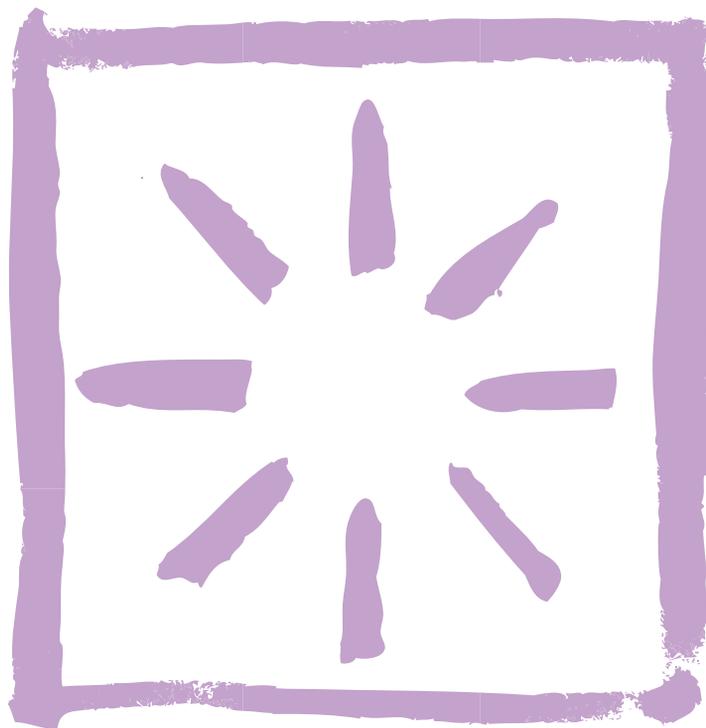


2011

Briefing paper



Social panorama of Latin America



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ECLAC

Alicia Bárcena
Executive Secretary

Antonio Prado
Deputy Executive Secretary

Martín Hopenhayn
Chief
Social Development Division

Luis Beccaria
Chief
Statistics and Economic Projections Division

Dirk Jaspers_Faijer
Director
Latin American and Caribbean Centre (CELADE) – Population Division of ECLAC

Diane Quarless
Chief
ECLAC subregional headquarters for the Caribbean

Ricardo Pérez
Chief
Documents and Publications Division

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Notes and explanations of symbols

The following symbols have been used in the summary of the Social Panorama of Latin America, 2011.

- Three dots (...) indicate that data are missing, are not available or are not separately reported.
- Two dashes and a full stop (-.) indicate that the sample size is too small to be used as a basis for estimating the corresponding values with acceptable reliability and precision.
- A dash (-) indicates that the amount is nil or negligible.
- A blank space in a table indicates that the concept under consideration is not applicable or not comparable.
- A minus sign (-) indicates a deficit or decrease, except where otherwise specified.
- The use of a hyphen (-) between years (e.g., 1990-1998) indicates reference to the complete number of calendar years involved, including the beginning and end years.
- A slash (/) between years (e.g., 2003/2005) indicates that the information given corresponds to one of these two years.
- The word “dollars” refers to United States dollars, unless otherwise specified.
- Individual figures and percentages in tables may not always add up to the corresponding total because of rounding.

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SUMMARY

In 2010 the Economic Commission for Latin America and the Caribbean (ECLAC) set out the essence of its proposed development agenda for Latin America and the Caribbean in *Time for equality: closing gaps, opening trails*, the position document submitted to the Commission's thirty-third session. That document served as a basis for proposing an integrated vision of development in keeping with the times, drawing on historical lessons learned and entailing far-reaching changes. This vision is taking root in the region, and it has laid the groundwork for further discussion of policy content and proposals within ECLAC itself. For *Social Panorama of Latin America*, the main challenge is to foster a more in-depth examination of social gaps and the mechanisms that reproduce or decrease them.

The previous edition of *Social Panorama* homed in on inequality gaps and their inter-generational reproduction and paid particular attention to the formative years of individuals, their transition to adult life and the role of social expenditure and transfers in meeting the needs of new generations during their early years. It showed how the life cycle path is determined by differences in skill development and how inequality and poverty become entrenched as people move from one stage of life to the next.

The 2011 edition of *Social Panorama of Latin America* takes a more in-depth look at the chain that produces and reproduces social gaps; it addresses other spheres as well. It focuses on how structural heterogeneity (productivity gaps in the national economies), labour segmentation and gaps in social protection are linked along the chain. Demographic factors such as fertility differentiated by education and income level are discussed, as are more specific patterns of risk and exclusion like those impacting young people in the Caribbean.

These gaps make for an ambivalent scenario in the region, combining structural tendencies that reinforce them with recent, favourable developments that open new possibilities for advancing towards less unequal societies with broader access to well-being.

Poverty and inequality are decreasing in the region; the main reasons are, first, rising labour income and, second, increasing public transfers to the most vulnerable sectors. But the productive gaps are still rigid, and there is still little mobility for specific groups in low-productivity sectors (especially women in lower-income socioeconomic groups) whose income has not increased. Fertility is declining substantially and can mean greater possibilities for well-being among families with fewer dependents. However, the fertility calendar is still stratified according to socioeconomic and education levels, with a higher adolescent motherhood rate among less-educated women. It is plain to see that social expenditure is increasing, as is the response (in terms of social spending and protection) to mitigate the impacts of the 2008-2009 crisis on the most vulnerable sectors. But the social protection systems are far from inclusive, and there are gaps in them that reproduce vulnerability and stratified access to social security.

Chapter I discusses recent trends in poverty and income distribution in Latin America. It includes a subchapter on how the world of work is perceived by the actors in it. In keeping with the overall recent trend, poverty and indigence declined in the region in 2010 as economic growth resumed. Both indicators are at their lowest level in the past 20 years. While the main reason for the decrease in poverty is the increase in mean household income, the decline in inequality was also a significant factor.

The poverty rate for the region in 2010 was 31.4%, including 12.3% living in extreme poverty or indigence. In absolute terms, these figures translate into 177 million poor people, of whom 70 million

were indigent. The figures show that, in the wake of the 2009 crisis, economic recovery has been reflected (at least in part) in the poverty indicators. Indeed, the poverty rate fell by 1.6 percentage points and the indigence rate by 0.8 percentage points compared with 2009. Forecast GDP growth and inflation expectations for each country point to a slight drop in the poverty rate in 2011. But the indigence rate could increase as higher food prices would cancel out the expected rise in household income.

Positive changes towards lower income concentration have been seen in recent years, thanks above all to better distribution of labour income and the redistributive role of the State via cash transfers. While the decrease in inequality has been only slight, it does set a favourable scenario —especially given the prolonged absence of broad distributive improvements.

There are still issues regarding the way the labour market and labour institutions operate in Latin America. Perception surveys show that these dysfunctions generate feelings of uncertainty and unease among the employed population. These feelings are more prevalent among those who have precarious jobs or less human capital, those in a less favourable socioeconomic position and those who live in countries with larger productivity gaps. These groups are more likely to fear job loss or perceive a lack of job opportunities, a failure to enforce labour laws or a lack of social security guarantees. Worker-employer dialogue is hindered by low unionization rates (especially among less- skilled workers) and mistrust of labour unions (more so among business executives and managers).

Chapter II discusses the rapid decline in fertility in Latin America over the past five decades, as well as the factors contributing to this. It is still invariably the case that the lower a woman's education level, the higher her fertility. While fertility has declined recently for all education levels, in many countries the rate of decline has varied from group to group and is, as a rule, slower for less-educated women. The result is that relative differences are deepening.

Adolescent fertility has fallen at a much more moderate pace than total fertility. In many of the countries of the region it even rose during the 1990s while the total fertility rate declined significantly. The inequality in fertility between groups with different education levels is usually particularly marked in the case of adolescent mothers. Evidence of the declining percentage of planned births among adolescent mothers is encouraging, and it is a powerful argument in favour of redoubling public sexual and reproductive health policies and programmes targeting this group.

The governments of the region are facing two main challenges concerning fertility. On the one hand is the need to step up efforts to meet target 5.B of the Millennium Development Goals, to achieve, by 2015, universal access to reproductive health, thus narrowing the substantial gaps in fertility that remain among social groups —especially adolescent fertility. On the other hand are the challenges posed by declining fertility, which call for re-thinking policies and institutions to deal with inexorable changes in the family, social and economic structure of the countries.

Chapter III shows how structural heterogeneity (caused by productivity gaps), stratification of the decline in fertility and gender inequality operate as true factories of inequality in the labour markets of Latin America.

The high structural heterogeneity that marks the region's productive structures results in striking disparities between the contribution that each productive sector makes to GDP and employment. There is still a close linkage between structural heterogeneity and income inequality as a rigid pattern that is stable over time. While employment in low-productivity sectors has fallen over the past two decades, the distance between it and employment in medium- and high-productivity sectors has grown.

The stratified incorporation of Latin American women into the labour market means that, instead of narrowing, the gap between higher- and lower-income women has grown slightly over the past two decades. Greater childcare pressure and the glaring lack of protection in this sphere for the most vulnerable sectors reflect a rigid circuit of inequality. The care burden is also a factor in the relative increase of the female unemployment rate compared with the rate for men. The youth unemployment rate is still far higher than the adult unemployment rate, and the distance between the lower and higher quintiles has not changed significantly over the past 20 years.

Against this backdrop of multiple labour market inequalities, robust State intervention is called for in the productive sphere, in labour regulations and institutions, in labour market policies and in the redistribution of childcare.

Chapter IV deals with gaps and challenges in the social protection systems of the countries of Latin America. Limited social security registration coverage and its linkage to formal employment means that larger households, those headed by women, and rural households have less access to contributory protection. And social security coverage shortfalls are reproduced in old age. Retirement and pension coverage is still quite limited, leaving women and the lower-income population more unprotected.

The non-contributory pillar of social protection covers approximately 12% of households and equates to 0.25% of GDP. But these transfers do seem to target the risks of the population and make a big difference for the poorest households, thus confirming that their distribution is highly progressive.

A combined assessment of the contributory and non-contributory pillars in Latin American households shows that a large part of the population is excluded from the classic model of protection through employment and is also not being reached by public welfare transfers. While this group does include a proportion of persons from higher-income households, just under half of the group is in the poorest 40% of the population.

Latin America's weak social protection systems are facing tremendous redistributive challenges, with limited fiscal capacity and relatively rigid —if any— architectures of well-being. Any systemic approach should also draw on the contributory pillar and on more or less targeted policies to interconnect rights and progress towards truly universal —and solidarity-based— protection systems.

Chapter V takes up the recent dynamics of social expenditure, its response to the crisis and the outlook for broadening retirement and pension coverage in the countries of the region over the medium and long term.

For the region as a whole, public expenditure (especially social expenditure) has burgeoned over the past two decades. The largest increase has been in social security and welfare (an increase equal to 3% of GDP), followed by education. But among the countries where per capita social expenditure is less than US\$ 1000, the main item of expense is education. It is only in the relatively more developed countries that social security and welfare account for more.

The countries reacted to the global financial crisis by temporarily expanding public expenditure instead of shrinking it as in the past. But the expansion did not always have a social focus, although the social repercussions were considerable in that they helped prevent increases in unemployment and social vulnerability.

The need to develop rights-based social protection systems that are, as such, built on contributory and non-contributory funding mechanisms and on solidarity-based pillars for resource distribution clearly calls for “re-reforming” many of the social security systems for the medium haul (and especially for the long haul), both structurally and on the parametric level, and to build up social security registration in increasingly formalized labour markets. Otherwise, the long-term effect will be to make it ever more difficult to fund universal social protection in ageing societies with a proportionally smaller labour force.

Chapter VI addresses, for the first time in *Social Panorama*, an urgent social issue in the countries of the Caribbean: the status of youth in this subregion in terms of socio-demographic dynamics, risks, skill development and the dynamics of social exclusion and inclusion.

In the Caribbean, as in Latin America, these are times of major challenges in the sphere of youth inclusion. New education and employment measures are needed in order to improve and balance education achievements with smooth passage to employment, reducing gaps in educational attainment among young people and employment gaps between young people and adults. The demographic transition holds opportunities for young people, but it must be harnessed in the short term so as to expand capacities and productivity and make this generation less vulnerable. Young people move from place to place more easily than children and older people do, especially in the Caribbean. This can be a source of both opportunities and risks. Young people in the Caribbean are very much exposed to exogenous risks, especially accidents and aggression. And exposure to sexually transmitted diseases, especially HIV/AIDS, is a warning sign that needs to be forcefully addressed.

Public and policy awareness has grown over the past few decades; government institutions charged with developing youth plans and programmes have been created. Strides need to be made on comprehensive approaches that can go beyond sector-based rationales, taking into account the very nature of the “young actor” and encompassing risks, capacities, opportunities and modalities of involvement.

Chapter I

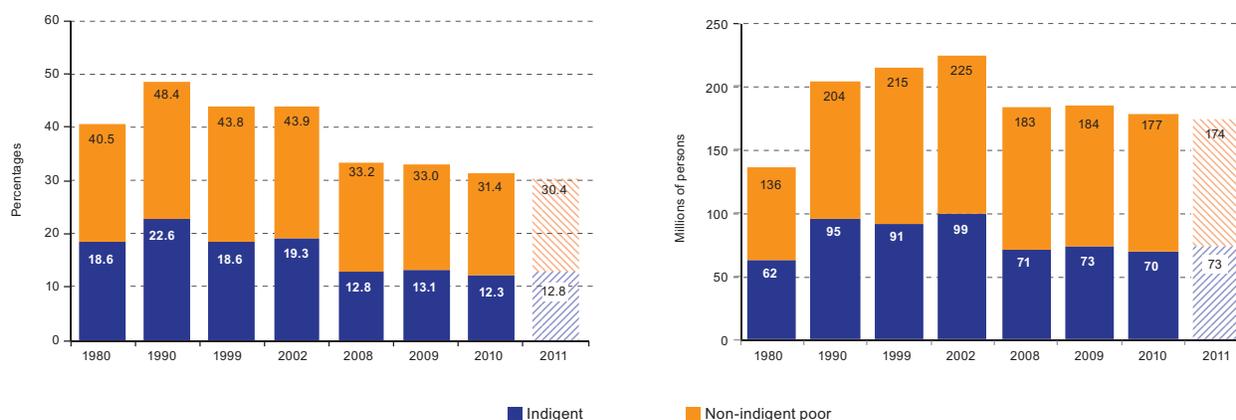
POVERTY, INEQUALITY AND PERCEPTIONS OF THE WORLD OF WORK IN LATIN AMERICA

A. PROGRESS IN POVERTY REDUCTION

Economic activity and employment recovered quickly after the 2009 crisis. Latin America's per capita GDP grew by 4.8%, the employment rate rose by 0.6 percentage points and the labour force participation rate went up by 0.3 percentage points. The urban unemployment rate fell from 8.1% to 7.3%, which is not only below the average for the period 2000-2008 but is also lower than yearly figures for the past two decades. The inflation rate rose in all of the countries of the region, with a simple average that was 2.8 percentage points above the rate posted in 2009.

In this setting, the regional poverty rate was 31.4%, including 12.3% living in extreme poverty or indigence. In absolute terms, this translates into 177 million poor people, of which 70 million were indigent. Further strides in poverty reduction were made in 2010 as the poverty rate declined by 1.6 percentage points and the indigence rate fell by 0.8 percentage points compared with 2009 (see figure 1).

Figure 1
LATIN AMERICA: POVERTY AND INDIGENCE, 1980-2011^a
(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.

^a 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.

Compared with the late 1990s, the picture is still a favourable one. Accumulated poverty reduction since 1999 stands at 12.4 percentage points while the indigence rate has come down by 6.3 percentage points. The two indicators are down by a total of 17.0 percentage points and 10.3 percentage points, respectively, since 1990.

These outcomes mean further progress towards achievement of target 1.A of the Millennium Development Goals: to halve, between 1990 and 2015, the proportion of people living in extreme poverty. Latin America's progress towards this goal stands at 91%, calculated as the accumulated reduction of indigence between 1990 and 2010 (10.2 percentage points) divided by the decrease implicit in the target (11.3 percentage points). This percentage is higher than the time elapsed (80%) to the deadline for meeting the target.

Projected GDP growth and inflation expectations in each country point to a slight decline in the poverty rate in 2011, to 30.4% (about one percentage point below the rate for 2010). But the indigence rate could go up because any rise in food prices outstripping the other goods in the basket would cancel out the expected increase in household income (see figure 1).

As of 2010, the data available for 12 countries of the region show poverty trending in different directions and at different rates over the previous year. Five countries posted significant declines in their poverty rates; they are Peru (-3.5 points), Ecuador (-3.0 points), Argentina (-2.7 points), Uruguay (-2.0 points) and Colombia (-1.4 points). In these countries, the indigence rate trend reversed as well, with the decline ranging from 0.5 percentage points to 1.7 percentage points (see table 1).

Honduras and Mexico were the only countries that saw a significant increase in poverty and indigence rates: 1.7 percentage points and 1.0 percentage points for Honduras and 1.5 percentage points and 2.1 percentage points for Mexico. Because the comparison for Mexico is against the measure for 2008, it reflects both the substantial expansion of the Mexican economy in 2010 and the marked contraction of per capita GDP in 2009 (-7.2%). In Panama, the indigence rate rose by 1.5 percentage points; the other countries for which data are available (the Dominican Republic, El Salvador and Paraguay) posted no significant variations in their poverty or indigence rates.

Table 1
LATIN AMERICA (18 COUNTRIES): PERSONS LIVING IN POVERTY AND INDIGENCE,
AROUND 2002, 2009 AND 2010
(Percentages)

Country	Around 2002			Around 2009			2010		
	Year	Poverty	Indigence	Year	Poverty	Indigence	Year	Poverty	Indigence
Argentina ^a	2002	45.4	20.9	2009	11.3	3.8	2010	8.6	2.8
Bolivia (Plurinational State of)	2002	62.4	37.1	2007	54.0	31.2	...	...	...
Brazil	2001	37.5	13.2	2009	24.9	7.0	...	...	...
Chile	2000	20.2	5.6	2009	11.5	3.6	...	...	...
Colombia ^b	2002	54.2	19.9	2009	45.7	16.5	2010	44.3	14.8
Costa Rica	2002	20.3	8.2	2009	18.9	6.9	...	...	...
Dominican Republic	2002	47.1	20.7	2009	41.1	21.0	2010	41.4	20.9
Ecuador ^a	2002	49.0	19.4	2009	40.2	15.5	2010	37.1	14.2
El Salvador	2001	48.9	22.1	2009	47.9	17.3	2010	46.6	16.7
Guatemala	2002	60.2	30.9	2006	54.8	29.1	...	...	...
Honduras	2002	77.3	54.4	2009	65.7	41.8	2010	67.4	42.8
Mexico	2002	39.4	12.6	2008	34.8	11.2	2010	36.3	13.3
Nicaragua	2001	69.4	42.5	2005	61.9	31.9	...	...	...
Panama	2002	36.9	18.6	2009	26.4	11.1	2010	25.8	12.6
Paraguay	2001	59.7	31.3	2009	56.0	30.4	2010	54.8	30.7
Peru ^c	2001	54.7	24.4	2009	34.8	11.5	2010	31.3	9.8
Uruguay ^a	2002	15.4	2.5	2009	10.7	2.0	2010	8.6	1.4
Venezuela (Bolivarian Republic of)	2002	48.6	22.2	2009	27.1	9.8	2010	27.8	10.7

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 areas.

^b Figures from the Misión para el empalme de las series de empleo, pobreza y desigualdad (MESEP). They do not include adjustments to the measure of poverty made in 2011 by the National Planning Department (DNP) of Colombia.

^c Figures from the National Institute of Statistics and Informatics (INEI) of Peru.

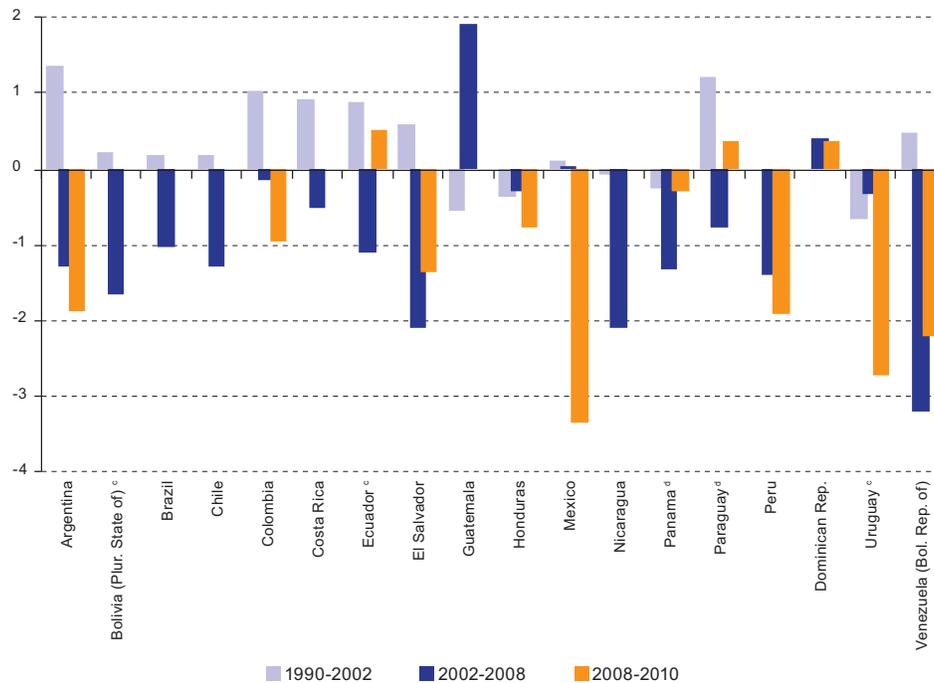
B. PROGRESS IN REDUCING DISTRIBUTIVE INEQUALITY

It is widely known that income distribution in the countries of Latin America is among the most unequal in the world. Moreover, during the 1990s and early 2000s, inequality in the region was marked by stubborn downward rigidity or a slight upward trend. There was a turning point in 2002 and 2003 when inequality began to trend down in many countries. While this decrease was slight and not enough to change Latin America's ranking as the most unequal region, it was noteworthy in view of the prolonged absence of overall distributive improvements.

The trend towards distributive improvement in the region did not change in the wake of the economic crisis. Before 2008, which basically reflects pre-crisis levels, the Gini coefficient was falling by 1% or more per year in 10 countries, with Guatemala posting the only appreciable increase (data to 2006).

The figures for 2010, which reflect, approximately, the immediate post-crisis scenario, show that inequality did not increase significantly in any of the 11 countries for which there is information. Quite the opposite: in three countries (the Bolivarian Republic of Venezuela, Mexico and Uruguay) the Gini coefficient fell by more than 2% per year, and in two other countries (El Salvador and Peru) it fell by at least 1% per year (see figure 2).

Figure 2
LATIN AMERICA (18 COUNTRIES): GINI INDEX, 1990-2002, 2002-2008^a AND 2008-2010^b



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 Corresponds to 2004-2006 in Argentina, 2001-2008 in Brazil, Paraguay and Peru, 2000-2006 in Chile, 2001-2004 in El Salvador and 2002-2007 in Honduras.

^b Corresponds to 2006-2010 in Argentina, 2004-2010 in El Salvador and 2007-2010 in Honduras.

^c Urban areas.

^d Urban areas only for 1990-2002.

The decline in inequality in the region over a period of several years provides a good opportunity to examine the factors behind it. Studies of this issue have tended to agree on at least two points. First, that most of the decline in inequality can be traced to the labour market, due above all to a more equitable distribution of labour income per person employed. Second, public cash transfers have been a source of income that has helped to deconcentrate per capita income distribution.

This issue of *Social Panorama* assesses these factors in the light of available evidence for the countries of Latin America for the 2000s. The periods under review are those in which income distribution improved most significantly in 15 countries of the region. The examination focuses on comparing the gaps between the first and fifth quintiles for a group of variables, particularly the different income streams and labour market indicators. To do so, income was broken down by pairs of factors in

order to simulate what would have happened with inequality if one of the factors had not changed during the period under review.¹

The first breakdown, where per capita household income is the number of adults in the household multiplied by the income received by each adult, gauges the proportion in which changes in per capita income distribution are due to distributive changes in the amount of income received or to changes in household demographic structure. The results indicate that while the demographic factor did help narrow the gaps between quintiles, especially in countries with the most distributive improvements, its impact was slight (see table 2).

In keeping with findings in the literature, income per adult appears as the main factor behind the distributive improvement in per capita income. This variable is the sum of labour income (per adult) and non-labour income (per adult) in the household. In 10 countries, labour income was the prevailing factor in the reduction of inequality. In the Bolivarian Republic of Venezuela, Colombia, Costa Rica, El Salvador and Nicaragua the variation in labour income accounted for 90% or more of the variation in total income per adult.

The distributive change in non-labour income accounted for 50% or more of the decline in adult income inequality in the Dominican Republic, Chile, Ecuador, Paraguay and Uruguay; in Argentina and Brazil it accounted for more than 40%. Non-labour income comes from several sources. In countries where such income played a more notable redistributive role, it comes from public transfers, that is, targeted government action through social policy.

Labour income per adult can, in turn, be expressed as the result of multiplying compensation per person employed by the employment rate (ratio of the number of persons employed to the number of adults). The observed decline in labour income inequality per adult is almost exclusively due to the first of the two factors. Indeed, not only did the employment gap between quintiles remain virtually unchanged in several countries: it even increased in some of them.

The distributive improvement in income among persons employed is due to several different factors. Mentioned as explanations are a steady improvement in education distribution and the narrowing wage gaps between more highly-skilled and less-skilled workers. In some countries, this drop in labour income inequality among persons employed may be due, to a certain extent, to labour and other policies rolled out by the governments in an effort to improve distributive equality.

¹ Changes in income are broken down in accordance with the structure described in Ricardo Barros and others, “Uma análise das principais causas de queda recente na desigualdade de renda brasileira”, *Econômica*, vol. 8, No. 1, June 2006.

Table 2
**LATIN AMERICA (15 COUNTRIES): OBSERVED AND SIMULATED YEAR-ON-YEAR VARIATION
 IN THE INCOME GAP BETWEEN QUINTILES, BY DETERMINANTS OF INCOME**
(Percentages)

Country	Period	Year-on-year variation	Percentage attributable to:		Year-on-year variation	Percentage attributable to:		Year-on-year variation	Percentage attributable to:	
		Per capita income gap	Change in income per adult	Change in percentage of adults	Income gap per adult	Change in labour income	Change in non-labour income	Labour income gap per adult	Change in income per person employed	Change in employment rate
Argentina ^a	2002-2009	-4.4	82	18	-3.6	55	45	-2.5	150	-50
Brazil	2001-2009	-4.9	93	7	-4.5	58	42	-3.0	120	-20
Chile	2000-2006	-4.2	87	13	-3.6	45	55	-2.4	134	-34
Colombia	2002-2005	-5.2	114	-14	-5.9	95	5	-6.7	79	21
Costa Rica	2002-2005	-4.7	113	-13	-5.3	93	7	-6.2	66	34
Dominican Republic	2004-2007	-2.1	119	-19	-2.5	-58	158	1.6	-71	171
Ecuador ^a	2005-2010	-3.6	98	2	-3.5	61	39	-2.6	107	-7
El Salvador	2001-2010	-5.8	97	3	-5.6	86	14	-6.3	103	-3
Mexico	2000-2010	-3.1	93	7	-2.9	74	26	-3.0	120	-20
Nicaragua	2001-2005	-7.2	90	10	-6.5	146	-46	-10.7	72	28
Panama	2002-2009	-5.0	109	-9	-5.4	76	24	-5.4	101	-1
Peru	2001-2010	-4.4	85	15	-3.8	70	30	-4.1	88	12
Paraguay	2001-2009	-2.7	52	48	-1.4	-27	127	0.8	42	58
Uruguay ^a	2004-2010	-3.6	101	-1	-3.6	24	76	-1.3	119	-19
Venezuela (Bolivarian Republic of)	2002-2010	-7.8	104	-4	-8.1	88	12	-8.8	97	3

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 areas.

C. PERCEPTIONS OF THE OPERATION OF THE LABOUR MARKET AND LABOUR INSTITUTIONS

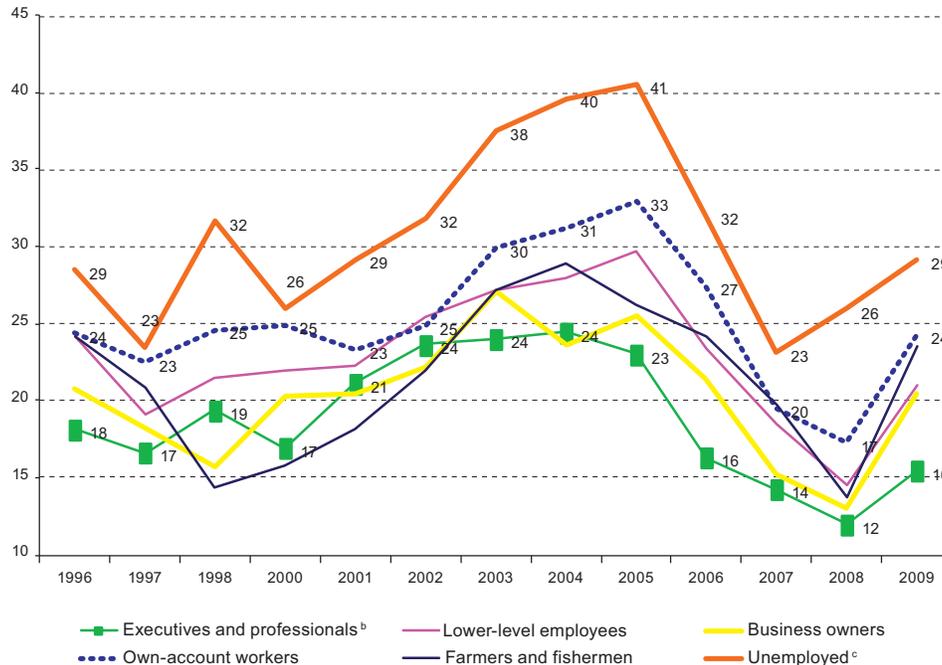
In Latin America the perception of unemployment as the country's main problem between 1996 and 2009 changed more or less in line with the evolution of real unemployment. The exceptions were the period 2002-2005, when the decline in real unemployment was accompanied by worsening perceptions, and the period 2005-2008, when the perception of unemployment as the country's main problem fell more than real unemployment did.²

Throughout the period from 1996 to 2009, unemployment was most frequently mentioned as the country's main problem by the unemployed and own-account workers, and least frequently mentioned by senior and mid-level executives and professionals (see figure 3). In 2007, the perceived lack of job

² The information provided in this subchapter is based on special tabulations of the Latinobarómetro surveys conducted between 1996 and 2009 in 18 countries in Latin America.

opportunities was greater among persons in a worse socioeconomic situation, among the unemployed and among own-account workers. As for age, persons aged 46 and over were more likely than younger subjects to perceive that there were fewer job opportunities in the country.

Figure 3
LATIN AMERICA (18 COUNTRIES): PERCEPTION OF UNEMPLOYMENT AS THE MAIN PROBLEM IN THE COUNTRY BY EMPLOYMENT STATUS OF INTERVIEWEE, 1996-2009^a
(Percentages of the population)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of data from Latinobarómetro, 1996-2009.

^a Between 1996 and 2003, interviewees had to select the main problem from a predefined list. Since 2004, an open question has been used. Data have been available for the Dominican Republic available from 2004 onwards.

^b Includes senior management, middle management, independent professionals and salaried professionals.

^c Includes those who were temporarily out of work at the time of the interview.

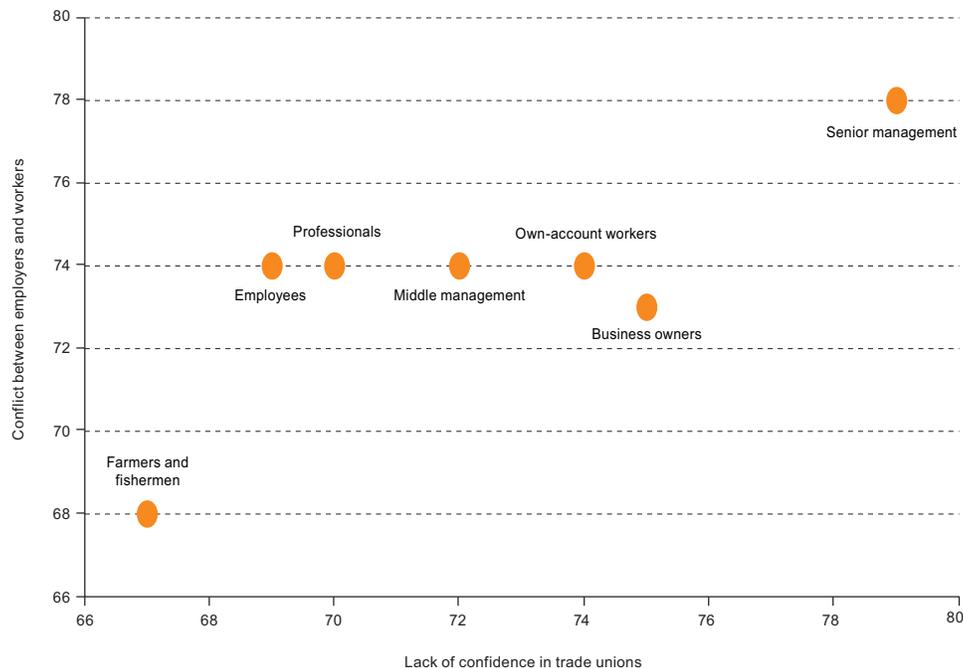
The region's low unionization rate, small labour unions and infrequent collective bargaining are compounded by less experience with unionization among the less-educated employed and among wage earners in private companies. In addition, distrust of labour unions has remained very high for the past 15 years. It is more frequent among business managers and directors, an occupational group that is also more likely to perceive greater conflict between entrepreneurs and workers (see figure 4).

Perceptions concerning enforcement of labour laws (labour contracts, dismissal and severance pay, workday length, overtime pay and minimum wage) are more negative among those living in countries with severe structural heterogeneity,³ among the unemployed and among own-account workers.

³ Structural heterogeneity refers to profound productivity gaps in the national economies, and it is characteristic of the countries of Latin America. These gaps are found between large companies, SMEs and what is usually largely associated with the informal sector (microenterprises, own-account workers and domestic workers). For the purposes of this study the countries have been grouped into those with moderate structural heterogeneity

Perceptions of the lack of social security guarantees are more prevalent among those living in countries with severe structural heterogeneity and among older persons.

Figure 4
**LATIN AMERICA (18 COUNTRIES^a): LACK OF CONFIDENCE IN TRADE UNIONS^b
 AND PERCEPTION OF CONFLICT BETWEEN EMPLOYERS AND WORKERS,^c
 BY OCCUPATIONAL CATEGORY, 1996-2009^d**
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of data from Latinobarómetro, 1996-2009.

- ^a Data have been available for the Dominican Republic available from 2004 onwards.
- ^b Question used in the Latinobarómetro survey: How much confidence do you have in the trade unions? A lot, some, a little or none? The values reported correspond to the percentage who answered that they had little or no confidence in the trade unions.
- ^c Question used in the Latinobarómetro survey: In every country there are differences or even conflicts between different social groups. In your opinion, how serious is the conflict between employers and workers? Is it very serious, serious, minor, or is there no conflict? The reported values correspond to the percentage who answered that there was a very serious or serious conflict.
- ^d For the question on confidence in the trade unions, the reported data were obtained by combining the observations available for 1996, 2003, 2004, 2005, 2008 and 2009. For the question on conflict between employers and workers, the reported data were obtained by combining the information for 2007 and 2008.

The data available for 1996 and 2009 indicate that feelings of uncertainty linked to the possibility of job loss tend to be more prevalent during economic contractions and less so during expansions, and that they are more frequent among persons living in countries with greater structural heterogeneity even if the gap has been closing in recent years. And the fear of unemployment is greater among those with less schooling, among own-account workers and among low- and middle-rank employees while it is less prevalent among men and among older subjects.

(Argentina, Chile, Costa Rica, Mexico and Uruguay), intermediate structural heterogeneity (Bolivarian Republic of Venezuela, Brazil, Colombia and Panama) and severe structural heterogeneity (Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Paraguay, Peru and the Plurinational State of Bolivia).

Chapter II

CURRENT STATUS AND OUTLOOK FOR FERTILITY IN LATIN AMERICA**A. INTRODUCTION**

The demographic evolution of Latin America, especially the decline in fertility, provides an unprecedented opportunity for economic advancement and for improving household living standards in the region. The positive effects of this change include the relative increase in the potentially productive population and the concomitant benefits for the economy, improved sexual and reproductive health and broader education and employment opportunities for women. But the region's stubbornly high levels of poverty and inequality and their close linkage to low education levels are obstacles in the path to reproductive change and the resulting decline in fertility. This situation particularly impacts adolescent Latin American girls, especially those with less education and income. It is therefore important to review fertility trends in the region in their economic, social and demographic context, so as to spotlight the challenges the countries will face in the future.

B. FERTILITY IN LATIN AMERICA

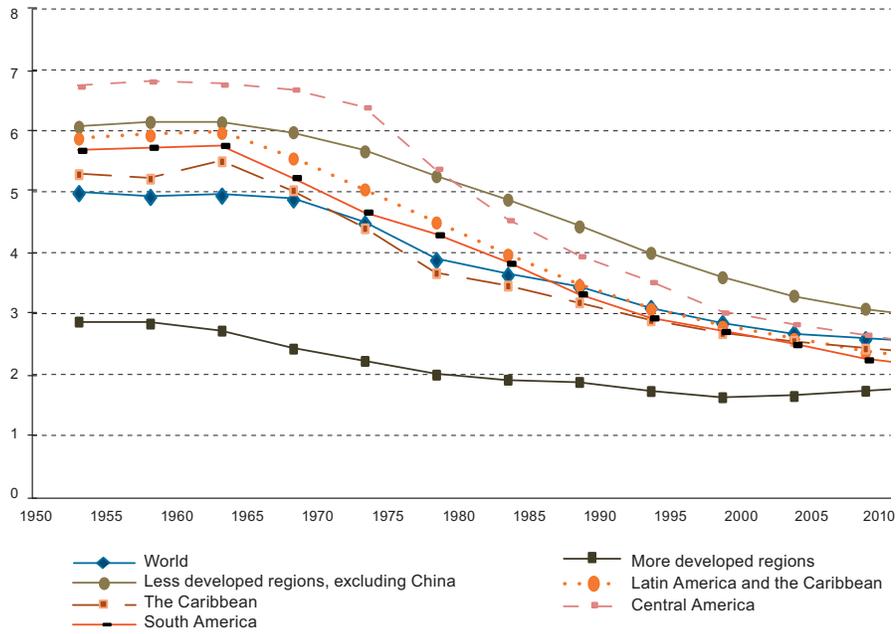
Fertility in Latin America began to plummet in the mid-twentieth century as development gained traction in the countries of this subregion and brought changes in reproductive behaviour. The total fertility rate (TFR) in Latin America gradually pulled away from the average in less-developed countries and, during the five-year period 1990-1995, dropped below the world average (figure 5).⁴ In the mid-1960s the women of the region were reaching the end of their childbearing years with nearly six children per woman, that is to say, one child more than the world average and twice the number in the more developed countries. Since then, rapidly-falling fertility in the region has narrowed those gaps considerably: towards 2015 the TFR in Latin America and the Caribbean will be 2.1 children per women versus 1.7 children in the developed countries.

The decline in fertility in the region always surprised researchers by repeatedly exceeding their estimates. Initial projections were for a negligible drop of 0.27 children per woman per five-year period, but the actual decline between the 1960s (the turning point for the fertility trend in Latin America) and the most recent five-year period observed was 0.41 children per woman per five-year period.

Fertility trended down in all of the countries of the region. But as is to be expected in a subregion with striking economic and social inequalities, the timing and the rate of decline differed widely among the countries. The steepest drops were in the 1960s and 1970s, and the countries with the highest initial levels saw the greatest drops in fertility, resulting in a marked convergent trend (see figure 6).

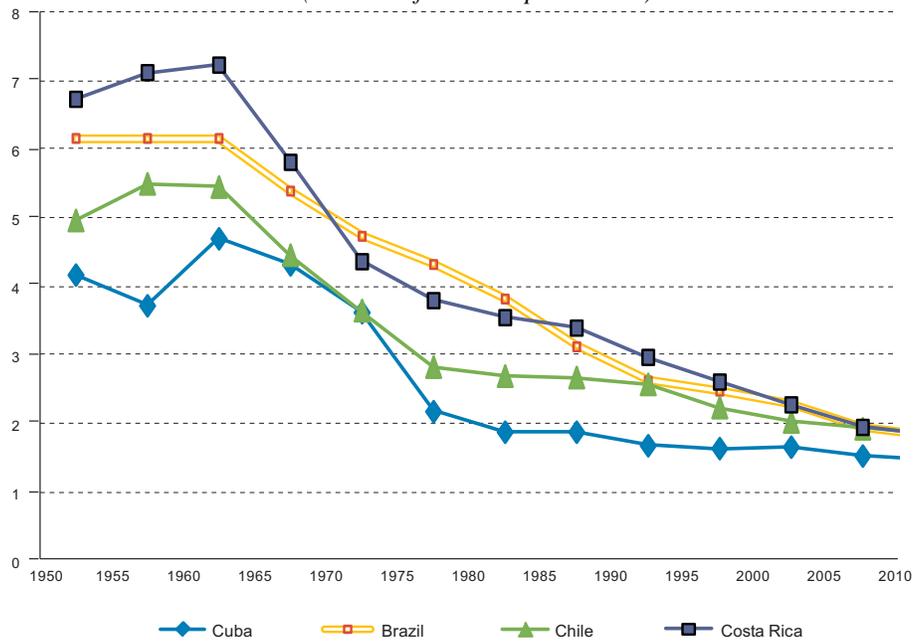
⁴ The total fertility rate measures the number of children, on average, who would be born to a woman belonging to a hypothetical cohort of females who, during their childbearing years, gave birth to children in accordance with the fertility rates by age groups for the period under study and who were not exposed to mortality risks up to the end of their child-bearing years (Carlos Welti (ed.), *Demografía II*, Mexico City, Latin American Programme of Population Activities (PROLAP)/National Autonomous University of Mexico, 1998.

Figure 5
WORLD (SELECTED REGIONS): TOTAL FERTILITY RATE, 1950-2010
(Number of children per woman)



Source: United Nations, World Population Prospects: The 2010 Revision [CD-ROM], Population Division, New York, 2011.

Figure 6
LATIN AMERICA (4 COUNTRIES): FERTILITY IN COUNTRIES WITH RATES BELOW REPLACEMENT LEVEL IN 2005-2010
(Number of children per woman)



Source: Latin American and Caribbean Demographic Centre (CELADE) – Population Division of ECLAC on the basis of the Economic Commission for Latin America and the Caribbean (ECLAC), “Proyección de Población” *Demographic Observatory* N° 7 (LC/G.2414-P), Santiago, Chile, 2009.

The factors that have contributed the most to the drop in fertility are those associated with exposure to sexual relations, such as not entering a union or doing so late, or separating either temporarily or permanently; these account for nearly 50% of the decline compared with natural fertility.⁵ But the impact of contraceptive use, which accounts for almost 40% of the decline, is growing quickly as contraceptives—and the use of modern contraceptive methods—become more widespread.

C. THE ASSOCIATION BETWEEN EDUCATION AND FERTILITY INTENSITY AND THE FERTILITY CALENDAR

Although the average number of children for all of the countries is low, there are still significant differences among social groups; this reflects the sharp socioeconomic inequalities prevailing in Latin America.

Limited access to education is closely linked to socioeconomic inequalities, and it is a barrier to progress in the sphere of reproduction. So it is still always the case that the lower women's education level, the higher the total fertility rate. In absolute terms, this is most striking in Ecuador, Haiti and the Plurinational State of Bolivia, with differences of more than three children between uneducated women and those who have reached secondary education. This inequality becomes more pronounced when taking into account women who have reached higher education. While fertility has recently been falling across all education levels, different groups have seen different rates of decline; in general, the slowest decline has been among uneducated women. The result is a deepening of relative differences in half of the countries examined here.

In all of the countries considered, the contraceptive prevalence rate is lower among women with less schooling. This in turn is closely correlated with the unmet demand for family planning services. The challenge facing the countries of Latin America here is to adopt measures and step up efforts to meet target 5.B of the Millennium Development Goals: achieve, by 2015, universal access to reproductive health.

In Latin America, changes in the age at first marriage have been slow, with little variation or a slight increase in age. In contrast, the age at which sexual activity begins is trending younger and the gap between it and age at first marriage is growing. But especially close attention should be paid to the younger age at which women are bearing their first child, which is, in principle, evidence that the Latin American model stands in contrast to the patterns for formation of unions and reproduction that emerged in the developed countries during the 1960s and are regarded as characteristic of the so-called second demographic transition.

The foregoing notwithstanding, in Latin America there are indeed different patterns for marriage (both formal and consensual) and for the initiation of motherhood, and they are strongly influenced by education. Women with a higher level of education systematically start sexual activity at a later age than less-educated women do, and they delay the formation of unions and motherhood. The fact that women in more privileged social sectors and more highly-educated women marry and bear children at a later age supports the idea that in these sectors there is more autonomy in making sexual and reproductive decisions.

⁵ Natural fertility is the number of children that a fertile woman would bear, absent contraceptives or other constraints. For the region, this has been calculated at 21 children per woman.

D. OUTLOOK FOR FERTILITY IN THE LIGHT OF CHANGES IN EDUCATION

Most of the countries of Latin America have made substantial progress over the past few decades in improving access to education and increasing the number of years of schooling. Because economic and demographic behavior usually differs in keeping with education levels, projected educational attainment is a key input for economic and demographic projections.

This education dynamic is expected to speed up the decline in fertility as women attain higher levels of education. In a goodly number of countries in Latin America, the fertility gap by level of education is not only holding: it is growing. But there are reasons to think that these differences will diminish over the long run if the decline in fertility among more highly-educated women runs its course and fertility among less-educated women continues to fall.

Data from the Demographic and Health Surveys (DHS) show the direct contribution of changes in education gaps to falling fertility in four countries (Brazil, Colombia, Peru and the Plurinational State of Bolivia) over a 15-year period. While they are not yet the dominant force behind the decline in fertility, changes in the distribution of educational attainment have contributed substantially to the decrease.

Fertility projections based on this distribution corroborate the conclusions reached with other methodologies: low levels of fertility will increasingly shape the region's demographic and economic future. As a result, there will be a sustained decrease in the number of births and the age structure will gradually skew older. These changes have major implications in terms of the care economy, female labour participation and dependency relationships within families.

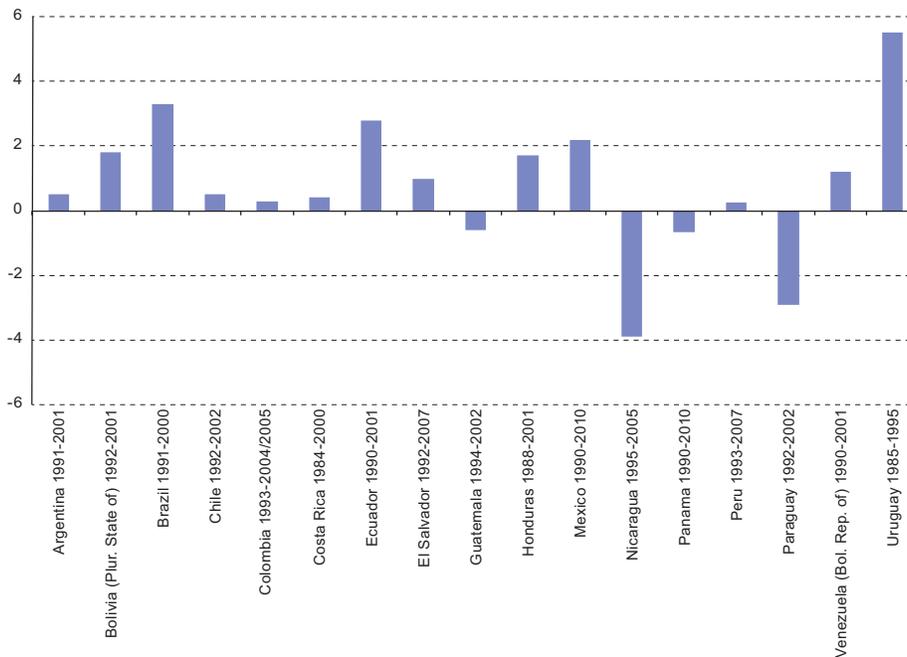
E. ADOLESCENT FERTILITY: A PRIORITY FOR ACTION AND RESEARCH

It is interesting to see that adolescent fertility is declining at a much slower pace than total fertility. A look at shorter, more recent periods reveals that adolescent fertility rose in almost all of the countries in the region during the 1990s (see figure 7) while total fertility dropped sharply.

The most frequently used indicators show that sexual activity is starting earlier in adolescence, tending to make pregnancy during this stage more likely. This earlier sexual activity has not come with earlier unions, meaning that premarital sexual activity is on the rise.

The only way to keep these trends from translating into higher adolescent fertility is to significantly increase the effective use of modern contraceptives during adolescence. Although traditional indicators of coverage point to an increase, a detailed examination of their use leads to a much less encouraging conclusion. Part of the increased use of contraceptives is among women who start using them after having their first child; obviously, this does nothing to prevent adolescent motherhood (although it does help avoid second pregnancies). Moreover, use among adolescent girls and boys is usually less consistent and effective, thus yielding a smaller protective effect than in other age groups. Last, protected sexual initiation, which is the best predictor of childless adolescence, is still rare in a goodly proportion of the countries.

Figure 7
LATIN AMERICA (17 COUNTRIES): CHANGE IN ADOLESCENT MATERNITY^a
BETWEEN THE 1990 AND 2000 CENSUSES ROUNDS
(Percentage points)



Source: J. Rodríguez, Latin America: high adolescent fertility amid declining overall fertility”, document presented at the Expert Group Meeting on Adolescents, Youth and Development, New York, 21-22 July 2011 [online] http://www.un.org/esa/population/meetings/egm-adolescents/p01_rodriguez.pdf.

^a Percentage of women aged between 15 and 19 years who report having had one or more live births.

Unlike prior periods, surveys conducted during the 2000s show a systematic drop in the desirability of children conceived during adolescence, and lower levels of desirability for such births versus total births in most of the countries. Evidence of the declining percentage of planned births among adolescent mothers is encouraging, and it is a powerful argument in favour of redoubling public sexual and reproductive health policies and programmes targeting this group.

Unequal fertility levels among groups with different levels of education are especially striking in the case of adolescent motherhood. Education remains a factor that protects against adolescent motherhood, but its preventive capacity has eroded. Above all, the education threshold for minimizing the likelihood of adolescent motherhood has shifted from secondary school to the university level. In countries where only a minority has access to secondary education, reaching that level still yields a sharp drop in the likelihood of being an adolescent mother.

Because progress towards universal secondary education in Latin America has not brought labour market improvements or a decline in social inequality, a considerable portion of the adolescent population attending school has low expectations as to the returns and opportunities that this increase in the number of years of schooling will bring later on in life. For this reason, the losses and costs of early motherhood are not fully perceived by a large proportion of Latin American adolescents. Along with progress in education, advancing towards more egalitarian societies with more opportunities for adolescents and young people would help bring down the region’s high adolescent fertility.

F. FINAL REMARKS

Marked inequalities in fertility according to level of education, persistently high adolescent fertility and the obvious constraints for contraceptive use among adolescent girls and boys despite their desire to limit fertility, all reveal shortfalls in prevention and barriers to accessing modern contraceptive methods. As ECLAC has repeatedly noted, this is the hard core of intergenerational reproduction of exclusion and inequality, which is perpetuated by a combination of low education levels, lack of childcare support, the trajectory of more vulnerable families, greater difficulty in earning an income and precarious access to social protection networks. Mothers with small children and low income levels are precisely the ones who face greater difficulties in accessing employment and, when they do, end up concentrated in lower-productivity jobs. Adolescent motherhood, with low levels of education and income, is thus a monumental barrier to productive paths and access to well-being throughout life.

Chapter III

**WORK, EMPLOYMENT AND LABOUR MARKETS: FACTORIES, CIRCUITS
AND HARD CORES OF INEQUALITY REPRODUCTION**

As explained in chapter I, the progress that the region has made since 2002 in reducing poverty and, albeit to a lesser extent, inequality—and the evidence that rising labour income has a lot to do with that progress—provide good reason for optimism.

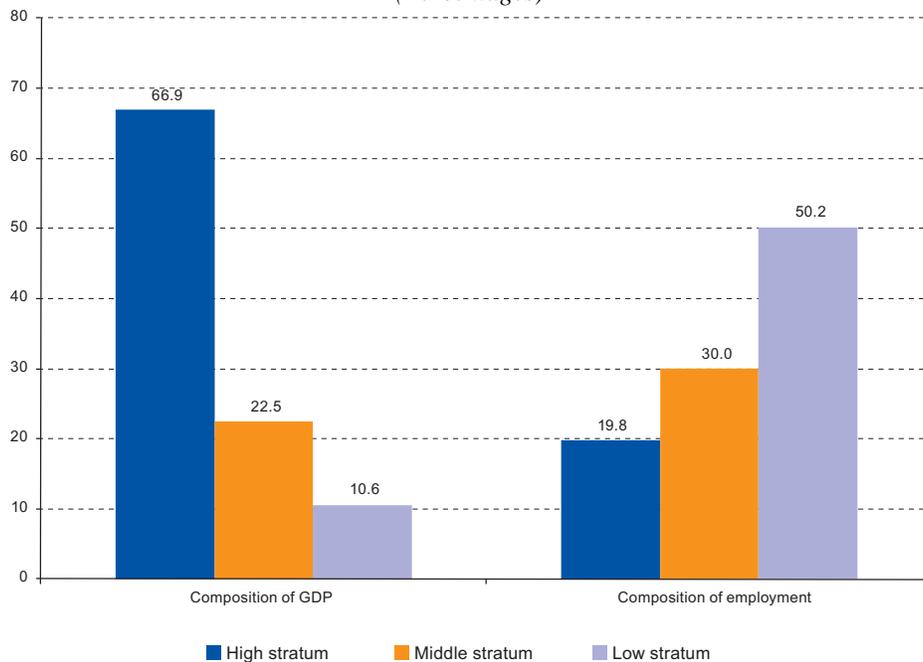
Gauging how much space there is for Latin America to continue to make strides in reducing inequality requires an examination of productivity gaps, their impact on labour market segmentation and how circuits of inequality operate at the intersection of the State, markets and families. This linkage shows that even though the aggregate indicators for the past few years exhibit encouraging signs, the tendency towards wider gaps between higher- and lower-income sectors is very rigid.

**A. PRODUCTIVE STRUCTURE AND LABOUR MARKETS: ANOTHER SIDE
TO THE STRUCTURAL ROOTS OF INEQUALITY**

The internal markets of the economies of Latin America are structurally heterogeneous, i.e., they are extremely segmented because of wide productivity gaps. The economic structure of the region can be studied in terms of three productivity strata (high, middle and low) with differing degrees of access to technology and markets. The *high* stratum, encompassing large-scale export activities and companies (more than 200 workers) accounts for 66.9% of GDP and only 19.8% of total employment. The *middle* stratum comprises small and medium-sized enterprises (SMEs) and accounts for 22.5% of GDP and 30% of total employment. And the *low* stratum, closely associated with what is commonly referred to as the informal sector, accounts for one half of employment and only 10.6% of GDP (see figure 8).

The implications of this marked disparity between each sector's contribution to GDP and employment are obvious. It results in a very unequal distribution of productivity (GDP per person employed) that ultimately leaves space for extremely heterogeneous appropriation of productivity gains among workers and operates as a structural parameter for disparities and access to well-being in the region. Employment is concentrated in the low-productivity stratum but the greater appropriation of gains (participation in GDP) is in the high stratum, which absorbs just one of every five persons employed. These asymmetries are largely responsible for labour income concentration in Latin America.

Figure 8
LATIN AMERICA (18 COUNTRIES): STRUCTURAL HETEROGENEITY INDICATORS,
AROUND 2009
(Percentages)



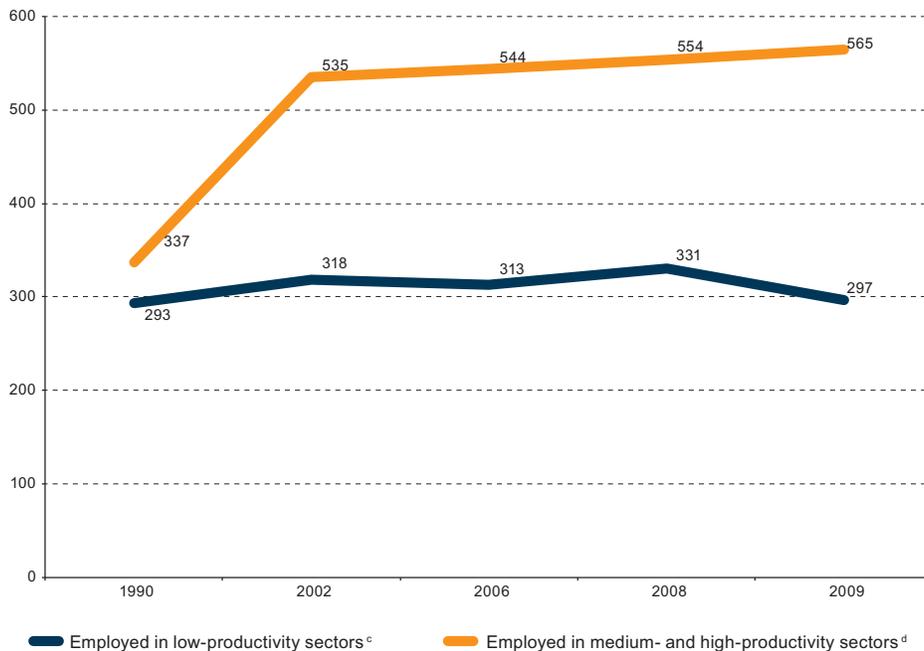
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of R. Infante, “América Latina en el “umbral del desarrollo”. Un ejercicio de convergencia productiva”, Working document, No. 14, Inclusive development project, Santiago, Chile, ECLAC, June 2011.

B. PRODUCTIVITY, FORMALITY, INFORMALITY AND INEQUALITY: BEYOND THE DIVIDING LINES

Income concentration is a worrisome consequence of structural heterogeneity, but it is not the only one. “Productive divergence” also leads to considerable labour market segmentation as seen in the dividing line between high- and low-productivity employment or between formal employment (closer to the technology vanguard, with a higher level of education, better labour conditions and greater protection from labour institutions) and informal employment (with less income, a lower education level, instability, limited social security coverage and the lack of labour contracts).

It is definitely good news that the dividing line between these two sectors has shifted in recent years: in 2009 workers in low-productivity sectors accounted for 42.7% of the urban employed population. This is an improvement over the figure posted around 1990, when the employed population in this sector accounted for 48.1% of the total. But over the past two decades the dividing line between formal and informal employment has become sharper. In other words, the gap between higher- and lower-productivity workers has grown (see figure 9).

Figure 9
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.

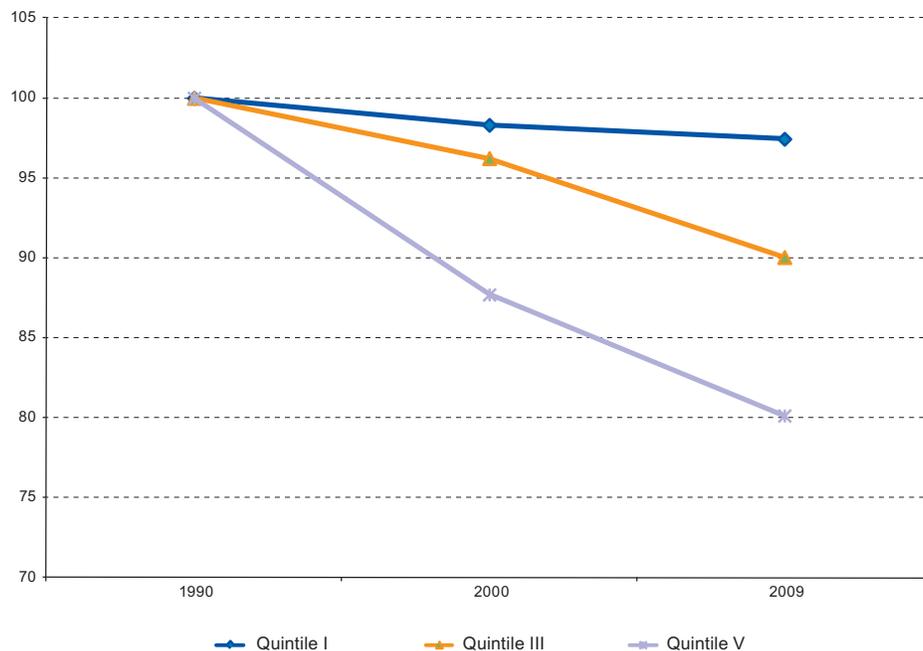
^d This category includes government employees, private employers and wage earners in establishments employing more than five persons and self-employed professionals and technicians. It does not include domestic employees.

Not only was the drop in informality clearly more marked among men than among women, it was also more stratified among women and was concentrated above all in higher-income women. As a result, 82% of the employed women in the poorest 20% of the population work in low-productivity sectors. The proportion falls to nearly 33% in the highest-income quintile. The gap between employed women in quintiles I and V peaked in 2009.

These widening gaps among women are due in part to the many ways in which gender inequality intersects the connection between labour markets and families. The pattern for resolving the pressure that the care burden exerts on households is extremely regressive in that it still essentially depends on the modalities and resources (economic and family) available to them.

The presence of small children in the household pushes lower-income women into informal employment in a much larger proportion than for higher-income women. This disparity has grown more pronounced over the past 20 years: for all intents and purposes the proportion of lower-income women employed in low-productivity sectors has not decreased and stands in contrast to the marked decline in the proportion of higher-quintile women with small children working in low-productivity sectors (see figure 10).

Figure 10
LATIN AMERICA (13 COUNTRIES): VARIATION OF EMPLOYMENT IN LOW-PRODUCTIVITY SECTORS^a FOR WOMEN IN HOUSEHOLDS WITH CHILDREN AGED 0 TO 5 YEARS, BY INCOME QUINTILE, WEIGHTED AVERAGES, AROUND 2009^b
(Percentage variation)



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 The low-productivity sector includes 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.

^b Data for the Plurinational State of Bolivia refer to 2007; for the Bolivarian Republic of Venezuela and Mexico, to 2008. Data for Argentina refer to Greater Buenos Aires; for the Plurinational State of Bolivia, to eight major cities, plus El Alto; for Ecuador, to urban areas; for Paraguay, to Asunción and the Central Department; for Uruguay, to urban areas; and for the Bolivarian Republic of Venezuela, they refer to the national total.

C. ACCESS TO EMPLOYMENT AND INEQUALITY: THE GENDER AND GENERATIONAL VIEWPOINT

Rising female labour-force participation is perhaps one of the most dramatic changes taking place in the labour markets of Latin America over the past 20 years. But here, too, the highly stratified process exposes a regressive pattern that is operating as a powerful transmitter of inequalities in the region.

A long-term look shows that the labour participation gap between women in the poorest sectors with small children (aged 5 and under) and those with children aged 6 to 14 has been growing since 2002. This confirms that for the most vulnerable women the burden of caring for smaller children is still an obstacle in the path to labour market insertion. And the gap between women in the highest and lowest quintiles living in households where there is a childcare burden has been growing steadily since 1994 —both for women with small children and for those in households with children aged 6 to 14. In both cases the disparity is now the highest it has been since 1994, pointing to a hardening of this rigid circuit of inequality.

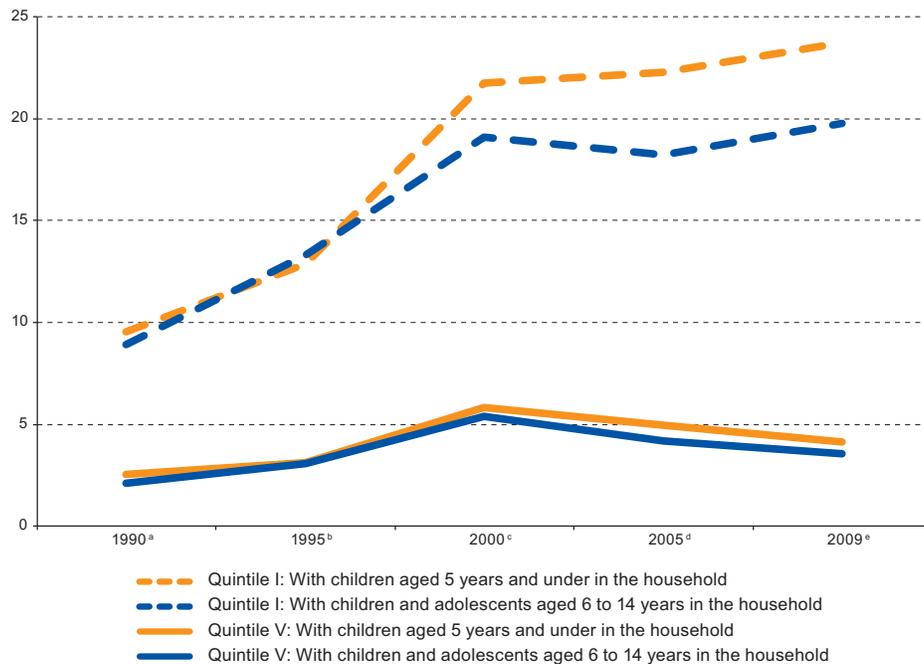
Unlike labour-force participation, unemployment is more closely associated with economic cycles, and there is a direct linkage between fluctuations in unemployment and stages of the cycle. But perhaps most relevant here is the fact that from cycle to cycle some sectors systematically lose out. This reflects unequal capacities for coping with the effects of unemployment; in other words, certain groups are more vulnerable to economic downturns while others are better able to weather cyclical economic contractions.

Unemployment is more concentrated among women, and, again, among lower-income women. Because of this divergence, in 2009 unemployment among lower-income women was five times higher than among women in the highest quintile.

Several developments are behind this widening inequality gap. The incorporation of women into the labour market adds pressure for female employment, and less-educated women encounter more barriers to accessing employment at a time when not enough jobs are being created. But in the most vulnerable sectors the demand for care can work against access to employment. The unemployment rate tends to be higher among women living in households with smaller children. Here, as well, the gap between them and women with children of an age for which there is a formal, more structured supply of schooling grows slightly as income levels fall. This is increasingly the case since 2000 (see figure 11).

The other group in which unemployment is at the most worrisome levels is young people. According to household survey data, in 1990 the unemployment rate among young people aged 15 to 24 was almost twice that for the population overall. Not only has this gap not narrowed: it seems to have grown since 2005. Moreover, unemployment is much higher among young people from lower-income households than among the higher quintiles, and this gap has not changed significantly in the past 20 years.

Figure 11
LATIN AMERICA (14 COUNTRIES): UNEMPLOYMENT RATE FOR WOMEN AGED 15 TO 49 YEARS, BY INCOME QUINTILE AND AGE OF CHILDREN, WEIGHTED AVERAGES, AROUND 1990, 1995, 2000, 2005 AND 2009
(Percentages)



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.

Note: Does not include data for the Dominican Republic, El Salvador, Guatemala or Peru for any of the years.

^a Does not include data for the Bolivarian Republic of Venezuela, El Salvador or Nicaragua. Data for Mexico and the Plurinational State of Bolivia relate to 1989; for Colombia and Panama, to 1991.

^b The data for Brazil and Nicaragua relate to 1993; for the Bolivarian Republic of Venezuela and El Salvador, to 1995.

^c The data for Argentina, Bolivarian Republic of Venezuela, Brazil, Colombia, Costa Rica, Ecuador, El Salvador, Honduras, Plurinational State of Bolivia and Uruguay refer to 1999 and those for Nicaragua, to 2001.

^d Data for Honduras relate to 2003; for El Salvador and the Plurinational State of Bolivia, to 2004; for Argentina and Chile, to 2006. The figure for 2007 does not include data for El Salvador. Data for Colombia and Nicaragua relate to 2005; for Argentina, Chile and Mexico, to 2006. Data for Argentina relate to Greater Buenos Aires; for the Plurinational State of Bolivia, to eight major cities, plus El Alto; for Ecuador, to urban areas; for Paraguay, to Asunción and the Central Department; and for Uruguay to urban areas.

^e Data for the Plurinational State of Bolivia relate to 2007; for the Bolivarian Republic of Venezuela and Mexico, to 2008. Data for Argentina relate to Greater Buenos Aires; for the Plurinational State of Bolivia, to eight major cities, plus El Alto; for Ecuador, to urban areas; for Paraguay, to Asunción and the Central Department; and for Uruguay to urban areas.

D. THE STATE AT THE INTERSECTION OF LABOUR MARKETS AND FAMILIES

In view of this picture, State intervention should be considered in at least four areas. The first involves advancing towards a comprehensive policy for productive development grounded in appropriate macroeconomic regimes, development policies and market-based microeconomic incentives, as well as robust intervention in industrial and technological policy and in policies for supporting SMEs.

The second area is labour market regulation and institutions. The region's "dual" regulatory model is, without question, a major obstacle to facilitating the appropriation of productivity gains by lower-income workers and to breaking down the barrier between insiders and outsiders that ends up creeping into social protection.

The third relevant axis is linked to State efforts to decouple access to well-being from labour market status, which entails promoting greater equality across sectors. Measures such as labour intermediation, competencies certification, training initiatives (focused, in the case of young people, on the transition from the education system to the world of work), unemployment insurance and mechanisms facilitating access by the unemployed to non-contributory protection systems are some of the options for decommodifying access to employment.

Lastly, the States should play an active role geared towards distributing childcare. This would eliminate a substantial barrier to labour participation and performance among women with small children. It is up to social protection to facilitate access to a network of care services that, while still quite limited in many of the countries of the region, needs to be improved and expanded.

Chapter IV

**SOCIAL PROTECTION AND INEQUALITY: CRACKS, RIGIDITIES,
OPEN GROUND AND OPPORTUNITIES**

Public social expenditure in Latin America has grown steadily since the 1990s (see chapter V). Many countries have thus been able to enhance and stabilize social policies despite very small tax revenues for many States. But the findings set out in the previous chapter add a question mark to the capacity and leeway that social protection systems will have in the future for curtailing the structural channels of transmission of inequality. The region's social protection systems are facing an enormous, complex challenge. But, perhaps like never before, the current situation holds a new opportunity for transforming social protection as needed to make it a more effective tool for breaking the legacy of inequality.

In order to assess the systemic performance of social protection in the face of inequality, the following pages focus on the cracks and rigidities in social protection systems in Latin America, and on the margins and opportunities for action against the many faces of inequality.

A. CONTRIBUTORY LINKAGES AND SOCIAL PROTECTION IN LATIN AMERICA**1. Protection for workers and their families**

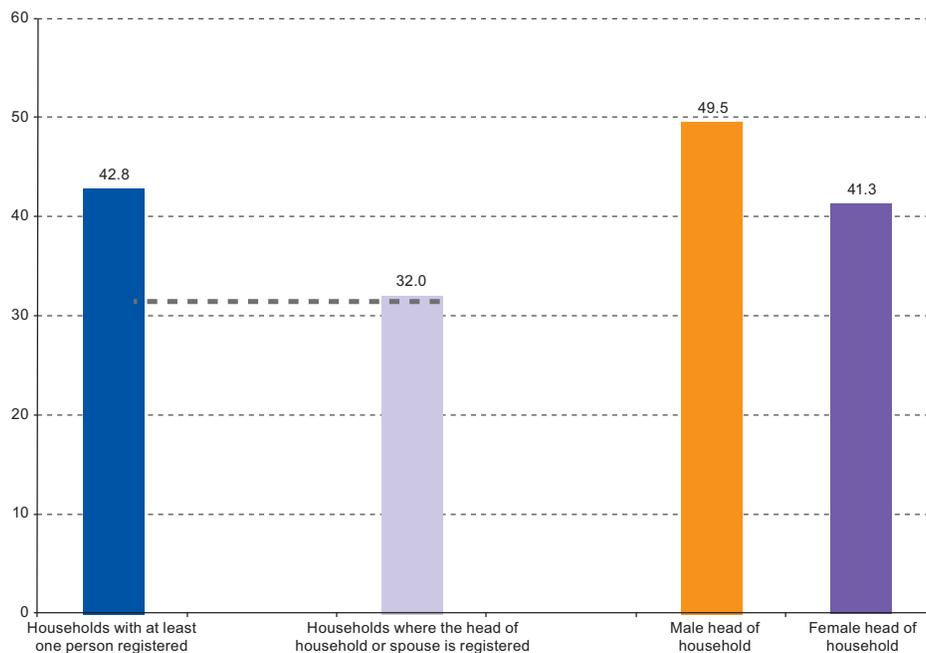
For some time now there has been agreement that the region's labour markets have not managed to become the grand entrance to social protection systems. The high degree of informality and weak labour regulations and institutions affect access to social security coverage through employment: at present, about half of the employed are registered with social security, and a large majority of them work in the formal sector.

A case in point is the decline in social security registration between 1990 and 2002 (from 52.4% to 49%) and the subsequent rise (to 53.2 % in 2009, which is even slightly above the level posted in 1990). The trend was not the same across sectors, though. During the downturn, the proportion of employed persons with contributory protection in the low-productivity sector fell more than in the medium- and high-productivity sector. And when the economic cycle led to a new upturn in registration, recovery was more robust in the formal sector and far more moderate in the informal sector. This differential evolution turned access to social protection into another factor contributing to the widening gaps between the two sectors.

Beyond coverage for the employed, the contributory rationale is not only to protect workers but also to protect their families in some way, through health insurance. Indeed, it is not only the better-educated workers with higher wages who access social protection systems. Those with fewer dependents (or those in smaller households) do, as well. By contrast, those without access to social security are, predominantly, lower-income workers, employed women with small children, younger workers and workers in larger households.

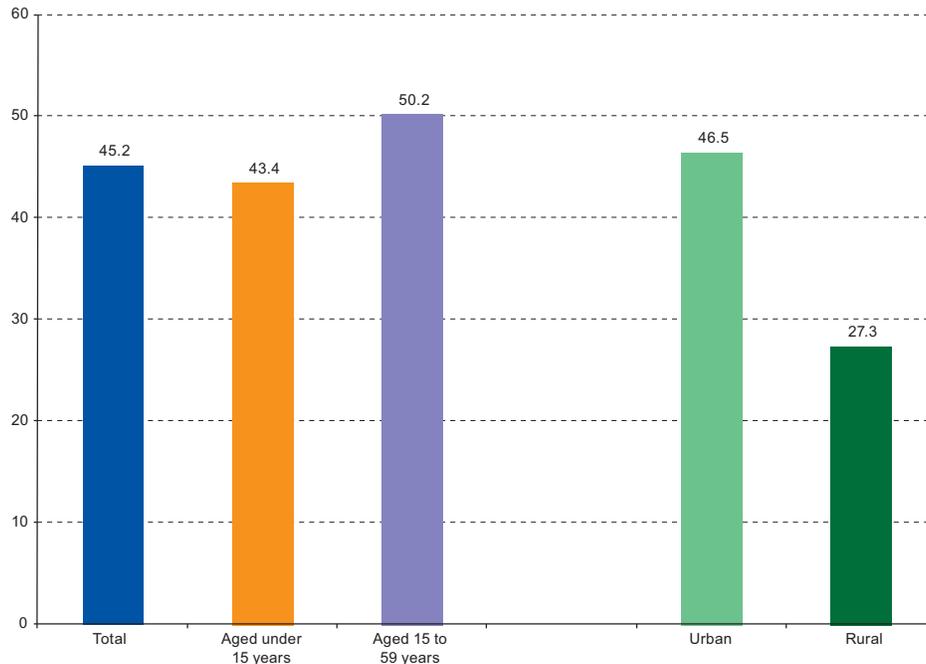
A look at the data from the standpoint of households not only exposes lower levels of social security coverage (43% of the households have at least one member who is registered, and only in 32% of all households is the head of household or spouse registered); gender and generation gaps come to the fore as well. Social security coverage for households headed by men (49.5%) is significantly higher than the average, while coverage for households headed by women is lower, at 41.3% (see figure 12). Comparing the proportion of children living in households with contributory coverage with the labour force overall shows that the former are at a systematic disadvantage: half (50.2%) of the population aged 15 to 59 lives in households with at least one member registered for social security. For the population under age 15 the level drops to 43.4% (see figure 13). Deeper differences surface when comparing the population living in urban and rural areas; the latter are at a disadvantage.

Figure 12
LATIN AMERICA (18 COUNTRIES): HOUSEHOLDS WITH SOME TYPE OF SOCIAL SECURITY AFFILIATION, BY SEX OF HEAD OF HOUSEHOLD, SIMPLE AVERAGE, AROUND 2009
(Percentages of all households)



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.

Figure 13
LATIN AMERICA (18 COUNTRIES): PERSONS IN HOUSEHOLDS WITH SOME TYPE OF SOCIAL SECURITY AFFILIATION, BY AGE AND GEOGRAPHICAL AREA, SIMPLE AVERAGE, AROUND 2009
(Percentages of all persons)



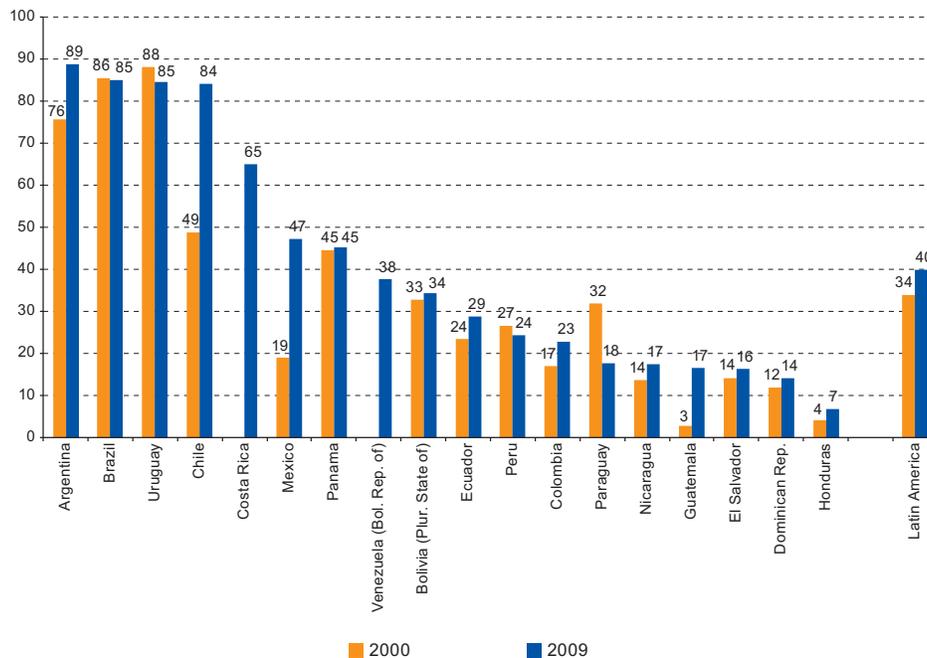
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of data from household surveys conducted in the respective countries.

2. Protecting older adults by transfers: between the contributory base and non-contributory compensation

Social security coverage limitations and shortfalls are reproduced in old age. In the simple average for the countries of the region, barely 1 in 10 Latin Americans aged 65 or older (40%) received retirement or pension benefits in 2009 despite the jump in the proportion of the population with such coverage over the past decade.

Women and men have unequal access to retirement and pension benefits, due to a combination of factors. Differential insertion in the labour force, the feminization of informality, social security registration shortfalls in some sectors with a higher proportion of women and a persistently low activity ratio among women are some of the factors that determine the chances that women will have protection when they reach old age. This is convincing proof that gender inequalities carried over from the active years transfer to old age in a relatively linear fashion.

Figure 14
**LATIN AMERICA (18 COUNTRIES): POPULATION AGED 65 YEARS AND OVER RECEIVING
 A PENSION OR RETIREMENT BENEFITS, AROUND 2000 AND 2009^a**
 (Percentages)



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.

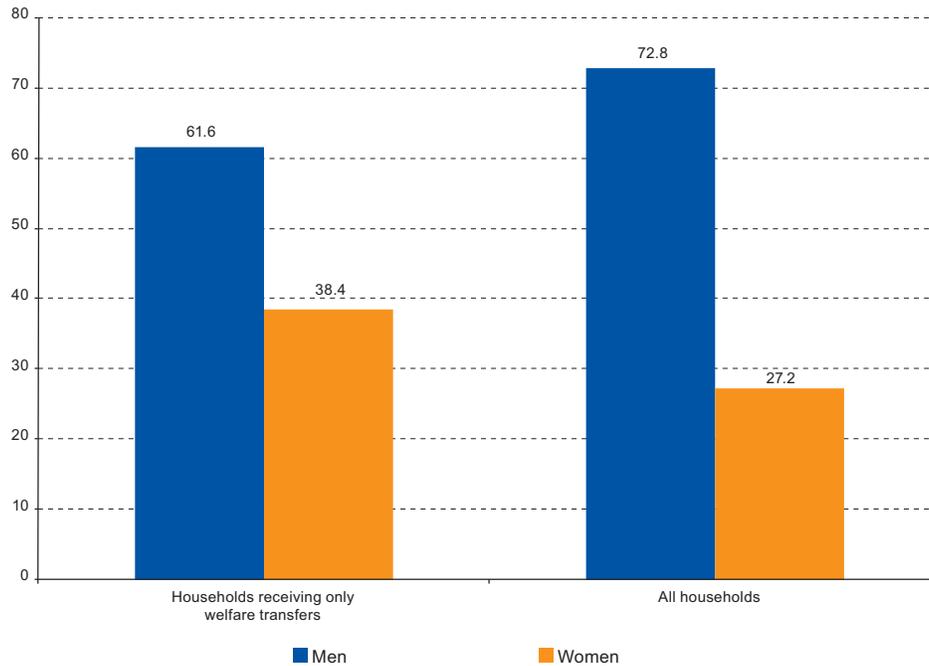
^a Simple average for the countries with data for both years under consideration. The data for the Plurinational State of Bolivia refer to 2007; those for the Bolivarian Republic of Venezuela and Mexico, to 2008; the data for Argentina refer to Greater Buenos Aires; those for Bolivia (Plurinational State of) refer to eight major cities plus El Alto; those for Ecuador, to urban areas; those for Paraguay, to Asunción and the Central Department; and those for Uruguay, to urban areas.

B. THE NON-CONTRIBUTORY PILLAR: SCOPE AND ADEQUACY OF WELFARE TRANSFERS

High levels of poverty and inequality, plus the low fiscal capacity of the States, place the countries in a difficult position because public expenditure needs are very high and not enough real effort is being made to cover the broad sectors of the population that have no current income guarantees nor any source of insurance for the future. The non-contributory pillar (public welfare transfers) covers some 12% of households and equates to 0.25% of GDP. But these transfers do seem to target the risks of the population and make a big difference for the poorest households; this confirms the highly progressive distribution of public welfare transfers despite coverage constraints.

Narrowing the focus to lower-income households that receive public welfare transfers and have no members registered with social security shows that a higher proportion of them are headed by women. Almost 4 of every 10 households (38.4%) in the poorest quintile that receive transfers and have no access to social security are headed by women—a relatively high percentage compared with the 27% of households in this quintile that are headed by women (see figure 15).

Figure 15
LATIN AMERICA (13 COUNTRIES): HOUSEHOLDS IN THE FIRST INCOME QUINTILE NOT COVERED BY CONTRIBUTORY PROTECTION, PENSION OR RETIREMENT SCHEMES, BUT RECEIVING PUBLIC WELFARE TRANSFERS, BY SEX OF HEAD OF HOUSEHOLD, AROUND 2009
(Percentages)



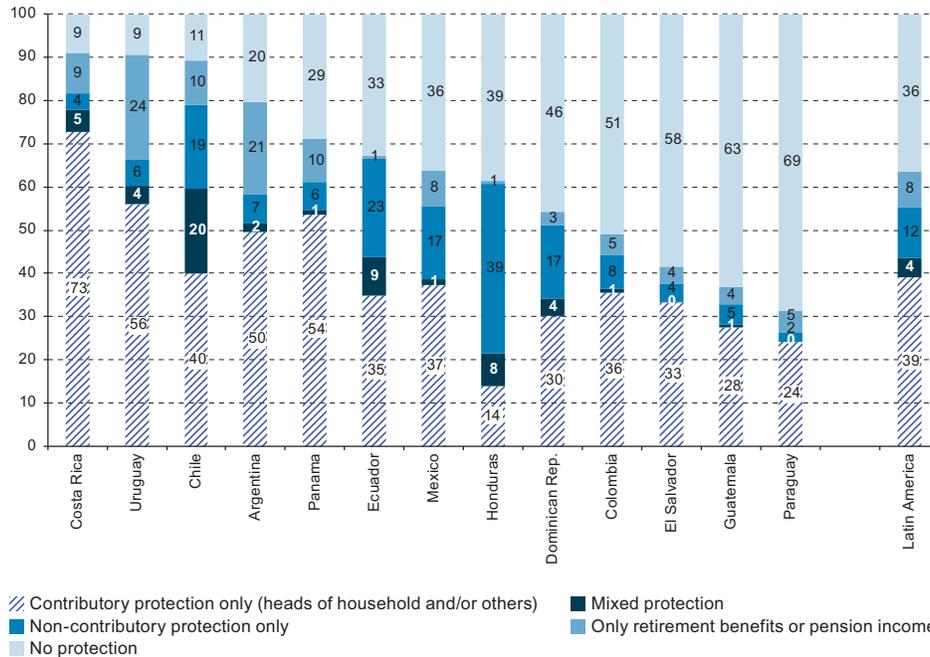
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of data from household surveys conducted in the respective countries.

^a Simple average. Data for the Bolivarian Republic of Venezuela, Brazil, Nicaragua, Peru and Plurinational State of Bolivia are not included. The data for Argentina refer to Greater Buenos Aires and those for Ecuador refer to urban areas. The data for Guatemala refer to 2006, for Honduras, to 2007 and for Mexico, to 2008.

C. CRACKS AND OMISSIONS IN SOCIAL PROTECTION SYSTEMS

Regionwide, an average of 43% of households are relatively integrated, employed and covered by some sort of contributory protection. A very small proportion of this sector (an average of 4% across the region) has “mixed” coverage in that they have at least one member registered with social security and receive some sort of public welfare transfer (see figure 16).

Figure 16
LATIN AMERICA (13 COUNTRIES): DISTRIBUTION OF HOUSEHOLDS BY TYPE OF ACCESS TO SOCIAL PROTECTION, SIMPLE AVERAGE, AROUND 2009^a
(Percentages)



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 Data for the Bolivian Republic of Venezuela, Brazil, Nicaragua, Peru and the Plurinational State of Bolivia are not included either because insufficient information is available on public welfare transfers to households to develop typologies, or because the variable show inconsistencies. Data for Argentina refer to Greater Buenos Aires and those for Ecuador refer to urban areas. The data for Guatemala refer to 2006, for Honduras, to 2007 and for Mexico, to 2008.

The proportion of households that only receive retirement or pension benefits (8%) is just as small and, as is to be expected, is higher in countries with more advanced retirement or pension systems (Argentina, Costa Rica, Uruguay). And, as seen above, 12% of the households in the region are protected by non-contributory welfare transfers alone.

What is perhaps most relevant here is the large proportion of households receiving no form of public protection at all: on average, 36% of the households in the 13 countries examined have no members registered with social security and are not receiving public welfare transfers or retirement or pension benefits. In the more-developed countries, households without protection range from 9% (Costa Rica and Uruguay) to 20% (Argentina). By contrast, the poorer countries, with lower per capita GDP, less fiscal capacity and worse formal dependency ratios, rank near the regional average and, in some cases, far exceed it (households without protection stand at 58% in El Salvador, 63% in Guatemala and 69% in Paraguay).

These households are clearly overrepresented in the lower-income quintiles. But a significant percentage of the population in the middle and high sectors is in the same situation. On average for 14 Latin American countries, 48% of the population in the first two quintiles receives no public social protection at all; the proportion for the next two quintiles is 38%, and it is 30% for the fifth quintile. So it

would seem that the lack of protection has different meanings. One, for those in the middle and higher quintiles, might refer to “cream skimming” the public protection systems in combination with market-based self-insurance and out-of-pocket expenditures. But the most likely meaning is that a majority proportion of the unprotected in the middle and high segments comprises workers in medium- and high-productivity sectors (and, perhaps to a certain extent, to those in low-productivity sectors) lacking access to social security or labour contracts as discussed in previous sections.

D. SOCIAL PROTECTION AND ITS SYSTEMIC ROLE IN THE FACE OF INEQUALITIES

The initial conclusion from this analysis is that reducing inequality cannot be left up to social protection alone. It is the third link in the chain that generates and reproduces inequalities. The first is structural heterogeneity as the “factory” of inequality; the second is rigid labour market segmentation. The three links are interdependent and require an integrated approach.

The second conclusion is that there is little leeway in the social protection systems because of their relative rigidity. This rigidity is determined by fiscal capacity and the space that the countries have for expanding social expenditure, and by the ability to change distributive options that were chosen in the past when the risk structures was different from those now operating in most of the countries. Within the bounds of social protection, several policy lines can help further these goals.

First, in several countries the contributory pillar is in need of reinforcement either through protection reform or through new devices, enhancing unemployment insurance regimes and making major changes to retirement and pension systems.

Second, there is a clear need to strengthen the non-contributory pillar. Direct income transfers to the poorest are effectively targeting efforts towards the most vulnerable sectors. These transfers are an important tool for checking the decline in income and consumption capacity among the most vulnerable and for combating the juvenilization of poverty and reducing inequalities early in life. Subsidized contributions to insurance systems (essentially, social security and health and guaranteed effective access to basic services) are a critical part of this pillar.

Last, the data provided expose high levels of precariousness among the region’s older adult population. There is no getting around the importance of transferring income to vulnerable persons aged 65 and older. And there should be no giving up on the idea of moving towards a universal transfer scheme for this stage of life combined with contributory transfers based on pension systems.

The inequalities highlighted in this chapter call for a new, rights-based approach where the challenge is to build universal social protection networks. This challenge also calls for a contributory pillar and policies that fill in the gaps and, by targeting the most vulnerable groups, put the missing pieces in the puzzle of the universal right to well-being. To put it another way, and in view of the data set out here, the effort to strengthen and reform the architectures of well-being in Latin America should be guided by the goal to achieve universal basic social protection.

Chapter V

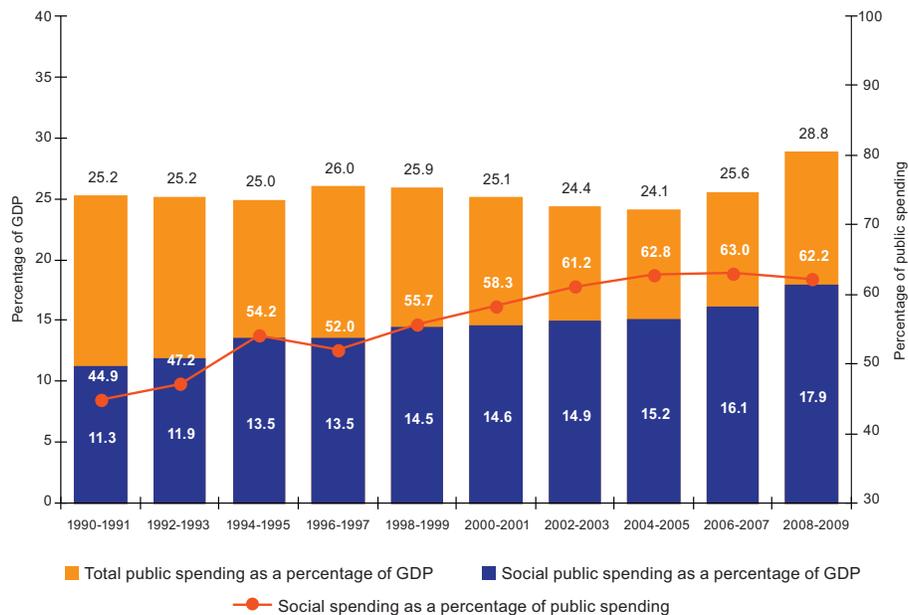
TRENDS IN SOCIAL SPENDING, EXPENDITURE IN TIMES OF CRISIS AND PROSPECTS FOR UNIVERSAL SOCIAL SECURITY FLOORS

A. LONG-TERM TRENDS

Public spending and especially social spending have risen sharply in Latin America in the past two decades: already figuring fairly steadily in macroeconomic priorities up to 2006-2007, public spending then surged in 2008 and 2009 as the authorities took pre-emptive action to stave off the effects of the global financial crisis. With this fresh effort to increase public spending, both the absolute amounts allocated to social spending and their weight in GDP reached a two-decade high as the first decade of the new century came to a close (see figure 17).

With total public spending remaining relatively stable, social spending has accounted for a growing percentage of that total: from 45% in 1990-1991 to 58% by the turn of the century and 63% by 2006-2007. The slight decline in the percentage in the most recent biennium considered (2008-2009) chiefly reflected the relatively steeper increase in non-social spending, mainly in 2008. Public spending soared again in 2009, with a spike in social spending (9.3% over the 2008 level).

Figure 17
LATIN AMERICA AND THE CARIBBEAN (21 COUNTRIES): TOTAL PUBLIC SPENDING^a AND SOCIAL PUBLIC SPENDING, AND SOCIAL PUBLIC SPENDING AS A PROPORTION OF TOTAL PUBLIC SPENDING, 1990-1991 TO 2008-2009
(Percentages of GDP and of total public spending)



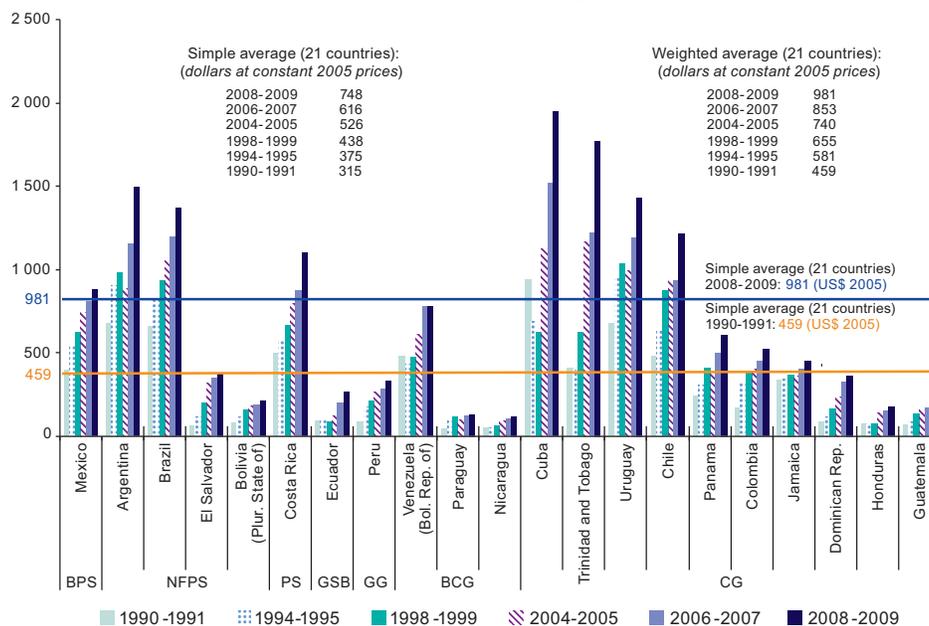
Source: Economic Commission for Latin America and the Caribbean (ECLAC), social expenditure database.

^a Official figures using a functional classification of spending, which may not coincide with those obtained from an economic classification of spending.

The situation varies considerably from one country to the next. In 2008-2009, the macroeconomic priority attached to social spending varied significantly with Dominican Republic, Ecuador, Guatemala, Panama, Paraguay and Peru spending less than 10% of GDP, while Argentina, Brazil, Costa Rica, Cuba and Uruguay spent twice as much. This gap exists although all countries have boosted social spending relative to GDP since the 1990s.

The countries' varying levels of development and tax burdens —and hence their very different general public budgets and, specifically, social budgets— lead to wide disparities in per capita allocations for social fields such as education, health, social security and welfare. At one end of the spectrum, Ecuador, Guatemala, Honduras, Nicaragua, Paraguay and the Plurinational State of Bolivia achieve very low per capita spending (less than US\$ 300) while, at the other end, the countries with the highest per capita social spending (over US\$ 1,000) are Argentina, Brazil, Chile, Costa Rica, Cuba, Trinidad and Tobago, and Uruguay. On average, the countries with the highest social spending manage to allocate up to eight times as much as those with the tightest budgets (see figure 18).

Figure 18
LATIN AMERICA AND THE CARIBBEAN (21 COUNTRIES): PER CAPITA SOCIAL PUBLIC SPENDING, 1990-1991 TO 2008-2009
(Dollars at constant 2005 prices)

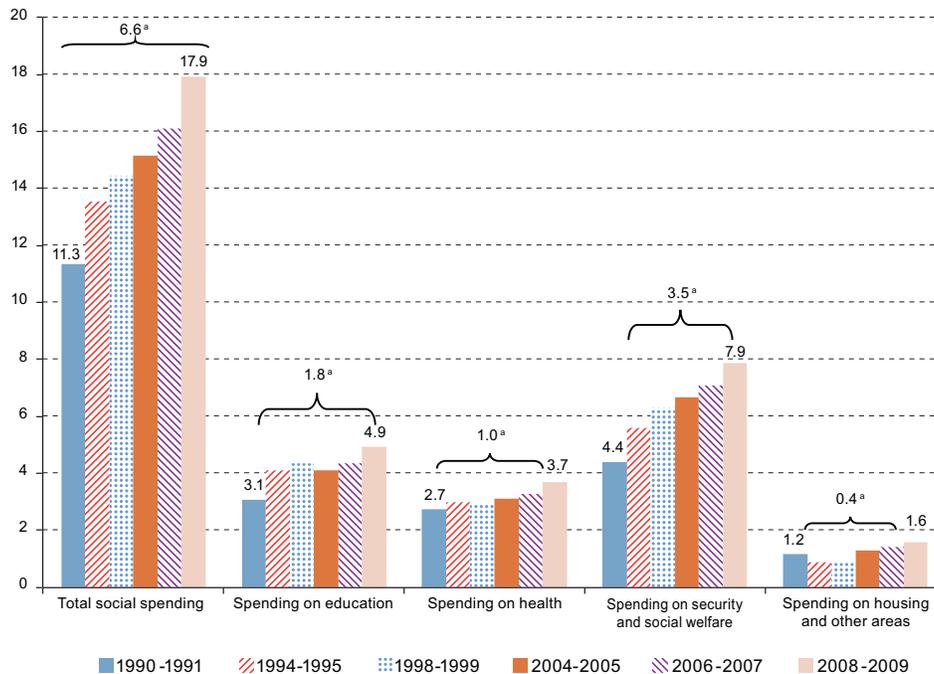


Source: Economic Commission for Latin America and the Caribbean (ECLAC), social expenditure database.

^a BPS, budgetary public sector; NFPS, non-financial public sector; PS, public sector; GSB, General State budget; GG, general government; BCG, budgetary central government; CG, central government.

The variation in social spending by sector shows an increase in all the major items, which have thus felt to a greater or lesser extent the procyclical variations associated with the performance of the region's economies. Even so, this growth has been uneven: social security and social welfare are the categories with the greatest increases (equivalent to as much as three percentage points of GDP), accounting for more than half of the overall rise in public social spending (see figure 19).

Figure 19
**LATIN AMERICA AND THE CARIBBEAN (21 COUNTRIES): PUBLIC SOCIAL SPENDING
 BY SECTOR, 1990-1991 TO 2008-2009**
(Percentages of GDP)



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

^a Increase in spending between the periods 1990-1991 and 2008-2009 in percentage points.

The second-highest spending increase was recorded in education, whose share in GDP climbed by just over 50%. But education spending has not escaped volatility either since, together with the health sector, it usually bears the brunt of fiscal adjustments, especially in the form of capital expenditure cuts and current expenditure freezes, the latter chiefly through the public-sector wage bill.

Moreover, the public health budget had shown little growth in the past two decades. This has to do partly with the trend in several countries towards expansion of private-sector delivery of health services in the framework of reforms introduced following the structural adjustment of the 1980s. But it also reflects the fact that health spending is highly procyclical and has a significant capital expenditure component that is heavily penalized during economic downswings or periods of flat growth. Lastly, housing and other social expenditure (notably, water and sanitation) show the least public spending growth owing in part to the progressive privatization of investments in sanitation infrastructure and the tendering out of building contracts for social housing schemes in which public financing is combined with private (by households, through easier access to mortgage facilities).

Where the parameters of public spending are bound by the economic cycle, social and non-social public spending fluctuations are usually driven by the country's economic performance. Thus, the procyclicality of public spending (and much of social spending), rigidities in budget appropriations and the tendency to privatize certain items of expenditure conspire against steadier progress with social policies and social protection systems aimed at reducing inequality, all of which perpetuates the gaps and cracks identified in the preceding chapter.

Prudential fiscal management is a key element in long-term economic development, but the over-adjustments which commonly occur in public and social expenditure during economic downswings dampen those very processes that prudential fiscal management seeks to safeguard. As a rule, social public spending reductions outnumber falls in growth in the region: between 1991 and 2009, there were 48 instances of absolute reductions in social public spending in the various countries and in 88% of these cases (42), the cut exceeded the decline in GDP (even during periods when GDP continued to expand).

Yet social spending is less sensitive to the business cycle than non-social public spending and the budget overall. Thus, even with its procyclical traits, social spending has weathered economic fluctuations better than non-social public budgetary allocations. So the countercyclical impact of social public spending is materialized asymmetrically, inasmuch as spending needs to be procyclical in boom periods, expanding in schemes conducive to ensuring the universal exercise of social rights—with an eye to long-term financial sustainability—and more countercyclical in economic downturns.

B. THE FINANCIAL CRISIS AND SOCIAL SPENDING IN THE REGION

In an effort largely unprecedented in magnitude to counter the international financial crisis, most of the region's countries adopted measures, in most cases on a temporary basis, to increase public spending and tackle the hardships caused by the global financial crisis and its repercussions. Many of these measures sought to alleviate the impact of the crisis on the real economy, sustain activity in local and regional economies, and curb the rise in unemployment and poverty.

The most widely used fiscal measures were tax cuts, hikes in subsidies and tax benefits, and increases or early disbursement of public spending allocations. In the social and production spheres, governments also boosted resources for building housing and water and sanitation projects, promoting the SME and agricultural sectors (facilitation of loans and concessionary repayment horizons), strengthening labour policies (unemployment insurance, hiring subsidies, employment schemes) and funding social programmes, especially conditional transfer programmes.

Not all the countries expanded their public spending in 2009: the Bolivarian Republic of Venezuela, Cuba, Dominican Republic, Jamaica and Uruguay all cut back on public spending although Dominican Republic was the only country to do so significantly (by 10.7% compared with 2008). But both this last country and Cuba had seen expenditure rise in 2008 by much more than the reduction in 2009. Several of the remaining countries, including Argentina, Chile, Colombia, El Salvador, Paraguay and Peru, stepped up their spending by over 10% in 2008 and 2009. Brazil, Ecuador and Honduras boosted their spending by over 7% (see table 3).

The rise in fiscal spending occurred mainly in non-social sectors, however, except in Brazil, El Salvador Mexico and Paraguay, where social spending rose faster than non-social spending. In Bolivarian Republic of Venezuela, Cuba and Uruguay, the spending cuts fell mainly upon non-social items, which favoured a sharp expansion in social spending. Jamaica reduced all types of spending, with the most significant cuts in social spending. Dominican Republic also compressed its expenditures, with the sharpest cuts in non-social areas. Guatemala, Honduras, Nicaragua and Panama increased their total public spending even while cutting social spending and in the remaining countries, social expenditures grew more slowly than other spending items.

Lastly, among the 10 countries for which information is available for 2010 (Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, Honduras, Mexico, Paraguay and Peru), public spending appears to have been reduced in only four (Chile, Colombia, Cuba and Honduras), but continues to expand in the others.

Table 3
LATIN AMERICA AND THE CARIBBEAN (21 COUNTRIES): ANNUAL GROWTH IN GDP, TOTAL PUBLIC SPENDING, AND SOCIAL AND NON-SOCIAL SPENDING, 2009
(Percentages)

Country	GDP	Spending components		Total public spending
		Social	Non social	
Argentina	0.9	16.8	8.5	13.7
Bolivia (Plurinational State of)	3.4	...	...	2.9
Brazil	-0.6	8.3	9.7	8.7
Chile	-1.7	16.6	12.8	15.3
Colombia	1.5	16.4	16.3	16.4
Costa Rica	-1.3	14.7	-0.2	5.1
Cuba	1.4	1.5	-5.6	-1.9
Dominican Republic	3.5	-6.5	-14.0	-10.7
Ecuador	0.4	28.5	4.5	9.8
El Salvador	-3.1	2.4	37.1	20.9
Guatemala	0.5	15.9	-7.0	4.7
Honduras	-2.1	11.6	2.7	7.0
Jamaica	-3.0	-3.7	-0.3	-1.1
Mexico	-6.0	5.6	7.0	6.2
Nicaragua	-1.5	4.3	-0.7	2.0
Panama	3.2	17.1	-5.6	4.8
Paraguay	-3.8	26.0	29.6	27.8
Peru	0.9	15.9	8.8	12.1
Trinidad and Tobago ^a	-3.5	...	...	...
Uruguay	2.6	10.5	-32.7	-0.1
Venezuela (Bolivarian Republic of)	-3.3	8.9	-8.3	-0.8

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

^a No data available for 2009.

C. SOCIAL SECURITY IN THE REGION AND PROSPECTS FOR ESTABLISHING A UNIVERSAL FLOOR FOR PENSION AND RETIREMENT BENEFITS

In most countries of the region, the social contributions administered by the public sector are insufficient for the State to finance all retirement benefits and pensions. Nevertheless, upon analysis it appears that the combined collection potential of the public and private systems in most of the countries is enough to fund more—or even much more— than the existing pension and retirement benefit commitments: at current levels of social security membership and coverage, only five countries generate or will generate an annual deficit up to 2030 (see table 4).

Table 4
**LATIN AMERICA (17 COUNTRIES): PROJECTED ANNUAL BALANCES OF SOCIAL SECURITY
 INCOME AND EXPENDITURE, 2012-2015-2020-2025 AND 2030^a**
(Percentages of GDP)

Country	2012	2015	2020	2025	2030	Long-term situation
Argentina	4.7	4.6	4.1	3.6	3.1	Small surplus
Bolivia (Plurinational State of)	1.5	1.5	1.5	1.4	1.3	Surplus maintained
Brazil	3.6	3.2	2.3	1.4	0.3	Small surplus
Chile	0.4	0.2	-0.2	-0.7	-1.3	Progressive deficit
Colombia	1.9	1.6	1.0	0.3	-0.4	Progressive deficit
Costa Rica	0.7	0.5	0.0	-0.6	-1.3	Progressive deficit
Dominican Republic	0.8	0.7	0.7	0.6	0.5	Small surplus
Ecuador	0.4	0.4	0.1	-0.1	-0.4	Progressive deficit
El Salvador	1.0	0.9	0.9	0.9	0.9	Surplus maintained
Guatemala	0.5	0.5	0.5	0.6	0.6	Surplus maintained
Honduras	0.4	0.4	0.4	0.4	0.3	Surplus maintained
Mexico	0.0	-0.1	-0.2	-0.4	-0.6	Progressive deficit
Nicaragua	2.2	2.3	2.3	2.3	2.2	Surplus maintained
Panama	1.2	1.0	0.7	0.4	0.0	Small surplus
Paraguay	2.7	2.7	2.6	2.4	2.1	Small surplus
Peru	1.0	0.9	0.8	0.6	0.4	Small surplus
Uruguay	1.6	1.5	1.2	0.8	0.4	Small surplus
Average	1.4	1.3	1.1	0.8	0.5	--

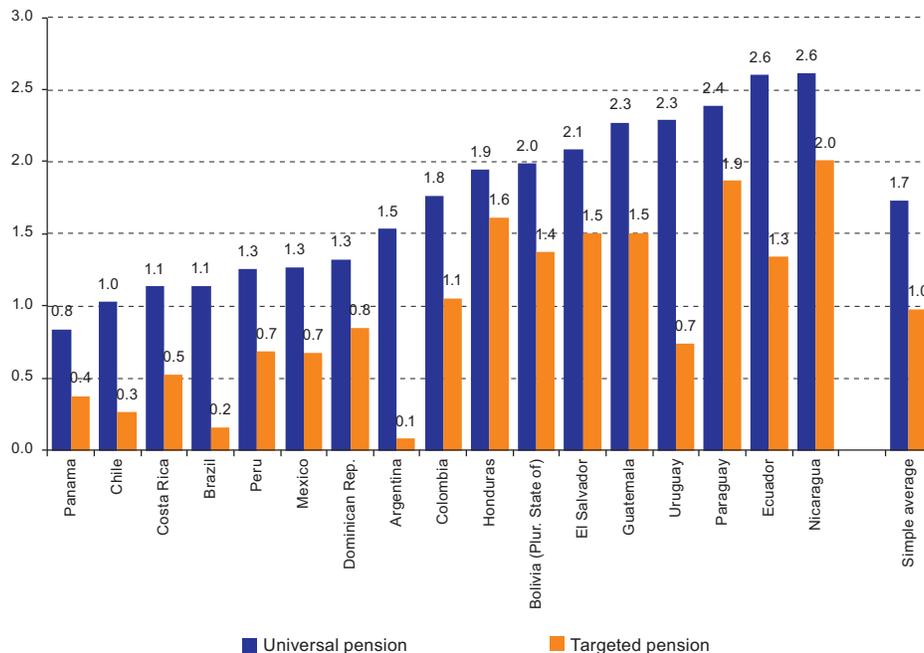
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of data from household surveys conducted in the respective countries and Economist Intelligence Unit [online] www.eiu.org, for the official GDP figures and growth projections for the countries.

^a Projections are based on the assumption that levels of social security membership and coverage recorded in the surveys and the participation rates and contribution parameters remain the same, while GDP and numbers of employed and of the older population vary and wages increase in real terms by half the rate of GDP growth.

Given these estimates, the question is whether and to what extent it would be possible to use part of cumulative social security funds not just to institute a solidarity-based pillar among retirees but also to gradually establish a universal minimum pension for all older persons. As shown in figure 20, the average cost in 2012 would be 1.7% of that year's GDP and this percentage would fall to 1% of GDP on average if it were limited to the aggregate cost of a targeted minimum pension for underprivileged older persons.

The various projections and simulations of scenarios for social security financing and expenditure indicate that, on the basis of potential levels of social contributions, the vast majority of countries are in a position to finance a targeted pension for vulnerable older persons in the short term. Some could even contemplate a universal pension, but this would call for more robust social security systems supported by stronger labour markets, greater labour force participation, a more dynamic formal sector and broader social security enrolment.

Figure 20
**LATIN AMERICA (17 COUNTRIES): COST OF A UNIVERSAL PENSION AND
 A TARGETED PENSION FOR OLDER ADULTS, 2012^a**
(Percentages of GDP)



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 and Economist Intelligence Unit [online] www.eiu.org for the official GDP figures and growth projections for the countries.

^a Pension equivalent to the value of the national poverty line. The targeted pension is for older persons living in households with a per capita income equal to or below 1.8 poverty lines.

Nevertheless, in the long term, social security systems would have to be redesigned by means of a new wave of reforms, especially in those countries that implemented structural reforms based on the partial or total privatization of the social security system and on an expansion of resources through new fiscal covenants. Such a strategy would facilitate the introduction of solidarity-based pillars in the systems (redistribution among retirees, financing of non-contributory pensions, award of a basic pension). But even this might be insufficient: several countries would need to change their parameters, mainly by increasing the contributory burden (and possibly by changing the share paid by workers, employers and the State), ensuring as far as possible that this is achieved without diminishing the amount of old age, disability and death benefits.

Chapter VI

CARIBBEAN YOUTH: EXCLUSION AND VULNERABILITY**A. DEMOGRAPHIC PROFILE OF CARIBBEAN YOUTH**

Young people (aged from 15 to 29 years) represented a quarter of the total population of the Caribbean in 2010, just under the Latin American average, although the proportion ranges from 30% at the upper extreme (Belize and Haiti) to approximately 20% at the lower extreme (Cuba and Puerto Rico). It is projected that the region's young population as a proportion of the total will decline gradually in the years to come.

This forms part of what is known as the demographic dividend (see chapter I), a phenomenon which has begun in all Caribbean countries, but has already come to an end in the United States Virgin Islands while in Guyana it is expected to last until 2050. The dividend offers unique opportunities, which may be exploited by promoting social investment in the youngest sectors of the population in order to emphatically strengthen their inclusion in education, health and training policies.

Table 5
**THE CARIBBEAN (SELECTED COUNTRIES): EMIGRATION BY AGE GROUP
AND SEX, 2000-2001**
(Percentages)

Country	Age group (male)					Age group (female)				
	Under 15 years	15-24 years	25-44 years	45-64 years	65 years and over	Under 15 years	15-24 years	25-44 years	45-64 years	65 years and over
Antigua and Barbuda	5	8	35	34	18	6	10	40	29	15
Bahamas	...	13	49	25	13	...	16	56	21	7
Barbados	...	4	20	38	38	...	4	21	41	34
Belize	...	22	46	24	8	...	25	49	19	7
Bermudas	...	7	41	38	14	...	7	40	38	15
Dominica	12	10	36	24	18	13	11	36	23	17
Grenada	4	5	32	32	27	4	8	30	31	27
Jamaica	10	25	42	10	4	10	23	38	14	5
Montserrat	...	11	25	32	32	...	15	27	24	34
Saint Kitts and Nevis	...	8	39	33	20	...	11	38	29	22
Saint Lucia	...	13	37	29	21	...	16	39	26	19
Saint Vincent and the Grenadines	...	7	38	33	22	...	11	41	28	20
Turks and Caicos Islands	...	8	42	38	12	...	12	47	29	12
Trinidad and Tobago	...	26	41	24	9	...	25	38	26	11

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of census data of the 2000-2001 round, Thomas-Hope, Elizabeth, "Regional special topic monography on international migration, based on the analysis of the 2000 round census data of eighteen Caribbean countries", Greater Georgetown, secretariat of the Caribbean Community (CARICOM), 2009.

Migration is another phenomenon that has a significant impact on young people and on population dynamics in the Caribbean. In general, while the emigration of young people is very high in this subregion, it is lower than that of adults. According to data from 2000, people aged 15 to 24 years in Belize, Jamaica and Trinidad and Tobago make up almost a quarter of the total migrant population.

With regard to youth mortality, exogenous causes (homicides, accidents and suicides) account for just over half of deaths among young people aged between 15 and 29 in the Caribbean. The subregion has one of the highest murder rates, comparable to Central America, South America and Southern Africa. The countries with the highest rates are the Dominican Republic, Jamaica, and Trinidad and Tobago.

B. YOUTH AND POVERTY: THE RISKS OF EARLY EMANCIPATION

As in Latin America, poverty in the English-speaking Caribbean generally has a greater impact on the child population (under 15 years). Despite this, in Antigua and Barbuda 25.4% of people living in extreme poverty and 22.6% of all poor people are aged from 15 to 29 years. In Saint Lucia, just over a quarter of the poor are young (from 15 to 29 years). This percentage is lower in the Cayman Islands (22%) but not in Grenada or Trinidad and Tobago, where a third of those living in poverty are young (aged between 15 and 29). In Belize, 21% of all poor are aged from 15 to 24, while just over half of Belizeans aged 14 to 17 are living in poverty.

From a life-cycle perspective, there is a highly significant correlation between the increased likelihood of living in poverty and emancipation at an early age from the youth phase, when the role of head of household or spouse is assumed. Data from some countries show that in the first income quintiles the proportion of young people aged around 20 who are heads of household or spouses is much higher than the percentage of young people of the same age in the higher quintiles. This phenomenon underscores the findings presented in chapter IV: social protection excludes some particularly vulnerable segments of the population and of the life cycle, and penalizes low-income sectors.

C. SEXUAL AND REPRODUCTIVE HEALTH

Estimates indicate that around 30% of adolescents in the English-speaking Caribbean subregion have had sex. On average, men who have sexual relations during adolescence do so from the age of 11, and women from the age of 14-15. Moreover, around half of sexually active adolescents report that their first sexual experience was non-consensual, while almost a third of sexually active adolescents have multiple sexual partners. This presents policymakers with enormous challenges in terms of providing timely information and preventing sexual violence and assisting the victims.

One of the characteristics of the Latin America and the Caribbean region is a stubbornly high teenage maternity rate when compared to fertility rates for the population as a whole, as discussed in chapter II. However, the fertility rate among adolescent mothers (ratio of the number of births to total number of women in this age group) is markedly lower in the Caribbean than in Latin America: of the 19 countries in Latin America and the Caribbean whose rate is lower than 61 births per 1,000 inhabitants among women aged 15 to 19 years, 17 are located in the Caribbean and only Belize, Guyana and Saint Vincent and the Grenadines come close to the Latin American average.

HIV/AIDS is a priority for the Caribbean countries, given its high incidence. The prevalence of HIV among young people and adults (from 15 to 49 years), which equates to 1% of the total population, is the second-highest in the world, surpassed only by sub-Saharan Africa. A prevalence of 0.1 in Cuba contrasts sharply with countries in which the prevalence is over 1%, such as the Bahamas (3.1%), Barbados (1.4%), Belize (2.3%), Haiti (1.9%), Jamaica (1.7%), and Trinidad and Tobago (1.5%). Although the number of new cases of HIV infection in the subregion has fallen slightly over the past decade, it is estimated that between 220,000 and 270,000 people are living with HIV, of whom approximately 53% are women. In Trinidad and Tobago, for example, women make up 75% of new cases among people aged 15 to 24, while in Jamaica the ratio of infected women to men in this age group is 3 to 1.

HIV is a particularly important issue for the young Caribbean population. Approximately 83% of HIV cases are diagnosed in people aged 15 to 54; a third of them are found among people aged between 25 and 34. Given that the disease has an eight-year incubation period, it may be inferred that almost a third of new HIV cases occur among 15-24-year-olds. As to condom use, recent studies indicate that 90% of sexually active adolescents in the English-speaking Caribbean region have used a condom, but only 16%-25% report doing so regularly. When the group under examination is restricted to women aged 15 to 24 in countries such as Belize, the Dominican Republic, Guyana and Trinidad and Tobago, almost 50% used condoms during their most recent sexual encounter, a relatively high percentage in comparison with some Latin American countries, but very low considering the increased risk of HIV infection.

D. YOUTH UNEMPLOYMENT

At the start of the previous decade, although young people (men and women) aged 15 to 24 years represented 20% to 30% of the workforce in Caribbean countries, they accounted for between 40% and 60% of the unemployed. Likewise, unemployment rates among young people (aged 15 to 24) in some countries of the subregion were two to four times those of the adult population. According to recent data, this situation has not changed significantly.

Table 6
**THE CARIBBEAN (8 COUNTRIES): UNEMPLOYED YOUTH AGED
 FROM 15 TO 24 YEARS**
(Percentages of total unemployed)

Country	Year	Percentage
Bahamas	2008	33.2
Barbados	2003	33.7
Cayman Islands	2008	26.9
Guadaloupe	2006	16.4
Jamaica	2008	37.2
Martinique	2008	19.0
Saint Lucia	2004	40.0
Trinidad and Tobago	2008	42.0

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

Failure to create the right conditions for young people to find decent employment reduces their opportunities, limits their present and future development and in many cases heightens existing levels of inequality and poverty. In Antigua and Barbuda, for instance, 80% of unemployed men aged between 25 and 29 live in poverty, on less than US\$ 2.51 a day (in general, 30.6% of the total unemployed population in that country live on less than that amount).

E. INSTITUTIONAL FRAMEWORK FOR YOUTH POLICIES

The institutional framework and public policies on youth have been strengthened over the past two decades. In some Caribbean countries, specific government departments are responsible for establishing links with government and civil society bodies involved in youth issues. Some government ministries, while not being exclusively devoted to youth issues, do include these matters among their primary objectives. For some Caribbean governments, youth issues and the institutional response fall within the jurisdiction of different agencies. They are directed by action plans that bring together, in a single public youth policy, the different activities of the government, and the private sector in some cases. In general, however, as in Latin America, more progress is needed on comprehensive approaches that rise above sectoral perspectives, as is the nature of the young actor, in whom risks, abilities, opportunities, systems of belonging and forms of participation come together.