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Abstract

This paper documents patterns and recent developments on income inequality in Latin America (LA). New comparative international evidence confirms that LA is a region of high inequality, although maybe not the highest in the world. Income inequality has fallen in the 2000s, suggesting a turning point from the substantial increases of the 1980s and 1990s. The fall in inequality is significant and widespread, but it does not seem to be based on strong fundamentals.

Keywords: inequality, distribution, education, Latin America
JEL Classification: C15, D31, I21, J23, J31.

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1. Introduction

Any assessment of the Latin American (LA) economies would be incomplete without references to their high levels of socioeconomic inequalities. All countries in the region are characterized by large disparities of income and consumption levels, access to education, land, basic services, and other socioeconomic variables. Inequality is a distinctive, pervasive characteristic of the region.

This document is aimed at presenting information updated up to the mid-2000s, and to analyze patterns and trends of income inequality in Latin America. The measurement and analysis of inequality has long been a major topic of study for Economics and other social sciences in the region. However, the scarcity of reliable and consistent microdata has always been an obstacle against comprehensive assessments. Most studies were based on limited sources or were constrained, typically, to cover a single country. First CEPAL, and more recently other international organizations – the World Bank and the IDB – have made efforts to assemble large databases of national household surveys to produce wider assessments of inequality, poverty and other socioeconomic variables. This study is mostly based on data from the Socioeconomic Database for Latin America and the Caribbean (SEDLAC), a project jointly developed by CEDLAS and the World Bank. This database contains information on more than 200 official household surveys in 25 LAC countries. This paper uses data for the period 1992-2006.

We confirm the finding of the literature that documents an increase in income inequality in the 1990s, but we also find that inequality decreased in the 2000s, suggesting a turning point from the unequalizing changes of the previous two decades. The recent fall in income inequality is significant and widespread, but it does not seem to be based on strong fundamentals.

The rest of this paper is organized as follows. Section 2 provides information on the data sources and their limitations. Section 3 is the core of the paper, as it documents the main patterns of income inequality in LA, both at the country and regional levels. Section 4 takes a look inside household income, discussing inequality patterns for the distribution of individual labor and non labor income. Section 5 places the LA evidence in international perspective, using various data sources. Section 6 concludes with some remarks.

2. The data

The main source of data for this paper is the Socioeconomic Database for Latin America and the Caribbean (SEDLAC), jointly developed by CEDLAS at the Universidad Nacional de La Plata (Argentina) and the World Bank's LAC poverty group (LCSPP). This database contains information on more than 200 official household surveys in 25 LAC countries: the 17 countries in continental Latin America -Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela – plus Dominican Republic (a Latin American country in the Caribbean), plus 7 countries in the non-hispanic Caribbean. The sample represents 97% of LAC total population: 100% in continental Latin America, and 55% in the Caribbean. The main missing country is Cuba, which does not disclosure household survey information. Our analysis starts in the early 1990s, when most countries in LA consolidated their household survey programs, and ends in 2006.

Table 2.1 lists the surveys used in this study. Household surveys in most countries are nationally representative, with the exception of Argentina and Uruguay (before 2006), where surveys cover only urban population. This represents nonetheless 88% and 92% of the total

population in these countries, respectively. In these two cases, we use the urban figures as proxies for the national statistics.[1]

Most countries experienced changes in their household surveys in the 1990s and 2000s. In many cases the geographical coverage was broadened, monthly surveys were replaced by annual, and the questionnaires were improved. Although these changes are certainly welcome, they pose significant comparison problems. The specific assumptions made in each country to construct an income inequality series for the period 1992-2006 are discussed in the methodological appendix.

Household surveys are not uniform across LA countries. In addition, the National Statistical Offices (NSOs) take different methodological decisions to compute official measures of mean income (or consumption), poverty, and inequality.[2] For these reasons, rather than using the income variables defined by the NSOs, we construct a homogeneous (data permitting) household per capita income variable across household surveys that includes all the typical sources of current income. We apply consistent criteria across countries and years, and identical programming routines to process the data. The SEDLAC website (www.cedlas.org/sedlac) includes tables with all the items considered (or excluded) to compute a standardized income variable in each country/year.[3]

Household consumption has several advantages over household income as a proxy of well-being. However, this paper studies income inequality, as few countries in the region routinely conduct national household surveys with consumption/expenditures-based questionnaires. To make the results more transparent and easy to reproduce, monthly incomes are not adjusted for non-reporting or misreporting, nor are they grossed-up to match national accounts.[4] The methodological decisions regarding missing data, implicit rent from own housing, regional prices and other issues are detailed in the SEDLAC web page.

In this paper we chose to show the results in terms of the Gini coefficient computed over the distribution of household per capita income, ignoring zero and missing income observations. The choice is mainly driven by consistency with the bulk of the empirical literature and current practices of several NSOs and researchers. We provide a wide range of alternative estimations in the SEDLAC webpage using other inequality indices, various income variables, and alternative methodological decisions on the treatment of the data. All the main results in this paper are robust to these changes.

3. Income inequality in Latin America

This section documents the pattern of income inequality in LA countries. Most of the evidence corresponds to the period 1992-2006. We start by presenting the main trends for the region as a whole, and then discuss the country-specific evidence.

3.1. An overall view

[1] Uruguay expanded its official household survey (ECH) to the rural areas in 2006, with only negligible changes in inequality indicators: the national Gini is almost exactly the same as the Gini for the Greater Montevideo area. In Argentina, the World Bank's *Encuesta de Impacto Social de la Crisis* (ISCA) carried out in 2002 included small towns in rural areas. The Gini coefficient for the distribution of household per capita income turns out to be 47.4 in urban areas and 47.5 for the whole country. These facts suggest that in these two Southern Cone countries urban inequality statistics can be taken as good approximations for the national figures.

[2] NSOs differ in the treatment of adult equivalent scales, regional prices, implicit rent from own housing, zero incomes, adjustments for non-response and misreporting, and many other issues.

[3] See also Gasparini, Gutiérrez and Tornarolli (2007).

[4] See Deaton (2003) on arguments about matching household survey data with national accounts.

Although historians have managed to document inequality in Latin America from as early as the XVIth century,[5] systematic data on the size income distribution only became available in the 1970s, when several countries in the region introduced household survey programs. However, the information for the 1970s and the 1980s is relatively weak, since surveys were infrequent, were usually restricted to main cities, included limited questions about income, and the questionnaires and sampling frames changed over time. The literature suggests that in the 1970s inequality fell in several countries – such as Mexico, Panama, Colombia, Peru and Venezuela– and increased in some Southern Cone economies – Argentina, Chile and Uruguay (Gasparini, 2003). The 1980s, known as the "lost decade" due to the weak macroeconomic performance, were also frustrating in terms of income inequality.[6] Londoño and Székely (2000) report that the average income ratio of top to bottom quintiles in Latin American countries fell from 22.9 in 1970 to 18.0 in 1982, and rose back to 22.9 by 1991.

Our evidence starts in the early 1990s, when most countries consolidated their household survey programs. Table 3.1 depicts the evolution of inequality in Latin America by presenting the mean and median of the national Gini coefficients computed over the distributions of household per capita income.[7] When considering the mean and the median Ginis, income inequality in the Latin American countries increased over the 1990s and has fallen in the first half of the 2000s, with levels in or around 2006 similar to those of the early 1990s. The latter assessment changes when considering the population weighted mean of the Ginis: Brazil and Mexico, which account jointly for 56% of the region's population, experienced stronger equalizing changes than the rest of the countries over the 2000s, so that the Latin American weighted mean is significantly lower in the mid 2000s than in the early 1990s.

The direction of the overall change in inequality is not ambiguous, but the magnitudes are relatively small. The unweighted mean of the Gini first increased and then fell less than 2 points since the early 1990s. These changes can be appreciated in the first panel of figure 3.1, but their magnitude is revealed in the second panel of the figure, in which the scale (from 40 to 60 Gini points) reflects the range of variation in the region. The changes in the median, reported in table 3.1, are only slightly larger.

Regarding sub-regional trends, the changes in inequality were similar in Southern South America and the Andean countries, the two regions in South America: the Gini increased in the 1990s and fell in the 2000s (as documented in table 3.2 and figure 3.2). In contrast, on average the Gini has been slowly falling in Mexico and Central American countries since the early 1990s.

It is important to point out the substantial country heterogeneity of changes in inequality levels (see table 3.3): several countries do not match the overall regional pattern described above. In fact, in 7 out of 17 Latin American countries inequality did not increase over the 1990s. The fall in inequality in the 2000s seems more widespread, although there are some exceptions. When taking the whole period into consideration, about the same number of countries experienced increases and falls in the Gini coefficients. This heterogeneity indicates further analysis of specific national experiences is needed to fully comprehend the regional pattern.

3.2. Heterogeneity at the country level

The extent of income disparities is quite different across LA countries (figure 3.3). While the Gini coefficient for the distribution of household per capita income is 44.7 in Uruguay, it

[5] See the discussion in Bourguignon and Morrison (2002) and Robinson and Sokoloff (2004).

[6] Although it should be stressed that during the decade several countries in the region emerged from military dictatorships and managed to consolidate democratic systems.

[7] Estimates are for the 17 continental Latin American countries.

reaches almost 60 in Bolivia. Part of these discrepancies is due to country differences in the share of the rural population. However, even restricting the comparison to urban areas, and to more narrow definitions of household income, the differences in inequality between countries are still large. For instance, the Gini coefficient for the distribution of household equivalized labor monetary income in urban areas ranges from 45 in El Salvador to 55.2 in Brazil – the range is narrower than for national household per capita income, but still substantially wide.

Figure 3.3 suggests a sort of continuum of inequality levels across countries. Uruguay, Venezuela, Argentina and Costa Rica have relatively low inequality levels, while Bolivia, Brazil and Colombia are among the most unequal societies in the region. Even within sub-regions the gaps in inequality levels are large: Southern South America encompasses some of the countries with the lowest (Uruguay) and highest (Brazil) Ginis in LA; the same is true for the Andean region (Venezuela and Colombia) and Central America (El Salvador and Honduras). By inspection of figure 3.4, there does not seem to be large clusters of more egalitarian or unequal countries in the region.

Latin American countries also differ in the changes of inequality experienced over the period under analysis, as depicted by table 3.4 and figures 3.5 and 3.6.[8]

Southern South America

Inequality has substantially increased in Argentina since the early 1990s. Income disparities grew during the period of structural reforms of the 1990s, accelerated during the deep macroeconomic crisis of 2001/02, and fell to pre-crisis levels in the recovery between 2003 and 2006.[9]

Uruguay has also experienced an increase in income inequality, although with a smoother pattern. The Gini coefficient increased by 2 points in the 1990s, grew by around 2 additional points in the stagnation and crisis of the early 2000s, and fell 2 points in the subsequent recovery.[10]

Brazil has always been one of the most unequal countries in the region. While its income distribution did not change much in the first half of the 1990s, inequality has fallen substantially since 1999. The Gini coefficient was 60.4 in 1990, 58.6 in 1999, and fell to 55.9 in 2006.[11]

High levels of inequality have also been a pervasive characteristic of the Chilean economy. However, there are encouraging signs of a significant fall in inequality in the 2000s. The Gini coefficient, roughly unchanged between 1990 and 2000 (55.1 and 55.2, respectively), had fallen slightly by 2003 (54.6) and by a larger degree by 2006, reaching 51.8.[12]

Household surveys in Paraguay have changed substantially since 1990, and these changes introduce a significant amount of noise in the inequality statistics. Some of the comparable

[8] Most of the results discussed in this section are robust to inequality indices, income definitions, treatment of zero incomes, and sample variability concerns. The methodological appendix details the construction of these tables and figures. The reader is referred to the SEDLAC webpage (www.cedlas.org) for a large set of statistics on these issues.

[9] See also Gasparini and Cruces (2008), Altimir *et al*. (2002) and Lee (2000) for further references.

[10] See Winkler (2005) and Amarante and Vigorito (2007) for further details.

[11] This pattern is also reported and documented in Barros *et al*. (2003), CPS/FGV (2006), Ferreira *et al*. (2005) and CEPAL (2008).

[12] Official statistics in MIDEPLAN (2006) are in accordance with this pattern. See Ferreira and Litchfield (1999) and Contreras *et al*.(2001) for evidence prior to 2000.

evidence suggests that inequality increased substantially in the early 1990s.[13] The Gini fell from 58.4 in 1995 to 55.5 in 1999, increased again to 58.1 in 2003, fueled by a large macroeconomic crisis, and fell substantially again to 54.9 in 2006.

Andean countries

The performance of the Andean countries in terms of inequality has been disappointing. In Bolivia, which has probably the most unequal income distribution in Latin America, the income distribution in urban areas did not change much in the 1990s.[14] National indicators, available since the late 1990s, suggest an increase of around 2 Gini points between 1997 and 2002. UDAPE (2006) reports a stable income distribution since then, with a Gini of around 60.

The evolution of inequality in Colombia is not easy to trace, due to various changes in the national household surveys. We find a sizeable increase in income inequality from the early 1990s to year 2000, and a fall since then, with a return to the early 1990s levels. WDI (2008) and MERPD (2006) provide similar figures and patterns for 1996 onwards. Instead, CEPAL (2008) reports a fall in inequality between 1994 and 1999, and Ocampo *et al*. (1998) and Székely (2003) find a rather stable income distribution in that country.

The available information for Ecuador is patchy, with some Living Standard Measurement Surveys in the 1990s and one in 2006. Using consumption data from those surveys, INEC (2007) reports an increase of 3 Gini points between 1995 and 2006, from 43 to 46. Using nationally representative income data, only recently available, we find a significant fall in inequality between 2003 and 2006.

In Peru, the data for the 1990s suggests a significant increase in inequality in the distribution of both income and expenditure. In contrast, the income distribution seems to have become progressively less unequal since 1999. CEPAL (2007) reports a similar pattern.

Venezuela has the most egalitarian income distribution in the Andean region. Inequality rose substantially in the 1990s, with a Gini of 42.5 in 1989 increasing to 47.2 in 1998. The Gini fluctuated around that level until 2005, while the official statistics for 2006 report a strong fall in inequality (INE, 2008).[15]

Central America and Mexico

Costa Rica has one of the most equal income distributions in Latin America.[16] However, inequality increased substantially in the second half of the 1990s, and although it has fallen in the 2000s, it has not returned to its previous level. The Gini coefficient for the distribution of household per capita income rose from 44.6 in 1995 to 50.0 in 2001, and fell only to 47.3 in 2005.

El Salvador has also had a relatively egalitarian income distribution compared to its neighbors. In contrast to other countries in the region, inequality did not change much in the 1990s, with a Gini coefficient of around 52, which started to fall around 2002, reaching 48.4 in 2004 and 49.7 in 2005.

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[13] CEPAL (2007), Gasparini (2003), Morley and Vos (1997) and Robles (1999).

[14] Some authors report a small increase (Gasparini, 2003; Morley, 2001 and Székely, 2003).

[15] Székely (2003) finds a similar pattern for the 1990s, and CEPAL (2007) broadly coincides with our figures for the whole period under analysis.

[16] See Paes de Barros *et al*. (2005) for a thorough analysis of income distribution in Central American countries.

Guatemala only implemented an annual household surveys very recently, which makes it difficult to provide a medium or long term perspective about its income distribution. According to CEPAL (2006), the Gini coefficient fell 2 points between 1989 and 1998, and by about 2 additional points by 2002. Indicators from the annual ENEI survey also record a fall in inequality since 2002.

During the 1990s the income distribution in Honduras did not change much. Inequality increased in the early 2000s (around 4 Gini points between 1999 and 2006), and has not significantly decreased since then.

The economy of Nicaragua was hardly hit by the crisis of the 1980s, and it has been recovering since the early 1990s. The income distribution has also become less unequal: the Gini fell from 56.3 in 1993 to 52.3 in 2005.[17]

Panama is the Latin American country with the most stable income distribution. The Gini coefficient fluctuated around 55.5 in the 1990s, increased by almost a point in the early 2000s, and fell to around 55 since 2004.

The data for Mexico indicates a slow, although continuous, reduction in income inequality since the early 1990s. We find that the largest fall occurred between 2000 and 2002, as in the official figures provided by SEDESOL (Székely, 2005). The Gini in 2006, at around 50, was almost 5 points lower than in 1992.

The Dominican Republic has implemented a consistent household survey (ENFT) since 2000. The levels of inequality have not shown any significant changes over the period.[18]

These country trends seem to be robust to variations in these methodological decisions. For instance, figure 3.7 shows that levels of inequality are higher when including zero-income observations, but results on trends remain unchanged.[19] The same happens in figure 3.8 where we include in the calculations missing-income observations by predicting earnings from observables and reconstructing household per capita income.[20] The evidence confirms that the trends presented in this document are not the result of some arbitrary decisions.

Convergence?

It is worthwhile to point out that the dispersion in inequality levels across countries has diminished in the period under analysis, as suggested by the comparison of the Gini coefficients in the two panels of figure 3.9. In fact, the coefficient of variation of the national Ginis fell from 0.10 in 1992 to 0.07 in 2006. This narrowing of the range in inequality levels in the region reflects some degree of convergence, since it is the result of increased inequality in some low-inequality countries, such as Uruguay, Argentina, Venezuela and Costa Rica, and a fall in inequality in some high-inequality countries as Brazil. This incipient convergence arises when comparing the mid 2000s to the early 1990s, but also when comparing the mid 2000s and the early 2000s, and the latter period with the early 1990s. While the number of observations is small to ascertain the presence of regional convergence in inequality, this is certainly an issue worth exploring in further research.

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[17] CEPAL (2008) reports a more modest fall in income inequality in the 1990s. In contrast, the Gini over the distribution of per capita consumption from official sources dropped 9 points in that period (World Bank, 2007).

[18] See also the World Bank Poverty Assessment (2007).

[19] We include in the graph those countries with a significant share of zero-income observations. Paraguay in the second half of the 1990s is the only case where inequality patterns differ.

[20] We present results for those countries with around 1% or more missing observations in the sample, and for which an earnings model can be estimated. Methodologial details and results on these imputations are available from the authors upon request.

3.3. Global inequality in Latin America

There has been a recent surge in the analysis of global income inequality, *i.e*. inequality among individuals in a large region (or in the world) with each individual assigned his or her own income (Milanovic, 2005; Anand and Segal, 2008). The key steps in these studies are (i) choosing an appropriate "income" aggregate comparable across countries, and (ii) setting an exchange rate to convert local currency units into a common numéraire. Table 3.5 presents a set of inequality indices for the distribution of per capita income – converted to PPP US dollars – for Latin America as a whole, *i.e.*, considered as one single country. When using this methodology, income inequality seems to have fallen slightly in Latin America during the period 1992-2006 (see figure 3.10). The pattern is similar to that of the cross-country inequality aggregates: an increase in the 1990s, and a fall in the 2000s.

These changes in global inequality can be analyzed further by means of a between-within decomposition. The results in the first panel of table 3.6, taken from Gasparini *et al.* (2008), show that between-country inequality accounts for a small but growing share of overall Latin American global inequality. The second panel presents the results of a decomposition of the change in the Theil index (Tsakloglou, 1993). Global Latin American inequality, as measured by that index, fell 4.2 points between 1992 and 2006. That reduction is fully accounted by a drop in within country inequalities, since the between component is positive.[21]

These results deserve further inspection. The within component of the decomposition is a weighted average of the changes in the Theil index in each country. Given that the weights are the shares of each country in total LA income, Brazil and Mexico have a decisive role in the result –both countries account for around 72% of total income in the sample. The fall in the within component is strongly affected by the fact that inequality significantly fell in the two largest Latin American countries.

The results in table 3.6 indicate that between inequality rose, suggesting increasing differences in income across countries. Gasparini *et al*. (2008) report that this result is not driven by growing disparities within each supranational region – Southern South America, Andean region and Central America – but instead by increasing disparities across these regions: while mean income of the richest region, Southern South America, grew by 25%, it fell by 11% in the Andean region.

3.4. A turning point?

The evidence presented so far in this document points out to a widespread fall in inequality levels from the early to the mid 2000s, but as discussed above, this result is neither conclusive nor generalized to all countries in the region. However, in most Latin American countries there are signs of falling income inequality. As reported above, inequality significantly fell in 12 out of the 17 continental Latin American countries, where the average Gini fell by around one point and a half between the early and the mid 2000s. This result, while not extraordinary, still contrasts sharply with the significant increase of the 1980s and 1990s.

There are many plausible factors behind this fall in inequality in the region. Among them, we highlight (i) employment growth, (ii) changes in relative prices, (iii) realignments after reforms, (iv) realignments after macro shocks, (v) cash transfer programs, and (vi) increased concerns for inequality. A thorough examination of these factors for the whole region is well

[21] Londoño and Székely (2000) also find that both the level and the change of overall inequality are mainly due to differences within countries. They report an increase in global LA inequality between the 1980s and the mid 1990s, despite a slow convergence in per capita income across countries.

beyond the scope of this paper, which concentrates on aggregate trends. In what follows, we only present a sketch of the main arguments. The specific evidence on their relevance originates necessarily in in-depth country studies, such as those collected in López Calva and Lustig (forthcoming; see Gasparini and Cruces, 2008, for the Argentine case).

Fueled by the exceptional international conditions, LA has experienced a period of strong growth since the early 2000s. While per capita GDP fell at almost 1% yearly between 1999 and 2002, it increased at a rate of almost 3% per year from 2003 to 2008. In almost all countries, growth has been accompanied by a surge in employment.[22] A stronger labor market is associated with fewer jobless workers and higher wages, which are both factors that tend to lower income inequality.

The region has also been favored by a surge in the international prices of the commodities it exports. The terms of trade in 2006 were 31% higher than in the 1990s. These price changes are likely to benefit rural areas, which are typically poorer than the rest. The urban-rural income ratio shrunk in almost all Latin American countries from the early to the mid 2000s. When considering the income distribution of LA as a whole (and adjusting all incomes for PPP), the urban-rural income ratio dropped from 2.5 in 2002 to 2.2 in 2006. In addition, the devaluations in some economies implied changes in relative prices that favored more unskilled intensive sectors (*e.g*. Argentina, Uruguay).

Many Latin American countries implemented market-oriented reforms in the late 1980s and the 1990s. These reforms included trade and financial liberalization, privatizations and deregulations, which, among other consequences, stimulated a surge in physical capital accumulation and a substantial technical upgrade. These structural reforms also were accompanied by increasing levels of unemployment, and the technical change was usually skilled-biased. Several authors have attributed some of the increase in income inequality in the region to the effects of these reforms.[23] The pace of the market-oriented reforms was much slower in the 2000s, and in fact some of them were undone. In a more stable scenario, the strongly unequalizing initial impact of the reforms should have lost strength over time. An inequality "overshooting" has been documented for some of these episodes of structural reforms,[24] as it takes time for the displaced (mostly unskilled) workers to be reallocated in the economy.[25]

Several countries in the region suffered severe macroeconomic crises in the late 1990s and early 2000s. Per capita GDP fell 12% in Argentina in 2002, 6% in Colombia 1999, 8% in Ecuador 1999, 12% in Uruguay 2002, and 11% in Venezuela 2002. These substantial shocks, which seriously disrupt the functioning of the economy, are associated to large jumps in inequality levels. However, their impact on inequality indicators is often short-lived: as economic relationships return to normality, inequality rapidly falls.[26] The significant drop in income inequality in Argentina, Colombia, Ecuador, Paraguay, Uruguay and Venezuela from the early to the mid 2000s can be at least partially attributed to the quick recoveries from severe macroeconomic crises.

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[22] CEPAL (2007) reports that the unemployment rate for LA rose from 5.8 in 1990 to 9.3 in 1995, and 11.0 in 2002, and then dropped to 8.7 in 2006.

[23] See Sánchez Páramo and Schady (2003), Behrman et al. (2003), Goldberg and Pavnick (2007), Cruces and Gasparini (2008) and the references therein for examples of this extensive literature.

[24] See, for instance, Behrman *et al*. (2003).

[25] These broad inequality patterns are also present when analyzing other relevant variables. For instance, Gasparini et al. (2009) report that while the Gini of the years of education attained has been falling steadily in the region, this is due to the fact that education years have a ceiling, and the average has been increasing over time. The gap in years of education between the richest and poorest quintiles have indeed increased over the period.

[26] It should be noted, however, that there are compelling arguments stating that these large crisis might still have a long term impact on inequality through "hysteresis" effects. The evidence on this issue is still relatively scarce, and it constitutes an important issue for further research.

After the successful experience of Progresa in Mexico, several Latin American countries adopted or expanded conditional cash transfers programs (CCTs).[27] These programs combine monetary subsidies with the requirements that the family group of the beneficiary complies with a set of conditions related to human capital accumulation, such as enroll children in schools and attend medical check ups for pregnant women. Unlike other redistributive policies that deliver in-kind subsidies (*e.g*. education or health), CCTs are computed as income by the household surveys and hence have full impact over the income inequality statistics. The evidence suggests that CCTs in LA are well targeted on the poor, and are thus highly progressive. However, most of these programs have a modest impact on inequality, due to their relatively low coverage and the low level of monetary transfers.[28]

In the 2000s, Latin America seemed to enter a new stage of the political cycle. In several countries, new administrations came into power with a promise of promoting a more active role of the state in the economy, and with more ambitious redistributive policies. Besides the rhetoric, some governments indeed engaged in a more active role in the labor market, widened the scope and coverage of social policy, intervened in some markets, and subsidized goods and services. While it is likely that some of these initiatives had equalizing results, much more work is needed for a complete assessment of their effective impact on the income distribution, including the actual progressiveness of the subsidies established, and the long-term consequences of these policies.

The fall in inequality in the 2000s suggested by the evidence, however, does not necessarily imply a substantial reversal of the trend that started in the 1980s and 1990s. A significant share of the current distributional improvements are either based on natural realignments after shocks of the 1990s, or dependent on the favorable international scenario faced by the region in the 2000s. In fact, if we exclude the countries where a significant share of the drop in inequality can be attributed to the recovery from severe macro crisis (such as Argentina, Uruguay and Venezuela), the average fall in inequality in Latin America from the early to the mid 2000s is just 1 Gini point.

4. Inside household income

The inequality measures presented in the previous section are based on the distribution of household per capita income. This section's objective is to analyze the components of household income, and to establish whether the trends in these inequality measures can be traced out to any of these elements.[29]

Labor earnings account for the bulk of household income, as documented for Latin America, and for other regions of the world as well. Table 4.1 presents the shares of total household income corresponding to labor and non labor sources. This information confirms the previous findings: the unweighted average share of labor income represents about 81 percent of total

[27] Some of the most important CCTs in the region include *Oportunidades* (the continuation of Mexico's *Progresa*), *Bolsa Familia* in Brazil, *Bono Solidario* in Ecuador, PATH in Jamaica and *Familias en Acción* in Colombia. Cash transfer programs with some conditionalities but related to specific economic crises were implemented in Argentina (*Programa Jefes y Jefas de de Hogar Desempleados*) and Uruguay (*PANES - Plan de Asistencia Nacional a la Emergencia Social*), among others. See Veras Soares *et al.* (2007) for a comparative review of recent experiences in the region.

[28] The impact is larger when using indices which place relatively higher weights in the lower tail of the distribution. See Soares et al. (2007) for a discussion.

[29] The time span of the comparisons in inequality over time is more limited than in the previous section, which compared the Gini coefficient of household per capita income for the period between the early 1990s and the mid 2000s for most of the countries in the sample. This is because even without access to the microdata, the National Statistical Offices published this indicator for earlier period (as detailed in the appendix). This is not the case for the Gini coefficient of other household income variables.

household income, with relatively lower levels in Peru, Dominican Republic, Brazil and Argentina.

Table 4.2 presents the level of inequality (as measured by the Gini coefficient) of hourly wages in the main job for all workers, and for prime age male workers by education levels. Given the large share of labor in household income and the high levels of inequality reported in the previous section, it is not surprising to find a high average unweighted Gini of 0.501 for hourly wages in Latin American countries. This number is lower but still close to the 0.519 for per capita household income reported in table 3.1. There does not seem to be a significant difference between the inequality of hourly wages for all workers and for prime age male workers, as reported in the second column of table 3.1. However, there are large differences in inequality levels within educational groups. Gini coefficients are similar on average in the low and middle education groups (with a few notable exceptions, mainly in Central America, with much higher inequality for the low category), with averages around 0.418 and 0.411 respectively for Latin American countries. The level of inequality is markedly higher within the high education group for most countries, with an average Gini of 0.445.

Figure 4.1 presents the change in the Gini of hourly wages for all workers for the widest available range for each country. As in the results presented in the previous section for household per capita income, there have been substantial changes in inequality of hourly wages. There have been significant drops of more then 4 Gini points in El Salvador, Venezuela, Ecuador, Brazil and Guatemala, and lesser falls in Mexico and Nicaragua, while the Ginis increased by two points or more in Argentina, Uruguay, Colombia and Panama.

Figure 4.2 depicts the evolution of labor income as a share of total household income for the widest possible date range for each country. The first noticeable fact from this figure is that the share of labor income has fallen for most of the countries, with an average fall of 2.8 percentage points – a 4.6 percentage point reduction for countries where the share fell, and 1.7 percent increase in countries where this share grew over the observation period. The distributive impact of an increase in the share of non-labor income, however, is ambiguous: it depends on which components of non-labor income have increased, and their concentration.[30]

Non labor income is composed of income from capital, rents and profit, pensions, inter-household transfers and remittances, government transfers and the implicit rent from owned property. Household surveys, however, do not usually provide reliable estimates of capital and related income, and this is especially true for the data collection efforts in the region. Most of income from this source is concentrated in the higher levels of the income distribution – households in the fifth quintile of per capita income account, on average, for around 80 percent of this source. Moreover, as reported in the third column of table 4.3, capital and related incomes only account for 2.7 percent of individual total income on average, which is far from the estimates obtained by national accounts or other methodologies. This distribution and the high probability of underreporting of capital income probably imply a downward bias in inequality measures in the region.

The information on non labor income from other sources tends to be more reliable, especially in terms of pensions and transfers from the government and from other households. Table 4.3 presents the share of different sources in total individual income, and the Gini coefficient for these sources. As with household income, labor income represents on average 80 percent of individual income, and pensions and transfers account for about three-quarters of non labor income. The right hand side panel of table 4.3 indicates that non labor individual

[30] The share of labor income has fallen in countries where inequality in household per capita income increased, like in Uruguay and Bolivia, but also in countries where inequality has fallen substantially, like in Mexico and Brazil. It is noticeable that the last two countries have implemented major Conditional Cash Transfer programs, and Brazil has also vastly increased the coverage of pensions for the rural population over the period. Part of the reduction in inequality might be attributed to this increase in the share of equalizing non labor income sources.

income tends to be significantly more concentrated than labor income, which is driven by the high concentration of capital income and transfers, as reflected by the Gini coefficients for these sources. The distribution of government transfers, pensions and implicit rents, on the other hand, present lower levels of inequality than the distribution of individual income or labor income.

The evidence presented so far indicates that the countries in Latin America exhibit high levels of inequality, as does the region when considered as a whole. The following section compares the distribution of income in the region with other regions of the world.

5. Latin America in a world perspective

Latin America has been traditionally regarded as the most unequal region of the world. This assessment, although plausible, was not based on strong grounds, as differences in the data sources undermine the regional comparability of the results. Although we are still far from having international, fully-comparable inequality statistics, our view of inequality in the world becomes less blurred as new and better data becomes available.

One key initiative in compiling inequality statistics is the UNU/WIDER World Income Inequality Database (WIDER, 2007).[31] Figure 5.1 shows Gini coefficients drawn from that source for several countries in the world. The observations included in the figure dataset meet several criteria: (i) they are rated by WIDER as high quality (1 or 2 in their ranking), (ii) the income sharing unit is the household or the family, (iii) the unit of analysis is the person, and (iv) the coverage of the survey is national, or when urban, the share of the urban population is higher than 80%. The observations in the figure belong to the latest available survey for the period 1995-2006.[32]

LA countries rank among the most unequal in the world in terms of income. From the 15 most unequal countries in the WIDER database (based on income data), 10 belong to Latin America. The average Gini in LA is 52.5, a value exceeded only by the mean Gini of those few African countries in the WIDER income database (56.5). Instead, income inequality is substantially lower in the high-income countries, and in countries from the former Soviet block (Russia, Eastern Europe and the those from former Soviet Union). Some Asian countries are as unequal as in LA (*e.g*. Thailand, Nepal), but in most of Asian economies income is more equally distributed. Compared to LA, the average income Gini is 8 points lower in Asia, 18 in Eastern Europe and Central Asia and 20 in the developed countries. When using consumption or expenditure as the base for the Gini inequality indicator, LA countries also rank among the most unequal in the world (figure 5.2). The estimates published in the World Development Report 2006 on Equity and Development (World Bank,

[31] The UNU/WIDER World Income Inequality Database uses the results from SEDLAC as its source for most of its indicators for Latin America and the Caribbean.

[32] In most countries, the Gini coefficient is computed over the distribution of household per capita gross income. In those European countries where equivalence scales are used, we estimate the Gini for per capita income based on results for countries for which both computations are available. We were unable to correct for the fact that in developed countries WIDER reports Ginis for household disposable income, while for developing countries these statistics are based, in principle, on gross income. Three elements alleviate the consequences of this comparability problem. First, since incomes recorded in developing countries usually do include monetary government transfers, and most salaried workers report their wages after taxes (which are deducted from the wage bill), the income concept captured by surveys is not exactly gross, but instead it is half way between gross and disposable. Second, direct taxes are unimportant in most developing countries, so the gap between these two concepts is small. Finally, developed countries are substantially less unequal than those in the rest of the world, and in particular than those in Latin America, even after adjusting for the difference in the income aggregate. For instance, in Finland, where the tax burden is high and then the gap between gross and disposable income is large, the difference in the Gini computed over the two income concepts (gross and disposable) is less than 5 points. This difference is small compared to the 20 points difference between the average Gini in LA and that from the developed countries.

2006) provide a similar picture (figure 5.3). LA countries are located among the most unequal economies both in terms of consumption and income.

There is a vast literature initiated by Kuznets (1955) that links inequality to economic development. This literature usually finds that the level of inequality in the Latin American countries is higher than predicted according to their level of development, usually captured by GDP per capita. This "excess inequality" constitutes a pervasive characteristic of the LA societies (Londoño and Székely, 2000). Figure 5.4 illustrates this point based on WIDER data on income inequality. The LA countries are all above the smoothed regression line in the GDP per capita / Gini plane: Ginis for LA countries are larger than expected according to their level of output per inhabitant. The coefficient of the LA dummy in a linear regression is positive and highly significant: the Gini coefficient is around 10 points higher in LA than in the rest of the world (based on income data from the WIDER database), after controlling for per capita GDP.

Tracing international inequality patterns over time is a difficult task with arguably too much noise in the results. In table 5.1, we update regional inequality figures in Gasparini (2003), where Gini coefficients are taken from a common sample of countries, and a small set of studies, and hence are methodologically more consistent. According to these estimates, the mean Gini across Latin American and Caribbean countries has been significantly higher than in Asia, the developed countries, and Eastern Europe in the last four decades.[33] There are signs of a small reduction in the inequality gap with Asia and Eastern Europe, two regions that experienced strong and potentially unequalizing economic transformations in the last two decades.

The recent Gallup World Poll provides some new evidence on the international comparisons of income inequality. The survey uses an identical questionnaire from national samples of adults from 132 countries, 19 of them from LA. In particular, similar income questions are asked in all countries. Figure 5.5 and table 5.2 reproduce the main results in Gasparini and Gluzmann (2009), based on the 2006 round of that survey. "Cross-country" inequality is computed as the non-weighted mean of the national Gini coefficients of the countries in each region. According to this definition, Latin America is the most unequal region in the world (excluding Africa, which is not in the sample). The cross-country Gini in Latin America is 49.9, slightly larger than in South Asia (48.9), and Eastern Asia and Pacific (47.1). The mean Gini in the Caribbean countries is 45.6. Countries in Eastern Europe and Central Asia (41.8), North America (39.2) and especially Western Europe (34.0) are the least unequal in the world.

As discussed above, it is also possible to evaluate the level of regional inequality by considering each region as a single unit, and computing inequality among all individuals in the region after translating their incomes to a common currency. The Gini coefficient of Latin America considered as a single large country is 52.5. That value is again higher than in Western Europe (40.2), North America (43.8) and Eastern Europe and Central Asia (49.7); but it is now lower than in South Asia (53.4) and Eastern Asia and Pacific (59.4). Inequality in the Caribbean (59.1) is significantly larger than when taking an average over national Ginis.

This result of not-so-high within inequality in Latin America is driven by the fact that dispersion in country mean incomes is smaller in Latin America than in other regions, like Eastern Asia and the Pacific and the Caribbean. Milanovic (2002) finds a similar result when estimating the world income distribution from household surveys. Milanovic and Yitzhaki (2002) find that while only 7% of overall inequality in Latin America is due to between-country group inequality, the share is 72% in Asia. Gasparini and Gluzmann (2009) report that in the Gallup Poll the income ratio between the poorest and the richest countries (Bolivia and Chile) is less than 5 in Latin America; more than 8 in East Asia and Pacific (Cambodia and Hong Kong), and more than 10 in the Caribbean (Haiti and Puerto Rico).

[33] See also Bourguignon and Morrison (2002) and Deininger and Squire (1996) for similar conclusions.

To sum up, the evidence discussed in this section is not conclusive to the status of Latin America as the most unequal region in the world. Africa may be somewhat more unequal, and some Asian countries may also be more unequal than the LA economies. In addition, the LA excess inequality has probably diminished in the last 20 years, given the transformations in Eastern Europe, Central Asia and South East Asia. Finally, when computing global inequality, Latin America does not rank as the most unequal region in the world. In any case, regardless its position in the global ranking, Latin American is a region with very unequal national income distributions. It is interesting to notice that this characterization has been unchanged for decades, and probably for centuries, despite substantial changes in the demographic, economic, social and political environment. There seems to be some underlying factors that are stronger determinants of the level of inequality in the region.

6. Concluding remarks

The evidence presented in this paper confirms that income inequality was and still is a pervasive and distinctive characteristic of the LA economies. The discussion, however, has shed some light on the recent patterns and the evolution of inequality in the region. While we found evidence of a fall in inequality in the 2000s, this does not necessarily imply a substantial reversal of the trend that started in the 1980s and 1990s, and thus the situation only allows for a cautious and qualified optimism.

The discussion highlighted that a significant share of the distributional improvements from the early to the mid 2000s were either based on realignments after the strong shocks of the 1990s, or dependent on the favorable international scenario in terms of liquidity and commodity prices faced by the region. While there are signs of decreasing inequality in the region, these falls are still relatively small, and so far not clearly related to substantial policy changes nor to permanent modifications in the fundamentals.

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Methodological appendix

This appendix provides information on the construction of the inequality series in each country. All series are based on information taken from the SEDLAC database. In several countries we also use estimates from studies or official sources to fill holes in our database.

Data for **Argentina** comes from the EPH, which experienced several transformations since it was first carried out, in 1974. Chiefly among them, an increase in the number of urban areas covered in several years, and changes in the questionnaire, weights and frequency of visits in 2003. We take into account these changes to estimate a comparable series (see Gasparini and Cruces, 2008).

Data from **Chile** comes entirely from our estimates from the CASEN survey. The same is true for **Brazil**, using the PNAD, and **Uruguay**, using data from the ECH, except for 2006 that is estimated based on Amarante and Vigorito (2007). In the case of **Paraguay** we use data from the national surveys implemented since 1995 (EH, EIH, and EPH). We estimate inequality in the early 1990s by extrapolating the patterns for Asunción (EH).

We use SEDLAC data from the **Bolivia**´s national household surveys (ENE and ECH) from 1997 to 2003. Ginis from 1992 to 1997 are estimated from patterns in urban areas drawn from the EIH and ENE surveys. The Ginis for 2005 and 2006 are computed based on data from UDAPE taken from the ECH.

Peru has two surveys: ENNIV and ENAHO. The last ENNIV was conducted in 2000, while ENAHO has been carried out since 1997. We use SEDLAC data for the last ten years (based in ENAHO) and complete these estimates with other sources of information (Gasparini (2003) and Jaramillo and Saavedra (2008)). However, having comparables indexes of inequality is very difficult, because there exist several differences in the sample frame, questionnaires and number of observations between both surveys.

Tracing the evolution of inequality in **Ecuador** is difficult, because of the differences between the surveys carried out in the period under analysis (ECV, EPED and ENEMDU). We estimate inequality changes by combining our estimates from the data of the three surveys.

In **Colombia** we take SEDLAC estimates from 2001 and 2006 based on the ECH, but given various methodological jumps, we use the official MERP (2006) to estimate changes between 1992 and 2001.

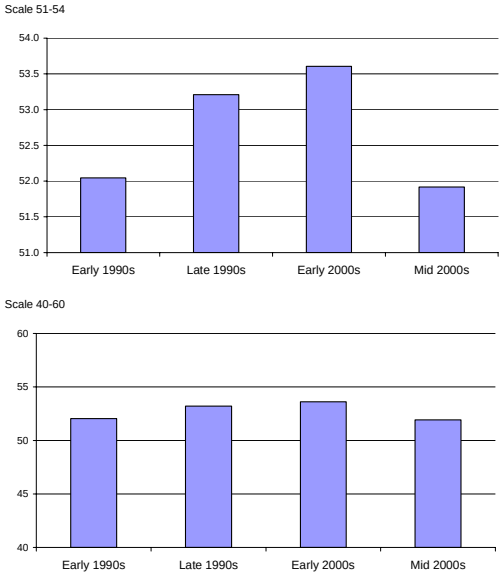
In the case of **Costa Rica**, we obtain our estimates based on data from the EHPM. Regarding this survey, there has been an important change in the weights in 2000, so data before and after that year is not strictly comparable. We do not have enough information to make any adjustment. Data from **Panama** comes from our estimates from the EH.

The source of information for our estimations of **Mexico** statistics is the ENIGH, while in the case of **Venezuela** we use the EHM.

Nicaragua's statistics come from our estimates using the EMNV. Because this survey was carried out only four times (1993, 1998, 2001 and 2005), we assume a linear evolution between years in which the survey was collected. Another country with relatively few household surveys is **Guatemala**. In this case, we estimate inequality measures using data from ENCOVI (2000 and 2006) and ENEI (from 2002 to 2004). We also use CEPAL`s estimates for the inequality level at the beginning of the 1990s.

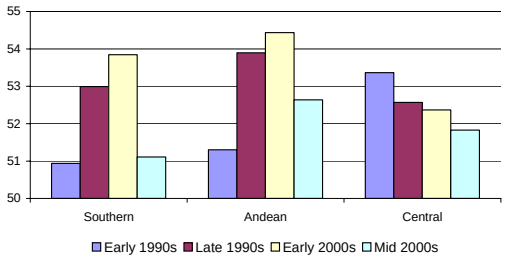
We estimate inequality in **El Salvador** using data from the EHPM, while for **Dominican Republic** our estimates are based on information from the ENFT. In the latter country, significant changes in the surveys have been introduced since 2000 generating serious comparison problems with previous surveys. In **Honduras** we take SEDLAC estimates (based on EPHPM) from the second part of the 1990s up to the present, and estimate inequality in the first part of the 1990s combining our information with data from WDI.

Figure 3.1
Inequality in Latin America
Gini coefficient
Distribution of household per capita income, unweighted averages



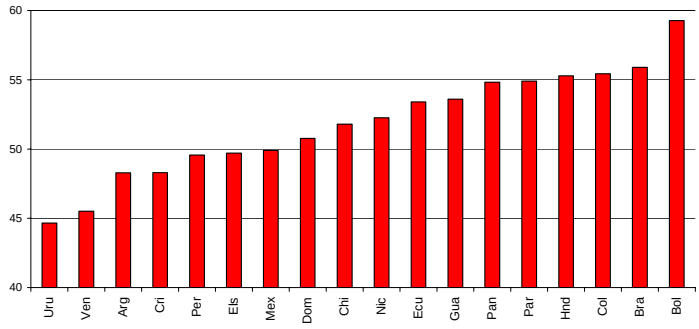
Source: own calculations based on SEDLAC (CEDLAS and World Bank).
Note: Both graphs are identical, except for the scale in the vertical axis.

Figure 3.2
Inequality in Latin America, by region
Gini coefficient
Distribution of household per capita income, unweighted averages



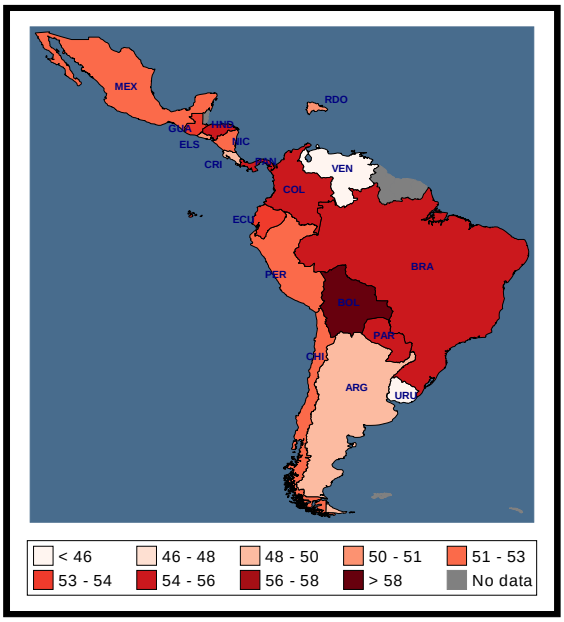
Source: own calculations based on SEDLAC (CEDLAS and World Bank).

Figure 3.3
Inequality
Gini coefficient
Distribution of household per capita income
Around 2006



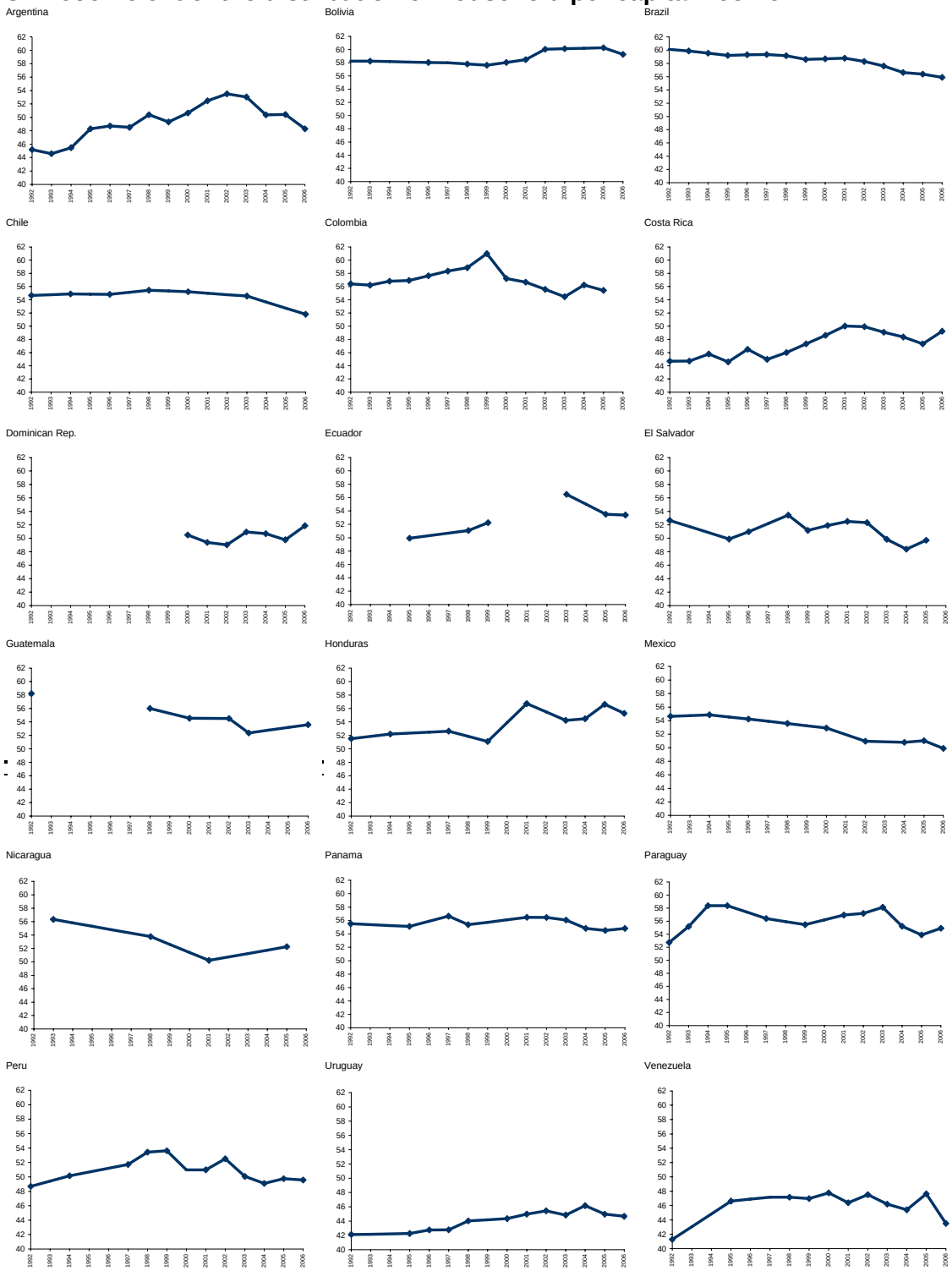
Source: own calculations based on SEDLAC (CEDLAS and World Bank).

Figure 3.4
A map of inequality in Latin America
Gini coefficient
Distribution of household per capita income
Around 2006



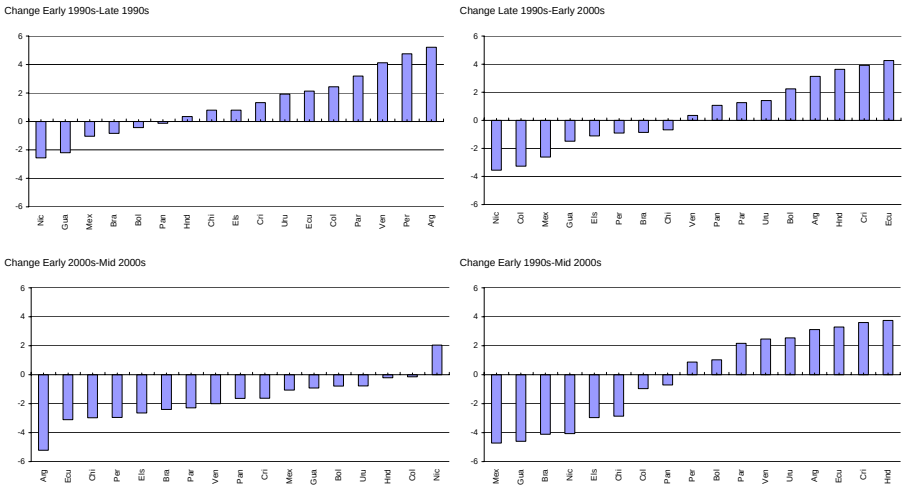
Source: own calculations based on SEDLAC (CEDLAS and World Bank).

Figure 3.5
Inequality
Gini coefficient of the distribution of household per capita income



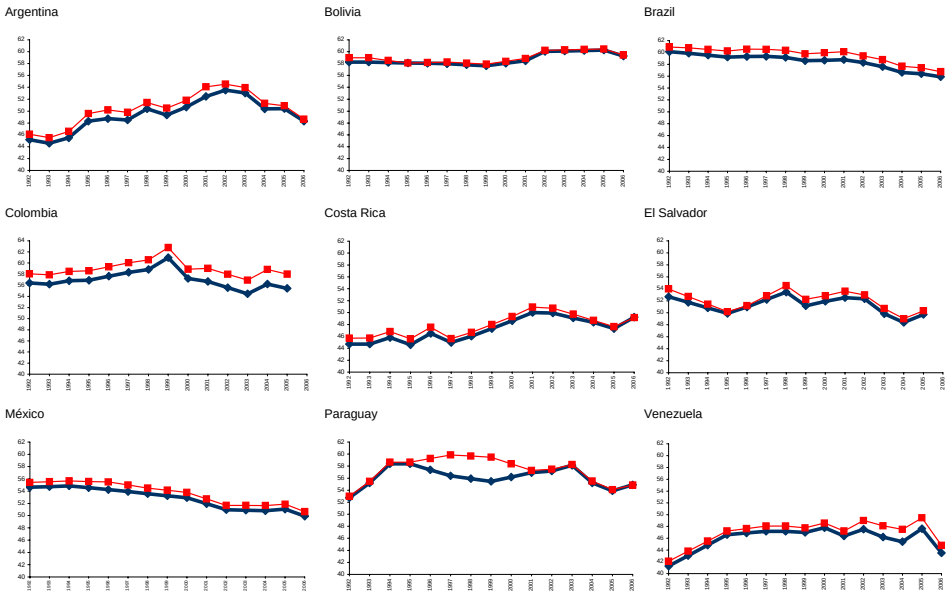
Source: own calculations based on SEDLAC (CEDLAS and World Bank).

Figure 3.6
Inequality
Change in Gini coefficient
Distribution of household per capita income



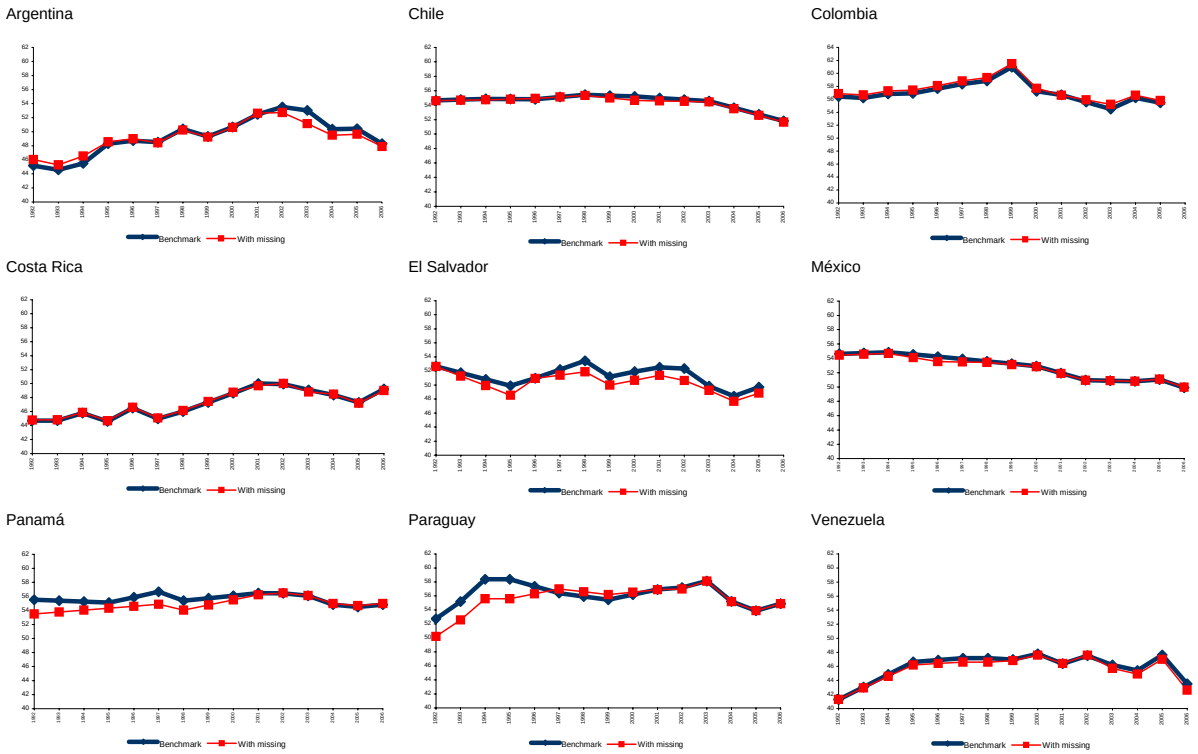
Source: own calculations based on SEDLAC (CEDLAS and World Bank).

Figure 3.7
Inequality
Gini coefficient of the distribution of household per capita income
Alternative estimates excluding and including zero-income observations



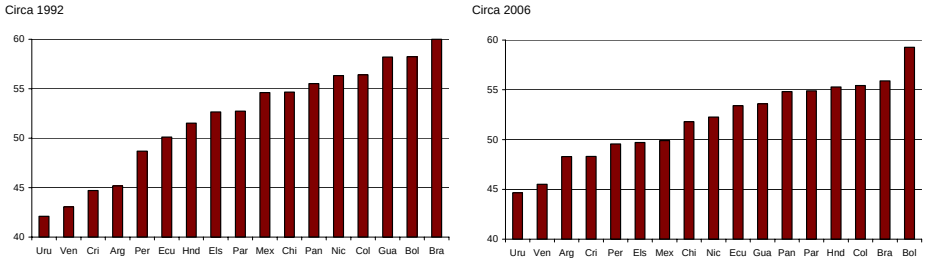
Source: own calculations based on SEDLAC (CEDLAS and World Bank).
Note: The upper line (marked with squares) is always the Gini when inluding zero-income observations.

Figure 3.8
Inequality
Gini coefficient of the distribution of household per capita income
Alternative estimates excluding and including missing-income observations



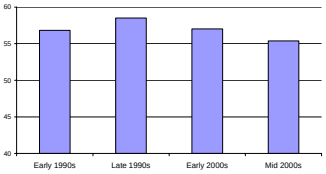
Source: own calculations based on SEDLAC (CEDLAS and World Bank).
Note: missing-income observations were included by predicting earnings from observables and reconstructing household per capita income.

Figure 3.9
Inequality
Gini coefficient
Distribution of household per capita income



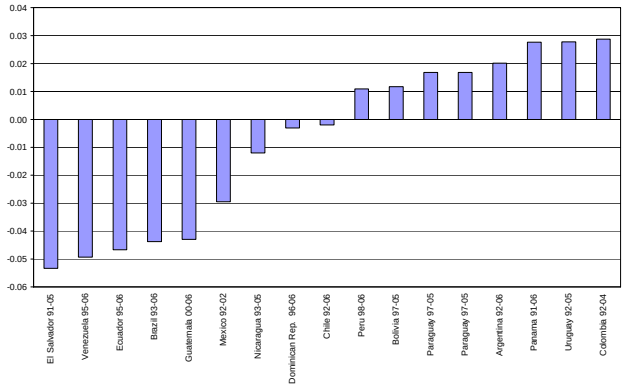
Source: own calculations based on SEDLAC (CEDLAS and World Bank).

Figure 3.10
Global inequality in Latin America
Gini coefficient



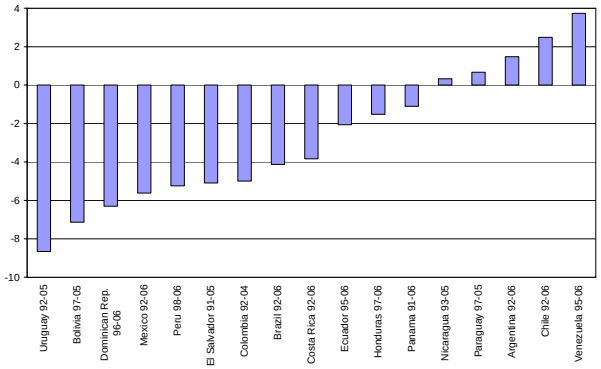
Source: own calculations based on SEDLAC (CEDLAS and World Bank).

Figure 4.1
Change in the Gini coefficient of hourly wages, all workers



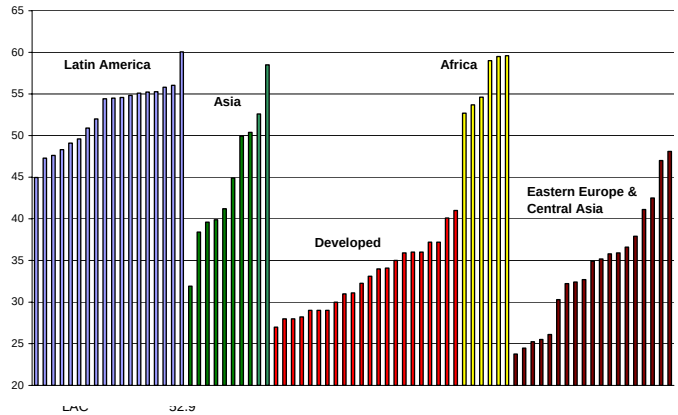
Source: own calculations based on SEDLAC (CEDLAS and World Bank).

Figure 4.2
Change in labor income as a share of total household income



Source: own calculations based on SEDLAC (CEDLAS and World Bank).

Figure 5.1
Gini coefficient
Household per capita income dsitribution
Last available observation in period 1995-2005

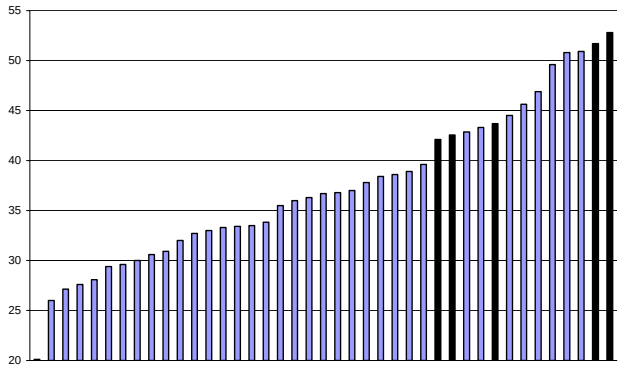


Source: own calculations based on WIDER and SEDLAC (CEDLAS and World Bank).

Figure 5.2
Gini coefficients

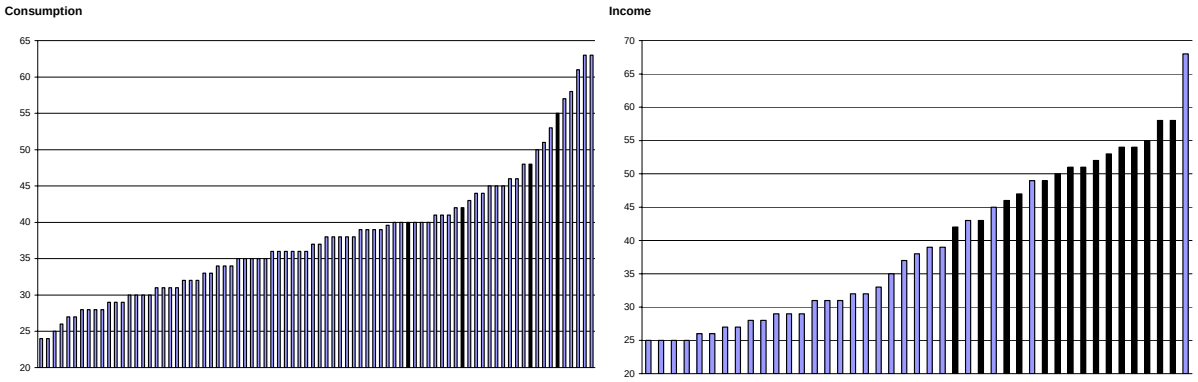
Distribution of per capita consumption/expenditures

Countries around the world, around year 2000



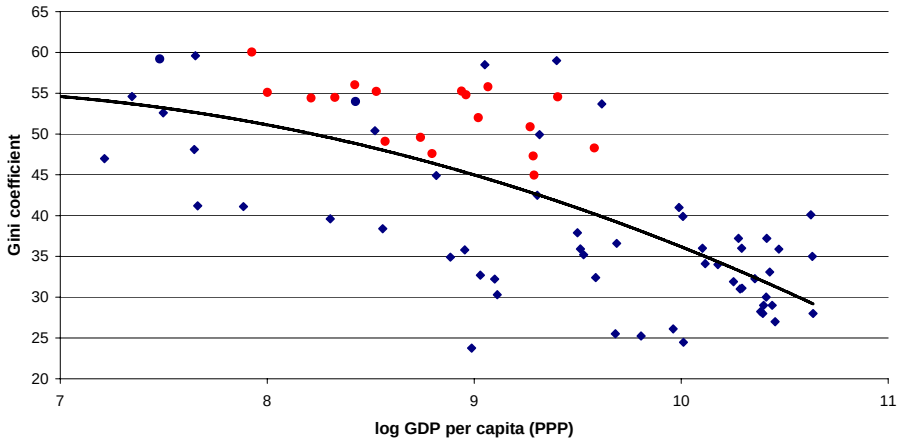
Source: own calculations based on WIDER.
Note: Latin American countries marked in black.

Figure 5.3
Gini coefficients
Distribution of per capita consumption and income
Countries around the world, around year 2000
From the World Development Report 2006



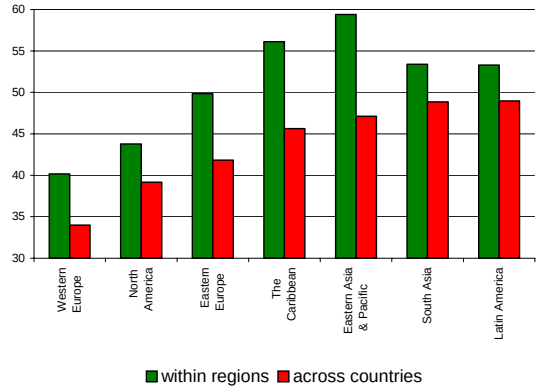
Source: own calculations based on World Development Report 2006.
Note: The WDR includes one observation per country (either income or consumption).
Note: Latin American countries marked in black.

Figure 5.4
Latin America excess inequality
Scatterplot log per capita GDP (PPP) and Gini coefficient, around 2003
LA countries marked in red circles



Source: own calculations based on WIDER, SEDLAC, and IMF.

Figure 5.5
Inequality in the world
Gini coefficients



Source: Gasparini and Gluzmann (2009) based on Gallup World Poll 2006.

Table 2.1
Household Surveys in Latin America

Country		Name of the Survey	Coverage
Argentina	1986-1991	Encuesta Permanente de Hogares (EPH)	Greater Buenos Aires
	1992-1998	Encuesta Permanente de Hogares (EPH)	Urban - 15 cities
	1998-2003	Encuesta Permanente de Hogares (EPH)	Urban - 28 cities
	2003-2005	Encuesta Permanente de Hogares - Continua (EPHC)	Urban - 28 cities
	2006	Encuesta Permanente de Hogares - Continua (EPHC)	Urban - 31 cities
Bolivia	1993	Encuesta Integrada de Hogares (EIH)	Urban
	1997	Encuesta Nacional de Empleo (ENE)	National
	2000-2004	Encuesta Continua de Hogares - MECOVI (ECH)	National
Brazil	1990-2006	Pesquisa Nacional por Amostra de Domicilios (PNAD)	National
Chile	1990-2006	Encuesta de Caracterización Socioeconómica Nacional (CASEN)	National
Colombia	1992	Encuesta Nacional de Hogares - Fuerza de Trabajo (ENH)	Urban
	1996-2000	Encuesta Nacional de Hogares - Fuerza de Trabajo (ENH)	National
	2001-2004	Encuesta Continua de Hogares (ECH)	National
Costa Rica	1990-2006	Encuesta de Hogares de Propósitos Múltiples (EHPM)	National
Dominican R.	2000-2006	Encuesta Nacional de Fuerza de Trabajo (ENFT)	National
Ecuador	1995-2006	Encuesta de Condiciones de Vida (ECV)	National
	1995-1998	Encuesta Periódica de Empleo y Desempleo (EPED)	Urban
	2000	Encuesta Periódica de Empleo y Desempleo (EPED)	National
	2003-2006	Encuesta de Empleo, Desempleo y Subempleo (ENEMDU)	National
El Salvador	1991-2005	Encuesta de Hogares de Propósitos Múltiples (EHPM)	National
Guatemala	2000-2006	Encuesta Nacional sobre Condiciones de Vida (ECV)	National
	2002-2004	Encuesta Nacional de Empleo e Ingresos (ENEI)	National
Honduras	1992-2006	Encuesta Permanente de Hogares de Propósitos Múltiples (EPHPM)	National
Mexico	1989-2006	Encuesta Nacional de Ingresos y Gastos de los Hogares (ENIGH)	National
Nicaragua	1993-2005	Encuesta Nacional de Hogares sobre Medición de Nivel de Vida (EMNV)	National
Panama	1995-2006	Encuesta de Hogares (EH)	National
Paraguay	1990	Encuesta de Hogares - Mano de Obra (EH-MO)	Asunción
	1990-1995	Encuesta de Hogares - Mano de Obra (EH-MO)	National
	1997-2001	Encuesta Integrada de Hogares (EIH)	National
	1999-2006	Encuesta Permanente de Hogares (EPH)	National
Peru	1997-2006	Encuesta Nacional de Hogares (ENAHO)	National
Uruguay	1989-2005	Encuesta Continua de Hogares (ECH)	Urban
Venezuela	1989-2006	Encuesta de Hogares Por Muestreo (EHM)	National

Source: own calculations based on SEDLAC (CEDLAS and World Bank).

Table 3.1
Inequality in Latin America
Distribution of household per capita income.
Mean and median Gini coefficient across LA countries

	Mean	Median	Mean weighted
Early 1990s (c. 1992)	52.0	52.7	54.9
Late 1990s (c. 1998)	53.2	53.6	55.5
Early 2000s (c. 2002)	53.6	54.5	54.7
Mid 2000s (c. 2006)	51.9	52.3	52.7

Source: own calculations based on SEDLAC (CEDLAS and World Bank).

Table 3.2
Inequality in Latin America, by region
Distribution of household per capita income, unweighted means

	Southern	Andean	Central
Early 1990s (c. 1992)	50.9	51.3	53.4
Late 1990s (c. 1998)	53.0	53.9	52.6
Early 2000s (c. 2002)	53.8	54.4	52.4
Mid 2000s (c. 2006)	51.1	52.6	51.8

Source: own calculations based on SEDLAC (CEDLAS and World Bank).

Table 3.3
Inequality in Latin America
Statistically significant ups and downs in Gini coefficient

	Latin America			Southern			Andean			Central		
	Ups	Downs	Stable	Ups	Downs	Stable	Ups	Downs	Stable	Ups	Downs	Stable
Early 90s-Late 90s	10	4	3	4	1	0	4	0	1	2	3	2
Late 90s-Early 00s	8	7	2	3	2	0	2	1	2	3	4	0
Early 00s-Mid 00s	1	12	4	0	5	0	0	3	2	1	4	2
Early 90s-Mid 00s	7	6	4	3	2	0	2	0	3	2	4	1

Source: own calculations based on SEDLAC (CEDLAS and World Bank).

Table 3.4
Inequality in Latin America
Gini coefficients by country

	Arg	Bra	Chi	Par	Uru	Bol	Col	Ecu	Per	Ven
1992	45.2	60.1	54.7		42.1		56.4			41.3
1993	44.6	59.9			42.2	58.2	56.2			
1994	45.5		54.9		42.2		56.8			
1995	48.3	59.2		58.4	42.3		56.9	49.9		46.6
1996	48.7	59.3	54.8		42.8		57.6			
1997	48.5	59.3		56.4	42.8	58.0	58.3		51.7	47.2
1998	50.4	59.2	55.5		44.0		58.8	51.1	53.4	47.2
1999	49.3	58.6		55.5	44.2	57.6	61.0	52.2	53.6	47.0
2000	50.7		55.2		44.3	58.1	57.2		51.0	47.8
2001	52.5	58.8		56.9	45.0	58.5	56.7		51.0	46.4
2002	53.5	58.3		57.2	45.4	60.1	55.6		52.5	47.5
2003	53.0	57.6	54.6	58.1	44.9	60.1	54.5	56.5	50.1	46.2
2004	50.4	56.6		55.2	46.2		56.2		49.1	45.4
2005	50.4	56.4		53.9	45.0	60.3	55.4	53.5	49.8	47.6
2006	48.3	55.9	51.8	54.9	44.7	59.3		53.4	49.6	43.5

	Cri	Els	Gua	Hnd	Nic	Pan	Mex	Dom
1992	44.7	52.7		51.5		55.5	54.6	
1993	44.7				56.3			
1994	45.8			52.2			54.9	
1995	44.6	49.9				55.1		
1996	46.5	51.0					54.2	
1997	45.0			52.6		56.7		
1998	46.0	53.4	56.0		53.8	55.4	53.6	
1999	47.3	51.2		51.1				
2000	48.6	51.9	54.5				52.9	50.5
2001	50.0	52.5		56.7	50.2	56.5		49.4
2002	49.9	52.3	54.5			56.4	51.0	49.0
2003	49.1	49.8	52.4	54.2		56.1		50.9
2004	48.4	48.4		54.5		54.8	50.8	50.7
2005	47.3	49.7		56.6	52.3	54.5	51.0	49.8
2006	49.2		53.6	55.3		54.8	49.9	51.9

Source: own calculations based on SEDLAC (CEDLAS and World Bank).

Table 3.5
Global inequality in Latin America

A. Latin America

	Gini	Theil	CV	Atk(0.5)	Atk(1.0)	Atk(2.0)	E(0)	E(2)
National								
1998	58.4	0.710	1.980	0.286	0.479	0.898	0.652	1.960
2002	57.1	0.675	2.058	0.273	0.459	0.815	0.614	2.118
2006	55.4	0.628	1.774	0.258	0.439	0.751	0.579	1.573
Urban								
1998	56.3	0.652	1.835	0.264	0.440	0.690	0.580	1.684
2002	55.3	0.628	1.940	0.255	0.428	0.677	0.559	1.881
2006	53.7	0.583	1.655	0.240	0.407	0.713	0.523	1.370

B. 13 Latin American countries

	Gini	Theil	CV	Atk(0.5)	Atk(1.0)	Atk(2.0)	E(0)	E(2)
National								
1992	56.8	0.677	1.971	0.272	0.457	0.800	0.610	1.942
1998	58.5	0.713	1.982	0.287	0.481	0.909	0.656	1.963
2002	57.0	0.674	2.063	0.272	0.458	0.827	0.613	2.128
2006	55.4	0.626	1.759	0.257	0.440	0.761	0.579	1.547
Urban								
1992	55.6	0.644	1.885	0.259	0.433	0.712	0.568	1.776
1998	56.6	0.659	1.845	0.266	0.444	0.693	0.586	1.702
2002	55.6	0.634	1.959	0.257	0.433	0.683	0.567	1.919
2006	53.9	0.587	1.654	0.242	0.412	0.724	0.531	1.368

Source: own calculations based on SEDLAC (CEDLAS and World Bank).

Table 3.6
Global inequality in Latin America
Decomposition of inequality, by country
Theil index

A. Decomposition of the level

	Overall	Between	Within	% Between
National				
1992	67.8	2.3	65.5	3.4%
2006	63.7	3.9	59.8	6.1%
Urban				
1992	64.2	1.3	63.0	2.0%
2006	60.7	2.5	58.3	4.1%

B. Decomposition of the change

	Overall	Within	Participation	Between
National	-4.2	-7.2	-0.2	3.3
Urban	-3.5	-5.8	0.0	2.4

Source: Gasparini, Gluzmann, Sánchez and Tornarolli (2008).

Table 4.1
Share of different income sources in total household income

Country	Year	Labor	Non-labor
Argentina	2006	77.0	23.0
Bolivia	2005	81.7	18.3
Brazil	2006	75.9	24.1
Chile	2006	84.7	15.3
Colombia	2004	81.4	18.6
Costa Rica	2006	86.9	13.1
Dominican Rep.	2006	75.9	24.1
Ecuador	2006	87.4	12.6
El Salvador	2005	81.9	18.1
Guatemala	2006	86.0	14.0
Honduras	2006	79.5	20.5
Mexico	2006	88.6	11.4
Nicaragua	2005	88.6	11.4
Panama	2006	77.5	22.5
Paraguay	2005	85.9	14.1
Peru	2006	72.3	27.7
Uruguay	2005	64.4	35.6
Venezuela	2006	86.6	13.4

Source: own calculations based on SEDLAC (CEDLAS and World Bank).

Table 4.2
Inequality in hourly wages

		Hourly wages in main job				
			Male workers aged 25-55			
		All	Education			
Country	Year		All	Low	Mid	High
Argentina	2006	42.0	39.7	32.8	34.9	37.9
Bolivia	2005	59.2	56.4	53.0	51.8	45.5
Brazil	2006	55.1	55.0	44.3	46.2	46.7
Chile	2006	53.7	52.7	42.0	44.1	50.3
Colombia	2004	51.3	50.6	34.4	38.1	44.0
Costa Rica	2006	44.6	44.0	32.8	37.1	41.9
Dominican Rep.	2006	47.3	44.5	41.3	40.7	41.5
Ecuador	2006	50.2	47.1	41.5	42.5	50.5
El Salvador	2005	46.7	45.6	41.4	39.1	40.0
Guatemala	2006	53.5	53.3	46.2	41.0	42.1
Honduras	2006	50.7	49.4	42.6	41.1	38.9
Mexico	2006	50.9	49.3	40.3	38.8	45.2
Nicaragua	2005	51.1	53.6	49.7	40.4	49.3
Panama	2006	50.5	49.3	44.2	37.6	47.3
Paraguay	2005	54.6	54.7	45.2	49.6	52.7
Peru	2006	53.1	51.7	51.0	44.8	47.4
Uruguay	2005	48.2	47.2	37.6	40.1	45.6
Venezuela	2006	38.0	35.5	32.2	32.1	34.0

Source: own calculations based on SEDLAC (CEDLAS and World Bank).

Table 4.3
Share of different income sources in total household income

		Share different sources in total individual income							Gini coefficient - distribution of individual income						
Country	Year	Labor income	Non-labor income	Capital & profits	Pensions	Transfers	Other	Government transfers	Individual income	Labor income	Non-labor income	Capital & profits	Pensions	Transfers	Government transfers
Argentina	2006	80.9	19.1	1.7	12.2	4.0	1.2	1.3	45.3	44.4	46.0	60.6	33.6	45.3	24.7
Bolivia	2005	81.7	18.3	5.2	4.3	8.7	.	0.8	56.9	56.2	64.4	55.6	25.9	65.8	24.8
Brazil	2006	76.0	24.0	3.9	19.4	0.7	.	0.0	54.5	53.8	57.3	66.5	46.4	60.3	52.2
Chile	2006	84.8	15.2	.	7.2	.	6.7	1.2	58.9	53.2	67.1	.	38.4	.	56.5
Colombia	2004	82.1	17.9	3.9	10.0	4.0	.	.	53.4	51.3	62.8	55.1	40.5	58.9	.
Costa Rica	2006	86.5	13.5	3.1	6.8	0.3	3.3	.	50.1	45.4	62.6	67.7	55.9	43.2	.
Dominican Rep.	2006	75.9	24.1	3.2	1.9	17.1	1.9	0.2	56.4	48.4	73.2	68.9	48.6	74.4	19.3
Ecuador	2006	87.4	12.6	3.0	3.3	6.4	.	0.6	60.2	55.8	70.9	55.9	40.8	66.9	8.9
El Salvador	2005	81.9	18.1	0.9	3.9	13.3	.	.	48.2	46.8	53.2	62.4	39.2	54.0	.
Guatemala	2006	86.0	14.0	2.4	2.0	9.6	.	1.3	66.5	56.9	72.8	60.7	49.2	70.0	44.2
Honduras	2006	79.2	20.8	1.9	1.9	24.9	.	0.2	56.5	51.6	69.2	65.0	54.9	73.0	41.0
Mexico	2006	88.6	11.4	1.9	4.9	4.6	.	1.5	53.0	50.9	62.3	63.1	48.9	62.6	42.6
Nicaragua	2005	88.5	11.5	1.1	1.8	8.6	.	.	51.4	50.6	68.9	67.7	55.5	68.4	.
Panama	2006	77.6	22.4	1.8	12.6	5.5	2.5	5.5	63.4	51.6	73.5	65.8	54.5	66.4	66.4
Paraguay	2005	86.1	13.9	2.3	4.6	7.0	0.0	0.0	52.9	52.5	57.5	64.1	36.4	53.9	.
Peru	2006	74.1	25.9	2.5	0.0	11.5	11.9	0.0	51.7	51.9	63.2	70.8	.	63.7	.
Uruguay	2005	64.4	35.6	3.8	24.5	7.3	0.0	0.8	47.9	50.1	50.2	61.2	44.9	52.2	53.5
Venezuela	2006	86.9	13.1	.	.	13.1	.	0.4	40.2	38.4	49.9	.	.	49.9	50.7

Source: own calculations based on SEDLAC (CEDLAS and World Bank).

Table 5.1
Gini coefficient
Averages by region and decade

Region	1970s	1980s	1990s	2000s
Levels				
Latin America and the Caribbean	**48.8**	**51.2**	**52.5**	**52.1**
Asia	39.0	39.3	40.1	44.2
Developed	28.2	28.4	29.8	30.3
Eastern Europe	25.6	26.5	29.7	34.1
Changes		*70s-80s*	*80s-90s*	*90s-00s*
Latin America and the Caribbean		**2.4**	**1.3**	**-0.5**
Asia		0.2	0.8	4.1
Developed		0.2	1.4	0.4
Eastern Europe		0.9	3.2	4.4
Difference in Gini points: LAC vs.				
Asia	9.8	11.9	12.5	7.9
Developed	20.6	22.8	22.7	21.8
Eastern Europe	23.2	24.7	22.9	18.0

Source: own calculations based on WIDER, Gasparini (2003), and SEDLAC (CEDLAS and World Bank).

Table 5.2
Inequality in the world
Estimates from the Gallup World Poll

	Within regions	**Across countries**
Latin America	52.5	49.9
The Caribbean	59.1	45.6
Eastern Asia & Pacific	59.4	47.1
Eastern Europe & Central Asia	49.7	41.8
South Asia	53.4	48.9
Western Europe	40.2	34.0
North America	43.8	39.2

Source: Gasparini and Gluzmann (2009).