

## SOCIAL PANORAMA OF LATIN AMERICA 1999-2000

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### REGIONAL PERSPECTIVE

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United Nations

**ECLAC**

Economic Commission for Latin America and the Caribbean

Changes in job markets during the 1990s contributed to the creation of a new kind of employment stratification that does not favour social mobility, nor does it improve income distribution. Precarious employment is now more generalized. A growing sense of social vulnerability affects most of the population and is reflected in public opinion surveys. These are some of the main trends covered by the latest edition of the *Social Panorama of Latin America 1999-2000* (*Panorama Social de América Latina 1999-2000*), published by **ECLAC**.

Between 1998 and 1999 one group of countries successfully reduced poverty levels.

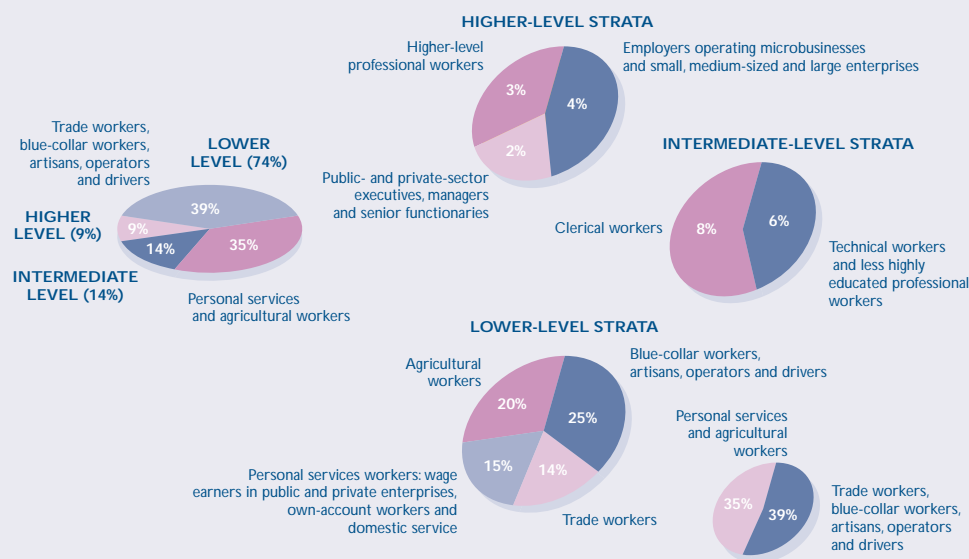
Others, however, saw the interruption of positive trends apparent during the first eight years of the 1990s.

According to **ECLAC**, some 220 million people in the region live in poverty today, or nearly 45% of the population.

Mexico, Central America and the larger countries of the Caribbean maintained and even increased their rhythm of economic growth. They reduced unemployment,

(continued on page 3 ➡)

### Occupational stratification in Latin America (Percentages of the working population)



Source: ECLAC, on the basis of special tabulations of the countries' household surveys, 1997 a/  
a/ Weighted average for the occupational structures of eight countries. In all the charts the percentages given are for the total working population; they do not include those who are "unclassified".

## LATIN AMERICA'S ENORMOUS VULNERABILITY

ROLANDO FRANCO

In *Social Panorama of Latin America 1999-2000* (*Panorama social de América Latina 1999-2000*), ECLAC deals with aspects of recent social transformations that pose serious policy challenges: the persistence of poverty, growing social vulnerability, a new kind of employment stratification, the situation of children, adolescents and senior citizens, and the impact of increased drug production and consumption.

Poverty rose and today affects around 220 million people, with two very different situations occurring within the region. In most South American countries, GDP stagnated or shrank, unemployment rose, and real wages fell; this stopped or reversed trends toward reducing poverty apparent until 1997. In contrast, some countries faced the crisis relatively successfully. Costa Rica, Mexico, Nicaragua and the Dominican Republic maintained or increased economic growth, reducing poverty. From 1996 to 1998, Chile reduced the number of poor households from 20% to 18%, although indigence remained virtually the same. In Mexico, in contrast, poverty fell from 43% to 38%, indigence from 16% to almost 13%.

Public opinion surveys show growing numbers of people feel insecure and vulnerable. ECLAC's study finds a real basis for this perception, given the social vulnerability resulting from growing numbers of temporary jobs, without contracts or social security, as well as the informal sector, which includes up to 50% of jobs in urban areas and even

more in rural ones. Another factor is weakened unions and community organizations, whose functions haven't been replaced, even as complaints from middle class and lower middle class sectors affected by the crisis are on the rise, demanding social protection.

Occupational stratification underwent changes and we can identify three strata: the top one, which includes 9% of the workforce, with average income 13.7 times the poverty line; the intermediate level, 14% of those employed, with average income five times the poverty line; and, finally, the bottom and the largest level, whose income is not enough to keep a typical family out of poverty.

*"Surveys show growing numbers of those interviewed feel insecure and vulnerable..."*


Contrary to expectations, the relative increase in non-manual jobs, has not contributed to broadening middle-income strata and overcoming the strong polarization in income that has traditionally characterized Latin American societies, even in those countries with higher incomes.

Nor has a higher educational level translated into better income distribution, basically because lower level non-manual jobs offer lower incomes than would be expected, given the educational level demanded. This educational devaluation also affects those in the middle strata.

ECLAC shows that the demographic transition is having a powerful impact on the age structures of Latin American societies. On average, one of every four households has at least one senior citizen, while in ten of 16 countries analysed, the pension system covers just 25% of those of retirement age.

*Social Panorama* points out that children's situation continues to be the Achilles' heel of Latin America: 52% of the poor are children and adolescents; almost 39 million are from 0 to five years old; 43 million, six to 12. The largest families are precisely those with the fewest income earners to family members, and tend to be at an early point in their life cycle, with fewer resources. Similarly, women (spouses) participate less in the work force at this stage too.

The shortages affecting children are relevant because the new generation will face serious problems - due to the educational climate in their homes and nutritional risk, among other factors - as it attempts to generate the human capital necessary to participate suitably in the job market.

In this ninth edition of *Social Panorama of Latin America*, drugs' impact on the population's quality of life stands out: their use generates greater insecurity and violence, even affecting the governability of some countries. As drug use begins at ever earlier ages, there's growing concern about rising consumption and the need to prevent and control drug use. 

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increased real wages and reduced poverty levels. In contrast, in most South American countries, Gross Domestic Product stagnated or fell, open unemployment rates rose, and real wages fell, which very probably helped maintain or increase poverty levels.

Two new **ECLAC** studies on Chile and Mexico, covering the period between 1997 and 1998, reflect poverty's sensitivity to fluctuating economic growth and the positive impact of social spending.

If we compare the growth accumulated for these two years, both countries show similar figures, but in 1998, growth rose in Mexico while in Chile it slowed significantly.

In Mexico, open unemployment fell from 7.4% during the third quarter of 1995 to almost 2.8% during the fourth quarter of 1998. In Chile, it rose from 5.7% in November 1996 to 9.9% in November 1998, affecting primarily lower income groups.

Under these circumstances, Mexico's dynamic growth in recent years and social policies to assist those most affected by the crisis led social conditions to recover rapidly. The percentage of poor households fell from 43% in 1996 to 38% in 1998, and the number of indigent households fell from 16% to 13%, which assumes a reduction in extreme poverty of about three million people. At the same time, the country reduced the severity of poverty among the lowest income groups. In Chile, on the other

hand, poverty fell from 20% in 1996 to 18% in 1998, while the number of indigent households fell only slightly, from 5.8% to 5.6%.

*Social Panorama* shows profound changes in job markets and identifies three groups (using income levels) that make up the new employment stratification. The top level consists of slightly over 9% of those employed, who enjoy income significantly higher than the rest. The middle level includes 14% of the workforce, and the lowest level, whose income is under the poverty line, represents 75%.

The study also found that from 40% to 60% of senior citizens (60 years of age and over) receive no income from pensions or jobs and therefore must rely on their extended families. The study identifies the kinds of family arrangements arising from this situation.

Employment became even more precarious during the 1990s. This trend occurred as the percentage of people employed in informal or low-productivity sectors rose to almost 50% of the workforce in urban areas and even higher percentages in rural areas.

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The full text of *Social Panorama of Latin America 1999-2000* is available on the **ECLAC** web site: <http://www.eclac.cl>, or [www.eclac.org](http://www.eclac.org), and in print format from the Distribution Unit, [publications@eclac.cl](mailto:publications@eclac.cl).

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## PERCEPTIONS OF THREAT AND VULNERABILITY INCREASE

A growing sense of being threatened, vulnerable and at risk affects most of the region's people today, including part of the middle classes, according to the *Social Panorama of Latin America 1999-2000* published by **ECLAC**. Social vulnerability is reflected in public opinion surveys carried out in the late 1990s and has become a typical characteristic of Latin American society in the early 21st century.

**ECLAC** views this perception as the result of "trends in the labour market, the State's pulling back from some areas of action, new institutional structures for providing access to social services, the decline in traditional expressions of social organization, and difficulties facing micro and small companies..." The study illustrates the growing precariousness of the job market, given the higher percentages of temporary jobs, which offer no contract and no social security, and only an insecure source of income. This, in turn, translates into constant movement into and out of poverty, with the additional social costs involved.

As a result, governments now face greater demands to reduce this vulnerability, which can be seen in the struggles of the most affected sectors as they try to establish unemployment insurance and other economic and social policies.

The lack of employment or its poor quality is the clearest link between vulnerability and poverty, due to the fact that salaried

income is the main source of subsistence for middle- and low-income households.

According to the study, the precariousness of employment rose during the past decade, as did the number of people working in informal or low productivity sectors.

In 1999, this reached nearly 50% of the work force in urban zones, more in rural areas.



## Declining Access to Social Security

Increasingly flexible job markets have made jobs more precarious and unstable, while at the same time people have less access to social security. Jobs lost due to productive restructuring devalued human capital in the sense that it left many experienced workers with no place in medium- and high-productivity sectors. These displaced people must then choose between open unemployment and working in low productivity sectors. "Government policies for their training and relocation don't seem to have had the expected success," the document states.

The crisis in the State sector and inflation from the eighties cut back on the purchasing power of all those living on pensions and other social service allowances, making the conditions faced by the lowest income social groups, who received the benefits of these public transfers, even more precarious, although during the 1990s, some governments managed to restore some of the lost purchasing power.

Increased social vulnerability also appeared in the social services area, especially in education, health care and social welfare, and continued regardless of higher social spending during the last decade.

In several cases and countries, public policies to focus social spending reduced the burden of services for upper and middle class sectors on the public budget. But this has meant that many middle and lower middle class households have had to pay directly all or part of service costs, and have had to face the full weight of the job crisis and falling incomes. Especially in those countries unable to resume stable, fast economic growth, the drop in coverage and service quality has hit these groups as they face lost income due to poor economic performance. In this context, the perception of risk and vulnerability has grown.

The weakening of traditional forms of organization and participation (unions and community groups) has also replaced a collective approach with more individualistic behaviour. In the

political sphere, young people's exclusion from parties is a region-wide phenomenon. Since other organizations have not developed to fill this vacuum, people face participation in the market in an increasingly isolated way, with lesser degrees of protection and therefore more vulnerability

Small and very small companies are at the centre of public policy seeking to relieve this sense of vulnerability and poverty. But the virtual absence of subsidies, insufficient development policies, and the high mortality rate for these companies underline their fragility. "The vulnerability of small capital sustaining very small companies is therefore a factor in reproducing poverty," the report states.



### Rotating Poverty

Poor groups, particularly those affected by what is known as "hard poverty", are the ones that suffer the most social vulnerability.

Latin America (18 countries): Indicators of poverty, 1990-1997 a/  
(Percentages)

Countries	Years	Households and population below the poverty line b/											
		Total for country				Urban areas				Rural areas			
		H		PG	FGT2	H		PG	FGT2	H		PG	FGT2
Households	Population			Households	Population			Households	Population				
Argentina c/	1990	-	-	-	-	16	21	7.2	3.4	-	-	-	-
	1994	-	-	-	-	10	13	4.3	1.9	-	-	-	-
	1997	-	-	-	-	13	18	6.2	3.1	-	-	-	-
Bolivia d/	1989	-	-	-	-	49	53	24.5	15.0	-	-	-	-
	1994	-	-	-	-	46	52	21.6	11.8	-	-	-	-
	1997	-	-	-	-	44	49	19.9	11.0	-	-	-	-
Brazil	1997	57	62	33.6	22.8	(47)	(52)	(23.2)	(13.6)	72	79	51.0	38.1
	1990	41	48	23.5	14.7	36	41	18.9	11.4	64	71	38.9	25.7
	1993	37	45	21.7	13.6	33	40	18.2	11.0	53	63	34.3	23.0
Chile	1996	29	36	16.7	10.4	25	31	13.5	8.2	46	56	29.0	19.0
	1990	33	39	14.7	7.9	33	38	14.8	7.9	34	40	14.6	7.8
	1994	23	29	9.7	5.0	23	28	9.6	5.0	26	32	10.4	5.1
Colombia	1996	20	23	7.8	3.8	19	22	7.4	3.6	26	31	10.2	4.9
	1998	18	22	7.5	3.8	17	21	7.2	3.7	23	28	9.1	4.3
	1991	50	56	24.9	14.5	47	53	22.0	12.1	55	61	28.9	17.7
Costa Rica	1994	47	53	26.6	17.5	41	45	20.2	11.9	57	62	35.7	25.3
	1997	45	51	22.9	13.8	40	45	19.1	10.8	54	60	28.9	18.1
	1990	24	26	10.7	6.5	22	25	9.3	5.6	25	27	11.7	7.2
Dominican Rep.	1994	21	23	8.6	5.0	18	21	7.2	4.0	23	25	9.8	5.8
	1997	20	23	8.5	4.9	17	19	7.1	4.0	23	25	9.6	5.6
	1997	32	37	15.3	8.5	32	36	14.1	7.7	34	39	16.7	9.5
Ecuador	1990	-	-	-	-	56	62	27.6	15.8	-	-	-	-
	1994	-	-	-	-	52	58	26.2	15.6	-	-	-	-
	1997	-	-	-	-	50	56	23.9	13.5	-	-	-	-
El Salvador	1995	48	54	24.0	14.3	40	46	17.8	9.7	58	64	31.3	19.8
	1997	48	56	24.3	13.9	39	44	17.5	9.4	62	69	32.7	19.3
Guatemala	1989	63	69	32.6	20.7	48	53	23.0	14.1	72	78	38.2	24.6
Honduras	1990	75	81	50.2	35.9	65	70	39.0	25.8	84	88	58.0	42.9
	1994	73	78	45.3	31.3	70	75	41.2	27.4	76	81	48.4	34.2
	1997	74	79	45.6	30.8	67	73	39.0	25.2	80	84	50.7	35.2
Mexico	1989	39	48	18.7	9.9	34	42	15.8	8.1	49	57	23.5	12.7
	1994	36	45	17.0	8.4	29	37	12.6	5.8	47	57	22.9	12.0
	1996	43	52	21.8	11.7	38	45	17.4	8.7	53	63	28.2	15.9
	1998	38	47	18.4	9.4	31	39	13.4	6.4	49	59	25.6	13.9
Nicaragua	1997	-	-	-	-	66	72	38.1	24.5	-	-	-	-
Panama	1991	36	43	19.2	11.5	34	41	17.9	10.9	43	51	22.5	12.8
	1994	30	36	15.8	9.0	25	31	13.1	7.5	41	49	22.1	12.8
	1997	27	33	10.6	6.2	25	30	9.5	5.7	34	42	13.2	7.4
Paraguay	1990 e/	-	-	-	-	37	42	16.1	8.0	-	-	-	-
	1994	-	-	-	-	35	50	20.7	11.5	-	-	-	-
	1996	-	-	-	-	34	46	18.5	9.8	-	-	-	-
Peru f/	1995	41	48	-	-	33	38	-	-	56	65	-	-
	1997	37	44	-	-	25	30	-	-	61	69	-	-
Uruguay	1990	-	-	-	-	12	18	5.3	2.4	-	-	-	-
	1994	-	-	-	-	6	10	2.9	1.3	-	-	-	-
	1997	-	-	-	-	6	10	2.8	1.2	-	-	-	-
Venezuela	1990	34	40	15.9	8.7	33	39	15.4	8.4	38	47	18.8	10.0
	1994	42	49	19.9	10.8	41	47	19.0	10.3	48	56	23.8	13.2
	1997	42	48	21.1	12.0	-	-	-	-	-	-	-	-
Latin America g/	1990	41	48	-	-	35	41	-	-	58	65	-	-
	1994	38	46	-	-	32	39	-	-	56	65	-	-
	1997	36	44	-	-	30	37	-	-	54	63	-	-

Source: ECLAC, on the basis of special tabulations of household surveys from the countries concerned.

a/ For the definition of each indicator, see box I.2, where H is the poverty incidence index, PG is the poverty gap, and FGT2 is the poverty severity index. b/ Includes households (individuals) living in indigence or extreme poverty. c/ Greater Buenos Aires. d/ Eight departmental capitals plus the city of El Alto. The figures in brackets for 1997 give the total for the urban areas of the country. e/ Metropolitan area of Asuncion. f/ Figures of the Peruvian National Institute of Statistics and Informatics (INEI), compiled on the basis of information from the National Household Survey (ENAHO) for 1995 and 1997 (fourth quarter). g/ Estimate for 19 countries in the region.



But in the past two decades, non-indigenous poor and middle class sectors have also experienced sharply fluctuating incomes. As a result, there's more rotation, as households cross the poverty threshold over and over again, a reality that leads to greater insecurity and higher costs for households, given that those who suffer a sharp fall in income must sell their goods or go into debt, causing an additional decline in living conditions.

For the urban poor, it is hard to gain access to better employment opportunities in terms of job quality and salaries, given that these are to be found in the modern part of the economy and depend on ever-higher educational levels. Similarly, this poverty "rotation" reflects the prevalence of unstable jobs, which are a characteristic of the current pattern of development.

Both education and health care, key components of so-called human capital, show a clear differentiation according to social strata. This is yet another sign of the vulnerability of many segments of the population, which again makes it difficult to overcome poverty. In an environment where technological and informational know-how are concentrated in modern sectors of the economy and large companies, the amount and distribution of human capital are decisive. Thus, access to the few jobs generated is reduced because of the sophisticated technical and professional skills they require.

While some high-income/capital sectors receive a high quality education, which they tend to pass on from one generation to the next, others study less, in poorer conditions. Similarly, the enormous difference between health care offered by the public and private sectors introduces tension and uncertainty among poor families and blocks or even increases the human capital gap, thus becoming an additional factor in reproducing poverty.

To reduce poverty and social vulnerability, **ECLAC** recommends that social policies go back to offering some degree of universal access. These policies should increase their coverage and efficiency. This requires reincorporating some target groups among low- and middle-income strata, which are currently excluded by excessive focusing and, as a result, are very vulnerable to frequent economic recessions and the new institutional framework governing access to social services.

At the same time, economic policy must achieve more dynamic, stable growth, as well as a substantial rise in the productivity of micro and small companies, whose permanent nature has become evident. "To the degree that the economy grows more quickly, this situation should tend to improve, thanks to the creation of more and better quality, better paid jobs, and the greater possibilities these offer to governmental budgets," states **ECLAC**.

## JOBS MORE PRECARIOUS

Between 1998 and 1999, open unemployment rates reflected economic activity, falling in Mexico and most of Central America and the Caribbean, but remaining over 10% in Nicaragua, Panama and the Dominican Republic. Elsewhere, unemployment rose, sharply in Chile, Colombia, Ecuador and Venezuela, more moderately in Argentina, Bolivia and Uruguay, while holding steady in Brazil.

Economic restructuring made jobs more precarious in almost every sector, as young people, women and less skilled workers tended to work in temporary jobs. More urban wage earners now work without contracts as well, ranging from 22% in Chile to 65% in Paraguay. Temporary and non-contract workers receive lower wages than permanent employees (from 41% in Mexico to 76% in Venezuela).

Precarious employment at lower wages is directly linked to poverty and social vulnerability. In Bolivia and Paraguay over 60% of wage earners have no social security, while in five countries, one-third of workers are in this situation. In contrast, Uruguay covers virtually the entire population.

Productive transformations during the past two decades and limited economic growth reduced absorption of the workforce and its mobility. Rising employment did less than expected to shift labour from low- to high-productivity sectors. Private sector professionals and technicians tended to reap the benefits, while the rest of the workforce (70%) did not.

## THE CHALLENGES OF AN AGEING POPULATION

One of every four Latin American households includes at least one senior citizen and two of every three seniors live in multigenerational households, due either to their own limited resources or, in some cases, to the younger generations' inability to generate enough income to have their own homes.

Social security systems' slow development and their limited coverage in most of the region's countries has left families using solidarity-based strategies to resolve the economic, social and health care problems of their older members.

Many multigenerational households provide seniors with the opportunity to make significant contributions, however. By living in their parents' home, young families gain access to housing they couldn't afford on their own. Where they can, seniors also contribute to family income and can offer essential labour, particularly childcare, to households whose women and young people form part of the workforce in ever increasing numbers.

On average, seniors contribute over half the family income in one of every three urban households. Where a high

percentage of jobs are in the informal sector, this income may be the only amount the family can count on receiving every month.

As part of the UN's International Year of Senior Citizens, ECLAC has reviewed the specific conditions facing the elderly, examining four relevant issues: seniors' participation in the workforce and access to health care; their social integration, both collectively and individually; regulation of resource transfers channelled through the State, the family and the market; and the impact of ageing populations on overall development.



## Small Minority Receives Pension

ECLAC researchers have found that in most of the region's countries, over half the senior citizens have no pension, a reality that forces many into the workforce. In fact, in ten of the region's countries (Bolivia, Colombia, Ecuador, El Salvador, Honduras, Mexico, Nicaragua, Paraguay, the Dominican Republic and Venezuela), the pension system covers less than 25% of the population 60 years of age and over. At one extreme is Honduras' system, which provides pensions to just 8% of senior citizens in urban areas and 2% in rural areas. At the other extreme are Uruguay, Argentina, Brazil and Chile, where pension plans cover over 60% of eligible urban residents.

These inequalities become even greater, given that where coverage is poor, highly educated workers are over-represented among those receiving pensions, a gap that closes as coverage rises. Thus, in countries with very poor coverage, the number of beneficiaries with over ten years of education is six times greater than the population with less than six years of study. Where coverage is intermediate, this gap falls to three times, and it practically disappears once the pension system covers over 70% of the eligible population.

In low or medium-coverage countries, 40-60% of seniors receive no pension whatsoever, with this rate falling to 25% in the case of Argentina, Brazil, Chile and Uruguay. Only a very low percentage of those receiving pensions (20%) continue to work. Those who do work, particularly where they have no pension, tend to work about 30 hours a week, but average earnings amount to just 10% to 30% of their income during their last working years, leaving most at or below the poverty line.

Significant strides forward in coverage are unlikely in the coming years, a reality that will force a relatively high number of seniors to remain in the workforce, thus contributing to a lag in wages in lower level jobs requiring less training.

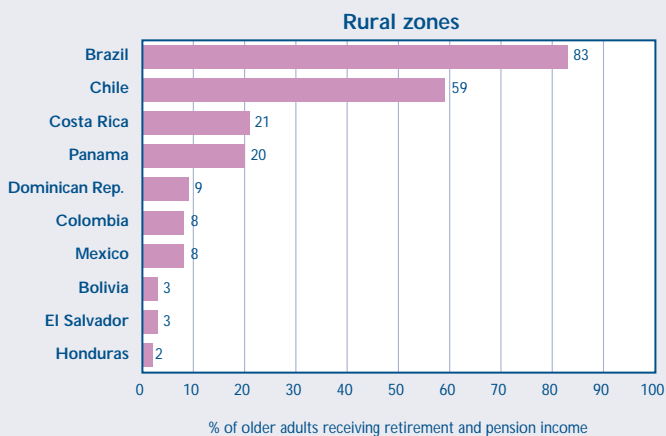
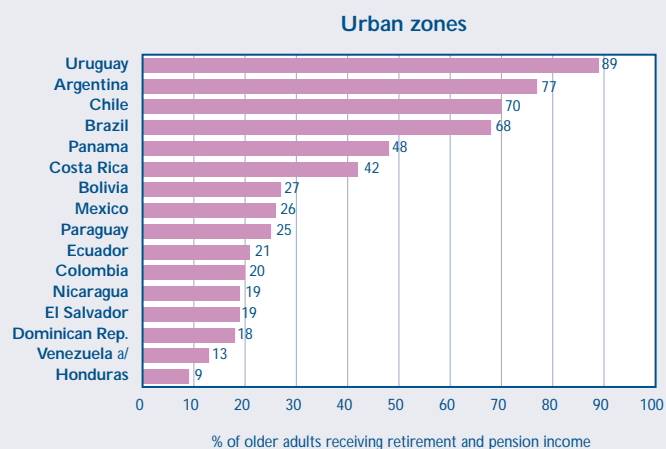


## Pensions Influence Income Distribution

The relative coverage of pension programs also affects income distribution. Although no less than half the programs' beneficiaries receive a monthly income well under the poverty line, their contribution to overall household income boosts it significantly when evaluated for its distributive impact.

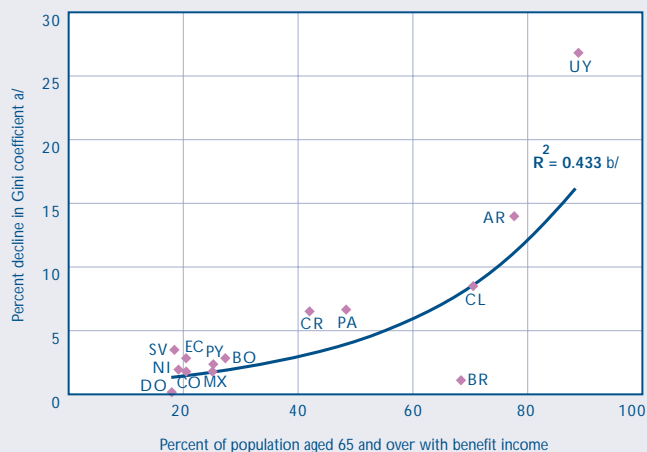
In those countries with better coverage and a higher proportion of the population over 60, the pension program translates into a significant increase in the share of income distribution received by the poorest 40% of the population in every case. For example, in Uruguay and Argentina, pension income raises this group's share in total household income by

Percent of population aged 65 and over receiving retirement and pension income, 1997



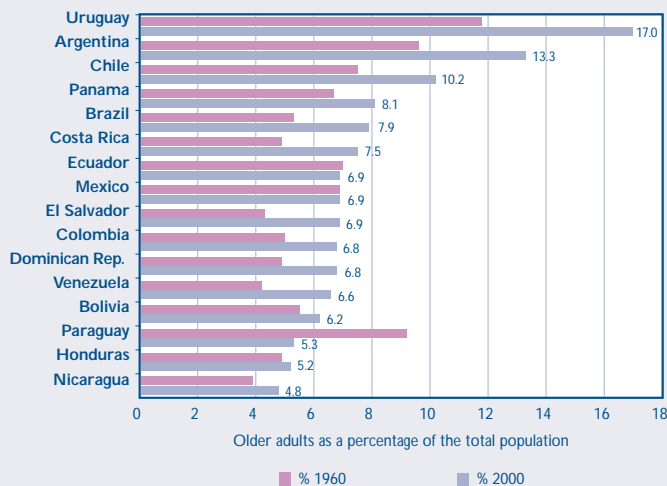
Source: ECLAC, based on special tabulations from household surveys in the countries.  
a/ National total.

### Old-age benefits: impact on income distribution urban zones, around 1997



Source: ECLAC, based on special tabulations from household surveys in the countries.  
 a/ Refers to the percent decline in the Gini coefficient of household income when total household income includes payments from the old-age benefit system.  
 b/ Coefficient resulting from an exponential adjustment.

### Persons aged 60 or over as a percent of total population, 1960 and 2000



Source: Latin American and Caribbean Demographic Centre (CELADE), Population Division of ECLAC, population projections.

7% and 5% respectively, while in Chile and Panama their share rises by 2%.

This effect occurs where senior citizens are a significant portion of the population and where there is a traditional pension system. To the degree that individual saving systems tend to perpetuate the beneficiaries' higher income levels during their working lives, this redistributive effect will be somewhat offset by increased disparities in pension income.

Today, although on average pensions reduce poverty by only three percent (from 38% to 35%), their impact becomes very

significant in those households where pension income represents a significant share or even all of household income. If pension income is excluded from calculations of these households' income, poverty rises on average from 26% to 44%.

This data clearly indicates that pension systems' importance to total resources available to seniors will increase as the population ages, particularly in the region's most populated countries. This will make the coverage, the level and the kind of benefits available increasingly important to public policies in coming decades.



## OPPORTUNITIES FOR CHILD AND ADOLESCENT WELFARE

The *Social Panorama of Latin America* has long dealt with issues relevant to child and adolescent welfare, given that these stages in the life cycle largely define individuals' participation in their society. This is the stage where children must acquire basic skills necessary to participate fully in society, culture and politics. Thus, investment in children should be considered a way of creating the human, social and cultural capital essential to exercising citizenship.

As UNICEF studies point out, children are among those hardest hit by poverty, which causes lifelong physical and psychological damage. In the ten years since the World Summit on Children, favorable trends associated with economic growth (1990-1998) weren't enough to contain the increase in the number

of children and adolescents living in poverty. By 1997, 110 million of the 204 million people living in poverty were under 20 years old. Thirty-seven million were children under six: the most vulnerable age group. The economic crisis (1998-1999) left 117 million minors (of a total 224 million) in poverty. Over half the children and adolescents of Latin America are poor. These results are particularly grave given that in most cases these conditions of poverty define children's access to well being throughout their lives.

Although poverty fell in 19 Latin American countries (from 41% in 1990 to 36% in 1997) a breakdown by age reveals that the poverty affecting households with children and adolescents fell less. Two key factors weigh on these results: the fact that during crises, these households suffer more, and the lack of public

policies focused specifically on these, the most vulnerable households. As a result, young people are disproportionately represented: in 1997, 54% of the poor were under 20, although this age group accounted for just 44% of the population.

These figures reflect the fact that low-income households tend to have more children and more non-working dependents. Often the main wage earner is just starting out, and therefore earns less. For this period the number of urban children 0 to 5 years old in poverty fell by just 2%, but poverty affected 1% more rural children. The regional average saw children's poverty fall from 59% to 58%, while the total number of preschool children in poverty remained at almost 37 million. Figures for children 6 to 12 were similar, while poverty for adolescents (13-19 years) fell from 50% to 47%.

These figures raise the question of whether the region will be able to meet the goal of a 50% reduction in poverty by 2015, as set by the World Social Development Summit and other bodies. ECLAC calculates that it would require steady 5% to 6% annual growth to reach that objective.

However, trends over the past decade suggest that for 19 countries, poverty rose more from 1997 to 2000 than it fell during the period of economic growth, 1990-1996. For the most vulnerable group, children under six, poverty may end up 1% higher in 2000 than it was ten years earlier, with similar trends expected for children six to 12, and adolescents.

*Social Panorama* evaluated three target options and their impact on children: keeping the number of poor people the same; halving the number of poor people (from 224 million to 112 million); and halving the rate itself (from 45% to 23%).

Simply maintaining the absolute number of poor people won't significantly improve the conditions facing young people, while the second and third goals would significantly improve their conditions, but require very high growth compared to the region's average performance from 1990 to 1999 (3.4% annually). To correct this situation, countries should seek to balance their goals better, focusing explicitly on children and adolescents, and defining indicators to evaluate progress.

Two main factors influence children's development: socio-economic conditions and their mother's skills, this last being the factor most directly associated with children's mortality and morbidity rates. *Social Panorama* used education (less than six years) for the mother's capabilities and a per capita household income set at 75% of the poverty line or less, as a nutritional risk indicator.


In 10 of 16 countries, from 40% to 50% of preschool children are being raised by mothers who did not complete primary education, while in the remaining six, this figure ranges from 13% to 18%. In rural areas in six of ten countries this rate reaches 65% to 85%, and 30% to 40% in the other four. This indicates that in early 2000, a vast number of minors began their education with serious handicaps.

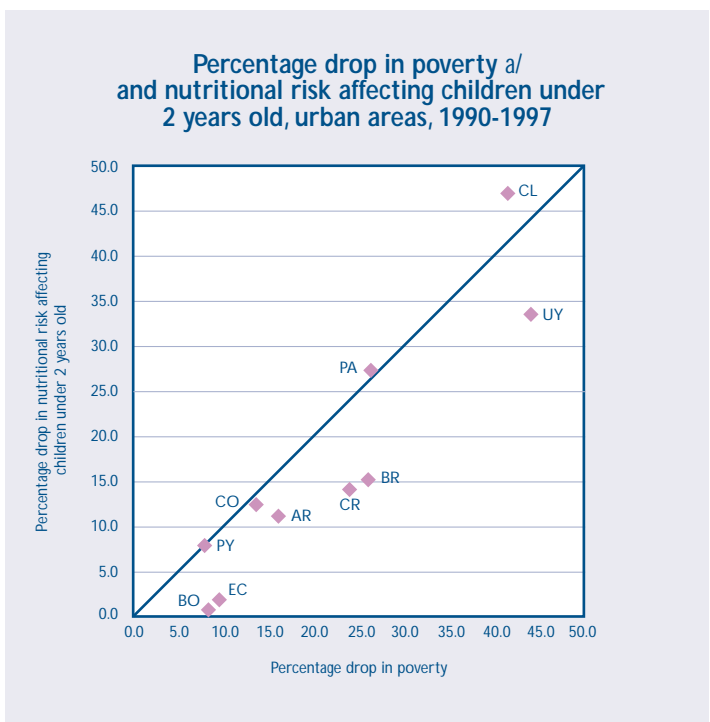
Although the number of children under two years of age living in poverty, who have mothers with little education fell

significantly in the past decade, projections for 2000 indicate that 36% of Latin American children are at risk for these factors. The nutritional risks associated with poverty and mother's education include food safety, nutrition and hygiene, all more important to children's growth than genetic factors. Women with incomplete primary education are ill-equipped to plan diet, prepare foods, and get the most out of local health care programs.

While these risk levels have fallen significantly in the past decade, reflecting economic growth and educational advances, in nine of 16 countries, over one-third of urban children under two remain at risk, while in six of 11 countries, over half of rural children under two are at risk. Thus, nutritional risk has fallen more slowly than poverty itself. For 2000, some 36% of total children under two are in high-risk situations.

During the past decade, the region's countries advanced significantly in terms of hygiene, another key factor in infant health. Nevertheless, in most Latin American countries 10%-60% of children under six live in households not connected to drinking water, and without waste elimination (20% to 80%). Progress in this area shows a strong urban bias, with poor and non-existent service in rural areas.

Lack of drinking water and proper waste treatment hits children of mothers with less education the hardest, as they are ill-equipped to protect their children from environmental hazards that may pile up around the family home. The countries in the region show wide disparities in this respect. Fourteen percent of Chile's urban children face waste-related risks, for example, versus 78% of the country's rural children; in Colombia the figures are 12% versus 48%, and Mexico 27% versus 71%. 



Source: ECLAC, calculations based on household surveys from respective countries.  
a/ Refers to the percentage drop in urban poverty at the individual level.





## NEW SOCIAL STRATIFICATION IN LATIN AMERICA

The creation of middle class societies has become difficult in Latin America. The new occupational stratification that began to take shape in the 1990s favours neither social mobility nor better income distribution, according to the latest edition of *Social Panorama*.

The document offers evidence of considerable inequality in income among the different strata in Brazil, Chile, Colombia, Costa Rica, El Salvador, Mexico, Panama and Venezuela. This is so extreme that three-quarters of the employed don't earn enough to keep a typical family out of poverty, if only one member of the household works.

As a result, aspirations are changing. During the 1970s, Latin America was expected to create middle class societies, with some countries very close to European levels, such as Argentina and Uruguay where the number of people in non-manual employment ranged from 35% to 40%.

However, by 1980, a contradiction appeared between the increasingly abundant supply of more educated labour and economies unable to appropriately absorb the supply, causing "educational devaluation" and pushing downward income for manual and some non-manual jobs.

The study sorts jobs by income into three levels: top, middle, and bottom. The top level includes just over 9% of the employed workforce and is clearly at some distance from the other two. It includes employers, directors, managers and top public and private employees, with an average income of 13.7 times the poverty line.

The middle level includes professionals with less education, trades people and administrative employees. They represent almost 14% of the work force and their income averages five times the poverty line.

Finally, almost 75% of those employed are in the lowest level with mean incomes reaching about 2.8 times the poverty line. There are two sub-groups in this category. The first comprises retail and other workers, craftspeople and operators making up 38.7% of the workforce with average income around 3.5 times the poverty line, and six or seven years of study. Of these, half work in private firms, one-third are domestic workers and the rest work on their own. The second sub-group includes personal service and farm workers, making up 34.5% of the workforce, with a mean income that is twice the poverty line. Most are subsistence farmers, non-salaried and salaried employees of very small companies, whose income is very low or non-existent.

A detailed analysis of occupational stratification identifies some relevant relationships:

- The increase in highly skilled professionals in higher income countries in recent years is linked to a rise in medium and large private firms and, to a lesser degree, administrators' and professionals' participation in the state sector.

- Higher income countries have fewer workers in retail. In Chile and Costa Rica, the countries with the highest mean income, 10.3% work in commerce, while in lower income countries, 15.3% do. Furthermore, salaried workers make up

Latin America (8 countries): distribution of occupational strata, 1997 <sup>a/</sup>  
(Percentage of the working population aged 15 and over)

	Brazil a/	Chile b/	Colombia c/	Costa Rica	El Salvador	Mexico b/	Panama	Venezuela d/
<b>EMPLOYERS</b>	3.8	4.1	4.4	7.5	5.2	4.8	2.9	5.1
Micro e/	1.8	2.5	-	5.7	4.0	3.2	2.1	3.6
Small f/	1.0	0.5	-	1.1	0.9	1.1	0.6	1.4 h
Medium-sized and large g/	1.0	1.0	-	0.5	0.3	0.5	0.2	-
Unknown	0.0	0.0	-	0.1	0.0	-	0.0	-
<b>EXECUTIVES/MANAGERS</b>	2.2	4.0	0.8	2.8	1.7	1.6	5.7	3.0
Private-sector employees	2.1	1.3	0.5	1.6	1.2	1.4	3.6	2.0
Micro	0.3	0.1	-	0.2	0.1	0.1	0.3	0.1
Small	0.1	0.0	-	0.2	0.1	0.2	0.3	1.8 h/
Medium-sized and large	1.7	1.1	-	1.2	1.0	1.1	3.0	-
Unknown	0.0	0.0	-	0.0	0.0	-	0.0	0.0
Public-sector employees	-	-	0.3	1.0	0.4	-	1.9	0.7
Own account	-	2.7	-	0.1	-	0.2	0.1	0.3
<b>PROFESSIONAL WORKERS</b>	2.0	8.1	9.6	4.1	2.6	3.1	5.9	12.1
Private-sector employees	1.4	7.3	4.3	1.8	1.1	2.4	2.5	3.6
Micro	-	0.4	-	0.2	0.0	0.2	0.2	0.4
Small	-	0.3	-	0.2	0.1	0.3	0.2	3.2 h/
Medium-sized and large	1.4	6.4	-	1.3	1.0	1.9	2.1	-
Unknown	0.0	0.2	-	0.1	0.0	0.0	0.0	0.0
Public-sector employees	-	-	3.4	1.6	1.2	-	2.9	6.8
Own account	0.5	0.8	1.9	0.7	0.2	0.6	0.5	1.7
<b>TECHNICAL WORKERS</b>	6.1	7.5	-	6.2	6.3	6.0	6.5	-
Private-sector employees	5.4	6.7	-	1.3	2.9	5.4	1.8	-
Micro	0.1	0.5	-	0.2	0.2	0.8	0.2	-
Small	0.2	0.3	-	0.1	0.3	0.6	0.2	-
Medium-sized and large	5.1	5.6	-	0.8	2.4	4.0	1.4	-
Unknown	0.0	0.3	-	0.0	0.0	0.0	0.0	-
Public-sector employees	-	-	-	4.5	2.8	-	4.4	-
Own account	0.7	0.7	-	0.5	0.4	0.4	0.3	-
<b>CLERICAL WORKERS</b>	7.4	9.6	8.2	8.6	4.7	8.2	10.1	9.2
Private-sector employees	7.2	9.3	6.1	5.1	3.1	7.8	6.1	5.9
Micro	0.3	1.0	-	0.8	0.3	1.0	0.6	0.7
Small	0.7	0.7	-	0.6	0.4	0.9	1.0	5.1 h/
Medium-sized and large	6.3	7.2	-	3.5	2.4	5.9	4.5	-
Unknown	0.0	0.4	-	0.2	0.0	0.0	0.0	0.1
Public-sector employees	-	-	1.7	3.2	1.4	-	3.9	3.2
Own account	0.1	0.2	0.3	0.2	0.1	0.1	-	0.1
<b>TRADE WORKERS</b>	12.1	9.5	16.0	11.0	16.4	14.2	10.6	17.1
<b>OWN-ACCOUNT TRADERS</b>	-	-	4.9	3.2	-	4.6	1.8	-
<b>WORKERS IN GENERAL</b>	-	7.4	-	-	9.5	-	-	-
Employees	-	5.4	-	-	2.4	-	-	-
Own account	-	2.0	-	-	7.0	-	-	-
<b>MORE HIGHLY SKILLED WORKERS</b>	0.6	-	1.5	1.6	-	1.5	0.5	1.2
Employees	0.3	-	1.1	1.5	-	1.2	0.4	0.8
Own account	0.4	-	0.4	0.1	-	0.2	0.1	0.4
<b>LESS HIGHLY SKILLED WORKERS</b>	8.5	-	8.7	4.6	-	4.4	4.7	12.5
Employees	4.7	-	4.2	4.3	-	4.2	4.2	4.2
Own account	3.8	-	4.6	0.2	-	0.2	0.6	8.3
<b>STREET SELLERS</b>	-	-	-	-	-	-	-	-
<b>UNPAID BLUE-COLLAR WORKERS/ARTISANS/OPERATORS/DRIVERS</b>	22.6	27.4	24.9	27.2	26.8	29.2	23.5	29.1
Private-sector employees	14.7	19.9	13.5	19.0	17.0	22.8	12.1	16.6
Micro	1.3	3.6	-	4.7	4.6	6.1	2.2	4.6
Small	2.1	1.7	-	2.0	2.9	3.4	1.5	11.7 h/
Medium-sized and large	11.2	13.5	-	11.8	9.4	13.3	8.4	-
Unknown	0.0	1.1	-	0.5	0.1	0.0	0.0	0.3
Public-sector employees	-	-	0.7	1.4	1.4	-	2.7	1.5
Own account	7.2	7.3	10.4	6.5	7.4	4.9	8.5	9.9
Unpaid	0.7	0.2	0.3	0.3	1.0	1.4	0.2	0.1
Other	-	-	-	-	-	0.0	-	1.1
<b>PERSONAL SERVICES WORKERS</b>	15.0	16.4	15.5	15.3	13.2	13.9	16.8	15.4
Private-sector employees	6.0	9.5	5.8	5.7	4.5	9.8	4.8	8.1
Micro	0.4	2.3	-	1.6	1.2	4.8	1.0	3.8
Small	0.9	0.7	-	1.0	0.7	1.0	0.8	4.2 h/
Medium-sized and large	4.7	6.1	-	2.9	2.5	4.0	2.9	-
Unknown	0.0	0.4	-	0.2	0.0	0.0	0.0	0.0
Public-sector employees	-	-	1.6	2.5	1.7	-	3.3	4.1
Domestic	7.3	5.5	3.8	4.3	4.3	3.5	5.7	-
Own account	1.4	1.3	3.9	2.7	2.4	-	2.9	3.1
Unpaid	0.3	0.1	0.3	0.3	0.2	0.7	0.1	0.1
Other	-	-	-	-	-	-	-	-
<b>AGRICULTURAL WORKERS</b>	22.1	12.6	20.5	16.8	23.1	18.4	17.8	8.6
Private-sector employees	6.4	8.5	10.8	10.4	11.2	6.7	5.1	4.3
Micro	6.2	2.5	-	4.5	3.5	3.1	2.7	2.1
Small	0.0	1.0	-	1.3	1.5	1.2	0.6	2.2 h/
Medium-sized and large	0.2	4.8	-	4.5	6.1	2.4	1.9	-
Unknown	0.0	0.3	-	0.1	0.0	0.0	0.0	0.0
Public-sector employees	-	-	0.0	-	0.1	-	0.2	0.1
Own account	6.5	3.7	8.0	5.1	7.9	7.5	10.1	4.0
Unpaid	9.2	0.4	1.7	1.3	3.7	4.1	2.4	0.3
Other	-	0.0	-	-	0.2	0.1	-	-
<b>UNCLASSIFIED</b>	6.7	1.0	0.1	0.5	0.2	0.6	0.1	0.5
<b>TOTAL</b>	-100.0	-100.0	-100.0	-100.0	-100.0	-100.0	-100.0	-100.0

Source: ECLAC, on the basis of special tabulations of the countries' household surveys.  
<sup>a/</sup> For survey years in each country, see box II.1. <sup>a/</sup> No distinction is made between public- and private-sector workers. Unpaid agricultural workers include subsistence workers, and agricultural wage earners who stated that they did not know how many people were employed by their company were assumed to be working for small enterprises. <sup>b/</sup> No distinction is made between public- and private-sector workers. <sup>c/</sup> The size of establishments is not specified, and no distinction is made between professional and technical workers. <sup>d/</sup> No distinction is made between medium-sized and large establishments or between professional and technical workers. In addition, domestic workers are included together with personal services workers. <sup>e/</sup> Up to four employees in the cases of Costa Rica, El Salvador, Mexico, Panama and Venezuela and up to five employees in the cases of Brazil and Chile. <sup>f/</sup> From five to nine employees (Costa Rica, El Salvador and Mexico), from six to nine employees (Chile), from five to ten employees (Panama) and from six to ten employees (Brazil). <sup>g/</sup> Ten or more employees (Chile, Costa Rica, El Salvador and Mexico) and eleven or more employees (Brazil and Panama). <sup>h/</sup> Includes small businesses in the groups corresponding to each stratum.

more of the workforce in the former, 57% in Chile and 46% in Costa Rica, as compared to 38% in Mexico and 15% in El Salvador.

- A higher proportion of workers are employed in personal services in higher income countries, but their occupational characteristics aren't very different, given that two-thirds work in micro and small companies, on their own or as domestic employees.

- In higher income countries, farm workers account for a smaller share of the workforce than in countries of lower incomes. There are more wage-earners and salaried employees, as well as employees of medium and large companies.

The unemployment rate significantly influences poverty, as does the occupational density of households and the share of non-work-related income over total family income.

There is a direct relationship between education and work-related income. Generally speaking, the more educated the workforce, the higher occupational income. The study also organizes occupational strata in three levels, by education:

- The top level consists of professionals with almost 15 years of education, representing some 3% of total employed people.

- The middle level consists of directors and managers, trades people, administrative employees and business people, with education ranging from nine to 12 years of study, representing 20% of the employed workforce.

- The bottom level ranges from 2.9 to 7.3 years of study and includes all other urban occupational strata, whose education ranges from 5.5 to 7.3 years, and agricultural strata whose education reaches 2.9 years.

The **ECLAC** study demonstrates the strong influence that the main wage earner's income has on total household income. When it is insufficient, increasing occupation density tends to be the most effective way of avoiding poverty, reducing its severity or improving social mobility. About half of households have more than one member active in the workforce.

The difference in per capita income between households with one person working and more than one is 17% in Brazil, zero in Mexico, just over 40% in Colombia and Costa Rica, and 30% in Chile. These differences, slim or non-existent in some countries, are influenced by the fact that large households tend to have more than one member working.

For these eight countries, 49% of households have more than one person working, while 40.6% have just one person working and 10.4% have no one working. In lower-income countries this helps to reduce the severity of poverty in lower levels, while in higher income countries, it reduces poverty, provides greater social mobility, and improves middle income groups' access to consumption.



## THE DRUG PROBLEM

Concern about growing use of legal and illegal drugs is on the rise throughout the region, and most countries have developed national programs to deal with the related issues. Drugs affect the population's quality of life, and are linked to social exclusion, weak institutions, insecurity, and violence. In some countries, drug-related activities also threaten governability.

Since June 1998 when a United Nations (UN) Assembly focused on drugs, many countries have worked to achieve a balance between repressing supply and reducing demand. Marijuana, all the world's cocaine (about 1000 mt per year) and, to a growing extent, heroin are all produced in the region. Since 1970, opium production for heroin, consumed mainly in the US, spread from Asia to Mexico, Guatemala, Colombia and Peru. Synthetic drug production is rising too, particularly the amphetamine known as MDMA.

Large groups of farmers and indigenous people cultivate drugs, attracted by their high profitability in conditions where most have little access to credit, technology or markets for other crops. The main drug producing countries aren't the main consumers, however. In Bolivia, one of the three main cocaine producing countries, the main drug problem is inhalants.

In recent years, the expansion of both trafficking and illegal crops have begun to generate significant environmental damage in the Amazon, due to the use of pesticides and on-site processing of cocaine. Drugs travel to the US (35%) and Europe (65%) by a variety of routes, with countries like Argentina, Brazil, Chile and Venezuela becoming more used.

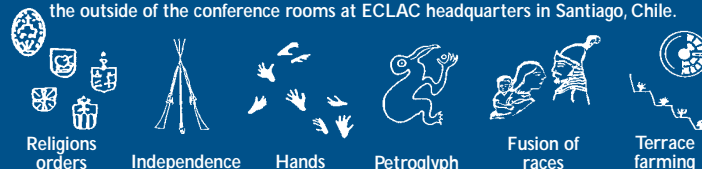
Drug trafficking generates a culture of illegality that affects social norms, with micro-trafficking making crime a part of daily life at the neighbourhood level, while large-scale trafficking eats away at public and financial institutions, due to the enormous sums of money handled.

Alcohol and tobacco are by far the most widely used drugs in the region. Marijuana is the main illegal drug used, but alcohol and cocaine are the most harmful in terms of health. All reinforce marginalization and vulnerability, affecting primarily young men, who risk losing contact with their families and social milieu, interrupting their education and /or exclusion from the job market.

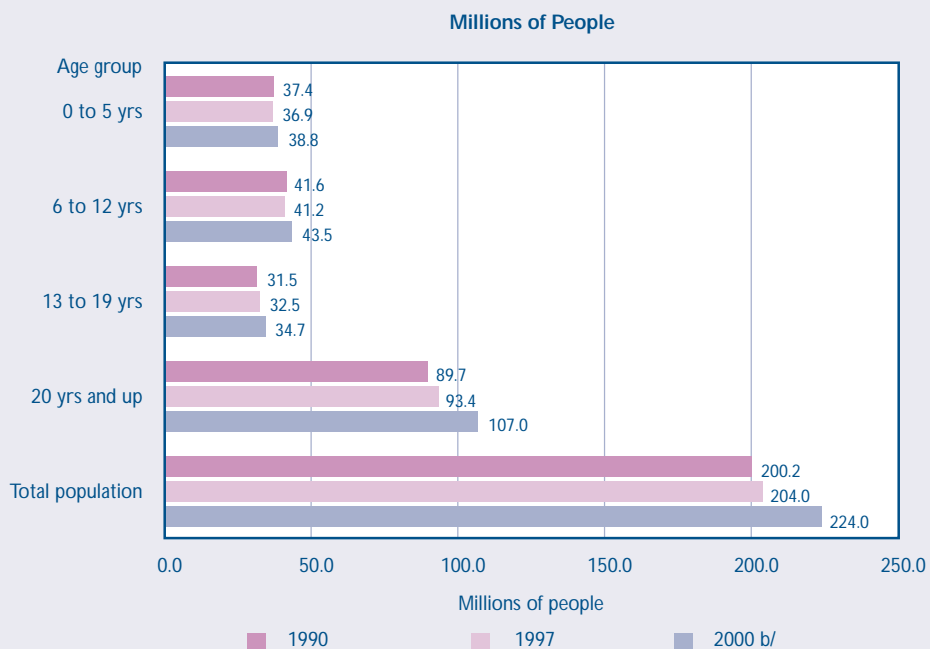
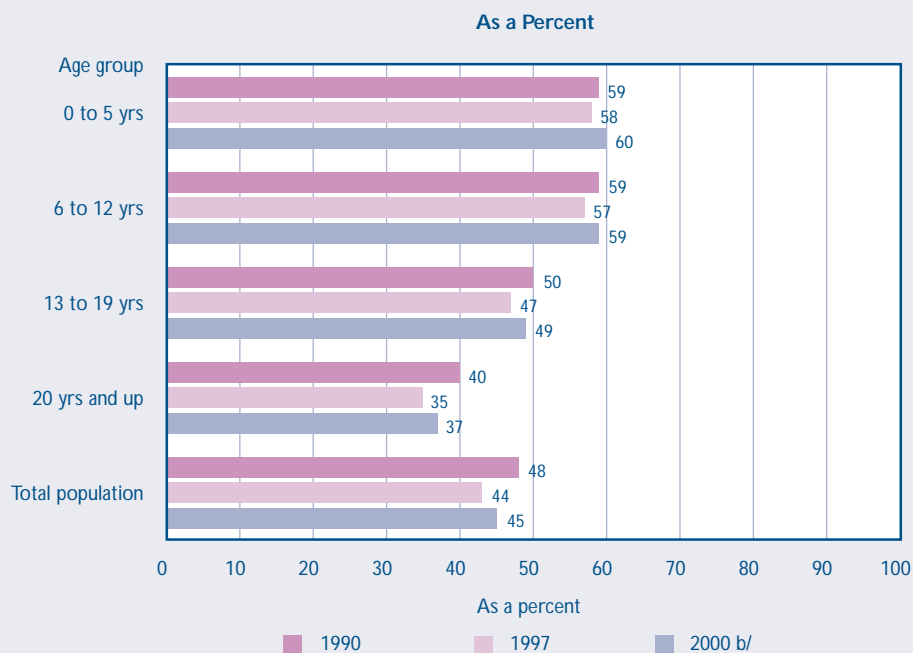
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The symbols used in this newsletter represent the various indigenous cultures of the Americas and some of the milestones in the region's history. The symbols are engraved on the outside of the conference rooms at ECLAC headquarters in Santiago, Chile.



Latin America (19 countries):  
Incidence of poverty a/ by age group, 1900, 1997, 2000



Source: ECLAC, special calculations based on household surveys in respective countries.

a/ Percentage of persons living in households with income under the poverty line. Includes indigence and extreme poverty.

b/ Preliminary figures, estimates based on population data from the Latin American and Caribbean Demographic Centre (CELADE). ECLAC Population Division and evaluation of countries' macroeconomic indicators.



**1 Ensayos sobre el financiamiento de la seguridad social en salud, Los casos de Estados Unidos, Canadá, Argentina, Chile, Colombia,** edited by Daniel Titelman and Andras Uthoff. (2-volume, co-edition ECLAC/Fondo de Cultura Económica, available in bookstores, Spanish). Essays on how social security programs are funded in five countries and suggestions on how the region could help the 25% of the population

that has no access to formal health care systems.

**2 Exportaciones no tradicionales latinoamericanas. Un enfoque no tradicional,** by Valentine Kouzmine. Comercio Internacional Series No. 7, (LC/L. 1392-P, Spanish, US\$10). Kouzmine examines the definition of “untraditional” exports based on her study of three decades of untraditional exports (shrimp, cut flowers, instant coffee and wine), their current status and their impact on the structure of each country’s exports.

**3 Integración regional, desarrollo y equidad,** by Armando di Filippo y Rolando Franco. (Co-edition ECLAC/Siglo Veintiuno Editores, available from ECLAC, LC/G. 2029-P, Spanish, US\$20). This essay divides treaties strengthening regional ties into two types, concluding that “Type B”

(Mercosur, Caricom) offer the most opportunities for development, job creation and improved equity within and among the region’s countries.



**4 Políticas de viviendas de interés social orientadas al mercado: experiencias recientes con subsidios a la demanda en Chile, Costa Rica y Colombia,** by Günther Held. Financiamiento del Desarrollo Series No. 96, (LC/L. 1382-P, Spanish, US\$10).

An overview of three of the region’s most successful social housing programs. [www](http://www.eclac.cl)

**5 Two Decades of Adjustment and Agricultural Development in Latin America and the Caribbean,** by Max Spoor. Reformas Económicas Series No. 56, (LC/L. 1352, English, US\$10). This paper uses an unconventional approach to show that agriculture developed rapidly in spite of price discrimination during the “lost decade”, challenging the idea of stagnation and suggesting that instead, it may have served as a buffer during the crisis. [www](http://www.eclac.cl)

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MONTH	EVENT	VENUE
<b>SEPTEMBER</b>		
4 - 6	Symposium on International Migration in the Americas, ECLAC-CELADE/International Organization for Migrations (IOM)/United Nations Population Fund (UNFPA)/Organization of American States (OAS)/ Inter-American Development Bank (IDB)	San José, Costa Rica
7	Seminar “Development Financing Aspects in the Context of Financial Globalization”, ECLAC/Latin American Reserve Fund (LARF/Andean Development Corporation (CAF)	ECLAC Headquarters Santiago, Chile
12	Ninth Meeting of Specialized Agencies and Other Bodies of the United Nations System on the Advancement of Women in Latin America and the Caribbean, ECLAC	ECLAC
14 - 15	Experts’ Meeting on Maritime Transport in the Caribbean, ECLAC	Port-of-Spain, Trinidad and Tobago
21	Evaluation mission on the project “Energy and Development in Latin America and the Caribbean (Phase III)”, ECLAC/Latin American Energy Organization (OLADE)/German Agency for Technical Cooperation (GTZ)	ECLAC
<b>OCTOBER</b>		
5 - 6	High Level Seminar on Basic Planning Functions, ILPES/ECLAC	Port-of-Spain, Trinidad and Tobago
18 - 20	Regional seminar on Public Debt Management, ECLAC/International Monetary Fund (IMF)	ECLAC
25 - 27	Regional preparatory meeting of experts for the World Conference against Racism, Racial Discrimination, Xenophobia and Related Intolerance, ECLAC/Office of the United Nations High Commissioner for Human Rights, ECLAC	ECLAC
25 - 27	Latin America and the Caribbean regional preparatory meeting of Habitat II + 5 (Istanbul + 5), ECLAC/United Nations Centre for Human Settlements (Habitat) (UNCHS)	ECLAC

