

8 Understanding chronic poverty in Latin America and the Caribbean

While rates of absolute poverty in Latin America and the Caribbean (LAC region) are relatively low compared to other developing regions, the proportion of the poor that are chronically poor is relatively high. Despite widespread economic growth in the 1990s, the picture has not improved, and at present rates the region will not meet the MDG of halving absolute poverty by 2015. Persistent poverty is generally attributed to the high levels of inequality in the region, much of which is associated with race and ethnicity, which give people few chances to escape poverty.

Poverty trends in Latin America and the Caribbean

Although aggregate rates of absolute poverty in the LAC region are relatively low, national rates range from negligible numbers in countries like the Dominican Republic, up to a fifth of the population in Ecuador, El Salvador and Paraguay, and almost a quarter in Honduras. In Bolivia and Haiti these figures are likely to be much higher. Although Latin America and the Caribbean has some of the best human development indicators, on average, there is significant diversity between countries (see Table 8.1). Haiti plus most of Central America and Bolivia fare the worst.

Although human development indicators have improved over the past two decades, aggregate per capita household

expenditure has barely risen – on average less than half a percent – despite economic recovery and positive growth in the 1990s. In some countries, such as Peru, poverty rates rose and poverty

Persistent poverty in Latin America is largely a distributive problem. Inequality undermines the potentially positive impacts of growth on the poor, as well as hindering growth itself.

gaps widened alongside substantial economic growth. It is estimated that the absolute number of poor¹ people rose by nearly 11 million between 1990 and 1999 – 7.6 million in the last two years.² The numbers of indigent³ people declined by about 4 million over the same period, but estimates suggest that by

2001 these absolute gains had been largely erased, and the picture worsened in 2002 due to negative growth.

Persistent poverty in Latin America is, to quite a large extent, a distributive problem (see Table 8.2). Where growth has been achieved, its potential positive impact on the poor has been undermined by inequality – which also holds back growth itself. Regional levels of inequality are among the highest in the world and did not decline significantly in any Latin American country during the 1990s; four countries showed significant increases.⁴

There are two main processes behind the persistence of inequality. First, neo-liberal reforms have contributed to widening economic inequalities as the benefits of growth have been very unequally spread. Second, underlying socio-economic structures are deeply rooted in Latin America's colonial past. Inequality persists on the basis of the concentration of land in the hands of the very few; extractive economic industry (rubber, minerals, oil and natural gas); commodity-based exports (sugar, bananas and coffee); and the history of slavery and indentured labour that irreversibly transformed societies. Racial and ethnic stratification form the bases for exclusion and adverse incorporation. Further, many countries of the region have long been characterised by powerful, centralised and often clientelistic states, as well as several decades of military dictatorship, and not yet been transformed by recent democratic reforms. These political structures have further exacerbated the concentration of power and accentuated prevailing inequalities.

Figure 8.1 Chronic poverty in Latin America and the Caribbean

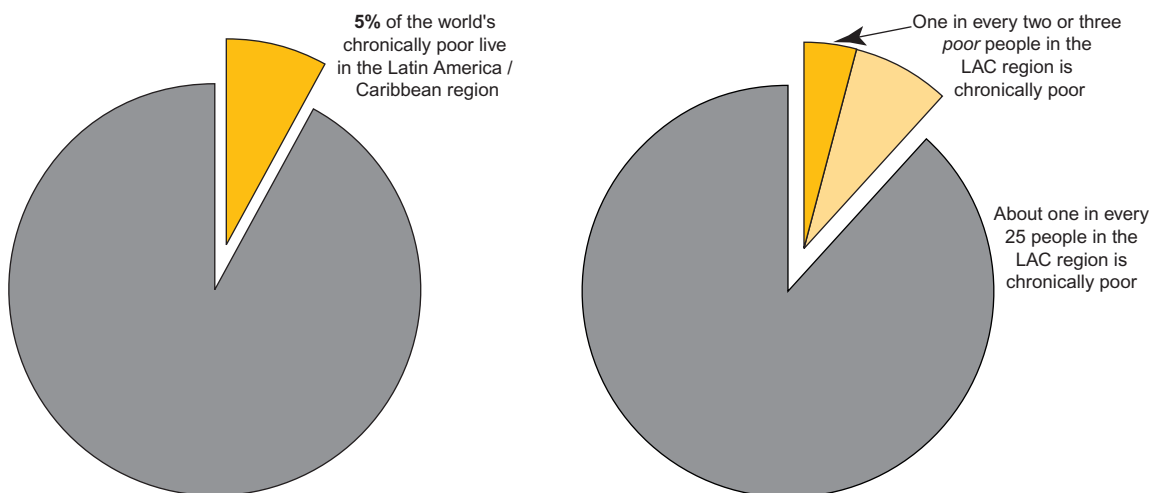


Table 8.1 Summary of poverty indicators in Latin America and the Caribbean

	LAC
Percentage of people living on less than US\$1/day, 1989–1999 ^a	11.5
The number of percentage points by which the poor fall below the poverty line, 1989–1999 ^a	34.7
Under-five mortality rate (per 1,000 live births), 2001	36.5
Infant mortality rate (per 1,000 live births), 2000	31.7
Proportion of under five children stunted, 1992–2000 ^a	17
Proportion of under five children severely stunted, 1992–2000 ^a	5.4
Life expectancy at birth, 2000	69.8
Adult illiteracy rate, female, 2000	13.9
Adult illiteracy rate, male, 2000	11.8

a: Data refer to the most recent year available during the period specified.

Source: Part C.

Table 8.2 Income polarisation in Latin America (US\$, yearly PPP-adjusted GDP per capita)

Time	Poorest 1%	Richest 1%	Income Ratio
1970	112	40,711	363
1975	170	46,556	274
1980	184	43,685	237
1985	193	54,929	285
1990	180	64,948	361
1995	159	66,363	417

Source: Londoño and Székely, 1997, in Wheeler (2003).

How many people are chronically poor in Latin America and the Caribbean?

Best estimates are that between 30% and 40% of the absolute poor population in the LAC region is chronically poor: between 16 and 22 million people.

Who are the chronically poor in Latin America and the Caribbean?

Chronically poor households in the LAC region tend to be of indigenous or African descent, with high dependency ratios, and low levels of education. Very little data is available on the relationship between chronic poverty and disability in the LAC region.⁵

Those with less education

Based on household survey data from 18 LAC countries, education and occupation were found to be the two most important factors in determining poverty.⁷ Whilst the case for occupation appears to be stronger, as it is related to incomes, the relationship between education and poverty is highly contextual.

The average difference between the number of years in school of the poorest and richest quintiles is 6 years, and the study suggests that on average, 29% of poverty would be eliminated if there was no such disparity. Households with

better educated members tend to be better off and experience lower levels of income variability.

In a study of Monterrey, Mexico,⁸ both educational and occupational mobility have increased since 1968. However, while, overall levels of education have improved, the ‘social minimum’ for education has also increased across all social classes, and educational opportunities remain stratified. Opportunities for effective upward mobility are still scarce. Further, average real incomes for lower white-collar workers have decreased since the 1960s, so occupational mobility from manual jobs into lower white-collar jobs does not automatically translate into better economic status. In Brazil, (as with South Africa), a strong legacy of social inequality means that even declining (but still significant – see Figure 8.4) educational inequality is not yet translating into reduced income inequality.⁹

This is particularly true for marginalised groups. For indigenous peoples in Latin America, discrimination in labour markets and limited opportunities for quality education mean that education is less strongly correlated with income than for other socio-economic groups.¹⁰

While there are few children who have less than one year of education, there are extremely high non-completion rates across the region. Dropping out – or being pushed out by poverty and under-financed schools – is highest in rural areas, among those living in the poorest households, with mothers who are less

educated, and among girls in rural areas and boys in cities. Few countries in the region have seen drop-out rates decrease significantly over the past decade, and rural-urban gaps remain wide, fostering the intergenerational persistence of poverty and inequality.

Poverty is a way of being in which individuals become unable to exercise their rights. The cultural deprivation imposed by the absolute absence of rights, suppresses human dignity, and leads to material deprivation and political exclusion.⁶

Race and ethnicity

Race and ethnicity are strongly linked to prevailing structures of inequality in the LAC region, and likely to be major predictors of chronic poverty. Often it is not only a lack of access to basic services and political power that makes indigenous people poor, but an overarching exclusion from citizenship¹¹ that denies them such access, as well as less tangible aspects of well-being such as dignity and cultural integrity.

Regions within Latin America with large indigenous populations, such as the Pan-Andean region, the Central American lowlands and south-eastern Mexico, and areas with large populations of African descent such as north-eastern Brazil, tend to be the poorest. In Brazil 45% of the poorest decile is black, and 85% of the richest 1% is white.¹² This has hardly changed over the past century,

underscoring the resilience of these socio-economic structures to change. In Mexico, Oaxaca is both the poorest state and that with the highest proportion of indigenous people.¹³ The only time that the problems of indigenous regions seem to receive any serious consideration, either from national authorities or key international institutions, is when they are the sites of armed rebellion, as with the Zapatista uprising in south-east Mexico.¹⁴

Indigenous migrants to cities and other non-indigenous areas are often among the poorest, but they may have higher incomes and more opportunities to access basic services than in their indigenous areas.

- In Panama, 70% of the indigenous population is extremely poor compared to 13% of the non-indigenous population.¹⁵
- Virtually all monolingual indigenous speakers are extremely poor.
- While 87% of indigenous people living within indigenous areas are extremely poor, 25% of those living outside these areas are below the extreme poverty line.

The working poor

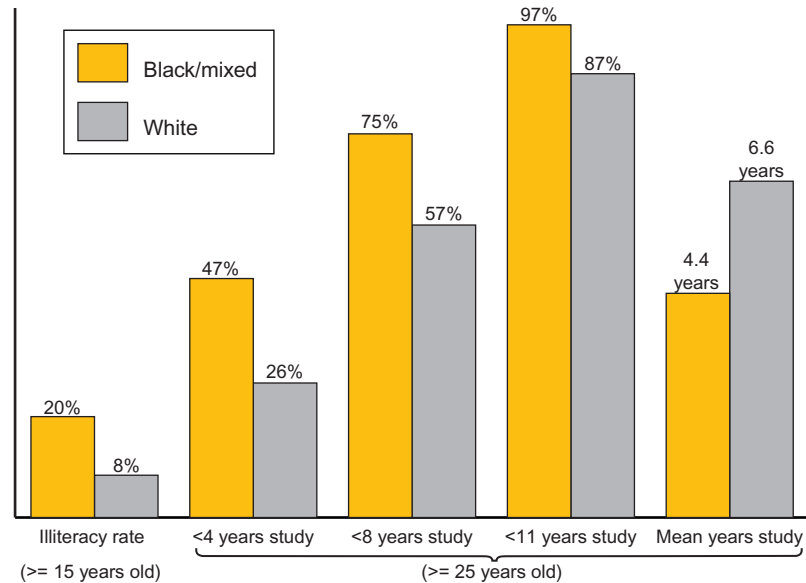
Several million new jobs generated by growth in the 1990s have been largely in the informal sector, low-waged, insecure and unprotected. The number of 'working poor' has thus increased. A 2000 study suggested that three-quarters of the employed population in Latin America does not generate enough income from their jobs to surpass the poverty line,¹⁶ fostering a dependence of the working poor on a portfolio of activities alongside a 'main' job. In urban areas, the highest rates of poverty were found to occur among those employed domestically, as manual workers, or informally in commerce or services.

Women and women-headed households

Although women are increasingly incorporated into the economy, they tend to enter at the lowest levels, where low wages, limited security and gender-based discrimination all undermine the poverty-reducing potential of paid work.

The contribution of poor women's wages to household income is increasingly significant, but this has led to

Figure 8.2 Racial inequality and education in Brazil, 1999



Source: PNAD, 1999, in Henriques, 2001.

minimal if any reduction of their non-waged household work, and rarely is enough to reduce poverty. Nor has it contributed to sufficiently improved status for women in the household; domestic violence against women is rising significantly.

The evidence that households headed by women – of which the proportion is large and in many cases growing in the LAC region – are disproportionately among the extreme poor is mixed. In some countries with relatively low overall poverty levels, female-headed households tend to be disproportionately represented among the extreme poor. In Costa Rica, for example, they make up 28% of total households but 56% of the extreme poor. In poorer countries like Honduras and Nicaragua, households headed by women are only marginally among the poorest.¹⁷ Figures such as these do not take into account the problematic definitions of 'female-headedness', nor the poverty gap between male- and female-headed households, nor,

perhaps most importantly, potentially different expenditure patterns. The extent to which headship is linked to persistent poverty needs to take into account a range of factors.

Where are the chronically poor in Latin America and the Caribbean

Urban poverty is particularly significant in the LAC region – 64% of the poor and 75% of the total population of Latin America live in urban areas.¹⁸ However, the probability of being poor or extremely poor is still much higher in the rural areas. It is 37% if you live in a town or city, but 63% if you live in a rural area.¹⁹

Rural chronic poverty

Several primarily rural regions stand out as persistently poor, such as the pan-Andean region including portions of Bolivia, Peru, Ecuador and Colombia.

Box 8.1 Sebastiana's story, Ecuador

'Misery did not separate us, because my mother refused to hand us over to the landowner, who offered so many advantages in return. Our only protection was our work, first that of my grandparents in haciendas in the Puno region, then the work of my parents, which took us from Llave to Santa Rosa, from Taquile to the Tiquina Strait, from Yunguyo to Moya de Ayaviri, and from there to Cusco. It was there that my father worked on building the Huatanay River canal, helped build the regional hospital, worked in the railway station, and also as a bricklayer and journeyman. My mother sold food on the street, sold everything she could, was a labourer like me, my brothers, and now like my male children.'

Source: Ochoa (2001: 56)

Box 8.2 Indigenous poverty and vulnerability in Bolivia

Bolivia has one of the largest indigenous populations in Latin America. 63% of the total population is unable to satisfy their basic education, health and housing needs. The incidence of poverty is particularly high in rural areas: in 1997, 77.3% of the rural population was considered poor and 58.2% severely poor, while 50.7% of the urban population was poor and 21.6% severely poor. The economy is highly dependent on mining – tin and other mineral mines have replaced the famous silver mines of the colonial period. Natural gas and mineral exports account for the large majority of Bolivian exports – and the price for these goods is determined in the global commodity market, making vulnerability to external shocks in these markets one of Bolivia's biggest problems in addressing poverty.²⁴ Bolivia epitomises the characteristics common to other geographic concentrations of poverty in Latin America.

Source: Wheeler (2003)

Race and ethnicity explain much of the geographic concentration of persistent poverty: in this Pan-Andean region, the northeast of Brazil, where 60% of Brazil's poor are located²⁰, and southwest Mexico, where poverty is increasing despite a reduction in the national poverty level.²¹ A similar pattern is found in the Caribbean lowlands of Central America.

Access (or rather the lack of access) to social services also has a powerful role. In rural Peru, consumption growth is associated with local provision of medical care, the level of education, and the prevalence of diarrhoeal diseases, more than it is with other geographic differences (such as altitude, road network density, and the percentage of paved roads).²²

In persistently poor rural areas, health and education services tend to be weak. Inadequate rural land reforms mean that huge historical disparities between land owners and labourers have not been

reduced. Also, day labouring for low wages is often the only available work, sometimes bonded by debt.

People in these regions are excluded from both quality public services and their broader citizenship rights. They also tend to be adversely incorporated into very limiting economic relationships. World markets have provided volatile and even declining terms of trade for traditional products from these regions, and alternatives are hard to come by.

Chronic poverty in megacities and smaller towns

Latin America is not only highly urbanised, but it also contains two of the world's largest cities and several other megacities of around ten million. The peripheries and marginal areas of the cities comprise 'illegal' settlements of poor communities.

Megacities are increasingly divided into *favelas* for the poor and gated communities for the rich. There are also new *favelas* accommodating informal sector construction workers and other service providers who work within the gated communities. Residential location severely limits the possibilities of upward mobility: the prejudices of the elite and middle classes against *favela* dwellers exclude the latter from better jobs, and the middle classes have opted out of public services and into private health and education, leaving wide quality differences between service provision.

Although the Rio de Janeiro *favelas* are racially mixed, there is evidence that the white *favela* population has been far more successful than the black population in moving out to neighbouring residential areas over the last three decades. Discrimination based on skin colour is widely perceived as the greatest obstacle faced by the urban poor.²³

Many in the *favelas* are second or third generation migrants from rural areas, and the *favelas* continue to grow with new illegal land occupations in response to employment opportunities. The *favelas* are afflicted by rising rates of crime, violence, murder and the associated stigma and immobility, as well as precarious environmental conditions. Hill- or roadside location, for example, is detrimental to lives and livelihoods in the *favelas*. The discrimination faced by residents, combined with fear of rising gun and drug crime, renders a very real sense of physical and psychological vulnerability and isolation among the poor, despite any improvements in physical infrastructure.

Notes

1. ECLAC definition – income less than twice the cost of basic food basket.
2. ECLAC 2002 Social Panorama of Latin America.
3. ECLAC definition – income less than the cost of basic food basket.
4. Argentina, Bolivia, El Salvador and Nicaragua (Székely 2001)
5. Yeo and Moore 2003, in Wheeler 2003
6. Dagnino 2003: 5
7. Attanasio and Székely 1999, in Wheeler 2003
8. Solis 2002, in Wheeler 2003
9. Lam 1999
10. Castañeda and Aldaz-Carroll 1999
11. Citizenship requires a state which recognises the formal equality of citizens, regardless of their origin and poverty levels. A notion of political community may be needed to allocate resources so that substantial equality can be achieved.
12. IPEA 2002, in Wheeler 2003
13. Wheeler 2003
14. Gonzales-Parra and Perez-Bustillo 2001
15. Vakis and Lindert 2000
16. CEPAL 2000, in Wheeler 2003
17. CEPAL 2002 I in Wheeler 2003
18. CEPAL 2001 in Wheeler 2003
19. Wheeler 2003
20. Wheeler 2003
21. Wheeler 2003
22. De Vreyer and Mesple-Somps 2003
23. Perlman 2003
24. Andersen and Nina (2000) in Wheeler (2003)