



# en breve



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## SOCIAL EXCLUSION IN URBAN URUGUAY

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In many developing countries the characteristics of the urban poor go beyond the traditional definition of poverty. While the latter generally refers to the lack of access to material resources, there are other factors which are linked to poverty. In the case of Uruguay one of these factors is an increase in the perception among the poor of exclusion from the rest of society. Although this group only represents a small proportion of Uruguay's total population, the phenomenon is of relevance to policy makers given demographic factors (the poor tend to have more children), and the cyclical nature of poverty. To assess the different aspects of social exclusion both quantitative and qualitative methods were used.

### Exclusion: Defining the 'New Poor'

The concept of social exclusion is defined in the literature as a multidimensional process which weakens the links between individuals and the rest of society (ILO, 1996). These links can take on an economic, political, socio-cultural, and a spatial perspective. The more dimensions by which a person is excluded, the more vulnerable this person becomes.

In Uruguay, the process of social exclusion is a relatively new phenomenon and is particularly visible given that the country has a relatively low level of poverty, negligible indigent poverty, and has traditionally been characterized as a homogeneous society with the most equal distribution of income in Latin America. There is only one small ethnic group (Afro-Uruguayans) representing about 5 percent of the population, and generous welfare policies over the past decades have ensured that most Uruguayans receive access to basic health, education and other social services. Historically, city neighborhoods were quite heterogeneous, with households of different income levels living side by side and sharing the same public space. This integration provided a social cohesion between individuals of different cultural and socio-economic backgrounds. It also provided wider social networks (for job search, etc.), the presence of adult role models for youth coming from more disadvantaged families (those without stable employment or educational attainment), and better opportunities for social mobility.

The emergence of a 'new poor' resulting from job losses during the recessions in the 1990s and other

### World Bank Assistance to Uruguay

The World Bank's support for the reform programme initiated by the current administration has been focused on several key areas, adapting to the policy and institutional stance of the government. The Bank has supported the deregulation of the transport sector, competition in generation of electricity, and improvements to the transparency and regulation of the financial sector, as well as creation of the private pension system. These efforts are now being extended to the water and sanitation sector building on earlier support. In terms of investment, financing has been directed to modernizing the transport system, particularly to meet Mercosur standards and the needs of the emerging commercial forestry industry; diversifying crops, and upgrading technology and environmental considerations in the agriculture and irrigation sectors; introducing new management methods in public hospitals, and importantly in expanding the capacity and quality of the primary and pre-school system.

structural changes in the labor market, has likely contributed to an increasing segmentation in Uruguayan society. Many of these individuals have left their residences in middle class neighborhoods in the center of Montevideo where rents and utility bills are high, and have moved into one of the growing marginal neighborhoods surrounding Montevideo and other urban areas. They have also lost their access to the extensive social benefits linked with formal employment. The marginalization may be made worse by continuing migration from the poorer rural areas of Uruguay to the major centers, with these people also settling in peri-urban locations. Together, these movements appear to have contributed to a fragmentation within Uruguayan society between the poor and non-poor as these neighborhoods are often geographically isolated, have higher levels of crime and violence, lower levels of services, little public space, and generate an area stigma which affects access to labor markets and social networks.

## Spatial Dimensions of Exclusion

A key aspect of the social exclusion process in the Uruguayan context appears to be a geographic polarization among the population, or more specifically, the clustering of the poor in marginal areas. Analysis focused on understanding the spatial polarization process was carried out using household survey data from the Continuous Household Survey for the period 1989-1996. The income data are decomposed into "within" and "between" area components based on neighborhood clusters using the Theil Index (Table 1). Polarization is occurring if the between area variance in mean per capita income is increasing, or the within area variance is decreasing

The data show that indeed there have been changes in the spatial distribution of the urban population along income lines. For example, the poorest four neighborhood areas (see Map 1) all show signs of polarization.

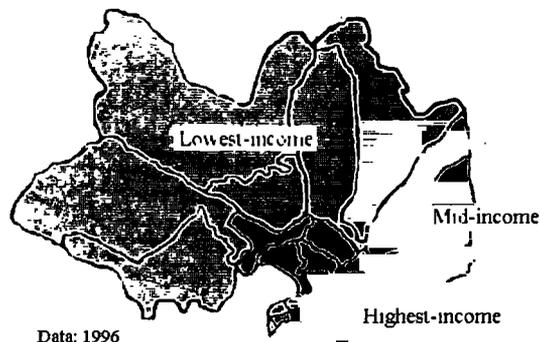
**Table 1: Spatial Changes in Montevideo by Neighborhood Clusters**

Census Section, (neighborhood), Montevideo, by average income(89-96)	Mean Income	Inter-census Population Growth (1986-1996)	Percentage of Population in Irregular Settlements (1996 Census)	Theil Decompositions	
				Change in Within Area Income Inequality, 1989-1991	Change in Between Area Income Inequality, 1989-1992
<b>Lowest-income</b>					
13	65.0	21.0	45.0	-	+
17	67.6	6.6	13.3	-	+
16	70.8	13.9	15.9	-	-
11	72.0	6.8	18.7	-	+
25	76.3	9.7	16.7	0	+
2	83.9	-30.15	0.0	0	0
9	84.8	17.7	16.3	-	-
21	85.5	6.5	12.4	+	+
<b>Mid-income</b>					
20	93.3	-2.1	3.3	-	0
22	98.0	-2.9	2.2	-	-
19	102.8	-9.7	0.0	-	-
3	113.3	-17.2	0.0	+	-
12	116.6	-5.3	0.0	-	+
14	125.6	-5.5	1.7	-	-
8	129.0	-10.8	0.0	-	-
10	143.3	2.1	3.1	+	+
<b>Highest-income</b>					
5	146.6	-10.4	0.0	+	+
15	147.7		0.0	-	+
7	148.8	-10.7	0.0	+	+
23	150.3	-7.2	0.0	-	-
24	152.3	-0.1	0.0	+	0
4	166.5	-14.0	0.0	+	+
6	188.1	-11.0	0	0	+
18	193.8	-1.7	0	+	+

<sup>1</sup>A negative change in the *within* area Theil decomposition indicates a decrease in inequality, (or polarization by income group) as demonstrated by the shading, a positive change indicates an increase in income inequality within area. A zero refers to no change

<sup>2</sup>A positive change in the *between* area Theil decomposition indicates an increase in inequality, (or polarization by income group) as demonstrated by the shading, a negative change indicates a decrease in income inequality within area. A zero refers to no change.

**Map 1 - Montevideo: Income Distribution**



The results of the analysis also show that polarization is not symmetric – poor individuals are clustering more, but the higher income areas still have a higher income variance and more inequality.

This inter-neighborhood income inequality has contributed to a fragmentation between the poor and non-poor which is not captured in the aggregate data on income distribution. The clustering of the poor in marginal areas can also result in a ‘neighborhood effect’ which may impact negatively on individual behavior and outcomes, such as children’s life chances.

### **Characteristics of social exclusion**

Beyond the spatial dimension of social exclusion, several other characteristics were analyzed based on a qualitative survey carried out in 6 marginal neighborhoods. The survey used focus groups, open-ended interviews with key informants, and direct and participatory observations. The focus groups were carried out with specific groups identified as vulnerable such as unemployed males aged 40-50, single female headed households, and inactive teens.

The characteristics of exclusion are linked to accessing labor markets, basic services and social networks. Those living in marginal neighborhoods, particularly the vulnerable groups identified in this study, face constraints beyond those in the rest of society in each of these areas. These constraints both contribute to, and are a result of the exclusion process. In accessing labor markets the constraints include a lack of skills, lack of social networks, and stigma attached with living in poor marginal neighborhoods. Many work in the informal sector where salaries are low, and there are few if any benefits. The quality and quantity of basic services such as health, education, nutrition, sanitation, and security is lower for those in

marginal areas than in many other residential areas which impacts on the population both in the short term, and on longer term human capital development. Social networks such as public organizations, churches, and non-governmental organizations can provide an important link to society for individuals and groups, and serve as a coping mechanism against vulnerability. These networks do exist to some extent in the marginal neighborhoods, but participation tends low, again putting vulnerable groups at a disadvantage.

### **Policy Conclusions**

The findings of this research point to several policy conclusions related to urban poverty and development in Uruguay and potentially the rest of Latin America. First, policies which prioritize improvements in access to quality basic services, particularly education, health, transportation, social assistance, more flexible land use policies, as well as public information for those in marginal areas could help to provide an important link to jobs and human capital development, and reduce some of the facets of social exclusion. New community based programs designed and implemented by neighborhood members based on specific needs, or expansion of existing community programs, could also help to reverse the marginalization process.

Second are policies related to housing. Policies that foster the maintenance of traditional integrated neighborhoods, or minimize the concentration of the poor in marginal neighborhoods, may mitigate the exclusion process. Such policies may not be politically popular among some, but would be deserving of further investigation.

Finally, the aggregate numbers on inequality appear to mask what is happening at a more disaggregated level such as the neighborhood. While income inequality for the country as a whole only shifted slightly during the 1989-1996 period, the within and between area changes were significant. Analysis of trends in income distribution in other countries may benefit from similar disaggregation as part of standard research on poverty and income inequality.

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## About the Author

The author is a Senior Economist with the Latin America and Caribbean Region at the World Bank. This work was prepared in the context of a World Bank study entitled, "Maintaining Social Equity in a Changing Economy" (World Bank Report No. 21262). The field work on social exclusion was carried out by a team led by Patricia Reynoso and Claudia Romano. The quantitative work on polarization was carried out collaboratively with Luisa Corrado and Melvyn Weeks. Edmundo Murrugarra carried out work on vulnerability, and helpful comments were received on the various stages of the paper by Carine Clert, Shelton Davis, Norman Hicks and Quentin Wodon. For comments, please contact [jbaker2@worldbank.org](mailto:jbaker2@worldbank.org).

## Uruguay at a glance

	Uruguay	Region
2000		
Population, mid-year (millions)	3.3	516
GNI per capita (Atlas method, US\$)	6,000	3,680
<b>Average annual growth, 1994-00</b>		
Population (%)	0.7	1.6
Labor force (%)	1.2	2.3

<b>Most recent estimate (latest year avail., 1994-00)</b>		
Poverty (% of pop'n below national poverty line)	17	35
Urban population (% of total population)	91	75
Life expectancy at birth (years)	74	70
Infant mortality (per 1,000 live births)	15	30
Child malnutrition (% of children under 5)	9	
Access to an improved water source (% of pop'n)	98	85
Illiteracy (% of population age 15+)	2	12
Gross primary enrollment (% of school-age pop'n)	109	113

<b>Economy</b>	1980	1990	1999	2000(est)
GDP (US\$ billions)	10.1	9.3	20.7	19.7
(% of GDP)				
Agriculture	13.5	8.7	5.4	5.7
Industry	33.7	32.9	26.3	26.0
Manufacturing	25.9	26.5	16.0	16.1
Services	52.8	58.4	68.3	68.3

	1980-90	1990-99	1999	2000
GDP (av. ann. growth)	0.5	3.4	-2.8	-1.3
GDP per capita	-0.1	2.6	-3.6	-2.0

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