the minimum wage and inflation rates, except for 2002, when inflation spiked due to the Presidential election campaign. This disconnection had not happened in the 1990s. Keeping inflation under control from 1995-2013 was the key to real gains and, thereby, to the reduction of inequalities. The 2014-15 fiscal crisis has now closed the curtain on that phase.

// GRAPH 20.

Brazil – Yearly fluctuation of inflation vs. raises in the minimum wage, 1996-2016



Source: IBGE 2017

// 2.6. **DEMOCRACY AND INEQUALITIES**

Only a healthy democratic system can reduce inequalities. During Brazil's military dictatorship, until the first general elections including the direct election of the President in 1989, the individual adults' Gini coefficient for income varies, but was always near 0.750²⁰⁴. Since then, it began to move down, to 0.620 in 2013²⁰⁵. The possibility of choosing one's representatives does not alone explain this historical trend, but the absence of democracy is no doubt a barrier to reducing inequalities.

Voting has been universal since 1985 for all citizens over the age of 16 and this situation has held over the past several decades²⁰⁶. There are no significant inequalities for the operation of elections in the country. The pathway from the vote to making the public policies expected by the voters, however, has almost insurmountable barriers involving private interference in public affairs and the use of public office for private interests. Unless those barriers are removed, there can be no reduction of inequalities in Brazil, as the country's current situation illustrates through various facets.

2.6.1. CORRUPTION

In 2016, Brazil ranked 79 among the 176 countries on Transparency International's Corruption Perceptions Index, alongside Belarus, China and India²⁰⁷. Most of the Brazilian population perceives corruption as the country's greatest problem, worse than issues that were long at the top, such as health and violence²⁰⁸. Corruption is a systemic problem with impacts on the public budget and, even worse, on people's very belief in democratic institutions.

Estimates by the Federal Court of Accounts (TCU) have identified from R\$ 100 billion to R\$ 300 billion in funds embezzled from public works since the 1970s²⁰⁹, three times what the federal government spent on education

in 2016²¹⁰. Other areas of public spending also suffer from this kind of appropriation of funds including, for example, school meal contracts, procurement of public health supplies, favors for companies and organizations linked to politicians, as well as many other procedures.

2.6.2. UNDUE INFLUENCE

In addition to illegal interference, there are several legal ways to influence public policy making. Campaign contributions, shadow lobbying and “revolving doors” (by naming people from private enterprise to public agencies that regulate their activities) are a few of the most frequent of these methods.

Campaign contributions have grown enormously in Brazil since 2002. Transparency Brazil, using data gathered from official reports filed by candidates to the Higher Electoral Court (TSE), found that the 2014 general election campaigns cost R\$ 4.8 billion, over three times more than in 2002, when the total cost was around R\$ 1.5 billion²¹¹. Until 2014, companies could make contributions to these campaigns, a situation that swayed elected officials to favor their funders²¹².

Between elections, the work by lobbying groups to promote or block public policies has still not been regulated in Brazil, although there are 17 bills under discussion in Congress²¹³. The number of lobbyists has only grown since the end of the dictatorship in the 1980s²¹⁴, along with the ongoing practice of revolving doors, in all areas of government.

2.6.3. GENTRIFICATION OF POLITICS

A final key problem that limits our democracy’s ability to reduce inequality is the distance that separates politicians in general from Brazilian society at large.

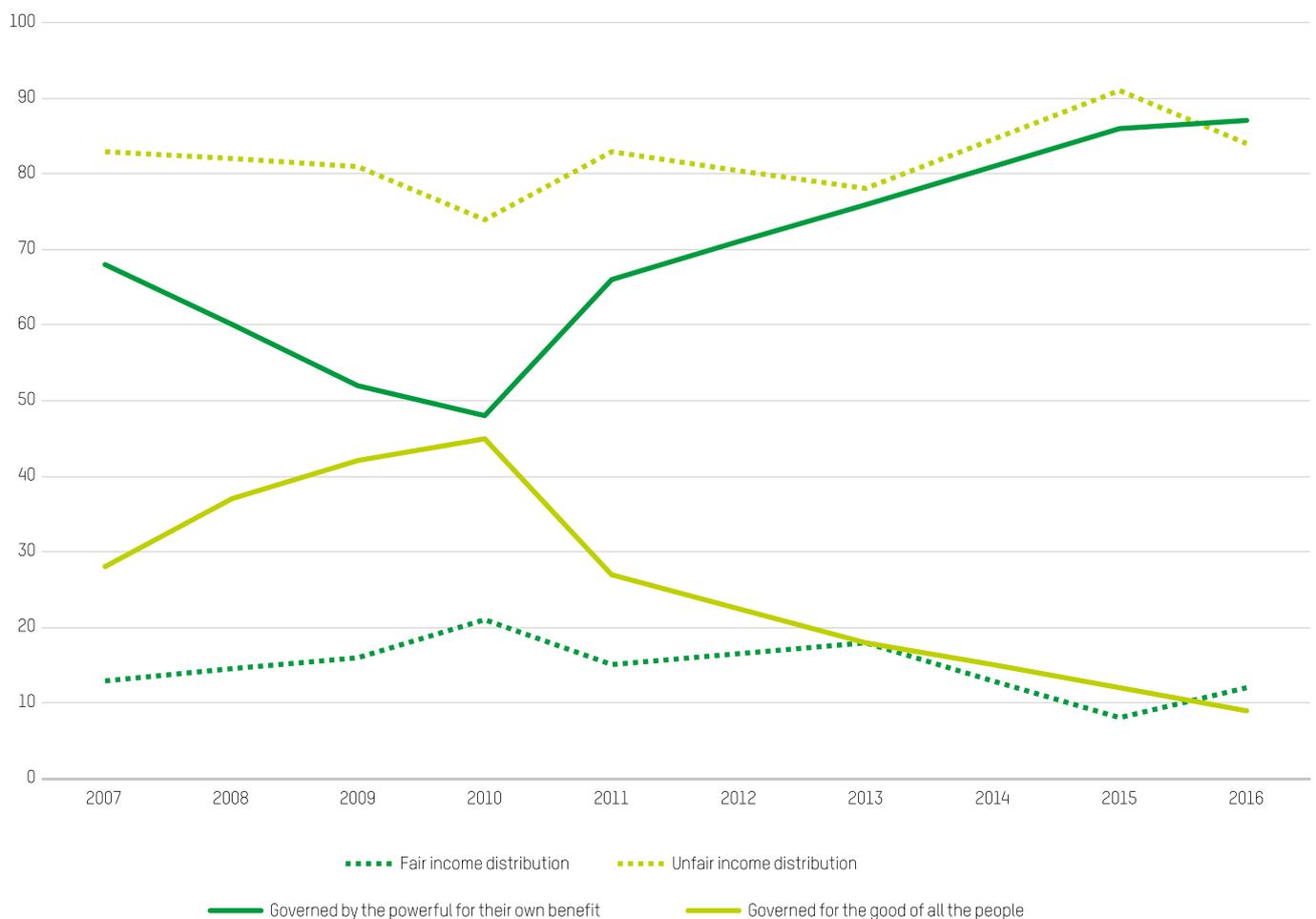
In 2014, Brazil elected the richest federal Congress in the past 15 years. Nearly half of the members of the lower house, the Chamber of Deputies, own more than R\$ 1 million in assets, some 17 times more than the average Brazilians’ per capita property holdings.

The political system also has huge imbalances in terms of race, sex and ethnic background. The majority of the members of the National Congress (nearly 80%) are white, in a country with a majority of blacks. Only 10% of the members of the Chamber of Deputies and of the Senate are women, although they are also a majority of the population²¹⁵. There is not one indigenous representative in Congress, although their population is nearly 1 million, nationwide²¹⁶.

These factors all have a direct impact on public policy making and on the state’s ability to distribute income, wealth and services. Unequal access to the democratic system reinforces inequalities and poverty and takes a toll on people’s belief in the state and in democracy itself.

With ups and downs, over the past ten years Brazilians’ perception of income distribution has not changed, as some 80% believe that income is unfairly distributed. This is so, despite progress in schooling and in the distribution of income and of essential services, at least until 2014. Meanwhile, there was a major increase (until 2010) and then a major drop (until 2016) in the number of people who believe their country is governed for the good of the people (see **Graph 21**). In 2016, 87% of Brazilians believed the country was ruled by the powerful for their own benefit²¹⁷.

// GRAPH 21.
Brazilians' perceptions on income distribution and on how they are governed, 2007-2016



Source: Latinobarómetro 2017

Such tendencies have led people to question the democratic system itself, and this is very dangerous. Today, nearly 80% of the people do not feel represented by Congress or by the Government²¹⁸, and at least a third of the population conceives the possibility of a non-democratic government²¹⁹.



3. **AN AGENDA FOR A BRAZIL WITHOUT INEQUALITIES**

Brazil is a country with extreme inequalities. As we have seen throughout this report, income, wealth and essential services are unequally distributed in society. Overall, people with lower incomes also own fewer assets and have more precarious access to public services. They pay a larger share of their income in taxes, require more social spending, suffer most from discrimination and are more exposed to the fluctuations of the labor market. Finally, the vast majority of Brazilian men and women are far removed from policy decision-making processes that could drastically reduce inequalities and assure their rights.

After a long cycle of inclusion into the social pyramid, which began in the mid-1990s and stalled in 2015, we are once again witnessing the return of poverty and higher inequalities in Brazil. In response, along with our ongoing defense of necessary and demonstrably successful social-inclusion policies, we must promote structural changes that will play a decisive role in assuring people's rights.

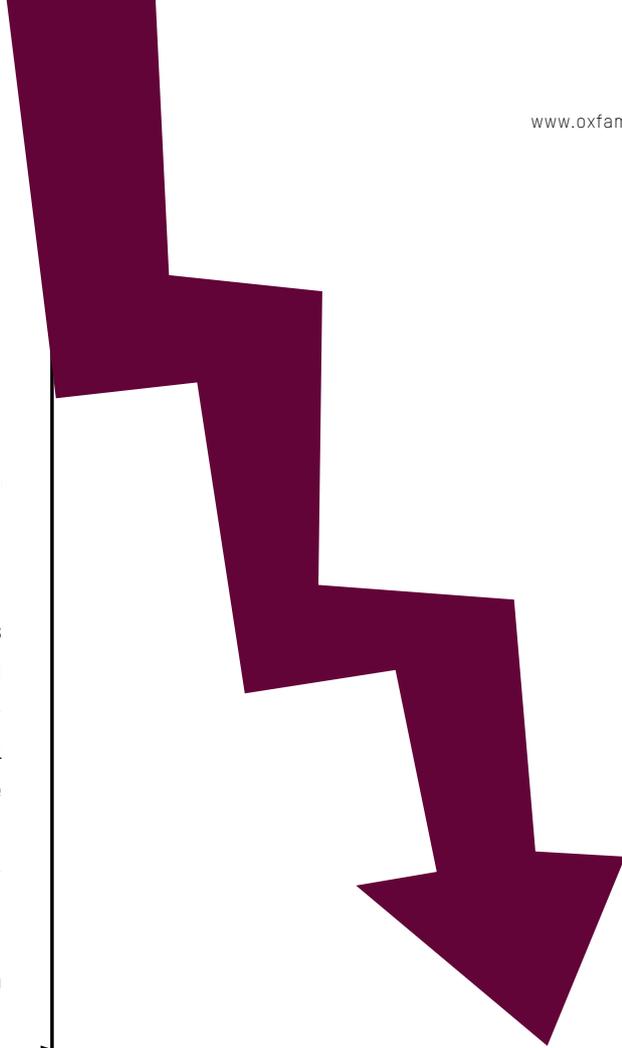
Oxfam Brasil believes that reducing the distance between regions, poor and rich, blacks and whites, women and men should not be an agenda exclusive to specific political groups, but a nation-building project. In this context, an agenda to free Brazil from inequalities must cover at least six fundamental matters.

// 3.1. TAXATION

Our tax system is unfair to the poor and the middle class, and benevolent to the super-rich. Making it fairer is a historic challenge, as difficult as it is necessary to reduce inequalities.

Oxfam Brasil defends the redistribution of the country's tax burden, reducing the weight of indirect taxes and increasing direct taxes. To that end, we recommend increasing the share of taxes on wealth, making personal income taxes (IRPF) more progressive for higher-income brackets (with new brackets and tax rates) and eliminating both interest on equity and the exemption for distributed profits and dividends.

It is also vital to advance in the fight against tax evasion and avoidance, which are significant in Brazil. The country must also be serious about its commitment to end tax havens.



3.2. SOCIAL SPENDING

Worldwide, social spending has been an efficient way to reduce inequalities. In Brazil, it has been decisive to fight poverty and promote social welfare.

Oxfam Brasil therefore defends federal, State and municipal public budgets with sufficient funds for social policies, and that those policies be implemented. It is vital to expand public spending on education, health, welfare, sanitation, housing and public transportation. To that end, the spending ceiling imposed by Constitutional Amendment 95 must be repealed.

In response to the systemic corruption that plagues public administration in Brazil, we defend measures that enhance the quality of public spending, making it more transparent, efficient, progressive and participatory, maintaining the commitment to universal coverage enshrined in the 1988 Federal Constitution.



// 3.3. **EDUCATION**

Education is a pillar for social mobility and for a country's development. In Brazil, despite major progress achieved in inclusion in schools, there are still huge challenges that, if left alone, will keep us from achieving the structural changes needed to assure rights.

The availability of daycare and pre-schools must increase drastically, both to educate children and to include more women in the labor market. Policies must also prioritize the alarming drop-out rates – especially of young black students – and the low quality of teaching in Brazil's public schools. Finally, Oxfam Brasil defends expanding higher education, especially for black and low-income youth. These measures are already on the official Plano Nacional de Educação (National Education Plan - PNE), which, if fully implemented, will reduce structural inequalities throughout the country.

// 3.4. **DISCRIMINATION**

Measurable inequalities – income and schooling, for example – reveal various kinds of discrimination suffered by blacks, black women and women in general in Brazil. There are also other kinds of inequalities, harder to measure, but no less egregious, such as the treatment given by public institutions and by society itself.

Oxfam Brasil defends affirmative action policies to turn back the discrimination and violence suffered by these social sectors, through their insertion into environments that have excluded them (universities, public service, labor market, especially managerial positions in companies, etc.) and by opposing institutional violence (above all police violence against young blacks and violence in health care for black women). We also perceive the importance of including gender equality and respect for diversity in public policies, as a fundamental basis for overcoming racial, gender and other forms of discrimination.



3.5. LABOR MARKET



Lower unemployment rates and more formal jobs have had a major impact in the fight against inequalities in Brazil over the past 15 years.

It is fundamental that basic rights be guaranteed, to ensure access to decent working conditions in Brazil. In this context, Oxfam Brasil defends the repeal of the recently approved “labor reform,” which sacrificed many rights. We also defend ongoing real raises to the minimum wage, which have already reduced our income inequality.

// 3.6. DEMOCRACY

Structural changes to overcome Brazil’s inequalities will only happen when the population has more access to the political system and the elite’s influence over public policy making and implementation is contained.

Oxfam Brasil stands for a state that works for everyone, and not just to promote the interests of a few. To that end, we must work for more accountability and transparency, with effective regulations on lobbying and stronger channels for civil society’s participation.

Office holders must work to recover confidence in public institutions. Fighting corruption is therefore the centerpiece for strengthening our authorities as agents for the redistribution of income, wealth and services.

Moreover, Oxfam Brasil defends the approval of changes to our political system through broad-ranging debates with society, with an eye to allowing all three dimensions – representative, participatory and direct – of our democracy to be put into practice.



THE ROLE OF EACH, AND THE ROLE OF ALL

Authorities must propose changes to the tax system, expand budget allocations for the ongoing achievement of rights, ensure inclusive educational policies, fight institutional violence under their own responsibility and provide ample arenas for participation in setting priorities, with transparency and efficiency.

Companies must comply with their legal obligations to pay taxes, promote social inclusion in their own work places, formalize relations with their labor force and respect the rights of workers.

We, Brazilian citizens, must monitor and demand changes to the policies and practices of authorities and companies. We are responsible for those whom we elect.

LIST OF ABBREVIATIONS

BACEN	Banco Central do Brasil (<i>Central Bank of Brazil</i>)
BPC	Benefício de Prestação Continuada (<i>Continuous Cash Benefit Program</i>)
DIRPF	Declarações de Imposto de Renda de Pessoas Físicas (<i>Personal Income Tax Declarations</i>)
EAP	Economically Active Population
FGV	Getúlio Vargas Foundation
GDP	Gross Domestic Product
IBGE	Instituto Brasileiro de Geografia e Estatística (<i>Brazilian Geography and Statistics Institute</i>)
IGF	Imposto sobre Grandes Fortunas (<i>Tax on Large Fortunes</i>)
INSS	Instituto Nacional de Seguridade Social (<i>National Social Security Institute</i>)
Inesc	Instituto de Estudos Socioeconômicos (<i>Socioeconomic Studies Institute</i>)
Ipea	Instituto de Pesquisa Econômica Aplicada (<i>Applied Economic Research Institute</i>)
IPTU	Imposto Predial e Territorial Urbano (<i>Urban Building and Territorial Tax</i>)
IRPF	Imposto de Renda Pessoa Física (<i>Corporate Income Tax</i>)
ITR	Imposto Territorial Rural (<i>Rural Territorial Tax</i>)
MDGs	Millennium Development Goals
OECD	Organization for Economic Cooperation and Development
Pnad	Pesquisa Nacional por Amostra de Domicílios (<i>National Household Sample Survey</i>)
PNE	Plano Nacional de Educação (<i>National Education Plan</i>)
SRF	Secretaria da Receita Federal (<i>Brazilian Federal Revenue authority</i>)
RGPS	Regime Geral da Previdência Social (<i>General Social Security Regime</i>)

RPPS	Regime Próprio da Previdência Social (<i>Public Employees' Social Security Regime</i>)
SDGs	Sustainable Development Goals
Seade	Fundação Sistema Estadual de Análise de Dados (<i>São Paulo State Data Analysis System</i>)
Sinprofaz	Sindicato Nacional dos Procuradores da Fazenda Nacional (<i>National Union of Treasury Attorneys</i>)
SUS	Sistema Único de Saúde (<i>Unified Health System</i>)
TCU	Tribunal de Contas da União (<i>Federal Court of Accounts</i>)
UN	United Nations Organization
UNDP	United Nations Development Program

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NOTES

- 1 OXFAM. 2017. "Uma Economia para os 99%". Available at <https://www.oxfam.org.br/publicacoes/uma-economia-para-os-99>. Accessed on 07/Sept/2017
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- 9 BANCO MUNDIAL. 2017. "Salvaguardas Contra a Reversão dos Ganhos Sociais Durante a Crise Econômica no Brasil".
- 10 SOUZA, Pedro H. 2016. "A desigualdade vista do topo: a concentração de renda entre os ricos no Brasil, 1926-2013". Universidade de Brasília, Instituto de Ciências Sociais. Brasília.
- 11 The Gini Coefficient is an important index to measure social inequalities, particularly income concentration. It is also called the Gini Index and can be used to calculate the concentration of certain features (income, wealth, land holding, etc.) for a given population. One of its limitations is regarding the extremes of distribution, reducing the impact of concentration on the extremes of distribution. For that reason, we complement our analysis with data on income concentration at the top of the social pyramid.
- 12 IPEA/Ipeadata. Gini Time Series – 1976-2014; UNDP. 2017. "2016 Human Development Report" on 2015 data. Note: Here the Gini Coefficient is calculated based on per capita household income, based on PNAD/IBGE data.
- 13 Oxfam Brasil considers as essential public services a relatively broad range of services provided by the state. In this report, we use data on health and infrastructure (electric power, water, sewers) to illustrate the essential services to which we refer.
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- 50 Ibid.
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- 52 Calculation by Oxfam Brasil, based on an estimation of the Brazilian population. According to the IBGE, there were approximately 207 million people in January 2017.
- 53 Calculation by Oxfam Brasil, based on 2015 PNAD data. The highest income of the eighth decile, according to the PNAD, is R\$ 1,432, less than twice the 2015 minimum wage. (R\$ 1,576).
- 54 Ibid.
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- Some estimates indicate that the rural population is greater than estimated by the IBGE methodology. The Statute of the City, which implements provisions of the 1988 Constitution, does not define what a "city" is, thus allowing for an erroneous interpretation that municipal seats, even when located in very sparsely inhabited areas that are clearly rural, are urban areas. In fact, the 2010 Census reports that 77% of the country's municipalities have more than 14% of the population living in rural households. 29% of all municipalities have over half the population in rural areas. Finally, the large concentration of the population in metropolitan regions generates an optical illusion on the degree of Brazil's urbanization.
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- 111 Ibid.
- 112 SRF. 2016. Grandes números das Declarações de Imposto de Renda Pessoa Física – ano calendário 2015. Available at: <http://idg.receita.fazenda.gov.br/dados/receitadata/estudos-e-tributarios-e-aduaneiros/estudos-e-estatisticas/11-08-2014-grandes-numeros-dirpf/grandes-numeros-dirpf-capa>.
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- 114 Calculation by Oxfam Brasil, based on data from the Federal Revenue Secretariat, the Treasury Secretariat, the Confaz and the IBGE – 2015.
- 115 Ibid.
- 116 INESC. 2014. "As Implicações do Sistema Tributário Brasileiro nas Desigualdades de Renda". Brasília.
- 117 Ibid.
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- 119 Ibid.
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- 122 Ibid.
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- 124 Ibid.
- 125 IBGE/Censo Agropecuário. 2006.
- 126 Calculation by Oxfam Brasil, based on data from the Federal Revenue Secretariat, the Treasury Secretariat, the Confaz and the IBGE – 2015.
- 127 OXFAM BRASIL. 2016. “Terrenos da Desigualdade”. Available at: <https://www.oxfam.org.br/publicacoes/terrenos-da-desigualdade-terra-agricultura-e-desigualdade-no-brasil-rural>. Accessed on 09/Sept/2017.
- 128 According to Inesc (2015), tax avoidance is: “tax planning carried out prior to the occurrence of a legitimate and therefore legal taxable transaction, done to postpone, eliminate or reduce the incidence of tax obligations. One example is companies that opt for the presumed profit regime and have major long-term billing. It would be feasible for them to choose to calculate and pay their federal taxes under the cash regime, since in so doing they would only pay for revenue actually received.” Tax evasion refers to “acts performed after the taxable transaction, with the purpose of not paying a tax liability. The omission of any records in a tax payer’s own fiscal books, the non-payment of taxes due, the use of spurious documents in the accounting books are examples of tax evasion. This crime is defined by Law No. 8137/90 (Crimes Against the Tax and Economic System and Consumer Relations).” Inesc, 2015, “Mineração e (in)justiça tributária no Brasil”. Nota Técnica 184. Available at: <http://www.inesc.org.br/noticias/biblioteca/publicacoes/notas-tecnicas/nts-2015/nota-tecnica-184-mineracao-e-in-justica-tributaria-no-brasil/view>. Accessed on 09/Sept/2017
- 129 INESC. 2015. “Mineração e (in)justiça tributária no Brasil”. Nota Técnica 184. Available at: <http://www.inesc.org.br/noticias/biblioteca/publicacoes/notas-tecnicas/nts-2015/nota-tecnica-184-mineracao-e-in-justica-tributaria-no-brasil/view>. Accessed on 09/Sept/2017
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- 131 The Federal Revenue’s Tributary Expenses Statement, appended to the 2016 Budget Law Bill (PLOA), estimated that so-called tributary expenses (tax breaks) would be R\$ 271 billion, i.e., 20.68% of projected tax revenues. Available at <https://idg.receita.fazenda.gov.br/dados/receitadata/renuncia-fiscal/previsoes-ploa/arquivos-e-imagens/DGTPL0A-2016FINAL.pdf>. Accessed on 10/Sept/2017.
- 132 Calculation by Oxfam Brasil, based on data from the Federal Revenue Secretariat, assuming a 15% tax rate on profits and dividends.

- 133 Calculation by Oxfam Brasil, based on data from the Federal Revenue Secretariat, assuming a 15% tax rate on profits and dividends, plus the value of evaded taxes calculated by SINPROFAZ (National Union of Treasury Attorneys) and the “tributary expenses” included in the 2017 Budget Law Bill (PLOA).
- 134 DIEESE, ANFIP. 2017. “Previdência: reformar para excluir? Contribuição técnica ao debate sobre a reforma da previdência social brasileira”. Brasília
- 135 MARTINEZ-VAZQUEZ, J; MORENO-DODSON, B., VULOVIC, V. 2011. “The Impact of Tax and Expenditure Policies on Income Distribution”. Andrew Young School of Public Policy Studies, GSU.
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- 137 FEDERAL CONSTITUTION. 1988.
- 138 SILVEIRA, F. G., FERREIRA, J. 2011. “Equidade fiscal no Brasil: Impactos Distributivos da Tributação e do Gasto Social”. IPEA. Comunicado n. 92. Brasília.
- 139 STN. 2016. “Gasto Social do Governo Central: 2002 a 2015”. Brasília.
- 140 ECLAC. 2017. “Panorama Social 2016”. Available at: <https://www.ECLAC.org/es/publicaciones/41598-panorama-social-america-latina-2016-documento-informativo>. Accessed on: 09/Sept/2017. Note: Ideally, it would be best to use total spending by all three levels of government as our priority reference. The Brazilian Public Sector Balance Sheet published by the STN, however, does not break out transfers to States and municipalities, which means those funds are counted twice, thus inflating the scale of public spending. Oxfam Brasil thus chose to use only central (federal) government data as a reference.
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ABOUT OXFAM BRASIL

Oxfam has been operating in Brazil since the late 1950s and began to develop its activities in a structured and continuous manner in 1965. At the time, the organization worked to provide funding for projects developed by credit unions focused on family farmers in the Brazilian Northeast region. Oxfam Great Britain opened its first office in Brazil in Recife (PE) in 1968, when it began to build partnerships with social movements, non-governmental organizations, trade unions, and associations committed to working to reduce poverty, increase social justice and strengthen democracy. Subsequently, Oxfam Intermón (Spain) also opened an office in Recife and Oxfam Novib (The Netherlands) started to finance projects and programs in Brazil.

After the end of the military dictatorship, Brazil began a process of fostering the protection of citizenship, freedom of expression, and social, civil and political rights. Oxfam participated in this process by supporting NGOs and social movements. With the enactment of the 1988 Constitution, Oxfam supported projects designed to ensure the enforcement of secured rights.

In 2001, Oxfam opened a second office, this time in Brasilia. There, it began to develop activities connected with the larger initiatives and global campaigns implemented by the organization. After establishing a more active dialogue with the Brazilian government, Oxfam focused on supporting public policies for social inclusion and on promoting successful national experiences internationally.

The Oxfam confederation recently decided to set up a Brazilian affiliate with the aim of contributing to tackling inequality and reducing poverty in the country. Founded in 2014, Oxfam Brasil is a non-profit and independent organization governed by a board and a general assembly.

Oxfam Brazil joins Oxfam's other 19 affiliates – with operations in 94 countries – to take part in a global movement intended to build a future free from poverty, inequality and injustice.

OXFAM BRASIL'S REPORT ON INEQUALITIES

SÃO PAULO, SEPTEMBER 2017

For more information on the issues discussed in this document, please send an e-mail to Oxfam Brasil, at contato@oxfam.org.br.

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