2009

Briefing paper

Social panorama
of Latin America

UNITED NATIONS

ECLAC

Notes and explanations of symbols

The following symbols have been used in the summary of the *Social Panorama of Latin America, 2009*.

• 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 world "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.

CONTENTS

SOCIAL PANORAMA OF LATIN AMERICA 2009

INTRODUCTION

The 2009 edition of *Social Panorama of Latin America* links trends in poverty and income distribution with social protection systems, placing special emphasis on how these systems have responded to the social impacts of the current crisis and on medium- and long-term projections. It focuses in particular on the impact of public transfers, trends in social spending, the mechanisms by which social vulnerability is reproduced and changing intergenerational and gender relations. These changes pose significant challenges for the role played by the State, the market and families in jointly meeting needs related to the population's welfare.

The document is divided into two parts. Part 1 includes the usual chapter on poverty and income distribution in the region and a second chapter that examines these issues in greater depth through an analysis of social spending, monetary transfers and conditional cash transfer programmes. The third chapter examines poverty and social vulnerability in light of the crisis and post-crisis situation and analyses how the countries' social protection systems can mitigate these effects of the crisis. Part 2 focuses on the care economy. It includes a chapter on paid and unpaid work from a gender perspective, highlighting inequalities and outstanding debts in the sexual division of labour; a chapter that looks at population projections and trends and underscores the pressing short- and medium-term priorities for care work; and a final chapter on the policy implications of these transformations.

Chapter I gives the most recent estimates available on poverty and inequality for the countries of Latin America. In 2008, 33.0% of the region's inhabitants were poor, including 12.9% who were indigent. These figures attest to a slowdown in poverty reduction and to a rise in indigence, caused mainly by higher food prices. Notwithstanding these setbacks, the overall comparison with 2002 and the two previous decades is favourable.

The most recent statistics also indicate that income distribution has improved with respect to both 2002 and 1990, which partially accounts for the lower poverty rate. Nevertheless, the decrease in poverty was due mainly to higher average income and the demographic dividend (a proportionately larger working-age population). Despite this progress, the fact that children, women and members of ethnic groups continue to be at greater risk of falling into poverty is a source of concern.

Between 2008 and 2009, the poverty rate for the region could rise by 1.1 percentage points and indigence by approximately 0.8 percentage points. This would be a less negative impact than that seen in previous crises, because most of the region is now better prepared to respond to and mitigate some of the adverse effects on living standards.

The first chapter examines inequality from the standpoint of citizens' perception of great distributive injustice, an issue that was addressed in previous editions of the *Social Panorama of Latin America.* This perception is associated mainly with the belief that basic social and economic guarantees do not exist. The perception that income distribution is highly inequitable is associated with a distrust of political institutions and a belief that governments serve the elites more than they serve the majority. Hence, the population perceives inequality as a problems of the elites' wielding of political power, above and beyond the concentration of economic assets in their hands. Unless addressed comprehensively, the issue of political power could thwart efforts to promote social cohesion.

Chapter II examines social spending, its links with the business cycle, trends by sector, incidence in GDP and total public spending. The chapter then examines the redistributive impact of the various monetary transfers covered by household surveys (retirement benefits, pensions, insurance, welfare transfers from governments and private, non-profit organizations) on primary household income. It also looks at conditional or co-responsibility cash transfer programmes and their effect on social spending and the well-being of beneficiary households, before examining the challenges to designing and managing these programmes.

Despite governments' efforts to allocate more resources to meeting social needs, the amount of social spending continues to be insufficient and has failed to have the impact needed to improve well-being and increase equity —particularly in countries where it is needed the most. As most social spending continues to be procyclical, the amounts involved contract during crisis periods. Public transfers, although significantly reducing households' need to rely on primary income, have an uneven redistributive impact from one sector and programme to the next. Conditional cash transfer programmes are more progressive, although the amounts allocated are modest. Currently reaching more than 22 million families in 17 countries of Latin America and the Caribbean, these programmes aim to reduce poverty in its many facets.

Chapter III warns that once the crisis has passed the economic and demographic factors (larger economically active population and lower fertility and dependency rate) that came together in the previous six years to sharply reduce poverty are unlikely to be sustained. The improved income distribution and higher social spending that characterized the period 2002-2008 are being tested as the fiscal situation deteriorates and regressively distributive forces gain strength.

The different States of the region vary in their preparedness to protect at-risk groups in an economic downturn. While the relatively more developed countries have a large number of tools to mitigate the impact of crisis, in those with more incipient welfare states, families' well-being largely depends on their strategies for entering various markets and on their ability to do so. That said, the countries of the region have responded proactively to the complex situation, adopting countercyclical economic and social measures. Nevertheless, no strategy has yet emerged to address the complex interplay among the State, the family and the market —which worsens social vulnerability over the longer term— and to link up short-term responses with longer-term policies.

Chapter IV examines paid and unpaid work from the standpoint of gender. It focuses in particular on the stratified integration of women; the excessive demands that they have to cope with, as almost sole performers of care and domestic work; and men's low degree of participation in the home. In addition, because of the absence of policies and regulatory frameworks, the care services offered by the State and the market are insufficient. This creates a vicious cycle that perpetuates asymmetries.

This situation exacts the highest price from women in the lowest two quintiles, whether because they bear the heaviest burden of the double workday or because the lack of support they receive for the care work means that they have fewer possibilities to earn their own income and to contribute to total household income. These problems are a key contributing factor in the reproduction of poverty and inequality. Consequently, this chapter stresses the importance of social protection systems to promote collective, universal care services, as well as State regulations and incentives that encourage fairer division of paid and unpaid work between men and women, in both the workplace and the home.

Chapter V refers to the region's changing demographic patterns in recent decades, with a declining proportion of persons aged under 15 and a steady increase in that of persons aged 60 or over, whose different needs structure has led to changes in the demand for social services. This progressive ageing, along with a still-significant proportion of children and an increasing number of persons with some level of dependence owing to age-related health conditions, is the main reason for the heavier care burden in the region. The backdrop to this is that the possibilities of finding caregivers among the population will shrink throughout the period 2000-2050.

An examination of the setting in the different countries underscores the differences in care systems from one country to the next as well as within countries. The population's changing age structure directly affects the demand for care and the possibility of meeting that demand. Consequently, this chapter estimates and analyses the likely demand for care as well as the potential supply. These estimates and analyses suggest that, because of its demographic, economic and social impact, care will emerge as one of the most challenging social issues of the twenty-first century.

Chapter VI discusses policy considerations regarding the care needs covered in chapters IV and V and the limitations that need to be overcome. The chapter posits that social protection systems must promote equal access for persons of varying income levels who require care; aim to make services and benefits available to all while paying special attention to the different needs of families and individuals; and foster greater intergenerational solidarity through the provision of benefits. These principles must be enshrined in the countries' respective social protection systems, according to risk profiles, the place attributed to family and policy and the type of welfare regime instituted.

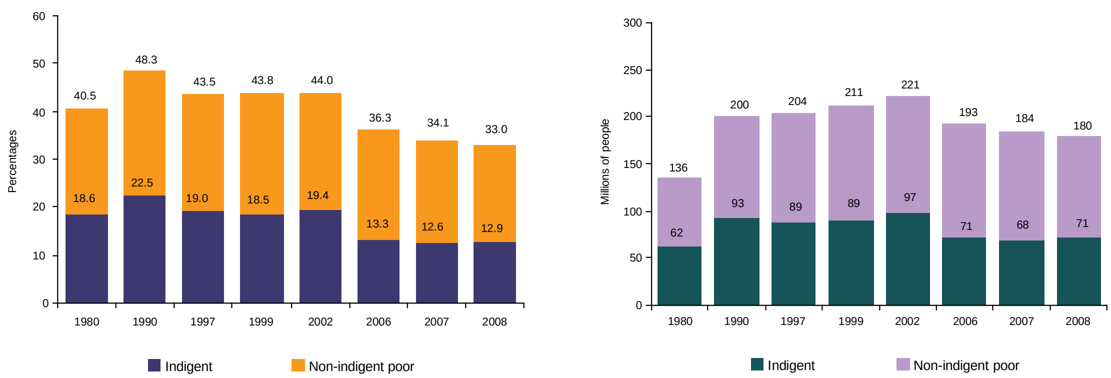
SUMMARY

POVERTY AND INEQUALITY IN THE CONTEXT OF THE ECONOMIC CRISIS

Poverty and inequality until 2008

The poverty rate among the region's population was 33.0% in 2008, including 12.9% who lived in extreme poverty, or indigence —equivalent to 180 million poor and 71 million indigent persons (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 18 countries of the region, plus Haiti. The figures shown above the bars are the percentage and total number of poor persons (indigent plus non-indigent poor).

These figures indicate a slowdown in poverty reduction and, in the case of indigence, a reversal of the improvement seen since 2002. The decline in the poverty rate from 2007 to 2008 —1.1 percentage points— is notably smaller than the 2-point average annual decrease from 2002 to 2007. Moreover, the indigence rate rose 0.3 percentage points from 2007 to 2008 after having decreased an average of 1.4 points per year since 2002. Higher

[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.

food prices, which led to a rapid increase in the cost of the basic food basket, were the main reason for worsening indigence.

Notwithstanding the lacklustre results for poverty and indigence reduction in 2008, the figures are still an improvement with respect to 2002 and the two previous decades. Not only are the current poverty and indigence rates far below those recorded in 1990, but, in absolute terms, the number of poor has fallen by 20 million. Comparison with 1980 also shows that the poverty rate and especially the indigence rate have declined considerably, albeit to a degree insufficient to completely offset the high rate of population growth during this period.

The most recent figures for 2008 reflect the gains in poverty reduction with respect to 2007. In Brazil, Peru and Uruguay (data for urban areas), the poverty rate fell by at least 3 percentage points; in Costa Rica and Paraguay it declined by more than 2 points; and in the Bolivarian Republic of Venezuela and Panama it dropped by about 1 point. Notably, Colombia's poverty rate came down by 4 percentage points, but in this case, in the period 2005-2008.[2] In the Dominican Republic and Ecuador, the rate did not vary significantly. Only in Mexico did the situation worsen, as the poverty rate rose by 3.1 percentage points between 2006 and 2008, reflecting the first effects of the economic crisis that began in late 2008 (see table 1).

There was an overall increase in indigence, with only Brazil, Paraguay and Peru managing to reduce their figures, by around one percentage point. This is in contrast with the increases recorded by the Bolivarian Republic of Venezuela, the Dominican Republic, Ecuador, Mexico and Panama, of between 1.4 and 2.5 percentage points, and by Costa Rica and Uruguay, which had very slight increases. In Colombia, indigence rose by 2.7 percentage points between 2005 and 2008, which corresponds to 0.9 of a percentage point per year.

So, in 2008 Latin America as a region was well on its way to meeting the first target of Goal 1 of the Millennium Development Goals, although the situation varies considerably from one country or one subregion to another. The region's indigent population, at 12.9%, was 2 percentage points short of the target (11.3%), an 85% improvement. Progress towards a more demanding target, such as reducing total poverty by half, between 1990 and 2015, was less (real progress of 63%, compared with the 72% that was expected between 1990 and 2008).

[2] The figures for Colombia correspond to a preliminary estimate by ECLAC, based on official data issued by the country (press release by DANE, 24 August 2008, http://dane.gov.co/files/noticias/Presentacion_pobreza_dane_OVP.pdf).

Table 1
LATIN AMERICA (18 COUNTRIES): PERSONS LIVING IN POVERTY AND INDIGENCE, AROUND 2002 AND 2007, AND 2008
(Percentages)

Country	Around 2002			Around 2007			2008		
	Year	Poverty	Indigence	Year	Poverty	Indigence	Year	Poverty	Indigence
Argentina [a]	2002	45.4	20.9	2006	21.0	7.2	…	…	…
Bolivia (Plurinational State of)	2002	62.4	37.1	2007	54.0	31.2	…	…	…
Brazil	2001	37.5	13.2	2007	30.0	8.5	2008	25.8	7.3
Chile	2000	20.2	5.6	2006	13.7	3.2	…	…	…
Colombia [b]	2002	51.5	24.8	2005	46.8	20.2	2008	42.8	22.9
Costa Rica	2002	20.3	8.2	2007	18.6	5.3	2008	16.4	5.5
Ecuador [a]	2002	49.0	19.4	2007	38.8	12.4	2008	39.0	14.2
El Salvador	2001	48.9	22.1	2004	47.5	19.0	…	…	…
Dominican Republic	2002	47.1	20.7	2007	44.5	21.0	2008	44.3	22.6
Guatemala	2002	60.2	30.9	2006	54.8	29.1	…	…	…
Honduras	2002	77.3	54.4	2007	68.9	45.6	…	…	…
Mexico	2002	39.4	12.6	2006	31.7	8.7	2008	34.8	11.2
Nicaragua	2001	69.4	42.5	2005	61.9	31.9	…	…	…
Panama	2002	36.9	18.6	2007	29.0	12.0	2008	27.7	13.5
Paraguay	2001	61.0	33.2	2007	60.5	31.6	2008	58.2	30.8
Peru [c]	2001	54.7	24.4	2007	39.3	13.7	2008	36.2	12.6
Uruguay [a]	2002	15.4	2.5	2007	18.1	3.1	2008	14.0	3.5
Venezuela (Bolivarian Republic of)	2002	48.6	22.2	2007	28.5	8.5	2008	27.6	9.9

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.

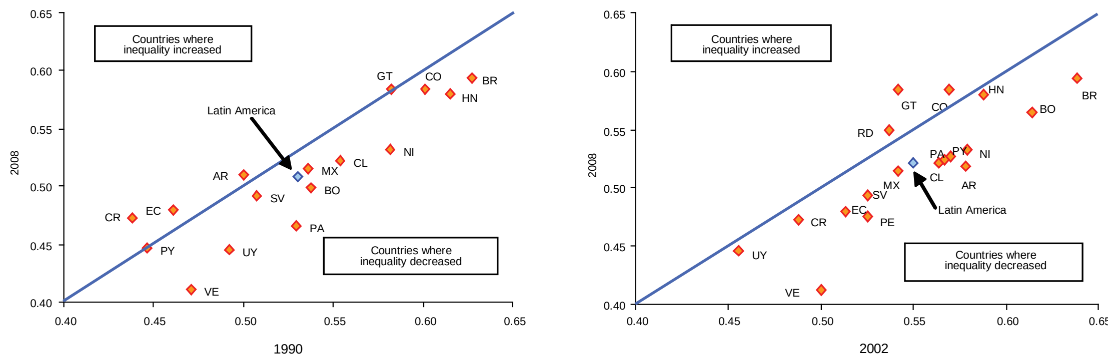
[a] Urban areas.
[b] The data for 2008 came from a new household survey, which was applied with the earlier series by the National Administrative Department of Statistics (DANE) and the National Planning Department (DNP) of Colombia. Since ECLAC has yet to complete internal processing of the new data, the figures for 2008 have been estimated in a preliminary manner by applying to the 2005 values (calculated by ECLAC) the percentage variations implicit in the figures official issued.
[c] Figures from the National Institute of Statistics and Informatics (INEI) of Peru. These values are not comparable to 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 refer to the entire year.

As for income distribution, recent figures for each country compared with those that are available around 2000 show improvement. The Gini index decreased by an average of 5% during the period analysed. A number of countries posted significant declines: at least 8% in Argentina, the Bolivarian Republic of Venezuela, Nicaragua, Peru, Panama, Paraguay and the Plurinational State of Bolivia. The only countries whose income concentration increased during this period were Colombia, the Dominican Republic and Guatemala (see figure 2).[3]

3 It should be noted that data relating to Colombia are from 2005 and those relating to Guatemala, from 2006.

Figure 2

LATIN AMERICA (18 COUNTRIES): GINI INDEX, AROUND 1990, 2002 AND 2008 [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 respective countries.

[a] The survey year used differs from country to country. The period 1990 refers to the available survey nearest to that year; the period 2002, to the most recently available survey between 2000 and 2002; the period 2008, to available surveys from between 2004 and 2008. Geographical coverage varies according to the availability of data. The comparison of 1990 to 2008 uses data from Greater Buenos Aires, for Argentina; the metropolitan area of Asuncion, for Paraguay; and urban area data for Ecuador, Panama the Plurinational State of Bolivia and Uruguay. The comparison of 2002 to 2008 uses urban area data for Argentina, Ecuador and Uruguay. The figure for Latin America refers to the simple average of the Gini indices for each country.

Income distribution also improved compared with 1990, with an average drop of 4% in the Gini index. In this comparison, the largest falls in income concentration were in the Bolivarian Republic of Venezuela, Nicaragua Panama (urban areas), and Uruguay, whereas Argentina (data from Greater Buenos Aires), Costa Rica and Ecuador showed deteriorations. Despite the progress, the fact remains that in Latin America income concentration levels are among the highest in the world.

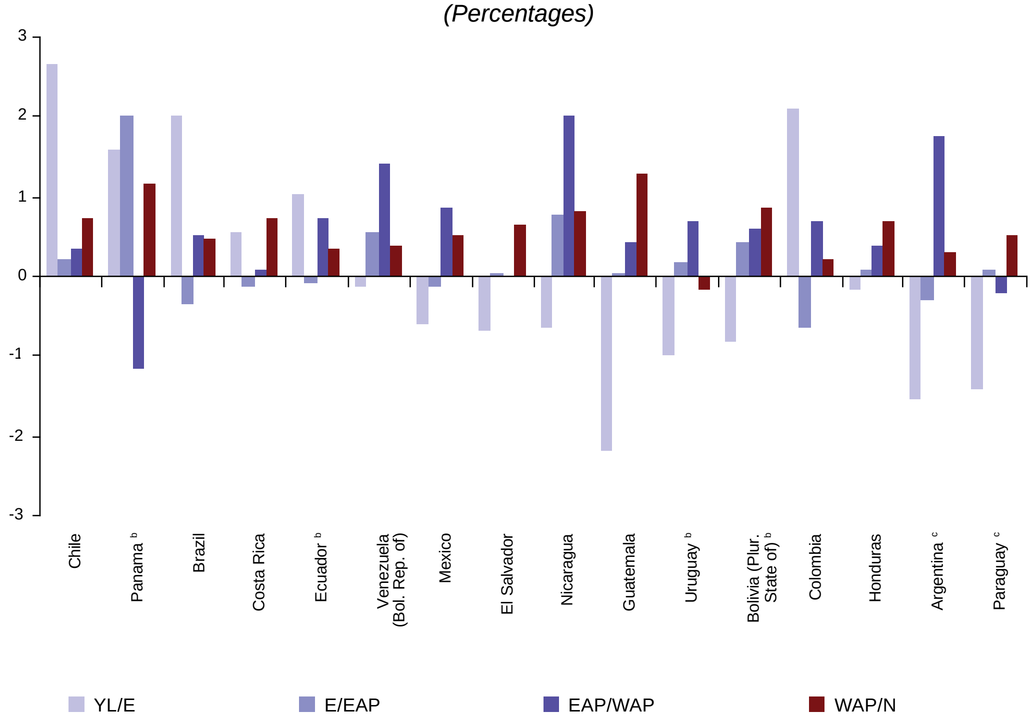
Distributive changes that took place during the period contributed partially to poverty reduction, though not to their full potential. The variations in poverty and indigence rates may be broken down into two components: growth of average income, or “growth effect”, changes in the way income is distributed, and “distribution effect”. This type of analysis shows that the decline in poverty between 1990 and 2008 was explained mainly by the growth effect, which accounts for 85% of the decrease, while the distribution effect accounted for the remaining 15%. Distributive improvements contributed to poverty reduction particularly during the 2002-2008 period, during which they played the primary role in reducing poverty in three countries.

Job income contributed most to poverty reduction between 1990 and 2008. The increase in job-related income per person was due, foremost, to the reduction of the demographic dependency rate in all countries (except Uruguay), often called the “demographic dividend”. In practically all countries the activity rate increased significantly, regardless of the achievements in poverty reduction. On the other hand, job-related income per worker differed markedly from country to country. Brazil, Chile, Costa Rica, Ecuador (urban areas) and Panama (urban areas), the countries with largest gains in poverty reduction (in terms of change in the percentage rate itself), are precisely the same countries that saw the greatest increases in income per worker among poor households. Colombia is an exception, given that although it showed a significant increase in this variable, poverty was reduced at a much slower pace, due in part to an increase in unemployment. In the rest of the countries, employment income per worker tended to decline (see figure 3).

Figure 3

LATIN AMERICA (16 COUNTRIES): ANNUAL VARIATION IN EMPLOYMENT-INCOME COMPONENTS PER PERSON, IN POOR HOUSEHOLDS, 1990-2008 [a]

(Percentages)

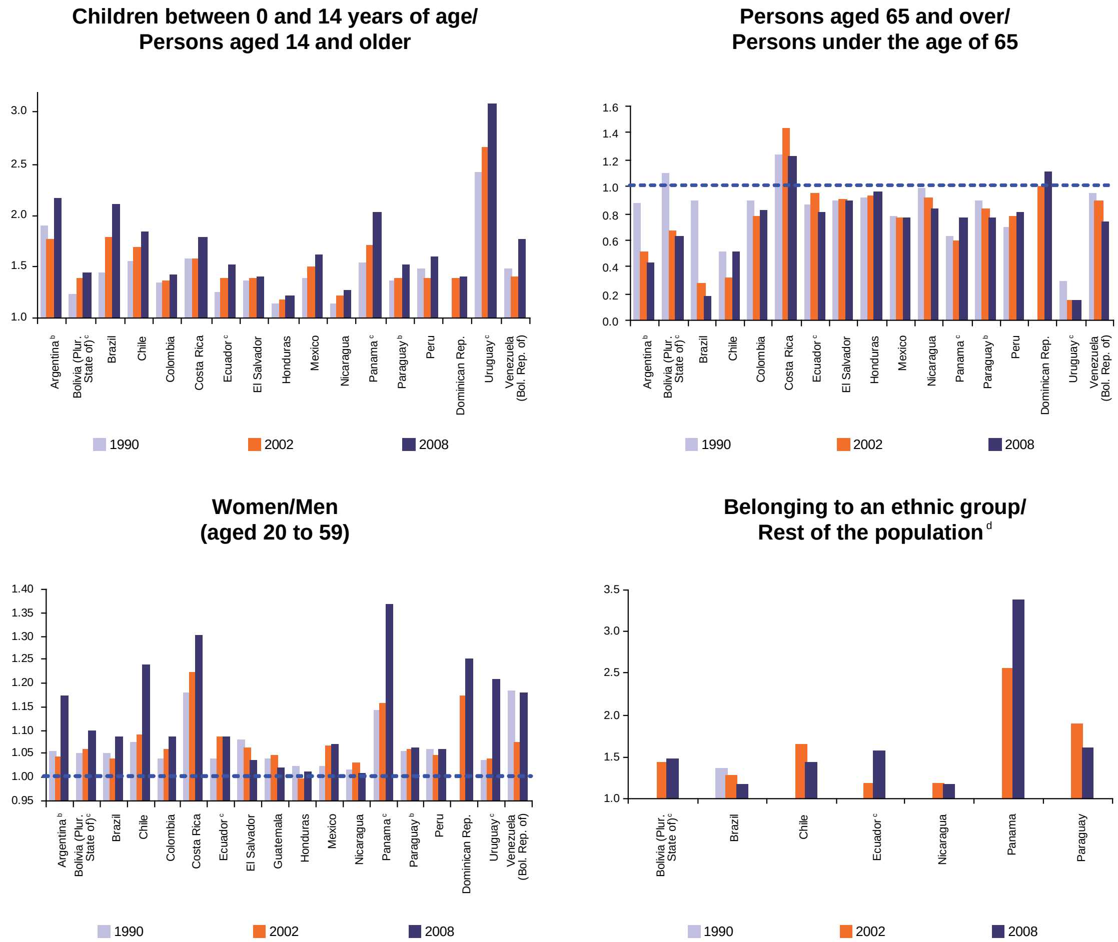


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of data from household surveys conducted in the respective countries.

[a] Countries, in order of variation in annual poverty rate. a The survey year used differs from country to country. The period 1990 refers to the closest available survey to that year, and 2008, to the most recent available survey between 2004 and 2008. YL = employment income; E = number of employed; EAP = economically active population; WAP = working age population; N = total population.
[b] Urban areas.
[c] Metropolitan area.

One aspect of concern relating to poverty in Latin America is the persistence of vulnerability gaps tied to demographic characteristics, particularly age, sex and ethnicity. High rates of fertility and dependency within the home are distinctive features of poverty and place children in a particularly disadvantaged situation. Poverty among children under the age of 15 is, on average, 1.7 times higher than poverty among adults. Between 1990 and 2008, the ratio of the child poverty rate to the adult poverty rate rose in most countries of the region, with the greatest increases observed in Brazil, Panama and Uruguay (see figure 4).

Figure 4
LATIN AMERICA (18 COUNTRIES): RATIO OF POVERTY RATES OF DIFFERENT SUBGROUPS OF THE POPULATION, AROUND 1990, 2002 AND 2008[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 respective countries.

[a] The survey year used differs from country to country. The period 1990 refers to the available survey nearest to that year; the period 2002, to the most recently available survey between 2000 and 2002; the period 2008, to surveys available between 2004 and 2008.
[b] Metropolitan area.
[c] Urban areas.
[d] Identified on the basis of information obtained from household surveys, according to the following categories: Brazil, “Indigenous or black skinned”; Chile, “Amara, Rapa Nui, Quechua, Mapuche, Atacameño, Coya, Kawaskar, Yagán, Diaguita”; Ecuador, “ indigenous, and negroes and mixed race (mulattos)”; Nicaragua (2001), “coastal mestizo, creole, negro/creole, miskito, mayagna (sumu), rama, others"; Nicaragua (2005), "indigenous", Panama, “Indigenous ”, and Paraguay: Guaraní is the only language spoken Plurinational State of Bolivia, “Quechua, Aimara, Guaraní, Chiquitano, Mojeño and others”.

The pattern for persons aged 65 years and over is the inverse of that for children, given that usually this group has lower poverty rates than the rest of the population, with the only exceptions being Costa Rica and Dominican Republic. Although at first glance this result seems to indicate a positive situation, a number of elements need to be considered. For elderly adults, retirement funds and pensions are an indispensable income source for escaping poverty. However, this type of income tends to perpetuate the distributive inequality created by the job market throughout the life cycle, given that the amounts of retirement income are tied to contributions made and often lack any sort of basic universal coverage. Furthermore, when using a poverty threshold expressed in per capita terms there is a tendency to underestimate the minimum amount required to cover the basic needs of those who live alone, which is often the case for the elderly. At the same time, the region faces the challenge of a growing burden of time spent caring for the elderly, which strains the capacity to meet the basic needs of adults who live in extended family units.

Women in all countries of the region are more exposed to poverty than men. The widest gender gaps are found in Argentina, the Bolivarian Republic of Venezuela, Chile, Costa Rica, Dominican Republic, Panama and Uruguay, where the poverty rate of women is 1.15 times higher than that of men. And in some countries this differential has been widening, as in the case of Chile and Uruguay. It should be borne in mind that these gaps do not reflect the full magnitude of the problem, given that the methods used to measure poverty do not take into consideration the allocation of resources within the household, which is precisely one of the settings in which the greatest gender disparities are present.

Ethnicity correlates closely with poverty. In the seven countries for which data are available, the poverty rate is 1.2 to 3.4 times higher for indigenous and afrodescendent groups than for the rest of the population. Moreover, the gap between ethnic groups and the rest of the population has grown in all countries studied, except for Brazil.

Crisis, employment and poverty

In recent decades the region has gone through three periods of broad decline in per capita GDP. During the 1995 Mexican peso crisis, per capita GDP dropped by 1.2% at the regional level and by at least 2% in Argentina, Mexico and Uruguay. A second contraction, this time by 1.2%, occurred in 1999 as a result of the effects of the Asian crisis, which was felt by South American countries between 1998 and 2000, but which had no effect on Central American countries or Mexico. The region’s per capita GDP decreased again in 2001 and 2002, by 1.1% and 1.8%, respectively, as a result of problems in the international financial markets (tied to the so-called dot.com bust and Turkish crisis), compounded by the Argentine crisis.

To study the impact of recessions on the living conditions of low-income persons, a set of individuals was selected for whom per capita GDP declined sharply during the years for which household surveys are available. The study covers 17 different episodes of per capita GDP declines, which in some measure match the three regional periods of contraction mentioned above.

The experience drawn from these episodes shows that poor and vulnerable households have been harder hit than others during economic downturns; examples abound showing that that group suffered above-average drops in income, compared with the totality of households. Argentina (1999-2002), Ecuador (1997-1999) and the Dominican Republic (2002-2004) are striking examples in this regard, with differentials of more than 3 percentage points separating one group from the other. Furthermore, when household incomes did rise, those of lower-income households rose less.

As might be expected, the heaviest impact of the economic decline on household income was channelled the job market, given that job-related income accounts for a high percentage of total income. A breakdown of income sources for total per capita income among poor and vulnerable households shows that, in 11 of the crises studied, reductions in job-related income accounted for at least 75% of the drop.

In most of the cases studied, the root cause of this decrease in employment income was that each worker earned less, not that the employment rate fell. Not only did the employment rate show scant variation, but in over half the cases it actually rose (see table 2).

Changes in the employment rate revealed two opposing trends in employment and activity rates. On the one hand, the crisis periods studied were characterized by a drop in employment rates (the number of persons employed divided by the economically active population); in other words, the average unemployment rate rose. On the other, during these same periods, otherwise inactive persons tended to enter the labour market, effectively offsetting the lower employment rate. In fact, despite overall increases in unemployment, the employment rate (the ratio of employed workers to number of persons of working age) tended to remain constant and, in over half of the cases, even increased.

The current crisis, which began at the end of 2008 with the financial collapse of the real estate mortgage sector in the United States, has had an impact on most countries in the region, but to a lesser degree than previous crises. Lower GDP per capita is expected in most economies, and there is no expectation that any economy will show any significant growth. Also, unemployment has increased in several countries and is expected to reach 8.5% by the end of 2009.

Table 2

LATIN AMERICA (13 COUNTRIES): ANNUAL VARIATION IN EMPLOYMENT INCOME COMPONENTS PER PERSON IN POOR AND VULNERABLE HOUSEHOLDS DURING SELECTED CRISIS PERIODS

(Percentages)

Country	Period	Employment income per person	Per capita employment income components		Components by employment/activity rate	
			Employment income per worker	Percentage of workers	Employment rate	Activity rate
Mexico	1994-1996	-5.3	-7.9	2.9	-0.4	3.3
Argentina [a]	1997-1999	0.4	-1.5	2.0	0.8	1.2
Brazil	1996-1999	-2.0	-2.5	0.6	-1.2	1.9
Colombia	1997-1999	-4.1	-3.3	-0.8	-4.6	4.0
Ecuador [b]	1997-1999	-9.6	-9.5	-0.1	-3.4	3.4
Honduras	1997-1999	-3.2	-4.8	1.7	0.0	1.7
Paraguay [b]	1996-1999	-4.8	-0.8	-4.1	-0.6	-3.5
Peru	1997-1999	-4.2	-4.3	0.2	2.3	-2.0
Venezuela (Bolivarian Republic of)	1997-1999	-1.3	1.1	-2.5	-3.2	0.7
Argentina [b]	1999-2002	-18.3	-17.7	-0.7	-2.2	1.5
Costa Rica	1999-2002	0.3	-1.2	1.5	-0.3	1.8
Mexico	2000-2002	1.8	-0.5	2.4	-0.3	2.7
Panama [b]	1999-2001	-3.5	3.5	-6.8	-4.3	-2.6
Paraguay [b]	1999-2001	-0.7	-6.1	5.8	-0.6	6.4
Uruguay [b]	1999-2002	-11.4	-9.8	-1.8	-3.2	1.5
Venezuela (Bolivarian Republic of)	1999-2002	0.6	-1.8	2.4	-0.7	3.2
Dominican Republic	2002-2004	-8.6	-9.3	0.8	-3.0	3.9

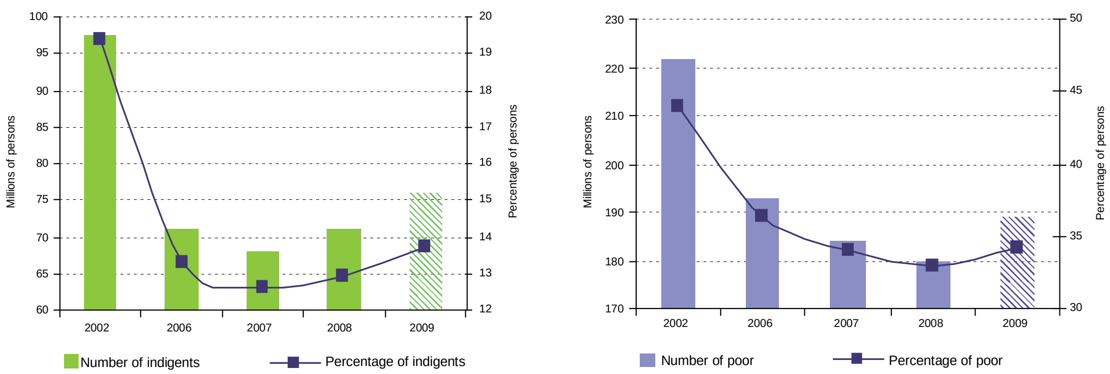
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of data from household surveys conducted in the respective countries.

[a] Greater Buenos Aires.
[b] Urban areas.

This recession has some characteristics that differ from previous GDP contractions, and these have lessened the impact on poverty. Although for the region as a whole employment rates dropped from 55.1%, in the first half of 2008, to 54.4% for the same period in 2009, not all countries experienced this decrease. Furthermore, the partial data on wages suggest that the drop in per capita GDP is not automatically being transposed to job-related household income. The fact that wage purchasing power has been kept afloat during the current crisis is due, in part, to inflation rates, which in most countries, are not merely low, but in fact dropped, compared with those of the previous year. Another favourable trend is that the fiscal setting for most countries has improved, supporting a broader array of social programmes with which to relieve the negative impacts the crisis could otherwise have had on a significant segment of the population.

With these factors in mind, simulations have been run to forecast the likely evolution of indigence and poverty in 2009, based on household survey data. According to the most probable scenario, between 2008 and 2009, the poverty level for the region could climb by about 1.1 percentage points, with a rise in indigency of approximately 0.8 of a percentage point. This translates into an increase of around nine million in the number of poor, of whom over half will be living in extreme poverty (see figure 5).

Figure 5
LATIN AMERICA: EXPECTED EFFECT OF THE ECONOMIC CRISIS ON POVERTY AND INDIGENCE
(Percentages and millions of persons)



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

As is to be expected, these averages mask disparities between countries. Mexico stands out, in particular, having posted the greatest increases in poverty and indigence because of its sharply lower GDP and deteriorating situation with respect to jobs and wages. Also worthy of mention is the Bolivarian Republic of Venezuela, whose above-average deterioration stems primarily from the shrinking purchasing power of wages.

In the context of the last six years, these figures point to a set back in poverty reduction, but they do not undo the progress made, not only as regards the percentage of poor persons, but also in terms of the number of poor. From 2002 to 2008, the percentage living in poverty dropped by 11 points, and indigence figures came down by 7 points, amounts that heavily outweigh the drops forecast for 2009. The impact is largest in the number of poor, given that the 2009 crisis will apparently return to poverty around a quarter of the 41 million who had made their way out of poverty over prior years.

If these forecasts are borne out, it may be that the current crisis is having less of an impact on poverty than previous crises. From 1997 to 2002, a period that spanned the crises of 1999 and 2001-2002, the growth elasticity of poverty was -1.6%, whereas according to simulations, the figure for the current crisis will be -1.1%.

These results also mean it will be more difficult to achieve the first target of the Millennium Development Goals, given that the percentage of progress would decline to 78%, which is practically the same percentage as for the period 1990-2015 (76%). Therefore, the countries of the region should redouble their efforts to improve living standards for those whose resources are inadequate.

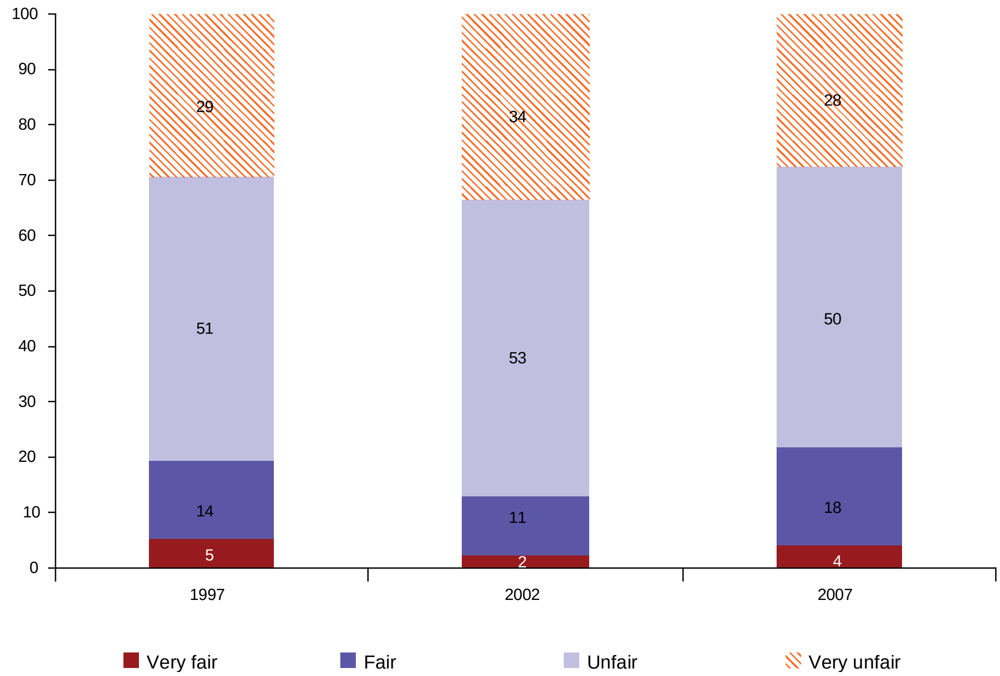
It is important to stress that these hypotheses on the expected impact of the crisis are presented within a context of great uncertainty. Although the worst of the crisis had supposedly passed by the second half of the year —which would make it shorter and not as deep than initially predicted— it is also possible that recovery will be slow and that employment rates will lag significantly.

Perceptions of inequality

A study of 18 countries in Latin America, using data provided by Latinobarómetro, showed that perceptions of highly unfair income distribution are attributable primarily to the opinion among citizens that there are no basic economic and social guarantees, which highlights the need for States to take action to close the social gaps and make progress towards social cohesion. The study further showed that the perception of highly unfair income distribution is related to distrust in political institutions and to the belief that governments serve the elite more than the majority, which suggests that citizens perceive inequality as a power issue that extends beyond mere concentration of wealth and which, if not dealt with as a whole, could hinder social cohesion initiatives.

Despite positive regional trends in reducing distributive inequities in recent years, levels are still high, which coincides, in aggregate terms, with popular perceptions. In 1997, 2002 and 2007, the great majority of Latin American people were of the opinion that income distribution was very unfair or unfair (80%, 87% and 78%, respectively). This could worsen during the current economic crisis and become a problem for social cohesion, not only because general discontent among citizens could generate conflicts, but also because of the difficulty in creating protection agreements that engage large numbers of players and social strata (see figure 6).

Figure 6
LATIN AMERICA (18 COUNTRIES)[a]: OPINIONS ABOUT FAIRNESS IN INCOME DISTRIBUTION, 1997-2007
(Percentages of population, 18 years and older)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), 2009.

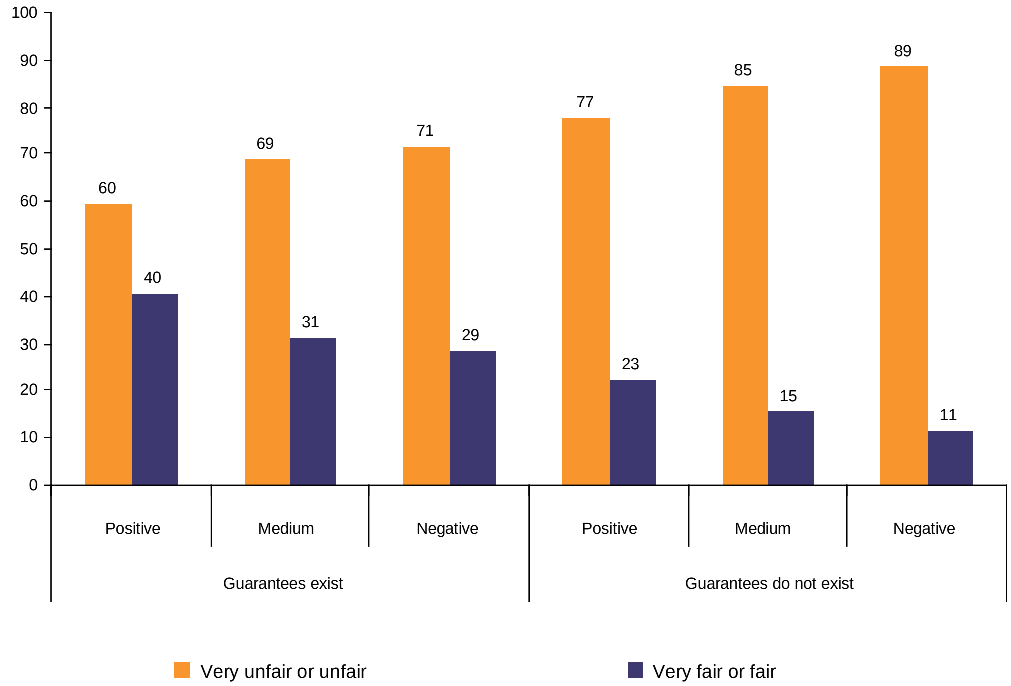
[a] The Dominican Republic is included in 2007 only. The question asked for all three years was: “In your opinion, how fair is income distribution in your country?”.

In 2007, the main factor associated with the opinion that income distribution was unfair was the perception of an absence of basic guarantees of social security, assistance and solidarity with the poorest segments, as well as an absence of job opportunities. This highlights the need for States to play a more active role in providing basic protection. Other related factors included negative attitudes about the role of private firms as service providers, and the perception of insufficient income to meet basic needs of household members and raise levels of schooling (see figure 7).

Figure 7

LATIN AMERICA (18 COUNTRIES): OPINIONS ON THE FAIRNESS OF INCOME DISTRIBUTION AND ATTITUDES TOWARD THE PRIVATE SECTOR [a] AND PERCEPTIONS ABOUT BASIC GUARANTEES

(Percentages)



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

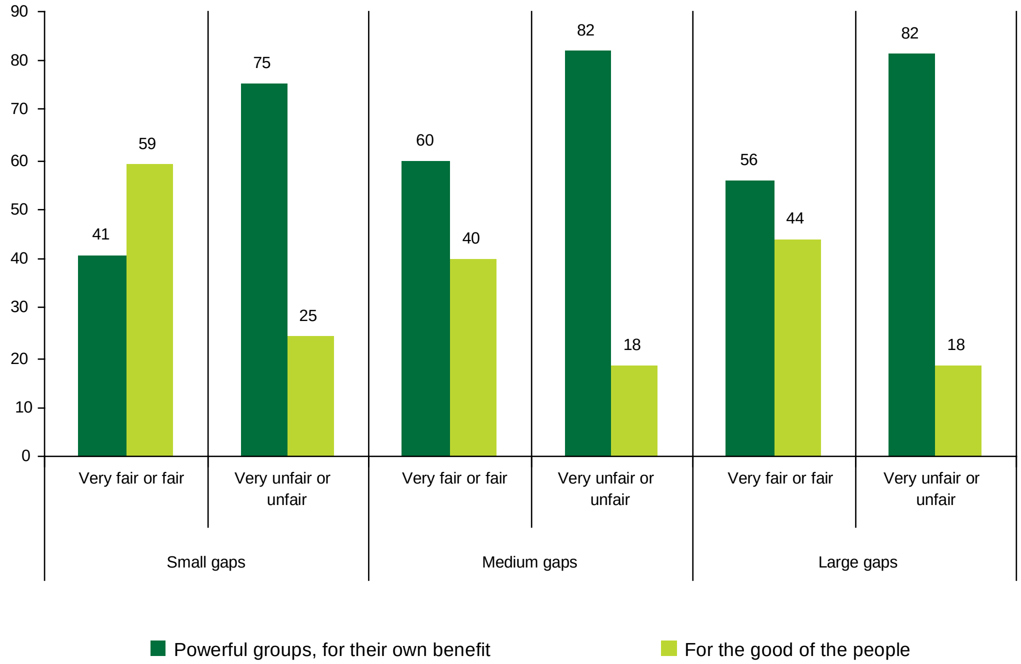
[a] Recodification of points in the non-weighted summary index on the basis of an analysis of its distribution and a breakdown into three groups. Categories were established as follows: 2 to 4 points, positive attitudes; 5 points, medium attitudes; 6 to 8 points, negative attitudes.

The public's confidence in political institutions (congress and political parties) worsened drastically, as did perceptions about fair income distribution. The studies indicate that this was evident in 1997, 2002 and 2007. In 2007, the percentage of people who believed their country was being governed by a few very powerful individuals for their own benefit was higher among those who also believed income distribution was unfair or very unfair in their countries (see figure 8).

Figure 8

LATIN AMERICA (18 COUNTRIES): OPINIONS ON PERSONS IN GOVERNMENT AND THEIR MOTIVATIONS,[a] ACCORDING TO PERCEIVED DISTRIBUTIVE JUSTICE AND CLASSIFICATION OF COUNTRIES BY SIZE OF SOCIAL GAPS,[b] 2007

(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of data from the Latinobarómetro database, 2007, and data from CEPALSTAT, http://websie.eclac.cl/sisgen/ConsultaIntegrada.asp?idAplicacion=6.

[a] The question asked in the Latinobarómetro 2007 survey was: In general terms, would you say that it (the country) is being governed by a few powerful groups for their own benefit, or is it being governed for the good of all the people?

[b] Countries with small gaps = Argentina, Bolivarian Republic of Venezuela, Chile, Costa Rica, and Uruguay; countries with medium-sized gaps = Brazil, Colombia, Dominican Republic, El Salvador, Ecuador; Mexico, Panama and Peru; countries with wide gaps = Guatemala, Honduras, Nicaragua Paraguay and Plurinational State of Bolivia.

DYNAMICS OF SOCIAL SPENDING, MONETARY TRANSFERS AND CO-RESPONSIBILITY TRANSFER PROGRAMMES

Recent approaches to social protection place increasing importance on protecting against income interruption, income poverty and social exclusion, all of which place people in positions of vulnerability and social risk. These approaches represent a break away from the problem of opposition between the principles of universality of rights and rational targeting, and shed doubt on the merits of models based on individual funding of social protection systems. Lastly, these new approaches also seek to align efforts to reduce poverty with the struggle against inequality and the promotion of social cohesion, by developing and executing a variety of social programmes that harmonize traditional social security, delivery of social services and the supply of assistance programmes.

Following five years of positive gains in the reduction of poverty, unemployment and income inequities, the recent crisis and its impacts once again shine a spotlight on the important role of the State as a regulating and, potentially, an intervening agent in response to market failures and asymmetries. In this context, the dynamics of social spending are reexamined, as are the redistributive impacts of the various types of monetary transfers on primary household income and the importance of co-responsibility transfer programs, with the attendant challenges in terms of design and management.

Dynamics of social spending

The crisis Latin America underwent in the early 1980s imposed stiff financial constraints on public spending. To close the larger fiscal gap, the policy options were either to increase fiscal revenue, reduce public spending or combine the two. The preferred choice for balancing fiscal accounts was to reduce public spending, although this had an adverse effect on social spending amid a deterioration in levels of well-being. By the mid-1990s, governments had already begun to recognize the benefits and importance of social spending as an instrument for channelling resources to the poorest segments of the population, and of the important role social development has in stimulating economic development.

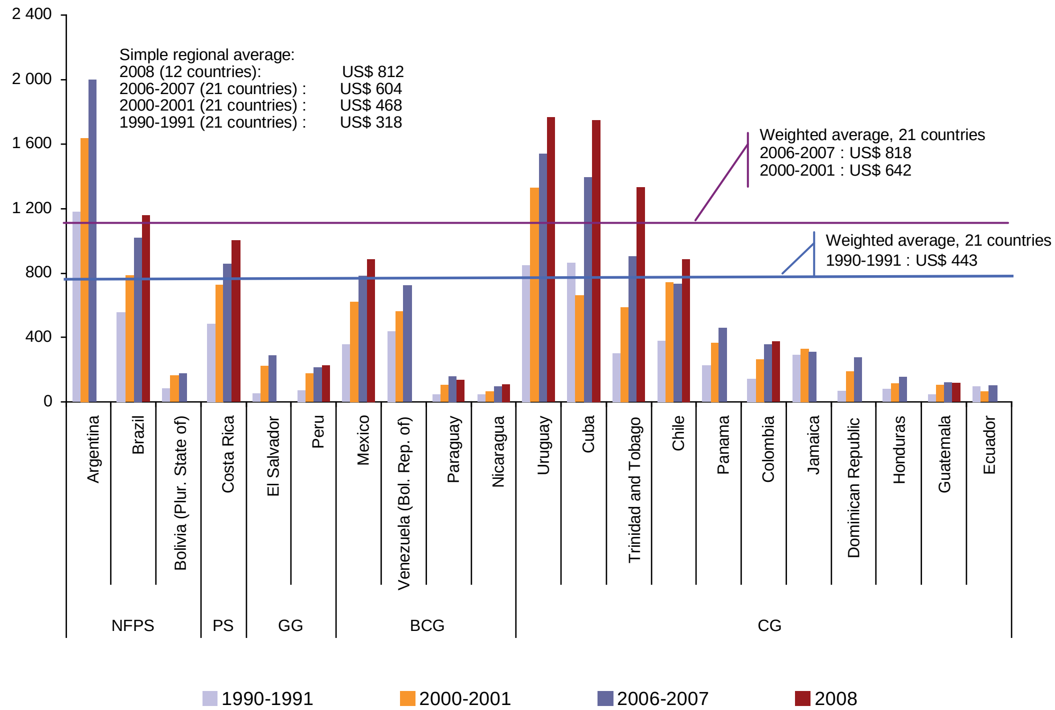
The upward trend in public social spending, which began in the 1990s, attests to the progressive commitment of Latin American countries to allocate public funds to social policies, giving them stronger funding guarantees as well as greater stability and institutional legitimacy. These efforts, to a great extent, match the level of development of each country. There is a direct relationship between each government’s capacity to collect revenue and the availability of public funds to finance protection systems that address old and new social and economic risks. The region does a poor job of collecting the low taxes it charges. Low tax burdens persist, as do regressive tax structures, which place severe limitations on budgets. Nevertheless, governments have made significant efforts to increase their budgets —especially those budget items that target social functions— with tighter fiscal discipline than in the past.

Since the early 1990s, the pace of growth in social spending in the region has sometimes stalled, and varies from country to country, but it has never gone into reverse. Analysis of the pace at which fiscal and macroeconomic efforts have grown in public spending in the region shows that public spending, per person, almost doubled during the 2006-2007 period, compared with 1990-1991 (to stand at US$ 820 per person at 2000 prices), and increased by 18% compared with 2004-2005.

Nevertheless, there are enormous disparities between countries; the country that spends the most spends a full 20 times more per capita than the country that spends the least.

Of the 21 countries studied, eight spend less than US$ 300 per person, and six spend less than US$ 200 (Ecuador, Guatemala, Honduras, Nicaragua, Paraguay and Plurinational State of Bolivia). Only four countries spend more than US$ 1,000: Argentina, Brazil, Cuba and Uruguay. This reflects a direct correlation between spending and overall economic resources (see figure 9).

Figure 9
LATIN AMERICA AND THE CARIBBEAN (21 COUNTRIES): PER CAPITA SOCIAL SPENDING, 1990-1991 AND 2008
(Constant 2000 dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of information from the Commission's social expenditure database.

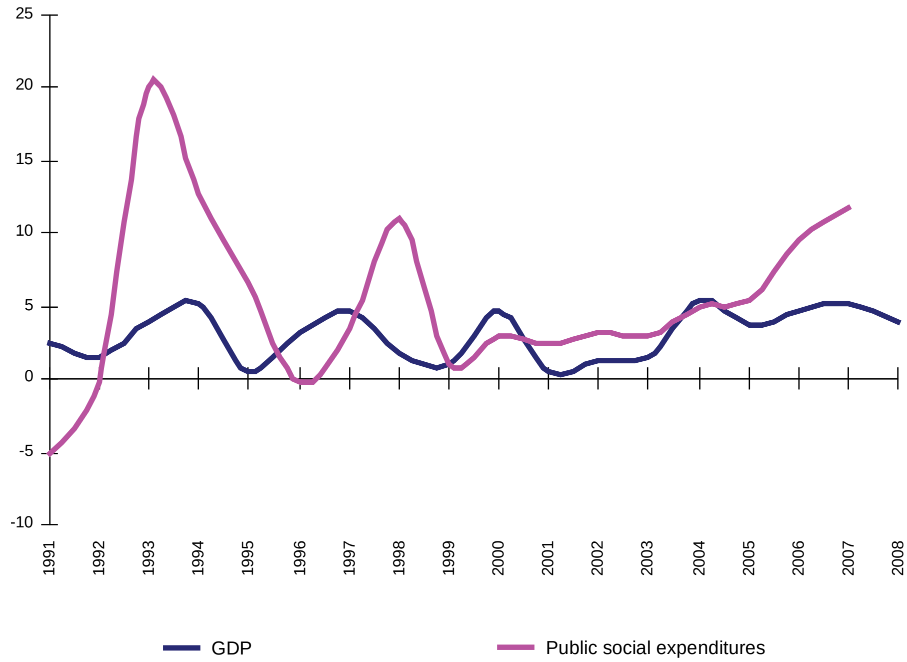
Note: NFPS: non-financial public sector; PS: public sector (total); GG: general government; BCG: budgetary central government; CG: central government.

Despite governments' efforts to allocate more resources to social development, social spending has been markedly procyclical in the region, with expenditures freezing or shrinking in times of crisis (see figure 10). This reflects the budget constraints of the least developed countries that have less capacity to implement countercyclical measures during economic downturns. It should be noted, however, that in the last decade, these are also the countries that have most notably increased the priority awarded to this aspect of macroeconomic policy.

Figure 10

LATIN AMERICA AND THE CARIBBEAN (21 COUNTRIES): ANNUAL VARIATION IN PUBLIC SOCIAL SPENDING AND GROSS DOMESTIC PRODUCT [a]

(Percentages)



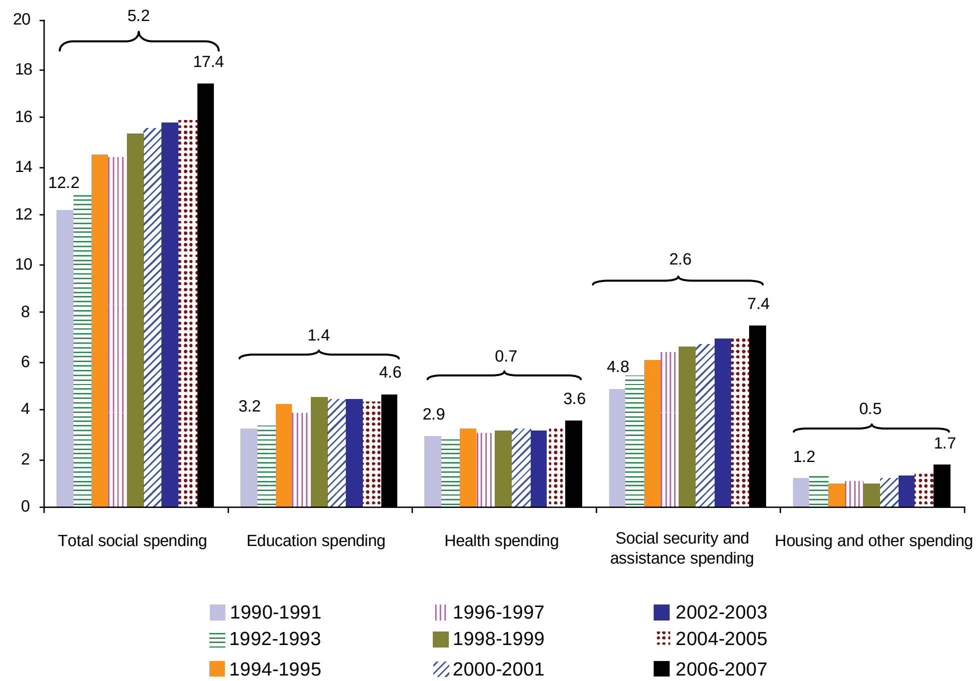
Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of information from the Commission's social expenditure database.

[a] Weighted average of the countries.

By sector, social security and assistance,[4] followed by education, largely account for the increases in this priority component of macroeconomic policy. These items represent four of the five percentage points by which total social expenditures have increased (see figure 11). This reveals how heavily macroeconomic policy is focusing on the public funding of social development and reflects States' efforts to reduce poverty and increase social protection in response to the changes under way in family and population structures in the region.

4 The information available does not allow for the separation of the social security and social assistance spending items.

Figure 11
LATIN AMERICA AND THE CARIBBEAN (21 COUNTRIES): PUBLIC SPENDING BY SECTOR, 1990-1991 TO 2006-2007 [a]
(Percentages of GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of information from the Commission's social expenditure database.

[a] Weighted average of the countries.

Which sectors are targeted by public funding varies according to the level of development, the production structure and the sociodemographic features of each country and according to the population's unmet basic needs. Despite the surge in public spending counteracting the more orthodox vision promoted by the Washington Consensus, the increased fiscal effort made by governments has not been enough to substantially reduce inequality and poverty or to enable countries to respond properly to the latest internal and external shocks. This raises the question as to in which areas and at what pace steps should be taken to further the State's role in increasing well-being and reducing inequalities.

Cash transfers to households

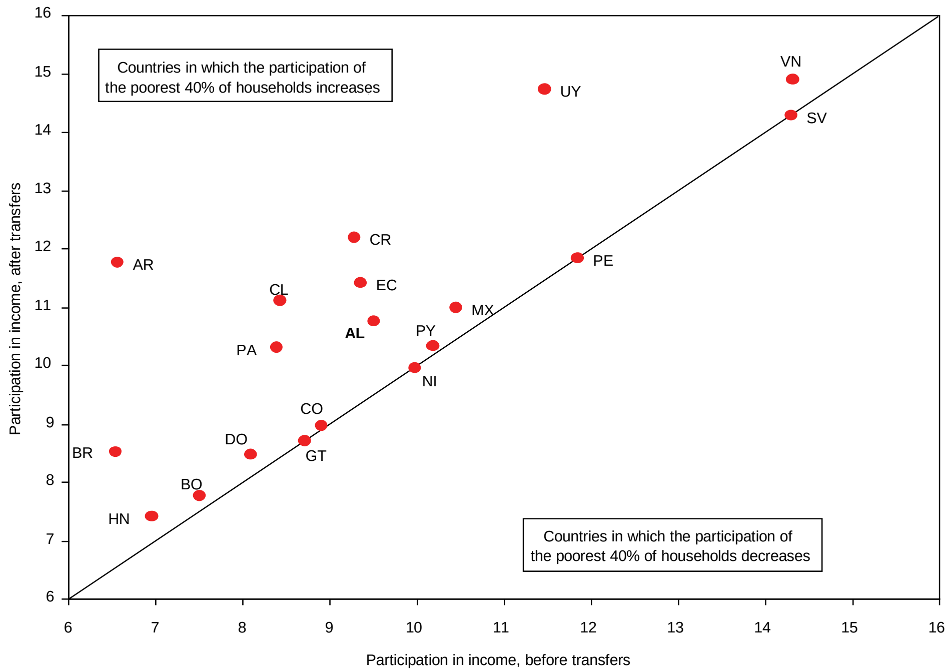
The primary income of households, as determined by the income obtained from the participation of household members in the labour market and on account of their ownership of various assets, is the main source of the huge inequities that make Latin America and the Caribbean the most unequal region in the world. In addition to the excessive concentration of property in the hands of a few, operational flaws and the resulting segmentation of the labour market generate and perpetuate the unequal opportunities that characterize the region. The significant progress made in recent years in economic growth and the more active participation of the State in the social arena have not greatly altered these features of the labour market nor reduced the huge inequalities within it. The labour market and its flaws are therefore still determining factors of the high levels of poverty in the region.

Modern societies and States have a series of mechanisms for ensuring that families are not automatically plunged into poverty and condemned to fall apart when they are unable to participate in the labour market or own property. Primary income distribution is corrected through income redistribution mechanisms that can be activated because taxes are systematically levied on current income, property, profits and consumption and because mandatory contributions of a portion of labour income are established to finance the benefits and transfers that workers receive when their working lives come to an end. There are also voluntary, solidarity-based redistribution mechanisms that function not only through donations between private households, but also through the participation of the organized community.

Transfers have a de-concentrating effect in nearly all countries, inasmuch as they increase the participation in income of 40% of the poorest households, as shown in figure 12. The countries in which the concentration of primary income is most noticeably reduced thanks to the action of monetary transfers are also the ones with the most developed and comprehensive social security systems, whether they be pay-as-you-go or other schemes.

On average, transfers have little bearing on total or per capita income in households in the region as they account for only 9% of total income. The most significant ones are of course pension payments. These are particularly important in the households receiving them because they account for almost one third of income. This is largely because, in the relatively more developed countries of the region, a larger proportion of households consist of only older persons who basically live off their pensions.

Figure 12
LATIN AMERICA (18 COUNTRIES): PARTICIPATION OF THE POOREST 40% OF HOUSEHOLDS IN INCOME, BEFORE AND AFTER TRANSFERS, AROUND 2008 [a]
(Percentages)



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

[a] Income before transfers refers to the per capita income obtained by households through their participation in the labour market (primary income). The households reported as low-income before and after transfers are not necessarily the same ones.

Another reflection of the important role that transfers play in the welfare of people and households and of their multiplying effect is their contribution to poverty reduction. On average, transfers lower household poverty levels by 6.5 percentage points (see table 3) and the number of poor persons by slightly less (close to 5 percentage points). This occurs for two reasons: it is easier to reduce poverty in households with fewer members; and the most significant transfers are pension and retirement benefits, which are generally received by older persons. Poverty meanwhile hits mostly children, and the social protection schemes for children tend to be limited to State aid aimed at combating poverty over the longer term (conditional transfer programmes, for example).

Monetary transfers made through donations from non-governmental organizations are, in most countries, progressive in relation to primary income. Public monetary transfers, on the other hand, have a broader coverage and they are more progressive. On average, 12% of households benefit from these transfers, and they reach over one quarter of the lowest-income households (the first decile) and one fifth of the next lowest-income households (second decile). Their impact in terms of de-concentrating income is equivalent to only about 20% of the aggregate effect of all transfers, however.

Table 3
LATIN AMERICA (15 COUNTRIES): THE EFFECT OF DIFFERENT TYPES OF TRANSFERS ON POVERTY REDUCTION, AROUND 2008

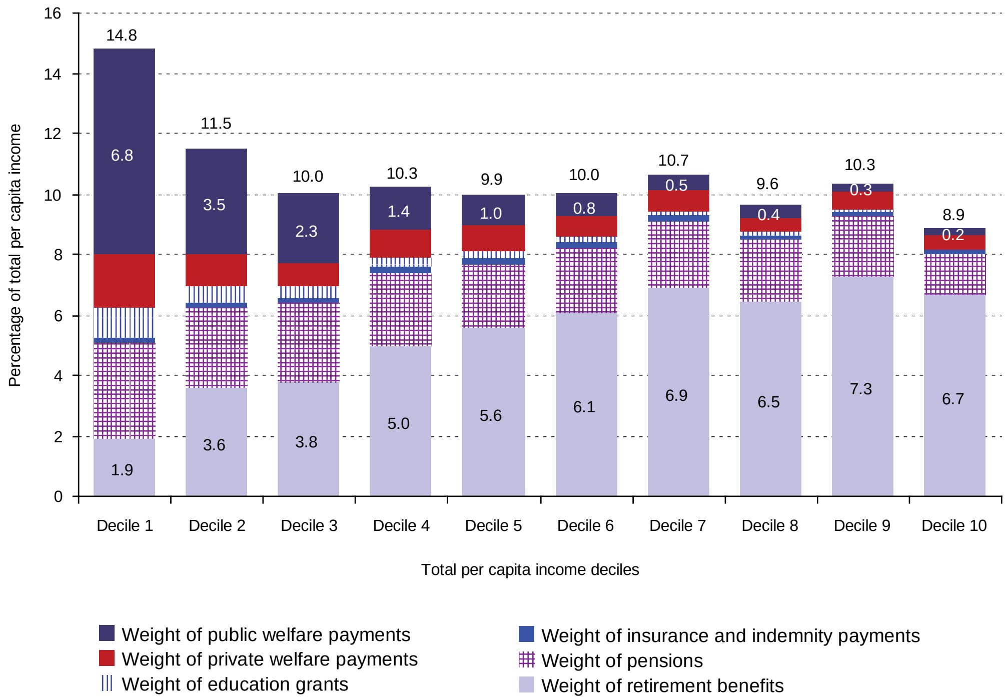
Countries	Retirement benefits	Pensions	Insurance and indemnities	School grants	Welfare payments		Total transfers	Reduction in percentage points	Percentage reduction
					Private	Public			
Argentina 2006	+++	+	=	=	…	=	+++	15.8	52%
Bolivia (Plurinational State of) 2007	+	=	…	…	…	=	+	3.0	6%
Brazil 2008	+++	++	=	…	=	…	+++	14.2	42%
Chile 2006	++	++	=	…	=	++	+++	11.2	50%
Colombia 2008	+	=	=	…	=	=	+	3.9	10%
Costa Rica 2008	++	+	…	+	+	=	+++	9.7	40%
Ecuador 2008	+	…	…	…	+	+	++	7.2	16%
El Salvador 2007	+	=	=	…	…	=	+	1.5	5%
Guatemala 2006	=	=	=	=	=	=	+	1.7	4%
Honduras 2007	=	=	…	=	…	=	=	1.0	2%
Mexico 2008	+	…	=	=	=	+	++	4.1	13%
Nicaragua 2005	=	=	=	=	=	…	+	1.2	2%
Panama 2008	++	+	…	=	…	=	++	7.8	27%
Paraguay 2008	+	=	…	…	…	…	+	2.8	5%
Peru 2008	=	=	=	…	=	=	=	0.3	1%
Dominican Rep. 2008	+	…	…	…	…	=	+	2.0	5%
Uruguay 2008	+++	++	+	…	=	+	+++	14.0	62%
Venezuela (Bolivarian Republic of) 2008	+	=	…	=	…	=	+	2.1	8%

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

Note: Equals sign (=) and red: less than 2% reduction; plus sign (+) and yellow: less than 10% reduction; double plus sign (++) and green: less than 30% reduction; triple plus sign (+++) and light blue: 30% reduction or more.

Although the transfers associated with retirement benefits and pensions have the greatest impact on income distribution and poverty reduction, welfare transfers in general, and public ones in particular, are particularly important for raising the living standards of the poorest segments of society, as shown in figure 13. On average, total transfers account for almost 15% of per capita income in the poorest households, and only 10% on the richest, although the weight of the different transfers varies considerably.

Figure 13
LATIN AMERICA (18 COUNTRIES): WEIGHT OF THE DIFFERENT TRANSFERS IN THE PER CAPITA INCOME OF HOUSEHOLDS, AROUND 2008
(Percentages)



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

Conditional transfer programmes

Conditional transfer programmes (CTPs) are today one of the main social policy instruments developed by governments in the region to combat poverty. They are non-contributory and seek both to raise household consumption levels by providing families with monetary transfers (and thus reduce poverty in the short term) and to increase the human capital of household members, with a view to ending the transmission of poverty from one generation to the next. CTPs have multiplied since the mid-1990s. They are now operating in 17 countries in Latin America and the Caribbean and involve over 22 million families, in other words around 100 million people (17% of the population of the region). On average, however, they represent only 2.3% of total public social expenditures and 0.25% of GDP in the region.

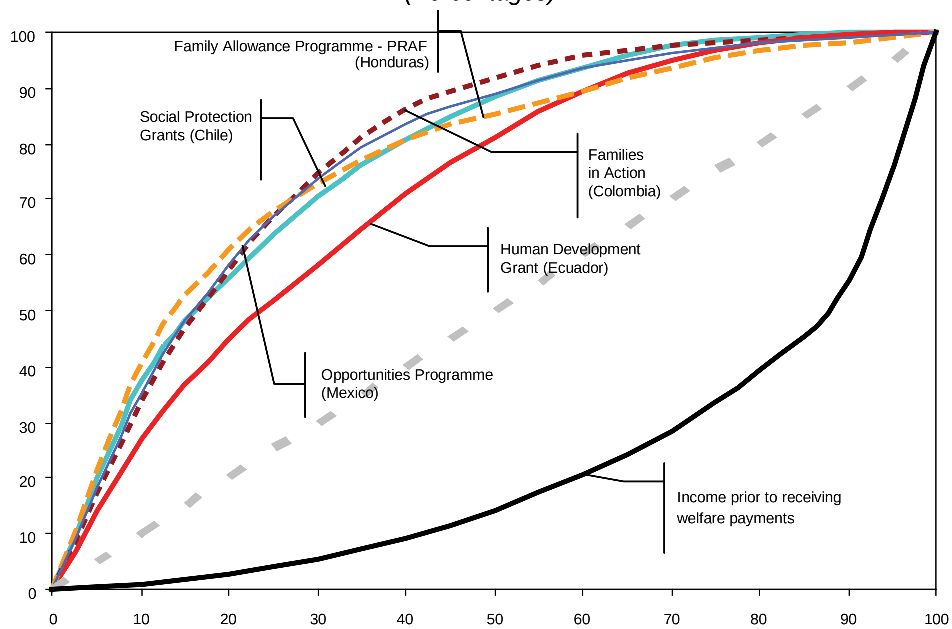
The situation varies considerably from country to country, both in terms of the proportion of GDP that CTPs represent and the percentage of the population they cover. In the countries with the more established programmes, Brazil and Mexico, spending on CTPs is above the regional average (0.41% and 0.43%, respectively). The number of beneficiaries of these programmes exceeds the number of people living in extreme poverty, respectively 83% and 71% of the poor population.[5] In contrast, the population covered by CTPs in Central America does not exceed 20% of the poor.

CTPs are by their very nature more progressive than other types of transfers (see figure 14). About 200 million people are thought to be living in poverty in 2009, and 101 million of them are benefiting from CTPs. It could therefore be argued that there is still room to enlarge the programmes and cover more families that are unable to meet their basic needs on their own. In fact, some of the region's countries have announced that they will be expanding the scope of their CTPs in response to the international economic crisis and the associated threat of rising poverty levels.

As far as their impact on poverty indicators are concerned, these transfer programmes have been particularly effective in narrowing the poverty gap (the distance between per capita income and the cost of the basket of items needed to satisfy basic needs) and in reducing the severity of poverty (inequality among the poor). This is because although CTPs usually effectively target the poorest people, they do not always involve large sums. They therefore help move people towards the poverty line but not necessarily to actually cross it. The data for 14 Latin American countries show that the per capita minimum amount of the transfers on average represents 16% of the indigence line and 9% of the poverty line in rural areas and 15% of the indigence line and 8% of the poverty line in urban areas. The evidence of the contribution that CTPs make to poverty reduction comes from countries in which the amount of the transfers is significant and the scope of the programmes is broad, such as Argentina, Brazil, Ecuador, Jamaica and Mexico. In countries in which the volume and coverage of the transfers made under CTPs are low, the impact on poverty is next to nothing. In Honduras, the small sums involved in the Family Allowance Programme (PRAF) result in a meagre 0.2 percentage-point reduction in poverty.

[5] The data on CTP coverage of the poor and indigent population do not take inclusion and exclusion errors into account.

Figure 14
LATIN AMERICA (5 COUNTRIES): DISTRIBUTION OF CONDITIONAL CASH TRANSFERS VERSUS DISTRIBUTION OF PER CAPITA HOUSEHOLD INCOME BEFORE WELFARE TRANSFERS
(Percentages)



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

In times of economic crisis, predictable ongoing transfers that are not linked to occurrences in the labour market, such as those made under CTPs, can play a significant role in containing the rise in poverty. Some countries in the region have in fact announced that they are going to expand the scope of their CTPs. The Government of Brazil has said that the *Bolsa Familia* grant programme will be extended to an additional 1.3 million families and has raised the amount of the benefits. In Mexico, participants in the “Opportunities” programme began to receive an income supplement of 120 pesos (US$ 11) a month as of July 2008 through the “Living Better Food Support” programme.

How well CTPs work depends on how much the country has achieved in ensuring universal access to basic social services and close collaboration between the programmes’ leaders and the education, health and nutrition sectors. The largest challenges include coordinating with the ministries of the social sectors and developing close and effective working relations between the central and decentralized or local levels of administration. Implementing CTPs can pave the way for new management patterns in traditionally compartmentalized public institutions, forge new links between sectors and encourage joint ventures among units from different levels of the hierarchy. Action on the demand side, however, needs to be combined with action regarding the supply of public services and programmes. The CTPs themselves can cause quality problems by increasing demand to such an extent that health services, for example, are overwhelmed. Furthermore, the levels of sophistication reached in the targeting of the programmes has made eligibility criteria increasingly obscure, which causes tension in the community between those who receive the benefits and those who do not, and this can threaten the social capital that the CTPs are supposed to generate

THE CRISIS, POST-CRISIS SCENARIOS AND SOCIAL VULNERABILITY IN LATIN AMERICA

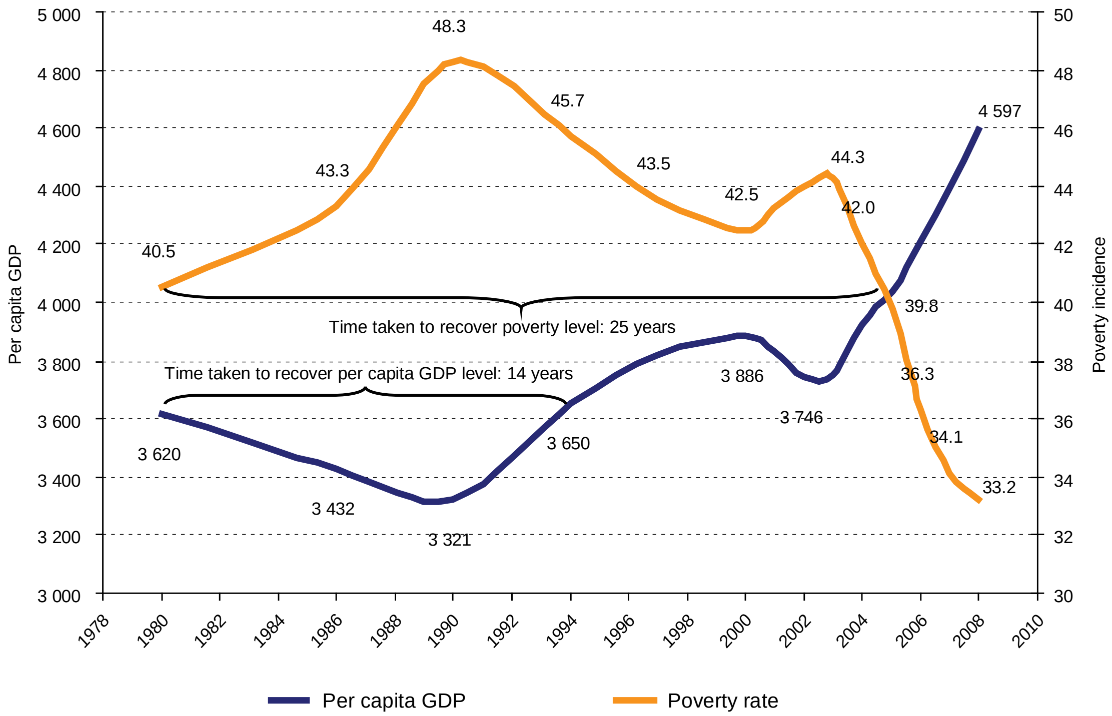
The social impact of the current global crisis on the different countries of Latin America varies considerably. Effects include a rise in unemployment and informal employment, higher levels of poverty and indigence and risks of falling into poverty, problems in sustaining the expansion of social spending and increased threats to the survival of small and medium-sized enterprises.

The region is, nevertheless, in a better position to respond to the crisis than in previous economic downturns. This is due not only to the region's own meritorious efforts regarding prudent fiscal management and inflation control, but also to the fact that in 2002-2008, the region benefited from a highly favourable international situation and the advantages of the first stage of the demographic dividend. [6] Both factors are losing strength and are projected to even turn negative in the future. The two new allies in the fight against poverty in 2002-2008, increased social spending and improved income distribution, may suffer as a result. If governments manage to avoid a repetition of the past, when the vulnerable sectors paid the costs of downturns without benefiting from the recoveries (see figure 15), the region will have made a considerable leap forward.

Jumpstarting the economy and reactivating the labour market are two fundamental objectives now. But more is needed that that. A countercyclical approach to monetary and fiscal policy management, better targeted social spending that is adequately sustained, and labour markets that do not expel the most vulnerable members of society will be crucial if the region is not to lose all the ground gained in six-year run up to the crisis.

6 Period in which the working-age population increases and the demographic dependency rate falls because households shrink thanks to declining fertility rates.

Figure 15
LATIN AMERICA AND THE CARIBBEAN (19 COUNTRIES): COMPARISON BETWEEN PER CAPITA GDP AND THE POVERTY RATE, 1980-2008[a]
(Dollars and percentages of the population)



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

[a] Weighted averages.

The vulnerability of the social structure

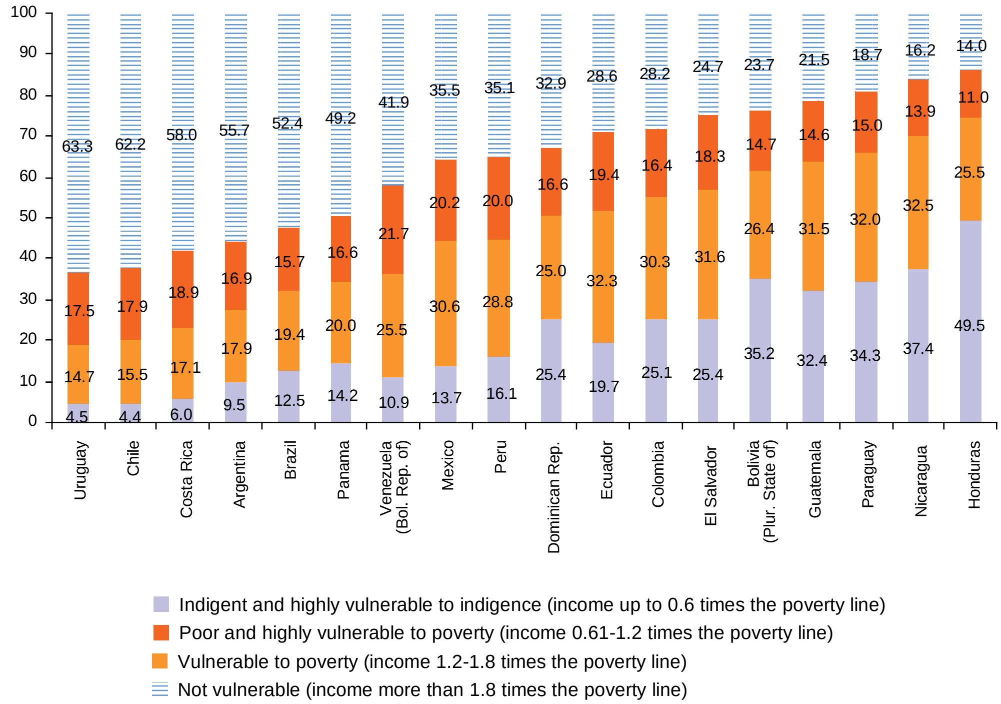
Although there was a marked reduction in poverty in 2002-2008, most of those who recently left poverty are, in income terms, living only just above the poverty line. This means that the proportion of people at risk of falling into poverty is very large, although it varies considerably from country to country (see figure 16).

The key variables that reflect the different dimensions of the vulnerability of this population and can hence be used to increase the efficiency of spending fall under three broad headings: (i) households, labour market and income; (ii) household structure and family structure; and (ii) the human capital of households.

Figure 16

LATIN AMERICA (18 COUNTRIES): POVERTY VULNERABILITY PROFILE BY COUNTRY, 2008

(Percentages)



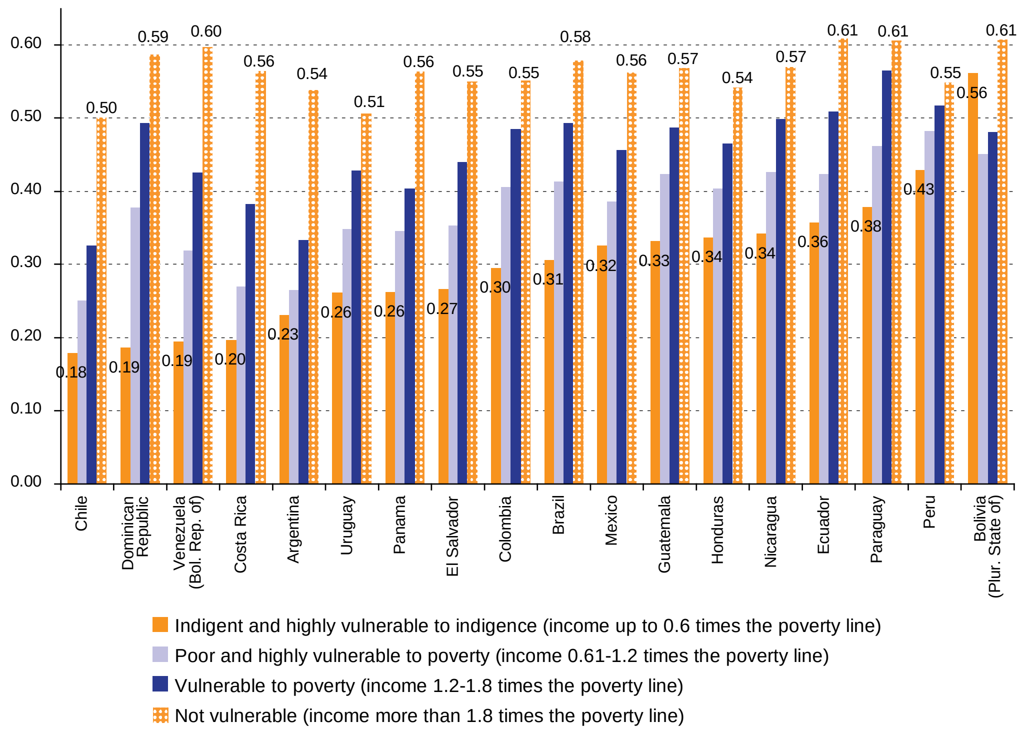
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of data from household surveys conducted in the respective countries.

In terms of households, labour market and income, figure 17 contrasts the ratio of employed persons / total persons in poor households with those not in danger of falling into poverty in income terms. The difference is particularly marked in the richer countries. In many relatively less developed countries, the gaps are smaller, or in the case of the Plurinational State of Bolivia, there is hardly any difference at all. This is explained by the low productivity and low wages of those sectors in these poorer countries. In contrast, in the richer countries, a high employment ratio tends to ensure in income terms that the household escapes both poverty and the risk of falling into poverty.

Figure 17

LATIN AMERICA (18 COUNTRIES): RATIO OF EMPLOYED TO TOTAL HOUSEHOLD MEMBERS, BY VULNERABILITY CATEGORY, AROUND 2007

(Number of employed members divided by total members)



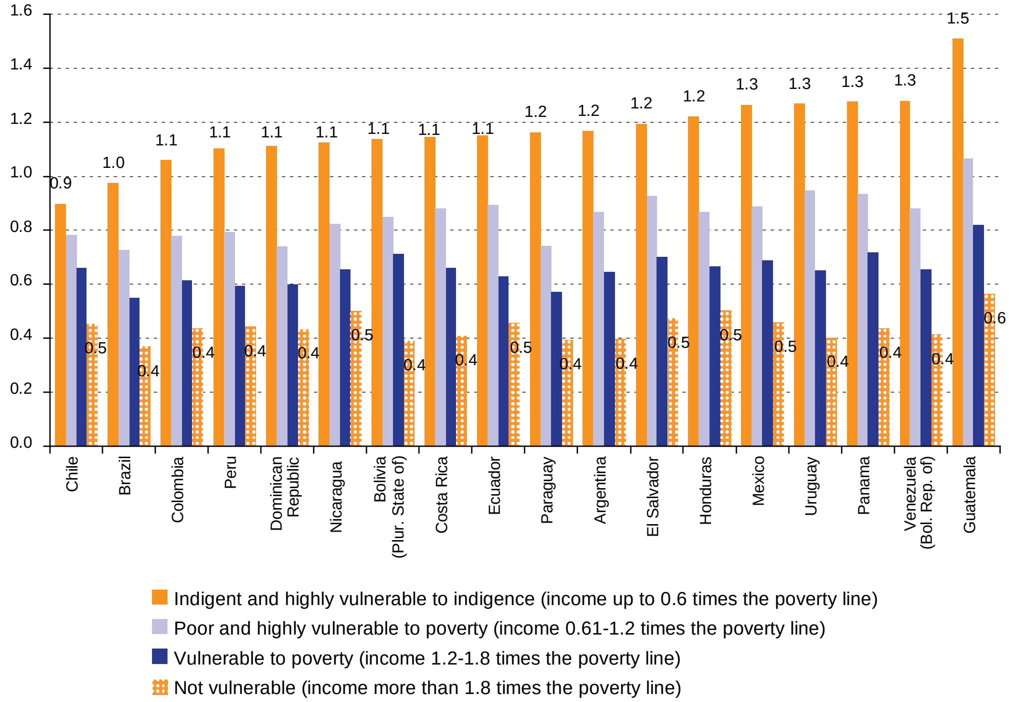
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of data from household surveys conducted in the respective countries.

As far as household and family structure is concerned, household dependency rates (the number of non-working-age persons per working-age person) vary according to the stage of demographic transition each country has reached. In all countries, except Chile, the ratio is one or higher in households that are extremely poor or in danger of becoming so. This means that the number of dependent persons is equal to or higher than the number of persons aged 14-64 years. This ratio falls to 0.5 and 0.4 in the case of households that are not vulnerable to poverty, and the pattern continues across the remaining categories: in other words, the higher the income, the lower the dependency rate (see figure 18).

Figure 18

LATIN AMERICA (18 COUNTRIES): DEMOGRAPHIC DEPENDENCY RATE BY VULNERABILITY CATEGORY, AROUND 2007 [a]

(Number of employed members divided by total members)



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

[a] The data for Peru correspond to 2003; for El Salvador, to 2004; to Colombia and Nicaragua, to 2005; and to Argentina, Chile, Guatemala and Mexico, to 2006. The calculation was made by dividing the number of persons aged under14 and over 64 by those aged between 15 and 64. Households where the denominator was zero (according to the survey, no people in the household were aged between 15 and 64) were excluded from the calculation.

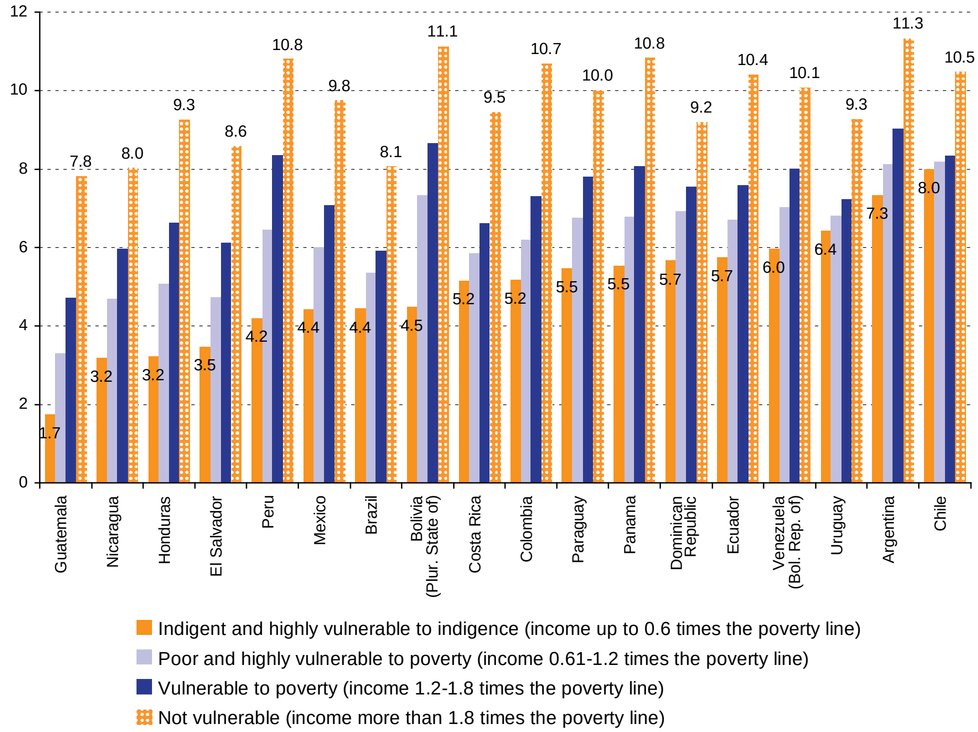
One of the realities of Latin American society is a direct consequence of this demographic feature. A disproportionate number of children in the region live in extreme poverty, in poverty or at risk of poverty, and the more advanced the country is in its demographic transition, the more apparent this is. It will be difficult to take advantage of the second stage of the demographic dividend (when the dependency ratio stabilizes) if increasing proportions the active population have had an impoverished childhood. Making sure the crisis does not spell the juvenilization of poverty is one of the main challenges currently facing the region.

The socio-economic stratification of the human capital of households has been thoroughly documented. As the main determining factor of people's career paths throughout their working life, it constitutes the main link in the transmission of inequality from one generation to the next (see figure 19).

Figure 19

LATIN AMERICA (18 COUNTRIES): AVERAGE YEARS OF SCHOOLING OF HOUSEHOLD MEMBERS AGED 25 YEARS AND OVER IN HOUSEHOLDS CLASSIFIED AS VULNERABLE, AROUND 2007 [a]

(Number of years)



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

[a] The data for Peru correspond to 2003; for El Salvador, to 2004; for Colombia and Nicaragua, to 2005; and for Argentina, Chile, Guatemala and Mexico, to 2006.

Social protection matrixes, responses to the crisis and future prospects

The wide range of social protection systems in place across the region suggests that countries' capacity to protect their most vulnerable populations against the impact of economic downturns and external shocks varies considerably. In terms of social spending levels and coverage, the countries of the region fall into three broad categories, those with: (i) universal schemes; (ii) dual schemes; and (iii) schemes that draw on family support to provide protection.

Table 4
LATIN AMERICA: SOCIAL SPENDING INDICATORS BY GROUP OF COUNTRIES, AROUND 2007
(Simple averages)

	Per capita social spending (Dollars) [a]	Public social spending (Percentage of GDP) [a]	Public spending on social security and assistance (Percentage of GDP) [b]	Social spending on health (Percentage of GDP) [a]	Social spending on education (Percentage of GDP) [a]
Group 1: Argentina, Brazil, Chile, Costa Rica, Panama and Uruguay	1 102	17.7	7.9	3.9	4.5
Group 2: Bolivarian Republic of Venezuela, Colombia and Mexico	638	13.0	4.9	2.2	4.3
Group 3: Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Paraguay, Peru and the Plurinational State of Bolivia	178	10.2	2.6	2.3	4.1

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of information from the Commission's social expenditure database.

[a] 2000 dollars. Data from 2006/2007.
[b] 2000 dollars. Data from 2006/2007. Does not include Nicaragua.

Table 5
LATIN AMERICA: COVERAGE INDICATORS OF THE SOCIAL SECURITY, HEALTH AND EDUCATION SYSTEMS, BY GROUP OF COUNTRIES
(Simple averages)

Coverage	Percentage of workers contributing to the social security system [a]	Percentage of people covered by pension and retirement schemes in urban areas [a]	Percentage of people covered by health insurance [a]	Percentage of 15-17-year olds attending school [b]
Group 1: Argentina, Brazil, Chile, Costa Rica, Panama and Uruguay	53.1	64.4	69.7	79.0
Group 2: Bolivarian Republic of Venezuela, Colombia and Mexico	34.3	26.6	45.6	64.5
Group 3: Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Paraguay, Peru and the Plurinational State of Bolivia	20.0	14.1	17.2	63.8

Source: Carmelo Mesa-Lago, “Efectos de la crisis global sobre la seguridad social de salud y pensiones en América Latina y el Caribe y recomendaciones de política”, *Políticas sociales series*, No.150 (LC/L.3104-P), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), October 2009. United Nations publication, Sales No. S.09.II.G.85.

[a] Does not include Brazil Data corresponds to 2004, 2005 and 2006.
[b] Does not include the Bolivarian Republic of Venezuela or the Dominican Republic.

As shown in table 6, the three categories are not determined only by the spending levels and coverage of countries' social protection systems. The smaller the proportion of the burden carried by the State and the lower a country's average productivity, the greater the burden on out-of-pocket expenditures and on families to find ways to handle crisis situations and attain some form of social protection. This increases the differences between countries.

Table 6
LATIN AMERICA: SELECTED WELFARE INDICATORS BY GROUP OF COUNTRIES, AROUND 2004
(Simple averages)

	Proportion of population that make out-of-pocket health expenditures	Remittances from abroad (Percentages of GDP)	Employed population living below the poverty line (Percentages of total working population)	Extended and composite families (Percentage of total families)
Group 1: Argentina, Brazil, Chile, Costa Rica, Panama and Uruguay	23.3	0.9	16.7	19.0
Group 2: Bolivarian Republic of Venezuela, Colombia and Mexico	35.1	2.2	28.6	23.4
Group 3: Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Paraguay, Peru and the Plurinational State of Bolivia	72.1	9.8	38.4	27.9

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of household surveys conducted in the relevant countries and *Social Panorama of Latin America,* various years; World Bank, World Development Indicators, 2006 [online database] http://ddp-ext.worldbank.org/ext/DDPQQ/member.do?method=getMembers&userid=1&queryId=6; and Latinobarómetro survey, 2007.

All Latin American governments have been much more proactive in responding to the crisis this time around. First and foremost this has been demonstrated by the widespread use of monetary instruments to sustain economic activity, boost liquidity and increase access to credit. Second, it is reflected in the investment programmes that have been developed or brought forward with a view to stimulating the economy and generating employment in the face of falling consumption and private investment. Finally, States have employed all the tools available to them in their social protection systems to mitigate the social impact of the crisis. Government action in this regard falls into four broad categories: monetary transfers; sectoral policies (health, education, housing and food); active employment and credit policies; and subsidies for basic non-food-related services (transport, electricity and water).

The evidence available shows that, within their response to the crisis, governments are taking social and sectoral policy action that has a redistributive function. Nevertheless, much remains to be done in terms of improving the medium- and long-term consistency and structuring of these measures. Women, children and, in the near future, older persons, as well as the less-skilled, fill or will fill the ranks of the indigent, poor and vulnerable population in Latin America. Fully understanding the linkages between market, State and family is essential attacking the social effects of the crisis and laying the foundations for a more efficient and egalitarian social protection system.

Table 7
LATIN AMERICA: INSTRUMENTS USED TO TACKLE THE IMPACT OF THE CRISIS

Monetary transfers			
Pensions	Unemployment benefits	Family allowances	Other direct monetary transfers (CTPs,[a] solidarity grants, etc.)
Increases in the value of pensions Extension of the coverage of non-contributory pensions One-off bonus payments to supplement very low pensions	Extension of the duration of unemployment benefits Broadening of eligibility criteria Creation of partial and flexible unemployment insurance schemes	Increase in the value of the allowances Extension of programme coverage One-off bonus payments for family allowance beneficiaries	Increase in the value of allowances Extension of programme coverage
Sectors traditionally targeted by social policy			
Education	Health	Housing	Food
Increased resources and supplies for school meal programmes and support to cover education expenses	Elimination of co-payments or subsidies for medicines Expansion of services and infrastructure	Construction of low-income housing Home-loan subsidies	Rural nutrition programmes Expansion of hand-outs of staple food items and support for food programmes
Employment and labour market policies		Credit, facilities and subsidies for microenterprises and small and medium-sized enterprises (SMEs)	
Increases in the minimum wage Public investment in social infrastructure Direct job creation		Extension of credit to those eligible for microloans Support for SMEs (tax exemptions and credit)	
Basic services		Transport	
Creation of more or new subsidies Targeting of subsidies		Increase in general or targeted subsidies Creation of subsidies for new population groups	

Source: Economic Commission for Latin America and the Caribbean (ECLAC).

[a] Conditional transfer programmes.

GENDER AND PAID AND UNPAID WORK: LINKS IN THE CHAINS OF DISCRIMINATION AND INEQUALITY

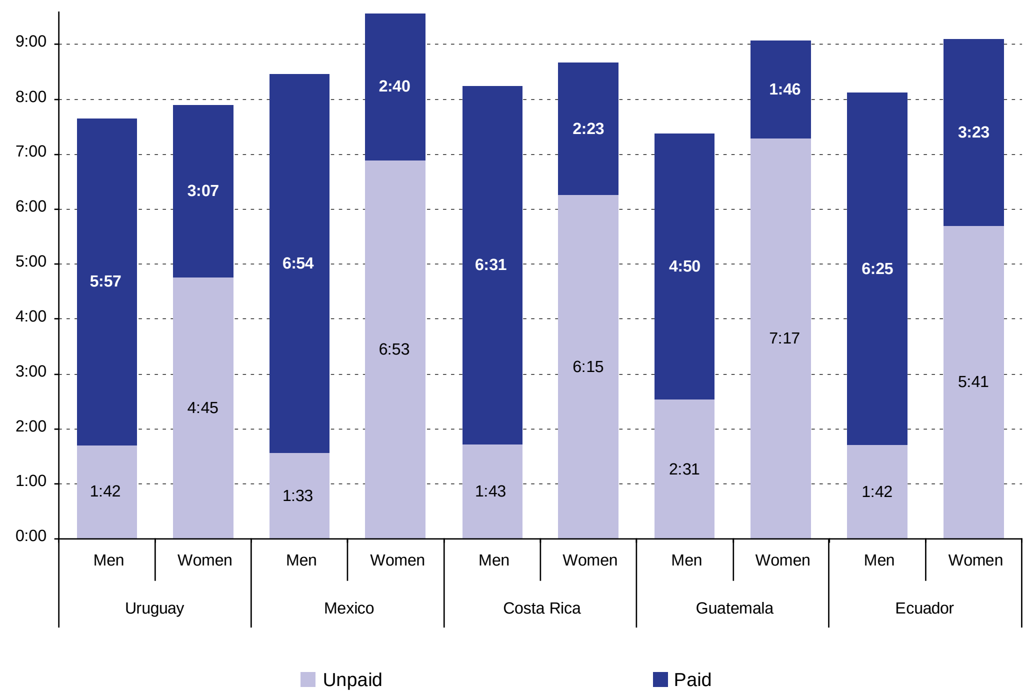
The crisis in the care sector and two-fold gender-based discrimination

Latin America is currently in the midst of a care crisis inasmuch as paid wage work and unpaid domestic work patterns are shifting at a time when the sexual division of labour in the home and the gender-based segmentation of the labour market are still extremely rigid. These asynchronous trends are occurring within a context of profound transformations in family life, which do not, however, entail an increased participation of men in care work, and without there being sufficient State or market mechanisms to assume responsibility for the provision of care.

The situation is exacerbated by the rising demand for care that is being generated by the ageing of the population, the persistence of relatively high fertility rates and the increase in the number of people suffering from chronic illnesses. And this is occurring in a region where many families have to cope with the burden of dependents with no recourse to social protection or with only limited pension or retirement benefits.

Care work is part of the unpaid work that also includes household tasks, such as cleaning and preparing food. Care work is performed with no contract that establishes the price, responsibilities and benefits involved and it takes up time that could be devoted to other activities. The gender inequalities in this area are huge. The average number of hours devoted daily to unpaid work by women ranges between almost five hours in Uruguay and slightly over seven in Guatemala. The number of hours that men spend on caring for others never rises above two, except in Guatemala (see figure 20).

Figure 20
LATIN AMERICA (SELECTED COUNTRIES): WORKLOAD BY GENDER, DIFFERENT YEARS BETWEEN 2002 AND 2007
(Hours and minutes)



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

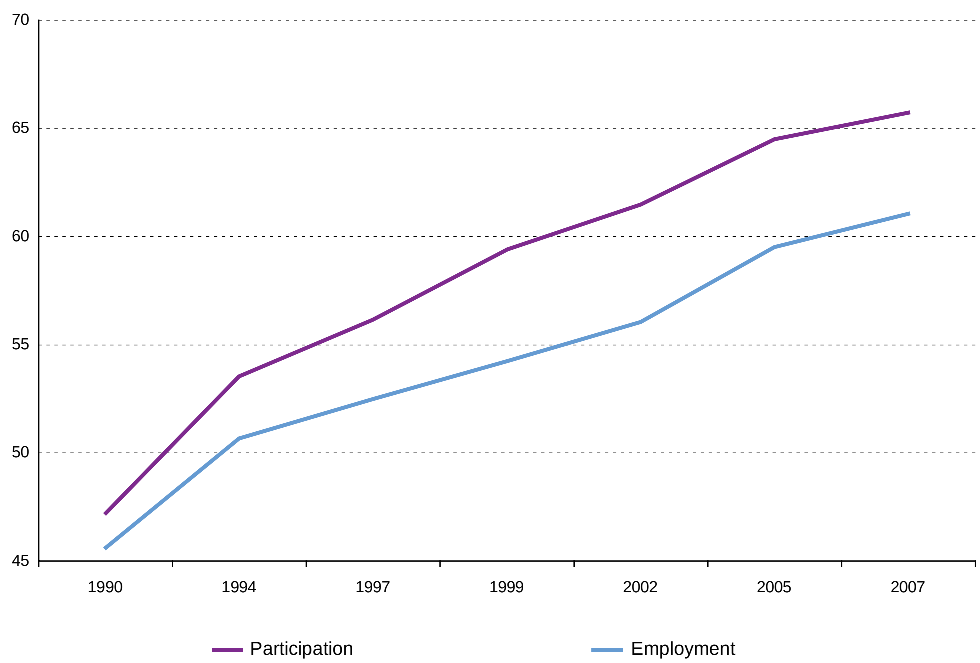
The incorporation of women into the labour market: an essential and irreversible, but stratified, process

The proportion of women seeking employment or engaged in wage work has steadily risen in the region. Between 1990 and 2007, the participation rate of women aged 25-54 in the labour market had risen by close to 20 percentage points, and in wage work, by over 15 percentage points (see figure 21A). In many homes, the woman has become the main or sole wage-earner or is producing as much income as the man. The pronounced socio-economic stratification of women's labour-market integration in the labour market is a salient feature of all countries in the region. Although the participation and employment rates for women vary considerably from one group of countries to another, Costa Rica, Chile and Panama notably have both the lowest and the most stratified labour-market participation rates in the region (see figure 21B).

Figure 21

A. LATIN AMERICA (WEIGHTED AVERAGE FOR 15 COUNTRIES): LABOUR MARKET PARTICIPATION AND EMPLOYMENT OF WOMEN AGED 25 TO 54 YEARS, 1990-2007

(Percentages)

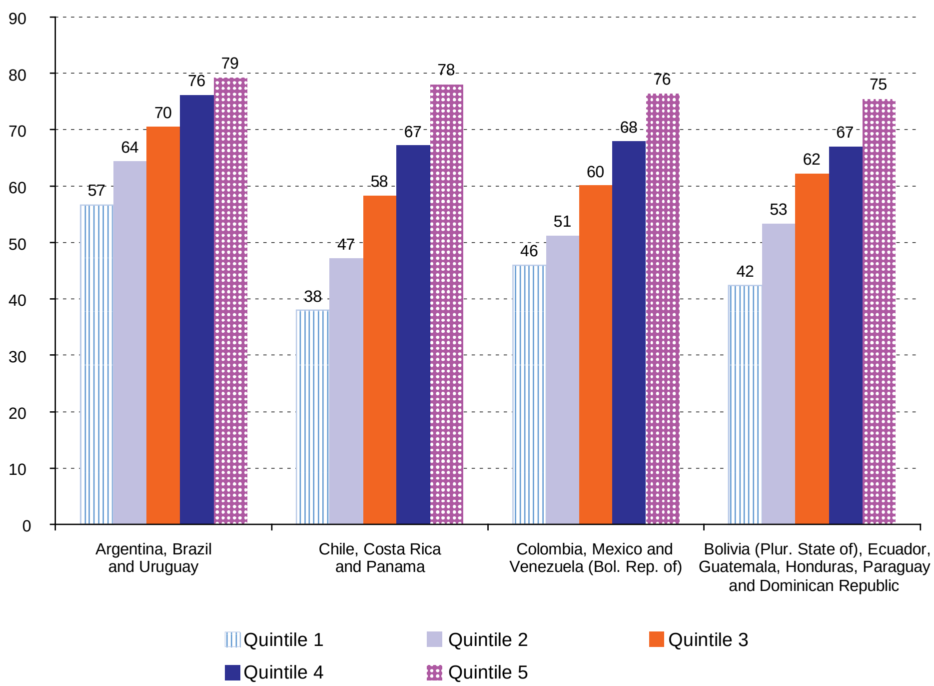


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of data from household surveys conducted in the respective countries.

Note: Does not include data for the Dominican Republic, Guatemala or Peru for any year. For the countries lacking data, the year closest to the reference year is used for the historical series. The data for Ecuador, the Plurinational State of Bolivia and Uruguay refer to urban areas; data for Argentina and Paraguay refer to the main urban area.

Figure 21 (concluded)

Figure 21
B. LATIN AMERICA (WEIGHTED AVERAGES FOR 4 GROUPS OF COUNTRIES): LABOUR MARKET PARTICIPATION OF WOMEN AGED 25 TO 54 YEARS, BY INCOME QUINTILE, AROUND 1990
(Percentages)



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

Note: The data for Colombia and Nicaragua correspond to 2005; the data for Argentina, Chile and Mexico to 2006. Data for Argentina refer to Greater Buenos Aires; for Ecuador to urban areas; for Paraguay to Asuncion and the Central Department; for the Plurinational State of Bolivia to eight main cities plus El Alto; and for Uruguay to urban areas.

Getting women into the labour market is essential to save many households from slipping into poverty or to help them climb out of it. This situation is obvious among female-headed households and clearly visible among two-parent households. Raising women's participation rates, especially in the lower income quintiles, would thus be enormously helpful in reducing poverty.

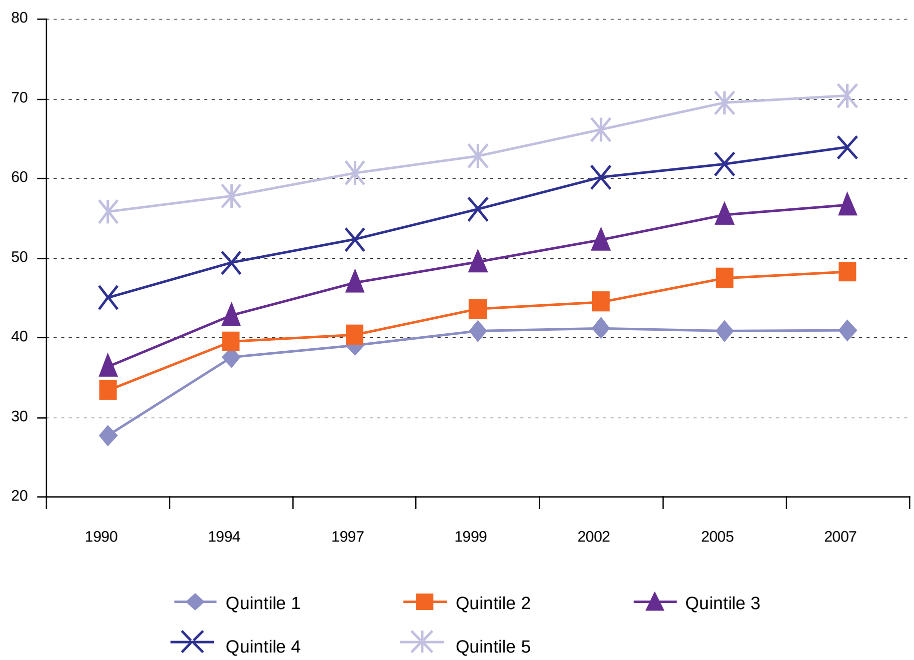
Labour-market integration, inequality and the reproduction of inequality

Women with dependent children between the ages of 0 and 5 in areas where school coverage is low and demand for care high show much lower labour-market participation and employment rates than women with dependents in the 6 to 14 age group and no younger children. In 2007, the difference was almost 9 percentage points in the poorest quintiles, 7 points in the middle quintile and non-existent in quintile 5. This indicates that women in quintiles 1 to 4 pay an additional cost in terms of labour-market participation because of the lack of school services and the additional care demands of young children, and the poorer the household, the higher the cost (see figures 22A and 22B). Given the great inequalities that are characteristic of the region, the difficulties all women face in entering the labour market, securing quality employment and sharing unpaid work with men are worst of all in the lowest-income sectors.

Figure 22

A. LATIN AMERICA (WEIGHTED AVERAGE FOR 15 COUNTRIES): LABOUR MARKET PARTICIPATION OF WOMEN AGED 15 TO 49 WITH CHILDREN AGED 0 TO 5, BY INCOME QUINTILE, 1990-2007

(Percentages)



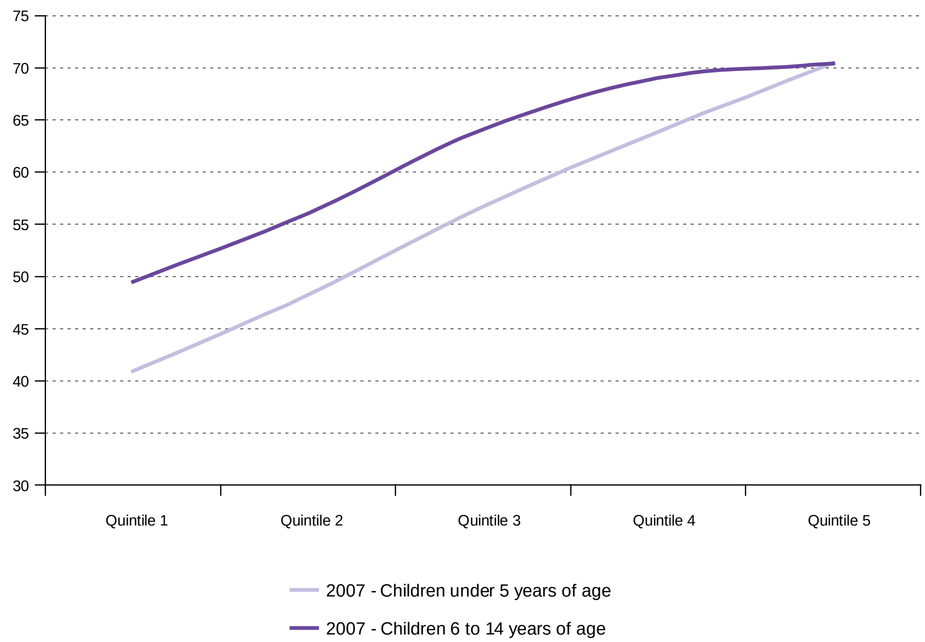
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of data from household surveys conducted in the respective countries.

Note: Does not include data for the Dominican Republic, Guatemala or Peru for any year. For the countries lacking data, the year closest to the reference year is used for the historical series. The data for Ecuador, the Plurinational State of Bolivia and Uruguay refer to urban areas; data for Argentina and Paraguay refer to the main urban area.

Figure 22 (concluded)

B. LATIN AMERICA (WEIGHTED AVERAGE FOR 14 COUNTRIES): LABOUR MARKET PARTICIPATION OF WOMEN AGED 15 TO 49 BY INCOME QUINTILE AND AGE OF CHILDREN, AROUND 2007

(Percentages)



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

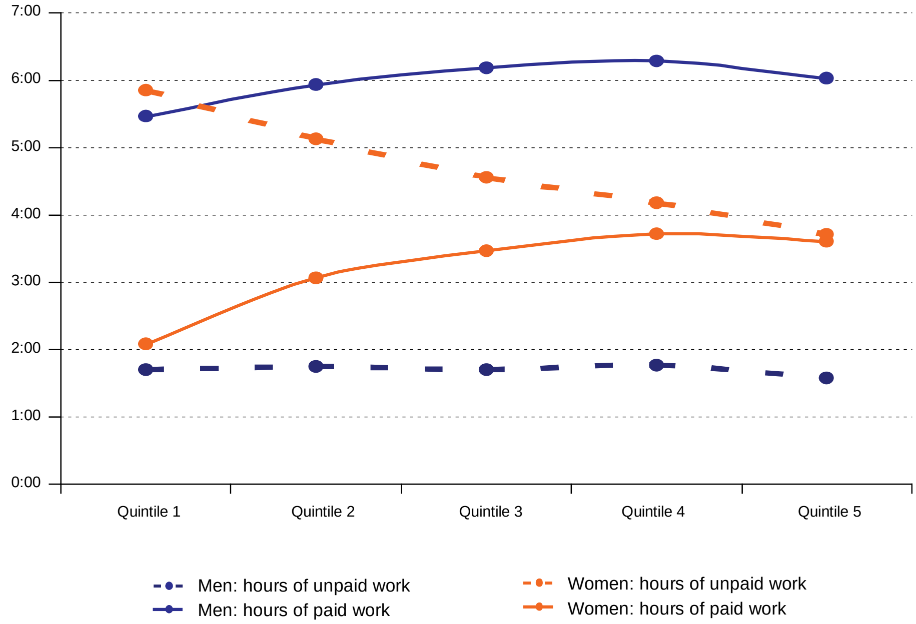
Note: Does not include data for the Dominican Republic, El Salvador, Guatemala or Peru for any year. The data for Colombia and Nicaragua correspond to 2005; the data for Argentina, Chile and Mexico to 2006. Data for Argentina refer to Greater Buenos Aires; for Ecuador to urban areas; for Paraguay to Asuncion and the Central Department; for Bolivia to eight main cities plus El Alto; and for Uruguay to urban areas.

If they are to gain a sustainable position in the labour market and secure quality employment, women must be able to reduce their burden of unpaid and care work, either through increased flexibility of the sexual division of labour in the household, or through access to care services, whether provided by the State or purchased in the market. The hours devoted by women to paid and unpaid work converge towards the top of the income structure, but there is no such convergence in the case of men, which is indicative of strong rigidity in male roles that prevents men from combining the two types of work, regardless of socio-economic level (see figures 23A and 23B).

Figure 23

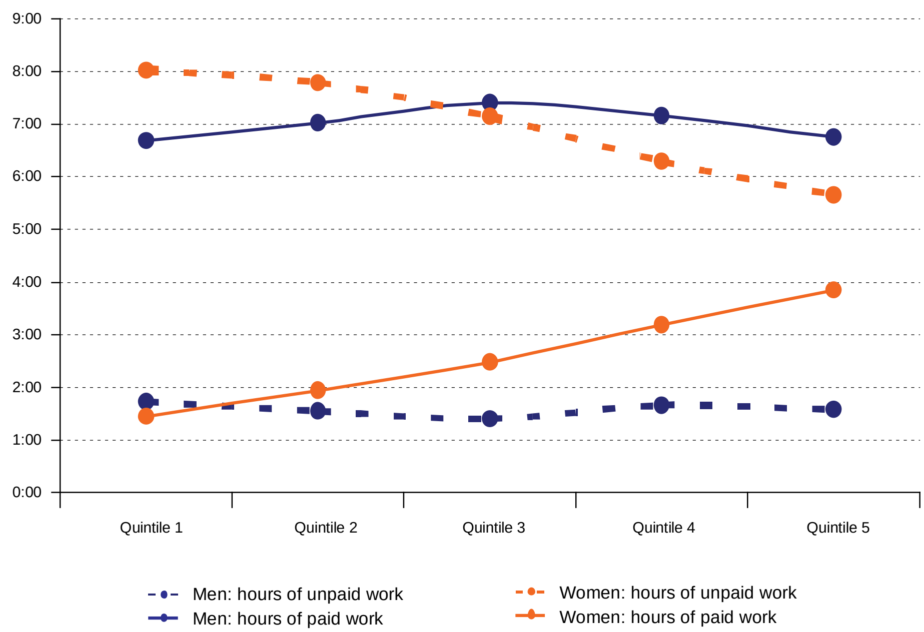
A. URUGUAY: TIME SPENT PERFORMING PAID AND UNPAID WORK, BY SEX AND INCOME QUINTILE, 2007

(Hours)



B. MEXICO: TIME SPENT PERFORMING PAID AND UNPAID WORK, BY SEX AND INCOME QUINTILE, 2002

(Hours)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of time-use surveys.

The evidence also indicates that women spend much more time on unpaid work at reproductive ages, whereas the time spent by men on these tasks does not vary from one age group to another. Here again, there is a differential effect among women by income quintile. In the poorest sectors, the increase in hours devoted to unpaid work is sharper and occurs at younger ages, reflecting earlier fertility and more limited access to external care services among poorer women.

Another aspect to consider is men's lack of flexibility in adjusting their decisions and behaviour patterns in response to employment or unemployment. In this, the distances between men and women hold steady across almost all the age groups and they are especially large for the ages at which the care burden is heaviest. In Ecuador, the low absolute elasticity of men to changes in employment status contrasts with the employment status elasticity of women. In Uruguay, unemployed women aged between 31 and 35 spend an average of about three more hours performing unpaid work than they do during periods of employment. Men in the same age groups and countries spend less than one hour extra on such work. In Ecuador the elasticity differentials are smaller, but only because much of the unpaid work is invariably performed by women (see figure 24).

Figure 24
A. URUGUAY: TIME SPENT PERFORMING UNPAID WORK, BY INCOME QUINTILE, 2007
(Hours and age groups)

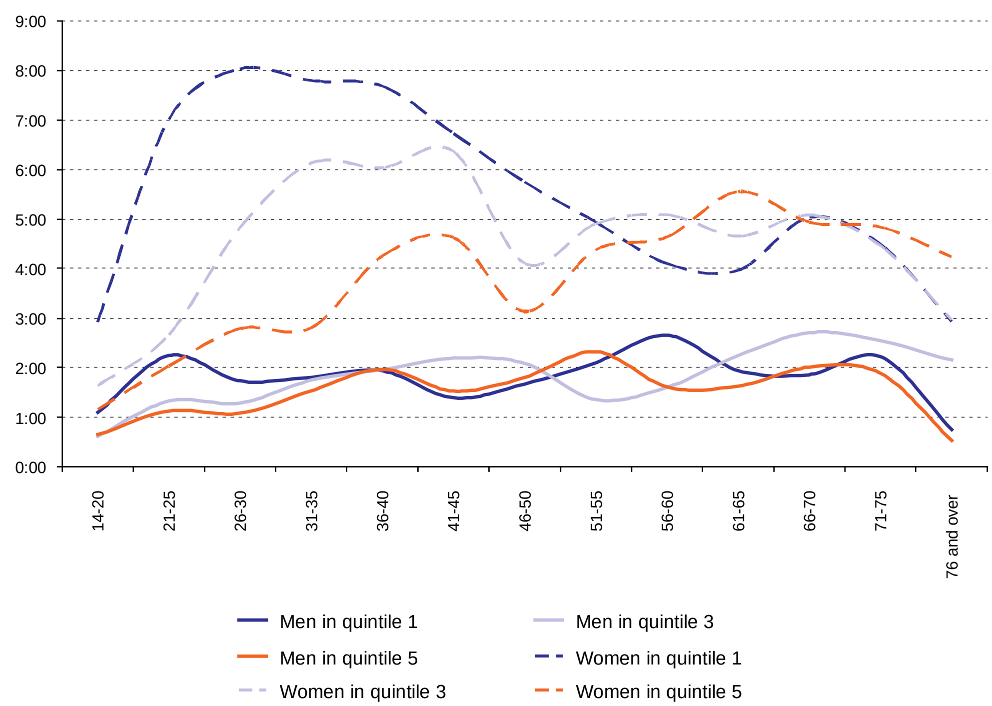
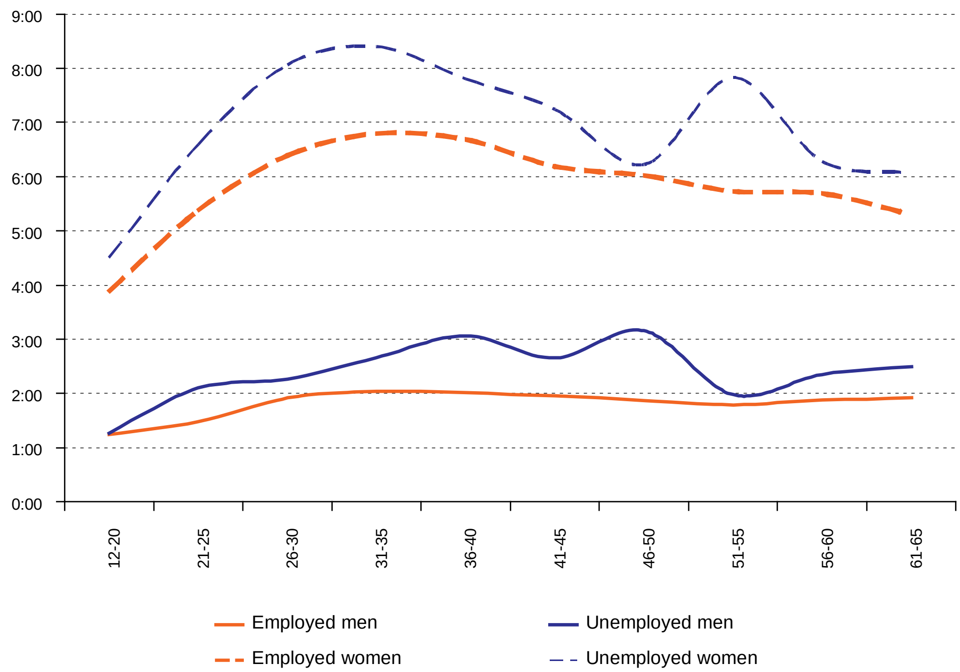


Figure 24 (concluded)

B. ECUADOR: TIME SPENT PERFORMING UNPAID WORK, BY EMPLOYMENT STATUS, 2007

(Hours and age groups)



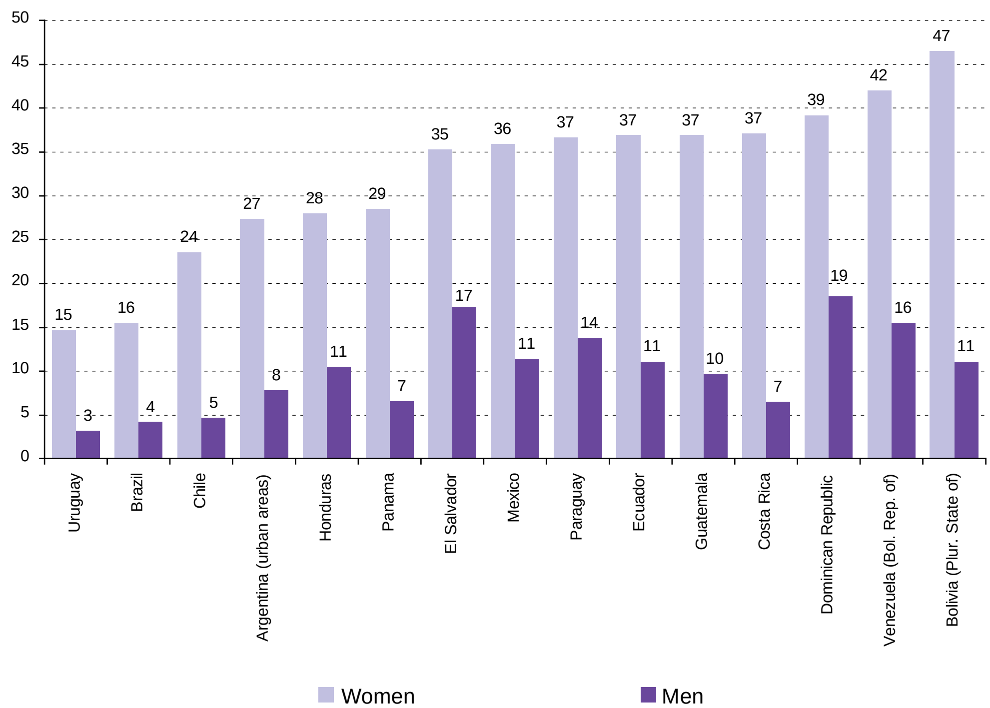
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of data from household surveys conducted in the respective countries.

State, employment formality and women's vulnerability, now and in the future

Women's participation in the labour market is characterized by higher levels of unemployment, more precarious working conditions and higher levels of informality, compared with that of men. Women are more likely to have limited health benefits, lower rates of affiliation to social security and lower wages. As is the case for men, informality in women's employment reflects the difficulty in finding formal jobs, but it also has to do with the flexibility that informal employment offers women for discharging family responsibilities. Formal employment as it exists today discriminates against women by failing to acknowledge the burden of reproductive and care work they are fitting into their time and stages of life. This damages their working trajectories and restricts their access to training and social security.

In 2007, the proportion of men and women without an independent income in the older age groups differed by between 12 and 36 percentage points, depending on the country, with women coming off worse (see figure 25). This asymmetry may sharpen in the future with the rising number of people needing intensive care and services but lacking the independent income to pay for them. Such a situation will place pressure on public services, but also on younger family members, particularly women, if there is no change in the current distribution of care and domestic work and in social services eligibility criteria that do not recognize the costs associated with unpaid work.

Figure 25
LATIN AMERICA (15 COUNTRIES): PERSONS AGED 60 AND OVER WITHOUT INDEPENDENT INCOME, BY SEX, AROUND 2007
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), gender statistics [online] http://www.cepal.org/mujer/.

Families real and imagined: the need to adapt schemes and actions

A key feature of the shifts that have occurred in the Latin American family is the rise in single-parenthood. The proportion of female-headed urban households increased steadily from 1990 to 2007 and accounts for over 10% of all households in some of the countries, including Argentina, Brazil and Paraguay. The number of births outside marriage also increased between 1970 and 2000 and has come to represent 72.8% and 79.9% of all births in

El Salvador and Panama, respectively. At the same time, the number of people divorced and separated has risen, with the highest percentages —25.2% and 20.7%, respectively— in those same two countries.

Combination of resources within the household is the principal strategy by which social groups protect themselves against risk and reproduce well-being. The less integrated the household, the greater the privatization and individualization of care or the heavier the burden on the social protection system of assuming responsibility for dependents. The structural changes in family arrangements and the diversity of family types now existing are such that instead of defining a desirable family structure on which to base legal and protection systems, what is now needed is to legally and formally recognize as families the units that actually exist in society and provide them with an environment more conducive to a balanced and egalitarian division of labour between men and women.

In order to respond to the care crisis now and as it deepens into the future, a transformation is needed in social protection systems and labour rules and in the patriarchal models that sanction the unequal distribution of work between women and men. With this in mind, it is necessary to promote universal care services and develop State regulations and incentives that recognize and favour a more equitable distribution and coordination of paid and unpaid work. Otherwise, society will be generating a multiplier of inequality and poverty which will disadvantage low-income women and children the most.

GENERATIONAL IMPACTS OF POPULATION DYNAMICS AND CARE PROVISION IN THE FRAMEWORK OF SOCIAL PROTECTION

From the point of view of social protection, care refers to action taken to ensure the social and physical survival of those who lack or have lost their autonomy and need help to perform the basic tasks of daily life. The issue of care has come strongly to the fore in modern societies because of the combination of two key factors: the increase in the population which, for different types of reasons, needs help, and the crisis in traditional assistance modalities.

In Latin America, the mounting demand for care is driven by three main causes: the still-large proportion of children, the ageing of the population and the rising numbers of people with some level of health-related dependency. This is taking place amid limited possibilities of solidarity, which have been narrowed by changes in the sexual distribution of labour, the integration of women into paid employment, the diversification of family types and ever higher life expectancies. There are also other factors stemming directly from social protection systems which, generally speaking, have delegated to the family the safety and protection of those who need help. Yet the conditions in which life is lived today make it increasingly difficult for family members to provide mutual help.

The study of demography offers valuable insights for contextualizing and analysing this phenomenon. First, it provides ways of estimating the supply of, and demand for, care by age and health status. Here, although age is not an inexorable determinant of need for help, it does constitute a basic approximation. And, second, population studies shed light on aspects of the situation that are not always obvious to the makers and executors of policies. In this case, demography shows how changes in the age structure of the population will shift the composition of demand. As a result, it may help to shift ingrained notions about the child population as the main target of care and show that in the not-too-far-distant future older persons will represent a major challenge for social protection systems.

This chapter describes the profound changes in the setting for care issues, which, given their demographic, economic and social impact, will undoubtedly become one of the most pressing social questions of the twenty-first century. The way these issues evolve in the future will depend on the specific public and private institutional arrangements each country makes within the framework of international guidelines. Those arrangements will affect not only the division of responsibility for the provision of well-being among State, family, market and community, but also gender and generational compacts on care issues.

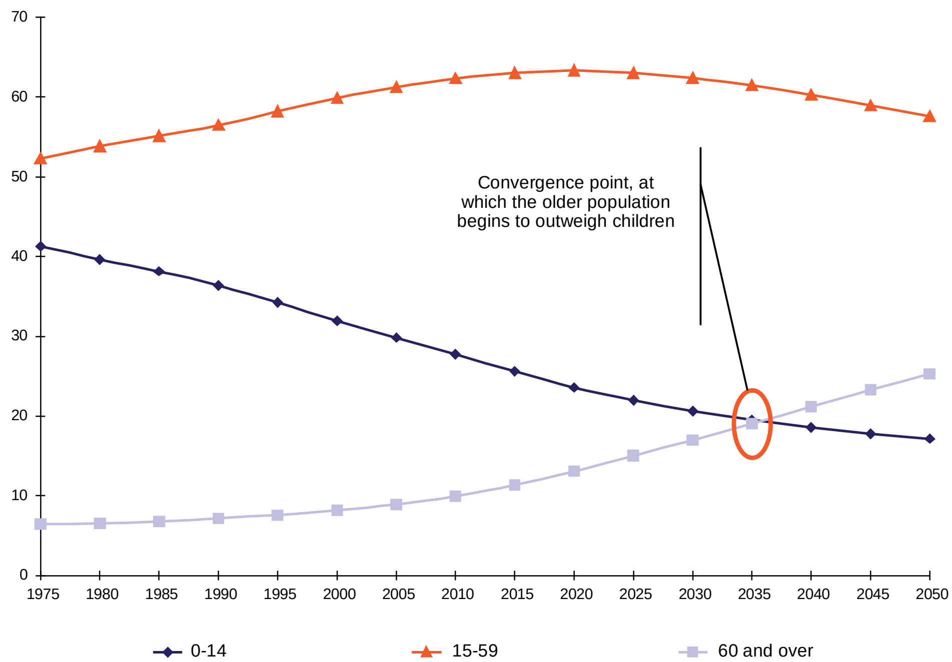
The context for care systems: how the age structure of the population has evolved and what the future holds

In 1975, the Latin American population numbered 314 million people. Population estimates indicate that this figure has now practically doubled, with 575 million inhabitants in the region today. In the next 40 years, the total population is expected to expand by 26% to reach 723 million. What these data show is that the Latin American countries are still a long way from completing the demographic transition and they are all continuing to register population growth and major shifts in age structure.

In the last three decades the rate of population growth has varied considerably from one age group to another. In absolute terms, from 1975 to 1985, the child and youth population was expanding rapidly. The population aged over 60 was also growing, albeit more slowly. In the present period, 2005-2015, children aged under 15 are decreasing in number and the intermediate age groups are expanding; so, too, is the over-60 age group, although again at a slower rate. During the decade 2035-2045, by contrast, the population aged 60 and over will be larger than it is now, contrasting with all the five-year age groups under 40, which will decrease in absolute terms.

These trends are even more obvious in an analysis of patterns in the Latin American population by the three major age groups. As shown in figure 26, the greatest changes will occur at the two extremes of the age structure: the number of children under 15 will decrease as a proportion of the total population while the proportion of older persons will rise gradually. Around 2035 these groups will each represent around 20% of the population. The population aged 15 to 59 will show fewer changes, proportionally speaking, during the period examined and will remain stable at around 60%, although it will undergo some internal shifts as it ages.

Figure 26
LATIN AMERICA: POPULATION BY MAJOR AGE GROUPS, 1975-2050
(Percentages)



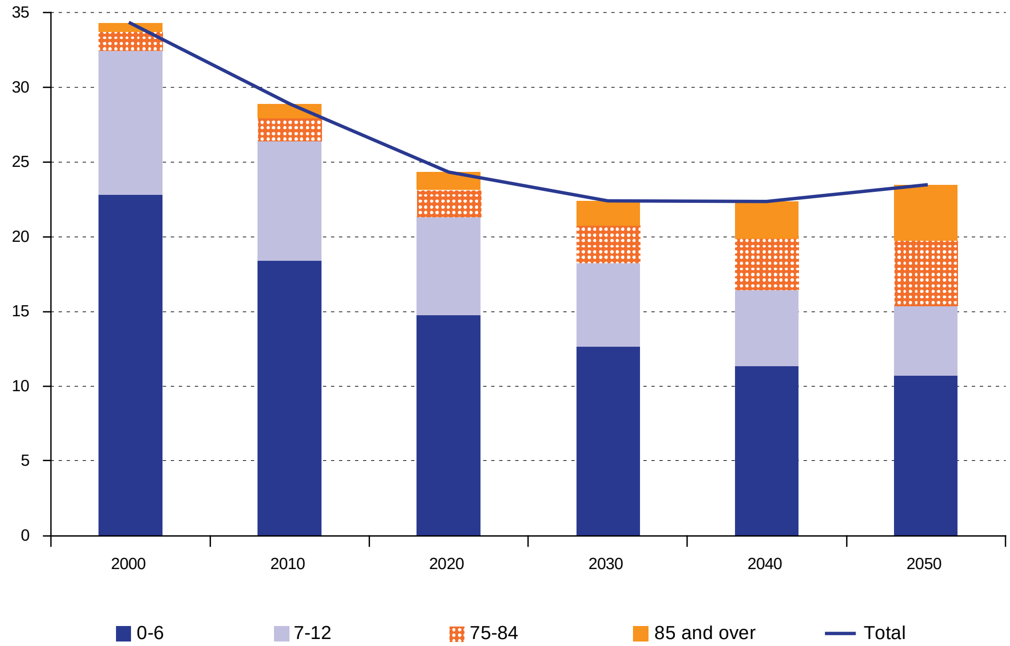
Source: Latin American and Caribbean Demographic Centre (CELADE)-Population Division of ECLAC, Population estimates and projections, 2008.

Undoubtedly, the most salient feature of demographic patterns in all the countries in the next few decades will be the growing proportion of the older population and the decrease in the young population. This change —which is part of progress towards more advanced stages of the transition— will not occur at the same time in all the countries and most of them will have a window of opportunity in which to bring about the institutional, programmatic and practical changes required by the alteration of the age structure of the population and the resulting changes in sectoral demands. One of the most obvious changes refers to the care burden and the demographic capacity to provide assistance in a context of changes in family structures and women's roles.

Care demand scenarios in Latin America

The care dependency ratio, which was high at the start of the 2000s, will gradually drop in the next four decades.[7] Around 2040, however, there is a turning point at which demand for care will start to rise again, owing to the effect of the increase in the population aged 75 and over, which will have tripled between 2000 and 2050 (see figure 27).

Figure 27
LATIN AMERICA: CARE DEPENDENCY RATIO, 2000-2050
(Percentages)



Source: Latin American and Caribbean Demographic Centre (CELADE)-Population Division of ECLAC, Population estimates and projections, 2008.

This overall trend in the region varies widely among countries, but two types of situation emerge quite clearly. One encompasses the countries that are furthest behind in the demographic transition, which start the period with a heavy childcare burden and limited numbers of potential caregivers to meet the demand. At the end of the period, the care burden in those countries will have decreased to converge with the regional average, and

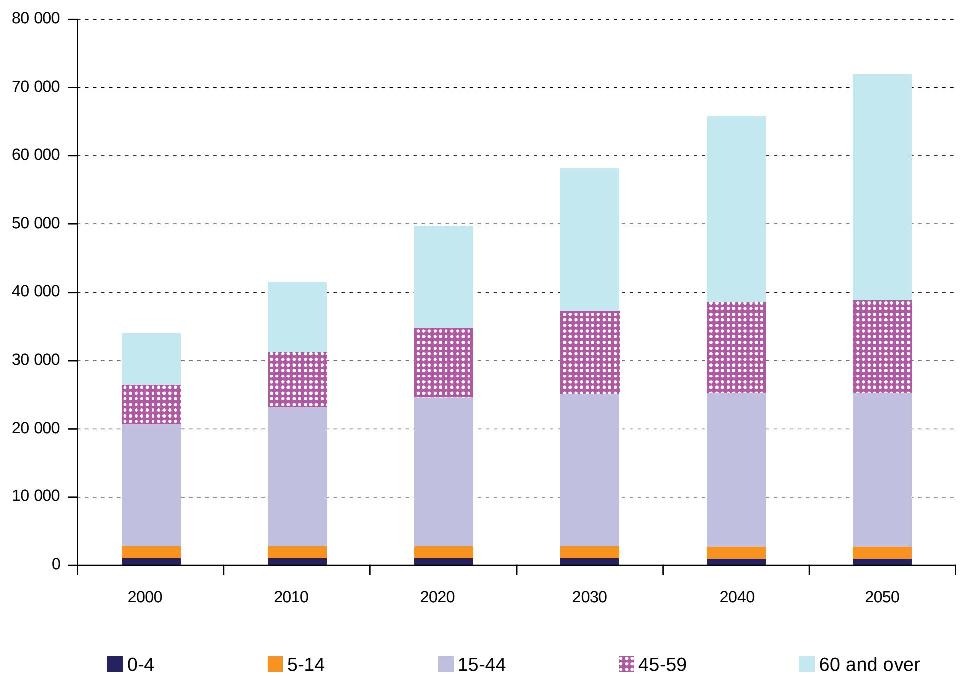
[7] The care dependency ratio is defined in terms of age groups and is heaviest among individuals who have specific care needs: the age groups 0-6 and 85 and over. Then come the age groups 7-12 and 75-84 who, though they require some care, do not always have such intensive needs as the first groups. In the middle —the population aged between 15 and 74— are the potential caregivers. Methodologically speaking, the indicator does not account for the population aged 13 and 14 because they do not in principle have such heavy care needs as those aged 0-12 or 75 and over, nor are they in a position to provide care.

demand for care will be just beginning to age (Guatemala, Honduras, Nicaragua and the Plurinational State of Bolivia). At the other extreme are the countries furthest ahead in the demographic transition. They begin the period with a care burden that is already ageing, but with potential caregivers outnumbering the regional average. In the near future the numbers of caregivers in these countries will come to a standstill or even go into decline owing to the effects of ageing, and they will find themselves with a demand for care that is heaviest among the older population (Argentina, Chile, Cuba and Uruguay).

At the same time, the population needing care owing to some kind of health dependency is expected to rise considerably. The number of dependent individuals is projected to double between 2000 and 2050, from 34 million to 72 million (WHO, 2002). And, although dependency occurs in all age groups, analysis by age shows that although the dependent care burden today is greatest in the 15 to 59 age group, by the mid-twenty-first century older persons will represent almost half of this dependent population (see figure 28).

Figure 28

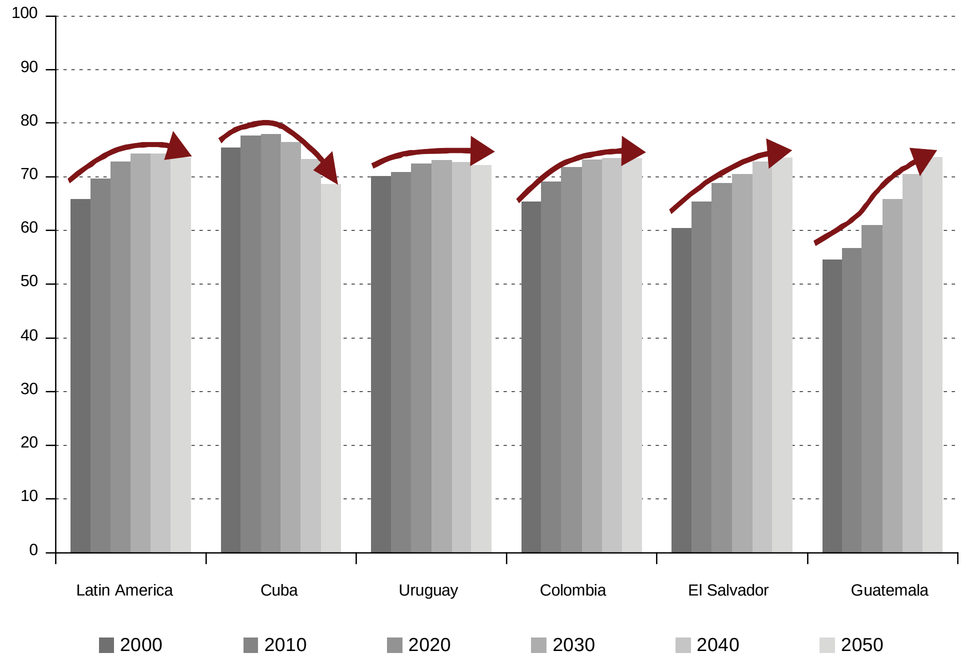
LATIN AMERICA AND THE CARIBBEAN: NUMBER OF DEPENDENT PERSONS NEEDING CARE, BY AGE GROUP, 2000-2050



Source: Latin American and Caribbean Demographic Centre (CELADE)-Population Division of ECLAC, on the basis of World Health Organization (WHO), *Current and Future Long-Term Care Needs*, Geneva, 2002.

The rising and shifting care burden occurs in a context in which the capacity of the population to provide assistance will become increasingly limited between 2000 and 2050, although this varies considerably from one country to another, entirely as a function of the stage of the demographic transition each country will have reached (see figure 29).

Figure 29
LATIN AMERICA AND SELECTED COUNTRIES: POTENTIAL CAREGIVERS,[a] 2000-2050
(Percentages)



Source: Latin American and Caribbean Demographic Centre (CELADE)-Population Division of ECLAC, Population estimates and projections, 2008.

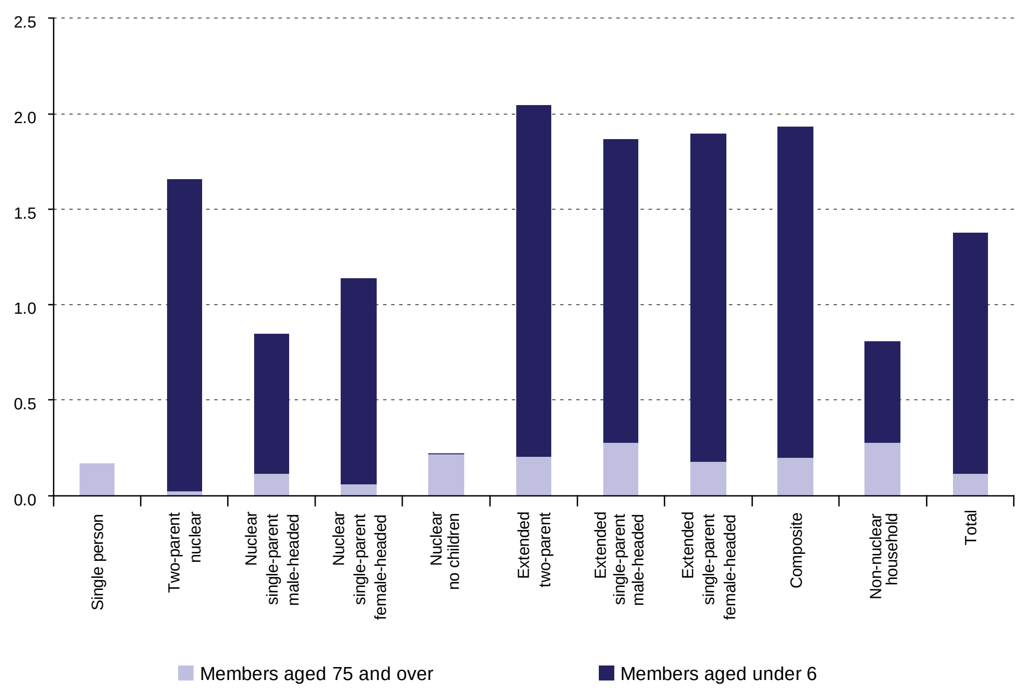
[a] Potential caregivers are defined as persons aged between 15 and 74. They are calculated as a percentage of the total population.

As well as gender inequalities in the sexual division of care work and generational obstacles to solidarity, care provision is also fraught with economic inequality. In times of crisis, households with sufficient financial resources can pay for the care of their dependent members; they may even do so at an inequitable exchange value. Poor households may face a dilemma, however: to devote their available human resources to caring for dependent members or to mobilize their assets. The evidence shows that, whatever strategy the poor choose, the associated adjustment usually carries economic and psychological costs for women and girls or leaves those who need care at risk.

The analysis must also consider how realistic a proposition it is for families to provide care, when the normative and programmatic frameworks for the protection of children and older and dependent persons in the region's countries are increasingly allocating the risks associated with care to the family. A regional overview based on responses to household surveys available for 17 countries shows that care issues are exerting severe pressure on family structures today. Those facing the heaviest pressure are extended and composite families (see figure 30), for whom the average number of members needing intensive care is almost two per family unit, a high figure given the tendency towards decreasing family sizes in Latin America. Some of these family structures are also those that have traditionally been hardest hit by poverty and those which lack the flexibility and autonomy to make the changes demanded by modern life and the obligations of family solidarity.

Figure 30

LATIN AMERICA (17 COUNTRIES): AVERAGE NUMBER OF FAMILY MEMBERS WITH INTENSIVE CARE NEEDS, BY FAMILY STRUCTURE, AROUND 2007 [a]



Source: Latin American and Caribbean Demographic Centre (CELADE)-Population Division of ECLAC, on the basis of special tabulations of data from household surveys conducted in the respective countries.

[a] Members with intensive care needs refer to those aged 75 and over and children aged under 6 years.

In short, although children represent the heaviest care burden in many Latin American countries today, in the near future the bulk of this burden will consist of older persons and those with some kind of dependency, in a context fraught with limitations arising from the demographic and socio-economic conditions in which society is reproduced. It is therefore essential to plan for the future and make preparations for the demographic changes that lie ahead.

In this framework, and based on the proposal made by ECLAC with regard to social protection, care should be understood as a collective responsibility and supported by benefits and services that fully leverage the autonomy and well-being of families and individuals. Public responses in this area must be conceived as a logical extension of the work of the State and will thus create certain immediate obligations towards givers and receivers of care. And here lies one of the greatest challenges of the twenty-first century: to move towards the recognition and inclusion of care in public policies in a framework of solidarity and equality.

PUBLIC POLICIES AND THE CARE CRISIS: ALTERNATIVES AND INITIATIVES

Social protection, inequality and care needs: normative considerations

The three normative principles of social protection analysed in this chapter propose: greater equality in access to services among people of differing resource levels who need care; universal and needs-based services and benefits; and intergenerational solidarity. All these principles must be enshrined in the countries' respective social protection systems, according to their measurement of risk profiles, the place attributed to family and policy and the type of welfare regime instituted.

In the Latin American countries, both the normative frameworks and the social programmes in place to protect children, older persons and dependents are tending to shift the risks associated with care increasingly onto the family. This situation worsens existing vulnerabilities and further skews the already unequal distribution of risks and responsibilities among different types of families, since some have more resources to deal with internal dependency and care needs than others.

Where public institutions provide insufficient protection, access to care services through the market is segmented by economic inequalities. At the same time, the support networks that help to maintain or improve material, physical and emotional well-being are impaired by social inequalities. And lastly, gender inequalities are evident in the excessive burden of care work performed by women and the barrier that the sexual division of care work poses to the unfettered development of women and of society in general.

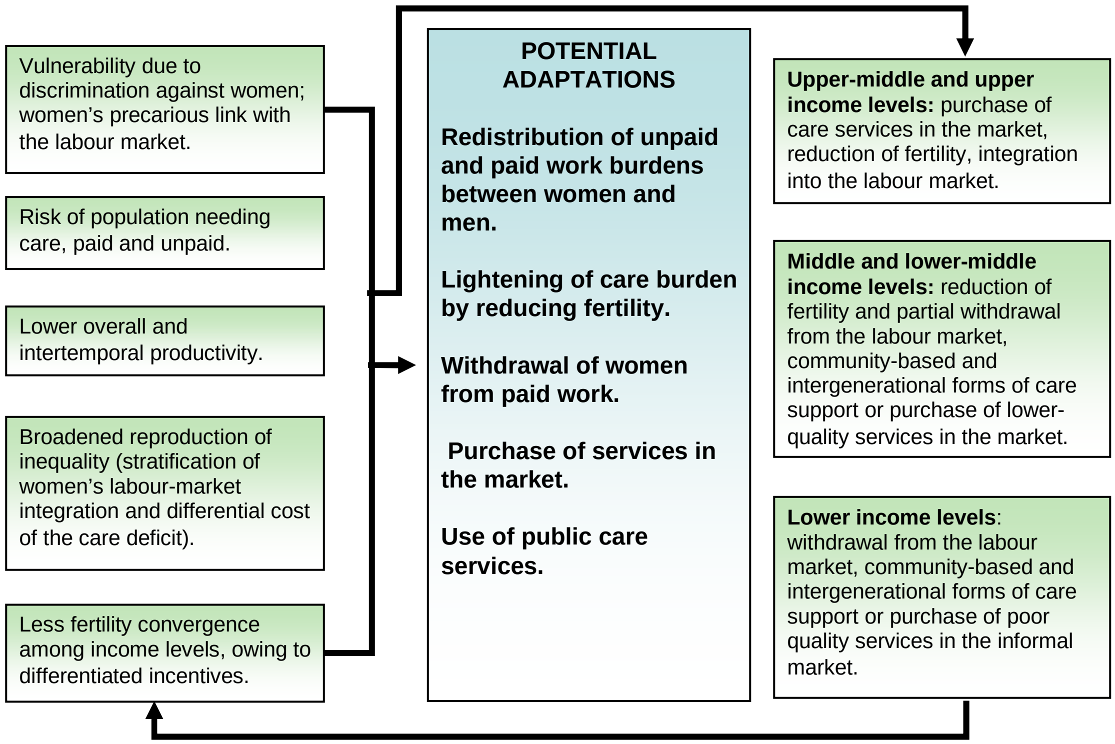
The whole issue of care must be construed from a normative perspective of equality, universality and solidarity, as the underlying principles of the respective social protection systems.

Risk, the role of family and policy, and welfare regimes: analytical considerations

The traditional welfare regime in Latin America is premised on the model of the male breadwinner and the female homemaker caring for children and older persons. Both the empirical evidence and the normative principles comprehensively challenge this vision today, however. Nevertheless, a clear consensus has yet to be reached on legislation for reconciling paid and unpaid work since, although in principle it should promote equality of opportunities between women and men, ultimately it actually tends to distribute rights and responsibilities in a gender-differentiated manner.

This is why caregiving, gender inequity and intergenerational solidarity coalesce into such a key issue. As women enter the labour market, the population ages and family arrangements change, gender and generational compacts come under pressure. When welfare regimes run into these problems, responses tend to arise in four different areas: market-based care and protection solutions, State-operated care and protection schemes, redistribution of the care and protection burden between men and women and between the different generations in the family, and collective non-State solutions (third-sector and community-based models). Within this complex layout of responses, however, those provided by the State (through policies that touch on the family and social protection) impact, in turn, on the solutions worked out within families, those sourced from the market and those crafted through community action. Government policies are not neutral in the redistribution of care and protection responsibilities within the family or in families' capacity to provide care and protection.

Diagram 1
STRATIFIED RISKS AND MODALITIES OF ADAPTATION TO THE CARE CRISIS AND WOMEN'S DOUBLE BURDEN OF PAID AND UNPAID WORK



Source: Economic Commission for Latin America and the Caribbean (ECLAC).

If care provision is somehow to be combined with paid work, then the strategies adopted must factor in specific formulas applicable not only to women but to society in general. In other words, there is no way to resolve the care crisis without redistributing the burdens of paid work, unpaid work and care work. Some of this may be accomplished within households, but it also needs to be undertaken and promoted by the State, through regulation, taxation practice and the provision of social services. This calls for concerted State and public policy measures, including:

- The provision of care services through preschool education, extended school time and care for older persons.

- The provision of money for families in recognition of the cost of social reproduction and to support the purchase of services in the market. This helps to combat the inversely stratified impoverishing effect of maternity.

- The formulation of regulations and material incentives and the exertion of cultural pressure to encourage a new sexual division of labour within the household, including reproductive control for women and concerted efforts to combat domestic violence.

- Creation of incentives and regulations to avoid gender discrimination in the labour market and to allow men and women to adequately coordinate productive and reproductive demands.

- The formulation of regulations and incentives for employers to reconcile paid and unpaid work (flexile working hours, company childcare centres and the like).

- The development of legal provisions recognizing different family types and compositions, in order to strengthen the co-responsibility of men and women in unpaid, paid and care work.

Monetary transfers, family and gender: is there room for a new intergenerational covenant?

As the population ages, the generational focus of public spending will become an unavoidable issue. Spending on social security, in the form of pensions and health care, may rise to the point of crowding out spending on services for the reproductive function of society, which involves women and children. And this may well occur without the first type of spending even covering the needs of the older population.

The countries of the region must craft a response to a critical problem: How can they provide basic cash transfers for older persons who can no longer work or find employment while continuing to facilitate high rates of female labour-market participation and investing in human capital for the generations to come?

Furthermore, given the proportion of women in older age groups and their lack of working careers that would have provided them with retirement benefits, pension systems must either recognize the cost in employment continuity and quality borne by those who shoulder the burden of unpaid work or delink a large share of future pensions from the formal labour market.

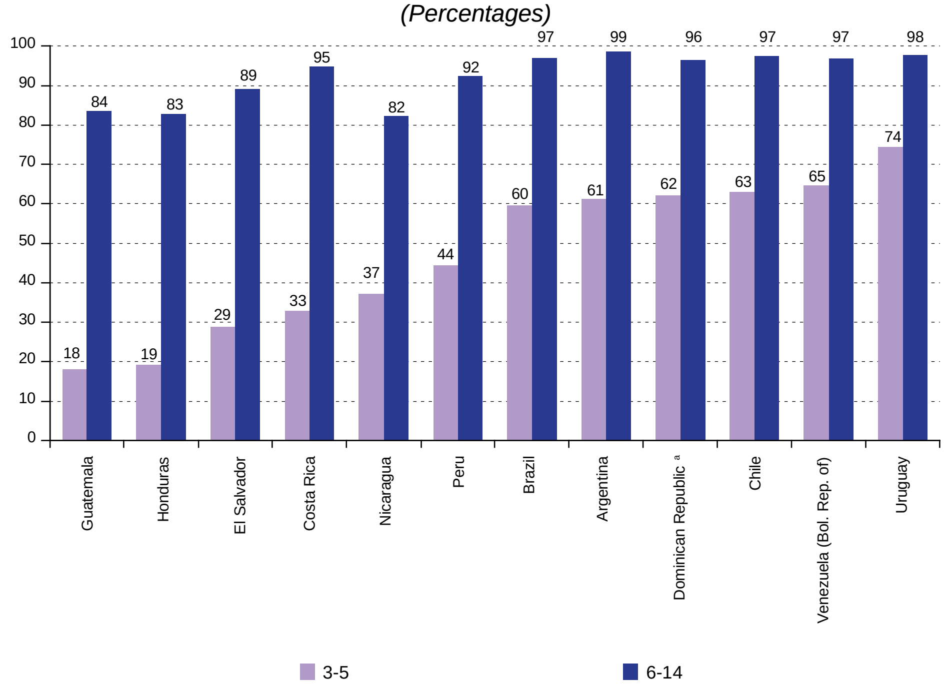
Services and families: collective strategies for redistributing the care burden

Historically speaking, government care provision has usually targeted groups with specific characteristics and has thus not been universal. The support provided through public schemes has tended to operate on the assumption that there are caregivers, particularly women, in the home with time available. In recent years, there have been some advances, albeit isolated and uneven, in broadening early education (children aged 0 to 5) and extending the school day (see figure 31).

Figure 31

LATIN AMERICA (12 COUNTRIES): COVERAGE OF CARE AND EDUCATION IN EARLY CHILDHOOD (AGES 3 TO 5), IN PRIMARY SCHOOL AND IN THE FIRST CYCLE OF SECONDARY EDUCATION (AGES 6 TO 14), AROUND 2007

(Percentages)



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

[a] Data relate to children aged 4 and 5.

Although services for the youngest in society need to be considered, care for older persons is becoming extremely important, given population ageing and the projected changes in the age pyramid described in chapter V. With the exception of the notable advances made by some countries since the start of the 2000s, services for older persons are heavily biased towards welfare and benefits depend more on the resources of older persons than on their needs. Programmes often rely on families and on the work of volunteers, leaving the provision of certain services, generally those for which resources are insufficient, to the informal market.

A working model

The economic crisis put an end to six years of growth. Lack of inflation, sound financial systems and fiscal leeway built up by dint of bitter experience have cushioned the effects of the crisis. If the region had responded to this crisis with the type of fiscal adjustments and market reforms deployed in the past, the social impact would have been much harsher than the effects seen today. Instead of tightening spending, privatizing socials services and deregulating the labour market, the region has kept up social spending, expanded investment in social services infrastructure and taken steps to protect jobs. The countries have also provided direct monetary transfers to the most vulnerable sectors (through such instruments as conditional transfer schemes, non-contributory pensions, non-contributory family benefits and unemployment insurance with expanded coverage and eligibility). But this assertive response may be insufficient unless policymakers grasp the magnitude of the challenge, not now, in the short term, but in the medium and long terms.

As the first three chapters of this book argue, the steps taken to tackle the crisis —especially those that have borne fruit— are not merely a temporary response but form the cornerstones of the social protection system that Latin America needs. Chapters IV and V examine the particular measures that should be pursued most vigorously, as the core of the social protection system.

The data analysed in this issue of *Social Panorama* support 10 general recommendations that have served as good responses to the crisis as well as offering worthwhile medium- and long-term strategies:

- Improve the coverage and quality of monetary transfer systems (especially benefits provided under conditional transfer schemes) with a strong emphasis on coverage for families with children.

- Set up and capitalize non-contributory or subsidized solidary modalities within traditional insurance systems (especially retirement benefits and pensions).

- Reduce the fragmentation and stratification of contributory retirement and pension systems and limit or eliminate subsidies for the schemes of privileged sectors (adjust the benefits to the actuarial health of the systems).

- Expand unemployment insurance systems to incorporate workers who bear the brunt of recessionary cycles (as well as expanding coverage, this means creating financing modalities to encompass these workers).

- Recognize and develop strategies to integrate transfers from the non-State solidary sector into the architecture of social protection for the most vulnerable in society, with a view to guaranteeing their rights.

The measures listed up to this point help to cushion the effects of the crisis and perform a redistributive function, aiming to combat inequality and poverty. Those mentioned below, meanwhile, are directed towards building up the capacities of households and individuals to enter and remain in the labour market, in order to avoid dependence on transfers. They are also essential to adjust the welfare regime to the major shifts that have occurred in family structures and the changing role of women and to prepare for the challenges posed by demographic patterns.

- Broaden preschool (ages 0 to 5) enrolment in education and care services and their coverage.

- Increase school hours to a full day or an extended school day, for children aged 6 to 14.

- Especially in the countries that are furthest ahead in the demographic transition, develop collective care services for older persons and invest sufficiently in preventive care to increase healthy life years for the older population.

- Provide State regulation and incentives to facilitate the coordination of paid and unpaid work and penalize discrimination against women in the labour market.

- Ensure that the State plays an active role in redefining family, gender and intergenerational compacts, promoting the recognition of multiple types of family arrangements and a balanced distribution of care burdens between the genders and among generations.

The fiscal costs of a strategy such as this are no small consideration and lie well outside the reach of countries with smaller resource endowments. These proposals do not represent a single prescription, however, nor must they necessarily be implemented right away. The path to take, choice of priorities and pace of adaptation will be dictated by the demographic stage each country has reached, the development of its labour markets and its fiscal capacities. The proposals set forth here are not a dogma, but a set of directions and forward-looking strategic instruments.