



Fact Sheet No. 8: Latin America and the Caribbean

Lower and most unstable growth intensify insecurities

Huge majorities favour redistribution and basic security

The global economy has become more prone to economic crises, involving deep sudden downturns that spread from one country or region of the world to others. Of all regions, Latin America has experienced the greatest *frequency* of such crises, and their *severity* seems to have been increasing. In 1980-98, in Latin America and the Caribbean alone, there were over 40 crises in which per capita GDP fell by more than 4%.

In recent years, Latin America has experienced a bigger decline in growth rates and a bigger increase in the volatility of growth than any other region of the world, inducing a sharp increase in economic insecurity.

Among the findings in the report that relate specifically to Latin American countries are the following:

- The region of the world with the most unequal income distribution is Latin America, where inequality has been growing.
- Social security reforms in Latin America started in Chile during the Pinochet regime with privatization of pensions. It has been copied in half the countries in the region, phasing in private mandatory insurance schemes, shifting from defined-benefit schemes to which employers and workers contributed, to defined-contribution schemes to which only workers contribute. Workers have lost incomes because they now bear all the costs themselves. In Peru, for instance, wages were not raised after the shift from employer to employee contributions. This model has been spread to other world regions.
- Unemployment benefit systems scarcely function. In Argentina, unemployment benefits reached just 6% of the unemployed in 1999, which was less than in previous years.
- In terms of income security, Latin American countries are mainly “conventionals”, mainly providing “middle-range” income security. They have some formal policies and institutions that should promote security, but have economic realities that produce unsatisfactory outcomes.
- In terms of the overall economic security index, nearly 42% belong in the “much-to-be-done” cluster, a third are “conventionals” and a quarter

are “pragmatists”. None of them has had results good enough to be classified as “pacesetters”.

Economic Security Clusters in Latin American countries

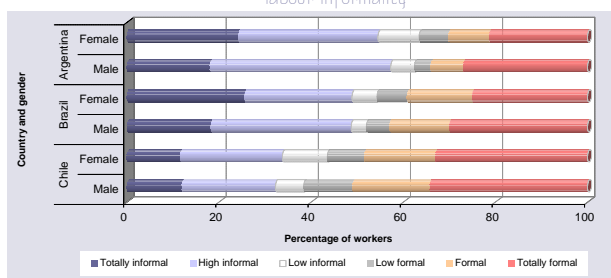


Legend
Pacesetters (orange) Pragmatists (light orange)
Conventionals (light blue) Much to be done (dark blue)

Note: Countries in “white” are not part of the analysis
Source: IFP-SES database 2004

- Presenting the workforce in terms of an informality continuum, in the three Latin American countries covered by the PSS, fewer than a third of urban workers are in fully formal employment, with women being less likely to be in that status, except in Chile.

Selected Latin American countries: Distribution of workers by degree of labour informality



Source: Argentina, Brazil, Chile PSS 2001.

- In Chile, the PSS shows that 38% of workers in so-called informal enterprises are in highly formal labour relations, while 62% of workers are both in informal enterprises (so-called) and in informal labour as defined in the PSS. Some 42% of workers in so-called formal enterprises (with more than 10 workers) are not in formal labour.
- Workers in more informal labour may have earnings equivalent to those in formal jobs. As for income security, one should not equate informality with poverty, even though more of the relatively informal have low incomes. For example, in Brazil and Chile informality does not map neatly onto income.
- However, formality gives greater protection to men than to women, and being in an informal labour status means a greater likelihood of income variability and decline.
- In Brazil, those who benefit most from training are white better-educated men, suggesting that the government's Professional Qualification State Plan (PEQ), introduced in 1996 to upgrade the skills of vulnerable groups has had limited success.
- Ironically, in various countries people with low levels of schooling were the most likely to report that they had not received any training because they did not want or need it. Although this may be a rationalization of their situation, people with less schooling appear to be the least aware of the usefulness or need for training. In Brazil and Chile, where over two-thirds of workers had not had any training in recent years, about half of those said they had not wanted to obtain any. In Argentina, the share not wanting it was over half.
- Considering skill reproduction security, countries of Latin America and the Caribbean are represented in almost equal numbers in the "Pragmatists", "Conventionals" and "Much-to-be-done" clusters, indicating the absence of a common regional pattern. Cuba is the sole

country from the region to be a "Pacesetter". It is also the industrializing country with the highest and most satisfactory skills security score.

- Workers in Chile say they are aware of discrimination against women to a greater extent than workers in Argentina. By contrast, workers in Brazil are more aware of racial discrimination, implying that combating racial discrimination should be given top priority.
- In Latin America, only one in four of the employed had experienced upward mobility in the past two years, with women and those with little schooling being less likely to have benefited, particularly in Chile. Most workers were pessimistic, the vast majority in Argentina, Brazil and Chile expecting no improvement in the next two years. Again, women are more pessimistic than men, and those with more schooling were more optimistic than others.
- Attitudes to social justice are encouraging. The PSS asked whether there should be a lower limit for people's income, sufficient to cover their basic needs. Levels of support in Latin America are lower than elsewhere, which probably reflects both the single best-choice format and, particularly in Brazil, extensive support for the egalitarian option (*everyone should have a similar income*). Nevertheless, the data bring out the widespread support for basic income security and for reducing income differentials.
- In the three Latin American countries, the question "Should the government provide the poor with a minimum income?" attracted overwhelming support (79% in Argentina, 86% in Brazil, 85% in Chile). But a majority also said that the poor should have to fulfil certain conditions, such as agree to send their children to school.

Whether minimum income should require conditions and type of condition, Argentina, Brazil and Chile (percentage responding "Yes")

Alternative source of financial support	Argentina	Brazil	Chile
Minimum income, % believing condition should be applied	59.1	67.6	57.4
Conditions, if required:			
Adults should work	32.3	16.2	45.0
Parents should send their children to school	20.6	39.4	49.8
Mother should stay home to look after children	5.9	10.2	25.3
Community work	14.6	10.1	26.6
Take job offered by government	23.3	20.3	49.0
Other	3.3	3.7	3.7

Note: In Argentina and Brazil, only one condition could be chosen, whereas in Chile several conditions could be selected.
Source: Latin American PSS, 2001.