

Asia Public Policy Forum: Poverty, Inequality and Social Protection
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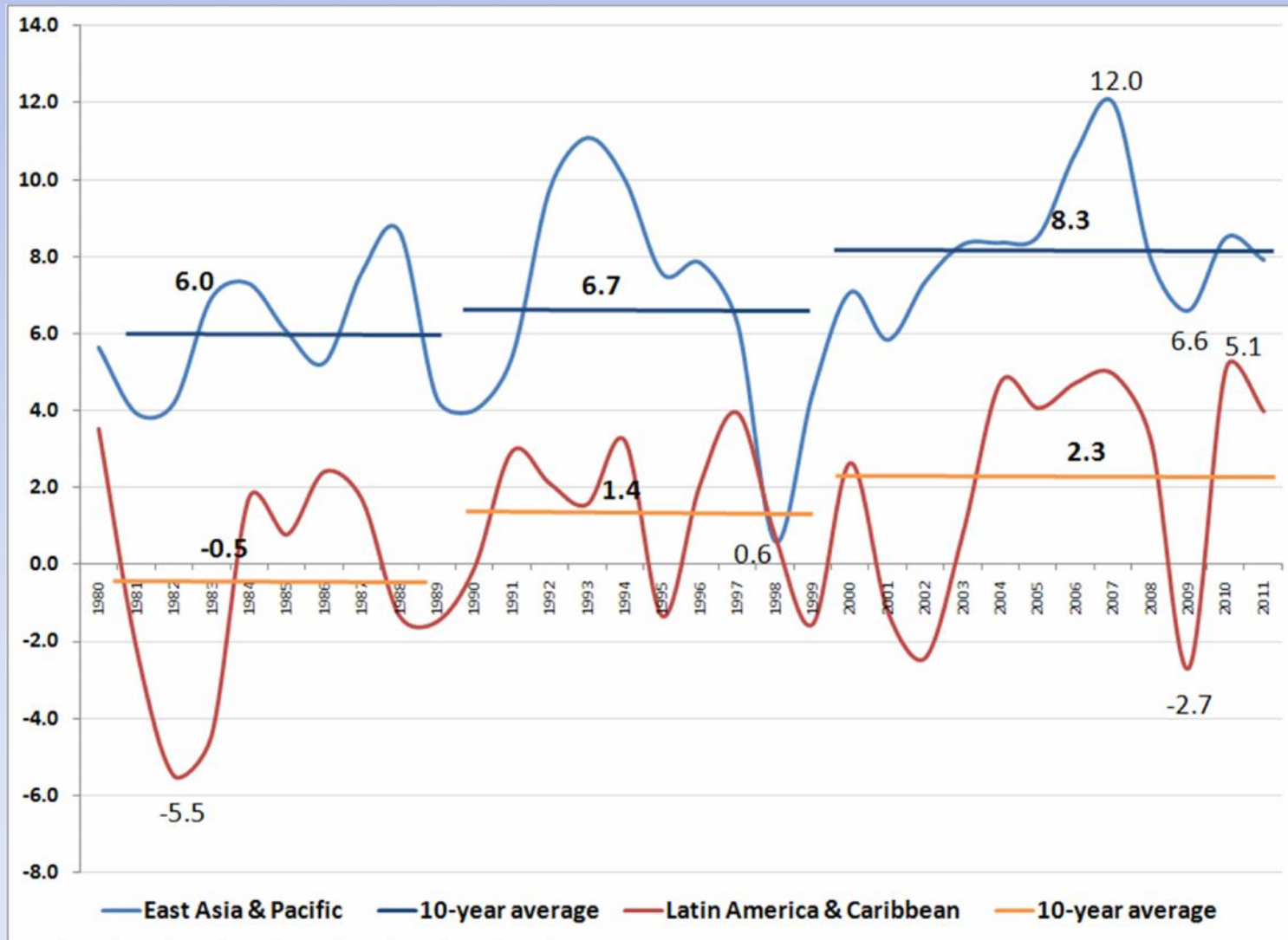
Social Protection, Poverty and Inequality: the Latin American Experience



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Over the last 30 years, the socio-economic performance of Latin America has been much weaker than East Asia's (1)

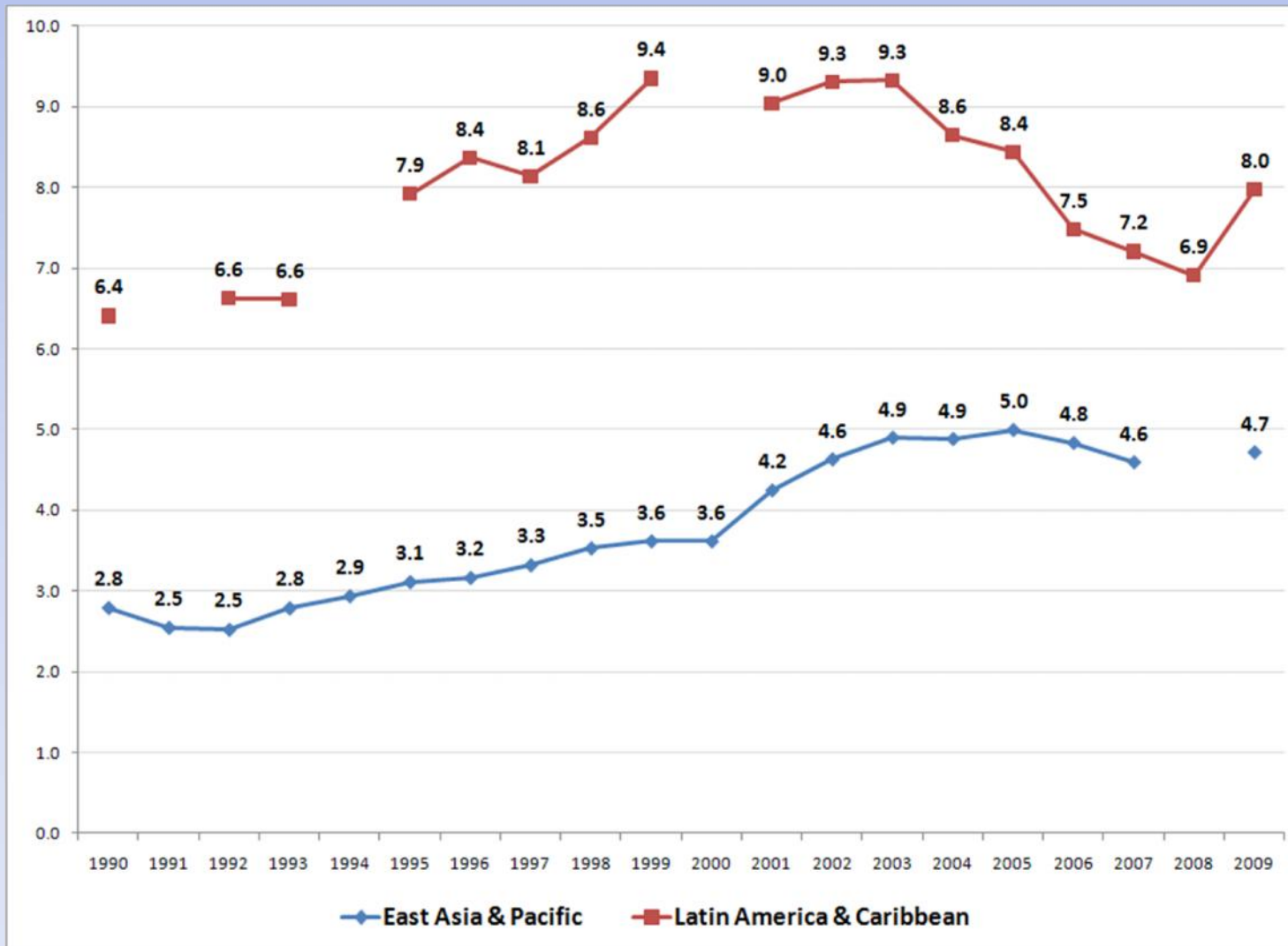
GROSS NATIONAL INCOME PER CAPITA, ANNUAL RATE OF GROWTH, 1980-2011



Source: Prepared by the author, on the basis of World Development Indicators 2013.

Over the last 30 years, the socio-economic performance of Latin America has been much weaker than East Asia's (2)

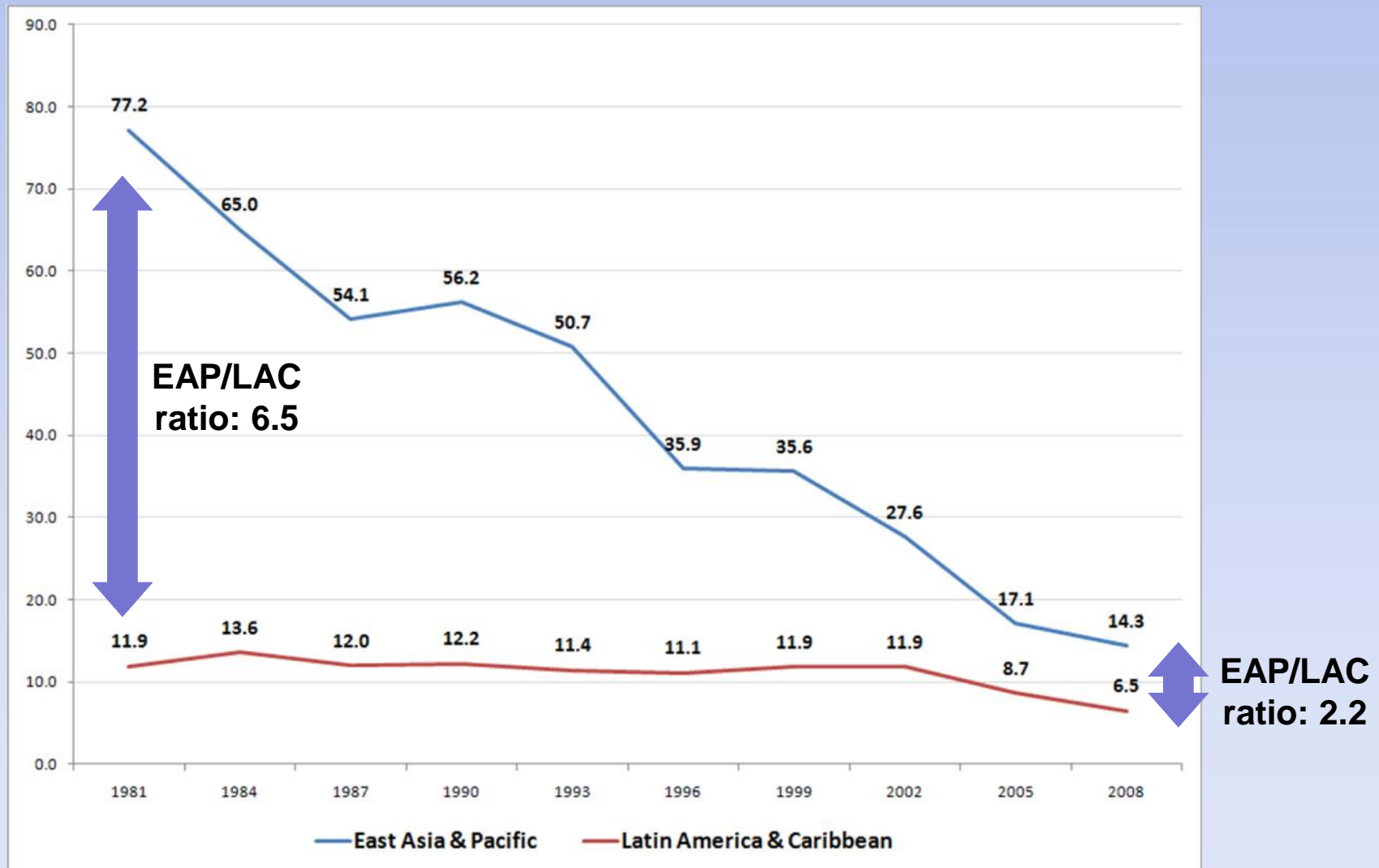
UNEMPLOYMENT RATE, 1990-2009



Source: Prepared by the author, on the basis of World Development Indicators 2013.

Over the last 30 years, the socio-economic performance of Latin America has been much weaker than East Asia's (3)

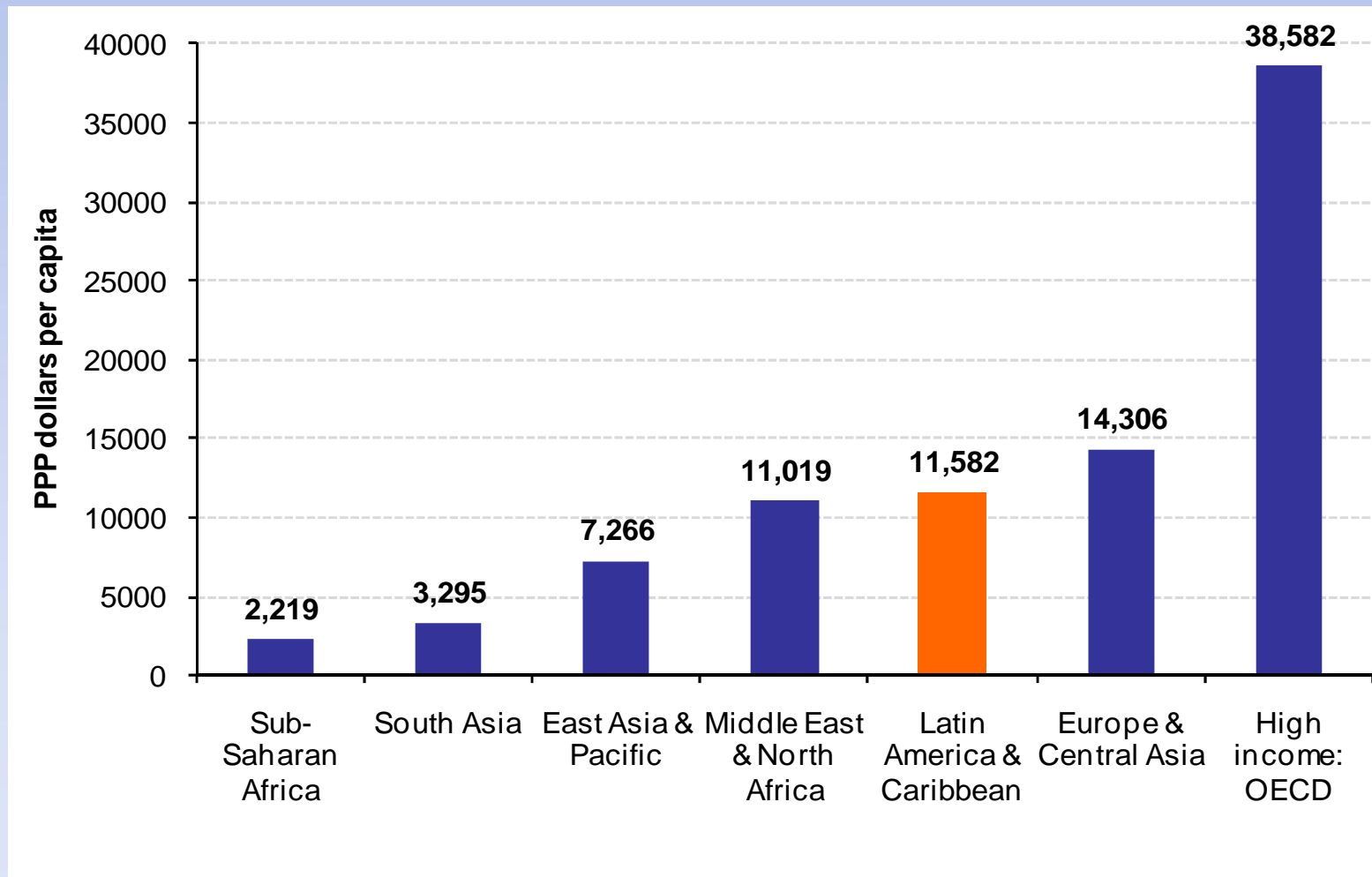
EXTREME POVERTY HEADCOUNT, \$1.25 PPP A DAY LINE, 1981-2008



Source: Prepared by the author, on the basis of World Development Indicators 2013.

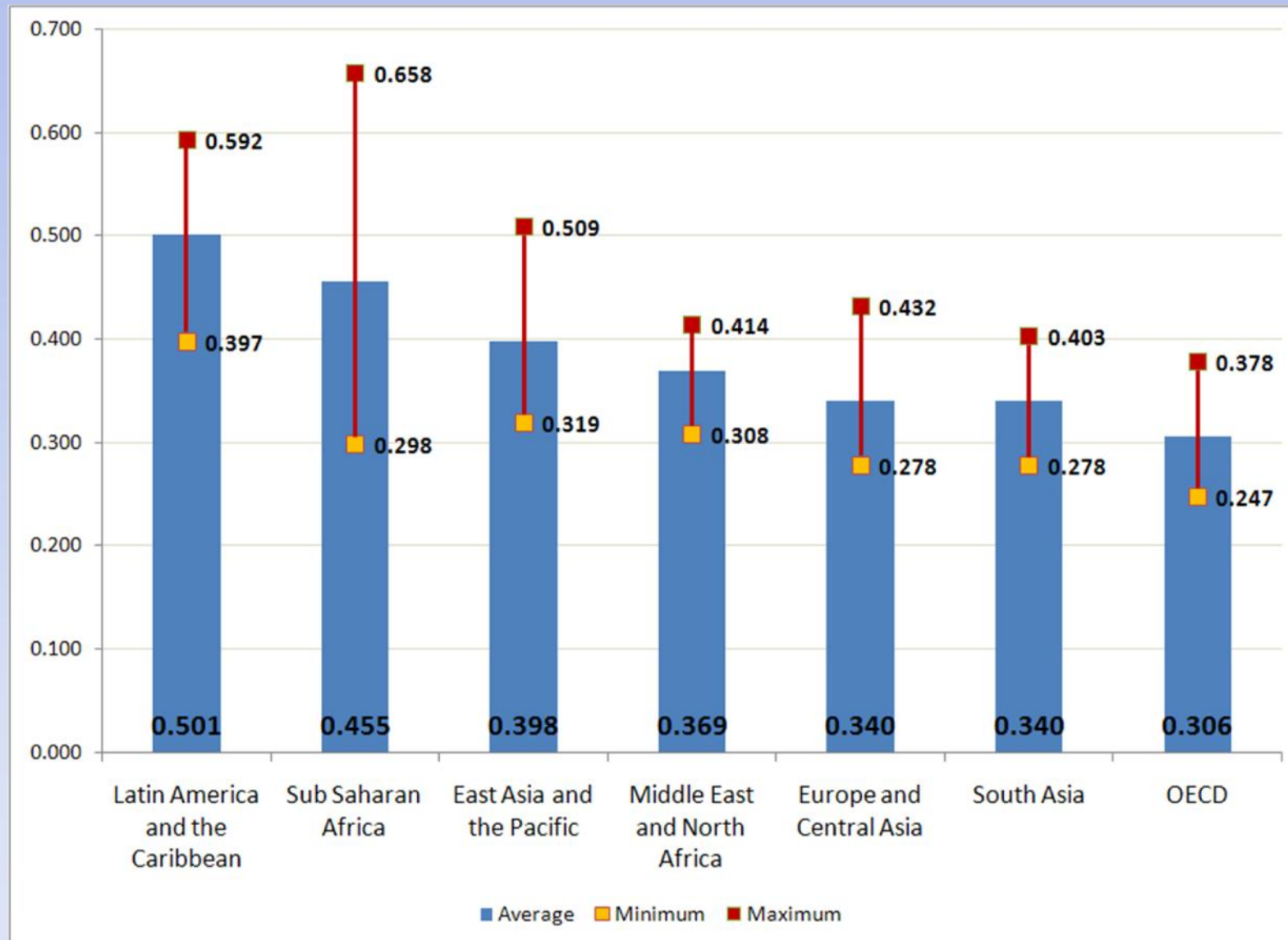
Latin America is a middle-income region..

GROSS DOMESTIC PRODUCT PER CAPITA (PPP DOLLARS), BY WORLD REGIONS AND GROUPINGS, 2011



Source: Prepared by the author, on the basis of World Development Indicators 2013.

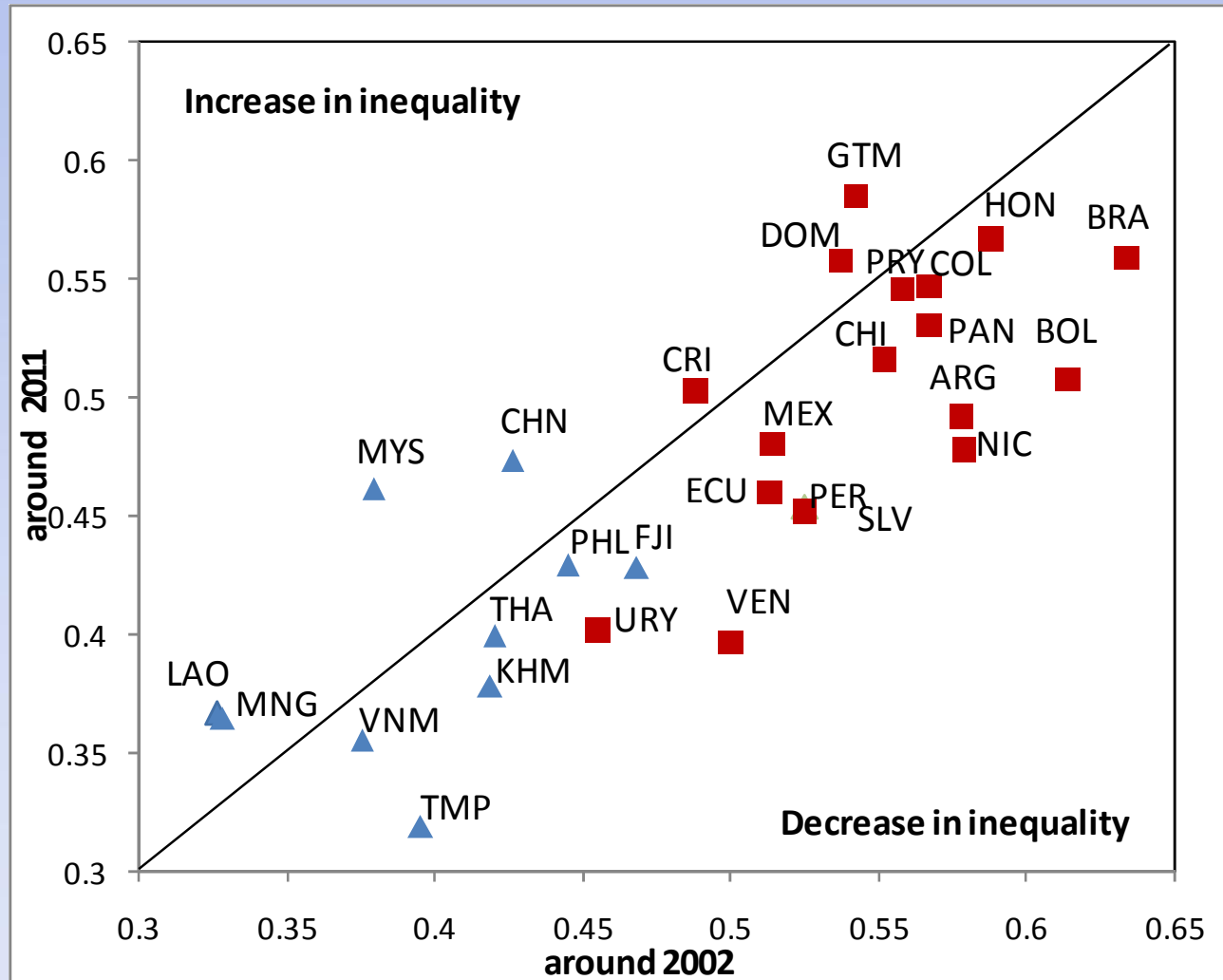
.. ..but it is the region with the most unequal income distribution in the world



Source: Prepared by the author, on the basis of ECLAC (2013), Social Panorama of Latin America 2012; OECD Income Distribution and Poverty database; World Development Indicators 2013.

However, since 2002 Latin America has succeeded in reducing poverty and –even more impressively– inequality, one of the region’s most intractable problems

GINI COEFFICIENT, LAC AND EAP COUNTRIES, AROUND 2002 AND 2011



Source: Prepared by the author, on the basis of ECLAC (2013), Social Panorama of Latin America 2012 and World Development Indicators 2013.

Note: The Gini coefficients for LAC countries are calculated on the basis of per capita income distribution of the population.

What factors explain the declines in poverty and inequality in Latin America?

- Economic growth with job creation in the formal sector
- Higher (and more progressive) taxes and social investment
- **Positive impact of social protection programmes**
- Adoption of counter-cyclical policies
- Demographic and labour participation trends
- Broader access to education and health

Social protection in LAC: leaving behind structural adjustment policies

Policies in the 1980s and 1990s	Recent policies
Central role of the market in providing and assigning goods and services	Recognition of the role of the state in correcting market asymmetries
Privatization and decentralization of social services	Increasing social expenditure
Poverty reduction policies based on emergency criteria	Adoption of comprehensive poverty reduction policies: strengthening capacities
Male-breadwinner model	Different policy subjects, considering differences based on gender, age, ethnicity, geography
Informal mechanisms: lobbying and favouring	Towards a covenant based on social rights

Current approaches to social protection in LAC

APPROACHES TO SOCIAL PROTECTION IN LATIN AMERICA AND THE CARIBBEAN, AROUND 2009

Approach	Main characteristics	Countries
1. Assistance and access to social promotion	Non-contributory social protection targeted to the poor (CCT programmes)	Ecuador, Guatemala, Honduras, Jamaica, Paraguay, Peru, Dominican Rep., Trinidad and Tobago
2. Intermediate between assistance and access to social promotion and social guarantees	Non-contributory social protection targeted to the poor (CCT programmes) Beyond CCTs, include other non contributory social protection policies (targeted and universal, pensions and health) and attempt to progressively link different components	Plurinational State of Bolivia, Colombia, El Salvador, Mexico and Panama
3. Social guarantees	Include various transfers and services as part of non-contributory social protection; Growing linkages between contributory and non-contributory social protection policies; Attempt to create comprehensive social protection systems	Argentina, Brazil, Chile, Costa Rica and Uruguay

Right-based social protection in LAC

RIGHTS-BASED APPROACH AND SOCIAL GUARANTEES IN LATIN AMERICA

Country	Constitutional recognition of social rights	Rights-based approach to social protection	Explicit guarantees
Argentina	Yes	Yes	
Bolivia (Plurinational State of)	Yes	Yes	Yes
Brazil	Yes	Yes	Yes
Chile		Yes	Yes
Colombia	Yes	Yes	Yes
Costa Rica	Yes	Yes	
Cuba	Yes	Yes	
Ecuador	Yes		
El Salvador	Yes	Yes	
Guatemala		Yes	Yes
Mexico	Yes	Yes	
Panama			
Paraguay			
Peru			
Uruguay	Yes	Yes	
Venezuela (Bolivarian Republic of)	Yes		

Source: Adaptation of Cecchini and Martínez (2012).

Welfare regimes in LAC

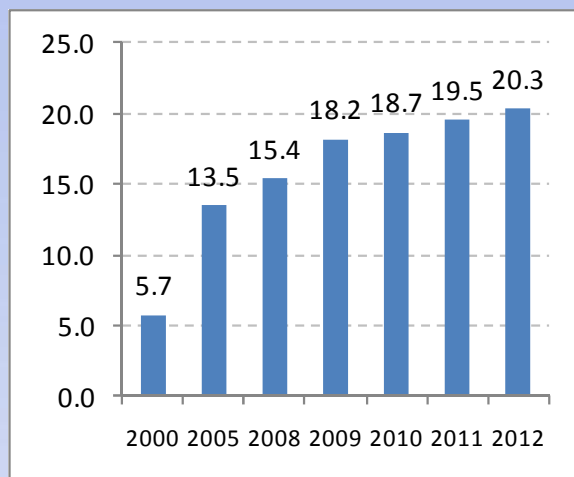
LATIN AMERICA: SOCIAL INVESTMENT INDICATORS AND SOCIAL PROTECTION, HEALTH AND EDUCATION COVERAGE, AROUND 2010

(Simple averages for each group of countries)

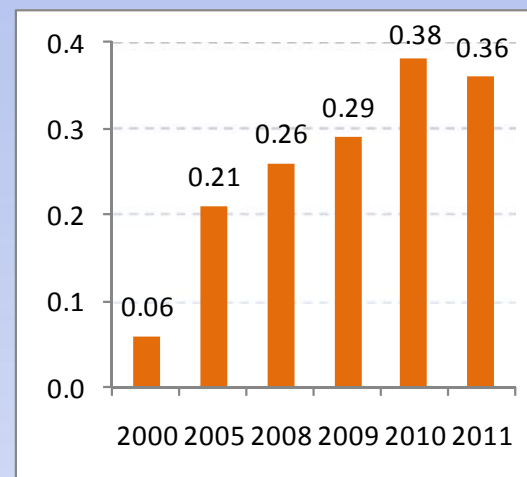
Indicator	Group I	Group II	Group III	Latin America
	Argentina, Brazil, Chile, Costa Rica, Panama, Uruguay	Colombia, Mexico, Venezuela (Bolivariana Republic of)	Bolivia (Plurinational State of), Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Paraguay, Peru	
Social investment				
Public per capita social investment (dollars at 2005 constant prices)	1 275	734	249	672
Public social investment as a percentage of GDP	21.3	12.4	11.4	14.9
Social protection coverage				
Workers affiliated to social security (percentages)	62.6	49.7	25.8	42.2
Percentage declaring out-of-pocket health expenditure	23,3	35,1	72,1	49,7

Steady growth of non-contributory social protection in LAC

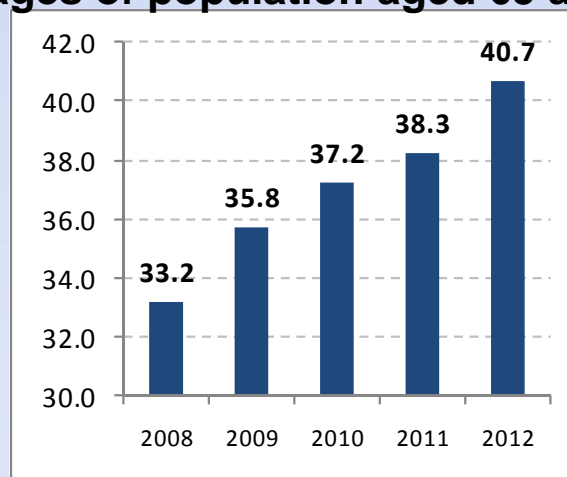
CCT COVERAGE
(Percentage of total population)



CCT INVESTMENT
(Percentages of GDP)



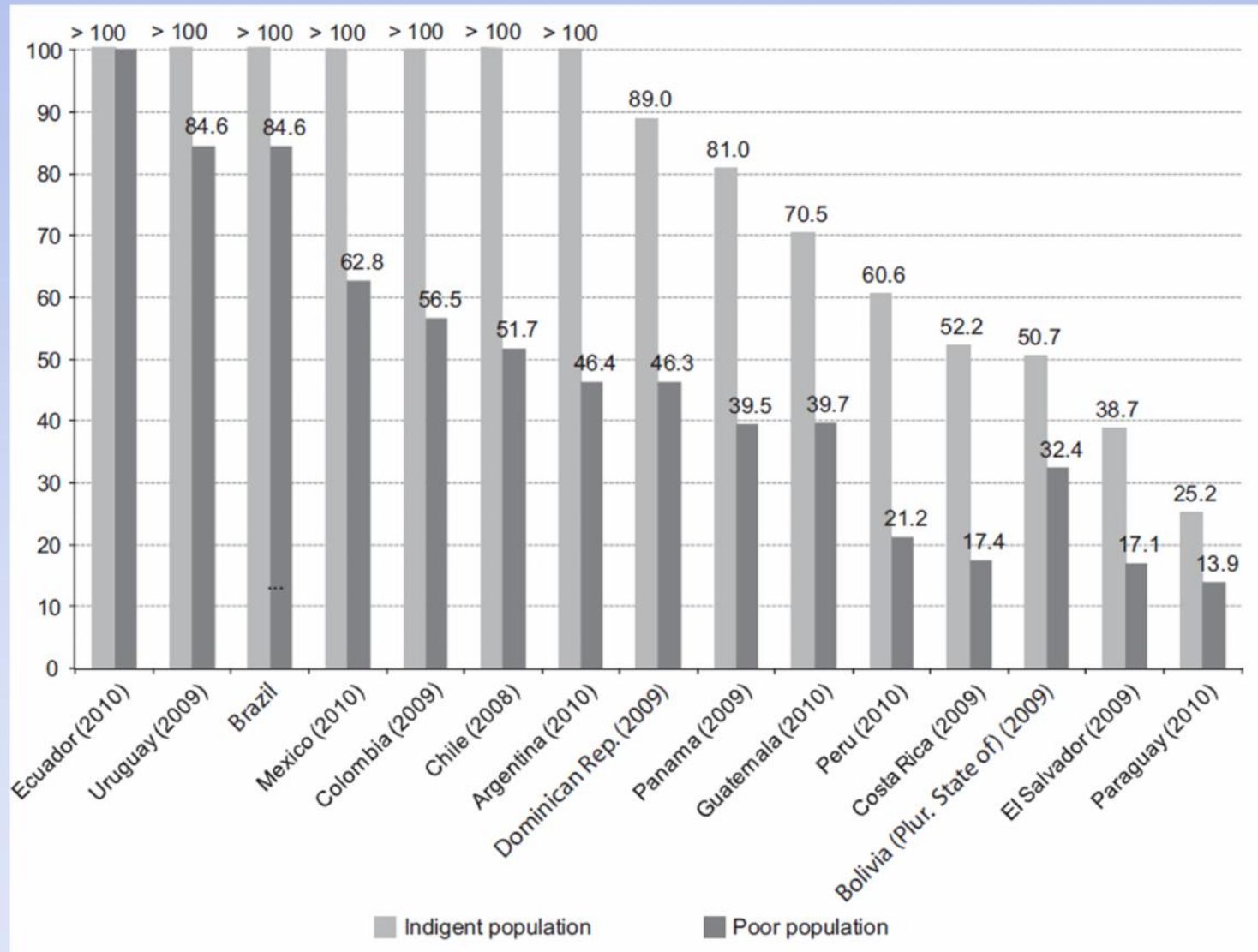
SOCIAL PENSIONS COVERAGE
(Percentages of population aged 65 and above)



Source: Prepared by the author, on the basis of ECLAC, Database of non-contributory social protection programmes in Latin America and the Caribbean [online] <http://dds.cepal.org/bdptc/> and <http://dds.cepal.org/bdps/>

In several countries the number of CCT beneficiaries is greater than the number of extremely poor persons

LATIN AMERICA (17 COUNTRIES): COVERAGE OF CONDITIONAL CASH TRANSFER PROGRAMMES (CCT), 2006/2009
(as percentage of the poor and indigent population)



Source: Cecchini and Madariaga (2011). Note: CCT coverage in relation to the poor and indigent does not take into account inclusion and exclusion errors.

Impact of non-contributory social protection on human capacities

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

Impact of non-contributory social protection on poverty and inequality (1)

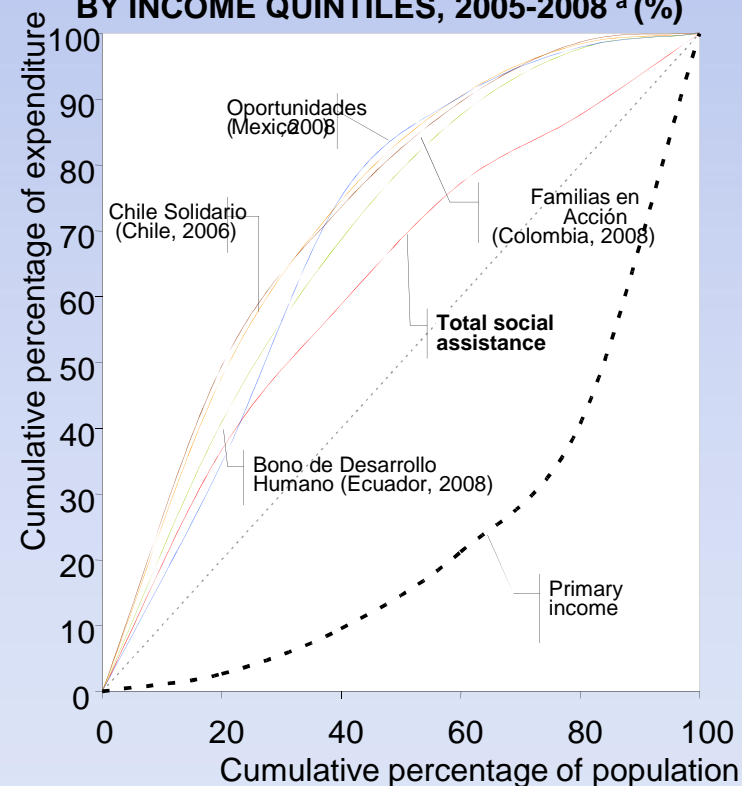
CCTs IN BRAZIL, CHILE, MEXICO AND LAC AVERAGE, MAXIMUM MONTHLY PER CAPITA AMOUNTS AS PERCENTAGES OF POVERTY/EXTREME POVERTY LINES AND MONTHLY DEFICITS OF THE POOR/EXTREMELY POOR, AROUND 2008

Maximum monthly per capita amounts of the transfers									
Programme	Dollars	% extreme poverty line		% poverty line		% monthly deficit, extremely poor		% monthly deficit, poor	
		Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural
<i>Bolsa Família</i> , Brazil	24	46	53	20	25	97	122	48	53
<i>Chile Solidario</i>	26	58	76	29	43	164	216	91	135
<i>Oportunidades</i> , Mexico	41	45	63	23	27	193	220	78	103
LAC (simple average of 12 countries)	16	29	35	15	20	81	98	40	53

Impact of non-contributory social protection on poverty and inequality (2)

- **Relieving rather than overcoming poverty**
 - Impact is concentrated on poverty gap and severity indicators (good targeting)
 - Impact on the incidence of poverty depends on coverage and the amount of the transfer (e.g. Argentina, Brazil, Ecuador, Mexico, Uruguay)
 - Sustainability of results depends on time horizon of transfers and on strengthening beneficiaries' capacities

LATIN AMERICA (15 COUNTRIES): DISTRIBUTION OF PUBLIC SPENDING IN SOCIAL ASSISTANCE AND EXAMPLES OF DIRECT MONETARY TRANSFERS OF SOME CCTs, BY INCOME QUINTILES, 2005-2008 ^a (%)



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

Institutional factors that favor the sustainability and effectiveness of the programmes

- **State policy and self-financing**
- **Legal and institutional frameworks** that are clear and specific
- **Synergies between political support, technical capacity and resource availability**
- **Accountability and citizen participation mechanisms**
 - Audits, external evaluations, social control, complaint system
- **Transparent beneficiary registers**
 - Protecting private data

Final remarks

- LAC's gradual shift of social protection **towards a more inclusive and rights-based** model is an epochal change
- **Targeting** is used as an instrument; it is no longer a goal of social policy
- Challenge is providing stable **funding** for universal social protection
- Institutional **coordination** is required for social protection reform
- **Cash transfer programmes** are acting as a gateway into social protection
 - Maintain clear objectives and functions, avoid transforming CCTs into a "Christmas tree"
- Social protection policies need to strengthen their linkages with **active labour market policies**