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

• **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 is similar in OECD and Latin America before paying taxes and getting transfers and services.

Source: ECLAC (2014), *El impacto distributivo de la accion fiscal en America Latina.*
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)

Source: ECLAC (2014), *El impacto distributivo de la accion fiscal en America Latina.*
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

• 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*?
Latin America lags behind in terms of performance and equity in education

**Student performance and equity in secondary school**

*(PISA 2012 database)*

Performance in math, PISA points 2012

Percentage of the variation on the performance explained by socio-economic status from the student and school

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

**Which inequalities does a student face?**

**Socio-economic**

<table>
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<th>Richest 20%</th>
<th>Poorest 20%</th>
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<td>$+</td>
<td>$-</td>
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- Richest 20% - *9 out of 10* enrolled in secondary education.
- Poorest 20% - *6 out of 10* enrolled in secondary education.

The 25% most advantaged students outperform the 25% most disadvantaged by *2 years of schooling*.

Education inequality beyond money

Public/Private

- Private school: +
- Public school: -

1.6 years of schooling

However, socio-economic and cultural background of the student and the school explain most of this difference

Gender

- Boy: +
- Girl: -

5 months of schooling (in mathematics)

This difference is not affected by the socio-economic and cultural background of the student.

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)

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)

• 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**?
Growing middle sectors in Latin America

Trends in middle class, vulnerability, and poverty in Latin America
(Percentage of population; excluding affluent population >50USD)

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)

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 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)

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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