

## *Middle class in Brazil and the current economic and political crisis*

*Preliminary version*

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This article deals with the theme of the New Middle Class (NMC) and of the growth regime in Brazil since 2003. The "New Medium Class" resulting from income redistribution and cash transfer program (Bolsa Familia) since 2003, would represent, according to some economists, more than half of the Brazilian population (in 2010). This NMC, some economists argue, would enable to define a new regime of growth and a new development model. We will present the methodology and analytical framework that define the New Middle Class in Brazil and we will highlight some theoretical and statistical limitations of such a point of view. To understand the growth regime in Brazil, it is indeed necessary to integrate the productive dimension to the vision of the NCM. The specificity of Brazil's economic and political history, its present status within the new international division of labour and the financialization of its economy are factors that are worth being taken into consideration to better understand the economic difficulties and the recent political tensions in Brazil.

### **1. Brazil, a middle-class country?**

Among the factors responsible to poverty reduction and to the decline on inequalities in income distribution, the evolution of the employment is worth analysing<sup>1</sup>.

#### **1.1. Employment (volume, delivery), minimum wage, Gini coefficient**

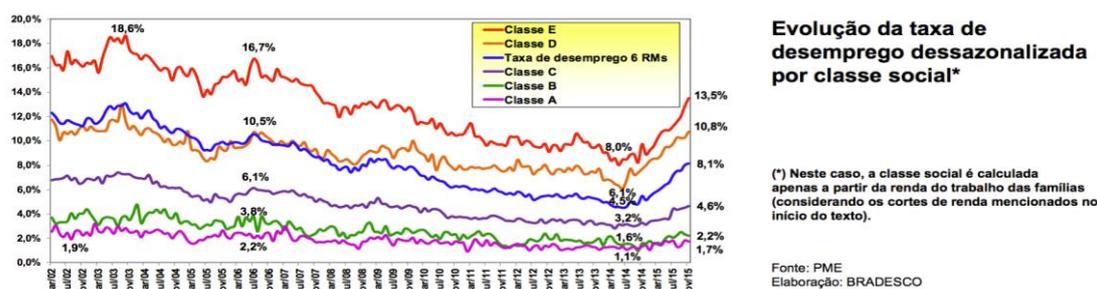
##### *A. Employment*

The first element that has to be taken into consideration to understand the debate on the new middle class is the evolution of employment in Brazil since 2003.

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1 "Until the beginning of the 2000s, Brazil was one of the most unequal countries in the world, displaying a considerably high incidence of poverty: in 2001, the country's Gini index was 0.60, while 59 million Brazilians were affected by poverty and 25.5 million people lived in conditions of extreme poverty. During the 2000s, social indicators showed significant improvement, and by the end of the decade, a remarkable shift in poverty and income inequality was seen. In 2012, 30.4 million Brazilians were considered poor while extreme poverty touched 10.1 million individuals, and the Gini index decreased to 0.532. The reduction in poverty as well as the improvement on income distribution—both unparalleled in Brazilian history—are attributable to a number of events such as the several social policies adopted in the period, and the growth experienced by the Brazilian economy during the first decade of the 21st century. "NOPOOR project, (Castilho, Saludjian, 2016). <http://www.nopoor.eu/download/file/fid/1027>

Figure 1: Evolution of the unemployment rate by “social class”



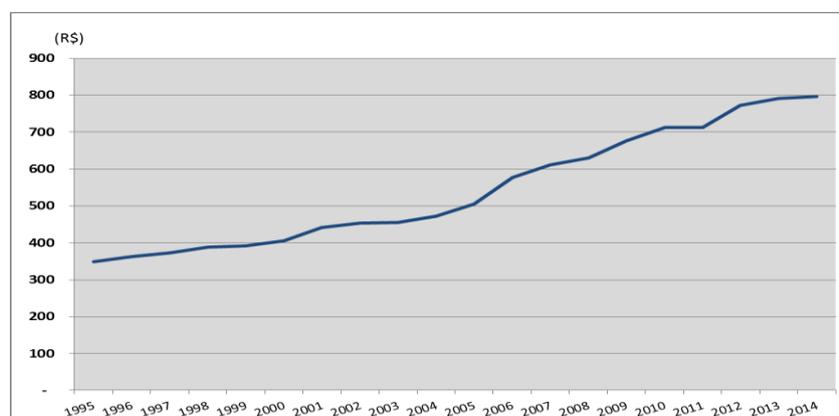
The formal employment rate has also increased since 2004.

Figure 2: % of employments in the formal sector in relation to total employment (with labour rights guaranteed by Law and employment with labour rights guaranteed by Law, capitalists, military forces, public servants and self-employed contributing to the retirement by distribution) seasonally adjusted



One of the main reasons to elucidate the reason why the evolution of employment (especially formal, but not exclusively) has been so important is the evolution of the minimum wage (MW)<sup>2</sup>.

Figure 3 - Evolution of the real minimum wage - 1995/2014



Source: (Saboia, Hallak, 2016)

Obs: Average values of the year, deflated by INPC / IBGE. Constant values of July 2015.

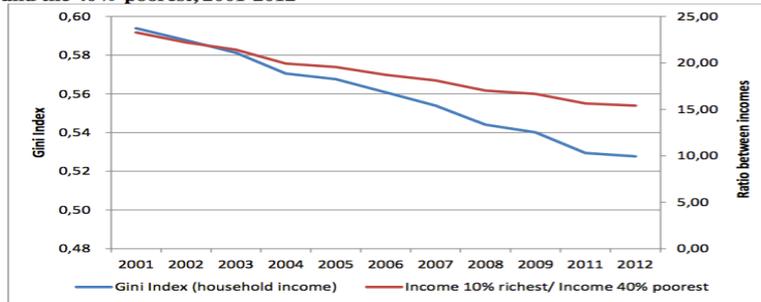
2 See Saboia/ Hallak, 2016. <http://www.nopoor.eu/download/file/fid/1017>

*B. Income distribution.*

The reduction of income inequality in Brazil since 2000 (ie before the inauguration of President Lula in 2003) was hailed around the world, as shown in the graph below.

Figure 4:

**Figure 5. Income inequality in Brazil: Gini Index and Ratio between the income of the richest 10% and the 40% poorest, 2001-2012**



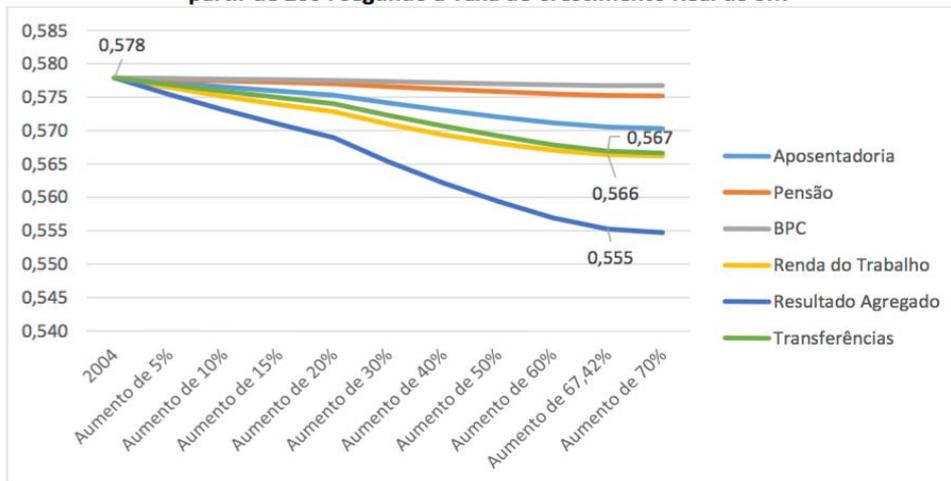
Source: Elaboration of IPEA based on data of PNAD/IBGE.

Source: (Castilho, Saludjian, 2016) based on IPEA (PNAD/IBGE)

Moreover, as the graph below shows (Saboia, Hallak, 2016), the increase of income associated to pensions, cash transfers (such as the BPC, Benefício of Prestação Continuada), but especially the improvement of income from work, are all factors that explain the improvement of income distribution in Brazil since 2004.

Figure 5:

**Gráfico 9 – Evolução do índice de Gini da Distribuição do Rendimento Familiar per Capita a partir de 2004 segundo a Taxa de Crescimento Real do SM**



Fonte: Processamento dos autores

Source: Saboia, Hallak, 2016.

Notes: from top to bottom: Retirement, pensions, BPC, wages, aggregated result, transfers

All these elements have led economists specialized in the distribution of income and in an approach of social strata from income (M. Neri, 2010) to discuss the emergence of a "new middle class" (class C) determined by the level of income per month. The emergence of this discussion is

associated to the period before the end of the second term of President Lula (2008-2010).

According to these studies, almost half of Brazilians belong to this new middle class. The following paragraphs outlines some points of this discussion.

C. "New middle class"

Figure 6:

Thresholds in order to classify households into different "social classes" depending on their average monthly wage (in R\$ in Nov. 2015)

| RENDA MENSAL FAMILIAR<br>(VALORES DE NOVEMBRO/2015) |                        |
|---|------------------------|
| CLASSE A  | R\$ 9954 OU MAIS       |
| CLASSE B  | DE R\$ 6585 A R\$ 9954 |
| CLASSE C  | DE R\$ 1646 A R\$ 6585 |
| CLASSE D  | DE R\$ 995 A R\$ 1646  |
| CLASSE E  | ATÉ R\$ 995            |

Cortes utilizados para classificar as famílias em classes sociais de acordo com a renda mensal familiar

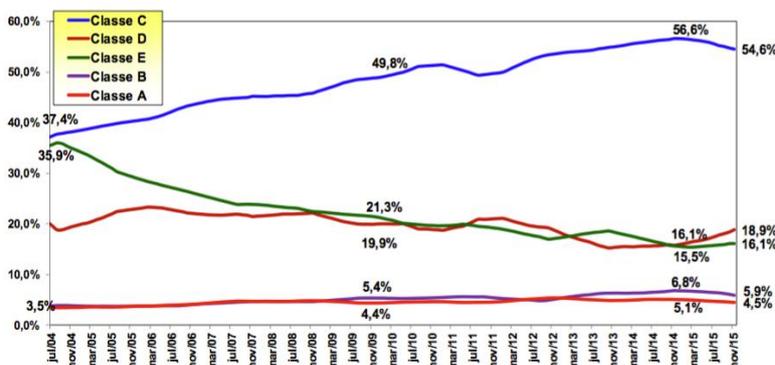
Fonte e elaboração: BRADESCO

Source: Bradesco, 2016.

Obs: Monthly household wage (as in Nov. 2015)

Thus, the evolution of household in the different "social classes" (NMC: Class C) is as shown in figure 7

Figure 7: Evolution of household in the different "social classes" (Class A, B, C, D, E) as % of the Brazilian total population



Evolução da estimativa das participações das classes sociais na população brasileira – Média móvel 12 meses dos dados originais

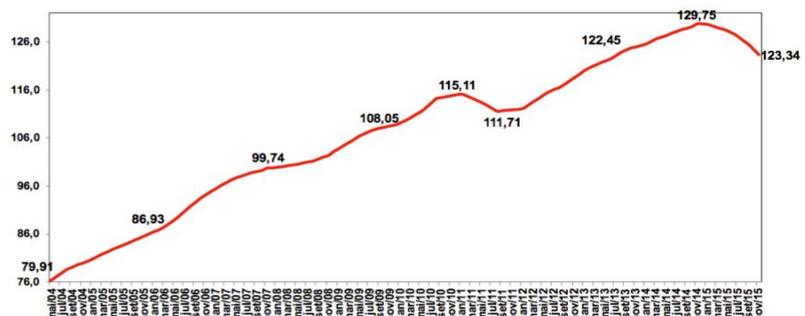
Fonte: PME, PNAD  
Elaboração: BRADESCO

In absolute numbers, this evolution represents up to 129 millions Brazilians in January 2015 compared to 70,9 millions in May 2004.

Figure 8: Evolution of the estimated number of Brazilians in Class A, B, C, 12 Months mobile average

Evolução da estimativa do número de brasileiros nas classes A, B e C - média móvel de 12 meses - em milhões

Fonte: PME, PNAD  
Elaboração: BRADESCO



#### D. Wages:

It is appropriate to adopt a cautious attitude with this definition of "new middle class". As many economists (Salama, 2013 or Pochmann, 2014) note, the classification of "middle class" can not be reduced to the simple ability to consume (see section 2 of this article). Indeed, according to selected criteria (strict thresholds or not) the vision of this "new middle class" changes radically (Salama, 2013).

Even the valuation of the minimum wage, that has an important impact through the labour market, can be relativized. Indeed, the DIEESE research group (Departamento de Estatística e Estudos Intersindical Socioeconômicos, linked with trade unions) defines the minimum wage from changes in the cost of buying a basket of basic foods<sup>3</sup>. The official Minimum Wage is decreed by the State to ensure constitutionally the expenses of a worker and his family in terms of food, housing, health, education, clothing, hygiene, transportation, leisure and retirement. It is adjusted by Decree to compensate, at least under the governments of the Workers Party, inflation (see the work of J. Saboia). Comparing the official Minimum Wage and the Minimum Wage calculated by the DIEESE, We would find in March 2016 the first as R\$ 880.00 against by R\$ 3,726.00 by the second or a ratio of 1 to 4. (See graphs below)

Figure 9: Difference between the official minimum wage and the minimum wage calculated by the DIEESE



Source: Gomes, 2016, DIEESE.

Figure 10: Monthly difference between Official minimum wage and the minimum wage calculated by DIEESE



Source: Gomes, 2016, DIEESE.

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3 <http://www.dieese.org.br/analisecestabasica/salarioMinimo.html>

Figure 11: Distribution of the population aged 15 or older by the pay range.

Distribuição da população com 15 anos ou mais de idade por faixa de remuneração

Brasil - 2014

| Faixa Salarial                   | População*(mil) | %              |
|----------------------------------|-----------------|----------------|
| Até 1/2 salário mínimo           | 11.976          | 7,52%          |
| Mais de 1/2 a 1 salário mínimo   | 30.664          | 19,26%         |
| Mais de 1 a 2 salários mínimos   | 40.700          | 25,56%         |
| Mais de 2 a 3 salários mínimos   | 17.417          | 10,94%         |
| Mais de 3 a 5 salários mínimos   | 11.314          | 7,10%          |
| Mais de 5 a 10 salários mínimos  | 7.007           | 4,40%          |
| Mais de 10 a 20 salários mínimos | 2.370           | 1,49%          |
| Mais de 20 salários mínimos      | 863             | 0,54%          |
| Sem rendimento                   | 33.857          | 21,26%         |
| Sem declaração                   | 3.076           | 1,93%          |
| <b>Total</b>                     | <b>159.243</b>  | <b>100,00%</b> |

Fonte: IBGE, *Pnad 2014*. \*População com 15 anos ou mais de idade.

Source: Gomes, 2016

This point is important because more than half of the population over 15 years in Brazil receives up to two minimum wages, or R \$ 1,720.00 per month (see Gomes, 2016 based on figures from the PNAD ).

Figure 11: Monthly difference between Official Minimum wage and the DIEESE Minimum Wage



Source: Gomes, 2016, DIEESE.

This worrying panorama, despite the appreciation since 2003, is leading some economists to discuss the persistence of a larger exploitation in less developed countries, and to mobilize the debate about the over- exploitation of the labour force ( Luce, 2013).

These impressive evolutions had a great political impact for the 2010 Elections won by President Dilma Rousseff (after two terms - 4 years each from January 1st until December 31st of President Lula in 2003-2006 and 2007-2010).

The concept of New Middle Class has been widely discussed in Brazil and internationally, however, the “new middle class concept” is also worth criticizing.

## 2. Debate on NMC in Brazil:

First, we present some critical arguments of the concept of "new middle class" mostly in

reference to the discussion, already old, of the middle class in developed countries (2.1). We will analyse in the last sub-section whether the "new middle class" in Brazil managed to boost its growth regime and whether this development model proved to be steady, fair and effective over the period.

### **2.1. 'New middle class', financialized accumulation regime and the new International Labour Division**

The discussion on growth or development models dates back to the pioneers of development as W. Rostow in the immediate post World War II. Countries should expand themselves by following a number of development stages (five in his book of 1950) to achieve mass consumption of the middle classes and social well-being. This vision of "gradualism" was widely distributed to developing countries (during decolonization post 1945) but also to countries in search of a politically stable and economically legitimizing development policy. Few countries or economies have actually followed these steps but the idea of a development allowing the majority of the population to have access to mass consumer goods and social welfare has greatly influenced the minds of decision makers and political economists (mainly orthodox but not exclusively). The developed capitalist countries experienced a prosperous period (1945-1970) during which the wage growth rate exceeded the growth in labour productivity and was named as the golden age of capitalism perpetrated by post- Keynesians ("30 Glorious Years" in the words of J. Fourastié). These middle classes in skilled jobs related to productivity growth and industrialization could count on a welfare state which was often related to a series of quality public services (health, pensions, education, infrastructure, transportation, innovation, etc ...).

In developing countries, especially in countries that have promoted industrialization (for import substitution as in the case of some Latin American countries like Brazil, Argentina or Mexico in particular under the intellectual sponsorship of the ECLAC), a middle class (medium - high) has actually emerged. This middle class was reduced to a small parcel of the population, containing in particular public officials (including military). The vast majority of the population continued to live in underdevelopment (although we can not discuss here this particular point): the economy was dualistic and could be characterized by strong social and structural heterogeneity (Saludjian, 2010) . Public services benefited primarily to the Medium- High class while the vast majority of the population survived in poverty, without access to employment, and did not have basic public services (Pochmann, 2014) and (Salama, 2013).

The debt crisis of the 1980s and the neoliberal structural adjustment policies<sup>4</sup> have generated a new round of poverty and destruction of essential public services (Salama, Valier, 1994). The legitimacy of neoliberal policies has faltered throughout Latin America in the early 2000s and there has been a new political cycle called "progressive" in much of Latin America (Argentina, Brazil, Venezuela, Chile, Uruguay, Paraguay, Ecuador, Bolivia). Lula's ascension in Brazil is part of this cycle.

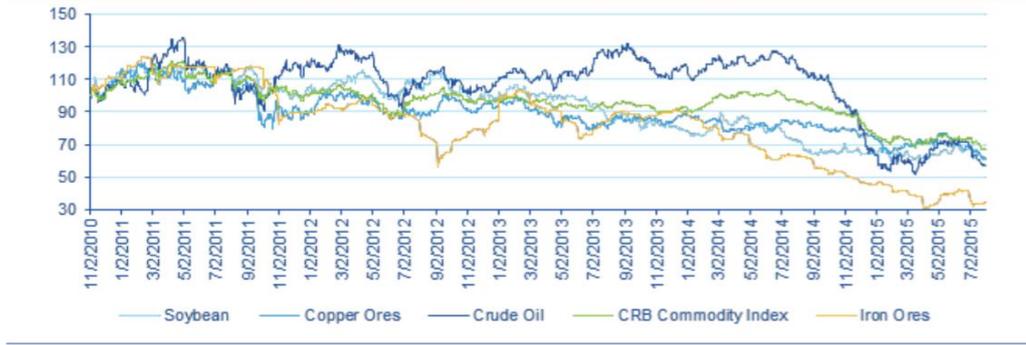
The new international division of labour, the China's economic boom (first partner of Brazil and many other countries of the region since the mid-2000s), and the super-cycle commodities via Chinese demand, (see figure below) all of them went hand in hand with focalised and conditional social policies, cash transfers, a revaluation of the minimum wage, establishing a pension plan / pension for poor farmers (see Lavinás).

Figure 12:

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4 To be more exact, neoliberalism has developed since the 1960s, 1970s in Latin America with the policies of military governments in Brazil and especially with Chilean dictator Pinochet and the Chicago boys and Argentina from 1976. See Carcanholo 2010.

Figure 6  
Global commodity prices have been falling (Index: 2010 = 100)



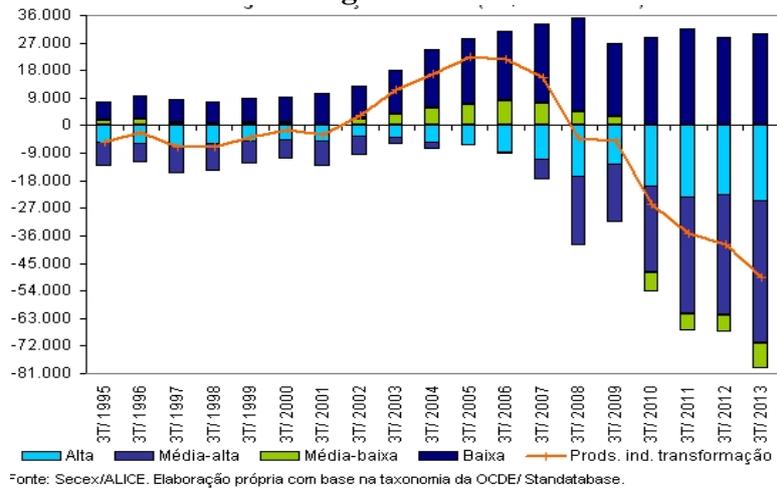
Source: Bloomberg and BBVA Research

Source: BBVA, 2015.

These social policies have been developed for a modest cost; The Bolsa Familia is about 1% of GDP against nearly 10% of the cost to pay the debt service and interest payments. It is also important to consider the specialization in the global economy by reprimarisation and insertion in less dynamic sectors of global value chains. Another point of interest is to observe the de-industrialization of the Brazilian economy (Salama, 2016).

The charts below give an idea of the extent of de-industrialization.

Figure 13 : Transformation industry production by technological intensity and trade balance of each segment 1995- 2013



Fonte: Secex/ALICE. Elaboração própria com base na taxonomia da OCDE/ Standatbase.

Apud Salama ,2016

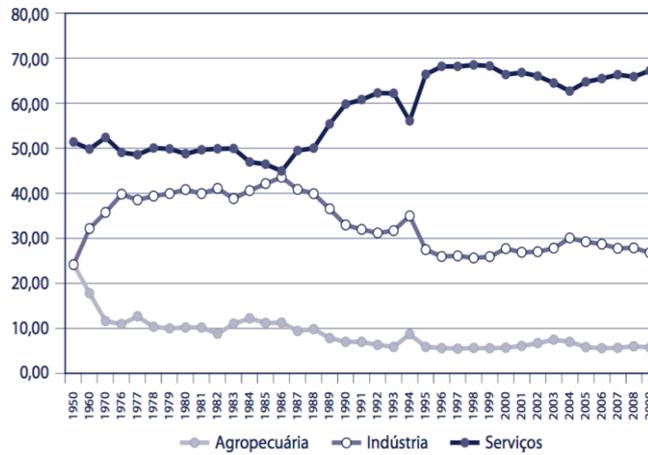
Figure 14 : Evolution of industrial production, 2002 = 100, 2002 to January 2016



Source : Carta IEDI, n°722, 2016, àfrom the IBGE monthly survey, seasonally adjusted (Apud Salama, 2016)

Figure15: value composition (VA) at current prices, according to macro sectors (in%)

Gráfico 1: Composição do valor adicionado (VA) a preços correntes, segundo macrossetores (em %)

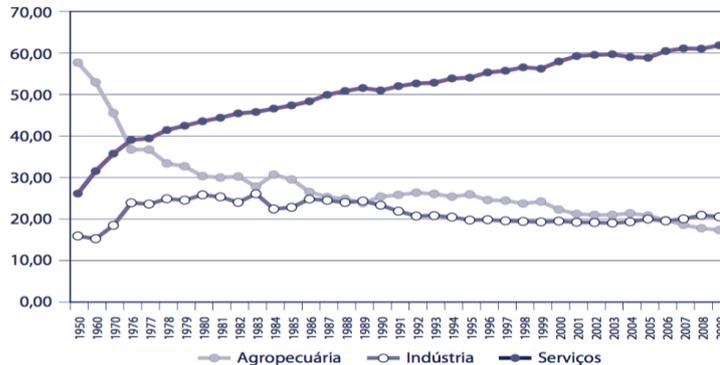


Fonte: Ipeadata e Sistema de Contas Nacionais do Instituto Brasileiro de Geografia e Estatística (IBGE).  
Elaboração dos autores.

note: agricultural/ industry/services  
Source Squeff, 2013

Figure 16: Composition of employed persons, according to macro sectors (in%)

Gráfico 2: Composição do pessoal ocupado (PO), segundo macrossetores (em %)



Fonte: Censo do IBGE e Pesquisa Nacional por Amostra de Domicílios (Pnad) do IBGE.  
Elaboração dos autores.

Source : Squeff, 2013  
Note: agriculture/industry/ services

Productivity has not experienced a very positive development in the years 2000. IPEA-the ECLAC study indicates stagnation and inability to replicate the transformation that took place in

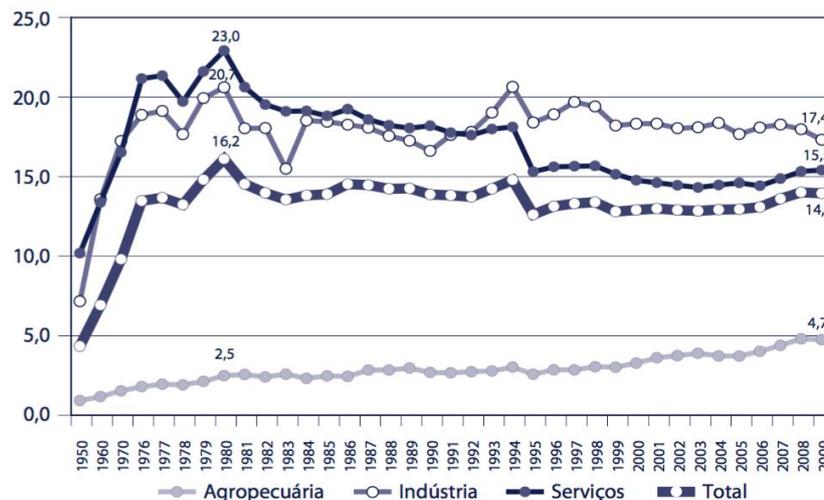
1950-1960.

The great transformation takes place in the years 1950-1970 with a skyrocketing average productivity levels of labour in all sectors, except agriculture. The 1980-1990 years of crisis had a very negative impact on the average productivity when compared to the 1970s. Since 2000, the agriculture (agro-business because of the reprimarisation of the economy) and services sectors (whose jobs are low-skilled in majority, see Squeff, 2013) increased their productivity pulling up the average total productivity.

Figure 17: Evolution of average labour productivity, according to macro sectors (in thousand constant R\$ in 2000)

**Gráfico 3: Evolução da produtividade média do trabalho, segundo macrossetores**

(Em mil R\$ constantes de 2000)



Fonte: Ipeadata, Sistema de Contas Nacionais do IBGE, Censo do IBGE e Pnad do IBGE.  
Elaboração dos autores.

Source: Squeff, 2013.

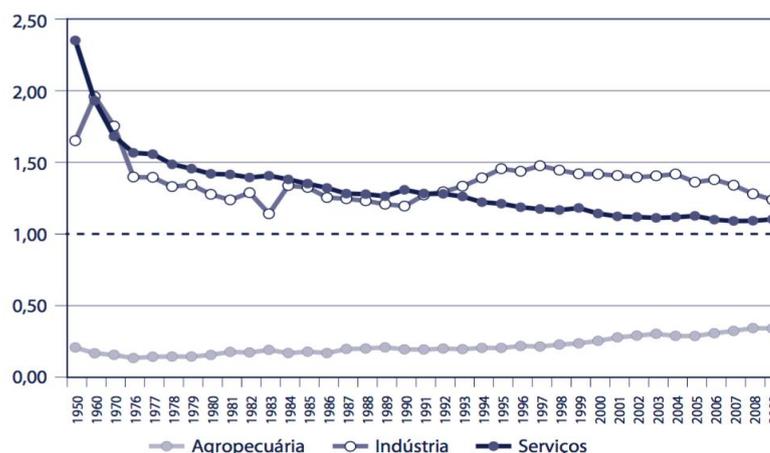
Note: agriculture/industry/ services/total

In the industrial sector, productivity has been stable since 1998 before starting to fall slightly from 2007 (deindustrialization).

The following chart compares the ratio between the average labour productivity for each macro-sector, and the average labour productivity of total employment.

Figure 18 : Ratio of the average labour productivity of the macro sector and the average labour productivity of total employment

**Gráfico 4: Razão entre a produtividade média do trabalho do macrossetor e a produtividade média do trabalho total**



Fonte: Ipeadata, Sistema de Contas Nacionais do IBGE, Censo do IBGE e Pnad do IBGE.  
Elaboração dos autores.

Source: Squeff, 2013

The drop is dramatic for the services sector.

The industrial sector is experiencing a drop until 1990 and then a slight improvement (because of downsizing and plant closures, see J. Katz ECLAC, 2001). Since then, the ratio of industrial productivity on the average total productivity stagnated until 2004 before dropping (the last year of the study is 2009). There is a safe bet that the crisis since then did not improve the situation, but the contrary.

Figure 19: Evolution of average labour productivity, according to productivity levels (quartiles) (in thousand constant R\$ in 2000)

**Tabela 2: Evolução da produtividade média do trabalho, segundo níveis (quartis) de produtividade**

(Em mil R\$ constantes de 2000)

| Quartil      | Nível de produtividade | 2002        | 2003        | 2004        | 2005        | 2006        | 2007        | 2008        | 2009        | Varição <sup>1</sup> |
|--------------|------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|
| 1º           | Alto                   | 120,2       | 119,9       | 123,6       | 122,7       | 124,5       | 125,1       | 130,5       | 133,7       | 1,5%                 |
| 2º           | Médio-alto             | 34,8        | 35,4        | 34,6        | 33,7        | 32,8        | 33,1        | 33,8        | 33,7        | -0,5%                |
| 3º           | Médio-baixo            | 14,7        | 14,5        | 14,2        | 14,4        | 14,1        | 14,1        | 13,9        | 13,5        | -1,1%                |
| 4º           | Baixo                  | 6,0         | 5,9         | 6,0         | 6,0         | 6,1         | 6,5         | 6,8         | 6,7         | 1,7%                 |
| <b>Total</b> |                        | <b>12,3</b> | <b>12,3</b> | <b>12,4</b> | <b>12,4</b> | <b>12,5</b> | <b>13,1</b> | <b>13,5</b> | <b>13,4</b> | <b>1,2%</b>          |

Fonte: Sistema de Contas Nacionais do IBGE.

Elaboração dos autores.

Nota: <sup>1</sup> variação percentual média anual entre 2002 e 2009.

Source: Squeff, 2013

Figure 20: Composition of jobs according to productivity levels (quartiles) (in%)

**Tabela 5: Composição das ocupações, segundo níveis (quartis) de produtividade**

(Em %)

| Quartil | Nível de produtividade | 2002  | 2003  | 2004  | 2005  | 2006  | 2007  | 2008  | 2009  |
|---------|------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| 1º      | Alto                   | 2,89  | 2,85  | 2,76  | 2,90  | 2,91  | 3,06  | 3,03  | 3,03  |
| 2º      | Médio-alto             | 3,39  | 3,58  | 4,09  | 3,59  | 3,65  | 3,80  | 3,88  | 3,79  |
| 3º      | Médio-baixo            | 23,88 | 23,89 | 23,86 | 24,02 | 24,88 | 25,77 | 26,58 | 26,85 |
| 4º      | Baixo                  | 69,85 | 69,68 | 69,30 | 69,48 | 68,56 | 67,38 | 66,51 | 66,33 |

Fonte: Sistema de Contas Nacionais do IBGE.

Elaboração dos autores.

Source: Squeff, 2013

The growth regime in Brazil during the 2000s can therefore be characterized by deindustrialization and stagnating productivity gains. These macro-structural phenomena are combined in the case of Brazil with a partial reduction of inequalities (income only), a valuation of the minimum wage in the formal sector (although as discussed the minimum wage is largely underestimated), cash transfers, pensions for the poorest.

The conclusion is that we are far from the structure related to the emergence of the middle class during the Golden era boom in developed countries (industrialization, productivity gains, qualification).

Export growth has not led a virtuous effect on employment in terms of volume in Brazil

(around 10% of the direct and indirect employment) or quality (Castilho, Saludjian, 2016)) unlike the countries of Asia. (Salama, 2012: early industrialization in Asia and deindustrialization in Latin America).

When one observes the investment growth rate and knowing that the rate of the Gross Fixed Capital Formation (GFCF) as a proportion of GDP has reached around 20% of GDP during one or two years before falling to 16 or 17% today, we also understand the magnitude of the crisis in Brazil<sup>5</sup> :

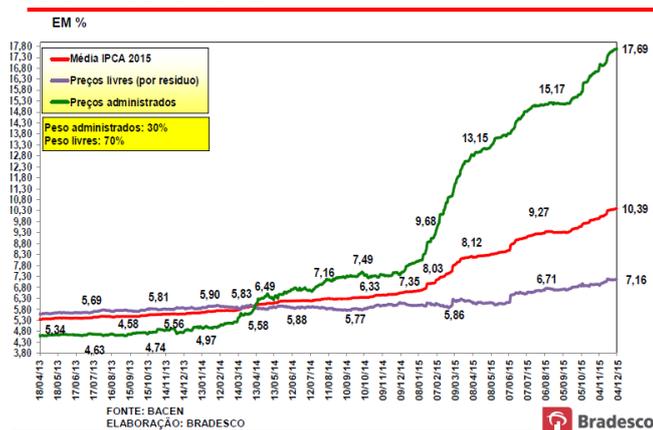
Table 2: Growth rate of investment in%

| 3° trim. 2008 | 3° trim.2009 | 3°trim.2010 | 4°trim.2012 | 1°trim.2014 | 4°trim.2015 |
|---------------|--------------|-------------|-------------|-------------|-------------|
| 14.4          | -4.1         | 19.5        | 0.8         | 6.1         | -14.1       |

Source IBGE Note: Accumulated over 4 quarters percent, seasonally adjusted

One of the characteristics of Latin American economies is structurally and historically high inflation (phenomenon studied an original way by the authors of ECLAC in the 1950s, see the discussion of inertial inflation). The graph below shows that if the period of the Real Plan (1994) experienced a low inflation level, there is a clear rise tendency since 2014, 2015.

Figure 21 : **inflation, stock prices and administered prices**  
MÉDIA DAS EXPECTATIVAS PARA PREÇOS LIVRES E PREÇOS ADMINISTRADOS PARA 2015



Apud, Salama 2016.

Used sometimes to justify also historically and structurally high interest rates (mainly the rate benchmark interest of the Central Bank - SELIC), the fight against inflation justified the adoption of monetary policy since 1994 based on an inflation target (inflation targeting) controlled by the very high interest rates and handling two other orthodox macroeconomic policies elements: flexible exchange rate (to adjust the external accounts) and an increasing primary surplus (to contain public debt).

The level of the base rate (SELIC) made Brazil a financialized economy (Salama, Chesnais and chart below).

Figura 22:

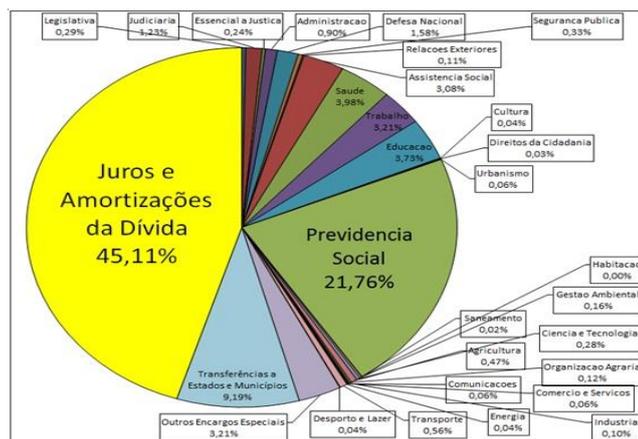
5 See Costa Pinto E. et alii for a detailed study of the Political Economy with the Workers Party Presidential period (from 2002 on).

[http://www.ie.ufrj.br/images/pesquisa/publicacoes/discussao/2016/TD\\_IE\\_004\\_2016\\_COSTA\\_PINTO\\_et\\_al.pdf](http://www.ie.ufrj.br/images/pesquisa/publicacoes/discussao/2016/TD_IE_004_2016_COSTA_PINTO_et_al.pdf)



This financialization of the Brazilian economy has a major impact on debt service spendings that reached in 2016 nearly 10% of GDP! This represents nearly 45% of the budget of the Brazilian Federal State (even if part of it is swapped by the Treasury for Bonds). See the chart below of the Audit of Debt

Figure 23: Distribution of the budget of the federal state in 2014



Source : Senado Federal- sistema Siga Brasil, elaboração : Cidada da dívida, M.L. Fattorelli et R.Avila

In the budget of the federal state in 2014, only 3.75% are for education, and 3.98% for health comparing to nearly half for the payment of debt service.

This last point brings us to discuss in the next section of the welfare state in the Periphery Liberal Model (PLM) (see Filgueiras, et alii).

## 2.2 Welfare state in Brazil

Another major difference between the case of the middle class in developed countries and developing countries is the availability of essential public services in developing countries and specifically in Latin America and Brazil. The State proposed and built imperfect and fragmentary public services for a population reduced to medium-high classes (from industrialization and civil servants) (See César Giraldo, Salama 2010 and 2012 on the State). This traditional middle class (high segment) was not dependent on public essential services as the misnamed current "new middle class" . Now that population (NMC) has acquired a purchasing power (without going into the details on what kind of consumption), it has a fundamental need for basic public services:

education, health, transport and health infrastructure. All these services have historically failed to attend the needs of the population in a satisfactory way in Brazil and in many other Latin American countries.

The crisis of 1980/1990 and neoliberal policies used to privatize the public services have been terrible for all those yet critical sectors. The privatization of these utilities yet (to "reduce state spending and ensure " macroeconomic stability " via orthodox monetary policies) have made these services unaffordable for this part (NMC) of the population. They are able to consume (and have a job in low qualified jobs), none the less they remain confined to a level of lower middle class curling with poverty (defined by the government in monetary terms only). These services are also about to be unaffordable for traditional high Medium-class that is also affected by inflation and by the austerity policies. These elements can explain their growing exasperation.

IN 2014, nearly 9% of the Brazilian population did not study for at least one year and almost 30% less than 5 years and over 50% less 8 years. The situation has certainly improved since 2003 but still very slowly.

Figure 24: 10 years old or older % of the total population, by number of years of study

| Tabela 272 - Pessoas de 10 anos ou mais de idade, por situação, sexo e anos de estudo |        |        |
|---|--------|--------|
| Brasil  |        |        |
| Variável = Pessoas de 10 anos ou mais de idade (Percentual)                           |        |        |
| Situação do domicílio = Total   |        |        |
| Sexo = Total  |        |        |
| Grupos de anos de estudo  | Ano    |        |
|   | 2003   | 2014   |
| <b>Total</b>  | 100,00 | 100,00 |
| <b>Sem instrução e menos de 1 ano</b>   | 11,53  | 8,85   |
| <b>1 ano</b>  | 2,66   | 1,79   |
| <b>2 anos</b>   | 4,84   | 3,39   |
| <b>3 anos</b>   | 7,33   | 5,00   |
| <b>4 anos</b>   | 13,35  | 10,01  |
| <b>5 anos</b>   | 8,10   | 6,37   |
| <b>6 anos</b>   | 5,28   | 4,46   |
| <b>7 anos</b>   | 5,43   | 4,54   |
| <b>8 anos</b>   | 9,28   | 9,87   |
| <b>9 anos</b>   | 3,43   | 3,64   |
| <b>10 anos</b>  | 3,39   | 3,59   |
| <b>11 anos</b>  | 16,03  | 22,66  |
| <b>12 anos</b>  | 1,43   | 2,63   |
| <b>13 anos</b>  | 1,11   | 1,68   |
| <b>14 anos</b>  | 1,02   | 1,77   |
| <b>15 anos ou mais</b>  | 5,25   | 9,49   |
| <b>Não determinados e sem declaração</b>  | 0,55   | -      |
| <b>Não determinados</b>   | -      | 0,24   |

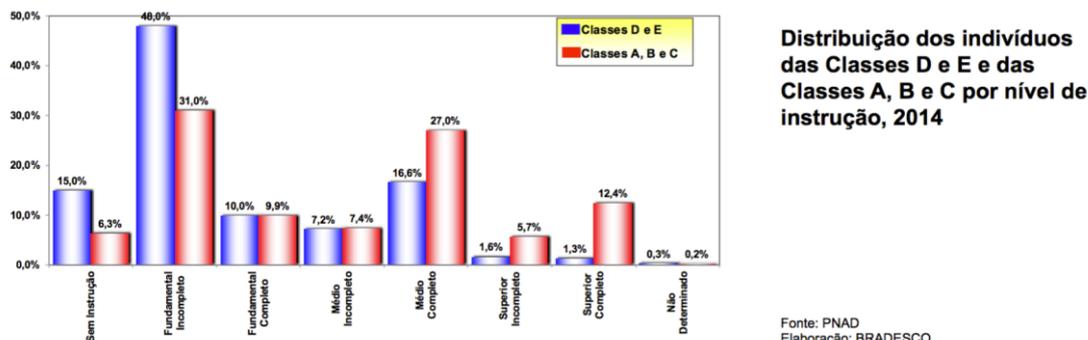
**Nota:**

- 1 - Até 2003, exclusive a população da área rural de Rondônia, Acre, Amazonas, Roraima, Pará e Amapá.
- 2 - A partir de 2007: a categoria **Sem declaração** não foi investigada.
- 3 - Os valores desta tabela foram reponderados com base na Projeção da População do Brasil e das Unidades da Federaçã

**Fonte: IBGE - Pesquisa Nacional por Amostra de Domicílios**

Even though we remain critical vis-à-vis this classification, the figures for 2014 show that nearly 95% of individuals in classes D and E (up to R\$ 1,646.00 nearly two official Minimums Salaries) attended up until the middle school level (education to 6 years and it is compulsory up to 16 years). Still 48% of the E and D classes did not finished primary school in 2014.

Figure 25: distribution of individuals of the classes D and E and Classes A, B and C by education level, 2014



The Universal Health System (SUS in Portuguese) is a conquest enshrined in the 1988 Constitution and is fully funded by the state. Fragile and financially broken, SUS suffered the brunt of the austerity policies and budget cuts while the public system is responsible for over 74% (in 2008) of the Brazilian population who can not afford an private health coverage (overly expensive).

Figure 26: Resident population, by health plan coverage and monthly family income class

| Tabela 2496 - População residente, por cobertura de plano de saúde e classes de rendimento mensal familiar |                                       |        |        |
|--|---------------------------------------|--------|--------|
| Brasil   |                                       |        |        |
| Variável = População residente (Percentual)  |                                       |        |        |
| Cobertura de plano de saúde  | Classes de rendimento mensal familiar | Ano    |        |
|  |                                       | 2003   | 2008   |
| Total  | Total                                 | 100,00 | 100,00 |
|  | Até 1 salário mínimo                  | 12,98  | 11,63  |
|  | Mais de 1 a 2 salários mínimos        | 20,41  | 21,57  |
|  | Mais de 2 a 3 salários mínimos        | 16,27  | 17,26  |
|  | Mais de 3 a 5 salários mínimos        | 19,06  | 20,26  |
|  | Mais de 5 a 10 salários mínimos       | 15,56  | 15,70  |
|  | Mais de 10 a 20 salários mínimos      | 7,37   | 6,35   |
|  | Mais de 20 salários mínimos           | 3,68   | 2,64   |
|  | Sem rendimento                        | 2,63   | 1,66   |
|  | Sem declaração                        | 2,03   | 2,93   |
|  | Não cobertos                          | Total  | 75,53  |
| Até 1 salário mínimo   |                                       | 12,61  | 11,18  |
| Mais de 1 a 2 salários mínimos   |                                       | 19,04  | 19,69  |
| Mais de 2 a 3 salários mínimos   |                                       | 13,98  | 14,52  |
| Mais de 3 a 5 salários mínimos   |                                       | 14,31  | 14,77  |
| Mais de 5 a 10 salários mínimos  |                                       | 8,75   | 8,27   |
| Mais de 10 a 20 salários mínimos   |                                       | 2,54   | 1,97   |
| Mais de 20 salários mínimos  |                                       | 0,63   | 0,46   |
| Sem rendimento   |                                       | 2,44   | 1,51   |
| Sem declaração   |                                       | 1,23   | 1,73   |
| Cobertos   |                                       | Total  | 24,46  |
|  | Até 1 salário mínimo                  | 0,37   | 0,44   |
|  | Mais de 1 a 2 salários mínimos        | 1,38   | 1,88   |
|  | Mais de 2 a 3 salários mínimos        | 2,29   | 2,74   |
|  | Mais de 3 a 5 salários mínimos        | 4,74   | 5,49   |
|  | Mais de 5 a 10 salários mínimos       | 6,81   | 7,43   |
|  | Mais de 10 a 20 salários mínimos      | 4,83   | 4,38   |
|  | Mais de 20 salários mínimos           | 3,05   | 2,17   |
|  | Sem rendimento                        | 0,19   | 0,16   |
|  | Sem declaração                        | 0,80   | 1,20   |

Nota:  
 1 - a categoria **Cobertos** inclui as pessoas que não declararam a situação do titular ou do dependente no plano de saúde principal.  
 2 - A categoria **Sem rendimento** inclui as pessoas que receberam somente em benefícios.  
 3 - Exclusivos os **Rendimentos** das pessoas de menos de 10 anos de idade e das pessoas cuja condição na família era pensionista, empregado doméstico ou parente de empregado doméstico.  
 4 - Os dados desta tabela foram reponderados pelo peso definido pela Contagem da População de 2007.

Fonte: IBGE - Pesquisa Nacional por Amostra de Domicílios

Source: Our elaboration with IBGE data

In terms of wastewater infrastructure, 76% of households in Brazil have a sanitary system to treat wastewater (although overall figure masks wide regional disparities: North: 54% Northeast 61 % Southeast 91% South 81% and Central West: 60%). (Numbers, IBGE-PNAD 2014). This obviously has consequences in the current rampant epidemics that happens in Brazil (Zika virus, dengue).

Transportation investments are largely inadequate. Popular demonstrations during the 2013 Confederations Cup because of increased transportation ticket fare in cities across the country are examples.

Proposals reforming the Labour Code (CLT in Portuguese inherited from the period Vargas in

the 1940s) threaten acquired rights (unemployment benefits, risk benefits, etc.) and the PAYG pension system has been reformed in favour of funded pension (at the beginning of the first term of President Lula) satisfying the interests of the omnipresent and omnipotent finance sector.

### **3. Conclusion:**

It appears from the considerations presented above that the introduction the "new middle class" as a case study for a stable and just development model is largely insufficient.

This is to better qualify the debate despite his passionate nature since 2013 (during the Confederation Cup).

Industrialization policies must go hand in hand with economic policies oriented towards quality employment and stable: the antithesis of the current finance-growth regime.

Contrary to liberal austerity policies applied today in Brazil but also in Europe, progressive and homogenizing reforms are more than ever necessary and urgent in the political as well as in the fiscal fields.

We must salute policies that enabled a substantial portion of the population to get out of poverty but a development model must be judged on its ability to maintain this population away of poverty, and more, to ensure quality improvement perennial and stable life for future generations.

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