Why is poverty so high among black Brazilians? A decomposition analysis of the gap in poverty rates by ethnic group

Carlos Gradín
Universidade de Vigo

Brazilians can be roughly divided into two major groups by skin color or race according to their self-identification in household’s surveys: browns and blacks on the one hand, which constitute the disadvantaged group, and whites on the other, the affluent group. Other ethnic minorities like indigenous and Orientals account for less than one percent of the population.

Poverty incidence in Brazil among black and brown populations is more than twice as high as among whites. This big gap in poverty rates might have different explanations. It might be related to lower human capital endowments and to a poorer performance of colored people in the labor market obtaining lower returns to their characteristics. But it might be also related to discrepancies in other distinct relevant attributes of the disadvantageous groups, like a larger number of families with children or its overrepresentation in the most rural and poorest areas in the North of the country.

In this paper we measure the racial gap in poverty rates as the difference in the headcount ratio of black and brown Brazilians with respect to that faced by whites using the PNAD surveys undertaken by IBGE. Then we aim at disentangle which part of this racial gap is associated with differences in their socio-demographic and labor characteristics and what part can be explained by a different impact of these characteristics on the probability of being poor. Further, a detailed decomposition will allow us to find out what is the contribution of each individual characteristic to the gap through both endowment and price effects. Given the inadequacy of the traditional analysis of poverty decomposition by subpopulations to account for these individual contributions, in this paper we make use of Oaxaca-Blinder type decomposition techniques adapted for the case of non-linear regressions.