

SOCIAL PANORAMA OF LATIN AMERICA 2000-2001

SEPTEMBER 2001 **No.18**

REGIONAL PERSPECTIVE

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United Nations

ECLAC

Economic Commission for Latin America and the Caribbean

As the 1990s drew to a close, 43.8% of Latin Americans were living in poverty, while 18.5% of them were indigent. In 1999, the percentage of poor people was greater than in 1980, with more than 211 million of them living in this condition, and 89 million of them below the poverty line.

The achievements of the 1990s, in terms of reducing the relative rate of poverty at both

the household and the personal level, was not enough to completely counteract the demographic growth of the period: between 1990 and 1999 poverty rose by 11 million people. In contrast, during those same years, the number of indigents fell by around four million.

This was the main finding of the *Social Panorama of Latin America 2000-2001*, an

(continued on page 3 →)

Latin America (19 Countries): Changes in Some Socio-Economic Indicators, 1990-2000

Country	Year	Per capita GDP (average annual change, %) a/	Urban Unemployment Simple average for the period (%)	Average real remuneration b/	Minimum urban wage	Country	Year	Per capita GDP (average annual change, %) a/	Urban Unemployment Simple average for the period (%)	Average real remuneration b/	Minimum urban wage
				(Average annual change)						(Average annual change)	
Argentina	1990-1997	3.6	11.5	0.6	1.0	Haiti	1990-1997	-3.9	-	-	-8.0
	1998-2000	-1.3	14.1	0.9	0.4		1998-2000	0.5	-	-	-10.3
Bolivia	1990-1997	1.9	5.2	2.8	6.3	Honduras	1990-1997	0.2	6.3	-	0.8
	1998-2000	0.2	7.2	1.7	8.7		1998-2000	-0.5	5.3	-	4.0
Brazil	1990-1997	0.5	5.1	-0.7	-1.1	Mexico	1990-1997	1.3	3.8	0.6	-5.5
	1998-2000	0.4	7.4	-1.8	2.8		1998-2000	3.6	2.6	3.2	1.8
Chile	1990-1997	5.3	7.0	3.7	5.5	Nicaragua	1990-1997	-0.5	14.9	8.6	-
	1998-2000	1.4	8.5	2.2	7.3		1998-2000	2.6	11.0	4.4	-
Colombia	1990-1997	1.6	10.1	1.0	-0.7	Panama	1990-1997	3.4	17.2	-	1.1
	1998-2000	-2.1	18.3	1.9	1.0		1998-2000	1.9	14.8	-	3.3
Costa Rica	1990-1997	1.4	5.3	1.4	0.7	Paraguay	1990-1997	0.0	5.9	0.9	-1.3
	1998-2000	3.5	5.6	3.7	1.7		1998-2000	-3.0	8.2	-0.9	-0.5
Dominican Rep.	1990-1997	1.8	17.7	-	0.3	Peru	1990-1997	2.1	8.5	-0.5	0.8
	1998-2000	6.0	14.0	-	3.0		1998-2000	-0.2	8.7	-1.0	6.0
Ecuador	1990-1997	0.9	8.5	6.7	3.5	Uruguay	1990-1997	3.1	9.8	0.2	-7.8
	1998-2000	-3.9	13.6	-2.0	-7.2		1998-2000	-1.0	11.7	0.7	0.7
El Salvador	1990-1997	2.8	7.9	-	-1.4	Venezuela c/	1990-1997	1.6	9.6	-5.0	-3.9
	1998-2000	0.9	7.1	-	1.1		1998-2000	-2.4	13.4	-2.0	-4.5
Guatemala	1990-1997	1.3	4.4	5.6	-13.1	Latin America	1990-1997	1.4	7.0	-	-
	1998-2000	1.2	3.8	4.7	4.2		1998-2000	0.6	8.5	-	-

Source: ECLAC, based on special calculations using household survey data from the respective country.

a/ Based on per capita Gross Domestic Product (GDP) in constant 1995 dollars. The 2000 figure is a preliminary estimate. b/ In general, this index's coverage is very incomplete. In most countries it refers solely to workers formally employed in manufacturing. Figures for 2000 are preliminary estimates. c/ The minimum urban wage change is over the period 1997-1999.

MORE JOBS, BETTER JOBS

JOSÉ ANTONIO OCAMPO

The decline experienced by labour markets in 2001, as a result of slow economic growth, is part of a worrying long-term context. In Latin America during the 1990s demand for labour rose 2.2% annually, less than supply, which grew at 2.6%. Because of this, unemployment rose from less than 6% to almost 9%. Finally, the quality of jobs declined: throughout the past decade, seven of every ten new jobs in cities was generated in the informal sector.

These trends indicate that the employment problems facing the region are due in part to the slow pace of economic growth (3.2% annually for the past decade versus 5.5% from 1945 to 1980), but also to structural factors associated with the incorporation of new technologies and the strong preference for skilled labour that these generate. The impact of unemployment on welfare has increased, moreover, to the degree that it has spread into middle income sectors, making periods of unemployment longer and reducing the earnings of workers who eventually manage to rejoin the workforce.

What can the countries of the region do to resolve this situation? Little will be achieved, in terms of

work, without more economic growth and aggressive policies in education and job training. Some specific programs could also help: support for micro- and small firms, where most of the region's employment is generated, a policy directed at improving information on job opportunities, and the design of permanent schemes that make it possible to implement emergency employment programs opportunely when a crisis strikes.

“The quality of employment has declined: seven of every ten new jobs in cities are generated in the informal sector.”

Minimum wage policies must offset asymmetries in wage negotiations, especially among less organized groups, but they must also reduce their potential negative effects on demand for labour or their tendency to encourage informal employment. The room for a minimum wage policy depends on progress in controlling inflation, the real level of the minimum wage compared to the productivity of small companies, and the increase in labour productivity.

Workers too, must adapt to technological change and the economic cycle. Flexible hiring and firing is not the only instrument for achieving this objective and could adversely affect labour productivity, if workers lose their sense of belonging to companies. Agreements, therefore, between business and workers must be encouraged to create alternative forms of adapting, based on social dialogue at the country, regional, sector or company level, and in general must encourage a labour-relations climate that builds on the potential common interests shared by both parties.

Finally, any job-improvement policy must aspire to develop social security frameworks, which are universally applied, encourage solidarity and are integral in their approach. In an era of increasingly unstable job markets, this means gradually creating unemployment insurance, according to each country's level of development. Finally, it is necessary to establish adequate social security system mechanisms for workers from micro and small companies, to provide them with the health care and pensions that they lack today. 🌸

The author is ECLAC's Executive Secretary.

annual **ECLAC** study that evaluates social trends in 17 countries every year. This edition examines poverty, social spending, income distribution, employment, and families themselves during the 1990s.

Trends in poverty varied by country. Brazil, Chile and Panama stand out as countries that managed to reduce poverty by 10%, followed by Costa Rica, Guatemala and Uruguay. Others, however, among them Venezuela, Ecuador, Colombia and Paraguay, saw no relief.

Throughout the region, rural poverty rates remain higher than urban ones (54% versus 30% of households, respectively), although by 1999 the number of poor urban households had reached almost 134 million compared to 77 million rural households, because more people live in cities.


One positive aspect was a 50% increase in per capita public spending on social welfare overall for the 17 countries during the decade, going from US\$360 in 1990 to US\$540 per capita in 1999. This increase in social spending swept the continent, with only Honduras and Venezuela showing a decline in real terms.

This is a significant achievement for Latin America, although it remains insufficient given the needs of its population. Protecting this level of expenditure despite adverse conditions and increasing its effectiveness and efficiency are the challenges today.

By 1999, unequal income distribution remained the overwhelming feature of the region's social and economic

structures, considered to be the world's most unequal. In countries with the worst levels in inequality, among them Bolivia, Brazil and Nicaragua, the income of the wealthiest quintile (20% of households) was over 30 times that of the poorest quintile. In most cases this situation did not improve and in many it actually worsened. Only one country, Uruguay, ended the decade with clear advances in terms of income distribution.

The workforce, composed of almost 212 million people by the end of the 1990s, rose by some 44 million during the decade. Demand for labour did not respond suitably to the significant increase in the number of people seeking employment. As a result, unemployment rose considerably, by 10.1% annually, particularly during the period from 1997 to 1999.

In a chapter dedicated to families and public policy focusing on them, the study highlights the significant changes that have occurred during the past 20 years. Domestic violence, unemployment and the disintegration of the family itself are the most serious problems affecting it. There has also been an increase in the number of households headed by women, whose participation in the workforce has grown. 

The complete text of *Social Panorama of Latin America 2000 - 2001* will soon be available, in English and Spanish, on **ECLAC's** web site, www.eclac.org or www.eclac.cl, or in print through the Distribution Unit, publications@eclac.cl, for \$25, plus shipping costs.



OVER HALF OF LATIN AMERICA'S CHILDREN AND ADOLESCENTS ARE POOR

As the 21st century begins, over half Latin America's children and adolescents are poor. The total number of children under 20 living in poverty rose from 110 million in 1990 to 114 million in 1999, despite the fact that it fell in some countries. Poverty fell much less in households with more children and adolescents than in those with more adults. Nonetheless, in the past decade the region enjoyed some significant advances in aspects decisive to the quality of life and compliance with children's rights.

There are some 36 million children under six years old - the most vulnerable group - living in poor households in the 19 Latin American countries included in the study. The number of poor children aged six to 12 did not fall either. Rather, it rose from 41.6 million to 43.7 million. Poverty among adolescents (13- to 19-year-olds) practically held steady, but the growing weight of this group in the region's population pushed numbers up from 31.5 million in 1990 to 34.8 million in 1999.

This data is part of the evaluation included in *Building Equity From the Beginning: The Children and Adolescents of*

Ibero-America, requested of **ECLAC** and UNICEF during the **10th Ibero-American Summit**, held in November 2000. The book also identifies concrete goals and actions to improve current trends in education, health care, water treatment services and child labour.

The study, which also received support from the Secretariat for Ibero-American Co-operation (SECIB) and several United Nations organizations, points out that since the United Nations' approval of the **Children's Rights Convention** in 1989, now ratified by all Ibero-American countries, there is growing recognition of the importance of these rights and conditions have improved. In Ibero-America this change has led to the adoption of new regulatory standards consistent with a pro-rights focus. Legal and institutional changes have led to rejection of situations where society violates or fails to comply with rights, and judicial systems are beginning to punish transgressors.

The World Summit for Children (1990) adopted an Action Plan that includes 27 goals for the survival, development and protection of children and adolescents. Virtually all of Latin

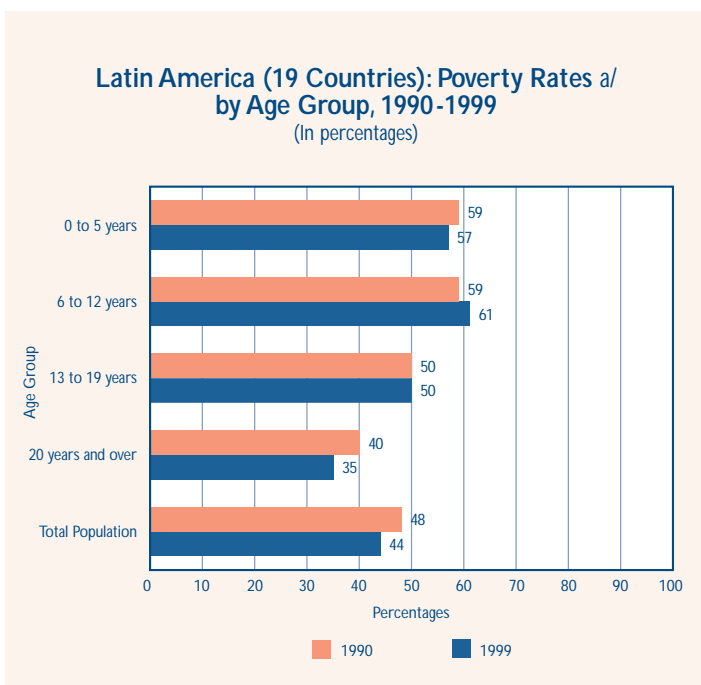
America's countries have formulated national plans that are being steadily integrated into public policies, some more successfully than others. Periodically, progress toward meeting these goals is evaluated, which is another aspect covered by the report.

Unequal Opportunity

“Most of an individual’s lifetime opportunities are determined by how that life begins,” **ECLAC** states. The report recognizes that Ibero-American countries have progressed in terms of education, health care and child protection, parental access to more income, and better conditions for childcare through processes tending to guarantee full compliance with children’s and adolescents rights.

“This progress remains insufficient and, above all, very uneven,” however. Inequity “reflects highly segmented economic, social, gender and ethnic structures that are reproduced from one generation to the next along multiple channels.”

Marked inequalities exist among countries and especially among different groups within each one. As a result, **ECLAC** proposes a focus on interrupting inter-generational channels along which poverty and inequality are transmitted, including the barriers of gender and ethnic discrimination.



Source: **ECLAC**, estimates based on special calculations using household surveys from the respective countries.

^{a/} Percentage of people living in households whose income falls below the poverty line. Includes indigent people (those living in extreme poverty).

Enormous inequality and its consequences constitute the greatest obstacle for achieving development and advancing decisively toward compliance with children’s and adolescents’ rights in Ibero-America. The report dedicates a chapter to the different levels of progress between countries and within them. It concludes that those countries offering the best guarantees of their inhabitants’ right to live aren’t those with the greatest accumulated wealth or largest per capita output, “but rather, those that collectively commit themselves to protecting life. Nor are they countries from one specific area, but rather they are to be found in all of Ibero-America’s subregions.”

Progress During the 1990s

Countries made important strides forward during the 1990s in terms of living conditions and children’s survival at early ages. The report indicates these are “the fruit of long-term policies and actions, better living standards in general, and countries’ efforts to increase social investment in the first stages of life.”

The increase in life expectancy at birth summarizes general living conditions achieved by a country or region. This has risen from 69 years in the early 1990s to 71 years today. Moreover, life expectancy rose substantially in precisely those countries that had been lagging furthest behind, increasing by seven years in Bolivia, six in El Salvador and Peru, five in Honduras, and four in Ecuador and the Dominican Republic.

Half the countries also progressed significantly in terms of infant mortality, (deaths of children under one year of age). The average annual rate for the 21 Ibero-American countries (19 from Latin America and the Spanish-speaking Caribbean, plus Spain and Portugal) fell from 38 in 1990 to 26 deaths per thousand live births in 2000. Almost half the countries achieved an infant mortality rate of 20 or fewer deaths per thousand live births.

Similarly, maternal mortality fell by 26% (from 153 to 114 per 100,000 live births). Bolivia, Colombia, Honduras and Paraguay achieved particularly outstanding results, thanks to the success of specific actions to improve health care services, especially those identifying pregnancy-related risks or resolving obstetrical emergencies.

Access to drinking water also improved, with the percentage of the population with no access falling by about half on average (from 31% to 16%), taking into account both urban and rural populations.

Advances in immunization and vaccination coverage for children under one year were among the most noteworthy achievements in public health, starting in the previous decade. In 1999, vaccination coverage (of the four types, TBC, DPT3, polio


and measles) reached 90% of one-year-olds. Average coverage for preventing neo-natal tetanus rose from 39% of pregnant women to almost 60%.

Progress in Education

During the decade educational coverage rose significantly, with school registration for the 3-to-5 year-old population rising from 31.4% to 45.5% in Latin America. These improvements, however, are not enough and are concentrated in urban areas and among higher socio-economic strata.

Access to primary education also improved: most countries maintained or increased their net registration rates, approaching levels of around 90%. This is particularly significant because the reduction in infant and child (under five years of age) mortality means educational systems must absorb a much larger contingent of students. For primary education, the report nonetheless underlines that inequalities persist in terms of low quality and access, depending on socio-economic strata.

High school registration has risen, particularly in those countries with a higher per capita income level (Argentina, Chile, Costa Rica, Portugal, Spain and Uruguay). In countries with a significantly lower level, the average gross registration rate at secondary school rose from 54% to 61% for 16 of the 21 Latin American countries. Around half of these young people, however, drop out before completing high school.

One outstanding feature of the report is legislative progress toward eliminating child labour in Ibero-America, although at the same time this scourge still affects a very high percentage of the child population. 

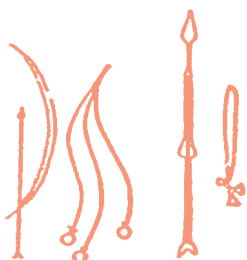
This document, *Building Equity From the Beginning: The Children and Adolescents of Ibero-America* will be available in English, Portuguese and Spanish on ECLAC's web site, www.eclac.cl, in mid-September. The printed version is available through ECLAC's Distribution Unit, publications@eclac.cl

RECOMMENDATIONS FOR BUILDING EQUITY

The book *Building Equity From the Beginning: The Children and Adolescents of Ibero-America* evaluates the situation in 21 Ibero-American countries and contributes to designing concrete goals aiming for full compliance with the rights of boys, girls and adolescents as a way to improve their living conditions and societies.

The main suggestions are to:

- Combine the focus on rights with establishing goals and series of actions that will ensure the necessary accountability and contribute to real compliance with children's and adolescents' rights
- Give priority to drastically reducing socio-economic, geographic, gender, and ethnic inequalities within countries. These are an essential and ever-present feature of situations affecting children and adolescents, and the main mechanism by which inequality is transmitted from one generation to the next
- Ensure that goals favouring children and adolescents established for the next decade include emerging problems and specifically deal with the enormous inequalities among Ibero-American countries
- Turn social spending into genuine investment, guaranteeing that revenue provided for social investment to benefit children and adolescents is both opportune and sufficient, and protects them from macroeconomic volatility
- Improve the quality, coverage, timeliness and distribution of the information necessary to monitor targets in the next decade and allow countries to improve their ability to evaluate policies and programs.



ACHIEVEMENTS AND CHALLENGES IN THE FIGHT AGAINST POVERTY

The percentage of households and people living in poverty, along with the severity of this phenomenon fell during the past decade in Latin America and the Caribbean, according to the *Social Panorama of Latin America 2000-2001*, published by ECLAC. The report reveals that “economic recovery in the 1990s, along with efforts made in the field of public policies, were successful in most countries, in terms of reverting the setbacks experienced in the previous decade.”

These achievements, however, “were not enough to completely counteract the demographic growth of this period,

with poverty rising by 11 million people in Latin America between 1990 and 1999. In contrast, the number of people living in extreme poverty, was reduced by four million people.”

In Latin America, there are 211 million poor people today. Of these, more than 89 million are indigent. In 1999, 35% of Latin American households lacked the resources necessary to meet their basic needs and 14% didn't have enough income to purchase even a basic food basket.

If we project figures for Latin America into the year 2000 (1999 is the most recent year for which we have detailed estimates on the magnitude of poverty in each country) we can

assume that poverty may have continued to fall thanks to higher growth in 2000, particularly in Brazil and Mexico, countries that represent more than half the region's population.

Thus, for 2000, the percentage of poor households may have reached around 34%, while indigent households would remain at around 14% of the total. Indigents are those persons whose income is so low that even if it all went to buying food, they would still be unable to meet the nutritional needs of their household.

Poverty Between 1997 and 1999

During the second half of the 1990s, Mexico, the Dominican Republic and most Central American countries posted strong economic growth, with several progressing in the fight against poverty. In South America, meanwhile, a process of slow growth, stagnation and later some recovery prevailed. In some cases this kept living conditions the same or led to their deterioration. Nonetheless, for a significant group of the sub-region's countries, recovery in 2000 was weak.

In this low growth environment, percentages of poverty and indigence fell only slightly from 1997 to 1999. During the past three years, households living in poverty fell from 35.5% to 35.3%, while the percentage of indigence fell from 14.4% to 13.9%.

In terms of the number of poor people, (211 million, 89 million of which are indigents), this represents a 7.6 million

increase in the number of poor people over 1997, while the number of indigents rose slightly during the three-year period, by 600,000 people.

Throughout the region, the relative incidence of rural poverty (54% of households) continues to be considerably higher than urban poverty (30% of households), despite the fact that the number of urban poor had reached almost 134 million and rural poor 77 million, because significantly more of the population lives in urban areas.

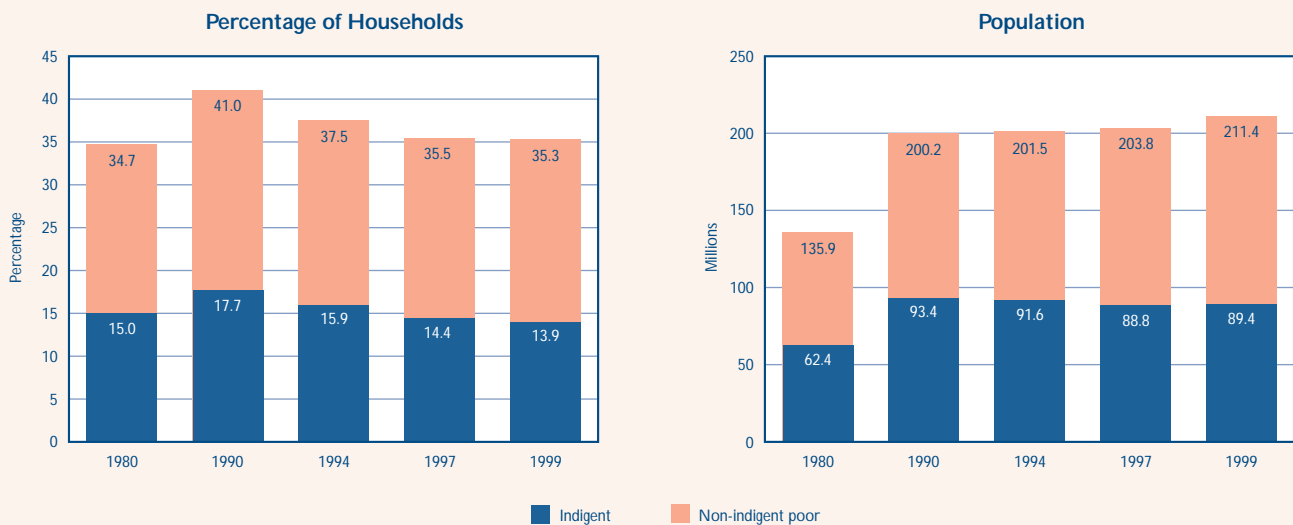
The Decade's Achievements

From 1990 to 1999, most countries saw a significant decline in poverty rates. Toward the decade's end, at least 11 countries had successfully reduced poverty levels compared to those of 1990, and they contain most of the region's poor people. In four of the cases studied, we found an increase in the rate of poor households.

Among the countries where poverty fell, it is worth mentioning the important achievements of Brazil, Chile and Panama, which successfully reduced it by 10%. Between 1991 and 2000, annual per capita growth in these countries reached 1.2%, 5.0% and 2.6%, respectively.

In Costa Rica, Guatemala and Uruguay the fight against poverty also saw some significant achievements in terms of reductions, with the percentage of poor households falling from five to ten percentage points.

Latin America: Trends in Poverty and Indigence a/, 1980-1999



Source: ECLAC, based on special calculations using household surveys from the respective countries.
a/ Estimate for 19 of the region's countries.

Latin America: Poor and Indigent Population a/, 1980-1999

	Poor People b/						Indigents c/					
	Total		Urban		Rural		Total		Urban		Rural	
	Million	%	Million	%	Million	%	Million	%	Million	%	Million	%
1980	135.9	40.5	62.9	29.8	73.0	59.9	62.4	18.6	22.5	10.6	39.9	32.7
1990	200.2	48.3	121.7	41.4	78.5	65.4	93.4	22.5	45.0	15.3	48.4	40.4
1994	201.5	45.7	125.9	38.7	75.6	65.1	91.6	20.8	44.3	13.6	47.4	40.8
1997	203.8	43.5	125.7	36.5	78.2	63.0	88.8	19.0	42.2	12.3	46.6	37.6
1999	211.4	43.8	134.2	37.1	77.2	63.7	89.4	18.5	43.0	11.9	46.4	38.3

Source: ECLAC, based on special calculations using household surveys from the respective countries.

a/ Estimate for 19 of the region's countries

b/ People living in poor households, including indigents

c/ People living in indigent households

In contrast, the situation of those countries in which poverty rates stagnated or even worsened during the 1990s is worrying, because this suggests we are now dealing with two “lost decades” in terms of advancing toward greater social equity. In this regard, Venezuela’s case, where the percentage of poor households rose from 22% in 1981 to 34% in 1990, and now stands at 44%, is particularly troubling. Colombia, Ecuador, and Paraguay haven’t made significant progress either.

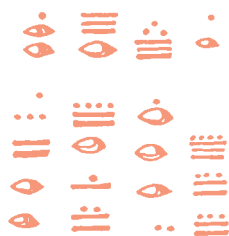
Most of Latin America’s poor households live in housing that lacks access to drinking water and, to a lesser degree, with more than three persons per room. Moreover, these are households that show a high rate of demographic dependency and low occupational density, the head of the household generally has fewer than three years of education and in some cases is unemployed. Children and young people from these households

tend to develop in low-education environments, enter the workforce early, and many neither study nor work.



Regional Goals for Reducing Extreme Poverty

Reducing current extreme poverty rates by half toward 2015 has been defined as the central objective of the United Nations’ **Millennium Declaration**. Reaching this goal will require a major but realizable effort for many of the countries of Latin America. According to recent estimates prepared by ECLAC, this will require a sustained increase in per capita output of no less than 2.3% annually, on average, taking into consideration the fact that during the 1990s every percentage point of per capita GDP growth brought with it a 1.21% decrease in the rate of indigence.



SOCIAL EXPENDITURE IN LATIN AMERICA ROSE 50% DURING THE 1990s

Social spending per capita rose 50% for all 17 countries of Latin America during the 1990s, going from US\$360 in 1990 to US\$540 in 1999. The increase swept the continent, and only two countries (Honduras and Venezuela) saw it drop in real terms.

This is a significant achievement for Latin America, although it remains insufficient given the population’s needs. Protecting this spending level through adverse conditions and increasing its effectiveness and efficiency are the next challenges.

The increase varied from country to country, tending to be higher in countries with medium to low spending per capita: in Colombia, Guatemala, Paraguay, Peru and the Dominican Republic it more than doubled. By way of comparison, in

countries with relatively high spending levels (Argentina, Brazil, Costa Rica and Panama), increases were somewhat smaller, from 20% to 40% over the start of the decade. Increases were also substantial in Chile, Mexico and Uruguay - 88%, 55% and 73%, respectively.

This increase also varied throughout the 1990s as well. In most countries spending grew more during the first half of the decade, continuing to rise during the latter half but more slowly. Between 1990 and 1991, and between 1994 and 1995, per capita spending in Latin America rose by 30%, while between 1994 and 1995, and between 1998 and 1999, it only rose by 16%. This tendency was in response to economic growth patterns: during the first half of the decade, annual GDP growth in Latin America reached 4.1%, falling to 2.5% during the next five years.

According to ECLAC, most countries raised per capita amounts directed at social sectors “as a consequence of economic recovery and to a larger or smaller degree thanks to governments placing a higher priority on social spending within the national budget.”

The report concludes that throughout the decade, the relative size of socially oriented resources rose within GDP from 10.4% to 13.1%. Overall, ECLAC affirms that “both economic growth and an effort to increase social sectors’ share within the public budget explain most of the increase (almost 80%) in social spending, weighing relatively the same... only one-fifth was due to an increase in budgetary funds.”

Redistributive Impact

The increase in social spending during the 1990s had the most impact in countries where per capita income was lowest, because they significantly increased spending on education and health care. In countries with higher per capita income, in contrast, the redistributive effects were lesser because almost 50% of the increase in public spending on social welfare went to social security, its least progressive component.

The components of social spending show marked differences in terms of their distributive impact. The most progressive, (spending that benefits the poorest households most), is spending on primary and secondary education, followed by health care and nutrition, and basic services (water and sewage).

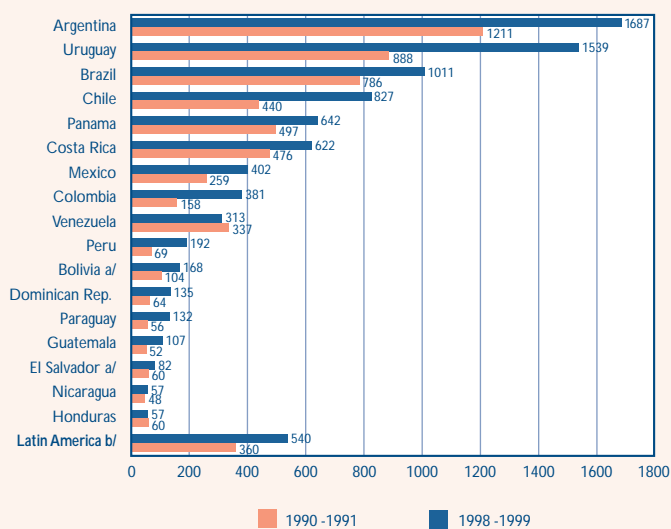
Altogether, social spending had a significant redistributive effect in all countries. If social security is excluded, the 20% of lowest income households receive 28% of public resources, while the 20% of highest income households receive just 12%. Twenty percent of the poorest households receive a fraction of social spending, excluding social security, which on average multiplies their participation in primary income distribution six times (28.2% of social spending compared to 4.8% of total income). For the highest income quintile this is reversed, with social spending representing just one-fourth of their participation in the distribution of total income (12.4% of social spending compared to 50.7% of total primary income).

The Success of Focalization

Excluding social security, the degree to which spending was focalized varied significantly among the different countries. Chile and Colombia, which have made an effort to concentrate the benefits of social programs on their lowest income sectors, focused more social spending on the 40% poorest households, compared to the fraction of income that these households manage to capture. Indexes reach 4.9 and 4.2 respectively.

Social spending in Costa Rica and Uruguay, in contrast, is less focussed: 2.6 and 2.9, respectively. Both countries have more universally oriented social programs, which provide similar percentages of benefits to a high percentage of total households. Argentina, Bolivia and Ecuador, meanwhile, are in the mid-range, with focalization indexes for the 40% poorest part of the population reaching 3.7, 3.8 and 3.5.

Latin America (17 Countries): Public Social Spending, per Capita 1990-1991 and 1998-1999
(In constant 1997 dollars)



Source: ECLAC, Social Development Division, data based on social spending.

a/ Initial figure corresponds to average 1994-1995

b/ Simple average of all countries except Bolivia and El Salvador

ECLAC estimates that 44% of the increase in spending went to education (28%) and health care (16%); 51% to an increase in social security, mainly pensions and other retirement schemes; and the remaining 5% to other spending, such as housing, drinking water and sewage.

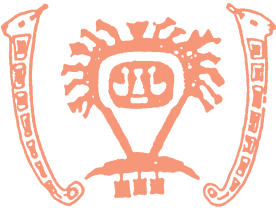
The impact on equity varied by country. In those with lower per capita income, spending grew relatively more in the more progressive components (education and health care), which accounted for 56% of the total, while social security represented one-fifth. In countries with higher spending levels, in contrast, social security represented around half of the overall increase.

The significant increase in educational spending was directly linked to reform processes, mainly in primary and secondary education, that seek to improve quality and equity.

The largest increases in spending on health care occurred in Argentina, Chile and Colombia, where it rose from US\$76 to US\$109 per capita, far surpassing the regional average of US\$28.

In social security, the largest spending increases occurred specifically in those countries where this absorbs a larger fraction of public resources (Argentina, Brazil, Chile and Uruguay), with increases ranging from US\$150 to US\$200 per capita in the first three countries and somewhat more than US\$500 in Uruguay. This resulted from indexing of retirement schemes and pensions, especially in Uruguay.

ECLAC’s study concludes that growing efforts to dedicate a lower fraction of output to some social sectors had a positive impact on welfare distribution. This was most noticeable in countries where per capita social spending is higher and where social security - which benefits middle and high-income sectors more - absorbs a much higher fraction of public revenues.



INEQUITY HOLDS STEADY IN THE REGION

During the 1990s, Latin America and the Caribbean did not manage to improve income distribution, with the region remaining the world's least equal area on this issue. Over the past decade, most countries saw the percentage of income captured by lower income groups fall, while the richest decile's share rose "considerably", according to **ECLAC's *Social Panorama of Latin America 2000 - 2001***.

The 10% of households with the most resources captured a share of total income that on average was 19 times the amount received by the 40% of poorest households. From two-third to three-quarters of the population, depending on the country, receive a per capita income below the general average.

In terms of income distribution, **ECLAC** concludes that "in most countries this situation did not improve significantly - and in some cases it worsened - during the 1990s, despite the relative recovery in economic growth and an increase in social spending, so it was not possible to offset the marked deterioration in distribution experienced during the previous decade."

The Wealthiest Group's Share Rose

Income distribution in Latin America stands out because of the large fraction of total revenue that goes to the wealthiest 10% of households. Except for Costa Rica and Uruguay, in all countries national figures indicate that the wealthiest 10% of households receive over 30% of income, in fact, over 35% except for El Salvador and Venezuela, and 45% in Brazil.

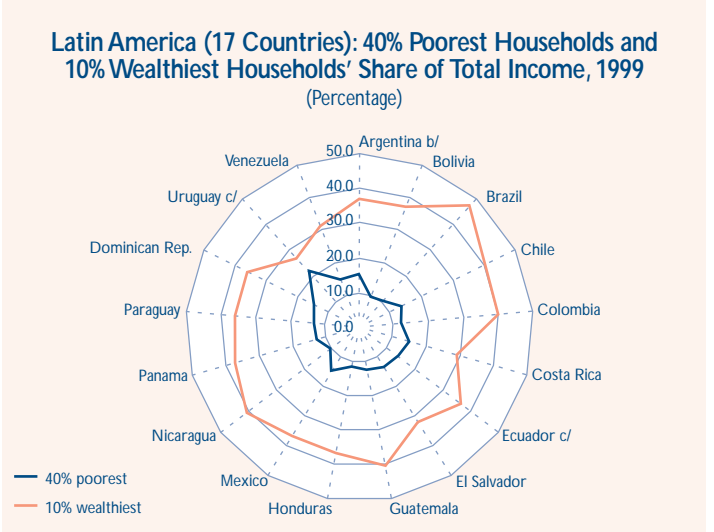
This unequal situation tended to worsen during the three-year period from 1997 to 1999, despite improvements in average household income that occurred in some Latin American countries.

Similarly, in the past three years, only four countries (Argentina, Brazil, Chile and Panama) saw an increase in the income received by the poorest 40% of households. In the rest of the region's countries, even those with more equal distribution, the situation worsened or changes were slight.

Latin America (17 Countries): Household Income Distribution, a/ 1990-1999
(Percentage)

Country	Year	Average income b/	Share of total income of the				Average income per capita ratio c/	
			Poorest 40%	Next 30%	20% prior to the wealthiest 10%	Wealthiest 10%	D ¹⁰ /D ¹⁺⁴	Q ² /Q ¹
Argentina d/	1990	10.6	14.9	23.6	26.7	34.8	13.5	13.5
	1997	12.4	14.9	22.3	27.1	35.8	16.0	16.4
	1999	12.5	15.4	21.6	26.1	37.0	16.4	16.5
Bolivia	1989 e/	7.7	12.1	22.0	27.9	38.2	17.1	21.4
	1997	5.8	9.4	22.0	27.9	40.7	25.9	34.6
	1999	5.7	9.2	24.0	29.6	37.2	26.7	48.1
Brazil	1990	9.3	9.5	18.6	28.0	43.9	31.2	35.0
	1996	12.3	9.9	17.7	26.5	46.0	32.2	38.0
	1999	11.3	10.1	17.3	25.5	47.1	32.0	35.6
Chile	1990	9.4	13.2	20.8	25.4	40.7	18.2	18.4
	1996	12.9	13.1	20.5	26.2	40.2	18.3	18.6
	2000	13.6	13.8	20.8	25.1	40.3	18.7	19.0
Colombia	1994	8.4	10.0	21.3	26.9	41.8	26.8	35.2
	1997	7.3	12.5	21.7	25.7	40.1	21.4	24.1
	1999	6.7	12.3	21.6	26.0	40.1	22.3	25.6
Costa Rica	1990	9.5	16.7	27.4	30.2	25.6	10.1	13.1
	1997	10.0	16.5	26.8	29.4	27.3	10.8	13.0
	1999	11.4	15.3	25.7	29.7	29.4	12.6	15.3
Dominican Rep.	1997	8.5	14.5	23.6	26.0	36.0	16.0	17.6
Ecuador f/	1990	5.5	17.1	25.4	27.0	30.5	11.4	12.3
	1997	6.0	17.0	24.7	26.4	31.9	11.5	12.2
	1999	5.6	14.1	22.8	26.5	36.6	17.2	18.4
El Salvador	1995	6.2	15.4	24.8	26.9	32.9	14.1	16.9
	1997	6.1	15.3	24.5	27.3	33.0	14.8	15.9
	1999	6.6	13.8	25.0	29.1	32.1	15.2	19.6
Guatemala	1989	6.0	11.8	20.9	26.8	40.6	23.5	27.3
	1998	7.3	12.8	20.9	26.1	40.3	23.6	22.9
Honduras	1990	4.3	10.1	19.7	27.0	43.1	27.4	30.7
	1997	4.1	12.6	22.5	27.3	37.7	21.1	23.7
	1999	3.9	11.8	22.9	28.9	36.5	22.3	26.5
Mexico	1989	8.6	15.8	22.5	25.1	36.6	17.2	16.9
	1994	8.5	15.3	22.9	26.1	35.6	17.3	17.4
	1998	7.7	15.1	22.7	25.6	36.7	18.4	18.5
Nicaragua	1993	5.2	10.4	22.8	28.4	38.4	26.1	37.7
	1998	5.6	10.4	22.1	27.1	40.5	25.3	33.1
Panama	1991	8.9	12.5	22.9	28.8	35.9	20.0	24.3
	1997	11.0	12.4	21.5	27.5	38.6	21.5	23.8
	1999	11.1	12.9	22.4	27.7	37.1	19.5	21.6
Paraguay	1990 g/	7.7	18.6	25.7	26.9	28.9	10.2	10.6
	1996 f/	7.4	16.7	24.6	25.3	33.4	13.0	13.4
	1999	6.2	13.1	23.0	27.8	36.2	19.3	22.6
Uruguay f/	1990	9.3	20.1	24.6	24.1	31.2	9.4	9.4
	1997	11.2	22.0	26.1	26.1	25.8	8.5	9.1
	1999	11.9	21.6	25.5	25.9	27.0	8.8	9.5
Venezuela	1990	8.9	16.7	25.7	28.9	28.7	12.1	13.4
	1997	7.8	14.7	24.0	28.6	32.8	14.9	16.1
	1999	7.2	14.6	25.1	29.0	31.4	15.0	18.0

Source: **ECLAC**, based on special calculations using household survey data from the respective country. a/ Households for the country as a whole, ordered by per capita income. b/ Average monthly household income, in multiples of the per capita poverty line. c/ D(1 a 4) represents the 40% lowest income households, while D10 is the 10% of highest income households. The same notation is used for quintiles (Q), which represent groups of 20% of households. d/ Greater Buenos Aires. e/ Eight major cities and El Alto. f/ Urban total. g/ Metropolitan area of Asunción.



Source: **ECLAC**, based on special calculations using household surveys from the respective countries. a/ Households from the entire country organized by per capita income. b/ Greater Buenos Aires. c/ Total Urban

A simple comparison between the average incomes of different household groups reveals tremendous inequity prevailing throughout Latin America. In countries such as Bolivia, Brazil and Nicaragua, the per capita income of the wealthiest quintile (20% of households) is more than 30 times the income of the poorest quintile. Particularly surprising is the case of Bolivia, where the richest quintile receives income that is almost 50 times that of the poorest quintile, while the average for other countries as a group is around 23 times.

The enormous concentration of income in the region is also apparent in indices such as the Gini coefficient, which compares the distributive situation between households. This index confirms that Brazil has the highest concentration of wealth, with a Gini index of 0.64, while Bolivia, Nicaragua and Guatemala, in that order, have indices of almost 0.60; at the other extreme, Uruguay and Costa Rica are among those with the least inequality, with indices under 0.48.

Inequality at the national level doesn't necessarily translate into similar conditions for urban and rural areas. In most countries, the former tend to show less equity than the latter.



Distribution Worsened in the Past Decade

During the 1990s, national figures indicate that the percentage of income going to households in the highest decile rose in eight countries, fell in five (but significantly only in one of these, Uruguay) and held steady in one (Mexico). It should be noted that some increases occurred in countries that, after World War II showed relatively equal income distribution, among them, Argentina, Chile, Costa Rica, Uruguay and Venezuela.

In terms of the percentage of income received by the 40% poorest households, a range of situations is apparent, with their share falling during the decade in five countries, rising in eight, and holding steady in one (Nicaragua). In particular, some of the most significant declines were posted in countries experiencing the most intense economic crises (Ecuador and Venezuela), but setbacks were also found in El Salvador, Costa Rica and Mexico.

Middle-income groups saw moderate changes in their share of national income, thus revealing that in many countries these groups have access to more powerful instruments than poor groups do, when it comes to defending their share of total income.

Over the past decade, only two of the 17 countries analyzed (Honduras and Uruguay) ended the period with results indicating progress in terms of distribution. Moreover, the evidence confirms that even in those countries that managed to maintain high and sustained growth over time (Chile), income distribution proved extremely rigid when it came to changing the high level of concentration, and income disparities persist as an undesirable feature of the economic and social structure.

The above reveals the concentrated nature of Latin America's economies and confirms observations made in earlier editions of ECLAC's *Social Panorama* that indicate how hard it is to significantly change structural factors underlying income distribution, at least in the short term.

ECLAC nonetheless finds the situation in some Central American countries encouraging, in that they have managed modest progress in terms of distribution in urban areas, although the reach and degree of this achievement varies considerably, and hasn't changed the still-high levels of concentration registered throughout the subregion. Economic stability, fewer fluctuations on financial markets, making the most of booms in the countries of North America, a reduction in demographic pressures thanks to international migration, and the increase in payments received from residents abroad, are among the factors that have contributed to this result.



FAMILIES: DIAGNOSIS AND PUBLIC POLICIES

Domestic violence, unemployment and the disintegration of the family itself are the most serious problems affecting the family in Latin America. For the past 20 years, this institution has also faced powerful changes: demographic transformation, an increase in the number of households headed by women, and growing participation of women in the labour market.

Social Panorama of Latin America 2000 - 2001 has dedicated a chapter to family issues, providing a diagnosis and analyzing public policies that affect it.

"The enormous importance that governments, civil and religious bodies and individuals ascribe to the family in their speeches and the scarce attention paid to it in public policies is worth noting," the report states.

"Family-oriented policies still lack a clear definition, a well-defined scope, and evident legitimacy," it adds. The report identifies successful projects and initiatives, but recognizes that "there is a lot of isolated intervention and little coordination," rather than genuine family policies.

Among the demographic changes the report found that the average family size had dropped because couples are having fewer children and leaving more time between them. This is compounded by a decline in multi-generational homes and an increase in single member households, as well as migration.

Uruguay has the smallest average household: 3.2 people in 1999; Guatemala, Honduras and Nicaragua are located at the opposite extreme, averaging 4.8 and 4.9 people per household. This also varies by income level. In 1999, the difference between the first quintile (the poorest) and the fifth (the wealthiest) was 1.4 persons in Dominican Republic and 1.5 in Costa Rica, while it had reached 2.8 in Guatemala and 2.7 in Mexico.

Although the nuclear family continues to prevail, new configurations such as childless couples and households with no nucleus (that is, no couple or father/mother-son/daughter relationship) have arisen. As separation and divorce become more common, reconstituted families have appeared as a new and growing phenomenon.

The number of households headed by women continues to rise and represents from one-quarter to one-third of all households, depending on the country. There is a continuing tendency for these households to impact increasingly on poverty levels.

Women's massive integration into the workforce has changed the pattern of household functions. Although the highest rates correspond to more educated women, growing economic difficulties afflicting the region's households have also pushed less-educated women into the labour force and reduced men's role as the sole provider.

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The symbols used in this newsletter represent the various indigenous cultures of the Americas and some of the milestones in the region's history. The symbols are engraved on the outside of the conference rooms at ECLAC headquarters in Santiago, Chile.



Human Sacrifice



Mining and Trade



Irrigation Systems



Weapons



Mayan Numbers

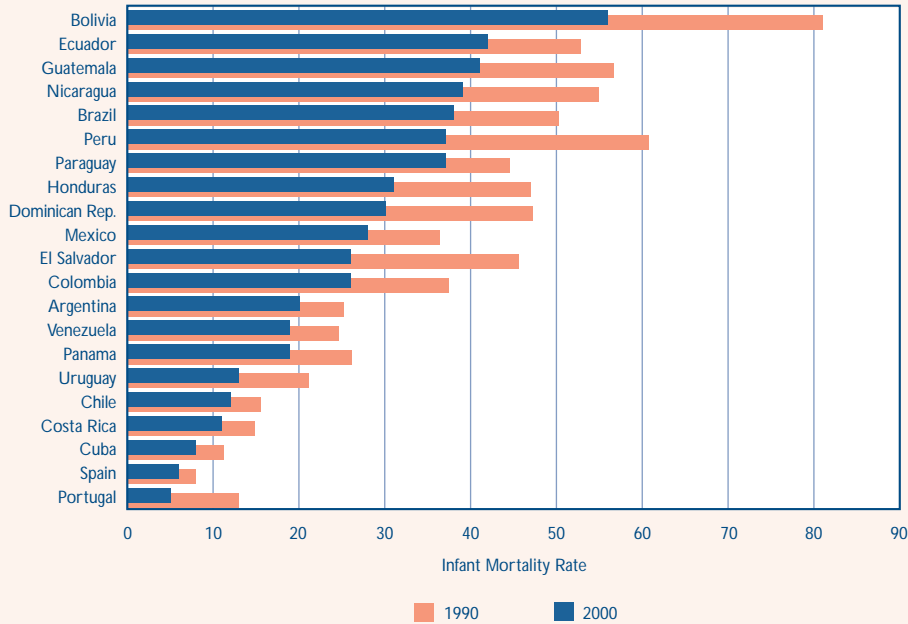


Herdsman and Llamas



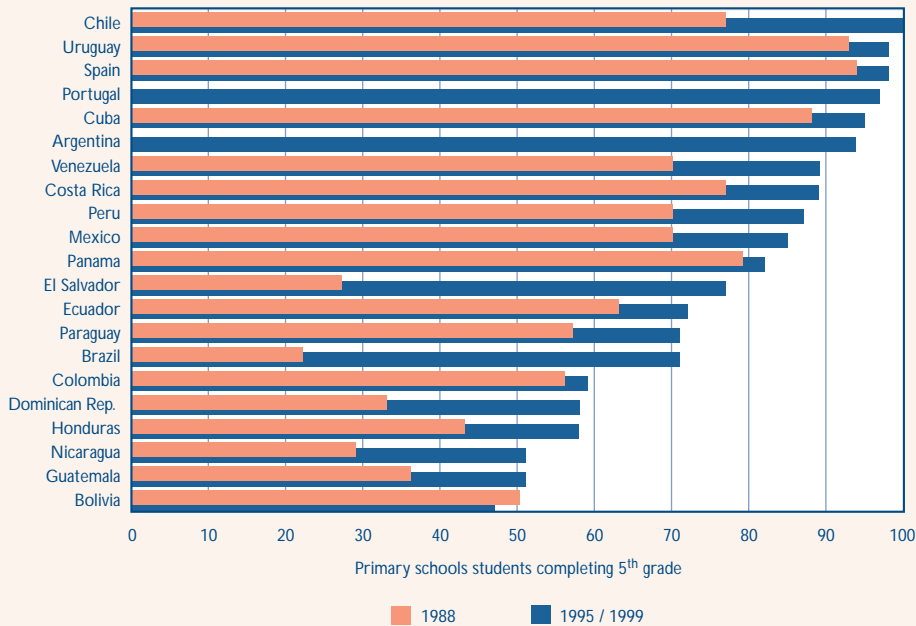
God with Hoes

Achievements in Reducing Infant Mortality, 1990-2000



Source: PAHO/WHO (Pan-American Health Organization / World Health Organization), "Special Program for Health Analysis (SHA)" (<http://165.158.1.110/english/sha/>).

Achievements in Completion of Primary Education 1988 - 1995/1999

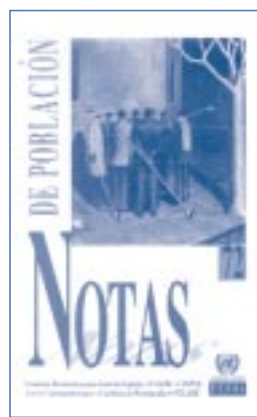


Source: United Nations Children's Fund (UNICEF), *The State of the World's Children*, 1993, New York, *The State of the World's Children* 2000, New York 2000, *The State of the World's Children* 2001, New York 2001. Published by the United Nations. Sales No. S.01.XX.1.

1 *La Dimensión Ambiental en el Desarrollo de América Latina* (*The Environmental Dimension of Development in Latin America*), by Nicolo Gligo. **ECLAC** book No. 58, May 2001 (LC/G.2110-P, Spanish, US\$20). This book brings together documents covering two decades of thought on the interaction between the environment and developmental styles in Latin America and the Caribbean.



2 *Notas de la Población, No. 72*, published by **ECLAC**'s Population Division of the Latin American and Caribbean Demographic Centre (CELADE). Santiago, June 2001 (LC/G.2114-P, Spanish, US\$12 each issue, US\$20 annual subscription). This issue offers seven articles dealing with: new theories of demographic analysis, financial stability of pensions based on national accounts, the problems of age declarations from senior citizens in censuses, demographic factors in Mexican-US settlement migration, power and autonomy of married women within the household (Mexico), and health behaviour in Latin America.



Spanish and English, US\$10). The authors identify the effects of dollarization on economic activity in Argentina, and examine imbalances and risks that could arise in Ecuador.

3 *Argentine Convertibility: Is it a Relevant Precedent for the Dollarization Process in Ecuador?* by Alfredo Calcagno and Sandra Manuelito. Estudios Estadísticos y Prospectivos Series No. 15, (LC/L.1559-P,

4 *La Congestión del Tránsito Urbano: Causas y Consecuencias Económicas y Sociales*, by Ian Thomson and Alberto Bull. Recursos Naturales e Infraestructura Series No. 25, (LC/L.1560-P, Spanish, US\$10). This study examines the causes and

evaluates the seriousness of congestion and the automobile invasion of Latin America, then goes on to propose ways of dealing with both.

5 *Job Creation in Latin America in the 1990s: The Foundation for Social Policy*, by Barbara Stallings and Jürgen Weller, Macroeconomía del Desarrollo Series No. 5, (LC/L.1572-P, English, US\$10). After analyzing job market trends in Latin America and the Caribbean over the past decade, the authors suggest that job creation must become the basis of the strategy behind social policy throughout the region.

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MONTH	EVENT	VENUE
SEPTEMBER		
24-26	Toward a New Paradigm: Social Capital and Poverty Reduction in Latin America and the Caribbean, ECLAC /Michigan State University	ECLAC Headquarters Santiago, Chile
OCTOBER		
1-5	First Latin American Workshop on Satellite Accounts in Tourism, ECLAC / World Tourism Organization/ INE (Spain)	ECLAC
9-11	33 rd Meeting of the Presiding Officers of the Regional Conference on Women in Latin America and the Caribbean, ECLAC	Port-of-Spain, Trinidad and Tobago
11-12	Meeting of the Western Hemisphere Transportation Data Base Project Group (SDTHO), ECLAC	ECLAC
21-23	12 th Meeting of the Ministers of Latin America and the Caribbean Forum on Sustainable Development, UNEP/Government of Brazil/ ECLAC	Rio de Janeiro, Brazil
23-24	Regional Conference of Latin America and the Caribbean in Preparation for the World Summit on Sustainable Development (Johannesburg 2002), UNEP/Government of Brazil/ ECLAC	Rio de Janeiro, Brazil
NOVEMBER		
6-7	Seminar on Highway-Railway Competition and Complementation in Cargo Transportation, ECLAC /Argentine Transportation Secretariat	ECLAC
19-23	Regional Seminar on the Uses of National Accounts, ECLAC /Central Bank of Chile	ECLAC
28-29	Seminar on Hemispheric Cooperation on Competition Policy, ECLAC	ECLAC
28-29	Seminar on Options for Controlling Transit Congestion in Latin American Cities, ECLAC /GTZ	ECLAC

