

# Economic Response to Social Challenges in LAC

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# Presentation

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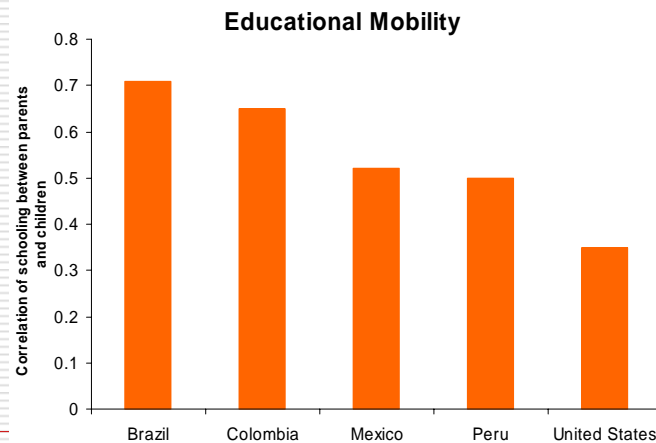
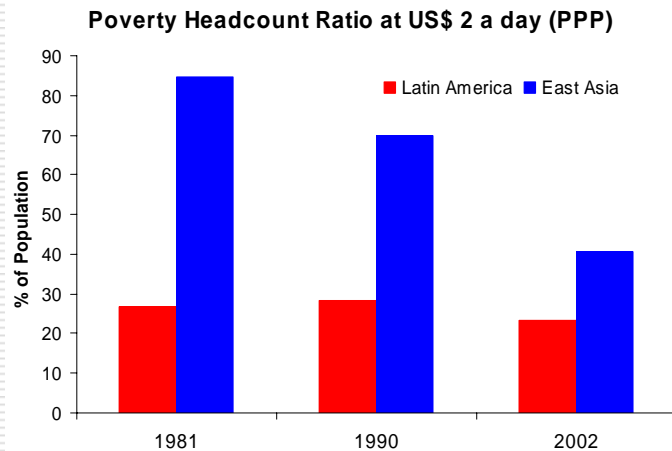
## □ I Stylized Facts

- High Poverty and Inequality, low Mobility
- Slow Growth and Job creation
- High Unemployment and Informality
- Ethnic based exclusion

## □ II Dealing with the problem

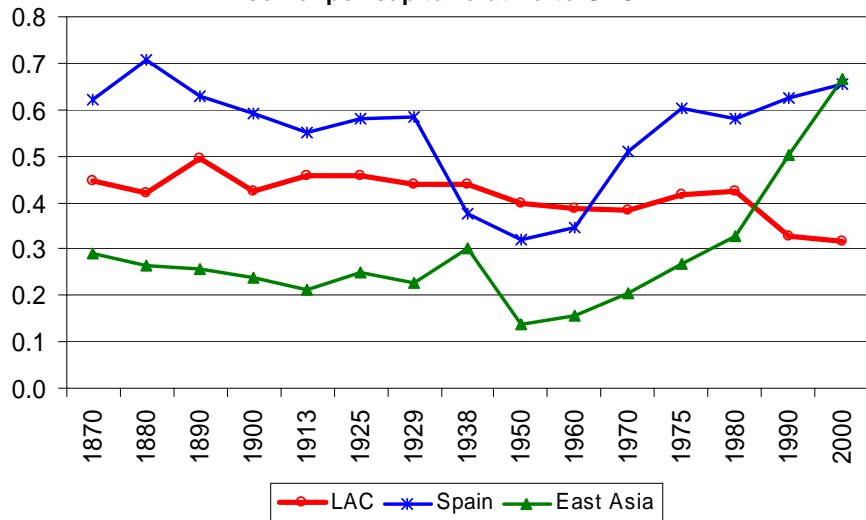
- Towards higher, stable and pro-poor growth
  - Equalizing opportunities: education, infrastructure, finance
  - Revamping the social contract: overcoming the truncated Welfare State
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# I. High Poverty and Inequality, low Social Mobility

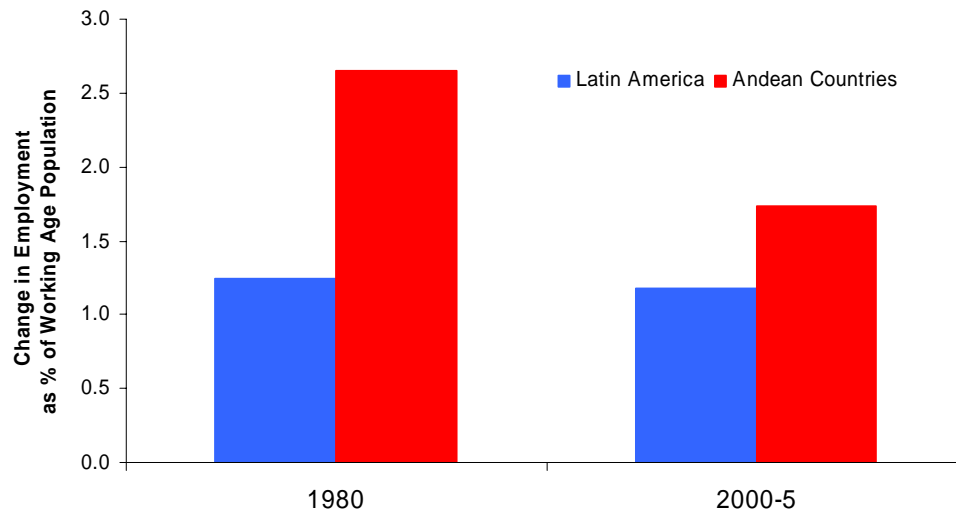


# I. Slow Growth and Job Creation

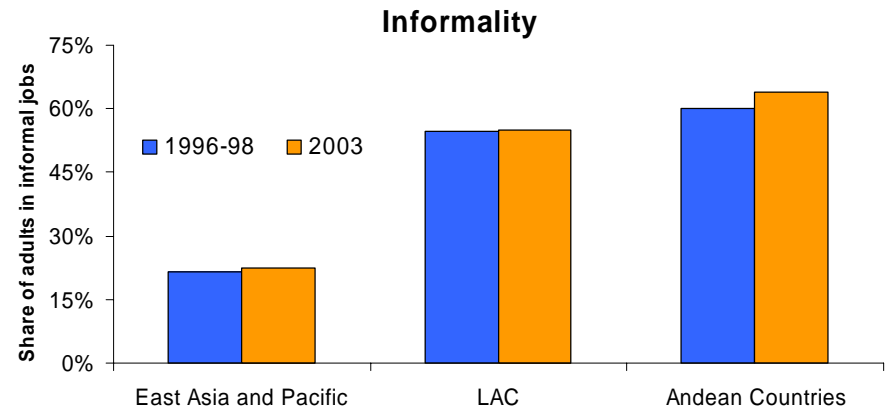
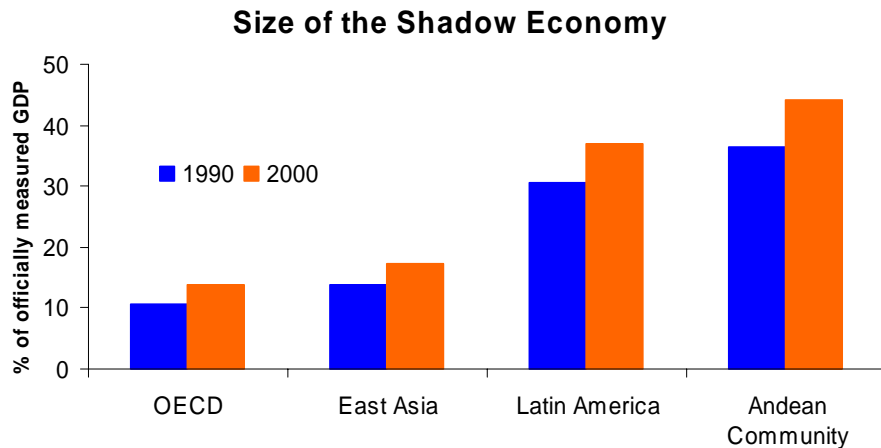
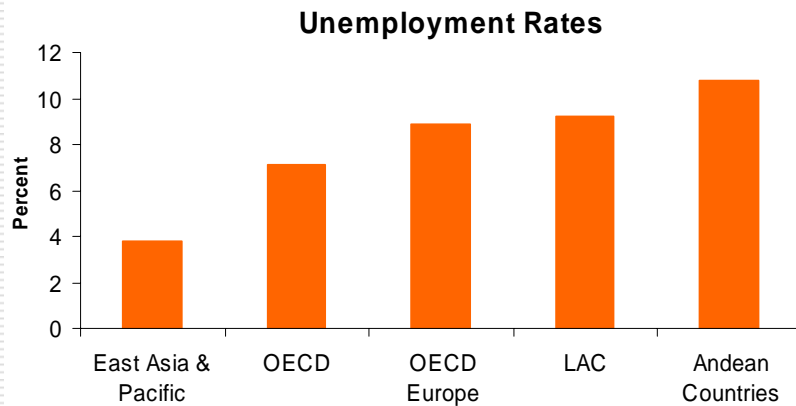
Income per capita relative to OECD



Job Creation Flows



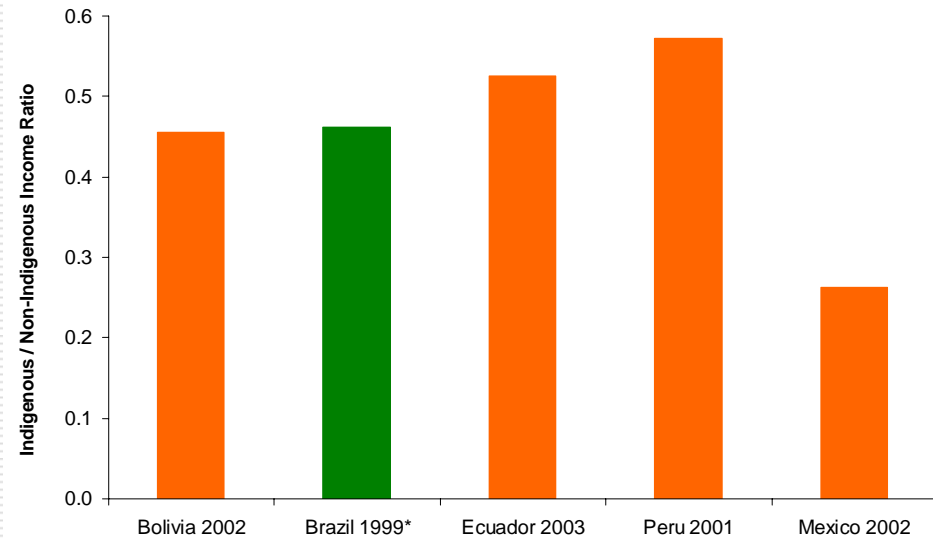
# I. High Unemployment and Informality



Notes. (a) Unemployment: OECD DataSource, ILO, SEDLAC (b) Shadow Economy: Schneider, Friedrich. 2005. Shadow Economies Around the World: What do We Really Know? European Journal of Political Economy, 21(3), 598-642. (c) Informal Labor Force: Calculations based on SEDLAC (CEDLAS and The World Bank) based on microeconomic data from household surveys.

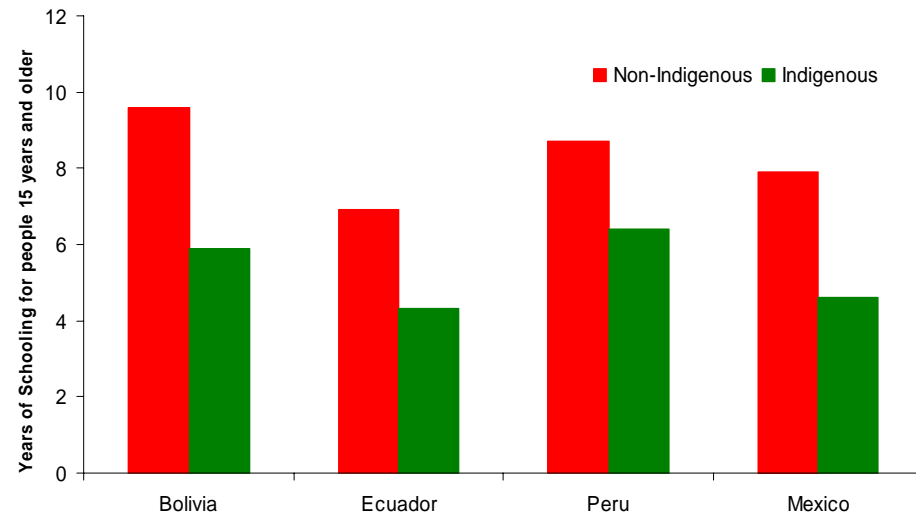
# I. Ethnic based exclusion

Income Gap between Indigenous and Non-Indigenous People



\* The income gap for Brazil correspond to the ratio of labor earnings of male Afro-descended to male white.

Average Years of Schooling Indigenous vs. Non-Indigenous Population

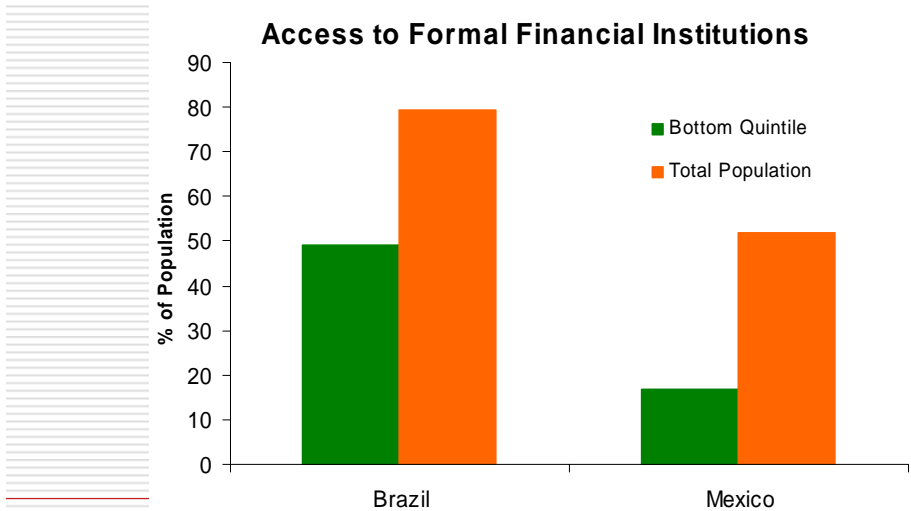
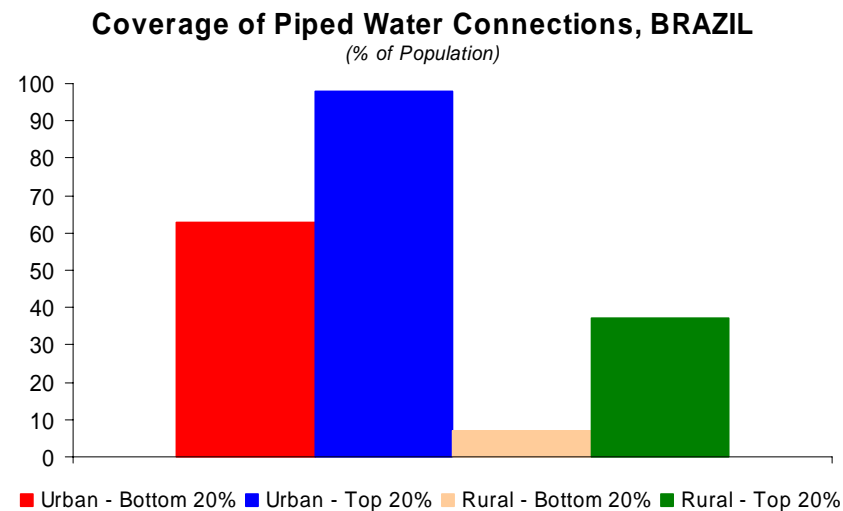
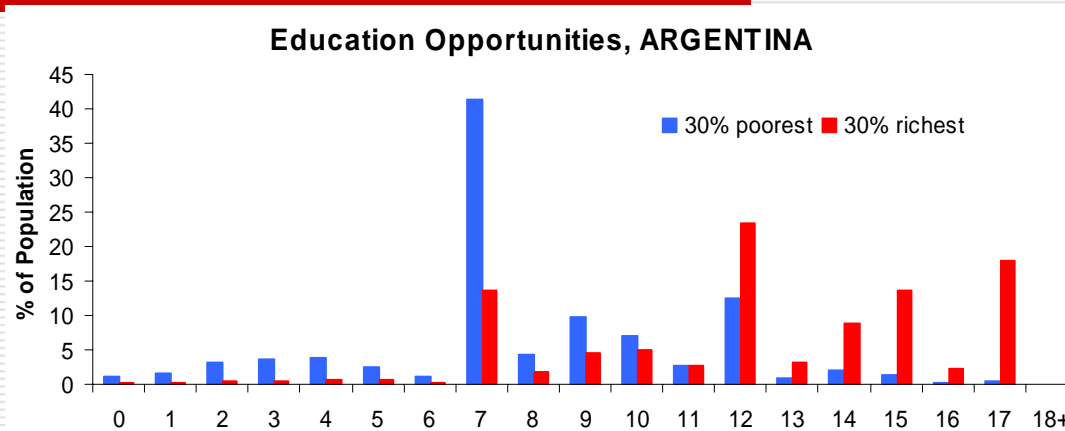


# II. Towards higher, stable and pro-poor growth

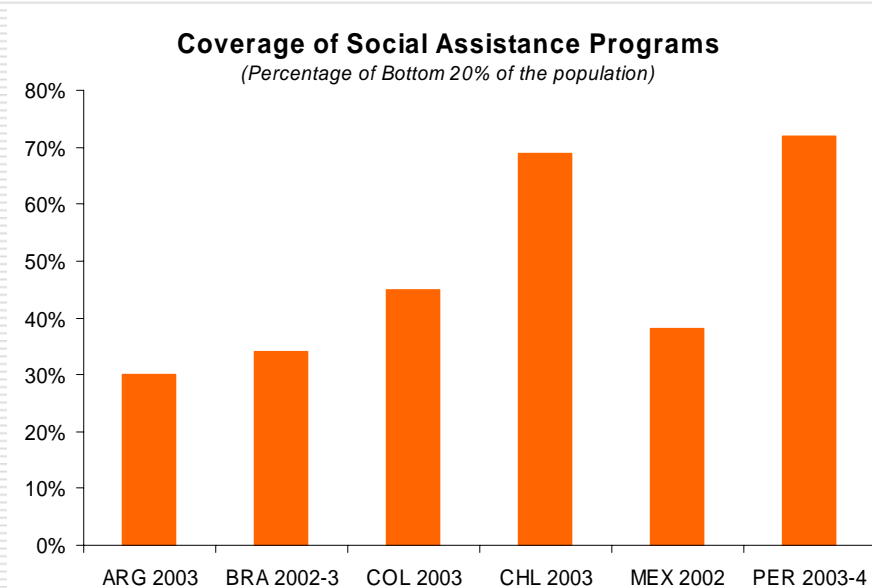
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- Traditional pro Growth policies
    - Reducing Cost of Doing Business and Improving Investment Climate
    - Improving Skills and Innovation policies
    - Overcoming the Infrastructure and Capital Markets Gap
    - Keeping careful macro/financial policies
  - Making growth pro-poor and overcoming poverty traps (which will accelerate growth..)
    - Eliminating biases against rural development and formal employment
    - Equalizing opportunities
    - Efficient direct poverty reduction programs
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# II. Equalizing opportunities: education, infrastructure, finance



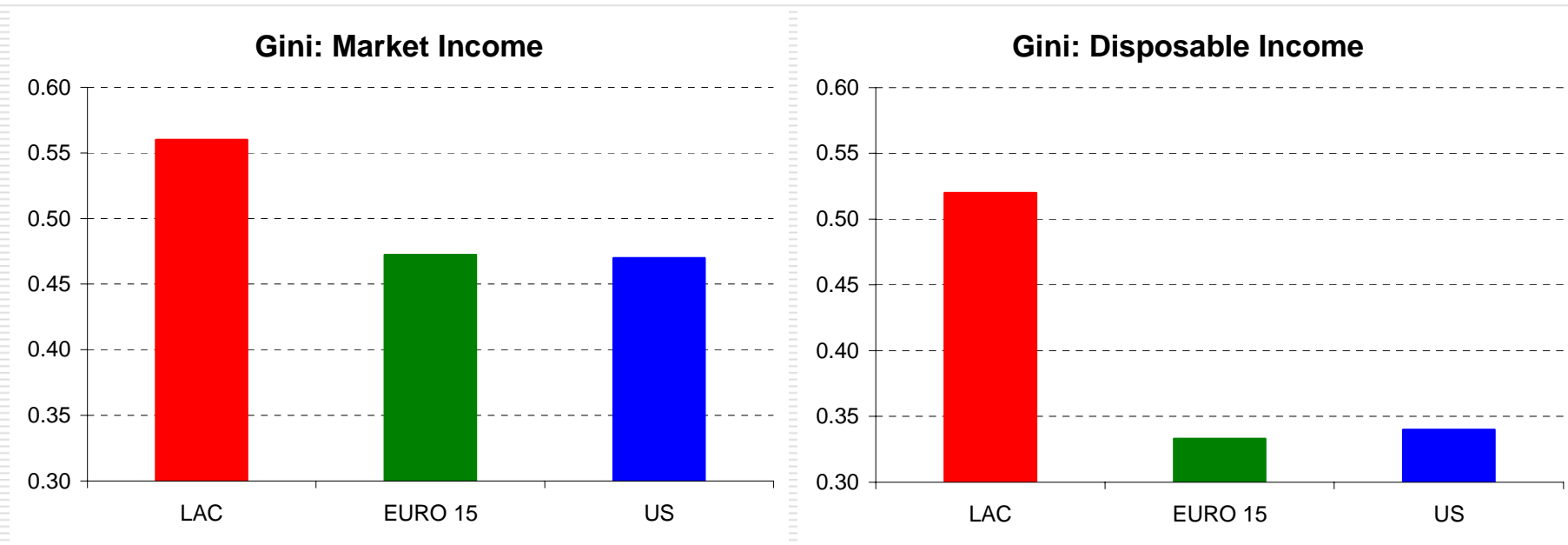
# III. Revamping the social contract: overcoming the truncated Welfare State



Source: (a) Pensions: SEDLAC (CEDLAS and The World Bank) based on microeconomic data from household surveys. (b) Social Assistance: Lyndert, Skoufias and Shapiro (2006). *Redistributing Income to the Poor and Rich: Public Transfers in Latin America and the Caribbean*. The World Bank

# III. Revamping the social contract: overcoming the truncated Welfare State

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Source: Perry, Arias, Lopez, Maloney and Serven (2006) Poverty Reduction and Growth: Virtuous and Vicious Circles. Washington, DC: The World Bank Latin American and Caribbean Studies

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□ THE END

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