

Labour Markets, poverty and inequality in selected countries of Latin America¹

AUSJAL Poverty and Inequality Network

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Labour Markets, poverty and inequality in selected countries of Latina America

Abstract

The present Regional Report about labour markets, poverty and inequality, analyses the poverty issue from a joint perspective of rights and necessities. The essential contribution of this work is the linkage of the labour markets to the analysis of the poverty and inequality in Latin America since the human and social rights approach that, in their broadest approval and acceptance on an international level, they are framed in the denominated Economic, Social and Cultural Rights (ESCR).

The human rights approach is based upon the point that every person counts with a set of indispensable realizations in the pursuit of human dignity, un-renounceable and irreplaceable based on compliance with the principles of universality, non-discrimination, participation, interdependence and progressiveness. In that purpose, the compliance of economic and social rights, given their nature, is indispensable to guarantee the human being dignity and integrity, as well as other fundamental rights.

To guarantee food, health, education and work, implies the broadest exercise of the liberties of association as individuals and organized social groups. Likewise, to assure the full adherence to the principles of human dignity and satisfaction of the material, social and cultural necessities of a household, and this may occur by the complete exercise of the economic and social rights. From this perspective, rights and necessities are indissoluble.

Failure to comply with the ESCR in the matter of labour human rights has implications for poverty, including the existence of labour markets where the official minimum wage is lower than the poverty line and, therefore, the persistence of labour markets with a high number of workers who, although they have a certain level of qualification (education), are found in poverty. The lack of growth (and its link with social productivity) and the accentuated inequality (and its deepening) are obstacles to the non-exercise of economic and social rights.

The Regional Report "Labour Markets, Poverty and Inequality in Selected Countries of Latin America" from AUSJAL, gathers the experiences of six Latin American countries. Analyses labour markets, poverty and inequality from a rights perspective. For its analysis, poverty is seen through a conjunction of the rights approach with that of necessities from a multidimensional perspective, using the innovative Method of Socioeconomic Wellbeing (MBS, for its initials in Spanish) developed by Reyes and López (2016). The WSM methodology provides the construction of a welfare index that allows, in addition to the analysis of poverty in its multiple dimensions, to deepen about the level of socioeconomic wellbeing of the population. With the WSM it can be obtained, besides the measurement of the poverty by income, the degree of deficiencies in other dimensions, of multidimensional general poverty and of inequality in the income distribution, granting besides the possibility of evaluating the changes in the distribution scale in the long run. (Social Mobility).

The use of the WSM in the AUSJAL Regional Report on labour markets and poverty, has as its central subject an analysis of the socioeconomic wellbeing of the employed population, classified into categories or classes, to locate where in the welfare distribution -not only income - each one of them is found, if they are below or above the minimum thresholds of welfare by dimension and in general, and, this included, the level of deficit or social debt that exists in the matter of labour human rights in force in each country.

I. Rights and welfare in labour markets

Labour Markets, poverty and inequality in selected countries of Latina America

The approach to labour rights, which underpin the development of this research, shows a broad view of social debts that has each one of the nations with the working population. Therefore, it results transcendent to systematize the obligatory nature to be covered by each of the selected countries in this report.

The legal section of this Latin American report, exposes in the first instance the conceptualization of the right to work as a human right, of a social nature, contained in various international provisions and that is not limited to the right to work (in a free, dignified way), but also to the benefits and modalities that guarantee the working classes an adequate household standard of living.

Fundamental aspects within this approach to rights, such as the case of the Minimum Constitutional Wage (MCW) used throughout the Report to analyse welfare levels, are specified under the guidelines of what the local and international laws of each country say about human rights referred to labour markets. Accordingly, they are analysed within each national case namely: *Right to Labour Freedom, Right to Equality at Work, Right to decent pay, working time, freedom of association and job security.*

The structure with which the role that these rights take part in each one of the six nations under study is developed has a scope on the following areas: *International Law, Constitutional Protection and Real Scope of protection.* This structure provides an appropriate knowledge of the legal framework in the region and allows to study which legal scopes are available for the formulation of proposals aimed at compliance with the fundamental principle of *enforceability*, which derives from the fact that Labour Human Rights are part of the category of the so-called *Economic, Social and Cultural Rights (ESCR)*, which imply a positive obligation on the part of the States to guarantee its effective exercise by the population, this means they are in turn known as "rights-benefits", to imply an expenditure on the part of the States for its fulfilment.

Finally, given that the results obtained in each of the national cases confirm -among other things- the precariousness in living conditions, particularly those who do not have access to the Social Security System and those who dedicate themselves to activities within the framework of informality. In accordance with the above, the final part of this Legal Section is devoted to exposing and analysing the role played by the *Right to Social Security* as a complex prerogative that protects, in principle, workers and their immediate family members on various contingencies related to his work and life development.

Notes on the current legal framework

The effectiveness in procuring labour human rights in each country depends on the design of the legal system and the degree of application of current regulations. In the first place, the precepts contained in international legislation can be effectively invoked when countries have control of adequate conventionality and accessible mechanisms to achieve, through the institutional channel, the observance of said precepts. This process of protection is best achieved when domestic legislation, from the constitutional level to the laws that apply these precepts, is in harmony with the meaning of external regulations.

The current international legal framework of human rights, in labour matters, begins in the Universal Declaration of Human Rights (UDHR). In its article 23 the Declaration consecrates the rights of freedom of choice of work, fair labour conditions, protection against unemployment,

Labour Markets, poverty and inequality in selected countries of Latina America

minimum remuneration so that the worker and his family is assured of an "existence in accordance with human dignity", and to form trade unions and organize for the defending of their interests³.

Similarly, the Declaration contemplates rights that may be related to work, such as the right to social security (Article 22 of the UDHR), the right to rest, free time, a reasonable limitation on the duration of work and periodic paid holidays. (Article 24, UDHR), "right to an adequate standard of living that assured his/her as well as his/her family, health and well-being, and especially food, clothing, housing, medical care and necessary social services" (Article 25, UDHR), also establishes the right to insurance in case of unemployment, sickness, disability, widowhood, old age, among others (ibid.).

Enforceability of human rights

The differentiation between the procurement of Civil and Political Rights (CPR) – the so called first generation human rights - and the ESCR - second generation human rights - has provoked a strong discussion about the enforceability of the latter. The CPR mean a negative obligation on the part of the States, that is to say, that respect for these rights is updated with the limitation of the authorities to allow freely exercising this type of rights to the population. For example, civil and political rights are effective when the States do not arbitrarily detain an individual or do not restrict freedom of expression or the right of a person to be elected to a public office, for example. In most countries with a positive legal system, there are mechanisms to ensure that these rights are respected through the judicial system, a kind of rule of the law at the courts.

This benefit characteristic of the ESCR encourages the underestimating by the States of their full compliance, relegating the international treaties signed by them in the field of these rights, to a mere commitment of goodwill. However, it is important to emphasize that both social and civil and political rights imply positive and negative obligations on the part of the States. The right to due process (rule of law), for example, requires expenditure for the maintenance of buildings, stationery, salaries of officials, etc. This shows that the need to expend public expenditure for the correct application and protection of rights is not exclusive of the so-called "rights to provide" and therefore, compliance cannot be excused when declaring them as programmatic.

However, the lack of legal enforceability of a right does not mean, in any way, that these rights have a lower degree of validity. The work of the courts, for these cases, is solely to strengthen compliance with these rights, but they are not the condition of their existence. The principles of Human Rights imply, on the contrary, the connection between them with the same degree of importance.

The effectiveness in the procurement of these rights, in each country, depends on the design of the legal system and the degree of application of the current regulations. In the first place, the precepts contained in international legislation can be effectively invoked when countries have control of adequate conventionality and accessible mechanisms to achieve, through the institutional channel, the observance of said precepts.

³ Universal Declaration of Human Rights, adopted by the General Assembly of the United Nations in its resolution 217 A (III), of December 10, 1948.

Labour Markets, poverty and inequality in selected countries of Latina America

This process of protection is best achieved when domestic legislation, from the constitutional level to the laws that apply these precepts, is in harmony with the meaning of external regulations.

The role of labour human rights in the six national cases

What do we find in our national cases? The formal protection of labour human rights is similar in most countries. However, in certain cases, some specific agreements on labour matters have not been signed, which could eventually hinder international protection in a scenario in which local legal resources have been exhausted in pursuit of compliance or enforcement. labour human rights.

Regarding the *Right to work in freedom*, all countries recognize in their laws and constitutions the freedom to work, both in the free choice of the profession to which they wish to devote themselves, except those that the law specifies a certain license or specialization, as well as like the prohibition of forced labour. International treaties on this matter, such as *Convention No. 105: Convention on forced labour* of the International Labour Organization (ILO) signed in 1930 and as *Convention No. 29: Convention on the Abolition of Forced Labour* of the same organism and dating from 1957.

Similarly, in all countries there is observance of the *Right to equality at work*, being a human right guaranteed in the three levels of legal hierarchy, that is, both in domestic law at the constitutional and legal levels, and it is strengthened by the ratification of international treaties in this area, materialized in the *Declaration of Philadelphia* (1994), in *Convention No. 100: Equal Remuneration* Convention of the ILO (1951), in *Convention No. 111: Convention on Discrimination (Employment and Occupation)* of the ILO (1958) and Article 2.2 of the International Covenant on Economic, Social and Cultural Rights (ICESCR).

On the other hand, on the *Right to a worthy remuneration*, in most of the national cases it is reflected that the countries under study contemplate the payment of a minimum wage that allows to survive a family. However, El Salvador has not ratified *Convention No. 095: ILO Protection of Wages* Convention (1949). Even so, the Constitution of that country guarantees a minimum wage which must be calculated based on the cost of living, which must include the ordinary expenses in food, clothing, housing, education and health protection, of an average working family, peasant or urban.

About *Working time*, some countries, such as El Salvador and Brazil, have not ratified *Convention No. 001: ILO Working Hours (Industry) Convention* (1919). These countries, together with Venezuela, do not have ratification of *Convention No. 030: Convention on hours of work (commerce and offices)* of the same organization (1930), although in Venezuela this right regarding hours of work is guaranteed in its national legislation. Some countries have also not ratified *Convention No. 132: ILO Paid Holidays* Convention (1970), which establishes that after one year, workers must enjoy paid holidays for a period of three weeks a year, so less. Such is the case of El Salvador, Guatemala, Colombia and Venezuela, who only guarantee fifteen days of paid holidays a year of work. Finally, El Salvador has not ratified *Convention C014: Convention on Weekly Rest (Industry)* of the ILO (1921), although it does guarantee a day of rest. It should be noted that Venezuela is the only country that guarantees two days of rest in its domestic legislation, within the countries studied.

Labour Markets, poverty and inequality in selected countries of Latina America

Regarding the *right to freedom of association*, only Brazil has not ratified *Convention No. 087: Convention on Freedom of Association and Protection of the Right to Organize* of the ILO (1948). However, the constitution and internal regulations protect the right to unionize without restrictions or need for authorization by the State, rather than for the recognition of workers' associations.

Regarding the *Right to job security*, although all countries claim grounds for unjustified dismissal in which the employer must compensate the worker, only Venezuela has ratified *Convention No. 158: Agreement on the termination of the employment relationship* of the ILO.

Finally, what is related to the *Right to Social Security* is incorporated in addition to what has been stated in the six national cases, for the reasons previously stated that the findings in terms of welfare levels in the six countries under study confirm the precariousness in the living conditions of those who do not have access to the Social Security System.

In international regulations, one of the basic norms that regulates the right to social security and establishes the minimum parameters for the observance of these benefits is *ILO Convention 102 on social security (minimum standard)* (1952), in which nine rights that imply social security are established. These are described in sections II to X of the Agreement (Table 1).

Table 1. Rights and Social Security

Sección	Right	What protects
II	Medical Aid	Preventive or curative
III	Monetary benefits	In case of illness, benefits should cover part of the worker's wage
IV	Unemployment benefits	If someone in labor age does not find an adequate job has the right of 13 weeks of benefits each 12 months.
V	Old-Age Benefits	Regular payment for elderly no older than 65 years and until death.
VI	Employment injury and sickness benefits	Covers workers income for employment injury or the loss of living means for the workers family
VII	Family benefits	Sustain for children, dressing, food and housing for the family.
VIII	Maternity benefits	Covers the income for not working because of giving birth and its consequences, and also medical aid, hospitalization.
IX	Invalidity benefits	Covers the income by invalidity for working, either permanent or as long as benefits ends until it changes to old-age benefits.
X	Survivors' benefits	Covers the loss of living means for the widow or the children by the death of the family's supporter.

Source: Convention 102 on Social Security (minimum standard) ILO (1952).

Labour Markets, poverty and inequality in selected countries of Latina America

An important aspect for the employed population is that corresponding to the minimum percentages of benefits in the Labour Market with respect to the regular wages. According to the aforementioned agreement, these percentages for periodic payments will be in accordance with the following table:

Table 2. Minimum benefit percentages according to worker's regular wages.

Section	Contingencies	Type of beneficiaries	%
III	Sickness	Worker with spouse and two children	45
IV	Unemployment	Worker with spouse and two children	45
V	Old-age	Worker with spouse and retirement age	40
VI	Employment injury and sickness:		
	Working incapacity	Worker with spouse and two children	50
	Invalidity	Worker with spouse and two children	50
	Survivors	Widow with two children	40
VIII	Maternity	Woman	45
IX	Invalidity	Worker with spouse and two children	40
X	Survivors	Widow with two children	40

Source: Convention 102 on Social Security (minimum standard) ILO (1952).

In an overview of the six countries analysed in this study, few have ratified ILO Convention 102 on social security (minimum norm), 1952. The same agreement accepts its partial ratification, which is why, even when some countries have ratified it, none has done it totally.

Brazil has ratified parts II to X corresponding to rights, but not to all areas of treaty application. Colombia, El Salvador and Guatemala have not ratified the treaty. Mexico has only accepted Parts II, III, V, VI and VIII-X.

However, all countries maintain in force most of the prerogatives established in international regulations, in their domestic law. Some of them linked to work rents or universal policies.

Table 3. Social security current prerogatives in six countries.

Section	Right	México	Brazil	Venezuela	El Salvador	Guatemala	Colombia
II	Medical Aid	Linked to labour and universal assistance	Linked to labour and universal assistance	Universal	Linked to labour	Linked to labour	Linked to labour
III	Economic benefits	Linked to labour	Linked to labour	Universal	Linked to labour	Linked to labour	Linked to labour
IV	Unemployment benefits	Taken from savings for retirement	Linked to labour	Universal	Not contemplated	Not contemplated	Linked to labour

Labour Markets, poverty and inequality in selected countries of Latina America

V	Old-age benefits	Linked to labour and minor universal benefits	Linked to labour	Universal	Linked to labour	Linked to labour	Linked to labour
VI	Employment injury and sickness benefits	Linked to labour	Linked to labour	Universal	Linked to labour	Linked to labour	Linked to labour
VII	Family benefits	Not contemplated	Not contemplated	Not contemplated		Not contemplated	Not contemplated
VIII	Maternity benefits	Linked to labour	Linked to labour	Universal	Linked to labour	Linked to labour	Linked to labour
IX	Invalidity benefits	Linked to labour	Linked to labour	Universal	Linked to labour	Linked to labour	Linked to labour
X	Survivors benefits	Linked to labour	Linked to labour	Universal	Linked to labour	Linked to labour	Linked to labour

Source: Own elaboration.

With the above, the urgent need to activate mechanisms that strengthen at all levels the exercise and observance of the Right to Social Security in the region, given its high impact on welfare levels in the Labour Market, can be mentioned summarily. as can be seen below, while, in terms of the degree of compliance and enforceability in general terms of labour human rights, its formal protection is similar in most countries. However, in some cases, some specific agreements on labour matters have not been signed by certain nations, which could eventually hinder international protection when intense resources have been exhausted in search of procuring these prerogatives.

II. Wellbeing and Human Development

The AUSJAL Report on Labour Markets and Poverty highlighting *Rights Perspective*, elaborated, for six selected Latin American countries, indicators of well-being, grouped in an index of socioeconomic well-being, (WSI) whose advantages, besides incorporating more dimensions to the analysis (income distribution, health and education, housing, housing services, social security and household equity), its source of information is at the micro level, at the household level, which allows greater precision. The WSI is an index that accounts for the level of deficit in each of the Welfare dimensions considered and can be used both for measures of well-being, poverty, socioeconomic inequality and social mobility ⁴.

In 1990 the United Nations Development Program (UNDP) began to publish an Index on Human Development (HDI) that groups indicators of income distribution, health and education. One of the advantages of the HDI is that, looking beyond the one-dimensional vision of income, it incorporates, from a multidimensional perspective, other axes of human development such as health and education. Among the disadvantages we find aggregate index based on standardized indicators whose movement over time does not reflect small changes, such as the income

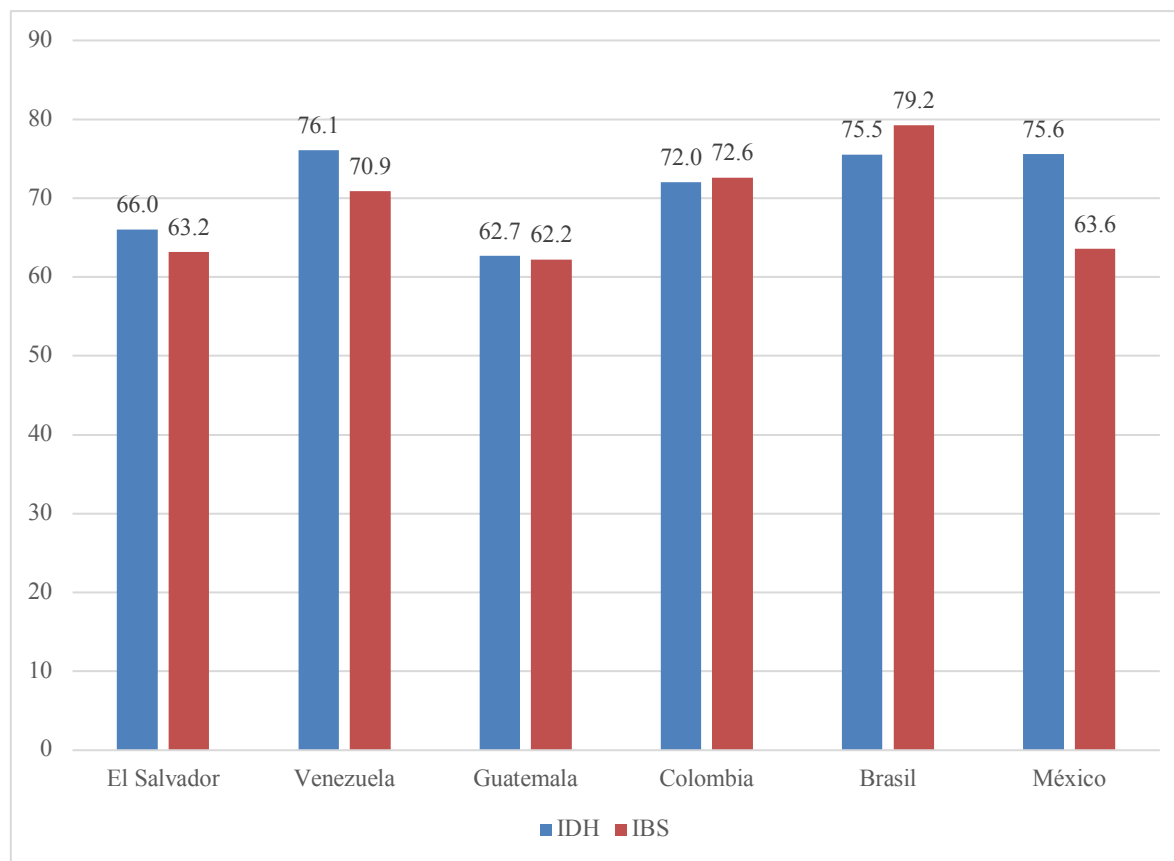
⁴ See Reyes and López (2016) and the Methodology section of this Report for deep analysis and detail.

Labour Markets, poverty and inequality in selected countries of Latin America

logarithm. Another disadvantage is aggregated data that conceals the degree of dispersion in its distribution, where the classic example is GDP per capita index⁵.

When comparing the two rates, the result obtained shows evidence of similarity in most of the countries, Guatemala and Colombia with minimal differences and showing the greatest distances in the cases of Mexico and Venezuela, where the HDI values are higher than those of WSI (Graph 1). It is likely that, in both cases, could present a problem of underestimation or overestimation of the impact of the dimensions on welfare versus human development measured by HDI.

Figure 1. HDI vs WSI | Latin American selected countries: 2015



Source: For the HDI, Human Development Reports | UNDP, several years. For the MBS-WSI, own calculations based on data from the Household Surveys provided by the National Statistics Offices: National Institute of Statistics and Geography (INEGI) -México (several years); National Administrative Department of Statistics (DANE) -Colombia (several years); Brazilian Institute of Geography and Statistics (IBGE) -Brazil (several years); National Institute of Statistics (INE) -Venezuela, (several years), General Directorate of Statistics and Censuses (DIGESTYC) -El Salvador (several years) and National Institute of Statistics (INE) -Guatemala (several years). Note: the IBS figures reported here for Venezuela are from 2011 given that there is no data from the most recent official Household Surveys. For Brazil, Guatemala and Mexico, the IBS data was calculated based on information from the 2014 Household Surveys.

With available data from the two household surveys of both countries, it would seem that in the case of Mexico the deficit levels in each dimension, as well as the inequality in their distribution, will play an important role. Although the construction of the HDI considers the gap between values with minimums and maximums, that distance does not account for the level of inequality

⁵ For more details and information about the HDI index see <http://www.undp.org/content/undp/en/home/librarypage/hdr.html>

Labour Markets, poverty and inequality in selected countries of Latina America

in each dimension. The WSI, both in the income sub-index and the unmet necessities that comprise it, considers the normalization of the index using the standard deviation, capturing the average distance between the data in each dimension. The differential rates could then be influenced by this inequality in the distribution in the multiple dimensions of well-being. In particular, WSI takes into account unequal income distribution (versus per capita income considered in the HDI that does not capture such inequality), and this could be contributing to the overestimation of HDI in Mexico⁶.

In the case of Venezuela, it seems that the problem is more focused on the difficulties in information systems at the household level. Overall in other countries, the health indicator used must be understood as covering home health system⁷. Venezuela difficulty is that the Household Survey shows only access to health through access to social security. There is no specific variable for access to health services or possibilities to build a proxy with the available information. This makes it difficult to have a more objective status of access to health. In contrast, the HDI generates the health indicator based on life expectancy, capturing improvements in the health system. The underestimation of health indicators in the WSI, as in some others, could be explaining the differential between the two indexes.

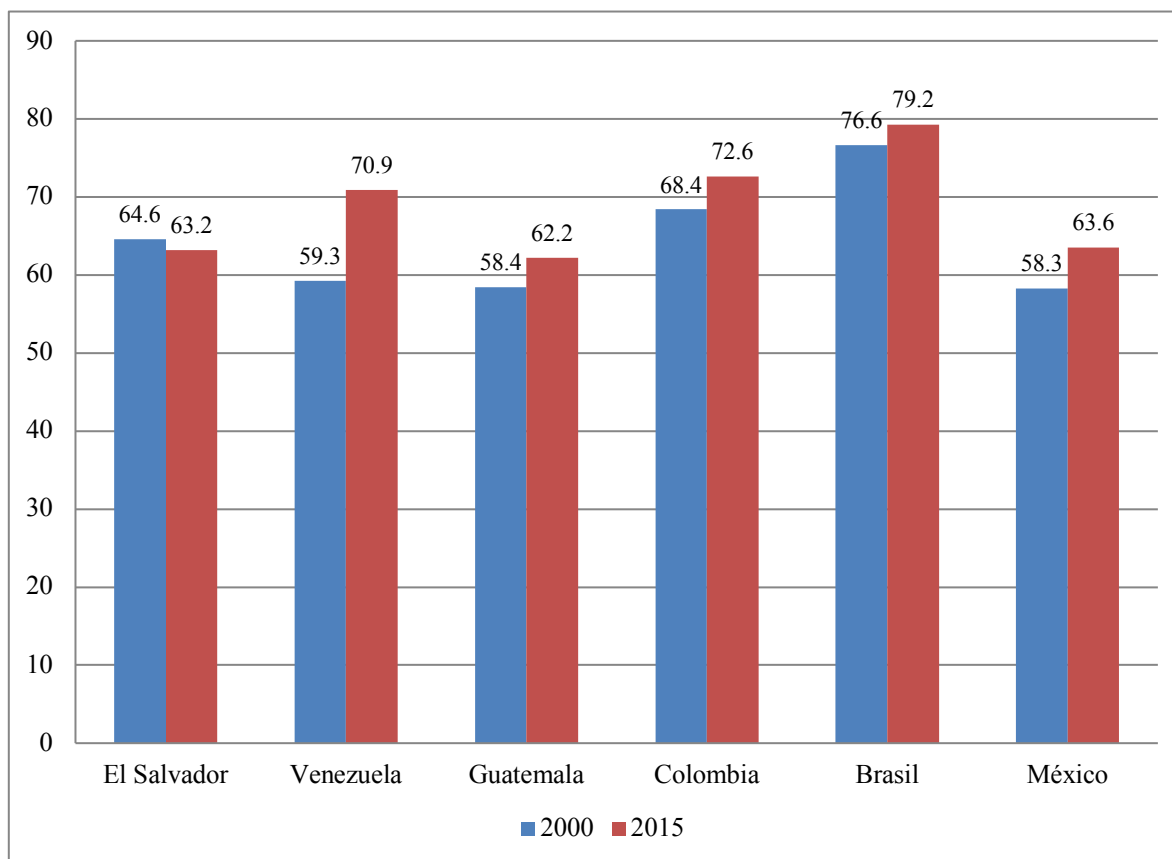
When analysing the evolution of the WSI at the regional level, all countries improve in their level of socioeconomic well-being, except El Salvador. The country that improves the most is Venezuela, with almost 10 points of difference in 11 years (between 2000-2011), considering that it is the only country for which official information is not available via a recent Household Survey. Both Mexico and Colombia are the countries that are relatively more advanced in the WSI, followed by Guatemala and Brazil.

⁶ The differential rate could even be exacerbated, given that the information used for Mexico, considers the income reported in the Household Surveys and adjusted to National Accounts, which was made based on the methodology developed by Reyes, Teruel and López (2017).

⁷ Although the ideal indicator for health should be effective access to health (quality and actual coverage in health services), household surveys in the selected countries of Latin America do not have such information.

Labour Markets, poverty and inequality in selected countries of Latin America

Figure 2. Socioeconomic well-being (WSI) in Latin America (selected countries) | 2000-2015



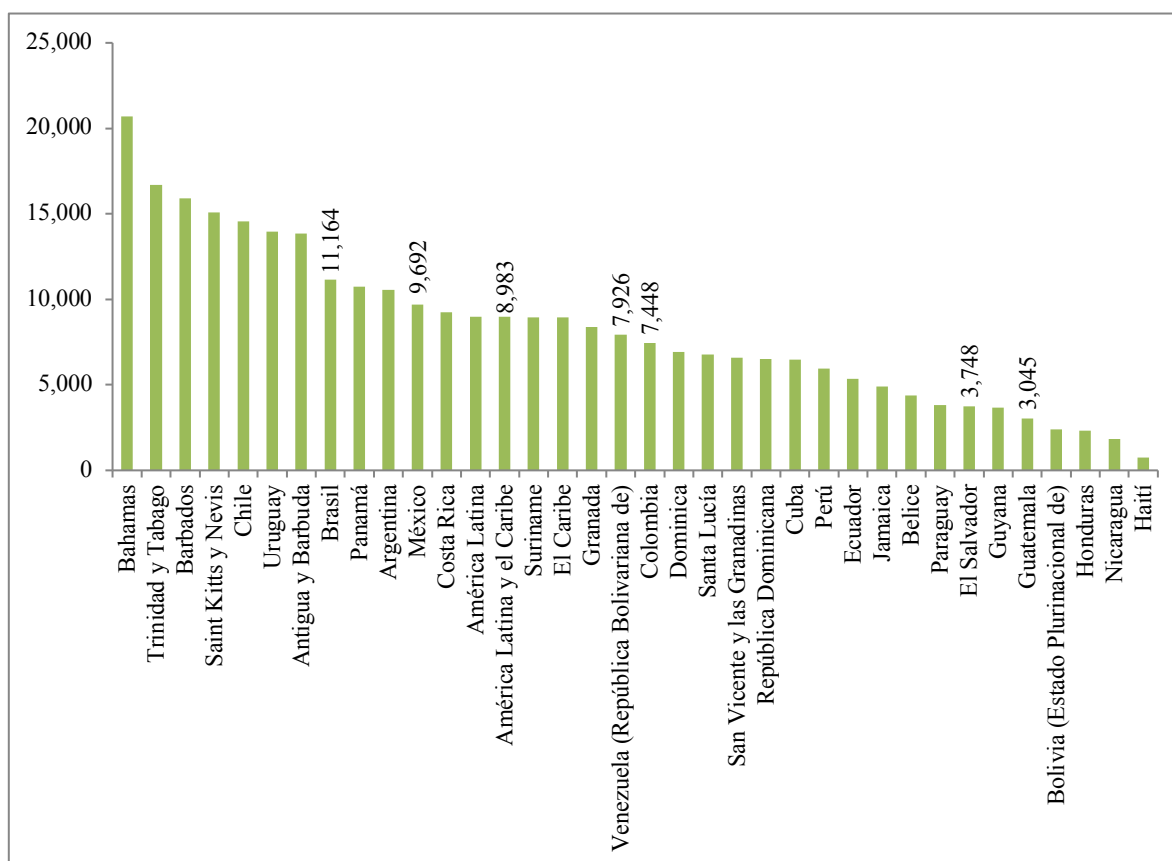
Source: own calculations based on data from the Household Surveys provided by the National Statistical Offices: National Institute of Statistics and Geography (INEGI) -México (several years); National Administrative Department of Statistics (DANE) -Colombia (several years); Brazilian Institute of Geography and Statistics (IBGE) -Brazil (several years); National Institute of Statistics (INE) -Venezuela, (several years), General Directorate of Statistics and Censuses (DIGESTYC) -El Salvador (several years) and National Institute of Statistics (INE) -Guatemala (several years). Note: the WSI figures reported here for Venezuela are from 2011 given that there is no data from the most recent official Household Surveys. For Brazil, Guatemala and Mexico, the WSI data was calculated based on information from the 2014 Household Surveys.

Income per capita

From six countries in this Report, only Mexico and Brazil are above the average for Latin America and the Caribbean. Close to the average and in that order, the Bolivarian Republic of Venezuela and Colombia. El Salvador and Guatemala, in the lower scale. (Graph 3).

Labour Markets, poverty and inequality in selected countries of Latin America

Figure 3. Total annual Gross Domestic Product (GDP) per capita at constant prices in dollars | 2015



Source: Economic Commission for Latin America (ECLAC), Statistics and Economic Indicators (2016)

Latin America and the Caribbean continues to be a region that, in spite of the economic growth of 1.7% annual average between 2000 and 2015, with very distant levels according to market economies of developed countries. The total annual GDP per inhabitant in Latin America and the Caribbean is currently 6.5 times lower than that of the United States. A figure similar to the one in 2000. After the 2008-2009 crisis and with the recession that significantly affected the economic activity of the US economy, the gap in 2011 had been reduced to 5.9 times. From the selection of countries in this Report, where the gap between 2000 and 2015 increased with respect to the United States, were Venezuela (11.7 to 13.7 times), Mexico (2.85 to 3.23), Guatemala (7.6 to 7.19) and El Salvador (7.18 to 6.99). Brazil maintains the same relative distance (3.7), while the only economy that reduces the gap is Colombia, going from 4.96 times to 4 times.

While the North American economy had a per capita growth in the period of 1.7% annual average⁸, economies such as the Mexican and Venezuelan showed the lowest growth with 0.8% and 0.6% per year. Prior to the 2008-2009 crisis, Venezuela had been growing at an average annual rate of 2.7% and, after that, per capita growth turned negative to 1.6% on an annual average, although the fell behind began in 2013. In the case of Mexico , the global pre-crisis

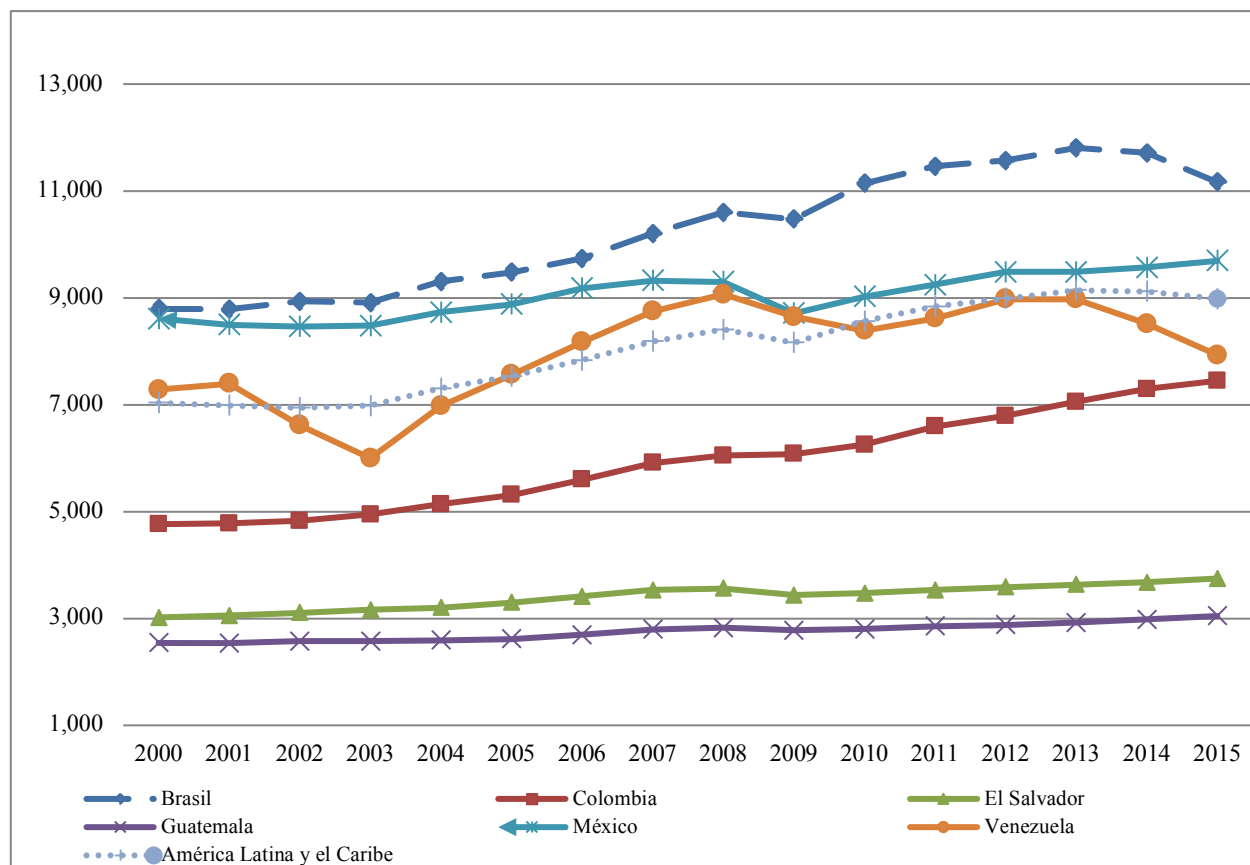
⁸ After the 2008-2009 crisis, the North American economy recovered its GDP per capita and grew at 2.9% annual average between 2012 and 2015.

Labour Markets, poverty and inequality in selected countries of Latin America

growth was 0.9% annual average, while post-crisis of 1%, that is, practically with a standardized trend throughout the period known in Mexico as Stabilizing Stagnation⁹.

Colombia is the only economy that shows a permanent and incessant growth in the period, growing at 3.5% annual average, almost doubling its GDP per capita. While in 2000 it had 4,764 dollars per inhabitant, in 2017 the figure was 7,447. In the case of Brazil, the per capita product grows significantly between 2000 and 2013 at an average rate of 2.5% per year, falling between 2014-2015 4.7%. The Central American economies of Guatemala and El Salvador, show little movement in the period, without great ups and downs, growing on average to 1.2% per year.

Figure 4. Evolution of GDP per capita in Latin America (selected countries) | 2000-2015



Source: Economic Commission for Latin America (ECLAC), Statistics and Economic Indicators

Poverty

Poverty due to income distribution

Failure to comply with the ESCR in the area of labour human rights has implications for poverty, including the existence of labour markets where the official minimum wage is lower than the poverty line and, therefore, the persistence of labour markets with a high number of workers who, although they have a certain level of qualification (education), are in poverty. The lack of growth

⁹ See Suárez Dávila (2005) http://www.scielo.org.mx/scielo.php?script=sci_arttext&pid=S1665-952X2005000300003 and Esquivel (2010). <http://2010.colmex.mx/16tomos/IX.pdf>

Labour Markets, poverty and inequality in selected countries of Latina America

(and its link with social productivity) and the accentuated inequality (and its deepening) are obstacles to the non-exercise of economic and social rights.

Non-observance of the provisions of the Constitutions of National States and international treaties in the area of economic and social rights, in particular of fundamental labour rights -such as the right to remuneration that meets the necessities of a household-, it is linked to lower growth, greater inequality and income poverty.

In that sense, for about 2016, all the countries selected for this Report, with the exception of Venezuela, have an official minimum salary in PPP¹⁰ below the official monetary poverty line. The lowest minimum salary not only for the entire selection of countries, but also for all Latin America, is that of Mexico (Wages Observatory, 2014, 2016, Table 4). On the other hand, in countries with a third of per capita GDP of Mexico, with a higher legal minimum wage, such as Guatemala or El Salvador, the problem is focused on their lack of compliance in the labour markets. In any case, minimum wages that are very low and far from the official line of poverty per household, or higher minimum salaries but unobservable in the labour market, generate a breach of the provisions of the Constitutions of the National States and international treaties on labour rights, as part of the ESCR.

The minimum necessary or ideal constitutional wage (MCW), is set of by the construction of normative baskets. As discussed in detail in the Socioeconomic Welfare Method section, (WSM) applied to the Regional Report and national cases of AUSJAL, we find that El Salvador, Guatemala, Venezuela and Colombia, access to Basic Food Basket was contemplated. It served to build the value of the Basic Non-Food Basket through the Engel coefficient. For Mexico, the normative basket to calculate the Minimum Constitutional Wage (MCW) made by Wages Observatory in its 2014 Report was updated¹¹. Finally, in the case of Brazil, the value of the Minimum Necessary Wage developed by the Department of Statistics and Socioeconomic Studies (DIEESE, by its initials in Spanish) was taken as income threshold. The Normative Basket of Vital Satisfiers (CNSV, by its initials in Spanish) equivalent to the value of the Constitutional Minimum Wage (CMW), guarantee of welfare ratio is also the value of the monetary poverty line. The MCW avoids falling into poverty and, the estimated monetary poverty line, based on a broad conception of well-being, guarantees the population access to minimum living standards (Table 4).

Table 4. Minimum official salary, official poverty line and CMW 2016 (Dollars PPP)

Country	Official poverty line	Official Minimum Wage	Constitutional Minimum Wage = Poverty Line
Venezuela	285.39	473.68	728.53
Brazil	570.56	462.43	1712.12
Colombia	687.28	566.10	1123.27

¹⁰ PPP, parity of purchasing power. The value of the official normative consumption baskets and those made by the AUSJAL Poverty and Inequality Network, as well as the official minimum wages, were accounted in purchasing power parity. That is, the monetary value of each of them, in local currency, was transformed to the monetary value of a reference country, in this case, the United States. The PPP considers both the prices and the average exchange rate. The PPP incorporate differential price and the exchange rate of each country with respect to the us dollar taken from the database of the International Monetary Fund.

¹¹ Consult the Wages Observatory Report (2014) available at:
http://www.redsalarios.org/informes/leer/informe_del_observatorio_de_salarios/1

Labour Markets, poverty and inequality in selected countries of Latina America

El Salvador	841.85	478.13	2132.88
México	1316.16	264.83	2163.97
Guatemala	1751.91	560.37	2635.42

Source: Own elaboration based on Household Surveys of each country. The PPP conversion factors were obtained from the International Monetary Fund (IMF). CNSV refers to the Normative Basket of Vital Satisfiers, see section on The Socioeconomic Welfare *Method: Method applied to the Regional Report and national cases of AUSJAL*.

The exercise of the right to a dignified remuneration, which starts from the legal concept of human rights to get access to minimum vital, considers an adequate livelihood of a family. In no sense, the minimum wage is actually associated with a personal minimum vital. The crossing of MCW from a perspective of human rights is to establish a monetary poverty line, MCW is a quite good tool to calculate a poverty line from a broad welfare perspective to serve in turn, setting the value of the official minimum wage.

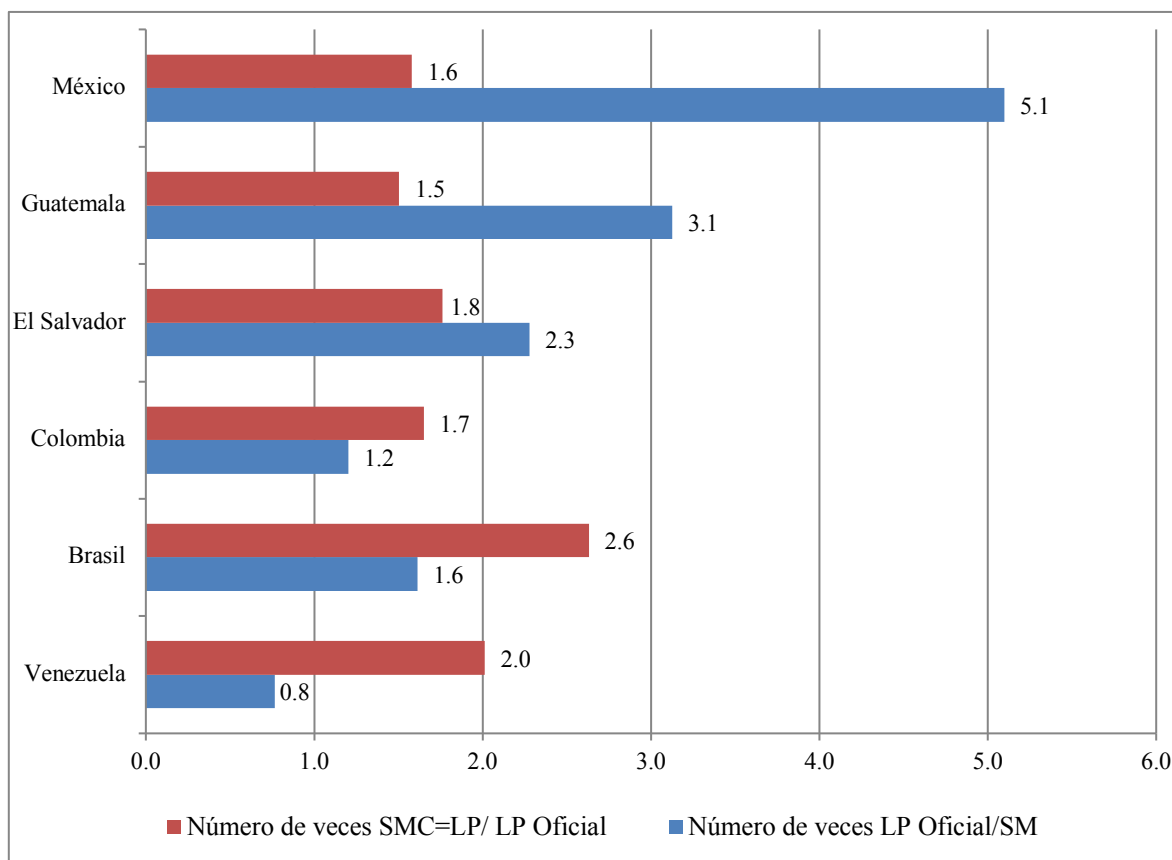
The magnitude of poverty is intrinsically linked to the thresholds, dimensions and weights used in its measurement. The identification of one-dimensional poverty by income distribution goes through the assumptions and welfare criteria used to construct the thresholds¹². That is, the welfare criteria from which the food and non-food normative baskets were created result in certain lines of monetary poverty or well-being, as they are known in countries such as Mexico. The official income poverty line for the selected countries is in no case higher than the poverty line obtained by the WSM for this AUSJAL report.

The gap between the value of the CNSV (CMW equivalent to poverty line LP) and the value of the official minimum wage ranges between 0.8 times (Venezuela, the only country with a minimum wage higher than the official poverty line) and 5.1 times (Mexico, the country with the lowest legal minimum wage in Latin America). Regarding the relative distance of the value of the Normative Basket of Vital Satisfiers elaborated for the Minimum Constitutional Salaries and the Monetary Poverty Line used in this report, with respect to the official monetary poverty line, Guatemala and Mexico, in that order, represent the smallest gaps. If the minimum wages of these countries were identical to the official monetary poverty lines, attention to the deficit in terms of the ideal minimum wage guaranteeing social and economic rights would be drastically reduced. In the case of Mexico, the gap between the legal minimum wage and the necessary and ideal Constitutional would be significantly reduced, from 5.1 to 1.6 times. In Guatemala, the relative distance between the minimum legal remuneration and the necessary Constitutional salary would fall by half, going from 3.1 to 1.5 times.

Figure 5. Relative Distance Minimum Wages Vs Poverty Line in Latin America (selected countries) | 2016

¹² For a broader discussion of thresholds, see the excellent text by Calderon Chelius (2017).

Labour Markets, poverty and inequality in selected countries of Latina America



Source: Own calculations CMW equivalent to the Poverty Line by country based on Household Surveys of each country. The PPA conversion factors were obtained from the International Monetary Fund (IMF). The official minimum wage data was obtained from the Wage Indicator Foundation sponsored by the University of Amsterdam. The source of information on the official poverty lines are the National Statistical Offices and agencies responsible for the official measurement of poverty in each country.

The Minimum Constitutional Wage value under a labour rights approach -ESCR, would imply its identical value to the monetary poverty line, ranging from the 729 dollars PPP of Venezuela, to the 2,365 dollars of Guatemala. In local currency, exercising the human right to a decent remuneration implies that, in order to satisfy the material, social and cultural necessities of a minimum wage worker and its family, at current prices of 2016, 17,674 Mexican pesos, 41,668 bolivars in Venezuela, 3,736 Brazilian reais, 1,382,039 Colombian pesos, 10,713 Guatemalan quetzales and 948 dollars in El Salvador (Table 5).

Labour Markets, poverty and inequality in selected countries of Latin America

Table 5. Constitutional minimum wages - CMW and monetary poverty line (PL) according to WSM in Latin America (selected countries) | 2016 Local currency and PPP dollars

<i>Country</i>	<i>CURRENCY</i>		
		<i>Local currency</i>	<i>Dollars PPP</i>
Brazil	Reales	3,736	1,963
Colombia	Pesos colombianos	1,382,039	1,123
El Salvador	Dólares	948	1,919
Guatemala	Quetzales	10,713	2,635
México	Pesos mexicanos	17,647	2,133
Venezuela	Bolívares	41,668	729

Source: Own elaboration based on Household Surveys of each country. The PPA conversion factors were obtained from the International Monetary Fund (IMF). For more detail on how to obtain the MCW equivalent to the monetary poverty line of the WSM, see section on The Socioeconomic Welfare Method: Method applied to the Regional Report and national cases of AUSJAL.

In another sense, discussion about establishing absolute or relative poverty lines for comparability purposes between countries persists. In this Report, construction of normative baskets obtained a consistency in the ratio between food expenditure versus non-food expenditure in all countries, resulting in different monetary poverty lines and with arguments that question the validity and scope of absolute poverty lines, such as those established by international organizations with values of 1, 1.75, 3 or 5 dollars per day¹³.

From the above, the monetary poverty line obtained by the WSM is significantly higher than the estimated official poverty lines of each country selected in the AUSJAL report. The change in thresholds triggers poverty, in some to a greater extent than in others. In Mexico, the difference of thresholds of 1.6 times, results in the monetary poverty increase approximately in the same proportion (1.5 times). Something similar happens with Guatemala, whose difference between official poverty and that of the WSM is 1.5 times versus 1.5 the difference in thresholds. For Venezuela, the gap in official poverty estimates-WSM is 2.7 times versus 2 times the difference in thresholds.

Colombia is the only country where the difference in poverty estimates (1.16 times) is less than the gap in thresholds or poverty lines (1.7 times). The role of household income adjusted to national accounts¹⁴ seems to be the factor by which poverty, having a differential in the threshold of 1.7 times, only increases 1.16. Something similar also happens with Mexico when an adjustment is made to household income due to problems of sub-reporting or truncation to National Accounts¹⁵: Monetary poverty with the threshold of the Minimum Constitutional Wage

¹³ Figures with which international organizations such as the World Bank or the Inter-American Development Bank obtain poverty and extreme poverty.

¹⁴ The household income reported in the Household Surveys of Colombia (Large Integrated Household Survey - GEIH) is adjusted by the Colombian Bureau of Statistics through a method of adjusting to National Accounts. The information published in the Household Surveys already contains the adjustment made to household income. The institution that makes the adjustment is the Mission for the Connection of the series of employment, poverty and inequality (MESEP). The objective of the adjustment by MESEP (2009) is that the income variable has fewer problems of omission (people who do not answer the questions) and reduces the problem of underreporting. (people who report a lower income when answering the survey).

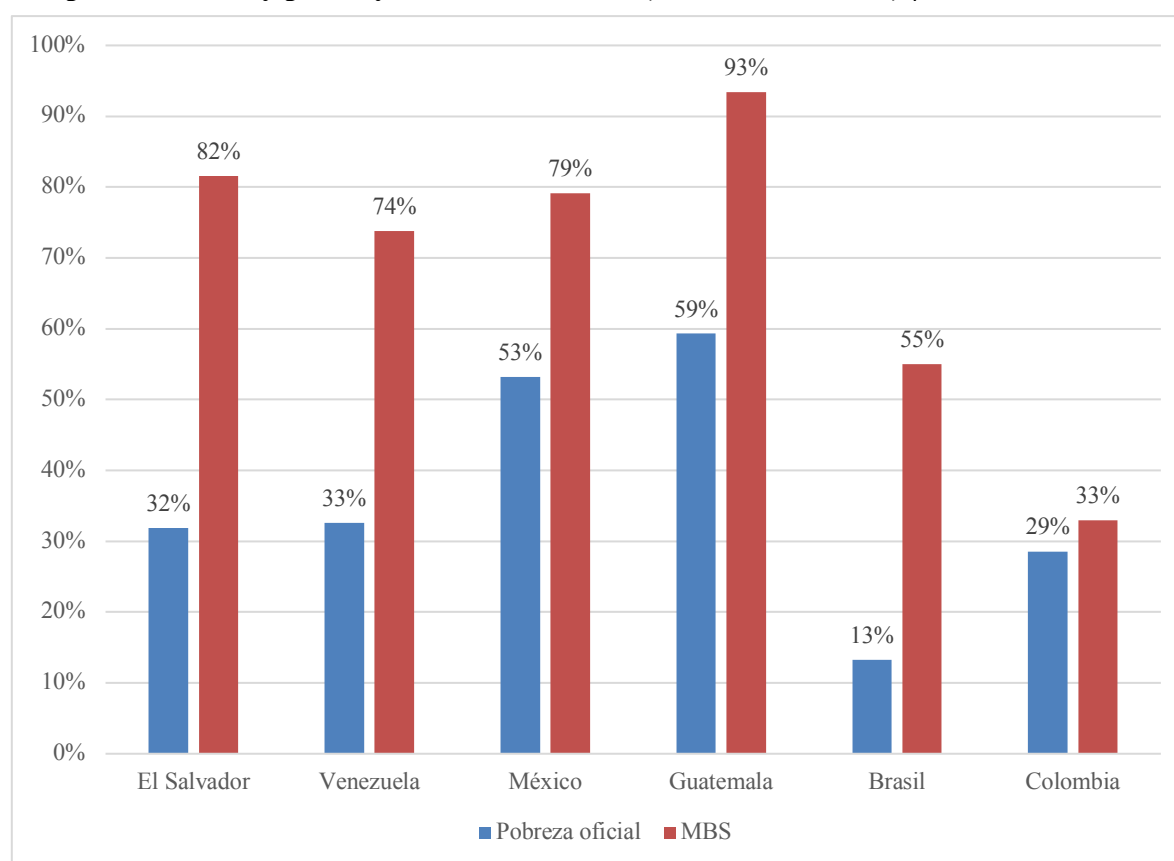
¹⁵ The adjustment to National Accounts for Mexico used in this estimate is made by Reyes, Teruel and López (2017)

Labour Markets, poverty and inequality in selected countries of Latin America

equivalent to the value of the CNSV normative basket, decreases from 79% to 64%. The threshold differential remains at 1.6, but the poverty gap falls from 1.5 to only 1.19 times.

Countries with the highest level of monetary poverty with WSM of AUSJAL report on labour markets and poverty are: Guatemala (93%), El Salvador (82%), Mexico (79%) and Venezuela (74%). Of the selected countries in Latin America, Brazil (55%) and Colombia (33%), show lower levels of income poverty. The monetary poverty levels estimated by the WSM for this sample of Latin American countries are more consistent with average per capita income and levels of inequality in income distribution than those estimated with official figures. With official estimates of monetary poverty, there are large inconsistencies or at least questions with countries such as Guatemala, with per capita income three times lower than that of Mexico and similar levels of inequality, which have an official poverty not so far from the official one in Mexico; Another case is Venezuela, with a per capita GDP that doubles El Salvador and lower inequality levels at income distribution, but with the same level of official poverty as El Salvador.

Graph 6. Monetary poverty in Latin America (selected countries) | 2014



Source: Official poverty based on data from the National Statistical Offices and agencies for official measurement (CONEVAL, Mexico, 2014). WSM poverty, calculations based on data from household surveys provided by the Ofi National Statistical Offices: National Institute of Statistics and Geography (INEGI) -Mexico (several years); National Administrative Department of Statistics (DANE) -Colombia (several years); Brazilian Institute of Geography and Statistics (IBGE) -Brazil (several years); National Institute of Statistics (INE) - Venezuela, (several years), General Directorate of Statistics and Censuses (DIGESTYC) -El Salvador (several years) and National Institute of Statistics (INE) - Guatemala (several years). Note: the poverty figures reported here for Venezuela are from 2011 given that there is no data from the most recent official Household Surveys. For El Salvador and Colombia, the monetary poverty data was calculated based on information from Household Surveys of 2015.

In this sense, WSM shows consistency between the obtained welfare indicator (Socioeconomic Wellbeing Index-WSI) and monetary poverty. The construction of the WSI index, which ponders

Labour Markets, poverty and inequality in selected countries of Latina America

the contribution of income and the unmet necessities other than income, constructs thresholds or minimum floors for each indicator considered in the analysis of Well-being. For income, the minimum floor is the poverty line equivalent to the CMW. The welfare indicator obtained with the income (income sub index) that expresses the distance of the income of each individual and household with respect to the monetary poverty line of the WSM, by normalizing it with the average deviation of the total income of the households (standard deviation)), as well as allowing an indicator of the household income deficit below the poverty line and thus identifying the size and magnitude of monetary poverty, ponders the distance of each household with the average distance as a proxy of an inequality indicator.

The evolution of monetary poverty obtained with the WSM in the six AUSJAL countries Report, shows the same general trend of official poverty, with differences in the product magnitudes or the differential in thresholds: countries where practically poverty does not show changes or where the downward movements are not as significant as Mexico and El Salvador; The countries where income poverty falls significantly were Colombia, Venezuela and Brazil; and one country, Guatemala, whose trend is upward in monetary poverty in 2000 (Table 6).

Table 6. Evolution of monetary poverty | Selected countries of AL, 2000-2014

Countries	Population	2000	2006	2011	2014
El Salvador	Total population	80%	77%	n.a.	82%
	Occupied population	73%	70%	n.a.	75%
Venezuela	Total population	86%	82%	74%	n.a.
	Occupied population	78%	73%	60%	n.a.
México	Total population	78%	n.a.	77%	79%
	Occupied population	72%	n.a.	71%	76%
Guatemala	Total population	90%	83%	n.a.	93%
	Occupied population	74%	78%	n.a.	85%
Brazil	Total population	69%	65%	n.a.	55%
	Occupied population	61%	55%	n.a.	43%
Colombia	Total population	n.a.	60%	44%	33%
	Occupied population	n.a.	50%	34%	24%

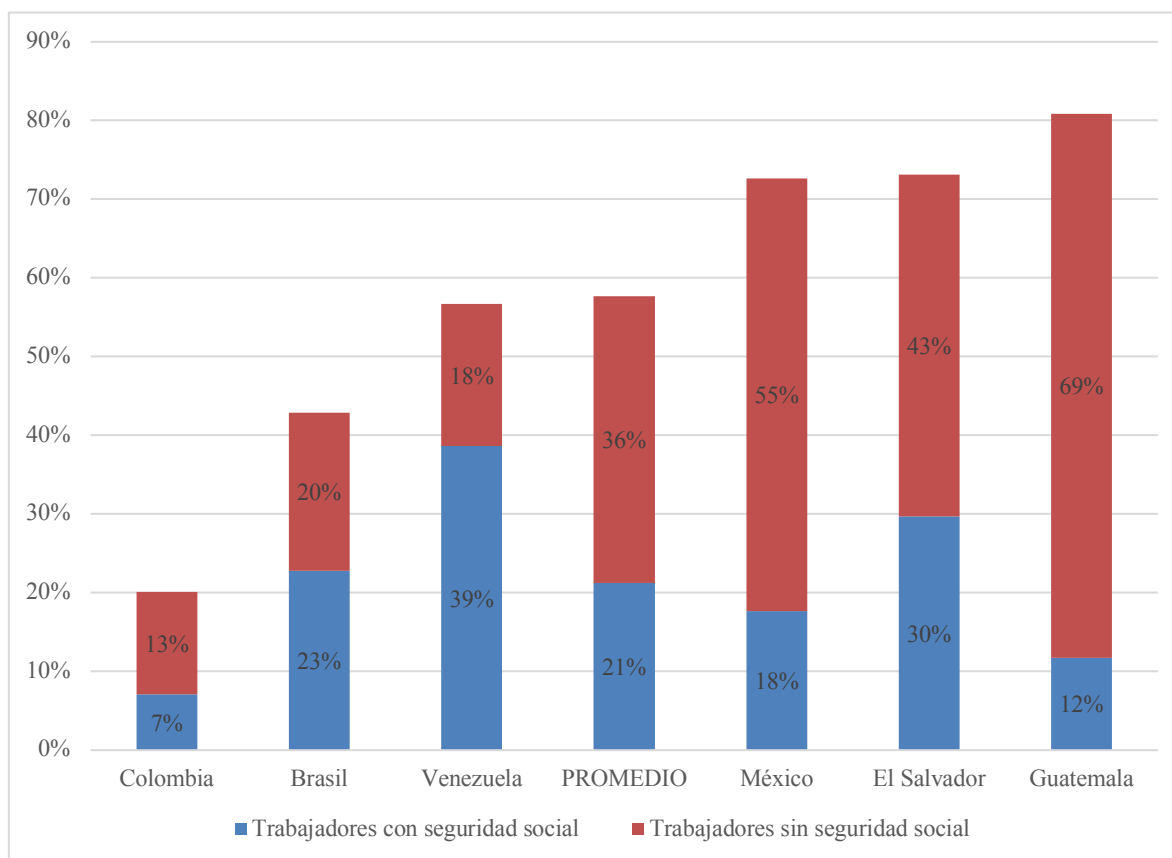
Source: Computations own data based on household surveys provided by the National Statistical Offices: National Institute of Statistics and Geography (INEGI) -Mexico (several years); National Administrative Department of Statistics (DANE) -Colombia (several years); Brazilian Institute of Geography and Statistics (IBGE) -Brazil (several years); National Institute of Statistics (INE) -Venezuela, (several years), General Directorate of Statistics and Censuses (DIGESTYC) -El Salvador (several years) and National Institute of Statistics (INE) -Guatemala (several years). Note: the most recent poverty figures reported for Venezuela are from 2011 given that the most recent microdata household surveys are from that year. For El Salvador and Colombia, the monetary poverty data reported for 2014 is from information of 2015. For Mexico, the data for 2011 is obtained for 2012. The poverty estimate for Brazil was for the years 2001 and 2007, although it is reported in 2000 and 2006 respectively. Similar situation occurs in Colombia where the monetary poverty considered for 2006 is that of 2007 and that of 2014 is the number of poor people of 2015.

As for the employed population, the deficit in the matter of the right to a remunerative minimum wage that identifies the percentage of salaried and subordinated labour that do not reach the CMW and is also in monetary poverty, remains high in most of the countries considered. Guatemala, El Salvador and Mexico are above the average poverty of salaried workers. In Guatemala, 81% of the salaried working population does not have the right to the

Labour Markets, poverty and inequality in selected countries of Latin America

minimum wage and is in a situation of poverty. In El Salvador and Mexico, it is 73%. Below the average is located in Venezuela with 57%, Brazil 43% and Colombia with 20% (Graph 7). Of the total salaried working population that in the labour market receive remunerations below the SMC, except for the exceptions of Brazil and Venezuela, for the most part they are workers without social security, highlighting the cases of Guatemala, El Salvador and Mexico.

Graphic 7. Percentage of workers that do not reach the CMW and are below the PL | Selected countries of AL, 2014

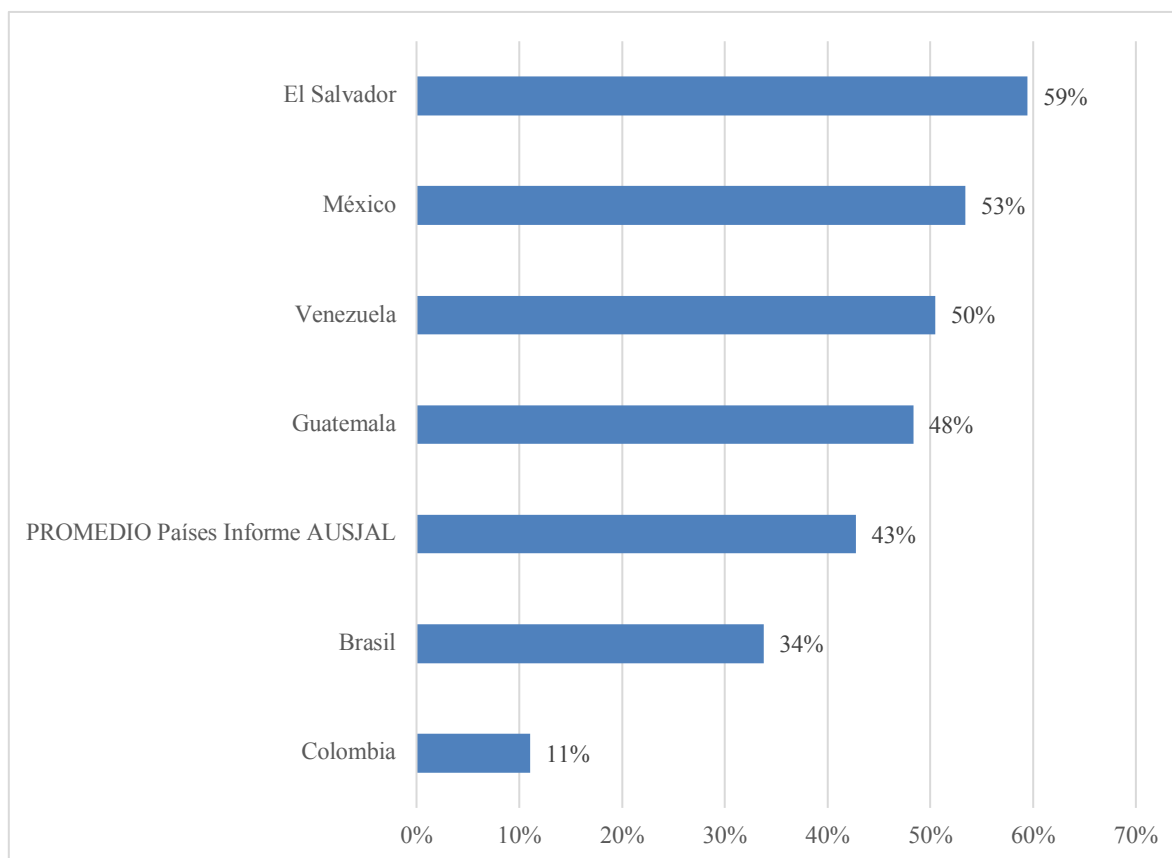


Source: own calculations based on data from the Household Surveys provided by the National Statistical Offices: National Institute of Statistics and Geography (INEGI) -México (several years); National Administrative Department of Statistics (DANE) -Colombia (several years); Brazilian Institute of Geography and Statistics (IBGE) -Brazil (several years); National Institute of Statistics (INE) -Venezuela, (several years), General Directorate of Statistics and Censuses (DIGESTYC) -El Salvador (several years) and National Institute of Statistics (INE) - Guatemala (several years). Note: the poverty figures reported here for Venezuela are from 2011 given that there is no data from the most recent official Household Surveys. For El Salvador and Colombia, the monetary poverty data was calculated based on information from Household Surveys of 2015.

Analysing separately the composition of labour market, handling or not social security, the average number of workers who have the right to social security, but are below the line of poverty and do not reach the MCW is 43%. El Salvador is the country where the percentage of workers with social security who do not reach MCW is higher with 59%. They are followed in that order, Mexico (53%), Venezuela (50%) and Guatemala (48%). The country with the lowest percentage of workers with social security below the poverty line is Colombia with 11%.

Graphic 8. Workers with social security that do not reach the CMW and are in a situation of monetary poverty | Selected countries of AL, 2014

Labour Markets, poverty and inequality in selected countries of Latina America

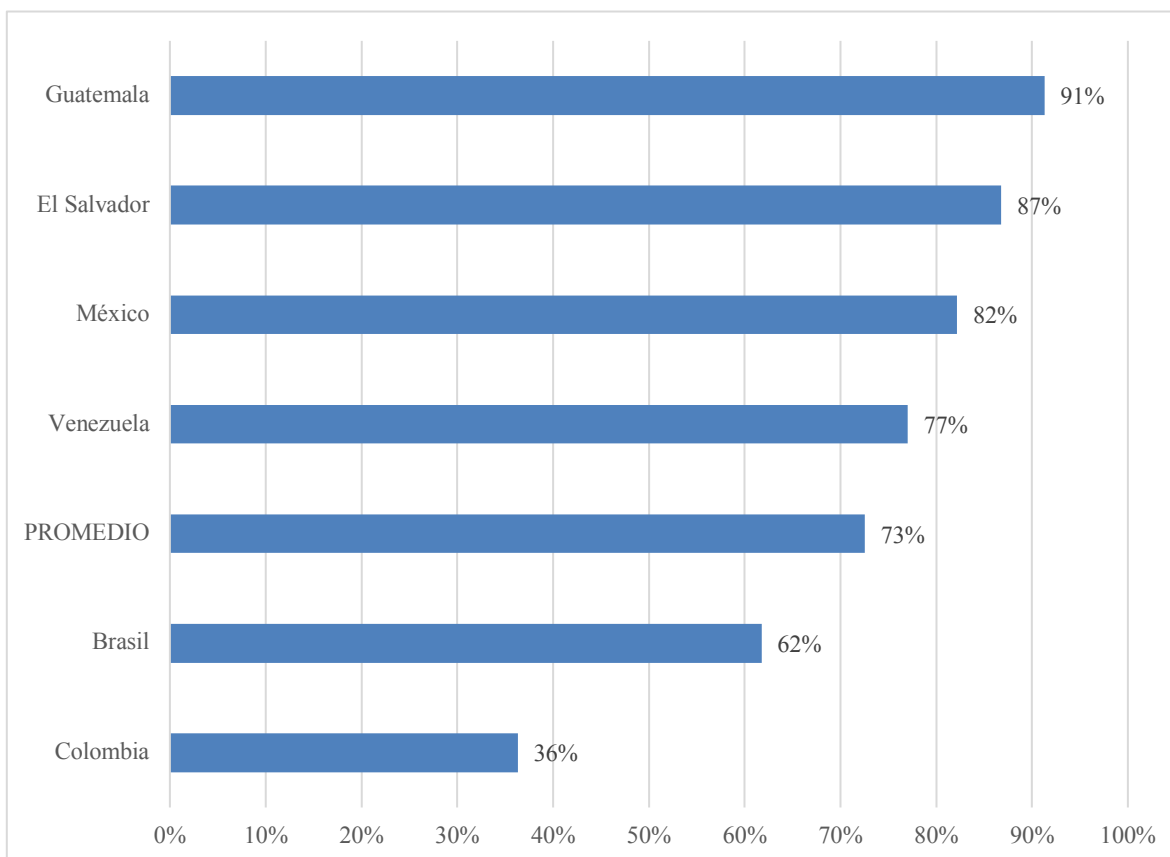


Source: own calculation based on data from the Household Surveys provided by the National Statistical Offices: National Institute of Statistics and Geography (INEGI) -México (several years); National Administrative Department of Statistics (DANE) -Colombia (several years); Brazilian Institute of Geography and Statistics (IBGE) -Brazil (several years); National Institute of Statistics (INE) -Venezuela, (several years), General Directorate of Statistics and Censuses (DIGESTYC) -El Salvador (several years) and National Institute of Statistics (INE) -Guatemala (several years). Note: the poverty figures reported here for Venezuela are from 2011 given that there is no data from the most recent official Household Surveys. For El Salvador and Colombia, the monetary poverty data was calculated based on information from Household Surveys of 2015.

On the other hand workers with no social security access and below the poverty monetary line and therefore do not reach CMW is 73 % as an average. Guatemala and El Salvador are the countries where the percentage of workers without social security who do not reach CMW is 91 and 89%, respectively. They are followed in that order and above the average of countries in the AUSJAL Report, Mexico (82 %) and Venezuela (77 %). Again, the countries below the average, Brazil and Colombia, where the latter shows evidence of the lower percentage of workers without social security below the monetary poverty line with 36 %.

Labour Markets, poverty and inequality in selected countries of Latina America

Figure 9. Workers without social security who do not reach CMW and monetary poverty line. Selected countries. 2014



Source: own calculation based on data from the Household Surveys provided by the National Statistical Offices: National Institute of Statistics and Geography (INEGI) -México (several years); National Administrative Department of Statistics (DANE) -Colombia (several years); Brazilian Institute of Geography and Statistics (IBGE) -Brazil (several years); National Institute of Statistics (INE) -Venezuela, (several years), General Directorate of Statistics and Censuses (DIGESTYC) -El Salvador (several years) and National Institute of Statistics (INE) -Guatemala (several years). Note: the poverty figures reported here for Venezuela are from 2011 given that there is no data from the most recent official Household Surveys. For El Salvador and Colombia, the monetary poverty data was calculated based on information from Household Surveys of 2015.

Workers without social security are the most vulnerable to falling into a situation of monetary poverty. This type of workers without access to health services, to sickness medic care, old age and retirement, as well as to any type of social benefits, are the ones also to receive the lowest wages in the labour market. Labour markets, which, for the most hire subordinated and salaried workers under regimes that evade compliance with social rights such as social security.

As a second consideration are the exception countries: Venezuela and Brazil. Both countries undertook strategies for labour formalization after 2001-2002. In Venezuela and Brazil most of the wage-earning population below the poverty line has social security because the composition of the working population has reversed and now they represent the largest proportion of the working population. In Venezuela, in 2000, 57% of the employed population were salaried workers, of which almost 70% of them had no social security. For 2011, the last year available at the microdata level of the Household Surveys, the salaried population as a percentage of the total population remains at 57%, but now 76% would have social security. In Brazil, 69% of the employed population was salaried in 2001, while for 2014 it was 72%. In the first case, that of

Labour Markets, poverty and inequality in selected countries of Latina America

2001, 57% of the working population did not have social security. By 2014, 67% of the population could be identified as a salaried population with social security.

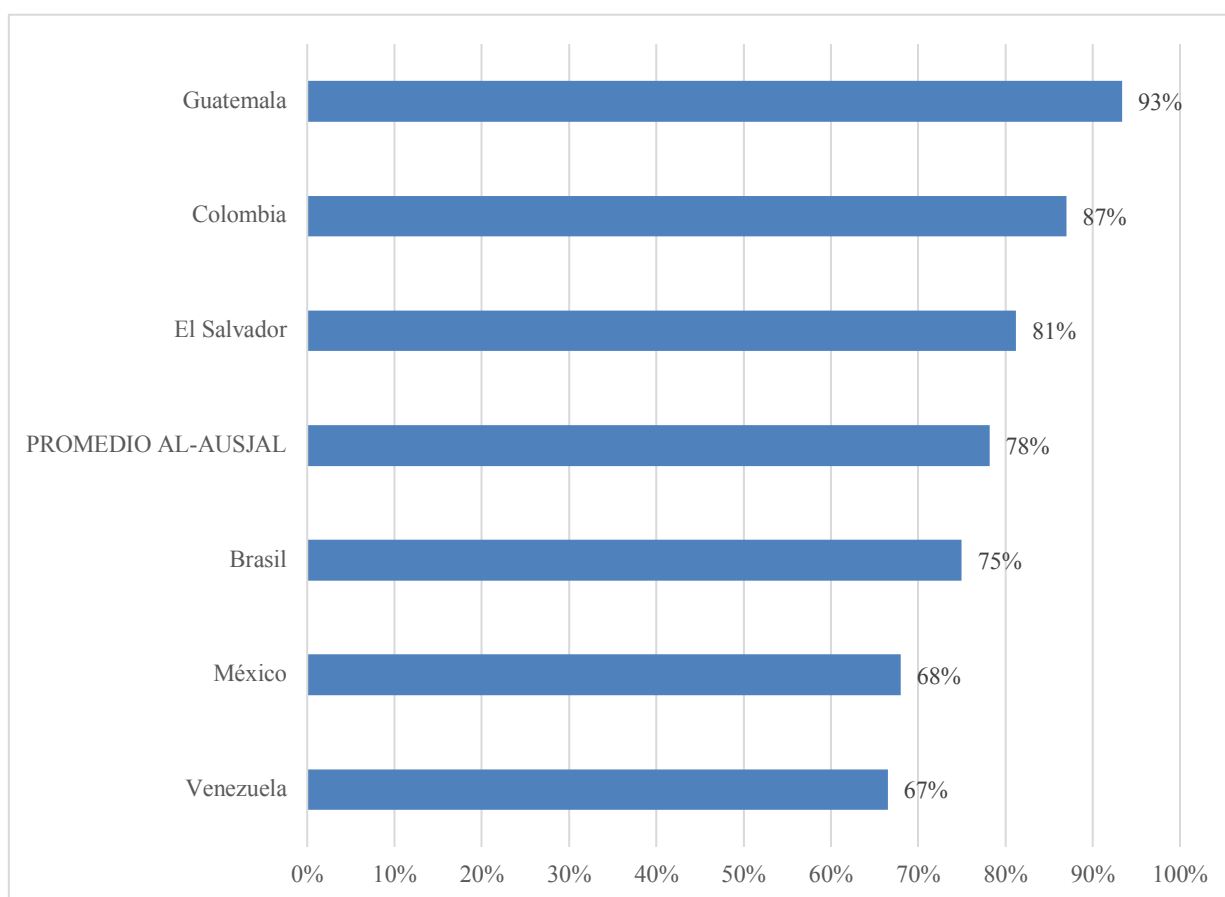
Monetary poverty line in these two countries shows a composition with greater weight of workers with social security. It also means that social rights in terms of reducing the lack of social security, does not necessarily go hand in hand with the fact that this population comes out of monetary poverty. This population solves one of their previously unsatisfied necessities by guaranteeing them the right to social security, a situation that contributes to improving their welfare, but does not necessarily mean abandoning monetary poverty line and that this population reaches a decent and adequate minimum wage, the Minimum Constitutional Wage. Exercising the right to social security is, therefore, a necessary but not sufficient condition to improve well-being.

Poverty by Unsatisfied Necessities

The countries with the highest levels of poverty by UN according to the WSM in this AUSJAL Report on labour markets and poverty are: Guatemala (93%), Colombia (87%) and El Salvador (82%). The countries below the average in the Unsatisfied Necessities deficit are Brazil (75%), Mexico (68%) and Venezuela (67%) whose social policies focused on reducing deficits in social security (Brazil and Venezuela), quality and housing spaces (Mexico and Venezuela) and access to health (Mexico and Venezuela). Guatemala, as the country with the greatest number of deprivations, shows that 93% of the population does not meet the minimum standards for a decent and adequate life in terms of education, health, social security, education, housing services, housing materials and property. In Colombia, the policy of combating poverty has focused its efforts on monetary poverty line, maintaining high levels of labour by UN (87%) (Graph 10).

Labour Markets, poverty and inequality in selected countries of Latin America

Graph 10. Percentage of population in poverty by UN | Selected countries. 2014



Source: own calculations based on data from the Household Surveys provided by the National Statistical Offices: National Institute of Statistics and Geography (INEGI) -México (several years); National Administrative Department of Statistics (DANE) -Colombia (several years); Brazilian Institute of Geography and Statistics (IBGE) -Brazil (several years); National Institute of Statistics (INE) -Venezuela, (several years), General Directorate of Statistics and Censuses (DIGESTYC) -El Salvador (several years) and National Institute of Statistics (INE) -Guatemala (several years). Note: the poverty figures reported here for Venezuela are from 2011 given that there is no data from the most recent official Household Surveys. For El Salvador and Colombia, the monetary poverty data was calculated based on information from Household Surveys of 2015

Table 7. Evolution of poverty by UN | Selected countries: 2000-2014

Countries	Population	2000	2006	2011	2014
El Salvador	Total population	90%	89%	n.a.	81%
	Occupied population	83%	82%	n.a.	75%
Venezuela	Total population	78%	71%	67%	n.a.
	Occupied population	66%	60%	54%	n.a.
México	Total population	76%	n.a.	68%	68%
	Occupied population	70%	n.a.	63%	63%
Guatemala	Total population	89%	85%	n.a.	76%
	Occupied population	80%	77%	n.a.	67%
Brazil	Total population	86%	81%	n.a.	75%
	Occupied population	75%	70%	n.a.	61%

Labour Markets, poverty and inequality in selected countries of Latina America

Colombia	Total population	n.a.	89%	90%	87%
	Occupied population	n.a.	78%	78%	75%

Source: Own calculation based on data from the Household Surveys provided by the National Statistical Offices: National Institute of Statistics and Geography (INEGI) -México (several years); National Administrative Department of Statistics (DANE) -Colombia (several years); Brazilian Institute of Geography and Statistics (IBGE) -Brazil (several years); National Institute of Statistics (INE) -Venezuela, (several years), General Directorate of Statistics and Censuses (DIGESTYC) -El Salvador (several years) and National Institute of Statistics (INE) -Guatemala (several years). Note: the most recent poverty figures reported for Venezuela are from 2011 given that the most recent microdata household surveys are from that year. For El Salvador and Colombia, the poverty data for UN reported for 2014 is from information of 2015. For Mexico, the data for 2011 is obtained for 2012. The poverty estimate of UN for Brazil was for the years 2001 and 2007, although it is reported in 2000 and 2006 respectively. Similar situation occurs in Colombia where the poverty for UN considered for 2006 is that of 2007 and that of 2014 is the number of poor people of 2015.

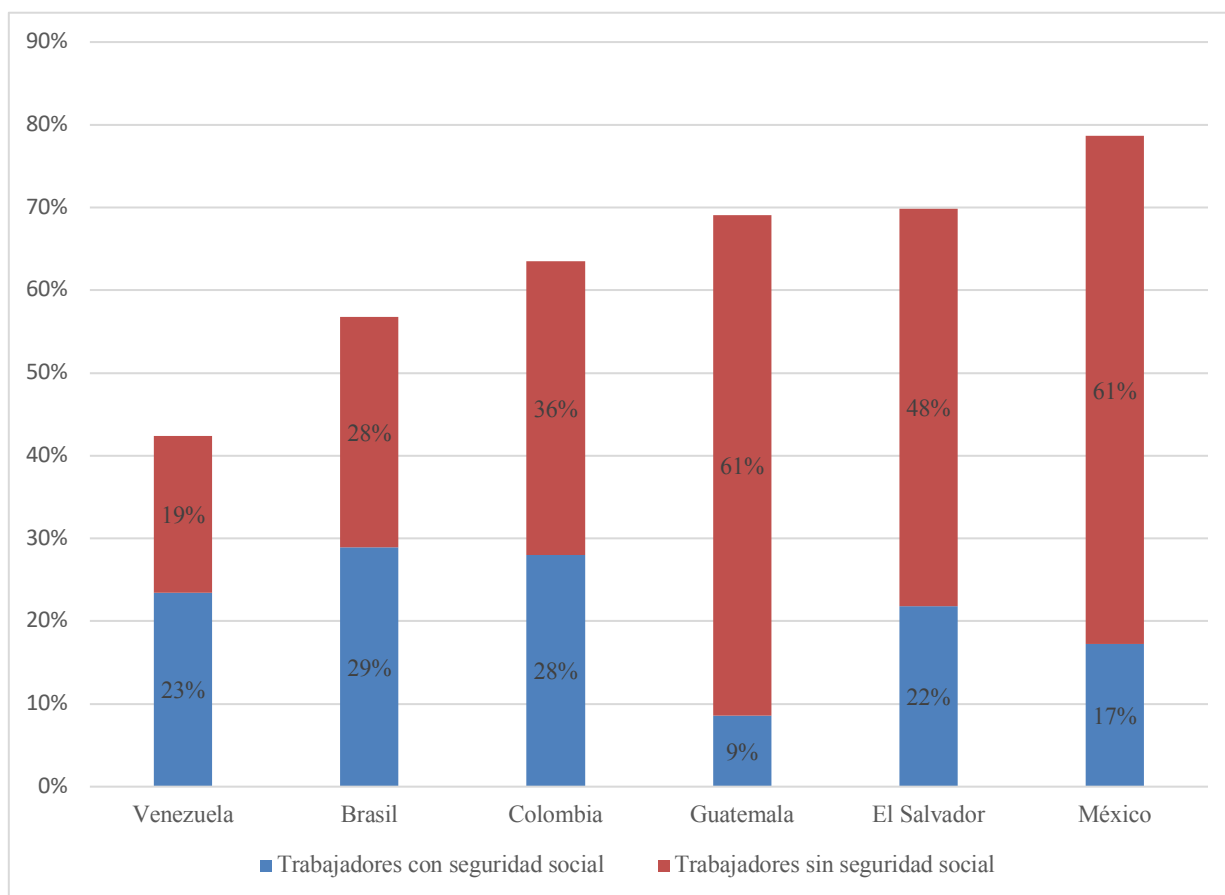
In the period there were substantial improvements in some indicators of UN. Reductions are concentrated in housing services (electricity, water, drainage) as well as housing quality-spaces. There are indicators that improve in all countries such as overcrowding, where the most drastic falls are in Guatemala and El Salvador of between 19 and 17 percentage points respectively. Other indicators with no movement are educational lag and social security, whose exceptions in the latter sense, represented Colombia, Venezuela and Brazil through the significant reduction in their levels of informality (workers without social security)¹⁶.

The composition of poverty figures of UN by type of employee, shows that, in comparison to workers with social security, those salaried workers who fails in those rights are those that contribute in major proportion to the working population in poverty by UN with the exceptions of Brazil and Venezuela, due to the reorganization of wage-earning population in workers with social security, not necessarily meaning falling down in other deprivations (Graph 11) as stated before.

¹⁶ In Brazil, 67% of its salaried workers have in 2014 social security versus 55% who had it in 2000. In Venezuela, it is now 76.5% of workers who have social security in relation to 66% in 2000. It is important to note that these are salaried workers with social security, not a population occupied with social security, in which case, it also includes small capital owners, entrepreneurs and cooperative workers. In the case of Colombia, although there is a reduction in the working population without social security, there is also a reduction in the proportion of workers in general, so the impact is much smaller. The working population drops its participation by 5 percentage points, which are earned by the population categorized as small owners. This meant that the apparent increase of 10 percentage points in the working population with social security, in real terms, was only half.

Labour Markets, poverty and inequality in selected countries of Latin America

Graph 11. Percentage of workers in poverty line by UN | Selected countries. 2014

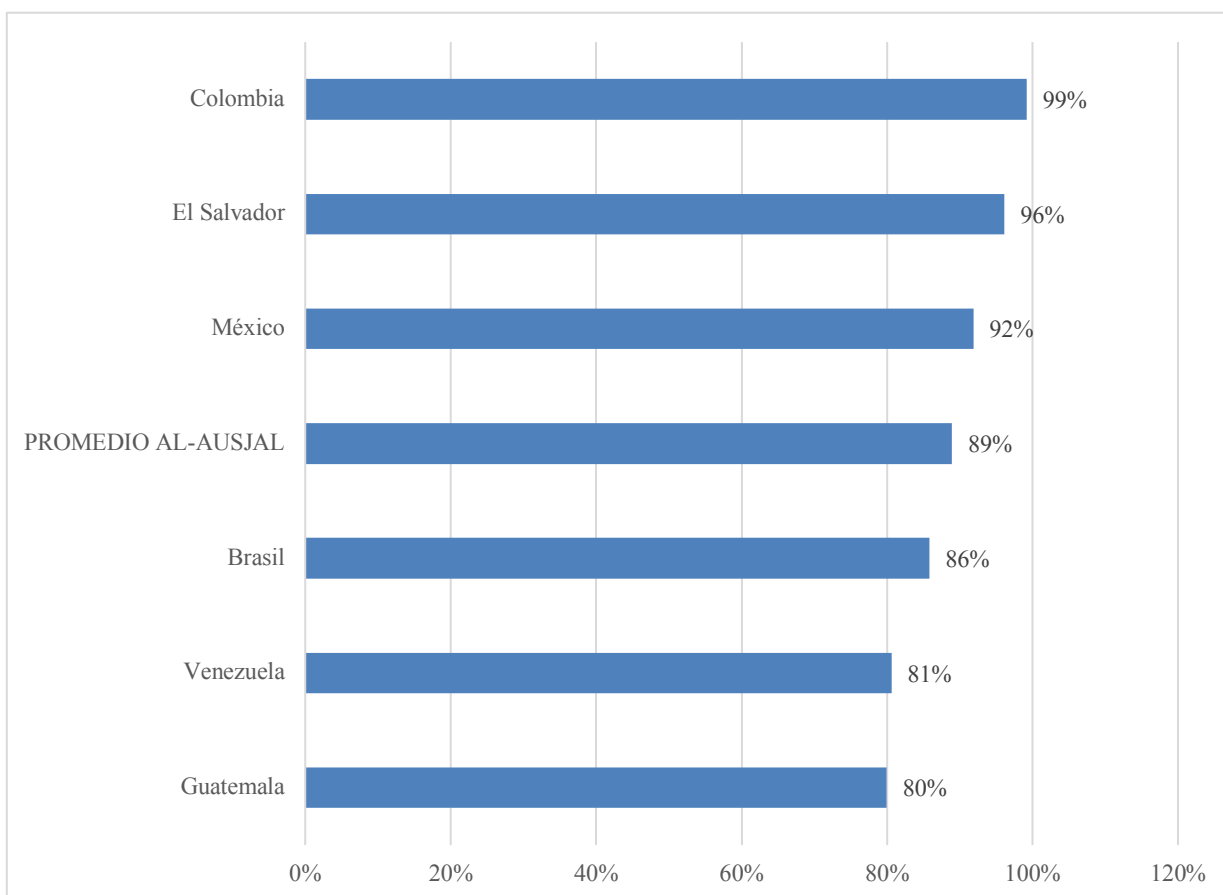


Source: own calculation based on data from the Household Surveys provided by the National Statistical Offices: National Institute of Statistics and Geography (INEGI) -México (several years); National Administrative Department of Statistics (DANE) -Colombia (several years); Brazilian Institute of Geography and Statistics (IBGE) -Brazil (several years); National Institute of Statistics (INE) -Venezuela, (several years), General Directorate of Statistics and Censuses (DIGESTYC) -El Salvador (several years) and National Institute of Statistics (INE) -Guatemala (several years). Note: the poverty figures reported here for Venezuela are from 2011 given that there is no data from the most recent official Household Surveys. For El Salvador and Colombia, the monetary poverty data was calculated based on information from Household Surveys of 2015

The vulnerability of the informal working population in Latin America is more evident when the deprivations of UN are analysed. Between 80 and 99% of the salaried population in these conditions is poor by UN (Graph 12). When the results are compared for the population with social security, the results show an incidence of poverty by UN significantly lower than 41% versus the average of workers without social security in situation of poverty by UN of about 89%. In fact, the country with the highest poverty averages for UN with informal workers (92%, Mexico) does not approach the country whose poverty line by UN is lower for informal workers, Guatemala with about 80%.

Labour Markets, poverty and inequality in selected countries of Latin America

Graph 12. Workers without social security in poverty due to UN | Selected countries. 2014



Source: own calculation based on data from the Household Surveys provided by the National Statistical Offices: National Institute of Statistics and Geography (INEGI) -México (several years); National Administrative Department of Statistics (DANE) -Colombia (several years); Brazilian Institute of Geography and Statistics (IBGE) -Brazil (several years); National Institute of Statistics (INE) -Venezuela, (several years), General Directorate of Statistics and Censuses (DIGESTYC) -El Salvador (several years) and National Institute of Statistics (INE) -Guatemala (several years). Note: the poverty figures reported here for Venezuela are from 2011 given that there is no data from the most recent official Household Surveys. For El Salvador and Colombia, the poverty data by NI was calculated based on information from Household Surveys of 2015.

Multidimensional poverty

Mexico has been a pioneer in the region establishing an official poverty measurement methodology from a multidimensional perspective since 2009. Currently, in Latin America there are already official multidimensional poverty measures, as of Colombia, Chile, Honduras, Costa Rica, El Salvador and Ecuador and, in the rest of the world, in Pakistan and Bhutan. There are also other countries where an official multidimensional poverty measurement methodology is being developed, such as Paraguay, Dominican Republic, Bolivia, Turkey, Vietnam and South Africa.

On the other hand, international organizations such as UNDP and the World Bank have developed or are on the eve of doing so, multidimensional measurements of poverty. The UNDP measurements based on OPHI-Oxford Poverty and Human Development Initiative, have carried out, so far, exercises in a large number of countries in the world ¹⁷. As for the World Bank, so

¹⁷ See for example, Alkire and Santos (2013) who makes estimates for more than 100 countries called developing countries and where the thresholds are built based on the Millennium Development Goals.

Labour Markets, poverty and inequality in selected countries of Latina America

far it has only published one-dimensional poverty measures based on income distribution. However, it has announced that it will publish in the near future a new set of poverty measures, including multidimensional measurements.

The official multidimensional measurement of El Salvador and Colombia has been carried out based on the methodology and recommendations of OPHI-PNUD, while that of Mexico is carried out by a decentralized body of the Executive Power called CONEVAL. In the estimates of OPHI-UNDP, they are not included in the general admission and are developed under a conceptual framework that brings together the approaches of rights with that of capabilities. In the second sense, that of CONEVAL, the organization that makes the official measurement of poverty in Mexico, if income is considered as the (only) indicator of Well-being whose intersection to identify multidimensional poverty, is carried out with the social rights plan¹⁸.

The progress made by the OPHI-PNUD method with regard to the problems of aggregation of the Unsatisfied Basic Necessities Method (UBNM) when arithmetically weighting all the dimensions considered, shows problems in terms of the construction of thresholds and levels of achievement in the indicators, as well as in its second line of cut of thresholds or minimum floors (the first devoted to indicators), which establishes criteria and arbitrary parameters to identify poverty. In the latter sense for countries such as Colombia and El Salvador, which the aggregate indicator of deficiencies in an index with a value below one third of the value of the index, means that people in poverty, can lead to underestimate the size and magnitude of poverty. That is, for a household to be considered in a situation of multidimensional poverty in El Salvador, it must present deprivation in seven or more of the twenty indicators, while for Colombia, the privations presented must be in more than 5 of the 15 indicators used in the OPHI-UNDP poverty measurement.

The differences in incidence in poverty (percentage of poor) between official estimates versus the results obtained from the WSM are quite important. The official multidimensional poverty in El Salvador is 35.2% while WSM is about 81%. In Colombia 20.2 % of the population in a situation of multidimensional poverty goes to about 54% according to WSM¹⁹.

On the other hand, analysing the differences between the results of the same OPHI-UNDP method with official estimates of countries such as Mexico, increases the gap considerably. OPHI-UNDP estimates that multidimensional poverty in Mexico is close to 2% when the official method identifies it at 46%. The wide differential is mainly due to the distance between the thresholds. While CONEVAL establishes thresholds based on social rights established in the Constitution and secondary laws, OPHI-UNDP performs them based on axioms that links to the Millennium Development Goals, or objectives that, for Mexico, showed evidence of having been met before 2015 in mostly 100%.

Mexico also shows a difference with official results (46%), depending on two situations: the difference in thresholds, fundamentally those of income, where the WSM poverty lines are 1.6 times the official lines, as well as in the aggregation method, where the official poverty estimated

¹⁸ Consult for the official multidimensional measurement of poverty in El Salvador (Government of El Salvador, 2015), in Colombia (Angulo, Díaz and Pardo, 2011) and Mexico (CONEVAL, 2009)

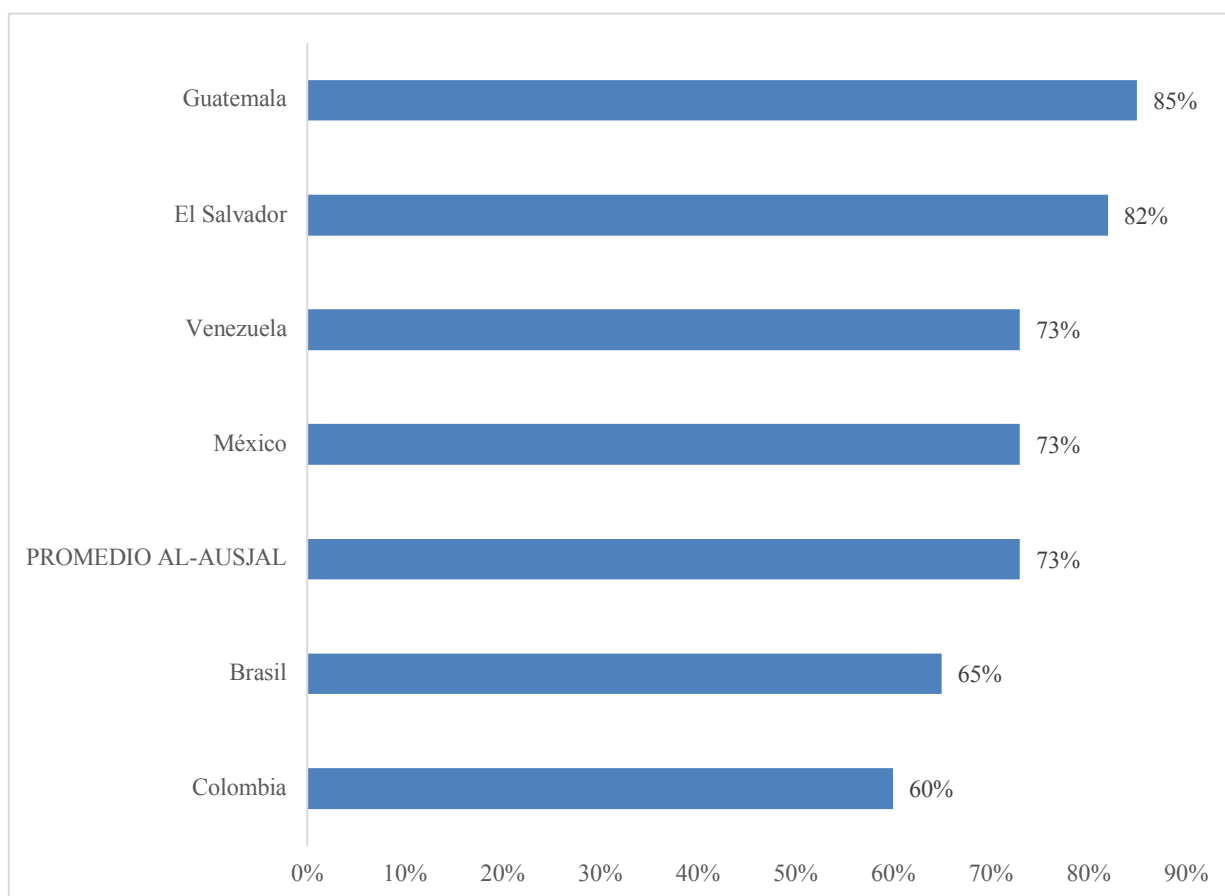
¹⁹ For the official figures of multidimensional poverty in El Salvador, consult the Government of El Salvador (2015) and for Colombia to the official sources of information, DANE-National Administrative Department of Statistics: (https://www.dane.gov.co/files/investigaciones/condiciones_vida/pobreza/bol_pobreza_16.pdf). For both countries, official data and MBS data are from 2015.

Labour Markets, poverty and inequality in selected countries of Latina America

by CONEVAL, uses a method similar to the OPHI-UNDP with the difference that it does not elaborate indexes, focusing on identifying the poor from a multidimensional perspective coming from the intersection between the Welfare (income) and Gaps (Social rights), where the population has at least one deficiency (whose weight is equal to any other deficiency of the 6 considered in the social rights-deprivation section) and is below the income poverty line (Welfare Line).

The method of aggregation of the WSM to identify the population in a situation of multidimensional poverty highlights, on the one hand, the population below the thresholds for Unsatisfied Necessities and the population below the monetary poverty line, on the other hand, consistently with the poverty results for UN and Income, identifies higher levels of multidimensional poverty: Guatemala (85%), El Salvador (82%), Venezuela and Mexico (73%). The national cases that show an incidence of the multidimensional poverty below the average of this sample of Latin American countries are Brazil and Colombia with 65 and 60% of its population (Graph 13).

Graph 13. Percentage of population in multidimensional poverty | Selected countries. 2014



Source: own calculation based on data from the Household Surveys provided by the National Statistical Offices: National Institute of Statistics and Geography (INEGI) -México (several years); National Administrative Department of Statistics (DANE) -Colombia (several years); Brazilian Institute of Geography and Statistics (IBGE) -Brazil (several years); National Institute of Statistics (INE) -Venezuela, (several years), General Directorate of Statistics and Censuses (DIGESTYC) -El Salvador (several years) and National Institute of Statistics (INE) -Guatemala (several years). Note: the poverty figures reported here for Venezuela are from 2011 given that there is no data from the most recent official Household Surveys. For El Salvador and Colombia, the monetary poverty data was calculated based on information from Household Surveys of 2015

Labour Markets, poverty and inequality in selected countries of Latina America

The evolution of the multidimensional poverty according to WSM in most countries of the AUSJAL Report, mainly driven by decline in the UN (with the exception of Colombia, where decline in multidimensional poverty is clearly driven by the decrease in income poverty) is a reduction in multidimensional poverty. The greatest advances in multidimensional poverty occur in Venezuela, Brazil and Colombia. In the case of Venezuela, in the period 2000-2011, the decline in the percentage of poverty of the total population fell by 13 percentage points, while the incidence of poverty in the employed population decreased proportionally more, by 17 percentage points. Brazil and Colombia show similar proportional declines, with decreases in multidimensional poverty between 12 and 16 percentage points in the population and employed population. The countries with the least advances in multidimensional poverty were Mexico, El Salvador and Guatemala with reductions of between 8 and 3% average in the period. They are also the countries with greater lags in the exercise of rights in the salaried working population. Guatemala has among its salaried population 78% in multidimensional poverty, with a composition of 67% for workers without social security and 11% with social security. Similar trend in Mexico with 75% workers in poverty in multiple dimensions, where workers without social security contribute 58% of them. In El Salvador, the figures are 73% of its salaried population in the employed population that has a deficit in multiple dimensions and whose composition is 47% workers without social security and 26% who have social security. In general, the evidence that shows poverty by income, by UN and, when added to poverty in multidimensional poverty, is that labour markets in Latin America have a high concentration of their generation of employment in informal markets, where the greater poverty and vulnerability. Workers without social security or informal, those who have greater deficits in the exercise of their rights and those who also have direct impact on the satisfaction of their basic necessities, those who have worse living conditions, those who are more affected in their well-being and those who have higher levels of poverty in all its dimensions.

Table 8. Evolution of Multidimensional Poverty by WSM | Selected countries. 2000-2014

Countries	Population	2000	2006	2011	2014
El Salvador	Total population	85%	83%	n.a.	82%
	Occupied population	78%	76%	n.a.	75%
Venezuela	Total population	86%	80%	73%	n.a.
	Occupied population	75%	69%	58%	n.a.
México	Total population	77%	n.a.	73%	73%
	Occupied population	77%	n.a.	67%	69%
Guatemala	Total population	88%	84%	n.a.	85%
	Occupied population	80%	78%	n.a.	76%
Brazil	Total population	77%	73%	n.a.	65%
	Occupied population	68%	63%	n.a.	52%
Colombia	Total population	n.a.	74%	67%	60%
	Occupied population	n.a.	64%	56%	49%

Source: Own calculation based on data from the Household Surveys provided by the National Statistical Offices: National Institute of Statistics and Geography (INEGI) -México (several years); National Administrative Department of Statistics (DANE) -Colombia (several years); Brazilian Institute of Geography and Statistics (IBGE) -Brazil (several years); National Institute of Statistics (INE) -Venezuela, (several years), General

Labour Markets, poverty and inequality in selected countries of Latin America

Directorate of Statistics and Censuses (DIGESTYC) -El Salvador (several years) and National Institute of Statistics (INE) -Guatemala (several years). Note: the most recent poverty figures reported for Venezuela are from 2011 given that the most recent microdata household surveys are from that year. For El Salvador and Colombia, the multidimensional poverty data reported for 2014 is from information of 2015. For Mexico, the data for 2011 is obtained for 2012. The estimation of multidimensional poverty for Brazil was for the years 2001 and 2007, although reports in 2000 and 2006 respectively. Similar situation occurs in Colombia where the multidimensional poverty considered for 2006 is that of 2007 and that of 2014 is the number of poor people of 2015.

In short economic growth and reduction of socioeconomic inequality in countries with market economies with high levels of inequality such as Latin American ones, are forced to generate sustainable conditions for the exercise of rights and poverty reduction. Otherwise, the persistence of high inequality is a factor that always plays against the fulfilment of rights. Even more if the country has low growing rates or the economic growth is not pretended to improve “pro-poor” policies and remains concentrated in the highest part of the income distribution.

Countries with per capita economic growth above the Latin American average (1.7% for the entire period) and progressive changes at income distribution (pro-poor growth), monetary poverty line decreased. Likewise, combination of economic growth and progressive movements that improve socioeconomic distribution, there is a systematic reduction in poverty in its multiple dimensions. Colombia, Brazil and Venezuela in the period of study in this Report are emblematic cases. In Colombia, growth was more heavily weighed (3.5% per capita annual growth) and its impact on monetary poverty line, which fell by half (60 to 33%), while the shortcomings in the UN section practically remained intact. (from 89% of the population with UN to 87%). In Brazil, combination of wide-ranging social policies such as the Bolsa Escola-Familia and labour market, such as the permanent increase in the real minimum wage linked to sustained economic growth until 2013 (with an average annual growth rate of 2.4%), made it possible to improve the poverty reduction in both dimensions, income and UN. Venezuela, between 2000 and 2011 shows evidence of a decline in poverty line in all its dimensions, a result similar to what was applied in Brazil, but with different public policies that responded in due time to their needs: social policies through the missions that reduced UN, and labour policies that, like Brazil, focused on reducing the deficit of the salaried population without social security and recovering the minimum wage. It is, in fact, the only country in 2016, which despite the fall in its per capita GDP to similar levels in 2006, has a minimum wage above the income poverty line.

Countries with stagnant economic growth between 0.9% and 1.2% annual average such as Guatemala and Mexico, with high levels of inequality at income distribution channel (GINI of 53.7 in Guatemala and 52 in Mexico with official data)²⁰ and little movement in their socioeconomic distribution, showed evidence of persistence in monetary poverty line (even with a slight upward trend) and a minimum decrease in multidimensional poverty, mainly due to improvement in certain indicators of UN, shortcomings in health and housing services. The levels of multidimensional poverty in both cases, decline on average only 3 (Guatemala) and 4 percentage points (Mexico).

²⁰ Inequality in the distribution of income in both countries could be even greater given the problem of underestimation of household income in several Latin American countries, where there are households that do not report total income (underreporting) and households that do not appear in the Household Surveys (truncation). As an example, alternative estimates to the distribution of income can be considered with information that only uses Household Surveys, such as the OXFAM Report (2015), Wages Observatory (2015) and the academic work of Chávez, Esquivel and Campos (2014), Del Castillo (2017), Bustos and Leyva (2017) and, Reyes, Teruel and López (2017).

Labour Markets, poverty and inequality in selected countries of Latina America

El Salvador represents a special case with a permanent decline in inequality at income distribution when GINI passed from 51.5 to 42.6²¹, but economic growth stagnation with annual rate of GDP per inhabitant of only 1.2%. As a result, poverty by income declines only 3 percentage points. The progressive changes in the socioeconomic distribution, with systematic falls in the gaps in UN, generated a deeper and more important fall in the multidimensional poverty of 7 percentage points. The difference in the reduction in multidimensional poverty in this country, comparing with Mexico and Guatemala, given that rate of growth is similar as a whole and the strategy of poverty reduction focused on diminishing UN in the period, has been progressivity at income distribution as a different bias related to Mexico and Guatemala.

Socioeconomic distribution: movements in the WSI²²

Within the economic literature, most studies have focused on the analysis of indicators of income inequality. In view of this, the WSM provides a vision that complements the analysis of income inequality and allows the evaluation of changes in socioeconomic distribution by incorporating data at income distribution, indicators of health, education, social security, quality and housing spaces, housing services and home assets equity.

The analysis of the socioeconomic distribution was made based on the methodology of the so called WSM (Wellbeing Socioeconomic Method), identifying improvements or worsening in the WSI (Wellbeing Socioeconomic Index) average by decile and locating progressivity or regressivity in the socioeconomic distribution.

Analysing country findings of WSI, progressivity is identified in Brazil, Colombia and Venezuela (more egalitarianism), who observed a fall in the distance between welfare levels of the richest and poorest deciles. In the opposite the cases of El Salvador, Mexico and Guatemala observed an increase in this gap, although this does not necessarily mean that the entire socioeconomic distribution became more regressive (worsening the distribution in favour of the richest).

Table 9. Average WSI grouped by income deciles

Decil	Brazil		Colombia		El Salvador		Guatemala		México		Venezuela	
	2000	2014	2007	2015	2000	2015	2000	2014	2000	2014	2000	2011
I	13.78	16.09	15.69	21.43	28.82	26.3	19.88	17.95	18.18	16.79	19.69	26.86
II	19.17	23.26	21.09	25.27	32.18	30.27	23.68	24.18	21.73	23.01	28.93	34.59
III	28.77	32.79	29.51	33.36	33.49	37.31	30.26	31.01	29.45	30.99	36.48	39.91
IV	37.95	41.24	38.09	41.84	37.82	41.66	38.03	37.42	37.71	38.24	42.4	45.09
V	47.08	49.88	46.54	50.28	44.58	46.8	45.36	45.1	46.33	45.93	46.83	50.29
VI	54.77	55.83	55.32	58.37	51.88	53.54	52.14	52.25	53.3	53.46	51.23	54.48
VII	64.12	64.98	63.66	65.84	58.59	60.56	59.82	60.33	60.82	61.36	57.92	58.05
VIII	73.21	72.99	71.1	71.88	68.12	67.68	68.42	67.81	69.98	69.49	63.57	63.44

²¹ See data from the Inter-American Development Bank IDB "Harmonized Household Surveys in Latin America and the Caribbean", several years.

²² Data in the distribution of income were their own calculation based on information from the Household Surveys.

Labour Markets, poverty and inequality in selected countries of Latina America

IX	82.59	80.41	76.97	74.6	79.2	76.22	79.02	78.58	78.58	78.2	72.69	70.84
X	92.49	89.71	82.15	76.27	91.47	88.51	88.37	90.38	88.91	89.58	82.81	79.16
Gap	6.712	5.576	5.238	3.559	3.173	3.365	4.444	5.035	4.89	5.336	4.205	2.947

Source: own calculation based on data from the Household Surveys provided by the National Statistical Offices: National Institute of Statistics and Geography (INEGI) -México (several years); National Administrative Department of Statistics (DANE) -Colombia (several years); Brazilian Institute of Geography and Statistics (IBGE) -Brazil (several years); National Institute of Statistics (INE) -Venezuela, (several years), General Directorate of Statistics and Censuses (DIGESTYC) -El Salvador (several years) and National Institute of Statistics (INE) -Guatemala (several years). Note: the poverty figures reported here for Venezuela are from 2011 given that there is no data from the most recent official Household Surveys. For El Salvador and Colombia, the monetary poverty data was calculated based on information from Household Surveys of 2015

In cases where an increase in the Decile I/X gap is observed, this does not necessarily mean that the distribution worsens. In El Salvador, as in Mexico and Guatemala, gaps increase, but this is the product of the average WSI of both deciles, proportionally to a greater extent than that of the poorest. In Guatemala and Mexico, on the other hand, the poorest decile falls and the richest decile increases.

In a country-level analysis, in El Salvador there is a redistribution that shows improvement in the average WSI of the intermediate deciles (III to VII) and fall in the extremes (I and II in the lower part and VIII to X in the lower part). The decline in the level of welfare for the first two deciles of the distribution is due to the fact that the falls in the income subscript were higher than the increase in the UN sub-index. Conversely, for the richest deciles of the population, it is observed that increases in the income subscript were not enough to mitigate the falls observed in the UN sub-index. In the intermediate deciles, there was an increase in both income and UN subscripts.

Guatemala, in addition to showing an increase in gaps between the poorest and wealthiest in welfare, shows declines in the WSI in deciles IV and V and VIII and IX and marginal improvements in the other intermediate deciles of the income distribution. The improvement in the WSI of the richest (decile X) was the result of a continuous and permanent improvement in the income subscript, a situation that is expressed in a higher concentration of income in the country, where only the GINI in the income distribution went from 56.4 to 59.3. The declines in welfare levels for the population in deciles IV and V are associated with falls in the UN subscript, mainly driven by an increase in educational lag, increase in deprivation associated with access to health and social security services.

Mexico shows decline in the WSI in deciles I, V and VIII and IX. The other deciles, however, do not have significant growth in the WSI. Rather, the evidence is they are mostly stagnant or show welfare reductions. Increases in decile X are linked to progress in its income subscript, as well as falls in the poorest decile of the distribution. Marginal improvements in the intermediate deciles except for the falling V are the result of the increase in the UN sub-index and fall or stagnation in the income subscript, that is, the UN compensated due to the decline or stagnation at income. In fact, the opposite happens with deciles that fall, the stagnation or fall in income could not be compensated by the rise in the UN subscript. Such progress in the UN subscript was fuelled by decreases in health deprivation, quality and housing spaces and housing services.

Colombia, Venezuela and Brazil have indicators of progressivity in the socioeconomic distribution beyond the reduction of gaps between the richest decile and population in socioeconomic well-being, with average improvements in the deciles from I to VII of between 2.5 and 4 points in the WSI. In Venezuela, the poorest deciles (I and II) moved in 7 and 5.6 points of the WSI, in Colombia the average movement was 5.7 and 4.1, while in Brazil they were of the order of 2.3 and 4 points of the WSI respectively. The movements in the poor and intermediate

Labour Markets, poverty and inequality in selected countries of Latina America

deciles in the WSI in Venezuela and Brazil, were due to the joint growth of the income sub-index and of UN while for Colombia, the movements in the WSI were clearly due to increases in the income subscript (sustained and permanent high economic growth), given the stagnation in the UN levels in general. In all three countries, the decline in the WSI of the richest deciles (X, IX and VIII) was mainly due to falls in the income subscript.

Conclusions

The exercise of social and economic rights in its broadest sense, and in particular the exercise of labour rights (right to a remunerative minimum wage, to social security) improve welfare and reduce poverty. The present AUSJAL report on labour markets and poverty from a human rights perspective, shows evidence that countries whose public policies have focused on ensuring access to education, health, social security, decent and adequate housing, as well as policies sustained and permanent minimum wage recovery, have managed to improve welfare and reduce poverty in its multiple dimensions.

Non-observance of the provisions of National States Charters and international treaties on economic and social rights, labour rights in an household dimension, linked to an evident minor growth and / or greater inequality, is a true generator of income poverty. Seen from a multidimensional perspective, the lack of access to other rights such as social security, education and health, in addition to affecting well-being in broad terms, and a deficit in social rights, increase poverty in multiple dimensions.

Countries with economic growth per capita above the average for Latin America and progressive changes in income distribution (pro-poor growth), monetary poverty declined. Likewise, with the combination of economic growth and progressive movements that improve socioeconomic distribution, there is a systematic reduction in poverty in its multiple dimensions. Colombia, Brazil and Venezuela considered in the Report are emblematic cases. In Colombia, growth was more heavily weighed and its impact on monetary poverty reduced by half, while the shortcomings in the UN section practically remained intact. In Brazil, the combination of social policies as Escola-Bolsa Familia and permanent increase of real minimum wage linked to an economic growth sustained until 2013, helped improvement poverty in both dimensions, income and UN. Venezuela, between 2000 and 2011 shows evidence of a decline in poverty in all its dimensions, a result similar to what was applied in Brazil, but with different public policies that responded in due time to their needs: social policies through the missions that reduced labour and political UN like Brazil, focused on reducing the deficit of the wage-earning population without social security and recover the minimum wage. It is, in fact, the only country in 2016, which despite the fall in its per capita GDP to similar levels in 2006, has a minimum wage above the income poverty line.

Countries with stagnant economic growth between 0.9% and 1.2% annual average as Guatemala and Mexico, with high levels of inequality in income distribution and little movement in their socioeconomic distribution, showed evidence of persistence in monetary poverty (even with slight tendency upward) and minimum decrease in multidimensional poverty, mainly due to improvement in certain indicators of UN, in deprivation in health and housing services. The levels of multidimensional poverty in both cases, fall on average only 3 (Guatemala) and 4 percentage points (Mexico).

Labour Markets, poverty and inequality in selected countries of Latina America

El Salvador represents for this Report the special case with a permanent fall in the inequality in the distribution of income, but with a stagnation in economic growth. As a result, poverty by income falls only 3 percentage points. The progressive changes in the socioeconomic distribution, with systematic falls in the gaps in the UN, generated a deeper and more important drop in multidimensional poverty of 7 percentage points. The difference in the reduction in multidimensional poverty in this country, with Mexico and Guatemala, given that the rate of growth is similar and the strategy of combating poverty with a focus on diminishing UN in the period, has been progressivity in the distribution of income.

In summary, economic growth and reduction of socioeconomic inequality in countries with market economies with high levels of inequality such as Latin American ones, forces to generate sustainable conditions for the exercise of rights and reduction of poverty simultaneously. Otherwise, the persistence of high inequality is a factor that always plays against the fulfilment of rights. Even more if the country has modest economic growth and far from a “pro-poor” policy only concentrated in the highest part of the income distribution.