

How middle-class is Latin America?

Social inequality and well-being

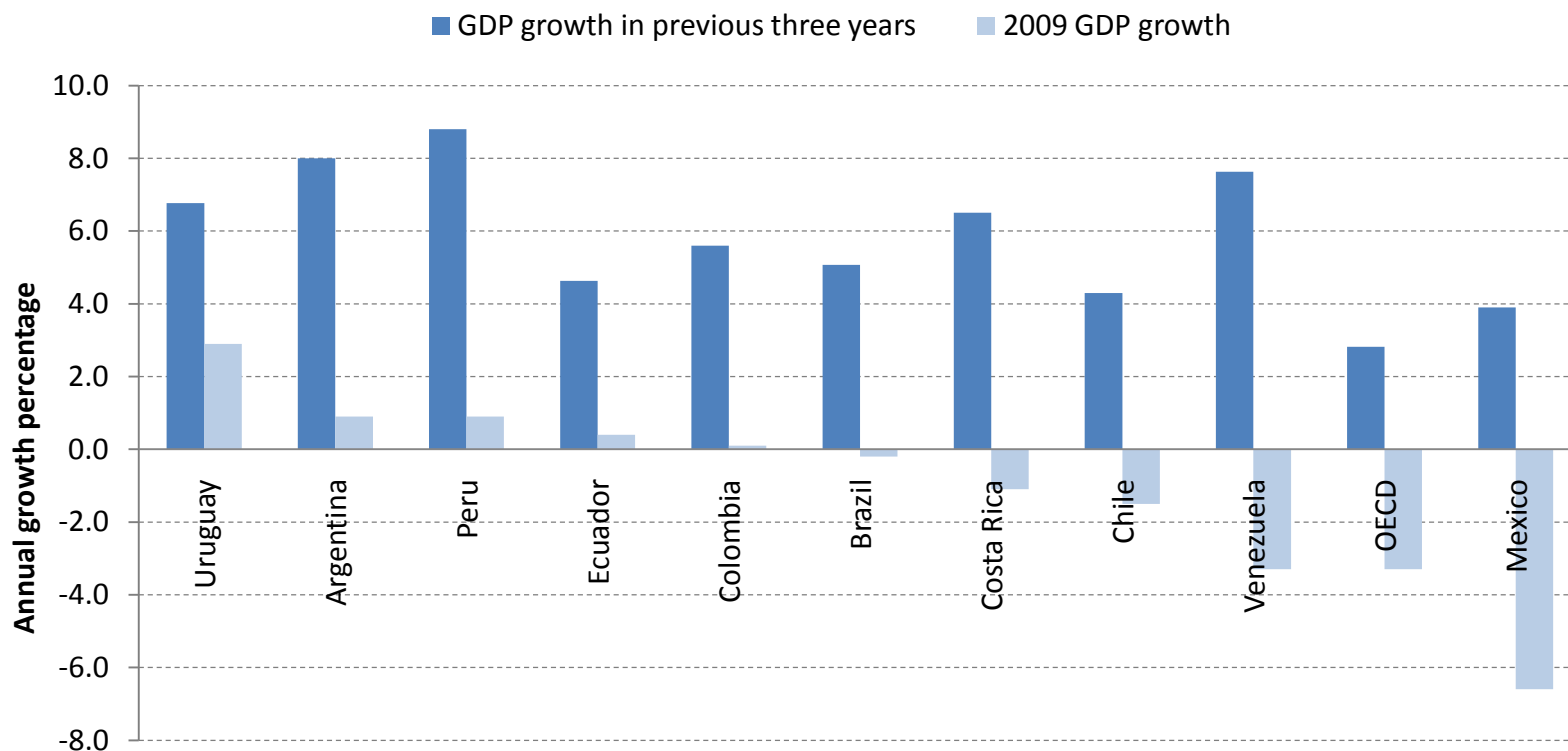
Jeff Dayton-Johnson
Head, Americas Desk
OECD Development Centre



Latin American Conference on Measuring Well-Being
and Fostering the Progress of Societies

Mexico DF, 11 May 2011

Significant impact of the crisis on Latin America



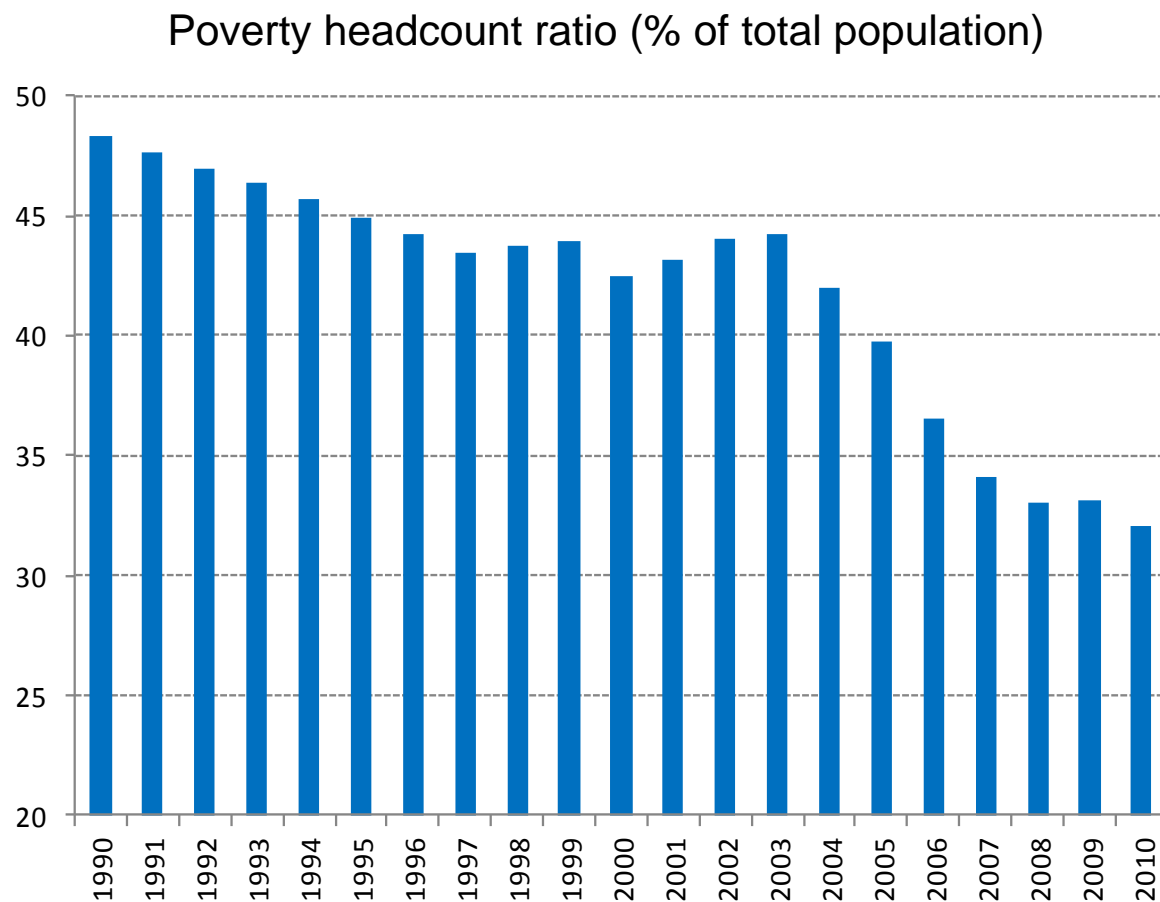
Source: OECD (2010), based on data from ECLAC and OECD.

but transitory



Source: OECD Economic Outlook, Dec 2010 (Chile, Brazil Mexico and OECD)
Latin American Consensus Forecasts, Nov 2010 for other countries

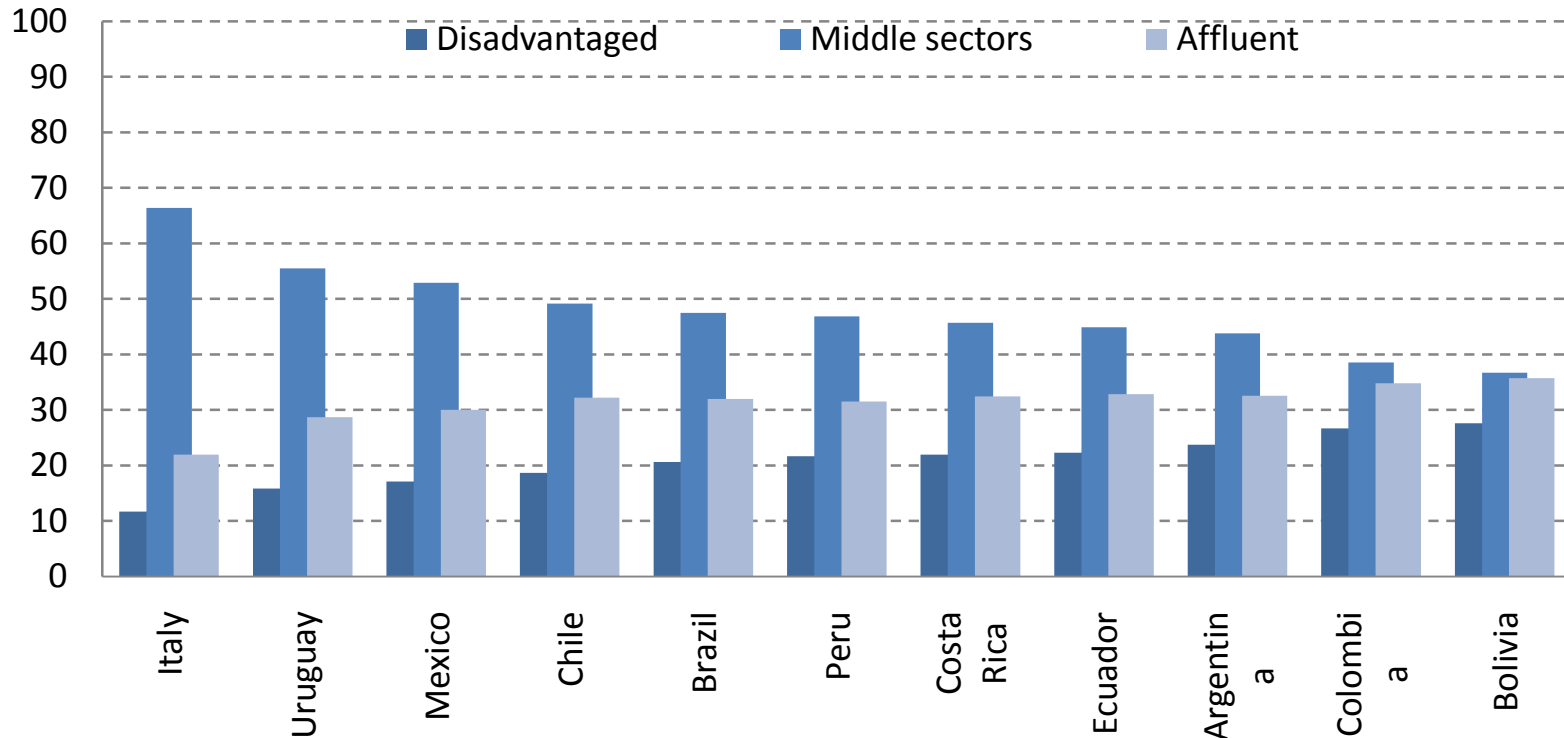
Resilience was also visible in the social dimension



Source: ECLAC (2010).

The “middle sectors” in Latin America

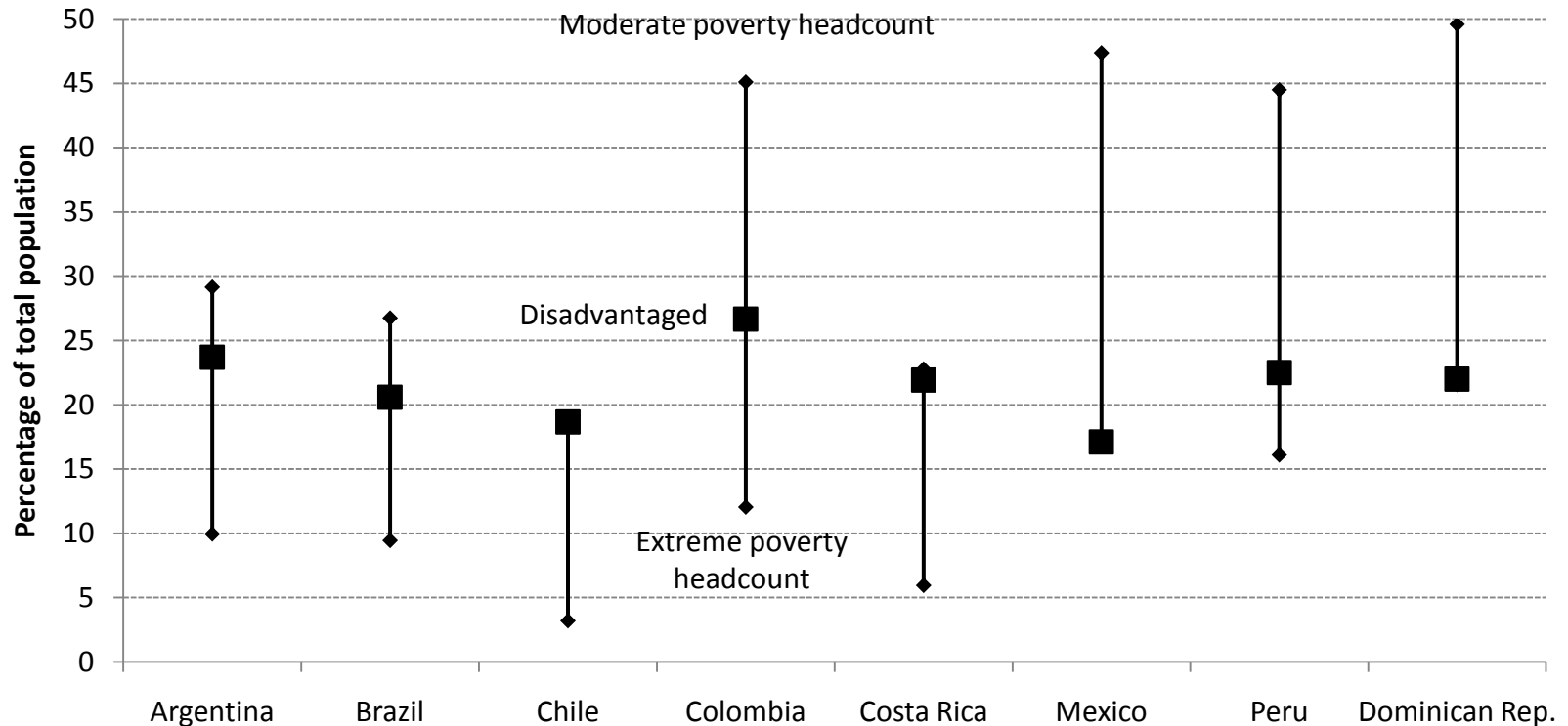
Middle sectors: Proportion of the population earning between 50% and 150% of median income



Source: Castellani and Parent (2010) , based on national household surveys.

The middle sectors and the poor

Proportion of the population below the middle-sector cut-off, compared with moderate and extreme poverty rates

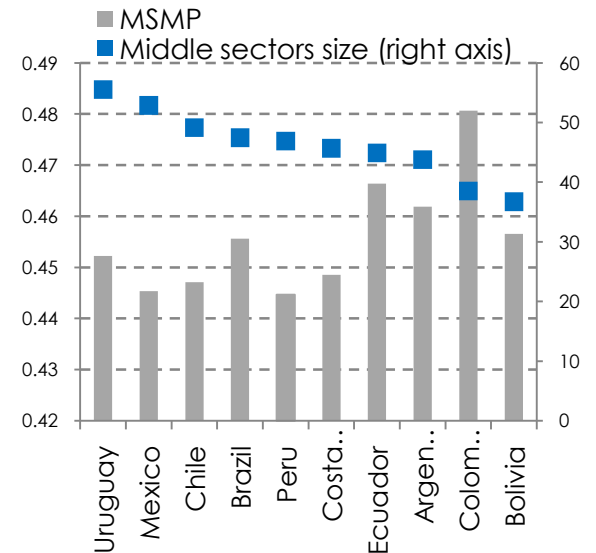
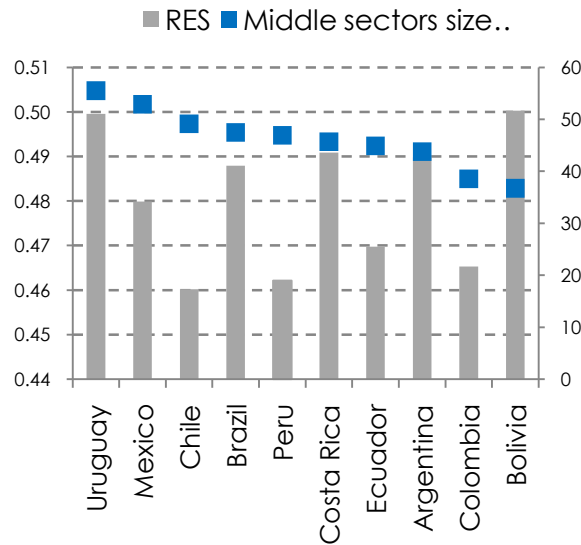
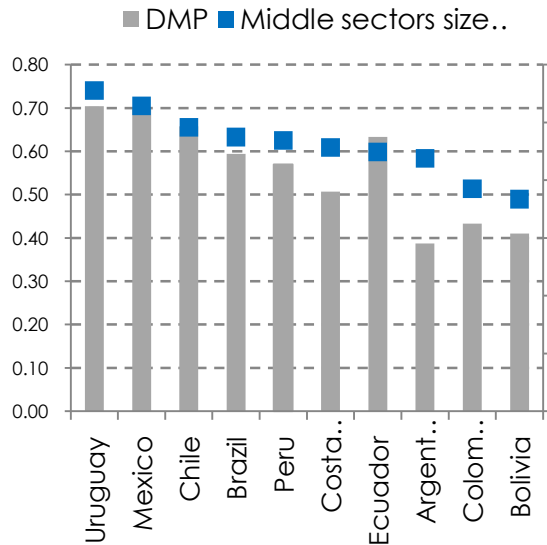


Source: OECD (2010), based on data from the SEDLAC database, accessed in August 2010.

Notes: Poverty headcount figures refer to the number of individuals below the respective national poverty line, according to official statistics. The square refers to the percentage of disadvantaged population as per the 50-150 definition.

Possibilities of moving up... and down

Indices of “mobility potential”



Potential to move up into the middle sectors

Potential to fall down out of the middle sectors

Potential to move up out of the middle sectors

Notes: DMP, RES and MSMP are defined in Box 1.2.

Source: OECD (2010), based on 2006 National Household Surveys analysed in Castellani and Parent (2010).

Middle-sector workers: mostly informal

Middle-sector workers by employment category

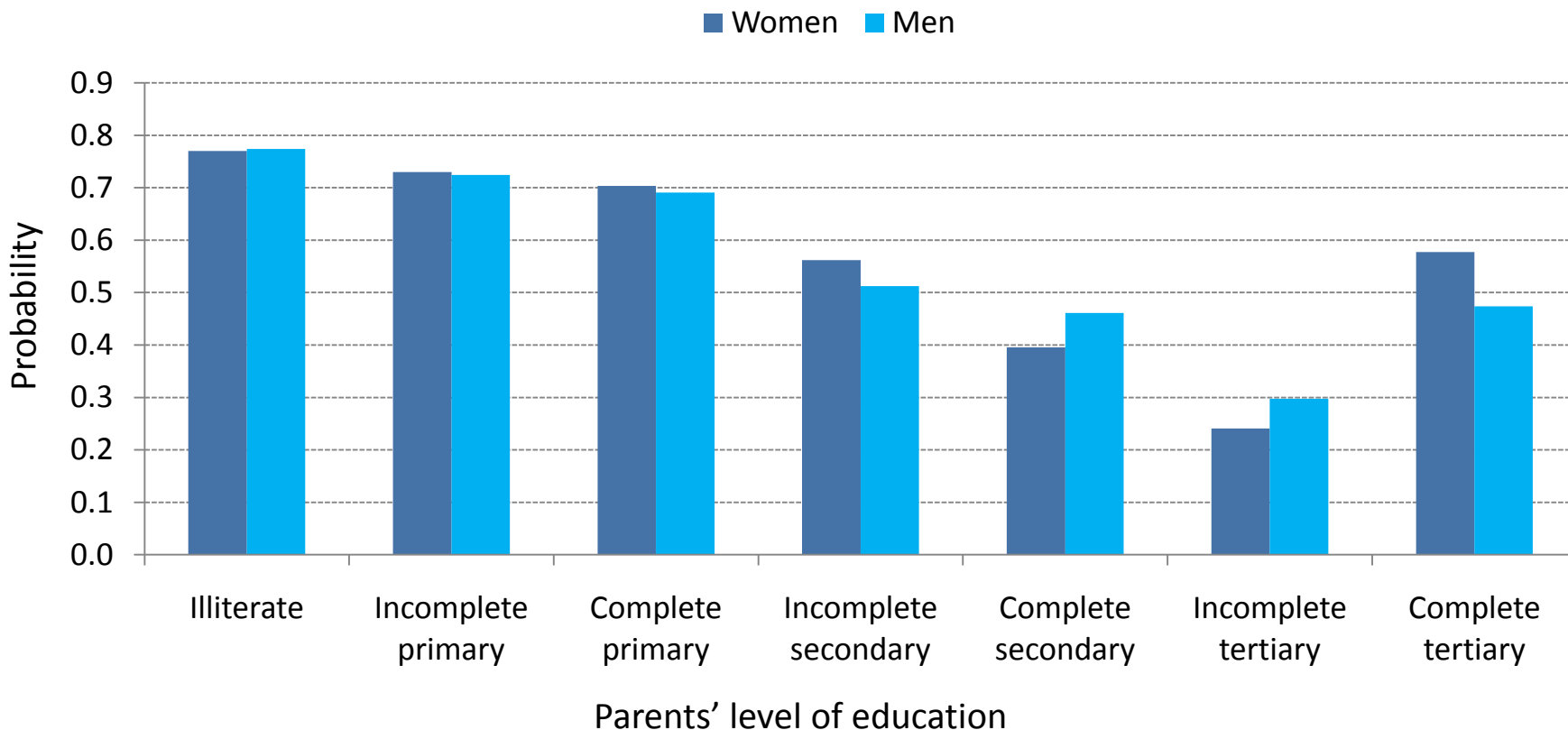


Note: Percentage of total middle sectors' workers (0.5 – 1.5 median household adjusted income)

Source: OECD (2010), based on household survey data.

Education as a tool for upward mobility: more can be done

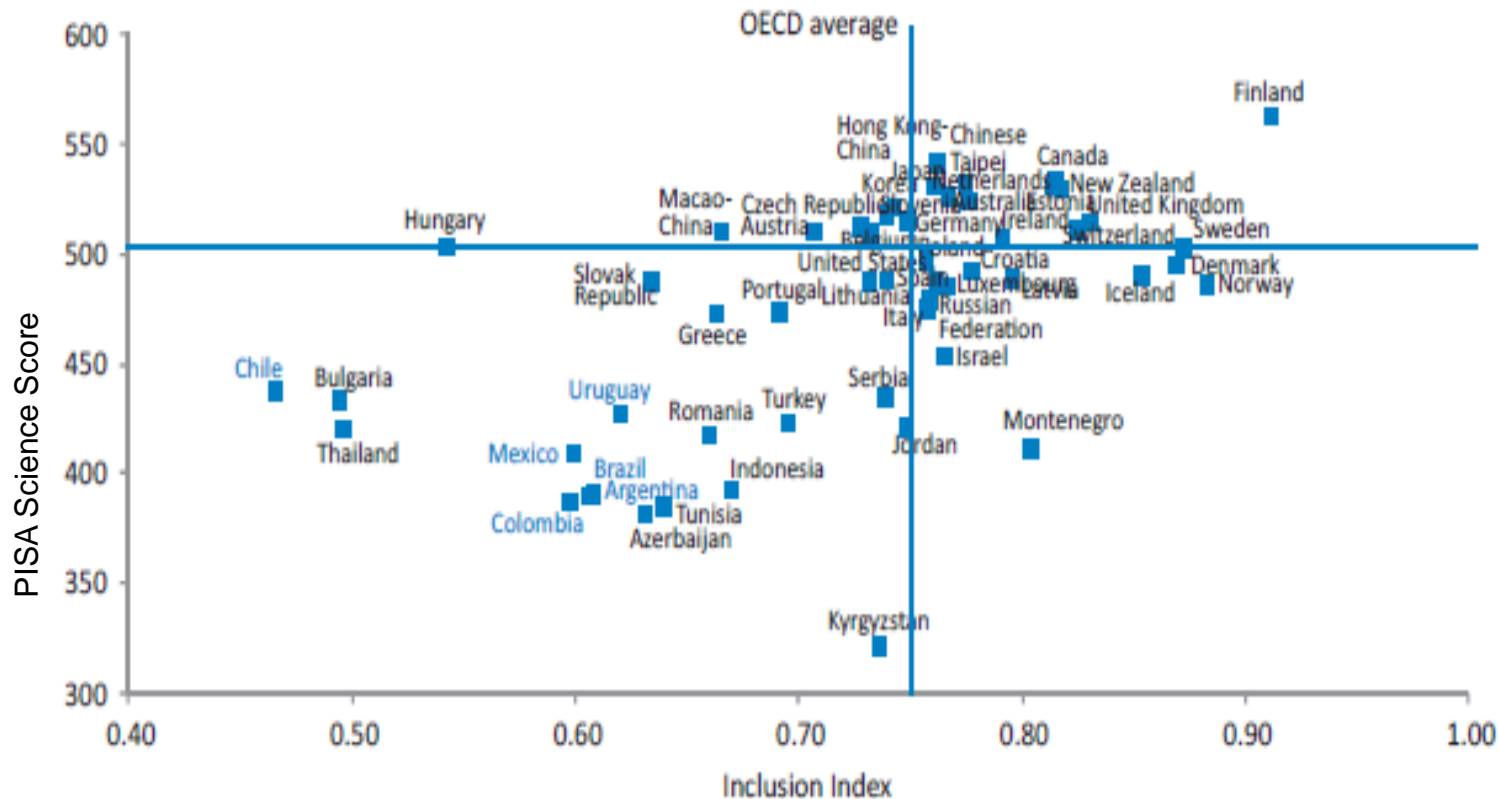
Probability of achieving a higher level of education than one's parents, given parental educational achievement



Source: OECD (2010), based on survey data from Latinobarómetro (2008).

Equity and performance: No trade-off necessary

Social inclusion & PISA science test performance

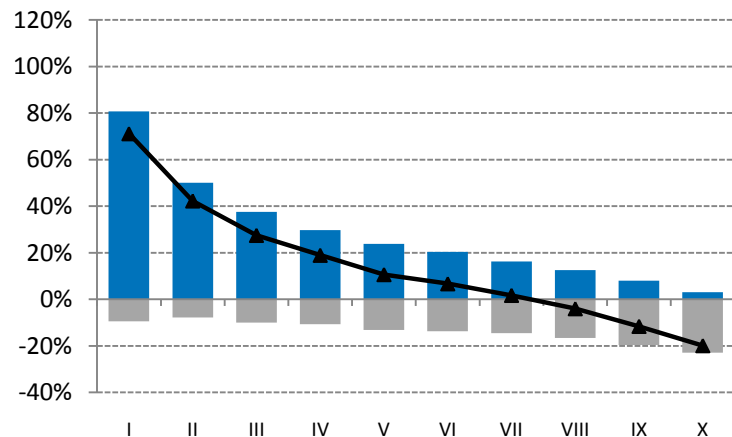
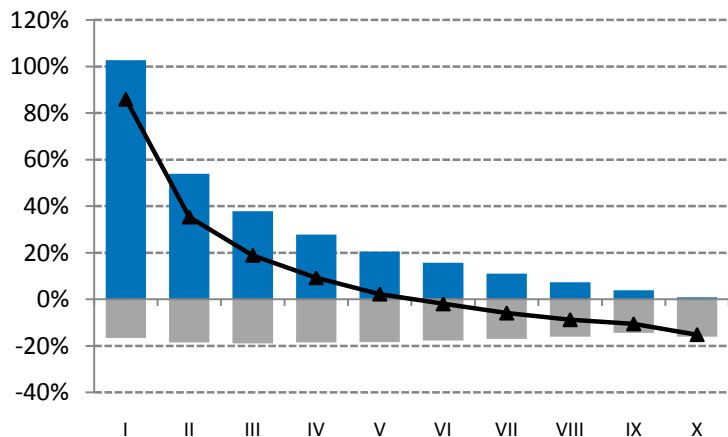
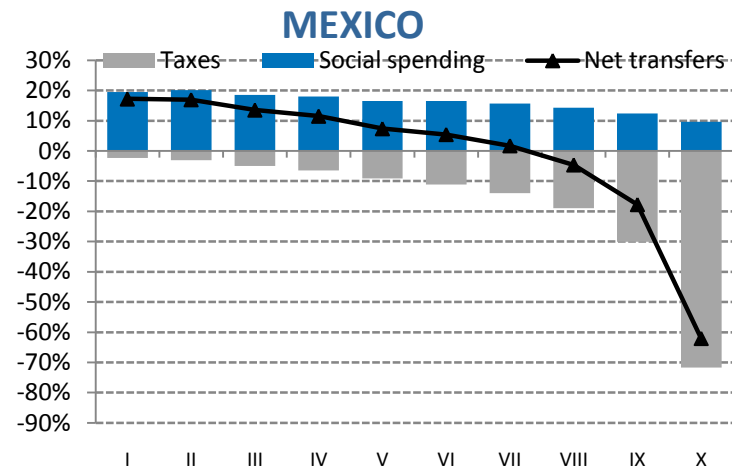
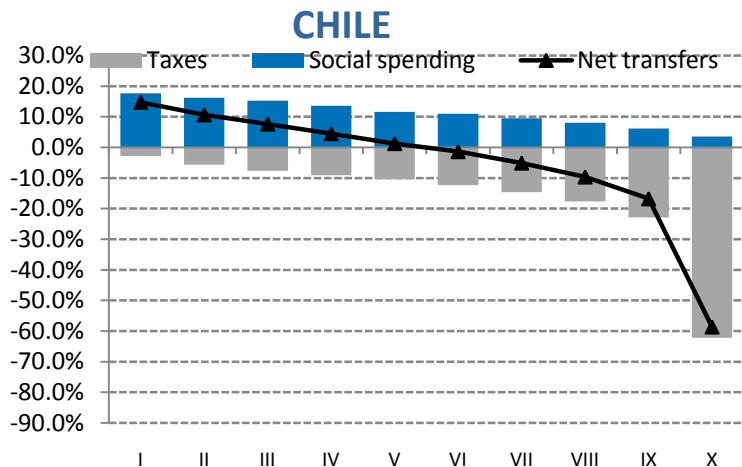


Note: Blue lines indicate OECD averages. Inclusion index measures proportion of variance of economic, social and cultural variance within schools.

Source: OECD (2010), based on survey data from 2006 round of PISA

Middle sectors: players in a renewed social contract?

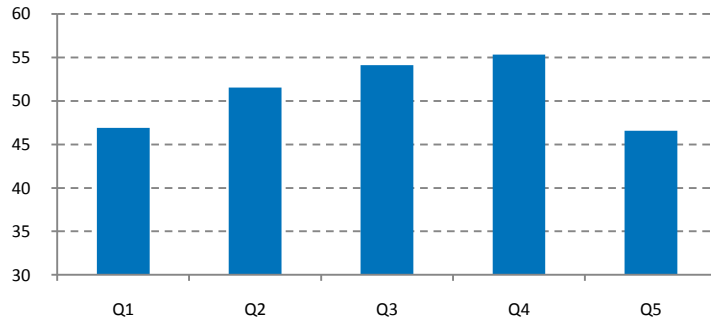
Effective net receipt of benefits by household income deciles: weighted average, percentage of mean disposable income (TOP); percentage of decile mean disposable income (BOTTOM)



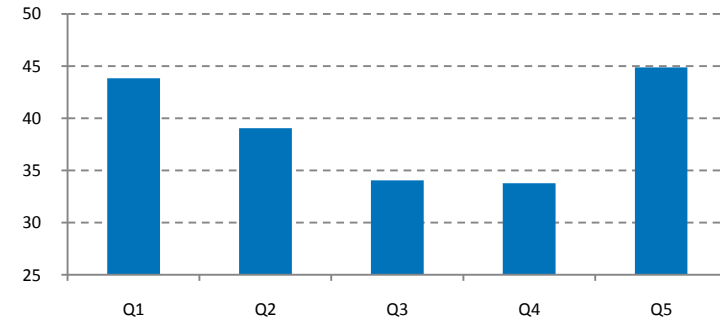
Source: OECD (2010), based on national household surveys.

Taxation and satisfaction with public services

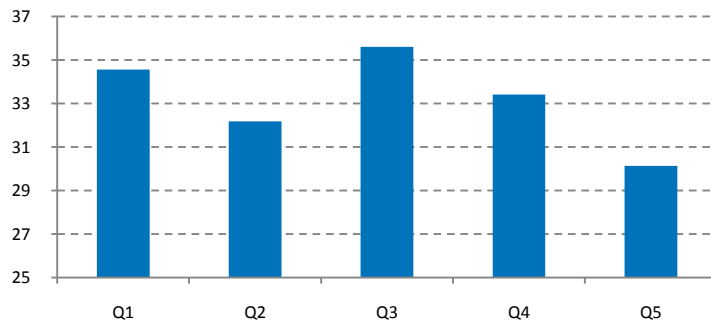
"Good Citizens pay their taxes"
(percentage of respondents who agree)



"Taxes are too high"
(percentage of respondents who agree)

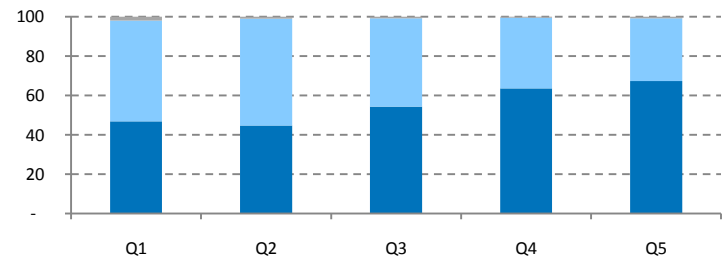


"Tax evasion is never justified"
(percentage of respondents who agree)



Satisfaction with health services
(percentage of respondents)

■ Satisfied
■ Not Satisfied
■ No Access



Source: OECD (2010), based on survey data from Latinobarómetro (2007-8).

How middle-class is Latin America?

Paradoxes of well-being

Thank you

Obrigado

Gracias

Merci

Jeff Dayton-Johnson
Head, Americas Desk
OECD Development Centre

www.latameconomy.org

www.oecd.org/dev

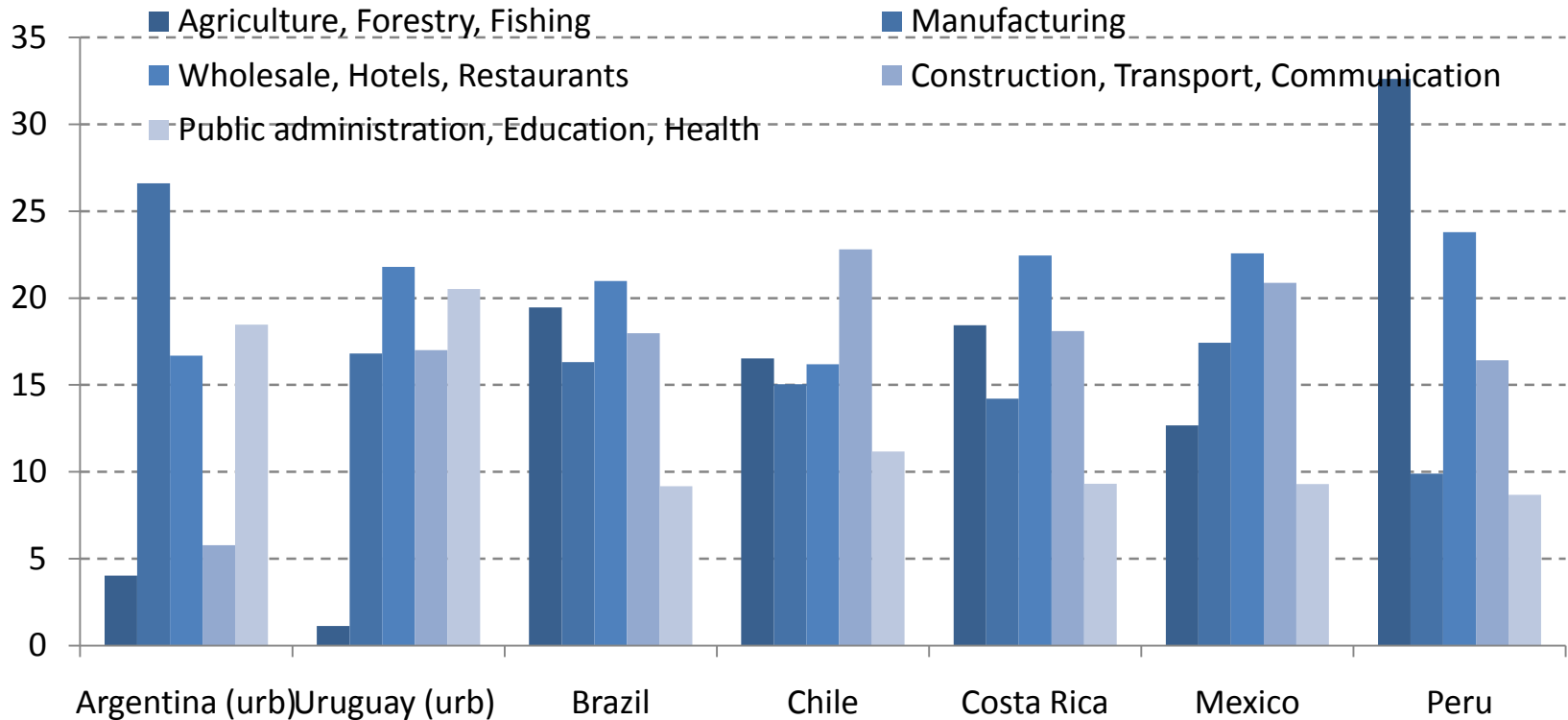
Latin American Conference on Measuring Well-Being
and Fostering the Progress of Societies

Mexico DF, May 2011



What kind of work do middle-sector people do?

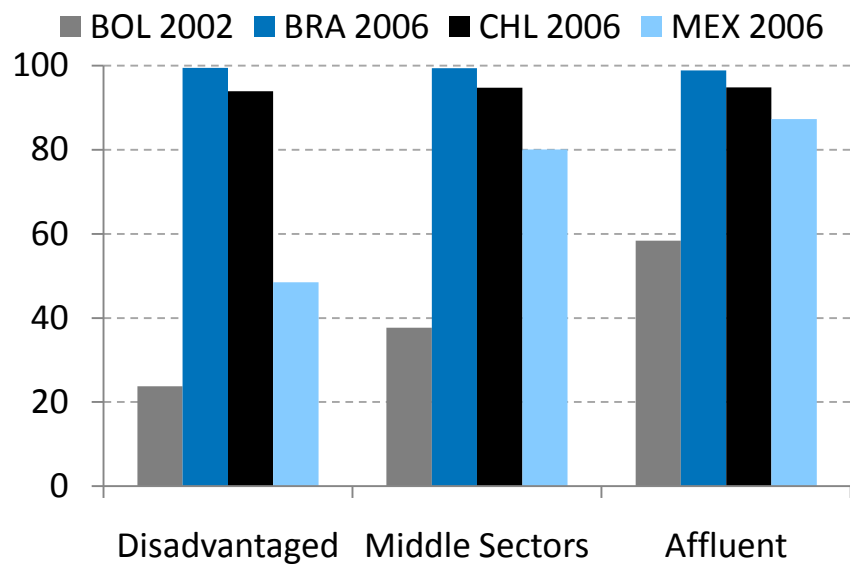
Proportion of middle-sector population in various occupations



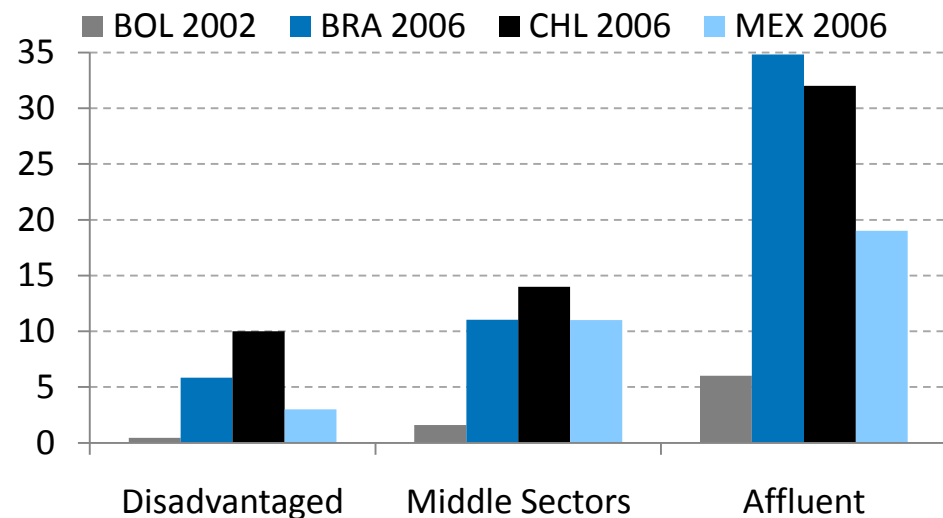
Source: OECD (2010) based on analysis of national household surveys in Castellani and Parent (2010).

Coverage improves with income – in the informal sector

Pension coverage rate of workers by income category, formal and informal employment



Workers with formal jobs



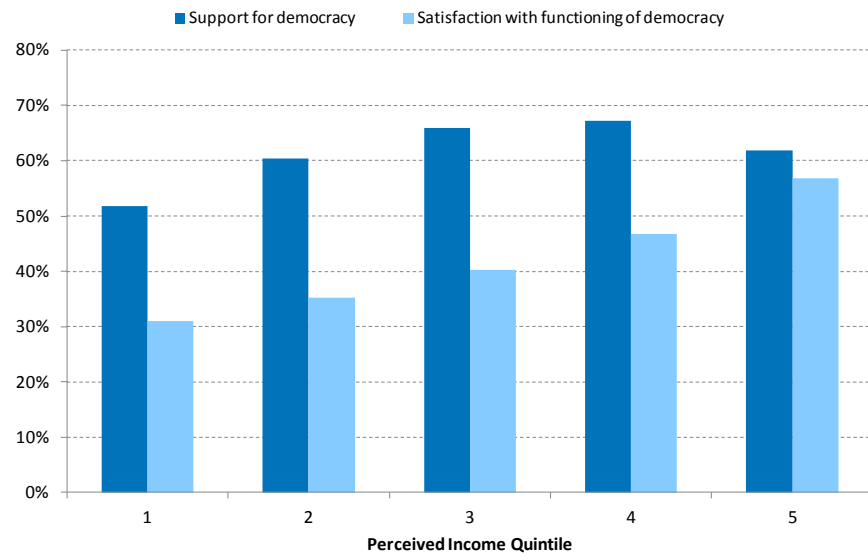
Workers with informal jobs

Source: OECD (2010), based on national household surveys.

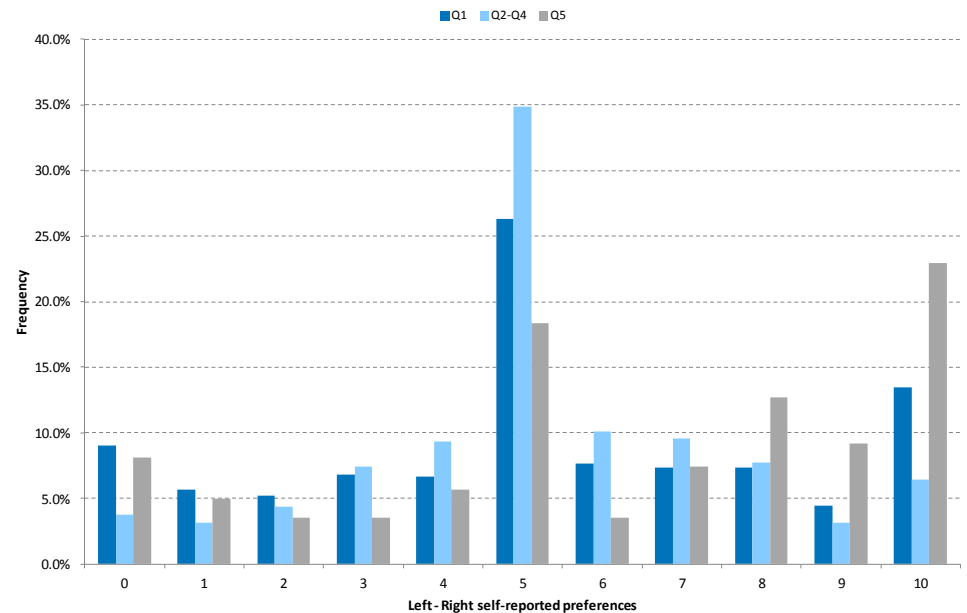
Middle sectors: supporters of democracy, politically moderate

Attitudes towards democracy

Attitudes towards democracy
(% support and satisfaction)



Distribution of political preferences
(0 extreme left, 1 extreme right)



Source: OECD (2010), based on survey data from Latinobarómetro (2007-8).

The Outlook: Main Messages

- The middle sectors in Latin America are economically vulnerable
- Labour informality – and low social protection coverage – are particularly prevalent among the middle sectors
- Education is a powerful motor of intergenerational social mobility: but one that isn't working particularly well in Latin America
- The middle sectors are disposed to pay taxes – if they receive public goods of reasonable quality in exchange.

The Outlook: Policy Recommendations

- Flexible social protection policies must be put in place to arrest downward social mobility and an increase in inequality
- Early childhood education, as well as better quantity and quality of secondary education would bolster the role of human capital as a means of climbing the social ladder
- Tax reform must be accompanied -- or preceded -- by improvements in the quality of public spending