



# G20 Social Brazil

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## The trap of high inequality and low social mobility in Latin America and the Caribbean

An obstacle for inclusive and sustainable  
social development



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# Main messages

1. A trap of high inequality and low social mobility underpinned by many factors
2. Poverty and the cost of hunger: a characteristic of inequality
3. Impact of climate change on inequality
4. Challenges in measurement of inequality
5. Public policy guidelines to reduce inequality



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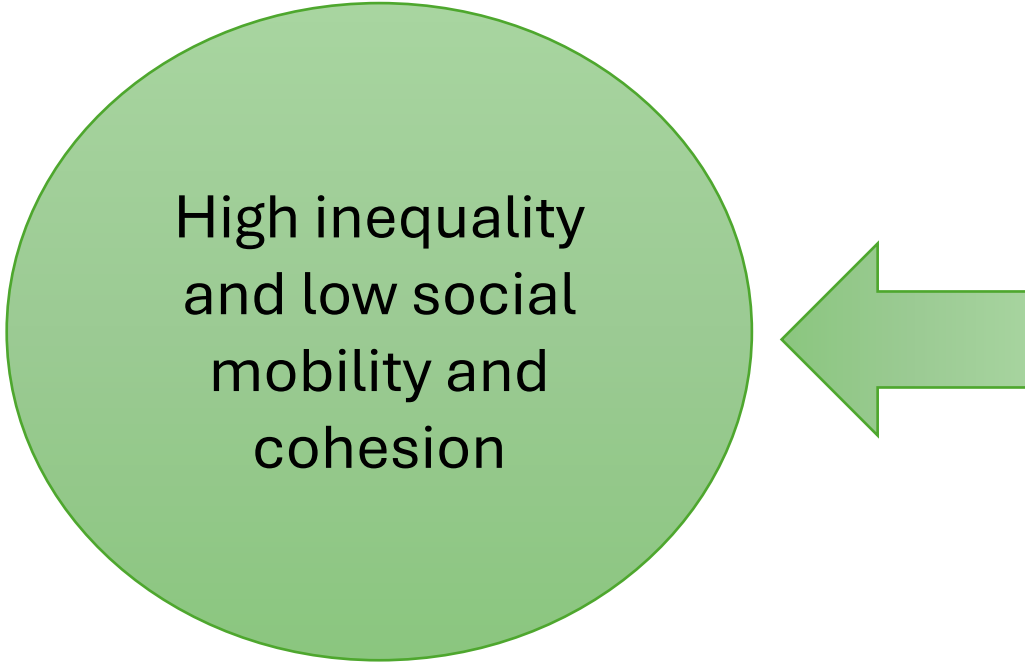
**A trap of high inequality and low social mobility underpinned by many factors**



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# Main factors behind inequality in the region



High inequality  
and low social  
mobility and  
cohesion

## Main factors behind inequality

1. Low growth, weak labour market momentum, uneven productivity
2. Regressive tax systems
3. Weak social and social protection policies that fail to reduce deep-rooted production-based inequality
4. Education systems with serious deficiencies
5. Structural gender inequality and inadequate care systems
6. High levels of inequality and spatial segregation in urban areas

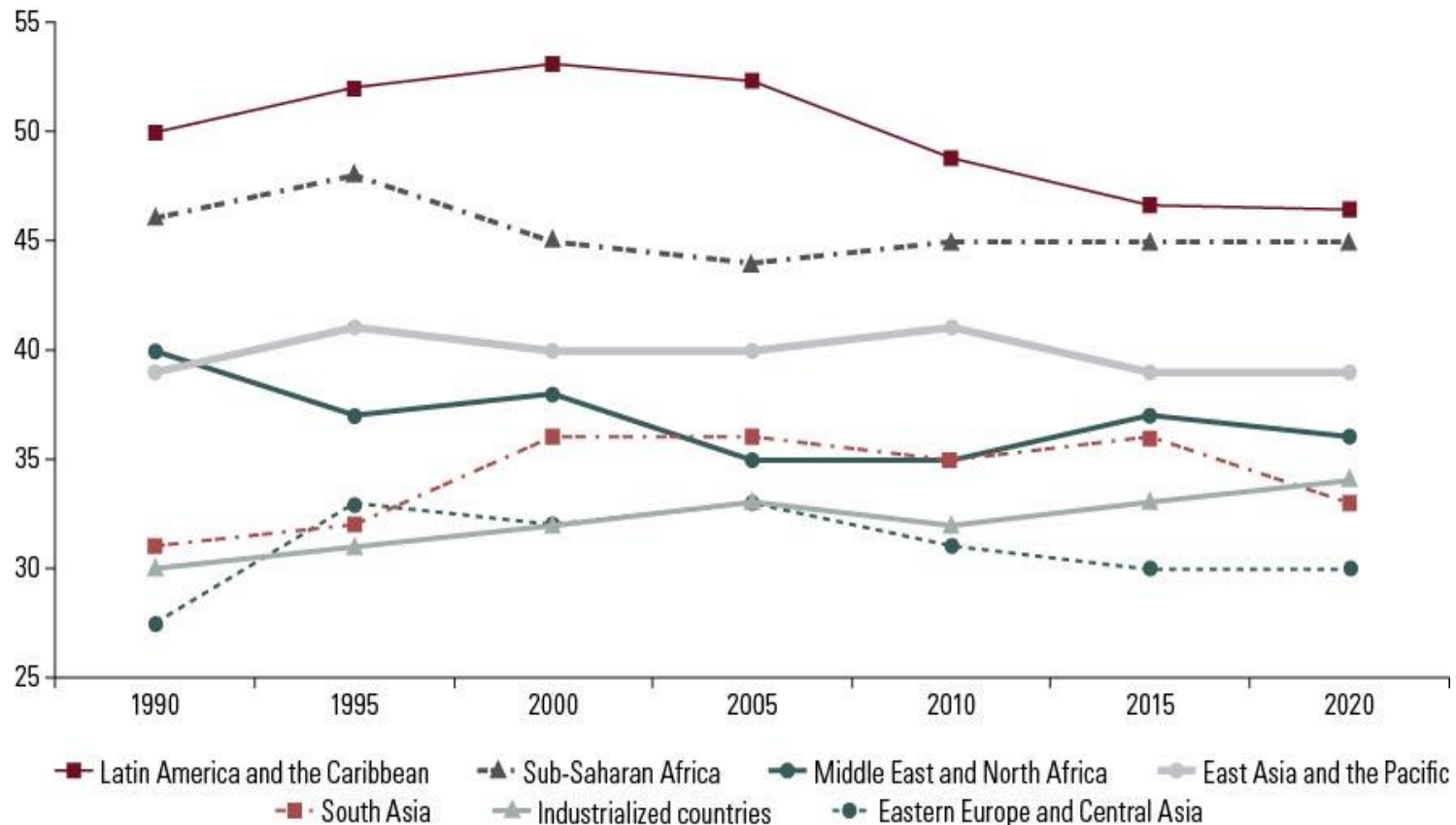


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# Over the last 30 years, LAC has consistently been the region with the highest levels of income inequality in the world

## Latin America and the Caribbean and other world regions: income inequality levels and trends, Gini index, 1990–2020



**Inequality in LAC is a structural phenomenon**

The region ranks above Sub-Saharan Africa (the second most unequal region) and exhibits an average Gini index that is nearly one-third higher than that of Europe and Central Asia



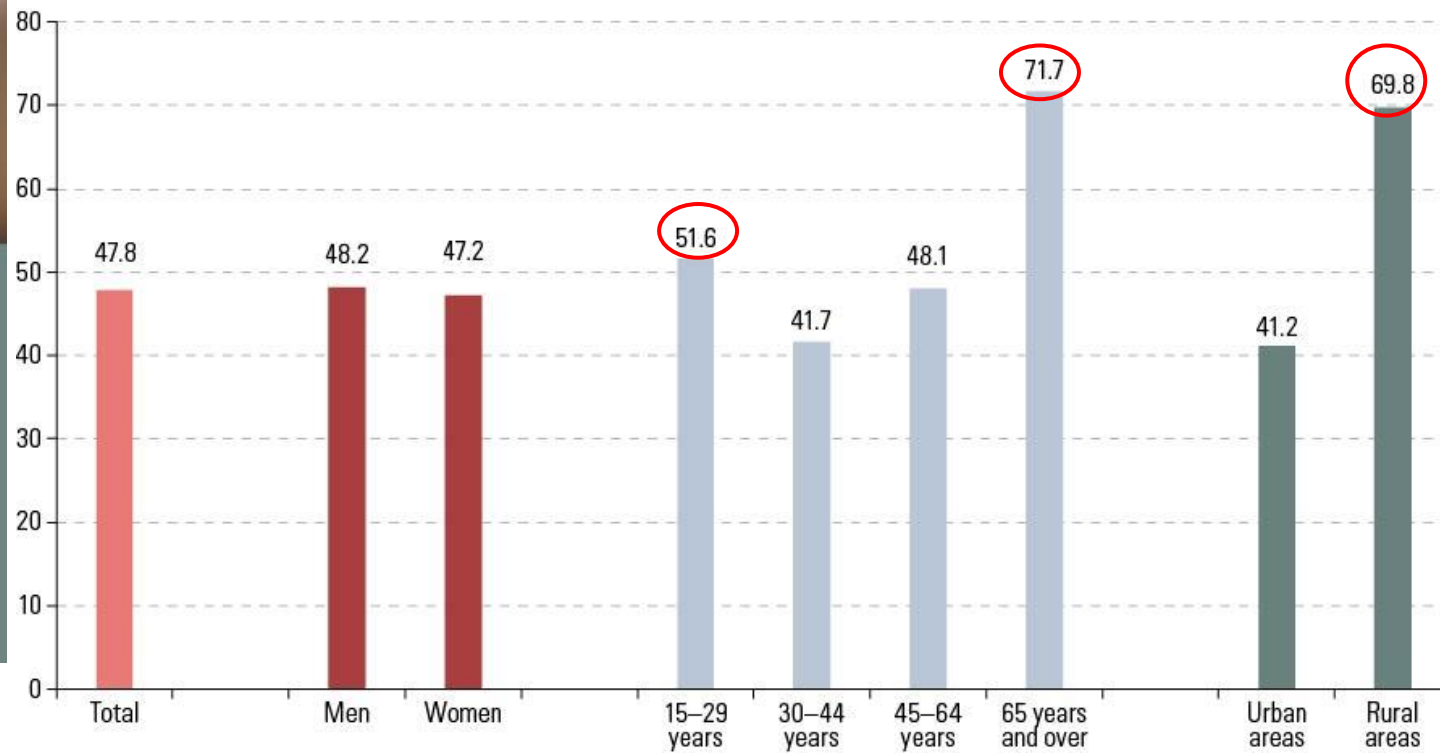
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# Almost half of all employment is informal and therefore more precarious

Latin America (9 countries): informality rates, by sex, age group and geographical area third quarter 2023  
(Percentages)



- Informality in the region is determined by the structure of the **social inequality matrix**
- Informal employment rate is higher among **young people** (51.6%) and persons **aged 65 and over** (71.7%), and it is mainly concentrated in **rural areas** (69.8%)



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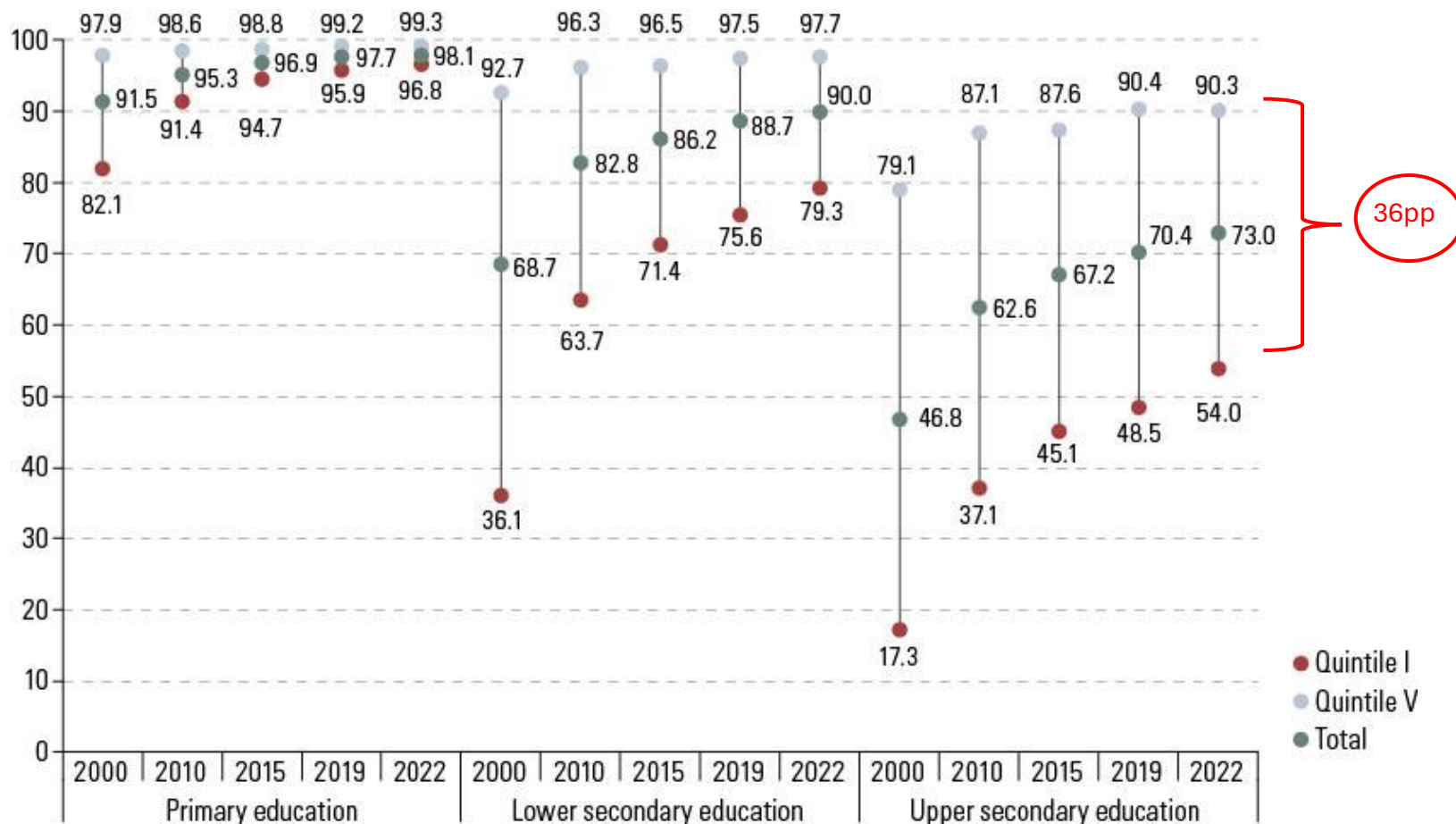
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Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the processing of employment surveys of the region. a Argentina, Brazil, Chile, Colombia, Costa Rica, Mexico, Paraguay, Peru and the Plurinational State of Bolivia

# Significant challenges remain in both coverage and quality education, which are marked by inequality

Latin America (14 countries): completion rates in primary, lower-secondary and upper-secondary education, in the extreme income quintiles, 2000, 2010, 2015, 2019 and 2022

(Percentages)



36pp

- **Socioeconomic inequality** limits opportunities for access to education and especially its completion.
- **Completion rate gaps** have narrowed but are still significant.
- Especially for upper secondary, reaching **36 percentage points** between extreme income quintiles by 2022.



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# Poverty and the cost of hunger: a characteristic of inequality



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# One of the most serious manifestations of poverty and inequality is food insecurity

- The prevalence of moderate or severe **food insecurity in LAC** was **28.2% in 2023** - 187.6 million people had limited access to sufficient food.
- As the region undergoes a nutritional transition, food insecurity **can lead to malnutrition** in all its forms.
- **The cost of hunger**, a reflection of the social and economic impact of undernutrition among children under 5 , in 11 countries in Latin America around 2004-2005 averaged **5.2% of GDP**.
- In eight countries in Latin America, between 2014 and 2019, the **double burden of malnutrition** —encompassing the impact of child undernutrition and of adult overweight and obesity— **cost 6.5% of GDP** on average.
- These examples illustrate **the cost of failing to address food insecurity and malnutrition** while also indicating the potential economic benefits of tackling these issues.





# Impact of climate change on inequality



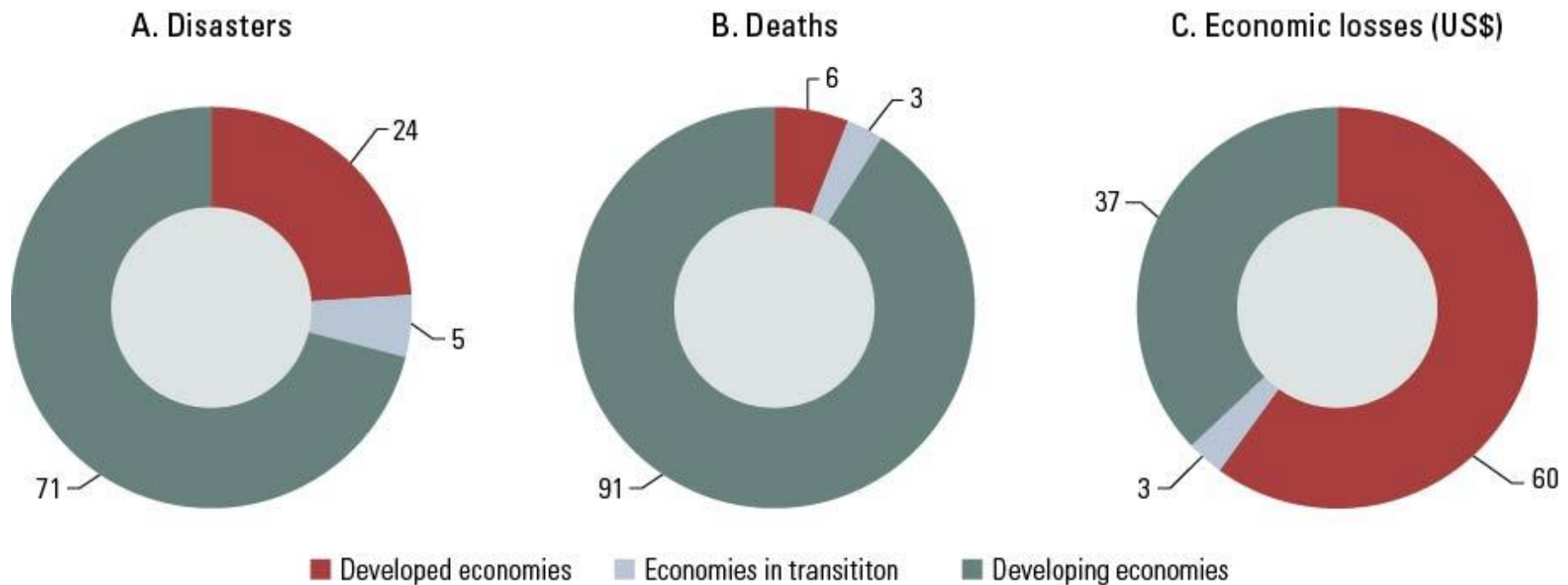
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# The consequences of climate change are already substantial and are exacerbating existing development gaps

- Between 1970 and 2021, more than 75% of climate-related disasters and 94% of reported deaths took place in developing economies or those in transition

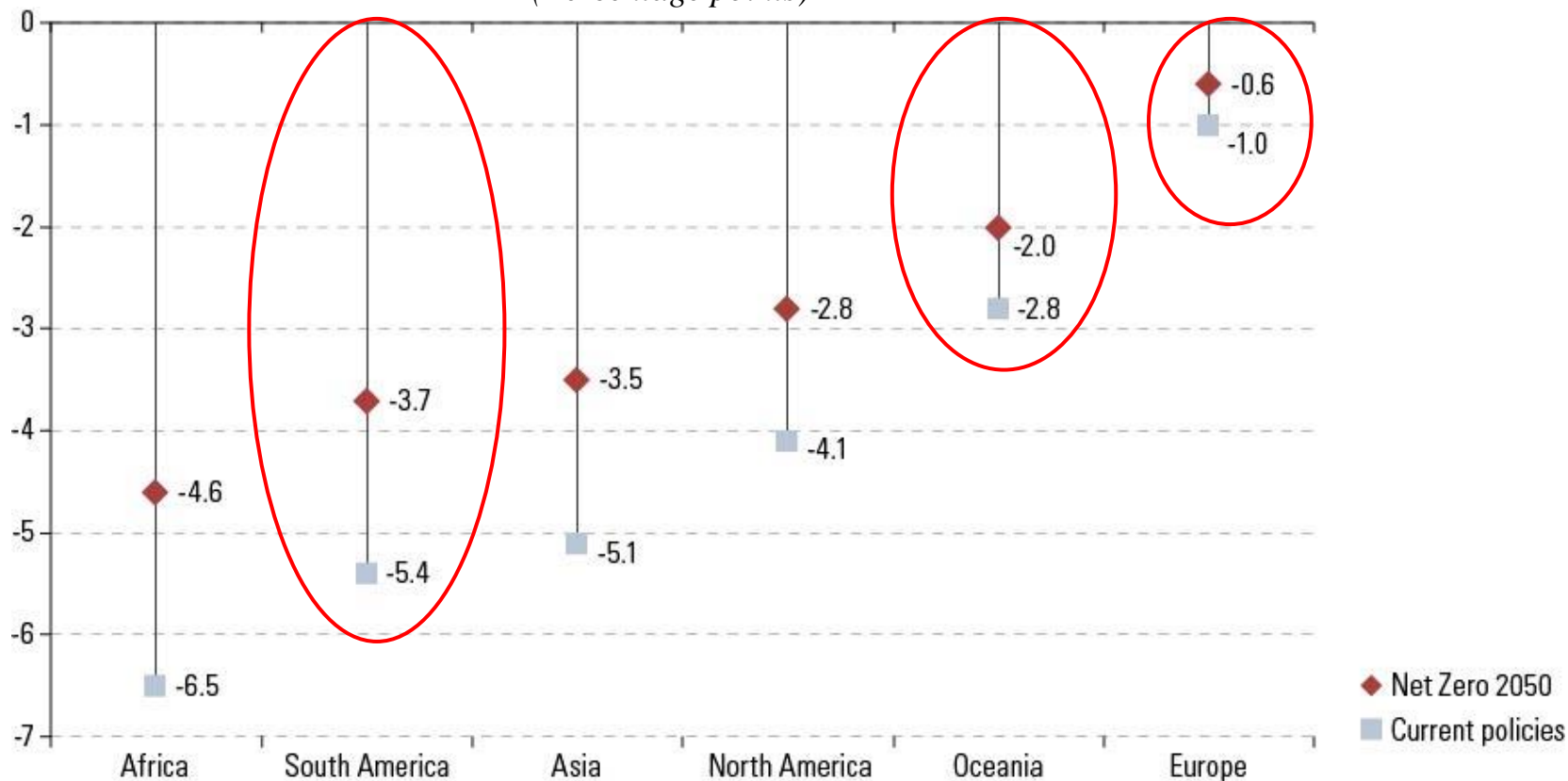
## Disasters, deaths and economic losses, 1970–2021



# Heat waves are expected to have a detrimental effect on labour productivity, particularly in developing regions

Relative change in global labour productivity by 2050 as a result of heatwaves, compared to 1986–2006 reference period

(Percentage points)



- By 2050, **labour productivity in LAC** is projected to **fall by between 4% and 5%** compared to 1986–2006 levels.
- In contrast, in **Europe and Oceania** productivity is projected to **decline by no more than 1.0% and 2.8%**, respectively



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# Challenges in measurement of inequality

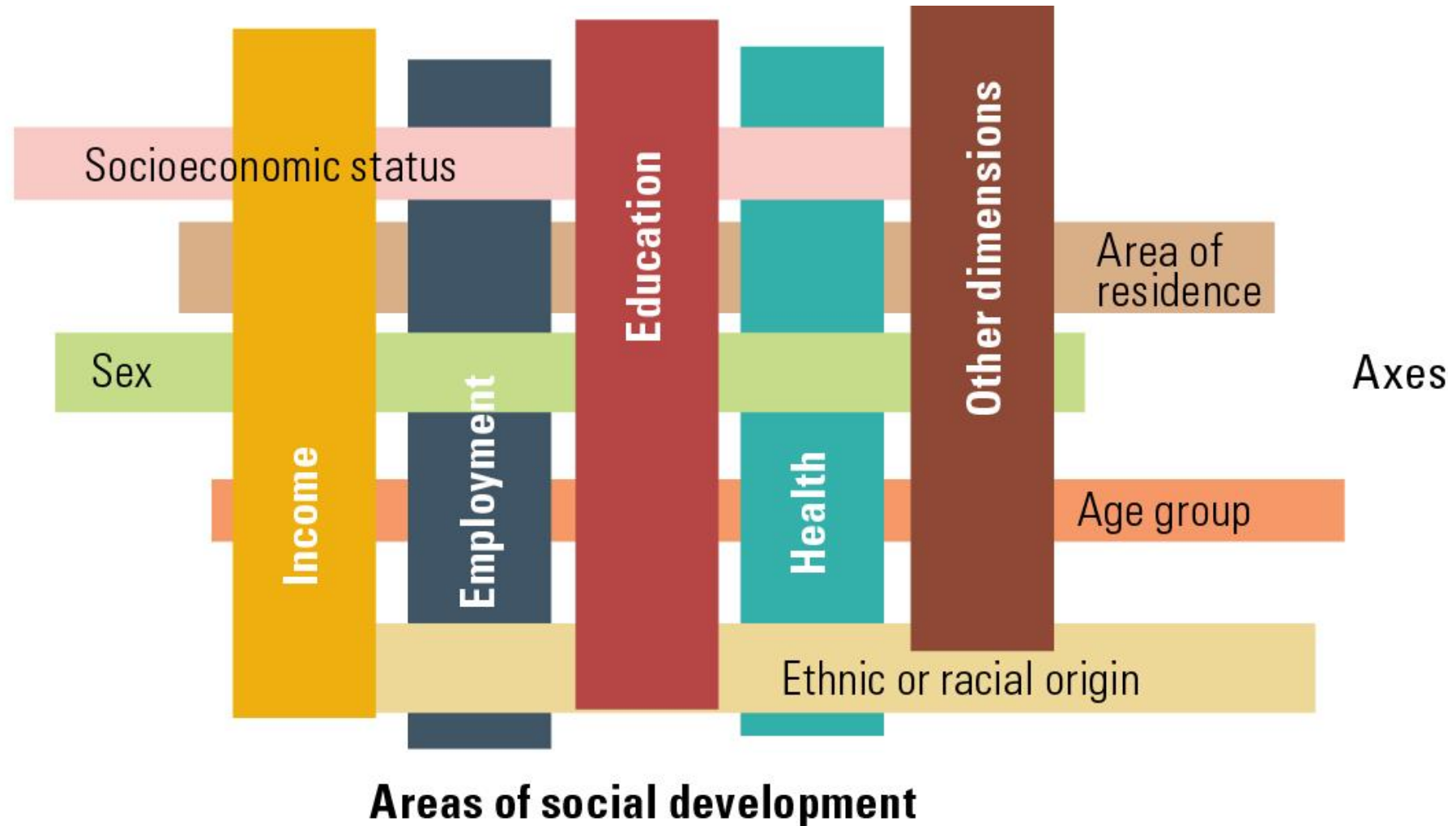


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# Social inequality matrix: a multidimensional phenomenon that goes beyond income



# The main challenge: promote inequality measurement using a multidimensional approach

- **Significant progress has been made in understanding and measuring multidimensional inequality**, advancing beyond traditional economic metrics (E.g. Gini index).
- The current challenge lies in **developing comparable metrics for multidimensional inequality**, similar to those established in other fields, such as poverty measurement.
- **The G20 can play a pivotal role** by coordinating efforts to create methodologies that enhance progress in this direction.
- **Multidimensional measurement will enable the development of comprehensive and inclusive policies** that address the various dimensions that constitute inequality.



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# Driving Progress: how the G20 can lead in multidimensional inequality measurement


To consolidate **quality information** to ensure continuous inequality measurement, the G20 can encourage countries to:

- ✓ Regular production of **household surveys** that measure income, and other welfare measures;
- ✓ Availability of distributional data from **tax and administrative records** (for high incomes);
- ✓ Availability of the institutional **household sector account** and production of **distributional national accounts**;
- ✓ Fully integrated data sources on **income, consumption and wealth**;
- ✓ **Invest** in data infrastructure and capacity-building;
- ✓ Promote **transparency and accountability**, and foster sound **ethical standards** and **data governance** practices;



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# Public policy guidelines to reduce inequality



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# Inequality is not only an economic problem that limits growth; it is also a social problem that obstructs the various paths to inclusive social development

- Transformative investments towards a **productive, inclusive and sustainable future** could bring about significant transformations that combine **job creation with more environmentally sustainable growth**.
- **Effective redistribution fiscal policies can reduce and partially offset unequal income distribution.** That requires social dialogue processes capable of reaching broad agreements.
- Overcoming the high inequality trap requires **stronger social protection systems**, an **expanded welfare state** and the general improvement of social policies.
- Strengthening households' resilience, with access to **non-contributory social protection programmes**, expanded labour inclusion, social security and unemployment insurance to protect income and well-being from adverse shocks.



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# Addressing inequality requires comprehensive policies to address it in its multiple dimensions

- It is essential to encourage the design of **measures that facilitate labour inclusion**, that is, measures that include both labour market access and working conditions with adequate levels of pay and social protection.
- **Strengthening education systems** from early childhood and throughout the life cycle, together with broad access to vocational training, are part of the great transformations needed.
- It is key to consolidate universal, comprehensive, sustainable and resilient **pension and health systems**.
- **Consolidating quality information** to ensure continuous measurement of inequality's multiple dimensions is required to design and implement **comprehensive policies to address inequalities**.



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