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# Anatomy of the Brazilian middle class: Identification, characterization and implications for public policy

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## Institutional context

- Research project funded by the French Development Agency (AFD)
- “The implications of the rise of the middle classes in developing and emerging countries”
- Comparative perspective with four countries covered
  - Brazil, Côte d’Ivoire, Turkey and Vietnam
- Coordination of the project: involved:
  - GREThA (CNRS), University of Bordeaux: Matthieu CLEMENT, François COMBARNOUS, Eric ROUGIER
  - LAM (CNRS), Sciences Po Bordeaux: Jean-Philippe BERROU, Dominique DARBON
- Four Country teams
- Brazil’s team
  - Matthieu CLEMENT (coordination), Yves-André FAURE (coordination and interviewer), Janaina ARAUJO (interviewer), Caroline MIRANDA (interviewer)

## Introduction

- **Brazil has long been known for a polarised social structure with a small elite and a mass of poor people and only a limited-size intermediate class**
- **With recent social transformations, increase in the number and the proportion of individuals who have escaped poverty and joined the middle class**
  - **Around 45-65% of the population**
- **Main drivers of this increase:**
  - **Economic growth**
  - **Increase in formal employment**
  - **Rise in real wages (end of hyperinflation)**
  - **Large-scale social programs**
  - **Expansion of credit**
- **This topic has become a communication tool for Brazilian authorities**
- **However, the current economic crisis and public policy measures threaten the Brazilian middle class**

## Introduction

- In the institutional and academic literature, coexistence of enthusiastic and more pessimistic studies
- Optimistic studies: “new middle class” (*nove media class*)
  - SAE (*Secretaria de Assuntos Estratégicos*), CPS-FGV (*Getúlio Vargas Foundation’s Social Policy Centre*), IBGE (*Instituto Brasileiro de Geografia e Estatística*) and the ABEP (*Associação Brasileira de Empresas de Pesquisa*)
  - SAE (2012, 2013) ; Neri (2008, 2012) ; Ferreira et al. (2013)
- Pessimistic studies: vulnerability of this supposed “new middle class”
  - Sobrinho (2011), Porchman (2012, 2014), Scalon and Salata (2012), Singer (2013), Birdsall et al. (2014)

## Main objectives of the study

- **Identifying and characterizing the Brazilian middle class**
- **Highlighting its potential heterogeneity**
- **Analyzing the behaviours and aspirations of this (these) middle class(es)**
- **Analyzing the implications of the expansion of the middle class on the design of public policy**

# A three-step empirical methodology

- **Step 1: Quantitative analysis**
  - Identification and characterization of the Brazilian middle class(es)
  - Quantitative analysis based on PNAD (*Pesquisa Nacional por Amostra de Domicílios*) data from the IBGE
  - Sequential methodology that combines an economic definition of the middle class (based on income) and a sociological definition (based on employment and education)
- **Step 2: Qualitative household survey**
  - Analysis of the behaviours and aspirations of the previously identified middle class(es)
  - Original sampling scheme based on quantitative results
- **Step 3: Qualitative institution survey**
  - Analysis of the implications of the expansion of the middle class on the design of public policy
  - Survey of public and private institutions belonging to key sectors for the Brazilian middle class

# 1. Identification and characterization

**Table 1: Comparison of different criteria for defining the middle income class (Brazil, 2014).**

Criterion	Income range		Poor (%)	Middle class (%)	Rich (%)
	Monthly per capita R\$ (2014 prices)	Monthly per capita \$ (PPP 2011, 2014 prices)			
[\$2; \$10]	[R\$104,4; R\$522]	[\$60; \$300]	3.1	30.5	66.4
[\$2; \$20]	[R\$104,4; R\$1,044]	[\$60; \$600]	3.1	63.9	33.0
[\$4; \$20]	[R\$208,8; R\$1,044]	[\$120; \$600]	8.4	58.6	33.0
[\$10; \$20]	[R\$522; R\$1,044]	[\$300; \$600]	33.6	33.4	33.0
[\$10; \$50]	[R\$522; R\$2,610]	[\$300; \$1,500]	33.6	57.4	9.0
[\$10; \$100]	[R\$522; R\$5,220]	[\$300; \$3,000]	33.6	63.4	3.0
[75%-125% median income]	[R\$543; R\$905]	[\$312; \$520]	34.9	26.1	39.0
[50%-150% median income]	[R\$362; R\$1,086]	[\$208; \$624]	19.4	48.8	31.8
[100%-250% mean income]	[R\$1,226-R\$3,065]	[\$705; \$1,762]	73.0	20.0	7.0
[\$10; P90]	[R\$522; R\$2,471]	[\$300; \$1,420]	33.6	56.4	10.0
[\$10; P95]	[R\$522; R\$3,875]	[\$300; \$2,227]	33.6	61.4	5.0
[0.5-5 times min. wage]	[R\$362; R\$3,620]	[\$208; \$2,080]	21.4	73.1	5.5

Note: PPP conversion coefficient (PPP 2011 adjusted to 2014 prices) = 1.74 (Source: World Bank).

Source: PNAD data (2014).

# 1. Identification and characterization

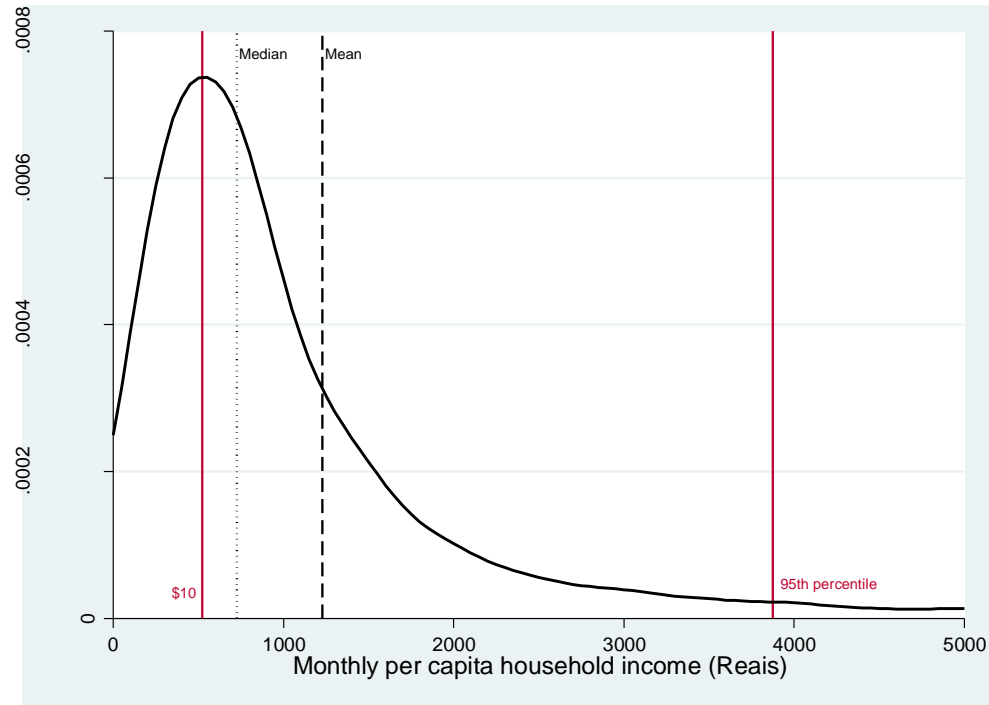
**Table 2: Evolution of the size of the middle income class with different criteria (Brazil, 2001-2014).**

Income range	2001	2004	2007	2011	2014
[\$2; \$10]	50.3	51.8	42.6	35.7	30.5
[\$2; \$20]	70.4	73.0	71.1	67.8	63.9
[\$4; \$20]	54.1	57.9	59.4	60.4	58.6
[\$10; \$20]	20.1	21.2	28.5	32.1	33.4
[\$10; \$50]	33.1	34.4	44.5	51.9	57.4
[\$10; \$100]	37.0	38.2	48.9	57.0	63.4
[75%-125% median income]	15.8	16.7	23.2	25.1	26.1
[50%-150% median income]	36.5	38.7	43.0	46.3	48.8
[100%-250% mean income]	11.1	11.1	13.3	16.4	20.0
[\$10; P90]	32.8	33.9	43.9	51.4	56.4
[\$10; P95]	35.8	36.9	47.6	55.3	61.4
[0.5-5 times min. wage]	51.2	53.3	61.0	68.0	73.1

Note: Incomes for 2001, 2004, 2007, 2011 have been converted to 2014 prices with the IPCA (*Índice Nacional de Preços ao Consumidor Amplo*). PPP conversion rate (PPP 2011 adjusted to 2014 prices) = 1.74 (Source: World Bank).  
Source: PNAD data (2001, 2004, 2007, 2011 and 2014).



# 1. Identification and characterization



## Identification and characterization

**Table 4: Characteristics of clusters (classification variables) of clusters derived from the mixed classification procedure\* (Brazil, 2014).**

	Group 1 (30%)	Group 2 (7%)	Group 3 (10%)	Group 4 (2%)	Group 5 (24%)	Group 6 (20%)	Group 7 (7%)	Total
<b>Education</b>								
No education	16.2	0.0	0.3	29.7	4.7	2.5	7.4	7.7
Primary education	55.8	5.0	9.7	58.8	58.6	38.3	59.4	44.7
Secondary education	18.6	60.4	18.1	8.3	33.2	48.6	28.9	31.1
Tertiary education	9.4	34.6	72.0	3.2	3.6	10.7	4.3	16.6
<b>Occupation</b>								
No job (retiree, inactive, unemployed)	100.0	0.0	0.0	0.0	0.0	0.0	0.0	30.0
Managers, executives	0.0	0.0	89.1	2.5	2.8	0.0	3.6	11.0
Intermediate occupations	0.0	94.9	0.4	0.6	1.0	0.0	0.8	6.7
Service employees	0.0	0.0	9.6	6.1	0.0	100.0	54.3	24.7
Workers	0.0	5.0	0.4	5.4	76.5	0.0	28.5	20.1
Farmers	0.0	0.1	0.5	85.4	19.8	0.0	12.9	7.5
<b>Employment status</b>								
No job (retiree, inactive, unemployed)	100.0	0.0	0.0	0.0	0.0	0.0	0.0	30.0
Paid employees	0.0	85.0	69.0	0.0	47.9	71.8	100.0	45.6
Self-employed without employees	0.0	14.2	6.4	0.0	48.1	27.7	0.0	18.2
Self-employed with employees	0.0	0.8	24.6	0.0	4.1	0.5	0.0	3.9
Unpaid workers	0.0	0.0	0.0	100.0	0.0	0.0	0.0	2.3
<b>Institutional sector</b>								
No job (retiree, inactive, unemployed)	100.0	0.0	0.0	0.0	0.0	0.0	0.0	30.0
Private formal	0.0	49.5	58.8	100.0	98.4	88.4	0.0	52.3
Private informal	0.0	4.9	3.0	0.0	0.0	0.0	100.0	7.7
Public	0.0	45.6	38.2	0.0	1.6	11.6	0.0	10.0

(\*) The shaded cells identify the modalities that are statistically (at 5% level) more represented in the group considered than in the rest of the middle class.

Source: PNAD data (2014).

# Identification and characterization

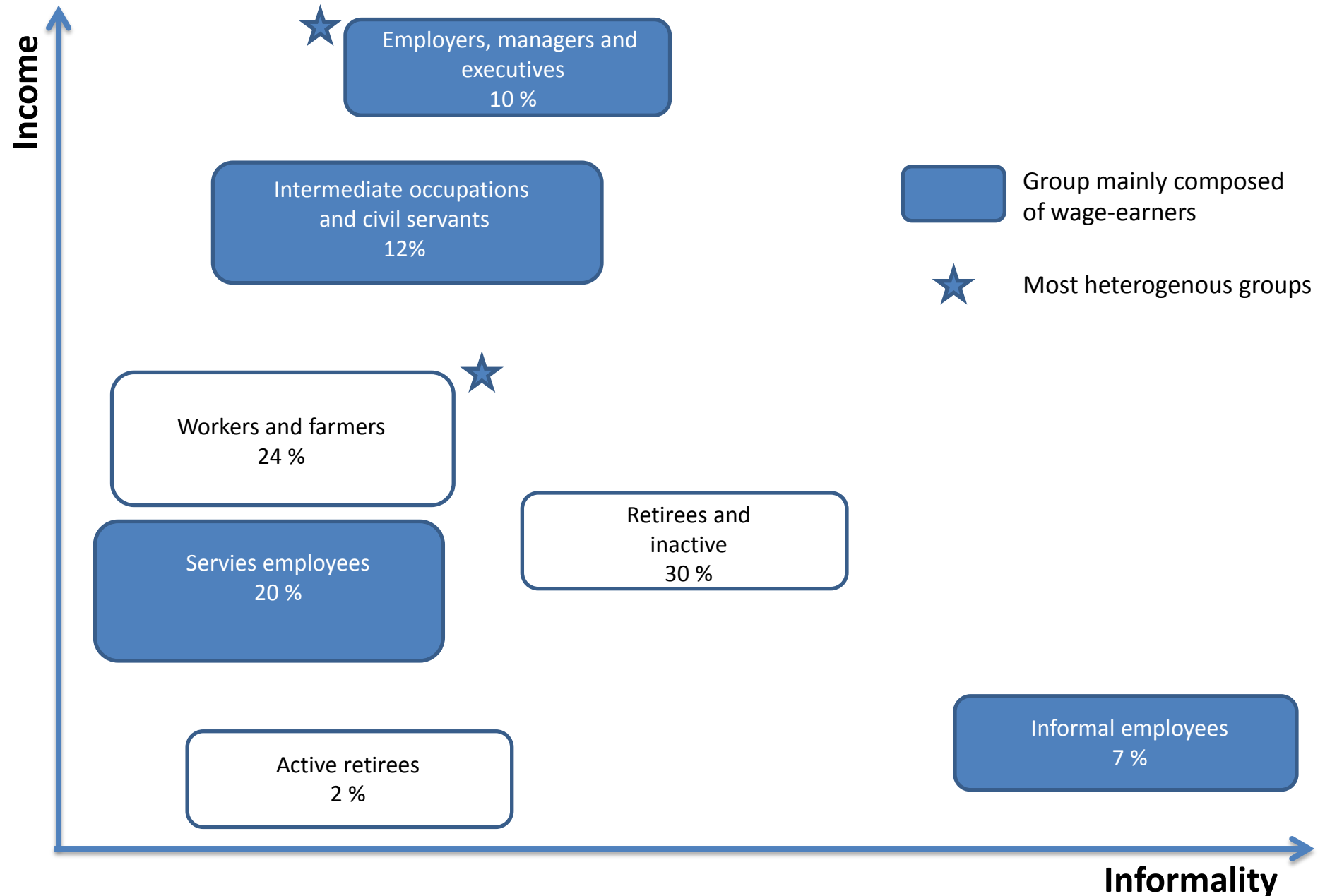
**Table 5: Characteristics of clusters (characterization variables) of clusters derived from the mixed classification procedure\* (Brazil, 2014).**

	Group 1 (30%)	Group 2 (7%)	Group 3 (10%)	Group 4 (2%)	Group 5 (24%)	Group 6 (20%)	Group 7 (7%)	Total
<b>Area of residence</b>								
Urban	91.6	97.4	96.1	49.4	82.1	96.3	87.6	90.0
Rural	8.4	2.6	3.9	50.6	17.9	3.7	12.4	10.0
<b>Region</b>								
North	9.7	13.3	13.6	10.5	11.8	12.1	12.9	11.6
North-east	24.4	21.9	20.8	33.0	17.9	21.2	21.6	21.7
South-east	36.2	34.2	31.7	20.5	34.3	34.6	32.7	34.2
South	19.8	19.1	20.8	28.2	22.7	19.0	17.5	20.4
Midwest	9.9	11.4	13.1	7.9	13.4	13.1	15.2	12.1
<b>Gender</b>								
Female	58.2	27.8	37.5	40.2	9.3	45.6	43.7	38.6
Male	41.8	72.2	62.5	59.8	90.7	54.4	56.3	61.4
<b>Skin color</b>								
Branca	59.3	60.0	65.6	55.0	54.2	55.3	52.0	57.5
Preta	39.8	39.1	33.3	44.3	45.1	44.0	47.2	41.7
Amarela	0.5	0.5	1.0	0.4	0.4	0.3	0.3	0.5
Parça	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Indegina	0.4	0.4	0.1	0.3	0.4	0.3	0.5	0.3
<b>Retired</b>								
Yes	63.4	3.2	5.0	77.8	11.6	5.8	12.2	26.3
No	36.6	96.8	95.0	22.2	88.4	94.2	87.8	73.7
<b>Multi-activity</b>								
Yes	0.0	6.3	8.5	0.4	3.0	4.1	3.6	3.2
No	100.0	93.7	91.5	99.6	97.0	95.9	96.4	96.8
<b>Housing</b>								
House	88.4	78.3	74.5	97.9	93.6	86.7	91.1	87.4
Apartment	11.3	21.6	25.4	2.0	6.1	12.9	8.2	12.3
Other	0.2	0.1	0.1	0.1	0.3	0.4	0.7	0.3
<b>Equipment goods</b>								
Freezer	17.4	17.1	22.0	30.3	21.1	15.7	12.9	18.4
Washing machine	61.7	78.4	82.9	37.5	60.9	66.8	51.3	64.7
Computer	39.2	82.2	87.8	22.0	51.6	59.1	38.8	53.8
Motorized vehicle	44.7	75.8	83.4	51.2	71.1	58.0	48.0	60.2
<b>Mean of quantitative variables</b>								
Household size	2.423	2.898	3.033	2.298	2.884	2.769	2.556	2.704
Number of rooms	5.947	6.110	6.815	6.246	5.702	5.532	5.196	5.872
Age of household head	64.679	41.396	42.859	65.616	46.049	43.298	45.161	50.817
Household participation rate	0.222	0.686	0.674	0.837	0.735	0.760	0.797	0.583
School enrollment in public sector	0.580	0.455	0.388	0.716	0.715	0.648	0.741	0.596
Monthly per capita household income	1,141	1,535	1,839	1,010	1,143	1,125	1,017	1,232

(\* ) The shaded cells identify the modalities that are statistically (at 5% level) more represented in the group considered than in the rest of the middle class. The bold cells identify the modalities that are statistically (at 5% level) less represented in the group considered than in the rest of the middle class. For quantitative variables, shaded and bold cells identify respectively the means that are significantly higher and lower compared to the mean in the whole middle class.

Source: PNAD data (2014).

# Heterogeneity of the Brazilian middle class



## 1. Identification and characterization

- In 2014, the Brazilian middle-income class accounts for 64.1% of the population with our definition
- This proportion has increased since the early 2000s
- Strong heterogeneity of the Brazilian middle class with seven distinct subgroups identified
- The upper middle class represents about 17% of the whole middle class
- Vulnerability of an important part of the middle class (from 39% to 83%)
  - Birdsall et al. (2014): “strugglers”

## 2. Behaviours and aspirations

- **A qualitative survey (semi-directed) was carried out among households belonging to the previously defined middle class**
- **Two areas covered: Rio de Janeiro metropolitan area and Fortaleza metropolitan area**
- **30 households surveyed (including rural households)**
- **The survey was conducted in April and May 2017**
- **Main topics addressed:**
  - **Class identity and self-perception**
  - **Intergenerational changes in living conditions**
  - **Socioeconomic behaviours (consumption patterns, education, health, credit, etc.)**
  - **Aspirations and priorities**
  - **Main expectations in relation to public action**
- **Sampling procedure based on the classification resulting from the quantitative analysis**

## 2. Behaviours and aspirations

**Table 6: Sampling scheme.**

Groups	Share	Number of theoretical interviews (/30)	Number of realized interviews	Rio de Janeiro	Fortaleza
1 Retirees and inactive	32%	9.6	9	3	6
2 Intermediate occupations and civil servants	7%	2.1	3	1	2
3 Employers, managers and executives	10%	3.0	3	1	2
5 Workers and farmers	24%	7.2	7	4	3
6 Service employees	20%	6.0	6	3	3
7 Informal employees	7%	2.1	2	1	1
<b>Total</b>	<b>100%</b>	<b>30</b>	<b>30</b>	<b>13</b>	<b>17</b>

Source: Authors.

## 2. Behaviours and aspirations

- **Intergenerational upward mobility of households belonging to the middle class**
- **Strong correlation between objective identification of the middle class and subjective perceptions**
- **Consumer-oriented behaviours**
  - **Equipment goods and leisure**
  - **Private education and private health plans**
  - **Expansion of credit**
- **Main aspirations: health, education, public security and housing**
- **Critiques against the quality of public infrastructures and the “pro-rich” tax system**
- **Strong rejection of the political system and corruption at all levels of power**
- **Full consciousness of the adverse consequences of the crisis**



### 3. Implications for public action

- **A qualitative survey was carried out among public and private institutions belonging to sectors that have been identified as relevant with regard to the middle class**
- **Representatives of 12 institutions surveyed in May 2017**
  - Ex-State secretary in charge of public safety (Rio State)
  - Publishing company
  - Private faculty
  - Microfinance institution
  - Institution providing support to micro and small enterprises
  - Institute for applied economic research
  - Inter-union department of economic and social studies
  - Entertainment company (amusement park)
  - Federal University
  - Big construction company
  - Institution providing supplementary pension plans
  - Residents' association

### 3. Implications for public action

- **Main conclusion: no policy targeting specifically the middle class**
- **The expansion of the Brazilian middle class expansion is primarily explained the decline of poverty resulting from the economic growth, the increase in real wages and social transfers**
- **However, several subgroups the middle class have benefited from specific measures**
  - **Real estate: *Minha Casa, Minha vida* (lower middle class)**
  - **Social protection: supplementary pension plans (civil servants)**
- **Specific measures to mitigate the consequences of the crisis**
  - **Education: financial support for access to private universities**
  - **Employment: assistance towards entrepreneurship, microcredit**

## Conclusion

- **The size of the Brazilian middle class has significantly increased since the early 2000s**
- **Some important markers of middle class membership**
  - Consumption-oriented behaviours
  - Common aspirations: health, education, housing
  - Common critics: public insecurity, poor quality of public services, unfair tax system, endemic corruption
- **However the Brazilian middle class does not have all the characteristics traditionally associated with membership of the middle class**
  - A very heterogeneous group...
  - ... with large vulnerable components, particularly in the context of economic crisis

## Conclusion

- **Can the Brazilian middle class become the driving-force of structural change?**
  - Members of the Brazilian middle class have manifested their ability to mobilise and demonstrate, as was the case during mass gatherings from March to June 2013
  - Although the initial message was their opposition to the 2014 FIFA World Cup and the 2016 Rio Olympics, the protests brought much broader demands, including denunciation of corruption, public insecurity and failures in public services.
  - Primarily driven by new entrants to the middle class who remain vulnerable, despite the rise in their standard of living (Biekart, 2015).
  - New wave of citizen-based activism?
- **People of the middle class (at least from its richest components) voted overwhelmingly for far-right populist Jair Bolsonaro**
  - Expression of their rejection of corruption and insecurity?

# Thank you!



## Identification and characterization

**Table 3: Characteristics (classification variables) of household heads belonging to poor, middle class and rich (Brazil, 2014).**

	Poor	Middle class	Rich	Total
<b>Education</b>				
No education	0.22	0.22	0.02	0.22
Primary education	0.64	0.60	0.42	0.62
Secondary education	0.13	0.14	0.21	0.13
Tertiary education	0.01	0.04	0.34	0.03
<b>Occupation</b>				
No job (retiree, inactive, unemployed)	0.19	0.25	0.10	0.22
Managers, executives	0.02	0.04	0.20	0.03
Intermediate occupations	0.01	0.02	0.03	0.01
Service employees	0.10	0.10	0.08	0.10
Workers	0.11	0.12	0.07	0.11
Farmers	0.57	0.47	0.52	0.53
<b>Employment status</b>				
No job (retiree, inactive, unemployed)	0.19	0.25	0.10	0.22
Paid employees	0.33	0.30	0.21	0.32
Self-employed without employees	0.32	0.30	0.34	0.31
Self-employed with employees	0.01	0.03	0.32	0.02
Unpaid workers	0.15	0.12	0.03	0.13
<b>Institutional sector</b>				
No job (retiree, inactive, unemployed)	0.19	0.25	0.10	0.22
Private formal	0.60	0.61	0.77	0.61
Private informal	0.18	0.09	0.02	0.14
Public	0.03	0.05	0.11	0.04

Note: The middle class is defined as households whose per capita daily income ranges from \$10 to the 95th percentile of income distribution.

Source: PNAD data (2014).