In 2001, 214 million people, almost 43% of the population of Latin America, were living in poverty and of these, 92.8 million (18.6%) were indigents, according to the annual report from the Economic Commission for Latin America and the Caribbean (ECLAC), Social Panorama of Latin America, 2001-2002.

If the region’s economy contracts as all the indicators suggest (by around -0.8%), poverty is expected to rise this year to 44%, indigence to 20%. As in 2001, this greater increase will be particularly pronounced in Argentina, with important increases in Venezuela, Paraguay and Uruguay as well. It is likely that only in Peru and the Dominican Republic the poverty level will fall slightly.

Projections for 2002 suggest that the number of people living in poverty will rise by about 7 million, of which 6 million are indigents. These figures, however, do not reflect a proportionate rise in poverty spread across the region’s 18 countries, but rather the impact in the region as a whole of a significant increase in poverty in Argentina.

In 1997, Latin America saw the end of a growth cycle that, with some fluctuations, permitted many countries to make significant progress toward reducing poverty. But in the two years since 2000, when the number of poor people was estimated to have reached 206.7 million, the region has performed more poorly than desired, with very low growth rates in per capita output, which even became negative in some countries. More sluggish economies and more volatile growth caused unemployment to rise and hampered progress or even brought regression in income distribution, which has once again pushed the region’s poverty indices upward.

Following the decline in economic growth, poverty and indigence in Latin American countries seems to have declined in 2000, before rising significantly in 2001 and 2002.

In 2000 the overall drop-out rate for teenagers before completing high school was under 20% in urban areas in Bolivia, Chile, Peru and the Dominican Republic. In Argentina, Brazil, Colombia and Panama it ranged from 20% to 25%. In eight countries (Costa Rica, Ecuador, El Salvador, Mexico, Nicaragua, Paraguay, Uruguay and Venezuela), it reached from 25% to 35% of teenagers, while in Honduras and Guatemala it stood at 40% and 47%, respectively.

Thirty seven percent of Latin American adolescents (from 15 to 19 years) drop out of school before completing secondary education. Almost half leave early, without finishing primary school, but in several countries most leave during the first year of high school.

Student drop-out rates remain very high, despite the extensive coverage of primary education (almost 90%), the increase in high-school registration (to around 70%) and the decline in drop-out rates in almost every country during the past decade. Today, one of the challenges facing the educational system in Latin America is how to increase the retention rate, particularly in rural areas where the drop-out rate is much higher.

According to Social Panorama of Latin America, 2001-2002, published by ECLAC, in 2000 the overall drop-out rate for teenagers before completing high school was under 20% in urban areas in Bolivia, Chile, Peru and the Dominican Republic. In Argentina, Brazil, Colombia and Panama it ranged from 20% to 25%. In eight countries (Costa Rica, Ecuador, El Salvador, Mexico, Nicaragua, Paraguay, Uruguay and Venezuela), it reached from 25% to 35% of teenagers, while in Honduras and Guatemala it stood at 40% and 47%, respectively.
The recovery in economic growth between 1990 and 1997 helped to reduce both poverty and indigence throughout the region. By 1997, the percentage of the population living in poverty fell by almost five percentage points compared to 1990, although it still remained three percentage points higher than in 1980. These positive trends ceased, however, in 1997. Since then, the region has seen economic growth and the fight against poverty stagnate and, in some cases, clearly retreat. It is no exaggeration, therefore, to say that the population of Latin America has been affected by the negative consequences of this lost half decade.

Estimates from ECLAC indicate that today poverty is higher than in 1997 and that the number of the poor rose by almost 18 million people. This trend has not affected every country uniformly. Most recently (2000-2002), Mexico and the Dominican Republic managed to reduce poverty. At the other extreme, the Argentine crisis produced one of the largest increases in the region, with poverty rising at least three percentage points.

Meeting the goal established by the Millennium Declaration of cutting extreme poverty by half in 2015 therefore constitutes a tough challenge for the region and, given trends in recent years, has become virtually impossible for a significant group of countries. Achieving this goal requires total growth in output of 2.7% per year, rising to 4.0% if the goal were to cut overall poverty and not just indigence by half. While these requirements don’t seem too distant from Latin America’s traditional growth patterns, the outlook is more complex in the countries with the highest poverty levels. These countries would have to grow somewhere between 5.7% and 7.0% to reduce poverty.

As a result, depending solely on economic growth to deal with the problem of poverty in Latin America will make it hard to meet the objective set for 2015.

One of the main obstacles to achieving better equity in the distribution of the fruits of growth is the poor record of quality job creation. Existing jobs are not enough to absorb the rise in the supply of workers with technical or professional qualifications, producing significant under-use of these resources, with the resulting social consequences. It is estimated that around 24% of the Latin American workforce with these qualifications is under-used due to unemployment and the very low compensation available in the market.

Progress in reducing school drop-out rates - from 45% to 37% - in Latin America at the primary and secondary levels is helping to reduce inequities in the region. The fruits of this improvement, however, will only be enjoyed in the long term and will depend on significant improvements in the quality and relevance of educational content. Although educational inequity between socio-economic strata remains an issue, countries are clearly making progress in terms of retaining the poorest students and augmenting social programs, which, aside from standing out for their application of best practices, require resources that are within the possibilities of most of the region’s countries.”

The author is ECLAC’s Executive Secretary.
The current issue of *Social Panorama* reviews the feasibility of meeting the United Nations target, expressed in the Millennium Declaration, of cutting extreme poverty around the world by half between 1990 and 2015. Progress to date is uneven, given that while some countries have already met their target, others have fallen even further behind.

The most favourable situation has occurred in Chile and Panama, both of which successfully cut extreme poverty by half in 2000. Colombia, Ecuador, Paraguay and Venezuela face a more complex situation where the levels of extreme poverty in 2000 were higher than those in 1990.

According to ECLAC calculations, to cut extreme poverty in half toward 2015, the region’s total output would have to rise by 2.7% per year for 15 years, that is, 5.7% for the countries with the most poverty, 2.7% for those in the mid-range, and 2.5% for those with the least poverty. In terms of reducing total poverty by half, a target that in principle is more in line with the region’s degree of development, the possibilities are practically non-existent for some of the poorest countries, because these would require growth rates well beyond their past performance.

ECLAC underlines the need to resort to economic and social policies that reinforce the possibilities of expanding the productive base, but at the same time involve the progressive redistribution of income, which allows economic growth to improve the standard of living of the population with the least resources more quickly.

Because of the importance of income distribution in Latin America in the fight against poverty, *Social Panorama* analyzed the income structure underlying the region’s patterns of concentration. Last year’s report found that distribution in the region was among the most unequal in the world.

---

**Household Heads Still Main Providers**

An analysis of income breakdown indicates the enormous importance of work-related income (wages and profits) in most households. In 1999, these accounted for an average of 63% (in Brazil) to 90% (in Ecuador and Nicaragua) of total household income, with its share reaching over 80% in 11 countries.

Of all the income from the labour market, wages are the most important, as well as constituting the least concentrated source of income, followed by income for those self-employed. Similarly, transfers, mainly in the form of pensions paid out by pension systems, constitute an important source of household income, averaging around 13% of total income. In almost every case, income from property is the smallest source of resources.

One constant in every country: household heads continued to be the main income providers, although their contribution fell during the 1990s. Similarly, the percentage of household income provided by women rose significantly, comparatively speaking, and today represents 32%. Finally, in the specific case of work income, the contribution of young people from 15 to 24 years of age reached 12.5%, while for those over 65 years, it averaged 3.3%.

A breakdown of family income confirms that the possibilities of correcting distributive problems through direct intervention are limited and, except for public transfers, an improvement is only apparent over the long term. Because of this, ECLAC recommends that governments take advantage of the relatively slim margin for action that they have to encourage improved income distribution, if they seek to improve the living standards of the poorest sectors more quickly and thus meet the goal of cutting their numbers by half by 2015.

The summary of *Social Panorama, 2001-2002* is available in English and Spanish on our website, www.eclac.cl. The complete document is available in Spanish.
he countries of Latin America and the Caribbean have been the setting for vigorous migratory movements. In the past, immigration, mainly from Europe, reached enormous proportions and was supported by the region’s governments and the existing societies. Aside from some episodes of failures and conflicts, the prevailing idea was that immigrants, bearing knowledge, capital and behavioural norms, were functional to progress. Their contribution to socio-economic programs and social mobility was widely recognized.

Since the post-war period, this outlook has changed. As immigration from abroad declined, mobility within the region increased, particularly between neighbouring countries. This pattern weakened in recent years, but today some 2.5 million of this region’s inhabitants live in a country other than where they were born.

Now the prevailing trend sees emigration heading toward developed countries, especially the United States where some 15 million Latin Americans and Caribbeans live (along with their descendents, making up the largest ethnic minority in that country).

Aside from this strong increase in recent decades, both points of origin and destination for emigration out of this region have diversified in recent years. Traditional flows of Mexicans to the United States (a persistent border-type of migration) have been joined by others from the Caribbean, Central America and South America. In the 1990s, the Latin American and Caribbean presence in several European countries (such as Spain and Italy) rose significantly, as it did in Australia, Japan and Israel. The appeal for recognition of the citizenship of their forebears, former immigrants to the region, has served many in their attempts to legitimize their own emigration.

Latin Americans and Caribbean who head for developed countries come from a wide range of backgrounds, which vary according to their country of origin. Most are men with poorer than average skills compared to the citizens - and even immigrants from other regions - in their destination countries. However, this basic profile reflects the effects of a sizeable migratory flow of Mexicans and Central Americans to the United States, since a more detailed exploration reveals that emigration from other points of origin is extremely selective - with a larger share of skilled personnel - and more women.
In the framework of globalization, opportunities for migration, facilitated by advanced transportation techniques and communications networks, which connect distant cultures and latitudes, creating transnational communities, are stimulated by enormous economic and socio-political imbalances that characterize the current international order.

The south-north nature of the main flows is congruent with the idea that migration is motivated by the search for better living conditions and reflects unequal conditions of social and economic conditions among countries. Individuals’ expectations, however, run into a more difficult reality, because many of those who migrate to developed countries find they face obvious objective disadvantages when they try to become full participants in their destination countries.

Thus, migrants more often than natives experience a wide range of types of social risk, such as discrimination, unemployment, poverty and xenophobia, for which they have less capacity to respond at an individual or institutional level.

In these conditions, prejudices take shape that present them as undocumented people willing to work in any activity, turning them into scapegoats for internal conflicts in the destination countries and labelling them as threats to national security, employment and the wages of unskilled workers native to the destination country. Many migrants suffer from hostility and abuse or become entrapped in networks of traffickers and white slavers. Ultimately they become deprived of their rights.

The international community must implement measures to reduce migrants’ vulnerability. To do so, it is vital to ratify international instruments such as the United Nations’ International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families, and monitor the effectiveness of the Action Plan approved by the World Conference against Racism, Racial Discrimination, Xenophobia and Related Intolerance.

It is also vital, as ECLAC warns in a document recently debated by the region’s countries (Globalization and Development), to take decisive steps toward ensuring the governance of international migration, based on recognizing the principles of multilateralism. As a result, the Regional Conference on Migration and the South American Conference on International Migration are initiatives that deserve consolidation.

The author is the official in charge of the ECLAC Population division (CELADE).
The ECLAC study prepared estimates for the magnitude of student drop-out rates in 18 countries and trends during the 1990s, using information from household surveys and an analysis of teenagers’ educational status.

The report suggests that school repetition and poor results - phenomena that frequently precede dropping out - along with limited mastery of basic content seriously limit the educational system’s potential for acting as a mechanism for equal opportunity and social inclusion.

High student drop-out rates translate into people’s years of education falling well short of the full high school level, which is considered the minimum necessary to gain access to urban employment with a good chance of escaping from poverty.

One novelty: in urban areas girls drop out less than boys and also repeat less, allowing them to finish off their secondary education without delay. In contrast, in rural areas girls tend to drop out more than men.

Dropping out is far more common among adolescents from lower income households and this is one of the main routes by which social inequality is perpetuated. In 11 of 17 countries, more than half of all children not finishing primary school belonged to these households. Other factors that contributed to their dropping out included work, adolescent pregnancy, and lack of interest. The mother’s low educational level (five years or less of studies) increased the risk of dropping out by over 170%.

The study also revealed that in seven countries (Bolivia, Brazil, El Salvador, Guatemala, Nicaragua, the Dominican Republic and Venezuela), from 40% to 70% of students drop out before completing primary school. In another six (Chile, Colombia, Mexico, Panama, Peru and Uruguay), from 50% to 60% of drop-outs occur during high school, and except for Chile, occurs more toward the beginning than the end of the cycle. In five countries (Argentina, Costa Rica, Ecuador, Honduras and Paraguay) more than half and up to 60% of drop-outs suspend their education upon completing primary school.

Social Panorama also finds some significant progress during the 1990s. The decline in students dropping out was greater in rural than urban areas, thus reducing the enormous disparities prevailing at the time. In Brazil the overall drop-out rate in urban areas fell by 17%, 29% in rural areas; in Chile, these declined by 7% and 24% respectively; in Colombia, by 6% and 13%; in Costa Rica by 3% and 14%, and in Panama by 3% and 11%. In Greater Buenos Aires the drop was also significant: 13 percentage points.

Among the factors that permitted these improvements, ECLAC mentions the increase in coverage of pre-school registration, the improved focusing of programs and subsidies, improvements to school infrastructure, and greater participation of parents in school activities. It also underlines the importance of two national programs, Oportunidades, ex Progresa in Mexico, which seeks to prolong adolescents’ participation in secondary education in rural areas, and Bolsa Escola, (school bursary program) in Brazil, which focuses resources on retaining poor children throughout primary education.

ECLAC calls on governments to give priority to programs that aim to reduce drop-out rates within their social agendas. It also points out that this effort, whose potential impact on wellbeing and equity are long term, will not be completely effective if not accompanied by the generation of quality employment and suitable social protection programs that allow the productive sector to absorb the better skills thus on offer.
This year’s *Social Panorama of Latin America 2001-2002* indicates that the region has not reached the level of human resources necessary to respond adequately to the needs arising from rapid restructuring of production and rising productivity. This is because while the supply of skilled labour (with university or post-secondary technical education) has risen rapidly, it has not risen enough. Moreover, the skills of those who have achieved a higher level of education do not always meet the labour requirements of the market.

In other words, a paradox exists in which the number of skilled workers is insufficient, and at the same time, not all those who are skilled have aptitudes that meet market requirements.

While educational coverage has risen significantly in Latin America, today no more than 20% and in some countries as few as 10% of the population receives post-secondary technical or professional education. This is despite the fact that during the 1990s the growth rate in the number of people of working age (from 25 to 59 years) with post-secondary educational skills (7.5%) was higher than that for the whole working age population (3.1%).

According to an ECLAC analysis, this high pace of growth in the number of tradespeople and professionals occurred in almost all the region’s countries.

Factors worth highlighting in terms of recent changes in the supply of skilled labour include: trends in urban and rural areas; the larger or smaller increase in tradespeople as compared to professionals; and the relative pace of change in men’s and women’s participation in the increase in the supply of skilled human resources.

In the case of urban and rural areas, except for Chile and Guatemala, all the countries studied revealed that the gap between the two was tending to close in favour of rural areas (Colombia, Costa Rica, El Salvador, Honduras, México and Nicaragua), or at least this did not widen (Brazil and Panama).

Meanwhile, some countries posted faster change in the supply of skilled tradespeople (Chile, Colombia, Costa Rica, Nicaragua, Paraguay and Venezuela), while others saw a faster increase in the number of professionals (Argentina, Brazil, Ecuador, El Salvador, Guatemala, Honduras, Panama and Uruguay).

In almost all countries the number of women with technical or professional skills rose more than the number of men, except in Paraguay and Uruguay.

In terms of demand for professionals and tradespeople, the study reveals that how these resources are used has changed. For example, women with post-secondary education still tend to participate less in the workforce than men with similar skills. Similarly, open unemployment and poor wages received by about one-fifth of people with high skills levels constitute another source of misuse or under-use of the region’s human resources. The survey estimates that approximately 24 percent of the skilled urban work force is underutilized.

According to the ECLAC report, if the trends from the 1990s continue, the population with technical or professional post-secondary education should rise by 2015 to around 29% of the population of working age, but a very significant percentage of Latin Americans enter the labour market with little education, making it difficult to meet the United Nations Millennium Targets for that year, particularly the decline in poverty.

Thus, the region faces the urgent challenge of finding a way to increase the quantity and, particularly, the quality of human resources necessary for its economies to compete.
Financing for Development in Latin America and the Caribbean. From Monterrey to Johannesburg, by Alicia Bárcena and others (LC/R.2098, Spanish and English). This document was prepared by professionals from ECLAC’s Sustainable Development and Human Settlement Division for presentation during the World Summit on Sustainable Development (Johannesburg, South Africa), in September 2002. It provides a general overview of financing for sustainable development in light of the challenges identified during the Monterrey and Johannesburg conferences, offering relevant information to authorities and those responsible for policies and decision-making in developing countries.

