



Presentation prepared for the event:

Inequality in a Lower Growth Latin America

Monday, January 26, 2015

Woodrow Wilson International Center for Scholars

Washington, D.C.

Inequality in a Lower Growth Latin America From Analysis to Action

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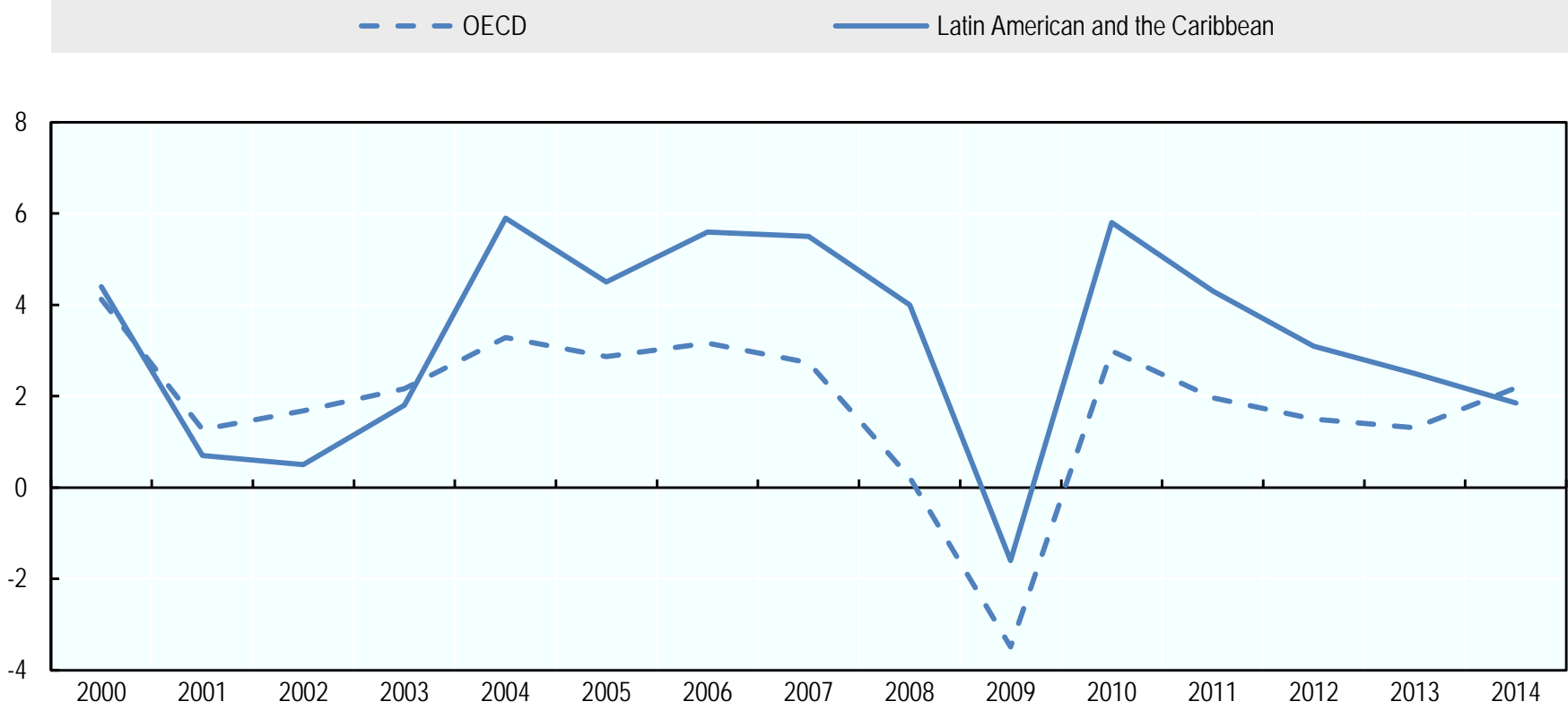
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Inequality in a Lower Growth Latin America

GDP growth in Latin America and the Caribbean and the OECD (annual %)

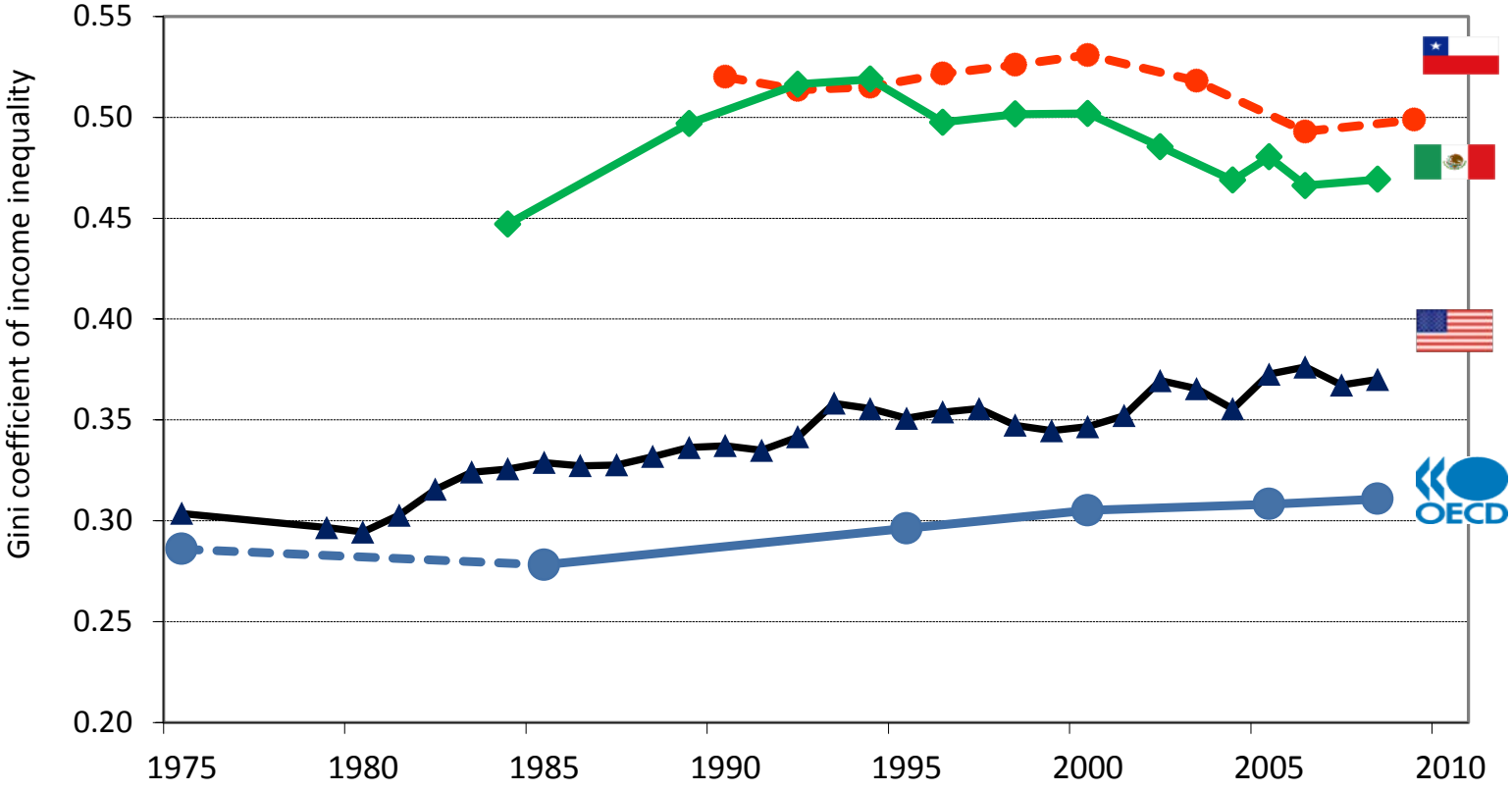


Outline

- High **inequality** in Latin America, curse or policies?
- **Education**: How is the *social elevator* working?
- From analysis to action: can we rely on the emerging **middle class**?

Income inequality is very high in Latin America

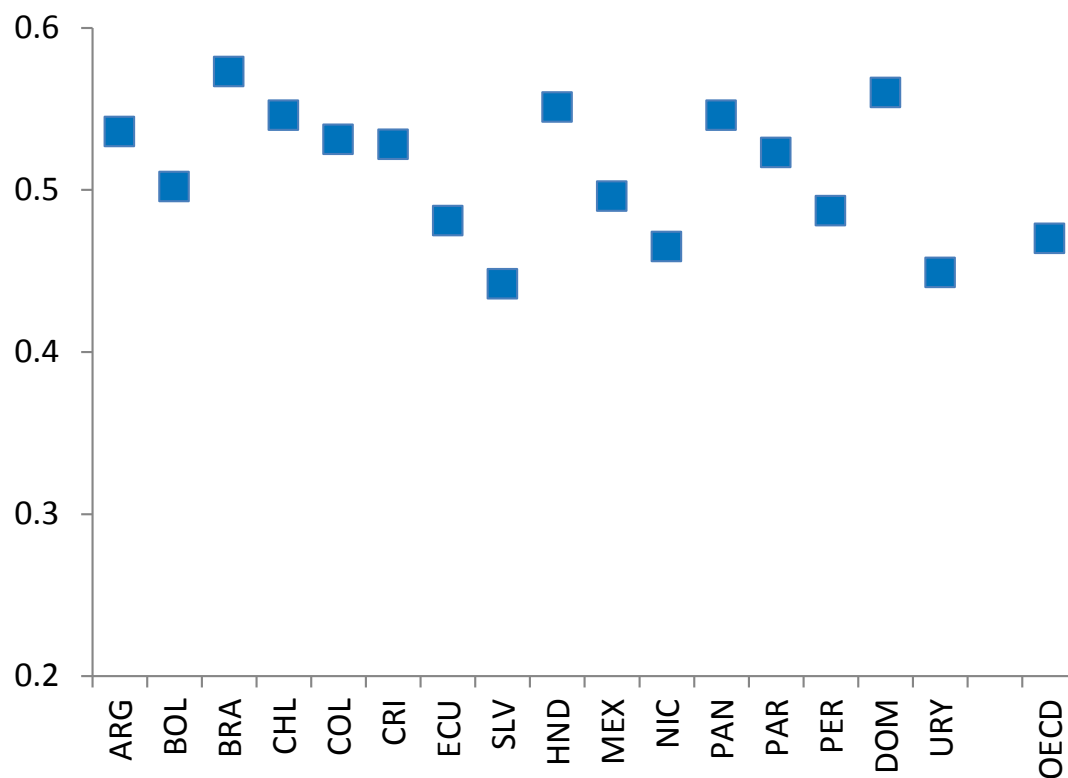
Inequality in Chile, Mexico, the US and the OECD (Gini of income inequality)



Source: OECD (2014), "Does income inequality hurt economic growth?", *Focus in Inequality and Growth*.

Inequality is similar in OECD and Latin America before paying taxes and getting transfers and services

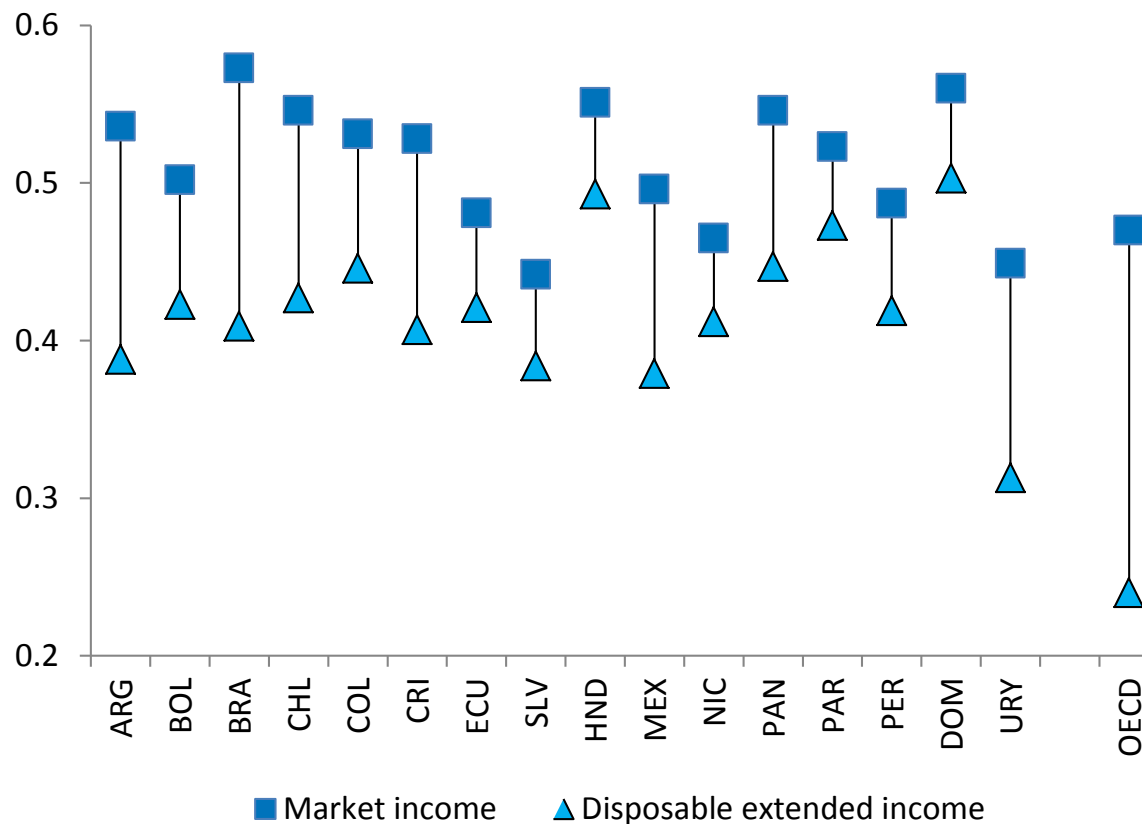
Inequality in Latin America and the OECD
(Gini indexes before direct taxes, education and health services)



Redistribution in Latin America is much weaker

Inequality in Latin America and the OECD

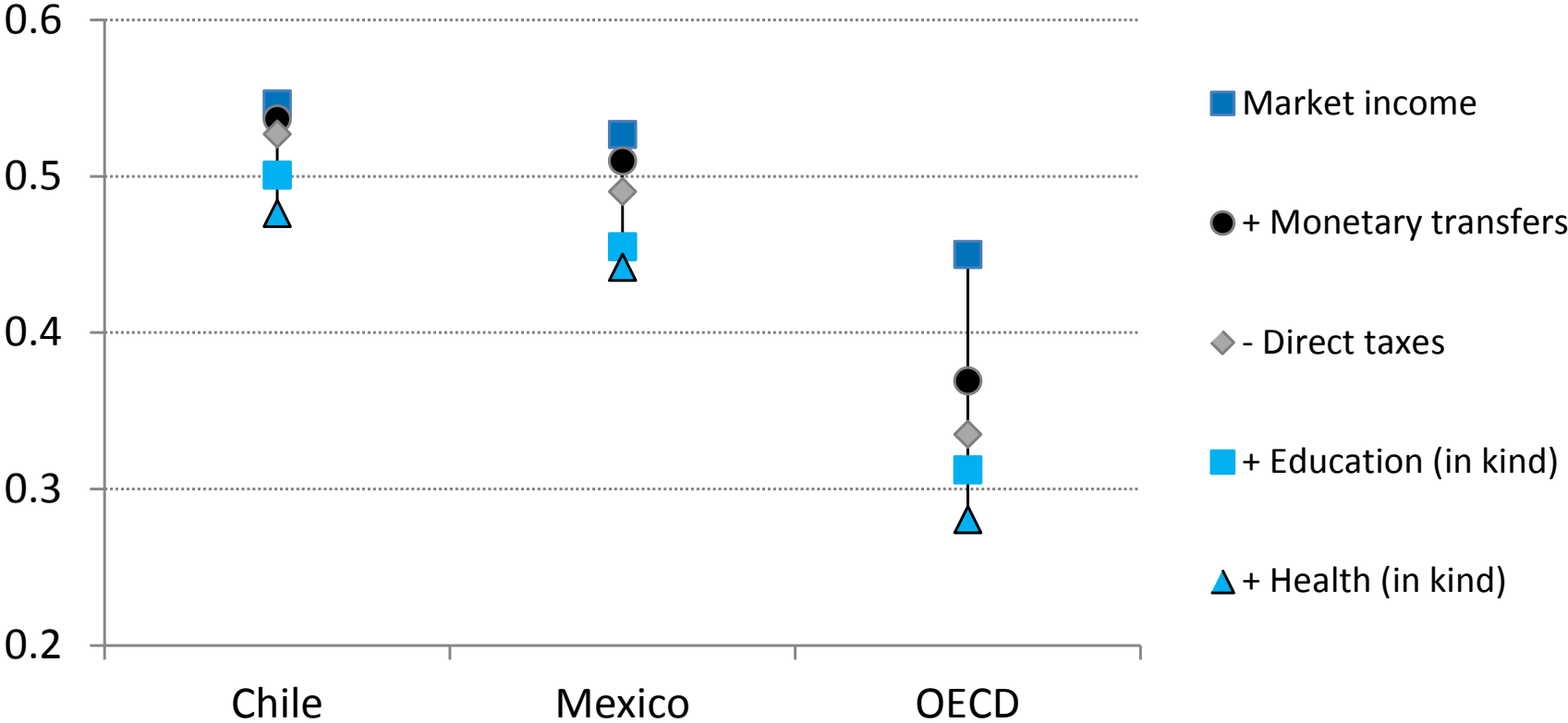
(Gini indexes before and after direct taxes, education and health services)



Key differences arise from direct taxes and cash transfers

Inequality in Chile, Mexico and the OECD

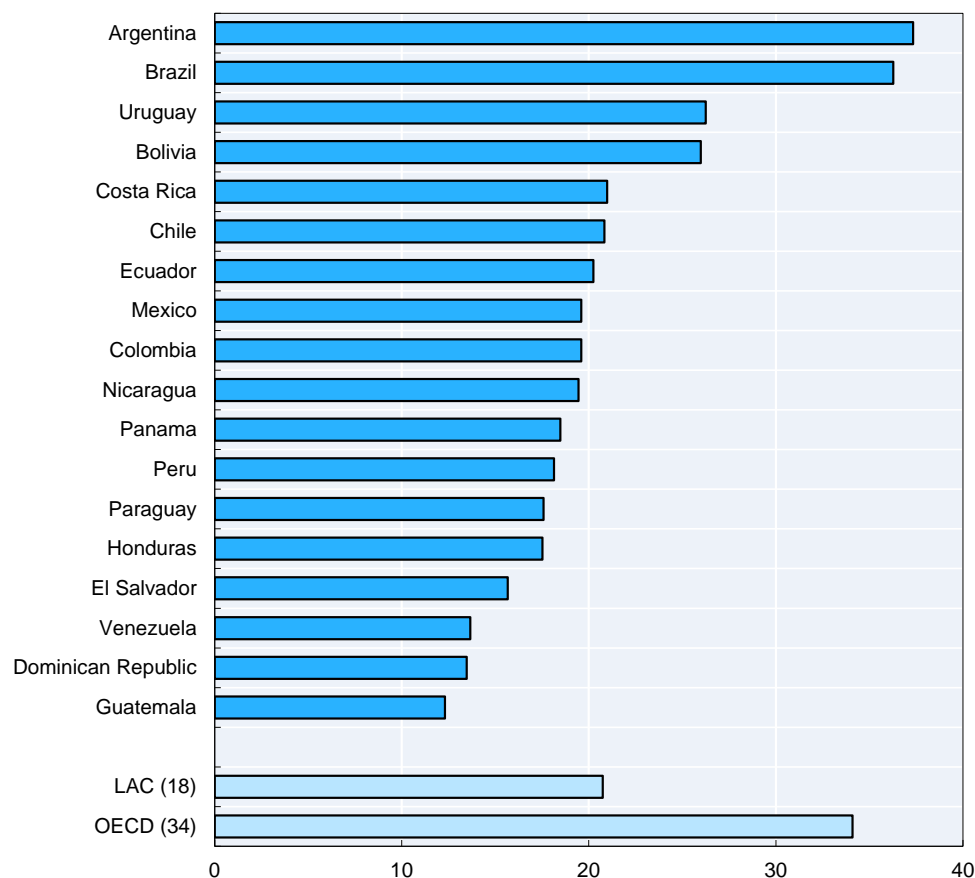
(Gini indexes before and after taxes and public spending)



Source: OECD (2011), *Latin American Economic Outlook 2012: Transforming the State for Development*

Public sector size (for many Latin American countries) and design (for most of them) matter

Tax revenue in Latin America and the OECD (% GDP, 2012)



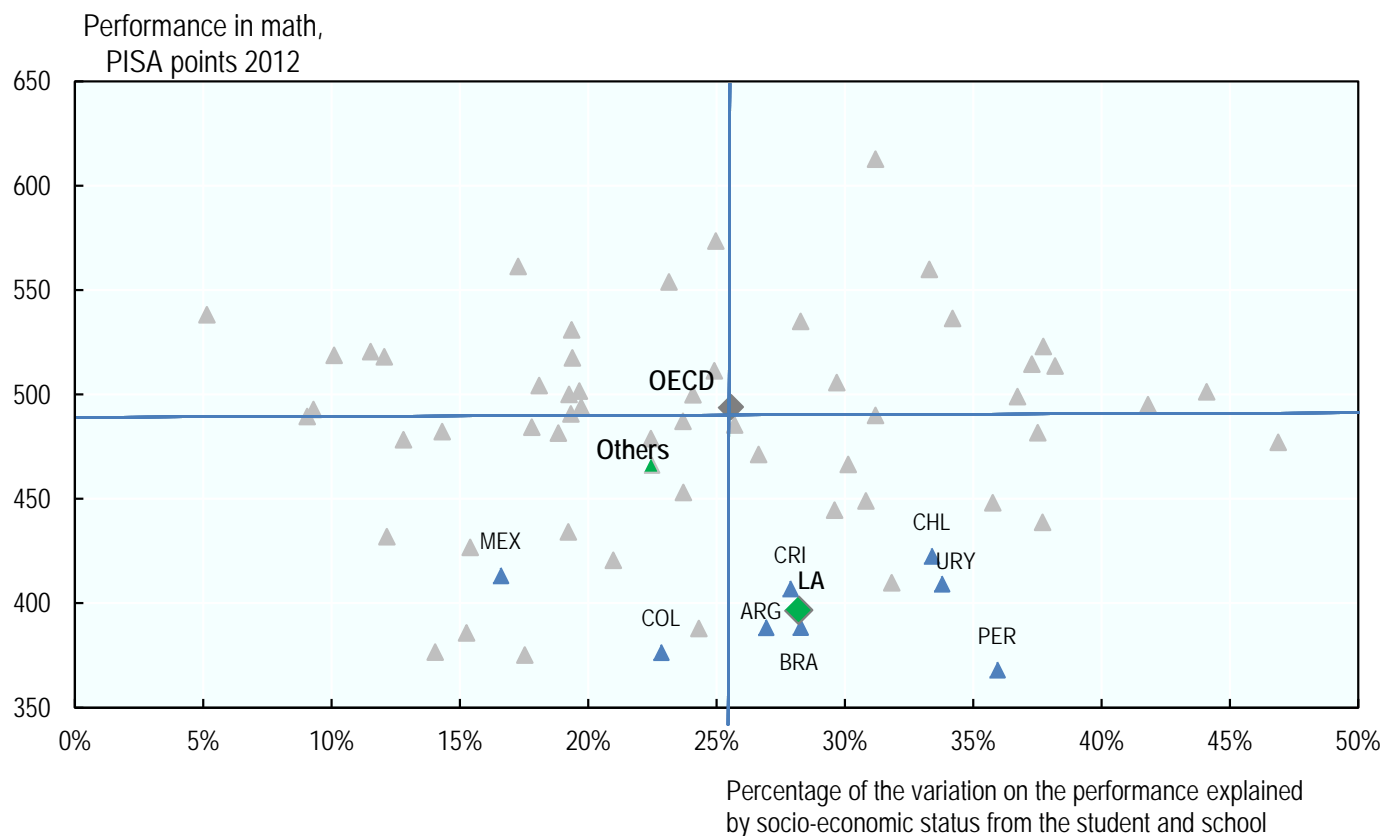
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Latin America lags behind in terms of performance and equity in education

Student performance and equity in secondary school

(PISA 2012 database)

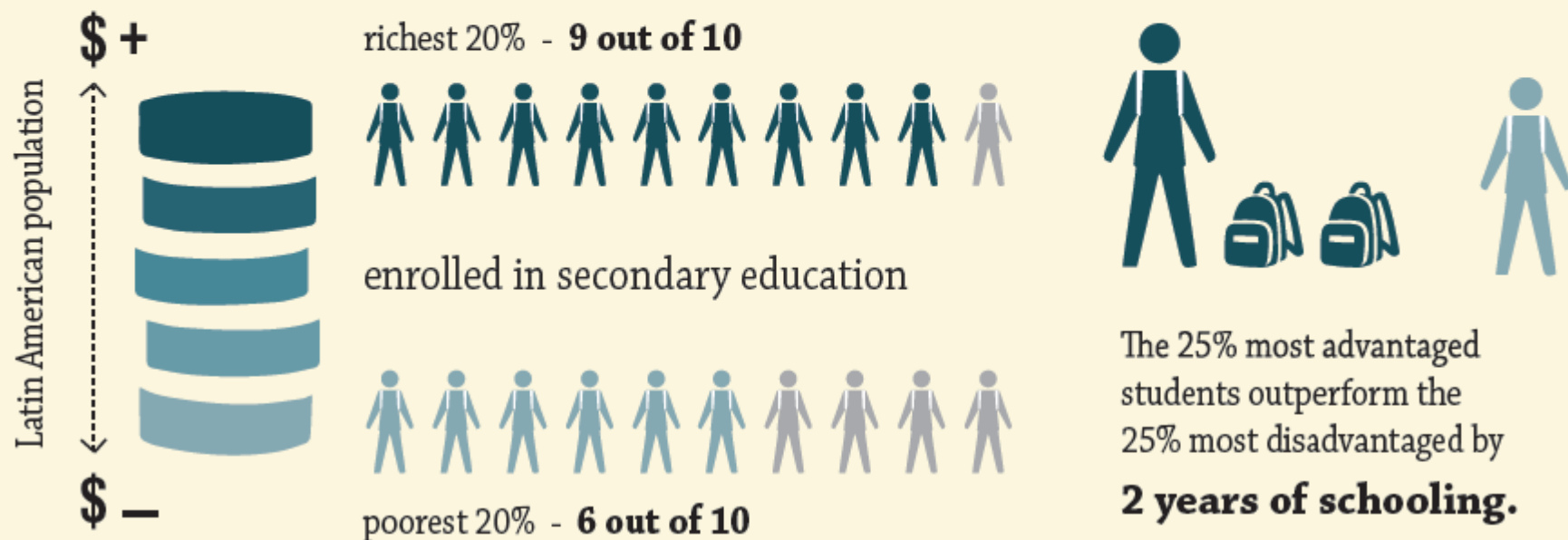


Education inequality is evident not only in access, also in performance

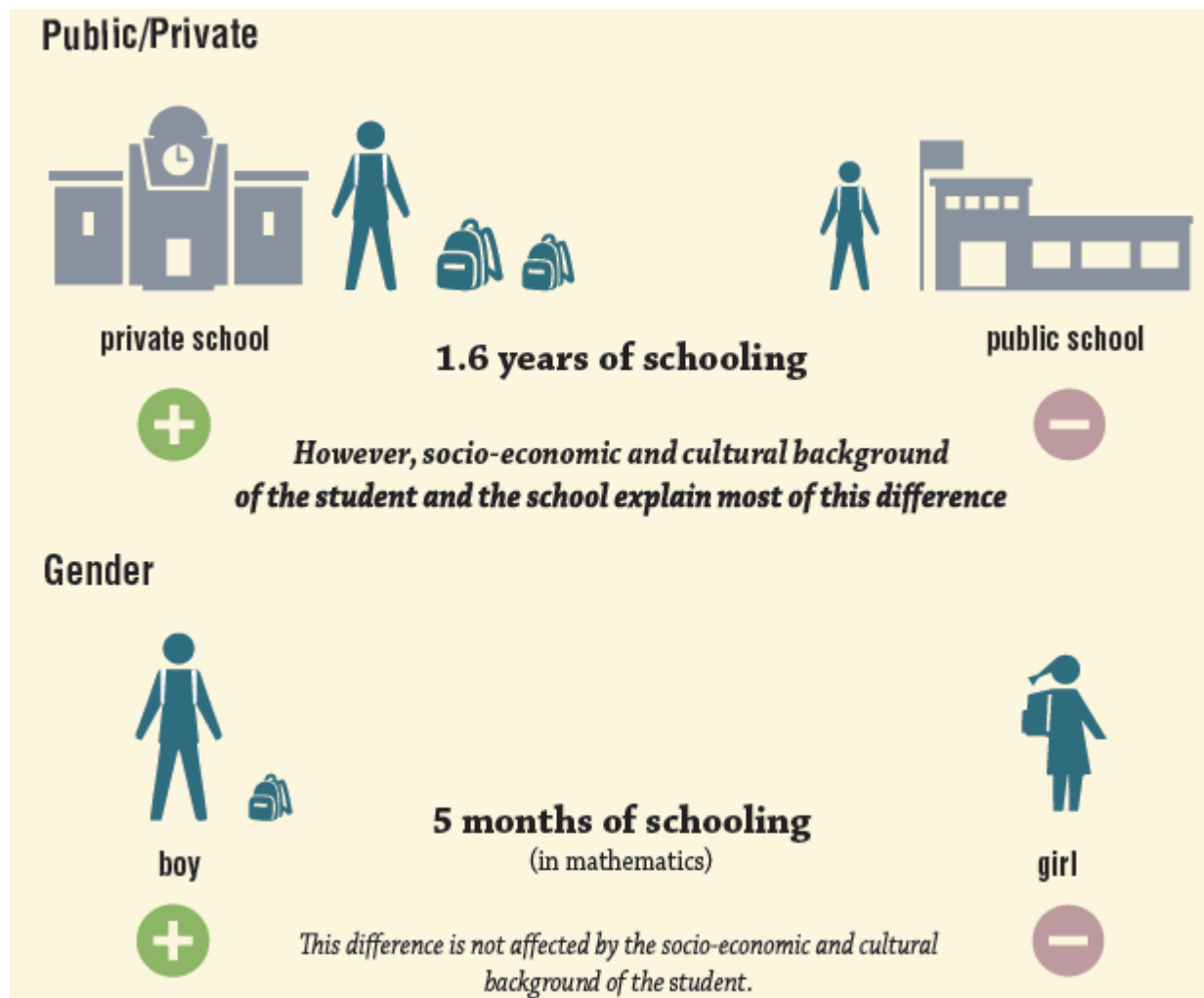
Which inequalities does a student face?



Socio-economic



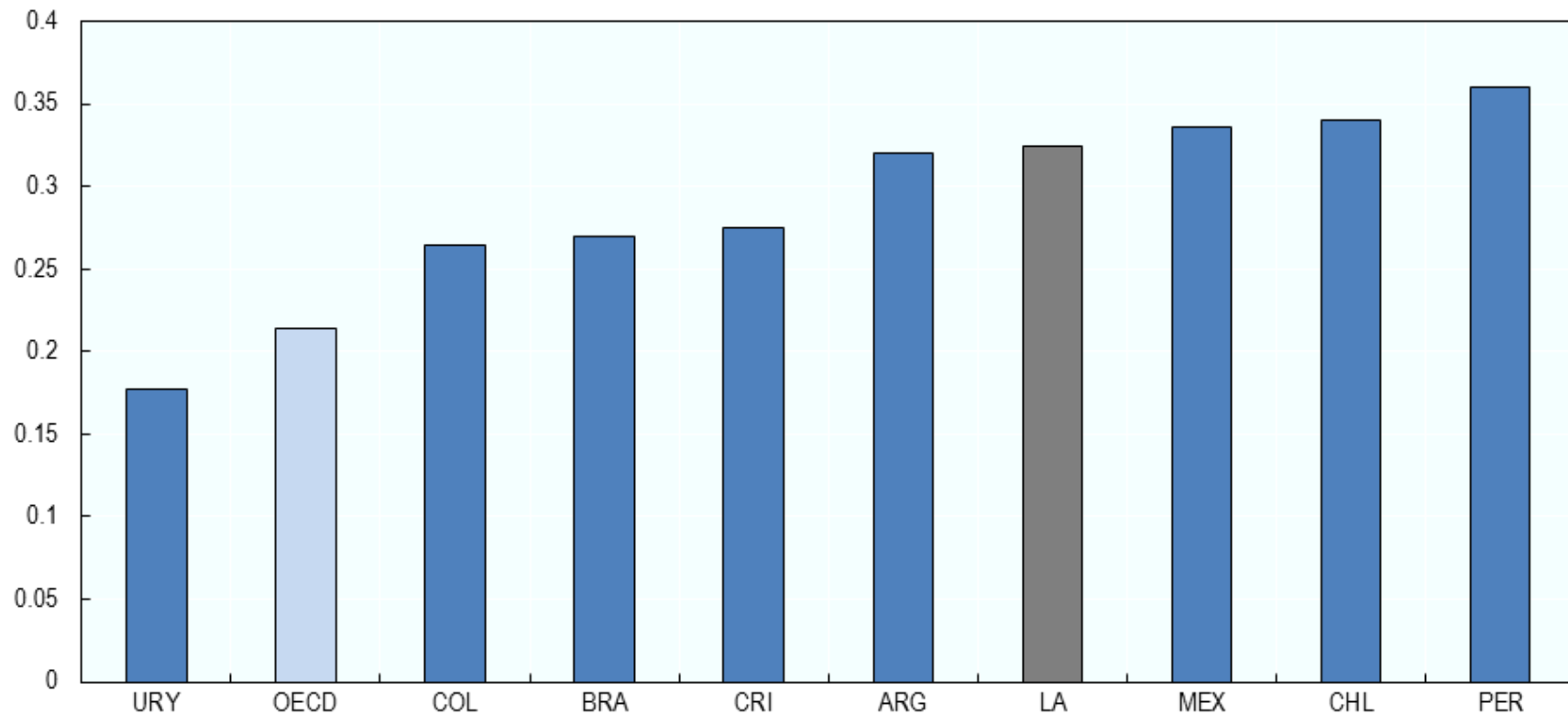
Education inequality beyond money



Resource allocation might be deepening socio-economic inequalities

Quality of schools' resources and students' socio-economic status

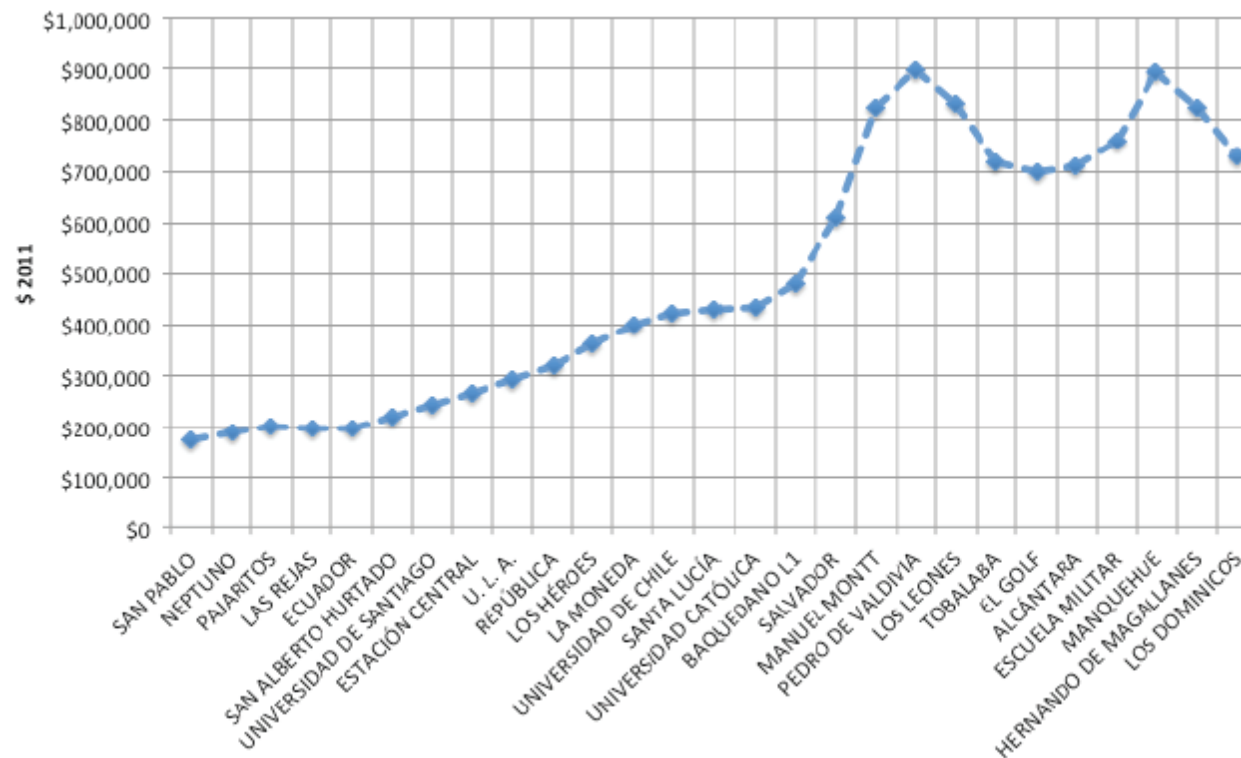
(Correlation; value between 0=no impact and 1=full impact; PISA 2012 database)



Next stop: Inequality?

Per capita income in Line 1 of Metro de Santiago

(Per capita income in each comuna; CASEN 2011)

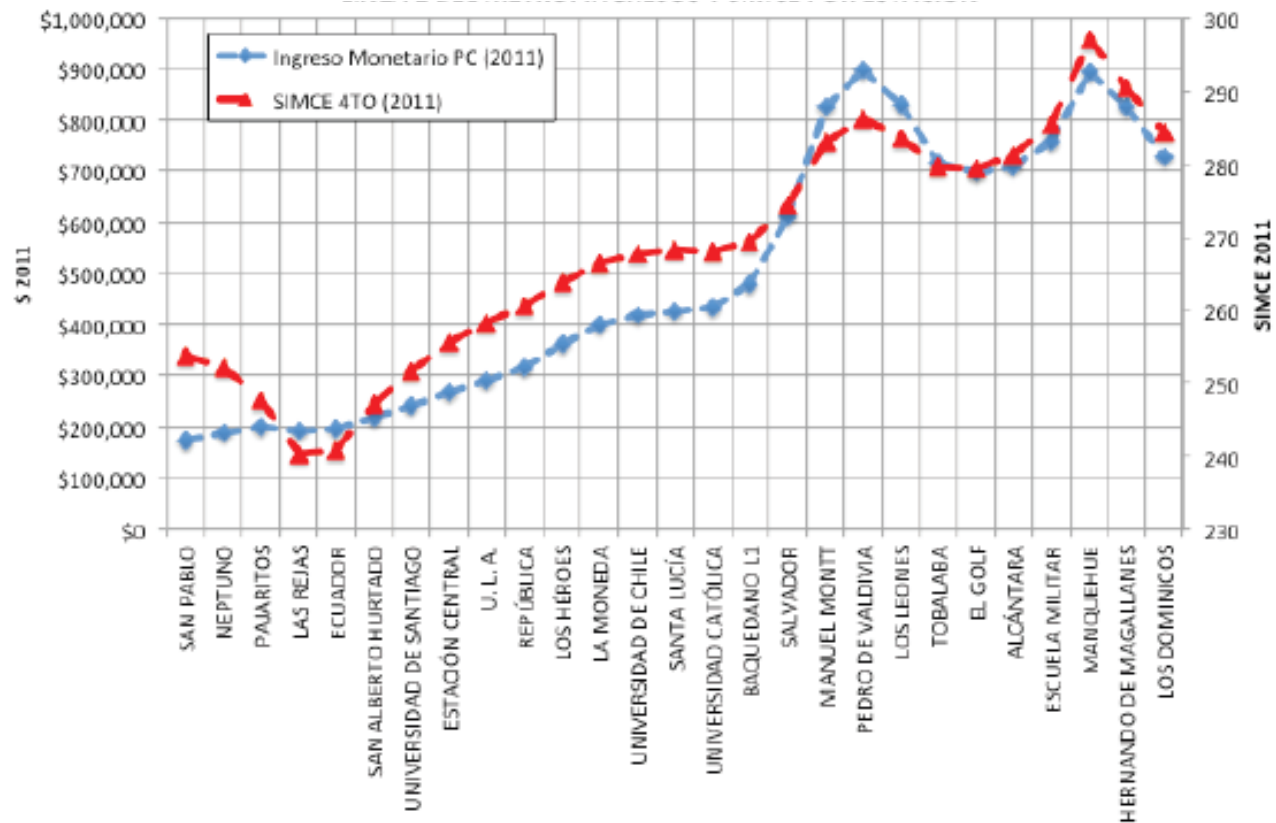


Source: Echenique, J.A. and S. Urzua (2013), *Desigualdad, Segregación y Resultados Educativos Evidencia desde el Metro de Santiago*. Centro de Estudios Públicos.

Next stop: Inequality?

Student performance and per capita income in Line 1 of Metro de Santiago

(Per capita income in each comuna; CASEN 2011 – SIMCE 4o basico results in maths)



Source: Echenique, J.A. and S. Urzua (2013), *Desigualdad, Segregación y Resultados Educativos Evidencia desde el Metro de Santiago*. Centro de Estudios Públicos.

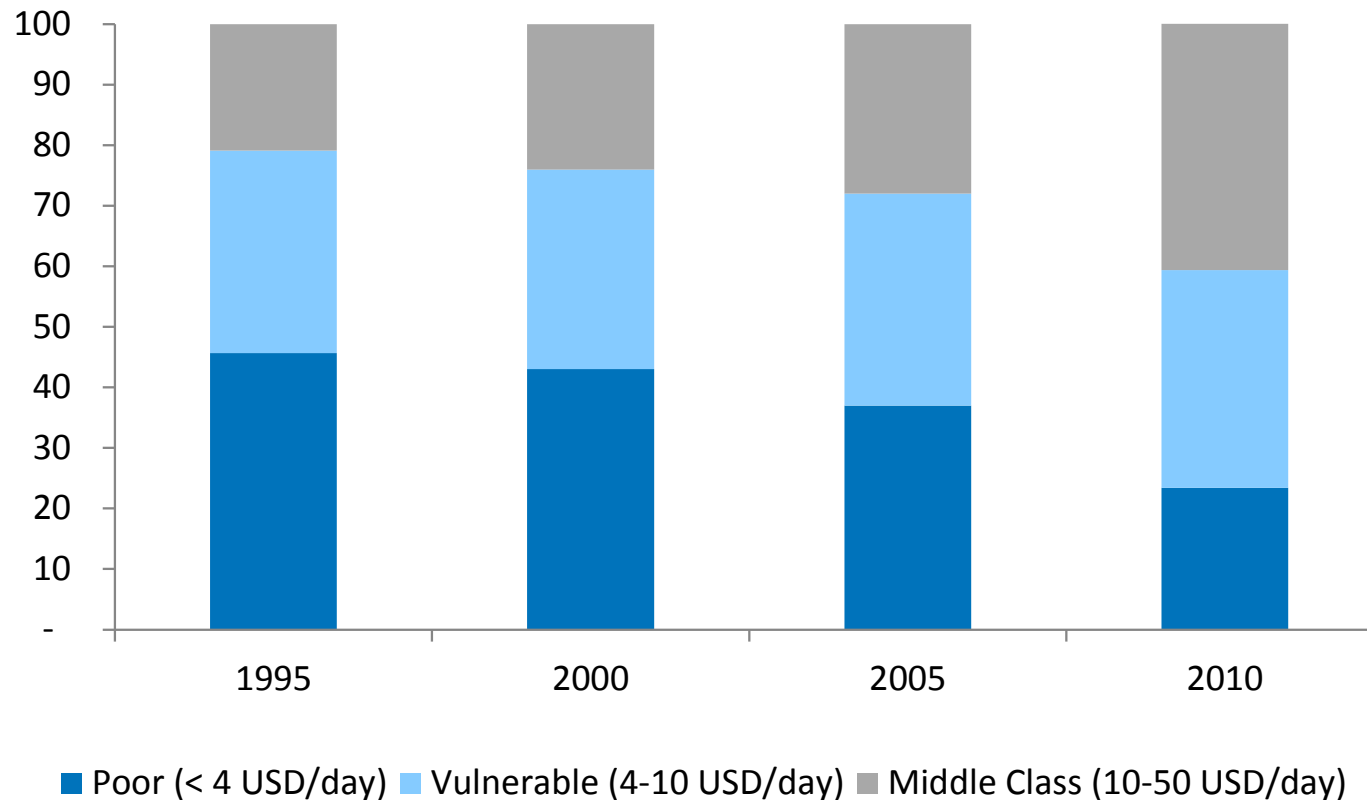
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Growing middle sectors in Latin America

Trends in middle class, vulnerability, and poverty in Latin America

(Percentage of population; excluding affluent population >50USD)

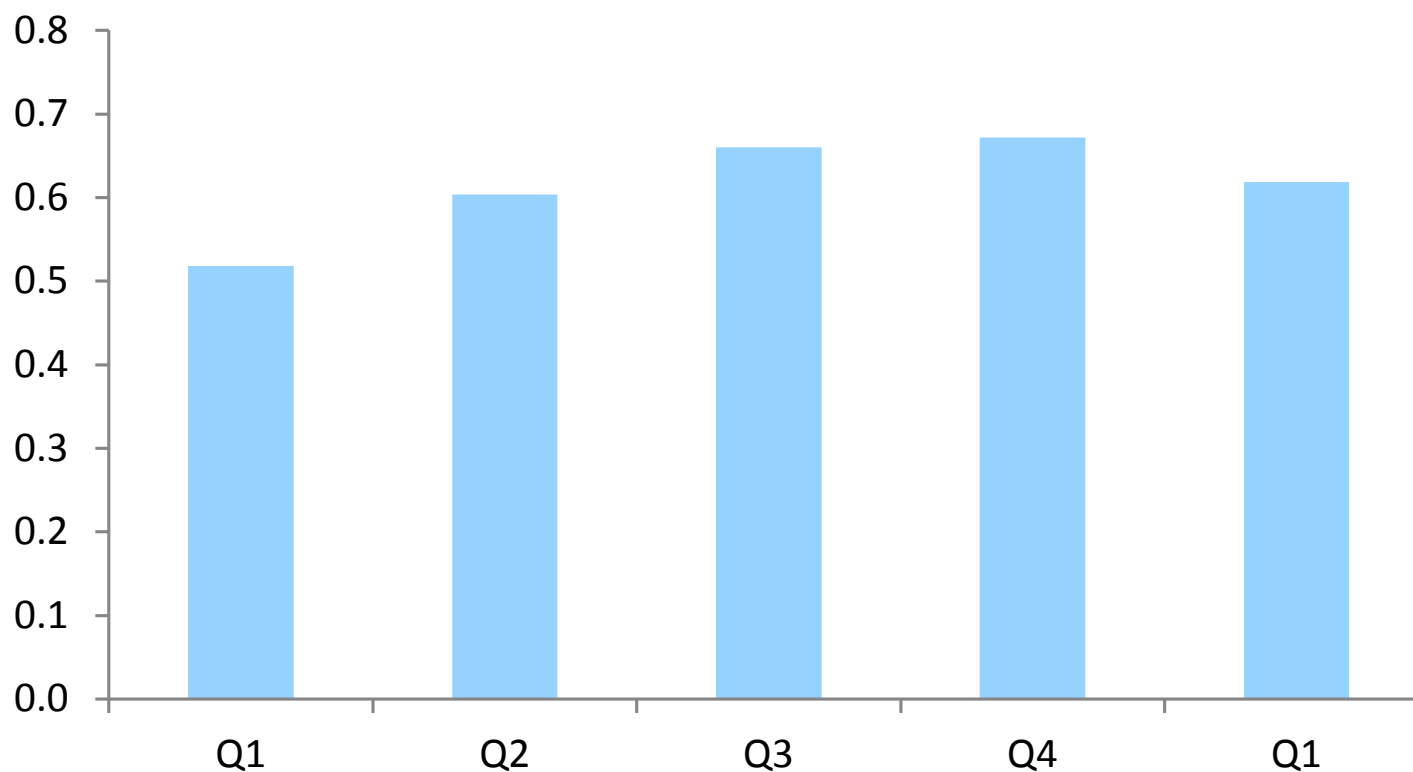


Source: Ferreira, F.H.G., J. Messina, J. Rigolini, L.-F. Lopez-Calva, M.A. Lugo and R. Vakis (2013), *Economic Mobility and the Rise of the Middle Latin American Middle Class*.

Middle sectors show high support for democracy and moderate political ideas

Support for democracy in Latin America

(Percentage of surveyed population, by income quintiles, circa 2010)

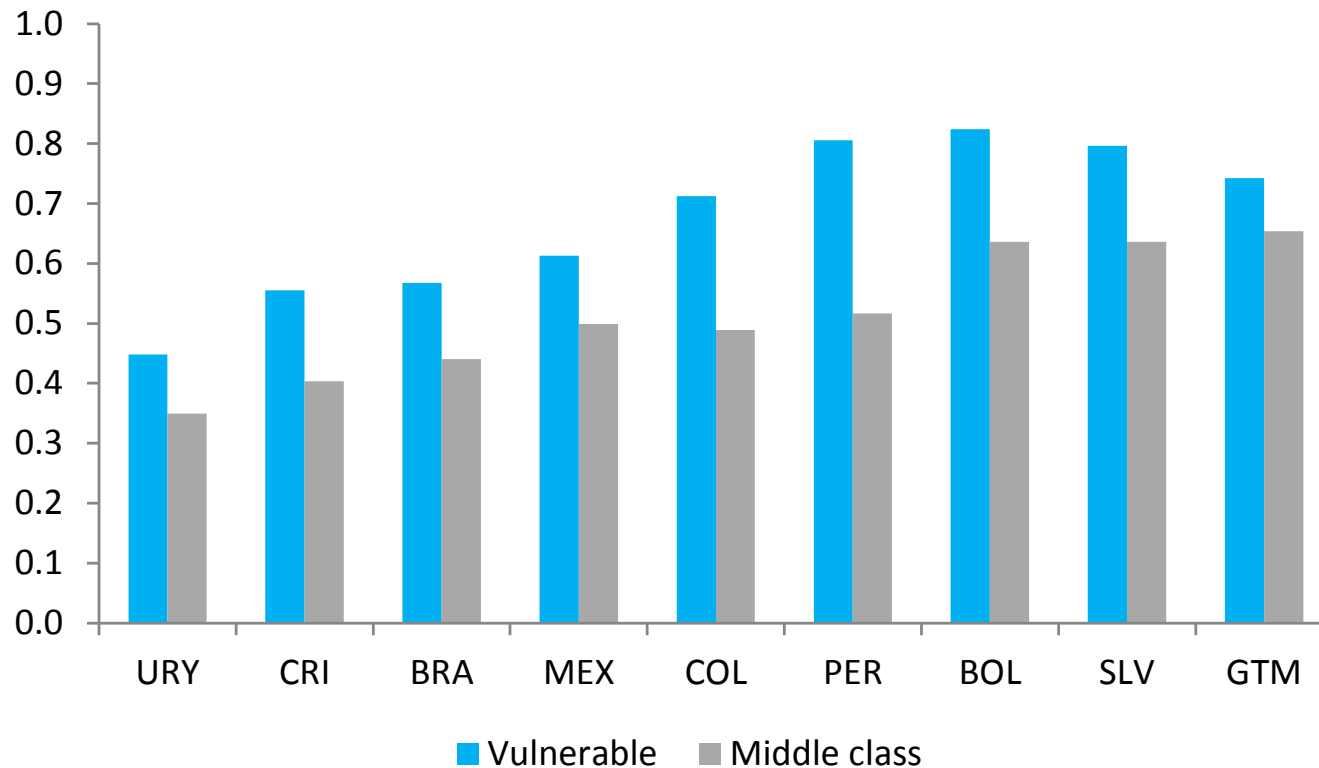


Source: OECD (2010), *Latin American Economic Perspectives 2011. How middle-class in Latin America?*

But, they mostly informal (notably the vulnerable)

Informality among the middle-sectors in Latin America

(Percentage of middle level households with no contributor to social insurance, circa 2010)

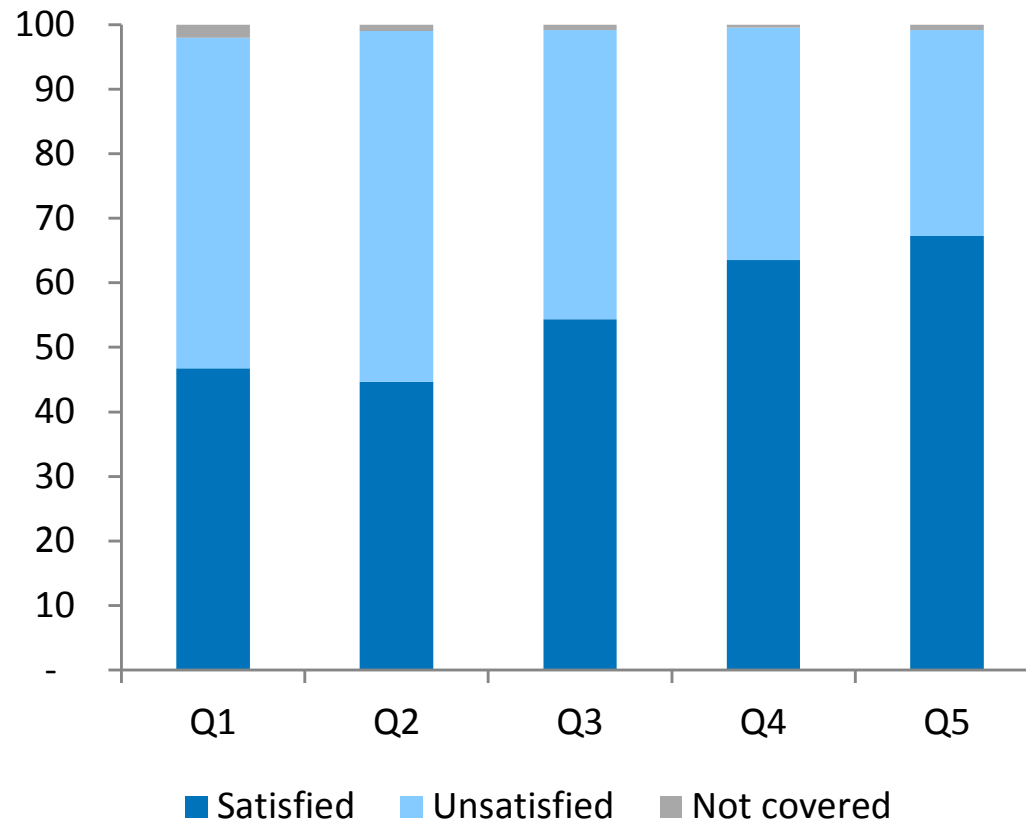


Source: Lustig, N. and A. Melguizo (2015), *How middle class is the middle class in of Macondo? On labour informality in Latin America*

... and as unsatisfied with public services as the poor

Satisfaction with health-care public services in Latin America

(Percentage of surveyed population, by income quintiles, circa 2010)



Source: OECD (2010), *Latin American Economic Perspectives 2011. How middle-class in Latin America?*

Inequality in a Lower Growth Latin America: *always look at the bright side*

- **High inequality** in Latin America
Braver policies are needed
- **Education**
Fixing the elevator is possible
Double dividend: growth and equity
- **Middle class**
A new social contract (taxes and services) is to be written

Thank you!



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