Reassessing Gender, Race, and Income Inequality in the Brazilian Labor Market: A counterfactual decomposition approach using quantile regressions

Otávio Bartalotti
Michigan State University
bartalot@msu.edu

Maria Carolina da Silva Leme
Escola de Economia de São Paulo Fundação Getúlio Vargas
carolina.leme@fgv.br

Abstract
The income discrimination based on gender and race in the labor market is a key feature of the income concentration in Brazil. The majority of the related literature considers the hypothesis that effects of the attributes that determine wage are constant along the wage distribution. This article takes a less strict hypothesis and estimates the wage structure for each percentile of the wage distribution for men (white and black) and women (white and black). In order to obtain the comparison group, this paper uses the counterfactual decomposition through quantile regressions proposed by Koenker and Basset (1978) and further developed by Machado and Mata (2005). Individuals from an ethnic/gender group other than white men suffer increasing discrimination, which suggests that most will find growing obstacles on the pathway to better paid positions within the labor market. Discrimination profoundly affects black women, while black men are the least-affected group. For the four groups, the returns to education increase along the distribution amplifying inter-group inequality. Our results suggest that a more even education distribution would benefit black individuals along the entire distribution with emphasis on the richest, whereas a more uniform distribution of formal jobs would benefit the low income classes.

Keywords: Gender Discrimination; Racial Discrimination; Quantile Regressions; Counterfactual Decomposition; Oaxaca Blinder Composition.

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