



Chapter 10

Globalization and social development

The recent phase of globalization has drawn increasing attention to the region's persistent social deficits, particularly in education, employment and social protection. These are the three critical areas in which virtuous circles can be generated that enhance capacity for participating in the globalized world and for constructing and benefiting from economic development. Globalization also poses new challenges, stemming mainly from technological change and the volatility of labour market conditions. Thus, education, employment and social protection are the pillars of a proactive social policy aimed at the implementation, in the new context of globalization, of the universal principles enshrined in human rights declarations and United Nations world summits.

I. Educational deficits and gaps in the region

At a time of increasing innovation and an expanding knowledge frontier, education presages the destiny of both individuals and societies. In social terms, the changes generated by globalization and new production patterns call for human resources capable of participating in the new modes of production, work and competition. Education is essential not only to enable people to share in the benefits of progress, but also to enable economies to ensure sustained development through competitiveness based on more intensive knowledge use. Education is also an entitlement enshrined in international declarations on human rights.

ECLAC has argued that education is one of the best ways to ensure productive growth with social equity, and to strengthen democracies based on the broad and non-exclusive exercise of citizenship (ECLAC, 1992b and 2000a). Education is the key to reducing inequalities, and the best way to prevent the intergenerational reproduction of poverty. Education affords access to quality jobs, participation in knowledge networks and involvement in the information revolution, and it offers escape from the vicious circle of poverty. Education also provides the tools for a critical reassessment of reality, design of new collective projects, learning to live in a multicultural world, and the formation and exercise of citizenship, particularly in the knowledge society (ECLAC, 2000a, chap. 3).

Although some progress has been made, education in Latin America and the Caribbean continues to display wide gaps in achievement (quantity and quality) and returns. These are largely based on income level and geographical location, whereas the gender gap, especially in terms of access, has almost completely been overcome. Highly stratified access to education reproduces income inequalities, instead of correcting them; and this, together with its effects on labour market participation and potential for upward mobility, partly explains the high degree of rigidity that exists in the region's current social structure. Internationally, the education gap between Latin America and the Caribbean and both developed and emerging economies in Asia has widened.

1. Progress in terms of coverage

Primary school enrolment rates have risen to over 90%, but rates remain low at other educational levels (70% in secondary and 26% in post-secondary education; see table 10.1).¹ Gender differences are minor at all levels, and in fact coverage rates nowadays tend to favour the female population. Among income groups, enrolment is highest in the wealthiest quartile at all education levels. In every country enrolment is greater in urban areas than in rural ones—regardless of age group, sex or income quartile—and the differences increase as the education level rises.

Primary school enrolment rates vary from 95% or more (Chile, Panama and Venezuela) to below 75% (Guatemala). Coverage tends to be similar between boys and girls, with differences no larger than two percentage points in most countries, with no definite pattern. On average, enrolment is five percentage points higher in urban areas than in rural ones, although differences exceed 10 percentage points in El Salvador, Guatemala and Honduras. Enrolment differentials across income groups are smallest at the primary level (seven percentage points), ranging from two percentage points between the highest and lowest quartiles in Chile to 15-19 points in El Salvador, Guatemala and Honduras. There is greater uniformity between income groups at the primary level, with enrolment gaps generally narrowing over the last decade, especially in Brazil, although they have widened in Colombia, Honduras and Venezuela.

¹ All the statistical information presented below has been calculated by ECLAC on the basis of national household surveys. Age ranges and educational levels are assimilated as follows: 6-13-year-olds with primary education; 14-17-year-olds with secondary education; and 18-25-year-olds with higher education. The averages presented are calculated as simple means of national figures. As information for some countries, is incomplete, it is impossible to estimate, for example, rural data or a year at the start of a decade to serve as a basis for comparison. The text mainly mentions trends in countries that have nationwide data.

Table 10.1
**LATIN AMERICA AND THE CARIBBEAN (17 COUNTRIES): SCHOOL ENROLMENT
 BY AGE GROUP AND SEX, AND BY AGE GROUP AND FAMILY
 INCOME a/, 1990 AND 1999**
(Percentages)

Country	Year	Age group									Age group					
		6 - 13 years			14 - 17 years			18 - 25 years			6 - 13 years		14 - 17 years		18 - 25 years	
		Total	Men	Women	Total	Men	Women	Total	Men	Women	C1	C4	C1	C4	C1	C4
Argentina	1990															
	Urban	97.2	97.7	96.9	-	-	-	-	-	-	96.6	99.6	-	-	-	-
	1999															
	Urban	99.2	99.0	99.3	85.1	83.4	86.9	42.4	39.4	45.3	98.8	99.7	80.1	95.9	28.2	58.3
Bolivia	1989															
	Urban b/	94.8	94.9	94.7	87.1	90.4	84.1	46.6	52.5	41.6	93.9	96.0	88.5	82.5	49.5	48.7
	1997															
	Nationwide	93.0	93.5	92.6	77.5	79.1	75.9	37.2	39.2	35.3	90.4	97.0	73.8	82.1	31.9	44.0
	Urban	96.0	96.0	96.1	88.4	89.2	87.7	48.6	50.7	46.7	94.3	99.1	89.7	87.6	45.1	54.9
	Rural	88.6	89.7	87.5	55.3	60.0	50.3	9.1	12.3	5.9	84.5	94.0	46.3	70.3	8.1	15.2
Brazil	1990															
	Nationwide	83.0	82.1	84.0	61.9	58.6	65.2	20.9	19.4	22.4	75.9	94.4	54.6	77.0	13.8	32.7
	Urban	88.1	87.4	88.8	69.0	66.4	71.6	24.1	22.9	25.3	80.7	94.4	59.4	77.0	15.6	32.7
	Rural	69.5	68.2	70.8	41.0	37.5	44.9	9.2	7.8	10.9	63.4	85.4	39.6	51.6	6.9	13.8
	1999															
	Nationwide	94.6	94.2	95.1	81.7	81.5	81.9	31.6	31.0	32.2	92.5	98.5	76.8	92.8	25.0	47.5
	Urban	95.6	95.3	95.9	84.2	83.8	84.5	33.5	33.1	33.9	93.3	98.9	77.3	95.4	26.0	51.3
	Rural	91.6	90.9	92.3	73.2	73.8	72.5	23.1	22.5	23.8	89.8	96.2	75.2	80.2	19.9	29.0
Chile	1990															
	Nationwide	96.7	96.4	96.9	80.4	80.3	80.4	22.0	24.2	19.9	95.6	98.6	76.0	89.5	15.9	34.2
	Urban	97.8	97.6	98.0	86.0	86.0	86.0	25.1	28.2	22.2	96.8	99.2	80.7	94.7	17.6	39.0
	Rural	92.0	91.7	92.3	56.4	56.7	56.2	7.8	7.2	8.4	90.8	95.8	53.1	64.6	7.6	9.7
	2000															
	Nationwide	98.6	98.6	98.5	90.0	90.0	90.1	33.9	35.6	32.3	97.9	99.7	85.7	97.2	21.8	53.1
	Urban	98.9	99.0	98.9	91.9	91.8	92.1	36.2	38.5	34.1	98.3	99.8	87.3	98.0	22.5	55.9
	Rural	96.4	96.2	96.5	78.7	79.1	78.3	18.7	17.7	19.7	95.3	98.2	76.5	89.2	16.7	27.5
Colombia	1991															
	Nationwide	83.4	82.4	84.4	62.7	60.3	65.0	22.6	22.8	22.5	81.0	86.8	62.5	63.0	19.4	28.4
	Urban	91.4	90.7	92.1	76.7	77.9	75.5	29.5	30.4	28.9	87.8	95.4	74.6	77.8	22.7	41.4
	Rural	74.4	73.2	75.7	45.9	40.8	51.4	11.9	12.1	11.7	72.1	77.8	45.2	48.7	14.1	11.6
	1999															
	Nationwide	90.5	89.6	91.4	69.7	68.6	70.8	24.5	24.9	24.2	87.9	94.5	67.8	75.1	18.4	37.7
	Urban	93.6	92.7	94.5	77.8	77.9	77.7	29.3	30.1	28.7	89.9	98.0	73.3	86.6	19.3	50.2
	Rural	86.5	85.8	87.3	57.8	55.6	60.1	15.1	15.9	14.3	85.0	89.9	58.0	60.9	16.5	15.4
Costa Rica	1990															
	Nationwide	86.5	86.5	86.5	52.0	53.1	50.6	19.4	19.9	18.9	84.0	92.2	45.8	63.3	14.3	28.2
	Urban	90.4	89.9	90.8	72.5	72.7	72.2	32.2	34.4	30.0	88.1	95.6	62.0	88.8	21.7	50.4
	Rural	83.6	84.1	83.1	36.7	38.3	35.0	9.7	9.3	10.3	80.9	89.5	32.5	46.2	7.7	14.9

Table 10.1 (continued)

Country	Year	Age group						Age group								
		6 - 13 years			14 - 17 years			18 - 25 years			6 - 13 years		14 - 17 years		18 - 25 years	
		Total	Men	Women	Total	Men	Women	Total	Men	Women	C1	C4	C1	C4	C1	C4
	1999															
	Nationwide	94.2	94.4	94.0	64.5	61.9	67.0	29.8	28.0	31.5	92.6	98.2	59.3	78.2	19.7	42.5
	Urban	97.5	97.4	97.6	76.3	73.4	79.1	40.6	38.2	42.9	97.0	99.6	68.4	94.7	27.6	57.3
	Rural	91.9	92.3	91.5	54.2	52.2	56.2	19.5	18.6	20.3	89.2	97.2	48.7	68.0	10.8	30.6
Ecuador	1990															
	Urban	96.3	95.9	96.7	81.1	79.2	83.0	40.2	39.9	40.4	95.9	98.3	81.3	84.1	40.1	45.1
	1999															
	Urban	92.5	92.4	92.6	77.2	76.6	77.8	33.1	33.6	32.6	90.9	97.6	70.6	88.7	24.2	50.0
El Salvador	1990															
	Urban	89.0	89.1	88.9	73.0	73.4	72.7	28.6	31.3	26.6						
	1999															
	Nationwide	85.2	85.2	85.1	65.3	67.1	63.5	22.3	23.3	21.3	78.9	94.7	60.1	76.1	13.9	33.3
	Urban	91.5	91.2	91.8	77.3	77.4	77.1	30.2	31.5	29.0	84.5	97.9	70.0	90.8	18.0	48.5
	Rural	78.4	78.8	77.8	51.2	55.9	45.9	10.6	11.5	9.7	72.3	90.9	46.7	61.5	7.2	14.6
Guatemala	1998															
	Nationwide	69.4	70.3	68.3	41.9	45.1	38.7	15.9	17.7	14.3	63.2	80.2	32.7	55.4	7.5	27.2
	Urban	77.9	78.9	76.9	63.5	66.0	61.1	27.5	30.1	25.2	70.1	86.0	45.3	83.3	11.6	45.0
	Rural	64.8	65.8	63.6	29.1	33.2	24.7	6.1	7.4	5.1	58.6	77.4	23.4	40.2	4.0	12.2
Honduras	1990															
	Nationwide	74.1	73.4	74.8	39.8	37.0	42.7	13.7	12.9	14.5	68.9	84.5	35.2	48.3	8.9	22.0
	Urban	83.3	82.9	83.8	58.1	57.1	58.9	25.3	25.1		77.6	93.6	49.4	72.7	17.1	
	Rural	68.5	67.6	69.3	26.9	24.1	29.9	3.3	3.3	3.3	63.2	78.8	25.5	30.0	2.3	6.3
	1999															
	Nationwide	81.6	79.7	83.5	44.7	41.2	48.5	16.3	14.4	17.9	75.9	91.9	38.7	54.8	9.6	24.9
	Urban	87.4	85.9	89.0	60.0	57.4	62.5	26.2	24.4	27.6	81.5	95.1	49.5	73.8	17.8	40.0
	Rural	77.7	75.7	79.7	32.4	29.0	36.3	5.9	5.0	6.7	71.9	90.0	28.4	41.1	1.6	9.5
Mexico	1992															
	Nationwide	91.8	92.6	90.9	56.0	57.0	55.0	19.5	21.7	17.5	89.0	97.3	48.8	69.5	9.4	30.7
	Urban	95.2	95.5	94.9	67.1	69.2	65.0	26.2	29.3	23.3	93.5	98.8	58.9	85.4	11.7	43.8
	Rural	87.9	89.7	85.8	41.0	40.8	41.1	8.2	8.3	8.1	83.5	95.3	31.4	52.1	5.1	11.0
	1998															
	Nationwide	94.6	95.6	93.7	60.1	62.0	58.3	21.0	23.5	18.7	91.2	98.8	47.7	78.0	11.0	35.2
	Urban	96.1	96.7	95.4	69.1	69.8	68.4	26.9	29.3	24.5	93.0	99.1	54.7	86.9	14.2	45.3
	Rural	93.0	94.2	91.7	48.5	52.4	44.4	11.0	13.2	9.0	89.3	98.4	38.3	65.7	5.0	19.4
Nicaragua	1993															
	Nationwide	74.3	72.2	76.5	54.9	54.0	55.8	20.6	22.6	18.7	68.3	86.9	44.7	63.8	16.1	27.8
	Urban	85.3	84.4	86.3	72.6	71.0	74.3	29.5	32.5	26.8	79.6	95.6	56.4	87.3	19.3	40.0
	Rural	62.4	59.1	65.9	32.2	32.6	31.8	8.9	10.4	7.5	56.1	77.5	27.1	43.5	10.6	13.8
Panama	1991															
	Nationwide	93.7	93.4	94.1	71.3	69.5	73.3	28.8	26.5	31.2	90.5	97.7	62.6	82.3	18.5	45.5
	Urban	95.6	95.1	96.0	77.5	76.4	78.6	33.6	31.9	35.2	92.8	98.9	68.4	86.2	21.9	52.3
	Rural	89.7	89.6	89.8	57.0	53.3	60.8	15.8	13.5	18.7	85.7	95.0	48.1	73.8	9.1	27.2

Table 10.1 (concluded)

Country	Year	Age group						Age group								
		6 - 13 years			14 - 17 years			18 - 25 years			6 - 13 years		14 - 17 years		18 - 25 years	
		Total	Men	Women	Total	Men	Women	Total	Men	Women	C1	C4	C1	C4	C1	C4
	1999															
	Nationwide	96.5	96.2	96.8	77.1	74.4	79.9	32.8	29.7	35.9	94.3	99.4	70.8	87.3	19.3	51.8
	Urban	97.4	97.5	97.3	80.9	79.2	82.6	37.0	33.3	40.6	95.1	99.6	74.1	89.3	21.6	56.9
	Rural	94.6	93.5	95.7	67.8	63.6	72.7	18.7	17.5	19.9	92.8	99.1	61.9	83.2	11.8	33.0
Paraguay	1999															
	Nationwide	93.1	92.8	93.3	66.6	65.2	67.9	25.4	24.7	26.1	90.9	97.3	58.3	77.9	14.4	42.3
	Urban	96.3	95.5	97.1	77.9	77.1	78.6	33.2	32.6	33.6	93.6	99.0	71.8	86.5	18.8	53.0
	Rural	90.0	90.4	89.6	55.2	55.4	55.0	13.9	14.6	13.0	88.5	95.6	46.0	67.6	8.9	25.1
Dominican Republic	1997															
	Nationwide	91.3	90.2	92.4	82.7	81.7	83.6	34.2	33.5	34.8	89.7	94.6	83.2	84.7	35.6	39.0
	Urban	93.0	92.2	93.9	85.6	82.2	88.4	38.8	38.5	39.1	90.4	96.9	87.3	87.8	35.8	43.9
	Rural	89.6	88.2	91.0	79.0	81.0	76.9	26.7	26.5	26.9	89.1	91.8	78.4	79.9	35.4	31.2
Uruguay	1990															
	Urban	98.0	98.0	98.1	75.0	71.8	78.3	30.7	27.7	33.3	96.9	99.7	64.2	90.8	15.2	53.2
	1999															
	Urban	97.9	97.9	98.0	76.5	72.9	80.0	31.7	27.3	36.2	97.0	99.8	65.3	96.1	15.0	60.1
Venezuela	1990															
	Nationwide	92.0	91.2	92.7	68.5	65.3	71.9	27.6	25.3	29.9	90.5	94.7	68.2	75.3	27.7	33.9
	Urban	93.9	93.3	94.6	72.8	70.4	75.2	30.6	28.5	32.8	92.5	96.4	71.5	81.0	30.4	38.1
	Rural	83.9	83.0	85.0	47.0	41.9	53.3	8.7	7.5	10.1	82.8	86.1	50.8	48.2	8.1	10.3
	1999															
	Nationwide	95.6	95.1	96.2	70.5	67.1	73.8	19.0	16.9	21.2	93.3	99.2	64.1	81.0	16.8	26.0
Average c/	1990 d/															
	Nationwide	87.6	87.3	88.0	61.6	60.1	63.0	21.8	21.6	22.1	84.4	93.3	56.7	71.1	16.0	31.9
	Urban	93.1	92.8	93.4	75.0	74.7	75.3	31.3	32.2	31.1	90.4	97.0	68.7	84.0	23.3	45.2
	Rural	80.8	80.6	81.0	43.6	41.6	45.6	9.4	8.8	10.2	77.1	88.2	39.3	52.4	7.5	13.5
	1999 e/															
	Nationwide	93.3	92.9	93.6	69.8	68.3	71.3	26.1	25.5	26.7	90.7	97.5	63.8	80.6	17.7	39.8
	Urban	95.3	95.1	95.5	78.2	77.2	79.2	34.3	33.9	34.8	93.0	98.6	71.0	89.7	23.3	53.5
	Rural	90.2	89.8	90.7	58.9	58.0	60.1	16.0	15.8	16.2	87.6	95.6	55.3	69.7	11.7	23.5

Source: ECLAC, on the basis of special tabulations of household surveys conducted in the respective countries.

a/ C1 and C4 correspond to the first and fourth quartile of the per capita household income distribution, respectively.

b/ Eight main cities.

c/ Averages calculated with figures from countries that have comparable data for the two years considered. Thus, the nationwide average excludes Bolivia, Dominican Republic, Ecuador, El Salvador, Guatemala, Nicaragua, Paraguay and Uruguay; the urban average excludes Argentina, Dominican Republic, El Salvador, Guatemala, Nicaragua, Paraguay and Venezuela; and the rural average excludes Bolivia, Dominican Republic, Ecuador, El Salvador, Guatemala, Nicaragua, Paraguay, Uruguay and Venezuela.

d/ The average was calculated taking the years closest to 1990.

e/ The average was calculated taking the years closest to 1999.

In the 1990s, enrolment rates expanded most at the secondary school level (8 percentage points), to attain an average of 70%, albeit with wide dispersion ranging from 90% in Chile to below 45% in Guatemala and Honduras. Unlike other levels of education, where enrolment differences between the sexes tend to balance out, girls' enrolment is generally higher than boys' at this level (by about three percentage points). Although the rural-urban enrolment gap at the secondary school level narrowed during the decade, at 19 percentage points it is still larger than at any other level. In terms of income groups, enrolment differences between the highest and lowest quartiles average 16 percentage points, ranging from under 10 points (Bolivia and Colombia) to over 30 (Mexico and Uruguay). This gap has generally widened during the decade, except in Bolivia, Brazil, Chile and Panama. In other words, gains in coverage benefited low-income groups relatively less.

Financial and regulatory efforts during the decade to expand the coverage of basic education throughout the region resulted in the near-universalization of primary education, with gaps generally tending to close at this level. The notable progress in secondary education coverage, however, was concentrated in urban areas, while benefiting lower-income social groups relatively less. Thus, in efforts to universalize basic education, there have been major institutional difficulties in closing the existing rural-urban and income-group gaps. Hence, achieving universal coverage up to the end of secondary education will require sustained and intensified efforts to close these gaps which widened during the transition from low to universal coverage levels. The quicker this can be done, the sooner education systems will be able to make a positive contribution to equity.

In the 18-25-year age group, which is assimilated here to higher education, enrolment expanded by four percentage points in the 1990s to reach an average of 26%, ranging from over 33% (Bolivia, Chile, Dominican Republic and Panama)² down to 6% (Guatemala and Honduras). The largest differences reported between the sexes (over four percentage points) favour men in Bolivia and Mexico, and women in Panama, Uruguay and Venezuela. The urban-rural gap at the tertiary level (18 points) is similar to that seen in secondary education, and has also been narrowing. Between the highest and lowest income quartiles, differences vary from less than 10 percentage points (Dominican Republic and Venezuela) to over 30 (Chile, Panama and Uruguay). This income quartile gap widened in all the countries in the 1990s. Thus, unlike primary education during this period of expanding coverage, secondary and higher education have tended to become more elitist.

Despite the progress made, differences remain when comparing Latin American countries with those of the OECD and South-East Asia. Deficits persist not only in terms of coverage, but also in the pace of expansion of secondary and higher education and in learning outcomes. The duration of both compulsory and secondary education, and the length of the school day, are much shorter in the region. Between 1985 and 1997, the countries of South-East Asia took the lead in terms of secondary and higher education coverage, despite having started with major deficits. During the same period, the OECD countries moved even further ahead, as nearly all young people living there take secondary education courses and the majority complete them (85%). The share of technical education in total secondary education is also smaller in the region than in OECD or South-East Asian countries (see table 10.2).

² In some of these countries, the coverage rates reported for this age group may include some secondary-school students.

Table 10.2
ENROLMENT IN SECONDARY AND HIGHER EDUCATION, 1985 TO 1997

Country groups	Gross enrolment ratios					
	Secondary education			Tertiary education		
	1985	1997	Increase in enrolment ratios (% points)	1985	1997	Increase in enrolment ratios (% points)
Latin America and the Caribbean	50.2	62.2	12.0	15.8	19.4	3.6
OECD countries	92.3	108.0	15.7	39.3	61.1	21.8
NIAE countries a/	57.3	73.1	15.8	14.8	30.5	15.7
East and South-East Asia b/	41.5	66.3	24.8	5.4	10.8	5.4

Country groups	Educational performance 1998				
	Duration of education (years)			Tertiary education in natural sciences, engineering and agriculture as % of total tertiary	
	Compulsory	Secondary	Enrolment	Graduates	
Latin America and the Caribbean	7.1	5.1	26.0	26.6	
OECD countries	9.8	6.4	27.2	25.2	
NIAE countries a/	7.7	6.3	36.0	38.2	
East and South-East Asia b/	7.3	6.1	31.6	32.2	

Source: Beverly Carlson, "Education and the Labour Market in Latin America: Confronting Globalization", Working Paper, Santiago, Chile, 2001, unpublished, based on data from United Nations Educational, Scientific and Cultural Organization (UNESCO), *Statistical Yearbook 1999*, 1999; and *World Education Report, 2000*, 2000.

a/ Newly industrialized Asian economies: Hong Kong, Republic of Korea, Singapore, China, Malaysia and Thailand.

b/ Developing countries only, including NIAE countries.

The behaviour of the UNESCO school life expectancy indicator³ also shows that efforts in the region to raise the population's education level have been insufficient. This indicator remained constant at 10.2 school years between 1980 and 1990, before edging up to 10.6 years in the first half of the 1990s. Apart from being modest in absolute terms, this increase of 0.4 years actually implies a decline in relative human capital development, because between 1980 and 1995, the OECD countries saw school life expectancy rise by 2.3 years, while the equivalent figure for Korea rose by 2.5. These trends caused the gap to widen: the difference of 2.4 years between the OECD countries and Latin America in 1980 had practically doubled to 4.3 years by the mid-1990s (see table 10.3), although, naturally, the trend varies from country to country. Taking the decade as a whole, according to ECLAC estimates based on coverage data reported in household surveys, educational progress seems to have continued, and by 1999 the region had probably advanced a further few tenths of a point, with the greatest progress being made in Brazil, Chile, Colombia and Costa Rica with increases of a year or more.⁴ Despite the emphasis given to education in social policies, there are still countries where the average student entering the education system today will fail to complete the basic cycle that allows escape from poverty (ECLAC, 1998e).

³ School life expectancy is defined as the total number of years of schooling which a child can be expected to receive in the future, assuming that the probability of his or her being enrolled in school at any particular age is equal to the current enrolment rate for that age.

⁴ As shown in table 10.3, these calculations put school life expectancy at just over one year higher, on average, than UNESCO estimates, but the rate of progress is equally slow.

Table 10.3
SCHOOL LIFE EXPECTANCY IN SELECTED COUNTRIES, 1980, 1990 AND 1995
(Both sexes, nationwide)

Region	Country	UNESCO			ECLAC	
		1980	1990	1995	1990	1999
Latin America	Argentina (urban)					14.7
	Bolivia	8.6	9.9		14.8	13.4
	Brazil	9.5	10.4	11.1 (1994)	10.7	13.3
	Chile	11.5 (1983)	12.0 (1991)	12.6 (1996)	12.8	14.1
	Colombia		9.0 (1991)	10.0	10.9	11.9
	Costa Rica	9.7	9.6	10.1 (1994)	10.5	12.3
	Ecuador (urban)				14.1	13.1
	El Salvador		9.2 (1989)	9.8		11.1
	Guatemala					8.4
	Honduras	8.4 (1983)	8.7 (1991)		8.6	9.5
	Mexico		10.6	11.1	11.1	11.6
	Nicaragua				9.8	
	Panama	11.4	11.3		12.6	13.4
	Paraguay		8.6	9.8		12.0
	Dominican Republic					13.3
	Peru	11.0 (1981)	11.9 (1988)	12.4		
	Uruguay (urban)				13.2	13.4
	Venezuela	10.0	10.8		12.2	11.9
	Average a/	10.2	10.2	10.6	11.4	12.0
NIAE b/	Hong Kong	11.4				
	Korea	11.7	13.3	14.2		
OECD	Austria		14.5 (1992)	14.5 (1996)		
	Belgium	13 (1981)	14.2	16.8		
	Denmark	13.4	14.2	14.8		
	France	12.6	14.5 (1991)	15.5		
	Greece	12.0	13.3	13.5		
	Netherlands	13.0	14.9	16.6		
	Ireland	11.4	12.6	13.7		
	Japan	13.1	13.2	13.2 (1994)		
	Norway	12.9	14.2	15.2		
	Poland	12.0	12.2	13.0 (1994)		
	United Kingdom	12.9	13.7	16.5		
	Sweden	12.6 (1981)	13.0	14.7		
	Switzerland	12.6	13.6	14.1		
	Average a/	12.6	13.7	14.9		

Source: UNESCO, "Education at a Glance", and database; ECLAC estimates on the basis of household surveys

a/ Average excludes urban data.

b/ Newly industrialized Asian economies.

The priority of education in public policies is best shown by the increase in public education expenditure in the 1990s. In relation to GDP, expenditure grew from 2.9% in 1990-1991 to 4.0% in 1998-1999, while annual per capita expenditure, expressed as a simple country average in 1997 dollars, rose by US\$ 51 to US\$ 137 between 1990-1991 and 1998-1999 (see table 10.4; ECLAC, 2001c). Although the increase was greater than the equivalent figure for health expenditure (US\$ 28 over the same period), it is clearly insufficient in comparison to educational investment in the OECD countries (which amounts to about 5% of GDP), and in relation to the amount needed to raise educational levels sufficiently to have a major impact on equality of opportunity and competitiveness. The level of public expenditure, rather than its recent increases, is what explains differences in school enrolment rates in the primary and secondary cycles; hence the importance of raising the level of resources allocated to education and maintaining it in times of crisis.

Table 10.4
**LATIN AMERICA AND THE CARIBBEAN (17 COUNTRIES): SOCIAL PUBLIC
EXPENDITURE ON EDUCATION**

Country	In 1997 dollars			As a percentage of GDP		
	1990-1991	1994-1995	1998-1999	1990-1991	1994-1995	1998-1999
Argentina	226	318	383	3.3	4.2	4.7
Bolivia	...	52	62	...	5.3	6.0
Brazil	162	226	187	3.7	4.9	3.9
Chile	87	129	202	2.6	2.9	3.9
Colombia	63	86	120	3.2	3.4	4.7
Costa Rica	115	136	163	3.8	4.1	4.4
El Salvador	...	35	52	...	2.0	2.7
Guatemala	25	29	40	1.6	1.8	2.3
Honduras	32	31	32	4.3	4.1	4.1
Mexico	104	157	167	2.6	3.8	3.8
Nicaragua	22	20	26	5.0	4.9	5.7
Panama	125	151	198	4.7	5.0	6.0
Paraguay	22	61	66	1.2	3.2	3.7
Peru	28	56	62	1.3	2.3	2.2
Dominican Republic	18	34	57	1.2	2.1	2.8
Uruguay	130	151	218	2.5	2.5	3.3
Venezuela	129	139	140	3.5	3.7	3.8
Simple average	86	106	128	2.9	3.5	4.0
Simple average a/	86	115	137	2.9	3.5	3.9

Source: ECLAC, *Social panorama of Latin America, 2000-2001* (LC/G.2138-P), Santiago, Chile, October 2001. United Nations publication, Sales No. E.01.II.G.141.

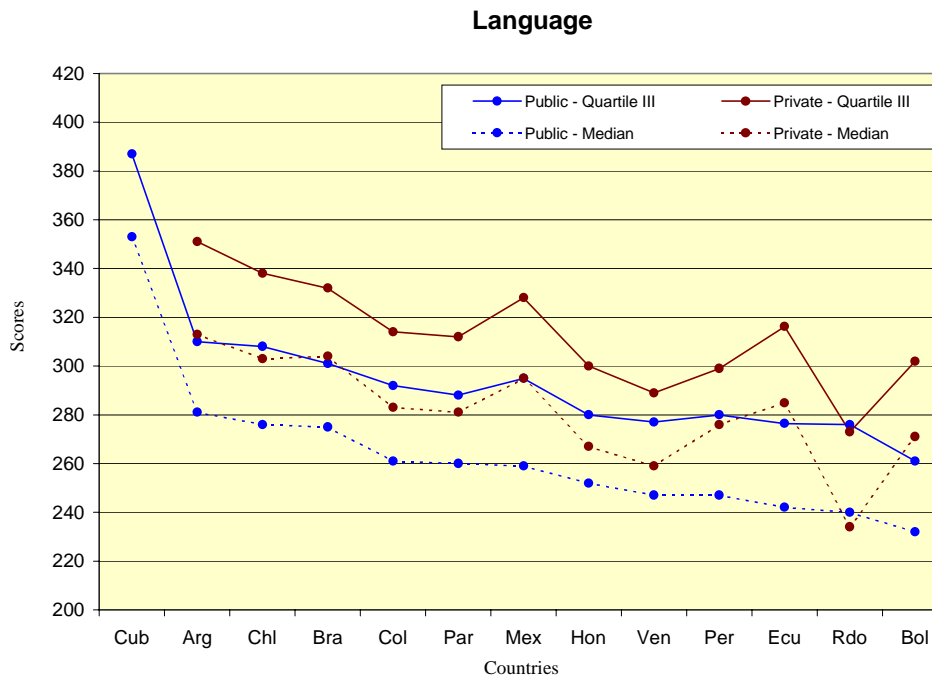
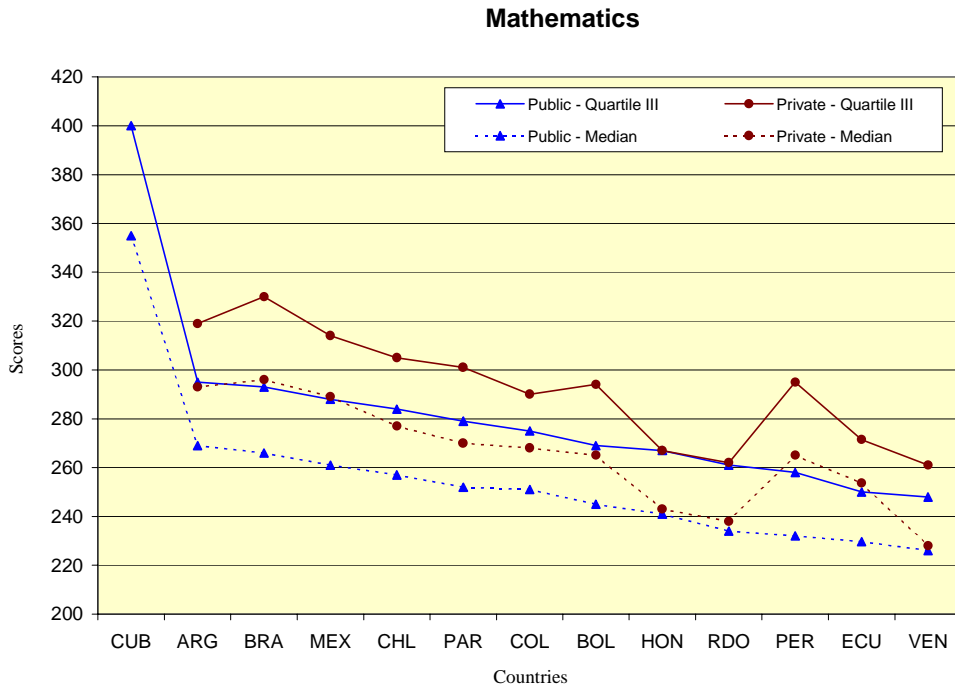
a/ Excludes Bolivia and El Salvador.

2. Quality deficits

Education quality in Latin America and the Caribbean displays major segmentation, to the detriment of students from low-income families. In 1994, attainment in language skills among fourth-grade pupils in basic education (scored out of a maximum of 100 points) averaged 71.9 among pupils from high-income families, 58.4 for middle-income children and 47.9 for children from low-income families. In mathematics, the corresponding averages were 59.0, 49.8 and 43.8 respectively.⁵ Pupils attending private schools, which are generally expensive, achieve better results in mathematics and language skills than their public-school peers (see figure 10.1). Measurements of learning outcomes in reading, writing, mathematics and science also reveal the performance of Latin American students to be inferior to that of their counterparts in industrialized countries (see table 10.5)

⁵ OREALC, 1994. Figures for Argentina, Bolivia, Chile, Costa Rica, Dominican Republic, Ecuador and Venezuela.

Figure 10.1
MEDIAN AND 75TH PERCENTILE SCORE IN STANDARDIZED TESTS APPLIED TO 4TH GRADE STUDENTS IN PUBLIC AND PRIVATE SCHOOLS



Source: Latin American Education Quality Evaluation Laboratory (LLECE), UNESCO Regional Office for Education in Latin America and the Caribbean (OREALC), 1997 data.

Table 10.5
RELATIVE POSITION OF IBERO-AMERICAN COUNTRIES IN INTERNATIONAL STUDIES OF EDUCATION QUALITY

Study	Participating countries	Ibero-American countries	Relative position
Laboratory, 1997 a/	13	13	The average scores of the highest-ranked country are between 1.5 and 2.0 standard deviations from the scores obtained by the other 12 countries
TIMSS, 1996 b/	41	3	31, 37 and 40
TIMSS, 1999 b/	38	1	35
IALS, 1998 c/	22	2	19 and 22
IALS, 1998 d/	22	2	21 and 22

Source: Latin American Education Quality Evaluation Laboratory (LLECE), International Association for the Evaluation of Educational Achievement (IEA), Third International Mathematics and Science Study (TIMSS); and Organization for Economic Cooperation and Development (OECD), International Adult Literacy Survey (IALS). (http://222.unesco.org/education/uie/confintea/pdf/3d_span.pdf), 2001.

a/ Language and mathematics, 3rd and 4th grades.

b/ Mathematics, 8th grade.

c/ Literacy skills in young people between 16 and 25 years of age.

d/ Literacy skills in adults between 26 and 65 years of age.

These inequalities are compounded by unequal access to (and use of) computer networks and audiovisual media, where the production of knowledge and, to a large extent, culture, constantly circulates and renews itself. Although efforts are being made to endow school infrastructure with computer equipment for students and teachers alike, its pace of diffusion and use are both insufficient. As a result, there is a significant “digital divide” between children and young people who are accustomed to using computer networks and languages interactively and those from low- and low-middle-income families for whom access is much more limited. As suggested in chapter 7, this “domestic digital divide” in Latin America and the Caribbean is more of a threat than its international counterpart.

Emerging economic activities in the culture industry, along with the new information and communication technologies, are producing major changes in the way schoolchildren develop their intellectual capacities and gain access to knowledge. As schools install audiovisual and interactive media, priority starts to shift from knowledge acquisition towards developing learning skills. Mass diffusion of video (in both production and consumption), computer software, cable television and interactive long-distance information exchange, are restructuring the channels of knowledge formation and transmission. Use of mass communications media and information technologies in Latin America and the Caribbean is deficient (UNESCO, 2000a). Radio and television are still seldom used for educational purposes, although there are a number of audiovisual and informatics experiments taking place. Caribbean countries have expanded their use of printed and electronic media, using radio and exhibitions to promote reading and improve language use, with television as an important vehicle for curricular content. In Brazil, television is being used for teacher training programmes, while the *Enlaces* network has connected nearly all of Chile’s schools to the Internet and provides technical assistance to students and teachers in its use for educational purposes (UNESCO, 2000b).

Higher education is going through a prolonged crisis that is affecting all of its various missions: professional staff are finding it harder to do their job; universities are increasingly losing their central role as generators of knowledge; and, as a focal point for citizenship formation—in which Latin American universities played a particularly important role—much of higher education fluctuates between political rigidity and the more technocratic alternative. Current levels of scientific and

technological research and development are clearly insufficient and uneven, and there is a clear divorce between academic research and productive activity.

In addition, public and private universities are both facing serious problems. The former are overpopulated and overprotected; they lack systematic evaluation, misuse funds and have excessively bureaucratic and ritualistic structures. Private universities, meanwhile, range from the very bad (which cater for students who fail to obtain or hold on to places in public universities) to the highly technified (which are restricted to elites). In both cases there is a lack of regulation.

Adult education and training is also insufficient and inadequate. The training institutes that accompanied industrialization processes in the early post-war decades have been rendered irrelevant by ongoing changes in production patterns, yet in-house training within firms is still embryonic.

3. Education, employment and income

Schooling levels among the workforce (i.e. the economically active population) increased in every country of the region in the 1990s: in total (from 6.1 to 7.0 years); among men (from 5.8 to 6.8 years) and women (from 6.3 to 7.2 years); in urban and rural areas (from 7.8 to 8.6 and from 4.5 to 5.3 years, respectively); among the employed (from 5.5 to 6.4 years) and the unemployed (from 6.7 to 7.6 years); and in all age groups (from 7.4 to 8.2 years among 15-29-year-olds; from 6.6 to 7.6 years in the 30-49 age group; and from four to five years in the case of the over-50s), as shown in table 10.6. There are large variations between countries, ranging from nine years of schooling in Chile and Panama to less than six in Brazil, Guatemala and Nicaragua. The countries that have made the most progress in this area were El Salvador, Mexico and Venezuela. The absolute gap between rural and urban areas remains considerable, though it has narrowed slightly. The difference between men and women remains relatively constant in favour of women, but with relative gains for female students in Colombia, Guatemala, Panama and Venezuela, and relative gains for men in Brazil, Chile, Honduras, Mexico and Nicaragua. Similarly, with few exceptions, average years of schooling among the unemployed are greater than among the employed in all age groups, with the largest differences in Brazil, Guatemala, Honduras, and Panama, but very small ones in Chile and Costa Rica. These gaps have tended to widen in Brazil, El Salvador and Guatemala, but have narrowed in Costa Rica and Panama.

Seen from a longer-term perspective, progress in this field has varied greatly across countries and different periods of time. A comparison of the educational levels of workers who began their education in the 1950s (the over-50s in 1990) and those who started in 1975 (the 15-29 age group in 1999) shows that the greatest progress was achieved by Chile, Mexico and Venezuela (increases of more than four years). The least progress (under 2.5 years) was made by Honduras and Guatemala and by countries that had already achieved high education levels by the mid-twentieth century (Argentina and Uruguay). In terms of time periods, there was significant progress between 1955 and 1975, enabling today's 30-49-year-old workers (who were of school age then) to increase their level of schooling from five years (the educational level of workers aged 50 or over today) to 7.6, or by 2.6 extra years. Nicaragua, Mexico and Panama achieved the largest increase (over 3.5 years). Progress made since 1975, when today's 15-29-year-olds were being educated, has enabled them to attain an average of 8.2 years of schooling. This betters the educational level of workers between 30 and 49 years of age by 0.6 years. The largest increases were seen in Mexico, Bolivia, El Salvador and Brazil, in that order. On the other hand, the crisis of the 1980s caused education losses in Costa Rica, Ecuador, Honduras and Panama, along with slower rates of progress in the other countries (see figure 10.2).

Table 10.6
**LATIN AMERICA AND THE CARIBBEAN (17 COUNTRIES): AVERAGE NUMBER OF YEARS OF
 SCHOOLING OF ECONOMICALLY ACTIVE POPULATION (EAP), BY AGE GROUP AND
 EMPLOYMENT STATUS, 1990 AND 1999**
(Percentages)

Country	Year		Age group											
			Total			15-29 years			30-49 years			50 years or older		
			EAP	Em- ployed	Unem- ployed	EAP	Em- ployed	Unem- ployed	EAP	Em- ployed	Unem- ployed	EAP	Em- ployed	Unem- ployed
Argentina	1999	Urban	10.1	10.0	10.2	10.9	10.9	10.9	10.9	10.7	11.0	8.7	8.5	8.8
Bolivia	1989a/	Urban	8.5	7.9	9.1	10.1	9.5	10.6	8.8	8.7	9.0	6.4	5.4	7.6
		1999	Total	7.2	6.3	8.5	8.7	8.1	9.3	7.3	6.7	8.1	5.2	4.0	7.6
		Men	8.0	7.2	9.2	9.2	8.6	9.8	8.5	7.7	9.7	6.2	5.1	7.8
		Women	6.3	5.4	7.7	8.1	7.6	8.8	6.3	5.7	6.9	4.1	2.8	7.4
		Urban	9.3	8.7	9.9	10.5	10.1	10.8	10.1	9.8	10.5	7.2	6.3	8.1
		Rural	4.2	3.8	5.2	6.4	6.1	6.9	3.5	3.6	3.3	1.9	1.6	4.0
Brazil	1990	Total	4.9	4.2	5.5	5.9	5.5	6.3	5.4	4.6	6.1	3.2	2.6	3.9
		Men	4.5	4.0	5.1	5.4	5.0	5.8	5.2	4.5	5.9	2.9	2.6	3.2
		Women	5.2	4.4	6.1	6.4	5.9	6.8	5.6	4.8	6.3	3.5	2.6	4.7
		Urban	6.3	5.8	6.9	7.4	7.2	7.7	7.1	6.5	7.7	4.5	3.9	5.2
		Rural	3.3	2.6	4.0	4.4	3.8	5.0	3.6	2.8	4.4	1.5	1.3	1.9
	1999	Total	5.5	5.1	6.0	7.1	6.6	7.6	6.0	5.7	6.4	3.5	3.0	4.0
		Men	5.4	4.8	6.0	6.6	6.0	7.2	5.9	5.4	6.3	3.7	3.0	4.5
		Women	5.7	5.3	6.0	7.5	7.1	8.0	6.2	5.9	6.5	3.2	3.0	3.5
		Urban	7.0	6.8	7.3	8.3	8.2	8.4	7.7	7.5	7.8	5.0	4.5	5.5
		Rural	4.1	3.4	4.7	5.9	5.0	6.8	4.4	3.8	5.0	1.9	1.5	2.4
Chile	1990	Total	8.2	8.0	8.4	9.8	9.5	10.1	8.7	8.7	8.7	6.1	5.8	6.3
		Men	7.9	7.8	7.9	9.2	9.1	9.4	8.5	8.5	8.5	5.9	5.8	5.9
		Women	8.6	8.2	8.9	10.4	10.0	10.8	8.9	8.9	9.0	6.3	5.9	6.7
		Urban	9.6	9.6	9.7	11.1	10.9	11.4	10.4	10.2	10.5	7.3	7.6	7.1
		Rural	7.1	6.5	7.1	8.8	8.2	8.8	7.0	7.1	7.0	5.3	4.1	5.3
	2000	Total	9.0	8.8	9.1	10.7	10.5	10.9	9.7	9.5	9.9	6.5	6.5	6.5
		Men	8.7	8.6	8.7	10.2	10.0	10.4	9.4	9.4	9.4	6.4	6.4	6.5
		Women	9.3	9.0	9.5	11.2	10.9	11.5	10.1	9.7	10.4	6.6	6.5	6.6
		Urban	10.5	10.5	10.5	11.8	11.8	11.8	11.3	11.4	11.3	8.5	8.4	8.5
		Rural	7.4	7.1	7.7	9.6	9.1	10.0	8.1	7.7	8.5	4.5	4.5	4.5
Colombia	1991	Total	6.2	5.8	6.7	7.6	6.9	8.3	6.9	6.4	7.4	4.1	3.9	4.4
		Men	6.4	5.7	7.1	7.4	6.6	8.2	7.1		7.8	4.8	4.1	5.4
		Women	6.0	5.8	6.3	7.8	7.3	8.3	6.8	6.4	7.1	3.5	3.7	3.3
		Urban	7.7	7.5	7.9	9.1	8.6	9.6	8.7	8.4	9.0	5.3	5.5	5.1
		Rural	4.7	4.0	5.5	6.1	5.3	6.9	5.2	4.5	5.9	3.0	2.3	3.6
	1999	Total	6.9	6.5	7.4	8.3	7.6	9.0	7.5	7.2	7.8	4.9	4.6	5.2
		Men	6.8	6.3	7.3	8.0	7.2	8.8	7.4	6.9	7.9	5.0	4.7	5.3

Table 10.6 (continued)

Country	Year	Age group											
		Total			15 - 29 years			30 a- 49 years			50 years or over		
		EAP	Em- ployed	Unem- ployed	EAP	Em ployed	Unem- ployed	EAP	Em- ployed	Unem ployed	EAP	Em ployed	Unem ployed
	Women	7.0	6.7	7.4	8.6	8.1	9.2	7.6	7.4	7.8	4.8	4.5	5.2
	Urban	8.5	8.2	8.9	9.6	9.2	10.1	9.2	9.0	9.5	6.7	6.3	7.1
	Rural	5.3	4.8	5.8	7.0	6.1	7.9	5.8	5.3	6.2	3.2	3.0	3.4
Costa Rica	1990												
	Total	6.9	6.7	7.1	8.1	7.9	8.4	7.9	7.7	8.1	4.0	4.6	2.9
	Men	6.6	6.5	6.8	7.8	7.5	8.0	7.7	7.5	8.0	3.9	4.6	2.9
	Women	7.1	6.9	7.4	8.5	8.2	8.8	8.0	7.8	8.2	4.0	4.6	2.9
	Urban	8.3	8.1	8.5	9.3	9.0	9.6	9.5	9.1	9.9	5.3	6.2	3.4
	Rural	5.5	5.3	5.8	7.0	6.7	7.3	6.2	6.2	6.3	2.8	3.0	2.6
	1999												
	Total	7.4	7.3	7.4	8.1	8.1	8.1	8.2	8.3	8.0	5.7	5.5	5.8
	Men	7.2	7.1	7.2	7.7	7.6	7.7	8.1	8.2	8.0	5.6	5.4	5.8
	Women	7.6	7.5	7.6	8.6	8.6	8.6	8.2	8.5	8.0	5.7	5.6	5.8
	Urban	8.7	8.7	8.8	9.2	9.3	9.1	9.8	9.6	10.0	7.1	7.1	7.2
	Rural	6.0	6.0	6.0	7.0	6.9	7.2	6.5	7.0	6.1	4.1	4.0	4.2
Ecuador	1990												
	Urban	9.0	8.2	9.9	10.2	9.4	11.0	9.9	9.1	10.7	7.1	6.0	8.2
	1999												
	Urban	9.4	9.0	9.9	10.3	9.9	10.8	10.7	10.1	11.3	7.3	7.0	7.6
El Salvador	1990												
	Urban	6.3	6.4	6.1	8.2	7.9	8.4	7.1	7.3	6.9	3.5	3.9	3.1
	1999												
	Total	5.9	5.3	6.5	7.7	7.0	8.5	6.5	5.9	7.1	3.2	3.1	3.4
	Men	5.8	5.6	6.1	7.2	6.9	7.6	6.5	6.3	6.7	3.8	3.4	4.1
	Women	6.0	5.1	6.9	8.2	7.0	9.4	6.5	5.6	7.4	2.6	2.8	2.2
	Urban	8.2	7.5	8.9	9.8	9.0	10.5	9.2	8.5	10.0	5.1	4.9	5.3
	Rural	3.7	3.2	4.2	5.7	5.0	6.4	3.8	3.4	4.1	1.5	1.3	1.8
Guatemala	1989												
	Total	4.5	3.4	5.7	5.7	4.6	6.9	4.3	3.7	4.9	3.1	1.9	4.9
	Men	4.7	3.8	5.6	5.8	4.9	6.7	4.2	4.2	4.3	4.1	2.2	5.9
	Women	4.2	3.1	5.7	5.7	4.3	7.0	4.4	3.3	5.6	1.8	1.6	2.3
	Urban	6.3	5.1	7.6	7.3	6.4	8.1	6.3	5.8	6.8	5.0	3.1	8.1
	Rural	2.6	1.7	3.7	4.2	2.8	5.6	2.2	1.7	2.7	1.4	0.7	2.3
	1998												
	Total	5.5	4.1	7.3	6.7	5.5	8.0	5.7	4.4	7.1	3.9	2.5	6.4
	Men	5.2	4.5	6.1	6.4	5.7	7.1	5.9	4.9	7.1	3.0	2.9	3.1
	Women	5.8	3.7	8.6	7.0	5.2	9.1	5.4	4.0	7.0	4.9	2.0	10.5
	Urban	7.3	6.2	8.4	8.5	7.5	9.5	7.5	6.8	8.2	5.7	4.2	7.4
	Rural	3.4	2.1	5.6	4.8	3.4	6.3	3.5	2.1	5.5	1.2	0.7	3.0
Honduras	1990												
	Total	5.0	4.1	5.9	6.2	5.3	7.1	5.3	4.5	6.1	3.0	2.5	3.6
	Men	4.7	4.1	5.2	5.9	5.1	6.7	5.0	4.5	5.5	3.0	2.6	3.4
	Women	5.3	4.2	6.8	6.5	5.5	7.5	5.6	4.5	6.7	2.9	2.5	4.6
	Urban	6.5	5.6	7.5	7.7	6.7	8.6	7.4	6.3	8.6	4.2	3.8	4.7
	Rural	3.3	2.7	4.1	4.8	3.9	5.6	3.2	2.8	3.6	1.5	1.3	2.0

Table 10.6 (continued)

Country	Year	Age groups											
		Total			15-29 years			30-49 years			50 years or older		
		PEA	Em- ployed	Unem- ployed	PEA	Em- ployed	Unem- ployed	PEA	Em- ployed	Unem- ployed	PEA	Em- ployed	Unem- ployed
	1999												
	Total	5.9	5.0	7.0	6.4	6.1	6.7	6.6	5.7	7.4	4.2	3.1	6.6
	Men	6.1	4.9	7.5	6.1	5.8	6.4	6.7	5.7	7.7	5.3	3.2	8.7
	Women	5.7	5.1	6.4	6.7	6.4	7.0	6.4	5.7	7.2	2.7	3.1	1.2
	Urban	7.2	6.5	8.1	7.7	7.5	8.0	8.3	7.5	9.0	5.3	4.4	6.8
	Rural	4.4	3.5	5.7	5.1	4.8	5.4	4.8	3.8	5.8	2.7	1.9	6.0
Mexico	1989												
	Total	6.0	5.5	6.6	7.7	7.5	7.9	6.2	5.9	6.4	3.6	3.2	4.3
	Men	5.7	5.6	5.9	7.2	7.3	7.1	6.1	6.0	6.3	3.9	3.6	4.3
	Women	6.3	5.5	7.6	8.3	7.8	8.7	6.2	5.8	6.6	2.9	2.9	-
	Urban	7.7	7.2	8.4	9.0	9.0	9.0	8.2	7.8	8.5	5.5	4.8	6.9
	Rural	4.3	3.9	4.8	6.4	6.0	6.8	4.1	4.0	4.3	1.7	1.7	1.7
	1998												
	Total	7.4	6.8	8.1	9.2	8.7	9.7	7.8	7.4	8.4	4.2	4.3	4.0
	Men	7.3	7.0	7.6	9.1	8.7	9.6	8.2	7.7	8.7	4.4	4.7	4.0
	Women	7.5	6.5	9.0	9.3	8.8	9.9	7.4	7.0	7.9	3.8	3.8	-
	Urban	8.9	8.3	9.8	10.3	9.8	10.8	9.6	9.0	10.2	6.1	6.1	6.0
	Rural	5.8	5.3	6.4	8.2	7.7	8.7	5.8	5.8	5.9	2.5	2.4	2.6
Nicaragua	1993												
	Total	4.4	4.0	4.7	6.0	5.4	6.5	4.7	4.5	4.9	2.2	2.2	2.2
	Men	4.1	3.9	4.4	5.7	4.8	6.5	4.9	4.5	5.3	1.8	2.2	1.4
	Women	4.6	4.2	5.1	6.2	5.9	6.6	4.4	4.5	4.3	2.7	2.2	3.6
	Urban	5.8	5.7	5.9	7.2	7.2	7.2	6.8	6.5	7.1	3.2	3.3	3.1
	Rural	2.8	2.4	3.4	4.7	3.5	5.8	2.4	2.5	2.3	1.1	1.2	0.9
	1998												
	Total	5.0	4.6	5.3	6.3	5.8	6.7	5.7	5.3	6.2	2.7	2.6	2.9
	Men	5.0	4.4	5.6	5.6	5.3	6.0	6.2	5.2	7.1	3.1	2.8	3.6
	Women	4.9	4.8	5.0	6.9	6.4	7.4	5.3	5.4	5.2	2.4	2.5	2.2
	Urban	6.6	6.2	7.1	7.7	7.3	8.1	7.9	7.2	8.6	4.3	4.0	4.6
	Rural	3.2	3.0	3.4	4.8	4.4	5.3	3.6	3.4	3.7	0.9	1.2	0.5
Panama	1991												
	Total	8.4	7.5	9.4	9.6	8.9	10.3	9.2	8.3	10.1	6.3	5.3	7.4
	Men	7.8	7.0	8.7	9.0	8.3	9.7	8.7	7.8	9.5	5.8	4.9	6.7
	Women	9.0	8.0	10.2	10.3	9.6	11.0	9.7	8.7	10.7	6.8	5.7	8.3
	Urban	9.5	9.0	10.1	10.5	10.1	10.9	10.4	9.9	11.0	7.6	7.0	8.2
	Rural	7.3	6.0	8.6	8.7	7.7	9.7	8.0	6.7	9.3	4.8	3.6	6.3
	1999												
	Total	9.2	8.4	10.0	10.1	9.5	10.6	9.9	9.4	10.5	7.3	6.3	8.5
	Men	8.5	7.9	9.1	9.4	8.9	9.9	9.3	8.9	9.7	6.9	6.0	7.7
	Women	9.9	8.9	11.0	10.8	10.2	11.4	10.6	9.8	11.3	7.9	6.6	9.8
	Urban	10.4	10.0	10.8	11.1	10.8	11.4	10.9	10.9	10.9	9.1	8.2	10.0
	Rural	7.9	6.8	9.1	9.1	8.3	9.9	9.0	7.8	10.1	5.1	4.4	6.2

Table 10.6 (concluded)

Country	Year	Age group											
		Total			15-29 years			30-49 years			50 years or older		
		PEA	Em- ployed	Unem- ployed	PEA	Em- ployed	Unem- ployed	PEA	Em- ployed	Unem- ployed	PEA	Em- ployed	Unem- ployed
Paraguay	1990 b/												
	Urban	9.3	8.6	10.3	9.9	9.3	10.4	10.0	9.3	10.9	7.1	7.3	5.3
	1999												
	Total	6.8	6.5	7.1	7.8	7.8	7.8	7.4	7.0	7.8	5.0	4.6	5.5
	Men	7.0	6.6	7.5	7.7	7.7	7.6	7.9	7.1	8.6	5.5	5.0	6.1
	Women	6.5	6.3	6.7	8.0	7.9	8.1	6.9	6.9	6.9	4.6	4.2	4.9
	Urban	8.4	8.1	8.7	9.3	9.3	9.3	9.2	8.9	9.4	6.7	6.1	7.4
	Rural	5.1	4.8	5.4	6.3	6.3	6.3	5.6	5.1	6.2	3.1	3.1	3.0
Dominican Republic	1997												
	Total	6.6	6.1	7.1	7.8	7.7	8.0	7.0	6.8	7.3	4.7	3.9	5.7
	Men	6.5	5.8	7.3	7.2	6.9	7.5	7.4	6.5	8.4	4.9	4.0	5.9
	Women	6.6	6.4	6.9	8.4	8.4	8.5	6.7	7.0	6.4	4.6	3.8	5.6
	Urban	8.1	7.6	8.6	8.9	8.9	8.9	9.0	8.7	9.3	6.3	5.1	7.5
	Rural	5.0	4.6	5.4	6.8	6.4	7.1	5.0	4.8	5.2	2.9	2.6	3.3
Uruguay	1990												
	Urban	8.6	8.5	8.7	9.8	9.6	10.0	9.2	9.2	9.2	6.7	6.5	6.8
	1999												
	Urban	9.3	9.3	9.2	10.3	10.2	10.4	9.8	10.0	9.6	7.7	7.7	7.7
Venezuela	1990												
	Total	6.3	5.7	6.9	7.5	7.1	7.8	7.3	6.5	8.1	4.1	3.6	4.7
	Men	5.8	5.5	6.2	6.7	6.4	6.9	6.7	6.2	7.2	4.1	3.8	4.4
	Women	6.8	5.9	7.7	8.3	7.8	8.7	7.9	6.7	9.0	4.1	3.3	5.1
	Urban	7.8	7.5	8.1	8.7	8.6	8.7	8.8	8.5	9.1	6.0	5.5	6.5
	Rural	4.8	3.9	5.7	6.2	5.6	6.9	5.7	4.4	7.1	2.2	1.7	2.7
	1999												
	Total	8.3	7.8	8.8	9.3	9.0	9.5	8.7	8.3	9.1	6.9	6.0	7.8
	Men	7.6	7.3	7.9	8.4	8.0	8.8	8.1	8.0	8.3	6.4	6.0	6.8
	Women	8.9	8.2	9.7	10.1	10.0	10.3	9.3	8.5	10.0	7.4	6.0	8.8
Average c/ 1990 d/													
	Total	6.1	5.5	6.7	7.4	6.9	8.0	6.6	6.1	7.1	4.0	3.6	4.5
	Men	5.8	5.4	6.3	7.0	6.5	7.5	6.4	6.0	6.8	4.0	3.6	4.4
	Women	6.3	5.6	7.2	7.8	7.2	8.4	6.8	6.1	7.4	3.9	3.5	4.6
	Urban	7.8	7.4	8.3	9.1	8.6	9.5	8.6	8.2	9.0	5.6	5.3	5.9
	Rural	4.5	3.9	5.2	6.1	5.3	6.8	4.7	4.3	5.1	2.6	2.1	3.0
	1999 e/												
	Total	7.0	6.4	7.6	8.2	7.7	8.7	7.6	7.1	8.1	5.0	4.4	5.8
	Men	6.8	6.3	7.3	7.8	7.3	8.2	7.5	7.0	8.0	5.0	4.5	5.6
	Women	7.2	6.6	8.0	8.7	8.2	9.2	7.7	7.2	8.1	4.9	4.4	6.0
	Urban	8.6	8.1	9.0	9.6	9.3	9.9	9.4	9.0	9.7	6.6	6.1	7.1
	Rural	5.3	4.7	6.0	6.8	6.2	7.5	5.7	5.2	6.3	2.9	2.6	3.6

Source: ECLAC, on the basis of special tabulations of household surveys conducted in the respective countries.

a/ Eight main cities.

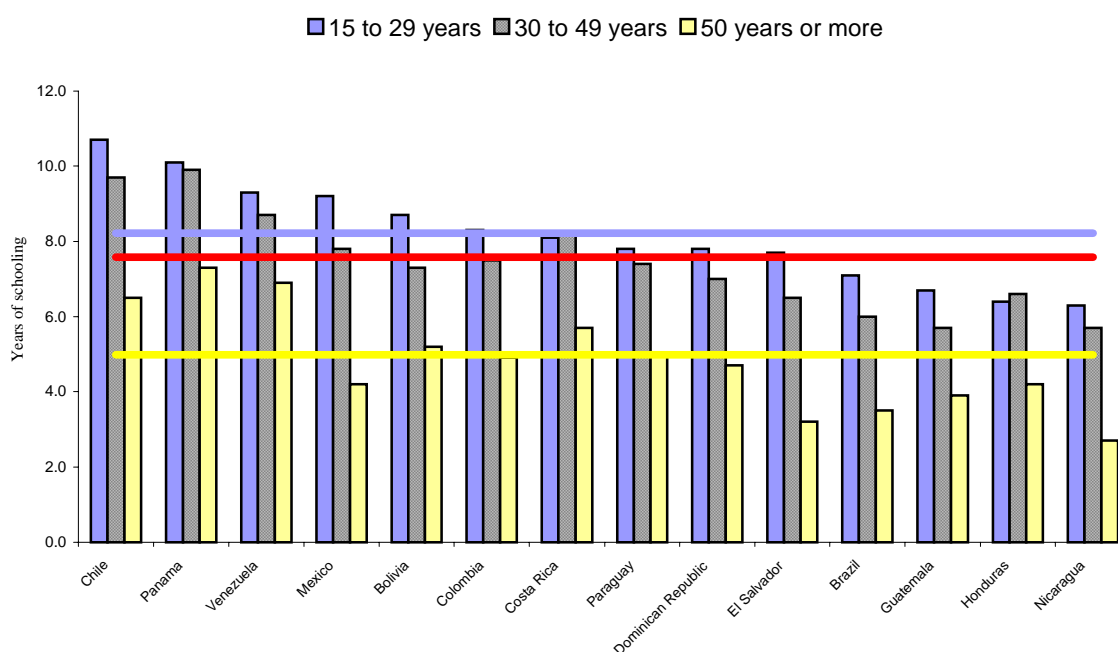
b/ Asunción metropolitan area.

c/ Averages calculated from figures from countries that have comparable data for the two years considered.

d/ The average was calculated taking the years closest to 1990.

e/ The average was calculated taking the years closest to 1999.

Figure 10.2
**AVERAGE YEARS OF SCHOOLING OF TOTAL ECONOMICALLY ACTIVE
 POPULATION (EAP), BY AGE GROUPS, 1999**



Source: ECLAC, on the basis of special tabulations of household surveys conducted in the respective countries.

Inequalities in the returns to education have also suffered significant segmentation in recent years.⁶ Returns are high (education premium) for those with university education and also, but to a lesser extent, for those who complete secondary school (compared to those who do not). The increase in income among the youngest group (25-34-year-olds) with most years of schooling is less than for the population as a whole, partly because of their lower returns to experience, but also because of educational “devaluation”.⁷ Gender differences here are large, but they also vary considerably, and are greater when secondary education is incomplete.

II. Globalization and employment

Employment is the main link between economic and social development, since it is the major source (80%) of household income. Many of the social effects of closer integration into the world economy, and of adjustment processes to achieve macroeconomic balance and adapt to changes in the international economy, are transmitted through the organization and functioning of the labour market. This is what establishes the number and quality of jobs generated and the wages and incomes that people earn. The chances of finding a job, the level of coverage and social protection for employed people and the earnings they obtain have a decisive effect on the level and distribution of material welfare among the population. Social exclusion and segmentation, caused by inadequate

⁶ See, for example, the analysis by Carlson (2001), based on five of the region’s countries (Argentina, Brazil, Chile, Paraguay and Uruguay) for the period 1993-1999. See also Morley (2000b) for a discussion of the widening of income differentials by education level.

⁷ The term “educational devaluation” has been used to describe the fact that today higher levels of education are needed to generate given levels of income than in the past. See ECLAC (1998e).

access to good jobs, generate poverty and social inequalities that are reproduced over time. This is manifested in the highly concentrated income distribution that continues to characterize the region (ECLAC, 2000a and 2000b).

Employment effects stemming from technological change, openness to international trade and the integration of Latin America and the Caribbean into the world economy are compounded by the effects of structural adjustment and those stemming from business cycles. The consequences of the changing employment patterns shared by the vast majority of the region's countries include: (i) high and rising job insecurity and instability caused by high levels of unemployment and job mobility; (ii) increasing inequality resulting from the trend of wages between sectors and between different productivity and skill levels; and (iii) exclusion generated by a shortage of good jobs, low coverage of social safety nets and the increasing precariousness of employment. An analysis of available information also reveals specific features associated with the patterns of productive specialization and participation in world trade flows that began to show through in the closing decade of the twentieth century.

1. Dynamics of the production and employment structure

An analysis of changes in the production and employment structure reveals the differential effects of the two dominant patterns of specialization in Latin America.⁸ The first of these patterns involves the production of raw materials and industrial commodities, with intensive use of capital and natural resources; this is characteristic of South American countries in particular. The second pattern entails production of manufactured goods with a high imported input content (the extreme case being mere assembly of such inputs, or "maquila"). This is characteristic of Mexico and some of the Central American and Caribbean economies. This second specialization pattern comprises several labour-intensive segments, and a large proportion of the corresponding exports are sent to the North American market (see chapter 6 of this volume). These two specialization patterns broadly coincide with the countries' geographical location, so the ensuing discussion will divide the region into northern and southern countries.

The uneven rates of economic growth recorded during the decade (averaging 4.5% or more per year in Argentina, Chile, Costa Rica, Panama and Peru) were accompanied by widely differing changes in the sectoral structure of production, reflecting the different specialization patterns. Generally speaking, countries in the northern part of the region, particularly Mexico, Costa Rica, El Salvador and Honduras, saw their industrial sectors expand faster than those producing non-tradable goods and services, and the share of exports in GDP grew rapidly⁹ (see table 10.7). In the southern countries, on the other hand, tradable-goods-producing activities tended to grow more slowly, especially in the industrial segments. This was the pattern in Argentina, Brazil, Chile, Colombia, Paraguay and Uruguay; while Bolivia broadly maintained its output structure. Countries that diverged from subregional trends were Ecuador, and particularly Peru, in the south, and Guatemala in the north.

⁸ A third pattern, characteristic of some Caribbean countries, involves specialization in services. As mentioned in chapter 11, countries with this pattern have a clear advantage over those specializing in raw materials.

⁹ Between 1990 and 2000, the exports/GDP ratio rose from 31% to 52% in Costa Rica, from 15% to 36% in Mexico and from 17% to 36% in El Salvador. In South America, the corresponding levels and increases are both lower: Argentina saw its exports/GDP ratio rise from 10% to 12%; Brazil, from 8% to 11%; and Colombia, from 14% to 19%. A notable exception was Chile, where exports expanded from 21% to 37% of GDP.

Table 10.7
LATIN AMERICA (17 COUNTRIES): OUTPUT TRENDS IN THE 1990s a/

Country	Tradable and non-tradable goods and services								
	Total b/			Tradable sector c/			Non-tradable sector d/		
	1990-1994	1994-1999	1990-1999	1990-1994	1994-1999	1990-1999	1990-1994	1994-1999	1990-1999
Argentina	13.6	2.3	7.2	6.9	1.2	3.7	15.8	2.6	8.2
				(7.7)	(0.4)	(3.6)	(10.9)	(1.5)	(5.6)
Bolivia	3.9	4.1	4.0	4.4	3.8	4.1	3.7	4.7	4.2
				(4.4)	(3.9)	(4.2)	(2.2)	(2.8)	(2.5)
Brazil	3.0	1.4	2.2	4.0	0.6	2.3	2.7	1.6	2.2
				(3.8)	-(0.5)	(1.7)	(1.3)	(1.4)	(1.4)
Chile	6.7	5.8	6.3	6.3	4.9	5.6	7.0	6.3	6.6
				(7.0)	(3.6)	(5.3)	(3.4)	(2.9)	(3.2)
Colombia	4.7	-0.9	1.2	1.3	0.5	0.8	6.2	-1.5	1.3
				(2.6)	-(1.9)	-(0.2)	(4.4)	(7.6)	(6.4)
Costa Rica	5.2	5.1	5.1	5.3	7.4	6.5	5.1	3.8	4.4
				(5.7)	(9.1)	(7.6)	(3.0)	(1.9)	(2.4)
Ecuador	3.4	-0.3	1.3	4.7	0.5	2.4	2.6	-1.2	0.5
				(5.3)	(0.7)	(2.7)	(0.2)	-(2.9)	-(1.5)
El Salvador	4.2	3.0	3.7	6.0	4.9	5.5	4.3	2.7	3.6
				(5.6)	(5.0)	(5.3)	(1.8)	(2.2)	(2.0)
Guatemala	4.0	4.4	4.2	2.9	4.6	3.7	4.5	4.7	4.6
				(2.7)	(2.9)	(2.8)	(5.0)	(3.9)	(4.5)
Honduras	3.1	3.1	3.1	3.0	2.8	2.9	3.2	3.3	3.2
				(3.4)	(4.4)	(4.0)	(0.9)	(1.6)	(1.3)
Mexico	4.1	2.5	3.4	3.1	4.8	3.9	4.4	1.7	3.2
				(3.5)	(5.6)	(4.4)	(2.7)	(1.2)	(2.0)
Nicaragua	-0.4	4.1	2.4	0.5	5.7	3.4	-1.0	2.7	1.3
				(0.3)	(2.4)	(1.6)	-(3.9)	-(2.0)	-(2.7)
Panama	5.4	3.6	4.5	15.0	2.4	8.5	5.4	3.9	4.6
				(8.7)	(0.9)	(4.7)	-(0.3)	(3.0)	(1.3)
Paraguay	2.9	1.7	2.2	1.9	0.9	1.3	4.1	1.3	2.5
				(1.2)	(0.3)	(0.7)	(4.1)	(4.2)	(4.2)
Peru	4.6	4.3	4.5	7.7	3.8	5.5	4.1	4.4	4.3
				(6.3)	(3.8)	(4.9)	(1.1)	(2.8)	(2.0)
Uruguay	3.0	1.9	2.4	1.5	0.0	0.6	3.8	2.3	2.9
				-(1.1)	(0.1)	-(0.5)	(0.8)	(1.2)	(1.0)
Venezuela	2.8	-0.1	1.2	3.6	1.2	2.3	2.5	-0.7	0.7
				(2.1)	-(0.3)	(0.8)	(2.2)	-(0.1)	(0.9)

Source: ECLAC, on the basis of official figures from the respective countries.

a/ The years considered for each country were as follows: Argentina, 1990, 1994 and 1999; Bolivia, 1989, 1994 and 1999; Brazil, 1993, 1996 and 1999; Chile, 1990, 1994 and 1998; Colombia, 1991, 1994 and 1999; Costa Rica, 1990, 1994 and 1999; Ecuador, 1990, 1994 and 1999; El Salvador, 1990, 1995 and 1999; Guatemala, 1989, 1994 and 1998; Honduras, 1990, 1994 and 1999; Mexico, 1989, 1994 and 1998; Nicaragua, 1990, 1993 and 1998; Panama, 1989, 1994 and 1999; Paraguay, 1990, 1994 and 1999; Peru, 1990, 1994 and 1999; Uruguay, 1990, 1994 and 1999; and Venezuela, 1990, 1994 and 1999. These correspond to the years for which employment data based on household surveys are available.

b/ This total corresponds to the sum of outputs generated by tradable and non-tradable goods and services. It differs from GDP because it does not include adjustments for banking services, value-added tax or import duties.

c/ Manufacturing industry figures are shown in brackets.

d/ Figures for government, social, community and personal services are shown in brackets.

The different patterns of specialization and linkage with international trade flows were reflected in the behaviour of employment. Total employment grew faster in countries where the new industrial production tended to dominate as a model for productive organization than in countries where expansion was based more on activities connected to the processing of natural resources. Overall, total employment expanded by 2.9% per year in South American countries, compared to 3.7% in countries to the north of the region; in both cases employment growth was relatively stronger in non-tradable activities. Wage-earning employment expanded in line with total employment in the region as a whole—more rapidly than total employment in Argentina, Chile, Costa Rica, El Salvador, Panama, Paraguay and Uruguay, but more slowly in Bolivia, Colombia, Guatemala, Honduras, Mexico and Venezuela, where self-employment tended to grow in importance (see table 10.8). Curiously, while total employment growth follows a north-south pattern, the same cannot be said about the relative importance of wage employment, which tends to mirror economic growth trends in the respective countries.

Nevertheless, international specialization patterns had a major impact on wage-earning job creation. In South American countries, wage employment grew much more slowly in tradable activities than in non-tradable activities, whereas in northern countries wage-paying jobs expanded at similar rates in both sectors. The difference is even clearer in terms of wage-paying manufacturing jobs. This category of employment expanded by just 0.7% per year in South American countries, and even shrank in Argentina, Brazil, Chile, Colombia and Uruguay, whereas in the north of the region, manufacturing jobs grew at a rate of 4.8% per year, with particularly rapid growth in El Salvador, Honduras and Mexico (see table 10.8).

The economically active population (EAP) continued to grow relatively strongly in the 1990s. In the southern countries, although EAP growth was slower (2.5% per year), weaker job creation pushed open unemployment higher at various times during the decade, depending on the country (see figure 10.3). In the northern countries, despite vigorous expansion of the active population (4.0% per year), average annual employment expanded at a similar or slightly higher rate during the decade, and urban unemployment tended to remain stable or even fall.

In the northern countries, employment in non-tradable sectors grew by 4.8% per year, which was again faster than in South American countries (3.6%). In this case, however, the stronger job creation in the north was concentrated in non-wage sectors. Social, community and personal services continued to be the activities that absorbed the most low-skilled workers, mainly self-employed, with the result that levels of informality were maintained or increased. This explains the fact that for the region as a whole, about 70% of the jobs created in the past decade were in the informal sector (ECLAC, 2001d).

Job creation opportunities have therefore clearly depended on the specialization patterns of the different countries of the region. Table 10.9 provides an overview of this phenomenon. The elasticity of employment with respect to output has been clearly higher in the countries of the north, where, in addition, wage-earning jobs expanded faster than self-employment. These patterns contrast with the weakness of labour demand in countries to the south, where most job creation has involved self-employment. The difference is particularly clear in the manufacturing sector, where employment shrank in the countries of the south, but grew strongly in the north.

Table 10.8
**LATIN AMERICA (16 COUNTRIES): TREND OF TOTAL AND WAGE
 EMPLOYMENT, 1990-1999**
(Average annual rates of variation)

Country b/	Total employment			Wage employment		
	Total	Tradable goods and services c/	Non-tradable goods and services d/	Total	Tradable goods and services c/	Non-tradable goods and services d/
Costa Rica	3.5	1.1 (1.9)	5.0 (3.6)	4.3	3.0 (2.7)	5.0 (3.3)
El Salvador	4.0	3.2 (3.8)	4.3 (1.9)	4.5	3.7 (5.0)	4.8 (3.4)
Guatemala	0.1	-1.2 (2.5)	2.1 (-1.1)	-0.7	-0.5 (0.9)	-0.8 (-3.6)
Honduras	4.9	3.9 (7.6)	6.2 (5.4)	4.0	3.3 (8.3)	4.4 (4.9)
Mexico	3.8	2.5 (4.8)	4.8 (5.4)	3.4	2.5 (4.2)	3.9 (4.7)
Nicaragua	6.5	7.1 (2.2)	5.9 (2.9)	6.6	10.7 (7.4)	4.5 (5.8)
Panama	3.2	-0.5 (3.2)	5.1 (2.4)	3.7	1.6 (3.2)	4.4 (2.2)
Group average	3.7	2.3 (4.0)	4.8 (2.8)	3.7	3.5 (4.8)	3.7 (2.9)
Argentina	2.0	-2.4 (-2.7)	2.9 (3.8)	2.9	-2.6 (-3.0)	4.3 (4.3)
Bolivia	5.6	7.9 (8.4)	5.0 (0.2)	4.4	4.2 (5.4)	4.5 (2.4)
Brazil	1.6	-0.4 (-0.3)	2.8 (2.7)	1.8	-0.5 (-0.6)	2.9 (3.3)
Chile	2.4	-0.6 (-0.4)	4.0 (4.7)	3.0	-0.2 (-0.1)	4.7 (6.6)
Colombia	1.7	-0.3 (-0.7)	3.0 (3.3)	1.2	0.0 (-0.7)	1.9 (2.1)
Ecuador	4.2	2.7 (1.9)	4.6 (4.7)	4.0	2.1 (1.1)	4.7 (3.7)
Paraguay	3.7	3.6 (3.2)	3.8 (2.9)	4.4	4.3 (5.2)	4.4 (3.1)
Uruguay	1.1	-1.1 (-1.8)	1.8 (1.0)	1.5	-0.3 (-2.0)	2.0 (1.1)
Venezuela	3.8	1.8 (2.6)	4.5 (3.6)	2.6	1.2 (0.8)	3.1 (2.4)
Group average	2.9	1.2 (1.1)	3.6 (3.0)	2.9	0.9 (0.7)	3.6 (3.2)
Overall average	3.3	1.7 (2.3)	4.1 (3.0)	3.2	2.0 (2.4)	3.7 (3.1)

Source: ECLAC, on the basis of special tabulations of household surveys conducted in the respective countries.

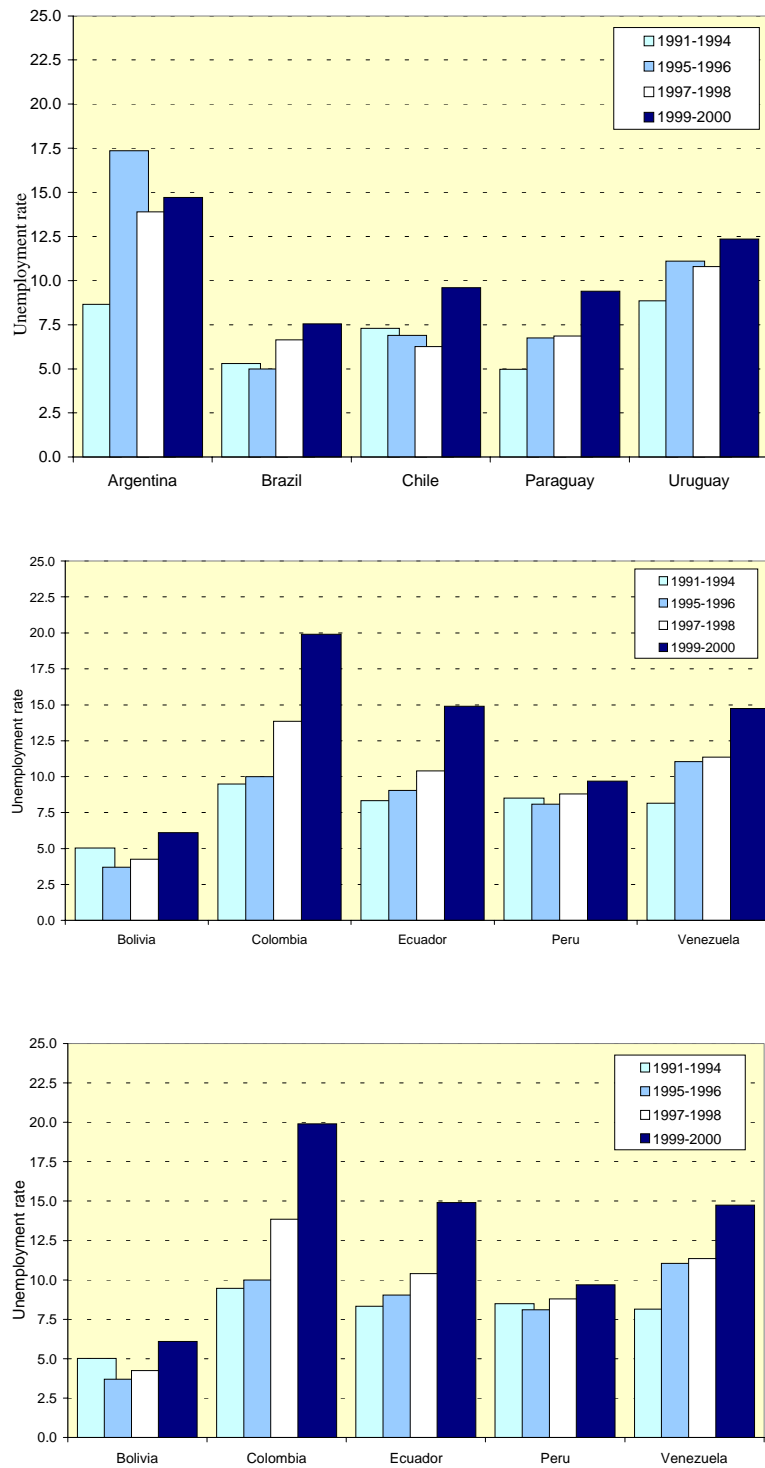
a/ The years considered were as follows: Argentina, 1990 and 1999; Bolivia, 1989 and 1999; Brazil, 1993 and 1999; Chile, 1990 and 1998; Colombia, 1991 and 1999; Costa Rica, 1990 and 1999; Ecuador, 1990 and 1999; El Salvador, 1990 and 1999; Guatemala, 1989 and 1998; Honduras, 1990 and 1999; Mexico, 1989 and 1998; Nicaragua, 1993 and 1998; Panama, 1989 and 1999; Paraguay, 1990 and 1999; Uruguay, 1990 and 1999; and Venezuela, 1990 and 1999.

b/ Geographic coverage is as follows: Argentina, Greater Buenos Aires; Bolivia, eight main cities; Ecuador, El Salvador and Uruguay, urban areas; Paraguay, Asunción and Central Department. In the other countries, the figures correspond to the nationwide total.

c/ Manufacturing industry figures are shown in brackets.

d/ Figures for government, social, community and personal services are shown in brackets.

Figure 10.3
**LATIN AMERICA (17 COUNTRIES): URBAN UNEMPLOYMENT RATES BY PERIOD,
 1991-1994, 1995-1996, 1997-1998 AND 1999-2000**



Source: ECLAC, on the basis of official figures from the respective countries.

Table 10.9
**LATIN AMERICA AND THE CARIBBEAN: INDICATORS OF EMPLOYMENT
 TRENDS IN THE 1990s**
(Median values of average annual growth rates)

	Northern part of the region a/		Southern part of the region b/	
Elasticity of employment-output	0.83		0.53	
Wage employment	4.2		1.8	
Own-account employment	3.6		4.0	
Manufacturing industry	4.3		-0.1	
Unemployment c/	10.5	8.4	7.8	12.2

Source: Barbara Stallings and Jürgen Weller, *Job Creation in Latin America in the 1990s: The Foundation for Social Policy*, Macroeconomía del desarrollo series, No. 5 (LC/L.1572-P), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), 2001. United Nations publication, Sales No. E.01.II.G.115.

a/ Costa Rica, Dominican Republic, El Salvador, Honduras, Mexico and Panama.

b/ Argentina, Bolivia, Brazil, Chile, Colombia, Paraguay, Peru, Uruguay and Venezuela.

c/ Open urban unemployment rate. The first figure is the average for 1990-1991 and the second is the average for 1999-2000.

These changing employment patterns were accompanied by a widening of wage differentials between workers with high and low levels of education. This was relatively general, however, and did not reflect specialization structures. According to information available for wage-earners in 16 of the region's countries (10 of which have nationwide data), the education-based wage gap widened significantly in Argentina (Greater Buenos Aires), Chile, Colombia, urban areas of Ecuador, Guatemala, Mexico, Paraguay, Uruguay and Venezuela. It also widened, albeit more slowly, in Costa Rica, El Salvador, Nicaragua and Panama; and it narrowed only in Bolivia, Brazil and Honduras. This relatively widespread trend towards wider earnings differentials did not reflect clearly differentiated behaviour between the tradable and non-tradable sectors. In some countries the wage gap widened more in the tradable sector than in those producing non-tradable goods and services (Colombia, Paraguay and Venezuela); elsewhere it widened by similar amounts in both sectors (Greater Buenos Aires and Guatemala); and in other countries the gap widened more among non-tradable activities (Chile, urban areas of Ecuador, Mexico and Uruguay). In countries displaying smaller overall differentials, a widening gap in the tradable sector tended to be offset by a narrowing one in non-tradable activities. Lastly, in Honduras and urban areas of Bolivia, the wage gap closed sharply in the non-tradable sector, while the opposite occurred in Brazil (see table 10.10).

Many studies have pointed out that a widening of wage differentials is contrary to predictions that trade liberalization, in countries with a relative abundance of unskilled labour, would increase the demand for such workers, and hence their relative incomes.¹⁰ Insofar as this is a general phenomenon that does not reflect different specialization patterns, it is partly explained by technological changes, especially those related to the expansion of information and communication technologies, and by other changes in production patterns. These include the restructuring and expansion of certain services (especially financial and business, but also social, community and personal services), which generated a demand for highly skilled workers. It is also the product of shortcomings in national education systems, which have resulted in the underexploitation of new technologies¹¹ and greater inequality in the labour market.

¹⁰ See Tokman and Martínez (1999), Robbins (1994 and 1996), Pissarides (1997), Wood (1997), Lora and Olivera (1998) and Weller (2001).

¹¹ On this topic, see Acemoglu and Zilibotti (2001).

Table 10.10
LATIN AMERICA (16 COUNTRIES): TREND OF WAGE DIFFERENTIALS IN THE 1990s a/

Countries	Year	Total wage-earners (public and private)	Private-sector wage-earners		
			Total	Tradable goods and services	Non-tradable goods and services
Argentina b/ c/ (Greater Buenos Aires)	1990	...	2.14	2.19	2.15
	1999	...	2.47	2.55	2.49
Bolivia c/ (Urban areas) d/	1989	...	3.46	2.66	3.73
	1999	...	2.90	2.67	2.89
Brazil	1993	5.67	6.58	8.40	5.58
	1999	5.42	5.46	6.22	5.25
Chile c/	1990	...	4.05	4.86	3.97
	1998	...	4.87	5.51	4.70
Colombia	1991	2.57	2.59	2.69	2.63
	1999	4.12	3.82	4.85	3.76
Costa Rica	1990	2.53	2.46	1.94	2.71
	1999	2.89	2.53	2.68	2.50
Ecuador (Urban areas)	1990	2.39	2.85	2.74	2.90
	1999	2.97	3.72	3.42	3.85
El Salvador (Urban areas)	1990	2.92	3.79	4.20	3.65
	1999	3.46	3.60	4.77	3.29
Guatemala	1989	3.13	3.79	3.77	3.74
	1998	3.92	4.45	4.73	4.32
Honduras	1990	4.05	5.13	4.30	5.56
	1999	3.24	3.34	3.10	3.55
Mexico b/ c/	1989	...	2.19	2.57	2.07
	1998	...	3.32	3.25	3.35
Nicaragua c/ b/	1993	...	2.53	3.03	2.47
	1998	...	2.76	3.24	2.59
Panama	1989	2.83	2.93	2.70	3.17
	1999	3.12	3.14	3.39	3.09
Paraguay (Asunción and Central Dept.)	1990	2.64	2.75	1.80	2.79
	1999	3.22	3.62	3.45	3.46
Uruguay (Urban areas)	1990	2.27	2.45	3.33	2.28
	1999	2.73	3.14	3.83	2.96
Venezuela	1990	2.01	2.12	2.47	2.01
	1999	2.87	3.32	4.71	2.94

Source: ECLAC, on the basis of special tabulations of household surveys conducted in the respective countries.

a/ The figures represent the ratio of average incomes earned by 25-59-year-old wage-earners working 20 or more hours per week to (a) those who have 17 or more years of schooling, and (b) those with between six and nine years of schooling.

b/ Workers with 13 or more years of schooling compared to those with 6-9 years.

c/ It was impossible to distinguish between public- and private-sector wage-earners in the survey, so the figures refer to total wage-earners.

d/ Coverage in 1989 corresponds to the eight main cities, and in 1999, to the urban total.

2. Globalization and greater labour flexibility and precariousness

One of the key features of the recent phase of globalization in Latin America and the Caribbean has been the intensity of the structural adjustment policies that have been widely adopted since the mid-1980s. In this context, labour-market deregulation was seen as a necessary condition for sustaining and enhancing competitiveness, especially in the sectors most directly involved in the economic globalization process. But labour flexibility is also a consequence of globalization, since productive restructuring and new ways of organizing production processes have resulted in a wide variety of employment modalities. Greater flexibility has been a widespread feature in the region, even though countries have entered the international trade arena with different specialization patterns.

The heightened international competition and faster technological change resulting from globalization have increased the need for productive restructuring to maintain competitiveness. This produces expansion and contraction among sectors and firms, accompanied by job creation and destruction, with workers moving from those in decline to those that are in the ascendant. Moreover, the need for greater productive efficiency, in a context of unstable external demand, requires greater flexibility in production and work processes. One of the consequences of this, at the firm level, has been a proliferation of different modes of productive organization, including the formation of enterprise networks, both vertical and horizontal, and the outsourcing of tasks and processes to avoid overheads in activities that are unlikely to be maintained in the longer run or that are not central to production. These phenomena have been partly responsible for the replacement of traditional manufacturing jobs by employment in services. This situation exerts strong pressure for more flexible hiring and firing conditions.

The State's progressive abandonment of its role as market regulator, together with the need to encourage productive restructuring to achieve integration, paved the way for a review of labour legislation with a view to reducing labour overheads, and, at the limit, transforming labour into a strictly variable cost. To some extent, labour flexibility may benefit workers, since it allows them to take advantage of opportunities generated by sectors and firms that are expanding and gives them the chance to choose among different working conditions.

Nonetheless, the acknowledged downside of greater labour-market flexibility is mainly that it has spawned low-quality jobs, characterized by instability, low pay, lack of social protection or inadequate working conditions. Thus, the higher unemployment that several countries have experienced has been accompanied by a more general process of increasing labour instability and insecurity. This stems from more flexible hiring practices and the increasing weight of informal, inherently precarious activities involving self-employment or wage-earning jobs in microenterprises or very small firms.

This process has resulted in a significant erosion of social protection in many countries. Excluding Uruguay, two thirds of wage-earners in microenterprises are not covered by social security, and there is evidence that the social security deficit among small firms also has increased significantly over the past decade. Given the increasing importance of job creation in such firms, in several cases this has reduced social-security coverage in the economy as a whole. Although the problem is mainly and increasingly concentrated in the microenterprise sector, a significant percentage of wage-earners in small and medium-sized businesses are also not covered. Even more alarmingly, a rising percentage of urban wage-earners in several countries do not have employment contracts (see table 10.11).

Table 10.11
**LATIN AMERICA (12 COUNTRIES): WAGE-EARNERS WITH NO EMPLOYMENT
 CONTRACT AND WITHOUT SOCIAL SECURITY IN URBAN AREAS**
(Percentage of total wage-earners)

Country	Year	Workers without job contract	Workers without social security		
			Size of establishment		
			Total	Up to 5 employees	Over 5 employees
Argentina	1990	21.9	29.9	64.8	18.2
	1997	33.0	37.3	74.1	22.7
Bolivia	1989	...	57.3	88.5	40.3
	1997	...	61.8	90.7	46.9
Brazil	1990	35.1	26.9	...	...
	1996	46.3	34.9	68.4	22.4
Chile	1990	15.1	20.1	42.5	13.2
	1996	22.2	19.6	43.6	13.1
Colombia	1989	37.5	...	...	...
	1996	31.0	28.5	62.5	19.0
Costa Rica	1990	...	22.5	66.2	11.8
	1997	...	26.2	71.2	14.0
El Salvador	1997	...	45.6	85.2	28.4
Mexico	1989	32.4	36.3	...	...
	1996	37.7	35.6	79.1	20.3
Paraguay	1995	64.9	64.4	94.3	47.2
Peru	1989	29.9	...	...	...
	1997	41.1	...	...	...
Uruguay	1981	...	2.8	5.9	1.9
	1997	...	3.9	7.0	2.8
Venezuela	1997	...	38.8	79.1	24.5

Source: ECLAC, *Social panorama of Latin America, 1999-2000* (LC/G.2068-P), Santiago, Chile, 2000. United Nations publication, Sales No. E.00.II.G.18. For the column "workers without job contract", the supplementary source is Daniel Martínez and Víctor Tokman, "Efectos de las reformas laborales: entre el empleo y la desprotección", *Flexibilización en el margen: la reforma del contrato de trabajo*, Paris, International Labour Organisation (ILO), 1999.

Changes in the configuration of production systems have led to the revision of labour regulations to allow greater flexibility, mainly in terms of types of contracts. More flexible hiring includes legal acceptance of contracts with fewer guarantees, aimed at encouraging temporary and occasional employment, together with measures to facilitate dismissal and reduce its cost. In the vast majority of cases, temporary jobs, or those without a contract, mean more precarious employment; this leads to less protection, fewer incentives for investing in training and weaker commitment to increasing productivity. All of this has fuelled the shrinking coverage of social protection mentioned above. For most countries, temporary wage-earning employment has grown in relative importance (ECLAC, 2001b). Except in Chile, these hiring arrangements are much more common among microenterprises and small businesses, where they tend to be over twice as prevalent as in establishments employing more than five workers (see table 10.12).

Table 10.12
**LATIN AMERICA (7 COUNTRIES): INCIDENCE OF NON-PERMANENT
 WAGE-EARNING WORK IN URBAN AREAS**
(Percentage of total wage earners)

Country	Year	Total	Size of establishment	
			Up to 5 employees	Over 5 employees
Argentina	1997	17.9	27.0	14.0
Chile	1990	11.0	...	...
	1998	16.9	17.7	16.6
Colombia	1984	13.4	25.9	10.1
	1990	15.5	25.1	12.6
	1998	21.6	32.3	18.4
Costa Rica	1981	1.1	3.0	0.6
	1990	9.4	20.6	6.6
	1997	9.5	20.3	6.5
Ecuador	1997	45.1	69.5	35.6
El Salvador	1995	26.3	68.2	18.2
Venezuela	1997	15.4	20.9	13.7

Source: ECLAC, *Social panorama of Latin America, 1999-2000* (LC/G.2068-P) Santiago, Chile, 2000. United Nations publication, Sales No. E.00.II.G.18.

Nonetheless, greater labour flexibility has also partly been a matter of acknowledging the way the labour market really operates and adapting the regulations accordingly. In this sense, regulatory adjustments may have helped to formalize labour and contractual relations for broad groups of workers who previously were not explicitly “covered” by the regulations. Regulations have also been introduced to defend union rights, protect women from discriminatory practices, eradicate child labour and regulate youth employment (ECLAC, 2000b).

III. Social protection

1. Social insurance and protection: dealing with risk and volatility

Social protection is intended to cover a variety of risks (obstacles to personal development, illness, loss of income) through a number of different strategies (prevention, mitigation). It consists of a set of measures relating to social security contribution regimes (illness, disability and pensions) and social assistance financed with fiscal revenues (medical attention, nutrition, employment programmes, disaster relief, transfers and subsidies).¹² Within this framework, only just over a third of the region’s countries have programmes providing unemployment protection, comprehensive support in case of disability and family assistance. Also relevant in a broader sense are programmes to facilitate access to assets for low-income populations (low-income housing, access to land, microcredit and training). High levels of social vulnerability stem not only from technological deficit, poverty or highly concentrated income distribution, but also from the absence of vigorous

¹² See the work of Repetto and Sanguinetti (2001) on poverty-reduction and social safety net programmes in 14 of the region’s countries; see also Castro (2000).

universal social policies (ECLAC, 2000a). The major coverage deficit is probably the largest outstanding problem among social protection systems.

It has been said that Latin America has avoided, rather than assumed, the new risk-management responsibilities required of market-oriented societies. By contrast, in industrialized countries, where growth and consumption rates are less volatile, the post-war expansion of the role of markets went hand in hand with a strengthening of social security, growth of the public sector and construction of the welfare state¹³ (Rodrik, 2001c; Porter, 1999). In the region, the need for change today stems simultaneously from the historic failures and difficulties that social safety nets have encountered and from the new challenges being imposed by demographic and epidemiological dynamics and a globalization process that causes macroeconomic volatility compounded by unstable and precarious employment and earned incomes. Heightened macro- and microeconomic risks have thus spawned greater social risks and increasing demands for social protection; but these have been met by underdeveloped systems that have still not fully recovered from the crisis that engulfed them in the 1980s.

Families living below or close to the poverty line are highly vulnerable owing to the precariousness of employment and household income. Not only does poverty encompass 35% of all households and 44% of the population, but in most of the countries (between 25% and 30%) a significant portion of households have per capita incomes that vary between one and two times the poverty line. Families in this category face a high risk of falling into poverty (ECLAC, 2001c, p. 225). The generally negative income-distribution trends that persist in the region have in some cases affected poor sectors, in some cases middle-income groups, and in a few cases both.¹⁴ This reality has called into question the increasing upward social and economic mobility seen in the region until the 1970s, which established a time horizon and a logic that led many families to delay consumption in order to invest in human capital, housing, pensions and health care.

The extent and depth of social and economic risk in the region raises doubts about its fiscal capacity to meet the requirements of social risk management. As fiscal constraints are tighter in an open-economy context, social protection has tended increasingly to be financed through arrangements aimed at maximizing the benefit-contribution ratio (insurance schemes). When this is done by undermining the system's redistributive potential, it has a negative effect on equity. Although insurance systems are good for actuarial equilibrium and financial solvency, large amounts of public funds are needed to finance the access and solidarity attributes that are fundamental for reconciling actuarial requirements with universality and equity. Moreover, redistributive tools enhance the capacity and sustainability of financing by diversifying risk.

In addition, despite the widespread existence of programmes aimed at preventing and reducing risk (nutrition, training and social investment funds), coping with crisis (emergency employment, subsidies for basic goods and services, transfers in cash and in kind) and mitigating vulnerability (contributory health and pension schemes, unemployment and disability insurance), their impact is small because of limited coverage in most countries.

¹³ As Rodrik (1998) has shown, there is a positive correlation between the extent of an economy's integration with the rest of the world and the level of public expenditure, whether on public-sector consumption or social security.

¹⁴ Trends in the region have been highly varied during the last decade. While in some countries both middle- and low-income groups increased their income share (Bolivia and Uruguay), elsewhere both groups have lost (Costa Rica, Ecuador and Nicaragua). In other cases low-income sectors have seen their share increase while that of middle-income groups has either remained constant (Chile, Mexico and Panama) or has declined (Guatemala); or else low-income sectors have maintained their share while middle-income groups have lost ground (Brazil and Paraguay). Alternatively, middle-income groups have gained share while the poor have either maintained (Colombia, Honduras) or lost theirs (El Salvador) (ECLAC 2001c, p. 235).

In comparison to OECD countries, the absence of protection against risks stemming from greater labour-market precariousness in Latin America and the Caribbean is compounded by weakness in reducing poverty.¹⁵ Employment protection strategies and family organization differ between the two groups, but Latin America provides less protection against employment problems and for specific groups (Uthoff and Ruedi, 2001). Family protection systems in OECD countries enable poverty to be overcome with just one household member employed full-time. In Latin America, it is generally only possible to escape poverty when two members of the family are earning income. In many families, the shortage of job opportunities and the lack of institutions to reconcile household chores with responsibilities outside the home prevent both spouses from earning incomes, with the result that they are unable to break out of poverty.

Although three quarters of households in Latin America include both spouses, only in one out of three are both employed. In such cases, the incidence of relative poverty (defined as disposable family income under 50% of the median) is 12%; when only one spouse is employed, poverty reaches 31%, and when neither receives labour income, the figure rises to 80% (see table 10.13). In OECD countries, lack of full-time employment among heads of household and spouses significantly increases the incidence of poverty in terms of primary income (i.e., before the redistributive effects of social protection systems): from below 5% to over 35% if they only work part-time, and to over 89% when there are no income earners.

In Latin America transfers under social protection programmes reduce the incidence of poverty from 31% to 26% in households where one spouse is employed, and from 80% to 62% where neither spouse works. In OECD countries, the social safety net reduces the incidence of poverty by relatively much larger amounts: from 35% to 18% among families with employment problems but where there are income earners, and from 89% to 42% when there are none. Family structures (whether nuclear or extended) also reduce poverty more effectively in OECD countries than in the region (see table 10.13).

2. Social safety nets, employment and poverty

In crisis situations, the countries of the region have tended to reinforce their strategies for reducing and dealing with risks through emergency nutrition and employment programmes, backed by in-kind transfers. Micro-lending has also been used, but to a lesser extent. Nonetheless, the coverage of such programmes is undermined by a lack of fiscal resources—a shortage that tends to become more acute when demands are greatest; i.e., at times of crisis. Groups affected by crises give high priority to risk mitigation programmes.

The low impact of protection systems, especially for those without links to the formal sector, generates a close relation between employment conditions and trends and poverty. Given the repercussions of fragile and volatile growth compounded by insufficient resources, employment measures are crucial in dealing with social risks.

In most countries, formal employment has been shrinking, but self-employed workers remain outside the social security system because their incomes are too small to pay the contribution (ILO, 2000). The urban open unemployment rate has been trending upwards in a large group of countries in the region, with 15-24-year-olds and women most likely to be unemployed (ECLAC, 2001c). Women's employment and pay are still subject to gender discrimination (ILO, 2000).

¹⁵ The following analysis considers seven countries of the region (Argentina, Brazil, Chile, Colombia, Costa Rica, Mexico and Uruguay) and seven OECD countries (Australia, Canada, Germany, the Netherlands, Sweden, United Kingdom and United States). For comparative purposes, the OECD relative poverty measure was used, estimated as 50% of median per capita disposable family income.

Table 10.13

POVERTY IN HOUSEHOLDS HEADED BY 25-64-YEAR-OLDS, BY EMPLOYMENT STATUS
(Simple average for poverty measured as 50% of the median and family size adjusted by $e=0.5$) a/

Category	Percentage of households	Relative poverty (e=0.5)		
		Measured on the basis of primary income	Measured on the basis of disposable income	Relative reduction
Latin America	100			
Households with spouse	75.0			
Without problems b/	27.6	12.0	10.2	- 15%
With problems c/	42.7	30.5	26.1	- 15 %
Total problem d/	1.5	80.4	62.3	- 23 %
Inactive e/	3.2	64.6	23.2	- 65 %
Households without spouse	25.0			
Without problems b/	17.4	26.3	19.5	- 26 %
Total problem d/	1.2	79.5	57.8	- 28 %
Inactive e/	6.4	63.6	32.6	- 49 %
OECD	100.0			
Without problems b/	62.2	3.8	2.5	- 34 %
With problems c/	27.1	35.0	18.1	- 48 %
Inactive e/	15.7	88.6	41.6	- 53 %

Source: ECLAC, on the basis of data from household surveys.

- a/ Poverty estimated as 50% of median per capita family disposable income, assuming economies of scale in consumption expressed as an elasticity of consumption with respect to family size equal to 0.5.
- b/ In Latin America in households with spouses when both are employed, or households without spouses when the head of household is employed; in OECD when at least one of the two has a full-time job.
- c/ In Latin America in households with spouses when one of the two spouses is inactive or unemployed. In the OECD when neither of the spouses has a full-time job.
- d/ In Latin America in households with spouses when both spouses are unemployed or one of them is inactive or unemployed, or households without spouses when the head of household is inactive or unemployed.
- e/ When there are no income-earners in the household.

In a globalized world with rapid technological innovation, employment bears a major share of the burden of adjustment. The latter is magnified by the loss of autonomy to use monetary, exchange-rate and fiscal tools to adjust to external real or financial shocks, or by the use of such instruments in procyclical fashion. As long as high degrees of wage rigidity persist (in nominal terms at least), adjustments operate through unemployment. The requirements of competitiveness and technological change call for greater labour mobility between sectors in order to adapt to new productive requirements and mitigate the costs of external shocks.

Job stability is no longer a dominant feature of the way work is organized, and there are magnified impacts on wage uncertainty (Rodrik, 2001c). Unemployment insurance, supported by special job creation and income generation programmes, involving a net resource transfer to laid-off workers to cushion general, group or individual crisis situations, are the most common mechanisms for protecting incomes earned from employment. In some cases, they help smooth out consumption or simply replace informal self-insurance mechanisms. But despite their importance for offsetting the micro- and macroeconomic effects of labour instability, they have very limited coverage in the region.¹⁶

¹⁶ A typology of programmes currently operating in five of the region's countries has been evaluated by Ferranti et al. (2000). The programmes evaluated are: the "Trabajar" public works programme in Argentina, which provides small incomes for a few months; the "Probecat" training programme in Mexico for unskilled but not necessarily unemployed youth; mandatory compensation for unfair dismissal in Peru; unemployment insurance in Brazil, financed through a contribution shared between the employer and the employee, which pays a declining percentage of the wage; and individual accounts (known as "cesantías") in Colombia, financed through employer contributions, which can be drawn on in the case of loss or change of job, and to meet educational or housing expenses.

The coverage of unemployment insurance schemes in the region varies from 4% to 29% of the unemployed population; they are financed through employer and employee contributions, topped up with public funding to cover the deficit.¹⁷ The size, conditions and sources of transfers vary considerably, and their equity and efficiency effects depend on their financial and benefit structure; in general, however, they only favour middle- and high-income groups. The individual severance payment scheme covers a small group with low risk coverage. These systems generally face major challenges, because the amounts they pay out usually exceed their established financing capacity, and they only cater to more stable workers. On the other hand, they do not discourage workers from seeking new jobs, given their low benefit level.

Special emergency job creation and training programmes target the poorest groups and are really poverty alleviation programmes, although they combine a variety of objectives (apart from income support, employment and training, they also contribute to the provision of infrastructure and regional development). Their target populations are defined on the basis of legal regulations or programme aims (age, education, level of poverty, family status, sex, geographic location, economic sector or a combination thereof). Usually they are established with time-bound objectives, although they have a tendency to become permanent. As they are financed out of public budgets funded by general taxation or borrowing, they are highly dependent on the fiscal situation at any given time. These programmes are expensive in terms of related elements and services (materials and skilled staff in charge of the programmes, remuneration for training, etc.), which erodes the real transfer to the beneficiary population.

IV. The social agenda

1. Closing educational gaps

Closing the educational deficits and gaps that exist in the region requires three simultaneous strategies: recognition of the universal right to education, strengthening of incentives for students to stay in school and institutional and pedagogic adaptation to cultural and technological change. In order to reconcile equity with multiculturalism and differentiation of identities, education needs to temper its egalitarian vocation with attention to difference. Equity requires progressively expanding coverage throughout the school cycle until secondary education is universalized and narrowing educational attainment gaps based on socio-economic origin and geographical location. These objectives need to be complemented by special programmes for specific groups, a curriculum that is more relevant to geographic realities and intensive action in situations displaying high vulnerability and social and economic precariousness.

Education development in Latin America and the Caribbean is still in a transition between basic and other, more complex levels. It faces two common challenges: the traditional and the basic, on the one hand, and new challenges related to emerging technologies, competitiveness and citizenship formation, on the other. Over the past decade, educational reforms have triggered profound changes, with a variety of emphases. The reforms were aimed at enhancing the quality of learning processes, improving the efficiency and efficacy of resource use and making access to education more equitable. The reforms have had repercussions throughout the system: teaching content and processes; funding and resource-allocation mechanisms; distribution of functions between the State and private enterprise and between the different levels of the State

¹⁷ The employer's contribution, whether or not shared with the employee, is the most common of all forms of financing. Argentina, Barbados, Ecuador and Venezuela, together with Canada, Greece, the Netherlands, Sweden and the United States, have systems involving contributions shared between the worker and the employer. In some European countries, including Belgium, Denmark, Ireland and Norway, and in some Central and Eastern European countries, the contribution is paid by the employer and the worker, but the Government makes up any deficit. Only in Uruguay, along with Austria, France, Germany, Luxembourg, Spain, Switzerland and the United Kingdom, is the cost of unemployment insurance shared between worker, employer and government.

(decentralization); quality control exercised through a review of teaching practices and achievement appraisal; and, in more incipient form, adaptation of the curriculum to students' sociocultural conditions and labour-market requirements. The framework and the objectives of these reforms remain relevant today, and need to be based on a collective awareness of the right to education.

Making good on such commitments requires political will on the part of the governments and multiple social stakeholders, together with a diversified set of policies that each country must tailor to its own challenges and objectives. It also requires a consensus on available resources—human, economic and technological—and on the rules for their allocation. National commitments should include raising public investment in education to OECD standards at least (5% of GDP). Educational innovations should be ranked by their contribution to greater equity, primarily through their impact on continuity (ensuring students actually attend classes, improving their progression through the system and keeping young people in school) and on student achievement, especially in low-income sectors and rural areas (ECLAC, 2000a).

Efforts should aim firstly at strengthening educational continuity. The training of individuals to perform as citizens and workers in an increasingly open, interdependent and competitive world, based on intensive use of knowledge, requires the strengthening of various links in the educational process, specifically targeting the phases in which the region has deficits. This means extending the coverage of pre-primary education,¹⁸ which today is comparatively low, and raising secondary school graduation rates so as to universalize 12 years of basic education. At this stage of the region's educational development, rates of return and opportunities for labour market entry are improved radically by the completion of secondary education. The latter years of secondary school are therefore key ones for raising the general status of workers and generating virtuous effects on equity and social mobility for the future. The pursuit of ambitious and necessary coverage targets also requires (comprehensive) cross-sectoral programmes with broad impact on access to formal education among low-income sectors, mobilizing and empowering the community to become a stakeholder in the process of expanding and improving the educational system.

In order to improve educational quality and achievement and to narrow existing gaps, the curriculum needs to be made more relevant—adapting educational content, practices and institutions to specific social, cultural, linguistic and geographic situations—and making mass use of information and communication technology (ICT) resources to enhance learning outcomes and socialize the basic tools of the knowledge society. Improving the quality of life requires the provision of knowledge with synergetic effects in areas such as health, citizenship and basic economic tools (sex education, personal care, accounting and productive knowledge for family use, use of basic technologies, and so forth). Efforts to improve quality also require additional investments and institutional changes (UNESCO, 2000a): school libraries with sufficient books and materials; teachers with post-secondary training and adequate pay working in a single school; formal appraisal of student performance; non-homogeneous student groupings and a classroom atmosphere that engenders respect and harmony among students; parental participation in the life of the school community; and special efforts among groups and in zones that display major educational deficits.

The rapid cultural and technological changes being imposed by the information society call for equally rapid and radical changes in knowledge transmission. Thus, apart from curricular content, there is a need for a general willingness to make changes in modes of learning,

¹⁸ The importance of preschool education is increasingly being recognized, because early stimulation is a key to educational achievement in the subsequent cycles and because socialization in school complements and often compensates for precarious socialization available in the home. Over the last decade, preschool coverage reached 40% of all children (3-6-years-olds), which is still very low, and access is precarious for low-income families. Moreover, in many cases attendance is limited to one year.

communicating and producing.¹⁹ Cultural changes, together with a growing awareness of diversity and cultural rights, requires education to specially recognize and respect different groups and outlooks on life based on ethnicity, gender or sociocultural origin.²⁰ This should be a daily practice that promotes a sense of dignity among people, instils confidence in oneself and in others and gives credibility to the commitments made between different parties, promoting their appreciation of each other's capacities and confidence in the future. In this sense, it constitutes an important form of social capital for political harmony, enabling the various stakeholders to become actively involved in collective projects.

Social inclusion today necessarily involves access to knowledge, participation in networks and use of up-to-date information and communication technologies, all of which must be disseminated through the formal education system. The goals of educational equity and quality are also related to the globalization of communication and information and to new production patterns. The ever-faster circulation of existing and new knowledge, and its appropriation, have highlighted the need for changes in educational content, practices and infrastructure. This requires sustained and rapid progress towards new modes of learning and the incorporation of innovative technical supports for learning, based essentially on communication and information media —either unidirectional and audiovisual (television, video, radio) or interactive (software, teleconferencing and Internet). Greater exploitation of the culture industry, using audiovisual media to disseminate educational content, makes it possible to harmonize media-based cultural consumption and school learning, as the two feed on each other.²¹ In schools located in poor or rural areas, it is essential to provide facilities for students to familiarize themselves with interactive media to which they have no access at home, nor will have in the short run. The school therefore represents the most suitable place to ensure, distribute and democratize contact with and use of the new interactive media and contents.²² Moreover, use of the new media should encourage the design and use of educational content portals, training for education stakeholders (students, teachers, school directors and families) and progressive expansion of connectivity in the school system.²³

Nonetheless, in keeping with these new learning supports, there is an even greater need to develop higher cognitive functions by directing learning activities towards problem solving, capacity for reflection, creativity, deep understanding, information selection, discrimination between the

¹⁹ According to Touraine (1997, p. 326), the professional future is so unpredictable and is likely to diverge so widely from what most people attending school today will have learned that schools above all should be required to educate individuals for change, instead of developing specific competencies that will probably be obsolete or useless for most of them within a short time.

²⁰ Cubides (1998); Hopenhayn and Ottone (2000).

²¹ School pupils' attention span, motivation and absorption capacity increase when audiovisual media are used, and learning activities assume a more horizontal and conversational structure on the basis of such material. As such media become more widely introduced and reflected upon critically, the school may be able to overcome the conflict between school learning and media consumption by stimulating a more selective and judicious use of cultural consumption.

²² Such equipment need not be very expensive, given falling computer and network connection costs and the possibility of obtaining contributions from private enterprise, foundations and international cooperation and of taking advantage of economies of scale in telecommunications. The most significant costs may be the maintenance and updating of equipment. Programmes such as *Red Enlaces* in Chile, the National Programme for Informatics in Education in Brazil, the Informatics Education Program in Costa Rica run by the Ministry of Public Education and the Omar Dengo Foundation, and the School Educational Informatics Network and EDUSAT in Mexico show that it is possible to make rapid progress in diffusing access to computer skills in schools (ECLAC, 2000a, chap. 3). Between 1994 and 2000 in the United States, the number of schools with network connections grew from 14% to nearly 100%, and the number of classrooms from 3% to almost two thirds, including nearly 95% of the poorest schools (Clinton, 2001).

²³ In Argentina, the Educ.ar programme was set up in 2000, to give the entire educational system access to the Internet and to the most recent technological developments. The programme received initial funding from the Martín Varsavsky Foundation and subsequent support from a variety of firms, institutions and professional teams. It established itself as a corporation and has since expanded its initial capital. The project is built on three basic pillars: an educational content portal, a teacher training plan and a connectivity plan. Content that until now had been restricted to privileged environments is delivered through the portal, disaggregated by the age of the target population, to students, teachers and families. The national government directs and finances a teacher training programme throughout the country. The State will provide tools for the connectivity plan (computers and Internet connection), firstly in secondary schools, quadrupling the current number of people connected to the Internet throughout the country. Subsequently, primary schools will be connected. Funding includes loans from international organizations, the national budget, local and provincial budgets, income generated from Educ.ar, corporate sponsors and grants (<http://www.educ.ar/educar/home/elproyecto.jsp>).

relevant and the irrelevant and the ability to plan and investigate (Gardner, 1999). These functions are indispensable in an information-saturated environment such as that provided by interactive and audiovisual media.

Notwithstanding the achievement shortcomings in basic education, overcoming the deficits and closing the gaps at this level make it possible to visualize similar targets for post-secondary, technical and university education. There are various challenges at this level: making access more equitable, which is a powerful factor behind social differentiation; extending the supply of vocational, technical and professional alternatives in the post-secondary years; regulating quality standards;²⁴ and forging closer ties between technical/university education and employment/competitiveness needs, drawing the university domain closer to the world of business and public administration.

Despite the wide range of public expenditure priorities, public funding for universities cannot be renounced. It should be complemented by the various contributions of users and promoters, and the management of university funding and resources should be made more efficient through effective public-private partnerships. Public support for the development of private universities is crucial for a number of reasons: because it enables additional private resources to be channelled into higher education; because diversity of supply guarantees diversity of approach; and because healthy regulated emulation leads to better quality. Moreover, in order to substantially increase research and development activities with a view to closing the technological gap with the industrialized world, the university system should operate as a network, or network hub, so that it becomes one of the pillars of innovation systems (see chapter 7).

2. The main challenges in employment

The challenge of economic and social development at a time when the region is participating in the globalization process requires the countries to enhance productivity and international competitiveness and raise incomes for firms and workers, while at the same time developing labour security and social protection systems for workers and their families. This poses challenges in employment and wage policy design and regulation and in the new employment arrangements that are emerging from globalization. In particular, this involves preventing employment from becoming more precarious; improving the employability, adaptability and protection of workers in a context of greater occupational mobility; and adapting the role of labour administrations.²⁵

Globalization has not ensured a fair distribution of the economic benefits of trade liberalization and capital mobility. Accordingly, the first challenge is to lay the foundations for complementing liberalization with social progress and less inequality. The relevant international agreements have established precise definitions of fundamental labour rights, which have been incorporated into key ILO conventions. These include freedom of association and collective bargaining, prohibition of slave and forced labour, progressive eradication of child labour and non-discrimination. The ILO Declaration on Fundamental Principles and Rights at Work and its follow-up (International Labour Conference, 1998) reaffirms the commitment of countries, entrepreneurs and labour unions to upholding the values and principles stated in the conventions and to working towards their progressive and definitive fulfilment.

Job creation, as an economic and social goal, needs to be given high priority in the design and implementation of public policies, in view of its repercussions for social cohesion and protection. Economic policies therefore need to be evaluated in terms of their contribution to job creation. In addition, recent experience at the sectoral and firm level highlights the need to vigorously expand support for the microenterprises and small and medium-sized firms that generate most of the jobs in

²⁴ Public monitoring should guarantee quality with the same criteria and evaluation systems in both private and public universities (standards in programmes, teacher quality, research, knowledge-access infrastructure and administrative and financial management).

²⁵ For further details on the issues discussed in this section, see Tokman and Martínez (1999) and Tokman (2001).

the region, and also to improve the quality of the jobs they have already created. Achieving this aim entails the design of appropriate macroeconomic policies and policies on credit, public investment in technology transfer and business and technology training, and the promotion of productive conglomerates and linkages between large and small firms.

Participation in the world economy has substantially eroded the capacity of individual countries to implement autonomous economic policies (whether monetary or fiscal) to act on employment and wages, without undermining long-term competitiveness and job creation. The creation of new jobs is only sustainable when economic activities are competitive in the long run. This means raising productivity and reducing production costs; but to prevent the burden from falling exclusively on labour costs, progress should be based on productivity increases achieved through investment in human resources and technological development.

To bring domestic costs into line with the behaviour of productivity and improve international competitiveness, the region has attempted to reduce hiring and firing costs and non-wage labour levies²⁶ by adopting flexible hiring modalities. While labour costs are important, the fact that they are high or that employment contracts are rigid cannot take the blame for all problems of competition, since labour costs in Latin America and the Caribbean are well below those in developed countries.²⁷ Accordingly, while recognizing the potential benefits of reforming the social security regime and reducing the cost of hiring unskilled workers, the effort should focus not solely or even mainly on reducing labour costs, but on increasing productivity. Wage increases in line with productivity improvements should also be introduced into collective bargaining processes, partially linking wages to results through mechanisms enabling workers to share in company profits.

In the new context where the traditional employment career based on a “job for life” has given way to one involving frequent changes of job, firm and skill requirements, the workers affected face very high costs. For many people, restructuring leads to unemployment (of increasing duration in many countries, with significant loss of income, protection and productive capacities for those who do not get rehired). Given that restructuring is largely inevitable to ensure dynamic participation in the new international economy, workers cannot afford to be radically affected by increasing mobility, and need the ability and opportunity to adapt to new conditions and occupations while retaining social protection during periods of unemployment. This means developing workers’ employability by modernizing training and education systems and maintaining social protection (see sections below). This prospect raises the need to expand the coverage of protection systems to broad groups of workers who are currently excluded (informal and unemployed).

Lastly, increasing integration into the world economy makes it necessary to review and adapt the role of labour administrations to harmonize it with labour legislation (migration, skill certification and social security) and to adapt public administration to a labour-market policy based more on self-regulation by stakeholders and less on supervision by public authorities, which should assume a more pedagogic role. Such a policy should reach beyond the business and economic sectors to achieve national scope, and extend beyond the confines of wages or labour relations (social dialogue). Modernization should be accompanied by the political and administrative repositioning of the relevant ministries so that they can participate in the economic cabinet and overall government action; in many cases, they will have to reclaim labour-market policy and legitimize their capacity as interlocutors with labour unions.

²⁶ Social security contributions, payroll taxes to finance housing, education, training and child protection.

²⁷ On average, minimum wages in Latin American countries are below their levels of 17 years ago, while manufacturing wages are practically at the same level as in 1980. The hourly wage in manufacturing in 1997 was less than US\$ 1.5 in Colombia, Mexico and Peru, US\$ 2.5 in Chile, US\$ 3 in Brazil and just over US\$ 4 in Argentina, compared to nearly US\$ 7 in Korea, US\$ 13 in the United States and US\$ 15 in Germany. Labour costs are lower still in the case of wage-earners working without a contract or with a temporary one. See Tokman and Martínez (1999).

3. Education, training and employment (employability)

Skills for work now need to be developed on a more continuous basis, and possibly in a different institutional framework. Educational requirements for employment are rising, yet average schooling among workers in Latin America and the Caribbean currently stands at just seven years. Accordingly, to enhance future workers' capacity to raise productivity and embrace the world of new technologies, their education (number of years' schooling) urgently needs to be increased. This would clearly also include changes in the educational profile of school leavers (quality).

The new technologies and work processes increasingly demand greater creativity, initiative and versatility, and less specialization. It is therefore necessary to develop basic competencies, rather than specific skills, to provide workers with a knowledge base enabling them to better adapt to new jobs. These considerations have implications for basic education and for post-secondary and vocational education systems. The contents of formal education need to be related to skill demands emerging from the labour market, and the quality of basic education, where basic capacities are developed, needs to be improved.

International disparities in learning, achievements and technical training alternatives urgently need to be overcome in order to narrow the productivity gap. Experience in developed countries suggests that a larger and better-quality supply of technical and professional education at the secondary and higher levels has highly positive effects on labour-market participation, making it possible to raise general productivity. To expand the coverage of technical and professional education in Latin America and the Caribbean, and also to make it more relevant to changing labour requirements, the business world needs to be involved (curricular programmes, internships, longitudinal surveys and mutual consultation). This would enhance the appropriation of technology in the workplace and is a suitable field for disseminating new technologies.

4. Social protection systems

The persistence of high levels of poverty and inequality in Latin America and the Caribbean calls for a political reorientation of institutional frameworks and collective commitments. Social protection in the region still suffers from major deficiencies both in its traditional coverage and with regard to the new risks arising from globalization, such as greater mobility and job instability. Income inequality in the region, together with the level of unemployment and the high incidence of poverty, call for new schemes of protection, on a par with traditional health, education, old age, disability, housing and child protection programmes.

In addition to changes originating in labour markets, structural changes are also occurring in the region, and these impose new demands on the funding requirements and coverage of social protection. These changes presage substantial increases and transformations in the demand for social services in the future; they include population ageing, epidemiological change and smaller household size. The improvement of social protection should be guided by the principles of universality, solidarity, efficiency and comprehensiveness. This approach will guarantee progress in fulfilling internationally established economic, social and cultural rights, thereby strengthening citizenship (ECLAC, 2000a, vol. 2).

In the first place, significant progress needs to be made towards universal social protection, reducing the glaring inequities that exist in the quality of the services provided and in access to them. In addition, resources must be used in a more effective and socially efficient way. Their management and allocation must be improved and funding mechanisms must be strengthened through appropriate combinations of public resources with mandatory social and private insurance. Given the type and magnitude of poverty and risks in the region, protection systems need to combine risk grouping and diversification. Policies strictly targeting the poorest sectors of the population are not sufficient, nor do they allow appropriate and stable differentiation of risk.

Solidarity, achieved through compulsory contributions and public transfers to universal forms of insurance, makes it possible to establish cross-subsidies between different income strata and risk groups. Public funding, to bear the cost of protecting those who are unable to pay, guarantees solidarity while also strengthening the financial soundness of saving and insurance systems. To overcome the current segmentation of the population between different social protection subsystems, insurance functions need to be integrated with those aimed at redistribution and solidarity. Emphasis should be placed on systems of mandatory insurance with high collectivization of risks, since they ease fiscal pressure and enhance equity.

Contemporary globalization has made both consumers and factors of production more mobile, and is forging new arrangements between the public- and private-sector economies. Most reforms in the 1990s included active private-sector participation in the provision and financing of services; this has tended to favour the insurance function over redistribution, thereby placing the burden of redistribution and solidarity on general taxation. Although, in principle, such insurance results in better actuarial balance and better time adjustment, it does not guarantee universality and social inclusion when underconsumption and inequality of insurance affects broad social sectors of the population and not just the poor.²⁸ Apart from solidarity, the public function in protection also includes regulating risk selection in insurance policies and preventing high transaction costs.

Naturally, both the quantity and quality of social protection are conditioned by the level of economic development that makes them possible, and also by existing fiscal covenants containing political and social agreements on the level of welfare that should be guaranteed to citizens (ECLAC, 1998c and 2000a). The necessary increase in social spending should occur in the context of fiscal situations that are sustainable over time, while strengthening the actuarial balance of social protection systems. Allocating the necessary funding requires the definition of the breadth and levels of protection to be provided, up to the limit of countries' structural fiscal capacity. This approach is not static: the fiscal covenant to protect rights should include rules on progressivity, such as a rising marginal public contribution to social protection and to poverty alleviation in line with economic growth. Also, in this case, social protection programmes should not be allowed to become vulnerable; it is therefore essential to design their development, financing and operation in the context of countercyclical policies that have real capacity to cushion the economy against situations that generate vulnerability and impoverishment.

Lastly, building inclusive social protection²⁹ means giving particular importance to the value that affected groups place on the State's responsibility to guarantee a decent standard of living and social welfare. Those affected put a higher value on programmes that guarantee minimum subsistence levels for the family group (subsidies, microcredit, nutrition and free access to health care and education services); and they place a lower value on food subsidies, emergency employment programmes and training, unemployment insurance and transfers, whether in cash or in kind (Repetto and Sanguinetti, 2001). It is therefore important to provide permanent and intensive information services in order to spread awareness of the forms of protection available and of mechanisms for gaining access to them.

²⁸ This criticism alludes to the paradigm of "social risk management", the foundations of which are developed in World Bank (2000b and 2001e), and in Ferranti and others (2000). A critical synthesis is provided in Sojo (2001). Dealing with risks through insurance hinders universality for several reasons: (i) insurance markets are underdeveloped; (ii) the population's need for protection does not translate into effective demand for insurance when wages are unequal, low, unstable and uncertain; and (iii) generally speaking, insurance is mandatory and feasible only for full-time wage-earners with permanent jobs.

²⁹ The social cohesion and integration fostered by social protection no longer affect the local or national level alone, but have come to be seen as global public goods. Social protection should form part of the global strategy to combat the violence, desperation and fanaticism that are used to justify terror; and it is essential to address the deep social inequalities that exist in order to build confidence in a more peaceful and predictable world (Kaldor, 2001; Savater, 2001).

5. Social protection and employment

While access to social protection is highly dependent on people's labour market participation, the changes occurring in labour markets affect the demands placed on social services and their funding sources. Thus, the high incidence of informality (70% of all new jobs created in urban areas of the region's countries over the last decade), together with unemployment, impose constraints on the universalization of social protection under current schemes and the ability of the latter to base their funding on payroll contributions.

Increasing social protection in accordance with labour market structures requires development in two related but different domains: (i) in view of the highly precarious nature of employment, extending the main protection systems (those aimed at upholding economic, social and cultural rights) to ensure that access to them is determined by citizenship and not exclusively by formal labour-market participation; and (ii) addressing the risks associated with employment and income. Current social security systems need to be adapted to maintain protection in the face of more frequent job changes, to prevent workers from suffering a drastic loss of benefits and to increase incentives for them to embrace productive restructuring. This means that reforms of social protection systems in general, and social security in particular,³⁰ should introduce mechanisms to guarantee protection in a climate of greater labour mobility. If social protection systems function so as to support labour mobility, the capacity of the labour market to respond to external shocks will be greatly enhanced. This requires portability of social security benefits, in particular health, pension and unemployment benefits, and guaranteed permanent access to a basic safety net (health, education and food), regardless of the beneficiaries' mode of labour-market participation.

The higher social and economic risk generated by more volatile income levels should be addressed with social protection mechanisms to stabilize the level of individual and national income, which means allocating a significant fraction of public expenditure in the form of social insurance against external shocks. However, it must be recognized that the demands imposed by an unemployment insurance programme of broad coverage represent a severe strain on the region's resources. Perhaps the most reasonable course of action in the years to come would be to establish individual forced saving mechanisms, generally funded through employer and employee contributions, but with partial solidarity mechanisms.³¹

Since some groups of workers are not protected by such systems, special employment programmes should be deployed at times of overt crisis (whether national, sectoral or local), although not as a universal scheme. Such programmes should have a permanent and flexible institutional structure so that they can be deployed quickly at critical times.

6. Social agenda for regional integration and cooperation

The major challenges of human and social development need to be assumed by each nation. Nonetheless, in the context of an increasingly intensive process of economic, social and cultural globalization, projection towards a regional and world agenda for education, employment and social protection is of decisive importance.

The relative unity of language that exists in Latin America, on the one hand, and the English-speaking Caribbean, on the other, provides favourable conditions for creating or strengthening regional integration initiatives in education. Through meetings of experts, governments, academics and organizations, and with electronic network communication, it is perfectly possible to share

³⁰ On trends, progress and constraints in relation to reforms of social security systems in the region, see ECLAC (1998e and 2000a).

³¹ The systems that exist in a number of countries (Brazil, Colombia and Peru), and those proposed in Argentina and Chile, aim to replace severance pay with individual funds based on contributions made by employers and employees, which can be drawn on in the event of dismissal or resignation. They enable workers to maintain protection while finding a new job, without losing what has already been acquired.

information on topics such as best practices, the results and weaknesses of reforms, successful and imaginative experiences in making the most of scarce resources, new teaching methods and school computerization programmes. The more this information is shared, the richer education policy can become; the socialization of experience and creative imagination is the first step towards integrating progress in education region-wide.

Curricular integration is another area in which progress should be made. Joint exploitation of developments is feasible in areas such as educational content, software, portals and textbooks;³² comparison and standardization in the evaluation of educational achievement; setting of standards by level; and shared criteria in teacher professionalization and in-service training. All of this strengthens national education systems while facilitating progress towards the introduction of regional accreditation systems, international recognition of qualifications awarded by educational institutions and subregional or regional regulatory agreements to streamline mutual recognition of qualifications.

In a different domain, it is also important to educate for regional integration. This means strengthening awareness of belonging not only to a nation but also to a broad region with a shared language, culture, history and possible destiny. Basic education affords the best means of instilling a deeper sense of regional belonging and reversing xenophobic attitudes.³³ Given education's mass coverage, schools are the most appropriate place from which to transmit values systematically to the community.

On employment issues, two general principles have guided international action since the World Summit for Social Development (Copenhagen, 1995), and should continue to do so: (i) preventing the expansion of world trade from violating workers' fundamental rights; and (ii) avoiding a levelling-down of wages and working conditions between countries with different development levels. International action should continue to be based on promoting and evaluating progress in applying these basic principles and upholding the labour rights enshrined in the relevant agreements, as ILO has been doing pursuant to its received mandates. Naturally, the agenda includes regional joint ventures on productive projects, professional training and labour migration.

Internationalization requires rapid regional convergence among social protection systems. Globalization has promoted greater mobility of labour, factors of production and consumers, but this has only generated opportunities for a small fraction of highly skilled workers. Tight restrictions remain on the free mobility of unskilled workers, and current systems of social protection and recognition of qualifications do nothing to encourage such mobility. Protection for migrants requires international coordination to tackle discrimination and ensure the transferability of qualifications and social protection entitlements.³⁴ Integration agreements dealing with international labour mobility require harmonization of social security policies based on three fundamental principles: (i) equal social security treatment between nationals and non-nationals; (ii) continuity of coverage (that is, portability of accumulated benefits and the ability to continue making contributions); and (iii) formal determination of applicable social security legislation. In the medium term this should lead to greater standardization of social protection systems across

³² Scale and/or network economies make the production of such materials much more viable and profitable if they are developed region wide rather than on a national scale. It would therefore be useful to explore the potential for alliances and joint actions between countries and organizations in the region.

³³ This requires reviewing the content of teaching and its possible connotations, especially in relation to the history, geography or politics of other nations and cultures living in the region and whose populations move across borders. Unfortunately, part of taught history recounts military triumphs against neighbouring countries, but makes very little reference to cooperation between countries, the contribution made by foreign citizens to national cultural wealth or regional integration.

³⁴ The specific problems faced by illegal migrants need to be considered in this context. Illegal migrants form a significant excluded group, either because their jobs are precarious and unprotected or because they do not have guaranteed access to minimum social services provided by the State to all its citizens; moreover, their pay is generally below prevailing wage rates. Regularizing their migratory status is therefore a prerequisite for social and labour-market inclusion. Migration issues are analysed in detail in chapter 8 of this volume.

countries, at least at the regional and subregional levels, with a view to developing international portability of social protection benefits and academic and job credentials. Workers would then be able to make contributions in one country and demand services in another, and accumulate benefits in different countries.

The evolution of social security systems towards individual contribution schemes (individually owned accounts) with variable benefits may facilitate contribution and benefit portability, as well as progress towards universal insurance.³⁵ Accordingly, one of the obligations is to work towards establishing minimum shared standards and structures, and unified patterns of costs and benefits. Nonetheless, individual insurance systems impose financial constraints, and others relating to risk segmentation and coverage, which make national and international portability of benefits difficult.

In addition, greater integration with the world economy means that the region's countries will face heightened demands for social spending to alleviate the greater economic and social risks arising from such integration. In view of domestic financial constraints on the capacity to expand social expenditure, it would be useful to explore the possibility of setting up international, regional or subregional social funds to support national efforts (see chapter 4).

³⁵ This is especially valid in the case of pensions involving individual capitalization systems, which provide mechanisms allowing contribution and benefit portability.