Priority policies to reduce socio-economic inequality
C. Priority policies for reducing socioeconomic inequality

Public policies can be identified that can play a key role in narrowing socioeconomic gaps in areas of the inequality matrix such as income and employment, social protection, health and nutrition.

- Policies that promote labour and productive inclusion can create opportunities for independent forms of income-generating employment for the more vulnerable young people and adults of working age. In addition, in order to support entry into the workforce, many countries in the region are implementing technical and vocational training and remedial education policies.

- Labour market policies and institutions, such as minimum wages, collective bargaining mechanisms, labour inspections and forums for social dialogue are of crucial importance, since a majority of the population relies on labour income. Experiences in Latin America indicate that setting a minimum wage at an appropriate level can be a valuable public policy tool for reducing inequality.

- The rapid and widespread increase in conditional cash transfer (CCT) programmes attest to their important role in reducing poverty and inequality in Latin America and the Caribbean.

- Health and nutrition policies can be a good way to narrow socioeconomic gaps by boosting productivity, employment and incomes.

1. Labour and productive inclusion policies

In order to transform the labour market into a sphere of activity that can help to shape a more egalitarian society, one critical line of action is the promotion of decent work, which is understood as the recognition that “men and women all over the world aspire to obtaining productive work in conditions of freedom, equality, security and dignity” (ILO, 2006, p. 6). ECLAC has characterized work as the “master key” for reducing poverty and inequality. Labour income accounts for 80% of total household income in Latin America (74% for poor households and 64% for households living in extreme poverty) (ECLAC, 2016b). Labour policies and labour market institutions, such as those dealing with minimum wages, collective bargaining, labour inspections and social dialogue, are of crucial importance. This includes policies for shifting jobs and businesses into the formal sector of the economy and increasing access to social protection. Policies that promote labour and productive inclusion are part of this effort, and they are being applied on an increasingly broad scale in the region as a way of strengthening the labour inclusion of the most vulnerable members of society and of helping to create autonomous income-generating opportunities for them.

Labour and productive inclusion programmes targeting working-age youth and adults living in poverty or under conditions of vulnerability generally fall into one of three categories. The challenges to be addressed by these programmes tend to be even more formidable in the case of women, members of indigenous peoples, persons of African descent and persons with disabilities. First, there are supply-side technical and vocational training programmes and remedial primary and secondary education programmes. A second category is made up of demand-side labour

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10 Policies that can have an impact in reducing socioeconomic inequality and, more specifically, in boosting income include, for example, tax policies, basic income policies, policies that guide technological change, policies that strengthen trade unions and policies on the establishment of a sovereign fund for financing other public policies (Atkinson, 2015). This section will focus on social policies not discussed in other chapters of this document. Issues relating to education, care, and housing and basic services will be dealt with in the sections on the life cycle, gender and territorial inequality, respectively. This is not to say, of course, that policies on each of these issues cannot play a part in reducing socioeconomic inequalities.

support programmes, such as those that assist independent workers with microfinance and promote self-employment, entrepreneurship, and direct and indirect job creation programmes. A third category is made up of job placement services (see diagram III.1).\(^{12,13}\)

**Diagram III.1**
Typology of job and income-generation programmes\(^a\)


Programmes that provide support for independent forms of employment often incorporate supply-side training components.

The most common types of supply-side employment support programmes in Latin America and the Caribbean are technical and vocational training programmes and remedial education programmes that seek to help people to avoid dropping out of school. As of 2017, 45 of the 68 programmes that were reviewed were technical and vocational training programmes targeting people between the ages of 18 and 35 and especially women in that age group. When these types of programmes are targeting women, they often also provide childcare services so that the women who are mothers will be able to attend the courses.\(^{14}\) The evaluations of these programmes tend to show that they have enhanced the participants’ employability, helped them to obtain better wages and increased their chances of finding work in the formal sector of the economy (Abramo, Cecchini and Morales, 2019).

Remedial education programmes that seek to address the low levels of education that generally exist in Latin America and the Caribbean, especially among the vulnerable and indigent or poor members of the population, are one example. In order to tackle this problem, nine countries in the region are running a total of 15 scholarship programmes to help students in secondary school to stay in school and to give young adults who have already dropped out an opportunity to go back to school and complete their secondary educations. These programmes make use of a range of different economic incentives, such as: (i) conditional cash transfers subject to school attendance and performance (e.g. the school attendance allowance and the scholastic achievement bonus provided under the Ethical Family Income Programme in Chile; the transfers provided under Support for Argentina’s Students Programme (PROG.R.ES.AR) and the basic cash transfers awarded under the Youth with More and Better Jobs Programme, also of Argentina); (ii) scholarships (Uruguay’s Commitment to Education Programme); and (iii) transportation subsidies such as those provided by the +Capaz (+Capable) Programme in Chile.\(^{15}\)

The minimum wage rose in real terms between 2000 and 2016 in most Latin American countries.

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12 ECLAC has a database on labour and productive inclusion programmes that forms part of its larger Non-Contributory Social Protection Programmes Database – Latin America and the Caribbean (see ECLAC, 2020). The programmes in this database are arranged by country and by type. This database is maintained pursuant to a mandate issued by the Regional Conference on Social Development in Latin America and the Caribbean.

13 A fourth category that could be added corresponds to “passive policies”, i.e. policies on the provision of income assistance for persons who are unemployed or who were obliged to take early retirement. For a more in-depth discussion of the various systems for classifying labour policies, see ECLAC (2019).

14 There are programmes of this type in Argentina, Chile and Uruguay. For a more thorough discussion of this subject, see ECLAC (2016c) box III.6.

15 For further information on some of these programmes that are not in the Non-Contributory Social Protection Programmes Database, see the Ministry of Social Development (n/d); National University at Cordoba (n/d); Argentina (n/d); and National Public Education Administration (n/d).
Most of the resources being invested in demand-side employment initiatives are being channelled into programmes that provide support (mainly training and access to capital) for independent forms of employment. There are 29 of these programmes in 14 countries of Latin America and the Caribbean. The training programmes tend to cover subjects like saving and finance, microentrepreneurship and economic planning. Most of the initiatives that provide access to capital are supplying seed capital or microfinance for new start-ups or for the improvement of existing small businesses. Making the transition to the formal sector of the economy is an ongoing challenge. The evidence on this is positive and indicates that formalization initiatives tend to be most successful when the participants are motivated and are relatively more educated (Farné, 2009).

Direct and indirect job creation are two other demand-side approaches being used in the region. Direct job creation initiatives usually involve making temporary public-sector jobs available, mostly in service positions that can be filled by unskilled labour, public works and local and community infrastructure projects. Examples include Argentina’s Community Employment Programme and Mexico’s Temporary Employment Programme. Indirect job creation is usually powered by State subsidies. These are often seasonal programmes aimed at encouraging private businesses to take on young people and adults who are living in poverty or who belong to vulnerable groups by providing these companies with subsidies that cover part of the workers’ wages in order to lower the cost of hiring them. PROEMPLEAR in Argentina and the Youth Employment Subsidy and Women At Work bonus in Chile are two examples (ECLAC, 2016c). Other types of subsidies cover employers’ social security contributions or tax liabilities (ECLAC/ILO, 2014). The evaluations of these programmes have found that their benefits tend to fade once the programmes end, however (Abramo, Cecchini and Morales, 2019).

Finally, job placement services work to match up labour demand and supply by providing participants in labour and productive inclusion programmes with information about job opportunities in private businesses and public organizations. The fairly scant evidence that is available on the impact of these services is mixed, as there are positive evaluations of initiatives in Mexico (Van Gameren, 2010) but negative ones on programmes in Brazil (Soares and Sátyro, 2010).

2. Minimum wages

Strengthening minimum wage systems has been an important tool for reducing poverty and inequality in the region since this provides a way of raising the earnings of workers in the lower part of the income distribution pyramid (ECLAC, 2014 and 2016b). Most of the Latin American countries witnessed an increase in the real minimum wage between 2000 and 2016. Paraguay was the exception, but its real wage declined only slightly. 16 Brazil’s minimum wage jumped by 108.7% during that same period in real terms, although 21.3% of workers were receiving a wage below the minimum floor as of 2014 (ECLAC, 2017a). 17

In Latin America, experience has shown that, when a minimum wage is set at an appropriate level, it can be a valuable public policy tool for reducing inequalities. In order for it to be effective in combating poverty, however, it must be coupled with the actual enforcement of labour laws and a long-term strategy linked to economic policies and labour institutions that are aligned with macroeconomic and production policies (ECLAC, 2016b, Weller and Roethlisberger, 2011). Brazil’s experience indicates that raising the minimum wage at a time of falling unemployment and robust economic growth can help to reduce inequality among wage earners (Maurizio, 2014).

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16 The available data indicate that the percentage of persons whose labour income falls below the level of the minimum wage ranges from 30% in Mexico to 17% in Chile (ECLAC, 2017a).

17 Figures on the changes in real minimum wage levels in Latin American countries between 2000 and 2016 are taken from the CEPALSTAT database (ECLAC, 2021b).
There are various ways in which a minimum wage policy can affect levels of inequality. At least five of those ways merit discussion here. First, an increase in the minimum wage can lead to an improvement in social protection benefits such as pensions, since these benefits are linked to wage levels or use them as a point of reference, as in the case of Brazil and Uruguay (ECLAC, 2014). Second, a minimum wage will primarily benefit the less privileged groups that are overrepresented at the base of the wage pyramid and can dovetail quite neatly with policies aimed at reducing other types of inequalities, since it may be particularly beneficial for women of African descent, members of indigenous groups, young people and residents of areas where wage levels are low (ECLAC, 2016b). Guimarães (2013) has shown that the increase of the minimum wage in Brazil between 2004 and 2011 contributed to a significant narrowing of the pay gap between men and women and between Caucasians and persons of African descent. During that period, average labour income from the principal form of employment of people aged 16 and over climbed by 29% for men, 36% for women, 28% for Caucasians, 44% for persons of African descent as a whole and 47% for Afrodescendent women. Third, minimum wages raise the floor of the wage pyramid in the formal labour market and serve as a reference point for wages in the informal sector in what has come to be known as the “lighthouse effect”. Fourth, the establishment of a minimum wage reflects how power is distributed and what kind of value is attributed to work in terms of its place in society and role in generating wealth. Finally, legal coverage and enforcement are fundamental (ILO, 2020).

3. Conditional cash transfer programmes

The rapid spread of conditional cash transfer (CCT) programmes attests to their critical role in “reaching the furthest behind first”, which is essential for the success of efforts to narrow socioeconomic gaps (United Nations, 2015, p. 3). This concern ties in with the CCT objective of reducing poverty and extreme poverty by increasing the monetary resources available to poor households while at the same time building the capacities of their members. Households with children that participate in these programmes must fulfil commitments in various areas targeted by the Sustainable Development Goals, such as education (primary and secondary school enrolment and attendance), health (complying with infant vaccination schedules and women’s attendance at prenatal and postnatal check-ups) and nutrition.

CCTs have played a valuable role in reducing poverty and inequality in Latin America and the Caribbean. A large number of impact assessments have found that CCTs have improved income poverty indicators and indicators in the areas of education, health and nutrition (Cecchini and Madariaga, 2011, ECLAC, 2016b). Since these transfers are generally targeted at the poorest groups but are not always very large, their greatest impact is reflected in indicators focusing on the lowest levels of the income distribution pyramid, such as the poverty gap and the severity of poverty (Crucés and Gasparini, 2013, Veras Soares, 2009). This means that their chief impact in terms of the reduction of socioeconomic inequalities is to bring household incomes that were below the poverty line or extreme poverty line closer to those lines but not necessarily above them. The evidence that CCTs have lowered the percentages of people living in poverty or extreme poverty comes from countries where these programmes are in wide use and where the size of these transfers is substantial (Cecchini and Madariaga, 2011, ECLAC, 2016b). Although the results of the CCTs implemented in the region have not always been the same, they have generally had a positive impact in building people’s capacity, providing children with access to education, increasing health service coverage and the frequency of medical check-ups to monitor children’s growth and provide preventive care and, in some cases, improving child nutrition (Cecchini and Atuesta, 2017).

For regionally specific information on CCTs, see the Non-Contributory Social Protection Programmes Database – Latin America and the Caribbean (ECLAC, 2020).
The importance that CCTs have taken on in Latin America and the Caribbean is reflected in the number and scope of such programmes. Whereas there was only one CCT programme in the region in 1996, there were 30 being actively implemented in 20 countries of the region in 2013 and that number has held steady up to the present day. The sharpest increase in these programmes was seen in the 2000s, when they expanded rapidly in terms of both coverage and disbursements. Their scope and funding then began to level off in 2010 and have been on the decline since 2014. In 2017, CCTs were reaching 20.7% of the region’s population (133.5 million people and 30.2 million households) and were disbursing the equivalent of 0.37% of the region’s GDP and US$ 148 per capita. The recent slippage in the coverage and disbursements of these programmes is a cause of concern, since they actually need to increase the amounts and scope of their benefits if they are to continue to help to eliminate poverty (Abramo, Cecchini and Morales, 2019).

4. Moving towards universal health service coverage and access and the elimination of malnutrition

Health-care systems in Latin America are generally composed of three subsystems: (i) public-sector services for persons living in poverty; (ii) health coverage under the social security system for formal-sector workers; and (iii) private health care for persons who can afford it (Titelman, Cetrángolo and Acosta, 2015). The coverage, access and quality of health care are thus all highly segmented by social and economic status and perpetuate existing inequalities. A segmented health-care system of this type is the exact opposite of a universal, equitable health system (Hernández-Lozada and Bejarano-Daza, 2017).

The evidence on the relationship between health and socioeconomic conditions tends to support the view that health has a significantly positive effect on productivity, employment and income. Research findings also underscore the importance of child nutrition as a determinant of adult health status and income (Strauss and Thomas, 1998; Bloom and Fink, 2013; Jamison and others, 2013).

In view of the highly segmented nature of the region’s health-care systems and the evidence that child nutrition and health conditions have considerable impacts on productivity, employment and income levels, efforts should be made to promote universal, difference-sensitive health policies. Thus, policies aligned with the inequality matrix should be focused on universal health and the elimination of malnutrition. These policies should take a rights-based approach and use targeted, selective or affirmative action mechanisms to benefit the most vulnerable and excluded groups in the population and those that are subject to discrimination.

Before moving on to a discussion of some of the specific kinds of policies that are needed, it should be noted that over the last 15 years, Latin America has succeeded in expanding the health-care system’s coverage and making access more equitable. These improvements have gone hand in hand with a steady increase in spending on health, which climbed from 2.5% of GDP in 2000 to 3.4% in 2015 (ECLAC, 2017a). This process has been highly variable in the region, however, largely because of the widely varying characteristics of the countries’ health-care systems in terms of investment, out-of-pocket expenses, the degree of integration between the public health system and the social security system, health-care coverage and health outcome indicators. An exploration of the more fundamental factors underlying this diversity reveals more structural aspects of these health systems that reflect differing attitudes and beliefs about the welfare State. These attitudes and beliefs are then given expression in actual policies that are influenced by economic, social, demographic and political factors that are specific to each country (Acosta and Cecchini, 2016).
Three types of policies that are considered to be of pivotal importance in making headway in the effort to eliminate malnutrition and achieve the universalization of difference-sensitive health systems are policies designed to put an end to all forms of malnutrition, combat child mortality and reorient health policies in the light of current epidemiological changes.

Measures for the prevention of malnutrition have to be applied at all stages of the life cycle, and social protection systems can help to lower the risk of malnutrition (stemming either from a lack of sufficient food or from excessive food consumption) for people of all ages. The region's social protection systems have a range of tools that they can employ in order to attain this objective while placing priority on the most vulnerable members of the population. This line of policy has been reinforced by the statement made by the High-level Panel of Experts on Food Security and Nutrition (2012) when it affirmed that: "The fact that access to food and to social protection are universal human rights, recognised by most states, provides the basis for a more effective and equitable approach to implementation..." (p. 12).

As part of an emerging global trend, malnutrition as a result of excess weight, as well as underweight, is becoming increasingly common. This has come to be known as the "double burden of malnutrition". Children are one of the main groups to be affected by this problem. Given the multicausal nature of nutritional problems, action will have to be taken by a number of different sectors in order to address this issue. Generally speaking, there are two main types of policies in this area. First, there are targeted policies for addressing the immediate causes of undernutrition, such as food consumption and disease management, as well as intermediate causes such as the diets of children in their first years of life and caregiving practices. Second, there are difference-sensitive policy interventions designed to complement the policies that are more specific in scope (Martínez and Palma, 2017). This second kind of policy focuses on underlying causes such as socioeconomic, environmental and political or institutional factors and deals with nutrient absorption and the quantity and quality of peoples dietary intake (Martínez and Fernández, 2007).

School meal programmes are one example of the more specific types of nutrition policy interventions for children. These programmes have undergone changes over time as they have shifted away from an emphasis on supplementing the food supply of children from poor homes and towards the inclusion of policies aimed at delivering nutritional meals and promoting healthy eating habits in countries where a large portion of the population is overweight or obese. Policies that address the problems of excess weight and obesity should take into account such factors as prices, foodstuff production and marketing, and the availability and affordability of different products (PAHO, 2015). Examples of these types of policies can be found in Brazil, Chile, Colombia, Costa Rica, Ecuador and Mexico, which have the highest obesity rates in the region.

Another very important type of policy focuses on reducing infant mortality. Between 2000 and 2015, infant mortality fell in all the countries of Latin America and the Caribbean (ECLAC, 2021b) thanks to the coordination of a well-designed policy mix. These policy interventions included: (i) advances in high-impact, low-cost primary health care, such as mass vaccination campaigns, oral rehydration therapy and wellness check-ups for children; (ii) the expansion of basic service coverage, especially drinking water and sanitation; (iii) increased prenatal care for pregnant women; (iii) improvements in nutrition; (iv) increases in education levels, particularly among women; and (v) reductions in fertility.

This target is part of Sustainable Development Goal 2: End hunger, achieve food security and improved nutrition, and promote agriculture (United Nations, 2015, p. 14).

For more detailed information, see FAO and WFP (2019).

Some of the success stories involving one or more of these types of policies are: Chile Crecce Contigo ("Chile Grows with You"), (Ministry of Social Development, 2020) the Mother and Child Programme in Cuba (Ministry of Public Health, 2021), the Bono Madre Niña-Niño Juana Azurduy ("Juana Azurduy Mother-and-Child Grant") of the Plurinational State of Bolivia, available at [online] https://www.bja.gob.bo/index.php/el-bono/a-quienes-esta-dirigido-el-bono. Las Casas de Espera Materna ("Homes for Expectant Mothers") in Peru (Ministry of Health, 2006), and El Parto Vertical con Adecuación Intercultural ("Interculturally Adapted Vertical Birth") programme in Peru (see Liendo Cáceres, 2017). For further information on policies and programmes for newborns whose scope is not necessarily limited to the region, see WHO (2021). For further information on child health in the region, see PAHO (2021). Regarding the infant mortality database, see Inter-Agency Group for Child Mortality Estimation (2020).
Finally, a third type of policy focuses on initiatives relating to the transitioning epidemiological profile of the Latin American and Caribbean population as the relative frequency of communicable diseases declines and the relative frequency of chronic, noncommunicable diseases increases. In order to meet the challenges posed by this fairly recent change, the countries will need to rethink and reorient their health systems and put greater priority on the prevention of noncommunicable diseases that affect people at different stages of the life cycle. This task is even more challenging for countries that have to cope with the increasing pressure that noncommunicable diseases are putting on their health systems while at the same time continuing to combat persistent communicable diseases such as cholera, dengue fever and chagas disease, as well as the emerging threats posed by new diseases such as those caused by the zika and chikungunya viruses (ECLAC, 2018b).  

Some examples of programmes in the region are the National Zika Virus Disease Preparedness and Response Plan in Peru (Ministry of Health, 2016), Paraguay’s national Salvá Vidas Sin Criaderos (“Save Lives by Doing Away with [mosquito] Breeding Grounds”) campaign (Ministry of Public Health and Social Welfare, 2019), and the regionwide Vaccination Week in the Americas (PAHO, 2020).
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