Introduction to socio-economic inequality
### B. Assessment of social and economic inequalities

- Socioeconomic strata are the first and most basic axis of inequality.
- These inequalities are derived from the social structure and agents’ positions within that structure.
- The social structure is heavily influenced by the economic and production matrix.
- An accurate assessment should include an examination of the structure of ownership and the distribution of power, resources and production assets.
- There are various ways of identifying or defining socioeconomic inequality, but one of the most clear-cut and easily measurable manifestations of this phenomenon is income inequality.
- The Latin American and Caribbean region is the most unequal region in the world in terms of income distribution.
- The highest income quintile (quintile V) accounts for between 46% and 58% of total income, while the poorest (quintile I) represents between 3% and 6% of the total.

ECLAC (2016a) characterizes socioeconomic strata as "the first and most basic axis of inequality" (p. 16). This construct is derived from the social structure and agents’ positions within that structure, which in turn is heavily influenced by the economic and production matrix. The disparities that arise and are perpetuated within the region’s highly heterogeneous production structure feed into the labour market and social areas and become interlinked with other axes of inequality such as gender, ethnic and racial identity, relationships and how they evolve through the life cycle, unequal levels of territorial development and so forth (Bárcena and Prado, 2016). This description as the "first and most
The “key elements” of socioeconomic strata are “how ownership is structured and how power, resources and productive assets are distributed” (ECLAC, 2016a, p. 16). The data needed in order to probe these elements and analyse socioeconomic inequality are not readily available. In addition, these elements are manifested in many different yet interconnected ways. One of the most clear-cut and easily measurable manifestations is income inequality, which is, in turn, both “the cause and effect of other inequalities in such areas as education, health care and the job market” (ECLAC, 2016a, p. 16). Data from the most recent household surveys indicate that the Gini coefficient for personal income in 2019 averages out to 0.46 for 15 Latin American countries (ECLAC, 2021a). Income inequality in income distribution can also be readily discerned by comparing how much of total income is received by households in the different quintiles. The highest income quintile (quintile V) concentrates between 46% and 58% of total income, while the poorest quintile (quintile I) receives a scant 3%–6% of the total (see figure III.1) (ECLAC, 2021a).

Income inequality has changed over time (see figure III.2) and, as will be shown here, it can be reduced if the right policies are put in place.

7 The Gini coefficient is a statistical dispersion metric that is commonly used to describe the distribution of income, wealth or consumption in the population of a given country. A coefficient of 0 equates to the absence of inequality, while a coefficient of 1 denotes a perfectly unequal distribution. The Latin American and Caribbean region is the most unequal region in the world regardless of whether these variables are measured before or after direct taxes and cash transfers (United Nations, 2018). The use of the Palma ratio, which is the ratio between the richest 10% and the poorest 40% of the population, has been steadily gaining ground because it can capture systemic patterns of inequality in the distribution that are not picked up by the Gini Index. There are also approaches that relate the idea of social stratification to the concept of occupationally based inequality. Filgueira and Geneletti (1981) were among the first in a long line of researchers to study social stratification and mobility in Latin America.

8 The information used to measure distributional inequality is drawn from the household surveys used by the countries of the region to measure income levels, which may be employment, multipurpose or income/expenditure surveys. These survey data are compiled and harmonized on a regular basis by ECLAC and are then uploaded into the Household Survey Data Bank (BADEHOG).
An inspection of the sources of each quintile’s income provides some pertinent information about socioeconomic inequality. On average, the largest share of household income comes from gainful employment either as an employee (47%) or as an own-account worker (23%). In the first quintile, 59% of total income comes from gainful employment and is divided nearly evenly between wage labour and own-account work. Government transfers and transfers from other households each represent around 10% of the total, while contributory pensions and receipts from the ownership of assets together make up a scant 3% of the first quintile’s total income. In the fifth quintile, 70% of total income comes from employment, with about two thirds of that sum being accounted for by employee earnings. Private transfers (4%) and government transfers (less than 1%) account for a smaller share than contributory pensions (10%). Receipts from asset ownership represent 4% of the total according to household survey data, but this is an underestimate. At 12%, imputed rent is also a significant source of income for members of the fifth quintile (see figure III.3).

Socioeconomic inequality is very clearly reflected in the economic and production matrix. For example, Latin American labour markets are marked by high degrees of informality and wide gaps in job quality, access to social protection and labour income. Unskilled own-account work is a very important source of jobs and income in the region’s labour markets, and it is one of the types of employment that provides the least access to social protection; 32.7% of all employed persons and over 60% of employed persons in the first income quintile are unskilled own-account workers (see figure III.4).

9 Household surveys are the chief source of information for the analysis of income distribution, but these data do not accurately reflect the income of wealthier respondents and seriously undercount the income from asset ownership. As a point of reference, the property income reported on the household account of national accounts of some countries of the region can be as much as 10 times higher than the amount recorded in household surveys (ECLAC, 2021a, p. 69).
In addition, an average of 42% of employed persons earn less than the minimum wage. This is partly because of the low average incomes of own-account workers who are not covered by minimum wage laws; the percentage is even higher for young people, persons over the age of 65 years and women (ECLAC, 2019).

As noted earlier, inequalities in the region also run along the lines of gender, race and ethnic origin, place of residence and stages of the life cycle. Accordingly, social, economic and geographic differences are co-constituents that cut across various elements of the matrix. The inequalities arising along these different axes thus intersect, augment one another and link up in complex ways. Figure III.5 provides a breakdown of the data by sex and by ethnicity or race that illustrates how different types of income inequality overlap, build up and exacerbate one another in the labour market.
FIGURE III.5
Latin America (9 countries): hourly labour income of wage earners aged 15 and over, by sex and level of education, around 2019
(Expressed in poverty lines)

A. By ethnicity

B. By race

The intersection of gender and ethnicity/race tends to result in lower incomes for indigenous and Afrodescendent women.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Household Survey Data Bank (BADEHOG).