

Social protection systems in Latin America and the Caribbean



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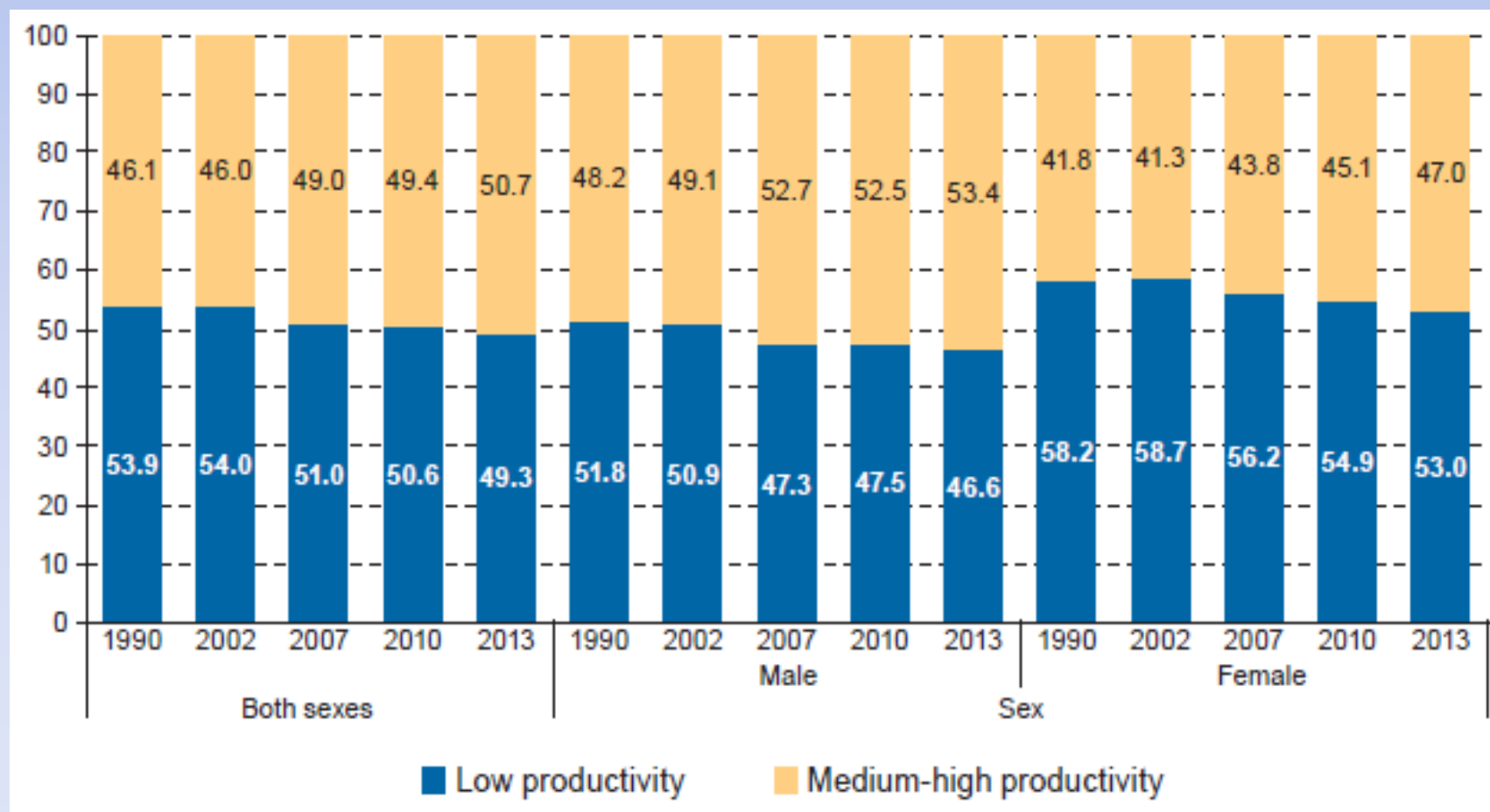
Economic Commission for Latin America and the Caribbean (ECLAC)

Expert Group Meeting “ADDRESSING INEQUALITIES AND CHALLENGES TO SOCIAL INCLUSION THROUGH FISCAL, WAGE AND SOCIAL PROTECTION POLICIES”

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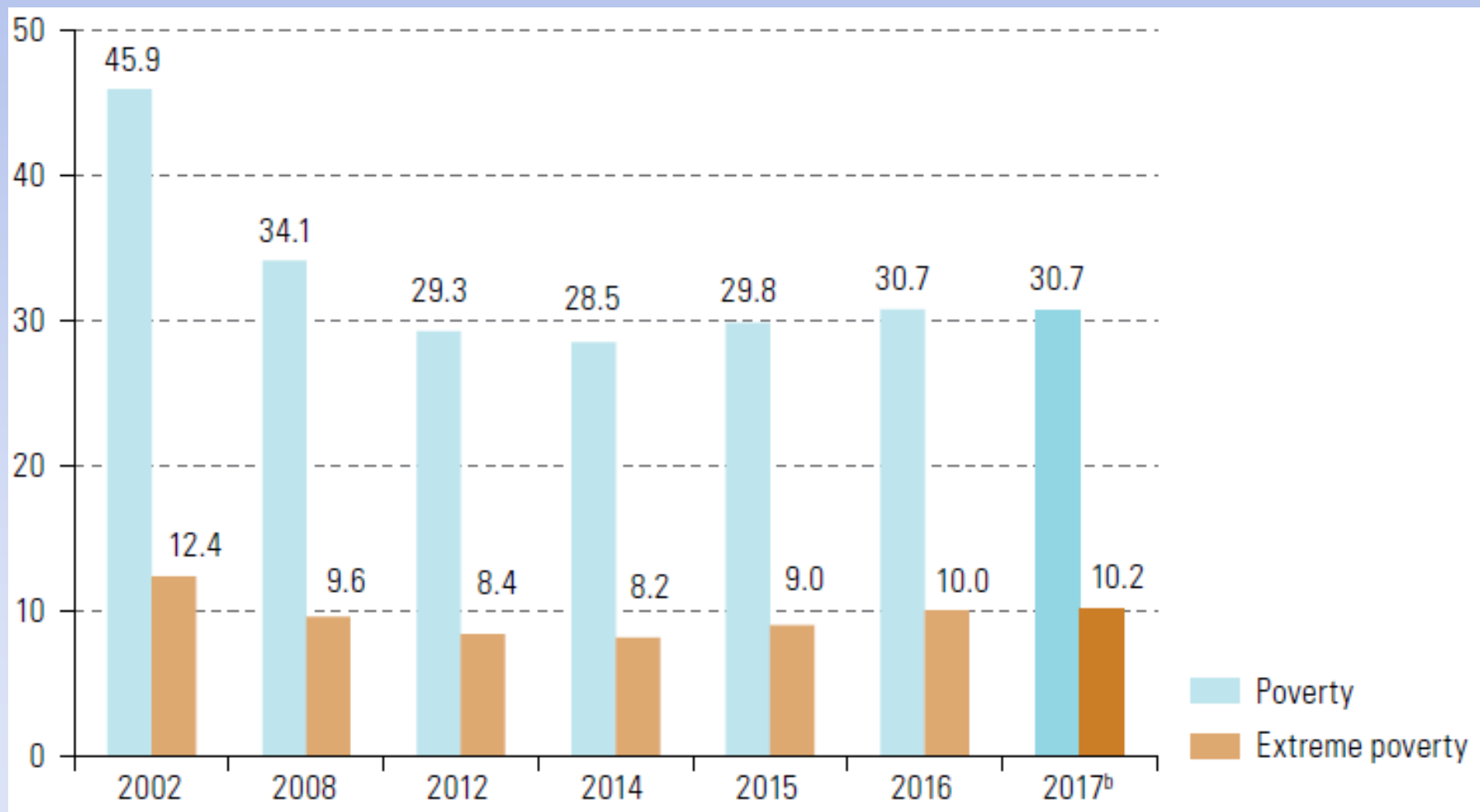
Workers employed in the low-productivity sector represent about half of the workforce in Latin America and the Caribbean

LATIN AMERICA (18 COUNTRIES): DISTRIBUTION OF EMPLOYED PERSONS AGED 15 AND OVER BY PRODUCTIVITY AND SEX, NATIONAL TOTALS, 1990-2013 (PERCENTAGES)



Income poverty has been reduced over the last 15 years, although we observe recent increases

LATIN AMERICA: POVERTY AND EXTREME POVERTY RATES, 2002-2017



Source: Economic Commission for Latin America and the Caribbean (ECLAC), Social Panorama of Latin America 2017. b Projections.

Key factors explaining the reduction of poverty and inequality

- Favourable economic context facilitated creation of **formal jobs and better salaries**
- Higher **female labour participation rates**, also in low-income households
- **Demographic bonus** in most countries (reduction of the dependency rate)
- High **public priority** to the goals of reducing poverty and inequality; active social development and labour market policies
- Positive impact of **social protection**, especially non-contributory monetary transfers
- Improvement of access to **education, health, nutrition and basic services**

From residual social policies to the expansion of social protection

Structural adjustment model

- Downscaling of State action
- Central role of markets in allocating goods and services
- Social transfers based on emergency criteria
- Social protection based on labour (male-breadwinner model)
- Informal mechanisms: lobbying and favouring

New trends

- Broadening social expenditure
- The State has a regulating role to face market asymmetries
- Comprehensive policies to face poverty: expanding assets and capabilities
- Social protection in a difficult labour scenario: from the contributive to the solidarity pillar
- Towards a covenant based on social rights

The rights-based approach: from programmes to policies, from emergency to entitlements

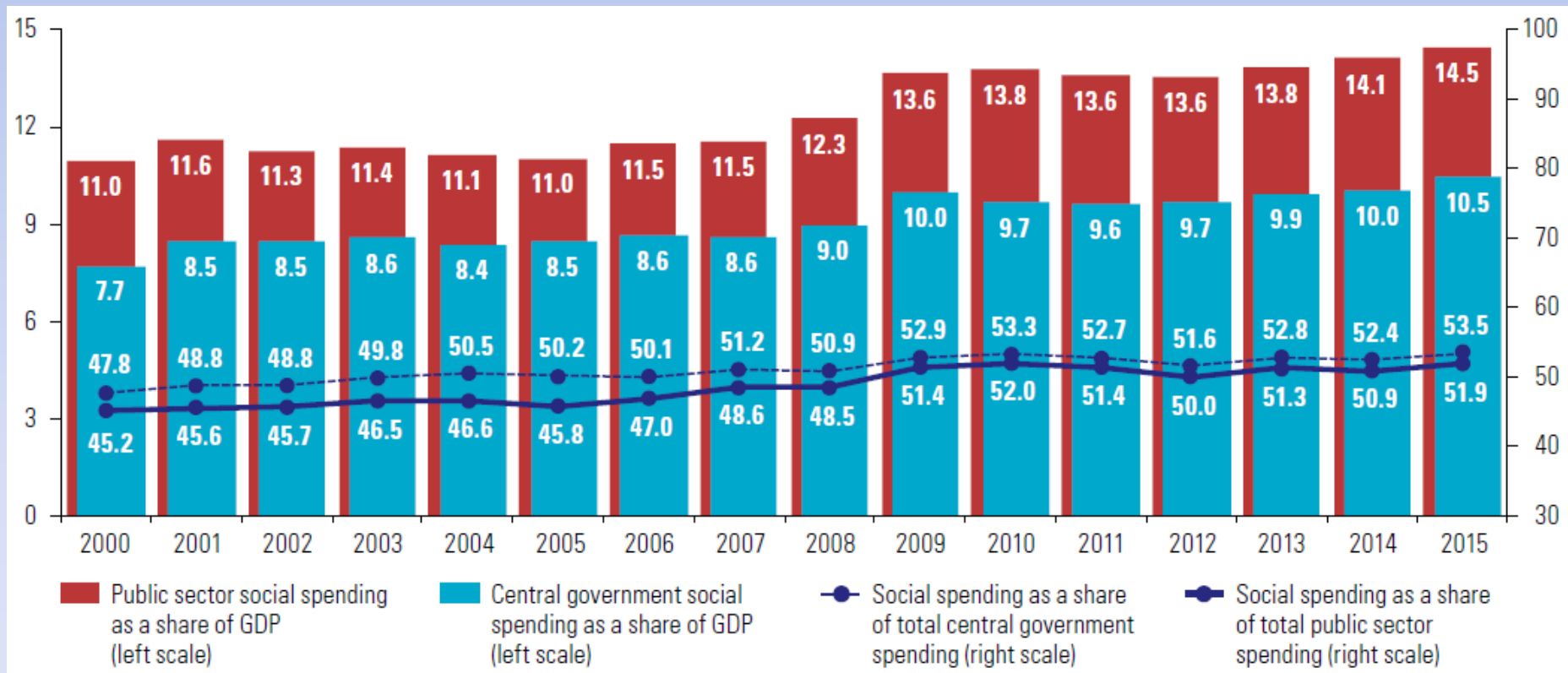
- Shift to social policies based on social rights has been a key turning point in LAC
- The State has primary responsibility to promote ESCRs
- Challenge: moving from rhetoric to practice
- Some examples: Unified Health System & Continuous Benefit Programme in Brazil; Explicit Health Guarantees in Chile; Universal Pension in the Federal District of Mexico

Strengthening of social development institutions, but challenges remain

- **Comprehensive policies** no longer based on emergency criteria, but rather on expanding assets and capabilities
 - Brazil: *Bolsa família* & *Brasil sem Miséria*; Chile: *Chile Solidario*
- Comprehensive view of social policy entails growing complexity and **need for coordination**
 - Demand-side (life cycle & social groups) and supply-side (vertical & sectoral) dimensions of integration
- Creation of **social development ministries** and social cabinets
- **Social policy management:** progress and challenges
 - Information systems; monitoring and evaluation; coordination at the local level

Expansion of social public expenditure over the last 15 years

LATIN AMERICA (19 COUNTRIES): CENTRAL GOVERNMENT AND PUBLIC SECTOR SOCIAL SPENDING, 2000-2015 ^{a b}
(PERCENTAGES OF GDP AND OF TOTAL PUBLIC SPENDING)

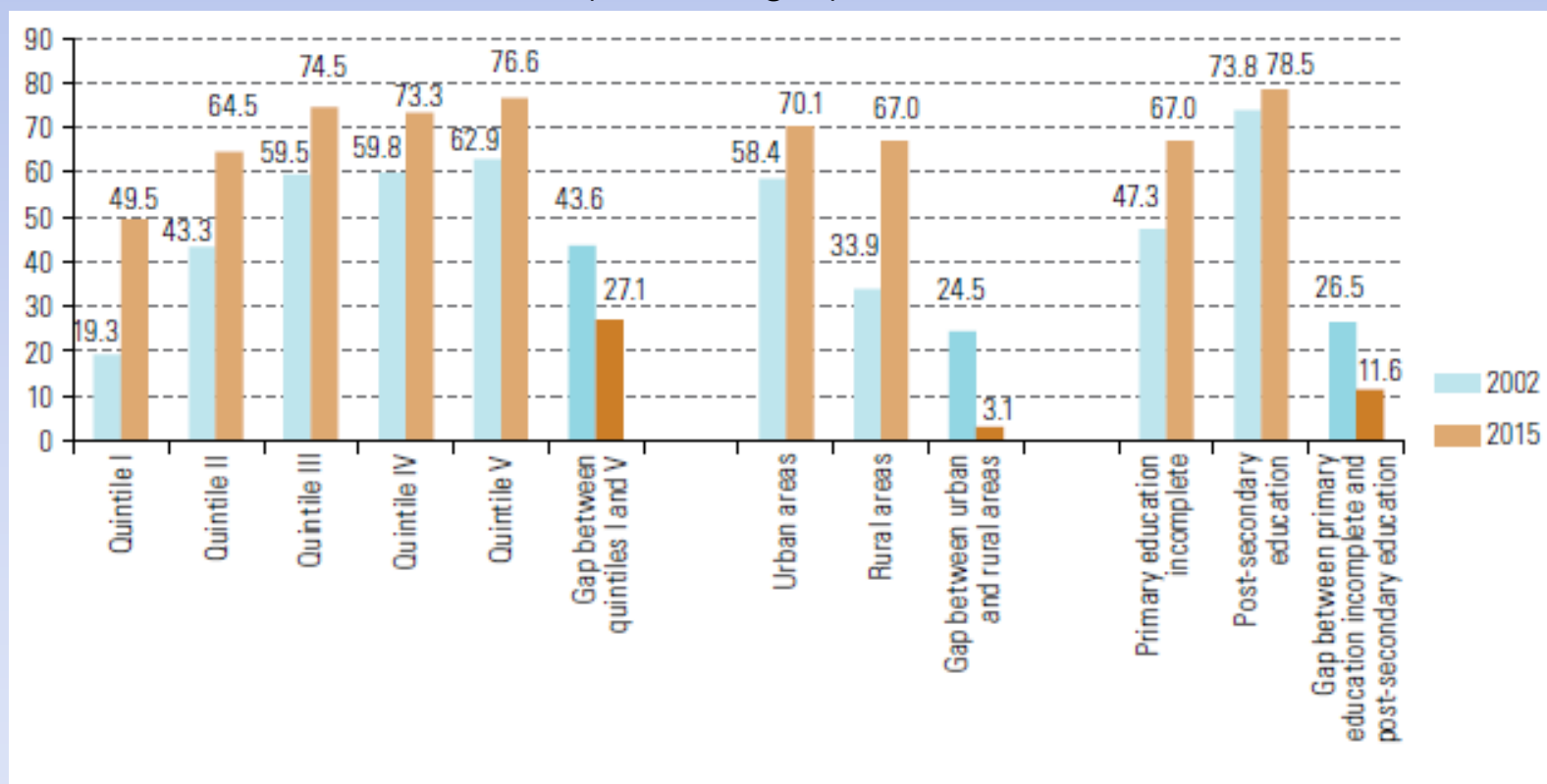


Source: Economic Commission for Latin America and the Caribbean (ECLAC), Social Panorama of Latin America 2016. ^a Simple average for 19 countries: Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Plurinational State of Bolivia and Uruguay. Information is available up to 2009 for the Bolivarian Republic of Venezuela and 2014 for Panama.

^b The countries with coverage wider than central government are Argentina, Brazil, Colombia, Costa Rica, Ecuador, El Salvador, Mexico, Peru and the Plurinational State of Bolivia.

Coverage of contributory social protection has increased but large gaps still exist

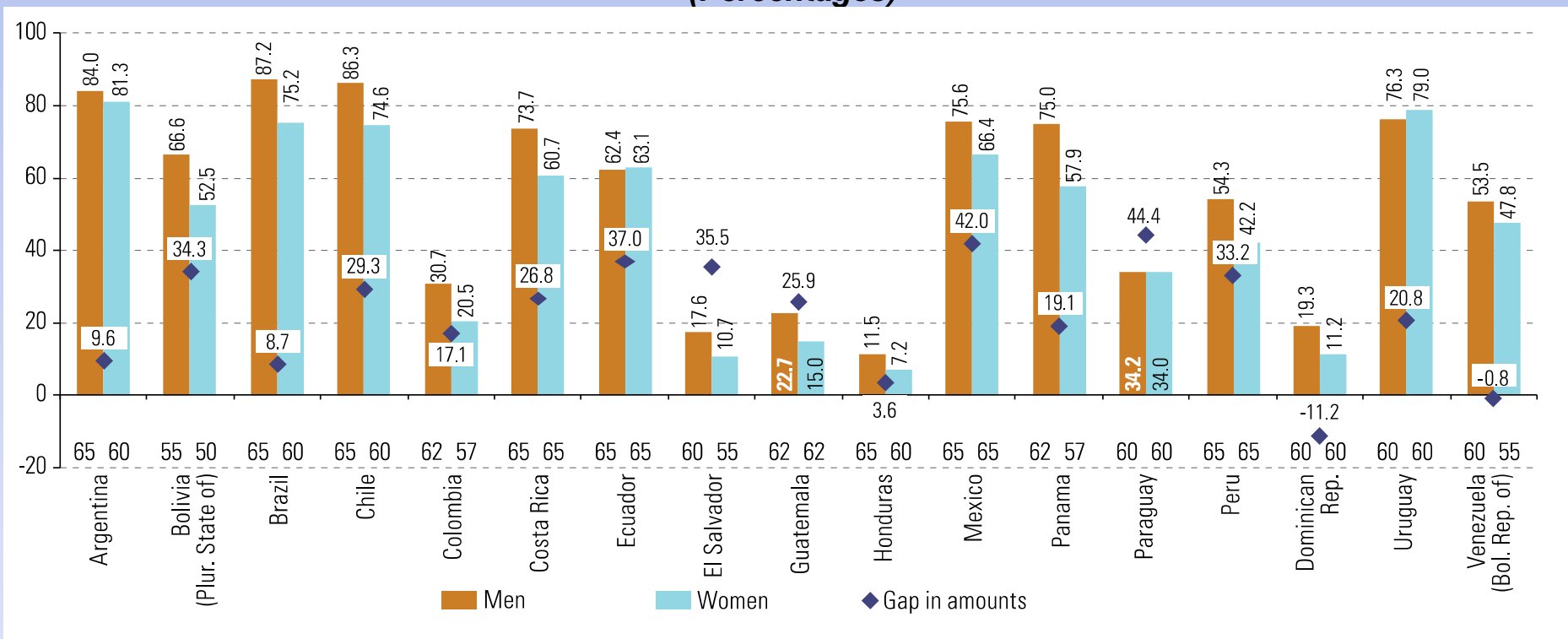
Latin America: persons aged 65 years or over who receive pensions and gap in pensions received, ^a by income quintile, ^b area of residence ^c and education level, b 2002 and 2015 (Percentages)



Source: ECLAC (2017), Social Panorama of Latin America 2017, on the basis of the Household Survey Data Bank (BADEHOG).
^a Difference in coverage between quintile V and quintile I, between urban and rural areas, and between those who have not completed primary school and those who have completed post-secondary studies. ^b Weighted average of 16 countries: Argentina (urban areas), Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Panama, Paraguay, Peru, Plurinational State of Bolivia and Uruguay (urban areas). The Bolivarian Republic of Venezuela is not included as information is not available for the entire reference period. ^c Weighted average of the following countries: Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Panama, Paraguay, Peru and Plurinational State of Bolivia.

Fewer women receive pensions than men, and the value of the pensions they receive are lower

Latin America (17 countries): proportion of men and women receiving contributory and non-contributory pensions as from the legal retirement age, and gender gap in the amounts received, around 2015a b (Percentages)



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

Note: The gap between the amounts represents the difference in average income received in contributory and non-contributory benefits by women and men of 65 years of age or over.

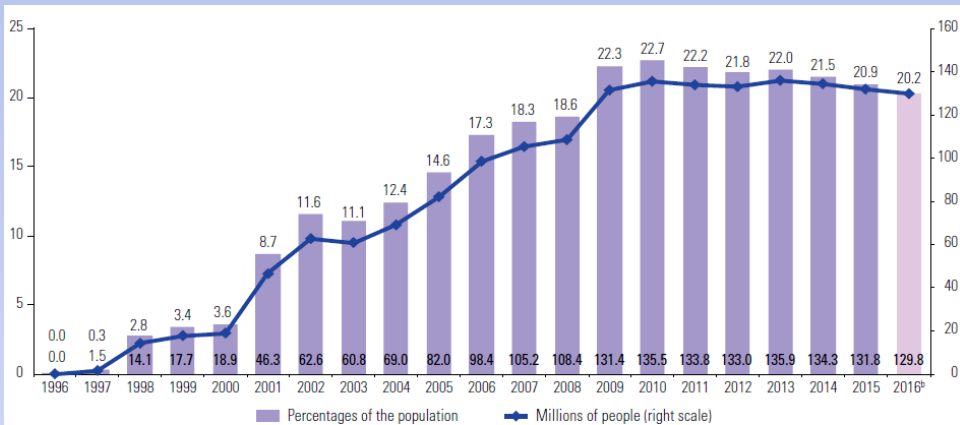
The area shown in a lighter shade represents the additional coverage of non-contributory pensions. The darker area includes survivor pensions in cases where they can be distinguished in the data source.

a The data refer to 2015, except in the cases of Argentina, the Bolivian Republic of Venezuela, Guatemala and Mexico where they refer to 2014. b The data report the national total, except in the case of Argentina, where they represent 31 urban agglomerations.

Non-contributory social protection coverage has grown, but it has now stabilized

Latin America and the Caribbean (20 countries): people in households participating in conditional cash transfer programmes, 1996-2016^a

(Percentages of the total population and millions of people)



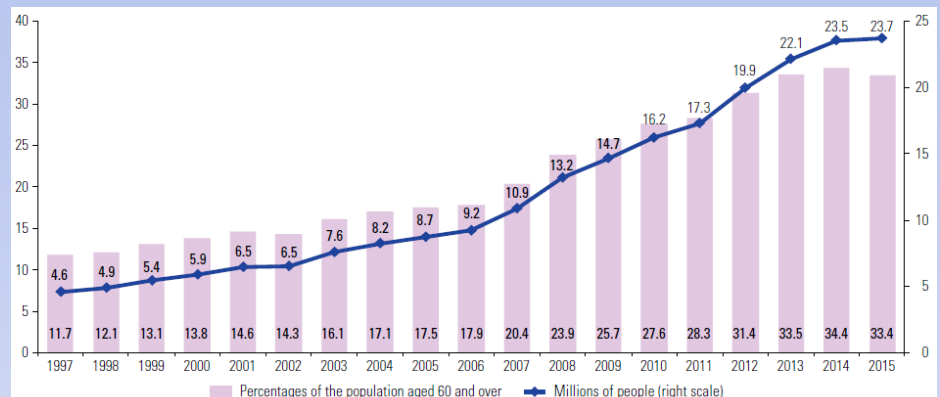
Source: S. Cecchini and B. Atuesta, "Conditional Cash Transfer Programmes in Latin America and the Caribbean: Coverage and investment trends", *Social Policy series*, No. 224 (LC/TS.2017/40), Santiago, Economic Commission for Latin America and the Caribbean (ECLAC), 2017.

^a The countries included are: Argentina, Belize, Bolivia (Plurinational State of), Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Mexico, Panama, Paraguay, Peru, Trinidad and Tobago and Uruguay.

^b Preliminary data.

Latin America and the Caribbean (15 countries): social pension coverage, 1997-2015^a

(Percentages of the population aged 60 and over and millions of people)

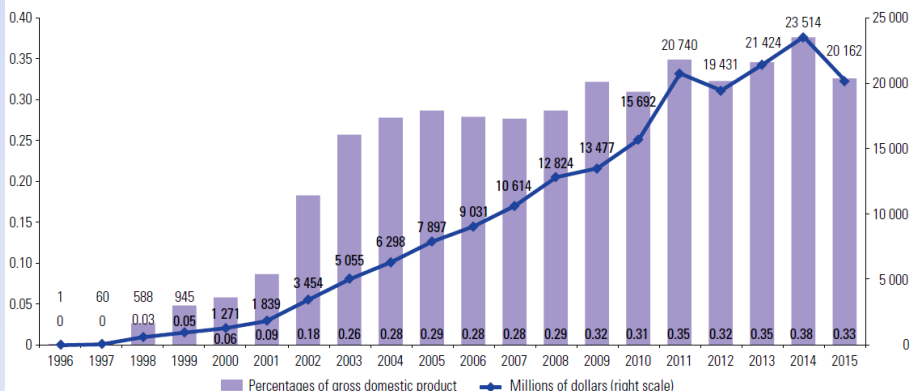


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from Non-contributory social protection programmes in Latin America and the Caribbean database [online] <http://dds.cepal.org/bpsnc/index-en.php>.

^a The countries included are: Argentina, Bolivia (Plurinational State of), Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Mexico, Panama, Paraguay, Peru, Trinidad and Tobago, Uruguay and Venezuela (Bolivarian Republic of).

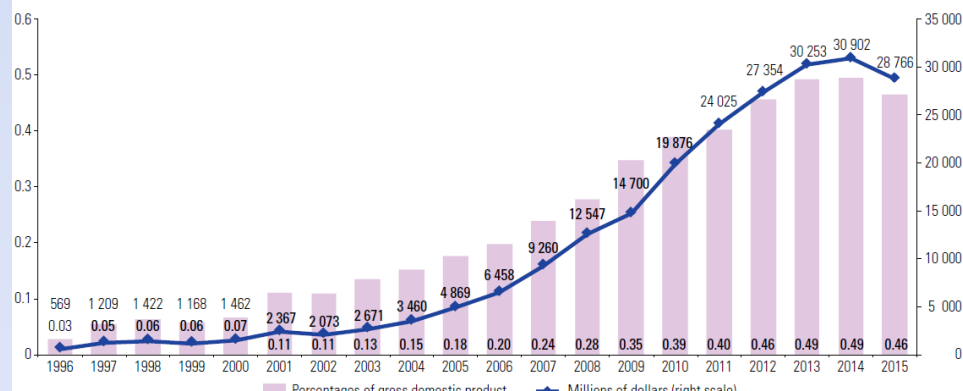
Latin America and the Caribbean (20 countries): public expenditure on conditional cash transfer programmes, 1996-2015^a

(Percentages of gross domestic product and millions of current dollars)



Latin America and the Caribbean (20 countries): public expenditure on social pensions, 1990-2015^a

(Percentages of gross domestic product and millions of current dollars)



Impact of non-contributory social protection on poverty, inequality and human capacities

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

Conditional cash transfers and social pensions have been found to have an impact on income poverty and inequality, although this impact varies

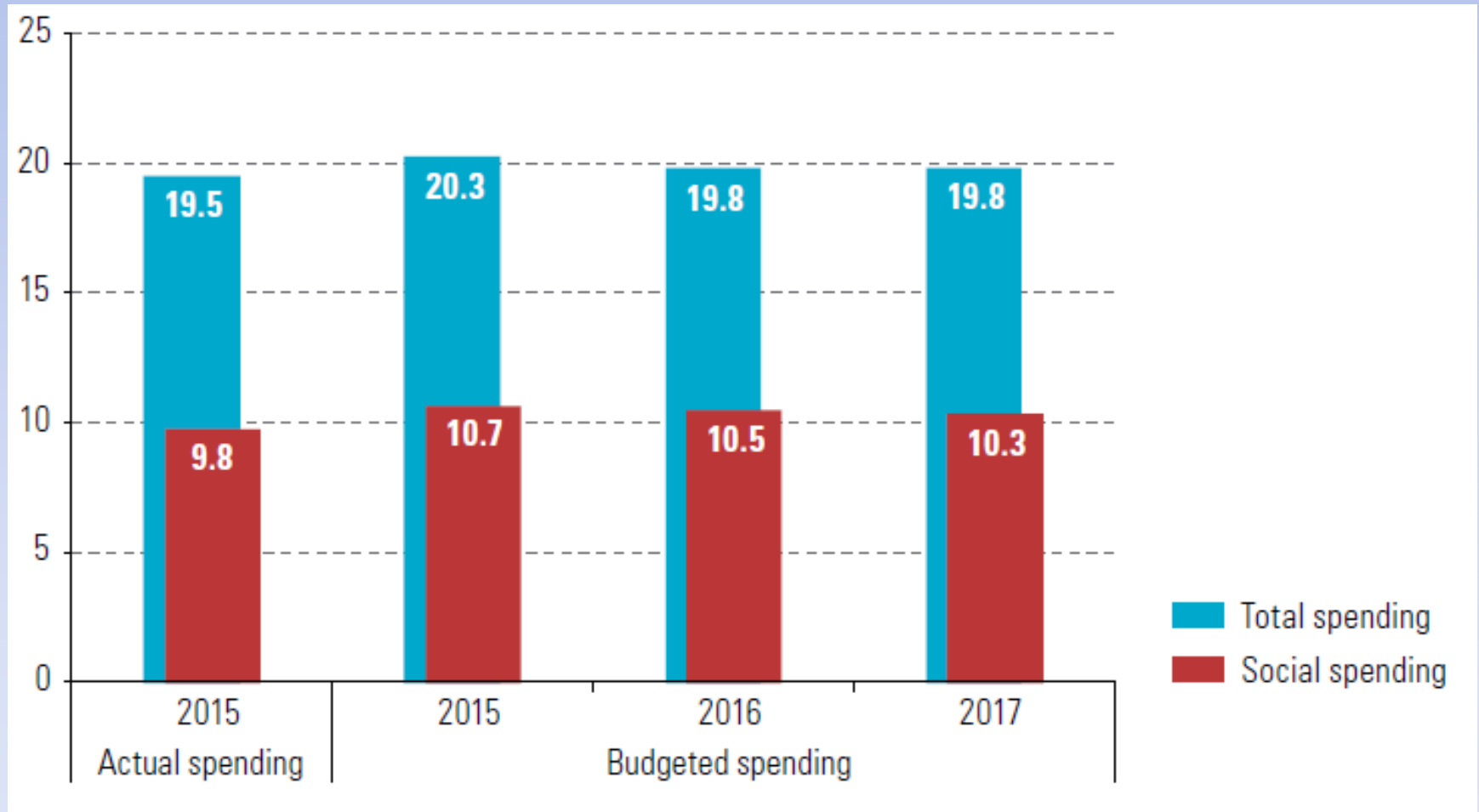
- In Brazil, *Bolsa Família* and *Benefício de Prestação Continuada* have **contributed significantly to the reduction of extreme poverty** (2.4 percentage points per year), **poverty** (1.7 percentage points per year) as well as of **inequality** (contributing to reduce the ratio of the richest decile to the poorest decile by 3.8 percentage points per year) (Gasparini and Cruces, 2012)
- Lustig, Pessino and Scott (2013) found for six Latin American countries that direct transfers –including CCTs and social pensions– **reduce the Gini coefficient** by between 2% (Bolivia and Peru) and 8.5% (Argentina)

LAC is now facing a complex context

- Low economic growth (2016: -1%; 2017: 1.3%; 2018: 2.2%)
- Social investment no longer growing
- Poverty reduction process stalled
- Continuing demands to increase coverage and improve quality of publicly-provided social services
- However, most States would be in a condition to collect greater amounts of fiscal resources

Total and social spending budgeted for 2016 and 2017 were lower than in 2015

Latin America (12 countries): executed and budgeted spending, total and social, 2015-2017^a
(Percentages of GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), Social Panorama of Latin America 2016. ^a Simple average of 12 countries: Argentina, Brazil, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama and Peru.

Key lessons learned to advance towards greater equality: the need for comprehensive policies

- Aim for rights-based public policies that are universal but sensitive to differences
- Strengthen social protection systems, aiming at universal coverage and to provide a guarantee of a basic income
- Coordinate poverty reduction programmes with a universal supply of quality health and education services and with labour and productive inclusion policies
- Mainstream gender
- Develop and strengthen care policies
- Protect social expenditure and boost progressive tax revenues