

# Development model, labour precariousness and new social inequalities in Latin America

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## Abstract

This article analyses the key characteristics of the two major economic models of the last century, and of the current one thus far, in Latin America. The first is centred on national development, with a relative welfare structure. The second presents the distinctive features of the current neoliberal model, in terms of the breakdown of the social pact between capital, the State and the working class, together with flexibilization and deregulation as modalities of labour management. As a hypothesis, some of these singularities are analysed in terms of the emergence of a new labour precariousness and new income inequalities and poverty. The study considers the differences between countries that adopted the neoliberal model and those that chose post-neoliberal forms of governance. In all of the dimensions and variables considered, it is found that conditions were worse in the countries that followed the neoliberal model most closely.

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## Keywords

Economic development, development models, neoliberalism, employment, labour market, employment security, equality, income distribution, poverty, social policy, welfare state, Latin America

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## I. Introduction

In Latin America, as in the rest of the world, the establishment and rise of the neoliberal model was the result of the political defeats suffered by the working class and low-income sectors in the 1960s and mid-1970s — a period in which the capitalist class co-opted the government to launch an assault against the social progress achieved by these segments of the population. The forerunners of this included the political-military defeats suffered by the left in Argentina, Brazil, Chile, the Plurinational State of Bolivia and Uruguay, and the resulting installation of military regimes in those countries. This was a period of harsh offensives by the State and capital against the working class, which caused the breakdown of the “social pact” that had enabled the welfare state model and the failure of low-income sectors. The latter ended up losing their horizon of struggle following the dismantling of the Soviet Union and the socialist camp in the late 1980s and early 1990s.

Given the centrality of the capital-labour relationship and the dynamics of capital accumulation, the social history of labour in capitalist society is neither linear nor uniform; instead, it is marked by shifting correlations between social and political forces in the different economic, social and political models. These changes have had specific consequences for production processes, the management of inclusion and exclusion, integration and social cohesion, and also for welfare policy and the fight against social inequalities and poverty. On the one hand, in the “work society”, industrial society or, as Castel (2008) called it, “wage society”, which is typical of the welfare state in the most developed countries, work — especially wage-earning work — was a source of integration and social cohesion, a factor contributing to the forging of identity and a pre-requisite for the development of citizenship. On the other hand, with the adoption of the neoliberal model, the flexibilization and deregulation of labour relations and the consequent fragmentation, segmentation and precariousness of employment, the mechanisms and sources that generated exclusion, inequality and poverty were modified.<sup>1</sup>

Neoliberalism has been successful in terms of its foundational objectives of recovering and reversing the trend of capitalist accumulation, which had been declining in the early and mid-1970s. The neoliberal model operates on the basis of two organically linked and articulated processes, aimed at underpinning the increase in capitalist accumulation. The first is based on the flexibilization and deregulation of labour, with a consequent increase in unemployment and underemployment, and the spread of various forms of informal and precarious work. As a result, a large proportion of the working class became disengaged not only from their jobs, but also from their natural social and political organizations. This placed the “new worker” in situations of greater vulnerability and social defencelessness. The second process concerns the inability, or limited capacity, to maintain accumulation through expanded and sustainable exploitation and reproduction, which is affected by the constant crises of accumulation. The result was recourse to certain strategies of conquest and production of new spaces, the delocalization of labour and the recreation of mechanisms that were supposedly typical of primitive accumulation, such as the predation or direct dispossession of resources, goods and capital (Harvey, 2005).

By breaking the social pact that had articulated the capital-State-labour relationship under the welfare state model, neoliberalism altered labour management processes; but it also modified the mechanisms of marginalization, inequality and poverty prevailing in that model. The most important change relates not only to the expansion and growing trend of labour exclusion and the consequent widening of wage inequality, but, above all, to its generating sources, the mechanisms of legitimization and the forms assumed by social policy to address them (Castillo Fernández, 2018a). With neoliberalism, there was a shift from a “regulated dynamic” (characteristic of the “wage society”) to a deregulated

<sup>1</sup> Social integration and inclusion, along with the processes of identity and citizenship building, follow new logics. They are no longer necessarily based on labour relations, or perhaps ever less so. In many cases, they have other diverse and itinerant sources, which produces bewilderment, uncertainty and identity crises, especially among new workers, and also gives rise to exclusionary and precarious citizenships (Castillo Fernández, Arzate Salgado and Nieto Díaz, 2019).

one, with the inequalities that are intrinsic to labour flexibilization and precariousness (Castel, 2008). The merit of the national state, or the former welfare state, was the fact that it solved two problems in one, by facilitating an abstract form of social integration based on a mode of legitimization that was abolished with the new economic and labour model (Habermas, 1999). What might be defined as a new inequality and a new poverty does not necessarily concern or correspond to those excluded in labour, educational or territorial terms, as was previously the case. Hence, exclusion ceased to be confined to a simple and clearly defined representation between the integrated and the excluded, the winners and the losers; a context in which “the ‘new poor’ replaced the ‘residual’ poverty of the previous model” (Dubet and Martuccelli, 2000, pp. 163 and 165).

However, in Latin America no single development model has prevailed in recent decades, but, instead, very heterogeneous mixtures that are hard to classify. With the exhaustion of the import-substitution-industrialization model, or welfare state, the introduction of the neoliberal model ushered in a period of economic, social and political bifurcation, in which various models emerged, whether or not oriented towards containing the dominant model.<sup>2</sup> The region embarked upon a random process of containing neoliberalism, with the wave of progressive post-neoliberal governments that started in 1998 when Hugo Chávez came to power. The trend continued in Brazil, under the presidency of Luiz Inácio “Lula” Da Silva, former founding leader of the Workers’ Party, in 2003; in Argentina, with the presidency of Néstor Kirchner, initiated in 2003 and continued by Cristina Fernández de Kirchner between 2007 and 2015; in the Plurinational State of Bolivia, with the presidency of Evo Morales since 2006; in Ecuador, with Rafael Correa, between 2007 and 2017; in Paraguay, with the administration of Fernando Lugo, which began in 2008 and was interrupted in 2012; and in Uruguay, with the presidency of Tabaré Vázquez from 2010, which was continued by José Mujica in 2010, and then in 2015 when Tabaré Vázquez won re-election. Under these administrations, the neoliberal sectors lost some of their hegemony and power in the region. The scope of the projects pursued by these governments was limited, but they managed to mitigate the state of social tension and the adverse economic and social consequences generated by neoliberalism. In particular, the social policy promoted by these governments had a significant impact on the well-being of the poorest and most indigent social sectors. They also influenced the “middle class”, which expanded and consolidated significantly in many of these countries.<sup>3</sup>

This article uses empirical data to describe the features that seem to characterize the two major economic models of the last century and the present one thus far. The first model is characterized by the preponderance of the welfare state and the corresponding relative welfare structure thus generated. The second presents the distinctive and fundamental characteristics of the current neoliberal model, based on labour flexibilization, deregulation and precariousness. As a hypothesis, some of its key characteristics are explored in relation to the production of a new labour precariousness, along with new income inequalities and poverty in the region. The differences in this regard between the countries that embraced the neoliberal model and those that opted to promote and adopt post-neoliberal forms of governance are also analysed.

The study draws on official statistics published by the Economic Commission for Latin America and the Caribbean (ECLAC) and constructs a simple inequality abatement index (IA) that measures the range or difference in values of the Gini coefficient at two given points in time, applied to the measurement of inequalities:  $IA_D = CG_1 - CG_2$ . A poverty abatement index is also constructed, which measures the

<sup>2</sup> Argentina, Brazil, Chile and Mexico, which according to Bizberg (2015, p. 41) followed similar trajectories until the early to mid-1970s, diverged thereafter. Until then it was possible to speak of a Latin America, but now “it is now impossible to find a single development model in the continent”.

<sup>3</sup> Inequality, as social heterogeneity, covers different social spheres or spaces. For example, it encompasses the sphere of social classes, income, sex, ethnic condition, race, ascription group, and generational group, among many others. Within these, various dimensions of equality or inequalities can be discerned; for example, income, social welfare status, resources and assets, human capital and qualifications, labour and social opportunities, or collective and individual rights, among others (Castillo Fernández, 2018a; Sen, 1999).

differences or changes in the percentages of the population living in poverty by country:  $AR_p = PSP_1 - PSP_2$ . In general, the results in all of the dimensions and variables considered (employment, inequality and poverty) reveal unfavourable employment and social welfare consequences in the countries that adhered most closely to the neoliberal model, compared to those that opted for reformist models or post-neoliberal orientations.

## II. Social inequality and new sources of social integration, inclusion and exclusion

Since Marx and Marxism, the structure of social inequality has been viewed as an inherent feature of any form of class-structured society. In this case, it is considered intrinsic to the contradictions of capitalist society: not as a consequence of its failure or the distortions of its development, or of the lack of economic growth or its recurrent crises, but instead as the successful and victorious outcome of capitalist accumulation by one class, or sectors of the hegemonic classes, as opposed to the subordinate and dispossessed classes or sectors. According to Marx, capitalist society is unequal by definition;<sup>4</sup> and social inequality is inherent to the emergence, development and expansion of class society.<sup>5</sup> Recalling the biblical myth of “original sin”, Marx explained the process of primitive accumulation and the process of “predation”, by a nascent elite from the rest of society, with the consequent emergence of a social class of exploited and destitute workers.

This primitive accumulation plays in political economy about the same part as original sin in theology. Adam bit the apple, and thereupon sin fell on the human race. Its origin is supposed to be explained when it is told as an anecdote of the past. In times long gone-by there were two sorts of people; one, the diligent, intelligent, and, above all, frugal elite; the other, lazy rascals, spending their substance, and more, in riotous living. (...) Thus it came to pass that the former sort accumulated wealth, and the latter sort had at last nothing to sell except their own skins. And from this original sin dates the poverty of the great majority that, despite all its labour, has up to now nothing to sell but itself, and the wealth of the few that increases constantly although they have long ceased to work (Marx, 1988, pp. 891 and 892).

In his critique of capitalist society and its contradictions, especially in terms of exorbitant production or overproduction, capitalist accumulation and its inherent crises, Marx himself did not in any way advocate an egalitarian distribution of income as a viable proposition. The equality he accepted, or at least envisioned, was only that which emanated from a classless society. In this regard, Engels (2014, p. 169) was radical in considering that “Any demand for equality which goes beyond that, of necessity passes into absurdity”. Marx criticized the recurrent idea of considering human beings only as workers, while ignoring the other aspects of their life and the various requirements for the satisfaction of their needs. Hence he focused his attention on the idea of “multiple diversities” and, linked to this, on difference in needs. Equality and inequality are not unique, so it is convenient to talk about inequalities or, paraphrasing Sen (1999), the question should always be posed in terms of “inequality of what?” It

<sup>4</sup> As Wallerstein (1999, p. 92) stresses, this is an inherent and defining characteristic of the predominant system in the modern world. Capitalism “is an inequitable system by definition”, not because it works badly, but because it works too well in supporting the interests of capitalist accumulation. From another perspective —such as structural functionalism, which is diametrically opposed and widely questioned— based on the idea of an “irremissible” society structured in perpetuity in terms of positions of power, prestige and money, every society has as a prerequisite a necessary and functional stratification system, in which the actors are socially rewarded according to their status or position and roles (Davis and Moore, 1945; Ritzer, 2002).

<sup>5</sup> A century before Marx, and using the metaphor of the natural state, Rousseau (1996) proposed that social ills stemmed from the emergence of private property and adherence thereto by the social majority. This approach gave rise to the concept of civil society.

should be borne in mind that, theoretically, all human beings are equal or unequal in one respect or another, considering a particular sphere within a domain of possibilities. To the first question one could add: from whom? or among whom? and the more difficult question, why? Moreover, equality in some areas could give rise to new inequalities in others.<sup>6</sup>

A characteristic of today's capitalist society, globalized, deregulated and with a high level of labour flexibility, is its elevated "ambivalence". This is evidenced by the fact that it produces and reproduces, simultaneously, both more inclusion and more exclusion, more equality and more inequality, more wealth and more poverty, more information and more disinformation, more political organization and less social control, more legality and more illegality, more democracy and less participation, more security and more risk (De Giorgi, 1998; Corsi, 1998). In the new environment, traditional or structural inequalities expanded while others emerged, differentiated by their heterogeneity, by their overlapping or re-classifiable characteristics within the old, very particular categories of inequality, by their juxtaposition and their sources of generation, and by the uncertain dynamics and randomness of individual trajectories (Fitoussi and Rosanvallon, 1997).

In this sense, and marking the distinctions with other elementary or pre-modern forms of society, Beriain argues that:

Integration in modern societies does not take place in one sphere —economic, political or cultural— but is the product of the coordination of several integration processes [...]. There is no simultaneity in these integration processes. Integration does not occur "from outside" [...] but, rather, several integration processes coexist horizontally and suboptimally within society as a whole, each according to its own logic [...] (Beriain, 1996, p. 23).

From another perspective, this idea is also supported by Wallerstein, who highlights the apparently paradoxical and differentiating nature of the capitalist system in relation to previous social formations, when he notes that:

One of the elementary formulae on which our own historical system, the capitalist world and economy, is based, is to keep people out while keeping people in. [Which is also] a specific feature of this historical system that distinguishes it from earlier ones, which usually started from the principle of including some people and excluding others. (Wallerstein, 1999, p. 92)

The global and universal treatment and regulation of exclusion and inclusion are relatively cancelled. Similarly, integration operates in increasingly specific and differentiated spheres, despite, or even because of, the processes of supposed social homogenization fostered by globalization. The latter has not only modified the mechanisms of exclusion, but has also displaced the centrality of the traditional and classic forms and sources of social inclusion and integration. In the modern globalized world, developed or otherwise, work has been the primary and basic source of social integration. Freedom and human fulfilment were not always linked to work. On the contrary, they had an opposing and marginal value in society. For example, in ancient Greece and classical Rome, in contexts of slavery, freedom was not defined in relation to work; but this factor excluded the individual from society. Thus, whoever had to work was neither free nor a member of society (Beck, 2000, p. 19). Society was defined in opposition to work; and social life was configured around other aspects and activities, generally of a cultural or political nature (even leisure). Work did not represent an individual or collective achievement —much less a virtue— and engaging in it denigrated the person.

While, in the pre-capitalist world, work excluded the individual from society, with capitalist modernity it attained a core value, central, and integrating of the individual in society. The feudal world inaugurated

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<sup>6</sup> According to Sen (1999, p. 135), since "we are so profoundly diverse, equality in one realm often leads to inequalities in other realms".

a long period of social transition in this regard, which culminated in the paradox of the “liberation” of the individual worker (Anderson, 1990). It was industrial capitalism that finally and radically introduced positive change in the social value of work and generated the social conditions that determined the “ascent” of the labourer to the status of free worker, with the consequent recognition of his being the owner of his labour force, which he trades in the market to obtain subsistence (Castillo Fernández, 2017). From then on, work, especially waged work associated with the factory, became the central and integrating value of the individual in society, thus reversing the nature of feudal and earlier societies.<sup>7</sup> Work not only serves as a foundation for personal, labour and social identities with the disappearance of the traditional order, but also engenders new social bonds and the contradictions that are characteristic of modern societies (Dubet and Martuccelli, 2000; Bauman, 2003). Individuals achieve their identities and personalities only in and through work, in the same way that they acquire citizenship rights, and can only be conceived of as citizen workers (Beck, 2000, p. 21).<sup>8</sup>

With the neoliberal economic model, however, work has lost, or is losing, this capacity to bind and integrate the individual into society. The multiple and discontinuous segmentation of flexible and precarious work has served to erode and fragment the status of the individual and his or her links with other mechanisms of society. What has been somewhat lost is the work ethic that, in Weber’s (1989) conception, characterized Western capitalism. The same author highlighted the economic, social and cultural importance that this ethic afforded to the organization of work and its significance in the modern world. Perhaps, as Dubet and Martuccelli (2000, pp. 147 and 148) argue, work remains a privileged place of construction of one of the dominant representations of the subject in our society; but it no longer has the hegemonic role from which it benefited in the past. To this they add that, while work still remains one of the main —but not the only— element of social integration, and even of the organization of social life, it is no longer really a matrix of meanings and values (Dubet and Martuccelli, 2000, pp. 148 and 149).

### III. “Society of work”, neoliberalism, precarious work and new social inequality

After World War II, Latin America experienced a long period of industrial development and a non-genuine form of “wage society”, with its own characteristics (Castel, 1997 and 2008), following the implementation of the import substitution economic model and the establishment of the welfare state. While it maintained the centrality of exploitation and widespread accumulation of labour, the industrial wage society differed in many ways from the European model, operating under certain principles of social solidarity, with a strong government intermediation (of the welfare state) and a direct link between the other two social actors: the capitalist sector or national industrial bourgeoisie, and the working class or organized labour. Although this industrial society was never egalitarian or conflict-free, nor was ever intended to be, it accompanied a period of economic growth in which the management modality was negotiation. In that context, conflict, whether manifest or latent, operated in relation to those three clearly identifiable social actors (Castillo Fernández, 2018a).

The 1940s was a period in which two phenomena coincided. Firstly as a result of the development and expansion of medical knowledge and initial endeavours in the domain of social policy, mortality trends were altered —in circumstances in which fertility rates were accelerating— which generated

<sup>7</sup> With the exhaustion and subsequent disappearance of the traditional feudal order, work —in addition to engendering the social bonds of modern society— became the source of new identities (Dubet and Martuccelli, 2000).

<sup>8</sup> Modern democracy rests on the distribution of wage labour. There is no democracy without this elementary requirement. Castel, who defended the idea that wage labour organizes society, given that social cohesion is articulated around work, recalled the history of the right to vote in France, when, even after the French Revolution, servants did not have this right because they were considered non-autonomous or non-independent (Cabezón, 2013).



major changes in population growth rates. Secondly, the incipient industrialization process significantly deepened levels of impoverishment, unemployment and misery. The neo-Malthusian argument, which was propounded repeatedly at that time, was that “we are unequal and poor because there are too many of us”. It was claimed that deteriorating welfare was a direct consequence of population growth. This idea found justification and fertile soil in the socioeconomic and demographic changes that occurred in that decade and subsequently, as well as in the growth of the emerging industrial proletariat.

According to the modernizing and developmentalist ideas of the time, economic growth was expected to solve the problems and distortions generated by underdevelopment and the failings of capitalism. Its promoters shared a predominant, yet false and almost mythical, notion that inequality and poverty stemmed from lack of development, and that industrial capitalist development would enable full social integration. The question and concern seemed correct in theory, but the answers did not. For this reason, it attracted early criticism from the academic community, especially from intellectuals who promoted dependency theory in its various versions. Modernization theory, with a structural functionalist orientation, which emerged in American society after World War II, also considered social stratification —and, consequently, social inequality— as valid and, to some extent, functional and necessary in contemporary society.

The 1960s marked the peak of the problem of unemployment, inequality and poverty. The complex characterization of the situation gave rise to a range of conceptualizations in the academic, institutional and political spheres, as well as different analytical approaches. This was a time when the concepts of marginalization, marginality (DESAL, 1965 and 1969) and, above all, that of “marginal mass” proposed by Nun (1971) and Quijano (1973), of neo-Marxist orientation, were introduced. These authors drew attention to the logical contradictions of the capitalist system, in terms of a functionality or dysfunctionality of the “industrial reserve army” proposed by Marx, given the unusual increase in marginality and the surplus labour force that was not fully absorbed in the production process (Castillo Fernández, 2009 and 2018a). Shortly afterwards, in 1973, studies of domestic units attracted increasing interest, based on the concept of family or survival strategies (Duque and Pastrana, 1973). The variety of concepts, prior to and coinciding with that of the “informal sector” —which was introduced and coined through institutional channels in the 1972 report on Kenya published by the International Labour Organization (ILO)— reveals the magnitude and complexity attained by the problem of occupational marginalization in that period.

However, in the modernizing and developmentalist conceptions of the time, the idea persisted that economic growth would solve the problems and distortions generated by underdevelopment and the specific dynamics of peripheral capitalism. It was a period dominated by the false and almost mythical idea that inequality and poverty stemmed from a lack of development. Above all, the underlying assumption was that industrial capitalist development would make integration and social inclusion possible. Behind the idea of marginalization, supposedly derived from such imbalances, the concept of social integration prevailed as a viable, desirable and necessary possibility for the system itself. Marginalization was assumed as being peripheral or outside the system, or as a state of exception that should and could be remedied within the logic of the system itself. Inequality and poverty were considered transitory situations, in an inevitable process of extinction (Castillo Fernández, 2018a).

Aside from the magnitudes attained by these two social ills, at least in the institutional sphere, the idea of possible social integration persisted. This stemmed from the “social pact” between the three sectors involved: capital, the mediating benefactor State and the organized and belligerent working class. This utopia or illusion of inclusion, and the mechanisms to achieve it, were lost with the adoption of neoliberalism, for reasons inherent to its nature and to the foundations of the economic and

social dynamics of that model.<sup>9</sup> It should be noted that, the risks of inequality and poverty increased with the flexibilization and deregulation of labour relations and the consequent spatial and temporal fragmentation. The latter was compounded by the segmentation and increasing precariousness of employment (meaning a loss of job quality in terms of security, stability and income). Furthermore, unlike the previous economic, social and political model, the mechanisms and sources generating exclusion, social inequality and poverty were modified and institutionalized.

Neoliberalism implied, on the one hand, a substantial change in the mechanisms and forms of organization of production and management of work. However, it did not entail the loss of labour centrality, since the model represented a triumph of the financial bourgeoisie over the national industrial bourgeoisie and extended the sources of accumulation and appropriation beyond the expanded exploitation of labour. Coincidentally, it thus promoted a new form of exclusion and sources of inequality and poverty, distinct from those of the previous model. Moreover, according to Harvey (2005), a characteristic of the accumulation process in this model corresponds to what he calls “accumulation by dispossession”, also called accumulation by predation, or primitive accumulation. This differs from the classical form of accumulation centred on the expanded and direct exploitation of the labour force and on economic growth. In certain phases — such as when the welfare state predominated— it was not even contradictory to the idea of raising workers’ standard of living (Harvey, 2013). According to this author, this is a characteristic of neoliberalism, given the displacement of the goods-producing sectors and the hegemony of the financial sector. He therefore accepts that an increasing amount of surplus value is produced, but denies that this only occurs in the production domain.

In one sense, neoliberalism is an updated form of primitive accumulation. However, it does not substitute expanded reproduction (or exploitation of living labour in production) for a supposedly earlier phase, belonging to the stage of original or primitive accumulation, but rather the coexistence or organic link between the two.<sup>10</sup> One of its specific features consists of speculating on commercial liberalization and the valorization of assets, including “immaterial goods”, as well as the devalorization of the labour force. On this point, Harvey agrees with Marx and argues that such liberalization will not produce a state of harmony in which everyone would be better off, but will instead generate higher levels of social inequality (Harvey, 2005, p. 112). This is what has happened throughout the nearly four decades of neoliberal hegemony, in developed and developing countries alike. It has also meant the emergence of new forms of social inequality and poverty, such as exclusion, no longer, or not directly, linked to the expanded exploitation of the labour force *strictu sensu*, as before, but generated, almost exclusively, in the spheres of production and direct extraction of surplus value (López, 1998). This is the new environment in which the existence of a “new form of social inclusion” was framed, replacing the exclusion, marginalization and residual poverty inherent to the labour management model of the welfare state and the “wage society”, with its expectations of full integration into the labour market.

<sup>9</sup> Neoliberalism not only introduced major changes in the spheres of production and labour relations in the region and throughout the world, but it also transformed the class structure. Firstly, the national bourgeoisie was displaced by the export and financial bourgeoisie linked to transnational capital; and, secondly, the working class, represented mainly by the industrial worker, was cast adrift in labour, social and political terms. With neoliberalism, the State, as a mechanism of mediation between capital and the working class or civil society, became superfluous, separated from the functions of protection, security and social management (Castillo Fernández, 2018b).

<sup>10</sup> This particular form of accumulation can occur in various forms or modalities and can be repeated at different times (regardless of the historical stage), since it insures the capitalist accumulation process against the risks of being obstructed. It also reproduces or continues the systemic practices of the primitive accumulation phase, characterized by the methods of colonial policy, the resort to dispossession, predation, oppression, deception and violence, which made capitalist development viable. Harvey states that “inability to accumulate through expanded reproduction on a sustained basis has been paralleled by a rise in attempts to accumulate by dispossession” (Harvey, 2005, p. 100).



## IV. Employment, income inequality and poverty

The deterioration of the quality of employment, compounded by increased income inequality and its consequences for conditions of well-being and poverty, is global and increasingly dramatic. Job insecurity and income inequality have been the greatest social scourge in developing countries, and even in developed ones, over the last three or four decades. The International Labour Organization (ILO) has recognized that the employment model has changed in recent decades, and that there has been an unusual increase in precariousness. This is explained by the loss of the importance of employment with stable contracts and full working days, factors that, according to Guy Ryder (2015), director of that organization, represent less than a quarter of all jobs in the world. The Organization has also noted that the trends are rising, and that the significant expansion of precarious employment has direct consequences in terms of increasing and widening income inequalities. Latin America has not been, and is not, the exception; on the contrary, this is one of its outstanding characteristics.<sup>11</sup> However, the adverse consequences for the labour market and the increase in inequality and poverty seem to be greater in countries that embraced the neoliberal economic model (in its most orthodox version) and subordinated their economic and social policies to the dynamics of the free market. In contrast, as shown by some indicators, in countries and governments that have promoted post-neoliberal policies in opposition or resistance to neoliberalism, albeit with heterogeneous and unequal emphases and results, the results have been relatively positive, in line with the economic and social policies promoted.

Decent, not precarious, work is a necessary condition for overcoming income inequality and poverty. However, for nearly four decades —with the establishment and hegemony of the neoliberal model— the gap between rich and poor has widened considerably, reaching unprecedented levels, particularly in the countries of the Organisation for Economic Co-operation and Development (OECD). Excluding Bulgaria, Chile, Costa Rica, Mexico, South Africa and Turkey, the United States has become one of the most unequal developed nations in the world (OECD, 2020).<sup>12</sup> In that country, unemployment, precarious part-time work and, above all, wage inequality, have all been growing since well before the economic crisis of 2008. Hence, according to Stiglitz (2012, p. 50), “Although the United States has always been a capitalist country, our inequality—or at least its current high level—is new.” The inequality that has existed for about 30 years has grown dramatically. In 2007, with the crisis looming, the median income levels of the top 1 percent of earners were 73 times those of the bottom 20 percent.

The Better Jobs Index, created by the Inter-American Development Bank (IDB), which measures the employment situation of countries based on two dimensions (quantity and quality of jobs), offers suggestive results in this regard. The quantity dimension is broken down into two indicators: (i) the activity or labour participation rate; and (ii) the employment rate. The quality index is constructed from the formality rate and jobs paying wages above the cost of the basic food basket, sufficient to exceed the poverty line. The index is a weighted average of these four indicators and its scores range from 0 to 100. This means that, in a country scoring 100 points, all people participating in the labour force would be employed with a formal job paying a living wage (IDB, undated). It is worth noting that Chile, Costa Rica, Panama and Uruguay are the countries with the highest scores on this index and, consequently, with labour structures of greater relative coverage, and supply of and demand for “formal” employment. At the other extreme is the region’s second largest economy, Mexico, which is ranked 13th out of 17 countries. This has one of the most limited and deficient labour markets in terms of job quality, better only than those of El Salvador, Guatemala, Honduras and Nicaragua (see table 1).

<sup>11</sup> Inequality in the share or appropriation of income generated in the production process, which translates into a low wage share, has been and remains one of the characteristics of Latin American and Caribbean economies. These have declined persistently since the mid-1970s, precisely when the neoliberal economic model was being adopted (ECLAC, 2018).

<sup>12</sup> It is estimated that there are five people who own as much wealth as half of the world’s population (Buchheit, 2017), and that inequality is even increasing more among rich countries than in Latin America. Perhaps this is a result of the direct impact of governments that promoted redistributive policies under conditions of weak economic growth and development, with an indirect demonstrative effect on the other countries.

**Table 1**  
Latin America (17 countries): Better Jobs Index and wage bill share of GDP, 2018

Country	Better Jobs Index (IDB) 2018	Rank	Wage bill divided by GDP 2016	Rank
Argentina	59.6	7	42.8	4
Bolivia (Plurinational State of)	57.4	9	30.2	12
Brazil	59.9	5	44.7	2
Chile	65.9	2	38.6	6
Colombia	57.4	10	33.5	9
Costa Rica	62.6	4	46.8	1
Ecuador	59.9	6	---	---
El Salvador	49.6	14	37.8	7
Guatemala	43.4	17	---	---
Honduras	44.6	16	44.1	3
Mexico	53.9	13	26.7	13
Nicaragua	48.4	15	39.8	5
Panama	64.4	3	24.8	14
Paraguay	58.7	8	31.4	11
Peru	55.9	12	31.5	10
Dominican Republic	56.4	11	---	---
Uruguay	71.4	1	37.4	8

**Source:** Inter-American Development Bank (IDB), "Better Jobs Index", n/d [online database] <https://mejorestrabajos.iadb.org/en> and Economic Commission for Latin America and the Caribbean (ECLAC), *Social Panorama of Latin America, 2018* (LC/PUB.2019/3-P), Santiago, 2019.

The key feature of the regional labour market is its high degree of heterogeneity, which implies various combinations that have an impact on job quality. An indicator of central importance in characterizing the quality of the labour market and the levels of capitalization and concentration of wealth is the structure of labour income. Directly or indirectly, this corresponds to the share of the wage bill in each country's national income or gross domestic product (GDP). In this regard, ECLAC (2017 and 2019a), for the first time included fundamental information for 15 countries and the regional average, with time-series data from 2002, 2006, 2010, 2014 and 2016. The data reported for the region reveal a significant reduction in the wage share of GDP (from 41.8% in 2002 to 39.4% in 2006, 39.3% in 2010, 40.2% in 2014 and 37.5% in 2016). This is an indirect indicator of the trend of increasing income concentration or the fall in the global average of workers' wages. As shown in table 1, the share of the wage bill or percentage of GDP allocated to wage-earners' remuneration varies between countries such as Costa Rica, Brazil and Honduras, with shares of 46.8%, 44.7% and 44.1%, respectively (the highest shares), and Mexico and Panama, in the lowest ranked countries, with shares of 26.7% and 24.8%, respectively, and systematically declining shares since 2002.

In 2002–2014, just four of the countries considered saw an increase in the share of GDP destined for the payment of employee wages; precisely the next four best rated in the last year: the Bolivarian Republic of Venezuela, Brazil, Honduras and Uruguay, with shares of 51.2%, 52.2%, 44.6% and 41.4%, respectively (ECLAC, 2017, p. 64). In that period, Brazil and the Bolivarian Republic of Venezuela experienced the highest wage shares, with increases of around 5.0%. Brazil was also "the only country in which the indicator rose in all the periods under consideration, [and those increases have] been relatively homogeneous since 2002" (ECLAC, 2017, p. 64). In general terms, the trends persisted in 2016, as Argentina, Nicaragua and El Salvador, with 42.8%, 39.8% and 37.8%, respectively, experienced significant improvements and overtook Chile and Uruguay. However, Mexico and Panama ratified their positions with the lowest wage shares in GDP in the region (see table 1) (ECLAC, 2019a).

However, despite significant efforts by some countries, global income inequality has changed little in the last 15 years. The general trend of steep decline in the Gini coefficient occurred in the

period 2002–2014; but this slowed from 2015 onwards, with increasingly smaller variations (ECLAC, 2017 and 2019b). The aggregate data, moreover, hide differences in the trends of specific countries, but reveal the concentration of income in the last two quintiles. Most importantly, they show the overall average change experienced (almost none), with no major impacts on the rest of the income structure in the lower and middle deciles. Inequality in the income distribution barely declined in the bottom segment of the richest 20% for more than a decade. The rich sacrificed little or none of their income, thus maintaining the poverty-generating structure of exclusion and inequality. The global change resulted largely from the contribution made by countries with governments that promoted more resolute income redistribution and poverty-reduction policies.

Latin America is still considered the most unequal region in the world, as a result of a stagnant structure, typical of an elitist society, apart from membership in certain social classes. Although it is not currently the region where inequalities are growing by most, at the domestic level the heterogeneity and differences between and within countries are notable. The same is true of the differences in the levels of abatement achieved in recent decades. The weak performance of the labour market, in addition to being conditioned by the relatively high rate of growth of the labour force —stemming from the shift in age cohorts and the consequent increase in the working-age population— and by the impact of growing female economic participation, has been affected directly by various business strategies aimed at maximizing capitalist profit rates, in an environment of increasing international economic competition. The positive trend of recent years, in this regard, has been very limited and uneven among the different countries and sectors of the population.

Data published by ECLAC on inequality in Latin America in the period considered (2000–2018), measured through the Gini coefficient (which takes values ranging from 0 to 1, representing the absence of inequality or total equality and maximum inequality, respectively), show a variation in the average value for the region that varies not only through time, but, above all, between countries. Income inequality went from 0.538 in 2002 to 0.477 in 2014; 0.469 in 2017, and 0.465 in 2018 (ECLAC, 2019b). The countries with the highest levels of inequality, with average Gini values above 0.5, are Brazil, Colombia, Guatemala and Mexico; and the countries with the lowest inequality are the Bolivarian Republic of Venezuela —the least unequal country in the region, according to data available from 2014— followed by Argentina and Uruguay (ECLAC, 2019b). In the period considered, the progress made, or level of inequality abatement, was also very unequal between countries.

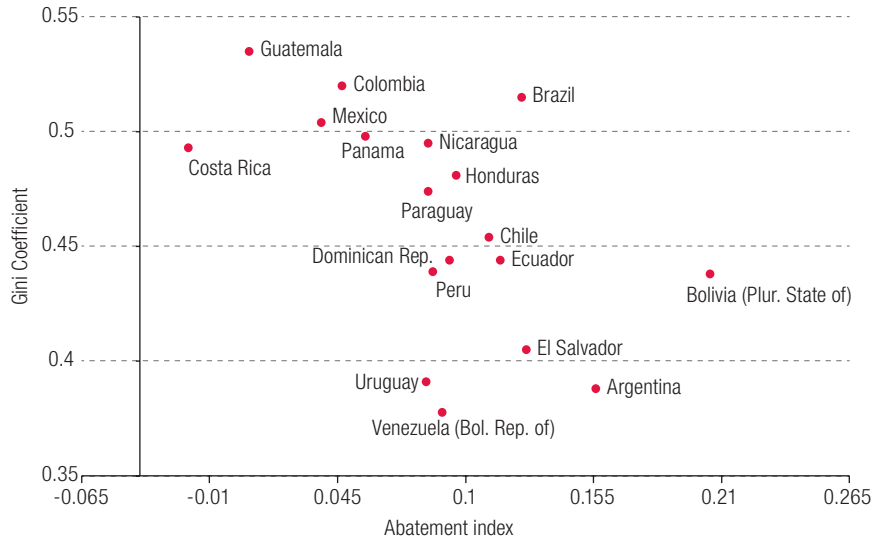
In this study, the consistency of the data on income inequality was extended by applying an abatement index ( $IA_D$ ), defined as the range or difference of values of the Gini coefficient at two given points in time for which information is available.

$$IA_D = CG_1 - CG_2 \quad (1)$$

This index shows that the efforts made and the achievements attained in recent decades were very unequal across the region. Figure 1 is indicative of the hypothesized differential effects in the countries according to the economic models applied, based on the levels of inequality reported and the efforts made to reduce them. The countries with the best results, as measured by  $IA_D$ , were Argentina, Brazil, Ecuador, El Salvador and the Plurinational State of Bolivia. The worst, or those making the least progress or suffering the greatest setbacks were Colombia, Costa Rica, Guatemala, Mexico and Panama. In general, the economic crisis of 2007 and 2008 did not widen the disparities between the extreme groups of the distribution of average income in the region; and, according to ECLAC, seven of the ten countries considered (the Bolivarian Republic of Venezuela, Costa Rica, the Dominican Republic, Ecuador, Paraguay, Peru and Uruguay) displayed a trend towards a reduction in income distribution disparities during that period. As an exception, “Mexico was the only country to show a clear trend toward worsening income distribution” (ECLAC, 2009, p. 54). Mexico was also one of the lowest ranked

countries in terms of job creation — with one of the worst wage structures in the region, wage levels that have been stagnant for more than 20 years (González, 2015; Barragán, 2015) and one of the highest levels of inequality among OECD and Latin American countries. In the last three decades — during the long period of neoliberal hegemony — the disparity between rich and poor widened in this country. The differences in incomes received between the richest 10% and the poorest 10% have widened still further since 2000, from 25.8 times in 2004, to 26.8 in 2008 and 28.5 in 2010. In the latter year the income differences between these groups in OECD countries as a whole was 9.8 times (González, 2013).

**Figure 1**  
Latin America (18 countries): Gini coefficient and levels of income inequality abatement, 2000–2018



**Source:** Prepared by the authors, on the basis of Economic Commission for Latin America and the Caribbean (ECLAC), *Social Panorama of Latin America, 2019* (LC/PUB.2019/22-P/Rev.1), Santiago, 2019; *Social Panorama of Latin America, 2016* (LC/PUB.2017/12-P), Santiago, 2017, and *Statistical Yearbook for Latin America and the Caribbean, 2014* (LC/G.2634-P), Santiago, 2014.

**Note:** In the cases of Argentina, Brazil and Ecuador, the years 2017, 2015 and 2017, respectively, were taken as the last year of analysis, coinciding with the end of post-neoliberal governments and the reversal of observed trends.

In the region, the population living in poverty has declined in recent decades, partly owing to the average rise in income levels in countries that pursued redistributive policies, in conjunction with the anti-poverty policies implemented by governments. Most of these policies consisted of targeted programmes aimed at subsidizing the basic minimum needs of the most disadvantaged groups. Nonetheless, poverty and extreme poverty levels in the region have increased since 2015, reaching 30.8% and 11.5% of the population, respectively, in 2019 (ECLAC, 2019b). This requires the great challenge of social policies to be reconsidered; and it must be accepted that economic growth is a necessary, but insufficient, element for poverty abatement.

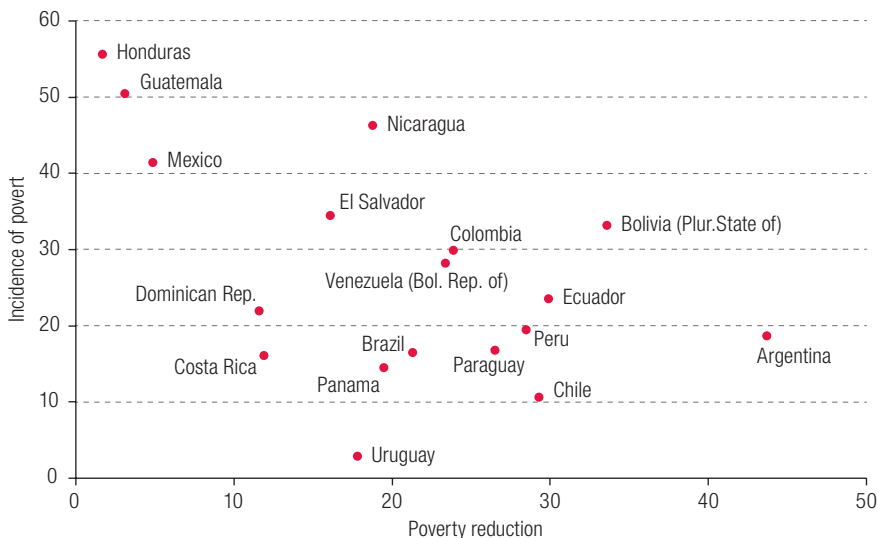
According to ECLAC data on the proportion of the population living in poverty and indigence in Latin America in 2018, the countries with the lowest incidence of poverty are Uruguay and Chile, with rates of 2.9% and 10.7%, respectively, followed by Panama (14.5%), Costa Rica (16.1%) and Brazil (16.5%). The first two, Uruguay and Chile, present very low levels of extreme poverty, at just 0.1% and 1.4% of their population, respectively (ECLAC, 2019b). The opposite is true of the countries with the highest levels of poverty, namely Honduras (55.7%), Guatemala (50.5%), Nicaragua (46.3%) and Mexico (41.5%). The countries with the highest levels of extreme poverty are Honduras (19.4%), Nicaragua (18.3%) and Guatemala (15.4%).

The analysis of poverty abatement trends or rates in the region, measured through the poverty abatement index ( $IA_p$ ) — which considers the range or difference in the proportion of the population living in poverty at two given points in time for which information is available — points in the expected direction.

$$IA_p = PSP_1 - PSP_2 \quad (2)$$

Figure 2 demonstrates these trends in the expected direction and corroborates the hypothesis regarding the achievements of the models pursued by the countries of the region, and the effort made, or not made, to reduce poverty. This index shows that the achievements were very unequal across the region, correlating with the type of welfare policy promoted. The countries with the highest  $IA_p$ , with poverty levels below or above the average and greater achievements, were Argentina, Chile, Ecuador and the Plurinational State of Bolivia. With lower relative levels, due in part to the poverty rates already achieved, were Brazil, Costa Rica, Panama and Uruguay. Meanwhile, with poverty rates well above the average, in the quadrant of high poverty with setbacks or few achievements, Honduras displays the least progress, followed by El Salvador, Guatemala, Mexico and Nicaragua, which stand out for the magnitude of the setbacks suffered in combating poverty in the period considered (see figure 2). In terms of poverty levels and the weakness of policies to reduce and combat poverty, the group of five countries mentioned (El Salvador, Guatemala, Honduras, Mexico and Nicaragua) shows once again how a process of “Central Americanization” has occurred in Mexico during the last almost two decades of neoliberal hegemony.

**Figure 2**  
Latin America (18 countries): population living in poverty  
and poverty abatement rate, 2000–2018  
(Percentages)



**Source:** Prepared by the authors, on the basis of Economic Commission for Latin America and the Caribbean (ECLAC), *Social Panorama of Latin America, 2019* (LC/PUB.2019/22-P/Rev.1), Santiago, 2019, and *Statistical yearbook for Latin America and the Caribbean 2014* (LC/G.2634-P), Santiago, 2014.

**Note:** Data for Argentina, Brazil and Ecuador correspond to 2017, 2014 and 2017, respectively, coinciding with the end of post-neoliberal governments and the reversal of observed trends.

In Mexico, as in the region's other countries, poverty conditions are linked to the dynamics and quality of employment, especially in terms of labour income. According to the World Bank, labour markets have been the main avenue for reducing poverty levels in the region, at least since 2013. In many of the countries, poverty related to labour income — or labour poverty, in which a household's

labour income is insufficient to support its members— continued its downward trend. This phenomenon became “the primary driver of poverty reduction”, and, although the pace has become increasingly slower, at least since 2010 the trend has been maintained, from which “Mexico was the only exception” (World Bank, 2015, p. 17). Mexico has been, and continues to be, the “country of exceptionalities”, derived from the vulnerability of workers owing to the economic and labour model applied, and the country’s structural dependence on the dynamics and performance of the United States economy. While most of the countries in the region have significantly reduced their poverty and indigence rates, regardless of the economic crises they faced, Mexico has failed in this endeavour. Hence, in the context of the 2007 and 2008 crisis, “Only in Mexico did the situation worsen” (ECLAC, 2009, p. 50).

It is worth considering that, theoretically, in addition to the factors associated with employment conditions and wages that are typical of peripheral neoliberal globalized economies, in economies and countries that are more closely linked to each other and produce for a global market, the production or marketing cycle no longer depends on domestic consumption, or else does so less. Accordingly, these countries can dispense with the consumption of a portion of their national workers by maintaining low-income wage structures, along with their direct and indirect consequences for levels of well-being, inequality and poverty among the population, and rely instead on the international market. Hence, any change aimed at strengthening the domestic market, even if minimal and complementary, could have a positive impact on the most vulnerable. South American countries in particular, which have promoted post-neoliberal development models, have made significant progress in terms of well-being and reducing inequality and poverty levels among their populations.

## V. Final remarks

Flexibilization, deregulation and precariousness were institutionalized, and their legitimization was promoted, initially de facto, as part of the labour normalization process and, subsequently, through labour reforms, which also institutionalized the risk of exclusion. Labour flexibilization and deregulation, which was proposed as a way out of the employment crisis that began in the mid- and late-1960s, rather than a cure (or remedy) became the evil itself, the “labour disease” (Castillo Fernández, 2018a). Neoliberalism took the disease itself as the solution, thus closing down any possibility of improvement and “healing on its own body”, leaving its own death as the only viable way out. Labour flexibilization and precariousness are intrinsic to the neoliberal model — its very essence. Hence, the principle of distributive justice articulated to work as employment and the payment of a wage — through a generally stable job — typical of the wage society model and the welfare state, has no place in the logic of neoliberalism.

With the adoption of the neoliberal economic model and the separation of the three fundamental elements (the national state, the industrial bourgeoisie and the working class), the basic foundations on which the welfare state and the idea of development promoted under the import substitution model had hitherto rested were eroded. In the context of neoliberal globalization, the State, as an instrument of power and class domination, was not weakened. On the contrary, the disarticulation of the working class redirected the correlation of forces in its favour, to the detriment of the working class and other subordinate classes. The national state was significantly eroded (Ohmae, 1997); but, as an instrument of power at the service of the financial bourgeoisie, it was strengthened. The question arises as to whether, if a protectionist or semi-protectionist economic model is imposed, it would be possible to consider a return to development, based on the reconfiguration of a new welfare state model in Latin America. Early in the last decade, Quijano (2000, p. 38) warned that the problem of development, as a goal to be achieved in the context of globalization itself, seemed to be gaining ground.



The claim being made in this regard is that the breakdown of this pact, which occurred in the mid-1970s, and the current organizational weakness of the working class, makes it unfeasible to rebuild an authentic welfare state, aside from all considerations regarding the possibility of reorganization from the State and reorientation of the economic model. In this framework, the resurgence of a new welfare state becomes almost impossible, since the working class has no social or political capacity to assume such an alternative project, as a counterweight to the State and the capitalist class, following the model of the previous welfare State. At least, this is what seems to be happening (Castillo Fernández, 2018b). The question that arises is whether or not, in the current context, it is possible to reconstruct or redefine that social pact. However, despite all the known contradictions, the return to protectionism or to a semi-protectionist model, with the development of the national state, could be favourable, at least for the middle social sectors and the working class that are directly affected by labour flexibilization and deregulation in their employment conditions and social and labour welfare. In particular, the production and reproduction of inequality and poverty in the capitalist logic would require the social pact to be redefined. The fundamental conceptual triad that explains and determines labour and social exclusion is not that of the State, the market and the international system, as Cimadamore (2008) claims, but that which is implied by the relationship between the State, the working class and the market, and which served as the basis of social policy during the welfare state.

The State has a function beyond serving as a mechanism of political control and intermediation. Even under free market capitalism, its intervention in the redistributive tasks of a democratic system. It is here that a new form of State would seem to be appropriate and play an important role.<sup>13</sup> However, the State is an epiphenomenon if it is not considered in relation to the interests of the classes in power and the consequent internal correlations of forces. This may not be possible; but a “forced” change in the economic policy of commercialization, with protectionist or semi-protectionist systems, would require Latin American countries to make adjustments to the economic model being pursued. In principle, they might have to look for other markets. Also (and this could be favourable to policies for the expanded development of domestic production and consumption markets), these adjustments could be combined with policies on job creation and income redistribution, and even promote, in a complementary manner, interregional integration mechanisms for the marketing of products and the development of regional labour markets.

Unemployment, precariousness, social inequality and poverty, in their new forms, magnitudes and trends, are inherent consequences of the contradictions of capitalism in the globalized neoliberal phase. The shift away from standard work arrangements, typical of the welfare state model, to flexible, deregulated and precarious employment, by institutionalizing new forms of labour management, normalized the risk of wider income inequalities and new forms of poverty. A welfare policy aligned with the conditions and demands of the population is unfeasible under neoliberalism, because it faces insurmountable obstacles. However, post-neoliberalism, whether as reformism or as a possible way out, despite failing to overcome the source of contradictions of the economic and labour model —and even making the model viable— makes this model less cruel and dramatic, as has been demonstrated, insofar as it can target its social policy to the most immediate interests of the neediest population groups, deprived of resources and basic benefactors.

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<sup>13</sup> Wallerstein himself, who questions the viability of development in the context of today's globalized capitalism, recognizes that the State is not irrelevant in this process (Wallerstein, 1999, p. 137).

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