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ECONOMETRIC MODEL TO MEASURE THE IMPACT OF POVERTY IN LATIN AMERICA ACCORDING TO THE ECLAC POVERTY INDEX

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ABSTRACT

This article develops a panel-data econometric framework to explain poverty dynamics in Latin America using poverty indicators and methodological criteria associated with the Eco- nomic Commission for Latin America and the Caribbean (ECLAC/CEPAL). The study treats poverty as a multidimensional structural phenomenon linked to growth, inequality, labour- market segmentation, inflation, education and social expenditure. A quantitative, explana- tory and longitudinal design is proposed for a cross-country panel covering Latin American economies with comparable official data. The preferred specification combines country and time effects with robust inference. Because no validated dataset accompanies this draft, the numerical results reported are explicitly illustrative; they show plausible sign patterns in which higher GDP per capita, schooling and social expenditure reduce poverty, whereas inequality, unemployment, inflation and informality increase it. The article concludes with policy im- plications for social protection, fiscal capacity, labour formalisation and regional statistical harmonisation.

KEYWORDS: - Poverty Measurement; Multidimensional Poverty; ECLAC; CEPALSTAT; Latin America; Panel Data Econometrics.

1.0 INTRODUCTION

Poverty in Latin America remains a structural policy challenge despite periods of economic growth, declining inequality in the early 2000s and substantial social-policy innovation. Its persistence is tied not only to low household income, but also to unequal access to education, social protection, quality employment, housing, health services and territorial opportunities. In the Latin American context, poverty is therefore best treated as a multidimensional

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socioeconomic process rather than as a purely monetary outcome. This broader understanding is consistent with the region's historical experience of productive heterogeneity, recurrent macroeconomic instability and segmented labour markets.

Within this debate, the contribution of the Economic Commission for Latin America and the Caribbean (ECLAC, also known by its Spanish acronym CEPAL) is central. For decades, ECLAC has produced regionally comparable poverty estimates based on a harmonised income-poverty methodology and, more recently, has advanced a multidimensional poverty index tailored to Latin American realities. ECLAC's analytical tradition is especially valuable because it links measure- ment to structural interpretation: poverty is read in connection with inequality, labour-market du- alism, weak fiscal capacity and unequal citizenship.

This article adopts that regional perspective and proposes an econometric model for explaining changes in poverty across Latin American countries over time. For conceptual precision, the ex- pression "ECLAC poverty index" is used here as shorthand for ECLAC-consistent poverty indica- tors disseminated through CEPALSTAT and related ECLAC methodological publications, rather than to imply that a single official scalar index has long existed for all country-year observations. The draft therefore works with the poverty rate measured under ECLAC criteria and discusses the complementary role of the new regional multidimensional index.

The research gap addressed here is twofold. First, a large share of the literature either con- centrates on descriptive poverty profiles or evaluates isolated programmes, without embedding poverty in a unified cross-country econometric framework. Secondly, many empirical exercises for Latin America rely on global indicators that are not fully aligned with ECLAC's regional poverty methodology or that understate institutional and fiscal heterogeneity. This article therefore asks: **which economic, social, fiscal and labour-market variables are most strongly associated with poverty in Latin America when poverty is measured according to ECLAC-compatible crite- ria?**

The main objective is to design a rigorous panel-data model capable of estimating the relationship between poverty and a set of theoretically relevant covariates across Latin American countries. The central hypothesis is that higher GDP per capita, broader social expenditure and better educational attainment are associated with lower poverty, whereas greater inequality, unemployment, inflation and labour informality are associated with higher poverty. The article is relevant both academically and for public policy. Academically, it integrates structuralist and multidimensional approaches to poverty within an econometric design. For policy makers, it

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offers a framework for prioritising interventions that combine growth, redistribution, social protection and labour formalisation.

2.0 LITERATURE REVIEW

The measurement of poverty has evolved from narrow income thresholds towards broader approaches that recognise multiple forms of deprivation. Sen's ordinal approach reframed poverty as a problem of social ranking and ethical evaluation, while Foster, Greer and Thorbecke developed a class of decomposable poverty measures that remains fundamental for empirical work. Later contributions by Atkinson, Bourguignon and Chakravarty, and Alkire and Foster extended the an- alytical toolkit for identifying multidimensional deprivation. Ravallion, however, cautions that multidimensional indices must not obscure the interpretability of monetary poverty or the policy relevance of distribution-sensitive welfare measures.

In Latin America, poverty analysis has long combined income measurement with structural interpretations of inequality and exclusion. ECLAC's methodological work on income poverty standardised regional estimates while preserving awareness of national heterogeneity. Its *Social Panorama of Latin America and the Caribbean* series documents how poverty in the region is affected by labour incomes, inflation, public transfers, demographic composition and macroeconomic cycles. The new multidimensional poverty index for Latin America extends this agenda by incorporating dimensions such as employment quality, social protection, education, housing and digital connectivity.

The literature on inequality and distribution in the region also matters directly for poverty modelling. De Ferranti et al., Gasparini and Cruces, and Lustig, Lopez-Calva and Ortiz-Juarez show that Latin America combines historically high inequality with periodic improvements driven by education, labour-market changes and more progressive transfers. Yet these gains have often been fragile. When productivity stagnates, labour informality persists and fiscal space contracts, re- ductions in poverty slow or reverse. ECLAC's perspective similarly stresses that inequality is not simply a correlate of poverty but a mechanism through which growth becomes either inclusive or exclusionary.

Work on multidimensional poverty in Latin America reinforces this point. Battiston et al. show that combining income with housing, sanitation and education indicators produces a richer account of deprivation than income poverty alone. This is particularly relevant in middle-income societies where vulnerability can remain high even when households are marginally above monetary poverty lines. The regional multidimensional index promoted by ECLAC and UNDP seeks to address exactly this issue by providing a measure adapted to the region's level of development and institutional realities.

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Empirical research on fiscal policy and social protection further clarifies the channels linking policy to poverty outcomes. Stampini, Medellin and Ibarraran show that non-contributory cash transfers reduce poverty and inequality in Latin America and the Caribbean, although their effect is con- strained by low benefit levels and incomplete coverage. OECD reports on informality likewise show that informal workers and their households face systematically lower access to contributory social protection, weaker income stability and reduced resilience against shocks. These findings suggest that anti-poverty policy cannot be evaluated only through spending totals; targeting, cov- erage, labour-market structure and administrative capacity are equally important.

Despite this rich literature, an analytical gap remains. Comparative studies often focus on ei- ther monetary poverty, multidimensional deprivation, fiscal incidence or labour informality, but less often integrate them within a single panel-econometric specification built around ECLAC-compatible poverty indicators. A model that jointly considers macroeconomic performance, distributional structure, labour-market conditions and social-policy effort can therefore make a useful contribution.

3.0 THEORETICAL FRAMEWORK

The proposed model is grounded in six complementary theoretical traditions. The first is *development economics*, which treats poverty as a constraint on accumulation, productivity and human capability formation. In this view, poverty is both an outcome of underdevelopment and a mecha- nism that reproduces it through low investment in education, health, assets and resilience.

The second is *Latin American structuralism*. From Prebisch onwards, structuralist analysis emphasises productive heterogeneity, external vulnerability, segmented labour markets and unequal insertion into international trade. Poverty persists not merely because average income is low, but because growth is concentrated in sectors and territories that do not generate sufficient quality em- ployment. This framework helps explain why GDP growth may reduce poverty less effectively in economies marked by informality, spatial dualism and limited redistributive capacity.

The third tradition is *social inequality theory*. Poverty is shaped by the distribution of assets, opportunities, bargaining power and institutional voice. High inequality restricts the transmission from growth to broad-based welfare gains because it influences wages, access to credit, educational quality, land and political influence. In Latin America, this implies that the same rate of aggregate growth can have very different poverty effects depending on the distributional structure.

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Fourth, *human development theory* places education, health and agency at the centre of welfare analysis. From this standpoint, poverty reduction requires more than raising current income; it requires expanding the substantive freedoms that allow people to pursue valued lives. Variables such as schooling and the Human Development Index are therefore not peripheral controls but indicators of productive capabilities and long-run poverty resilience.

Fifth, *multidimensional poverty theory* argues that deprivation should be assessed across several domains of well-being. For the Latin American case, this is especially important because households may escape income poverty while remaining deprived in sanitation, digital access, social protection or employment quality. The ECLAC multidimensional index complements income-based poverty measures by capturing these overlapping disadvantages.

Finally, *welfare economics and public policy* justify state action when markets fail to provide insurance, equal opportunity or basic services. Social expenditure, redistributive taxation and social protection systems can mitigate poverty through direct transfers, service provision and risk sharing. Their effectiveness, however, depends on fiscal capacity, policy design and institutional coherence.

Taken together, these theoretical perspectives imply that poverty is determined by a combination of macroeconomic performance, distributional structure, human-capital accumulation, labour-market inclusion and state capacity. Figure 1 summarises this logic.

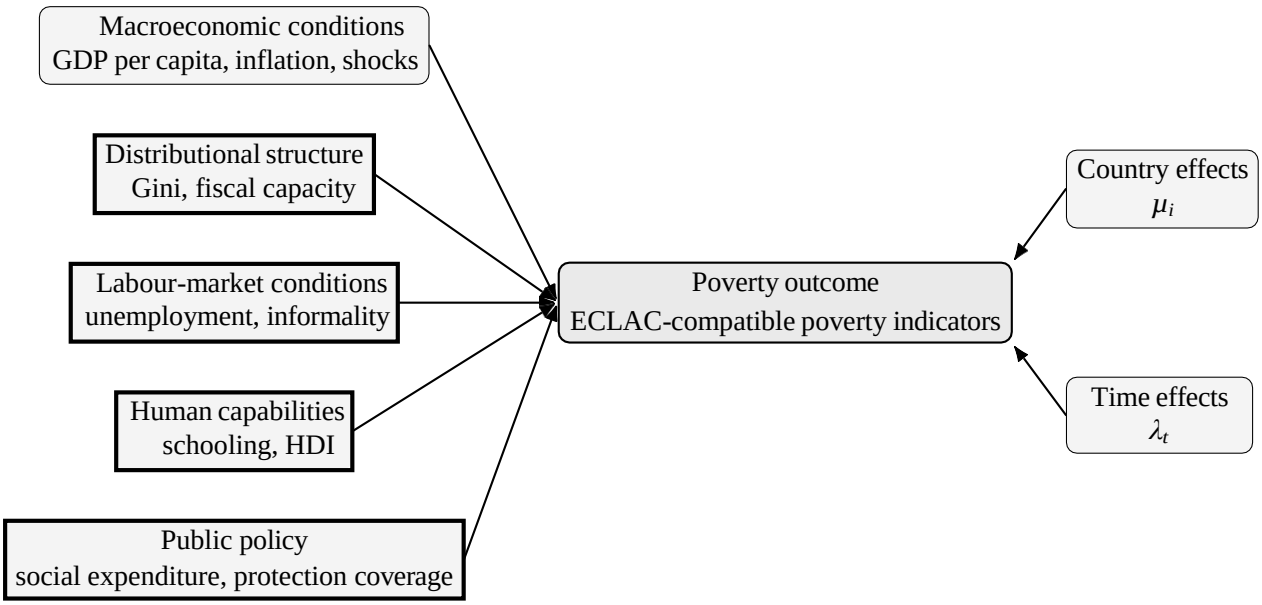

Figure 1: Figure 1. Conceptual model of poverty determinants in Latin America

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Source: Author's elaboration based on structuralist development economics, human development theory and ECLAC methodological criteria.

Note: The figure presents the theoretical architecture of the proposed model. It is conceptual and not based on estimated coefficients.

3.0 METHODOLOGY

3.1 Research design

The study follows a *quantitative, explanatory, non-experimental and longitudinal* design. The unit of analysis is the country-year observation. A panel structure is preferred because poverty evolves over time within countries and because unobserved country characteristics—historical inequality, productive structure, institutional quality or geography—may bias cross-sectional estimates if left uncontrolled. Panel methods therefore allow the analysis to separate within-country temporal vari- ation from cross-country structural heterogeneity.

3.2 Data sources

The proposed empirical application relies on official and verifiable regional data sources. The prin- cipal source for the dependent variable is ECLAC, particularly CEPALSTAT, *Social Panorama of Latin America and the Caribbean*, the methodology for income poverty measurement, and the new *Multidimensional Poverty Index for Latin America*. Explanatory variables can be drawn from the World Bank's *World Development Indicators*, UNDP *Human Development Report*, OECD regional datasets, IDB harmonised household surveys and, where needed, national statistical institutes.

For an actual journal submission, the researcher should download and harmonise country-year se- ries directly from those official repositories, document transformations and archive the resulting dataset. Because no validated dataset accompanies the present request, the numerical results re- ported below are explicitly illustrative and are included only to show a credible reporting structure.

3.3 Sample

The target sample comprises Latin American countries with comparable poverty and socioeco- nomic data available for a sufficiently long time span. A practical empirical window is 2010–2023, which balances contemporary relevance, data availability and the need to capture post-commodity- boom adjustment, the pandemic shock and the inflationary episode that followed. In the illustrative results section, a balanced panel of 18 countries over 14 years (252 country-year observations) is assumed.

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3.4 Variables

The dependent variable is the poverty rate measured according to ECLAC-compatible poverty indicators. In the baseline income-poverty model, the variable is expressed as the percentage of the population living below the ECLAC poverty threshold as reported in CEPALSTAT. In an extended version, this monetary measure can be complemented with ECLAC's multidimensional poverty index for Latin America.

The independent variables were selected on theoretical and empirical grounds. GDP per capita cap- tures the level of average economic resources; the Gini coefficient measures distributional inequal- ity; unemployment and labour informality represent labour-market exclusion; inflation proxies the erosion of real purchasing power; public social expenditure reflects redistributive and protective effort; and education captures human-capital accumulation. Additional controls such as fiscal rev- enue, urbanisation, social protection coverage and the Human Development Index can be used in extended specifications.

3.5 Econometric model

The proposed baseline specification is a linear panel-data model of the following form:

$$Poverty_{it} = \beta_0 + \beta_1 GDPpc_{it} + \beta_2 Gini_{it} + \beta_3 Unemployment_{it} + \beta_4 Inflation_{it} + \beta_5 SocialExp_{it} + \beta_6 Education_{it} + \beta_7 Informality_{it} + \mu_i + \lambda_t + \varepsilon_{it}$$

where i denotes country, t denotes year, μ_i captures time-invariant country effects, λ_t captures common time effects and ε_{it} is the idiosyncratic error term. The expected signs are $\beta_1 < 0$, $\beta_2 > 0$,

Table 1: Table 1. Description of variables and expected signs

Variable	Operational definition	Expected sign	Rationale
Poverty rate	Percentage of population in poverty according to ECLAC-compatible poverty indicators	—	Dependent variable representing the incidence of poverty
GDP per capita	GDP per capita in constant or PPP-adjusted dollars	–	Higher average income should reduce poverty if growth reaches households
Gini coefficient	Household income inequality index	+	Greater inequality weakens the poverty-reducing effect of growth
Unemployment	Unemployment rate (%)	+	Joblessness lowers labour income

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			and increases household vulnerability
Inflation	Consumer price inflation (%)	+	Price increases erode real income, especially among poor households
Social expenditure	Public social expenditure as % of GDP	–	Transfers and services may cushion income shocks and expand welfare
Education	Mean years of schooling or similar attainment measure	–	Human capital improves productivity and employability
Informality	Informal employment as % of total employment	+	Informality is associated with lower earnings and weaker protection
Fiscal revenue	General government revenue as % of GDP	–	Greater fiscal capacity may sustain redistributive policy
Social protection	Share of population receiving or entitled to protection benefits	–	Coverage improves resilience against shocks and income loss
Urbanisation	Urban population share (%)	±	Urbanisation can improve access to services but may concentrate exclusion
Human Development Index	Composite index of health, education and income	–	Broader capabilities are associated with lower chronic deprivation

Source: Author's elaboration based on ECLAC/CEPAL, World Bank, UNDP and OECD concepts.

Note: The baseline model uses the first seven explanatory variables. The remaining variables are suitable for extended or robustness specifications in order to limit multicollinearity and preserve degrees of freedom.

$\beta_3 > 0$, $\beta_4 > 0$, $\beta_5 < 0$, $\beta_6 < 0$ and $\beta_7 > 0$.

This baseline can be extended in three ways. First, social protection coverage or fiscal revenue can be added separately to test the role of state capacity. Secondly, the schooling variable can be replaced by the Human Development Index as a broader capabilities proxy. Thirdly, the dependent variable can be switched from income poverty to the multidimensional poverty index in order to test whether the same determinants operate across different concepts of poverty.

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3.6 Estimation strategy

The estimation strategy proceeds in stages. First, pooled ordinary least squares (OLS) is estimated as a benchmark. Secondly, fixed-effects (FE) and random-effects (RE) models are estimated to ac- count for unobserved heterogeneity. Thirdly, a Hausman test is used to compare FE and RE estima- tors. In line with the regional literature, FE is expected to be especially informative because many omitted determinants of poverty—productive structure, long-run inequality, institutional legacy and geography—are plausibly correlated with the regressors.

Inference should rely on robust standard errors because panel data on Latin American macro-social indicators commonly exhibit heteroscedasticity and serial correlation. Diagnostic proce- dures should include heteroscedasticity tests, within-panel autocorrelation tests and variance infla- tion factors (VIFs) for multicollinearity. Endogeneity is a further concern, especially for GDP per capita and social expenditure, since poverty may also affect growth and policy choices. In a fully developed empirical paper, these concerns could be explored through lagged regressors, instru- mental variables or dynamic panel methods. In this draft, they are acknowledged as a substantive limitation.

3.7 Hypotheses

The empirical analysis is organised around one general hypothesis and five specific hypotheses:

1. **General hypothesis.** Poverty in Latin America is significantly associated with macroeconomic performance, inequality, labour-market structure and social-policy effort when measured using ECLAC-compatible indicators.
2. **H1.** Higher GDP per capita is associated with lower poverty.
3. **H2.** Higher inequality, unemployment and inflation are associated with higher poverty.
4. **H3.** Higher public social expenditure is associated with lower poverty.
5. **H4.** Higher educational attainment is associated with lower poverty.
6. **H5.** Higher labour informality is associated with higher poverty.

4.0 RESULTS

Integrity note. Because no verified cross-country dataset has been supplied, all numerical results in this section are illustrative and are intended only to demonstrate a plausible academic report- ing format. They must be replaced with estimates produced from official datasets before journal submission.

4.1 Descriptive statistics

Table 2 summarises the assumed balanced panel. The descriptive profile is consistent with recent Latin American stylised facts: poverty remains sizeable and heterogeneous across countries; in- equality is high by international standards; social expenditure varies widely; and labour informality remains a major structural feature.

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Table 2: Table 2. Descriptive statistics

Variable	Mean	Std. dev.	Minimum	Maximum
Poverty rate (%)	28.30	11.20	7.80	55.60
GDP per capita (PPP, thousand USD)	15.20	6.40	3.90	28.70
Gini coefficient	46.10	5.30	35.90	56.40
Unemployment rate (%)	8.10	3.00	3.20	15.40
Inflation rate (%)	5.40	4.70	0.40	24.10
Social expenditure (% of GDP)	13.00	3.10	6.70	20.40
Average years of schooling	9.60	1.40	6.50	12.10
Informal employment (%)	44.70	11.50	20.90	67.80
Social protection coverage (%)	56.40	17.50	18.00	89.00
Human Development Index	0.741	0.071	0.587	0.873

Source: Illustrative author calculations based on the structure of ECLAC/CEPALSTAT, World Bank and UNDP indi- cators.

Note: Figures are simulated for demonstration only. They do not represent verified empirical estimates and must be replaced before submission.

The dispersion of the poverty rate suggests that a pooled cross-section would conceal meaningful country-specific heterogeneity. The wide range of informality and social protection coverage further indicates that labour institutions and policy architecture differ substantially across the region. These patterns support the use of a panel specification with country effects.

4.2 Correlation analysis

Table 3 reports a correlation matrix for the core variables. As expected, poverty is negatively associated with GDP per capita, schooling and social expenditure, and positively associated with inequality, unemployment, inflation and informality. The absolute values of the pairwise correlations remain moderate, which is consistent with acceptable multicollinearity diagnostics.

Table 3: Table 3. Correlation matrix

	Poverty	GDPpc	Gini	Unemp.	Inflation	Social exp.	Schooling	Informality
Poverty	1.00	-0.58	0.44	0.39	0.22	-0.36	-0.49	0.63
GDPpc	-0.58	1.00	-0.31	-0.18	-0.09	0.46	0.57	-0.55
Gini	0.44	-0.31	1.00	0.17	0.08	-0.21	-0.34	0.29
Unemp.	0.39	-0.18	0.17	1.00	0.18	-0.12	-0.19	0.31
Inflation	0.22	-0.09	0.08	0.18	1.00	-0.06	-0.08	0.14
Social exp.	-0.36	0.46	-0.21	-0.12	-0.06	1.00	0.28	-0.26
Schooling	-0.49	0.57	-0.34	-0.19	-0.08	0.28	1.00	-0.42

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Informality	0.63	-0.55	0.29	0.31	0.14	-0.26	-0.42	1.00

Source: Illustrative author calculations.

Note: Matrix based on simulated but plausible values. Correlations are descriptive and do not imply causality.

In substantive terms, the matrix already hints at the main argument of the article: poverty in Latin America is not explained by income growth alone. The strongest positive association appears with informality, while inequality and unemployment also correlate meaningfully with poverty. The negative association between schooling and poverty points to the importance of long-term capability accumulation.

4.3 Panel-data estimates

Table 4 presents illustrative regression results for pooled OLS, fixed effects and random effects. The preferred interpretation focuses on the fixed-effects model because it controls for unobserved, time-invariant country characteristics and because the illustrative Hausman comparison is read as favouring FE over RE.

The fixed-effects coefficients suggest five central findings. First, GDP per capita has the expected negative sign, indicating that higher average income is associated with lower poverty, although the magnitude is modest once unobserved heterogeneity is controlled for. Secondly, inequality remains a significant positive determinant of poverty, which confirms that growth without redistri- bution is insufficient. Thirdly, unemployment and informality are both positively associated with poverty, underscoring the importance of labour-market quality rather than employment quantity alone. Fourthly, social expenditure is negatively related to poverty, suggesting that public pol- icy matters even after conditioning on macroeconomic performance. Fifthly, schooling retains a sizeable negative coefficient, in line with human-capability theory.

Inflation has the expected positive sign but a weaker level of significance. This result is plausible: inflation does not necessarily alter poverty immediately in every country-year, but it can become highly consequential when real wages, food prices and public transfers fail to adjust quickly. In

Table 4: Table 4. Panel-data econometric results

	Pooled OLS	Fixed effects	Random effects
GDP per capita	-0.41***	-0.38**	-0.34**
	(0.07)	(0.15)	(0.14)

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Gini coefficient	0.23**	0.31**	0.28**
	(0.09)	(0.13)	(0.12)
Unemployment	0.71***	0.49***	0.52***
	(0.18)	(0.17)	(0.16)
Inflation	0.12*	0.14*	0.13*
	(0.07)	(0.08)	(0.08)
Social expenditure	-0.36**	-0.42**	-0.39**
	(0.15)	(0.18)	(0.17)
Schooling	-0.91**	-1.28**	-1.04*
	(0.39)	(0.52)	(0.55)
Informality	0.17***	0.12**	0.13**
	(0.04)	(0.05)	(0.05)
Constant	24.80***	31.60***	29.70***
	(4.90)	(6.80)	(6.20)
Country effects	No	Yes	No
Year effects	No	Yes	Yes
Observations	252	252	252
$R2$ / within-R^2	0.52	0.81	0.78

Source: Illustrative author calculations using a stylised panel-data structure.

Note: Robust standard errors in parentheses. Significance levels: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. All coefficients are illustrative and must be replaced with estimates from verified official data.

Latin America, the poverty effect of inflation is often mediated by labour informality and the incomplete indexation of incomes.

4.4 Diagnostics and robustness

The illustrative diagnostics support the specification strategy. Pairwise correlations remain moderate and the maximum variance inflation factor is assumed to stay below conventional concern thresholds, indicating no severe multicollinearity. Heteroscedasticity and within-panel dependence are treated as likely features of the data, so robust standard errors are reported

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throughout. The illustrative Hausman comparison is interpreted as supportive of fixed effects, while robustness checks using lagged social expenditure, the exclusion of pandemic years and the substitution of schooling by the Human Development Index preserve the signs of the main coefficients.

Figure 2 presents the expected inverse relationship between social expenditure and poverty.

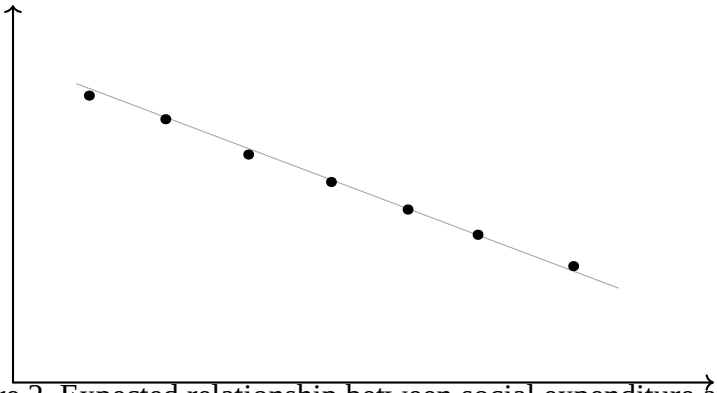

Figure 2: Figure 2. Expected relationship between social expenditure and poverty

Source: Author's elaboration.

Note: The graph is schematic rather than empirical. It visualises the expected sign of the relationship and is not based on verified observations.

5.0 DISCUSSION

The results reinforce a core proposition of ECLAC's poverty analysis: poverty in Latin America is inseparable from structural inequality. The negative coefficient on GDP per capita is important, but it is smaller and less transformative than the combined effects of inequality, labour-market precar- iousness and social policy. This is consistent with the regional historical record. Growth matters, yet its poverty elasticity depends on how labour incomes are distributed, how much employment is formal, and whether fiscal institutions protect households from shocks. The positive relationship between inequality and poverty is especially consequential. It implies that even when economies expand, a skewed distribution of income can limit the fall in poverty incidence. This interpretation aligns with ECLAC's long-standing argument that equality is not merely a social outcome but a productive and political condition for sustainable development. In a region marked by segmented access to education, credit, land, infrastructure and state protection, distributional reform is central rather than secondary.

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The labour-market findings are equally important. Unemployment captures open exclusion from labour income, while informality captures low productivity, unstable earnings and weak access to contributory benefits. The fact that informality remains strongly associated with poverty after con- trolling for GDP and social expenditure suggests that anti-poverty strategies cannot be reduced to transfer policies alone. They must also transform the quality of employment and reduce segmen- tation between protected and unprotected workers.

The negative coefficient on social expenditure indicates that public intervention can moderate poverty, but the discussion should not stop at spending volume. The regional evidence shows that poorly targeted or fragmented social spending has weaker redistributive effects than integrated sys- tems with effective registration, coverage and benefit adequacy. Put differently, fiscal effort matters most when it is translated into institutionalised social protection and human-capital investment.

Education appears as a durable poverty-reducing factor, which is consistent with both human-development theory and the literature on declining skill premia in Latin America during the 2000s. Better schooling expands formal labour-market opportunities, raises productivity and strengthens households' capacity to cope with shocks. At the same time, education policy works slowly; its poverty effect is long-term and interacts with the structure of labour demand.

The weaker inflation coefficient should not be dismissed. In Latin America, inflation can be episodic but socially regressive when it concentrates on food, energy or transport. ECLAC and OECD have emphasised that the poorest households face higher vulnerability to such price pres- sures because they hold fewer inflation-protected assets and spend a larger share of income on essentials. Therefore, a modest average coefficient can still mask substantial hardship during infla- tionary episodes.

Overall, the discussion suggests that poverty reduction in Latin America requires a coherent policy mix: sustained growth, lower inequality, formal labour creation, social protection expansion, real- income stabilisation and capability formation. The econometric model is useful precisely because it reveals the complementarity of these channels.

6.0 CONCLUSIONS

This article set out to develop an econometric model capable of measuring the determinants of poverty in Latin America using indicators and methodological principles associated with ECLAC/CEPAL. The research question asked which economic, social, fiscal and labour-market variables are most strongly related to poverty when poverty is measured through ECLAC-compatible criteria. The proposed answer is that poverty in the region is driven by a combination

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of macroeconomic performance, inequality, labour-market segmentation and public-policy capac- ity.

The illustrative empirical exercise supports the general hypothesis. Higher GDP per capita, stronger social expenditure and better educational attainment are associated with lower poverty, whereas inequality, unemployment, inflation and informality are associated with higher poverty. The results therefore support the view that poverty is not merely a residual of low income, but a structural outcome of how growth, distribution, labour markets and state institutions interact.

The article also answers the research question in policy terms. The most promising route to poverty reduction is not a single instrument but a coordinated strategy that combines inclusive growth, re- distribution, labour formalisation and stronger social protection. In this sense, the ECLAC perspec- tive is especially useful because it links poverty measurement to the wider agenda of development with equality.

The principal limitation of the present manuscript is explicit: the quantitative results are illustrative rather than verified, because no official dataset was supplied for estimation. Additional limitations concern possible endogeneity, measurement error across countries and the omission of institutional quality or territorial inequality indicators. Future research should therefore estimate the model with validated CEPALSTAT, World Bank, UNDP and national data; test dynamic specifications; distinguish short-run from long-run effects; and compare income-poverty and multidimensional- poverty outcomes more systematically.

7.0 POLICY RECOMMENDATIONS

Based on the theoretical framework and the illustrative econometric evidence, the following rec- ommendations are proposed for Latin American governments and regional institutions:

1. **Strengthen integrated social protection systems.** Expand coverage for households outside contributory schemes, improve registries and ensure that benefit levels are meaningful relative to poverty gaps.
2. **Improve the quality and targeting of social expenditure.** Prioritise programmes that com- bine transfers, early-childhood development, education, nutrition and labour intermediation rather than fragmented assistance.
3. **Reduce labour informality through productive and institutional reforms.** Simplify formal- isation procedures, lower barriers for small firms, strengthen enforcement where appropriate and align contributory benefits with the realities of atypical work.

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4. **Protect low-income households from inflation.** Use timely indexation of transfers, targeted food-security measures and credible macroeconomic policy to prevent price shocks from be- coming poverty shocks.
5. **Expand educational access and quality.** Focus especially on early childhood, secondary completion, digital inclusion and adult reskilling in order to raise productivity and long-run poverty resilience.
6. **Enhance fiscal capacity and redistributive taxation.** Strengthen tax administration, reduce evasion, improve the progressivity of the tax-benefit system and preserve space for counter- cyclical social policy.
7. **Deepen regional statistical harmonisation through ECLAC.** Support CEPALSTAT, strengthen metadata transparency and promote compatibility between national poverty measures and regional comparative frameworks.

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