I. Trends in poverty and income distribution
II. Reduction and gaps in fertility: impact of exclusion and challenges for inclusion
III. Labour-market and employment-related gaps
IV. Social protection gaps
V. Trends in social spending and response to the crisis
VI. Looking to the future: early warnings and challenges for reducing social inclusion gaps
I
Trends in poverty and income distribution
1. Positive trends in poverty reduction

- By 2010, the region’s poverty rate had fallen to 31.4% and its indigence rate to 12.3%.
- In absolute terms, 177 million are poor, of whom 70 million are indigent.
- Poverty indicators have reflected the economic upturn that followed the crisis of 2009. Poverty and indigence are down by 1.6 and 1.8 percentage points, respectively, compared with 2009.
- This is equivalent to a drop of 7 million in the number of poor, including 3 million indigents.
- Poverty reduction has come mainly from a rise in labour income.
- Public monetary transfers have also helped to reduce poverty, albeit to a smaller extent.
Poverty and indigence declined in 2010. Poverty is expected to fall again in 2011, but indigence could rise.

**LATIN AMERICA: POVERTY AND INDIGENCE, 1980-2011**

*(Percentages and millions of persons)*

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of data from household surveys conducted in the respective countries.

* Estimate for 18 countries of the region plus Haiti. The figures above the bars represent the percentage and total number of poor persons (indigent plus non-indigent poor), respectively. The figures for 2011 are projections.
The reduction in poverty has been driven mainly from a rise in labour income and, to a lesser extent, by transfers.

**LATIN AMERICA (12 COUNTRIES): ANNUAL VARIATION IN TOTAL PER CAPITA INCOME AND IN EACH INCOME SOURCE IN POOR HOUSEHOLDS a, 2008-2010 c**

*(Percentages)*

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of household survey data from the countries concerned.

a The percentage of the population examined is the same for both periods and corresponds to the poverty rate for 2002.

b Urban areas.
2. Distributive changes

- Income distribution has continued to improve after the economic crisis.
- In 2002-2010, distributive improvements had three common characteristics:
  - Most originated in the labour market.
    - ... and come from a more equitable distribution of labour income per employed person.
  - Public transfers have made a large contribution to deconcentrating per capita income distribution...
    - ... especially though cash transfer programmes.
  - Other factors, such as changes in demographic variables and in the employment rate, had no appreciable impact.
The improvement in distribution, which has been occurring since 2002, has continued after the economic crisis.


*(Percentages)*

![Graph showing Gini Index](image)

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of data from household surveys conducted in the respective countries.


\(^c\) Urban areas.

\(^d\) Urban areas only for 1990-2002.
II
Reduction and gaps in fertility: impact of exclusion and challenges for inclusion
Fertility has been falling sharply since the 1960s and rates in the different countries have tended to converge since 2000.
The reduction in fertility has ushered in a period that is favourable to development, since the proportion of people of economically productive age has increased.
The rapid fall in the total fertility rate contrasts with the smaller drop in the adolescent fertility rate.
The lower women’s level of education, the higher the total fertility and adolescent pregnancy rates.
Social challenges posed by declining fertility and fertility gaps

- In most Latin American countries, rising levels of education in the new generations, together with the change in reproductive patterns, points to lower levels of fertility in the future; public policy in the countries of the region should therefore be geared towards the economy and social protection systems of an ageing society.

- The fertility gaps by educational level and the high levels of unwanted fertility call for accessible and user-friendly services that provide adolescents of all socioeconomic strata with information and access to modern methods of contraception, bearing in mind cultural differences.

- High fertility rates among low-income women reflect significant inequalities in access to employment and social protection. Hence the importance of developing child care (early childhood) facilities that enable mothers, especially adolescent mothers, to remain in school or to find a better opportunity for paid employment.
III
Labour-market and employment-related gaps
Latin America’s great structural heterogeneity leads to highly unequal income distribution among workers.

**Portugal: Indicators of Structural Heterogeneity, Around 2009**

- Composition of GDP: Upper stratum 43.1%, Intermediate stratum 40.5%, Lower stratum 16.4%
- Composition of employment: Upper stratum 20.8%, Intermediate stratum 22.5%, Lower stratum 10.6%

**Latin America (18 Countries): Indicators of Structural Heterogeneity, Around 2009**

- Composition of GDP: Upper stratum 66.9%, Intermediate stratum 19.8%, Lower stratum 30%
- Composition of employment: Upper stratum 50.2%, Intermediate stratum 22.5%, Lower stratum 10.6%

The wage gap between more productive and less productive workers has increased

LATIN AMERICA (18 COUNTRIES): REAL WAGES OF THE URBAN EMPLOYED POPULATION \( ^a \) BY SECTOR, AROUND 1990, 2002, 2008 AND 2009 \( ^b \)

(Dollars at constant 2005 prices)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of data from household surveys conducted in the respective countries.

\( ^a \) Urban employed persons aged over 15 years who declared labour income (does not include unpaid workers).

\( ^b \) Weighted average of the countries on which data is available for all of the periods under review. Up to 2006, the figures for low- and high-productivity sectors do not include Colombia, which does not break down the data by company size. The data shown for 2008 might not coincide with data published by ECLAC (2010c and 2009a) because the Statistics and Economic Projections Division of ECLAC updated the values of the poverty lines and income for the database on Colombia that year.

\( ^c \) Refers to persons employed in microenterprises (establishments employing up to five persons), domestic employees and unskilled self-employed workers, including the own-account and unpaid family members with no professional or technical skills.

\( ^d \) This category includes government employees, private employers and wage earners in establishments employing more than five persons and self-employed professionals and technicians. It does not include domestic employees.
The burden of child care makes it difficult for lower-income women to participate in the labour market and, when they do find jobs, pushes them into lower-productivity sectors.

- Employment in low-productivity sectors decreased more rapidly among men than among women—and among women, more rapidly in the upper than in the lower quintiles.
- As a result, informality is more feminized and has become more stratified among women (with larger gaps between higher- and lower-income segments).
- The care burden (children under age 6 in the household) pushes women, when they can find employment, towards informal jobs.
- The pattern for the past 20 years show how rigid this mechanism is: informality among low-income women with small children has remained practically unchanged in this period, even though it has fallen heavily among women in middle-income and especially high-income sectors.
As in Latin America, in the Caribbean unemployment is heavily concentrated among youth

### THE CARIBBEAN (8 COUNTRIES): YOUTH POPULATION OVERREPRESENTED AMONG THE UNEMPLOYED

<table>
<thead>
<tr>
<th>Country</th>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bahamas</td>
<td>2008</td>
<td>33.2</td>
</tr>
<tr>
<td>Barbados</td>
<td>2003</td>
<td>33.7</td>
</tr>
<tr>
<td>Cayman Islands</td>
<td>2008</td>
<td>26.9</td>
</tr>
<tr>
<td>Guadeloupe</td>
<td>2006</td>
<td>16.4</td>
</tr>
<tr>
<td>Jamaica</td>
<td>2008</td>
<td>37.2</td>
</tr>
<tr>
<td>Martinique</td>
<td>2008</td>
<td>19.0</td>
</tr>
<tr>
<td>Saint Lucia</td>
<td>2004</td>
<td>40.0</td>
</tr>
<tr>
<td>Trinidad and Tobago</td>
<td>2008</td>
<td>42.0</td>
</tr>
</tbody>
</table>

**Source:** International Labour Organization (ILO), LABORSTA database, 2011.

- Young people aged 15-24 represent around 31% of the total unemployed.
- The percentage of unemployed accounted for by young people rises in several countries if the 15-29 age group is used as reference. In this case, the figure is 29% for Martinique and almost 57% for Trinidad and Tobago.
Subjective gaps in labour relations

- Issues with the workings of the labour market and the labour institutions produce uncertainty and unease among workers.

Social dialogue between business owners and workers is eroded by low participation in trade unions and mistrust of them.

Unease regarding labour institutions and uncertainty over the operation of the labour market are often felt by workers who:

- Have a worse socioeconomic situation
- Have less human capital
- Live in countries with greater structural heterogeneity
- Have a worse socioeconomic situation
- Live in countries with greater structural heterogeneity

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- Have a worse socioeconomic situation
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This represents an obstacle to forging a fiscal covenant between public and private stakeholders, on which institutions capable of guaranteeing labour and social rights could be built.
IV

Social protection gaps
Contributory coverage and social protection are more limited in households in rural areas, those headed by women and those with more children.

**LATIN AMERICA (18 COUNTRIES): HOUSEHOLDS WITH SOME TYPE OF SOCIAL SECURITY REGISTRATION BY SEX OF HEAD OF HOUSEHOLD, SIMPLE AVERAGE, AROUND 2009**

(Percentages of all households)

**LATIN AMERICA (18 COUNTRIES): PEOPLE IN HOUSEHOLDS WITH SOME TYPE OF SOCIAL SECURITY REGISTRATION, BY AGE AND GEOGRAPHICAL AREA, SIMPLE AVERAGE, AROUND 2009**

(Percentages of the population)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of household survey data from the countries concerned.
As a result of limited social security coverage, many older persons have no income.

**LATIN AMERICA (13 COUNTRIES): PERSONS AGED 60 AND OVER WITH NO INCOME OF THEIR OWN**

*BY SEX, URBAN AREAS, AROUND 2009.*

*(Percentages)*

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data compiled by the Gender Equality Observatory for Latin America and the Caribbean. Data for Bolivarian Republic of Venezuela and Mexico refer to 2008.
The coverage of the non-contributory pillar is still insufficient among the poorest population where it is most needed.

**LATIN AMERICA (13 COUNTRIES): PROFILE OF QUINTILE I HOUSEHOLDS RECEIVING INCOME FROM PUBLIC WELFARE TRANSFERS BUT WITH NO CONTRIBUTORY PROTECTION OR RETIREMENT BENEFITS OR PENSIONS, BY SEX OF HEAD OF HOUSEHOLD, SIMPLE AVERAGE, AROUND 2009**

*(Percentages)*

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of household surveys conducted in the respective countries.
There are clear gaps and omissions in social protection systems

LATIN AMERICA (14 COUNTRIES): POPULATION LIVING IN HOUSEHOLDS WITH NO MEMBERS ENROLLED IN SOCIAL SECURITY SYSTEMS AND NOT RECEIVING PENSIONS OR PUBLIC WELFARE TRANSFERS, BY INCOME QUINTILE, 2009
(Percentages)

<table>
<thead>
<tr>
<th>Country</th>
<th>Quintiles I and II</th>
<th>Quintile III</th>
<th>Quintiles IV and V</th>
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<tbody>
<tr>
<td>Costa Rica</td>
<td>16</td>
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<td>Ecuador</td>
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<tr>
<td>Honduras</td>
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<td>46</td>
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<tr>
<td>Dominican Rep</td>
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<td>57</td>
<td>73</td>
</tr>
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<td>Colombia</td>
<td>77</td>
<td>64</td>
<td>81</td>
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<td>El Salvador</td>
<td>57</td>
<td>61</td>
<td>90</td>
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<td>Guatemala</td>
<td>51</td>
<td>52</td>
<td>75</td>
</tr>
<tr>
<td>Paraguay</td>
<td>52</td>
<td>48</td>
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</tr>
<tr>
<td>Latin America</td>
<td>30</td>
<td>30</td>
<td>30</td>
</tr>
</tbody>
</table>

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of household surveys conducted in the respective countries.
V

Trends in social spending and response to the crisis
At the regional level, public spending (especially social spending) has expanded sharply in the past two decades.


(Percentages of GDP and of total public spending)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), social expenditure database.

* Official figures using a functional classification of spending, which may not coincide with those obtained from an economic classification of spending.
Despite the financial crisis, public social spending continued to be treated as a macroeconomic priority in the region and even increased in absolute terms.


Source: Economic Commission for Latin America and the Caribbean (ECLAC), social expenditure database.

\(^a\) BPS, budgetary public sector; NFPS, non-financial public sector; PS, public sector; GG, general government; BCG, budgetary central government; CG, central government.
Overview of spending patterns in response to the crisis

**LATIN AMERICA AND THE CARIBBEAN (19 COUNTRIES)**
*(Variation in spending 2008-2009)*

<table>
<thead>
<tr>
<th>Increase in social spending</th>
<th>Increase in non-social spending</th>
<th>Decrease in non-social spending</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Social &gt; Non-social</strong></td>
<td><strong>Social &lt; Non-social</strong></td>
<td><strong>Costa Rica</strong></td>
</tr>
<tr>
<td>Argentina</td>
<td></td>
<td>Cuba *</td>
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<td>Honduras</td>
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<td>Uruguay *</td>
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<tr>
<td>El Salvador</td>
<td></td>
<td>Venezuela (Bol. Rep of) *</td>
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<tr>
<td>Mexico</td>
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<td></td>
</tr>
<tr>
<td>Paraguay</td>
<td><strong>---</strong></td>
<td>Jamaica *</td>
</tr>
<tr>
<td>Decrease in social spending</td>
<td><strong>---</strong></td>
<td>Dominican Republic *</td>
</tr>
</tbody>
</table>

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), social expenditure database. The asterisk (*) identifies those countries which reduced their total public spending in 2009.
VI
Looking to the future: early warnings and challenges for reducing social inclusion gaps
To sum up: early warnings

- The good news is that poverty and inequality have continued to decline; however these positive trends are limited by rigid productive structure with huge gaps between different groups and by segmented labour markets with low-productivity jobs lacking social protection.
- Moreover, in a volatile and sluggish international environment, this trend towards poverty reduction based on better labour income is unlikely to be sustainable for much longer.
- Social protection coverage is too limited, which makes robust public policies for non-contributory social protection a necessity. But, while countries expend vast efforts on social policies, they must also work to change the production structure: herein lies a great unpaid debt, because the existing structure’s major productivity gaps perpetuates inequality.
- In terms of fertility, it is clear that lower-income strata are driving the reproduction of Latin American society, since these are slower than the other groups in reducing fertility rates. Moreover, the overall decline in fertility and the ageing of the population pose huge challenges for social security, for social protection as a whole and for breaking the dynamics of exclusion throughout the life cycle.
Strategic guidelines for narrowing insider-outsider gaps

- Amid the hubbub of globalization, the key for the long term is to maintain productive convergence. In a hostile external environment, no favourable tail winds can be expected. Therefore, a significant effort must be made to invest in production in order to raise average productivity and reduce productivity gaps.
- There is some fiscal and social spending margin for advancing towards inclusive social protection in terms of pensions and retirement benefits as well as in terms of transfers to vulnerable groups.
- Active labour policies must be adopted as a matter of urgency to expand contributory coverage, reduce labour segmentation and promote covenants between the stakeholders in production.
- A fiscal covenant and social dialogue are essential for driving synergies for development and productive convergence, the creation of robust labour institutions and inclusive social protection.
- Reproductive rights must be guaranteed for a multiplicity of reasons.
Social panorama
of Latin America

Key links in social inclusion gaps