Insecurity and Development in Latin America and the Caribbean

BY INÉS BUSTILLO AND HELVIA VELLOSO

In the last decades, the concept of security has come to acquire new dimensions. A new vision of security relating to the nation-state now incorporates dimensions of security centered on individuals, a concept that has come to be known as human security. Chronic threats like hunger, disease, and repression, or protection from sudden and painful changes in daily life, be it in the workplace or in the community, today form part of this new vision of security.

Since the term was introduced in the 1994 Human Development Report, focusing on freedom from fear and freedom from want, its reach has expanded. A 2012 United Nations Resolution described human security as “the right of people to live in freedom and dignity, free from poverty and despair.” While important efforts have been undertaken by the international community to identify and define the main components of human security, given its multidimensional nature, no single accepted operational definition exits. Security encompasses economic, social, political, and safety components allowing for a life free from fear and risk.

Over the last decade Latin America and the Caribbean have made considerable progress in the economic and social development dimensions of human security, with important gains in poverty and inequality reduction. However, vulnerability to crime and violence increased, to such an extent that opinion polls identify them among the region’s top problems. Crime and violence are increasingly recognized as serious obstacles to social and human capital formation and sustainable economic development. Insecurity has become a shared challenge that hampers development in Latin America and the Caribbean.

This article looks at the economic dimensions of security – with a focus on the economic impact of crime and violence – and how it contributes to and feeds from inequality in the region. It argues that building more equitable and inclusive societies is key to facing the threat that violence and crime increasingly pose to wellbeing. After an overview of the economics of crime and

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violence in Latin America and the Caribbean, the article assesses the region’s recent economic and social performance and links to crime and violence, as well as the costs of rising insecurity. It suggests that progress in addressing crime demands more sustainable growth with greater equality and social inclusion. It demands, as well, investing in youth, so as to take advantage of the opportunity offered by the demographic dividend. Effective government policies, mobilization of resources, strengthening of institutions, and collaboration and input from civil society and the private sector will be necessary.

By diverting public and private resources away from promoting economic activity and wellbeing, crime and insecurity undermine economic and social prosperity. Physical and human capital accumulation can be adversely affected, jeopardizing long-term development as a result.

An Economic Perspective on Security

From an economic perspective, crime and insecurity can be a development challenge. By diverting public and private resources away from promoting economic activity and wellbeing, crime and insecurity undermine economic and social prosperity. Physical and human capital accumulation can be adversely affected, jeopardizing long-term development as a result. There is a vast economics literature on crime and violence that goes back many decades, following on Gary Becker’s 1968 seminal work. This literature suggests a strong correlation between insecurity and income inequality, unemployment, institutional weakness, and lack of progress in social development. Eleanor Sohnen has noted a global correlation between relatively high rates of homicidal violence and failure to achieve progress on certain Millennium Development Goals, namely eradicating extreme poverty, youth unemployment, and hunger, improving primary school enrollment ratios, and reducing infant mortality and adolescent birth rates. During the 1990-2008 period, countries with lower average homicide rates had an 11 percent higher chance of improving their standing in the United Nations’ Human Development Index – a composite measure of social and economic development – than those with higher homicide rates.

The literature on the economics of crime and violence in Latin America and the Caribbean is also extensive. The more recent work, which for the most part has a regional rather than a country focus, suggests that the causes and drivers of violence are multiple and vary among and within countries. Drivers identified in the literature include drug trafficking, availability of firearms, gangs, and weak rule of law, among others. Socioeconomic drivers, the focus of this article, include factors such as income inequality, lack of economic opportunities and social mobility, and chaotic urbanization. Studies conclude that the causes are both complex and multifaceted and no single driver can explain the increase in crime and violence in the region.

The 2013-2014 UNDP Regional Human Development Report (RHD) highlights the multidimensional nature of the growth of crime and violence. Its principal dimensions include: an economic-structural dimension, involving low quality jobs and insufficient social mobility; a social dimension, reflecting structural changes in families (such as the significant increase in single parent households),
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dropout rates and accelerated urban growth that erodes the social fabric; crime-drivers, such as weapons, alcohol and drugs; and, the lack of capacity of the state – police forces, judges, prosecutors, and prisons – to adequately address security challenges. According to the report, although organized crime, especially drug trafficking, is often associated with the rise in insecurity in the region, the causes for this rise are multiple, with the local, national, and regional dynamics pointing to a much more diverse reality.

Given the multifaceted nature of the growth in crime and violence, it is difficult to properly identify the variables at play, the interactions among them, and how much each contributes to the problem. The boundaries between different dimensions of the growth in crime and violence can be blurred as a result. For example, the transformations that took place in the region during the 2000-2010 period, which included progress in poverty reduction, improvement in income distribution, and an increase in the level and quality of employment, were also accompanied by rapid and disorganized urban growth. Chaotic urbanization, combined with changes in family structure and school system deficiencies, has influenced crime in the region.

This influence is highlighted in the RHD report, which points to a direct correlation between urban growth and crime. Most countries with an urban population growth above two percent per year (the natural population growth) also reported increases in homicide rates. The problem is not necessarily the size of the city, however, but the institutional capacity to include groups in marginal conditions. The report’s findings indicate that crime and violence have a significant local dimension. Homicide concentration, for example, not only varies from country to country and from city to city, but also between neighborhoods and streets, suggesting that the local causes and drivers of crime and violence should serve as the basis for the formulation of public policies.

CAF Development Bank of Latin America highlights as well both the multifaceted nature of the drivers of crime and the importance of local dynamics. The report analyzes what leads up to a criminal event including an individual’s characteristics and personal circumstances, but also his/her physical and social environment. From this perspective, policies and actions towards reducing crime involve a wide range of dimensions such as family, school, neighborhood, community, urban infrastructure, economic regulations, police, justice, and prisons.

Casas-Zamora and Dammert also suggest that one must take into account several factors, namely highly unequal income distribution, youth marginalization, widespread urbanization, proliferation of guns, pervasive presence of organized crime, and weakness of law enforcement institutions.

Most importantly, recent studies note the complexity of the rise in insecurity, suggesting that the region faces a vicious cycle: while high inequality and insufficient development have contributed to the deterioration in public safety, the growth in insecurity and violence has further aggravated inequality and delayed progress in economic development. According to CAF, “insecurity affects first and foremost the most disadvantaged, aggravating the already-critical development challenges of segregation and inequality.”

Several works in the literature of crime and violence in Latin America and the Caribbean have stressed this vicious cycle.
Lederman, Loayza, and Menéndez suggest in fact that the relationship between social capital and crime is all the more complex given that the causality between the two run in both directions – crime also affects social capital.\footnote{Berkman discusses how social exclusion and violence interact in a vicious circle, leaving the socially excluded in a very hostile environment where the borders between legal and illegal are often fuzzy and uncertain. Social exclusion is a contributing factor to violent outcomes, while violence eats away at the delicate social fabric that holds communities together and further saps scarce resources away from more productive uses, deepening development challenges.\footnote{The Economic Commission for Latin America and the Caribbean (ECLAC) in turn notes that “given today’s situations of violence, there is a need to look into the existence of a close relationship with social exclusion processes, where violence and context feed upon and into each other, so that social, territorial, and family settings can end up encouraging the young to seek violent situations.”}}

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In addition to research with a region-wide focus, various recent studies focusing on Mexico and Central America also address the links between insecurity and socioeconomic factors. Sohnen indicates that the poor quality of education and low returns to schooling, as well as slow job creation and scarce decent employment opportunities – which affect the youth especially – facilitate insecurity and violence. This is aggravated by the culture of impunity, weak rule of law, diversion of scarce public security and justice resources toward drug-related activity, as well as low levels of development. In turn, higher levels of insecurity and violence further weaken institutions and the rule of law, holding back development.

Moreover, insecurity decreases labor market participation, reduces productivity (as the private sector spends time and resources on protection and security rather than on productive uses), earnings, tourism, foreign and domestic investment, and domestic savings, and spurs capital flight, negatively impacting economic growth. Violence thus may have long-term negative economic effects by hampering investment in specific sectors.\footnote{A 2011 World Bank report focused on violence in Central America suggests that crime drags economic growth down, not only because of the victims’ lost wages and labor, but also because it pollutes the investment climate and diverts scarce governmental resources to strengthen law enforcement rather than promote economic activity.\footnote{Robles et.al. in turn estimate the effect of the increased violence (through the number of homicides) on economic activity and employment in Mexico at the municipal level. The authors find that an increase in the levels of violence has significant, negative effects on labor force participation and employment.\footnote{In sum, insecurity contributes to and feeds from inequality, social exclusion, and insufficient development. The magnitude of the public security challenge differs from country to country, however. It also differs between and within cities and neighborhoods.}}}

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Economic and Social Progress, but Insecurity on the Rise

In the past decade homicide rates increased in Latin America but declined or stabilized in
other regions of the world. This higher incidence of crime came at a time of important social progress. In fact, in an apparent paradox, the region experienced economic growth, social improvements, and increased crime rates during the past decade. Opinion polls consistently show that crime and violence are the primary concern of citizens in the region. According to the Latinobarómetro poll in 2013, 24 percent identified crime as the most important problem, up from five percent in 1995, with unemployment coming in second place, dropping from 23 to 16 percent during the same period.20

Favorable global economic conditions, ample access to financing, and improvements in terms of trade significantly favored many countries, mostly exporters of natural resources, such that between 2003 and 2011, economic growth in Latin America and the Caribbean was the fastest since the sixties. The combination of economic growth and improvements in the labor market with strong job creation were key to substantial gains in poverty reduction. The poverty rate dropped

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**Figure 1: Latin America: poverty and indigence, 1980-2014 –Percentages and Millions of people**

from 43.9 percent in 2002 to 28 percent in 2014, meaning that about 58 million people in the region moved above the poverty line in just over a decade. Extreme poverty also decreased considerably from 19.3 percent in 2002 to 12.0 percent in 2014. Still 167 million are poor and 71 million indigent (see figure 1).

As millions of people were lifted out of poverty, a significant expansion of the middle class took place. The middle class increased in all countries of the region, but with wide differences. In Guatemala and Nicaragua, less than 10 percent of the population belongs to the middle class, while in other countries, such as Uruguay, the figure is 60 percent. 21 Similarly, the level and trends in poverty reduction varied widely across countries, with significant reductions in poverty in the countries of the Southern Cone and Andean region (see table 1). In many countries, however, poverty remains a pressing challenge. As ECLAC has cautioned, much of the population remains vulnerable. Over 50 percent of the population in many countries is vulnerable, with monthly income between 1.2 and 1.8 times the poverty line. Lack of savings and access to social security and low levels of education suggest they are vulnerable to falling back into poverty.

Alongside progress with poverty reduction, inequality began to decline in many countries. Between 2002 and 2013, the Gini coefficient (the most commonly used measure of inequality) fell by almost 10 percent from

Table 1: Latin America (18 countries): persons living in poverty and indigence around 2005, 2012, and 2013 (Percentages)

<table>
<thead>
<tr>
<th>Country</th>
<th>Around 2005</th>
<th>Around 2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Year</td>
<td>Poverty</td>
<td>Indignity</td>
</tr>
<tr>
<td>Argentina a</td>
<td>2006</td>
<td>24.8</td>
<td>9.6</td>
</tr>
<tr>
<td>Bolivia (Plurinational State of)</td>
<td>2004</td>
<td>63.9</td>
<td>34.7</td>
</tr>
<tr>
<td>Brazil</td>
<td>2005</td>
<td>36.4</td>
<td>10.7</td>
</tr>
<tr>
<td>Chile</td>
<td>2006</td>
<td>13.7</td>
<td>3.2</td>
</tr>
<tr>
<td>Colombia b</td>
<td>2005</td>
<td>45.2</td>
<td>13.9</td>
</tr>
<tr>
<td>Costa Rica c</td>
<td>2005</td>
<td>21.1</td>
<td>7.0</td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>2005</td>
<td>47.5</td>
<td>24.6</td>
</tr>
<tr>
<td>Ecuador</td>
<td>2005</td>
<td>48.3</td>
<td>21.2</td>
</tr>
<tr>
<td>El Salvador</td>
<td>2004</td>
<td>47.5</td>
<td>19.0</td>
</tr>
<tr>
<td>Guatemala</td>
<td>2002</td>
<td>60.2</td>
<td>30.9</td>
</tr>
<tr>
<td>Honduras</td>
<td>2007</td>
<td>68.9</td>
<td>45.6</td>
</tr>
<tr>
<td>Mexico</td>
<td>2006</td>
<td>31.7</td>
<td>8.7</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>2005</td>
<td>61.9</td>
<td>31.9</td>
</tr>
<tr>
<td>Panama</td>
<td>2005</td>
<td>31.0</td>
<td>14.1</td>
</tr>
<tr>
<td>Paraguay</td>
<td>2005</td>
<td>56.9</td>
<td>27.6</td>
</tr>
<tr>
<td>Peru d</td>
<td>2003</td>
<td>52.5</td>
<td>21.4</td>
</tr>
<tr>
<td>Uruguay a</td>
<td>2005</td>
<td>18.8</td>
<td>4.1</td>
</tr>
<tr>
<td>Venezuela (Bolivarian Republic of)</td>
<td>2005</td>
<td>37.1</td>
<td>15.9</td>
</tr>
</tbody>
</table>


Notes:
- Urban areas.
- Figures from the National Administrative Department of Statistics (DANE) of Colombia.
- Figures for 2012 and 2013 are not strictly comparable with data from previous years.
- Figures from the National Institute of Statistics and Informatics (INEI) of Peru.
- Figures from the National Institute of Statistics (INE) of the Bolivarian Republic of Venezuela. Figures for 2012 and 2013 are not comparable with those for earlier years.
0.542 to 0.486, a noteworthy achievement in a region that is the most unequal in the world, and especially considering that the improvement took place in a global context of increasing inequality.23

Smaller gaps in labor earnings contributed to the improvement in income distribution. The unemployment rate fell from 11.2 to 6.0 percent between 2002 and 2014, and the overall employment rate increased from 52 to 56 percent.24 Public policies, increases in the minimum wage and in labor formalization, including increases in social security coverage in most countries were also instrumental in contributing to this improvement.25 Inequality though remains very high with wide variations across countries. In 2013 the Gini coefficient ranged from 0.383 in Uruguay to 0.575 in Honduras.26 As in the case of poverty reduction, most of the progress during this period took place in the countries of the Southern Cone and in the Andean region. Despite improvements, average per capita income of the highest decile in Central America – where the prevalence of violence has become a serious concern – is between 10 and 22 times higher than the average for the population in the four poorest deciles.

Social gains materialized, but violence increased. Between 2000 and 2010 the homicide rate rose by 11 percent in the region even as it fell or stabilized in most other regions in the world.27 In 2012, the average homicide rate in Latin America and the Caribbean (LAC) was around 23 per 100,000 inhabitants according to the United Nations Office on Drugs and Crime, while the world average stood at around eight per 100,000.28 This is the second

Figure 2: Homicide Rate per 100,000 inhabitants in LAC by country, 2012

Source: UNODC statistics online https://data.unodc.org/#state:0. Data were updated on April 13, 2015 and supersede data published in the Global Study on Homicide 2013. The red line marks a homicide rate higher than 10 murders per 100,000 inhabitants which is considered an epidemic level by the World Health Organization.
highest in the world, behind only Africa. Homicide rates vary considerably among sub-regions – homicide rates stood at 34 for Central America and Mexico in 2012, and 17 for South America – and countries. Honduras, the Bolivarian Republic of Venezuela, Belize, El Salvador, Jamaica, Guatemala, and Colombia are seven of the 14 most violent countries in the world (see figure 2). Similarly, they vary considerably within countries.

Murder figures thus point to a heterogeneous reality. Moreover, violence not only affects the countries in the region in different ways, but its impact is also diverse across the various socio-demographic groups. For example, there is a high concentration of regional homicide victims among men between 15 and 29 years of age, with the homicide rate for this group reaching 89.7 per 100,000, nearly five times higher than the global figure (19.4 per 100,000). Large scale violence among young people prevails in many countries such that increases in youth violence, in which young people are both victims and perpetrators has become a top priority for policymakers. Crime and violence is the number one concern among youth in the Caribbean Community.

The regional data of victimization is quite homogeneous, on the other hand. In 2010, the proportion of households where someone was the victim of a criminal offense in the previous year was over 25 percent in nearly all Latin American countries. In any given year, over one-third of Latin Americans – 200 million people – are victims of a criminal offense either directly or in their immediate household.

Robberies, for example, have increased in the majority of countries in recent years, affecting even those countries with low homicide rates. As the 2013-2014 UNDP RHD reports, robberies have become one of the most significant threats to citizens; six in ten robberies in Latin America are violent. However, robbery reported to the authorities is substantially lower than that recorded through victimization surveys. Under-reporting is a significant problem in that more than six million incidents went unreported, reflecting that there are obstacles involved in reporting, as well as the lack of citizen confidence in the justice system.

How can the apparent paradox of rising crime and improvements in social gains (particularly better income distribution) be explained?

Motivated by the region’s apparent paradox of experiencing an economic boom at the same time as violence and crime increased, Enamorado, López-Calva, Rodriguez-Castelán, and Winkler looked into this puzzle by focusing on local dynamics. The authors found that crime and violence have an important local dimension. The premise that better economic conditions result in less crime is indeed correct at the municipal level: municipalities with lower inequality saw lower rates of crime. Although the overall national data reveals an apparent paradox, broken down by smaller geographical regions, the paradox does not hold. According to the authors, their results suggest that the rise in violence might have been even greater if inequality had not declined in the region.

These results confirm the need for more economic growth with greater equality and social inclusion as an essential step towards a long-term and sustainable solution to the challenges posed by the rise in crime. Given their perverse impact on poverty, equality, and development, however, crime and violence impose very high costs on the region.
Costs of Insecurity

Regardless of the various methodologies used by the empirical literature, the cost of violence is high for society as a whole. Crime drains economic activity through loss of life and destruction of property. In addition, researchers have more recently identified a broader set of direct and indirect costs, as well. Crime and violence impose multiple, diverse, and significant costs to individuals, firms, and society. As crime and violence divert resources away from other presumably more productive purposes, they have a direct impact and a direct monetary cost, but also indirect (non-monetary) costs, as well as economic and social multiplier effects (see figure 3).

Numerous studies have attempted to quantify the costs of violence for countries in Latin America and the Caribbean, suggesting that the costs of crime and violence represent a significant share of aggregate production. In 1999, Londoño and Guerrero estimated the net costs of violence to be about 12 percent of the region’s gross domestic product.

More recently, a World Bank report on violence in Central America showed that crime and violence carry staggering economic costs at the national level, with estimates close to eight percent of regional GDP if citizen security, law enforcement, and health care are

![Figure 3: Direct and Indirect Costs of Insecurity](image)

<table>
<thead>
<tr>
<th>Direct Costs</th>
<th>Indirect Costs</th>
</tr>
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<tbody>
<tr>
<td><strong>Individuals</strong></td>
<td></td>
</tr>
<tr>
<td>• Immediate loss of productivity due to death or injury</td>
<td>• Preventive private security</td>
</tr>
<tr>
<td>• Ransom payments</td>
<td>• Bribes</td>
</tr>
<tr>
<td>• Cost to repair or replace damaged or destroyed property</td>
<td>• Lost investment in human capital</td>
</tr>
<tr>
<td>• Medical care</td>
<td>• Effects of psychological harm of victimization</td>
</tr>
<tr>
<td>• Legal services</td>
<td>• Compound losses of lower productivity over a lifetime</td>
</tr>
<tr>
<td>• Insurance</td>
<td></td>
</tr>
<tr>
<td><strong>Firms</strong></td>
<td></td>
</tr>
<tr>
<td>• Cost to repair or replace property</td>
<td>• Preventive private security</td>
</tr>
<tr>
<td>• Ransom payments</td>
<td>• Bribes</td>
</tr>
<tr>
<td>• Legal services</td>
<td>• Lost investment in human capital of employees</td>
</tr>
<tr>
<td>• Insurance</td>
<td>• Lost potential customer base (for public outings)</td>
</tr>
<tr>
<td></td>
<td>• Lost potential investment (domestic and foreign) due to poor business climate</td>
</tr>
<tr>
<td><strong>Governments</strong></td>
<td></td>
</tr>
<tr>
<td>• Medical spending</td>
<td>• Lost investment in human capital (via public health, education, and training programs)</td>
</tr>
<tr>
<td>• Spending on public security, law enforcement, and criminal justice</td>
<td>• Diminished productivity of citizens</td>
</tr>
<tr>
<td>• Repair and replacement of infrastructure</td>
<td>• Foregone tax revenues from individuals and businesses</td>
</tr>
</tbody>
</table>

included; 16 percent of these costs were due to lost life and disability. Estimates presented in the report "suggest that a ten percent reduction in violence levels in those Central American countries with the highest murder rates could boost annual economic growth per capita by as much as a full one percent." 35

A joint study conducted by the Inter-American Development Bank (IDB) and UNDP, analyzing costs in five Latin American countries, showed significant and differentiated costs in terms of GDP ranging from three percent in Chile and Uruguay, up to over 10 percent in Honduras. 36 In the case of Mexico, the total cost of insecurity was estimated to reach 8.9 percent of GDP in 2009, 80 percent of which was paid for by individuals and firms. 37

The indirect costs of crime and violence are hard to estimate. Several potential consequences of crime go beyond the immediate costs related to victimization, expenditures on prevention and punishment, and include costs associated with the effects of a violent environment on decisions affecting human capital accumulation, investment, entrepreneurship, urban development, and, ultimately, economic growth. Most of these are essentially indirect or long-term effects of the crime itself. 39 Londoño and Guerrero offer an estimate of about seven percent of GDP for the indirect costs of crime and violence in Latin America.

Also, indirect costs typically suffer from identification problems. For example, just as more crime may generate less investment and employment, less investment and employment can generate more crime, which brings us back to the vicious cycle mentioned earlier. 40 However, the evidence suggests that crime and violence do have a negative impact on labor participation and wages, as well as on the investment decisions of firms. 41 Moreover, surveys indicate that firms in the region consistently perceive crime as one of their major obstacles to growth, higher than the global average. 42

Other indirect costs include the impact on social capital and increasing social fragmentation. 53 An example is the privatization of security that has been taking place throughout the region. The increase in crime has forced the private sector to turn to private security firms to protect physical property and business executives, diverting resources from productive endeavors such as worker training or capital investments. 44 The region now has almost 50 percent more private security guards (3,811,302) than police officers (2,616,753) and Latin American private security agents are...
the most armed in the world, with rates of gun possession per employee ten times larger than in Europe.\textsuperscript{45} This situation further increases inequality and social exclusion, as social groups have different capacities to deal with crime, reinforcing the vicious cycle of growth in crime and violence contributing to greater inequality and slow economic development. Also, as private security firms fill the gaps left by the public sector, governments lose both capacity and legitimacy. In turn, their diminished capacity to reassert authority undermines the legitimacy and relevance of public programs and even laws, risking destabilization.\textsuperscript{46}

As several studies point out, rising insecurity has had a negative impact on trust in government institutions, particularly police and judicial systems, a key component of social capital. The erosion of trust in institutions has deleterious consequences for the functioning of democracies.\textsuperscript{47} Moreover, perceptions of government effectiveness vary considerably, but overall there is increasing skepticism regarding the capacity of governments to deal with crime and violence. In Guatemala and Honduras – countries with the highest inequality and violence – less than 40 percent of the population believes that the government can solve this problem.\textsuperscript{48}

In sum, the direct costs of insecurity are high, but the more difficult to quantify indirect costs and the multiplier effects on the economy – such as lower savings, investments, productivity, labor market participation, and ultimately lower growth – make them even higher.

**Insecurity: A Development Challenge**

After significant social gains, the pace of poverty reduction has slowed down and even reversed in the early years of the present decade, a situation that has led to a rise in the number of people living in extreme poverty in the region.\textsuperscript{49} Prospects of tepid economic growth in the years ahead may compromise further the sustainability of social gains and pose additional challenges to the fight against crime and violence.

Finding sustainable sources of economic growth, preserving and further improving social conditions are a priority in the years to come. This will require a structural transformation of output and employment to diversify the economy and improve its positioning in the global economy.

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It bears recalling that the strongest driver of the region’s recent growth phase has been exports of raw materials and assembled manufactures with little value added. A virtuous structural change would lead to increasing participation in global value chains by generating more value added and high quality jobs and forging linkages between exports and high growth markets. The structural changes entail absorbing technology, learning, increasing value added, diversifying, and entering into new markets drawing labor from informal and low productive sectors towards formal, modern, knowledge intensive jobs which pay better wages. It entails as well strengthening linkages with small and medium-sized enterprises, particularly given their role in creating jobs. Without quality employment and income
In particular, it is important to expand employment and opportunities for youth. Studies by ECLAC and the Ibero-American Youth Organization (OIJ) have shown that among the features that most often give rise to situations of violence in youth are urban marginalization, lack of social mobility and of economic opportunities. Better employment for youth is key. Unemployment rates are considerably higher for the population aged 15 to 24 than for the total population (between 2.3 times and 5.5 times higher than for adults), exceeding 30 percent in some English-speaking Caribbean countries. Moreover, wide differences persist in unemployment rates broken down by socioeconomic status. For instance, young people aged 15 to 29 from households in the first quintile (bottom 20 percent) had an unemployment rate almost four times as high as the richest quintile (top 20 percent), thus facing serious obstacles in breaking the barrier of exclusion and social mobility.

Better employment opportunities go hand in hand with better skills and education. Though in the past two decades significant progress has been made in improving education levels of young people the situation is quite heterogeneous across and within countries. On average, the secondary school completion rate is 60 percent in the region; Chile and Peru have rates in excess of 80 percent while Honduras (36 percent), Nicaragua (36 percent), and Guatemala (25 percent) have the lowest secondary completion rate attainment.

A complete secondary education (about 12 years of study) is the minimum required to
reduce the likelihood of remaining in poverty. However, many young people do not have this chance, since in all countries completion of secondary education varies considerably depending on income level, ethnic origin, and rural residence. For example, while 84 percent of people ages 20 to 29 with income levels in the highest 20 percent of the population had completed secondary education (2012), only 32 percent in the lowest 20 percent had done so. Honduras and Guatemala present the largest gaps with only 5.9 percent and 1.8 percent, respectively, of the bottom 20 percent having finished secondary education relative to 62.7 percent and 60.4 percent of the top 20.

In addition, around 30 million of Latin America’s young people between the ages of 15 and 29 (22 percent of the total), did not study or have paid work according to 2012 figures. Of that total, 55 percent is in unpaid domestic or care work, 25 percent is unemployed or looking for paid work for the first time, and five percent has some kind of disability. The remaining 15 percent of young people who are neither studying nor in paid work is the “hard core” of social exclusion and probably the most socially marginalized.

As Ian McBeth notes, persisting violence has a perverse impact on youth: Children and youth are heavily affected by violence, since childhood and adolescence are critical stages of personal development and for the accumulation of assets. The fewer assets an individual has, the more likely they are to turn to alternative means of survival, including violence.

Investing in youth’s education and employment is crucial to addressing violence. As Imbusch, Misse, and Carrión note, persistent violence has a perverse impact on youth: Children and youth are heavily affected by violence, since childhood and adolescence are critical stages of personal development and for the accumulation of assets. The fewer assets an individual has, the more likely they are to turn to alternative means of survival, including violence.

As Paulo Saad notes, the combination of a large pool of young workers with good job skills and a relatively small population of dependent older persons created a situation highly favorable for economic growth in many Southeast Asian countries. It brought about increases in productivity largely due to important investments in the education of young people during the time of the demographic dividend.

As Paulo Saad notes, the combination of a large pool of young workers with good job skills and a relatively small population of dependent older persons created a situation highly favorable for economic growth in many Southeast Asian countries.
Figure 4: Youth Population (Ages 15 to 29) in Latin America – (In millions)

Figure 5: Stages of Demographic Bonus in LAC

(Periods in which the Dependency Ratio (DR) is decreasing or increasing, but below 2 in inactive ages for every 3 active labor force individuals)

Source for figures 4 and 5: América Latina: Centro Latinoamericano y Caribeño de Demografía (CELADE) - División de Población de la CEPAL, Estimaciones y proyecciones de población (2007).
expected to last until the beginning of the 2040s; in Ecuador and Peru around 2050; and beyond 2050 in El Salvador, Nicaragua, Paraguay, Honduras, and Haiti. The extreme cases are Bolivia and Guatemala where it is expected to last beyond 2060 and, in the case of the latter, close to 2070 (see figure 5).

The benefits of the demographic dividend won’t accrue automatically. It will require the adoption of policies to ensure that young people acquire the basic skills and training to enter the world of work. Efforts must concentrate on better access to good-quality education and training for young people particularly from low resource households. Those countries that have yet to enter this demographic stage (most of the Central American countries) will have in the next decades a unique opportunity to capitalize on the productive potential of youth by investing in improvements in education and labor markets. Moreover, these investments are required as well to generate the necessary savings and productive conditions needed to deal with the exponential increase in costs expected to come with society’s aging. By 2050, the region will have five adults of 60 years of age and older for every four young people. This compares to an estimated five young people for every adult of 60 years or older in 1959.

Conclusions

Crime and violence undermine human potential and social capital, disproportionately affecting youth and the most vulnerable, eroding their livelihood and assets, and undermining development efforts. The concomitant increase in violence during the years of economic boom in the region suggest that in order to be successful, policy actions and efforts to hold back crime should be made at all levels – local, state, national, and regional – and should bring about broad alliances, including the participation of communities and businesses, as well as municipal, state and federal government officials.

Cooperation and consensus building is key. Security is the responsibility of governments. However, tackling insecurity will depend on a shared agenda and on partnerships. Clearly, governments have to respond better in addressing weaknesses in the institutions of the rule of law and in gaining the trust of citizens, but crime and violence won’t be solved just on the basis of public action. Policies or strategies of “mano dura” (over-criminalization and repression) have proved counterproductive as levels of violence have kept on rising.

Innovative approaches combine policing and law enforcement with local and community programs in crime and violence prevention, but also in education and economic opportunities. These approaches rely on effective coordination and cooperation between governments and multiple stakeholders. Successful crime reduction experiences (Cali, Medellín, and São Paulo, among others) attest to the importance of forging partnerships, working at the local community level, and implementing integrated responses. The coordination of initiatives from various political and social actors and a focus on community cooperation within high-risk areas was very important to crime reduction efforts. Several partnerships between local governments, private sector, community groups, and faith-based institutions have sought to improve socioeconomic conditions and reintegrate young people into the labor force and into communities. Private sector participation in the prevention of crime and violence has been
increasing, but still falls short. Challenges to its participation in crime and violence prevention include the lack of knowledge about community safety, expectations of immediate results, reluctance to be associated with perceived negative causes, and the lack of incentives.\textsuperscript{60}

In addition to bringing together multiple stakeholders in crime reduction experiences, it is necessary to build consensus on mobilizing resources. Improving security demands resources and a strengthening of public finances that, to some extent, depends on the political will of various key actors. With an average tax burden of 18 percent of GDP, the region collects little, and poorly. Narrow tax bases and high levels of non-compliance prevail throughout the region. For example, in Central America and the Dominican Republic, tax revenues as a percentage of GDP are among the lowest in the world, thus limiting the government’s capacity to implement public policies.\textsuperscript{61}

Cases where governments compel the wealthiest sectors of society to pay higher taxes are not that common. However, an interesting experience was Colombia’s adoption of a wealth tax, the “Democratic Security Tax,” to finance its security effort against drug trafficking and guerrilla and paramilitary groups. Between 2002 and 2010, the tax accounted for about five percent of tax revenue or about one percent of GDP. Its contribution to funding the country’s security effort was considered significant, accounting for about 20 percent of the defense and security sector’s total budget.\textsuperscript{62}

In addition, as noted earlier, progress in addressing crime demands sustainable growth with equality. Such an agenda should be based on a virtuous structural change to diversify the economy and improve its positioning in global markets. Science, technology, and innovation are essential factors in an economy’s potential to grow and compete in the global economy. Alongside national efforts, strengthening regional and hemispheric cooperation on science, technology, innovation, and education can be instrumental in developing more competitive and inclusive knowledge-based economies.\textsuperscript{63}
Notes

0 This document was prepared by Inés Bustillo, Director, and Helvia Velloso, Economic Affairs Officer, of the United Nations Economic Commission for Latin America and the Caribbean (ECLAC), Washington D.C. Office. The authors would like to thank Juan Muñoz for his valuable research assistance. The views expressed in this article are those of the authors and do not necessarily reflect those of the Organization.


2 United Nations Development Program (UNDP), “Human Development Report,” (1994). In addition to economic security, there are various other parts of this new vision of human security, including: food, health, environmental and personal, within community, as well as political security.


5 Demographic dividend, as defined by the United Nations Population Fund (UNFPA) means “the economic growth potential that can result from shifts in a population’s age structure, mainly when the share of the working-age population (15 to 64) is larger than the non-working-age share of the population (14 and younger, and 65 and older).” In other words, it is “a boost in economic productivity that occurs when there are growing numbers of people in the workforce relative to the number of dependents.” http://www.unfpa.org/demographic-dividend.

6 For example: Ayres (1988); Gaviria, Guerrero and Londoño (2000); Imbusch, Misse and Carrión (2011); Londoño and Guerrero (1999); McIlwaine (1999); Skaperdas et al. (2009); Solimano (2004); WHO (2004), among others, indicate that violence is a key obstacle to development.


10 According to ECLAC (2014), “La Nueva era Demográfica en América Latina y El Caribe,” Latin America and the Caribbean is the most urbanized region in the developing world, and its level of urbanization is only surpassed by that of the United States and Canada. Eighty percent of the regional population resides in urban areas. In 1950, there were 8 cities in the region with a population of more than 1 million. In 2010, the number of cities with more than 1 million people had jumped to 62, with Mexico and São Paulo boasting a population of about 20 million. ECLAC projects that by 2030 there will be 90 cities in the region with more than 1 million people; in six of them, the population is expected to be higher than 10 million.


17 Sohnen, 15-16.


19 Gustavo Robles, Gabriela Calderón, and Beatriz Magaloni, “The Costs of Crime and Violence...

20 Latinobarómetro, Informe (Santiago de Chile: November 2013)


22 The Gini coefficient measures the extent to which the distribution of income or consumption expenditure among individuals or households within an economy deviates from a perfectly equal distribution. A Gini coefficient of 0 represents perfect equality, while a coefficient of 1 implies perfect inequality (for example, where only one person has all the income or consumption, and all others have none).


24 ECLAC/ILO, Employment Situation in Latin America and the Caribbean, no 12 (May 2015) and previous issues.


26 For comparison, statistics from The World Factbook produced by the U.S. Central Intelligence Agency cite a range from about 0.25 to 0.60 for the world. Europe generally posts relatively low numbers. The United Kingdom came in at around 0.34 (2005), the United States at 0.45 (2007).


28 UNODC statistics online, data as of April 13, 2015; world average based on data for 219 countries. https://data.unodc.org/#state:0.


31 Casas-Zamora and Dammert, 62.


56 Ibid., 17.


61 Beteta and Brid, 253.


By 2022, the Obama administration hopes to finish off an electrical grid that will connect all of the Americas, from northern Canada down through the Caribbean and ending at the southern tip of South America.