

LAC - EUROPE

Social Policy Challenges
in Latin America and the Caribbean:
analysis and policies



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Authors

Challenges of Social Policy in Latin America and the Caribbean: Analysis and Policies

Lucila Berniell, Dolores de la Mata, Ernesto Schargrotsky and Adriana Arreaza-CAF Knowledge Management, with the collaboration of Santiago Levy-Brookings Institution.

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01 Analysis



The CAF Flagship Report, RED 2022: inherited Inequalities, shows that in Latin American and Caribbean societies, there is a strong connection between high inequality and low social mobility. Various mechanisms associated with access to opportunities cause families and individuals to reproduce the social situation of their ancestors.

Individual well-being depends to a great extent on being born into a household with more or fewer resources. Low mobility perpetuates the high levels of inequality in the region and is the flip side of a strong transmission of inequalities from parents to children.



A Region with High Inequality and Low Growth

Latin America and the Caribbean faces two major problems. First, it is one of the most unequal regions in the world. Its Gini coefficient for income is 15% higher than that of the second most unequal region, Sub-Saharan Africa, and almost 50% higher than that of the most equal region, Europe and Central Asia (Figure 1). Inequality extends to other dimensions of well-being, such as education, health, the quality of job opportunities and the accumulation of wealth.

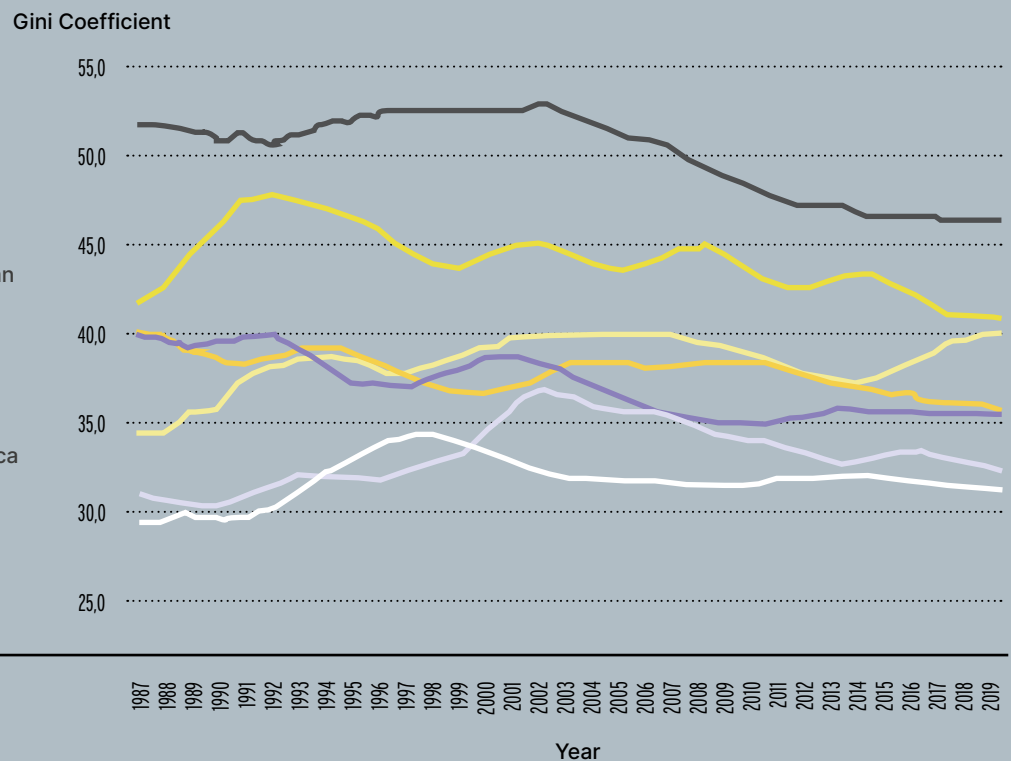
Second, there is a huge per capita income gap with respect to more

developed countries. The fundamental reason is low productivity. This situation is transversal to the different sectors of activity, making it necessary to trace its causes to the institutions that affect the environment in which companies and productive processes are developed.

This document focuses on the first problem, but mentioning the second problem is necessary, since it is essential to making sure the public policies promoted to reduce social inequalities do not punish productivity and growth. ■

Figure 1.
Income Inequality between Regions

- Latin America and the Caribbean
- Sub-Saharan Africa
- North America
- East Asia
- The Middle East and North Africa
- South Asia
- Europe and Central Asia



The Centrality of Social Mobility

INEQUALITY EXTENDS TO OTHER DIMENSIONS OF WELL-BEING SUCH AS EDUCATION, HEALTH, QUALITY OF EMPLOYMENT OPPORTUNITIES, AND WEALTH ACCUMULATION.

Inequality indices, such as those in Figure 1, capture what happens over time, but say little about the specific groups' situations. A country may have the same Gini coefficient in two time periods because the rich and poor families in both periods were the same families, or because those who were rich in the first period became poor in the second and, conversely, those who were poor in the first period became rich in the second period.

The difference between these two situations is profound: the first describes a sclerotic society without social mobility, in which the rich and the poor are always the same. The second situation describes a society with high social mobility. The Gini coefficient is the same, but the social dynamics are not. The difference is critical for political stability and social inclusion, as well as for economic growth, to the extent that real possibilities for social advancement fuel people's efforts to become better-educated and work harder.

The CAF's most recent research shows a strong connection between high inequality and low social mobility in Latin American and Caribbean societies. Various mechanisms associated with access to opportunities cause families and individuals to reproduce their ancestors' social situations. Individual well-being largely depends on having been born into a household with more or fewer resources. Low mobility perpetuates the region's high levels of inequality, and is the flip side of a strong transmission of inequalities from parents to children.

Social mobility can be analyzed from two perspectives. The first is **absolute mobility**, which measures the percentage of children who manage to outperform their parents in some dimension of well-being, such as education, health, income or wealth. The second is **relative mobility**, which measures the level of association (or persistence) of the relative position of parents and children on some measure of well-being. Figure 2 includes different scenarios.

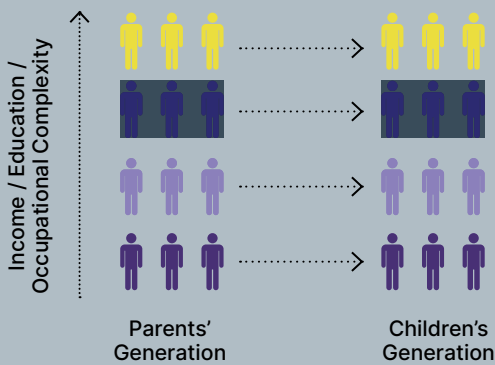




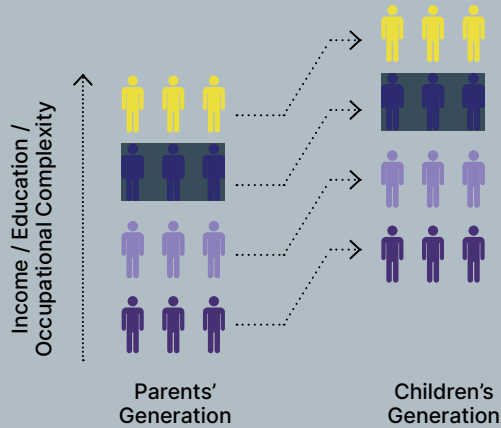
Figure 2.

Absolute and Relative Mobility Scenarios

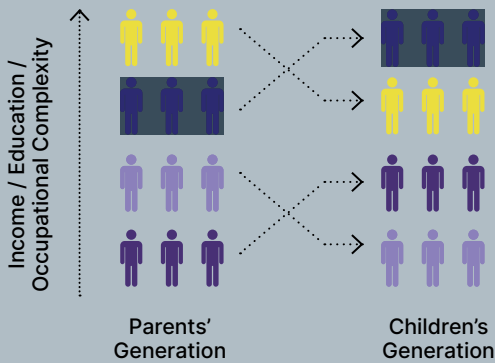
Scenario 1: Zero relative mobility with zero absolute mobility



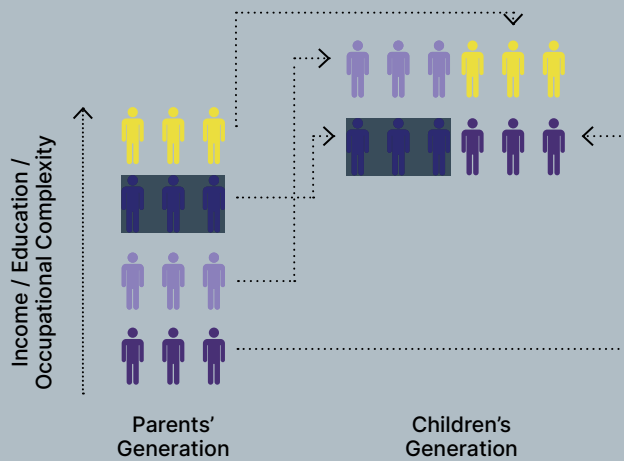
Scenario 2: Zero relative mobility with upward absolute mobility



Scenario 3: Relative mobility with upward and downward absolute mobility



Scenario 4: Relative mobility with upward absolute mobility



Scenario 1 illustrates a static society without absolute or relative mobility: children do not reach a higher level of well-being than their parents, and there is no rearrangement of families in the distribution of the variable used to measure well-being. Scenario 2 demonstrates that there may not be opportunities for someone to improve their relative position, even in times of growth. Scenario 3 is the one in which there is a reallocation in positions: there are children who are better off than their parents and others who are doing worse (relative mobility with upward and downward absolute mobility), but society does not improve on average. Finally, scenario 4 illustrates a situation in which well-being levels are higher for all children, and relative mobility means their position is not necessarily tied to their family's initial situation.

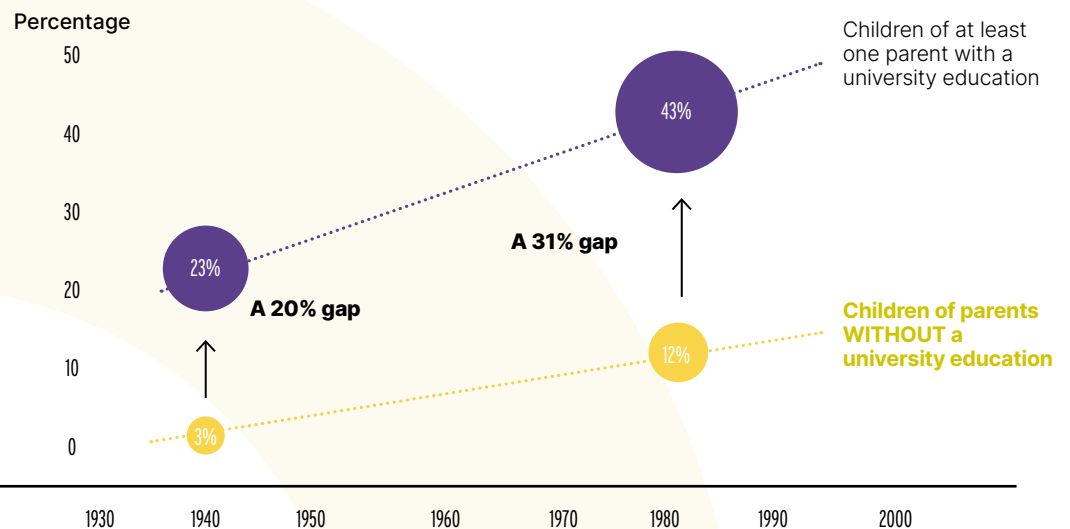
the world, with values similar to those of the highest income countries. However, the region is among those in the world with the lowest relative mobility: the years of education completed by children is very strongly associated with those completed by their parents.

The high absolute mobility and low relative mobility are reconciled by observing that the children of poorly educated parents outperform their parents only in completing elementary and, at most, secondary education. Meanwhile, the children of the most educated parents are those who mostly manage to complete their higher education. The difficulty in accessing higher levels of education highlights the educational disadvantages of those who come from disadvantaged backgrounds: only one of ten children whose parents did not attend university manages to complete a higher education cycle by the age of 24-25, compared to one of every two children whose parents are university graduates. Even worse, Figure 3 shows that the gap between the two groups has widened: the difference in the probability of completing higher education at age 24-25 between the children of parents with and without university educations was 20 points for those born in 1940 and 31 points for those born in 1980.

Educational Mobility: Years of Education

Thanks to the significant educational expansion the region experienced in the 20th century, 6 out of every 10 individuals born in the 1980s surpassed their parents' educational level. This places the region among those with the highest absolute educational mobility in

Figure 3.
Probability of Completing Higher Educations at 24-25 Years of Age



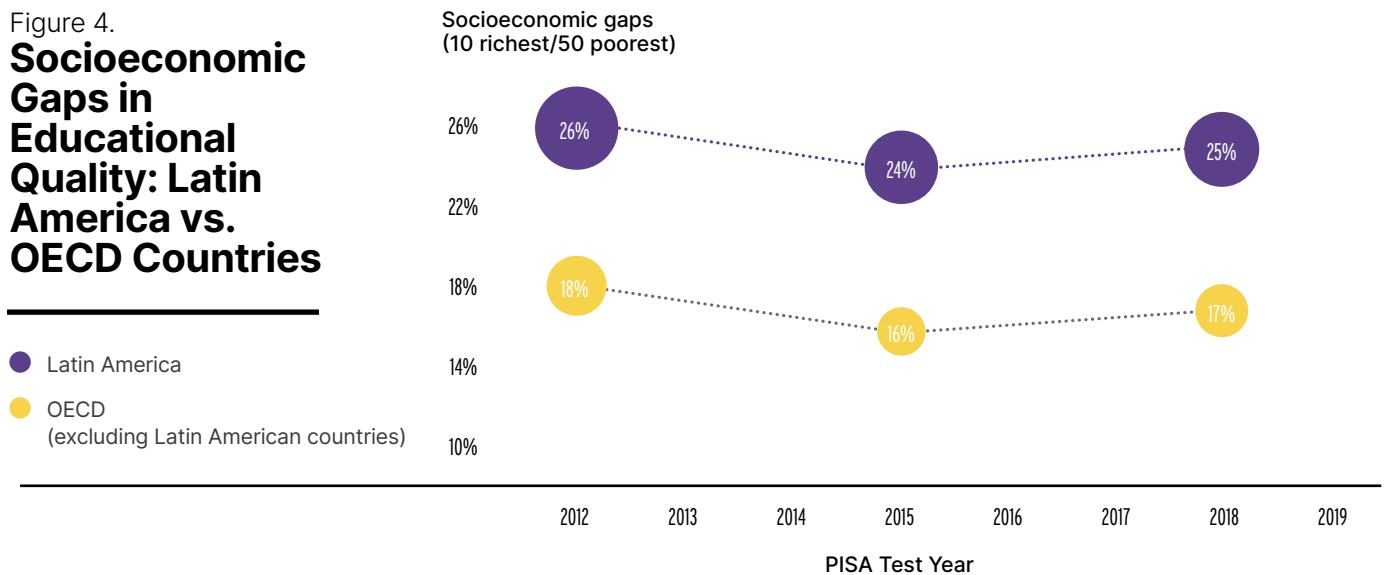


Educational Mobility: Quality

Educational quality remains a pending topic in the region. In 2012, the difference in performance on the PISA math test between the average student in the region and in the OECD (Organization for Economic Cooperation and Development) was equal to 3.1 years of education. It rose to 3.2 in 2015 and 3.3 in 2018. What is even more problematic is that the socioeconomic gaps are substantially larger than those observed in the OECD, and they do not tend to close. In fact, Figure 4 shows that the quality gap between a student from a rich family (in the top decile of the income distribution) and a student from a poor family (in the five lowest

deciles) was between 16% and 18% in the OECD, but between 24% and 26% in the region. Moreover, this bad news is even more serious, since a significant fraction of young people in the region with academic difficulties drop out of school before the age of 15 (the age at which the PISA test is taken). If these young people were included in the quality gap computations, the differences would widen considerably. The persistence of educational quality problems partly explains why the increase in educational coverage has not translated into improved skills (cognitive and non-cognitive), which are crucial for access to good jobs.

Figure 4.
Socioeconomic Gaps in Educational Quality: Latin America vs. OECD Countries



Occupational Mobility

Gaps in upward mobility can also be observed in occupations. The children of parents with low complexity occupations only have an 11% probability of moving up to high complexity occupations, while that figure is almost 60% for children of parents with complex occupations. This almost 6 times larger gap contrasts with that of other regions, whose gaps are between 2 and 3 times different. Since highly complex occupations offer higher wages and better career advancement, unequal access to occupations is a mechanism for the reproduction of inequality. Other metrics indicate that occupational persistence in the region is among the highest in the world, and it has not substantially changed over the last 5 decades.

University Mobility

Young people from different socioeconomic backgrounds differ in their trajectories between formal and informal employment. CAF data indicates that the first job of 50% of children with parents with less education was formal, compared to 62% for children with parents with high education. These differences deepen as we consider transitions towards current employment. Among the children of less educated parents, formality percentages are almost the same for their current jobs compared to their first. On the other hand, the formality percentage increases for children of more educated parents, reaching 70%.

Differences in formality trajectories in the life cycle of employees play a critical role in two dimensions: access to social security, including the

possibility of accumulating enough time in a formal job to access a pension upon retirement; and access to learning opportunities and skills acquisition on the job, which is higher in formal employment. Inequality is transmitted from generation to generation, partly because the children of less educated parents work more in informal employment compared to the children of more educated parents.

Mobility of Income

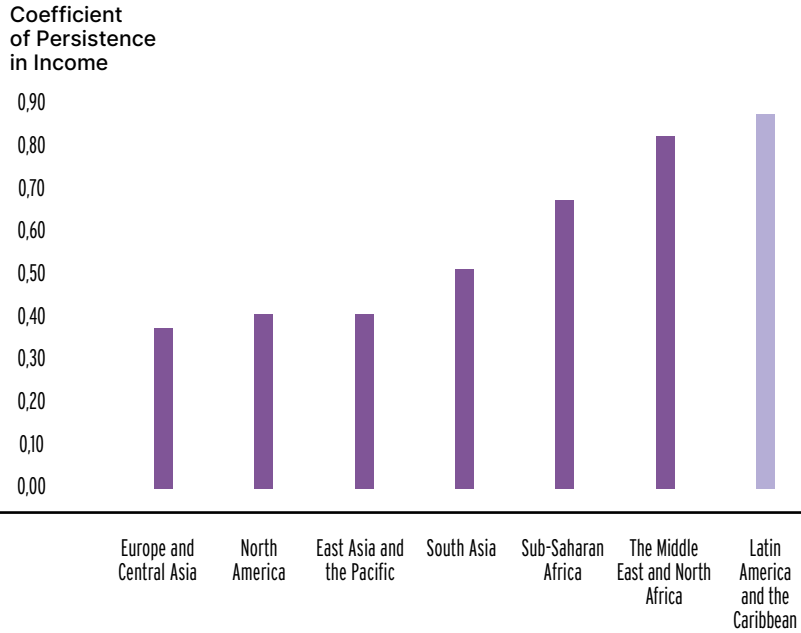
Overall, high intergenerational persistence in educational and occupational performance and differences in formal trajectories lead to high persistence in income between generations in Latin America and the Caribbean. The figures are well above those of developed regions, but also those of poor regions, such as Sub-Saharan Africa. Figure 5 contains a simple but central message: the income earned by children in the region is more strongly linked to the income earned by their parents compared to other regions in the world. The value reported for the region implies that 90% of the income differences in the parents' generation are transferred to the children's generation, compared to Europe or North America, where these differences are only 40%.

THE PERSISTENCE IN EDUCATIONAL QUALITY ISSUES PARTLY EXPLAINS WHY THE INCREASE IN EDUCATIONAL COVERAGE HAS NOT TRANSLATED INTO IMPROVED (COGNITIVE AND NON-COGNITIVE) SKILLS, WHICH ARE CRUCIAL FOR ACCESS TO GOOD JOBS.



Figure 5.
Intergenerational Persistence in Income

Note: Simple averages between countries in each region. Information is presented for cohorts of children born in the 1960s or 1970s. The average for Latin America and the Caribbean includes Bolivia, Brazil, Chile, Colombia, Ecuador, Guatemala, Panama and Peru.



IN THE REGION, RESIDENTS IN RURAL AREAS AND SMALLER CITIES (IN TERMS OF POPULATION) HAVE LOWER LEVELS OF ABSOLUTE EDUCATIONAL MOBILITY THAN THE REST OF THE POPULATION.

Mobility Among Persistently Disadvantaged Groups: Women

Women’s education in the region has advanced significantly in the last four decades. However, this progress contrasts with their possibilities of accessing better job opportunities and obtaining higher incomes. Women’s labor participation is 30% lower than men’s (one of the world’s largest gaps, behind only the Middle East, North Africa and South Asia), and their labor income is 35% lower (not only because they work fewer hours in the market, but also because their hourly wage is 5% lower). These gaps could partly arise from differences in productive characteristics between men and women. However, these persist and even grow larger when conditioned by characteristics, such as age, education and place of residence.

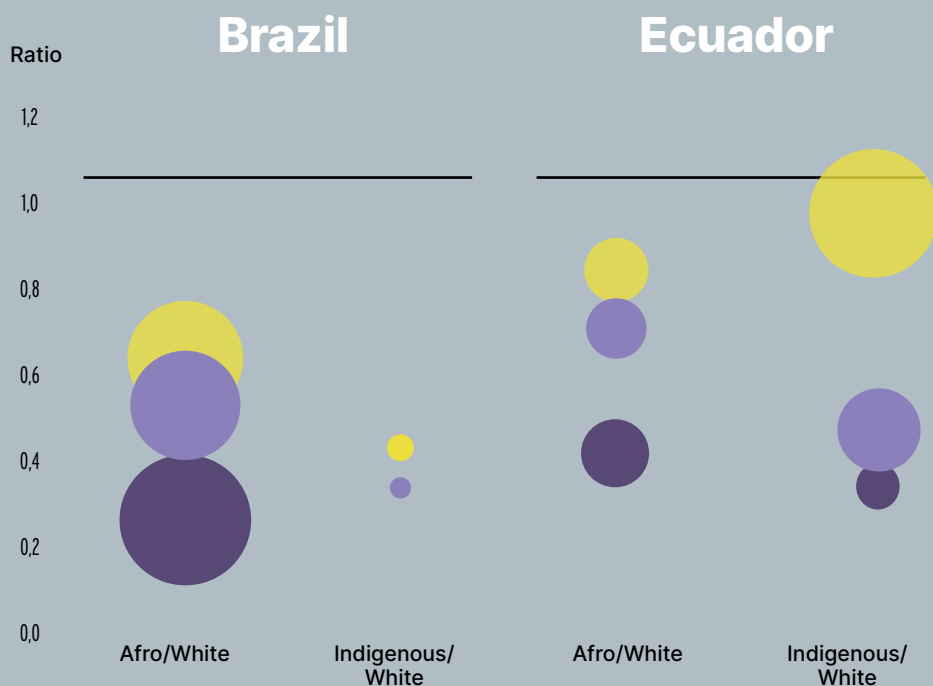
Mobility Among Persistently Disadvantaged Groups: ethnicities

Afro-descendants and indigenous people also face major obstacles in achieving greater upward mobility. Figure 6 shows the ratio between measures of upward absolute mobility for African Americans, indigenous people and mestizos in Brazil and Ecuador, using the white population of the same country as a reference in both cases. The values are always below one, reflecting a lower mobility for each ethnic group with respect to white people. A very noticeable aspect of these results is the widening of the gaps as educational levels make progress, which implies a lag worsening throughout the lives of people of these ethnic groups. These gaps in educational mobility, coupled with other job market barriers mean skin color is negatively associated with key outcomes, such as unemployment, self-employment, the likelihood of having a business that employs others, and access to formal employment.

Figure 6.
**Upward
 Absolute
 Educational
 Mobility Gaps**

Note: The center of each bubble represents the ratio of each ethnic group's measure of absolute educational mobility with respect to that of the white population. The size of the bubble reflects each group's participation in the total population. In Brazil, the sample size does not allow computing ethnic gaps between the indigenous group and white people in university education mobility.

- Mobility in Elementary
- Mobility in Secondary
- Mobility in University



Mobility between Regions: Informal Neighborhoods

Geographic location also defines the possibilities for upward mobility. In the region, residents of rural areas and smaller cities (in terms of population) have lower levels of absolute educational mobility than the rest of the population.

The influence of geographic location is more pronounced within the cities themselves. Nearly a quarter of Latin Americans live in informal settlements, and they receive the worst health, education and transportation services. They are also the most exposed to environmental pollution. This urban segregation also makes daily commuting difficult (in terms of distance and

time) to establishments with a high concentration of quality jobs, which are usually located far from the most disadvantaged areas of cities.

Persistence between generations in place of residence is another dimension of social mobility. Surveys conducted by the CAF show that 45% of people live in the same neighborhood where their parents used to live, and 34% even live in the same house. This spatial persistence implies that the possibilities for new generations to reside in areas of the city that are closer to formal jobs are lower than those of workers with families in lower socioeconomic strata. In the same survey, more than 1 in 3 workers in the region's large cities said that the area where they lived made it difficult for them to get a job. ■



Persistent Inequality and Public Social Spending

IN OECD COUNTRIES, THE GINI INDEX OF INCOME DISTRIBUTION EARNED IN THE MARKET IS 0.48, NOT VERY DIFFERENT FROM THAT OF THE REGION, WHICH IS 0.51.

Increased Spending on Social Protection

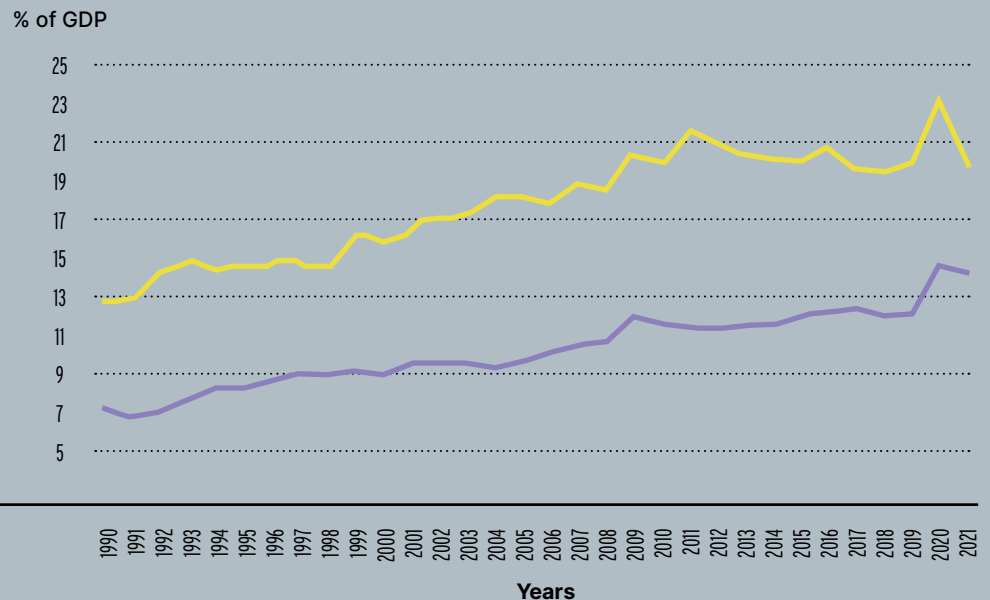
Low mobility has persisted in recent decades despite substantial efforts by the region's governments. Indeed, the combination of high inequality and low relative mobility contrasts with the increase in public social spending (PSS), which, as shown in Figure 7, doubled its share in the gross domestic product (GDP) over the last three decades, moving from 7% to 14%. In fact, its trend has been similar to the trend observed in the average of OECD countries. In most countries, the increase in spending was concentrated on expanding conditional cash transfer programs, pensions and health care for informal workers.

Comparing the evolution of the PSS in Figure 7 with that of the Gini coefficient in Figure 1, it can be

concluded that the expansion of the PSS in the last three decades was not very successful in reducing inequality. While there are many explanatory factors for this situation, one stands out: the job market did not fulfill its essential mission of facilitating mobility. As documented, children of less advantaged families had more schooling than their parents, but remained in informal jobs for most of their careers, did not advance to more complex occupations, and their incomes remained very similar to that of their parents. This systemic failure of the job market affected everyone, although more so segments of the population based on their gender, ethnicity or place of residence. It also persisted despite substantial increases in the PSS. In other words, the main problem was not a lack of resources.

Figure 7.
PSS as a % of GDP in Latin America and the Caribbean and in OECD countries
(central government)

● Latin America and the Caribbean
● OECD Countries





The Effectiveness of Social Protection Spending

The situation described in the previous sections is also reflected in the effectiveness of PSS in reducing inequality in Latin America compared to other regions of the world. In OECD countries, the Gini coefficient of the distribution of income obtained in the market is 0.48, which is not very different from that of the region, which is 0.51. However, in OECD countries, the tax policy and contributions and transfers associated with the PSS result in a Gini coefficient of the distribution of income after taxes and transfers for social protection programs of 0.29. In contrast, the corresponding value is 0.48 in Latin America (IDB, 2020).

In other words, the comparison between the OECD and the region shows a worrying result: the relative ineffectiveness of PSS in reducing income inequality generated by the market. This is another indication that, beyond its level measured as a percentage of GDP, PSS has significant structural problems. Finally, it is not reaching those who need it most, In addition to not contributing to social mobility. ■

THE CHILDREN OF LESS PRIVILEGED FAMILIES HAD MORE EDUCATION THAN THEIR PARENTS, BUT REMAINED IN INFORMALITY FOR MOST OF THEIR WORKING LIVES.



Low Productivity

The region's other major problem is its slow growth. A finding of the CAF's studies illustrates the above: while Latin America's average GDP per capita compared to the United States' has stagnated since 1960, Spain went from one third to two thirds and South Korea from 7% to 67%.

The main reason is well known: poor performance in productivity. Another finding of the CAF's studies is that this phenomenon is not due to a bias of the economic structure towards certain sectors that are not very productive. Instead, it is transversal to all economic activities and is explained both by the low productivity of many individual companies within each sector, and because resources are not always allocated to the most productive companies.

One manifestation of low productivity is the high level of self-employment, and another is the small scale of most enterprises. In fact, more than half of the workers in the entire region are self-employed or in companies with fewer than 5 workers, and approximately one out of every two wage earners is employed in companies with fewer than 10 employees. This proportion contrasts with the United States, where it is barely one of eight. An additional manifestation, practically the flip side of the first two, is the informality that, as already noted, characterizes most of the region's workers.

The CAF's studies indicate that the fundamental causes of these phenomena can be found in the institutions that affect the productive

environment of companies and workers, regardless of the sector in which they operate. This institutional framework implies a set of incentives that biases decisions to operate behind fiscal, labor and financial regulations on a small scale and not to innovate or adapt new technologies. And while many institutions are responsible for this situation, one stands out from the perspective of inequality and mobility: dysfunctional job markets with little capacity to translate the human capital gains of vulnerable groups into formal and productive employment. The job market is by far the most important link between productive processes and social development. When it fails, the result is persistently high inequality

IN A CONTEXT OF INDIVIDUAL WORKER MOBILITY BETWEEN FORMALITY AND INFORMALITY, MANY DO NOT REACH THE NECESSARY CONTRIBUTION PERIODS.





and low relative social mobility, as well as stagnant productivity.

Many factors affect the functioning of job markets in the region, but two stand out from a social perspective. First are deficiencies in access to and the quality and relevance of education, which, as indicated above, have hindered relative mobility.

Second is a segmented social security architecture that has some programs when workers are formally employed and others when they are informally employed. In the context of individual workers' mobility between formal and informal jobs, many do not reach the necessary contribution periods to obtain a pension upon retirement and lose part or all of their contributions; when they are formal, they receive low quality health services relative to their contributions; or they have to contribute to programs that do not benefit them. In parallel, when they are informally employed, they have access to pension, health and other programs, which are ultimately free (or at a very low cost), although they may have a lesser scope and quality than those they can receive through formal employment (however, the gaps are increasingly smaller due to the trends noted in the PSS). This architecture implicitly taxes formal employment and subsidizes informal employment, and is one of the causes of informality in the region.

The aforementioned taxes and subsidies have two characteristics. On one hand, they are greater for lower-income workers because they remain in the informal sector longer, creating a vicious cycle that hinders their access to formal jobs. On the other hand, they are part of the explanation for the stagnation of productivity in the region, since they induce self-employment and the proliferation of small and unproductive companies.

The combination of differences in educational quality between groups, with incentives that punish formality and reward informality, makes the job market a systemic impediment to relative social mobility and faster growth, regardless of whether or not discriminatory cultural attitudes, racial prejudice, or place of residence further hinder the social mobility of certain groups. ■

THIS PHENOMENON IS NOT DUE TO A BIAS OF THE ECONOMIC STRUCTURE TOWARDS CERTAIN UNPRODUCTIVE SECTORS, BUT RATHER, IT IS TRANSVERSAL TO THE ENTIRE ECONOMIC ACTIVITY.



02 Policies



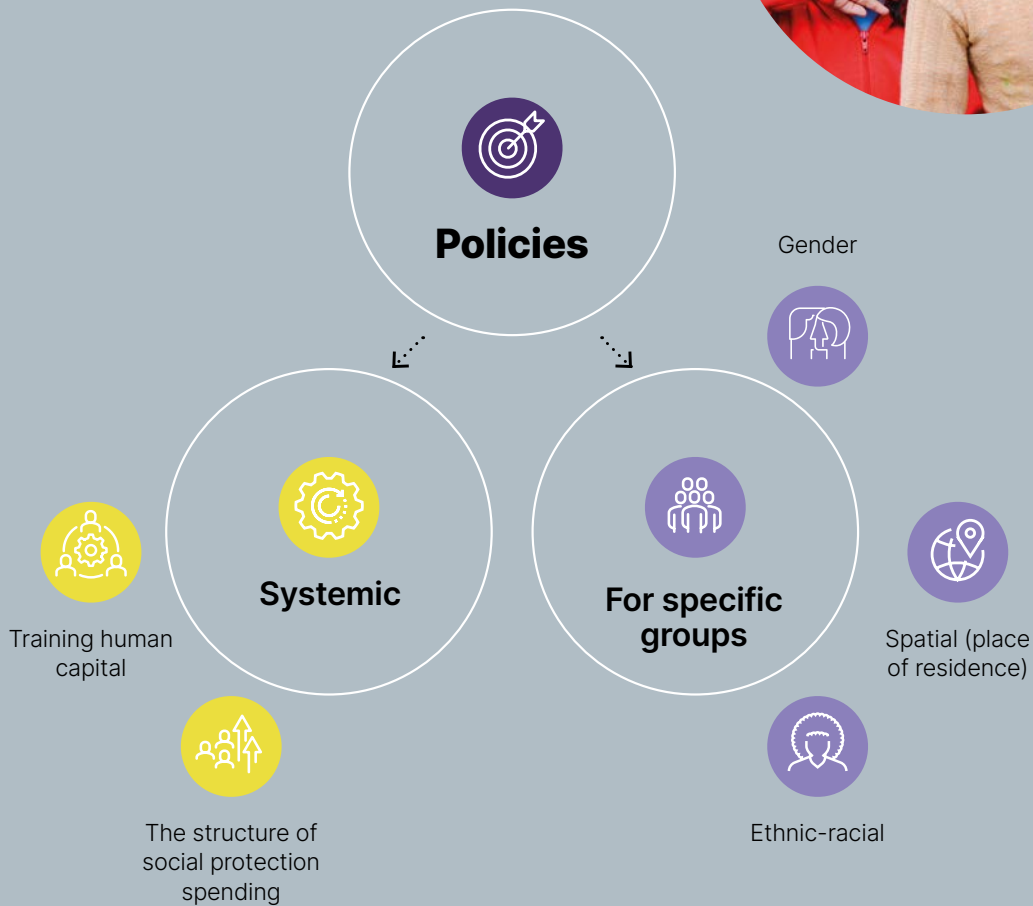
To reduce inequality and accelerate growth, policies aimed at the entire population must be implemented, such as strengthening human capital development and optimizing social protection spending, along with specific policies for disadvantaged groups.

In the coming years, many young people from disadvantaged families will still not have access to university education. The transition to the labor market should be facilitated by strengthening basic education (early childhood, primary, and secondary), with a greater emphasis on early childhood education and general and technical secondary education (secondary and post-secondary).



Figure 8 identifies two groups of policies to reduce inequality and accelerate growth focused on key problems identified in the previous section: human capital issues and the low capacity of the region's labor markets to foster social mobility. On one hand are systemic policies, or general policies, aimed at the entire population. On the other hand are policies focused on disadvantaged groups according to the typology presented above, with the clarification that these groups would also benefit from systemic policies.

Figure 8.
Policies for less inequality and more growth



Systemic Policies: Quality and Relevance of Human Capital

Deficiencies in the quality and relevance of education partly explain why educational progress has not translated into greater relative mobility. These problems begin in childhood. The region has not made sufficient progress in the coverage of early childhood education. This aspect has an impact on individuals' learning opportunities during the rest of their education.

Although basic educational coverage is practically universal throughout the region, gaps in quality persist. This aspect has been widely documented in publications by the CAF and other international organizations.

Although the problems of quality and relevance are present throughout schooling, the actions that would yield the most immediate results are in middle or high school education and in job training programs.

In the coming years, many young people from disadvantaged families will still not have access to university education. Their transition into the job market should be facilitated by supporting basic education (initial, elementary and secondary), with a greater emphasis on initial education and general and technical secondary education (secondary and post-secondary). This requires five types of policies.

1. **Physical infrastructure.**

In some cities, investments in water, sanitation and electricity, among others, are required for inclusive and environmentally sustainable spaces. Investments in digital technologies are also required everywhere: connectivity and access to devices and the cloud as enablers and enhancers of learning in face-to-face, virtual or hybrid formats.

2. **Adapting the content of the curricula.**

Digital skills, languages and an emphasis on natural sciences, engineering and mathematics. This requires revaluing skills associated with data handling and management, logical or computational thinking and learning based on problem solving.

3. **Improving teachers' abilities to teach the new content.**

In parallel, their digital skills, and those of school managers and staff, must be improved for teaching and school management. This implies policies and programs for digital and data infrastructure, curricula designed for technological inclusion and the development of digital skills, underpinning content and the measurement of results.



4. Strategies to prevent and, if necessary, reverse school dropout.

This can be achieved, for example, by extending income transfers until the age of 18 or 20, conditioned upon the completion of studies (as some countries already do) and through early warning programs that focus efforts to accompany students and protect their schooling.

On the other hand, governments in the region typically invest between 0.1 and 0.2% of their GDP in job training programs. In general, these programs are managed by the ministries of education, labor, or specialized institutions. However, these investments do not always generate the expected benefits due to governance and coordination issues among those involved. This materializes in the mismatch between the supply of skills and the needs of companies, as well as the lack of monitoring and evaluation. With the same resources, there are significant opportunities to improve coordination between supply and demand, using data from local labor markets more intensively and ensuring the participation of business organizations in designing

5. Due to what happened during the Covid-19 pandemic, learning recovery strategies must be strengthened by extending time in school through, for example, double shifts.



curricula and in the mechanisms for certifying skills. The functions of design, management and evaluation should be clearly separated, keeping the same agency (ministry, training institution) from carrying out all three. In addition, the offers for upskilling and reskilling should be strengthened and diversified, designing financing systems that are not detrimental to formal hiring.

For many young people in OECD countries, specialized technical education (STE) replaces traditional university education. In fact, STE is an important channel of social mobility in these countries, to the extent that it allows young people from families whose parents did not obtain a university degree to acquire skills to obtain well-paid jobs. Latin America has invested heavily in the expansion of university education, but the results of these investments in the labor market have been insufficient. The expansion of STE in the region can open new social mobility channels that are more effective than the existing ones, while simultaneously contributing to training a better-prepared work force in the context of job markets characterized by growing technological dynamism. ■

Systemic Policies: Social Spending that Reduces Inequalities without Undermining Productivity

The low quality and insufficient relevance of education only partly explains why regional labor markets obstruct relative social mobility.

The remainder is explained by the incentives for companies and workers, reflected in the persistence of high levels of self-employment or employment in micro-enterprises, high levels of informality, and a business dynamic that is not conducive to increasing productivity.

Indeed, the region has made a great effort in recent decades to invest in education, without obtaining the expected results in terms of social mobility, inequality and productivity. There is undoubtedly room to increase the impact of these investments with policies, such as those described in the previous section. However, in light of experience, the region should not wait for these policies alone to be the solution. Addressing the incentives behind self-employment, dwarfism and entrepreneurial informality is vital.

Many institutions and policies generate these incentives. An example is special tax regimes for micro-enterprises, which facilitate the survival of unproductive ones and hinder the growth of productive ones.

Furthermore, high costs, uncertainty and corruption in the legal institutions that regulate economic activities prevent companies from registering as such, hindering their access to credit and other sources of financing. However, social protection systems also matter.

In particular, the GPS structure sometimes ends up taxing formal hiring and subsidizing informal employment. When employment is formal, employers and employees pay for a set of provisions that do not always represent an actual benefit for the employee; and when it is informal, free (or very low-cost) benefits are offered. It should be noted here that these benefits, known as non-contributory because they are financed by general income, largely explain the growth of the region's PSS described in Figure 7.

Reversing incentives for self-employment, entrepreneurial dwarfism and low productivity requires reforms in taxation and functioning legal institutions to reduce costs and increase certainty in commercial and credit transactions, as well as in other areas, which are beyond the scope of this document. However, the social



protection policy must contribute to this task. The structure of the PSS should particularly focus on a central principle: not taxing formal employment and not subsidizing informal employment.

Complying with this principle requires changes to several policies, some of them very significant, such as health and pensions. In general, a recommendable path is to aim for systems whose financing is independent from the employment status of individuals, leading to more “universal” coverage for risks that all workers face, without depending on the type of employment relationship, such as illness, disability and old age. This is in contrast to other risks, such as becoming unemployed after being fired by the company, whose coverage should only cover those in a salaried relationship. Importantly, financing the common part of protection should be provided with general income, thereby eliminating the component of “taxing (subsidizing) formal (informal) employment.” Convergence towards this universal pillar can be gradual, prioritizing benefits that have a high impact on inequality and, at the same time, on the distortions that encourage informality. A natural candidate is to universalize health care systems.

The principle of not tying certain social protection benefits to indicators that can be manipulated by workers and companies and, in particular, to decisions regarding formal/informal hiring must become a guiding rule for the social protection reforms the region must make. That said, it should be emphasized that there are differences among the region’s

countries in designing and operating social protection: the oversight of social security laws, the package of contributory benefits, contribution rates, pension systems, the quality of health care services, child care and others; as well as in the scope, quality and targeting of non-contributory programs. Therefore, the arguments presented above should be seen as general principles to which the necessary nuances of each particular country must be added.

Finally, it should be noted that a large number of factors beyond the architecture of social protection affect the functioning of the region’s labor markets. Undoubtedly, credit access conditions and small business support programs play a central role, as does tax policy. Programs to promote research and development of new technologies are also important. Progress is required in all these dimensions to improve the quality of jobs and increase social mobility. But the social protection policy must also contribute to this. ■

AN ADVISABLE PATH IS TO AIM FOR SYSTEMS WHOSE FINANCING IS INDEPENDENT OF INDIVIDUAL EMPLOYMENT STATUS, LEADING TO MORE ‘UNIVERSAL’ COVERAGE FOR RISKS THAT ALL WORKERS FACE.

Policies for Specific Groups

Section I identified three population groups with lower relative social mobility. These groups would undoubtedly benefit from the systemic human capital training and PSS reform policies outlined above. However, these groups suffer from additional obstacles resulting from cultural patterns not yet fully overcome with respect to gender roles in the family and at work and discriminatory attitudes derived from skin color, ethnicity, or place of residence. These groups require additional policies.



Gender

The slow improvement in women's labor participation and wages contrasts with their remarkable progress in education. This group requires special policies to achieve a central objective: to increase their labor participation in formal, better-paying jobs with better career prospects.

Many policies help achieve this goal, beginning with those that relax time and money restrictions on caring for dependents, such as children and the elderly. Today, these activities fall disproportionately on women. This can be achieved with three actions:

- 1. Expanding the supply of child care services.**
Initial education coverage (4 and 5 years of age), which is mandatory in most of the region's countries, has not reached 100%, even less so in the age group of 0 to 3 years, where it is not mandatory.
- 2. Extending the length of the school day in elementary education.**
- 3. Promoting care policies for the elderly,**
an aspect that deserves special attention due to the rapid aging process in the region's countries.



The expansion of child care services should keep in mind the general principle mentioned above of not taxing formality. For example, a law stating that companies hiring a certain number of women must provide these services to their female workers would increase the cost of hiring women vs. men, pushing the former into lower-paying, informal jobs. Society must recognize that everyone benefits from child care, and that these services should therefore be financed through general taxation, not via a tax on women's salaried employment.

A second group of policies focuses on reforming labor and social security legislation to avoid discrimination against women, highlighting two actions:

1. Reviewing parental leave for taking care of newborns.

These benefits in the region are mainly focused on maternity leave, while paternity leave is very short and parental leave for longer periods (available after maternity and paternity leave expire) is almost non-existent. The revision should promote the co-responsibility of mothers and fathers in childcare tasks and make it possible to direct women's talents towards more productive jobs and away from informality.

2. Through a systemic review of labor legislation to make sure it does not discriminate against women's formal employment (e.g., pregnancy, retirement ages, leaves).

As in the case of child care, legislation should not result in a gap between the cost of hiring men versus women.

A third group of policies focuses on family planning through comprehensive sexual and reproductive health actions. There is a gap in the region between actual and desired fertility, and a high percentage of pregnancies occur at very early ages. In these cases, motherhood is disruptive and can prevent planning or hinder the development of a woman's career. Early motherhood is also a causal factor of school dropout.

Finally, policies are required that favor the presence of women in better quality and better paid occupations. These include more "gender neutral" curricular and pedagogical reforms throughout the educational cycle that explicitly encourage women to invest more in training aligned with the demands of the future of work, in areas such as natural science, technology, engineering and mathematics, including financial, negotiation and networking skills, as well as affirmative action policies to stimulate women's participation in decision-making positions.



Population in Underprivileged Areas

Urban transportation and housing policies have the potential to reduce the disadvantages that workers in underprivileged areas experience with respect to accessing good jobs. Some of them focus on infrastructure development, but others focus on regulatory issues. They all aim at helping increase social mobility by reducing the barriers to job market participation of groups living in disadvantaged areas (especially in inner-city neighborhoods).

On one hand, urban transportation policies should improve mobility by increasing the mass public transportation infrastructure, improving regulation for its proper functioning, and strengthening aspects of its financing. On the other hand, housing policies should include support for legalizing housing, documenting ownership and inheritance, designing innovative regulations and instruments to provide access to housing for the poor, and developing financing mechanisms (land market, mortgage loans and rental systems).

To maximize their impact on social mobility, both policies must be planned together. Some specific actions include: integrating transportation policies into urban planning, designing planning and management instruments (Comprehensive Mobility Plans, transportation-oriented development for major mixed housing areas to be connected to the public transportation network and active mobility) and developing integrated transportation systems.



A SECOND GROUP OF POLICIES FOCUSES ON REFORMING LABOR AND SOCIAL SECURITY LEGISLATION TO AVOID DISCRIMINATION AGAINST WOMEN.

The vulnerable population in underprivileged areas also lacks a series of infrastructure services, both in housing and in their environment, which are very necessary to complement training the human capital of children and young people. To reinforce them, more investment is required in infrastructure policies for basic services connected to housing, public safety and public spaces in vulnerable neighborhoods. In particular, and in connection with the next specific group on which to focus efforts, the evidence indicates that a significant fraction of the Afro-descendant and indigenous population mainly resides in these underprivileged areas. Closing ethnic-racial gaps will also require shoring up investment in areas with high rates of segregation.



Ethnic Groups

Reversing the intergenerational reproduction of the disadvantages Afro-descendants and indigenous people experience in the job markets requires strengthening three policy areas. The first two imply focusing additional efforts on human capital policies, investments in infrastructure and accessibility to urban services in the areas in which they reside.

A third area encompasses anti-discrimination policies, with a special focus on hiring, promoting regulations to implement practices that make sure ethnicity and race are not an aspect that negatively impacts hiring. In parallel, affirmative action programs should be considered, such as implementing minimum employment quotas for disadvantaged ethnic groups.

Seeking to resolve more systemic aspects behind discriminatory practices, it is crucial to move forward on two fronts:

1. Promoting partnerships for ethnic-racial equity.

This implies coordinating actions between universities, civil society and the private sector to promote common agendas in favor of these population groups, for them to be understood as actors within development.

2. Providing support in developing institutional capacities to achieve greater ethnic-racial equity.

This not only includes efforts to mainstream the issue in the process of designing and implementing public policies, but also the improvement of information systems to collect data and disseminate statistics to support monitoring systems on the ethnic-racial situation of the region's countries.

FOCUSING EXTRA EFFORTS ON HUMAN CAPITAL POLICIES, INVESTMENT IN INFRASTRUCTURE, AND ACCESSIBILITY TO URBAN SERVICES.





Interaction with Other Public Policies

The social policy proposals above should be framed within a broader public policy agenda, creating a virtuous circle between social mobility, other dimensions of social inclusion, and environmental sustainability. On one hand, social exclusion in Latin America is also reflected in access to digital technologies, which are key to facilitating financial inclusion and everyone's participation in social and political life. On the other hand, it is currently impossible to envision social

development without ensuring the preservation of the environment and fighting climate change. The regional public policies required to make progress in these two dimensions are discussed in two notes complementary to this one. ■



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