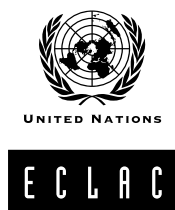


2008

Briefing paper



Social Panorama of Latin America



SIXTY YEARS WITH LATIN AMERICA AND THE CARIBBEAN

Alicia Bárcena

Executive Secretary

Laura López

Secretary of the Commission

Martin Hopenhayn

Director of the Social Development Division

Luis Beccaria

Director of the Statistics and Economic Projections Division

Dirk Jaspers_Faijer

Director of the Latin American and Caribbean Demographic Centre (CELADE) -
Population Division of ECLAC

Diane Frishman

Officer in Charge
Documents and Publications Division

This document contains the summary of the Social Panorama of Latin America, 2008. It was prepared jointly by the Social Development Division and the Statistics and Economic Projections Division of the Economic Commission for Latin America and the Caribbean (ECLAC), with the participation of the Latin American and Caribbean Demographic Centre (CELADE) – Population Division of ECLAC, which received support from the United Nations Population Fund (UNFPA).

Notes and explanations of symbols

The following symbols have been used in the summary of the Social Panorama of Latin America, 2008.

- 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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SOCIAL PANORAMA OF LATIN AMERICA, 2008

SUMMARY

A constant in the *Social Panorama of Latin America* is the chapter on poverty dynamics in Latin America. The 2008 edition is no exception. Up-to-date estimates and analyses of the relevant figures, based on household surveys conducted in 18 countries, are provided for the year 2007. Three other chapters focus on the specific topics of the new employment-related target which has been incorporated into the Millennium Development Goals, the demographic dividend as an opportunity for expanding secondary education coverage, and the issue of youth violence and family violence as viewed from a perspective of social inclusion.

In the first chapter, the most recent estimates available for the countries of Latin America indicate that, in 2007, 34.1% of the region's population was living in poverty and 12.6% in extreme poverty or indigence. The total number of poor people stood at 184 million, of whom 68 million were indigent. The downward trend observed since 2002 has continued, with the number of poor persons falling by 37 million and the number of indigent persons down by 29 million. Rising food prices in 2007 (and part of 2008), however, are estimated to have prevented some 4 million persons from escaping from poverty and indigence, thus wiping out some of the gains made in terms of growth and income distribution. Nevertheless, in 2007, Latin America was well set to achieve the first target of the Millennium Development Goals.

The factors associated with poverty reduction are also analysed in chapter 1. The region continues to bear the stigma of being the most unequal region in the world, and the disparity in its income distribution remains high, with the average per capita income of households in the tenth decile is approximately 17 times greater than that of the poorest 40% of households. Nevertheless, most of the progress made in 2002-2007 was due to an increase in the average incomes –mainly labour income– of the poorest households.

The discussion on social disparities looks at the perceptions of people in different socio-economic sectors and, in particular, seeks to determine whether they feel that they are part of society or are excluded from it. For most Latin Americans, social inclusion is

associated with having a profession and an income of one's own, owning property, and having obtained a higher education, speaking a foreign language and being computer-literate. On the other side of the coin, perceptions and feelings of solitude, powerlessness and disorientation are greater among persons who are living in households with fewer assets and who have a lower level of education. Perceptions and feelings of exclusion do not, however, make any substantial reduction in individuals' expectations of social mobility, which tend to be more closely linked with perceptions relating to the future of the economy.

Between 1990 and 2002, some countries found it difficult to reduce poverty. The year 1990 was taken as a base year for measuring the advances made by countries towards the Millennium Development Goals, and 2002 reflects the consequences of the worldwide economic stagnation seen in the early years of the twenty-first century, as well as the economic crisis that overtook Argentina and Uruguay, in particular.

In the past five years (2003-2007), at over 3% per year, per capita GDP growth in Latin America has been at its highest since the 1970s. For 2008, as a result of the recent international financial crisis, slower, albeit still positive, growth is projected. Weaker demand for the region's commodity exports, declining migrant remittances and scarce credit are just some of the factors that will have an adverse effect on aggregate demand in the region's countries. International financial market constraints and particularly the tight liquidity situation will be further obstacles to the countries in their attempt to maintain the pace of growth achieved in the past five years.

In 2009, this economic slowdown will have an impact on poverty trends and may thus prolong the less favourable turn that poverty levels took in 2008 as compared to the trend in 2003-2007, when poverty in the region fell significantly. Notwithstanding the most recent forecasts, which suggest that the relative incidence of poverty continued to decline in 2008, albeit at a slower pace than in previous years, there is no denying that the absolute number of extremely poor or indigent persons has increased slightly. This is mainly attributable to the fact that escalating food and oil prices triggered a small upswing (0.43 of a percentage point) in indigence in mid-2008. Clearly, food accounts for a major part of the basic basket of consumer items, especially in poor households. Although domestic prices for food and fuel have stopped rising, an even less favourable situation in 2009 in terms of poverty level is to be expected owing to the slower rate of growth that will be seen in the region in the wake of the current international financial crisis.

Generally speaking, aggregate employment for the region as a whole will probably be flat or even lower in 2009, and average real wages are expected to remain unchanged or to diminish somewhat. Moreover, the outlook in terms of how this deterioration in household income will be distributed is not encouraging: own-account workers and wage earners

lacking in job security will be the hardest hit, since their jobs are usually most sensitive to movements in the business cycle. Poverty and indigence will probably increase, and even if the extent of this rise is limited, it will still prolong the negative trend that had already started in 2008.

The overall situation will differ from one group of countries to the next. Those that are most dependent on remittances or that have more direct links with the United States market are likely to be among the most seriously affected. The same applies to those which have a less diversified export structure and which rely on the commodity markets that have borne the brunt of the global crisis.

The chapter on employment shows that joblessness in Latin America remains high and that, as of 2006, the rate was still 2.4 percentage points higher than in 1990. However, since 2002, unemployment rates have fallen in most urban areas in the countries of the region. Notwithstanding this reduction, sharp inequities persist and take the form of higher rates of unemployment among the poor, women and youth. This is due to the fact that female participation rates, especially among very young women, have continued to rise (54.2% around 2006), while the male participation rate has remained stable (78.9%) and has even declined slightly among the youngest age groups.

The precarious situation in the region's labour markets is associated with employment in low-productivity sectors, which is generally characterized by poor job quality, a lack of job security, low wages and a lack of access to social security coverage. This situation is often referred to as "labour informality". In 2006, informal workers in urban areas of Latin America accounted for 44.9% of all workers. Of particular concern is the high percentage of urban women employed in low-productivity sectors (50.7%), compared with the figure for men (40.5%).

This chapter also looks at the new target (target 1B) of the first Millennium Development Goal: achieve full and productive employment and decent work for all, including women and young people. It notes that, for three out of the four indicators for monitoring progress towards this target, the trend in the region has been favourable: labour productivity and the rate of employment have increased and worker poverty has diminished. Nevertheless, worker vulnerability –measured as own-account and family workers over total employed– has remained unchanged.

Improving the quality of workforce integration in the labour market, in particular among the poorest, is identified as a crucial need. This would involve providing better wages, stable contracts, secure working conditions, and access to and membership in health-

care schemes as well as paying into the social security system. Advances in these areas are of fundamental importance in order to reduce both poverty and income inequality.

One of the dimensions that should be taken into account in evaluating future social development opportunities is the demographic transition. This edition of the *Social Panorama of Latin America* contains a chapter which assesses the advantages provided by what is known as the “demographic dividend”, which accrue to all Latin American countries. This dividend is associated with the more favourable ratio of the working-age population to the dependent-age population (children and older persons) that arises during one of the stages of the transition and will come to an end once the older population begins to increase substantially. Individual countries are at different stages in the demographic transition, since, for some, this window of opportunity is closing, while for others it is just opening up.

The education sector in most countries is now benefiting from a clearly positive demographic dividend, since the demand for primary education will continue to decline in the coming decades (owing to a relative and absolute reduction in the child population) while the demand for secondary education will begin to decrease (as a result of the relative and subsequently absolute decline in the adolescent population). This is a period when governments are well placed to set ambitious targets for increasing levels of coverage and improving the quality of the secondary education cycle.

However, as pointed out in this section of the report, the benefits to be derived from this period do not accrue automatically: they depend on the adoption of macroeconomic policies that stimulate investment in production, increase job opportunities and foster a stable social and economic environment that is conducive to sustainable development. They also depend on education policies and investment in this sector being oriented towards anticipating the virtuous effects of the demographic dividend, especially in order to expand enrolment in secondary schools, improve the quality of the supply of public services, and support sectors of the population that have less educational capital in order to improve their effective learning, their advancement within the school system and their graduation from the secondary cycle.

The chapter on the social agenda focuses on the issue of youth and domestic violence in Latin America. Violence committed by and against young people is expressed in multiple forms, including self-inflicted violence, criminal violence, violence associated with international crime (drug trafficking), domestic violence and territorial violence. Such violence feeds on various forms of social and symbolic exclusion among youth, including a lack of equal opportunities, a lack of access to employment, alienation, discrepancies between symbolic consumption and material consumption, territorial segregation, the

absence of public facilities for social and political participation, and an increasingly informal labour market.

Government authorities consulted for the purposes of the preparation of this year's edition of the Social Panorama have stated that the main problems they have to contend with in addressing the issue of youth violence are crime, gangs, street violence and the carrying of weapons. Indeed, the use of weapons is a serious concern in urban areas in several Latin American countries. A particularly alarming pattern is the involvement of youth gangs in drug use, drug trafficking and trafficking in persons.

Government authorities also drew attention to family violence, dating violence and intergenerational violence. While reporting of gender-based violence and violence against women has increased, abused children and youth remain largely without protection. Other serious problems are self-inflicted violence and violent behaviour related to alcohol and drug abuse.

In Latin American, various approaches have been used for preventing youth violence, including approaches that focus on risk, citizen security, conflict resolution theory and human rights. However, a holistic approach by government institutions and the adoption of policies that support and coordinate initiatives coming from both government and non-governmental institutions are needed. Experts suggest that policies geared towards reducing violence should be specific, concerted, decentralized and participatory. In addition, they recommend primary preventive measures, together with appropriate social reintegration schemes for rehabilitated youth.

The chapter on the international agenda also reviews the agreements adopted in Santiago in November 2007 at the seventeenth meeting of the Ibero-American Summit of Heads of State and Government, whose central theme was social cohesion and social policy and how they can be used to create more inclusive societies in Ibero-America.

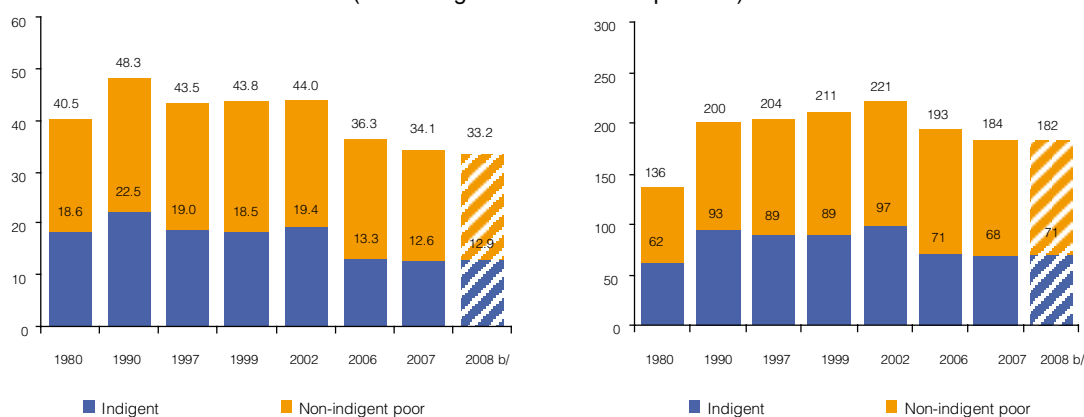
POVERTY, SOCIAL EXCLUSION AND UNEQUAL INCOME DISTRIBUTION

Recent poverty trends

According to the latest estimates available for Latin American countries for 2007, the poor accounted for 34.1% of the total population. Of that percentage, those living in

extreme poverty or indigence represented 12.6%. These figures signify that in 2007 there were 184 million poor persons, of whom 68 million were indigent (see figure 1).¹

Figure 1
LATIN AMERICA: POVERTY AND INDIGENCE, 1980-2008 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 relevant countries.

a/ Estimate for 19 countries of the region, including Haiti. The figures above the bars are the percentage and total number of poor persons (indigent plus non-indigent poor).

b/ Projections.

This means that, in 2007, poverty diminished by 2.2 percentage points from its 2006 level, while indigence was down by 0.7 percentage points, thereby continuing the downward trend in poverty and indigence observed in the region since 2002, when the declines represented a remarkable advance: 9.9 and 6.8 percentage points, respectively (corresponding to 37 million fewer poor people and 29 million fewer indigent persons).

A comparison of the current figures with those of 1990 shows that the situation in the region is decidedly different from what it was 17 years ago. While the percentage of Latin Americans living in straitened circumstances remains very high, it has fallen by 14 percentage points since the beginning of the 1990s. In the case of extreme poverty, the reduction has been even more significant: while in 1990, one out of every two persons was indigent, the proportion is now down to one in three. Historically, however, 2002 is the year in which the absolute numbers of persons living in poverty and indigence were at their highest: 221 million and 97 million persons, respectively.

¹ According to the approach used by ECLAC in estimating poverty, a person is classified as "poor" when the per capita income of that person's household is below the poverty line, i.e., the minimum income needed to meet a person's basic needs. In the case of indigence, the line is based on the cost of satisfying a person's food needs only.

The latest figures available for 2007 for 11 Latin American countries confirm the downward trend that had been observed up to 2006, since practically all showed reductions in poverty. The most significant decreases (of over 3 percentage points per year) occurred in Bolivia and Brazil, followed by the Bolivarian Republic of Venezuela, Honduras and Paraguay, where they exceeded 2 percentage points per year. Indigence levels also fell considerably. In absolute terms, the sharpest reductions were observed, all within the space of one year, in Honduras (3.7 percentage points), Panama (2.3 percentage points) and Costa Rica (1.9 percentage points) (see table 1).

Table 1
**LATIN AMERICA (18 COUNTRIES): PERSONS LIVING IN POVERTY AND INDIGENCE,
 AROUND 2002, 2006 AND 2007**
 (Percentages)

| Country | Around 2002 | | | Around 2006 | | | 2007 | | |
|-----------------------------|-------------|---------|-----------|-------------|---------|-----------|------|---------|-----------|
| | Year | Poverty | Indigence | Year | Poverty | Indigence | Year | Poverty | Indigence |
| Argentina a/ | 2002 | 45.4 | 20.9 | 2006 | 21.0 | 7.2 | ... | ... | ... |
| Bolivia | 2002 | 62.4 | 37.1 | 2004 | 63.9 | 34.7 | 2007 | 54.0 | 31.2 |
| Brazil | 2001 | 37.5 | 13.2 | 2006 | 33.3 | 9.0 | 2007 | 30.0 | 8.5 |
| Chile | 2000 | 20.2 | 5.6 | 2006 | 13.7 | 3.2 | ... | ... | ... |
| Colombia | 2002 | 51.5 | 24.8 | 2005 | 46.8 | 20.2 | ... | ... | ... |
| Costa Rica | 2002 | 20.3 | 8.2 | 2006 | 19.0 | 7.2 | 2007 | 18.6 | 5.3 |
| Dominican Republic | 2002 | 47.1 | 20.7 | 2006 | 44.5 | 22.0 | 2007 | 44.5 | 21.0 |
| Ecuador a/ | 2002 | 49.0 | 19.4 | 2006 | 39.9 | 12.8 | 2007 | 38.8 | 12.4 |
| El Salvador | 2001 | 48.9 | 22.1 | 2004 | 47.5 | 19.0 | ... | ... | ... |
| Guatemala | 2002 | 60.2 | 30.9 | 2006 | 54.8 | 29.1 | ... | ... | ... |
| Honduras | 2002 | 77.3 | 54.4 | 2006 | 71.5 | 49.3 | 2007 | 68.9 | 45.6 |
| Mexico | 2002 | 39.4 | 12.6 | 2006 | 31.7 | 8.7 | ... | ... | ... |
| Nicaragua | 2001 | 69.4 | 42.5 | 2005 | 61.9 | 31.9 | ... | ... | ... |
| Panama | 2002 | 36.9 | 18.6 | 2006 | 29.9 | 14.3 | 2007 | 29.0 | 12.0 |
| Paraguay | 2001 | 61.0 | 33.2 | 2005 | 60.5 | 32.1 | 2007 | 60.5 | 31.6 |
| Peru b/ | 2001 | 54.7 | 24.4 | 2006 | 44.5 | 16.0 | 2007 | 39.3 | 13.7 |
| Uruguay a/ | 2002 | 15.4 | 2.5 | 2005 | 18.8 | 4.1 | 2007 | 18.1 | 3.1 |
| Venezuela (Bol. Rep. of) | 2002 | 48.6 | 22.2 | 2006 | 30.2 | 9.9 | 2007 | 28.5 | 8.5 |

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

a/ Urban areas.

b/ Figures compiled by the National Institute of Statistics and Informatics (INEI) of Peru. These values are not comparable with those of previous years owing to changes in the sample framework used in the household survey. In addition, the figures given for 2001 correspond to the fourth quarter, whereas those shown for 2006 and 2007 correspond to the entire year.

Judging from GDP growth projections and inflation forecasts in the various countries, it is to be expected that poverty will continue to diminish in 2008, albeit at a slower pace, to stand at 33.2% (almost one percentage point below the 2007 rate). Indigence is expected to increase slightly, however, by approximately 0.4 of a percentage point. These results reflect, to a great extent, the impact of the upswing in inflation recorded since the beginning of 2007 and, in particular, during the last part of that year and the first half of 2008.

Although food and fuel costs are no longer spiralling out of control and inflation has eased, the international financial crisis growth is likely to be reflected in a slowdown in the region. This, in turn, would suggest that the situation with regard to poverty rates will be less favourable in 2009.

The repercussions of the crisis will be felt on several fronts. Some of its main manifestations may well be weaker demand for the region's exports and a reduction in migrant remittances. These factors will dampen aggregate demand in the countries of the region, while international financial market constraints and the tight liquidity and credit situation will also restrain per capita GDP growth. In this context, total employment in the region will probably tend to stagnate, while real wages are not likely to increase and may even fall slightly. Own-account workers and wage earners in unstable jobs are those that are most likely to suffer from this deterioration in household income, since they are the most vulnerable to cyclical downturns. Poverty and indigence levels will therefore probably rise, thus prolonging the negative trend that emerged in 2008 that put an end to a five-year period of declining poverty and indigence rates.

This slight increase in poverty overall, which may be steeper in some countries, could be moderated if governments implement policies that prevent the burden of the crisis from falling on the lowest-income sectors and that salvage some of the improvements achieved since 2002.

As indicated in two recent ECLAC publications, *Economic Survey of Latin America and the Caribbean, 2007-2008* and *Latin America and the Caribbean in the World Economy, 2007. Trends 2008*, the region will not remain immune to the crisis, but is nonetheless better placed than it has been in the past to cope with such an event by, inter alia, implementing or stepping up measures to mitigate the impact that the slacker demand for labour will have on poor households and on those that might slip into poverty.

Rising food prices and their impact on poverty rates

Like most other regions in the world, the Latin American and Caribbean countries were hit, especially in 2007 and the first half of 2008, by sharp rises in international food prices that were triggered by a series of entirely external factors. Moreover, many of the products whose prices climbed the most sharply were items in the basket of staple foods used by the poorest, such as rice, wheat and maize. Between January 2007 and June 2008, prices for these products shot up by between 80% and 90%. The situation started to ease towards the middle of 2008, when prices began to subside, although they have remained above the levels recorded in or prior to 2006.

Some Latin American and Caribbean countries are expected to be less vulnerable than others to higher food prices, in particular those that are net exporters of food products and those that have higher foreign exchange reserves or whose terms of trade allow them greater flexibility. This is not the case of Central America, for example, and the increase in food prices is thus expected to have a regressive impact in that subregion, although it will vary depending on the country and population in question. Generally speaking, the impact of rising international food prices on poverty rates will depend on the extent to which they are passed through to the local market, the level of poverty existing in the country, the ratio of households that are net food purchasers to those that are net food vendors, the percentage of the household budgets that are spent on food and the variation in the purchasing power of earnings from low-productivity jobs.

The poverty and indigence measurements presented at the beginning of the chapter take into account the impact of higher food prices, since these higher prices are reflected in the increase in the value of the respective poverty lines.² Therefore, the very limited reduction in poverty and the increase in indigence projected for 2008, which, as mentioned earlier, represent a departure from the downward trend recorded since 2002, are indications of the influence that this trend is expected to have had on prices. In order to estimate the impact of this factor, a simulation exercise has been conducted which consisted of recalculating indigence and poverty rates based on the assumption that prices for food have risen at the same rate as those of other goods.

The simulations that were carried out suggest that the rise in food prices in 2007 prevented 4 million persons from escaping from poverty and indigence who would otherwise have done so. This effect was even more significant in 2008, since the cumulative increase in food costs since late 2006 has swelled the numbers of poor persons by 11 million compared with the numbers that would have been in this situation if food costs had risen at the same rate as those of other goods (see table 2). This means that, if the actual situation matched the simulation, the rate of indigence projected for 2008 would have been 1 percentage point lower, rather than 0.34 of a percentage point higher, than the 2007 level.

In terms of the impact on different countries, the situation varies considerably. The simulation exercise indicates that cumulative price rises in 2007 and 2008 had the greatest impact on indigence in the Bolivarian Republic of Venezuela, Bolivia, Chile, Ecuador and Uruguay, where the number of persons living in indigence is approximately 50% higher than it would have been if food price rises had not been so much steeper than they were for other

² Since 2007, different price deflators have been used for indigence and poverty lines. This marks a departure from previous practice, where both lines were updated using a single deflator. The value of the indigence line is now updated on the basis of variations in the consumer price index (CPI) for food, while the portion of the poverty line that relates to expenditure on non-food items is updated on the basis of the variation in the corresponding CPI.

goods. In these countries, together with Costa Rica, the rise in food prices accounts for an increase of 15% or more in the number of poor persons.

Table 2
LATIN AMERICA: SIMULATION OF THE IMPACT OF THE RISE IN FOOD PRICES ON THE INCIDENCE OF POVERTY AND INDIGENCE, 2007 AND 2008 a/
(Percentages and millions of persons)

| | Percentages | | | Millions of persons | | |
|-------------------|---------------------|------------------------|------------|---------------------|------------------------|------------|
| | Effective incidence | Simulated incidence a/ | Difference | Effective incidence | Simulated incidence a/ | Difference |
| 2007 | | | | | | |
| Indigence | 12.6 | 11.9 | 0.7 | 67.8 | 64.2 | 3.6 |
| Poverty | 34.1 | 33.4 | 0.7 | 183.9 | 180.0 | 3.9 |
| 2008 (projection) | | | | | | |
| Indigence | 12.9 | 10.9 | 2.0 | 70.8 | 59.6 | 11.2 |
| Poverty | 33.2 | 31.2 | 2.0 | 181.6 | 170.7 | 10.9 |

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

a/ The rise in food prices was equal to the rise in the CPI for all other goods as from December 2006.

In short, the rise in food prices has been a major factor in the deterioration in the living conditions of the poorest groups, wiping out a portion of the advances achieved in terms of growth and income distribution. Although this phenomenon subsided somewhat towards the end of 2008, mechanisms are needed to mitigate the impact of price rises on the budgets of the poorest households.

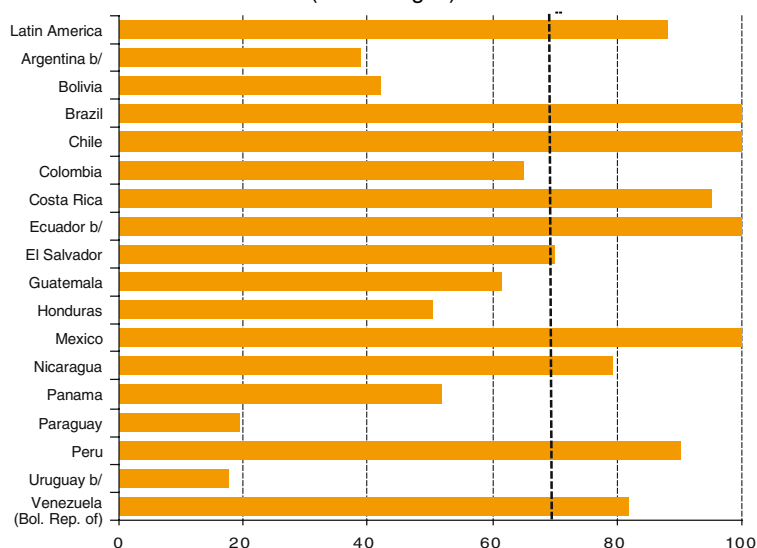
Assessing progress towards the first target of the Millennium Development Goals

Up to 2007, Latin America was well set to fulfil the first target of the Millennium Development Goals. The percentage of indigent persons in the region (12.6%) was just a bit more than one percentage point short of the target of 11.3%. This means that, in the 68% of the total time available for meeting the target that has elapsed so far, 88% of the ground has already been covered.

The progress made at the regional level is the result of varying trends in the different countries. Four of them, Brazil, Chile, Ecuador (data for urban areas) and Mexico, have achieved the first target of the Millennium Development Goals, and Costa Rica may be regarded as being in the same category, since it is 95% of the way to the target. Five other countries (the Bolivarian Republic of Venezuela, Colombia, El Salvador, Nicaragua and Peru) have advanced at a similar rate or at a faster pace than expected, with percentages ranging from 65% to 90%. The remaining countries have lagged behind. Bolivia, Guatemala, Honduras and Paraguay are the countries that are the farthest from achieving the proposed

target, in absolute terms, with shortfalls that are close to or exceed 12 percentage points (see figure 2).

Figure 2
LATIN AMERICA (17 COUNTRIES): ADVANCES IN REDUCING EXTREME POVERTY BETWEEN 1990 AND 2007 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 relevant countries.

a/ The amount of progress made (expressed as a percentage) is calculated by dividing the percentage-point reduction (or increase) in indigence registered during the period by one half of the indigence rate for 1990. The dotted line represents the amount of progress expected by 2007 (68%).

b/ Urban areas.

From the simulations based on the household surveys, it may be inferred that the average growth rate required by the region in order to achieve the first target of the Millennium Development Goals is 1.2%, a figure similar to the population growth forecast up to 2015. This rate is very low partly because of the “subsidy” represented by the fact that Brazil, Chile and Mexico, which account for approximately 60% of the region’s population, have already exceeded the target.

The international financial crisis and the resulting world economic slowdown are expected to have repercussions on poverty levels that cast doubt on the feasibility of achieving the target set for 2015. As already indicated, a moderate increase in poverty and indigence is predicted for 2009. In any event, bearing in mind the degree of progress achieved up to 2007, the target continues to be achievable for most countries, although the final result will ultimately depend on the duration of the period of low growth and the depth of the difficulties it entails. Since the region is in a sounder macroeconomic position to confront this episode than it was during previous crises, it will be better able to deploy

measures to lessen the negative consequences of slower growth on the incomes of the poorest households. If the recession continues for an extended period of time, however, it may prevent the countries that are currently furthest from the mark (and that therefore need to attain and sustain high growth rates in order to achieve the required reduction) from reaching the target.

The aggregate analyses conducted at the national level should be complemented with others that describe the advances made in relation to specific population groups and categories. To this end, four dimensions have been selected: (i) the place of residence of the population, by urban and rural area; (ii) the educational background of the household, in other words, the average number of years of schooling of the head of household and the spouse, which captures the stock of human capital (a determining factor with respect to access to employment and household income); (iii) the sex of the head of household, which serves to highlight the greater vulnerability associated with having a female head of household and which normally is the case in households without a male partner; and (iv) the ethnic or racial origin of the population.

The breakdown by country yields varying results, since some countries have achieved inclusive progress, in which there are no significant differences between the groups considered, while in others the gap has widened. In any event, it is clear that an exercise of this type is necessary in order to arrive at a better understanding of the process of poverty reduction and in order to determine whether there are groups that are lagging behind the overall trend.

Factors associated with poverty reduction in the region

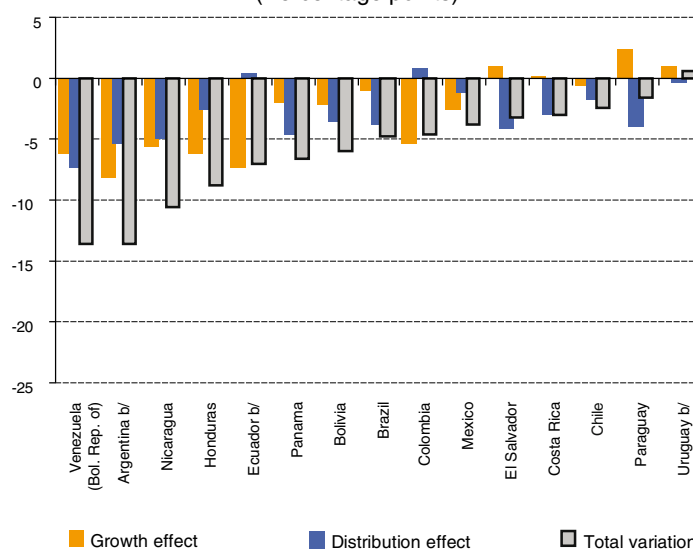
The relationship between the variation in household income and its impact on the poverty rate may be analysed by examining, on the one hand, the increase in the average income of individuals, or the “growth effect”, and, on the other, changes in the way in which that income is distributed, or the “distribution effect”.

On this basis, much of the progress made in alleviating poverty and indigence in Latin America in 2002-2007 is attributable to an increase in average household income. This is especially true in the countries that have achieved the highest percentage-point reductions in poverty. Nevertheless, the parts played by the growth and distribution effects in the various countries of the region have differed, and improvements in income distribution have been the main cause of the reductions in poverty and indigence achieved in a number of countries.

Higher average income has been the main factor in diminishing poverty and indigence in Argentina (urban areas), Bolivarian Republic of Venezuela, Colombia, Ecuador

(urban areas), Guatemala, Honduras, Mexico and Nicaragua, which are, moreover, among the countries that have achieved the most significant improvements in poverty and indigence rates during the period under consideration. In the case of Bolivia, Brazil, Chile, Costa Rica, El Salvador and Panama, more than half of the decrease in poverty and indigence rates has been due to the distribution effect (see figure 3).

Figure 3
LATIN AMERICA (15 COUNTRIES): GROWTH EFFECT AND DISTRIBUTION EFFECT OF CHANGES IN POVERTY AND INDIGENCE LEVELS, 2002-2007 a/
 (Percentage points)



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

a/ The Dominican Republic has been omitted as well as Guatemala (under indigence) because the disaggregated results are not significant.

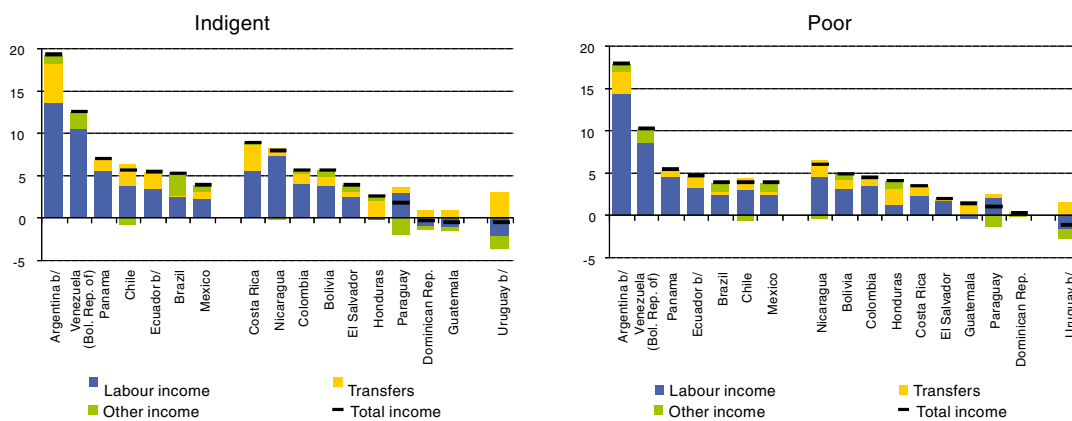
b/ Urban areas.

Nevertheless, even in the countries where the distribution effect was the predominant factor, the progress that was made would have been considerably less if it had not been supplemented by improvements in distribution. In fact, there are few countries where the increase in average income corresponds to more than three quarters of the reduction in poverty and indigence. This is the case in Colombia, Ecuador and Guatemala. In the other countries in which the growth effect has been predominant, the change in distribution accounts for between 30% and 40% of poverty reduction and for somewhat higher percentages in the case of the decline in indigence levels.

The variation in total household income may also be analysed on the basis of the change in the main sources of income, namely: labour income, government transfers, private transfers, capital income and other income. This analysis indicates that between 2002 and 2007, labour income accounted for most of the variation observed in the average household

income of lower-income groups. In particular, in the seven countries with the most significant poverty rate reductions, the increase in labour income accounts for approximately 77% of the growth in total income (69% in the case of indigent households). Labour income was also the most important factor in the variation in total per capita income of poor households in the other countries. In Bolivia, Colombia, Costa Rica, El Salvador, Nicaragua and Paraguay, no less than 65% of the change in total income stemmed from the increase in labour income. Guatemala and Honduras were the only countries in which, this source played a smaller part and, in Guatemala, the pattern of variation was actually the opposite of what it was in the case of the other sources (see figure 4).

Figure 4
LATIN AMERICA (17 COUNTRIES): ANNUAL INCREASE IN TOTAL INCOME PER PERSON AND CONTRIBUTION OF EACH SOURCE TO INCOME OF INDIGENT AND POOR HOUSEHOLDS, 2002-2007 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 relevant countries.

a/ Countries are grouped in three categories on the basis of poverty trends from 2002 to 2007: significant reduction, no change or significant increase.

b/ Urban areas.

The increase in wages was mainly attributable to an increase in labour income per employed person, in particular in the countries that reduced their poverty rates the most. In countries where there has not been any substantial decline in poverty levels, labour income per employed person has also had an impact, although in most cases it has been less of a factor than the net employment rate (number of employed persons over the number of economically active persons).

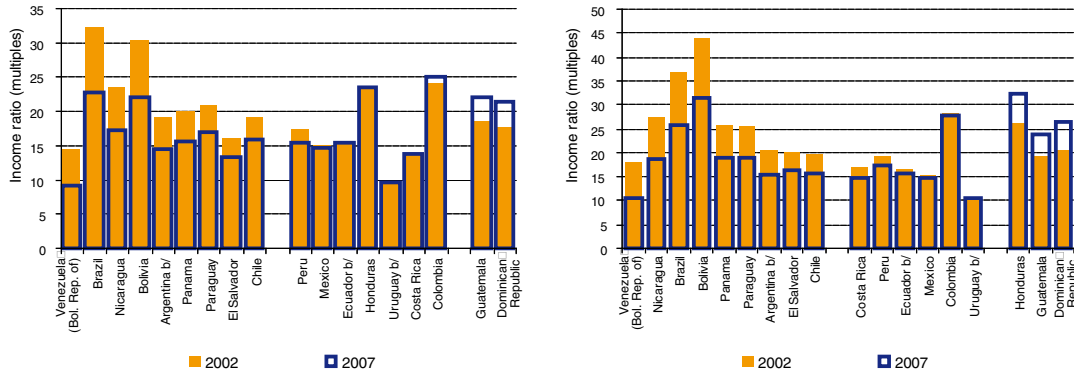
Recent changes in income distribution

Income distribution is still more unequal in Latin America than anywhere else in the world. Improving the distribution of income and other assets will therefore continue to be one of the most important tasks facing the region in the years ahead. The huge gaps between rich and poor that exist in the Latin American countries can be seen by comparing the ratios between the highest-income decile and the four lowest-income deciles and between the fifth quintile (i.e., the 20% of households at the upper end of the spectrum) and the first quintile. According to the first of these two indicators, average per capita income in the tenth decile is about 17 times higher than among the poorest 40% of households. This ratio varies considerably from one country to another, from 9-to-1 in the Bolivarian Republic of Venezuela and Uruguay, to 25-to-1 in Colombia. Per capita income in the richest quintile is on average 20 times higher than it is for the poorest quintile and ranges from 10 times higher in Uruguay to 33 times higher in Honduras.

Changes in the structure of income distribution between 2002 and 2007 reveal three clearly distinct situations. Nine countries (Argentina, Bolivarian Republic of Venezuela, Bolivia, Brazil, Chile, El Salvador, Nicaragua, Panama and Paraguay) have significantly narrowed the gap between the groups at the extreme ends of the spectrum, both by increasing the poorer groups' share of total income and by lowering that of the highest-income households. The most notable reductions in the two aforementioned indicators (36% and 41%, respectively) were recorded in the Bolivarian Republic of Venezuela. Significant improvements were also observed in Bolivia, Brazil and Nicaragua, where both indicators fell by about 30% (see figure 5). The second group consists of countries in which income distribution has remained relatively unchanged. These countries are Colombia, Costa Rica, Ecuador, Mexico, Peru and Uruguay. Although the income gap has tended to shrink in most of them, the variations have not been highly significant. Meanwhile, the income gap has widened between the richest and poorest segments of society in the Dominican Republic, Guatemala and Honduras.

Most of the improvements in income distribution were generated by changes in labour income. Higher wage income was in fact the main factor of income growth in the lowest quintile. This also applied to some extent in the highest quintile, where a small increase in wage income was partially or totally counteracted by decreases in other sources.

Figure 5
LATIN AMERICA (18 COUNTRIES): CHANGES IN THE INCOME GAP BETWEEN THE RICHEST AND POOREST GROUPS, 2002-2007 a/

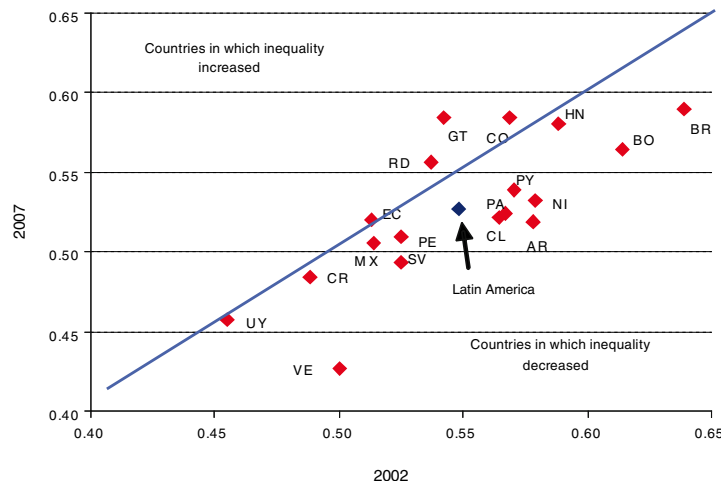


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of data from household surveys conducted in the relevant countries.

a/ Countries ordered by percentage variation in the indicator.
 b/ Urban areas.

Inequality in income distribution can also be measured using synthetic indices that sum up the situation of income distribution for the whole population in a single indicator.³ The inequality indicators for 2002-2007 corroborate the existence of an overall positive trend in income distribution. In the nine countries mentioned, each inequality indicator fell by at least 5%. Guatemala and the Dominican Republic are the countries in which income distribution worsened notably in the period in question (see figure 6).

Figure 6
LATIN AMERICA (18 COUNTRIES): GINI COEFFICIENT, 2002-2007



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

³ There are several synthetic indicators, such as the Gini, Theil and Atkinson indices, which differ in, among other things, the relative weight they assign to each aspect of income distribution. They are therefore useful in complementing one another.

A longer-term comparison of Gini indices reveals that current inequality levels are at their lowest since the beginning of the 1990s. Around 1990, the simple average of the Gini indices for the region's countries was 0.532. In 2007, this average, when calculated on a comparable basis in terms of countries and geographical areas, was 0.515. Nevertheless, this represents a decline of barely 3%, which can by no means be interpreted as a significant shift in income distribution patterns in the region.

Poverty and perceptions of inclusion and exclusion

The recent agreement between ECLAC and Corporación Latinobarómetro has made it possible to incorporate a long-overlooked element into the analysis, namely, people's perception of social inclusion and exclusion and how that perception is related to the assets they have.

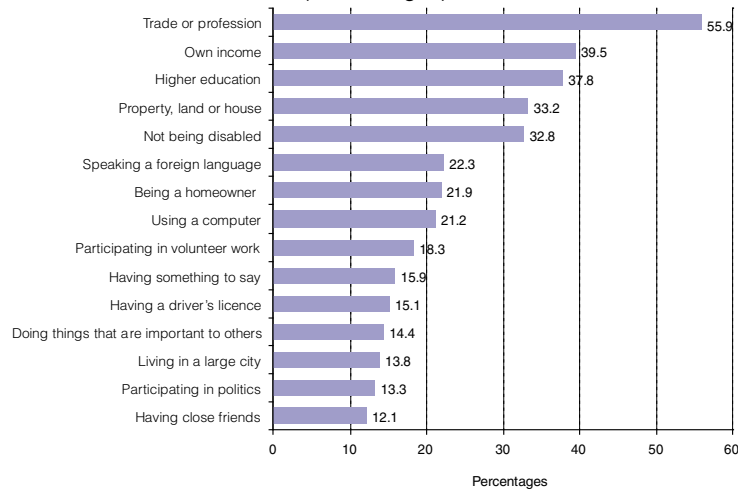
In Latin America, how the very poor (and the rest of the population, for that matter) perceive social inclusion reflects their aspirations for economic autonomy and material well-being and their desire to possess the essential skills needed to get ahead in a knowledge- and information-based society. In 18 countries in the region and across all socio-economic groups, the most frequently cited signs of inclusion are: having a trade or profession, having an income of one's own, owning property and having a post-secondary education. Also, for a large percentage of Latin Americans, and again without answers varying substantially from one socio-economic group to another, speaking a foreign language and knowing how to use a computer are viewed as skills that are necessary in today's society. A large proportion of people also maintain that not having a disability is essential for social inclusion (see figure 7).

Given that the poorest members of society lack most of the elements that contribute to social inclusion, it is not surprising that perceptions and sensations of exclusion are stronger among the poor than among the non-poor. Feelings of loneliness, impotence and disorientation are most common among Latin Americans who live in lower-income households and have lower levels of education. Feelings of exclusion are not linked solely to a lack of material assets, however. Belonging to an ethnic minority that is discriminated against, not participating in conventional institutions and suffering from social isolation are also associated with higher levels of perceived exclusion (see figure 8).

Feelings of exclusion do not substantially lower expectations of social mobility among the poor, however, because these are more closely linked to perceptions of the country's economic prospects. Latin Americans from poorer households who are pessimistic about the country's economic future have lower expectations (the standard of living they expect to attain) than aspirations (the standard of living they think they deserve), while poor people who are optimistic about the future of the economy have higher expectations than

aspirations. This suggests that the poorer segments of the population would respond positively to social policies that create opportunities for them.

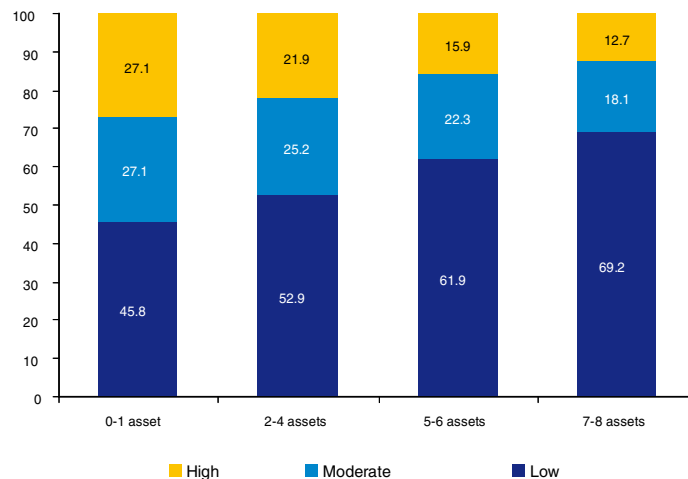
Figure 7
LATIN AMERICA (18 COUNTRIES): WHAT IS NEEDED TO FEEL PART OF SOCIETY, 2007 a/
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of the 2007 Latinobarómetro survey.

a/ The question asked was: "People can feel included or excluded in society. Which of the following do you think are necessary in order for you to feel part of the society in which you live?".

Figure 8
LATIN AMERICA (18 COUNTRIES): PERCEPTIONS AND FEELINGS OF EXCLUSION, BY HOUSEHOLD ASSETS, 2007 a/
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of the 2007 Latinobarómetro survey.

a/ The perceptions-of-exclusion index was constructed on the basis of people's agreement or disagreement with the following statements: "sometimes I feel I am a failure," "I have no influence over most problems," "often I feel alone" "sometimes you have to do things that aren't right in order to get on in life," and "life is so complicated that I don't think I will be able to get ahead."

EMPLOYMENT, POVERTY AND THE NEW TARGET OF THE FIRST MILLENNIUM DEVELOPMENT GOAL

The labour market is the main link between economic growth and poverty reduction. Job creation, increases in real wages (associated with higher productivity) and the coverage and characteristics of the social protection afforded to workers are the mechanisms through which growth is translated into better incomes and well-being for households with economically active members. A lack of access to quality employment, on the other hand, is a determining factor in poverty and social inequalities that are reproduced over time, as reflected in the stark and persistent income concentration existing in the region.

Overview of regional employment: structural problems and trends

Unemployment in Latin America remains high and, according to data from household surveys, is 2.4 percentage points higher than it was in 1990. However, during the period of sustained economic growth between 2002 and 2006, unemployment rates dropped in the vast majority of urban areas in the region's countries, following a widespread rise in unemployment during the 1990s (see table 3 and figure 9). The most dramatic reductions were observed in Argentina, Bolivarian Republic of Venezuela, Colombia, Panama and Uruguay, which had all experienced extremely high unemployment up to 2002.

Table 3
LATIN AMERICA (18 COUNTRIES): RATES OF UNEMPLOYMENT, PARTICIPATION, EMPLOYMENT, WAGE LABOUR AND INFORMAL EMPLOYMENT (BOTH SEXES AND MEN AND WOMEN), AROUND 1990, 2002 AND 2006 a/
 (Urban areas)

| | Both sexes | | | Women | | | Men | | |
|-----------------------------|------------|------|------|-------|------|------|------|------|------|
| | 1990 | 2002 | 2006 | 1990 | 2002 | 2006 | 1990 | 2002 | 2006 |
| Unemployment rate b/ | 6.2 | 10.5 | 8.6 | 6.9 | 12.5 | 10.4 | 5.8 | 9.1 | 7.1 |
| Participation rate | 60.3 | 64.4 | 65.8 | 43.0 | 51.4 | 54.2 | 79.8 | 78.9 | 78.9 |
| Employment rate | 56.6 | 57.6 | 60.2 | 40.0 | 45.0 | 48.6 | 75.2 | 71.8 | 73.3 |
| Wage labour rate | 67.5 | 66.3 | 67.4 | 63.9 | 67.6 | 68.2 | 69.7 | 65.4 | 66.8 |
| Informal employment rate c/ | 48.5 | 47.2 | 44.9 | 54.5 | 52.6 | 50.7 | 45.0 | 43.5 | 40.5 |

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

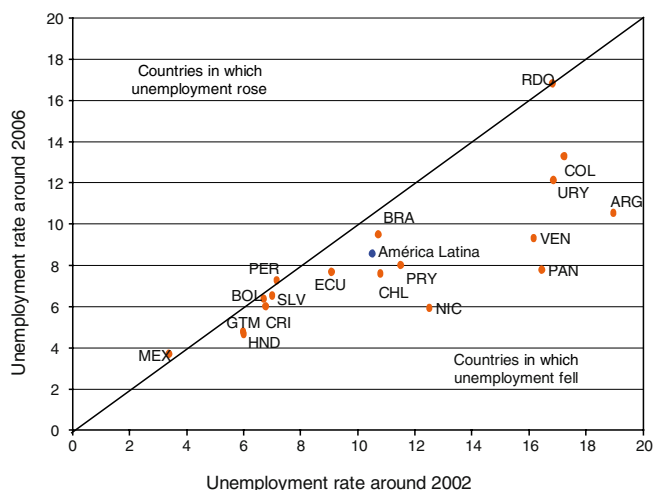
^a Weighted average.

^b Unemployment rates derived from household surveys in Colombia, Dominican Republic and Panama include hidden unemployment.

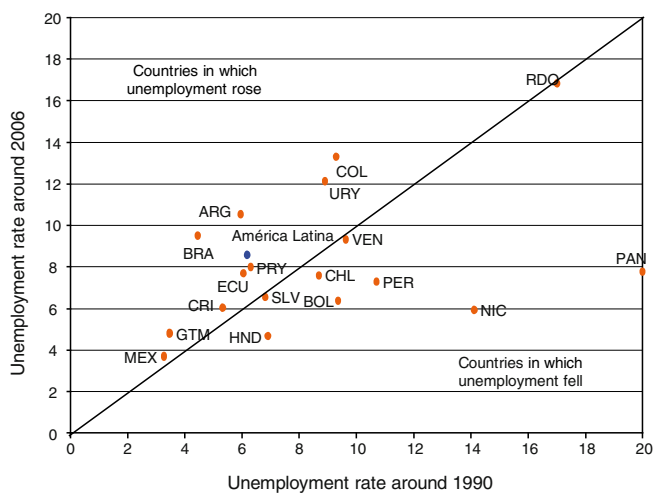
^c Percentage of people employed in low-productivity sectors. The weighted average does not include Colombia.

Figure 9
LATIN AMERICA (18 COUNTRIES): TRENDS IN UNEMPLOYMENT RATES AMONG PEOPLE AGED 15 AND ABOVE, URBAN AREAS, 2002-2006 AND 1990-2006 a/
 (Percentages)

A. 2002-2006



B. 1990-2006

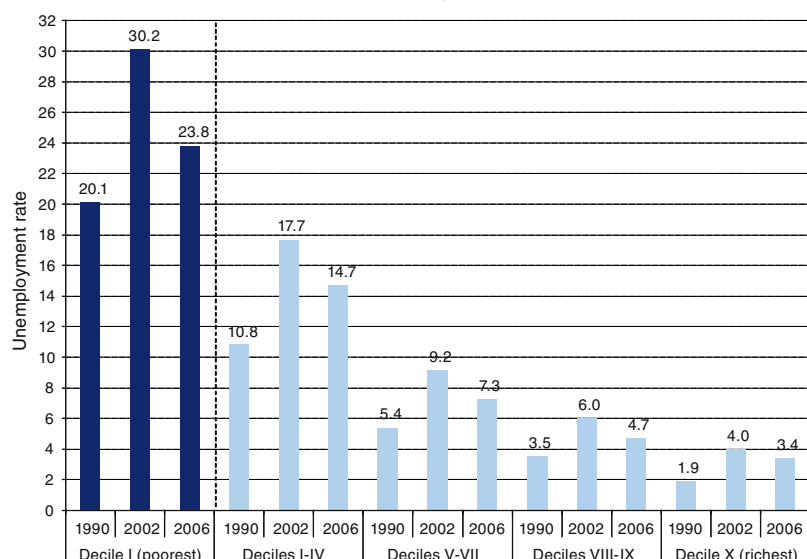


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of data from household surveys conducted in the relevant countries.

a/ The regional total is a weighted average. The figures for Argentina refer to Greater Buenos Aires, for Bolivia to the eight main cities plus El Alto, for Paraguay to Asunción and the Central Department, and for the Bolivarian Republic of Venezuela to the national total. Unemployment rates derived from household surveys in Colombia, Dominican Republic and Panama include hidden unemployment. The regional figure does not include Nicaragua because no information on that country was available for 2006.

The region's labour markets continue to exhibit structural problems in terms of equity, as is reflected in the fact that unemployment rates are higher among women, young people and the poor (see figure 10). Although unemployment rates in the poorest decile of households fell from 30.2% to 23.8% in 2002-2006, the gap between that and the wealthiest decile is still over 20 percentage points. The reduction in urban unemployment has not narrowed the gaps between men and women, as unemployment rates remain higher among women. Although youth unemployment declined significantly between 2002 and 2006, it is nonetheless higher than in other age groups and also exceeds the level recorded in 1990.

Figure 10
LATIN AMERICA (18 COUNTRIES): UNEMPLOYMENT RATES AMONG PEOPLE AGED 15 AND ABOVE, URBAN AREAS, 1990, 2002 AND 2006, BY INCOME DECILE 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 relevant countries.

a/ Weighted average. The data for 2006 do not include Nicaragua. Data on the Bolivarian Republic of Venezuela are nationwide figures. Unemployment rates derived from household surveys in Colombia, Dominican Republic and Panama include hidden unemployment.

The labour participation rate is continuing to rise in the region, thanks to the growing incorporation of women into the labour market. The participation rate for women climbed from 51.4% to 54.2% between 2002 y 2006, while the rate for men remained stable at 78.9%. During the period 1990-2006, the participation rate for women increased by 11 percentage points, while the rate for men dropped by almost one percentage point. However, the male participation rate is 25 percentage points higher than the rate for women (see table 3). In this regard, cultural factors related to the division of labour in the household are still a determining factor, especially in the poorest strata: around 2005, the participation rate for women in the poorest decile of Latin American society was 37%, compared with 76% for men.

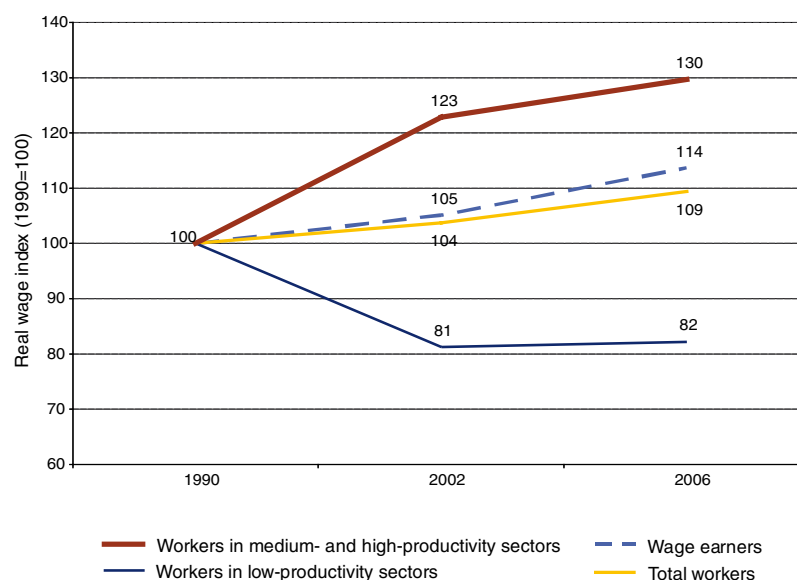
Precarious employment in the region has a high correlation with low-productivity employment, which also tends to be of low quality with limited job security, low wages and lack of access to social security systems. The percentage of informal workers in urban areas dropped from 47.2% to 44.9% between 2002 and 2006 (the trend has been fairly positive since the early 1990s, when the figure was 48.5%). In all the countries except Chile, 40% or more of those who work are own-account workers or domestic workers or are employed in low-productivity and low-income micro- or small enterprises. Of particular concern is the high proportion of women in urban areas who work in low-productivity sectors (50.7%) compared with men (40.5%).

Another indicator to be considered when analysing the quality of employment is the proportion of wage earners among the total number of workers, as shortfalls in this area encourage own-account work but also result in less competitive sectors becoming part of the informal sector (which has a particularly strong impact on contractual relations). In the period 2002-2006, wage labour in urban areas increased by one percentage point to 67.4%, which is higher than the level observed in the early 1990s (see table 3).

Income from employment is another aspect of job quality that is vital for poverty reduction. Variations in this category of income are linked to the behaviour of human capital and patterns of productivity, the competitiveness of the sectors providing employment, and the level of protection and the negotiating power of workers (which in turn is related to factors such as the degree of unionization and the possibility of collective bargaining). According to household surveys, the labour income of workers in urban areas increased slightly in real terms in 2002-2006, with the regional average rising from US\$ 377 to US\$ 397 per month at 2000 prices (an annual increase of 1.3%). Monthly wages increased at a faster rate (annual growth of 2.0%), climbing from US\$ 350 to US\$ 378 at 2000 prices.⁴ These increases are not in line with the growth of per capita GDP in the region for the same period, which was around 3.3% per year. This is partly because the monthly labour income of urban workers in low-productivity sectors fell from US\$ 345 to US\$ 283 at 2000 prices between 1990 and 2006, widening the gap with formal-sector workers, whose incomes averaged US\$ 493 in 2006 (see figure 11).

⁴ A recent report by the International Labour Organization (ILO) states that, between 1995 and 2006, trends in real wages in 11 of the region's countries had been fairly unsatisfactory, increasing in some cases and falling in others: in Argentina, Brazil, Panama, Paraguay and Uruguay wages declined to varying degrees, while in the Bolivarian Republic of Venezuela, Chile, Costa Rica, Mexico and Peru there were slight increases. Honduras was the only country to post significant wage increases in the period of the study (see ILO, *Evolución de los salarios en América Latina 1995-2006*, Santiago, Chile, October 2008).

Figure 11
LATIN AMERICA (18 COUNTRIES): TRENDS IN REAL WAGES, URBAN AREAS, AROUND 1990, 2002 AND 2006 a/



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

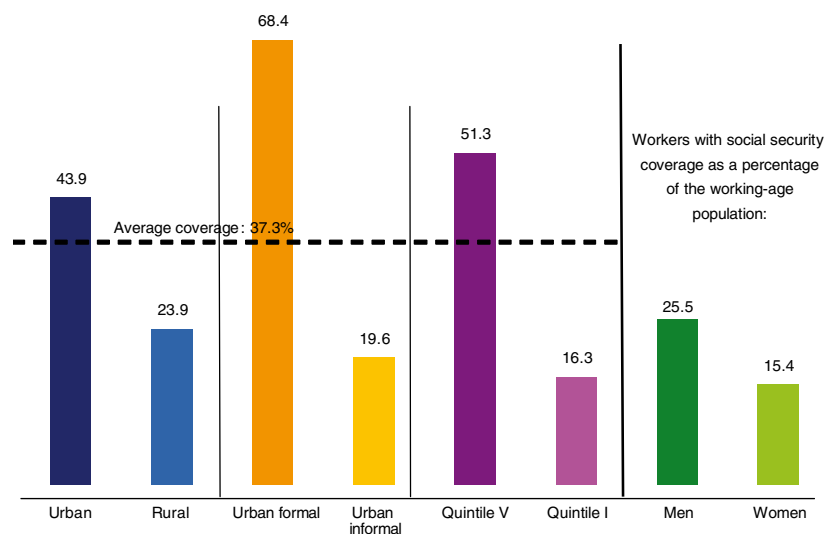
a/ Some of the years falling between the periods considered above, wage levels have fallen as a result of various crises.

Around 2006, 37% of workers nationwide and 44% of those in urban areas reported that they were paying contributions to social security systems, and these figures have been fairly stable since 2002. These averages nonetheless conceal major differences among countries. In Bolivia, Ecuador, Guatemala, Honduras, Nicaragua, Paraguay and Peru, a third or less of urban workers were contributing to social security systems, while in Chile and Costa Rica, coverage was above two thirds of all workers. These data clearly show that the region's labour markets have not fulfilled their role of providing universal access to social protection systems. The situation is particularly difficult in rural areas and for informal workers, although this is not to say that urban workers in formal employment automatically enjoy protection. Furthermore, although rates of contributing workers are similar among men and women, a significant gender gap is revealed when the total working-age population is included (rather than just the employed): only 15% of women are members of social security systems, compared with 25% of men (see figure 12).

The low coverage rate of social protection systems in the region's countries is a factor that is largely determined by the level of formality of their labour markets. It is therefore vital to implement policies that create formal jobs for workers who are supporting dependents but have no access to social protection systems. In Latin American countries, the nature of the challenges inherent in introducing such policies depends on the stage of maturity of the labour market (which determines the number of workers funding

contributory social protection) and the country's stage of demographic transition (which dictates the level and structure of dependency).

Figure 12
LATIN AMERICA (16 COUNTRIES): WORKERS ^{a/} COVERED BY THE SOCIAL SECURITY SYSTEM, AROUND 2006
 (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 relevant countries.

a/ Employed workers aged 15 and above who declared labour income. The figure corresponds to wage earners in general in Argentina and the Bolivarian Republic of Venezuela. Simple average.

The new employment target of the first Millennium Development Goal

Employment is a human right that plays a fundamental role in social integration, in having a meaningful personal life and in opportunities to participate actively in society. At the same time, employment is also the engine driving material progress in Latin American households, as labour earnings are the main source of monetary income.⁵ The importance of employment and the close link between the labour market and improvements in people's levels of well-being have recently been recognized by the United Nations as a new target of the Millennium Development Goals (target 1.B): "to achieve full and productive employment and decent work for all, including women and young people". The target was adopted in 2008 and has been included in the first Millennium Development Goal: "to eradicate extreme poverty and hunger". Although

⁵ Around 2006, 79% of total household income in urban areas of Latin America came from the participation of members of the household in the labour market.

this is not a quantitative target with levels to be reached by a certain date, the message for the region's countries is clear: efforts should be focused on improving the functioning of the labour market in order to generate quality employment, as this represents the main means of reducing poverty and inequality.

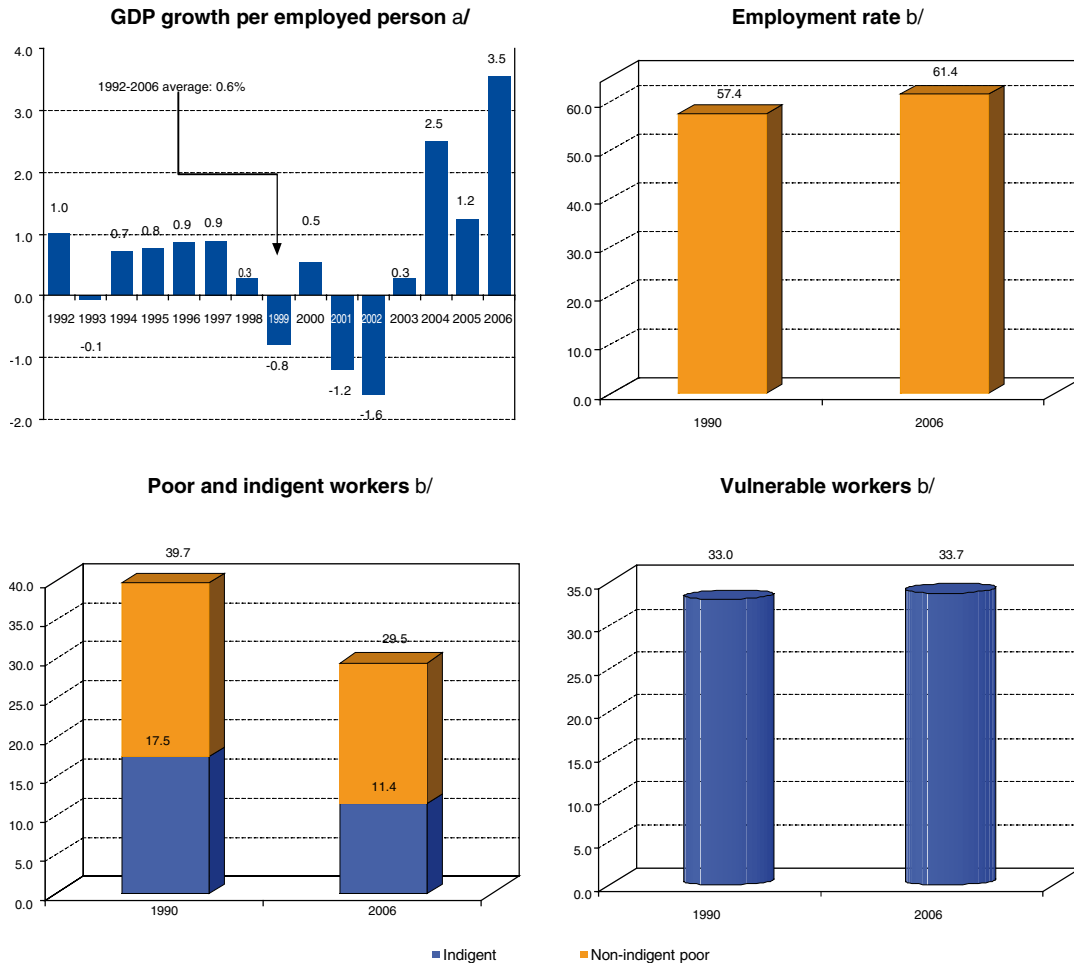
Measuring complex concepts such as full and productive employment and decent work as part of the new target is a major challenge. There are four official indicators to be used to monitor the new employment target, with two focusing on income as a part of decent work:

- 1.4 Growth rate of GDP per person employed
- 1.5 Employment-to-population ratio
- 1.6 Proportion of employed people living on less than US\$ 1 (PPP) per day
- 1.7 Own-account and contributing family workers as a proportion of total employment

Between 1990 and 2006, the regional trends for three of the four indicators were positive: labour productivity and the employment rate increased, while poverty among the employed fell. However, the vulnerability of workers (measured as the proportion of the employed who are own-account workers and unpaid family workers) remained stable (see figure 13).

Productive employment is one of the elements that make up the concept of decent work, and it is a fundamental factor in poverty reduction. The first indicator for monitoring the new employment target of the first Millennium Development Goal is therefore the growth rate of GDP per person employed, which can be used to assess whether the country's economic conditions are able to generate and sustain opportunities for decent work with fair and equitable wages. Countries that successfully increase productivity are expected to see lower poverty, and this correlation will be even more apparent in countries with more equitable income distribution, where the impact of increased production should reach low-income groups more quickly. In Latin America, however, the slow growth of labour productivity since the beginning of the 1990s has failed to contribute to the reduction of extreme poverty. Between 1992 and 2006, value added per job grew at an annual average rate of 0.6% for the 18 countries of Latin America.

Figure 13
LATIN AMERICA: TRENDS IN INDICATORS USED FOR MONITORING THE NEW EMPLOYMENT TARGET OF THE FIRST MILLENNIUM DEVELOPMENT GOAL, 1992-2006, 1990 AND 2006
 (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 relevant countries, and United Nations, Millennium Goals Indicators [online] <http://mdgs.un.org/unsd/mdg/>.

a/ Simple average.
 b/ Weighted average.

The link between increased productivity and poverty reduction is even stronger when the productivity gain goes hand in hand with job creation. The second indicator for monitoring target 1.B is therefore the employment rate, defined as the proportion of the working-age population that is employed. This measures both labour-market participation and the economy's capacity to absorb the workforce.

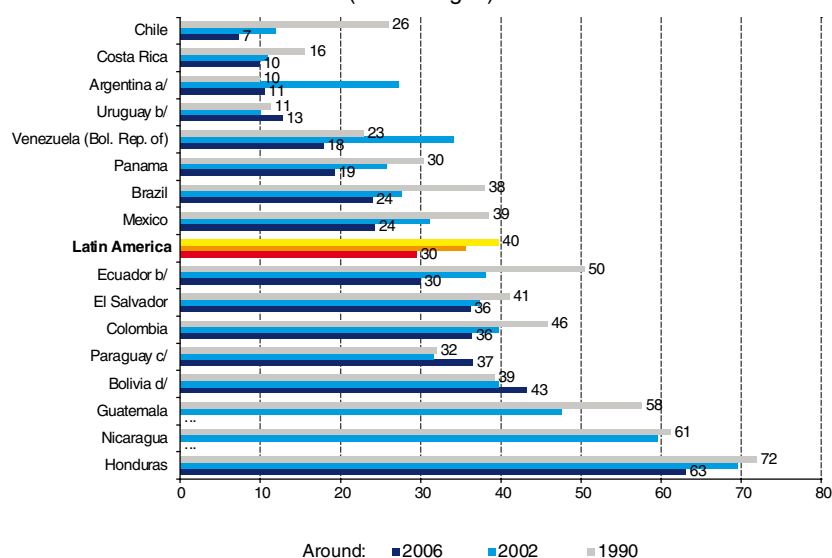
The employment rate in Latin America rose between 1990 and 2006, mainly because of women entering the labour market. During this period, employment rates fell among men and edged up slightly among young people. The latter was the net effect of two contrasting phenomena: fewer employed people among the male population and higher employment rates among young women.

The proportion of employed people living on less than US\$ 1 (PPP) per day reflects a key element of the lack of decent work worldwide: if workers do not generate enough income to pull themselves and their families out of extreme poverty, their jobs can hardly be called “decent”. In Latin America and the Caribbean, the percentage of employed people living on less than US\$ 1 per day fell by just over three percentage points, from 11.6% in 1997 to 8.0% in 2007.

Based on the method traditionally utilized by ECLAC, indigence and poverty rates for employed persons were calculated using individual poverty lines for each country. These calculations show that large groups of workers are still poor: in Chile and in Honduras, between 7% and 63% of workers live in poverty, and between 1% and 40%, respectively, are indigent. The regional trend was positive between 1990 and 2006, with the percentage of poor workers falling from 39.7% to 29.5% and the percentage of indigent workers dropping from 17.5% to 11.4%. In most countries the percentage of poor workers fell throughout the period: there was a reduction of 18 percentage points in Chile and a drop of 14 percentage points in Brazil and Mexico. The exceptions were Argentina and Uruguay, where poverty among the employed increased slightly, and Bolivia and Paraguay, where the poverty rate for workers rose by around four percentage points (see figure 14).

The proportion of own-account and family workers within the total employed population can be a useful means of identifying persons in a vulnerable employment situation, as workers in these categories are less likely to have access to social protection. Vulnerable workers have no social protection system or safety net to protect them when labour demand is slack, and they are often unable to save enough money to see themselves through such situations so that they can avoid slipping below the poverty line. The percentage of vulnerable workers in Latin America rose from 33.0% in 1990 to 33.7% in 2006 (the rate increased to 35.0% between 1990 and 2002 but subsequently fell). Vulnerable forms of employment increased among both men and women. In most Latin American countries (the exceptions are Brazil, Chile, Colombia, Panama and Uruguay), the percentage of own-account and unpaid family workers is higher among women than among men. As with other indicators, national averages conceal sharp geographical differences: in rural areas (where own-account and unpaid family workers tend to account for over 50% of the employed), vulnerable workers are much more common than in urban areas (where around 30% of workers are vulnerable).

Figure 14
LATIN AMERICA (16 COUNTRIES): POVERTY RATE AMONG THE EMPLOYED, NATIONWIDE TOTALS, AROUND 1990, 2002 AND 2006
 (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 relevant countries.

a/ Greater Buenos Aires.

b/ Urban areas.

c/ Asunción and the Central Department.

d/ Eight major cities plus El Alto.

To monitor the employment target at the regional level, it may also be useful to quantify the relative significance of the three main factors associated with increases in per capita household income (the first two of which are directly related to target 1.B): the number of employed people in relation to the total number of household members (or “overall employment rate”), labour income per employed person (representing labour productivity) and income from non-labour sources. This methodology shows that the way in which growth leads to changes in the monetary resources of members of poor households depends on the quantity and quality of jobs created, increases in wage and non-wage income, and transfers of resources from the State through social programmes.

The results are summarized in table 4, which shows that between 1990 and 2006 the main factors behind increases in per capita income in indigent households were the proportion of total household members who are employed and non-labour income.⁶ Since 1990, labour income per employed person (which is related to productivity) increased in indigent households only in Brazil, Chile and the urban areas of Ecuador, while it fell or remained unchanged in the other countries. This is due to the poor performance of the labour

⁶ Changes in these two factors, as well as in labour income per worker, refer to deciles that were below the indigence line at the beginning of the period.

market in 1990-2002, when the average pay levels of wage earners and independent (own-account) workers in indigent households either fell or remained constant in all countries except Brazil.

Table 4
LATIN AMERICA (16 COUNTRIES): TRENDS IN THE OVERALL EMPLOYMENT RATE, LABOUR INCOME PER WORKER (PRODUCTIVITY) AND NON-LABOUR INCOME IN DECILES THAT INCLUDE INDIGENT HOUSEHOLDS, AROUND 1990-2006

| Countries a/ | Indigence in around 1990 b/ | Overall employment rate c/ | Labour income per worker d/ | Non-labour income e/ | Indigence in around 2006 b/ |
|--------------------------|-----------------------------|----------------------------|-----------------------------|----------------------|-----------------------------|
| Chile | 12.9 | + | + | + | 3.2 |
| Brazil | 23.3 | + | ++ | ++ | 9.0 |
| Ecuador f/ | 26.0 | + | ++ | + | 12.8 |
| Mexico | 18.6 | ++ | - | + | 8.7 |
| Panama | 19.2 | + | =/+ | + | 11.7 |
| Guatemala | 43.4 | ++ | - | ++ | 31.5 |
| Costa Rica | 9.8 | =/+ | =/+ | + | 7.2 |
| Colombia | 25.8 | =/+ | =/+ | + | 20.2 |
| El Salvador | 21.6 | + | -- | ++ | 19.0 |
| Bolivia f/ | 22.8 | ++ | - | =/+ | 18.5 |
| Honduras | 60.6 | ++ | -- | ++ | 49.2 |
| Venezuela (Bol. Rep. of) | 14.6 | ++ | =/+ | - | 9.9 |
| Paraguay g/ | 12.7 | =/+ | - | + | 15.2 |
| Uruguay f/ | 3.4 | =/+ | - | + | 4.2 |
| Argentina g/ | 5.2 | + | -- | + | 6.7 |
| Dominican Republic | 14.8 | + | -- | - | 22.0 |

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

Note:

- ++ Significant advance
- + Advance
- =/+ Unchanged / advances and declines
- Decline
- Significant decline

a/ Countries are shown in order of the annual reduction in indigence, estimated on the basis of the following formula: $ARI = ((FP-IP) / IP) * 100 / y$, where ARI = annual reduction in indigence, FP = final percentage of indigence, IP = initial percentage of indigence and y = number of years in the period.

b/ These percentages may not correspond to those appearing in the Social Panorama of Latin America, 2007 owing to a different treatment of domestic service. For Guatemala, adjustments were made in the way the data were processed in order to adjust for the lack of measurements that included the population under the age of 10 in 1989 and the age of 7 in 2002. Due to issues related to the years in which surveys were carried out, 1990 and 2006 are not included in the poverty figures of all countries.

c/ Number of employed persons relative to total household members.

d/ Labour income per employed person (productivity).

e/ Non-labour income relative to total household members.

f/ Urban areas.

g/ Metropolitan area.

With few exceptions, overall employment rates helped to raise the per capita incomes of indigent households. Rising employment cannot, however, be interpreted as being entirely attributable to a growing capacity for job creation in the region's economies. The increase is also partly a result of falling total fertility rates and the tendency to form smaller families, which have both reduced the number of members (the denominator of the overall employment rate) in households with low per capita incomes. Furthermore, changes in the age structure of the population have increased the proportion of working-age people in households, while the growing incorporation of women into the labour market has raised the average number of workers per household (the numerator of the rate).

Employment situation of young people and women

The recommendation made at the World Summit in 2005 to explicitly include an employment target in the first Millennium Development Goal is based on a recognition of the fact that employment is one of the main mechanisms for accessing well-being and for overcoming poverty and the associated deprivation. The fact that the recommendation emphasizes the importance of monitoring employment indicators, especially among young people and women, is an acknowledgement of the valuable economic and productive contribution that both groups make to society and of their disadvantageous position in this regard. Young people and women have particular difficulty in obtaining employment and are vulnerable to various forms of discrimination which may make it more likely that they will end up in low-quality and low-paid jobs.

Labour participation of young people and women

Between 1990 and 2006, labour-market participation among people between 15 and 29 years of age rose slowly but steadily from 59.4% to 62.8%. This was the result of two major trends: a slight reduction in the participation of young men and a strong increase in that of young women (mainly those aged 20 and above). The first was mainly attributable to the expansion of education systems and higher retention rates among younger students. The second trend reflects the gradually increasing participation of women in the labour market, which in the period under consideration rose from 40.7% to 53.2% in the region as a whole.

Furthermore, unemployment rates among young people are usually high and often increase dramatically in times of crisis as they move into the labour market to supplement household income (see figure 15.A). In 2006, the youth employment rate was around 12.9%.

Unemployment rates are highest among the poorest young people. Around 2005, the average unemployment rate among young people in the lowest per capita income quintile was just over 24%, while the rate dropped to 6.6% for young people in the top quintile.

Another of the most striking disparities in terms of unemployment among young people is the difference between the rates for males and females. Gender is clearly still a criterion that influences which people are selected for jobs, and this is a factor that affects women throughout their productive life cycle: in 2006, the overall unemployment rate for women (9.4%) was 56% higher than it was for men. High rates of youth unemployment are largely attributable to the higher jobless rates for young women.

The position of young people and women in the labour market

Young people tend to have lower-quality jobs than adults, and women's jobs tend to be of lower quality than those of men. A larger proportion of the members of both groups work in low-productivity sectors, in low-paying jobs in which working conditions are poor and which often do not provide health-care or social security benefits.

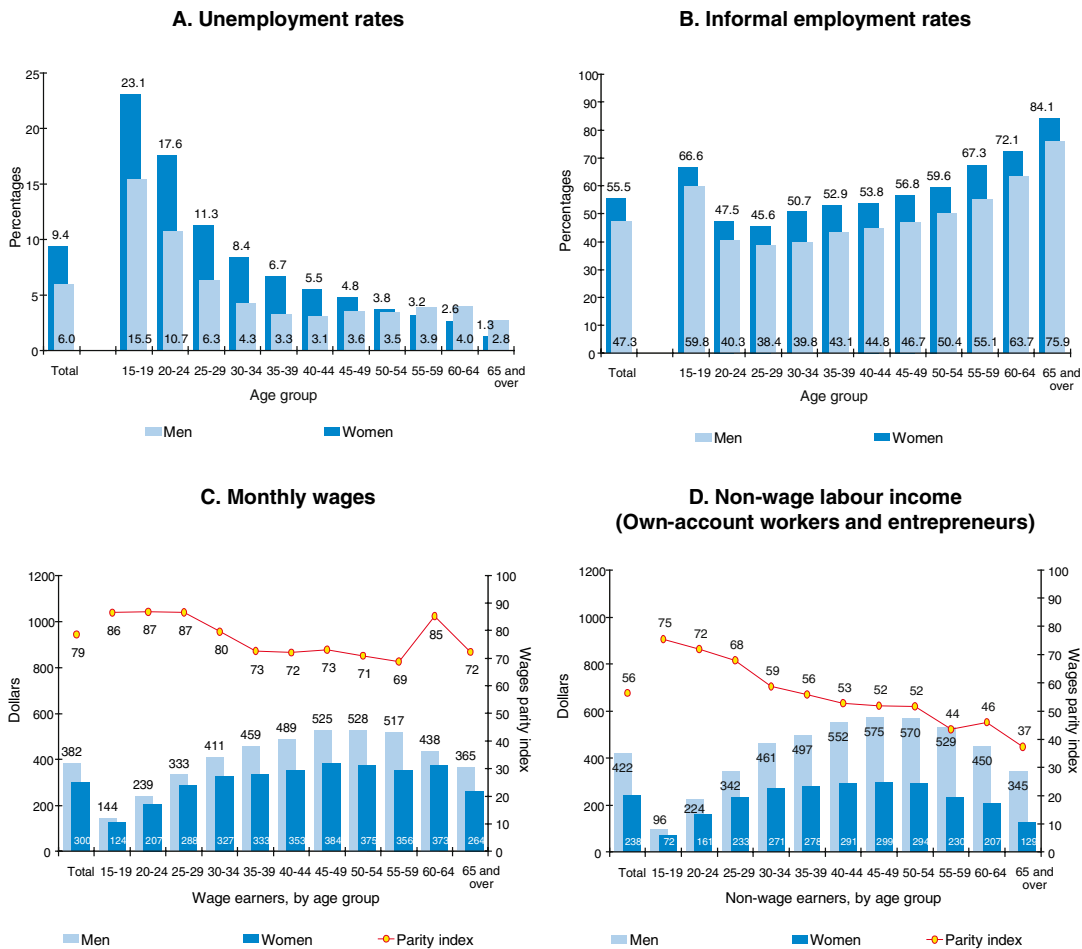
The proportion of own-account workers among young people has remained stable at around one in four. Among women, the proportion increased slightly from 34.1% to 35.9%, even during the post-2002 recovery.

Despite these trends, employment in low-productivity sectors dipped somewhat between 1990 and 2006 among both men and women and both young people and adults. Around 2006, half of Latin American workers (51%), or almost 67 million people, were employed in low-productivity sectors. A higher proportion of women are employed in low-productivity sectors throughout their lifetimes (see figure 15.B).

There has been a significant deterioration in the situation with regard to social protection. Informal hiring and the use of atypical contracting procedures that do not include social security and health benefits have become more widespread in the region's countries. Young people are particularly subject to such practices: between 1990 and 2006, the proportion of wage earners between the ages of 15 and 29 who had social security coverage fell from 61% to 53%. Women's situation has deteriorated the most, as the percentage of social security coverage among female wage earners dropped from 74% to 62%.

There have, however, been some regional improvements in terms of labour income. These improvements have benefited young people to a certain degree, as their labour incomes rose by 21.4% (compared with 19.4% among adults). Women's incomes have increased by more than men's, especially among non-wage workers (the increase in this group's labour income was 38%). This has slightly narrowed the wide wage and income gaps between young people and adults and also (to a somewhat greater extent) between men and women. This having been said, the gaps are still substantial: among wage earners, the gender difference in employment rates is as much as 21%, and this increases with age, as does the income gap (see figure 15.C); among non-wage workers, the differences are even larger (44%) and become even greater among older age groups (see figure 15.D).

Figure 15
LATIN AMERICA (18 COUNTRIES): RATES OF UNEMPLOYMENT AND INFORMAL EMPLOYMENT, BY AGE GROUP AND SEX; LABOUR INCOME, BY AGE GROUP, SEX AND LABOUR CATEGORY; AND GENDER PARITY INDEX, NATIONAL TOTAL, AROUND 2006 a/
 (Percentages, dollars at 2000 prices and ratio of women's to men's incomes)



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

a/ Weighted average of countries at the national level. The figures for Argentina correspond to Greater Buenos Aires, for Bolivia to eight major cities plus El Alto, for Ecuador and Uruguay to urban areas and for Paraguay to Asunción and the Central Department. Does not include Colombia.

In conclusion, an improvement in the quality of the jobs held by a large portion of the workforce, especially its poorest members, is imperative. This will entail providing sufficient wages, stable contracts, safe working conditions, access to health care and social security coverage. Achieving full and productive employment and decent work in the countries of Latin America is key to reducing poverty and income inequality, whose roots lie in the way in which the labour market operates.

THE DEMOGRAPHIC DIVIDEND: AN OPPORTUNITY TO IMPROVE COVERAGE AND PROGRESSION RATES IN SECONDARY EDUCATION

Demographic transitions represent important turning points in terms of development opportunities. While they do not create such opportunities, they clearly do influence them and pose challenges for their realization. It is therefore important to consider the timing of demographic transitions in the region and the ways in which they can be taken advantage of in order to maximize the impact of investment and social expenditure. All the countries of Latin America are now going through a favourable stage known as the “demographic bonus” or “demographic dividend”, in which the proportion of people in the potentially productive age bracket grows steadily relative to the number of people of potentially inactive ages (children and older persons). Owing to the unevenness of demographic change, however, this window of opportunity is beginning to close for some countries whereas in others it has just begun to open up.

The benefits associated with this period do not accrue automatically. They are subject to the adoption of macroeconomic policies that will encourage productive investment, increase employment opportunities and promote a stable social and economic environment conducive to sustained development. In particular, they require major investments in human capital, especially in the education of young people, to increase their productivity and thereby strengthen the positive effects of the demographic dividend.

A positive demographic impact on the education sector is already apparent in most of the countries. In the coming decades, not only will demand for primary education continue to decline, but so will demand for secondary education, relatively at first, but subsequently in absolute terms. During this period, governments will have the opportunity to pursue ambitious goals for increasing coverage and quality in secondary education.

Generating more opportunities for young people, as well as investing in their education and health and in the creation of productive jobs, during the period corresponding to the demographic dividend will constitute a unique opportunity to prepare for the future. This is because the fruits of such investments are essential for achieving the savings and productive leaps forward needed for dealing with the exponential increase in costs which will accompany society’s inexorable ageing. In particular, the demographic bonus opens up an opportunity for moving towards universal coverage for secondary education in conjunction with on-time progression. While this achievement depends mostly on countries’ efforts as regards investments and the quality of policies, the demographic dividend undeniably boosts the impact of those efforts, as will be discussed in the present section.

The countries of Latin America are at differing stages in the demographic transition, given their varying fertility rates and life expectancy. Despite those differences, Latin America in general is experiencing demographic transition dynamics at higher rates than those experienced in the past by the industrialized countries. In other words, changes in the age structure of the population, especially ageing, are occurring more quickly in Latin America than they did in the industrialized countries.

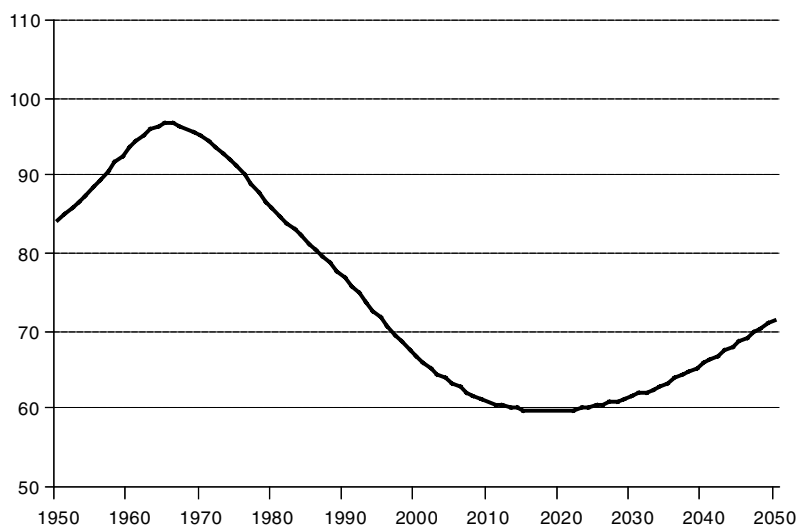
During the initial stage of demographic transition —during which mortality, especially among children, has fallen but fertility remains high— the region's population remained very young and even became somewhat younger as a result of the growing proportion of children. Beginning in the mid-1960s, the continuing fall in fertility and a sustained rise in life expectancy led to the start of a gradual ageing of the population as the more numerous generations progressed through the life cycle.

Since people's economic behaviour depends on the stage they have reached in the life cycle, changes in the age structure tend to have a major impact on economic development. This is reflected in trends in the dependency ratio, which relates the numbers of people in potentially inactive age groups (under 15 years and over 60 years) to the population in potentially active age groups (15-59 years).

The average dependency ratio in Latin America is estimated to have risen in the period between 1950 and the mid-1960s owing to the relative increase in the child population; subsequently, it began to decline steadily as fertility rates fell. This marked the beginning of the demographic dividend. The dependency ratio (i.e., the ratio of members of potentially inactive age groups relative to members of potentially active ones) is projected to continue falling until about 2020, when it will begin to rise slowly as a result of the relative increase in the older population (see figure 16).

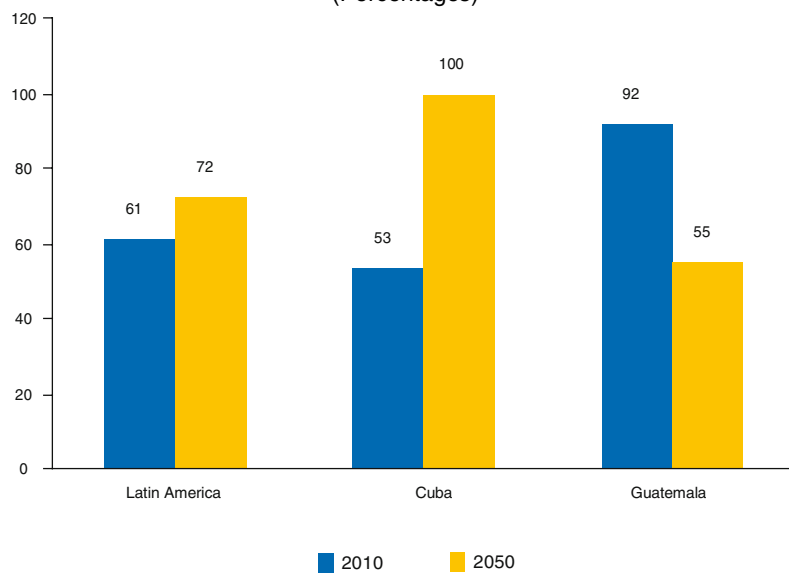
While the Latin American countries generally match this model in formal terms, the rates of change that they are experiencing vary considerably. The dependency ratio shows a downward trend in the countries which are the farthest back in the transition process, but a clear uptrend in those which are farthest ahead. A comparison of the extreme cases of Cuba and Guatemala clearly reflects the diversity of demographic situations in the region. As figure 17 shows, Cuba's dependency ratio is expected to practically double by 2050 (from 53 to 100 inactive persons per 100 active persons), but in Guatemala the ratio is expected to be nearly halved.

Figure 16
LATIN AMERICA: DEPENDENCY RATIO, 1950-2050
 (Percentages)



Source: Latin American and Caribbean Demographic Centre (CELADE) - Population Division of ECLAC, population estimates and projections, 2007.

Figure 17
LATIN AMERICA, CUBA AND GUATEMALA: DEPENDENCY RATIO, 2010 AND 2050
 (Percentages)



Source: Latin American and Caribbean Demographic Centre (CELADE) - Population Division of ECLAC, population estimates and projections, 2007.

On average, the Latin American population is currently in the second —the most favourable— stage of the demographic transition, in which the dependency ratio tends to be relatively low and continues to fall.⁷ While the countries of the region show little difference as regards the onset of the demographic dividend, the extent and duration of its different phases vary significantly.

Generally speaking, the countries which are most advanced in the demographic transition have a shorter dividend period left than countries that are further behind in the process. In Cuba and Chile, for example, the dividend is expected to end some time in the first quarter of this century, but it should last until 2062 in Bolivia and 2069 in Guatemala.

Although the duration and magnitude of the demographic dividend vary greatly among the Latin American countries, trends for the secondary-school age group through the various stages of the demographic dividend tend to follow a similar pattern in all of the countries. This population generally increases considerably during the initial stage of the dividend, as large groups of children move into adolescence. This leads to a series of demands on public policy, especially in terms of providing quality secondary education and creating enough jobs to make good use of a growing supply of increasingly well educated and trained labour.

As countries move through the period of the dividend, the secondary-school age group stabilizes and then begins to decrease, first in relative and later in absolute terms, which provides a unique opportunity to extend coverage and improve the quality of schooling provided at the secondary level. This increases the amount of possible investment per secondary-school pupil, as pressure on public spending from the older population is still relatively low because this group has yet to reach its highest rate of expansion.

Although the downward trend in the secondary-school-age population will tend to continue beyond the period of the dividend in all countries, by this point the situation will be less propitious for investment in education because the process of population ageing will have increased demand for public spending in other areas, such as health care and pensions.

Given the current economic, social and demographic conditions in Latin America, the countries of the region should focus their efforts on achieving significant advances in

⁷ There is no exact measurement of the beginning and ending points of the demographic dividend, and its definition in terms of the dependency ratio may vary. In this study, the period corresponding to the demographic dividend has been subdivided into three phases. In the first of these phases, the dependency ratio declines but is still fairly high (above 2:3, i.e., two dependents for every three persons in economically active age groups). In the second, the dependency ratio falls below 2:3 and continues to decrease. In the third and final phase, the dependency ratio begins to rise as the proportion of older persons increases, but is still below 2:3.

secondary education, since the demographic dividend offers an opportunity for governments to adopt increasingly ambitious targets for that level of education.

Such efforts are essential for development in a number of ways. First, because completion of secondary education marks a crucial threshold as regards rates of return on education and future working careers, it will enable large groups of people to escape from poverty or to avoid lapsing into it. Second, widespread completion of secondary education may be expected to have a positive impact on equality of opportunities. Third, this achievement entails a qualitative leap forward in terms of society's human capital and can therefore be expected to pave the way for future growth on the basis of greater competitiveness. Lastly, a higher level of education is an important resource for full citizenship in a knowledge society.

Although access to primary education in the Latin American countries is almost universal, many of them will need to make additional efforts to achieve that goal, especially because of their high repetition and dropout rates. Under these circumstances, considerable numbers of children will not reach secondary school at the appropriate age, which, in turn, undermines efforts to improve the coverage of secondary education.

While there are targets that remain to be attained at the primary level, the countries should seek to achieve those relating to the secondary level as soon as possible. On the one hand, the fact that the secondary-school age group has greatly increased in numbers means that its many needs, among which education is of vital importance, must be analysed and attended to. On the other hand, quality secondary education is needed to ensure that young people have access to higher-productivity jobs and thus to incomes which will enable them to remain above the poverty line.

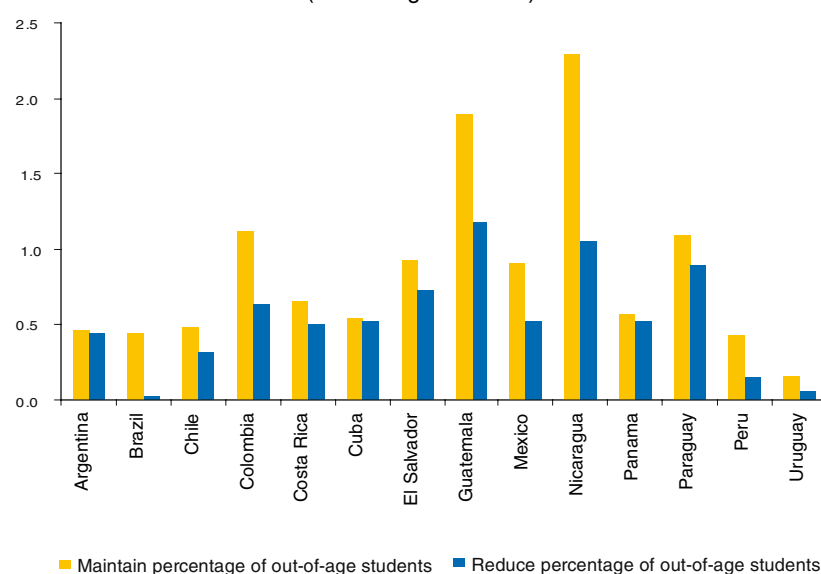
To attain the net coverage target of 75% for secondary education by 2010, as agreed at the Summit of the Americas in 1998, calculations based on the demographic situation as of 2005 indicate that the region will need to commit additional expenditure of between US\$ 1.5 billion and US\$ 3.1 billion at current prices, equivalent to a further 0.1% of its total GDP. This is, therefore, an achievable goal. Five of the countries of the region (Argentina, Brazil, Chile, Cuba and Uruguay) have already attained it. Starting from today's demographic situation, most of the remaining countries are close to achieving it.

A higher cost would be involved in reaching the goal of universal secondary-school coverage⁸ in the region; this would entail added spending of between US\$ 8.8 billion and US\$ 17.3 billion. For most of the countries, this target could be reached with spending

⁸ This target is used for purposes of the simulation, although there is still some doubt as to whether or not it is actually achievable or even desirable.

increases of 0.5% of GDP or less. In some cases, the necessary increase would be greater, but with reductions in out-of-age enrolment,⁹ the cost would fall to about 1% of GDP (see figure 18).

Figure 18
ADDITIONAL INVESTMENT REQUIRED TO ACHIEVE THE TARGET OF UNIVERSAL SECONDARY EDUCATION, AROUND 2005
 (Percentages of GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of UNESCO Institute for Statistics, Data Centre 2008 [online] <http://stats.uis.unesco.org/unesco/tableviewer/document.aspx?ReportId=143>.

To move towards an even more ambitious target, the region would need to make an effort not only in the area of coverage but also in terms of increasing its spending per student. Thus, a more logical target for Latin America would be to achieve the average figure for the Organisation for Economic Co-operation and Development (OECD), that is, 93% coverage and spending per secondary-school student equivalent to 17% of GDP per working-age adult.¹⁰ This would mean that the region's total spending level would have to be far more than doubled, with added expenditure of from US\$ 56 billion to US\$ 66 billion at current prices (4% of GDP).¹¹ It may seem surprising that Latin America would have to spend 4% of

⁹ Percentage of out-of-age enrolments in secondary school owing to repetition or other reasons.

¹⁰ This does not mean that the average level of expenditure on secondary education in the countries of the region should be raised to equal that of the OECD countries, but rather that the percentage of GDP per working-age adult should be placed on a par with the percentage for the OECD. Clearly, given the existing differences in GDP, the available monetary resources vary considerably, both between the Latin American and the OECD countries and within Latin America itself.

¹¹ The top end of this estimate (US\$ 66 billion at current prices) includes current out-of-age enrolment rates, whereas the low-end figure (US\$ 56 billion at current prices) was calculated on the basis of the average out-of-age enrolment rate of the OECD countries.

its GDP on secondary education to achieve OECD levels of coverage and of spending per student (as a percentage of GDP), since those countries currently spend about 2.6% of their GDP on education. The explanation lies in the favourable demographic structure existing in the OECD countries. As demographic changes move forward in Latin America, the required expenditure will decline as a consequence of the demographic dividend.

Thus, although the cost of achieving the targets relating to secondary education is high within the current demographic context, it may be mitigated by a decrease in the dependency ratio in Latin America in the coming years. A sizeable dividend will result from reductions in the primary-school and secondary-school age groups throughout the demographic dividend period. This currently represents as much as 1.7% of the present value of the countries' GDP, with an average of 0.8% of the present value of the region's GDP. In fact, this dividend is sufficient to cover the cost of attaining the target of universal secondary education in all the countries and would make a significant contribution towards achieving more ambitious goals, such as reaching OECD levels (again, in relative GDP terms).

In the cases of both primary and secondary education, the countries which lag behind the most are also the least advanced in the demographic transition process. These are countries with younger populations which face greater potential demands at the levels of primary and secondary education and which have had to cope with serious constraints associated with their geographical locations. They have only recently begun to reap the demographic dividend. Accordingly, from this point on until the end of the dividend cycle, they will have the opportunity to improve their educational systems through the timely implementation of appropriate policies.

Although the demographic dividend will generate savings in the future, the countries should not wait for it to take effect, but should instead take early action in order to obtain the maximum advantage. Actually, the countries are not going to benefit immediately from the resources freed up by the "educational bonus" since these resources will be generated with the passage of the entire demographic dividend period in each country. There are, however, a number of reasons why the countries should make efforts to realize the expected future dividend in the present, particularly by investing in secondary education. If future generations are insufficiently educated, this will compromise each country's ability to compete successfully in the globalized economy. Furthermore, the countries would then be less prepared to respond to the pension and the other demands of an ageing population.

In other words, to achieve greater advances in secondary education, the countries of the region could reinvest the entire secondary-education demographic dividend in that system. They could also invest part of the positive balance of the primary-education bonus in the secondary education system, since a smaller population of children with a higher rate of primary-school

completion will also make it possible to devote more resources to secondary education. Since these dividends are realized not in the present but in the course of the demographic transition and up to the end of each country's demographic dividend period, each one will need to find a way to make use now of the resources it will save in the future. One possibility would be to redistribute resources over time by borrowing to finance today's investments and then using the proceeds of the demographic dividend to repay that loan later on.

To sum up, the savings associated with the demographic dividend provide the opportunity to adopt more ambitious targets in terms of secondary education. However, demographic changes do not always produce the same results in every case. The experiences of some countries which have already gone through a large part of their demographic dividend periods attest to the fact that achievements are not always proportional to improvements in demographic conditions. Optimizing the potential benefits of this phenomenon calls for special efforts in education policy, and in investment in education, to increase secondary-school enrolment, improve the quality of public-sector service provision, and help areas with lower levels of educational capital to improve effective teaching, progression and completion of the secondary cycle.

YOUTH AND FAMILY VIOLENCE IN LATIN AMERICA: THE SOCIAL AGENDA AND INCLUSIVE APPROACHES

Violence committed upon and by young people takes the shape of self-inflicted violence, individual violent crimes such as robbery, violence in organized crime, domestic violence, territorial violence, violence motivated by gender and other forms of discrimination, and various types of group violence. This section will primarily discuss the problem of violence, of which young people are among the main victims and perpetrators, from the viewpoint of the material and symbolic social exclusion which, to a great extent, underlies the phenomenon. This form of exclusion is reflected in inequality of opportunities, a lack of access to employment, alienation among young people who are neither studying nor working, and the gaps between symbolic consumption (images, symbols and information) and reduced material consumption (due to people's lack of incomes of their own), with the consequent frustration of their expectations. Other considerations include territorial segregation, which creates pockets of exclusion and violence, and the lack of public spaces for social and political participation.

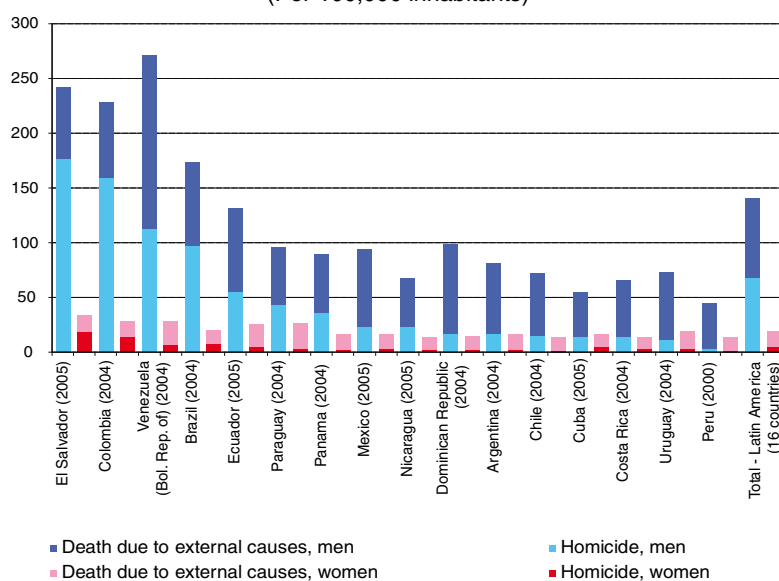
Diagnostic analysis

In recent decades the issue of youth violence in Latin America has become increasingly prominent in public debate, government agendas and in forums and conferences held within the international system. Not only has violence grown in most of

Latin America in recent years, but young people are also clearly over-represented in terms of the incidence and gravity of violence, as both victims and perpetrators. In many countries in the region, young people are committing violent crimes at increasingly early ages and are dying at increasingly early ages as a result of such crimes. It is therefore a matter of urgency to adopt policies to deal with the causes of this escalating violence among the young.

It is very difficult to measure all forms of violence, but violent deaths among young people constitute one available indicator. The figures show that the incidence of violence among the causes of young people's deaths in Latin America is rising and has a strong gender bias: the rates for young men are more than double those for young women in deaths by homicide, traffic accidents and suicides (see figure 19).

Figure 19
LATIN AMERICA (16 COUNTRIES): RATE OF MORTALITY DUE TO EXTERNAL CAUSES a/
AMONG PERSONS FROM 15 TO 29 YEARS OF AGE, BY SEX
 (Per 100,000 inhabitants)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from World Health Organization (WHO), Health Statistics from the Americas, 2007, Washington, D.C., 2007, the Latin American and Caribbean Demographic Centre (CELADE) - Population Division of ECLAC and the United Nations.

a/ Vehicular accidents, homicides, suicides, drownings, suffocation and other violent causes of death.

While there is an obvious gender-based difference in the figures on violence among young people, the statistics underrepresent violence against young women in Latin America because such violence is not visible in vital statistics, and society is reluctant to discuss the issue openly. Gender-based violence places a heavy burden on public health systems and is associated with risks related to sexually transmitted diseases. About one in three women in Latin America has been the victim of physical, psychological or sexual violence at the hands of family members. The World Health Organization (WHO) calculates that, as of 2002,

between 10% and 36% of Latin American women had been subjected to physical or sexual violence and that between 70% and 80% of the victims of sexual violence were girl children. In almost half of these cases, the abuser lives with the victim and, in three quarters of them, the abuser is a close relative of the victim.

Problems of youth violence as perceived by the authorities

In 2008, ECLAC conducted a survey of the interior ministries of Latin American governments on the subject of policies and programmes for tackling youth violence. The respondents stated that the main problem in relation to violence among young people had to do with organized youth crime, whether in the form of ordinary offences, gang activities, street violence or possession of weapons in particular urban areas in a number of countries in Latin America. Gangs (commonly referred to as *pandillas*, but known as *maras* in Central America and *quadrilhas* in Brazil), rising crime in the countries of the Southern Cone and violence in the Andean countries clearly shows that special-purpose measures for young people are needed. Of particular concern is gang involvement in drug abuse, drug trafficking and human trafficking.

Second, the authorities reported that domestic, intergenerational and partner violence were a major problem. Although the reporting of gender violence has increased, protection for abused children and young people still fall far short of the mark. The respondents' main concerns included self-inflicted violence and violence committed against others in connection with alcohol and drug abuse. The authorities also stated that the greatest problem affecting young people of both sexes was poverty; young males saw unemployment as their worst problem, whereas for young women, the most serious problem was domestic violence. The two sexes are equally affected by addiction to drugs and other substances, the lack of access to education, the absence of social networks and a lack of participation.

Policies and programmes to prevent and control youth violence

The Latin American countries have adopted a variety of approaches in seeking to address the problem of youth violence. These approaches have focused on exposure levels, citizen security, dispute settlement and rights-based perspectives. Based on these various courses of action for reducing youth violence, all of the above-mentioned prevention models are designed to build protective mechanisms for adolescents and young people and to develop their strengths.

The large variety of initiatives in place reflect considerable differences among countries. National programmes are based on multi-layered paradigms for addressing the issues of concern for young people, policies are founded upon varying legislative bases (legal

and regulatory structures), the levels of public administration responsible for activities to help young people vary as to their institutional ties, and there are divergences in relation to the type of actions to be conducted by official bodies in each country. Two areas appear to be central to youth policies: a comprehensive approach by government institutions, and policies to support and coordinate initiatives by both official and non-governmental bodies.

The authorities' responses to the ECLAC survey reflect four major areas of reform in national legal provisions: general laws on youth; reforms to codes for the protection of children and adolescents; new legislation on domestic violence and gender equality; and measures relating to the legal responsibility of adolescents and young people. These legislative advances should be carried forward by means of the monitoring and assessment of their implementation and results.

The Latin American countries have a wide variety of policies and programmes for the prevention and reduction of youth violence. These include measures oriented towards civil coexistence and security, the elimination of violence against women and of domestic and intra-family violence; recreation; interventions in schools and educational reintegration for offenders; job training; and health care for adolescents and young adults. The ECLAC study indicates that only a few of the countries have incorporated programmes against youth violence into their national youth systems; in other countries, such programmes come under specialized and sectoral areas.

Assessment of experience

The economic and social costs of violence tend to be greater than the effective cost of programmes for prevention or for the reintegration of young victims and offenders. The earlier society invests in an individual, the greater the chances of preventing violent conduct in adulthood. Preventive and comprehensive investment in young people at social risk has complementary effects in terms of poverty reduction, the build-up of social capital and the prevention of negative externalities. Such investment therefore helps to reinforce the right to social justice and human rights in general.

Assessments of a number of programmes and of the experiences gained in the course of those programmes point to some achievements in the area of inter-ministerial coordination and private- and public-sector networking, but the weakness of the institutions and departments executing the programmes has a negative impact on the dissemination and replication of positive experiences. An analysis of these programmes reveals at least two omissions which make it harder to deal with the problem of youth violence. One of these omissions relates to the implementation of a diverse range of actions without targeting specific sectors among young people. The other has to do with the fact that little or no action

is being taken which is focused expressly on children, women and young males living in the streets. Experts recommend that policies to reduce violence should be specific, coordinated, decentralized, participatory and selective. They suggest essential primary preventive measures, together with secondary and tertiary measures and appropriate support for the social reintegration of young people who have been rehabilitated.

In order to address the problem of youth violence, young people need to be recognized as actors and subjects of rights, should be provided with access to assets that will allow them to attain independence, and should be given opportunities for public and political self-affirmation.

The more young people are brought into society and the more they are allowed to exercise their rights as citizens, the more the causes of violence can be mitigated. Within this framework, innovative strategies should take a preventive approach, should be based on community assets and should include a participatory dimension. Programmes of this kind already exist which incorporate national, subnational and local levels of implementation and that are expressly directed towards creating institutional networks for prevention, building awareness, generating knowledge and encouraging participation by young people.

Policies for dealing with the problem of youth violence should maintain high levels of flexibility and adapt to the characteristics of young people and their environment. There is a great deal of evidence which shows that the most effective means of preventing violence is at the local level, where proximity to the young people concerned and the feasibility of working with them is greater and where actions in different sectors aimed at dealing with specific types of violence and their associated risk factors can be coordinated.

Attempts to increase the criminalization of youth violence have failed to show positive results or bring about a reduction in the violence. As a result, there is a growing consensus as to the need to move towards prevention- and rehabilitation-based models. This will entail concrete actions at the time of the first or second offence; separate sections for minors in prisons in order to prevent contact with adult offenders from turning young persons who have had occasional run-ins with the law into repeat offenders; modernizing judicial systems and the administration of justice; and the creation of legislative committees specifically focused on young people's issues in order to modernize the current legislation through broadly-based political agreements.

International agenda

In the international social agenda, emphasis is placed on the seventeenth Ibero-American Summit of Heads of State and Government, whose main theme was "Social

cohesion and social policy for the creation of more inclusive societies in Ibero-America". This conference was held in Chile in 2007 and saw the adoption of the Santiago Declaration, which includes important agreements by the Ibero-American governments on social cohesion, universal access to basic services, gender equity, and protection for young people and vulnerable groups.

Public social spending in the context of the financial crisis and its role as a redistributive mechanism

The countries of the region are currently faced with the need to mitigate the impact of the recent international financial crisis and its worldwide recessionary effects and to minimize its repercussions in terms of jobs and poverty levels.

One of the main challenges is how to use fiscal resource management as an economic reactivation and containment mechanism and as a means of halting the expected deterioration in the social situation. Public expenditure plays a key role in redistributing wealth and in ameliorating substandard living conditions, as well as in boosting some sectors of the domestic economy (such as construction, school supplies, and medical equipment and supplies).

Social security is still the largest public spending item in the region, followed by education and, in third place, health. Most countries' social protection schemes offer limited coverage, provide low-quality benefits and are largely financed by contributions. There are few examples of effective countercyclical social expenditure policies for financing compensatory mechanisms that mitigate social risks when the economy starts to contract.

Social expenditure has become more progressive as the coverage of public services has been expanded to take in more economically depressed or remote geographical areas.. Various kinds of social welfare programmes have also been developed to attend to the needs of traditionally excluded population groups. The redistributive impact of social spending (as an income supplement) is highly significant among lower-income segments, which absorb up to half of the available resources. These segments benefit mainly from public education and social welfare programmes and to a lesser extent from access to public health care. Social security expenditure, on the other hand, is highly regressive due to its eminently contributory nature.

As a consequence of the financial crisis and economic slowdown, it is likely that, in the short term, social spending in the region may not increase (as a percentage of GDP) and may lose ground as a macroeconomic priority, although it will probably continue to rise in absolute terms. This will depend, of course, on each country's fiscal revenue projections, the

size of its present surplus or deficit, how long it calculates that the crisis and the worldwide recession will last and how the national budget is drawn up (i.e., on the basis of past income or according to projected future revenue).

Public social expenditure may become less of a fiscal priority if some of the public resources allocated to social projects are re-channelled into investments in infrastructure to prop up the construction sector. The social areas that are historically more sensitive to changes in the business cycle, such as health and, to a lesser extent, education, will probably be negatively affected as a result. When economies contract, it is investment in these sectors (as well as in housing and basic services) that usually suffers first.

The following courses of action are recommended under these circumstances:

- Implement a countercyclical public expenditure policy, especially in the case of social spending.
- Maintain the principles of universality, solidarity and efficiency as a normative horizon. When resources are in short supply, establish transparent and effective mechanisms for targeting expenditure.
- Strengthen the institutional framework for programmes designed to combat poverty and provide resources for social assistance programmes; lengthen the duration of unemployment benefits, where they exist, and, if possible, broaden coverage to include other potential beneficiaries (non-contributory unemployment insurance).
- Boost public investment in housing and basic services.
- Maintain, as far as possible, the level of public investment in education and health, especially in the case of investment related to the creation and renovation of infrastructure in order to buoy the construction sector.
- Maintain a fiscal reserve for emergency social assistance (employment programmes, the expansion of anti-poverty schemes, food programmes) and for financing public transfers to the redistributive components of pension systems.
- Reinforce the State's revenue-collection capacity (take steps to combat tax avoidance and evasion) and develop new fiscal pacts and social contracts that make it possible to increase receipts (raise taxes) and increase the efficiency and transparency of public resources management.