

Inequality of Economic Opportunity in Latin America

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June 29th, 2007

Keywords: Inequality of opportunity; Latin America

JEL Codes: D31, D63, J62.

Abstract: We measure the share of inequality in labor earnings, household income per capita and household consumption per capita that can be accounted for by observed, morally irrelevant pre-determined circumstances (such as gender, race, family background and place of birth) in six Latin American countries. These inequality shares are associated with inequality of opportunity. To provide methodologically robust indices, we use a range of measures, and both parametric and non-parametric estimation methods. Inequality of opportunity accounts for between 20% and 35% of earnings inequality, and as much as 50% of inequality in consumption expenditure in our sample. There are interesting cross-country differences, both in the overall levels of inequality of opportunity, and in the relative importance of individual circumstances. Brazil and Central America are more opportunity-unequal than Colombia, Ecuador and Mexico. Family background is a dominant circumstance everywhere, but ethnic origin is markedly more important in Central America than elsewhere.

[♦] Research Department, The World Bank. We are grateful to Caridad Araujo, Ricardo Paes de Barros, Marta Menéndez, Jose Molinas and Jaime Saavedra for helpful discussions during the preparation of this draft. We also thank Carlos Becerra, Jofre Calderón, Leo Gasparini, and Luis Rubalcava for kindly providing us with access to the household data sets we study. The views expressed in the paper are those of the authors, and should not be attributed to the World Bank. Correspondence to fferreira@worldbank.org.