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This document contains the summary of the *Social Panorama of Latin America 2007*, which was prepared jointly by the Social Development Division and the Statistics and Economic Projections Division of ECLAC.

The section entitled "Internal migration and development in Latin America and the Caribbean: policy challenges, changes and continuity" was prepared by the Latin American and Caribbean Demographic Centre (CELADE) - Population Division of ECLAC, with inputs from the IDB/ECLAC project "Migration and development: the case of Latin America" (internal migration component) and support from the United Nations Population Fund (UNFPA) under the ECLAC/UNFPA Regional Programme on Population and Development in Latin America and the Caribbean, 2005-2007.

The subsection of the social agenda entitled "Health programmes and policies for indigenous peoples in Latin America" was prepared jointly by the Social Development Division and CELADE, with support from the project "Advances in policies and programmes for indigenous peoples of Latin America since the implementation of the International Decade of the World's Indigenous People", financed by the Government of France.

Notes and explanations of symbols

The following symbols have been used in the summary of the *Social Panorama of Latin America 2007*.

- The dots (...) indicate that data are missing, are not available or are not separately reported.
- Two dashes and a period (-.-) 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.
- 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 figures expressing years (e.g., 2003/2005) indicates that the information given corresponds to one of these two years.
- The word "dollars" refers to United States dollars, unless otherwise specified.
- Individual figures and percentages in tables may not always add up to the corresponding total, because of rounding.

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SOCIAL PANORAMA OF LATIN AMERICA, 2007

SUMMARY

Per capita GDP has grown more in 2003-2007 than at any other time since the 1970s. ECLAC projections indicate that this trend will continue in 2008, which will thus be the fifth year in a row in which per capita GDP has risen at over 3% per annum. This increase has made further progress in poverty reduction possible, together with a decline in unemployment. Some countries have seen improvements in income distribution as well. A number of problems persist, however, and Latin America continues to lag behind other regions in various areas. Levels of social and economic inequality remain extremely high. After rising sharply during the past decade, social expenditure —measured as a percentage of GDP— has been levelling off and continues to fall short in terms of the coverage of existing social needs. In addition, migratory flows continue to be spurred by unequal levels of development in various locations and areas within individual countries.

The *Social Panorama of Latin America, 2007* provides the latest poverty estimates available for the countries of Latin America. These estimates indicate that 36.5% of Latin America's population (195 million people) were poor and 13.4% (71 million) were extremely poor.

As noted in the chapter devoted to the subject of poverty, these percentages signal a 3.3% drop in poverty and a 2.0% decrease in extreme poverty, or indigence, from these indicators' 2005 levels. This means that 14 million people escaped from poverty in 2006 and 10 million who had been classified as indigent ceased to be so. As a result, the region is well on track to reaching the first Millennium Development Goal target of halving the 1990 extreme poverty rate by 2015. A portion of the progress made in this respect may be accounted for by changes in family composition and in household members' participation in the labour market. Countries are therefore urged to develop ways to reconcile care work in the home with gainful employment, increase occupational productivity and improve the targeting of expenditure on the most vulnerable groups.

A preliminary analysis is also undertaken of the problem of residential segregation, which limits opportunities for learning to live with others under circumstances of inequality. This type of segregation can hinder access to employment and education, thereby

contributing to the perpetuation of poverty. This is an issue that calls for a thorough-going review of State action in relation to urban land management and social housing.

This chapter concludes with a discussion of the many psycho-social divides separating the most vulnerable groups from those that are economically better off, which militate against social cohesion. It notes that, in order to make progress in overcoming poverty and achieving social cohesion, multidimensional policies are required that include measures for creating opportunities that will provide vulnerable groups with greater expectations of social mobility, give them greater confidence in their country's institutions, and allow them to feel more included and to participate more actively in decision-making processes that influence their quality of life.

In the chapter on social expenditure, the available statistics are examined in the light of the main social policy challenges facing the region. The discussion of this subject underscores the fact that, apart from a few exceptions, public social expenditure has continued to be accorded a high macroeconomic and fiscal priority, which ensures funding, stability and greater institutional legitimacy for social policy. Despite the greater effort being made to finance social policies (especially in the less developed nations), however, public social spending is still insufficient, and the structure of such expenditure has to constantly be adapted to changing risk profiles and social needs. The way in which it is administered continues to be highly procyclical, although in recent years it has not been any more so than the trend of GDP.

The impact of such expenditure on people's well-being is analysed on the basis of a review of various case studies. These studies indicate that the gradual expansion of coverage increases the progressiveness of spending on education, that the composition of expenditure on health services influences its neutrality from the standpoint of considerations of equity, that the contributory nature of the social security system's funding makes these expenditures regressive, and that social assistance is becoming markedly pro-poor as conditional transfer programmes come into greater and greater use, although they are not entirely free of leakage issues.

This analysis underscores the importance of distinguishing among countries based on the differing phases they have reached in the demographic transition and their labour markets' degree of maturity, and a typology is outlined for use in examining the level and structure of social spending. It is also noted that a far-reaching social contract will be required in order to overcome the challenges facing the region in relation to the allocation of public social expenditure.

The chapter on education reviews the major advances that the region has made in this field since the early 1990s. It looks at how social inequality is manifested in access to education and in the pace at which students progress through the primary, secondary and tertiary levels as well as their completion rates, and concludes that the degree of inequality has diminished in the last 15 years. It notes that there has been a reduction in the differences in terms of passage through formal education systems associated with economic inequalities, gender inequities, areas of residence, ethnic origin and the stock of educational capital in the home. It also points out, however, that, despite the considerable progress made in all areas, the inter-generational transmission of educational opportunities persists, although, for the most part, this process is now being expressed in access to and completion of the last few years of secondary school and, most of all, at the level of higher education.

The quality of education in five Latin American countries is examined on the basis of the findings of the 2000 Programme for International Student Assessment (PISA) test. The main focus of the 2000 PISA test was reading literacy, and the assessment shows that a close correlation exists between inequalities in terms of socioeconomic origin and the acquisition of language competencies. It also indicates that educational curricula are lacking in relevance (judging from the poor scores of even the best students) and that the extent of teachers' commitment is a very important factor in the learning process. The chapter also includes a discussion of the markedly segregated nature of the school environment in the region, its association with a highly segmented supply of educational services, and the major differences in performance to which this situation leads. A case is made for the need to redesign educational policy in order to address the problem of social inequality through affirmative action in order to give the poorest students a head start and to improve the quality of the learning process by diminishing the sharp stratification of the countries' educational systems.

The chapter on internal migration notes that 1 out of every 3 Latin Americans lives in a different town from the one in which he or she was born and that nearly 1 in 10 Latin Americans moved to a different town in the last five years of the twentieth century. Migrants are usually younger and have a higher skill level than non-migrants, and they are therefore generally an asset for the host area. Conversely, emigration from the more socioeconomically backward areas within countries (including rural zones, chronically poor areas and ones in which indigenous population clusters are located) erodes their human resource base, thereby hindering their progress and hampering efforts to improve the living conditions of those who remain there (geographical poverty traps). A majority of migrants move from one city to another or within cities. In the case of intra-city migration, residential rather than labour-related factors are more influential.

Policies designed to influence internal migration patterns must address a much more diverse and complex set of factors than they did when rural-to-urban migratory flows predominated. Such policies should be based on a recognition of the right of all persons to freely decide when and where to migrate within a given country. No form of coercion should therefore be used to achieve policy objectives. Instead, differing types of incentives for individuals and businesses should be employed to promote the development of given areas within a country. Indirect action may also be taken through various sorts of social policies (particularly policies on housing, transportation and infrastructure) that may influence migration decisions.

The chapter on the social policy agenda offers an assessment of health policies and programmes designed to benefit the indigenous peoples of Latin America based on 16 countries' responses to a survey conducted by ECLAC on this subject and the findings of the Workshop-Seminar on Indigenous People in Latin America: Health Policies and Programmes, How Much and How Has Progress Been Made? Both the survey and the seminar, which was held at ECLAC on 25 and 26 June 2007, were conducted as part of a project funded by the Government of France.¹

In the first section of this chapter, emphasis is placed on the existence of minimum standards for the rights of indigenous peoples and on the fact that, although legislative advances have been made in this respect, public policy must do more to ensure the fulfilment of those rights. The discussion covers the persistent structural inequity which puts indigenous people at a disadvantage and which, in the field of health, is manifested in higher morbidity and mortality rates. The evidence also points to more limited access and a failure to ensure the cultural appropriateness of health care services, as well as indigenous peoples' very limited participation and representation in the relevant policies and programmes.

The second section of the chapter discusses the more conducive environment for the design and implementation of health policies and programmes for indigenous peoples created by health-sector reforms and legislative advances. It notes that most countries are taking action in this connection and describes the widely varying situations to be found in this regard, along with major achievements and problems. Two of the main issues covered by this assessment are the management and participation by indigenous peoples of health policies and programmes and the availability of the information needed to design, implement and evaluate measures taken in this area.

¹ Project on Advances in Policies and Programmes for Indigenous Peoples of Latin America since the Implementation of the International Decade for Indigenous Peoples, Latin American and Caribbean Demographic Centre (CELADE) - Population Division of ECLAC/Government of France.

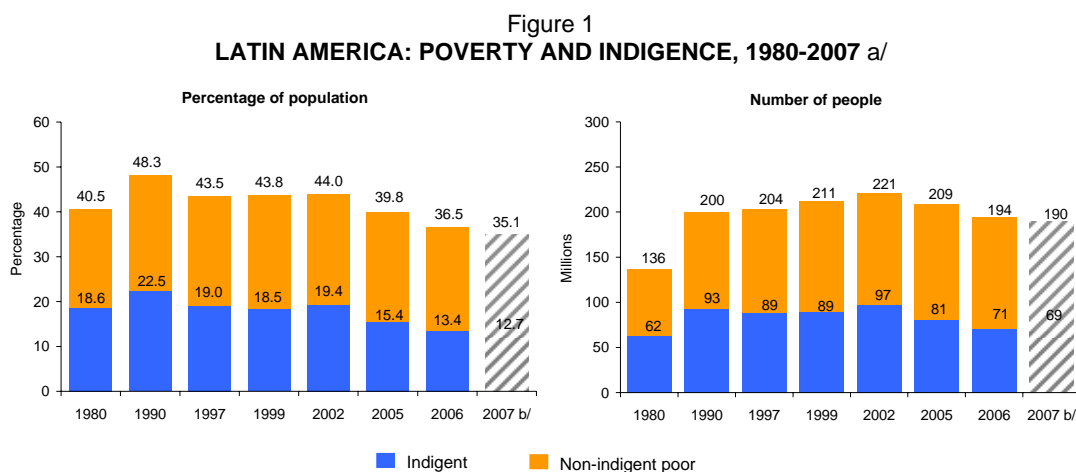
Based on the information presented, a number of recommendations are then offered with a view to improving health policies and programmes for indigenous peoples and to fully enforcing their rights.

The international social agenda provides an overview of major United Nations meetings and agreements on social issues. In this year's edition, this section is devoted to the tenth session of the Regional Conference on Women in Latin America and the Caribbean, held in Quito, Ecuador, from 6 to 9 August 2007.

ADVANCES IN POVERTY REDUCTION AND CHALLENGES IN ATTAINING SOCIAL COHESION

Poverty in the region

The latest poverty estimates available for the countries of Latin America indicate that, as of 2006, 36.5% of Latin America's population (194 million people) were poor and 13.4% (71 million) were extremely poor (see figure 1)..



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

a/ Estimate for 19 countries of the region including Haiti. The figures shown in the orange sections of the bars are the percentages and total number of poor persons (indigent plus non-indigent poor).
b/ Projections.

A comparison with the figures for 2005 shows that further progress was made in reducing poverty and extreme poverty, or indigence, with a 3.3% drop in poverty and a 2.0% decrease in extreme poverty. This means that 15 million people escaped from poverty in 2006 and 10 million who had been classified as indigent ceased to be so.

A comparison of the figures for 2006 and 1990 shows that the poverty rate has been reduced by 11.8 percentage points and that the indigence or extreme poverty rate has decreased by 9.1 points. This means that the number of indigents has fallen by over 20 million and that, for the first time since then, the total number of people living in poverty has dropped below 200 million persons.

Projected per capita GDP growth for the Latin American countries in 2007 is expected to make it possible to bring poverty and indigence rates down to 35.1% (190 million people) and 12.7% (69 million people), respectively. If these projections are borne out, Latin America will have not only the lowest poverty and indigence rates to be recorded since the 1980s, but also fewer poor people than at any other time in the last 17 years (see figure 1).

Poverty and indigence estimates for 2006 for 12 countries in the region reflect a widespread downward trend. All of these countries registered considerable reductions, and in most cases these decreases represented a continuation of the trend observed in 2005.

When the year 2002 is used as a benchmark, Argentina (data for urban areas) displays the greatest improvement, with reductions of 24.4 and 13.7 percentage points in its poverty and extreme poverty rates, respectively. The results for 2006 played an important role in this outcome, with decreases in the two indicators of 5.0 and 1.9 percentage points. This largely counteracted the deterioration in the situation that occurred in 1999-2002. As a result, the poverty rate is now 2.7 points below the 1999 rate, although the indigence rate is still 0.6 points above the figure for 1999 (see table 1).

The Bolivarian Republic of Venezuela reduced its poverty and extreme poverty rates by 18.4 and 12.3 percentage points, respectively, between 2002 and 2006. Thanks to rapid GDP growth and the ongoing implementation of broad social programmes, in 2006 alone the poverty rate was lowered from 37.1% to 30.2% and the indigence rate from 15.9% to 9.9%. This swift pace of progress considerably brightens the prospects for further reductions in poverty and significantly increases the feasibility of meeting the first target associated with the first Millennium Development Goal, which is analysed in the following section.

Table 1
**LATIN AMERICA (18 COUNTRIES): PERSONS LIVING IN POVERTY AND INDIGENCE,
 AROUND 2002, 2005 AND 2006**
 (Percentages)

Country	Around 2002			Around 2005			2006		
	Year	Poverty	Indigence	Year	Poverty	Indigence	Year	Poverty	Indigence
Argentina a/	2002	45.4	20.9	2005	26.0	9.1	2006	21.0	7.2
Bolivia	2002	62.4	37.1	2004	63.9	34.7	...	...	...
Brazil	2001	37.5	13.2	2005	36.3	10.6	2006	33.3	9.0
Chile	2000	20.2	5.6	2003	18.7	4.7	2006	13.7	3.2
Colombia	2002	51.1	24.6	2005	46.8	20.2	...	...	...
Costa Rica	2002	20.3	8.2	2005	21.1	7.0	2006	19.0	7.2
Ecuador a/	2002	49.0	19.4	2005	45.2	17.1	2006	39.9	12.8
El Salvador	2001	48.9	22.1	2004	47.5	19.0	...	...	...
Guatemala	2002	60.2	30.9	...	...	...	...	...	...
Honduras	2002	77.3	54.4	2003	74.8	53.9	2006	71.5	49.3
Mexico	2002	39.4	12.6	2004	37.0	11.7	2006	31.7	8.7
Nicaragua	2001	69.4	42.4	...	...	...	...	...	...
Panama	2002	34.0	17.4	2005	33.0	15.7	2006	30.8	15.2
Paraguay	2001	61.0	33.2	2005	60.5	32.1	...	...	...
Peru	2001 b/	54.8	24.4	2005 b/	48.7	17.4	2006 b/	44.5	16.1
Dominican Rep.	2002	44.9	20.3	2005	47.5	24.6	2006	44.5	22.0
Uruguay a/	2002	15.4	2.5	2005	18.8	4.1	2006	18.5	3.2
Venezuela (Bolivarian Rep. of)	2002	48.6	22.2	2005	37.1	15.9	2006	30.2	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/ Figures compiled by the National Institute of Statistics and Informatics (INEI) of Peru. These values are not comparable with those of previous years owing to changes in the sample framework used in the household survey. In addition, the figures given for 2001 correspond to the fourth quarter, whereas those shown for 2004 and 2006 correspond to the entire year.

These two countries are followed, in order of magnitude, by Peru,² Chile, Ecuador (urban areas), Honduras and Mexico, which have marked up poverty reductions of over five percentage points between 2000-2002 and 2006. With the exception of Peru, at least half of this cumulative reduction occurred in the more recent years in this period in each of these four countries. This is particularly notable in the case of Chile, where 5.0 of the 6.5 percentage points by which the poverty rate was reduced in 2000-2006 correspond to 2003-2006.³ These countries also witnessed significant reductions in their indigence rates. Particularly sharp decreases were seen in this indicator for Ecuador and Honduras, which recorded reductions of 8.3, 6.6 and 5.1 percentage points, respectively. Chile also made great strides in this respect

² The figures for Peru from 2004 on are not wholly comparable with those for earlier years, since the former refer to the entire year whereas the latter correspond to the last quarter only. No major differences are to be expected between quarterly and annual estimates, however. As a point of reference, it may be noted that in 2006 the indigence and poverty rates estimated for the year as a whole were 0.7 and 1.5 percentage points higher, respectively than the estimates for the final quarter.

³ Indigence and poverty estimates for Chile are available only for 2000, 2003 and 2006, and an analysis of what occurred in the intervening years can therefore not be made.

since, although its indigence rate fell by just 2.4 percentage points, this amounted to a 43% decrease in that rate relative to 2000.

Brazil registered decreases of 4.2 percentage points in both its poverty and its extreme poverty rates between 2001 and 2006. This has a significant impact at the regional level, since it represents a reduction in the number of indigents of 6 million people. The “Bolsa Familia” public transfer programmes implemented in the country has played a decisive role in this achievement.

Costa Rica and the Dominican Republic also managed to reduce their poverty levels in 2002-2006, although less dramatically than the above-mentioned countries. Actually, the Dominican Republic recorded a slightly higher indigence rate due to the setbacks it experienced between 2002 and 2004, which later progress has not yet offset entirely. A somewhat similar situation is found in Uruguay, where decreases in the poverty and indigence rates in 2005 and 2006 have not enabled the country to regain the levels it had attained in 2002.

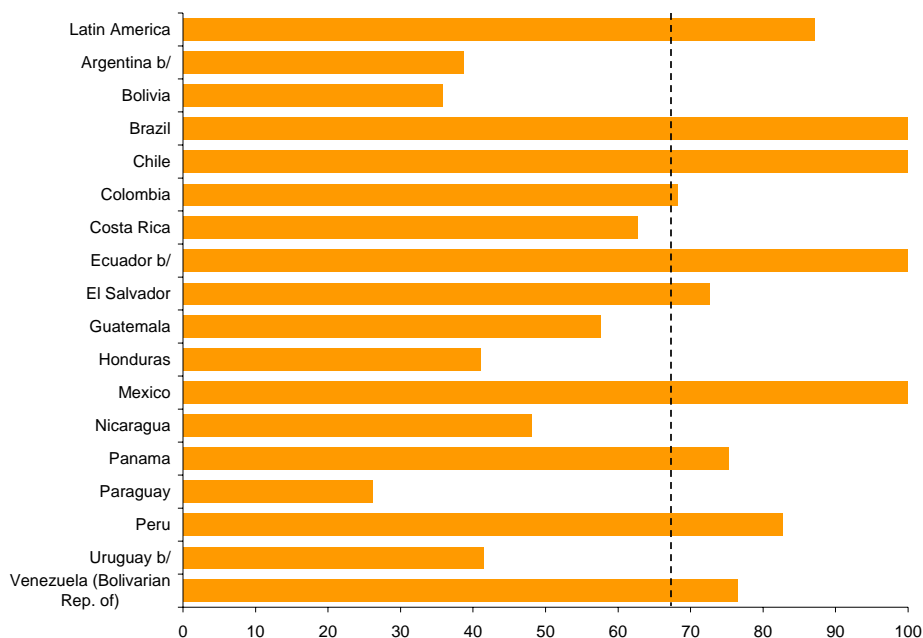
Progress towards meeting the first target of the Millennium Development Goals

Latin America’s projected extreme poverty rate for 2007 amounts to 12.7%, which is 9.8 percentage points below the 1990 figure (22.5%). This means that Latin America is 87% of the way towards meeting that target at a point in time when just 68% of the period provided for that achievement has passed.⁴ This evidence gives reason to believe that the region as a whole is fully on track to meet its commitment to halve the 1990 extreme poverty rate by 2015 (see figure 2).

The projections for extreme poverty rates in 2007 paint a bright picture for many countries. The most recent figures for Ecuador (urban areas) and Mexico indicate that they will join the ranks of countries that, like Brazil and Chile, have already reached the first target established for the first Millennium Development Goal. The Bolivarian Republic of Venezuela, Colombia, El Salvador, Panama and Peru have progressed as much or more than expected (68%). All the other countries in Latin America have lower extreme poverty rates than they did in 1990, but some of them are behind where they should be in order to reach this target on time. Argentina, Bolivia, Honduras, Nicaragua, Paraguay and Uruguay are still less than 50% of the way to this target.

⁴ The time allotted for reaching this target is 25 years (from 1990 to 2015); 17 of those 25 years have passed, which amounts to 68% of the total period provided for this effort.

Figure 2
**LATIN AMERICA (17 COUNTRIES): PROGRESS IN REDUCING EXTREME POVERTY
 BETWEEN 1990 AND 2007 a/**



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

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

b/ Urban areas.

Taken as a whole, the region has a very good chance of reaching this first target. Assuming that no major changes in income distribution occur in the next few years, Latin America will have to achieve GDP growth of 1.1% per year, which is less than its population growth rate. The low level of the required rate is partially due to the fact that four countries have already surpassed the target and are therefore “subsidizing” those that are further behind. This is all the more so because the over-achievers include Brazil and Mexico, which together account for over half of the region’s population. In fact, the growth rate for countries that have not yet attained this first target averages 4.0% per annum, which translates into a 2.7% annual increase in per capita GDP.

Factors linked with poverty reduction

In this section the influence on poverty reduction of various demographic, household and labour-related factors in 1990-2005 in the countries of Latin America and the Caribbean will be examined. In view of the progress already made in reducing extreme poverty, the more ambitious target (halving the entire poor population, rather than just the

extremely poor population) proposed in the 2005 inter-agency report on the Millennium Development Goals is taken into consideration in this evaluation.⁵

Generally speaking, poverty trends can be understood by looking at changes in three determinants of per capita household income: the ratio of employed persons to total population, labour income per employed person and non-labour income (public transfers, remittances, etc.).⁶ When the percentage of employed persons, wages per employed person and non-labour income levels in low-income households rise, poverty levels tend to diminish. These determinants can, in turn, be broken down into a series of factors: changes in labour income are linked with the behaviour of human capital and productivity patterns,⁷ changes in non-labour income stem from public and private transfers and from the rate of return on capital, and changes in employment levels can be traced back to demographic changes, shifts in family structures and the way in which households react to employment opportunities.

The high demographic dependency rates⁸ of poor households are one of the factors that contribute to the perpetuation of poverty. In Latin America, poor households have higher fertility rates and thus have larger households, and a majority of the members of those households are children. This means that household income has to be distributed among a larger number of people and, at the same time, places limitations on working-age members' participation in the labour market, especially in the case of women. Nonetheless, in recent years the dependency ratio has been on the decline. This situation, which has been described as a "demographic bonus", offers a window of opportunity for poverty reduction.

Poor households' low income levels are also associated, among other factors, with the limited human capital of their economically active members. This situation, which ties in with the fact that these members have few job opportunities, sets up another vicious circle: on the one hand, the members of poor households have insufficient job training and thus are employed in precarious jobs and, on the other, the children and young people living in such households have few educational and training opportunities, are lacking in social capital and are employed in low-productivity occupations if they manage to find any employment at all.

⁵ See United Nations, *The Millennium Development Goals: A Latin American and Caribbean Perspective* (LC/G.2331-P), J.L. Machinea, A. Bárcena and A. León (coords.), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), 2005.

⁶ This breakdown is valid when measuring poverty on the basis of money income, which can be used as a means of gauging people's and household's ability to meet their basic food and non-food needs.

⁷ Certainly, there are other factors as well that influence labour income, such as the degree of protection enjoyed by the labour force and its bargaining power (degree of unionization, existence of collective bargaining mechanisms, etc.).

⁸ Ratio of working-age population and total population.

An analysis of poverty trends in 1990-2005 based on this scheme reveals a wide variety of different situations (see table 2). Three points should be noted in this regard. First, the commitment undertaken to achieve the Millennium Development Goals coincides with a period in which the proportion of the total population represented by economically active household members has been on the rise. Second, throughout this entire period no increase has been seen in the labour incomes of employees from the poorest households except in Chile, Brazil and Ecuador (urban areas). Third, there has been a fairly widespread increase in non-labour income in poor sectors of the population. An analysis of the reasons for this increase will not be offered here, however, since disaggregated figures on the wide variety of income sources included under this heading (State transfers, remittances, etc.) are unavailable.

Table 2
LATIN AMERICA (16 COUNTRIES): COUNTRY TYPOLOGY BASED ON TRENDS IN THE OVERALL EMPLOYMENT RATE, LABOUR INCOME PER EMPLOYEE AND NON-LABOUR INCOME IN POPULATION DECILES THAT INCLUDE POOR HOUSEHOLDS, 1990-2005

Annual variation in poverty, by groups/countries a/	Poverty – start of period b/	Overall employment rate c/	Labour income per employee	Per capita non-labour income	Poverty – end of period b/
Sharp reduction d/ (variation of more than -1.5% per year)					
Chile 1990-2003	38.3	++	++	++	18.6
Ecuador 1990-2005	61.8	++	+	+	45.1
Brazil 1990-2005	47.4	++	+	++	36.2
Panama 1991-2005	42.8	++	–	+	32.7
Mexico 1989-2005	47.4	++	–	+	35.5
Slight reduction d/ (variation of between -1.5% and -0.5% per year)					
El Salvador 1995-2004	54.0	+	–	+	47.5
Costa Rica 1990-2005	26.2	+	+–	+	21.1
Colombia 1991-2005	55.6	+	=	+	46.8
Guatemala 1989-2002	70.3	++	=	++	58.4
Nicaragua 1993-2001	73.6	++	--	=	69.3
Honduras 1990-2003	80.5	++	--	++	74.6
No progress d/ (variation of between -0.5% and 0.5% per year)					
Venezuela (Bolivarian Rep. of) 1990-2005	40.0	++	--	–	37.1
Bolivia 1989-2004	52.1	++	--	+	51.6
Argentina 1990-2005	21.1	+	–	=	22.6
Uruguay 1990-2005	17.8	=	–	+	19.1
Increase (variation of over 0.5% per year)					
Paraguay 1990-2005	42.2	+–	--	+	47.7

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

Note: ++: Significant progress; +: Progress; = / +–: No change / progress and setbacks; -: Setbacks; --: Significant setbacks.

a/ Because of the different years in which surveys are conducted, the values shown for poverty at the beginning and end of the period do not cover the years 1990 and 2005 for all of the countries.

b/ These percentages may not match those shown in last year's edition of the Social Panorama of Latin America because of changes in the treatment of the domestic service category. In the case of Guatemala, it was necessary to adjust the way in which the data were processed to compensate for the absence of measurements covering children under 10 years of age in 1989 and 7 years of age in 2002.

c/ Refers to the number of employed persons relative to the total population.

d/ The annual rate of reduction in total poverty for each country, which was used to classify the countries, was estimated using the following formula: $ARR = ((FP-IP) / PI) * 100/y$, where ARR = annual rate of reduction in poverty, FP = final poverty percentage, IP = initial poverty percentage, and y = number of years contained in the period.

Only 5 of the 16 countries that were analysed have reduced poverty significantly since the early 1990s: the three countries where labour income per employee has risen (Chile, Brazil, Ecuador), Mexico and Panama, where the proportion of employed persons climbed considerably. The other countries have made little or no progress. The main limitation in these cases has been the labour market's poor performance. In the countries that have witnessed sharp reductions in poverty, the main underlying factors have been changes in household composition and in household members' participation in the labour market. Although this trend has been widespread in all the other countries as well, it has not been reinforced by sufficiently large increases in household transfers or remunerations.

A comparison of the countries in which poverty has decreased the most and the least underscores the importance of behavioural patterns relating to the labour market (see figure 3). For example, in Brazil, Chile and Ecuador (urban areas), which reduced poverty the most, the effect of the increase in the ratio of employed persons to the total population (dark blue bars in figure 3a) has been bolstered by an increase in labour income per employee (light blue bars). This combination signals the presence of a highly dynamic labour market. In addition, there has also been an increase in non-labour income (orange bars). In Argentina (Greater Buenos Aires), Bolivia, Paraguay (Asunción metropolitan area), Uruguay (urban areas) and the Bolivarian Republic of Venezuela, in contrast, labour income per employed person declined in poor sectors of the population, and this decrease was not offset by any increase in the employment rate or non-labour income. Consequently, they made no progress in reducing poverty.

Figure 3
DETERMINANTS OF CHANGES IN POVERTY LEVELS, DECILES I-IX:

(a) Countries recording sharp reductions in poverty and increases in labour productivity (Brazil, Chile and Ecuador, simple averages), 1990-2005

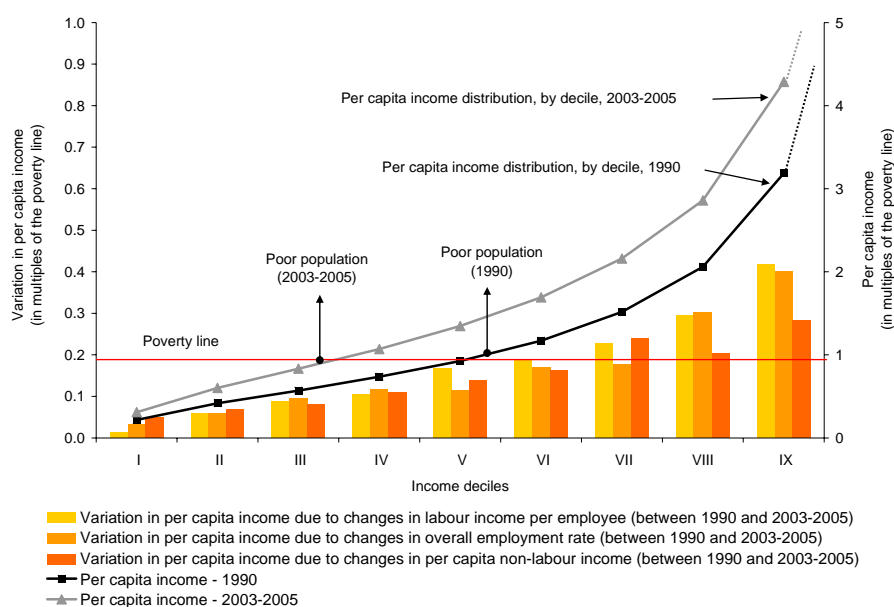
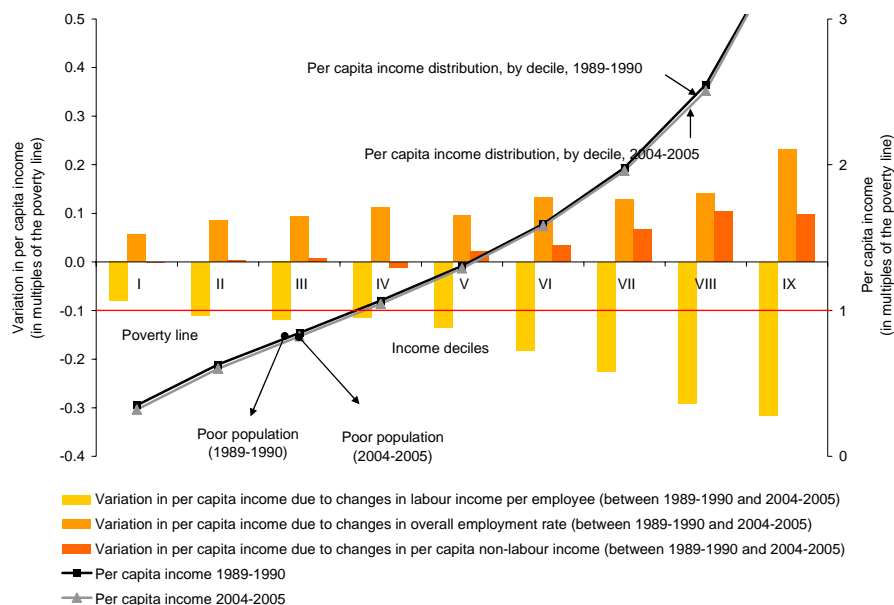


Figure 3 (concluded)

(b) Countries recording no progress or increases in poverty (Argentina, Bolivarian Republic of Venezuela, Bolivia, Paraguay and Uruguay, simple averages), 1990-2005



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

Quite a few countries in the region are on track to reach the first target associated with the first Millennium Development Goal, thanks in large part to their success in capitalizing upon the “demographic bonus”, as declining dependency ratios have been coupled with rising employment levels among the poorest households. There is still a shortfall in terms of increases in labour income and greater job opportunities for the poorest sectors of the population, however. One fact that the countries of the region should bear in mind is that the advantages afforded by this demographic bonus will ultimately be reversed and that, in order to continue making progress, public policies will have to be devised that will reconcile care work in the home with gainful employment, boost productivity in occupations performed by the poorest members of the population and, in the event that this does not occur, target social expenditure at the demands of the most vulnerable groups.

Poverty and residential segregation in urban areas

There are clear signs that changes in the labour and housing markets in Latin America are resulting in the increased geographic segregation of low-income (as well as middle- and upper-income) urban households. The possible negative implications of this growing degree of isolation—including the hardening of poverty and its inter-generational reproduction—are a cause of concern. At the same time, these patterns could pose a threat for social cohesion, inasmuch as residential segregation reduces and interferes with the

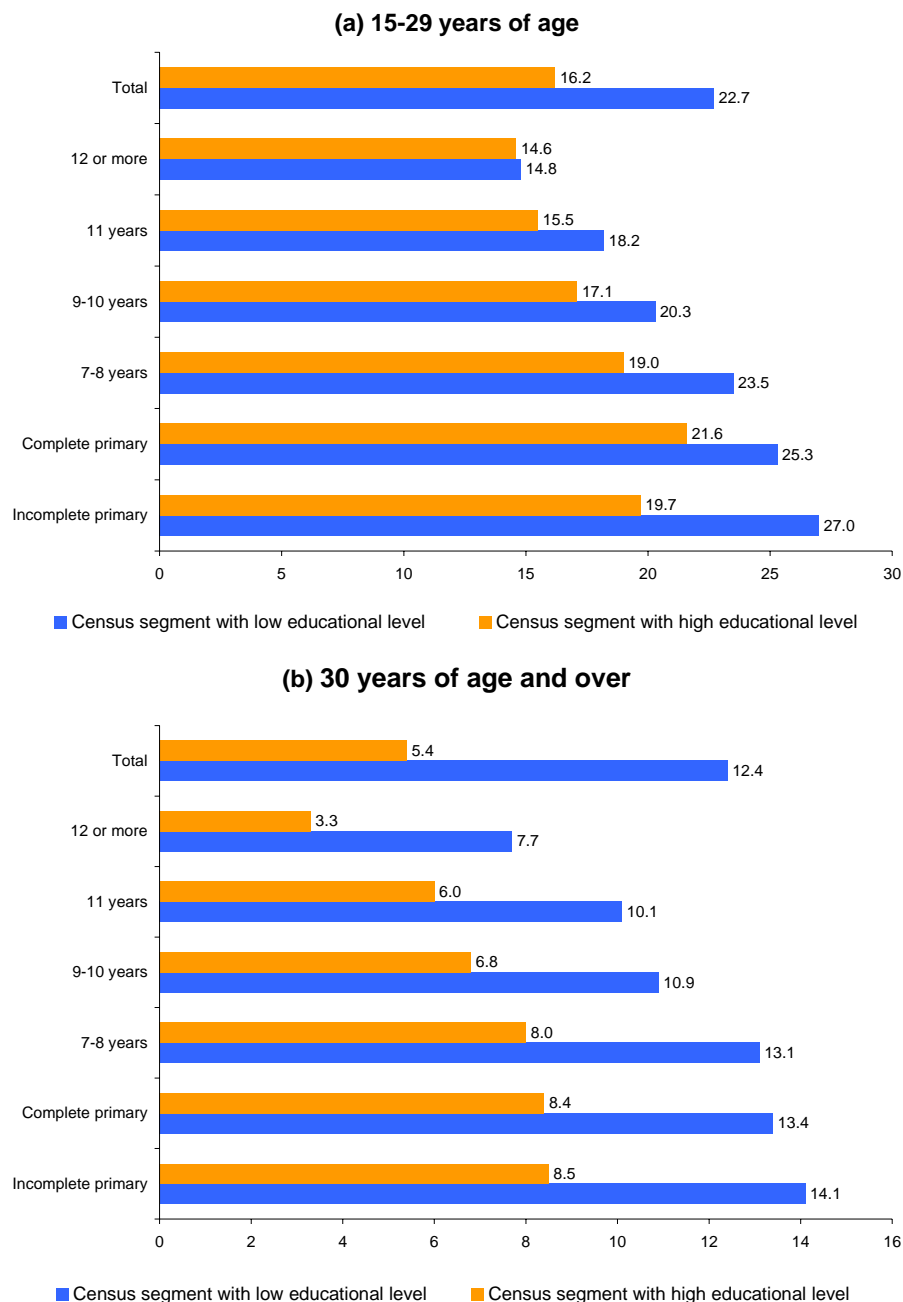
spheres of activity that provide opportunities for learning to live with others under circumstances of inequality and for building bridges between different social groups.

Given the constraints that exist in terms of methodological limitations and the availability of data, it would be premature to say that urban residential segregation is a causative factor in the perpetuation of poverty over time. There is, nonetheless, evidence of the existence of a relationship in Latin America between patterns of urban segregation involving the poorest sectors of the population and a number of behavioural outcomes in connection with participation in the labour market, educational attainment, reproductive decisions and adolescents' alienation from society's principal institutions.

Entry into the labour market and chances of finding work in the formal sector of the economy are associated with the social make-up of the neighbourhood of residence, above and beyond the individual's level of education. For example, unemployment rates are higher in census districts in Montevideo where educational levels are low than they are in districts with high educational levels, regardless of the years of schooling that people have completed (see figure 4). Analyses of own-account employment rates and the percentage of private-sector employees lacking health coverage or access to services provided by the Ministry of Public Health reveal similar situations. Factors that may account for these tendencies include the distance between residential areas and places of employment, the stigmatization of people residing in poor neighbourhoods, such people's limited access to information and contacts that would allow them to obtain jobs, and the socialization of children and adolescents living in such neighbourhoods in ways that inculcate anti-social modes of behaviour that reinforce their reluctance to utilize education and employment as ways of escaping poverty.

The type of neighbourhood may also influence the stock of human capital. The findings of a study undertaken in Mexico indicate that if the socioeconomic situation in a given neighbourhood deteriorates, the likelihood that students will drop out of school after the end of the first cycle of secondary education rises. Research in Buenos Aires, Santiago and Montevideo also reveals that children and adolescents residing in disadvantaged neighbourhoods score more poorly on achievement tests even when individual, household and school-related traits are controlled for. A study carried out in São Paulo indicates that the effects that neighbourhoods' social make-up can have on educational outcomes can be transmitted indirectly through those neighbourhoods' impact on teachers, since, under the system used to regulate the distribution of teachers in state and municipal schools, teachers who score the lowest in competitive application processes and those who are new entrants into the educational system are assigned to schools in outlying areas.

Figure 4
URUGUAY (MONTEVIDEO): OPEN UNEMPLOYMENT RATE, BY AVERAGE EDUCATIONAL LEVEL OF THE CORRESPONDING CENSUS DISTRICT, BY AGE AND YEARS OF SCHOOLING, 1996 a/
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Uruguay's 1996 population and housing census.

a/ In Uruguay, the primary education cycle covers a six-year period; secondary education is divided into two three-year cycles. Data for 1996 were used because the relevant tabulations for 2004 census data are not available.

Residential segregation in urban areas may also be associated with higher teenage pregnancy rates and higher levels of institutional alienation. For example, a study conducted in Montevideo found that young people residing in underprivileged neighbourhoods exhibit higher rates of non-participation in societal institutions (persons who neither attend an educational institution nor work) regardless of their parents' educational levels. Research findings on how the nature of urban neighbourhoods may influence teenage pregnancy rates in Rio de Janeiro, Santiago and Montevideo indicate that the social make-up of people's places of residence accounts for much of the differences observed in the prevalence of early motherhood.

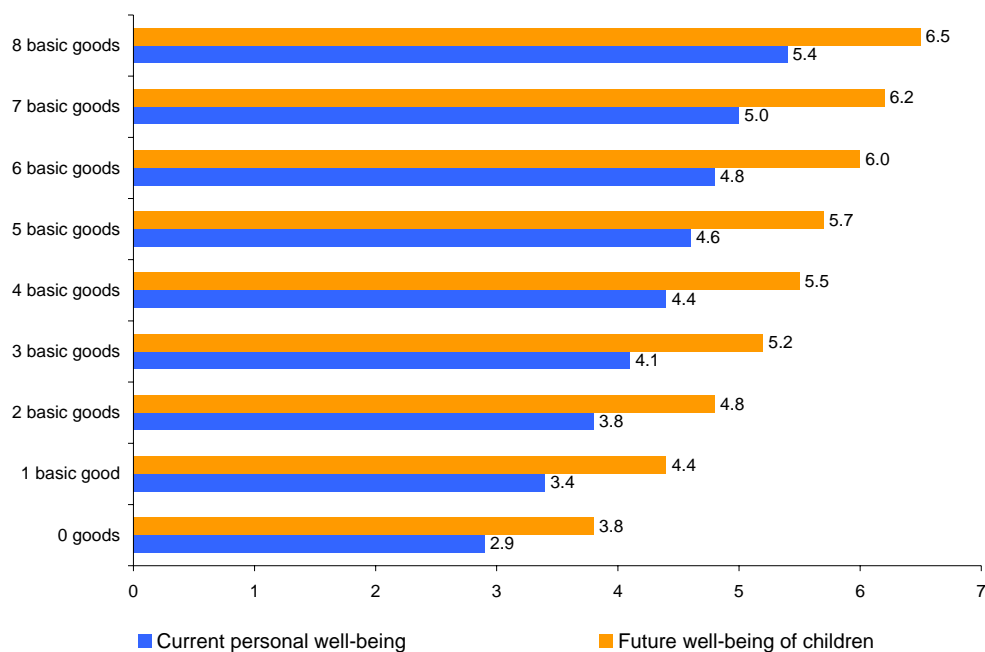
Aside from the methodological constraints that may be a factor in this regard, in an effort to shed light on the causal relationships between residential segregation and the reproduction of poverty, this section will present evidence that illustrates how the character of neighbourhoods does indeed have an impact. It also shows why it is so important for public policymakers to pay more attention to changes in urban residential segregation, have greater control over the determinants of these processes and undertake a thorough-going review of urban land management measures and social housing programmes. Changes in the location of social housing, transportation and rental subsidies, and the extension of credit to low-income families so that they can purchase dwellings in formally constituted areas of urban centres are some of the types of actions that can shorten commutes between places of residence and employment or that can help rectify their negative effects.

Poverty and social cohesion: psycho-social divides

An analysis of poverty and inequity should not be confined to their material components. An exploration of some of the psycho-social divides existing in 18 Latin American countries demonstrates how widely separated the various socioeconomic strata are in terms of their expectations of social mobility, confidence in State institutions, citizen participation and perceptions of being discriminated against. These divides are the subjective correlates of poverty and inequity. They hinder the inclusion of the poorest sectors, are a threat in terms of social cohesion and underline the need to implement multidimensional policies that will complement material transfers with initiatives designed to narrow the subjective distances separating different sectors from one another.

In terms of expectations of inter-generational mobility, people living in the more vulnerable households have lower expectations regarding their children's future well-being than members of households that are in a better economic position (see figure 5). Perceptions of the social structure also influence expectations of mobility. Regardless of the level of household well-being, people who believe that the social structure is open or egalitarian have greater expectations for their children than those who feel that it is closed or inegalitarian.

Figure 5
LATIN AMERICA (18 COUNTRIES): CURRENT PERSONAL WELL-BEING, FUTURE WELL-BEING OF CHILDREN AND AVAILABILITY OF BASIC GOODS AND SERVICES IN THE HOME, 2006 a/ b/
(Values expressed as averages on the basis of a self-evaluation scale of 1-10, where 1 = poorest persons and 10 = richest persons)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of the Latinobarómetro 2006 survey.

a/ Current personal well-being and expectations regarding the future well-being of the respondents' children are measured on the basis of a self-evaluation scale. Respondents were asked to rate their current personal well-being and the future level of well-being that they believe their children will have.

b/ The indicator of household ownership of durable goods and basic services includes the possession of: (1) refrigerator; (2) washing machine; (3) fixed-line telephone; (4) computer; (5) piped-in hot water; (6) automobile; (7) sewerage system and (8) cellular telephone.

Although the most vulnerable sectors have lower expectations in terms of inter-generational mobility, this does not mean that they think their children will be worse off than they are. In fact, of all the socioeconomic groups, the people who think that their children will see the greatest improvement relative to their current situation (i.e., the sector in which the biggest jump in expectations is found) are in the poorest sectors of the countries' capital cities, whereas the least difference is found in the most vulnerable sectors of the most sparsely populated areas. Policymakers in urban areas therefore face the greatest challenges, especially in connection with the creation of opportunities for employment, education and social inclusion.

Levels of confidence in State institutions are associated with households' economic well-being and per capita GDP, with higher levels being found among households in a more comfortable economic position and in the richer countries, and lower ones among households with lower levels of well-being and those located in poorer countries. These lower levels of

trust in State institutions are evident among members of more vulnerable households, people who reside in the most densely populated urban zones and people who say they have less trust in their neighbours, as well. A fairly similar situation exists in terms of political participation, with members of the most vulnerable households participating the least.

This suggests that a segment of the poorest sectors of the urban population is suffering from a syndrome of mistrust that takes the form of low expectations regarding public institutions, very limited civic participation and a tendency to take refuge in family-based relationships and to hold markedly individualistic values. This may not only jeopardize the extent of the poorest sectors' access to social forms of support (owing to the deterioration of relations within their home communities), but may also stop them from organizing and from bringing their needs and demands to the attention of public institutions.

In the 18 countries that were analysed, the percentage of people who feel they are discriminated against is greater among those living in households with insufficient incomes and lower among households that are better off. When the area of residence is factored into the analysis, the highest levels of perceived discrimination are found among the members of the most vulnerable households located in areas with populations of over 100,000. One possible explanation for this is that in the most heavily populated urban areas the exclusions arising out of ascriptive behaviours are more conspicuous due to their dissonance with widely held egalitarian and meritocratic values. It is also plausible that there is a greater chance of being discriminated against in urban areas because of the greater diversity of social identities and actors with whom people come into contact.

Some of the forms of discrimination most frequently reported by people in the more vulnerable sectors of the population are associated with the denial of opportunities to improve their living conditions and ascend the social ladder because they lack various types of "capital" (lack of education and contacts). Age, identification with given ethnic groups (skin colour, race), disabilities and gender represent 31% of the cases of discrimination. This indicates that members of the poorest groups may feel discriminated against because of their membership in different social categories. These latter factors would include the denial of opportunities for social integration based on the obsolescence and/or lack of certain capacities (elderly persons or persons with disabilities).

PUBLIC SOCIAL EXPENDITURE IN LATIN AMERICA

The level and structure of public social expenditure in Latin America continue to fall short of what is required to meet the social needs of the vulnerable population. Considerable advances in reducing indigence notwithstanding, these shortcomings are clearly a factor in the slow pace of progress in alleviating non-extreme poverty and in

reducing inequalities in the region. On the one hand, the level of such spending is insufficient, and these funds are administered under severe budgetary constraints. On the other, the structure of expenditure has to be constantly adapted to address emerging social needs before existing ones have been met.

Adapting the level and structure of public social expenditure to constantly changing risk profiles and social needs should figure as one of the core elements of a new social contract in which rights constitute the normative horizon for efforts to address existing inequalities and budgetary restrictions. As part of this effort, the allocation of public funds for social ends should be designed to increase the coverage and quality of benefits provided by social programmes through a combination of contributory and non-contributory financing, together with a significant solidarity component.

The following section will explore the main characteristics of the level and structure of public social expenditure in the region and how they have changed over the past 15 years. It will also look at which income groups have been the main recipients of that expenditure and the impact it has had in terms of increased levels of well-being. Finally, with a view to the design of a new social contract, countries will be grouped into various categories based on an indicator that measures the distance existing between social needs and emerging risks, on the one hand, and the State resources allocated to social policies, on the other.

Level and composition of public social expenditure

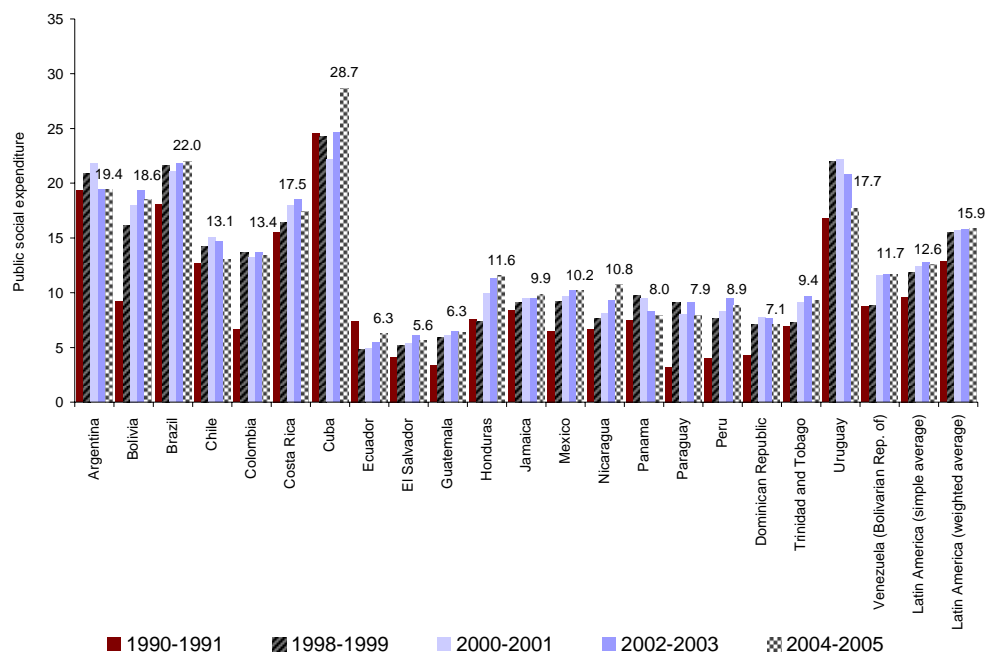
The level of public social expenditure rose by nearly 10% between 2002-2003 and 2004-2005 to US\$ 660 per capita (at 2000 prices). There are enormous differences across countries, however. Per capita expenditure is 15 times greater in the country that spends the most than in the country that spends the least. In all, 12 out of the 21 countries analysed spend less than US\$ 350 per capita per year, 6 spend between US\$ 550 and US\$ 870 per capita, and only two spend more than US\$ 1,000 per person per annum.

An examination of the figures points up five main characteristics:

- The trend towards allocating larger amounts of public resources for social policies has levelled off, but has not reversed itself. The upward trend seen up to 2000-2001 in the percentage of GDP that governments are using for social expenditure (or, in other words, the macroeconomic priority assigned to these items of expenditure, which is a measurement of the effort being made by a government to allocate resources for social policies) has been changing since 2002-2003 (see figure 6). Nevertheless, the simple fact that, at the regional level, the macroeconomic and fiscal priority assigned to public social expenditure has been maintained (albeit

with some exceptions) provides an assurance of continued financing, stability and greater institutional legitimacy for social policy.

Figure 6
LATIN AMERICA AND THE CARIBBEAN (21 COUNTRIES): PUBLIC SOCIAL EXPENDITURE AS A PERCENTAGE OF GDP, 1990-1991 TO 2004-2005

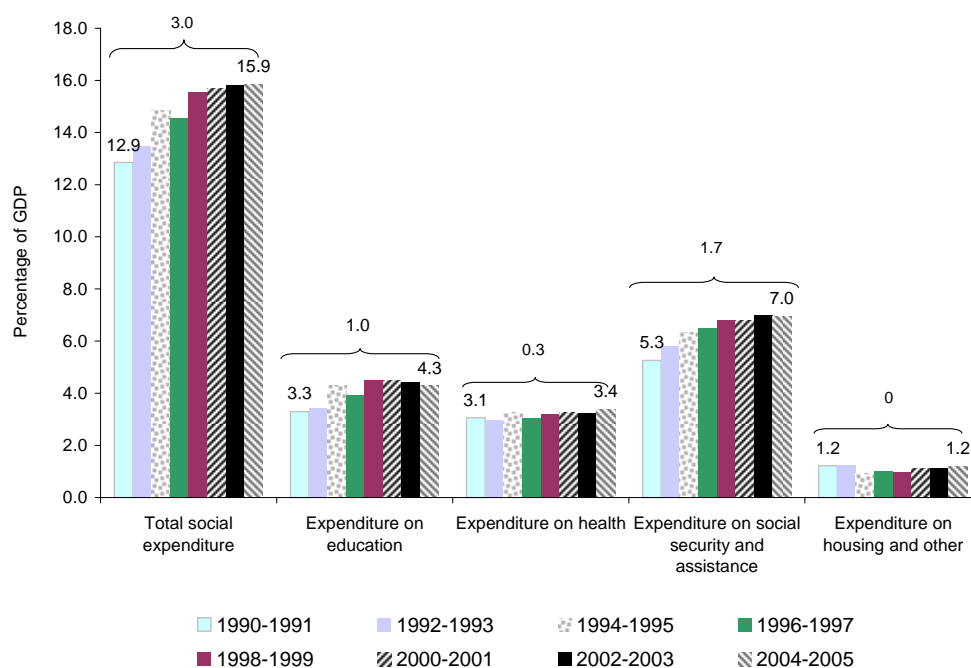


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information available in the Commission's social expenditure database.

- Public social expenditure remains subject to strong budgetary constraints and in many cases is associated with small tax burdens. As a result, the level of such expenditure is too low in a number of countries, particularly since there are signs that the international assistance and borrowings that used to provide countries with some sort of margin may cease to be available as financing options for countries that no longer receive official development assistance (ODA).
- In the past one and one-half decades, the less developed countries have made greater increases in their efforts to allocate resources for social policies. The effort made by countries in this connection declines as they become richer. The less developed countries that receive ODA have tended to increase their efforts in this area more than the relatively more developed ones have. Bolivia, Honduras and Nicaragua, which are high-priority ODA recipients, are cases in point.

- Social security and assistance⁹ continue to be the top priority, followed by education. At the regional level, over the long term (1990-1991 to 2004-2005) the increase in this spending effort is equivalent to three percentage points of GDP. Most of this increase has been channelled into social security and assistance, followed, in order of priority, by education and health (see figure 7). These allocation decisions presumably reflect a growing concern about poverty and about protection for older adults as the population ages.

Figure 7
LATIN AMERICA AND THE CARIBBEAN (21 COUNTRIES): PUBLIC SOCIAL EXPENDITURE AS A PERCENTAGE OF GDP, BY SECTOR, 1990-1991 TO 2004-2005 a/



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

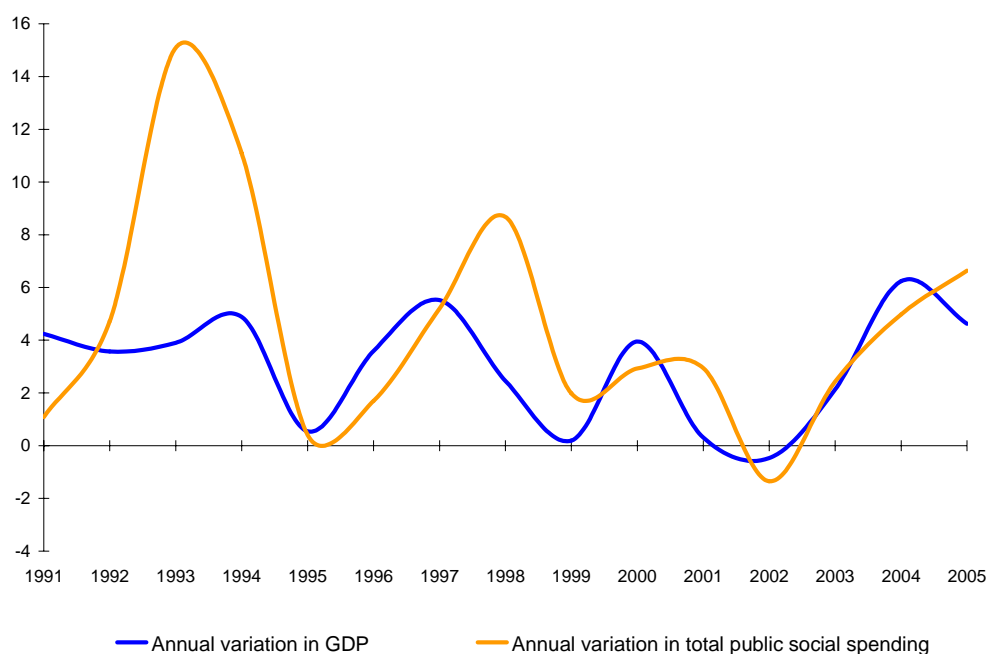
a/ Weighted average of the countries.

- The region has yet to implement countercyclical policies on public social expenditure. As a result of the budgetary constraints to which governments are subject, social expenditure remains highly procyclical, rising when GDP increases and falling when it shrinks. This pattern not only reflects an ill-advised macroeconomic policy, but also interferes with the implementation of a policy for offsetting social risks during economic slumps (see figure 8). This, in turn,

⁹ The diversity of functional classifications for public social expenditure in the region makes it difficult to separate the social security component from the social assistance component in order to make time series comparisons across countries.

weakens the public sector's ability to maintain a social protection system for the most vulnerable sectors of the population.

Figure 8
LATIN AMERICA AND THE CARIBBEAN (21 COUNTRIES): ANNUAL VARIATION IN TOTAL PUBLIC SOCIAL EXPENDITURE AND GDP a/
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information available in the Commission's social expenditure database and national accounts.

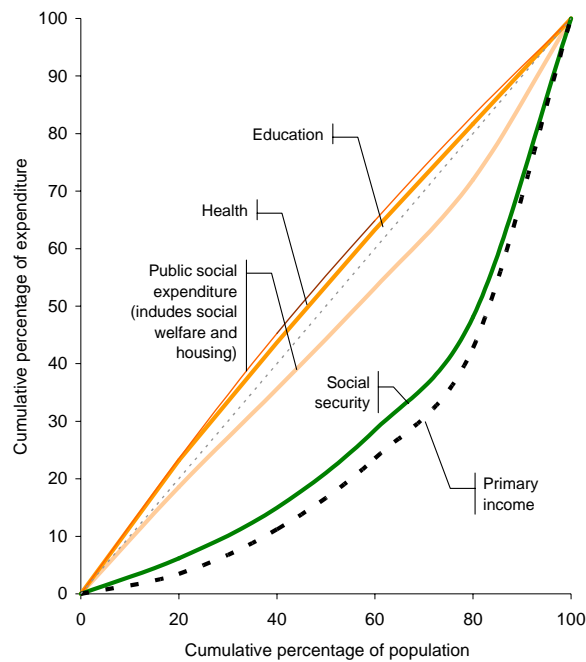
a/ Weighted average of the countries.

Orientation and redistributive impact of public social expenditure

In the presence of budgetary constraints, governments will try to channel more resources into social services for the lowest-income sectors. Because of budget commitments and the nature of access to public services, however, some components of public expenditure will not exhibit the expected degree of progressiveness, despite governments' best efforts and use of targeting instruments to this end.

The available data indicate that the absolute level of progressiveness in public social expenditure varies a great deal: such spending is progressive (i.e., a significant portion reaches lower-income strata) in only 3 of the 15 countries under consideration. Social expenditure is not more regressive than primary income distribution in any of the countries, however, which indicates that, to a greater or lesser extent, the execution of public social expenditure in the region does diminish inequality (see figure 9).

Figure 9
**LATIN AMERICA (18 COUNTRIES): DISTRIBUTION OF PUBLIC SOCIAL SPENDING BY PRIMARY
 INCOME QUINTILE, 1997-2004 a/**
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of national studies.

a/ Weighted average for the significance of each item of expenditure in the primary income of each country. The progressive items in absolute terms are on the diagonal, which is the line of equidistribution.

In recent decades, public social policy has —with some differences across countries— had to counteract the impact of State reforms that have gradually increased the level of private social-service financing and delivery and have tended to be of greater benefit to higher-income sectors.¹⁰ Social spending has become more progressive as the coverage of public services has expanded (particularly in the cases of education and health) to include more economically depressed or isolated geographic (e.g., rural) areas, which tends to benefit lower-income strata proportionately more.¹¹

¹⁰ Sectors with greater payment capacity or the ability to exert political pressure due, in part, to their concentrate in large metropolitan areas.

¹¹ This gives medium- and low-income sectors gradual access to education and health care and, at the same time, as part of explicit efforts to combat poverty, caters to population sectors that have traditionally suffered from exclusion.

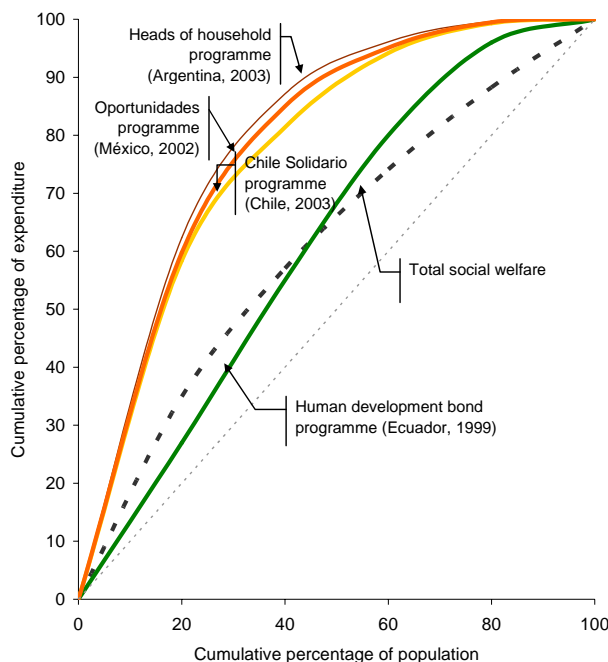
The general information available on the orientation of social spending reveals the following four characteristics:

- A degree of progressiveness is linked to increases in the coverage of spending on education. The increase that has occurred over time in the coverage of the various levels of public education (preschool, primary, secondary and tertiary) has made it possible to gradually incorporate lower-income sectors of the population into the education system. As a result, today, spending on primary education is highly progressive, unlike the case in the other cycles of the education system. Since progress through these cycles is linked to students' socioeconomic status, public funding for higher education tends to favour the most affluent sectors. In fact, in all countries, public financing for tertiary education is highly regressive.
- The composition and location of benefits determine what impact they will have in terms of the equity of health expenditures. The redistributive effect of such expenditure has increased, and it has become more progressive than spending on education due to the scale of expenditures on preventive health care, first aid and outpatient services in the poorest sectors of the population relative to spending on hospital services (which, depending on the country in question, may be either slightly progressive or actually regressive). The main reason for this is the high investment costs involved in expanding hospital coverage, since this means that such services are frequently confined to the most densely populated areas and those who can afford to make co-payments.
- Because of the essentially contributory nature of social security, expenditure in this category is regressive. Social security systems are generally designed in such a way that access to benefits is determined by people's contributory capacity and, hence, by their position in the labour market. This is why social security expenditure is so highly regressive, since it favours people with formal-sector jobs that give them a greater contributory capacity. Efforts to increase coverage have tended to retain or expand the contributory funding mechanisms that were designed decades ago, which in some cases include subsidies or solidarity components.
- Social assistance is becoming a pro-poor form of social expenditure. The purpose of social assistance is to counterbalance disequilibria in access to productive resources and the labour market as well as to other social benefits. In the case of this type of expenditure, targeting gives expression to a principle of social policy by permitting priority to be placed on minimum levels of benefits for the poorest sectors.

Social assistance should be countercyclical so that, at times of economic crisis, these benefits can be expanded in order to curb or mitigate the deterioration in the well-being of those sectors that are most vulnerable to changes in the business cycle. The wide range of programmes that provide such assistance focus on the sectors subject to the highest degrees of social exclusion. Generally speaking, spending on social assistance in the region is quite progressive: on average, 55% of social assistance expenditure is received by the poorest 40% of the population, and 60% of that reaches the poorest quintile.

Anti-poverty programmes, particularly those that use conditional transfer mechanisms, are among the most progressive categories of social expenditure (see figure 10). The information gathered for this study does indicate, however, that even with these programmes there is some “leakage” into higher-income sectors. This points to the existence of certain problems in the area of targeting.

Figure 10
LATIN AMERICA (11 COUNTRIES): DISTRIBUTION OF PUBLIC SPENDING ON SOCIAL WELFARE PROGRAMMES BY PRIMARY INCOME QUINTILE, 1997-2004 ^{a/}
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of national studies.

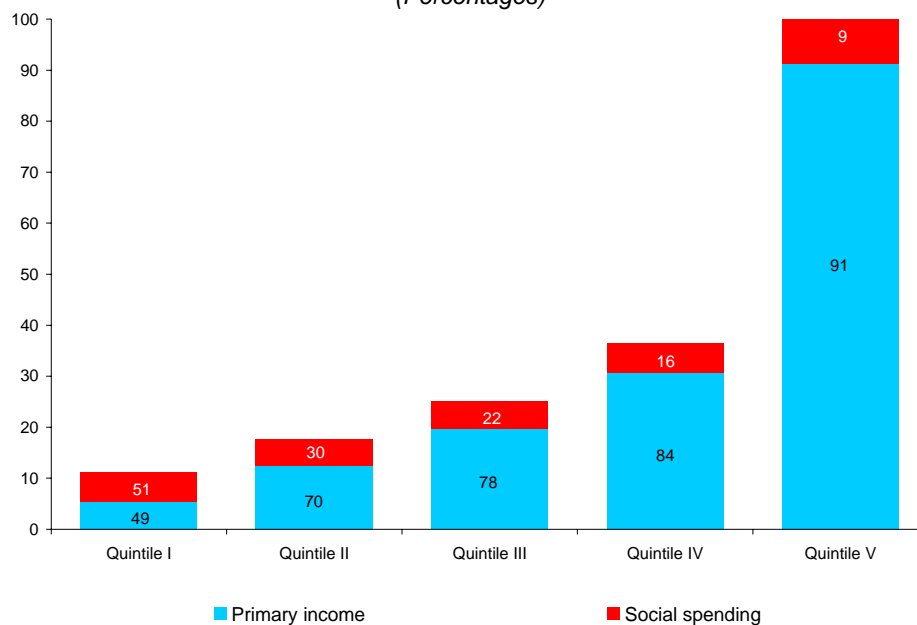
^{a/} Weighted average for the significance of each item of expenditure in the primary income of each country.

Redistributive impact of public social spending¹²

One way of assessing the management of public policy and social programmes is to measure their effect on the distribution of primary income. This involves quantifying goods and services transferred to the population and assessing their monetary value. The way in which social programmes help to increase disposable household income and make short-term changes in the household's primary income distribution can thus be evaluated.

Public social spending does not have a significant redistributive effect in the sense of substantially reducing income concentration. This is mainly because such spending only represents 19.4 % of primary household income. Another reason is that this resource is not allocated solely for the purposes of improving equity. Social spending provides a dramatic boost to the well-being of the poorest in society: on average it doubles the disposable income of the poorest quintile, while also having significant effects on other strata. For the wealthiest quintile, social spending increases their income by 9 % (see figure 11).

Figure 11
LATIN AMERICA (18 COUNTRIES): a/ REDISTRIBUTIVE IMPACT OF PUBLIC SOCIAL SPENDING ON INCOME, BY PRIMARY INCOME QUINTILES, 1997-2004
(Percentages)

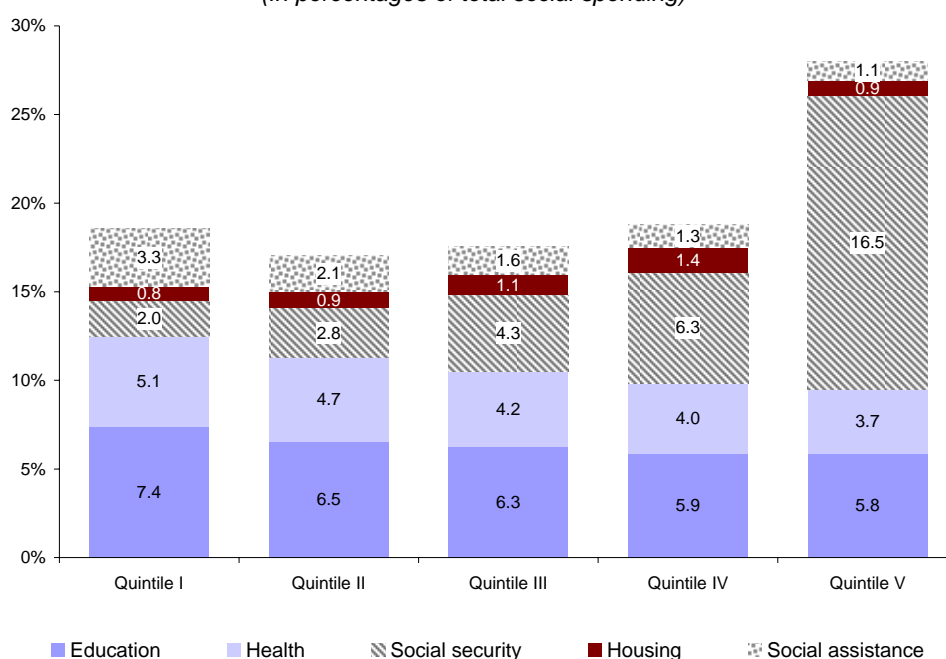


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of national studies.
 a/ Average weighted by the significance of spending for primary income in each country.

¹² Although it is important to improve means of targeting to focus resources on those who most need them, it is also vital to increase the cost effectiveness of the many social programmes. Low-cost measures (such as distributing food rations to tackle or prevent child undernutrition) often have a significant social impact in terms of improving a situation or reducing the risks for households or the State.

Of all the forms of social spending, that which has the greatest impact on the primary income of the poorest groups is education, as it accounts for 40% of the transfers received by the lowest quintile (7.4% of total social spending, see figure 12). The next most important heading is health, followed by social assistance. The order is the same for the second quintile, with social security becoming more important for the third quintile, while representing the most significant transfer for the fourth and fifth quintiles (social security represents 59% of the public resources received by the higher income quintile).

Figure 12
LATIN AMERICA (18 COUNTRIES): a/ BREAKDOWN OF SPENDING BY PRIMARY INCOME DISTRIBUTION QUINTILES, 1997-2004
(In percentages of total social spending)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of national studies.

a/ Average weighted by the significance of spending for primary income in each country.

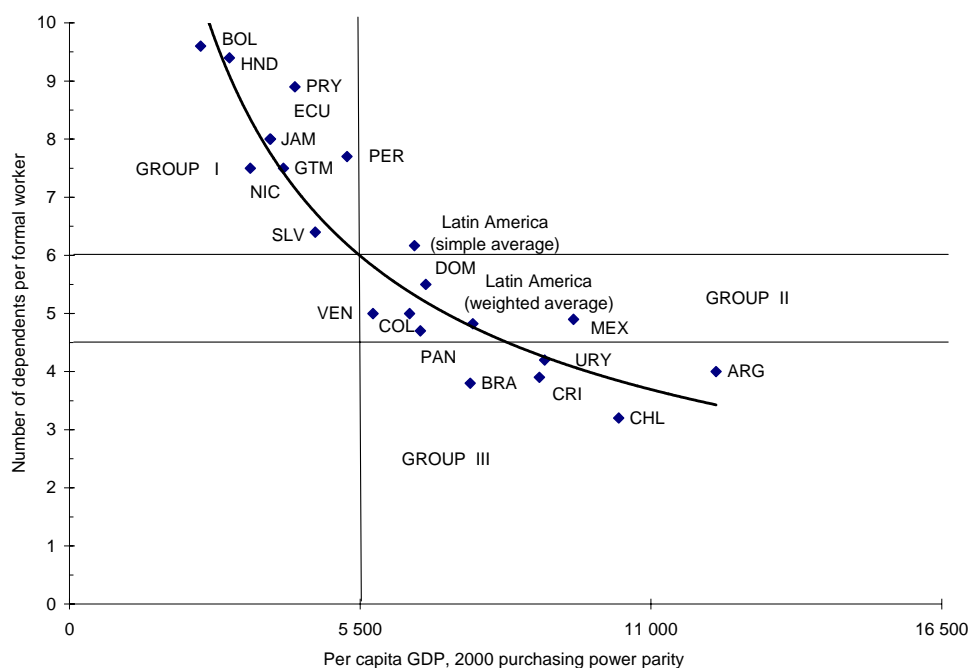
The room for manoeuvre that public policy has for increasing the progressivity of social spending is understandably limited, as the distribution of certain headings that make up a large proportion of resources (such as social security) are the result of long-standing contractual commitments. In addition, the targeting of expenditure in areas like education and health depends on the level of coverage and widespread access to public services. It also depends on the development of public-private partnerships to guarantee both access for the poorest, as well as high-quality yet affordable private options for those with less resources. This will reopen the debates on which components should be guided by the principle of universality and which expenditure should be targeted; and also, in the light of the principle

of efficient allocation of resources, debates on how to set up solidarity-based and non-contributive mechanisms for benefits that should be universal in a social protection system.

Public social spending by groups of countries: towards a composite typology

One aid to understanding the challenges of social policy funding is a new indicator of dependency between citizens working in the formal sector and the rest of the population.¹³ The purpose of this indicator is to assess the potential capacity of social protection systems (financed through contributive mechanisms used by formal workers) to meet the needs of those people who do not directly access social services in the context of such a system of financing. The indicator makes it possible to define countries according to their level of development and the stages they have reached in terms of demographic transition and maturity of the labour market (see figure 13).

Figure 13
NUMBER OF DEPENDENTS FOR EVERY FORMAL WORKER, ACCORDING TO PER CAPITA GDP



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of national accounts and household surveys of the countries concerned.

¹³ Ratio of children under 15 years of age, older adults, non-workers, the unemployed and informal workers to every worker employed by the formal sector. See Economic Commission for Latin America and the Caribbean (ECLAC)/Ibero-American Secretariat (SEGIB), *Espacios iberoamericanos* (LC/G.2328), Santiago, Chile, October 2006.

There emerges a first group of countries with per capita GDP of under US\$ 5,500 (purchasing power parity (PPP) of 2000), that are at an early stage in terms of demographic transition and mature labour markets. Such countries therefore have high levels of dependency for each formal worker, with needs mainly concentrated among young people and the underemployed. The second group of countries has surpassed the development threshold of a per capita GDP equivalent to US\$ 5,500, but is still trailing in the demographic transition and maturing of its labour markets, with between 4.5 and 6 dependents per formal worker. In these countries, the needs of young people remain paramount, although to a lesser degree, while non-workers and the underemployed make up a larger proportion. Like the second group, the third group of countries has exceeded the US\$ 5,500 threshold for per capita GDP and has between 3 and 4.5 dependents for every formal worker. The burden of young people's needs remains high, and other groups to emerge include the underemployed, non-workers and older adults (see table 3)

This typology shows six characteristics of the implicit social contracts that govern the allocation of expenditure. First, transition societies in group II have needs that are increasingly similar to those of group III, but with a spending structure that remains more like group I (i.e. a marked lack of spending on social security and assistance).

Second, irrespective of their level of development, all countries allocate a relatively similar percentage of public social spending to health spending. Spending on housing, however, falls in proportion with the rise in a country's level of development. Health spending represents around 20% of public social expenditure. Social spending on housing, on the other hand, differs according to a country's level of development and dependency ratio.

Third, the biggest contrast in the groups of countries is between the allocation of resources for education and those for social assistance and security. The countries of groups I and II allocate the largest percentage of their spending (between 30% and 40%) to education, and the remainder to a combination of social assistance and security and housing (especially the former). In countries of group III, spending on housing represents a mere 5% of the total, whereas they allocate over 50% to social assistance and security.

Fourth, the less developed countries made more effort to increase public funding channelled into social policy between 1990-1991 and 2004-2005 (see figure 8). In all countries, the main priorities are social assistance and security, followed by education. This represents growing concern over the financing of retirement and pension systems, and the priority governments attach to improving the coverage and quality of education. Despite this progress, groups I and II still lag behind in spending on social assistance and security and health in relation to the levels of expenditure of group III and their ageing societies.

Table 3
TYOLOGY OF COUNTRIES, BY CHALLENGES TO SOCIAL CONTRACT

	GDP per capita, PPP in 2000 dollars	GDP per capita, in 2000 dollars	Dependents per formal worker	Social spending per capita, PPP in 2000 dollars	Social spending per capita, in 2000 dollars	Breakdown of dependents per formal worker (percentage)	Breakdown of public social spending (percentages)	Concentration index	
Group I	2 000 - 5 500	800 - 2 800	6 to 10	230 - 480	90 - 290	Young people	42.4 Education	41.5 Education	-0.087
						Older adults	8.3 Health	19.5 Health	0.074
						Non-workers	18.7 Social security and social welfare	30.7 Social security	0.504
						Unemployed or informal workers	30.6 Housing and others	8.3 Social welfare	-0.089
						Total dependents	100	Housing and others	0.206
								Total public spending	0.143
						Percentage of formal workers a/	31.7		
Group II	more than US\$ 5 500	more than US\$ 2 800	4.5 to 6	500 - 1 210	200 - 845	Young people	38.7 Education	36.8 Education	0.116
						Older adults	10.0 Health	21.9 Health	-0.073
						Non-workers	24.4 Social security and social welfare	27.1 Social security	0.568
						Unemployed or informal workers	26.9 Housing and others	14.2 Social welfare	-0.154
						Total dependents	100	Housing and others	0.067
								Total public spending	0.042
						Percentage of formal workers a/	45.9		
Group III	more than US\$ 5 500	more than US\$ 2 800	3 to 4.5	1 400 - 2 400	700 - 1 550	Young people	35.4 Education	21.6 Education	-0.138
						Older adults	12.0 Health	21.3 Health	-0.192
						Non-workers	23.5 Social security and social welfare	52.2 Social security	0.349
						Unemployed or informal workers	29.1 Housing and others	4.9 Social welfare	-0.484
						Total dependents	100	Housing and others	-0.026
								Total public spending	0.044
						Percentage of formal workers a/	54.2		

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information from the relevant countries, national reports, household surveys, population estimates from the Latin American and Caribbean Demographic Centre (CELADE) - Population Division of ECLAC and World Bank, World Development Indicators [online database] www.worldbank.org/data/onlinedatabases/onlinedatabases.html.

a/ Refers to people aged 15 to 59 employed in the formal sector in relation to total employed for that age group.

Fifth, all three groups of countries tend to manage public social spending on a completely procyclical basis (see figure 14). This is partly to do with the significance of wage expenditure in all countries, and partly to do with the need to manage country risk. Only group I countries display a counter-cyclical trend due to the nature of the official aid they receive for development and natural disasters.

Sixth, the greater levels of social security coverage in countries with higher levels of development and population ageing involves allocating more resources to programmes that do not have a major impact in terms of reducing inequity. However, the regressiveness of such spending falls as countries increase social security coverage.

Figure 14
TRENDS IN PUBLIC SOCIAL SPENDING, BY GROUPS OF COUNTRIES

(a) Group I: Bolivia, Honduras, Jamaica, Ecuador, Guatemala, Paraguay, El Salvador, Peru

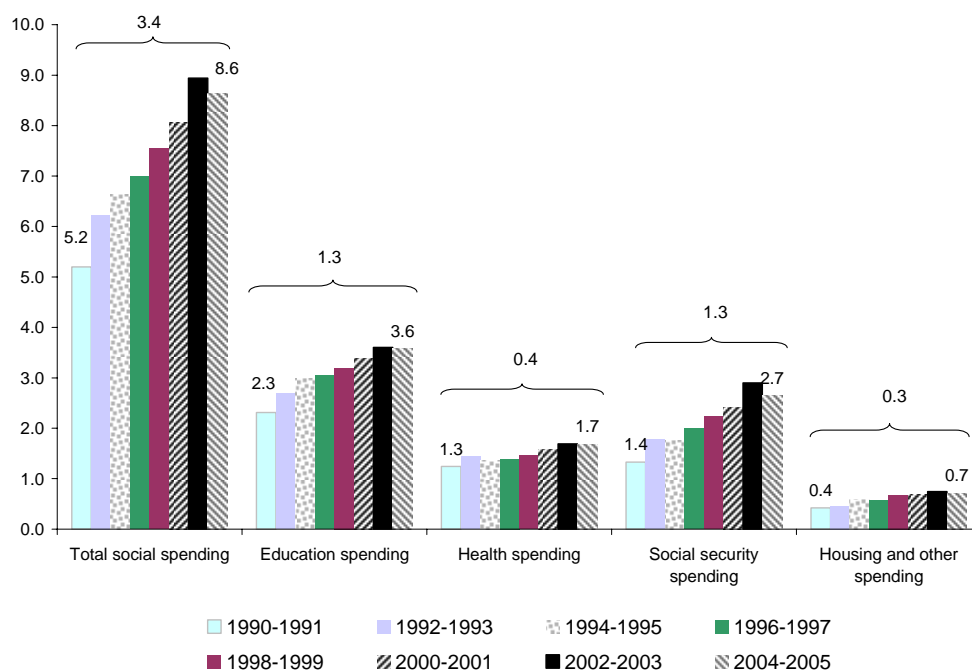
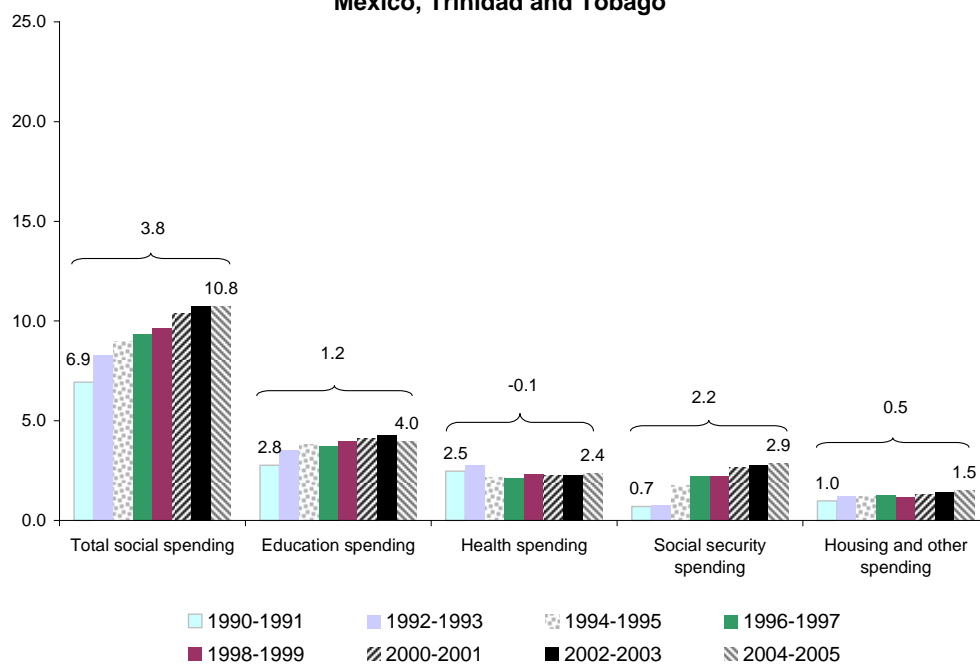
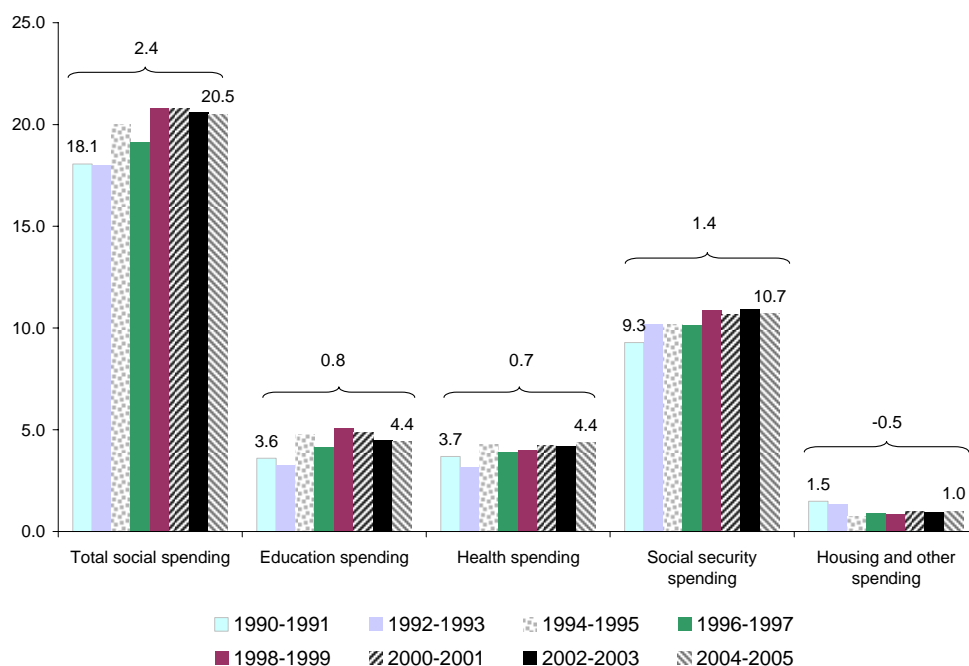


Figure 14 (concluded)

(b) Group II: Venezuela (Bolivarian Rep. of), Panama, Dominican Republic, Mexico, Trinidad and Tobago



(c) Group III: Brazil, Costa Rica, Uruguay, Chile, Argentina



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

Public spending and social contract

Efforts to increase public social spending seek to bridge the gap between needs and emerging risks, on the one hand, and the scarce resources available in social protection systems, on the other.

The creation of mortgage management sectors has resulted in a gradual handover of housing provision from the public to the private sector, with financing now in the hands of families supported by State subsidies. The same has happened with education in the most developed countries, where private supply has grown to meet the demands of high-income groups. Many countries have changed the ways in which social security and health benefits are funded and provided, basing the system on workers' contributions to social security systems.

The rising presence of the region in global markets has also required spending policy to be linked to the business cycle to avoid harming countries' access to credit markets, except when fiscal surplus policies have been established in periods of robust growth (as in Chile) to give stability to social investment when the economy stalls. Market-oriented reforms and the practice consisting in making social benefits subject to individual insurance contracts highlight the need for greater regulation and availability of non-contributive financing in order to reconcile efficiency and solidarity. This should form the basis for the debate on a new social contract for social cohesion, as the current system leaves many risks uncovered and requires correction to redistribute resources to the most vulnerable groups and apply the countercyclical rule to social spending.¹⁴

Latin American societies cannot escape the challenges inherent in the nature of social spending. Sooner or later they will have to discuss specific arrangements and guidelines. Social change is forcing the authorities to devise a feasible strategy for meeting new needs without having satisfied existing ones. Given current low levels of expenditure, resources should be allocated with increasing transparency on the basis of redefined priorities.¹⁵ The right combination of efforts by families and the State should be at the heart of a social

¹⁴ See Economic Commission for Latin America and the Caribbean (ECLAC) and the Ibero-American Secretariat (SEGIB), *Social cohesion. Inclusion and a sense of belonging in Latin America and the Caribbean* (LC/G.2335), Santiago, Chile, January 2007.

¹⁵ With universal coverage at certain levels of education to invest in children and young people in group I countries, then support to families to help reconcile work and caregiving in group II countries, and on to basic pension and health guarantees for the countries of group III.

contract.¹⁶ Such a contract should study the correct dimension of public funding and identify priorities for the main social investments.¹⁷

THE QUALITY OF EDUCATION: INEQUALITIES THAT GO BEYOND ACCESS AND EDUCATIONAL PROGRESSION

The considerable expansion of education coverage, which in some countries applies to the entire school-age population, is one of the sector's most striking advances in recent decades. These advances have been the result of pro-active social and educational policies, often involving transformations of management methods in education systems, sustained budgetary increases, diversification of funding systems and participation of economic agents and social stakeholders.

Nevertheless, the achievements have not been evenly spread throughout all spheres of education, and have served to highlight shortcomings in terms of the quality of education. To a large extent, the various problems relating to quality and other difficulties of the education system (school completion, repetition and drop-outs) are manifestations of a much deeper and entrenched phenomenon: social inequality.

This document examines different educational advances in the region, the various manifestations of inequality throughout the education cycle, and the way in which some of these are part of the problem of education quality.

Advances in the right to education: access, progression and completion

Access to education. One of the main achievements has been the increased access of children and young people to the formal education system. This is partly the result of significant investment that countries have made in infrastructure, which has made it possible to extend the coverage of educational services. However, this has not always gone hand in hand with the necessary expansion in the number of teachers and the provision of the materials needed to support the learning process.

¹⁶ In the absence of a social contract, the region has put into practice different proposals aimed at strengthening the market and reducing the role of the State. These have proved costly and resulted in exclusion. To counter this, ECLAC and the Ibero-American Secretariat (SEGIB) suggest the need for an agreement to rebuild public social policy and improve well-being.

¹⁷ See Economic Commission for Latin America and the Caribbean (ECLAC), *Shaping the Future of Social Protection: Access, Financing and Solidarity* (LC/G.2294(SES.31/3)/E), Santiago, Chile, March, 2006.

Since the beginning of the 1990s, access by the school-age population has increased throughout education, especially at the higher levels. This is mainly a reflection of rising standards of attainment in primary education, which are needed for pupils to go on to the next level. However, progress in access to pre-school education has been more moderate, despite the acknowledged importance of early education in stimulating the learning process for the rest of children's lives. In around 2005, just over 84% of children were attending the final year of pre-primary education.

School attendance among children of primary-school age is practically universal (97%), although access was already widespread (91%) at the beginning of the previous decade. There have been significant rises in net access (pupils attending school at the level that corresponds to their age) of children in the lower and upper cycles of secondary education and at the post-secondary level: net attendance rate in the lower cycle has gone from 45% to 69%; has almost doubled in the upper cycle from 27% to 47%; and in the post-secondary level went up from 11% to 19%.

General advances in terms of coverage and access have been of greater benefit to low-income strata, although these are also more affected by the progressive reduction in access over all levels of education.

Educational progression. Under-attainment and grade repetition act as a disincentive for retaining low-income students, as the opportunity cost of finishing education cycles rises. High costs are also involved for education systems. According to estimates by the United Nations Educational, Scientific and Cultural Organization (UNESCO), the region spends some US\$ 12 billion per year as a result of grade repetition.

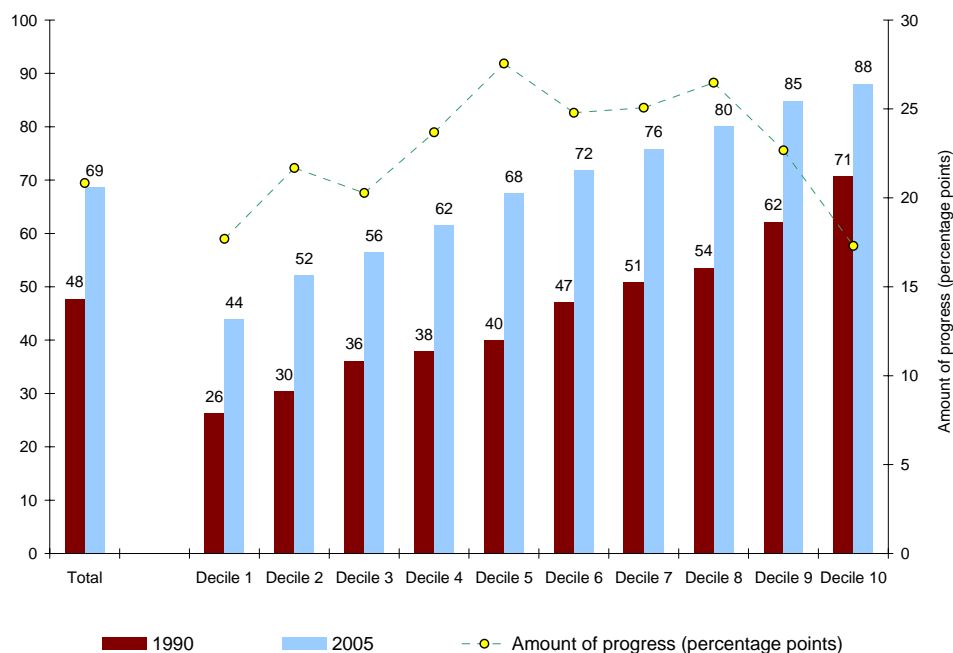
According to information from household surveys, between 1990 and 2005 there was a considerable increase in the timely progression of children aged 10 to 14 throughout primary education¹⁸ and in some levels of secondary education (from 55% to 78%). The percentage of timely promotions among students aged 15 to 19 also rose significantly (from 43% to 66%).

In the youngest cohort, the advances have been proportionally more beneficial to low-income pupils, except those from the first income quintile. In the cohort aged 15 to 19, the advances have been more unequal: favouring mainly students from middle-income strata (see figure 15). Despite considerable increases in access for the most disadvantaged strata, students from such groups nonetheless find it more difficult to progress, particularly when

¹⁸ Most countries have automatic promotion processes in the first two years of primary school, and sometimes up to the fourth grade of primary. This therefore significantly brings down the level of underachievement for those particular cohorts.

they reach early and late secondary cycles. As a result, disparities in educational underachievement have widened.

Figure 15
LATIN AMERICA (17 COUNTRIES): YOUNG PEOPLE, AGED 15 TO 19, WHO HAVE MOVED UP STEADILY THROUGH THE SECONDARY SCHOOL SYSTEM BY PER CAPITA INCOME DECILE OF THEIR HOUSEHOLDS, AROUND 1990 AND 2005 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/ Allowance is made for one year's lag in cases of late entry into the school system.

Completing levels of education. Advances in this area have been even more impressive than progress in terms of access, mainly because levels of achievement recorded in the late 1980s and early 1990s were considerably lower.

In around 2005, approximately 92% of young people aged 15 to 19 had completed primary education. Completion of the early-secondary cycle rose from 53% to 71%, partly thanks to the efforts of many of the region's countries to make this cycle compulsory. The most significant progress was made in the completion of the second cycle of secondary education. Over the course of about 15 years, the percentage of young people aged 20 to 24 to have completed that cycle almost doubled from 27% to 50%. There were also improvements in the completion of higher education, although on a smaller scale: the percentage of young people aged 25 to 29 to have completed at least five years of higher education increased from 4.8% to 7.4%.

Although the various advances have reduced inequality in educational achievement, the effect has been much less significant at higher levels of education, to the extent that completion progress in higher education has involved a low proportion of low-income students and has almost exclusively benefited young people from middle- and high-income strata.

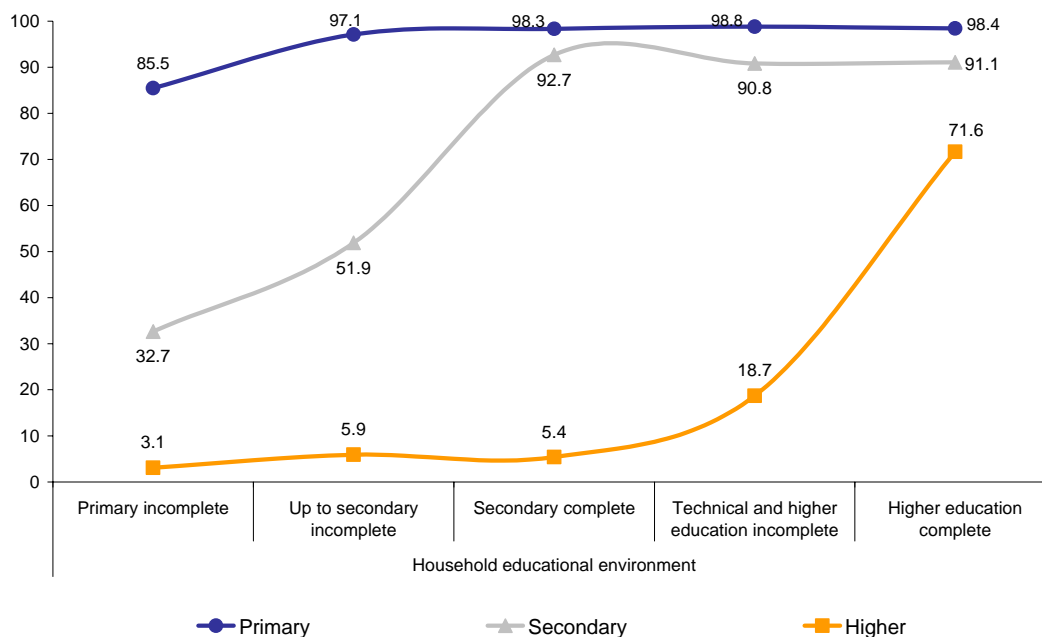
Transmission of educational opportunities

The principle of universalizing access to education aims to provide people with the necessary opportunities for accessing, progressing through and completing a learning process, plus the certification thereof. Although equal opportunities in education do not guarantee individual and family well-being, unequal opportunities certainly perpetuate poverty. Inequality of opportunities is a factor of reproduction, in that it can either facilitate or hamper the main mechanism for accessing long-term well-being. This has led to claims that educational capital is, to a certain extent, inherited.

The differences in access to education between those from households with low educational capital and those whose parents completed higher education tends to increase in proportion with the age of the children concerned. This difference in educational opportunities is not too great up to the age of 14 or 15 but increases from then onwards, such that only 26% of young people aged 18-19 whose parents have low levels of education continue their studies. There are also major differences in terms of progression through school.

The across-the-board increase in attainment at the primary level has benefited the children of parents with a lower level of education in particular. Although there has also been significant progress in completion rates at the secondary level, the differences remain as entrenched and affect students in the two lowest strata whose parents have a lower level of education. No improvement has been observed in higher education. Although completion rates have risen in higher education, the pattern of attainment remains dependent on the educational environment of the household (see figure 16). All of the above serves to maintain the highly rigid social structure in Latin America, and continues to hinder social mobility. This is because, as the completion of primary and secondary education becomes more commonplace, so such achievements lose some of their value.

Figure 16
LATIN AMERICA (18 COUNTRIES): COMPLETION OF PRIMARY EDUCATION (YOUNG PEOPLE AGED 15 TO 19), SECONDARY EDUCATION (AGES 20 TO 24) AND HIGHER EDUCATION (AGES 25 TO 29), BY HOUSEHOLD EDUCATIONAL ENVIRONMENT, a/ AROUND 2005
(Percentages)



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

a/ Average number of years of schooling of the head of household and spouse, as a way of estimating parents' education. Among those aged 25 to 29, the indicator is more biased as a relatively significant proportion has set up their own households. However, using young people of that age who describe themselves as children of the head of household considerably reduces sample sizes.

Quality of education: another manifestation of inequality

Children enter a system that offers very different services and from the outset are affected by structural inequalities. Initial inequalities are maintained or deepened within the education system, and it can no longer be assumed that children inevitably learn once in school. In this context, equity cannot be conceived as an educational equality whereby all children are treated in the same way, but rather a process of differentiation must be undertaken so that discrepancies can be compensated for in a way that will lead to equal opportunities.

In this sense, ensuring quality education for all would constitute a lifelong process of inclusion (ensuring respect for the right to education, equal opportunities and participation), which would provide the tools needed to face the various obstacles that exclude or discriminate against students and limit their learning or full development as people. Quality

education for all, in addition to being the response to a demand for equity, must be significant and relevant.

According to the results of the reading comprehension test organized in 43 countries by the Organisation for Economic Co-operation and Development (OECD) as part of the Programme for International Student Assessment (PISA),¹⁹ the Latin American nations that took part (Argentina, Brazil, Chile, Mexico and Peru) generally obtained the worst distributions of results: in the 27 OECD countries about 15% of students were below level 1 (out of 5), compared with 45% in 11 countries from other regions (mainly Asia), and over 54% in Latin America.

Given that the heterogeneity of results within in each country is partly due to the variety of grades or levels among pupils of the same age, students from one grade only were selected: 10th grade, which is usually the final cycle of early secondary school.

Factors associated with differences in educational results

General evidence suggests a strong link between levels of per capita GDP and educational performance. However, the performance of the region's students is lower than expected given the countries' level of wealth, which points to the existence of other factors that have a more direct impact on performance.

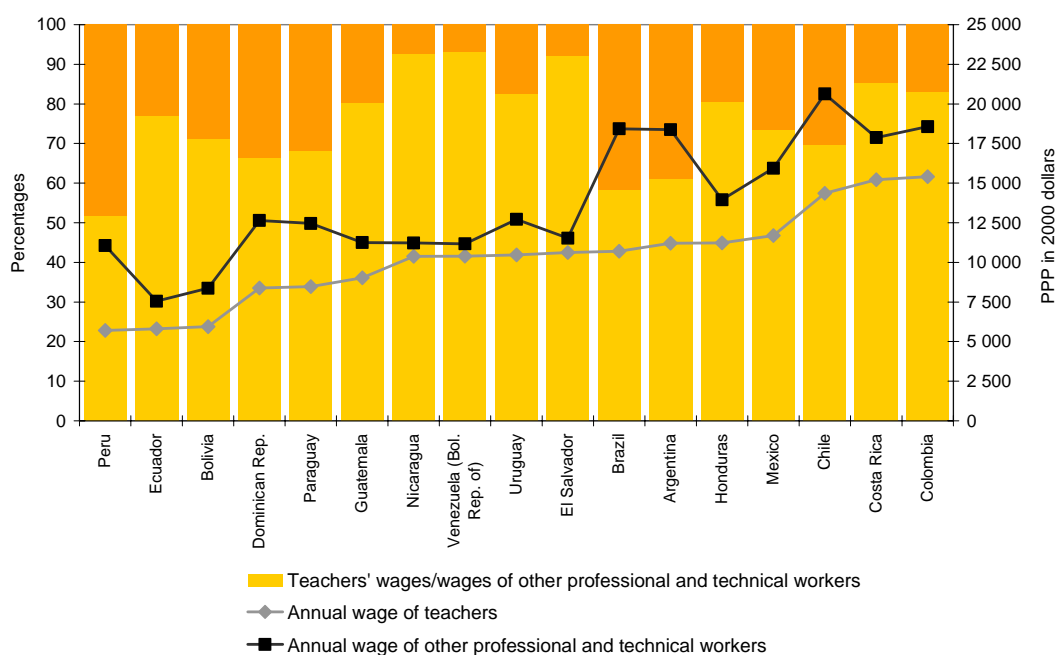
- Teachers and school environment. According to evidence from the PISA test, the level of teacher training and support in the region is less associated with heterogeneous performance than in OECD countries. This suggests that, in Latin America, extra-scholastic factors have more effect on differences in performance. There is also a lack of significant difference in the characteristics of teachers (number of teachers, level of training, experience, and so on) in various forms of educational institutions (public as opposed to private, with good or poor infrastructure, or with poor rather than wealthy pupils). The most significant aspect was the level of teacher commitment to activities and to the students,²⁰ and is associated with the aforementioned characteristics of specific schools. One of the issues that kept cropping up in the analysis of the education sector's problems was that of performance incentives for teachers, particularly in the

¹⁹ The 2000 round of the Programme for International Student Assessment (PISA), which involved the largest number of Latin American countries to date, was based on the language test administered to the entire sample. The mathematics and science tests were only given to partial samples. It was therefore decided to analyse the language test, as this had the most robust statistical results.

²⁰ Measured using an index of headteachers' evaluations of teacher morale, commitment to their work, pride and identification with the school and valuing of the academic achievement of pupils.

form of wages. Although wages are not necessarily a source of motivation, they can become a cause of dissatisfaction. Despite the fact that teachers' wages enable most families to live free of poverty, they often do not provide a standard of living that lends itself to professional development (see figure 17). This has a negative effect on continuing professional development and discourages young people in higher education from becoming teachers.

Figure 17
LATIN AMERICA (17 COUNTRIES): AVERAGE ANNUAL RATIO OF TEACHERS' INCOME AND WAGES TO THOSE OF OTHER WAGED PROFESSIONALS AND TECHNICAL WORKERS, AROUND 2005
(Purchasing power parity in 2000 United States dollars and percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations Educational, Scientific and Cultural Organization (UNESCO)/UNESCO Regional Office for Education in Latin America and the Caribbean (OREALC)/International Institute for Educational Planning (IIEP), *La inversión educativa en América Latina y el Caribe. Las demandas de financiamiento y asignación de recursos*, Buenos Aires, 2007.

In addition, teachers' commitment may be strengthened or weakened by other work conditions: teaching materials and equipment, management, student ability and motivation, school environment, etc.

- Issues of the relevance of education. Although some problems of education quality are usually attributed to social inequality and educational segmentation, the general characteristics of education systems should not be ignored. According to international criteria, not even the more affluent Latin American students sufficiently develop skills in reading comprehension, interpretation, relations and abstraction. The results suggest that educational curricula do not

match the skills required in today's world, which is why even the wealthiest students are affected. This strengthens the argument put forward by UNESCO that the need to improve the quality of education is now essential for the region.

- **Social inequality and unequal capacity building.** The main factors associated with differences in scores are extra-scholastic: parents' educational level and socio-occupational status, material well-being of the household (general equipment) and educational and communication materials available at home. In all countries analysed, the intergenerational transmission of education opportunities continued to operate, this time in the building of capacities and skills essential for a full participation in society.

However, in developed countries there are fewer inequities than in Latin America when people enter education, and the education obtained has less effect on the level of well-being that can be reached in a lifetime. In this sense, socioeconomic inequality is less pronounced and, above all, has less impact on the development of language skills. Differences in the educational "premium" (income) are also smaller. One important challenge facing the region is therefore to reduce inequalities in the quality of employment associated with level of education.

- **Educational segregation.** One of the common problems in education systems is the socioeconomic and geographic segmentation of service quality. Wealthier parents prefer to send their children to schools with more resources, and those schools usually favour the entry of pupils from families with higher levels of well-being. Those from lower-income backgrounds, on the other hand, often have a very small number of educational options. The schools that take low-income pupils tend to have shortcomings in terms of infrastructure, educational inputs and the number and training level teachers. These are almost always public schools in low-income or rural areas, where they are practically the only school available for nearby students.

This "self-selection" process, which tends to be concentrated at the two ends of the social spectrum, can turn schools into "ghettos", with both high-income and low-income school communities (educational segregation). This results in some schools having environments conducive to learning and skill-building, while in others difficulties are more likely to be generated.

Latin American countries display much more homogeneity in the composition of school communities (in terms of parents' socio-occupational status and levels of material well-being) compared with developed countries. This is even more true of students from the

most comfortable backgrounds, except in Argentina, where the trend is more pronounced among poorer students. In OECD countries, a high-income student is five times more likely to belong to a school community with high well-being than a low-income student. In Latin America, this ratio is 10 to 1. The situation is acute in Peru and Chile, where the ratio is over 20 to 1 (see figure 18a).

Added to this is the segmentation of educational supply. In the region's countries, inequalities in access according to classification in the upper or lower quartiles of the socio-occupational index are more pronounced than in developed countries. Whereas 59% of students from the highest quartile attend schools with a good level of educational equipment, the same can only be said of 32% of those from the lowest quartile (see figure 18b).

Figure 18
LATIN AMERICA (5 COUNTRIES) AND OECD (7 COUNTRIES): COMPOSITION OF EDUCATIONAL COMMUNITIES BY SOCIO-OCCUPATIONAL LEVEL OF PARENTS, AND PARTICIPATION OF STUDENTS a/ IN SCHOOLS WITH GOOD EDUCATIONAL EQUIPMENT, b/ ACCORDING TO PARENTAL SOCIO-OCCUPATIONAL QUARTILES
(Ratios and percentages)

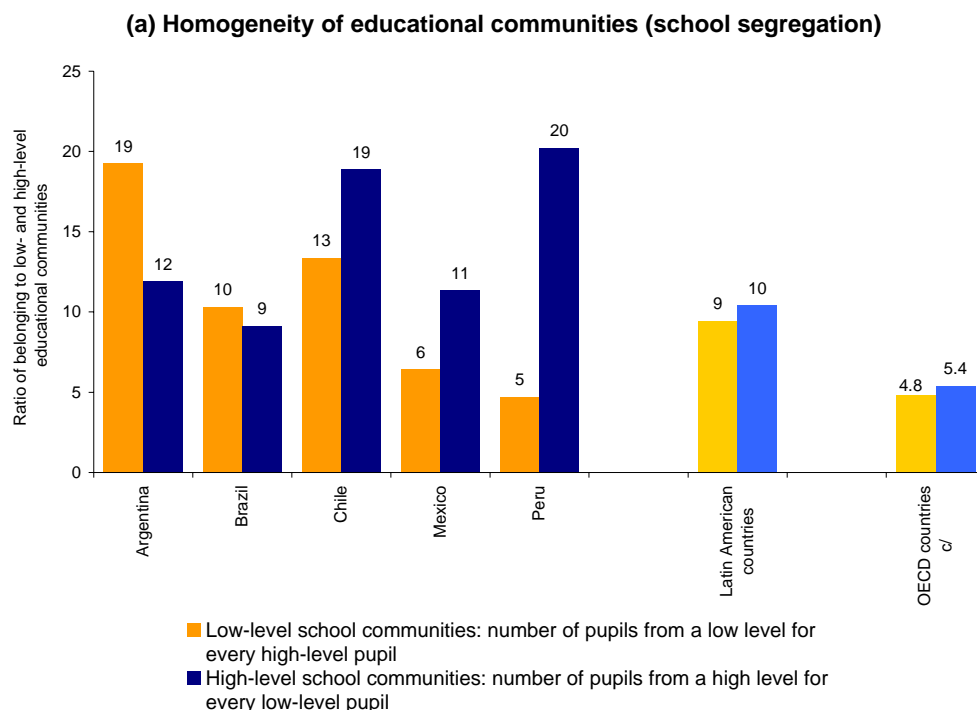
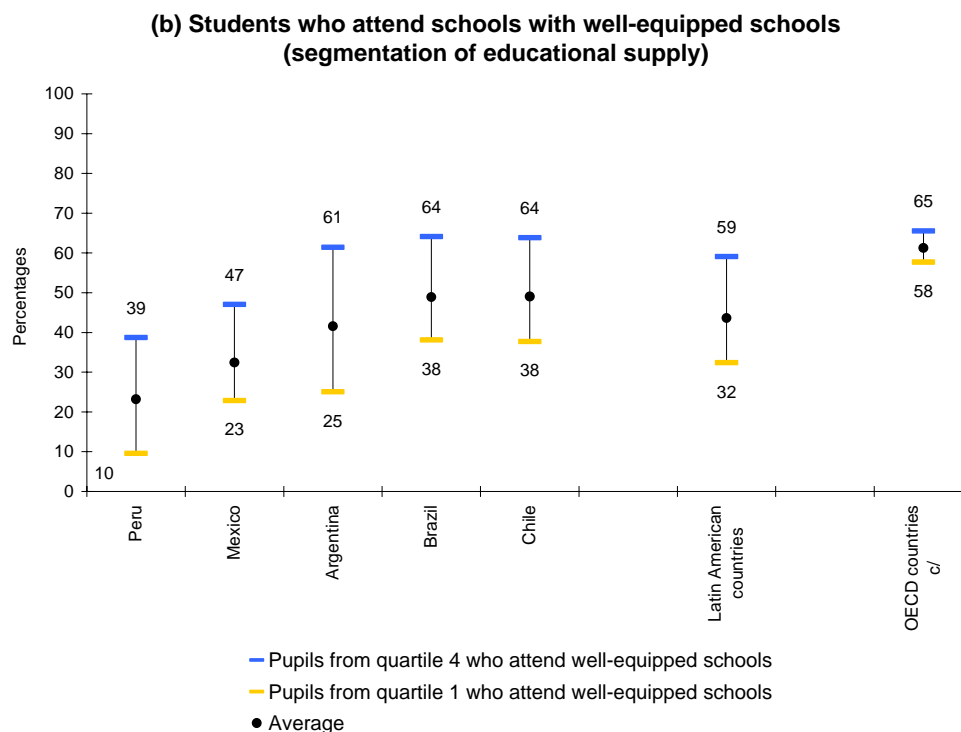


Figure 18 (concluded)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Organisation for Economic Co-operation and Development (OECD), "Programme for International Student Assessment" [online database] <http://www.pisa.oecd.org>.

a/ Students in 10th grade.

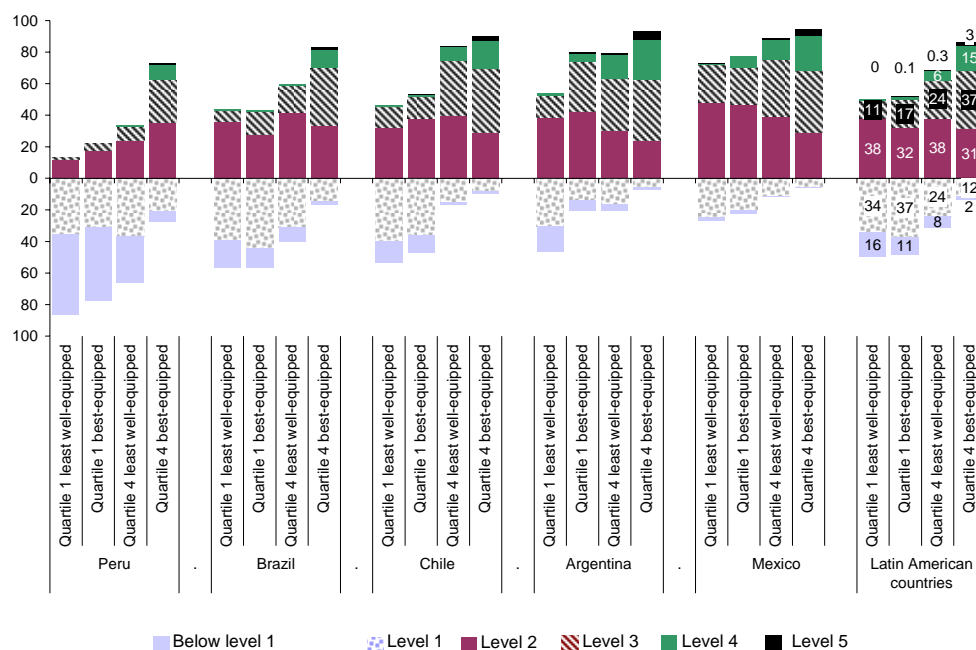
b/ Schools were divided into two levels on the basis of educational equipment (library, multimedia tools, computer laboratories, chemistry laboratories, etc.).

c/ Total of 27 countries excluding Mexico. Regional totals are weighted.

At the two ends of the social spectrum, school communities tend to be more homogenous. Rich and poor students are separated, with a significant proportion of the latter attending public schools with infrastructure and other problems, while the former attend well-equipped private schools.

High levels of educational segregation and segmentation reinforce inequalities in how pupils make use of the educational process: the sociocultural disadvantages of low-income students are combined with access to lower-quality educational services, which all results in lower levels of learning. Among poor students who attend poorly equipped schools, 12% performed adequately at the third level or higher in terms of reading skills, while the percentage was 20% among those who attend better equipped schools. In the richest quartile, these percentages rise to 30% and 55%, respectively (see figure 19).

Figure 19
LATIN AMERICA (5 COUNTRIES): DISTRIBUTION OF LEVELS OF PERFORMANCE IN THE READING TEST AMONG TENTH GRADE STUDENTS, BY SOCIO-OCCUPATIONAL STATUS OF THEIR PARENTS AND EDUCATIONAL EQUIPMENT OF THEIR SCHOOLS
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Organisation for Economic Co-operation and Development (OECD), "Programme for International Student Assessment" [online database].

Generally speaking, the educational system in Latin America is more affected by the region's highly unequal social structure. The rise in secondary schooling accentuates the stratification of institutional supply and the territorial nature of the supply increases school segmentation. Both the traditional and more modern elites send their children to schools that provide a full day of teaching and a varied curriculum. In addition, within their strata these students form bonds that reinforce the social networks and capital needed to find a good job. Poorer students, on the other hand, usually attend schools with greater shortcomings in terms of infrastructure, curriculum and general resources. Social stratification is therefore reproduced at school, thereby weakening the capacity of educational systems to provide children and young people with more equal opportunities. Given the above, the educational system acts more like a social differentiation mechanism that lays the foundations for the inequalities that will be subsequently reproduced on the labour market.

Conclusion

The quality of the education received by children and young people is largely dependent on their economic resources. This is linked to the educational environment of the household, the effects of which include the existence of a home environment more or less suited to reinforcing the learning process. As attainment at the primary and secondary school levels has become more widespread, disparities in educational quality now plays a major differentiating role in the transition to post-secondary education, which provides the key to decent jobs and sufficient wages. The quality of education therefore becomes a focus in the intergenerational reproduction of opportunities for well-being.

Although such extra-scholastic factors carry some weight, any review of student performance shows that these can be offset from within the educational system. Studies of schools with outstanding performance in adverse socioeconomic conditions indicate the importance of school management, including less emphasis on hierarchy and authoritarianism, respect for people, close relations with parents and participation in the decision-making process. In terms of teaching practice, positive factors include a wide range of teaching strategies, emphasis on homework, group work and high expectations for pupils on the part of teachers.

It is also vital to ensure that teachers have post-secondary training to enable them to: acquire the necessary pedagogical tools, earn a wage that is sufficient and perceived as such (to avoid having to hold down another job), and feel that their expertise and working methods help pupils to acquire skills. It is essential to provide schools with enough equipment and support materials so that teachers have the right tools with which to guide the learning process. Other recommendations include not grouping students according to particular characteristics, involving parents in school activities, promoting a respectful classroom environment and harmonious relations between pupils, allocating more time for reading for pleasure and developing a more positive attitude towards reading, as well as providing a wider range of materials.

Countries must set up or strengthen various compensatory mechanisms to level the conditions of the most disadvantaged pupils, so as to enable them to face promotion systems that provide a higher more homogenous standard of assessment of the skills needed to fully develop social citizenship. This implies, *inter alia*, ensuring that automatic promotion processes do not become a disincentive for teacher performance.

Lastly, the region must not lose sight of the fact that the high level of school segregation not only reproduces educational gaps between the rich and the poor, but also perpetuates feelings of belonging and social integration in school microcosms, thereby

sowing the seed for the high levels of socioeconomic polarization present in Latin American society. Reducing school segregation and segmentation is not only about improving the quality of education for all, but is also part of the strategy needed to tackle the region's economic, social and political fragility. An indispensable part of this task is to build a new social cohesion covenant in Latin America and the Caribbean, while the major stumbling block is the persistent and yawning social inequality in the region. The new social contract must explicitly include educational policies that tackle the problem of social inequality head on, by means of affirmative action to compensate for the disadvantages of the poorest students and improve the quality of the learning process while reducing the high level of stratification within education systems.

INTERNAL MIGRATION AND DEVELOPMENT IN LATIN AMERICA AND THE CARIBBEAN: POLICY CHALLENGES, CHANGES AND CONTINUITY

Internal migration, which means moving residence from one administrative division to another within the same country, has been experienced by many people in Latin American and Caribbean. However, the intensity of migration in the region is unexpectedly falling (see table 4). Some of the hypotheses put forward to explain this, which all require subsequent research, include: the replacement of internal migration by international migration or commuting to work or study; increased house ownership in the light of higher income; unexpected settlement patterns in the wake of technological advances (teleworking); or a slowdown of rural-to-urban migratory flows due to urbanization. What can be ruled out as an explanation is a reduction in territorial inequalities within countries, as these remain extremely high in the region.²¹

Table 4
**LATIN AMERICA AND THE CARIBBEAN: PERCENTAGE OF INTERNAL MIGRANTS
BY TYPE OF MIGRATION, 1990 AND 2000 a/**

Census round	Absolute or permanent migration		Recent migration (last 5 years)	
	Major administrative division (percentage)	Minor administrative division (percentage)	Major administrative division (percentage)	Minor administrative division (percentage)
1990	17.5	34.2	5.1	12.6
2000	17.7	35.2	4	8.7

Source: Latin American and Caribbean Demographic Centre (CELADE) – Population Division of ECLAC, on the basis of special processing of census microdatabases.

a/ 18 countries in 1990 and 20 in 2000 (not all had data for all four types of migration).

²¹ Latin American and Caribbean Institute for Economic and Social Planning (ILPES), “Economía y territorio en América Latina y el Caribe: desigualdades y políticas”, document presented at the twelfth Conference of Ministers and Heads of Planning of Latin America and the Caribbean, Brasilia, 26 and 27 June 2007.

Areas of net positive migration tend to be those with better living conditions. In this case, migrants' quest for better opportunities appears compatible with a territory's capacity to comfortably receive migrants. Having said that, there are some emerging phenomena that may upset the balance. These include suburbanization into areas with a more limited infrastructure on the outskirts of large cities. Suburbanization requires major public investment, which might involve private-sector business and decisions.

Socioeconomically disadvantaged subnational areas, for their part, tend to be sources of migration. This is the case for the countryside (see table 5) and various poverty-stricken and mainly indigenous areas (see maps). Given that this loss of population is not random but rather consists of young and generally more skilled migrants, emigration erodes the base of human resources needed for the development of such poor source areas. Migration can therefore offer a means of escape for those who leave, but can aggravate the situation of those who remain, in what could be termed a territorial poverty trap.

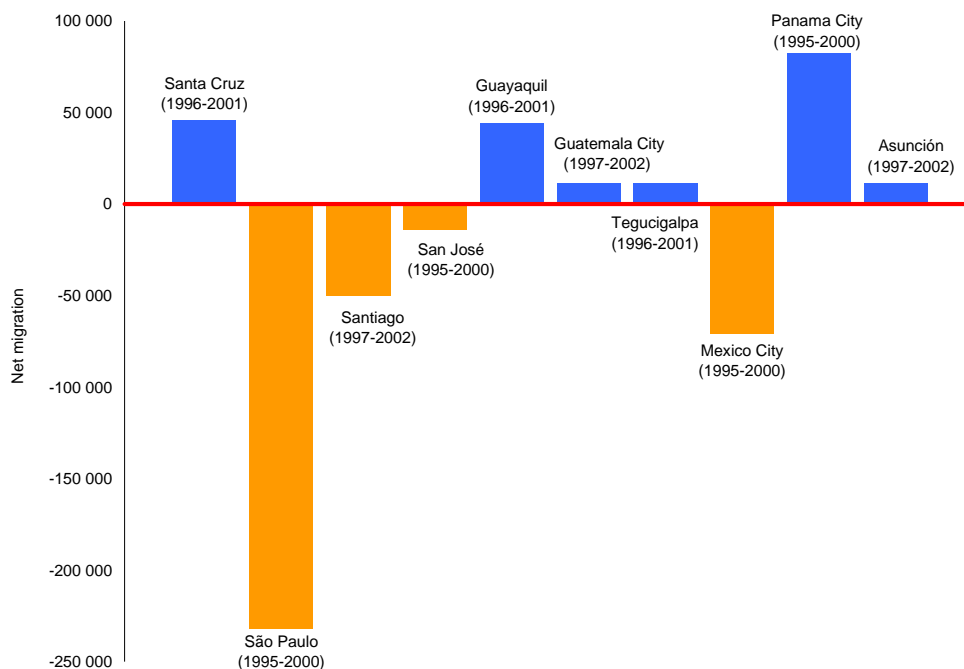
Table 5
LATIN AMERICA AND THE CARIBBEAN: NET MIGRATION FROM THE COUNTRYSIDE TO THE CITY AND GROWTH OF THE URBAN POPULATION, REGIONAL TOTAL AND SELECTED COUNTRIES (WITH DIFFERENT LEVELS OF URBANIZATION)

Selected countries and regional total	Net country-to-city migration, 1990-2000	Growth of urban population aged 10 and over, 1990-2000	Relative significance of rural-to-urban migration for urban growth
Chile	382 623	1 939 951	19.7
Venezuela (Bol. Rep. of)	847 392	4 235 917	20
Brazil	9 483 867	26 856 555	35.3
Mexico	4 183 486	13 103 802	31.9
Guatemala	824 486	1 384 850	59.5
Honduras	303 742	685 610	44.3
Total	19 636 438	58 344 252	33.7

Source: Latin American and Caribbean Demographic Centre (CELADE) – Population Division of ECLAC, on the basis of indirect processing of inter-censal survival ratios.

The advance of regional urbanization has modified the profile of internal migrants, who now mainly move between or within cities. In addition, current movements no longer follow the concentration patterns of previous decades. Although the capital city remains attractive in most countries, other large cities have begun to register net emigration since the 1990s as people leave for other dynamic urban centres. Internal migration is therefore promoting a more diverse and less asymmetric system of cities that is more conducive to economic and social development than the dominant cities typical of many countries in the region.

Figure 20
**LATIN AMERICA: NET INTERNAL MIGRATION FROM MOST HIGHLY POPULATED CITIES,
 SELECTED COUNTRIES AND DATES**



Source: Latin American and Caribbean Demographic Centre (CELADE) – Population Division of ECLAC, on the basis of special processing of census microdatabases.

The increasingly urban face of migration does not prevent it from driving the physical expansion of major cities. This takes the form of intra-metropolitan migration, which is determined by very different factors from those behind traditional migration (countryside to city or between regions).

Intra-metropolitan migration is shaping Latin American cities. First, such migration is extending the boundaries of cities, which is why lower population growth is not being reflected in a proportional slowdown in their geographical expansion. This form of migration also has a direct effect on the distribution of socioeconomic groups within cities (residential segregation), which has worrying implications for the fight against poverty and the promotion of social cohesion.

Migrants tend to be young people, women and people with above average levels of education. Indeed, the stereotype of the unskilled internal migrant from the era of country-to-city migration does not even apply to groups who are still located in mainly rural areas, such as indigenous migrants (see table 6). Predictably, given that many migrants make the move for work, migrants have higher levels of employment even in countries with high levels of joblessness. This reveals a somewhat complicated adjustment process under way at destination.

Table 6
LATIN AMERICA AND THE CARIBBEAN: PROPORTION OF POPULATION WITH HIGHER EDUCATION, ACCORDING TO INDIGENOUS STATUS AND RECENT MIGRATION BETWEEN MAJOR ADMINISTRATIVE DIVISIONS, SELECTED COUNTRIES AND YEARS

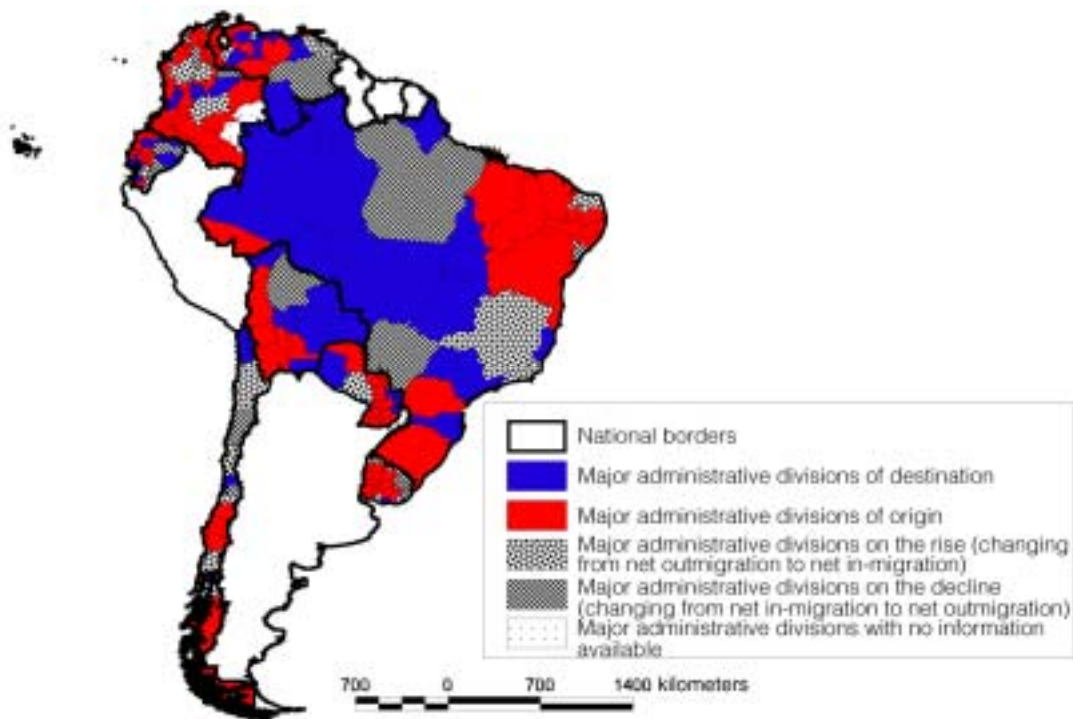
Country and year	Indigenous		Non-indigenous	
	Migrant	Non-migrant	Migrant	Non-migrant
Bolivia, 2001	16.4	12.0	13.2	8.4
Brazil, 2000	3.7	1.8	6.7	5.5
Chile, 2002	14.6	8.8	29.2	17.7
Costa Rica, 2000	5.3	2.6	12.3	10.1
Guatemala, 2002	1.6	0.7	6.3	5.6
Mexico, 2000	4.2	2.2	13.4	8.8

Source: Fabiana del Popolo and others, "Indigenous peoples and urban settlements: spatial distribution, internal migration and living conditions", *Population and development series*, No. 78 (LC/L.2799), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), 2007.

In terms of policies, the underlying principle is to combine the right to migrate in the best possible conditions within a given country, with the fight against territorial discrimination that tends to force outflows from certain disadvantaged areas. There is no place for interventions geared towards hindering migration or pressuring people to move, as they are incompatible with every person's right to freely decide when and where to move within a country. Incentives to move or stay in a particular place of residence should be offered directly to individuals or companies in the form of, inter alia, subsidies, "zonal attachment", tax breaks and labour or professional compensation. Public action in the context of subnational development (through the provision of infrastructure and basic support services for productive clusters) also plays a vital role, although the aim is not always explicitly linked to migration.

Interventions on migration and the location of population are not limited to signals from the market or the State. The high proportion of intra-metropolitan displacement makes current migration more sensitive to urban regulations and the knock-on effects of social policy in cities (particularly in terms of housing, transport and infrastructure). Policy instruments, such as development plans or city master plans, have a powerful effect on migration. The same can be said of housing and public transport policies, which have direct and sometimes mechanical consequences on changes of residence within cities. Examples of interventions that combine the offer of incentives with urban planning and public investment include repopulation programmes in the city centres of various metropolises in the region. While the results, costs and benefits of such programmes have yet to be fully assessed in detail, they definitely appear to offer a means of intervening in the decision to migrate.

Map 1
**SOUTH AMERICA, SELECTED COUNTRIES: MAJOR ADMINISTRATIVE DIVISIONS BY
 MIGRATION STATUS, CENSUS ROUNDS 1990 AND 2000**

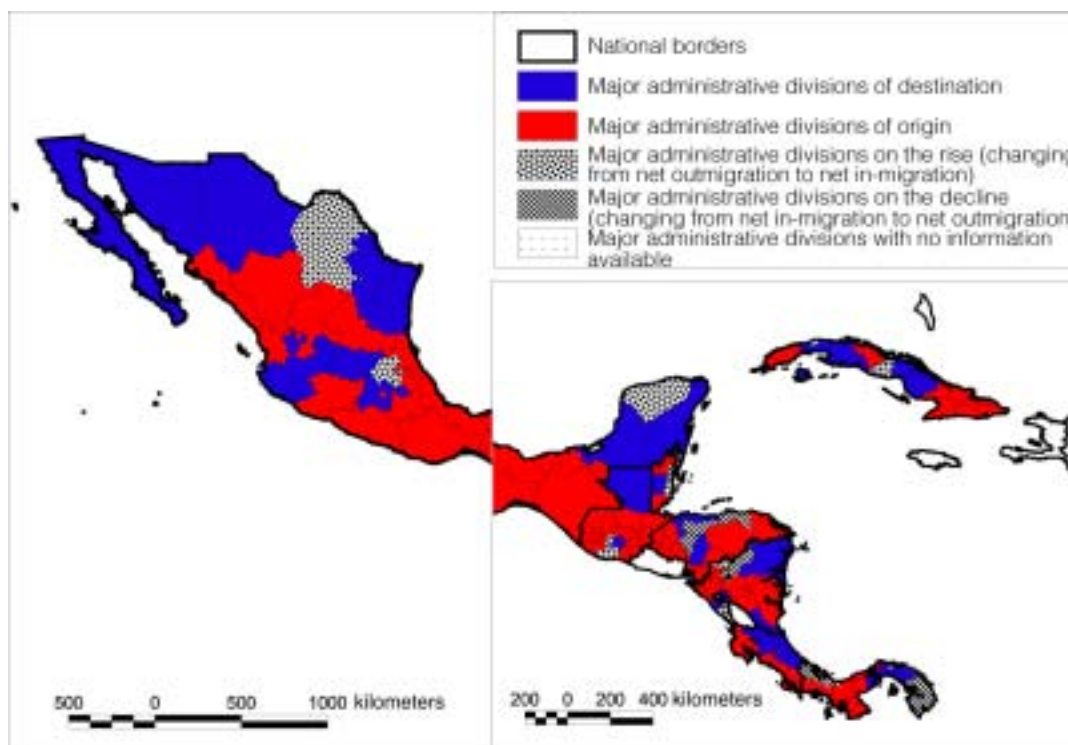


Source: Latin American and Caribbean Demographic Centre (CELADE) – Population Division of ECLAC, on the basis of figures from the database on Internal Migration in Latin America and the Caribbean (MIALC) [online database] http://www.eclac.cl/migracion/migracion_interna/ and information from countries.

Note: The boundaries and names shown on this map do not imply official endorsement or acceptance by the United Nations.

Map 2

CENTRAL AMERICA AND THE CARIBBEAN, SELECTED COUNTRIES: MAJOR ADMINISTRATIVE DIVISIONS BY MIGRATION STATUS, CENSUS ROUNDS 1990 AND 2000



Source: Latin American and Caribbean Demographic Centre (CELADE) – Population Division of ECLAC, on the basis of figures from the database on Internal Migration in Latin America and the Caribbean (MIALC) [online database] http://www.eclac.cl/migracion/migracion_interna/ and information from countries.

Note: The boundaries and names shown on this map do not imply official endorsement or acceptance by the United Nations.

SOCIAL AGENDA: HEALTH PROGRAMMES AND POLICIES FOR INDIGENOUS PEOPLES IN LATIN AMERICA AND THE CARIBBEAN AND THE INTERNATIONAL SOCIAL AGENDA

In Latin America, the emergence of indigenous movements as political actors in democratic contexts more conducive to the creation of pluricultural States has enabled progress to be made towards the recognition of the rights of indigenous peoples. Following 20 years of negotiations, one explicit manifestation of this is the adoption by the United Nations General Assembly of the Declaration on the Rights of Indigenous Peoples (13 September 2007), which consists of 46 articles establishing minimum parameters in terms of land ownership rights, access to natural resources in settlement territories, respect and conservation of their traditions, self-determination, etc. The Declaration also recognizes individual and collective rights to education, health and employment.

The above-mentioned Declaration and other international human rights instruments can be used to establish a set of minimum health standards: the right to the highest level of physical and mental health by means of non-discriminatory, adequate and quality access; the right to comprehensive indigenous health including the use, strengthening and monitoring of traditional medicine and the protection of their territories as living areas; the right to participate in the design, implementation, management, administration and evaluation of health policies and programmes, with special emphasis on the autonomy of resources.

These standards bring with them new State obligations in terms of legislation and public policy. Although only the constitutions of the Bolivarian Republic of Venezuela, Ecuador and Mexico explicitly recognize the collective health rights of indigenous peoples, some progress can be seen in the legislation of most countries (see table 7). Despite this, the legislative recognition of indigenous peoples' health rights remains far removed from the actual application of those rights, as the indigenous population has more a negative epidemiological profile than the rest of the population.

Table 7
LATIN AMERICA (16 COUNTRIES): SPECIAL LEGISLATION
ON THE HEALTH OF INDIGENOUS PEOPLES

Country	Free and preferential access	Traditional practices	Protection of medicinal plants	Health care according to customs	Indigenous participation in management and promotion of the health system	Autonomous management of health resources
ILO Convention No. 169 ratified						
Argentina b/	X	X	a/	X	X	---
Bolivia	X	X	X	X	X	X
Brazil	X	X	a/	X	X	---
Colombia	X	X	a/	X	X	X
Costa Rica	X	a/	X c/	a/	a/	---
Ecuador	X	X	X	a/	X	X
Guatemala	X	X	a/	a/	a/	---
Honduras	a/	a/	a/	a/	a/	---
Mexico b/	X	X	X	a/	a/	---
Paraguay	a/	a/	a/	a/	a/	---
Peru	X	X	X	a/	X	---
Venezuela (Bol. Rep. of) b/	X	X	a/	X	X	X
Not ratified						
Chile	X	---	---	X	---	---
El Salvador	---	---	---	---	---	---
Nicaragua	X	X c/	---	X c/	X c/	X
Panama	X	X	X c/	X	X c/	X

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Inter-American Development Bank (IDB), "Indigenous legislation database" [online database] 2006 http://www.iadb.org/sds/ind/site_3152_s.htm.

a/ ILO Convention concerning Indigenous and Tribal Peoples in Independent Countries (ILO Convention No. 169).

b/ Some provinces and states have additional legislation.

c/ Only in indigenous territories (reserve, autonomous regions, *comarcas*).

Health sector reforms geared towards the equity, efficiency and quality of health benefits are conducive to furthering the application of indigenous health rights, with priority given to the active participation of the communities themselves.

Countries fall into four groups when it comes to indigenous health policies: a large number of countries have a national indigenous peoples' plan; a second group has begun the process to devise and implement such a policy; a third group has an explicitly intercultural approach as part of their national health policies; and finally there are those countries that have no specific policies for indigenous peoples (see table 8).

Table 8
LATIN AMERICA (16 COUNTRIES): HEALTH POLICIES AND INDIGENOUS PEOPLES

Situation	Countries
Countries with a national policy in terms of health and indigenous peoples	Bolivia Brazil Chile Costa Rica Ecuador Mexico Nicaragua Panama Peru Venezuela (Bolivarian Rep. of)
Countries in the process of formulating a policy	Argentina Colombia
No specific policy, but it is a cross-cutting issue in national health policy	Guatemala Honduras
No relevant policy or focus	El Salvador Paraguay

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of results from a survey sent out to countries.

An overview of such programmes shows a heterogeneous supply with two main trends: programmes specially designed to improve the health of indigenous peoples (particularly those that concentrate on specific aspects such as traditional medicine and human resources training); and regular programmes that are part of strategic or policy lines within health systems. Some of the achievements to date include the consolidation of differentiated health models and the improvement of the health conditions of indigenous peoples. There are also limitations, however, including the scarce availability of trained human resources, low levels of financing and a lack of continuity in the allocation of resources. Some programmes have successfully incorporated the participation of indigenous peoples in these processes, while other programmes need to make more progress in this area. The widespread lack of systematic information on the health situation and epidemiological profile of indigenous peoples is one of the main obstacles to defining health goals and assessing the results of enforcing their individual and collective rights.

The major challenge for public policy is to continue advancing towards implementing standards for the health rights of indigenous peoples. This implies considering indigenous health as an integral concept (including territorial rights and the right to cultural integrity) and the full participation of indigenous peoples in the definition, management and assessment of health programmes and policies. This should form the basis for differentiated health care models (intercultural, integral, and complementary).

Furthermore, it is vital to make progress in the training of human resources (in order to achieve an intercultural health dialogue) and in producing knowledge to sustain the development of such models and facilitate the formulation, follow-up and evaluation of health goals. Examples include appropriate systems of indicators, studies on sociocultural epidemiology, participatory community health diagnostics and local research into traditional medicine and health/disease, with an assessment of effectiveness in each context. Adequate and continuous funding is key if these objectives are to be achieved, as this will guarantee the autonomy of indigenous peoples as holders of collective rights.

Implementing minimum standards in the collective health rights of indigenous peoples undoubtedly poses huge challenges for the formulation of public policies, as it involves a State-level rethink of everything from conceptual frameworks to the definition of health targets and actions, as well as requiring indigenous peoples and organizations to make effective progress in exercising and protecting their right to health.

International agenda

The main aims of the tenth session of the Regional Conference on Women in Latin America and the Caribbean, organized by ECLAC from 6 to 9 August 2007 in Quito, Ecuador, were to review political participation and gender parity at all levels of decision-making processes and analyse women's contribution to the economy and social protection (especially in terms of their unpaid work).

Country representatives adopted the Quito Consensus, which contains 36 agreements including ones relating to parity, women's political representation and participation and their contribution to the economy and social protection through unpaid domestic work.

Countries also made a commitment to adopt measures aimed at eliminating the diverse forms of violence perpetrated against women (especially homicide of women), to develop comprehensive, non-sexist public education programmes designed to counter gender and racial stereotypes and other cultural biases against women and promote relationships of mutual support between women and men, and to undertake efforts to sign, ratify and disseminate the Convention on the Elimination of All Forms of Discrimination against Women and its Optional Protocol.

Lastly, countries asked the Presiding Officers of the Conference to specifically devote one of the meetings they hold each year to an evaluation of the fulfilment of the commitments, and agreed that, at the next session of the Regional Conference (scheduled to be held in Brazil in 2010), a general medium-term assessment of the progress made should be undertaken. They also asked ECLAC, together with other organizations in the United Nations system, to create a gender equality observatory.