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**STYLIZED FACTS OF INCOME DISTRIBUTION
IN FIVE COUNTRIES OF LATIN AMERICA
AND GENERAL GUIDELINES FOR
A REDISTRIBUTIVE POLICY**

Luis Felipe Jiménez L.
Nora Ruedi A.



UNITED NATIONS

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"INCOME DISTRIBUTION AND POVERTY IN RECENT STABILIZATION AND
ADJUSTMENT POLICIES IN LATIN AMERICAN AND CARIBBEAN COUNTRIES"
DEVELOPMENT FINANCE UNIT, I.T.F.T.D.

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ABSTRACT

This document contains a synthesis of results drawn from an analysis of long-term factors affecting income distribution in five countries in the region. A common methodology was applied to the household surveys available for Argentina, Brazil, Colombia, Chile and Mexico between 1979 and 1992, the objective being to identify patterns in the behaviour of certain variables that influence distribution. The results of this exercise were then used to formulate suggestions for policies promoting a greater degree of equity in the way income is distributed.

The first section discusses the methodology applied, while in the second details are given of the main comparative results obtained. It was found that work is less well paid in the lower income bands as a result, among other factors, of inequalities in the levels of education attained. Again, the first deciles evince lower than average rates of employment, while inactivity rates are higher. This latter phenomenon is found to be related to the composition of households, a characteristic of the first deciles being that households contain a greater proportion of minors. Thus, the burden of parenting is higher in these income bands, which raises the costs of participating in the labour market, thereby reducing the level of participation in the labour market and the amount of income generated.

In the final section, the main conclusions are summed up and general guidelines laid down for a redistributive policy. It should be emphasized here that such a policy needs to act simultaneously in at least four areas, which include: generating productive employment, raising incomes for the poorest households, lowering the barriers to participation in the labour market by these households and, finally, addressing demographic issues.

The appendix contains statistical tables that were used to carry out the analysis in the second section.

INTRODUCTION

This document forms part of the activities of the Government of Holland/ECLAC Project "Income distribution and poverty in recent stabilization and adjustment policies in Latin American and Caribbean countries", the objective of which is to investigate the influence exerted on income distribution by cyclical aspects of the economy, as well as by longer-term factors. The short-term analysis was approached by applying general equilibrium models to the cases of Argentina, Brazil and Colombia. The results for each country were incorporated into the individual case studies, while the comparative results are summed up in a supplementary report (Chisari and Romero, 1996; Lora and Fernández, 1996; Urani and others, 1997; Jiménez, 1997). The comparative results of the analyses of long-term factors are given here, while those for each individual country, namely Argentina, Brazil, Colombia, Chile and Mexico, have been published separately in this series (Jiménez and Ruedi, 1997 a, b, c, d and e). These analyses were produced with the assistance of the Statistics and Economic Projections Division of ECLAC.

A common methodology was used to analyse the household surveys available for the years 1979 to 1992. This methodology is described in the section that follows. The object of this exercise is to identify regular patterns in income distribution factors that can provide a basis for suggesting guidelines for policies to promote greater equity in income distribution. The second section contains the main comparative results; in the final section the lessons that have been learned from this exercise are discussed, and policy guidelines suggested.

Differences in income distribution between one country and another are linked to a great many factors besides those analysed in this document. In particular, the countries studied here differ in terms of the size of their economies and their levels of real per capita income, their production systems have different specializations and they have different patterns of ownership of real and financial assets, all of these being factors that have a bearing on the differences between countries. It therefore needs to be borne in mind that, although a common methodology has been employed, the purpose of the analysis that follows is not to establish the causes of differences in distribution between countries, but rather to identify patterns in the behaviour of certain variables that help to explain the distribution of income in a given country. Again, in order to obtain conclusions that have a degree of general validity, this synthesis draws on findings obtained for the main urban centres of the five countries. Given the differences in survey coverage between countries¹, the decision to restrict the analysis to these centres seems to be justified when the purpose of comparing results is to arrive at conclusions that can be applied to other scenarios. In any case, the country-by-country analyses, which appear separately in this series, include results for the whole sample from each country, distinguishing between main urban centres, other urban, and rural areas, when appropriate.

1. DISCUSSION OF METHODOLOGY

The analysis focuses on factors that help the distribution of income to be understood. In order to strengthen the comparative nature of this study, a common methodology was applied to the five countries, one which had been used previously by Pollack and Uthoff (1989) when examining income distribution in Greater Santiago, Chile. It sets out from an identity which, though simple, has the merit of identifying some key factors that affect the level of a household's income. The methodology is basically a descriptive one, and aims to identify patterns of behaviour in particular variables associated with the distribution of income. The objective is not therefore to implement a theoretical approach that presupposes a certain order of causality, although the way the results are interpreted, which is done by identifying systematic differences in behaviour between deciles, is based on hypotheses intended to explain the origins and changing patterns of inequality.

Per capita household income can be expressed in a simplified form by the following identity:

$$Y_{pc} = \frac{TY}{N} = \frac{PY}{L} \times \frac{L}{L+U} \times \frac{L+U}{PWA} \times \frac{PWA}{N} + \frac{OY}{N}$$

where:

- Y_{pc} = household income per capita;
- TY = total disposable income of the household;
- N = number of people in the household;
- PY = primary income of working members of the household;
- L = number of household members who are working;
- U = number of household members who are unemployed;
- PWA = number of people in the household who are of working age;
- OY = other household income

Per capita household income is thus expressed in terms of economic and demographic variables. The first term on the right-hand side, PY/L, corresponds to the average remuneration received by household members who are working. This primary income in turn is composed of earnings from work (wages, salaries and earnings from self-employment). It thus provides a measure of mean factorial remuneration per working member.

The second term on the right-hand side, L/(L+U), is the rate of employment in the household, of which the rate of unemployment is the complement. The third term, (L+U)/PWA, is the participation rate. The fourth term is the ratio between the

number of people in the household who are of working age and the size of the household, PWA/N. The inverse of this factor is an approximation to the rate of dependency in the household, in the sense discussed in the following paragraph. The higher this ratio, the greater will be the number of people old enough to give economic support to the household, and the lower the rate of dependency.

This conception of the rate of dependency has a demographic connotation, in contrast to other uses of the term which emphasize different aspects. Thus, this rate is often considered to be constituted by the ratio between the numbers of working and non-working people in a given group, an approach which lays stress on the economic effort that those working actually have to make to support the rest. The relevant variables in this case will be the levels of employment and wages, which are already included in the first two factors of the identity. In the present case, the ratio between people of working age and the size of the household represents the proportion of household members that have the *potential* to sustain it, the age structure and household size being the relevant variables.

Finally, the last term represents revenue received from sources other than work, i.e. income from property and transfers, both expressed in per capita terms. The latter ones are benefits received and retirement income.

The differences between the per capita family income levels of different deciles, then, are expressed in terms of the behaviour of rates of factorial remuneration, employment, labour force participation, a variable representing the demographic structure of the household and an "other income" component. Changes in income distribution are thus associated with the changes that these components exhibit over time. The next step, then, was to rank households by per capita income and calculate the factors comprising this identity. Given, however, that these are the outcome of the workings of a great many variables, additional indicators were obtained to help explain the differences in primary income levels, participation rates and household structure.

To seek a better understanding of the differences in primary income between deciles, the ranking of households by per capita income was retained, and the components of this income, i.e. the average salaries and wages of wage earners in the household and average self-employment earnings, were calculated. Figures were also obtained for average incomes from property, to complete the factorial sources of income.

Theoretical approaches and applied research have been used in an attempt to explain the differences between the incomes of earners in terms of characteristics related to the educational level of those providing labour. In view of this, the structure of households in each decile was then examined in terms of the educational level of heads of households and their spouses, to explore the contribution made by this factor in explaining income inequality between household deciles.

Again, with a view to reaching an understanding of factors responsible for differences in employment and participation rates, the behaviour of households in each decile was examined in terms of the working status of heads of households

and their spouses. As regards the latter, the calculations given here include the spouses of working heads of households only, the aim being to examine the ability of both heads to provide economic support to the household.

Finally, an attempt was made to investigate the structure of households and the possible influence of this on other variables by ascertaining, for deciles of households, the proportion of children to adults and the average number of people in each household.

Two points may be made about the definition of income employed here. Firstly, the figures used are adjusted ones produced by ECLAC in order to make this information compatible with data from national accounts. Broadly speaking, the procedure is one of income attribution, the purpose of which is to correct the discrepancies that arise when entries in the household account of the system of national accounts are compared with the equivalent survey figures.

Secondly, it will have been noted that the indicators selected refer mainly to average characteristics of household members in their capacity as generators of income. Consequently, the measure of income employed is an approximation to total disposable income, without taking housing rental into account. Other analyses of income distribution often set aside some amount for this purpose, as they aim to produce a broad measurement of the well-being of households. It should be borne in mind that the rental amount thus set aside applies to households and not to the individuals that make them up. By contrast, as has been mentioned, this analysis focuses more on average characteristics of household members as generators of income, so it is more appropriate to exclude rental amounts from the analysis.

Since interest is centred on the way income is distributed and on the factors that explain this, the tables in the appendix give relative indices, using the overall average of the sample as a standard of reference. This provides a way of illustrating the degree to which the variable concerned differs in each decile in respect of the sample as a whole.

II. MAIN COMPARATIVE RESULTS

Some features of income distribution between 1980 and 1992 in the main urban centres² of the five countries studied are briefly summarized in table II.1. As this table shows, there were substantial changes in income distribution during that period, much of which was characterized by large macroeconomic fluctuations associated with the external debt crisis that affected countries in the region. Using the Gini coefficient, it is found that income concentration fell in Colombia, increased in three countries (Argentina, Brazil and Mexico) and tended to remain stable, with some fluctuations, in Chile.

A clearer view of the situation can be obtained by observing changes in the shares of total income received by the deciles at the top and bottom of the distribution³. Taking the case of Colombia, a country where concentration decreased during this period, it is found that redistribution of around 7% of income took place from the top decile mainly to upper middle deciles, with the share of the lower deciles increasing to a lesser extent⁴. It should be pointed out, however, that redistributions of this magnitude are very significant; when applied to rising GDP, they represent a substantial transfer of income to upper middle sectors. Other indicators reflect a somewhat more positive trend. Thus, average per capita income in the first decile increased from 8.9% of the overall average to 12%. Meanwhile, real income in this segment grew by 68.2%, as against a figure of 24.8% for the total. Nonetheless, probably owing to the low level from which per capita income started out in the lower bands, this income growth was not sufficient to reduce the rate of poverty among urban households. To sum up, a process of redistribution did take place in Colombia, but did not reach the poorest segments to any great extent.

In the countries where concentration increased during this period (Argentina, Brazil and Mexico), it transpires that the share of the bottom decile diminished while, in certain cases, there were significant redistributions in favour of the top decile, increases in per capita income differences between the bottom and top deciles by comparison with the average, falling real income in the bottom decile and increases in the poverty rate.

Finally, in the case of Chile we find changes in distribution that are not fully expressed in changes in the Gini coefficient. In fact, the share of the bottom decile increased slightly, but to a lesser extent than that of the top decile. Again, although per capita income in the first decile increased as a percentage of the average, income in the highest band also rose, thereby widening the gap with the rest yet further. In the context of the growth that took place, real per capita income in the first band expanded at a higher than average rate, and at the same time the percentage of households living in poverty is found to have fallen. Nonetheless, the top decile also shows better than average improvements, thus counteracting a possible improvement in distribution. In short, as other analyses have found (ECLAC, 1997), what happened in Chile might be regarded as a process of growth with

Table II.1
INDICATORS OF INCOME DISTRIBUTION IN FIVE COUNTRIES OF THE REGION

	Gini Coefficient	First decile participation in total income	Top decile participation in total income	First decile average per capita income as percentage of total average	Top decile average per capita income as percentage of total average	Real index of average per capita income		Percentage of households below the poverty line (urban total)
						Total sample	Top decile	
Argentina (Buenos Aires)								
1980	0.365	3.0	30.6	22.0	360.0	100	100	5 (b)
1986	0.393	2.6	34.0	19.2	407.2	104.6	118.3	9 (b)
1990	0.422	2.3	34.2	15.4	411.9	92.3	105.6	16 (b)
1992	0.408	2.3	31.6	15.6	399.5	89.1	98.9	10 (b)
Brazil (Sao Paulo and Rio de Janeiro)								
1979	0.448	2.1	36.1	12.9	432.3	100	100	30
1987	0.526	1.4	44.0	9.7	529.1	115.0	140.8	34
1990	0.503	1.5	37.6	9.7	467.2	99.7	107.7	37
Colombia (Bogota)								
1980	0.520	1.3	40.8	8.9	489.2	100	100	36
1986	0.457	1.5	36.2	10.5	443.6	121.4	142.5	36
1990	0.478	1.4	36.0	10.3	437.1	120.9	139.2	35
1992	0.448	1.8	34.0	12.0	433.8	124.8	168.2	38
Chile (Greater Santiago)								
1987	0.507	1.4	40.0	9.9	471.9	100	100	38
1990	0.487	1.7	39.6	12.3	440.5	110.6	138.2	33
1992	0.512	1.7	44.4	12.4	489.3	136.0	170.3	28
Mexico (high density area)								
1984	0.324	3.1	26.7	18.2	358.3	100	100	28
1989	0.432	2.4	37.6	14.7	460.8	101.4	130.4	34
1992	0.426	2.4	36.2	15.4	424.4	114.1	135.1	30

a/ Source ECLAC 1997 b/ Metropolitan areas

Source: ECLAC, based on special household surveys tabulations

falling poverty and little redistribution. Further on, some hypotheses will be put forward to help explain the limited extent to which benefits of economic growth have permeated through social strata in some parts of the region.

In short, with the exception of Colombia, income differences between the top and bottom of the distribution scale are seen to have increased. Besides this, in all cases the share of the bottom deciles remains at very low levels. Again with the exception of Colombia, income redistribution took the form of very significant increases in the share of the top deciles, amounting in some cases to two or three times the total share of the bottom decile. In addition, the income shares of the poorest groups are found to have remained stubbornly low over time. This is true of all the countries, and distribution takes on an extremely inertial character as a result. Finally, during the period under examination, only Chile saw a reduction in urban poverty, while in the rest of the countries this increased or remained stagnant.

1. Stylized facts of relative levels of income

a) Components of primary income

Tables 2, 3 and 4 of the appendix give information about the components of primary income for all deciles. As can be seen in table 3, in all the countries the average remuneration of wage earners exhibits a positive association with the per capita household income level. This is not surprising, as this component is one of the main sources of family income.

In terms of relative differences in wage income, it is useful to consider separately from the rest those two countries where the share of the bottom decile in total income is over 2% (Argentina and Mexico). In these two cases, wage income per employed person in the first decile stands at a proportion of 1 to 4 in relation to the same figure in the top decile. By contrast, in the other three countries, where the share of the first decile is less than 2%, the differences are greater, with the proportion exceeding 1 to 10 in some cases. Given the weight that this type of income has in the total, differences in remuneration from salaried work have a great influence on distribution. In addition, as table II.2 shows, in those countries where the distribution situation worsened (Argentina, Brazil and Mexico), the differences in wage remuneration per employed person between the top and bottom deciles grew larger.

Average self-employment income shows relative differences between deciles that are even more marked than in the case mentioned above (see table 4 of the appendix) and that have tended in general to widen over time (table II.2). Typically, these earnings account for a growing proportion of the total per decile, as can be discerned from the national studies carried out. This would appear to be due to the greater diversity of the types of work from which such income derives. Among the higher bands, the earnings of self-employed professionals and the income of employers are generally included in this income category, while in the lower bands it is comprised mainly of workers with low qualifications.

Table II.2
RELATIVE INDEX OF COMPONENTS OF HOUSEHOLD INCOME

	First decile average primary income rate as percentage of total average	Top decile average primary income rate as percentage of total average	First decile average wage rate as percentage of total average	Top decile average wage rate as percentage of total average	First decile average self employed labor income rate as percentage of total average	Top decile average self employed labor income rate as percentage of total average	First decile average transfer income as percentage of total average	Top decile average transfer income as percentage of total average
Argentina (Buenos Aires)								
1980	40.1	241.3	60.9	202.5	9.4	350.8	61.7	172.2
1986	32.0	303.2	38.6	199.0	14.2	467.0	87.1	153.7
1990	25.9	321.8	39.8	202.0	6.8	452.3	86.9	119.9
1992	25.3	291.4	41.0	181.2	4.1	397.4	83.3	185.4
Brazil (Sao Paulo and Rio de Janeiro)								
1979	26.9	323.1	32.1	289.9	9.0	471.3	21.3	362.4
1987	14.8	385.7	23.6	323.4	7.5	478.3	20.2	462.9
1990	19.9	342.9	22.7	305.5	10.1	452.3	19.3	435.2
Colombia (Bogota)								
1980	18.1	391.6	24.1	302.9	9.1	465.3	42.2	315.1
1986	22.6	327.1	29.1	271.4	8.7	421.6	17.0	374.0
1990	23.0	317.7	25.5	239.5	9.6	384.5	10.4	392.9
1992	31.1	308.0	37.3	254.5	14.6	371.7	6.7	398.8
Chile (Greater Santiago)								
1987	16.4	422.4	21.0	325.5	9.3	655.3	22.8	287.6
1990	23.4	401.3	28.5	321.5	9.4	551.3	30.4	224.5
1992	23.2	448.9	32.8	320.1	7.0	602.3	21.3	301.7
Mexico (Zona de alta densidad)								
1984	35.4	262.3	42.7	188.2	16.3	372.4	42.0	259.1
1989	29.8	377.5	45.3	210.8	7.5	573.7	23.0	318.5
1992	27.6	411.3	41.6	243.9	7.7	614.7	25.9	242.6

Source: ECLAC, based on special household surveys tabulations

In short, average remuneration for work displays a clear positive association with the income level in all of the countries examined here, and changes in it cause large fluctuations in distribution. The factors behind these differences in remuneration are of various kinds, and a number of studies have looked at them. The result that emerges most clearly from these analyses is the influence of the education variable on distribution (Altimir and Piñera, 1977; Psacharopoulos and others, 1992). Table II.3 gives some information on the distribution of heads of households in the different deciles by the level of education attained, for the cases of Brazil, Colombia and Chile⁵. As this table shows, there is a consistent association between the level of education attained and the income decile to which heads of households belong; the higher the educational level, the higher the per capita income of the decile to which the household the person heads belongs is likely to be, something that confirms the results obtained by studies of a different nature from the present one.

To the above must be added the effects of other variables not included in this analysis which have also been found to have an influence on the remuneration received by a worker in possession of a given level of qualifications. Included among these variables are the size of the company for which he works, the type of occupation and the ownership of the company, among others (Altimir and Piñera, 1977). As is documented by ECLAC (1996), somewhere between 40% and 60% of the working urban population is found in low productivity sectors of the market, mainly micro-enterprises and unskilled independent work. In segmented markets, remuneration of human capital differs depending on the market segment to which it belongs. There is also sufficient evidence to show that the lowest-income groups are more likely to belong to these low productivity and low growth sectors, which leads to lower remuneration for the same level of qualifications. The policy implications of this are explored further on.

The tables in the appendix also include information about income deriving from property. Given the difficulties of measuring this variable, however, especially in countries that have been affected by high levels of inflation, it is dangerous to make generalizations, being included here in order to maintain a degree of consistency with the reports produced for each country.

In short, work in the lower income bands is less well remunerated than in the others, and the people in these bands are particularly likely to have lower levels of education and to belong to stagnated segments of the labour market.

2. The relative level of transfers

Table 5 of the appendix gives information on average transfers per recipient (pensions, allowances and other income) in each decile of households, while table II.2 documents relative trends in these during the period under analysis. The most noteworthy results are seen in the case of Argentina, which has the smallest relative differences of all the countries; furthermore, it transpires that over time these transfers prevented greater deterioration in the pattern of distribution, as they tended to reduce the gaps between the top and bottom deciles. Even so, the pattern across the deciles is the same as in other countries; average transfers per household recipient tend to grow along with the level of income, creating

Table II.3
DECILE DISTRIBUTION OF HOUSEHOLDS BY YEARS OF STUDY OF THE HOUSEHOLD HEAD
(percentages)

	Brazil 1990 (a)			Colombia 1992 (b)			Chile 1992(a)					
	0 - 3 years	4 - 9 years	10 - 12 years	13 and more	0 - 3 years	4 - 9 years	10 - 12 years	13 and more	0 - 3 years	4 - 9 years	10 - 12 years	13 and more
Total	100	100	100	100	100	100	100	100	100	100	100	100
1	17.9	5.3	1.2	0.1	18.3	12.7	4.7	1.0	14.5	13.3	6.8	2.1
2	16.5	6.7	1.7	0.3	15.6	12.7	6.5	1.1	12.5	12.5	9.0	2.2
3	14.2	9.0	3.0	0.4	15.2	12.3	7.2	1.7	12.5	11.6	9.9	3.1
4	12.7	10.3	4.4	0.6	14.5	12.5	6.6	2.0	14.1	11.1	9.6	3.4
5	11.3	11.4	6.1	0.9	14.0	11.6	8.7	3.4	12.5	10.9	9.5	5.9
6	9.5	12.8	7.8	1.9	8.8	11.9	11.0	5.0	11.7	10.7	10.3	5.6
7	7.8	13.2	11.3	3.9	6.2	10.0	12.8	9.5	8.5	10.1	11.2	9.2
8	5.4	13.5	18.2	8.2	3.8	8.1	15.7	13.9	7.0	8.9	12.0	12.5
9	3.2	11.5	23.2	23.2	2.7	5.4	15.2	24.3	4.9	7.3	11.8	19.7
10	1.4	6.4	23.0	60.5	0.8	2.9	11.7	38.2	1.8	3.8	9.9	36.3

/a National total, /b 8 main cities

Source: ECLAC, based on special household surveys tabulations

differences that in some cases are very sizeable (see table 5 of the appendix). These differences might be associated with the varying degree of public sector coverage in different deciles and, in the case of retirement pensions, with the fact that current transfers partly reflect the income inequality that existed when the right to these was acquired.

3. Levels of employment and participation, and household structure

As the identity introduced into the discussion of methodology indicates, the level of household income is also affected by levels of employment, participation rates, and the structure of households. The influence of these variables is explored in this section.

Table 7 of the appendix gives information on relative levels of employment by decile. It can be seen from this table that the bottom income bands evince lower than average rates of employment and that the rate of employment increases as we move up the income scale. This result is found to hold true for the entire period studied. Table II.4 documents this and other variables. As that table reveals, in the countries where income concentration was found to increase (Argentina, Brazil and Mexico) there was a deterioration in relative levels of employment in the first decile, whereas employment levels in the top decile increased. In the case of Colombia, on the other hand, improved distribution is found to be associated with an increase in the relative level of employment among the first deciles, so that the gap between these and the top decile diminished. In the national studies evidence is adduced to show that it is changes in the dispersion of employment rates between deciles that more than anything else account for distribution trends between 1980 and 1992.

As table 8 of the appendix shows, participation rates show greater dispersion across the deciles, as well as a tendency to increase in line with income levels. This characteristic is stable over time, as table II.4 shows; on average, participation rates are consistently and substantially lower among households in the lower bands. Furthermore, in this period only Colombia can show reductions in the gap between participation rates in the top and bottom deciles, and it is the only country where income concentration decreased during the period analysed. Among the countries where concentration increased (Argentina, Brazil and Mexico) the differences in this variable are found to be persistent. In the case of Chile, where distribution did not improve despite sustained growth and rising employment rates, the gap between the participation rates of the lower and upper deciles increased in relative terms⁶. In fact, as table II.4 shows, the average participation rate of the first decile fell relative to the average for the sample, although it rose in absolute terms. The reason for this is that participation increased to a greater extent in the upper middle bands. Thus, the benefits of growth did not translate into improved distribution, although poverty fell in this country.

To sum up, among the less well-off groups, a lower proportion of people belonging to the economically active population actually participate in the labour market, either by working or by seeking employment. This is detrimental to the welfare of households, as it means that even if wages were the same as for higher bands, the total income received by households would be lower due to the fact that they participate less in the labour market. The corollary of this pattern, as is

Table II.4
RELATIVE INDICES OF FACTORS RELATED TO LABOR MARKET PARTICIPATION AND HOUSEHOLD COMPOSITION

	First decile household employment rate as percentage of total average	Top decile household employment rate as percentage of total average	First decile household participation rate as percentage of total average	Top decile household participation rate as percentage of total average	First decile proportion of working age population in household as percentage of total average	Top decile proportion of working age population in household as percentage of total average	First decile average household size as percentage of total average	Top decile average household size as percentage of total average
Argentina (Buenos Aires)								
1980	85.6	114.7	61.9	143.4	84.8	107.4	125.7	80.0
1986	68.4	115.8	56.7	139.8	88.4	107.0	122.9	77.1
1990	66.5	124.9	63.0	152.6	85.0	108.5	135.3	76.5
1992	62.4	119.6	60.1	145.1	88.4	107.8	128.6	71.4
Brazil (Sao Paulo and Rio de Janeiro)								
1979	100.8	98.1	71.7	132.5	79.3	111.6	133.3	74.4
1987	88.1	99.9	81.5	113.8	83.5	111.6	119.4	72.2
1990	86.3	105.9	78.2	120.7	85.8	109.9	124.3	73.0
Colombia (Bogota)								
1980	91.2	107.7	79.9	122.5	82.3	115.4	117.0	74.2
1986	92.2	107.7	93.0	117.6	78.9	119.5	116.8	77.0
1990	97.1	105.1	88.8	119.8	83.7	113.7	114.3	73.8
1992	96.3	103.6	86.1	118.7	80.2	112.6	119.5	73.2
Chile (Greater Santiago)								
1987	82.6	109.8	81.6	126.2	83.7	108.0	121.4	76.2
1990	81.8	108.0	78.1	121.8	83.7	107.3	122.5	85.0
1992	86.4	101.3	75.8	111.1	83.4	110.5	117.9	82.1
Mexico (Zona de alta densidad)								
1984	100.4	96.1	90.4	114.8	76.2	117.8	136.0	66.0
1989	101.1	101.1	77.7	126.9	84.3	113.9	138.3	68.1
1992	98.6	102.0	77.6	118.4	83.4	110.2	128.9	73.3

Source: ECLAC, based on special household surveys tabulations

documented in the individual studies and discussed in greater depth further on, is that inactivity rates among the lower income bands are higher, particularly in the case of spouses.

The preceding paragraph refers to participation in the labour market by household members belonging to the economically active population. The relative size of this population, however, differs by decile. Table 9 of the appendix contains information about the differences between deciles in the proportion of people of working age relative to the size of the household. In this case, again, there is found to be a consistent pattern over time; households in the lower bands have less people of an age to work and support the household economically. Thus, even if wages and employment and participation rates were the same in different deciles, the lower bands would still be less well-off due to the fact of their having a smaller number of people of an age to enter the labour market. The corollary, as the following section illustrates, is a greater proportion of minors in poorer households.

4. - Size and structure of households and the influence of these factors on labour market participation

The effects of certain demographic aspects on income distribution will be discussed in this section. The last two columns of table 11.4 give information on the size of households in different deciles, as does figure 1. It is clear from the information given there that households are larger in the lower deciles. It should also be noted that the higher deciles tend to be similar in different countries. In the lower deciles, by contrast, there is greater diversity between countries; with some variations, households in the poorest bands are an average of 50 to 60% bigger than those in the highest deciles (see tables 10.a and 10.b in the appendix). This tends to suggest that the demographic differences between countries might be largely explained by the extent to which lower income bands have reduced their fertility rates. By contrast, higher income groups in the different countries all appear to be at a similar stage of progress in the demographic transition.

Again, poor households contain a higher proportion of minors; this is illustrated in figure 2 and tables 11.a and 11.b of the appendix, which show the number of children aged up to 11 per adult in households, and reveal the considerable gap that exists between the lower deciles and the upper bands. Even in countries at an advanced stage of demographic transition such as Argentina and Chile⁷, there is a 1 to 4 difference between the bottom and top deciles in the average ratio of children to adults in households. This implies that the burden of parenting is considerably greater in poorer households, a factor which in turn results in a high level of inactivity and low participation in the labour market among spouses in these groups. Figure 3 and table 12 of the appendix illustrate this.

As can be seen, in several cases the percentage of inactive spouses (of working heads of households) in the lower deciles is double what it is in the highest decile, something that reveals a considerable difference in effective access to the labour market in the different bands. In fact, lower income groups face greater opportunity costs and lower benefits if they enter this market. On the one hand, the extra burden of childcare they have by comparison with households in the higher

Figure 1
Average number of persons in the household, by deciles

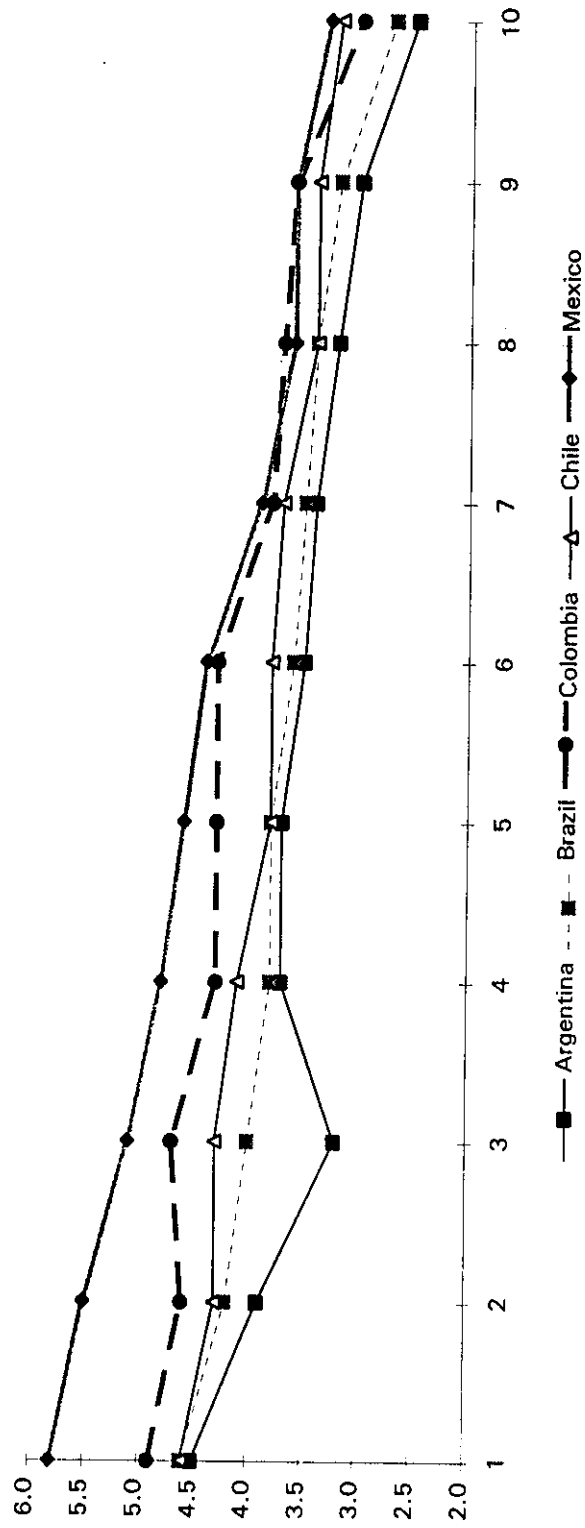


Figure 2
Average of minors per adult in the household, per deciles

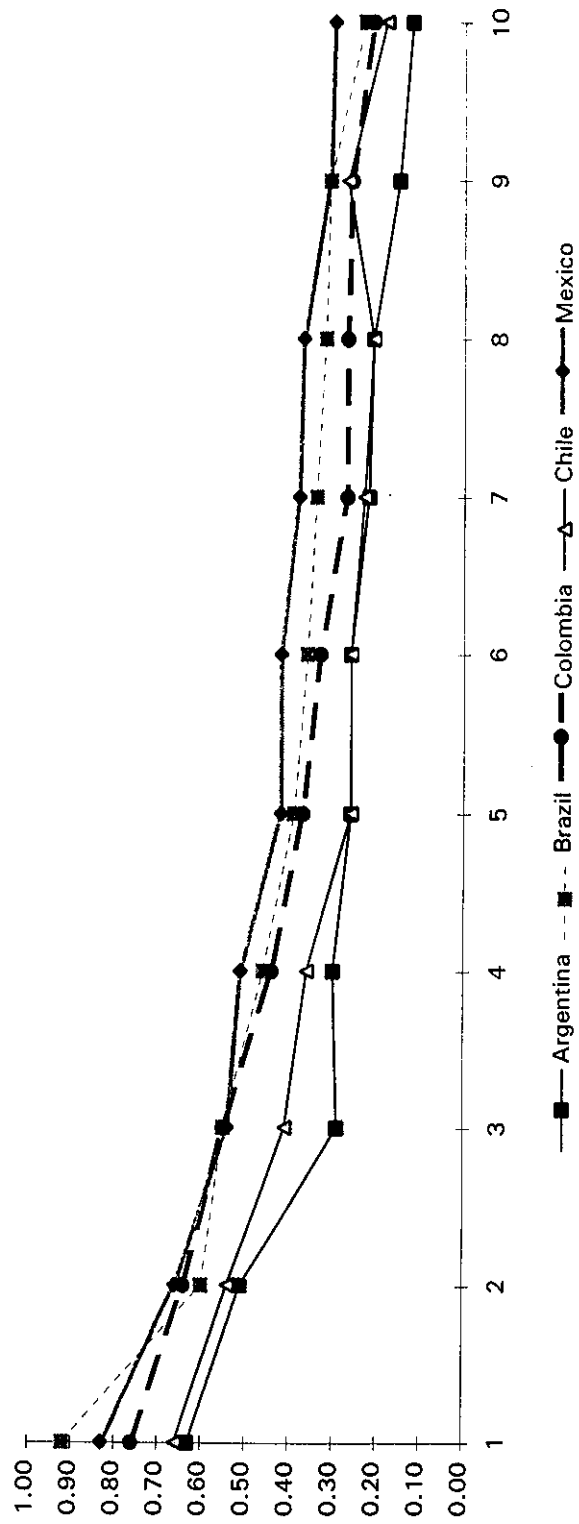
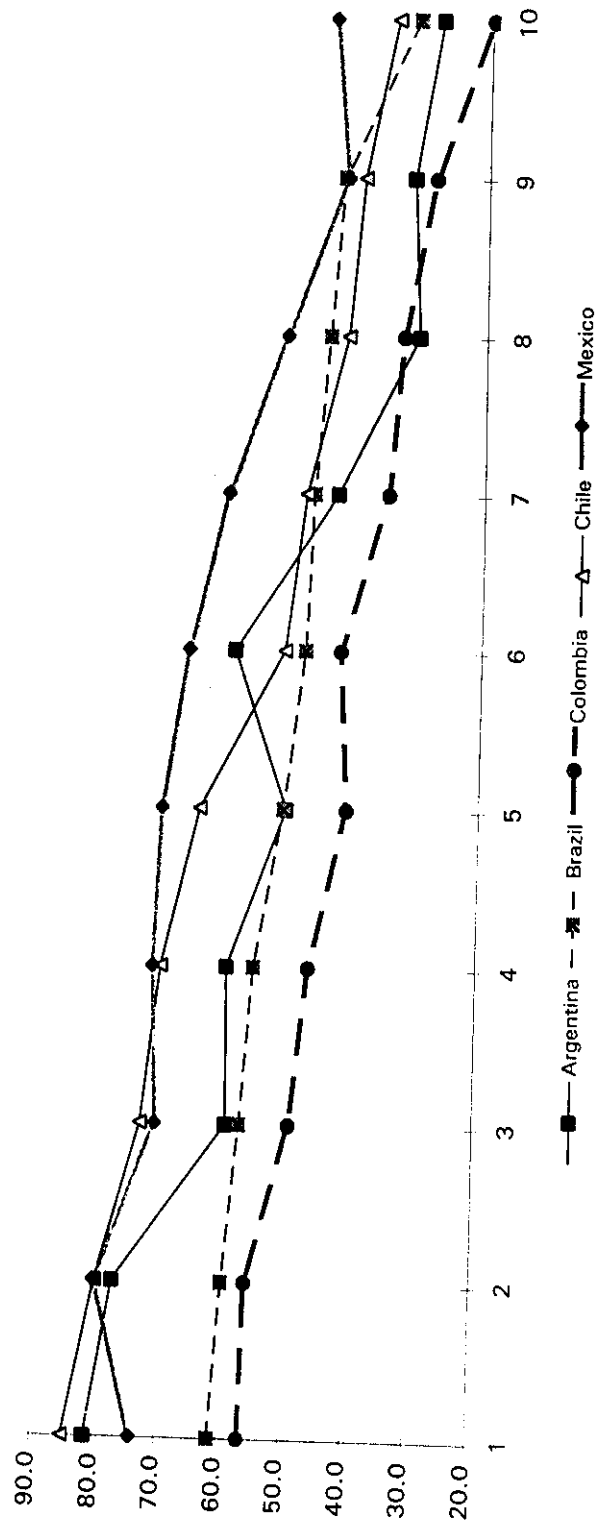


Figure 3
 Percentage of households with inactive spouses, per deciles



deciles increases the opportunity cost of looking for work or of entering formal employment. This problem is often aggravated by the inadequate availability and/or coverage of public and/or private services, in particular day-care centres, kindergartens and schools. Secondly, the remuneration associated with the low educational levels attained does not sufficiently compensate the cost incurred. This combination of factors appears therefore to result in low participation by spouses in the labour market, and in particular the formal market, which in turn leads to a high level of inactivity and a low level of employment among people in the lower bands.

This situation has proved persistent over time, and in general has tended to worsen, widening the relative differences. Table II.5 shows the percentage of households⁸ in each decile where both heads are working, at two different points in time. As can be seen from this, substantial differences persist over time. This table reveals, firstly, an increase on average in the percentage of households where both heads are working. Secondly, this percentage is found to grow in line with incomes in all cases. Thirdly, in all countries the increase in the percentage of households with both heads working among the poorest 30% is lower than the average increase. Fourthly, the top 30% of the distribution range displays a higher than average rise in this variable in all the countries. In short, it would appear that the extent to which the spouses of heads of households in the lower bands participate in the labour market and employment is disproportionately low, while the opposite is true in the upper bands⁹. If this is the case, the benefits of economic growth, employment, productivity gains and the resultant increases in remuneration are restricted to the higher deciles of the distribution range, while the remainder are progressing very slowly.

The larger size of poorer households, and the greater number of minors they contain, have consequences not only for levels of participation in the labour market, but also for the direct and opportunity costs to these households of young people of working age remaining in the education system. This results in young people attaining lower levels of education, and thus in lower remuneration in future, leading to the concentration of income distribution being perpetuated from one generation to the next.

To sum up, the interaction between demographic characteristics, the levels of education attained and the combined effect of these on remuneration form a scenario that tends to create differences of access to the labour market, and thus to skew the benefits of economic growth towards the upper deciles, a situation that gives rise to an inertia which is reflected in the slow progress made in the matter of distribution.

Table II.5
HOUSEHOLDS IN EACH DECILE WITH EMPLOYED HEADS AND SPOUSES AS A PORPORTION
OF THE NUMBER IN WHICH BOTH ARE PRESENT
(percentages)

	Argentina (a)		Brazil (b)		Colombia		Chile (b)		Mexico (b)	
	1980	1992	1979	1990	1980 (c)	1992(d)	1987	1992	1984	1992
Total	18.5	24.4	22.2	30.0	22.5	32.3	13.5	19.9	16.9	21.4
1	2.9	3.1	21.5	20.9	10.1	14.6	2.0	2.8	10.1	15.1
2	7.6	5.7	19.8	20.6	11.8	17.5	2.8	6.0	10.4	11.3
3	10.1	10.2	18.2	24.8	12.6	25.7	4.5	9.8	14.9	18.4
4	12.5	16.9	19.9	26.5	19.0	25.6	7.1	13.2	13.7	15.1
5	13.0	22.8	18.3	28.1	19.5	32.7	10.0	16.8	13.1	17.0
6	18.7	19.9	19.7	31.8	29.3	31.8	12.1	22.5	17.9	18.0
7	25.1	33.8	21.6	33.1	28.0	35.9	16.5	27.4	18.8	23.6
8	28.4	47.2	24.9	34.2	27.7	41.2	20.5	30.7	21.6	27.2
9	35.5	49.6	27.7	37.7	31.9	45.2	27.5	34.4	22.5	36.4
10	39.3	49.6	30.9	45.7	38.7	58.0	36.5	42.0	27.4	35.7

/a Buenos Aires, /b National total, /c 7 main cities /d 8 main cities
Source: ECLAC, based on special household surveys tabulations

III. CONCLUSIONS AND POLICY SUGGESTIONS

This document has looked at evidence relating to aspects that underlie the way income is distributed in five of the region's countries. There are undoubtedly other factors that influence the way income is distributed and that have not been examined here; this is partly because space and information are lacking, and partly because the objective is to focus the analysis on certain key factors in respect of which it is possible to formulate policy guidelines. In particular, no attempt has been made to analyse differences between income bands in access to capital stocks, housing and health care, which to a great extent determine the level of well-being that can be attained by both present and future generations.

Among the aspects looked at, the most prominent differences are in remuneration for work, education, employment rates, access to the labour market and demographic factors which produce great inequalities. Generally speaking, it is found that the way income is distributed is determined by a range of factors that interact with one another.

Firstly, the average factorial incomes of groups with lower per capita incomes are substantially less than those of higher bands. This is found, in the case of income from work, to be associated with substantial differences in the levels of education attained. Furthermore, as other statistics show, lower income sectors belong to low productivity segments of the labour market. This provides confirmation of results obtained by previous studies in respect of income inequalities among recipients.

Secondly, employment rates in the poorest groups are consistently lower than the average. Changes in distribution are found to be associated to a great extent with changes in employment levels; when gaps between employment rates have diminished, this has been found to be associated with a lessening of income concentration.

Thirdly, there are big differences between deciles in terms of participation in the workforce. Lower rates of participation are observed consistently among less well-off groups. The corollary of this is that their inactivity rates are higher, particularly among spouses but also among heads of households, albeit to a considerably lesser degree.

Fourthly, the above is related to the age composition of households in different deciles. A range of indicators were in fact employed to show that the population of working age is considerably smaller in poorer households. The proportion of minors per adult is higher in these, which means that they have a greater burden of childcare, and this increases the opportunity cost for women

wishing to participate in the labour market¹⁰. Not only is this cost greater, but the benefits of participating in the labour market are less, a factor that is related to the level of education attained.

Finally, it is important to bear in mind that no one individual factor, considered in isolation, can provide a complete explanation of the prevailing distribution, or of changes in this; the effects of these factors are produced by multiplication rather than addition.

From the above, it transpires that strategies to influence the distribution of income would need to incorporate *combined* action in four areas:

- i. - Generation of productive employment and action to raise demand for less skilled workers;
- ii. - Policies to increase and maintain incomes among the poorest groups;
- iii. - Lowering of the barriers to participation in the labour market by these groups, and
- iv. - Aspects related to the demographic characteristics observed in these segments.

Of course, the vigour of the action required in each sphere will depend on the initial situation of each country. Nonetheless, it must be emphasized that better distribution will not be achieved by taking action in just a single one of the areas referred to here. In other words, the objective of achieving greater equity in the distribution of income goes beyond the limits of growth, labour and population policies, being rather the outcome of combined progress on all these fronts. What follows is a brief discussion of general guidelines for policies to change income distribution in a progressive fashion, and an examination of trends in certain variables that can enable us to predict distribution trends in the medium term.

1. Policies to promote better income distribution, and medium-term prospects

a) Generating productive employment and increasing demand for less skilled workers

ECLAC has developed an approach for dealing consistently with the main issues relating to income distribution (ECLAC, 1992 and 1997). Among other issues covered, this approach takes the creation of productive employment by means of sustained economic growth to be one of the basic conditions for achieving greater equity over time. Accordingly, the emphasis is put on policies to stimulate savings and investment, and to ensure that resources are allocated efficiently, in the context of greater integration of national economies into world trade. Featuring prominently among these policies is the strengthening of public finances to enable public savings to be generated, so that investment programmes can be financed without producing inflation. Government efforts in this direction would need to be complemented by the development of institutional savings bodies, pension systems in particular, and the establishment of a regulatory framework conducive to the development of a solvent and efficient financial system capable of channelling savings effectively into real investments. It is vital for a reasonably high and stable real exchange rate to be maintained, not just because this is the main instrument for promoting export sectors and import substitution, but also because, if used in conjunction with

positive real interest rates which are consistent with those prevailing in world markets, it is the way to keep financial savings inside the country, avoiding speculative capital flows. In this way governments can prevent fluctuations in activity levels and the negative effects these have on investment, which generally result in adjustment measures having to be taken to deal with external imbalances. In short, ECLAC leans towards the establishment of a policy framework that aims for growth on the basis of higher participation in foreign markets and a recovery in investment levels, supported primarily by savings generated domestically.

Nonetheless, this approach recognizes that higher growth does not necessarily translate into rapidly increasing demand for the type of labour offered by low-income groups, and thereby into progress as regards distribution. In view of this, policies to support small and medium-sized companies have also been put forward, as it is these that are the main providers of formal employment to people from lower income groups. One factor that severely limits the development of these companies is the existence of segmentations in the financial market that restrict access to credit. As a result, the investment capabilities of these companies depend heavily on their ability to generate internal surpluses, and this reduces their growth, and with it the expansion of demand for less skilled workers. New financial instruments to compensate for the inability of these firms to offer real guarantees, together with technical assistance programmes and public support to help them improve their management abilities and adopt new technologies, appear to be necessary preconditions if the growth potential of small and medium-sized firms, and with it the demand for labour, is to be released (Held, 1995).

Unfortunately, as noted in ECLAC (1997), the progress made in terms of savings, investment and growth in the region between 1990 and 1996 has been insufficient in terms of what is required to bring about significant growth in job creation. Between 1991 and 1996, only four countries in the region achieved stable average annual growth of over 4%. Other countries achieve higher rates sporadically, but are unable to sustain them. In short, growth in the region has been not just moderate (3.1% average between 1991 and 1996), but unstable as well, and this factor has been largely responsible for low employment growth and rises in unemployment (ECLAC, 1997). Again, using an indicator composed of five variables (unemployment, informal activity, industrial wages, minimum wages and productivity), the ILO notes that, out of a sample of 16 countries in the region, only five of them (Bolivia, Chile, Panama, Paraguay and Peru) showed a positive labour market trend between 1990 and 1996, and of these only Chile made progress in all the variables, including productivity. In the other eleven countries, which include the largest and most populous economies of Latin America and the Caribbean, the tendencies seen in the indices of labour market progress are retrograde or stagnant during the period in question (ILO, 1996). The result of this is that, with some exceptions, there can be no expectation of significant improvements in distribution in the region. On the contrary, the influence of the employment variable on distribution, and the higher rate of unemployment among the poorer groups, mean that the most likely scenario is for income concentration to increase in a large number of countries.

b) Increasing and maintaining the incomes of the poorest households: education and transfers

As already mentioned, the remuneration of people who succeed in getting a job is greatly influenced by their level of education, and for this reason measures to help widen the coverage of the education system, increase stay-on rates and improve quality must form part of any policy that aims at improving income distribution in the long term. In terms of distribution, however, the actual result of these efforts will be felt only in the long term, as people pass through the system with improved levels of education and get jobs in sufficient numbers to affect overall income distribution. Training programmes to improve the qualifications of the poorest people can probably show more immediate results, in the medium term. Furthermore, such programmes can enhance the effectiveness of long-term policies, as there are knock-on effects between the generations. For example, rising household incomes due to wage increases made possible by training programmes would mean children staying on longer at school, rather than leaving early to take poorly paid jobs. This would give them the prospect of improving their income situation in the future.

There are also substantial cross-over effects with policies in other areas, one such case being the provision of health services to the poor; improvements in this area reinforce the effects of education policy by enabling greater continuity to be achieved in school attendance and greater benefits to be derived from it, in the case of minors. Again, a number of studies have shown that when mothers are better educated rates of infant mortality and illness fall, among other effects (ECLAC/CELADE/IDB, 1996). In both cases, it is important to realize that the results, in terms of distribution, will mature only in the long term. This means that steady economic growth and consistency in applying these policies are of key importance; temporary reductions in the resources allocated to them produce permanent effects. For example, people who are now losing the opportunity to remain in the education system because of pressures caused by a temporary loss of income in the household will find it difficult to return to it in future, and this means that their qualifications, and thus their earnings, could be permanently lower than they might have been. Temporary dips in the funding applied to social policy therefore tend to reinforce the inter-generational mechanisms that perpetuate poverty.

In this area, too, the experience of the region, with some exceptions, does not hold out any hope that the distribution trend will be progressive. As a number of studies have pointed out, it is often the funding used for social policies that has been reduced the most in real terms when adjustment policies have been applied to state budgets (Cominetti and Di Gropello, 1995; Cominetti, 1994). In view of this, the lack of progress in distribution during this decade can to some extent be put down to phases of macroeconomic adjustment experienced by most countries in the region during the last decade.

The above remarks refer to policies that aim to have an indirect, albeit substantial, effect on the income level of people obtaining employment, and on distribution. Policies of direct intervention are also important. One of the most widespread practices is the institution of minimum wages, although differing opinions are held as to whether these are an effective and appropriate tool.

Broadly speaking, there appears to be a degree of consensus that wage increases in excess of productivity improvements have distributional effects that, while not very clear, are generally negative in terms of activity levels (Chisari and Romero, 1996; Urani and others, 1997; Lora and Fernández, 1997; and Jiménez, 1997). As regards minimum wages, there is some evidence to show that when these decline in real terms the incidence of poverty increases, and vice-versa, even though their effect in terms of the Gini coefficient is not discernible. Consequently, as long as real growth in minimum wages does not exceed the increase in the average productivity of the economy¹¹, this may be expected to reduce the incidence of poverty, and is thus still an important policy tool (Jiménez, 1996).

Unfortunately, during the first half of the present decade real urban minimum wages have developed in a way which does not offer any prospect of improvement in distribution, at least by this route. Thus, according to the ILO (1996), out of a sample of 18 countries in the region, only in four (Colombia, Costa Rica, Panama and Paraguay) were real urban minimum wages higher in 1995 than in 1980. Furthermore, only in Costa Rica was there any substantial real growth in this variable during that period. As a result, in the region as a whole the real level of minimum wages in 1995 was equivalent on average to just 72% of what it had been in 1980, having remained almost stagnant, with growth of just 0.8% a year between 1990 and 1995 (ILO, 1996).

A second approach to changing the distribution of income is through direct transfers, which consist mainly of allowances, retirement pensions and benefits. The purpose of the discussion that follows is not to deal exhaustively with all the different kinds of transfer mechanisms and their redistributive effect, but rather to try to show that, given the indirect and long-term nature of policies that aim to change at source the way income is generated, certain actions have considerable potential for progressive distribution within a shorter time horizon, and this is something that must be taken into consideration. Numerous income transfer and benefits schemes have been tried in the region, their objective being to mitigate the effects of certain factors that lead to poverty and regressive distribution. It is worth making some brief observations about the efficiency and effectiveness of certain of the main methods of transfer.

Frequent reference is made to the scope for redistributing income by using pensions systems, and it is worth turning aside here to consider this issue in some detail. Firstly, as has been amply documented by national case studies, one of the main factors that have led to the precarious situation of pensions systems in certain countries, has been the lack of correlation between contributions and benefits, which tended to erode their legitimacy, and encouraged under-declaring and evasion (Iglesias and Acuña, 1991; Uthoff and Szalachman, 1991, 1992 and 1994; Schulthess and Demarco, 1993; and Uthoff, 1995). One important outcome of the reforms recently introduced into pension systems is the tendency they have produced towards stronger linkage between contributions and benefits as a mechanism for promoting solvency. It has thus been implicitly recognized that introducing redistributive criteria into pension systems can exert a substantial negative influence on their efficiency, solvency and financial stability. In short, this appears to be an *inefficient* way of redistributing resources. Secondly, the coverage of pension systems in the region is generally inadequate, so that efforts to carry out

redistribution through these would probably exclude the greater part of the poorest groups. In other words, it appears that the *efficacy* of these systems as progressive redistribution mechanisms is far from ideal, as they do not have sufficient scope to reach the target groups.

This does not however invalidate the idea of policies to provide a minimum pension for people who, despite having contributed to the system, have not attained a particular level of income by the time they retire from their work. Furthermore, poverty profiles show a higher incidence among retired people. In consequence, measures to provide minimum pensions play an important role in redistribution and in alleviating poverty, as do other measures of a welfare type (covering, for example, accidents, illness and widowhood) in combination with a widening of the coverage of the pensions system and networks of social protection in general.

Transfers of another type, discussion of which has aroused a degree of interest recently, are related to the higher incidence of unemployment among poor households. The following table shows the distribution of the unemployed, by deciles.

Table II.6
DECILE DISTRIBUTION OF THE UNEMPLOYED
(percentages)

	Argentina 1992 (a)	Brazil 1990 (b)	Colombia 1992 (c)	Chile 1992 (d)	Mexico 1992 (e)
Total	100	100	100	100	100
1	33,6	25,6	18,6	29,0	13,8
2	19,2	13,1	15,4	15,3	17,0
3	9,8	12,2	11,9	14,4	15,2
4	14,0	13,0	11,0	9,2	10,2
5	7,8	9,6	10,6	9,7	11,3
6	5,1	6,7	11,0	5,6	7,4
7	5,2	7,1	6,2	5,8	10,8
8	0,9	5,6	7,0	3,9	2,5
9	2,1	3,4	5,4	4,9	7,5
10	2,4	3,5	2,7	2,2	4,2

a/ Buenos Aires, b/ Sao Paulo and Rio de Janeiro, c/ Bogota, d/Greater Santiago, e/ High density areas
Source: ECLAC, based on tabulations of household surveys

As can be seen, the unemployed are concentrated disproportionately in the lower income deciles, and this was true even when the countries included in the table were passing through different stages of the cycle. Two different

unemployment situations, giving rise to different policies, need to be taken into account for this to be understood. Firstly, it appears that the considerably higher incidence of unemployment in the first decile originates in factors leading to chronic unemployment, such that neither renewed growth nor growth that is sustained over time are able to reduce it significantly. This, then, is the hard core of poverty. What is required to alleviate it, among other things, are programmes of minimum employment. These would be of a longer duration than emergency programmes and, although they would provide a basic level of remuneration, they should not act as a disincentive to these unemployed people entering the labour market in search of jobs offering greater productivity and pay.

The second type of unemployed are associated more closely with the economic cycle, and also account for a large proportion of the poorest groups. Transfers, or emergency employment programmes, designed to replace income that is no longer received because of *transitory* unemployment situations, would thus help to forestall increases in income concentration during periods of recession.

For these schemes to be effective and efficient, the way in which they are financed is of great importance (unemployment insurance with individual contributions, public funds, etc.), as are eligibility criteria, their duration and the extent to which lost income is replaced. This is not the place for a detailed discussion, however. The purpose of these remarks is rather to point out that these are important tools that would help to stave off, at least in part, the worsening poverty and concentration of income that tend to be produced by periods of macroeconomic adjustment.

The tools referred to, which are of a primarily compensatory or palliative character, can be usefully employed as part of an overall policy to provide a minimum level of family income, which would enable some of their individual shortcomings to be overcome (ECLAC, 1992). As has already been pointed out, minimum wage policies have only limited scope, being restricted mainly to urban formal sectors, and have a significant impact on the profitability of small firms, which are the main employers of less skilled workers. Furthermore, their effectiveness is limited in cases where recessions occur due to lack of domestic demand. Consequently, they cannot be set at a very high level, and they should not be the only tool applied. Similar problems of coverage affect minimum pensions, welfare payments and schemes for unemployment insurance and benefits. This suggests that use needs to be made of a set of tools designed to provide a certain minimum level of family income, and consisting of a combination of minimum pensions and wages and unemployment benefits and/or insurance, plus family allowances and/or vouchers or direct transfers or transfers in kind distributed, for example, through the state schooling system. If the minimum level of family income stipulated were not attained, these measures would be supplemented by transfers allocated on the basis of factors that affect the severity of poverty and the concentration of income. This of course would mean establishing procedures to evaluate the earnings situation and/or neediness of each family by making use of special registers, something that is already being done in some countries in the region¹².

Finally, it is worth making some general remarks about the financing of transfers that are of a redistributive nature or are intended to alleviate the effects of factors that contribute to poverty. The ultimate effect on income distribution also depends on consequences deriving from the method used to finance public expenditure. A substantial part of the tax reforms introduced in the region recently have had the objective of increasing collection, and of improving the efficiency of certain aspects of the tax system, by widening the tax base or introducing indirect taxes like value added tax. Although there are many reasons to go down this route, the regressive nature of this method of financing should be borne in mind. As various case studies have found, financing increases in public expenditure by means of indirect taxes is, strictly from the point of view of distribution, the least desirable alternative of all (Chisari and Romero, 1996; Lora and Fernández, 1997; Urani and others, 1997; and Jiménez, 1997). This is because there is a higher likelihood of a shift in their incidence than there is in the case of direct taxes. From this point of view, therefore, it would be desirable for future reforms to increase the direct tax burden rather than the indirect one.

c) Lowering the barriers to participation in the labour market by the poorest households

As has already been discussed, the opportunity cost that participation in the labour market entails for lower income households is comparatively higher. This is due to the greater proportion of minors in these households. As the following table shows, children aged under five are concentrated disproportionately in the poorest 30% of households, which account in some cases for 50% of the total¹³. This means that a policy of developing child-care institutions, be these public or private, would make it easier for spouses to enter the labour market, thereby diminishing one of the factors responsible for the concentration of income distribution, namely the lower rate of participation and considerably higher inactivity rates of spouses from poor households.

It is important to bear in mind a number of factors that will determine whether the above proposal can be implemented successfully or not. Firstly, it is not simply that the opportunity cost of participating in the labour market is greater for spouses from poor households. The incentive that they have for greater participation is also low, due to their low level of qualifications. As a result, alongside measures designed to lower the barriers to labour market access for spouses belonging to lower income groups, there is a need to establish training programmes oriented specifically towards these people. Secondly, the considerations and measures put forward above relate mainly to supply, and the results they produce will depend crucially on an increase in the demand for labour resulting from economic growth and from incentives being given to sectors that are employers of less skilled workers, such as small and medium-sized businesses. This is why it was specified above that only by *combined* action in the areas referred to can lasting improvements in distribution be achieved.

Table II.7
DECILE DISTRIBUTION OF MINORS UNDER 5 YEARS
 (percentages)

	Argentina 1992 (a)	Brazil 1990 (b)	Colombia 1992 (c)	Chile 1992 (d)	Mexico 1992 (e)
Total	100	100	100	100	100
1	22,6	20,4	18,4	19,3	17,2
2	18,7	14,6	15,4	17,0	12,5
3	10,9	12,6	14,7	12,6	13,2
4	10,5	10,8	10,8	10,5	11,2
5	7,9	8,9	8,9	8,0	11,2
6	7,8	7,9	7,7	9,0	8,8
7	6,9	7,7	6,3	6,4	7,5
8	7,0	7,4	7,3	5,7	6,4
9	4,0	5,7	5,6	6,5	5,9
10	3,7	4,0	4,8	5,0	6,2

a/ Buenos Aires, b/ Sao Paulo and Rio de Janeiro, c/ Bogota, d/Greater Santiago, e/ High density areas
 Source: ECLAS, based on tabulations of household surveys

A second segment of the labour market with problems of access are young people, among whom the incidence of unemployment is generally higher. A lack of qualifications is one obstacle in this case. There are now a number of schemes being carried out in the region which seek, by promoting greater participation by private producers' organizations in the design and implementation of training programmes, to match the content of these programmes more closely to the qualifications that are actually in demand (ECLAC/UNESCO, 1992). It is hoped that those entering training institutions will thus be able to find a job more quickly and easily. The intention is to get beyond the passive approach whereby institutions provide a training that is based on their traditional capabilities, and that may not match demand, leaving it totally up to those attending these programmes to find a job for themselves.

When considering the problem of young people being hindered from entering the labour market by a lack of qualifications, it must be borne in mind that in many cases the poorest groups face serious difficulties in keeping their young people within the school system, up through secondary schooling and entry to training institutions. This means that more flexible teaching curriculums also need to be introduced as a mechanism for providing a technical/professional training at an earlier stage to people who do not wish or are unable to enter higher education.

d) Aspects related to demographic dynamics

As has been emphasized at several points during this discussion, demographic factors have a great deal of impact on the distribution situation, even in countries such as Argentina and Chile which are considered to have passed through the demographic transition to lower levels of fertility. It was also pointed out above that poorer groups are characterized by having larger households, a greater proportion of minors and, consequently, a population of working age that is smaller in relative terms. Conversely, larger households are poorer.

Again, studies show that higher income groups have reached a more advanced stage in the demographic transition, while poorer groups still evince high rates of fertility, which are considerably in excess of the average (ECLAC/CELADE/IDB, 1996). The poorer groups, furthermore, regulate their fertility less, and pregnancies therefore occur at closer intervals. Aside from other negative consequences, these facts mean that women participate in the labour market in a more erratic way.

Another fact that has been amply documented is that poorer groups have a higher proportion of unwanted pregnancies; in other words, a greater proportion of people in poorer groups would have preferred to have had less children than is the case in better-off groups (ECLAC, 1992; ECLAC/CELADE/IDB, 1996; and Chackiel and Schkolnik, 1997). One variable that has been found to influence this situation to a considerable degree is the educational level of mothers; the lower their level of schooling, the higher the rate of fertility observed, and the greater the proportion of unintended pregnancies. By contrast, mothers with higher levels of schooling show lower rates of fertility, and a smaller proportion of pregnancies are unwanted. This reveals an important difference in access to family planning tools between one socioeconomic group and another, which results in differing levels of ability to exercise effective control over decisions that affect fertility. Special studies show, in fact, that mothers with less schooling are more likely to turn to traditional methods to control the number of pregnancies they have, or do not use any method of birth control, whereas a greater proportion of mothers with a higher level of schooling have recourse to modern methods (ECLAC/CELADE/IDB, 1996). Consequently, policies that facilitate access to family planning and send a strong message about parental responsibility at an early stage form a necessary and integral part of strategies to bring about greater equity and better distribution of income.

Secondly, as was mentioned earlier, the effectiveness of long-term policies such as education depends to a great degree on the health conditions of those entering the education system. A determining factor in this is the health of mothers during the gestation period and the health and nutrition of children during their first few years of life. In view of this, mother and child health and nutrition programmes must also form a key part of distribution strategies since, although this is not their primary aim, they do help to create conditions that enable poorer groups to raise their incomes in the long run, and thus open the way to better distribution. Again, the amount of schooling that mothers have had is a variable that has significant effects on the rate of infant mortality. It has been well documented (ECLAC/CELADE/IDB, 1996) that rates of infant mortality and illness are lower among better educated mothers. Once again, this shows that a policy of

redistribution needs to combine action on several fronts at the same time, in recognition of the multiplicity of factors that influence the way income is distributed.

The policies mentioned have both an equity component and an income redistribution component. Over time, such policies help to reinforce the effect of measures to increase the generation of income among the poorest in society. Thus, as these policies bring about a reduction in fertility among the groups lagging furthest behind, thereby reducing the gap between the actual number of children and the number desired, the greater relative burden of parenting in these groups will tend to be reduced. This should enable spouses to participate more in the labour market. Again, as suitable training programmes are implemented, the earnings situation of these groups could improve.

Again, as the number of children falls, the fewer will be the resources needed to keep them in the school system, and the pressure on them to abandon it and seek work in order to help sustain the family will diminish. Both factors will help to increase the stay-on rates of minors in the school system, and this means that they will be able to aspire to better incomes in the future.

For these demographic changes to occur, however, there is a need for deliberate action to promote greater access to family planning, as well as measures that are really effective in enabling the poorest to generate more income. Thus, change will come about in part through the will of the poorest groups themselves, as they adopt a different attitude to fertility in the confidence that this will contribute to their own future well-being.

Notes

- 1 By way of example, the results for Argentina refer to Buenos Aires, while the surveys for Brazil and Chile include rural areas as well as metropolitan ones.
- 2 In the case of Mexico, this refers to areas of high density.
- 3 Purely for the purposes of illustration, the tables included in the text give figures for the top and bottom deciles, although the conclusions are based on observation of the whole range, as can be seen in the tables of the appendix and in the national case studies on which this synthesis is based.
- 4 For fuller details about this change in distribution in Colombia, consult the relevant case study.
- 5 The information for Argentina and Mexico is classified using educational levels which are different from those shown in this table, and which are therefore not directly comparable. Nonetheless, the results hold good. See the case studies on those countries in this same series.
- 6 For a more detailed account of the way this variable has moved in Chile, see the relevant case study. For the sake of brevity, the figures given in these tables are for the top and bottom distribution deciles only.
- 7 See ECLAC/CELADE/IDB (1996) for a ranking of countries in the region according to their stage in the demographic transition.
- 8 The category used in each decile is that of households where both heads are present.
- 9 To verify this hypothesis it would be necessary to use longitudinal section surveys, which have only recently begun to be carried out in countries in the region.
- 10 Although the statistical analysis refers to spouses, as these in principal represent the second source of potential income for a household, the vast majority of these are women, which is why women are specified in this paragraph.
- 11 It should be borne in mind that productivity growth in small companies and informal sectors, which are large employers of less skilled workers, tends to be lower than in the rest of the economy.

12 One example of this is the operation in Chile of the Subsidio Unico Familiar, or single family allowance. This is based on the CAS card, which records a number of factors that are used to determine whether a family group is eligible to apply for this benefit.

13 This also implies that transfers in the form of cash, services or kind whose allocation criteria take into account the number of children in the household may potentially have a highly distributive effect.

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STATISTICAL APPENDIX

Table 1
DISTRIBUTION OF TOTAL HOUSEHOLD INCOME BY DECILES
(percentages)

	Argentina 1992 (a)	Brazil 1990 (b)	Colombia 1992 (c)	Chile 1992 (d)	Mexico 1992 (e)
Total	100	100	100	100	100
1	2.3	1.5	1.8	1.7	2.4
2	3.7	2.6	2.9	2.7	3.7
3	3.7	3.1	4.0	3.6	4.4
4	5.5	4.2	4.9	4.3	5.3
5	6.8	5.3	6.2	5.0	6.2
6	8.1	6.6	7.9	6.2	7.5
7	10.1	8.8	9.2	7.8	8.7
8	12.2	12.2	11.9	9.6	10.4
9	16.0	18.2	17.2	14.9	15.1
10	31.6	37.6	34.0	44.4	36.2
Gini Coefficient	0.408	0.503	0.448	0.512	0.426

a/ Buenos Aires, b/ Sao Paulo and Rio de Janeiro, c/ Bogota, d/Greater Santiago
e/ High density areas

Source: ECLAC, based on special household surveys tabulations

Table 2
RELATIVE INDEX OF THE AVERAGE PRIMARY INCOME (a)
PER EMPLOYED PERSON IN THE HOUSEHOLD
(total average = 100)

	Argentina 1992 (b)	Brazil 1990 (c)	Colombia 1992 (d)	Chile 1992 (e)	Mexico 1992 (f)
Total	100	100	100	100	100
1	25.3	19.9	31.1	23.2	27.6
2	46.1	31.8	44.9	35.8	38.4
3	39.0	41.3	53.4	41.3	43.2
4	61.6	46.5	54.3	47.8	51.2
5	68.6	57.8	66.1	47.0	55.1
6	88.1	71.2	78.1	57.8	68.2
7	99.8	90.7	96.1	68.1	74.6
8	116.8	118.3	113.4	86.6	97.1
9	163.7	180.2	155.5	143.6	132.3
10	291.4	342.9	308.0	448.9	411.3

a/ Wages and salaries plus independently self employed labour earnings

b/ Buenos Aires, c/ Sao Paulo and Rio de Janeiro, d/ Bogota, e/ Greater Santiago

f/ High density areas

Source: ECLAC, based on special household surveys tabulations

Table 3
RELATIVE INDEX OF AVERAGE REMUNERATION
PER EMPLOYED SALARIED IN THE HOUSEHOLD
(total average = 100)

	Argentina 1992 (a)	Brazil 1990 (b)	Colombia 1992 (c)	Chile 1992 (d)	Mexico 1992 (e)
Total	100	100	100	100	100
1	41.0	22.7	37.3	32.8	41.6
2	67.5	35.9	50.3	49.5	55.3
3	56.7	46.6	58.2	55.5	63.2
4	84.4	53.2	65.4	64.3	68.5
5	91.3	65.2	76.7	59.6	70.3
6	104.0	80.8	88.8	74.1	91.7
7	111.3	93.7	98.5	85.7	93.9
8	126.6	120.3	121.7	105.5	119.0
9	136.1	177.0	149.4	153.1	152.2
10	181.2	305.5	254.5	320.1	243.9

a/ Buenos Aires, b/ Sao Paulo and Rio de Janeiro, c/ Bogota, d/ Greater Santiago
e/ High density areas

Source: ECLAC, based on special household surveys tabulations

Table 4
RELATIVE INDEX OF AVERAGE REMUNERATIONS RATES OF
INDEPENDENTLY SELF EMPLOYED LABOUR IN THE HOUSEHOLD
(total average = 100)

	Argentina 1992 (a)	Brazil 1990 (b)	Colombia 1992 (c)	Chile 1992 (d)	Mexico 1992 (e)
Total	100	100	100	100	100
1	4.1	10.1	14.6	7.0	7.7
2	16.1	18.5	29.7	13.0	15.7
3	15.0	24.5	39.0	18.0	18.1
4	32.3	29.0	43.8	23.7	26.4
5	42.1	40.2	50.4	33.4	39.2
6	66.7	47.6	70.3	39.6	41.9
7	93.4	81.2	95.3	54.6	53.2
8	121.5	110.2	111.3	67.2	69.4
9	212.2	186.7	175.1	141.5	112.1
10	397.4	452.3	371.7	602.3	614.7

a/ Buenos Aires, b/ Sao Paulo and Rio de Janeiro, c/ Bogota, d/ Greater Santiago
e/ High density areas

Source: ECLAC, based on special household surveys tabulations

Table 5
RELATIVE INDEX OF AVERAGE TRANSFERS (a)
PER BENEFICIARY IN THE HOUSEHOLD
(total average = 100)

	Argentina 1992 (b)	Brazil 1990 (c)	Colombia 1992 (d)	Chile 1992 (e)	Mexico 1992 (f)
Total	100	100	100	100	100
1	83.3	19.3	6.7	21.3	25.9
2	62.3	25.1	14.8	31.2	46.7
3	81.3	26.4	31.8	41.5	53.2
4	84.2	38.8	47.8	52.3	57.7
5	90.6	45.4	53.8	80.2	70.4
6	93.6	59.7	67.7	76.1	78.5
7	100.0	73.1	74.6	100.7	140.1
8	108.3	109.9	120.8	133.1	99.7
9	111.9	167.3	184.5	161.9	185.0
10	185.4	435.2	398.8	301.7	242.6

a/ Subsidies, pensions and retirement income

b/ Buenos Aires, c/ Sao Paulo and Rio de Janeiro, d/ Bogota, e/ Greater Santiago

f/ High density areas

Source: ECLAC, based on special household surveys tabulations

Table 6
RELATIVE INDEX OF AVERAGE PROPERTY INCOME
PER EARNER IN THE HOUSEHOLD
(total average = 100)

	Argentina 1992 (a)	Brazil 1990 (b)	Colombia 1992 (c)	Chile 1992 (d)	Mexico 1992 (e)
Total	100	100	100	100	100
1	1.6	0.0	0.0	0.0	6.2
2	0.2	0.8	0.0	1.1	28.3
3	0.0	2.6	0.0	1.6	21.3
4	1.7	14.4	3.7	9.2	32.0
5	6.4	35.9	19.8	21.1	24.1
6	7.0	59.0	55.3	40.4	44.3
7	3.9	96.0	92.4	64.9	113.9
8	4.0	138.9	152.4	100.7	96.0
9	30.5	219.2	231.0	195.9	268.7
10	948.1	433.8	447.0	565.3	365.0

a/ Buenos Aires, b/ Sao Paulo and Rio de Janeiro, c/ Bogota, d/ Greater Santiago

e/ High density areas

Source: ECLAC, based on special household surveys tabulations

Table 7
RELATIVE INDEX OF HOUSEHOLD AVERAGE EMPLOYMENT RATES
(total average = 100)

	Argentina 1992 (a)	Brazil 1990 (b)	Colombia 1992 (c)	Chile 1992 (d)	Mexico 1992 (e)
Total	100	100	100	100	100
1	62.4	86.3	96.3	86.4	98.6
2	88.0	94.7	98.9	102.2	97.2
3	67.0	100.3	99.4	99.0	101.1
4	97.6	99.0	99.9	102.8	99.8
5	104.8	101.1	100.3	97.8	98.1
6	107.1	100.8	100.6	102.2	101.9
7	115.6	102.5	101.1	104.1	98.6
8	116.9	103.0	99.4	101.0	100.7
9	120.6	106.6	100.6	103.2	102.1
10	119.6	105.9	103.6	101.3	102.0

a/ Buenos Aires, b/ Sao Paulo and Rio de Janeiro, c/ Bogota, d/Greater Santiago
e/ High density areas

Source: ECLAC, based on special household surveys tabulations

Table 8
RELATIVE INDEX OF HOUSEHOLD AVERAGE PARTICIPATION RATES
(total average = 100)

	Argentina 1992 (a)	Brazil 1990 (b)	Colombia 1992 (c)	Chile 1992 (d)	Mexico 1992 (e)
Total	100	100	100	100	100
1	60.1	78.2	86.1	75.8	77.6
2	72.7	83.3	87.9	89.4	86.6
3	57.4	94.8	90.9	86.2	89.7
4	85.5	99.3	97.6	93.8	95.2
5	97.5	100.6	100.7	98.3	95.0
6	95.7	99.2	104.7	106.0	100.9
7	118.7	106.9	100.4	114.0	108.5
8	128.6	110.2	104.5	111.7	111.7
9	138.5	107.4	108.6	113.8	116.3
10	145.1	120.7	118.7	111.1	118.4

a/ Buenos Aires, b/ Sao Paulo and Rio de Janeiro, c/ Bogota, d/Greater Santiago
e/ High density areas

Source: ECLAC, based on special household surveys tabulations

Table 9
RELATIVE INDEX OF THE AVERAGE PORPORTION OF WORKING AGE
POPULATION IN THE HOUSEHOLD
(total average = 100)

	Argentina 1992 (a)	Brazil 1990 (b)	Colombia 1992 (c)	Chile 1992 (d)	Mexico 1992 (e)
Total	100	100	100	100	100
1	88.4	85.8	80.2	83.4	83.4
2	91.8	93.6	87.3	87.6	89.2
3	99.4	94.6	89.6	93.6	95.1
4	99.0	98.8	99.3	97.2	96.4
5	100.9	101.4	101.4	104.0	102.3
6	101.2	102.9	105.3	104.1	102.0
7	102.6	102.9	108.6	106.3	105.1
8	102.3	103.6	107.2	107.8	106.0
9	107.0	106.6	108.5	105.4	97.1
10	107.8	109.9	112.6	110.5	110.2

a/ Buenos Aires, b/ Sao Paulo and Rio de Janeiro, c/ Bogota, d/Greater Santiago
e/ High density areas

Source: ECLAC, based on special household surveys tabulations

Table 10.a
AVERAGE NUMBER OF PERSONS IN THE HOUSEHOLD (a)

	Argentina 1992 (b)	Brazil 1990 (c)	Colombia 1992 (d)	Chile 1992 (e)	Mexico 1992 (f)
Total	3.5	3.7	4.1	3.9	4.5
1	4.5	4.6	4.9	4.6	5.8
2	3.9	4.2	4.6	4.3	5.5
3	3.2	4.0	4.7	4.3	5.1
4	3.7	3.8	4.3	4.1	4.8
5	3.7	3.8	4.3	3.8	4.6
6	3.5	3.6	4.3	3.8	4.4
7	3.4	3.5	3.8	3.7	3.9
8	3.2	3.4	3.7	3.4	3.6
9	3.0	3.2	3.6	3.4	3.6
10	2.5	2.7	3.0	3.2	3.3

a/Excludes domestic service

b/ Buenos Aires, c/ Sao Paulo and Rio de Janeiro, d/ Bogota, e/ Greater Santiago
f/ High density areas

Source: ECLAC, based on special household surveys tabulations

Table 10.b
RELATIVE INDEX OF THE AVERAGE NUMBER OF
PERSONS IN THE HOUSEHOLD
(total average = 100)

	Argentina 1992 (a)	Brazil 1990 (b)	Colombia 1992 (c)	Chile 1992 (d)	Mexico 1992 (e)
Total	100.0	100.0	100.0	100.0	100.0
1	128.6	124.3	119.5	117.9	128.9
2	111.4	113.5	112.2	110.3	122.2
3	91.4	108.1	114.6	110.3	113.3
4	105.7	102.7	104.9	105.1	106.7
5	105.7	102.7	104.9	97.4	102.2
6	100.0	97.3	104.9	97.4	97.8
7	97.1	94.6	92.7	94.9	86.7
8	91.4	91.9	90.2	87.2	80.0
9	85.7	86.5	87.8	87.2	80.0
10	71.4	73.0	73.2	82.1	73.3

a/ Buenos Aires, b/ Sao Paulo and Rio de Janeiro, c/ Bogota, d/ Greater Santiago
e/ High density areas

Source: ECLAC, based on special household surveys tabulations

Table 11.a
AVERAGE OF MINORS PER ADULT IN THE HOUSEHOLD (a)

	Argentina 1992 (b)	Brazil 1990 (c)	Colombia 1992 (d)	Chile 1992 (e)	Mexico 1992 (f)
Total	0.30	0.45	0.41	0.34	0.48
1	0.63	0.92	0.76	0.66	0.83
2	0.51	0.60	0.64	0.54	0.66
3	0.29	0.55	0.55	0.41	0.54
4	0.30	0.46	0.44	0.36	0.51
5	0.26	0.39	0.37	0.26	0.42
6	0.26	0.36	0.33	0.26	0.42
7	0.22	0.34	0.27	0.23	0.38
8	0.21	0.32	0.27	0.21	0.37
9	0.15	0.31	0.26	0.27	0.31
10	0.12	0.23	0.21	0.18	0.30

a/ children under 11 per person older than 12 years

b/ Buenos Aires, c/ Sao Paulo and Rio de Janeiro, d/ Bogota, e/ Greater Santiago

f/ High density areas

Source: ECLAC, based on special household surveys tabulations

Table 11.b
RELATIVE INDEX OF THE AVERAGE NUMBER OF MINORS
PER ADULT IN THE HOUSEHOLD
(total average = 100)

	Argentina 1992 (a)	Brazil 1990 (b)	Colombia 1992 (c)	Chile 1992 (d)	Mexico 1992 (e)
Total	100	100	100	100	100
1	210.0	204.4	185.4	194.1	172.9
2	170.0	133.3	156.1	158.8	137.5
3	96.7	122.2	134.1	120.6	112.5
4	100.0	102.2	107.3	105.9	106.3
5	86.7	86.7	90.2	76.5	87.5
6	86.7	80.0	80.5	76.5	87.5
7	73.3	75.6	65.9	67.6	79.2
8	70.0	71.1	65.9	61.8	77.1
9	50.0	68.9	63.4	79.4	64.6
10	40.0	51.1	51.2	52.9	62.5

a/ Buenos Aires, b/ Sao Paulo and Rio de Janeiro, c/ Bogota, d/ Greater Santiago
e/ High density areas

Source: ECLAC, based on special household surveys tabulations

Table 12
PERCENTAGE OF HOUSEHOLDS IN EACH DECILE IN WHICH
THE SPOUSE IS INACTIVE (a)

	Argentina 1992 (b)	Brazil 1990 (c)	Colombia 1992 (d)	Chile 1992 (c)	Mexico 1992 (c)
Total	48.7	49.7	40.7	58.5	63.5
1	81.4	61.5	56.6	85.0	74.1
2	77.4	59.8	56.0	80.2	80.4
3	59.5	57.3	49.4	73.3	70.9
4	59.9	55.5	46.7	70.4	71.7
5	50.8	51.2	41.1	64.7	70.7
6	59.5	48.2	42.5	51.5	66.9
7	43.4	47.2	35.2	48.5	61.0
8	30.7	45.0	33.1	42.1	51.9
9	31.8	43.0	28.4	39.8	42.4
10	27.7	31.3	19.7	34.9	44.8

/a Spouses of employed household heads, /b Buenos Aires /c National total
/d 8 main cities

Source: ECLAC, based on special household surveys tabulations

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