

# Going private: public sector rents and privatization in Brazil

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**Abstract:** The question of whether public sector workers are overpaid when compared to their similar private sector counterparts has been the subject of a substantial amount of research over the last three decades, especially in developed countries. Most of the studies find a public sector wage premium, with more recent evidence showing that the differentials are larger for unskilled workers and at the lower end of the wage distribution. Although some attempts have been made to deal with selection/sorting issues, a recent review points to "...a lack of evidence based on treatments - of which the wholesale attempts to privatize ... around the world would seem to be obvious candidates" (Disney, 2007). The main objective of this paper is to study public/private wage differentials in a large developing country, Brazil. We exploit information provided by mass layoffs that resulted from large scale privatization of state-owned enterprises in Brazil over the 1990s. By using a large and detailed longitudinal data set on formal workers, RAIS (*Relação Anual de Informações Sociais*), from 1995 to 2002, we attempt to shed light on the magnitude and nature of public sector rents in Brazil. We track workers fired during privatization episodes and record their wages when hired by the private sector. We compare their earnings trajectories with those of similar groups of workers fired by the private sector (in episodes of mass layoffs) in the same years. Preliminary results will be presented.