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REDUCING
INEQUALITY – THE
GREAT CHALLENGE
OF OUR TIME

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HIGHER INEQUALITY IN LATIN AMERICA: A COLLATERAL EFFECT OF THE PANDEMIC

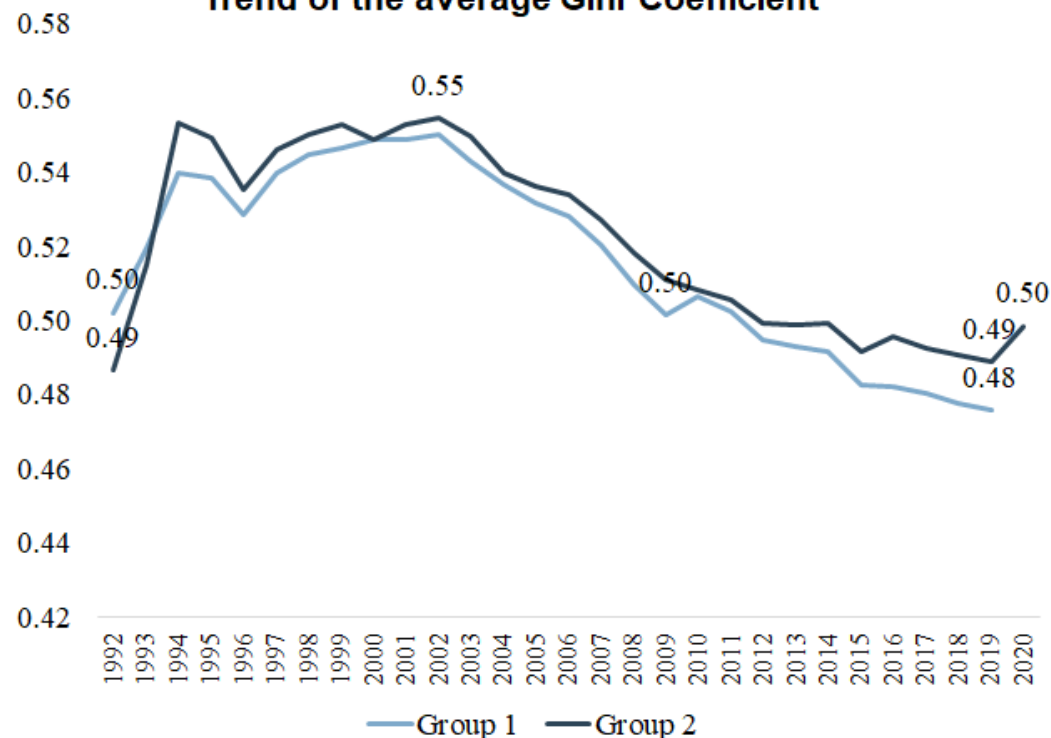
The views do not reflect the opinions of the Inter-American Development Bank or its Board of Directors

MOTIVATION

- Progress towards more equality in last decades
- Inequality = still huge problem in Latin America
- Effects of Covid-19 on inequality?

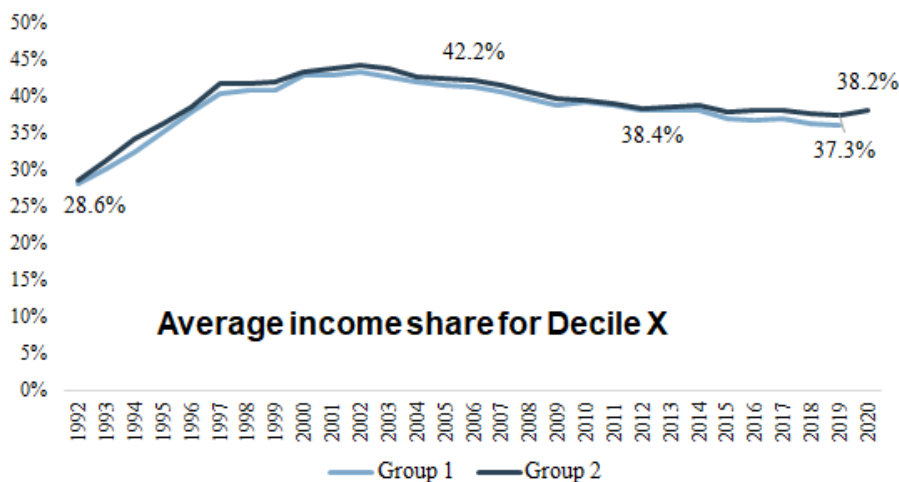
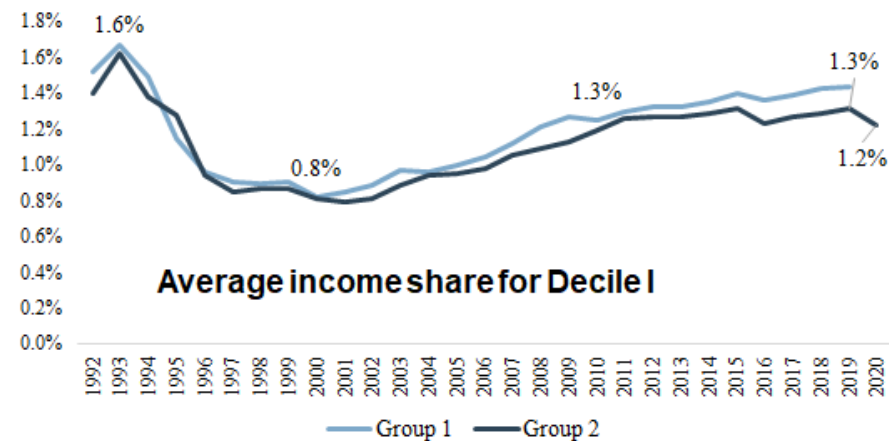
EVOLUTION OF INEQUALITY IN LATIN AMERICA

Trend of the average Gini Coefficient

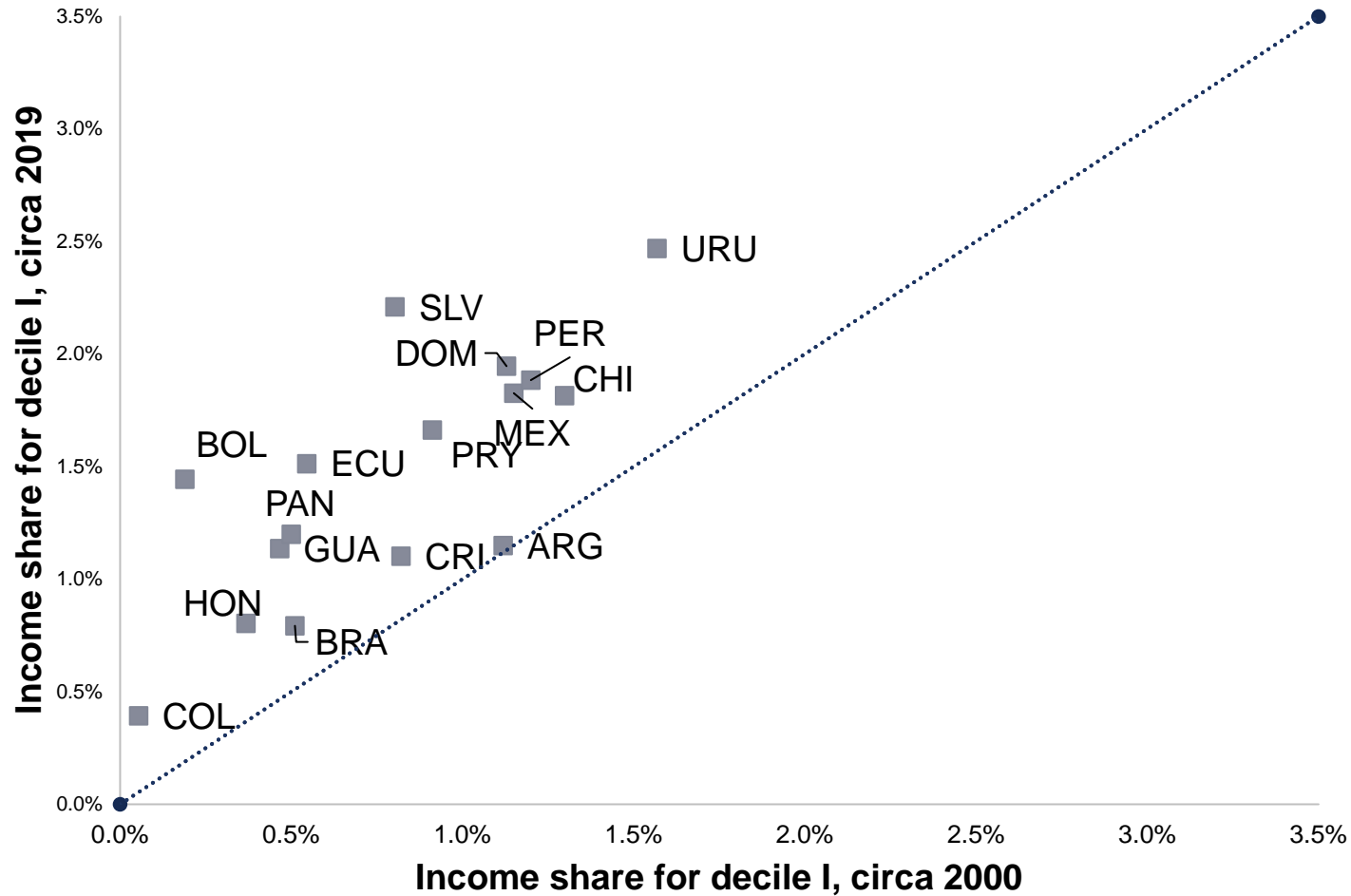


Group 1 (16 countries): Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Panama, Peru, Dominican Republic and Uruguay. Ecuador starting from 1994 and Paraguay from 1995.

Group 2 (10 countries): Brazil, Chile, Bolivia, Colombia, Peru, Costa Rica, Argentina and Mexico. Ecuador starting from 1994 and Paraguay from 1995.

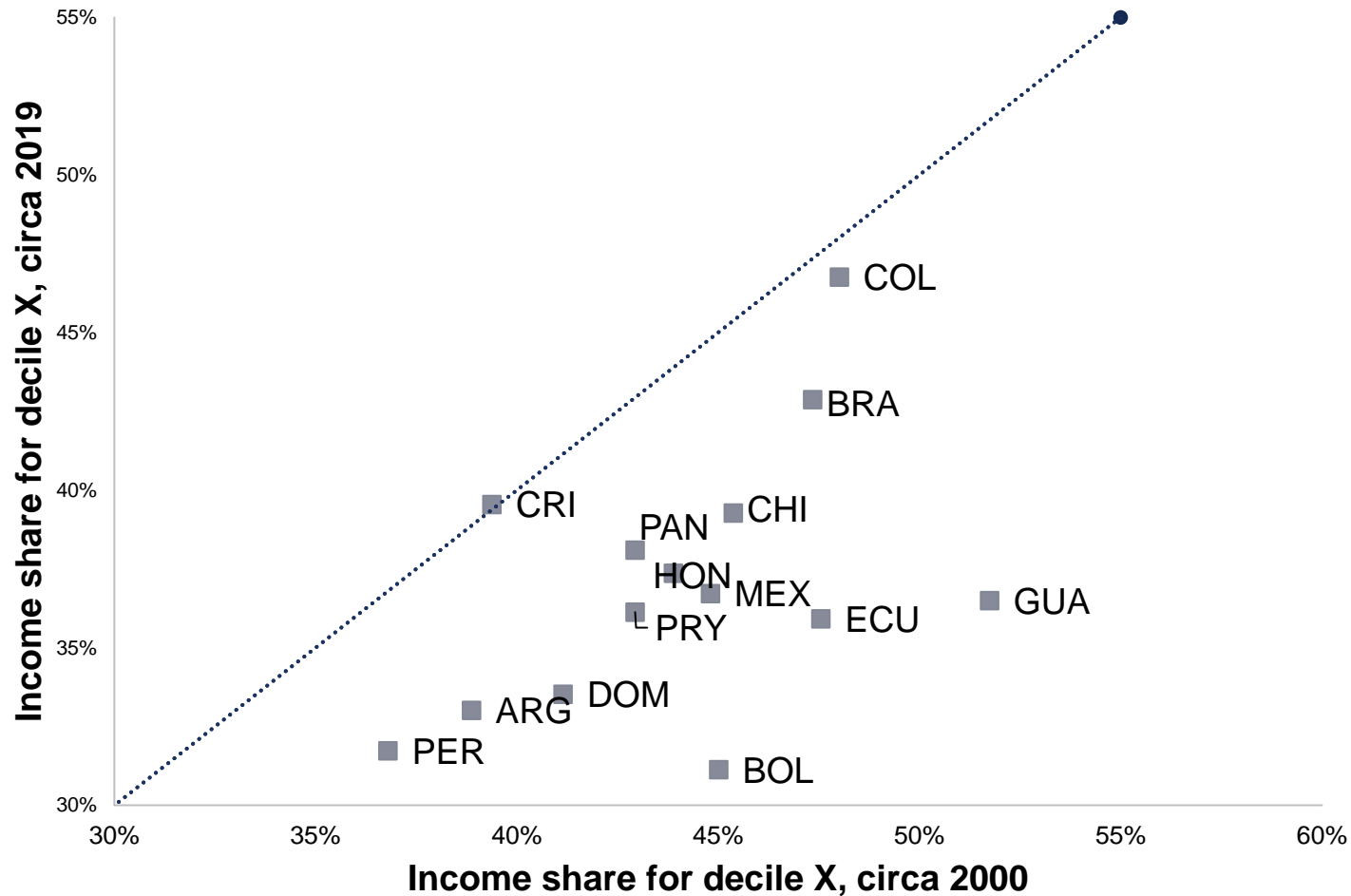


Income Shares of Decile I, circa 2000-2019



**INCOME SHARE
OF THE POOREST
INCREASED**

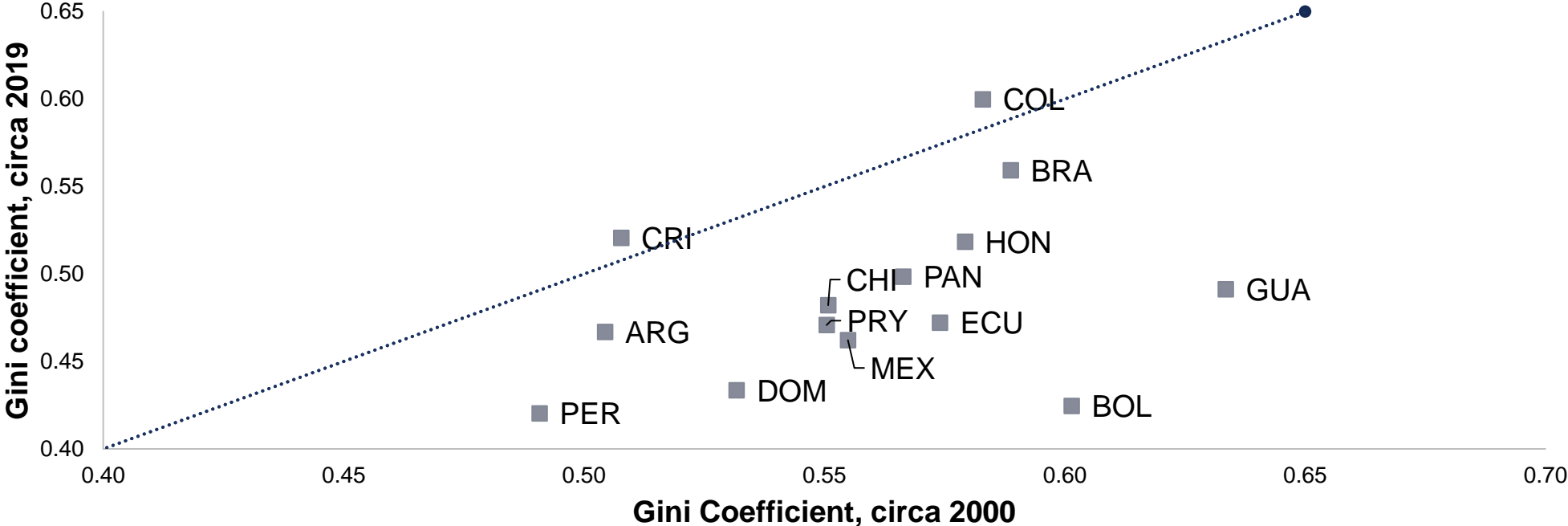
Income Shares of Decile X, circa 2000-2019



**INCOME SHARE
OF THE RICHEST
DECREASED**

COUNTRY HETEROGENEITIES

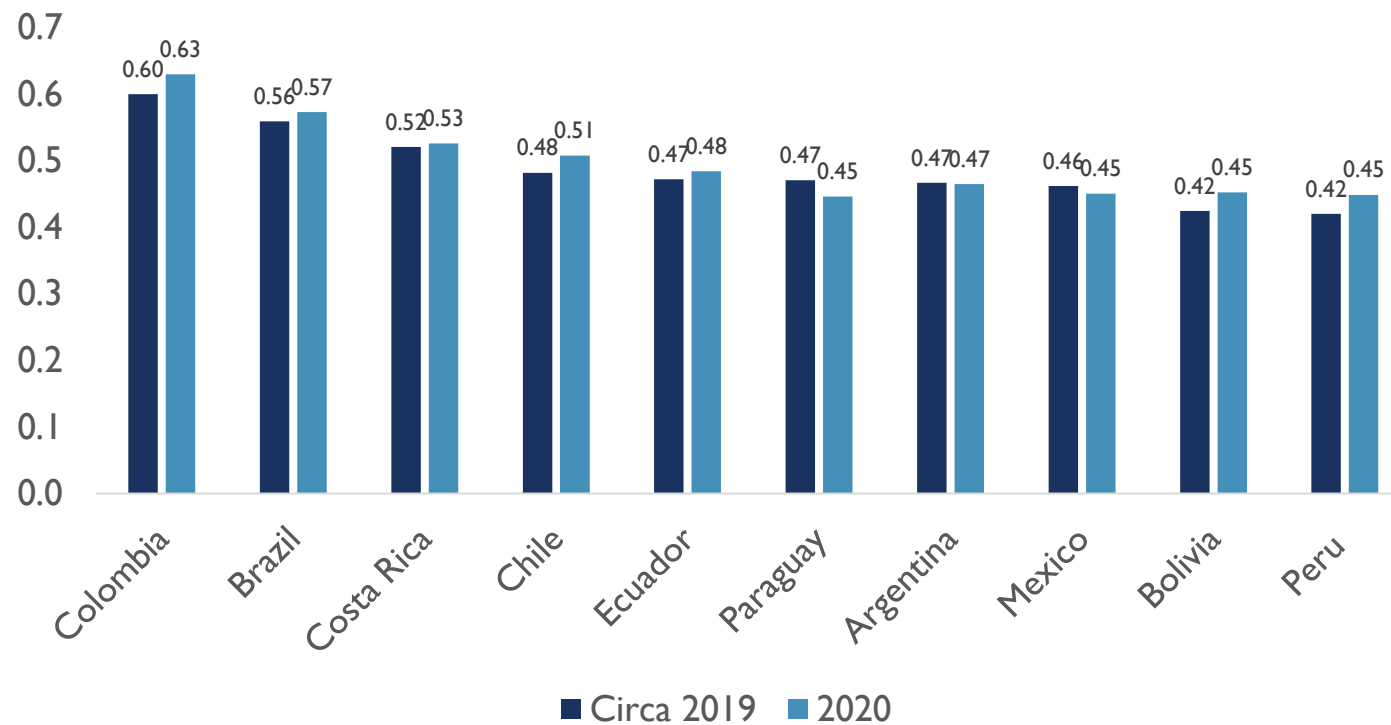
Gini Coefficients, 2000-2019



Sources: Estimates from Acevedo et al., 2022, based on household surveys

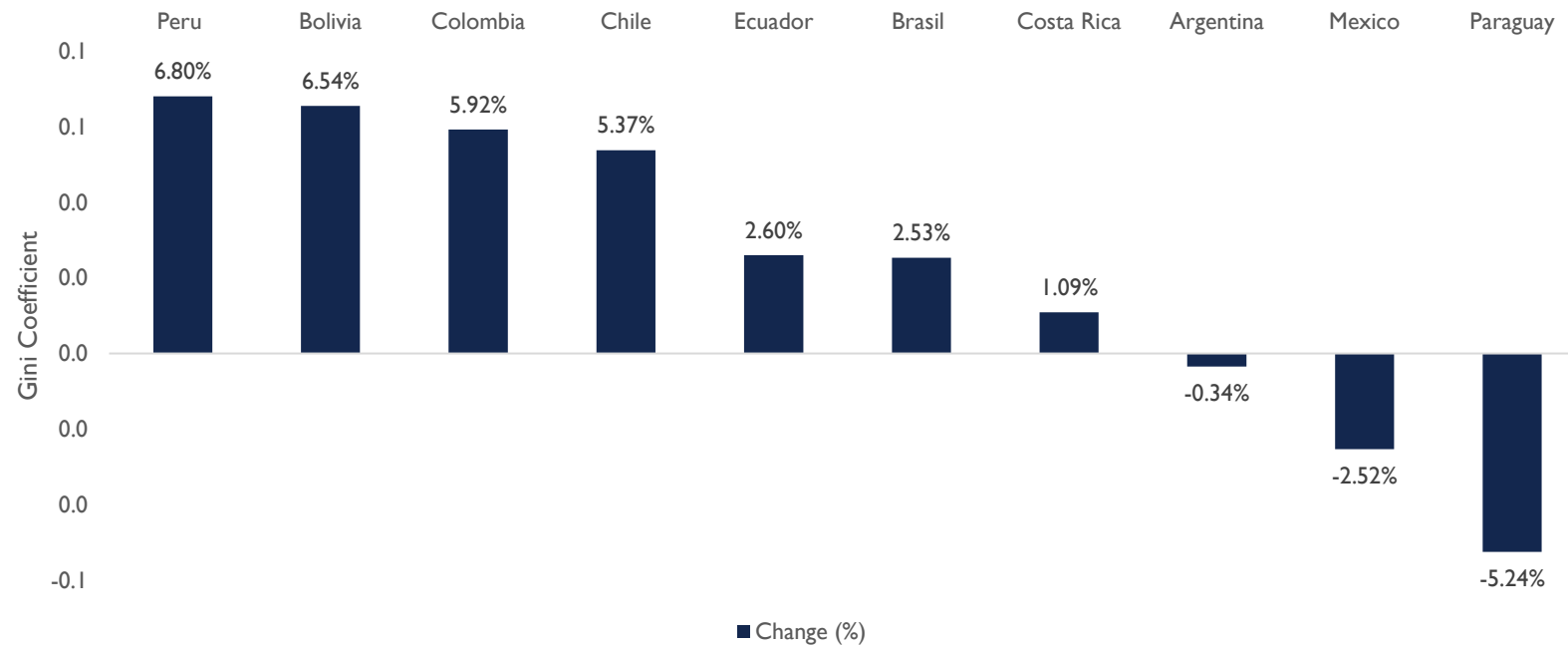
THE IMPACT OF COVID

Gini Coefficients, 2019-2020



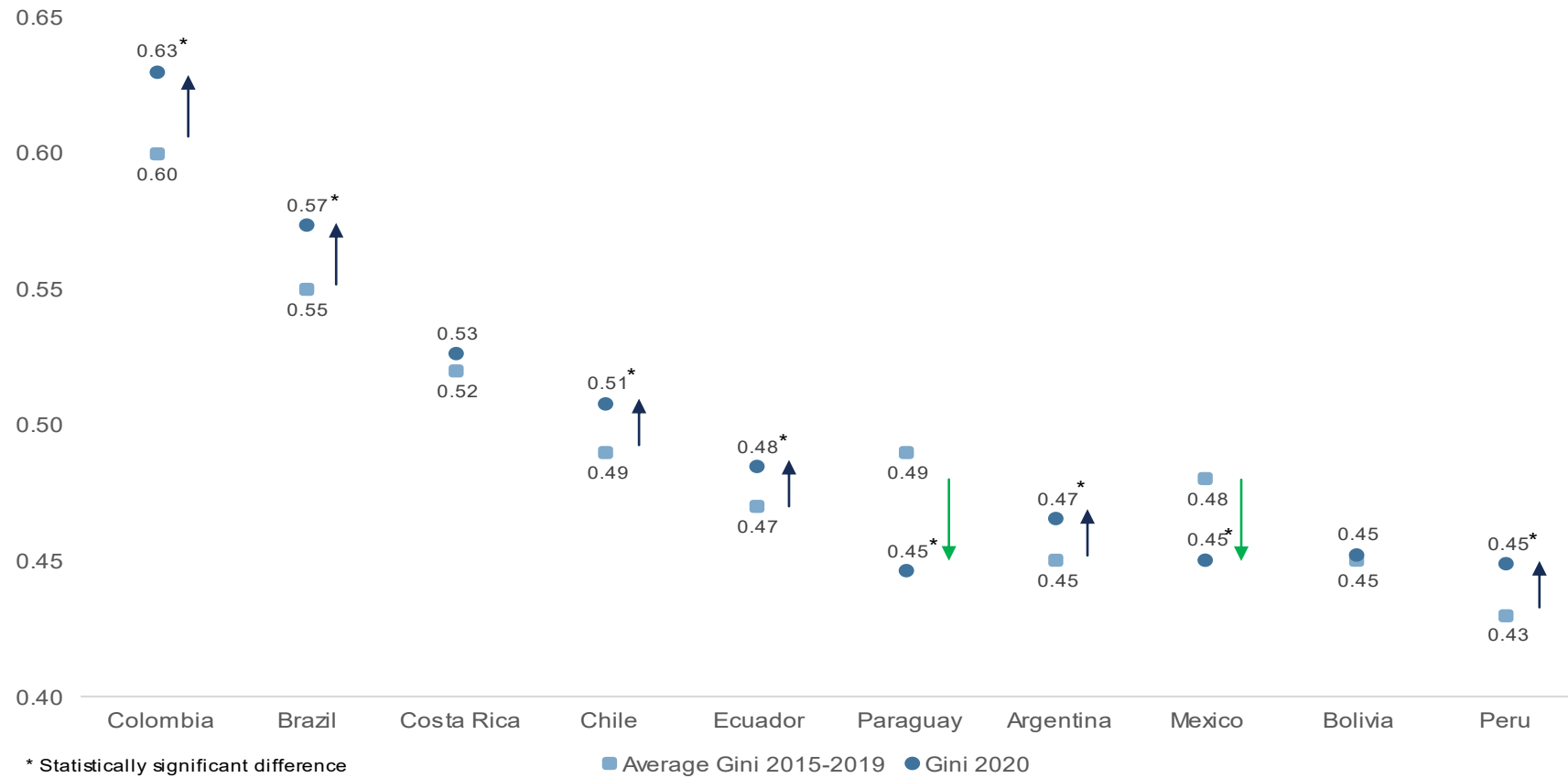
THE IMPACT OF COVID

% Changes in Gini Coefficients, 2019-2020



Sources: Estimates from Acevedo et al., 2022, based on household surveys

GINI COEFFICIENT, AVERAGE 2015-2019 VS 2020



METHODOLOGY

- To explore the factors behind the changes in inequality, we estimate a simple regression for each country for 2019 and 2020, separately, where the dependent variable is the logarithm of per capita household income:

$$\ln(\text{Income}_{i,t}) = \alpha + \beta_1 \text{Gender}_{i,t} + \beta_2 \text{Age}_{i,t} + \beta_3 \text{Education}_{i,t} + \beta_4 \text{Urban}_{i,t} + u_{i,t} \quad (1)$$

- We interpret the coefficients as the “premium” that the households receive based on the identified characteristics
- The regressions are limited to household heads older than 18 years

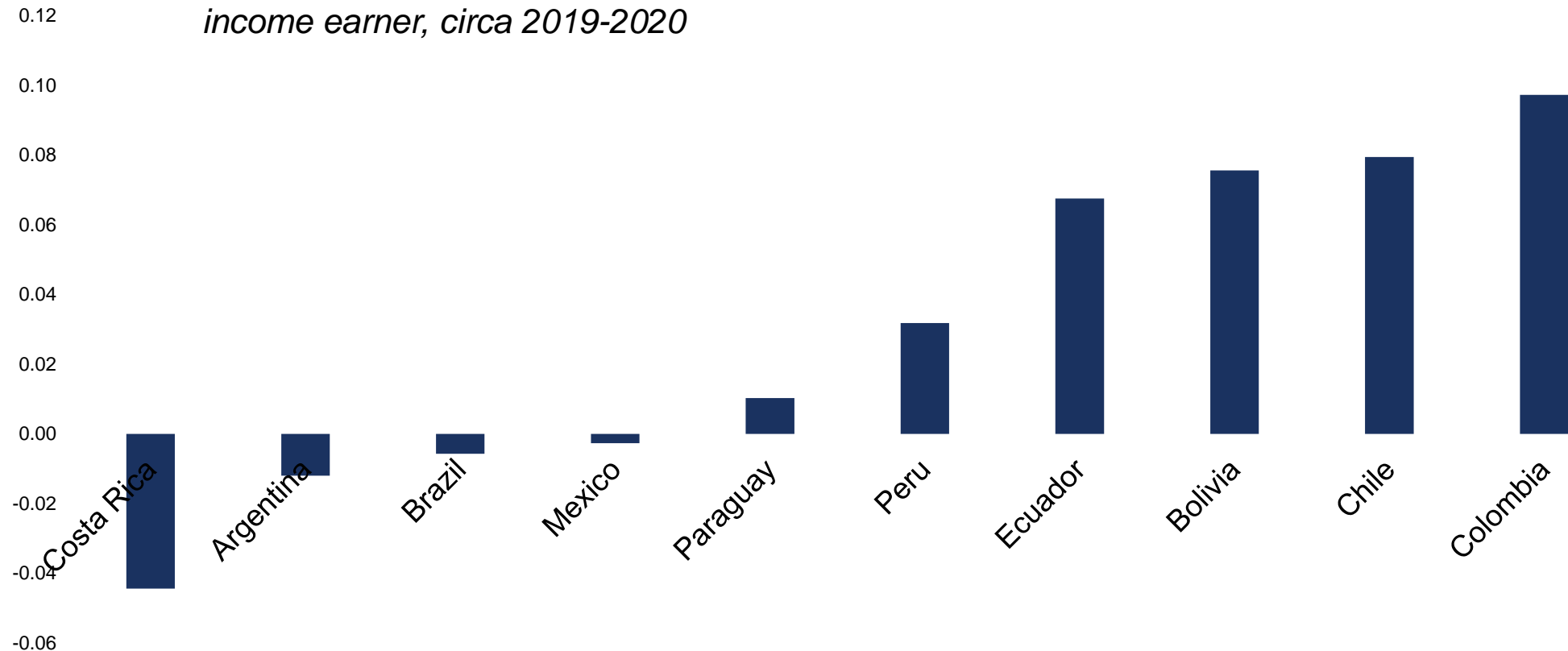
METHODOLOGY

- To explore the wage premium by economic sector, we estimate a regression for each country and for each year limited to wage earners, where the dependent variable is the hourly wage, and the independent variables are the same as in the regression described earlier:

$$\ln(\text{hourlywage}_{i,t}) = \alpha + \beta_1 \text{Gender}_{i,t} + \beta_2 \text{Age}_{i,t} + \beta_3 \text{Education}_{i,t} + \beta_4 \text{Urban}_{i,t} + \beta_4 \text{Sector}_{i,t} + u_{i,t} \quad (2)$$

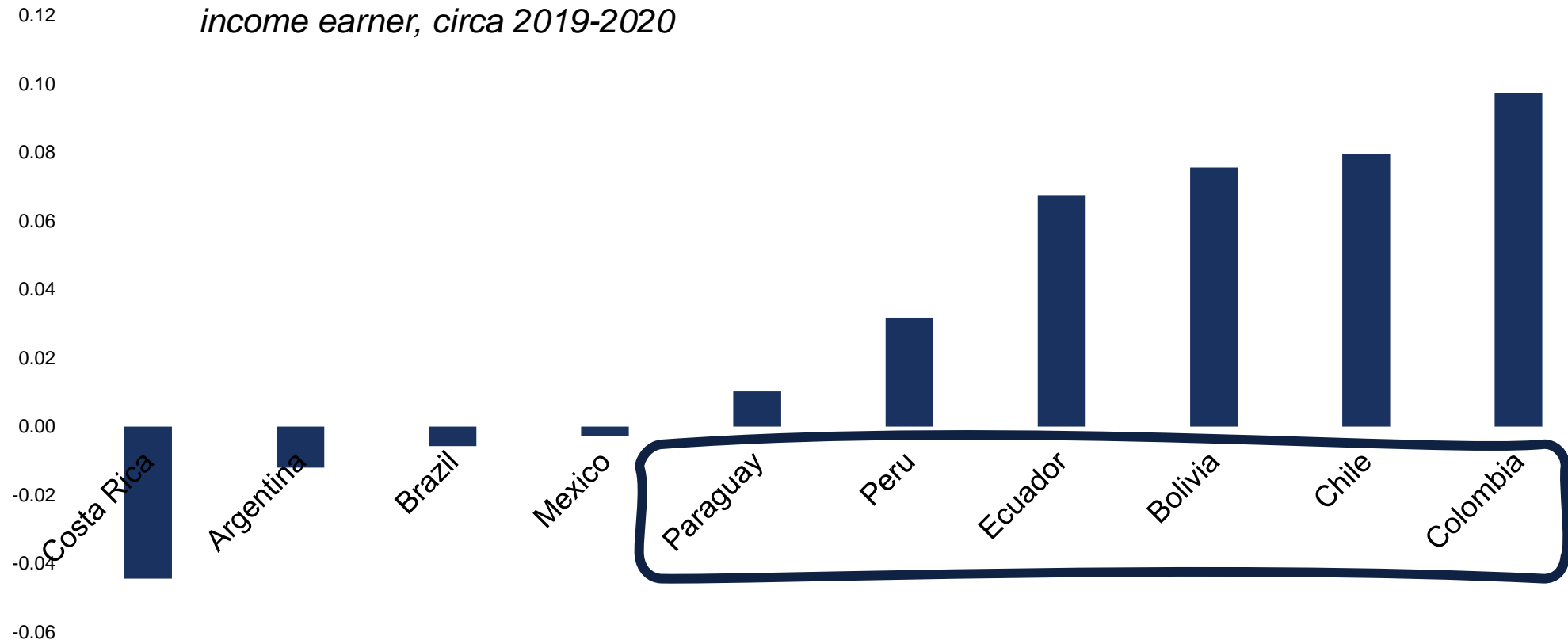
INCOME DIFFERENTIALS BY GENDER (OF THE HEAD OF HOUSEHOLD) MOSTLY WIDENED

Change In the Income Premium Associated with Male Relative to Female main income earner, circa 2019-2020



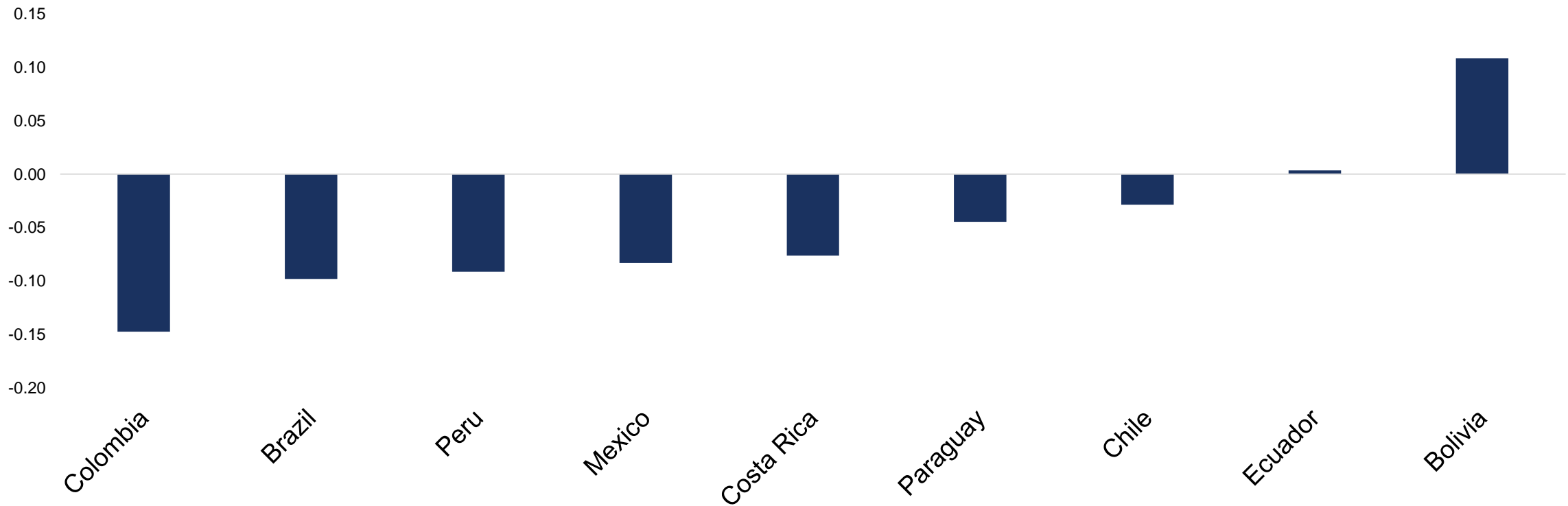
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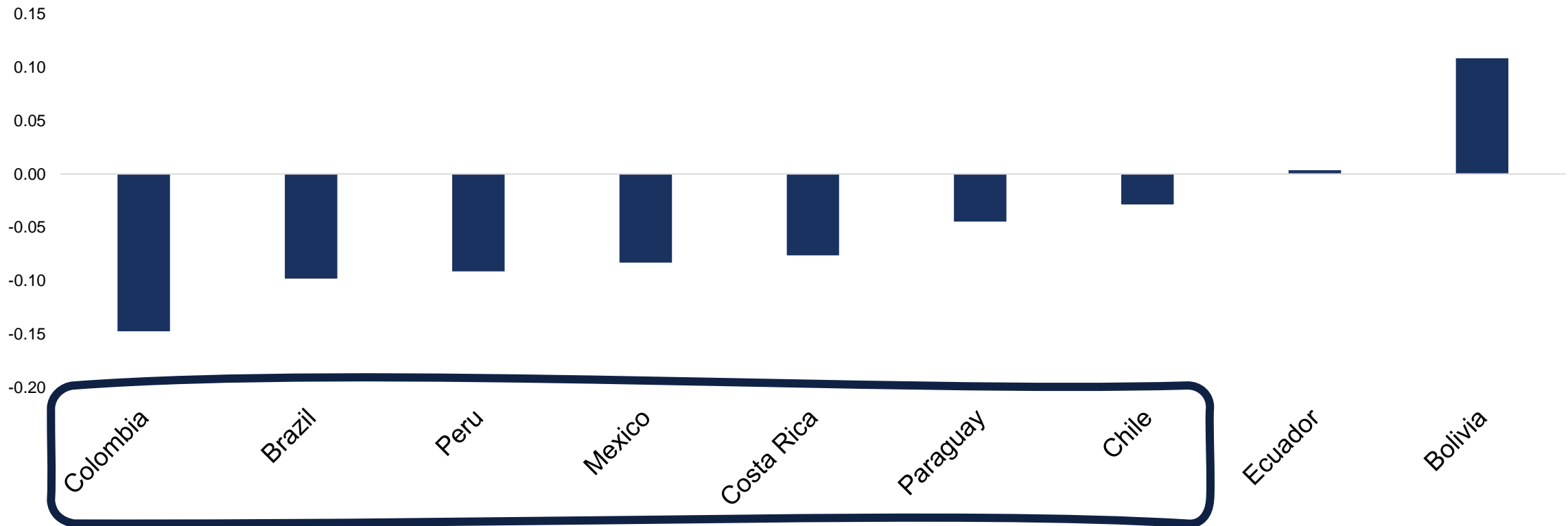
INCOME DIFFERENTIALS BETWEEN URBAN AND RURAL AREAS DECLINED, EXCEPT FOR BOLIVIA

Change In the Income Premium Associated with Urban Areas Relative to Rural Areas, circa 2019-2020



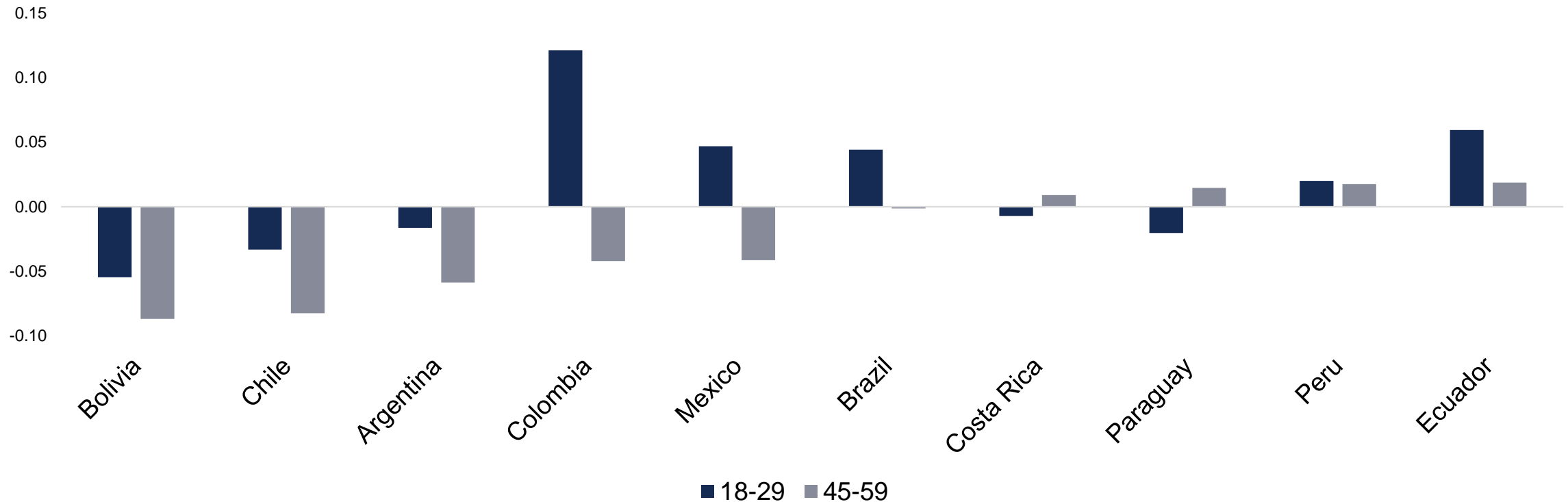
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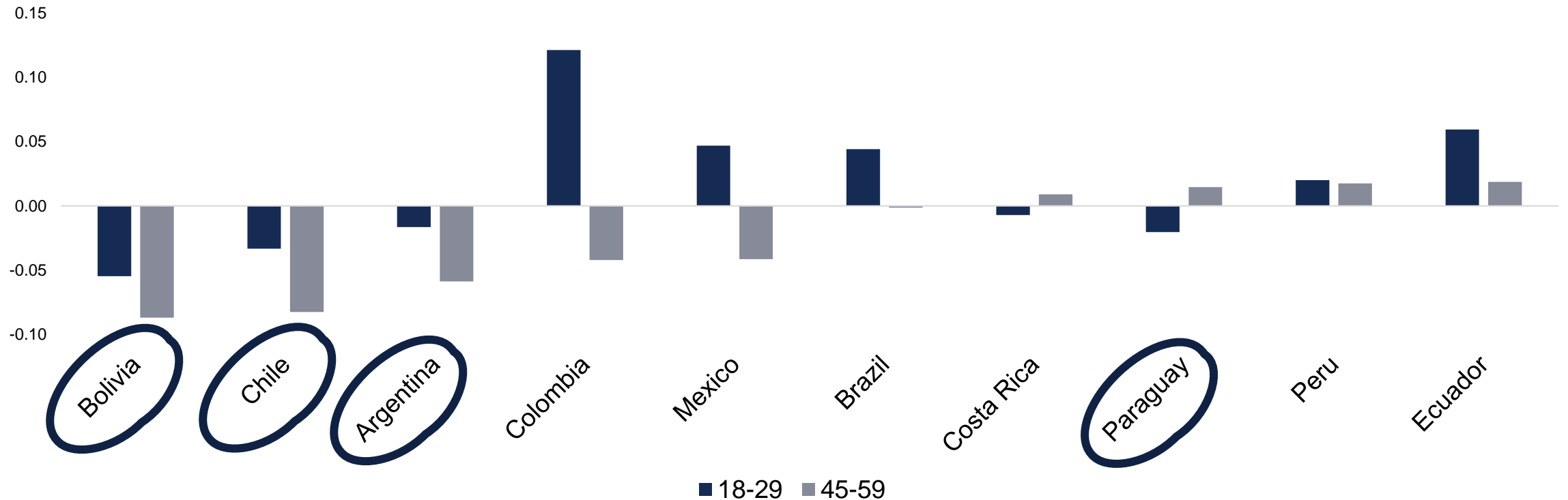
HETEROGENEITY BY AGE

Change In the Income Premium Associated with the Average Age of the Household Members Relative to the 30-44 Age Group



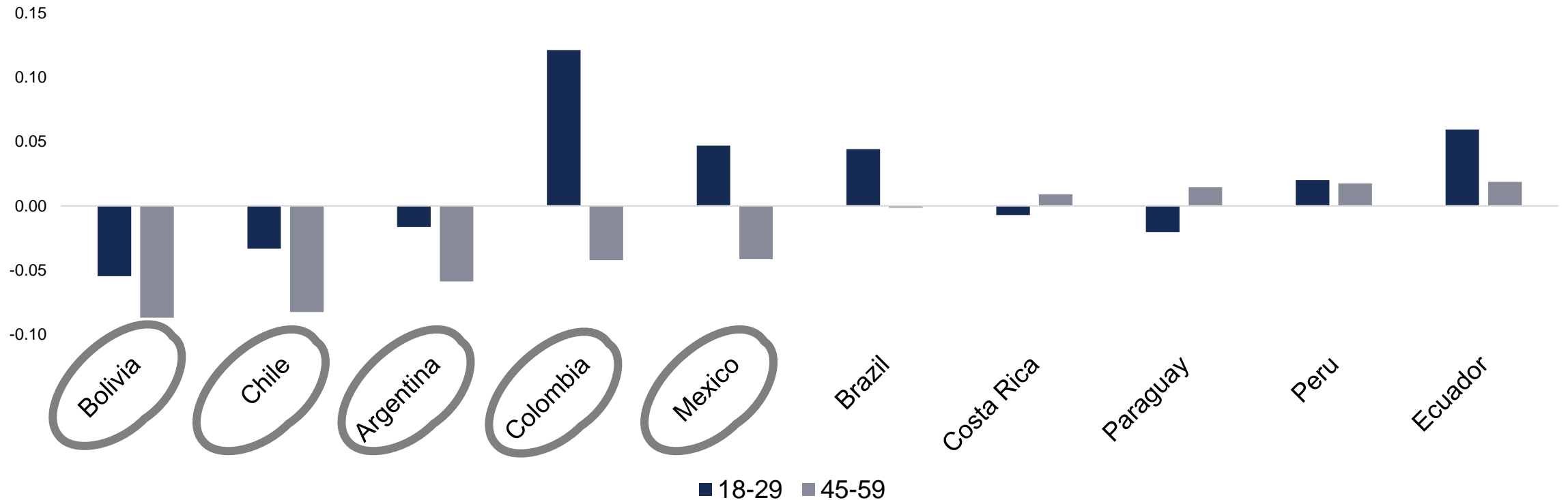
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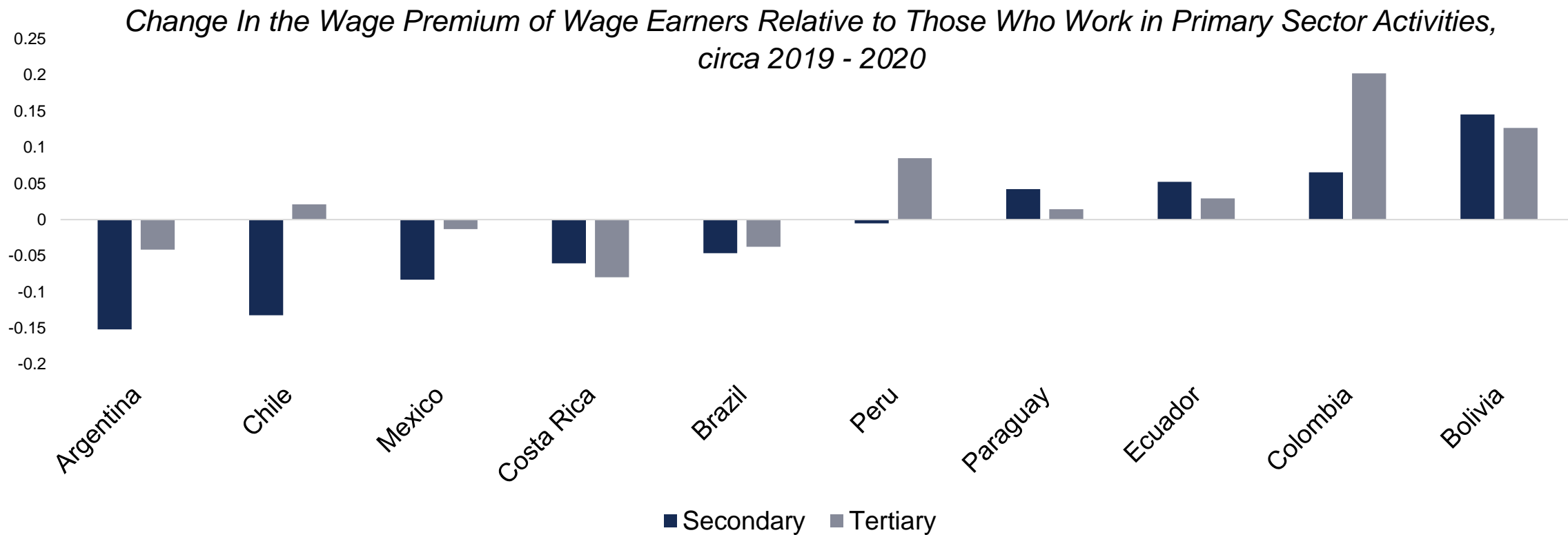


HETEROGENEITY BY AGE

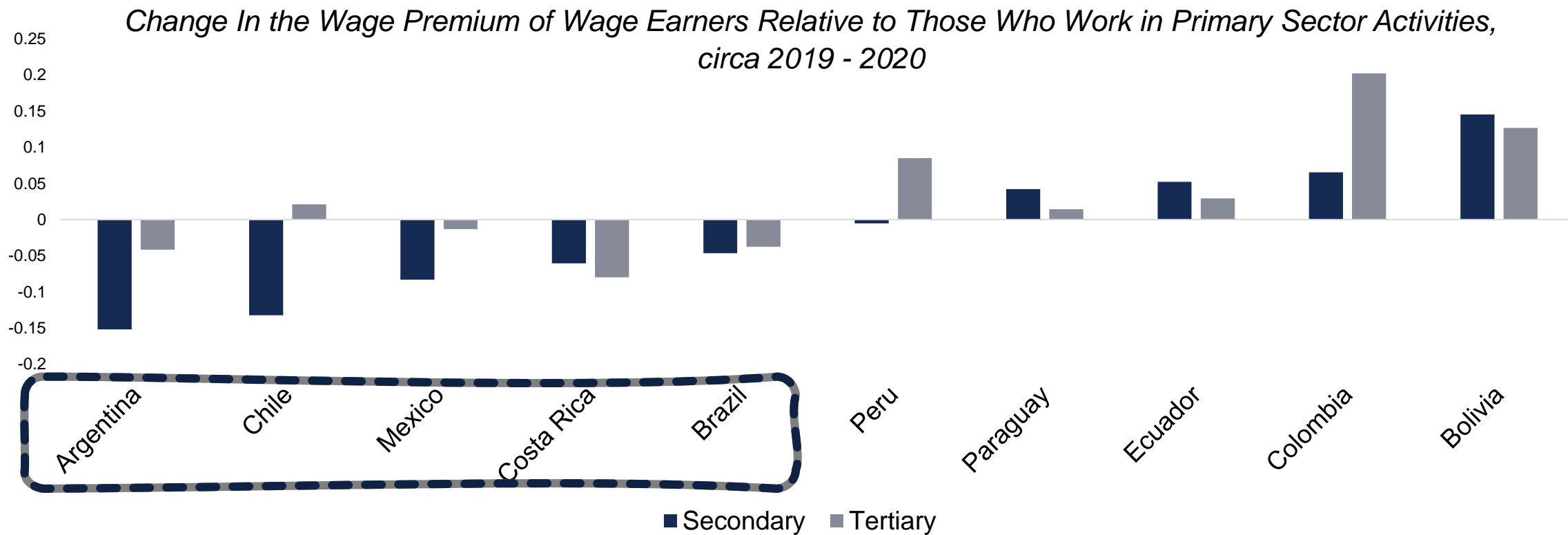
Change In the Income Premium Associated with the Average Age of the Household Members Relative to the 30-44 Age Group



CHANGES BY SECTOR

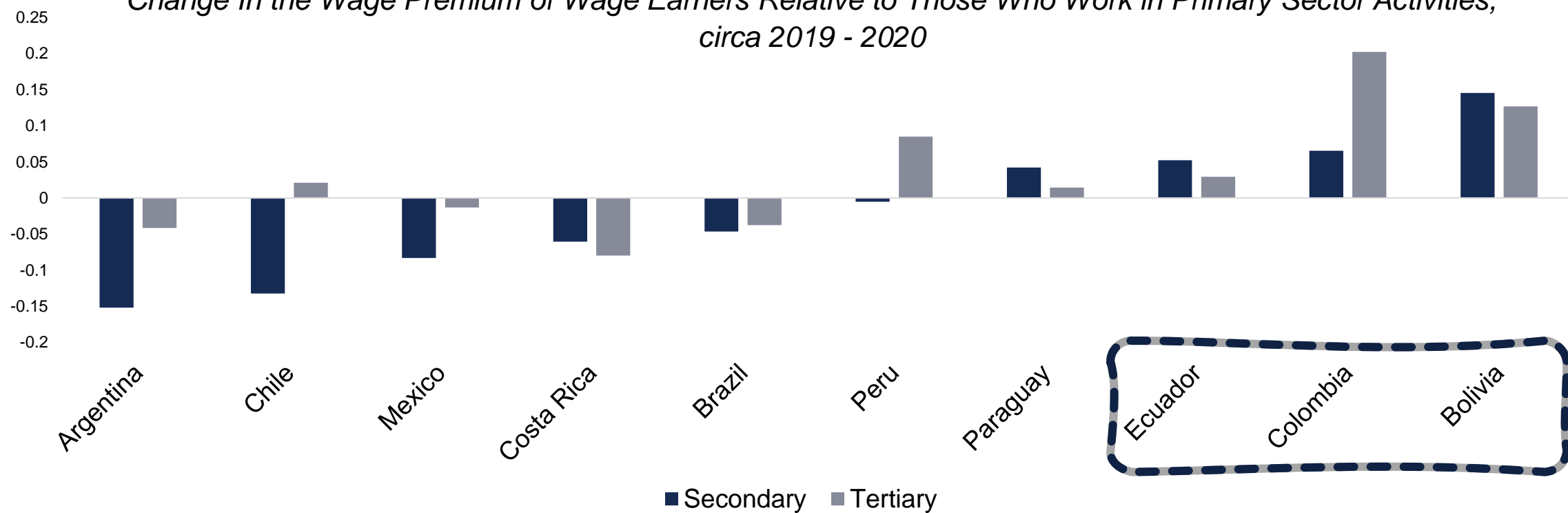


CHANGES BY SECTOR



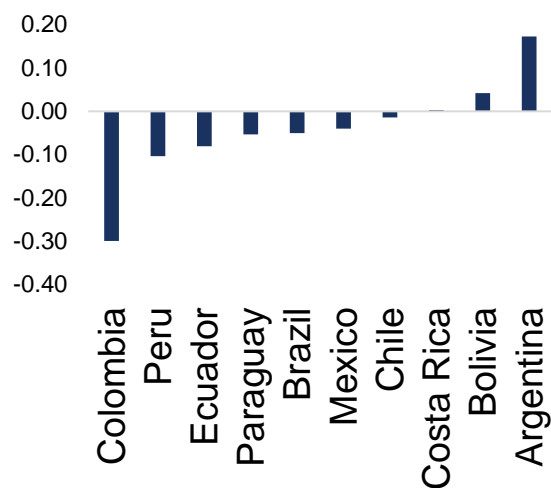
CHANGES BY SECTOR

Change In the Wage Premium of Wage Earners Relative to Those Who Work in Primary Sector Activities, circa 2019 - 2020

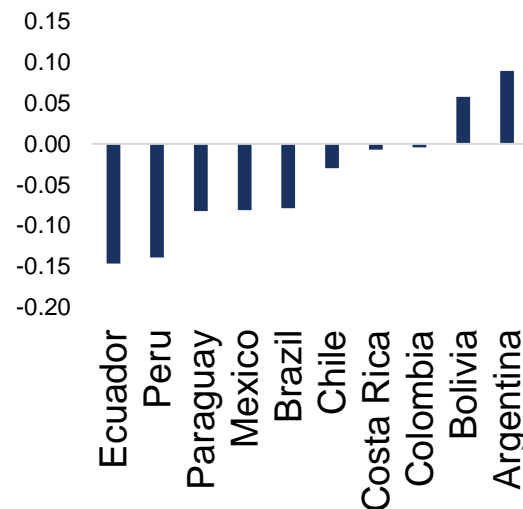


CHANGES BY EDUCATION

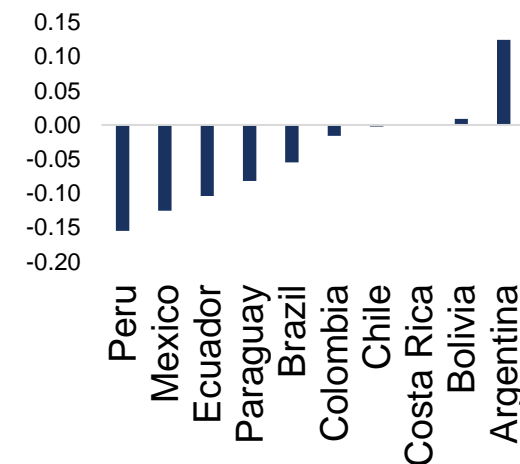
*Change in the Income Premium Associated with Having **Lower Secondary** Education Relative to not Having Education, circa 2019 – 2020*



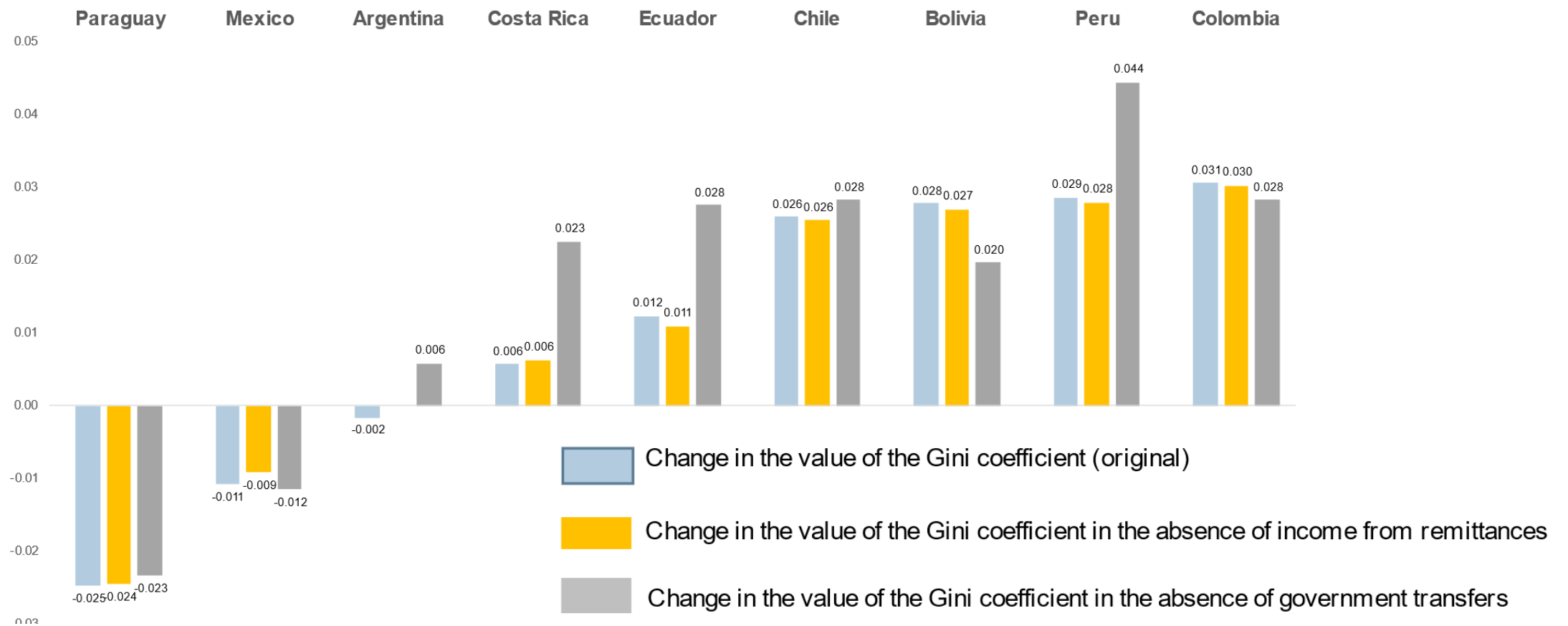
*Change in the Income Premium Associated with Having **Upper Secondary** Education Relative to not Having Education, circa 2019 – 2020*



*Change in the Income Premium Associated with Having **Tertiary** Education Relative to not Having Education, circa 2019 – 2020*

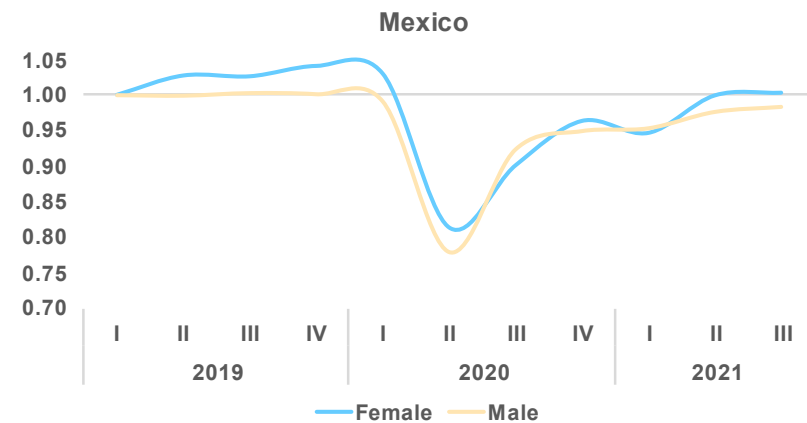
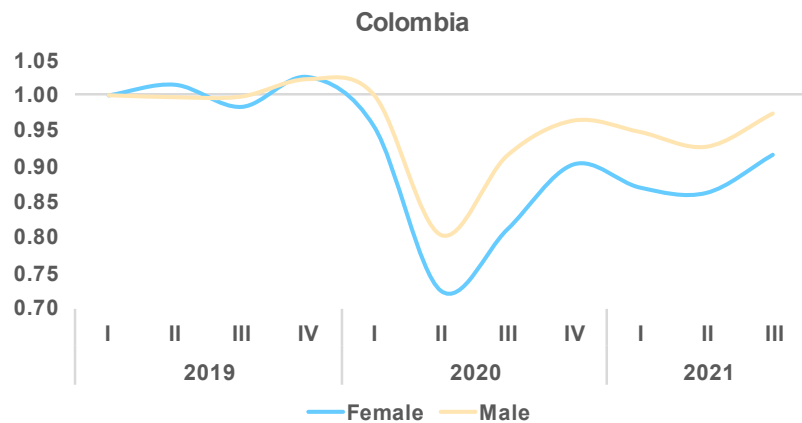
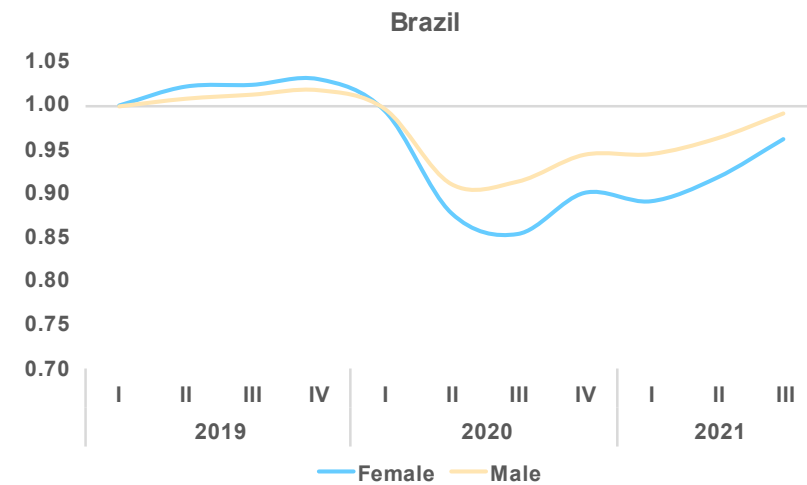
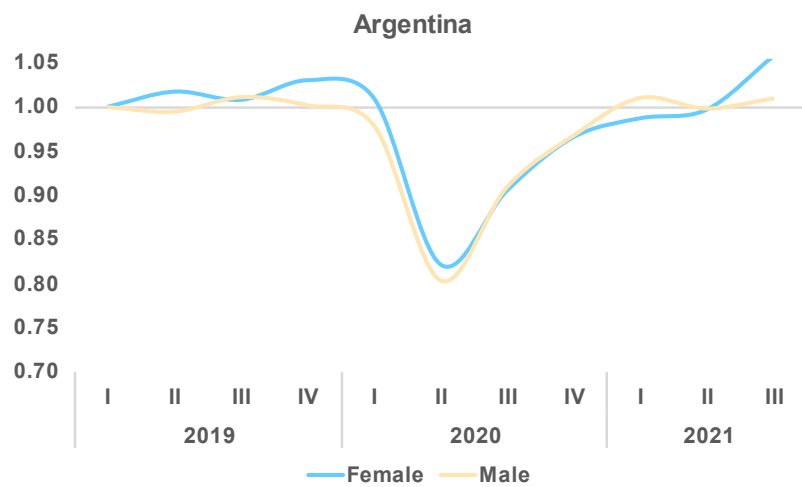


ESTIMATED CHANGE IN THE GINI INDEX IN 2019 AND 2020 IN THE ABSENCE OF GOVERNMENT TRANSFERS AND REMITTANCES



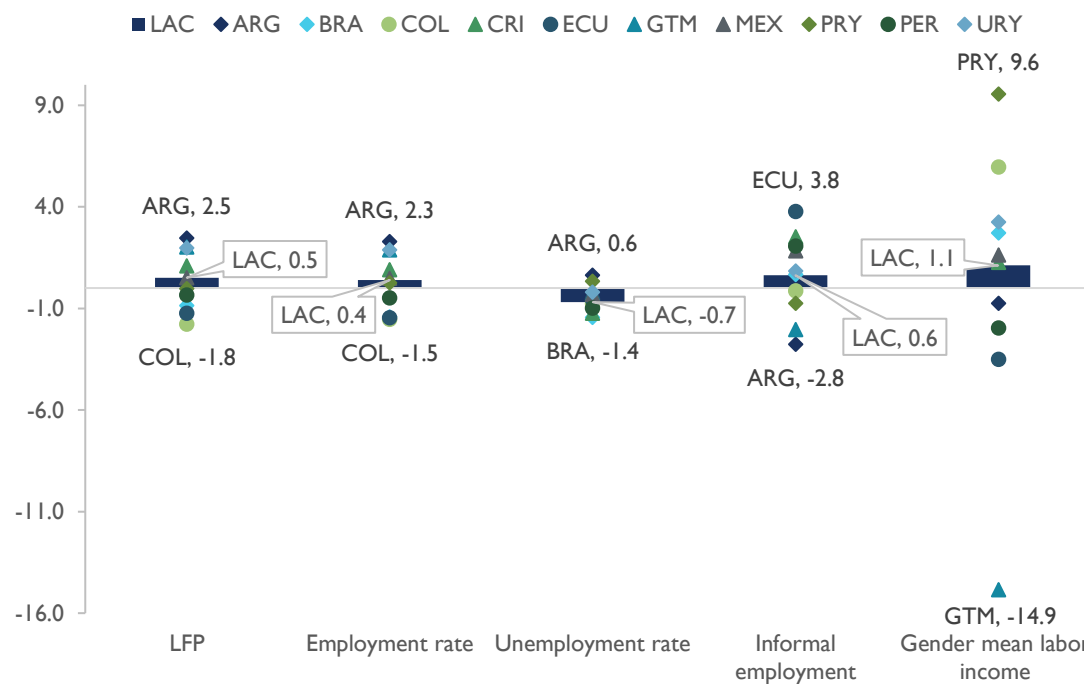
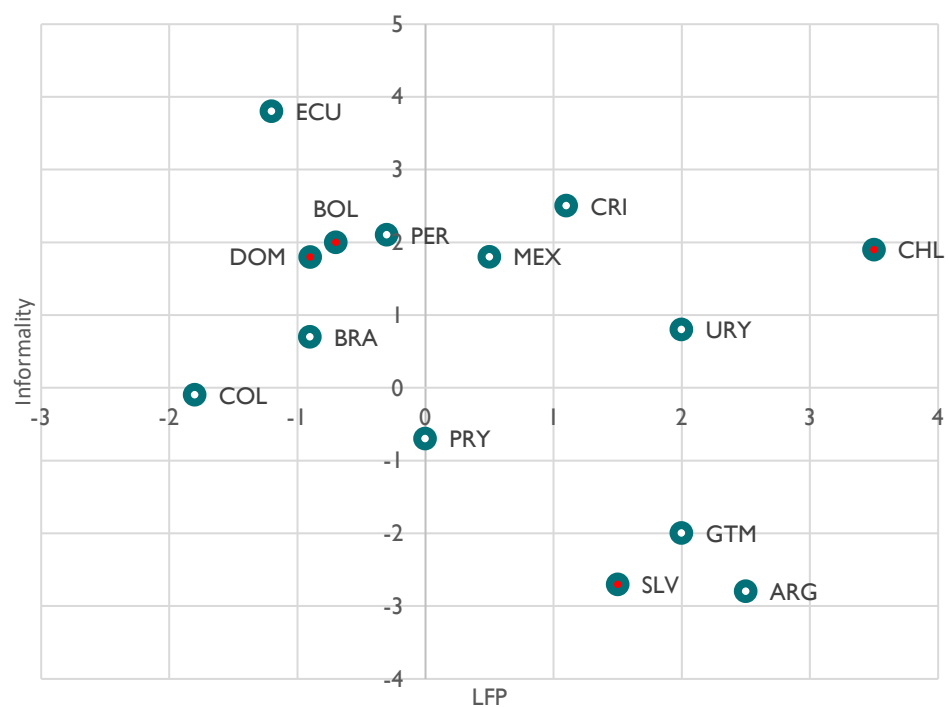
2021?

Path followed by employment rates for women and men during the 2019-2021 period



2021?

Absolute change in gender gap labor market indicators (percentage points) for individuals 15-65 years old in Latin America, circa 2019-2021

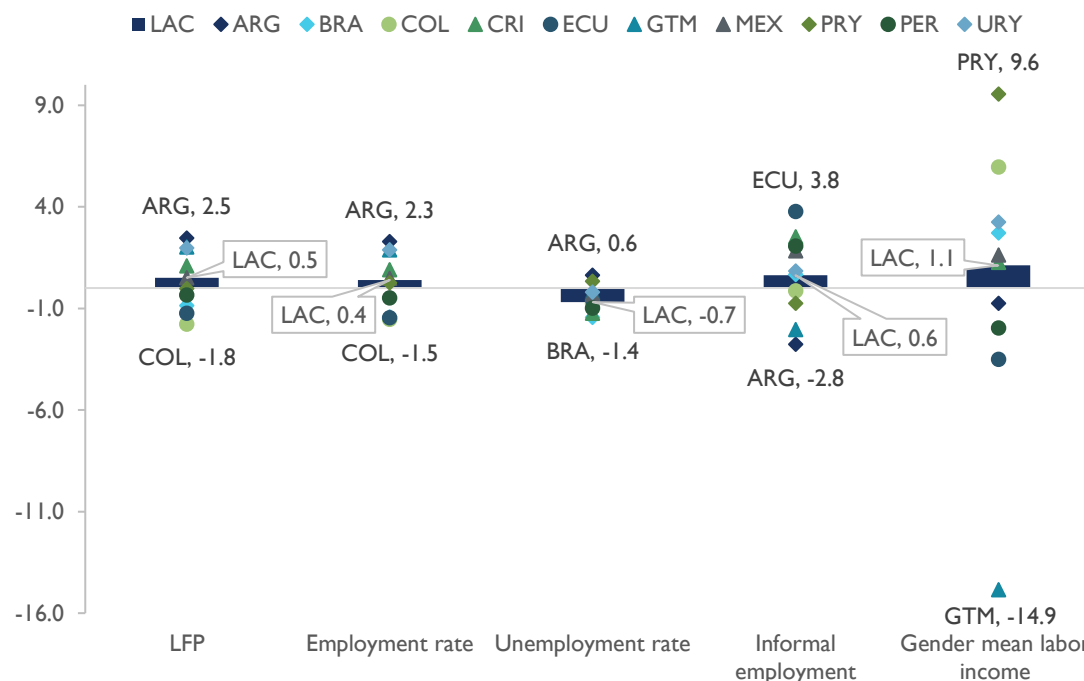
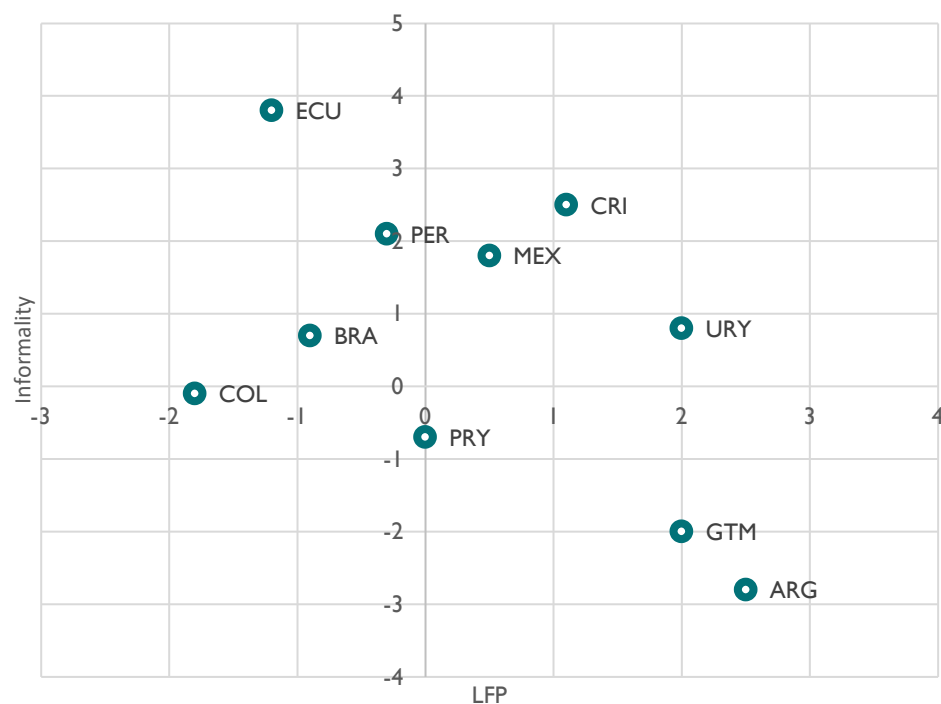


For Argentina, Brazil, Ecuador, and Mexico, the pre-pandemic period is 2019Q3, and the pandemic period is 2021Q3; for Chile, the pre-pandemic year is 2017, and the pandemic is 2020; for Colombia is August 2019 and August 2021; for Costa Rica and Guatemala, the period is 2019 and 2021. For Peru, the pre-pandemic year is 2019, and the pandemic period is 2021Q3. The change in the gender gap is measured as: $\Delta \text{gap} = (T_F - T_M)_{t_1} - (T_F - T_M)_{t_0}$ where T=indicator, F=Female, M=Male, t_0 =circa 2019, t_1 =circa 2021.

Argentina – EPH (2019, 2020, 2021), Bolivia – ECH (2019, 2020), Brazil – PNADC (2019, 2020, 2021), Colombia – GEIH (2019, 2020, 2021), Costa Rica – ENAHO (2019, 2020, 2021), Dominican Republic- ENCFT (2019, 2020), Ecuador – ENEMDU (2019, 2020, 2021), Guatemala – ENEI (2019, 2021), Mexico-ENOE (2019, 2020, 2021) ETOE (May 2020), Paraguay-EPHC (2019, 2020, 2021), Peru – ENAHO (2019, 2020, 2021). El Salvador -EHPM (2019, 2020). Uruguay-ECH (2019, 2020, 2021).

2021?

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CONCLUSION

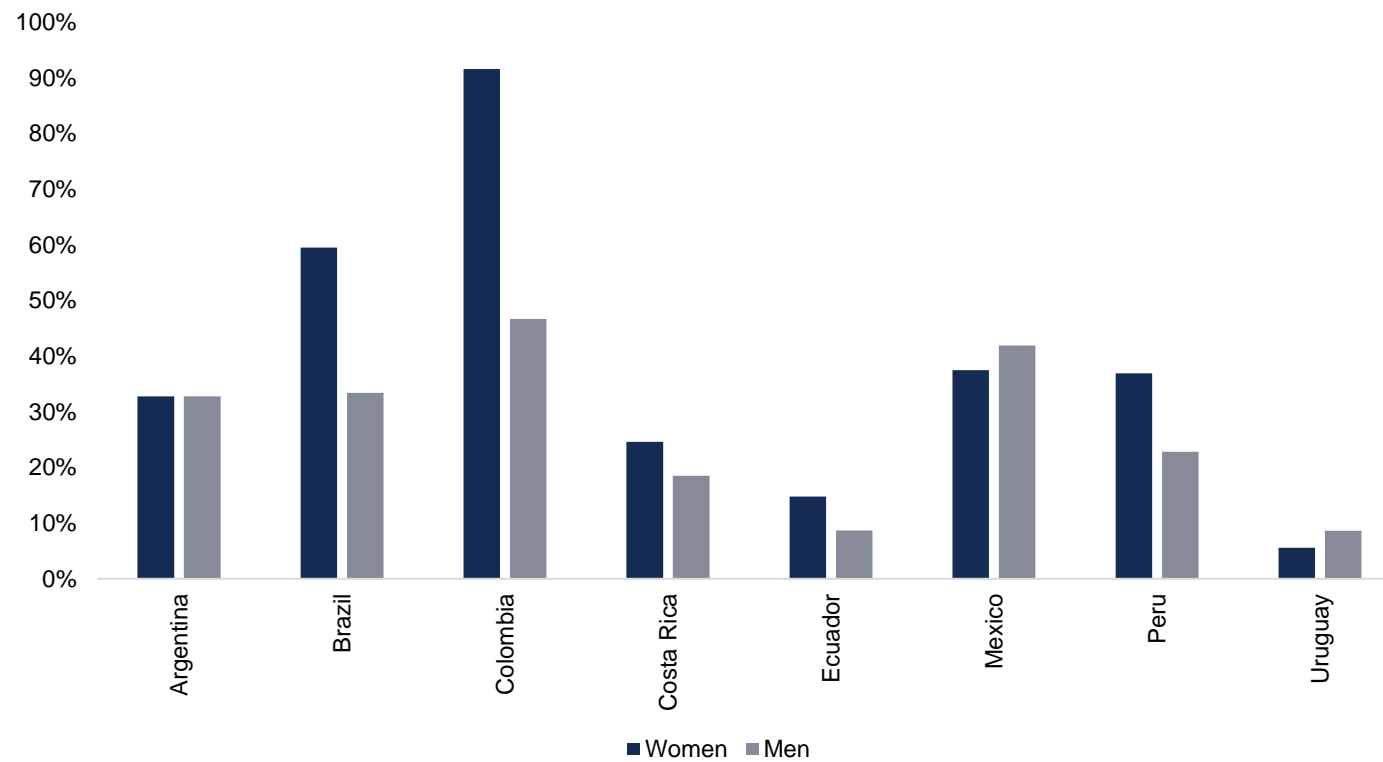
- Inequality **increased** on average by 2 percent between 2019 and 2020
- Heterogeneities by country, education, gender, urban/rural location, sector of economic activity
- Remittances had a modest effect in preventing greater disparities
- **Government transfers** played a central role
- 2021 data suggests that income differentials by gender remained wider compared to 2019



THANKS

2021?

Value of Accumulated Jobs Lost in 2020-2021 as % of 2019 Wage Bill

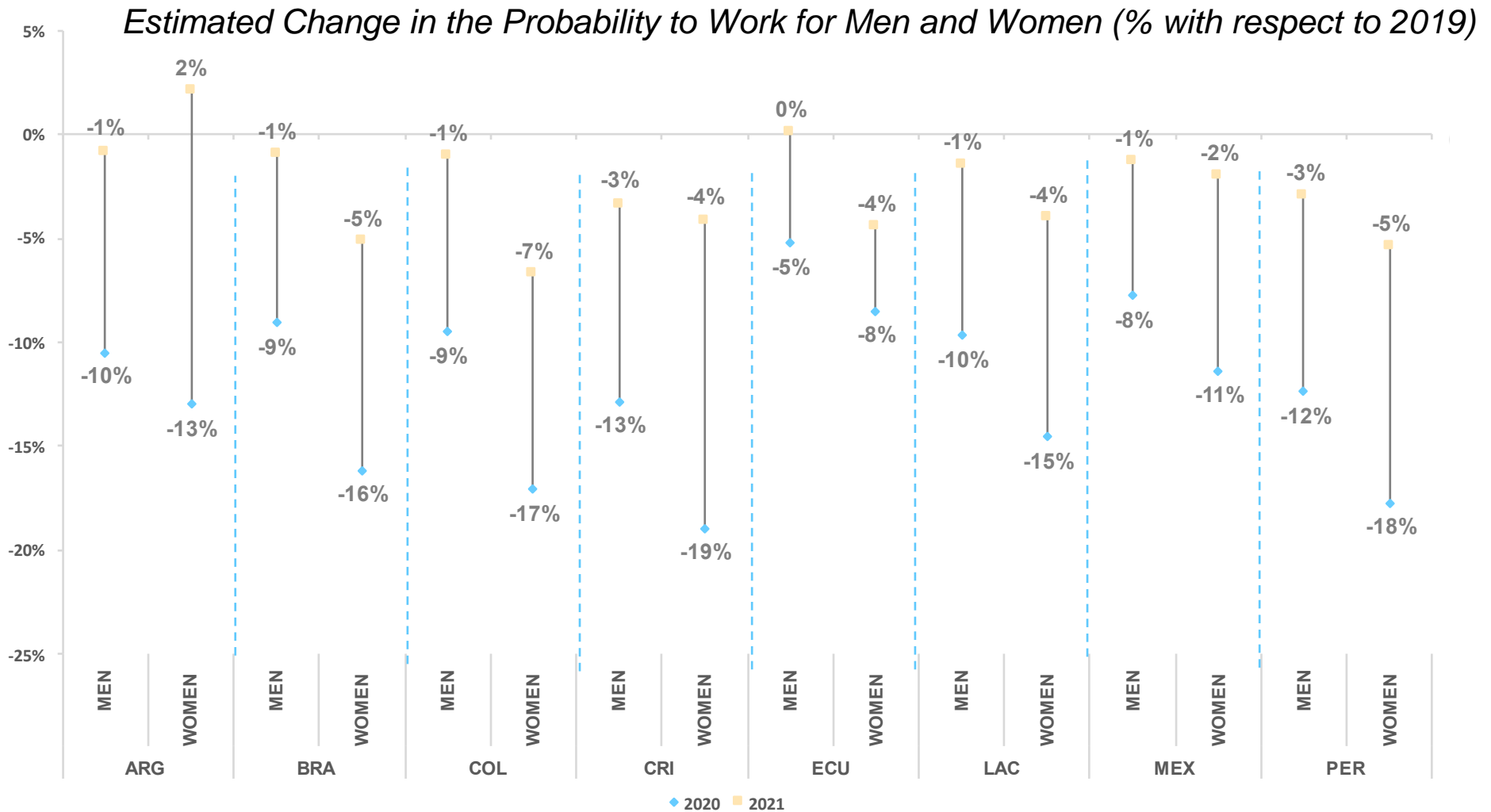


Sources: Estimates from Acevedo et al., forthcoming, based on household surveys

DATA SOURCES

País	Encuesta
Argentina	EPH-Trimestral 2019-Hasta 3er trimestre 2020
Bolivia	EH-Anual 2019-2020
Brazil	PNADC-Trimestral 2019-2020
Chile	ENE-Trimestral 2019-2020 (no incluye ingresos) La última encuesta de hogares es CASEN 2017
Colombia	GEIH-mensual 2019-2020
Costa Rica	ENAHO-ANUAL 2018, 2019, 2020
R. Dominicana	ENCFT-Trimestral Q42018, Q42019 **Base 2020 no es pública
Ecuador	ENEMDU-Trimestral Sept 2020, Dic-2020
El Salvador	EHPM- Anual 2017, 2019
Guatemala	ENEI -Semestral 2018, 2019
Honduras	EPHPM-Anual 2018 **Base 2020 no es pública
Mexico	ENOE-ETOE Trimestral 2019-2020
Panama	EPM-Anual 2017 **Base 2019 y 2020 no son públicas
Paraguay	Página de DGEEC no funciona
Peru	ENAHO-Trimestral 2019, 2020
Uruguay	ECH-Anual 2019, 2020

2021?



Sources: Estimates from Acevedo et al., forthcoming, based on household surveys