

# The Latin American and Caribbean experience with poverty reduction



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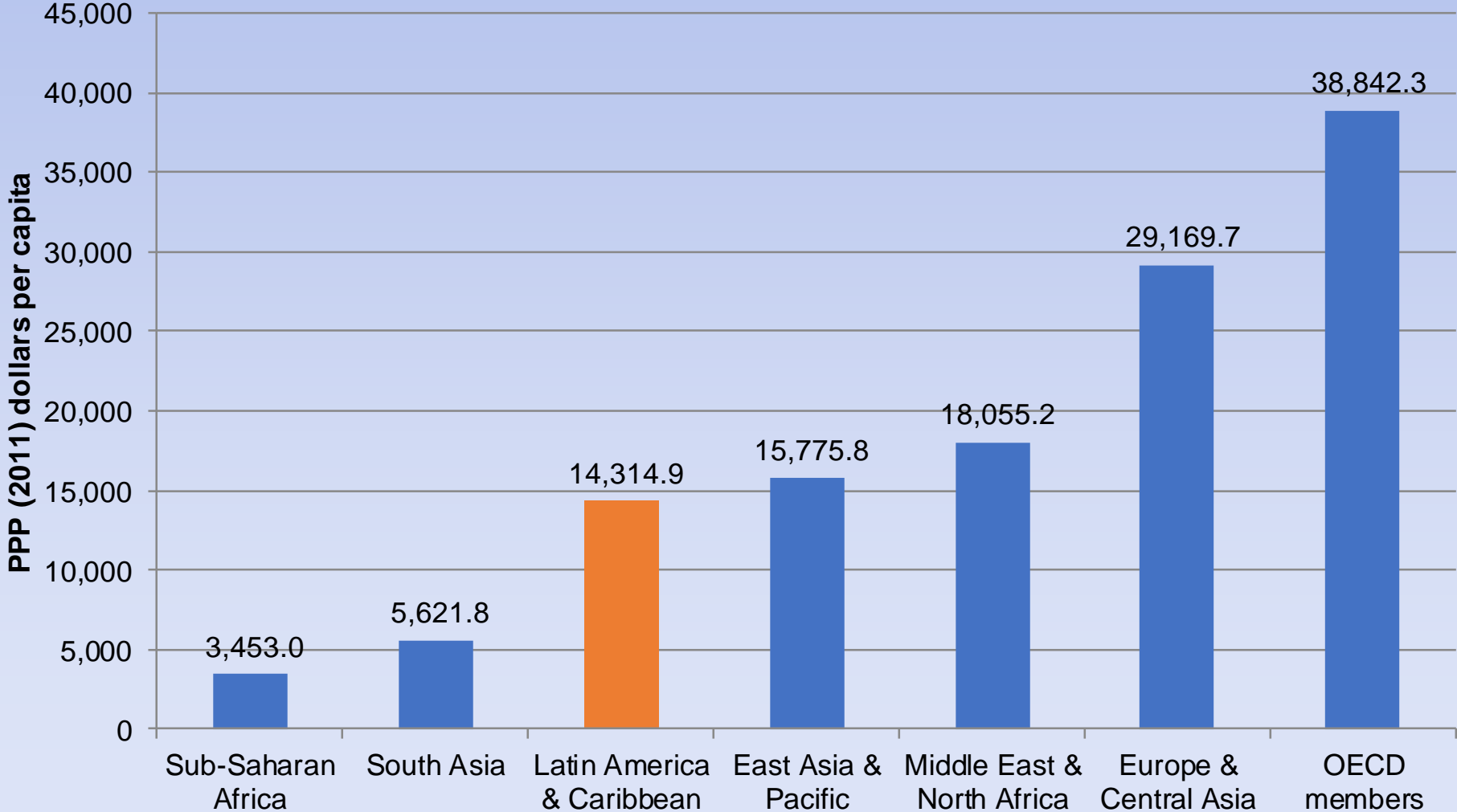
Social Development Division

Economic Commission for Latin America and the Caribbean (ECLAC)

Revisiting socio-economic policies to address poverty in all its dimensions in middle income countries  
ESCWA, Beirut, 8-10 May 2018

# Latin America and the Caribbean is a middle-income region

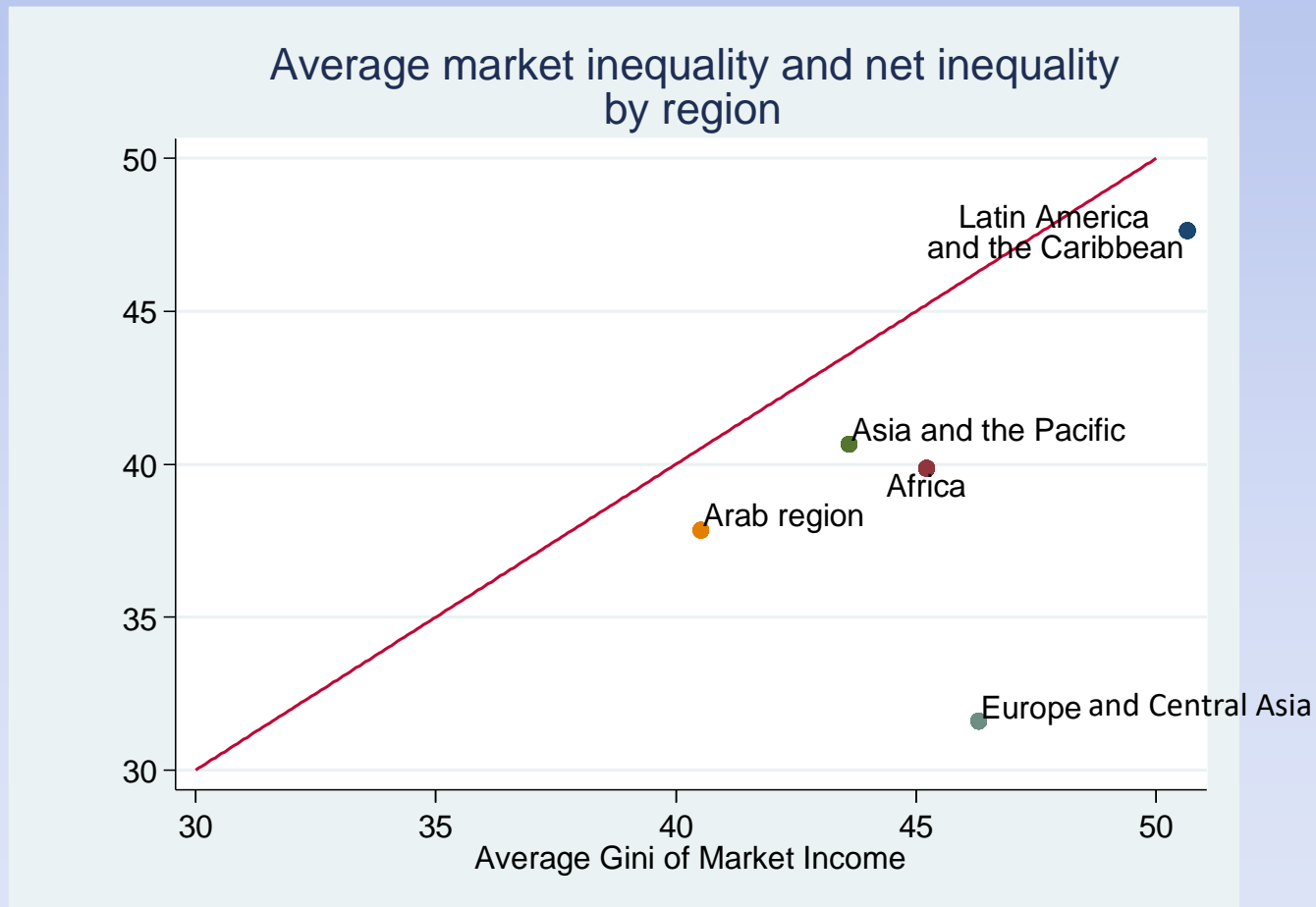
GROSS DOMESTIC PRODUCT BY REGION, 2017  
(IN PPP DOLLARS)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on World Development Indicators

# But has the highest levels of income inequality

MARKET AND NET INEQUALITY BY REGION, LATEST AVAILABLE YEAR (2002/2016) <sup>a</sup>



Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on SWIID Version 6.1. Figures based on latest Gini available from the year 2000 onwards for 166 countries. Data for 17 Latin American and Caribbean countries are around 2011 and were drawn from Hanni, Martner and Podestá (2015) based on household surveys. <sup>a</sup> Average market inequality and net inequality by region based on simple average.

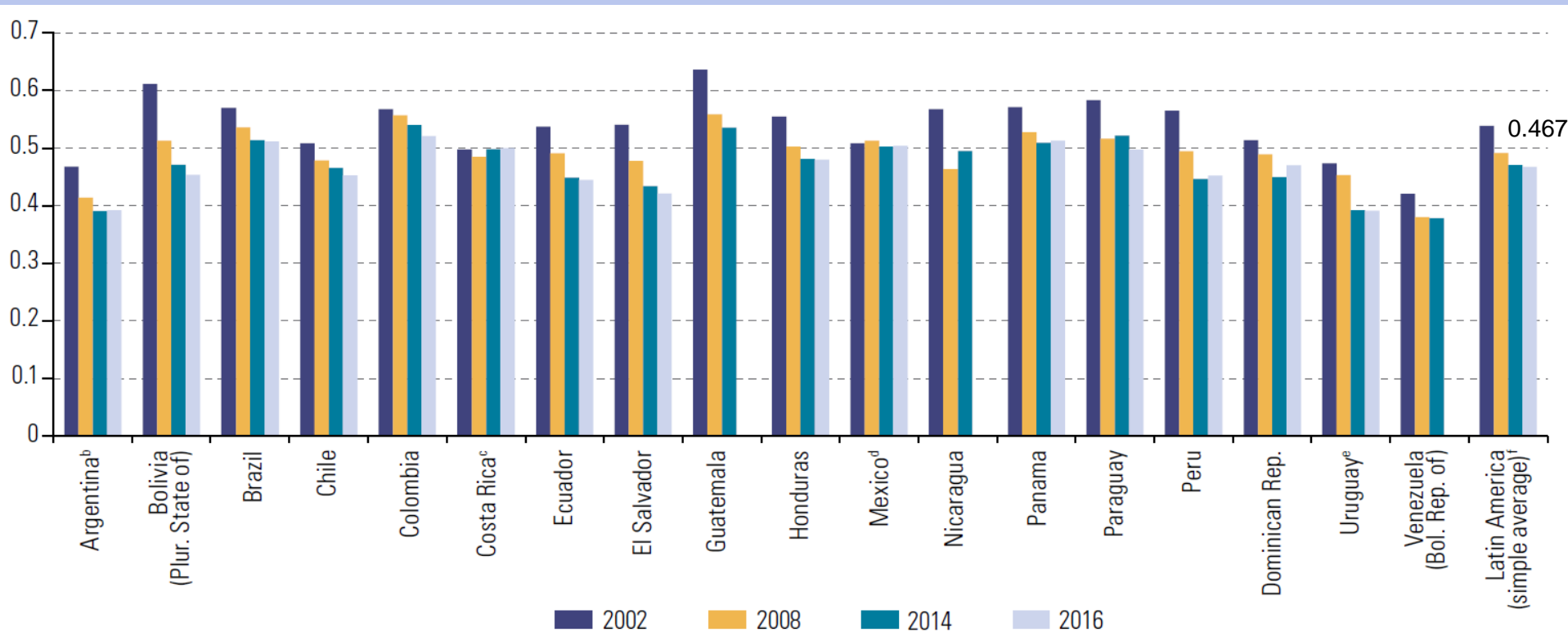
# Inequality goes beyond income, and is a multidimensional phenomenon

## Social inequality matrix

- Axes that structure social inequality
  - **Socio economic level**
  - **Gender**
  - **Race and ethnicity**  
(indigenous peoples and Afro descenents)
  - **Age (life cycle)**
  - **Territory**
- Areas where social inequality manifests and reproduces itself
  - **Income**
  - **Employment**
  - **Social protection and care**
  - **Education**
  - **Health and nutrition**
  - **Basic services** (water and sanitation, electricity, housing)
  - **Participation and decision-making**

# Progress has been made in the reduction of income inequality

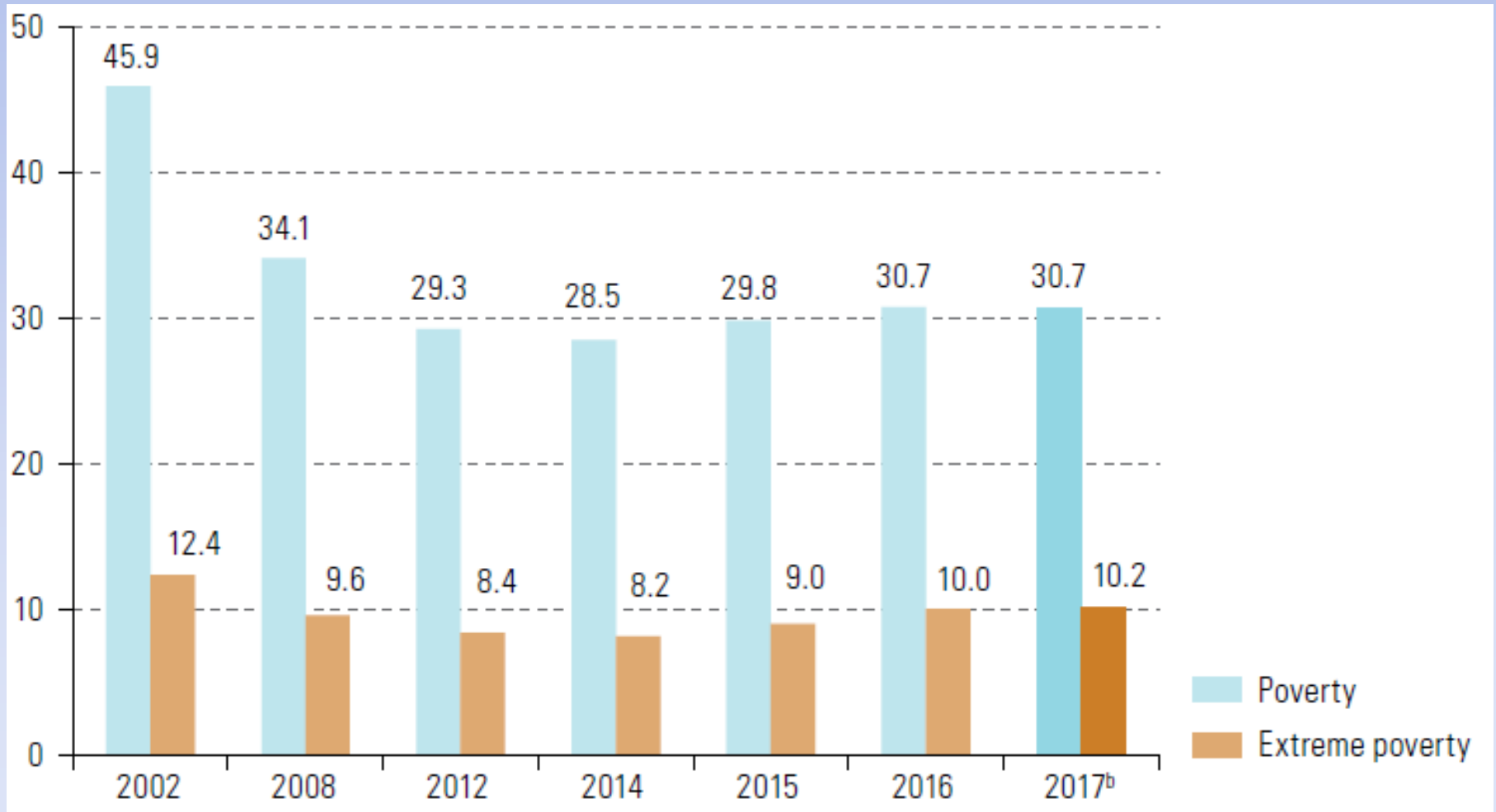
LATIN AMERICA: GINI COEFFICIENTS, 2002 – 2016 <sup>a</sup>



Source: Economic Commission for Latin America and the Caribbean (ECLAC), Social Panorama of Latin America 2017. The Gini index is calculated on the basis of income equal to zero; <sup>b</sup> Urban total; <sup>c</sup> Figures are not comparable with previous years; <sup>d</sup> 2016 figures are estimated on the basis of the 2016 statistical model for the continuation of the social conditions module of the national household income and expenditure survey; <sup>e</sup> 2002 figures correspond to urban areas; <sup>f</sup> Average calculated on the basis of the most recently available data for each of the 18 countries.

# Income poverty has also been reduced, although we observe recent increases

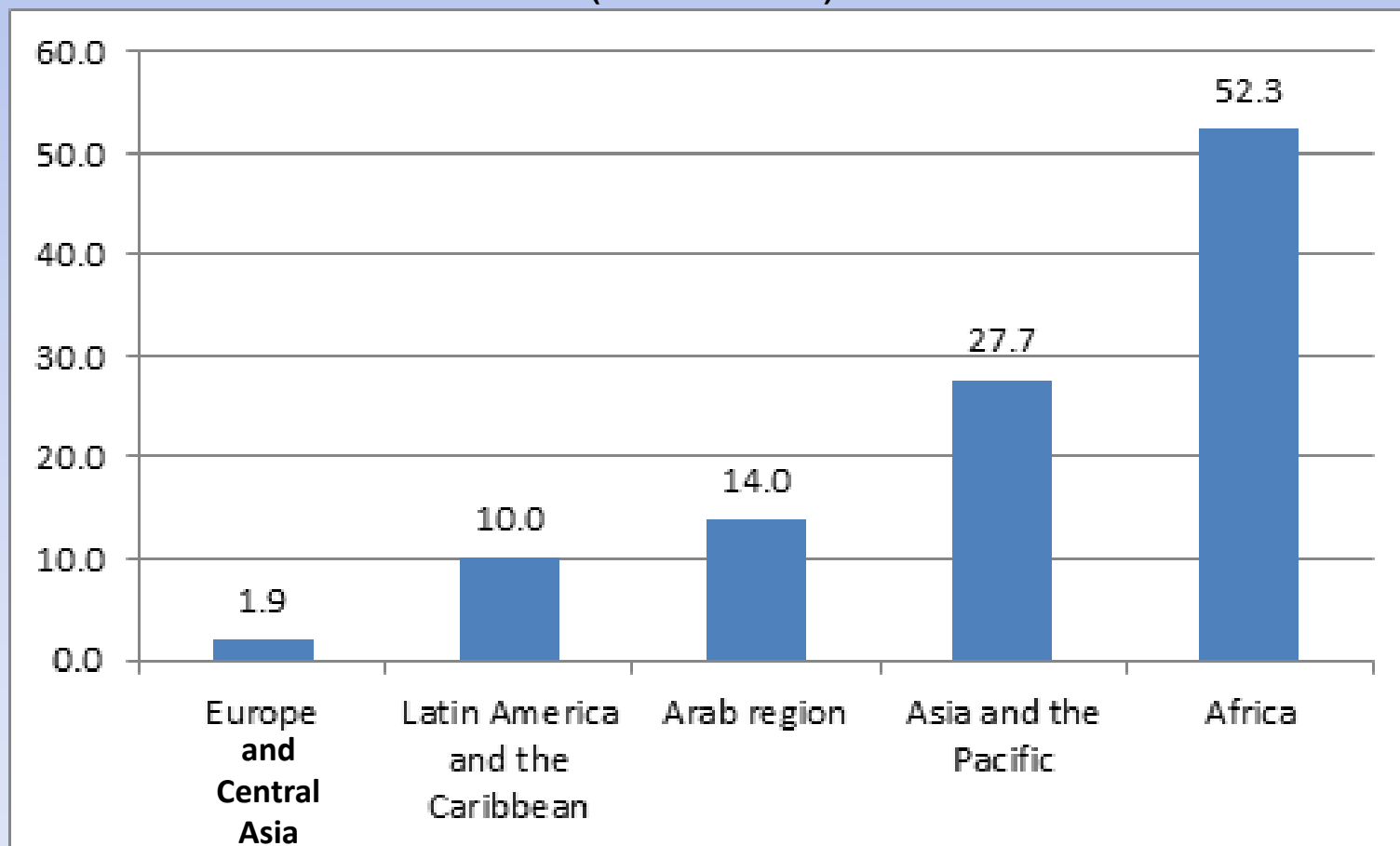
## LATIN AMERICA: POVERTY AND EXTREME POVERTY RATES, 2002-2017



Source: Economic Commission for Latin America and the Caribbean (ECLAC), Social Panorama of Latin America 2017. b Projections.

# One in ten Latin Americans lives in multidimensional poverty

POPULATION IN MULTIDIMENSIONAL POVERTY, BY REGION, 2006/2016 <sup>a</sup>  
(PERCENTAGES)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on Alkire and Kanagaratnam (2018). Multidimensional Poverty Index Winter 2017-18. <sup>a</sup> Simple averages.

# Key factors explaining the reduction of poverty and inequality

- Favourable economic context facilitated creation of **formal jobs and better salaries**
- Higher **female labour participation rates**, also in low-income households
- **Demographic bonus** in most countries (reduction of the dependency rate)
- High **public priority** to the goals of reducing poverty and inequality
  - Active social development and labour market policies
  - Positive impact of social programmes, especially non-contributory monetary transfers
- Improvement of access to **education, health, nutrition and basic services**

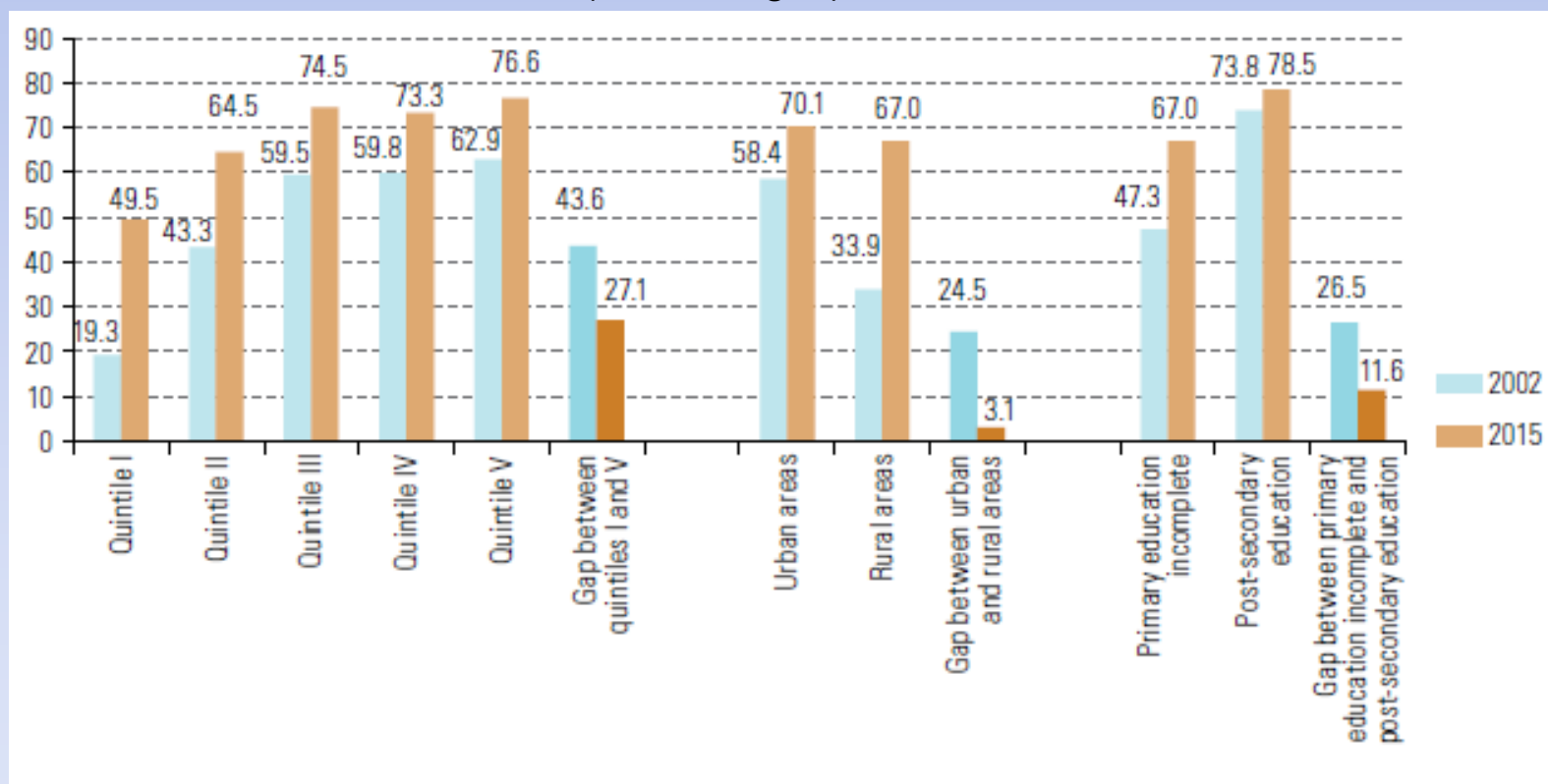


# Strengthening of social development institutions, but challenges remain

- Shift from needs-based social policies to **rights-based policies** has been a key turning point in LAC
- Creation of **social development ministries** and social cabinets
- **Comprehensive policies and programmes** no longer based on emergency criteria, but rather on expanding assets and capabilities
  - Brazil: *Bolsa família* & *Brasil sem Miséria*; Chile: *Chile Solidario*
- Comprehensive view of social policy entails growing complexity and need for **coordination**
  - Demand-side (life cycle & social groups) and supply-side (vertical & sectoral) dimensions of integration
- **Social policy management:** progress and challenges
  - Information systems; monitoring and evaluation; coordination at the local level

# Coverage of contributory social protection has increased but large gaps still exist

Latin America: persons aged 65 years or over who receive pensions and gap in pensions received, <sup>a</sup> by income quintile, <sup>b</sup> area of residence <sup>c</sup> and education level, b 2002 and 2015 (Percentages)

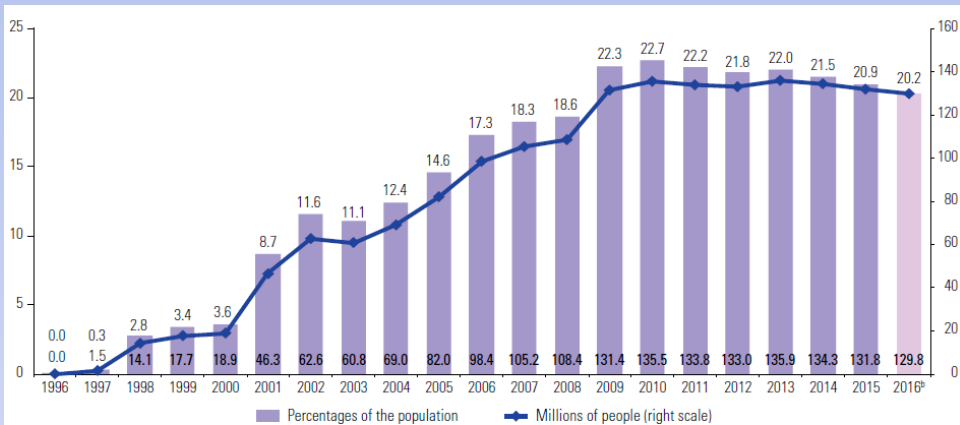


Source: ECLAC (2017), Social Panorama of Latin America 2017, on the basis of the Household Survey Data Bank (BADEHOG).  
<sup>a</sup> Difference in coverage between quintile V and quintile I, between urban and rural areas, and between those who have not completed primary school and those who have completed post-secondary studies. <sup>b</sup> Weighted average of 16 countries: Argentina (urban areas), Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Panama, Paraguay, Peru, Plurinational State of Bolivia and Uruguay (urban areas). The Bolivarian Republic of Venezuela is not included as information is not available for the entire reference period. <sup>c</sup> Weighted average of the following countries: Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Panama, Paraguay, Peru and Plurinational State of Bolivia.

# Non-contributory social protection coverage has grown, but it has now stabilized

**Latin America and the Caribbean (20 countries): people in households participating in conditional cash transfer programmes, 1996-2016<sup>a</sup>**

(Percentages of the total population and millions of people)



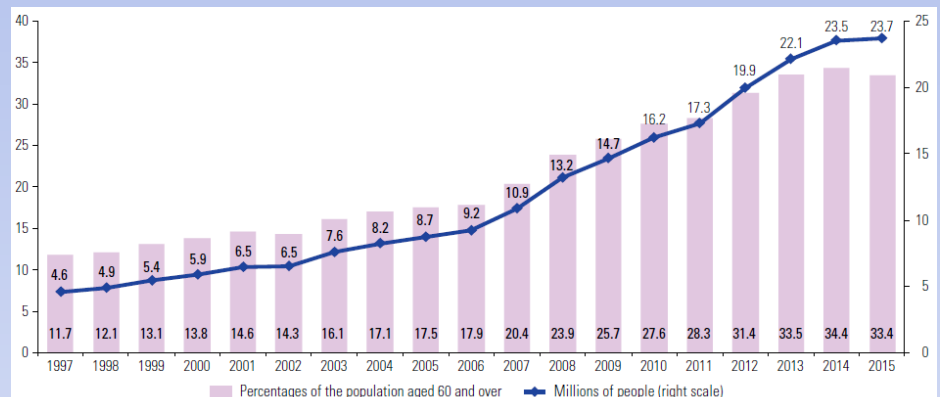
Source: S. Cecchini and B. Atuesta, "Conditional Cash Transfer Programmes in Latin America and the Caribbean: Coverage and investment trends", *Social Policy series*, No. 224 (LC/TS.2017/40), Santiago, Economic Commission for Latin America and the Caribbean (ECLAC), 2017.

<sup>a</sup> The countries included are: Argentina, Belize, Bolivia (Plurinational State of), Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Mexico, Panama, Paraguay, Peru, Trinidad and Tobago and Uruguay.

<sup>b</sup> Preliminary data.

**Latin America and the Caribbean (15 countries): social pension coverage, 1997-2015<sup>a</sup>**

(Percentages of the population aged 60 and over and millions of people)

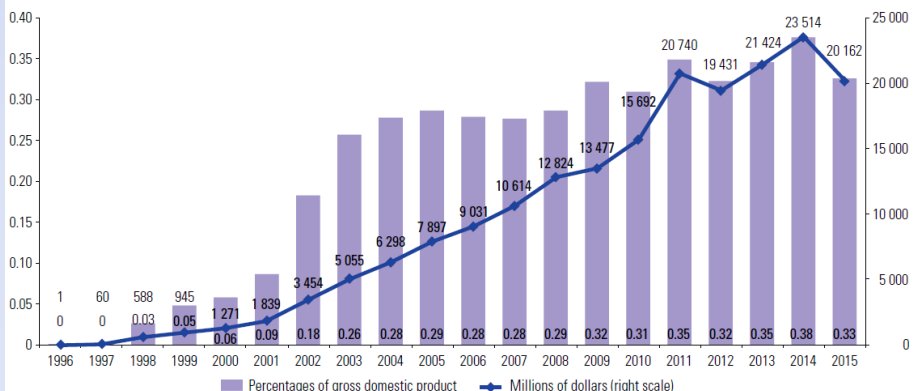


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from Non-contributory social protection programmes in Latin America and the Caribbean database [online] <http://dds.cepal.org/bpsnc/index-en.php>.

<sup>a</sup> The countries included are: Argentina, Bolivia (Plurinational State of), Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Mexico, Panama, Paraguay, Peru, Trinidad and Tobago, Uruguay and Venezuela (Bolivarian Republic of).

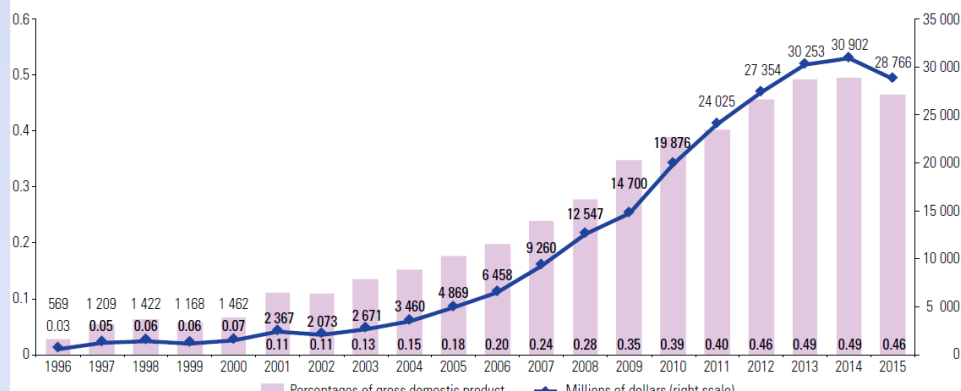
**Latin America and the Caribbean (20 countries): public expenditure on conditional cash transfer programmes, 1996-2015<sup>a</sup>**

(Percentages of gross domestic product and millions of current dollars)



**Latin America and the Caribbean (20 countries): public expenditure on social pensions, 1990-2015<sup>a</sup>**

(Percentages of gross domestic product and millions of current dollars)



# Conditional Cash Transfer (CCT) programmes: combining poverty alleviation and human capital development

- First CCT programmes in Mexico (*Progresal/Oportunidades*) and Brazil in the mid 1990s; now under way in 20 countries
- **Common characteristics:**
  - Monetary transfers to poor families with children conditioned to school attendance and health check-ups
  - Multidimensional approach: education, health, nutrition, income
  - Geographical and household level targeting
- However, **there is no single model:**
  - Programmes have been appropriated by each country, depending on the political and institutional environment
  - Alternative designs have emerged: strong or soft conditionalities, in-kind transfers, psychosocial support, training, etc.

# Impact of non-contributory social protection on poverty, inequality and human capacities

- **Poverty and inequality impact** depends on coverage and transfer amounts
- **Increased consumption** of food and purchases of clothes
- **Positive impacts on education** (school enrollment and attendance), **health** (medical check-ups, vaccinations) **and nutrition**; Doubts regarding the quality of education and health services
- **No negative effects noticeable on labour insertion**; but informal and unstable jobs continue to be the most common
- **Child labor**: children tend to combine work and school attendance
- **Mixed impact on women empowerment**: increased self-esteem and position of women in communities, but reproduction of traditional gender roles and little consideration of work-life balance strategies

## LAC is now facing a complex context

- Low economic growth (2016: -1%; 2017: 1.3%; 2018: 2.2%)
- Social investment no longer growing
- Poverty reduction process stalled
- Continuing demands to increase coverage and improve quality of publicly-provided social services
- However, most States would be in a condition to collect greater amounts of fiscal resources

# What is needed to reduce poverty?

- A holistic development programme taking into account human rights (universal education and health policies; basic infrastructure)
- Increasing human capabilities among low-income families
- High, stable and equitable growth creating decent work (focus on women and youth)
- Remodelling social protection (not restricted to employees in the formal sector), combining the criteria of universality, efficiency and solidarity
- Expanding counter-cyclical social investment
- Increasing the transparency, efficiency and coordination of social investment



Moving forward with a new social contract, to promote changes in tax policy and in social spending