Teacher earnings
High heterogeneity across regions

Net Value Effect
Summary of Results

<table>
<thead>
<tr>
<th></th>
<th>Winner</th>
<th>Loser</th>
</tr>
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<tbody>
<tr>
<td>Binding</td>
<td>$W↑$</td>
<td>$W↓$</td>
</tr>
<tr>
<td>E, S → S/E</td>
<td>$E↑$, $S↑$ → S/E↑</td>
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<tr>
<td>Not-binding</td>
<td>N/A</td>
<td>$W↓$</td>
</tr>
<tr>
<td>E↓, S↓ → S/E</td>
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</tbody>
</table>

$W =$ Wages, $E =$ Employment (Number of Teachers), $S =$ Number of Students

Independent of the value transferred, being a winner or a loser in the redistribution matters to hiring decisions

It is not only the ability to pay that determines wages.

The bargaining power of governments and teacher unions matter to hiring decisions.

Empirical Strategy:

1. Net-Value Effect of FUNDEF transfer:
   Difference-in-Differences approach
   • Belonging to one of these groups compared to a group of "neutral" municipalities (those where net-FUNDEF per student is close to zero).
2. Absolute-Value Effect of FUNDEF transfer:
   Simulated instrument approach
   • Simulation of the amount of funds each municipality would have received if the population of 7-to-14-year olds was maintained constant to the value prior to the introduction of the reform, in 1996.

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