

Strategies to combat inequality and eradicate poverty in Latin America and the Caribbean

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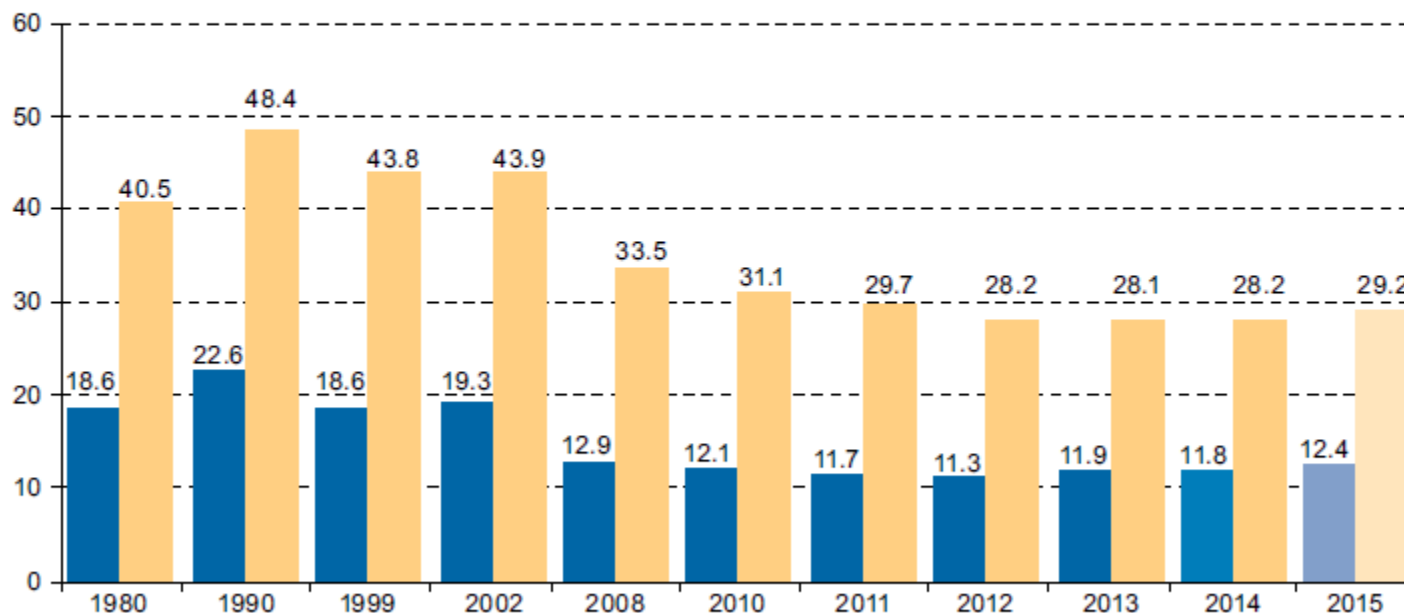
UN Expert Group Meeting “Evaluating the Implementation of the Second United Nations Decade for the Eradication of Poverty (2008-2017)”

New York, May 10-11, 2017

Poverty in Latin America: slow progress after 2010

Latin America (19 countries): poverty and indigence, 1980-2015^a
(Percentages and millions of people)

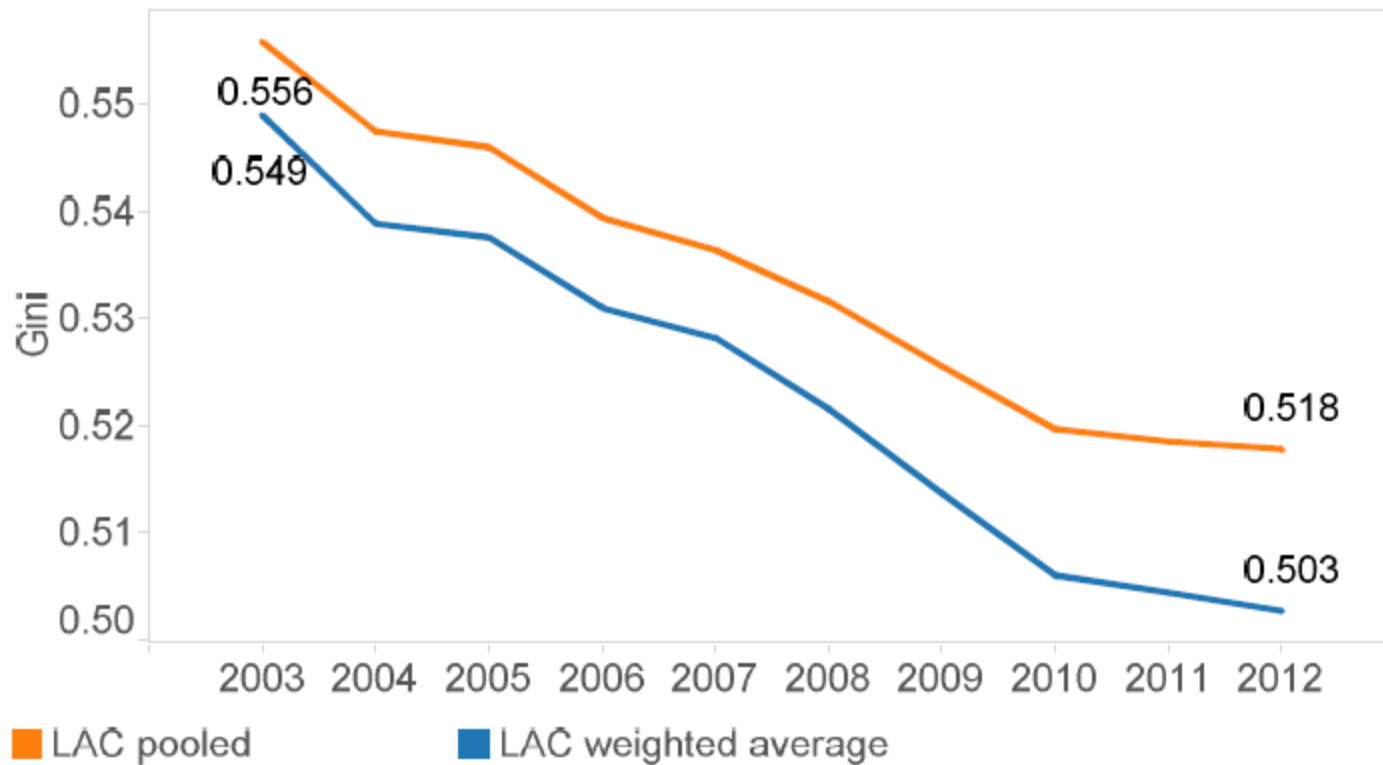
A. Percentages of people



Source: ECLAC. (2016). *Social Panorama of Latin America 2015*. Santiago de Chile: Economic Commission for Latin America and the Caribbean (ECLAC)

Inequality in Latin America: slow progress after 2010

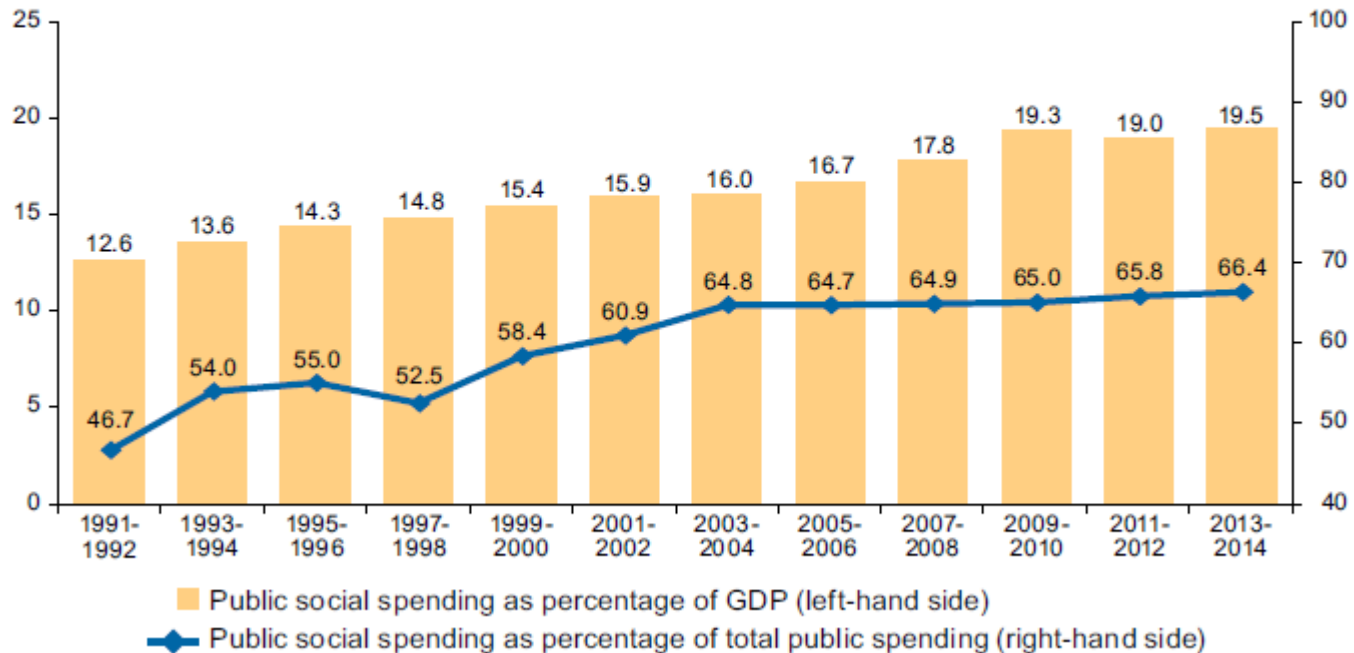
a. Gini coefficient



Source: Cord, L., et al. (2014). "Inequality Stagnation in Latin America in the Aftermath of the Global Financial Crisis." Policy Research Working Papers 7146, World Bank, Washington, DC.

Slight increase in social spending

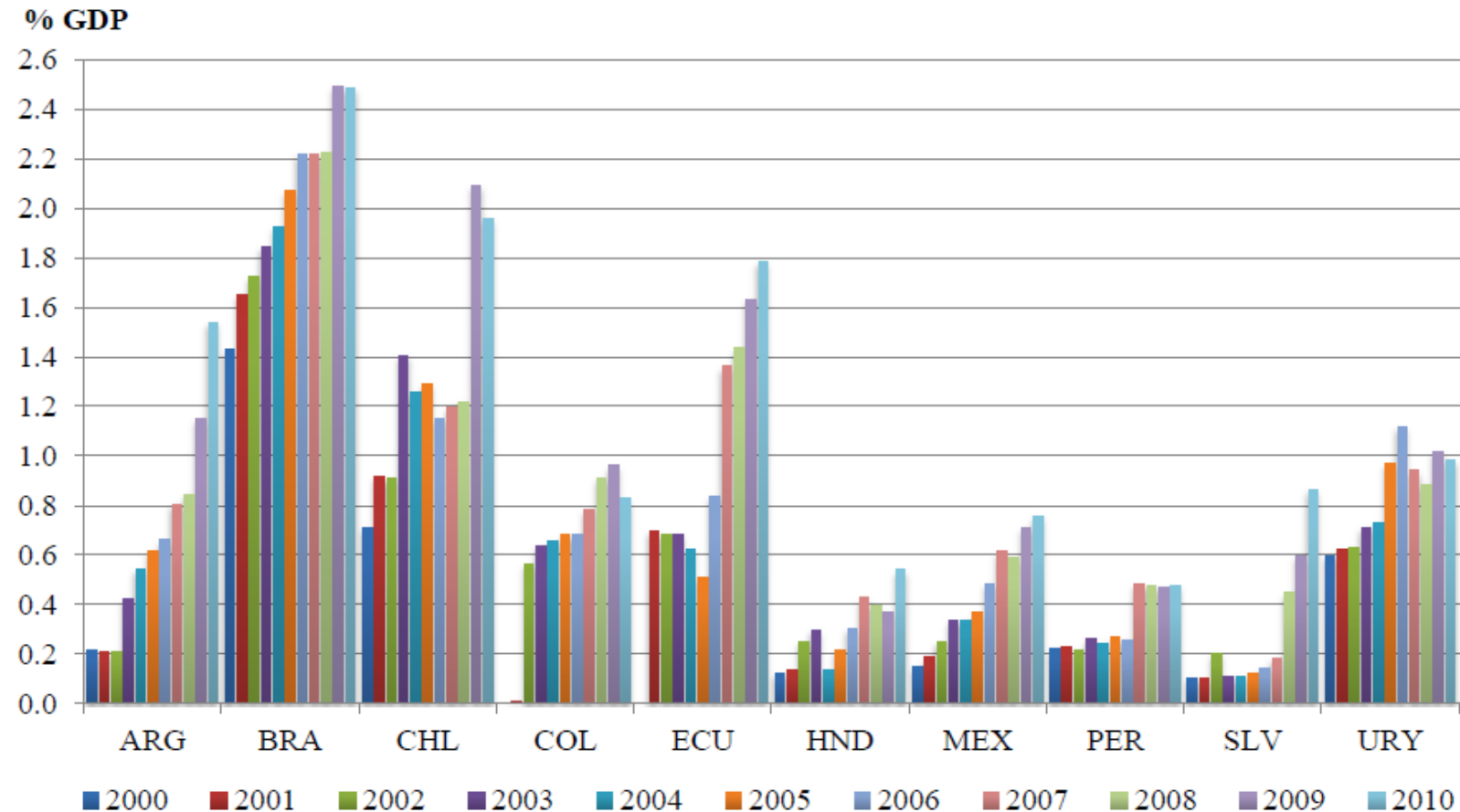
Latin America and the Caribbean (21 countries): public social spending as a share of GDP and total public spending, 1991-1992 to 2013-2014^{a b}
(Percentages)



Source: ECLAC. (2016). *Social Panorama of Latin America 2015*. Santiago de Chile: Economic Commission for Latin America and the Caribbean (ECLAC)

Substantial increase in social assistance spending

Figure 3: Social assistance spending as share of GDP by country, 2000 to 2010

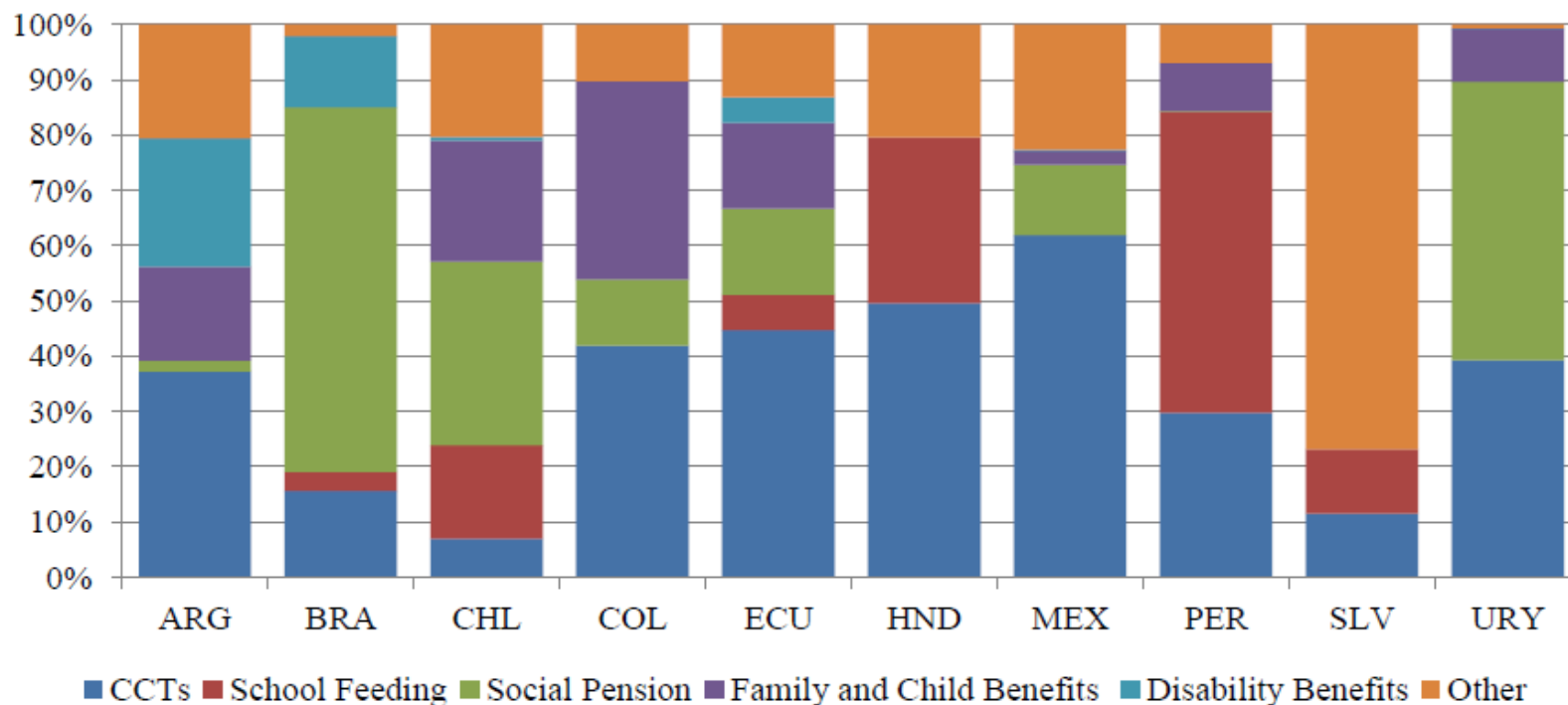


Notes: The data includes only central government level expenditures.

Source: Cerutti, P., et al. (2014). Social Assistance and Labor Market Programs in Latin America: Methodology and Key Findings from the Social Protection Database. Discussion Paper No. 1401. Washington D.C.: World Bank.

CCTs, social pensions and school feeding programs

Figure 4: Composition of social assistance spending in 2010



Notes: The data includes only central government level expenditures.

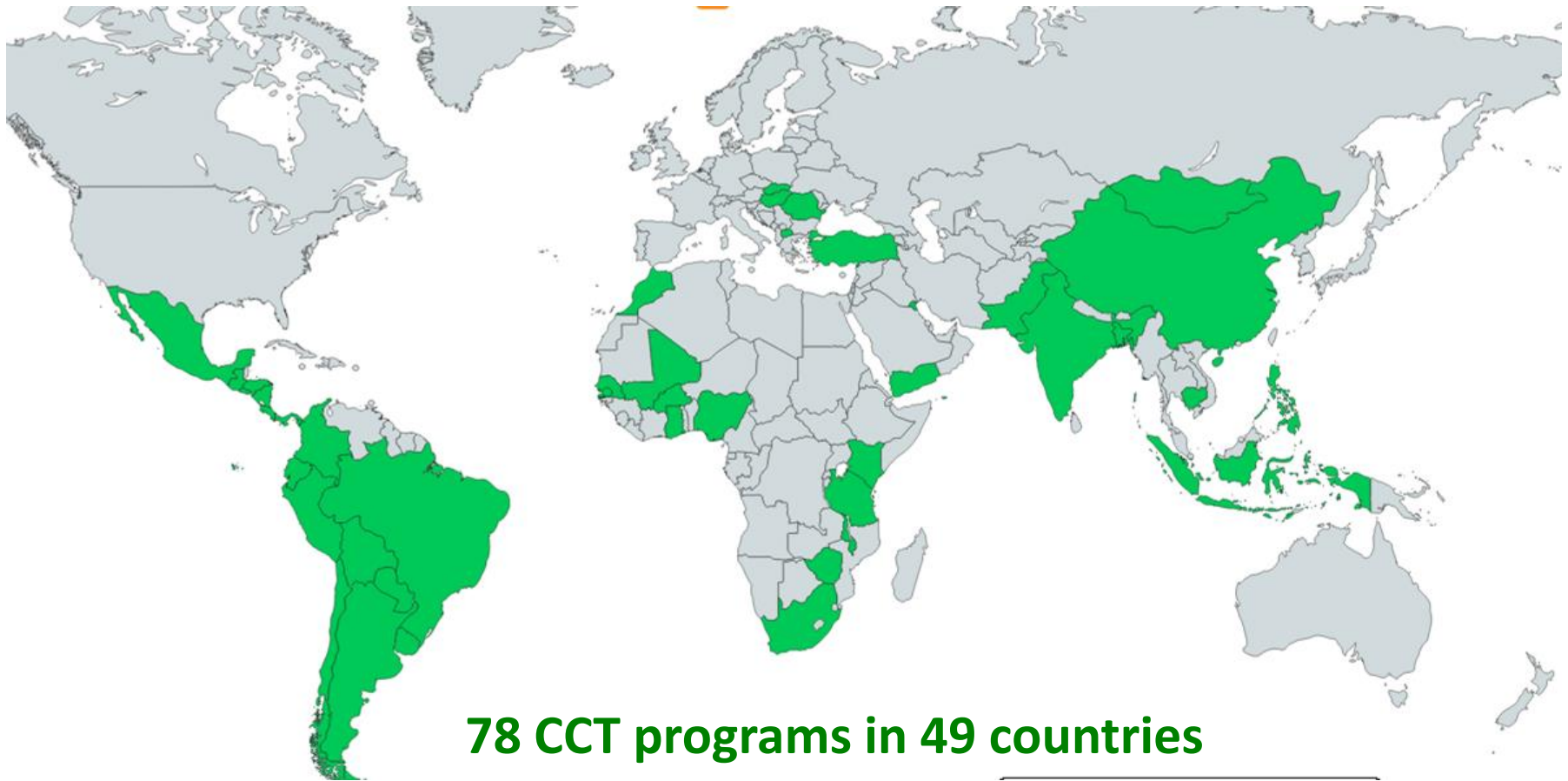
Source: Cerutti, P., et al. (2014). Social Assistance and Labor Market Programs in Latin America: Methodology and Key Findings from the Social Protection Database. Discussion Paper No. 1401. Washington D.C.: World Bank.

Agenda

- Social assistance programs
 - Conditional Cash Transfers
 - Social Pensions
 - School feeding programs
 - Youth Training
- Integrated/multifaceted programs
- Education and inequality

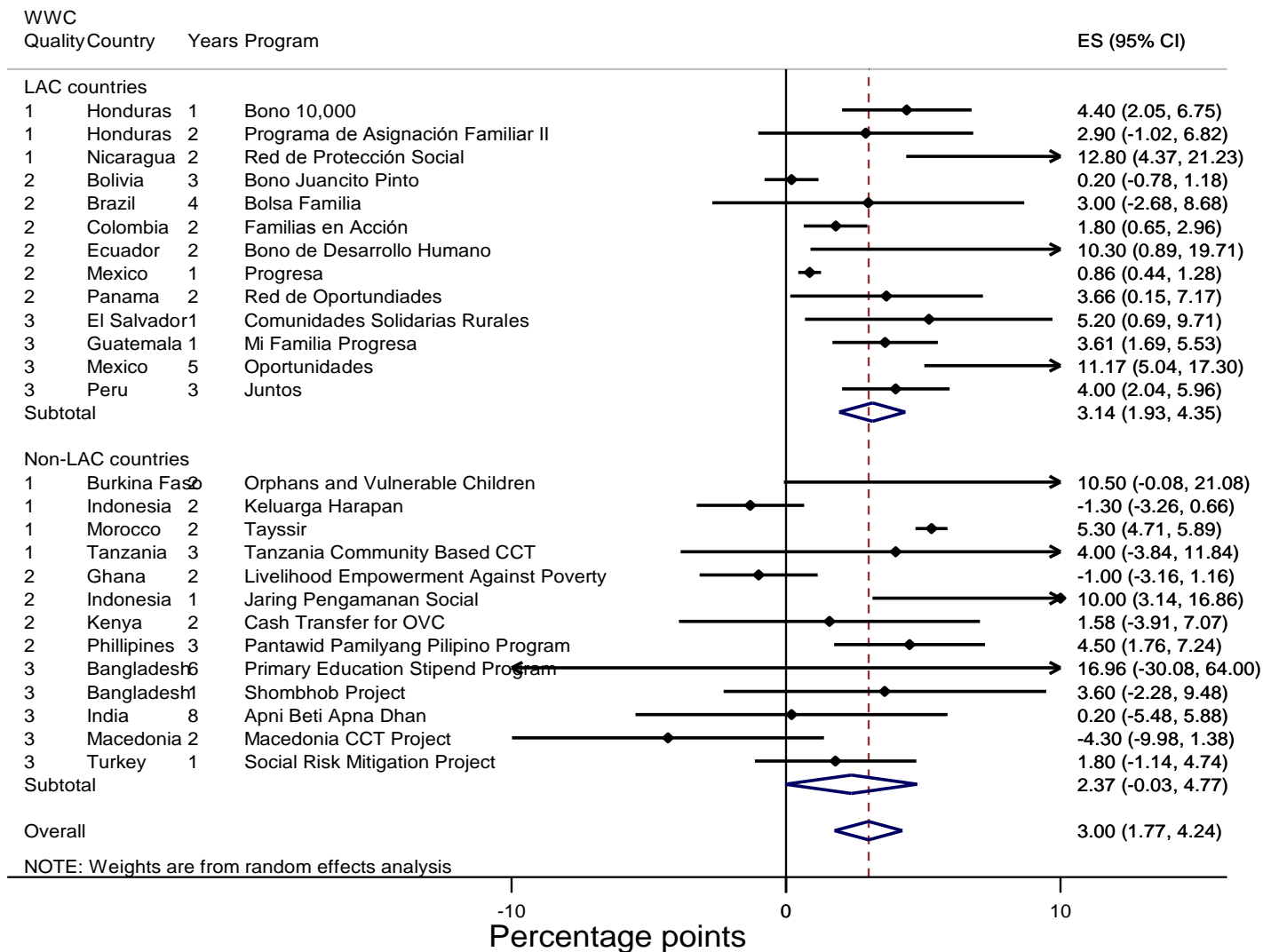
CCT PROGRAMS AROUND THE WORLD

Over 150 million
beneficiaries
worldwide



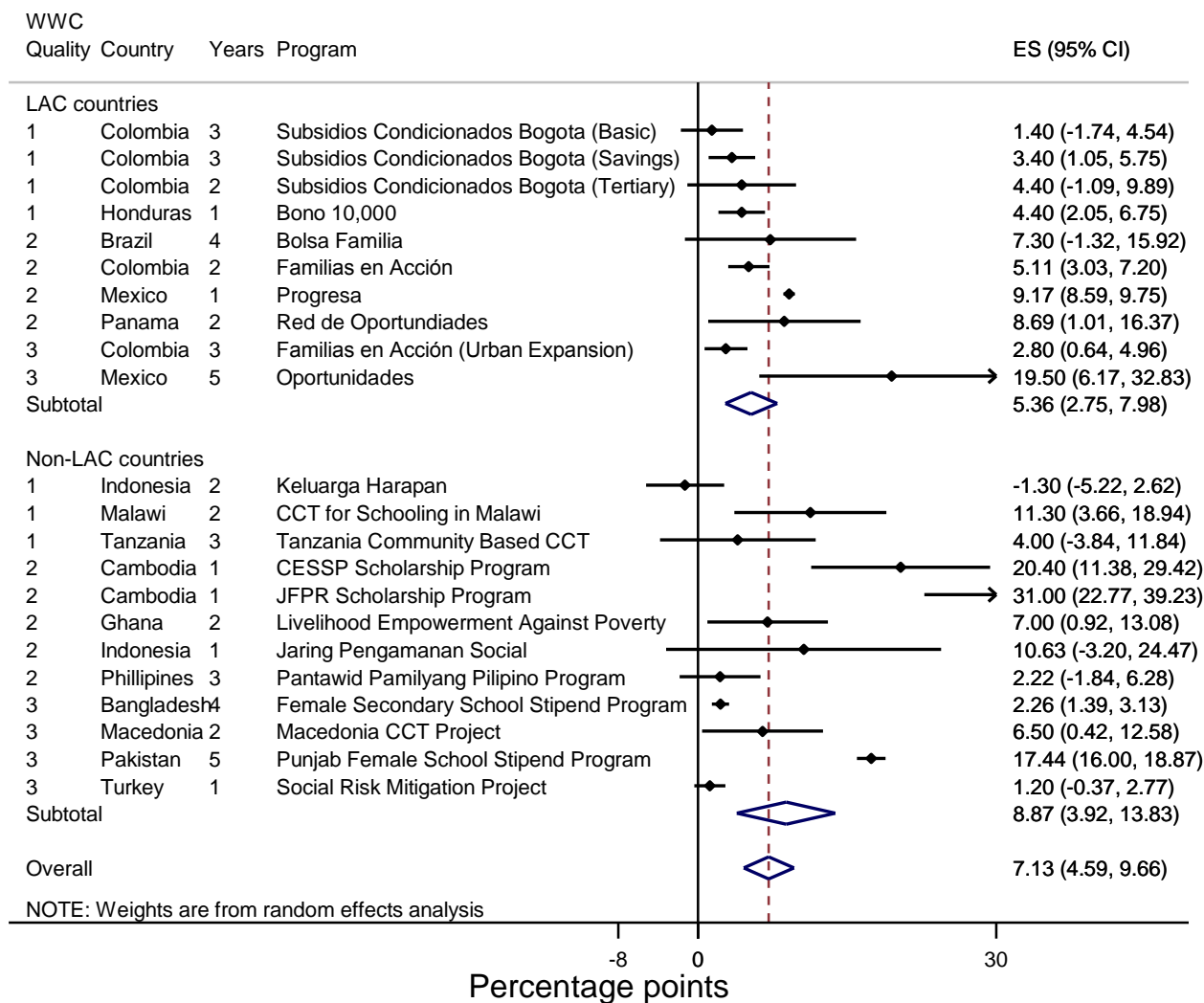
78 CCT programs in 49 countries
(19 in LAC)

Primary Enrollment-All Studies



Data source: García, S., & Saavedra, J. E. (forthcoming). Educational Impacts and Cost-Effectiveness of Conditional Cash Transfer Programs in Developing Countries: A Meta-analysis. Working Paper.

Secondary Enrollment-All Studies



Data source: García, S., & Saavedra, J. E. (forthcoming). Educational Impacts and Cost-Effectiveness of Conditional Cash Transfer Programs in Developing Countries: A Meta-analysis. Working Paper.

CCTs effectiveness in LAC

- Also significant effects on
 - Increasing primary and secondary attendance
 - Reducing primary and secondary dropout
 - Use of health care services (Filmer & Schady, 2009).
- Mixed effects on nutritional status (Bouillon & Tejerina, 2007; Filmer & Schady, 2009) .
- Limited effects on longer term outcomes
 - 0.5 to 1 additional years of schooling in LAC (Molina-Millan et al., 2016)
 - Small effects on school completion (García & Saavedra, forthcoming).
 - Small (or not significant effects on learning) (Báez & Camacho (2011), García & Hill (2010), Snilstveit et al. (2015)).

Program characteristics and effect sizes

- More stringent conditions (strict enforcement and monitoring of conditions) is associated with larger effects of CCTs on schooling outcomes (Baird et al. (2014)).
- Effects for primary enrollment attendance are larger in programs that complement cash transfers with supply side interventions (Garcia & Saavedra, forthcoming).
- Some individual programs suggest promising results from savings component at the end of high-school (Barrera, Linden & Saavedra, 2016).
- Transfer amounts not associated with larger effect sizes (Baird et al. (2014); Snilstveit et al. (2015)).

School feeding programs

- Represent an important proportion of social assistance spending in the region (over 30% of SA spending in Honduras and Peru).
- High levels of coverage among school-aged children (85% of children in the poorest quintile in Chile, Costa Rica, El Salvador and Panama (Cerutti et al., 2014)).
- Evidence on effectiveness is limited (Snilstveit et al., 2015).
 - Positive effects on school attendance (for Guyana, Peru and Jamaica – though not for Chile)
 - Small or no effects on cognitive development or test scores (although positive for children at risk)
- Challenges regarding implementation and targeting.

Social Pensions

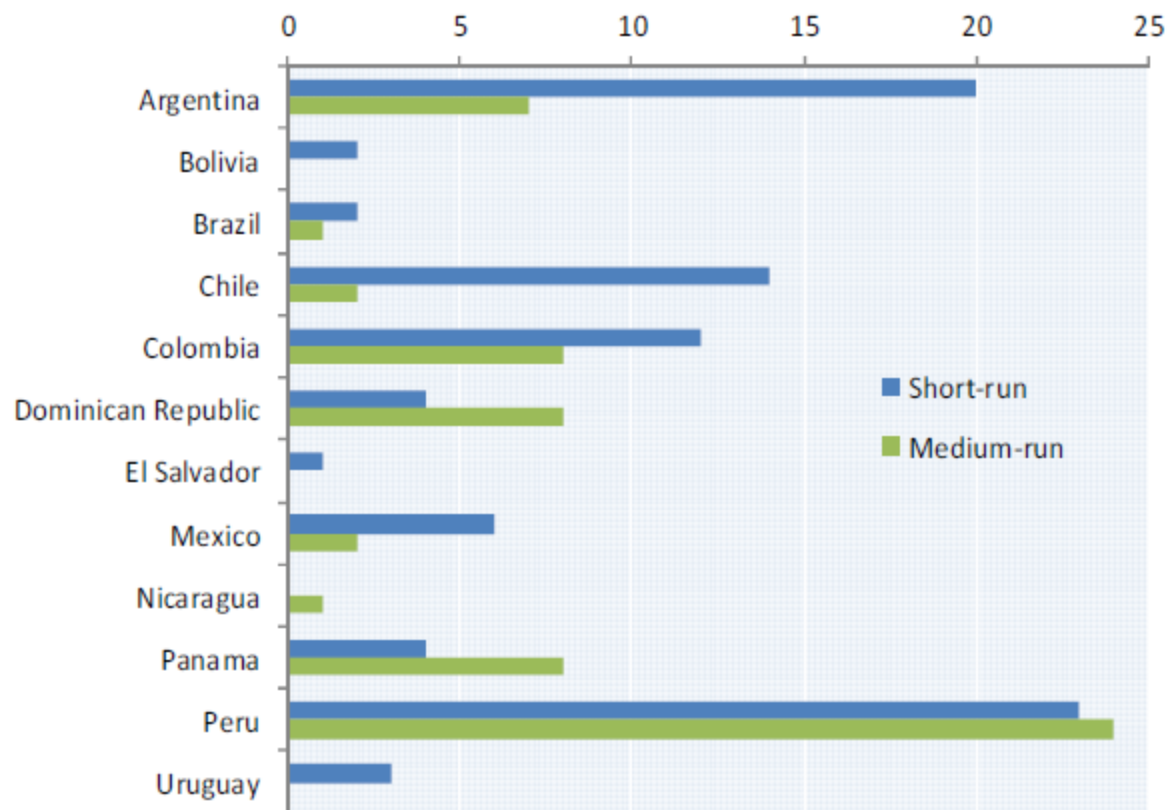
- Non-contributory pensions are increasing in terms of both spending and number of beneficiaries.
- In 2010, these programs represented close to 60% of social assistance spending in Brazil, 50% in Uruguay and 33% in Chile (Cerutti et al., 2014).
- In Mexico and Colombia SP spending almost doubled between 2010 and 2014: from 0.11 to 0.21% of GDP in Mexico, and from 0.08 to 0.14 % of GDP in Colombia (World Bank, 2017).
- Effectiveness:
 - Positive effects on health among beneficiaries (Aguila et al. 2015; Galiani et al. 2016).
 - Mixed effects on household consumption: positive for Mexico, no effect for for Brazil (Aguila et al., 2015; Kassouf & Oliveira, 2007).
 - Mixed effects on labor supply of other adults in the household: no effects for Mexico and negative effects for Brazil (Galiani et al. ,2016; Kassouf & Oliveira, 2012).
 - Mixed effects on beneficiaries' labor supply: reduction in Mexico and Brazil and positive for adults under 70 in Colombia (Galiani et al., 2016; Kassouf & Oliveira; 2012 Pfutzé & Rodríguez-Castelán, 2015).

Youth training programs

- Most common among active labor market programs (ALMP) in LAC.
- Present in at least 10 countries in the region (Dominican Republic, Colombia, Uruguay, Chile, Peru, Panama, Argentina, Venezuela, Paraguay and Haiti).
- Two main features:
 - Training is demand driven and depends on the needs of the productive sector.
 - Training includes not only classroom instruction but also on-the-job training (internship).

Short-term effectiveness larger than medium-term

Figure 5. Impact estimates in LAC meta sample by country



Source: Kluve, J. (2016). A review of the effectiveness of Active Labor Market Programmes with a focus on Latin America and the Caribbean. Working paper # 9. Geneva: International Labour Office, Research Department.

Long-term effectiveness of some programs

- Dominican Republic (*Juventud y Empleo*) has shown sustained impact on job quality (formal employment), particularly for men (Ibarrarán et al., 2015).
- Colombia (*Jóvenes en Acción*) has demonstrated a positive long-term effect on formal employment and earnings (Attanasio et al., 2015).
- These programs, in addition to technical skills training and in-job training, have a **soft-skills** component.

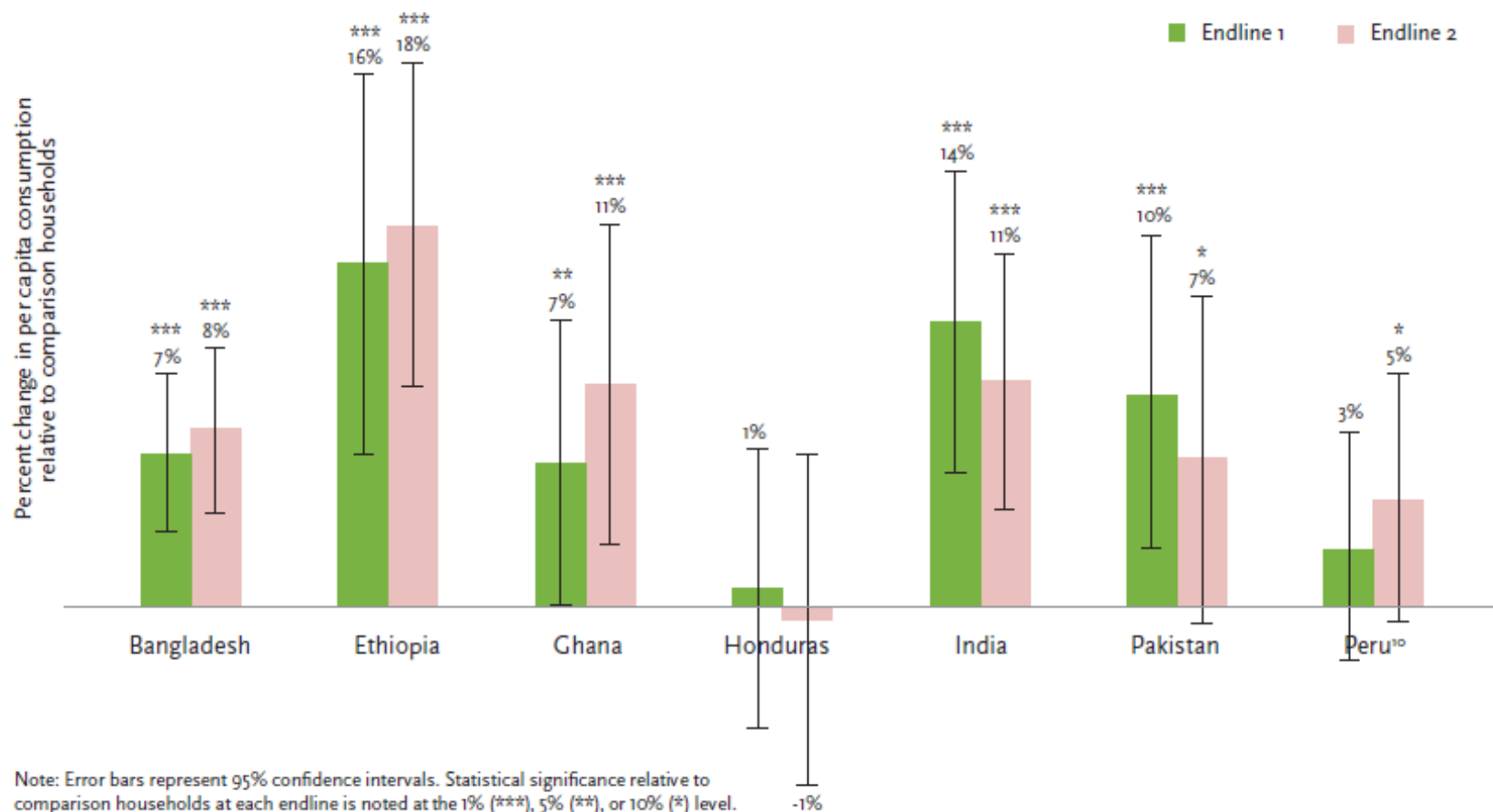
“Second generation” of social assistance programs

- Multidimensional multi-sectoral approach
- Integrated package of services to poor households.
- Preferential access to services
- Chile (*Chile Solidario*), Colombia (*Juntos/Unidos*), Brazil (*Brasil Sem Miseria*) and Mexico (*Prospera*).
- Conceptually appealing, however...
 - Very little evidence (so far only for Chile).
 - Small effects on poverty reduction and employment in the short term (Martorano & Sanfilippo, 2012; de la Guardia et al., 2011).
 - No effects on the long-term (Carneiro et al., 2015).

Multifaceted pilots

- “Ultra-poor graduation” programs
- Multicomponent: cash transfers, asset transfers, training, microfinance and health services.
- Pilot in Peru and Honduras
- Effects on income, consumption and food security are small (or zero) – substantially smaller than results from pilots in other regions (Banerjee et al., 2015).

FIGURE 2 IMPACT OF GRADUATION: PERCENT CHANGE IN PER CAPITA CONSUMPTION BY COUNTRY



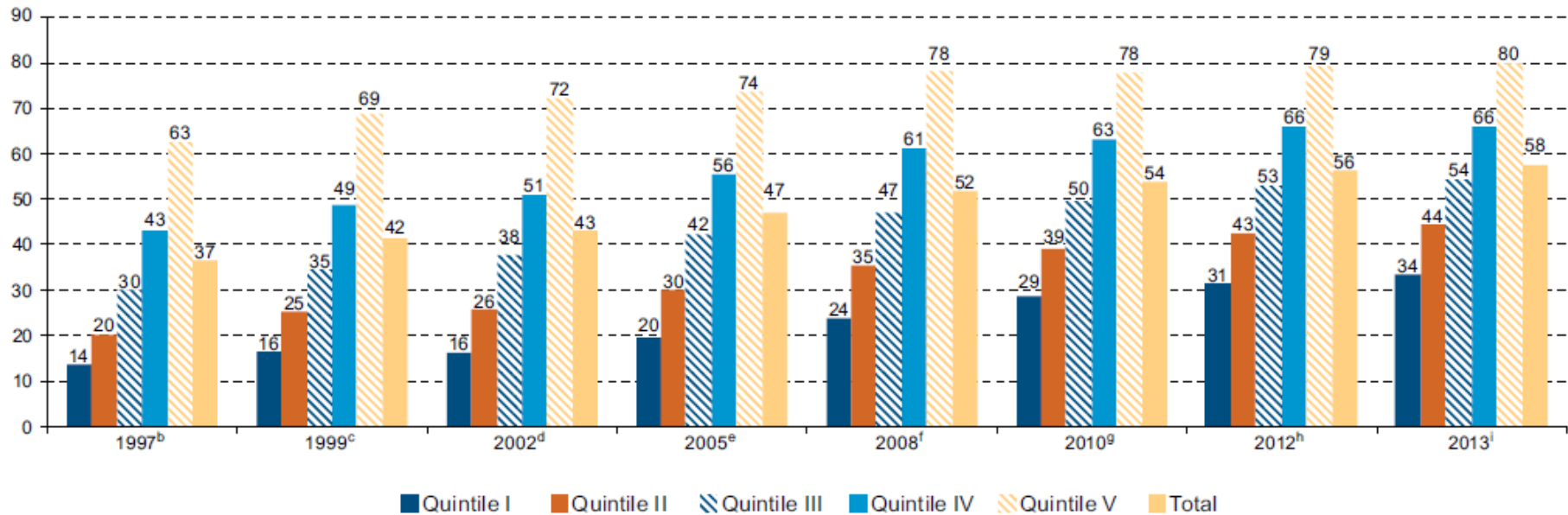
Source: J-PAL and IPA Policy Bulletin. 2015. "Building Stable Livelihoods for the Ultra-Poor." Cambridge, MA: Abdul Latif Jameel Poverty Action Lab and Innovations for Poverty Action.

What's next?

- Cannot rule out multicomponent programs with the evidence so far. Some unanswered questions:
 - What is the right bundle of services? (type of assets, training, etc.)
 - How to reach remote areas with the right services?
 - What is the minimum quality and intensity to guarantee sustained impacts on poverty reduction?
- Time for a “new generation” of CCTs. Changes in design
 - Conditionality
 - Additional incentives in school transitions (primary to secondary, secondary to higher education)
 - Complement with supply-side interventions (Access to quality of services)
- Role of the educational system in the long-run

Inequality in secondary school completion

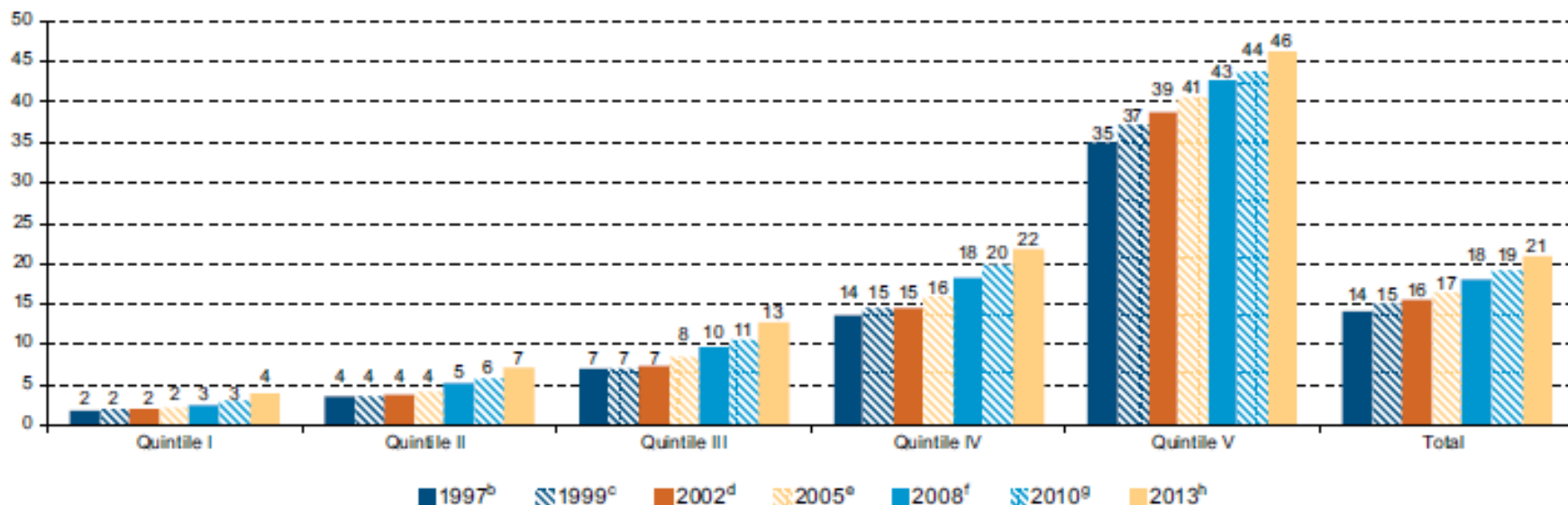
Latin America (18 countries): secondary education completion rates among population aged 20 to 24, by income quintile, 1997-2013^a
(Percentages)



Source: ECLAC. (2016). *Social Panorama of Latin America 2015*. Santiago de Chile: Economic Commission for Latin America and the Caribbean (ECLAC)

Strong inequality in access to higher education

Latin America (18 countries): post-secondary education, population aged 25 and over, 1997-2013^a
(Percentages)



Source: ECLAC. (2016). *Social Panorama of Latin America 2015*. Santiago de Chile: Economic Commission for Latin America and the Caribbean (ECLAC)

Conclusions

- Progress in social indicators in LAC.
- Demonstrated effectiveness of some social assistance programs, particularly CCTs.
- Despite positive impacts on short-term outcomes, effectiveness on long-term outcomes aimed at reducing poverty and inequality is limited.
- Time for a “new generation” of programs after CCT wave.
- A more systemic approach to social protection is needed.
- Further research needed on multicomponent programs.
- Combating inequality requires structural changes in the education system: one that guarantees access to good quality education to all, particularly for vulnerable children and youth.