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Region: UN Report Shows Inequality Still Scourge in Latin America

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Category/Department: Region
Published: Thursday, August 5, 2010

With 10 of the world's 15 most unequal countries, Latin America is the globe's most unequal region where women, the indigenous, and people of African descent face the greatest difficulty in escaping the lower classes' chronic intergenerational "inequality trap," according to a new UN report.

The UN's first Human Development Report for Latin America and the Caribbean, "Acting On The Future: Breaking The Intergenerational Cycle Of Inequality," released in July, shows Bolivia and Haiti as the most unequal with Gini Index ratings of 60 and 59, respectively. The index rates the gap between family incomes where 100 is perfect inequality and 0 is perfect equality.

Uruguay (45) and Costa Rica (47) are the region's least unequal. But Latin America's best equality performers still fall short of the most unequal developed nations of the world—Portugal (41) and the US (40).

"In Latin America, we are the champions of inequality," said Heraldo Muñoz, UN Development Programme (UNDP) regional director for Latin America and the Caribbean. "It's an inheritance of centuries."

And until the middle of the last decade, the trend was worsening. One of the bright spots in the UNDP report is that the trend toward greater inequality in Latin America measured in the 1990s has started turning around. But that doesn't hide sobering statistics that suggest continued improvement will be a challenge.

Despite a growing trend of conditional cash transfers (CCTs) that are helping improve the health and education levels of children in impoverished families, low upward mobility is widespread. Increasing violence from gangs and transnational crime, persistent discrimination against women and ethnic minorities, and weak, corruption-prone political systems aggravate inequality.

"This is a problem that could increase," said Muñoz. "The task we have ahead is very big...If we don't attack this problem it will punish us in the future and it will cause difficulties for all the governments that are not able to formulate policies to attack this phenomena of inequality."

**Growth not everything**

After decades of turmoil, Latin America has achieved relative political and economic stability—even if 2009’s global recession and the Honduras coup (see NotiSur, 2009-07-02) underscore the region's latent risks. Led by Brazil, Latin America appears charging out of the downturn toward strong economic growth, piquing hope that the economic struggles that increased poverty in the region can be overcome.

But economic growth, while a key component in eradicating poverty, is not a guaranteed cure for inequality. "There are structural limits to what economic policies can do if they strictly trust in
economic growth [to reduce inequality], and there have been economic models in the region that assume with economic growth there will be a trickle-down effect and that the invisible hand of the market will resolve everything," said Muñoz. "The data we are presenting shows it is not like that."

Muñoz said specific public policies of wealth redistribution are key to reducing inequality. The model cash-transfer programs—such as Mexico's Oportunidades, Chile's Solidario, or Brazil's Bolsa Escola—have shown to be successful by providing much-needed cash support to impoverished families on the condition, among others, that children stay in school.

"The have had success," said Muñoz. "They have effectively achieved lowering inequality in those countries."

The programs give the target children the opportunity to break the generational cycle of inequality and poverty by providing them education that they otherwise would have had very little likelihood of obtaining. In Chile today, seven of 10 university students come from a family that for the first time has had someone receive a higher education, said Muñoz.

"This is a phenomenon of social cohesion that means this young person who is entering university will have the opportunity to become a technician or a professional and have an income that his or her parents never had, and this reduces the gap," said Muñoz.

But increasing access to education exposes another systematic inequality problem: quality of public education. While attending any school is better than not receiving any formal education, Muñoz said graduates of a private city school generally have received considerably better education than their rural publicly educated counterparts.

These and other inequality indicators were studied under the UNDP report. Access to basic infrastructure like water and electricity, quality of housing, and the influence of corruption and discrimination were also factored into the evaluation.

In Central America, with the notable exception of Costa Rica, the UNDP found some of the greatest levels of inequality regarding access to basic infrastructure and quality of housing when comparing the richest 20% of the population with the poorest 20%. Bolivia, Peru, and Paraguay were among the poorest equality performers in these areas in South America.

Throughout the region, women were more likely than men to work in the informal sector and to earn less even when performing the same task as their male counterparts. The study also found that indigenous groups and people of African descent were consistently poorer than citizens of European descent—again, with the notable exception of Costa Rica.

The UNDP study also found that the percentages of upper, middle, and lower classes hardly varied between 1992 and 2006. The study postulated that if inequality rankings were applied to the UNDP's Human Development Index (HDI) of countries, Latin American countries' ratings would drop by an average of between 6% and 19%.

Harder-to-measure factors also weigh on inequality, said Muñoz. "There are even psychological factors," he said. "Some families that feel that they have always been poor and that they will continue being poor [ask] why bet on sending a child to school if after everything the future will be so pessimistic and so negative?"

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In parts of Central America—notably Guatemala, Honduras, and El Salvador, countries already afflicted by poverty and some of the region's highest levels of inequality—drug-related violence has become an aggravating factor in human development.

"Violence is increasingly having an impact, not just social, not just political, but also economical, and for this reason it is having an ever greater effect on human development," said Muñoz. "The issue of crime has a lot to do with organized, transnational crime—the maras of Central America, but in general drug trafficking is having a very, very severe effect on human development."

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