

Do Our Children Have A Chance?

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The 2010 Human Opportunity Report for Latin America and the Caribbean

Conference Edition



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Overview



Imagine a country where your future did not depend on where you come from, how much your family earns, what color your skin is, or whether you are male or female. Imagine if personal circumstances, those over which you have no control or responsibility, were irrelevant to your opportunities, and to your children's opportunities. And imagine now a statistical tool that can help governments make that a reality. Welcome to the Human Opportunity Index (HOI).

The HOI calculates how personal circumstances (like birthplace, wealth, race or gender) impact a child's probability of accessing the services that are necessary to succeed in life, like timely education, running water or connection to electricity. It was first published in 2008, applied to Latin America and the Caribbean (LAC).

The findings were eye-opening: behind the enormous inequality that characterizes the region's distribution of development outcomes (income, land ownership and educational attainment, among others), there is an even more worrying inequality of development opportunities. It is not only rewards that are unequal; it is also chances. The problem is not just about equality; it is about equity too. The playing field is uneven from the start.

This book reports on the status and evolution of human opportunity in LAC. It builds on the 2008 publication in several directions. First, it uses newly-available data to expand the set of opportunities and personal circumstances under analysis. The data is representative of some 200 million children living in 19 countries over the last 15 years. Second, it compares human opportunity in LAC with that of developed countries, among them the US and France, two very different models of social policy.





This allows for illuminating exercises in benchmarking and extrapolation. And third, it looks at human opportunity within countries—across regions, states and cities. This gives us a preliminary glimpse at the geographic dimension of equity, and at the role that different federal structures play.

The overall message that emerges is one of cautious hope. LAC is making progress in opening the doors of development to all. But it still has a long way to go. At the current pace, it would take, on average, a generation for the region to achieve universal access to just the basic services that make for human opportunity. Seen from the viewpoint of equity, even our most successful nations lag far behind the developed world. And intra-county regional disparities are large, and barely converging. Fortunately, there is much policy makers can do about it.

How Does the HOI Work?

In its simplest interpretation, the HOI measures the availability of services that

are necessary to progress in life (say, running water), discounted or “penalized” by how unfairly the services are distributed among the population. So, two countries that have identical coverage may have a different HOI if the citizens that lack the service are all female, or black, or poor, or have many siblings or, more generally, share a personal circumstance beyond their control. In other words, the HOI is coverage corrected for equity. In theory, you can increase it by changing people’s circumstances (the “composition effect”), providing more services to all (“scale effect”), or distributing services more fairly (“equalization effect”).

The HOI runs from zero to 100; a society that has achieved universal coverage of all services would score at 100. To make comparisons possible across countries and across time, the HOI for LAC presented in this report uses only services and circumstances that are available in all household surveys. Specifically, it looks at access to water, electricity and sanitation, and to school attendance and timely completion of the sixth grade. A rich empirical literature

demonstrates that, without those basic services, the chances of a productive life are close to nil. And it focuses on seven personal circumstances: parents' education, family income, number of siblings, the presence of both parents in the house, gender, gender of household head, and location of residence. In all cases, the unit of focus is the child, defined as an individual between the ages of zero and 16. This isolates away the problem of effort and choice—at that age, children can hardly be responsible for their fate.

Of course, in country specific applications of the HOI, data availability may allow for more, or more sophisticated, services and circumstances, like preventive dental check-ups, internet access, ethnic identification, or father's occupation. Some of that will be shown here, when comparing LAC countries with their developed-world peers.

Is Human Opportunity Expanding in LAC?

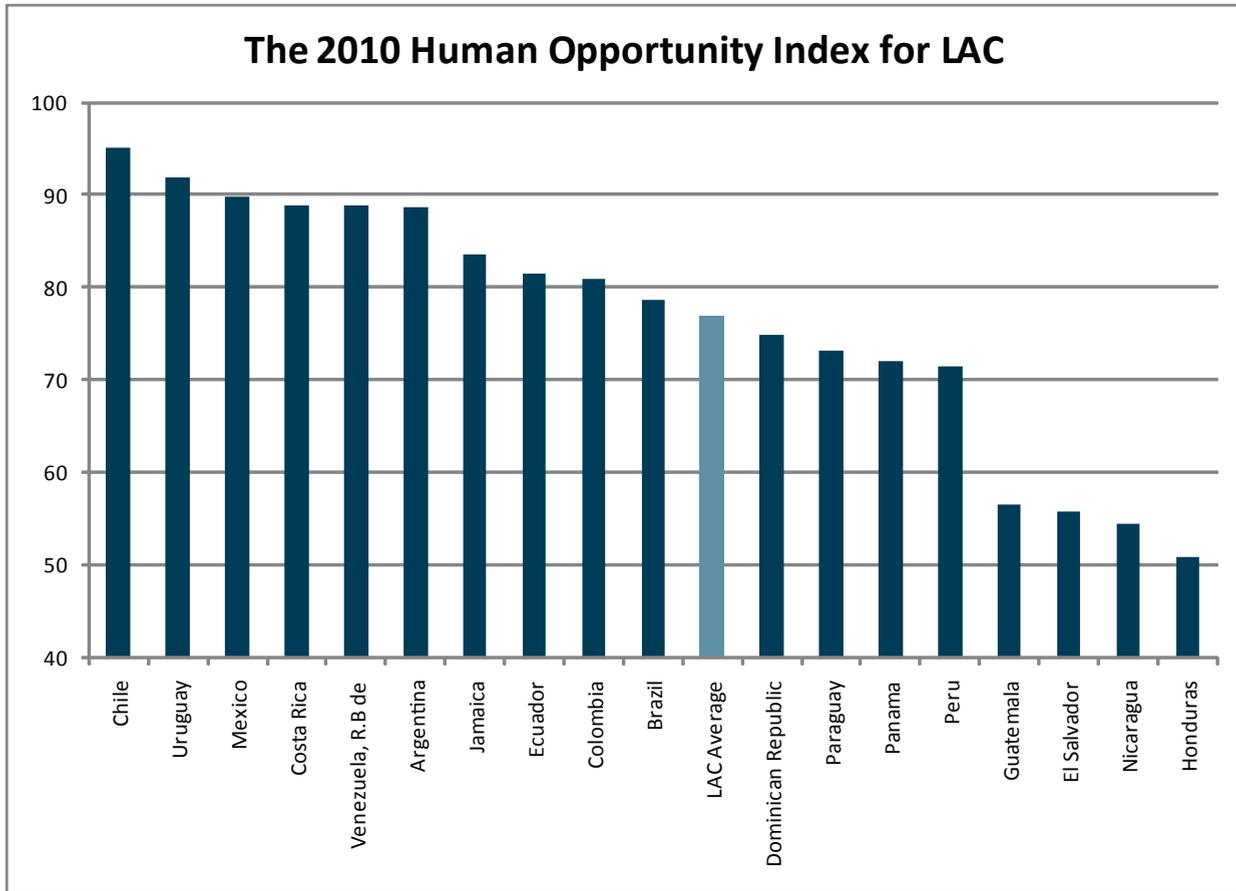
Yes, but slowly and with marked differences across countries. Since 1995, the region's average HOI has grown at a rate of one percentage point per year. This is clearly

insufficient. For example, at its current speed, Central America would take 37 years to achieve universality in basic education and housing.

The good news is that all countries have raised their HOI in the last decade and a half, some quite rapidly (the fastest improvement occurred in Mexico). Variations remain wide though, from top-performer Chile (HOI of 95) to Honduras (51). Interestingly, the five countries with the highest HOI—Chile, Uruguay, Mexico, Costa Rica, and Venezuela —have very different development models.



Figure 1. The 2010 Human Opportunity Index for LAC



Source: World Bank 2010 Human Opportunity Report



Some countries excel at certain services and not at others. For example, Jamaica has the highest educational HOI, but is only mid-table in housing. Even within type of service, issues of quality arise: LAC children have more chances to be enrolled in school than to complete sixth grade on time. Attendance, it seems, is no synonym for learning.

Sadly, personal circumstances still matter a lot for Latin American children. Your parents' level of education will very likely

determine yours. And your birthplace is still the most powerful predictor of whether you will have access to basic infrastructure.

For all their efforts, LAC governments have, in general, not made much progress improving equity. Only a tenth of the average improvement in HOI is attributable to a fairer allocation of services, that is, to better social targeting of public expenditures. The bulk of the new opportunities opened to the region's





children came from changing circumstances (for instance, migration may have reduced the proportion of rural population).

Latin America Versus Rich Countries

Using standardized test results from the OECD's Program for International Student Assessment, and the related demographic data, it is possible to construct a HOI that measures the educational opportunities faced by 15 year-old children around the world. In other words, it is possible to measure how important are those children's personal circumstances in determining their proficiency in reading, mathematics or science. This sheds an uncomfortable light on LAC. Even the countries with the highest score in the region, Chile and Uruguay, rank well below the worst-performing countries in Europe and North America. Much of the gap is not due to the fact that rich countries just provide more education services, but to the relatively unfair way in which those services are distributed in LAC. If you are a Latin American student, the wealthier your

family is, the better your test results.

A similar exercise can be performed for housing conditions using census data. Again, LAC has work to do: the opportunity of living in a house with sanitation facilities or free from overcrowding is highly dependent on personal circumstances. In both conditions, only a handful of countries in the region score above the European average. And again, this is due less to larger coverage in Europe than to unfair provision in LAC.

Finally, international comparison allows us to peek at how human opportunity could evolve in LAC over the long term. Using a half-century's worth of relevant data for the US and France, an HOI for housing conditions can be built. It shows a clear pattern: rapid initial growth, followed by a marked slow-down, and virtually stalling right before the point of universal coverage. The lesson is clear: the better you do, the harder it is to make progress.





Country, State, City

How is human opportunity distributed at the sub-national level? There is enough information to replicate the HOI for some 165 states and cities in LAC, over the past 15 years. The results are telling. First, dispersion is wide among sub-nationals, with Tierra del Fuego at one end (HOI of 96) and the Atlantic region of Nicaragua at the other (29). Second, all capital cities rank higher than the rest of their countries, and that gap is wider the lower the level of the national HOI.

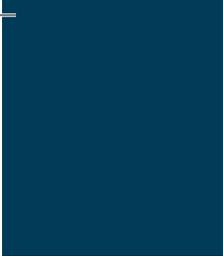
Third, convergence appears slow, but lagging geographic areas do improve faster and catch up in providing more opportunities to their local population—a mirror image of the observed evolution of human opportunity among countries. Fourth, the bigger or the less decentralized a country is, the more dispersed its regions' HOI appear. And fifth, decentralization seems to have been more effective in diminishing regional inequity, but more so in education than in housing.

What Can Be Done?

LAC remains the most unequal region in the world. The result has been acrimonious political disagreement over the proper role of the state: should it redistribute wealth or protect private property? Where there is no disagreement, however, is over the need to give all Latin Americans the same opportunities, as a matter of social justice or as a call to personal effort. While equality is controversial, equity enjoys support across the political spectrum.

While not discussed in the report, the HOI makes it possible to redirect social policy towards equity (where there is consensus) and away from equality (where there is not). How? Many existing social policies and programs are already equity-enhancing. But focusing on equity reveals new points of emphasis along the individual's life-cycle. Early interventions, from pregnancy monitoring and institutional births to toddlers' nutrition and neurological development, get a new sense of priority. So do preschool access





(such as pre-kindergarten social interaction) and primary school achievement (such as reading standards and critical thinking). The physical security, reproductive education, mentoring, and talent screening in adolescents, all areas that are often overlooked, gain new relevance. A battery of legal and institutional pre-conditions become sine qua non, from birth certificates, voter registration and property titles to the enforcement of anti-discrimination, antitrust, and access-to-information laws. And blanket subsidies that, at the margin, are consumed by those who do not need them (free public college education for the rich, to name one), turn into opportunity-wasting aberrations. If anything else, the quest for equity will lead to a final push in the decade-long process of targeting subsidies, and will spell the end-game for

a way of giving out public assistance that was blind to the needs of the recipient—a way that was intrinsically unfair.

At the same time, when applied within countries, the HOI is a powerful tool to identify and address regional inequities. Shouldn't a child-citizen have the same chances in life no matter where in the national territory she is born? Several LAC governments have in recent years implemented mechanisms to equalize service provision across sub-national jurisdictions. Most of those mechanisms are based on regional factors such as poverty levels, efforts at self-taxation, and ownership of natural resources. The question now is whether equal opportunity among children should not be taken into account too.





opportunities for all



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