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From Social Assistance to Social Development: Addressing Latin American Social Exclusion through Education

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Abstract

After decades of failed attempts to address social development issues, in the early 1990s a new and promising alternative emerged: the conditioned transfer for education (CTE) programs, often referred to as cash-for-education. The main idea was to tackle poverty reduction and education goals at the same time. Despite positive evidence found in some Latin American countries that implemented programs based on this model, questions concerning the sustainability of these accomplishments remain.

This paper draws on a theoretical approach of social development to explore the extent to which such programs can impact the poor in a sustainable way. Case studies from Chile and Mexico demonstrate that policy makers in the region should build integrated, long-term strategies for the accumulation of human capital and skill development. Fragmentary educational policies focused on narrow objectives such as primary completion or coverage goals are no longer as effective. Binding supply and demand constraints at all levels of the educational system is crucial to signal to the poor that their investments in education have better chances of maturing with improved access to higher grade levels. In sum, even though CTE programs do offer a promising alternative for social development, they need to be expanded and to be put in practice along with other measures in order to change structural causes of exclusion, poverty and inequality.

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1. Introduction

In 2000, the United Nations set a series of development targets, among them halving poverty and universalizing primary education in 15 years. These so-called Millennium Development Goals (MDG) were created after post-World War II development failures, when the principal foci were economic growth and the disappointment with the Neoliberal approach that prevailed in the 1990s. Neither the interventionist state of the Import Substitution Industrialization period, nor the minimization of the state's influence in the context of market-dominated Neoliberalism had succeeded in addressing social and developmental questions in Latin America. In fact, inequality became worse throughout the world, and poverty levels remained astonishing.

According to the 1999 Human Development Report produced by the United Nations Development Program (UNDP), in 1997 the income gap between the fifth of the world's people living in the richest countries and the fifth living in the poorest was 74 to 1, up from 60 to 1 in 1990 and 30 to 1 in 1960. By the end of the decade, the wealthier quintile possessed 86 percent of the world's Gross Domestic Product (GDP) and 82 percent of the export markets. Concomitantly, more than 46 percent of the world's population was living on less than US$2 per day, and another 20 percent, roughly 1.2 million people, lived on less than US$ 1 a day (World Development Report, 2000/2001).

Such data proved the failures in addressing social development, which brought an international consensus over new priorities, clearly exposed in the MDGs. Investing in Human Capital, often the most abundant resource in poor countries, seemed obvious. However, questions about how to best direct the investments in this area remained unresolved, among them those concerning the effectiveness of aid as an instrument to reach the millennium goals.

In this context, a new and promising alternative emerged: the conditioned transfer for education (CTE) programs, often referred to as cash-for-education. The main idea was to tackle poverty reduction and education goals at the same time. By meeting the immediate demands of the poorest families by providing cash or food with the condition

that they keep their children in school, the programs were intended to reduce poverty rates in the short term and break the poverty cycle in the long-term through increased earning potential gained from education.

Despite positive evidence found in some Latin American countries that implemented programs based on that model, questions concerning the sustainability of these accomplishments remain. In this sense, this research will draw from a theoretical approach of social development that focuses on the necessity of investing in human capital, to explore the extent to which such programs can impact the poor in a sustainable way.

To exemplify the theoretical discussions around these questions, this paper will be based on secondary sources concerning the history, characteristics, and controversies of CTE programs and their impact on social inequality. The case studies analyzed will be the programs adopted in Chile and Mexico. They exemplify two different approaches underlying the same kind of program. The first case, which makes Chile an exception in the region, involves a group of core policies, aimed at quality and efficiency improvements that are very rigid and are meant to resist to fundamental changes. The other case, applied throughout most of Latin America, involves a group of peripheral policies that are focused on expansion and growing enrollments, and that are highly adaptable (and even volatile), and subject to regular—perhaps too frequent—modification (Ipes Report, 2006).

This research paper will proceed as follows: Section 2 will offer a background on the emergence of the debate over human capital in development theory, demonstrating how it led to the creation of the CTE alternative. Section 3 will describe the specific cases of Mexico and Chile and present the empirical results found there. Section 4 will then address CTE's criticisms and challenges. Remarks on CTE's relevance as a sustainable social development policy and suggestions to overcome its shortcomings will conclude the paper.

2. Shift in Focus: Human Capital at the Forefront of the Development Debate

It was during the 1990s that the question of equality recovered its centrality in the development debate and became stronger than ever. Latin America had learned that social development and poverty reduction depend on steady economic growth and the creation of productive employment. However, the countries of the region also understood that such conditions alone were not sufficient to achieve these aims. This made social policies and programs crucial (Raczinski 1998, 146). The trickle down effect previously advocated in the debate over development had proved elusive, and even when present, slow in reaching the poorest population groups.

The debate over inequality went beyond the idea of equality in terms of wealth. The utilitarian approach, which views welfare as a weighted sum of individual levels of wellbeing, left the mainstream. The framework that started to gain more space departed from the view that fairness consists of ensuring that all persons must have the same chances in life. This new concept was expressed in what Raczinski (1998) called the "emergent model" of social policies that struck Latin America in the period. It expanded the goals of poverty alleviation and satisfaction of basic needs of the poor found in the Neoliberal model to embrace the ideas of growth with equity and social integration.

Closer attention was given to the important role of equality of opportunities, and, hence, to the investments in human capital, here understood as a "synergistic process that starts very early in life" (Perry et al. 2006, 168). In other words, the importance of adequate health and nutrition to develop cognitive capacity, to be better prepared to learn at school and to reach greater productivity in adult life, was gaining more focus. Social issues were becoming more complex and reaching a more mainstream audience, as revealed by the consensus around the Millennium Development Goals set by the UN. [1]

Aside from the necessity of directly amplifying job opportunities, the upgrading of human resources through education and training, for example, is the most important factor in the integration of the individual into the labor market. This is particularly true in the present context, where market competition in the global economy, coupled with rapid

[1] Among the eight millennium development goals set at the Copenhagen Summit of 1995, the objective of reaching universal primary education for all boys and girls was chosen as the second target, after eliminating extreme poverty and hunger. See the Appendix for progression results on this goal in Latin America and other regions.

technological innovation and change, make education and knowledge the main productive factor (Raczinski 1998, 147).

Hence, education and training are critical in the fight against poverty and exclusion. They demonstrate that development must be a process of expansion of people's choices. It must give them the means and opportunities to change their own lives. Only in this case will development finally be on a sustainable path. In this sense, health and housing must also be at the forefront of government priorities. By investing in human capital, along with education, these compose the first of the basic functions of social policies.

The shift in the aforementioned development debate was one of the factors, along with economic growth in per capita GDP, which contributed to the increase of the amount of resources directed to social areas. In Latin America, for instance, annual social public spending per capita increased on average by 50 percent between 1990-1991 and 1998-1999, from the equivalent of US$360 to US$540 per capita (1997 prices). That represented an increase of 6 percentage points in terms of share of total public spending, which went from 41.8 percent to 47.8 percent. Relative to its share of Gross National Product (GNP), the public social spending grew from 10.4 percent to 13.1 percent (Ferranti et al. 2004, 258).

Based on this changing context and framework, programs of income distribution based on cash or income transfers, or of transfers in kind such as food and housing, were encouraged to go beyond its *assistantial* character, for which they were commonly criticized, creating alternatives to address structural problems. Thus, the model of social policy that evolved during the twentieth century was discredited. New orientations started to be proposed, diffused and implemented. With the failure of the "old system", the trends that emerged centered on the redefinition of the roles of the state, the market and targeting (Raczinski 1998, 140). A new approach to social assistance in the region that would lead to innovative policies in the political economy of development was emerging, opening the way for the implementation of social programs that could be more participatory, flexible, comprehensive, and better suited for addressing concrete social problems.

A New Social Strategy

In the past decade, many Latin American countries have taken a relatively innovative approach to social safety nets, now known as Conditional Cash Transfers (CCT). As the name implies, these programs provide money to poor families, contingent upon investments in human capital. This conditionality usually entails sending children to school and/or taking them to healthcare centers on a regular basis. While the cash transfer serves as a safety net, aiming to provide short-term assistance to families in extremely poor situations, the conditionalities intend to promote longer-term economic growth and foster human capital accumulation. This design was considered innovative for safety net policies and programs in the sense that it evolved beyond the limited focus on short-term poverty alleviation, the basic principle of income distribution programs, and encompassed longer-term economic growth and human capital development objectives. They marked a departure from traditional supply-side mechanisms of targeting the poor to the use of demand-side interventions, such as giving school vouchers or subsidizing health insurance schemes, to directly support beneficiaries[2]. Hence, they intend to address not only short term poverty levels, but also structural issues that lead to the perpetuation of poverty and inequality.

The specific type of CCT addressed in this paper is the conditioned transfer for education (CTE). The selection was based upon the idea that equality of opportunity has to be ensured primarily by an equal level of education and a level of health coverage. It is not in the scope of this research, however, to delve in depth into the policies and impact related to the health sector.

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[2] Comparing seven of the most popular programs developed in the region, including the Brazilian Bolsa-Escola, Rawlings (2004) found that, in general, they proved to be administratively efficient and serve as an effective means for promoting human capital accumulation among poor households. At least in Brazil, Mexico and Nicaragua, there was clear evidence of the programs' success in increasing enrollment rates, improving preventive heath care and raising household consumption. On the other hand, many challenges facing the sustainability of these programs were also encountered and there were found to be fewer positive results related to poverty alleviation. The research included the analysis of Brazil's Bolsa-Escola and *Programa de Erradicação do Trabalho Infantil* (PETI), *Famílias en Acción* (FA) developed in Colombia, *Programa de Asignación Familiar* (PRAF) in Honduras, Program of Advancement through Health and Education (PATH) in Jamaica, *Programa de Educación, Salud y Alimentación* (PROGRESA) in Mexico (renamed *Oportunidades* in 2002), and Nicaragua's *Red de Protección Social* (RPS). For a more in-depth description of these CCT programs and specific results see Rawlings, 2004.

CTE's meet the immediate needs of the poorest families by providing cash or food, but only if they keep their children in school. Therefore these transfers intend to reduce poverty in the short run, and the additional education of the children of poor families focuses on breaking the long run cycle of poverty by increasing their earning potential. From a theoretical perspective, the dual objectives underlying CTE's also symbolize one step towards a wider concept of development - a concept that embraces the idea that everyone has not only the right to an unconditional basic income, but also to the access to tools that provide equal economic and social opportunities. "By placing conditions on transfers to poor households related to human capital accumulation, these transfers combine social assistance with social development" (Coady and Morley 2003, 3).

Poverty can be related to the accumulation of human capital as both cause and effect. Education, on the other hand, lies at the center of the perpetuation of inequalities, both reflecting and influencing unequal economic conditions, power, and social status. At the same time, education has the potential to reduce inequalities; it has been central to every case of a successful and equal development process, and it is becoming the most important economic asset of the population, a fact that only reinforces the necessity to expand access to quality education (Ferranti et al. 2004, 178).

According to the World Bank, the net primary school enrollment rate of the lowest income group in Latin American is 72 percent. From this group, however, only 51 percent make it to grade 5. The net secondary school enrollment rate is even worse: 33 percent.

In the region children stay, on average, two to four extra years in school than needed to complete a full course of secondary education. This low on-time progression slows the accumulation of skills, lowers the returns to education by delaying full entry into the labor market, and increases the risk of eventually dropping out.

This section of the paper has explained the context in which CTE's emerged in Latin America and the relevance of prioritizing education on the path towards social development. To illustrate the main characteristics and operational structure of CTE's, we now turn to the specific cases of Mexico and Chile.

3. The Implementation of CTE in Mexico and Chile

The *Programa para Educación, Salud y Alimentación* (Education, Health and Nutrition Program), Progresa, was implemented in Mexico as a pilot project in 1992 and put in place in the countryside in 1997. A few years later the program, federally designed and implemented, was expanded to urban areas and was renamed *Oportunidades*, which became, along with *Bolsa-Família*, one of the two largest CCT programs in the world. The initial rural phase was financed by the Mexican government; the more recent expansion has been partly financed by a large loan from the Inter-American Development Bank (IADB).

The first challenge in the implementation of any CCT program is to identify which communities and families are eligible to receive the benefit. To ensure that the benefits actually reach the intended population, governments use a combination of targeting methods to select the beneficiaries. Most of the programs combine some form of geographic targeting with proxy-means, categorical or community-targeting methods. In *Oportunidades*, national census information on the demographic, housing, infrastructure, occupation, and education characteristics of communities is used to construct a "marginality index" or score for every community in the country. This number is then utilized to identify the most marginal communities to be included in the program. Also, these communities must have access to education and health facilities within a certain radius and need to have from 50 to 2,500 habitants.

Only children aged 7 or older are eligible for education transfers, beginning in grade 3. The idea behind the imposition of such a limitation is to prevent incentives for higher fertility. It is also a result of statistics that show that school enrollment rates for the first two grades are high even among the poorest population. Cash transfers are given every month to the mothers of poor households if their children are attending school regularly (minimum of 85 percent of monthly school attendance). Transfers increase by grade because of the higher opportunity costs for older children, and are also higher for girls in middle school. Grants range from 80 pesos (US$8.40) in grade 3, to 250 pesos and 305 pesos (US$26 and US$32) in grade 9 for boys and girls, respectively. Each eligible child also receives a stipend for school materials, fixed at 160 pesos annually for primary school and at 250 pesos annually for secondary school. The total amount that can

be received by household, including uniform transfer as a part of the health component, is 750 pesos. This capping system seeks to avoid dependency on the part of the recipients, to not erode the incentive for self-help, and to evade incentives for higher fertility. In 1999, the average monthly transfer was 238 pesos (US$25) per beneficiary household, equivalent to 19.5 percent of the mean value of consumption prior to the implementation of the program (Coady and Morley 2003, 106). In that year, the total program budget was 0.2 percent of GDP (US$777 million), or 1.9 percent of total social expenditures.

One important feature of *Oportunidades* is that its design offers proactive support for excluded groups. With respect to the demand side of the educational problem, the geographic targeting method of the program has led to relatively high participation of the indigenous population and specific grants for girls, who suffer higher dropout rates than boys (Ferranti et. al 2004, 187). This experience, also proved by the Brazilian *Bolsa-Escola*, has shown that such programs have become one of the core instruments for providing incentives for excluded groups to enter school. Since 1990, official statistics reveal that the proportion of children (six to sixteen years old) who have never attended school in Mexico has decreased systematically, estimated at 2.5 percent in 1995.

By the end of 1999, the program had covered 2.6 million families, equivalent to 40 percent of all rural families or one-ninth of all families in Mexico. It operated in nearly 20,000 locations in 2,000 municipalities and 31 states.

Although *Oportunidades* does not have an explicit supply-side component in its education intervention, program personnel coordinate with the national ministry of education to plan for increases in supply-side investments in areas where the program operates. Demand for services, therefore, is expected to expand.

Overall Impact of Oportunidades

The educational impact of *Oportunidades* is very impressive. Prior to its implementation, although primary school enrollment was about 93 percent, enrollment of those eligible in rural areas dropped to 55 percent by grade 7 and to 58 percent in senior secondary school. Due especially to the high initial enrollment rates, the impact on primary school enrollment was not significant, increasing by 0.74-1.07 percentage points for boys and 0.96-1.45 for girls (Ferranti et al. 2004, 277). At the secondary level, where initial enrollment rates were around 67 percent for girls and 73 percent for boys, the

enrollment impact represented increases of 7.2-9.3 and 3.5 to 5.8 percentage points for boys and girls, respectively. The largest impact was seen in middle school, where enrollment rates for girls increased by 7.2-9.3 percentage points, growing from 67 percent to 73 percent. For boys, the rates increased by 3.5-5.8 percentage points, from 73 percent to around 78 percent. Overall, the accumulated effect of increased schooling from grades 1 to 9 indicates that the program can be expected to increase educational attainment for the poor by 0.66 years of additional schooling by grade 9. Specifically, this is an increase of 0.72 years for girls and 0.64 years for boys (Coady and Morley 2003, 108).

In terms of poverty levels, estimates made by Skoufias (cited in both Coady and Morley, 2003, and Ferranti et al., 2004) suggest that the poverty count reduced in participating communities by about 10 percent, the poverty gap by 30 percent and the severity of poverty by 45 percent. It also helped to decrease the labor force by 15 to 25 percent for boys, even though a substantial number of children continue to combine school and work.

On the other hand, no improvements were found on achievement test scores. Though *Oportunidades* is the program with most data and research available, the fact that it does not offer evidence of improvement in the quality of education deserves special attention. It points to a serious lack of qualitative evaluation of CTE programs.

The Chilean Case

Within Latin America, Chile is a pioneer: it began to build a system of social policies in the 1920s that expanded steadily into the 1970s. In the middle of that decade, the country started to incorporate new orientations into its social policies, such as targeting, decentralization, privatization, incorporation of market mechanisms, and demand-driven subsidies. Targeting, which presumes that state action should only benefit the extremely poor, was proposed by the military government which took power in 1973 as a method to reduce public spending and balance the fiscal budget while protecting the poorest segments of the population and reducing poverty (Raczynski 2000, 132). It was also an attempt to decentralize government social expenditures. As a result, in 1979 the

Chilean family assistance program *Subsidio Unitario Familiar*, SUF (Unitary Family Subsidy), was created.

To help identify the eligible households, the government produced a questionnaire (Ficha CAS) that since 1985 has incorporated a national household survey (CASEN) with information on housing, education, age and occupation from which a point score is derived for each applicant. Households with the lowest point score are eligible to receive the SUF and other social programs. The questionnaires are applied by each municipality, and the total amount available to each municipality is determined at the national level by a national poverty map. Therefore the Chilean system also differs significantly from the majority of CTE's because it leaves self-identification and proof of poverty to the poor themselves. The role of government is to verify the information provided by the applicants, but not to find all of the poor, and each beneficiary has to prove continued eligibility every two years.

SUF is not limited to cash for education. It was established to serve as a family subsidy for mothers of poor families who had school-age children attending school, who were pregnant or who were caring for invalids. The education subsidy is per child and covers children up to age 18. The families receive about US$6 per month for every child over six that attends school and regularly visits a health clinic. In families with CAS cards, mothers also receive about US$6 per month per child for three years. In 1999, the country spent almost US$700 million on the subsidy programs that were targeted using the Ficha CAS. Of that amount, 10 percent (US$70 million) was spent on the cash-for education component of the program.

Human Capital Conditions

The impacts of SUF on education are difficult to measure, especially because a broader educational reform was adopted in Chile in the 1990s. Among the measures that helped to improve the conditions of education, adopted by the democratic government that returned to power in 1990, were the raising of teachers salaries, the creation of the educational computer network (Enlaces), the provision of books, classroom libraries and materials, and the granting of some US$10,000 to each of approximately 2,000 education improvement projects (Schiefelbein and Schiefelbein 2002, 290). Those are actually examples of what the IDB Ipes Report of 2006 called "core policies". The report reveals

that, despite overall improvement in education rates throughout Latin America, in the past decade Chile has been the only country in the region to effectively address quality and efficiency improvements in its educational policies, especially through the creation of incentives for teachers and evaluations. The other kind of policies, fairly widespread in the region, as in the case of *Oportunidades*, are peripheral policies that only deal with expansion and growing enrollments. However, these differences cannot simply be seen as a result of different political choices. It is also essential to consider that the better economic conditions in Chile were crucial for the improvement of its social indicators.

Based on one reason or another, the fact remains that Chile has the best educational indexes in the region. According to Urquiola and Calderón (cited in Perry et. al. 2006, 178), the average number of years that youths between the ages of 6 and 18 spend in school is 12.1. The average number of grades completed is 10.4. The excess of years spent in school is approximately 1.7. In Mexico, for instance, which has worse indexes than Argentina, Panama, Peru, Bolivia, Jamaica and Ecuador, adolescents spend approximately 10.6 years in school, complete an average of 8.7 grades and spend an excess of 1.9 years in school.[3] In 1995-1997, the net primary school enrollment rate was 89 percent, while the net for the secondary school enrollment rate was 58 percent. One hundred percent of students finished grade 5.

On the other hand, in terms of poverty levels, the government estimates that the SUF subsidies increased the income of the poorest 20 percent by 83.6 percent, and reduced the ratio of the income of the top-to-the-bottom quintile from 15.5 times to 8.5 times.[4]

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[3] From the same study, it is interesting to mention the case of Brazil. Even though it has one of the highest averages of years spent in school (11.4), in the World Bank report, Brazil is ranked in the 16th position. The reason for this is revealed in the index that shows that the average excess of years spent in school is 4.1, the worst in the entire region. The high level of repetition in primary school is one of the main explanatory factors. In an attempt to address this question, in the last decade a non-repetition system was adopted as an alternative form of organization of the elementary school, based on cycles instead of serial grades. This implies that the studies have to have a continuous character, without the non-reprobation of the students unless in case of excess of absences. The majority of the Brazilian states have been adopting different alternatives to the serial grade systems. For a comprehensive discussion of the impact of the Brazilian non-repetition program, see Menezes-Filho et al., 2005.

[4] According to Fay (2005), in Chile, government transfers (not only CCT's) were responsible for 7.5 percent of household income of the first quintile of the population in urban areas. Labor income and pensions represented 73.4 percent and 4.4 percent, respectively, of the total earnings of the same group. In Mexico, transfers account for 3.5 percent of total household income of the poorest 20 percent of the population in urban areas, versus 91.8 percent from labor income and 3.3 percent from pensions.

4. Remaining Issues

Despite the positive evidence and general acceptance of programs such as *Oportunidades* and SUF, concerns have been raised in relation to the institutional design of cash transfer programs, the accountability relationships between central and local governments, and the beneficiaries of the transfers. Critics point to the risk of CCT bypassing the more difficult task of reforming inefficient public services. This argument is also contended by the fact that relatively rapid creation of pockets of effective service delivery allows politicians to respond to pressing needs, increasing the possibilities of patronage, a well-known political practice in Latin America. Ultimately, this could undermine major efforts for broader public sector reform. Thus, it is important to emphasize that these programs do not replace the necessity of improving investments in education. Supply-side concerns also have to be taken into account. Otherwise, CTE runs the risk of mandating the use of low quality schools, tying the poor to ineffective service providers and undermining potential impact on long-term welfare.

The importance of this issue can be emphasized by the fact that, regardless of the positive results of the CTE's in terms of school enrollment, child labor, and (to a lesser extent) poverty reduction, low quality education appears to be pervasive throughout Latin American educational systems. Countries that have participated in international tests, for instance, have scored below the Organization for Economic Cooperation and Development (OECD) average for high performers in some places in East Asia or Eastern Europe (Ferranti et al. 2004, 182). Therefore analyses of these programs and the improvement of the evaluation system of the results must call for more attention to the basic task of providing accessible, high quality education services in poor areas. This problem is clearly depicted in the case of *Oportunidades*. The program is considered a success and is supposed to be the CTE with more available data in the region, and yet it does not show evidence of improvement in the children's learning experiences in school.

Furthermore, important administrative and coverage problems found in other CTE programs suggest that important design features, such as what targeting mechanism to use, what benefit level and coverage to choose, and how to monitor and evaluate, need to

be carefully addressed by policy makers. [5] Their design should reflect local conditions such as the pattern of education outcomes, their determinants and the underlying budgetary environment of the country in question.

Expanding Policies

The inability to afford education, driven both by supply and demand factors, is the most recognized inhibitor of human capital formation. On the supply side, low accessibility to schools and deficiencies in the educational system were seen as chief factors of constraint. On the demand side, lack of income, parental education and unequal access to higher paying jobs are recognized as major sources of underinvestment in human capital formation. Among all these cost factors that made schooling investments unattractive to very poor families, the opportunity cost of the children and young people who can work at home or help the family income by receiving payment in the labor market was proved the most important in several studies.[6] Furthermore, that education is an investment with associated costs, which are made in exchange for future benefits on the basis of net expected returns, must be taken into account. The costs include direct outlays such as school fees, transportation to school, books, uniforms and other related expenditures, and the indirect opportunity cost of time. The private benefits from higher levels of education are generally related to higher future earnings in the labor markets (Perry et al. 2006, 169). Barring liquidity and access constraints, the value option of getting a secondary or university diploma may be the strongest incentive for poor Latin American youth to break with the educational divide. Low and flat returns to basic education in all countries, and to high school education in less-advanced countries, a process that has been increasing as global integration intensifies and as the transition to urban, industrial, and service-based society takes hold, reveals that workers who do not

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[5] For a more extensive cross country comparison see Coady and Morley, 2003. Besides Mexico and Chile, the authors also analyze the programs implemented in Bangladesh, Brazil and Nicaragua.

[6] This situation is found to be even worse for families with many small children, as well as those living in rural or *periurban* areas with remote public schools and a deficient basic infrastructure. Muñiz's (2000) analysis of Mexico is a good example of how place of residence is also major concern. Her study proves that, at least in that country, there is a disadvantage to the children who live in rural areas, and especially in marginalized localities within these areas. Her analysis revives social and demographic considerations by assuming a relation among the various aspects of the problem. The author finds that problems such as the "lagging behind" in marginalized rural areas in living conditions impact the child at an early age. Thus, in these locations children enter the schooling system already behind.

finish these cycles are highly substitutable in the labor market. Thus, unless the prospects of reaching higher education grades are good, poor youth have few incentives to progress beyond basic education. For these reasons, it is important that other measures, such as expanding the mandate of the programs to include training and professionalizing activities, secure the interest of the beneficiaries to continue considering higher education after they stop being covered by the program.

In sum, comprehensive policies are necessary to break the vicious cycle of poverty and low educational attainment in the region (Perry at. all 2006, 166). They must be integrated strategies for developing long-term skills that correct deficiencies in early-childhood development of poor children, strengthen grade transitions and degree completion, upgrade education quality for the poor, and improve the operation of labor markets.

5. Conclusions

As for any investment, the confluence of opportunity (attractive returns) and possibility (liquidity, quality schools, and home environments) is essential to human capital accumulation. In Latin America, poor people lack both in different degrees. This makes it necessary for policy makers in the region to build integrated, long-term strategies for skill development that exploit the synergies in the life-cycle human capital accumulation process in which both families and schools play a central role. In this sense, well-targeted interventions that strengthen the capacities of families to create early human capital, such as the case of CTE's, should be prioritized.

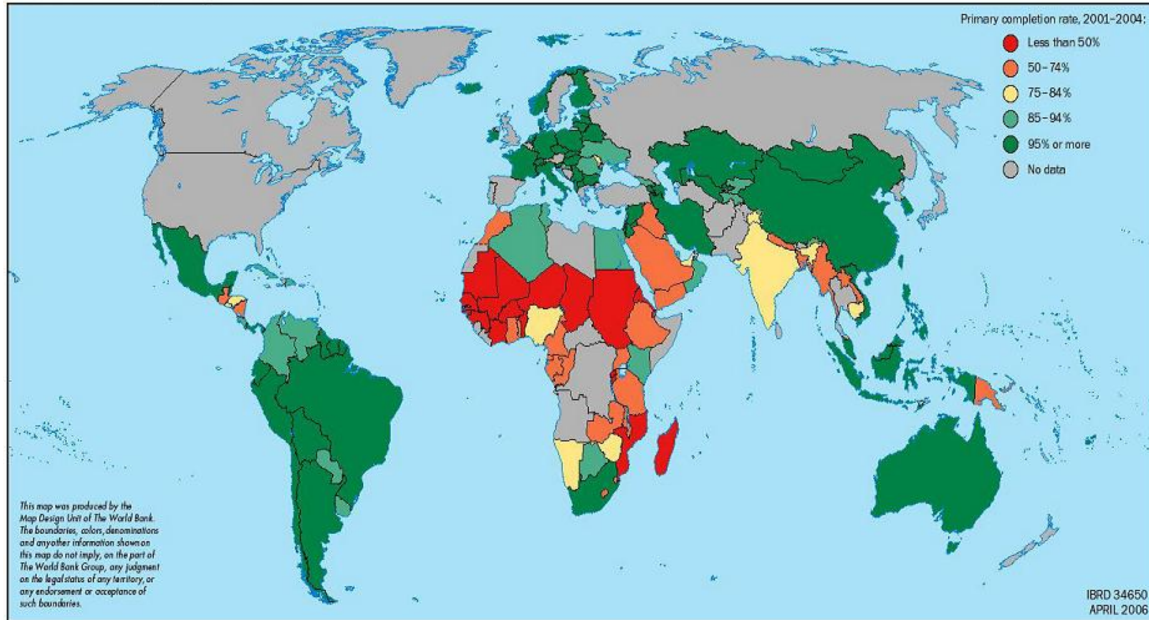
On the other hand, it is important to take into account that fragmentary educational policies focused solely, for instance, on ensuring narrow objectives such as primary completion or coverage goals are no longer as effective. In the increasingly competitive global economy, high quality education and a minimum of secondary education is required to compete for above-subsistence wages. Hence, binding supply and demand constraints at all levels of the educational system is crucial to signal to the poor that their investments in education have better chances of maturing with improved access to higher grade levels. Schemes that encourage investments throughout full courses of

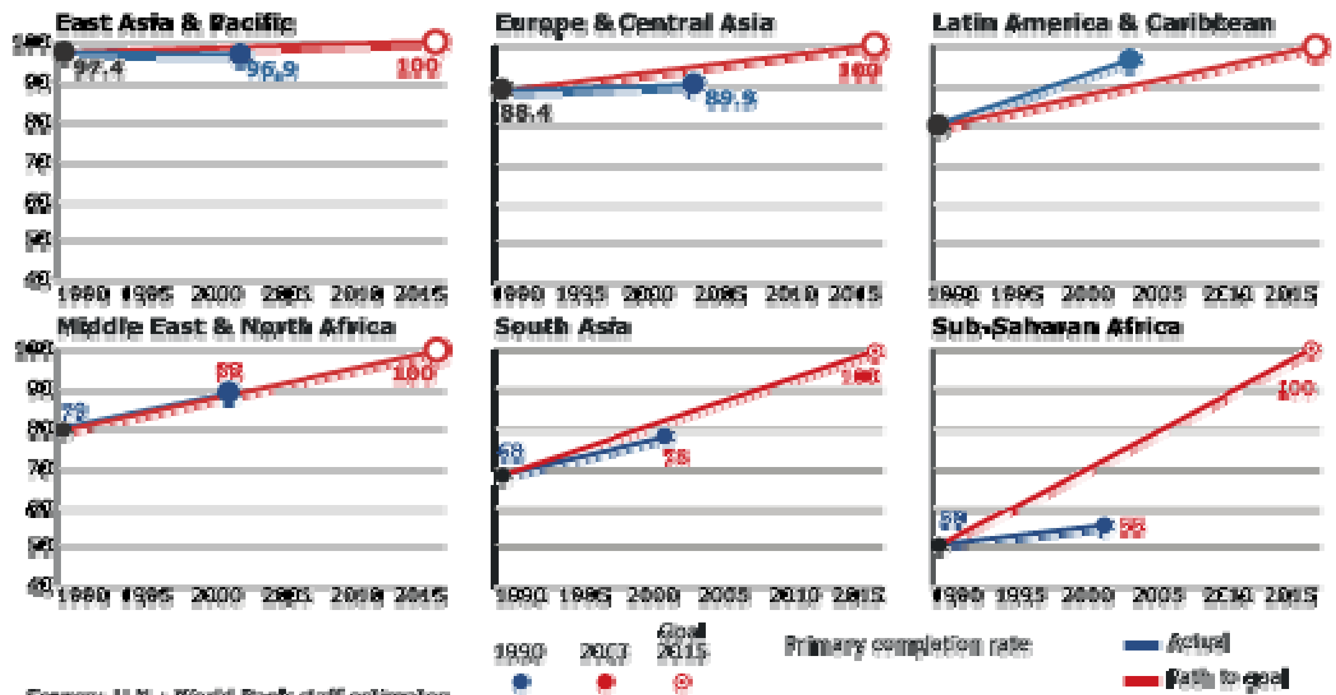
basic education or lower secondary education may hold substantial promise for reducing dropouts and compelling poor parents to invest more time helping their children succeed in school. Thus, CTE's must expand in order to "increase the returns to education for the poor to encourage them to move up the education ladder" (Perry et al. 2006, 195).

In conclusion, even though CTE programs do offer a promising alternative for social development, they need to be put in practice along with other measures if they intend to change structural causes of exclusion, poverty and inequality. Though in some ways they represent small-scale efforts on this path, they also reflect a broader trend of the need for focus in social development policies in Latin America.

Appendix

Achieve universal primary education.




Primary completion rate
(% of relevant age group)
East Asia & Pacific
97.4
96.9
100
Europe & Central Asia
88.4
89.9
100
Latin America & Caribbean
Middle East & North Africa
100
South Asia
Sub-Saharan Africa
100
1990
Goal 2015
Primary completion rate
Actual
Path to goal
Source: U.N.; World Bank staff estimates.

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