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## **Regional Economic Reports Cite Rising Poverty, Unemployment in Latin America**

*by LADB Staff*

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Recent reports on regional economic conditions raise concern that, despite continued low inflation and moderate growth, the majority of Latin Americans are excluded from any economic benefits as they face job loss and a growing gap in wealth distribution. Financial institutions see the disparity as a potential threat to political stability. With poverty, corruption, and crime deeply entrenched, many fear the region could revert to its tradition of coups and military caudillos.

In its analysis of Latin America and the Caribbean, the World Bank said 40% of the region's population live in poverty and approximately one-fourth subsist on less than US\$1 per day. Some 100 million people lack regular access to health care. Efforts to consolidate democracy are hampered by corruption, cronyism, and court systems too weak to function. Increasingly, Latin Americans are questioning whether democracy has given them any more control over their destinies and whether it has improved their lives. "There are still too many citizens who exercise their right to vote, but, after the election is over, feel few benefits from the decisions made by their officials," said US President Bill Clinton in Chile before the April Summit of the Americas.

Acting on its concerns, the World Bank plans to lend about US\$20 billion to Latin American countries over the next three years to improve education and infrastructure to help narrow the gap between rich and poor. ECLAC report sees income gap widening In a report released May 27 on poverty and income distribution between 1995 and 1997, the UN's Santiago-based Economic Commission on Latin American and the Caribbean (ECLAC) cited possible repercussions from rising unemployment and persistent poverty.

"In the context of the restoration and deepening of democracy, the challenge of equity is not restricted to reducing poverty," said ECLAC's executive secretary Jose Antonio Ocampo. "It must also include equality of opportunity and income distribution. Social exclusion and an acute sense of injustice not only raise ethical problems but also damage growth and political stability." Latin America's unemployment has prevented any significant progress in fighting poverty, despite economic growth. In some countries, poverty has increased.

The ECLAC report said the skewed distribution of wealth has further aggravated the economic woes of those on the bottom. Chile was the only country that maintained sufficient growth to significantly reduce poverty, which dropped from 40% in 1990 to 25% percent in 1997. The country is still hampered, however, by "the acute concentration of incomes resulting from the reform process."

Looking at income distribution in the region, the richest 10% of the population holds 40% of the wealth, while the poorest 10% only controls 2% to 3% of the wealth. Even more alarming is the

"nonsalary income" category, where the distribution is the "worst in the world." Aggravated by the growth of the labor force and by the high number of low-productivity jobs, unemployment is increasing everywhere but Chile, Peru, and Nicaragua. Ocampo said that, although Nicaragua saw a slight improvement in employment, that improvement was in relation to earlier "very deteriorated levels." "Some 84% of new jobs have been generated in the informal sector, which is characterized by low productivity and incomes," said Ocampo. "The income gap between professional and technical categories and less skilled workers has widened by about 50%."

Ocampo said in each country in Latin America, some sectors will profit from the opportunities of globalization, but others are unable to become integrated and will not do so without specific policies and programs to meet their needs. Lowest-paying jobs increasing Other regional experts also point to the deterioration in the quality of jobs.

A report by the International Labor Organization (ILO) said 56% of all jobs in Latin America are in the informal sector, which further increases the poverty of the population. "During the 1990s, the high concentration of wealth characterizing the majority of Latin American countries has been maintained," said the ILO. This coexists with "an equally elevated concentration of educational capital and physical and financial assets."

The ILO report called attention to the 18 million children in Latin America who work, many of them in at-risk conditions, and the majority jeopardizing their possibilities for human development. The organization recognized the complexity of the problem, which involves both economic necessity and cultural dimensions but it nevertheless called for the eradication of child labor. IDB says growth will not be enough to reduce unemployment Similarly, participants at a mid-May meeting in Montevideo of the Inter-American Development Bank (IDB) said it is clear that unemployment in Latin America will not diminish in the near future because growth in GDP, which averaged 3.5% last year, is not enough to reduce it.

The region's 10 million unemployed include 6 million women and the total also includes 5.5 million under 25 years of age. "Unemployment cannot be tackled without growth, and although that is indispensable, by itself it is not enough," said Uruguayan President Julio Sanguinetti. Sanguinetti gave the example of Argentina, which has achieved a "noteworthy and sustained" growth but has been unable to overcome high unemployment. IDB president Enrique Iglesias said the problem is a result of "globalization and technological transformation."

"In the final analysis, the problem lies in training people and in education in a broad sense," said Iglesias. In response to the problem, the IDB is sponsoring training programs for 20% of the teachers in Latin America. It is also earmarking US\$500 million to publish textbooks and to build, with the help of the governments in the region, 30,000 classrooms. Ocampo said most Latin Americans will not participate in the global progress currently taking place. He said this cannot change without specific policies that strengthen the relation between productive transformation and equality. But the challenge must be met "because social exclusion and lack of participation in the democratic process affect growth and stability." [Sources: The News (Mexico), 04/20/98; Inter Press Service, 05/24/98; Notimex, 04/27/98, 05/01/98, 05/27/98; Associated Press, 05/23/98, 05/27/98]

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