

Employment Preferences of Favela Residents

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Abstract

We document employment preferences of workers at the margin of informality using open-ended questions and discrete choice experiments in Brazil's largest favela complex. Stated preferences emphasize pay and tangible job benefits rather than meaning or purpose, while primary complaints center on poor management, customers, and inflexible schedules. Workers exhibit high valuations for all formal sector amenities on average—unemployment insurance, parental leave, and termination notice—as well as for learning opportunities, but lower for non-formal sector amenities such as shorter commutes. Valuations vary systematically by employment sector in ways consistent with sorting: formal workers value formal amenities most, the self-employed value them least or not at all, and the informally employed exhibit mixed valuations. These patterns are also consistent with learning and endowment effects, for which we find suggestive evidence.

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1 Introduction

What do workers at the margin of informality value at work? We answer this question using novel survey data on the employment preferences of residents of Brazil’s largest *favela* complex. Recent work shows that workers value job amenities beyond wages, including meaning and purpose (Ashraf et al., 2025) and scheduling flexibility (Mas and Pallais, 2017), but this evidence is predominantly from developed countries. Models of informality emphasize compensating differentials between formal and informal employment (Meghir, Narita and Robin, 2015; Haanwinckel and Soares, 2021), yet direct evidence on the preferences of workers at the formal-informal boundary remains scarce. We combine open-ended questions with discrete choice experiments to estimate willingness to pay for amenities specific to formal employment (unemployment insurance, parental leave, and termination notice) and for highly ranked attributes not specific to it (learning opportunities and commute time).

We report four findings. First, open-ended responses suggest that workers value formal employment benefits, flexibility, and learning opportunities. Second, workers’ primary complaints about current or past jobs center on poor management, difficult customers, and inflexible schedules. Third, discrete choice experiments reveal high willingness to pay in forgone wages for all formal sector amenities on average: 34% for unemployment insurance, 24% for parental leave, and 18% for termination notice. Learning opportunities are valued at 28% and shorter commutes at 12%. Fourth, valuations vary systematically by employment sector in a way that is consistent with sorting. Formal sector workers value formal sector amenities most, while the self-employed value them least (parental leave) or not at all (termination notice). The informally employed exhibit mixed valuations—unemployment insurance (UI) as highly as formal workers, but not termination notice, similar to the self-employed—while the unemployed value UI and learning opportunities most. These patterns are also consistent with learning on-the-job (about the value of amenities) and endowment effects. We find suggestive evidence for both.

These results indicate that pay and other tangible benefits, rather than meaning or purpose, drive labor supply decisions for workers on the cusp of informality, and that workers sort, especially into self-employment, based on their preferences for sector-specific amenities. The role of learning and endowment effects in shaping the supply side of informality merits further investigation.

2 Context and Research Design

Labor markets in Brazil. Substantial informality characterizes the Brazilian labor market: 38% of workers are in the informal sector (IBGE, 2025). Formal employment requires a signed work card (*carteira de trabalho*) that registers the worker’s employment history and guarantees access to labor rights (Ulyssea, 2018). These rights include paid vacation, a thirteenth salary (annual bonus), severance protection, social security contributions toward retirement, and regulated working hours. Those without a signed *carteira* lack these protections, but typically enjoy greater flexibility in schedules and hours.¹

¹See Online Appendix E for additional details on institutional definitions (e.g., what termination notice entails in Brazil), data limitations, and experimental design choices.

Favelas in Rio de Janeiro. Brazilian favelas are urban neighborhoods of dense informal settlements, home to around 1.4 million people in the city of Rio de Janeiro alone. Using data from the 2010 Brazilian Census, Table A.1 shows that favela residents are less likely to be literate (84% vs. 92%), less likely to self-identify as white (33% vs. 57%), and have substantially lower per capita income (R\$383 vs. R\$1,376) than non-favela residents. Our study took place in *Complexo da Maré*, Brazil’s largest favela complex with a population of 130,000 people. Table A.1 shows that Maré’s characteristics align closely with other favelas in Rio, suggesting that our findings generalize to similar contexts.

Sample. We surveyed 700 Maré residents aged 18–30 who are working or actively seeking employment. We recruited participants through door-to-door household surveys, visiting all households building-by-building during weekday evenings and weekend afternoons. We collected responses from one eligible individual per household across three collection waves between September and November 2025. Table A.2 presents summary statistics for our sample. Among respondents, 76% are female with an average age of 24, 75% identify as Black or mixed-race, and 74% were born in Maré. Over half (56%) have children, and 19% receive the Bolsa Família cash transfer. Regarding employment, 61% are currently employed, with formal sector workers comprising 30% of the sample and informal sector workers comprising 17%; 14% are self-employed. The remaining 39% are unemployed. About half (52%) are actively searching for jobs. Average monthly wages among those with work experience are R\$1,573, close to the R\$1,606 reservation wage among those who never worked.

Open-ended questions. Following a growing economics literature, we elicit what is top of mind for workers by asking open-ended questions about employment preferences (Haaland et al., 2024). This method avoids leading participants toward answers based on researcher-determined categories. We instructed surveyors not to provide specific examples and to write down participants’ answers as closely as possible to what they actually said. We present data from three open-ended questions: (i) *Dream job*: “What would your dream job have or offer you? Tell us some characteristics your dream job would have.” (ii) *Value in job*: “Besides salary, what else do you look for in a job?” (iii) *Dislike in job*: “What do you like least in your current [last] job?” We analyze these open-text responses in two complementary ways. First, we present word clouds showing the most frequently mentioned terms in the raw data, excluding connectors and articles. Second, we systematically code all responses into non-mutually exclusive categories and conduct qualitative analysis. Online Appendix C explains the coding process.

Discrete choice experiments. We estimate willingness to pay for different job amenities using five discrete choice experiments. In each experiment, we showed two hypothetical jobs side-by-side, “Job A” and “Job B”, which featured a wage and benefits specific to formal employment in Brazil (unemployment insurance, parental leave, and termination notice), as well as attributes that are not specific to formal employment (learning opportunities and commute time; see Figure B.3). The two jobs were described as involving

identical tasks and responsibilities but differed in the wage and one non-wage attribute—the job with the amenity featured a randomly assigned lower wage relative to the job without it.² As in Mas and Pallais (2017), “Job A” mirrored the respondent’s job to make the options realistic to respondents, but surveyors did not explicitly inform them of this. We used a large wage difference span uniformly distributed from –30% to +30%, ensuring that even large valuations would be within the support of the experimentally-assigned wage differences.³ We define the willingness to pay for amenity a as the amount of money that makes respondents indifferent between the two jobs, and express it as a share of the wage for the job without the amenity. See Online Appendix E for details.

3 Results

We present four findings about favela residents’ preferences over employment arrangements based on open-text responses and our discrete choice experiments.

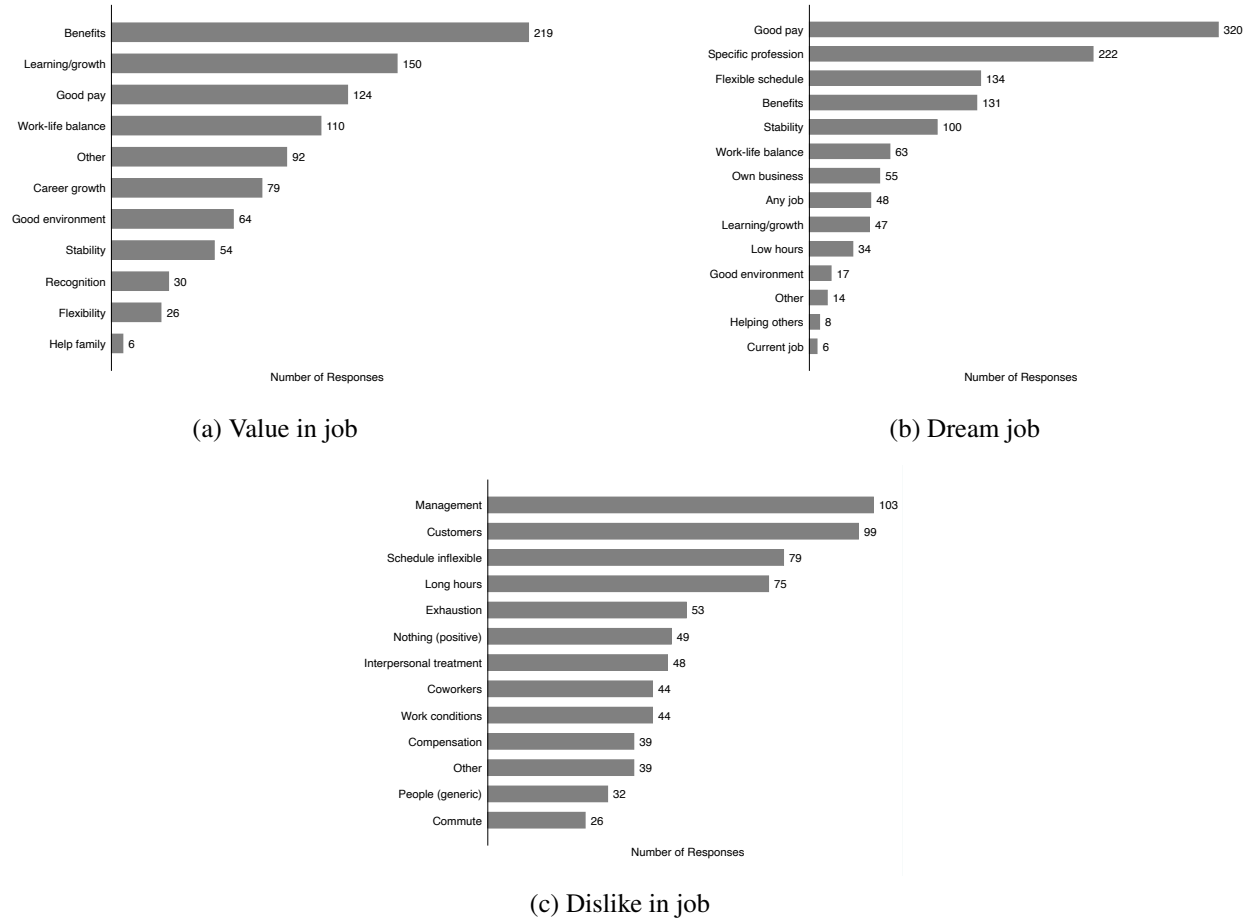
Finding 1: Formal employment benefits, learning opportunities, schedule flexibility, and adequate pay are the attributes most frequently highlighted by workers. When describing what they value most in a job, benefits such as health insurance and meal vouchers are the most frequently mentioned attribute (31.3%), followed by learning and professional growth opportunities (21.4%) and good pay (17.7%) (Figure 1a). Frequently mentioned terms include “learning,” “experience,” “benefits,” “health,” “insurance,” “salary,” “growth,” “knowledge,” and “development” (Figure B.1a). A similar pattern appears when workers describe their dream job, with adequate pay (45.7%), working in a desired profession or field (31.7%), schedule flexibility (19.1%), and formal benefits (18.7%) among the most frequently mentioned attributes (Figure 1b). Frequently mentioned terms include “salary,” “schedule,” “voucher,” “food,” “stability,” “health,” “benefits,” and “flexible” (Figure B.1b). Only 8 respondents mention characteristics related to intangible attributes, such as “helping others.”

Finding 2: Workers’ primary complaints about their jobs center on dealing with difficult clients or colleagues, schedules, and workload. Figure 1c shows that management and organizational problems are the top complaint (16.3%), including poor management, lack of support, being assigned multiple job functions, and poor communication. Difficult customers, clients, or patients rank second at 15.7%, followed by inflexible schedules at 12.5%. Excessive work hours appear in 11.9% of responses, while physical and mental exhaustion is mentioned by 8.4%. Notably, direct complaints about compensation appear in only 6.2% of responses. Consistent with these patterns, popular terms include “schedule,” “clients,” “workload,” “hours,” and “people” (Figure B.1c).

²The exception was the attribute commute time, for which the alternative commute time in Job B and its corresponding wage were randomized regardless of whether they might be dominated options. We converted commute time to a “shorter commute” amenity in the analysis that follows.

³We increased that range to [–60%, +60%] near the end of data collection upon noticing that a substantial share of respondents always chose the same option; we collected only 78 observations under the expanded range.

Figure 1: Frequency distribution of open-text response categories



Notes: Panel (a) shows the frequency of responses to “Besides salary, what else do you look for in a job?” (N = 700). Panel (b) shows the frequency of responses to “What would your dream job have or offer you?” (N = 700). Panel (c) shows the frequency of responses to “What did you like least about your most recent job?” (N = 631). Categories are non-mutually exclusive.

Finding 3: High willingness to pay for formal sector job amenities. Column (1) of Table 1 presents our estimates of willingness to pay for job amenities in the pooled sample.⁴ Favela residents are willing to pay up to 33.6% in forgone wages to obtain unemployment insurance, 24.3% for parental leave, and 18.3% for termination notice. They are also willing to pay up to 28.5% in forgone wages for learning opportunities and up to 11.8% for shorter commutes.

Finding 4: Preference heterogeneity consistent with sorting, especially into self-employment. Columns (2)-(5) of Table 1 show our willingness to pay estimates for job amenities separately by respondents’ employment sector, while Columns (6)-(8) show p-values testing the difference between formal vs. informal (6), informal vs. self-employed (7), and formal vs. unemployed (8) valuations. Formal sector workers value formal sector amenities the most, while the self-employed value these the least (parental leave) or not at all (UI and

⁴See Online Appendix D for a formal definition of willingness to pay, how it relates to respondents’ preference parameters for amenities, and how we estimate these preference parameters leveraging the discrete choice experiments. Appendix Figure B.2 shows the experimental variation used to identify the preference parameters that inform our estimates of willingness to pay.

termination notice). Informal workers' valuations align with formal workers for some amenities (UI and parental leave) but resemble the self-employed for others (termination notice). The unemployed value learning opportunities the most, shorter commutes the least. These patterns are consistent with workers sorting into sectors, especially into self-employment (or out of wage work), based on preferences for job amenities.⁵

Table 1: Willingness to pay for job amenities among favela residents

	Heterogeneity by respondent current employment					P-values for difference test		
	(1) All	Wage work		(4) Self-empl	(5) Unemployed	(6) (2)=(3)	(7) (3)=(4)	(8) (2)=(5)
		(2) Formal	(3) Informal					
Unemployment insurance	0.336*** (0.021)	0.375*** (0.040)	0.338*** (0.064)	0.097 (0.069)	0.393*** (0.042)	0.599	0.004	0.759
Parental leave	0.243*** (0.020)	0.210*** (0.032)	0.302*** (0.056)	0.185*** (0.053)	0.267*** (0.038)	0.127	0.108	0.242
Termination notice	0.183*** (0.020)	0.260*** (0.035)	0.108 (0.071)	0.014 (0.086)	0.189*** (0.039)	0.023	0.308	0.162
Learning opportunity	0.285*** (0.022)	0.212*** (0.031)	0.215*** (0.057)	0.286*** (0.057)	0.393*** (0.041)	0.955	0.362	0.000
Shorter commute	0.118*** (0.023)	0.125*** (0.032)	0.218*** (0.074)	0.158** (0.063)	0.028 (0.049)	0.218	0.503	0.080
<i>N</i>	2170	670	380	330	790			

Notes: This table shows estimates of willingness to pay for job amenities estimated for all respondents in Column (1) and separately estimated by respondent employment sector in Columns (2)-(5). Columns (6)-(8) show p-values for a test of equality between the coefficients indicated in each column. We estimate preference parameters from a logit regression where the outcome variable is a dummy for whether the respondent chose the job with the amenity, and the explanatory variables are the random log wage gap (wage gap = wage of job with amenity / wage of job without it), and five amenity dummies. WTP estimates are expressed as percentages of the wage for the job without the amenity and are based on the attention sample. An observation is a respondent $\times$ amenity experiment pair. A visual display of the experimental variation underlying estimates in Column (1) is shown in Appendix Figure B.2. Standard errors shown in parentheses are clustered at the respondent level and bootstrapped with 1,000 replications. See Online Appendices C and D for details. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

4 Discussion

We document employment preferences of workers at the margin of informality using open-ended questions and discrete choice experiments in Brazil's largest favela complex. Pay and other tangible benefits are the most prominent terms in stated preferences, while complaints about current jobs center on poor management and schedules. Most but not all workers are willing to pay for formal amenities, and preference heterogeneity by employment sector suggests sorting, especially into self-employment, based on their preferences for sector-specific amenities. Preliminary evidence of learning and endowment effects points to promising avenues for understanding informal labor supply.

⁵This evidence is consistent with respondents' stated job search behavior, including on-the-job search. Appendix Table A.4 shows that most job seekers are looking for either formal employment or for self-employment opportunities. We see no systematic sectoral sorting by demographics (Appendix Table A.3) and limited evidence of preference heterogeneity by demographics (Appendix Table A.6). The only notable difference is that women value parental leave more (31%) than men (7.5%). The patterns in Appendix Table 1 are also consistent with preference-shaping forces, such as learning on-the-job (about the value of amenities) or endowment effects. We see suggestive evidence of both. On learning, Appendix Table A.7 shows that the high valuation for parental leave among those currently self-employed is driven by respondents who previously worked in the formal sector. On endowment effects, Appendix Table A.8 shows that willingness to accept (i.e., wage increase needed to forgo an amenity among those who have it in their current job) is higher than willingness to pay for all amenities.

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